



CONSOLIDATED QUARTERLY REPORT

SELVITA S.A. | Q3 2013

November 2013

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BASIC INFORMATION ON THE CAPITAL GROUP

Parent Entity

Business name of the company	Selvita Spółka Akcyjna
Registered office	ul. Bobrzyńskiego 14, 30-348 Kraków
Company ID (REGON)	120515330
Tax ID (NIP)	679-29-42-955
Legal form	Joint-Stock Company
KRS number	0000367359
Website	www.selvita.com

Related Entities as of 30 September 2013

Business name of the company	BioCentrum spółka z ograniczoną odpowiedzialnością
Registered office	ul. Bobrzyńskiego 14, 30-348 Kraków
Company ID (REGON)	356815670
Tax ID (NIP)	676-226-47-81
Legal form	Limited Liability Company
KRS number	0000206301
Website	www.biocentrum.com.pl
Shareholders	100% shares held by Selvita S.A.

Business name of the company	Selvita Services spółka z ograniczoną odpowiedzialnością
Registered office	ul. Bobrzyńskiego 14, 30-348 Kraków
Company ID (REGON)	122456205
Tax ID (NIP)	676-245-16-49
Legal form	Limited Liability Company
KRS number	0000403763
Shareholders	100% shares held by Selvita S.A.

All entities within the Selvita Group are consolidated.

The Core Business of the Capital Group

The activities of the Capital Group cover three main areas:

- Research and development activities implemented through in-house research projects on innovative drugs,
- R&D services provided to external clients, in particular to pharmaceutical and biotechnology industry,
- Implementation of bioinformatics systems.

FINANCIAL HIGHLIGHTS

Capital Group Selvita S.A.		Consolidated data in PLN		
Item	From 01.07.2012 to 30.09.2012	From 01.07.2013 to 30.09.2013	Year to date (YTD)	Year to date (YTD)
			From 01.01.2012 to 30.09.2012	From 01.01.2013 to 30.09.2013
Equity	7,615,659.77	2,805,055.62	7,615,659.77	2,805,055.62
Long-term receivables	162,043.23	162,043.23	162,043.23	162,043.23
Short-term receivables	2,416,730.74	3,534,094.74	2,416,730.74	3,534,094.74
Cash and cash equivalents	3,300,114.34	5,744,491.64	3,300,114.34	5,744,491.64
Long-term liabilities	34,796.59	142,082.69	34,796.59	142,082.69
Short-term liabilities	3,660,694.28	3,966,832.05	3,660,694.28	3,966,832.05
Amortization and depreciation	416,324.51	439,030.54	1,240,077.22	1,438,939.97
Net revenues from sales	2,935,571.94	3,099,222.61	7,269,184.02	8,150,990.62
Revenues from subsidies	1,876,296.84	2,027,879.46	4,801,002.76	5,563,087.76
Total revenues from sales and subsidies	4,811,868.78	5,127,102.07	12,070,186.78	13,714,078.38
Operating expenses	5,699,172.90	5,867,839.88	16,533,105.55	16,381,252.90
Profit/loss on sales	-2,763,600.96	-2,768,617.27	-9,263,921.53	-8,230,262.28
Operating profit/loss	-850,776.72	-681,869.64	-4,343,918.51	-2,559,507.34
Gross profit/loss	-939,845.87	-737,086.02	-4,435,910.33	-2,689,835.29
Net profit/loss	-939,845.87	-756,091.02	-4,435,910.33	-2,708,840.29
EBITDA	-434,452.21	-242,839.10	-3,103,841.29	-1,120,567.37

Capital Group Selvita S.A.		Consolidated data in EUR		
Item	From 01.07.2012 to 30.09.2012	From 01.07.2013 to 30.09.2013	Year to date (YTD)	Year to date (YTD)
			From 01.01.2012 to 30.09.2012	From 01.01.2013 to 30.09.2013
Equity	1,851,246.97	665,288.43	1,851,246.97	665,288.43
Long-term receivables	39,390.16	38,432.57	39,390.16	38,432.57
Short-term receivables	587,469.19	838,198.12	587,469.19	838,198.12
Cash and cash equivalents	802,205.83	1,362,448.51	802,205.83	1,362,448.51
Long-term liabilities	8,458.50	33,698.43	8,458.50	33,698.43
Short-term liabilities	889,857.1	940,832.50	889,857.1	940,832.50
Amortization and depreciation	100,578.48	103,332.91	294,618.14	342,490.59
Net revenues from sales	709,195.26	729,451.98	1,727,016.23	1,940,065.36
Revenues from subsidies	453,288.44	477,294.10	1,140,624.54	1,324,103.34
Total revenues from sales and subsidies	1,162,483.70	1,206,746.08	2,867,640.77	3,264,168.70
Operating expenses	1,376,844.61	1,381,090.66	3,927,943.16	3,898,998.64
Profit/loss on sales	-667,649.35	-651,638.68	-2,200,926.93	-1,958,933.28
Operating profit/loss	-205,536.38	-160,489.01	-1,032,030.25	-609,203.44
Gross profit/loss	-227,054.30	-173,485.07	-1,053,885.71	-640,223.56
Net profit/loss	-227,054.30	-177,958.20	-1,053,885.71	-644,747.06
EBITDA	-104,957.89	-57,156.09	-737,412.10	-266,712.85

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

1. Items concerning the profit and loss account, statement of changes in equity and statement of cash flows were converted according to the exchange rate constituting the arithmetic mean of the daily average exchange rates published by the National Bank of Poland (NBP);
 - for the period from 01.07.2012 to 30.09.2012: PLN 4.1393,
 - for the period from 01.07.2013 to 30.09.2013: PLN 4.2487,
 - for the period from 01.01.2012 to 30.09.2012: PLN 4.2091,
 - for the period from 01.01.2013 to 30.09.2013: PLN 4.2014,
2. Balance sheet items were converted at the average exchange rate published by the National Bank of Poland as at the balance sheet date, the exchange rate being:
 - as at 30 September 2012: PLN 4,1138,
 - as at 30 September 2013: PLN 4,2163.

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

Increase and Dynamics of Revenues and Financial Results

During Q3 2013, Selvita Group generated revenues amounting to PLN 5,127.1k, i.e. a 6.6% revenue growth compared to Q3 2012 which saw revenues of PLN 4,811.8k. Net revenues from sales (excluding subsidies) amounted to PLN 3,099.2k, up 5.6% compared to Q3 2012, when the net sales totaled PLN 2,935.6k.

Of particular note are revenues generated by Selvita's in-house R&D projects which recorded a 34.9% growth from PLN 694.1k in Q3 2012 to PLN 936.4k in the corresponding period of 2013. This was possible owing to a contract between Selvita and H3 Biomedicine signed in September 2013 which is bound to bring Selvita PLN 5,783k of guaranteed revenue over the two years of the project. The revenues are still expected to grow significantly in the coming quarters following commencement of a two-year R&D contract with Merck Serono with guaranteed revenues amounting to PLN 10,001k.

In the area of services, Selvita Group has been consistently implementing the strategy of focusing on service projects with higher added-value and thus greater profitability. As a result, the Group's order portfolio shows the positive trend that has already translated into a greater dynamics of commercial revenues in Q1-Q3 2013, which the Group expects to maintain also in the coming quarters. The cost-effective and rapidly growing service segment is a stable foundation for growth. The total revenues for the three quarters of 2013 amounted to PLN 7,123.3k, a 35.2% increase compared to the corresponding period of 2012. In Q3 2013, the Group had to adjust its estimated revenue from a bioinformatics project settled based on long-term contract method following a dispute with the client. Due to the revaluation, the group's revenues were reduced by PLN 228.9k. Without this adjustment, the revenues from services for the past three quarters would amount to PLN 7352.2k.

Other contracts with large international pharmaceutical companies from Europe and North America have been concluded in the recent months. Based on them, Selvita Group companies launched implementation of advanced research projects, i.e. high value-added services with relatively high profit margin for the Group.

Revenues from subsidies in Q1-Q3 2013 were up by 15.9% from PLN 4,801.0 k to PLN 5,563.0 k compared to the corresponding period of 2012. The increase results from continuation of research projects commenced before 2013 and writing-off into revenues the received infrastructural subsidies included in the settlements of accrued revenues.

As of the publication date of this quarterly report, the value of revenues arising from the concluded commercial contracts and grant agreements (backlog) for 2013-2014 is PLN 43,010.8 k.

Q3 2013 saw a significant reduction in the Group's loss due to further improvement service profitability, covering part of the costs of research and development activities with revenues from the contract with H3 Biomedicine, as well as increasing the coverage level for costs of innovation projects with the received subsidies. The Group's net loss in Q3 2013 was PLN 756.0 k (12.9% of total costs), whereas in the corresponding period of 2012 the net loss amounted to PLN 939.8 k (16.5% of total costs). The increase is even more visible at the EBITDA level – in Q3 2013 the Group's EBITDA was PLN -242.8k, while during the same period in 2012 it amounted to PLN -434.4k. In the reporting period, the Group conducted intensive research and development activities as part of the research projects commenced in the previous years, which, according to the Group's accounting policy, are recognized as costs.

It is also important to note that the Group has systematically increased its employment figures. From November 2012 to November 2013, the number of employees was up from 134 to 165 (160.28 in FTEs).

The cash balance of the Selvita Group as at 30 September 2013 was PLN 5,744.4k which is higher by PLN 808.7k than the cash balance reported June 30, 2013. The cash balance on the publication date of this report was PLN 5,657.7k.

Economic and Financial Situation

FIXED ASSETS

As at 30 September 2013, the value of fixed assets amounted to PLN 6,971.6k which represents 40.8% of the Group's total assets. They consist primarily of property, plant and equipment with a value of PLN 5116.8k, including expenditure on adaptation of laboratory premises, equipment costs and long-term prepayments covering mainly deferred income tax assets.

LONG- AND SHORT-TERM RECEIVABLES

Long-term receivables amounting to PLN 162.0 k cover security deposits paid by the Group based on the lease agreement for research space. As at 30 September 2013, short-term receivables amounted to PLN 3,534.0 k which represents 20.7% of the Group's total assets. This asset position consist of mainly trade receivables amounting to PLN 3,008.7k and VAT receivables arising from the submitted VAT refund applications amounting to PLN 443.4k.

LONG- AND SHORT-TERM LIABILITIES

The value of the Group's financial obligations as at 30 September 2013 was PLN 4,108.9k, which represents 24% of its total liabilities and equity, of which long-term liabilities arising from lease contracts totaled PLN 142.0 k. Trade payables totaling PLN 3,112.6 k. constitute the main share of the Group's short-term liabilities.

Financial Forecasts

Selvita Group has not published its financial forecasts.

In Q4 2013, the Group expects a significant increase in revenue mainly from the contracts with H3 Biomedicine and Merck Serono signed in September and October, respectively. The total expected revenues for Q4 2013 from the implementation of these two contracts only amount to PLN 2,036.5 k.

In Q4 2013, the Management Board of Selvita S.A. expects strong revenue growth from in-house research and service projects, up about 30% compared to Q3 2013 and about 90% compared to Q4 2012. Due to a dynamic growth in commercial revenues there is a good chance that the Group will achieve operating profit and net profit in Q4 2013. There is also a chance that the Group will record a net operating profit in Q4 first time in history.

Moreover, as at the date of this Report, revenues contracted for H1 2014 are already higher than revenues generated in H1 2013.

INFORMATION OF THE MANAGEMENT BOARD ON BUSINESS DEVELOPMENT ACTIVITIES

R&D Activities

In Q3 2013 Selvita Group successfully continued all research projects in which it invests its own resources. In September 2013, Selvita signed a contract with H3 Biomedicine for implementation of Kinase Discovery Platform project (details below). At the same time, in Q3 2013 the Group was also in advanced negotiations with Merck Serono which led to the signing of a two-year collaboration agreement (October 2013) under which Selvita expects to receive EUR 2.4 million from Merck Serono (about 10 million PLN) for research and development work as well as additional funds to cover external costs. It is also possible that these projects will generate further significant revenue for the Group following achievement of respective milestones as the research progresses. Selvita may also receive royalties as part of the project implemented with H3 following authorization of the drugs.

SEL24

In Q3, SEL24 project focused on further evaluation of the safety and efficacy of treatment with the dual PIM/FLT3 inhibitor. In addition to the preliminary results demonstrating efficacy of clinical candidate B489 in *in-vitro* and *in-vivo* models of acute myeloid leukemia, further experiments were conducted on diffuse large B-cell lymphoma. Also completed were toxicology studies in rats, which confirmed the safety of the clinical candidate in a 10-day dosing regimen using doses providing sufficient therapeutic window. The current status of the project and the possibility of further preclinical development (complete toxicological analysis according to GLP, large-scale synthesis and formulation) and phase-I clinical development are currently discussed with prospective pharmaceutical partners and investors.

SEL120

The work under the project focused on characterization of the clinical candidate (compound SEL120-34, CDK8 inhibitor) both in terms of its molecular mechanisms of action and the efficacy in *in-vitro* and *in-vivo* models.

The work on developing the second series of inhibitors has led to identification of advanced leading molecules with improved selectivity and activity parameters with respect to the protein target and better safety profile. Further studies are under way to select representative compounds for *in-vivo* efficiency and toxicity studies. Currently, the main efforts have been channeled toward a better understanding of CDK8 kinase inhibitors mechanism of action by means of unique and pioneering inhibitors of different chemotypes.

SEL103

Having received from Orion Pharma the rights for further development and use of the developed molecules, partnering discussions were resumed with prospective pharmaceutical partners. The discussions concern further development of SEL103 compounds which, compared to other competitive advanced compounds, have been shown to demonstrate a promising mechanism of action in clinical studies on the symptomatic treatment of Alzheimer's disease. The discussions revolve around the rights to several independent chemotypes demonstrating modulatory activity on 5HT6 receptors and the right to advanced clinical candidates for which, in addition to extensive *in-vivo* activity studies, advanced toxicity research is available with respect to both chronic toxicity and cardiotoxicity in two animal models.

SEL141

Research on new compounds inhibiting DYRK1A kinase and other proteins stabilizing Tau protein phosphorylation by means of biological tools (i.e. recombinant kinase screening and demonstration of efficacy through cellular biomarkers) continued in Q3 2013. Further research will focus on the expansion of the most potent and selective chemotypes and identification of the therapeutic potential of inhibitors developed through *in-vitro* methods.

SEL201

The SEL201 project has led to identification of a leading molecule which, according to our knowledge, is the most potent and selective MNK1 and MNK2 inhibitor described so far in the literature. Current research conducted within the project is focused on further chemical expansion in order to develop molecules with increased affinity and further optimization of ADME parameters. The leading compound is additionally used in research on characterization of anti-tumor mechanism of MNK1/2 inhibitors. The activity of the compounds on tumor cell lines was demonstrated in *in-vitro* studies. The strongest effects were observed in studies of the potential to form metastases. Since the identified leading molecules demonstrate satisfactory bioavailability and pharmacokinetic profile, work is currently underway to confirm the efficacy of the compounds in *in-vivo* models as well as to define the clinical hypothesis of MNK1/2 inhibitors.

SEL212

In Q3 2013, work continued to optimize the conditions for expression of genes encoding proteins included in the inflammasome as well as developing a biochemical platform for proteins belonging to this group. Due to difficulties in obtaining pure proteins required to set up a screening method because of

their size and activity, the main efforts within the project are channeled towards optimization of culture conditions and protein purification, as well as expansion of the chemical library.

KINASE DISCOVERY PLATFORM

On 16 September 2013, Selvita S.A. announced the establishment of strategic cooperation with H3Biomedicine Inc. to develop breakthrough genetically personalized drugs for cancer therapies. The companies will cooperate on exploring the role and therapeutic options resulting from modifications in the activity of selected protein targets from the kinase group, depending on the genetic context of cancer patients, in order to generate small-molecule chemical compounds as potential clinical candidates. Details of the collaboration, such as the number and identity of therapeutic targets are covered by a confidentiality agreement.

As part of the R&D cooperation, Selvita will receive from H3 Biomedicine guaranteed funding for 2013-2015 research work amounting to USD 1,796.0 k (PLN 5,783.0 k). H3 Biomedicine will also perform other scientific research at its own expense within the scope specified by the parties. After completion of the collaboration, the parties intend to continue working on the development of new molecules identified in the framework of their joint projects, which could bring Selvita significant revenues from milestones and royalties. The revenues for each developed molecule could be much higher than the revenues from the R&D work conducted within the project as a whole.

OTHER PROJECTS

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

Research and Development Commercialization

Selvita Group is engaged in intensive talks with clients, mainly from abroad, interested in SEL24, SEL120, SEL141, SEL201, SEL203 and SEL212 projects. Presently, business negotiations with prospective partners are under way and individual projects undergo a multifaceted evaluation based on publicly available or confidential documents as well as chemical material provided by Selvita. The most advanced negotiations concern SEL24 and SEL120 projects. According to the Management Board of Selvita S.A., there is a good chance of bringing the talks to a successful conclusion in the coming months for at least one of the negotiated projects.

Service Activities

The last year's strong upward trend in the profit margin of the new contracts continued through 2013. The structure of the contracts has also changed.

The increase in the value of the contracts derives from continuous development of cooperation with the long-standing clients and acquisition of new customers. According to the established policy of Selvita S.A., the service activities have gradually shifted towards contracts for integrated services and developing strategic cooperation in the target areas.

In addition to the recovery observed in the pharmaceutical and biotechnology services market and an upturn in the chemical industry, other positive signs have also been observed. One of the noteworthy trends is the growing number of pharmaceutical and biotechnology companies outsourcing their services to European companies at the expense of the Asian market.

Favorable market conditions and the strengthening of Selvita's position as a service provider in the broadly understood "life science" industry should result in continued growth in revenues and increased service profitability in the following periods.

Participation in Major Fairs and Marketing Events

In Q3 2013 Selvita continued its active marketing and sales strategy by participating in the most important conferences and trade fairs, consistently building its brand in the global biotech industry, establishing new business contacts and maintaining the existing good relations with clients.

In Q3 2013, Selvita Group participated i.a. in:

- Alzheimer's Association International Conference 2013, 13-18 July 2013 in Boston,
- BioPharm America™ 2013, 17-19 September 2013 in Boston,
- Third AACR International Conference on Frontiers in Basic Cancer Research, 18-22 September 2013 in Maryland,
- 6th Convention of the Polish Bioinformatics Society, 27-29 September in Wrocław.

Other Important Events in Q3 2013

SELVITA RELEASED THE MOST RECENT RESULTS FROM ITS ONCOLOGY PROGRAMS AT THE AACR ANNUAL MEETING 2013

Selvita presented the latest results of its neurology research program at this year's Alzheimer's Association International Conference 2013 held in Boston on 13-18 July 2013.

The conference organized by the Alzheimer's Association is a recognized global platform for exchanging information on recent advances in Alzheimer's disease and dementia.

The SEL141 project which was presented at the conference is potentially first-in-class program targeting DYRK1A kinase and other kinases related to tauopathies such as Alzheimer's disease and Down's syndrome.

The conference poster is available on the website at: <http://www.selvita.com/r-d-offer/download-a-poster>.

CONCLUSION OF A CONTRACT BETWEEN SELVITA S.A. AND H3 BIOMEDICINE INC

On 16 September 2013, H3 Biomedicine Inc., a bio-tech company specializing in research on targeted anticancer therapies and Selvita S.A. signed a strategic cooperation agreement to develop breakthrough genetically personalized drugs for cancer therapies. The companies will cooperate in exploring the role and therapeutic options resulting from modifications in the activity of selected protein targets from the kinase group, depending on the genetic context of cancer patients, in order to generate small-molecule chemical compounds as potential clinical candidates.

Recent advances in human cancer genomics have revealed novel target opportunities that will enable new approaches to developing cancer medicines. H3 Biomedicine has built an extensive and proprietary knowledge base of potential new therapeutic targets, as well as implemented a set of unique tools and

research engines in the areas of cancer genomics, bioinformatics and target validation to lend biological insight to genomic findings. These capabilities will contribute to rapid progress in the discovery and development of new drugs within the framework of the strategic cooperation with Selvita S.A.

Selvita started its first kinase discovery programs in 2008. Over the last five years, it has successfully built a premium scientific team with one of the world's most robust kinase discovery platforms. Together, the two companies have the experience and know-how to leverage data from the new target opportunities revealed through the most recent cancer genomics.

As part of the R&D cooperation, Selvita will receive guaranteed funding from H3 Biomedicine for 2013-2015 research efforts amounting to USD 1,796,000 (PLN 5,783,000). H3 Biomedicine will also perform other scientific research at its own expense within the scope specified by the parties. Following completion of their research collaboration, the parties intend to continue working on the development of new molecules identified in the framework of their joint projects, which could bring Selvita significant revenues from milestones and royalties.

About H3 Biomedicine

H3 Biomedicine, a subsidiary of a Japanese company Eisai, has its headquarters in Cambridge (USA), one of the most important global biotech hubs. Established in 2010, the company employs 70 persons and specializes in the discovery of oncology drugs for patients with a defined genetic profile. The company's CEO is Markus Warmuth M.D., former Head of Oncology Drug Discovery for the Novartis Institute for Biomedical Research (NIBR) in Cambridge where he served from 2002 to 2011. Markus Warmuth graduated from the Ludwig-Maximilians-University of Munich, Germany. The scientific founders of H3 Biomedicine are: Dr. Stuart L. Schreiber, Professor of Chemical Biology at Broad Institute, Harvard University and Massachusetts Institute of Technology. Mr. Schreiber is also a co-founder of Vertex, Ariad, Infinity and Forma Therapeutics with a combined market value of over 23 billion USD. Todd R. Golub, M.D., professor of cancer genomics at the Broad Institute and Dana-Farber Cancer Institute, co-founder of Forma Therapeutics and Foundation Medicine.

For more information on H3 Biomedicine visit <http://www.h3biomedicine.com>.

About Eisai

Eisai Co. Ltd. is a research-based human healthcare company that discovers, develops and markets its products throughout the world through a network of R&D centers, manufacturing plants and sales offices.

For more information about the global operations of Eisai go to www.eisai.com.

Events of Note in the Period between the End of Q3 2013 and the Report Publication Date

SELVITA S.A. CONCLUDED A MAJOR CONTRACT FOR CHEMICAL SERVICES

On 10 October 2012 Selvita signed a framework agreement with one of Europe's largest pharmaceutical companies for provision of chemical (drug discovery) services amounting to EUR 385,935 (PLN 1,617,762.33 at the exchange rate of 1 EUR = 4.1918 PLN). The contracted services will be provided from October 2013 to December 2014.

The framework agreement was concluded after nearly two years of cooperation based on smaller, individual orders. The Management Board expects to sign further service contracts as the collaboration develops.

SELVITA RELEASED THE MOST RECENT DATA FROM THE SEL₂₄ ONCOLOGY PROGRAM AT THE 2013 AACR-NCI-EORTC MOLECULAR TARGETS AND CANCER THERAPEUTICS CONFERENCE

The Company presented the most recent results of its in-house small-molecule discovery program targeting PIM and FLT₃ kinases at the 2013 AACR-NCI-EORTC Molecular Targets and Cancer Therapeutics Conference which took place on 19-23 October 2013 at the Hynes Convention Center in Boston, MA, USA.

Within the SEL₂₄ project Selvita is exploring the potential of targeting two critical kinases shown to be crucial for development of acute myeloid leukemia. Competitive research in this field is focuses on studying inhibitors acting selectively on each of the therapeutic targets. Selvita has developed first-in-class molecule targeting mutated forms of FLT₃ and the family of PIM kinases directly controlled by it. The clinical candidate molecule - SEL₂₄-B489 - has excellent bioavailability, a promising initial toxicology profile and synergic action with cytarabine which further increases the chance of the drug's success in clinical trials.

CONCLUSION OF A MAJOR CONTRACT WITH MERCK SERONO

On 22 October 2013 Selvita and Merck Serono, the biopharmaceutical division of Merck, entered into a collaboration to jointly discover small-molecule inhibitors specifically targeting enzymes involved in cancer cell metabolism. The collaboration involves targeting key metabolic pathways involved in proliferation of cancer cells.

As part of the research collaboration Selvita will receive from Merck Serono over 2013-2015 planned research funding of EUR 2.4 million (about PLN 10 million) and additional funding for external costs. Merck Serono will also perform additional research at its own cost within the jointly defined research plan. After the end of the collaboration the parties aim to continue the development of jointly discovered molecules. The company will also receive additional payments for achievement of development milestones in the course of pre-clinical and clinical development of the new molecules.

The aim of the collaboration is to deliver first-in-class inhibitors of enzymes regulating cancer cell metabolism with a broad therapeutic potential. Both companies will contribute to the collaboration's research goals and bring their expertise in target validation, bioinformatics, medicinal chemistry, *in vitro* and *in vivo* biology and toxicology.

About Merck Serono

Merck Serono is the biopharmaceutical division of Merck KGaA with headquarters in Darmstadt, Germany. Merck Serono offers leading pharmaceutical brands in 150 countries globally. Merck has an extensive portfolio of products helping patients with cancer, multiple sclerosis, infertility, endocrine and metabolic disorders as well as cardiovascular diseases. In the United States and Canada, EMD Serono operates as a separately incorporated subsidiary of Merck Serono.

Merck Serono discovers, develops, manufactures and markets prescription medicines of both chemical and biological origin in specialist indications. In 2012, Merck Serono allocated EUR 1.19 billion to research and development activities, i.e. 19.8% of its total revenues. Merck Serono's drug discovery activities are focused on all kinds of innovations aimed at bringing about a significant improvement in the lives of the patients.

Rebif® (interferon beta-1a) is one of Merck Serono's flagship products marketed worldwide. It is used to treat relapsing forms of multiple sclerosis. Erbitux®, a monoclonal antibody targeting the epidermal growth factor receptor (EGFR), is the second best selling product approved for treatment of metastatic colorectal cancer (mCRC) and squamous cell carcinoma of the head and neck (SCCHN). Merck licensed the right to market Erbitux outside the US and Canada from ImClone LLC, a wholly-owned subsidiary of Eli Lilly and Company, in 1998.

TERMINATION OF A MAJOR CONTRACT

On 31 October 2013, the Company received a statement from one of its contractors confirming withdrawal from an agreement for implementation and maintenance of the Laboratory Information Management System (LIMS) as reported in the current report no. 25/2012 dated 7 September 2012.

CHANGES IN THE MANAGEMENT BOARD

On 5 November 2013, the Supervisory Board appointed Mirosława Zydroń, PhD, Eng. to the Management Board and Krzysztof Brzózka, PhD to the position of Vice President of the Management Board.

Krzysztof Brzózka, PhD was nominated Vice President of the Management Board following successful development of the Company's in-house projects division.

The nomination of Mirosława Zydroń for membership of the Management Board is associated with her contribution to dynamic extension of the scale of Company's operations in the field of chemical services.

Both appointments are intended to facilitate contacts with the current and future Selvita's business partners and to strengthen the new members' responsibility for the results of their respective divisions, i.e. the Chemistry Services Division and in-house R&D pipeline.

Mirosława Zydroń, PhD joined Selvita in December 2009, and has been responsible for the formation and organization of the Chemistry Services Division, strategic development of the chemistry research services, presentation of the company's offer and building relationships with international clients from the pharmaceutical, biotechnology, chemical and agrochemical environments. She is also responsible for overseeing the ongoing projects to ensure the highest quality of services.

Mirosława Zydroń, PhD, Eng. graduated from the Silesian Technical University (Poland), with MSc in chemistry with specialization in polymer chemistry and PhD Degree in chemistry. Her PhD Thesis gained distinction from the Polish Academy of Sciences, Committee of Analytical Chemistry, for the best doctoral thesis in the area of analytical chemistry in Poland in 2004 - 2005. In 2009, she completed a two-year MBA Program at the Rotterdam School of Management at Erasmus University in Rotterdam (Netherlands).

Mirosława Zydrón gained her experience in project management, formation of research and development structures and management of R&D teams in international organizations both in the scientific environment and Pliva company (then Barr Pharmaceuticals, TEVA), as Head of R&D Laboratory, overseeing analytical and preformulation activities at the stage of formulation development and packaging processes in pilot production in GMP environment. Afterwards, as the company entered a transformation phase, Mirosława Zydrón worked as Optimization Project Manager, overseeing implementation of efficiency projects aimed at reducing the operating costs.

Krzysztof Brzózka holds a PhD degree from Ludwig Maximilian University in Munich (Germany) and an MSc degree in Biotechnology, specializing in Molecular Biology, from the Jagiellonian University in Cracow (Poland). He also completed a two-year Executive MBA at Stockholm University School of Business and the Cracow University of Economics School of Business. Between 2003 and 2007, Krzysztof Brzózka conducted research at the Ludwig Maximilian University in the field of intracellular signaling, pathogen defense mechanisms leading to the immune system inhibition and the innate immune response. Krzysztof Brzózka joined Selvita in 2007 as a specialist responsible for evaluation and in-licensing of research projects. In 2009 he became a Project Manager of the first anticancer project initiated at Selvita and in subsequent years initiated further research projects, also in additional therapeutic indications. In January 2012 he was appointed Chief Scientific Officer and Member of the Management Board and is currently responsible for development of internal pipeline of novel, small-molecule therapies in the areas of cancer treatment, central nervous system diseases (including Alzheimer's disease) as well as autoimmune and inflammatory diseases. Krzysztof Brzózka has unique interdisciplinary expertise in development of projects in the preclinical phase, ranging from *in-silico* studies, medical chemistry, *in vitro* and *in vivo* molecular biology studies and toxicology.

SELECTION OF AUDITOR RESPONSIBLE FOR EXAMINATION OF 2013 FINANCIAL STATEMENTS

On 5 November 2013, by the Resolution of the Company Supervisory Board, which is the authorized body under §22 (2)(b) of the Company Articles of Association, Deloitte Polska Spółka z ograniczoną odpowiedzialnością spółka komandytowa (formerly Deloitte Audyt Sp. z o.o.) with its registered office in Warsaw was selected as the auditor to examine:

- financial statements of Selvita Spółka Akcyjna with its registered office in Kraków;
- consolidated financial statements of the Capital Group Selvita Spółka Akcyjna with its registered office in Kraków;

for the financial years 2013 and 2014.

Deloitte Polska Spółka z ograniczoną odpowiedzialnością spółka komandytowa (al. Jana Pawła II 19, 00-854 Warszawa) is entered in the list of entities authorized to examine financial statements maintained by the Polish Chamber of Auditors (KIBR) under number 73.

Information on the Shareholding Structure of Selvita S.A.

As at the date of publication of the Report, the shareholding structure of Selvita S.A. is as follows:

Shareholder	Shares	% of shares	Votes	% of votes
Paweł Przewięźlikowski	5 487 202	52.44%	8 987 202	61.92%
Bogusław Sieczkowski	908 419	8.68%	1 458 419	10.05%
Privatech Holdings Limited	820 921	7.84%	820 921	5.65%
Other shareholders	3 247 024	31.03%	3 247 024	22.37%
Shareholders	10 463 566	100.00%	14 513 566	100.00%

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

Consolidated Summarized Balance Sheet

Balance Sheet	PLN	PLN	EUR	EUR
	Status as at 30/09/2012	Status as at 30/09/2013	Status as at 30/09/2012	Status as at 30/09/2013
A. Fixed assets	7 055 431.33	6 971 615.87	1 715 064.25	1 653 491.42
I. Intangible assets	34 401.52	801.58	8 362.47	190.11
II. Goodwill of subsidiaries	100 264.14	0.00	24 372.63	-
III. Tangible fixed assets	5 130 144.44	5 116 819.06	1 247 057.33	1 213 580.40
IV. Long-term receivables	162 043.23	162 043.23	39 390.16	38 432.57
V. Long-term investments	0.00	0.00	-	-
VI. Long-term prepayments and deferred costs	1 628 578.00	1 691 952.00	395 881.67	401 288.33
B. Current assets	7 790 282.90	10 128 090.13	1 893 695.10	2 402 127.49
I. Inventory	619 740.57	345 759.41	150 649.17	82 005.41
II. Short term receivables	2 416 730.74	3 534 094.74	587 469.19	838 198.12
III. Short term investments	3 325 076.56	5 744 491.64	808 273.75	1 362 448.51
IV. Short term prepayments and deferred costs	1 428 735.03	503 744.34	347 302.99	119 475.45
Total assets	14 845 714.23	17 099 706.00	3 608 759.35	4 055 618.91
A. Shareholders' equity	7 619 450.23	2 805 055.62	1 851 246.97	665 288.44
I. Share capital	4 185 426.40	4 185 426.40	1 017 411.25	992 677.56
II. Unpaid share capital (negative value)	0.00	0.00	0.00	0.00
III. Treasury shares (negative value)	0.00	0.00	0.00	0.00
IV. Reserve capital	14 429 101.36	14 429 101.36	3 507 487.33	3 422 218.86
V. Revaluation reserve	0.00	0.00	0.00	0.00
VI. Other reserves	0.00	0.00	0.00	0.00
VII. Currency translation profit/loss	0.00	0.00	0.00	0.00
VIII. Retained profit/loss	(6 559 167.20)	(13 100 631.85)	(1 594 430.26)	(3 107 139.40)
IX. Net profit/loss	(4 435 910.33)	(2 708 840.29)	(1 079 221.35)	(642 468.58)
X. Deductions from net profit during the financial year (negative value)	0.00	0.00	0.00	0.00
B. Minority interest	0.00	0.00	0.00	0.00
C. Negative goodwill of subsidiaries	0.00	0.00	0.00	0.00
I. Negative goodwill – subsidiaries	0.00	0.00	0.00	0.00
II. Negative goodwill - jointly controlled entities	0.00	0.00	0.00	0.00
II. Negative goodwill – associated entities	0.00	0.00	0.00	0.00
D. Liabilities and provisions for liabilities	7 226 264.00	13 971 527.44	1 757 512.4	3 313 693.9
I. Provisions for liabilities	786 921.39	1 754 506.30	191 288.2	416 124.6
II. Long-term liabilities	34 796.59	142 082.69	8 458.5	33 698.4
III. Short-term liabilities	3 656 903.82	3 966 832.05	889 857.1	940 832.5
IV. Accruals and deferred income	2 747 642.20	8 431 229.34	667 908.6	1 999 674.9
Total Liabilities and Equity	14 845 714.23	17 099 706.00	3 608 759.4	4 055 618.9

Consolidated Summarized Profit and Loss Account

	PLN	PLN	PLN	PLN	EUR	EUR	EUR	EUR
Profit and Loss Account (classification of expenses by type)	01/07/2012 -30/09/2012	01/07/2013 -30/09/2013	01/01/2012 - 30/09/2012	01/01/2013 - 30/09/2013	01/07/2012 -30/09/2012	01/07/2013 -30/09/2013	01/01/2012 - 30/09/2012	01/01/2013 - 30/09/2013
A. Net sales and sale equivalents	2 918 365.38	3 101 245.18	7 127 280.03	8 128 692.45	705 038.38	729 928.02	1 693 302.61	1 934 758.04
I. Net sales of goods	2 854 271.94	3 047 546.79	7 128 934.02	7 856 346.90	689 554.26	717 289.24	1 693 695.57	1 869 935.47
II. Change in stock of goods	(17 206.56)	2 022.57	(141 903.99)	(22 298.17)	(4 156.88)	476.04	(33 713.62)	(5 307.32)
III. Cost of goods produced for the Company's own use	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IV. Net sales of goods for resale and raw materials	81 300.00	51 675.82	140 250.00	294 643.72	19 641.00	12 162.74	33 320.66	70 129.89
B. Operating expenses	5 681 966.34	5 869 862.45	16 391 201.56	16 358 954.73	1 372 687.73	1 381 566.70	3 894 229.54	3 893 691.32
I. Depreciation	416 324.51	439 030.54	1 240 077.22	1 438 939.97	100 578.48	103 332.91	294 618.14	342 490.59
II. Materials and energy	1 167 329.87	1 192 961.12	3 009 280.38	3 257 117.78	282 011.42	280 782.62	714 946.28	775 245.82
III. External services	1 099 479.16	917 803.55	2 867 327.64	2 463 046.54	265 619.59	216 019.85	681 221.08	586 244.24
IV. Taxes and charges	38 888.95	51 287.26	132 537.21	132 956.99	9 395.05	12 071.28	31 488.25	31 645.88
V. Payroll	2 218 600.90	2 525 736.93	6 714 527.78	6 846 743.15	535 984.56	594 472.88	1 595 240.74	1 629 633.73
VI. Social insurance and other benefits	477 224.05	519 735.59	1 462 013.10	1 397 042.20	115 291.00	122 328.15	347 345.77	332 518.26
VII. Other	246 617.44	178 050.04	888 118.33	606 658.45	59 579.50	41 906.95	210 999.58	144 394.36
VIII. Value of goods and materials sold	17 501.46	45 257.42	77 319.90	216 449.65	4 228.12	10 652.06	18 369.70	51 518.46
C. Profit/on sales (A-B)	(2 763 600.96)	(2 768 617.27)	(9 263 921.53)	(8 230 262.28)	(667 649.35)	(651 638.68)	(2 200 926.93)	(1 958 933.28)
D. Other operating revenue	1 916 070.63	2 143 324.51	4 933 680.69	5 752 488.36	462 897.26	504 465.96	1 172 146.23	1 369 183.69
I. Gain on disposal of non-financial fixed assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Subsidies	1 876 296.84	2 027 879.46	4 801 002.76	5 563 087.76	453 288.44	477 294.10	1 140 624.54	1 324 103.34
III. Other operating revenue	39 773.79	115 445.05	132 677.93	189 400.60	9 608.82	27 171.85	31 521.69	45 080.35
E. Other operating expenses	3 246.39	56 576.88	13 677.67	81 733.42	784.28	13 316.28	3 249.55	19 453.85
I. Loss on disposal of non-financial fixed assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Impairment of non-financial assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
III. Other operating expenses	3 246.39	56 576.88	13 677.67	81 733.42	784.28	13 316.28	3 249.55	19 453.85
F. Operating profit/loss (C + D-E)	(850 776.72)	(681 869.64)	(4 343 918.51)	(2 559 507.34)	(205 536.38)	(160 489.01)	(1 032 030.25)	(609 203.44)
G. Financial income	66 521.99	9 386.50	259 845.20	39 466.83	16 070.83	2 209.26	61 734.15	9 393.73
I. Dividends and share in profit	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Interest	61 821.01	8 908.86	234 573.59	21 824.98	14 935.14	2 096.84	55 730.11	5 194.69
III. Gain on sale of investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IV. Impairment of investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
V. Other	4 700.98	477.64	25 271.61	17 641.85	1 135.69	112.42	6 004.04	4 199.04
H. Financial expenses	95 431.66	64 602.88	171 361.58	129 689.12	23 055.02	15 205.33	40 712.17	30 868.07
I. Interest	43 617.68	35 826.06	51 574.30	52 419.68	10 537.45	8 432.24	12 253.05	12 476.72
II. Loss on disposal of investments	0.00	0.00	0.00	20 168.43	0.00	0.00	0.00	4 800.41
III. Impairment of investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IV. Other	51 813.98	28 776.82	119 787.28	57 101.01	12 517.57	6 773.09	28 459.12	13 590.95
I. Profit/loss on disposal of all or part of shares of subsidiaries	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

J. Profit/loss on operating activities (F + G-H+/-I)	(879 686.39)	(737 086.02)	(4 255 434.89)	(2 649 729.63)	(212 520.57)	(173 485.07)	(1 011 008.27)	(630 677.78)
K. Result on extraordinary items (K.I-K.II)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
I. Extraordinary gains	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Extraordinary losses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
L. Write-off of goodwill	60 159.48	0.00	180 475.44	40 105.66	14 533.73	0.00	42 877.44	9 545.78
I. Write-off of goodwill – subsidiaries	60 159.48	0.00	180 475.44	40 105.66	14 533.73	0.00	42 877.44	9 545.78
II. Write-off of goodwill - jointly controlled entities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
III. Write-off of goodwill – associated entities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
M. Write-off of negative goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
I. Write-off of negative goodwill – subsidiaries	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Write-off of negative goodwill – entities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
III. Write-off of negative goodwill – associated entities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
N. Profit/loss on shares in subsidiaries measured under equity method	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
O. Gross profit/loss (J+/-K-L+M+/-N)	(939 845.87)	(737 086.02)	(4 435 910.33)	(2 689 835.29)	(227 054.30)	(173 485.07)	(1 053 885.71)	(640 223.56)
P. Income tax	0.00	19 005.00	0.00	19 005.00	0.00	4 473.13	0.00	4 523.49
Q. Other obligatory profit decrease (loss increase)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
R. Profits/losses of minority shareholders	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
S. Net profit/loss (O-P-Q+/-R)	(939 845.87)	(756 091.02)	(4 435 910.33)	(2 708 840.29)	(227 054.30)	(177 958.20)	(1 053 885.71)	(644 747.06)

Consolidated Summarized Statement of Cash Flows

	PLN	PLN	PLN	PLN	EUR	EUR	EUR	EUR
Statement of Cash Flows (indirect method)	01/07/2012 -30/09/2012	01/07/2013 -30/09/2013	01/01/2012 - 30/09/2012	01/01/2013 - 30/09/2013	01/07/2012 -30/09/2012	01/07/2013 -30/09/2013	01/01/2012 - 30/09/2012	01/01/2013 - 30/09/2013
A. Cash flow from operations								
I. Net profit/loss	(939 845.87)	(756 091.02)	(4 435 910.33)	(2 708 840.29)	(227 054.30)	(177 958.20)	(1 053 885.71)	(644 747.06)
II. Total adjustments	(1 347 198.91)	(1 665 457.45)	(2 719 432.35)	(3 260 880.87)	(325 465.39)	(391 992.24)	(646 084.04)	(776 141.49)
III. Net cash flow from operations (I+/-II)	(2 287 044.78)	(2 421 548.47)	(7 155 342.68)	(5 969 721.16)	(552 519.70)	(569 950.45)	(1 699 969.75)	(1 420 888.55)
B. Cash flows from investing activities								
I. Inflow	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Outflow	221 346.05	230 662.10	1 201 631.85	1 470 867.53	53 474.27	54 290.04	285 484.27	350 089.86
III. Net cash flows from investing activities (I-II)	(221 346.05)	(230 662.10)	(1 201 631.85)	(1 470 867.53)	(53 474.27)	(54 290.04)	(285 484.27)	(350 089.86)
C. Cash flow from financing activities								
I. Inflow	1 044 789.49	3 461 001.58	4 724 648.34	8 191 353.09	252 407.29	814 602.49	1 122 484.22	1 949 672.27
II. Outflow	9 170.27	0.00	26 892.06	134 161.14	2 215.42	0.00	6 389.03	31 932.48
III. Net cash flow from financing activities (I-II)	1 035 619.22	3 461 001.58	4 697 756.28	8 057 191.95	250 191.87	814 602.49	1 116 095.19	1 917 739.79
D. Total net cash flow (A.III+/-B.III+/-C.III)	(1 472 771.61)	808 791.01	(3 659 218.25)	616 603.26	(355 802.09)	190 362.00	(869 358.83)	146 761.38
E. Change in balance sheet cash and cash equivalents	(1 472 771.61)	808 791.01	3 659 218.25	616 603.26	(355 802.09)	190 362.00	869 358.83	146 761.38
F. Cash and cash equivalents - beginning of the period	4 772 885.95	4 935 700.63	6 959 332.59	5 127 888.38	1 153 065.97	1 161 696.67	1 653 401.58	1 220 518.97
G. Cash and cash equivalents - end of the period (F+/-D)	3 300 114.34	5 744 491.64	3 300 114.34	5 744 491.64	797 263.87	1 352 058.66	784 042.75	1 367 280.34

Summarized Statement of Changes in Consolidated Shareholders' Equity

	PLN		PLN		EUR		EUR	
Statement of Changes in Shareholders' Equity	01/07/2012 -30/09/2012	01/07/2013 -30/09/2013	01/01/2012 - 30/09/2012	01/01/2013 - 30/09/2013	01/07/2012 -30/09/2012	01/07/2013 -30/09/2013	01/01/2012 - 30/09/2012	01/01/2013 - 30/09/2013
I. Shareholders' equity – beginning of the period (opening balance)	8 555 505.64	3 561 146.64	12 051 570.10	5 513 895.91	2 066 896.73	838 173.24	2 863 217.81	1 312 394.89
II. Shareholders' equity – end of the period (closing balance)	7 615 659.77	2 805 055.62	7 615 659.77	2 805 055.62	1 839 842.43	660 215.04	1 809 332.11	667 647.84
III. Shareholders' equity after adjustment for proposed profit distribution (coverage of losses)	7 615 659.77	2 805 055.62	7 615 659.77	2 805 055.62	1 839 842.43	660 215.04	1 809 332.11	667 647.84

SUMMARIZED FINANCIAL STATEMENTS OF SELVITA S.A.

Summarized Balance Sheet

	PLN		EUR	
Assets	Status as at 30/09/2012	Status as at 30/09/2013	Status as at 30/09/2012	Status as at 30/09/2013
A. Fixed assets	8 393 942.68	8 809 117.45	2 040 435.29	2 089 300.44
I. Intangible assets	34 095.63	757.89	8 288.11	179.75
II. Tangible fixed assets	3 822 992.16	3 943 430.67	929 309.19	935 282.28
III. Long-term receivables	98 078.39	98 078.39	23 841.31	23 261.72
IV. Long-term investments	2 810 198.50	3 074 898.50	683 115.00	729 288.36
V. Long-term prepayments and deferred costs	1 628 578.00	1 691 952.00	395 881.67	401 288.33
B. Current assets	7 631 304.04	9 763 933.21	1 855 049.84	2 315 758.65
I. Inventory	614 139.01	340 845.35	149 287.52	80 839.92
II. Short-term receivables	2 107 353.32	3 232 312.19	512 264.41	766 622.91
III. Short-term investments	3 719 047.10	5 688 405.73	904 041.79	1 349 146.34
IV. Short term prepayments and deferred costs	1 190 764.61	502 369.94	289 456.13	119 149.48
Total assets	16 025 246.72	18 573 050.66	3 895 485.13	4 405 059.09

	PLN	PLN	EUR	EUR
Liabilities and Equity	Status as at 30/09/2012	Status as at 30/09/2013	Status as at 30/09/2012	Status as at 30/09/2013
A. Shareholders' equity	10 121 330.48	5 985 150.64	2 460 336.06	1 419 526.75
I. Share capital	4 185 426.40	4 185 426.40	1 017 411.25	992 677.56
II. Unpaid share capital (negative value)	0.00	0.00	0.00	0.00
III. Treasury shares (negative value)	0.00	0.00	0.00	0.00
IV. Reserve capital	14 429 101.36	14 429 101.36	3 507 487.33	3 422 218.86
V. Revaluation reserve	0.00	0.00	0.00	0.00
VI. Other reserves	0.00	0.00	0.00	0.00
VII. Retained profit/loss	(4 195 721.80)	(10 023 870.25)	(1 019 913.90)	(2 377 409.16)
VIII. Net profit/loss	(4 297 475.48)	(2 605 506.87)	(1 044 648.62)	(617 960.50)
IX. Deductions from net profit during the financial year (negative value)	0.00	0.00	0.00	0.00
B. Liabilities and provisions for liabilities	5 903 916.24	12 587 900.02	1 435 149.1	2 985 532.3
I. Provisions for liabilities	663 474.60	1 406 154.01	161 280.2	333 504.3
II. Long-term liabilities	34 796.59	142 082.69	8 458.5	33 698.4
III. Short-term liabilities	3 149 201.15	3 628 643.54	765 521.2	860 622.7
IV. Accruals and deferred income	2 056 443.90	7 411 019.78	499 889.1	1 757 706.9
Total Liabilities and Equity	16 025 246.72	18 573 050.66	3 895 485.1	4 405 059.1

Summarized Profit and Loss Account

	PLN	PLN	PLN	PLN	EUR	EUR	EUR	EUR
Profit and Loss Account (classification of expenses by type)	01/07/2012 -30/09/2012	01/07/2013 -30/09/2013	01/01/2012 - 30/09/2012	01/01/2013 - 30/09/2013	01/07/2012 -30/09/2012	01/07/2013 -30/09/2013	01/01/2012 - 30/09/2012	01/01/2013 - 30/09/2013
A. Net sales and sale equivalents	2 617 169.40	2 517 899.41	6 354 260.62	6 768 775.49	632 273.43	592 628.19	1 509 648.29	1 611 076.19
I. Net sales of goods	2 548 393.17	2 480 989.75	6 354 227.84	6 507 853.24	615 658.00	583 940.91	1 509 640.50	1 548 972.54
II. Change in stock of goods	(12 523.77)	2 989.38	(140 217.22)	(15 965.93)	(3 025.58)	703.60	(33 312.87)	(3 800.15)
III. Cost of goods produced for the Company's own use	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IV. Net sales of goods for resale and raw materials	81 300.00	33 920.28	140 250.00	276 888.18	19 641.00	7 983.68	33 320.66	65 903.79
B. Operating expenses	5 238 641.13	5 241 179.77	15 053 577.84	14 282 115.61	1 265 586.24	1 233 596.10	3 576 436.25	3 399 370.59
I. Depreciation	298 829.11	293 557.93	904 243.53	1 021 677.84	72 193.15	69 093.59	214 830.61	243 175.57
II. Materials and energy	1 003 735.12	1 009 584.61	2 571 725.89	2 715 751.47	242 489.10	237 622.00	610 991.87	646 392.03
III. External services	1 328 725.24	1 103 385.05	3 432 765.10	2 780 640.14	321 002.40	259 699.45	815 557.98	661 836.56

IV. Taxes and charges	38 306.88	49 586.80	123 518.34	129 724.04	9 254.43	11 671.05	29 345.55	30 876.38
V. Payroll	1 889 425.16	2 136 651.12	5 833 632.43	5 663 039.29	456 460.07	502 895.27	1 385 957.20	1 347 893.39
VI. Social insurance and other benefits	426 966.02	443 824.86	1 276 740.34	1 188 006.32	103 149.33	104 461.33	303 328.58	282 764.39
VII. Other	235 152.14	176 054.38	833 632.31	583 549.26	56 809.64	41 437.23	198 054.76	138 894.00
VIII. Value of goods and materials sold	17 501.46	28 535.02	77 319.90	199 727.25	4 228.12	6 716.18	18 369.70	47 538.26
C. Profit/loss on sales (A-B)	(2 621 471.73)	(2 723 280.36)	(8 699 317.22)	(7 513 340.12)	(633 312.81)	(640 967.91)	(2 066 787.96)	(1 788 294.41)
D. Other operating revenue	1 677 699.95	1 850 925.18	4 278 738.73	4 992 526.44	405 310.06	435 645.06	1 016 544.80	1 188 300.67
I. Gain on disposal of non-financial fixed assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Subsidies	1 642 860.59	1 804 083.17	4 163 560.38	4 883 010.14	396 893.34	424 620.04	989 180.68	1 162 234.05
III. Other operating revenue	34 839.36	46 842.01	115 178.35	109 516.30	8 416.73	11 025.02	27 364.13	26 066.62
E. Other operating expenses	3 240.44	8 649.64	12 461.21	19 149.26	782.85	2 035.83	2 960.54	4 557.83
I. Loss on disposal of non-financial fixed assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Impairment of non-financial assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
III. Other operating expenses	3 240.44	8 649.64	12 461.21	19 149.26	782.85	2 035.83	2 960.54	4 557.83
F. Operating profit/loss (C + D-E)	(947 012.22)	(881 004.82)	(4 433 039.70)	(2 539 962.94)	(228 785.60)	(207 358.68)	(1 053 203.70)	(604 551.56)
G. Financial income	66 206.50	9 480.07	258 647.39	38 622.25	15 994.61	2 231.29	61 449.57	9 192.71
I. Dividends and share in profit	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Interest	61 519.50	8 891.90	233 408.09	20 980.40	14 862.30	2 092.85	55 453.21	4 993.67
III. Gain on sale of investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IV. Impairment of investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
V. Other	4 687.00	588.17	25 239.30	17 641.85	1 132.32	138.44	5 996.37	4 199.04
H. Financial expenses	47 602.85	56 698.13	123 083.17	104 166.18	11 500.22	13 344.82	29 242.16	24 793.21
I. Interest	1 619.32	32 906.49	9 558.94	42 595.82	391.21	7 745.07	2 271.02	10 138.48
II. Loss on disposal of investments	0.00	0.00	0.00	12 381.10	0.00	0.00	0.00	2 946.90
III. Impairment of investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IV. Other	45 983.53	23 791.64	113 524.23	49 189.26	11 109.01	5 599.75	26 971.14	11 707.83
I. Profit/loss on operating activities (F + G-H)	(928 408.57)	(928 222.88)	(4 297 475.48)	(2 605 506.87)	(224 291.20)	(218 472.21)	(1 020 996.29)	(620 152.06)
J. Result on extraordinary items (J.I-J.II)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
I. Extraordinary gains	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Extraordinary losses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
K. Gross profit/loss (I+/-J)	(928 408.57)	(928 222.88)	(4 297 475.48)	(2 605 506.87)	(224 291.20)	(218 472.21)	(1 020 996.29)	(620 152.06)
L. Income tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
M. Other obligatory profit decrease (loss increase)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
N. Net profit/loss (K-L-M)	(928 408.57)	(928 222.88)	(4 297 475.48)	(2 605 506.87)	(224 291.20)	(218 472.21)	(1 020 996.29)	(620 152.06)

Summarized Statement of Cash Flows

	PLN	PLN	PLN	PLN	EUR	EUR	EUR	EUR
Statement of Cash Flows (indirect method)	01/07/2012 -30/09/2012	01/07/2013 -30/09/2013	01/01/2012 - 30/09/2012	01/01/2013 - 30/09/2013	01/07/2012 -30/09/2012	01/07/2013 -30/09/2013	01/01/2012 - 30/09/2012	01/01/2013 - 30/09/2013
A. Cash flow from operations								
I. Net profit/loss	(928 408.57)	(928 222.88)	(4 297 475.48)	(2 605 506.87)	(224 291.20)	(218 472.21)	(1 020 996.29)	(620 152.06)
II. Total adjustments	(1 635 914.29)	(1 373 984.50)	(3 249 184.59)	(3 451 244.51)	(395 215.20)	(323 389.39)	(771 942.84)	(821 451.07)
III. Net cash flow from operations (I+/-II)	(2 564 322.86)	(2 302 207.38)	(7 546 660.07)	(6 056 751.38)	(619 506.40)	(541 861.60)	(1 792 939.12)	(1 441 603.13)
B. Cash flows from investing activities								
I. Inflow	641 945.20	2 646.57	641 945.20	328 287.67	155 085.45	622.91	152 513.65	78 137.69
II. Outflow	203 882.23	81 049.02	1 295 980.98	940 516.06	49 255.24	19 076.19	307 899.78	223 857.78
III. Net cash flows from investing activities (I-II)	438 062.97	(78 402.45)	(654 035.78)	(612 228.39)	105 830.21	(18 453.28)	(155 386.13)	(145 720.09)
C. Cash flow from financing activities								
I. Inflow	1 044 789.49	3 412 019.36	4 210 283.89	7 320 910.35	252 407.29	803 073.73	1 000 281.27	1 742 493.06
II. Outflow	9 170.27	42 923.53	26 892.06	133 896.50	2 215.42	10 102.74	6 389.03	31 869.50
III. Net cash flow from financing activities (I-II)	1 035 619.22	3 369 095.83	4 183 391.83	7 187 013.85	250 191.87	792 970.99	993 892.24	1 710 623.57
D. Total net cash flow (A.III+/-B.III+/-C.III)	(1 090 640.67)	988 486.00	(4 017 304.02)	518 034.08	(263 484.33)	232 656.11	(954 433.02)	123 300.35
E. Change in balance sheet cash and cash equivalents	(1 090 640.67)	988 486.00	(4 017 304.02)	518 034.08	(263 484.33)	232 656.11	(954 433.02)	123 300.35
F. Cash and cash equivalents - beginning of the period	4 069 807.74	4 540 264.93	6 996 471.09	5 010 716.85	983 211.59	1 068 624.50	1 662 224.96	1 192 630.28
G. Cash and cash equivalents - end of the period (F+/-D)	2 979 167.07	5 528 750.93	2 979 167.07	5 528 750.93	719 727.27	1 301 280.61	707 791.94	1 315 930.63

Summarized Statement of Changes in Shareholders' Equity

	PLN	PLN	PLN	PLN	EUR	EUR	EUR	EUR
Statement of Changes in Shareholders' Equity	01/07/2012 -30/09/2012	01/07/2013 -30/09/2013	01/01/2012 - 30/09/2012	01/01/2013 - 30/09/2013	01/07/2012 -30/09/2012	01/07/2013 -30/09/2013	01/01/2012 - 30/09/2012	01/01/2013 - 30/09/2013
I. Shareholders' equity – beginning of the period (opening balance)	11 049 739.05	6 913 373.52	14 418 805.96	8 590 657.51	2 669 470.45	1 627 173.85	3 425 626.85	2 044 713.07
II. Shareholders' equity – end of the period (closing balance)	10 121 330.48	5 985 150.64	10 121 330.48	5 985 150.64	2 445 179.25	1 408 701.64	2 404 630.56	1 424 561.01
III. Shareholders' equity after adjustment for proposed profit distribution (coverage of losses)	10 121 330.48	5 985 150.64	10 121 330.48	5 985 150.64	2 445 179.25	1 408 701.64	2 404 630.56	1 424 561.01

PRINCIPLES APPLIED IN PREPARING THE REPORT

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

Methods for valuation of assets and liabilities and for determination of financial result:

INTANGIBLE ASSETS

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

FIXED ASSETS

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

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

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

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

Construction in progress is valued at the amount of total costs directly related to its purchase or creation, including financial costs, reduced by impairment write-downs.

LEASING

The Group's companies are not parties to leasing agreements under which they give fixed assets or intangible assets for use against remuneration or to derive benefits. The Group's companies are parties to leasing agreements under which they take external fixed assets or intangible assets for use against remuneration or to derive benefits for a definite time.

In case of leasing agreements under which fundamentally all risk and benefits from holding the assets covered by the agreement are transferred, the object of the leasing is reported in assets as a fixed asset at the amount of the current value of minimal leasing fees fixed as at the date of commencement of the leasing. Leasing fees are divided between financial costs and reduction of liability balance in a manner that allows to achieve a fixed interest rate from the outstanding balance of the liability. Financial costs are reported directly in the Profit and Loss Account.

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

INVENTORY

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

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

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

SHORT-TERM AND LONG-TERM RECEIVABLES

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

CASH AND CASH EQUIVALENTS

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

PREPAYMENTS AND DEFERRED COSTS

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

PROVISIONS

Provisions are reported if the Group's company has an existing duty (legal or customary) arising out of past events and when it is certain or highly probable that fulfilling this duty will cause a necessary outflow of resources representing economic benefits, and when the amount of this liability can be credibly assessed. Provisions for employee benefits, i.e. the retirement severance pay and the years of service award, are determined as at each balance sheet day using the actuarial valuation method.

ACCRUALS

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

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

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

DEFERRED INCOME

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

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

HEDGE ACCOUNTING

The Group companies do not apply hedge accounting.

FOREIGN CURRENCY TRANSACTIONS

Transactions in currencies other than the Polish zloty are converted to Polish zlotys using the exchange rate applicable on the day of the transaction. As at the balance sheet day, assets and

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

REVENUE RECOGNITION

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

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