



CONSOLIDATED QUARTERLY REPORT
SELVITA S.A. | Q3 2014

6 November 2014

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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
KRS number	0000367359
Website	www.selvita.com

Related Entities as of 30 September 2014

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
KRS number	0000206301
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
KRS number	0000403763
Shareholders	100% shares held by Selvita S.A.

All entities within the Selvita Group are consolidated.

The Core Business of the Capital Group

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

- **Innovative segment** – research and development activities implemented through in-house research projects on innovative drugs,
- **Service segment** – R&D services provided to external clients, in particular to pharmaceutical and biotechnology industry and implementation of bioinformatics systems.

FINANCIAL HIGHLIGHTS

Capital Group Selvita S.A.		Consolidated data in PLN		
Item	From		Year to date (YTD)	Year to date (YTD)
	01.07.2013 to 30.09.2013	01.07.2013 to 30.09.2013	From 01.01.2013 to 30.09.2013	From 01.01.2014 to 30.09.2014
Equity	2 805 055.62	6 924 933.43	2 805 055.62	6 924 933.43
Long-term receivables	162 043.23	189 645.23	162 043.23	189 645.23
Short-term receivables	3 534 094.74	7 043 577.85	3 534 094.74	7 043 577.85
Cash and cash equivalents	5 744 491.64	6 377 560.41	5 744 491.64	6 377 560.41
Long-term liabilities	142 082.69	503 231.80	142 082.69	503 231.80
Short-term liabilities	3 966 832.05	4 508 457.61	3 966 832.05	4 508 457.61
Amortization and depreciation	439 030.54	665 236.69	1 438 939.97	1 939 591.58
Net revenues from sales	3 099 222.61	7 516 414.60	8 150 990.62	20 002 217.64
Revenues from subsidies	2 027 879.46	3 206 164.98	5 563 087.76	9 140 425.51
Total revenues from sales and subsidies	5 127 102.07	10 722 579.58	13 714 078.38	29 142 643.15
Operating expenses	5 867 839.88	9 294 346.19	81 733.42	47 493.92
Profit/loss on sales	-2 768 617.27	-1 699 645.29	-8 230 262.28	-5 615 007.54
Operating profit/loss	-681 869.64	1 549 894.14	-2 559 507.34	3 737 985.33
Gross profit/loss	-737 086.02	1 610 922.21	-2 689 835.29	3 737 985.33
Net profit/loss	-756 091.02	1 630 166,21	-2 708 840.29	3 702 185.33
EBITDA	-242 839.10	2 215 130.83	-1 120 567.37	5 592 567.90

Capital Group Selvita S.A.		Consolidated data in EUR		
Item	From		Year to date (YTD)	Year to date (YTD)
	01.07.2013 to 30.09.2013	01.07.2013 to 30.09.2013	From 01.01.2013 to 30.09.2013	From 01.01.2014 to 30.09.2014
Equity	665 288.43	1 658 468.07	665 288.43	1 658 468.07
Long-term receivables	38 432.57	45 418.57	38 432.57	45 418.57
Short-term receivables	838 198.12	1 686 882.49	838 198.12	1 686 882.49
Cash and cash equivalents	1 362 448.51	1 527 376.46	1 362 448.51	1 527 376.46
Long-term liabilities	33 698.43	120 520.13	33 698.43	120 520.13
Short-term liabilities	940 832.50	1 079 740.78	940 832.50	1 079 740.78
Amortization and depreciation	103 332.91	156 574.17	342 490.59	464 472.71
Net revenues from sales	729 451.98	1 769 109.28	1 940 065.36	4 789 917.78
Revenues from subsidies	477 294.10	754 622.59	1 324 103.34	2 188 851.63
Total revenues from sales and subsidies	1 206 746.08	2 523 731.87	3 264 168.70	6 978 769.40
Operating expenses	1 381 090.66	2 187 574.13	3 898 998.64	11 373.34
Profit/loss on sales	-651 638.68	-400 038.90	-1 958 933.28	-1 344 622.13
Operating profit/loss	-160 489.01	364 792.56	-609 203.44	895 132.86
Gross profit/loss	-173 485.07	379 156.50	-640 223.56	895 132.86
Net profit/loss	-177 958.20	383 685,88	-644 747.06	886 559.86
EBITDA	-57 156.09	521 366.73	-266 712.85	1 339 248.52

The financial highlights presented in this interim report were converted into EUR according to the following criteria:

1. Items concerning the Profit and Loss Account, Statement of Changes in Equity and Statement of Cash Flows were converted according to the exchange rate constituting an arithmetic mean of the daily average exchange rates published by the National Bank of Poland (NBP);
 - for the period from 01.07.2013 to 30.09.2013: PLN 4.2487
 - for the period from 01.07.2014 to 30.09.2014: PLN 4.1748
 - for the period from 01.01.2013 to 30.09.2013: PLN 4.2014
 - for the period from 01.01.2014 to 30.09.2014: PLN 4.1759
2. Balance Sheet items were converted at the average exchange rate published by the National Bank of Poland as of the Balance Sheet date, the exchange rate being:
 - as of 30 September 2013: PLN 4.2163
 - as of 30 September 2014: PLN 4.1755

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

Increase and Dynamics of Revenues and Financial Results

The third quarter of 2014 was another reporting period in which the Capital Group Selvita S.A. recorded an operating profit. This positive result is associated with continued profitability in innovation and service activities. The Group's Q3 2014 net profit was PLN 1,630.2k (which translates into a net margin of 15.2% calculated as the net profit to total revenues, i.e. including sales and subsidies). It is worth emphasizing that the positive result for Q3 2014 and the previous quarters (starting from Q4 2013) was not affected by one-off events and that the financial results is not associated with limiting the development of business. The positive trend is clearly visible taking into account that in Q3 2013 Selvita recorded a net loss of PLN 756.1k. The improvement in the EBITDA is even more evident – in Q3 2014 the Group's EBITDA was positive and amounted to PLN 2,215.1k compared to PLN -242.8k in Q3 2013. In the reporting period, the Group consistently conducted intensive research and development activities within the projects commenced in the previous years, which, according to the Group's accounting policy, are recognized as costs.

In Q3 2014, Selvita Group generated PLN 10,722.6k in revenues – an over two-fold growth (109.0%) compared to Q3 2013 which saw revenues of PLN 5,127.1k. Net revenues from sales (excluding subsidies) amounted to PLN 7,516.4k, up by 142.5% compared to Q3 2013 when the net sales totaled PLN 3,099.2k.

Of particular note are revenues generated by the segment of Selvita's in-house R&D projects which amounted to 3,505.2k – a 274.3% increase compared to Q3 2013 which saw revenues of PLN 936.4k. This significant revenue growth results both from a low base (implementation of contracts with H3 Biomedicine and Merck Serono commenced at the turn of Q3/Q4 2013) and extending the scope of collaboration under previously concluded contracts.

In the area of services, Selvita has been consistently pursuing its strategy of focusing on service projects with high added-value and hence greater profitability. As a result, the Group's order portfolio shows a positive trend that has already translated into higher dynamics of commercial revenues in Q3 2014 and which should continue in the coming quarters. The cost-effective and rapidly growing service segment is a stable foundation for growth – revenues from services for Q3 2014 reached PLN 4,011.2k, a 85.5% growth compared to the corresponding period of 2013.

In recent months, Selvita has signed new contracts with large multinational pharmaceutical corporations under which the Group's companies will conduct advanced research work, i.e. services with high added-value and profit margin. Of particular importance for the service segment was the signing of a contract with new Polish partner – Pharmaceutical Research Institute for a net total of over PLN 1.2m which contributed to diversification of revenues and lower exchange rate risk across the Group.

Compared to Q3 2013, revenues from subsidies were up by 58.1% from PLN 2,027.9k to PLN 3,206.2k mostly due to the planned increase in expenditures on the implementation of SEL300 and SEL128 projects as well as successive writing-off into revenues the received infrastructural subsidies included in the deferred revenue.

At the publication date of this quarterly report, revenues from the concluded commercial contracts and grant agreements (backlog) for 2014 were PLN 40,059.0k including:

– Services	PLN 15,106.6 k
– Innovation	PLN 12,002.6 k
– Subsidies	PLN 12,949.8 k

At the date of this report, the order backlog was up 83.2% compared to the previous year's revenues amounting to PLN 21,861.7k. Particularly noteworthy is the increase in sales revenue – 105.8% year over year i.e. over two times higher than the increase in subsidies. This trend is mainly associated with the focus on commercial activities and proves the increasing value of the Selvita Group on the R&D outsourcing market.

It is also important to note that the Group has systematically increased its employment figures. From November 2013 to November 2014, the number of employees increased from 165 to 218 (210.58 FTEs).

The Group's cash balance on the publication date of this report was PLN 8,316.7k.

Economic and Financial Situation

FIXED ASSETS

As of 30 September 2014, the value of fixed assets was PLN 7,662.2k, representing 31.3% of the Group's total assets. They consist primarily of tangible fixed assets with a value of PLN 5,796.5k (including expenditure on adaptation and equipping laboratory premises) and long-term prepayments covering mainly deferred income tax assets.

LONG- AND SHORT-TERM RECEIVABLES

Long-term receivables in the amount of PLN 189.6k cover security deposits paid by the Group based on the lease agreement for research space. As of 30 September 2014, short-term receivables equaled PLN 7,043.6 k, representing 28.7% of the Group's total assets. This asset position consists of mainly trade receivables of PLN 6,120.1k and VAT receivables arising from the submitted VAT refund applications for a total of PLN 766.0k. The reported significant increase in receivables compared to the corresponding period of the previous year

results from expansion of the Company's operations and issuing high-value invoices in the last month of the quarter. Most of these receivables were settled in the following reporting period. The Management Board of Selvita S.A. excludes the risk of non-payment for the work completed by the Group.

LONG- AND SHORT-TERM LIABILITIES

The value of the Group's liabilities as at 30 September 2014 was PLN 5,011.7k (20.4% of the Group's total liabilities) of which long-term liabilities arising from lease contracts totaled PLN 503.2 k. Trade payables of PLN 3,799.7 k. account for the main share of the Group's short-term liabilities.

Financial Forecasts

In the light of the results presented in this quarterly report, the Management Board of Selvita S.A. maintains a full-year net profit forecast for the Selvita Group for the fiscal year 2014.

INFORMATION OF THE MANAGEMENT BOARD ON BUSINESS DEVELOPMENT ACTIVITIES

R&D Activities (Innovative Segment)

In Q3 2014, Selvita Group successfully continued all of its research projects, including activities in which it invests its own resources and projects implemented in collaboration with external partners, i.e. Kinase Discovery Platform in collaboration with H3 Biomedicine and Cancer Metabolism Platform with Merck Serono.

SEL24

Work related to the preparation of SEL24-B489 molecule for further development, pre-clinical and clinical studies focused on continuation of the audit process and selection of an external contractor to conduct pre-clinical and phase-1 clinical studies. The list of prospective subcontractors was narrowed down after initial round of talks and review of the submitted bids.

Moreover, further research confirmed the key results concerning the activity of clinical candidate SEL24-B489 in *in-vivo* studies compared to the competitive compounds – selective PIM kinase inhibitor AZD1208 and selective FLT3 kinase inhibitor AC220. Results concerning antitumor activity of B489 clinical candidate in *in-vitro* and *in-vivo* studies as well as its safety parameters confirmed its therapeutic potential and justify its further pre-clinical development.

SEL120

Work continued on analyzing the mechanism of action and pre-clinical efficacy of clinical candidate SEL120-34 – a selective CDK8 kinase inhibitor. These efforts are necessary to determine the program's position within the selected therapeutic indications. Research to date has confirmed the compound's activity in advanced models *in-vivo* and the current research focus is on selecting the most rational combination with the approved drugs. Additionally, Selvita has begun preliminary preparations for further pre-clinical development of SEL120-34.

SEL201

Within the SEL201 project, Selvita has identified a leading molecule which is a selective MNK1 and MNK2 inhibitor whose mechanism of action has been demonstrated in cellular models *in-vitro* and xenograft models *in-vivo*. As the identified leading molecules have satisfactory bioavailability and pharmacokinetic profile, the project efforts are currently channeled into defining the clinical hypothesis of MNK1/2 inhibitors for oncology and other indications in which the regulation of translation has therapeutic potential.

SEL303

SEL303 is a joint R&D project implemented by Selvita and the Department of the Faculty of Biochemistry, Biophysics and Biotechnology of the Jagiellonian University aiming to identify and optimize small-molecule inhibitors of Heme Oxygenase-1 (HO-1) with potential application in cancer treatment. Preparations for *in-vitro* screening of potential HO-1 inhibitors previously selected by *in-silico* screening were completed in the third quarter of the project. In parallel, work continued to identify the most effective directions for further development of HO-1 inhibitors in oncology.

SEL103

Having received from Orion Pharma the rights for further development and use of the developed molecules, Selvita continues its partnering discussions with prospective pharmaceutical partners which were launched in the earlier quarters. The discussions concern further development of SEL103 compounds which, compared to other competitive advanced compounds, have been shown to demonstrate a promising mechanism of action in clinical studies on the symptomatic treatment of Alzheimer's disease.

KINASE DISCOVERY PLATFORM

In Q3 2014, research conducted within the strategic collaboration with H3 Biomedicine Inc. focused mainly on developing small-molecule chemical compounds capable of inhibiting the activity of two separate protein kinase targets. Series of compounds with the desired biological parameters have been successfully identified in both cases. All project works proceed according to the schedule. The details are a trade secret.

CANCER METABOLISM PLATFORM

Together with Merck Serono, Selvita continued its research on small molecule inhibitors targeting cancer cell metabolism. The project's quarterly milestones have been achieved. Current work focuses on optimization of the first hits to identify leading molecules and exploring alternative molecules with potential to initiate new chemical series in the project. All research work proceeds according to the schedule. The details are a trade secret.

OTHER PROJECTS

In addition to the abovementioned projects, Selvita S.A. conducts other in-house research and development programs the details of which are a trade secret.

Research and Development Commercialization

Selvita Group is engaged in intensive talks with clients, mostly foreign, interested in SEL24, SEL120, SEL141, SEL201, SEL203 and SEL212 projects. Business negotiations are under way, with individual projects undergoing multifaceted evaluation based on publicly available or confidential documents provided to the prospective clients. The most advanced negotiations concern SEL24, SEL120 and SEL141 projects. According to the Management Board of Selvita S.A., there is a good chance to bring the talks to a successful conclusion in the coming months for at least one of the negotiated projects.

Service Segment

In the previous period, Selvita's service segment further increased its growth rate which had already been strong in the past several quarters. The revenues increased by 85% compared to Q3 2013 with continued gradual growth of profitability. It is noteworthy that the growing revenues from service activities are driven not only by exploration of new markets but also by extending collaboration with the existing partners. The long-term, continually developed collaboration with major pharmaceutical corporations (Selvita currently collaborates with

7 out of 10 largest pharmaceutical companies) confirms Selvita's growing corporate reputation and is a good predictor for further increase in the scale and profitability of its business.

Revenues look very strong also from the perspective of the type of service provided. While in the previous years the fastest growth was recorded by chemical services, this year they were joined by biology, biochemistry and analytical laboratories which signed significant contracts both on the international market – a contract with a Brazilian company reported in June (ca. PLN 800k) and in Poland – starting collaboration with the Pharmaceutical Research Institute (as announced in news release dated 9 October 2014). Such diversification contributes to the stability of revenues.

The geographical structure of revenues is consistent with the global market potential – the highest growth dynamics is observed in the American market followed by Western Europe companies, Poland and other countries.

In Q3 2014 Selvita launched an additional laboratory module dedicated to the service segment and is planning to open another laboratory in Q4 2014. Owing to its location within the Life Science Park, Selvita is able to rent ready-to-use laboratory space adapted to the specifics of respective research activities. Laboratory equipment is leased or acquired through infrastructure grants. All of this allows the company to gradually expand services without a significant investment burden.

Following a permit to operate in the Krakow Special Economic Zone (received June 2014), Selvita Services Sp. z o.o., a company belonging to the Capital Group Selvita S.A., launched operations within the special economic zone in July 2014 which is bound to further improve profitability of the service segment.

As at the date of this report, the order backlog for 2014 in the service segment was PLN 15.1 m compared to PLN 9.9 m in revenues generated by services in 2013, implying at least a 50% growth of services year over year.

Participation in Major Conferences and Marketing Events

In Q3 2014, Selvita continued its active sales and marketing strategy by participating in major conferences and trade fairs, consistently building its brand in the global biotech industry, establishing new business contacts and maintaining good relations with the existing clients.

In Q3 2014, Selvita Group participated i.a. in:

- Bio Latin America Conference 2014, Rio de Janeiro, 9-11 September 2014, Brazil
- Bio Spain, Santiago de Compostela, 24-26 September 2014, Spain
- Fragment-Based Lead Discovery Conference 2014, 21-24 September 2014, Basel, Switzerland
- BIO 2014 Congress, 9-12 September 2014, Warsaw
- Nordic Life Science Days 2014, 7-9 September 2014, Stockholm, Sweden
- BioPharm America 2014, 22–24 September 2014, Boston, MA
- Pharma ChemOutsourcing, 15-18 September 2014, Long Branch, NJ, USA
- 7TH INTERNATIONAL CONGRESS ON BIOCATALYSIS, Hamburg University of Technology, 31 August – 4 September 2014

Other Important Events in Q3 2014

Annual General Meeting of Selvita S.A.

The Annual General Meeting of Shareholders was held on 9 July 2014. The shareholders of Selvita S.A. adopted resolutions on the following matters:

- consideration of the Supervisory Board's report on the assessment of the Financial Statements for the financial year 2013, the Management Report on the Company's operations for the financial year 2013, the Consolidated Financial Statements of the Selvita Group for the financial year 2013, the Management Report on the operations of the Selvita Group for the financial year 2013 and the Management Board's motion on covering the loss;
- approval of the Management Report on the Company's operations for the financial year 2013;
- approval of the Financial Statements for the financial year 2013;
- approval of the Management Report on the operations of the Selvita Group for the financial year 2013;
- approval of the Consolidated Financial Statements of the Selvita Group for the financial year 2013;
- covering the loss for the year 2013;
- granting discharge to members of the Management Board and Supervisory Board;
- preparation of Financial Statements in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of regulations of the European Commission ("IAS");
- increase of the share capital through a public issue of not more than 2,651,891 of ordinary bearer shares (F series) with a nominal value of PLN 0.40 per share with full waiver of the existing shareholders' pre-emptive rights, resolution on dematerialization of shares and applying for admission of the Company's shares to trading on the regulated market and on amending the Company Statutes.

INFORMATION ON SUBMITTING THE PROSPECTUS TO THE POLISH FINANCIAL SUPERVISION AUTHORITY

On 11 July 2014 the Company applied to the Polish Financial Supervision Authority for approval of the prospectus in connection with the application for admission and introduction of the Company's shares to trading on the regulated market of the Warsaw Stock Exchange.

RELEASING THE RESULTS FROM SEL24 ONCOLOGY PROGRAM AT THE ASH MEETING ON LYMPHOMA BIOLOGY, USA

Selvita reported the data from its SEL24 oncology program at the ASH Meeting on Lymphoma Biology 2014 which took place on August 10th – 13th 2014 in Colorado Springs, Colorado, USA. The data were obtained in collaboration with the Institute of Hematology and Transfusion Medicine (IHIT).

The data presented at the conference included the most recent findings on clinical candidate SEL24-B489 – potentially best-in-class dual inhibitor of PIM/FLT3, in therapeutic areas such as Hodgkin's lymphoma or chronic myeloid leukemia. The research was carried out by IHIT scientists under the direction of Professor Przemysław Juszczynski, Deputy Scientific Director at IHIT.

The poster presentation regarding results of the project in the area of Hodgkin's lymphoma entitled "Inhibition of Pim kinases impairs NFκB activity and induces apoptosis in Hodgkin's Lymphoma-derived cell lines" (poster number: 116) and the poster presentation entitled "Novel PIM Kinase Inhibitor SEL24-B489 Induces Apoptosis and Impairs CXCR4-mediated Migration of Chronic Lymphocytic Leukemia Cells" (poster number: 118) took

place on Tuesday, August 12th from 4:00 pm to 5:30 pm in the Broadmoor Conference Center in Colorado Springs.

Relevant Events in the Period between the End of Q3 2014 and Publication of the Report

Conclusion of major contract in biological services

On 8 October 2014 the Company was notified of conclusion of a contract with the Pharmaceutical Research Institute from Warsaw to provide the Institute with services in the field of ophthalmic products' analysis. The total value of the contract is PLN 882 k.

The aim of the cooperation is to develop, optimize and validate the cellular model and analytical methods required to analyze the extent and rate of penetration of active pharmaceutical ingredients and final medicinal products through human cornea. This research is part of a project entitled "Innovative Technologies of Ophthalmic Medicines of Special Therapeutic and Social Importance" UDA-POIG.01.03.01-14-068/08.

Information on Shareholding Structure of Selvita S.A.

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

Shareholder	Shares	% of shares	Votes	% of votes
Paweł Przewięźlikowski	5 446 385	52.05%	8 946 385	61.64%
Bogusław Sieczkowski	909 419	8.69%	1 458 419	10.06%
Privatech Holdings Limited	925 738	8.85%	925 738	6.38%
Other shareholders	3 182 024	30.41%	3 182 024	21.92%
Total	10 463 566	100%	14 513 566	100%

CONSOLIDATED SUMMARIZED FINANCIAL STATEMENTS OF THE CAPITAL GROUP SELVITA S.A.

Consolidated Summarized Balance Sheet

	PLN	PLN	EUR	EUR
Balance Sheet	Status as at 30/09/2013	Status as at 30/09/2014	Status as at 30/09/2013	Status as at 30/09/2014
A. Fixed assets	6 971 615.87	7 662 176.83	1 653 491.42	1 835 032.17
I. Intangible assets	801.58	5 149.96	190.11	1 233.38
II. Goodwill of subsidiaries	0.00	0.00	-	0.00
III. Tangible fixed assets	5 116 819.06	5 796 471.64	1 213 580.40	1 388 210.19
IV. Long-term receivables	162 043.23	189 645.23	38 432.57	45 418.57
V. Long-term investments	0.00	0.00	-	0.00
VI. Long-term prepayments and deferred costs	1 691 952.00	1 670 910.00	401 288.33	400 170.04
B. Current assets	10 128 090.13	16 852 577.36	2 402 127.49	4 036 062.11
I. Inventory	345 759.41	528 320.58	82 005.41	126 528.70
II. Short term receivables	3 534 094.74	7 043 577.85	838 198.12	1 686 882.49
III. Short term investments	5 744 491.64	6 377 560.41	1 362 448.51	1 527 376.46
IV. Short term prepayments and deferred costs	503 744.34	2 903 118.52	119 475.45	695 274.46
Total assets	17 099 706.00	24 514 754.19	4 055 618.91	5 871 094.28
A. Shareholders' equity	2 805 055.62	6 924 933.43	665 288.44	1 658 468.07
I. Share capital	4 185 426.40	4 185 426.40	992 677.56	1 002 377.30
II. Unpaid share capital (negative value)	0.00	0.00	0.00	0.00
III. Treasury shares (negative value)	0.00	0.00	0.00	0.00
IV. Reserve capital	14 429 101.36	2 521 789.11	3 422 218.86	603 949.01
V. Revaluation reserve	0.00	0.00	0.00	0.00
VI. Other reserves	0.00	1 883 442.00	0.00	451 069.81
VII. Currency translation profit/loss	0.00	0.00	0.00	0.00
VIII. Retained profit/loss	-13 100 631.85	-5 367 909.41	-3 107 139.40	-1 285 572.84
IX. Net profit/loss	-2 708 840.29	3 702 185.33	-642 468.58	886 644.79
X. Deductions from net profit during the financial year (negative value)	0.00	0.00	0.00	0.00
B. Minority interest	0.00	0.00	0.00	0.00
C. Negative goodwill of subsidiaries	0.00	0.00	0.00	0.00
I. Negative goodwill – subsidiaries	0.00	0.00	0.00	0.00
II. Negative goodwill - jointly controlled entities	0.00	0.00	0.00	0.00
II. Negative goodwill – associated entities	0.00	0.00	0.00	0.00
D. Liabilities and provisions for liabilities	13 971 527.44	17 589 820.76	3 313 693.90	4 212 626.21
I. Provisions for liabilities	1 754 506.30	2 991 625.89	416 124.60	716 471.29
II. Long-term liabilities	142 082.69	503 231.80	33 698.40	120 520.13
III. Short-term liabilities	3 966 832.05	4 508 457.61	940 832.50	1 079 740.78
IV. Accruals and deferred income	8 431 229.34	9 586 505.46	1 999 674.90	2 295 894.02
Total Liabilities and Equity	17 099 706.00	24 514 754.19	4 055 618.90	5 871 094.29

Consolidated Summarized Profit and Loss Account

	PLN	PLN	PLN	PLN	EUR	EUR	EUR	EUR
Profit and Loss Account (classification of expenses by type)	01/07/2013 -30/09/2013	01/07/2014 -30/09/2014	01/01/2013 -30/09/2013	01/01/2014 -30/09/2014	01/07/2013 -30/09/2013	01/07/2014 -30/09/2014	01/01/2013 -30/09/2013	01/01/2014 -30/09/2014
A. Net sales and sale equivalents	3 101 245.18	7 594 700.90	8 128 692.45	19 869 894.60	729 928.02	1 819 171.15	1 934 758.04	4 758 205.75
I. Net sales of goods	3 047 546.79	7 476 414.60	7 856 346.90	19 496 514.64	717 289.24	1 790 837.84	1 869 935.47	4 668 793.16
II. Change in stock of goods	2 022.57	78 286.30	-22 298.17	-132 323.04	476.04	18 752.05	-5 307.32	-31 687.15
III. Cost of goods produced for the Company's own use	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IV. Net sales of goods for resale and raw materials	51 675.82	40 000.00	294 643.72	505 703.00	12 162.74	9 581.27	70 129.89	121 099.73
B. Operating expenses	5 869 862.45	9 294 346.19	16 358 954.73	25 484 902.14	1 381 566.70	2 226 289.97	3 893 691.32	6 102 820.89
I. Depreciation	439 030.54	665 236.69	1 438 939.97	1 939 591.58	103 332.91	159 345.23	342 490.59	464 470.29
II. Materials and energy	1 192 961.12	1 792 474.08	3 257 117.78	5 125 000.57	280 782.62	429 354.25	775 245.82	1 227 274.11
III. External services	917 803.55	1 741 283.07	2 463 046.54	4 200 769.63	216 019.85	417 092.39	586 244.24	1 005 950.29
IV. Taxes and charges	51 287.26	76 714.73	132 956.99	181 479.53	12 071.28	18 375.60	31 645.88	43 458.56
V. Payroll	2 525 736.93	3 784 582.08	6 846 743.15	10 361 855.87	594 472.88	906 527.15	1 629 633.73	2 481 333.85
VI. Social insurance and other benefits	519 735.59	776 882.37	1 397 042.20	2 208 795.23	122 328.15	186 087.91	332 518.26	528 935.98
VII. Other	178 050.04	425 023.80	606 658.45	1 121 988.65	41 906.95	101 806.65	144 394.36	268 680.48
VIII. Value of goods and materials sold	45 257.42	32 149.37	216 449.65	345 421.08	10 652.06	7 700.79	51 518.46	82 717.33
C. Profit/on sales (A-B)	-2 768 617.27	-1 699 645.29	-8 230 262.28	-5 615 007.54	-651 638.68	-407 118.82	-1 958 933.28	-1 344 615.14
D. Other operating revenue	2 143 324.51	3 288 617.21	5 752 488.36	9 315 477.78	504 465.96	787 727.87	1 369 183.69	2 230 759.69
I. Gain on disposal of non-financial fixed assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Subsidies	2 027 879.46	3 206 164.98	5 563 087.76	9 140 425.51	477 294.10	767 977.95	1 324 103.34	2 188 840.26
III. Other operating revenue	115 445.05	82 452.23	189 400.60	175 052.27	27 171.85	19 749.92	45 080.35	41 919.43
E. Other operating expenses	56 576.88	39 077.78	81 733.42	47 493.92	13 316.28	9 360.36	19 453.85	11 373.28
I. Loss on disposal of non-financial fixed assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Impairment of non-financial assets	0.00	30 000.00	0.00	30 000.00	0.00	7 185.95	0.00	7 184.04
III. Other operating expenses	56 576.88	9 077.78	81 733.42	17 493.92	13 316.28	2 174.42	19 453.85	4 189.24
F. Operating profit/loss (C + D-E)	-681 869.64	1 549 894.14	-2 559 507.34	3 652 976.32	-160 489.01	371 248.68	-609 203.44	874 771.27
G. Financial income	9 386.50	86 434.00	39 466.83	119 859.10	2 209.26	20 703.68	9 393.73	28 702.43
I. Dividends and share in profit	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Interest	8 908.86	8 219.28	21 824.98	19 311.45	2 096.84	1 968.78	5 194.69	4 624.48
III. Gain on sale of investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IV. Impairment of investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
V. Other	477.64	70 237.32	17 641.85	100 547.65	112.42	16 824.06	4 199.04	24 077.95
H. Financial expenses	64 602.88	25 405.93	129 689.12	34 850.09	15 205.33	6 085.52	30 868.07	8 345.48
I. Interest	35 826.06	2 498.70	52 419.68	18 921.10	8 432.24	598.52	12 476.72	4 531.00
II. Loss on disposal of investments	0.00	0.00	20 168.43	0.00	0.00	0.00	4 800.41	0.00
III. Impairment of investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IV. Other	28 776.82	14 929.83	57 101.01	15 928.99	6 773.09	3 576.17	13 590.95	3 814.48
I. Profit/loss on disposal of all or part of shares of subsidiaries	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
J. Profit/loss on operating activities (F + G-H+/-I)	-737 086.02	1 610 922.21	-2 649 729.63	3 737 985.33	-173 485.07	385 866.84	-630 677.78	895 128.21

K. Result on extraordinary items (K.I-K.II)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
I. Extraordinary gains	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Extraordinary losses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
L. Write-off of goodwill	0.00	0.00	40 105.66	0.00	0.00	0.00	9 545.78	0.00
I. Write-off of goodwill – subsidiaries	0.00	0.00	40 105.66	0.00	0.00	0.00	9 545.78	0.00
II. Write-off of goodwill - jointly controlled entities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
III. Write-off of goodwill – associated entities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
M. Write-off of negative goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
I. Write-off of negative goodwill – subsidiaries	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Write-off of negative goodwill – entities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
III. Write-off of negative goodwill – associated entities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
N. Profit/loss on shares in subsidiaries measured under equity method	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
O. Gross profit/loss (J+/-K-L+M+/-N)	-737 086.02	1 610 922.21	-2 689 835.29	3 737 985.33	-173 485.07	385 866.84	-640 223.56	895 128.21
P. Income tax	19 005.00	-19 244.00	19 005.00	35 800.00	4 473.13	-4 609.55	4 523.49	8 572.96
Q. Other obligatory profit decrease (loss increase)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
R. Profits/losses of minority shareholders	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
S. Net profit/loss (O-P-Q+/-R)	-756 091.02	1 630 166.21	-2 708 840.29	3 702 185.33	-177 958.20	390 476.38	-644 747.06	886 555.26

Consolidated Summarized Statement of Cash Flows

	PLN	PLN	PLN	PLN	EUR	EUR	EUR	EUR
Statement of Cash Flows (indirect method)	01/07/2013	01/07/2014	01/01/2013	01/01/2014	01/07/2013	01/07/2014	01/01/2013	01/01/2014
	-30/09/2013	-30/09/2014	-30/09/2013	-30/09/2014	-30/09/2013	-30/09/2014	-30/09/2013	-30/09/2014
A. Cash flow from operations								
I. Net profit/loss	-756 091.02	1 630 166.21	-2 708 840.29	1 610 922.21	-177 958.20	390 476.38	-644 747.06	385 764.47
II. Total adjustments	-1 665 457.45	-4 352 171.00	-3 260 880.87	-4 332 927.00	-391 992.24	-1 042 482.65	-776 141.49	-1 037 597.76
III. Net cash flow from operations (I+/-II)	-2 421 548.47	-2 722 004.79	-5 969 721.16	-2 722 004.79	-569 950.45	-652 006.27	-1 420 888.55	-651 833.29
B. Cash flows from investing activities								
I. Inflow	0.00	128 554.16	0.00	128 554.16	0.00	30 792.79	0.00	30 784.62
II. Outflow	230 662.10	994 842.30	1 470 867.53	994 842.30	54 290.04	238 296.21	350 089.86	238 232.99
III. Net cash flows from investing activities (I-II)	-230 662.10	-866 288.14	-1 470 867.53	-866 288.14	-54 290.04	-207 503.42	-350 089.86	-207 448.37
C. Cash flow from financing activities								
I. Inflow	3 461 001.58	3 389 642.07	8 191 353.09	3 389 642.07	814 602.49	811 926.52	1 949 672.27	811 711.12
II. Outflow	0.00	851 495.36	134 161.14	851 495.36	0.00	203 960.08	31 932.48	203 905.97
III. Net cash flow from financing activities (I-II)	3 461 001.58	2 538 146.71	8 057 191.95	2 538 146.71	814 602.49	607 966.44	1 917 739.79	607 805.15
D. Total net cash flow (A.III+/-B.III+/-C.III)	808 791.01	-1 050 146.22	616 603.26	-1 050 146.22	190 362.00	-251 543.24	146 761.38	-251 476.51
E. Change in balance sheet cash and cash equivalents	808 791.01	-1 050 146.22	616 603.26	-1 050 146.22	190 362.00	-251 543.24	146 761.38	-251 476.51
F. Cash and cash equivalents - beginning of the period	4 935 700.63	6 807 706.63	5 127 888.38	6 807 706.63	1 161 696.67	1 630 661.12	1 220 518.97	1 630 228.52
G. Cash and cash equivalents - end of the period (F+/-D)	5 744 491.64	5 757 560.41	5 744 491.64	5 757 560.41	1 352 058.66	1 379 117.88	1 367 280.34	1 378 752.01

Summarized Statement of Changes in Consolidated Shareholders' Equity

	PLN		PLN		EUR		EUR	
Statement of Changes in Shareholders' Equity	01/07/2013 -30/09/2013	01/07/2014 -30/09/2014	01/01/2013 -30/09/2013	01/01/2014 -30/09/2014	01/07/2013 -30/09/2013	01/07/2014 -30/09/2014	01/01/2013 -30/09/2013	01/01/2014 -30/09/2014
I. Shareholders' equity – beginning of the period (opening balance)	3 561 146.64	5 294 767.22	5 513 895.91	3 222 748.10	838 173.24	1 268 264.27	1 312 394.89	771 745.34
II. Shareholders' equity – end of the period (closing balance)	2 805 055.62	6 924 933.43	2 805 055.62	6 924 933.43	660 215.04	1 658 740.65	667 647.84	1 658 300.60
III. Shareholders' equity after adjustment for proposed profit distribution (coverage of losses)	2 805 055.62	6 924 933.43	2 805 055.62	6 924 933.43	660 215.04	1 658 740.65	667 647.84	1 658 300.60

SUMMARIZED FINANCIAL STATEMENTS OF SELVITA S.A.

Summarized Balance Sheet

	PLN		EUR	
Assets	Status as at 30/09/2013	Status as at 30/09/2014	Status as at 30/09/2013	Status as at 30/09/2014
A. Fixed assets	8 809 117.45	10 277 616.05	2 089 300.44	2 461 409.66
I. Intangible assets	757.89	5 149.96	179.75	1 233.38
II. Tangible fixed assets	3 943 430.67	4 788 579.20	935 282.28	1 146 827.73
III. Long-term receivables	98 078.39	98 078.39	23 261.72	23 489.02
IV. Long-term investments	3 074 898.50	3 714 898.50	729 288.36	889 689.50
V. Long-term prepayments and deferred costs	1 691 952.00	1 670 910.00	401 288.33	400 170.04
B. Current assets	9 763 933.21	16 497 335.53	2 315 758.65	3 950 984.44
I. Inventory	340 845.35	495 164.90	80 839.92	118 588.17
II. Short-term receivables	3 232 312.19	7 119 507.17	766 622.91	1 705 066.98
III. Short-term investments	5 688 405.73	6 196 759.98	1 349 146.34	1 484 076.15
IV. Short term prepayments and deferred costs	502 369.94	2 685 903.48	119 149.48	643 253.14
Total assets	18 573 050.66	26 774 951.58	4 405 059.09	6 412 394.10

	PLN	PLN	EUR	EUR
Liabilities and Equity	Status as at 30/09/2013	Status as at 30/09/2014	Status as at 30/09/2013	Status as at 30/09/2014
A. Shareholders' equity	5 985 150.64	9 511 560.28	1 419 526.75	2 277 945.22
I. Share capital	4 185 426.40	4 185 426.40	992 677.56	1 002 377.30
II. Unpaid share capital (negative value)	0.00	0.00	0.00	0.00
III. Treasury shares (negative value)	0.00	0.00	0.00	0.00
IV. Reserve capital	14 429 101.36	2 521 789.11	3 422 218.86	603 949.01
V. Revaluation reserve	0.00	0.00	0.00	0.00
VI. Other reserves	0.00	1 883 442.00	0.00	451 069.81
VII. Retained profit/loss	-10 023 870.25	-2 123 721.20	-2 377 409.16	-508 614.82
VIII. Net profit/loss	-2 605 506.87	3 044 623.97	-617 960.50	729 163.93
IX. Deductions from net profit during the financial year (negative value)	0.00	0.00	0.00	0.00
B. Liabilities and provisions for liabilities	12 587 900.02	17 263 391.30	2 985 532.30	4 134 448.88
I. Provisions for liabilities	1 406 154.01	2 532 181.40	333 504.30	606 437.89
II. Long-term liabilities	142 082.69	503 231.80	33 698.40	120 520.13
III. Short-term liabilities	3 628 643.54	5 257 738.30	860 622.70	1 259 187.71
IV. Accruals and deferred income	7 411 019.78	8 970 239.80	1 757 706.90	2 148 303.15
Total Liabilities and Equity	18 573 050.66	26 774 951.58	4 405 059.10	6 412 394.10

Summarized Profit and Loss Account

	PLN	PLN	PLN	PLN	EUR	EUR	EUR	EUR
Profit and Loss Account (classification of expenses by type)	01/07/2013 -30/09/2013	01/07/2014 -30/09/2014	01/01/2013 -30/09/2013	01/01/2014 -30/09/2014	01/07/2013 -30/09/2013	01/07/2014 -30/09/2014	01/01/2013 -30/09/2013	01/01/2014 -30/09/2014
A. Net sales and sale equivalents	2 517 899.41	7 265 123.13	6 768 775.49	18 792 311.99	592 628.19	1 740 226.85	1 611 076.19	141 915.54
I. Net sales of goods	2 480 989.75	7 144 744.04	6 507 853.24	18 412 427.37	583 940.91	1 711 392.24	1 548 972.54	139 835.22
II. Change in stock of goods	2 989.38	80 379.09	-15 965.93	-125 818.38	703.60	19 253.34	-3 800.15	168.49
III. Cost of goods produced for the Company's own use	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IV. Net sales of goods for resale and raw materials	33 920.28	40 000.00	276 888.18	505 703.00	7 983.68	9 581.27	65 903.79	1 911.84
B. Operating expenses	5 241 179.77	9 134 249.10	14 282 115.61	24 715 540.27	1 233 596.10	2 187 941.65	3 399 370.59	295 406.90
I. Depreciation	293 557.93	577 172.92	1 021 677.84	1 681 908.62	69 093.59	138 251.18	243 175.57	16 545.71
II. Materials and energy	1 009 584.61	1 570 387.66	2 715 751.47	4 446 005.17	237 622.00	376 157.53	646 392.03	56 902.89
III. External services	1 103 385.05	3 005 174.88	2 780 640.14	6 709 547.58	259 699.45	719 834.46	661 836.56	62 189.73
IV. Taxes and charges	49 586.80	69 052.32	129 724.04	170 746.39	11 671.05	16 540.22	30 876.38	2 794.84
V. Payroll	2 136 651.12	2 862 158.90	5 663 039.29	8 446 399.55	502 895.27	685 577.61	1 347 893.39	120 427.37
VI. Social insurance and other benefits	443 824.86	622 497.10	1 188 006.32	1 852 312.50	104 461.33	149 107.75	282 764.39	25 015.16

VII. Other	176 054.38	395 655.95	583 549.26	1 063 199.38	41 437.23	94 772.12	138 894.00	9 922.89
VIII. Value of goods and materials sold	28 535.02	32 149.37	199 727.25	345 421.08	6 716.18	7 700.79	47 538.26	1 608.31
C. Profit/loss on sales (A-B)	-2 723 280.36	-1 869 125.97	-7 513 340.12	-5 923 228.28	-640 967.91	-447 714.81	-1 788 294.41	-153 491.36
D. Other operating revenue	1 850 925.18	3 253 195.61	4 992 526.44	8 930 914.66	435 645.06	779 243.27	1 188 300.67	104 323.09
I. Gain on disposal of non-financial fixed assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Subsidies	1 804 083.17	3 183 376.67	4 883 010.14	8 789 487.13	424 620.04	762 519.43	1 162 234.05	101 682.95
III. Other operating revenue	46 842.01	69 818.94	109 516.30	141 427.53	11 025.02	16 723.85	26 066.62	2 640.14
E. Other operating expenses	8 649.64	38 877.78	19 149.26	47 068.92	2 035.83	9 312.46	4 557.83	487.52
I. Loss on disposal of non-financial fixed assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Impairment of non-financial assets	0.00	30 000.00	0.00	30 000.00	0.00	7 185.95	0.00	0.00
III. Other operating expenses	8 649.64	8 877.78	19 149.26	17 068.92	2 035.83	2 126.51	4 557.83	487.52
F. Operating profit/loss (C + D-E)	-881 004.82	1 345 191.86	-2 539 962.94	2 960 617.46	-207 358.68	322 216.01	-604 551.56	-49 655.79
G. Financial income	9 480.07	72 799.20	38 622.25	110 540.98	2 231.29	17 437.71	9 192.71	534.32
I. Dividends and share in profit	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Interest	8 891.90	8 045.58	20 980.40	18 707.03	2 092.85	1 927.17	4 993.67	501.17
III. Gain on sale of investments	0.00	0.00	0.00		0.00	0.00	0.00	0.00
IV. Impairment of investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
V. Other	588.17	64 753.62	17 641.85	91 833.95	138.44	15 510.54	4 199.04	33.15
H. Financial expenses	56 698.13	18 393.09	104 166.18	26 534.47	13 344.82	4 405.73	24 793.21	3 195.66
I. Interest	32 906.49	2 483.70	42 595.82	10 625.08	7 745.07	594.92	10 138.48	1 854.70
II. Loss on disposal of investments	0.00	0.00	12 381.10	0.00	0.00	0.00	2 946.90	0.00
III. Impairment of investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IV. Other	23 791.64	15 909.39	49 189.26	15 909.39	5 599.75	3 810.80	11 707.83	1 340.96
I. Profit/loss on operating activities (F + G-H)	-928 222.88	1 399 597.97	-2 605 506.87	3 044 623.97	-218 472.21	335 247.99	-620 152.06	-52 317.12
J. Result on extraordinary items (J.I-J.II)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
I. Extraordinary gains	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Extraordinary losses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
K. Gross profit/loss (I+/-J)	-928 222.88	1 399 597.97	-2 605 506.87	3 044 623.97	-218 472.21	335 247.99	-620 152.06	-52 317.12
L. Income tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
M. Other obligatory profit decrease (loss increase)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
N. Net profit/loss (K-L-M)	-928 222.88	1 399 597.97	-2 605 506.87	3 044 623.97	-218 472.21	335 247.99	-620 152.06	-52 317.12

Summarized Statement of Cash Flows

	PLN		PLN		EUR		EUR	
Statement of Cash Flows (indirect method)	01/07/2013 -30/09/2013	01/07/2014 -30/09/2014	01/01/2013 -30/09/2013	01/01/2014 -30/09/2014	01/07/2013 -30/09/2013	01/07/2014 -30/09/2014	01/01/2013 -30/09/2013	01/01/2014 -30/09/2014
A. Cash flow from operations								
I. Net profit/loss	-928 222.88	1 399 597.97	-2 605 506.87	3 044 623.97	-218 472.21	335 247.99	-620 152.06	729 283.77
II. Total adjustments	-1 373 984.50	-3 929 235.05	-3 451 244.51	-7 588 210.07	-323 389.39	-941 176.11	-821 451.07	-1 817 616.39
III. Net cash flow from operations (I+/-II)	-2 302 207.38	-2 529 637.08	-6 056 751.38	-4 543 586.10	-541 861.60	-605 928.11	-1 441 603.13	-1 088 332.62
B. Cash flows from investing activities								
I. Inflow	2 646.57	128 380.46	328 287.67	131 064.51	622.91	30 751.18	78 137.69	31 394.10
II. Outflow	81 049.02	793 841.27	940 516.06	2 554 676.80	19 076.19	190 150.10	223 857.78	611 925.92
III. Net cash flows from investing activities (I-II)	-78 402.45	-665 460.81	-612 228.39	-2 423 612.29	-18 453.28	-159 398.92	-145 720.09	-580 531.82
C. Cash flow from financing activities								
I. Inflow	3 412 019.36	3 385 631.06	7 320 910.35	9 212 823.47	803 073.73	810 965.75	1 742 493.06	2 206 762.70
II. Outflow	42 923.53	836 576.40	133 896.50	1 819 117.98	10 102.74	200 386.52	31 869.50	435 736.31
III. Net cash flow from financing activities (I-II)	3 369 095.83	2 549 054.66	7 187 013.85	7 393 705.49	792 970.99	610 579.24	1 710 623.57	1 771 026.39
D. Total net cash flow (A.III+/-B.III+/-C.III)	988 486.00	-646 043.23	518 034.08	426 507.10	232 656.11	-154 747.79	123 300.35	102 161.94
E. Change in balance sheet cash and cash equivalents	988 486.00	-646 043.23	518 034.08	426 507.10	232 656.11	-154 747.79	123 300.35	102 161.94
F. Cash and cash equivalents - beginning of the period	4 540 264.93	6 080 577.81	5 010 716.85	5 008 027.48	1 068 624.50	1 456 490.76	1 192 630.28	1 199 581.03
G. Cash and cash equivalents - end of the period (F+/-D)	5 528 750.93	5 434 534.58	5 528 750.93	5 434 534.58	1 301 280.61	1 301 742.97	1 315 930.63	1 301 742.97

Summarized Statement of Changes in Shareholders' Equity

	PLN		PLN		EUR		EUR	
Statement of Changes in Shareholders' Equity	01/07/2013 -30/09/2013	01/07/2014 -30/09/2014	01/01/2013 -30/09/2013	01/01/2014 -30/09/2014	01/07/2013 -30/09/2013	01/07/2014 -30/09/2014	01/01/2013 -30/09/2013	01/01/2014 -30/09/2014
I. Shareholders' equity – beginning of the period (opening balance)	6 913 373.52	8 111 962.31	8 590 657.51	6 466 936.31	1 627 173.85	1 943 071.62	2 044 713.07	1 548 624.90
II. Shareholders' equity – end of the period (closing balance)	5 985 150.64	9 511 560.28	5 985 150.64	9 511 560.28	1 408 701.64	2 278 319.62	1 424 561.01	2 277 715.19
III. Shareholders' equity after adjustment for proposed profit distribution (coverage of losses)	5 985 150.64	9 511 560.28	5 985 150.64	9 511 560.28	1 408 701.64	2 278 319.62	1 424 561.01	2 277 715.19

PRINCIPLES APPLIED IN PREPARING THE REPORT

The Financial Statements, elements of which are contained in the Report, have been prepared in accordance with the Accounting Act of 29 September 1994, with the assumption that the company will continue its operations in the foreseeable future, covering the period of not less than one year from the balance sheet date, in a substantially unreduced scope.

Methods for Valuation of Assets and Liabilities and for Determination of Financial Result

INTANGIBLE ASSETS

Intangible assets are recognized if it is likely that in the future they will cause an inflow of economic benefits to the company which may be directly related to such assets. The intangible assets are initially reported at purchase prices or manufacturing cost. After initial reporting, intangible assets are valued at purchase prices or manufacturing cost reduced by amortization and impairment write-downs. Intangible assets are amortized based on the linear method in their estimated useful economic life (it is 2 years for software and other intangible assets).

FIXED ASSETS

Fixed assets are valued at the purchase price, manufacturing cost or revalued value reduced by depreciation and impairment write-downs. Costs incurred after placing a fixed asset for use, such as costs of repairs, inspections, maintenance fees, affect the financial result of the reporting period in which they were incurred. If it is however possible to demonstrate that these costs caused an increase in the expected future economic benefits from holding a respective fixed asset over the benefits assumed initially, then they increase the initial value of such a fixed asset.

Fixed assets, except for lands and perpetual usufruct, are depreciated on a straight line basis in the period corresponding to their estimated useful economic life, or for the shorter of the two periods: the useful economic life or the right to use, which is as follows:

Buildings, premises and constructions:	10 years
Machinery and equipment:	from 3 to 10 years
Motor vehicles:	5 years
Other fixed assets:	from 3 to 5 years

Fixed assets with a low unit initial value, i.e. below PLN 3.5 k, are recognized under expenses on a one-off basis.

Construction in progress is valued at the amount of total costs directly related to its purchase or creation, including financial costs, reduced by impairment write-downs. Construction in progress includes outlays on patent fees and legal services related to projects carried out in the field of innovative operations segment.

LEASING

The Group's companies are not parties to leasing agreements under which they give fixed assets or intangible assets for use against remuneration or to derive benefits. The Group's companies are parties to leasing agreements under which they take external fixed assets or intangible assets for use against remuneration or to derive benefits for a definite time. In case of leasing agreements under which fundamentally all risk and benefits from holding the assets covered by the agreement are transferred, the object of the leasing is reported in assets as a fixed asset at the amount of the current value of minimal leasing fees fixed as at the date of

commencement of the leasing. Leasing fees are divided between financial costs and reduction of liability balance in a manner that allows to achieve a fixed interest rate from the outstanding balance of the liability. Financial costs are reported directly in the Profit and Loss Account.

Fixed assets which are the object of a financial leasing agreement are depreciated for the period corresponding to their estimated useful economic life.

INVENTORY

Inventory is valued at the lower of the two values: the purchase price or the manufacturing cost and the net sale price. Individual inventory groups are valued as follows:

- materials and goods – at the purchase price;
- finished goods and work in progress – at the cost of direct materials and labor and the justified part of indirect production costs, determined at normal use of production capacities.

Inventory releases are valued using the *first in, first out* method. Net sale price is the sale price possible to achieve as at the balance sheet day without the goods and services tax and the excise tax, decreased by discounts, reductions etc. and the costs related to adapting an asset for sale and making such sale.

SHORT-TERM AND LONG-TERM RECEIVABLES

Receivables are reported at the amount of the payment due reduced by write-downs. The value of receivables is revaluated, taking into account the degree of likelihood of their payment, by making a write-down. For receivables overdue more than 180 days, the write-down is 50% of their value and for receivables overdue more than 360 days it is 100% of their value. Receivable write-downs are included respectively into other operating costs or financial costs – depending on the nature of the receivable to which the write-down relates. Redeemed, overdue or non-collectible receivables reduce their previous write-downs. Redeemed, overdue or non-collectible receivables from which no write-downs were made or for which write-downs were not made in full amount are included respectively into other operating costs or to financial costs.

CASH AND CASH EQUIVALENTS

Cash at bank and in hand is valued at face value. The item cash shown in the Consolidated Statement of Cash Flows consists of cash in hand and at bank and of bank deposits with maturity not longer than 3 months which were not treated as deposit activity.

PREPAYMENTS AND DEFERRED COSTS

The Group makes prepayments whenever they concern future reporting periods. Prepayments and deferred costs are recognized on a *pro rata* basis. The timing and method of recognition should correspond to the nature and costs recognized, taking into account the prudence principle.

PROVISIONS

Provisions are reported if the Group's company has an existing duty (legal or customary) arising out of past events and when it is certain or highly probable that fulfilling this duty will cause a necessary outflow of resources representing economic benefits, and when the amount of this liability can be credibly assessed

Provisions for employee benefits, i.e. the retirement severance pay and the years of service award, are determined as at each balance sheet day using the actuarial valuation method.

ACCRUALS

Accruals are made at the amounts of likely liabilities in the current reporting period, resulting mainly from:

- goods and services provided to the company by its contractors, if the amount of a liability can be estimated in a reliable manner;
- the obligation to provide, in the future, goods and services, relating to current operations, to unknown persons, the amount of which can be estimated even though the origination date of a liability is not yet known.

Accruals are recognized on a pro rata basis or in proportion to the goods or services provided. The timing and method of recognition should correspond to the nature and costs recognized, taking into account the prudence principle. Accruals resulting from unbilled supplies and services accepted by the company are presented in the Financial Statements as trade liabilities. Accruals in respect of unused holiday are presented in the Financial Statements as provisions for employee benefits.

DEFERRED INCOME

Deferred income recognized under the prudence principle includes in particular the following:

- amounts received or receivable from contractors in respect of goods or services to be provided in future reporting periods;
- cash received to finance the purchase or manufacture of property, plant and equipment, including items of property plant and equipment under construction and development costs, if, in accordance with other acts, it is not credited to equity. Amounts recognized as deferred income are gradually recognized as other operating income, in parallel to the depreciation or amortization of property, plant and equipment or development costs financed from such sources;
- negative goodwill created in the Financial Statements;
- received free of charge, also in the form of donations, property plant and equipment under construction, property, plant and equipment and intangible assets.

HEDGE ACCOUNTING

The Group companies do not apply hedge accounting.

FOREIGN CURRENCY TRANSACTIONS

Transactions in currencies other than the Polish zloty are converted to Polish zlotys using the exchange rate applicable on the day of the transaction. As at the balance sheet day, assets and liabilities in currencies other than the Polish zloty are converted to Polish zlotys using the National Bank of Poland's daily average exchange rate for the respective currency. Foreign exchange differences from conversion are reported respectively as receivables or financial costs, or in cases provided by law capitalized at the value of assets.

REVENUE RECOGNITION

Revenues are recognized at the amount at which it is likely that the Group will achieve economic benefits that may be credibly valued. Revenues are reported upon transfer of all material risks and benefits related to the goods ownership to the buyer. Revenues include due or obtained sale amounts, reduced by the goods and services tax (VAT). Revenues from provided services are recognized proportionally to the degree of service completion.

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Kraków, 6 November 2014

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