

**INTERIM
FINANCIAL
STATEMENTS
RYVU THERAPEUTICS S.A.**

**prepared for the 9 months period
from 1 January 2020
to 30 September 2020**

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

It is the translation of Polish original document



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**INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

	Note	Period ended 30/09/2020	From 01/07/2020 To 30/09/2020	Period ended 30/09/2019	From 01/07/2019 To 30/09/2019	Year ended 31/12/2019
		PLN	PLN	PLN	PLN	PLN
Continuing operations						
Sales revenue	5.1	15,164,807	449,469	3,148,676	1,216,334	3,798,331
Grant income	5.2	14,502,460	4,897,886	22,374,573	6,905,377	29,921,936
Total operating revenue		29,667,267	5,347,355	25,523,249	8,121,711	33,720,267
Amortization and depreciation	5.5	(7,996,463)	(3,132,462)	(5,696,363)	(2,135,473)	(7,988,635)
Consumption of materials and supplies		(6,804,643)	(2,092,774)	(11,332,355)	(4,680,566)	(12,803,746)
External services	5.5	(18,260,847)	(6,370,527)	(19,698,099)	(7,579,209)	(27,097,536)
Employee benefit expense	5.5	(19,665,859)	(5,844,601)	(21,544,784)	(6,136,630)	(28,400,070)
Employee Capital Plans		(260,177)	(112,829)	-	-	(67,818)
Other expenses		(770,987)	(154,479)	(1,638,216)	(793,099)	(2,776,062)
Taxes and charges		(409,203)	(156,299)	(208,853)	(170,783)	(307,973)
Total operating expenses		(54,168,179)	(17,863,971)	(60,118,670)	(21,495,760)	(79,441,840)
Other operating revenue	9	312,423	160,129	305,541	17,295	418,466
Other operating expenses	9	(6,000)	(600)	(29,627)	37,896	(82,140)
Operating (loss)		(24,194,489)	(12,357,087)	(34,319,507)	(13,318,858)	(45,385,247)
Financial revenue	7	218,850	(100,192)	831,585	221,402	906,591
Financial expenses	8	(312,319)	(37,112)	(626,344)	(6,444)	(559,118)
(Loss) on business activities		(24,287,958)	(12,494,391)	(34,114,266)	(13,103,900)	(45,037,774)
Valuation of shares in Nodthera	17	4,361,540	402,222	-	-	928,380
(Loss) before income tax		(19,926,418)	(12,092,169)	(34,114,266)	(13,103,900)	(44,109,394)
Income tax expense	10	(818,774)	(44,138)	15,857	33,586	(160,890)
Net (loss) on continuing operations		(20,745,192)	(12,136,307)	(34,098,408)	(13,070,314)	(44,270,284)
Discontinued operations		-	-	8,932,842	9,156,211	329,910,294
(Loss) / net profit on discontinued operations	16	-	-	8,932,842	9,156,211	611,914
Dividend on discontinued operations	16	-	-	-	-	8,320,928
Profit on spin-off	16	-	-	-	-	320,977,452
NET PROFIT / (LOSS)		(20,745,192)	(12,136,307)	(25,165,566)	(3,914,103)	285,640,010
TOTAL INCOME FOR THE PERIOD		(20,745,192)	(12,136,307)	(25,165,566)	(3,914,103)	285,640,010
Earnings / (loss) per share (expressed in PLN cents per share)	12					
From continued and discontinued operations:						
Basic		(127.8)	(72.5)	(157.6)	(24.5)	1,788.5
Diluted		(127.8)	(72.5)	(157.6)	(24.5)	1,788.5
From continued operations:						
Basic		(127.8)	(72.5)	(213.5)	(81.8)	(277.2)
Diluted		(127.8)	(72.5)	(213.5)	(81.8)	(277.2)

INTERIM STATEMENT OF FINANCIAL POSITION
PREPARED AS AT 30 SEPTEMBER 2020

	Note	Balance as at 30/09/2020 PLN	Balance as at 31/12/2019 PLN	Balance as at 01/01/2019 PLN
ASSETS				
Non-current assets				
Tangible fixed assets	13	80,485,455	62,249,197	37,278,209
Lease assets	23,13	7,972,823	8,215,506	17,847,937
Intangible fixed assets	14	3,673,197	2,923,654	2,383,664
Deferred tax asset	10	615,230	700,790	-
Investment in subsidiaries	15	-	-	6,599,616
Financial assets-Shares in Nodthera	17	28,115,794	23,754,255	22,825,875
Other financial assets	20	85,194	85,193	113,579
Total non-current assets		120,947,693	97,928,595	87,048,880
Current assets				
Inventory	21	903,727	1,586,162	1,602,008
Short-term receivables	22	8,178,075	14,680,783	34,449,145
Contract assets	5.3	177,685	360,205	596,421
Other financial assets	18	-	-	15,052,998
Other non-financial assets	19	387,176	1,242,353	2,162,270
Cash and other monetary assets	35	164,237,216	72,106,927	94,858,075
Total current assets		173,883,879	89,976,430	148,720,917
Total assets		294,831,571	187,905,025	235,769,797
EQUITY AND LIABILITIES				
Equity				
Share capital	24	7,342,190	6,388,492	6,388,492
Share premium	24	279,076,964	145,188,585	168,244,820
Capital resulting from the split	16	(14,418,357)	(14,418,357)	-
Capital resulting from the spin-off	16	(320,977,452)	(320,977,452)	-
Other reserve capitals	24	11,172,000	11,172,000	11,172,000
Retained earnings / Accumulated losses		293,226,911	7,586,898	(15,469,337)
(Loss) / net result for the period		(20,745,192)	285,640,010	-
Total equity		234,677,064	120,580,176	170,335,975
Long-term liabilities				
Bank loans and credits	26	1,754,693	2,362,058	3,171,878
Lease liabilities	23	3,186,927	7,083,276	13,280,477
Retirement provision	29	230,701	188,159	118,023
Deferred tax liability	10	5,810,491	5,143,717	4,430,225
Deferred income	32	18,165,183	21,183,710	10,362,746
Total long-term liabilities		29,147,995	35,960,920	31,363,349
Short-term liabilities				
Trade and other liabilities	28	10,923,859	22,636,132	20,317,336
Contract liabilities	5.3	-	-	759,510
Bank loans and credits	26	833,455	823,750	881,257
Lease liabilities	23	2,406,034	3,222,899	4,811,039
Accrued expenses	31	3,979,213	2,382,595	2,978,966
Deferred income	32	12,863,951	2,298,553	4,322,365
Total short-term liabilities		31,006,512	31,363,929	34,070,473
Total liabilities		60,154,507	67,324,849	65,433,822
Total equity and liabilities		294,831,571	187,905,025	235,769,797

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

	Note	Share capital	Share premium	Capital resulting from the split	Capital resulting from the spin-off	Other reserve capitals	Retained earnings / Accumulated losses	(Loss) / net result for the period	Total
		PLN	PLN	PLN	PLN	PLN	PLN	PLN	PLN
Balance as at 1 January 2019		6,388,492	168,244,820	-	-	11,172,000	(15,469,337)	-	170,335,975
Net profit for the period		-	-	-	-	-	-	(25,165,566)	(25,165,566)
Balance as at 30 September 2019		6,388,492	168,244,820	-	-	11,172,000	(15,469,337)	(25,165,566)	145,170,409
Balance as at 1 January 2019		6,388,492	168,244,820	-	-	11,172,000	(15,469,337)	-	170,335,975
Net profit for the period		-	-	-	-	-	-	285,640,010	285,640,010
Other comprehensive income		-	-	-	-	-	-	-	-
Allocation of the result from previous year		-	(23,056,235)	-	-	-	23,056,235	-	-
Separation of assets and transfer to Selvita S.A.	16	-	-	(14,418,357)	(320,977,452)	-	-	-	(335,395,809)
Balance as at 31 December 2019		6,388,492	145,188,585	(14,418,357)	(320,977,452)	11,172,000	7,586,898	285,640,010	120,580,176
Net profit for the period		-	-	-	-	-	-	(20,745,192)	(20,745,192)
Allocation of the result from previous year		-	-	-	-	-	285,640,010	(285,640,010)	-
Issue of shares		953,698	133,888,379	-	-	-	-	-	134,842,077
Balance as at 30 September 2020		7,342,190	279,076,964	(14,418,357)	(320,977,452)	11,172,000	293,226,908	(20,745,192)	234,677,061

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

	Note	Period ended 30/09/2020 PLN	Period ended 30/09/2019 PLN	Year ended 31/12/2019 PLN
Cash flows from operating activities				
(Loss) / profit for the period		(20,745,192)	(25,165,566)	285,640,010
Adjustments:				
Valuation of shares in Nodthera		(4,361,540)	-	(928,380)
Amortization and depreciation and impairment losses on fixed assets		7,996,463	5,696,363	7,988,635
Interest and profit-sharing (dividends), net		(338,188)	(9,506,058)	(9,145,892)
Profit on the spin-off		-	-	(320,977,452)
Change in receivables	40	6,502,708	11,426,249	11,672,675
Change in inventories	40	682,435	53,956	(682,736)
Change in short-term liabilities and provision excluding credits and loans	40	(11,669,731)	(737,270)	(1,088,984)
Change in deferred income	40	9,143,489	12,708,454	14,660,445
Change in deferred tax	40	666,774	(23,953)	(160,890)
Change in other assets	40	1,123,256	228,920	(4,378,395)
Net cash flows from operating activities		(10,999,525)	(5,318,906)	(17,400,964)
- from continued operations		(10,999,525)	(7,239,097)	(19,421,795)
- from discontinued operations		-	1,920,191	2,020,831
Cash flows from investing activities				
Disposal of tangible and intangible fixed assets		-	-	80,000
Purchase of tangible and intangible fixed assets		(28,201,657)	(18,307,015)	(23,994,850)
Purchase / (disposal) of other financial assets		-	14,928,600	14,928,600
Purchase of subsidiary, net of cash receipts		-	(2,988,750)	(2,988,750)
Dividends received		-	8,320,928	8,320,928
Interest received		218,850	831,585	1,042,764
Repayment of loans		-	1,709	1,709
Loans granted		-	5,271	5,271
Net cash flows from investing activities		(27,982,807)	2,792,328	(2,604,328)
- from continued operations		(27,982,807)	(509,853)	(7,031,859)
- from discontinued operations		-	3,302,181	4,427,531
Cash flows from financing activities				
Proceeds from shares issue		143,054,700	-	-
Issue costs		(8,212,623)	-	-
Repayment of finance lease liabilities	40	(3,036,593)	(2,659,445)	(1,704,306)
Proceeds from credits and loans		24,135	108,387	57,508
Repayment of credits and loans	40	(597,660)	(606,732)	(881,258)
Dividends paid		-	-	-
Interest paid		(119,338)	(114,479)	(217,800)
Net cash flows from financing activities		131,112,621	(3,272,269)	(2,745,856)
- from continued operations		131,112,621	(2,050,934)	(1,629,672)
- from discontinued operations		-	(1,221,336)	(1,116,184)
Net increase / (decrease) in cash and cash equivalents		92,130,289	(5,798,847)	(22,751,148)
Cash and cash equivalents at the beginning of the period		72,106,927	94,858,075	94,858,075
Cash and cash equivalents at the end of the period	35	164,237,216	89,059,228	72,106,927

NOTES TO THE FINANCIAL STATEMENTS PREPARED AS AT 30 SEPTEMBER 2020

1. General information

1.1. The company

Ryvu Therapeutics S.A. was established as a result of the transformation of Selvita Spółka z o.o. in a joint-stock company based on the Notarial Deed of August 20, 2010 prepared at the notary's office A. Deflorian, D. Jastrzębska-Kwiecień Spółka Cywilna (Rep. No. 3222/2010). The registered office of the company is in Poland, Cracow, Bobrzyńskiego Street 4. Currently, the Company is registered in the Register of Entrepreneurs of the National Court Register at the District Court for the city of Kraków - Śródmieście - XI Economic Department under the KRS number 0000367359.

Composition of the management and supervisory bodies as at the date of these financial statements:

Management Board:

Paweł Tadeusz Przewięźlikowski	-	President of the Management Board
Krzysztof Daniel Brzózka	-	Vice-President of the Management Board
Setareh Gharayagh Shamsili	-	Member of the Management Board

Supervisory Board:

Piotr Romanowski	-	Chairman
Tadeusz Wesołowski	-	Vice- Chairman
Rafał Piotr Chwast	-	Member
Axel Glasmacher	-	Member
Colin Goddard	-	Member
Jarl Jungnelius	-	Member
Thomas Turalski	-	Member

As at 30 September 2020 the shareholder structure of the company is as follows and has not changed compared to 31 December, 2019.

	Registered office	Number of shares	Percentage interest in capital	Percentage share in voting rights
Paweł Tadeusz Przewięźlikowski	Poland	4,990,880	27.19%	37.90%
Bogusław Stanisław Sieczkowski	Poland	924,384	5.04%	6.58%
Augebit Investment Fund *	Poland	1,132,533	6.17%	5.06%
Nationale -Nederlanden Open-End Pension Fund and Nationale - Nederlanden Voluntary Pension Fund	Poland	1,594,749	8.68%	7.11%
Other shareholders		9,712,928	52.92%	43.35%
Razem		18,355,474	100.00%	100.00%

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

The duration of the Company is not fixed.

The calendar year is the financial year of the Company.

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

1.3. Going concern assumption

The Company's financial statements have been prepared on the assumption that the Company will continue as a going concern for at least 12 months after the balance sheet date, i.e. after September 30, 2020.

The Covid-19 epidemic occurred in the reporting period, and therefore the Issuer implemented the instructions recommended by the Chief Sanitary Inspectorate and other state institutions related to dealing with epidemiological threats, including the implementation of remote work and ensuring safe working conditions for stationary employees.

In the reporting period, the Issuer noted an influence on the progress of the conducted clinical trials due to the fact that they are carried out in centers located in the United States. Due to the Covid-19 pandemic, all SEL120 clinical centers implemented additional safety measures and risk management processes that strongly influenced the participation of patients in clinical trials.

Due to the ongoing pandemic in the USA, the management board of Ryvu decided to start the European part of the study earlier than originally planned, taking into account additional locations in Poland and other European countries. The application for registration of the study in the first European country was submitted to the regulatory authorities and the central bioethical commission on August 11, 2020.

In the reporting period, the Issuer's research and development laboratories worked at a reduced capacity, the decrease being related to the unavailability of employees due to quarantines, the inability to enter Poland for some foreigners and the need to take care of children by some employees, as well as the relocation of stationary employees to CBR building.

For more information on the above subject, see Note 39 to the financial statements.

In addition, on August 18, 2020, the District Court for Kraków-Śródmieście in Kraków, XI Commercial Division of the National Court Register, registered an increase in the Company's share capital from PLN 6,388,491.60 to PLN 7,342,189.60 through an issue series I ordinary bearer shares of the Company with a nominal value of PLN 0.40 each. The issue price of the Series I Shares was set at PLN 60 per share, therefore the total proceeds from the issue, understood as the product of the number of shares covered by the offering and the issue price, amounted to PLN 143,054,700, and the total costs of the offering were PLN 8,212,623. More information on the above subject is provided in Note 45 to the financial statements.

The Management Board analyzed the above through, among others making conservative revenue assumptions by eliminating any revenue not yet contracted, and assessed that, despite these risks and restrictions, he did not identify a threat to the Company's ability to continue as a going concern for at least 12 months from the balance sheet date.

1.3. Functional and reporting currency

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

2. International Financial Reporting Standards

2.1. Statement of compliance

These interim financial statements have been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" approved by the EU ("IAS 34").

On June 4, 2020, in accordance with art. 45.1b of the Accounting Act, the Extraordinary General Meeting of Shareholders adopted a resolution to change the accounting principles applied by the Company and start preparing financial statements in accordance with the International Financial Reporting Standards (IFRS) and related interpretations published in the form of regulations of the European Commission, starting from the Company's financial statements prepared for the period of three months ended on March 31, 2020, due to the fact that the financial statements prepared in accordance with IFRS will be more readable and useful for investors, especially foreign investors. This will also ensure the comparability of the Company's financial data with entities operating in the biotechnology industry, which in the vast majority carry out financial reporting in accordance with IFRS.

These separate financial statements prepared for the period from 1 January 2020 to 30 September 2020 are the third quarterly financial statements containing disclosures in accordance with the International Financial Reporting Standards approved by the EU (hereinafter referred to as "IFRS"), in particular with IFRS 1.

Due to the change in accounting standards described in note 25, the restated data for comparative periods were not presented in the financial statements for previous periods and were not subject to audit or review by a certified auditor.

Reconciliation of the Company's capital as at January 1, 2019, September 30, 2019 and December 31, 2019, reconciliation of the Company's total income for the period ended September 30, 2019 and for the year ended September 30, 2019, and reconciliation of cash flows for the year ended December 31, 2019 were presented in note 25 'First-time adoption of IFRS'

The company applied IFRS according to the status as at September 30, 2020. The company applied identical accounting principles (policy) to the preparation of the opening balance sheet according to IFRS as at January 1, 2019 and throughout all the periods presented in this report. All changes in accounting policies were introduced retrospectively, with the exception of the following exemptions permitted by IFRS 1. listed in note 25.

The last available, as at the date of approval of these financial statements, financial statements of the Company prepared in accordance with Polish accounting principles, as defined in the Accounting Act of 29 September 1994 (consolidated text Journal of Laws 2019.351, as amended), is the financial statement prepared for year ended December 31, 2019.

When preparing these financial statements, the opening report on the Company's financial standing was prepared and presented as at January 1, 2019, i.e. as at the date of the Company's transition to IFRS in accordance with the resolution of the Extraordinary General Meeting of Ryvu Therapeutics S.A. on the transition to IFRS of 4 June 2020.

2.1.1. Reporting period and scope

The Company's financial statements cover the financial period from 1 January 2020 to 30 September 2020 and contain comparative data that constitute data for the financial period from 1 January 2019 to 30 September 2019 and an additional financial year from 1 January 2019 to 31 December 2019 year. The statement of financial position and explanatory notes to this report also contain comparative data as at January 1, 2019, constituting the date of the Company's transition to IFRS.

Status of IFRS endorsement by the EU

2.2. The following standards and interpretations have been published by the International Accounting Standards Board, but they do not apply to these financial statements (i.e. for 9-month financial statements ended September 30, 2020)

- IFRS 14 Regulatory Deferral Accounts (issued on 30 January 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard – not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2016;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (issued on 11 September 2014) – the endorsement process of these Amendments has been postponed by EU - the effective date was deferred indefinitely by IASB;
- IFRS 17 Insurance Contracts (issued on 18 May 2017) – not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2021;
- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020) – not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2022;
- Amendments to IFRS 3: Reference to the Conceptual Framework (issued on 14 May 2020) – not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2022;
- Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use (issued on 14 May 2020) – not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2022;
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract (issued on 14 May 2020) – not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2022;
- Annual Improvements to IFRS Standards 2018–2020 (issued on 14 May 2020) – not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2022;
- Amendment to IFRS 16 Leases: Covid-19-Related Rent Concessions (issued on 28 May 2020) – not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not authorised for issue at 28 May 2020.

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.

Amendments to IFRS 16 Leasing (published on May 28, 2020) - until the date of approval of these financial statements, not approved by the EU - applicable to annual periods beginning on June 1, 2020 or later.

3. Summary of significant accounting policies

3.1. Going concern

The financial statements have been prepared on the assumption that the company will continue as a going concern in the 12 months following the end of the reported period, i.e. September 30, 2021. The issue of going concern was presented in Note 1.2.

3.2. Basis of preparation

The financial statements have been prepared in accordance with the historical cost concept, except for shares in Nodthera, which are measured at fair value.

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

3.3. Investments in associates

An associate is an entity over which the Company 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 statement of financial position at cost and subsequently in the portion of profit or loss attributable to the Company or in other comprehensive income of the associate. If the Company's share in losses of an associate exceeds its interest in the associate (comprising long-term interest that is substantially a part of the net investment in that entity), the Company discontinues to recognize its share in further losses of the associate. Further losses are recognized only up to the value of the Company's legal or constructive obligations or payments made on behalf of the associate.

The surplus of the acquisition cost over the Company'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 Company'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.

If necessary, the carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 'Impairment of assets' as if it were a single asset, by comparing its recoverable amount (the higher of value in use and fair value less costs to sell) with the carrying amount. Impairment losses are included in the carrying amount of the investment. Reversal of an impairment loss is recognized in accordance with IAS 36 in the amount corresponding to an increase in the recoverable amount of the investment.

After the sale of an associate, the effect of which is the Company's loss of significant influence on this entity, the remaining shares are measured at fair value as at that day, and this value is treated as fair value at the initial recognition of the financial asset in accordance with IFRS 9. The difference between the original the balance sheet value of the associate attributed to other shares and the fair value of these shares are taken into account when determining the amount of profit or loss on the disposal of the subsidiary. In addition, the Company accounts for all amounts previously recognized in other comprehensive income in relation to the associate in the same way as it would account for if the relevant assets and liabilities were sold by that entity. Therefore, if the profit or loss previously recognized in other comprehensive income is transferred to the financial result at the time of disposal of the relevant assets and liabilities, the Company will reclassify this profit or loss from equity to the result (in the form of a reclassification adjustment) at the time of loss of significant influence on this associate.

If an entity belonging to the Company conducts transactions with a given associate, profits and losses resulting from these transactions are recognized in the financial statements of the Company only in relation to shares in this entity not related to the Company.

3.4. Interests in joint ventures

Not applicable.

3.5. Non-current assets held for sale

Not applicable.

3.6. Revenue recognition

3.6.1 Grants

Subsidies are recognized in accordance with IAS 20. Subsidies are not recognized until there is reasonable certainty that the Company 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 Company recognizes expenses as costs, the compensation of which is to be a subsidy.

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

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

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

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

3.6.2 Sales of goods and services

Revenues, except for subsidies, are recognized in accordance with IFRS 15, the Company 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 Company.

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 Company 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 Company 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 Company, and the Company has an enforceable right to pay for the service performed so far.

The Company 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 probable that total contract costs exceed total contract revenue, the expected loss is recognized immediately in costs and accounted for in accordance with IAS 37.

The amounts received before carrying out the works to which they relate are recognized in the statement of financial position in liabilities as liabilities under contracts. The amounts invoiced for completed works, but not yet paid by customers, are recognized in the statement of financial position in trade receivables and in net profit.

The Company receives part of the remuneration in advance when signing the contract due to the signed contracts for the sale of R&D projects, and is also authorized to receive further payments in the event of successful development and commercialization of a potential drug that will be created based on the results of cooperation. In addition, the Company is guaranteed royalties on the sale of products developed as a result of cooperation.

3.7 Interest and dividend income

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

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

3.8 Leases

The Company as a lessee

Assets due to the right of use

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

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

3.9 Foreign currencies

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

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

	Balance as at 30/09/2020	Balance as at 31/12/2019	Balance as at 30/09/2019	Balance as at 01/01/2019
EUR / PLN	4.5268	4.2585	4.3736	4.3000
USD / PLN	3.8658	3.7977	4.0000	3.7597
GBP / PLN	4.9560	4.9971	4.9313	4.7895
CHF / PLN	4.1878	3.9213	4.0278	3.8166
JPY / PLN	0.0366	0.0350	3.7071	0.0341
SEK / PLN	0.4296	0.4073	0.4077	0.4201

3.10 Borrowing costs

Borrowing costs directly related to the acquisition or production of assets that require a longer time to bring them to use are included in the costs of producing such assets until they are generally ready for their intended use or sale. In the reporting period, the issue did not occur.

Revenue from investments obtained as a result of short-term investment of acquired external funds allocated directly to finance the purchase or production of assets reduce the value of borrowing costs subject to capitalization. In the reporting period, the issue did not occur.

All other borrowing costs are charged directly to the result in the period in which they were incurred.

3.11 Costs of employee benefits and contract termination

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

3.12 Taxes

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

3.12.1 Current tax

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

3.12.2 Deferred tax

Deferred tax is recognized with respect to temporary differences between the carrying amount of assets and liabilities in the 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.

Deferred tax is calculated using tax rates that will apply when the asset is realized or the liability becomes due. The valuation of deferred tax reserves and deferred tax assets reflects the tax consequences that will occur in line with the manner of implementation or settlement of balance sheet assets and liabilities as forecast by the Company. A significant part of the recognized deferred tax asset is expected to be realized over the next 12 months (as it relates to short-term provisions).

In the area of income tax, the Company is subject to general provisions in this area, these are basically the Polish provisions of the CIT Act and associated provisions. The company is not a tax capital Company. The tax and balance sheet years coincide with the calendar year.

The company recognizes a deferred tax asset that is used to carry over unused tax losses to the extent that it is probable that future taxable income will be available against which unused tax losses can be deducted. In assessing whether it is likely that the future taxable income available will be sufficient, the Company takes into account the nature, origin and timing of such income and ensures that convincing evidence is collected. The company assesses the realizability of the deferred tax asset as at each balance sheet date. This assessment requires the involvement of professional judgment and estimates, including regarding future tax results. An unrecognized deferred tax asset is subject to reassessment at each balance sheet date and is recognized up to the amount that reflects the probability of achieving taxable income in the future that will allow recovery of that asset.

Uncertainty associated with the recognition of income tax

Pursuant to IFRIC 23, if in the Company's opinion it is likely that the Company's approach to a tax issue or Company of tax issues will be accepted by the tax authority, the Company determines taxable income (tax loss), tax base, unused tax losses, unused tax credits and rates tax including the approach to taxation planned or used in your tax return. Assessing this probability, the Company assumes that the tax authorities authorized to inspect and challenge the tax treatment will carry out such an inspection and will have access to all information. If the Company determines that it is not probable that the tax authority will accept the Company's approach to a tax issue or Company of tax issues, then the Company reflects the effects of uncertainty in accounting terms of tax in the period in which it determined it. Therefore, the company 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 company determines the most likely scenario - this is a single amount among the possible outcomes or
- The company recognizes the expected value - it is the sum of probability weighted amounts among the possible results.

3.12.3 Current and deferred tax for the period

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

3.13 Property, plant and equipment

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

Costs incurred after a fixed asset has been commissioned, such as costs of repairs, inspections or maintenance fees, are recognized in profit or loss for the period during which they were incurred. However, where it may be proven that the said costs resulted in an increase of the expected future economic benefits related to holding the asset above those assumed initially, they increase the initial value of the fixed asset. Where the payment for fixed assets purchased by the Company 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 – from 10 to 40 years;
- technical equipment and machines – 3-10 years;
- vehicles – 5 years;
- other fixed assets – 3-5 years.

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

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

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

3.14 Intangible assets

3.14.1 Intangible assets

Intangible assets with fixed useful life, purchased by the Company, 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 Company, are recognized at cost less accumulated impairment losses.

3.14.2 Intangible assets developed internally – R&D cost

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

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

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

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

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

3.14.3 Derecognition of intangible assets

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

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

At the end of each reporting period, the Company 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 Company's non-current assets are allocated to individual cash generating units or to the smallest Companies of cash generating units for which a reliable and consistent allocation basis can be identified.

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

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

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

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

3.16 Inventories

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

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

The Company's inventories are reagents and laboratory materials used in research.

3.17 Provisions

Provisions are recognized when the Company 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.

3.17.1 Onerous contracts

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

3.17.2 Restructuring

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

3.18 Trade and other receivables and other receivables

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

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

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

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

3.19 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 statement of cash flows consists of the above-mentioned cash and cash equivalents, less outstanding loans in current accounts.

3.20 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.

3.21 Trade and other liabilities

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

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

As at September 30, 2020, no financial liabilities have been classified as measured at fair value through profit or loss. Financial liabilities measured at fair value through profit or loss are measured at fair value, taking into account their market value as at the balance sheet date, excluding sales transaction costs. Changes in the fair value of these instruments are recognized in profit or loss as financial costs or revenues, except for changes due to own credit risk for financial liabilities initially classified as at fair value through profit or loss, which is recognized in other comprehensive income.

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

The Company 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.

3.22 Financial instruments

3.22.1 Classification and initial recognition of financial instruments

The Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company 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.

Trade and other liabilities

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

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.

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

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

3.22.2 Impairment of financial instruments

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

To this end, the Company 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 Company 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.

3.22.4 Hedge accounting

The Company companies do not use hedge accounting.

4. Significant accounting judgements and estimates

When applying the accounting policies adopted by the Company, the Management Board 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 Company 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 Company as a lessee

Leasing judgments, where the Company is a lessee, in areas such as whether the contract contains leases, contracts for an indefinite period, using the option to extend or shorten the lease period are presented in Note 3.8.

The Company applied the following judgments and estimates:

Lease period for contracts with extension options

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

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

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

Lease period for contracts of unlimited duration

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

Lessee's marginal interest rate

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

4.2 Uncertainty of estimates

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

4.2.1 Provisions for bonuses

Provisions for bonuses are presented in Note 31. Provisions for bonuses are estimated in line with an algorithm based on a margin achieved and realized on individual projects or project Companies. 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 Company. Bonuses are discretionary.

4.2.2 Useful lives of property, plant and equipment

As described in Note 3.13, the Company 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 3.6, the Company determines the stage of completion of contracts with clients by determining the proportion of the project costs incurred so far to the total estimated project costs. Due to the nature of the projects being carried out, as well as the possibility of the occurrence of previously unforeseen difficulties associated with the implementation of the project, it may turn out that the actual total costs of project implementation will differ from the estimates made. A change in the estimated total costs of project implementation may cause that the project progress level as at the balance sheet date, and thus the recognized revenue, should be set at a different value. Project costs are updated on an ongoing basis by the Project Manager, which reduces the risk of large deviations of actual costs from the forecast.

4.2.4 Deferred tax asset

The Company 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 Company 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 Company 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 Company makes a decision on calculating the deferred tax asset.

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 Company.

The Company 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 Company, it is likely that the Company's approach to the tax issue or Company of tax issues will be accepted by the tax authority, the Company 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 Company 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 Company determines that it is not probable that the tax authority will accept the Company's approach to the tax issue or Company of tax issues, then the Company reflects the effects of uncertainty in accounting terms of tax during the period in which it determined it. The Company 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 Company determines the most likely scenario - this is a single amount among the possible outcomes or
- The Company 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 Company 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 Company verifies the adopted periods of economic usability based on current estimates.

4.2.8 Impairment of trade receivables and contract assets

The company uses reserve matrices to value the write-down for expected credit losses in relation to trade receivables and assets under the contract. In order to determine the expected loan losses, trade receivables and contract assets were Companyed based on the similarity of the credit risk characteristics. The company 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 write-offs for credit losses by PLN 100, respectively.

4.2.9 Revenue recognition

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

5. Sales revenue

5.1. Revenues

The sales revenues obtained by the Company can be divided into 3 types. The main type of contracts is the sale of R&D projects, while the "fixed price" and FTE contracts were implemented by a separate service segment and are being terminated.

1. Agreements based on the fixed price model.

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

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

Under the contract, the Company provides appropriately qualified employees. Revenue is defined as the working time of employees of the Company 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 Company's obligation to perform the service is therefore met at the time the employees render the service.

3. Sale of R&D projects

The company concludes research and development cooperation agreements. The subject of cooperation is the discovery and development of innovative small molecule compounds with potential therapeutic use in inflammatory diseases. The cooperation agreement specifies the division and scope of responsibility between the Company and the partner. At the time of signing the contract, the Company receives payment in advance, which is a remuneration for access to the existing test results. Other revenues depend on the achievement of specific scientific and clinical research progress, the success of the registration process, the so-called 'milestones', and the level of revenue from the sale of a potential drug achieved by the partner. The Company receives contractual remuneration for the defined 'milestone' achieved. In addition, the Company is guaranteed royalties on the sale of products developed as a result of cooperation.

The company carries out recent contracts within the portfolio of orders based on the fixed price and FTE models. In the case of sale of R&D projects, for partnering projects, the Company does not have sufficient information and does not affect the pace of work carried out by the project partner to be able to determine precisely when the conditions resulting in payments to the Company will be fulfilled as part of agreed, defined 'milestone steps'.

The breakdown of the Company's sales revenues for continuing operations is as follows:

	Period ended 30/09/2020	From 01/07/2020 to 30/09/2020	Period ended 30/09/2019	From 01/07/2019 to 30/09/2019	Year ended 31/12/2019
	PLN	PLN	PLN	PLN	PLN
Contract research - fixed priced agreements	25,998	-	-	-	360,205
Lease of employees - FTE agreements	823,459	449,469	3,148,676	1,216,334	3,438,126
Sale of R&D projects	14,315,350	-	-	-	-
Operating income	15,164,807	449,469	3,148,676	1,216,334	3,798,331

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

5.2. Revenues from subsidies

	Period ended 30/09/2020	From 01/07/2020 to 30/09/2020	Period ended 30/09/2019	From 01/07/2019 to 30/09/2019	Year ended 31/12/2019
Infrastructure subsidies	1,889,728	827,873	1,564,765	542,067	2,125,927
Grants for research	12,612,732	4,070,013	20,809,808	6,363,310	27,796,009
	14,502,460	4,897,886	22,374,573	6,905,377	29,921,936

5.3. Contract assets and liabilities

The scope of changes of contract assets

	Balance as at 30/09/2020	Balance as at 31/12/2019	Balance as at 01/01/2019
	PLN	PLN	PLN
Contracts at the beginning of the reporting period	360,205	596,421	235,994
Revenue accrued in proportion to the costs incurred	177,685	607,966	1,965,074
Invoiced revenues	(360,205)	(844,182)	(1,604,647)
Contracts assets at the end of the reporting period	177,685	360,205	596,421

The scope of changes of contract liabilities

	Balance as at 30/09/2020	Balance as at 31/12/2019	Balance as at 01/01/2019
	PLN	PLN	PLN
Contracts at the beginning of the reporting period	-	759,510	206,180
Revenue accrued in proportion to the costs incurred	-	(759,510)	(770,874)
Invoiced revenues	-	-	1,324,204
Contracts liabilities at the end of the reporting period	-	-	759,510

5.4 Geographical information

The Company operates in two major geographical regions – in Poland, where its registered office is located, and in Europe. Company's revenue from external customers by geographical area:

Revenue from external customers				
Period ended 30/09/2020	From 01/07/2020 to 30/09/2020	Period ended 30/09/2019	From 01/07/2019 to 30/09/2019	Year ended 31/12/2019
PLN	PLN	PLN	PLN	PLN
Poland	102,425	99,536	1,300	1,300
EU members	15,062,382	349,933	3,130,597	3,780,252
Other countries	-	-	16,779	16,779
Total	15,164,807	449,469	3,148,676	3,798,331

5.5. Operating expenses

5.5.1 Amortization and impairment

Depreciation of tangible assets	5,453,773	2,336,918	1,631,670	620,261	4,273,702
Depreciation of the rights to use machines and equipment	1,228,326	459,338	1,120,073	381,103	1,718,169
Depreciation of rights to use of buildings and cars	1,111,331	260,873	2,777,654	1,084,503	1,779,067
Amortization of intangible assets	203,033	75,333	166,966	49,606	217,697
Total amortization expense	7,996,463	3,132,462	5,696,363	2,135,473	7,988,635

Period ended 30/09/2020	From 01/07/2020 to 30/09/2020	Period ended 30/09/2019	From 01/07/2019 to 30/09/2019	Year ended 31/12/2019
PLN	PLN	PLN	PLN	PLN
5,453,773	2,336,918	1,631,670	620,261	4,273,702
1,228,326	459,338	1,120,073	381,103	1,718,169
1,111,331	260,873	2,777,654	1,084,503	1,779,067
203,033	75,333	166,966	49,606	217,697
7.996.463	3.132.462	5.696.363	2.135.473	7.988.635

5.5.2. Employee benefit expense

Salaries and wages	17,070,676	5,077,566	19,082,524	5,455,767	24,508,790
Social security charges	2,045,015	524,817	2,185,903	608,486	3,371,672
Medical and other benefits	307,475	102,358	192,849	49,018	329,461
Trainings	103,550	32,115	66,238	17,072	160,980
Workwear	139,143	107,745	17,270	6,287	29,167
Employee benefit expense	19,665,859	5,844,601	21,544,784	6,136,630	28,400,070

Period ended 30/09/2020	From 01/07/2020 to 30/09/2020	Period ended 30/09/2019	From 01/07/2019 to 30/09/2019	Year ended 31/12/2019
PLN	PLN	PLN	PLN	PLN
17,070,676	5,077,566	19,082,524	5,455,767	24,508,790
2,045,015	524,817	2,185,903	608,486	3,371,672
307,475	102,358	192,849	49,018	329,461
103,550	32,115	66,238	17,072	160,980
139,143	107,745	17,270	6,287	29,167
19,665,859	5,844,601	21,544,784	6,136,630	28,400,070

5.5.3 External services

B2C Services*	1,842,466	666,285	7,801,851	3,170,593	10,805,972
Administrative services	4,144,372	1,324,372	-	-	1,410,000
IT services, databases	1,038,933	368,937	892,619	287,965	1,039,019
Research Services	10,985,742	3,891,131	10,596,633	4,009,262	13,330,496
Transportation services	249,334	119,802	406,996	111,389	512,049
Total external services	18,260,847	6,370,527	19,698,099	7,579,209	27,097,536

Period ended 30/09/2020	From 01/07/2020 to 30/09/2020	Period ended 30/09/2019	From 01/07/2019 to 30/09/2019	Year ended 31/12/2019
PLN	PLN	PLN	PLN	PLN
1,842,466	666,285	7,801,851	3,170,593	10,805,972
4,144,372	1,324,372	-	-	1,410,000
1,038,933	368,937	892,619	287,965	1,039,019
10,985,742	3,891,131	10,596,633	4,009,262	13,330,496
249,334	119,802	406,996	111,389	512,049
18,260,847	6,370,527	19,698,099	7,579,209	27,097,536

* B2C costs include costs of outsourcing human resources and costs of subcontractors used in research projects in the amount of PLN 421 thousand in the period ended September 30, 2020, PLN 53.9 thousand in the period ended September 30, 2019 and PLN 85 thousand in the whole year 2019.

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. Company financing (including finance costs and finance income) and deferred tax are monitored at the level of the Company and are not allocated to individual segments.

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

Currently, the only operating segment is Innovation (continuing operations). The company conducts research and development works in which it focuses on developing innovative, small-molecule pharmacological compounds that are intended for commercialization at a later stage of the development of new drugs.

Before the split, the Company also had a Services segment in which it provided services through two main departments: Contract Chemistry Department and Contract Biology Department. Upon the completion of the division process, the Company ceased operations in this segment.

6.2 Segment revenue and profit or loss

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

a) Continued operations

	Revenue					Operating profit				
	Period ended	From	Period ended	From	Year ended	Period ended	From	Period ended	From	Year ended
	30/09/2020	01/07/2020 to 30/09/2020	30/09/2019	01/07/2019 to 30/09/2019	31/12/2019	30/09/2020	01/07/2020 to 30/09/2020	30/09/2019	01/07/2019 to 30/09/2019	31/12/2019
	PLN	PLN	PLN	PLN	PLN	PLN	PLN	PLN	PLN	PLN
Segment 1 - Innovations, including	29,979,690	5,507,484	25,828,790	8,139,006	34,138,733	(24,194,489)	(12,357,087)	(34,319,507)	(13,318,858)	(45,385,247)
<i>revenue from external customers</i>	15,164,807	449,469	3,148,676	1,216,334	3,798,331					
<i>grant income</i>	14,502,460	4,897,886	22,374,573	6,905,377	29,921,936					
<i>other operating income</i>	312,423	160,129	305,541	17,295	418,466					
Total from continued operations	29,979,690	5,507,484	25,828,790	8,139,006	34,138,733	(24,194,489)	(12,357,087)	(34,319,507)	(13,318,858)	(45,385,247)
	Expenses									
	Period ended	From	Period ended	From	Year ended					
	30/09/2020	01/07/2020 to 30/09/2020	30/09/2019	01/07/2019 to 30/09/2019	31/12/2019					
	PLN	PLN	PLN	PLN	PLN					
Segment 1 - Innovations, including	54,174,179	17,864,571	60,148,297	21,457,864	79,523,980					
<i>amortization and depreciation</i>	(4,996,463)	(3,132,462)	(5,696,363)	(2,135,473)	(7,988,635)					

6.3 Segment assets and liabilities

a) Continued operations

	Balance as at 30/09/2020 PLN	Balance as at 31/12/2019 PLN
Segments assets		
Segment I		
Innovations	294,831,571	187,905,025
Total segment assets	294,831,571	187,905,025
Segment liabilities		
Segment I		
Innovations	60,154,507	67,324,849
Total segment liabilities	60,154,507	67,324,849

b) Discontinued operations

	Balance as at 30/09/2020 PLN	Balance as at 31/12/2019 PLN
Segments assets		
Segment II		
Services	-	-
Total segment assets	-	-
Segment liabilities		
Segment II		
Services	-	-
Total segment liabilities	-	-

For purposes of monitoring segment performance and allocating resources:

- reporting segments include: goodwill, unfinished development, shares in associates, long-term receivables, cash and cash equivalents, property, plant and equipment, inventories, trade receivables, subsidies, assets under long-term contracts, deferred tax asset,
- * unallocated assets include: unallocated tangible assets, other intangible assets, public-law and employee receivables, other assets.
- reporting segments include trade payables, trade payables, provisions for liabilities, deferred income, financial liabilities

6.4 Other segment information

	Depreciation and amortization					Fixed assets additions		
	Period ended 30/09/2020 PLN	From 01/07/2020 to 30/09/2020 PLN	Period ended 30/09/2019 PLN	From 01/07/2019 to 30/09/2019 PLN	Year ended 31/12/2019 PLN	Period ended 30/09/2020 PLN	Period ended 30/09/2019 PLN	Year ended 31/12/2019 PLN
Segment 1 <i>Innovations</i>	7,996,463	3,132,462	5,696,363	2,135,473	7,988,635	30,927,401	23,498,964	37,612,646
Total from continued operations	7,996,463	3,132,462	5,696,363	2,135,473	7,988,635	30,927,401	23,498,964	37,612,646

6.5 Major customers

	Period ended 30/09/2020 PLN	From 01/07/2020 to 30/09/2020 PLN	Period ended 30/09/2019 PLN	From 01/07/2019 to 30/09/2019 PLN	Year ended 31/12/2019 PLN
Segment 1 - Innovations					
Customer A	8,296,435	8,296,435	1,006,210	425,027	1,295,150
Customer B	-	-	1,998,849	1,332,442	1,998,849
Customer C	6,791,400	-	-	-	-

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

7. Finance income

	Period ended 30/09/2020 PLN	From 01/07/2020 to 30/09/2020 PLN	Period ended 30/09/2019 PLN	From 01/07/2019 to 30/09/2019 PLN	Year ended 31/12/2019 PLN
Financial revenue due to financial instruments	218,850	(100,192)	831,585	221,400	906,591
Interest received	218,850	417	831,585	221,400	906,591
Gains / losses on fx differences	-	(100,609)	-	-	-
Total finance income	218,850	(100,192)	831,585	221,400	906,591

8. Finance cost

	Period ended 30/09/2020 PLN	From 01/07/2020 to 30/09/2020 PLN	Period ended 30/09/2019 PLN	From 01/07/2019 to 30/09/2019 PLN	Year ended 31/12/2019 PLN
Finance cost due to financial instruments	156,721	(35,476)	419,502	(138,409)	513,286
Interest	119,338	41,244	114,479	53,138	352,483
Gains / losses on fx differences	37,383	(76,720)	305,023	(191,547)	160,803
Other finance cost	155,598	72,588	206,842	144,853	45,832
Interest on leases	155,598	72,588	206,842	144,853	45,832
Total finance cost	312,319	37,112	626,344	6,444	559,118

9. Other operating income and expenses

9.1 Other operating income

Gain on disposal of property, plant and equipment

Other operating income:

Written off liabilities

Other – sales of services to employees (benefits)

Total other operating income

Period ended 30/09/2020 PLN	From 01/07/2020 to 30/09/2020 PLN	Period ended 30/09/2019 PLN	From 01/07/2019 to 30/09/2019 PLN	Year ended 31/12/2019 PLN
-	-	-	-	-
312,423	160,129	305,541	17,295	418,466
-	-	-	(101,164)	101,164
312,423	160,129	305,541	118,459	317,302
312,423	160,129	305,541	17,295	418,466

9.2 Other operating expenses

Loss on disposal of property, plant and equipment

Revaluation of non-financial assets

Other operating expenses:

Cost refund to employees – prescription glasses

Donations

Other

Total other operating expenses

Period ended 30/09/2020 PLN	From 01/07/2020 to 30/09/2020 PLN	Period ended 30/09/2019 PLN	From 01/07/2019 to 30/09/2019 PLN	Year ended 31/12/2019 PLN
-	-	-	-	-
-	-	-	-	-
6,000	600	29,627	(37,896)	82,140
1,000	600	5,000	4,000	3,200
5,000 -	-	23,500	(10,000)	74,034
-	-	1,127	(31,896)	4,906
6,000	600	29,627	(37,896)	82,140

10. Income taxes on continuing operations

10.1 Income taxes presented in the statement of comprehensive income

	Period ended 30/09/2020 PLN	Period ended 30/09/2019 PLN	Year ended 31/12/2019 PLN
Current income tax:	-	-	-
Current income tax expense	-	-	-
Corrections relating to previous years	-	-	-
Deferred income tax	(818,774)	15,857	(160,890)
Tax charge presented in the statement of comprehensive income	(818,774)	15,857	(160,890)

10.2 Reconciliation of the tax profit to the accounting profit

	Period ended 30/09/2020 PLN	Period ended 30/09/2019 PLN	Year ended 31/12/2019 PLN
Recorded revenue and profit	34,560,080	26,660,375	35,973,704
Revenue and profits of spin-off operations	-	50,332,280	50,612,894
Non-taxable and tax-exempt income, including:	20,049,303	26,983,895	34,354,326
Fx differences	1,206,946	1,151,145	1,330,524
Long-term contracts	(321,484)	2,152,150	1,774,401
Grant income	14,802,301	23,680,600	31,187,013
Other - valuation of shares in Nodthera	4,361,540	-	928,380
SEZ revenue	-	-	(865,992)
Tax revenues, other than accounting revenues:	-	-	-
Long-term contracts	-	-	-
Total taxable income (1-2+3)	14,510,777	50,008,760	52,232,272
Recorded expenses and losses	54,486,498	60,774,641	80,083,098
Expenses and losses of spin-off operations	-	41,159,321	41,680,052
Expenses and losses classified permanently as non-deductible:	15,033,889	24,306,825	30,228,032
PFRON	151,515	226,596	285,642
Business entertainment costs	22,255	160,085	278,299
Subsidized costs	14,802,301	23,680,600	31,187,013
Other non-deductible expenses	57,818	239,544	93,215
SEZ costs	-	-	(1,616,137)
Expenses and losses classified temporarily as non-deductible:	3,063,169	2,733,118	4,882,702
Recognized provisions for bonus and unused holiday	1,596,618	422,230	894,812
Recognized provisions for liabilities	108,611	1,310,323	2,733,501
Exchange differences	1,307,129	981,476	1,252,017
Outstanding salaries, wages and social security	18,433	4,251	-
Other non-deductible expenses	32,378	14,838	2,372
Tax costs, other than accounting costs:	-	-	-
Total deductible expenses	36,389,440	74,894,019	86,652,416
Taxable Income / (Loss)	(21,878,663)	(24,885,259)	(34,420,144)
Tax-exempt income ("+")	-	-	-
Deductions from income ("+")	-	-	-
Income tax at the applicable rate	-	-	-
Deductions from income tax	-	-	-
Income tax due	-	-	-

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

10.3 The effective tax rate reconciliation is as follows:

	Period ended 30/09/2020 PLN	Period ended 30/09/2019 PLN	Year ended 31/12/2019 PLN
Gross (Loss) before tax from continued operations	(19,926,418)	(34,114,266)	(44,109,394)
Gross (Loss) before tax from discontinued operations	-	8,932,842	611,914
Gross (Loss) before tax	(19,926,418)	(25,181,424)	(43,497,480)
Tax at the statutory tax rate applicable in Poland, 19%	(3,786,019)	(4,784,471)	(8,264,521)
Permanent non-taxable costs	2,856,439	4,618,297	5,743,326
Permanent non-taxable income	(2,812,437)	(4,499,314)	(5,925,532)
Others (e.g.: unrecognized deferred tax asset)	2,923,244	4,681,345	8,285,837
Tax at the effective tax rate	(818,774)	15,857	(160,890)

10.4 Current tax asset and liabilities

	Period ended 30/09/2020 PLN	Period ended 30/09/2019 PLN	Year ended 31/12/2019 PLN
Current tax asset			
Tax refund due	-	-	-
	-	-	-
Current tax liabilities			
Income taxes due	-	-	-
	-	-	-

10.5 Deferred income tax

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

	Balance as at 30/09/2020 PLN	Balance as at 31/12/2019 PLN	Balance as at 01/01/2019 PLN
Deferred tax asset	615,230	700,790	-
Deferred tax liability	5,810,491	5,143,717	4,430,225
	(5,195,261)	(4,442,927)	(4,430,225)

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	
	Balance as at 30/09/2020	Balance as at 31/12/2019	Balance as at 01/01/2019	From 01/01 to 30/09/2020	From 01/01 to 31/12/2019	From 01/01 to 30/09/2020	From 01/01 to 31/12/2019
- fixed assets and intangible assets (excluding leases)	26,459	7,828	-	18,631	7,828	-	-
- fixed assets and intangible assets - leases	333,727	342,535	-	(8,808)	342,535	-	-
- contract with clients	33,760	-	-	33,760	-	-	-
- personnel related accruals	-	112,545	-	(112,545)	112,545	-	-
- other provisions	7,828	-	-	7,828	-	-	-
- trade and other payables (foreign exchange)	213,456	237,882	-	(24,426)	237,882	-	-
Total	615,230	700,790	-	(85,560)	700,790	-	-

10.6 Unrecognized deferred tax asset and unused tax credits

	Balance as at 30/09/2020	Balance as at 31/12/2019	Balance as at 01/01/2019
Recognized tax assets	615,230	700,790	-
As at the end of the reporting period, the following items of the deferred tax asset remained unrecognized:			
Tax losses	6,482,663	3,869,980	405,495
Other items	310,561	983,102	115,370
Total unrecognized deferred tax asset	6,793,224	4,853,082	520,865
Total (recognized and unrecognized) deferred tax asset	7,408,454	5,553,872	520,865

DTA computation method has been described in note 4.2.4.

Unrecognized assets due to unused tax losses concern the years 2016, 2019 and 2020 and may be settled by 2025.

10.7 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	
	Balance as at 30/09/2020	Balance as at 31/12/2019	Balance as at 01/01/2019	From 01/01 to 30/09/2020	From 01/01 to 31/12/2019	From 01/01 to 30/09/2020	From 01/01 to 31/12/2019
- fixed assets and intangible assets (excluding leases)	-	195,098	51,211	-	143,887	-	-
- fixed assets and intangible assets - leases	350,266	216,663	83,251	133,303	133,412	-	-
- trade and other receivables (exchange differences)	-	252,799	10,897	(252,799)	241,902	-	-
- receivables (revenues accrued statistically) interest on deposits	-	-	29,989	-	(29,989)	-	-
- contracts with clients	-	94,842	46,954	(94,842)	47,888	-	-
- trade liabilities and others (exchange differences)	247,217	-	-	247,217	-	-	-
- revaluation of shares in Nodthera	5,213,008	4,384,315	4,207,923	828,693	176,392	-	-
Total	5,810,491	5,143,717	4,430,225	861,872	713,492	-	-

11. Non-current assets held for sale

None.

12. Earnings per share

	Period ended 30/09/2020	Period ended 30/09/2019	Year ended 31/12/2019
	PLN/100 per share	PLN/100 per share	PLN/100 per share
Basic earnings per share:	(127.8)	(157.6)	1,788.5
From continuing operations	(127.8)	(213.5)	(277.2)
From spin-off operations		55.9	2,065.7
Total basic earnings per share	(127.8)	(157.6)	1,788.5
Diluted earnings per share:	(127.8)	(157.6)	1,788.5
From continuing operations	(127.8)	(213.5)	(277.2)
From spin-off operations		55.9	2,065.7
Total diluted earnings per share	(127.8)	(157.6)	1,788.5

12.1 Basic earnings per share

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

	Period ended 30/09/2020	Period ended 30/09/2019	Year ended 31/12/2019
	PLN	PLN	PLN
Profit used to calculate the total basic earnings per share	(20,745,192)	(25,165,566)	285,640,010
Profit used to calculate basic earnings per share from spin-off operations	-	8,932,842	329,910,294
Profit used to calculate basic earnings per share from continuing operations	(20,745,192)	(34,098,408)	(44,270,284)
	Period ended 30/09/2020	Period ended 30/09/2019	Year ended 31/12/2019
	quantity	quantity	quantity
Weighted average number of ordinary shares used to calculate diluted earnings per share	16,232,278	15,971,229	15,971,229

13. Tangible fixed assets

Net carrying amount:

	Balance as at 30/09/2020 PLN	Balance as at 31/12/2019 PLN	Balance as at 01/01/2019 PLN
Land	7,468,450	7,468,450	7,468,450
Buildings	46,075,542	708,033	1,866,213
Machinery and equipment	9,406,449	226,911	476,420
Vehicles	-	-	-
Other tangible assets (including lab equipment)	16,897,271	16,908,463	20,594,791
Rights to use other fixed assets (including laboratory equipment)	5,604,732	6,627,544	4,227,616
Rights to use the premises	2,160,698	1,424,462	13,357,622
Rights to use cars	207,393	163,500	262,699
Assets under construction	637,743	36,937,340	6,872,335
Advances for assets under construction	-	-	-
	88,458,278	70,464,703	55,126,146

In the periods covered by the financial statements, the Company did not make revaluation write-offs for fixed assets.

The company reviewed the premises for impairment of property, plant and equipment. Given that the most important items are new or almost new assets or relate to fixed assets under construction (newly built Innovative Medicines Research and Development Center), the Company's Management Board decided that the fair value of these assets less selling costs is equal to or greater than the book value of the assets. Moreover, the Management Board took into account the level of the company's capitalization as at 30/09/2020 and as at the date of approval of these financial statements and due to the surplus of capitalization over the company's net assets at the level of approximately PLN 821m, the Management Board concluded that there are no indications of impairment. and therefore the Management Board does not see the need to recognize an impairment loss as at 30/09/2020.

In 2020, the Company plans expenditures on non-financial fixed assets in the amount of PLN 38,000 thousand. The company does not plan to incur expenses for environmental protection.

Liabilities secured on the entity's assets

Type of security	As at 30/09/2020		As at 31/12/2019		As at 01/01/2019		Nature and form of security
	Value of liability	Value of security	Value of liability	Value of security	Value of liability	Value of security	
Mortgage	2,588,148.00	8,403,000.00	3,171,878.00	8,403,000.00	3,981,698.00	8,403,000.00	The property located in Krakow at ul. Sternbach, consisting of registration plots located within 38 with numbers: 81/21, 81/26, 195/11, 195/16, 210/24, 210/9, 210/8, 210/19, 210/3, 210/2
Pledges, incl.:	3,953,085.00	3,953,085.00	4,626,818.00	4,626,818.00	4,079,134.00	4,079,134.00	
machinery - leasing	3,953,085.00	3,953,085.00	4,626,818.00	4,626,818.00	4,079,134.00	4,079,134.00	laboratory equipment
Promissory note, incl.:	2,588,148.00	2,588,148.00	3,171,878.00	3,370,552.00	3,981,698.00	4,294,322.00	
Promissory note	2,588,148.00	2,588,148.00	3,171,878.00	3,370,552.00	3,981,698.00	4,294,322.00	cash on bank accounts
Contractual right to set off the claim against the account holder's claim	2,588,148.00	2,588,148.00	3,171,878.00	3,370,552.00	3,981,698.00	4,294,322.00	cash on bank accounts
TOTAL	11,717,529.00	17,532,381.00	14,142,452.00	19,770,922.00	16,024,228.00	21,070,778.00	

13.1. Changes in the value of fixed assets by type

Item	Land	Buildings	Machinery and equipment	Vehicles	Other tangible assets (including lab equipment)	Assets under construction	Rights to use other fixed assets (including laboratory equipment)	Rights to use the premises	Rights to use cars	Total
Gross value as at 01.01.2020	7,468,450	1,889,677	1,939,317	-	27,688,469	36,937,340	11,215,502	3,104,330	262,699	90,505,784
Increases in gross value:	-	45,922,774	9,637,994	-	8,940,486	28,201,657	205,514	1,773,168	118,292	94,799,885
- Purchases	-	-	-	-	-	28,201,657	205,514	1,773,168	118,292	30,298,631
- Transfer from assets under construction	-	45,922,774	9,637,994	-	8,940,486	-	-	-	-	64,501,254
- Other	-	-	-	-	-	-	-	-	-	-
Decreases in gross value:	-	-	-	-	4,511,626	64,501,254	-	-	-	69,012,880
- Other	-	-	-	-	4,511,626	64,501,254	-	-	-	69,012,880
Gross value as at 30.09.2020	7,468,450	47,812,451	11,577,311	-	32,117,329	637,743	11,421,016	4,877,498	380,991	116,292,789
Accumulated depreciation as at 01.01.2020	-	1,181,644	1,712,406	-	10,780,006	-	4,587,958	1,679,868	99,199	20,041,081
Inceases in accumulated depreciation	-	555,265	458,456	-	4,440,052	-	1,228,326	1,036,932	74,399	7,793,430
- Depreciation charge for the period	-	555,265	458,456	-	4,440,052	-	1,228,326	1,036,932	74,399	7,793,430
Decreases in accumulated depreciation	-	-	-	-	-	-	-	-	-	-
- Sale	-	-	-	-	-	-	-	-	-	-
- Liquidation	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation as at 30.09.2020	-	1,736,909	2,170,862	-	15,220,058	-	5,816,284	2,716,800	173,598	27,834,511
Net carrying amount as at 01.01.2020	7,468,450	708,033	226,911	-	16,908,463	36,937,340	6,627,544	1,424,462	163,500	70,464,703
Net carrying amount as at 30.09.2020	7,468,450	46,075,542	9,406,449	-	16,897,271	637,743	5,604,732	2,160,698	207,393	88,458,278

13.2. Changes in the value of fixed assets by type from 01.01.2019 to 31.12.2019

Item	Land	Buildings	Machinery and equipment	Vehicles	Other tangible assets (including lab equipment)	Assets under construction	Rights to use other fixed assets (including laboratory equipment)	Rights to use the premises	Rights to use cars	Total
Gross value as at 01.01.2019	7,468,450	3,044,915	2,865,612	102,050	37,144,997	6,872,375	8,567,352	13,357,622	262,699	79,686,072
Increases in gross value:	-	41,690	424,371	-	2,811,655	39,146,304	5,302,961	-	-	47,726,981
- Purchases	-	41,690	424,371	-	2,811,655	39,146,304	5,302,961	-	-	47,726,981
Decreases in gross value:	-	1,196,928	1,350,666	102,050	12,268,183	9,081,339	2,654,811	10,253,292	-	36,907,269
- Disposal	-	-	-	-	406,410	48,714	-	-	-	455,124
- Liquidation - changes to lease	-	-	-	-	27,842	-	-	10,253,292	-	10,281,134
- Other	-	-	-	-	-	8,585,068	-	-	-	8,585,068
- Spin-off of OPE	-	1,196,928	1,350,666	102,050	11,833,931	447,557	2,654,811	-	-	17,585,943
Gross value as at 31.12.2019	7,468,450	1,889,677	1,939,317	-	27,688,469	36,937,340	11,215,502	3,104,330	262,699	90,505,784
Accumulated depreciation 01.01.2019	-	1,178,702	2,389,192	102,050	16,550,246	-	4,339,736	-	-	24,559,926
Inceases in accumulated depreciation	-	277,237	580,900	-	3,415,565	-	1,718,169	1,679,868	99,199	7,770,938
- Depreciation charge for the period	-	277,237	580,900	-	3,415,565	-	1,718,169	1,679,868	99,199	7,770,938
Decreases in accumulated depreciation	-	274,295	1,257,686	102,050	9,185,805	-	1,469,947	-	-	12,289,783
- Disposal	-	-	-	-	406,410	-	-	-	-	406,410
- Liquidation	-	-	-	-	27,842	-	-	-	-	27,842
- Spin-off of OPE	-	274,295	1,257,686	102,050	8,751,553	-	1,469,947	-	-	11,855,531
Accumulated depreciation as at 31.12.2019	-	1,181,644	1,712,406	-	10,780,006	-	4,587,958	1,679,868	99,199	20,041,081
Net carrying amount as at 01.01.2019	7,468,450	1,866,213	476,420	-	20,594,751	6,872,375	4,227,616	13,357,622	262,699	55,126,146
Net carrying amount as at 31.12.2019	7,468,450	708,033	226,911	-	16,908,463	36,937,340	6,627,544	1,424,462	163,500	70,464,703

13.3. Changes in the value of fixed assets by type from 01.01.2019 to 30.09.2019

Item	Land	Buildings	Machinery and equipment	Vehicles	Other tangible assets (including lab equipment)	Assets under construction	Rights to use other fixed assets (including laboratory equipment)	Rights to use the premises	Rights to use cars	Total
Gross value as at 01.01.2019	7,468,450	3,044,915	2,865,612	102,050	37,144,997	6,872,375	8,567,352	13,357,622	262,699	79,686,072
Increases in gross value:	-	41,690	449,158	-	1,649,105	16,167,062	4,622,256	-	-	22,929,271
- Purchases	-	41,690	449,158	-	1,649,105	16,167,062	4,622,256	-	-	22,929,271
Decreases in gross value:	-	-	-	-	-	-	-	8,469,355	-	8,469,355
- sale	-	-	-	-	-	-	-	8,469,355	-	8,469,355
- disposal / liquidation	-	-	-	-	-	-	-	-	-	-
Gross value as at 30.09.2019	7,468,450	3,086,605	3,314,770	102,050	38,794,102	23,039,437	13,189,608	4,888,267	262,699	94,145,988
Accumulated depreciation as at 01.01.2019	-	1,178,702	2,389,192	102,050	16,550,246	-	4,339,736	-	-	24,559,926
Inceases in accumulated depreciation	-	229,995	496,776	-	904,899	-	1,120,073	2,660,277	117,377	5,529,397
- Depreciation charge for the period	-	229,995	496,776	-	904,899	-	1,120,073	2,660,277	117,377	5,529,397
Decreases in accumulated depreciation	-	-	-	-	-	-	-	-	-	-
- sale	-	-	-	-	-	-	-	-	-	-
- disposal / liquidation	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation as at 30.06.2019	-	1,408,697	2,885,968	102,050	17,455,145	-	5,459,809	2,660,277	117,377	30,089,323
Net carrying amount as at 01.01.2019	7,468,450	1,866,213	476,420	-	20,594,751	6,872,375	4,227,616	13,357,622	262,699	55,126,146
Net carrying amount as at 30.06.2019	7,468,450	1,677,908	428,802	-	21,338,957	23,039,437	7,729,799	2,227,990	145,322	64,056,665

14. Intangible assets

Carrying amount

Patents
Software
Other intangible assets
Intangible assets in progress

Balance as at 30/09/2020 PLN	Balance as at 31/12/2019 PLN	Balance as at 01/01/2019 PLN
3,575,139	2,848,680	2,232,980
-	-	-
-	74,974	150,684
98,058	-	-
3,673,197	2,923,654	2,383,664

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

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

Item	Other intangible assets	Total
Gross value as at 01.01.2020	4,038,550	4,038,550
Increases in gross value:	952,576	952,576
- Purchases	925,576	925,576
Decreases in gross value:	-	-
Gross value as at 30.09.2020	4,991,126	4,991,126
Accumulated depreciation as at 01.01.2020	1,114,896	1,114,896
Increases in accumulated depreciation	203,033	203,033
- Depreciation charge for the period	203,033	203,033
Decreases in accumulated depreciation	-	-
Accumulated depreciation as at 30.09.2020	1,317,929	1,317,929
Net carrying amount as at 01.01.2020	2,923,654	2,923,654
Net carrying amount as at 30.09.2020	3,673,197	3,673,197

14.2 Changes in the value of intangible assets by type in period from 01.01.2019 to 31.12.2019

Item	Other intangible assets	Total
Gross value as at 01.01.2019	3,426,203	3,426,203
Increases in gross value:	858,112	858,112
- Purchases	858,112	858,112
Decreases in gross value:	245,765	245,765
- Spin-off of OPE	245,765	245,765
Gross value as at 31.12.2019	4,038,550	4,038,550
Accumulated depreciation 01.01.2019	1,042,539	1,042,539
Increases in accumulated depreciation	264,405	264,405
- Depreciation charge for the period	264,405	264,405
Decreases in accumulated depreciation	192,048	192,048
- Spin-off of OPE	192,048	192,048
Accumulated depreciation as at 31.12.2019	1,114,896	1,114,896
Net carrying amount as at 01.01.2019	2,383,664	2,383,664
Net carrying amount as at 31.12.2019	2,923,654	2,923,654

14.3 Changes in the value of intangible assets by type in period from 01.01.2019 to 30.06.2019

Item	Other intangible assets	Total
Gross value as at 01.01.2019	3,426,203	3,426,203
Increases in gross value:	569,693	569,693
- Purchases	569,693	569,693
Gross value as at 30.09.2019	3,995,896	3,995,896
Accumulated depreciation 01.01.2019	1,042,539	1,042,539
Increases in accumulated depreciation	166,966	166,966
- Depreciation charge for the period	166,966	166,966
Accumulated depreciation as at 30.09.2019	1,209,505	1,209,505
Net carrying amount as at 01.01.2019	2,383,664	2,383,664
Net carrying amount as at 30.09.2019	2,786,391	2,786,391

15. Subsidiaries

The company has no subsidiaries as at September 30, 2020, as well as December 31, 2019. As at January 1, 2019, the Company held shares in BioCentrum sp. z o.o., Selvita Services sp. z o.o., Ardigen SA, Selvita Ltd, Selvita Inc. On October 1, 2019, the shares in these subsidiaries were, as a result of the split, transferred to Selvita S.A.

16. Split of the Company

On 19.09.2019, the Extraordinary General Meeting of Ryvu Therapeutics S.A. with its registered office in Kraków ("Divided Company"), acting pursuant to Article 541 § 1 - § 7 CCC in connection with Article 528 § 1 CCC, 529 § 1 item 4) of the CCC in connection with Article 530 § 2 CCC, Article 393 point 3) of the CCC and § 19 section 1 point o) of its Status decided to split the Divided Company and transfer to Selvita SA (formerly operating under the name Selvita CRO SA) part of the property of Ryvu Therapeutics SA, 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 Company of tangible and intangible assets, intended for conducting business activity, constituting an organized part of the enterprise of the Split Company ("OPE"), in financial reports presented as Service and Bioinformatics Segment.

The split of the Company, in the light of IFRIC 17, was a transfer of non-cash assets to the Company's shareholders, i.e. a non-monetary dividend payment to shareholders included in correspondence with equity in the same amount. The application of this standard resulted in recognition in a separate item in the profit and loss account of "Gain on spin-off" in the amount of PLN 321 million in 2019, which is the difference between the fair value of all shares of Selvita CRO S.A. (currently Selvita S.A.), calculated as the product of the number of shares and the closing price from the first day of listing on the WSE, i.e. October 16, 2019, and the net asset value transferred in the form of OPE. It was a non-cash item and resulted directly from the division and receipt of 1: 1 ratio of shares in Selvita CRO S.A. (currently Selvita S.A.) by the shareholders of Ryvu Therapeutics S.A.

	Computation		Value in PLN
Fair value	21	* 15.971.229	335,395,809
	shares=		
Net assets of OPE			14,418,357
Gain on spin-off			320,977,452

The spin-off net assets are presented in the table below:

Non-current assets

Tangible fixed assets	4,545,548.00
Lease assets	1,184,864.00
Other Intangible assets	53,718.00
Investments in associates	6,599,616.25
Other financial assets	225,193.00

Total non-current assets 12,608,939.25

Current assets

Inventory	698,582.00
Trade and other receivables	10,513,724.56
Contract assets	1,852,003.00
Other financial assets	65,628.00
Other non-financial assets	812,695.92

Total current assets 13,942,633.48

Total assets 26,551,572.73

Long-term liabilities

Lease liabilities	750,200.72
Retirement provision	64,376.15

Total long-term liabilities 814,576.87

Short-term liabilities

Trade and other liabilities	7,845,096.62
Contract liabilities	718,309.00
Lease liabilities	375,100.00
Accrued expenses	2,380,132.91

Total short-term liabilities 11,318,638.53

Total liabilities 12,133,215.40

Net assets 14,418,357.33

The statement of comprehensive income for the period from January 1, 2019 until the separation of ZCP, i.e. September 30, 2019.

	01/01/2019 - 30/09/2019
	IFRS
Spin-off operations	
Sales revenue	38,768,832
Grant income	1,212,902
Other operating income	372,226
Total operating revenue	40,353,960
Amortization and depreciation	(2,885,462)
Consumption of materials and supplies	(7,811,655)
External services	(15,371,174)
Employee benefit expense	(12,707,007)
Taxes and charges	(347,999)
Other expenses	(872,676)
Other operating expenses	(53,409)
Total operating expenses	(40,049,382)
Operating (loss)	304,578
Financial revenue	307,336
Financial expenses	-
Profit / (loss) before income tax	611,914
Income tax expense	-
Net profit / (loss) on spin-off operations	611,914
Dividend on discontinued	8,320,928
Total income from spin-off operations	8,932,842

17. Valuation of shares in Nodthera

As at September 30, 2020, the Company held shares in NodThera Ltd.

- Reconciliation of the financial data to the carrying amount of shares in NodThera Ltd. recognized in the Company's financial statements as at December 31, 2019 (after another increase in the share capital at an issue price identical to the earlier increase in capital in March 2018):

In October 2019, another increase in the share capital of Nodthera took place confirming the above valuation at fair value. As a result of this event, the Company's share in the share capital is 8.6%.

value of shares in the balance sheet as at December 31, 2019	23,754,255
change in valuation - impact on the result	928,380
value of shares in the balance sheet as at March 31, 2020	24,268,120
change in valuation - impact on the result	513,865

On June 3, 2020, the Company's Management Board received information about the acquisition by NodThera Ltd. of financing in connection with the issue of new series B shares with a total value of GBP 44.5 million, which will be taken up by prestigious global biotechnology funds, the so-called blue chips investors, including new investors: Novo Holdings A/S (the investment arm of the pharmaceutical concern Novo Nordisk), Cowen Healthcare Investments and Sanofi Ventures (fund of the pharmaceutical concern Sanofi), as well as its current shareholders 5AM Ventures, F-Prime Capital Partners, Sofinnova Partners and Epidarex Capital. One of the shareholders in Epidarex Capital is Eli Lilly, a global pharmaceutical company that is also a direct shareholder in NodThera.

Financing will be granted in two tranches. Funds in the amount of GBP 20,249,965.22, in connection with the acquisition of 6,817,711 new preferred series B shares, as part of the first financing tranche, were contributed to the company, in accordance with the increase of NodThera's share capital registered on June 2, 2020. Series B shares were taken up at the issue price of GBP 2.9702 per share. The investment agreement signed by NodThera, shareholders and external investors stipulates that after reaching certain milestones in the development of the company's research projects, the share capital of NodTera will be additionally increased by GBP 24,299,835 through the issue of the second tranche of Series B shares in the number of 7,790,656, after an issue price of GBP 3,1191 per share. Pursuant to the investment agreement, the share capital increase referred to above will take place up to June 30, 2021. After the share capital increase under both tranches, the Issuer's share in the share capital of NodThera will be 4.8%.

The above issue, in the opinion of the Management Board, confirms the valuation as at the balance sheet day adopted at the price of one share at GBP 2.9702 / share.

Reconciliation of the financial data to the carrying amount of shares in NodThera Ltd. included in the Company's financial statements as at September 30, 2020 (after another share capital increase registered on June 2, 2020, described above):

new share issue price (in GBP)	2.9702
average NBP exchange rate of September 30, 2020	4.9560
new share issue price (in PLN)	14.72
number of Company's shares in Nodthera Ltd.	1,910,000
value of shares in the balance sheet as at September 30, 2020	28,115,794
change in valuation - impact on the result	4,361,539

Carrying amount of the Company's shares in Nodthera Ltd.

Balance as at 30/09/2020	Balance as at 31/12/2019	Balance as at 01/01/2019
28,115,794	23,754,255	22,825,875

Fair value of shares in Ryvu Therapeutics S.A. in NodThera Ltd. was determined on the basis of other data that can be observed directly or indirectly (so-called Tier 2).

18. Financial assets

The table below presents the individual classes of financial assets and liabilities broken down into levels of the fair value hierarchy as at September 30, 2020. Due to the nature of these items, fair value does not differ significantly from the carrying amount.

	30/09/2020	Quotations from active markets (Level 1)	Important observable data (Level 2)	Important unobservable data (Level 3)
Financial assets for which fair value is disclosed:				
Trade and other receivables	1,921,084	na	na	na
Financial assets-Shares in Nodthera	28,115,794	na	28,115,794	na
Contract assets	177,685	na	na	na
Receivables from share buyback	-	na	na	na
Financial liabilities for which fair value is disclosed:				
Trade payables	10,349,747	na	na	na
Interest-bearing loans and credits, including:	2,588,148	na	na	na
<i>global credit card limit</i>	400,000	na	na	na
Current portion of interest-bearing loans and borrowings, including:	23,635	na	na	na
<i>credit card debt</i>	23,635	na	na	na
	31/12/2019	Quotations from active markets (Level 1)	Important observable data (Level 2)	Important unobservable data (Level 3)
Financial assets for which fair value is disclosed:				
Trade and other receivables	1,475,646	na	na	na
Financial assets-Shares in Nodthera	23,754,255	na	23,754,255	na
Contract assets	360,205	na	na	na
Receivables from share buyback	2,988,750	na	na	na
Financial liabilities for which fair value is disclosed:				
Trade payables	21,620,869	na	na	na
Interest-bearing loans and credits, including:	3,185,808	na	na	na
<i>global credit card limit</i>	400,000	na	na	na
Current portion of interest-bearing loans and borrowings, including:	13,930	na	na	na
<i>credit card debt</i>	13,930	na	na	na

	30/09/2019	Quotations from active markets (Level 1)	Important observable data (Level 2)	Important unobservable data (Level 3)
Contract assets				
Trade and other receivables	809,285	na	na	na
Financial assets-Shares in Nodthera	22,825,875	na	22,825,875	na
Contract assets	1,852,003	na	na	na
Receivables from share buyback	2,988,750	na	na	na
Trade payables				
Trade payables	7,592,961	na	na	na
Contract liabilities	694,344	na	na	na
Interest-bearing loans and credits, including: <i>global credit card limit</i>	3,446,403 400,000	na na	na na	na na
Current portion of interest-bearing loans and borrowings, including: <i>credit card debt</i>	72,070 72,070	na na	na na	na na

	01/01/2019	Quotations from active markets (Level 1)	Important observable data (Level 2)	Important unobservable data (Level 3)
Financial assets for which fair value is disclosed:				
Trade and other receivables	11,977,438	na	na	na
Other short-term financial assets	14,985,926	na	na	na
Financial assets-Shares in Nodthera	22,825,875	na	22,825,875	na
Loans granted	67,072	na	na	na
Financial liabilities for which fair value is disclosed:				
Trade payables	18,706,361	na	na	na
Contract liabilities	759,510	na	na	na
Interest-bearing loans and credits, including: <i>global credit card limit</i>	4,053,135 400,000	na na	na na	na na
Current portion of interest-bearing loans and borrowings, including: <i>credit card debt</i>	71,437 71,437	na na	na na	na na

19. Other non-financial assets

	Balance as at 30/09/2020 PLN	Balance as at 31/12/2019 PLN	Balance as at 01/01/2019 PLN
Carrying amount:			
Licenses	230,212	768,728	527,500
Insurance	50,170	136,693	140,899
Costs related to subsequent year	5,820	137,182	635,514
Devices qualification	14,411	87,993	338,652
Magazines	33	3,529	-
Stock exchange fee	23,333	-	-
Property tax	5,375	-	-
Market research costs	-	21,439	-
Other	57,822	86,789	519,705
	387,176	1,242,353	2,162,270

20. Other financial assets - long term

	Balance as at 30/09/2020 PLN	Balance as at 31/12/2019 PLN	Balance as at 01/01/2019 PLN
Security deposits	85,194	85,193	113,579
	<u>85,194</u>	<u>85,193</u>	<u>113,579</u>

21. Inventories

	Balance as at 30/09/2020 PLN	Balance as at 31/12/2019 PLN	Balance as at 01/01/2019 PLN
Materials	903,727	1,586,162	1,602,008
Total	<u>903,727</u>	<u>1,586,162</u>	<u>1,602,008</u>

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

22. Trade and other receivables

	Balance as at 30/09/2020 PLN	Balance as at 31/12/2019 PLN	Balance as at 01/01/2019 PLN
Trade receivables	1,848,929	1,288,455	11,264,056
The allowance for expected credit losses	(18,217)	(574)	(50,000)
	1,830,712	1,287,881	11,214,056
Tax (VAT) receivables	4,053,033	5,010,965	6,600,000
Other – receivables from employees, security deposits	90,372	187,765	763,382
Receivables from share buyback	-	2,988,750	-
Grants due	2,203,959	5,205,421	15,871,707
	8,178,076	14,680,782	34,449,145

* Receivables from the repurchase of series "0" shares of Selvita S.A., arising in connection with the division of the Company carried out in October 2019.

22.1 The allowance for expected credit losses on trade receivables and contract assets

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

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

Period ended 30/09/2020			
	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	1,173,744	0.04%	498
1-90 days after the deadline	510,284	0.05%	255
91-180 days after the deadline	224,375	0.06%	135
181-365 days after the deadline	82,780	0.14%	116
More than 365 days after the deadline	17,213	100.00%	17,213
Total	2,008,396		18,217

The average payment date of overdue trade receivables is 10 days for the period from 01/01/2020 till 30/09/2020 and in the corresponding period of 2019 it was 16 days.. A new customer's creditworthiness is analysed prior to the entry into a relevant contract. Due to its business profile, the Company 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.

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	1,114,022	0.02%	233
1-90 days after the deadline	513,138	0.02%	103
91-180 days after the deadline	16,278	1.46%	238
181-365 days after the deadline	151	0.00%	0
More than 365 days after the deadline	5,071	0.00%	0
Total	1,648,660		574

The average payment date of overdue trade receivables in the period from 01/01/2019 till 31/12/2019 is 32 days. A new customer's creditworthiness is analysed prior to the entry into a relevant contract. Due to its business profile, the Company 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.

Period ended 01/01/2019

	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	6,377,861	0.02%	1,336
1-90 days after the deadline	3,991,140	0.02%	798
91-180 days after the deadline	778,115	1.46%	11,355
181-365 days after the deadline	23,322	0.00%	0
More than 365 days after the deadline	93,618	40.00%	37,447
Total	11,264,056		50,936

The average payment date of overdue trade receivables is 32 days. A new customer's creditworthiness is analysed prior to the entry into a relevant contract. Due to its business profile, the Company cooperates with entities that are known in the industry, which also affects their creditworthiness. The payment terms are set in the offers made to contracting parties.

The allowance for expected credit losses

	Period ended 30/09/2020 PLN	Period ended 31/12/2019 PLN	Period ended 01/01/2019 PLN
Balance at the beginning of the period	574	50,000	50,000
The allowance for expected credit losses	17,643	574	-
The allowance related to spin-off operations	-	(50,000)	-
Balance at the end of the period	18,217	574	50,000

23. Leases

23.1. The Company as a lessee

The Company 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 Company also concludes contracts for an indefinite period. The management board makes a judgment to determine the period over which it can be assumed with reasonable certainty that such contracts will continue (see note 3.8).

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

The Company's liabilities under the lease contracts are secured by the lessor's ownership of the subject of the lease. In general, the Company is not entitled to transfer leased assets in subleasing or to assign rights it is entitled to under lease contracts. Some contracts contain requirements for the levels of certain financial indicators.

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

Period ended 30 September 2020	Buildings and premises	Equipment	Vehicles	Total
As at 1 January 2020	1,424,462	6,627,544	163,500	8,215,506
Purchases (new lease agreements)	-	205,514	-	205,514
Changes in lease agreements	1,773,168	-	118,292	1,891,460
Depreciation	(1,036,932)	(1,228,326)	(74,399)	(2,339,657)
As at 30 September 2020	2,160,698	5,604,732	207,393	7,972,823

Year ended 31 December 2019	Buildings and premises	Equipment	Vehicles	Total
As at 1 January 2019	13,357,622	4,227,616	262,699	17,847,937
Purchases (new lease agreements)	-	5,302,961	-	5,302,961
Changes in lease agreements	(10,253,292)	-	-	(10,253,292)
Splin off OPE	-	(1,184,864)	-	(1,184,864)
Depreciation	(1,679,868)	(1,718,169)	(99,199)	(3,497,236)
As at 31 December 2019	1,424,462	6,627,544	163,500	8,215,506

Year ended 30 September 2019	Buildings and premises	Equipment	Vehicles	Total
As at 1 January 2019	13,357,622	4,227,616	262,699	17,847,937
Splin off OPE	-	4,622,256	-	4,622,256
Depreciation	(8,469,355)	-	-	(8,469,355)
Changes in lease agreements	-	-	-	-
Depreciation	(2,660,277)	(1,120,073)	(117,377)	(3,897,727)
As at 30 September 2019	2,227,990	7,729,799	145,322	10,103,111

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

	2020
As at 1 January 2020	1,920,267
Purchases (new lease agreements)	205,514
Changes in lease agreements	1,891,460
Revaluation	4,457,683
Interest	154,630
Payments	(3,036,593)
As at 30 September 2020	5,592,961
Short-term	2,406,034
Long-term	3,186,927

	2019
As at 1 January 2019	18,091,516
Purchases (new lease agreements)	5,302,961
Changes in lease agreements	(10,253,292)
Splin off OPE	(1,125,301)
Revaluation	1,668,356
Interest	216,569
Payments	(3,594,634)
As at 31 December 2019	10,306,175
Short-term	3,222,899
Long-term	7,083,276

	2019
As at 1 January 2019	18,091,516
Purchases (new lease agreements)	4,622,256
Changes in lease agreements	(8,469,355)
Revaluation	2,170,797
Interest	206,843
Payments	(2,659,445)
As at 30 September 2019	13,962,612
Short-term	3,393,025
Long-term	10,569,587

The maturity analysis of leasing liabilities is presented in Note 30.8 Liquidity risk.

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

	01.01.2020- 30.09.2020
Depreciation of leased assets	(1,111,331)
Interest costs on lease liabilities	(32,077)
Other operating income due to changes in leasing agreements	53,692
Total amount recognized in the income statement / statement of comprehensive income	(1,089,716)

	01.01.2019- 31.12.2019
Depreciation of leased assets	(1,779,067)
Interest costs on lease liabilities	(140,864)
Other operating income due to changes in leasing agreements	208
Total amount recognized in the income statement / statement of comprehensive income	(1,919,723)

	01.01.2019- 30.09.2019
Depreciation of leased assets	(2,777,654)
Interest costs on lease liabilities	(107,947)
Other operating income due to changes in leasing agreements	208
Total amount recognized in the income statement / statement of comprehensive income	(2,885,393)

The total cash outflow from leasing (regarding buildings and premises and cars) was PLN 1,844,183 in the entire year 2019, PLN 1,386,037 in the 9-months period of 2019 and PLN 1,217,048 in the 9-months period of 2020.

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

	01.01.2020- 30.09.2020
Depreciation of leased assets	(1,228,326)
Interest costs on lease liabilities	(121,130)
Total amount recognized in the income statement / statement of comprehensive income	(1,349,456)

	01.01.2019- 31.12.2019
Depreciation of leased assets	(1,779,067)
Interest costs on lease liabilities	(140,864)
Total amount recognized in the income statement / statement of comprehensive income	(1,919,931)

	01.01.2019- 30.09.2019
Depreciation of leased assets	(1,120,073)
Interest costs on lease liabilities	(2,827)
Total amount recognized in the income statement / statement of comprehensive income	(1,122,900)

The total cash outflow from leasing (regarding equipment) was PLN 1,750,451 in the entire year 2019, PLN 1,272,808 in the three quarter of 2019 and PLN 1,819,545 in the three quarter of 2020.

24. Share capital

	Balance as at 30/09/2020	Balance as at 31/12/2019	Balance as at 01/01/2019
	PLN	PLN	PLN
Registered share capital	7,342,190	6,388,492	6,388,492
	7,342,190	6,388,492	6,388,492

24.1 Share capital as at the end of the reporting period

	Balance as at 30/09/2020	Balance as at 31/12/2019	Balance as at 01/01/2019
	PLN	PLN	PLN
Number of shares	18,355,474	15,971,229	15,971,229
Par value per share	0.40	0.40	0.40
Share capital	7,342,190	6,388,492	6,388,492

Share capital structure as at 30 September 2020

Series / issue	Type of preference	Number of shares	Par value of series / issue
Type of shares (ordinary / registered)			
Registered "A" shares	2 votes / 1 share	4,050,000	1,620,000
Ordinary "B" shares	none	1,329,500	531,800
Ordinary "C" shares	none	1,833,000	733,200
Ordinary "D" shares	none	551,066	220,426
Ordinary "E" shares	none	2,700,000	1,080,000
Ordinary "F" shares	none	2,651,891	1,060,756
Ordinary "G1" shares	none	327,886	131,154
Ordinary "G2" shares	none	327,886	131,154
Ordinary "H" shares	none	2,200,000	880,000
Ordinary "I" shares		2,384,245	953,698
Total		18,355,474	7,342,190

Share capital structure as at 31 December 2019

Series / issue	Type of preference	Number of shares	Par value of series / issue
Type of shares (ordinary / registered)			
Registered "A" shares	2 votes / 1 share	4,050,000	1,620,000
Ordinary "B" shares	none	1,329,500	531,800
Ordinary "C" shares	none	1,833,000	733,200
Ordinary "D" shares	none	551,066	220,426
Ordinary "E" shares	none	2,700,000	1,080,000
Ordinary "F" shares	none	2,651,891	1,060,756
Ordinary "G1" shares	none	327,886	131,154
Ordinary "G2" shares	none	327,886	131,154
Ordinary "H" shares	none	2,200,000	880,000
Total		15,971,229	6,388,492

Share capital structure as at 1 January 2019

Series / issue	Type of preference	Number of shares	Par value of series / issue
Type of shares (ordinary / registered)			
Registered "A" shares	2 votes / 1 share	4,050,000	1,620,000
Ordinary "B" shares	none	1,329,500	531,800
Ordinary "C" shares	none	1,833,000	733,200
Ordinary "D" shares	none	551,066	220,426
Ordinary "E" shares	none	2,700,000	1,080,000
Ordinary "F" shares	none	2,651,891	1,060,756
Ordinary "G1" shares	none	327,886	131,154
Ordinary "G2" shares	none	327,886	131,154
Ordinary "H" shares	none	2,200,000	880,000
Total		15,971,229	6,388,492

On August 18, 2020, the District Court for Kraków-Śródmieście in Kraków, XI Commercial Division of the National Court Register, registered an increase in the Company's share capital from PLN 6,388,491.60 to PLN 7,342,189.60 by issuing ordinary shares bearer series I of the Company with a nominal value of PLN 0.40 each. The issue price of the Series I Shares was set at PLN 60 per share, therefore the total proceeds from the issue, understood as the product of the number of shares covered by the offering and the issue price, amounted to PLN 143,054,700, and the total costs of the offering were PLN 8,212,623. More information on the above subject is provided in Note 39 to the financial statements.

Shareholder structure

Balance as at 30/09/2020

Shareholder	Number of shares	Percentage interest in share capital	Number of votes	Percentage share of voting rights
Paweł Tadeusz Przewięźlikowski	4,990,880	27.19%	8,490,880	37.90%
Bogusław Stanisław Sieczkowski	924,384	5.04%	1,474,384	6.58%
Augebit Fundusz Inwestycyjny Zamknięty (directly by Privatech Holdings Limited)	1,132,533	6.17%	1,132,533	5.06%
Nationale Nederlanden PTE S.A.	1,594,749	8.68%	1,594,749	7.11%
Other shareholders	9,712,928	52.92%	9,712,928	43.35%
Total	18,355,474	100.00%	22,405,474	100.00%

Balance as at 31/12/2019

Shareholder	Number of shares	Percentage interest in share capital	Number of votes	Percentage share of voting rights
Paweł Tadeusz Przewięźlikowski	4,990,880	31.25%	8,490,880	42.41%
Bogusław Stanisław Sieczkowski	924,384	5.79%	1,474,384	7.36%
Augebit Fundusz Inwestycyjny Zamknięty (directly by Privatech Holdings Limited)	1,039,738	6.51%	1,039,738	5.19%
Nationale Nederlanden PTE S.A.	1,594,749	9.99%	1,594,749	7.97%
Other shareholders	7,421,478	46.46%	7,421,478	37.07%
Total	15,971,229	100.00%	20,021,229	100.00%

Balance as at 01/01/2019

Shareholder	Number of shares	Percentage interest in share capital	Number of votes	Percentage share of voting rights
Paweł Tadeusz Przewięźlikowski	4,990,880	31.25%	8,490,880	42.41%
Bogusław Stanisław Sieczkowski	924,384	5.79%	1,474,384	7.36%
Augebit Fundusz Inwestycyjny Zamknięty (directly and indirectly by Privatech Holdings Limited)	1,039,738	7.55%	1,039,738	5.83%
Nationale Nederlanden PTE S.A.	1,316,969	8.25%	1,316,969	6.58%
Other shareholders	7,699,258	47.16%	7,699,258	37.82%
Total	15,971,229	100.00%	20,021,229	100.00%

24.2 Revaluation reserve

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

24.3 Other reserve capitals

	Balance as at 30/09/2020 PLN	Balance as at 31/12/2019 PLN	Balance as at 01/01/2019 PLN
Others - incentive program	11,172,000	11,172,000	11,172,000
Total	11,172,000	11,172,000	11,172,000

In 2017, the Company completed the implementation of the incentive program.

Detailed conditions of the incentive program were determined by the Supervisory Board by resolution of September 17, 2015. The company has issued registered bearer subscription warrants. Each subscription warrant was exchangeable for one ordinary share of the Company. The number of warrants in the incentive program was 627,814 shares. The receiving warrant did not pay or receive any monetary amounts. The rights to subscribe for shares arising from the warrants were exercised on two dates, i.e. until February 29, 2016 and February 28, 2017.

24.4 Share premium

	Balance as at 30/09/2020 PLN	Balance as at 31/12/2019 PLN	Balance as at 01/01/2019 PLN
Share premium	159,680,803	159,680,803	159,680,803
including the surplus on the issue of shares above their nominal value, "H" series ordinary shares	134,200	134,200	-
including issue costs, "H" series ordinary shares	(4,295,093)	(4,295,093)	-
including surplus from issue of shares above their nominal value "I" series ordinary shares	142,101,002	-	-
including issue costs, "I" series ordinary shares	(8,212,623)	-	-
Transfer of result from previous years due to the split	(10,331,325)	(10,331,325)	8,564,017
Total Reserve Capital	279,076,964	145,188,585	168,244,820

25. First-time adoption of IFRS

The financial period ended March 31, 2020 was the first period for which the Company prepared its financial statements in accordance with IFRS and related interpretations adopted by the European Union. IFRS transition date for Ryvu Therapeutics S.A. is January 1, 2019 and the opening balance has been prepared for that day. The reconciliation to the balance sheet as at 01/01/2019 and 31/12/2019, the reconciliation to the Company's total income for the year ended December 31, 2019 and the reconciliation of cash flows for the year ended December 31, 2019 were published in the report for the first quarter of 2020.

Entities that prepare financial statements according to IFRS for the first time apply the guidelines of International Financial Reporting Standard 1 ("IFRS 1") "Application of International Financial Reporting Standards for the first time". Pursuant to IFRS 1, these financial statements have been prepared as if the Company had always applied IFRS EU as at the reporting date, together with a statement of full compliance with all IFRS standards. Due to the change in accounting standards described in this note, the transformed data for comparative periods were not presented in the financial statements for previous periods and were not subject to examination or review by a certified auditor.

The company applied its obligatory and voluntary exemptions from the application of selected EU IFRSs specified in IFRS 1. They are described below.

The company applied the following mandatory exceptions:

Estimates

The estimates as at January 1, 2019, as at September 30, 2019 and December 31, 2019 are consistent with the estimates made for the same dates in accordance with PAS after adjustments reflecting any differences in accounting policies. The company has for the first time used estimates for the following transactions, for which execution was not required under PAS, but is required under IFRS:

- Share-based payments,
- Valuation of financial assets measured at fair value,
- Assets due to the right of use.

Classification and valuation of financial instruments

An entity applying IFRS for the first time is required to assess whether a financial asset meets the conditions on the basis of facts and circumstances that exist at the date of transition to IFRS. As at the date of transition to IFRS, if the assessment of the changed value of money over time is impracticable on the basis of facts and circumstances as at the date of transition to IFRS, the Company assesses the contractual cash flows specific to that financial asset based on facts and circumstances as at transition to IFRS without taking into account the requirements related to the change in the time value of money.

In addition, the Company applied the following voluntary exemptions:

Investments in subsidiaries, joint ventures and associates

If the entity applying IFRS for the first time measures an investment in a subsidiary, joint venture or associate at cost, as at the date of transition to IFRS, it can measure such investment at cost (determined in accordance with IAS 27 Consolidated and separate financial statements) or assumed cost (fair value or value previously disclosed according to UoR as at the date of transition to IFRS).

The company decided to use this exemption for the valuation of investments in related entities as at January 1, 2019, using the valuation established in accordance with the Act on the Act on the date of January.

Leases

When applying IFRS, the company assessed for the first time whether a given contract existing at the date of transition to IFRS includes leasing based on facts and circumstances as at that date.

When applying IFRS for the first time, the Company as a lessee recognized lease liabilities and asset components under the right of use, applying the following practical approaches to all its leases:

- a) the lease liability was measured on the date of transition to IFRS. The company measured the lease liability at the present value of other lease payments, discounted using the lessee's marginal interest rate on the date of transition to IFRS;
- b) the asset under the right of use was measured on the date of transition to IFRS in an amount equal to the liability under the lease, adjusted for the amount of all prepaid and accrued lease payments relating to that lease, recognized in the statement of financial position immediately before the date of transition to IFRS.
- c) IAS 36 was applied to the assets due to the right of use on the date of transition to IFRS.

The Company also decided to take advantage of exemptions for leasing contracts whose lease period at the start date is 12 months or less and which do not include a purchase option ("short-term leasing") and leasing contracts for which the underlying asset is of low value ("low-value assets"), and also excluded initial direct costs from the valuation of the asset due to the right of use on the date of transition to IFRS. In addition, the Company used the knowledge after the fact, e.g. in the case of determining the lease period, if the contract provided for the possibility of extending the lease or terminating the lease. The company applied one discount rate for a portfolio of leases with similar characteristics. The discount rates adopted by the Company for the purpose of valuation in accordance with IFRS 16 were based on reference interest rates on loans on the interbank market, respectively for a given currency, corrected by the margin used by the Company to incur debt. 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.

In addition, the Company did not decide to apply a voluntary exemption consisting in the valuation of non-financial fixed assets as at the date of transition to IFRS 1 at the assumed cost at the level of fair value, because as a result of the analysis it found that the value of non-financial fixed assets according to IFRS corresponds to their carrying amount determined as a cost initial reduced by depreciation charges and any impairment losses in accordance with the Accounting Act.

**RECONCILIATION OF THE STATEMENT OF FINANCIAL POSITION BY POLISH ACCOUNTING STANDARDS AND IFRS
PREPARED AS AT SEPTEMBER 30, 2019**

	Balance as at 30/09/2019 Polish Accounting Standards	adjustments*	Balance as at 30/09/2019 IFRS adjustments	Balance as at 30/09/2019 IFRS
ASSETS				
Non-current assets				
Tangible fixed assets	55,650,972	2,3	8,405,693	64,056,665
Other Intangible assets	2,739,615		-	2,739,615
Financial assets-Shares in Nodthera	678,910	5	22,146,965	22,825,875
Deferred Tax Asset	9,588,366		-	9,588,366
Other financial assets	300,753		-	300,753
Total non-current assets	68,958,616		30,552,658	99,511,274
Current assets				
Inventory	1,548,052		-	1,548,052
Short-term receivables	15,946,067	1	7,076,829	23,022,896
Contract assets	-		1,852,003	1,852,003
Other financial assets	65,628		-	65,628
Other assets	10,039,434	1	(8,234,488)	1,804,946
Cash and other monetary assets	89,059,228		-	89,059,228
Total current assets	116,658,409		694,344	117,352,753
Total assets	185,617,025		31,247,002	216,864,027
EQUITY AND LIABILITIES				
Equity				
Share capital	6,388,492		-	6,388,492
Share premium	145,188,585		-	145,188,585
Capital resulting from the spin-off	-	6	11,172,000	11,172,000
Retained earnings / Accumulated losses	-		7,586,900	7,586,900
Net profit / (loss) for the period	(24,915,524)		(250,042)	(25,165,566)
Total equity	126,661,553		18,508,858	145,170,411
Long-term liabilities				
Bank loans and credits	2,564,513		-	2,564,513
Lease liabilities	4,013,036	2	6,556,551	10,569,587
Retirement provision	118,023		-	118,023
Deferred tax liability	6,036	4,5	3,448,435	3,454,471
Deferred income	22,158,920		-	22,158,920
Total long-term liabilities	28,860,528		10,004,985	38,865,513
Short-term liabilities				
Trade and other liabilities	19,645,232		-	19,645,232
Contract liabilities	-		694,344	694,344
Bank loans and credits	881,890		-	881,890
Lease liabilities	1,649,545	2	1,743,480	3,393,025
Deferred income and accrued expenses	3,854,728		-	3,854,728
Deferred income	4,063,549	1	295,334	4,358,883
Total short-term liabilities	30,094,944		2,733,158	32,828,102
Total liabilities	58,955,472		12,738,143	71,693,615
Total equity and liabilities	185,617,025		31,247,002	216,864,027

*** Adjustments**

1. Reclassification of receivables from subsidies

- Change in the presentation of amounts due from subsidies calculated in proportion to the eligible costs incurred in the amount of PLN 7,076,829.

2. Application of IFRS 16

- Valuation of tangible assets used based on lease contracts in the amount of PLN 8,300,031 and adjustment of long-term leasing liabilities in the amount of PLN 6,556,551 and short-term leasing liabilities in the amount of PLN 1,743,480.

3. Adjustment of depreciation of low-value fixed assets

- Adjustment of the depreciation calculation of low-value fixed assets from a one-off method to a straight-line method in the amount of PLN 105,662.

4. Adjustment for deferred tax

- Adjustment of the deferred tax provision related to the valuation of shares in Nodthera in the amount of PLN 4,207,923 and resulting from the change in the method of depreciation of low value fixed assets in the amount of PLN 192,312 and related to IFRS 16 in the amount of minus 951,801.

5. Valuation of shares in Nodthera (Note 17)

6. Adjustment in connection with the transformation to IFRS as a result of settlement of the option program

- Adjustment of remuneration costs in connection with the incentive program carried out in 2015-2016 in the amount of PLN 11,172,000.

RECONCILIATION OF THE PROFITS AND LOSS ACCOUNT ACCORDING TO POLISH ACCOUNTING STANDARDS AND IFRS FOR THE PERIOD FROM 1 JANUARY 2019 TO 30 SEPTEMBER 2019

	Period ended 30/09/2019	adjustments*	Period ended 30/09/2019		Period ended 30/09/2019
	Polish Accounting Standards		IFRS adjustments	Presentation of spin-off activities [adjustment 6]	IFRS
Continuing operations					
Sales revenue	41,917,508		-	(38,768,832)	3,148,676
Grant income	23,680,600	1	(93,125)	(1,212,902)	22,374,573
Other operating revenue	677,560	2	-	(372,226)	305,541
Total operating revenue	66,275,668		(93,125)	(40,353,960)	25,828,790
Amortization and depreciation	(7,205,136)	2,3	(1,376,689)	2,885,462	(5,696,363)
Consumption of materials and supplies	(19,144,010)		-	7,811,655	(11,332,355)
External services	(36,487,115)	1,2	1,417,842	15,371,174	(19,698,099)
Employee benefit expense	(34,251,791)		-	12,707,007	(21,544,784)
Taxes and charges	(556,852)		-	347,999	(208,853)
Other expenses	(2,510,892)		-	872,676	(1,638,216)
Other operating expenses	(83,036)		-	53,409	(29,627)
Total operating expenses	(100,238,832)		41,153	40,049,382	(60,148,297)
Operating (loss)	(33,963,164)		(51,972)	(304,578)	(34,319,507)
Financial revenue	9,395,324		64,525	(8,628,264)	831,585
Financial expenses	(371,637)	1	(254,707)	-	(626,344)
(Loss) before income tax	(24,939,477)		(242,154)	(8,932,842)	(34,114,266)
Income tax expense	23,953	4	(8,095)	-	15,858
Net (loss) on continuing operations	(24,915,524)		(9,182,884)	(8,932,842)	(34,098,408)
Discontinued operations					
Net profit / (loss) on discontinued operations	-		-	8,932,842	8,932,842
NET PROFIT / (LOSS)	(24,915,524)		(9,182,884)	-	(25,165,566)
TOTAL INCOME FOR THE PERIOD	(24,915,524)		(250,042)	-	(25,165,566)

*** Adjustments**

1. Reclassification of subsidy income
 - Change in the presentation of revenues from subsidies accrued from the depreciation of low-value fixed assets in the amount of PLN 93,125.
2. Adoption of IFRS 16
 - Adjustment of depreciation of usage rights in the amount of PLN 782,834 and costs of external services in the amount of PLN 773,471.
 - Adjustment of the depreciation calculation of low-value fixed assets from one-off to straight-line method in the amount of PLN 1,091,979.
4. Income tax adjustment
 - Correction of the calculation of deferred income tax calculated on the change in the depreciation of low-value funds and income from subsidies on the depreciation of low-value funds in the amount of PLN 719, as well as the calculation of deferred income tax for the depreciation and adjustment of services resulting from the application of IFRS 16 in the amount of PLN 7,376.
6. Presentation of spin-off activities
 - Change in the presentation of revenues related to spin-off operations in the amount of PLN 38,768,832.
 - Change in the presentation of revenues from subsidies related to spin-off operations in the amount of PLN 1,212,902.
 - Change in the presentation of other operating income related to spin-off operations in the amount of PLN 372,019.
 - Change in the presentation of depreciation relating to spin-off operations in the amount of PLN 3,351,381.
 - Change in the presentation of the consumption of raw materials and materials related to the spin-off activity in the amount of PLN 7,811,655.
 - Change in the presentation of external services related to spin-off operations in the amount of PLN 16,046,750.
 - Change in the presentation of employee benefits related to spin-off activities in the amount of PLN 12,707,007.
 - Change in presentation of taxes and fees related to spin-off operations in the amount of PLN 347,999.
 - Change in the presentation of other costs related to spin-off operations in the amount of PLN 872,676.
 - Change in the presentation of other operating costs related to spin-off operations in the amount of PLN 53,409.
 - Change in the presentation of financial income related to spin-off operations in the amount of PLN 8,562,262.
 - Change in the presentation of financial costs related to spin-off operations in the amount of PLN 256,184.

RECONCILIATION OF THE PROFITS AND LOSS ACCOUNT ACCORDING TO POLISH ACCOUNTING STANDARDS AND IFRS FOR THE PERIOD FROM 1 JULY 2019 TO 30 SEPTEMBER 2019

	From 01/07/2019 to 30/09/2019	adjustments*	From 01/07/2019 to 30/09/2019	From 01/07/2019 to 30/09/2019
	Polish Accounting Standards		IFRS adjustments	Presentation of spin-off activities [adjustment 6] IFRS
Continuing operations				
Sales revenue	15,338,081	6	-	(14,121,747)
Grant income	7,319,250	1,6	(39,807)	(374,066)
Other operating revenue	225,200	6	207	(208,112)
Total operating revenue	22,882,531		(39,600)	(14,703,925)
Amortization and depreciation	(2,479,908)	2,3,6	(214,665)	559,101
Consumption of materials and supplies	(6,800,185)	6	-	2,119,619
External services	(13,345,529)	1,2,6	118,455	5,647,865
Employee benefit expense	(11,666,687)	6	-	5,530,057
Taxes and charges	(197,196)	6	-	26,413
Other expenses	(789,839)	6	-	(3,260)
Other operating expenses	(13,221)	6	-	51,117
Total operating expenses	(35,292,565)		(96,210)	13,930,912
Operating (loss)	(12,410,034)		(135,811)	(773,013)
Financial revenue	8,764,907	6	-	(8,608,028)
Financial expenses	23,433		(1)	224,830
(Loss) on business activities	(3,621,694)		(135,812)	(9,156,211)
Valuation of Investments in associates	-	5	-	-
(Loss) before income tax	(3,621,694)		(325,995)	(9,156,211)
Income tax expense	25,713	4	9,296	-
Net (loss) on continuing operations	(3,595,981)		(318,122)	(9,156,211)
Discontinued operations				
Net profit / (loss) on discontinued operations	-	6	-	9,156,211
NET PROFIT / (LOSS)	(3,595,981)		(318,122)	-
TOTAL INCOME FOR THE PERIOD	(3,595,981)		(318,122)	-

*** Adjustments**

1. Reclassification of subsidy income

- Change in the presentation of revenues from subsidies accrued from the depreciation of low-value fixed assets in the amount of PLN 39,807.

2. Adoption of IFRS 16

- Adjustment of depreciation of usage rights in the amount of PLN 485,348 and the costs of external services in the amount of PLN 494,711.

3. Adjustment of depreciation of low-cost fixed assets

- Correction of the depreciation calculation of low-value fixed assets from a one-off method to a straight-line method in the amount of PLN 261,051.

4. Income tax adjustment

- Correction of the calculation of deferred income tax calculated on the change in the depreciation of low-value funds and income from subsidies on the depreciation of low-value funds in the amount of PLN 71 and the calculation of deferred income tax in the depreciation and adjustment of services resulting from the application of IFRS 16 in the amount of PLN 9,229.

6. Presentation of spin-off activities

- Change in the presentation of revenues related to spin-off operations in the amount of PLN 14,121,747.
- Change in the presentation of revenues from subsidies related to spin-off operations in the amount of PLN 374,066.
- Change in the presentation of other operating income related to spin-off operations in the amount of PLN 208,112.
- Change in the presentation of depreciation relating to spin-off operations in the amount of PLN 559,101.
- Change in the presentation of the consumption of raw materials and materials related to the spin-off activity in the amount of PLN 2,119,619.
- Change in the presentation of external services related to spin-off operations in the amount of PLN 5,647,865.
- Change in the presentation of employee benefits related to spin-off activities in the amount of PLN 5,530,057.
- Change in presentation of taxes and fees related to spin-off operations in the amount of PLN 26,413.
- Change in the presentation of other costs related to spin-off operations in the amount of PLN 3,260.
- Change in the presentation of other operating costs related to spin-off operations in the amount of PLN 51,117.
- Change in the presentation of financial income related to spin-off operations in the amount of PLN 8,608,028.
- Change in the presentation of financial cost related to spin-off operations in the amount of PLN 224,830.

RECONCILIATION OF THE STATEMENT OF CASH FLOWS ACCORDING TO POLISH ACCOUNTING STANDARDS AND IFRS FOR THE PERIOD FROM 1 JANUARY 2019 TO 30 SEPTEMBER 2019

	Note	Year ended 30/09/2019 Polish Accounting Standards	adjustment*	Year ended 30/09/2019 IFRS adjustments	Year ended 30/09/2019 IFRS
Cash flows from operating activities					
Profit / (loss) for the period		(24,915,524)		(250,042)	(25,165,566)
Adjustments:					
Valuation of shares in Nodthera			5	-	-
Amortization and depreciation and impairment losses on fixed assets		7,205,136	3	(1,508,774)	5,696,363
Interest and profit-sharing (dividends), net		(8,941,965)		(564,093)	(9,506,058)
Profit on the spin-off			6	-	-
Change in receivables		2,631,371	7,8	8,794,878	11,426,249
Change in inventory		53,956		-	53,956
Change in short-term liabilities and provision excluding credits and loans		(2,087,749)		1,350,479	(737,270)
Change in deferred income		(22,695,332)	1	35,403,786	12,708,454
Change in deferred tax		1,708,559	2,4	(1,732,512)	(23,953)
Change in other assets		42,452,603	2,4,7,8	(42,223,683)	228,920
Net cash flows from operating activities		(4,588,945)		(729,961)	(5,318,906)
- from continued operations		3,755,442		(10,994,539)	(7,239,097)
- from discontinued operations		(8,344,387)		10,264,578	1,920,191
Cash flows from investing activities					
Disposal of tangible and intangible fixed assets		-		-	-
Purchase of tangible and intangible fixed assets		(19,710,400)		1,403,385	(18,307,015)
Purchase / (disposal) of other financial assets		14,985,926		(57,326)	14,928,600
Purchase of subsidiary, net of cash receipts		(2,988,750)	10	-	(2,988,750)
Dividends received		8,326,199	9	(5,271)	8,320,928
Interest received		799,814		31,771	831,585
Repayment of loans		3,324		(1,615)	1,709
Loans granted		-		5,271	5,271
Net cash flows from investing activities		1,416,113		1,376,215	2,792,328
- from continued operations		(2,521,275)		2,011,422	(509,853)
- from discontinued operations		3,937,388		(635,207)	3,302,181
Cash flows from financing activities					
Repayment of finance lease liabilities		(1,272,808)		(1,386,637)	(2,659,445)
Proceeds from credits and loans		72,070		36,317	108,387
Repayment of credits and loans		(1,214,730)		607,998	(606,732)
Dividends received		-	9	-	-
Purchase of shares of related parties		-	10	-	-
Interest paid		(210,548)		96,069	(114,479)
Net cash flows from financing activities		2,626,015		646,254	(3,272,269)
- from continued operations		(1,629,672)		421,262	(2,050,934)
- from discontinued operations		(996,343)		(1,067,515)	(1,221,336)
Net increase / (decrease) in cash and cash equivalents		(5,798,847)		-	(5,798,847)
Cash and cash equivalents at the beginning of the period		94,858,075		-	94,858,075
Cash and cash equivalents at the end of the period		89,059,228		-	89,059,228

*** Adjustments**

1. Reclassification of subsidy income

- *Change in the presentation of revenues from subsidies accrued from the depreciation of low-value fixed assets in the amount of PLN 93,125.*

2. Application of IFRS 16

- *Valuation of tangible assets used based on lease contracts in the amount of PLN 8,300,031 and adjustment of long-term leasing liabilities in the amount of PLN 6,556,551 and short-term leasing liabilities in the amount of PLN 1,743,480.*

3. Adjustment of depreciation of low-value fixed assets

- *Adjustment of the depreciation calculation of low-value fixed assets from a one-off method to a straight-line method in the amount of PLN 1,091,979.*

4. Adjustment for deferred tax

- *Adjustment of deferred tax asset from changes in the value of amortization of low-value funds and revenues from subsidies accrued from amortization of low-value funds in the amount of PLN 719 and adjustment of the deferred tax asset resulting from the application of IFRS 16 in the amount of PLN 7,376.*

5. Valuation of shares in associates (Note 17)

6. Effect of separating OPE (Note 16)

7. Reclassification of subsidies

- *Change in the presentation of receivables from subsidies calculated in proportion to the eligible costs incurred in the amount of PLN 7,076,829.*

8. Reclassification of receivables from settlement of long-term contracts

- *Change in the presentation of contractual receivables in the amount of PLN 1,852,003.*

9. Reclassification of dividends received in the amount of PLN 8,320,928

10. Reclassification of purchase of shares of related entities in the amount of PLN 2,988,750

26. Credit facilities and loans and other sources of financing

	Balance as at 30/09/2020 PLN	Balance as at 31/12/2019 PLN	Balance as at 01/01/2019 PLN
Uncollateralized:			
Overdraft facilities (i)	-	-	-
Used credit card limits (ii)	23,635	13,930	71,437
	<u>23,635</u>	<u>13,930</u>	<u>71,437</u>
Collateralized:			
Bank loans (iii)	2,564,513	3,171,878	3,981,698
	<u>2,564,513</u>	<u>3,171,878</u>	<u>3,981,698</u>
Total:	<u>2,588,148</u>	<u>3,185,808</u>	<u>4,053,135</u>
Current liabilities	833,455	823,750	881,257
Non-current liabilities	1,754,693	2,362,058	3,171,878
	<u>2,588,148</u>	<u>3,185,808</u>	<u>4,053,135</u>

26.1 Loan agreements

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

(ii) The balance of debt as at 30/09/2020 results from the use of the limit on credit cards in the amount of PLN 23,635.

(iii) The company has a mortgage loan taken for the purchase of a construction plot in Bank PKO BP.

The interest rate as at the balance sheet day was 3.14%.

The loan is secured by a mortgage entry in the amount of PLN 8,403,000, a blank promissory note for PLN 2,564,513 and a contractual right of set-off to PLN 2,564,513.

26.2 Breaches of covenants

None.

27. Provisions

None.

28. Trade and other liabilities

	Balance as at 30/09/2020 PLN	Balance as at 31/12/2019 PLN	Balance as at 01/01/2019 PLN
Trade liabilities	10,312,453	18,413,148	16,907,846
Liabilities due to taxes, insurance (social security, personal income tax, PFRON)	574,112	1,015,263	1,565,791
CIT liability	-	-	45,184
Liabilities due to salaries and wages and other liabilities to employees	54	11,911	523,685
Other non-financial liabilities	37,240	3,195,810	1,274,830
	10,923,859	22,636,132	20,317,336

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 Company has a financial risk management policy in place, ensuring that its liabilities are paid on time.

29 Liabilities due to retirement benefits

Balance as at 30/09/2020

Item	Provisions for retirement benefits	Total
Provisions at the beginning of the period	188,159	188,159
Increases:	42,542	42,542
- provisions recognized in profit and loss account in current period	42,542	42,542
Provisions at the end of the period, including:	230,701	230,701
- long-term	230,701	230,701
- short-term	-	-

Balance as at 31/12/2019

Item	Provisions for retirement benefits	Total
Provisions at the beginning of the period	118,023	118,023
Increases:	70,136	70,136
- provisions recognized in profit and loss account in current period	70,136	70,136
Provisions at the end of the period, including:	188,159	188,159
- long-term	188,159	188,159
- short-term	-	-

Balance as at 01/01/2019

Item	Provisions for retirement benefits	Total
Provisions at the beginning of the period	118,023	118,023
Provisions at the end of the period, including:	118,023	118,023
- long-term	118,023	118,023
- short-term	-	-

30. Financial instruments

30.1 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 35,
- equity, including reserve capitals and retained earnings, as disclosed in Note 24.

The Company 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.

30.1.1 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.

	Balance as at 30/09/2020 PLN	Balance as at 31/12/2019 PLN	Balance as at 01/01/2019 PLN
Debt (i)	(60,154,507)	(67,324,849)	(65,433,822)
Cash and cash equivalents	164,237,216	72,106,927	94,858,075
Net debt	104,082,709	4,782,078	29,424,253
Equity (ii)	234,677,064	120,580,176	170,335,975
Net debt to equity	0.44	0.04	0.17

(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.

30.2 Categories of financial instruments

The company is exposed to risks related to financial instruments. The risks to which it is exposed are:

- market risk including currency risk and interest rate risk,
- credit risk and
- liquidity risk.

Individual types of risk are discussed in the following Notes.

Financial assets

Financial instruments measured at amortized cost method:

Loans granted (Note 18)
 Other short term financial assets (Note 18)
 Other financial assets - deposits (Note 20)
 Contracted assets (Note 5.3)
 Cash (Note 35)
 Trade and other receivables (Note 22)
 Receivables from share buyback (Note 22)

Financial assets at fair value through profit or loss

Other financial assets - Nodthera shares (Note 17)

Financial liabilities

Financial instruments measured at amortized cost method:

Interest bearing credit facilities and loans (Note 26)
 Finance lease liabilities (Note 30.8)
 Trade and other liabilities (Note 28)

	Balance as at 30/09/2020 PLN	Balance as at 31/12/2019 PLN	Balance as at 01/01/2019 PLN
Financial instruments measured at amortized cost method:	168,534,766	82,034,377	137,706,836
Loans granted (Note 18)	-	-	67,072
Other short term financial assets (Note 18)	-	-	14,985,926
Other financial assets - deposits (Note 20)	85,194	85,193	113,579
Contracted assets (Note 5.3)	177,685	360,205	596,421
Cash (Note 35)	164,237,216	72,106,927	94,858,075
Trade and other receivables (Note 22)	4,034,671	6,493,302	27,085,763
Receivables from share buyback (Note 22)	-	2,988,750	-
Financial assets at fair value through profit or loss	28,115,794	23,754,255	22,825,875
Other financial assets - Nodthera shares (Note 17)	28,115,794	23,754,255	22,825,875
Financial liabilities			
Financial instruments measured at amortized cost method:	18,493,562	31,076,463	26,658,153
Interest bearing credit facilities and loans (Note 26)	2,588,148	3,185,808	4,053,135
Finance lease liabilities (Note 30.8)	5,592,961	10,306,175	18,091,516
Trade and other liabilities (Note 28)	10,312,453	18,413,148	16,907,846

30.3 Financial risk management objectives

Credit, liquidity and market risks (including mainly currency risk and interest rate risk) occur in the ordinary course of the Company's business. Financial risk management at the Company 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 Company's budget for the year (profit and cash flows) with the use of natural hedges.

30.4 Market risk

The Company's activities expose it to currency risk (see Note 30.5) and interest rate risk (see Note 30.6). The Company 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.

30.5 Foreign currency risk management

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

	Liabilities			Assets		
	Balance as at 30/09/2020 PLN	Balance as at 31/12/2019 PLN	Balance as at 01/01/2019 PLN	Balance as at 30/09/2020 PLN	Balance as at 31/12/2019 PLN	Balance as at 01/01/2019 PLN
EUR	5,081,022	5,415,515	10,202,978	7,873,655	10,062,383	6,926,367
USD	1,398,666	1,924,988	958,730	7,897,747	849,730	118,088
Other	173,934	450,795	157,865	1,214,231	730,122	2,598

30.5.1 Sensitivity to currency risk

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

The degree of sensitivity of the Company to a 15% increase and decrease of the PLN exchange rate for foreign currencies is presented in the table below. 15% is the sensitivity rate used in internal currency risk analyzes for top management and reflects management's assessment of possible changes in foreign exchange rates. The sensitivity analysis covers only unsettled monetary items denominated in foreign currencies and corrects the currency conversion at the end of the accounting period by a 15% change in exchange rates. A positive value in the table below indicates an increase in profit and an increase in equity accompanying the strengthening of the PLN exchange rate for foreign currencies by 15%. In the case of a 15% weakening of PLN against a given foreign currency, this value would be negative, and the impact on profit and equity would be the opposite.

	EUR Effect			USD Effect		
	Balance as at 30/09/2020 PLN	Balance as at 31/12/2019 PLN	Balance as at 01/01/2019 PLN	Balance as at 30/09/2020 PLN	Balance as at 31/12/2019 PLN	Balance as at 01/01/2019 PLN
ASSETS						
Exchange rate increase 15%		1,181,048	1,509,357	1,038,955	1,184,662	127,460
Exchange rate increase 10%		787,366	1,006,238	692,637	789,775	84,973
Exchange rate increase 5%		393,683	503,119	346,318	394,887	42,487
Exchange rate decrease -5%		(393,683)	(503,119)	(346,318)	(394,887)	(42,487)
Exchange rate decrease -10%		(787,366)	(1,006,238)	(692,637)	(789,775)	(84,973)
Exchange rate decrease -15%		(1,181,048)	(1,509,357)	(1,038,955)	(1,184,662)	(127,460)
LIABILITIES						
Exchange rate increase 15%		762,153	812,327	1,530,447	209,800	288,748
Exchange rate increase 10%		508,102	541,551	1,020,298	139,867	192,499
Exchange rate increase 5%		254,051	270,776	510,149	69,933	96,249
Exchange rate decrease -5%		(254,051)	(270,776)	(510,149)	(69,933)	(96,249)
Exchange rate decrease -10%		(508,102)	(541,551)	(1,020,298)	(139,867)	(192,499)
Exchange rate decrease -15%		(762,153)	(812,327)	(1,530,447)	(209,800)	(288,748)
EFFECT ON PROFIT						
Exchange rate increase 15%		418,895	697,030	(491,492)	974,862	(161,289)
Exchange rate increase 10%		279,263	464,687	(327,661)	649,908	(107,526)
Exchange rate increase 5%		139,632	232,343	(163,831)	324,954	(53,763)
Exchange rate decrease -5%		(139,632)	(232,343)	163,831	(324,954)	53,763
Exchange rate decrease -10%		(279,263)	(464,687)	327,661	(649,908)	107,526
Exchange rate decrease -15%		(418,895)	(697,030)	491,492	(974,862)	161,289

The Company'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.

30.6 Interest rate risk management

The Company 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.

30.6.1 Sensitivity to changes in interest rates

The sensitivity analyzes presented below are based on the degree of exposure to interest rate risk of financial instruments (liabilities arising from leasing and loan agreements) as at the balance sheet date. In the case of liabilities with a variable interest rate, it is assumed for the purposes of the analysis that the amount of unpaid liabilities at the balance sheet date was unpaid for the whole year. Internal analyzes of interest rate risk for key management members use up and down fluctuations of 50 basis points, which reflects management's assessment of the likely change in interest rates.

30 September 2020

	< 1 year	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Lease liabilities	2,406,034	1,813,976	990,639	382,312	-	-	5,592,961
Bank loan for the amount of PLN 5,601 thousand	833,455	809,820	809,820	135,053			2,588,148
	< 1 year	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Cash	164,237,216						164,237,216

31 December 2019

	< 1 year	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Lease liabilities	3,222,899	3,541,638	1,983,317	1,407,995	150,326		10,306,175
Bank loan for the amount of PLN 5,601 thousand	809,820	800,196	800,196	761,666	-		3,171,878
	< 1 year	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Cash	72,106,927						72,106,927

1 January 2019

	< 1 year	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Lease liabilities	4,811,039	6,574,151	4,309,207	1,861,473	535,647		18,091,517
Bank loan for the amount of PLN 5,601 thousand	809,820	800,196	800,196	800,196	771,290		3,981,698
	< 1 year	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Cash	109,911,073						109,911,073

The interest rate on financial instruments with a variable interest rate is updated in periods of less than one year. Interest on financial instruments with a fixed interest rate is constant throughout the period until the maturity / maturity of these instruments. Other financial instruments of the Company which are not included in the above tables are not interest bearing and are therefore not subject to interest rate risk.

Interest rate risk - sensitivity to changes

The table below presents the sensitivity of gross profit (loss) to reasonably possible changes in interest rates, assuming that other factors remain unchanged (in connection with liabilities with a variable interest rate). No impact on equity or total comprehensive income of the Company was presented.

	<i>Increase / decrease by percentage points</i>	<i>Impact on gross profit or loss</i>
Year ended 30 September 2020		
PLN	+0,5%	(6,275)
EUR	+0,5%	(18,804)
USD	+0,5%	(560)
PLN	-0,5%	6,275
EUR	-0,5%	18,804
USD	-0,5%	560
Year ended 31 December 2019		
PLN	+0,5%	(8,717)
EUR	+0,5%	(31,948)
USD	+0,5%	(266)
PLN	-0,5%	8,717
EUR	-0,5%	31,948
USD	-0,5%	266
Year ended 31 December 2018		
PLN	+0,5%	(393)
EUR	+0,5%	(4,698)
USD	+0,5%	(187)
PLN	-0,5%	393
EUR	-0,5%	4,698
USD	-0,5%	187

30.7 Credit risk management

Credit risk is the risk that a contracting party will default on its contractual obligations, resulting in the Company's financial losses. The Company 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 Company also uses other publicly available financial information and internal transaction data. The Company'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 large, reliable and key customers operating in different geographies. Regular credit analyses are also performed considering the status of receivables.

Excludnig the Company's major customers (information on revenue has been presented in Note 6.5), the Company 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 Company'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 22 and data on the contracted asset are provided in Note 5.3.

The credit risk related to cash is limited as the Company's counterparties are banks with high credit ratings awarded by international rating agencies.

30.8 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 Company's liquidity management consists in maintaining the reserve capital at an appropriate level, keeping stand-by lines of credit, ongoing monitoring of projected and actual cash flows and alignment of the maturity of financial assets with that of financial liabilities.

	As at 30/09/2020	As at 31/12/2019	As at 01/01/2019
Financial assets (+)	168,271,887	81,588,979	136,996,836
Receivables (including trade receivables of disposal groups)	4,034,671	6,493,302	27,085,763
Receivables from share buyback	-	2,988,750	-
Cash	164,237,216	72,106,927	94,858,075
Other financial assets	-	-	15,052,998
Financial liabilities (-)	(18,493,562)	(31,905,131)	(39,052,497)
Interest bearing credit facilities and loans	(2,588,148)	(3,185,808)	(4,053,135)
Finance lease liabilities	(5,592,961)	(10,306,175)	(18,091,516)
Trade liabilities	(10,312,453)	(18,413,148)	(16,907,846)
Exposure to liquidity risk	149,778,325	49,683,848	97,944,339

As at the balance sheet date, September 30, 2020, the company's financial liabilities were within the following maturity ranges:

Type of liability	Current:				Non-current:			Liabilities – carrying amount
	Not overdue as at 30/09/2020	within 3 months	3-12 months	Total current liabilities	1-5 years	over 5 years	Total non-current liabilities	
Interest bearing credit facilities and loans	-	241,028	592,427	833,455	1,754,693	-	1,754,693	2,588,148
Finance lease liabilities	-	461,306	1,944,728	2,406,034	3,186,927	-	3,186,927	5,592,961
Trade liabilities	4,984,047	5,005,258	323,148	10,312,453	-	-	-	10,312,453
Total	4,984,047	5,707,592	2,860,303	13,551,942	4,941,620	-	4,941,620	18,493,562

As at the balance sheet date, December 31, 2019, the company's financial liabilities were within the following maturity ranges:

Type of liability	Current:				Non-current:			Liabilities – carrying amount
	Not overdue as at 31/12/2019	within 3 months	3-12 months	Total current liabilities	1-5 years	over 5 years	Total non-current liabilities	
Interest bearing credit facilities and loans	-	216,385	607,365	823,750	2,362,058	-	2,362,058	3,185,808
Finance lease liabilities	-	805,725	2,417,174	3,222,899	7,083,276	-	7,083,276	10,306,175
Trade liabilities	14,170,996	2,319,828	1,922,324	18,413,148	-	-	-	18,413,148
Total	14,170,996	3,341,938	4,946,863	22,459,797	9,445,334	-	9,445,334	31,905,131

As at the balance sheet date, January 1, 2019, the company's financial liabilities were within the following maturity ranges:

Type of liability	Current:				Non-current:			Liabilities – carrying amount
	Not overdue as at 01/01/2019	within 3 months	3-12 months	Total current liabilities	1-5 years	over 5 years	Total non-current liabilities	
Interest bearing credit facilities and loans	-	273,892	607,365	881,257	3,171,878	-	3,171,878	4,053,135
Finance lease liabilities	-	1,541,591	3,269,448	4,811,039	13,280,477	-	13,280,477	18,091,516
Trade liabilities	12,261,890	4,426,835	219,121	16,907,846	-	-	-	16,907,846
Total	12,261,890	6,242,318	4,095,934	22,600,142	16,452,355	-	16,452,355	39,052,497

30.8.1 Available external sources of funding

	Balance as at 30/09/2020 PLN	Balance as at 31/12/2019 PLN	Balance as at 01/01/2019 PLN
Collateralized overdraft facilities:			
Amount used	23,635	13,930	71,437
Amount available	376,365	386,070	328,563
	400,000	400,000	400,000

31. Accrued costs

	Balance as at 30/09/2020 PLN	Balance as at 31/12/2019 PLN	Balance as at 01/01/2019 PLN
Unused holiday accrual	1,042,649	741,595	1,078,966
Bonuses	2,936,564	1,641,000	1,900,000
	3,979,213	2,382,595	2,978,966
Short-term	3,979,213	2,382,595	2,978,966
Long-term	-	-	-
	3,979,213	2,382,595	2,978,966

32. Deferred income

	Balance as at 30/09/2020 PLN	Balance as at 31/12/2019 PLN	Balance as at 01/01/2019 PLN
Payments from Partners (i) revenues recognized in accordance with IFRS 15	-	-	1,169,725
Government subsidies (ii) revenues recognized in accordance with IAS 20	31,029,134	23,482,263	13,515,386
	31,029,134	23,482,263	14,685,111
Short-term	12,863,951	2,298,553	4,322,365
Long-term	18,165,183	21,183,710	10,362,746
	31,029,134	23,482,263	14,685,111
Government subsidies (ii) revenues recognized in accordance with IAS 20			
Infrastructure subsidies, including:	16,658,206	20,846,481	11,048,154
- Short-term	7,904,290	1,428,184	1,428,184
Research subsidies, including:	14,370,928	2,635,782	2,467,232
- Short-term	4,959,661	870,369	1,724,456
	31,029,134	23,482,263	13,515,386

- (i) Payments from partners include advance payments from contractors to cover part of the costs associated with the services performed.
- (ii) Government subsidies include payments received resulting from subsidy contracts signed.

33. Related party transactions

33.1 Commercial transactions

In the financial year, the Company concluded the following commercial transactions with related parties (including in person):

	Sales of goods and services			Purchases of goods and services		
	Period ended 30/09/2020	Period ended 30/09/2019	Year ended 31/12/2019	Period ended 30/09/2020	Period ended 30/09/2019	Year ended 31/12/2019
	PLN	PLN	PLN	PLN	PLN	PLN
Selvita S.A.	809,982	-	535,346	2,530,400	-	1,182,205
Selvita Services Sp. z o.o.	-	4,217,253	4,217,393	1,545,858	9,783,384	10,079,900
Ardigen S.A.	-	220,575	220,575	-	9,658	9,658
Selvita Inc.	917	2,304,112	2,542,703	-	-	-
Selvita Ltd.	334,207	2,778,173	3,153,045	-	-	-
ALTIUM Piotr Romanowski	-	-	-	17,822	-	9,415
Chabasiewicz, Kowalska i Partnerzy	-	-	-	19,978	-	186,400
Radcowie Prawni	-	-	-	-	-	-
	1,145,106	9,520,113	10,669,062	4,114,058	9,793,042	11,467,578

Balances at the end of the reporting period:

	Amounts due from related parties			Amounts due to related parties		
	Balance as at 30/09/2020	Balance as at 31/12/2019	Balance as at 01/01/2019	Balance as at 30/09/2020	Balance as at 31/12/2019	Balance as at 01/01/2019
	PLN	PLN	PLN	PLN	PLN	PLN
Selvita S.A.	851,634	4,022,579	-	389,457	1,509,006	-
Selvita Services Sp. z o.o.	-	150	2,662,408	460,489	374,714	4,209,688
Ardigen S.A.	-	-	198,839	-	-	14,307
Selvita Inc.	914	372	208,870	-	-	1,099
Selvita Ltd.	338,717	-	345,515	-	-	-
Chabasiewicz, Kowalska i Partnerzy	-	-	-	5,686	2,460	2,460
Radcowie Prawni	-	-	-	-	-	-
	1,191,265	4,023,101	3,415,632	855,632	1,886,180	4,227,554

Transactions with related entities were made using market prices.

33.2 Loans to related parties

None.

33.3 Loans from related parties

None.

33.4 Executive compensation

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

	Period ended 30/09/2020 PLN	Period ended 30/09/2019 PLN	Period ended 31/12/2019 PLN
Management Board	2,424,374	1,172,196	1,722,930
Paweł Tadeusz Przewięźlikowski	496,635	439,479	524,126
Krzysztof Daniel Brzózka	634,768	493,388	591,654
Setareh Gharayagh Shamsili	1,292,971	239,329	607,150
Supervisory Board	773,906	92,664	296,980
Piotr Romanowski	106,591	33,858	68,027
Tadeusz Wesółowski	105,027	30,888	64,718
Rafał Piotr Chwast	106,591	27,918	62,087
Axel Glasmacher	105,027	-	33,830
Colin Goddard	105,027	-	33,830
Jarl Jungnelius	105,027	-	34,488
Thomas Turalski	140,616	-	-
	3,198,280	1,264,860	2,019,910

33.5 Loans and similar benefits granted to members of management, supervisory and administration bodies of the Company

None.

34. Business combinations

None.

35. 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 statement of cash flows, can be reconciled with the 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.

	Balance as at 30/09/2020 PLN	Balance as at 31/12/2019 PLN	Balance as at 01/01/2019 PLN
Cash in hand and at bank	164,237,216	25,937,115	22,757,560
Overdraft facilities	-	-	-
	164,237,216	25,937,115	22,757,560
Cash and cash equivalents - bank deposits	-	46,169,812	72,100,515
	164,237,216	72,106,927	94,858,075

36. Average headcount in the Company

	Okres zakończony 30/09/2020	Okres zakończony 30/09/2019	Year ended 31/12/2019
White collar employees	158	326	299
Blue collar employees	-	-	-
Total headcount	158	326	299

37. Capital commitments

	Balance as at 30/09/2020 PLN	Balance as at 31/12/2019 PLN	Balance as at 01/01/2019 PLN
Commitments to purchase property, plant and equipment	544,600	4,893,907	8,468,496

Obligations to purchase property, plant and equipment result from subsidy agreements signed by the Company for the creation and increase of the potential of laboratories.

38. Contingent liabilities and assets

38.1 Contingent liabilities

In the periods covered by the financial statements, the Company incurred contingent liabilities necessary to receive a subsidy and a loan.

Contingent liabilities include:

- promissory note liabilities - covering the amount of co-financing granted with interest in the amount specified as for tax arrears calculated from the date of transferring funds for the account to the date of return. In the period covered by the report, PLN 26,831,245 was credited to the bank accounts for co-financing. As at the balance sheet date, 30/09/2020, the sum of cash received under the subsidy is PLN 146,737,719.

On August 7, 2017, the Management Board of Ryvu Therapeutics S.A. (formerly Selvity S.A.) has concluded an agreement with Leukemia & Lymphoma Society regarding cooperation in further research of the preclinical phase and the first clinical phase of the SEL120 molecule. Pursuant to the provisions of the Agreement, LLS undertook to provide the Company with financial support of up to USD 3.25 million. In exchange for the financial support provided, LLS will be entitled, after successful development of SEL120 and leading to the commencement of clinical phase III, to receive payments for obtaining milestones, and after commercialization of SEL120 or to the market by the Company also to royalties. The total value of payments for LLS will not exceed seven times the grant awarded. As at 30/09/2020, the Company received 700 thousand. USD subsidies, in addition 200,000 USD due subsidies, from confirmed submitted application. As at 30/09/2020, the Company does not recognize an obligation due to funds received from LLS due to the early stage of project implementation and the related low probability of repayment.

38.2 Contingent assets

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

39. Significant events of the reporting period

Coronavirus (COVID-19)

In the reporting period, the Issuer noted an influence on the progress of the conducted clinical trials due to the fact that they are carried out in centers located in the United States. Due to the Covid-19 pandemic, all SEL120 clinical centers implemented additional safety measures and risk management processes that strongly influenced the participation of patients in clinical trials. This is especially true of AML patients, who are often immunocompromised. Also, many patients have independently chosen to limit their contacts with various health care facilities to minimize the possibility of exposure to Covid-19. As a result, registration in some centers was temporarily suspended and visibly slowed down in others. Currently, the delays in the planned recruitment of patients for the research are about 4 months. As a consequence, the Company decided to postpone the planned schedule of the first results of the study from the fourth quarter of 2020 to the first half of 2021. The Company took steps to minimize the risk of the negative impact of the Covid-19 pandemic on the ongoing clinical trial. In the original study design, Ryvu intended to open up patient enrollment for the ongoing dose escalation phase at three additional US sites (nine sites in total). Due to the ongoing pandemic in the USA, the management board of Ryvu decided to start the European part of the study earlier than originally planned, taking into account additional locations in Poland and other European countries. The application for registration of the study in the first European country was submitted to the regulatory authorities and the central bioethical commission on August 11, 2020.

In the field of ordered research and development services, there were temporary difficulties with outsourcing work to laboratory service providers in China and some European suppliers. In the reporting period, the Issuer's research and development laboratories worked at a reduced capacity, the decrease being related to the unavailability of employees due to quarantines, the inability to enter Poland for some foreigners and the need to take care of children by some employees, as well as the relocation of stationary employees to CBR building. A significant part of the Issuer's office workers worked in the teleworking system, which could also have a negative impact on the pace of implemented projects. An additional factor slowing down the research and development work were the introduced anti-infection procedures, e.g. dividing teams into smaller ones, limiting personal meetings, disinfecting laboratories and shift work. During the epidemic, the Issuer also identified an exchange rate risk. 90% of the Issuer's cash resources are kept in PLN. Also, the granted grant funds are denominated in PLN, while the costs of clinical trials and external research and development services are mostly denominated in foreign currencies. A partial method of limiting the above risk is guaranteed and expected revenues from commercialization of projects denominated in foreign currencies. The Issuer has also identified risks related to delays in administrative processes in the area of granting and settling grants or VAT refunds and regulatory processes related to clinical trials.

The Management Board of the Company analyzes the situation related to the spread of the pandemic on an ongoing basis and implements new solutions to limit it on an ongoing basis, including, in particular, increased sanitary regime, disinfection of laboratory areas and the entire facility of the Research and Development Center, order to use masks, temperature measurements, or also subjecting employees to voluntary testing for Covid-19.

The Company's Management Board will analyse the Issuer's situation on an ongoing basis. New circumstances, if any, having a significant effect on the Issuer's financial results and business position, will be communicated promptly in the individual current reports.

Issuance of shares Series I

The company issued series I shares pursuant to Resolution No. 4 of the Extraordinary General Meeting of the Company of July 13, 2020 on increasing the share capital by issuing series I ordinary bearer shares with the exclusion of the subscription right of the existing shareholders in full, on the dematerialisation of the Company's shares series I and rights to those shares (PDA), applying for admission and introduction to trading on the regulated market of the Company's series I shares and rights to these shares (PDA), and on amendments to the Company's Articles of Association, on the basis of which the Company's share capital was increased from the amount PLN 6,388,491.60 (six million three hundred and eighty-eight thousand four hundred and ninety-one PLN 60/100) to the amount of PLN 7,342,189.60 (seven million three hundred and forty-two thousand one hundred eighty-nine PLN 60/100) through the issue of ordinary shares for series I bearer of the Company with a nominal value of PLN 0.40 each. On August 18, 2020, the increase of the Company's share capital was registered by the District Court for Kraków-Śródmieście in Kraków, 11th Commercial Division of the National Court Register.

Series I shares were offered by the Company by way of private subscription within the meaning of Art. 431 § 2 item 1) of the Commercial Companies Code, as part of a public offering as defined in Art. 2 lit. d) Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published in connection with a public offering of securities or their admission to trading on a regulated market and repealing Directive 2003/71/EC, exempt from the obligation to draw up and publish a prospectus or other information (offering) document.

The public offer was addressed to:

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

The issue price of the Series I Shares was set at PLN 60 per share, therefore the total proceeds from the issue, understood as the product of the number of shares covered by the offering and the issue price, amounted to PLN 143,054,700, and the total costs of the offering were PLN 8,212,623. Series I shares were acquired by 97 investors.

40. Notes to the cash flow statement

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 cash flow statement:

Item	Period ended 30/09/2020 PLN	Period ended 30/09/2019 PLN	Year ended 31/12/2019 PLN
Change in trade and other receivables:	6,502,708	11,426,249	11,672,675
- change in trade and other receivables due to split	-	-	(8,095,687)
- change in trade and other receivables resulting from the balance sheet	6,502,708	11,426,249	19,768,362
Change in inventory:	682,435	53,956	(682,736)
- change in inventory due to split	-	-	(698,582)
- change in inventory resulting from the balance sheet	682,435	53,956	15,846
Change in liabilities, except for loans and borrowings:	(11,669,731)	(737,270)	(1,088,984)
- change in liabilities due to split	-	-	13,200,999
- change in liabilities resulting from the balance sheet	(11,669,731)	(737,270)	(2,318,796)
- change in liabilities related to purchase of fixed assets	-	-	(11,971,187)
Change in deferred income:	9,143,489	12,708,454	14,660,445
- change in deferred income due to split	-	-	5,863,293
- change in deferred income resulting from the balance sheet	9,143,489	12,708,454	8,797,152
Change in provisions:	666,774	(23,953)	(160,890)
- change in provisions due to split	-	-	(391,916)
- change in provisions resulting from the balance sheet	666,774	(23,953)	231,026
Change in other assets:	1,123,256	228,920	(4,378,395)
- change in other assets due to split	-	-	(6,540,665)
- change in the balance of other assets resulting from the sale of financial assets	-	(14,928,600)	-
- change in other assets resulting from the balance sheet	1,123,256	15,157,520	2,162,270
Change in loans:	(597,660)	(606,732)	(881,258)
- change in long-term loans due to split	-	-	-
- change in short-term loans due to split	-	-	(13,931)
- change in long-term loans resulting from the balance sheet	(607,365)	(607,365)	(809,820)
- change in in short-term loans resulting from the balance sheet	9,705	633	(57,507)

41. Remuneration of the statutory auditor or audit company

Item	Balance as at 30/09/2020	Balance as at 31/12/2019	Balance as at 01/01/2019
	PLN	PLN	PLN
Obligatory audit of the annual financial statements	35,000	247,000	75,000
Other advisory services	90,000	-	40,000
Tax advisory services	-	-	-
Other	-	-	-
Total remuneration	125,000	247,000	115,000

42. Agreements entered into by the Company and not presented on the balance sheet

None.

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

None.

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

None.

45. Subsequent events

None.

46. Approval of the financial statements

The financial statements were approved by the Company's management board on November 18, 2020.

Prepared by: Elżbieta Kokoć

Signatures of members of the Management Board:

Paweł Tadeusz Przewięźlikowski - President of the Board

Krzysztof Daniel Brzózka - V-ce President

Setareh Gharayagh Shamsili - V-ce President

Cracow, 18 November 2020 r.

CONTACT



RYVU THERAPEUTICS

Leona Henryka Sternbacha 2

30-394 Krakow, Poland

Tel: +48 12 314 02 00



GENERAL INQUIRIES

ryvu@ryvu.com