SELVITA CAPITAL GROUP ANNUAL REPORT 2020

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1 BASIC INFORMATION ON CAPITAL GROUP

1.1 Structure of the Capital Group

Parent Entity

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

Affiliates

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

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

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

Business name of the Company	Fidelta d.o.o.
Registered office	Zagreb, Croatia
Shareholders	100% of shares held by Selvita S.A.
Share Capital	HRK 100.000.000

Business name of the Company	Ardigen S.A.
Registered office	Podole 76, 30-394 Krakow
Company ID (REGON)	362983380
TAX ID (NIP)	6762495865
KRS Number	0000585459
Legal form	Joint-Stock Company
Shareholders	Selvita S.A. holds 46,67% shares entitling to exercise 53,98% votes

Changes in Issuer's Capital Group structure in 2020

On November 23, 2020, the Issuer concluded with Galapagos NV based in Mechelen, Belgium, a conditional agreement for the acquisition by the Issuer of 100% shares in Fidelta d.o.o. based in Zagreb, Croatia ("**Fidelta**"). The share transfer agreement was concluded on January 4, 2021 for the price of EUR 31.2m, which amount was additionally adjusted based on the contained in the Agreement, standard for transactions of this type adjustments concerning net cash and working capital of the acquired company (see details in point 2.1 below).

Fidelta is one of the leading preclinical CRO companies (Contract Research Organization), which provides services in the field of integrated research and development projects commissioned by biotechnology and pharmaceutical companies. Fidelta currently employs 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 as part of the PLIVA Research Institute (now part of the Teva Pharmaceutical Group), then an internal Research and Development Center of the GlaxoSmithKline Group, and since 2010 it has been operating within the Galapagos Group, under which it began providing commercial services in the field of drug discovery for external clients. Fidelta's headquarters and laboratories are located in modern, state-of the art Research and Development Centers in Zagreb, Croatia, which offer almost 6,000 m^2 of research space.

The scope of services provided by Fidelta is largely complementary to the current offer of the Issuer, which will allow Selvita Capital Group to build a competitive advantage mainly by introducing to the offer 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 currently provided services in the field of integrated projects of drug discovery and will expand the expertise in new therapeutic areas, including areas such as infectious, fibrotic or inflammatory diseases, in line with current market trends and biotech industry customer demand.

The transaction is a long-term investment of the Selvita Capital Group of a strategic nature and at the same time a turning point in the implementation of the Strategy of the Selvita Capital Group adopted on April 29, 2020, under which the Issuer planned to allocate PLN 150-200 million for acquisitions in subsequent 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 the provision of services on the international CRO market.

1.2 Issuer's managerial bodies

Management Board

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

Supervisory Board

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

2 ECONOMIC AND FINANCIAL HIGHLIGHTS

The Group started its operating activity on October 1, 2019, that is after the National Court Register of Poland ("KRS") had recognized the increase of the Company's share capital and change to the Company's name to Selvita S.A. (formerly Selvita CRO S.A.) in connection with the corporate split of Ryvu Therapeutics S.A. (formerly Selvita S.A.). As a result of the split of Ryvu Therapeutics S.A., there was a transfer of the organized part of the enterprise of Ryvu Therapeutics S.A. to Selvita S.A. The organized part of the enterprise (Separated Activity) consisted of:

- the tangible and intangible assets dedicated to the provision of service activities in the field of biotechnology, of the Contract Research Organization type;
- shares in the subsidiaries i.e.: Selvita Services Sp. z o.o., BioCentrum Sp. z o.o. (currently, the company merged with Selvita Services sp. z o.o), Ardigen S.A., Selvita Ltd., and Selvita Inc.

In connection with the above, the data presented in the Management's Report are as follows:

- comparative data of consolidated profit and loss accounts from March 22, 2019 to December 31, 2019 of Selvita S.A. Group
- comparative data of "pro forma" consolidated profit and loss accounts of Selvita Capital Group (Separated Activity) for the period January 1, 2019, to December 31, 2019. The comparative data for 2019 presents the transformed data as if the split has been accomplished on January 1, 2018. It should be noted that the comparative data is the Company's estimate, presented to facilitate the analysis and comparison of the results.

The consolidated financial statements cover the period from January 1, 2020 to December 31, 2020 with comparative period from March 22, 2019 to December 31, 2019. It should be noted that in the period from March 22, 2019, to September 30, 2019, the Group did not conduct operating activities.

2.1 Main results achieved in the reporting period

Series C shares issue

In June 2020, the Series C Shares were issued and accordingly admitted to trading. The successful issue of the Series C Shares, in which all offered shares were placed, allowed to secure funds in the net amount of EUR 19,042 thousand (PLN 88,355 thousand). These funds will secure Company's goals adopted in the Company's Strategy for the years 2020-2023, announced on April 29, 2020 (see the current report no. 10/2020 for more information).

Acquisition of 100% shares in Fidelta d.o.o.

On January 4, 2021, the Issuer concluded Share Transfer Deed which was described in details in note 41 of consolidated financial statements. The transaction finalized the acquisition of 100% shares in Fidelta d.o.o. with its seats in Zagreb, Croatia according to the conditional Share Purchase Agreement concluded on November 23, 2020 between the Issuer as a purchaser and Galapagos NV headquartered in Mechelen in Belgium as seller.

The amount of EUR 31.2 million, which amounts to PLN 141,913,299 ("Price for shares") was the Price for shares before corrections according to the agreement. The transaction included standard in that kind of agreement corrections, such as net cash and working capital adjustments of target company in the amount of EUR 5.9 million which is PLN 26,775,521.

Initial estimation of the goodwill, as at the date of taking control (04.01.2021) was amounted to EUR 22,887 thousand (PLN 106,197 thousand).

Selected data of the income statement and balance sheet from the financial statements of Fidelta d.o.o. prepared in accordance with the accounting standards audited by Deloitte d.o.o. applicable in Croatia for the financial year 2020 are as follows:

- to the income statement for 2020 (data were converted from HRK to PLN at the average exchange rate of 0.5932 PLN/HRK):

	01/01/2020-31/12/2020	01/01/2020-31/12/2020
	Data in HRK thousand	**Data in PLN thousand**
Service sales – foreign and domestic third parties	121,619	72,144
Service sales – foreign related parties	65,728	38,990
Other operating revenue	568	337
TOTAL OPERATING REVENUE	**187,915**	**111,471**
Depreciation and amortization	(6,919)	(4,104)
Consumption of materials and external services	(77,244)	(45,821)
Staff expenses	(52,617)	(31,212)
Other expenses	(4,705)	(2,791)
Other operating expenses	(1,371)	(813)
TOTAL OPERATING EXPENSES	**(142,856)**	**(84,742)**
PROFIT ON OPERATING ACTIVITIES	**45,059**	**26,729**
Financial income	1,263	749
Financial expenses	(843)	(500)
PROFIT BEFORE TAXATION	**45,479**	**26,978**
Income tax	(6,729)	(3,992)
PROFIT FOR THE YEAR	**38,750**	**22,986**

– to the balance sheet as at December 31, 2020 (data were converted from HRK to PLN at the rate of December 31, 2020 amounting to PLN 0.6112 PLN/HRK):

	31/12/2020 Data in HRK thousand	31/12/2020 Data in PLN thousand
Tangible assets	39,914	24,395
Intangible assets	233	142
Trade accounts receivable	29,620	18,104
Cash in hand and at bank	59,537	36,389
Other assets	11,546	7,057
Total assets	**140,850**	**86,087**
Trade accounts payable	10,310	6,301
Other liabilities	26,733	16,339
Total current and non-current liabilities	**37,043**	**22,640**
Share equity	100,000	61,120
Retained earnings	3,807	2,327
Total equity	**103,807**	**63,447**
Total equity and liabilities	**140,850**	**86,087**

The table below presents the calculation of prices for shares ratios to revenue and EBITDA for the completed transaction:

Data in PLN thousand			
Item	**2019***	**2020***	**Normalized 2020**
Revenue	80,648	111,470	111,470
EBITDA	21,775**	36,092**	28,982***
EV	141,913	141,913	141,913
EV/Revenue	1.8x	1.3x	**1.3x**
EV/EBITDA	*6.5x*	*3.9x*	***4.9x***

* Based on financial statements of Fidelta d.o.o. according to Croatian GAAP
** Including initial estimation of IFRS 16 impact
*** Management Board of Issuer estimation described below

The calculation of normalized EBITDA for 2020 is as follows:

No.	2020	PLN thousand
	EBITDA without the impact of IFRS 16	**30,833**
1	Depreciation estimate (IFRS 16)	5,259
2 A	Cost of services and support	(3,002)
2 B	Insurance, license and software costs	(4,108)
EBITDA normalized		**28,982**

Normalization of EBITDA estimated by the Issuer's Management Board concerns:

1) Estimating the impact of depreciation in accordance with IFRS 16 in the scope of rented laboratory space,
2) Estimation of the impact of costs which, due to their insignificance from the point of view of the previous Owner, taking into account the scale and nature of its main activity or the method of settlement or calculation, were not included in the costs of Fidelta d.o.o. during 2020:
    A) services or support provided by Galapagos (including IT, reporting, controlling, HR, etc., the so-called 'management fees'),
    B) insurance, licenses and software provided by Galapagos.

Consolidated financial data (pro forma)

Selected items (more detailed data are presented in the point 6 below) of the consolidated revenues and costs incurred by the organized part of the enterprise (operating in the CRO) in the period from January 1, 2020 to December 31, 2020 are presented below. At the same time, the comparative data for 2019 are also presented in the table below.

Selected pro forma income statement data are as follows:

Selvita S.A. Group	Consolidated pro forma data in PLN thousand				Consolidated pro forma data in EUR thousand			
Item	From 01.01.2020 to 31.12.2020	From 01.01.2019 to 31.12.2019	From 01.10.2020 to 31.12.2020	From 01.10.2019 to 31.12.2019	From 01.01.2020 to 31.12.2020	From 01.01.2019 to 31.12.2019	From 01.10.2020 to 31.12.2020	From 01.10.2019 to 31.12.2019
Revenues from sales	**137,356**	**98,130**	**35,981**	**30,443**	**30,700**	**22,812**	**7,872**	**7,077**
Revenues from subsidies	4,570	6,352	1,196	1,421	1,021	1,477	262	330
Other operating revenues	541	757	166	140	121	176	36	33
Revenues on operating activities	**142,467**	**105,239**	**37,343**	**32,004**	**31,842**	**24,464**	**8,170**	**7,440**
Operating expenses	-122,923	-91,273	-33,570	-26,365	-27,474	-21,218	-7,345	-6,129
Depreciation	-13,526	-10,792	-4,045	-2,630	-3,023	-2,509	-885	-611
Depreciation (excl. IFRS 16 impact)	-8,913	-6,963	-2,644	-1,645	-1,992	-1,619	-578	-382
Profit/loss on operating activities (EBIT)	19,544	13,966	3,773	5,639	4,368	3,247	826	1,311
Profit/loss before income tax	18,854	13,571	3,931	5,149	4,214	3,155	860	1,197
Net profit/loss	**19,922**	**14,040**	**5,421**	**6,059**	**4,453**	**3,264**	**1,186**	**1,408**
EBITDA	**33,070**	**24,758**	**7,818**	**8,269**	**7,391**	**5,755**	**1,711**	**1,922**
EBITDA (excl. IFRS 16 impact)	28,457	20,929	6,417	7,284	6,360	4,865	1,404	1,693
Number of shares (weighted average)	17,195,923	15,971,229	18,355,474	15,971,229	17,195,923	15,971,229	18,355,474	15,971,229
Profit (loss) per share (in PLN)	1.05	0.84	0.26	0.36	0.23	0.19	0.06	0.08
Diluted profit (loss) per share (in PLN)	1.05	0.84	0.26	0.36	0.23	0.19	0.06	0.08
Book value per share (in PLN)	8.57	2.58	8.02	2.58	1.86	0.61	1.74	0.61
Diluted book value per share (in PLN)	8.57	2.58	8.02	2.58	1.86	0.61	1.74	0.61
Declared or paid dividend per share (in PLN)	-	-	-	-	-	-	-	-

Consolidated financial data

The table below presents the consolidated financial data of the Selvita S.A. Group (in accordance with the data presented in the consolidated financial statements).

- concerning the consolidated profit and loss statement:

Selvita S.A. Group	Consolidated data in PLN thousand				Consolidated data in EUR thousand			
Item	From 01.01.2020 to 31.12.2020	From 22.03.2019 to 31.12.2019	From 01.10.2020 to 31.12.2020	From 01.10.2019 to 31.12.2019	From 01.01.2020 to 31.12.2020	From 22.03.2019 to 31.12.2019	From 01.10.2020 to 31.12.2020	From 01.10.2019 to 31.12.2019
Revenues from sales	137,356	30,443	35,981	30,443	30,700	7,077	7,872	7,111
Revenues from subsidies	4,570	1,421	1,196	1,421	1,021	330	262	332
Other operating revenues	541	140	166	140	121	33	36	33
Revenues on operating activities	**142,467**	**32,004**	**37,343**	**32,004**	**31,842**	**7,440**	**8,170**	**7,475**
Operating expenses	-122,923	-26,630	-33,570	-26,365	-27,474	-6,190	-7,345	-6,158
Depreciation	-13,526	-2,630	-4,045	-2,630	-3,023	-611	-885	-614
Depreciation (excl. IFRS 16 impact)	-8,913	-1,645	-2,644	-1,645	-1,992	-382	-578	-384
Profit/loss on operating activities (EBIT)	19,544	5,374	3,773	5,639	4,368	1,249	826	1,317
Profit/loss before income tax	18,854	4,894	3,931	5,149	4,214	1,138	860	1,203
Net profit/loss	**19,922**	**5,804**	**5,421**	**6,059**	**4,453**	**1,349**	**1,186**	**1,415**
EBITDA	**33,070**	**8,004**	**7,818**	**8,269**	**7,391**	**1,861**	**1,711**	**1,931**
EBITDA (excl. IFRS 16 impact)	28,457	7,019	6,417	7,284	6,360	1,632	1,404	1,701
Net cash flows from operating activities	29,356	4,339	13,138	4,623	6,561	1,009	2,875	1,080
Net cash flows from investing activities	-25,143	7,957	-10,906	7,957	-5,620	1,850	-2,386	1,859
Net cash flows from financing activities	75,125	1,372	-6,633	-1,616	16,791	319	-1,451	-377
Net cash flows from operating activities	79,338	13,668	-4,401	10,964	17,732	3,177	-963	2,561
Number of shares (weighted average)	17,212,658	5,298,778	18,355,474	5,298,778	17,212,658	5,298,778	18,355,474	5,298,778
Profit (loss) per share (in PLN)	1.05	1.05	0.26	1.04	0.23	0.24	0.06	0.00
Diluted profit (loss) per share (in PLN)	1.05	1.05	0.26	1.04	0.23	0.24	0.06	0.00
Book value per share (in PLN)	8.57	7.78	8.02	7.78	1.86	1.83	1.74	1.83
Diluted book value per share (in PLN)	8.57	7.78	8.02	7.78	1.86	1.83	1.74	1.83
Declared or paid dividend per share (in PLN)	-	-	-	-	-	-	-	-

- concerning the consolidated balance sheet:

Selvita S.A. Group	Consolidated data in PLN thousand		Consolidated data in EUR thousand	
Item	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Total assets	218,796	90,887	47,412	21,342
Trade and other receivables	33,998	25,854	7,367	6,071
Cash and other monetary assets	93,005	13,668	20,154	3,210
Other financial assets	10,153	-	2,200	-
Total liabilities	66,136	46,218	14,331	10,853
Long term liabilities	33,288	21,589	7,213	5,070
Short term liabilities	32,848	24,630	7,118	5,784
Equity	152,660	44,669	33,081	10,489
Share capital	14,684	12,877	3,182	3,024

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

1. Items relating to the profit and loss statement and the cash flow statement were converted using the exchange rate constituting the arithmetic average of the exchange rates, applicable as of the last day of every month in the given period, based on the information published by the National Bank of Poland (NBP):
   - for the period from 01/01/2020 to 31/12/2020: PLN 4.4742,
   - for the period from 22/03/2019 to 31/12/2019: PLN 4.3018.

2. Balance sheet items were converted using the average exchange rate announced by the NBP applicable as at the balance sheet date; which were:
   - as of 31 December 2020: PLN 4.6148,
   - as of 31 December 2019: PLN 4.2585.

2.2 Management Board's comments on financial results

Consolidated data (pro forma)

SELVITA S.A. GROUP				
Data in PLN thousand	**From 01.01.2020 to 31.12.2020**	**From 01.01.2019 to 31.12.2019**	**From 01.10.2020 to 31.12.2020**	**From 01.10.2019 to 31.12.2019**
Revenue	**142,467**	**105,239**	**37,343**	**32,005**
Services Segment	119,842	87,834	30,855	27,425
Bioinformatics Segment	17,803	10,513	5,201	3,071
Revenues from subsidies	4,570	6,352	1,196	1,421
Other operating revenue	541	757	166	140
Exclusions of revenues between segments	-289	-217	-75	-52
EBIT	**19,544**	**13,966**	**3,772**	**5,640**
%EBIT	14%	13%	10%	18%
EBITDA (acc. to IFRS16)	**33,070**	**24,757**	**7,816**	**8,270**
%EBITDA (acc. to IFRS16)	23%	24%	21%	26%
EBITDA (IFRS16 impact excluded)	28,457	20,928	6,416	7,286
%EBITDA (IFRS16 impact excluded)	20%	20%	17%	23%
Net profit	**19,922**	**14,040**	**5,421**	**6,059**
%Net profit	14%	13%	15%	19%

In 2020, the net revenue from sales (excluding subsidies) amounted to PLN 137,356 thousand, which means an increase of 40% (by PLN 39,226 thousand) comparing to 2019. In this period Selvita S.A. Group recognised total operating revenue of PLN 142,467 thousand, which constitutes the increase of 35% compared to 2019, when total operating revenue amounted to PLN 105,239 thousand. In 2020, revenues from subsidies decreased by PLN 1,782 thousand compared to the previous year - a decrease from PLN 6,352 thousand to PLN 4,570 thousand.

In 2020, the Group reported a net profit as well as the profit on the operational level. Net profit amounted to PLN 19,922 thousand and increased by 42% compared to 2019. Noteworthy is the higher dynamics of net result growth than the dynamics of revenue growth. The EBITDA ratio in the period of 2020 was 23% and remained at the comparable level as in the previous year. Additionally, the Group has exceeded the level of PLN 30 million EBITDA for the first time.

SERVICES SEGMENT				
Data in PLN thousand	From 01.01.2020 to 31.12.2020	From 01.01.2019 to 31.12.2019	From 01.10.2020 to 31.12.2020	From 01.10.2019 to 31.12.2019
Revenue	**121,423**	**91,449**	**31,194**	**27,876**
Revenues from external customers	114,114	84,440	29,235	25,963
Internal revenue - between segments (mainly to Ryvu)	5,728	3,394	1,620	1,462
Revenues from subsidies	1,093	2,888	187	326
Other operating revenue	488	727	152	125
EBIT	**15,409**	**12,488**	**2,621**	**4,934**
%EBIT	13%	14%	8%	18%
EBITDA (acc. to IFRS16)	**28,029**	**22,549**	**6,494**	**7,334**
%EBITDA (acc. to IFRS16)	23%	25%	21%	26%
EBITDA (IFRS16 impact excluded)	23,961	19,129	5,230	6,484
%EBITDA (IFRS16 impact excluded)	20%	21%	17%	23%
IFRS16 impact on EBITDA	4,068	3,420	1,264	850

The services segment in 2020 recorded a good profitability levels while keeping a very high dynamics growth at the same time. The revenue from the sales of services to external customers increased by 35% and amounted to PLN 114,114 thousand compared to PLN 84,440 thousand in 2019. The operating profit (EBIT) of this segment amounted to PLN 15,409 thousand, compared to PLN 12,488 thousand in 2019, what is the increase of 23%. Profitability at the level of operating profit (calculated as the ratio of the operating profit of the segment to its total sales revenue) amounted to 13% in 2020 (in 2019 it was 14%). Depreciation and amortization increased by 25% from PLN 10,062 thousand in 2019 to PLN 12,620 thousand in 2020 which is a result of the increase in the park of laboratory equipment necessary for further development.

In order to standardize the economic useful lives of similar fixed assets in the Group (including the fixed assets of Fidelta d.o.o., as well as following the standards applied by other companies in the industry), the Management Board made a prospective change in the estimates of the economic useful life of laboratory equipment from January 1, 2021, which were described in note 12.3 to the consolidated financial statements.

The EBITDA ratio was 23%, which is comparable to the previous year (25%). The EBITDA increased from PLN 22,549 thousand in 2019 to PLN 28,029 thousand in 2020.

BIOINFORMATICS SEGMENT				
Data in PLN thousand	From 01.01.2020 to 31.12.2020	From 01.01.2019 to 31.12.2019	From 01.10.2020 to 31.12.2020	From 01.10.2019 to 31.12.2019
Revenue	**21,332**	**14,006**	**6,223**	**4,181**
Revenues from external customers	17,803	10,513	5,201	3,071
Internal revenue - between segments	0	0	0	0
Revenues from subsidies	3,477	3,463	1,008	1,095
Other operating revenue	52	30	14	15
EBIT	**4,135**	**1,478**	**1,151**	**706**
%EBIT	19%	11%	18%	17%
EBITDA (acc. to IFRS16)	**5,041**	**2,208**	**1,323**	**936**
%EBITDA (acc. to IFRS16)	24%	16%	21%	22%
EBITDA (IFRS16 impact excluded)	4,498	1,799	1,187	801
%EBITDA (IFRS16 impact excluded)	21%	13%	19%	19%
IFRS16 impact on EBITDA	543	409	136	135

In 2020 bioinformatics segment's revenue amounted to PLN 17,803 thousand, which is an increase of 69% compared to 2019, when revenues amounted to PLN 10,513 thousand. Particularly noteworthy is the bioinformatics segment generated the operating profit of PLN 4,135 thousand in the discussed year, compared to PLN 1,478 thousand in 2019 which is an increase of approx. 3 times. The EBITDA ratio was 24% and increased significantly by 8 pp. compared to the last year.

The significant improvement of the operating profit and EBITDA is related to the improvement of the margin generated by services for external clients alongside the stable comparable to 2019 research activities on its products.

Contracted (Backlog)

BACKLOG				
Item	For 2021, from March 24, 2021	For 2020, from March 18, 2020	Change	Change %
Services (inc. Fidelta d.o.o.)	145,352	65 878*	79,474	121%
Bioinformatics	18,006	7,514	10,492	140%
Grants	7,865	5,429	2,436	45%
Total Selvita Group	**171,223**	**78 821**	**92,402**	**117%**

** without including Fidelta d.o.o. (Fidelta became a part of Selvita Capital Group as of Jan, 4 2021).*

The value of the 2021 contracts portfolio resulting from commercial contracts and grant agreements signed as of March 24, 2021 (backlog) amounts to PLN 171,223 thousand and it has increased by 117% compared to the 2020 backlog announced in March 2020. The most significant impact on this increase has Fidelta's backlog which amounted to PLN 78,813 thousand (which was not included in 2020 as Fidelta was not a part of the Selvita's Capital Group in previous year). The biggest dynamic of growth was recorded for the bioinformatics segment which had increased by 140%.

Consolidated data

The consolidated results of the Group for 2020 are the same as described above in the section regarding consolidated pro forma results.

When analyzing data for the comparable period of 2019, it should be noted that the Group until October 1, 2019, (which is the day of the transfer of the organized part of the enterprise dedicated to the provision of service activities in the field of biotechnology of the Contract Research Organization type) did not generate revenues from operating activities.

2.3 The Group's assets and the structure of assets and liabilities

Consolidated data

As of December 31, 2020, the value of the Selvita Group's assets was PLN 218,796 thousand. At the end of December 2020, the most significant items of current assets are short-term receivables which amounted to PLN 33,998 thousand, cash amounting PLN 93,005 thousand and other financial assets amounting PLN 10,153 thousand. The increase in short-term receivables is the result of an increase in the scale of the Group's operations. The significant increase in cash is mainly due to the proceeds from the issue of Series C Shares in the net amount of PLN 88,356 thousand. Other financial assets are related to EUR 2.2 million deposit in bank Pekao S.A. The deposit is related to the financing of the acquisition of Fidelta d.o.o. by the bank (which is described in note 24.1 of consolidated financial statements). The deposit will be held until all terms and conditions of an agreement are fulfilled. The amount was deposited on December 28, 2020 to enable Bank Pekao to grant a loan to finance the acquisition of Fidelta d.o.o. on January 4, 2021.

Fixed assets are mainly laboratory equipment, recognized assets due to the right to use and deferred tax assets in the amount of PLN 12,339 thousand. The value of non-current assets increased in comparison to December 31, 2019, by PLN 30,883 thousand mainly as a result of new purchases of fixed assets, including the purchase of land for the construction of the Laboratory Services Center in the net amount of PLN 10 million.

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

	31/12/2020	31/12/2019
Current ratio current assets/current liabilities including short-term provisions and deferred revenues (excl. accruals)	5.73	2.43
Quick ratio (current assets-inventory)/current liabilities including short-term provisions and deferred revenues (excl. accruals)	5.64	2.37

The main item in the Selvita Group's equity and liabilities is equity, which amounted to PLN 152,660 thousand as of December 31, 2020. Its significant increase to the end of 2019 is mainly due to the issue of Series C Shares but also to the net result achieved in 2020. Another largest source of assets' funding are long-term liabilities which amounted to PLN 33,288 thousand at the end of December 2020. The most valuable items in the long-term liabilities are lease liabilities of PLN 28,483 thousand. The increase of PLN 10,037 thousand in lease liabilities compared to end of 2019 results from newly concluded financing agreements for the purchase of laboratory equipment. Increase in short-term liabilities from PLN 24,630 thousand at the end of 2019 to PLN 32,848 thousand at the end of December 2020 results from the increase lease liabilities related to financing agreements for the purchase of laboratory equipment and increase of rented space used by the Group. The increase in the scale of the Group's operations also had impact on short-term liabilities.

2.4 Current and projected financial condition

The Group's financial position as of the report date is very good. As of December 31, 2020, the value of the Group's cash and other financial assets (deposit with the Bank Pekao in the amount of EUR 2.2 million) amounted to PLN 103,158 thousand, and at the March 24, 2021, this amount was PLN 73,372 thousand. The decrease is related mainly to acquisition of shares of the Fidelta d.o.o., including the payment of a part of the Price for the Shares financed from the Issuer's own funds on January 4, 2021 and the settlement of the purchase price adjustment due to net cash and working capital on March 4, 2021.

The Group meets its obligations timely and maintains sustainable cash levels ensuring its financial liquidity. Cash generated from operations allows the Company to execute its planned investments in the expansion of laboratory infrastructure.

2.5 Significant off-balance sheet items

Significant off-balance sheet items are described in the Note 35 to the consolidated financial statements.

2.6 Management Board's comments on financial results of the transferred organized part of enterprise

As described above on October 1, 2019, the split of Ryvu Therapeutics S.A. (formerly Selvita S.A.) has been accomplished, as a result of the transfer of the organized part of the enterprise (CRO activities) to Selvita S.A. (formerly Selvita CRO S.A.).

The table below presents details of the revenues and costs incurred by the organized part of the enterprise (CRO activities) in the period beginning from 01.01.2020 to 31.12.2020 (which are identical to data presented in consolidated financial statement) and in the corresponding period beginning from 01.01.2019 to 31.12.2019, are presented below. It should be noted that the corresponding data is the company's estimate, presented to facilitate the analysis and comparison of the results.

Selvita S.A. Group	01/01/2020-31/12/2020	01/01/2019- 31/12/2019
CONTINUED OPERATIONS		
Revenue from sales	137,356,285	98,129,929
Revenue from subsidies	4,570,400	6,351,701
Other operating revenues	540,876	756,585
TOTAL OPERATING REVENUE	**142,467,561**	**105,238,215**
Amortization and depreciation	(13,525,722)	(10,791,663)
Consumption of materials and energy	(21,001,384)	(16,562,466)
External services	(19,993,830)	(11,841,381)
Employee benefit expense	(65,198,967)	(47,394,658)
Taxes and charges	(1,938,919)	(3,708,499)
Other costs by type	(1,174,920)	(838,454)
Loss from impairment of trade receivables	(25,208)	-
Other operating costs	(64,453)	(135,523)
TOTAL OPERATING EXPENSES	**(122,923,403)**	**(91,272,644)**
PROFIT (LOSS) ON OPERATING ACTIVITIES	**19,544,158**	**13,965,572**
Financial income	12,830	671,444
Financial expenses	(703,132)	(1,065,787)
PROFIT (LOSS) BEFORE INCOME TAX	**18,853,856**	**13,571,228**
Income tax expense	1,068,063	(469,148)
NET PROFIT (LOSS)	**19,921,919**	**14,040,376**
Net profit loss attributed to:		
Majority shareholders	17,998,078	13,366,205
Non-controlling shareholders	1,923,841	674,171
OTHER COMPREHENSIVE INCOME		
Foreign subsidiaries results translation differences	(286,708)	(494,683)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**(286,708)**	**(494,683)**
TOTAL COMPREHENSIVE INCOME (LOSS)	**19,635,211**	**13,545,693**
Total comprehensive income (loss) attributed to:		
Majority shareholders	17,711,370	12,871,522
Non-controlling shareholders	1,923,841	674,171

2.7 Explanation of differences between the financial results disclosed in the annual report and previously published forecasts of the financial results

The Issuer did not publish the financial forecast for 2020.

2.8 Data regarding agreement with entity authorized to audit financial statements

The Agreement with an entity authorized to audit financial statements, i.e. Ernst & Young Audyt Polska sp. z o.o., appointed to audit the financial statements of Selvita S.A. and the consolidated financial statements of the Selvita Capital Group was concluded on June 24, 2020 for a period of three years.

The remuneration of the entity authorized to audit financial statements together with the classification of particular types of services is described in the financial statements.

2.9 Principles of preparation of annual financial statement

These principles and assumptions of preparation of financial statements are described in consolidated financial statement of the Selvita Capital Group or standalone financials statements of Selvita S.A.

2.10 Short summary of Standalone financial data of Selvita S.A.

Selected items of the revenues and costs incurred by the Selvita S.A. in the period from January 1, 2020 to December 31, 2020 are presented below. At the same time, the comparative data for the corresponding period of 2019 are also presented in the table below.

- selected pro forma income statement data are as follows:

Selvita S.A.	Pro forma Data in PLN thousand		Pro forma Data in EUR thousand	
Item	From 01.01.2020 to 31.12.2020	From 01.01.2019 to 31.12.2019	From 01.01.2020 to 31.12.2020	From 01.01.2019 to 31.12.2019
Revenues from sales	79,978	56,296	17,876	13,087
Revenues from subsidies	810	1,376	181	320
Other operating revenues	224	421	50	98
Revenues on operating activities	81,012	58,093	18,107	13,504
Operating expenses	-82,657	-58,232	-18,474	-13,537
Depreciation	-3,479	-3,294	-778	-766
Profit/loss on operating activities (EBIT)	-1,645	-139	-368	-32
Profit/loss before income tax	9.770	2	2,184	0
Net profit/loss	10.850	688	2,425	160
EBITDA	1,834	3,229	410	751

Standalone financial data

The table below presents the standalone financial data of the Selvita S.A. (**in accordance with the data presented in the standalone financial statements**).

- concerning the standalone profit and loss statement:

Selvita S.A.	Data in PLN thousand		Data in EUR thousand	
Item	From 01.01.2020 to 31.12.2020	From 22.03.2019 to 1.12.2019	From 01.01.2020 to 31.12.2020	From 22.03.2019 to 31.12.2019
Revenues from sales	79,978	17,527	17,876	4,074
Revenues from subsidies	810	163	181	38
Other operating revenues	224	49	50	11
Revenues on operating activities	81,012	17,739	18,107	4,124
Operating expenses	-82,657	-18,182	-18,474	-4,227
Depreciation	-3,479	-439	-778	-102
Depreciation (excl. IFRS 16 impact)	-3,479	-439	-778	-102
Profit/loss on operating activities (EBIT)	-1,645	-443	-368	-103
Profit/loss before income tax	9,770	-623	2.184	-145
Net profit/loss	10,850	63	2,425	15
EBITDA	1,834	-4	410	-1
EBITDA (excl. IFRS 16 impact)	1,834	-4	410	-1
Net cash flow from operating activities	-4,974	694	-1,112	161
Net cash flows from investing activities	-13,487	-48	-3,014	-11
Net cash flows from financing activities	87,545	2,819	19,567	655
Net cash flow from operating activities	69,084	3,465	15,441	805
Number of shares (weighted average)	17,212,658	5,260,625	17,212,658	5,260,625
Profit (loss) per share (in PLN)	0.63	0.01	0.14	0.00
Diluted profit (loss) per share (in PLN)	0.63	0.01	0.14	0.00
Book value per share (in PLN)	6.60	2.75	1.43	0.65
Diluted book value per share (in PLN)	6.60	2.75	1.43	0.65
Declared or paid dividend per share (in PLN)	-	-	-	-

- concerning the standalone balance sheet:

Selvita S.A.	Data in PLN thousand		Data in EUR thousand	
Item	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Total assets	139,535	33,956	30,236	7,974
Trade and other receivables	21,769	12,160	4,717	2,855
Cash and other monetary assets	72,550	3,465	15,721	814
Other financial assets	10,153	-	2,200	-
Total liabilities	25,848	19,475	5,601	4,573
Long term liabilities	4,841	1,661	1,049	390
Short term liabilities	15,506	13,788	3,360	3,238
Equity	113,687	14,481	24,635	3,400
Share capital	14,684	12,877	3,182	3,024

Management Board's comments on factors and events affecting the standalone financial results

Standalone data (pro forma)

In the period ended December 31, 2020, Selvita S.A. recognised total operating revenue of PLN 81,012 thousand, which constitutes the increase of 39% compared to 2019, when total operating revenue amounted to PLN 58,093 thousand. The net revenue from sales (excluding subsidies) amounted to PLN 79,978 thousand, which means an increase of PLN 23,682 thousand comparing to 2019.

In 2020, revenues from subsidies decreased by PLN 566 thousand compared to the previous year – a decrease from PLN 1,376 thousand to PLN 810 thousand.

In 2020, the company generated a loss in the amount of PLN 1,645 thousand on operating activities (in 2019 the loss amounted to PLN 139 thousand). The company's net profit for 2020 amounted to PLN 10,850 thousand and increased by 10,162 thousand compared to 2019 which is mainly due to dividends received from subsidiaries.

Standalone data

The standalone results of the Company for 2020 are the same as described above in the section regarding pro forma results. Comparing the results of Selvita S.A., according to standalone financial statements, for 2020 to the previous year, it should be noted that the Company was established on March 22, 2019 for the purpose of dividing Ryvu Therapeutics S.A. (formerly Selvita S.A.). Furthermore when analyzing data for the comparable period of 2019, it should be noted that the Company until October 1, 2019, (which is the day of the transfer of the organized part of the enterprise dedicated to the provision of service activities in the field of biotechnology of the Contract Research Organization type) did not generate revenues from operating activities.

The Company's Assets and the Structure of Assets and Liabilities

Standalone data

As of December 31, 2020, the value of the Selvita S.A. assets was PLN 139,535 thousand. At the end of December 2020, the most significant items of current assets are short-term receivables which amounted to PLN 21,769 thousand, cash amounting PLN 72,550 thousand and other financial assets amounting PLN 10,153 thousand. The increase in short-term receivables is the result of an increase in the scale of the Company's operations. The significant increase in cash is mainly due to the proceeds from the issue of Series C Shares in the net amount of PLN 88,356 thousand. Other financial assets are related to EUR 2.2 million deposit in bank Pekao S.A. The deposit is related to the financing of the acquisition of Fidelta d.o.o. by the bank (which is described in note 14 of standalone financial statements). The deposit will be held until all terms of an agreement will be fulfilled. The amount was deposited on December 28, 2020 to enable Bank Pekao S.A. to grant a loan to finance the acquisition of Fidelta d.o.o. on January 4, 2021.

Fixed assets are mainly laboratory equipment, shares in the amount of PLN 6,600 thousand and deferred tax assets in the amount of PLN 2,488 thousand. The value of non-current assets increased in comparison to December 31, 2019, by PLN 16,458 thousand mainly as a result of new purchases of fixed assets (including the purchase of land for the construction of the Laboratory Services Center in the net amount of PLN 10 million).

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

Selvita S.A.	31.12.2020	31.12.2019
Current ratio current assets/current liabilities including short-term provisions and deferred revenues (excl. accruals)	10.01	1.93
Quick ratio (current assets-inventory)/current liabilities including short-term provisions and deferred revenues (excl. accruals)	9.81	1.85

The main item in the Selvita S.A. equity and liabilities is equity, which amounted to PLN 113,687 thousand as of December 31, 2020. Its significant increase to the end of 2019 is mainly due to the issue of Series C Shares but also to the net result achieved in 2020. Another largest source of assets' funding are long-term liabilities (entirely leases) which amounted to PLN 4,841 thousand at the end of December 2020. The increase of PLN 3,180 thousand in lease liabilities compared to end of 2019 results from newly concluded financing agreements for the purchase of laboratory equipment. Increase in short-term liabilities from PLN 13,788 thousand at the end of 2019 to PLN 15,506 thousand at the end of December 2020 results from the increase in the scale of the Company's operations.

Current and Projected Financial Condition

The Company's financial position as of the report date is very good. As of December 31, 2020, the value of the Company's cash and other financial amounted to PLN 82,703 thousand, and at the

March 24, 2021, this amount was PLN 22,058 thousand. The decrease is related mainly to acquisition of shares of the Fidelta d.o.o., including the payment of a part of the Price for the Shares financed from the Issuer's own funds on January 4, 2021 and the settlement of the purchase price adjustment due to net cash and working capital on March 4, 2021.

The Company meets its obligations timely and maintains sustainable cash levels ensuring its financial liquidity. Cash generated from operations allows the Company to execute its planned investments in the expansion of laboratory infrastructure.

2.11 Unusual events occurring in the reporting period

Coronavirus (COVID-19)

The Coronavirus pandemic started and continued (and after the end of reported period still continues) during the whole reporting period. In 2020 the Issuer did not however recorded a negative impact of Covid-19 on operational efficiency and timeliness in terms of the services provided.

Starting from March 2020, and especially in the period from September / October 2020, when the number of cases of infection recorded throughout the country and around the world has significantly increased until today, the Issuer - out of concern for the health and safety of employees - carried out and performed all of the restrictions and rules set out in connection to new sanitary regime implemented by the Issuer at the beginning of the pandemic, which included: decontamination of laboratory surfaces and the entire facility, additional disinfection, permanent obligation to wear a face-mask, subjecting employees to temperature measurements, relocating employees, who work stationary in such a way to ensure maintenance of appropriate distance (to minimize the risk of infection), ensuring the possibility of remote work for administration employees, or limiting employees' business trips.

In 2020 the Company noted a slight slowdown in customer's research projects, which was nevertheless largely offset by high backlog resulting from obtaining new orders during this period (especially in Q1 and Q2 2020) from clients willing to secure contracts and continuity of projects in connection with the outbreak of the pandemic. Moreover, full digitization of various processes within the Company, enabling to a large extent remote communication and work with customers, significantly supported the cooperation with existing clients.

Notwithstanding above, taking into account the current state of development of the pandemic and the governmental and other entities' actions taken to reduce it, in the opinion of the Management Board, it should be borne in mind that further possible tightening of lockdown conditions in countries where the Issuer provides services, including introduction of mass quarantine, could slow down the completion of particular projects by the Company and reduce the scope of ordered work, especially in terms of newly started projects. Issuer does not exclude a possibility, especially in terms of e.g. further movement restriction, or the general economic slowdown caused by Covid-19, that the access to the new customer base might be more limited. 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 mentioned risks is the foreign acquisition of Fidelta d.o.o. (more information about the

acquisition can be found in the section: Significant events during reported period), which was finalized by the Issuer on 4th of January 2021. In the event of a prolonged pandemic or its further escalation, it should positively affect the reduction of the risk associated with local lock-downs, thus contributing to a higher stability of the services provided by the Issuer in the eyes of customers. Cooperation with one larger partner, which has a wide portfolio of services, additionally significantly expanded thanks to the above mentioned acquisition, in the long term will enable Issuer's customers to implement a more flexible and efficient safeguards for obtaining of comprehensive R&D services for their research projects. The above will also help the Issuer to react properly and quickly to new challenges connected with Covid-19 pandemic situation in the near future.

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

3 INFORMATION ON THE GROUP'S ACTIVITY IN 2020

3.1 The area of drug discovery/drug development

Discovering new drugs is the largest field of Selvita activities. Significant amount of Selvita's revenues come from Drug Discovery projects. Most of them are projects carried out based on the FTE (Full Time Equivalent) model, and involve work on one of the stages of the drug discovery process. However, more and more collaborations are structured as integrated drug discovery projects (IDD), combining various aspects of chemistry, biochemistry, biology and analytics.

Selvita is constantly expanding the team of scientists working in this area. We appreciate the education level and experience brought in by the new employees and we continuously support them in the process of improving their qualifications. Significant number of our team members hold a PhD degree and are foreigners, who bring specialist experience in various therapeutic areas, organic, medicinal, computational and analytical chemistry, biochemistry, molecular and cell biology, and ADME / DMPK, which is essential to ensure the high quality of services required by our clients.

The largest orders obtained in 2020 in the area of Drug Discovery were projects executed by the Chemistry Department. They involved organic chemistry synthetic support for research projects aimed at developing new therapies. The main task of chemical teams was the synthesis of a series of libraries of chemical compounds with potential biological activity, their purification and qualitative analysis to support the clients' R&D projects. Collaborations in this area are most often based on long-term relationships with clients and contracts Selvita signed with them in the previous years. We look at it as an expression of trust in us and a high assessment of the services we provide. The group of this type of contracts includes, among others, the agreement reported in Q3 2020 - Current report 25/2020 dated July 6, 2020 (reference to the current report No. 28/2018 dated August 28, 2018 and the current report No. 33/2018 dated December 27, 2018 published by Ryvu Therapeutics SA (previously: Selvita SA)), and a follow-up order from a biotechnology company based in Europe, the value of which is EUR 523,789 (PLN 2,339,818 converted at the rate of EUR 1 = PLN 4.4671) under the framework agreement concluded between the above-mentioned parties on February 1, 2018. As a result of the conclusion of the order, the value of the Agreement for 2020 increased by 27% and it amounts to a total of EUR 2,276,309 (PLN 10,168,500 converted at the above-mentioned exchange rate). It is one of several similar contracts. The fact of expanding cooperation with each of the major clients is important from the point of view of the further development of the Company's operations.

In 2020, Selvita continued the existing and launched new IDD projects (mainly for European clients), while building the necessary resources in the area of medicinal chemistry. Here, apart from having the knowledge and experience in the fields of typical organic and computational chemistry, it is essential to be able to interpret the ADME parameters, to evaluate biological data coming from in vitro pharmacological studies, and to predict stability of the compounds in animal and human

organisms. Selvita scientists have worked on improving the physicochemical properties and activities of new compounds with promising pharmacological profile. One of the main tasks for our medicinal chemists was to design new scaffolds - molecular skeletons around which small libraries of compounds could be built in order to validate the biological hypothesis of the project to enable the project to move to the next stage of development. Medicinal chemists were responsible for studying the structure-activity relationship (SAR) and designing new, more biologically active compounds using appropriate synthetic strategy.

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

The role of scientists from the Department of Molecular and Cell Biology working on the IDD projects was to provide the data for SAR (Structure-Activity Relationship) analyses. The initial tasks focused on the establishment of biochemical and cellular assays to characterize the activity and the mechanism of action of new molecules of potential therapeutic importance. After that, the groups of cellular and molecular biologists analysed the activity of the synthesized substances in an iterative manner, using a panel of previously developed complex biochemical and cellular tests. Altogether, 40% of the department's scientists were involved in the FTE projects devoted to the development of new biologically active substances under contracts with biotechnology and pharmaceutical companies from Europe and the US.

Integrated project - based collaboration with old clients was also continued in the area of ADME / DMPK in the form of additional analyses performed in this area. In 2020, cooperation with all clients ordering IDD projects was extended. In the field of bioanalytical research, cooperation with a large chemical client continued, and involved the development and validation of methods, routine stability studies and the implementation of new biological matrices in the analysis package. Thanks to the introduction of a new proteomics offer in 2020 and the acquisition of new LC-MS / MS spectrometers, the first orders for the analysis of polypeptides and proteins were completed.

Computational chemists supported the IDD projects by analysing the data available in the public domain, tracking the SAR for the duration of the project, by designing next-generation structures using virtual techniques based on the protein structure, such as virtual screening or focused docking, to identify key ligand-protein interactions.

A very good coordination of the work of medicinal, synthetic, computational and analytical chemists, the ADME and in vitro pharmacology teams by the managers of IDD projects, as well as significant intellectual contribution of Selvita scientists, supported by good communication with the clients allowed us to generate high-quality data and to achieve the assumed project goals.

Apart from supporting the IDD projects, the activities of computational chemists included: triaging HTS results from standard screening tests and from testing DNA-encoded libraries, bioinformatics support for target searches for use in synergistic oncological therapy, and support for PROTAC work with the use of protein-protein docking, among other techniques. The scope of work

described will continue in 2021, and in addition, a much greater emphasis will be placed on the use of artificial intelligence methodology in these areas.

In 2020, on top of the revenue generated by organic chemistry and integrated projects, a large part of the Drug Discovery area's income came from the production and purification of recombinant proteins and the structural analysis of protein-ligand complexes, in which the Biochemistry Department specializes. High-quality recombinant proteins were produced using both bacterial and eukaryotic expression systems, which enable the production of a wide variety of proteins, including these very difficult to obtain.

Purification of recombinant proteins accounted for the main part of the Biochemistry Laboratory's revenues in 2020. Also in this period, a number of projects related to the crystallographic analysis of protein-ligand complexes (the so-called "from gene to structure" studies) were carried out. Projects devoted to structural analysis of macromolecules are highly technologically advanced and constitute an important part of the revenues. Furthermore, the Biochemistry Laboratory is continuing the project co-financed by the Lesser Poland Center of Entrepreneurship. The project aims to further broaden our experience with crystallography and structural analysis of proteins by implementing and developing methods to produce and crystallize a variety of protein classes as molecular targets that may be of great importance in the drug discovery process. These research projects were carried out for European and US clients representing global pharmaceutical and biotechnology companies, as well as smaller firms involved in the development of new drugs. The clearly increased number of projects at the Biochemistry Laboratory in 2020 is undoubtedly associated with the growing recognition of the service offer and the strengthening of the Selvita Biochemistry brand. This, in turn, allows for the dynamic development of the Biochemistry Laboratory, which is manifested in the increase in employment of experienced scientists and the continuous improvement of the laboratory infrastructure. For example, in 2020, the Biochemistry Laboratory acquired another 100 m2, currently occupying almost 500 m2 of laboratory space equipped with high-class equipment for the production and purification of recombinant proteins and their structural analysis.

Furthermore, over that period, scientists from the Department of Molecular and Cell Biology executed two projects co-financed by the Lesser Poland Center of Entrepreneurship and the National Center for Research and Development.

As part of the first one, entitled 'Development of an in vitro research platform for biosimilar therapeutic antibodies', the research team has developed a series of biophysical, biochemical and cellular in vitro tests to compare the affinity and activity of monoclonal antibodies from the group of TNFα and VEGF inhibitors. The above platform will be of similar character to the platform for comparative research of biosimilar insulins and their analogues, which was developed by the team in the previous years.

Within the second project: "HiScAI - Development of a phenotypic research platform, based on high-content screening technology, with analysis using artificial intelligence algorithms for the discovery of new drugs in neuroinflammatory and fibrotic diseases", which was implemented together with scientists from Ardigen, the work on experimental protocols started to enable multi-parameter analysis of phenotypic changes in cells with the use of HCS technology and artificial intelligence algorithms. At this stage of the project, scientists from the Department of Molecular

and Cell Biology are focusing on optimizing the tests aimed at assessing the activity of drugs in neuroinflammatory diseases.

It is worth noting that the investments in hardware continued in 2020. The construction of a platform for the implementation of High-Throughput Screening (HTS) started, which will allow for more efficient and faster execution of projects at the stage of identification of active compounds (Hit Identification, Hit ID). The platform is expected to become operational at the end of Q1 2021.

Completion of both of the above projects will allow us to expand the portfolio of services offered by the CMBD department and thus accelerate the process of discovering new drugs.

Thanks to extended and new collaborations with clients, the ADME and bioanalysis specialists worked on IDD projects. In the bioanalytical research field, Selvita completed the next phase of the project for a large chemical customer and devoted to the validation of analytical methods with the use of LCMS equipment. The project has reached the stage of routine testing and will continue as such in the next quarter.

In the following quarters / years, in addition to strengthening the team by employing highly qualified staff with diverse therapeutic area and technological experience, as well as by investing in equipment, technologies and laboratories necessary for the balanced functioning of the growing organization, the organic growth of the Drug Discovery area will depend on increasing the efficiency of operation. This will be done, for example, through the implementation of automation of the processes of synthesis, purification and testing of chemical compounds or the wider use of artificial intelligence tools in the processes of data analysis, including the data coming from the HCS assays, compound binding model creation, as well as the prediction of compound structures expected to show improved activity in the IDD projects.

Taking into account the current contracts and the ongoing business talks, one should expect the upward trend to continue, strengthening the market position and an increase in the scale of operations in the Selvita's Drug Discovery in the coming quarters / years.

FIDELTA

A significant extension of the Company's offer and the portfolio of currently provided services in the field of integrated projects of drug discovery is also brought by Fidelta, which became part of the Issuer's Capital Group at the beginning of 2021. Thanks to this acquisition, the Issuer will expand its expert knowledge in new therapeutic areas, including areas such as infectious, fibrotic or inflammatory diseases, in line with the current market trends and the needs of biotechnology customers, and gains access to an accredited animal facility.

The most important competences of Fidelta are as follows:

- A comprehensive, integrated package of drug discovery services, including the introduction of new services in the areas of in vivo pharmacology and toxicology, as well as competences in the field of medical chemistry;
- Advanced competences in the field of in vitro research, including ADME / DMPK;
- A modern animal facility with the AAALAC-I certificate, enabling toxicological tests on rodents, as well as testing the activity of compounds and in vivo pharmacological analyzes tailored to the needs of customers' projects.

3.2 Regulatory Studies

In line with the adopted strategy and similarly to the previous years, the services of the Selvita Analytical Laboratory were addressed to two main recipients of our work: the pharmaceutical and agrochemical industries. The implemented projects can be divided into two groups - development research in the FTE approach (development of analytical methods, optimization of methods for the usage of more modern techniques, optimization of the methods for substance analysis to apply in the finished products, identification of the compounds) and well-defined research in terms of scope and implemented in the fee for service approach (validations, transfers, stability tests, certifications). In both groups, the clients were mainly companies with well-established cooperation from previous years, while the new clients were acquired due to the extended offer of bioanalytical and proteomic analyses and the adopted package of nitrosamine genotoxic testing.

In the area of research work, cooperation with a large pharmaceutical company for which we have been providing services for several years was continued and extended, including the development of analytical methods using almost all instrumental techniques available in the laboratory. Additionally, the analytical support also covered the isolation and identification of impurities. CMC analytical support has been extended for another global pharmaceutical company. Currently, it includes optimization of analytical methods to support the process of compound synthesis, stability studies, testing on new molecules and genotoxic nitrosamines contamination – for that analysis, a GC-MS/MS chromatograph was obtained at the end of the year. For the same client also pilot transfer projects were completed in 2020, which have now entered the stage of routine release to the market of small molecule pharmaceutical products. In the area of research on biological products, transfers of analytical methods have been completed for several pharmaceutical companies and the release testing has started. Also, in 2020 the main phase of a long-term project for the analysis of metallic impurities in pharmaceutical active substances was completed.

In the area of regulatory studies, certification of active substances as well as biological and small molecules finished products was carried out for several pharmaceutical companies. In 2020 50% more analytical certificates were issued compared to the previous year. Due to this constantly growing scale of regulatory research at the beginning of the year a new analytical module was adapted and equipped with additional HPLC systems, and in the next step, a team of analysts dedicated only to work in quality control was created.

Regulatory studies for agrochemical companies conducted in the GLP system included method's validation, compound certification, 5Batch studies and analysis of dioxins and furans using the gas chromatography technique with mass detection. Due to the specific requirements of these types of the projects, an additional part of the analytical laboratory was adapted and equipped in the middle of the year.

Cell and Molecular Biology laboratory performed transfers of bioanalytical methods and batch release testing of several biosimilar drugs from various classes for European and US clients. These analyzes were carried out in the Good Manufacturing Practice (GMP) standard. It should be emphasized that in Q3 2020 CMBD has started the execution of several new projects concerning the development and transfer biological assays for biological and biosimilar drugs.

3.3 R&D / Research and Development

In addition to the revenues generated within the Drug Discovery and Regulatory areas, some services revenues came from R&D projects.

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

In 2020, Selvita scientists also worked on contract synthesis of pharmaceutical and chemical compounds on a scale from mg to kg – providing the customers with active substances, intermediates, impurities and degradation products.

Based on a broad offer of chemical, bioanalytical and proteomic analyses the Selvita Analytical Laboratory carried out R&D projects for clients with whom collaboration had been established in previous years, as well as with new ones, that were acquired thanks to the constantly expanding package of tests.

Based on a broad and constantly expanding offer of chemical, bioanalytical and proteomic analyses the Selvita Analytical Laboratory carried out R&D projects for both old and newly acquired clients.

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

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

3.4 ARDIGEN S.A.

Ardigen is a rapidly growing bioinformatics company operating on the global pharmaceutical and biotechnology market, specializing in the use of Artificial Intelligence technologies in the process of developing new therapies and innovative drugs.

With the aid of computers Ardigen conducts research and simulations that replace and extend traditional research and laboratory experiments relying on its exceedingly high competences (at the global level) in the field of biology and chemistry, bioinformatics, data science, computer science and on their own computing platforms which utilize artificial intelligence. Thanks to the Company, the process of discovery and development of drugs/therapies is faster, cheaper and carries a lower risk of failure.

The company's offer is used primarily by the world's leading pharmaceutical and biotechnology companies as well as by research and scientific centres working on new drugs, therapies, biomarkers or performing other advanced R&D work in the field of medicine.

From the start of its operations, Ardigen quickly increased its revenues from sales of services (CAGR 51% for 2016-2020), maintaining high EBITDA profitability. The generated surplus was allocated to the development of service activities, building AI computing platforms and increasing scientific competences in selected specialised areas (immunology, microbiome, biomedical imaging). In addition to own funds, the development of the Company is financed by grants from NCBiR (National Centre for Research and Development of Poland) and MCP (Małopolska Region Centre for Entrepreneurship).

Ardigen competes in AI on the drug discovery market. This market has emerged relatively recently as a segment of the bioinformatics market and the drug discovery market. The use of artificial intelligence technology and bioinformatics tools in the pharmaceutical and biotechnology industries offers biologists and chemists opportunities which were hitherto unattainable. Even a partial replacement by artificial intelligence technologies of the work of scientists in traditional laboratories makes it possible to conduct research on new therapies to a much greater extent, on a much larger scale, faster, cheaper and with a lower risk of failure than ever before. As a consequence, it will be possible to introduce a much larger number of innovative drugs/therapies on the market. Artificial intelligence is a revolutionary, ground-breaking change on the drug discovery market. Large pharmaceutical companies are starting to develop their AI strategies and change their organizational structures to best apply AI technologies.

AI companies involved in drug discovery operate in the environment of pharmaceutical, biotech, technology and financial investors. The value of global AI in the drug discovery market was estimated at approx. USD 259 m in 2019. Forecasts for the following years indicate a very fast growth (CAGR 40% +), at least until 2027. In 2024, AI in the drug discovery market may reach the value of USD 1.4 billion and in 2027 USD 3.9 billion (Source: *Data Bridge Market Research*).

In 2020, Ardigen continued to develop its services rapidly, increasing the added value for customers through further development of AI platforms and growing competences of their scientific team. The Company worked on building its image on the market enabling an evolutionary change in the nature/model of cooperation with customers intended to shift the centre of gravity from the category of " customer of outsourced bioinformatics services" towards the category of "partner in the process of developing new therapies and innovative drugs using AI". The aim of these plans is to maintain the Company's competitiveness on the market, retain a high margin on services and build the potential to generate additional revenues from participation in the success of drug development projects.

In addition to a wide range of core services, the Company launched an offer of specialised services based on its own AI platforms. Concentrating knowledge, competences and technology on a single biological area opens the way to delivering very high added value. In 2020, the Company continued its activities in two such biological areas, considered by experts to be future-oriented, in particular in the treatment of neoplastic diseases. They are:

- immunology,

- the microbiome.

The projects carried out in 2020 showed great customer interest in the use of microscopic image analysis with artificial intelligence methods in the process of developing low and high molecular weight drugs. As a result, a new specialized offer is emerging from Ardigen's core services.

THE IMMUNOLOGICAL AREA

In the area of immunology, the Company focuses on making AI platforms that significantly accelerate time and reduce the costs of developing cancer immunotherapy.

The company has developed and commercialized the ArdImmuneVax platform to identify the targets of neoantigen therapies, such as anti-cancer vaccines. In 2020, the Company continued an observational clinical study (NCT04145232), which will enable partial laboratory validation of the developed algorithms.

Simultaneously, the immunological team worked on the TCRact platform, which is based on artificial intelligence algorithms and the latest developments in biotechnology to enable the production of unique T-lymphocyte receptors, unavailable by standard laboratory methods, which pave the way for new cell therapies. In the third quarter of 2020, the Company signed an agreement to obtain funding for this project from the National Centre for Research and Development, and received nearly PLN 12 million for the next 3 years. The project team was expanded and strengthened in terms of research and management staff.

The results of scientific works based on the results of the ArdImmuneVax platform were presented in the form of a poster entitled "Accounting for immune escape mechanisms in personalized and shared neoantigen cancer vaccine design" at the AACR 2020 conference. In addition, collaboration with New Zealand's COVID-19 Vaccine Corporation (CVC) contributed to the development by the Ardigen team of antigenic composition of an advanced SARS-CoV-2 vaccine. A paper entitled "AI aided design of epitope-based vaccine for the induction of cellular immune responses against SARS-CoV-2" describing the work on the selection of epitopes was accepted for publication in the renowned scientific journal Frontiers in Genetics. The publication was written in cooperation with prof. Krzysztof Pyrć and prof. Marian Szczepanik from the Jagiellonian University.

Despite the pandemic, the company's representatives promoted Ardigen's offer by participating in 14 scientific and partnering conferences, including BIO Digital, AACR Virtual Meeting, CAR-TCR Summit, Neoantigen Summit, BioEurope, TCR-therapies Summit, and at three of them: SACHS BEF, Dynamics of biological systems and German-Polish BioTech Networking Day, Ardigen gave lectures or co-chaired panel discussions. These activities led to talks with many potential scientific and business partners.

In the fourth quarter of last year, Dr Agnieszka Blum, MD, an oncologist with fifteen years of experience in the development of cell therapies in Germany and Ireland, joined the team. Dr Agnieszka Blum is head of the immunological area.

THE MICROBIOME AREA

In the microbiome area, the Company focuses on supporting the development of both modern therapies and diagnostic methods by identifying bacteria or compounds produced by bacteria (postbiotics) that are active in this context, as well as multiomic analyses and correlations with metadata. The use of Artificial Intelligence methods in combination with bioinformatics and knowledge of biology enables such research to be conducted in the very complex world of the microbiome and its interactions with the host. This approach is the foundation of the technology platform developed at Ardigen.

The Ardigen Microbiome Translational Platform is a novel approach to the functional analysis of the microbiome based on the complete available metagenomic information. These analyses introduce a new quality in the process of developing drugs of bacterial origin. In the light of the latest scientific discoveries indicating the impact of the microbiome on health, the AI platform is used for research in this direction. As a result of such work, new drugs or biomarkers based on the analysis of bacterial composition may be developed.

In 2020, the Company continued the development of the AI Ardigen Microbiome Translational Platform for functional analysis of the microbiome based on the full available metagenomic information.

On this basis, the Company cooperated with two French companies on commercial projects using the above-mentioned platforms. In the first project, the aim was to analyse the antibiotic profile of the microbiota of patients receiving faecal microbiota transplants (FMT) as concomitant treatment to bone marrow transplant treatment. In the second project, pilot studies were conducted to determine the phenotypic characteristics of bacteria based on metagenomic data.

The company also carried out a project with The BioCollective (United States) to conduct joint research on the identification of diagnostic biomarkers in Parkinson's disease. Ardigen was responsible for developing hypotheses also with the aid of the developed AI platform. Currently, these hypotheses are being analysed by the partner in order to establish laboratory validation.

Moreover, the Company started a project with a pharmaceutical company on the use of antibiotics to support anti-cancer immunotherapy. The project is also implemented with the use of the Ardigen Microbiome Translational Platform.

Additionally, the Company implemented a project on the use of the potential of the environmental microbiome in forensics. The work is carried out in a consortium with the Central Forensic Laboratory of the Police and the Jagiellonian University.

2020 was a year of intense sales aimed at acquiring new customers, and talks were continued with other potential scientific and business partners. Due to the pandemic in 2020, the company participated in virtual microbiome conferences; members of the microbiome group conducted a roundtable discussion during the conference "Microbiome Connect: Human", where Ardigen co-hosted "How we can use NGS to identify drug targets in microbiome-based therapeutics". One poster was also presented ("Microbial signatures of response to anti-PD1 therapy in metastatic melanoma patients: Towards novel biomarker development with artificial intelligence algorithms."). Moreover, the Company was very active online in terms of marketing which included posting webinars, themed videos, interviews or blogs.

In 2020, Ardigen continued its active membership in the Pharmabiotic Research Institute, an organization which brings together leading international companies which develop therapies based on Microbiotic Medicinal Products.

The company also continued two observational clinical trials (NCT04136470 and NCT04169867) in order to obtain high-quality cancer patient samples along with clinical data, and from there genomic and metagenomic data. These activities are aimed at gradual expansion of the Ardigen database necessary for the implementation of research and development works on the microbiome.

THE CORE SERVICE AREA

In 2020, the area of core services displayed a significant increase in revenues, which is due to:

- increase in orders from two companies from the Big Pharma segment in the area of comp bio & digital health,
- increase in orders from the third company from the Big Pharma segment in the field of Biomedical Imaging (Digital Pathology and HCS)
- acquiring seven new clients (20% of revenues in 2020) and work for returning clients in the field of bioinformatics and software engineering support,
- extension of the annual license for the AI platform by Ardigen.

The service offer for 2020 was updated by including new dynamically developing fields of study in bioinformatics and data science.

In 2020, the company saw a further increase in interest in technologies related to the application of Computer Vision in the drug discovery process. In this context, Ardigen actively developed a technology platform based on computer vision – The Ardigen Technology Platform for Biomedical Imaging (TPBI). The result of these activities were contracts signed in new areas and continuation of projects started before 2020. Last year, the company continued the implementation of a contract with one of the largest pharmaceutical companies on supporting clinical trials in the field of histopathology with the aid of the TPBI platform developed by Ardigen to assess histopathological images. An important event was also the signing of the contract, and then its extension in 2021, with a pharmaceutical company from the global top ten. The project focuses on innovative application of computer vision technology in the process of discovery of small molecule drugs. The aim of the project is to build a platform enabling virtual screening of small particles based on images from High-Content phenotypic screening (HCS).

In addition, in 2020, the Company concluded a contract with the National Centre for Research and Development (NCBiR) to co-finance a project implemented jointly with Selvita S.A. to develop an HCS-based phenotypic research platform for drug discovery in neuroinflammatory and fibrotic diseases. As part of this project, Ardigen is developing an advanced computer vision-based platform that will enable quick and precise analysis of images obtained from the HCS platform. The development of the platform will enrich Ardigen's offer targeted at pharmaceutical companies looking for opportunities to accelerate their research with solutions based on artificial intelligence. This project also illustrates how Ardigen takes advantage of the opportunities resulting from emerging business and technological synergies between the companies of the Capital Group.

In the fourth quarter, as a result of the company's five-year strategy, a decision was made to change the name of the core services area to Digital CRO and to divide projects based on computer vision technologies into a separate area called Biomedical Imaging.

The year 2020 ended with record sales and record contracts for the coming year in the company's five-year existence. The number of Ardigen staff exceeded 110.

3.5 Market and competitive landscape

Global Drug Discovery Outsourcing Market Overview

The cost of taking a drug to market has risen rapidly over the past years, at the same time the number of successful drugs that reach the market is decreasing. Development costs for a drug is now estimated to be approximately between USD 800 million to USD 1 billion. Global cost pressures in healthcare systems have forced the market to re-examine its operational costs. Pharmaceutical companies now contract out parts or all aspects of the early-stage drug discovery process to an external provider, otherwise removing the need for expensive in-house manufacturing capacity. The drug discovery operations are typically contracted out to a third-party, such as a contract research organization (CROs), or to an academic laboratory that specializes in drug discovery.

The strategy of outsourcing drug discovery has the following benefits:

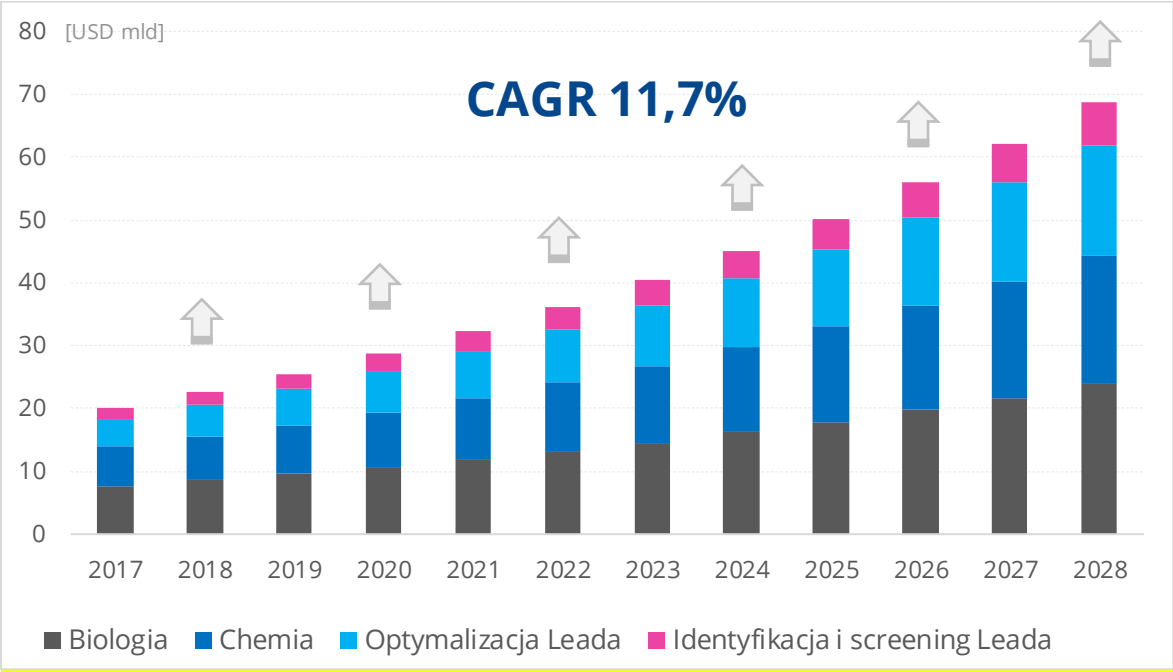
- The ability of biopharma to focus on core competencies such as commercialization and marketing
- The CRO can provide an expansion of technological resources and expertise, without having to spend money on new facilities and equipment
- Increasing the efficiency of drug discovery and hence reducing the development timeline
- With no up-front capital investment in new technology, the pharmaceutical company can experience improved cash flow
- Flexibility that outsourcing affords to pharmaceutical companies, as it allows them to devote resources that would have been tied up in development to other areas of the company
- Knowledge of international regulation for biopharmaceutical products may be better understood CRO

Drug discovery outsourcing is a growing market because the benefits outweigh the costs for pharmaceutical and biotechnology companies. Outsourcing is still a rapidly evolving market and therefore CROs constantly have to adapt to the pharmaceutical business needs.

According to the Visiongain report on The Global Drug Discovery Outsourcing Market Forecast, the drug discovery outsourcing market reached USD 20,157.0 million in 2017. This market is predicted to expand in the next decade with strong growth in the drug discovery outsourcing through the period from 2018 to 2028. This growth stems from an increasing demand for outsourced services as pharmaceutical companies become more willing to share the burden of high-risk/high-reward novel drug discovery. Another driver is the arrival of big pharma patent cliff, as the pharmaceutical industry has undergone a number of patent expiries over the last few years, it will be looking to infuse the pharmaceutical drug pipelines with a new set of candidates with a high potential of reaching the clinical stage and introduction to the market. The drug discovery outsourcing market is one of the fastest growing sectors of the pharmaceutical contract research markets. Increased costs in the discovery and development of new drugs, due in part to high attrition rate of drug candidates in development, has driven companies to outsource part or all of their discovery process. CROs have evolved rapidly to meet the needs for full spectrum of companies from virtual companies to large pharma. In recent years, Visiongain has observed an increasing number of alliances and partnerships between companies and CROs. This has resulted from plans to reduce

the cost of discovery and from the fact that companies are increasingly requiring specialized expertise from CROs whilst seeking to accelerate the drug discovery process. The trend is showing that CROs are becoming the powerhouses behind drug discovery.

Much of the pharma R&D cuts have been experienced in the U.S. Difficult market conditions are forcing pharmaceutical companies to focus on their core-competencies, reduce inefficiencies in their programs and outsource non-core competencies. Toxicity testing and ADME profiling are two functions that are expected to be heavily outsourced to CROs. Pharmaceutical companies will be conscious that cost-savings in clinical trials and discovery processes will reduce the overall costs of drug development.



Source: Visiongain - Global Drug Discovery Outsourcing Market Forecast to 2028

The leading players in the drug discovery outsourcing market are Covance Inc. (now part of the LabCorp Group); Charles River Laboratories Inc; Evotec AG; Albany Molecular Research Inc. (AMRI); IQVIA (QuintilesIMS), WuXi Apptec and Signature Discovery.

The drug discovery outsourcing market is becoming increasingly global as pharmaceutical companies and small biotechs increasingly seek partnerships and alliances in order to outsource their drug discovery. According to Visiongain North America was the world's largest market among the region in 2017 with sales of USD 8,228.1 million representing 40.8% share of the global market. Followed by North America market was Europe, with sales worth USD 6,831.2 million in 2017, representing 33.9% share of the global market. In 2028, the Asia-Pacific market is expected to generate sales of USD 13,662.7 million, with a share of 19.9% of the global market with a rise from 19.1% in 2023.

The European drug discovery outsourcing market is expected to grow from USD 6,831.2 million in 2017 to USD 23,494.8 million in 2028, with 2023-2028 CAGR of 11.3%. The Europe will remain as

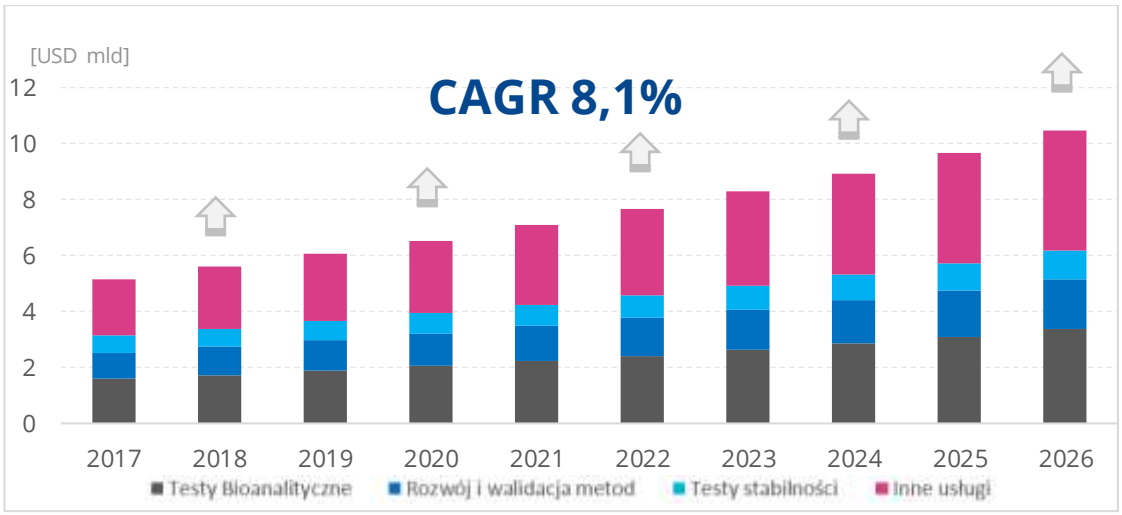
the second largest region in the drug discovery outsourcing market despite losing market share to emerging economies such as, China and India.

The prevailing pandemic and the assumed significant resources from European funds aimed at generating an economic impulse will be reflected in an increase in the stream of money directed at research and development in health care, in particular in drug discovery market in Europe. As a result, funding for biotechnology should be higher, which will lead to more research projects being carried out.

Pharmaceutical Analytical Testing Outsourcing Market

According to GVR's report on the pharmaceutical analytical testing outsourcing market was valued at USD 6,053.7 million in 2019 and is expected to grow with CAGR of 8.3% over the forecast period to reach USD 11,438.9 million in 2027. Innovation in pharmaceutical industry, increasing focus on regulation, safety & quality, rising number of end-users, and pricing benefits of outsourcing are vital drivers for the lucrative growth of the market. Increasing R&D investments is one of the critical sustainability strategies. Not all companies have an infrastructure that is conducive for all types of analytical testing. Hence, outsourcing these operations is the most suitable option, which also helps save time and cost. In the recent times, the R&D expense to revenue ratio is increasing and is expected to continue to increase over the forecast period.

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



Source: GVR – Pharmaceutical Analytical Testing Outsourcing Market Analysis and Segment Forecasts to 2027

Market growth factors:

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

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

North America held the maximum share of the global analytical testing market accounting for 54.2% of the market share in 2019. This can be attributed to the fact that it is one of the top manufacturing hubs of highly reliable, complex, and high-end Pharmaceuticals.

According to GVR the European pharmaceutical analytical testing outsourcing market was valued at USD 1,265.8 million in 2019 and is expected to grow at a CAGR of 9.0% during the forecast period, to reach an expected value of USD 2,517.8 million in 2027.

Selvita's competitive position

The contract research industry is highly competitive. We often compete for business not only with independent CRO companies, but also with internal departments within some of our customers. If we are not successful in this competition, especially with respect to the competitive advantage of outsourcing requirements, our business will suffer. Whilst there is a small number of larger outsourcing service providers, which have emerged as leaders within the industry, outsourcing market for drug discovery and other outsourced services remains fragmented. Reports indicate that there are still over 1000 CROs around the globe serving the pharmaceutical and biotechnological industry.

Increased competition often leads to price and other forms of competition that might adversely affect our business and financials. As a result of competitive pressures, CRO market has experienced consolidation in recent years and such trend toward consolidation is expected to continue.

An important factor mitigating the above risk and ensuring increased competitiveness of the Selvita Group's services is the acquisition of Fidelta d.o.o. at the beginning of 2021. The addition of Fidelta to the Issuer's Capital Group will have a positive impact on building a competitive advantage on the consolidating market, mainly by introducing services in the areas of in vivo pharmacology and toxicology to the offer, as well as extending the offer and scale of operations in other departments, resulting in strengthening Selvita's market position. It should be noted that customers prefer suppliers that are in a position to provide a comprehensive offer. Supplementing the offer of services provided by the Selvita Capital Group with new areas and competences is in line with the Issuer's Strategy related to building the international position of a CRO providing comprehensive Drug Discovery services for clients from the biotechnology and pharmaceutical industries.

Selvita's most important competitive advantages are:

- PROVEN EXPERTISE & TRACK RECORD: we bring over 13-year experience working with the biggest, most demanding and quality focused partners
- COMPETENCE: Operational excellence and highest quality science is at the core of how we work
- FLEXIBILITY: We review, we solve, we deliver, but most of all we are here to serve our customer needs
- CULTURE OF INNOVATION: we continuously improve our processes and implement the state-of-the-art strategies in our projects
- LOCATION: being the EU member enables us to provide services to the companies that want to enter their drugs into European market
- PRICES: Winning price vs. quality ratio

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

There were no such changes in the 2020 financial year.

3.7 Sponsoring and charitable activities

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

In 2020, Selvita Group supported financially the Foundation of the University Children's Hospital "For the Health of the Child," which aids medical, diagnostic, and R&D activities of the University Children's Hospital in Krakow. The contribution to the charity helped the foundation to provide necessary disinfectant equipment during the SARS-COV-2 epidemic.

Furthermore, the Group supports UNICORN Charitable Association in Krakow, a charitable organization established in 1999, which supports oncology patients and their families. The association runs the first Polish psycho-oncology centre – a place where patients get professional psychological help to support them getting through the oncology diagnosis and treatment.

Selvita Group took also part in a Krakow charity run organized by Poland Business Run Foundation, supporting people with mobility impairment in overcoming the social barriers. Also, the foundation promotes the awareness about disabilities and tries to change the social perception of disabled people.

Moreover, the Company cooperates with the "Piekne Anioly" Association helping children and youth living in tough conditions. Selvita Group also supports Krakow St. Lazarus Hospice, which provides palliative treatment care and support.

Charitable trust in Selvita Group in 2020 amounted to over 59 thousand PLN.

3.8 Employment data

Due to the dynamic development of Issuer and its Capital Group, employment in 2020 increased significantly. At the end of 2019, there were 461 people employed in the Capital Group, including 192 in Selvita S.A. whereas, at the end of 2020, the Group employed 561 employees, including 258 in Selvita S.A. Additionally, on January 4, 2021, over 180 Fidelta's employees joined the Selvita Capital Group.

	As of Report publication date	As of 31.12.2020	As of 31.12.2019
Selvita S.A.	258	258	192
Selvita's Affiliates	485	303	269
[TOTAL]	**743**	**561**	**461**

3.9 Significant events in 2020

A) During the reporting period

Conclusion of significant purchase orders

On 12th of February 2020 the Company obtained two additional purchase orders (POs) with a total value of 676 800 GBP from a biotechnological company with its registered office in United Kingdom under the framework agreement which was concluded between the above-mentioned parties on March 09, 2017. In relation to conclusion of these purchase orders the total value of the services under the framework agreement that was provided in 2020 amounted to 997 227 GBP. The cooperation conducted in relation to the agreement concerns the provision of integrated R&D services in the area of new drugs discovery.

Registration of the share capital reduction and redemption of the Issuer's own shares due to the division of Selvita

On February 18, 2020, the reduction of the Company's share capital from PLN 12,876,983.20 to PLN 12,776,983.20 was registered in the Register of Entrepreneurs of the National Court Register. The reduction was a result of the redemption of 125 000 Company's own shares with a nominal

value of PLN 0.80 each. After the registration of the capital reduction, the share capital of the Company amounts to PLN 12,776,983.20 and is divided into 15,971,229 shares entitling to exercising 20,021,229 votes at the general meeting of the Company. The redemption of own shares and the reduction of the Issuer's share capital took place in connection with the division of Ryvu Therapeutics S.A. carried out on October 1, 2019. in performance of the obligation resulting from the division plan adopted by both companies on March 28, 2019. After the redemption of abovementioned shares and the reduction of the share capital of the Company, the share capital as well as the number of shares and votes in the Company is the same as the amount of share capital and the number of shares and votes in the company being divided - Ryvu Therapeutics S.A., in accordance with the division plan.

Conclusion of significant purchase orders

On 19th of February 2020 the Company obtained two additional purchase orders (POs) with a total value of 971 350 USD from a biotechnological company with its registered office in the United States under the framework agreement which was concluded between the above-mentioned parties on August, 22, 2016. In relation to conclusion of these Purchase Orders the total value of the services under the Agreement that was provided in 2020 amounted to 2.025.527 USD.

Conclusion of significant purchase orders

On 12th of March 2020 Issuer's affiliated company – Selvita Services sp. z o.o. obtained two additional purchase orders (POs) with a total value of 995 505 EUR from a pharmaceutical company with its registered office in United Kingdom. In relation to conclusion of these purchase orders the total value of the services for this Customer that was provided in 2020 amounted 1 243 684 EUR. The cooperation concerns the exemptions analysis for Customer's products.

Extension of cooperation in relations to significant agreement

On 30th of March, 2020 the Issuer received from a pharmaceutical company with its registered office in Germany an annex extending the existing cooperation under the agreement concluded in 2011, the value of which is EUR 624 984 EUR. As a result of the expansion of cooperation under the changed purchase order, the value of the agreement (in 2020) amounted to a total of 1 142 300 EUR. The cooperation for the within the agreement concerns the chemical support of the client's research and development projects leading to the discovery of new drugs.

Receipt of co-funding for the Issuer's project from the National Center for Research and Development (NCBiR)

On 24 th of April 2020, the Company received an information about signing an agreement with the National Center for Research and Development (NCBiR) for co-financing which main goal is to create a phenotypic research platform based on high-content screening technology with analysis using artificial intelligence algorithms, aimed at discovering new drugs in neurinflammatory and fibrotic diseases (HiScAI - High Content Screening Artificial Intelligence). The total net value of the

project is PLN 8.4 million, whereas the amount of funding obtained is PLN 4.8 million, and the implementation of the project is scheduled for a period of three years.

The funding was granted to the Company by NCBiR under the ,,Intelligent Development 2014-2020, activity 1.1 / sub-activity 1.1.1 "Fast Track"" Operational Program. As a result of the project, Company will create the HiScAI technology platform, which will be dedicated to the study of phenotypic changes in cells as a reaction to a drug candidate compound, using machine learning and artificial intelligence to analyze HCS data. The developed technology will be used for drug research in the areas of neuroinflammatory and fibrotic diseases. The development of the platform will enrich the technological offer of the Selvita Capital Group addressed to pharmaceutical companies, which on the other hand will be able to accelerate their research thanks to solutions based on artificial intelligence. The above-mentioned technology will also allow the Issuer's Group to expand its offer in the field of integrated drug discovery services. The project will be implemented in cooperation with the Issuer's affiliate - Ardigen S.A. ("Ardigen"), which uses artificial intelligence technology and bioinformatics tools to provide precisive medicine services.

Conclusion of a preliminary real estate purchase agreement

On 28th of April 2020, the Company, as the buyer, and Ringier Axel Springer Polska spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw as the seller, concluded a preliminary agreement for the sale of a non-built up real estate located in Krakow, at Podole Street, with a total area of 9,893 m^2 ("Real Estate "). The Real Estate is located approximately 700 m apart from the current laboratories of the Company in the Jagiellonian Center of Innovation. The Company intends to acquire the Real Estate in order to create a Laboratory Services Center. Pursuant to the agreement, the Real Estate would be purchased for the net price of PLN 10 000 000.

Conclusion of an ownership transfer agreement is subject to the approval by the General Meeting of the Company for the purchase of the Real Estate and the non-use by the zone manager - Krakowski Park Technologiczny spółka z ograniczoną odpowiedzialnością with its registered office in Krakow ("KPT") of its right of pre-emption in relation to the Real Estate (or after the expiry of the deadline for submitting such a declaration of pre-emption). The final agreement for the sale of the Real Estate would be concluded no later than on 31st August 2020.

Selvita Capital Group's Strategy for 2020-2023

On 29th of April 2020, Company published the Strategy of Selvita Capital Group for 2020-2023 (the "Strategy"). The new Strategy assumes dynamic development of the Selvita Capital Group through organic growth supported by acquisitions, thanks to which in 2023 Selvita plans to achieve:

- Revenues in the amount excessing PLN 300 million, with a stable EBITDA margin;
- capitalization of the Company at the level of over PLN 1 billion;
- Solid basis for further growth to, in the medium term, reach the TOP 10 position among preclinical CROs (Contract Research Organization) in the world.

In order to implement the adopted Strategy, during the period of 2020-2023, the Issuer plans to spend approx. PLN 325-375 million on investments, of which PLN 150-200 million for acquisitions,

approx. PLN 135 million for the creation of the Laboratory Services Center and approx. 40 PLN million for replacement investments and the purchase of equipment necessary for further organic development of the business.

Convocation of Company's Extraordinary General Shareholders Meeting

On April 29, 2020, the Management Board of the Company convened the Extraordinary General Shareholders Meeting of the Company, which was planned for May 26, 2020. The agenda of the Meeting contained inter alia an issue regarding the adoption of a resolution on increasing the share capital by issuing no more than 2,384,245 series C ordinary bearer shares, excluding the pre-emptive rights of the existing shareholders in full. The proceeds from the issue of shares will allow the Company to implement the Strategy announced on April 29, 2020.

Issue of series C shares and increase of Issuer's share capital

In June 2020, the Company carried out an issue of series C shares, on the basis of which the share capital of the Company was increased from PLN 12,776,983.20 to PLN 14,684,379.20, i.e. by PLN 1,907,396.00 (through the issue of PLN 2,384 .245 series C ordinary bearer shares with a nominal value of PLN 0.80 each). On June 18, 2020, the increase in the Company's share capital was registered by the District Court for Kraków-Śródmieście in Kraków, 11th Commercial Division of the National Court Register.

The Shares have been taken up in a private subscription within the meaning of art. 431 § 2 point 1 of the Commercial Companies Code, conducted as a public offering within the meaning of art. 2.d of the EU Prospectus Regulation (2017/1129) carried out in Poland, exempted from the obligation to submit the prospectus or other information (offer) document ("Public Offering")

The Public Offering was addressed to:

1) qualified investors within the meaning of Art. 2 lit. e) the Prospectus Regulation, and

2) non-qualified investors who took up Series C shares with a total value of 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 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 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 funds obtained from the issue will allow for the implementation of the Strategy for 2020-2023 adopted by the Issuer, according to which the Company plans to spend about PLN 325-375 million on investments, of which PLN 150-200 million for acquisitions, about PLN 135 million for establishment of the Laboratory Services Center and approx. PLN 40 million for replacement

investments and the purchase of equipment necessary for further organic development of the business. Therefore, the Management Board of the Company expects that the proceeds obtained from the issue of Series C Shares in the amount of approximately PLN 70 million will be used to finance the acquisition program, and the remaining part of the proceeds, i.e. PLN 20 million, will be allocated to initial expenses related to the establishment of the Laboratory Services Center .

Conclusion of significant purchase orders

On 6th of July 2020 the Company obtained additional purchase orders (POs) with a total value 523.789 EUR from a biotechnological company with its registered office in Europe under the framework agreement which was concluded between the above-mentioned parties on 1st of February 2019. In relation to conclusion of these Purchase Orders the total value of the Agreement that was implemented in 2020 increased by 27% and amounts to 2.276.309 EUR.

Annual General Shareholders Meeting

During the Annual General Shareholders Meeting ("GSM") that was held on August, 31 2020, the GSM:

- approved financial statements and reports of the Management Board on the activities of the Company and the Capital Group,
- adopted a resolution on the distribution of the net profit for 2019, allocating it to spare capital,
- granted votes of approval (Polish "absolutorium") for all the members of the Management and Supervisory Boards for year 2019;
- adopted the Remuneration Policy for Members of the Management Board and Supervisory Board of Selvita S.A. ,
- adopted a resolution to amend the Articles of Association of the Company by enabling remote voting by Members of the Supervisory Board, in accordance with the latest amendment of Polish Commercial Companies Code,
- approved the amended Bylaws of the Supervisory Board, which, apart from introducing the possibility of voting by the Supervisory Board using means of direct remote communication, also introduced provisions concerning the functioning of the Remuneration Committee within the Company.
- granted approval for the purchase of real estate constituting a plot of land with an area of approximately 1 ha located at ul. Podole in Krakow, the plot of which the Company acquired in order to establish a Research and Development Center for laboratory services in the area of drug discovery and development.

Acquisition of the ownership of real estate at ul. Podole

On 31st of August 2020, the Company, as the buyer, and Ringier Axel Springer Polska, spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw, as the seller, concluded an agreement transferring the ownership of non-built up real estate located in Krakow at ul. Podole , with a total area of 9,893 m2, located approx. 700 m from the current seat of the Company in the

Jagiellonian Center of Innovation for the net price of PLN 10,000,000. The company acquired the real estate in order to establish a Research and Development Center for laboratory services in the area of drug discovery and development. In accordance with the announced Strategy of the Selvita Capital Group for 2020-2023, the Laboratory Services Center will be one of the key market advantages and drivers of further development of the Company.

Receipt of co-funding from the National Center for Research and Development (NCBiR) regarding Issuer's affiliate – Ardigen S.A.'s project

On 3rd of September 2020, the Issuer's affiliate - Ardigen S.A. concluded a contract with National Center for Research and Development (NCBiR) regarding the implementation of the project entitled "Creation of an innovative, artificial intelligence-based TCRact technology in order to launch a new service consisting in the in silico design of T lymphocyte receptors (TCR) for use in cancer immunotherapy" ("Project") under the Intelligent Development 2014-2020 Operational Program, activity 1.1 / sub-activity 1.1.1 Fast Track.

Total net value of the Project: PLN 20,181,114.38, recommended co-financing value: PLN 11,701,901.06, and the implementation period: July 2020 - June 2023.

Conclusion of a conditional purchase agreement of 100% of shares in Fidelta d.o.o .; Conclusion by Fidelta d.o.o., as part of the Transaction, of a framework agreement for the provision of services with Galapagos N.V. and delayed disclosure of confidential information

On 23rd of November 2020 the Issuer as the buyer concluded with Galapagos NV with its registered office Belgium, as the seller ("Galapagos", "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 has been accordingly adjusted based on the net cash adjustments and Fidelta's working capital.

Fidelta is a leading preclinical CRO (Contract Research Organization), providing services in the field of integrated research and development projects for 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 R&D Center of GlaxoSmithKline Group, 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 centers in Zagreb, Croatia, which offer almost 6,000 m^2 of research space, with the possibility of its further expansion by another 2,000 m^2. Together with the resources of laboratory space currently owned by the Issuer and its research staff, Fidelta's facilities and personnel would allow for a significant increase in the scale of activities conducted by the Issuer's Capital Group.

The scope of services provided by Fidelta is largely complementary to the current offer of the Issuer. Thanks to that Selvita Capital Group will be able to build an advantage to its competitors mainly by introducing to the offer new services in the areas of in vivo pharmacology and toxicology,

as well as expanding the offer and scale of operations in other departments, what will result in strengthening Selvita's market position. The transaction will significantly expand Issuer's offer and its portfolio of currently provided services in the field of integrated projects regarding drug discovery, and will expand the expertise in new therapeutic areas, including areas such as infectious, fibrotic or inflammatory diseases, in line with current market trends and biotech industry's customers demand.

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

Upon signing the Agreement, Fidelta at the same time entered into Master Services Agreement ("MSA") with Galapagos. Under this MSA (provided that the Transaction is closed) Fidelta will provide Galapagos with services of a total value of EUR 27 million, in 2021 Galapagos will acquire services worth at least EUR 7 million. The agreement will be valid until December 31, 2025. Services to be provided by Fidelta to Galapagos under MSA concern drug discovery, in particular in the areas of inflammatory and fibrotic diseases. This MSA is the largest agreement in the history of the Issuer's Capital Group.

Conclusion of an agreement for co-financing the project: Selvita S.A. Research and Development Center for Laboratory Services in the Area of Drug Discovery and Development

On December 16, 2020, the Company was informed about concluding an agreement with the Minister of Finance, Funds and Regional Policy for co-financing the project "Construction of Selvita S.A. Research and Development Center for Laboratory Services in the Area of Drug Discovery and Development" ("Laboratory Services Center"). The Laboratory Services Center will be built in Krakow at ul. Podole on the building plot, the acquisition of which was announced by the Company on August 31, 2020 in the current report No. 30/2020.

The total value of the project for the establishment, construction and specialized equipment for the Laboratory Services Center was estimated at PLN 145,003,422.03 (including VAT), the amount of co-financing was PLN 41,261,136.35 (representing the entire amount of co-financing requested by the Company), and the project is scheduled to be implemented in the between 2020 and 2023.

The project received support under the competition 1/2.1/ 2020 to activity 2.1 "Support for investments in R&D infrastructure of enterprises", the Intelligent Development 2014-2020 Operational Program organized by the Ministry of Funds and Regional Policy.

Conclusion of significant agreement by Issuers affiliated company

On 18th of December 2020, Issuers Affiliate - Ardigen S.A. with its registered office in Krakow ("Ardigen") that it received an order from one of the European pharmaceutical companies ("Customer") under a framework agreement concluded on January 5, 2018 ("Order"). The value of

the Order is EUR 1,450,240.00. The order concerns the provision of services by Ardigen supporting Customers's project portfolio in the area of computational biology and analyzing data from Customer's projects using the AI (artificial intelligence) tools developed by Ardigen.

Taking into account the above Order, the total value of services to be provided to the Customer in 2021 by the Selvita Capital Group will total EUR 2,317,290.00. The Order is the highest order that Ardigen has acquired so far in the area of services. In the opinion of the Issuer's Management Board, extending cooperation with the Customer is important for the further development of Ardigen's operations.

Conclusion of credit agreement

On 21st December 2020 the Issuer ("Borrower") and the Issuer's affiliate - Selvita Services sp.z o.o., as the guarantor ("Guarantor"), and Bank Polska Kasa Opieki S.A. with its registered office in Warsaw ("Creditor," Bank Pekao ") concluded a credit agreement ("Credit Agreement ") was, under which the Creditor granted the Issuer:

a) a term credit in the total amount of EUR 21,840,000 to finance the acquisition of 100% shares in Fidelta d.o.o. by the Issuer from Galapagos NV, consisting of credit A in the amount of up to EUR 16,340,000 ("Credit A") and credit B in the amount of up to EUR 5,500,000 ("Credit B") (jointly the "Acquisition Credit"),

b) a construction credit of up to PLN 65,000,000 for the construction of a new Research and Development Center for laboratory services in the area of drug discovery and development in Krakow at ul. Podole ("Laboratory Services Center") together with laboratory equipment ("Construction Credit") (collectively "Credits").

The interest rate of the Credits is variable, determined as the sum of the margin dependent on the financial ratios and the base rate: i) EURIBOR for the Acquisition Credit, ii) WIBOR or EURIBOR for the Construction Credit.

Credit A was granted until September 30, 2027. Credit B was granted until December 31, 2027. The Construction Credit was granted for 7 years starting from the end of its use period, but not later than until December 31, 2029. Credit A and Credit B should be launched on the date of acquisition of shares in Fidelta d.o.o, which should take place on January 4, 2021 (the maximum period of use is until January 31, 2021). The period of using the Construction Credit was defined as the period between September 1, 2021 and December 31, 2022, with the possibility of its extension until June 30, 2023.

Credit A and the Construction Credit will be repaid in equal quarterly instalments starting from the end of the period of use until the final repayment date, and in the case of the Construction Credit, the last instalment in the amount of the unpaid part of the amount of the Construction Credit, will be payable in the maximum amount of 30% of the amount of the Construction Credit. Credit B will be repaid in full on December 31, 2027.

The Credit Agreement contains standard restrictions regarding obligation to maintain certain financial ratios, debiting assets, disposing of property or incurring financial debt, changes in the corporate structure, making payments to the Issuer's shareholders (beyond the scope allowed by the Credit Agreement), as well as an obligation to grant crediting bank particular credit securities.

In the event of a breach of obligations under the Cradit Agreement, including delays in repayment of Credits, breach of financial obligations, change of control without the required consent of the Creditor, insolvency, occurrence of a Material Adverse Change defined in the Credit Agreement, Creditor will be entitled to withhold payments, make the Credits due or terminate the Credit Agreement.

The remaining terms of the Credit Agreement do not differ from those commonly used it this type of agreements.

Conclusion of additional order under a significant agreement

On 23rd of December 2020 the Issuer's affiliate - Selvita Inc. received, under an agreement concluded with a biotechnological company with its registered office in the United States ("Customer") on August 22, 2016 ("Agreement"), another order, the value of which is USD 2,184,000 (the "Order"). The order will be implemented in 2021 and includes support in the area of medical chemistry for the Customer's drug discovery projects. The value of the Order, which is the highest single order that the Issuer has acquired in its history within the service segment, and the fact of further expansion of the cooperation between the Issuer and the Customer, remains highly important from the point of view of the Issuer's business development.

Selvita has obtained the status of Research and Development Centre

On 31st of December 2020 Issuer received the decision of Minister of Economic Development, Labour and Technology no. 15/CBR/20 dated 22 December 2020 on granting Issuer the status of a Research and Development Centre.

Obtaining the status of a R&D Centre will enable the Company to take advantage of additional R&D reliefs and expand the possibilities of obtaining funds from public programs for the development of activities in the area of R&D projects.

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

Closing of an acquisition of Fidelta's d.o.o.

On 4th of January after the fulfilment of all conditions precedent, including in particular:

i) extension of the lease agreement concluded between Fidelta d.o.o. ("Fidelta") and Pliva Hrvatska d.o.o. concerning office and laboratory space, until 31 December 2027,

ii) conclusion by Fidelta of a pre-lease agreement with Medi-Lab d.o.o. and Emo Mancipo d.o.o. concerning rental of additional office and laboratory space,

Issuer, as the buyer and Galapagos NV with its registered office in Mechelen (Belgium), as the seller, concluded an agreement concerning purchase of 100% of Fidelta's shares for the price of EUR 31.2 mln (adjusted in accordance to the customary provisions regarding net cash and working capital that are used in this type of transactions, see sec. 2.1 above) .

The Transaction constitutes Selvita Capital Group's long-term investment of a strategic nature and at the same time is a transformative step in the implementation of the Issuer's Capital Group's Strategy for years 2020-2023, which was adopted on 29 April 2020.

Conclusion of significant purchase orders

On 4th of January 2021 the Issuer also informed about obtaining further orders with a total value of EUR 1,423,293 from a biotechnological company with its registered office in Europe ("Customer"), under the framework agreement concluded between the above-mentioned parties on 1st of February 2018. Orders concern the provision of services consisting in the synthesis of chemical compounds aimed at supporting the development of the Customer's innovative projects. In addition, the Issuer's affiliated company - Fidelta received an order under the contract concluded by Fidelta with the Customer on 1st of October 2018, with a value of EUR 2,510,761. The subject of the order are support services of the development of Customer's drug discovery projects in the field of medical chemistry, in vitro pharmacology and in vitro and in vivo DMPK tests.
In view of the above, the total value of services provided by the Issuer's Capital Group to the Customer in 2021 will amount to EUR 3,934,054. Orders will be carried out, respectively, in the Issuer's research laboratories in Poland and Fidelta's in Croatia, starting from January 4, 2021, and the works are planned for the entire period of 2021.
The Management Board of the Issuer, taking into account the value of orders and the fact that they strengthen the cooperation with the Customer, considered them important in the light of the implementation of Issuer's Capital Group long-term plans to continue increasing exposure in the area of providing support services in research on drug discovery and building a position on the international preclinical CRO (Clinical Research Organization) market.

3.10 Planned development of Selvita Capita Group and new initiatives

Selvita Capital Group development strategy and new initiatives

On 29th of April 2020, Company published the Strategy of Selvita Capital Group for 2020-2023 (the "Strategy"). The new Strategy assumes dynamic development of the Selvita Capital Group through organic growth supported by acquisitions, thanks to which in 2023 Selvita plans to achieve:

- Revenues in the amount excessing PLN 300 million, with a stable EBITDA margin;
- Capitalization of the Company at the level of over PLN 1 billion;
- Solid basis for further growth to, in the medium term, reach the TOP 10 position among preclinical CROs (Contract Research Organization) in the world.

In order to implement the adopted Strategy, during the period of 2020-2023, the Issuer plans to spend approx. PLN 325-375 million on investments, of which PLN 150-200 million for acquisitions, approx. PLN 135 million for the creation of the Laboratory Services Center and approx. 40 PLN million for replacement investments and the purchase of equipment necessary for further organic development of the business.

4 RISK FACTORS ASSOCIATED WITH GROUP'S ACTIVITIES

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

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

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

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

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

However, the Issuer predicts a rapid growth in its business and obtaining new customers, which, in the Issuer's opinion, will translate into an increase in the Issuer's market value. In accordance with the Strategy for 2020-2023, the Issuer intends to continue development through acquisitions, which, in addition to organic growth, will ensure optimal development of the Issuer and its Group.

There is a risk that the implementation of the planned strategic plans may not be possible, or it may not be possible entirely. Obtaining new clients may involve significant expenditure, or the Issuer and its Group may not be able to offer competitive services to potential clients. Potential acquisition plans depend on many factors, including those that are beyond the Issuer's control and which relate to decisions made by the owners of potential entities selected for acquisitions or by regulatory authorities. As a result, a slowdown in the implementation of further acquisitions or their absence in the short-term period cannot be fully avoided, and thus it might have an impact on a slower, than was originally assumed, pace of growth of operations and financial results.

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

Risk associated with loss of key customers

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

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

Risk associated with the inability to attract new customers

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

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

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

Risk associated with loss of managerial staff and key employees

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

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

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

Risk associated with failure to extend the lease agreements of laboratories

The activities of the Issuer's Capital Group are conducted in premises leased from Jagiellonian Innovation Center (Jagiellońskie Centrum Innowacji Sp. z o.o.) with its registered office in Kraków, on the basis of lease agreements.

These contracts are generally concluded for a period of 5 years with the option of early termination by the lessor in the event of failure to comply with the essential terms of the contract by the lessee.

There is a risk that the contracts will not be extended for the next years of operation. In such a case, the Group would have to bear additional investment costs related to the relocation of operating laboratories.

The above risk is currently mitigated by Selvita's own new Research and Development Center for Laboratory Services, the construction of which is planned for the years 2021-2023. This Center will provide the Issuer with additional laboratory space.

Additionally, it should be noted that the Issuer's subsidiary - Fidelta is also adequately secured in terms of the lease area. In accordance with the terms of the share purchase agreement, Fidelta extended the lease agreement with Pliva Hrvatska d.o.o. for the main office and laboratory space by the end of 2027 and concluded a new conditional lease agreement for the rental of additional office and laboratory space, allowing for further organic growth of this company in Croatia.

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

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

4.2 Risk factors associated with the environment in which the Issuer operates

Risk associated with increased competition

Increased competition on the market where the Issuer and its Group operates may have a negative impact on the Issuer's results and financial situation.

The Issuer and its Group conduct CRO (Contract Research Organization) activities, which include research services performed for pharmaceutical and biotechnology entities. This market is competitive and significantly fragmented.

There is a big competition in the research services market. Both Polish and global outsourcing for the pharmaceutical and biotechnology industries are developing very dynamically, with a high probability of further intensification of competition on the international market. This applies to many aspects of the business, especially technology, quality, ability to protect confidential information, intellectual property, timeliness, good manufacturing practice and pricing. By offering advanced, complex services along the drug value chain, the Group should be successful in winning against other market players. In view of the competition on the global market of services developing so dynamically, the Issuer and its Group cannot guarantee that the existing and potential competitive factors will not have a negative impact on its operations.

There is a risk related to the aggravation of competitors' activities. This may adversely affect the operations, market position, sales, financial results and development prospects of the Issuer or its Capital Group.

Risk associated with decline in demand for research and development services

The development of the Issuer's Capital Group depends largely on the number of orders and the size of contracts obtained from pharmaceutical, biotechnological and chemical companies. In recent years, an increase in demand for CRO outsourcing has been noticed and subsequently, industry analysts predict that this trend will continue. Nevertheless, the Capital Group cannot exclude that this trend will be slowed down or reversed by, for example, a significant reduction in the research and development (R&D) budgets of pharmaceutical companies caused by the global economic crisis, their consolidation tendencies or a change in priorities in terms of spending on research and development. Such situation can lead to lowering the growth rate of sales of the Issuer's Group's services.

The above may adversely affect the operations, market position, sales, financial results and development prospects of the Issuer or its Capital Group.

Risk related to acquisitions

In the Group's Strategy announced for the years 2020-2023, an important factor of strengthening the Group's position and further development are acquisitions that enable Selvita to achieve a significant increase in its operations. The inability to acquire potential targets or the inability to acquire potential targets on terms and conditions that are attractive due to the Management Board's opinion may adversely affect the dynamics of the future growth or the scale of operations, and thus the financial and economic situation of the Group and its market position.

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

The above-mentioned risks are mitigated by conducting diligent due-diligence processes by dedicated teams within the Issuer supported by external advisors, as well as a strong back-office of the Capital Group created as part of the corporate division accomplished in 2019 in order to effectively integrate new entities.

Risk associated with changes of currency exchange rates

The Group operates on the international market. Most of the sales revenues from services and costs and investments (laboratory equipment, reagents) of the Company and the Group are denominated in foreign currencies (mainly in EUR and USD). At the same time, a significant part of the costs (salaries, salary mark-ups) are incurred in the Polish currency. There is a risk related to the negative impact of changes in foreign exchange rates on the financial results achieved by the Group.

In order to reduce the risk of exchange rate fluctuations, the Issuer's Management Board tries to maximize natural hedging by adjusting the purchase currency to the currencies in which the Group's revenues are realized and by denominating significant costs. These activities are carried out, inter alia, by establishing the billing currency in the lease agreements for laboratory space at Jagiellonian Innovation Center (Jagiellońskie Centrum Innowacji Sp. z o.o.) in EUR and conclusion of leasing contracts for laboratory equipment denominated in EUR.

With regard to Fidelta, most of sales revenues and costs are also related to EUR and USD exchange rates. Therefore, fluctuations in the exchange rates of these currencies in relation to the Croatian kuna may have an impact on the future results of operations and cash flow (same as in case of the Issuer). In order to omit or mitigate this risk Fidelta uses natural hedging by adjusting the currency of purchases to the currencies of sales revenues. It is worth pointing out that in July 2020 Croatia joined the European Exchange Rate Mechanism (ERM II), which subordinated the state's monetary policy to the rules adopted in the euro area.

Risk associated with interest rates

Changes in market interest rates may adversely affect the financial result of the Selvita Group. The Group is exposed to this risk in the area of changes in the value of interest charged on loans and

leases granted by external financial institutions. In view of the above, the Group aim to operate on the basis of variable interest rates, calculated in correlation with market (interbank) rates.

Risk associated with macroeconomic situation

The financial situation of the Issuer and its Group depends on the macroeconomic situation of Poland as well as Croatia in connection with the acquisition of Fidelta at the beginning of 2021 and other countries to which the Company's services and products are directed. The following factors have a direct and indirect impact on the financial results obtained by the Issuer: the dynamics of GDP growth, inflation, the state's monetary and tax policy, the level of unemployment, and the demographic characteristics of the population. Both the above-mentioned factors, as well as the direction and level of their changes, have an impact on the achievement of the goals set by the Issuer.

Risk associated with unfavorable changes in the domestic and international legal environment

The Issuer and its Group conduct business activities in Poland and Croatia (in connection with the acquisition of Fidelta at the beginning of 2021), targeting their services mainly at international customers. Therefore, Issuer is exposed to the risk of changes in regulations in the Polish, EU and international legal environment, as well as in the legal environment of those countries where its customers operate. Legal regulations in Poland are subject to frequent changes and Polish courts and public administration bodies do not apply particular regulations in an uniform manner. In addition, the Issuer, in connection with the acquisition of Fidelta, as well as in connection with potential subsequent acquisitions, must control changes in the regulations applicable not only in Poland, but also in countries where the acquired companies operate or will conduct their operations. Some provisions raise interpretational doubts due to their ambiguity, which entails the risk of imposing administrative or financial penalties in the event of adopting an incorrect legal interpretation. The legal regulations related to the conduct of business activity by the Company, which have changed frequently in recent years, include: tax law, labour, social security law, and commercial law. Both the above-mentioned changes and the direction of these changes have an impact on the achievement of the goals set by the Issuer's Group.

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

The Issuer's revenues largely depend on the services provided to the international pharmaceutical and biotechnology industry. Therefore, the development of the Issuer's and its Group's activities is directly dependent on the development of biotech industry. All over the world, the pharmaceutical industry is facing changes in the regulatory environment and increased regulatory

oversight requiring even greater guarantees of the safety and efficacy of medicinal products. Pharmaceutical company regulators impose new, onerous requirements in terms of the amount of data needed to demonstrate product efficacy and safety, which reduces the number of approved products. In addition, products which are already on the market are regularly re-assessed under their risk-benefit ratio.

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

In Poland, the law is changing frequently, including the regulations governing the taxation of business activity and social security. There is a risk of changing the current tax regulations in such a way that the new regulations may turn out to be less favourable for the Issuer and its Group, which may translate, directly or indirectly, into the financial results of the Issuer or its Group. As a significant part of the revenues of the Issuer's Capital Group is carried out abroad, tax risks also relate to changes in regulations, interpretations and settlements in other countries, especially with regard to issues related to withholding tax, which concerns, among others license revenues from technologies developed by the Issuer.

5 STATEMENT REGARDING IMPLEMENTATION OF CORPORATE GOVERNENCE PRINCIPLES

5.1 Principles of corporate governance applying to the Issuer

In 2020 the Company complied with all the rules and recommendations of corporate governance contained in the document: "Best Practices for Publicly Listed Companies (listed on GPW – Warsaw Stock Exchange) 2016", including the exceptions described and appropriately justified below:

I.Z.1.10. The company runs a corporate website and publishes there, in a legible form and in a separate place, in addition to the information required by law, financial forecasts - if the company has decided to publish them - published in the period of at least the last 5 years, along with information on the degree of their implementation.

Explanation of the Issuer:

The company does not publish forecasts of financial results

I.Z.1.16. The company runs a corporate website and publishes there, in a legible form and in a separate place, in addition to information required by law, information on the scheduled broadcast of the general meeting - no later than 7 days before the date of the general meeting.

Explanation of the Issuer:

The Issuer does not broadcast the General Meeting, at the same time, if the Issuer will decide to broadcast it, the Issuer will publish relevant information in this regard on the website

I.Z.1.20. The company runs a corporate website and publishes there, in a legible form and in a separate place, in addition to the information required by law, a recording of the general meeting, in the form of audio or video.

Explanations of the Issuer:

Currently, the Issuer does not record the course of the General Meeting in audio or video form due to the lack of interest in such a solution on the side of the shareholders. If the Issuer's shareholders express their expectation in the future to register and provide audio / video recordings of the General Meeting, the Issuer will implement audio / video recording of the General Meeting.

IV.R.2. If it is justified by the shareholding structure or the expectations of shareholders, which were notified by them to the company, provided that the company is able to provide the technical infrastructure necessary for the efficient conduct of the general meeting by means of electronic communication, it should enable shareholders to participate in the general meeting using such means, in particular through:

1) real-time transmission of the general meeting,

2) real-time two-way communication, under which shareholders may take the floor during the general meeting from a location other than the place of the general meeting,

3) exercising, in person or through a proxy, voting rights during the general meeting.

Explanation of the Issuer:

The Issuer's shareholding structure does not justify broadcasting of the general meeting and real-time two-way communication, or exercising voting rights using electronic means of communication.

IV.R.3. The company strives to ensure that when securities issued by the company are traded in different countries (or on different markets) and under different legal systems, the carrying out of corporate events related to the obtainence of rights on the part of the shareholder takes place at the same dates in all countries in which they are listed.

Explanation of the Issuer:

Securities issued by the Issuer are traded only in Poland.

IV.Z.2. If it is justified by the shareholding structure of the company, the company provides publicly available real-time broadcast of the general meeting.

Explanation of the Issuer:

The Issuer's shareholding structure does not justify real-time broadcasting of the General Meeting.

5.2 Internal control and risk management systems

Management Board of Selvita S.A. is responsible for keeping the company's accounting in accordance with the Polish Accounting Act of September 29, 1994 and in accordance with the requirements set out in the Polish Regulation of the Minister of Finance of October 18, 2005 on the scope of information disclosed in financial statements and consolidated financial statements required in the prospectus for issuers based in the territory of the Republic of Poland, for which Polish accounting principles are applicable and in the Polish Regulation of the Minister of Finance of March 29, 2018 on current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by law of the country that is not a member state, as well as in accordance with the International Accounting Standards and International Financial Reporting Standards.

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

Both individual and consolidated statements are prepared by employees of the accounting department with the support of the controlling department, under the control of the Chief Accountant and the Chief Financial Officer. The financial statements are audited by an independent

statutory auditor selected by the Company's Supervisory Board, while the semi-annual statements are reviewed by an independent statutory auditor.

5.3 Management and Supervisory Boards

Management Board

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

In 2020 there were no changes in Issuer's Management Board.

Supervisory Board

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

In 2020 there were no changes in Issuer's Supervisory Board.

Audit Committee

1) Rafał Chwast – Chairman of the Audit Committee
2) Piotr Romanowski – Member of the Audit Committee
3) Tadeusz Wesołowski – Member of the Audit Committee
4) Wojciech Chabasiewicz - Member of the Audit Committee

In 2020 there were no changes in Audit Committee.

Remuneration Committee

1) Paweł Przewięźlikowski – Chairman of the Remuneration Committee
2) Jacek Osowski – Member of the Remuneration Committee
3) Piotr Romanowski – Member of the Remuneration Committee

In 2020 there were no changes in Renumeration Committee.

Members of the Audit Committee in the indicated composition met the independence criteria and

other requirements specified in Art. 129 sec. 1, 3, 5 and 6 of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision.

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

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

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

1. The audit company which will carry out the statutory audit of Selvita's and Selvita Capital Group's financial statements is selected by the Supervisory Board of the Company.

2. When selecting the entity authorized to audit, the Supervisory Board of the Company will get acquainted with the recommendations submitted by the Company's Audit Committee.

3. The Supervisory Board of the Company is in no way bound by the recommendations of the Company's Audit Committee indicated in par. 2 above. In particular, it may select an entity other than that proposed by the Audit Committee in its recommendations. Any contractual clauses in the agreements concluded by the Company that is limiting the possibility of selecting an audit company for the purpose of carrying out the statutory audit of financial statements by the Supervisory Board for example to the specific lists of audit companies or specific categories of such companies shall be deemed illegal and invalid.

4. When selecting an audit company which will conduct the audit of the Company, the following principles should be observed (in particular):

a) the impartiality and independence of the audit company;
b) the quality of the audit work performed;
c) knowledge of the industry in which Selvita and Selvita Capital Group operate;
d) the previous experience of the audit company in auditing reports of public interest entities;
e) professional qualifications and experience of persons directly providing services in the scope of the conducted research;
f) the ability to provide the required scope of services;
g) the territorial scope of the audit company and the international nature of the network in which it operates (operating in most countries in which the Company and Selvita Capita Group operate);
h) the proposed price of the service provided

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

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

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

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

The auditing company auditing the Issuer's and Issuer's Capital Group's financial statements, that is E&Y Audyt Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa, did not provide the Issuer with permitted non-audit services in the period covered by this report and in the period after the balance sheet date (statement made as of the date of this Report).

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

Shareholder	Series A*	Other Series	No. of shares	% of share capital	No. of votes	% votes at GM
Management Board						
Bogusław Sieczkowski	550 000	374 384	**924 384**	5,04%	**1 474 384**	6,58%
Miłosz Gruca	-	47 000	**47 000**	0,26%	**47 000**	0,21%
Mirosława Zydroń	-	30 000	**30 000**	0,16%	**30 000**	0,13%
Edyta Jaworska	-	10 000	**10 000**	0,05%	**10 000**	0,04%
Supervisory Board						
Paweł Przewięźlikowski	3 500 000	1 490 880	**4 990 880**	27,19%	**8 490 880**	37,9%
Tadeusz Wesołowski(bezpośrednio)	-	92 975	**92 975**	0,51%	**92 975**	0,41%
Tadeusz Wesołowski (through Augebit FIZ)	-	1 039 738	**1 039 738**	5,66%	**1 039 738**	4,64%
Piotr Romanowski	-	250 000	**250 000**	1,36%	**250 000**	1,12%
Rafał Chwast	-	121 115	**121 115**	0,66%	**121 115**	0,54%

**Series A Shares are privileged - one share gives the right to two votes at the General Meeting of Selvita S.A.*

In the reporting period, there was one change resulting from the sale of 70,000 shares by Mr. Piotr Romanowski, about which the Issuer informed in the current report No. 5/2021 of February 5, 2021. Before the transaction, Mr. Piotr Romanowski held 320,000 shares entitling to the same number of votes at the Issuer's general meeting, which constituted 1.74% of shares in the share capital and 1.43% of votes, respectively. After the transaction, Mr. Piotr Romanowski holds 250,000 shares entitling to the same number of votes (1.36% in the share capital and 1.12% of votes, respectively).

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

Shares held by significant shareholders of the Company as of March, 30 2021

Shareholder	Shares	% (Shares)	Votes	% (Votes)
Paweł Przewięźlikowski	4 990 880	27,19%	8 490 880	**37,9%**
Bogusław Sieczkowski	924 384	5,04%	1 474 384	**6,58%**
NN OFE	1 900 000	10,35%	1 900 000	**8,48%**

Shareholders structure as of March, 30 2021

**The beneficiary of Augebit FIZ is Tadeusz Wesołowski – Vice-President of the Company's Supervisory Board*

Restrictions on the exercise of voting rights

Not applicable.

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

Not applicable.

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

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

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

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

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

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

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

b) defining the Company's development strategy;

c) handling the Company's matters;

d) concluding contracts;

e) shaping the Company's employment policy;

f) compliance with information obligations of a public company;

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

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

i) implementing and complying with corporate governance rules;

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

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

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

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

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

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

„General Meeting of the Shareholders

§ 14

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

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

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

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

§ 15

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

§ 16

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

§ 17

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

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

§ 18

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

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

§ 19

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

- *a) purchasing and disposing of real estate, permanent usufruct or share in real estate or permanent usufruct;*
- *b) reviewing and approving the Directors' Report and the financial statements for the prior financial year;*
- *c) passing a resolution on profit appropriation or offset of loss;*
- *d) discharging the members of the Company's bodies from liability;*
- *e) taking decisions relating to claims to remedy any damage caused in the course of forming the Company or its management or supervision;*
- *f) disposing of and leasing the enterprise or its organized part and placing restricted property rights upon them;*
- *g) passing a resolution, in accordance with Article 394 of the Commercial Companies Code related to the conclusion of an agreement on the acquisition of any assets for the Company and for a subsidiary or cooperative subordinated to the Company for price exceeding one-tenth of the paid-up share capital, from the Company's founder or shareholder, or for a company or cooperative subordinated to the Company's founder or shareholder, if the agreement is to be concluded before two years have passed since the date of the Company's registration;*
- *h) amending the Company's Articles of Association;*
- *i) increasing or reducing the share capital;*
- *j) appointing and dismissing members of the Supervisory Board, in recognition of § 20 section 3;*

k) *approving the Rules of the Supervisory Board;*
l) *determining the principles for remunerating members of the Supervisory Board and the amount of the remuneration;*
m) *determining the amount of remuneration of members of the Supervisory Board delegated to perform constant individual supervisory functions;*
n) *setting up and reversing reserves;*
o) *merging the Company with other companies, transforming or demerging the Company;*
p) *dissolving the Company."*

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

Management Board

Composition of the Management Board

1. Members of the Management Board are appointed and dismissed by the Supervisory Board.
2. The Management Board consists of 1 (one) to 7 (seven) people, including the President of the Management Board. In the case of the Management Board consisting of several people, a Vice President or Vice Presidents and Members of the Management Board can be appointed.
3. The number of members of the Management Board in each term of office will be determined by the Supervisory Board.
4. Both shareholders and non-shareholders may be appointed to the Management Board.
5. The term of office of the Management Board is five years. Members of the Management Board are appointed for a common term of office. The mandate of a Member of the Management Board appointed before the end of a given term of the Management Board expires upon the expiry of the mandates of the other members of the Management Board.
6. Any Member of the Management Board can be dismissed at any time.
7. Dismissal of a Member of the Management Board does not prejudice his/her claims under an employment agreement or another legal relationship related to his/her function as a Member of the Management Board.

Meetings of the Management Board

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

Adopting of the resolutions

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

Minutes of the meetings

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

Obligations of the Members of the Management Board

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

Supervisory Board

1. The Supervisory Board comprises from 3 (three) to 9 (nine) persons, and from the moment the Company becomes a public company the Supervisory Board will comprise from 5 (five) to 9 (nine) persons.
2. Members of the Supervisory Board, including its Chairman, are appointed and dismissed by the General Meeting of Shareholders.
3. Members of the Supervisory Board are appointed for a joint five-year term.
4. In respect of the voting for members of the Supervisory Board in individual groups, the Chairman of the Supervisory Board is selected from among the members of a particular group.
5. If the mandate of a member of the Supervisory Board expires before the end of the term of office, the Management Board is required to immediately convene a General Meeting of Shareholders to complete the composition of the Supervisory Board.
6. The Supervisory Board adopts the Rules that it submits to the General Meeting of Shareholders for approval.
7. The Supervisory Board exercises continuous supervision over the Company's operations.
8. In particular, the competencies of the Supervisory Board comprise:
   a) assessing the Company's financial statements, the Directors' Report and the respective conclusions as to the appropriation of profit and offset of loss, and submitting the annual reports on the results of the assessments;
   b) appointing an independent statutory auditor to audit the Company's financial statements and the Group consolidated financial statements;
   c) appointing and dismissing members of the Company's Management Board;
   d) determining the principles for remunerating members of the Management Board and the amount of the remuneration;
   e) representing the Company in agreements and disputes between the Company and members of the Management Board unless the General Meeting appoints a plenipotentiary for this purpose;
   f) approving the Rules of the Management Board;
   g) approving the financial plan prepared by the Management Board;
   h) granting consent to members of the Management Board for engaging in activities competitive against the Company's or to participate in companies or ventures competitive against the Company.
9. The Supervisory Board will hold meetings at least once a quarter.
10. The members of the Supervisory Board will exercise their rights and responsibilities in person. The Supervisory Board may delegate members to individually perform particular supervisory activities. Those members will receive separate remuneration, the amount of which will be decided by the General Meeting of Shareholders. Those members are required to meet non-competition obligations.
11. In order for the Supervisory Board's resolutions to be valid, it is necessary to invite all the Supervisory Board members to the meeting and to ensure that at least one-half of all Supervisory Board members are present at the meeting.
12. The resolutions of the Supervisory Board are passed by an absolute majority of votes of the Supervisory Board members. In the event of an equal number of votes, the Chairman of the Supervisory Board has the casting vote.

Audit Committee

Audit Committee is operating within the Supervisory Board.

1. Members of the Audit Committee are appointed among the members of the Supervisory Board.
2. The Audit Committee consists of at least three members.
3. Most members of the Audit Committee, including its chairman, meet the criterion of independence, in particular within the meaning of Art. 129 section 3 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (Journal of Laws of 2017, item 1089), and at least one member of the Audit Committee, shall meet the knowledge and skills criteria specified in art. 129.1.5 of the abovementioned Act.
4. The tasks of the Audit Committee include in particular:
    1) monitoring of:
        a) the financial reporting process;
        b) effectiveness of internal control systems and risk management systems as well as the internal audit, also in respect of financial reporting;
        c) carrying out financial audit activities, in particular audits carried out by an audit company, taking into account all the conclusions and findings of the Audit Supervision Commission which result from an inspection carried out in the audit company;
    2) controlling and monitoring the independent status of the auditor and the audit company, in particular when other, non-audit services are provided to the public interest company by the audit firm;
    3) informing the supervisory board or another supervisory or controlling body of the public interest entity of the results of the audit and explaining how the audit contributed to the reliability of the financial reporting in the public interest entity, and the role of the audit Committee in the auditing process;
    4) reviewing the independence of the auditor and giving consent to permitted non-audit services provided by him to the public interest entity;
    5) drawing up a policy for selecting an audit company to be charged with the audit of the company;
    6) drawing up a policy for providing permitted non-audit services by the audit company which conducts the audit, its related entities, and by a member of the audit company's network;
    7) determining the procedure for the public interest entity selecting an audit company;
    8) presenting the supervisory board or another supervisory or controlling body, or the body referred to in Art. 66 (4) of the Accounting Act of 29 September 1994, the recommendations referred to in Art. 16 (2) of Regulation 537/2014, in accordance with the policies referred to in points and 6;
    9) submitting recommendations aimed at ensuring the reliability of the financial reporting process in the public interest entity. 6. The principles of the Supervisory Board's operation, i.e. in particular holding meetings and adopting resolutions by the Supervisory Board shall apply accordingly to the functioning of the Audit Committee, unless the Audit Committee decides otherwise.

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

Remuneration Committee

Remuneration Committee is operating within the Supervisory Board

1. The Supervisory Board appoints and dismissed members of the Remuneration Committee, including its Chairman.
2. Members of the Remuneration Committee, including its Chairman, are appointed among the Supervisory Board Members.
3. The Remuneration Committee consists of at least three Members.
4. In particular, the competencies of the Supervisory Board comprise:
    1) Regarding the remuneration of members of the Company's Management Board:
        a) assessing the basic salary, bonuses and share-based compensation received by members of the Company's Management Board in relation to the scope of duties of members of the Company's Management Board and the manner of their performance, as well as market conditions,
        b) presenting proposals to the Supervisory Board regarding appropriate forms of contracts with members of the Company's Management Board and the amount of their remuneration,
    2) Regarding directors and senior employees' remuneration:
        a) making a general assessment of the correctness of the Company's policy regarding remuneration of the directors and senior employees,
        b) issuing general recommendations to the Company's Management Board regarding the level and of remuneration for directors and senior employees,
        c) monitoring the level and structure of remuneration for directors and senior employees based on relevant information provided by the Company's Management Board,
    3) Regarding share-based compensation that can be granted to members of the Management Board and employees of the Company:
        a) discussing the general principles for implementing equity incentive programs based on shares, share options, subscription warrants,
        b) presenting proposals to the Supervisory Board in this respect,
        c) presenting proposals to the Supervisory Board regarding equity incentive programs.
5. The principles of the Supervisory Board's operation, in particular holding of meetings and the adoption of resolutions by the Supervisory Board shall apply accordingly to the Remuneration Committee, unless the Remuneration Committee decides otherwise.

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

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

Renumeration of the members of management and supervisory bodies

Renumeration of the members of the Management Board of Selvita S.A. for period 1.01.2020- 31.12.2020 [in PLN]

Members of the Management Board	Remuneration for performing functions in the Management Board	Remuneration for employment contracts concluded with the Issuer	Renumeration for contracts concluded with Selvita Services sp. z o.o.	Total remuneration in 2020
Bogusław Sieczkowski	607 800	89 445,07	136 800	**834 045,07**
Miłosz Gruca	772 900	-	89 332,44	**862 232,44**
Mirosława Zydroń	498 200	-	172 615,07	**670 815,07**
Edyta Jaworska	383 900	131 494,44	-	**516 394,44**
Dariusz Kurdas	299 200	125 451,07	30 000	**454 651,07**
Dawid Radziszewski	316 600	-	186 128,99	**502 728,99**

Renumeration of the members of the Supervisory Board of Selvita S.A. for period 1.01.2020-31.12.2020 [in PLN]

Members of the Board	Remuneration for performing functions in the Supervisory Board	Total Remuneration in 2020
Paweł Przewięźlikowski	37 986,37	37 986,37
Piotr Romanowski	45 200,43	50 298,43
Tadeusz Wesołowski	41 184,00	41 184,00
Rafał Chwast	37 270,53	37 270,53
Wojciech Chabasiewicz	37 270,53	108 334,53
Jacek Osowski	37 224,00	37 224,00

System of control of employee share scheme

There are currently no employee share schemes in Issuer's Capital Group.

The diversity policy implemented by the Issuer with regard to its administrative, management and supervisory bodies

The aim of the diversity policy implemented by the Company is to build awareness and organizational culture open to diversity, which leads to increased work efficiency and prevents discrimination.

When selecting the Company's governing bodies and its key managers, the Company strives to ensure versatility and diversity, especially in the area of gender, education, age and professional experience. The basis of diversity management is to provide equal opportunities in access to professional development and promotion. Currently, the Management Board of the Company consists of two woman and four men, while the Supervisory Board of the Company consists of only men. The decisive aspects are, above all, the qualifications and substantive preparation to perform a specific function.

6 STATEMENT OF THE MANAGEMENT BOARD REGARDING APPLICABLE ACCOUNTING PRINCIPLES

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

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

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

Management Board of Selvita S.A. with its registered office in Krakow, declares that the entity authorized to audit financial statements auditing the annual financial statements for the financial year 2020 was selected in accordance to the provisions of law and that the entity and the statutory auditors auditing these statements met the conditions for expressing an impartial and independent opinion on the audit, pursuant to relevant provisions of national law and professional standards.

Management Board of Selvita S.A. hereby informs that the selection of the audit company conducting the audit of the annual financial statements, i.e. Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa, was made in accordance with the applicable law, including those relating to the selection and selection procedure of an auditing company, and also:

a) the audit company and members of the team conducting the audit met the conditions for the preparation of an impartial and independent report from the audit of the annual financial statements in accordance with the applicable regulations, professional standards and professional ethics rules,
b) the Issuer complied with all of the applicable regulations regarding the rotation of the audit company and the key statutory auditor as well as the mandatory grace periods,
c) The issuer adopted a policy for the selection of an audit firm and a policy for additional nonaudit services, including services conditionally exempt from prohibition of providing services by audit company, provided to the issuer by the audit company, entity affiliated to the audit company or a member of its network.

8 OTHER INFORMATION

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

The Capital Group of Selvita S.A. as at the publication date of this Report includes:

- Selvita S.A. – parent entity;
- Selvita Services sp. z o.o. – affiliate, 100% of shares held by Selvita S.A.;
- Selvita Inc. – affiliate, 100% of shares held by Selvita S.A;
- Selvita Ltd. – affiliate, 100% of shares held by Selvita S.A;
- Ardigen S.A. – affiliate, 47,69 % of shares held by Selvita S.A;
- Fidelta d.o.o. – affiliate, 100% of shares held by Selvita S.A.

8.2 Credits and Loans

Currently, the Issuer (and Selvita Services sp.z o.o. together with Fidelta d.o.o. as guarantors) is a party to the facility agreement with Bank Polska Kasa Opieki S.A. with its registered office in Warsaw, under which the creditor granted the Issuer: a) a term credit in the total amount of EUR 21,840,000 to finance the acquisition of 100% shares in Fidelta, consisting of credit A in the amount of up to EUR 16,340,000 and credit B in the amount up to EUR 5,500,000. Under the above-mentioned facility agreement, the Issuer is also entitled to launch a construction credit in the maximum amount of up to PLN 65,000,000 for the construction of a new Research and Development Center for Laboratory Services in the area of drug discovery and development in Krakow at Podole Street in Krakow along with laboratory equipment.

8.3 Structure of major capital deposits and investments

Investments in financial assets include purchased bonds and deposits of cash for the purpose of effective management of these funds. During the current financial year, the Capital Group invested cash in term deposits with a fixed interest rate. As at the balance sheet date, Capital Group had no cash in deposits.

During the current financial year, which effectively concerns only the last quarter, the Capital Group made investments in tangible stable assets worth PLN 40,950,646 - mainly laboratory equipment.

8.4 Court Proceedings

In the financial year 2020, neither the Issuer nor its affiliates were a party to any material court, arbitration or public administration proceedings.

8.5 Assurances and guarantees

Selvita Services sp. z o.o. and Fidelta d.o.o. are guarantors of the facility agreement concluded on December 21, 2020 with Bank Polska Kasa Opieki S.A. with its registered office in Warsaw. The facility agreement contains a mechanism of extending the liability for obligations under it to the Issuer's affiliate, in case the Issuer's and Guarantor's share in the consolidated EBITDA of the Selvita Capital Group fell below 75%.

8.6 Purchase of own shares

Event did not occur in 2020.

8.7 Information about owned branches (plants)

Company does not own any branches.

8.8 Information on risks arising from held financial instruments

Risks affiliated with held financial instruments were described above.

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The annual report of Selvita Capital Group for the financial year 1 January 2020 - 31 December 2020 s hereby approved.

Krakow, March 26, 2021

_____	_____	_____
Bogusław Sieczkowski	Miłosz Gruca	Mirosława Zydroń
President of Management Board	Vice-President of Management Board	Member of Management Board
_____	_____	_____
Edyta Jaworska	Dariusz Kurdas	Dawid Radziszewski
Member of Management Board	Member of Management Board	Member of Management Board

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