# SELENA FM GROUP

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2019

Wroclaw, 26 September 2019

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## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

| Figures in PLN thousand | Note | 6 months ended 30 June 2019 (unaudited) | 6 months ended 30 June 2018 (unaudited) | 3 months ended 30 June 2019 (unaudited) | 3 months ended 30 June 2018 (unaudited) |
|---|---|---|---|---|---|
| **Continued operations** | | | | | |
| Revenue from the sale of products | | 573,900 | 536,250 | 321,192 | 306,091 |
| Revenue from the sale of goods and materials | | 42,263 | 43,599 | 24,413 | 25,808 |
| Revenue from the sale of services and lease | | 994 | 614 | 468 | 378 |
| **Revenue from sales** | 6 | **617,157** | **580,463** | **346,073** | **332,277** |
| Cost of sales | | 422,086 | 413,306 | 235,746 | 236,458 |
| **Gross profit (loss)** | | **195,071** | **167,157** | **110,327** | **95,819** |
| Other operating income | 7.1 | 2,662 | 3,034 | 1,011 | 1,784 |
| Selling and marketing costs | | 102,675 | 94,436 | 53,566 | 50,240 |
| General and administrative expenses | | 52,566 | 49,673 | 28,150 | 24,755 |
| Other operating costs | 7.2 | 5,041 | 3,023 | 3,982 | 1,490 |
| Impairment of tangible fixed assets | | 0 | 2,545 | 0 | 2,545 |
| Impairment loss on financial assets | | 2,809 | 1,766 | 1,173 | 563 |
| **Operating profit (loss)** | | **34,642** | **18,748** | **24,467** | **18,010** |
| Financial revenues | 8.1 | 3,358 | 6,196 | 4 | 5,464 |
| Financial expenses | 8.2 | 7,680 | 11,177 | 3,249 | 6,060 |
| Share in net profit/loss of the associate | | 470 | 459 | 470 | 459 |
| **Profit (loss) before tax** | | **30,790** | **14,226** | **21,692** | **17,873** |
| Income tax | 9 | 10,069 | 3,307 | 7,060 | 2,778 |
| **Net profit (loss) on continued operations** | | **20,721** | **10,919** | **14,632** | **15,095** |
| **Discontinued operations** | | | | | |
| Loss on discontinued operations | | – | – | – | – |
| **Net profit (loss) for the financial year, including:** | | **20,721** | **10,919** | **14,632** | **15,095** |
| Attributed net profit (loss): | | | | | |
| – shareholders of the parent | | 20,628 | 10,902 | 14,572 | 15,055 |
| – non-controlling interests | | 93 | 17 | 60 | 40 |
| Earnings per share (continued operations) attributable to the shareholders of the parent (PLN / share) | 10 | | | | |
| – basic | | 0.90 | 0.48 | 0.64 | 0.66 |
| – diluted | | 0.90 | 0.48 | 0.64 | 0.66 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| Figures in PLN thousand | 6 months ended 30 June 2019 (unaudited) | 6 months ended 30 June 2018 (unaudited) | 3 months ended 30 June 2019 (unaudited) | 3 months ended 30 June 2018 (unaudited) |
|---|---|---|---|---|
| **Profit after tax** | **20,721** | **10,919** | **14,632** | **15,095** |
| **Other comprehensive income not subject to reclassification to profit or loss** | **0** | **0** | **0** | **0** |
| **Other comprehensive income subject to reclassification to profit or loss:** | **-673** | **2,100** | **-1,507** | **1,841** |
| FX differences arising on translation of foreign affiliates | 2,032 | -2,610 | 1,206 | -2,116 |
| FX differences on measurement of investments into the net assets of a foreign subsidiary | -2,457 | 6,090 | -3,233 | 5,460 |
| Income tax | -248 | -1,380 | 520 | -1,503 |
| **Other comprehensive income for the period, after tax** | **-673** | **2,100** | **-1,507** | **1,841** |
| **Total comprehensive income** | **20,048** | **13,019** | **13,125** | **16,936** |
| Attributable to: | | | | |
| – shareholders of the parent | 19,963 | 12,974 | 13,095 | 16,877 |
| – non-controlling interests | 85 | 45 | 30 | 59 |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| Figures in PLN thousand | Note | 30 June 2019 (unaudited) | 31 December 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| Property, plant and equipment | | 225,082 | 211,586 |
| Intangible fixed assets | | 55,439 | 55,548 |
| Other fixed assets | | 7,402 | 7,556 |
| Investments accounted for using the equity method | | 5,851 | 6,058 |
| Other long-term receivables | | 382 | 387 |
| Long-term portion of loans granted | | 45 | 45 |
| Other long term financial assets | | 1,296 | 1,353 |
| Deferred tax assets | | 19,972 | 20,187 |
| **Non-current assets** | | **315,469** | **302,720** |
| Inventories | | 200,181 | 180,916 |
| Trade receivables | | 278,420 | 217,910 |
| CIT claimed | | 3,230 | 5,359 |
| Other short-term receivables | 14 | 38,616 | 40,999 |
| Short-term portion of loans granted | | 8 | 409 |
| Other short-term financial assets | | 4,648 | 1,425 |
| Cash and cash equivalents | | 69,832 | 45,501 |
| **Current assets** | | **594,935** | **492,519** |
| **TOTAL ASSETS** | | **910,404** | **795,239** |
| **EQUITY AND LIABILITIES** | | | |
| Registered capital | | 1,142 | 1,142 |
| FX differences arising on translation of foreign affiliates | | -32,381 | -31,716 |
| Supplementary capital | | 608,646 | 577,016 |
| Other reserves | | 9,633 | 9,633 |
| Retained profit/ loss carried forward | | -148,581 | -130,729 |
| – retained profit/ loss from previous years | | -169,209 | -157,330 |
| – profit (loss) after tax | | 20,628 | 26,601 |
| **Equity attributable to the shareholders of the parent** | | **438,459** | **425,346** |
| **Non-controlling interests** | | **637** | **557** |
| **Total equity** | | **439,096** | **425,903** |
| Long-term portion of bank and other loans | 15 | 138,246 | 115,712 |
| Other financial liabilities | 16 | 14,403 | 6,130 |
| Other long-term liabilities | 17 | 4,048 | 4,398 |
| Deferred tax assets | | 3,863 | 3,143 |
| Other long-term provisions | 18 | 3,519 | 3,294 |
| **Non-current liabilities** | | **164,079** | **132,677** |
| Trade liabilities | | 183,557 | 132,116 |
| Obligations to return remuneration | | 13,765 | 10,914 |
| Short-term portion of bank and other loans | 15 | 15,098 | 26,780 |
| Other financial liabilities | 16 | 28,524 | 16,292 |
| CIT tax payable | | 5,659 | 2,265 |
| Other short-term liabilities | 17 | 54,938 | 41,973 |
| Short-term provisions | 18 | 5,688 | 6,319 |
| **Current liabilities** | | **307,229** | **236,659** |
| **Total liabilities** | | **471,308** | **369,336** |
| **TOTAL EQUITY AND LIABILITIES** | | **910,404** | **795,239** |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| Figures in PLN thousand | Note | 6 months ended 30 June 2019 (unaudited) | 6 months ended 30 June 2018 (unaudited) |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Profit (loss) before tax** | | **30,790** | **14,226** |
| Adjusted by: | | | |
| Share in the result of the entities accounted for using the equity method | | -470 | -459 |
| Depreciation/ amortisation | | 18,858 | 13,855 |
| FX gains (losses) | | -551 | -3,635 |
| Interest and dividends | | 2,237 | 3,377 |
| Profit/ (loss) on investing activities | | -346 | 1,724 |
| Change in the balance of receivables | | -59,766 | -78,873 |
| Change in the balance of inventories | | -19,914 | -21,980 |
| Change in the balance of obligations | | 67,560 | 40,093 |
| Change in the balance of provisions | | -406 | 138 |
| CIT paid | | -3,749 | 1,514 |
| Other | | 1,249 | 543 |
| **Net cash flows from operating activities** | | **35,492** | **-29,477** |
| | | | |
| **Cash flows from investing activities** | | | |
| Inflows from sale of tangible and intangible fixed assets | | 782 | 633 |
| Acquisition of tangible and intangible fixed assets | | -8,515 | -11,716 |
| Dividends and interest received | | 625 | 462 |
| Repayments of loans granted | | 400 | 0 |
| Other | | 53 | 97 |
| **Net cash flows from investing activities** | | **-6,655** | **-10,524** |
| | | | |
| **Cash flows from financing activities** | | | |
| Repayment of lease obligations | | -6,876 | -2,733 |
| Inflows from bank/ other loans received | | 60,003 | 118,330 |
| Repayment of loans and advances | | -48,537 | -81,353 |
| Dividends paid to owners | | -6,856 | 0 |
| Interest paid | | -2,320 | -3,490 |
| *including lease interest* | | *-166* | *-195* |
| Other | | 58 | 509 |
| **Net cash flows from financing activities** | | **-4,528** | **31,263** |
| | | | |
| **Net increase in cash and cash equivalents** | | **24,309** | **-8,738** |
| Change in cash and cash equivalents, including: | | 24,331 | -8,491 |
| net FX differences | | 22 | 247 |
| Cash and cash equivalents at the beginning of the period* | | 45,501 | 52,921 |
| Cash and cash equivalents at the end of the period* | | 69,832 | 44,430 |

*including restricted cash:
*as at 30 June 2019: PLN 0.05m*
*as at 30 June 2018: PLN 0.05m*

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE 6 MONTHS ENDED 30 JUNE 2019

| Figures in PLN thousand | Attributable to the shareholders of the parent: Registered capital | Supplementary capital | FX differences arising on translation of a foreign affiliate | Other reserves | Retained profit/ (loss carried forward): from previous years | Retained profit/ (loss carried forward): from the current period | Total equity | Capital attributable to non-controlling interests | Aggregate equity |
|---|---|---|---|---|---|---|---|---|---|
| **As at 1 January 2019** | **1,142** | **577,016** | **-31,716** | **9,633** | **-130,729** | **0** | **425,346** | **557** | **425,903** |
| Net profit (loss) for the financial year | 0 | 0 | 0 | 0 | 0 | 20,628 | **20,628** | 93 | **20,721** |
| Other net comprehensive income for the period | 0 | 0 | -665 | 0 | 0 | 0 | **-665** | -8 | **-673** |
| **Total comprehensive income for the period** | **0** | **0** | **-665** | **0** | **0** | **20,628** | **19,963** | **85** | **20,048** |
| Transfer of profit to the supplementary capital | 0 | 31,630 | 0 | 0 | -31,630 | 0 | **0** | 0 | **0** |
| Dividend | 0 | 0 | 0 | 0 | -6,850 | 0 | **-6,850** | -5 | **-6,855** |
| **As at 30 June 2019 (unaudited)** | **1,142** | **608,646** | **-32,381** | **9,633** | **-169,209** | **20,628** | **438,459** | **637** | **439,096** |

## FOR THE 6 MONTHS ENDED 30 JUNE 2018

| Figures in PLN thousand | Attributable to the shareholders of the parent: Registered capital | Supplementary capital | FX differences arising on translation of a foreign affiliate | Other reserves | Retained profit/ (loss carried forward): from previous years | Retained profit/ (loss carried forward): from the current period | Total equity | Capital attributable to non-controlling interests | Aggregate equity |
|---|---|---|---|---|---|---|---|---|---|
| **As at 1 January 2018 (approved data)** | **1,142** | **551,402** | **-28,485** | **9,633** | **-111,457** | **0** | **422,235** | **490** | **422,725** |
| **Impact of implementation of IFRS 9** | **0** | **0** | **0** | **0** | **-177** | **0** | **-177** | **0** | **-177** |
| **As at 1 January 2018 (after adoption of IFRS 9)** | **1,142** | **551,402** | **-28,485** | **9,633** | **-111,634** | **0** | **422,058** | **490** | **422,548** |
| Profit (loss) after tax | 0 | 0 | 0 | 0 | 0 | 10,902 | **10,902** | 17 | **10,919** |
| Other net comprehensive income for the period | 0 | 0 | 2,072 | 0 | 0 | 0 | **2,072** | 28 | **2,100** |
| **Total comprehensive income for the period** | **0** | **0** | **2,072** | **0** | **0** | **10,902** | **12,974** | **45** | **13,019** |
| Transfer of profit to the supplementary capital | 0 | 25,614 | 0 | 0 | -25,614 | 0 | **0** | 0 | **0** |
| Dividend | 0 | 0 | 0 | 0 | -6,855 | 0 | **-6,855** | 0 | **-6,855** |
| **As at 30 June 2018 (unaudited)** | **1,142** | **577,016** | **-26,413** | **9,633** | **-144,103** | **10,902** | **428,177** | **535** | **428,712** |

# ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

## 1. Information about the Group

### 1.1 Activities of the Group

The core business of Selena FM Group (the "Group") includes production, distribution and sale of construction chemicals, building materials for doors and windows, and general building accessories. The products on offer include both solutions addressed to professionals and to individual users. The Group's leading brands are Tytan, Quilosa, Artelit and Matizol. The Group's product range includes:

- Polyurethane mounting foams and foam adhesives
- Construction sealants (silicones, acrylic products)
- Construction and mounting adhesives
- Roofing membranes and shingles
- Bituminous masses
- Thermo-reflexive roof coating
- Building insulation systems
- Adhesives and joint fillers for ceramic tiles
- Application equipment
- Wood preservatives
- Agents for roofs and walls
- Foils and membranes.

Selena FM is an international producer and distributor of construction chemicals. The Group's production plants are located mainly in Poland, but also in Brazil, China, Romania, Turkey, Spain and Kazakhstan.In turn, commercial establishments are located in different countries of Europe, Asia and both Americas. Selena Group's products are available in the markets of more than 70 countries.

The Group also carries on R&D activity in Poland, Spain, Turkey and China.

### 1.2 Parent Company

The Parent of the Group is Selena FM S.A. ("Parent Company", "Company", "Selena FM"), a firm established and registered in 1993 as a limited liability company under the name Przedsiębiorstwo Budownictwa Mieszkaniowego. In 2006, the Extraordinary General Meeting of Shareholders approved the name change to Selena FM. In 2007, the Company was transformed into a joint stock company. On 18 April 2008, Selena FM S.A. debuted on the Warsaw Stock Exchange and has been a listed entity since that date.

Its duration is indefinite (it is a going concern).

The Company's registered office is at Strzegomska 2-4, 53-611 Wrocław, Poland. The Company operates in Poland.

The Parent Company is entered in the business register of the National Court Register kept by the District Court for Wrocław-Fabryczna, VI Commercial Division of the National Court Register, after transformation under KRS no. 292032 (previous KRS no. 0000129819). The Company was assigned the statistical number REGON 890226440.

The Parent Company's core business includes:
- distribution of the Group's products to foreign markets and to the domestic market (as a multi-distributor)
- providing subsidiaries with advice on strategic management, finance management, sales strategy as well as maintenance of accounting books for customers.

Selena FM S.A. and Selena FM Group are controlled by Krzysztof Domarecki.

### 1.3 Management Board of the Parent Company

As at 31 December 2018, the Parent Company's Management Board was composed of:
- Krzysztof Domarecki – acting Management Board President
- Elżbieta Korczyńska – Management Board Member, CFO

Changes in the Management Board in 2019:

On 7 January 2019, the following persons were appointed to the Management Board of Selena FM S.A.:
- Dariusz Ciesielski, who was appointed Vice President of the Management Board for Sales, and
- Bogusław Mieszczak, who was appointed Management Board Member for Operations.

On 1 March 2019, the following persons were appointed to the Management Board of Selena FM S.A.:
- Krzysztof Domarecki, who was appointed President of the Management Board and
- Christian Dölle, who was appointed Vice President of the Management Board for Marketing.

On 24 June 2019, Elżbieta Korczyńska resigned as Management Board member effective from 30 June 2019.

As at 30 June 2019, the Parent Company's Management Board was composed of:

- Krzysztof Domarecki – Management Board President
- Dariusz Ciesielski – Vice President for Sales
- Christian Dölle – Vice President for Marketing
- Bogusław Mieszczak – Management Board Member for Operations

On 24 June 2019, the Company's Supervisory Board adopted a resolution appointing Jacek Michalak to the Company's Management Board as Chief Financial Officer. The appointment became effective as of 1 July 2019.

By the date of publication of this report, no other changes took place in the composition of the Management Board of the parent company.

### 1.4 Supervisory Board of the Parent Company

As at 31 December 2018, the Supervisory Board of the Parent Company was composed of:
- Krzysztof Domarecki – Supervisory Board Chairman
- Borysław Czyżak – independent Supervisory Board Member
- Andrzej Krämer – independent Supervisory Board Member
- Marlena Łubieszko-Siewruk – independent Supervisory Board Member
- Mariusz Warych – independent Supervisory Board Member.

Changes in the Supervisory Board composition in 2019:

On 28 February 2019, Krzysztof Domarecki resigned from the Supervisory Board and from the role of the Chairman of the Supervisory Board effective from 28 February 2019.

On the same day, the Extraordinary General Meeting of Shareholders nominated Andrzej Krämer, Supervisory Board member, as the Chairman of the Company's Supervisory Board and appointed Czesław Domarecki to the Supervisory Board.

On 27 May 2019, the Annual General Meeting of Shareholders of Selena FM S.A. appointed Łukasz Dziekan to the Supervisory Board.

As at 30 June 2019, the Supervisory Board of the Parent Company was composed of:

- Andrzej Krämer – Chairman of the Supervisory Board
- Borysław Czyżak – independent Supervisory Board Member
- Marlena Łubieszko-Siewruk – independent Supervisory Board Member
- Mariusz Warych – independent Supervisory Board Member
- Czesław Domarecki – Supervisory Board Member
- Łukasz Dziekan – Supervisory Board Member

By the date of publication of this report, no other changes took place in the composition of the Supervisory Board of the Parent Company.

### 1.5 Audit Committee, Strategy and Innovation Committee, Nominations and Remuneration Committee

As at 31 December 2018, the Parent Company's Audit Committee was composed of:

- Mariusz Warych – Chairman of the Audit Committee
- Marlena Łubieszko-Siewruk – Audit Committee Member
- Krzysztof Domarecki – Audit Committee Member.

In the opinion of the Supervisory Board, the Audit Committee, in the aforementioned composition, fulfilled the independence criteria and other requirements specified in Article 128(1) and Article 129(1), (3), (5) and (6) of the Act on Statutory Auditors, Audit Firms and Public Oversight.

Changes in the Audit Committee composition in 2019.

Since 1 March 2019, the Audit Committee has consisted of:

- Mariusz Warych – Chairman of the Audit Committee
- Andrzej Krämer – Audit Committee Member
- Marlena Łubieszko-Siewruk – Audit Committee Member.

In the opinion of the Supervisory Board, the Audit Committee, in the aforementioned composition, fulfills the independence criteria and other requirements specified in Article 128(1) and Article 129(1), (3), (5) and (6) of the Act on Statutory Auditors, Audit Firms and Public Oversight.

By the date of publication of this report, no changes took place in the the Audit Committee’s composition.

As at 31 December 2018, the Strategy and Innovation Committee was composed of:

- Andrzej Krämer – Chairman of the Strategy and Innovation Committee
- Borysław Czyżak – member of the Strategy and Innovation Committee.

In 2019 and until the date of publication of this report no changes took place in the Strategy and Innovation Committee’s composition.

As at 31 December 2018, the Nominations and Remuneration Committee was composed of:

- Borysław Czyżak – Chairman of the Nominations and Remuneration Committee
- Marlena Łubieszko-Siewruk – member of the Nominations and Remunerations. Committee

In 2019 and until the date of publication of this report, no changes took place in the Nominations and Remuneration Committee’s composition.

### 1.6 Group members

The table below shows the ownership and organisational structure of the Group and division into operating segments. The data are presented as at 30 March 2019 and 31 December 2018.

All the companies in the table are consolidated using the full (line-by-line) method, except the associated company Hamil – Selena Co. Ltd., and House Selena Company Ltd., which are recognised using the equity method.

The “owner” column specifies the name of the owner as at 30 June 2019.

| | Region | Country | Entity | Reg.Office | Activity | Group's Share 30 June 2019 (unaudited) | Group's Share 31 December 2018 | Owner |
|---|---|---|---|---|---|---|---|---|
| European Union | Poland | Poland | Selena FM S.A. | Wrocław | Group Head Office | | | - |
| | | | Selena S.A. | Wrocław | Distributor | 100.00% | 100.00% | FM |
| | | | Orion PU Sp. z o.o. | Dzierżoniów | Manufacturer of foams, adhesives, distributor | 99.95% | 99.95% | SIT 1 |
| | | | Carina Silicones Sp. z o.o. | Siechnice | Manufacturer of sealants, distributor | 100.00% | 100.00% | SIT |
| | | | Libra Sp. z o.o. | Dzierżoniów | Manufacturer of sealants, adhesives, distributor | 100.00% | 100.00% | SIT |
| | | | Izolacja Matizol Sp. z o.o. | Gorlice | Manuf. of roof coverings, hydroinsulation, distributor | 100.00% | 100.00% | SIT |
| | | | Tytan EOS Sp. z o.o. | Wrocław | Manufacturer of loose materials | 100.00% | 100.00% | SIT |
| | | | Selena Labs Sp. z o.o. | Siechnice | Research and Development | 99.65% | 99.65% | FM 1 |
| | | | Selena Marketing International Sp. z o.o. | Wrocław | Intellectual property management | 100.00% | 100.00% | SA |
| | | | Taurus Sp. z o.o. | Dzierżoniów | Legal administration | 100.00% | 100.00% | SIT |
| | | | Carina Sealants Sp. z o.o. | Siechnice | Legal administration | 100.00% | 100.00% | FM |
| | | | Selena Industrial Technologies Sp. z o.o. | Warsaw | Production management | 100.00% | 100.00% | FM |
| | | | Oligo Sp. z o.o. | Katowice | Research and Development | 99.65% | 99.65% | SL |
| | Western Europe | Spain | Selena Iberia slu | Madrid | Manufacturer of sealants, adhesives, distributor | 100.00% | 100.00% | FM |
| | | Italy | Selena Italia srl | Limena | Distributor | 100.00% | 100.00% | FM |
| | | | Uniflex S.p.A. | Mezzocorona | Manufacturer of sealants, distributor | 64.00% | 64.00% | FM 4 |
| | | Germany | Selena Deutschland GmbH | Hagen | Distributor | 100.00% | 100.00% | FM |
| | Central and Eastern Europe | Czech Republic | Selena Bohemia s.r.o. | Prague | Distributor | 100.00% | 100.00% | FM |
| | | Romania | Selena Romania SRL | Ilfov | Distributor | 100.00% | 100.00% | FM |
| | | | EURO MGA Product SRL | Ilfov | Manufacturer of adhesives and cement mortars | 100.00% | 100.00% | ROM |
| | | Hungary | Selena Hungária Kft. | Pécs | Distributor | 100.00% | 100.00% | FM |
| | | Bulgaria | Selena Bulgaria Ltd. | Sofia | Distributor | 100.00% | 100.00% | FM |
| Eastern Europe and Asia | Eastern Europe | Russia | Selena Vostok Moscow | Moscow | Distributor | 100.00% | 100.00% | FM 2 |
| | | Kazakhstan | Selena CA L.L.P. | Almaty | Distributor | 100.00% | 100.00% | FM |
| | | | TOO Selena Insulations | Astana | Manufacturer of insulation systems | 100.00% | 100.00% | FM |
| | | | TOO Big Elit | Astana | Manufacturer of dry mortars | 100.00% | 100.00% | CA |
| | | Ukraine | Selena Ukraine Ltd. | Kiev | Distributor | 100.00% | 100.00% | FM 2 |
| | Asia | China | Weize (Shanghai) Trading Co., Ltd. | Shanghai | Distributor | 100.00% | 100.00% | FM |
| | | | Selena Nantong Building Materials Co., Ltd. | Nantong | Manufacturer, distributor | 100.00% | 100.00% | FM |
| | | | Foshan Chinuri-Selena Chemical Co. | Foshan | Manufacturer of sealants, distributor | 84.57% | 84.57% | SA 1 |
| | | | House Selena Trading Company Ltd. | Shanghai | Distributor | 40.00% | 40.00% | NAN |
| | | S.Korea | Hamil - Selena Co. Ltd | Kimhae | Manufacturer of foams | 30.00% | 30.00% | SA 3 |
| | Middle East | Turkey | Selena Malzemeleri Yapi Sanayi Tic. Ltd. | Istambul | Man. of foams and sealants, distributor | 100.00% | 100.00% | FM |
| | | | POLYFOAM Yalitim Sanayi ve Tic Ltd. | Istambul | Distributor | 100.00% | 100.00% | SA 2 |
| N&S America | N&S America | Brazil | Selena Sulamericana Ltda | Curitiba | Manufacturer, distributor | 100.00% | 100.00% | FM 3 |
| | | USA | Selena USA, Inc. | Holland | Distributor | 100.00% | 100.00% | FM |
| | | | Selena USA Specialty Inc.* | Holland | Property management | - | 100.00% | FM |

*On 1 January 2019, Selena USA Inc. merged (as acquiring company) with Selena USA Speciality Inc. (acquired company).*

**Explanations to the "Owner" column**

FM - 100% owned by Selena SA (SFM)
FM 1 – shares owned by SFM, other shares are owned by Krzysztof Domarecki (Supervisory Board Chairman of Selena FM)
FM 2 – shares are owned by Selena FM (99%) and Selena S.A. (1%)
FM 3 – shares owned by Selena FM (95%) and Selena S.A. (5%)
FM 4 – shares are owned by Selena FM, the remaining shares are held outside of the Group
SIT – 100% shares are owned by Selena Industrial Technologies Sp. z o.o.
SIT 1 – shares are owned by Selena Industrial Technologies Sp. z o.o. (99.95%), other shares outside the Group
NAN – affiliated company – owned by Selena Nantong Building Materials Co., Ltd.

SL - shares owned by Selena Labs Sp. z o.o. (100%)
SA – 100% owned by Selena SA
SA 1 – shares are owned by Selena S.A., the remaining shares are held outside of the Group
SA 2 – shares are owned by Selena SA (85%) and Carina Silicones Sp. z o.o. (15%)
SA 3 – associate – shares are owned by Selena SA
ROM – 99.87% shares owned by Selena Romania, other shares held by Selena FM
CA – 100% shares are owned by Selena CA L.L.P.

### 1.7 Changes in the Group structure

#### 1.7.1 Merger of Selena USA Inc. with Selena USA Speciality Inc.

On 1 January 2019, Selena USA Inc. merged (as the acquiring company) with Selena USA Speciality Inc. (the acquired company). Under the agreement of 31 December 2018, the share capital of the acquired company was transferred in its entirety to the acquiring company. As a result of the merger, the acquired company was deregistered.

#### 1.7.2 Events occurring after the balance sheet date

**Acquisition of control over Uniflex S.p.A**

On 24 June 2019, Selena FM S.A. received a notification from minority shareholders of Uniflex S.p.A. i.e., Franco Berlanda and Primaldo Paglialongi on the exercise of the put options by the above individuals, who had the right to 20.25% and 15.75% of shares, respectively, in the share capital of Uniflex S.p.A. The right to sell Uniflex S.p.A. shares was given to minority shareholders in accordance with the shareholder agreement of 29 March 2017. On the basis of the above agreement, after receiving the notifications, Selena FM S.A. was required to purchase:
1) from Franco Berlanda: his 60,750 shares in the share capital of Uniflex S.p.A.
2) from Primaldo Paglialongi: his 47,250 shares in the share capital of Uniflex S.p.A.

On 4 July 2019, Selena FM S.A. acquired 108,000 shares for PLN 936 thousand EUR, representing 36% of the share capital of Uniflex S.p.A. Thus, Selena FM S.A. became the sole shareholder of Uniflex S.p.A. (100% shares in the share capital).

The share purchase transaction had no impact on the consolidated financial statements, because both these interim condensed consolidated financial statements and the consolidated statements for 2018 and 2017 were prepared on the assumption that Selena FM S.A. acquired 100% shares of Uniflex S.p.A. as a result of recognising the obligation to buy back shares from minority shareholders as at the date of the company's acquisition (March 2017).

**Increasing the share capital of Selena Ukraine Ltd.**

On 15 July 2019, the General Meeting of Selena Ukraine Ltd. adopted a resolution to increase the share capital of UAH 21 million (EUR 724.2 thousand). The cash contribution was made in three tranches on 26 July 2019 (EUR 400 thousand), on 29 July 2019 (EUR 7.2 thousand) and on 7 August 2019 (EUR 317 thousand). After the capital increase, no changes took place in the shareholding of Selena FM S.A. and Selena S.A. in the company's share capital.

## 2. Information about the financial statements

### 2.1 Interim report

The interim condensed consolidated financial statements do not contain all the information and disclosures required of annual financial statements and should be read jointly with the Group's annual consolidated financial statements for the year ended 31 December 2018 published on 26 April 2019. The interim condensed financial result may not fully reflect the consolidated financial result achievable for the whole financial year due to seasonality.

These interim condensed consolidated financial statements were reviewed by a statutory auditor.

### 2.2 Period covered by the financial statements

These financial statements are interim condensed consolidated financial statements of Selena FM Group. They cover the period of 6 months ended on 30 June 2019 and the data presented as at that date

The consolidated income statement and consolidated statement of other comprehensive income cover the period of 6 months ended 30 June 2019, and the comparative data presented for the period of 6 months ended 30 June 2018.

The consolidated income statement and consolidated statement of other comprehensive income also cover the period of 3 months ended 30 June 2019, and the comparative data presented for the period of 3 months ended 30 June 2018. These data were not audited/reviewed by an auditor.

The consolidated statement of cash flows and the consolidated statement of changes in equity cover the data for the 6 months ended 30 June 2019 as well as comparative data for the period of 6 months ended 30 June 2018.

The consolidated statement of financial position covers the data presented as at 30 June 2019, and comparative data as at 31 December 2018.

### 2.3 Approval of the financial statements

These interim condensed consolidated financial statements were approved for publication by the Management Board of the Parent Company on 26 September 2019.

### 2.4 Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – “Interim Reporting”, as approved by the EU.

IAS and IFRS include the standards and interpretations approved by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (IFRIC).

### 2.5 Measurement and reporting currency

The currency used for presentation of financials in this report is Polish zloty, and all figures have been presented in PLN thousand, unless specified otherwise.

At the balance sheet date, i.e. 30 June 2019 and 31 December 2018, the assets and liabilities expressed in foreign currency are valued using the mean rate applicable to the respective currencies at the end of the reporting period that has been set by for the particular currency by the National Bank of Poland. Items of the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows are measured at the arithmetic average of the average exchange rates announced for a given currency by the National Bank of Poland on the last day of each month in the period from January to June of 2019 and 2018, respectively.

| Ccy | 30 June 2019 (unaudited) | 31 December 2018 | 6 months ended 30 June 2019 (unaudited) | 6 months ended 30 June 2018 (unaudited) | 3 months ended 30 June 2019 (unaudited) | 3 months ended 30 June 2018 (unaudited) |
|---|---|---|---|---|---|---|
| 1 USD | 3.7336 | 3.7597 | 3.7936 | 3.5192 | 3.8042 | 3.6503 |
| 1 EUR | 4.2520 | 4.3000 | 4.2880 | 4.2395 | 4.2782 | 4.3005 |
| 100 HUF | 1.3140 | 1.3394 | 1.3371 | 1.3401 | 1.3212 | 1.3427 |
| 1 UAH | 0.1427 | 0.1357 | 0.1413 | 0.1324 | 0.1437 | 0.1392 |
| 1 CZK | 0.1672 | 0.1673 | 0.1669 | 0.1659 | 0.1668 | 0.1670 |
| 1 RUB | 0.0592 | 0.0541 | 0.0585 | 0.0591 | 0.0591 | 0.0583 |
| 1 BRL | 0.9773 | 0.9687 | 0.9875 | 1.0180 | 0.9716 | 0.9921 |
| 1 BGN | 2.1740 | 2.1985 | 2.1925 | 2.1676 | 2.1874 | 2.1988 |
| 1 CNY | 0.5437 | 0.5481 | 0.5604 | 0.5516 | 0.5566 | 0.5651 |
| 100 KRW | 0.3232 | 0.3373 | 0.3307 | 0.3261 | 0.3249 | 0.3355 |
| 1 RON | 0.8976 | 0.9229 | 0.9031 | 0.9104 | 0.9009 | 0.9240 |
| 1 TRY | 0.6481 | 0.7108 | 0.6743 | 0.8599 | 0.6470 | 0.8367 |
| 100 KZT | 0.9900 | 1.0124 | 1.0008 | 1.0742 | 1.0021 | 1.0936 |

### 2.6 Going concern

These interim condensed consolidated financial statements have been prepared on the assumption that the Group companies will continue in operation in the foreseeable future. At the date of approval of these interim condensed consolidated financial statements, no circumstances occurred that would point to a risk to continuity of the Group companies' operations.

### 2.7 Management Board's assurance statement on reliability of the financial statements

The Management Board of Selena FM S.A. hereby confirms that to the best of its knowledge the interim condensed consolidated financial statements for 6 months ended 30 June 2019 have been prepared in accordance with the applicable accounting policies and give a true, fair and clear picture of the affairs of Selena FM Group and its net profit, and that the Management Board's report on the activities of the Selena for the 6 months ended 30 June 2019 gives a true picture of the Group's development, achievements and standing, including description of the key risks and threats.

### 2.8 Notes

The accounting policy and notes are an integral part of these interim condensed consolidated financial statements.

## 3. Accounting policies

**New and amended standards and interpretations**

The accounting policies that were used in preparation of these interim condensed financial statements are consistent with the policies used in preparation of the consolidated financial statements of Selena FM Group for 31, taking into account changes resulting from implementation of new standards: IFRS 16 "Leases" as at 1 January 2019.

The impact of applying the above standard on the consolidated financial statements is presented below.

**IFRS 16 Leases**

The Group applied IFRS 16 as of 1 January 2019, without transforming the comparative data, which means that data for 2018 and 2019 will not be comparable, while any adjustments related to IFRS 16 were made as of 1 January 2019.

IFRS 16 Leases – effective for annual periods beginning on or after 1 January 2019. The new standard establishes principles for the recognition, measurement, presentation and disclosure of leases. All lease transactions result in the lessee's right to use the assets and the obligation to make a payment. Accordingly, the classification of leases into operating lease and finance lease as per IAS 17 no longer applies under IFRS 16, as the new standard introduces a single model for accounting for leases by the lessee.

According to the standard, the lessee is required to recognise:

(a) assets and liabilities in respect of all lease transactions made for more than 12 months, except where an asset is of low value; and

(b) depreciation of the leased asset separately from interest on the lease liability in the statement of profit or loss.

The principles for accounting for leases established in IFRS 16 are largely the same as in IAS 17. As a consequence, the lessee continues to use the classification into operating lease and finance lease and accounts for them accordingly.

During the work related to implementation of the new IFRS 16 standard, an analysis was performed of all finance lease, operating lease, rental and tenancy contracts and other types of contracts previously not carried as leases.

For the purposes of the first-time adoption of the standard, the Group applied the modified retrospective method and measured right-of-use assets in an amount equal to lease liabilities, adjusted by the amount of any prepayments or accrued lease payments referring to leases, recognized in the statement of financial position immediately before the first-time adoption.
In accordance with the transitional provisions included in the standard, the new principles were adopted retrospectively with the first-adoption result reflected in equity as at 1 January 2019. Therefore, comparative data for 2018 were not restated.

In accordance with the adopted policy, at the moment of initial recognition, right of use assets are measured at cost including:
– initial value of the lease liability
– lease payments made on or before the lease contract date, reduced by any incentives received
– any initial costs incurred by the lessee
– an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset.

Depreciation is calculated using the straight-line method over the shorter of the estimated useful life or the lease period.

The lease liabilities have been measured based on the present value of lease payments during the lease contract. The payment included in the measurement includes:
– fixed payments less any lease incentives receivable
– variable lease payments that depend on an index or a rate
– amounts expected to be payable by the lessee under residual value guarantees
– the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
– payments of penalties for terminating the lease (if applicable).

In accordance with IFRS 16, the discount rate was estimated, which is the incremental borrowing rate reflecting the cost of finance that the Group would have to incur to purchase the leased asset. In order to estimate the correct rate, account was taken of the contract type, its duration and the country where it was signed.

The weighted average lease rate reflecting the cost of borrowing that the Group would have to incur to buy the leased asset, used for the purpose of valuation of liabilities, was 4.61%.

The Group decided to use the following practical expedients provided for in IFRS 16:
– no recognition of right-of-use assets and lease liabilities for contracts involving payments for leases of low-value assets – where the underlying asset has a value not higher than USD 5,000;

– no recognition of right-of-use assets and lease liabilities for short-term contracts (shorter than 12 months, which have no option to purchase the leased asset);
– applying a single discount rate for a portfolio of leases with similar characteristics (e.g. one discount rate for contracts concluded in a particular country);
– the use of hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

Presented below is the impact of implementation of IFRS 16 on individual items of the statement of financial position as at 1 January 2019:

| **Item in the statement of financial position**<br>**Figures in PLN thousand** | **1 January 2019** |
|---|---|
| Property, plant and equipment | 18,286 |
| Intangible assets (perpetual usufruct of land) | 1,749 |
| Other financial liabilities | 20,035 |

| **Reconciliation of transition from IAS 17 to IFRS 16**<br>**Figures in PLN thousand** | **1 January 2019** |
|---|---|
| Operating lease liabilities (without discount) as at 31 December 2018 | 23,405 |
| Impact of the discount using the incremental borrowing rate on implementation of IFRS 16 | -1,346 |
| Finance lease liabilities as at 31 December 2018 | 11,212 |
| The value of short-term lease contracts, i.e. contracts whose lease term is not longer than 12 months and does not contain a purchase option | -2,008 |
| The value of low-value leases | -16 |
| **Lease liabilities as at 1 January 2019** | **31,247** |

Presented below is the impact of IFRS 16 on asset position as at 30 June 2019:

| **Rights of use split by asset classes:**<br>**Figures in PLN thousand** | **31 December 2018** | **Impact of IFRS 16** | **1 January 2019** | **30 June 2019** |
|---|---|---|---|---|
| Buildings and structures | 3,433 | 11,176 | 14,609 | 11,715 |
| Plant and machinery | 7,632 | 0 | 7,632 | 12,377 |
| Vehicles | 3,102 | 7,110 | 10,212 | 9,016 |
| Other intangible assets (perpetual usufruct of land) | 0 | 1,749 | 1,749 | 1,749 |

## 4. Significant values based on professional judgement and estimates

Preparation of financial statements in accordance with IFRS approved by the EU requires making accounting estimates and assumptions with regard to the future events or uncertainties existing at the balance sheet date. The estimates and assumptions give rise to the risk of possible corrections to the balance sheet assets and equity & liabilities in the next reporting periods.

The assumptions were described in the annual consolidated financial statements of the Group for 2018, and particularly relate to:

- impairment of goodwill and other assets (including receivables and inventories);
- the applied depreciation / amortisation rates for tangible and intangible fixed assets
- ability to use the deferred tax assets
- valuation of provisions.

In H1 2019, no significant changes were made to the assumption areas and methods, taking into account the adopted new IFRS 16 described in Note 3. The business and macroeconomic assumptions underlying the estimates are updated on an ongoing basis depending on changes in the environment of the Parent Company and the Group companies, and business plans and projections.

The selected assumptions used for asset impairment tests were described in Note 5 to these interim condensed consolidated financial statements.

## 5. Impairment of fixed assets

**Selena Romania srl and EURO MGA Product srl**

As the Romanian company failed to achieve the expected sales levels in 2018, and due to the slower-than-expected implementation of innovative products, including: dry mortars, wet plasters and ceramic adhesives, as at 31 December 2018, the Management Board of the Parent Company performed an impairment test for the fixed assets of Selena Romania srl and EURO MGA Product srl (a subsidiary of Selena Romania srl), in accordance with IAS 36 "Impairment". Based on the projected future cash flows generated by the companies, the recoverable value of of the fixed assets of the entities producing and selling products for the Romanian market was determined. The total impairment allowances posted in 2018 was PLN 9,278 thousand.

As at 30 June 2019, the analysis of indicators of impairment of fixed assets of the Romanian companies showed a need to repeat the test due to a significant change in the WACC compared to that assumed for 31 December 2018. Based on the projected future cash flows generated in the Romanian market over the 5-year projection period, the recoverable value of assets invested in the company was determined, and no need was identified to create an impairment charge for the companies' assets presented in these consolidated financial statements.

The test used a 5-year cash flow projection: For the purpose of the test, WACC before tax was taken at 10.9% and the residual growth rate at 2.5%.

Future projections of cash flows include current operations in the Romanian market, particularly in the area of development of new products, including dry mortars and wet plasters, focused on implementation of innovative products and a further development of distribution combined with optimisation of production and logistics costs.
If any material, negative deviations occur from the adopted action plan (in terms of market share increase and return on sales) and current macroeconomic projections for Romania, in the future reporting periods it might be necessary to post an impairment write-down on the fixed assets of Selena Romania srl and EURO MGA Product srl.

Sensitivity of the cash flow model is presented in the table below:

| **CGU** | **Selena Romania + EURO MGA** |
|---|---|
| Assets tested | non-current assets |
| WACC before tax | 10.9% |
| Residual growth rate | 2.5% |
| Impairment | none |
| Model sensitivity - impairment amount at: | |
| *WACC before tax increased by 1 p.p.* | *no charge* |
| *residual growth rate reduced by 1 p.p.* | *no charge* |
| *EBIT margin reduced by 1 p.p.* | *no charge* |

## 6. Operating segments

The organisation structure of Selena FM Group is managed through the data received from the individual geographic segments (countries), later on referred to as operating segments. To the extent permitted by IFRS 8 (e.g. subject to the combination criteria in relation to the following aspects: type of products and services, type of production processes, type or group customers for products and services, methods used in the distribution of products and the type of regulatory environment), they are grouped based on the similarity of location, characteristics of the business and economic environment, and are grouped into the following reporting segments:

- European Union
- Eastern Europe and Asia
- North America and South America

Detailed allocation of operating segments to reporting segments is presented in Note 1.6.

Operating results of the segment are primarily measured using the net profit/loss and EBITDA ratio (an alternative measurement of results, which does not measure cash or liquidity and whose calculation may vary from one entity to another), which result directly from reports that are the basis for preparation of the condensed consolidated financial statements. EBITDA is calculated according to the following formula:

EBITDA = Net profit/ loss + Income tax +/- share in the profit/loss of the affiliate +/- financial expenses/revenues + Depreciation/amortisation

The accounting principles used for preparation of the financial data for reporting segments comply with the Group's accounting policy described in these financial statements.

The financial statements of the entire Group are regularly reviewed by the Management Board of the Parent Company for the purpose of decision-making. The Management Board is also responsible for allocation of resources in the Group.

The profit of a segment is the profit generated by the individual segments without allocation of the administrative expenses, Management Board's remuneration, finance income and expenses, and income tax charge. Non-allocated assets include settlements on account of current and deferred income tax. Revenues are allocated to segments based on the seller's registered office location.

Management of the Group's funding sources, financial revenues and expenses management and the taxation policy are operated at the Group level and are not allocated to operating segments.

Prices in the transactions between the operating segments are determined on an arm's length principle as in the transactions with third parties.

The tables below show date on the revenues and profits of the individual geographic segments.

Selena FM Group S.A. does not have key customers, i.e. such which would account for more than 10% of the Group's revenues.

| **6 months ended 30 June 2019 (unaudited)**<br>**Figures in PLN thousand** | **EU** | **Eastern Europe and Asia** | **North and South America** | **Total segments** | **Consolid. adjustments and non-allocated results*** | **Total** |
|---|---|---|---|---|---|---|
| Sales to external customers | 408,796 | 172,912 | 35,449 | 617,157 | 0 | 617,157 |
| Sales within a segment | 404,184 | 19,020 | 0 | 423,204 | -423,204 | 0 |
| Sales between segments | 108,326 | 2,181 | 0 | 110,507 | -110,507 | 0 |
| EBITDA | 100,468 | 18,185 | 3,213 | 121,866 | -68,366 | 53,500 |
| Depreciation/ amortisation | -14,648 | -1,906 | -63 | -16,617 | -2,241 | -18,858 |
| **Operating profit (loss)** | **85,820** | **16,279** | **3,150** | **105,249** | **-70,607** | **34,642** |
| Net financial revenue/ (expenses) | 0 | 0 | 0 | 0 | -4,322 | -4,322 |
| Share in profit of an associated undertaking | 0 | 470 | 0 | 470 | 0 | 470 |
| Income tax | 0 | 0 | 0 | 0 | -10,069 | -10,069 |
| **Net profit (loss) for the period** | **85,820** | **16,749** | **3,150** | **105,719** | **-84,998** | **20,721** |
| Capital expenditure | 7,053 | 1,462 | 3 | 8,518 | - | 8,518 |

* consolidation adjustments, general and administrative expenses, result on financial activities and income tax

| **6 months ended 30 June 2018 (unaudited)**<br>**Figures in PLN thousand** | **EU** | **Eastern Europe and Asia** | **North and South America** | **Total segments** | **Consolid. adjustments and non-allocated results*** | **Total** |
|---|---|---|---|---|---|---|
| Sales to external customers | 385,167 | 162,188 | 33,108 | 580,463 | 0 | 580,463 |
| Sales within a segment | 370,834 | 6,667 | 0 | 377,501 | -377,501 | 0 |
| Sales between segments | 105,232 | 2,547 | 0 | 107,779 | -107,779 | 0 |
| EBITDA | 89,370 | 10,450 | 722 | 100,542 | -67,939 | 32,603 |
| Depreciation/ amortisation | -8,015 | -1,451 | -70 | -9,536 | -4,319 | -13,855 |
| **Operating profit (loss)** | **81,355** | **8,999** | **652** | **91,006** | **-72,258** | **18,748** |
| Net financial revenue/ (expenses) | 0 | 0 | 0 | 0 | -4,981 | -4,981 |
| Share in profit of an associated undertaking | 0 | 459 | 0 | 459 | 0 | 459 |
| Income tax | 0 | 0 | 0 | 0 | -3,307 | -3,307 |
| **Net profit (loss) for the period** | **81,355** | **9,458** | **652** | **91,465** | **-80,546** | **10,919** |
| Capital expenditure | 9,741 | 884 | 12 | 10,637 | - | 10,637 |

* consolidation adjustments, general and administrative expenses, result on financial activities and income tax

| 3 months ended 30 June 2019 (unaudited) Figures in PLN thousand | EU | Eastern Europe and Asia | North and South America | Total segments | Consolid. adjustments and non-allocated results* | Total |
|---|---|---|---|---|---|---|
| Sales to external customers | 219,611 | 111,011 | 15,451 | 346,073 | 0 | 346,073 |
| Sales within a segment | 233,241 | 11,335 | 0 | 244,576 | -244,576 | 0 |
| Sales between segments | 57,296 | 1,047 | 0 | 58,343 | -58,343 | 0 |
| EBITDA | 46,240 | 13,206 | 1,121 | 60,567 | -26,378 | 34,189 |
| Depreciation/ amortisation | -9,139 | -955 | -31 | -10,125 | 403 | -9,722 |
| **Operating profit (loss)** | **37,101** | **12,251** | **1,090** | **50,442** | **-25,975** | **24,467** |
| Net financial revenue/ (expenses) | 0 | 0 | 0 | 0 | -3,245 | -3,245 |
| Share in profit of an associated undertaking | 0 | 470 | 0 | 470 | 0 | 470 |
| Income tax | 0 | 0 | 0 | 0 | -7,060 | -7,060 |
| **Net profit (loss) for the period** | **37,101** | **12,721** | **1,090** | **50,912** | **-36,280** | **14,632** |
| Capital expenditure | 3,213 | 890 | 0 | 4,103 | - | 4,103 |

* consolidation adjustments, general and administrative expenses, result on financial activities and income tax

| 3 months ended 30 June 2018 (unaudited) Figures in PLN thousand | EU | Eastern Europe and Asia | North and South America | Total segments | Consolid. adjustments and non-allocated results* | Total |
|---|---|---|---|---|---|---|
| Sales to external customers | 217,449 | 97,312 | 17,516 | 332,277 | 0 | 332,277 |
| Sales within a segment | 206,083 | 5,167 | 0 | 211,250 | -211,250 | 0 |
| Sales between segments | 63,166 | 657 | 0 | 63,823 | -63,823 | 0 |
| EBITDA | 54,450 | 7,396 | 580 | 62,426 | -37,409 | 25,017 |
| Depreciation/ amortisation | -4,062 | -739 | -34 | -4,835 | -2,172 | -7,007 |
| **Operating profit (loss)** | **50,388** | **6,657** | **546** | **57,591** | **-39,581** | **18,010** |
| Net financial revenue/ (expenses) | 0 | 0 | 0 | 0 | -596 | -596 |
| Share in profit of an associated undertaking | 0 | 459 | 0 | 459 | 0 | 459 |
| Income tax | 0 | 0 | 0 | 0 | -2,778 | -2,778 |
| **Net profit (loss) for the period** | **50,388** | **7,116** | **546** | **58,050** | **-42,955** | **15,095** |
| Capital expenditure | 4,087 | 376 | 12 | 4,475 | - | 4,475 |

* consolidation adjustments, general and administrative expenses, result on financial activities and income tax

The tables below show data on selected assets of the individual geographic segments.

| **30 June 2019 (unaudited)**<br>**Figures in PLN thousand** | **EU** | **Eastern Europe and Asia** | **North and South America** | **Total segments** | **Consolid. adjustments** | **Total** |
|---|---|---|---|---|---|---|
| Segment assets | 1,150,372 | 185,109 | 32,927 | 1,368,408 | -487,057 | 881,351 |
| Investment in an associate | 0 | 5,851 | 0 | 5,851 | 0 | 5,851 |
| Non-allocated assets | 0 | 0 | 0 | 0 | 0 | 23,202 |
| **Total assets** | **1,150,372** | **190,960** | **32,927** | **1,374,259** | **-487,057** | **910,404** |

| **31 December 2018**<br>**Figures in PLN thousand** | **EU** | **Eastern Europe and Asia** | **North and South America** | **Total segments** | **Consolid. adjustments** | **Total** |
|---|---|---|---|---|---|---|
| Segment assets | 992,304 | 170,885 | 28,159 | 1,191,348 | -427,713 | 763,635 |
| Investment in an associate | 0 | 6,058 | 0 | 6,058 | 0 | 6,058 |
| Non-allocated assets | 0 | 0 | 0 | 0 | 0 | 25,546 |
| **Total assets** | **992,304** | **176,943** | **28,159** | **1,197,406** | **-427,713** | **795,239** |

## 7. Other operating income and operating costs

### 7.1 Other operating income

| **Figures in PLN thousand** | **6 months ended 30 June 2019 (unaudited)** | **6 months ended 30 June 2018 (unaudited)** | **3 months ended 30 June 2019 (unaudited)** | **3 months ended 30 June 2018 (unaudited)** |
|---|---|---|---|---|
| Profit from disposal of non-financial fixed assets | 432 | 252 | 188 | 126 |
| Subsidies | 965 | 1,138 | 332 | 1,018 |
| Damages | 465 | 765 | 166 | 197 |
| Provisions released | 242 | 132 | 57 | -107 |
| Other | 558 | 747 | 268 | 550 |
| **Total other operating income** | **2,662** | **3,034** | **1,011** | **1,784** |

### 7.2 Other operating costs

| **Figures in PLN thousand** | **6 months ended 30 June 2019 (unaudited)** | **6 months ended 30 June 2018 (unaudited)** | **3 months ended 30 June 2019 (unaudited)** | **3 months ended 30 June 2018 (unaudited)** |
|---|---|---|---|---|
| Loss on disposal of non-financial fixed assets | 31 | 143 | 25 | 14 |
| Uncollectible receivables written off | 1,781 | 122 | 1,776 | 27 |
| Costs of impairment, liquidation of inventories and net inventory-taking difference | 2,018 | 1,970 | 1,168 | 989 |
| Damages, penalties, fines | 649 | 258 | 565 | 151 |
| Provisions raised | 11 | 9 | 7 | 9 |
| Other | 551 | 521 | 441 | 300 |
| **Total other operating costs** | **5,041** | **3,023** | **3,982** | **1,490** |

The comparative data for the 6 months ended 30 June 2018 have been restated taking into account the following presentation changes introduced for the first time in the consolidated financial statements for 2018:

- reclassification of the cost of unused production capacity from other operating costs to the cost of sales (PLN 685 thousand);
- reduction of revenues from inventory overages in correspondence with reduction of costs of inventory shortages (PLN 40 thousand);
- reduction of revenues from reversal of impairment allowances for inventories in correspondence with the cost of creating impairment allowances for inventories (PLN 283 thousand);
- aggregating under one heading "other operating costs": costs of impairment and liquidation of inventories and the result on inventory settlement (PLN 1,970 thousand).
- present the cost of impairment of tangible assets as a separate line item in other operating costs as a result of reduction of other operating costs (PLN 2,545 thousand).

## 8. Financial revenues and expenses

### 8.1 Financial revenues

| Figures in PLN thousand | 6 months ended 30 June 2019 (unaudited) | 6 months ended 30 June 2018 (unaudited) | 3 months ended 30 June 2019 (unaudited) | 3 months ended 30 June 2018 (unaudited) |
|---|---|---|---|---|
| FX gains | 2,879 | 5,980 | -249 | 5,371 |
| Interest on deposits and bank accounts | 82 | 126 | 50 | 76 |
| Other interest | 351 | 83 | 158 | 42 |
| Derivative financial instruments | 0 | 0 | 0 | -27 |
| Other financial revenues | 46 | 7 | 45 | 2 |
| **Total financial revenues** | **3,358** | **6,196** | **4** | **5,464** |

### 8.2 Financial expenses

| Figures in PLN thousand | 6 months ended 30 June 2019 (unaudited) | 6 months ended 30 June 2018 (unaudited) | 3 months ended 30 June 2019 (unaudited) | 3 months ended 30 June 2018 (unaudited) |
|---|---|---|---|---|
| FX losses | 2,840 | 6,487 | 1,373 | 3,440 |
| Interest on bank and other loans | 2,226 | 3,184 | 1,156 | 1,495 |
| Interest on leases | 516 | 196 | 245 | 99 |
| Other interest | 86 | 42 | 68 | 22 |
| Derivative financial instruments | 1,013 | 567 | 18 | 567 |
| Other financial expenses | 999 | 701 | 389 | 437 |
| **Total financial expenses** | **7,680** | **11,177** | **3,249** | **6,060** |

In H1 2019, Selena FM S.A. hedged its expected cash flows with FX forwards and other financial instruments. In accordance with the its hedging policy ("FX Risk Management Policy"), the Group hedges an active part of currency exposure by entering into forward contracts mainly for the following currency pairs: EUR/RUB, EUR/KZT, EUR/PLN, USD/PLN and RON/PLN, CZK/PLN and HUF/PLN. On average in the period, Selena FM S.A. had open forward contracts hedging the rates up to EUR 5 million for each currency pair. The Group uses such financial instruments solely to hedge its FX risk and does not use them for speculative purposes. Selena FM Group does not use hedge accounting within the meaning of IFRS 9.

As at 30 June 2019, the Group had open forward contracts. The loss on the valuation of unrealised instruments was PLN 162 thousand. The loss on exercise of the contracts was PLN 851 thousand. The result on transactions was recognised in financial expenses under "Derivative financial instruments".

As at the publication date, Selena FM S.A. had financial instruments in place relating to USD/PLN (USD 0.4 million), CZK/PLN (CZK 3.0 million), CZK/PLN (CZK 3.0 million) an EUR/PLN (EUR 2.0 million) with settlement dates in the period until 31 March 2020.

## 9. Income tax

| Figures in PLN thousand | 6 months ended 30 June 2019 (unaudited) | 6 months ended 30 June 2018 (unaudited) |
|---|---|---|
| Current income tax: | | |
| Current income tax charge | 9,358 | 8,235 |
| Corrections to the current income tax from previous years | -4 | 8 |
| Deferred income tax: | | |
| Connected with origination and reversal of temporary differences | 715 | -4,936 |
| **Tax disclosed in consolidated income statement** | **10,069** | **3,307** |

The agreement on the effective tax rate is presented in the table below.

| Figures in PLN thousand | 6 months ended 30 June 2019 (unaudited) | 6 months ended 30 June 2018 (unaudited) |
|---|---|---|
| **Profit (loss) before tax** | **30,790** | **14,226** |
| **Tax at the Polish statutory rate of 19%** | **5,850** | **2,703** |
| Costs/ (revenues) not included in the taxation basis | 1,645 | -1,269 |
| Tax effect of the losses not included in the taxation basis | 2,119 | 1,705 |
| Corrections to the current income tax from previous years | -4 | 8 |
| Use of tax losses from previous years | -533 | -616 |
| Tax relief for research and development | 0 | -91 |
| Use of the deferred asset relating to trademarks | 861 | 861 |
| Tax relief for operations in the Special Economic Zone | -55 | -95 |
| Effect of other tax rates in foreign affiliates | 186 | 101 |
| **Tax at the effective tax rate** | **10,069** | **3,307** |
| **Effective tax rate** | **33%** | **23%** |

## 10. Profit per share

The basic profit per share is calculated by dividing the net profit for the period attributable to the ordinary shareholders by the weighted average number of outstanding ordinary shares during the period. The table below shows a calculation of the profit(loss) per share in the reporting period.

| | | 6 months ended 30 June 2019 (unaudited) | 6 months ended 30 June 2018 (unaudited) | 3 months ended 30 June 2019 (unaudited) | 3 months ended 30 June 2018 (unaudited) |
|---|---|---|---|---|---|
| Profit (loss) attributable to the controlling interests | PLN | 20,628,478 | 10,902,205 | 14,571,747 | 15,055,278 |
| Average number of ordinary shares | share | 22,834,000 | 22,834,000 | 22,834,000 | 22,834,000 |
| **Profit/(loss) per ordinary share** | **PLN/share** | **0.90** | **0.48** | **0.64** | **0.66** |
| Number of shares, including dilution | share | 22,834,000 | 22,834,000 | 22,834,000 | 22,834,000 |
| **Diluted profit per share** | **PLN/share** | **0.90** | **0.48** | **0.64** | **0.66** |

## 11. Dividend paid and proposed

On 27 May 2019, the AGM of Selena FM S.A. adopted a resolution on dividend payment in respect of a part of the Parent Company's profit for 2018 in a total amount of PLN 6,850,200.00, i.e. PLN 0.30 per share. The record date, when the list of shareholders eligible for dividend is determined, was set to 3 June 2019. The shares of all series carry the same dividend rights. The dividend was paid in two tranches on 5 June and 7 June 2019.

## 12. Investments accounted for using the equity method

In 2019, Selena S.A., which is the owner of shares in the associated undertaking Hamil - Selena Co. Ltd., acquired the right to dividend from the company of EUR 109.5 thousand in respect of the 2018 profit. The dividend was paid on 24 April 2019.

## 13. Inventories

The table below shows the movements in impairment charges on inventory.

| Figures in PLN thousand | 6 months ended 30 June 2019 (unaudited) | 6 months ended 30 June 2018 (unaudited) |
|---|---|---|
| **Opening balance** | **5,877** | **4,623** |
| Creation | 1,936 | 921 |
| Utilisation | -961 | -359 |
| Release | -976 | -283 |
| FX differences | -17 | 49 |
| **Closing balance** | **5,859** | **4,951** |

## 14. Other short-term receivables

| Figures in PLN thousand | 30 June 2019 (unaudited) | 31 December 2018 |
|---|---|---|
| VAT claimed | 21,287 | 26,974 |
| Prepayments for deliveries | 6,632 | 6,184 |
| Prepaid expenses | 5,742 | 3,240 |
| Other financial receivables | 2,531 | 2,625 |
| Other non-financial receivables | 2,424 | 1,976 |
| **Total** | **38,616** | **40,999** |

## 15. Loans and advances

The balance of loans received as at the balance sheet date is presented in the table below.

| | | | 30 June 2019 (unaudited) | | 31 December 2018 | |
|---|---|---|---|---|---|---|
| **Ref** | **Loan type** | **Maturity date** | ***Long-term portion*** | ***Short-term portion*** | ***Long-term portion*** | ***Short-term portion*** |
| 1 | Working capital loan | 07/2020 | 169 | 0 | 30,312 | 0 |
| 2 | Working capital loan | 07/2021 | 46,208 | 0 | 46,798 | 0 |
| 3 | Working capital loan | 12/2021 | 25,423 | 0 | 0 | 15,551 |
| 4 | Working capital loan | 06/2021 | 53,653 | 0 | 27,855 | 0 |
| 5 | Working capital loan | 08/2019 | 0 | 8,414 | 0 | 2,742 |
| 6 | Working capital loan | 01/2019 | 0 | 0 | 0 | 2,713 |
| 7 | Working capital loan | 11/2021 | 5,658 | 0 | 7,986 | 0 |
| 8 | Other | Different | 7,135 | 6,684 | 2,761 | 5,774 |
| | | | **138,246** | **15,098** | **115,712** | **26,780** |

On 30 January 2019, an Annex to the multi-purpose premium credit line agreement of 26 November 2013 was signed (item 3 in the list). The Borrowers are: Selena S.A., Selena FM S.A., Tytan EOS Sp. z o.o., Izolacja Matizol sp. o.o., Libra sp. o.o., Orion PU sp. o.o. The amount of the multi-purpose credit line was increased to the maximum level of PLN 80 million. At the same time the availability period was extended to 31.12.2021. The interest rate is variable, based on 1M WIBOR + margin for the funds used in PLN and 1M EURIBOR + margin for the funds used in EUR. The facility is secured by a mortgage on the property of Libra sp. z o.o. along with assignment of the insurance policy, a blank promissory note issued by all Borrowers and assignment of all existing and future claims of some contractors of Selena S.A.

In January 2019, loan No. 6 from the summary above was repaid.

On 29 March 2019 an agreement was concluded with the bank to terminate the receivables limit agreement (item 1 from the list above).

On 11 April 2019, Selena FM S.A. signed a guarantee line agreement for the foreign affiliates of Selena FM Group. The available limit amount will be up to EUR 6.5 million; the maximum validity period of bank guarantees and letters of credit will be 13 months. The facility will be secured by accession of foreign affiliates to the debt: Selena S.A. and Carina Silicones Sp. o.o. together with the power of attorney to use the funds in the bank accounts.

On 10 June 2019, a renewable credit line agreement was concluded by the subsidiary Selena Vostok. The credit line amounts to RUB 350 million, and its availability period ends on 10 July 2020. The loan bears interest at the variable rate of 6M MOSPRIME + 1.2%. The facility is secured by a bank guarantee under the above agreement.

Events occurring after the balance sheet date

**Extension of the loan agreement with ROSBANK**

On 15 July 2019, the subsidiary Selena Vostok signed an annex to the loan agreement of 15 August 2018 (item 5 in the list – Note 15). The annex extends the loan availability period to 30 June 2020. Other significant terms of the loan granted remain unchanged.

**Provision of a guarantee by Selena FM S.A.**

After Selena Vostok OOO had signed an annex to the loan agreement and the credit period had been extended, on 1 August 2019, the Parent Company issued a new corporate guarantee to secure the Bank's receivables under the above loan agreement. The guarantee amount is RUB 350 million. The guarantee will remain in force until 25 July 2020.

## 16. Other financial liabilities

| | 30 June 2019 (unaudited) | | 31 December 2018 | |
|---|---|---|---|---|
| **Figures in PLN thousand** | **Long-term portion** | **Short-term portion** | **Long-term portion** | **Short-term portion** |
| Lease liabilities | 14,403 | 16,219 | 6,130 | 5,082 |
| Obligations in respect of bills settlement | 0 | 6,914 | 0 | 5,325 |
| Other financial liabilities | 0 | 5,391 | 0 | 5,885 |
| **Total financial liabilities** | **14,403** | **28,524** | **6,130** | **16,292** |

As at 30 June 2019, the item “Other financial liabilities” presents the valuation of the option of purchase of minority interests (applies to shares held by Uniflex S.p.A. by minority shareholders).

Events occurring after the balance sheet date

On 4 July 2019, Selena FM S.A. acquired 108,000 shares for EUR 936 thousand, representing 36% of the share capital of Uniflex S.p.A. In this ways, the obligation in respect of valuation of the option of purchase of minority interests of Uniflex S.p.A. was repaid. Details of the transaction are described in Note 1.7.2 of these interim condensed consolidated financial statements.

## 17. Other liabilities

| | 30 June 2019 (unaudited) | | 31 December 2018 | |
|---|---|---|---|---|
| **Figures in PLN thousand** | **Long-term portion** | **Short-term portion** | **Long-term portion** | **Short-term portion** |
| Investment liabilities | 109 | 1,780 | 110 | 1,709 |
| Prepayments for deliveries | 0 | 1,920 | 0 | 2,121 |
| VAT payable | 0 | 13,035 | 0 | 7,068 |
| Other taxes and insurance payable | 0 | 9,808 | 0 | 8,556 |
| Remuneration payable | 0 | 17,019 | 0 | 13,556 |
| Dividend liabilities | 0 | 0 | 0 | 0 |
| Other liabilities | 2,223 | 6,092 | 2,444 | 4,969 |
| Deferred income | 1,716 | 5,284 | 1,844 | 3,994 |
| **Total other liabilities** | **4,048** | **54,938** | **4,398** | **41,973** |

## 18. Provisions

The table below shows changes in the balance of provisions.

| | 6 months ended 30 June 2019 (unaudited) | | | Year ended 31 December 2018 | | |
|---|---|---|---|---|---|---|
| **Figures in PLN thousand** | **Provision for retirement benefits** | **Other provisions** | **Total** | **Provision for retirement benefits** | **Other provisions** | **Total** |
| **Long term** | | | | | | |
| **Balance at the beginning of the period** | **3,141** | **153** | **3,294** | **2,793** | **104** | **2,897** |
| Provisions raised | 488 | 0 | 488 | 670 | 47 | 717 |
| Provisions released | -287 | 0 | -287 | -286 | 0 | -286 |
| Provisions used | -22 | 0 | -22 | -100 | 0 | -100 |
| FX differences | -25 | -2 | -27 | 64 | 2 | 66 |
| Other | 13 | 60 | 73 | 0 | 0 | 0 |
| **Balance at the end of the period** | **3,308** | **211** | **3,519** | **3,141** | **153** | **3,294** |
| **Short term** | | | | | | |
| **Balance at the beginning of the period** | **5** | **6,314** | **6,319** | **5** | **11,491** | **11,496** |
| Provisions raised | 0 | 370 | 370 | 0 | 1,015 | 1,015 |
| Provisions released | 0 | -242 | -242 | 0 | -2,270 | -2,270 |
| Provisions used | 0 | -678 | -678 | 0 | -3,947 | -3,947 |
| FX differences | 0 | -81 | -81 | 0 | 25 | 25 |
| **Balance at the end of the period** | **5** | **5,683** | **5,688** | **5** | **6,314** | **6,319** |

## 19. Contingent liabilities and guarantees granted

### 19.1 Guarantees

Either the Parent Company or any members of the Group did not give to third parties any guarantees whose value would exceed 10% of the Parent's equity.

Group companies provide cross-guarantees to each other in connection with jointly incurred bank debt, and as part of commercial transactions. These are intragroup transactions, and the guarantees apply to loan obligations and trade liabilities owed to unrelated entities. Such guarantees given to the subsidiaries by Selena FM S.A. were described in detail in Note 21.1 of the unconsolidated financial statements of Selena FM S.A. for 2018 and in Note 21 of the condensed unconsolidated financial statements of Selena FM S.A. for the period of 6 months ended 30 June 2019.

### 19.2 Court disputes

At the date of approval of this report, no company from Selena Group was a party to any court proceedings where the claim value would exceed 10% of the Parent Company's equity.

In the period until the date of approval of these interim condensed consolidated financial statements, neither Selena FM S.A. nor any company from its Group were party to any significant new court disputes, except for the ones listed below, already described in the annual consolidated financial statements of Selena Group for 2018 (Note 26.3).

Dispute between Carina Silicones sp. z o.o. and Bank Millennium S.A.

On 11 March 2013, Carina Silicones received from the District Court in Warsaw, XVI Economic Division, a copy of the claim for payment made by Millennium Bank, dated 4 January 2013. The bank stated its total claim amount at PLN 10,256 thousand. The claim relates to the purported conclusion of FX transactions between the company and the bank in 2008. Repeating the opinion of the Management Board of Carina Silicones, supported with legal opinions, the Management Board of the Parent sustains its opinion that the bank's claims are unwarranted.

Based on the legal opinion received, the company responded to the claim and moved that it should be dismissed in its entirety. At the request of Carina Silicones Sp. z o.o. the case was suspended for the time of the proceedings to determine existence of the contested transaction.

At the request of Bank Millennium, in 2017 the Regional Court in Warsaw resumed the payment proceedings. During the first hearing on 14 March 2017, the attorney of Bank Millenium filed a motion to refer the case to mediation. The court decided to defer its decision regarding the motion.

As at the date of preparation of these interim consolidated financial statements, the Regional Court continues examine evidence for the case. The company expects that the decision of the court of first instance should be taken in H2 2019 at the earliest. The company has a legal opinion which shows that the claim for payment is very likely to be successful.

Administrative proceedings between Selena S.A. and the Customers Office

Selena S.A. (the "Company") is a party to customs proceedings relating to the imposition by the customs authorities of anti-dumping duty on the Company in connection with the import of mesh fabrics of glass fibres from Taiwan in 2011–2012.

Based on the report drafted by the European Anti-Fraud Office (OLAF) relating to the investigation held in Taiwan regarding the suspected circumvention of the anti-dumping duty imposed on the imports mesh fabrics, proceedings were initiated against Selena S.A. to determine the amount of the anti-dumping duty (the proceedings were initiated by the Head of the Customs Office in Gdynia on 24 February 2014, while on 27 May 2014 the Head of the Customs Office in Gdańsk initiated another 37 proceedings). As a result of these proceedings, a customs liability in the total amount of PLN 7,992.9 thousand was assessed for the Company.

Selena S.A. disagreed with the opinion of the customs authorities, and challenged it both before the customs authorities of the second instance and through complaints submitted to the Provincial Administrative Court (WSA) in Gdańsk. Despite the initially favorable decisions taken by the WSA, on 15 December 2016, the WSA in Gdańsk issued the first in a series of decisions unfavourable for the Company. Currently, in 19 cases in which the WSA ruled against Selena S.A., the Company filed cassation appeals to the Supreme Administrative Court. At the same time, the WSA decided to suspend a group of 13 other proceedings.

Regardless of the status of cases before the WSA in Gdańsk, so far Selena S.A. has paid about PLN 7.6 million in the customs liabilities (including in relation to the cases which have been suspended) and about PLN 700 thousand in respect of late interest.

## 20. Net debt

The key goal of the Group's capital management is to maintain good credit rating and safe capital ratios to facilitate the Group's operations and increase value for shareholders.

The Group manages its capital structure, and modifies it in response to the current needs and changes to the economic conditions. To maintain or change the capital structure, the Group may used the following instruments:

- payment of dividend to shareholders
- issue of new stock
- loan taking or repayment.

As part of capital management, the Management Board monitors the debt level by means of the gearing ratio, which is calculated as net debt to total equity + net debt. Net debt includes interest-bearing loans and other interest-bearing financial liabilities, decreased by cash and cash equivalents.
Equity includes the equity attributable to the shareholders of the Parent. The Group aims to maintain the ratio in the 20-40% range.

| Figures in PLN thousand | 30 June 2019 (unaudited) | 31 December 2018 |
|---|---|---|
| Interest bearing borrowings | 153,344 | 142,492 |
| Other financial liabilities | 42,927 | 22,422 |
| Less cash and cash equivalents | -69,832 | -45,501 |
| **Net debt** | **126,439** | **119,413** |
| Equity attributed to the shareholders of the parent | 438,459 | 425,346 |
| **Equity and net debt** | **564,898** | **544,759** |
| **Gearing (net debt / equity + net debt)** | **22%** | **22%** |

## 21. Related party transactions

The table below shows transactions with directors of the Parent and with associates. The sales and purchases figures cover the period of 6 months ended 30 June (2019 and 2018, respectively), while the receivables and liabilities are presented as at 30 June 2019 and 31 December 2018.

| Figures in PLN thousand | Period | Sale | Purchase | Receivables | Liabilities |
|---|---|---|---|---|---|
| Associates | 2019 | 12,559 | 21 | 4,396 | 0 |
| | 2018 | 10,545 | 9 | 4,524 | 35 |
| Subsidiaries of the ultimate controlling shareholder* | 2019 | 531 | 101 | 155 | 0 |
| | 2018 | 1,609 | 309 | 130 | 0 |
| Key management personnel** | 2019 | 0 | 320 | 0 | 0 |
| | 2018 | 0 | 592 | 0 | 110 |
| **TOTAL** | **2019** | **13,090** | **442** | **4,551** | **0** |
| | **2018** | **12,154** | **910** | **4,654** | **145** |

** the item includes entities connected through Mr Krzysztof Domarecki*

*** the item includes members of the Management Board and Supervisory Board, their spouses, siblings, ascendants, descendants and other persons having close links with them.*

## 22. Discontinued operations

In the period of 6 months ended 30 June 2019 the Group did not discontinue nor it plans to discontinue any type of business over the next 12 months.

## 23. Goals and rules of financial risk management

On the basis of the analysis of the key factors pertaining to the Group and its economic environment, the Management Board has identified the following financial risks:

- FX risk
- Interest rate risk
- Credit risk
- Liquidity risk
- Other (specific risks).

The key assumptions for managing these risks are described in the consolidated financial statements for 2018 (Note 32).

In H1 2019, no significant changes occurred to the rules and tools used for financial risk management.

**23.2 Currency risk**

For the purpose of risk analysis, FX risk is defined as a risk of volatility of the future cash flows denominated in other currencies than the Group's functional currency as a result of FX fluctuations. In the case of the Group, the risk arises from the fact that a major portion of the transactions is conducted beyond Poland and settled in other currencies that the functional currency. In consequence, the FX fluctuations affect the cash flows, expressed in the functional currency, generated by the Group companies (both on the income and cost side) and the open balance sheet positions (net assets) expressed in foreign currency.

The Group's exposure to currency risk includes current assets and liabilities exposed to fluctuations in the following currencies: EUR, USD, HUF, UAH, CZK, BRL, BGN, CNY, KRW, GBP, CHF, CAD, BYN, RUB, RON, KZT, TRY . The Group uses selected financial instruments (mainly forward transactions) to hedge the value of future cash flows denominated in foreign currencies and the net asset value of its foreign operations. Selena Group hedges the active part of its currency exposures relating to trade receivables and liabilities, i.e. those that can actually be realised over 12 months. Selena Group also hedges currency exposure by using multi-currency credit lines and external financing in the currencies of local subsidiaries.

**23.3 Interest rate risk**

For the purpose of risk analysis, interest rate risk is defined as a risk of fluctuations in the fair value of the future cash flows as a result of changes in the market interest rates. In the case of the Group the risk applies mainly to the bank and other loans, leases and interest-earning financial assets held by the Group companies (mainly cash).

The deposits opened by the Group companies are short-term in nature, therefore they reflect the current market conditions, but they also increase the risk of stability of future cash flows from interest.

As a rule, the Group does not use hedging instruments to protect itself from changes in the market interest rates.

**23.4 Credit risk**

Due the nature and size of its business, the Group's credit risk is subject to regular analysis for all the subsidiaries forming part of the Group. The Group enters into trading transactions with the companies that demonstrate a strong credit worthiness. The customers who are allowed trade credit are vetted depending on the nature and extent of the relationship. As a result, each client has an individually calculated credit limit and payment terms. Group companies regularly monitor the value and age structure of receivables and take collection measures to mitigate credit risk. Furthermore, selected companies of the Group entered into an agreement Atradius Credit Insurance N.V.S.A. to insure their trade receivables.

Since 1 January 2018, the Group has applied a impairment allowance matrix to calculate expected credit losses on trade receivables. Changes in impairment allowances on trade and other receivables alongside comparative data are presented in the table below:

| **Impairment charge for trade receivables and other financial receivables**<br>**Figures in PLN thousand** | **6 months ended 30 June 2019 (unaudited)** | **6 months ended 30 June 2018 (unaudited)** |
|---|---|---|
| **Allowance in respect of expected credit loss at the beginning of the period** | **35,102** | **34,452** |
| Impact of IFRS 9 | - | 170 |
| **Allowance in respect of expected credit loss at the beginning of the period after the application of IFRS 9** | **35,102** | **34,622** |
| Created/ reversed (-) according to IFRS 9 | 2,809 | 1,766 |
| Utilisation | -1,652 | -1,625 |
| FX differences | -66 | 710 |
| Other | 0 | -204 |
| **Impairment in respect of expected credit loss at the end of the period** | **36,193** | **35,269** |

The age structure of trade receivables not subject to impairment charges is presented in the table below.

| | | | Overdue, not covered by impairment charges (days in arrears): | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Figures in PLN thousand** | **Total** | **Up-to-date** | **< 30** | **31 – 60** | **61 – 90** | **91 – 180** | **181 - 360** | **>361** |
| **30 June 2019 (unaudited)** | 278,420 | 250,378 | 20,944 | 5,060 | 897 | 762 | 256 | 123 |
| **31 December 2018** | 217,910 | 188,946 | 20,379 | 5,678 | 1,269 | 997 | 266 | 375 |

The Group's maximum exposure to credit risk at the end of the reporting period approximates the full amount of the trade receivables, cash and other receivables, without taking account of the fair value of any collateral received.

Details on the assets held as security for loans are provided in Note 21.5 of the consolidated financial statements for 2018. The risk that no cash flows will be obtained from the indicated asset items is considered as low. In the situation of an increased credit risk, the Group is protected by asset impairment charges, which are reflected in the carrying amounts of the assets.

Cash is deposited with financial institutions in the form of short-term deposits. Credit risk associated with cash is low in the Management Board's opinion. Cash in bank carries variable rates of interest. Short-term deposits are opened for different periods (up to 3 months), and carry different interest rates.

As at 30 June 2019, the Group's companies had unutilised credit lines of PLN 191.87 million. As at 31 December 2018: PLN 210.04 million.

The table below shows a structure of the cash balances at the balance sheet date.

| **Figures in PLN thousand** | **30 June 2019 (unaudited)** | **31 December 2018** |
|---|---|---|
| Cash in bank | 64,519 | 40,328 |
| Cash on hand | 636 | 227 |
| Cheques (up to 3 months) | 3,452 | 3,982 |
| Short-term deposits | 836 | 92 |
| Cash in transit | 389 | 872 |
| **Total** | **69,832** | **45,501** |

In the case of cash and cash equivalents, the Management Board of the Parent Company believes that the credit risk is low (stage 1 of the impairment model). More than 93% of cash of Selena Group companies is with financial institutions that have medium-high and medium credit rating and which have appropriate equity as well as a strong and stable market position. The table below presents the level of cash concentration on bank accounts, taking into account the credit rating of financial institutions.

| **Rating level** | **30 June 2019** | **31 December 2018** |
|---|---|---|
| from A + to A- according to S & P and Fitch and from A1 to A3 according to Moody's | 72% | 70% |
| from BBB + to BBB- according to S & P and Fitch and from Baa1 to Baa3 according to Moody's | 21% | 22% |
| from Ba2 to Ca by S & P and Fitch and from BB to CC by Moody's | 7% | 8% |

**23.5 Liquidity risk**

The Group's Management Board seeks to maintain a balance between continuity and flexibility of financing. To this end, different funding sources are used, including investment loans, overdrafts and leases.

As part of its role of central coordination of the Group's finance management, Selena FM S.A. originates loans to its subsidiaries to ensure current financing and liquidity for them (the effect of such transactions is eliminated from the Group's consolidated accounts). Details of these transactions are contained in condensed unconsolidated financial statements of the Parent Company for the six months ended 30 June 2019.

**23.6 Other risks**

The Group has an extensive co-operation with customers from the Eastern markets (Russia, Ukraine, Kazakhstan). The executive boards of the Group companies are aware of the risks pertaining to the Eastern markets (FX, credit, legal, tax and political risk). The Group has operated a sales management model and a partial hedging of FX transactions designed to mitigate the above risks.

Furthermore, a material portion of the Group's operating costs are the cost of commodities, including those purchased in foreign markets. Commodity prices are characterised by volatility and reflect fluctuations in the global economy and oftentimes are linked to changing oil prices. The growing commodity prices press on distributors' margins and bring demand down. On the other hand, decreasing prices may point to a dwindling demand and a beginning of a downturn. Stable growth and stable commodity prices positively affect the Group's business, ensuring more accurate projections of performance, while fluctuations in demand and an increase in commodity prices have a negative bearing on the Group's profitability.

## 24. Events occurring after the balance sheet date

After the balance sheet date and until the approval of these interim condensed consolidated financial statements no events, other than those described herein, took place that might materially affect the financial data presented in this report.

**Management Board President**

**Krzysztof Domarecki**

**Vice President for Sales**

**Dariusz Ciesielski**

**Vice President for Marketing**

**Christian Dölle**

**Management Board Member for Operations**

**Bogusław Mieszczak**

**Management Board Member for Finance**

**Jacek Michalak**