



SELVITA S.A.  
CONSOLIDATED QUARTERLY  
REPORT (SUMMARY)

**Q1**  
**2017**

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May 30, 2017

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## BASIC INFORMATION ON THE CAPITAL GROUP

### Parent Entity

<b>Business name of the Company</b>	Selvita Spółka Akcyjna
<b>Registered office</b>	ul. Bobrzyńskiego 14, 30-348 Kraków
<b>Company ID (REGON)</b>	120515330
<b>Tax ID (NIP)</b>	679-29-42-955
<b>Legal form</b>	Joint-Stock Company
<b>Website</b>	<a href="http://www.selvita.com">www.selvita.com</a>

### Related Entities as of May 30, 2017

<b>Business name of the Company</b>	BioCentrum spółka z ograniczoną odpowiedzialnością
<b>Registered office</b>	ul. Bobrzyńskiego 14, 30-348 Kraków
<b>Company ID (REGON)</b>	356815670
<b>Tax ID (NIP)</b>	676-226-47-81
<b>Legal form</b>	Limited Liability Company
<b>Website</b>	<a href="http://www.biocentrum.com.pl">www.biocentrum.com.pl</a>
<b>Shareholders</b>	100% shares held by Selvita S.A.

<b>Business name of the Company</b>	Selvita Services spółka z ograniczoną odpowiedzialnością
<b>Registered office</b>	ul. Bobrzyńskiego 14, 30-348 Kraków
<b>Company ID (REGON)</b>	122456205
<b>Tax ID (NIP)</b>	676-245-16-49
<b>Legal form</b>	Limited Liability Company
<b>Shareholders</b>	100% shares held by Selvita S.A.

<b>Business name of the Company</b>	Selvita Inc.
<b>Registered office</b>	Wilmington, Delaware, USA
<b>Company File No.</b>	5700516
<b>Legal form</b>	Corporation
<b>Shareholders</b>	100% shares held by Selvita S.A.

<b>Business name of the Company</b>	Selvita Ltd
<b>Registered office</b>	Cambridge, Great Britain
<b>Company No.</b>	9553918
<b>Legal form</b>	Limited Liability Company
<b>Shareholders</b>	100% shares held by Selvita S.A.

<b>Business name of the Company</b>	Ardigen Spółka Akcyjna
<b>Registered office</b>	ul. Bobrzyńskiego 14, 30-348 Kraków
<b>Company ID (REGON)</b>	362983380
<b>Tax ID (NIP)</b>	676-249-58-65
<b>Legal form</b>	Joint-Stock Company
<b>Shareholders</b>	Selvita S.A. holds 60.01% of shares and 63.13% votes at the shareholder meeting

<b>Business name of the Company</b>	Nodthera Ltd
<b>Registered office</b>	20 Charlotte Square, Edinburgh, EH2 4DF, Edinburgh, Scotland, UK

<b>Company No.</b>	540381
<b>Legal form</b>	Limited Liability Company
<b>Shareholders</b>	Selvita S.A. holds 1 910 000 shares (48.84%) and 48.84% votes at the shareholder meeting

All entities within the Selvita Group are consolidated.

## The Core Business of the Capital Group

The activities of the Capital Group cover two main business segments:

- **Innovative segment** – research and development activities implemented through in-house research projects on innovative drugs,
- **Service segment** – R&D services provided to external clients, in particular to pharmaceutical and biotechnology industry,
- **Bioinformatics segment (Ardigen S.A.)** – bio-data science and complementary advanced software services to support data-driven Life Science and Healthcare organizations.

The activities of particular segments of the Capital Group are described in detail in section INFORMATION FROM THE MANAGEMENT BOARD ON THE ACTIVITIES IN SPECIFIC BUSINESS DEVELOPMENT AREAS below.



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

1. Items relating to the profit and loss statement, and the cash flow statement were converted according to the exchange rate constituting the arithmetic mean, applicable as of the last day of every month in the given period, based on the information published by the National Bank of Poland (NBP):
  - for the period from 01/03/2017 – 31/03/2017: PLN 4.3246;
  - for the period from 01/01/2016 – 31/03/2016: PLN 4.3602.
2. Balance sheet items were converted according to the average exchange rate announced by the NBP applicable as at the balance sheet date; this exchange rate amounted to:
  - as at 31 March 2017: PLN 4.2198;
  - as at 31 December 2016: PLN 4.4240;
  - as at 31 March 2016: PLN 4. 2684.

## MANAGEMENT BOARD'S COMMENTS ON FACTORS AND EVENTS AFFECTING THE FINANCIAL RESULTS

### Increase and Dynamics of Revenues and Financial Results

The first quarter of 2017 is another subsequent quarter in which Selvita Capital Group (hereinafter referred to as 'Selvita, 'Selvita Group' or the 'Group') achieved an operating profit. The mentioned profit resulted mainly from continuing profitable operations both within the scope of services as well as innovations segments. Crucial influence on innovations segment revenues and profits had commercialisation of SEL24 program which is described extensively farther in the report.

First quarter of 2017 is the last quarter when the Group recognises in its profit and loss statement costs of incentive program which commenced in 2015. Costs recognised in Q1 2017 amounted to PLN 583 thousand. The cost of the mentioned program is an accrual basis cost and does not result in any cash expenditures.

In order to maintain comparability of the financial data for the current period with the data from the previous periods, the comments presented below are based on data that does not account for the costs of the incentive program.

Group's operating profit in Q1 2017 amounted to PLN 8,149 thousand and increased by PLN 7,658 thousand - which means growth of 13-times - in comparison to Q1 2016 when it amounted to PLN 581 thousand. Group's net profit for Q1 2017 amounted to PLN 5,979 thousand compared to PLN 621 thousand net profit achieved in Q1 2016. This means net profitability (calculated as the net profit divided by total operating revenues) at a level of 22% which means increase of 17 p.p. in comparison to net profitability of Q1 2016. The level of net profit lower in comparison to operating profit was a result of: loss on financial operations in the net amount of PLN 818 thousand, Nodthera's (Selvita S.A. associate, which investment is valued on a basis of equity method) general and administrative (G&A) expenses for the period in the amount of PLN 818 thousand and current tax advance payment in the amount of PLN 534 thousand.

In Q1 2017 Selvita Group recognised total operating revenues in the amount of PLN 26,840 thousand, which means an 99% increase comparing to Q1 2016 when the operating revenues amounted to PLN 13,478 thousand. In Q1 2017 revenues from sales and other operating revenues (excluding subsidies) amounted to PLN 24,022 thousand, which means dynamics at the level of 109% compared to Q1 2016, in which revenues from sales and other operating revenues (excluding subsidies) amounted to PLN 11,515 thousand.

Commercial revenues of the innovation segment in Q1 2017 amounted to PLN 16,369 thousand, which means a 321% increase in comparison to the corresponding period of the previous year, when those revenues amounted to PLN 3,892 thousand. Innovations segment's operating profit (EBIT) for Q1 2017 amounted to PLN 7,015 thousand and increased 30-times in comparison to Q1 2016 EBIT which amounted to PLN 201 thousand. High dynamics of commercial revenue of innovation segment and its operating profit in Q1 2017 is mainly a result of SEL24 program commercialisation.

The second profitable segment of the Group's operations is services segment. In 2017 the Group concentrates on intensive services segment growth as a result of business portfolio extension, penetrating of new markets and acquisition of more valuable and longer FTE and integrated contracts. Revenues from services provided to external customers by services segment in Q1 2017 amounted to PLN 8,937 thousand, which means growth of 28% compared to Q1 2016, when external revenues of services segment amounted to PLN 6,974 thousand. Services segment's operating profit (EBIT) for Q1 2017 amounted to PLN 603 thousand, which means 11% increase in comparison to Q1 2016 EBIT which amounted PLN 542 thousand.

In Q1 2017 bioinformatics segment external revenues amounted to PLN 1,876 thousand, which means increase of 258% in comparison to external revenues for Q1 2016, which amounted to PLN 525 thousand. Bioinformatics segment in Q1 2017 generated operating profit in the amount of PLN 530 thousand comparing to operating loss generated in Q1 2016 in the amount of PLN 281 thousand.

In Q1 2017 the revenues from subsidies increased by 44% in comparison to the corresponding period of the previous year – from PLN 1,964 thousand to PLN 2,818 thousand. Revenues from subsidies do not account for the amount that was deferred in the balance sheet in parallel to the deferred costs of development works. An increase in the revenues from subsidies comparing to the corresponding period of the previous year indicates growth in expenditures on new innovative projects executed under the new subsidies perspective, which has already been signalised by the Management Board in the reports for previous periods.

### **SEL24 program commercialisation**

On 28 March 2017 Selvita signed with Berlin-Chemie AG (part of Menarini Group) SEL24 program commercialisation contract. Below we present impact of the transaction on Selvita's operating profit.

In Q1 and Q2 2017 financial results Selvita Group recognise parts of "upfront payment" invoiced respectively in the last days of March 2017 and the first days of April 2017. Revenue from "upfront payment" were reduced by capitalised costs of preclinical and clinical phase respectively which were recognised in profit and loss statement. The capitalised costs were presented on balance sheet net of capitalised subsidies attributable to those costs, which were also recognised in profit and loss statement as part of financial result on transaction. The result on SEL24 program commercialisation were presented in "other operating revenues" as part of operating revenues.

Profit on SEL24 commercialisation recognised in Q1 2017 amounted to PLN 9,551 thousand and included:

<i>[PLN thousand]</i>	<b>Q1 2017</b>
„Upfront payment” part invoiced in Q1 2017	12,789
Capitalized subsidies attributable to SEL24 program	5,243
Capitalized preclinical phase costs of SEL24 program	(7,907)
Capitalized expenditures on SEL24 patents	(574)
<b>Q1 2017 part of transaction profit</b>	<b><u>9,551</u></b>

In Q2 2017 Selvita Group expects positive impact of SEL24 commercialisation transaction on operating profit in the amount of PLN 3,404 thousand what includes:

<i>[PLN thousand]</i>	<b>Q2 2017</b>
„Upfront payment” part invoiced in Q2 2017	7,496
Capitalized subsidies attributable to SEL24 program	1,342
Capitalized preclinical phase costs of SEL24 program	(5,434)
<b>Q2 2017 part of transaction profit</b>	<b><u>3,404</u></b>

Cumulative profit from SEL24 commercialisation transaction in H1 2017 is expected in the amount of PLN 12,955 thousand.

The value of the contracted portfolio of orders for the year 2017 resulting from commercial contracts and subsidy agreements signed as of the day of publication of the report (‘Backlog’), amounts to PLN 85,021 thousand, of which:

- Services            PLN 29,494 thousand
- Innovations        PLN 38,713 thousand
- Bioinformatics    PLN 4,988 thousand
- Subsidies            PLN 11,816 thousand

and is 101% higher than the backlog for the year 2016 announced in May last year and 6% higher than the backlog for the year 2017 announced in April current year. Special attention should be drawn to the increase of the orders portfolio in the services segment amounting to 49% in comparison to the backlog for the year 2017 announced in April 2017 and to 33% in comparison to the backlog for the year 2016 announced in May previous year. The subsidies backlog does not account for the amount of PLN 3,240 thousand, which constitutes revenues from subsidies to be accounted for in the balance sheet in parallel to the capitalised costs of development works.

### **The Group's Assets and the Structure of Assets and Liabilities**

The value of the Group’s assets as of the end of Q1 2017 amounted to PLN 95,390 thousand and increased by PLN 6,269 thousand compared to the end of 2016 (PLN 89,121 thousand). At of the end of Q1 2017 the highest value tangible assets items are: fixed assets amounting to PLN 25,155 thousand (mainly laboratory equipment) and deferred income tax asset in the amount of PLN 9,620 thousand. Compared to the amounts as of 31 December 2016, the value of tangible assets increased by PLN 1,156 thousand. This is mainly the effect of



purchasing new tangible assets (partially off-set by the planned depreciation expenses) and decrease of unfinished development work balance as a result of SEL24 program commercialization (described above in the report).

From 1 January 2015, Selvita started to activate the costs of unfinished development work, further to meeting the criteria to disclose expenditure on the KIND-P1 project in balance sheet assets as costs of development work. The value of these assets at the end of Q1 2017 amounted to PLN 7,989 thousand and it is presented as "unfinished development work" in the amount of PLN 4,925 thousand i.e. reduced by PLN 3,064 thousand which is the value of the deferred revenues from subsidies attributable to the deferred costs. As a result of the SEL24 commercialization agreement Selvita Group recognized in Q1 2017 in its profit and loss statement PLN 2,664 thousand of capitalized costs (reduced by attributable subsidies) referring to preclinical phase. The above net amount consists of PLN 7,907 thousand of capitalized costs reduced by PLN 5,243 thousand of attributable subsidies. In Q2 2017 the Group expects to recognize in profit and loss statement the asset referring to clinical phase in the net amount of PLN 4,092 thousand, which includes PLN 5,434 thousand of capitalized costs and PLN 1,342 thousand of attributable subsidies. In the result of the commercialization agreement the whole asset referring to SEL24 is expected to be recognized in consolidated profit and loss statement.

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

	31/03/2017	31/12/2016
<b>Liquidity indicator</b>		
current assets/current liabilities including short-term provisions and accruals (excl. deferred revenues)	3,02	3,54
<b>Increased liquidity indicator</b>		
(current assets-inventory)/current liabilities including short-term provisions and accruals (excl. deferred revenues)	2,94	3,44

Cash surpluses not used in the operating activities are invested in safe financial instruments: bank deposits.

The main item in the Selvita Group's equity and liabilities is equity, which, as of March 31, 2017, amounted to PLN 62,018 thousand and increased by PLN 6,307 thousand compared to December 31, 2016. The second largest source of funding are short-term liabilities and provisions which amounted to PLN 20,434 thousand at the end of Q1 2017. The highest value liabilities items are: trade liabilities, deferred revenues and short-term provisions.

### Current and Foreseen Financial Situation

The Group's financial position as of the report date is very good. As of 31 March 2017 the value of the Group's cash amounted to PLN 20,562 thousand and as of 25 May 2017 the value of the Group's cash amounted to PLN 42,798 thousand.

The Group's activity is profitable both in terms of innovations and services segments. R&D is financed with customer revenue, supplemented by research grants and funds acquired through share issue. In the financial year 2017, further revenue increase is expected both from provision of services and commercialization of the next research projects, following by sustaining of the profitability in both segments.

The Group is up to date on meeting its obligations and maintains a sustainable cash flow ensuring its liquidity. Income from share issuance from previous years and cash generated from operations allow the Company to execute its planned investment, in particular the development of innovation projects, laboratory infrastructure and new laboratories for the Group.

## **Information from the management board on the activities in specific business development areas**

### **R&D ACTIVITIES (INNOVATIVE SEGMENT)**

In Q1 2017, the Selvita Group successfully continued the research projects, both these in which it invests own funds, as well as projects performed in cooperation with external partners i.e.: the kinase projects in cooperation with H3 Biomedicine or the projects of a cancer cell metabolism area in cooperation with Merck.

#### **TARGETED THERAPIES PLATFORM**

##### **SEL24**

The goal of SEL24 project is discovery of innovative anticancer drug. Its action is based on the ability to selective targeting of cancer cells – especially AML (Acute Myeloid Leukemia) but also MM (Multiple Myeloma) and Non-Hodgkin Lymphomas.

Work in Q1 2017 focused on activation of sites and enrolment of patients to the CL124-001 study. The first site, MD Anderson Cancer Center in Houston, was formally activated in January 2017 followed by successful patient recruitment and administration of SEL24 to the first patient in March 2017. In Q1 Northside Hospital in Atlanta and Vanderbilt-Ingram Cancer Center in Nashville became formally active and they are also open for patient enrollment. Additional information about the sites and clinical trials protocol are available at the website: <https://clinicaltrials.gov/ct2/show/NCT03008187>.

In March 2017 Selvita S.A. and Berlin-Chemie AG, a company of the Menarini Group, entered into a global license agreement for SEL24. According to the agreement, Selvita will grant Menarini Group an exclusive license to further research, develop, manufacture and commercialize SEL24 worldwide. Selvita has received an upfront payment, and will be eligible to receive milestone and royalty payments upon further development of the product.

Before Menarini will takeover the ongoing Phase I/II trial in acute myeloid leukemia (AML) patients, what is planned for December 2017, Selvita will stay in a role of the study sponsor and Menarini will reimburse Selvita for all the incurred expenses related to the study.

##### **SEL120**

SEL120 project is focused on the development of selective CDK8 inhibitors active in oncological diseases. SEL120-34A has been selected as a candidate molecule for the further clinical development. Current efforts involve work on the molecular mechanism of action, patients' stratification markers and validation of CDK8 inhibition in selected solid tumors. Results showed efficacy of the compound in undifferentiated AML cells, which characteristics of leukemia stem cells were presented during Annual AACR Conference in Washington and published in Oncotarget PMID: 28422713. In addition Selvita continued preparations for IND-enabling studies planned in Q2 2017.

### **KINASE INHIBITORS PLATFORM**

The goal of the platform is to develop innovative cancer therapy using small molecules compounds to target new kinase targets involved in oncogenic signaling pathways in cancer. One of the projects being developed under the kinase inhibitor platform is a project in collaboration with H3 Biomedicine. In Q1 2017 we focused on confirming the results obtained during the study of representative compound on wide panels of several dozen to several hundred cancer cell lines (Hematopoietic, gastrointestinal, nervous, lung, ovary, breast, etc.). The obtained results will allow to understand better the genetic background of sensitivity to the developed inhibitors and to facilitate the future stratification of patients in the clinical trial. At the same time, work was continued to optimize the activity, pharmacokinetic profile and safety parameters of the lead series. The research proceed according to the schedule. Further details cannot be disclosed due to confidentiality restrictions.

### **CANCER METABOLISM AND IMMUNOMETABOLISM PLATFORM**

Metabolism platform groups projects conducted both internally and in partnership with Merck.

The aim of current Merck collaboration, which is the extension of a previous one from 2013-15, is a discovery of novel oncology pharmacotherapies targeting the aberrant metabolic pathways in cancer (cancer metabolism). In collaboration with the partner several molecular targets have been selected (undisclosed) and discovery work is in various stages of advancement (from target validation to lead optimization). Besides financing, the project is supported by resources, infrastructure and scientific input of a partner, being one of the top 25 big pharmas. The work is conducted according to the schedule, further details are protected by trade secret.

In internal part of cancer metabolism platform our current focus is SHMT2 target protein, crucial in neoplastic transformation in solid tumors as well as in hematological malignances. We have discovered SHMT2 inhibitors active in nanomolar range, current works are focusing on further optimization of compound series, including validation in animal models.

In immunometabolic project in Q1 two novel, low-nanomolar, selective and patentable chemical series of adenosine A2A and A2B receptor antagonists were discovered. In Q1 both series were in expansion stage and patent applications were in preparation. In parallel Selvita started the work on inhibitors of CD39 and CD73, two enzymes responsible for production of immunosuppressive adenosine in tumor microenvironment. In Q1 biochemical assays have been developed and we have conducted the first round of high throughput screening, which will be completed in Q3.

### **IMMUNOONCOLOGY PLATFORM**

Immunooncology Platform aims to develop innovative immunotherapeutics superior to currently investigated approaches. New initiatives are based on solutions that overcome the limitations of available therapies and allow for a personalized, targeted treatment for patients with the most challenging, resistant malignancies. Immunotherapy can mobilize the immune system utilizing its potential to specifically kill tumor cells with limited systemic toxicity.

Currently the Platform research are focused on STING pathway activation. As a result of screening and rational computer-aided design, small molecule active modulators have been identified for the STING signaling pathway with confirmed properties in *in vitro* cellular models. Parallel development of immunooncology assays is in progress to test selected compounds in mouse and human disease relevant *in vitro* models. The strategy

assumes gradual expansion of the Platform to broaden project portfolio with new initiatives basing on immunotherapeutic potential.

### **INFLAMMASOME INHIBITORS**

In Q1 2017, Selvita continued work that was started in July 2016 in cooperation with the biotechnology company Nodthera Ltd. Collaboration with Nodthera is based on the research results generated in the internal Selvita project SEL212, aiming at development of small molecule inhibitors of a protein complex - inflammasome. The collaborative research investigations proceed according to schedule. Further details cannot be disclosed due to confidentiality restrictions.

### **OTHER PROJECTS**

Apart from the aforementioned projects, within the platforms presented above Selvita Group also carried out other research and development projects, however their details and the current progress of work is confidential.

### **SERVICE SEGMENT**

#### **BIOLOGY DEPARTMENT**

In Q1 2017, the Contract Biology Division activities were focused on provision of services in the area of biological, biochemical and analytical research conducted for clients operating in the field of chemistry, pharmacy and biotechnology, as well as in the agrochemicals industry. Contract Biology Division laboratories specialise in conducting tests in accordance with GLP and GMP, in the areas of: pharmacodynamic testing, cytotoxicity testing, method development and validation for: biochemical, bioanalytical and cell assays as well as for analytical methods. In addition, another well-developed type of research activity are the services of recombinant protein production, offered by the Biochemical laboratory.

In Q1 2017, the Molecular and Cellular Biology Laboratory initiated a collaboration with two Israeli biotechnological companies. In both cases the projects involved the development and optimization of biochemical tests designed to determine the activity of the candidate drugs interfering with neoplastic metabolism and immune-oncologic medications. In the meantime, standing orders for the safety and efficacy analysis of the compounds used in the pharmaceutical and agrochemical industries were continued. These studies were conducted in compliance with Good Laboratory Practice standards for customers in Poland and Europe.

Furthermore, the laboratory continued to cooperate with biotechnological companies in the United Kingdom, Sweden and the USA. Studies have also been conducted on the development of a functional cell assay to determine the cellular activity of bioply agents belonging to the vascular endothelial growth factor (VEGF) group. These studies, performed for a large European pharmaceutical corporation, are intended as preliminary steps before the subsequent steps involving the validation of the developed test.

In Q1 2017, the Molecular and Cellular Laboratory also extended the scope of the offered analyses and introduced tests for skin corrosion and skin irritation. These tests are employed in the analysis of cosmetics and medications applied to the surface of the skin, and are conducted in compliance with the OECD guidelines and the GLP quality system.

In Q1 2017, similarly to the previous quarters, the primary source of revenue for the Biochemical Laboratory were the projects associated with the generation, purification and characterization of recombinant proteins. In

the reporting period, in addition to the services associated with the production of proteins for external customers, the laboratory performed genotoxicity studies. The above-mentioned studies were performed mostly for customers from Western Europe and the USA., representing global biotechnological and pharmaceutical corporations and smaller companies involved in the drug discovery. Certainly the winning of new contracts, both from old and new customers, is associated with the ever-growing confidence in the laboratory and a better market penetration and the associated increased recognition of the laboratory's offer.

In Q1 2017, the Analytical Laboratory continued the studies in the well-established areas of services for pharmaceutical and agrochemical customers. In the first place, the laboratory performed long-term projects associated with the stability studies initiated in 2016 and in previous years. It is noteworthy that, based on new contracts and orders for both large Polish pharmaceutical companies and foreign customers, throughout the whole of 2017 and the following years orders of this type of will be pursued to an even greater degree. In terms of the verification of analytical methods, projects involving the use of GC-MS and LC-MS methods were conducted, which, due to equipment shortages of our customers, continue to be of great interest to them and are often ordered from our laboratory. In view of the current R&D projects and the identification stage of the compounds for agrochemistry, additional equipment for the laboratory, i.e., MS spectrometers, is currently a top priority.

In terms of work for agrochemical customers, in the first quarter method validation and 5B analyses were completed for some of them and subsequent GLP studies were initiated. Following the positive outcome of audits in Q3 and Q4 2016 we now regularly work for three large agrochemical companies providing a wide range of services. In addition, in Q1 of this year there was an audit of a global chemical company, which in the next few months is likely to produce a very large panel of studies associated with the GLP system certification of active compounds, metabolites and other impurities.

It is noteworthy that in the first quarter of this year we also significantly expanded our collaboration with one of the world's largest pharmaceutical companies to include small molecular pharmaceutical products release studies for the European market. As a result, Q2 will see positive laboratory infrastructure changes and many quality assurance upgrades.

The main goal of the Contract Biology Division for the next quarters will be to increase the penetration of Western European and US markets, taking special account of the offer targeting pharmaceutical/biotechnological clients looking for integrated solutions for innovative drug development projects. Additional sales activities will still target potential new clients from the agrochemicals industry, which has been consequently strengthening its position in the division's client portfolio. The long-term goal of the Contract Biology Division shall remain to increase the number of projects executed in the FTE formula – this type of partnership with third-party clients is already successfully being used at the Company in integrated projects.

#### **CHEMISTRY DEPARTMENT**

In Q1 2017, the Contract Chemistry Department continued its upward trend.

FTE contracts with new customers were signed, and cooperation was extended with present customers from the pharmaceutical (Big Pharma), biotechnological, chemical, agrochemical and academic sectors. The majority of the projects included research and development resulting in the development of new pharmacologically active molecules, new synthetic processes and technologies.

On March 9, 2017, a significant contract was signed between the Company and an Italian pharmaceutical company concerning the performance of the integrated research and development project which is carried out jointly by the Department of Contract Biology and the Department of Contract Chemistry of the Company. A contract was signed for a period of three years, from April 1, 2017 through March 31, 2020, and its value is EUR 1,422,000 (PLN 6,135,361.20 at the exchange rate of EUR 1 = PLN 4.3146). The contract meets the requirements of a significant contract because its value exceeds 10% of the Company capital.

In Q1 2017, the Department's revenues were associated with activity on the European (Italy, Denmark, France, Belgium, Switzerland, Germany, UK, Poland), American and Japanese markets. The Company also continues to collaborate with companies on the pharmaceutical, chemical and biotech markets of Israel. The majority of the Department's revenue came from the collaboration based on the FTE model.

Sales activities are continuously conducted in the United States, Europe, Israel and Japan, which generate fixed-price contracts and FTE with new customers.

Traditionally, in addition to standard sales activity, customer visits to Selvita and Selvita's representative visits to customers, the Company's representatives also took part in some prestigious industry conferences. The most interesting events in terms of the activities of Contract Chemistry that took place in the Q1 2017 are:

- Biotech evening event, U.S.A., San Francisco, 01/19/2017
- National Manufacturing & Supply Chain Conference & Exhibition, Ireland, Dublin, 01/31/2017
- New Approaches in Medicinal Chemistry II, UK, Stevenage, 02/01/2017
- BIO Wales, UK, Cardiff, 03/07-08/2017
- Spring Meeting: Small Molecules and Biologicals in Cancer Immunotherapy, The Netherlands, Utrecht, 03/17/2017
- FlandersBio-Janssen Pharmaceutica Partner Day, Belgium, Antwerp, 03/09/2017
- BIO Europe Spring, Spain, Barcelona, 03/20-22/2017
- 3rd RSC-BMCS symposium on mastering medicinal chemistry, UK, Cardiff, 03/22/2017
- World Neuroscience Innovation Forum, UK, London, 03/27/2017

In Q1 2017, the team of scientists working in the Division of Contract Chemistry was increased. Recently, the Group also invested in specialized equipment supporting the work on research and development projects in the area of analysis and the purification of chemical compounds, which resulted in increased performance and research opportunities that may have a significant effect on obtaining new customers and boosting revenues.

Current contracting and business negotiations allow us to predict a continued strong growth tendency in the Department of Contract Chemistry in 2017.

#### **ARDIGEN S.A. (BIOINFORMATICS AND PRECISION MEDICINE)**

In Q1 2017, the focus of Ardigen's activity in the service field was the implementation of the marketing plan developed at the end of 2016 under the slogan "VALUE as a SERVICE". For this reason, a new sales offer along with promotional materials was developed.

In January, Ardigen actively participated in the Personalized Medicine Word Conference in Mountain View, California, where the Company had its own booth. Moreover, a scientific employee of the Company presented a paper entitled "Artificial Intelligence for Personalized Medicine". In February, the Ardigen team participated in another conference, the Molecular Medicine Tri-Conference in San Francisco, California, where it also had its

own booth. During both events Ardigen had access to over 4,000 participants. In addition, numerous mailing campaigns and an AdWords marketing campaign were conducted. Thanks to these activities, a large portfolio of sales options was generated and the brand recognition of Ardigen in northern California increased - a strategic market for the Company's bioinformatics services.

In R&D, research has been carried out in three areas: immunomics, metabolomics and microbiomics. The results of this work will lead to a submission of applications for the partial funding of new R&D projects. An important event is the development of the research team to which new team members have been added.

### Information on Selvita S.A. Shareholding Structure

As at the date of publication of the Report, the shareholding structure of Selvita S.A. including shareholders holding at least 5 % of votes at the General Meeting is as follows:

Shareholder	Shares	% of shares	Votes	% of votes
Paweł Przewięźlikowski	4 979 728	37,04%	8 479 728	48,47%
Bogusław Sieczkowski	923 984	6,87%	1 473 984	8,43%
Tadeusz Wesołowski (directly and indirectly)	1 132 713	8,43%	1 132 713	6,48%
Other members of the Management and Supervisory Board	753 561	5,61%	753 561	4,31%
Remaining shareholders	4 898 501	42,05%	4 898 501	32,31%
<b>Total</b>	<b>13 443 343</b>	<b>100,00%</b>	<b>17 493 343</b>	<b>100,00%</b>

## FINANCIAL INFORMATION

### Consolidated Income Statement

FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 MARCH 2017	01/01/2016 - 31/03/2016	01/01/2016 - 31/03/2016
	PLN	PLN
<b>Continued operations</b>		
Revenues from sales	14 349 638	11 391 219
Revenues from subsidies	2 817 876	1 963 509
Other operating revenues	9 672 708	123 536
<b>Revenues on operating activities</b>	<b>26 840 222</b>	<b>13 478 264</b>
Change in stock of goods	-	-
Amortisation and depreciation	(994 866)	(850 572)
Consumption of materials and energy	(4 312 081)	(2 395 032)
External services	(2 854 351)	(1 691 057)
Payroll	(9 689 051)	(6 934 176)
Taxes and charges	(137 762)	(100 206)
Other costs by type	(695 771)	(830 803)
Value of goods and materials sold	-	(92 327)
Other	(7 475)	(3 176)
<b>Operating expenses excluding impact of share-based incentive program</b>	<b>(18 691 357)</b>	<b>(12 897 349)</b>
<b>Profit (loss) on operating activities excluding impact of share-based incentive program</b>	<b>8 148 865</b>	<b>580 915</b>
Share-based incentive program	(583 000)	(3 144 000)
<b>Profit (loss) on operating activities</b>	<b>7 565 865</b>	<b>(2 563 085)</b>
Financial revenues	19 673	156 159
Financial expenses	(837 493)	(114 590)
Other	-	-
<b>Profit (loss) on business activities</b>	<b>6 748 045</b>	<b>(2 521 516)</b>
Equity method valuation of investments in associates	(817 894)	-
<b>Profit (loss) before income tax</b>	<b>5 930 151</b>	<b>(2 521 516)</b>
Income tax expense	(534 207)	(1 331)
<b>Net profit (loss) on continued operations</b>	<b>5 395 944</b>	<b>(2 522 847)</b>
<b>Discontinued operations</b>		
Profit (loss) on discontinued operations	-	-
<b>Net profit (loss)</b>	<b>5 395 944</b>	<b>(2 522 847)</b>
Net profit loss attributed to		
Majority shareholders	5 243 628	(2 339 161)
Non-controlling shareholders	152 316	(183 686)
Other comprehensive income:		
Foreign subsidiaries results translation differences	39 834	(9 158)
<b>Total other comprehensive income</b>	<b>39 834</b>	<b>(9 158)</b>
Total income	<b>5 435 778</b>	<b>(2 532 005)</b>
Total comprehensive income attributed to:		
Majority shareholders	5 283 462	(2 348 319)
Non-controlling shareholders	152 316	(183 686)
<b>Earnings per share attributable to majority shareholders</b> <b>(expressed in gr per share)</b>		
With continued and discontinued operations:		
Basic	39,0	(18.4)
Diluted	38,2	(18.4)
With continued operations:		
Basic	39,0	(18.4)
Diluted	38,2	(18.4)



## Consolidated Balance Sheet

AS OF 31 MARCH 2017	31/03/2017	31/12/2016	31/03/2016
	PLN	PLN	PLN
<b>ASSETS</b>			
<b>Fixed assets</b>			
Tangible fixed assets	25 155 186	21 832 609	10 104 946
Investment in real-estate	-	-	-
Goodwill	280 740	280 740	280 740
Other intangible assets	128 353	132 699	146 064
Unfinished development works	4 925 338	6 226 898	2 903 759
Investments in related parties	2 302 878	3 120 772	-
Deferred tax assets	9 619 591	9 662 724	5 650 690
Other financial assets	-	-	-
Other assets	196 038	196 038	196 038
<b>Total fixed assets</b>	<b>42 608 124</b>	<b>41 452 480</b>	<b>19 282 237</b>
<b>Current assets</b>			
Inventory	1 403 263	1 403 263	1 174 090
Short-term receivables	28 193 804	15 681 811	12 644 958
Construction contracts receivables	1 024 450	637 849	1 337 795
Other financial assets	110 000	60 000	-
Current tax related assets	-	-	-
Other assets	1 488 078	790 997	878 193
Cash and other monetary assets	20 562 380	29 094 669	29 552 620
	<b>52 781 975</b>	<b>47 668 589</b>	<b>45 587 656</b>
Non-current assets held for sale and discontinued operations	-	-	-
<b>Total current assets</b>	<b>52 781 975</b>	<b>47 668 589</b>	<b>45 587 656</b>
<b>Total assets</b>	<b>95 390 099</b>	<b>89 121 069</b>	<b>64 869 893</b>

	31/03/2017	31/12/2016	31/03/2016
	PLN	PLN	PLN
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	5 377 337	5 377 337	5 246 183
Surplus from sale of shares above par value	25 480 803	25 480 803	25 284 072
Own shares	-	-	-
Supplementary capital	15 218 110	14 890 225	7 712 842
Other reserve capitals	11 172 000	10 589 000	7 873 000
Foreign subsidiaries results translation differences	39 834	(42 631)	(9 158)
Previous years profit (loss)	(1 002 567)	(3 640 312)	3 651 155
Net profit (loss)	5 243 628	2 720 211	(2 522 847)
Provisions related to non-current assets held for sale and discontinued operations presented directly in equity	-	-	-
Equity attributed to majority shareholders	<b>61 529 145</b>	<b>55 374 633</b>	<b>47 235 247</b>
Equity attributed to non-controlling shareholders	489 141	336 824	408 697
<b>Total equity</b>	<b>62 018 286</b>	<b>55 711 457</b>	<b>47 643 944</b>
<b>Long-term liabilities</b>			
Long-term credits and loans	4 656 547	4 791 517	-
Other financial liabilities	2 647 439	3 028 017	1 073 900
Retirement provision	61 438	61 438	61 438
Deferred income tax provision	168 956	214 039	60 324
Long-term provisions	-	-	-
Deferred income	5 405 077	6 381 589	1 513 384
Other liabilities	-	-	-
<b>Total long-term liabilities</b>	<b>12 939 457</b>	<b>14 476 600</b>	<b>2 709 046</b>
<b>Short-term liabilities</b>			
Trade liabilities	10 532 033	7 883 012	5 364 217
Construction contracts liabilities	-	176 244	-
Short-term credits and loans	855 336	858 529	39 742
Other financial liabilities	867 558	945 908	379 321
Current tax liabilities	-	-	-
Short-term provisions	5 208 148	3 599 968	3 008 575
Deferred income	2 969 281	5 469 351	5 725 049
Other liabilities	-	-	-
<b>Total short-term liabilities</b>	<b>20 432 356</b>	<b>18 933 012</b>	<b>14 516 904</b>
<b>Total liabilities</b>	<b>33 371 813</b>	<b>33 409 612</b>	<b>17 225 950</b>
<b>Total equity and liabilities</b>	<b>95 390 099</b>	<b>89 121 069</b>	<b>64 869 893</b>

## Consolidated Cash Flow

	01/01/2017- 31/03/2017	01/01/2016- 31/03/2016
	PLN	PLN
<b><i>Cash flows from operating activities</i></b>		
<b>Net profit (loss)</b>	<b>5 395 944</b>	<b>(2 522 847)</b>
<b>Adjustments</b>		
Equity method valuation of investments in associates and joint ventures	817 894	-
Amortisation and depreciation	994 866	850 571
Exchange gains (losses)	-	-
Interest and profit-sharing (dividends)	19 128	(106 416)
Profit (loss) on investing activities	(9 551 384)	-
Change in receivables	(12 300 066)	4 774 432
Change in inventory	-	-
Change in short-term liabilities and provision excluding credits and loans	2 472 777	1 432 646
Change in grants	(5 238 750)	(1 972 319)
Changes in deferred income	(451 924)	-
Change in other assets	(699 031)	(3 358 537)
Change in provisions	1 608 180	(318 701)
Income tax paid	536 157	-
Contribution in kind of non-controlling shareholders	-	(196 820)
Share-based incentive program	583 000	3 144 000
Other	-	-
<b>Cash flows from operating activities</b>	<b>(15 813 209)</b>	<b>1 726 009</b>
<b><i>Cash flows from investing activities</i></b>		
Proceeds from sale of property, plant and equipment	-	-
Purchase of tangible and intangible fixed assets	(7 312 210)	(1 081 815)
Purchase of tangible and intangible fixed assets partially financed with grant	-	-
Proceeds from sales of other assets	12 789 000	-
Purchase of other financial assets	-	(62 444)
Interest received	19 128	106 552
Loans granted	(50 000)	-
Other inflows from financial assets	-	-
Other	-	-
<b>Cash flows from investing activities</b>	<b>5 445 918</b>	<b>(1 037 707)</b>
<b><i>Cash flow from financing activities</i></b>		
Proceeds from shares issue	327 887	-
Payment of liabilities from finance lease agreements	(458 929)	(90 774)
Proceeds from credits and loans	45 036	39 741
Subsidies received	2 181 793	142 428
Repayment of credits and loans	(196 916)	(95 913)
Dividends	-	62 444
Interest paid	(63 869)	(136)
Other	-	-
<b>Net cash flows from financing activities</b>	<b>1 835 002</b>	<b>57 790</b>
Increase of net cash	(8 532 289)	746 093
Cash opening balance	29 094 669	28 806 620
<b>Cash and cash equivalents - end of the period</b>	<b>20 562 380</b>	<b>29 552 620</b>

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