Selvita

SELVITA S.A. GROUP

CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE PERIOD

from 22/03/2019
to 31/12/2019

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

It is the translation of Polish original document

Selvita

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Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD FROM 22 MARCH 2019 TO 31 DECEMBER 2019

	Note	Period ended 31/12/2019 PLN
Continuing operations		
Sales revenue	5	30,443,469
Grant income	5	1,421,083
Total operating revenue		**31,864,552**
Amortization and depreciation	5	(2,629,819)
Consumption of materials and supplies		(4,665,041)
External services		(3,493,360)
Employee benefit expense	5	(14,344,783)
Other expenses		(1,197,244)
Taxes and charges		(234,290)
Impairment loss on trade receivables		(43,621)
Total operating expenses		**(26,608,158)**
Other operating revenue	9	139,993
Other operating expenses	9	(21,800)
Operating profit		**5,374,587**
Financial revenue	7	20,978
Financial expenses	8	(501,341)
Profit on business activities		**4,894,224**
Profit before income tax		**4,894,224**
Income tax expense	10	909,976
Net profit on continuing operations		**5,804,200**
NET PROFIT		**5,804,200**
Net other comprehensive income		
Items to be reclassified to profit or loss in the ensuing reporting periods:		
Foreign subsidiaries results translation differences		(61,954)
Total net other comprehensive income		**(61,954)**
TOTAL INCOME FOR THE PERIOD		**5,742,246**
Net profit attributed to:		
Majority shareholders		5,523,002
Non-controling shareholders		281,198
Total income attributed to:		
Majority shareholders		5,461,048
Non-controling shareholders		281,198
Earnings per share		
(expressed in PLN cents per share)	11	
With continued and discontinued operations:		
Basic		105.0
Diluted		105.0
With continued operations:		
Basic		105.0
Diluted		105.0

Prepared by: Elżbieta Kokoć ....

Signatures of Members of the Management Board:

Bogusław Stanisław Sieczkowski - President of the Board ....

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

Edyta Barbara Jaworska - Member of the Board ....

Mirosława Monika Zydroń - Member of the Board ....

Dariusz Tomasz Kurdas - Member of the Board ....

Dawid Patryk Radziszewski - Member of the Board ....

Kraków, 25 March 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
PREPARED AS AT 31 DECEMBER 2019

	Note	Balance as at 31/12/2019 PLN
ASSETS		
Non-current assets		
Tangible fixed assets	12	10,282,357
Lease assets	22	24,927,169
Goodwill	13	280,740
Other intangible assets	14	588,229
Deferred tax asset	10	8,520,949
Other assets	19	343,335
Total non-current assets		**44,942,779**
Current assets		
Inventory	20	1,184,882
Short-term receivables	21	25,854,362
Contract assets	5	4,226,665
Other financial assets	18	-
Other assets	18	1,010,222
Cash and other monetary assets	32	13,667,930
Total current assets		45,944,061
Total assets		**90,886,840**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
PREPARED AS AT 31 DECEMBER 2019 (cont.)

	Note	Balance as at 31/12/2019 PLN
EQUITY AND LIABILITIES		
Equity		
Share capital	23	12,876,983
Share premium		2,888,750
Reserve capital resulting from the purchase of OPE	23	22,993,414
Other reserve capitals	23	-
Currency differences on translation of foreign operations		(61,954)
Retained earnings / Accumulated losses		-
Net profit for the period		5,523,002
Equity attributed to majority shareholders		**44,220,195**
Equity attributed to non-controling shareholders	17	3,437,347
Total equity		**47,657,542**
Long-term liabilities		
Lease liabilities	28.8	18,446,344
Retirement provision	27	103,028
Deferred tax provision	10	2,939,627
Deferred income	29	99,546
Total long-term liabilities		**21,588,545**
Short-term liabilities		
Trade and other liabilities	26	5,726,412
Other non-financial liabilities	26	2,286,317
Contract liabilities	5	557,787
Lease liabilities	28.8	6,629,069
Short-term loans and bank credits	24	6,989
Current tax liabilities	10;26	229,198
Short-term provisions	25	-
Deferred income	29	6,204,981
Total short-term liabilities		**21,640,753**
Total liabilities		**43,229,298**
Total equity and liabilities		**90,886,840**

Prepared by: Elżbieta Kokoć ....

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Kraków, 25 March 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE REPORTING PERIOD ENDED 31 DECEMBER 2019

	Note	Share capital	Share premium	Reserve capital resulting from the purchase of OPE	Currency differences on translation of foreign operations	Retained earnings / Accumulated losses	Net profit for the period	Equity attributed to majority shareholders	Equity attributed to non-controling shareholders	Total equity
		PLN	PLN	PLN	PLN	PLN	PLN	PLN	PLN	PLN
Balance as at 22 March 2019		-	-	-	-	-	-	-	-	-
Net profit for the period		-	-	-	-	-	5,804,200	5,804,200	281,198	6,085,398
Other comprehensive income		-	-	-	(61,954)	-	-	(61,954)	-	(61,954)
		-	-	-	(61,954)	-	5,804,200	5,742,246	281,198	6,023,444
Reserve capital resulting from the split		-	-	22,993,414	-	-	-	22,993,414	3,156,149	26,149,563
Issue of shares	23	12,876,983	2,888,750	-	-	-	-	15,765,733	-	15,765,733
Purchase of minority shares		-	-	-	-		(281,198)	(281,198)	-	(281,198)
Balance as at 31 December 2019		12,876,983	2,888,750	22,993,414	(61,954)	-	5,523,002	44,220,195	3,437,347	47,657,542

Prepared by: Elżbieta Kokoć

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Kraków, 25 March 2020

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 22 MARCH 2019 TO 31 DECEMBER 2019

	Note	Period ended 31/12/2019 PLN
Cash flows from operating activities		
Profit for the period		**5,804,200**
Adjustments:		
Amortization and depreciation and impairment losses on fixed assets		2,629,819
Exchange gains (losses)		(59,772)
Interest and profit-sharing (dividends), net		39,640
Change in receivables		(5,910,278)
Change in inventory		66,622
Change in short-term liabilities and provision excluding credits and loans		849,325
Change in deferred income		1,468,071
Change in provisions		40,669
Change in other assets		(589,492)
Net cash flows from operating activities		**4,338,804**
Cash flows from investing activities		
Purchase of tangible and intangible fixed assets		(1,218,490)
Cash received from the purchase of OPE		9,124,748
Interest received		21,106
Repayment of loans		29,371
Loans granted		-
Net cash flows from investing activities		**7,956,735**
Cash flows from financing activities		
Proceeds from shares issue		2,988,750
Repayment of finance lease liabilities		(1,528,138)
Proceeds from credits and loans		6,989
Repayment of credits and loans		(34,464)
Interest paid		(60,746)
Net cash flows from financing activities		**1,372,391**
Net increase in cash and cash equivalents		13,667,930
Cash and cash equivalents at the beginning of the period		-
Net currency differences on cash and cash equivalents		-
Cash and cash equivalents at the end of the period	32	**13,667,930**

Prepared by: Elżbieta Kokoć ....

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Kraków, 25 March 2020

1. General information

1.1. The parent company

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

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

Management Board:

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

Supervisory Board:

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

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

	Registered office	Number of shares	Percentage interest in capital	Percentage share in voting rights
Paweł Tadeusz Przewięźlikowski	Poland	4,990,880	31.25%	42.41%
Bogusław Stanisław Sieczkowski	Poland	924,384	5.79%	7.36%
Augebit Investment Fund (directly and indirectly through Privatech Holdings Limited) *	Poland	1,039,738	6.51%	5.19%
Nationale -Nederlanden Open-End Pension Fund and Nationale - Nederlanden Voluntary Pension Fund	Poland	1,594,749	9.99%	7.97%
Other shareholders		7,421,478	46.46%	37.07%
Total		**15,971,229**	**100.00%**	**100.00%**

** the benefitient of Augebit is Tadeusz Wesołowski - Vice - Chairman of Supervisory Board*

1.2. The Capital Group

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

	Registered Office	% of capital held	% of voting rights
		As at 31 December 2019	
Selvita Services Spółka z ograniczoną odpowiedzialnością	Poland	100.00%	100.00%
Selvita Inc.	USA	100.00%	100.00%
Selvita Ltd.	UK	100.00%	100.00%
Ardigen S.A.	Poland	49.26%	55.84%

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

The calendar year is the financial year of the parent and the Group companies.
The consolidation of subsidiaries covers the period from 01/10/2019 to 31/12/2019, i.e. the period in which the Parent Company had control over these entities as a result of split and purchasig the organized part of enterprise from Ryvu Therapeutics, described below.

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

1.3. Functional and reporting currency

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

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

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

On 1/10/2019, the District Court for Kraków-Śródmieście in Kraków, 11th Commercial Division of the National Court Register made an entry in the Register of Entrepreneurs of the National Court Register to increase the share capital of Selvita S.A. with its registered office in Kraków (formerly operating under the name: Selvita CRO SA) (hereinafter: the "Acquiring Company") from PLN 100,000.00 (one hundred thousand zlotys) to PLN 12,876,983.20 (twelve million eight hundred seventy six thousand nine hundred and eighty three zloty and twenty groszy), i.e. by PLN 12,776,983.20 (twelve million seven hundred seventy-six thousand nine hundred and eighty-three zloty and twenty groszy) through the issue of 15,971,229 shares, including:
1) 4,050,000 Series A registered shares with a nominal value of PLN 0.80 (eighty groszy) each, preferential in voting rights, in such a way that each share of this series has two votes at the general meeting of that company;
2) 11,921,229 series B ordinary bearer shares with a nominal value of PLN 0.80 (eighty groszy) each ("Registration of the Capital Increase"),
In relation to the split of Ryvu Therapeutics pursuant to art. 529 § 1 item 4 of the Commercial Companies Code (division by spin-off), i.e. by transferring to the Acquiring Company part of the Issuer's assets in the form of an organized part of the enterprise comprising a set of tangible and intangible assets intended for the provision of service activities in the field of Contract Research Organization biotechnology and shares / shares in subsidiaries, i.e. BioCentrum sp. z oo, Selvita Services sp. z o.o., Ardigen SA, Selvita Ltd., *Selvita Inc. ("Span-out Activity").*

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

The table below presents the assets taken over by separation, accounted for using the pooling of interest method, which make up the capital.

Fixed assets, incl.:	**20,816,722**
Investments in foreign fixed assets (expenditure on modernization of laboratory rooms)	2,201,804
Technical equipment	667,564
Other fixed assets (including laboratory equipment)	17,947,355
Intangible assets	**97,054**
Deferred tax asset	**385,100**
Long term receivables	**121,947**
Fixed assets under constructions - software HD	**447,557**
Current assets	**47,637,672**
Inventory	1,251,504
Short-term receivables	31,204,741
Cash and other monetary assets	9,149,867
Other assets	6,031,560
Total assets	**69,506,052**
Total liabilities	**30,476,506**
Net assets	**39,029,546**

Below is the consolidated statement of comprehensive income for the period from the acquisition of OPE, i.e. October 1, 2019, to the end of the financial year.

	Okres od 1/10/2019 do 31/12/2019
	PLN
Continuing operations	
Sales revenue	30,443,469
Grant income	1,421,083
Total operating revenue	**31,864,552**
Amortization and depreciation	(2,629,819)
Consumption of materials and supplies	(4,662,288)
External services	(3,274,382)
Employee benefit expense	(14,333,618)
Other expenses	(1,196,734)
Taxes and charges	(202,527)
Impairment loss on trade receivables	(43,621)
Total operating expenses	**(26,342,989)**
Other operating revenue	139,993
Other operating expenses	(21,800)
Operating profit	**5,639,756**

Financial revenue	10,201
Financial expenses	(501,145)
Profit on business activities	**5,148,812**
Profit before income tax	**5,148,812**
Income tax expense	909,976
Net profit on continuing operations	**6,058,788**
ZYSK NETTO	**6,058,788**
Net other comprehensive income	
Items to be reclassified to profit or loss in the ensuing reporting periods:	
Foreign subsidiaries results translation differences	(61,954)
Foreign subsidiaries results translation differences	**(61,954)**
TOTAL INCOME FOR THE PERIOD	**5,996,834**

Comparative data and data for the period from 22/03/2019 to 30/09/2019 were not presented due to the lack of fully reliable data in relation to Selvita S.A. Data of subsidiaries were presented for the period from October 1, 2019, to December 31, 2019.

2. International Financial Reporting Standards

2.1. Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the European Union ("IFRS EU"). As at the date of approval of this report for publication, taking into account the ongoing process of introducing IFRS in the European Union, the IFRS applicable to this financial statement do not differ from EU IFRS.
IFRS EU include standards and interpretations approved by the International Accounting Standards Board ("IASB").
Some entities of the Group maintain their accounting books in accordance with the accounting policy (principles) specified by the Accounting Act of 29 September 1994 (the "Act") as amended and regulations issued on its basis ("Polish accounting standards"). The consolidated financial statements include adjustments not included in the accounting books of the Group entities introduced in order to bring the financial statements of these entities to comply with IFRS.

2.1.1. Reporting period and scope

The consolidated financial statements of the Group cover the financial year from 22 March 2019 to 31 December 2019. Due to the fact that the Parent Company was established in 2019, the report does not include comparative periods.

Status of IFRS endorsement by the EU

2.2. Zmiany stosowanych zasad rachunkowości

The accounting principles (policies) used to prepare these financial statements are consistent with those used in the preparation of the financial statements of the Group companies, except for the application of new or amended standards and interpretations applicable to annual periods starting from 1 January 2019 and later.
The Group applied IFRS 16 Leasing for the first time ("IFRS 16").
Other new or amended standards and interpretations that apply for the first time in 2019 do not have a material impact on the Group's consolidated financial statements.

a) IFRIC Interpretation 23 Uncertainty Related to Income Tax Recognition
The interpretation explains how to recognize and measure income tax in accordance with IAS 12 if there is uncertainty about its recognition. It does not apply to taxes or fees that do not fall within the scope of IAS 12, nor does it cover interest and penalty requirements related to the uncertain recognition of income tax. The interpretation applies in particular to:
• separate consideration of uncertain tax treatment by the entity;
• assumptions made by the entity regarding the control of tax treatment by tax authorities;
• the manner in which the entity determines taxable income (tax loss), the tax base, unused tax losses, unused tax credits and tax rates;
• the manner in which the entity reflects changes in facts and circumstances.
An entity must determine whether it considers each uncertain tax treatment separately or in combination with one or more other uncertain tax treatment. An approach should be followed which better provides for resolution of uncertainty.

b) Amendments to IFRS 9: Early repayments with negative compensation

c) Amendments to IAS 19: Amendment, restriction or settlement of the program

d) Amendments to IAS 28: Long-term shares in associates and joint ventures

e) Changes resulting from the review of IFRS 2015-2017:

• IFRS 3 Business Combinations - for multi-stage acquisitions

• IFRS 11 Joint Arrangements - to achieve joint control over joint operations

• IAS 12 Income Taxes - regarding the tax consequences of dividends

• IAS 23 Borrowing costs

The amendments specify that the entity treats all loans originally contracted to produce a qualifying asset as part of general loans when, in principle, all the activities necessary to prepare the asset for its intended use or sale are completed.

The above-mentioned new standards, except for IFRS 16, amendments to existing standards and interpretation did not have a significant impact on the Group's financial statements for 2019.

2. International Financial Reporting Standards

2.3. Standards and interpretations that have already been published and approved by the EU, but have not yet entered into force

The following new standards and amendments to standards have been issued by the IASB and approved for use in the EU but have not yet entered into force:
• Amendments to the Conceptual Framework References in the International Financial Reporting Standards (published on March 29, 2018) - applicable to annual periods beginning on or after January 1, 2020;
• Amendments to IAS 1 and IAS 8: Definition of materiality (published on October 31, 2018) - applicable to annual periods beginning on or after January 1, 2020;
• Amendments to IFRS 9, IAS 39 and IFRS 7: Reform of reference interest rates (published on September 26, 2019) - applicable to annual periods beginning on or after January 1, 2020.

The Group decided not to implement the earlier application of the above changes. As at the date of approval of these financial statements for publication, the Management Board does not expect their introduction to have a significant impact on the accounting policies applied by the Group.

2.4. Standards and interpretations adopted by the IASB, but not yet approved for use in the EU

• IFRS 14 Regulatory accruals (published on 30 January 2014) - in accordance with the decision of the European Commission, the process of approving the standard in the initial version will not be initiated before the final version of the standard appears - until the date of approval of these financial statements, it has not been approved by the EU - applicable for annual periods beginning on or after 1 January 2016;
• Amendments to IFRS 10 and IAS 28 Sale or contribution transactions between an investor and its associate or joint venture (published on September 11, 2014) - work leading to the approval of these amendments has been postponed by the EU for an indefinite period - the entry into force has been postponed by IASB for an indefinite period;
• IFRS 17 Insurance Agreements (published on May 18, 2017) - up to the date of approval of these financial statements, not approved by the EU - applicable to annual periods beginning on or after January 1, 2021;
• Amendments to IFRS 3 Business Combinations (published on October 22, 2018) - up to the date of approval of these financial statements, not approved by the EU - applicable to annual periods beginning on or after January 1, 2020;
• Amendments to IAS 1 Presentation of Financial Statements: Breakdown of liabilities into short-term and long-term (published on January 23, 2020) - until the date of approval of these financial statements, not approved by the EU - applicable to annual periods beginning on or after January 1, 2022.

The dates of entry into force are the dates resulting from the content of the standards announced by the International Financial Reporting Council. The dates of application of the standards in the European Union may differ from the dates of application arising from the content of the standards and are announced at the time of approval for use by the European Union.

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

2.5 IFRS 16 Leases

The standard defines the principles of recognition, measurement, presentation and disclosure of leasing - it replaces IAS 17 Leases and interpretations referring to this type of contracts.

Before adopting IFRS 16, the Group had leasing agreements mainly for specialized laboratory equipment. The Group classified these leases (as a lessee) as at the start of the lease period as finance or operating leases. Leasing was classified as financial if substantially all the risks and rewards of ownership of the leased asset were transferred to the Group. Otherwise, the lease was classified as operational. Financial leasing was capitalized at the fair value of the leased asset determined as at the beginning of the lease period or in amounts equal to the present value of the minimum leasing fees, if it was lower than the fair value. Leasing fees were divided between interest (recognized as financial costs) and reduction of leasing liability. In operational leasing, the subject of the contract was not activated, and leasing fees were recognized as rental costs in the profit and loss account using the straight-line method throughout the leasing period.

After adopting IFRS 16, the Group applied one approach to recognition and measurement for all lease contracts of which it is a lessee, except for short-term lease and leasing of low-value assets. The Group recognized leasing liabilities and assets due to the right to use the underlying assets.

The Group has implemented IFRS 16 using a modified retrospective method, i.e. with the combined effect of the first application of the standard recognized on the date of first application. The Group took advantage of the simplification allowed during the transitional period and did not re-assess whether the previously classified contracts include leasing. Therefore, the definition of leasing in accordance with IAS 17 and IFRIC 4 will continue to apply to lease contracts concluded or amended before January 1, 2019. The Group also decided to take advantage of exemptions from the recognition of lease contracts whose lease period at the start date is 12 months or less and which do not include the purchase option ("short-term lease") and lease contracts for which the underlying asset is of low value (" low-value assets "below USD 5,000). In addition, the Group took advantage of the following acceptable practical solutions for leases previously classified as operating leases in accordance with IAS 17:

- The Group applied one discount rate for the portfolio of leases with similar features.
- The Group applied a simplified approach in relation to leasing contracts, which period ends after 12 months from the date of first application, consisting in recognizing these leasing in accordance with the requirements for short-term leasing contracts and presenting the costs related thereto in the disclosure including incurred costs of short-term leasing contracts .
- The Group excluded initial direct costs from the valuation of the asset due to the right of use on the date of first application.

As a result of the implementation of IFRS 16, the Group recognized assets due to the right of usufruct at a value equal to the leasing liabilities. The discount rates adopted by the Group for the purpose of valuation in accordance with IFRS 16 were based on reference interest rates on loans on the interbank market, as appropriate for a given currency, corrected by the margin used to incur debt by the Group. Discount rates include the maturity and currency of the contracts and are not differentiated by type of assets. The weighted average discount rate adopted at the time of the first application of the standard was 1.9%, while the dominant currency of the contracts identified was the euro.

While implementing IFRS 16, the Group applied the following judgments and estimates:

Lease period for contracts with extension options

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

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

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

Lease period for contracts of unlimited duration

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

Lessee's marginal interest rate

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

3. Summary of significant accounting policies

The accounting principles (policies) used to prepare these financial statements are consistent with applicable standards, except for the application of new or amended standards and interpretations applicable to annual periods beginning on or after 1 January 2019.
The Group applied IFRS 16 Leasing for the first time ("IFRS 16").
Other new or amended standards and interpretations that apply for the first time in 2019 do not affect the consolidated financial statements of the Group.

3.1. Going concern

The consolidated financial statements have been prepared on the assumption that the Group companies will continue as a going concern in the foreseeable future. As at the date of preparation of the consolidated financial statements, there were no circumstances that would indicate a risk to the Group companies' ability to continue as a going concern. Impact of the Covid-19 epidemic is described in note 40.

3.2. Basis of preparation

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

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

3.3. Consolidation principles

The financial statements of subsidiaries, after taking into account the adjustments to comply with IFRSs, are prepared for the same reporting period as the parent company's statements, using consistent accounting principles, based on uniform accounting principles applied for transactions and economic events of a similar nature. Adjustments are made to eliminate any discrepancies in the accounting policies used.
All significant balances and transactions between the Group's units, including unrealized gains arising from transactions within the Group, have been completely eliminated. Unrealized losses are eliminated unless they prove impairment.

Subsidiaries are subject to consolidation in the period from the date of taking control over them by the Group, and cease to be consolidated from the date of cessation of control. The parent company exercises control when:
• has power over a given entity,
• is exposed to variable returns or has rights to variable returns for its involvement in the entity,
• has the ability to use power to shape the level of returns generated.
The Group verifies the fact of exercising control over other entities, if there is a situation indicating a change in one or more of the above-mentioned conditions of exercising control.

In a situation where the Group has less than a majority of voting rights in a given entity, but the voting rights held are sufficient to unilaterally direct the significant activities of that entity, it means that it exercises power over it. When assessing whether voting rights in a given entity are sufficient to ensure power, the Group analyzes all relevant circumstances, including:
• the size of the voting rights held in relation to the size of the shares and the degree of dispersion of voting rights held by other shareholders;
• potential voting rights held by the Group, other shareholders or other parties;
• rights arising from other contractual arrangements; and
• additional circumstances that may prove that the Group has or does not have the power to direct material activities at the time of decision making, including voting patterns observed at previous shareholders' meetings.

Changes in the parent's ownership interest that do not result in a loss of control over a subsidiary are accounted for as equity transactions. In such cases, in order to reflect changes in relative shares in a subsidiary, the Group adjusts the carrying amount of controlling and non-controlling interests. Any differences between the amount of the non-controlling interest adjustment and the fair value of the amount paid or received are recognized in equity and attributed to the owners of the parent.

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

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

3.4. Business combinations

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

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

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

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

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

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

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

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

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

3.5 Goodwill

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

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

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

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

3.6 Investments in associates

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

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

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

The Group ceases to apply the equity method when it loses significant influence on an associate or joint venture. The Group accounts for retained shares in accordance with IFRS 9, unless these shares enable further classification of this entity as an associate or joint venture; in such a case, the Group continues to apply the equity method.
In 2019, the Group did not have any shares in associates.

3.7 Interests in joint ventures

Not applicable.

3.8 Non-current assets held for sale

Not applicable.

3.9 Revenue recognition

3.9.1 Grants

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

Government subsidies for a given cost item are recognized as revenue from subsidies systematically, for each period in which the Group recognizes expenses as costs, the compensation of which is to be a subsidy.
If the subsidy relates to an asset, then its fair value is recognized as deferred income, and then gradually, through equal annual write-offs, recognized in the income from the subsidy over the estimated useful life of the related asset.

3.9.2 Sales of goods and services

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

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

Pursuant to IFRS 15, the Group recognizes revenue when the performance obligation is met (or being met), i.e. when the control over the goods or services that are the subject of the obligation is transferred to the customer. Revenues are recognized as amounts equal to the transaction price that has been assigned to the given performance obligation.
The Group transfers control over a good or service over time and thus meets the obligation to provide a service and recognizes revenue over time if one of the following conditions is met:
- the customer simultaneously receives and receives benefits from the service as it is performed,
- an asset is created or improved as a result of the performance of the service, and the control over that asset - as the customer creates or improves it,
- as a result of the performance of the service, no alternative component is created for the Group, and the Group has an enforceable right to pay for the service performed so far.

The Group uses two methods to measure the degree of total fulfillment of the obligation to perform the performance met over time, including:
a) a results-based method, i.e. it recognizes revenues on the basis of a direct measurement of the value for the client of goods and services that have so far been transferred to the client, in relation to the other goods or services promised in the contract, by assessing the results achieved and the stages
b) an input-based method, i.e. it recognizes revenue based on the stage of completion of the work in proportion to the share of costs incurred in the total contract costs.

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

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

3.10 Interest and dividend income

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

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

3.11 Leases

The Group as a lessee

Assets due to the right of use

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

Lease liabilities

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

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

Short-term leasing and leasing of low-value assets

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

Significant judgments and estimates when determining the lease term of contracts with extension options

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

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

3.12 Foreign currencies

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

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

	Aa at 31/12/2019
EUR / PLN	4.2585
USD / PLN	3.7977
GBP / PLN	4.9971
CHF / PLN	3.9213
JPY / PLN	0.0350
SEK / PLN	0.4073

3.12 .1 Functional and presentation currency

The consolidated financial statements of the Group are presented in PLN, which is also the functional currency of the parent company. The functional currency is determined for each subsidiary and the entity's assets and liabilities are measured in that functional currency. The Group uses the direct consolidation method and has chosen a method of accounting for gains or losses on translation that is consistent with this method.

3.12 .1 Exchange differences from translation of foreign operations

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

3.13 Borrowing costs

There were no borrowing costs in the current financial year.

3.14 Costs of employee benefits and contract termination

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

3.15 Taxes

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

3.15.1 Current tax

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

3.15.2 Deferred tax

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

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

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

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

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

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

3.15.3 Current and deferred tax for the period

The current and deferred tax is recognized in profit or loss, except for items recognized in other comprehensive income or directly in equity. In such a case, the current and deferred tax is also charged to other comprehensive income or equity, respectively. If the current or deferred tax results from initial recognition of a business combination, the tax effect is taken into consideration in the subsequent entries related to that business combination.

3.16 Property, plant and equipment

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

Fixed assets under construction are measured at total cost related directly to their acquisition or manufacturing, including financial expenses, less impairment losses. Fixed assets under construction include payments of patent fees related to research.

Fixed assets, except land and the right of perpetual usufruct of land, are depreciated on a straight-line basis over the period of their estimated useful life or the shorter of the useful life or the period of the right to use the assets, which is as follows:
- building, premises, civil and water engineering structures – 10 years;
- technical equipment and machines – 3-10 years;
- vehicles – 5 years;
- other fixed assets – 3-5 years.

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

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

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

3.17 Intangible assets

3.17.1 Intangible assets purchased by the Group

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

3.17.2 Intangible assets developed internally – R&D cost

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

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

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

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

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

3.17.3 Derecognition of intangible assets

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

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

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

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

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

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

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

3.19 Inventories

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

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

3.20 Provisions

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

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

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

3.20.1 Onerous contracts

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

3.20.2 Restructuring

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

3.21 Trade and other receivables and contract assets

Receivables from sales of goods and services are recognized and disclosed according to the initially invoiced amounts, taking into account the write-down for expected credit losses in the entire lifetime.
If the effect of the time value of money is material, the value of receivables is determined by discounting the projected future cash flows to the present value using a discount rate that reflects current market assessments of the time value of money. If the discounting method was used, the increase in receivables due to the passage of time is recognized as financial income.

Other receivables include, in particular, advance payments for future purchases of property, plant and equipment, intangible assets and inventories. Advances are presented in accordance with the nature of the assets to which they relate - as fixed or current assets, respectively. Advances as non-monetary assets are not discounted.
Budget receivables are presented as other non-financial assets, with the exception of corporate income tax receivables, which constitute a separate item on the balance sheet.

3.22 Cash and cash equivalents

Cash and short-term deposits shown in the balance sheet include cash at bank and in hand, cash at bank on split payment account and short-term deposits with the original maturity of up to three months.
The balance of cash and cash equivalents disclosed in the consolidated statement of cash flows consists of the above-mentioned cash and cash equivalents, less outstanding loans in current accounts.

3.23 Interest-bearing bank loans, loans and debt securities

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

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

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

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

3.24 Trade and other liabilities

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

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

As at December 31, 2019, no financial liabilities have been classified as measured at fair value through profit or loss. Financial liabilities measured at fair value through profit or loss are measured at fair value, taking into account their market value as at the balance sheet date, excluding sales transaction costs. Changes in the fair value of these instruments are recognized in profit or loss as financial costs or revenues, except for changes due to own credit risk for financial liabilities initially classified as at fair value through profit or loss, which is recognized in other comprehensive income.

Other financial liabilities, which are not financial instruments at fair value through profit or loss, are measured at amortized cost using the effective interest method.
The Group excludes a financial liability from its balance sheet when the liability has expired - that is, when the obligation specified in the contract has been fulfilled, canceled or has expired.
Other non-financial liabilities include, in particular, liabilities to the Tax Office due to value added tax and liabilities due to advance payments received, which will be settled by the delivery of goods, services or fixed assets. Other non-financial liabilities are recognized at the amount requiring payment.

3.25 Financial instruments

3.25.1 Classification and initial recognition of financial instruments

The Group assigns financial instruments in accordance with the IFRS 9 to one of three categories:
• measured on the basis of the amortized cost,
• measured at fair value through other total income,
• measured at fair value through profit or loss.
The classification depends on the business model used by an entity with respect to financial asset management and on whether cash flows arising from the contracts include solely the payments of principal and interest ('SPPI').
• If a financial instrument is maintained in order to generate cash flow, it is classified as measured based on the amortised cost, provided that it meets the SPPI requirement.
• Debt instruments meeting the SPPI requirement, maintained both in order to generate contractual cash flows arising from assets and to sell assets, are classified as measured at fair value through other total income.
• All other debt instruments are measured at fair value, where the results of measurement are recognised in the financial result.
Financial liabilities and financial assets, excluding trade receivables which do not contain a significant financing component, are measured at fair value during the initial recognition.
Trade receivables that do not contain a significant financing component are measured at the transaction value during the initial recognition.

Cessation of recognition

Financial assets are excluded from the books of accounts when:
• the rights to obtain cash flows from financial assets have expired, or
• the rights to obtain cash flows from financial assets have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Valuation after initial recognition

For the purpose of valuation after initial recognition, financial assets are classified into one of four categories:
• debt instruments measured at amortized cost,
• debt instruments measured at fair value through other comprehensive income,
• equity instruments measured at fair value through other comprehensive income,
• financial assets at fair value through profit or loss.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met:
(a) the financial asset is held in accordance with a business model whose purpose is to hold financial assets for obtaining contractual cash flows, and
(b) the terms of the contract relating to the financial asset give rise to cash flows on certain dates that are only repayment of principal and interest on the principal amount outstanding.
The Group classifies into the category of financial assets measured at amortized cost:
• trade receivables,
• loans granted that meet the SPPI classification test and which, according to the business model, are shown as held to obtain cash flows,
• cash and cash equivalents.

Financial assets at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income, if both of the following conditions are met:
(a) the financial asset is held in accordance with a business model whose purpose is both to receive contractual cash flows and to sell financial assets; and
(b) the terms of the contract relating to the financial asset give rise to cash flows on certain dates that are only repayment of principal and interest on the principal amount outstanding.
Interest income, exchange rate differences and impairment gains and losses are recognized in profit or loss and calculated in the same way as for financial assets measured at amortized cost. Other changes in fair value are recognized in other comprehensive income. When the financial asset is discontinued, the total profit or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.
Interest income is calculated using the effective interest method and is recognized in the statement of comprehensive income under 'Interest income'.
The Group classifies listed debt instruments to the category of debt instruments valued at fair value through other comprehensive income.

Financial assets at fair value through other comprehensive income

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

Financial assets at fair value through profit or loss

Financial assets that are not measured at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss.
The Group classifies listed equity instruments as financial assets at fair value through profit or loss.
Profit or loss on the measurement of these assets at fair value is recognized in profit or loss.
Dividends are recognized in the statement of comprehensive income when the entity's entitlement to receive dividends arises.
As at December 31, 2019, no financial assets have been classified as measured at fair value through profit or loss.

3.25.2 Impairment of financial instruments

At the end of each fiscal year, the Group carries out the analysis of financial instruments in order to determine their impairment and prepare an impairment loss.
To this end, the Group applies the impairment model based on expected credit losses, as a result of which the impairment loss is recognised before the occurrence of credit loss. This model requires taking into account both the current conditions as well as reasonable and documented information concerning the future, available without excessive costs and efforts, in the process of calculating the expected credit loss.
Two approaches are used for the estimation of financial instrument impairment losses:
• General approach – applied to financial assets measured at fair value through other total income and to financial assets measured at the amortised cost, excluding trade receivables.
• Simplified approach – applied to trade receivables and contract assets that do not include a significant financing element. The Group calculates the expected credit loss in the entire life cycle for this category of assets with the use of a provision matrix. The calculation is based on the historic loss rate calculated on the basis of data on the payment of trade receivables in the period of 4 years corrected, in use, for future information. The rate calculated this way is referred to balances of unpaid trade receivables recognised as at the balance sheet date, within ranges defined in the ageing analysis.

3.25.3 Hedge accounting

The Group companies do not use hedge accounting.

4. Significant accounting judgements and estimates

When applying the accounting policies adopted by the Group, the Management Board of the parent is obliged to make estimates, judgments and assumptions regarding measurement of individual assets and liabilities. Estimates and the related assumptions are based on past experience and other factors which are considered to be material. The actual figures may be different from the adopted estimates.
The estimates and the underlying assumptions are subject to ongoing review. Changes in estimates are recognized in the period of review if they apply to that period only, or in the current and future periods if the changes apply equally to such periods.

4.1 Professional judgment in accounting

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

Recognition of grants

In connection with the subsidies received, the Group is obliged to fulfill the conditions arising from the subsidy agreements signed (including result and product indicators). In the opinion of the Parent's Management Board, the potential risk of return is low.
In addition, if the Company fails to use the granted funds within the period specified in the contractual terms, they are refundable and remain for use in subsequent periods.

Leasing - the Group as a lessee

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

4.2 Uncertainty of estimates

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

4.2.1 Provisions for bonuses

Provisions for bonuses are presented in Note 29. Provisions for bonuses are estimated in line with an algorithm based on a margin achieved and realized on individual projects or project groups. The Management Board estimates the value of bonuses to be paid on the basis of the results of the aforesaid calculations. The Management Board considers numerous factors, such as the current and anticipated economic and financial position of the Group. Bonuses are discretionary.

4.2.2 Useful lives of property, plant and equipment

As described in Note 3.16, the Group reviews the estimated useful lives of items of property, plant and equipment at the end of each annual reporting period. In the current financial year, the Management Board did not identify the necessity to reduce the value in use of any assets.

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

As described in Note 3.9, the Group determines the stage of completion of long-term contracts by comparing the project costs incurred thus far with the total estimated project costs. Due the nature of the Group's projects and the possibility of unexpected difficulties in project completion, it may turn out that the total actual project costs differ from the estimates. A change in the estimated total project costs may require that the stage of completion determined at the end of the reporting period, thus the revenue recognized by the Group, be determined again.

4.2.4 Deferred tax asset

The Group recognizes a deferred tax asset based on the assumption that a tax profit will be available in the future to allow its use. Deterioration of tax results in the future could cause that this assumption would become unjustified.
The Group carefully assesses the nature and extent of evidence justifying the conclusion that it is probable that future taxable income will be sufficient to deduct the unused tax losses, unused tax credits or other negative temporary differences.
When assessing whether it is probable that future taxable profit will be achieved (probability above 50%), the Group shall take into account all available evidence, both confirming the existence of probability and evidence of its absence.

Based on the forecasts for the following years, the Management Board of the Parent Company makes a decision on calculating the deferred tax asset. Asset due to tax relief in the Special Economic Zone in Selvita Services Sp. z o.o. the amount of 50% of the average annual remuneration for newly created jobs is calculated for a period that can be used, not longer than 24 months.

4.2.5 *Tax settlements*

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

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

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

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

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

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

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

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

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

4.2.6 *Fair value of financial instruments*

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

4.2.7 Depreciation rates

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

4.2.8 Impairment of trade receivables and contract assets

The Group uses reserve matrices to value the write-down for expected credit losses in relation to trade receivables and contract assets. In order to determine the expected loan losses, trade receivables and contract assets were grouped based on the similarity of the credit risk characteristics. The Group uses its historical data on credit losses, adjusted, where appropriate, by the impact of future information. An increase or decrease in the adjustment regarding the impact of future factors used to estimate the expected loan losses by 10% would result in an increase or decrease in impairment losses on loans by PLN 4,175 respectively.

4.2.9 Revenue recognition

Judgments made by the Group that significantly affect the determination of the amount and timing of obtaining revenues from contracts with clients are presented in note 3.9.

5. Sales revenue

5.1. Revenues

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

1. Agreements based on the fixed price model.
In the "fixed price" model under the concluded contract, the Group provides specific services for a specific amount of remuneration. In such cases, invoicing usually takes place in the following pattern: a certain percentage of the advance (the so-called upfront payment) and the remainder at the time of the contract.
In accordance with the Group's policy, some of this type of contracts were measured in accordance with the cost-advanced method as long-term contracts. In the case of this type of contracts, the changes introduced by IFRS 15 may affect the amount of income as a result, which is why each of these types of contracts is considered individually in the context of the moment of fulfilling the obligation to perform the service and thus the impact on the moment of recognition of revenues. "
2. Agreements based on the FTE (Full-Time Equivalent) model
Under the contract, the Group provides appropriately qualified employees. Revenue is defined as the working time of employees of the Group measured at the rate from the contract. Invoices in accordance with the contract are issued at the end of the set settlement period (usually monthly). The Group's obligation to perform the service is therefore met at the time the employees render the service.
3. Sale of administrative services
The Group provides administrative services for all entities within the Group and for Ryvu Therapeutics S.A.

The value of the 2020 contracts portfolio resulting from commercial contracts and grant agreements signed as of March 18, 2020 (backlog) amounts to PLN 78,821 thousand, including:

- Services: PLN 65,878 thousand,
- Bioinformatics: PLN 7,514 thousand,
- Grants: PLN 5,429 thousand.

Analysis of the Group's sales revenue from continuing operations for the period from 22 March to 31 Deember 2019:

	Period ended 31/12/2019
	PLN
Contract research - fixed priced agreements	11,940,145
Lease of employees - FTE agreements	17,093,324
Revenues from the sale of administrative services	1,410,000
Operating income (excluding grants)	**30,443,469**

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

5.2. Revenues from subsidies

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

	Period ended 31/12/2019
	PLN
Infrastructure subsidies	21,576
Grants for research	1,399,507
	1,421,083

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

5.3. Contract assets and liabilities

The scope of changes of contract assets	**Period ended 31/12/2019**
	PLN
Contracts at the beginning of the reporting period	-
Agreements taken over as part of OPE	3,002,619
Revenue accrued in proportion to the costs incurred	8,028,916
Invoiced revenues	(6,804,870)
	4,226,665

The scope of changes of contract liabilities	**Period ended 31/12/2019**
	PLN
Contracts at the beginning of the reporting period	-
Agreements taken over as part of OPE	1,311,828
Invoicing beyond the obligation to provide	18,929,987
Execution of contracts without invoicing	(19,684,028)
	557,787

5.4 Geographical information

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

Group's revenue from external customers by operational area:

	Revenue from external customers
	Period ended 31/12/2019
	PLN
Poland	2,074,133
EU members	17,577,207
USA	7,791,234
Other countries	3,000,895
Total	**30,443,469**

5.5. Operating expenses

5.5.1 Amortization and impairment	Period ended 31/12/2019
	PLN
Amortization of tangible asstes	1,633,838
Amortization of leases	984,493
Amortization of intangible assets	11,488
Total amortization expense	**2,629,819**

5.5.2. Employee benefit expense	Period ended 31/12/2019
	PLN
Salaries and wages	12,342,932
Social security charges	1,352,512
Medical and other benefits	428,731
Trainings	173,852
Workwear	46,756
Employee benefit expense	**14,344,783**

5.5.3 External services	Period ended 31/12/2019
B2C Services*	3,041,519
Legal services	263,243
Transportation services	188,598
Total external services	**3,493,360**

** services include B2B services*

6. Operating segments

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

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

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

The first segment accounting for the major part of the Group's revenue is the Services segment. The Group provides services through its two major departments, i.e. Contract Chemistry and Contract Biology. Services provided to external contractors are in the field of chemistry, analytics, regulatory, biochemistry and cell biology.

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

6.2 Segment revenue and profit or loss

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

	Revenue	Operating profit
	Period ended 31/12/2019	Period ended 31/12/2019
	PLN	PLN
Segment 1 - Services, including	27,876,096	4,668,390
revenue from external customers (FTE)	14,022,710	-
revenue from external customers (fixed price)	11,940,145	
revenues from sales of administrative services	1,410,000	-
intersegment revenue	52,350	-
grant income	325,925	-
other operating income	124,966	-
Segment 2 - Bioinformatics, including	4,180,799	706,197
revenue from external customers (FTE)	3,070,614	-
grant income	1,095,158	-
other operating income	15,027	-
Elimination of intersegment revenue	52,350	-
Total – continuing operations	32,004,545	5,374,587

	Expenses
	Period ended 31/12/2019
	PLN
Segment 1 - Services, including	23,207,706
amortization and depreciation	1,661,453
allocated costs of central administration and management board compensation as well as costs to sell	4,157,403
intersegment expenses	-
Segment 2 - Bioinformatics, including	3,474,602
amortization and depreciation	81,294
allocated costs of central administration and management board compensation as well as costs to sell	731,803
intersegment expenses	52,350
Elimination of intersegment expenses	52,350
Total – continuing operations	26,629,958

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

The accounting principles applied to the operating segments are the same as the Group's accounting policies presented in Note 3. Segment profit is profit generated by individual segments after the allocation of the costs of central administration and the remuneration of the management as well as the selling costs. This result does not include other profits and losses as well as revenues and financial costs. This information is provided to persons deciding about the allocation of resources and assessing the financial results of the segment.

6.3 Segment assets and liabilities

	As at 31/12/2019 PLN
Segments assets	
Segment 1	
Services	80,164,382
Segment 2	
Bioinformatics	10,722,458
Total segment assets	**90,886,840**
Segment liabilities	
Segment 1	
Services	41,015,365
Segment 2	
Bioinformatics	2,213,933
Total segment liabilities	**43,229,298**

For purposes of monitoring segment performance and allocating resources:

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

- trade liabilities, liabilities under long-term contracts, provisions for liabilities, deferred income and financial liabilities are allocated to the reporting segments;

6.4 Other segment information

	Depreciation and amortization	Fixed assets additions
	Period ended 31/12/2019	*Period ended 31/12/2019*
	PLN	**PLN**
Segment 1 *Services*	2,400,477	3,382,817
Segment 2 *Bioinformatics*	229,341	82,758
Total	**2,629,818**	**3,465,575**

6.5 Major customers

	Period ended 31/12/2019
	PLN

Segment 1 - Services
There are no customers in the segment whose revenues for 2019 exceed 10% of the segment's sales.

Segment 2 – Bioinformatics	
Customer A	1,169,444
Customer B	622,664
Customer C	366,660
Total	**2,158,767**

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

7. Finance income

	Period ended 31/12/2019
	PLN
Financial revenue due to financial instruments	**20,978**
Interest	19,340
Gains on currency differences	1,638
Total finance income	**20,978**

8. Finance cost

	Period ended 31/12/2019
	PLN
Finance cost due to financial instruments	**448,401**
Interest	118
Losses on currency differences	448,283
Other finance cost	**52,940**
Interest on state liabilities	12,254
Interest on leases	40,686
Total finance cost	**501,341**

9. Other operating income and expenses

9.1 Other operating income

	Period ended 31/12/2019
	PLN
Gain on disposal of property, plant and equipment	**33,328**
Other operating income:	**106,665**
Other – sales of services to employees (benefits)	106,665
Total other operating income	**139,993**

9.2 Other operating expenses

	Period ended 31/12/2019
	PLN
Loss on disposal of property, plant and equipment, including:	**3,800**
Cost of disposal of property, plant and equipment (-)	3,800
Other operating expenses:	**18,000**
Cost refund to employees – prescription glasses	18,000
Total other operating expenses	**21,800**

10. Income taxes on continuing operations

10.1 Income taxes presented in the statement of comprehensive income

	As at 31/12/2019
	PLN
Current income tax:	367,281
Bieżące obciążenie z tytułu podatku dochodowego	367,281
Deferred income tax	1,277,257
Tax charge presented in the statement of comprehensive income	**909,976**

10.2 Reconciliation of the tax profit to the accounting profit

	Period ended 31/12/2019
	PLN
Recorded revenue and profit	**32,025,523**
Non-taxable and tax-exempt income, including:	**3,230,499**
Exchange differences	454,075
Long-term contracts	1,347,439
Grant income	1,428,985
Total taxable income (1-2+3)	**28,795,024**
Recorded expenses and losses	**27,131,299**
Expenses and losses classified permanently as non-deductible:	**1,678,092**
PFRON	133,644
Business entertainment costs	34,159
Penalty interest to state authorities	12,254
Subsidized costs	1,428,985
Other non-deductible expenses	69,050
Expenses and losses classified temporarily as non-deductible:	**1,687,965**
Recognized provisions	1,181,677
Exchange differences	498,962
Outstanding salaries, wages and social security	7,326
Total deductible expenses	**23,765,242**
Taxable Income	**5,029,782**
Tax-exempt income ("+")	-
Deductions from income ("+")	**1,486,859**
Other - fund CBR	1,486,859
Tax base	**3,542,923**
Income tax at the applicable rate	**673,155**
Deductions from income tax	305,874
Income tax due	**367,281**

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

10.4 The effective tax rate reconciliation is as follows:

	Okres zakończony 31/12/2019 PLN
Gross profit before tax	**4,894,224**
Tax at the statutory tax rate applicable in Poland, 19%	929,903
Tax exemption on activities within Special Economic Zone	(305,874)
Permanent non-taxable costs	318,837
Permanent non-taxable income	(271,507)
R&D tax reloef	(282,503)
Others	(21,574)
Tax at the effective tax rate of 7.5%	**367,281**

10.4 Current tax asset and liabilities

	Period ended 31/12/2019 PLN
Current tax asset	
Tax refund due	67,780
	67,780
Current tax liabilities	
Income taxes due	229,198
	229,198

10.4 Deferred income tax

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

	As at 31/12/2019
	PLN
Deferred tax asset	8,520,949
Deferred tax liability	2,939,627
	5,581,322

Basis for temporary differences – difference between the tax value and carrying amount of:	**DTA as at**	**Change in DTA recognized in profit and loss account for the period**	**Change in DTA recognized in equity**
	As at 31/12/2019	**from 22/03 to 31/12/2019**	**from 22/03 to 31/12/2019**
- fixed assets and intangible assets (excluding leases)	6,428	6,428	-
- due to SEZ	4,548,244	4,548,244	-
- trade and other receivables (impairment, exchange differences)	33,297	33,297	-
- contract assets	181,482	181,482	-
- retirement provision	19,575	19,575	-
- bonus accruals	744,276	744,276	-
- unused holiday provision	341,290	341,290	-
- IFRS 16 adjustment	2,503,793	2,503,793	-
- tax losses to be used in subsequent periods	142,564	142,564	-
Total	**8,520,949**	**8,520,949**	**-**

10.5 Unrecognized deferred tax asset and unused tax credits

	As at 31/12/2019
As at the end of the reporting period, the following items of the deferred tax asset remained unrecognized:	
Tax losses	-
Tax credits	-
Accrued expenses	-
Unrecognized provision for deferred income tax	-
Total unrecognized deferred tax asset	-
Total (recognized and unrecognized) deferred tax asset	**8,520,949**

DTA computation method has been described in note 4.2.4.

10.6 Deferred tax liability

Basis for temporary differences – difference between the tax value and carrying amount of:	**DTL**	**Change in DTL recognized in profit and loss account for the period**	**Change in DTL recognized in equity**
- trade and other receivables (exchange differences)	112,071	112,071	-
- contract assets	288,750	288,750	-
- IFRS 16 adjustment	2,538,806	2,538,806	-
Total	**2,939,627**	**2,939,627**	**-**

11. Earnings per share

	Period ended 31/12/2019
	PLN/100 per share
Basic earnings per share:	**105.0**
From continuing operations	105.0
Total basic earnings per share	105.0
Diluted earnings per share:	**105.0**
From continuing operations	105.0
Total diluted earnings per share	105.0

11.1 Basic earnings per share

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

	Period ended 31/12/2019
	PLN
Current year profit attributable to equity holders of the parent company	5,523,002
Current year profit attributable to non-controlling interest	281,198
Profit used for calculation of total basic earnings per share	5,804,200

	Period ended 31/12/2019
Weighted average number of ordinary shares used for calculation of earnings per share	5,260,625

There were no dilutive instruments in 2019.

11.2 Dividends paid and proposed

The Management Board of the parent company is not planning to pay dividends for year 2019.

12. Tangible fixed assets

Net carrying amount:	**As at 31/12/2019**
	PLN
Land	-
Buildings	2,128,689
Machinery and equipment	693,621
Vehicles	12,092
Other tangible assets (including lab equipment)	8,897,570
Other tangible assets usage rights (including lab equipment)	10,358,362
Rights to use the premises	12,711,865
Car usage rights	407,327
Assets under construction	-
Advances for assets under construction	-
	35,209,526

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

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

In 2019 the Group is planning to incur expenditure on non-financial non-current assets in the amount of PLN 35,500 thousand. No expenditures on environmental protection purposes are planned.

12.1. Changes in the value of fixed assets by type

Item	Land	Buildings	Machinery and equipment	Vehicles	Other tangible assets (including lab equipment)	Car usage rights	Other tangible assets usage rights (including lab equipment)	Rights to use the premises	Total
Gross value at the beginning of the period	-	-	-	-	-	-	-	-	-
Increases in gross value:	-	**3,051,105**	**3,320,924**	**162,813**	**23,006,238**	**13,693,861**	**13,304,558**	**519,030**	**57,058,528**
- Purchases	-	-	346,415	-	1,218,490	2,309,153	601,584	333,493	4,809,135
- Transfer from assets under construction	-	-	-	-	-	-	-	-	-
- Purchase of the OPE	-	3,051,105	2,974,509	162,813	21,787,748	11,384,708	12,702,974	185,537	52,249,394
Decreases in gross value:	-	-	**(644,357)**	-	-	-	-	-	**(644,357)**
- Disposals	-	-	-	-	-		-	-	-
- Liquidation	-	-	(644,357)	-	-	-	-	-	(644,357)
- Other	-	-	-	-	-	-	-	-	-
Gross value at the end of the period	-	**3,051,105**	**3,965,281**	**162,813**	**23,006,238**	**13,693,861**	**13,304,558**	**519,030**	**57,702,885**
Accumulated depreciation at the beginning of the period	-	-	-	-	-	-	-	-	-
Inceases	-	**922,416**	**3,260,921**	**150,721**	**14,108,668**	**3,335,498**	**592,693**	**111,703**	22,482,620
- Depreciation charge for the period	-	73,116	953,975	13,442	616,281	280,097	592,693	111,703	2,641,307
- Purchase of the OPE	-	849,300	2,306,945	137,279	13,492,387	3,055,401	-	-	19,841,312
- Liquidation	-	-	-	-	-	-	-	-	-
Decreases	-	-	**(10,739)**	-	-	-	-	-	**(10,739)**
- Disposals	-	-	-	-	-	-	-	-	-
- Liquidation	-	-	(10,739)	-	-	-	-	-	(10,739)
- Other	-	-	-	-	-	-	-	-	-
Accumulated depreciation at the end of the period	-	**922,416**	**3,271,660**	**150,721**	**14,108,668**	**3,335,498**	**592,693**	**111,703**	**22,493,359**
Net carrying amount at the beginning of the period	-	-	-	-	-	-	-	-	-
Net carrying amount at the end of the period	-	**2,128,689**	**693,621**	**12,092**	**8,897,570**	**10,358,362**	**12,711,865**	**407,327**	**35,209,526**

13. Goodwill

	As at 31/12/2019
	PLN
At cost	280,740
Accumulated impairment	-
	280,740

13.1 Goodwill from consolidation of subsidiaries in the current reporting period

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

Goodwill was acquired as part of the assets as a result of the transactions described in note 1.4. Historically, goodwill arose as a result of the acquisition of Biocentrum sp.z o.o. In 2019, the merger of the Issuer's subsidiaries, i.e. Selvita Services sp.z o.o., was registered in the Register of Entrepreneurs of the National Court Register. (hereinafter: the "Acquiring Company") and BioCentrum sp.z o.o. (hereinafter: the "Acquired Company").

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

The Management Board of the Parent Company adopted the assumption that if the Company's result is greater than goodwill, there are no reasons to recognize the write-off. As a result of the test, the Management Board of the Parent Company stated that there was no need to recognize an impairment loss as at 31/12/2019.

14. Other intangible assets

	As at 31/12/2019
Carrying amount	**PLN**
Sotfware - HD	427,879
Other intangible assets	160,350
	588,229

The Group does not use any intangible assets under lease agreements, which have been classified as finance leases.

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

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

15. Subsidiaries

Detailed information on subsidiaries covered by consolidation is as follows:

Name of subsidiary	Core business	Place of registration and operations	Percentage interest and share in voting rights held by the Group As at 31/12/2019
Selvita Services Spółka z ograniczoną odpowiedzialnością *	Research and development in other natural and technical sciences	30-348 Kraków ul. Bobrzyńskiego 14	100%
Selvita Inc.	Research and development in other natural and technical sciences	Delaware, USA	100%
Selvita Ltd.	Research and development in other natural and technical sciences	Cambridge, UK	100%
Ardigen S.A.	Research and development in other natural and technical sciences	30-394 Kraków ul. Podole 76	49,26% / 55,84%

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

15.1. Detailed information concerning subsidiarie which has significant non-controlling interests

Name of subsidiary	Place of registration and operations	Percentage interest and share in voting rights held by the Group	Profit (loss) allocated to non-controlling interests	Cumulative value of non-controlling interest
		As at 31/12/2019	As at 31/12/2019	As at 31/12/2019
Ardigen S.A.	30-394 Kraków ul. Podole 76	49,26% / 55,84%	385,977	3,437,347

(i) Selvita S.A. holds a 49.26% share in Ardigen S.A. The agreement concluded between the Group and other investors gives the Group the right to appoint and dismiss majority of members of the management board of Ardigen S.A. Decisions concerning the essential activities of this company are taken by the Management Board by a simple majority of votes. On this basis, the Management Board of the Group stated that the Group has control over Ardigen S.A., which was consolidated in these financial statements.

Summary of financial information in relation to each of the Group's subsidiaries with significant non-controlling interests. The amounts shown below constitute amounts before the elimination of transactions between entities in the Group. Financial data covers the period from October 1, 2019, to December 31, 2019.

Ardigen S.A.	**As at 31/12/2019 PLN**
Current assets	8,754,361
Fixed assets	1,968,097
Short term liabilities	1,586,270
Long-term liabilities	127,150
Capital attributed to the unit owners	5,071,177
Non-controlling interest	3,437,347

	Period ended 31/12/2019 PLN
Sales revenue	4,187,448
Costs	3,686,871
Gross profit for the period	500,577
Net profit for the period	385,977
Net profit attributed to unit owners	104,779
Net profit attributed to non-controlling shareholders	281,198
Net profit for the period	385,977
Other comprehensive income attributed to unit owners	-
Other comprehensive income attributed to non-controlling shareholders	-
Other comprehensive income	-
Total income attributed to unit owners	104,779
Total income attributed to non-controlling shareholders	281,198
Total income	385,977
Dividend paid to non-controlling shareholders	-

15.2 Changes in ownership - shares in subsidiaries

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

15.3 Significant limitations

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

15.4 Financial support

In 2019, Selvita S.A. has not granted any guarantees or securities for other companies.

16. Investments in associates

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

17. Non-controlling shares

	Period ended 31/12/2019 PLN
Balance at the beginning of the reporting period	-
Attributable profits for the period (Ardigen)	281,198
Purchase of the OPE	3,156,149
Registration of employee shares	-
Additional non-controlling shares arising from the sale of the company's shares	-
Balance at the end of the period	**3,437,347**

18. Other financial assets

The table below presents the individual classes of financial assets and liabilities broken down into levels of the fair value hierarchy as at December 31, 2019. Due to the nature of these items, fair value does not differ significantly from the carrying amount.

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

18.1 Other non-financial assets

	As at 31/12/2019
Carrying amount:	**PLN**
Licenses	187,117
Insurance	72,830
Costs related to subsequent year	231,264
Devices qualification	372,269
Periodic flat-rate recruitment subscriptions	18,095
Lease related costs	19,128
Annual certificates costs	3,000
Magazines	1,758
Pre-paid training	97,316
Membership fees	4,935
Other	2,512
	1,010,222

19. Other long-term assets

	As at 31/12/2019
	PLN
Security deposits	343,335
	343,335

20. Inventories

	As at 31/12/2019
	PLN
Materials	1,184,882
Total	**1,184,882**

The Group did not recognize any impairment losses on inventories in the period presented in the consolidated financial statements. The Group purchases only such goods and materials as may be directly needed for a specific project. Materials are consumed on an ongoing basis.

21. Trade and other receivables

	As at 31/12/2019 PLN
Trade receivables	19,484,508
The allowance for expected credit losses	(139,472)
	19,345,036
Tax (VAT) receivables	1,818,599
Other – receivables from employees, security deposits	492,908
Grants due	4,197,819
	25,854,362

21.1 Trade receivables and contract assets

In regards to trade receivables and contract assets, the Group estimated the expected credit loss as at 31 December 2019 on the basis of a provision matrix defined based on historical data concerning credit losses. It was recognised that receivables and contract assets of particular customers are characterised by a similar level of risk, they were not divided into groups.

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

	Period ended 31/12/2019		
	Balance of unpaid receivables as at the balance sheet date	**The rate of expected credit losses (adjusted)**	**The amount of the allowance for expected credit losses**
Overdue	20,485,474	0%	17,857
1-30 days after the deadline	1,819,287	0%	2,134
31-60 days after the deadline	697,178	2%	2,545
61-90 days after the deadline	312,507	20%	-
91-180 days after the deadline	298,188	22%	18,981
181-365 days after the deadline	29,698	100%	29,113
More than 365 days after the deadline	68,841	100%	68,842
Total	**23,711,173**		**139,472**

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

The allowance for expected credit losses

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

22. Leases

22.1. The Group as a lessee

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

Some leases include options to extend or terminate the lease. The Group also concludes contracts for an indefinite period. The management board makes a judgment to determine the period over which it can be assumed with reasonable certainty that such contracts will continue (see note 3.11).

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

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

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

Period ended 31/12/2019	*Buildings and premises*	*Equipment*	*Vehicles*	*Total*
As at 22 March 2019	-	-	-	-
Increase due to purchase of OPE	13,724,341	11,853,540	185,537	25,763,418
Purchases (new lease agreements)			256,331	256,331
Changes in lease agreements	-	(104,228)	-	(104,228)
Revaluation of lease liabilities*	-	3,860	-	3,860
Depreciation	(953,812)	(3,860)	(34,540)	(992,212)
As at 31 December 2019	**12,770,529**	**11,749,312**	**407,327**	**24,927,168**

*change in the leasing period

Prior to the implementation of IFRS 16, assets used under finance leases as defined in IAS 17 were recognized as property, plant and equipment. The carrying amount for each group of such assets is disclosed in note 12.1.

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

	2019
As at 22 March 2019	-
Increase due to purchase of OPE	23,884,441
Changes in lease agreements	2,457,396
Revaluation of lease liabilities	(360,350)
Interests	64,961
Payments	(971,035)
As at 31 December 2019	25,075,413
Short-term	6,629,069
Long-term	18,446,344

The maturity analysis of leasing liabilities is presented in Note 28.8 Liquidity risk.

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

	2019
Depreciation of leased assets	(992,212)
Interest costs on lease liabilities	(64,961)
Short-term leasing costs (included in general and administrative expenses)	(28,677)
Other operating income due to changes in leasing agreements	1,120
The total amount recognized in the consolidated income statement / statement of comprehensive income	**(1,084,731)**

In 2019, the total cash outflow from lease agreements was PLN 971,035.

23. Share capital

	As at 31/12/2019
	PLN
Registered share capital	12,876,983
	12,876,983

23.1 Share capital as at the end of the reporting period

	As at 31/12/2019
	PLN
Number of shares	16,096,229
Par value per share	0.80
Share capital	12,876,983

Share capital structure as at 31 December 2019

Series / issue Type of shares (ordinary / registered)	Type of preference	Number of shares	Par value of series / issue
Registered "A" shares	2 votes / 1 share	4,050,000	3,240,000
Ordinary "B" shares	none	11,921,229	9,536,983
Ordinary "0" shares	none	125,000	100,000
Razem		**16,096,229**	**12,876,983**

"0" series shares were issued during the registration of the Company with the intention of redemption after the split process (purchase of the OPE). On February 18, 2020, a reduction in the share capital of Selvita S.A. by PLN 100,000 was registered in the National Court Register through the redemption of 125,000 Company's own shares with a nominal value of PLN 0.80 each.

Shareholder structure

As at 31 December 2019

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

23.2 Revaluation reserve

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

23.3 Other reserves

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

23.4 Reserve capital

	As at 31/12/2019
	PLN
Share premium	2,888,750
Reserve capital created from purchase of OPE	22,993,414
Total Reserve Capital	**25,882,164**

Reserve capital is constituted by supplementary capital of Subsidiaries acquired under OPE in the amount of PLN 21,352,041 and the amount of PLN 1,641,373 as settlement of the acquired net assets resulting from the transactions described in note 1.4.

24. Credit facilities and loans

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

24.1 Loan agreements

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

(ii) The debt as at 31/12/2019 results from the use of the limit on credit cards in the amount of PLN 6.989.

24.2 Breaches of covenants

None.

25. Provisions

There were no provisions created as at the balance sheet date, other than described in Note 27.

26. Trade and other liabilities

	As at 31/12/2019 PLN
Trade liabilities	5,726,412
Liabilities due to taxes, insurance (social security, personal income tax, PFRON)	2,224,019
Current tax liabilites	229,198
Liabilites due to salaries and wages and other liabilities to employees	45,633
Other non-financial liabilities	581,441
	8,806,703

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

27. Liabilities due to retirement benefits

Stan na 31/12/2019

Item	Provisions for retirement benefits
Provisions at the beginning of the period	-
Increase due to:	**103,028**
- provisions recognized due to purchase of OPE	**103,028**
- provisions recognized in profit and loss account in current period	-
Provisions at the end of the period, including:	**103,028**
- long-term	103,028
- short-term	-

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

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

28. Financial instruments

28.1 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing its profitability through optimization of the debt to equity ratio.
The capital structure as well as the level and maturity of liabilities are reviewed on a regular basis. The said reviews comprise analyses of the cost of capital and the risk associated with its individual categories.

The key items analysed by the Company are:
• cash and cash equivalents, as disclosed in Note 32,
• equity, including reserve capitals and retained earnings, as disclosed in Note 28.

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

28.1.1 Net debt to equity ratio

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

	As at 31/12/2019
	PLN
Debt (i)	43,229,298
Cash and cash equivalents	13,667,930
Net debt	**29,561,368**
Equity (ii)	47,657,542
Net debt to equity	**0.62**

(i) Debt comprises long- and short-term debt.
(ii) Equity comprises the equity presented in the statement of financial position.

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

28.2 Categories of financial instruments

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

Selvita Group is exposed on financial instruments risks, which includes:
- market risk comprising currency risk and interest rate risk;
- credit risk; and
- liquidity risk.

Each risk has been presented in the following notes.

	As at 31/12/2019
	PLN
Financial assets	
Financial instruments measured at amortized cost method:	**39,522,292**
Cash (Note 32)	13,667,930
Trade and other receivables (Note 21)	25,854,362
Financial liabilities	
Financial instruments measured at amortized cost method:	**31,435,888**
Interest bearing credit facilities and loans (Note 24)	6,989
Finance lease liabilities (Note 28)	25,075,413
Trade and other liabilities (Note 26)	6,353,486

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

28.3 Financial risk management objectives

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

28.4 Market risk

The Group's activities expose it to currency risk (see Note 28.5) and interest rate risk (see Note 28.6). The Group does not use any derivative instruments for purposes of currency or interest rate risk management as natural hedges are sufficient to minimize the risk it is exposed to.

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

28.5 Foreign currency risk management

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

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

	Liabilities	Assets
	As at 31/12/2019	As at 31/12/2019
	PLN	PLN
EUR	8,496,042	23,353,620
USD	244,469	9,309,866
Other	66,192	4,928,740

The "Assets" item does not include denominated in foreign currency cash on the Group's bank accounts.

28.5.1 *Sensitivity to currency risk*

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

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

		Effect of EUR	Effect of USD
		Period ended 31/12/2019	Period ended 31/12/2019
		PLN	PLN
ASSETS			
Exchange rate increase	15%	2,463,728	705,547
Exchange rate increase	10%	1,642,485	470,365
Exchange rate increase	5%	821,243	235,182
Exchange rate decrease	-5%	(821,243)	(235,182)
Exchange rate decrease	-10%	(1,642,485)	(470,365)
Exchange rate decrease	-15%	(2,463,728)	(705,547)
LIABILITIES			
Exchange rate increase	15%	1,795,405	51,662
Exchange rate increase	10%	1,196,937	34,441
Exchange rate increase	5%	598,468	17,221
Exchange rate decrease	-5%	(598,468)	(17,221)
Exchange rate decrease	-10%	(1,196,937)	(34,441)
Exchange rate decrease	-15%	(1,795,405)	(51,662)
EFFECT ON PROFIT			
Exchange rate increase	15%	668,323	653,885
Exchange rate increase	10%	445,549	435,923
Exchange rate increase	5%	222,774	217,962
Exchange rate decrease	-5%	(222,774)	(217,962)
Exchange rate decrease	-10%	(445,549)	(435,923)
Exchange rate decrease	-15%	(668,323)	(653,885)

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

28.6 Interest rate risk management

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

28.6.1 Sensitivity to changes in interest rates

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

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

28.7 Credit risk management

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

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

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

Credit risk related to liquid assets is limited as the Group's contracting parties are banks with a high credit rating assigned by international rating agencies. Data on receivables as at the balance sheet date can be found in Note 21 and data on the contracted asset are provided in Note 5.3.

28.8 Liquidity risk management

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

	As at 31/12/2019
Financial assets (+)	**43,748,957**
Receivables (including trade receivables of disposal groups)	30,081,027
Cash	13,667,930
Financial liabilities (-)	**31,366,601**
Interest bearing credit facilities and loans	6,989
Finance lease liabilities	25,075,413
Trade liabilities	6,284,199
Exposure to liquidity risk	**12,382,356**

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

Type of liability	Maturing as at 31/12/2018	Current: within 3 months	Current: 3-12 months	Total current liabilities	Non-current: 1-5 years	Non-current: over 5 years	Total non-current liabilities	Liabilities – carrying amount
Interest bearing credit facilities and loans	-	6,939	-	**6,989**	-	-	-	**6,989**
Finance lease liabilities	-	1,657,268	4,971,801	**6,629,069**	18,446,344	-	**18,446,344**	**25,075,413**
Trade liabilities	2,728,665	1,523,650	106,999	**4,359,314**	-	-	-	**4,359,314**
Other financial liabilities	-	-	-	-	-	-	-	-
Total	**2,728,665**	**3,187,907**	**5,078,800**	**10,995,372**	**18,446,344**	-	**18,446,344**	**29,441,716**

28.8.1 Available external sources of funding

	As at 31/12/2019 PLN
Collateralized overdraft facilities:	
Amount utilized	6,989
Amount available	462,011
	469,000

29. Deferred income

	As at 31/12/2019
	PLN
Accrued rebates for clients	380,657
Government grants (i) revenue recognition according to IAS 20	210,369
Provision for unused holidays	1,796,261
Provision for bonuses	3,917,240
	6,304,527
Short-term	6,204,981
Long-term	99,546
	6,304,527

30. Related party transactions

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

30.1 Commercial transactions

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

	Sales of goods and services	Purchases of goods and services
	As at 31/12/2019	**As at 31/12/2019**
	PLN	**PLN**
Ryvu Therapeutics S.A.	1,754,964	654,461
H&H Investment Sp. z o.o.	530	41,481
MAMIKOM Łukasz Nowak	523	126,608
VIRTUS Bogusław Sieczkowski	-	34,200
ALTIUM Piotr Romanowski	-	1,035
Chabasiewicz, Kowalska i Partnerzy Radcowie Prawni	-	15,289
	1,756,017	**873,074**

Balances at the end of the reporting period:

	Amounts due from related parties	Amounts due to related parties
	As at 31/12/2019	**As at 31/12/2019**
	PLN	**PLN**
Ryvu Therapeutics S.A.	1,557,353	3,699,797
H&H Investment Sp. z o.o.	515	16,596
MAMIKOM Łukasz Nowak	182	106,200
VIRTUS Bogusław Sieczkowski	-	14,022
ALTIUM Piotr Romanowski	-	1,035
Chabasiewicz, Kowalska i Partnerzy Radcowie Prawni	-	-
	1,558,050	**3,837,650**

30.2 Loans to related parties

	As at 31/12/2019
	PLN
Loans granted to key executives	-

30.3 Loans from related parties

	As at 31/12/2019
	PLN
Loans received from related parties	-

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

30.4 Executive compensation

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

	Period ended 31/12/2019
	PLN
Management Board	976,981
Supervisory Board	49,500
	1,026,481

Compensation of Members of the Management Board in the period from 22/03/2019 to 31/12/2019 *

Members of the Management Board	Compensation for performing duties in the Management Board	Compensation for employment contracts concluded with the Issuer	Compensation for contracts concluded with Selvita Services sp. z o.o.	Total compensation in 2019
Bogusław Sieczkowski	112.987	22.311	18.000	**153.298**
Miłosz Gruca	182.433		169.958	**352.391**
Mirosława Zydroń	80.233		169.730	**249.963**
Edyta Jaworska	86.150	33.020		**119.170**
Dariusz Kurdas	39.433	50.900	26.000	**116.333**
Dawid Radziszewski	16.683		37.222	**53.905**

Compensation of Members of the Supervisory Board from 22/03/2019 to 31/12/2019 *

Members of the Supervisory Board	Compensation for performing duties in the Supervisory Board	Total compensation in 2019
Paweł Przewięźlikowski	9.306	9.306
Piotr Romanowski	11.286	17.435
Tadeusz Wesołowski	10.296	10.296
Rafał Chwast	9.306	9.306
Wojciech Chabasiewicz	9.306	93.306
Jacek Osowski	9.306	9.306

* Members of the Management Board or Members of the Issuer's Supervisory Board did not receive remuneration for performing functions in the Issuer's Management Board, nor for any employment contract in the period from the day of establishing the Issuer, i.e. from March 22, 2019, to the entry date of the division of Ryvu Therapeutics S.A. to the Register of Entrepreneurs of the National Criminal Register, i.e. until October 1, 2019.

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

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

31. Business combinations

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

32. Cash and cash equivalents

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

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

	Period ended 31/12/2019
	PLN
Cash in hand and at bank	13,667,930
Overdraft facilities	6,989
	13,674,919

As at 31.12.2019, restricted cash amounted to PLN 225,195 and related to securing credit card limits.

33. Average headcount in the Group

	Period ended 31/12/2019
White collar employees	411
Blue collar employees	-
Total headcount	**411**

34. Capital commitments

	As at 31/12/2019
	PLN
Commitments to purchase property, plant and equipment	224,429

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

35. Contingent liabilities and assets

35.1 Contingent liabilities

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

They comprise:
- promissory note liabilities - covering the amount of grant awarded with interest in the amount specified as for tax arrears calculated from the date of transferring funds to the bank account till the day of return. In the period covered by the report, the Group received PLN 1.265.106. As at the balance sheet date, the total amount of cash received from subsidies is PLN 7.315.644.

Having obtained a permit to operate in the Krakow Technology Park special economic zone, Selvita Services sp. z o.o. is obliged to incur investment outlays of at least PLN 7.320.000 and create 150 new jobs by December 2023. Until 31 December 2019 the company utilised 4.432.090 PLN of tax credit.

35.2 Contingent assets

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

36. Remuneration of the entity authorized to audit financial statements

	As at 31/12/2019
	PLN
Statutory audit	194,500
Total	**194,500**

37. Notes on the consolidated statement of cash flow

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

Items	Period ended 31/12/2019
	PLN
The change in trade receivables and other receivables results from the following items:	(5,910,278)
- a change in the balance of receivables resulting from the acquisition of OPE	26,255,682
- change in receivables resulting from the balance sheet	(32,165,960)
The change in inventory results from the following items:	66,622
- a change in the balance of inventory resulting from the acquisition of OPE	1,251,504
- change in inventory resulting from the balance sheet	(1,184,882)
The change in liabilities, except for loans and borrowings, results from the following items:	849,325
- a change in the balance of liabilities resulting from the acquisition of OPE	(7,943,509)
- change in liabilities resulting from the balance sheet	8,792,834
Change in deferred income results from the following items:	1,468,071
- a change in the balance of deferred income resulting from the acquisition of OPE	(2,832,547)
- change in deferred income resulting from the balance sheet	1,364,476
The change in provisions results from the following items:	40,669
- change in provisions resulting from the acquisition of OPE	(2,898,958)
- change in provisions resulting from the balance sheet	2,939,627
The change in other assets results from the following items:	(589,492)
- change in other assets resulting from the acquisition of OPE	8,858,269
- change in other assets resulting from the balance sheet	(9,447,761)

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

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

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

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

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

On February 18, 2020, the National Court Register registered a reduction in the Company's share capital from PLN 12,876,983.20 to PLN 12,776,983.20, i.e. by PLN 100,000, by redeeming 125,000 of own shares of the Company by par value of PLN 0.80 each. After registration of the decrease in capital, the Company's share capital is therefore PLN 12,776,983.20 and is divided into 15,971,229 shares, entitling to exercise 20,021.229 votes at the General Meeting of the Company. Redemption of own shares and reduction of the Issuer's share capital took place in connection with the split of Ryvu Therapeutics S.A. on October 1, 2019 in performance of the obligation arising from the split plan adopted by both companies on March 28, 2019. After redemption shares and reduction of the Company's share capital, 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 divided company - Ryvu Therapeutics S.A., in accordance with the split plan.

"0" series shares were issued during the registration of the Company with the intention of redemption after the split process (purchase of the OPE). On February 18, 2020, a reduction in the share capital of Selvita S.A. by PLN 100,000 was registered in the National Court Register through the redemption of 125,000 Company's own shares with a nominal value of PLN 0.80 each.

On March 11, 2020, the World Health Organization assessed that the Covid-19 epidemic could be characterized as a pandemic. The Issuer has implemented recommended instructions related to dealing with an epidemiological emergency. Given the above, the Issuer has established a working team consisting of representatives of various organizational units of the Issuer, which aims to respond to the changing situation on an ongoing basis and minimize the negative effects for the Issuer resulting from the spread of the epidemic. In addition, having regard to the health and safety of employees and customers, the Issuer has decided to move to work remotely by part of its staff.

Considering the statement of the European Securities and Markets Authority ESMA and the announcement of the Polish Financial Supervision Authority of March 12, 2020, the Issuer states that to the best of our knowledge, taking into account the current situation in Poland, the impact of coronavirus is not treated as an event after the balance sheet date that significantly affects financial data as at December 31, 2019.

Further potential impact of the coronavirus on the Company's financial results is difficult to predict as at the date of this statement. The Issuer constantly monitors the state of development of the situation in the country and abroad.

Until the date of these financial statements, there was no negative impact of the spread of the coronavirus on the Issuer's revenues from its operations. On the contrary, recently, due to the nature of the CRO type of business, the Issuer has recorded a significant increase in interest in services provided, especially from foreign entities seeking replacement and diversification in the field of commissioned research and development works.
The Company's Management Board will analyze the situation in connection with the spread of COVID-19 virus on an ongoing basis.

Any new conditions significantly affecting the generated financial results and economic situation of the Issuer will be communicated immediately in separate current reports.

41. Financial statements of Selvita Ltd., UK – release from the audit obligation

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

42. Approval of the financial statements

The consolidated financial statements were approved by the Management Board of the parent company on 25 March 2020.

Prepared by: Elżbieta Kokoć

Signatures of Members of the Management Board:

Bogusław Stanisław Sieczkowski - President of the Board

Miłosz Kazimierz Gruca - Vice-President of the Board

Edyta Barbara Jaworska - Member of the Board

Mirosława Monika Zydroń - Member of the Board

Dariusz Tomasz Kurdas - Member of the Board

Dawid Patryk Radziszewski - Member of the Board

Kraków, 25 March 2020

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INDEPENDENT AUDITOR'S REPORT ON THE AUDIT

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

Audit report on the annual consolidated financial statements

Opinion

We have audited the annual consolidated financial statements of Selvita Group (the 'Group'), for which the holding company is Selvita S.A. (the 'Company') located in Kraków at Bobrzyńskiego 14, containing: the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the period from 22 March 2019 to 31 December 2019 and additional information to the consolidated financial statements, including a summary of significant accounting policies (the 'consolidated financial statements').

In our opinion, the consolidated financial statements:

- give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the period from 22 March 2019 to 31 December 2019 in accordance with required applicable rules of International Financial Reporting Standards approved by the European Union and the adopted accounting policies,

- are in respect of the form and content in accordance with legal regulations governing the Group and the Company's Statute.

The opinion is consistent with the additional report to the Audit Committee issued on 25 March 2020.

Basis for opinion

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

We are independent of the Group in accordance with the Code of ethics for professional accountants, published by the International Federation of Accountants (the 'Code of ethics'), adopted by the National Council of Statutory Auditors and other ethical responsibilities in accordance with required applicable rules of the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of ethics. While conducting the audit, the key certified auditor and the audit firm remained independent of the Group in accordance with the independence requirements set out in the Act on Statutory Auditors and the Regulation 537/2014.

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

Key audit matters

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

Key audit matters	How the matter was addressed in our audit
Recognition of revenue from contracts with customers	
The Group's revenue from contracts with customers for the period from 22 March 2019 to 31 December 2019 amounted to PLN 30m, including revenues from contract research and employee placements in the amount of PLN 29m. The Group recognizes revenue resulting from the research contracts and employee placements in accordance with the International Financial Reporting Standard No. 15 'Revenue from Contracts with Customers' ('IFRS 15'). Revenues realized in the period from 22 March 2019 to 31 December 2019 in the amount PLN 12m related to contracts for which revenue is estimated based on the measurement of progress by applying input-based methods. The Company estimates the overall budgets of such contracts, including the specific costs necessary to complete the order and determines the overall result on the contract.	As part of the audit of the consolidated financial statements of Selvita Group we have assessed the adopted accounting policies regarding the recognition and presentation of revenue from contracts with customers in terms of compliance with IFRS 15. For significant revenue streams: ▸ we have documented the operation of the identified processes and assessed the key control mechanisms of the Group entities; ▸ for contracts for which revenue is recognized over time, on a selected sample of orders we have performed substantive testing of contract budgets, which formed the basis for progress measurement of contract completion, determination of the transaction price and revenue recognition, as well as setting budgets for contracts that formed the basis for calculation of onerous contract provisions;

Key audit matters	How the matter was addressed in our audit
The method of revenue recognition from the above-mentioned contracts requires a significant degree of the Management's estimates in relation to identification of the performance obligation as well as measurement of progress. Identification of the moment of revenue recognition and correct presentation in the financial statements require also many significant judgments and estimates from the Management. Due to the fact that improper estimate of the Management in these areas may cause incorrect determination of revenues from contracts with customers, we consider this issue as a key audit matter. In addition, due to COVID-19 epidemic, representing a event after the reporting period, the Company's Management evaluated as of the date of the preparation of the consolidated financial statements, the potential impact of the current situation on the future realization of the contracts, on these consolidated financial statements. The accounting policy regarding the method of recognition of revenue from contracts with customers has been described in the financial statements in note 3.9.2. "Revenue from contracts with customers for research services ", and note 5. "Revenues from operating activities" together with required disclosures relating to revenue recognition, including significant judgements and estimates. In note 5.3 "Contract assets and liabilities" and note 21. "Trade receivables and other receivables" as well as note 26 "Trade liabilities and other liabilities" the Group presented the accounting policies, as well as the required disclosures relating to contract assets and liabilities as well as trade receivables. Evaluation of the events after the reporting period relating to COVID-19 was described in note 40 "Information on significant events, which occurred after the balance sheet date, and not included in the consolidated financial statements".	▸ we conducted a historical analysis of the realization of contract budgets for significant contracts completed in a current financial year in order to compare forecasts and budgets of contracts that have not been completed, and to compare existing trends in employees' costs, which significantly determine the estimate of remaining costs to complete the contract, comparing whether analogous trends are reflected in the tested sample of contracts; ▸ we conducted discussions with the managers of selected contracts recognized over time, to discuss assumptions regarding budgets and risks and progress of contracts, probability of changes in contract profitability; ▸ we have discussed with the Management Board the results of the Management Board's analysis of the events after the reporting period, including the Management Board's assessment of potential impact of the COVID-19 epidemic on the contracts realized by the Company; ▸ through analytical procedures, transactional tests and analysis of journal reports prepared by us, we assessed the correctness of recognizing revenue over time and the correctness of the recognized revenue in individual periods. In addition, we assessed the adequacy of the presentation and disclosures in the consolidated financial statements regarding revenue from contracts with customers, trade receivables as well as contract assets and liabilities.

Key audit matters	How the matter was addressed in our audit
Reorganization of Selvita S.A. Group	
As described in note 1.4. of the introduction to the consolidated financial statements, on 1 October 2019 the Selvita S.A. (currently Ryvu Therapeutics S.A.) Corporate Split Plan was registered. As a consequence of the split, activities of the business segments Services and Bioinformatics (including related entities of Selvita S.A.) were transferred to Selvita CRO S.A., which subsequently changed its name to Selvita S.A. The split was realized in accordance with Art. 529 Par. 1.4 of the Companies' Code (split through separation). Acquisition of the organized part of entity of the Services and Bioinformatics segments occurred in return for Selvita S.A. shares issued representing a total nominal value of PLN 13m, which were acquired by the existing shareholders of Ryvu Therapeutics S.A. in proportion reflecting the shares owned by them in Ryvu Therapeutics S.A. as at the date of the transaction. The accounting for the acquisition of the organized part of entity described above was realized at the values assuming the continuation of the recognition from the perspective of the consolidated financial statements of the group subject to the split. As at the date of the Corporate Split Plan registration, the value of net assets related to the transferred organized part of entity was established. Due to lack of the possibility to reliably obtain financial data of the Group in the period before 1 October 2019, the Group did not present data for the comparative period in the financial statements. As part of the group reorganization, among others, the Group recognized right-of-use assets and lease liabilities, relating to first implementation of IFRS 16 'Leases' ('IFRS 16'). Consequently, the Group's consolidated balance sheet total increased by PLN 13m as at 1 October 2019, compared to the data from before the transaction with Selvita S.A.	As part of the audit of the Group's consolidated financial statements, we have made an assessment as to the correctness of the accounting for the transaction from the Group's standpoint, performing, among others, the following procedures: ▸ we gained understanding of the reorganization process of the Selvita S.A. Group based on formal and legal documentation; ▸ we evaluated the adequacy of the method applied by the Management to account for the transaction; ▸ we evaluated the accounting for the transaction in terms of correct allocation of net assets to the transferred organized part of entity; ▸ we performed detailed testing on a selected sample of transactions directly before and after the split, in order to confirm allocation of the transactions to the correct period; ▸ we evaluated the correctness of the assumptions of the Management relating to lack of presentation of the data of the comparative period; ▸ we analyzed accounting policies regarding the recognition of contracts and business relationships that fall within the scope of IFRS 16 and related significant judgments and estimates, including the determining the scope of contracts to be accounted in accordance with IFRS 16, determining lease payments, lease periods, discount rates; ▸ understanding the process of the IFRS 16 implementation, recognizing contracts within its scope and assessing key control mechanisms in this respect; ▸ performing tests for a sample of contracts to verify the correctness of the parameters used to calculate the leasing liability and the right-of-use assets; ▸ analysis of the completeness of contracts identification in scope of IFRS 16. In addition, we assessed the adequacy of the presentation and disclosures in the consolidated

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Key audit matters	How the matter was addressed in our audit
IFRS 16 requires the analysis of contracts and business relations, as well as judgments and estimated related to determining whether a contract meets the criteria od IFRS 16 and how it should be recognized in accordance with this standard. Taking into account significance to the consolidated financial statements of the Group, of the financial information being the subject of the above described transaction, as well as the fact, that the transaction represents an unusual one-off event for the Company and the Group, we have decided to treat the acquisition of an organized part o entity, including the effect of the implementation of IFRS 16, as a key audit matter. In note 1.4 of the Introduction to the financial statements, the Group disclosed information relating to the above transaction and its impact on the consolidated financial statements. Accounting policies relating to leases were described in the consolidated financial statements in note 2.5. 'Applied accounting policies', note 6.3. 'Right-of-use assets' and note 6.17. 'Lease liabilities', including required disclosures relating to lease recognition, together with significant judgements and estimates.	financial statements regarding the transaction and its impact on the consolidated financial statements of the Group as well as adequacy of the disclosures in relation to requirements of IFRS 16, and key judgements regarding the recognition of lease contracts and the impact of the implementation of the new standard on the consolidated financial statements.

Responsibilities of the Company's Management and members of the Supervisory Board for the financial statements

The Company's Management is responsible for the preparation the consolidated financial statements that give a true and fair view of the consolidated financial position and the consolidated financial performance in accordance with required applicable rules of International Accounting Standards, International Financial Reporting Standards approved by the European Union, the adopted accounting policies, other applicable laws, as well as the Company's Statute, and is also responsible for such internal control as determined is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Company's Management and the members of the Company's Supervisory Board are required to ensure that the consolidated financial statements meet the requirements of the Accounting Act dated 29 September 1994 (the 'Accounting Act'). The members of the Company's Supervisory Board are responsible for overseeing the Company's financial reporting process.

Auditor's responsibility for the audit of the consolidated financial statements

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

In accordance with International Auditing Standard 320, section 5, the concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the consolidated financial statements and in forming the opinion in the auditor's report. Hence all auditor's assertions and statements contained in the auditor's report are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgment.

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

Throughout the audit in accordance with NAS, we exercise professional judgment and maintain professional skepticism and we also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

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collusion, forgery, intentional omissions, misrepresentations or override of internal control,

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control,

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management,

- conclude on the appropriateness of the Company's Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report, however, future events or conditions may cause the Group to cease to continue as a going concern,

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation,

- we obtain sufficient appropriate audit evidence regarding the financial information of entities and business activities within the Group for the purpose of expressing an opinion on the consolidated financial statements. We are solely responsible for the direction, supervision and performance of the audit of the Group and we remain solely responsible for our audit opinion.

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

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

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

Other information, including the Directors' Report

The other information comprises the Directors' Report for the period from 22 March 2019 to 31 December 2019, the representation on the corporate governance and the representation on preparation of the statement on non-financial information, mentioned in article 55, section 2b of the Accounting Act as a separate element of the Directors' Report (jointly 'Other Information').

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

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

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

Auditor's responsibility

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

In addition, we are required to inform whether the Company has prepared the representation on non-financial information and to issue an opinion on whether the Company has included the required information in the representation on application of corporate governance.

Opinion on the Directors' Report

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

- has been prepared in accordance with the article 49 of the Accounting Act and paragraph 71 of the Decree of the Minister of Finance dated 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (the 'Decree on current and periodic information'),

- is consistent with the information contained in the consolidated financial statements.

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

Opinion on the corporate governance application representation

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

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

Representation on the provision of non-audit services

To the best or our knowledge and belief, we declare that we have not provided services other than audits of the financial statements to the Company and its subsidiaries, in particular we have not rendered services other than audits, which are prohibited based on article 5 item 1 of Regulation 537/2014 and article 136 of the Act on Statutory Auditors.

Appointment of the audit firm

We were appointed for the audit of the Group's consolidated financial statements initially based on the resolution of the Supervisory Board from 21 June 2019. We are auditing the consolidated financial statements of the Group for the first time.

Warsaw, 25 March 2020

Key Certified Auditor

Rafał Hummel
certified auditor
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on behalf of:
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