PolTREG Joint Stock Company

FINANCIAL STATEMENTS FOR 2022

Gdańsk, 20 April 2023

Table of contents

1 SELECTED FINANCIAL DATA

	For the period: from 01.01.2022 to 31.12.2022 in PLN'000	For the period: from 01.01.2021 to 31.12.2021 in PLN'000	For the period: from 01.01.2022 to 31.12.2022 in EUR'000	For the period: from 01.01.2021 to 31.12.2021 in EUR'000
Sales revenue	999	1,099	213	240
Other operating income	3,832	2,855	817	624
Loss on operations	(5,232)	(3,480)	(1,116)	(760)
Loss before tax	(1,967)	(3,738)	(420)	(817)
Net loss	(1,967)	(3,738)	(420)	(817)
Total comprehensive losses	(1,967)	(3,738)	(420)	(817)
Net cash flows from operating activities	(8,602)	(3,837)	(1,835)	(838)
Net cash from investing activities	(5,049)	(454)	(1,077)	(99)
Net cash from financing activities	(254)	93,182	(54)	20,357
Net increase/(decrease) in cash and cash equivalents	(13,905)	88,891	(2,966)	19,419
Net loss per share (PLN/EUR) - basic	(0.42)	(1.09)	(0.09)	(0.24)
Net loss per share (PLN/EUR) - diluted	(0.40)	(1.09)	(0.09)	(0.24)

	As at 31.12.2022 in PLN'000	As at 31.12.2022 in EUR'000	As at 31.12.2021 in PLN'000	As at 31.12.2021 in EUR'000
Total assets	123,307	26,292	109,127	23,726
Equity	101,042	21,545	103,009	22,396

In order to convert the line items shown in the table 'Selected financial data' into euros, the items of the statement of financial position were converted using the average exchange rate of the National Bank of Poland (NBP) in force at the reporting date.

The items in the statement of comprehensive income and the statement of cash flows were translated using an exchange rate that is the arithmetic mean of the average exchange rates of the National Bank of Poland (NBP) determined as at the last day of each calendar month of the reporting period.

	from 01.01.2022 to 31.12.2022	from 01.01.2021 to 31.12.2021
Average during the reporting period	4.6883	4.5775
Exchange rate on the last day of the reporting period	4.6899	4.5994

2 FINANCIAL STATEMENTS FOR THE 12-MONTH PERIOD ENDED 31 DECEMBER 2022 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

2.1 Statement of comprehensive income

	Note	For the period: from 01.01.2022 to 31.12.2022 in PLN'000	For the period: from 01.01.2021 to 31.12.2021 in PLN'000
Revenue	3.4	**999**	**1,099**
Raw materials and consumables used	3.5	(1,123)	(282)
Employee benefit expenses	3.6	(3,336)	(3,898)
Depreciation & amortisation	3.7	(823)	(575)
Third-party services	3.8	(4,081)	(2,496)
Taxes and charges		(462)	(45)
Other costs by nature		(238)	(122)
Total own costs		**(10,063)**	**(7,418)**
Loss on sales		**(9,064)**	**(6,319)**
Other operating income	3.9	3,832	2,855
Other operating costs	3.9	-	(16)
Loss on operations		**(5,232)**	**(3,480)**
Finance income	3.10	3,566	-
Finance expense	3.10	(301)	(258)
Loss before tax		**(1,967)**	**(3,738)**
Income tax	3.11	-	-
Net loss		**(1,967)**	**(3,738)**
Other comprehensive income		-	-
Total comprehensive income		(1,967)	(3,738)
Loss per share			
Basic	3.17	(0.42)	(1.09)
Diluted	3.17	(0.40)	(1.09)

The above statement of comprehensive income should be read in conjunction with the accompanying notes and other explanatory information on pages 9 to 49 of these financial statements.

2.2 Statement of financial position

	Note	As at 31.12.2022 in PLN'000	As at 31.12.2021 in PLN'000
ASSETS			
Non-current assets			
Property, plant and equipment	3.12	15,191	1,910
Right-of-use assets	3.13	7,606	165
Intangible assets	3.14	996	1,095
Trade and other receivables	3.15	64	-
		23,857	**3,170**
Current assets			
Inventories		83	-
Trade and other receivables	3.15	9,331	2,016
Cash and cash equivalents	3.16	90,036	103,941
		99,450	**105,957**
Total assets		**123,307**	**109,127**
LIABILITIES AND EQUITY			
Equity			
Share capital	3.17	466	466
Legal reserve		112,733	112,733
Retained earnings		(12,157)	(10,190)
		101,042	**103,009**
Long-term liabilities			
Loans and borrowings	3.21	-	9
Lease liabilities	3.20	7,863	27
Trade and other payables	3.22	-	400
Provisions	3.23	629	-
		8,492	**436**
Short-term liabilities			
Trade and other payables	3.22	8,099	935
Lease liabilities	3.20	27	124
Loans and borrowings	3.21	9	18
Deferred income	3.24	5,581	2,971
Provisions	3.23	57	1,634
		13,773	**5,682**
Total liabilities		**22,265**	**6,118**
Total liabilities and equity		**123,307**	**109,127**

The above statement of financial position should be read in conjunction with the accompanying notes and other explanatory information on pages 9 to 49 of these financial statements.

2.3 Statement of changes in equity

in PLN'000	Share capital [Note 3.17].	Legal reserve	Retained earnings	Total equity
As at 01.01.2022	466	112,733	(10,190)	103,009
Net profit for the current reporting period	-	-	(1,967)	(1,967)
Total subsidies from and payments to owners	-	-	-	-
As at 31.12.2022	466	112,733	(12,157)	101,042
As at 01.01.2021	333	18,952	(6,452)	12,833
Net profit for the current reporting period	-	-	(3,738)	(3,738)
Comprehensive income	**-**	**-**	**(3,738)**	**(3,738)**
Issue of M shares Issue	133	99,798	-	99,931
costs of M shares	-	(6,017)	-	(6,017)
Total subsidies from and payments to owners	**133**	**93,781**	**-**	**93,914**
As at 31.12.2021	466	112,733	(10,190)	103,009

The Management Board proposes to cover the loss of the current period from the profits of future years.

The above statement of changes in equity should be read in conjunction with the accompanying notes and other explanatory information on pages 9 to 49 of these financial statements.

2.4 Statement of cash flows

	Note	For the period: from 01.01.2022 to 31.12.2022 in PLN'000	For the period: from 01.01.2021 to 31.12.2021 in PLN'000
Cash flows from operating activities			
Loss before tax		**(1,967)**	**(3,738)**
Adjustments:			
Depreciation of property, plant and equipment	3.7	823	575
(Increase) in trade and other receivables		(7,379)	(1,484)
(Increase)/decrease in inventories		(83)	5
Increase in trade and other payables	3.29	692	967
Increase/(decrease) in deferred income	3.29	76	(1,807)
(Decrease)/increase in provisions		(948)	1,620
Interest expense relating to financing activities		284	41
Effects of exchange differences relating to financing activities		(100)	-
Other		-	(16)
Net cash flows from operating activities		**(8,602)**	**(3,837)**
Cash flows from investing activities			
Acquisitions of property, plant and equipment		(7,583)	(2,967)
Proceeds from grants received		2,534	2,513
Net cash flows from investing activities		**(5,049)**	**(454)**
Cash flows from financing activities			
Proceeds from the issue of shares		-	93,914
Repayment of loans	3.21	(18)	(523)
Repayment of lease liabilities	3.20	(160)	(168)
Interest repayment	3.20	(76)	(41)
Cash flows from financing activities		**(254)**	**93,182**
Net increase/(decrease) in cash and cash equivalents		**(13,905)**	**88,891**
Opening balance of cash and cash equivalents		103,941	15,050
Effects of exchange differences on cash and cash equivalents		-	-
Closing balance of cash and cash equivalents	3.16	**90,036**	**103,941**

The above statement of cash flows should be read in conjunction with the accompanying notes and other explanatory information on pages 9 to 49 of these financial statements.

3 ADDITIONAL INFORMATION AND EXPLANATIONS

3.1 General information

PolTREG S.A. (‘Company’, ‘Entity’) is a Polish biotechnology company developing innovative therapies using regulatory T cells (TREGS) - which have applications in the field of autoimmunity - including in the treatment of type 1 diabetes (CT1), multiple sclerosis and others.

PolTREG S.A. is a joint stock company registered in Poland. The Company was established through the transformation of the Company under the name PolTREG Sp. z o.o. with its registered office in Gdańsk. The amendment was passed at the Extraordinary Shareholders' Meeting of PolTREG Sp. z o.o. on the conversion of the Company into a Joint Stock Company on 7 September 2016.

The Company is entered in the Register of Entrepreneurs of the National Court Register kept by the District Court for the City of Gdańsk-North in Gdańsk, VII Economic Division of the National Court Register, under KRS number 0000637215.

The company has been assigned statistical number REGON 361945318 and tax identification number NIP 9571079577.

On 16 March 2023, the Company's Management Board adopted a resolution to change the current address of the Company's registered office (Wały Piastowskie 1/ 1508, 80-855 Gdańsk) to the Company's new following address: ul. Botaniczna 20, 80-298 Gdańsk.
The change occurred as a result of the commissioning of the office part of the laboratory (a state-of-the-art research and development centre) being built by the Company.

The company was established for an indefinite period.

The financial statements of PolTREG S.A. cover the 12-month period ended 31 December 2022 and include the audited comparative data for the 12-month period ended 31 December 2021.

At the date of publication of this report, the Company does not form a group and there are no subsidiaries of the Company.

During the reporting period, there were no changes to the Company's basic business management principles.

The company has no branches.

3.2 Basis for the preparation of the financial statements

3.2.1 Statement of compliance

The annual separate financial statements (the ‘financial statements’) have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, hereinafter referred to as ‘EU IFRS’. The Company's annual report for the financial year ended 31 December 2020 was the first full set of financial statements prepared in accordance with IFRS standards as adopted by the European Union.

EU IFRS comprise all International Accounting Standards (‘IAS’), International Financial Reporting Standards (‘IFRS’) and related Interpretations in addition to the Standards and Interpretations listed below that are pending the European Union (‘EU’) approval and Standards and Interpretations that have been approved by the European Union but are not yet in force.

The Company has not taken advantage of the early application of new Standards and Interpretations that have already been published and approved by the European Union and that will become effective after the reporting date.

3.2.2 Date of approval of the financial statements for the current financial year

The financial statements were prepared and approved for publication by the Company's Management Board on 20 April 2023.

3.2.3 Date of approval of the financial statements for the previous financial year

The financial statements were approved by the Company's Management Board on 28 April 2022 and the General Meeting of Shareholders on 24 June 2022.

3.2.4 Going concern assumption

The financial statements have been prepared on the assumption that the business will continue as a going concern for the foreseeable future, i.e. in particular for a period of at least 12 months from the balance sheet date.

No circumstances indicating a threat to the going concern have been identified. The impact of the political and economic situation in Ukraine on the Company's operations is detailed in note 3.35 of the notes to these financial statements. In the opinion of the Management Board, there is no threat to the continuation of operations.

3.2.5 Basis of valuation

The financial statements have been prepared on a historical cost basis.

3.2.6 Functional and presentation currency

Items included in the financial statements relating to the Company are measured and presented using the primary currency for the economic environment in which the Company operates ('functional currency'), the Polish zloty. Figures in the report are presented in thousands of PLN unless otherwise stated.

At the balance sheet date, monetary assets and liabilities denominated in currencies other than PLN are translated into PLN using the average exchange rate for the currency in question set by the National Bank of Poland at the end of the reporting period, as appropriate. The exchange differences arising from the translation are recognised under finance income (expenses) or, where specified in accounting policies, capitalised in the value of assets, as appropriate. Non-monetary assets and liabilities recognised at historical cost denominated in foreign currency are stated at the historical exchange rate on the date of the transaction. Non-monetary assets and liabilities recognised at fair value denominated in foreign currency are translated at the exchange rate at the date of fair value measurement. Gains or losses arising from the translation of non-monetary assets and liabilities recognised at fair value are recognised in accordance with the recognition of the gain or loss on the change in fair value (i.e. in other comprehensive income or in profit or loss, as appropriate, depending on where the change in fair value is recognised).

The following exchange rates were adopted for balance sheet valuation purposes:

	31 December 2022	31 December 2021
USD	4.4018	4.0600
EUR	4.6899	4.5994

3.2.7 Judgements and estimates made

The preparation of the financial statements requires the Company's Management Board to make judgements, estimates and assumptions that affect the application of the adopted accounting policies and the amounts presented in the financial statements. Actual values may differ from estimated values.

All judgements, assumptions, as well as estimates that have been made for the purposes of these financial statements are presented in the required disclosures relating to individual items in these financial statements in the notes to the financial statements, which form an integral part thereof.

Estimates and judgements are subject to ongoing review. They arise from past experience, including predictions of future events that are reasonable in a given situation, and new information.

The main assumptions about the future and other key reasons for estimation uncertainty at the balance sheet date are set out below:

- impairment of non-current assets

At each balance sheet date, the Company analyses the indications of impairment of assets and, if required, performs an impairment test. In the course of its analysis, carried out in accordance with IAS 36 Impairment of Assets, of indications of impairment, the Company's Management Board analysed, among other things, evidence from internal reporting as well as factors from external sources of information. No indications of impairment were identified.

- impairment of trade receivables

The Company uses a provision matrix to measure the allowance for expected credit losses in respect of trade receivables. In order to determine expected credit losses, trade receivables were grouped based on similarity of credit risk characteristics. The Company uses its historical credit loss data, adjusted where appropriate for the impact of forward-looking information. For public entities, the risk of insolvency is zero (liabilities guaranteed by budgetary entities).

- depreciation & amortisation rates

Depreciation & amortisation rates are determined on the basis of the expected economic useful life of tangible and intangible assets. The Company revises the assumed economic useful lives annually on the basis of current estimates.

- lease-related estimates

Key lease-related estimates include: the determination of the lessee's marginal interest rate, the determination of the lease term (indefinite term contracts) and assumptions regarding the repurchase or non-repurchase of non-current assets.

- deferred tax asset

The Company recognises a deferred tax asset based on the assumption that a future taxable profit will be available against which deferred tax can be recovered. Deterioration of the tax results obtained in the future could render this assumption unjustified.
The Company carefully assesses the nature and extent of the evidence supporting the conclusion that it is probable that sufficient future taxable profit will be available to offset unused tax losses, unused tax credits or other deductible temporary differences.
In assessing whether the achievement of future taxable income is probable (probability of more than 50%), the Company takes into account all available evidence, both that the probability exists and that it does not.

- uncertainty relating to taxation

Regulations on value added tax, corporate income tax and social security charges are subject to frequent change. These frequent changes result in a lack of appropriate reference points, inconsistent interpretations and few established precedents to apply. The current legislation also contains ambiguities that give rise to differences of opinion as to the legal interpretation of tax legislation, both between state authorities and between state authorities and enterprises.
Tax settlements and other areas of activity (for example, customs or foreign exchange issues) may be subject to audits by the authorities, which are entitled to impose high penalties and fines, and any additional tax liabilities resulting from the audit must be paid with high interest. These conditions mean that the tax risk in Poland is greater than in countries with a more mature tax system.
Consequently, the amounts presented and disclosed in the financial statements may change in the future as a result of a final decision by a tax audit authority.
The Company recognises and measures current and deferred tax assets or liabilities using the requirements of IAS 12 Income Taxes based on tax profit (loss), tax base, unused tax losses, unused tax credits and tax rates, taking into account an assessment of the uncertainties associated with tax settlements.
When there is uncertainty as to whether and to what extent the tax authority will accept particular tax settlements of a transaction, the Company recognises these settlements taking into account the assessment of uncertainty.

If, in the Company's opinion, it is likely that the Company's approach to a tax issue or group of tax issues will be accepted by the tax authority, the Company determines the taxable profit (tax loss), tax base, unused tax losses, unused tax credits and tax rates taking into account the approach to taxation planned or applied in its tax return. In assessing this likelihood, the Company assumes that the tax authorities with the power to audit and challenge the tax treatment will conduct such an audit 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 group of tax issues, the Company shall reflect the effects of the uncertainty in the accounting treatment of the tax in the period in which it so determines. The Company recognises an income tax liability using one of the following two methods, whichever better reflects how the uncertainty may materialise:
- The company determines the most likely scenario - this is a single amount among possible outcomes or
- The company recognises expected value - this is the sum of the probability-weighted amounts among the possible outcomes.

3.3 Description of significant accounting policies

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS THERETO ISSUED BY THE INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB) AND ENDORSED BY THE EUROPEAN UNION WHICH ARE NOT EFFECTIVE FOR PERIODS BEGINNING ON 1 JANUARY

IFRS 17: *Insurance Contracts* (published on 18 May 2017) including Amendments to IFRS 17 (published on 25 June 2020) - applicable for annual reporting periods beginning on or after 1 January 2023.

- Amendments to IAS 1 and IFRS Practice Statement 2: *Disclosure of Accounting Policies*, were published by the International Accounting Standards Board on 12 February 2021 and are effective for annual reporting periods beginning on or after 1 January 2023.
- Amendment to IAS 8: *Definition of Accounting Estimates*, was published by the International Accounting Standards Board on 12 February 2021 and is effective for annual reporting periods beginning 1 January 2023 or after that date.
- Amendments to IAS 12: *Deferred Tax on Assets and Liabilities arising from a Single Transaction* were published on 7 May 2021 and are effective for annual reporting periods beginning on or after 1 January 2023.
- Amendments to IFRS 17 Insurance Contracts: *Initial Application of IFRS 17 and IFRS 9 - Comparative Information* (published on 9 December 2021) - applicable for annual reporting periods beginning on or after 1 January 2023.

STANDARDS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION

These financial statements do not incorporate the standards and interpretations listed below, which are pending endorsement by the European Union.

- IFRS 14: *Regulatory Deferral Accounts* - in accordance with the European Commission's decision, the endorsement process for the preliminary version of the standard will not be initiated until the final version is issued - not endorsed by the EU at the date of approval of these financial statements - effective for annual reporting periods 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* (published 11 September 2014) - the work leading to the approval of these amendments has been postponed indefinitely by the EU - the effective date has been postponed indefinitely by the IASB.
- Amendments to IAS 1: *Classification of Liabilities as Current or Non-current*, were published by the IASB on 23 January 2020. On 15 July 2020, the IASB published an amendment that provides operational relief to entities by deferring the effective date of the amendments to the Standard by one year to annual reporting periods beginning on or after 1 January 2023
- Amendment to IFRS 16 Leases: *Lease Liability in a Sale and Leaseback* (published 22 September 2022) - not endorsed by the EU up to the date of approval of these financial statements

- effective for annual reporting periods beginning on or after 1 January 2024.

The Company is in the process of analysing the impact of the above-mentioned standards, interpretations and amendments to standards.

3.3.1 Property, plant and equipment

Property, plant and equipment are fixed

assets:

- which are held for use in the production process or in the supply of goods and services, for use by other entities under a rental contract or for administrative purposes, and
- which are expected to be used for more than one reporting period.

Property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses. Land is not subject to depreciation. Property, plant and equipment comprise entity's own fixed assets, investments in third-party fixed assets, fixed assets under construction and represent assets used for the supply of goods or services and for administrative purposes or for rental to third parties, and their expected useful life exceeds one year. The cost of an item of property, plant and equipment comprises the costs incurred to purchase or produce the item, including capitalised interest accrued until the item is available for use. Expenditure incurred at a later date is included in the carrying amount if it is probable that economic benefits will flow to the Entity. The cost of the ongoing maintenance of property, plant and equipment is recognised in profit or loss for the current period.

The cost of an item of property, plant and equipment comprises the purchase price, including import duties and non-refundable purchase taxes, less trade discounts and rebates, all other directly attributable costs incurred to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Property, plant and equipment, with the exception of fixed assets under construction and land, are depreciated. Depreciation is calculated on the basis of cost less residual value, based on the useful life of the asset as adopted by the entity and reviewed periodically. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale, is derecognised, the residual value of the asset exceeds its carrying amount or has already been fully depreciated.

The Company assumes the following useful lives for the various categories of property, plant and equipment:

- Technical equipment and machinery: 4 years;
- Investments in third-party fixed assets: for the remaining period of the contract.

Depreciation is calculated using the straight-line method (which assumes constant depreciation charges over the useful life of the asset with an unchanged residual value).
The depreciation method used reflects the mode in which the economic benefits of the asset are consumed by the entity.

The depreciation method applied to property, plant and equipment is reviewed, at least at the end of each reporting period, and if there is a significant change in the expected pattern of consumption of the economic benefits from the asset by the entity, the depreciation method is amended to reflect this change. A change in the depreciation method is accounted for as a change in accounting estimates, i.e. prospectively from the time of revision.

3.3.2 Intangible assets

An intangible asset is an identifiable non-monetary asset that has no physical form. To be recognised as an intangible asset, an asset must meet the following criteria:

- the asset must be identifiable;
- the asset must be controlled by an entity,
- the asset must be capable of generating future economic benefits;

- it must be possible to make a reliable measurement of the asset.

An asset meets the identifiability criterion in the definition of an intangible asset if:

- it is separable, i.e. it can be excluded or separated from an entity and sold, transferred, licensed or rented to third parties, either individually or together with a related contract, asset or liability, or
- it arises from contractual or other legal titles, whether or not they are transferable or separable from the entity or from other titles or obligations.

A company controls an asset if it is entitled to receive future economic benefits arising from the asset and is able to restrict access to those benefits by third parties. The Company's ability to control the future economic benefits of an intangible asset typically arises from a legal title that may be enforceable in court. In the absence of a title, it is more difficult to prove control. However, the ability to legally enforce the title is not a prerequisite for control, as the entity can also control future economic benefits in other ways.

Future economic benefits derived from an intangible asset may include revenue from the sale of products or services, cost savings or other benefits arising from the use of the asset by the entity. For example, the use of intellectual property in the production process may serve to reduce future production costs rather than increase future revenues.

An intangible asset is initially measured at cost. After initial recognition, an intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised, while intangible assets with indefinite useful lives are not amortised. The assessment is whether the useful life of the intangible asset is finite or indefinite, and if finite - what is its length or the number of production units or similar units making up the period. An entity considers an intangible asset to have an indefinite useful life when, based on an analysis of all relevant factors, there is no foreseeable limit to the period over which the asset can be expected to generate net cash inflows for the entity.

Amortisation rates were determined taking into account the economic life of intangible assets. Intangible assets are amortised on a straight-line basis over the following period:

- completed development work: 2 years;
- Copyright - licences: 2 to 5 years.

The amortisation period and amortisation method for an intangible asset with a finite useful life is reviewed at least once a year, at the end of each financial year. If the expected useful life of an asset differs significantly from previous estimates, the amortisation period is amended accordingly. If there is a change in the expected pattern of economic benefits arising from the asset, the amortisation method is amended to reflect the change. Such changes are recognised as changes in accounting estimates in accordance with the relevant rules.

During the life of an intangible asset, it may become apparent that the estimate of useful life is not appropriate. For example, the recognition of impairment losses may indicate a need to change the amortisation period.

Research costs are charged to expenses as they are incurred. Development costs incurred prior to the commencement of production or the application of new technological solutions are included in intangible assets if the Company can prove:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale,
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- the manner in which the intangible asset will generate probable economic benefits.

Among other things, the Company should prove the existence of a market for the products resulting from the intangible asset or for the intangible asset itself or, if the asset is to be used by the Company, the utility of the intangible asset;

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- the ability to reliably identify expenditure incurred during development that is attributable to that intangible asset.

3.3.3 Inventories Inventory is an asset:

- intended for sale in the ordinary course of business;
- being in the process of production for such sale; or
- taking the form of materials or supplies of raw materials consumed in the production process or in the course of providing services.

Inventories are valued at the lower of cost or net realisable value.

The cost of inventories consists of all:

- purchase costs;
- other costs incurred in bringing the stock to its current location and condition.

The purchase costs of inventories consist of the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the tax authorities) and transport, loading and unloading and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the purchase costs.

Other costs are included in the cost of inventories only to the extent that they are incurred to bring inventories to their present condition and location.

The cost of inventories other than those accounted for by the detailed identification method is determined using the 'first-in, first-out' (FIFO) method. Under the FIFO method, it is assumed that items of inventory purchased first are sold first and, consequently, the items remaining in inventory at the end of the period are those purchased or produced latest.

3.3.4 Leases

Upon entering into a contract, the company assesses whether the contract is, or contains, a lease. A contract is a lease, or contains a lease, if it conveys the right to control the use of an identified asset for a given period in exchange for consideration.
The Company applies a consistent approach to the recognition and measurement of all leases, with the exception of short-term leases and leases of low-value assets. At the commencement date of the lease, the Company recognises a right-of-use asset and a lease liability.

Right-of-use assets

The Company recognises a right-of-use asset at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses, adjusted for any remeasurement of lease liabilities. The cost of the right-of-use asset comprises the amount of the recognised lease liability, the initial direct costs incurred and any lease payments made on or before the commencement date, less any lease incentives received. Unless the Company is reasonably certain that it will obtain title to the leased asset at the end of the lease term, recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life or the lease term.

Lease liabilities
At the commencement date of the lease, the Company measures the lease liabilities at the present value of the lease payments outstanding at that date. Lease payments include fixed payments (including essentially fixed lease payments) less any lease incentives payable, variable payments that depend on an index or rate and amounts expected to be paid under the guaranteed residual value. Lease payments also include the exercise price of the call option, if the exercise of the call option by the Company can be assumed with reasonable certainty, and payments of lease termination penalties, if the terms of the lease provide for the Company to terminate the lease. Variable lease payments that do not depend on an index or rate are recognised as an expense in the period in which the event or condition giving rise to the payment occurs.
When calculating the present value of lease payments, the Company uses the lessee's marginal interest rate at inception of the lease if the lease rate cannot be readily determined. After the commencement 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 subject to remeasurement if there is a change in the lease term, a change in the substantially fixed lease payments or a change in judgement regarding the purchase of the underlying assets.

Short-term and low-value asset leases
The Company applies the exemption from short-term lease recognition to its short-term leases (i.e. contracts with a lease term of 12 months or less from the commencement date and no call option). The company also applies an exemption for the recognition of leases of low-value assets. Lease payments for short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

3.3.5 Financial assets

Financial assets are classified in the following categories:
- measured at amortised cost;
- measured at fair value through profit or loss;
- measured at fair value through other comprehensive income.

The Company classifies its investments in debt instruments into a particular asset category on the basis of its business model for managing groups of financial assets and the characteristics of the contractual cash flows for the financial asset. The classification of financial assets is made at initial recognition and can only be changed if the business model for managing financial assets changes. The principal models for managing financial assets include the ‘hold to collect’ model aimed at collecting contractual cash flows, the ‘hold to collect and sell’ model aimed at receiving contractual cash flows and selling, and the ‘other’ model for purposes other than those indicated in the two preceding models (in principle, a model meaning holding assets for disposal).

The Company adopts the principle that the sale of a financial asset just before its maturity date does not constitute a change in the business model from ‘hold to collect’ to ‘hold to collect and sell’ or ‘other’ model.

Financial assets are derecognised when the rights to collect cash flows arising from those assets have expired or when the Company has transferred the rights to collect cash flows to a third party and has simultaneously transferred substantially all the risks and rewards of ownership.

Financial assets measured at amortised cost
A financial asset is classified as measured at amortised cost if the following two conditions are met:
- assets are held as part of a ‘hold to collect’ business model that aims to hold assets to receive contractual cash flows; and
- its contractual terms give rise at certain times to cash flows representing solely repayment of the principal and interest on the unpaid portion of the principal.

The Company classifies loans granted, trade receivables and other receivables falling within the scope of IFRS 9 for measurement at amortised cost. The Company measures financial assets at amortised cost using the effective interest method. When using the effective interest method, an entity determines the fees that are an integral part of the effective interest rate of the financial

instrument. The description of fees for financial services must not indicate the nature and subject matter of the services provided. Fees that are an integral part of a financial instrument's effective interest rate are treated as an adjustment to the effective interest rate, unless the financial instrument is measured at fair value and the change in fair value is recognised in profit or loss. In such cases, fees are recognised as income or expense on initial recognition of the instrument. Using the effective interest method, an entity generally amortises any fees, points paid or received, transaction costs and other premiums or discounts included in the calculation of the effective interest rate over the expected life of the financial instrument.
Non-current receivables falling within the scope of IFRS 9 are discounted at the balance sheet date. Trade receivables with a maturity of less than 12 months are measured at nominal value less the value of expected credit losses.

Financial assets at fair value through profit or loss

Short-term financial assets at fair value through profit or loss include assets acquired for the purpose of generating economic benefits from short-term price movements. Short-term financial assets are recognised initially at cost and measured at fair value at the balance sheet date. Gains or losses on the measurement of financial assets are recognised in the income statement, in finance income or expenses.

Financial assets at fair value through other comprehensive income

The Company recognises gains/losses on the measurement of investments in debt instruments and in equity instruments classified by the Company at initial recognition in this asset category, in other comprehensive income. Dividends from equity instruments measured at fair value through other comprehensive income, are recognised by the Company as income in profit or loss. As at the balance sheet date, the Company has not classified financial assets in this category.

3.3.6 Financial liabilities

Financial liabilities measured at fair value through profit or loss comprise financial liabilities held for trading and financial liabilities originally classified as measured at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of being sold in the near future. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are considered to be effective hedging instruments.

At 31 December 2022, no financial liabilities were categorised as measured at fair value through profit or loss (as at 31 December 2021). Financial liabilities measured at fair value through profit or loss are measured at fair value, taking into account their market value at the balance sheet date net of transaction costs. Changes in the fair value of these instruments are recognised in profit or loss as finance costs or income, except for changes in own credit risk for financial liabilities originally classified as measured at fair value through profit or loss, which are recognised in other comprehensive income.

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

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

Cash flows relating to a financial liability may change as a result of changes in contractual terms or expectations of estimated cash flows for the purpose of measuring the financial liability at amortised cost.

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

After initial recognition, interest-bearing loans, borrowings and debt securities are measured at amortised cost using the effective interest method. In determining amortised cost, the costs associated with obtaining the loan and discounts or premiums received in connection with the commitment shall be included.

Revenues and expenses are recognised in profit or loss when the liability is derecognised from the balance sheet, and also as a result of accounting using the effective interest method.

In accordance with the Company's accounting policy, equity instruments are instruments that entitle the holder to a residual interest in the assets of the entity after deducting all its liabilities. For this reason, when on initial recognition the carrying amount of a compound financial instrument is allocated to the equity and liability components, the equity instrument takes the value of the residual amount remaining after deducting the separately determined value of the liability component from the fair value of the instrument as a whole. The value of any derivative feature (e.g. a call option) embedded in a compound financial instrument, other than the equity component (e.g. a share conversion option), is included in the liability component. On initial recognition, the sum of the carrying amounts of the liability and equity components is always equal to the fair value that would be attributable to the instrument as a whole. The separate initial recognition of the components of the instrument does not give rise to a gain or loss.

The Company first determined the carrying amount of the liability component (including any embedded non-equity derivative feature) by measuring the fair value of a similar liability to which the equity component is not attached. The carrying amount of the equity component, represented by the option to convert the instrument into shares, was determined secondarily by subtracting the fair value of the financial liability from the fair value of the compound financial instrument as a whole.

Modification of contractual terms and conditions

When the contractual terms and conditions of a financial liability are modified, the Company analyses whether the modification of cash flows was material or not. The Company uses both quantitative and qualitative criteria to identify a significant modification that leads to the discontinuation of recognition of an existing financial liability.
There were no significant changes in contractual terms during the periods covered by the report.
The Company considers a material modification to be a change in the discounted present value of the cash flows resulting from the new terms, including any payments made, less payments received and discounted using the original effective interest rate, of not less than 10% from the discounted present value of the remaining cash flows of the original financial liability.
Irrespective of the quantitative criterion, a modification is considered material in the following cases:

- currency conversion of a financial obligation, unless this is specified in advance in the terms of the contract,
- change of lender,
- significant extension of the funding period compared to the original funding period,
- change of the interest rate from variable to fixed and vice versa,
- change of legal form/type of financial instrument.

A material modification to a financial liability is recognised by the Company as the expiry of the original financial liability and the recognition of a new financial liability.
Where the contractual terms of a financial liability are modified without the existing liability ceasing to be recognised, the gain or loss is recognised immediately in profit or loss. The gain or loss is calculated as the difference between the present value of the modified and original cash flows, discounted using the original effective interest rate of the liability.

Change in expected cash flows

In the case of floating rate financial liabilities, the periodic re-estimation of cash flows to reflect changes in market interest rates results in a change in the effective interest rate.
Where the Company changes its estimates of payments under a financial liability (excluding changes relating to modification of contractual cash flows), an adjustment is made to the carrying amount of the financial liability to reflect the actual and modified estimated contractual cash flows. The Company determines the carrying amount of a financial liability at amortised cost as the present value of the estimated future contractual cash flows, which are discounted at the financial instrument's original effective interest rate. The difference in measurement is recognised as income or expense in the financial result.

Embedded derivatives

If the hybrid contract contains a host contract that is an asset within the scope of IFRS 9, the Company applies the requirements of IFRS 9 on the classification of financial assets to the entire hybrid contract.

If a hybrid contract contains a host contract that is not an asset within the scope of IFRS 9, the embedded derivative shall be separated from the host contract and accounted for as a derivative under the principles of IFRS 9 if and only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks inherent in the host contract;
- a stand-alone instrument with the same contractual terms as an embedded derivative would meet the definition of a derivative; and
- the hybrid contract is not measured at fair value and changes in fair value are not recognised in profit or loss (i.e. a derivative that is embedded in a financial liability measured at fair value through profit or loss is not separated).

Embedded derivatives are accounted for in a similar way to stand-alone derivatives that are not considered to be hedging instruments.

The extent to which the economic characteristics and risks inherent in an embedded foreign currency derivative are closely related to the economic characteristics and risks inherent in the host (main) contract also includes situations where the currency of the host contract is the customary currency for contracts to buy or sell non-financial items in the market for the transaction.

The assessment of whether an embedded derivative is separable is made by the Company at the time of its initial recognition.

3.3.7 Trade and other receivables

Trade receivables are recognised and reported at the amounts originally invoiced, including an allowance for lifetime expected credit losses.

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

Other receivables include, in particular, budgeted tax receivables, with the exception of corporate income tax receivables, which are a separate item on the balance sheet. Advances are presented according to the nature of the assets to which they relate - as non-current or current assets respectively. As non-monetary assets, advances are not discounted.

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

Impairment losses

At the end of each reporting period, the Company assesses whether there is objective evidence of impairment for financial assets not measured at fair value through profit or loss.

The Company uses the following approaches to estimate impairment losses on financial assets:

- general approach;
- a simplified approach.

The Company applies the general approach to financial assets measured at fair value through other comprehensive income and to financial assets measured at amortised cost, except for trade receivables. In the general approach, the Company estimates the impairment loss on financial assets on the basis of a 3-step model based on the change in credit risk of the financial assets since their initial recognition. If the credit risk of the financial assets in question has not increased significantly since initial recognition (stage 1), the Company estimates an impairment loss over a 12-month horizon. When the Company identifies a significant increase in the credit risk of financial assets (stages 2 and 3), an impairment loss is estimated over the life horizon of the financial assets. At each reporting date, the Company analyses whether there are indications of a significant increase in the credit risk of its financial assets.

An entity measures expected credit losses on financial instruments to include:

- unencumbered and probability-weighted amount, which is determined by assessing a range of possible outcomes;
- the time value of money; and
- reasonable and demonstrable information that is available without undue cost or effort at the reporting date about past events, current conditions and projections of future economic conditions.

When measuring expected credit losses, an entity does not need to identify all possible scenarios. However, an entity assesses the risk or probability of credit loss, taking into account the possibility of credit loss and the possibility of no credit loss, even if the probability of credit loss is very low.

The maximum period to be taken into account in measuring expected credit losses is the maximum duration of the contract (including the possibility of renewal) during which the entity is exposed to credit risk, and not a longer period, even if such a longer period is consistent with business practice.

As the Company's trade receivables do not have a significant financing component, the Company takes a simplified approach in this regard and does not monitor changes in credit risk over the life of the receivables, and the impairment loss on trade receivables is calculated based on expected credit losses over the entire life of the financial instrument. The Company estimates expected credit losses related to trade receivables using a case-by-case approach and a ratio approach based on historical repayment statistics. The Company regularly reviews the methodologies and assumptions used to estimate expected credit losses to reduce any differences between estimates and actual credit loss data. The impairment loss is updated at each reporting date.

3.3.8 Impairment losses on non-financial assets

At each balance sheet date, an assessment is made as to whether there is any indication that any asset may be impaired. If such indications are identified, the entity estimates the recoverable amount of the asset.

Regardless of whether there are indications that an impairment has occurred, the entity is also required to:

- to test annually for impairment of an intangible asset with an indefinite useful life or an intangible asset not yet available for use by comparing its carrying amount with its recoverable amount. The aforementioned screening test may be conducted at any time during the annual reporting period, provided that it is conducted on the same date each year. Different intangible assets may be tested for impairment at different times. However, if such an intangible asset was initially recognised during the current annual reporting period, the asset is tested for impairment before the end of the current annual reporting period;
- to test annually for impairment of goodwill acquired in a business combination.

If there is any indication that an asset may have lost some of its value, the recoverable amount of that individual asset is estimated. If it is not possible to estimate the recoverable amount of an individual asset, an entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

The recoverable amount of assets is defined as the greater of their fair value less costs to sell and their value in use. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised as profit or loss in the current period.

Impairment losses on goodwill are not reversed. With regard to other assets, impairment losses recognised in prior periods are reviewed at the end of each reporting period to assess whether there is an indication of impairment or whether the impairment has fully reversed. An impairment loss is reversed if the estimates used to assess the recoverable amount have changed. An impairment loss is reversed only up to the carrying amount of the asset less any amortisation that would have been recognised had the impairment loss not been recognised.

3.3.9 Employee benefits

Employee benefits include:

a) short-term employee benefits if they are fully settled within twelve months after the end of the annual reporting period in which the employees render the related service, such as:

- salaries and social security contributions;
- paid annual leave and paid sick leave;
- profit-sharing and bonuses; and
- non-monetary benefits (such as medical care, accommodation, cars and other gratuitously donated or subsidised goods or services) for existing employees;

b) post-employment benefits such as:

- retirement benefits (for example, pensions and lump sum retirement bonuses); and
- other post-employment benefits, such as post-employment life insurance and post-employment medical care;

c) other long-term employee benefits, of which:

- long-term paid absences such as long-service leave or study leave;
- jubilee awards and other long-service benefits; and
- long-term disability benefits; and

d) termination benefits

Employee benefits are all forms of benefits of an entity offered in return for work performed by employees or for the termination of employment.

Short-term employee benefits are employee benefits (other than termination benefits) that are fully settled within twelve months after the end of the annual reporting period in which the employees render the related service.

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

In the event of termination of employment, the Company's employees are entitled to the benefits provided for by the applicable provisions of the Polish Labour Law, including, inter alia, compensation for unused annual leave.

Accordingly, the Company makes provisions for future employee benefits due to unused leave and unpaid equivalents for previous periods. This provision is calculated by multiplying the number of days of unused leave by each employee's daily remuneration cost.

Due to immateriality, the Company does not make provisions for retirement bonuses and jubilee awards.

Short-term employee benefits, if they are subject to settlement in full within twelve months after the end of the annual reporting period in which the employees render the related service, include:

- salaries and social security contributions;
- paid annual leave and paid sick leave;
- profit-sharing and bonuses; and
- non-monetary benefits (such as medical care, accommodation, cars and other gratuitously donated or subsidised items or services) for current employees.

If an employee has performed work for the Company during the financial period, the Company should recognise the expected undiscounted value of the short-term employee benefits that will be paid in exchange for that work:

- as a liability (accrued expenses), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity should recognise that excess as an asset (prepaid expense) if such prepayment of costs leads, for example, to a reduction in future payments or cash refunds;
- as an expense, or in the cost of an asset (for example, Inventory, Intangible Assets or Property, Plant and Equipment).

3.3.10 Trade and other payables

Trade payables are measured at the balance sheet date at the amount due, plus any interest on arrears due at the measurement date.

Liabilities denominated in foreign currencies are measured at the average exchange rate set for the currency in question by the NBP as at the balance sheet date.

Default interest for late payment of liabilities is not charged in the event that the entitled entity submits a written declaration to the effect that it will not be charged. In other cases, interest is charged and recorded according to the following rules:

- on an ongoing basis, based on interest notes received;
- at an estimated value, with the estimate based on historical data reflecting the amounts of interest accrued by individual counterparties, relative to the outstanding balance owed to them.

In each case, the calculation of interest shall take into account other relevant risks that cause such interest to accrue.

Accruals are liabilities due for goods or services that have been received/provided but not paid for, invoiced or formally agreed with the supplier, including amounts due to employees. Although it is sometimes necessary to estimate the amount or timing of accruals, the degree of uncertainty is generally much less than for provisions.

The degree of uncertainty when it is necessary to estimate the amount or timing of accruals is generally much less than for provisions.

The amount for which an accrual is made represents the most appropriate estimate of the expenditure required to meet the current obligation at the end of the reporting period. In determining this obligation, recognised commercial customs should be established.

Write-offs of accrued expenses may occur according to the passage of time.

Liabilities recognised as accruals increase the costs of the reporting period in which it is determined that the liability did not arise.

3.3.11 Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of past events that can be measured reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. If these conditions are not met, no provision is made.

Provisions are made in the amount of the most appropriate estimate of the expenditure necessary to fulfil the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the events and circumstances leading to the fulfilment of the obligation.

The most appropriate estimate of the expenditure required to fulfil the current obligation is the amount that would reasonably be paid to fulfil the obligation at the end of the reporting period or to transfer it to a third party on the same date. It is often impossible or prohibitively expensive to fulfil the obligation or carry it forward to the end of the reporting period. However, an estimate of the amount that would reasonably be paid to fulfil the obligation or would pay to transfer that obligation to a third party is the most appropriate estimate of the expenditure required to fulfil the present obligation at the end of the reporting period.

Estimates of the result and financial effect are made by the judgement of the entity's management, supported by past experience of similar transactions and, in some cases, by independent expert reports. Evidence considered includes any additional evidence arising from events after the end of the reporting period.

The provision is measured before tax, as the tax consequences of the provision and its changes are recognised elsewhere in the financial statements.

If the effect of the change in the time value of money is material, the amount of the provision corresponds to the present value of the expenditure that is expected to be necessary to fulfil the obligation.

Due to the time value of money issue, provisions relating to cash outflows occurring just after the end of the reporting period are more burdensome than provisions relating to cash outflows of the same amount occurring later. Provisions are therefore discounted if the effect of this action is material. The discount rate (or rates) is determined before tax, i.e. it reflects the current market assessment of the time value of money and the risk specific to the liability. The discount rate(s) shall not reflect risks for which future cash flow estimates have been adjusted.

If the Company is a party to an onerous contract, the present obligation under the contract is recognised and measured as a provision.

3.3.12 Cash and cash equivalents

Cash and short-term deposits shown in the balance sheet include cash at bank and short-term deposits with an original maturity of three months or less.

The cash and cash equivalents balance shown in the statement of cash flows consists of cash and cash equivalents as defined above, less outstanding overdrafts where overdrafts are part of the Company's cash management rather than a source of funding.

At the balance sheet date, cash expressed in foreign currencies is measured at the average exchange rate for the currency in question set by the National Bank of Poland at that date. The relevant valuation rate should be indicated. Exchange differences on cash measurement should be recognised as finance income or expenses. Exchange differences related to the same balances should be presented net.

3.3.13 Equity

The equity in the Company's financial statements consists of:

- share capital shown at nominal value, as defined in the articles of association and entered in the relevant court register;
- legal reserve created in accordance with the Commercial Companies Code;
- retained earnings, consisting of retained earnings from previous years (profit or loss) and profit or loss for the current period.

The Company's share capital is shown at par value in accordance with the Company's articles of association. If shares are taken up at a price higher than the par value, the surplus is transferred to the legal reserve.

The Company's legal reserve is created:

- from profit allowances;
- surpluses realised on the issue of shares above their nominal value remaining after covering the issue costs;
- from the excess of the sale price of the own shares over the acquisition cost.

The General Meeting decides on the use of the legal reserve.

Other reserves are created in accordance with the Articles of Association. The General Meeting decides on the use of the reserve capital.

Among other things, the Company includes in reserves the capital created by the decision of the General Meeting for the acquisition of treasury shares and the valuation of the equity portion of convertible bonds.

The Company also recognises in reserves the capital received from the issue of shares, net of issue costs, until the share capital increase is registered by the Registry Court. After registration, the nominal value of the registered shares is credited to share capital, while the surplus achieved on the issue of shares above their nominal value, remaining after covering the issue costs, is credited to legal reserve.

Non-distributable retained earnings (losses) are amounts that cannot be paid out as dividends. Dividends are recognised as liabilities in the period in which they were approved.

Total comprehensive income is the change in equity that occurred during the reporting period as a result of transactions other than transactions with owners in their capacity as shareholders. It comprises all components of profit and loss and other comprehensive income.
Other comprehensive income comprises income and expense items (including reclassification adjustments) that have not been recognised as profit or loss as required or permitted by other IFRS.

3.3.14 Revenue

The Company has applied IFRS 15 'Revenue from Contracts with Customers'. The standard establishes the so-called Five-Step Model for the recognition of revenue arising from contracts with customers. In accordance with IFRS 15, revenue is recognised at the amount of consideration that the entity expects to receive in exchange for the transfer of promised goods or services to the customer. The new standard replaces all existing revenue recognition requirements under IFRS. The Five-Step Model includes:

- identification of the contract with the customer

A contract with a customer meets its definition when all of the following criteria are met: the parties to the contract have entered into an agreement and are obliged to perform their obligations; the Company is able to identify the rights of each party regarding the goods or services to be transferred; the Company is able to identify the terms of payment for the goods or services to be transferred; the contract has economic substance and it is probable that the Company will receive the consideration to which it is entitled in exchange for the goods or services to be transferred to the customer.

- identification of performance obligations

Upon conclusion of the contract, the Company evaluates the goods or services promised in the contract with the customer and identifies as a performance obligation any promise to transfer to the customer: a good or service (or bundle of goods or services) that is separable, or the Company of separate goods or services that are substantially the same and for which the transfer to the customer is of the same nature.

- determination of the transaction price

To determine the transaction price, the Company takes into account the terms and conditions of the contract and its usual business practices. The transaction price is the amount of consideration that the Company expects to receive in exchange for the transfer of the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, certain sales taxes, fuel duty, excise duty).
The remuneration specified in the contract with the customer may include fixed amounts, variable amounts or both.

- allocation of the transaction price to individual performance obligations

The Company assigns a transaction price to each performance obligation (or to a distinct good or distinct service) in an amount that reflects the amount of consideration that the Company expects to receive for providing the promised goods or services to the customer.

- recognition of revenue when performance obligations are satisfied

The company recognises revenue when the performance obligation is fulfilled (or in the process of being fulfilled) by transferring the promised good or service (i.e. an asset) to the customer (the customer obtains control of this asset). Revenue is recognised as amounts equal to the transaction price that has been attributed to the performance obligation. The company transfers control of the good or service over time and thereby meets the performance obligation and recognises revenue over time if one of the following conditions is met:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- as a result of this performance, an asset is created or enhanced and control of that asset - as it is created or enhanced - is vested in the customer;
- such performance does not result in an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

The measurement of revenue is based on the agreed transaction price that the Company expects to receive in exchange for the transfer of the promised goods or services to the customer, excluding amounts collected for the benefit of third parties. The estimated transaction price reflects a plausible estimate of the expected consideration from the contract based on the entity's past experience and capabilities in delivering such services. The estimate of the transaction price takes into account any expectations known to the entity under the applicable contractual and business conditions as to the actual value of the consideration for the transfer of goods or services, including in particular those resulting in a price concession. The company includes in the transaction price that part of the variable remuneration for which there is a high probability that there will not be a need to adjust a material part of the revenue in the future.

A reliable estimate of the transaction price is assessed at each balance sheet date.

PolTREG S.A. holds a full exclusive licence for the medical solution consisting in the production of the TREG Lymphocyte Preparation, understood as a vaccine for the treatment of type 1 diabetes in children, containing T-regulatory lymphocytes, which is the subject of patent number PL 218400 (exclusive right number) issued by the Patent Office of the Republic of Poland by decision of 16 May 2014 upon application of 6 June 2012.

PolTREG S.A. grants the University Clinical Centre ('UCK') in Gdańsk a further sub-licence for the manufacture of the TREG lymphocyte preparation and for the provision of treatment using the preparations. The contract was signed for a period of 24 months on 31 May 2021. PolTREG S.A. receives a lump-sum payment for each formulation. UCK is currently the Company's only customer. Sales are made under the Hospital Exemption rule.
Revenue is presented net of value added tax, refunds, rebates, discounts, marketing fees directly related to the products sold.

3.3.15 Interest and dividend income

Interest income is recognised consecutively as it accrues (taking into account the effective interest method, in which the effective rate is the rate that discounts future cash receipts over the estimated life of the financial instruments) against the net carrying amount of the financial asset.

Dividends are recognised when Shareholders' rights to receive them are established.

3.3.16 Grants

If there is reasonable certainty that the grant will be received and all related conditions are met, then government grants are recognised at their fair value.

If the grant relates to a cost item, then it is recognised as revenue commensurate with the costs that the grant is intended to offset. If the grant relates to an asset, its fair value is recognised in a deferred income account and then gradually, through equal annual write-offs, recognised in profit or loss over the estimated useful life of the related asset.

3.3.17 Income tax

Current tax liabilities and receivables for the current and prior periods are measured at the amounts expected to be paid to the tax authorities (subject to reimbursement from the tax authorities) using the tax rates and tax laws that were already legally or effectively in force at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if the Company has an enforceable legal right to set off current tax liabilities and assets and provided that the deferred tax assets and liabilities relate to income taxes imposed by the same tax authority on the same taxpayer or on different taxpayers who intend to settle income tax liabilities and receivables on a net basis or to realise the receivable and settle the liability simultaneously.

Deferred tax assets relating to unused tax losses, unused tax credits and deductible temporary differences are recognised to the extent that it is probable that taxable profit will be available against which they can be utilised. Deferred tax assets are reassessed at each reporting date and are reduced to the extent that it is not probable that the related income tax benefit will be realised.

Income tax comprises a current portion and a deferred portion. Current and deferred income taxes are recognised as profit or loss for the current period, except to the extent that they relate to business combinations and items recognised directly in equity or as other comprehensive income.
Current tax is the expected amount of tax payable or receivable on taxable income for the year, determined using the tax rates legally or actually in force at the reporting date and adjustments to the tax liability relating to previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities and their values determined for tax purposes. Deferred income tax is not recognised for the following temporary differences: initial recognition of assets or liabilities arising from a transaction that is not a business combination and affects neither current period profit or loss nor taxable profit, differences related to investments in subsidiaries and jointly controlled entities to the extent that it is not probable that they will be disposed of in the foreseeable future. In addition, no deferred tax is recognised on temporary differences arising from the initial recognition of goodwill. Deferred tax is measured using the tax rates that are expected to apply when the temporary differences reverse, taking as the basis the tax laws that have been enacted or substantively enacted by the reporting date.

3.3.18 Value added tax

Revenues, expenses, assets and liabilities are recognised net of value added tax, except:
- where the value added tax paid on the purchase of assets or services is not recoverable from the tax authorities, in which case it is recognised as part of the cost of the asset or as part of the expense item as appropriate, and
- receivables and payables, which are shown with the amount of value added tax included.

The net amount of value added tax recoverable from or payable to the tax authorities is included in the statement of financial position as part of receivables or payables.

3.3.19 Operating segments

The Company's core business is: the conduct of clinical trials and the commercialisation of a patented method of T-regulator lymphocyte proliferation for the treatment of type 1 diabetes in children. The Company's operations are mainly conducted in Poland. It is classified within one segment.

The Company has not discontinued any operations during the period covered by this report nor does it expect to discontinue any operations in the next period. The Company applies IFRS 8 'Operating Segments' for the identification of operating segments. In accordance with the requirements of IFRS 8, operating segments should be identified based on internal reporting of those elements of the Company that are regularly verified by those deciding on the allocation of resources to the segment and assessing its financial performance. On this basis, the Company identifies only one operating segment. As there is only one operating segment, the Company does not present financial data for this segment separately. All its assets and liabilities, as well as revenues and expenses, are allocated to this segment. At the Company level, the Management Board does not review the performance of the business by any other business types and has no separate financial data.

3.4 Structure of sales revenue

	For the period: from 01.01.2022 to 31.12.2022	For the period: from 01.01.2021 to 31.12.2021
Material structure		
Revenue from the sale of products	999	1,099
	999	**1,099**

Sales revenue in both 2022 and 2021 relates to the sub-licence granted to the University Clinical Centre for the manufacture of the TREGS Lymphocyte Preparation (revenue dependent on the number of TREG preparations administered under the hospital exemption).

	For the period: from 01.01.2022 to 31.12.2022	For the period: from 01.01.2021 to 31.12.2021
Territorial structure		
Domestic sales	999	1,099
	999	**1,099**

3.5 Raw materials and consumables used

	For the period: from 01.01.2022 to 31.12.2022	For the period: from 01.01.2021 to 31.12.2021
Laboratory materials	(421)	(260)
Other	(702)	(22)
	(1,123)	**(282)**

3.6 Employee benefit expenses

	For the period: from 01.01.2022 to 31.12.2022	For the period: from 01.01.2021 to 31.12.2021
Salaries	(2,977)	(3,455)
Social security and other benefits	(359)	(443)
	(3,336)	**(3,898)**

3.7 Depreciation & amortisation

	For the period: from 01.01.2022 to 31.12.2022	For the period: from 01.01.2021 to 31.12.2021
Depreciation of property, plant and equipment and amortisation of intangible assets	(474)	(236)
Depreciation of right-of-use assets	(349)	(339)
	(823)	**(575)**

3.8 Third-party services

	For the period: from 01.01.2022 to 31.12.2022	For the period: from 01.01.2021 to 31.12.2021
Transport services	(19)	(4)
Rental and leases	(171)	(25)
Advisory and legal services	(1,646)	(1,413)
IT services	(28)	(16)
Specialist services	(1,858)	(807)
Other external services	(359)	(231)
	(4,081)	**(2,496)**

Consultancy services include, but are not limited to, legal, tax and grant acquisition and processing services. In 2021, this category additionally includes IPO-related costs.
Specialist services mainly comprise CRO services.

3.9 Other income and expense

	For the period: from 01.01.2022 to 31.12.2022	For the period: from 01.01.2021 to 31.12.2021
Grants	3,594	2,671
Other operating income	238	184
	3,832	**2,855**
Other operating expenses	-	(16)
	-	**(16)**

Grant income mainly relates to income from the Horizon grant for the preparation of the registration phase and Phase III clinical trials (see note 3.24 for further details).

3.10 Finance income and expense

	For the period: from 01.01.2022 to 31.12.2022	For the period: from 01.01.2021 to 31.12.2021
Interest income accounted for using the effective interest method, including:	**3,495**	**-**
Bank interest (deposits)	3,495	-
Other finance income	71	-
	3,566	**-**
Interest expense accounted for using the effective interest method, including:	**(284)**	**(41)**
Interest on loans	-	(23)
Lease interest	(284)	(18)
Other finance expenses	(17)	(217)
Net finance income / (expenses)	**(301)**	**(258)**

3.11 Income tax

Effective tax rate

	For the period: from 01.01.2022 to 31.12.2022	For the period: from 01.01.2021 to 31.12.2021
Gross loss	**(1,967)**	**(3,738)**
Income tax at the statutory tax rate (19%)	374	710
Effect of permanent differences between profit before tax and taxable income, including:	(19)	46
Non-taxable income	693	499
Non-deductible costs	(712)	(453)
Deferred tax asset not recognised	(394)	(738)
Other	39	(18)
Tax reported in the statement of comprehensive income	**-**	**-**
Effective tax rate	**0.0%**	**0.0%**

Deferred tax assets and liabilities

	31.12.2022	**31.12.2021**
Valuation of exchange rate differences	-	-
Deferred tax liability	**-**	**-**

	31.12.2022	**31.12.2021**
Tax loss	1,415	1,204
Provisions	194	409
Deferred tax assets	**1,609**	**1,613**
Write-down	**(1,609)**	**(1,613)**
Net deferred tax assets	**-**	**-**

Due to the uncertainty surrounding the settlement of deferred tax assets, these have been fully written down. The tax loss expiry date is 2023 -2027.

As of 15 July 2016, the Tax Ordinance was amended to incorporate the provisions of the General Anti- Avoidance Rule (GAAR). GAAR is intended to prevent the creation and use of artificial legal structures created to avoid paying tax in Poland. The GAAR defines tax avoidance as an act done primarily for the purpose of obtaining a tax advantage that is contrary, under the circumstances, to the object and purpose of the provisions of the Tax Act. According to the GAAR, such an action does not result in a tax advantage if the modus operandi was artificial. Any occurrence:

(i) unjustified splitting of operations,
(ii) involving intermediary entities despite the lack of economic or business justification,
(iii) elements that cancel each other out or compensate each other, and
(iv) other activities with similar effects to those previously mentioned may be treated as a premise for the existence of artificial activities subject to the GAAR. The new regulations will require much greater judgement in assessing the tax implications of individual transactions.

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

3.12 Property, plant and equipment

	Technical equipment and machinery	Fixed assets under construction	Total
Cost of property, plant and equipment			
Cost at 01.01.2022	**2,270**	**49**	**2,319**
Additions	20	13,635	**13,655**
Disposals & transfers	-	-	-
Cost at 31.12.2022	**2,290**	**13,684**	**15,974**
Accumulated depreciation			
Accumulated depreciation at 01.01.2022	**(409)**	**-**	**(409)**
Depreciation	(374)	-	(374)
Disposals & transfers	-	-	-
Accumulated depreciation at 31.12.2022	**(783)**	**-**	**(783)**
Net carrying value			
At 01.01.2022	**1,861**	**49**	**1,910**
At 31.12.2022	**1,507**	**13,684**	**15,191**

	Technical equipment and machinery	Fixed assets under construction	Total
Cost of property, plant and equipment			
Cost at 01.01.2021	**497**	**-**	**497**
Additions	1,773	49	**1,822**
Disposals & transfers	-	-	-
Cost at 31.12.2021	**2,270**	**49**	**2,319**
Accumulated depreciation			
Accumulated depreciation at 01.01.2021	**(239)**	**-**	**(239)**
Depreciation	(170)	-	(170)
Disposals & transfers	-	-	-
Accumulated depreciation at 31.12.2021	**(409)**	**-**	**(409)**
Net carrying value			
At 01.01.2021	**258**	**-**	**258**
At 31.12.2021	**1,861**	**49**	**1,910**

Management has not identified any indication of impairment of property, plant and equipment as at 31 December 2022 and 31 December 2021.

3.13 Right-of-use assets

	Buildings	Technical equipment and machinery	Others	Total
Cost of right-of-use assets				
Cost at 01.01.2022	**52**	**489**	**140**	**681**
Additions	7,790	-	-	**7,790**
Termination of the Agreement	-	(464)	-	**(464)**
Cost at 31.12.2022	**7,842**	**25**	**140**	**8,007**
Accumulated depreciation				
Accumulated depreciation at 01.01.2022	(42)	(363)	(111)	(516)
Depreciation	(209)	(111)	(29)	(349)
Disposals & transfers	-	464	-	464
Accumulated depreciation at 31.12.2022	**(251)**	**(10)**	**(140)**	**(401)**
Net carrying value				
At 01.01.2022	**10**	**126**	**29**	**165**
At 31.12.2022	**7,591**	**15**	**-**	**7,606**

	Buildings	Technical equipment and machinery	Others	Total
Cost of right-of-use assets				
Cost at 01.01.2021	**52**	**1,385**	**167**	**1,604**
Additions	-	106	-	**106**
Disposals & transfers	-	(1,003)	(27)	**(1,030)**
Cost at 31.12.2021	**52**	**489**	**140**	**681**
Accumulated depreciation				
Accumulated depreciation at 01.01.2021	(33)	(1,073)	(100)	(1,206)
Depreciation	(9)	(292)	(38)	(339)
Disposals & transfers	-	1,002	27	1,029
Accumulated depreciation at 31.12.2021	**(42)**	**(363)**	**(111)**	**(516)**
Net carrying value				
at 01.01.2021	**19**	**312**	**67**	**398**
At 31.12.2021	**10**	**126**	**29**	**165**

The company has leases for laboratory equipment, for office and laboratory space and other property, plant and equipment. The leasing period is 3-4 years for equipment. The company also enters into contracts of indefinite duration.

In 2022, the Company recognised a lease agreement for warehouse and office space in the Panattoni Park Gdańsk Airport II facility for the period from 22 August 2022 to 22 August 2032, with an option to extend for three years.

The Management Board makes a judgement each time it prepares a report in order to determine the period for which it can be assumed with reasonable certainty that such agreements will last.

3.14 Intangible assets

	Licences	Total
Cost of intangible assets		
Cost at 01.01.2022	**1,145**	**1,145**
Additions	-	-
Disposals & transfers	-	-
Cost at 31.12.2022	**1,145**	**1,145**
Accumulated amortisation		
Accumulated depreciation at 01.01.2022	**(50)**	**(50)**
Depreciation	(99)	(99)
Disposals & transfers	-	-
Accumulated depreciation at 31.12.2022	**(149)**	**(149)**
Net carrying value		
At 01.01.2022	**1,095**	**1,095**
At 31.12.2022	**996**	**996**

	Licences	Total
Cost of intangible assets		
Cost at 01.01.2021	-	-
Additions	1,145	**1,145**
Disposals & transfers	-	-
Cost at 31.12.2021	**1,145**	**1,145**
Accumulated amortisation		
Accumulated amortisation at 01.01.2021	-	-
Depreciation	(50)	(50)
Disposals & transfers	-	-
Accumulated amortisation at 31.12.2021	**(50)**	**(50)**
Net carrying value		
At 01.01.2021	**-**	**-**
At 31.12.2021	**1,095**	**1,095**

On 30 May 2021, the Company signed an addendum to the invention licence agreement signed with the Medical University of Gdańsk, under which the Company was obliged to reimburse the cost of obtaining patent protection for the licensed subject matter c, as well as incur the cost of a one-off licence fee of PLN 800 thousand divided into payment in two instalments. The first instalment was payable within 5 days after the signing of the annex. The second instalment, according to the agreement, was paid on 13 June 2022. The licence will be amortised over the term of the patent protection, i.e. 11 years.

3.15 Trade and other receivables

	31.12.2022	31.12.2021
Trade receivables	63	246
Budgetary receivables	4,049	1,206
Other receivables	683	1
Accruals and deferred income	4,600	563
	9,395	**2,016**
Long-term	64	-
Short-term	9,331	2,016
	9,395	**2,016**

Other receivables as at 31 December 2022 mainly relate to the deposit paid to secure the bank guarantee issued by ING Bank Śląski S.A. in favour of PDC Industrial Center 134 Spółka z o.o. for the lease agreement for warehouse and office premises at Panattoni Park Gdańsk Airport III for the period from 22 August 2022 to 22 August 2032 with the possibility of extension for 3 years. The aforementioned agreement is secured by a bank guarantee for the duration of the lease agreement and for three months after its expiry for an amount expressed in euro, corresponding to three months' rent and service charges plus VAT.

	31.12.2022	31.12.2021
Trade receivables from related parties	-	-
Trade receivables from other entities	63	246
Allowance for expected credit losses	-	-
Total net trade receivables	**63**	**246**

	31.12.2022	31.12.2021
Deferred income	4,121	549
Insurance policies and security	100	14
Other	379	-
Total accruals and prepayments	**4,600**	**563**
Long-term part	64	-
Short-term part	4,536	563

Deferred income relates to the income from the Horizon grant for the preparation of the registration phase and Phase III clinical trials (see note 3.24 for further details).

The age structure of trade receivables at the end of the reporting period is as follows:

	Gross value at 31.12.2022	Share	Allowance for expected credit losses at 31.12.2022	Net value at 31.12.2022
Not required	63	100%	-	63
	63	**100%**	**-**	**63**

	Gross value at 31.12.2021	Share	Allowance for expected credit losses at 31.12.2021	Net value at 31.12.2021
Not required	246	100%	-	246
	246	**100%**	**-**	**246**

3.16 Cash and cash equivalents

	31.12.2022	31.12.2021
Cash in bank accounts	2,659	1,941
Short-term deposits	87,377	102,000
	90,036	**103,941**

3.17 Equity

Shareholding

structure

As at 31 December 2022 and at the date of publication of this report, the following shareholders held at least 5% of the total number of votes at the Company's General Meeting:

	Number of shares held	Nominal value of shares (PLN)	% of shares held	% votes held
PAAN CAPITAL GP. Sp. z o.o. III ASI Sp. kom.-a.	993,602	99,360.20	21.31%	19.29%
Venture Fundusz Inwestycyjny Zamknięty	884,789	88,478.90	18.97%	17.18%
Marek-Trzonkowska Natalia	244,499	24,449.90	5.24%	7.95%
Trzonkowski Piotr	244,499	24,449.90	5.24%	7.95%
TFI Allianz	366,128	36,612.80	7.85%	7.11%
PTE Allianz	356,000	35,600.00	7.63%	6.91%
Myśliwiec Małgorzata	165,000	16,500.00	3.54%	6.25%
Others	1,408,931	140,893.10	30.21%	27.36%
Total	**4,663,448**	**466,344.80**	**100.00%**	**100.00%**

As 31 December 2021, the following shareholders held at least 5% of the total number of votes at the Company's General Meeting:

	Number of shares held	Nominal value of shares (PLN)	% shares held	% votes held
PAAN CAPITAL GP. Sp. z o.o. III ASI Sp. kom.-a.	993,602	99,360.20	21.31%	19.29%
Venture Fundusz Inwestycyjny Zamknięty	924,789	92,478.90	19.83%	17.18%
AVIVA OFE	267,849	26,784.90	5.74%	5.20%
Marek-Trzonkowska Natalia	244,499	24,449.90	5.24%	7.95%
Trzonkowski Piotr	244,499	24,449.90	5.24%	7.95%
Myśliwiec Małgorzata	165,000	16,500.00	3.54%	6.25%
Others	1,823,210	182,321,00	39.10%	36.18%
Total	**4,663,448**	**466,344.80**	**100.00%**	**100.00%**

As at 31 December 2022 and as at the date of publication of this report, in accordance with § 8.1 of the Articles of Association of PolTREG S.A., the share capital of the Company amounts to PLN 466,344.80 (four hundred sixty-six thousand three hundred

forty-four zlotys and eighty groszy) and is divided into 4,663,448 (four million six hundred sixty-three thousand four hundred forty-eight) shares with a nominal value of PLN 0.10 (ten groszy) each, including:
• 486,750 (four hundred and eighty-six thousand seven hundred and fifty) series A registered shares;
• 8,250 (eight thousand two hundred and fifty) series A1 bearer shares;
• 348,750 (three hundred and forty-eight thousand seven hundred and fifty) series B bearer shares;
• 161,250 (one hundred and sixty-one thousand two hundred and fifty) series C bearer shares;
• 298,508 (two hundred and ninety-eight thousand five hundred and eight) series D bearer shares;
• 149,254 (one hundred and forty-nine thousand two hundred and fifty-four) series E bearer shares;
• 700,000 (seven hundred thousand) series F bearer shares;
• 497,513 (four hundred and ninety-seven thousand five hundred and thirteen) series G bearer shares;
• 348,259 (three hundred and forty-eight thousand two hundred and fifty-nine) series H bearer shares;
• 332,500 (three hundred and thirty-two thousand five hundred) series I bearer shares;
• 1,332,414 (one million three hundred and thirty-two thousand four hundred and fourteen) series M bearer shares.

Series A registered shares are preference shares with two votes per share. The remaining series of shares are non-preference. In addition, there are no holders of the Company's securities with special control rights and, as at the date of this report, there are no restrictions on the exercise of voting rights on the Company's shares. In addition, the Company's Articles of Association do not provide for restrictions on the transfer of ownership of securities issued by the Company. PolTREG S.A. does not hold any treasury shares.

On 5 January 2023, the Company received a notification from PTE Allianz Polska S.A. of a change in its share of the total number of votes. On 30 December 2022, PTE Allianz Polska S.A. merged with Aviva PTE Aviva Santander S.A.. From now on, the merged entity operates under the name PTE Allianz Polska S.A and manages three funds: Allianz Polska Otwarty Fundusz Emerytalny, Allianz Polska Dobrowolny Fundusz Emerytalny, Drugi Allianz Polska Otwarty Fundusz Emerytalny [name change from Aviva Otwarty Fundusz Emerytalny Aviva Santander]. As a result of the merger, pursuant to the Article 67 of the Act of 28 August 1997 on the organisation and operation of pension funds (i.e. Journal of Laws,
U. of 2020, item 105, as amended; 'Pension Funds Act') and Article 492 § 1 item 1 of the Companies Act, on 30.12.2022, with the company Aviva Powszechne Towarzystwo Emerytalne Aviva Santander Spółka Akcyjna managing the Drugi Allianz Polska Otwarty Fundusz Emerytalny (Drugi Allianz OFE), the participation in the share capital and total number of votes of PolTREG S.A. in the accounts of Allianz OFE, Allianz DFE and Drugi Allianz OFE increased above 5%.
Before the merger: In total, the accounts of Allianz OFE and Allianz DFE held 0 shares, representing 0% of the company's share capital, which gave the right to exercise 0 votes from shares representing 0% of the total number of votes at the company's AGM.
In the account of the Drugi Allianz OFE, 356,000 shares were registered, representing 7.63% of the company's share capital, which gave the right to exercise 356,000 votes from shares representing 6.91% of the total number of votes at the company's AGM.
After the merger: In total, the balance in the accounts of Allianz OFE, Allianz DFE and Drugi Allianz OFE reached 356,000 shares, representing a 7.63% share in the company's share capital, which gives the right to exercise 356,000 votes from shares representing a 6.91% share in the total number of votes at the company's AGM.

On 6 July 2022, the Company received a notification of a change in the level of involvement of funds managed by TFI Allianz Polska S.A. as a result of the merger of TFI Allianz Polska S.A. with Aviva Investors Poland TFI S.A., in which TFI Allianz Polska S.A. was the acquiring company and Aviva Investors Poland TFI S.A. was the acquired company; the level of involvement of the Funds managed by TFI Allianz Polska S.A. in the total number of votes at the general meeting of the Company changed. The merger took place on 1 July 2022. In accordance with Article 69(4)(2) of the Act, on the date of the Merger the funds managed by TFI Allianz Polska S.A. held, before taking into account the shares held by the funds managed by Aviva Investors TFI S.A., 203,328 shares in the Company, representing 4.36% of the Company's share capital, carrying 203,328 votes, which represented 3.95% of the total number of votes at the Company's general meeting. In accordance with Article 69(4)(3) of the Act, on the date of the Merger, after taking into account the shares held by both the funds managed by TFI Allianz Polska S.A. and the funds managed by Aviva Investors Poland TFI S.A., the Funds held 366,128 shares in the Company, representing 7.85% of the Company's share capital, carrying 366,128 votes, which represented 7.11% of the total number of votes at the Company's general meeting.

Earnings per share

Net profit/loss per share for each period is calculated by dividing the net profit for the period by the weighted average number of shares in the reporting period.

	For the period: from 01.01.2022 to 31.12.2022	For the period: from 01.01.2021 to 31.12.2021
Profit attributable to shareholders of the Company	(1,967)	(3,738)
Weighted average number of ordinary shares (thousands)	4,663	3,415
Basic earnings per share (PLN per share)	**(0.42)**	**(1.09)**

	For the period: from 01.01.2022 to 31.12.2022	For the period: from 01.01.2021 to 31.12.2021
Profit attributable to shareholders of the Company	(1,967)	(3,738)
Earnings used in determining diluted earnings per share	**(1,967)**	**(3,738)**
Weighted average number of ordinary shares (thousands)	4,663	3,415
Adjustments for:		
Subscription warrants	220	-
Weighted average number of ordinary shares for diluted earnings per share purposes (thousands)	**4,883**	**3,415**
Diluted earnings per share (in PLN per share)	**(0.40)**	**(1.09)**

Pursuant to § 8b sections 1-4 of the Articles of Association of PolTREG S.A., the Company's share capital was conditionally increased by no more than PLN 22,000.00 (PLN twenty-two thousand) through the issue of no more than 220,000 (two hundred and twenty thousand) shares, including no more than 110,000 (one hundred and ten thousand) series N1 shares and no more than 110,000 (one hundred and ten thousand) series N2 shares, with a nominal value of PLN 0.10 (ten groszy) each. The purpose of the conditional capital increase is to grant subscription rights:

- Series N1 Shares - to holders of Series N1 subscription warrants issued by the Company on the basis of Resolution No. 4 of the Extraordinary General Meeting of the Company of 22 September 2021 on the issue of subscription warrants, conditional increase of the Company's share capital, exclusion of the pre-emptive rights of the Company's existing shareholders and amendment of the Company's Articles of Association;
- Series N2 Shares - to holders of Series N2 subscription warrants issued by the Company on the basis of Resolution No. 4 of the Extraordinary General Meeting of the Company of 22 September 2021 on the issue of subscription warrants, conditional increase of the Company's share capital, exclusion of the pre-emptive rights of the Company's existing shareholders and amendment of the Company's Articles of Association. The right to subscribe for Series N1 shares may be exercised no earlier than 1 March 2023 and no later than 31 December 2026. The right to subscribe for Series N2 shares may be exercised no earlier than 1 March 2023 and no later than 31 December 2026. Series N1 Shares and Series N2 Shares will be covered by cash contributions.

By the date of publication of this report, the warrant agreements had not been signed.

3.18 Ownership of shares or rights to shares by managing and supervising persons

As at the date of publication of this report, the following members of the Company's management and supervisory bodies hold shares in the Company:

Shareholder	Number of shares held	Nominal value of bares	% of shares held	% of votes held
Trzonkowski Piotr*	244,499	PLN 24,449.90	5.24%	7.95%
Osuchowski Artur	12,500	PLN 1,250.00	0.27%	0.24%
Jaworek Oktawian	2,000	PLN 200.00	0.04%	0.00%

** Mr Piotr Trzonkowski together with Ms Natalia Marek-Trzonkowska hold 488,998 shares in the Company representing 10.49% of the Company's share capital and entitling to 818,998 votes at the Company's General Meeting, which represents 15.90% of the total number of votes at the Company.*

As at the date of publication of the report, none of the Company's management and supervisory bodies are entitled to shares in the Company, nor do they hold shares in related parties.

Since the publication of the previous interim report, there have been no changes in the shareholdings or share entitlements of management and supervisory personnel.

3.19 Dividends

The company made a loss of PLN 3,738 thousand (three million seven hundred and thirty-eight thousand zloty and 00/100) for the previous financial year. The company has no retained earnings. Accordingly, the Company has not paid or declared a dividend.
On 24 June 2022, the Annual General Meeting of the Company adopted a resolution to cover the loss for the financial year 2021 in the amount of PLN 3,738 thousand (three million seven hundred and thirty-eight thousand zlotys and 00/100) from future years' profits.

3.20 Lease liabilities

	2022	2021
At 1 January	**151**	**213**
Additions (new leases)	7,790	106
Interests	284	18
Exchange differences	(99)	-
Payments	(236)	(186)
At 31 December	**7,890**	**151**
Short-term	27	124
Long-term	7,863	27

The amounts of lease income, expenses, gains and losses recognised in the income statement/statement of comprehensive income are set out below:

	2022	2021
Depreciation costs of right-of-use assets	(349)	(339)
Interest expense on lease liabilities	(284)	(18)
Total amount recognised in the statement of comprehensive income	**(633)**	**(357)**

The total cash outflow from leases in the period from 1 January 2022 to 31 December 2022 was PLN 236 thousand.

The total cash outflow from leases was PLN 186 thousand in 2021.

The company has leases for laboratory equipment, for office and laboratory space and other property, plant and equipment. The leasing period is 3-4 years for equipment. The company also enters into contracts of indefinite duration.

In 2022, the company recognised a lease agreement for warehouse and office space at the Panattoni Park Gdańsk Airport II facility for the period from 22 August 2022 to 22 August 2032, with the possibility of a 3-year extension.

The Board shall exercise judgment to determine the period for which it can be assumed with reasonable certainty that such agreements will last.

The Company's lease obligations are secured by the lessor's title to the leased property. The company has established collateral in the form of blank promissory notes for laboratory equipment, which the lessor may fulfil in the event of improper performance of the provisions of the respective agreement, as stated in the promissory note declaration. The promissory note is repayable upon termination of the lease agreement secured by it, provided that the Company has duly performed its contents.

The company also provided a deposit to secure a bank guarantee issued by ING Bank Śląski S.A. in favour of PDC Industrial Center 134 Spółka z o.o. for the lease agreement for warehouse and office space at the Panattoni Park Gdańsk Airport III facility for the period from 22 August 2022 to 22 August 2032, with the possibility of a 3-year extension. The security for the aforementioned agreement is a bank guarantee for the duration of the lease agreement and for three months after its expiry for an amount expressed in euros, corresponding to three months' rent and service charges plus VAT.

The last lease instalments under the current schedules are due between the fourth quarter of 2022 and the second quarter of 2035. In principle, the Company is not entitled to sublease leased assets or to assign its rights under the leases.

3.21 Loans and borrowings

At 31 December 2022

Lender	Maturity date	Interest rate	Amount of loan per agreement	Long-term part	Short-term part
PFR	02.06.2023	-	144	-	9
			144	**-**	**9**

At 31 December 2021

Lender	Maturity date	Interest rate	Amount of loan per agreement	Long-term part	Short-term part
PFR	02.06.2023	-	144	9	18
			144	**9**	**18**

Loans payable	2022	2021
Opening balance	**27**	**550**
Repayment of capital	(18)	(523)
Calculation of interest	-	23
Interest repayment	-	(23)
Closing balance	**9**	**27**
Long-term part	-	9
Short-term part	9	18

The company signed a loan agreement No. UUP-POIG.03.00.02-02-080/16-00 with the Polish Agency for Enterprise Development (PARP) in January 2017. The amount of the loan was PLN 2,000 thousand and its purpose was to commercialise the TREG method for the treatment of type 1 diabetes in children by increasing the scale of treatment through the launch of a laboratory for the production of the TREG preparation and the registration of the TREG method with the European Medicines Agency. On the basis of the annex signed in 2019, the value of the loan was reduced by PLN 1,355 thousand as a result of the unused part of the loan. As collateral for the Loan Agreement, the Company issued a blank promissory note, which PARP had the right to fill at any time for the amount of the loan granted, together with contractual interest and statutory interest calculated in accordance with the terms of the Loan Agreement. The company also made a declaration in the form of a notarial deed of voluntary submission to execution under Article 777 § 1(5) of the CCP up to an amount equivalent to 120% of the amount of the loan granted. The collateral for the loan will be released after three years from the date of full repayment of the loan together with other contractual receivables. The loan from the Polish Agency for Enterprise Development was repaid with interest on 1 June 2021.

On 20 May 2020, the Company signed a Financial Subsidy Agreement number 105000020130286MP with the Polish Development Fund S.A., under which the PFR paid the Company a financial subsidy under the Government Programme - Financial Shield of the Polish Development Fund for Small and Medium-sized Companies. This assistance was possible because the Company experienced a decline in sales revenue at the end of Q1 and the beginning of Q2. On 22 May 2020, the Company received PLN 144 thousand in financial subsidy. This amount is interest-free. Subsidy repayment started on the 13th of the month, starting from the first full month after receipt of the benefit. The amount of the subsidy is repaid in 24 equal monthly instalments, according to a schedule. In 2021, the Company received a decision to write off 75% of the Financial Subsidy. The financial subsidy received by the Company is repayable in the event of:

- cessation of business at any time within 12 months of the date of the financial subsidy - in the amount of 100% of the value of the financial subsidy;
- the conduct of the Company's business throughout the 12-month period from the date when the financial subsidy was granted:
  i) in an amount representing 25% of the value of the financial subsidy unconditionally; and
  ii) if the average employment over a full 12 calendar month period in relation to the employment level at the end of the calendar month preceding the date of this Agreement is maintained at:
    (a) level higher than 100% - in an amount of subsidy plus 0%,
    (b) between 50% and 100% - in an amount increased by 0% to 50% of the financial subsidy - in proportion to the scale of the staff reduction.

Up to the date of publication of these financial statements, none of the above circumstances indicating a need to repay the financial subsidy received by the Company have occurred.

3.22 Trade and other payables

Trade and other payables	**31.12.2022**	**31.12.2021**
Trade payables	862	294
Budgetary liabilities	217	120
Payroll liabilities	194	-
Other liabilities	6,490	402
Accruals and deferred income	336	519
	8,099	**1,335**
Long-term part:	-	400
Short-term part:	8,099	935

Budgetary liabilities	**31.12.2022**	**31.12.2021**
PIT liabilities	65	45
Liabilities to ZUS	153	75
	217	**120**

Accruals and deferred income	**31.12.2022**	**31.12.2021**
Audit provision	55	55
Liabilities to UCK	-	400
Other	281	-
	336	**455**

The remaining liabilities as at 31 December 2022 mainly relate to obligations related to the construction of a state-of-the-art research and development centre for the development and application of the Treg method in innovative therapies for autoimmune diseases.

3.23 Provisions

Specification of provisions	Value at 01.01.2022	Creation of provisions	Release of provisions	Use of provisions	Value at 31.12.2022
Provision for unused holidays	64	28	(35)	-	57
Provision for bonuses	1,570	481	(490)	(932)	629
	1,634	**509**	**(525)**	**(932)**	**686**
			of which:		
				long-term part	629
				short-term part	57

3.24 Deferred income

Deferred income	31.12.2022	31.12.2021
POIR	958	37
Horizon	4,623	2,934
	5,581	**2,971**
Long-term part:	-	-
Short-term part:	5,581	2,971

As at 31 December 2022, the Company is the beneficiary of the following grants:

- a grant received in 2017 from the National Centre for Research and Development (NCBiR) in the amount of PLN 6,956.9 thousand;
- a EUR 2.5 million grant received in 2018 under Horizon 2020 ('Horizon');
- a grant awarded by the Ministry of Funds and Regional Policy in the amount of PLN 10,598.0 thousand received in 2021.

The aim of the project with NCBiR is to increase the efficiency of lymphocyte proliferation through the use of a bioreactor ('Fast Track'). The total cost of the project is PLN 9,914 thousand, of which a grant of up to PLN 6,957 thousand was awarded, representing 70% of the total eligible costs. The cost eligibility period for the Project ran from 1 January 2016 to 31 August 2019. The Company has undertaken to ensure the sustainability of the effects of the project for which funding has been granted for a period of three years from the date of its completion. The Company is also required to submit information to NCBiR regarding the implementation of the project and to undergo inspection or audit of the agreement. In certain cases, the agreement also grants NCBiR the right to terminate it with immediate effect, at the same time obliging the Company to return the grant received, together with interest in the amount equal to that for tax arrears, calculated from the date of transfer of funds to the Company's bank account until the date of their return. As a guarantee of proper performance of its obligations under the contract, the Company provided collateral in the form of a blank promissory note bearing the clause 'not to order' together with a promissory note declaration. The collateral is established for the implementation period and the life of the project.

The aim of the Horizon project is to fund the preparation of a registration phase and a Phase III clinical trial to obtain marketing authorisation in the European Union. According to the addendum signed on 25 October 2022, the project completion date is 31 October 2023. The Company has undertaken to ensure the sustainability of the effects of the project for which funding has been granted for a period of three years from the date of its completion. The value of the project is EUR 3,571 thousand, of which EUR 2,500 thousand will come from funding. The company has undertaken to take measures to exploit the results of the funded activity for a period of four years after the end of its implementation period, in particular to use them in further research activities (outside the activity), the development or marketing of a product or process, the provision of services. The company also undertook to keep records of the implemented action for a period of 5 years after the date of receipt of the final payment, and to be subject to inspection and audit of the implementation of the action and the proper execution of the contract during the period of implementation of the task, and 2 years after receipt of the final payment. According to the agreement, the Agency or the European Commission may carry out interim and final evaluations of the impact of the action in relation to the objective of the EU programme. Such evaluations may be carried out during the implementation period of the action and up to five years after the final payment. In certain

In cases of non-compliance with the Company's obligations, the Agreement grants the Agency the right to reduce the amount of the subsidy, demand repayment of unduly received subsidy and terminate the Agreement with immediate effect. On 3 February 2022, the Company received a payment in the bank account for the replenishment of the grant advance of EUR 347.7 thousand.

On 30 September 2020, the Ministry of Funds and Regional Policy granted the Company funding for the project 'Research and Development Centre for the development of the TREG method in innovative therapies for autoimmune diseases' under Action 2.1 Support for investment in R&D infrastructure of enterprises of the Operational Programme Intelligent Development 2014 - 2020 co-financed from the European Regional Development Fund, in the full requested amount of PLN 10,598 thousand. (Company's own contribution: PLN 13,103 thousand). On 13 January 2021, the Company signed contract No. POIR.02.01.00-00-0100/20-00 and started the project. On 1 October 2021, as part of the funding received, a supplier was selected in a tender for the purchase of a cell sorter - with a purchase price of PLN 1,730 thousand. The cell sorter - according to the delivery and acceptance protocol - was delivered to the Company on 21 October 2021. The company made payment for the sorter on 29 November 2021. On 22 March 2022, the Company received a payment for a surcharge on the purchased sorter in the amount of PLN 951.5 thousand.

On 16 January 2023. The Company's Board of Directors signed an agreement with the Medical Research Agency for the implementation and funding of the Company's project entitled 'Cell therapy of the prediabetes based on artificially multiplied CD4+CD25+CD127- regulatory lymphocytes and antiCD20 antibody'. [Draft]. The total eligible cost of the Project is PLN 49.5 million. The value of the grant awarded is PLN 31.7 million. The maximum duration of the Project, as defined in the Agreement, ends on 24.11.2028. The objective of the Project is to carry out industrial research and development work aimed at conducting clinical trials and, in the long term, at implementing an innovative cell therapy for patients with type 1 diabetes in the prediabetes phase. Planned research tasks include the preparation and conduct of a Phase II clinical trial. Pursuant to the provisions of the Agreement, all copyrights, related rights and dependent rights to works used within the Project, as well as rights to the results of development work resulting from the Project are vested in the Issuer. The Agreement indicates that PolTREG, after consultation with the Agency, grants the Agency the right to purchase a non-exclusive licence limited to the territory of the Republic of Poland. If the Agency opts for the right to purchase a licence, the Agency shall have the right to purchase a non-exclusive licence, limited to the territory of the Republic of Poland, at market prices. The Agency is entitled to 50% of the value of the commercialisation profit in case of continuation of the Clinical Trials and/or in case of marketing authorisation of the Medicinal Products by the relevant Regulatory Authorities, outside the European Union , EEA, USA, and Canada within 3 years from the completion of the Project. In accordance with the provisions of the Agreement, in the event of a complete failure to commercialise within 3 years of the completion of the Project, PolTREG is obliged to repay the entire subsidy plus interest.

3.25 Financial risk management

The Company is exposed to the following financial risks arising from the use of financial instruments:
- credit risk;
- liquidity risk;
- market risk.

The Management Board is responsible for establishing a control system and overseeing the Company's risk management.

The Company's risk management policies are designed to identify and analyse the risks to which the Company is exposed, to set appropriate limits and controls, and to monitor the risks and the extent to which limits are matched.

Risk management policies and systems are regularly reviewed to be updated for changes in market conditions and changes in the Company's operations.

This note presents the risks classified as financial risks.

Credit risk

The company enters into transactions primarily with reputable companies (UCK) with good creditworthiness. In addition, the Company's exposure to the risk of uncollectible receivables is negligible thanks to the ongoing monitoring of receivable balances.
In respect of the Company's other financial assets such as cash and cash equivalents, the Company's credit risk arises from the inability of the other party to the contract to pay and the maximum exposure to this risk is equal to the carrying value of these instruments.
The Company uses a simplified model for the calculation of impairment losses for trade receivables (regardless of maturity). The expected credit loss is calculated at the time the receivable is recognised in the statement of financial position and is updated at each subsequent end of the reporting period, depending on the number of days the receivable is past due. For the purpose of estimating the expected credit loss for receivables from customers, the Company uses a provision matrix estimated based on historical levels of repayment of receivables from counterparties. The Company considers an event of insolvency ('default') to be the failure of a counterparty to meet an obligation after 90 days from the due date of the receivable. The Company incorporates forward-looking information into the parameters of the expected loss estimation model used, by adjusting the underlying default probability ratios. The expected credit loss for receivables from customers is calculated at the time the receivables are recognised in the statement of financial position and is updated at each subsequent reporting period end date.
There are no significant concentrations of credit risk in the Company.
The Company's maximum exposure to credit risk for individual items in the statement of financial position as at 31 December 2022 and 31 December 2021 corresponds to the carrying amounts.

Liquidity risk

Liquidity risk is the risk of difficulties in meeting the Company's obligations in respect of financial liabilities that are settled by cash or other financial assets. The Company's liquidity management consists of ensuring, to the greatest extent possible, that the Company always has sufficient liquidity to meet its required obligations, in both normal and crisis situations, without exposing the Company to unacceptable losses or undermining its reputation.
The Company is provided with cash payable on demand in an amount sufficient to cover expected operating expenses over a 60-day period, including servicing of financial liabilities. However, this policy does not cover extreme situations that cannot be foreseen on a reasonable basis, such as natural disasters.
The Company does not assume the expected cash flows included in the maturity analysis to occur significantly earlier or in significantly different amounts.

31.12.2022	Carrying value	Contractual cash flows	On demand	1-3 months	3-6 months	6-12 months	1-3 years years	3-5 years	Over 5
Loans and borrowings Lease liabilities Trade and other payables	9	9	-	6	3	-	-	-	
	7,890	14,979	-	1	1	444	2,490	6,228	5,815
	8,099	7,352	-	7,352	-	-	-	-	
	15,998	**22,340**	**-**	**7,359**	**4**	**444**	**2,490**	**6,228**	5,815

31.12.2021	Carrying value	Contractual cash flows	On demand	1-3 months	3-6 months	6-12 months	1-3 years	3-5 years
Loans and borrowings Lease liabilities Trade and other payables	27	27	-	5	5	8	9	-
	151	161	-	37	34	61	29	-
	1,335	1,333	-	933	-	-	400	-
	1,514	**1,521**	**-**	**975**	**38**	**69**	**438**	**-**

Market risk

Market risk is the risk that changes in market prices, such as exchange rates and interest rates, will affect the Company's performance or the value of its financial instruments. The purpose of market risk management

is to maintain and control the Company's exposure to market risk within accepted parameters, while seeking to optimise returns.
In order to manage market risk, the Company may buy and sell derivatives and take on financial liabilities. All transactions take place within the guidelines set by the Company's Management Board. During 2022-2021, the Company did not use derivatives to hedge the Company's market risk.

- currency risk

The Company's exposure to foreign exchange risk by exchange rate at the end of the reporting period is as follows:

Currency risk

Amounts expressed in PLN	31.12.2022 EUR	31.12.2022 USD	31.12.2021 EUR	31.12.2021 USD
cash	2,422	-	310	18
deferred income	(4,623)	-	(2,934)	-
Net balance sheet exposure	**(2,201)**	**-**	**(2,624)**	**18**

Sensitivity analysis

Exchange rate change - impact on result 2022[1]	EUR (+1.87%)	EUR (-1.87%)	USD (+6.23%)	USD (-6.23%)
cash	45	(45)	19	(19)
deferred income	(87)	87	(183)	183
Total	**(42)**	**42**	**(164)**	**164**

Exchange rate change - impact on result 2021[1]	EUR (+3.38%)	EUR (-3.38%)	USD (+1.13%)	USD (-1.13%)
cash	10	(10)	-	-
deferred income	(99)	99	-	-
Total	**(89)**	**89**	**-**	**-**

[1] The above deviations of the carrying amounts expressed in PLN and dependent on exchange rates were calculated on the basis of the annual variation of average exchange rates.

- interest rate risk

At the end of the reporting period, the structure of interest-bearing financial instruments with floating and fixed rates was as follows:

Interest rate risk

31 December 2022			
Fixed interest rate	< 1 year	1-2 years	Total
Cash and cash equivalents	87,377	-	**87,377**
Lease liabilities	(27)	(7,863)	**(7,890)**
	87,350	**(7,863)**	**79,487**

31 December 2021			
Fixed interest rate	< 1 year	1-2 years	Total
Loans and borrowings	102,000	-	**102,000**
Lease liabilities	(124)	(27)	**(151)**
	101,876	**(27)**	**101,849**

Cash flow sensitivity analysis of financial instruments with variable interest rates

As at 31 December 2022, there are no financial instruments with variable interest rates.

Valuation of financial instruments not measured at fair value in the statement of financial position

Type of financial instrument	Method of valuation of a financial instrument	As at 31.12.2022 PLN'000	As at 31.12.2021 PLN'000
Current assets			
Trade and other receivables	Measured at amortised cost	63	246
Cash and cash equivalents	Measured at amortised cost	90,036	103,941
Long-term liabilities			
Lease liabilities	Measured at amortised cost	7,863	27
Short-term liabilities			
Trade and other payables	Measured at amortised cost	8,099	935
Lease liabilities	Measured at amortised cost	27	124
Loans and borrowings	Measured at amortised cost	9	18

Comparison of fair values with carrying amounts

The carrying amount of financial instruments does not differ materially from their fair value.

Items of income, expenses, profits and losses recognised in the statement of comprehensive income by category of financial instruments

Year ended 31.12.2022	Category according to IFRS 9	Interest income/(expense)	Exchange differences	Total
Financial assets				
Trade and other receivables	AFwgZK	-	-	-
Cash and cash equivalents	AFwgZK	3,495	80	3,575
Financial liabilities				
Trade and other payables	ZFwgZK	-	-	-
Loans and borrowings	ZFwgZK	-	-	-
Lease liabilities	ZFwgZK	(284)	99	(185)
Total		**(3,211)**	**179**	**3,390**

Year ended 31.12.2021	Category according to IFRS 9	Interest income/(expense)	Exchange differences	Total
Financial assets				
Trade and other payables	AFwgZK	-	-	-
Cash and cash equivalents	AFwgZK	-	97	97
Financial liabilities				
Trade and other payables	ZFwgZK	-	-	-
Loans and borrowings	ZFwgZK	(23)	-	(23)
Lease liabilities	ZFwgZK	(18)	-	(18)
Total		**(41)**	**97**	**56**

Capital management

There were no changes in the Company's approach to capital management during the year. The company is not subject to externally determined capital requirements.
The Management Board's policy is to maintain a solid capital base so as to retain the confidence of capital market participants as well as to ensure the future development of the business.

The Company's debt to adjusted capital ratio at the end of the reporting period was as follows:

Specification	31.12.2022	31.12.2021
Interest-bearing loans, borrowings, bonds, leases	7,890	178
Trade and other payables	8,099	1,335
Minus cash and cash equivalents	(90,036)	(103,941)
Net debt/(net cash)	**(74,047)**	**(102,428)**
Equity	101,042	103,009
Net capital and debt	**26,995**	**581**

3.26 Contingent liabilities

Regulations on value added tax, corporate income tax, personal income tax or social security contributions are subject to frequent change, with the result that there is often no reference to established regulations or legal precedents. The current legislation also contains ambiguities that give rise to differences of opinion as to the legal interpretation of tax legislation both between state authorities and between state authorities and enterprises. Tax and other settlements (for example, customs or foreign exchange) may be audited by the authorities, which have the power to impose significant penalties, and additional amounts of liabilities determined as a result of the audit must be paid with interest. These phenomena result in tax risks in Poland being higher than those that typically exist in countries with a more developed tax system. Tax settlements can be audited for a period of five years. As a result, the amounts shown in the financial statements may change at a later date after final determination by the tax authorities. The company was subject to control by the tax authorities. The tax authorities have the right to inspect books and accounting records. Within five years of the end of the year in which the tax return was filed, they can impose additional tax charges, together with interest and other penalties. In the opinion of the Management Board, there were no circumstances that could lead to significant liabilities in this respect. The Company sees no need to make provisions for tax liabilities. The Company has no assets or liabilities not recognised in the statement of financial position with the exception of promissory notes pledged as security for leases and grants.

3.27 Transactions with related parties

Employee benefits paid (in thousands of PLN)

	2022	2021
Natalia Marek - Trzonkowska	129	187
Małgorzata Myśliwiec	129	152
	258	**339**

Transactions with members of the Management Board and members of the Supervisory Board are presented in note 3.28.

3.28 Transactions with key personnel

Employee benefits paid - Management Board - fixed

	2022	2021
Piotr Trzonkowski	275	278
Mariusz Jabłoński	220	272
Kamilla Bok	220	245
	715	**795**

Employee benefits paid - Management Board - variable

	2022	2021
Piotr Trzonkowski	792	-
Mariusz Jabłoński	70	-
Kamilla Bok	70	-
	932	**-**

Employee benefits paid - Supervisory Board

	2022	2021
Jacek Gdański	36	10
Oktawian Jaworek	29	7
Marcin Mierzwiński	28	5
Marcin Molo	22	4
Artur Osuchowski	29	7
	144	**35**

The Company does not have any pension and benefit obligations of a similar nature in relation to former management and supervisory personnel.

On 28 September 2021, the Supervisory Board of the Company passed a resolution on the adoption of bonus regulations for the members of the Company's Management Board. Members of the Management Board will be entitled to a bonus for the performance of key tasks as defined in the contract concluded with the Management Board Member under the bonus regulations. Key tasks are those which are strategic for the Company, i.e. which form an important part of its business strategy and the long-term objectives set by the Company and as such contribute to the Company's development. The Supervisory Board shall set material or financial objectives for the tasks, the achievement of which by the Management Board Member shall be a prerequisite for the payment of a bonus, and shall determine the amount or the method of calculating the amount of the bonus to which the Management Board Member is entitled as a result of the achievement of the relevant target.

By resolution of 28 September 2021, the Supervisory Board adopted tasks and objectives for 2021-2025, the achievement of which by the Management Board Member will be a prerequisite for the payment of a bonus for the calendar years 2021-25.
Bonuses will be paid to Management Board Members for each calendar year in which a target has been achieved, provided that the conditions are cumulatively met, i.e. that the specified objective has been achieved and that the Management Board Member has been discharged for the year for which the bonus is due. The first bonuses were paid in 2022 for the period from 1 January 2021 to 31 December 2021.

Task/Objective	Completion date	Total value of bonuses for members of the Management Board
Raising funds for the Company from the issue of Series M Shares in the IPO in excess of the amount indicated in the Statement of Tasks and Objectives	30 June 2022	1% of the value of the funds raised by the Company from the IPO
Commissioning of the laboratory for the Company's production of TREG preparations	31 December 2022	PLN 500,000.00
Receipt of grants for the Company's purposes, the value of which exceeds the amount indicated in the Statement of Tasks and Objectives	31 December of each subsequent financial year	2.5% of the value of the grants received by the Company
The raising of funds for the Company on the basis of a partnering agreement with an external entity, in particular another biotechnology company, a pharmaceutical company or an investment fund, the value of which exceeds the amount indicated in the Statement of Tasks and Objectives	31 December 2025	1.5% of the value of the funds obtained by the Company from the conclusion and performance of each such agreement, but in each case the total amount of all bonuses obtained by the Members of the Management Board from a single partnership agreement must not exceed the amount of PLN 4,000,000.00 for each agreement of this type

The bonus for raising funds for the Company from the issue of Series M Shares under the Company's IPO in the gross amount of PLN 932 thousand was paid to the members of the Management Board on 12 July 2022.

In connection with the fulfilment of the condition for the payment of bonuses due to the conclusion of grant agreements by the Company, the total value of which in a given financial year exceeds the net amount of PLN 2 million, the Company established a provision for bonuses for Members of the Management Board in the total amount of PLN 628.8 thousand (of which a provision of PLN 224.9 thousand was established in 2022). The basis for calculation and payment of the bonus will be the funds actually received by the Company from the grant, less any consultancy costs associated with obtaining the grant. The bonus will be paid after the end of the financial year in which the grant funds are credited to the Company's bank account. Grant amounts not used by the Company will reduce the amounts to be paid included in the calculation of the bonus provision. Up to the date of these financial statements, the value of the premium for funds actually received by the Company from grants meeting the conditions for payment of the premium amounted to PLN 23.8 thousand.

3.29 Explanation of items in the statement of cash flows

	2022	2021
Increase/(decrease) in deferred income		
Balance sheet change in deferred income	2,610	706
Grants received	(2,534)	(2,513)
Total	**76**	**(1,807)**

	2022	2021
Increase in trade and other payables		
Balance sheet change in deferred income	6,764	-
Change in liabilities due to acquisition of property, plant and equipment	(6,072)	-
Total	**692**	**-**

3.30 Employment structure

	31.12.2022	31.12.2021
Employment volume (full-time equivalents)	13.75	8.05

3.31 Joint venture

On 17 June 2015, the Company, together with the Medical University of Gdańsk and the University Clinical Centre, signed a Framework Cooperation Agreement concerning the conduct of joint research, the commercialisation of the results of this research, including the commercialisation of the TREG Method itself or its derivatives including a vaccine.

In addition, this cooperation includes, among others:

- jointly raising external funds from national and international programmes and other resources, including investment funds for research and commercialisation of their results,
- obtaining patents for inventions, which are derivatives of TREG, made as a result of the work and inventions based on the TREG Method,
- promotion of joint ventures,
- provision of laboratory infrastructure, premises for this infrastructure and human resources.

The Agreement was signed for a period of 10 years, at the end of which it becomes an indefinite contract and either party has the right to terminate the Agreement with 36 months' notice.

On 2 November 2016, the parties signed Annex No. 3 to the Framework Cooperation Agreement by which the duration of the agreement was extended to 17 years from the date of signing the Framework Cooperation Agreement.

On 9 February 2017, the parties signed Annex No. 4 to the Framework Cooperation Agreement, in which the licence fee rate for the Medical University of Gdańsk was determined.

On 30 May 2021, Annex No. 5 to the agreement was signed, under which new licence fees were set.

On 10 August 2022, the Company and the University of Gdańsk and the Medical University of Gdańsk signed a tripartite agreement concerning the protection, use of intellectual property rights and principles of commercialisation of two inventions that relate to improving the production of regulatory T lymphocytes jointly developed by the aforementioned entities and covered by patent applications filed by the University of Gdańsk. The object of the agreement is to define the rights and obligations of the joint owners to the inventions, as well as to any technical, organisational and other information which, having an economic value, constitutes know-how related to the inventions. The inventions for which patents are currently pending relate to improvements in the production of regulatory T lymphocytes, which allow faster production of more efficient regulatory T cells preparation. In accordance with the agreement, the Company's share of the joint right to/from the invention patent, as well as its share of all other contractual rights and obligations and indirect/direct commercialisation revenues, as well as its share of any benefits derived from the inventions, was agreed at 10%. In addition, the Company undertook to reimburse the expenses and fees incurred prior to the conclusion of the agreement in connection with patent applications for inventions in an amount corresponding to its aforementioned share in the commonality of inventions. Pursuant to the agreement, each party is entitled to carry out the commercialisation of the inventions, with the understanding that if the other co-venturers intend to enter into a commercialisation agreement, the agreement grants the Company a right of priority, which consists in the fact that in such a case the Company may make an offer directly or through a designated third party to enter into a commercialisation agreement on terms not inferior to those presented by the co-venturer. For the rest, the agreement contains standard provisions commonly used for this type of contract.

3.32 Information on relevant court cases

As at the date of these interim condensed financial statements, the Company is not subject to, and has not been subject to in the past 12 months, any litigation, arbitration, proceedings before any court or tribunal, or administrative or tax proceedings before any public authorities, including governmental authorities, which may have, or have had in the recent past, a significant effect on the Company's financial position or profitability.

3.33 Auditor's remuneration

	For the period: from 01.01.2022 to 31.12.2022	For the period: from 01.01.2021 to 31.12.2021
Audit and review of the financial statements for the current year	50	50
Audit of financial statements for previous periods	-	-
Other services	19	5
	69	**55**

3.34 Events after the balance sheet date

On 5 January 2023, the Management Board of PolTREG S.A. received information from PTE Allianz Polska S.A. about a change in its share of the total number of votes. On 30 December 2022, PTE Allianz Polska S.A. merged with Aviva PTE Aviva Santander S.A. From that moment, the merged entity operates under the name of PTE Allianz Polska S.A and manages three funds: Allianz Polska Otwarty Fundusz Emerytalny, Allianz Polska Dobrowolny Fundusz Emerytalny, Drugi Allianz Polska Otwarty Fundusz Emerytalny. As a result of the merger, the share in the share capital and total number of votes of PolTREG S.A. in the accounts of Allianz OFE, Allianz DFE and Drugi Allianz OFE increased above 5%. Before the merger: In total, the accounts of Allianz OFE and Allianz DFE held 0 shares, representing 0% of the company's share capital, which gave the right to exercise 0 votes from shares representing 0% of the total number of votes at the company's AGM. In the account of the Drugi Allianz OFE, 356,000 shares were registered, representing 7.63% of the company's share capital, which gave the right to exercise 356,000 votes from shares representing 6.91% of the total number of votes at the company's AGM. After the merger: In total, the balance in the accounts of Allianz OFE, Allianz DFE and Drugi Allianz OFE reached 356,000 shares, representing a 7.63% share in the company's share capital, which gives the right to exercise 356,000 votes from shares representing a 6.91% share in the total number of votes at the company's AGM.

on 16 January 2023, an agreement was signed between the Company and the Agency for Medical Research [ABM, the Agency] for the implementation and funding of the Company's project entitled ‘Cell therapy of the prediabetes based on artificially multiplied CD4+CD25+CD127- regulatory lymphocytes and antiCD20 antibody’. [Draft]. The total eligible cost of the Project is PLN 49.5 million. The value of the grant awarded is PLN 31.7 million. The maximum duration of the Project, as defined in the Agreement, ends on 24.11.2028. The objective of the Project is to carry out industrial research and development work aimed at conducting clinical trials and, in the long term, at implementing an innovative cell therapy for patients with type 1 diabetes in the prediabetes phase. Planned research tasks include the preparation and conduct of a Phase II clinical trial. Pursuant to the provisions of the Agreement, all copyrights, related rights and dependent rights to works used within the Project, as well as rights to the results of development work resulting from the Project are vested in the Issuer. The Agreement indicates that PolTREG, after consultation with the Agency, grants the Agency the right to purchase a non-exclusive licence limited to the territory of the Republic of Poland. If the Agency opts for the right to purchase a licence, the Agency shall have the right to purchase a non-exclusive licence, limited to the territory of the Republic of Poland, at market prices. The Agency is entitled to 50% of the value of the commercialisation profit in case of continuation of the Clinical Trials and/or in case of marketing authorisation of the Medicinal Products by the relevant Regulatory Authorities, outside the European Union , EEA, USA, and Canada within 3 years from the completion of the Project. In accordance with the provisions of the Agreement, in the event of a complete lack of commercialisation within 3 years from the end of the Project, PolTREG is obliged to repay the entire subsidy with interest. Based on current knowledge, the Company does not identify barriers to commercialisation of the Project. Otherwise, the provisions of the Agreement do not deviate from the terms commonly used for this type of agreement.

On 13 February 202, the Company entered into a contract of mandate (‘Mandate’) with Clinmark sp. z o.o. to conduct a Phase 1/2 clinical trial in the PreTREG project, full study name: ‘Cell therapy of the prediabetes based on artificially multiplied CD4+CD25+CD127- regulatory lymphocytes and antiCD20 antibody.’ [Order]. The Issuer received a grant of approximately PLN 31.7 million from the Medical Research Agency for the aforementioned project, as the Company announced in the current report No. 2/2023. As part of the Mandate, Clinmark will, among other things, organise, manage, monitor and coordinate the clinical trial process and produce the trial report. The aim of the phase 1/2 clinical trial is to evaluate the safety and early signs of efficacy of an innovative cell therapy for patients with type 1 diabetes, in the pre-diabetes phase. Moving the intervention to the pre-symptomatic period will be a breakthrough in the treatment of type 1 diabetes. In patients in the pre-symptomatic phase, the number of surviving pancreatic islets is high enough to protect them from disease symptoms and even hyperglycaemic episodes. Clinmark's remuneration for the Mandate will be approximately EUR 5.3 million net, equivalent to approximately PLN 25.3 million. The term of the Mandate will commence in February 2023 and end in November 2028. The terms and conditions of cooperation set out in the Mandate do not differ from those commonly used for this type of contract. Clinmark is a CRO [eng. Contract Research Organisation], i.e. a full-service contract research organisation specialising in clinical research and global clinical consultancy.

On 13 March 2023, the Supervisory Board appointed Ms Paulina Kocenko-Merks to the Company's Management Board. Ms Kocenko-Merks has served as Chief Financial Officer from 1 January 2023.

On 16 March 2023, the Management Board of the Company entered into a contract of mandate with Clinmark sp. z o.o. to carry out preparatory work for the initiation of a Phase 1/2 clinical trial in the TregVacRMS [multiple sclerosis [MS], projective form] project. As part of the mandate, Clinmark will, among other things: assemble a set of documents in accordance with GCP [Good Clinical Practice], prepare qualification questionnaires in accordance with the study protocol and conduct initiation visits to the centres. The conclusion of the aforementioned contract is an important stage of the clinical trial in the TregVacRMS project, after which patient recruitment should begin. Clinmark's remuneration for the Mandate will be approximately PLN 116 thousand net. The term of the Mandate will start in March 2023 and end in December 2023.

3.35 Impact of the political and economic situation in Ukraine on the Company's operations

The Company's Management Board has assessed the political and economic impact of the consequences of Russia's military action in Ukraine on the Company's operations. At the date of publication of this report, the Company continues to operate without interruption. Among its suppliers and customers, the Company has no entities from Russia, Belarus or Ukraine. The company also does not employ workers from these countries. Until the political situation in Europe stabilises, the Company's Management Board will continuously monitor the geopolitical situation and its potential effects on the Company's operations.

4 APPROVAL OF THE FINANCIAL STATEMENTS FOR THE 12-MONTH PERIOD ENDED 31 DECEMBER 2022 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY EUROPEAN UNION

These financial statements were approved for publication by the Management Board on 20 April 2023.

Piotr Trzonkowski President of the Management Board	Kamilla Agnieszka Bok Member of the Management Board	Mariusz Jabłoński Member of the Management Board	Paulina Kocenko-Merks Member of the Management Board

Roksana Twardowska Bookkeeping Ground Frost Outsourcing Sp. z o.o. 02-777 Warszawa, Aleja Komisji Edukacji Narodowej 95	Joanna Kolodziejczyk Bookkeeping Ground Frost Outsourcing Sp. z o.o. 02-777 Warszawa, Aleja Komisji Edukacji Narodowej 95