SELVITA S.A. CONSOLIDATED QUARTERLY REPORT (SUMMARY)

Q 1 2018

May 21, 2018

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BASIC INFORMATION ON THE CAPITAL GROUP

Parent Entity

Business name of the Company	**Selvita Spółka Akcyjna**
Registered office	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	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	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	Bobrzyńskiego 14, 30-348 Kraków
Company ID (REGON)	362983380
Legal form	Joint-Stock Company
Shareholders	51,85% shares held by Selvita S.A.

Related Entity

Business name of the Company	**Nodthera Ltd**
Registered office	13 Queens Road Aberdeen AB15 4YL Great Britain
Share capital	GBP 8.841.850
Shareholders	19,12% shares held by Selvita S.A.
Date of incorporation	July 2016 r.

Parent and affiliated entities within the Selvita Group are consolidated. Related Entity (Nodthera Ltd) is valued to fair value based on the price of recently issues shares (till the end of 2017, shares in Nodthera Ltd were valued using the equity method).

The Core Business of the Capital Group

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

- **Innovative segment** – research and development activities related to internal oncology pipeline and in-house activities within projects on potential 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			Consolidated data in EUR thousands		
Item	From 01.01.2018 to 31.03.2018	From 01.01.2017 to 31.03.2017	From 01.01.2017 to 31.03.2017 (excl. incentive programme)	From 01.01.2018 to 31.03.2018	From 01.01.2017 to 31.03.2017	From 01.01.2017 to 31.03.2017 (excl. incentive programme)
Revenue from sales	17 878	14 350	14 350	4 279	3 318	3 318
Grant income	5 300	2 818	2 818	1 268	652	652
Other operating revenue	141	121	121	34	28	28
Revenue from sales of R&D projects	-	9 551	9 551	-	2 209	2 209
Total revenue on operating activities	23 319	26 840	26 840	5 581	6 206	6 206
Operating expenses	-24 193	-19 274	-18 691	-5 790	-4 457	-4 322
Depreciation	-1 695	-995	-995	-406	-230	-230
Profit/loss on operating activities (EBIT)	-874	7 566	8 149	-209	1 749	1 884
Profit/loss before income tax	19 961	5 930	6 513	4 777	1 371	1 506
Net profit/loss	19 894	5 396	5 979	4 761	1 248	1 383
EBITDA	821	8 561	9 144	196	1 980	2 114
Net cash flow from operating activities	-4 330	-15 813	-15 813	-1 036	-3 657	-3 657
Net cash flows from investing activities	-4 516	5 446	5 446	-1 081	1 259	1 259
Net cash flows from financing activities	130 730	1 835	1 835	31 287	424	424
Total net cash flow	121 884	-8 532	-8 532	29 170	-1 973	-1 973
Number of shares	15 971 229	13 443 343	13 443 343	15 971 229	13 443 343	13 443 343
Profit (loss) per share (in PLN)	1,24	0,39	0,43	0,30	0,09	0,10
Diluted profit (loss) per share (in PLN)	1,24	0,38	0,42	0,30	0,09	0,10
Book value per share (PLN)	13,27	4,58	4,58	3,15	1,08	1,08
Diluted book value per share (PLN)	13,27	4,48	4,48	3,15	1,06	1,06
Declared or paid dividend per share (PLN)	-	-	-	-	-	-

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

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 01/01/2018 – 31/03/2018: PLN 4,1784;
   - for the period from 01/01/2017 – 31/03/2017: PLN 4,3246.

2. Balance sheet items were converted according to the average exchange rate announced by the NBP applicable as at the balance sheet date; this exchange rate amounted to:

   - as at 31 March 2018: PLN 4,2085;
   - as at 31 December 2017: PLN 4,1709;
   - as at 31 March 2017: PLN 4,2198.

Increase and Dynamics of Revenues and Financial Results

In order to maintain comparability financial data of Selvita Group for Q1 2017 does not account PLN 583 thousand for the costs of the incentive program, which was carried out in 2015-2017.

In Q1 2018 Selvita Group recognised total operating revenue in the amount of PLN 23,319 thousand, which means 13% decrease comparing to Q1 2017 when total operating revenue amounted to PLN 26,840 thousand. Total commercial revenue for Q1 2018 amounted to PLN 17,878 thousand which means dynamics as of 25% as in comparative period of 2017, in which total commercial revenue amounted to PLN 14,350 thousand.

Selvita Group achieved in the first quarter of 2018 operating loss (EBIT) for the period ended on 31 March 2018 which amounted to PLN 874 thousand in comparison to operating profit (EBIT) amounted to PLN 8,149 thousand in Q1 2017, which is a result of the intensification of research & development projects in the innovation segment and lack of commercialization in the reporting period. According to the Group's Strategy adopted in 2017, the innovation segment has focused on increasing the value of ongoing projects and their commercialisation at later stages.

Group's net profit for Q1 2018 amounted to PLN 19,894 thousand in comparison to PLN 5,396 thousand in Q1 2017. The Group's net profitability for Q1 2018 (calculated as the net profit divided by total operating activities) amounted to 85% which means an increase of 63% in comparison to Q1 2017. More significant (in comparison to profit on operating activities) net profit in Q1 2018 was affected by positive valuation of Nodthera's shares held by Selvita.

Commercial revenues of the innovation segment in Q1 2018 amounted to PLN 6,978 thousand, which means a decrease of 63% in comparison to Q1 2017, when commercial revenues of the innovation segment amounted to

PLN 18,890 thousand. Innovations segment's operating loss (EBIT) for Q1 2018 amounted to PLN 3,071 thousand in comparative period of 2017, when innovations segment's operating profit (EBIT) amounted to PLN 7,015 thousand. It should be noted that aforementioned difference is mainly caused by commercialisation of SEL24 program which had a significant influence on income and revenue dynamics in Q1 2018.

In Q1 2018 services segment recognised significant increase in revenues and greater operating profitability, comparing to Q1 2017. Commercial revenues of services segment in Q1 2018 amounted to PLN 13,643 thousand, which means a significant increase (of 53%) compared to Q1 2017, when the commercial revenues of that particular segment amounted to PLN 8,937 thousand. Services segment's operating profit (EBIT) for Q1 2018 amounted to PLN 2,175 thousand, which means profitability of 14% in comparison to operating profit in Q1 2018, which amounted to PLN 603 thousand (which resulted in profitability of 6%). In the services segment in 2018 Selvita Group has continued to focuse on intensive services segment's growth as a result of business portfolio extension, penetrating of new markets and conclusion of more valuable and long-term FTE and integrated contracts.

In Q1 2018 bioinformatics segment revenues amounted to PLN 1,950 thousand, which means a comparable level in comparison to bioinformatics segment commercial revenues for Q1 2017, which amounted to PLN 1,991 thousand. Innovation requires the allocation of resources to work on the development of a product and therefore the structure of revenues in the segment has changed, where approximately 20% (PLN 0.386M) constitutes income from grants and, as a result, operating profitability has declined significantly. Bioinformatics segment generated in Q1 2018 operating profit in the amount of PLN 22 thousand comparing to PLN 530 thousand generated in Q1 2017.

In Q1 2018 grants income increased by 88% in comparison to the corresponding period of the previous year – from PLN 2,818 thousand to PLN 5,301 thousand.

Method valuation of investments in Nodthera Ltd

On March 30, 2018 the share capital in the related company Nodthera Ltd (with its registered office in Aberdeen, Great Britain) was increased by 8,666,667 GBP (which amounts to 41.615.602 PLN according to the exchange ratio GBP/PLN published by the National Bank of Poland: 1 GBP = 4,8018 PLN) by creating 3,482,270 new shares, which were subscribed by the majority shareholder Epidarex Capital II LP and new external investors. Selvita holds 19.12% in the fully diluted share capital of Nodthera Ltd. The management board of Selvita S.A. decided that all shares will be valued to fair value, based on the price of recently issues shares (till the end of 2017, shares in Nodthera Ltd were valued using the equity method).

Fair value method valuation of investments in Nodthera Ltd

Price of new shares (in GBP)	2,4888
Average rate of exchange NBP (29.03.2018)	4,8018
Price of new shares (in PLN)	11,95
Number of shares	1 910 000
Share value	22 825 875
Share value in balance sheet (31.12.2017)	2 038 611

Change in valuation – influence on financial results	**20 787 264**

The value of the contracted portfolio of orders for the year 2018 resulting from commercial contracts and grants agreements entered into by May 15, 2018 ('Backlog'), amounts to PLN 81,761 thousand, of which:

- Services PLN 40,896 thousand
- Innovations PLN 6,947 thousand
- Bioinformatics PLN 4,552 thousand
- Subsidies PLN 29,366 thousand

and is 4% lower than the backlog for the year 2017 announced on May 30 last year, which amounted to PLN 85,021 thousand and included revenues from commercialisation of SEL24 program. Special attention should be drawn to the increase of the orders portfolio in the services segment amounting to 39%. Subsidies backlog predicts an increase of grant income of 150% in comparison to grant income expected in May 2017.

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

The value of the Group's assets as of the end of Q1 2018 amounted to PLN 251,727 thousand and increased by PLN 148,154 thousand compared to the end of 2017 (PLN 103,574 thousand). As of the end of Q1 2018 the highest value of tangible assets items are: cash assets amounting to PLN 158,008 thousand and fixed assets (mainly laboratory equipment and deferred income tax asset) in the amount of PLN 7,429 thousand. Compared to the amounts as of 31 December 2017 the value of tangible assets increased by PLN 121,884 thousand. The value of fixed assets increased by PLN 23,474 thousand compared to 31 December 2017. This is mainly the result of issue of series H shares.

In accordance with auditor's guidelines, since January 1, 2018 Selvita has suspended activating the costs of development work, concerning expenditure on the KIND-P1 project. The value of these assets at the end of Q1 2018 amounted to PLN 6,988 thousand and is presented as "unfinished development work" in the amount of PLN 2,231 thousand i.e. reduced by PLN 4,756 thousand which is the value of the deferred grant income attributable to the mentioned deferred costs. In Q1 2018 activated costs of development work did not affect the financial results.

The assets structure demonstrates the Group's high liquidity and its improvement in comparison to 2017, which is confirmed by the following ratios:

	31/03/2018	31/12/2017
Liquidity indicator current assets/current liabilities including short-term provisions and accruals (excl. deferred revenues)	10,14	3,27
Increased liquidity indicator (current assets-inventory)/current liabilities including short-term provisions and accruals (excl. deferred revenues)	10,05	3,18

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 213,664 thousand as of 31 March 2018 and increased by PLN 14,669 thousand compared to 31 December 2017. The second largest

source of funding are short-term liabilities and provisions which amounted to PLN 24,794 thousand at the end of Q1 2018. The highest value liabilities items are: trade liabilities, deferred revenues (most of them are grants, which are to be clearance in the future) and short-term provisions.

Current and Foreseen Financial Situation

The Group's financial position as of the report date is very good. As of 31 March 2018 the value of the Group's cash amounted to PLN 158,008 thousand and as of the report date the value of the Group's cash amounted to PLN 156,960 thousand.

In Q1 2018 activity of Selvita Group in innovative segment recorded a loss, however activity in the service segment was profitable. Activity in bioinformatics segment achieved a slight positive financial result. Activity of R&D is financed by customer revenue, supplemented by research grants and funds acquired through share issue. In the financial year 2018, further revenue increase is expected both from provision of services and commercialization of next research projects, following by sustaining of the profitability in aforementioned segments.

The Group meets its obligations on time and maintains a sustainable cash flow ensuring its liquidity. Income from share issue and cash generated from operations allow the Company to execute its planned investments, in particular the development of ongoing new innovative projects and expansion of laboratory infrastructure.

INFORMATION ON THE GROUP'S ACTIVITY IN Q1 2018

Innovative Segment (R&D Activities)

In Q1 2018, the Selvita Group has successfully continued all research projects, both these in which it invests own funds, as well as projects performed in cooperation with external partners.

TARGETED THERAPEUTICS PLATFORM ("TTP")

SEL24

The aim of the project is to develop a novel therapy for treatment of cancer including Acute Myeloid Leukemia (AML), based on the SEL24 molecule. The mechanism of action of this molecule involves selective (dual) inhibition of PIM and FLT3 kinases, crucial in the neoplastic process. The project is currently at the stage of clinical trials. The first application of SEL24 to a patient with AML took place in a phase I / II clinical trial conducted in the United States, which was announced by the Company on March 17th, 2017.

In Q1 2018, following the clinical hold imposed by the US Food and Drug Administration in October 2017 and subsequent resumption of clinical trial in December 2017, Selvita and Menarini Group focused on re-activation of sites and enrolment of patients to the CLI24-001 study. By the end of Q1 2018 Partners obtained favorable opinions of local Institutional Review Board (IRB) for the three existing sites and the study resumed with successful patient recruitment and re-administration of SEL24 to patients in March 2018. In addition, Selvita and Menarini Group began to engage two additional renowned clinical sites in the US. Additional information about the sites and clinical trials protocol are available at the website: https://clinicaltrials.gov/ct2/show/NCT03008187.

SEL120

SEL120 project is focused on development of CDK8 kinase inhibitors. Currently the clinical candidate molecule undergoes a series of regulatory safety and toxicology studies which are a part package required for IND

application for first-in-man Phase I clinical trials. Moreover, preclinical activities involve manufacture of preclinical and clinical scale drug product, analytical method development and bioanalytical support. Selvita is supervising preclinical work which is performed by specialized CROs – Aptuit and other partners.

Additionally Selvita, in collaboration with leading academic institutions, conducts additional studies focused on the expansion of possible clinical indications and selection of biomarkers strengthening clinical responder non-responder hypothesis. The latest results of the project in the area not affecting Selvita's competitive position were presented at the AACR Conference in Chicago in April 2018.

TTP PLATFORM (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 areas of particular therapeutic interest are solid tumors bearing recurrent mutation in genes coding proteins from SWI/SNF complex. Revealed protein targets included helicase BRM/SRAMCA2 protein. Inhibition of this protein results in a synthetic lethality in the presence of oncogenic mutations in SMARCA4, which are common in NSCLC at a frequency ~8%.

Several other programs and concepts are under development, including programs where a status of a lead molecule has been reached. Translations studies in these projects involved validation of unique mechanism of action in both immunooncology and autoimmune animal models. Detailed scope and results are considered confidential at this stage and could not be publicly disclosed.

CANCER METABOLISM AND IMMUNOMETABOLISM PLATFORM (CMIM)

In the area of cancer metabolism, the company runs projects both internally and in collaboration with Merck KGaA.

The aim of long-term collaboration with Merck, which has been ongoing since 2013, is the development of new oncology drugs for molecular targets related to disturbed metabolic pathways in cancer cells (cancer metabolism). Dependence on specific metabolic pathways (such as glutaminolysis or glycolysis) is a feature of many types of cancer, therefore this kind of pharmacotherapy has potentially very wide application. Several molecular targets (undisclosed) have been selected in cooperation with the partner, and research works are at various levels (from target validation to lead optimization). Apart from financing, the project has scientific and infrastructural support from a partner, which is a one of the 25 largest global pharmaceutical companies. The research continues according to the schedule, further details of the project are confidential at this stage.

An internal cancer metabolism project aim at a crucial metabolic pathway related to tumorigenesis, both for solid tumors and hematological tumors. Nanomolar SHMT2 inhibitors have been obtained, the specificity and efficacy of inhibition has been confirmed in cellular models. Initial analyzes confirm a favorable competitive business environment and sufficient level of intellectual property rights protection. Work is underway to validate the selected therapeutic strategy in animal cancer models. The process of lead optimization aimed at selecting a clinical candidate is also underway. The latest results of the project in the area not affecting Selvita's competitive position were presented at the AACR Conference in Chicago in April 2018.

The aim of projects in the field of immunometabolism is the development of innovative immunotherapeutics based on solutions that overcome the limitations of current therapies and give a chance for personalized, targeted

treatment of patients with aggressive, refractory tumors. Immunotherapy allows for mobilization of the immune system and using its potential to specifically destroy cancer cells, while lacking toxicity against healthy tissues.

In Q1 2018 work within the platform was focused on molecular targets with so-called adenosine pathway. Adenosine is one of the major microenvironmental immunosuppressive agents responsible for the tumor's immune escape. The inhibition of both the production of adenosine by tumor cells (CD39 / CD73 enzymes) and its effects on the immune cells (A2A / B receptors) is a new therapeutic strategy validated in many models.

In Q1 2018 Selvita has continued very intense work on new dual A2A/A2B receptors' antagonists resulted in obtaining the most active compounds with picomolar activity and favorable profile. Therapeutic potential has been confirmed in pilot *in vivo* studies, where tumor growth inhibition (TGI) and dose-dependent effects of increased infiltration of immune cells (eg CD8 + T lymphocytes or natural killer cells) to the tumor were observed. The advanced research was underway to identify the compound with the highest in vivo efficacy and to develop the optimal combination for clinical trials (approved inhibitors of immune checkpoints, chemotherapy). The latest results of the project in the area not affecting Selvita's competitive position were presented at the AACR Conference in Chicago in April 2018.

At the same time, other strategies to discover new inhibitors of the adenosine pathway enzymes are ongoing. In 2017 the expansion of new, validated and patentable hit matter was carried out. In 2018, it is planned to confirm the therapeutic efficacy of chemical series in animal models.

IMMUNO-ONCOLOGY PLATFORM (IO)

Immunoonology Platform aims to provide novel immunotherapies mobilizing and stimulating human immune system to recognize and sensitize tumours to immune attack. This approach transforms "cold", aggressive cancers resistant to current immunotherapy with checkpoint inhibitors into "hot" treatment susceptible malignancies

Currently Selvita focuses on STING-dependent signalling cascade. It engages natural proinflammatory defence mechanisms of the human immune system with cancer vaccine potential that protects against relapse.

In the first quarter of 2018, Selvita focused on chemical expansion and optimization of small-molecule, direct STING agonists to enable efficacy studies in animal models. The compounds discovered by Selvita have unique chemical structure different from known STING agonists developed by competitors. The agonists developed by Selvita have more favorable parameters and confirmed potential for *in vitro* activation of variety of human immune cells isolated from human donors blood, regardless of the STING mutation. The company plans pilot *in vivo* proof-of-concept studies in mice in 2018.

Selvita investigates effective but unexploited, novel targets regulating the immune response dependent on T-cell activation. Several undisclosed projects with first-in-class potential is at discovery phase. The first active molecules have been already identified.

OTHER PROJECTS

Apart from the aforementioned projects, within the platforms presented above Selvita Group also carried out other research and development projects and will keep investors informed about their details and the current progress.

Service Segment

BIOLOGY DIVISION

Contract Biology Division provides biological, biochemical and analytical services. It specializes in certified testing conducted in GLP and GMP standards in areas such as pharmacodynamic testing, cytotoxicity testing, developing and validating biophysical, biochemical and cell-based assays as well as analytical methods (including ADME tests and DMPK analysis). Biochemistry Laboratory also offers a broad range of protein biochemistry testing.

Contract Biology Division consists of three laboratories offering a broad range of services: Biochemistry Laboratory, Analytical Laboratory and Cell and Molecular Biology Laboratory. The portfolio of Division services has been designed for cooperation with pharmaceutical and biotechnology companies on Polish and foreign markets. Division's comprehensive offer enables implementation of complex integrated research projects connected with development of innovative drugs.

In Q1 2018 Contract Biology Division focused on services in the field of biological, biochemical and analytical testing conducted for customers in the fields of chemistry, pharmacy and biotechnology. Contract Biology Division laboratories specialize in certified testing conducted in GLP and GMP standards in the fields of pharmacodynamic and cytotoxicity testing, developing and validating biochemical, bioanalytical, cellular testing and analytical methods. Another well-developed type of activity is provision of services in the field of recombinant protein production, implemented by the Biochemistry Laboratory.

In Q1 2018 projects related to the manufacture, purification and characterization of recombinant proteins were the main source of revenue of the Biochemical Laboratory. These projects are provided using both bacterial and eukaryotic expression systems, which are constantly evolving, which undoubtedly extends the Laboratory's ability to produce high-quality recombinant proteins. It should be pointed out that the ratio of projects using insect cell lines is systematically increasing, which is related to a higher demand of current and new customers for high-quality recombinant proteins. This approach requires specific modifications that are not available in bacterial systems. The important part of analyses and commercial revenues are 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 and genotoxicity testing based on a bacterial system (Ames Test). The above-mentioned testing was performed mostly for the customers from Western Europe and the US, representing global biotechnology and pharmaceutical corporations, as well as, smaller companies involved in the processes related to the discovery of new drugs with therapeutic indications. Undoubtedly, the high and constantly growing level of research orders in the Biochemical Laboratory is associated with a growing recognition of the Laboratory's service offer and a constantly increasing standard of services.

In Q1 2018, the operations of the analytical laboratory focused on areas of services dedicated to pharmaceutical customers and the agrochemical industry. Projects in both areas have been clearly divided into: research and development projects conducted in the FTE-based model and projects related to quality control. Development and validation projects conducted since August 2017 for one of the major global pharmaceutical companies have moved into the phase of release studies. The collaboration applies to both studies of small-molecule compounds and a biological product, for which the quality of work has been highlighted by positive customer references.

The number of certificates issued has increased in the area of release studies, which is a natural consequence of an increasing number of methods developed, verified and validated in the Analytical Laboratory. This would not

be possible without comprehensively equipping the Laboratory with analytical equipment – it should be emphasized that the investment plans on in scope this from 2017 were fully implemented. The laboratory has been fitted with additional HPLC, GC-MS and LC-MS systems. The GC-MS chromatograph that was purchased is mainly used for certifying compounds and screening tests, which, in addition to 5B, development and validation of methods, as well as – since Q1 2018 – stability tests, constitutes an important part of the field of the research targeted at agrochemical customers. The objective of the Biology Department is to develop long-term projects within the framework of FTE cooperation for the agrochemical industry.

The implementation of a full range of analytical related to stability testing of substances and pharmaceutical products was completed in Q1 2018. Several stability projects are currently being conducted for Polish and foreign customers.

In Q1, 2018 the number of researchers employed in the Molecular and Cell Biology Laboratory increased by 30% due to the initiation of new projects. Similarly to previous quarters, in Q1 2018 the operations of the Analytical Laboratory focused on carrying out comprehensive research projects from the Drug Discovery Area, based on a SAR (Structure-Activity Relationship) analyses, where the lab professionals were responsible for developing a series of biochemical and cell tests aimed at determination of the *in vitro* activity of new candidates for drugs.

Additionally, comprehensive analyses of biosimilar drug conducted in GLP standard has been continued for European pharmaceutical company. In Q1 2018 the Division has continued research on the project: "*Development of a platform for in vitro testing of therapeutic biosimilar antibodies*" ("*Opracowanie platformy badań in vitro dla biopodobnych przeciwciał o działaniu terapeutycznym*") co-financed by the Małopolskie Centrum Przedsiębiorczości. The research team develops several biophysical, biochemical and cell-based *in vitro* tests allowing for a comparative analysis of the affinity and activity of monoclonal antibodies from the group of TNFα and VEGF inhibitors.

In the foreseeable future, the main goal of the Contract Biology Division will be to further development of Western European and U.S. markets, with special emphasis on the integrated drug discover offer addressed to pharmaceutical/biotechnology customers looking for support of its projects related to the development of innovative drugs.

CHEMISTRY DIVISION

The Contract Chemistry Division specializes in providing research and development services in the area of chemistry, which lead to cost-efficient development of new therapies, innovative processes and technologies, products. This Division specializes in medicinal and computational chemistry, as well as organic synthesis for the pharmaceutical, biotechnology, chemical and agrochemical industry.

In Q1 2018 the Contract Chemistry Division has offered in particular the following services:

- research (based on integrated projects) leading to discovery of new therapeutic molecules;
- designing new pharmacologically active molecules based on biological tests with support of computational tools;
- synthetic support for research projects aimed at developing new therapies;
- developing new, effective, cost-efficient and environment-friendly synthesis processes and alternative technologies for obtaining chemical substances;

- scaling-up chemical processes, optimization and parametrization of technologies for the registration purposes;
- custom synthesis of pharmaceutical and chemical compounds (aromatic, agrochemical, compounds for a professional use) in a scale from mg to kg;
- synthesis and analytics of pollutants, degradation products and analytical benchmarks for registration purposes;
- chemical analysis, structure testing, and qualitative and quantitative testing of the chemical composition of compounds and mixtures in accordance with the requirements of the pharmaceutical, chemical and agrochemical market;
- technical & scientific business consulting for the chemical industry.

In Q1 2018 the Division has increased the laboratory space (100 m2) and invested in specialized equipment supporting work on research and development projects, flow processes, including mainly purification and analyses of organic compounds. Thanks to this, Division increased its effectiveness and quality of offered processes, which enabled with increased range of offered services and customers satisfaction.

As a result of constantly increasing standards (technical, quality and infrastructural), interest in the services of the Contract Chemistry Division grew significantly, which in turn had an impact on the increase in the number of employees and revenues from chemical services.

Three new independent contracts were entered into in Q1 2018 in this area with companies from the United States and the United Kingdom, employing researchers from the area of chemistry, biology, analytics and computational chemistry. Work also has continued on more advanced integrated projects for which agreements were signed in the previous quarters, including chemical and biological support of a research and development program leading to the development of new therapies. Great part of this type of projects is a result of the increasing quality of offered services. Thanks to this Selvita was able to intensify sales activities and is more recognized as a provider of high quality service nowadays.

The Contract Chemistry Department currently works with more than 30 partners. The main customers of the Contract Chemistry Division are large and medium pharmaceutical companies, biotechnology companies as well as the agrochemical and chemical industry. The customer base of the Chemical Division is well diversified in terms of market segments, industries and geographical locations.

In Q1 2018, a great majority of projects were FTE-based model (almost 90%) conducted in the areas of process chemistry, contract synthesis and integrated projects. In addition, as in previous quarters, the Chemistry Department also fulfilled projects based on the Fixed-Price model in contract synthesis or synthesis and analysis of contaminants, mainly to pharmaceutical and agrochemical companies. In Q1, 2018, the department successfully continued its work on contracts conducted for customers from the European, Israeli, American and Japanese markets.

Like the Kraków branch, the scientific team in Poznań has continued its work on synthetic projects, increasing the portfolio of projects based on the FTE model, which enabled the further rapid development of both the branch's hardware and staffing.

The department's representatives took part in several prestigious international conferences, which was an opportunity to increase knowledge, as well as a great occasion to meet current and prospective business partners.

Bioinformatics Segment

ARDIGEN S.A. (BIOINFORMATICS AND PRECISION MEDICINE)

Ardigen S.A. has been working in a new organizational structure since January 2018, strongly focusing on R&D and new product development activities. Three Business Units have been created within the company and are supported now by the Business Development Department. Each of these units has a person responsible for its development at the Member of the Management Board level.

Business Unit Immunology which conducts research in the area of oncological immunotherapy, diagnostic testing and designing personalized oncological vaccines. As a result, ground-breaking products will be developed, with a global reach.

Business Unit Microbiome conducts research related to analysis of the impact of the microbiome on the human body, using globally unique methods linking metagenomics to artificial intelligence. The first commercial products in this area should appear at the beginning of 2019.

The Artificial Intelligence & Bioinformatics Services Business Unit has been focusing its activities on providing Bioinformatic, Data Science and Software Engineering services for biotechnology and pharmaceutical companies.

In the first quarter of 2018, the business units focused on internal product development increasing its R&D work related to projects supported with grant funding obtained in 2017. Additionally, active recruitment processes were conducted. The R&D teams were increased significantly, while the high-power computing infrastructure, the computing servers and the disk arrays for storing large amounts of multiomic data, including genomic data were developed.

In the service area, activities in the first quarter of 2018 focused on sales in the United States and Western Europe. Ardigen S.A. was present with its own stand at two conferences: Personalized Medicine World Conference in Mountain View and Molecular Medicine Tri-Conference in San Francisco.

At the beginning of 2018, the Business Development team started actively operating with an enlarged Management Board as a result of which the area, where Ardigen's brand recognition was systematically being built in the East Coast i.e. including the area of Boston and New York, was increased. This part of the United States is dominated by pharmaceutical companies and therefore the main focus was on the promotion of offering the use of Ardigen's technology based on Artificial Intelligence methods to accelerate and increase the effectiveness of the new drug development process.

Employment details

Further to a dynamic development in the period discussed in this Q1 2018 Report, the Group significantly increased its staffing. The staffing level is 474 employees as of 21 May 2018.

Information on Selvita S.A. Shareholding Structure

As at the date of publication of this Q1 2018 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	31,25%	8 490 880	42,41%
Bogusław Sieczkowski	924 384	5,79%	1 474 384	7,36%
Augebit FIZ*	1 039 738	7,55%	1 039 738	5,83%
Nationale Nederlanden PTE S.A.**	1 316 969	8,25%	1 316 969	6,58%
Remaining shareholders	7 699 258	47,16%	7 699 258	37,82%
Total	**15 971 229**	**100,00%**	**20 021 229**	**100,00%**

**The beneficiary of Augebit FIZ is Tadeusz Wesołowski – Vice Chairman of Selvita Supervisory Board; information based on the number of shares from the last notification provided by the shareholder to the Company (without taking into account the dilution resulting from the issue of H shares)*

***Number of shares represented at the Annual Shareholders' Meeting on May, 14 2018*

Consolidated Profit and Loss Statement

FOR THE PERIOD FROM 1 JANUARY 2018 TO 31 MARCH 2018	01/01/2018 - 31/03/2018 PLN	01/01/2017 - 31/03/2017 PLN
Continued operations		
Sales revenue	17 878 095	14 349 638
Grant income	5 300 526	2 817 876
Other operating revenues	140 712	121 324
Revenue from sales of R&D projects	-	9 551 384
Total operating revenue	**23 319 333**	**26 840 222**
Change in stock of goods	-	-
Depreciation and amortization	(1 694 839)	(994 866)
Consumption of materials and supplies	(5 483 380)	(4 312 081)
External services	(4 518 416)	(2 854 351)
Employee benefit expense	(11 575 868)	(9 689 051)
Taxes and charges	(183 876)	(137 762)
Other expenses	(698 146)	(695 771)
Cost of goods and materials sold	-	-
Other	(38 838)	(7 475)
Total operating expenses excluding impact of share-based incentive program	**(24 193 363)**	**(18 691 357)**
Profit (loss) on operating activities excluding impact of share-based incentive program	**(874 030)**	**8 148 865**
Share-based incentive program	-	(583 000)
Profit (loss) on operating activities	**(874 030)**	**7 565 865**
Financial income	538 368	19 673
Financial expenses	(490 170)	(837 493)
Other	-	-
Profit (loss) on business activities	**(825 832)**	**6 748 045**
Fair value method valuation of investments in Nodthera Ltd.	20 787 264	(817 894)
Profit (loss) before income tax	**19 961 432**	**5 930 151**
Income tax expense	(67 873)	(534 207)
Net profit (loss) on continued operations	**19 893 559**	**5 395 944**
Discontinued operations		
Profit (loss) on discontinued operations	-	-
Net profit (loss)	**19 893 559**	**5 395 944**
Net profit loss attributed to:		
Majority shareholders	19 962 813	5 243 628
Non-controlling shareholders	(69 254)	152 316
Other comprehensive income:		
Foreign subsidiaries results translation differences	(129 446)	39 834
Total other comprehensive income (loss)	**(129 446)**	**39 834**
Total comprehensive income (loss)	**19 764 113**	**5 435 778**
Total comprehensive income (loss) attributed to:		
Majority shareholders	19 833 367	5 283 462
Non-controlling shareholders	(69 254)	152 316
Earnings per share (expressed in gr per share)		
With continued and discontinued operations:		
Basic	123,7	39,5
Diluted	123,7	39,5
With continued operations:		
Basic	123,7	39,5
Diluted	123,7	39,5

Consolidated Balance Sheet

AS OF 31 MARCH 2018	31/03/2018	31/12/2017	31/03/2017
	PLN	PLN	PLN
ASSETS			
Fixed assets			
Tangible fixed assets	34 111 050	31 377 112	25 155 186
Investment property	-	-	-
Goodwill	280 740	280 740	280 740
Other intangible assets	100 110	126 011	126 011
Unfinished development works	2 231 330	2 231 330	4 925 338
Investments in Nodthera Ltd.	22 825 875	2 038 611	2 302 878
Deferred tax assets	7 429 331	7 451 082	9 619 591
Other financial assets	-	-	-
Other assets	196 038	196 038	196 038
Total fixed assets	**67 174 474**	**43 700 924**	**42 608 124**
Current assets			
Inventory	1 591 108	1 591 108	1 403 263
Trade and other receivables	22 079 123	18 592 306	28 193 804
Construction contracts receivables	493 729	633 207	1 024 450
Other financial assets	119 371	92 694	110 000
Current tax related assets	-	446 374	-
Other assets	2 261 740	2 392 763	1 488 078
Cash and other monetary assets	158 007 904	36 124 149	20 562 380
	184 552 975	**184 552 975**	**52 781 975**
Non-current assets held for sale and discontinued operations	-	-	-
Total current assets	**184 552 975**	**59 872 601**	**52 781 975**
Total assets	**251 727 449**	**103 573 525**	**95 390 099**

Consolidated Balance Sheet (cont.)

AS OF 31 MARCH 2018	31/03/2018	31/12/2017	31/03/2017
	PLN	PLN	PLN
EQUITY AND LIABILITIES			
Equity			
Share capital	6 388 492	5 508 492	5 377 337
Surplus from sale of shares above par value	154 505 709	25 480 803	25 480 803
Own shares	-	-	-
Supplementary capital	18 647 783	18 647 783	15 218 110
Other reserve capitals	11 172 000	11 172 000	11 172 000
Foreign subsidiaries results translation differences	(19 380)	110 066	39 834
Previous years' profit (loss)	1 327 987	(5 028 156)	(1 002 567)
Net profit (loss)	19 962 813	6 406 932	5 243 628
Provisions related to non-current assets held for sale and discontinued operations presented directly in equity	-	-	-
Equity attributed to majority shareholders	**211 985 404**	**62 297 920**	**61 529 145**
Equity attributed to minority shareholders	1 679 176	1 697 642	489 141
Total equity	**213 664 580**	**63 995 562**	**62 018 286**
Long-term liabilities			

Long-term credits and loans	3 779 243	3 981 697	4 656 547
Other financial liabilities	3 223 213	2 188 096	2 647 439
Retirement provision	156 674	156 674	61 438
Deferred income tax provision	523 767	525 516	168 956
Long-term provisions	1 706 950	1 740 650	-
Deferred income	3 879 024	4 233 055	5 405 077
Other liabilities	-	-	-
Total long-term liabilities	**13 268 871**	**12 825 688**	**12 939 457**
Short-term liabilities			
Trade and other liabilities	8 220 173	10 873 295	10 532 033
Construction contracts liabilities	430 647	379 582	-
Short-term credits and loans	968 029	912 416	855 336
Other financial liabilities	1 297 123	911 438	867 558
Current tax liabilities	51 223	74 491	-
Short-term provisions	7 240 383	5 149 870	5 208 148
Deferred income	6 586 420	8 451 183	2 969 281
Other liabilities	-	-	-
Total short-term liabilities	**24 793 998**	**26 752 275**	**20 432 356**
Total liabilities	**38 062 869**	**39 577 963**	**33 371 813**
Total equity and liabilities	**251 727 449**	**103 573 525**	**95 390 099**

Consolidated Cash Flow

	01/01/2018-31/03/2018	01/01/2017-31/03/2017
	PLN	PLN
Cash flows from operating activities		
Net profit (loss)	**19 893 559**	**5 395 944**
Adjustments		
Fair value method valuation of investments in Nodthera Ltd.	(20 787 264)	817 894
Depreciation and amortization	1 694 839	994 866
Exchange gains (losses)	-	-
Interest and profit-sharing (dividends)	31 134	19 128
Profit (loss) on investing activities	-	(9 551 384)
Change in receivables	(2 900 965)	(12 300 066)
Change in inventory	-	-
Change in short-term liabilities and provision excluding credits and loans	(2 602 057)	2 472 777
Change in grants	(3 557 775)	(5 238 750)
Change in deferred revenue	10 111	(451 924)
Change in other current assets	3 763 763	(699 031)
Change in provisions	124 348	1 608 180
Income tax paid	-	536 157
Contribution in kind of non-controlling shareholders	-	-
Share-based incentive program	-	583 000
Other	-	-
Cash flows from operating activities	**(4 330 306)**	**(15 813 209)**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	-	-
Purchase of tangible and intangible fixed assets	(3 884 620)	(7 312 210)
Purchase of tangible and intangible fixed assets partially financed with grant	(632 956)	-
Proceeds from sale of other assets	-	12 789 000
Purchase of other financial assets	-	-
Interest received	31 819	19 128
Loans granted	(30 000)	(50 000)

Other inflows from financial assets	-	-
Other	-	-
Cash flows from investing activities	**(4 515 757)**	**5 445 918**
Cash flow from financing activities		
Proceeds from shares issue	134 200 000	327 887
Payment of liabilities from finance lease agreements	(293 694)	(458 929)
Proceeds from credits and loans	89 615	45 036
Grants	1 328 870	2 181 793
Repayment of credits and loans	(236 926)	(196 916)
Dividends paid	-	-
Interest paid	(62 954)	(63 869)
Payments connected with shares issue	(4 295 094)	-
Other	-	-
Net cash flows from financing activities	**130 729 818**	**1 835 002**
Increase of net cash	121 883 755	(8 532 289)
Cash opening balance	36 124 149	29 094 669
Cash and cash equivalents - end of the period	**158 007 904**	**20 562 380**

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