



# **SELVITA S.A. GROUP**

## **INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**Prepared for the period of 6 months  
from 01/01/2020  
to 30/06/2020**

in accordance with the International Financial Reporting Standards  
as endorsed by the European Union,  
together with the independent auditor's review report

*It is the translation of Polish original document*

| <b>Table of Contents</b>                               | <b>Page</b> |
|--|-------------|
| Interim consolidated statement of comprehensive income | 3           |
| Interim consolidated statement of financial position   | 4           |
| Interim consolidated statement of changes in equity    | 5           |
| Interim consolidated statement of cash flows           | 6           |
| Notes to the interim consolidated financial statements | 7           |

## Notes to the Interim Consolidated Financial Statements

Page

|    |   |    |
|----|---|----|
| 1  | General information                             | 8  |
| 2  | International Financial Reporting Standards     | 11 |
| 3  | Summary of significant accounting policies      | 13 |
| 4  | Significant accounting judgements and estimates | 28 |
| 5  | Sales revenue                                   | 31 |
| 6  | Operating segments                              | 34 |
| 7  | Finance income                                  | 37 |
| 8  | Finance cost                                    | 37 |
| 9  | Other operating income and expenses             | 38 |
| 10 | Income taxes on continuing operations           | 39 |
| 11 | Earnings per share                              | 43 |
| 12 | Tangible fixed assets                           | 44 |
| 13 | Goodwill  | 47 |
| 14 | Other intangible assets                         | 48 |
| 15 | Subsidiaries                                    | 49 |
| 16 | Investments in associates                       | 51 |
| 17 | Non-controlling investments                     | 52 |
| 18 | Other long-term assets                          | 53 |
| 19 | Inventories                                     | 53 |
| 20 | Other financial assets                          | 54 |
| 21 | Trade and other receivables                     | 56 |
| 22 | Leases  | 57 |
| 23 | Share capital                                   | 59 |
| 24 | Credit facilities and loans                     | 61 |
| 25 | Provisions                                      | 62 |
| 26 | Trade and other liabilities                     | 62 |

|    |   |    |
|----|---|----|
| 27 | Liabilities due to retirement benefits  | 62 |
| 28 | Financial instruments   | 63 |
| 29 | Accrued costs and deferred income   | 69 |
| 30 | Related party transactions  | 70 |
| 31 | Business combinations   | 72 |
| 32 | Cash and cash equivalents   | 72 |
| 33 | Average headcount in the Group  | 72 |
| 34 | Capital commitments   | 73 |
| 35 | Contingent liabilities and assets   | 73 |
| 36 | Remuneration of the statutory auditor or audit company  | 73 |
| 37 | Notes on the consolidated statement of cash flow  | 74 |
| 38 | Agreements entered into by the Group and not presented on the balance sheet   | 74 |
| 39 | Major events pertaining to prior years and presented in the consolidated financial statements for the current year        | 74 |
| 40 | Significant event of the reporting period   | 74 |
| 41 | Major events after the end of the reporting period which have not been presented in the consolidated financial statements | 75 |
| 42 | Financial statements of Selvita Ltd., UK – release from the audit obligation  | 75 |
| 43 | Approval of the financial statements  | 75 |

**INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY 2020 TO 30 JUNE 2020**

|   | Note | 6 month<br>period ended<br>on 30/06/2020 | 3 month<br>period ended<br>on 30/06/2020 | Period<br>from 22/03/2019<br>to 30/06/2019 | 3 month<br>period ended<br>on 30/06/2019 |
|---|------|--|--|--|--|
|   |      | PLN                                      | PLN                                      | PLN  | PLN                                      |
| <b>Continuing operations</b>  |      |  |  |  |  |
| Sales revenue   | 5    | 65,149,220                               | 35,423,585                               | -  | -  |
| Grant income  | 5    | 2,284,294                                | 1,158,614                                | -  | -  |
| <b>Total operating revenue</b>  |      | <b>67,433,514</b>                        | <b>36,582,199</b>                        | -  | -  |
| Amortization and depreciation   | 5    | (5,859,676)                              | (3,034,544)                              | -  | -  |
| Consumption of materials and supplies   |      | (9,847,257)                              | (5,271,029)                              | -  | -  |
| External services   | 5    | (8,500,809)                              | (4,833,442)                              | (180,247)                                  | (180,247)                                |
| Employee benefit expense  | 5    | (31,796,954)                             | (17,217,366)                             | -  | -  |
| Other expenses  |      | (1,098,721)                              | (476,954)                                | -  | -  |
| Taxes and charges   |      | (531,342)                                | (287,614)                                | (7,400)                                    | (7,335)                                  |
| Impairment loss on trade receivables  |      | (38,872)                                 | (38,872)                                 | -  | -  |
| <b>Total operating expenses</b>   |      | <b>(57,673,631)</b>                      | <b>(31,159,821)</b>                      | <b>(187,647)</b>                           | <b>(187,582)</b>                         |
| Other operating revenue   | 9    | 239,813                                  | 94,463                                   | -  | -  |
| Other operating expenses  | 9    | (32,712)                                 | (31,381)                                 | -  | -  |
| <b>Operating profit</b>   |      | <b>9,966,984</b>                         | <b>5,485,460</b>                         | <b>(187,647)</b>                           | <b>(187,582)</b>                         |
| Financial revenue   | 7    | 260,429                                  | 223,741                                  | 4,225                                      | 4,225                                    |
| Financial expenses  | 8    | (755,316)                                | (597,708)                                | -  | -  |
| <b>Profit on business activities</b>  |      | <b>9,472,097</b>                         | <b>5,111,493</b>                         | <b>(183,422)</b>                           | <b>(183,357)</b>                         |
| <b>Profit before income tax</b>   |      | <b>9,472,097</b>                         | <b>5,111,493</b>                         | <b>(183,422)</b>                           | <b>(183,357)</b>                         |
| Income tax expense  | 10   | (58,687)                                 | 634,153                                  | -  | -  |
| <b>Net profit on continuing operations</b>  |      | <b>9,413,410</b>                         | <b>5,745,646</b>                         | <b>(183,422)</b>                           | <b>(183,357)</b>                         |
| <b>NET PROFIT</b>   |      | <b>9,413,410</b>                         | <b>5,745,646</b>                         | <b>(183,422)</b>                           | <b>(183,357)</b>                         |
| <b>Net other comprehensive income</b>   |      |  |  |  |  |
| <b>Items to be reclassified to profit or loss in the ensuing reporting periods:</b> |      |  |  |  |  |
| Foreign subsidiaries results translation differences                                |      | 119,978                                  | (72,350)                                 | -  | -  |
| <b>Total net other comprehensive income</b>   |      | <b>119,978</b>                           | <b>(72,350)</b>                          | -  | -  |
| <b>TOTAL INCOME FOR THE PERIOD</b>  |      | <b>9,533,388</b>                         | <b>5,673,296</b>                         | <b>(183,422)</b>                           | <b>(183,357)</b>                         |
| Net profit attributed to:   |      |  |  |  |  |
| Majority shareholders   |      | 8,793,636                                | 5,381,792                                | (183,422)                                  | (183,357)                                |
| Non-controlling shareholders  |      | 619,774                                  | 363,854                                  | -  | -  |
| Total income attributed to:   |      |  |  |  |  |
| Majority shareholders   |      | 8,913,614                                | 5,309,442                                | (183,422)                                  | (183,357)                                |
| Non-controlling shareholders  |      | 619,774                                  | 363,854                                  | -  | -  |
| <b>Earnings per share</b>   |      |  |  |  |  |
| <b>(expressed in PLN cents per share)</b>   |      |  |  |  |  |
| With continued and discontinued operations:   |      |  |  |  |  |
| Basic   |      | 55.0                                     | 33.5                                     | n/a  | n/a                                      |
| Diluted   |      | 55.0                                     | 33.5                                     | n/a  | n/a                                      |

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
PREPARED AS AT 30 JUNE 2020**

|   | Note  | Balance as at<br>30/06/2020 | Balance as at<br>31/12/2019 * |
|---|-------|-----------------------------|-------------------------------|
|   |       | PLN                         | PLN                           |
| <b>ASSETS</b>   |       |                             |                               |
| <b>Non-current assets</b>                                 |       |                             |                               |
| Tangible fixed assets                                     | 12    | 10,887,208                  | 10,282,357                    |
| Lease assets  | 22    | 31,514,641                  | 24,927,169                    |
| Goodwill  | 13    | 280,740                     | 280,740                       |
| Other intangible assets                                   | 14    | 621,400                     | 588,229                       |
| Deferred tax asset  | 10    | 9,880,147                   | 8,520,949                     |
| Other assets  | 18    | 343,335                     | 343,335                       |
| <b>Total non-current assets</b>                           |       | <b>53,527,471</b>           | <b>44,942,779</b>             |
| <b>Current assets</b>                                     |       |                             |                               |
| Inventory   | 19    | 1,356,549                   | 1,184,882                     |
| Short-term receivables                                    | 21    | 36,518,778                  | 25,854,362                    |
| Contract assets   | 5.3   | 6,902,403                   | 4,226,665                     |
| Other assets  | 20.1  | 980,785                     | 1,010,222                     |
| Cash and other monetary assets                            | 32    | 104,195,739                 | 13,667,930                    |
| <b>Total current assets</b>                               |       | <b>149,954,254</b>          | <b>45,944,061</b>             |
| <b>Total assets</b>                                       |       | <b>203,481,725</b>          | <b>90,886,840</b>             |
| <b>EQUITY AND LIABILITIES</b>                             |       |                             |                               |
| <b>Equity</b>   |       |                             |                               |
| Share capital   | 23    | 14,684,379                  | 12,876,983                    |
| Share premium   |       | 86,448,193                  | 2,888,750                     |
| Reserve capital resulting from the acquisition of OPE     | 23    | 22,993,414                  | 22,993,414                    |
| Other reserve capitals                                    | 23    | -                           | (2,988,750)                   |
| Currency differences on translation of foreign operations |       | 58,024                      | (61,954)                      |
| Retained earnings / Accumulated losses                    |       | 5,523,002                   | -                             |
| Net profit for the period                                 |       | 8,793,636                   | 5,523,002                     |
| <b>Equity attributed to majority shareholders</b>         |       | <b>138,500,648</b>          | <b>41,231,445</b>             |
| Equity attributed to non-controlling shareholders         | 17    | 4,057,121                   | 3,437,347                     |
| <b>Total equity</b>                                       |       | <b>142,557,769</b>          | <b>44,668,792</b>             |
| <b>Long-term liabilities</b>                              |       |                             |                               |
| Lease liabilities   | 28.8  | 22,882,677                  | 18,446,344                    |
| Liabilities due to retirement benefits                    | 27    | 235,877                     | 103,028                       |
| Deferred tax provision                                    | 10    | 3,428,053                   | 2,939,627                     |
| Deferred income   | 29.2  | 86,015                      | 99,546                        |
| <b>Total long-term liabilities</b>                        |       | <b>26,632,622</b>           | <b>21,588,545</b>             |
| <b>Short-term liabilities</b>                             |       |                             |                               |
| Trade and other liabilities                               | 26    | 15,579,936                  | 11,001,479                    |
| Contract liabilities                                      | 5.3   | 850,729                     | 557,787                       |
| Lease liabilities   | 28.8  | 8,771,562                   | 6,629,069                     |
| Short-term loans and bank credits                         | 24;32 | 7,297                       | 6,989                         |
| Current tax liabilities                                   | 10;26 | 370,521                     | 229,198                       |
| Short-term provisions                                     | 25    | -                           | -                             |
| Accruals  | 29.1  | 8,589,316                   | 5,713,501                     |
| Deferred income   | 29.2  | 121,973                     | 491,480                       |
| <b>Total short-term liabilities</b>                       |       | <b>34,291,334</b>           | <b>24,629,503</b>             |
| <b>Total liabilities</b>                                  |       | <b>60,923,956</b>           | <b>46,218,048</b>             |
| <b>Total equity and liabilities</b>                       |       | <b>203,481,725</b>          | <b>90,886,840</b>             |

\* transformed, please refer to Note 23.1

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE REPORTING PERIOD ENDED 30 JUNE 2020**

|  | Note | Share capital     | Share premium     | Reserve capital resulting from the acquisition of OPE | Other Reserve capital * | Currency differences on translation of foreign operations | Retained earnings / Accumulated losses | Net profit for the period | Equity attributed to majority shareholders | Equity attributed to non-controlling shareholders | Total equity       |
|--|------|-------------------|-------------------|---|-------------------------|---|--|---------------------------|--|---|--------------------|
|  |      | PLN               | PLN               | PLN   |                         | PLN   | PLN                                    | PLN                       | PLN  | PLN   | PLN                |
| <b>Balance as at 1 January 2020</b>    |      | <b>12,876,983</b> | <b>2,888,750</b>  | <b>22,993,414</b>                                     | <b>(2,988,750)</b>      | <b>(61,954)</b>   | -                                      | <b>5,523,002</b>          | <b>41,231,445</b>                          | <b>3,437,347</b>                                  | <b>44,668,792</b>  |
| Net profit for the period              |      | -                 | -                 | -   | -                       | -   | 8,793,636                              | 8,793,636                 | 619,774                                    | -   | 9,413,410          |
| Share issuance                         | 23   | 1,907,396         | 86,448,193        | -   | -                       | -   | -                                      | -                         | 88,355,589                                 | -   | 88,355,589         |
| Other comprehensive income             |      | -                 | -                 | -   | -                       | 119,978   | -                                      | -                         | 119,978                                    | -   | 119,978            |
| Transfer of result from previous years |      | -                 | -                 | -   | -                       | -   | 5,523,002                              | (5,523,002)               | -  | -   | -                  |
|  |      | <b>14,784,379</b> | <b>89,336,943</b> | <b>22,993,414</b>                                     | <b>(2,988,750)</b>      | <b>58,024</b>   | <b>5,523,002</b>                       | <b>8,793,636</b>          | <b>138,500,648</b>                         | <b>4,057,121</b>                                  | <b>142,557,769</b> |
| Redemption of shares                   |      | (100,000)         | (2,888,750)       | -   | 2,988,750               | -   | -                                      | -                         | -  | -   | -                  |
| <b>Balance as at 30 June 2020</b>      |      | <b>14,684,379</b> | <b>86,448,193</b> | <b>22,993,414</b>                                     | -                       | <b>58,024</b>   | <b>5,523,002</b>                       | <b>8,793,636</b>          | <b>138,500,648</b>                         | <b>4,057,121</b>                                  | <b>142,557,769</b> |
| <b>Balance as at 22 March 2019</b>     |      | -                 | -                 | -   | -                       | -   | -                                      | -                         | -  | -   | -                  |
| Issue of shares                        | 23   | 100,000           | 2,888,750         | -   | -                       | -   | -                                      | -                         | 2,988,750                                  | -   | 2,988,750          |
| Commitment to redeem                   |      | -                 | -                 | -   | (2,988,750)             | -   | -                                      | -                         | (2,988,750)                                | -   | (2,988,750)        |
| Net profit for the period              |      | -                 | -                 | -   | -                       | -   | -                                      | (183,357)                 | (183,357)                                  | -   | (183,357)          |
| <b>Balance as at 30 June 2019</b>      |      | <b>100,000</b>    | <b>2,888,750</b>  | -   | <b>(2,988,750)</b>      | -   | -                                      | <b>(183,357)</b>          | <b>(183,357)</b>                           | -   | <b>(183,357)</b>   |

\* transformed, please refer to Note 23.1

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD FROM 1 JANUARY 2020 TO 30 JUNE 2020**

|  | Note | 6 month period<br>ended on<br>30/06/2020 | Period from<br>22/03/2019 to<br>30/06/2019 |
|--|------|--|--|
|  |      | PLN                                      | PLN  |
| <b>Cash flows from operating activities</b>                                |      |  |  |
| <b>Profit for the period</b>   |      | <b>9,413,410</b>                         | <b>(183,422)</b>                           |
| <b>Adjustments:</b>  |      |  |  |
| Amortization and depreciation and impairment losses on fixed assets        |      | 5,859,676                                | -  |
| Exchange gains (losses)  |      | 34,818                                   | -  |
| Interest and profit-sharing (dividends), net                               |      | 137,288                                  | (4,225)                                    |
| Change in receivables  |      | (13,340,154)                             | (690)                                      |
| Change in inventory  |      | (171,667)                                | -  |
| Change in short-term liabilities and provision excluding credits and loans |      | 5,012,722                                | 177,000                                    |
| Change in deferred income  |      | 2,492,777                                | -  |
| Change in provisions   |      | 621,275                                  | -  |
| Change in other assets   |      | (1,362,932)                              | -  |
| <b>Net cash flows from operating activities</b>                            |      | <b>8,697,213</b>                         | <b>(11,337)</b>                            |
| <b>Cash flows from investing activities</b>                                |      |  |  |
| Purchase of tangible and intangible fixed assets                           |      | (3,206,823)                              | -  |
| Cash received from the purchase of OPE                                     |      | -  | -  |
| Interest received  |      | 12,529                                   | 485  |
| Repayment of loans   |      | -  | -  |
| Loans granted  |      | -  | -  |
| <b>Net cash flows from investing activities</b>                            |      | <b>(3,194,294)</b>                       | <b>485</b>                                 |
| <b>Cash flows from financing activities</b>                                |      |  |  |
| Proceeds from shares issuance  |      | 90,601,310                               | 2,988,750                                  |
| Costs of share issuance  |      | (2,245,721)                              | -  |
| Repayment of finance lease liabilities                                     |      | (3,181,190)                              | -  |
| Proceeds from credits and loans  |      | 7,297                                    | -  |
| Repayment of credits and loans   |      | (6,989)                                  | -  |
| Interest paid  |      | (149,817)                                | -  |
| <b>Net cash flows from financing activities</b>                            |      | <b>85,024,890</b>                        | <b>2,988,750</b>                           |
| Net increase in cash and cash equivalents                                  |      | 85,154,948                               | 2,977,898                                  |
| Cash and cash equivalents at the beginning of the period                   |      | 13,667,930                               | -  |
| Net currency differences on cash and cash equivalents                      |      | -  | -  |
| <b>Cash and cash equivalents at the end of the period</b>                  | 32   | <b>98,822,878</b>                        | <b>2,977,898</b>                           |

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS PREPARED AS AT 30 JUNE 2020

### 1. General information

The interim financial result may not fully reflect the realizable financial result for the financial year.

#### 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.

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

#### Management Board:

|                                |   |  |
|--------------------------------|---|--|
| Bogusław Stanisław Sieczkowski | - | President of the Management Board      |
| Miłosz Kazimierz Gruca         | - | Vice-President of the Management Board |
| Edyta Barbara Jaworska         | - | Member of the Management Board         |
| Mirosława Monika Zydroń        | - | Member of the Management Board         |
| Dariusz Tomasz Kurdas          | - | Member of the Management Board         |
| Dawid Patryk Radziszewski      | - | Member of the Management Board         |

#### Supervisory Board:

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

As at 30 June 2020, the shareholder structure of the parent company was as follows:

|   | Registered office | Number of shares  | Percentage interest in capital | Percentage share in voting rights |
|---|-------------------|-------------------|--------------------------------|-----------------------------------|
| Paweł Tadeusz Przewięźlikowski  | Poland            | 4,990,880         | 27.19%                         | 37.90%                            |
| Bogusław Stanisław Sieczkowski  | Poland            | 924,384           | 5.04%                          | 6.58%                             |
| Nationale -Nederlanden Open-End Pension Fund and Nationale - Nederlanden Voluntary Pension Fund | Poland            | 1,594,749         | 8.69%                          | 7.12%                             |
| Other shareholders (less than 5% of votes at the GM)  |                   | 10,845,461        | 59.08%                         | 48.40%                            |
| <b>Total</b>  |                   | <b>18,355,474</b> | <b>100.00%</b>                 | <b>100.00%</b>                    |

As at 31 December 2019, the shareholder structure of the parent company was as follows:

|   | Registered office | Number of shares  | Percentage interest in capital | Percentage share in voting rights |
|---|-------------------|-------------------|--------------------------------|-----------------------------------|
| Paweł Tadeusz Przewięźlikowski  | Poland            | 4,990,880         | 31.25%                         | 42.41%                            |
| Bogusław Stanisław Sieczkowski  | Poland            | 924,384           | 5.79%                          | 7.36%                             |
| Nationale -Nederlanden Open-End Pension Fund and Nationale - Nederlanden Voluntary Pension Fund | Poland            | 1,594,749         | 9.99%                          | 7.97%                             |
| Augebit Investment Fund   |                   | 1,039,738         | 6.51%                          | 5.19%                             |
| Other shareholders (less than 5% of votes at the GM)  |                   | 7,421,478         | 46.46%                         | 37.07%                            |
| <b>Total</b>  |                   | <b>15,971,229</b> | <b>100.00%</b>                 | <b>100.00%</b>                    |

## 1.2. The Capital Group

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

In the 6-month period ended June 30, 2020, there were no changes in the composition of the Group as compared to December 31, 2019.

|  | Registered Office | % of capital held  | % of voting rights |
|--|-------------------|--------------------|--------------------|
|  |                   | As at 30 June 2020 |                    |
| 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            | 47.69%             | 54.73%             |

The duration of the Capital Group companies is not fixed. The financial statements of all controlled entities have been prepared for the same reporting period as the financial statements of the parent, using consistent accounting principles.

The calendar year is the financial year of the parent company. The consolidation of subsidiaries covers the period from 01/01/2020 to 30/06/2020, 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.

## 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 full Polish zlotys unless it is stated otherwise.

## 1.4. Split of Ryvu Therapeutics S.A. (formerly Selvita S.A.)

On 19.09.2019, the Extraordinary General Meeting of Ryvu Therapeutics S.A. with its registered office in Kraków ("Divided Company"), acting pursuant to Article 541 § 1 - § 7 CCC in connection with Article 528 § 1 CCC, 529 § 1 item 4) of the CCC in connection with Article 530 § 2 of the Commercial Companies Code, Article 393 item 3) of the Commercial Companies Code and § 19 section 1 item o) of its Status decided to divide the Divided Company and transfer to Selvita SA (formerly operating under the name Selvita CRO SA) part of the property of Ryvu Therapeutics S.A., as part of which carried out service activities in the field of biotechnology consisting in the provision of laboratory research and development services ranging from computer and chemical design of molecules, through their chemical synthesis, ending with analytical work and preclinical studies commissioned by, inter alia, pharmaceutical, biotechnological and chemical companies, creating organizationally and financially separate set of intangible assets, intended for conducting business activity, constituting an Organized Part of Enterprise of the Divided Company presented in its financial statements as the Service and Bioinformatics Segment.

On 1/10/2019, the District Court for Kraków-Śródmieście in Kraków, 11th Commercial Division of the National Court Register made an entry in the Register of Entrepreneurs of the National Court Register to increase the share capital of Selvita S.A. with its registered office in Kraków (formerly operating under the name: Selvita CRO SA) (hereinafter: the "Acquiring Company") from PLN 100,000.00 (one hundred thousand zlotys) to PLN 12,876,983.20 (twelve million eight hundred seventy six thousand nine hundred and eighty three zloty and twenty groszy), i.e. by PLN 12,776,983.20 (twelve million seven hundred seventy-six thousand nine hundred and eighty-three zloty and twenty groszy) through the issue of 15,971,229 shares, including:

1) 4,050,000 Series A registered shares with a nominal value of PLN 0.80 (eighty groszy) each, preferential in voting rights, in such a way that each share of this series has two votes at the general meeting of that company;

2) 11,921,229 series B ordinary bearer shares with a nominal value of PLN 0.80 (eighty groszy) each ("Registration of the Capital Increase"),

In relation to the split of Ryvu Therapeutics pursuant to art. 529 § 1 item 4 of the Commercial Companies Code (division by spin-off), i.e. by transferring to the Acquiring Company part of the Issuer's assets in the form of an organized part of the enterprise comprising a set of tangible and intangible assets intended for the provision of service activities in the field of Contract Research Organization biotechnology and shares / shares in subsidiaries, i.e. BioCentrum sp. z oo, Selvita Services sp. z o.o., Ardigen SA, Selvita Ltd., Selvita Inc. ("Span-out Activity", "OPE").

As part of OPE, assets related to the operations of the service and bioinformatics segment were acquired.

The acquisition was accounted for by the method of adding up individual items of the respective assets and liabilities as at the date of the merger, which corresponded to the values of these items from the consolidated financial statements of the Divided Company as at the day prior to the acquisition, i.e. September 30, 2019. At the same time, Selvita S.A. recognized share capital in the amount of PLN 12.8 million, which resulted from the issue of shares transferred to the current owners of the Divided Company. As a result of the settlement of the division, the Group recognized non-controlling interests from holding 49.26% of shares in the acquired company Ardigen S.A. consolidated with the full method in the amount of PLN 3.1 million. Remaining amount from the settlement, i.e. PLN 23 million was recognized in supplementary capital.

The comparative data of ZCP for the period from March 22 to June 30, 2019 have not been presented due to the lack of fully reliable data.

## 2. International Financial Reporting Standards

### 2.1. Statement of compliance

These interim financial statements have been prepared in accordance with the requirements of the International Accounting Standard No. 34 "Interim Financial Reporting" endorsed by the EU ("IAS 34").

These interim consolidated financial statements for the period from January 1, 2020 to June 30, 2020 are complete financial statements containing disclosures in accordance with the International Financial Reporting Standards approved by the EU (hereinafter referred to as "IFRS"). As at the date of approval of these financial statements for publication, taking into account the ongoing process of introducing IFRS in the European Union, the IFRS applicable to these financial statements do not differ from the EU IFRS.

Some entities of the Group maintain their accounting books in accordance with the accounting policy (principles) specified by the Accounting Act of 29 September 1994 (the "Act") as amended and regulations issued on its basis ("Polish accounting standards"). The consolidated financial statements include adjustments not included in the accounting books of the Group entities introduced in order to bring the financial statements of these entities to comply with IAS 34.

The consolidated financial statements of the Group cover the financial period from January 1, 2020 to June 30, 2020 (which is subject to review by a certified auditor) and contain comparative data, which are data for the period from March 22, 2019 to June 30, 2019, and for in the case of data related to the statement of financial position, they include comparative data as at December 31, 2019. The statement of comprehensive income [and notes to the statement of comprehensive income] include data for the 3-month period ended June 30, 2020 and comparative data for the 3-month period ended on June 30, 2019 - have not been reviewed or audited by a statutory auditor.

### Status of IFRS endorsement by the EU

#### 2.2. Changes in the applied accounting principles

The accounting principles (policies) used to prepare these interim financial statements are consistent with those used in the preparation of the financial statements of the Group companies for the year ended December 31, 2019, except for the application of new or amended standards and interpretations applicable to annual periods starting from 1 January 2020 and later.

Other new or amended standards and interpretations that apply for the first time in 2020 do not have a material impact on the Group's consolidated interim financial statements.

##### a) Amendments to IFRS 3: Definition of a Business

Amendments to IFRS 3 specify that in order to be considered a business, an integrated set of activities and assets must include at least one input and one significant process, which together significantly contribute to the ability to create a product. These changes also make it clear that a business can exist without all the inputs and processes necessary to produce the outputs.

##### b) Amendments to IFRS 7, IFRS 9 and IAS 39: Reform of interest rate benchmarks

Amendments to IFRS 9 and IAS 39 introduce a number of exceptions to all hedging relationships directly affected by the IBOR reform. The IBOR reform affects a hedging relationship if it creates uncertainty about the timing and / or amount of the cash flows based on an interest rate benchmark arising from a hedged item or an interest rate benchmark hedging instrument.

##### c) Amendments to IAS 1 and IAS 8: Definition of "material"

Amendments to IAS 1 and IAS 8 introduce a new definition of the concept of "material", which states that "information is material if it can reasonably be expected that its omission, misstatement or non-transparency may affect decisions made by key users of general purpose financial statements. on the basis of that report that includes financial information relating to a specific reporting entity. ' The amendments clarify that materiality will depend on the nature or size of the information, individually or in combination with other information, in the context of the financial statements as a whole.

##### d) Conceptual framework for financial reporting as of March 29, 2018

The framework does not constitute a separate standard and none of the terms presented therein supersedes or overrides the terms set forth in any standard or the requirements of any standard. The purpose of the Framework is to assist the IASB in developing standards, to assist preparers in developing consistent accounting policies where there is no relevant standard, and to assist all parties to financial reporting in understanding and applying the standards. The updated conceptual framework includes some new concepts, updates the definitions and criteria for recognizing assets and liabilities, and refines some important concepts.

The Group has not decided to early apply any standard, interpretation or amendment that has been published but has not yet become effective under the European Union regulations.

### 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 6-month period ended June 30, 2020)

- IFRS 14 Regulatory Deferral Accounts (published on January 30, 2014) - in accordance with the decision of the European Commission, the approval process of the standard in its preliminary version will not be initiated before the publication of the final version - until the date of approval of these financial statements, not approved by the EU - applicable to annual periods beginning on or after January 1, 2016;
- Amendments to IFRS 10 and IAS 28: Transactions of sale or contribution of assets between an investor and its associate or joint venture (published on September 11, 2014) - the work leading to the approval of these amendments has been postponed indefinitely by the EU - the effective date has been postponed by the IASB for an indefinite period;
- IFRS 17 Insurance Contracts (published on May 18, 2017) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after January 1, 2023;
- Amendments to IAS 1: Presentation of financial statements - Division of liabilities into short-term and long-term (published on January 23, 2020) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on January 1, 2023 or later;
- Amendments to IFRS 3 Amendments to references to the Conceptual Framework (published on May 14, 2020) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after January 1, 2023;
- Amendments to IAS 16 Property, plant and equipment: revenues achieved before putting into use (published on May 14, 2020) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on January 1, 2022 or later;
- Amendments to IAS 37 Onerous Contracts - Costs of Meeting Contractual Obligations (published on May 14, 2020) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after January 1, 2022;
- Amendments resulting from the review of IFRS 2018-2020 (published on May 14, 2020) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after January 1, 2022;
- Amendment to IFRS 16 Leases: Covid-19 rental concessions (published on May 28, 2020) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after June 1, 2020. Earlier application is permitted, including for financial statements not approved for publication as of May 28, 2020.
- Amendments to IFRS 4 Insurance contracts - deferral of IFRS 9 (published on June 25, 2020) - until the date of approval of these financial statements not approved by the EU - applicable to annual periods beginning on January 1, 2021 or later.

The dates of entry into force are the dates resulting from the content of the standards announced by the International Financial Reporting Council. The dates of application of the standards in the European Union may differ from the dates of application arising from the content of the standards and are announced at the time of approval for use 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 foreseeable future. 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. Impact of the Covid-19 epidemic is described in note 40.

#### 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 6-month period ended June 30, 2020.

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. If, after subsequent verification, the net value of identifiable assets and liabilities measured as at the acquisition date exceeds the total amount of the consideration paid, the value of non-controlling interest in the acquiree and the fair value of shares in that entity that were held by the acquirer before, the surplus is recognized directly in profit or loss as a gain on a bargain purchase.

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.

Changes in the fair value of the contingent consideration which do not meet the measurement period adjustment criteria are accounted for depending on the classification of the contingent consideration. A contingent consideration classified as equity is not measured later on and its subsequent payment is recognized in equity. A contingent consideration classified as an asset or liability is subsequently revalued at the end of each reporting period in line with IAS 39 or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and the resulting gains or losses are recognized in profit or loss.

Where a business combination is achieved in stages, shares in the acquiree that were held by the Group before are measured at fair value as at the acquisition date and the resulting gain or loss is recognized in profit or loss. Amounts resulting from interest held in the acquiree before the acquisition date, previously recognized as other comprehensive income, are reclassified to profit or loss if such treatment were appropriate at the time of disposal of such interest.

If the initial accounting recognition of a business combination at the end of the reporting period in which it occurred is not complete, the Group presents provisional amounts relating to items which were not fully recognized in its financial statements. During the measurement period, the Group adjusts the provisional amounts recognized as at the acquisition date (see above) or recognizes additional assets or liabilities to reflect new facts and circumstances that existed as of the acquisition date and which, if known, would have had an effect on the recognition of the said amounts as at that 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 Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary, nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

Profit or loss, assets, and liabilities of associates are accounted for using the equity method, except for investments classified as held for sale, which are accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. In accordance with the equity method, investments in associates are initially recognized in the consolidated statement of financial position at cost and subsequently in the portion of profit or loss attributable to the Group or in other comprehensive income of the associate. If the Group's share in losses of an associate exceeds its interest in the associate (comprising long-term interest that is substantially a part of the net investment in that entity), the Group discontinues to recognize its share in further losses of the associate. Further losses are recognized only up to the value of the Group's legal or constructive obligations or payments made on behalf of the associate.

The surplus of the acquisition cost over the Group's share in the net value of identifiable assets, liabilities and contingent liabilities of an associate, recognized at the acquisition date, is recognized as goodwill and constitutes a component of the carrying amount of the investment. Any excess of the Group's share in the net value of the identifiable assets, liabilities and contingent liabilities over the acquisition cost is recognized directly in profit or loss after subsequent revision.

The Group ceases to apply the equity method when it loses significant influence on an associate or joint venture. The Group accounts for retained shares in accordance with IFRS 9, unless these shares enable further classification of this entity as an associate or joint venture; in such a case, the Group continues to apply the equity method.

In 202 and 2019, the Group did not have any shares in associates.

### 3.7 Interests in joint ventures

Not applicable.

### 3.8 Non-current assets held for sale

Not applicable.

### 3.9 Revenue recognition

#### 3.9.1 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 awarded: 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.

#### 3.9.2 Sales of goods and services

Revenues, except for 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.

The standard 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.

The Group uses two methods to measure the degree of total fulfillment of the obligation to perform the performance met over time, including:

- a) a results-based method, i.e. it recognizes revenues on the basis of a direct measurement of the value for the client of goods and services that have so far been transferred to the client, in relation to the other goods or services promised in the contract, by assessing the results achieved and the stages
- b) an input-based method, i.e. it recognizes revenue 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.

If the sum of contractual costs incurred on a given day and recognized profits less the recognized losses exceeds the invoiced value, the surplus is shown in the assets under the contract. If the value of invoiced costs on a given day exceeds the sum of contractual costs incurred on a given day and recognized profits less recognized losses, the surplus is shown in contractual obligations. The amounts received before carrying out the works to which they relate are recognized in the consolidated statement of financial position in liabilities as advances received. The amounts invoiced for completed works, but not yet paid by customers, are recognized in the consolidated statement of financial position in trade receivables and in net result.

### **3.10 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.

### 3.11 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.

##### 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.

##### 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.

### 3.12 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<br>30/06/2020 | As at<br>31/12/2019 |
|-----------|---------------------|---------------------|
| EUR / PLN | 4.4660              | 4.2585              |
| USD / PLN | 3.9806              | 3.7977              |
| GBP / PLN | 4.8851              | 4.9971              |
| CHF / PLN | 4.1818              | 3.9213              |
| JPY / PLN | 0.0370              | 0.0350              |
| SEK / PLN | 0.4249              | 0.4073              |

#### 3.12.1 Functional and presentation currency

The consolidated financial statements of the Group are presented in 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. The Group uses the direct consolidation method and has chosen a method of accounting for gains or losses on translation that is consistent with this method.

#### 3.12.2 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.

### 3.13 Borrowing costs

There were no borrowing costs in the current and previous financial year.

### 3.14 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.

### 3.15 Taxes

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

#### 3.15.1 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.

#### 3.15.2 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%.

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.

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

#### Uncertainty related to income tax recognition

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

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

#### 3.15.3 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. If the current or deferred tax results from initial recognition of a business combination, the tax effect is taken into consideration in the subsequent entries related to that business combination.

### 3.16 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 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 or the shorter of the useful life or the period of the right to use the assets, 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).

## 3.17 Intangible assets

### 3.17.1 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.

### 3.17.2 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.

### 3.17.3 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.

## 3.18 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.

### 3.19 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.

### 3.20 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).

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.

#### 3.20.1 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.

#### 3.20.2 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.

### 3.21 Trade and other receivables and other receivables

Receivables from sales of goods and services are recognized and disclosed according to the initially invoiced amounts, taking into account the write-down for expected credit losses in the entire lifetime.

If the effect of the time value of money is material, the value of receivables is determined by discounting the projected future cash flows to the present value using a discount rate that reflects current market assessments of the time value of money. If the discounting method was used, the increase in receivables due to the passage of time is recognized as financial income.

Other receivables include, in particular, advance payments for future purchases of property, plant and equipment, intangible assets and inventories. Advances are presented in accordance with the nature of the assets to which they relate - as fixed or current assets, respectively. Advances as non-monetary assets are not discounted.

Budget receivables are presented as other non-financial assets, with the exception of corporate income tax receivables, which constitute a separate item on the balance sheet.

### 3.22 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.

The Group has no balance on split payment accounts as at the balance sheet dates.

### 3.23 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.

### 3.24 Trade and other liabilities

Short-term trade liabilities are disclosed in the due amount.

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

As at June 30, 2020, no financial liabilities have been classified as measured at fair value through profit or loss. Financial liabilities measured 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 at fair value through profit or loss, which is recognized in other comprehensive income.

Other financial liabilities, which are not financial instruments at fair value through profit or loss, are measured at amortized cost using the effective interest method.

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

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

## 3.25 Financial instruments

### 3.25.1 Classification and initial recognition of financial instruments

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

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

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

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

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

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

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

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

#### Cessation of recognition

Financial assets are excluded from the books of accounts when:

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

#### Valuation after initial recognition

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

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

### **Financial assets measured at amortized cost**

A financial asset is measured at amortized cost if both of the following conditions are met:

(a) the financial asset is held in accordance with a business model whose purpose is to hold financial assets for obtaining contractual cash flows, and

(b) the terms of the contract relating to the financial asset give rise to cash flows on certain dates that are only repayment of principal and interest on the principal amount outstanding.

The Group classifies into the category of financial assets measured at amortized cost:

- trade receivables,
- loans granted that meet the SPPI classification test and which, according to the business model, are shown as held to obtain cash flows,
- cash and cash equivalents.

### **Financial assets at fair value through other comprehensive income**

A financial asset is measured at fair value through other comprehensive income, if both of the following conditions are met:

(a) the financial asset is held in accordance with a business model whose purpose is both to receive contractual cash flows and to sell financial assets; and

(b) the terms of the contract relating to the financial asset give rise to cash flows on certain dates that are only repayment of principal and interest on the principal amount outstanding.

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.

### **Equity instruments at fair value through other comprehensive income**

At the time of initial recognition, the Group may make an irrevocable choice regarding the recognition in subsequent comprehensive income of subsequent changes in the fair value of an investment in an equity instrument that is not held for trading or is not a conditional consideration recognized by the acquirer in a business combination to which IFRS 3 applies. Such selection is made separately for each equity instrument. Accumulated gains or losses previously recognized in other comprehensive income are not reclassified to profit or loss. Dividends are recognized in the statement of comprehensive income when the entity's entitlement to receive dividends arises, unless those dividends are obviously recovering part of the investment costs.

The Group classifies unlisted equity instruments as equity instruments measured at fair value through other comprehensive income.

### **Financial assets at fair value through profit or loss**

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

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

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

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

As at June 30, 2020, 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.

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.

### **3.25.2 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 calculation is based on the historic loss rate calculated on the basis of data on the payment of trade receivables in the period of 4 years corrected, in use, for future information. 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.

### **3.25.3 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. Due to the Management Board's judgment that there is reasonable assurance that the Group is able to meet all the conditions resulting from the subsidy agreements 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

Leasing judgments, where the Group is a lessee, in areas such as whether the contract contains leases, contracts for an indefinite period, using the option to extend or shorten the lease period are presented in note 2.5 and 3.11.

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 reassesses 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.

## **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.

### **4.2.1 Provisions for bonuses**

Provisions for bonuses are presented in Note 29. 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 3.16, the Group reviews the estimated useful lives of items of property, plant and equipment 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 3.9, 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 estimated total project costs may require that the stage of completion determined at the end of the reporting period, thus the revenue recognized by the Group, be determined again.

### **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.

### **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 Fair value of financial instruments**

The fair value of financial instruments for which there is no active market is determined using appropriate valuation techniques. When selecting the appropriate methods and assumptions, the Group is guided by professional judgment. The method of determining the fair value of individual financial instruments is presented in note 18.

#### **4.2.7 Depreciation rates**

The amount of depreciation rates is determined on the basis of the anticipated period of economic usability of tangible fixed assets and intangible assets. Every year, the Group verifies the adopted periods of economic usability based on current estimates.

#### **4.2.8 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 8,661 respectively.

#### **4.2.9 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 3.9.

## 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 valued in accordance with the cost-advanced method as long-term contracts. In the case of this type of contracts, the changes introduced by IFRS 15 may affect the amount of income as a result, which is why each of 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 Ryvu Therapeutics S.A.

Analysis of the Group's sales revenue for the period from 1 January 2020 to 30 June 2020:

|   | Period ended<br>30/06/2020 | Period from<br>01/04/2020 to<br>30/06/2020 | Period from<br>22/03/2019 to<br>30/06/2019 | Period from<br>01/04/2019 to<br>30/06/2019 |
|---|----------------------------|--|--|--|
|   | PLN                        | PLN  | PLN  | PLN  |
| Contract research - fixed priced agreements       | 20,239,682                 | 10,648,638                                 | -  | -  |
| Lease of employees - FTE agreements               | 42,340,146                 | 23,615,555                                 | -  | -  |
| Revenues from the sale of administrative services | 2,569,392                  | 1,159,392                                  | -  | -  |
| <b>Operating income (excluding grants)</b>        | <b>65,149,220</b>          | <b>35,423,585</b>                          | -  | -  |

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

In the reporting period, the Group signed some orders to be implemented in the form of contracts settled over time.

### 5.2. Revenues from subsidies

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

|                          | Period ended<br>30/06/2020 | Period from<br>01/04/2020 to<br>30/06/2020 | Period from<br>22/03/2019 to<br>30/06/2019 | Period from<br>01/04/2019 to<br>30/06/2019 |
|--------------------------|----------------------------|--|--|--|
|                          | PLN                        | PLN  | PLN  | PLN  |
| Infrastructure subsidies | 28,605                     | 10,089                                     | -  | -  |
| Grants for research      | 2,255,689                  | 1,148,525                                  | -  | -  |
|                          | <b>2,284,294</b>           | <b>1,158,614</b>                           | -  | -  |

### 5.3. Contract assets and liabilities

| The scope of changes of contract assets             | As at<br>30/06/2020 | As at<br>31/12/2019 |
|---|---------------------|---------------------|
|   | PLN                 | PLN                 |
| Balance at the beginning of the reporting period    | 4,226,665           | -                   |
| Agreements taken over as part of OPE                | -                   | 3,002,619           |
| Revenue accrued in proportion to the costs incurred | 10,755,084          | 8,028,916           |
| Invoiced revenues                                   | (8,079,346)         | (6,804,870)         |
| Balance at the end of the reporting period          | <b>6,902,403</b>    | <b>4,226,665</b>    |

| The scope of changes of contract liabilities     | As at<br>30/06/2020 | As at<br>31/12/2019 |
|--|---------------------|---------------------|
|  | PLN                 | PLN                 |
| Balance at the beginning of the reporting period | 557,787             | -                   |
| Agreements taken over as part of OPE             | -                   | 1,311,828           |
| Invoicing beyond the obligation to provide       | 27,986,450          | 18,929,987          |
| Execution of contracts without invoicing         | (27,693,508)        | (19,684,028)        |
| Balance at the end of the reporting period       | <b>850,729</b>      | <b>557,787</b>      |

## 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 |  |  |  |
|-----------------|---------------------------------|--|--|--|
|                 | Period ended<br>30/06/2020      | Period from<br>01/04/2020 to<br>30/06/2020 | Period from<br>22/03/2019 to<br>30/06/2019 | Period from<br>01/04/2019 to<br>30/06/2019 |
|                 | PLN                             | PLN  | PLN  | PLN  |
| Poland          | 3,736,523                       | 1,703,141                                  | -  | -  |
| EU members      | 26,272,074                      | 14,616,897                                 | -  | -  |
| USA             | 21,007,657                      | 11,572,628                                 | -  | -  |
| Other countries | 14,132,967                      | 7,530,920                                  | -  | -  |
| <b>Total</b>    | <b>65,149,220</b>               | <b>35,423,585</b>                          | -  | -  |

## 5.5. Operating expenses

| <b>5.5.1 Amortization and impairment</b>            | Period ended<br>30/06/2020 | Period from<br>01/04/2020 to<br>30/06/2020 | Period from<br>22/03/2019 to<br>30/06/2019 | Period from<br>01/04/2019 to<br>30/06/2019 |
|---|----------------------------|--|--|--|
|   | PLN                        | PLN  | PLN  | PLN  |
| Amortization of tangible assets                     | 2,187,519                  | 1,088,672                                  | -  | -  |
| Amortization of equipment usage rights              | 1,572,536                  | 881,332                                    | -  | -  |
| Amortization of intangible assets                   | 90,874                     | 51,849                                     | -  | -  |
| Amortization of rights to use the premises and cars | 2,008,747                  | 1,012,691                                  | -  | -  |
| <b>Total amortization expense</b>                   | <b>5,859,676</b>           | <b>3,034,544</b>                           | -  | -  |

| <b>5.5.2 Employee benefit expense</b> | Period ended<br>30/06/2020 | Period from<br>01/04/2020 to<br>30/06/2020 | Period from<br>22/03/2019 to<br>30/06/2019 | Period from<br>01/04/2019 to<br>30/06/2019 |
|---------------------------------------|----------------------------|--|--|--|
|                                       | PLN                        | PLN  | PLN  | PLN  |
| Salaries and wages                    | 27,454,575                 | 15,034,145                                 | -  | -  |
| Social security charges               | 3,485,992                  | 1,811,010                                  | -  | -  |
| Medical and other benefits            | 414,410                    | 175,358                                    | -  | -  |
| Trainings                             | 199,522                    | 41,495                                     | -  | -  |
| Workwear                              | 242,455                    | 155,358                                    | -  | -  |
| <b>Employee benefit expense</b>       | <b>31,796,954</b>          | <b>17,217,366</b>                          | -  | -  |

| <b>5.5.3 External services</b> | Period ended<br>30/06/2020 | Period from<br>01/04/2020 to<br>30/06/2020 | Period from<br>22/03/2019 to<br>30/06/2019 | Period from<br>01/04/2019 to<br>30/06/2019 |
|--------------------------------|----------------------------|--|--|--|
| B2C Services*                  | 7,570,297                  | 4,275,577                                  | 180,247                                    | 180,247                                    |
| Legal services                 | 516,451                    | 364,051                                    | -  | -  |
| Transportation services        | 414,061                    | 193,814                                    | -  | -  |
| <b>Total external services</b> | <b>8,500,809</b>           | <b>4,833,442</b>                           | <b>180,247</b>                             | <b>180,247</b>                             |

\* The costs of B2C include the costs of outsourcing human resources and the costs of subcontractors used in research projects in the amount of PLN 2,997 thousand in the first two quarters of 2020.

## 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 two operating segments.

The first segment accounting for the major part of the Group's revenue is the Services 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.

The second segment within the Group is Bioinformatics segment. The segment provides bioinformatics services to external contractors and conducts its own research in the field of bioinformatics. The segment includes only the subsidiary Ardigen S.A.

### 6.2 Segment revenue and profit or loss

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

|   | Revenue                    |  | Operating profit           |  |
|---|----------------------------|--|----------------------------|--|
|   | Period ended<br>30/06/2020 | Period from<br>01/04/2020 to<br>30/06/2020 | Period ended<br>30/06/2020 | Period from<br>01/04/2020 to<br>30/06/2020 |
|   | PLN                        | PLN  | PLN                        | PLN  |
| <b>Segment 1 - Services, including</b>                | <b>58,985,640</b>          | <b>31,700,096</b>                          | <b>8,675,875</b>           | <b>4,545,522</b>                           |
| <i>revenue from external customers (FTE)</i>          | 35,193,649                 | 19,463,433                                 |                            |  |
| <i>revenue from external customers (fixed price)</i>  | 20,239,682                 | 10,648,638                                 |                            |  |
| <i>revenues from sales of administrative services</i> | 2,569,392                  | 1,159,392                                  |                            |  |
| <i>intersegment revenue</i>                           | 145,550                    | 93,200                                     |                            |  |
| <i>grant income</i>                                   | 622,793                    | 248,886                                    |                            |  |
| <i>other operating income</i>                         | 214,574                    | 86,547                                     |                            |  |
| <b>Segment 2 - Bioinformatics, including</b>          | <b>8,833,237</b>           | <b>5,069,766</b>                           | <b>1,291,109</b>           | <b>939,938</b>                             |
| <i>revenue from external customers (FTE)</i>          | 7,146,497                  | 4,152,122                                  |                            |  |
| <i>grant income</i>                                   | 1,661,501                  | 909,728                                    |                            |  |
| <i>other operating income</i>                         | 25,239                     | 7,916                                      |                            |  |
| Elimination of intersegment revenue                   | 145,550                    | 93,200                                     |                            |  |
| <b>Total – continuing operations</b>                  | <b>67,673,327</b>          | <b>36,676,662</b>                          | <b>9,966,984</b>           | <b>5,485,460</b>                           |

|   | Expenses                   |  |
|---|----------------------------|--|
|   | Period ended<br>30/06/2020 | Period from<br>01/04/2020 to<br>30/06/2020 |
|   | PLN                        | PLN  |
| <b>Segment 1 - Services, including</b>  | <b>50,309,765</b>          | <b>27,154,574</b>                          |
| <i>amortization and depreciation</i>  | 5,371,765                  | 2,774,904                                  |
| <i>costs of central administration, Management Board remuneration and selling costs</i> | 10,088,690                 | 5,485,247                                  |
| <i>intersegment expenses</i>  | 7,550                      | 7,550                                      |
| <b>Segment 2 - Bioinformatics, including</b>  | <b>7,542,128</b>           | <b>4,129,828</b>                           |
| <i>amortization and depreciation</i>  | 487,911                    | 259,640                                    |
| <i>costs of central administration, Management Board remuneration and selling costs</i> | 1,784,317                  | 1,002,351                                  |
| <i>intersegment expenses</i>  | 138,000                    | 85,650                                     |
| Elimination of intersegment expenses  | 145,550                    | 93,200                                     |
| <b>Total – continuing operations</b>  | <b>57,706,343</b>          | <b>31,191,202</b>                          |

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

|                                  | As at 30/06/2020   | As at 31/12/2019  |
|----------------------------------|--------------------|-------------------|
|                                  | PLN                | PLN               |
| <b>Segments assets</b>           |                    |                   |
| Segment 1                        |                    |                   |
| <b>Services</b>                  | 188,951,436        | 80,164,382        |
| Segment 2                        |                    |                   |
| <b>Bioinformatics</b>            | 14,530,289         | 10,722,458        |
| <b>Total segment assets</b>      | <u>203,481,725</u> | <u>90,886,840</u> |
| <b>Segment liabilities</b>       |                    |                   |
| Segment 1                        |                    |                   |
| <b>Services</b>                  | 55,648,246         | 41,015,365        |
| Segment 2                        |                    |                   |
| <b>Bioinformatics</b>            | 5,275,710          | 2,213,933         |
| <b>Total segment liabilities</b> | <u>60,923,956</u>  | <u>43,229,298</u> |

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     |  |
|----------------|-------------------------------|--|----------------------------|--|
|                | Period ended<br>30/06/2020    | Period from<br>01/04/2020 to<br>30/06/2020 | Period ended<br>30/06/2020 | Period from<br>01/04/2020 to<br>30/06/2020 |
|                | PLN                           | PLN  | PLN                        | PLN  |
| Segment 1      |                               |  |                            |  |
| Services       | 5,371,765                     | 2,774,904                                  | 12,850,008                 | 8,466,683                                  |
| Segment 2      |                               |  |                            |  |
| Bioinformatics | 487,911                       | 259,640                                    | 116,831                    | 34,073                                     |
| <b>Total</b>   | <b>5,859,676</b>              | <b>3,034,544</b>                           | <b>12,966,839</b>          | <b>8,500,756</b>                           |

#### 6.5 Major customers

|                                   | Period ended<br>30/06/2020 | Period from<br>01/04/2020 to<br>30/06/2020 |
|-----------------------------------|----------------------------|--|
|                                   | PLN                        | PLN  |
| <b>Segment 1 - Services</b>       |                            |  |
| Customer A                        | 5,799,543                  | 3,007,470                                  |
| <b>Segment 2 – Bioinformatics</b> |                            |  |
| Customer B                        | 2,517,863                  | 1,242,087                                  |
| Customer C                        | 1,026,092                  | 453,906                                    |
| Customer D                        | 817,902                    | 506,931                                    |
| <b>Total</b>                      | <b>4,361,857</b>           | <b>2,202,924</b>                           |

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

## 7. Finance income

|   | Period ended<br>30/06/2020 | Period from<br>01/04/2020 to<br>30/06/2020 | Period from<br>22/03/2019 to<br>30/06/2019 | Period from<br>01/04/2019 to<br>30/06/2019 |
|---|----------------------------|--|--|--|
|   | PLN                        | PLN  | PLN  | PLN  |
| <b>Financial revenue due to financial instruments</b> | <b>260,429</b>             | <b>223,741</b>                             | <b>4,225</b>                               | <b>4,225</b>                               |
| Interest  | 12,529                     | 2,444                                      | 4,225                                      | 4,225                                      |
| Gains on currency differences                         | 247,900                    | 221,297                                    | -  | -  |
| <b>Total finance income</b>                           | <b>260,429</b>             | <b>223,741</b>                             | <b>4,225</b>                               | <b>4,225</b>                               |

## 8. Finance cost

|  | Period ended<br>30/06/2020 | Period from<br>01/04/2020 to<br>30/06/2020 | Period from<br>22/03/2019 to<br>30/06/2019 | Period from<br>01/04/2019 to<br>30/06/2019 |
|--|----------------------------|--|--|--|
|  | PLN                        | PLN  | PLN  | PLN  |
| <b>Finance cost due to financial instruments</b> | <b>606,125</b>             | <b>515,010</b>                             | -  | -  |
| Interest   | 626                        | 475  | -  | -  |
| Losses on currency differences                   | 605,499                    | 514,535                                    | -  | -  |
| <b>Other finance cost</b>                        | <b>149,191</b>             | <b>82,698</b>                              | -  | -  |
| Interest on leases                               | 149,191                    | 82,698                                     | -  | -  |
| <b>Total finance cost</b>                        | <b>755,316</b>             | <b>597,708</b>                             | -  | -  |

## 9. Other operating income and expenses

### 9.1 Other operating income

|   | Period ended<br>30/06/2020 | Period from<br>01/04/2020 to<br>30/06/2020 | Period from<br>22/03/2019 to<br>30/06/2019 | Period from<br>01/04/2019 to<br>30/06/2019 |
|---|----------------------------|--|--|--|
|   | PLN                        | PLN  | PLN  | PLN  |
| Gain on disposal of property, plant and equipment                 | 488                        | -  | -  | -  |
| Other operating income:   | 239,325                    | 94,463                                     | -  | -  |
| Other – sales of services to employees (LUX MED, Benefit, Genfit) | 239,325                    | 94,463                                     | -  | -  |
| <b>Total other operating income</b>                               | <b>239,813</b>             | <b>94,463</b>                              | -  | -  |

### 9.2 Other operating expenses

|   | Period ended<br>30/06/2020 | Period from<br>01/04/2020 to<br>30/06/2020 | Period from<br>22/03/2019 to<br>30/06/2019 | Period from<br>01/04/2019 to<br>30/06/2019 |
|---|----------------------------|--|--|--|
|   | PLN                        | PLN  | PLN  | PLN  |
| Loss on disposal of property, plant and equipment, including: | -                          | -  | -  | -  |
| Other operating expenses:                                     | 32,712                     | 31,381                                     | -  | -  |
| Cost refund to employees - prescription glasses               | 2,185                      | 1,185                                      | -  | -  |
| Employee reimbursement - criminal record certificates         | 527                        | 196  | -  | -  |
| Donation  | 30,000                     | 30,000                                     | -  | -  |
| <b>Total other operating expenses</b>                         | <b>32,712</b>              | <b>31,381</b>                              | -  | -  |

## 10. Income taxes on continuing operations

### 10.1 Income taxes presented in the statement of comprehensive income

|  | Period ended<br>30/06/2020 | Period from<br>22/03/2019 to<br>30/06/2019 |
|--|----------------------------|--|
|  | PLN                        | PLN  |
| <b>Current income tax:</b>   | 929,459                    | -  |
| <i>Current income tax charge</i>                                     | 929,459                    | -  |
| <i>Corrections relating to previous years</i>                        | -                          | -  |
| Deferred income tax  | (870,772)                  | -  |
| <b>Tax charge presented in the statement of comprehensive income</b> | <b>58,687</b>              | <b>-</b>                                   |

### 10.2 Reconciliation of the tax profit to the accounting profit

|  | Period ended<br>30/06/2020 | Period from<br>22/03/2019 to<br>30/06/2019 |
|--|----------------------------|--|
|  | PLN                        | PLN  |
| <b>Recorded revenue and profit</b>                                   | <b>67,933,756</b>          | <b>4,225</b>                               |
| <b>Non-taxable and tax-exempt income, including:</b>                 | <b>4,827,687</b>           | <b>-</b>                                   |
| Exchange differences   | 1,158,670                  | -  |
| Long-term contracts  | 1,397,153                  | -  |
| Grant income   | 2,271,864                  | -  |
| <b>Total taxable income (1-2+3)</b>                                  | <b>63,106,069</b>          | <b>4,225</b>                               |
| <b>Recorded expenses and losses</b>                                  | <b>58,461,659</b>          | <b>187,647</b>                             |
| <b>Expenses and losses classified permanently as non-deductible:</b> | <b>2,768,959</b>           | <b>-</b>                                   |
| PFRON  | 318,633                    | -  |
| Business entertainment costs   | 47,792                     | -  |
| Penalty interest to state authorities                                | -                          | -  |
| Subsidized costs   | 2,271,864                  | -  |
| Other non-deductible expenses  | 130,670                    | -  |
| <b>Expenses and losses classified temporarily as non-deductible:</b> | <b>7,138,832</b>           | <b>-</b>                                   |
| Recognized provisions for bonus and unused holidays                  | 2,875,815                  | -  |
| Recognized provisions  | 1,111,904                  | -  |
| Elimination of intra-Group transactions                              | 1,504,000                  | -  |
| Exchange differences   | 1,624,394                  | -  |
| Business trip settlement not paid                                    | 22,719                     | -  |
| <b>Total deductible expenses</b>                                     | <b>48,553,868</b>          | <b>187,647</b>                             |
| <b>Taxable Income</b>  | <b>14,552,201</b>          | <b>(183,422)</b>                           |
| Tax-exempt income ("+")  | -                          | -  |
| <b>Deductions from income ("+" )</b>                                 | <b>-</b>                   | <b>-</b>                                   |
| Tax losses carried forward   | -                          | -  |
| Tax losses domestic entities   | -                          | -  |
| Donations  | -                          | -  |
| Other - R&D tax relief   | -                          | -  |
| <b>Tax base</b>  | <b>14,552,201</b>          | <b>(183,422)</b>                           |
| <b>Income tax at the applicable rate</b>                             | <b>2,764,918</b>           | <b>-</b>                                   |
| Deductions from income tax   | 1,835,459                  | -  |
| <b>Income tax due</b>  | <b>929,459</b>             | <b>-</b>                                   |

The tax charge is determined using the tax rates effective in the financial year. Since 2004, under the amended legislation, the CIT rate has been 19%.

### 10.3 The effective tax rate reconciliation is as follows:

|  | Period ended<br>30/06/2020 | Period from<br>22/03/2019 to<br>30/06/2019 |
|--|----------------------------|--|
|  | PLN                        | PLN  |
| <b>Gross profit before tax</b>                           | <b>9,472,097</b>           | <b>(183,422)</b>                           |
| Tax at the statutory tax rate applicable in Poland, 19%  | 1,799,698                  | -  |
| Tax exemption on activities within Special Economic Zone | (1,835,459)                | -  |
| Permanent non-taxable costs                              | 526,102                    | -  |
| Permanent non-taxable income                             | (431,654)                  | -  |
| R&D tax relief   | -                          | -  |
| Others   | -                          | -  |
| Tax at the effective tax rate of 0.6%                    | <b>58,687</b>              | -  |

### 10.4 Current tax asset and liabilities

|                                | As at 30/06/2020 | As at 30/06/2019 |
|--------------------------------|------------------|------------------|
|                                | PLN              | PLN              |
| <b>Current tax asset</b>       |                  |                  |
| Tax refund due                 | -                | -                |
|                                | <b>-</b>         | <b>-</b>         |
| <b>Current tax liabilities</b> |                  |                  |
| Income taxes due               | 370,521          | -                |
|                                | <b>370,521</b>   | <b>-</b>         |

## 10.5 Deferred income tax

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

|                        | As at<br>30/06/2020 | As at<br>31/12/2019 |
|------------------------|---------------------|---------------------|
|                        | PLN                 | PLN                 |
| Deferred tax asset     | 9,880,147           | 8,520,949           |
| Deferred tax liability | 3,428,053           | 2,939,627           |
|                        | <b>6,452,094</b>    | <b>5,581,322</b>    |

| Basis for temporary differences – 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<br>30/06/2020 | As at<br>31/12/2019 | from 01/01 to 30/06/2020   | from 22/03 to 31/12/2019           |
| - fixed assets and intangible assets (excluding leases)                                    | 5,241               | 6,428               | (1,187)  | 6,428                              |
| - due to SEZ   | 5,041,899           | 4,548,244           | 493,655  | 4,548,244                          |
| - trade and other receivables (impairment, exchange differences)                           | 308,634             | 33,297              | 275,337  | 33,297                             |
| - contract assets  | 445,155             | 181,482             | 263,673  | 181,482                            |
| - retirement provision   | 44,817              | 19,575              | 25,241   | 19,575                             |
| - bonus accruals   | 1,065,966           | 744,276             | 321,691  | 744,276                            |
| - unused holiday provision   | 566,004             | 341,290             | 224,714  | 341,290                            |
| - liability under the right of use   | 2,187,054           | 2,503,793           | (316,739)  | 2,503,793                          |
| - tax losses to be used in subsequent periods  | 215,377             | 142,564             | 72,813   | 142,564                            |
| <b>Total</b>   | <b>9,880,147</b>    | <b>8,520,949</b>    | <b>1,359,198</b>   | <b>8,520,949</b>                   |

## 10.6 Tax losses to be used in subsequent periods

| Period ended 30/06/2020 | Loss amount | Use | Possible to use | Max period of use |
|-------------------------|-------------|-----|-----------------|-------------------|
| Year                    |             |     |                 |                   |
| 2019                    | 750,335     | -   | 750,335         | 2024              |
| 2020                    | 383,228     | -   | 383,228         | 2025              |

## 10.7 Unrecognized deferred tax asset and unused tax credits

|   | As at<br>30/06/2020 | As at<br>31/12/2019 |
|---|---------------------|---------------------|
| As at the end of the reporting period, the following items of the deferred tax asset remained unrecognized: |                     |                     |
| Tax losses  | -                   | -                   |
| Tax credits   | -                   | -                   |
| Accrued expenses  | -                   | -                   |
| Unrecognized provision for deferred income tax  | -                   | -                   |
| Total unrecognized deferred tax asset   | -                   | -                   |
| <b>Total (recognized and unrecognized) deferred tax asset</b>   | <b>9,880,147</b>    | <b>8,520,949</b>    |

DTA computation method has been described in note 4.2.4.

## 10.8 Deferred tax liability

| Basis for temporary differences – 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<br>30/06/2020 | As at<br>31/12/2019 | from 01/01 to 30/06/2020   | from 22/03 to 31/12/2019           |
| - trade and other receivables (exchange differences)                                       | 220,147             | 112,071             | 108,076  | 112,071                            |
| - contract assets  | 713,412             | 288,750             | 424,662  | 288,750                            |
| - right-of-use assets  | 2,494,494           | 2,538,806           | (44,312)   | 2,538,806                          |
| <b>Total</b>   | <b>3,428,053</b>    | <b>2,939,627</b>    | <b>488,426</b>   | <b>2,939,627</b>                   |

## 11. Earnings per share

|                                    | Period ended<br>30/06/2020 | Period from<br>01/04/2020 to<br>30/06/2020 | Period from<br>22/03/2019 to<br>30/06/2019 | Period from<br>01/04/2019 to<br>30/06/2019 |
|------------------------------------|----------------------------|--|--|--|
|                                    | PLN/100<br>per share       | PLN/100<br>per share                       | PLN/100<br>per share                       | PLN/100<br>per share                       |
| <b>Basic earnings per share:</b>   | <b>54.8</b>                | <b>33.5</b>                                | <b>n/a</b>                                 | <b>n/a</b>                                 |
| From continuing operations         | 54.8                       | 33.5                                       | n/a  | n/a  |
| Total basic earnings per share     | 54.8                       | 33.5                                       | (146.7)                                    | -  |
| <b>Diluted earnings per share:</b> | <b>54.8</b>                | <b>33.5</b>                                | <b>n/a</b>                                 | <b>n/a</b>                                 |
| From continuing operations         | 54.8                       | 33.5                                       | n/a  | n/a  |
| Total diluted earnings per share   | 54.8                       | 33.5                                       | n/a  | n/a  |

### 11.1 Basic earnings per share

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

|  | Period ended<br>30/06/2020 | Period from<br>01/04/2020 to<br>30/06/2020 | Period from<br>22/03/2019 to<br>30/06/2019 | Period from<br>01/04/2019 to<br>30/06/2019 |
|--|----------------------------|--|--|--|
|  | PLN                        | PLN  | PLN  | PLN  |
| Current year profit attributable to equity holders of the parent company | 8,793,636                  | 5,381,792                                  | (183,357)                                  | (183,357)                                  |
| Current year profit attributable to non-controlling interest             | 619,774                    | 363,854                                    | -  | -  |
| Profit used for calculation of total basic earnings per share            | 9,413,410                  | 5,745,646                                  | (183,357)                                  | (183,357)                                  |

|   | Period ended<br>30/06/2020 | Period from<br>01/04/2020 to<br>30/06/2020 | Period from<br>22/03/2019 to<br>30/06/2019 | Period from<br>01/04/2019 to<br>30/06/2019 |
|---|----------------------------|--|--|--|
|   | pcs                        | pcs  | pcs  | pcs  |
| Weighted average number of ordinary shares used for calculation of earnings per share | 16,057,284                 | 16,057,284                                 | -  | -  |

There were no dilutive instruments in 2020 and 2019.

### 11.2 Dividends paid and proposed

The Management Board of the parent company is not planning to pay dividends for period from 1 January to 30 June 2020.

## 12. Tangible fixed assets

| Net carrying amount  | As at 30/06/2020  | As at 31/12/2019  |
|--|-------------------|-------------------|
|  | PLN               | PLN               |
| Land   | -                 | -                 |
| Buildings  | 2,017,038         | 2,128,689         |
| Machinery and equipment                                      | 725,335           | 693,621           |
| Vehicles   | 6,297             | 12,092            |
| Other tangible assets (including lab equipment)              | 9,146,151         | 7,447,955         |
| Other tangible assets usage rights (including lab equipment) | 19,346,116        | 11,807,977        |
| Rights to use the premises                                   | 10,836,546        | 12,711,865        |
| Car usage rights   | 324,366           | 407,327           |
| Assets under construction                                    | -                 | -                 |
| Advances for assets under construction                       | -                 | -                 |
|  | <b>42,401,849</b> | <b>35,209,526</b> |

In the period covered by the consolidated financial statements, due to the lack of premises, the Group did not make revaluation write-offs for fixed assets.

The Group did not have any land in perpetual usufruct in the periods presented in the consolidated financial statements.

In 2020 the Group is planning to incur expenditure on non-financial non-current assets in the amount of PLN 35,500 thousand. No expenditures on environmental protection purposes are planned.

## 12.1. Changes in the value of fixed assets by type in the current financial period

| Item   | Land | Buildings        | Machinery and equipment | Vehicles       | Other tangible assets (including lab equipment) | Other tangible assets usage rights (including lab equipment) | Rights to use the premises | Car usage rights | Total             |
|--|------|------------------|-------------------------|----------------|---|--|----------------------------|------------------|-------------------|
| <b>Gross value at the beginning of the period</b>              | -    | <b>3,051,105</b> | <b>3,965,281</b>        | <b>162,813</b> | <b>21,556,623</b>                               | <b>15,143,476</b>  | <b>13,304,558</b>          | <b>519,030</b>   | <b>57,702,885</b> |
| <b>Increases in gross value:</b>                               | -    | <b>30,000</b>    | <b>845,148</b>          | -              | <b>1,922,936</b>                                | <b>9,777,359</b>   | <b>139,399</b>             | -                | <b>12,966,839</b> |
| - Purchases  | -    | 30,000           | 845,148                 | -              | 2,174,933                                       | 9,777,359  | 139,399                    | -                | 12,966,839        |
| - Transfer from assets under construction                      | -    | -                | -                       | -              | -   | -  | -                          | -                | -                 |
| - Purchase of the OPE  | -    | -                | -                       | -              | -   | -  | -                          | -                | -                 |
| <b>Decreases in gross value:</b>                               | -    | -                | <b>3,332</b>            | -              | <b>6,015</b>                                    | -  | -                          | -                | <b>9,347</b>      |
| - Disposals  | -    | -                | 3,332                   | -              | 6,015   | -  | -                          | -                | 9,347             |
| - Liquidation  | -    | -                | -                       | -              | -   | -  | -                          | -                | -                 |
| - Other  | -    | -                | -                       | -              | -   | -  | -                          | -                | -                 |
| <b>Gross value at the end of the period</b>                    | -    | <b>3,081,105</b> | <b>4,807,097</b>        | <b>162,813</b> | <b>23,473,544</b>                               | <b>24,920,835</b>  | <b>13,443,957</b>          | <b>519,030</b>   | <b>70,660,377</b> |
| <b>Accumulated depreciation at the beginning of the period</b> | -    | <b>922,416</b>   | <b>3,271,660</b>        | <b>150,721</b> | <b>14,108,668</b>                               | <b>3,335,498</b>   | <b>592,693</b>             | <b>111,703</b>   | <b>22,493,359</b> |
| <b>Increases:</b>  | -    | <b>141,651</b>   | <b>813,434</b>          | <b>5,795</b>   | <b>1,226,639</b>                                | <b>1,572,536</b>   | <b>2,014,718</b>           | <b>82,961</b>    | <b>5,857,734</b>  |
| - Depreciation charge for the period                           | -    | 141,651          | 813,434                 | 5,795          | 471,023   | 2,239,220  | 2,014,718                  | 82,961           | 5,768,802         |
| - Purchase of the OPE  | -    | -                | -                       | -              | -   | -  | -                          | -                | -                 |
| - Liquidation  | -    | -                | -                       | -              | -   | -  | -                          | -                | -                 |
| <b>Decreases:</b>  | -    | -                | <b>3,332</b>            | -              | <b>301</b>                                      | -  | -                          | -                | <b>3,633</b>      |
| - Disposals  | -    | -                | 3,332                   | -              | 301   | -  | -                          | -                | 3,633             |
| - Liquidation  | -    | -                | -                       | -              | -   | -  | -                          | -                | -                 |
| - Other  | -    | -                | -                       | -              | -   | -  | -                          | -                | -                 |
| <b>Accumulated depreciation at the end of the period</b>       | -    | <b>1,064,067</b> | <b>4,081,762</b>        | <b>156,516</b> | <b>15,335,006</b>                               | <b>4,908,034</b>   | <b>2,607,411</b>           | <b>194,664</b>   | <b>28,347,460</b> |
| <b>Net carrying amount at the beginning of the period</b>      | -    | <b>2,128,689</b> | <b>693,621</b>          | <b>12,092</b>  | <b>7,447,955</b>                                | <b>11,807,977</b>  | <b>12,711,865</b>          | <b>407,327</b>   | <b>35,209,526</b> |
| <b>Net carrying amount at the end of the period</b>            | -    | <b>2,017,038</b> | <b>725,335</b>          | <b>6,297</b>   | <b>8,138,538</b>                                | <b>20,012,800</b>  | <b>10,836,546</b>          | <b>324,366</b>   | <b>42,401,849</b> |

## 12.2. Changes in the value of fixed assets by type in the financial period from 22 March 2019 to 31 December 2019

| Item   | Land | Buildings        | Machinery and equipment | Vehicles       | Other tangible assets (including lab equipment) | Other tangible assets usage rights (including lab equipment) | Rights to use the premises | Car usage rights | Total             |
|--|------|------------------|-------------------------|----------------|---|--|----------------------------|------------------|-------------------|
| <b>Gross value at the beginning of the period</b>              | -    | -                | -                       | -              | -   | -  | -                          | -                | -                 |
| <b>Increases in gross value:</b>                               | -    | <b>3,051,105</b> | <b>3,320,924</b>        | <b>162,813</b> | <b>28,739,128</b>                               | <b>15,143,476</b>  | <b>13,304,558</b>          | <b>519,030</b>   | <b>57,058,528</b> |
| - Purchases  | -    | -                | 346,415                 | -              | 1,218,490                                       | 2,309,153  | 601,584                    | 333,493          | 4,809,135         |
| - Transfer from assets under construction                      | -    | -                | -                       | -              | -   | -  | -                          | -                | -                 |
| - Purchase of the OPE  | -    | 3,051,105        | 2,974,509               | 162,813        | 20,338,133                                      | 12,834,323   | 12,702,974                 | 185,537          | 52,249,394        |
| <b>Decreases in gross value:</b>                               | -    | -                | <b>(644,357)</b>        | -              | -   | -  | -                          | -                | <b>(644,357)</b>  |
| - Disposals  | -    | -                | -                       | -              | -   | -  | -                          | -                | -                 |
| - Liquidation  | -    | -                | (644,357)               | -              | -   | -  | -                          | -                | (644,357)         |
| - Other  | -    | -                | -                       | -              | -   | -  | -                          | -                | -                 |
| <b>Gross value at the end of the period</b>                    | -    | <b>3,051,105</b> | <b>3,965,281</b>        | <b>162,813</b> | <b>21,556,623</b>                               | <b>15,143,476</b>  | <b>13,304,558</b>          | <b>519,030</b>   | <b>57,702,885</b> |
| <b>Accumulated depreciation at the beginning of the period</b> | -    | -                | -                       | -              | -   | -  | -                          | -                | -                 |
| <b>Inceases:</b>   | -    | <b>922,416</b>   | <b>3,260,921</b>        | <b>150,721</b> | <b>14,108,668</b>                               | <b>3,335,498</b>   | <b>592,693</b>             | <b>111,703</b>   | <b>22,482,620</b> |
| - Depreciation charge for the period                           | -    | 73,116           | 953,975                 | 13,442         | 616,281   | 280,097  | 592,693                    | 111,703          | 2,641,307         |
| - Purchase of the OPE  | -    | 849,300          | 2,306,945               | 137,279        | 13,492,387                                      | 3,055,401  | -                          | -                | 19,841,312        |
| - Liquidation  | -    | -                | -                       | -              | -   | -  | -                          | -                | -                 |
| <b>Decreases:</b>  | -    | -                | <b>(10,739)</b>         | -              | -   | -  | -                          | -                | <b>(10,739)</b>   |
| - Disposals  | -    | -                | -                       | -              | -   | -  | -                          | -                | -                 |
| - Liquidation  | -    | -                | (10,739)                | -              | -   | -  | -                          | -                | (10,739)          |
| - Other  | -    | -                | -                       | -              | -   | -  | -                          | -                | -                 |
| <b>Accumulated depreciation at the end of the period</b>       | -    | <b>922,416</b>   | <b>3,271,660</b>        | <b>150,721</b> | <b>14,108,668</b>                               | <b>3,335,498</b>   | <b>592,693</b>             | <b>111,703</b>   | <b>22,493,359</b> |
| <b>Net carrying amount at the beginning of the period</b>      | -    | -                | -                       | -              | -   | -  | -                          | -                | -                 |
| <b>Net carrying amount at the end of the period</b>            | -    | <b>2,128,689</b> | <b>693,621</b>          | <b>12,092</b>  | <b>7,447,955</b>                                | <b>11,807,977</b>  | <b>12,711,865</b>          | <b>407,327</b>   | <b>35,209,526</b> |

### 13. Goodwill

|                        | As at<br>30/06/2020 | As at<br>31/12/2019 |
|------------------------|---------------------|---------------------|
|                        | <b>PLN</b>          | <b>PLN</b>          |
| At cost                | 280,740             | 280,740             |
| Accumulated impairment | -                   | -                   |
|                        | <b>280,740</b>      | <b>280,740</b>      |

#### 13.1 Goodwill from consolidation of subsidiaries in the current reporting period

| Goodwill at the beginning of the period | Increase due to acquisition<br>of OPE | Goodwill at the end of<br>the period | Impairment losses | Goodwill at the end of<br>the period |
|---|---------------------------------------|--------------------------------------|-------------------|--------------------------------------|
| <b>280,740</b>                          | -                                     | <b>280,740</b>                       | -                 | <b>280,740</b>                       |

Goodwill was acquired as part of the assets as a result of the transactions described in note 1.4. 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").

The company conducted an impairment test. An impairment loss is determined by estimating the recoverable amount of the cash-generating unit to which the goodwill has been allocated. If the recoverable value of the cash-generating unit is lower than the carrying amount, an impairment loss is recognized. If goodwill is part of a cash-generating unit and a part of the business is sold within this center, when determining the profit or loss on the sale of such business, goodwill related to the business sold is included in its carrying amount. In such circumstances, the goodwill sold is determined based on the relative value of the operations sold and the value of the portion of the cash-generating unit retained. Goodwill increases the assets of the Service Segment.

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

## 14. Other intangible assets

|                           | As at<br>30/06/2020 | As at<br>31/12/2019 |
|---------------------------|---------------------|---------------------|
| <b>Carrying amount</b>    | <b>PLN</b>          | <b>PLN</b>          |
| Software - Data Warehouse | 406,485             | 427,879             |
| Other intangible assets   | 214,915             | 160,350             |
|                           | <b>621,400</b>      | <b>588,229</b>      |

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

### 14.1 Changes in the value of intangible assets by type in the current reporting period

| Item   | Other intangible<br>assets | Total          |
|--|----------------------------|----------------|
| <b>Gross value at the beginning of the period</b>              | <b>843,126</b>             | <b>843,126</b> |
| <b>Increases in gross value:</b>                               | <b>124,045</b>             | <b>124,045</b> |
| - Purchases  | 124,045                    | 124,045        |
| - Transfer from assets under construction                      | -                          | -              |
| <b>Decreases in gross value:</b>                               | <b>-</b>                   | <b>-</b>       |
| <b>Gross value at the end of the period</b>                    | <b>967,171</b>             | <b>967,171</b> |
| <b>Accumulated depreciation at the beginning of the period</b> | <b>254,897</b>             | <b>254,897</b> |
| <b>Increases:</b>  | <b>90,874</b>              | <b>90,874</b>  |
| - Depreciation charge for the period                           | 90,874                     | 90,874         |
| <b>Decreases:</b>  | <b>-</b>                   | <b>-</b>       |
| <b>Accumulated depreciation at the end of the period</b>       | <b>345,771</b>             | <b>345,771</b> |
| <b>Net carrying amount at the beginning of the period</b>      | <b>588,229</b>             | <b>588,229</b> |
| <b>Net carrying amount at the end of the period</b>            | <b>621,400</b>             | <b>621,400</b> |

### 14.2 Changes in the value of intangible assets by type in the financial period from 22 March 2019 to 31 December 2019

| Item   | Other intangible<br>assets | Total          |
|--|----------------------------|----------------|
| <b>Gross value at the beginning of the period</b>              | <b>-</b>                   | <b>-</b>       |
| <b>Increases in gross value:</b>                               | <b>843,126</b>             | <b>843,126</b> |
| - Purchases  | 74,784                     | 74,784         |
| - Purchase of the OPE  | 340,463                    | 340,463        |
| - Transfer from assets under construction                      | 427,879                    | 427,879        |
| <b>Decreases in gross value:</b>                               | <b>-</b>                   | <b>-</b>       |
| <b>Gross value at the end of the period</b>                    | <b>843,126</b>             | <b>843,126</b> |
| <b>Accumulated depreciation at the beginning of the period</b> | <b>-</b>                   | <b>-</b>       |
| <b>Increases:</b>  | <b>254,897</b>             | <b>254,897</b> |
| - Depreciation charge for the period                           | 11,488                     | 11,488         |
| - Purchase of the OPE  | 243,409                    | 243,409        |
| <b>Decreases:</b>  | <b>-</b>                   | <b>-</b>       |
| <b>Accumulated depreciation at the end of the period</b>       | <b>254,897</b>             | <b>254,897</b> |
| <b>Net carrying amount at the beginning of the period</b>      | <b>-</b>                   | <b>-</b>       |
| <b>Net carrying amount at the end of the period</b>            | <b>588,229</b>             | <b>588,229</b> |

## 15. 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 30/06/2020   | As at 31/12/2019   |
| 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          | 47.69% / 54.73%  | 49.26% / 55.84%  |

\* On 29 November 2019, the merger of the Issuer's subsidiaries was registered in the Register of Entrepreneurs of the National Court Register, i.e. Selvita Services sp.z o.o. (hereinafter: the "Acquiring Company") and BioCentrum sp.z o.o. (hereinafter: the "Acquired Company"), in which the Issuer holds 100% shares. The merger of the Companies took place in the manner indicated in art. 492 § 1 item 1) of the Commercial Companies Code by taking over the Acquired Company by the Acquiring Company, by transferring all the assets of the Acquired Company to the Acquiring Company in exchange for 400 (four hundred) new shares established for this purpose with a nominal value of PLN 100 each, which the Acquiring Company issued to the sole shareholder of the Acquired Company, ie the Issuer (the "Merger").

## 15.1. 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 30/06/2020   | As at 30/06/2020                                     | As at 30/06/2020                             |

|              |                                |                 |         |           |
|--------------|--------------------------------|-----------------|---------|-----------|
| Ardigen S.A. | 30-394 Kraków<br>ul. Podole 76 | 47,69% / 54,73% | 619,774 | 4,057,121 |
|--------------|--------------------------------|-----------------|---------|-----------|

| 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 31/12/2019   | As at 31/12/2019                                     | As at 31/12/2019                             |

|              |                                |                 |         |           |
|--------------|--------------------------------|-----------------|---------|-----------|
| Ardigen S.A. | 30-394 Kraków<br>ul. Podole 76 | 49.26% / 55.84% | 281,198 | 3,437,347 |
|--------------|--------------------------------|-----------------|---------|-----------|

(i) Selvita S.A. holds a 47.69% 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, 2020 to June 30, 2020 and the comparative period from October 1, 2019, to December 31, 2019.

| Ardigen S.A.                             | As at 30/06/2020 | As at 31/12/2019 |
|--|------------------|------------------|
|  | PLN              | PLN              |
| Current assets                           | 10,569,676       | 8,754,361        |
| Fixed assets                             | 1,942,794        | 1,968,097        |
| Short term liabilities                   | 1,509,749        | 1,586,270        |
| Long-term liabilities                    | 64,014           | 127,150          |
| Capital attributed to the Parent Company | 5,524,278        | 5,071,177        |
| Non-controlling interest                 | 4,057,121        | 3,437,347        |

For the period from  
01/01/2020 to 30/06/2020

|   | <b>PLN</b>       |
|---|------------------|
| Sales revenue   | 8,911,902        |
| Costs   | 7,522,497        |
| Gross profit for the period   | 1,389,405        |
| Net profit for the period   | 1,085,795        |
| Net profit attributed to the Parent Company                           | 466,021          |
| Net profit attributed to non-controlling shareholders                 | 619,774          |
| Net profit for the period   | <u>1,085,795</u> |
| Other comprehensive income attributed to the Parent Company           | -                |
| Other comprehensive income attributed to non-controlling shareholders | -                |
| Other comprehensive income  | <u>-</u>         |
| Total income attributed to the Parent Company                         | 466,021          |
| Total income attributed to non-controlling shareholders               | 619,774          |
| Total income  | <u>1,085,795</u> |
| Dividend paid to non-controlling shareholders                         | -                |

### 15.2 Changes in ownership - shares in subsidiaries

On 1/10/2019 as a result of the purchase of the Organized Part of the Enterprise, Selvita S.A. took over shares in Ardigen S.A. from Ryvu Therapeutics S.A.

### 15.3 Significant limitations

There were no limitations in the current period in Ardigen S.A.

### 15.4 Financial support

In H1 2020, Selvita S.A. has not granted any guarantees or securities for other companies.

### 16. Investments in associates

Not applicable in the periods presented in the consolidated financial statements.

## 17. Non-controlling shares

|  | Period from<br>01/01/2020 to<br>30/06/2020 | Period from<br>22/03/2019 to<br>31/12/2019 | Period from<br>22/03/2019 to<br>30/06/2019 |
|--|--|--|--|
|  | PLN  | PLN  | PLN  |
| Balance at the beginning of the reporting period | 3,437,347                                  | -  | -  |
| Attributable profits for the period (Ardigen)    | 619,774                                    | 281,198                                    | -  |
| Purchase of the OPE                              | -  | 3,156,149                                  | -  |
| <b>Balance at the end of the period</b>          | <b>4,057,121</b>                           | <b>3,437,347</b>                           | -  |

## 18. Other long-term assets

|                   | As at<br>30/06/2020 | As at<br>31/12/2019 |
|-------------------|---------------------|---------------------|
|                   | PLN                 | PLN                 |
| Security deposits | <u>343,335</u>      | <u>343,335</u>      |
|                   | <u>343,335</u>      | <u>343,335</u>      |

## 19. Inventories

|              | As at<br>30/06/2020     | As at<br>31/12/2019     |
|--------------|-------------------------|-------------------------|
|              | PLN                     | PLN                     |
| Materials    | <u>1,356,549</u>        | <u>1,184,882</u>        |
| <b>Total</b> | <u><b>1,356,549</b></u> | <u><b>1,184,882</b></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 consumed on an ongoing basis.

## 20. 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 June 30, 2020. Due to the nature of these items, fair value does not differ significantly from the carrying amount.

|  | 30/06/2020 | Quotations from active markets<br>(Level 1) | Important observable data<br>(Level 2) | Important unobservable data<br>(Level 3) |
|--|------------|---|--|--|
| <b>Financial assets for which fair value is disclosed:</b>           |            |   |  |  |
| Trade and other receivables  | 36,518,778 | <i>nd</i>                                   | <i>nd</i>                              | <i>nd</i>                                |
| Contract assets  | 6,902,403  | <i>nd</i>                                   | <i>nd</i>                              | <i>nd</i>                                |
| <b>Financial liabilities for which fair value is disclosed:</b>      |            |   |  |  |
| Trade payables   | 9,437,920  | <i>nd</i>                                   | <i>nd</i>                              | <i>nd</i>                                |
| Contract liabilities   | 850,729    | <i>nd</i>                                   | <i>nd</i>                              | <i>nd</i>                                |
| Other liabilities  | 2,988,750  | <i>nd</i>                                   | <i>nd</i>                              | <i>nd</i>                                |
| Interest-bearing loans and credits, including:                       | 469,000    | <i>nd</i>                                   | <i>nd</i>                              | <i>nd</i>                                |
| <i>global credit card limit</i>                                      | 469,000    | <i>nd</i>                                   | <i>nd</i>                              | <i>nd</i>                                |
| Current portion of interest-bearing loans and borrowings, including: | 7,297      | <i>nd</i>                                   | <i>nd</i>                              | <i>nd</i>                                |
| <i>credit card debt</i>  | 7,297      | <i>nd</i>                                   | <i>nd</i>                              | <i>nd</i>                                |

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, 2019. Due to the nature of these items, fair value does not differ significantly from the carrying amount.

|  | 31/12/2019 | Quotations from active markets<br>(Level 1) | Important observable data<br>(Level 2) | Important unobservable data<br>(Level 3) |
|--|------------|---|--|--|
| <b>Financial assets for which fair value is disclosed:</b>           |            |   |  |  |
| Trade and other receivables  | 19,837,944 | <i>nd</i>                                   | <i>nd</i>                              | <i>nd</i>                                |
| Contract assets  | 4,226,665  | <i>nd</i>                                   | <i>nd</i>                              | <i>nd</i>                                |
| <b>Financial liabilities for which fair value is disclosed:</b>      |            |   |  |  |
| Trade payables   | 6,353,486  | <i>nd</i>                                   | <i>nd</i>                              | <i>nd</i>                                |
| Contract liabilities   | 557,787    | <i>nd</i>                                   | <i>nd</i>                              | <i>nd</i>                                |
| Other liabilities  | 2,988,750  | <i>nd</i>                                   | <i>nd</i>                              | <i>nd</i>                                |
| Interest-bearing loans and credits, including:                       | 469,000    | <i>nd</i>                                   | <i>nd</i>                              | <i>nd</i>                                |
| <i>global credit card limit</i>                                      | 469,000    | <i>nd</i>                                   | <i>nd</i>                              | <i>nd</i>                                |
| Current portion of interest-bearing loans and borrowings, including: | 6,989      | <i>nd</i>                                   | <i>nd</i>                              | <i>nd</i>                                |
| <i>credit card debt</i>  | 6,989      | <i>nd</i>                                   | <i>nd</i>                              | <i>nd</i>                                |

## 20.1 Other non-financial assets

|  | As at 30/06/2020 | As at 31/12/2019 |
|--|------------------|------------------|
| <b>Carrying amount:</b>                      | <b>PLN</b>       | <b>PLN</b>       |
| Licenses                                     | 303,156          | 187,117          |
| Insurance                                    | 234,913          | 91,958           |
| Costs related to subsequent year             | 58,620           | 231,264          |
| Devices qualification                        | 309,683          | 372,269          |
| Periodic flat-rate recruitment subscriptions | 7,024            | 18,095           |
| Annual certificates costs                    | -                | 3,000            |
| Magazines                                    | 195              | 1,758            |
| Pre-paid training                            | 38,928           | 97,316           |
| Membership fees                              | 10,117           | 4,935            |
| Other  | 18,149           | 2,512            |
|  | <b>980,785</b>   | <b>1,010,223</b> |

## 21. Trade and other receivables

|   | As at 30/06/2020         | As at 31/12/2019         |
|---|--------------------------|--------------------------|
|   | PLN                      | PLN                      |
| Trade receivables                                     | 24,561,149               | 19,484,508               |
| The allowance for expected credit losses              | (178,344)                | (139,472)                |
|   | <u>24,382,805</u>        | <u>19,345,036</u>        |
| Tax (VAT) receivables                                 | 6,525,517                | 1,818,599                |
| Other – receivables from employees, security deposits | 1,399,758                | 492,908                  |
| Grants due  | 4,210,698                | 4,197,819                |
|   | <u><b>36,518,778</b></u> | <u><b>25,854,362</b></u> |

### 21.1 Trade receivables and contract assets

In regards to trade receivables and contract assets, the Group estimated the expected credit loss as at 30 June 2020 on the basis of a provision matrix defined based on historical data concerning credit losses. It was recognised that receivables and contract assets of particular customers are characterised by a similar level of risk, they were not divided into groups.

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

|                                       | Period ended 30/06/2020  |   |  |
|---------------------------------------|--|---|--|
|                                       | 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                               | 29,428,691   | 0%  | 26,486   |
| 1-30 days after the deadline          | 1,081,474  | 0%  | 2,704  |
| 31-60 days after the deadline         | 841  | 2%  | 17   |
| 61-90 days after the deadline         | 17,109   | 10%   | 1,711  |
| 91-180 days after the deadline        | 495,243  | 10%   | 49,524   |
| 181-365 days after the deadline       | 378,854  | 10%   | 37,885   |
| More than 365 days after the deadline | 61,340   | 100%  | 61,340   |
| <b>Total</b>                          | <u><b>31,463,552</b></u>   |   | <u><b>179,667</b></u>                                  |

|                                       | Period ended 31/12/2019  |   |  |
|---------------------------------------|--|---|--|
|                                       | 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                               | 20,485,474   | 0%  | 17,857   |
| 1-30 days after the deadline          | 1,819,287  | 0%  | 2,134  |
| 31-60 days after the deadline         | 697,178  | 2%  | 2,545  |
| 61-90 days after the deadline         | 312,507  | 20%   | -  |
| 91-180 days after the deadline        | 298,188  | 22%   | 18,981   |
| 181-365 days after the deadline       | 29,698   | 100%  | 29,113   |
| More than 365 days after the deadline | 68,841   | 100%  | 68,842   |
| <b>Total</b>                          | <u><b>23,711,173</b></u>   |   | <u><b>139,472</b></u>                                  |

The average payment date of overdue trade receivables is 30 days. A new customer's creditworthiness is analysed prior to the entry into a relevant contract. Due to its business profile, the Group cooperates with entities that are known in the industry, which also affects their creditworthiness. The payment terms are set in the offers made to contracting parties.

### The allowance for expected credit losses

|   | Period ended<br>30/06/2020 | Period ended<br>31/12/2019 |
|---|----------------------------|----------------------------|
|   | PLN                        | PLN                        |
| <b>Balance at the beginning of the period</b> | <b>139,472</b>             | -                          |
| Purchase of the OPE                           | -                          | 95,851                     |
| The allowance for expected credit losses      | 38,872                     | 43,621                     |
| <b>Balance at the end of the period</b>       | <u><b>178,344</b></u>      | <u><b>139,472</b></u>      |

## 22. Leases

### 22.1. 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 3.11).

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 30/06/2020           | Buildings and premises | Equipment         | Vehicles       | Total             |
|-----------------------------------|------------------------|-------------------|----------------|-------------------|
| <b>As at 1 January 2020</b>       | <b>12,711,865</b>      | <b>11,807,977</b> | <b>407,327</b> | <b>24,927,168</b> |
| Purchases (new lease agreements)  | 139,399                | 9,777,359         | -              | 9,916,758         |
| Changes in lease agreements       | -                      | -                 | -              | -                 |
| Revaluation of lease liabilities* | -                      | -                 | -              | -                 |
| Depreciation                      | (2,014,718)            | (2,239,220)       | (82,961)       | (4,336,899)       |
| <b>As at 30 June 2020</b>         | <b>10,836,546</b>      | <b>19,346,116</b> | <b>324,366</b> | <b>30,507,027</b> |

\*change in the leasing period

| Period ended 31/12/2019           | Buildings and premises | Equipment         | Vehicles       | Total             |
|-----------------------------------|------------------------|-------------------|----------------|-------------------|
| <b>As at 22 March 2019</b>        | -                      | -                 | -              | -                 |
| Increase due to purchase of OPE   | 13,665,677             | 11,912,205        | 185,537        | 25,763,419        |
| Purchases (new lease agreements)  | -                      | -                 | 256,331        | 256,331           |
| Changes in lease agreements       | -                      | (104,228)         | -              | (104,228)         |
| Revaluation of lease liabilities* | -                      | 3,860             | -              | 3,860             |
| Depreciation                      | (953,812)              | (3,860)           | (34,540)       | (992,212)         |
| <b>As at 31 December 2019</b>     | <b>12,711,865</b>      | <b>11,807,977</b> | <b>407,327</b> | <b>24,927,169</b> |

\*change in the leasing period

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

|                                  | 2020  |                                    |                   |
|----------------------------------|---|------------------------------------|-------------------|
|                                  | Leases for buildings, premises and vehicles | Leasing of machinery and equipment | Total             |
| <b>As at 1 January 2020</b>      | 13,362,136                                  | 11,713,277                         | 25,075,413        |
| Changes in lease agreements      | 139,399                                     | 9,760,016                          | 10,151,412        |
| Revaluation of lease liabilities | (439,706)                                   | (726,656)                          | (1,166,362)       |
| Interests                        | 121,041                                     | 61,973                             | 183,014           |
| Payments                         | (968,544)                                   | (1,368,697)                        | (2,589,238)       |
| <b>As at 30 June 2020</b>        | <b>12,214,326</b>                           | <b>19,439,913</b>                  | <b>31,654,239</b> |
| Short-term                       | 3,928,016                                   | 4,843,546                          | 8,771,562         |
| Long-term                        | 8,286,310                                   | 14,596,367                         | 22,882,677        |

The carrying amounts of leasing liabilities and their changes during the period from 22 March 2019 to 31 December 2019:

|                                  | 2019  |                                    |                   |
|----------------------------------|---|------------------------------------|-------------------|
|                                  | Leases for buildings, premises and vehicles | Leasing of machinery and equipment | Total             |
| <b>As at 22 March 2019</b>       | -   | -                                  | -                 |
| Increase due to purchase of OPE  | 13,851,214                                  | 11,912,205                         | 25,763,419        |
| Changes in lease agreements      | 777,346                                     | 970,268                            | 1,747,614         |
| Revaluation of lease liabilities | (360,350)                                   | (360,350)                          | (720,700)         |
| Interests                        | 64,961                                      | 64,961                             | 129,922           |
| Payments                         | (971,035)                                   | (873,807)                          | (1,844,842)       |
| <b>As at 31 December 2019</b>    | <b>13,362,136</b>                           | <b>11,713,277</b>                  | <b>25,075,413</b> |
| Short-term                       | 3,680,427                                   | 2,948,642                          | 6,629,069         |
| Long-term                        | 9,681,709                                   | 8,764,635                          | 18,446,344        |

The maturity analysis of leasing liabilities is presented in Note 28.8 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:

|   | 01.01.2020 - 30.06.2020 | 22.03.2019 - 31.12.2019 |
|---|-------------------------|-------------------------|
| Depreciation of leased assets   | (2,097,679)             | (992,212)               |
| Interest costs on lease liabilities   | (121,041)               | (64,961)                |
| Short-term leasing costs (included in general and administrative expenses)                                  | -                       | (28,677)                |
| Other operating income due to changes in leasing agreements   | -                       | 1,120                   |
| Costs of negative exchange differences due to balance sheet valuation of lease liabilities                  | (439,706)               | -                       |
| <b>The total amount recognized in the consolidated income statement / statement of comprehensive income</b> | <b>(2,658,426)</b>      | <b>(1,084,731)</b>      |

The total cash outflow from lease agreements was PLN 971,035 in the period from 22.03.2019 to 31.12.2019 and it was PLN 968,544 in the period from 01.01.2020 to 30.06.2020.

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:

|   | 01.01.2020 - 30.06.2020 | 22.03.2019 - 31.12.2019 |
|---|-------------------------|-------------------------|
| Depreciation of leased assets   | (2,239,220)             | (280,097)               |
| Interest expense on lease liabilities   | (149,191)               | (45,546)                |
| Costs of negative exchange differences due to balance sheet valuation of lease liabilities                  | (642,526)               | 14,151                  |
| <b>The total amount recognized in the consolidated income statement / statement of comprehensive income</b> | <b>(3,030,937)</b>      | <b>(311,492)</b>        |

The total cash outflow from lease agreements was PLN 873,807 in the period from 22.03.2019 to 31.12.2019 and it was PLN 1,368,697 in the period from 01.01.2020 to 30.06.2020.

## 23. Share capital

|                          | As at 30/06/2020  | As at 31/12/2019  |
|--------------------------|-------------------|-------------------|
|                          | PLN               | PLN               |
| Registered share capital | 14,684,379        | 12,876,983        |
|                          | <u>14,684,379</u> | <u>12,876,983</u> |

### 23.1 Share capital as at the end of the reporting period

|                      | As at 30/06/2020  | As at 31/12/2019  |
|----------------------|-------------------|-------------------|
|                      | PLN               | PLN               |
| Number of shares     | 18,355,474        | 16,096,229        |
| Par value per share  | 0.80              | 0.80              |
| <b>Share capital</b> | <u>14,684,379</u> | <u>12,876,983</u> |

### Share capital structure as at 30 June 2020

| 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                   |
| <b>Total</b>  |                    | <u>18,355,474</u> | <u>14,684,379</u>           |

"0" series shares were issued during the registration of the Company with the intention of redemption after the split process (purchase of the OPE). On February 18, 2020, a reduction in the share capital of Selvita S.A. by PLN 100,000 was registered in the National Court Register through the redemption of 125,000 Company's own shares with a nominal value of PLN 0.80 each. The redemption of series "0" shares is in line with the division plan of Ryvu S.A. approved in 2019. (former Selvita S.A.), pursuant to which Ryvu S.A. will receive a refund of the funds contributed in the issue of shares.

In connection with the buy-back of own shares and the registered redemption of the parent company's shares, as at June 30, 2020, the Group recognized a liability to Ryvu Therapeutics S.A. as part of other liabilities and decreased respectively the share capital and supplementary capital.

The Group changed its presentation retrospectively and as at December 31, 2019 and as at June 30, 2019 it recognized a liability to Ryvu Therapeutics S.A. for the buy-back of own shares.

In H1'2020, the Company carried out an issue of series C shares pursuant to Resolution No. 4 of the Extraordinary General Meeting of the Company of May 26, 2020 on increasing the share capital by issuing series C ordinary bearer shares, excluding the subscription rights of the existing shareholders in full, in on the dematerialisation of the Company's series C shares and rights to these shares (PDA), applying for the admission and introduction to trading on the regulated market of the Company's series C shares and rights to these shares (PDA) and on the amendment to the Company's Articles of Association, on the basis of which the capital was increased share capital of the Company from the amount of PLN 12,776,983.20 to the amount of PLN 14,684,379.20, i.e. by PLN 1,907,396.00 through the issue of 2,384,245 series C ordinary bearer shares with a nominal value of PLN 0.80 each share. On June 18, 2020, the increase of the Company's share capital was registered by the District Court for Kraków-Śródmieście in Kraków, 11th Commercial Division of the National Court Register.

Series C shares were offered by the Company by way of an open subscription within the meaning of Art. 431 § 2 point 3) of the Code of Commercial Companies, as part of a public offering within the meaning of Art. 2 lit. d) Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published in connection with a public offering of securities or their admission to trading on a regulated market and repealing Directive 2003/71 / EC conducted on the territory of the Republic of Poland, exempt from the obligation to draw up and publish a prospectus or other information (offering) document.

The public offer was addressed to:

- 1) qualified investors within the meaning of Art. 2 lit. e) the Prospectus Regulation, and
- 2) investors who are not qualified investors who took up Series C Shares with a total value equal to at least the equivalent of EUR 100,000 (one hundred thousand euro) per investor for each separate offer, and therefore the Public Offer did not require the preparation and publication of an issue prospectus, pursuant to Art. 1 clause 4 lit. a) and d) in connection with with art. 1 clause 6 of the Prospectus Regulation.

The issue price of the Series C Shares was set at PLN 38 per share, therefore the total proceeds from the issue, understood as the product of the number of shares covered by the offering and the issue price, amounted to PLN 90,601,310.00, and the total costs of the offering were PLN 2,222,195. Series C shares were acquired by 146 entities as part of the institutional investor tranche and a total of 9 people as part of the individual investor tranche. The costs of the issue were charged to the supplementary capital and decreased the value of the share premium above their nominal value.

## Shareholder structure

As at 30 June 2020

| Shareholder   | Number of shares  | Percentage interest in share capital | Number of votes   | Percentage share of voting rights |
|---|-------------------|--------------------------------------|-------------------|-----------------------------------|
| Paweł Tadeusz Przewięźlikowski                                    | 4,990,880         | 27.19%                               | 8,490,880         | 37.90%                            |
| Bogusław Stanisław Sieczkowski                                    | 924,384           | 5.04%                                | 1,474,384         | 6.58%                             |
| Nationale Nederlanden PTE S.A.                                    | 1,594,749         | 8.69%                                | 1,594,749         | 7.12%                             |
| Other shareholders (less than 5% of votes at the General Meeting) | 10,845,461        | 59.08%                               | 10,845,461        | 48.40%                            |
| <b>Total</b>  | <b>18,355,474</b> | <b>100.00%</b>                       | <b>22,405,474</b> | <b>100.00%</b>                    |

## Share capital structure as at 31 December 2019

| 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 "0" shares                                   | none               | 125,000           | 100,000                     |
| <b>Total</b>  |                    | <b>16,096,229</b> | <b>12,876,983</b>           |

## Shareholder structure

As at 31 December 2019

| Shareholder  | Number of shares  | Percentage interest in share capital | Number of votes   | Percentage share of voting rights |
|--|-------------------|--------------------------------------|-------------------|-----------------------------------|
| Paweł Tadeusz Przewięźlikowski   | 4,990,880         | 31.01%                               | 8,490,880         | 42.15%                            |
| Bogusław Stanisław Sieczkowski   | 924,384           | 5.74%                                | 1,474,384         | 7.32%                             |
| Augebit Fundusz Inwestycyjny Zamknięty (directly and indirectly by Privatech Holdings Limited) | 1,039,738         | 6.46%                                | 1,039,738         | 5.16%                             |
| Nationale Nederlanden PTE S.A.   | 1,316,969         | 8.18%                                | 1,316,969         | 6.54%                             |
| Other shareholders (less than 5% of votes at the General Meeting)                              | 7,699,258         | 47.83%                               | 7,699,258         | 38.21%                            |
| Ryvu Therapeutics S.A.   | 125,000           | 0.78%                                | 125,000           | 0.62%                             |
| <b>Total</b>   | <b>16,096,229</b> | <b>100.00%</b>                       | <b>20,146,229</b> | <b>100.00%</b>                    |

### 23.2 Revaluation reserve

The Group did not create the revaluation reserve in the periods presented in the consolidated financial statements.

### 23.3 Other reserves

The Group did not create the other reserves in the periods presented in the consolidated financial statements.

### 23.4 Reserve capital

|  | As at 30/06/2020   | As at 31/12/2019  |
|--|--------------------|-------------------|
|  | PLN                | PLN               |
| Share premium                                | 86,448,193         | -                 |
| Reserve capital created from purchase of OPE | 22,993,414         | 22,993,414        |
| <b>Total Reserve Capital</b>                 | <b>109,441,607</b> | <b>22,993,414</b> |

Reserve capital is constituted by :

- supplementary capital created from the surplus of the issue price of Series C shares, described in Note 23.1,
- supplementary capital of Subsidiaries acquired under OPE resulting from the transactions described in note 1.4.

## 24. Credit facilities and loans

|                              | As at<br>30/06/2020 | As at<br>31/12/2019 |
|------------------------------|---------------------|---------------------|
|                              | PLN                 | PLN                 |
| <b>Uncollateralized:</b>     |                     |                     |
| Overdraft facilities (i)     | -                   | -                   |
| Used credit card limits (ii) | 7,297               | 6,989               |
|                              | <u>7,297</u>        | <u>6,989</u>        |
| <b>Collateralized:</b>       |                     |                     |
| Bank loans                   | -                   | -                   |
|                              | <u>-</u>            | <u>-</u>            |
| <b>Total:</b>                | <u>7,297</u>        | <u>6,989</u>        |
| Current liabilities          | 7,297               | 6,989               |
| Non-current liabilities      | -                   | -                   |
|                              | <u>7,297</u>        | <u>6,989</u>        |

### 24.1 Loan agreements

- (i) The Company does not have any open overdraft facilities.
- (ii) The debt as at 30/06/2020 results from the use of the limit on credit cards in the amount of PLN 7,297.

### 24.2 Breaches of covenants

None.

## 25. Provisions

There was no issue in the periods covered by the consolidated financial statements.

## 26. Trade and other liabilities

|   | As at<br>30/06/2020 | As at<br>31/12/2019 * |
|---|---------------------|-----------------------|
|   | PLN                 | PLN                   |
| Trade liabilities   | 9,433,703           | 5,726,412             |
| Liabilities due to taxes, insurance (social security, personal income tax, PFRON) | 3,985,392           | 2,224,019             |
| Current tax liabilities   | 370,521             | 229,198               |
| Liabilities due to salaries and wages and other liabilities to employees          | 4,217               | 45,633                |
| Other financial liabilities   | 2,988,750           | 2,988,750             |
| Other non-financial liabilities   | 25,900              | 581,441               |
|   | <b>16,808,483</b>   | <b>11,795,453</b>     |

\* *transformed*

The average payment term for purchases of goods and materials is two months. Following its due date, interest usually are not accrued on outstanding liabilities. The Group has a financial risk management policy in place, ensuring that its liabilities are paid on time.

## 27. Liabilities due to retirement benefits

| Item   | Provisions for<br>retirement benefits<br>as of 30/06/2020 | Provisions for<br>retirement benefits as<br>of 31/12/2019 |
|--|---|---|
| Provisions at the beginning of the period                            | <b>103,028</b>  | -   |
| Increase due to:   | <b>132,849</b>  | <b>103,028</b>  |
| - provisions recognized due to purchase of OPE                       | -   | <b>103,028</b>  |
| - provisions recognized in profit and loss account in current period | 132,849   | -   |
| <b>Provisions at the end of the period, including:</b>               | <b>235,877</b>  | <b>103,028</b>  |
| - long-term  | 235,877   | 103,028   |
| - short-term   | -   | -   |

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

|   | 30 June 2020 | 31 December 2019 |
|---|--------------|------------------|
| Discount rate (%)                           | 1.36         | 3.20             |
| Expected inflation rate (%)                 | <b>1.50</b>  | <b>1.50</b>      |
| Employee turnover rate (%)                  | -            | -                |
| Expected wage growth rate (%)               | 1.50         | 1.50             |
| Average remaining employment period (years) | <b>29</b>    | <b>29</b>        |

## 28. Financial instruments

### 28.1 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 32,
- equity, including reserve capitals and retained earnings, as disclosed in Note 28.

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.

#### 28.1.1 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 30/06/2020    | As at 31/12/2019  |
|---------------------------|---------------------|-------------------|
|                           | PLN                 | PLN               |
| Debt (i)                  | 60,923,956          | 46,218,048        |
| Cash and cash equivalents | 104,195,739         | 13,667,930        |
| Net debt                  | <b>(43,271,783)</b> | <b>32,550,118</b> |
| Equity (ii)               | 142,557,769         | 44,668,792        |
| Net debt to equity        | <b>(0.30)</b>       | <b>0.73</b>       |

(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.

## 28.2 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<br>30/06/2020 | As at<br>31/12/2019 |
|---|---------------------|---------------------|
|   | PLN                 | PLN                 |
| <b>Financial assets</b>   |                     |                     |
| <b>Financial instruments measured at amortized cost method:</b> | <b>147,960,255</b>  | <b>41,780,785</b>   |
| Cash (Note 32)  | 104,195,739         | 13,667,930          |
| Other long-term assets - deposits (Note 19)                     | 343,335             | 343,335             |
| Trade and other receivables (Note 21)                           | 36,518,778          | 23,542,855          |
| Contract assets (Note 5.3)                                      | 6,902,403           | 4,226,665           |
| <b>Financial liabilities</b>                                    |                     |                     |
| <b>Financial instruments measured at amortized cost method:</b> | <b>44,083,989</b>   | <b>33,797,564</b>   |
| Interest bearing credit facilities and loans (Note 24)          | 7,297               | 6,989               |
| Finance lease liabilities (Note 22)                             | 31,654,239          | 25,075,413          |
| Trade and other liabilities (Note 26)                           | 9,433,703           | 5,726,412           |
| Other financial liabilities (Note 26)                           | 2,988,750           | 2,988,750           |

In the opinion of the Management Board, the carrying value of trade receivables and liabilities corresponds to fair value.

## 28.3 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.

## 28.4 Market risk

The Group's activities expose it to currency risk (see Note 28.5) and interest rate risk (see Note 28.6). 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.

## 28.5 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<br>30/06/2020 | As at<br>31/12/2019 | As at<br>30/06/2020 | As at<br>31/12/2019 |
|       | PLN                 | PLN                 | PLN                 | PLN                 |
| EUR   | 20,752,763          | 11,969,367          | 20,304,112          | 23,353,620          |
| USD   | 265,581             | 344,412             | 8,701,149           | 9,309,866           |
| Other | 293,434             | 93,252              | 2,338,201           | 4,928,740           |

### 28.5.1 Sensitivity to currency risk

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

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

|                         |      | Effect of EUR              | Effect of EUR              | Effect of USD              | Effect of USD              |
|-------------------------|------|----------------------------|----------------------------|----------------------------|----------------------------|
|                         |      | Period ended<br>30/06/2020 | Period ended<br>31/12/2019 | Period ended<br>30/06/2020 | Period ended<br>31/12/2019 |
|                         |      | PLN                        | PLN                        | PLN                        | PLN                        |
| <b>ASSETS</b>           |      |                            |                            |                            |                            |
| Exchange rate increase  | 15%  | 3,045,617                  | 2,463,728                  | 1,305,172                  | 705,547                    |
| Exchange rate increase  | 10%  | 2,030,411                  | 1,642,485                  | 870,115                    | 470,365                    |
| Exchange rate increase  | 5%   | 1,015,206                  | 821,243                    | 435,057                    | 235,182                    |
| Exchange rate decrease  | -5%  | (1,015,206)                | (821,243)                  | (435,057)                  | (235,182)                  |
| Exchange rate decrease  | -10% | (2,030,411)                | (1,642,485)                | (870,115)                  | (470,365)                  |
| Exchange rate decrease  | -15% | (3,045,617)                | (2,463,728)                | (1,305,172)                | (705,547)                  |
| <b>LIABILITIES</b>      |      |                            |                            |                            |                            |
| Exchange rate increase  | 15%  | 3,112,915                  | 1,795,405                  | 39,837                     | 51,662                     |
| Exchange rate increase  | 10%  | 2,075,276                  | 1,196,937                  | 26,558                     | 34,441                     |
| Exchange rate increase  | 5%   | 1,037,638                  | 598,468                    | 13,279                     | 17,221                     |
| Exchange rate decrease  | -5%  | (1,037,638)                | (598,468)                  | (13,279)                   | (17,221)                   |
| Exchange rate decrease  | -10% | (2,075,276)                | (1,196,937)                | (26,558)                   | (34,441)                   |
| Exchange rate decrease  | -15% | (3,112,915)                | (1,795,405)                | (39,837)                   | (51,662)                   |
| <b>EFFECT ON PROFIT</b> |      |                            |                            |                            |                            |
| Exchange rate increase  | 15%  | (67,298)                   | 668,323                    | 1,265,335                  | 653,885                    |
| Exchange rate increase  | 10%  | (44,865)                   | 445,549                    | 843,557                    | 435,923                    |
| Exchange rate increase  | 5%   | (22,433)                   | 222,774                    | 421,778                    | 217,962                    |
| Exchange rate decrease  | -5%  | 22,433                     | (222,774)                  | (421,778)                  | (217,962)                  |
| Exchange rate decrease  | -10% | 44,865                     | (445,549)                  | (843,557)                  | (435,923)                  |
| Exchange rate decrease  | -15% | 67,298                     | (668,323)                  | (1,265,335)                | (653,885)                  |

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.

## 28.6 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.

### 28.6.1 Sensitivity to changes in interest rates

The following 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 year, the vast majority of leasing contracts were signed in EUR and due to the fact that the reference rates underlying the interest rates on these contracts were negative in 2020 and 2019, therefore a potential change of 50 basis points would not have a significant impact on the Group's financial result in the current period.

## 28.7 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 21 and data on the contract assets are provided in Note 5.3.

## 28.8 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 30/06/2020   | As at 31/12/2019  |
|--|--------------------|-------------------|
| <b>Financial assets (+)</b>                                  | <b>140,714,517</b> | <b>37,210,785</b> |
| Receivables (including trade receivables of disposal groups) | 36,518,778         | 23,542,855        |
| Cash   | 104,195,739        | 13,667,930        |
| <b>Financial liabilities (-)</b>                             | <b>44,083,989</b>  | <b>33,797,564</b> |
| Interest bearing credit facilities and loans                 | 7,297              | 6,989             |
| Finance lease liabilities                                    | 31,654,239         | 25,075,413        |
| Trade liabilities  | 9,433,703          | 5,726,412         |
| Other financial liabilities                                  | 2,988,750          | 2,988,750         |
| <b>Exposure to liquidity risk</b>                            | <b>96,630,528</b>  | <b>3,413,221</b>  |

Maturity of the Company's financial liabilities as at 30 June 2020:

| Type of liability                            | Current:                  |                  |                  |                           | Non-current:      |              |                               | Liabilities – carrying amount |
|--|---------------------------|------------------|------------------|---------------------------|-------------------|--------------|-------------------------------|-------------------------------|
|  | Maturing as at 30/06/2020 | 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 | -                         | 7,297            | -                | 7,297                     | -                 | -            | -                             | 7,297                         |
| Finance lease liabilities                    | -                         | 2,192,890        | 6,578,672        | 8,771,562                 | 22,882,677        | -            | 22,882,677                    | 31,654,239                    |
| Trade liabilities                            | 1,150,340                 | 312,711          | 893,035          | 2,356,086                 | -                 | -            | -                             | 2,356,086                     |
| Other financial liabilities                  | -                         | 2,988,750        | -                | 2,988,750                 | -                 | -            | -                             | 2,988,750                     |
| <b>Total</b>                                 | <b>1,150,340</b>          | <b>5,501,648</b> | <b>7,471,707</b> | <b>14,123,695</b>         | <b>22,882,677</b> | <b>-</b>     | <b>22,882,677</b>             | <b>37,006,372</b>             |

Maturity of the Company's financial liabilities as at 31 December 2019:

| Type of liability                            | Current:                  |                  |                  |                           | Non-current:      |              |                               | Liabilities – carrying amount |
|--|---------------------------|------------------|------------------|---------------------------|-------------------|--------------|-------------------------------|-------------------------------|
|  | Maturing as at 31/12/2019 | 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 | -                         | 6,989            | -                | <b>6,989</b>              | -                 | -            | -                             | <b>6,989</b>                  |
| Finance lease liabilities                    | -                         | 1,657,268        | 4,971,801        | <b>6,629,069</b>          | 18,446,344        | -            | <b>18,446,344</b>             | <b>25,075,413</b>             |
| Trade liabilities                            | 2,728,665                 | 1,523,650        | 106,999          | <b>4,359,314</b>          | -                 | -            | -                             | <b>4,359,314</b>              |
| Other financial liabilities                  | -                         | -                | 2,988,750        | <b>2,988,750</b>          | -                 | -            | -                             | <b>2,988,750</b>              |
| <b>Total</b>                                 | <b>2,728,665</b>          | <b>3,187,907</b> | <b>8,067,550</b> | <b>13,984,122</b>         | <b>18,446,344</b> | -            | <b>18,446,344</b>             | <b>32,430,466</b>             |

### 28.8.1 Available external sources of funding

|                                      | As at 30/06/2020 | As at 31/12/2019 |
|--------------------------------------|------------------|------------------|
|                                      | PLN              | PLN              |
| Collateralized overdraft facilities: |                  |                  |
| Amount utilized                      | 7,297            | 6,989            |
| Amount available                     | 461,703          | 462,011          |
|                                      | <b>469,000</b>   | <b>469,000</b>   |

## 29. Accrued costs and deferred income

### 29.1 Accrued costs

|                        | As at<br>30/06/2020 | As at<br>31/12/2019 |
|------------------------|---------------------|---------------------|
|                        | PLN                 | PLN                 |
| Provision for holidays | 2,978,968           | 1,796,261           |
| Provision for bonuses  | 5,610,348           | 3,917,240           |
|                        | <b>8,589,316</b>    | <b>5,713,501</b>    |
| Short-term             | 8,589,316           | 5,713,501           |
| Long-term              | -                   | -                   |

### 29.2 Deferred income

|   | As at<br>30/06/2020 | As at<br>31/12/2019 |
|---|---------------------|---------------------|
|   | PLN                 | PLN                 |
| Accrued rebates for clients                                   | 110,020             | 380,657             |
| Government grants (i) revenue recognition according to IAS 20 | 97,968              | 210,369             |
|   | <b>207,988</b>      | <b>591,026</b>      |
| Short-term  | 121,973             | 491,480             |
| Long-term   | 86,015              | 99,546              |
|   | <b>207,988</b>      | <b>591,026</b>      |

(i) Government subsidies include payments received resulting from subsidy contracts signed.

### 30. 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.

#### 30.1 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 of goods and services | Sales of goods and services | Purchases of goods and services | Purchases of goods and services |
|--|-----------------------------|-----------------------------|---------------------------------|---------------------------------|
|  | Period ended 30/06/2020     | Period ended 31/12/2019     | Period ended 30/06/2020         | Period ended 31/12/2019         |
|  | PLN                         | PLN                         | PLN                             | PLN                             |
| Ryvu Therapeutics S.A.                             | 2,706,032                   | 1,754,964                   | 305,573                         | 654,461                         |
| H&H Investment Sp. z o.o.                          | 1,060                       | 530                         | 151,013                         | 41,481                          |
| MAMIKOM Łukasz Nowak                               | 1,415                       | 523                         | 124,722                         | 126,608                         |
| VIRTUS Bogusław Sieczkowski                        | -                           | -                           | 68,400                          | 34,200                          |
| ALTIUM Piotr Romanowski                            | -                           | -                           | -                               | 1,035                           |
| Chabasiewicz, Kowalska i Partnerzy Radcowie Prawni | -                           | -                           | 13,125                          | 15,289                          |
|  | <b>2,708,507</b>            | <b>1,756,017</b>            | <b>662,833</b>                  | <b>873,074</b>                  |

Balances at the end of the reporting period:

|  | Amounts due from related parties | Amounts due from related parties | Amounts due to related parties | Amounts due to related parties |
|--|----------------------------------|----------------------------------|--------------------------------|--------------------------------|
|  | As at 30/06/2020                 | As at 31/12/2019                 | As at 30/06/2020               | As at 31/12/2019               |
|  | PLN                              | PLN                              | PLN                            | PLN                            |
| Ryvu Therapeutics S.A.                             | 4,458,059                        | 1,557,353                        | 4,891,476                      | 6,688,547                      |
| H&H Investment Sp. z o.o.                          | 339                              | 515                              | 44,099                         | 16,596                         |
| MAMIKOM Łukasz Nowak                               | 365                              | 182                              | -                              | 106,200                        |
| VIRTUS Bogusław Sieczkowski                        | -                                | -                                | 14,022                         | 14,022                         |
| ALTIUM Piotr Romanowski                            | -                                | -                                | -                              | 1,035                          |
| Chabasiewicz, Kowalska i Partnerzy Radcowie Prawni | -                                | -                                | -                              | -                              |
|  | <b>4,458,763</b>                 | <b>1,558,050</b>                 | <b>4,949,597</b>               | <b>6,826,400</b>               |

#### 30.2 Loans to related parties

|                                 | As at 30/06/2020 | As at 31/12/2019 |
|---------------------------------|------------------|------------------|
|                                 | PLN              | PLN              |
| Loans granted to key executives | -                | -                |

#### 30.3 Loans from related parties

|                                     | As at 30/06/2020 | As at 31/12/2019 |
|-------------------------------------|------------------|------------------|
|                                     | PLN              | PLN              |
| Loans received from related parties | -                | -                |

Not applicable in the periods presented in the consolidated financial statements.

### 30.4 Executive compensation

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

|                          | Period ended<br>30/06/2020 | Period ended<br>31/12/2019 |
|--------------------------|----------------------------|----------------------------|
|                          | PLN                        | PLN                        |
| <b>Management Board</b>  | <b>1,459,587</b>           | <b>976,981</b>             |
| Bogusław Sieczkowski     | 256,445                    | 209,847                    |
| Miłosz Gruca             | 342,857                    | 288,366                    |
| Mirosława Zydróż         | 255,615                    | 123,555                    |
| Edyta Jaworska           | 196,261                    | 182,425                    |
| Dariusz Kurdas           | 172,567                    | 106,295                    |
| Dawid Radziszewski       | 101,000                    | 16,683                     |
| Janusz Homa              | 12,000                     | 6,000                      |
| Milanowska Kaja          | 110,842                    | 37,808                     |
| Nowak Łukasz             | 12,000                     | 6,000                      |
| <b>Supervisory Board</b> | <b>117,612</b>             | <b>49,500</b>              |
| Paweł Przewięźlikowski   | 18,612                     | 9,306                      |
| Piotr Romanowski         | 22,572                     | 11,286                     |
| Tadeusz Wesółowski       | 20,592                     | 10,296                     |
| Rafał Chwast             | 18,612                     | 9,306                      |
| Wojciech Chabasiewicz    | 18,612                     | 9,306                      |
| Jacek Osowski            | 18,612                     | -                          |
|                          | <b>1,577,199</b>           | <b>1,026,481</b>           |

### 31.5 Loans and similar benefits granted to members of management, supervisory and administration bodies of the Group companies

Not applicable in the periods presented in the consolidated financial statements.

### 31. Business combinations

The event did not occur in the reporting period.

### 32. 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.

|                          | Period ended 30/06/2020 | Period ended 31/12/2019 |
|--------------------------|-------------------------|-------------------------|
|                          | PLN                     | PLN                     |
| Cash in hand and at bank | 104,195,739             | 13,667,930              |
| Overdraft facilities     | 7,297                   | 6,989                   |
|                          | <u>104,203,036</u>      | <u>13,674,919</u>       |

As at 31.12.2019, restricted cash amounted to PLN 225,195 and related to securing credit card limits. As at 30/06/2020, there were no restricted cash.

### 33. Average headcount in the Group

|                        | Period ended 30/06/2020 | Period ended 31/12/2019 |
|------------------------|-------------------------|-------------------------|
| White collar employees | 438                     | 411                     |
| Blue collar employees  | -                       | -                       |
| <b>Total headcount</b> | <b>438</b>              | <b>411</b>              |

### 34. Capital commitments

|   | As at<br>30/06/2020 | As at<br>31/12/2019 |
|---|---------------------|---------------------|
|   | PLN                 | PLN                 |
| Commitments to purchase property, plant and equipment | 186,837             | 224,429             |

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

### 35. Contingent liabilities and assets

#### 35.1 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:

- promissory note liabilities - covering the amount of grant awarded with interest in the amount specified as for tax arrears calculated from the date of transferring funds to the bank account till the day of return. In the period covered by the report, the Group received PLN 2,220,196. As at the balance sheet date, the total amount of cash received from subsidies is PLN 9,535,840.

Having obtained a permit to operate in the Krakow Technology Park special economic zone, Selvita Services sp. z o.o. is obliged to incur investment outlays of at least PLN 7,320,000 and create 150 new jobs by December 2023. Until 30 June 2020 the company utilised PLN 6,687,309 of tax credit.

#### 35.2 Contingent assets

Not applicable in the periods presented in the consolidated financial statements.

### 36. Remuneration of the entity authorized to audit financial statements

|                 | As at<br>30/06/2020 | As at<br>31/12/2019 |
|-----------------|---------------------|---------------------|
|                 | PLN                 | PLN                 |
| Statutory audit | 77,000              | 194,500             |
| <b>Total</b>    | <b>77,000</b>       | <b>194,500</b>      |

### 37. Notes on the consolidated statement of cash flow

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

| Items  | Period ended | Period from                 |
|--|--------------|-----------------------------|
|  | 30/06/2020   | 22/03/2019 to<br>30/06/2019 |
|  | PLN          | PLN                         |
| <b>The change in trade receivables and other receivables results from the following items:</b>       | (13,340,154) | (690)                       |
| - change in receivables resulting from the balance sheet   | (13,340,154) | (690)                       |
| <b>The change in inventory results from the following items:</b>                                     | (171,667)    | -                           |
| - change in inventory resulting from the balance sheet   | (171,667)    | -                           |
| <b>The change in liabilities, except for loans and borrowings, results from the following items:</b> | 5,012,722    | 177,000                     |
| - change in liabilities resulting from the balance sheet   | 5,012,722    | 177,000                     |
| <b>Change in deferred income results from the following items:</b>                                   | 2,492,777    | -                           |
| - change in deferred income resulting from the balance sheet   | 2,492,777    | -                           |
| <b>The change in provisions results from the following items:</b>                                    | 621,275      | -                           |
| - change in provisions resulting from the balance sheet  | 621,275      | -                           |
| <b>The change in other assets results from the following items:</b>                                  | (1,362,932)  | -                           |
| - change in other assets resulting from the balance sheet  | (1,362,932)  | -                           |

### 38. Agreements entered into by the Group and not presented on the balance sheet

Not applicable in the periods presented in the consolidated financial statements.

### 39. Major events pertaining to prior years and presented in the consolidated financial statements for the current year

Not applicable in the periods presented in the consolidated financial statements.

### 40. Significant events of the reporting period

#### Coronavirus (COVID-19)

In the first quarter of 2020, the Covid-19 epidemic occurred, therefore the Group implemented the instructions recommended by the Chief Sanitary Inspectorate and other state institutions related to dealing with an epidemiological threat, including the implementation of remote work and ensuring safe working conditions for employees stationary workers. Additionally, business trips to countries identified by the Chief Sanitary Inspectorate as high-risk countries have been suspended. In business contacts, the Group used remote methods of communication. the Group also appointed a working team consisting of representatives of various organizational units, whose purpose is to respond to the changing situation on an ongoing basis and minimize the negative consequences for the Group resulting from the spread of the epidemic. The Group has also developed an internal policy on counteracting the spread of the coronavirus and recommended actions to ensure proper occupational health and safety.

Until the date of publication of this report, no negative impact of the spread of the coronavirus on the Group's income from its operations has been recorded. In the Q2 2020 reporting period, due to the nature of CRO activities and the outsourcing of services by biotechnology and pharmaceutical companies, the Group noted an increase in interest in the services provided, especially from foreign entities seeking replacement and diversification during the pandemic in terms of outsourced research and development works.

The Management Board of the Parent Company and Group entities will analyze the Group's situation on an ongoing basis. Possible new conditions, significantly affecting the generated financial results and the economic situation of the Group, will be immediately communicated in separate current reports.

#### **41. Major events after the end of the reporting period which have not been presented in the consolidated financial statements**

There was no such issue in the period covered by the consolidated financial statements.

#### **42. Financial statements of Selvita Ltd., UK – release from the audit obligation**

Selvita Limited registered in the UK under number 09553918 is released from the obligation to have its separate financial statements prepared in accordance with UK GAAP audited under Section 479A of the UK Companies Act 2006.

#### **43. Approval of the financial statements**

The consolidated financial statements were approved by the Management Board of the parent company on 9 September 2020.

*Prepared by: Elżbieta Kokoć*

#### **Signatures of Members of the Management Board:**

*Bogusław Stanisław Sieczkowski - President of the Board*

*Miłosz Kazimierz Gruca - Vice-President of the Board*

*Edyta Barbara Jaworska - Member of the Board*

*Mirosława Monika Zydróż - Member of the Board*

*Dariusz Tomasz Kurdas - Member of the Board*

*Dawid Patryk Radziszewski - Member of the Board*

**Kraków, 9 September 2020**

# CONTACT



## INVESTOR RELATIONSHIP

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## MEDIA

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