SELVITA S.A. CONSOLIDATED SEMIANNUAL REPORT (SUMMARY) H1 2018

August 28, 2018

TABLE OF CONTENTS

BASIC INFORMATION ON THE CAPITAL GROUP

Parent Entity

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

Related Entities (Subsidiaries)

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

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

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

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

Business name of the Company	Ardigen Spółka Akcyjna
Registered office	ul. Bobrzyńskiego 14, 30-348 Kraków
Company ID (REGON)	362983380
Legal form	Joint-Stock Company
Shareholders	Selvita S.A. holds 51,23% of shares and 57,25% votes at the shareholder meeting

Affiliated Entity

Business name of the Company	Nodthera Ltd
Registered office	13 Queens Road, Aberdeen, Scotland, AB15 4YL
Company ID	SC540381
Share capital	GBP 8,841.85
Legal form	Ltd
Website	https://nodthera.com/
Shareholders	19,12% shares held by Selvita S.A.

Parent entity and related entities (subsidiaries) within the Selvita Group are consolidated. Nodthera's shares are valued to fair value, based on the price of recently issued and subscribed by Selvita shares stemming from the share capital increase on March, 30 2018. From the last periodic report, there were no changes in the organization of the Selvita's Capital Group.

The Core Business of the Capital Group

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

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

FINANCIAL HIGHLIGHTS

SELVITA GROUP (consolidated data)						
	PLN thousands			EUR thousands		
Item	From 01.01.2018 to 30.06.2018	From 01.01.2017 to 30.06.2017	From 01.01.2017 to 30.06.2017 (excl. incentive program)	From 01.01.2018 to 30.06.2018	From 01.01.2017 to 30.06.2017	From 01.01.2017 to 30.06.2017 (excl. incentive program)
Sales revenue	37 252	31 311	31 311	8 787	7 332	7 332
Grant income	12 905	7 819	7 819	3 044	1 831	1 831
Revenue from sales of R&D projects	0	20 285	20 285	0	4 750	4 750
Other operating revenues	298	245	245	70	57	57
Total operating revenue	50 455	59 660	59 660	11 901	13 970	13 970
Total operating expenses	-52 534	-49 128	-48 545	-12 392	-11 504	-11 367
Depreciation and amortization	-3 621	-2 416	-2 416	-854	-566	-566
Profit/loss on operating activities (EBIT)	-2 079	10 532	11 115	-490	2 466	2 603
Profit/loss before income tax	20 047	8 575	9 158	4 729	2 008	2 145
Net profit/loss	16 097	8 280	8 863	3 797	1 939	2 075
EBITDA	1 542	12 948	13 531	364	3 032	3 168
Net cash flow from operating activities	-11 354	15 814	15 814	-2 678	3 703	3 703
Net cash flows from investing activities	-54 400	-10 933	-10 933	-12 832	-2 560	-2 560
Net cash flows from financing activities	141 660	5 540	5 540	33 415	1 297	1 297
Total net cash flow	75 906	10 422	10 422	17 905	2 440	2 440
Number of shares	15 061 732	13 771 229	13 771 229	15 061 732	13 771 229	13 771 229
Profit (loss) per share attributable to majority shareholders (in PLN/EUR)	1,06	0,58	0,62	0,25	0,14	0,15
Diluted profit (loss) per share attributable to majority shareholders (in PLN/EUR)	1,06	0,58	0,62	0,25	0,14	0,15
Book value per share attributable to majority shareholders (PLN/EUR)	13,80	4,65	4,65	3,16	1,10	1,10
Diluted book value per share attributable to majority shareholders (PLN/EUR)	13,80	4,65	4,65	3,16	1,10	1,10
Declared or paid dividend per share (PLN/EUR)	-	-	-	-	-	-

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

Selected financial data presented in the H1, 2018 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 – 30/06/2018: PLN 4,2395;
   - for the period from 01/01/2017 – 30/06/2017: PLN 4,2706.

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

   - as at 30 June 2018: PLN 4,3616;
   - as at 31 December 2017: PLN 4,1709;
   - as at 30 June 2017: PLN 4,2265.

Increase and Dynamics of Revenues and Financial Results

In order to maintain comparability financial data of Selvita Group for H1 2017 does not account PLN 583 thousand for the costs of the incentive program, which was carried out in 2015-2017.

In the first half-year of 2018 Selvita Group recognised total operating revenue in the amount of PLN 50,455 thousand, which means 15% decrease comparing to H1 2017 when total operating revenue amounted to PLN 59,660 thousand. Total commercial revenue for H1 2018 amounted to PLN 37,252 thousand which means increase of 19% as in comparative period of 2017, in which total commercial revenue amounted to PLN 31,311 thousand.

In H1 2018 Selvita Group recognized operating loss (EBIT) in the amount of PLN 2,079 thousand in comparison to operating profit (EBIT) in the amount of PLN 11,115 thousand achieved in H1 2017. This 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 H1 2018 amounted to PLN 16,097 thousand in comparison to PLN 8,863 thousand in H1 2017. The Group's net profitability for H1 2018 (calculated as the net profit divided by total operating activities) amounted to 32% which means an increase of 17 p.p. in comparison to H1 2017. In H1 2018 net profit exceeded profit on operating activities as a result of positive valuation of Nodthera's shares held by Selvita.

Commercial revenues of the innovation segment in H1 2018 amounted to PLN 16,200 thousand, which means a decrease of 54% in comparison to H1 2017, when commercial revenues of the innovation segment amounted to

PLN 35,475 thousand. Innovations segment's operating loss (EBIT) for H1 2018 amounted to PLN 6,773 thousand comparing to H1 2017, when innovations segment's operating profit (EBIT) amounted to PLN 8,699 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 H1 2017. Additionally, starting from 2018, according to IAS 38, Selvita Group has suspended activating the costs of unfinished development work in this Segment.

In H1 2018 service segment recognised significant increase in revenues and greater operating profitability, comparing to H1 2017. Commercial revenues of service segment in H1 2018 amounted to PLN 27,998 thousand, which means a significant increase (of 43%) compared to H1 2017, when the commercial revenues of that particular segment amounted to PLN 19,615 thousand. Service segment's operating profit (EBIT) for H1 2018 amounted to PLN 4,517 thousand, which means profitability of 14% in comparison to operating profit in H1 2017, which amounted to PLN 1,183 thousand (which resulted in profitability of 5%). In the service segment in 2018 Selvita Group has continued to focus on intensive service 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 H1 2018 bioinformatics segment revenues amounted to PLN 4,645 thousand, which means a increase in comparison to bioinformatics segment commercial revenues for H1 2017, which amounted to PLN 3,895 thousand. Bioinformatics segment generated in H1 2018 operating profit in the amount of PLN 176 thousand comparing to PLN 1,233 thousand generated in H1 2017. 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 939 thousand) constitutes income from grants and, as a result, operating profitability has declined significantly.

In H1 2018 grants income increased by 65% in comparison to the corresponding period of the previous year (from PLN 7,819 thousand to PLN 12,905 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. In connection with the Selvita's loss of significant influence on Nodthera Ltd the management board of Selvita 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
Deferred tax	4 207 923
Change in valuation – impact on financial results	**16 579 341**

The value of the contracted portfolio of orders for the year 2018 resulting from commercial contracts and grants agreements entered into by August 10, 2018 ('Backlog'), amounts to PLN 97,440 thousand, of which:

- Services PLN 52,541 thousand
- Innovations PLN 8,238 thousand
- Bioinformatics PLN 7,256 thousand
- Subsidies PLN 29,405 thousand

and is 3% greater than the backlog for the year 2017 announced on August last year, which amounted to PLN 94,996 thousand and included revenues from commercialisation of SEL24 program. Special attention should be drawn to the increase of the orders portfolio in the service segment amounting to 46%. Subsidies backlog predicts an increase of grant income of 86% in comparison to grant income expected in August 2017.

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

The value of the Group's assets as of the end of H1 2018 amounted to PLN 260,192 thousand and increased by PLN 156,618 thousand compared to the end of 2017 (PLN 103,574 thousand). As of the end of H1 2018 the highest value of current assets is cash in the amount of PLN 162,043 thousand (as of the end of 2017 amounted to PLN 36,124 thousand), presented in consolidated statement of financial position as cash and cash equivalents amounting to PLN 112,030 thousand and as other short-term financial assets in the amount of PLN 50,013 thousand (mainly bonds, and safe investment fund units investing mostly in bonds). Fixed assets are mainly laboratory equipment, deferred income tax asset in the amount of PLN 8,014 thousand and other long-term financial assets in the amount of 22.826. Compared to the amounts as of 31 December 2017 the value of cash and cash equivalents and value of other short-term financial assets increased mainly a result of issue of series H shares. The value of fixed assets increased by PLN 26,176 thousand compared to 31 December 2017 as a result of increased valuation of shares in Nodthera Ltd.

In accordance with IAS 38, since January 1, 2018 Selvita has suspended activating the costs of unfinished development work, concerning expenditure on the KIND-P1 project. The value of these assets at the end of H1 2018 amounted to PLN 6,988 thousand and is presented as "unfinished development work" in the amount of PLN 3.207 thousand i.e. reduced by PLN 3.781 thousand which is the value of the deferred grant income attributable to the mentioned deferred costs. In H1 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:

	30/06/2018	31/12/2017
Liquidity indicator current assets/current liabilities including short-term provisions and accruals (excl. deferred revenues)	10,09	3,27

Increased liquidity indicator (current assets-inventory)/current liabilities including short-term provisions and accruals (excl. deferred revenues)	10,00	3,18

Cash surpluses not used in the operating activities are invested in safe financial instruments: bank deposits, bonds, and safe investment fund units investing mostly in bonds.

The main item in the Selvita Group's equity and liabilities is equity, which amounted to PLN 209,935 thousand as of 30 June 2018 and increased by PLN 145,939 thousand compared to 31 December 2017. The second largest source of funding are long-term liabilities which amounted to PLN 27,606 thousand at the end of H1 2018. The highest value liabilities item is deferred revenues (most of them grants).

Current and Foreseen Financial Situation

The Group's financial position as of the report date is very good. As of 30 June 2018 the value of the Group's cash amounted to PLN 162.043 thousand, including PLN 112.030 in cash and PLN 50.013 thousand in bonds and safe investment fund units. As of the report date the value of the Group's cash amounted to PLN 154.634 thousand, including PLN 106.581 in cash and PLN 48.053 thousand in bonds, and safe investment fund units.

In H1 2018 activity of Selvita Group in innovative segment recorded a loss, however activity in the services and bioinformatics segments was profitable. Activity of R&D is financed by customer revenue, supplemented by research grants and funds acquired through share issue. In the financial year 2018, revenue increase is expected in both the services and bioinformatics segments. The revenue increase in the innovative segment depends on commercialization of next research projects.

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.

Major off-balance-sheet items

Major off-balance-sheet items are described in note 28 to the condensed consolidated financial statements.

Position of the Board regarding the feasibility of implementing previously announced forecasts

The Company has not published any forecasts of 2018 financial results.

INFORMATION ON THE GROUP'S ACTIVITY IN H1 2018

R&D Activities (Innovative Segment)

In H1 2018, the Selvita Group successfully continued all research projects, both these in which it invests own funds, as well as projects performed in cooperation with external partners.

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 development. 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 H1 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 focused on re-activation of sites and enrolment of patients. By the end of H1 2018 Selvita obtained favorable opinions of local Institutional Review Board (IRB) for the three existing sites and the study resumed with successful patient recruitment and resumption of administration of SEL24 in March 2018. In addition, two additional renowned clinical sites in the US were engaged in the study, particularly Cleveland Clinic, Taussig Cancer Institute in Ohio and Fred Hutchinson Cancer Research Center in Seattle. Additional information about the clinical trial is available at the website: *https://clinicaltrials.gov/ct2/show/NCT03008187*.

In accordance with the terms and conditions of the license agreement concluded on 28 March 2017 between Selvita and Berlin-Chemie AG with its registered office in Berlin (the Menarini Group's subsidiary), on 19 of June 2018 Selvita has concluded a tripartite agreement between Selvita, Menarini Ricerche S.p.A. (the Menarini Group's subsidiary) and Theradex Europe Ltd, under which the Company has assigned its rights and obligations stemming from the agreement entered into between Selvita and Theradex regarding the conduct of Phase I/II clinical trial, to Menarini. Pursuant to the agreement, from 30th of June 2018, Theradex will continue its works under the aforementioned SEL24 clinical trial on behalf of and for Menarini.

SEL120

SEL120 project is focused on development of CDK8 kinase inhibitors. Currently the 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. According to actual timelines, preclinical development will be completed in Q4 2018, followed by IND filing in Q1 2019. Preclinical development is supported by the partnership with Leukemia and Lymphoma Society (LLS). Moreover, 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. Selected results were presented during AACR Annual Meeting 2018 in April in Chicago with the poster entitled "*CDK8 inhibitor SEL120-34A targets CD34 positive AML cells by regulation of various transcriptional programs involved in maintenance of*

leukemia stem cells" available on company website *https://selvita.com/research-and-development/download-a-poster/*.

TARGETED THERAPEUTICS PLATFORM (TTP)

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/SMARCA2 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%. First-in-class specific BRM inhibitors have been identified, showing differential activity on SMARCA4 mutated cells. Optimization of novel molecules towards drug candidates is in progress.

Moreover 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 not publicly disclosed due to competitive environment.

IMMUNO-LOGY PLATFORM (IO)

Immunooncology 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 which are resistant to current immunotherapy with checkpoint inhibitors into "hot", treatment-susceptible malignancies.

Currently Selvita focuses on the STING-dependent signalling cascade. Signalling triggered by STING activation alerts the immune system to the presence of cancerous cells. Proteins that are upregulated during STING activation enhance tumour antigen presentation and tumour-specific T cell proliferation. Such immune system activation facilitates a durable anti-tumour response and consequently leads to the regression of established tumors and generation of a long-term immunological memory. Selvita possess unique series of small molecule STING agonists that demonstrate significantly improved metabolic and enzymatic stability as well as fine-tunable ADME properties as compared to nucleotide derivatives, that are currently tested in clinical trials. In consequence, Selivta's molecules can be optimized for systemic administration routes which makes Selvita's differentiation strategy considerably distinctive from those offered by competitors. Selivta's STING agonists possess unique chemotype that has been already secured by a patent application. In the first half of this year, Selvita focused on chemical expansion and optimization of small-molecule, direct STING agonists to enable efficacy studies in animal models. Compounds discovered by Selvita have greater potency in *in vitro* activation assays comprising human and mouse primary antigen-presenting cells than molecules provided by competitors. In addition, the activity of Selvita's small molecules has been demonstrated in all studied STING haplotypes. Such results allow us to suggest that therapeutic effectiveness of Selvita's STING agonists encompasses a broad patient population. In 2018, the company plans to perform pilot *in vivo* proof-of-concept studies in mouse models.

Selvita's immuno-oncology platform consistently follows a clear strategic pathway that comprises projects aiming at regulation of the T cell-dependent immune response. Selvita identified several independent chemical series of HPK1 kinase inhibitors. HPK1 (MAP4K1) is one of the major proteins involved in the signalling cascade triggered

by TCR activation. Inhibition of HPK1 stimulates dendritic cells to antigen presentation and enhances activation and proliferation of T cells, which leads to mounting an immune response directed against the cancerous cells. It has been demonstrated that molecules developed by Selvita were able to activate T lymphocytes *in vitro*. Presently, chemical development of the series is focused on improvement of ADME parameters and selectivity.

Additionally, Selvita focuses on other innovative projects aiming at regulation of the immune response which are at an early, drug discovery stage. Details of these projects are not publicly disclosed due to competitive environment.

CANCER METABOLISM AND IMMUNOMETABOLISM PLATFORM (CMIM)

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

The aim of long-term collaboration with Merck Serono, 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 schedule, further details of the project are covered by trade secrets.

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 and intellectual property situation. In Q2 first experiments in animal cancer models have been conducted. They have confirmed the therapeutic efficacy of SHMT inhibitors by showing significant tumor growth inhibition. The process of lead optimization aimed at selecting a clinical candidate is also underway. The newest results of the project have been presented in AACR Chicago in April 2018 and are available on company website *https://selvita.com/research-and-development/download-a-poster/*. Patent application protecting the lead chemical matter has been also filed in H1 2018.

The aim of projects pursued by Selvita 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 H1 2018, the work within this therapeutic platform was focused on molecular targets within 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 H1 2018, very intensive work on new dual A2A/A2B receptor antagonists resulted in obtaining the most active substances known to date with this activity profile (picomolar in vitro activity range). Their therapeutic potential

has been confirmed in pilot in vivo studies, where inhibition of tumor growth and dose-dependent effects of increased infiltration of immune cells (eg CD8 + T lymphocytes or natural killer cells) to the tumor were observed. In H1 2018 an 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 results of the project have been presented at AACR annual meeting in Chicago in April 2018 and are available on company website *https://selvita.com/research-and-development/download-a-poster/*.

INFLAMMASOME INHIBITORS

OTHER PROJECTS

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

Service Segment

BIOLOGY DIVISION

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 H1 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 H1 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. 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 pharmaceutical global companies. These projects are more advanced and, in principle, have a higher value than the projects relating to the development of recombinant proteins. Consequently, increasing the number of such projects remains important for the further development of the lab, especially given the increase in the number of inquiries from both existing and potential customers. At the same time, it should be emphasized that the Biochemical Lab has at its disposal all the necessary resources to carry out crystallographic projects, i.e. a team of highly experienced scientists, and the necessary, advanced equipment. Moreover, the Biochemical Lab performs tests on the genotoxicity of chemical substances based on a bacterial system (Ames test) which contribute a significant part of the revenue, as in prior periods. 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 H1 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 and projects related to quality control. Development projects are carried out under the FTE approach only, ensuring flexibility of the work and the solutions tailored to detailed client requirements. In the development area, the Analytical Lab ensures comprehensive analytical equipment (HPLC, GC, ISP, ASA) with a wide array of various detectors, including mass detectors necessary when confirming the identity of the main substances and pollutants. As part of the research projects addressed to agrochemical customers, the lab expanded its offering to include tests of dioxins and furans.

The development and validation projects conducted since August 2017 for one of the major global pharmaceutical firms currently entered the phase of release testing. More than a dozen low molecular weight products and biological products regularly commissioned for release significantly increased the number of GMP certificates issued. In future, this will result in the need to expand the apparatus base to include a dissolution tester and more HPLC systems. Taking into account the stability tests, the number of which has been increasing systematically due to the successful execution of validation and verification tests, a separate team of employees working in the quality control area was formed. This applies to both pharmaceutical and agrochemical customers support, where the offering was expanded to include stability testing in accordance with the requirements of the agrochemical market. The continuously growing area of tests in quality control requires increased cooperation with the quality assurance department with regard to system documents and audits, both internal and external.

In H1 2018, the analytical lab continued cooperating with a large foreign customer. Following the projects carried out in the ADME team and relating to the development of metabolite determination methods, the customer decided to expand its cooperation to the identification of pollutants using high resolution mass spectrometry and carrying out bioanalytical projects.

Towards the end of the first half of the year, the Analytical Lab also began talks concerning comprehensive analytical support in an CMC project for a global pharmaceutical company. A year-long cooperation with the option to increase the package of tests and scope of the projects will commence in September.

In H1 2018 the number of researchers employed in the Molecular and Cell Biology Laboratory increased by 40%, compared to the end of Q4 2017, due to the initiation of new projects.

In H1 2018, several projects (FTE) were carried out relating to Drug Discovery based on 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. Moreover, for customers from the USA and Israel, scientific research projects were carried out which consisted of determining a mechanism of action and identifying pharmacodynamical biomarkers for the analysed chemical molecules.

In the period analysed, projects for Polish, European (Hungarian, British) and US customers were continued. These projects related to developing methods for determining the effectiveness of actions of new drug candidates, and analysing their cytotoxicity and genotoxicity (GLP analyses) in the cellular environment.

Additionally, comprehensive analyses of biosimilar drug conducted in GLP standard has been continued for European pharmaceutical company. In H1 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 addition, comprehensive testing of a biosimilar drug for a European pharmaceutical concern under the GMP quality system was finalized in June 2018.

It should be emphasized that in the first half of 2018, the laboratory infrastructure was also enhanced. In the said period, work started to adapt for work on an additional lab module with a surface area of 70 sq.m, and scientific equipment was purchased (dispensers, multifunctional plate readers) which will enable conducting screening tests in the future. The work is planned to be completed in Q3 2018.

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 H1 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 H1 2018 the Division has increased the laboratory space (100 m2) and invested in specialized equipment supporting work on research and development projects. New investments in infrastructure enabled hiring highly qualified specialists from Poland and abroad.

A significant increase was noted in the area of integrated research projects aimed at providing new clinical candidates. In H1 2018, new independent contracts were signed in this area with companies from the USA and United Kingdom, involving scientists in the areas of chemistry, biology, and analytical and computational chemistry. Cooperation with the existing portfolio of Selvita's customers in this area also continued. The larger share of such projects is due to the growing quality of the services offered, Selvita's enhanced recognizability on the biotechnological market and an intensified sales campaign in this area.

Currently, the customer base of the Chemical Division is well diversified in terms of market segments, industries and geographical locations. 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. In H1, 2018, the department successfully continued its work on contracts conducted for customers from the European, Israeli, American and Japanese markets.

As in the prior years, in the first half of 2018 a large share of FTE projects (over 85%) was maintained, as well as cooperation based on a series of fixed-price projects from permanent customers. The number of resources executing integrated projects in the FTE model significantly increased, allowing to further expand know-how and to build broad competencies in the process of drug discovery. The Chemistry Department also carried out projects based on the fixed-price model involving contract synthesis, or synthesis and analysis of pollutants, mainly for pharmaceutical and agrochemical firms.

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.

In H1 2018, the participation of Selvita's scientists in prestigious conferences was intensified, to enable contacts with new business customers, but mainly to stimulate their further development, expanding their industry knowledge and observing market and scientific trends.

ARDIGEN S.A. (BIOINFORMATICS AND PRECISION MEDICNE)

In the first half of 2018, Ardigen fully executed its operating plan adopted for the period, both in the area of research and development, and in services. Both these areas recorded strong growth.

All milestones in the R&D area were achieved. The results of the work of the scientific teams, both immunological and microbiome, are very promising. The level of this work was positively verified during specialist conferences which took place in this period in the US: ASCO 2018 in Chicago, Biomarkers & Immuno-oncology World Congress 2018 in Boston and the Translational Microbiome Conference in Boston. When analysing competitors in similar scientific areas, it can be concluded that Ardigen is currently the only firm in the world which combines an analysis of human cells (both healthy and sick) with an analysis of the microbiome in the context of immuno-oncology. The use of artificial intelligence in research is another factor which distinguishes the Company in the international arena. In the coming periods, R&D work will focus on strengthening these competitive advantages.

The first half of the year has been a very good period for the Ardigen R&D team. In this period, two customers were acquired and work with them began, taking advantage of the technology being developed in the areas of immunology and microbiome. There is no doubt that it is a break-through in the development of the Company whose strategy is aimed at generating revenue from IP commercialization.

In the past six months, Ardigen has become a member of the US Global Alliance for Genomics & Health (www.ga4gh.com), an organization the aim of which is to create an environment for exchanging medical data, including genomic data, in order to accelerate medical research. Ardigen intends to play a significant role in this area, both internationally and in Poland. Given a favourably domestic environment for the development of Polish biotechnology, Ardigen takes part in initiatives aimed at creating an infrastructure for collecting and sharing high quality omics data and clinical data for scientific purposes.

In the first half of 2018, activities in the services area focused on sales initiatives in the USA and Western Europe. Ardigen's stand was present at three conferences: Personalised Medicine World Conference in Mountain View, Molecular Medicine Tri-Conference in San Francisco and Bio-IT in Boston. This resulted in making new contacts which will add more biotechnology or pharmaceutical firms to Ardigen's customer list in 2018.

An increase in sales on the eastern coast of the United States is an important trend which has been observed. The Boston area is now the largest cluster of biotech and pharmaceutical firms in the world. It may be concluded that activities undertaken in this operating area will drive revenue growth in the coming years. In this context, the Company is particularly hoping to sell services which support the development of drugs with the use of Artificial Intelligence. For several months, such work was conducted together with a partner developing innovative drugs in cooperation with the academic circles of MIT (Massachusetts Institute of Technology) and the Jagiellonian University. The results obtained so far are very promising.

Employment details

Further to a dynamic development in H1, 2018, the Group significantly increased its staffing, especially in the R&D Department and Contract Biology Department, as well as in the Company's subsidiary - Ardigen S.A. The staffing level grew from 404 employees in August 2017 to 507 employees in August 2018.

Information on Selvita S.A. Shareholding Structure

As at the date of publication of the 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 30 JUNE 2018	01/01/2018 - 30/06/2018 PLN	01/01/2017 - 30/06/2017 PLN
Continued operations		
Revenue from sales	37 251 789	31 310 814
Revenue from subsidies	12 905 315	7 819 418
Other operating revenues	297 664	244 786
Revenue from sales of R&D projects	-	20 284 538
Total operating revenue	**50 454 768**	**59 659 556**
Change in stock of goods	-	-
Amortization and depreciation	(3 620 986)	(2 415 788)
Consumption of materials and energy	(11 341 513)	(8 670 111)
External services	(10 516 311)	(7 570 326)
Employee benefit expense	(24 637 520)	(20 714 516)
Taxes and charges	(395 682)	(297 013)
Other costs by type	(1 971 640)	(1 539 309)
Cost of goods and materials sold	-	-
Cost of R&D projects sold	-	(7 328 770)
Other	(50 410)	(8 728)
Total operating expenses excluding impact of share-based incentive program	**(52 534 062)**	**(48 544 561)**
Profit (loss) on operating activities excluding impact of share-based incentive program	**(2 079 294)**	**11 114 995**
Share-based incentive program	-	(583 000)
Profit (loss) on operating activities	**(2 079 294)**	**10 531 995**
Financial income	1 510 596	123 469
Financial expenses	(171 720)	(1 366 352)
Other	-	-
Profit (loss) on business activities	**(740 418)**	**9 289 112**
Equity method valuation of investments in associates	(651 843)	(713 682)
Fair value method valuation of investments in associates	21 439 106	-
Profit (loss) before income tax	**20 046 845**	**8 575 430**
Income tax expense	(3 949 917)	(295 510)
Net profit (loss) on continued operations	**16 096 928**	**8 279 920**
Discontinued operations		
Profit (loss) on discontinued operations	-	-
Net profit (loss)	**16 096 928**	**8 279 920**
Net profit loss attributed to:		
Majority shareholders	15 928 692	8 014 225
Non-controlling shareholders	168 237	265 695
Other comprehensive income:		
Foreign subsidiaries results translation differences	(22 631)	135 007
Total other comprehensive income (loss)	**(22 631)**	**135 007**
Total comprehensive income (loss)	**16 074 297**	**8 414 927**
Total comprehensive income (loss) attributed to:		
Majority shareholders	15 906 061	8 149 232
Non-controlling shareholders	168 237	265 695
Earnings per share (expressed in gr per share)		
With continued and discontinued operations:		
Basic	105,61	114,45
Diluted	105,61	114,45
With continued operations:		
Basic	105,61	114,45
Diluted	105,61	114,45

Consolidated Balance Sheet

AS OF 30 JUNE 2018	30/06/2018	31/12/2017
	PLN	PLN
ASSETS		
Fixed assets		
Tangible fixed assets	35 276 307	31 377 112
Investment property	-	-
Goodwill	280 740	280 740
Other intangible assets	76 648	126 011
Unfinished development works	3 207 264	2 231 330
Investments in associates	-	2 038 611
Deferred tax assets	8 014 014	7 451 082
Other financial assets	22 825 875	-
Other assets	196 038	196 038
Total fixed assets	**69 876 886**	**43 700 924**
Current assets		
Inventory	1 793 976	1 591 108
Trade and other receivables	23 324 041	18 592 306
Construction contracts receivables	322 475	633 207
Other financial assets	50 132 790	92 694
Current tax related assets	-	446 374
Other assets	2 711 358	2 392 763
Cash and other monetary assets	112 029 978	36 124 149
	190 314 618	**59 872 601**
Non-current assets held for sale and discontinued operations	-	-
Total current assets	**190 314 618**	**59 872 601**
Total assets	**260 191 504**	**103 573 525**

Consolidated Balance Sheet (cont.)

AS OF 30 JUNE 2018	30/06/2018	31/12/2017
	PLN	PLN
EQUITY AND LIABILITIES		
Equity		
Share capital	6 388 492	5 508 492
Surplus from sale of shares above par value	154 702 440	25 677 534
Own shares	-	-
Supplementary capital	25 955 714	18 451 051
Other reserve capitals	11 172 000	11 172 000
Foreign subsidiaries results translation differences	87 435	110 066
Previous years' profit (loss)	(6 411 401)	(5 028 156)
Net profit (loss)	15 928 691	6 406 932
Provisions related to non-current assets held for sale and discontinued operations presented directly in equity	-	-
Equity attributed to majority shareholders	**207 823 371**	**62 297 919**
Equity attributed to minority shareholders	2 111 203	1 697 642
Total equity	**209 934 574**	**63 995 561**
Long-term liabilities		
Long-term credits and loans	3 576 788	3 981 697
Other financial liabilities	3 913 915	2 188 096
Retirement provision	156 674	156 674
Deferred income tax provision	4 841 372	525 516
Long-term provisions	1 872 000	1 740 650
Deferred income	13 245 017	4 233 055
Other liabilities	-	-
Total long-term liabilities	**27 605 766**	**12 825 688**
Short-term liabilities		
Trade and other liabilities	8 134 553	10 873 295
Construction contracts liabilities	335 574	379 582
Short-term credits and loans	989 238	912 416
Other financial liabilities	1 497 306	911 438
Current tax liabilities	145 770	74 491
Short-term provisions	7 750 202	5 149 870
Deferred income	3 798 521	8 451 183
Other liabilities	-	-
Total short-term liabilities	**22 651 164**	**26 752 275**
Total liabilities	**50 256 930**	**39 577 963**
Total equity and liabilities	**260 191 504**	**103 573 524**

Consolidated Cash Flow

	01/01/2018-30/06/2018	01/01/2017-30/06/2017
	PLN	PLN
Cash flows from operating activities		
Net profit (loss)	**16 096 928**	**8 279 920**
Adjustments		
Equity method valuation of investments in associates and joint ventures	651 843	804 417
Pozostałe aktywa finansowe wyceniane metodą ceny godziwej	(21 439 106)	-
Amortization and depreciation	3 617 882	2 426 857
Exchange gains (losses)	(22 631)	-
Interest and profit-sharing (dividends)	(71 450)	37 420
Profit (loss) on investing activities	-	-
Change in receivables	(5 396 937)	(160 463)
Change in inventory	(202 868)	(169 280)
Change in short-term liabilities and provision excluding credits and loans	(3 003 251)	1 917 300
Change in grants	(8 249 437)	(6 456 042)
Change in deferred revenue	(18 830)	(458 522)
Change in other assets	(318 595)	5 605 458
Change in provisions	2 731 682	2 672 151
Income tax paid	321 120	436 731
Income tax cost in P&L	3 949 917	295 510
Contribution in kind of non-controlling shareholders	-	-
Share-based incentive program	-	583 000
Other	-	-
Cash flows from operating activities	**(11 353 733)**	**15 814 457**
Cash flows from investing activities		
Proceeds from sale of tangible and intangible fixed assets	-	-
Purchase of tangible and intangible fixed assets	(4 522 688)	(10 889 960)
Purchase of tangible and intangible fixed assets partially financed with grant	-	-
Purchase of other financial assets	(49 952 900)	-
Purchase of shares of a subsidiary	(40 192)	-
Interest received	145 520	37 420
Loans granted	(30 000)	(80 000)
Other inflows from financial assets	-	-
Other	-	-
Cash flows from investing activities	**(54 400 260)**	**(10 932 540)**
Cash flow from financing activities		
Proceeds from shares issue	134 200 000	327 887
Payment of liabilities from finance lease agreements	(633 340)	(681 931)
Proceeds from credits and loans	110 834	81 530
Grants	12 627 568	6 436 396
Repayment of credits and loans	(439 381)	(495 366)
Dividends paid	-	-
Interest paid	(131 266)	(128 311)
Payments connected with shares issue	(4 074 593)	-
Other	-	-
Net cash flows from financing activities	**141 659 821**	**5 540 206**
Increase of net cash	75 905 828	10 422 123
Cash opening balance	36 124 149	29 094 669
Cash and cash equivalents - end of the period	**112 029 977**	**39 516 792**

CONTACT DETAILS

Investor Relations

Tomasz Nocuń

e-mail: tomasz.nocun@selvita.com
telephone: +48 12 297 47 00
mobile: +48 784 024 025

Media Contact

Natalia Baranowska

e-mail: natalia.baranowska@selvita.com
telephone: +48 12 297 47 00
mobile: +48 784 069 418

Cracow, August 28, 2018

SELVITA S.A.

Park Life Science
ul. Bobrzyńskiego 14,
30-348 Kraków
POLAND
Telephone: +48 12 297 47 00
Fax: +48 12 297 47 01

www.selvita.com