Selvita

SELVITA S.A. GROUP

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Prepared for the period of 9 months from 01/01/2020 to 30/09/2020

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

It is the translation of Polish original document

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

	Note	9 months period ended on 30/09/2020	3 months period ended on 30/09/2020	Period from 22/03/2019 to 30/09/2019	3 months period ended on 30/09/2019
		PLN	PLN	PLN	PLN
Continuing operations					
Sales revenue	5	101,375,370	36,226,150	-	-
Grant income	5	3,374,652	1,090,358	-	-
Total operating revenue		**104,750,022**	**37,316,508**	**-**	**-**
Amortization and depreciation	5	(9,481,133)	(3,621,457)	-	-
Consumption of materials and supplies		(15,723,059)	(5,875,802)	(2,753)	(2,753)
External services	5	(13,639,341)	(5,138,532)	(218,978)	(38,731)
Employee benefit expense	5	(48,174,718)	(16,377,764)	(11,165)	(11,165)
Other expenses		(1,384,323)	(285,602)	(510)	(510)
Taxes and charges		(838,253)	(306,911)	(31,763)	(24,363)
Impairment loss on trade receivables		(77,548)	(38,676)	-	-
Total operating expenses		**(89,318,375)**	**(31,644,744)**	**(265,169)**	**(77,522)**
Other operating revenue	9	375,296	135,483	-	-
Other operating expenses	9	(34,610)	(1,898)	-	-
Operating profit		**15,772,333**	**5,805,349**	**(265,169)**	**(77,522)**
Financial revenue	7	12,791	(247,638)	10,777	6,552
Financial expenses	8	(861,958)	(106,642)	(196)	(196)
Profit on business activities		**14,923,166**	**5,451,069**	**(254,588)**	**(71,166)**
Profit before income tax		**14,923,166**	**5,451,069**	**(254,588)**	**(71,166)**
Income tax expense	10	(422,198)	(363,511)	-	-
Net profit on continuing operations		**14,500,968**	**5,087,558**	**(254,588)**	**(71,166)**
NET PROFIT		**14,500,968**	**5,087,558**	**(254,588)**	**(71,166)**
Net other comprehensive income					
Items to be reclassified to profit or loss in the ensuing reporting periods:					
Foreign subsidiaries results translation differences		(166,458)	(286,436)	-	-
Total net other comprehensive income		**(166,458)**	**(286,436)**	**-**	**-**
TOTAL INCOME FOR THE PERIOD		**14,334,510**	**4,801,122**	**(254,588)**	**(71,166)**
Net profit attributed to:					
Majority shareholders		13,204,726	4,411,090	(254,588)	(71,166)
Non-controling shareholders		1,296,242	676,468	-	-
Total income attributed to:					
Majority shareholders		13,038,268	4,124,654	(254,588)	(71,166)
Non-controling shareholders		1,296,242	676,468	-	-
Earnings per share					
(expressed in PLN cents per share)	11				
With continued and discontinued operations:					
Basic		78.5	24.0	N/A	N/A
Diluted		78.5	24.0	N/A	N/A

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION PREPARED AS AT 30 SEPTEMBER 2020

	Note	Balance as at 30/09/2020	Balance as at 31/12/2019 *
		PLN	PLN
ASSETS			
Non-current assets			
Tangible fixed assets	12	21,958,685	10,282,357
Lease assets	22	36,822,500	24,927,169
Goodwill	13	280,740	280,740
Other intangible assets	14	566,458	588,229
Deferred tax asset	10	11,227,476	8,520,949
Other assets	18	345,573	343,335
Total non-current assets		**71,201,432**	**44,942,779**
Current assets			
Inventory	19	1,356,549	1,184,882
Short-term receivables	21	35,429,745	25,854,362
Contract assets	5.3	7,714,647	4,226,665
Other assets	20.1	1,013,022	1,010,222
Cash and other monetary assets	32	97,406,878	13,667,930
Total current assets		142,920,841	45,944,061
Total assets		**214,122,273**	**90,886,840**
EQUITY AND LIABILITIES			
Equity			
Share capital	23	14,684,379	12,876,983
Share premium	23	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		(228,412)	(61,954)
Retained earnings / Accumulated losses		5,523,002	-
Net profit for the period		13,204,726	5,523,002
Equity attributed to majority shareholders		**142,625,302**	**41,231,445**
Equity attributed to non-controling shareholders	17	4,733,590	3,437,347
Total equity		**147,358,892**	**44,668,792**
Long-term liabilities			
Lease liabilities	28.8	26,346,893	18,446,344
Liabilities due to retirement benefits	27	244,277	103,028
Deferred tax provision	10	4,760,311	2,939,627
Deferred income	29.2	81,065	99,546
Total long-term liabilities		**31,432,546**	**21,588,545**
Short-term liabilities			
Trade and other liabilities	26	14,054,252	11,001,479
Contract liabilities	5.3	330,008	557,787
Lease liabilities	28.8	11,229,111	6,629,069
Short-term loans and bank credits	24;32	15,727	6,989
Current tax liabilities	10;26	423,362	229,198
Short-term provisions	25	-	-
Accruals	29.1	8,647,588	5,713,501
Deferred income	29.2	630,787	491,480
Total short-term liabilities		**35,330,835**	**24,629,503**
Total liabilities		**66,763,381**	**46,218,048**
Total equity and liabilities		**214,122,273**	**90,886,840**

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

	Note	Share capital	Share premium	Reserve capital resulting from the acquisition of OPE	Other reserve capitals *	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-controling shareholders	Total equity
		PLN	PLN	PLN		PLN	PLN	PLN	PLN	PLN	PLN
Balance as at 1 January 2020		**12,876,983**	**2,888,750**	**22,993,414**	**(2,988,750)**	**(61,954)**	**-**	**5,523,002**	**41,231,445**	**3,437,347**	**44,668,792**
Net profit for the period		-	-	-	-	-		13,204,726	13,204,726	1,296,242	14,500,968
Share issuance	23	1,907,396	86,448,193	-	-	-	-		88,355,589	-	88,355,589
Other comprehensive income		-	-	-	-	(166,458)	-		(166,458)	-	(166,458)
Transfer of result from previous years		-	-	-	-	-	5,523,002	(5,523,002)	-	-	-
		14,784,379	**89,336,943**	**22,993,414**	**(2,988,750)**	**(228,412)**	**5,523,002**	**13,204,726**	**142,625,302**	**4,733,589**	**147,358,891**
Redemption of shares		(100,000)	(2,888,750)	-	2,988,750	-	-	-	-	-	-
Balance as at 30 September 2020		**14,684,379**	**86,448,193**	**22,993,414**	**-**	**(228,412)**	**5,523,002**	**13,204,726**	**142,625,302**	**4,733,589**	**147,358,891**
Balance as at 22 March 2019		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Issue of shares	23	100,000	2,888,750	-	-	-	-	-	2,988,750	-	2,988,750
Obligation to repurchase the shares will arise		-	-	-	(2,988,750)	-	-	-	(2,988,750)	-	(2,988,750)
Net profit for the period		-	-	-	-	-	-	(71,166)	(71,166)	-	(71,166)
Balance as at 30 September 2019		**100,000**	**2,888,750**	**-**	**(2,988,750)**	**-**	**-**	**(71,166)**	**(71,166)**	**-**	**(71,166)**

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

	Note	9 months period ended on 30/09/2020	Period from 22/03/2019 to 30/09/2019
		PLN	PLN
Cash flows from operating activities			
Profit for the period		**14,500,968**	**(254,588)**
Adjustments:			
Amortization and depreciation and impairment losses on fixed assets		9,481,133	-
Exchange gains (losses)		(308,796)	-
Interest and profit-sharing (dividends), net		431,952	(4,225)
Change in receivables		(13,063,365)	(690)
Change in inventory		(171,667)	-
Change in short-term liabilities and provision excluding credits and loans		3,019,158	177,000
Change in deferred income		3,054,913	-
Change in provisions		1,961,933	-
Change in other assets		(2,687,556)	-
Net cash flows from operating activities		**16,218,673**	**(82,503)**
Cash flows from investing activities			
Purchase of tangible and intangible fixed assets		(14,250,439)	-
Cash received from the purchase of OPE		-	-
Interest received		12,791	485
Repayment of loans		-	-
Loans granted		-	-
Net cash flows from investing activities		**(14,237,648)**	**485**
Cash flows from financing activities			
Proceeds from shares issuance		90,601,310	2,988,750
Costs of share issuance		(2,245,721)	-
Repayment of finance lease liabilities		(6,161,661)	-
Proceeds from credits and loans		15,727	-
Repayment of credits and loans		(6,989)	-
Interest paid		(444,743)	-
Net cash flows from financing activities		**81,757,923**	**2,988,750**
Net increase in cash and cash equivalents		83,738,948	2,906,732
Cash and cash equivalents at the beginning of the period		13,667,930	-
Net currency differences on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the period	32	**97,406,878**	**2,906,732**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS PREPARED AS AT 30 SEPTEMBER 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 September 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	1,900,000	10.35%	8.48%
Other shareholders (less than 5% of votes at the GM)		10,540,210	57.42%	47.04%
Total		**18,355,474**	**100.00%**	**100.00%**

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%
Total		**15,971,229**	**100.00%**	**100.00%**

1.2. The Capital Group

As at the balance sheet day, the Selvita capital group includes Selvita S.A. as the parent company and 4 subsidiaries - Ardigen S.A., Selvita Services Spółka z o.o, Selvita Inc. and Selvita Ltd.
In the 9-months period ended September 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 September 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	46.67%	53.98%

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 30/09/2020, 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.

Comparative data has 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 September 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 period from 1 January 2020 to 30 September 2020 and include the comparative periods which are the period from 22 March 2019 to 30 September 2019, and in case of 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] includes data for the 3-month period ended September 30, 2020 and comparative data for the 3-month period ended on September 30, 2019. Accompanying consolidated financial statements 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 9-month period ended September 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 9-months period ended September 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-base 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 log-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 2020 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 refereed 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 30/09/2020	As at 31/12/2019
EUR / PLN	4.5268	4.2585
USD / PLN	3.8658	3.7977
GBP / PLN	4.9560	4.9971
CHF / PLN	4.1878	3.9213
JPY / PLN	0.0366	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 September 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 September 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 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 reassess the lease period if there is a significant event or change in circumstances under its control and affects its ability to exercise (or not exercise) the extension option (e.g. change of business strategy).
The Company has included the extension period as part of the leasing period for the leasing of business premises and parking spaces due to the importance of these assets for operations.

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

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

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 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 21,702 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 measured 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 September 2020:

	Period ended 30/09/2020	Period from 01/07/2020 to 30/09/2020	Period from 22/03/2019 to 30/06/2019	Period from 01/07/2019 to 30/09/2019
	PLN	**PLN**	**PLN**	**PLN**
Contract research - fixed priced agreements	30,716,211	10,476,529	-	-
Lease of employees - FTE agreements	66,765,395	24,425,249	-	-
Revenues from the sale of administrative services	3,893,764	1,324,372	-	-
Operating income (excluding grants)	**101,375,370**	**36,226,150**	**-**	**-**

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 30/09/2020	Period from 01/07/2020 to 30/09/2020	Period from 22/03/2019 to 30/09/2019	Period from 01/07/2019 to 30/09/2019
	PLN	**PLN**	**PLN**	**PLN**
Infrastructure subsidies	35,555	6,950	-	-
Grants for research	3,339,097	1,083,408	-	-
	3,374,652	**1,090,358**	**-**	**-**

5.3. Contract assets and liabilities

The scope of changes of contract assets	As at 30/09/2020	As at 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	11,660,043	8,028,916
Invoiced revenues	(8,172,061)	(6,804,870)
Balance at the end of the reporting period	**7,714,647**	**4,226,665**

The scope of changes of contract liabilities	As at 30/09/2020	As at 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	31,037,855	18,929,987
Execution of contracts without invoicing	(31,265,634)	(19,684,028)
Balance at the end of the reporting period	**330,008**	**557,787**

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 30/09/2020	Period from 01/07/2020 to 30/09/2020	Period from 22/03/2019 to 30/09/2019	Period from 01/07/2019 to 30/09/2019
	PLN	PLN	PLN	PLN
Poland	6,417,413	2,680,891	-	-
EU members	41,529,232	15,257,158	-	-
USA	32,498,734	11,491,077	-	-
Other countries	20,929,991	6,797,024	-	-
Total	**101,375,370**	**36,226,150**	**-**	**-**

5.5. Operating expenses

5.5.1 Amortization and impairment	Period ended 30/09/2020	Period from 01/07/2020 to 30/09/2020	Period from 22/03/2019 to 30/09/2019	Period from 01/07/2019 to 30/09/2019
	PLN	PLN	PLN	PLN
Amortization of tangible assets	2,696,848	509,329	-	-
Amortization of equipment usage rights	3,435,395	1,862,859	-	-
Amortization of rights to use the premises and cars	3,203,075	1,194,328	-	-
Amortization of intangible assets	145,815	54,941	-	-
Total amortization expense	**9,481,133**	**3,621,457**	**-**	**-**

5.5.2 Employee benefit expense	Period ended 30/09/2020	Period from 01/07/2020 to 30/09/2020	Period from 22/03/2019 to 30/09/2019	Period from 01/07/2019 to 30/09/2019
	PLN	PLN	PLN	PLN
Salaries and wages	41,425,229	13,970,654	-	-
Social security charges	5,374,685	1,888,693	-	-
Medical and other benefits	643,498	229,088	-	-
Trainings	305,840	106,318	-	-
Workwear	425,466	183,011	-	-
Employee benefit expense	**48,174,718**	**16,377,764**	**-**	**-**

5.5.3 External services	Period ended 30/09/2020	Period from 01/07/2020 to 30/09/2020	Period from 22/03/2019 to 30/09/2019	Period from 01/07/2019 to 30/09/2019
B2C Services*	12,014,169	4,443,872	218,978	38,731
Legal services	987,728	471,277	-	**-**
Transportation services	637,444	223,383	-	**-**
Total external services	**13,639,341**	**5,138,532**	**218,978**	**38,731**

* 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 4,832 thousand in the first three 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 30/09/2020	Period from 01/07/2020 to 30/09/2020	Period ended 30/09/2020	Period from 01/07/2020 to 30/09/2020
	PLN	PLN	PLN	PLN
Segment 1 - Services, including	**90,229,711**	**31,244,071**	**12,788,476**	**4,112,601**
revenue from external customers (FTE)	54,750,701	19,557,052		
revenue from external customers (fixed price)	30,128,525	9,888,843		
revenues from sales of administrative services	3,893,764	1,324,372		
intersegment revenue	214,550	69,000		
grant income	905,763	282,970		
other operating income	336,408	121,834		
Segment 2 - Bioinformatics, including	**15,110,157**	**6,276,920**	**2,983,857**	**1,692,748**
revenue from external customers (FTE)	12,014,694	4,868,197		
revenues for fixed price clients	587,686	587,686		
revenue from external customers	-	-		
grant income	2,468,889	807,388		
other operating income	38,888	13,649		
Elimination of intersegment revenue	214,550	69,000		
Total – continuing operations	**105,125,318**	**37,451,991**	**15,772,333**	**5,805,349**

	Expenses	
	Period ended 30/09/2020	Period from 01/07/2020 to 30/09/2020
	PLN	PLN
Segment 1 - Services, including	**77,441,235**	**27,131,470**
amortization and depreciation	8,746,960	3,375,195
costs of central administration, Management Board remuneration and selling costs	15,037,603	4,948,913
intersegment expenses	7,550	-
Segment 2 - Bioinformatics, including	**12,126,300**	**4,584,172**
amortization and depreciation	734,173	246,262
costs of central administration, Management Board remuneration and selling costs	2,754,646	970,329
intersegment expenses	207,000	69,000
Elimination of intersegment expenses	214,550	69,000
Total – continuing operations	**89,352,985**	**31,646,642**

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

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

6.3 Segment assets and liabilities

Segments assets	As at 30/09/2020 PLN	As at 31/12/2019 PLN
Segment 1		
Services	199,561,409	80,164,382
Segment 2		
Bioinformatics	14,560,864	10,722,458
Total segment assets	**214,122,273**	**90,886,840**
Segment liabilities		
Segment 1		
Services	63,027,602	44,004,115
Segment 2		
Bioinformatics	3,735,779	2,213,933
Total segment liabilities	**66,763,381**	**46,218,048**

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 30/09/2020	Period from 01/07/2020 to 30/09/2020	Period ended 30/09/2020	Period from 01/07/2020 to 30/09/2020
	PLN	PLN	PLN	PLN
Segment 1				
Services	8,746,960	3,375,195	32,576,277	19,726,269
Segment 2				
Bioinformatics	734,173	246,262	336,414	219,583
Total	**9,481,133**	**3,621,457**	**32,912,691**	**19,945,852**

6.5 Major customers

	Period ended 30/09/2020	Period from 01/07/2020 to 30/09/2020
	PLN	PLN
Segment 1 - Services		
Customer A	8,555,359	2,755,816
Segment 2 – Bioinformatics		
Customer B	3,796,156	1,278,293
Customer C	1,923,722	1,105,820
Total	**5,719,878**	**2,384,113**

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

7. Finance income

	Period ended 30/09/2020	Period from 01/07/2020 to 30/09/2020	Period from 22/03/2019 to 30/09/2019	Period from 01/07/2019 to 30/09/2019
	PLN	**PLN**	**PLN**	**PLN**
Financial revenue due to financial instruments	**12,791**	**(247,638)**	**10,777**	**6,552**
Interest	12,791	262	10,777	6,552
Gains on currency differences	-	(247,900)	-	-
Total finance income	**12,791**	**(247,638)**	**10,777**	**6,552**

8. Finance cost

	Period ended 30/09/2020	Period from 01/07/2020 to 30/09/2020	Period from 22/03/2019 to 30/09/2019	Period from 01/07/2019 to 30/09/2019
	PLN	**PLN**	**PLN**	**PLN**
Finance cost due to financial instruments	**423,675**	**(182,450)**	**196**	**196**
Interest	6,460	5,834	196	**196**
Losses on currency differences	417,215	(188,284)	-	**-**
Other finance cost	**438,283**	**289,092**	**-**	**-**
Interest on leases	438,283	289,092	-	-
Total finance cost	**861,958**	**106,642**	**196**	**196**

9. Other operating income and expenses

9.1 Other operating income

	Period ended 30/09/2020	Period from 01/07/2020 to 30/09/2020	Period from 22/03/2019 to 30/09/2019	Period from 01/07/2019 to 30/09/2019
	PLN	PLN	PLN	PLN
Gain on disposal of property, plant and equipment	**488**	**-**	**-**	**-**
Other operating income:	**374,808**	**135,483**	**-**	**-**
Other – sales of services to employees (LUX MED, Benefit, Genfit)	374,808	135,483	-	-
Total other operating income	**375,296**	**135,483**	**-**	**-**

9.2 Other operating expenses

	Period ended 30/09/2020	Period from 01/07/2020 to 30/09/2020	Period from 22/03/2019 to 30/09/2019	Period from 01/07/2019 to 30/09/2019
	PLN	PLN	PLN	PLN
Loss on disposal of property, plant and equipment, including:	-	-	-	-
Other operating expenses:	**34,610**	**1,898**	**-**	**-**
Cost refund to employees - prescription glasses	2,750	565	-	-
Employee reimbursement - criminal record certificates	1,860	1,333	-	-
Donation	30,000	-	-	-
Total other operating expenses	**34,610**	**1,898**	**-**	**-**

10. Income taxes on continuing operations

10.1 Income taxes presented in the statement of comprehensive income

	Period ended 30/09/2020	Period from 22/03/2019 to 30/09/2019
	PLN	PLN
Current income tax:	1,308,041	-
Current income tax charge	1,308,041	-
Corrections relating to previous years	-	-
Deferred income tax	(885,843)	-
Tax charge presented in the statement of comprehensive income	**422,198**	**-**

10.2 Reconciliation of the tax profit to the accounting profit

	Period ended 30/09/2020	Period from 22/03/2019 to 30/09/2019
	PLN	PLN
Recorded revenue and profit	**105,138,109**	**10,777**
Non-taxable and tax-exempt income, including:	**4,855,914**	**-**
Exchange differences	2,028,008	-
Long-term contracts	625,296	-
Grant income	2,202,610	-
Total taxable income (1-2+3)	**100,282,195**	**10,777**
Recorded expenses and losses	**90,214,943**	**265,169**
Expenses and losses classified permanently as non-deductible:	**2,962,621**	**-**
PFRON	496,363	-
Business entertainment costs	72,783	-
Penalty interest to state authorities	-	-
Subsidized costs	2,202,610	-
Other non-deductible expenses	190,865	-
Expenses and losses classified temporarily as non-deductible:	**7,315,635**	**-**
Recognized provisions for bonus and unused holidays	2,934,087	-
Recognized provisions for liabilities	1,980,692	-
Exchange differences	2,376,933	-
Business trip settlement not paid	23,923	-
Total deductible expenses	**79,936,687**	**235,169**
Taxable Income	**20,345,508**	**(254,392)**
Tax-exempt income (“+”)	**-**	**-**
Deductions from income (“+”)	**-**	**-**
Tax losses carried forward	-	-
Tax losses domestic entities	-	-
Donations	-	-
Other - R&D tax relief	-	-
Tax base	**20,345,508**	**(254,392)**
Income tax at the applicable rate	**3,865,647**	**-**
Deductions from income tax	2,557,606	-
Income tax due	**1,308,041**	**-**

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 30/09/2020	Period from 22/03/2019 to 30/09/2019
	PLN	**PLN**
Gross profit before tax	**14,923,166**	**(254,588)**
Tax at the statutory tax rate applicable in Poland, 19%	2,835,402	-
Tax exemption on activities within Special Economic Zone	(2,557,606)	-
Permanent non-taxable costs	562,898	-
Permanent non-taxable income	(418,496)	-
R&D tax relief	-	-
Others	-	-
Tax at the effective tax rate of 0.3%	**422,198**	-

10.4 Current tax asset and liabilities

	As at 30/09/2020	As at 30/09/2019
	PLN	**PLN**
Current tax asset		
Tax refund due	-	-
	-	**-**
Current tax liabilities		
Income taxes due	423,362	-
	423,362	**-**

10.5 Deferred income tax

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

	As at 30/09/2020	As at 31/12/2019
	PLN	PLN
Deferred tax asset	11,227,476	8,520,949
Deferred tax liability	4,760,311	2,939,627
	6,467,165	**5,581,322**

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 30/09/2020	As at 31/12/2019	from 01/01 to 30/09/2020	from 22/03 to 31/12/2019
- fixed assets and intangible assets (excluding leases)	183,982	6,428	177,554	6,428
- due to SEZ	5,041,899	4,548,244	493,655	4,548,244
- trade and other receivables (impairment, exchange differences)	451,617	33,297	418,320	33,297
- provisions for liabilities	608,630	181,482	427,148	181,482
- retirement provision	46,413	19,575	26,837	19,575
- bonus accruals	1,134,965	744,276	390,689	744,276
- unused holiday provision	508,077	341,290	166,787	341,290
- liability under the right of use	2,793,975	2,503,793	290,182	2,503,793
- tax losses to be used in subsequent periods	457,918	142,564	315,354	142,564
Total	**11,227,476**	**8,520,949**	**2,706,527**	**8,520,949**

10.6 Tax losses to be used in subsequent periods

Period ended 30/09/2020 Year	Loss amount	Use	Possible to use	Max period of use
2019	750,335	-	750,335	2024
2020	1,659,758	-	1,659,758	2025

10.7 Unrecognized deferred tax asset and unused tax credits

	As at 30/09/2020	As at 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	-	-
Total (recognized and unrecognized) deferred tax asset	**11,227,476**	**8,520,949**

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 As at 30/09/2020	DTL As at 31/12/2019	Change in DTL recognized in profit and loss account for the period from 01/01 to 30/09/2020	Change in DTL recognized in equity from 22/03 to 31/12/2019
- trade and other receivables (exchange differences)	385,322	112,071	273,251	112,071
- contract assets	1,403,081	288,750	1,114,331	288,750
- right-of-use assets	2,971,908	2,538,806	433,102	2,538,806
Total	**4,760,311**	**2,939,627**	**1,820,684**	**2,939,627**

11. Earnings per share

	Period ended 30/09/2020	Period from 01/07/2020 to 30/09/2020	Period from 22/03/2019 to 30/09/2019	Period from 01/07/2019 to 30/09/2019
	PLN/100 per share	**PLN/100 per share**	**PLN/100 per share**	**PLN/100 per share**
Basic earnings per share:	**78.5**	**24.0**	**N/A**	**N/A**
From continuing operations	78.5	24.0	N/A	N/A
Total basic earnings per share	78.5	24.0	N/A	N/A
Diluted earnings per share:	**78.5**	**24.0**	**N/A**	**N/A**
From continuing operations	78.5	24.0	N/A	N/A
Total diluted earnings per share	78.5	24.0	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 30/09/2020	Period from 01/07/2020 to 30/09/2020	Period from 22/03/2019 to 30/09/2019	Period from 01/07/2019 to 30/09/2019
	PLN	**PLN**	**PLN**	**PLN**
Current year profit attributable to equity holders of the parent company	13,204,726	4,411,090	(254,588)	(71,166)
Current year profit attributable to non-controlling interest	1,296,242	676,468	-	-
Profit used for calculation of total basic earnings per share	14,500,968	5,087,558	(254,588)	(71,166)

	Period ended 30/09/2020	Period from 01/07/2020 to 30/09/2020	Period from 22/03/2019 to 30/09/2019	Period from 01/07/2019 to 30/09/2019
	pcs	**pcs**	**pcs**	**pcs**
Weighted average number of ordinary shares used for calculation of earnings per share	16,828,939	18,355,474	-	-

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 September 2020.

12. Tangible fixed assets

Net carrying amount	As at 30/09/2020 PLN	As at 31/12/2019 PLN
Land	10,000,000	-
Buildings	1,945,145	2,128,689
Machinery and equipment	716,258	693,621
Vehicles	3,019	12,092
Other tangible assets (including lab equipment)	9,294,263	7,447,955
Other tangible assets usage rights (including lab equipment)	22,123,342	11,807,977
Rights to use the premises	14,416,273	12,711,865
Car usage rights	282,885	407,327
Assets under construction	-	-
Advances for assets under construction	-	-
	58,781,185	**35,209,526**

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
Gross value at the beginning of the period	**-**	**3,051,105**	**3,965,281**	**162,813**	**21,556,623**	**15,143,476**	**13,304,558**	**519,030**	**57,702,885**
Increases in gross value:	**10,000,000**	**30,000**	**1,026,457**	**-**	**3,322,433**	**13,750,760**	**4,783,041**	**-**	**32,912,691**
- Purchases	10,000,000	30,000	1,026,457	-	3,322,433	13,750,760	4,783,041	-	32,912,691
- Transfer from assets under construction	-	-		-		-	-	-	-
- Purchase of the OPE	-	-	-	-	-	-	-	-	-
Decreases in gross value:	**-**	**-**	**3,332**	**-**	**6,015**	**-**	**-**	**-**	**9,347**
- Sale	-	-	3,332	-	6,015		-	-	9,347
- Liquidation	-	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-	-
Gross value at the end of the period	**10,000,000**	**3,081,105**	**4,988,406**	**162,813**	**24,873,041**	**28,894,236**	**18,087,599**	**519,030**	**90,606,229**
Accumulated depreciation at the beginning of the period	**-**	**922,416**	**3,271,660**	**150,721**	**14,108,668**	**3,335,498**	**592,693**	**111,703**	**22,493,359**
Inceases:	**-**	**213,544**	**1,003,820**	**9,073**	**1,470,411**	**3,435,395**	**3,078,633**	**124,442**	**9,335,318**
- Depreciation charge for the period	-	213,544	1,003,820	9,073	1,470,411	3,435,395	3,078,633	124,442	9,335,318
- Purchase of the OPE	-	-	-	-	-	-	-	-	-
- Liquidation	-	-	-	-	-	-	-	-	-
Decreases:	**-**	**-**	**3,332**	**-**	**301**	**-**	**-**	**-**	**3,633**
- Sale	-	-	3,332	-	301	-	-	-	3,633
- Liquidation	-	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-	-
Accumulated depreciation at the end of the period	**-**	**1,135,960**	**4,272,148**	**159,794**	**15,578,778**	**6,770,893**	**3,671,326**	**236,145**	**31,825,044**
Net carrying amount at the beginning of the period	**-**	**2,128,689**	**693,621**	**12,092**	**7,447,955**	**11,807,977**	**12,711,865**	**407,327**	**35,209,526**
Net carrying amount at the end of the period	**10,000,000**	**1,945,145**	**716,258**	**3,019**	**9,294,263**	**22,123,342**	**14,416,273**	**282,885**	**58,781,185**

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
Gross value at the beginning of the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Increases in gross value:	**-**	**3,051,105**	**3,320,924**	**162,813**	**28,739,128**	**15,143,476**	**13,304,558**	**519,030**	**57,058,528**
- 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
Decreases in gross value:	**-**	**-**	**(644,357)**	**-**	**-**	**-**	**-**	**-**	**(644,357)**
- Disposals	-	-	-	-	-		-	-	-
- Liquidation	-	-	(644,357)	-	-	-	-	-	(644,357)
- Other	-	-	-	-	-	-	-	-	-
Gross value at the end of the period	**-**	**3,051,105**	**3,965,281**	**162,813**	**21,556,623**	**15,143,476**	**13,304,558**	**519,030**	**57,702,885**
Accumulated depreciation at the beginning of the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Inceases:	**-**	**922,416**	**3,260,921**	**150,721**	**14,108,668**	**3,335,498**	**592,693**	**111,703**	**22,482,620**
- 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	-	-	-	-	-	-	-	-	-
Decreases:	**-**	**-**	**(10,739)**	**-**	**-**	**-**	**-**	**-**	**(10,739)**
- Disposals	-	-	-	-	-	-	-	-	-
- Liquidation	-	-	(10,739)	-	-	-	-	-	(10,739)
- Other	-	-	-	-	-	-	-	-	-
Accumulated depreciation at the end of the period	**-**	**922,416**	**3,271,660**	**150,721**	**14,108,668**	**3,335,498**	**592,693**	**111,703**	**22,493,359**
Net carrying amount at the beginning of the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net carrying amount at the end of the period	**-**	**2,128,689**	**693,621**	**12,092**	**7,447,955**	**11,807,977**	**12,711,865**	**407,327**	**35,209,526**

13. Goodwill

	As at 30/09/2020	As at 31/12/2019
	PLN	**PLN**
At cost	280,740	280,740
Accumulated impairment	-	-
	280,740	**280,740**

13.1 Goodwill from consolidation of subsidiaries in the current reporting period

Goodwill at the beginning of the period	Increase due to acquisition of OPE	Goodwill at the end of the period	Impairment losses	Goodwill at the end of the period
280,740	**-**	**280,740**	**-**	**280,740**

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 30/09/2020	As at 31/12/2019
Carrying amount	**PLN**	**PLN**
Sotfware - Data Warehouse	395,788	427,879
Other intangible assets	170,670	160,350
	566,458	**588,229**

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 assets	Total
Gross value at the beginning of the period	**843,126**	**843,126**
Increases in gross value:	**124,044**	**124,044**
- Purchases	124,044	124,044
- Transfer from assets under construction	-	-
Decreases in gross value:	**-**	**-**
Gross value at the end of the period	**967,170**	**967,170**
Accumulated depreciation at the beginning of the period	**254,897**	**254,897**
Inceases:	**145,815**	**145,815**
- Depreciation charge for the period	145,815	145,815
Decreases:	**-**	**-**
Accumulated depreciation at the end of the period	**400,712**	**400,712**
Net carrying amount at the beginning of the period	**588,229**	**588,229**
Net carrying amount at the end of the period	**566,458**	**566,458**

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

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 30/09/2020	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	46.67% / 53.98%	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 subsidiarie 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 30/09/2020	As at 30/09/2020	As at 30/09/2020
Ardigen S.A.	30-394 Kraków ul. Podole 76	46.67% / 53.98%	1,296,242	4,733,590

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 ul. Podole 76	49.26% / 55.84%	281,198	3,437,347

(i) Selvita S.A. holds a 46.67% 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 September 30, 2020.

Ardigen S.A.	As at 30/09/2020	As at 31/12/2019
	PLN	PLN
Current assets	12,446,366	8,754,361
Fixed assets	2,114,498	1,968,097
Short term liabilities	1,462,799	1,586,270
Long-term liabilities	147,855	127,150
Capital attributed to the Parent Company	6,091,495	5,071,177
Non-controlling interest	4,733,590	3,437,347

	For the period from 01/01/2020 to 30/09/2020	
	PLN	
Sales revenue	15,197,691	
Costs	12,249,980	
Gross profit for the period	2,947,711	
Net profit for the period	2,329,481	
Net profit attributed to the Parent Company	1,033,239	
Net profit attributed to non-controlling shareholders	1,296,242	
Net profit for the period	2,329,481	
Other comprehensive income attributed to the Parent Company	-	
Other comprehensive income attributed to non-controlling shareholders	-	
Other comprehensive income	-	
Total income attributed to the Parent Company	1,033,239	
Total income attributed to non-controlling shareholders	1,296,242	
Total income	2,329,481	
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

Selvita S.A. has not granted any guarantees or securities for other companies in the current period.

16. Investments in associates

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

17. Non-controlling shares

	Period from 01/01/2020 to 30/09/2020	Period from 22/03/2019 to 31/12/2019	Period from 22/03/2019 to 30/09/2019
	PLN	**PLN**	**PLN**
Balance at the beginning of the reporting period	3,437,347	-	-
Attributable profits for the period (Ardigen)	1,296,243	281,198	-
Purchase of the OPE	-	3,156,149	-
Balance at the end of the period	**4,733,590**	**3,437,347**	**-**

18. Other long-term assets

	As at 30/09/2020	As at 31/12/2019
	PLN	**PLN**
Security deposits	345,573	343,335
	345,573	343,335

19. Inventories

	As at 30/09/2020	As at 31/12/2019
	PLN	**PLN**
Materials	1,356,549	1,184,882
Total	**1,356,549**	**1,184,882**

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

	30/09/2020	Quotations from active markets (Level 1)	Important observable data (Level 2)	Important unobservable data (Level 3)
Financial assets for which fair value is disclosed:				
Trade and other receivables	24,982,278	*nd*	*nd*	*nd*
Contract assets	7,714,647	*nd*	*nd*	*nd*
Financial liabilities for which fair value is disclosed:				
Trade payables	11,436,124	*nd*	*nd*	*nd*
Contract liabilities	330,008	*nd*	*nd*	*nd*
Interest-bearing loans and credits, including:	469,000	*nd*	*nd*	*nd*
global credit card limit	469,000	*nd*	*nd*	*nd*
Current portion of interest-bearing loans and borrowings, including:	15,727	*nd*	*nd*	*nd*
credit card debt	15,727	*nd*	*nd*	*nd*

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

20.1 Other non-financial assets

	As at 30/09/2020	As at 31/12/2019
Carrying amount:	**PLN**	**PLN**
Licenses	196,717	187,117
Insurance	62,075	91,958
Costs related to subsequent year	216,307	231,264
Devices qualification	461,623	372,269
Periodic flat-rate recruitment subscriptions	33,898	18,095
Annual certificates costs	-	3,000
Magazines	154	1,758
Pre-paid training	9,731	97,316
Membership fees	30,352	4,935
Other	2,165	2,512
	1,013,022	**1,010,223**

21. Trade and other receivables

	As at 30/09/2020	As at 31/12/2019
	PLN	PLN
Trade receivables	25,127,499	19,484,508
The allowance for expected credit losses	(217,020)	(139,472)
	24,910,479	19,345,036
Tax (VAT) receivables	6,178,885	1,818,599
Other – receivables from employees, security deposits	71,799	492,908
Grants due	4,268,582	4,197,819
	35,429,745	**25,854,362**

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 September 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 asssets:

	Period ended 30/09/2020		
	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	27,782,721	0%	21,772
1-30 days after the deadline	3,203,109	0%	8,008
31-60 days after the deadline	914,886	2%	18,298
61-90 days after the deadline	470,206	10%	47,021
91-180 days after the deadline	293,883	10%	29,388
181-365 days after the deadline	94,231	10%	9,423
More than 365 days after the deadline	83,110	100%	83,110
Total	**32,842,146**		**217,020**

	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
Total	**23,711,173**		**139,472**

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 30/09/2020	Period ended 31/12/2019
	PLN	PLN
Balance at the beginning of the period	**139,472**	**-**
Purchase of the OPE	-	95,851
The allowance for expected credit losses	77,548	43,621
Balance at the end of the period	**217,020**	**139,472**

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 30/09/2020	Buildings and premises	Equipment	Vehicles	Total
As at 1 January 2020	**12,711,865**	**11,807,977**	**407,327**	**24,927,168**
Purchases (new lease agreements)	4,783,041	13,750,760	-	18,533,801
Changes in lease agreements	-	-	-	-
Revaluation of lease liabilities*	-	-	-	-
Depreciation	(3,078,633)	(3,435,395)	(124,442)	(6,638,470)
As at 30 September 2020	**14,416,273**	**22,123,342**	**282,885**	**36,822,499**

*change in the leasing period

Period ended 31/12/2019	Buildings and premises	Equipment	Vehicles	Total
As at 22 March 2019	**-**	**-**	**-**	**-**
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)
As at 31 December 2019	**12,711,865**	**11,807,977**	**407,327**	**24,927,169**

*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
As at 1 January 2020	**13,362,136**	**11,713,277**	**25,075,413**
New lease agreements and changes in lease agreements	4,783,041	13,571,445	18,354,486
Revaluation of lease liabilities	552,642	380,602	933,244
Interests	(187,195)	(438,283)	(625,478)
Payments	(2,986,036)	(3,175,625)	(6,161,661)
As at 30 September 2020	**15,524,588**	**22,051,416**	**37,576,004**
Short-term	5,562,209	5,666,902	11,229,111
Long-term	9,962,379	16,384,514	26,346,893

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
As at 22 March 2019	-	-	-
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)
As at 31 December 2019	**13,362,136**	**11,713,277**	**25,075,413**
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 - 30.09.2020	22.03.2019 - 31.12.2019
Depreciation of leased assets	(3,203,075)	(992,212)
Interest costs on lease liabilities	(187,195)	(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	(552,642)	-
The total amount recognized in the consolidated income statement / statement of comprehensive income	**(3,942,912)**	**(1,084,731)**

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 2,986,036 in the period from 01.01.2020 to 30.09.2020.

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 - 30.09.2020	22.03.2019 - 31.12.2019
Depreciation of leased assets	(3,435,395)	(280,097)
Interest expense on lease liabilities	(438,283)	(45,546)
Costs of negative exchange differences due to balance sheet valuation of lease liabilities	(380,602)	14,151
The total amount recognized in the consolidated income statement / statement of comprehensive income	**(4,254,280)**	**(311,492)**

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 3,175,625 in the period from 01.01.2020 to 30.09.2020.

23. Share capital

	As at 30/09/2020	As at 31/12/2019
	PLN	PLN
Registered share capital	14,684,379	12,876,983
	14,684,379	12,876,983

23.1 Share capital as at the end of the reporting period

	As at 30/09/2020	As at 31/12/2019
	PLN	PLN
Number of shares	18,355,474	16,096,229
Par value per share	0.80	0.80
Share capital	14,684,379	12,876,983

Share capital structure as at 30 September 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
Total		**18,355,474**	**14,684,379**

"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.
This obligation was settled in September 2020.

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 2,245,721. 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 September 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%
Total	**18,355,474**	**100.00%**	**22,405,474**	**100.00%**

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
Total		**16,096,229**	**12,876,983**

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%
Total	**16,096,229**	**100.00%**	**20,146,229**	**100.00%**

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 30/09/2020	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
Total Reserve Capital	**109,441,607**	**22,993,414**

Reserve capital is constituted by :
a) supplementary capital created from the surplus of the issue price of Series C shares, described in Note 23.1,
b) supplementary capital of Subsidiaries acquired under OPE resulting from the transactions described in note 1.4.

24. Credit facilities and loans

	As at 30/09/2020	As at 31/12/2019
	PLN	**PLN**
Uncollateralized:		
Overdraft facilities (i)	-	-
Used credit card limits (ii)	15,727	6,989
	15,727	6,989
Collateralized:		
Bank loans	-	-
	-	-
Total:	**15,727**	**6,989**
Current liabilities	15,727	6,989
Non-current liabilities	-	-
	15,727	**6,989**

24.1 Loan agreements

(i) The Company does not have any open overdraft facilities.

(ii) The debt as at 30/09/2020 results from the use of the limit on credit cards in the amount of PLN 15,727.

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 30/09/2020	As at 31/12/2019 *
	PLN	PLN
Trade liabilities	11,425,578	5,726,412
Liabilities due to taxes, insurance (social security, personal income tax, PFRON)	2,895,983	2,224,019
Current tax liabilites	423,362	229,198
Liabilites due to salaries and wages and other liabilities to employees	10,546	45,633
Other financial liabilities	-	2,988,750
Other non-financial liabilities	52,153	581,441
	14,807,622	**11,795,453**

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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 retirement benefits as of 30/09/2020	Provisions for retirement benefits as of 31/12/2019
Provisions at the beginning of the period	**103,028**	-
Increase due to:	**141,249**	**103,028**
- provisions recognized due to purchase of OPE	**-**	**103,028**
- provisions recognized in profit and loss account in current period	141,249	-
Provisions at the end of the period, including:	**244,277**	**103,028**
- long-term	244,277	103,028
- short-term	**-**	**-**

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

	30 September 2020	31 December 2019
Discount rate (%)	1.36	3.20
Expected inflation rate (%)	**1.50**	**1.50**
Employee turnover rate (%)	**-**	**-**
Expected wage growth rate (%)	1.50	1.50
Average remaining employment period (years)	**29**	**29**

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 23.

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 30/09/2020	**As at 31/12/2019**
	PLN	**PLN**
Debt (i)	66,763,381	46,218,048
Cash and cash equivalents	97,406,878	13,667,930
Net debt	**(30,643,497)**	**32,550,118**
Equity (ii)	147,358,892	44,668,792
Net debt to equity	**(0.21)**	**0.73**

(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 30/09/2020	As at 31/12/2019
	PLN	**PLN**
Financial assets		
Financial instruments measured at amortized cost method:	**134,646,159**	**41,780,785**
Cash (Note 32)	97,406,878	13,667,930
Other long-term assets - deposits (Note 19)	345,573	343,335
Trade and other receivables (Note 21)	29,179,061	23,542,855
Contract assets (Note 5.3)	7,714,647	4,226,665
Financial liabilities		
Financial instruments measured at amortized cost method:	**49,017,309**	**33,797,564**
Interest bearing credit facilities and loans (Note 24)	15,727	6,989
Finance lease liabilities (Note 22)	37,576,004	25,075,413
Trade and other liabilities (Note 26)	11,425,578	5,726,412
Other financial liabilities (Note 26)	-	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 30/09/2020	As at 31/12/2019	As at 30/09/2020	As at 31/12/2019
	PLN	PLN	PLN	PLN
EUR	22,719,583	11,969,367	31,605,997	23,353,620
USD	359,094	344,412	16,184,571	9,309,866
Other	318,086	93,252	3,694,953	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 30/09/2020	Period ended 31/12/2019	Period ended 30/09/2020	Period ended 31/12/2019
		PLN	PLN	PLN	PLN
ASSETS					
Exchange rate increase	15%	4,740,900	2,463,728	2,427,686	705,547
Exchange rate increase	10%	3,160,600	1,642,485	1,618,457	470,365
Exchange rate increase	5%	1,580,300	821,243	809,229	235,182
Exchange rate decrease	-5%	(1,580,300)	(821,243)	(809,229)	(235,182)
Exchange rate decrease	-10%	(3,160,600)	(1,642,485)	(1,618,457)	(470,365)
Exchange rate decrease	-15%	(4,740,900)	(2,463,728)	(2,427,686)	(705,547)
LIABILITIES					
Exchange rate increase	15%	3,407,937	1,795,405	53,864	51,662
Exchange rate increase	10%	2,271,958	1,196,937	35,909	34,441
Exchange rate increase	5%	1,135,979	598,468	17,955	17,221
Exchange rate decrease	-5%	(1,135,979)	(598,468)	(17,955)	(17,221)
Exchange rate decrease	-10%	(2,271,958)	(1,196,937)	(35,909)	(34,441)
Exchange rate decrease	-15%	(3,407,937)	(1,795,405)	(53,864)	(51,662)
EFFECT ON PROFIT					
Exchange rate increase	15%	1,332,962	668,323	2,373,821	653,885
Exchange rate increase	10%	888,641	445,549	1,582,548	435,923
Exchange rate increase	5%	444,321	222,774	791,274	217,962
Exchange rate decrease	-5%	(444,321)	(222,774)	(791,274)	(217,962)
Exchange rate decrease	-10%	(888,641)	(445,549)	(1,582,548)	(435,923)
Exchange rate decrease	-15%	(1,332,962)	(668,323)	(2,373,821)	(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.

Excludnig 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 30/09/2020	As at 31/12/2019
Financial assets (+)	**126,585,939**	**37,210,785**
Receivables (including trade receivables of disposal groups)	29,179,061	23,542,855
Cash	97,406,878	13,667,930
Financial liabilities (-)	**49,017,309**	**33,797,564**
Interest bearing credit facilities and loans	15,727	6,989
Finance lease liabilities	37,576,004	25,075,413
Trade liabilities	11,425,578	5,726,412
Other financial liabilities	-	2,988,750
Exposure to liquidity risk	**77,568,630**	**3,413,221**

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

Type of liability	Current:				Non-current:			Liabilities – carrying amount
	Maturing as at 30/09/2020	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	-	15,727	-	**15,727**	-	-	**-**	**15,727**
Finance lease liabilities	-	2,807,278	8,421,833	**11,229,111**	26,346,893	-	**26,346,893**	**37,576,004**
Trade liabilities	4,801,631	826,487	1,160,027	**6,788,145**	-	-	**-**	**6,788,145**
Other financial liabilities	-	-	-	**-**	-	-	**-**	**-**
Total	**4,801,631**	**3,649,492**	**9,581,860**	**18,032,983**	**26,346,893**	**-**	**26,346,893**	**44,379,876**

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	-	**6,989**	-	-	**-**	**6,989**
Finance lease liabilities	-	1,657,268	4,971,801	**6,629,069**	18,446,344	-	**18,446,344**	**25,075,413**
Trade liabilities	2,728,665	1,523,650	106,999	**4,359,314**	-	-	**-**	**4,359,314**
Other financial liabilities	-	-	2,988,750	**2,988,750**	-	-	**-**	**2,988,750**
Total	**2,728,665**	**3,187,907**	**8,067,550**	**13,984,122**	**18,446,344**	**-**	**18,446,344**	**32,430,466**

28.8.1 Available external sources of funding

	As at 30/09/2020	As at 31/12/2019
	PLN	**PLN**
Collateralized overdraft facilities:		
Amount utilized	15,727	6,989
Amount available	453,273	462,011
	469,000	**469,000**

29. Accrued costs and deferred income

29.1 Accrued costs

	As at 30/09/2020	As at 31/12/2019
	PLN	**PLN**
Provision for holidays	2,674,088	1,796,261
Provision for bonuses	5,973,500	3,917,240
	8,647,588	**5,713,501**
Short-term	8,647,588	5,713,501
Long-term	-	-

29.2 Deferred income

	As at 30/09/2020	As at 31/12/2019
	PLN	**PLN**
Accrued rebates for clients	71,434	380,657
Government grants (i) revenue recognition according to IAS 20	640,418	210,369
	711,852	**591,026**
Short-term	630,787	491,480
Long-term	81,065	99,546
	711,852	**591,026**

(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 30/09/2020	Period ended 31/12/2019	Period ended 30/09/2020	Period ended 31/12/2019
	PLN	**PLN**	**PLN**	**PLN**
Ryvu Therapeutics S.A.	4,076,258	1,754,964	881,902	654,461
H&H Investment Sp. z o.o.	1,590	530	211,495	41,481
MAMIKOM Łukasz Nowak	1,938	523	252,617	126,608
VIRTUS Bogusław Sieczkowski	-	-	102,600	34,200
ALTIUM Piotr Romanowski	-	-	5,098	1,035
Chabasiewicz, Kowalska i Partnerzy Radcowie Prawni	-	-	71,064	15,289
	4,079,786	**1,756,017**	**1,524,776**	**873,074**

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 30/09/2020	As at 31/12/2019	As at 30/09/2020	As at 31/12/2019
	PLN	**PLN**	**PLN**	**PLN**
Ryvu Therapeutics S.A.	1,248,030	1,557,353	1,251,759	6,688,547
H&H Investment Sp. z o.o.	515	515	25,000	16,596
MAMIKOM Łukasz Nowak	183	182	29,225	106,200
VIRTUS Bogusław Sieczkowski	-	-	14,022	14,022
ALTIUM Piotr Romanowski	-	-	-	1,035
Chabasiewicz, Kowalska i Partnerzy Radcowie Prawni	-	-	41,056	-
	1,248,728	**1,558,050**	**1,361,062**	**6,826,400**

30.2 Loans to related parties

	As at 30/09/2020	As at 31/12/2019
	PLN	**PLN**
Loans granted to key executives	-	-

30.3 Loans from related parties

	As at 30/09/2020	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 30/09/2020	Period ended 31/12/2019
	PLN	**PLN**
Management Board	**2,764,582**	**1,836**
Bogusław Sieczkowski	495,689	487
Miłosz Gruca	653,223	433
Mirosława Zydroń	473,371	233
Edyta Jaworska	381,533	250
Dariusz Kurdas	334,381	433
Dawid Radziszewski	220,600	-
Janusz Homa	18,000	-
Milanowska Kaja	169,785	-
Nowak Łukasz	18,000	-
Supervisory Board	**176,418**	**-**
Piotr Romanowski	33,858	-
Tadeusz Wesołowski	30,888	-
Paweł Przewięźlikowski	27,918	-
Rafał Chwast	27,918	-
Wojciech Chabasiewicz	27,918	-
Jacek Osowski	27,918	-
	2,941,000	**1,836**

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 30/09/2020	Period ended 31/12/2019
	PLN	**PLN**
Cash in hand and at bank	97,406,878	13,667,930
Overdraft facilities	15,727	6,989
	97,422,605	13,674,919

As at 31.12.2019, restricted cash amounted to PLN 225,195 and related to securing credit card limits. As at 30/09/2020, there were no restricted cash.

33. Average headcount in the Group

	Period ended 30/09/2020	Period ended 31/12/2019
White collar employees	458	411
Blue collar employees	-	-
Total headcount	**458**	**411**

34. Capital commitments

	As at 30/09/2020	As at 31/12/2019
	PLN	PLN
Commitments to purchase property, plant and equipment	312,446	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 3,721,075. As at the balance sheet date, the total amount of cash received from subsidies is PLN 11,036,719.

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 September 2020 the company utilised PLN 7,735,751 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 30/09/2020	As at 31/12/2019
	PLN	PLN
Statutory audit	77,000	194,500
Total	**77,000**	**194,500**

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 30/09/2020	Period from 22/03/2019 to 30/09/2019
	PLN	PLN
The change in trade receivables and other receivables results from the following items:	(13,063,365)	(690)
- change in receivables resulting from the balance sheet	(13,063,365)	(690)
The change in inventory results from the following items:	(171,667)	-
- change in inventory resulting from the balance sheet	(171,667)	-
The change in liabilities, except for loans and borrowings, results from the following items:	3,019,158	177,000
- change in liabilities resulting from the balance sheet	3,019,158	177,000
Change in deferred income results from the following items:	3,054,913	-
- change in deferred income resulting from the balance sheet	3,054,913	-
The change in provisions results from the following items:	1,961,933	-
- change in provisions resulting from the balance sheet	1,961,933	-
The change in other assets results from the following items:	(2,687,556)	-
- change in other assets resulting from the balance sheet	(2,687,556)	-

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 Q3 2020, the Issuer did not notice a negative impact of Covid-19 on the operational efficiency of the Group and the timeliness of the services provided.

Due to the increase in the number of cases of infection recorded throughout the country from the turn of September / October 2020, the Company - out of concern for the health and safety of employees - continued the previously implemented full sanitary regime, including on: decontamination of laboratory surfaces and the entire facility, additional disinfection, ordering the use of masks, subjecting employees to temperature measurements, locating employees working stationary in a way that ensures maintaining appropriate distances to minimize the risk of infection, further ensuring the possibility of remote work for administration employees, or limiting business trips of employees .

In Q3 2020, there was a slight slowdown in customer research projects, which was nevertheless offset by high contracting resulting from the acquisition of new orders during this time. In addition, full digitization of processes within the Group, enabling to a large extent remote work with clients, significantly supported the cooperation with existing clients.

Nevertheless, in the opinion of the Management Board, it should be borne in mind that further tightening of the lock-down conditions in other countries where the Issuer provides services, including the introduction of mass quarantine, could slow down the implementation of projects implemented by the Company and reduce the scope of contracted works, especially in the field of newly starting projects. It cannot be ruled out, especially in terms of possible further restrictions in terms of movement, or the general economic slowdown caused by Covid-19, a more difficult access to the new customer base. As a result, meetings with new clients could be difficult, thus limiting the dynamics of contracting.

On the other hand, the factor which, in the opinion of the Management Board, may diversify the above risk is the foreign acquisition of Fidelta d.o.o. (more on events in Note 41). In the event of a prolonged pandemic or its further escalation, it should positively affect the reduction of the risk related to local lock-downs, thus translating into a higher stability of the services provided in the eyes of customers. Cooperation with one large partner, having a wide portfolio of services provided, additionally significantly expanded thanks to the planned acquisition, will enable clients to implement a more flexible and efficient security for the acquisition of comprehensive research and development services for their research projects in the long term. The above will help the Selvita Group to react quickly enough to the changing Covid-19 situation in the near term.

The Company's Management Board analyzes the Issuer's situation on an ongoing basis. Possible new conditions, significantly affecting the generated financial results and the economic situation of the Issuer, will be communicated immediately after their occurrence.

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

Conclusion of a conditional purchase agreement by Selvita S.A. 100% of shares in Fidelta d.o.o .; Conclusion by Fidelta d.o.o., as part of the Transaction, of a framework contract for the provision of services with Galapagos N.V.

On November 23, 2020, Management Board of Selvita S.A. with its seat in Krakow ("Issuer", "Selvita") informs that the Issuer, as a buyer, concluded with Galapagos NV, based in Belgium, as the seller ("Galapagos", "The Seller") a conditional sale agreement ("Agreement") for the acquisition by the Issuer of 100% shares ("Shares") in the company Fidelta d.o.o. based in Croatia ("Fidelta"), of which Galapagos is the sole owner ("Transaction").

The price for the Shares has been set at EUR 31.2 million (PLN 140 million) ("the Price for Shares"), which will be adjusted accordingly based on the standard adjustments for funds specified in the Agreement related to Fidelta's net cash and net working capital.

The purchase of the Shares will be financed from the Issuer's own funds (30%) and on the basis of debt financing in the form of a loan (70%), which will be obtained by the Issuer.

The closing of the Transaction, payment of the Price for the Shares and the acquisition of shares in Fidelta by Selvita will take place on the date of signing of the Share Transfer Deed and is scheduled for January 4, 2021 ("Transaction Closing").

The execution of the Transaction is conditional upon the fulfilment of a number of conditions typical for this type of transaction ("Conditions precedent"), as well as:

i) extension by Fidelta of the lease agreement with Pliva Hrvatska d.o.o. concerning office and laboratory space currently rented by Fidelta until December 31, 2027,

ii) Fidelta concluding a conditional lease agreement with MEDI-LAB d.o.o. for the lease of additional office and laboratory space on terms that are satisfactory for Selvita.

In the event of non-fulfilment of the Conditions precedent by the Transaction Closing date, Selvita is entitled to withdraw from the Agreement.

Under the Agreement, Galapagos made standard representations and warranties regarding the Shares, the legal and factual condition of the Company and its operations, including assurances regarding tax issues, to the extent that sellers normally make in contracts of this type entered into in similar transactions. In the event of a breach of the Agreement, including the statements and warranties made, Selvita will be entitled to claim liability from Galapagos under the terms of the Agreement. The contract was concluded under Croatian law. With the exception of the contractual penalty, in the event that by 30 September 2021 MEDI-LAB d.o.o. has not submitted a complete application for an occupancy permit for the leased building, which is a condition for the conclusion of the target lease agreement, Fidelta will be entitled to receive EUR 1 million (PLN 4.5 million) as a contractual penalty. The agreement does not provide for any other contractual penalties.

Fidelta is a leading preclinical CRO (Contract Research Organization), providing services in the field of integrated research and development projects commissioned by biotechnology and pharmaceutical companies, employing over 180 employees, including over 150 highly qualified scientists, with many years of experience in drug discovery projects. Fidelta has several decades of business history, first at the PLIVA Research Institute (now part of the Teva Pharmaceutical Group), then at the GlaxoSmithKline Group R&D Center, and from 2010 at the Galapagos Group, where it began providing commercial drug discovery services for global external clients. Fidelta's headquarters and laboratories are located in modern research and development centres located in Zagreb, Croatia, which offer almost 6,000 m2 of research space, with the possibility of further expansion by another 2,000 m2. Together with the resources of laboratory space currently owned by the Issuer and research staff, this will allow for a significant increase in the scale of activities conducted by the Issuer's Group.

The scope of services provided by Fidelta is largely complementary to the current offer of the Issuer, which will allow Selvita Group to build a competitive advantage mainly by introducing services in the areas of in vivo pharmacology and toxicology, as well as expanding the offer and scale of operations in other departments, resulting in strengthening Selvita's market position. The transaction will significantly expand the Issuer's offer and the portfolio of services currently provided in the field of integrated projects in the field of drug discovery and will expand the expertise in new therapeutic areas, such as infectious, fibrotic or inflammatory diseases, in line with the current market trends and the needs of clients in the biotechnology industry.

In 2019, Fidelta achieved revenues of EUR 17.4 million (PLN 77.8 million), with an EBIT of EUR 1.7 million (PLN 7.6 million), while revenues for three quarters of 2020 (unaudited, on based on the Seller's consolidated financial statements) reached the amount of EUR 17.2 million (PLN 76.9 million), with an EBIT of EUR 4.4 million (PLN 19.7 million). In the opinion of the Management Board, the acquisition will strengthen the Issuer's market position among the largest European CRO companies. After closing the Transaction and taking control over Fidelta, the company will be consolidated within the Issuer's Group from 2021.

The transaction is a long-term investment of the Selvita Group of a strategic nature and at the same time a breakthrough moment in the implementation of the Strategy of the Selvita S.A. Group adopted on April 29, 2020, under which the Issuer planned to allocate PLN 150-200 million for acquisitions in the following years. The transaction will significantly strengthen the Issuer's Group, ensuring the potential for further dynamic growth and the implementation of the Issuer's long-term plans to continue providing services on the international CRO market.

At the same time, upon signing the Agreement, Fidelta concluded a Master Services Agreement with Galapagos ("MSA"), under which, subject to closing the Transaction, Fidelta will provide Galapagos with services worth a total of EUR 27 million (PLN 120.8 million), of which in 2021 Galapagos will acquire services worth at least EUR 7 million (PLN 31.3 million). The agreement is valid until December 31, 2025. Under MSA, Fidelta will provide drug discovery services to Galapagos, in particular in the areas of inflammatory and fibrotic diseases. This MSA is the largest agreement in the history of the Issuer's Group.

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 23 November 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 Zydroń - Member of the Board

Dariusz Tomasz Kurdas - Member of the Board

Dawid Patryk Radziszewski - Member of the Board

Kraków, 23 November 2020

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Selvita