SELVITA S.A. CONSOLIDATED QUARTERLY REPORT (SUMMARY)

Q 3 2017

November 15, 2017

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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

Affiliated Entities

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	Cambridge, Massachusetts, 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
Legal form	Joint-Stock Company
Shareholders	Selvita S.A. holds 51,23% of shares and 57,25% votes at the shareholder meeting

Related Entity

Business name of the Company	**Nodthera Ltd**
Registered office	137a George Street Edinburgh EH2 4JY, Edynburg, Szkocja
Share capital	4.410.000 GBP
Shareholders	Selvita S.A. holds 38,90% shares at the shareholder meeting
Date of incorporation	July 2016 r.

Parent and affiliated entities within the Selvita Group are consolidated.

The Core Business of the Capital Group

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

- **Innovative segment** – research and development activities implemented through in-house research projects on innovative drugs,
- **Services 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.

FINANCIAL HIGHLIGHTS

SELVITA GROUP – consolidated data in PLN thousands								
Item	From 01.07.2017 to 30.09.2017	From 01.07.2017 to 30.09.2017 excl. incentive programme	From 01.07.2016 to 30.09.2016	From 01.07.2016 to 30.09.2016 excl. incentive programme	From 01.01.2017 to 30.09.2017	From 01.01.2017 to 30.09.2017 excl. incentive programme	From 01.01.2016 to 30.09.2016	From 01.01.2016 to 30.09.2016 excl. incentive programme
Revenue from sales	16 969	16 969	11 609	11 609	48 280	48 280	34 274	34 274
Grant income	3 761	3 761	2 575	2 575	11 580	11 580	8 237	8 237
Revenue from sales of R&D projects	-	-	-	-	20 285	20 285	-	-
Other operating revenue	85	85	6 169	6 169	330	330	6 377	6 377
Total revenue on operating activities	20 814	20 814	20 354	20 354	80 474	80 474	48 888	48 888
Operating expenses	(20 136)	(20 136)	(17 376)	(16 467)	(69 264)	(68 681)	(50 165)	(45 214)
Depreciation	(1 247)	(1 247)	(959)	(959)	(3 663)	(3 663)	(2 619)	(2 619)
Profit/loss on operating activities (EBIT)	678	678	2 977	3 886	11 210	11 793	(1 277)	3 674
Profit/loss before income tax	951	951	2 416	3 325	9 526	10 109	(1 217)	3 734
Net profit/loss	867	867	2 668	3 577	9 147	9 730	(1 053)	3 898
EBITDA	1 925	1 925	3 936	4 845	14 873	15 456	1 342	6 293
Net cash flow from operating activities	(1 823)	(1 823)	(8)	(8)	13 991	13 991	1 124	1 124
Net cash flows from investing activities	(4 165)	(4 165)	(2 666)	(2 666)	(15 098)	(15 098)	(10 928)	(10 928)
Net cash flows from financing activities	3 588	3 588	6 380	6 380	9 128	9 128	10 665	10 665
Total net cash flow	(2 400)	(2 400)	3 707	3 707	8 021	8 021	862	862
Number of shares	13 771 229	13 771 229	13 443 343	13 443 343	13 771 229	13 771 229	13 443 343	13 443 343
Profit (loss) per share (in PLN)	0,07	0,07	0,19	0,26	0,65	0,69	(0,06)	0,30
Diluted profit (loss) per share (in PLN)	0,07	0,07	0,19	0,26	0,65	0,69	(0,06)	0,30
Book value per share (PLN)	4,76	4,76	3,73	3,73	4,76	4,76	3,73	3,73
Diluted book value per share (PLN)	4,76	4,76	3,65	3,65	4,76	4,76	3,65	3,65
Declared or paid dividend per share (PLN)	-	-	-	-	-	-	-	-

SELVITA GROUP – consolidated data in EUR thousands								
Item	From 01.07.2017 to 30.09.2017	From 01.07.2017 to 30.09.2017 excl. incentive programme	From 01.07.2016 to 30.09.2016	From 01.07.2016 to 30.09.2016 excl. incentive programme	From 01.01.2017 to 30.09.2017	From 01.01.2017 to 30.09.2017 excl. incentive programme	From 01.01.2016 to 30.09.2016	From 01.01.2016 to 30.09.2016 excl. incentive programme
Revenue from sales	3 986	3 986	2 663	2 663	11 342	11 342	7 863	7 863
Grant income	884	884	591	591	2 720	2 720	1 890	1 890
Revenue from sales of R&D projects	-	-	-	-	4 765	4 765	-	-
Other operating revenue	20	20	1 415	1 415	77	77	1 463	1 463
Total revenue on operating activities	4 890	4 890	4 670	4 670	18 905	18 905	11 216	11 216
Operating expenses	(4 730)	(4 730)	(3 986)	(3 778)	(16 272)	(16 135)	(11 509)	(10 373)
Depreciation	(293)	(293)	(220)	(220)	(860)	(860)	(601)	(601)
Profit/loss on operating activities (EBIT)	159	159	683	892	2 634	2 770	(293)	843
Profit/loss before income tax	223	223	554	763	2 238	2 375	(279)	857
Net profit/loss	204	204	612	821	2 149	2 286	(242)	894
EBITDA	452	452	903	1 112	3 494	3 631	308	1 444
Net cash flow from operating activities	(428)	(428)	(2)	(2)	3 287	3 287	258	258
Net cash flows from investing activities	(979)	(979)	(612)	(612)	(3 547)	(3 547)	(2 507)	(2 507)
Net cash flows from financing activities	843	843	1 464	1 464	2 145	2 145	2 447	2 447
Total net cash flow	(564)	(564)	850	850	1 884	1 884	198	198
Number of shares	13 771 229	13 771 229	13 443 343	13 443 343	13 771 229	13 771 229	13 443 343	13 443 343
Profit (loss) per share (in EUR)	0,02	0,02	0,04	0,06	0,15	0,16	(0,01)	0,07
Diluted profit (loss) per share (in EUR)	0,02	0,02	0,04	0,06	0,15	0,16	(0,01)	0,07
Book value per share (in EUR)	1,11	1,11	0,87	0,87	1,10	1,10	0,87	0,87
Diluted book value per share (in EUR)	1,11	1,11	0,85	0,85	1,10	1,10	0,85	0,85
Declared or paid dividend per share (in EUR)	-	-	-	-	-	-	-	-

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

In order to maintain comparability of the financial data for the current period with the data from previous periods, the comments presented below are based on data that does not account for the costs of the incentive program, which amounted PLN 583 thousand in 2017, PLN 4,951 thousand in 9 months period of 2016 and PLN 909 thousand in Q3 2016 accordingly.

Increase and Dynamics of Revenues and Financial Results

Selvita Capital Group (hereinafter referred to as 'Selvita, 'Selvita Group' or the 'Group') achieved in first three quarters of 2017 positive financial result on operations and on bottom line level (net profit). Group's operating profit (EBIT) for the period ended 30 September 2017 amounted to PLN 11,793 thousand and is PLN 8,119 thousand higher than in comparative period of 2016, when Group's operating profit amounted to PLN 3,674 thousand. Group's operating profit for Q3 2017 amounted to PLN 678 thousand in comparison to PLN 3,886 thousand in Q3 2016. It is worth mentioning that Q3 2016 EBIT was significantly influenced by SEL212 program commercialisation and profit from commercialisation in the amount of PLN 6,055 thousand was presented in other operating revenue. Excluding the mentioned transaction, operating result for Q3 2016 was negative and amounted to minus PLN 2,169 which means the increase of operating result from Q3 2016 to Q3 2017 by PLN 2,847 thousand.

Group's net result for Q3 2017 amounted to PLN 867 thousand in comparison to PLN 3,577 thousand in Q3 2016. Group's net result for the first three quarters of 2017 amounted to PLN 9,730 thousand and was 150% higher than in corresponding period of 2016 (PLN 3,898 thousand). The Group's net profitability for Q3 2017 (calculated as the net profit divided by total operating revenues) was at the level of 12%.

In Q3 2017 Selvita Group recognised total operating revenue in the amount of PLN 20,814 thousand, which means 2% increase comparing to Q3 2016 when total operating revenue amounted to PLN 20,354 thousand. It should be mentioned that Q3 2016 revenue contains profit from commercialisation of SEL212 program in the amount of PLN 6,055 thousand .

Cumulated total operating revenue for the period ended 30 September 2017 amounted to PLN 80,474 and were 65% higher than in corresponding period of 2016 (PLN 48,888 thousand). Total commercial revenue[1] for Q3 2017 amounted to PLN 16,969 thousand and are on the similar level as in Q3 2016 when amounted to PLN 17,664 thousand[2]. Cumulated commercial revenue increased from PLN 40,329 thousand in the first three quarters of 2016 to PLN 68,565 thousand in the first three quarters of 2017, which means 70% increase.

Commercial revenue of the innovation segment in Q3 2017 amounted to PLN 4,371 thousand, which means decrease in comparison to Q3 2016, when those revenues amounted to PLN 8,519 thousand. It should be pointed

[1] Commercial revenue = revenue from sales + revenue from sales of R&D projects; the amount does not include grants income and other operating revenue.

[2] The amount includes profit from SEL212 program commercialization in the amount of PLN 6,055 thousand presented in Q3 2016 in other operating revenue.

out that Q3 2016 innovation segment revenue contains profit from commercialisation of SEL212 program in the amount of PLN 6,055 thousand. Innovations segment's operating profit (EBIT) for Q3 2017 was negative and amounted to minus PLN 1,386 thousand. Cumulative commercial revenue of the innovation segment for the period ended 30 September 2017 amounted to PLN 32,733 thousand and increased by 118% in comparison to the corresponding period of prior year when amounted to PLN 15,008 thousand. In the same period innovation segment's operating profit amounted to PLN 7,313 thousand and increased by 108% in comparison to the corresponding period of prior year when amounted to PLN 3,511 thousand.

In services segment in 2017 Selvita 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. Commercial revenue of services segment in Q3 2017 amounted to PLN 10,891 thousand, which means growth of 31% compared to Q3 2016, when commercial revenue of that particular segment amounted to PLN 8,336 thousand. Services segment's operating profit (EBIT) for Q3 2017 amounted to PLN 1,711 thousand, which means 14% operating profitability. Cumulative commercial revenue for the period ended 30 September 2017 amounted to PLN 30,505 thousand and increased by 31% in comparison to the corresponding period of prior year when amounted to PLN 23,261 thousand. In the same period services segment's net profit amounted to PLN 2,894 thousand and increased by 411% in comparison to the corresponding period of prior year when amounted to PLN 567 thousand.

In Q3 2017 bioinformatics segment commercial revenue amounted to PLN 1,707 thousand, which means an increase of 111% in comparison to commercial revenue for Q3 2016, which amounted to PLN 810 thousand. Bioinformatics segment generated in Q3 2017 operating profit in the amount of PLN 353 thousand comparing to PLN 92 thousand generated in Q3 2016 which means 284% increase. Cumulative bioinformatics segment's commercial revenue for the period ended 30 September 2017 amounted to PLN 5,326 thousand and increased by 159% in comparison to the corresponding period of prior year when amounted to PLN 2,060 thousand. In the same period bioinformatics segment's net profit amounted to PLN 1,586 thousand.

In Q3 2017 grants income increased by 46% in comparison to the corresponding period of the previous year – from PLN 2,575 thousand to PLN 3,760 thousand. Cumulative grant income for the first three quarters of 2017 amounted to PLN 11,580 thousand and were 41% higher than in the corresponding period of prior year when amounted to PLN 8,237 thousand. Grant income amount presented in the financial statements do not includes the amount that was deferred in the balance sheet in parallel to the deferred costs of R&D development works.

SEL24 program commercialization

On 28 March 2017 Selvita signed with Berlin-Chemie AG (part of Menarini Group) SEL24 program commercialisation contract. Impact of that transaction on Selvita's operating profit is presented below.

In 2017 the Group implemented new accounting policy for SEL24 transaction and further R&D deals recognition that results in separate presentation of revenues and costs of such transactions in profit and loss statement. Due to the above financial result of SEL24 commercialisation consist of invoiced "upfront payment" (presented in operating revenue) reduced by costs of SEL24 program which have been capitalised since 1 January 2015 and presented in balance sheet net of capitalised grants attributable to those costs (both presented in operating expenses).

Profit on SEL24 commercialisation recognised in current period of 2017 amounted to PLN 12,956 thousand and included:

[PLN thousand]	**Period ended 30.09.2017**
„Upfront payment"	20,285
Capitalized grants attributable to SEL24 program	6,586
Capitalized costs of SEL24 program	(13,341)
Capitalized expenditures on SEL24 patents	(574)
Current period profit from transaction	**12,956**

The value of the contracted portfolio of orders for the year 2017 resulting from commercial contracts and grants agreements signed as of the day of publication of the report ('Backlog'), amounts to PLN 100,407 thousand, of which:

- Services PLN 42,296 thousand
- Innovations PLN 35,600 thousand
- Bioinformatics PLN 6,585 thousand
- Grants (subsidies) PLN 15,926 thousand

and is 59% higher than the backlog for the year 2016 announced in November prior year. Special attention should be drawn to the increase of the orders portfolio in the services segment amounting to 34% and to the increase of the commercial orders portfolio (i.e. total of services, innovations and bioinformatics segments excl. grants), amounting to 63% compared to the backlog for 2016 published in November 2016. Subsidies backlog does not account for the amount of PLN 2,338 thousand, which constitutes grant income to be accounted for in the balance sheet in parallel to the capitalised costs of R&D 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 Q3 2017 amounted to PLN 103,315 thousand and increased by PLN 14,194 thousand compared to the end of 2016 (PLN 89,121 thousand). At of the end of Q3 2017 the highest value tangible assets items are: fixed assets amounting to PLN 29,332 thousand (mainly laboratory equipment) and deferred income tax asset in the amount of PLN 9,824 thousand. Compared to the amounts as of 31 December 2016 the value of tangible assets increased by PLN 2,104 thousand. This is mainly the result of purchasing new fixed assets partly balanced with the planned fixed assets depreciation and the SEL24 program commercialization (sale of previously capitalized development works).

Since 1 January 2015 Selvita has been activating 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 unfinished development work. The value of these assets at the end of Q3 2017 amounted to PLN 4,045 thousand and it is presented as "unfinished development work" in the amount of PLN 1,165 thousand i.e. reduced by PLN 2,880 thousand which is the value of the deferred grant income attributable to the mentioned deferred costs. After SEL24 program commercialization balance sheet line of "unfinished development work" contains amounts attributable only to SEL120 program.

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

	30/09/2017	31/12/2016
Liquidity indicator current assets/current liabilities including short-term provisions and accruals (excl. deferred revenues)	3,28	3,54
Increased liquidity indicator (current assets-inventory)/current liabilities including short-term provisions and accruals (excl. deferred revenues)	3,19	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 amounted to PLN 66,398 thousand as of 30 September 2017 and increased by PLN 10,686 thousand compared to 31 December 2016. The second largest source of funding are short-term liabilities and provisions which amounted to PLN 23,259 thousand at the end of Q3 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 30 September 2017 the value of the Group's cash amounted to PLN 37,116 thousand and as of the report date the value of the Group's cash amounted to PLN 37,125 thousand.

The Group meets its obligations on time and maintains a sustainable cash flow ensuring its liquidity. Income from share issuance in 2014 and cash generated from operations in previous periods allow the Company to execute its planned investments, in particular the development of new innovative projects at the research and preclinical phases and purchasing new laboratory equipment and infrastructure.

INFORMATION ON THE GROUP'S ACTIVITY IN Q3 2017

Innovative Segment (R&D Activities)

In Q3 2017, Selvita Group successfully continued research projects, both these performed as part of internal pipeline, as well as projects performed in cooperation with external partners e.g. the cancer metabolism collaboration with Merck KGaA.

TARGETED THERAPEUTICS PLATFORM ("TTP")

SEL24

SEL24 is intended for the treatment of patients with relapsed/refractory AML based on unique mechanism of action – dual inhibition of PIM and FLT3 kinases responsible for cancer proliferation and progression. On March 28, 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. On March 17, 2017 Selvita informed about first dosed patient in Phase I/II clinical trial of SEL24 in acute myeloid leukemia.

On October 6, 2017 the Company announced that the Food and Drug Administration ("FDA") has placed a full clinical hold on the Phase I/II clinical trial of SEL24, being conducted in the United States, in patients with relapsed/refractory (R/R) AML. The FDA's decision follows a Suspected Serious Unexpected Adverse Reaction Report that a fatal stroke in Patient in Cohort 5 receiving the 150 mg dose of SEL24 has been evaluated by investigator as possibly related to the study treatment. The patient suffered from relapsed and refractory acute myeloid leukemia, participated in other clinical trials in the past, had co-morbidities and was in medical treatment. The cause of the patient's death was probably fatal stroke. Analysis of the preclinical toxicological data does not indicate that the SEL24 would cause blood clotting problems. No coagulopathy was observed in other patients enrolled in the clinical trial on SEL24. There are also no significant literature signals that would indicate the linkage of PIM or FLT3 kinases with coagulation processes. Strokes are the third most common cause of death in patients with acute myeloid leukemia and the patient had other risk factors for stroke. The company, together with its pharmaceutical partner, Menarini, which, under the license agreement, owns rights to further research and development of SEL24, are working together to prepare a complete set of documents and to address the FDA's concerns in order to resume the clinical trial on SEL24 as soon as possible.

SEL120

Project SEL120 is focused on the development of novel, selective CDK8 inhibitor with a therapeutic potential in oncological diseases. Selvita continues preclinical development in collaboration with Aptuit, towards first-in-man studies planned for H2 2018. These studies are supported by The Leukemia & Lymphoma Society (LLS) within the scope of the contract signed in August 2017. In addition current efforts involve work on the molecular mechanism of action, patients' stratification and pharmacodynamic markers and validation of CDK8 inhibition in selected hematooncology, solid tumors and orphan indications. Additional studies involve validation of SEL120 in immunooncology as a combination therapy with immune checkpoint anti-PD1 antibodies.

OTHER PROJECTS IN TARGETED THERAPEUTICS PLATFORM

Targeted Therapeutics Platform is focused on development of novel compounds targeting major oncogenic pathways in personalized manner. Prioritized projects explore phenomenon of synthetic lethality in cancer and target epigenetic mechanism characteristic for cancer cells. One of the revealed protein targets is BRM/SMARCA2. Inhibition of this protein results in synthetic lethality in the presence of oncogenic mutations in SMARCA4 which are common in Non-Small Cell Lung Cancer at frequency over 8%. Identified BRM/SMARCA2 inhibitors are at the stage of hit to lead chemical expansion. Additional activities in the platform involve further development of advanced lead molecules targeting MNK1/MNK2 kinases. There are ongoing studies validating unique mechanism of action of these molecules in immunooncology and autoinflammatory models. At the same time, there are additional development studies being conducted within the Platform, which status, target protein and strategy are considered confidential at this stage.

CANCER METABOLISM AND IMMUNOMETABOLISM PLATFORM

Projects in the fields of cancer metabolism and immunometabolism have been grouped into one research platform. Research is ongoing in the following three projects:

1. **Inhibition of adenosine related tumor immunosuppression** is a group of projects in the field of immunooncology. Most advanced is the research on dual A2A/A2B receptor antagonists. Chemical series discovered and expanded in H1 2017 are currently in the lead optimization stage and have been validated in immunooncology relevant animal models – tumor growth inhibition, as well as increased activation and

infiltration of lymphocytes into the tumor, was observed. Nomination of the first clinical candidate is planned in 2018. At an earlier stages of discovery, precisely identification of high throughput screening hits, are inhibitors of enzymes of the extracellular adenosine synthesis pathway (CD39 and CD73).

2. **Inhibitors of serine synthesis and one carbon metabolism pathways** is an internal program targeting one of the most important metabolic pathways providing cancer cells the resistance to stress conditions in tumor microenvironment and proliferative advantage. Selvita focuses on discovery of serine hydroxymethyltransferase (SHMT2) inhibitors. Upregulation of SHMT2 has been described in many types of cancer. In Q3 our chemical series were at the hit-to-lead stage, with studies in animal models planned for Q4 2017/Q1 2018.
3. **Partnership with Merck KGaA in cancer metabolism:** a continuation of previous Merck Serono partnership from 2013-15, aims at development of new anticancer drugs targeting particular biological targets associated with aberrant metabolic pathways in cancer cells (cancer metabolism). Dependence on 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 the partner, several biological undisclosed targets have been selected, and the research is currently at different stages 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 remain confidential.

IMMUNOLOGY AND IMMUNOONCOLOGY PLATFORM (IMIO)

Immunooncology Platform aims to develop innovative, next generation immunotherapeutics mobilizing human immune response system to selectively recognize and fight cancer. The research is focused on the discovery of a few novel therapeutics for new molecular targets with first-in-class or best-in-class potential. These initiatives are at an early discovery stage. The current main research area of the Company is STING-dependent signalling pathway. It engages natural proinflammatory defence mechanisms of the human immune system with anticancer vaccine potential, preventing recurrence of the disease. As a result of in-house development, Selvita identified small molecule modulators of STING signalling pathway with confirmed activity in a variety of human *in vitro* cellular models. Additionally, first active molecules active on undisclosed immunooncology protein target have been discovered. Parallel development of immunooncology assays specific to project's needs, is in progress. Gradual expansion of the Platform project portfolio also involves development of in house DNA-encoded screening libraries.

INFLAMMASOME INHIBITORS

Selvita continues its research on the SEL212 project, commercialized in 2016 through a spin-off to Nodthera, within the IMIO Platform (Immunology and Immunooncology)Collaboration with Nodthera is based on the research findings from SEL212 project originally developed by Selvita. As part of the research collaboration with Nodthera, a new agreement was signed in July 2017, replacing the original contract terms established during company's founding. The renegotiation of the collaboration terms was related to the necessity to provide Nodthera more flexibility after an double increase of the share capital this year, as well as with the fact that at its current development stage, SEL212 program does not require the involvement of the FTE at the level needed in previous stages of development. Currently Selvita holds 38,90% shares in Nodthera Ltd.

OTHER PROJECTS

The Company's pipeline includes also smaller projects or projects that are at an early stage of development, in addition to the abovementioned, and Selvita will keep investors informed about their results.

In Q3 2017, the Company also continued to work on the building of the new Innovative Drug Discovery Center in Krakow, in particular in relation to the construction project as well as made the necessary arrangements with the utilities providers and suppliers.

In September 2017, Selvita S.A. signed two significant contracts related to the financing of the aforementioned project:

1. On September 14, 2017, the subsidy agreement between the Company and the Ministry of Development for co-financing of the project: "Construction of Selvita Innovative Drug Discovery Centre":

- total net value of the project: PLN 74,899,760;
- value of the grant: 33 704 892 PLN;
- project timeline: 2016-2020.

2. On September 28, 2017, an investment credit agreement between the Company and Powszechna Kasa Oszczędności Bank Polski S.A. ("PKO BP") with its registered office in Warsaw, to grant the Company a loan up to PLN 24.4 million by PKO BP.

In subsequent quarters, the Company plans to:

- apply for a building permit - Q4 2017,
- obtain a building permit and select the General Contractor - Q1 2018,
- sign the contract with the General Contractor and start building the new Drug Discovery Centre - Q2 2018.

Service Segment

BIOLOGY DIVISION

During the third quarter of 2017, the Contract Biology Division provided services within the scope of biological and biochemical research, as well as analytical testing services for customers within the field of chemistry, pharmacy and biotechnology. Contract Biology Division laboratories specialize in research conducted in accordance with the GLP and GMP standards, in the fields of pharmacodynamic analyses, cytotoxicity testing, as well as assay development and validation in the area of: biochemistry, bioanalysis, cell & molecular research and analytical methods. Another well-developed branch is provision of services in the field of recombinant protein production, executed by the Biochemistry Laboratory.

In the third quarter of 2017, the Cell & Molecular Biology Laboratory continued to cooperate with Israeli biotechnology companies. In both cases projects pertained to the development and optimization of biochemical tests that would allow to determine the activity of candidate drugs with a therapeutic potential in the area of oncology and neurodegenerative diseases. Selvita continued also the implementation of comprehensive comparative biosimilar analysis projects for different drug classes. In Q3, the Laboratory conducted four such projects for three pharmaceutical companies from Europe and Asia. These projects were performed in accordance with the Good Laboratory Practice or Good Manufacturing Practice standards. The above tests and test methods will be used in the future to release batches of the biosimilar product on the European market.

In the third quarter of 2017, further projects have been initiated for clients from Poland, Europe (Hungary, UK) as well as two projects for clients in Boston and San Francisco (USA). These projects concerned the development of methods for determination of the efficacy of new drug candidates, as well as analysis of their cytotoxicity in the cellular environment. Long-term cooperation on biochemical and cellular analyzes for a key European client was also continued, as part of the Integrated Discovery Project based on SAR analyzes (Structure-Activity Relationship).

Additionally, in Q3 2017, a selected group of scientists from the Cell & Molecular Biology Laboratory has begun preparations for a series of biophysical, biochemical and cellular *in vitro* tests that will allow for a comparative analysis of the affinity and activity of monoclonal antibodies from the TNFα inhibitors and VEGF groups. They will be implemented within the framework of the project "*Developing an in vitro research platform for biosimilar antibodies with therapeutic properties*" co-funded by the Małopolskie Centre of Entrepreneurship (Małopolskie Centrum Przedsiębiorczości).

In Q3 2017, the main source of revenue for the Biochemistry Laboratory were projects related to the production, purification and characterization of recombinant proteins. These projects are provided using both bacterial and eukaryotic expression systems. It should be noted that the aforementioned systems are constantly evolving through the use of additional bacterial strains or cell lines, which undoubtedly extends the Laboratory's ability to produce high-quality recombinant proteins. During the reporting period, apart from services related to the production of proteins for external customers, the Laboratory also performed genotoxicity testing based on a bacterial system. The above-mentioned testing was performed mostly for the customers from Western Europe and the USA, representing global biotechnology and pharmaceutical corporations, as well as, smaller companies involved in the processes related to the discovery of new drugs. In addition, the Company has continued the studies related to the crystallographic analysis of proteins (the so-called "from gene to protein structure" analyses) for European clients from the pharmaceutical industry, where a portion is carried out as a research at the Biochemistry Laboratory for integrated projects carried out also at other divisions of Selvita. Undoubtedly, the acquisition of new contracts, both from current and new customers, is connected with the growing customer trust experienced by the Laboratory. In addition, the high volume of orders is related to the further penetration of the world's largest pharmaceutical / biotech market, namely the North American market, and the growing recognition of the Laboratory's offer.

In Q3 2017, Analytical Laboratory continued research in well-established service areas targeted at pharmaceutical clients and those from the agrochemical industry. Long-term projects related to stability testing and active pharmaceutical ingredient and ancillary material release tests, have been continued in accordance with specifications and methods previously verified by Selvita Analytical Laboratory. In August 2017, Selvita has initiated cooperation with one of the world's largest pharmaceutical companies, related to the release testing of small molecule pharmaceuticals on the European market. The project planned for several years of cooperation, is based on the FTE model, with an increasing number of involved analysts.

, In the third quarter of 2017, a number of validation methods in accordance to the GMP quality system were performed, as independent projects using different analytical techniques (HPLC, GC, ICP, ASA). Research and development projects related to the development and optimization of analytical methods, similarly to the previous quarters, were conducted based on the FTE model. This approach provides a greater flexibility in project execution, is not subjected to the risk of failure, and allows for an additional opportunity to offer customers complementary analyzes that are valuable both for the project and the customer, as well as for the Analytical

Laboratory. Additionally, in the third quarter of 2017, a package of analyzes related to the identification of pollutants using high resolution mass spectrometry was continued for a big foreign client.

With regards to the agrochemical clients, the Analytical Laboratory has executed 5B analysis projects, method development and validation, and compound certification (active pharmaceutical substances, metabolites and other pollutants). Chromatographic techniques with MS detection are used for certification of compounds and screening tests. This area will also be extended to agrochemical customers after installation of an additional equipment such as MS spectrometers.

In Q3, the changes in the laboratory infrastructure initiated in H1 were continued, which is currently moving towards the adaptation of another analytical module and purchase of an additional equipment (LC-MS, GC-MS, ICP-MS and HPLC). By the end of the year 2017, it is also planned to implement a full range of analytical services related to the stability testing of pharmaceuticals and substances.

The main goal of the Contract Biology Department during subsequent quarters will be to increase market penetration, especially in the US market, and in particular taking into account the offer targeting pharmaceutical/biotechnological clients looking for integrated solutions for innovative drug development projects.

CHEMISTRY DIVISION

The Contract Chemistry Division continued its positive growth trend in the Q3 2017, generating the highest revenue in comparison with other Departments of Selvita.

The most important services in this Segment include:

- research and development projects leading to the discovery of new drugs, including computational chemistry, medicinal chemistry, organic chemistry, analytical chemistry and biological testing of the developed molecules with a potential pharmacological activity;
- optimization of chemical technologies: development of new, efficient and cost-effective, as well as environmentally-friendly synthesis processes, alternative technologies for obtaining chemical substances, scalability of chemical processes for industrial purposes, optimization and parametrization of technology for registration purposes;
- contract synthesis of chemicals in a scale of milligrams up to kilograms: pharmaceutical substances, new flavoring compounds and agrochemical compounds, pollutants, degradation products and analytical standards for registration purposes, new polymorphic forms of known organic substances and other chemical compounds for specialist application;
- chemical analysis, investigating the structure and qualitative and quantitative chemical composition of compounds and mixtures in accordance with the requirements of pharmaceutical, chemical and agrochemical markets.

During the third quarter of 2017, the Company continued to perform two large integrated projects (carried out for an Italian pharmaceutical company and a Big Pharma company), as well as a chemistry project, all based on

the FTE model, which were reported to investors due to their value and significance for the development of service activities and increase of the added value of the services provided by the Company.

Smaller FTE contracts have also been signed with new customers, and cooperation with existing customers in the pharmaceutical sector (Big Pharma), biotechnological sector, chemical sector and agrochemical sector, as well as with academic institutions has been extended. Most projects included research and development works meant to develop new pharmacologically active molecules, new synthetic processes and technologies.

The customer base of the Services Segment is well diversified in terms of market segments, industries and geographical locations. In order to retain an upward trend employees of the Company are and will be actively involved in sales efforts in Europe, Israel and the US, during conferences, fairs, customer visits as well as the visits of potential business partners at the Company's site. Sales activities are constantly carried out in the United States, in Europe (France, Italy, Germany, Switzerland, Belgium, Austria, UK, Poland) and in Asia (Israel, Japan).

Moreover, during the third quarter of 2017 representatives of the Company took part in prestigious industry conferences. The most interesting events from that period, as far as the operations of the Contract Chemistry Department are concerned, included the following:

- RICT 2017 53rd International Conference on Medicinal Chemistry, France, Toulouse, 05-07.07.2017
- Drug Discovery and Therapy World Congress, USA, Boston, 10-13.07.2017
- 2nd International Conference and Exhibition on Materials Chemistry, Germany, Berlin, 13-14.07.2017
- EFMC International Symposium on Advances in Synthetic and Medicinal Chemistry, Austria, Vienna, 27-31.08.2017
- ChemOutsourcing, USA, NJ, 18-20.09.2017
- 19th SCI/RSC Medicinal Chemistry Symposium, UK, Cambridge, 09-14.09.2017
- Specialty & Agro Chemicals America, USA, Charleston, 06-08.09.2017

In subsequent years, the Services Segment shall continue its current strategy, focusing its development within the area of service activities for the pharmaceutical, biotechnological, agrochemical and chemical market.

It is planned to further enrich the team with highly qualified staff, as well as to continuously improve the Company's operating standards (technical, quality, infrastructural, sales) and to continue driving the focus on operational activities, leading to an increase in the functional efficiency and continuous growth of interest in high-margin services of the Segment.

As the demand for the particular services grows, the Company shall continue investment in specialized research equipment, including laboratories adopted for the provision of research and development services.

Considering the current contracts and pending business negotiations, further intensive development and increase in the Company's scale of operations are to be expected in the coming years.

Bioinformatics Segment

ARDIGEN S.A. (BIOINFORMATICS AND PRECISION MEDICINE)

The third quarter of 2017 was of key importance in the development of the Company's R&D area. It was a period of an evaluation of Company's application for co-financing for two research projects executed by the Company. The first one relates to diagnostic tests for cancer immunotherapy and the other is associated with developing a break-through platform for "in silico" design of compositions for new generation probiotics. The scope of these projects shows Ardigen's holistic approach to solving the problem of the low effectiveness of cancer immunotherapies, since, on one hand, it relates to the molecular biology of the immunological system, and on the other hand – to the impact of microbiome on the human body. Both projects have strong diagnostic and therapeutic potential. In both cases, Ardigen was positively evaluated and obtained a recommendation to receive the grant . The funds granted will enable research and development work to be continued for the next three years.

The approach to solving scientific problems adopted by Ardigen requires advanced data science techniques. The development of expertise in this area is pursued in the artificial intelligence laboratory (Ardigen AI Lab) created in the third quarter of 2017. In the reporting period, the AI Lab team joined the prestigious international competition "NCI-CPTAC DREAM Challenge" aimed at developing prediction models for protein concentrations based on data relating to transcriptome and genome, which will allow a more detailed investigation of how cancer develops. For this purpose, dedicated machine learning and AI methods are being developed (using, among other things, evolutionary mechanisms) which main focus is to consider biological knowledge of the process of protein synthesis. After the first round of the competition, the Ardigen team occupies a high, second position.

In services area, the third quarter brought about the strengthening of the Company's position among its existing clients. Operating activities were focused on the execution of contracts acquired in the first half of the year. Execution of the first two projects with the new EU clients from the list of the largest pharmaceutical companies, is a significant success. These activities should contribute to an increase in sales in 2018.

Employment details

Further to a dynamic development in the period discussed in this Q3 Report, the Group significantly increased its staffing. The staffing level is 423 employees as of November 2017.

Information on Selvita S.A. Shareholding Structure

As at the date of publication of this Q3 Report, the shareholder structure of Selvita S.A., including shareholders holding at least 5 % of votes at the Meeting of Shareholders, is as follows:

Shareholder	Shares	% of shares	Votes	% of votes
Paweł Przewięźlikowski	4 990 880	36,24%	8 490 880	47,64%
Bogusław Sieczkowski	924 384	6,71%	1 474 384	8,27%
Tadeusz Wesołowski (directly and indirectly)	1 132 713	8,23%	1 132 713	6,36%
Nationale Nederlanden PTE S.A.	950 000	6,90%	950 000	5,33%
Remaining shareholders	5 773 252	41,92%	5 773 252	32,40%
Total	**13 771 229**	**100,00%**	**17 821 229**	**100,00%**

Consolidated Profit and Loss Statement

FOR THE PERIOD FROM 1 JANUARY 2017 TO 30 SEPTEMBER 2017	01/01/2017 - 30/09/2017 PLN	01/01/2016 - 30/09/2016 PLN
Continued operations		
Sales revenue	48 279 696	34 273 589
Grant income	11 579 804	8 237 420
Other operating revenues	329 585	6 377 098
Revenue from sales of R&D projects	20 284 538	-
Total operating revenue	**80 473 623**	**48 888 107**
Change in stock of goods	-	-
Depreciation and amortization	(3 662 736)	(2 619 097)
Consumption of materials and supplies	(12 767 928)	(9 725 235)
External services	(12 101 314)	(7 582 363)
Employee benefit expense	(30 116 131)	(22 203 683)
Taxes and charges	(460 375)	(353 112)
Other expenses	(2 218 736)	(2 558 026)
Cost of goods and materials sold	-	(113 611)
Cost of R&D projects sold	(7 328 770)	-
Other	(24 611)	(58 894)
Total operating expenses excluding impact of share-based incentive program	**(68 680 601)**	**(45 214 021)**
Profit (loss) on operating activities excluding impact of share-based incentive program	**11 793 022**	**3 674 086**
Share-based incentive program	(583 000)	(4 951 252)
Profit (loss) on operating activities	**11 210 022**	**(1 277 166)**
Financial income	381 169	772 101
Financial expenses	(1 458 654)	(58 861)
Other	-	-
Profit (loss) on business activities	**10 132 537**	**(563 926)**
Equity method valuation of investments in associates	(606 233)	(653 261)
Profit (loss) before income tax	**9 526 304**	**(1 217 187)**
Income tax expense	(379 006)	163 979
Net profit (loss) on continued operations	**9 147 298**	**(1 053 208)**
Discontinued operations		
Profit (loss) on discontinued operations	-	-
Net profit (loss)	**9 147 298**	**(1 053 208)**
Net profit loss attributed to:		
Majority shareholders	8 935 302	(862 551)
Non-controlling shareholders	211 996	(190 657)
Other comprehensive income:		
Foreign subsidiaries results translation differences	139 505	(63 955)
Total other comprehensive income (loss)	**139 505**	**(63 955)**
Total comprehensive income (loss)	**9 286 803**	**(1 117 163)**
Total comprehensive income (loss) attributed to:		
Majority shareholders	9 074 807	(926 506)
Non-controlling shareholders	211 996	(190 657)
Earnings per share (expressed in gr per share)		
With continued and discontinued operations:		
Basic	67,44	(6,42)
Diluted	67,44	(6,42)
With continued operations:		
Basic	67,44	(6,42)
Diluted	67,44	(6,42)

Consolidated Balance Sheet

AS OF 30 SEPTEMBER 2017	30/09/2017	31/12/2016	30/09/2016
	PLN	PLN	PLN
ASSETS			
Fixed assets			
Tangible fixed assets	29 332 312	21 832 609	12 511 664
Investment property	-	-	-
Goodwill	280 740	280 740	280 740
Other intangible assets	154 052	132 699	163 789
Unfinished development works	1 164 662	6 226 898	4 438 498
Investments in associates	2 514 539	3 120 772	3 483 994
Deferred tax assets	9 823 757	9 662 724	5 902 490
Other financial assets	-	-	-
Other assets	286 038	196 038	196 038
Total fixed assets	**43 556 100**	**41 452 480**	**26 977 213**
Current assets			
Inventory	1 572 543	1 403 263	1 323 379
Trade and other receivables	18 483 665	15 681 811	13 589 491
Construction contracts receivables	320 418	637 849	795 904
Other financial assets	50 000	60 000	-
Current tax related assets	-	-	-
Other assets	2 216 529	790 997	1 288 614
Cash and other monetary assets	37 115 524	29 094 669	29 668 043
	59 758 679	**47 668 589**	**46 665 431**
Non-current assets held for sale and discontinued operations	-	-	-
Total current assets	**59 758 679**	**47 668 589**	**46 665 431**
Total assets	**103 314 779**	**89 121 069**	**73 642 644**

Consolidated Balance Sheet (cont.)

AS OF 30 SEPTEMBER 2017	30/09/2017	31/12/2016	30/09/2016
	PLN	PLN	PLN
EQUITY AND LIABILITIES			
Equity			
Share capital	5 508 492	5 377 337	5 377 337
Surplus from sale of shares above par value	25 480 804	25 480 803	25 480 805
Own shares	-	-	-
Supplementary capital	18 647 782	14 890 225	14 890 224
Other reserve capitals	11 172 000	10 589 000	9 681 808
Foreign subsidiaries results translation differences	96 874	(42 631)	(63 955)
Previous years' profit (loss)	(4 335 621)	(3 640 312)	(4 327 906)
Net profit (loss)	8 935 302	2 720 211	(862 550)
Provisions related to non-current assets held for sale and discontinued operations presented directly in equity	-	-	-
Equity attributed to majority shareholders	**65 505 633**	**55 374 633**	**50 175 763**
Equity attributed to minority shareholders	892 110	336 824	286 057
Total equity	**66 397 743**	**55 711 457**	**50 461 820**
Long-term liabilities			
Long-term credits and loans	4 184 153	4 791 517	-
Other financial liabilities	2 338 245	3 028 017	2 536 546
Retirement provision	61 438	61 438	61 438
Deferred income tax provision	431 773	214 039	256 572
Long-term provisions	-	-	-
Deferred income	6 642 892	6 381 589	4 172 359
Other liabilities	-	-	-
Total long-term liabilities	**13 658 501**	**14 476 600**	**7 026 915**
Short-term liabilities			
Trade and other liabilities	9 379 727	7 883 012	6 854 074
Construction contracts liabilities	317 384	176 244	132 115
Short-term credits and loans	943 710	858 529	65 270
Other financial liabilities	946 711	945 908	666 118
Current tax liabilities	-	-	-
Short-term provisions	6 653 993	3 599 968	4 375 435
Deferred income	5 017 010	5 469 351	4 060 897
Other liabilities	-	-	-
Total short-term liabilities	**23 258 535**	**18 933 012**	**16 153 909**
Total liabilities	**36 917 036**	**33 409 612**	**23 180 824**
Total equity and liabilities	**103 314 779**	**89 121 069**	**73 642 644**

Consolidated Cash Flow

	01/01/2017-30/09/2017	01/01/2016-30/09/2016
	PLN	PLN
Cash flows from operating activities		
Net profit (loss)	**9 147 298**	**(1 053 208)**
Adjustments		
Equity method valuation of investments in associates and joint ventures	606 233	653 261
Depreciation and amortization	3 662 736	2 619 097
Exchange gains (losses)	-	-
Interest and profit-sharing (dividends)	143 648	17 582
Profit (loss) on investing activities	-	-
Change in receivables	11 274	6 386 929
Change in inventory	(169 280)	(149 290)
Change in short-term liabilities and provision excluding credits and loans	1 637 855	324 710
Change in grants	(10 855 291)	(12 069 868)
Change in deferred revenue	(424 794)	-
Change in other current assets	-	(299 113)
Change in provisions	3 054 025	302 586
Change in other assets	5 969 939	(847 171)
Income tax paid	624 162	(4 481)
Contribution in kind of non-controlling shareholders	-	-
Share-based incentive program	583 000	4 951 252
Other	-	-
Cash flows from operating activities	**13 990 805**	**832 286**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	-	-
Purchase of tangible and intangible fixed assets	(15 071 351)	(10 636 194)
Purchase of tangible and intangible fixed assets partially financed with grant	-	-
Purchase of other financial assets	-	-
Interest received	52 945	-
Loans granted	(80 000)	-
Other inflows from financial assets	-	-
Other	-	-
Cash flows from investing activities	**(15 098 406)**	**(10 636 194)**
Cash flow from financing activities		
Proceeds from shares issue	327 887	327 887
Payment of liabilities from finance lease agreements	(688 968)	(626 558)
Proceeds from credits and loans	65 416	396 754
Grants	10 318 535	10 604 602
Repayment of credits and loans	(697 821)	-
Dividends paid	-	-
Interest paid	(196 593)	(12 261)
Payments connected with shares issue	-	(25 000)
Other	-	-
Net cash flows from financing activities	**9 128 456**	**10 665 424**
Increase of net cash	8 020 855	861 516
Cash opening balance	29 094 669	28 806 527
Cash and cash equivalents - end of the period	**37 115 524**	**29 668 043**

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