



Consolidated
Quarterly
Report

Q1 2013

Kraków, May 15, 2013

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1. Basic data on the Capital Group

1.1 Parent entity

Business name of the company	Selvita Spółka Akcyjna
Registered office	ul. Bobrzyńskiego 14, 30-348 Kraków
REGON	120515330
NIP	679-29-42-955
Legal form	Joint – Stock Company
KRS number	0000367359
Website	www.selvita.com

1.2 Related entities as of March 31, 2013

Business name of the company	BioCentrum spółka z ograniczoną odpowiedzialnością
Registered office	ul. Bobrzyńskiego 14, 30-348 Kraków
REGON	356815670
NIP	676-226-47-81
Legal form	Limited Liability Company
KRS number	0000206301
Website	www.biocentrum.com.pl
Shareholders	100% shares held by Selvita S.A.

Business name of the company	Selvita Spółka Akcyjna i BioCentrum spółka z ograniczoną odpowiedzialnością spółka jawna
Registered office	ul. Bobrzyńskiego 14, 30-348 Kraków
REGON	121483482
NIP	676-243-82-93
Legal form	General Partnership
KRS number	0000381101
Partners	Selvita S.A.(88%) and BioCentrum sp. z o.o. (12%)

Business name of the company	Selvita Services spółka z ograniczoną odpowiedzialnością
Registered office	ul. Bobrzyńskiego 14, 30-348 Kraków
REGON	122456205
NIP	676-245-16-49
Legal form	Limited Liability Company
KRS number	0000403763
Partners	100% shares held by Selvita S.A.

1.3 Main subject of activity of the Capital Group

The activity of the Capital Group should be considered in three aspects:

- Research and development (R&D) works, which are done through the Group's own research

- projects concerning innovative drugs,
- Providing R&D services for external clients, in particular from pharmaceutical and biotechnological industries,
- Implementation of bioinformatics systems.

1.4 Information on shareholder structure of Selvita S.A.

Selvita S.A. shareholders structure as of May 15, 2013 (the report publication date):

Shareholder	Number of shares	% of Shares	Votes	% of Votes
Paweł Przewięźlikowski	5 485 029	52,42%	8 985 029	61,91%
Bogusław Sieczkowski	908 419	8,68%	1 458 419	10,05%
Privatech Holdings Limited	820 921	7,85%	820 921	5,66%
Other shareholders	3 249 197	31,05%	3 249 197	22,39%
Total	10 463 566	100,00%	14 513 566	100%

2. Selected Financial Data

Item	Capital Group Selvita S.A.		Consolidated data	
			Year to date (YTD)	Year to date (YTD)
	From 01.01.2012 to 31.03.2012	From 01.01.2013 to 31.03.2013	From 01.01.2012 to 31.03.2012	From 01.01.2013 to 31.03.2013
Equity	9 725 110,74	3 980 728,29	9 725 110,74	3 980 728,29
Long-term receivables	98 078,39	162 043,23	98 078,39	162 043,23
Short-term receivables	2 442 998,96	1 848 060,17	2 442 998,96	1 848 060,17
Cash and cash equivalents	4 685 326,23	3 565 999,75	4 685 326,23	3 565 999,75
Long-term liabilities	52 955,57	231 072,18	52 955,57	231 072,18
Short-term liabilities	1 958 142,92	3 356 728,63	1 958 142,92	3 356 728,63
Amortization and depreciation	393 778,20	485 071,18	393 778,20	485 071,18
Net revenues from sales	2 058 991,73	2 289 094,56	2 058 991,73	2 289 094,56
Revenues from subsidies	1 153 728,38	1 672 543,68	1 153 728,38	1 672 543,68
Total from sales and subsidies	3 212 720,11	3 961 638,24	3 212 720,11	3 961 638,24
Profit/loss from sale	- 2 767 837,32	- 2 663 657,73	- 2 767 837,32	- 2 663 657,73
Profit/loss from operating activity	- 1 578 158,64	- 971 562,65	- 1 578 158,64	- 971 562,65
Gross profit/loss	- 1 658 748,40	- 995 973,58	- 1 658 748,40	- 995 973,58
Net profit/loss	- 1 658 748,40	- 995 973,58	- 1 658 748,40	- 995 973,58
EBITDA ¹	-1 184 380,44	- 486 491,47	-1 184 380,44	- 486 491,47

¹ EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization

3. A word from the Management Board of Selvita S.A. on factors and events affecting the achieved financial results

3.1 Increase and dynamics of revenues and financial results

During the period Q1 2013, the Capital Group Selvita S.A generated revenues in the amount of PLN 3,961.6k, whereas revenues during the same period in 2012 amounted to PLN 3,212.7k. The dynamics of revenues amounted to 23.3%. This increase was possible thanks to the greater value of contracts realized, winning new customers in all service operating segments and expanding portfolio of innovative projects co-financed by the European Union.

Net revenues from sales (excluding subsidies) amounted to 2,289.1k PLN, which resulted in the dynamics of 11.2% as compared to the first quarter of 2012, when net sales totaled PLN 2,058.9k. Increased revenues from sales were made possible by maintaining the Group's customer portfolio as well as acquisition of new orders and new key accounts in all service operating segments (Biology, Chemistry and Bioinformatics).

Particular attention needs to be paid to revenues generated by the Capital Group Selvita S.A service segments, which resulted in the growth of 66.5%, from PLN 1,374.6 k during Q1 2012 to PLN 2,289.4 k during the same period in 2013. Due to the fact that in December 2013 Selvita S.A had finished the discovery phase of SEL 103 program in cooperation with Orion Pharma, in Q1 2013 Selvita did not record any commercial revenues from R&D activity, however, generated revenues from subsidies granted for programs of Selvita. The future commercial revenues from R&D activity depend on progress in research on SEL103 program conducted by Orion Pharma (so called "milestones") and signing partnership agreements for other programs of the Group Selvita.

In 2013, the Capital Group Selvita S.A pursued a consistent strategy of focusing on service projects with greater profitability and intensively allocate its research scientists within its own extended portfolio of R&D projects. Due to this the Group's order book shows the positive trend that has translated into a greater dynamics of commercial revenues in Q1 2013, which the Group expects to maintain also in the coming quarters. Cost-effective and rapidly increasing service segment shall be a foundation of growth for the Group. An extensive innovative activity of the Group is a major subject of the investment and temporarily affects the financial result, but at the same time systematically creates capability to generate significant future profits and revenues.

In recent months, other agreements have been concluded with large international pharmaceutical companies from Europe and North America, and pursuant to these agreements companies of the Group Selvita commenced implementation of the advanced research, in other words, great value added services and therefore relatively large margin was obtained by the Group.

Revenues on account of subsidies in Q1 2013 increased by 45% from PLN 1,153.7k to PLN 1,672.5k. This increase in revenues from subsidies is a result of the continuation of realizing research projects commenced before 2013 and the continuation of write-offs into revenues of received infrastructural funds included in the settlements of accrued revenues.

The value of revenues arising from the concluded commercial contracts and grant agreements (backlog) as of the publication date of this quarterly report is as follows:

- For year 2013: PLN 17,119,1 k
- For year 2014: PLN 8,927.9 k

The value of grant agreements (backlog) does not include the planned revenues from realization of the program entitled *“Innovative oncology drugs affecting neoplastic cell metabolism”* pursuant to the agreement concluded with the National Centre for Research and Development on March, 2013, due to the fact that works on preparation and approval of the schedule of realization of the program with an implementing authority are still in progress.

During the period Q1 2013 the Capital Group Selvita S.A. suffered a loss in the amount of net PLN 995.9k – this is 18,6% of expenses of the Capital Group Selvita S.A; however, during the same period of the previous year this net loss amounted to PLN 1,658.7k, which shall be defined as 32,7% of expenses of the comparable period of the previous year. The increase is more visible in reference to EBITDA – in Q1 2013 EBITDA of the Group Selvita amounted to PLN -486.4k, whereas during the same period in 2012 amounted to PLN -1,184.3k. In Q1 2013 the Group conducted intensive research and development works as part of the research projects commenced in the previous years, which are recognized directly in the costs under the accounting policy of the Group. Significant decrease of loss was possible due to further increase of profitability in services provided by the Group, as well as due to the fact that the higher level of costs of realization of the innovative projects was covered by the subsidies.

Meaningful information on development of the Group concerns a constantly increasing number of employees, and that number from May 2012 to May 2013 increased from 136 to 150 employees. High expenditures incurred in order to improve the Group’s sales offer as well as sales and marketing translated into an increase of the value of the won contacts. In the period from January to March 2013, the Group won commercial contracts in the total amount of PLN 3,033.6k – this is more than a double increase in comparison to the same period in 2012.

The balance of cash of the Group as of March 31, 2013 was PLN 4,685.3k and was reduced by PLN 720.7k in comparison to the balance of cash as of December 31, 2012, however, the balance of cash as of the date of publication of this report is PLN 4,709.1k and was enhanced by PLN 502.3k as compared to the date of publication of the previous quarterly report.

3.2 Forecasts of financial results

The Capital Group Selvita S.A. has not published forecasts for the financial outcomes.

4. Information from the Management Board on activity in the field of business development

4.1 Research and Development activity

In Q1 2013 the Capital Group was continuing all research projects.

4.1.1 SEL24

SEL24 program applies to PIM kinases inhibitors recommended for hematological disorders. In Q1 2013 the main area of studies in SEL24 program was to start serial trials in order to thoroughly analyze potential clinical candidates for their toxicological profiles. The assay conducted allowed to

narrow the group to choose a clinical candidate to test the two compounds. The long-term in vivo research has demonstrated persistent anti-cancer activity and a lack of significant toxicological activity at a dosage sufficient to inhibit neoplastic growth in acute myeloid leukemia models. Further clinical development of SEL24 inhibitors is also substantiated by a very favorable kinase activity profile in the compounds analyzed. On top of inhibiting PIM kinases, they affect the mutated FLT3 kinase which is a significant oncogene in acute myeloid leukemia. In addition to studies on the potential clinical candidates, compounds that would enable the production of further series of standalone inhibitors in the future were identified. There were also general activity in vitro trials both in kinases and cellular models. The aim of Selvita is to move the selected PIM kinase inhibitor to the clinic in 2014.

4.1.2 SEL120

SEL120 program involved further defining of a clinical candidate profile for SEL120-34 used in colorectal cancer therapy. The current favorable data of ADME/PK parameters and safety outcomes have proven the status of SEL120-34 molecule as the pre-clinical candidate for advanced toxicity tests. The main effort in designing clinical trials has been channeled into a better understanding of how CDK8 kinase inhibitors work, which should enable formulating a successful clinical strategy. The development of another, alternative series of compounds has resulted in better activity parameters than those achieved in the first series of CDK8 inhibitors. The aim of Selvita is to move the selected CDK8 kinase inhibitor to the clinic at the end of 2014 and at the beginning of 2015.

4.1.3 SEL103

The aim of SEL103 program is to work out a potential therapy within the scope of symptomatic care in Alzheimer's disease. The program is in the pre-clinical development stage conducted by Orion Pharma, a Finnish partner of Selvita. This stage includes testing a potential preclinical candidate which is the result of two-year work by Selvita designers' team. This compound undergoes detailed non-GLP toxicity tests including cardiotoxicity or drug tissue distribution, parallel to synthesis optimization and drug stability tests. The decision on further tests is expected after yielding the outcomes of the current research, in the forthcoming months. The official nomination of a clinical candidate for GLP toxicological tests by Orion Pharma shall result in a milestone in the development and potential moving of the compound to the clinic in 2014.

4.1.4 SEL128

SEL128 program applies to kinases in oncology, and has been carried out according to the schedule. The current research and development works focus on the development of the most promising MELK kinase inhibitor series. The synthesis of derivate series has proven the way the prepared inhibitors are bonded, which is a base for further studies, including the expected selectivity about the adverse reactions of target proteins. In addition, a series of pilot experiments have demonstrated that a lowered level of MELK kinase inhibits the proliferation of cells derived from brain and breast cancers. In both cases it has been proved that the lowered level of MELK kinase significantly inhibits the proliferation of neoplastic cells. The main effort in designing clinical trials has been channeled into defining the mechanisms of MELK kinase inhibitors and other identified molecular targets, which should enable formulating a successful clinical strategy for the developed series.

4.1.5 SEL141

The aim of SEL141 program is to work out a medicine to treat Alzheimer's disease through inhibiting DYRK1A kinase and stabilizing Tau protein phosphorylation. In Q1 2013 researches on biological tools (i.e. recombinant kinase screening, cellular biomarkers) were being conducted. It involved the first experiments with cellular and animal models, demonstrating the efficacy of the proposed therapeutic mechanism used pilot compounds of mixed and selective profile of kinases engaged in Tau protein phosphorylation. It has been managed to prove the presumed biological activity of several pilot compounds in the cellular and animal models of Tau hyperphosphorylation, one of pathogenic processes in Alzheimer's disease. Parallel to research on the use of SEL141 in Alzheimer's disease in Selvita, its partner academic centers conduct research on pharmacotherapy of other potential therapeutic indications of SEL 141 compounds.

4.1.6 Other programs

In addition to the abovementioned, the Capital Group Selvita S.A conducts other own research and development programs and the details of these programs subject to trade secret protection.

4.2 Research and Development commercialization

The Capital Group Selvita S.A holds intensive talks with customers, mainly from abroad, interested in SEL24, SEL120, SEL128, SEL141, SEL212 and SEL300 programs. Presently particular programs undergo a multifaceted evaluation based on either publically available or undisclosed documents, or on chemicals delivered by Selvita to potential partners, along with business negotiations. The most advanced negotiations are those regarding SEL24, SEL128 SEL120 and SEL300 programs. According to the Management Board of Selvita S.A. the chances for the talks to be successfully concluded are large, particularly in respect of at least a single program in the forthcoming months.

4.3 Services

We have been witnessing a boost in a growing trend visible since 2012 in our services. This is the outcome of our continuously increased collaboration with the existing customers, regular winning of new clients and a significant growth in the value of the signed by us contracts. The most noteworthy events (among others):

- winning a large global pharmaceutical corporation as a business partner and signing with them an important drug discovery service contract; this is also the first significant Selvita's contract on the American market attracting the majority of global research and development expenditures in biotechnology,
- acquiring permanent orders from chemical companies. It applies both to Polish and foreign chemical corporations,
- signing and executing subsequent contracts for delivery and implementation of bioinformatics systems.

In response to the growing demand for Selvita's services, in Q1 2013 the Group launched two subsequent laboratory facilities (215m²) adapted for chemical and biological services, and recruited their new personnel at the leading Polish universities.

Since Selvita's brand has been becoming more recognizable, the pharmaceutical and biotechnological services markets have experienced a boom, along with the boosted prosperity of

the chemical industry, it allows to take an optimistic view of the Group's revenues and profitability in the area of services. The following quarters should see the subsequent growth in the revenues and profitability in the area of services.

4.4 Participation in fairs and important marketing events

In Q1 2013 Selvita Group continued their active marketing and sales strategy through participating in the most important conferences and trade fairs, consistently building the brand of the Capital Group Selvita S.A in the world of biotechnology, making new business contacts and maintaining the previous positive relations with their clients.

In Q1 2013 the Capital Group Selvita S.A participated in (among others):

- the 40th Jubilee Winter School, Faculty of Biochemistry, Biophysics and Biotechnology, the Jagiellonian University, 16 -21 February 2013, Zakopane,
- the 4th International Congress Discovery Partnerships, 25 - 26 February 2013, Berlin,
- BIO-Europe Spring 2013, 11-13 March 2013, Barcelona.

The Chief Executive Officer of Selvita S.A., Mr. Paweł Przewięźlikowski, also participated in a debate on innovation policy with the President of Poland, Mr. Bronisław Komorowski, and the President of Hungary, Mr. János Áder, during the Polish-Hungarian Economic Forum, the edition of which was held this year in Tarnow.

4.5 Other important events in Q1 2013

4.5.1 Concluding a contract for draft research on new oncologic drugs with the NCRD [The National Centre for Research and Development]

Selvita S.A. has concluded a grant agreement for the program entitled "*Innovative oncology drugs affecting neoplastic cell metabolism*", with the National Centre for Research and Development:

- Net total value of the program: PLN 23,320.0k,
- Co-financing value: PLN 17,190.0k,
- Lead time: the years 2013 – 2015.

The aim of the program is to develop small molecule compounds to inhibit signaling pathways that promote neoplastic cells metabolism. The therapeutic targets of the program are proteins that regulate carbohydrate, lipid and protein metabolism, as well as the functioning of mitochondria, i.e. processes affected in the course of oncologic diseases or underlying the neoplastic transformations. The development of new metabolism inhibition based therapies along with a vast possibility of combining the recent therapies with the previous ones shall have an enormous influence on the cancer treatment methods.

So far Selvita S.A. has gained invaluable experience in the area of cancer treatment methods, which allowed the construction of their own oncologic kinase inhibitor platform. Using the knowledge and skills gained during the currently conducted drug development programs, the Company has decided to launch another oncologic research platform for neoplastic metabolism. This is the reason for Selvita to become one of the leaders in this new and exciting research area that probably will change the future of cancer treatment.

The program has been supported as part of Measure 1.4. "Support of goal-oriented projects" of the Operational Programme of Innovative Economy for 2007-2013. The project will be co-financed by the funds from the European Regional Development Fund and state budget.

4.5.2 Liquidation of subsidiary company: „Selvita spółka akcyjna i BioCentrum spółka z ograniczoną odpowiedzialnością sp. j.”

On March 28, 2013 the partners of Selvita S.A. and BioCentrum spółka z ograniczoną odpowiedzialnością spółka jawna [BioCentrum Sp. z o.o. sp.j.] ("General Partnership"), the affiliate company of the Issuer, passed a resolution to dissolve it. According to the resolution of March 29, 2013 it was decided to terminate the general partnership avoiding a liquidation proceeding, but through the assets distribution among the partners. The General Partnership had no liabilities; its basic assets were dues towards Selvita S.A. and BioCentrum sp. z o.o - Selvita's affiliate company. Those dues expired as a result of distribution of the General Partnership's assets.

4.6 Important events in the period between the end of the first quarter of 2013 and report publication date

4.6.1 Selvita reported the most recent data from its oncology programs at the AACR Annual Meeting 2013

Selvita reported the most recent data from its oncology research programs, on 6th – 10th April 2013, at this year edition of AACR Annual Meeting 2013 in Washington. Organized by the American Association for Cancer Research (AACR), the meeting is one of the most prestigious scientific oncologic conferences and the place where all pharmaceutical and chemical companies working on new oncologic drugs announce their results.

During this year conference Selvita reported the most recent data regarding its three most advanced oncology programs, i.e.:

- SEL24, a potentially best-in-class program targeting PIM kinases in hematological malignancies,
- SEL120, a potentially first-in-class program targeting CDK8 kinase in colorectal cancer,
- SEL128, a potentially first-in-class program targeting MELK kinases in glioma.

The posters are available on website of Selvita S.A.: <http://www.selvita.com/r-d-offer/download-a-poster>

4.6.2 Selvita S.A. concluded a major contract

On April 22, 2012 r. Selvita won a drug discovery services order from one of the largest multinational pharmaceutical corporations, amounting to USD 323,070 (PLN 1,015,990.54 at the exchange USD 1 = PLN 3.1448). The services shall be carried out from April 22, 2013 until December 31, 2013. This was the first order within the frame collaboration contract concluded between the customer and the Issuer on March 19, 2013, and shall be carried out to the benefit of the corporation's American affiliate. Depending on a positive collaboration at the first order, the Management of Selvita expects to receive further orders within the signed frame contract.

Kraków, May 15, 2013