Selvita Group Annual Report (Summary) 2017

TABLE OF CONTENTS

1 LETTER TO THE SHAREHOLDERS

Dear Sir / Madam, Selvita Shareholders!

I have the pleasure of presenting you with Selvita Group's achievements in the past year and some prospects for 2018.

For many reasons, 2017 was a special year for Selvita.

Above all, it was a jubilee year. Selvita celebrated the tenth year of its operations. In that time the efforts of many people, working together, enabled us to build a global biotechnology company with a internationally established brand, which can be included in the league of European biotechnological champions.

Secondly, in 2017 Selvita concluded one of the most important agreements in its history – a licence agreement with Berlin-Chemie AG (part of the Italian Menarini Group) relating to the SEL24 compound. Concluding this agreement was another step which brought Selvita closer to its goal, which is to provide a new therapeutic option for patients throughout the world with acute myeloid leukaemia (AML). The agreement with a global partner engaged in research and development, as well as sales of drugs, is a significant commercial success and the fulfilment of promises made to investors during the IPO in 2014. Achieving record transaction parameters in the history of the Company, also proved legibility to Selvita Group's business model, which has been developed for the past decade.

Thirdly, in 2017 work began on the secondary public offering of the Company's shares, which was successfully completed at the beginning of 2018. The issue enabled us to obtain more than PLN 134 million. Those funds will be used to pursue the Selvita Group's development strategy for the years 2017–2021 announced in August 2017, the main objective of which is to significantly increase the Company's worth by investing nearly PLN 400 million in the development of the Innovative and Services Segments of Selvita – both through independent financing of projects up to the Phase II of clinical trials, expansion of the early stage projects' portfolio as well as expansion of the Company's services offer.

In the previous year, we noted significant progress in our proprietary innovative projects. We continued the SEL24 clinical trials in three renowned oncological centres in the United States. In March 2017, we administered SEL24 for the first time to a patient with acute myeloid leukaemia.

However, the year did not pass without problems. In October 2017, the Company was notified by the Food and Drug Administration Agency placing a clinical hold on the SEL24 Phase I clinical trial. Nevertheless, thanks to the immediate reaction of Selvita's scientific team, in December 2017 the hold was fully lifted and research was resumed.

Another key project conducted by the Company in the R&D Segment is SEL120 (CDK8 kinase inhibitor in acute myeloid leukaemia). In 2017, IND-enabling studies for SEL120 were initiated. Phase I clinical trials are expected to begin by the end of 2018. Signature of an agreement with the Leukemia & Lymphoma Society (LLS), the largest voluntary health agency dedicated to the fight with blood cancers, was a great success. The purpose of the agreement is a financial, scientific and medical cooperation

between Selvita and LLS on the SEL120 project. This cooperation not only ensures significant funds for the pre-clinical and clinical development of the compound, but most of all provides a confirmation of the highest competencies of the Company's research team and promising scientific data in respect to the SEL120 molecule.

In 2017 we also continued cooperation with our regular partners: H3 Biomedicine in the area of kinase inhibitors, and with Merck in the area of cancer metabolism. In 2017, the cooperation on the inflammasome inhibitors project with Nodthera Ltd. was reorganized.

During 2017, also the Services Segment has developed significantly. Teams operating in the chemistry, biology, biochemistry and analytical chemistry areas established several new relationships among large- and medium-sized pharmaceutical companies and manufacturers of biological drugs. The Company is constantly striving to offer as many services as possible according to the FTE model. Only four years ago, approx. 90% of all services were provided according to the fixed-price model. Currently approx. 70% of all services are provided according either to the FTE or integrated project model. At the same time, cooperation with research institutes and academic centres remains an important form of cooperation.

The Company is also conducting intensive work associated with its infrastructure development.

The key focus is on the construction of the Innovative Drug Development Centre in Kraków. This project is an effect of a significant increase in the number of employees as well as the number of contracts performed, and therefore, with the need to acquire new laboratory space. Ultimately, over the next 10 years, the new Centre in Kraków will be able to employ up to 1,000 staff. In December 2016, a 1.4 ha plot of land was purchased. In 2017, the Company successfully acquired co-financing of nearly PLN 33.7 million for the construction of the Centre, and prepared project documentation for the building. The commencement of construction work is planned for the second quarter of 2018, and the first labs should be launched in the second half of 2019.

In 2017 we also opened new laboratories in Poznań, where we currently employ more than 20 people. The new location allows us to cooperate with the best scientists from this part of Poland. Poznań is an academic centre which combines tradition and innovation. We believe that in selecting this location we are increasing our chances of meeting the Company's strategic goals.

Selvita international offices in the US and UK, which have been opened in the past few years, are also operating efficiently and enable acquisition of new customers and strengthening of existing local relations.

Ardigen S.A. is also developing dynamically. Ardigen is Selvita's subsidiary, which makes use of bioinformatics and artificial intelligence to create ground-breaking solutions in precision medicine. In 2017 Ardigen received the first grants in its history, totalling approx. PLN 10 million, which will enable it to continue research on its proprietary products over the next three years. The work will be performed in the area of oncological immunotherapy and microbiomes. Last year Ardigen significantly increased its staff (nearly 20% y/y). The Company achieved very good financial results.

The Selvita Group owes its success to an excellent team of specialists, the number of which increased from 364 to 431 in 2017, i.e. by 18% y/y. It is particularly worth mentioning that Selvita is drawing increasing numbers of world-class experts. For example, we initiated cooperation with Dr Steffen Heeger, who took up the position of Chief Medical Officer and will be responsible for clinical development, as well as regulatory and medical issues related to the development of the oncological

projects. With every year, Selvita's team is becoming increasingly more international – nearly 10% of the Company's employees are from outside Poland and represent 10 different nationalities.

Numerous successes achieved in 2017, were crowned with Selvita winning the prize for the best sWIG80 index company. Selvita became one of the 80 largest companies listed on the WSE relatively recently – in March 2018. By winning this prestigious prize the Company not only showed how much it has achieved in a short period of time, but it was gives faith and incentive to set ourselves new, ambitious goals for the future as well as gives hope that these can be achieved.

On behalf of Selvita's Management Board, I would like to cordially thank you for your trust in us, to which the successful public issue of shares and obvious increase in their price over the past year, attest the best. We are happy to continue our operations to meet our investors' expectations and to fulfil our obligations as listed in the prospectus, as well as the promises and commitments made in the Group's development strategy. May year 2018 and the following years be a period of successes for the work conducted in the area of clinical trials, and may Selvita become a first choice company for pharmaceutical partners throughout the world.

With best regards,

Pawel Przewiezlikowski
Selvita CEO

2 BASIC INFORMATION ON THE SELVITA GROUP

1.1. Structure of 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

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, USA
Company File No.	5700516
Legal form	Corporation
Shareholders	100% shares held by Selvita S.A.

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

Business name of the Company	Ardigen Spółka Akcyjna
Registered office	ul. Bobrzyńskiego 14, 30-348 Kraków
Company ID (REGON)	362983380
Tax ID (NIP)	676-249-58-65
Legal form	Joint-Stock Company
Shareholders	51,63% shares held by Selvita S.A.

Business name of the Company	Nodthera Ltd
Registered office	Edinburgh, Great Britain
Company No.	540381
Legal form	Limited Liability Company
Shareholders	38,90% shares held by Selvita S.A.

All entities within the Selvita Group are consolidated.

1.2. Governing Bodies of the Parent Entity

As of March 26, 2018, the Management Board and Supervisory Board of Selvita S.A. consist of:

Management Board

- Paweł Przewięźlikowski – President of the Management Board
- Bogusław Sieczkowski – Vice President of the Management Board
- Krzysztof Brzózka, PhD – Vice President of the Management Board
- Miłosz Gruca, PhD – Member of the Management Board
- Mirosława Zydroń, PhD – Member of the Management Board
- Edyta Jaworska – Member of the Management Board

Supervisory Board

- Piotr Romanowski, PhD – President of the Supervisory Board
- Tadeusz Wesołowski, PhD – Vice President of the Supervisory Board
- Wojciech Chabasiewicz – Member of the Supervisory Board
- Rafał Chwast – Member of the Supervisory Board
- Adam Przewięźlikowski – Member of the Supervisory Board

3 ECONOMIC AND FINANCIAL HIGHLIGHTS

3.1 Financial Results Attained in the Reporting Period

Selvita Group	Consolidated data in PLN thousand			
Item	od 01.01.2017 do 31.12.2017	01.01.2017 - 31.12.2017 *(excl. Incentive program)*	01.01.2016 - 31.12.2016	01.01.2016 - 31.12.2016 *(excl. Incentive program)*
Revenues from sales	67 536	67 536	48 133	48 133
Revenues from subsidies	17 591	17 591	12 067	12 067
Revenues from R&D projects	20 285	20 285	6 037	6 037
Other operating revenues	460	460	483	483
Revenues on operating activities	105 872	105 872	66 721	66 721
Operating expenses	(93 233)	(92 650)	(67 934)	(62 074)
Depreciation	(5 240)	(5 240)	(3 617)	(3 617)
Profit/loss on operating activities (EBIT)	12 639	13 222	(1 214)	4 646
Profit/loss before income tax	9 600	10 183	(1 283)	4 577
Net profit/loss	6 732	7 315	2 685	8 545
EBITDA	17 879	18 462	2 404	8 264
Net cash flow from operating activities	10 982	10 982	(6 280)	(6 280)
Net cash flows from investing activities	(21 509)	(21 509)	(18 385)	(18 385)
Net cash flows from financing activities	17 557	17 557	24 953	24 953
Total net cash flow	7 029	7 029	288	288
Number of shares	13 771 229	13 771 229	13 443 343	13 443 343
Profit (loss) per share (in PLN)	0,48	0,51	0,17	0,60
Diluted profit (loss) per share (in PLN)	0,48	0,51	0,16	0,59
Book value per share (in PLN)	4,52	4,57	4,12	4,55
Diluted book value per share (in PLN)	4,52	4,57	4,03	4,46
Declared or paid dividend per share (in PLN)	-	-	-	-

Selvita Group	Consolidated data in EUR thousand			
Item	01.01.2017 - 31.12.2017	01.01.2017 - 31.12.2017 *(excl. Incentive program)*	01.01.2016 - 31.12.2016	01.01.2016 - 31.12.2016 *(excl. Incentive program)*
Revenues from sales	15 911	15 911	11 030	11 030
Revenues from subsidies	4 144	4 144	2 765	2 765
Revenues from R&D projects	4 779	4 779	1 383	1 383
Other operating revenues	108	108	111	111
Revenues on operating activities	24 942	24 942	15 290	15 290
Operating expenses	(21 965)	(21 827)	(15 568)	(14 225)
Depreciation	(1 235)	(1 235)	(829)	(829)
Profit/loss on operating activities (EBIT)	2 978	3 115	(278)	1 065
Profit/loss before income tax	2 262	2 399	(294)	1 049
Net profit/loss	1 586	1 723	615	1 958
EBITDA	4 212	4 349	551	1 894

Net cash flow from operating activities	2 587	2 587	(1 439)	(1 439)
Net cash flows from investing activities	(5067)	(5 067)	(4 213)	(4 213)
Net cash flows from financing activities	4 136	4 136	5 718	5 718
Total net cash flow	1 656	1 656	66	66
Number of shares	13 771 229	13 771 229	13 443 343	13 443 343
Profit (loss) per share (in EUR)	0,11	0,12	0,04	0,14
Diluted profit (loss) per share (in EUR)	0,11	0,12	0,04	0,13
Book value per share (in EUR)	1,09	1,09	0,93	0,93
Diluted book value per share (in EUR)	1,09	1,09	0,91	0,91
Declared or paid dividend per share (in EUR)	-	-	-	-

Selvita Group	Consolidated data in PLN thousand			Consolidated data in EUR thousand		
Item	31.12.2017	31.12.2016	31.12.2015	31.12.2017	31.12.2016	31.12.2015
Total assets	103 574	89 121	64 493	24 832	20 145	15 134
Short-term receivables	19 225	16 320	16 663	4 609	3 689	3 910
Cash and equivalents	36 124	29 095	28 807	8 661	6 577	6 760
Liabilities and provisions	39 578	33 410	17 613	9 489	7 552	4 133
Long-term liabilities	12 826	14 477	1 293	3 075	3 272	303
Short-term liabilities	26 752	18 933	16 319	6 414	4 280	3 829
Equity	63 996	55 711	46 890	15 343	12 593	11 003
Share capital	5 508	5 377	5 246	1 321	1 215	1 231

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

In order to maintain comparability of the financial data for the current period with the data from previous periods, the comments presented below are based on data that does not account for the costs of the incentive program, which amounted PLN 583 thousand in 2017 and PLN 5.860 thousand in 2016.

In 2017 Selvita Group (hereinafter referred to as "Selvita", "Selvita Group" or the "Group") reported a profit both at the operating level (EBIT) and at the level of the entire activity (net profit). On the operating level (EBIT) the Group reported a profit of 13.222 PLN thousand: 8.575 thousand PLN more compared to 2016, when the Group's operating profit amounted to PLN 4.646 thousand. In the reporting period Selvita Group consistently carried out intensive research work within the programs commenced in previous years, most of which, in accordance with the accounting policies, is directly recognized in operating costs.

In 2017 net profit of the Selvita Group amounted to PLN 7.315 thousand PLN compared to 8.545 thousand PLN of net profit achieved in 2016. Due to the use of tax reliefs available to companies operating on the basis of permits for operations in the Special Economic Zones, Selvita Group companies are obliged to record and regularly update deferred income tax assets. As a result of obtaining consecutive permits in 2016, deferred tax assets related to operations in the Special Economic Zone increased significantly by PLN 4.772 thousand, and in 2017 the said assets were partly

written off in the amount of PLN 2.037 thousand. In 2017 net profit, without accounting for the changes in the tax assets, related to operations in the SEZ amounted to PLN 9.352 thousand (in 2016: PLN 3.773 thousand) and net profitability (calculated as the ratio of the net profit to its total revenues, including revenues from sales and subsidies) amounted to 9%.

Throughout 2017, Selvita Group recognized revenues on operating activities in the amount of PLN 105.872 thousand what gives 59% increase compared to PLN 66.721 thousand in 2016. Revenues from sales in 2017 (including revenues form R&D programs' sales; excluding subsidies) amounted to PLN 87.820 thousand, reflecting 62% growth compared to 2016 when sales revenue amounted to PLN 54.188 thousand (including the profit from Nodthera Ltd. share acquisition; excluding subsidies).

The revenue from external customers generated by Selvita's innovation segment in 2017 amounted to PLN 36.727 thousand, reflecting 100% increase as compared to 2016 when the external revenue was PLN 18.353 thousand. Operating profit (EBIT) of the innovation segment in 2017 totalled PLN 6.414 thousand, reflecting 107% increase as compared to 2016 when the operating profit was PLN 3.100 thousand.

In the service segment in 2017 Selvita Group focused mainly on intensive growth by expanding the scope of its operations, penetrating new markets and entering into larger and long-term FTE contracts as well as integrated projects. The 2017 revenue from sales of services to external customers totalled PLN 44.208 thousand compared to PLN 32.404 thousand in 2016, which constitutes growth of over 36%. The operating profit (EBIT) of that segment in 2017 amounted to PLN 5.277 thousand, which constitutes growth of over 207% compared to PLN 1.720 thousand in 2016, and profitability at the level of operating profit (calculated as the ratio of the operating profit of the segment to its total sales revenue) amounted to 11%.

In 2017 bioinformatics segment's revenue from sales of services to external customers amounted to PLN 6.885 thousand, which means an increase of 101% compared to 2017, when amounted to PLN 3.431 thousand. Bioinformatics segment generated in 2017 operating profit in the amount of PLN 1.535 thousand.

In 2017, revenues from grants increased by 46% compared to the previous year – from PLN 12.067 thousand to PLN 17.591 thousand. The revenues from grants for 2017 does not include the amount of PLN 4.756 thousand which has been included in the balance sheet parallel to the capitalized R&D development costs. The increase in revenues from grants is primarily due to the commencement of incurring costs for new innovative projects implemented under the new financial perspective 2014-2020.

The value of the 2018 contracts portfolio resulting from commercial contracts and subsidy agreements signed as of the publication date of this report (backlog) amounts to PLN 68.664 thousand, including:

- Services PLN 29.133 thousand,
- Innovation PLN 6.947 thousand,
- Bioinformatics PLN 4.740 thousand,
- Grants PLN 27.844 thousand

and it has decreased compared to the 2017 backlog announced in April 2017 by 14%. It should be emphasized that the services segment backlog for 2018 has increased by 48%, bioinformatics backlog is at the same level compared to the contracting in the same period last year and the innovation

segment backlog has decreased by 82% compared to the contracting in the same period last year (including commercialization of SEL24).

SEL24 program commercialization

On 28 March 2017 Selvita signed an exclusive license agreement with Berlin-Chemie AG (part of Menarini Group) for further research, development and commercialization of SEL24. Impact of that transaction on Selvita's operating profit is presented below.

In 2017 the Group implemented new accounting policy for SEL24 transaction and further R&D deals recognition, that results in separate presentation of revenues and costs of such transactions in profit and loss statement. Due to the above, financial result of SEL24 commercialisation consist of invoiced "upfront payment" (presented in operating revenue), reduced by assets capitalized by the time of the transaction, covering, respectively, the pre-clinical and clinical phase expenses, which under the balance of assets were identified as capitalized grants (both presented in operating expenses).

Profit on SEL24 commercialisation recognised in current period of 2017 amounted to PLN 12.956 thousand and included:

[PLN thousand]	**Period ended 31.12.2017**
„Upfront payment"	20.285
Capitalized grants attributable to SEL24 program	6.586
Capitalized costs of SEL24 program	(13.341)
Capitalized expenditures on SEL24 patents	(574)
Current period profit from transaction	**12.956**

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

As of the end of 2017 the value of the Group's assets was PLN 103.574 thousand and increased by PLN 14.452 thousand compared to the end of 2016 (PLN 89.121 thousand). As of the end of 2017 the key component of fixed assets were tangible fixed assets, which totalled PLN 31.377 thousand and included mainly laboratory equipment and a plot of land purchased in December 2016 for investments into new buildings of the Group. Other core components of fixed assets were: deferred tax assets totalling PLN 7.451 thousand and capitalized costs of R&D development activities in the amount of PLN 2.231 thousand. Compared to December 31, 2016, the value of fixed assets increased by PLN 2.248 thousand. This is mostly a result of acquiring new fixed assets balanced by partially planned fixed assets depreciation and commercialization of SEL24 (commercialization of activated development works).

The value of assets due to uncompleted development works at the end of 2017 amounted to PLN 6.988 thousand and is presented in the position "uncompleted development works" in the amount of PLN 2.231 thousand, after decreasing by PLN 4.756 thousand PLN (the value of activated revenues from subsidies attributable to capitalized costs). After the sale of the SEL24 program in 2017, the assets presented as at December 31, 2017 in the balance sheet (uncompleted development works) concern only the SEL120 program.

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

	2017	2016
Liquidity indicator **current assets/current liabilities including short-term provisions and accruals (excl. deferred revenues)**	3,27	3,54
Increased liquidity indicator **(current assets-inventory)/current liabilities including short-term provisions and accruals (excl. deferred revenues)**	3,18	3,44

Cash surpluses not used in the operating activities are invested in safe financial instruments: bank deposits.

The main item in the Selvita Group's equity and liabilities is equity, which, as of December 31, 2017, amounted to PLN 63.996 thousand and increased by PLN 8.284 thousand compared to December 31, 2016. The second largest source of funding are short-term liabilities which, together with the reserves, amounted to PLN 26.752 thousand at the end of 2017. The highest value of short-term liabilities items are: trade liabilities, deferred income (most of which are received subsidies that will be settled in the future) and short-term provisions.

3.3 Current and Projected Financial Condition

The Group's financial situation as of the report date is very good. As of December 31, 2017, the value of Group's cash amounted to PLN 36.124 thousand compared to PLN 158.679 thousand as of the date of this report.

The Group is up to date on meeting its obligations and maintains a sustainable cash flow ensuring its liquidity. Income from share issue in February 2018 and cash generated from operations, allows the Company to execute its planned investments, in particular development of innovative projects in the discovery and preclinical phase and in the new laboratories for the Group.

4 INFORMATION ON THE ACTIVITIES OF SELVITA GROUP

4.1 Products and Services

The activities of the Group cover two segments:

- Innovative Segment – research and development activities involving in-house research projects on innovative drugs,
- Services Segment – drug discovery services provided to external clients from the pharmaceutical and biotechnology industry.

4.1.1 Innovative Segment (Research and Development Activity)

In 2017, 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 e.g.: Cancer Cell Metabolism Platform in cooperation with Merck.

Targeted Therapies Platform (TTP)

SEL24

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

In March 2017, a global license agreement has been signed between Selvita S.A. and Berlin-Chemie AG, a company of the Menarini Group. Under this agreement, Selvita gave the Menarini Group an exclusive license for further research, development, manufacturing and commercialization of SEL24 worldwide. Selvita received an upfront payment from Menarini, and is entitled to receive further milestone payments linked to the progress in the development of SEL24 and royalties for future sales of the potential drug.

In October 2017, Selvita was informed about the clinical hold imposed by the US Food and Drug Administration. The clinical hold was a result of adverse events that occurred during the study, which required detailed analysis. The company in consultation with the FDA and in cooperation with the Menarini Group, prepared the response to the FDA clinical hold which included comprehensive SEL24 safety analysis, as well as updated key documents, including study protocol and investigator brochure. The reply was submitted to the FDA in November 2017. After analyzing the documentation provided by Selvita, on December 15, 2017, the FDA had approved resumption of clinical trials.

In December 2017, during ASH (*American Society of Hematology*) Annual Meeting, Selvita representatives met clinical investigators and site study team leaders of SEL24 program in the US. The meeting objectives included the analysis and presentation of safety data, and revisions made to the study protocol and other key clinical trial documents, as well as getting study teams prepared for resuming the trial.

Selvita is planning to engage two additional renowned clinical sites in the US, on top of the existing three that were actively recruiting patients for SEL24 Phase I/II study so far. The Company anticipates obtaining favorable opinions of local Institutional Review Board (IRB) in the US in Q1 2018, and then resuming the enrolment and SEL24 dosing in the clinical trial.

Selvita has been also involved in translational research studies in collaboration with Menarini Group. These activities are focused on validation of additional clinical indications for SEL24, as well as development of stratification markers for selection of patients in clinical trials, and target engagement markers useful for tracking activity of the compound in patients.

SEL120

SEL120 project is focused on the development of novel, selective CDK8 inhibitors active in oncological diseases. Selected clinical candidate is characterized by a high affinity to CDK8, selectivity and anti-cancer efficacy *in vitro* and *in vivo*, and novel molecular mechanism of action. Pharmacological profiling indicated favorable PK/PD after oral administration in tested animal species. SEL120 was also well tolerated in mice and monkeys at predicted therapeutic doses in human, therefore Selvita initiated preclinical preparations for first-in-man studies in collaboration with CRO Aptuit. A major scope of initiated studies was CMC support for preclinical and phase I clinical study, including pharmaceutical development and manufacture, analytical method development and bioanalytical support. Second contracted part included safety assessment, toxicology, safety pharmacology and DMPK. In the reported period, all planned preclinical tasks have been completed according to the schedule, assuming projected time for IND filling until the end of 2018.

Evaluation of the program by The Leukemia & Lymphoma Society (LLS) resulted in a partnership to co-fund further preclinical and clinical development of a targeted therapy to treat patients with acute myeloid leukemia (AML), within the contract signed in August 2017. LLS is the world's largest voluntary health agency dedicated to blood cancer. Under the terms of the agreement, LLS will provide up to USD 3.25 million funding over 4 years, through its Therapy Acceleration Program® (TAP), in order to help fund further SEL120 IND-enabling studies and a Phase I trial in AML. In return, LLS will be entitled to potential milestone payments and royalties.

In 2017 Selvita continued translational research aimed at better understanding of the SEL120 mechanism of action, patients' stratification and pharmacodynamic markers and validation of CDK8 inhibition in selected hematooncology, solid tumors and orphan indications. These studies led to the identification of novel mechanism of action, which resulted in a differential activity towards leukemia cells with a stem cells characteristics. Leukemia stem cells load is an independent predictive factor for relapse free and overall patients' survival. It is broadly accepted that curative treatments in AML should involve combinations targeting both hyper proliferative myeloblasts and dormant stem cells. Results of translational studies in leukemia models are basis for a clinical Phase I/II protocols.

Identified molecular mechanism of action indicated potential for therapeutic benefit in combinations with immune checkpoint inhibitors. Efficacy studies in syngeneic animal models confirmed anticancer efficacy of SEL120, particularly in combinations with anti-PD1, which correlated with induction in levels of cytokines and activation of immune cells with anticancer properties.

Targeted Therapeutics Platform is focused on development of novel compounds targeting major oncogenic pathways in personalized manner. Prioritized projects explore phenomenon of synthetic

lethality in cancer and target epigenetic mechanism characteristic for cancer cells. One of the areas of particular therapeutic interest are solid tumors bearing recurrent mutation in genes coding proteins from SWI/SNF complex. Revealed protein targets included helicase BRM/SRAMCA2 protein. Inhibition of this protein results in a synthetic lethality in the presence of oncogenic mutations in SMARCA4, which are common in NSCLC at a frequency ~8%. Several screening strategies led to the identification of several BRM/SMRCA2 inhibitors which were a subject of further chemical development towards lead compounds.

Additional activities in the platform involve further development of advanced lead molecules targeting MNK1/MN2 kinases There studies included studies aimed at the validation of unique mechanism of action of these molecules in immunooncology and autoinflammatory models. In parallel within the Platform there were ongoing development studies where protein targets and general strategy were confidential.

Immuno-oncology platform (IO)

Immuno-oncology Platform aims to provide novel immunotherapies mobilizing and stimulating human immune system to recognize and sensitize tumours to immune attack. Selvita's immuno-oncology projects target proteins and signaling pathways that can support conversion of “cold”, aggressive cancers resistant to checkpoint inhibitors into the "hot" treatment susceptible malignancies. Currently Selvita focuses on STING-dependent signalling cascade. It engages natural proinflammatory defence mechanisms of the human immune system to promote recognition and killing of cancer cells in parallel converting them into a therapeutic vaccine, preventing spreading, invasion and providing long-term immunological memory. Selvita identified a small molecule series of direct STING agonists and is currently at the stage of their optimization to the lead structure. The substances discovered by Selvita have unique chemical structure different from known STING agonists and confirmed immunomodulatory activity across panel of human primary immune cells. The company plans pilot *in vivo* efficacy studies in 2018. Additionally, Selvita investigates effective but unexploited targets from TCR activation pathways and cellular nucleic acid sensors. Several undisclosed projects with first-in-class potential are at discovery phase. Further research initiatives are planned with the use of DNA-encoded screening libraries.

Cancer metabolism and immunometabolism platform (CMIM)

In May 2017, research projects in the field of cancer cell metabolism and immunometabolism were grouped in a dedicated research platform.

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 stages (from target validation to lead optimization). Apart from financing, the project has scientific and infrastructural support from a partner, which is a one of the 25 largest global pharmaceutical companies. The research continues according to the schedule, further details of the project are covered by trade secrets.

An internal cancer metabolism project aims 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. Work is underway to validate the selected therapeutic strategy in animal cancer models. The process of lead optimization aimed at selecting a clinical candidate is also underway.

The aim of projects in the field of immunometabolism is the development of innovative immunotherapeutics based on solutions that overcome the limitations of current therapies and give a chance for a 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 2017, work within the 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 2017, very intense work on new dual A2A / A2B receptor antagonists resulted in obtaining active substances known to date with this activity profile (picomolar 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. Advanced research is currently underway to develop the optimal combination for clinical trials (approved inhibitors of immune checkpoints, chemotherapy).

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

OTHER PROJECTS

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

4.1.2 Services Segment

Selvita is an integrated drug discovery partner for the pharmaceutical and biotechnology industries. The company offers drug discovery support at every stage of the early discovery phase up to the preclinical research phase, including:

- unique combination of experienced team of managers and top researchers in computational, medicinal and contract chemistry, as well as in biochemistry, pharmacology, molecular biology and biotechnology, specialized in particular parts of the R&D process, as well as in bioinformatics,
- services related to synthesis and analysis of small and large molecule chemical compounds,
- creation and implementation of innovative bioinformatic and computer systems, including laboratory information management systems (LIMS) for managing the laboratory data.

Selvita provides services through three main departments: Contract Chemistry Department, Contract Biology Department and Ardigen S.A. (formerly: Bioinformatics Department).

Contract Chemistry Division

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

In 2017 the Contract Chemistry Division offered in particular the following services:

- research leading to discovery of new therapeutic molecules;
- designing new pharmacologically active molecules based on biological tests and with the use of computational tools;
- synthetic support for research projects aimed at developing new therapies;
- developing new, effective and cost-efficient as well as environmentally safe synthesis processes and alternative technologies for obtaining chemical substances;
- scaling 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 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 business consulting for the chemical industry.

In 2017, similarly to previous years, the Division invested in specialized apparatus supporting work on research and development projects, flow processes, including mainly purification and analyses of organic compounds, thus increasing the effectiveness of processes and their quality, which enabled us to increase the range of services offered, what in turn was appreciated by customers.

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

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

The trends from previous years, relating to the maintenance of a large share of FTE projects (over 80%) and cooperation based on a series of fixed-price projects commissioned by regular customers in the Department's total revenue, were continued. In 2017 a significant portion of the revenue was earned from the performance of integrated drug discovery projects, in which chemistry, biology, analytics and computational chemistry specialists were involved. The Division also continued to acquire fixed-price

and FTE contracts from new customers throughout the period. In 2017 the Division successfully continued contracts with customers from European, Israeli, US and Japanese markets.

Between March and May 2017 three independent contracts were concluded for integrated projects based on the FTE model, covering chemical and biological support for the research and development program aimed at development of new therapies. Selvita was selected as the scientific partner after its detailed evaluation and a series of audits performed by our partners.

In April 2017 a second Selvita research site was opened in Poznań. The Company's laboratories are located in the Wielkopolska Centre for Advanced Technologies, where Selvita leases 500 sq.m of space (with an option of further lease increase). Operations in the laboratories began with the Contract Chemistry Division projects, mainly in the area of pharmaceutical products' synthesis, based on the FTE and Fixed-Price models. As of December 2017 Selvita's site in Poznań employed nearly 20 people.

The segment which provides services in the area of medicinal chemistry grew significantly in respect of the number of integrated projects performed mainly for global pharmaceutical concerns, and small- and medium-sized biotechnological companies. The Company continued to be present on the Japanese and Israeli markets – extending the scope of contracts already performed or signing new cooperation agreements in the area of medicinal chemistry, based on the FTE model.

In 2017, similarly to the previous years, intense sales activities continued in the US, Europe, Israel and Japan, aimed at acquisition of new customers on those markets. Apart from standard sales activities, representatives of the Division participated in prestigious industry conferences which was not only a good occasion to meet with current business partners, but also led to making new, potentially interesting commercial contacts.

Similar operating activities (increasing the level of technical, quality and infrastructural standards) and sales (Europe, Israel, further increasing activity on the US and Japanese markets) are planned in 2018, therefore constant and intense development of the Contract Chemistry Division is anticipated.

Current contracts and business negotiations allow us to anticipate a further strong growth trend in 2018.

Contract Biology Division

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

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

In 2017 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.

Intensified sales actions addressed mainly to foreign customers brought about the expected effects in the form of a significant increase in commercial contract volumes. In 2017 projects related to the manufacture, purification and characterization of recombinant proteins were the main source of revenue of the Biochemical Laboratory. These projects are provided using both bacterial and eukaryotic expression systems, which are constantly evolving, which undoubtedly extends the Laboratory's ability to produce high-quality recombinant proteins. The important part of analyses and commercial revenues are the studies related to the crystallographic analysis of proteins (the so-called "from gene to protein structure" analyses) for European clients from the pharmaceutical industry and genotoxicity testing based on a bacterial system. 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. 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 2017, the operations of the analytical laboratory focused on well-established areas of services dedicated to pharmaceutical customers and the agrochemical industry. For agrochemical customers, validation research was performed, as well as 5Batch-type quality control and the certification of compounds. In the development area, the number of projects conducted based on the FTE basis increased significantly, which attests to the high specialization of the scientists working in the laboratory and the ensuing increased confidence of customers in respect of commissioning long-term, difficult projects to them, which are additionally encumbered with a high risk of failure. Performance of some research projects necessitated the use of various analytical techniques, which was possible thanks to gradual expansion of the laboratory equipment.

In turn, in 2017, the operations of the Molecular and Cellular Biology Laboratory focused on carrying out projects from two main groups. The first comprised comprehensive research projects from the Drug Discovery Area, based on a SAR (Structure-Activity Relationship) analyses, where the lab professionals were responsible for developing a series of biochemical and cell tests aimed at determination of the *in vitro* activity of new candidates for drugs. In this project group several tests were also performed relating to analysis of the mechanism of action of tested compounds with various therapeutic indications. These tests were performed for biotechnology companies from Europe, Asia and the U.S.

Comprehensive analyses of various classes of biosimilar drugs for pharmaceutical companies from Europe and Asia constituted the second group of projects. These tests were performed according to the GLP and GMP standards and their results will be used for Clients to release further batches of biosimilar medicines on the European market. A series of *in vitro* genotoxicity and mutagenicity analyses were also performed, according to the validated methods and OECD guidelines.

In the second half of 2017, one of the successes of the Divison included receiving co-financing from the Małopolskie Centrum Przedsiębiorczości for 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*"). The co-financing will allow the research team to develop 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. The project will be performed in the years 2017–2020.

It should be emphasized that comparing to the recent years, in 2017 a significant increase was noted in projects performed on the basis of an FTE cooperation. This proves that Customer confidence in the quality and timeliness of services offered by the Molecular and Cellular Biology Laboratory is growing.

In the foreseeable future, the main goal of the Contract Biology Division will be to further increase Western European and U.S. market penetration, with special emphasis on the offer addressed to pharmaceutical/biotechn customers who are looking for integrated solutions for projects related to the development of innovative drugs.

Ardigen S.A. (formerly Bioinformatics Segment)

Ardigen is a Polish biotechnological company which makes use of bioinformatics and artificial intelligence, creating ground-breaking solutions in precise and personalised medicine. Ardigen's strength is its world-class team which uniquely combines competencies from the areas of molecular biology, oncology, immunology, microbiome and bioinformatics, and artificial intelligence. Apart from the services provided to biotechnological companies, Ardigen develops its own products, releasing its AI potential in the area of diagnostics and therapy to increase the effectiveness of oncological therapy.

In 2017 project work on own research and development intensified. The work focused on Ardigen's strategic development direction, i.e. creating and launching its own diagnostic (Dx) and therapeutic (Tx) products which support the idea of precise medicine. The R&D team was engaged in work on oncological immunotherapy and microbiome.

In October and November 2017, Ardigen obtained the first grants which will allow it to continue work on proprietary products – approx. PLN 10 mln for 3 research and development products – with a total budget of approx. PLN 14 mln. The acquired funds will enable research activities over the next three years. The work will be conducted in two Business Units:

Business Unit Immunology which conducts research in the area of oncological immunotherapy, in diagnostic testing and designing personalized oncological vaccines. As a result, ground-breaking products will be developed, with a global reach. Member of the Management Board, Dr. Rafał Urniaż, is responsible for developing this area of operations.

Business Unit Microbiome conducts research related to analysis of the impact of the microbiome on the human body, using globally unique methods linking metagenomics to artificial intelligence. The first commercial products in this area should appear at the beginning of 2019. Work in this area will be conducted by Member of the Management Board Dr. Kaja Milanowska.

The strong point of the clinical applications developed by Ardigen will be the advanced methods of biological data (multiomic data) analysis with a strong emphasis on artificial intelligence techniques. The AI Labs team of Ardigen is developing unique knowledge in this area. At the end of 2017 the

competencies of this team were confirmed in the international competition NCI-CPTAC DREAM Challenge, the aim of which was to provide an answer to key questions in research on tumors by developing predictive models for protein concentrations (proteomes) based on data relating to transcriptomes and genomes. The Ardigen team came second in the challenge (out of 494 participants throughout the world), ahead of Harvard and Stanford Universities. In consequence, Ardigen became one of the elite group of two teams invited for further scientific cooperation.

In the second half of 2017, the AI Labs team began work on technologies which use AI in the process of developing new drugs.

In the services area Ardigen reinforced its position in the San Francisco Bay area. Initially, it launched a marketing campaign in the area under the slogan "VALUE as a SERVICE". Marketing activities focused on biotechnology companies. In January, Ardigen actively participated in the Personalised Medicine World Conference in Mountain View, California, where it was present with a booth. Additionally, an employee of the company made a presentation on the topic of "Artificial Intelligence for Personalized Medicine". In February the Ardigen team participated in another conference, Molecular Medicine Tri-Conference in San Francisco, also with its own stand. During both events Ardigen had access to over 4.000 participants. In consequence, further contracts were concluded with new biotechnological companies. The high quality of the services provided was also appreciated by large pharma companies with which the company plans to expand cooperation in the following years.

In 2017, Ardigen expanded the portfolio of business partners. At the end of the year, it had a stable base of customers, highly diversified both in respect to the geographical location (US and Western Europe) as well as type of company (large pharmaceutical companies, small and medium-sized biotechnology companies).

As to other events, it is worth mentioning that on 24 April 2017 the jury of the 10th Investment Forum in Tarnów awarded Ardigen with the "Investment of the Year" prize. This is a sign of acknowledgement of the company's huge potential for launching innovative Polish products on international markets in this socially important area, i.e. fighting cancer.

Additionally, on 17 June 2017 Ardigen was admitted to membership in the Polish Coalition for Personalized Medicine (Polska Koalicja Medycyny Personalizowanej). Active participation in the coalition's work will enable Ardigen to use its experience in implementing the idea of personalized medicine in Poland on the one hand, and use Poland's potential in the development of modern biotechnology on the other.

4.2 Sponsoring and charity

Since June 2016, Selvita has been supporting the UNICORN Charity Foundation (http://unicorn.org.pl/) as part of its Corporate Social Responsibility activities.

The UNICORN Foundation has been helping patients suffering from cancer and their families since 1999. UNICORN is currently running an on-site Psycho-Oncology Center, the first of this kind in Poland.

The intention of the founders of the on-site UNICORN Psycho-Oncology Center in Krakow is to create a place where patients diagnosed with cancer will receive comprehensive and professional support in an attempt to tame the disease and overcome the shock of the troublesome diagnosis. Huge efforts were made to allow this center to gather in one place experts and specialists from many fields, who

provide comprehensive care for their patients. UNICORN has been repeatedly awarded as an author of numerous social campaigns such as “Poukładaj sobie raka” [Get your cancer sorted out], “Jest między nami chemia” [There is chemistry between us], “Nie tylko leki leczą” [Meds are not the only cures] or “Widzimy całego człowieka” [We see the whole person].

Selvita is supporting the UNICORN Foundation both financially and through employee volunteering events. Selvita was one of sponsors of the 2nd Oncology Forum held on February 27, 2017, in the ICE Krakow Congress Center.

In 2017, Selvita donated 15.000 PLN for statutory goals of the UNICORN Foundation.

Moreover, Selvita S.A. participates in the annual Kraków Business Run. Selvita’s representation participated in the Kraków Business Run for the first time in September 2015. Since then it has become Selvita’s tradition that in September its employees participate in the run in support the of Jasiek Mela’s Foundation “Poza Horyzonty” and UNICORN. In 2017, eight teams made-up of Selvita employees participated in the run.

Selvita S.A. also cooperates with the Foundation of the University Children’s Hospital in Kraków “O ZDROWIE DZIECKA”. The Christmas charity fundraising among Selvita Group employees allowed to donate various educational, card and strategic games for the very young and older patients of the Hospital.

The Management Board of Selvita S.A. also donated 11 professional thermometers certified for hospital use for the nurses.

In 2017 Selvita S.A. donated altogether PLN 24.000 for charity purposes. In 2018 Selvita S.A. intends to double the sum.

4.3 Employment data

Given the dynamic growth in the period covered by the report, the Group has significantly increased employment. Employment increased from 364 employees at the end of 2016 to 431 employees at the end of 2017.

4.4 Planned growth of Selvita Group

The Innovative Segment

In 2017 Selvita Group is planning to continue its dynamic development in the area of research and development of new drugs by using new funds raised through the share issue in January 2018, which is in line with the new Selvita Group’s Development Strategy for 2017-2021 published in August 2017.

First of all, plans are under way for the completion of the Phase I/II clinical study of SEL24 under the license agreement with the Menarini Group and completion of the pre-clinical phase for the SEL120 molecule and its preparation for the beginning of Phase I clinical trial. Selvita will continue negotiations with potential partnering partners.

The company will also conduct research and development work in the early pipeline projects, also as part of partnership agreements such as platform of targeted therapies, metabolic and immuno-metabolic platform, and immunological platform.

Services Segment

In this area the Group is expecting organic growth through increase in the share of full time equivalent (FTE) contracts in the sales volume, increasing revenues and increasing the employee base accordingly, as well as extending the laboratory space.

New Initiatives

In August 2017 the Company published its Development Strategy for the years 2017–2021. The pursuit of the Strategy should allow the Company to achieve the following business goals:

- sign a partnership contract for further development and commercialization of the SEL120 molecule in the phase II of clinical trials, on terms several times better than in case of SEL24;
- independently develop and sell one project a year in the years 2018–2020, including: in 2018 in the area of targeted therapies, in discovery or pre-clinical phase; in 2019 in the area of cancer cell metabolism and immunometabolism, in the pre-clinical or clinical phase; in 2020 in the area of immuno-oncology, in the clinical phase;
- further dynamically increase revenue and profitability in the services segment;
- increase the Company's capitalization to over PLN 2 billion.

Another significant initiative of the Group is the construction of the Innovative Drug Development Centre (Centrum Badawczo-Rozwojowe Innowacyjnych Leków). The Company purchased a plot of land located within the boundaries of the Kraków Special Economic Zone, at ul. Podole, close to the current laboratories of the Jagiellonian Centre of Innovation. Currently, the Company is preparing to appoint a General Contractor for the Investment. In accordance with the terms and conditions of the tender, the construction work is to be completed within 13 months of its commencement. Completion of the construction of the Innovative Drug Development Centre is planned for the first quarter of 2019.

5 FINANCIAL INFORMATION

5.1 CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 DECEMBER 2017

	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
	PLN	PLN
Continued operations		
Revenues from sales	67 535 921	48 133 127
Revenues from subsidies	17 591 459	12 066 981
Other operating revenues	459 752	6 520 463
Revenues from R&D projects	20 284 538	-
Revenues on operating activities	**105 871 670**	**66 720 571**
Change in stock of goods		413
Amortisation and depreciation	(5 240 097)	(3 617 457)
Consumption of materials and energy	(18 554 614)	(13 219 882)
External services	(17 939 041)	(10 538 123)
Payroll	(39 843 129)	(30 370 269)
Taxes and charges	(619 666)	(526 557)
Other costs by type	(2 986 921)	(3 513 002)
Value of goods and materials sold	(42 619)	(132 953)
Cost of R&D projects sold	(7 328 770)	
Other	(95 180)	(156 301)
Operating expenses excluding impact of share-based incentive program	**(92 650 037)**	**(62 074 131)**
Profit (loss) on operating activities excluding impact of share-based incentive program	**13 221 633**	**4 646 440**
Share-based incentive program	(583 000)	(5 860 000)
Profit (loss) on operating activities	**(12 638 633)**	**(1 213 560)**
Financial revenues	93 269	1 131 551
Financial expenses	(2 049 437)	184 256)
Other	(1 082 161)	(1 016 483)
Net profit (loss) before income tax	**9 600 304**	**(1 282 748)**
Income tax expense	(2 868 379)	3 968 139
Net profit (loss) on operating activities	**6 731 925**	**2 685 391**
Discontinued operations		
Profit (loss) on discontinued operations	-	-
Net profit (loss)	**6 731 925**	**2 685 391**
Net profit loss attributed to:		
Majority shareholders	6 406 932	2 720 211
Non-controling shareholders	324 993	(34 820)
Other comprehensive income:		
Foreign subsidiaries results translation differences	152 697	(42 631)
Total other comprehensive income	**152 697**	**(42 631)**
Total income	**6 884 622**	**2 642 760**
Total comprehensive income attributed to:		
Majority shareholders	6 559 629	2 677 580
Non-controling shareholders	324 993	(34 820)
Earnings per share		
(expressed in zł per share)		
With continued and abandoned operations:		
Basic	47,6	20,2
Diluted	47,6	19,8
With continued operations:		
Basic	47,6	20,2
Diluted	47,6	19,8

5.2 CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2017

	31/12/2017	31/12/2016
	PLN	PLN
ASSETS		
Fixed assets		
Tangible fixed assets	31 377 112	21 832 609
Investment in real-estate	-	-
Goodwill	280 740	280 740
Unfinished development work	2 231 330	6 226 898
Other intangible assets	126 011	132 699
Investments in associates	2 038 611	3 120 772
Deferred tax assets	7 451 082	9 662 724
Other financial assets	-	-
Other assets	196 038	196 038
Total fixed assets	**43 700 924**	**41 452 480**
Current assets		
Inventory	1 591 108	1 403 263
Short-term receivables	18 592 306	15 681 811
Construction contracts receivables	633 207	637 849
Other financial assets	92 694	60 000
Current tax related assets	446 374	-
Other assets	2 392 763	790 997
Cash and other monetary assets	36 124 149	29 094 669
	59 872 601	47 668 589
Non-current assets held for sale and discontinued operations	-	-
Total current assets	**59 872 601**	**47 668 589**
Total assets	**103 573 525**	**89 121 069**

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017

	31/12/2017	31/12/2016
	PLN	PLN
EQUITY AND LIABILITIES		
Equity		
Share capital	5 508 492	5 377 337
Surplus from sale of shares above par value	25 480 803	25 480 803
Own shares	-	-
Supplementary capital	18 647 783	14 890 225
Other reserve capitals	11 172 000	10 589 000
Foreign subsidiaries results translation differences	110 066	(42 631)
Previous years profit (loss)	(5 028 156)	(3 640 312)
Net profit (loss)	6 406 932	2 720 211
Provisions related to non-current assets held for sale and discontinued operations presented directly in equity	-	-
Equity attributed to majority shareholders	**62 297 920**	**55 374 633**
Equity attributed to non-controling shareholders	1 697 642	336 824
Total equity	**63 995 562**	**55 711 457**
Long-term liabilities		
Long-term loans and bank credits	3 981 697	4 791 517
Other financial liabilities	2 188 096	3 028 017
Retirement provision	156 674	61 438
Provision for deferred income tax	525 516	214 039
Provisions for liabilities-long-term	1 740 650	-
Deferred income	4 233 055	6 381 589
Other liabilities	-	-
Total long-term liabilities	**12 825 688**	**14 476 600**
Short-term liabilities		
Trade liabilities	10 873 295	7 883 012
Construction contracts liabilities	379 582	176 244
Short-term loans and bank credits	912 416	858 529
Other financial liabilities	911 438	945 908
Current tax liabilities	74 491	-
Provisions-short-term	5 149 870	3 599 968
Deferred income	8 451 183	5 469 351
Other liabilities	-	-
Total short-term liabilities	**26 752 275**	**18 933 012**
Total long-term liabilities	**39 577 963**	**33 409 612**
Total equity liabilities	**103 573 525**	**89 121 069**

5.3 CONSOLIDATED CASH FLOW

FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 DECEMBER 2017

	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
	PLN	PLN
Cash flows from operating activities		
Net profit (loss)	**6 731 925**	**2 685 391**
Adjustments	**(4 249 855)**	**(8 965 503)**
Equity method valuation of investments in associates and joint ventures	1 082 161	1 016 483
Amortisation and depreciation	5 240 097	3 617 457
Interest and profit-sharing (dividends)	166 291	72 442
Change in receivables	(1 802 194)	927 933
Change in inventory	(187 845)	(229 173)
Change in short-term liabilities and provision excluding credits and loans	3 193 621	2 757 305
Change in grants	(15 814 466)	(12 374 215)
Change in other short terms assets	(435 934)	(10 886 426)
Change in provisions	3 290 552	272 691
Change in other assets	8 217 429	
Income tax paid	717 143	-
Contribution in kind of non-controling shareholders	-	-
Share-based incentive program	583 000	5 860 000
Other	-	-
Cash flows from operating activities	**10 981 780**	**(6 280 112)**
Cash flows from investing activities		
Sale of property, plant and equipment and intangible assets	10 000	-
Purchase of tangible and intangible fixed assets	(11 388 846)	(18 355 196)
Purchase of tangible and intangible fixed assets partially financed with grant	(10 169 405)	(2 855 190)
Proceeds from sale of other assets	-	2 596 850
Interest received	71 693	288 546
Repayment of loans	47 306	-
Loans granted	(80 000)	(60 000)
Other	-	-
Cash flows from investing activities	**(21 509 252)**	**(18 384 990)**
Cash flow from financing activities		
Proceeds from shares issue	935 888	327 887
Payment of liabilities from finance lease agreements	(1 214 612)	(916 102)
Proceeds from credits and loans	34 471	5 648 066
Subsidies	19 134 925	19 959 564
Repayment of credits and loans	(875 236)	(31 198)
Interest paid	(237 984)	(9 973)
Other	(220 500)	(25 000)
Net cash flows from financing activities	**17 556 952**	**24 953 244**
Increase of net cash	7 029 480	288 142
Cash opening balance	29 094 669	28 806 527
Cash and cash equivalents - end of the period	**36 124 149**	**29 094 669**

5.4 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

Krakow, March 26, 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