



SELVITA S.A. CONSOLIDATED
QUARTERLY REPORT
(SUMMARY)

Q3
2016

November 9, 2016

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BASIC INFORMATION ON THE CAPITAL GROUP

Parent Entity

Business name of the Company	Selvita Spółka Akcyjna
Registered office	ul. Bobrzyńskiego 14, 30-348 Kraków
Company ID (REGON)	120515330
Tax ID (NIP)	679-29-42-955
Legal form	Joint-Stock Company
Website	www.selvita.com

Related Entities as of May 12, 2016

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

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

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

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

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

Business name of the Company	Nodthera Ltd
Registered office	Edinburgh, Scotland, UK
Company No.	540381
Legal form	Limited Liability Company
Shareholders	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 and implementation of bioinformatics systems.
- **Bioinformatics segment (Ardigen S.A.)** – bio-data science and complementary advanced software services to support data-driven Life Science and Healthcare organizations.

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 01/01/2016 – 30/09/2016: PLN 4.3588;
 - for the period from 01/01/2015 – 30/09/2015: PLN 4.1575.
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 30 September 2016: PLN 4.3120;
 - as at 31 December 2015: PLN 4.2615;
 - as at 30 September 2015: PLN 4.2386.

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

Increase and Dynamics of Revenues and Financial Results

In the third quarter of 2016 Capital Group Selvita S.A. (hereinafter referred to in this report as "Selvita", "Selvita Group" or the "Group") achieved an operating income. Two factors contributed to this positive outcome: continuing the profitable operations within the scope of innovations and services, as well as the profit earned on the investment in Nodthera Ltd. in exchange for an in-kind contribution. The profit earned on the assets sale transaction amounted to PLN 6,055 thousand (presented under other operating income), whereas the result of applying the equity method to the valuation of the above mentioned investment for the third quarter of 2016 reduced the financial result by PLN 653 thousand.

During this quarter the Group continued to account for the Key Company Management and Employees Incentive Scheme ("Scheme"), which is to be executed until the end of the first quarter of 2017. The cost of the mentioned Scheme is an accrual basis cost and does not result in any cash expenditures. In order to ensure comparability of financial data between the current period and previous periods, the following commentary is based on data excluding the amount of PLN 909 thousand i.e. the costs of the scheme in the third quarter of 2016 (PLN 4,951 thousand from the beginning of 2016).

The net profit of Selvita Group for Q3 2016 amounted to PLN 3,577 thousand compared to the net profit of PLN 1,960 thousand achieved in Q3 2015. This means a net profitability (calculated as the net profit against total revenues, meaning revenues from sales and subsidies) at a level of 21%. The net profit for the first three quarters of 2016 amounted to PLN 3,898 thousand and was 26% lower than in the corresponding period of the previous year (PLN 5,292 thousand). In the reported period, Selvita Group was consistently conducting research work as part of the programmes started in previous years, most of which, in accordance with the adopted accounting policy, are directly classified as costs.

In Q3 2016 Selvita Group achieved revenues from operating activities in the amount of PLN 20,354 thousand, representing a 44% increase compared to Q3 2015, when total operating revenues amounted to PLN 14,096 thousand. The cumulative year-to-date operating activities revenues amounted to PLN 48,888 thousand respectively and were 26% higher than the revenues for the corresponding period of 2015 (PLN 38,794 thousand). In Q3 2016 net sales revenues (excluding subsidies) amounted to PLN 11,609 thousand, which means dynamics at the level of 13% compared to Q3 2015, where net sales revenues (excluding subsidies) amounted to PLN 10,318 thousand. Cumulative year-to-date net sales revenues increased from the level of PLN 27,562 thousand in the corresponding period of the previous year to PLN 34,274 cumulatively in Q3 2016, which meant growth dynamics at the level of 24%. It should be noted that the net sales revenues for Q3 2016 and cumulative year-to-date revenues do not include the profit earned on assets sale transaction with Nodthera in the amount of PLN 6,055 thousand, which is presented under other operating revenues.

Q3 2016 is the third full quarter of Ardigen S.A.'s operations. Ardigen S.A. is Selvita's subsidiary where an organised part of the enterprise (the Group's bioinformatics division) was contributed in 2015. Consequently, starting from 2016, the bioinformatics area was separated for the purposes of presentation as the third operating segment, as part of which the operating results of the subsidiary Ardigen S.A. (or the results of the entire bioinformatics

segment) will be described further in the report. Appropriate corrections were introduced into the comparative figures for the services segment, where the bioinformatics division was presented before.

In the services segment in 2016 Selvita Group is focusing mainly on intensive growth by extending the area of its operations and penetrating new markets. Revenues from services to third party clients for Q3 2016 amounted to PLN 8,336 thousand, representing a 40% growth in comparison to the corresponding period of the previous year, where those revenues amounted to PLN 5,970 thousand. This segment earned an operating profit (EBIT) of PLN 232 thousand in Q3 2016.

The second profitable segment of the Group's operations is the innovations segment. Revenues from third party clients generated by the innovations segment of Selvita Group in Q3 2016 amounted to PLN 8,519 thousand (including the profit made on transaction with Nodthera Ltd.), which means dynamics at the level of 117% compared to Q3 2015, when those revenues amounted to PLN 3,931 thousand. In Q3 2016 the operating profit of the innovations segment amounted to PLN 3,556 thousand. Both the high dynamics, as well as the operating profit level, resulted mainly from the recognition of the one-time profit earned on assets sale to Nodthera Ltd.

The third from among the Group's segments, the bioinformatics segment, generated revenues from third party clients in the amount of PLN 810 thousand in Q3 2016, representing a 94% growth compared to the revenues of the bioinformatics division for Q3 2015, which amounted to PLN 417 thousand. This segment earned an operating profit of PLN 92 thousand in Q3 2016 and therefore this quarter was the first quarter for the bioinformatics segment that yielded operating profitability since the foundation of Ardigen S.A.

In Q3 2016, revenues from subsidies decreased by 30% in comparison to the corresponding period of the previous year – from PLN 3,693 thousand to PLN 2,575 thousand. The cumulative revenues from subsidies from the beginning of 2016 amounted to PLN 8,237 thousand and were 25% lower than the revenues for the three quarters of the previous year, which amounted to PLN 10,990 thousand. The value of revenues from subsidies for the first three quarters of 2016 is exclusive of the amount of PLN 3,911 thousand, disclosed in the balance sheet in parallel to the activated costs of R&D work. The decrease in revenues from subsidies mainly results from the consumption of subsidies the Group used in previous years and from starting to gradually incur costs of new innovation projects conducted as part of the new financial perspective 2014-2020.

The value of the contract portfolio of orders for 2016, resulting from commercial business contracts and subsidy agreements signed as of the report publication date (backlog), amounts to PLN 62,975 thousand, of which:

- Services PLN 31,467 thousand,
- Innovations PLN 17,567 thousand,
- Bioinformatics PLN 2,889 thousand,
- Subsidies PLN 11,052 thousand

and is 18% higher than the backlog for the year 2015 announced in November last year. Special attention should be drawn to the increase of the orders portfolio in the services sector, amounting to 28% and to the increase of the orders portfolio in the commercial sector (services and bioinformatics), amounting to 40% compared to the backlog for 2015 published in November 2015. The backlog of subsidies is exclusive of the amount of PLN 4,541 thousand, representing revenues from subsidies, to be disclosed in the balance sheet in parallel to the activated costs of R&D work.

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

The value of the Group's assets as of the end of Q3 2016 amounted to PLN 73,643 thousand and increased by PLN 8,401 thousand compared to the end of 2015 (PLN 65,242 thousand). As at the end of Q3 2016, the most important items of tangible assets were property, plant and equipment in the amount of PLN 12,512 thousand, mostly including laboratory equipment, and deferred income tax assets in the amount of PLN 5,902 thousand. Compared to the end of 31 December 2015, the value of tangible assets increased by PLN 10,259 thousand. This is predominantly the result of purchasing new fixed assets (partly balanced with the planned fixed assets depreciation) and of disclosing in the assets the subsequent expenditure on development work pursued as part of the KIND-P1 project.

From 1 January 2015, Selvita S.A. started to activate the costs of 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 amounted to PLN 12,472 thousand as of the end of Q3 2016 and is presented under the item 'unfinished development work' in the amount of PLN 4,438 thousand i.e. less the amount of PLN 8,034 thousand i.e. the value of the deferred revenues from subsidies attributable to the deferred costs.

The assets structure demonstrates the Group's high liquidity and its improvement compared to the previous year, which is confirmed by the following ratios:

	30/09/2016	31/12/2015
Liquidity indicator		
current assets/current liabilities including short-term provisions and accruals (excl. deferred revenues)	3.86	5.43
Increased liquidity indicator		
(current assets-inventory)/current liabilities including short-term provisions and accruals (excl. deferred revenues)	3.75	5.30

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 30 September 2016, amounted to PLN 50,462 thousand and increased by PLN 3,582 thousand compared to 31 December 2015. The second largest source of financing are current liabilities which, together with provisions, amounted to PLN 16,154 thousand as at the end of Q3 2016. The highest value items in the Group's liabilities are trade payables, deferred revenues (most of which are subsidies obtained and to be accounted for in the future) and short-term provisions.

Current and Foreseen Financial Situation

The Group's financial situation as at the report date is very good. As at 30 September 2016, the value of the Group's cash amounted to PLN 29,668 thousand, and as at 31 October 2016, the value of the Group's cash amounted to PLN 27,122 thousand.

The Company is meeting its obligations on time and maintains a safe level of cash to ensure liquidity. Revenues from shares issue received in previous years and the cash generated from the business activities allow for executing the planned investments, especially in the development of innovative projects, laboratory infrastructure and the opening of foreign companies to support business development.

INFORMATION FROM THE MANAGEMENT BOARD ON THE ACTIVITIES IN SPECIFIC BUSINESS DEVELOPMENT AREAS

R&D Activities (Innovative Segment)

In Q3 2016, Selvita Group successfully continued all research projects, both these in which it invests own funds, as well as projects performed in cooperation with external partners such as the Kinase Platform in cooperation with H3 Biomedicine or the Cancer Metabolism Platform in cooperation with Merck.

SEL24

The goal of SEL24 project is discovery of innovative anticancer drug. Its action is based on the ability to selectively target cancer cells – especially AML (Acute Myeloid Leukemia) as well as other heme malignancies and solid tumors.

Work in Q3 was focused on preparations to initiate the clinical trial. In Q2, in the course of the process of obtaining a permission for clinical trial conduct from FDA (Food and Drug Administration), which started by IND filing on April 15, Selvita received detailed comments from FDA what resulted in a clinical hold issued by FDA to suspend the proposed clinical investigation due to further protocol adjustments and additional tests which were necessary to analyse SEL24 metabolic profile and its drug-drug interaction potential in relation to the standard-of-care therapies in AML. Obtained results and study protocol adjusted in agreement with FDA comments, were submitted to the Agency and resulted in IND acceptance and FDA permission to initiate clinical trial, granted on August 17. In the following weeks project work focused on obtaining permissions from local ethics committees (IRB) in order to activate the study and clinical sites, as well as to begin patient recruitment currently projected for the end of Q4.

SEL120

SEL120 project is focused on development of selective CDK8 inhibitors as a novel therapy in oncology. Major focus in the reported period was development of robust patient's stratification methods, essential in the personalized approach in clinics. Results of these studies will be covered in the novel patent application. Other activities included continuation of detailed safety and toxicity profiling for the candidate compound SEL120-34A. In addition further experiments confirmed promising activity of tested CDK8 inhibitors in an orphan indication with a very well defined genetic background. The company initiated also the process of CRO selection for performance of the required IND-enabling studies for the selected clinical candidate.

KINASE INHIBITORS PLATFORM

A strategic partnership with H3 Biomedicine, based on the Kinase Platform, aims to develop an innovative anticancer therapy. The novel small molecule compounds designed within the collaboration modulate new kinase targets associated with the oncogenic kinase signalling. In Q3 2016, two alternative series of potent and selective kinase inhibitors were further characterized using a broad panel of cell lines with different genetic background. Representative compounds were tested in a panel of tumor cell lines of diverse origins (hematopoietic and nervous system tumors, lung, ovary, breast cancers, etc.). Besides confirmation of compound efficacy, conducted studies will allow identification of genetic factors that predispose sensitivity of certain types / subtypes of cancer to test compounds. At the same time we continued work to optimize their pharmacokinetic and safety profile. The collaborative research investigations proceed according to schedule. Further details cannot be disclosed due to confidentiality restrictions.

CANCER METABOLISM PLATFORM

The goal of Cancer Metabolism Platform, which is a continuation of previous partnership with Merck Serono performed in 2013-15 is to develop new anticancer drugs targeting particular biological targets associated with aberrant metabolic pathways in cancer cells (cancer metabolism). Dependence of specific metabolic pathways (e.g. glutaminolysis or glycolysis) is a common feature of many types of cancer, therefore, such drugs have potentially very broad application spectrum. In cooperation with partner, several biological undisclosed targets have been selected, and research work have different degrees of advancement (from target validation to lead optimization). The project, in addition to funding, has substantial scientific and infrastructural support from the partner, which is the research and development department of one of the top 25 global pharmaceutical companies. Conducted research work is on schedule, but further details of the project are covered by confidentiality agreement.

IMMUNOONCOLOGY PLATFORM

Current research strategy is focused on two innovative proteins – STING and GCN2. Promising hits modulating activity of the selected target have been identified. The chemical matters represent unique chemotypes providing intellectual property and freedom-to-operate space. High-throughput screening will be continued to provide alternative series in parallel to computer-aided rational design of new analogues, optimization of activity and ADME properties. Additionally, project-specific immunooncology *in vitro* methods are being developed. The strategy assumes gradual expansion of the platform to broaden project portfolio with new initiatives basing on immunotherapeutic potential.

INFLAMMASOME INHIBITORS

In July 2016, Selvita S.A. together with Epidarex Capital announced the launch of Nodthera Limited, a new biotech company focused on the discovery and development of novel inhibitors of the NLRP3 inflammasome. Epidarex Capital, the main investor in Nodthera, invests in early-stage, high growth life science and health technology companies in under-ventured markets within the UK and US. The fund's international management team has a track record of successfully partnering with top scientists and entrepreneurs to develop highly innovative products for the global healthcare market. One of the partners in Epidarex Capital is Eli Lilly, a leading global pharmaceutical company. Nodthera is headquartered in Edinburgh, Scotland. The 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 complex is responsible for regulating the formation of active forms of inflammatory cytokines – interleukins 1 β and 18. Excessive inflammasome activation plays a huge role in the pathogenesis of a number of diseases, which are a significant burden for current health care systems, such as type 2 diabetes, gout, rheumatoid arthritis Alzheimer's disease or cancer. The collaborative research investigations proceed according to schedule. Further details cannot be disclosed due to confidentiality restrictions.

OTHER PROJECTS

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

Service Segment

BIOLOGY DEPARTMENT

In Q3 2016, 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 Q3 2016, the Molecular Cell & Biology Lab continued to carry out a number of projects related to analyses of compound safety and efficacy, used both in the pharmaceutical and agrochemicals industries. This research was carried out in accordance with the principles of Good Laboratory Practice for clients from Poland, Europe and the USA. The laboratory research group continued to develop bioanalytical methods to be used to identify contamination originating from the process of manufacturing biologics for a European pharmaceutical company.

Projects related to the development of a biochemical enzymatic method for analysing potential small molecule drugs exhibiting inhibitory activity, were successfully completed during the same quarter for a European client; a complicated project from the field of genetics and molecular biology, carried out in cooperation with a California scientific institution, was also successfully completed.

At the same time, within the discussed period, the laboratory started a number of new projects which included: developing a cellular pharmacodynamic model for analysing the activity of Active Pharmaceutical Ingredients (APIs) of ophthalmic drugs in different formulations; developing a ligand binding test for analysing affinity of low molecular weight drugs to the target cellular receptor; as well as *in vivo* studies (allograft) to determine the therapeutic potential of a vaccine. These studies were carried out for European clients.

It must be stressed that the third quarter of 2016 also meant further negotiations with potential clients concerning, among others, integrated research projects to identify therapeutics for central nervous system disorders, as well as comparative *in vitro* studies of biosimilars.

The revenues from the research commissioned to the Biochemistry Laboratory in Q3 2016 were retained at a similar high level as in Q2, whereby it must be noted that, in Q2, a nearly 60% increase of revenues compared to Q1 of that year, was obtained. This results from subsequent orders from returning clients, both in the field of recombinant protein production, as well as genotoxicity testing for chemical compounds based on bacterial models. Moreover, in Q3, cooperation was started with new clients from Western Europe and United States, which will significantly increase the prospects for more orders. These forecasts are based on the analysis of previous orders which have generated a high ratio of satisfied clients who recognise the high quality of protein products delivered, as well as of the services provided by the Biochemical Laboratory. Therefore the client portfolio of the Biochemical Laboratory is growing consistently, ensuring a high forecasted level of revenues. Nevertheless, an important goal to achieve is to win long-term contracts with a high value not only for the production of recombinant proteins, but also for services based on protein crystallography. In the optimum scenario the “gene to structure” testing offered by the laboratory could be part of long-term integrated projects intended to search for new molecules with therapeutic potential, which is expected to ensure a high potential for further development and increasing the revenues generated by the Biochemical Laboratory.

For the Analytical Laboratory Q3 2016 was a time of providing services to the pharmaceutical companies, who were interested in a continuous services package related to the development and validation, as well as routine analyses with methods transferred or verified at the analytical laboratory of Selvita – release and stability testing. Ongoing interest in GC-MS and LC-MS techniques was observed within the field of verification studies. Work continued for Polish and international clients, including Swiss pharmaceutical company, with projects based both on a fixed price and FTE model i.e. two large projects carried out for this client entered the stability and release testing phase while degradation profile testing is underway for the third one. In order to facilitate full completion of the study, an additional ELSD detector was purchased for this project; currently the acquisition of another, fluorescent detector is considered, which would complement the possibilities of detection with HPLC already offered by the Analytical Laboratory. Release testing requires our clients to carry out periodical audits at Selvita's analytical laboratory – currently the client audits are carried out at least once a month; for Q4 we have an audit scheduled by an Israeli company which is initiating its collaboration with the Analytical Laboratory.

The third quarter of 2016 also involved intensive work in the agrochemicals industry – projects within the field of substance certification, development and validation of methods, screening analyses and five-batch analyses were carried out for four large foreign and one Polish company. We continue working with one of the biggest chemical companies in the world within the scope of validation; we are also preparing new 5Batch offers. In connection with projects for the agrochemicals business, the number of GLP tests conducted at the Analytical Lab is growing steadily. In the field of LC-MS analyses, a considerable growth of the demand for this technique is evident in internal R&D projects, as well as in commercial projects. Among the latter there is, for example, an increase in the number of inquiries related to identifying impurities - both as independent testing, as well as in connection with a more extensive set of tests. The current quantity of equipment does not allow the streamlined and competitive execution of projects, as far as lead times are concerned. Therefore it is planned to acquire a second QQQ MS spectrometer working in the GMP system, as well as another IT spectrometer.

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 for Contract Chemistry Division projects and Innovation Segment projects, and recently also when executing third-party orders for the Analytical Laboratory.

CHEMISTRY DEPARTMENT

An upward trend continued in the third quarter of 2016 in the Contract Chemistry Division.

FTE contracts were signed with new clients and we extended our cooperation with existing clients from the pharmaceutical sector (Big Pharma), biotechnological sector, chemical sector and agrochemical sector, as well as the academic sector. Most of the projects included research and development works, leading to the development of new pharmacologically active molecules, new synthesis processes and technologies.

In the third quarter of 2016 the biggest revenues of the Division were provided by activities in the European market (Italy, Denmark, France, Belgium, the UK etc., including an increased activity in the Polish market).

Whereby attention must be drawn to the three-year FTE contract signed in July with the University of California, San Francisco (UCSF), which includes chemical support for a medical chemistry programme related to the treatment of neurodegenerative diseases. This contract was executed following a detailed evaluation of Selvita and having successfully completed a series of pilot projects for that client.

Our company also works with the pharmaceutical, chemical and biotechnological Israeli market.

We also started operations in the Japanese market, signing a cooperation agreement with one of the Japanese pharmaceutical companies in the field of medical chemistry, based on the FTE model. This way the position of Selvita it strengthened in the global research services outsourcing markets and the trust the life sciences industry places in the quality of the services provided by the Division is increased.

A considerable percentage of the revenues of the Division is still obtained through a series of fixed-price projects submitted by our regular clients. We are also winning new markets in this field.

We are constantly carrying out active sales efforts in the United States, Europe and Israel, generating fixed-price contracts and FTE contracts from new clients. The Japanese market represents a new market for Selvita.

According to the strategy adopted by the Division, in Q3 2016, apart from the standard sales activities, customer visits at Selvita and visits of Selvita employee's at the clients' premises, representatives of the Company also took part in prestigious industry conferences. Events important from the Contract Chemistry business perspective included:

- 52nd International Conference on Medicinal Chemistry, France, Caen, 06-08.07.2016;
- 15th Belgian Organic Synthesis Symposium, Belgium, Antwerp, 10-15.07.2016;
- ChemOutsourcing, USA, NJ, 19-21.09.2016;
- 14th International Conference and Exhibition OIL – GAS – CHEMISTRY 2016, Poland, Warsaw, 15.09.2016;
- Biotech Outsourcing Strategies 2015 (Discovery/Early Development & Clinical Outsourcing Tracks), UK, London, 20.09.2016;

In the third quarter of 2016 we extended our team of scientists at the Contract Chemistry Division. It was also decided to extend the laboratory premises to include new modules with an area of 100 m². Recently the Group also invested in specialist equipment supporting R&D projects in the field of new molecules discovery and optimisation of synthesis processes, as well as in technology that would allow carrying out flow synthesis, as well as analysing and purifying chemical compounds, thus increasing work efficiency and the scope of research capacities, which may have a decisive impact on winning new clients and increasing revenues.

The current number of contracts and the business negotiations under way allow for anticipating a further strong upward trend at the Contract Chemistry Division in 2016 and 2017.

ARDIGEN S.A. (BIOINFORMATICS AND PRECISION MEDICINE)

In Q3 2016 Ardigen, following many months of negotiations, concluded a framework agreement for providing bioinformatics services with a US company listed among the ten biggest pharmaceutical companies in the world. This agreement opens a broad spectrum of cooperation opportunities in the years to come.

Q3 2016 also meant reinforcing our position with existing clients. Operating activities were focused on conducting the contracts awarded in the first half of the year. The Ardigen team was extended to include more bioinformatics specialists, programmers and Data Science specialists. We also started setting up an office in Rzeszów, which will constitute a centre for the programming technologies dedicated to the biotechnology industry.

Numerous activities were initiated at the end of the third quarter to prepare for sales in the fourth quarter in North Carolina, which will most probably be reflected in considerable sales dynamics in the fourth quarter and creating a large backlog for 2017.

Within the field of R&D, the third quarter was spent working on an immunological platform for forecasting patient responses to anti-cancer immunotherapy. During this time we prepared, among others, a funding application to the National Centre for Research and Development as part of the Smart Growth Operational Programme 2014-2020.

Information on Selvita S.A. Shareholding Structure

As of 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	5 248 595	39.04%	8 748 595	50.01%
Bogusław Siczkowski	963 984	7.17%	1 513 984	8.65%
Tadeusz Wesołowski (directly and indirectly)	1 282 713	9.54%	1 282 713	7.33%
Other members of the Management and Supervisory Board	1 049 550	7.81%	1 049 550	6.00%
Remaining shareholders	4 898 501	36.44%	4 898 501	28.00%
Total	13 443 343	100.00%	17 493 343	100.00%

FINANCIAL INFORMATION

Consolidated Income Statement

FOR THE PERIOD FROM 1 JANUARY 2016 TO 30 SEPTEMBER 2016	01/01/2016 - 30/09/2016	01/01/2015 - 30/09/2015
	PLN	PLN
Continued operations		
Revenues from sales	34 273 589	27 561 980
Revenues from subsidies	8 237 420	10 990 492
Other operating revenues	6 377 098	241 664
Revenues on operating activities	48 888 107	38 794 136
Change in stock of goods	-	(3 396)
Amortisation and depreciation	(2 619 097)	(2 660 457)
Consumption of materials and energy	(9 725 235)	(7 795 734)
External services	(7 582 363)	(5 802 385)
Payroll	(22 203 683)	(14 959 523)
Taxes and charges	(353 112)	(262 270)
Other costs by type	(2 558 026)	(2 171 827)
Value of goods and materials sold	(113 611)	(298 414)
Other	(58 894)	(16 444)
Operating expenses excluding impact of share-based incentive program	(45 214 021)	(33 970 450)
Profit (loss) on operating activities excluding impact of share-based incentive program	3 674 086	4 823 686
Share-based incentive program	(4 951 252)	(378 000)
Profit (loss) on operating activities	(1 277 166)	4 445 686
Financial revenues	772 101	549 469
Financial expenses	(58 861)	(52 846)
Profit (loss) on business activities	(563 926)	4 942 309
Equity method valuation of investments in associates	(653 261)	-
Profit (loss) before income tax	(1 217 187)	4 942 309
Income tax expense	163 979	(28 271)
Net profit (loss) on continued operations	(1 053 208)	4 914 038
Discontinued operations		
Profit (loss) on discontinued operations	-	-
Net profit (loss)	(1 053 208)	4 914 038
Net profit loss attributed to		
Majority shareholders	(862 551)	4 914 038
Non-controlling shareholders	(190 657)	-
	(1 053 208)	4 914 038
Other comprehensive income:		
Foreign subsidiaries results translation differences	(63 955)	-
Total other comprehensive income	(63 955)	-
Total income	(1 117 163)	4 914 038
Total comprehensive income attributed to:		
Majority shareholders	(926 506)	4 914 038
Non-controlling shareholders	(190 657)	-
	(1 117 163)	4 914 038
Earnings per share (expressed in gr per share)		
With continued and discontinued operations:		
Basic	-6	37
Diluted	-6	37
With continued operations:		
Basic	-6	37
Diluted	-6	37

Consolidated Balance Sheet

AS OF 30 SEPTEMBER 2016	30/09/2016	31/12/2015	30/09/2016
	PLN	PLN	PLN
ASSETS			
Fixed assets			
Tangible fixed assets	12 511 664	8 597 002	7 740 837
Investment in real-estate	-	-	-
Goodwill	280 740	280 740	280 740
Other intangible assets	163 789	153 638	31 667
Unfinished development works	4 438 498	1 839 834	1 127 410
Investments in associates	3 483 994	-	-
Deferred tax assets	5 902 490	5 650 690	2 104 131
Other financial assets	-	-	-
Other assets	196 038	196 038	189 878
Total fixed assets	26 977 213	16 717 942	11 474 662
Current assets			
Inventory	1 323 379	1 174 090	817 341
Short-term receivables	13 589 491	17 411 959	9 315 375
Receivables on long-term contracts	795 904	549 455	1 232 173
Other financial assets	-	-	-
Current tax related assets	-	-	-
Other assets	1 288 614	581 815	396 299
Cash and other monetary assets	29 668 043	28 806 527	35 643 578
	46 665 431	48 523 846	47 404 766
Non-current assets held for sale and discontinued operations	-	-	-
Total current assets	46 665 431	48 523 846	47 404 766
Total assets	73 642 644	65 241 788	58 879 428

	30/09/2016	31/12/2015	30/09/2016
	PLN	PLN	PLN
EQUITY AND LIABILITIES			
Equity			
Share capital	5 377 337	5 246 183	5 246 183
Surplus from sale of shares above par value	25 480 805	25 284 072	25 284 072
Own shares	-	-	-
Supplementary capital	14 890 224	5 829 400	5 829 401
Other reserve capitals	9 681 808	6 612 442	1 883 442
Foreign subsidiaries results translation differences	(63 955)	(2 619)	378 000
Previous years profit (loss)	(4 327 906)	(2 790 893)	(2 644 655)
Net profit (loss)	(862 550)	6 269 811	4 914 037
Provisions related to non-current assets held for sale and discontinued operations presented directly in equity	-	-	-
Equity attributed to majority shareholders	50 175 763	46 448 396	40 890 480
Equity attributed to minority shareholders	286 057	431 379	303 999
Total equity	50 461 820	46 879 775	41 194 479
Long-term liabilities			
Long-term credits and loans	-	-	-
Other financial liabilities	2 536 546	297 618	338 907
Liabilities for retirement	61 438	61 438	27 074
Provision for deferred income tax	256 572	170 144	68 438
Provisions for liabilities-long-term	-	-	-
Deferred income	4 172 359	1 513 384	1 951 893
Other liabilities	-	-	-
Total long-term liabilities	7 026 915	2 042 583	2 386 312
Short-term liabilities			
Trade liabilities	6 854 074	3 927 091	5 629 717
Construction contracts liabilities	132 115	1 374 860	287 539
Short-term credits and loans	65 270	33 469	58 792
Other financial liabilities	666 118	268 379	318 904
Current tax liabilities	-	4 481	-
Short-term provisions	4 375 435	3 327 277	2 317 960
Deferred income	4 060 897	7 383 873	6 685 726
Other liabilities	-	-	-
Total short-term liabilities	16 153 909	16 319 430	15 298 638
Total liabilities	23 180 824	18 362 013	17 684 950
Total equity and liabilities	73 642 644	65 241 788	58 879 428

Consolidated Cash Flow

	01/01/2016- 30/09/2016	01/01/2015- 30/09/2015
	PLN	PLN
<i>Cash flows from operating activities</i>		
Net profit (loss)	(1 053 208)	4 914 037
Adjustments		
Equity method valuation of investments in associates and joint ventures	653 261	-
Amortisation and depreciation	2 619 097	2 660 457
Interest and profit-sharing (dividends)	17 582	(361 825)
Change in receivables	6 386 929	2 737 982
Change in inventory	(149 290)	(240 563)
Change in short-term liabilities and provision excluding credits and loans	324 710	(137 968)
Change in grants	(12 069 868)	(576 135)
Change in deferred revenue	(299 113)	(18 466 633)
Change in provisions	302 586	(479 719)
Change in other assets	(847 171)	-
Income tax paid	(4 481)	-
Share-based incentive program	4 951 252	-
Other	-	58 199
Cash flows from operating activities	832 286	(9 892 168)
<i>Cash flows from investing activities</i>		
Proceeds from sale of property, plant and equipment	-	-
Purchase of tangible and intangible fixed assets	(10 636 194)	(2 557 538)
Purchase of tangible and intangible fixed assets partially financed with grant	-	(50 404)
Purchase of other financial assets	-	-
Interest received	-	369 020
Loans granted	-	303 999
Other inflows from financial assets	-	-
Other	-	-
Cash flows from investing activities	(10 636 194)	(1 934 923)
<i>Cash flow from financing activities</i>		
Proceeds from shares issue	327 887	27 314 477
Payment of liabilities from finance lease agreements	(626 558)	(426 499)
Proceeds from credits and loans	396 754	58 792
Subsidies	10 604 602	16 834 146
Repayment of credits and loans	-	(90 921)
Dividends	-	-
Interest paid	(12 261)	(7 194)
Outflows connected with shares issue	(25 000)	(969 949)
Cash flows from financing activities	10 665 424	42 712 852
Increase of net cash	861 516	30 885 760
Cash opening balance	28 806 527	4 757 817
Cash and cash equivalents - end of the period	29 668 043	35 643 577

CONTACT DETAILS

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