



Interim condensed consolidated financial statements for the period from 1 January to 30 June 2022

This report is a direct translation from the original Polish version. In the event of differences resulting from the translation, reference should be made to the official Polish version.

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Consolidated financial statements

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

Figures in PLN thousand	Note	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021	from 01.04.2022 to 30.06.2022	from 01.04.2021 to 30.06.2021
Continued operations					
Revenue from the sale of products		837,138	723,078	439,363	405,120
Revenue from the sale of goods and raw materials		80,790	62,828	58,279	32,284
Revenue from the sale of services		2,857	1,763	1,535	793
Revenue from contracts with customers	3	920,785	787,669	499,177	438,197
Cost of sales		644,171	559,313	357,727	313,946
Gross profit		276,614	228,356	141,450	124,251
Selling and marketing costs		148,208	124,783	79,354	66,665
General and administrative expenses		69,781	59,997	35,153	32,102
Other operating income	4.1	2,702	7,095	1,220	4,204
Other operating costs	4.1	1,860	1,622	704	938
Impairment of non-financial fixed assets		200	0	200	0
Impairment of financial assets		6,302	846	79	307
Operating profit		52,965	48,203	27,180	28,443
Financial income	4.2	20,230	7,652	13,886	2,671
Financial costs	4.2	14,826	7,399	10,824	4,253
Impairment of loans granted		0	173	0	173
Share in net profit/loss of the associate		1,280	1,091	640	546
Profit before tax		59,649	49,374	30,882	27,234
Income tax	5	11,047	9,597	7,361	5,452
Net profit on continued operations		48,602	39,777	23,521	21,782
Profit (loss) on discontinued operations		0	0	0	0
Net profit for the period		48,602	39,777	23,521	21,782
Net profit attributable to:					
– shareholders of the parent		48,429	39,788	23,409	21,763
– non-controlling interests		173	-11	112	19
Earnings per share attributable to the shareholders of the parent					
		(PLN/share)	(PLN/share)		
– basic, including:		2.12	1.74	1.03	0.95
<i>on continued operations</i>		2.12	1.74	1.03	0.95
<i>on discontinued operations</i>		0.00	0.00	0.00	0.00
– diluted, including:		2.12	1.74	1.03	0.95
<i>on continued operations</i>		2.12	1.74	1.03	0.95
<i>on discontinued operations</i>		0.00	0.00	0.00	0.00

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Figures in PLN thousand	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021	from 01.04.2022 to 30.06.2022	from 01.04.2021 to 30.06.2021
Net profit	48,602	39,777	23,521	21,782
FX differences arising on translation of the foreign associate	11,943	-2,723	16,781	-5,994
Other comprehensive income subject to reclassification to profit or loss, before tax	11,943	-2,723	16,781	-5,994
Other comprehensive income, before tax	11,943	-2,723	16,781	-5,994
Income tax related to foreign exchange differences on translation		-1,795	522	-1,444
Income tax related to components of comprehensive income that are reclassified to profit or loss	-1,795	522	-1,444	855
Other comprehensive income for the period, after tax	10,148	-2,201	15,337	-5,139
Total comprehensive income	58,750	37,576	38,858	16,643
Attributable to:				
– shareholders of the parent	58,527	37,566	38,728	16,649
– non-controlling interests	222	10	130	-6

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

Figures in PLN thousand	Note	As at 30.06.2022	As at 31.12.2021
ASSETS			
Property, plant and equipment		280,610	261,497
Intangible assets		37,942	38,932
Investments accounted for using the equity method		20,957	19,814
Deferred tax assets		57,092	46,924
Other long-term financial assets	6.1	5,226	1,138
Total non-current assets		401,827	368,305
Inventories	6.2.2	380,310	280,015
Other short-term non-financial assets		61,559	44,623
Trade and other receivables	6.1	380,697	305,387
CIT claimed		8,294	14,315
Other short-term financial assets	6.1	64,725	57,195
Cash and cash equivalents	7.2.3	73,833	38,915
Total current assets		969,418	740,450
TOTAL ASSETS		1,371,245	1,108,755
LIABILITIES AND EQUITY			
Registered capital		1,142	1,142
Own shares		-28,676	-28,676
FX differences arising on translation of the foreign associate		-36,759	-46,858
Supplementary capital		675,802	675,747
Other reserves		118,545	75,000
Retained profit/ loss carried forward		-66,492	-75,379
Equity attributable to the shareholders of the parent		663,562	600,976
Non-controlling interests		1,291	969
Total equity		664,853	601,945
Long-term portion of bank and other loans	6.1.1	161,345	48,969
Long term lease liabilities		34,152	16,862
Deferred tax liability		5,936	2,069
Other long term non-financial liabilities		5,449	4,366
Long-term portion	6.2.4	6,068	8,079
Long-term liabilities		212,950	80,345
Trade and other liabilities	6.1	216,343	198,294
Obligations to return remuneration		33,329	31,718
Short-term portion of bank and other loans	6.1.1	122,225	99,054
Short-term lease liabilities		12,492	12,315
Other short term financial liabilities	6.1	624	644
CIT tax payable		10,326	7,439
Other short term non-financial liabilities		77,591	56,977
Short-term provisions	6.2.4	20,512	20,024
Short-term liabilities		493,442	426,465
Total liabilities		706,392	506,810
TOTAL LIABILITIES AND EQUITY		1,371,245	1,108,755

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Figures in PLN thousand	Note	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
Cash flows from operating activities			
Profit (loss) before tax		59,649	49,374
Adjustments to reconcile profit, including:		-105,028	-76,511
Share in the result of the entities accounted for using the equity method		-1,280	-1,091
Depreciation/ amortization		22,675	21,587
FX gains (losses)		21,343	-273
Interest		4,342	715
Gain (loss) on sale and liquidation of non-financial fixed assets		-364	-259
Change in the balance of receivables		-92,982	-104,320
Change in the balance of inventories		-99,697	-100,348
Change in the balance of liabilities		42,316	108,553
Change in the balance of provisions		-1,523	-2,125
Other		142	1,050
Net cash flows from operating activities, before tax		-45,379	-27,137
CIT paid		-9,678	-17,995
Net cash flows from operating activities		-55,057	-45,132
Cash flows from investing activities			
Purchase of property, plant and equipment, and intangible assets		-14,539	-15,597
Inflows from sale of tangible and intangible assets		2,485	487
Outflow on account of loans granted		-10,223	-3,000
Repayments of loans granted		315	0
Payments on account of purchase of other financial assets		-894	0
Dividends received		487	478
Interest received		1,586	957
Other		102	0
Net cash flows from investing activities		-20,681	-16,675
Cash flows from financing activities			
Proceeds from bank and other loans		159,634	74,477
Outflows in respect of bank and other loans		-36,952	-9,930
Repayment of lease liabilities		-7,148	-8,187
Interest paid		-6,092	-1,437
Other		1,228	1,145
Net cash flows from financing activities		110,670	56,068
Net increase in cash and cash equivalents		34,932	-5,739
Change in cash and cash equivalents, including:		34,918	-5,725
Net FX differences		-14	14
Cash and cash equivalents at the beginning of the period*		38,915	55,004
Cash and cash equivalents at the end of the period*		73,833	49,279

*including restricted cash:

as at 30 June 2022: PLN 0.05m

as at 30 June 2021: PLN 0.05m

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 6 MONTHS ENDED 30 JUNE 2022

	Registered capital	Own shares	FX differences arising on translation of a foreign affiliate	Supplementary capital	Other reserves	Retained profit/loss carried forward	Equity attributable to the shareholders of the parent	Equity attributable to non-controlling interests	Aggregate equity
Figures in PLN thousand									
As at 1 January 2022	1,142	-28,676	-46,858	675,747	75,000	-75,379	600,976	969	601,945
Profit for the period	0	0	0	0	0	48,429	48,429	173	48,602
Other net comprehensive income for the period	0	0	10,099	0	0	0	10,099	49	10,148
Total comprehensive income for the period	0	0	10,099	0	0	48,429	58,528	222	58,750
Profit distributions	0	0	0	55	43,545	-43,600	0	0	0
Establishment of a subsidiary	0	0	0	0	0	0	0	100	100
Translation of a subsidiary in hyperinflationary conditions	0	0	0	0	0	4,058	4,058	0	4,058
Increase (decrease) in equity	0	0	10,099	55	43,545	8,887	62,586	322	62,908
As at 30 June 2022	1,142	-28,676	-36,759	675,802	118,545	-66,492	663,562	1,291	664,853

FOR THE 6 MONTHS ENDED 30 JUNE 2021

	Registered capital	FX differences arising on translation of the foreign affiliate	Supplementary capital	Other reserves	Retained profit/ loss carried forward	Equity attributable to the shareholders of the parent	Equity attributable to non-controlling interests	Aggregate equity
Figures in PLN thousand								
As at 31 December 2020 – approved figures	1,142	-43,155	659,758	9,633	-104,586	522,792	872	523,664
Correction of errors from previous years	0	0	0	0	8,273	8,273	0	8,273
As at 1 January 2021 (restated data)	1,142	-43,155	659,758	9,633	-96,313	531,065	872	531,937
Profit for the period	0	0	0	0	39,788	39,788	-11	39,777
Other net comprehensive income for the period	0	-2,221	0	0	0	-2,221	20	-2,201
Total comprehensive income for the period	0	-2,221	0	0	39,788	37,567	9	37,576
Profit distributions	0	0	6,358	75,000	-81,358	0	0	0
Dividend	0	0	0	0	0	0	-4	-4
Other	0	0	9,633	-9,633	0	0	0	0
Increase (decrease) in equity	0	-2,221	15,991	65,367	-41,570	37,567	5	37,572
As at 30 June 2021	1,142	-45,376	675,749	75,000	-137,883	568,632	877	569,509



General information

1. General information

1.1 Characteristics of the Parent Company

Parent Company

The parent of the Group is Selena FM S.A. The Company was established and registered in 1993 as a limited liability company under the name Przedsiębiorstwo Budownictwa Mieszkaniowego based in Wrocław, Poland. In 2006, the Extraordinary General Meeting of Shareholders of the Parent Company approved the name change to Selena FM. In 2007, the Company was transformed into a joint stock company. The shares of Selena FM S.A. have been publicly traded since the Company's debut on the Warsaw Stock Exchange on 18 April 2008.

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

The Company's registered office is in Poland, at Legnicka 48A, 54-202 Wrocław. The Company operates in Poland.

The 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. 0000292032 (previous KRS no. 0000129819). The Company was assigned the statistical number REGON 890226440.

The core business of the Company, as a parent company, includes: distribution of the Group's products into foreign markets and the domestic market, and provision of advice to its subsidiaries with regard to strategic management, finance management, sales strategy and maintenance of accounting books for customers.

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

Management Board of the Parent Company

As at 30 June 2022, the Parent Company's Management Board was composed of:

- Jacek Michalak – CEO;
- Sławomir Majchrowski – Chief Commercial Officer, Vice President;
- Roman Dziuba – Chief Operating Officer;
- Andrzej Zygadło – Chief HR Officer.

In the period from 1 January 2022 to the date of publication of this report, no changes took place in the composition of the Company's Management Board.

Supervisory Board of the Parent Company

As at 30 June 2022, the Supervisory Board of the Parent Company was composed of:

- Andrzej Krämer – Chairman of the Supervisory Board;
- Borysław Czyżak – independent Supervisory Board Member;
- Czesław Domarecki – Supervisory Board Member;
- Łukasz Dziekan – Supervisory Board Member;

- Mariusz Warych – independent Supervisory Board Member;
- Paweł Wyrzykowski – independent Supervisory Board Member.

In the period from 1 January 2022 to the date of publication of this report, there were no changes in the composition of the Supervisory Board.

1.2 Information about the financial statements

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 2021 published on 2 May 2022. The interim condensed financial result may not fully reflect the consolidated financial result achievable for the whole financial year due to seasonality.

The building materials industry in which Selena Group operates is characterised by seasonality of sales. Lower activity is observed in the winter and early spring months, while in the subsequent quarters sales increase to usually peak in the third quarter. Looking at the figures for 2020–2021, one may conclude that sales in individual quarters have the following contribution to the total annual sales: Q1 – 20%, Q2 - 24%, Q3 - 30%, Q4 - 26%. Seasonal fluctuations of sales are primarily affected by the weather and fluctuations in sales in the individual geographies where the Group operates.

These interim condensed consolidated financial statements were reviewed by an audit firm.

Period covered by the financial statements

These financial statements are interim condensed consolidated financial statements of Selena Group. They cover the period of 6 months ended on 30 June 2022 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 2022, and the comparative data presented for the period of 6 months ended 30 June 2021.

The consolidated income statement and consolidated statement of other comprehensive income also cover the period of 3 months ended 30 June 2022, and the comparative data presented for the period of 3 months ended 30 June 2021. 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 6 months ended 30 June 2022 as well as comparative data for the period of 6 months ended 30 June 2021.

The consolidated statement of financial position covers the data presented as at 30 June 2022, and comparative data as at 31 December 2021.

Approval of the financial statements

These interim condensed consolidated financial statements were approved for publication by the Management Board of the Parent Company on 15 September 2022.

Measurement and reporting currency

The currency used for measurement and presentation of financials in this interim condensed consolidated financial statements is Polish zloty, and all figures have been presented in PLN thousand, unless specified otherwise.

At the balance sheet date, i.e. 30 June 2022 and 31 December 2021, 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 interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income and interim condensed 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 2022 and 2021, respectively.

The rates used for measurement of balance sheet items and the average rates for the individual reporting periods are presented in the table below.

Ccy	As at 30.06.2022	As at 31.12.2021	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021	from 01.04.2022 to 30.06.2022	from 01.04.2021 to 30.06.2021
1 USD	4.4825	4.0600	4.2744	3.7815	4.3849	3.7502
1 EUR	4.6806	4.5994	4.6427	4.5472	4.6381	4.5222
100 HUF	1.1797	1.2464	1.2313	1.2733	1.1921	1.2804
1 UAH	0.1467	0.1487	0.1449	0.1364	0.1467	0.1364
1 CZK	0.1892	0.1850	0.1884	0.1758	0.1880	0.1765
1 RUB	0.0859	0.0542	0.0607	0.0507	0.0733	0.0508
1 BRL	0.8650	0.7287	0.8517	0.7044	0.8848	0.7258
1 BGN	2.3931	2.3516	2.3737	2.3249	2.3714	2.3121
1 CNY	0.6696	0.6390	0.6586	0.5854	0.6597	0.5832
100 KRW	0.3456	0.3417	0.3457	0.3375	0.3468	0.3357
1 RON	0.9466	0.9293	0.9385	0.9264	0.9377	0.9182
1 TRY	0.2689	0.3016	0.2870	0.4703	0.2753	0.4428
100 KZT	0.9556	0.9354	0.9575	0.8903	0.9939	0.8758
1 MXN	0.2220	0.1984	0.2117	0.1867	0.2190	0.1879

Going concern

At the date of approval of these interim condensed consolidated financial statements, no circumstances occurred that would point to a risk to continuity of operations. As at the date of publication of these interim condensed consolidated financial statements, Selena Group has a stable financial position, and its cash flow forecasts point to its ability to maintain its cash position at a level sufficient to continue as a going concern. Based on the analysis of risks to date, in particular those resulting from the situation in Ukraine and the ongoing COVID-19 pandemic in Poland and globally, the Management Board of Selena FM S.A. has concluded that continuation of the Group's operations for at least 12 months from 30 June 2022 is not at risk.

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 2022 have been prepared in accordance with the applicable accounting policies and give a true, fair and clear picture of the affairs of Selena Group and its net profit.

1.3 Accounting policies

Basis of preparation and accounting principles

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).

The accounting policies that were used in preparation of these interim condensed consolidated financial statements are consistent with the policies used in preparation of the consolidated financial statements of Selena Group for the year ended 31 December 2021, with the exception of using new or amended standards and interpretations for the annual periods beginning on or after 1 January 2022.

In addition, subsidiaries operating in an economy considered hyperinflationary (Turkey) restated their financial data, taking into account the change in purchasing power, based on the general price index, so that they were expressed in terms of the measurement units in force at the end of the reporting period. The impact of hyperinflation on the consolidated financial statements is described below.

The assessment of whether the Group's companies operate in hyperinflationary economies is based on qualitative and quantitative factors. In Turkey, where two Selena Group companies operate, inflation levels have been high for some time, and the significant monthly increases in inflation recorded by the Turkish Statistical Institute from December 2021 until now caused the three-year cumulative rate to exceed 100 percent in April 2022. Moreover, qualitative hyperinflation indicators are noted in Turkey. For this reason, the Group has recognized Turkey as a hyperinflationary economy, and the operations of the Turkish subsidiaries were covered by the application of IAS 29 Financial Reporting in Hyperinflationary Economies, retrospectively from 1 January 2022, as if the Turkish economy had always been hyperinflationary. The financial data of subsidiaries whose functional currency is Turkish lira were also restated, taking into account the change in purchasing power based on the Consumer Price Index (CPI), so that they were expressed in the measurement units applicable at the end of the reporting period.

Accordingly, the non-monetary balance sheet items and the profit and loss account have been restated to reflect the purchasing power as at the balance sheet date. Monetary items such as cash, receivables, liabilities, bank debt, etc. already reflect the purchasing power at the closing date because these items are composed of balances, receivables or liabilities in the corresponding monetary units. IAS 29, in conjunction with IAS 21 on currency translation, also requires that all transactions in the exchange rate of a hyperinflationary economy, i.e. Turkish lira (TRY) should be converted into the Group's presentation currency, i.e. Polish zloty (PLN), using the exchange rate applicable at the balance sheet date. For this reason, all transactions in Turkey have been converted into PLN using the exchange rate as of 30 June 2022, while the Group usually translates transactions in the income statement at the average exchange rate for the reporting period. As the Polish zloty, the Group's presentation currency, is not hyperinflationary, IAS 21 and IAS 29 do not require restatement of the Group's comparative information to reflect the purchasing power at the end of June 2022. Therefore, the Group's financial data for the previous years have not been restated. The cumulative effect of applying IAS 29 as at 1 January 2022 was recognized in the Group's other comprehensive income.

The basis of hyperinflation-related restatements

Price index:

The hyperinflationary restatement of the financial data of the subsidiaries operating in Turkey is based on the officially available data on changes in the consumer price index (CPI) published by the Turkish Statistical Institute. Based on this index, inflation was 42% for the six months ended 30 June 2022.

The individual inflation rates are presented in the table below:

Inflation rate for individual periods	
June 2022–December 2021	42%
June 2022–June 2021	79%
June 2021–December 2020	8%
December 2021–December 2020	36%
Cumulative 3-year inflation rate	
June 2022–June 2019	136%
December 2021–December 2018	74%

FX rate

All financial data on the activities of the subsidiaries in Turkey, both in the balance sheet and in the profit and loss account, are translated into the Group's presentation currency (PLN) using the TRY/PLN exchange rate applicable at the balance sheet date, contrary to the Group's customary practice of translating the profit and loss account using the average exchange rate for the reporting period. As at 30 June 2022, the TRY rate was PLN 0.2689.

Assumptions about the method and timing hyperinflation-related restatement

1) Hyperinflationary restatements in the local currency:

- a) The Group has analyzed the balance sheet items of the subsidiaries in Turkey and divided them into monetary and non-monetary assets/ liabilities. Monetary items were not restated as they are already denominated in the units in force at the end of the reporting period.
- b) Significant non-monetary items in the Turkish subsidiaries include property, plant and equipment, right-of-use assets, and inventories. The right-of-use assets have not been additionally remeasured because they are periodically indexed by the inflation rate. Other non-monetary items have been restated to reflect the effects of inflation based on changes in the price index from the initial recognition to 30 June 2022 or to the date of sale. The restatements were effected as of the date of the initial recognition of the items in the balance sheet, but not earlier than on the date of acquisition of the subsidiaries by the Group, as it is assumed that non-monetary items were then converted and recognized in the consolidated financial statements at fair value, reflecting the purchasing power as at the acquisition date. The restatement significantly increased the value of property, plant and equipment. The restatement also led to higher costs in the profit and loss account in the form of higher depreciation/ amortization charges due to the restated gross value of property, plant and equipment.
- c) The equity of the Turkish subsidiaries has been restated to account for the effects of inflation based on changes in the price index in the first half of 2022 to reflect the purchasing power as at the balance sheet date. The effects of the remeasurement of equity based on changes in the price index were recognized in the financial income under the heading: *Result on translation of subsidiaries in hyperinflationary conditions*, and in equity under *Retained earnings*.

d) All income statement transactions for the 6 month period ended 30 June 2022 have been restated to reflect changes in the price index from the month recognized in the income statement to 30 June except for depreciation of items of property, plant and equipment, which were translated based on the adjusted gross value of those assets. The recalculation of depreciation is based on the normal useful lives of the relevant assets. The conversion of the income statement by the inflation rate resulted in an increase in the value of individual items of the income statement in the local currency due to changes in the price index from the recognition date to 30 June 2022.

e) The effects of the restatement of the income statement and the balance sheet for inflation in the current reporting period have been included on the other side of the balance sheet in financial costs under the heading: *Result on translation of subsidiaries in hyperinflationary conditions*. Restatement of balance sheet items by inflation from the moment of their initial recognition until the end of 2021 was recognized on the other side of the balance sheet in equity under *Retained earnings*.

2) Conversion of financial data into the Group's presentation currency:

a) Following the inflationary restatement in the local currency, the financial statements of the subsidiaries operating in Turkey have been converted into PLN by translating the balance sheet and all items of the income statement in the reporting period using the TRY/PLN exchange rate as at the balance sheet date. As at 30 June 2022, the TRY rate was PLN 0.2689. The translation of the balance sheet items remains unchanged compared to the usual practice of the Group, while the new principle of converting the income statement items has no significant effect on the value of the income statement items.

3) Recognition time

a) IAS 29 was implemented by the Group on 1 January 2022, and the hyperinflationary restatements were included for the first time in the current interim condensed consolidated financial statements.

b) As three-year inflation rates cumulatively exceeded 100 percent in April 2022, the published data for Q1 2022 have not changed.

The impact of applying IAS 29 on the consolidated financial statements for the first half of 2022 is summarized below:

ITEMS OF CONSOLIDATED ASSETS AND LIABILITIES

Figures in PLN thousand	As at 30.06.2022 without the impact of IAS 29	The impact of hyperinflation	As at 30.06.2022 in accordance with IAS 29
ASSETS			
Property, plant and equipment	277,465	3,145	280,610
Intangible assets	37,942	0	37,942
Investments accounted for using the equity method	20,957	0	20,957
Deferred tax assets	57,092	0	57,092
Other long-term financial assets	5,226	0	5,226
Total non-current assets	398,682	3,145	401,827
Inventories	379,712	598	380,310
Other short-term non-financial assets	61,559	0	61,559
Trade and other receivables	380,697	0	380,697
CIT claimed	8,294	0	8,294
Other short-term financial assets	64,725	0	64,725
Cash and cash equivalents	73,833	0	73,833
Total current assets	968,820	598	969,418
TOTAL ASSETS	1,367,502	3,743	1,371,245
LIABILITIES AND EQUITY			
Registered capital	1,142	0	1,142
Own shares	-28,676	0	-28,676
FX differences arising on translation of the foreign associate	-36,759	0	-36,759
Supplementary capital	675,802	0	675,802
Other reserves	118,545	0	118,545
Retained profit/ loss carried forward	-70,235	3,743	-66,492
Equity attributable to the shareholders of the parent	659,819	3,743	663,562
Non-controlling interests	1,291	0	1,291
Total equity	661,110	3,743	664,853
Long-term portion of bank and other loans	161,345	0	161,345
Long term lease liabilities	34,152	0	34,152
Deferred tax liability	5,936	0	5,936
Other long term non-financial liabilities	5,449	0	5,449
Long-term portion	6,068	0	6,068
Long-term liabilities	212,950	0	212,950
Trade and other liabilities	216,343	0	216,343
Obligations to return remuneration	33,329	0	33,329
Short-term portion of bank and other loans	122,225	0	122,225
Short-term lease liabilities	12,492	0	12,492
Other short term financial liabilities	624	0	624
CIT tax payable	10,326	0	10,326
Other short term non-financial liabilities	77,591	0	77,591
Short-term provisions	20,512	0	20,512
Short-term liabilities	493,442	0	493,442
Total liabilities	706,392	0	706,392
TOTAL LIABILITIES AND EQUITY	1,367,502	3,743	1,371,245

ITEMS OF THE CONSOLIDATED INCOME STATEMENT

Figures in PLN thousand	from 01.01.2022 until 30.06.2022 without the impact of IAS 29	The impact of hyperinflation	from 01.01.2022 to 30.06.2022 in accordance with IAS 29
Continued operations			
Revenue from the sale of products	834,942	2,196	837,138
Revenue from the sale of goods and raw materials	80,790	0	80,790
Revenue from the sale of services	2,857	0	2,857
Revenue from contracts with customers	918,589	2,196	920,785
Cost of sales	643,182	989	644,171
Gross profit	275,408	1,206	276,614
Selling and marketing costs	147,929	279	148,208
General and administrative expenses	69,625	156	69,781
Other operating income	2,702	0	2,702
Other operating costs	1,851	9	1,860
Impairment of non-financial fixed assets	200	0	200
Impairment of financial assets	6,302	0	6,302
Operating profit	52,202	763	52,965
Financial income	20,230	0	20,230
Financial costs	14,151	675	14,826
Share in net profit/loss of the associate	1,280	0	1,280
Profit before tax	59,561	88	59,649
Income tax	10,643	404	11,047
Net profit on continued operations	48,918	-316	48,602
Profit (loss) on discontinued operations	0	0	0
Net profit for the period	48,918	-316	48,602
Net profit attributable to:			
– shareholders of the parent	48,745	-316	48,429
– non-controlling interests	173	0	173
Earnings per share attributable to the shareholders of the parent			
	(PLN/share)	(PLN/share)	(PLN/share)
– basic, including:	2.13	-0.01	2.12
<i>on continued operations</i>	2.13	-0.01	2.12
<i>on discontinued operations</i>	0.00	0.00	0.00
– diluted, including:	2.13	-0.01	2.12
<i>on continued operations</i>	2.13	-0.01	2.12
<i>on discontinued operations</i>	0.00	0.00	0.00

ITEMS OF THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Figures in PLN thousand	from 01.01.2022 until 30.06.2022 without the impact of IAS 29	The impact of hyperinflation	from 01.01.2022 to 30.06.2022 in accordance with IAS 29
Net profit	48,918	-316	48,602
FX differences arising on translation of the foreign associate	11,943	0	11,943
Other comprehensive income subject to reclassification to profit or loss, before tax	11,943	0	11,943
Other comprehensive income, before tax	11,943	0	11,943
Income tax related to foreign exchange differences on translation	-1,795	0	-1,795
Income tax related to components of comprehensive income that are reclassified to profit or loss	-1,795	0	-1,795
Other comprehensive income for the period, after tax	10,148	0	10,148
Total comprehensive income	59,066	-316	58,750
Attributable to:			
– shareholders of the parent	58,843	-316	58,527
– non-controlling interests	222	0	222

Impact of new and amended standards and interpretations

The following list presents new standards and changes to the existing standards that became effective on 1 January 2022:

- Amendments to IFRS 3: *Amendments to the References to the Conceptual Framework* (published on 14 May 2020)
- Amendments to IAS 16: *Property, Plant and Equipment: Proceeds before Intended Use* (published on 14 May 2020)
- Amendments to IAS 37: *Onerous contracts – fulfillment costs* (published on 14 May 2020)
- *Improvements to IFRS Standards 2018–2020* (published on 14 May 2020)

The above standards and amendments to standards did not have any material impact on the Group's accounting policy or its interim condensed consolidated financial statements.

Published standards and interpretations which have not come into force and which were not adopted earlier

The below list presents published standards, interpretations or amendments to existing standards before their effective date:

- IFRS 14 Regulatory Deferral Accounts;
- Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*.
- *IFRS 17 Insurance Contracts* – including Amendments to IFRS 17 effective for annual periods beginning on or after 1 January 2023;
- Amendments to IAS 1: *Presentation of Financial Statements* – classification of debt into current and non-current, and classification of debt into current and non-current – deferred effective date – effective for annual period beginning on or after 1 January 2023;
- Amendments to IAS 1 and Practice Statement 2: *Disclosure of Accounting Policies* – effective for annual periods beginning on or after 1 January 2023;
- Amendments to IAS 8: *Definition of accounting estimates* – effective for annual periods beginning on or after 1 January 2023;
- Amendments to IAS 12: *Deferred tax relating to assets and liabilities arising from a single transaction* – effective for annual periods beginning on or after 1 January 2023;
- Amendments to IFRS 17 *Insurance Contracts*: First adoption of IFRS 17 and IFRS 9 – comparative information – not adopted by the EU by the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2023.

The effective dates are the dates arising from the standards published by the International Financial Reporting Board. The effective dates of the standards in the European Union may differ from the effective dates arising from the standards and are announced upon the adoption of the standards by the European Union.

The Group has not decided on early adoption of any standard, interpretation or amendment which have been published but not become effective yet. Selena Group is currently analyzing how the above amendments will affect the consolidated financial statements.



Information about the Group

2. Information about the Group

2.1 Selena Group's activities

Selena FM Group (Selena Group, Group) is an international producer and distributor of construction chemicals. The Group's Parent is Selena FM S.A. of Wrocław, which on 18 April 2008 debuted on the main market of the Warsaw Stock Exchange.

The core business of the Group includes production, distribution and sale of construction chemicals and general building accessories.

The products on offer include solutions addressed to both professionals and individual users. The Group's leading brands include Tytan, Quilosa, Artelit, Cool-R and Matizol.

The Group's production plants are located in Poland, China, Romania, Turkey, Spain, Kazakhstan, South Korea and Italy, and its products are available on the markets of nearly 100 countries in the world. Selena also carries on research activities in Poland, China, Romania, Turkey, Spain and Italy.

2.2 Group members

The table below shows the ownership and organizational structure of the Group and division into operating segments. The data are presented as at 30 June 2022 and 31 December 2021.

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

The "owner" column specifies the owner as at 30 June 2022.

	REGION	COUNTRY	ENTITY	REG. OFFICE	ACTIVITY	GROUP'S SHARE		OWNER	
						As at 30.06.2022	As at 31.12.2021	As at 30.06.2022	
European Union	Poland	Poland	Selena FM S.A.	Wroclaw	Group's headquarters, distributor	-	-	-	
			Selena S.A.	Wroclaw	Distributor	100.00%	100.00%	FM	
			Orion PU Sp. z o.o.*	Dzierżonów	Man. of foams and sealants	-*	100.00%	-	
			Carina Silicones Sp. z o.o.	Siechnice	Manufacturer of sealants, provider of production services	100.00%	100.00%	SIT	
			Libra Sp. z o.o.*	Dzierżonów	Manufacturer of sealants and adhesives	-*	100.00%	-	
			Izolacja Matizol Sp. z o.o.	Gorlice	Manuf. of roof coverings, waterproofing products, distributor	100.00%	100.00%	SIT	
			Tytan EOS Sp. z o.o.	Wroclaw	Manufacturer of loose materials	100.00%	100.00%	SIT	
			Selena Labs Sp. z o.o.*	Dzierżonów	Research and Development	-*	100.00%	-	
			Selena Marketing International Sp. z o.o.	Wroclaw	Intellectual property management	100.00%	100.00%	SA	
			Selena Digital Distribution Sp. z o.o.	Wroclaw	E-commerce	100.00%	100.00%	SA	
			Selena Green Investments Sp. z o.o.	Wroclaw	Activities of central companies	100.00%	100.00%	FM 3	
			SGI 1 Sp. z o.o.	Wroclaw	Generation of electricity	100.00%	-	SGI	
			Establishment of SGI 2 Sp. z o.o.	Wroclaw	Generation of electricity	100.00%	-	ASI	
			SGI 3 Sp. z o.o.	Wroclaw	Generation of electricity	100.00%	-	ASI	
			Selena Green Investments ASI Sp. z o.o.	Wroclaw	Fund management activities	90.00%	-	FM 4	
	BTB Sp. z o.o.	Wroclaw	Generation of electricity	100.00%	-	SG1			
	Taurus Sp. z o.o.	Dzierżonów	Lease of plant and machinery	100.00%	100.00%	SIT			
	Selena ESG Sp. z o.o.	Wroclaw	Making electrical systems	100.00%	100.00%	FM			
	Selena Industrial Technologies Sp. z o.o.	Dzierżonów	Manufacturer of sealants; production management	100.00%	100.00%	FM			
	Oligo Sp. z o.o. **	Dzierżonów	Research and Development	100.00%	100.00%	SIT			
Western Europe	Spain	Spain	Selena Iberia slú	Madrid	Manufacturer of sealants, adhesives, distributor	100.00%	100.00%	FM	
			Selena Italia srl	Padova	Distributor	100.00%	100.00%	FM	
	Italy	Germany	Uniflex S.R.L.	Mezzocorona	Manufacturer of sealants, distributor	100.00%	100.00%	FM	
			Selena Deutschland GmbH	Hagen	Distributor	100.00%	100.00%	FM	
	Central Europe	Czech Republic	Romania	Selena Bohemia s.r.o.	Prague	Distributor	100.00%	100.00%	FM
				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			
Selena Hungária Kft.		Pécs	Distributor	100.00%	100.00%	FM			
Selena Bulgaria Ltd.	Gurmazovo	Distributor	100.00%	100.00%	FM				
Eastern Europe	Russia	Russia	Selena Vostok ***	Moscow	Distributor	99.00%	100.00%	POL	
	Ukraine	Ukraine	Selena Ukraine Ltd.	Kiev	Distributor	100.00%	100.00%	FM 1	
Eastern Europe and Asia	Kazakhstan		TOO Selena CA-CeлeHa ЦA	Almaty	Distributor	100.00%	100.00%	FM	
			TOO Selena Insulations	Nur-Sultan	Manufacturer of insulation systems and dry mortars	100.00%	100.00%	FM	
	Asia	China	S.Korea	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 Co.Ltd	Shanghai	Distributor	40.00%	40.00%	NAN		
		Hamil - Selena Co. Ltd	Kimhae	Manufacturer of foams	30.00%	30.00%	SA 3		
		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 2	
		Mexico	Selena Mexico S. de R.L. de C.V.	Zapopan	Distributor	100.00%	100.00%	FM 2	
		USA	Selena USA, Inc.	Fort Worth	Distributor	100.00%	100.00%	FM	

Explanations to the “Owner” column

FM – 100% shares owned by Selena FM (SFM)

FM 1 – shares owned by Selena FM (99%) and Selena S.A. (1%)

FM 2 – shares owned by Selena FM (95%) and Selena S.A. (5%)

FM 3 – shares owned by Selena FM (95%) and Selena ESG (5%)

FM 4 – shares owned by SFM, other shares are owned by Krzysztof Domarecki

SIT – 100% shares owned by Selena Industrial Technologies

SGI – 100% shares owned by Selena Green Investments

SGI1 – 100% shares owned by SGI1 Sp.z o.o.

SA – 100% shares owned by Selena S.A.

SA 1 – shares owned by Selena S.A., the remaining shares are held outside of the Group

SA 2 – shares owned by Selena S.A. (85%) and Selena Malzemeleri (15%)

SA 3 – associate – shares owned by Selena S.A.

ROM – 99.99% shares owned by Selena Romania, other shares held by Selena FM

NAN – joint venture – owned by Selena Nantong Building Materials

SGI – 100% shares owned by Selena Green Investments ASI Sp. z o.o.

POL – the owner of 99% of shares is POLYFOAM; the remaining shares are outside the Group

**On 1 March 2022, Selena Industrial Technologies Sp. z o.o. (acquiring company) merged with Orion PU Sp. z o.o., Libra Sp. z o.o. and Selena Labs Sp. z o.o (acquired companies).*

*** After Industrial Technologies Sp. z o.o. merged with Selena Labs Sp. z o.o. on 1 March 2022, the owner of the shares is Selena Industrial Technologies Sp. z o.o.*

**** On 30 May 2022, Selena FM S.A. sold 99% of shares in Selena Vostok to POLYFOAM Yalitim Sanayi ve Tic Ltd.; Selena S.A. sold 1% of shares in Selena Vostok outside the Group*

***** On 26 April 2022, Carina Silicones Sp. z o.o. sold its 15.01% of shares in POLYFOAM Yalitim Sanayi ve Tic Ltd. to Selena Malzemeleri Yapi Sanayi Tic. Ltd.*

2.3 Changes in the Group composition

Purchase of shares in BTB Sp. z o.o.

On 16 May 2022, SGI 1 Sp. z o.o. acquired 100% of shares with a value of PLN 1,005 thousand in BTB Sp. z o.o. based in Koszalin, entered into the Register of Entrepreneurs of the National Court Register under KRS no. 0000444031 from DUCTOR AG based in Zug, Switzerland, for PLN 600,000.

Sale of shares held by Carina Silicones Sp. z o.o. in POLYFOAM Yalitim Sanayi ve Tic Ltd.

On 26 April 2022, Carina Silicones Sp. z o.o. sold its 15.01% of shares in POLYFOAM Yalitim Sanayi ve Tic Ltd. to Selena Malzemeleri Yapi Sanayi Tic. Ltd. for EUR 11,000.

Merger of subsidiaries: Selena Industrial Technologies sp.z o.o. (acquiring company) with Orion PU Sp. z o.o., "Libra" Sp. z o.o. and "Selena Labs" sp. z o.o (acquired companies).

On 1 March 2022, Selena Industrial Technologies Sp. z o.o. (acquiring company) merged with Orion PU Sp. z o.o., "Libra" Sp. z o.o. and Selena Labs Sp. z o.o (acquired companies). On that date, the merger ("merger by acquisition") was registered in the Register of Entrepreneurs of the National Court Register. As a result of the merger of Selena Industrial Technologies Sp. z o.o. acquired all the rights and obligations of the acquired companies. In connection with the merger, the share capital of Selena Industrial Technologies Sp. z o.o. was increased by PLN 300,000 (i.e. to PLN 403,305,000.00). 100% of shares in the share capital of Selena Industrial Technologies Sp. z o.o. is entitled to Selena FM S.A. The merger of the companies is economically and economically justified; it is primarily organizational in nature, resulting in simplification of the Group structure. Going forward, depending on the needs, the merger will help harmonize and organize internal procedures so as to ensure more effective operation of the business and continuous improvement of product quality.

Establishment of SGI 1 Sp. z o.o.

On 6 December 2021, the founding act of SGI 1 Sp. z o.o. was signed. The sole shareholder of this limited liability company is Selena Green Investments Sp. z o.o., and its share capital is PLN 5,000. The company may be used in the future to implement the Group's business plans. On 14 January 2022, the company was entered in the National Court Register under number 0000946701.

Establishment of SGI 2 Sp. z o.o.

On 6 December 2021, the founding act of SGI 2 Sp. z o.o. was signed. The sole shareholder of this limited liability company is Selena Green Investments Sp. z o.o., and its share capital is PLN 5,000. The company may be used in the future to implement the Group's business plans. On 9 February 2022, the company was entered in the National Court Register under the number 0000952642.

Establishment of SGI 3 Sp. z o.o.

On 6 December 2021, the founding act of SGI 3 Sp. z o.o. was signed. The sole shareholder of this limited liability company is Selena Green Investments Sp. z o.o., and its share capital is PLN 5,000. The company may be used in the future to implement the Group's business plans. On 18 January 2022, the company was entered in the National Court Register under number 0000947427.

Establishment of Selena Green Investments ASI Sp. z o.o.

On 20 December 2021, the founding act of Selena Green Investments ASI Sp. z o.o. was signed. The share capital of Selena Green Investments ASI is PLN 1,000 thousand. The company may be used in the future to

implement the Group's business plans. On 14 March 2022, the Polish Financial Supervision Authority entered the subsidiary Selena Green Investments ASI Sp. z o.o. to the register of Managers of Alternative Investment Companies (ASI). On 23 March 2022, the subsidiary Selena Green Investments ASI Sp. z o.o. was registered in the register of entrepreneurs of the National Court Register. The shareholders of the company are Selena FM S.A. which holds 90% of shares and Krzysztof Domarecki, who acquired 10% of shares in the share capital of the newly established entity.

Sale of shares in SGI2 and SGI3 from SGI to SGI ASI

On 18 May 2022, Selena Green Investments Sp.z o.o. and Selena Green Investments ASI Sp. z o.o. entered into agreements for the sale of shares in SGI 2 Sp. z o.o. SGI 3 Sp. z o.o. In accordance with the agreements, Selena Green Investment ASI sp.z o.o. acquired from Selena Green Investments Sp. z o.o. 100% of shares in SGI 2 and SGI 3 (in both cases worth PLN 5,000).

Sale of shares in Selena Vostok

On 30 May 2022, Selena FM S.A. sold 99% of its shares in Selena Vostok to POLYFOAM Yalitim Sanayi ve Tic Ltd. for EUR 941 thousand (PLN 4.3 million). The remaining 1% of shares in Selena Vostok, held by Selena S.A., were sold outside the Group on 30 May 2022 for EUR 10,000.

Events occurring after the balance sheet date

Establishment of further SGI 4–SGI 8

On 18 May 2022, agreements were signed to form limited liability companies: SGI 4, SGI 5, SGI 6, SGI 7, and SGI 8. The shareholder of all those companies is Selena Green Investments ASI sp.z o.o. (100% shares with a value of PLN 5,000 in each of the companies). The companies were registered in the National Court Register:

- on 07.07.2022 – SGI 4 Sp. z o.o.
- on 11.07.2022 – SGI 5 Sp. z o.o.
- on 15.07.2022 – SGI 7 Sp. z o.o.
- on 19.07.2022 – SGI 6 Sp. z o.o.
- on 25.07.2022 – SGI 8 Sp. z o.o.

Merger of subsidiaries: Selena Industrial Technologies Sp. z o.o. (acquiring company) with Tytan EOS sp. z o.o. and Izolacja Matizol Sp. z o.o. (acquired companies).

1 July 2022, Tytan EOS and Izolacja Matizol merged, and were acquired by Selena Industrial Technologies Sp. z o.o. ("SIT"). This successfully ended the second stage of the project of incorporation of the Selena Group companies into SIT – five companies merged with SIT since the beginning of 2022, namely: Orion, Libra, Selena Labs, Tytan EOS and Isolation Matizol. The incorporation of those companies into SIT is part of the agreed directions of evolution and development of Selena Group. This is in particular intended to streamline the Group's structure, increase operating efficiency, and harmonize business processes. The combination will make it easier to ensure improvement of the quality of products offered by the Group.



Operating segments and information on revenues

3. Operating segments and information on revenues

The organization structure of Selena 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 aggregated 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 2.2.

Operating results of the segment are primarily measured using the operating 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 consolidated financial statements. EBITDA is calculated according to the following formula:

$$\text{EBITDA} = \text{Net profit/ loss} + \text{Income tax} \pm \text{share in the profit/loss of the affiliate} \pm \text{financial costs/income} + \text{Depreciation/amortization}$$

The accounting principles used for preparation of the financial data for reporting segments comply with the Group's accounting policy adopted in the preparation of these financial statements and described in the Group's consolidated financial statements for 2021.

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.

Revenues are allocated to segments based on the seller's registered office location. Non-allocated assets and liabilities include settlements on account of current and deferred income tax.

Management of the Selena Group's funding sources, financial income and costs management and operation of the taxation policy are the tasks performed 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.

Selena Group does not have key customers, i.e. such which would account for more than 10% of the its revenues.

The tables below show data on the revenues and profits of the individual reporting segments for H1 2022 and 2021, and for the three months ended 30 June 2022 and 30 June 2021, respectively.

from 01.01.2022 to 30.06.2022	European Union	Eastern Europe and Asia	N&S America	Total segments	Consolid. adjustments and non- allocated results*	Total
Figures in PLN thousand						
Sales to external customers	602,564	231,510	86,711	920,785	0	920,785
Sales between segments	176,477	2,457	0	178,934	-178,934	0
EBITDA	98,372	38,679	12,675	149,726	-74,086	75,640
Depreciation/ amortization	-15,248	-1,047	-36	-16,331	-6,344	-22,675
Operating profit (loss)	83,124	37,632	12,639	133,395	-80,430	52,965
Net financial income/ (costs)	0	0	0	0	5,404	5,404
Share in the profit of the entities accounted for using the equity method	0	1,280	0	1,280	0	1,280
Income tax	0	0	0	0	-11,047	-11,047
Net profit (loss) for the period	83,124	38,912	12,639	134,675	-86,073	48,602
Capital expenditure	10,204	817	186	11,207	0	11,207

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

from 01.01.2021 to 30.06.2021	European Union	Eastern Europe and Asia	N&S America	Total segments	Consolid. adjustments and non- allocated results*	Total
Figures in PLN thousand						
Sales to external customers	525,745	205,706	56,218	787,669	0	787,669
Sales between segments	150,440	9,521	0	159,961	-159,961	0
EBITDA	105,809	26,151	5,871	137,831	-68,041	69,790
Depreciation/ amortization	-14,061	-1,235	-30	-15,326	-6,261	-21,587
Operating profit (loss)	91,748	24,916	5,841	122,505	-74,302	48,203
Net financial income/ (costs)	0	0	0	0	80	80
Share in the profit of the entities accounted for using the equity method	0	1,091	0	1,091	0	1,091
Income tax	0	0	0	0	-9,597	-9,597
Net profit (loss) for the period	91,748	26,007	5,841	123,596	-83,819	39,777
Capital expenditure	13,655	1,929	18	15,602	0	15,602

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

from 01.04.2022 to 30.06.2022	European Union	Eastern Europe and Asia	N&S America	Total segments	Consolid. adjustments and non- allocated results*	Total
Figures in PLN thousand						
Sales to external customers	314,840	138,078	46,259	499,177	0	499,177
Sales between segments	99,888	570	0	100,458	-100,458	0
EBITDA	39,447	30,185	7,494	77,126	-38,305	38,821
Depreciation/ amortization	-7,939	-557	-18	-8,514	-3,127	-11,641
Operating profit (loss)	31,508	29,628	7,476	68,612	-41,432	27,180
Net financial income/ (costs)	0	0	0	0	3,062	3,062
Share in the profit of the entities accounted for using the equity method	0	640	0	640	0	640
Income tax	0	0	0	0	-7,361	-7,361
Net profit (loss) for the period	31,508	30,268	7,476	69,252	-45,731	23,521
Capital expenditure	5,173	556	186	5,915	0	5,915

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

from 01.04.2021 to 30.06.2021	European Union	Eastern Europe and Asia	N&S America	Total segments	Consolid. adjustments and non- allocated results*	Total
Figures in PLN thousand						
Sales to external customers	286,355	123,162	28,680	438,197	0	438,197
Sales between segments	86,700	4,719	0	91,419	-91,419	0
EBITDA	58,067	17,998	3,437	79,502	-39,990	39,512
Depreciation/ amortization	-7,231	-621	-15	-7,867	-3,202	-11,069
Operating profit (loss)	50,836	17,377	3,422	71,635	-43,192	28,443
Net financial income/ (costs)	0	0	0	0	-1,755	-1,755
Share in the profit of the entities accounted for using the equity method	0	546	0	546	0	546
Income tax	0	0	0	0	-5,452	-5,452
Net profit (loss) for the period	50,836	17,923	3,422	72,181	-50,399	21,782
Capital expenditure	7,976	802	9	8,787	0	8,787

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

In H1 2022, the Group's consolidated revenue from contracts with customers amounted to PLN 920.8 million, which is by PLN 16.9% (PLN 133.1 million) higher than in the corresponding period of the previous year. The increase in revenues from contracts with customers compared to the comparative period is mainly due to the increase in sales prices as a result of inflation of raw materials, which Selena Group is gradually passing on to the market.

In H1 2022, Poland-based entities of Selena Group generated revenues of PLN 314.4 million from contracts with customers (PLN 282.9 million in H1 2021). In H1 2022, the entities based in Western Europe generated revenues of PLN 225.7 million from contracts with customers (PLN 191.2 million in 2021). In H1 2022, the entities based in Eastern Europe generated revenues of PLN 115.3 million from contracts with customers (PLN 114.5 million in H1 2021), and companies based in CEE countries achieved revenues of PLN 62.5 million (PLN 51.7 million in 2021). In H1 2022, the entities based in Asia generated revenues of PLN 116.2 million from contracts with customers (PLN 91.2 million in H1 2021). In H1 2022, the entities based in Americas generated revenues of PLN 86.7 million from contracts with customers (PLN 56.2 million in H1 2021).

Revenue from the sale of products, broken down into individual product groups, are presented below.

Figures in PLN thousand	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
Construction chemicals	651,663	569,855
Insulating chemicals	113,707	87,944
Other	71,768	65,279
Total revenue from the sale of products	837,138	723,078

The tables below show data on assets allocated to individual geographic segments as at 30 June 2022 and 31 December 2021.

Figures in PLN thousand	as at 30.06.2022					Total
	European Union	Eastern Europe and Asia	N&S America	Total segments	Consolid. adjustments and non-allocated results*	
Segment assets	1,133,350	310,183	92,630	1,536,163	-251,261	1,284,902
Investment accounted for using the equity method	0	20,957	0	20,957	0	20,957
Non-allocated assets	0	0	0	0	65,386	65,386
Total assets	1,133,350	331,140	92,630	1,557,120	-185,875	1,371,245

*Consolidation adjustments and settlements on account of current and deferred income tax.

Figures in PLN thousand	as at 31.12.2021					Total
	European Union	Eastern Europe and Asia	N&S America	Total segments	Consolid. adjustments and non-allocated results*	
Segment assets	902,377	233,275	59,264	1,194,916	-167,214	1,027,702
Investment accounted for using the equity method	0	19,814	0	19,814	0	19,814
Non-allocated assets	0	0	0	0	61,239	61,239
Total assets	902,377	253,089	59,264	1,214,730	-105,975	1,108,755

*Consolidation adjustments and settlements on account of current and deferred income tax.

The tables below show data on liabilities allocated to individual geographic segments as at 30 June 2022 and 31 December 2021.

Figures in PLN thousand	as at 30.06.2022					Total
	European Union	Eastern Europe and Asia	N&S America	Total segments	Consolid. adjustments and non-allocated results*	
Segment liabilities	585,056	275,766	105,435	966,257	-276,127	690,130
Non-allocated liabilities	0	0	0	0	16,262	16,262
Total liabilities	585,056	275,766	105,435	966,257	-259,865	706,392

*Consolidation adjustments and settlements on account of current and deferred income tax.

Figures in PLN thousand	as at 31.12.2021					Total
	European Union	Eastern Europe and Asia	N&S America	Total segments	Consolid. adjustments and non-allocated results*	
Segment liabilities	410,114	213,992	81,270	705,376	-208,074	497,302
Non-allocated liabilities	0	0	0	0	9,508	9,508
Total liabilities	410,114	213,992	81,270	705,376	-198,566	506,810

*Consolidation adjustments and settlements on account of current and deferred income tax.



Notes to the consolidated income statement

4. Notes to the consolidated income statement

4.1 Other operating income and operating costs

Other operating income

Figures in PLN thousand	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021	from 01.04.2022 to 30.06.2022	from 01.04.2021 to 30.06.2021
Profit from disposal of non-financial fixed assets	376	192	-57	127
Subsidies	235	4,349	148	2,279
Damages	217	121	2	5
Provisions released	1,220	1,507	1,132	1,502
Repayment of receivables written off in previous periods	41	416	41	226
Reimbursement of overpaid social insurance fees	140	0	140	0
Other	473	510	-186	65
Total other operating income	2,702	7,095	1,220	4,204

Other operating costs

Figures in PLN thousand	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021	from 01.04.2022 to 30.06.2022	from 01.04.2021 to 30.06.2021
Damages, penalties, fines	759	679	475	456
Provisions raised	228	0	-164	0
Donations made	451	563	165	296
Other	422	380	228	186
Total other operating costs	1,860	1,622	704	938

Impairment of financial assets

Figures in PLN thousand	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021	from 01.04.2022 to 30.06.2022	from 01.04.2021 to 30.06.2021
Recognition of an impairment allowance on receivables	7,650	1,381	856	444
Reversal of an impairment allowance on receivables	-1,392	-535	-791	-137
Writing off uncollectible debts previously written down	44	0	14	0
Impairment of financial assets	6,302	846	79	307

4.2 Financial income and costs

Financial income

Figures in PLN thousand	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021	from 01.04.2022 to 30.06.2022	from 01.04.2021 to 30.06.2021
FX gains	16,815	6,407	13,728	2,050
On loans granted	1,862	1,123	1,033	574
Other interest	327	26	160	-5
Derivative financial instruments	1,091	92	-859	52
Other financial income	135	4	-176	0
Total financial income	20,230	7,652	13,886	2,671

Financial costs

Figures in PLN thousand	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021	from 01.04.2022 to 30.06.2022	from 01.04.2021 to 30.06.2021
FX losses	6,757	4,737	6,266	2,702
Interest on bank and other loans	5,715	1,264	3,506	737
Interest on leases	498	533	259	268
Other interest	822	129	586	86
Other financial costs	1,034	736	207	460
Total financial costs	14,826	7,399	10,824	4,253

As at 30 June 2022, Selena FM S.A. had open forward contracts. In H1 2022, the loss on valuation of instruments was PLN 3,000 (including valuation of open contracts of PLN -624 thousand net as at 30 June 2022). The gain on exercise of the contracts was PLN 1,094 thousand. The result on transactions (PLN -1,091 thousand) was recognized in financial costs under *Derivative financial instruments*.

Taxation

5. Taxation

Tax charge

Figures in PLN thousand	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
Current income tax:		
Income tax for the current period	14,473	11,183
Corrections to the current income tax from previous years	4,113	487
Deferred income tax:		
Connected with origination and reversal of temporary differences	-7,539	-2,073
Tax disclosed in consolidated income statement	11,047	9,597

Reconciliation of the effective tax rate

Figures in PLN thousand	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
Profit (loss) before tax	59,648	49,374
Tax at the Polish statutory rate of 19%	11,333	9,381
Costs/ (revenues) not included in the taxation basis	-7,104	-1,627
Tax effect of current period losses for which no deferred tax assets were recognized	4,277	3,212
Corrections to the current income tax from previous years	4,113	487
Use of previous years' tax losses for which no asset was recognized	-2,492	-2,082
Use of tax relief for operations in the Special Economic Zone for which no deferred tax asset was recognized	0	-476
Effect of other tax rates in foreign affiliates	920	702
Tax at the effective tax rate	11,047	9,597
Effective tax rate	19%	19%

Activity in special economic zones

Selena Industrial Technologies Sp. z o.o. Branch 1 in Dzierżoniów (previously Orion PU Sp. z o.o.) operated in the Special Economic Zone (SEZ) of Wałbrzych until 28 May 2017 on the basis of a permit of 27 May 1998. Under Article 6.1 of the Act on special economic zones of 6 October 2003, the company converted its permit for operations in the SEZ, by using the regulations pertaining to the tax exemptions specified in Article 5 of the Act in lieu of Article 12 of the Act on special economic zones of 20 October 1994, in the revision of 31 December 2000. Under the Act, the company uses the Special Economic Zone Fund, designed to support new investments in Poland until 2023. By the end of 2021, the company paid in a total of PLN 11.573 thousand to the Fund. The company received subsidies totalling PLN 5,236 thousand to the technological projects involving changes in the technology of production of polyurethane foams.

Selena Industrial Technologies Sp. z o.o. Branch 2 in Dzierżoniów (previously Libra Sp. z o.o.) operates in the Special Economic Zone (SEZ) of Wałbrzych on the basis of a permit of 21 November 2000. On 29 May 2014, Libra sp. z o.o. obtained a new permit for conducting business in the Wałbrzych SEZ, expiring on 31 December 2025. According to the permit, if the company invests at least PLN 15 million until the end of 2021, and increases employment by 10, a tax relief will be granted as 40% of the expenses incurred, but not more than PLN 9 million. The company can use the tax relief until the end of June 2026. In 2019, the Management Board of Libra Sp. z o.o. decided to suspend the use of the permit due to the suspension of the plant expansion project. At the same time, an adjustment was made to the income tax for 2018, which included tax exemption related to operations in the zone. In 2021, at the Company's request concerning its intention to resume the plant expansion project, the Ministry of Development and Technology issued the decision of 16 November 2021 regarding the extension of

the project to 31 December 2024 and extension of the permit validity to 30 June 2026. In connection with the resumption of the project, a deferred tax asset of PLN 5,934 thousand was created.



Notes to the consolidated statement of financial position

6. Notes to the consolidated statement of financial position

6.1 Financial instruments

Financial instruments held the Group are classified below.

Figures in PLN thousand	As at 30.06.2022	As at 31.12.2021
Financial assets measured at amortized cost		
<i>Trade receivables</i>	376,149	298,175
<i>Settlements with customers on account of credit card payments</i>	4,540	5,260
<i>Promissory notes, cheques</i>	0	1,950
<i>Investment receivables</i>	8	2
Trade and other receivables	380,697	305,387
<i>Loans granted</i>	4,135	50
<i>Restricted cash</i>	109	107
<i>Other</i>	163	162
Total other long term financial assets measured at amortized cost	4,407	319
<i>Loans granted</i>	54,194	48,145
<i>Grants receivable</i>	5,744	5,714
<i>Security deposits</i>	731	771
<i>Other</i>	4,056	2,541
Total other short term financial assets measured at amortized cost	64,725	57,171
Cash and cash equivalents	73,833	38,915
Financial assets measured at fair value through profit and loss		
<i>Other short-term financial assets – forward contracts</i>	0	24
Financial assets measured at fair value through other comprehensive income		
<i>Other long-term financial assets – shares in non-listed companies</i>	819	819
Total	524,481	402,635

Figures in PLN thousand	As at 30.06.2022	As at 31.12.2021
Financial liabilities measured at amortized cost		
<i>Bank and other loans</i>	283,570	148,023
<i>Lease liabilities</i>	46,644	29,177
Total interest-bearing debt	330,214	177,200
<i>Trade liabilities</i>	215,785	195,721
<i>Investment liabilities</i>	558	2,572
<i>Liabilities on account of prepaid trade receivables</i>	0	1
Trade and other liabilities	216,343	198,294
Financial liabilities measured at fair value		
<i>Other short-term liabilities – forward contracts</i>	624	644
Total	547,181	376,138

The Group's exposure to various risk types related to financial instruments is discussed in Note 7.2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets listed above.

Fair value of financial instruments that Selena Group held as at 30 December 2022 and 31 December 2021 was not materially different from the values presented in the financial statements for the respective years:

– with regard to short-term instruments, the potential effect of the discount is not material;

– the instruments relate to the transactions concluded on market terms.

Based on the methods used to determine fair value, Selena Group classifies individual assets and liabilities into the following categories:

- Level 1: assets and liabilities measured on the basis of quoted prices in active markets for identical instruments.
- Level 2: assets and liabilities measured using valuation techniques based on directly or indirectly observable market quotes or other inputs based on market quotes.
- Level 3: assets and liabilities measured using valuation techniques whose inputs are not based on observable market data.

As at 30 June 2022, the Group included financial instruments measured at fair value to Level 2 fair value measurement, i.e.:

- The fair valuation of forward contracts through profit or loss – valuation using observable inputs other than quoted prices (the present value of future cash flows is determined based on forward FX rates as at the balance sheet date);

As at 30 June 2022, the Group included shares in non-listed companies as financial instruments measured at fair value to Level 3 fair value measurement.

6.1.1 Bank and other loans

The incurred bank loans are presented in the table below

Ref.	Loan type	Maturity date	As at 30.06.2022		As at 31.12.2021	
			Long-term portion	Short-term portion	Long-term portion	Short-term portion
1	Working capital loan	2022	0	27,664	0	63,377
2	Working capital loan	2023	0	19,391	0	0
3	Working capital loan	2024	129,570	0	31,972	0
4	Non-renewable loan	2022-2024	24,000	36,000	7,000	3,000
5	Other	2022-2027	7,775	39,170	9,997	32,677
Total in PLN			161,345	122,225	48,969	99,054

On 8 February 2022, an annex was signed to the multi-purpose credit facility agreement. The annex extended the availability period of the financing to 31 December 2024. Under the annex, the line amount was maintained at PLN 80 million. Other material terms of the credit facility agreement, including the available credit limit and collateral, remained unchanged.

On 28 February 2022, an annex was signed to the guarantee and LC line agreement. The annex extended the availability period of the bank guarantee and letter of credit to 28 February 2023. Under the annex, an additional credit limit of PLN 20 million was granted to Selena FM and the guarantee line amount was maintained at EUR 10.5 million.

Credit agreement terms

As part of the loan agreements signed by the Parent Company separately or jointly with its subsidiaries, Selena FM S.A. undertook to maintain certain financial ratios at the levels agreed with banks. As at 30 June 2022, Selena Group maintained the consolidated financial ratios at the levels required by the lenders.

6.2 Non-financial assets and liabilities

6.2.1 Impairment of fixed assets

As at 30 June 2022, Selena Group did not identify any indicators that would point to the need to conduct tests for impairment of non-current assets.

6.2.2 Inventories

Figures in PLN thousand	As at 30.06.2022	As at 31.12.2021
Raw materials	132,100	114,814
Work in progress	12,292	7,420
Finished goods	195,231	132,382
Goods for resale	40,687	25,399
Total inventories, net	380,310	280,015
Impairment allowance on inventories	7,763	6,221
Total inventories, gross	388,073	286,236

Changes in the impairment allowance for inventories are presented in the table below.

Figures in PLN thousand	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
Impairment allowance on inventories at the beginning of the period	6,221	6,209
Recognition of impairment allowance on inventories	2,449	2,637
Reversal of impairment allowance on inventories	-936	-1,157
Utilization of impairment allowance on inventories	-271	-1,383
FX differences arising on translation	300	-38
Impairment allowance on inventories at the end of the period	7,763	6,268

6.2.3 Other short-term non-financial assets

The table below shows a specification of other short-term net non-financial assets as at the balance sheet date.

Figures in PLN thousand	As at 30.06.2022	As at 31.12.2021
VAT claimed	37,868	27,295
Prepayments for deliveries	14,853	10,724
Prepaid expenses	7,258	5,187
Other non-financial receivables	1,580	1,417
Other short-term non-financial assets	61,559	44,623

6.2.4 Provisions

The table below shows changes in the balance of provisions.

Figures in PLN thousand	from 01.01.2022 to 30.06.2022			from 01.01.2021 to 31.12.2021		
	Provision for retirement benefits	Other provisions	Total	Provision for retirement benefits	Other provisions	Total
Long term						
Balance at the beginning of the period	4,597	3,482	8,079	4,162	4,276	8,438
Provisions raised	1,087	158	1,245	946	123	1,069
Provisions released	-473	-1,220	-1,693	-207	-940	-1,147
Provisions used	-314	-1,873	-2,187	-295	0	-295
FX differences	40	584	624	-9	23	14
Balance at the end of the period	4,937	1,131	6,068	4,597	3,482	8,079
Short term						
Balance at the beginning of the period	0	20,024	20,024	0	23,558	23,558
Provisions raised	0	627	627	0	1,022	1,022
Provisions released	0	0	0	0	-3,253	-3,253
Provisions used	0	-183	-183	0	-1,151	-1,151
FX differences	0	44	44	0	-152	-152
Balance at the end of the period	0	20,512	20,512	0	20,024	20,024

The level of long-term provisions over the 6-month period ended 30 June 2022 was significantly reduced by the use of the provision for the additional settlement of state sales tax (ICMS) as a result of the payment of PLN 1.8 million made by the subsidiary Selena Sulamericana. A part of the provision (PLN 1.2 million) was clawed back in connection with the relief received.

In addition, in the first half of 2022, Selena Nantong recognized a provision of PLN 399 thousand for costs related to production safety in accordance with the local legal requirements. The provision recognized in previous years was used at PLN 87 thousand in connection with the costs incurred.

6.2.5 Other financial liabilities

The table below shows a specification of other non-financial liabilities as at the balance sheet date.

Figures in PLN thousand	As at 30.06.2022		As at 31.12.2021	
	Long-term portion	Short-term portion	Long-term portion	Short-term portion
Payroll liabilities	1,986	29,579	1,986	28,202
VAT payable	0	27,117	0	13,454
Other taxes and insurance payable	0	9,965	0	9,331
Prepayments for deliveries	0	8,249	0	2,850
Other non-financial liabilities	134	930	128	1,362
Deferred income	3,329	1,751	2,252	1,778
Total other non-financial liabilities	5,449	77,591	4,366	56,977



Risk

7. Risk

7.1 Important estimates and assumptions

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 Management Board of the Parent Company also uses a professional judgment when applying the Group's accounting policy. 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. Details on each of these estimates and judgments are included in other notes alongside information on the calculation basis for each item in the financial statements that is affected by this information.

The adopted estimates, assumptions and judgments include in particular:

- Impairment of financial assets (Note 7.2.3);
- Impairment of non-financial assets (Note 6.2.1);
- Estimated useful of tangible assets and intangible assets
- Ability to realize the deferred tax assets;
- Uncertainty of estimates and judgments made in relation to lease accounting
- Estimation of the pension provision and other provisions (Note 6.2.4)

In H1 2022, no significant changes were made to the assumption areas or estimates. The business and macroeconomic assumptions underlying the estimates and judgements are updated on an ongoing basis depending on changes in the environment of the Parent Company and Selena Group companies, and business plans and projections.

Impact of the situation in Ukraine and the COVID-19 pandemic on the operations of Selena Group

The Management Board of Selena FM S.A. is constantly monitoring and analyzing the implications of the situation in Ukraine for the business activities of Selena Group. No significant impact of the situation on Selena Group's performance in Q1 2022 has been identified.

Due to the high uncertainty as to how the events in Ukraine will unfold, and also taking into account the growing inflation and interest rates, the Management Board of Selena FM S.A. has considered possible development scenarios and took preventive measures against the occurrence of negative effects on the operations of Selena's companies in Eastern Europe. The sanctions introduced so far have not had a negative impact on supply chains. There were also no significant cash flow problems.

Value of inventory

As at the balance sheet date, the value of inventories of goods located in Eastern Europe was PLN 49.3 million. At the date of approval of these consolidated financial statements, the inventories are neither damaged or expired. The Management Board of Selena FM S.A. monitors the current situation in terms of its impact on the value of inventories and will continue to do so in the subsequent periods.

Expected credit loss of trade receivables

As at 30 June 2022, the amount of receivables from customers of non-related companies from the above region affected by the potential geopolitical risk was PLN 37 million. Due to the high uncertainty around the payment of those receivables by customers of companies located in Eastern Europe, in H1 2022, an expected credit loss allowance of PLN 6.2 million was recognized.

The Group is also monitoring the impact of the COVID-19 pandemic on the operations of its companies. As regards its core activities, in the reporting period, the Group did not observe any direct significant impact of the pandemic on the overall financial health and trading performance of the Group.

7.2 Financial risk management

When analyzing the goals and rules of financial risk management in the Group, the Management Board considers the following factors:

- specific nature of the sector and its typical transactions and connection with the Group's external environment;
- location of the individual entities and the resulting operating, financial, business, legal and tax implications;
- distribution of operating and management roles between the Group companies
- planned growth of the Group companies and the related demand for capital;
- the Group's micro and macroeconomic environment.

On the basis of the analysis of these factors, the Management Board considers the following financial risks:

- FX risk;
- interest rate risk;
- credit risk;
- liquidity risk;
- other (specific risks).

7.2.1 Currency risk

For the purpose of risk analysis, currency risk is defined as a risk of volatility of the future cash flows denominated in other currencies than the Selena 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 than 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. Selena 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 realized over 12 months. Selena Group also hedges currency exposure by using multi-currency credit lines and external financing in the currencies of local subsidiaries.

7.2.2 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 Selena Group the risk applies mainly to the bank and other loans, leases and interest-bearing 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 fluctuations of future cash flows from interest.

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

7.2.3 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. Selena 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. Selena 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.

The Group recognizes expected credit losses on trade receivables and other financial receivables in accordance with IFRS 9. Changes in impairment allowances on trade and other receivables alongside comparative data are presented in the table below:

Figures in PLN thousand	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
Impairment in respect of expected credit loss at the beginning of the period	23,837	26,100
<i>trade receivables</i>	21,471	23,764
<i>other financial receivables</i>	2,366	2,336
Recognized/ reversed (-)	6,258	846
<i>trade receivables</i>	6,273	853
<i>other financial receivables</i>	-15	-7
Utilized	-85	-892
<i>trade receivables</i>	-85	-573
<i>other financial receivables</i>	0	-319
FX differences arising on conversion of foreign affiliates	1,161	-358
<i>trade receivables</i>	1,119	-315
<i>other financial receivables</i>	42	-43
Impairment in respect of expected credit loss at the end of the period	31,171	25,696
<i>trade receivables</i>	28,778	23,729
<i>other financial receivables</i>	2,393	1,967

As at 30 June 2022, the Group's maximum exposure to credit risk corresponds to the full amount of the balance of financial assets, taking into account existing securities. 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 allowances, 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 invested 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 2022, Selena Group had unutilized credit lines of PLN 69.9 million (PLN 177.3 million as at 31 December 2021).

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

Figures in PLN thousand	As at 30.06.2022	As at 31.12.2021
Cash in bank	47,564	29,550
Cash on hand	389	278
Cheques (up to 3 months)	7,452	6,699
Short-term deposits	51	163
Cash in transit	18,377	2,225
Total	73,833	38,915

In the case of cash and cash equivalents, the Management Board of the Parent Company believes that the credit risk is low. A significant portion (64% as at 30 June 2022) of cash on bank accounts is held by Selena Group companies 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		as at 30.06.2022	as at 31.12.2021
High	from AAA to AA- by S&P and Fitch, and from Aaa to Aa3 by Moody's	1%	1%
Medium-high	from A+ to A- by S & P and Fitch and from A1 to A3 by Moody's	48%	62%
Medium	from BBB+ to BBB- by S&P and Fitch and from Baa1 to Baa3 by Moody's	14%	18%
Low	from Ba2 to Ca by S & P and Fitch and from BB to CC by Moody's	37%	19%

7.2.4 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, the Parent Company grants 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 in 2022, until 30 June, are contained in the interim condensed standalone financial statements of the Parent Company for the first half of 2022. The Parent Company provides financing to subsidiaries based on the Group's liquidity forecasts (including unused credit limits as well as cash and cash equivalents). As a rule, this is done locally by subsidiaries, in accordance with the practice and limits set by the Group. These limits vary from one location to another to reflect the liquidity of the market in which the subsidiary operates. In addition, the Group's liquidity management policy includes preparing cash flow projections for major currencies and taking into account the level of liquid assets necessary to cover the cash flows, monitoring balance sheet liquidity ratios in terms of internal and external regulatory requirements, and maintaining debt plans.

7.2.5 Other risks

Selena 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, operational, health & safety, legal, tax, and political risks). The Group applies 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. In the first half of 2022, the prices of key raw materials are a consequence of the supply and demand situation in 2021 and the situation in Ukraine – the entire industry is facing increases in raw material prices and disruptions in the availability of production inputs (volatility, reductions or suspensions of raw material supplies from Russia and Belarus, record prices of oil, gas and electricity as well as increasing

disruptions in the intercontinental and European logistics chains, panic in the market directly affecting acquisitions and production to stock). Increases in raw material costs may not be fully transferred to the prices of the Company's products due to constraints in the flexibility of demand and the pricing strategies of the Company's competitors. As a result of the increase in raw material prices, the Company's margins may be under further pressure.

Operational risk is standard risk related to e.g. potential general failures of machines and devices, failures of distribution networks (electricity, heat) caused, among others, through their exploitation, but also by random events, including those related to extreme weather phenomena (storms, floods, hurricane winds, heat waves, fires) resulting from, among others, climate change. The materialization of risk may affect the availability of assets, and might result in downtime related to asset failures or increased costs of their removal. In H1 2022, no significant events in this risk category were recorded Selena Group, in particular those that would affect the Group's production and trading activities. The risk is partially mitigated by property insurance. As part of an increased response to crisis situations, the BCMS (Business Continuity Management System) was implemented and is regularly enhanced in the Group.

Health & safety risk is related to the need to safe working environment. Materialization of this risk might result in employees' injuries, loss of health or excessive exposure to factors harmful to health, ultimately leading to the Group's duty to pay compensation paid for damage to health. In H1 2022, Selena Group saw no significant health and safety events.

Geopolitical risk, including the impact of the situation in Ukraine on the operating activities of Selena Group, is described in Note 7.1.

In the process of managing the Group's operations and taking strategic decisions which also have an impact on tax settlements, Selena Group is exposed to tax risks. These risks are described in Note 1.11 to the consolidated Management Report for 2021.



Other information

8. Other information

8.1 Contingent liabilities

Intragroup guarantees

Selena Group companies provide cross-guarantees to each other in connections with jointly incurred bank debt, and as part of commercial transactions. These are intragroup transactions, and the guarantee applies to loan obligations and trade liabilities owed to non-related entities. Such guarantees given to the subsidiaries by Selena FM S.A. were described in detail in Note 7.1 of the interim condensed standalone financial statements of Selena FM S.A. for the six months ended 30 June 2022.

Contingent assets and liabilities under the agreement for the acquisition of Selena Iberia

As part of the acquisition of Selena Iberia (formerly: Industrias Quimicas Lowenberg), in 2009, at the acquisition date, potential assets were identified in the acquired company which were related to the realization of the benefits that might flow to Selena Iberia in the future in respect of contingent tax assets. Pursuant to the agreement between the Selena Group and the previous shareholders of the company, if the company acquires any actual economic benefits in respect of the above items, then they will be returned to the previous shareholders in an amount equal to those benefits (a symmetrical approach without an impact on the Group's results). On 30 September 2010, an additional agreement was signed in relation to this matter, whereby any potential economic benefits arising from these assets will be returned to the previous shareholders in the portion corresponding to 70% or 85% (depending on the type of the asset) of the value of such benefits.

The maximum nominal value of contingent liabilities not included in the settlement, taking into account liabilities recognized in the statement of financial position as at 30 June 2022, is EUR 1.16 million.

Court disputes

At the date of approval of these interim condensed consolidated financial statements, 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 2021 (Note 8.1).

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 hearing on 5 February 2021, after evidence-taking, the hearing of witnesses and after the attorneys made statements on the case, the District Court decided to close the court proceedings. On 5 March 2021, the court issued a judgment in the first instance, accepting the bank's claim.

The defendant did not agree with the decision and appealed, fully upholding its previous position that the claim is unfounded.

At the same time, in 2020, the Company's Management Board decided to raise a provision for the value of the claim together with statutory interest of PLN 17.9 million.

8.2 Information on related parties

The table below shows transactions with directors of the Parent as well as with associates and joint ventures. The sales and purchases figures cover the period of 6 months ended 30 June (2022 and 2021, respectively), while the receivables and liabilities are presented as at 30 June 2022 and 31 December 2021.

Figures in PLN thousand	Period	Sales	Purchases	Interest income	Receivables	Liabilities	Loans granted
Associates	2022	3,268	0	0	1,547	0	0
	2021	2,859	0	0	1,951	38	0
Joint ventures	2022	10,349	0	0	8,440	0	0
	2021	10,601	0	0	7,017	0	0
Subsidiaries of the ultimate controlling shareholder*	2022	7	507	76	19	68	57,726
	2021	9	220	1,123	10	120	48,195
Key management personnel**	2022	0	0	0	0	62	0
	2021	0	0	0	0	0	0
TOTAL	2022	13,624	507	76	10,006	130	57,726
	2021	13,469	220	1,123	8,978	158	48,195

* 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.

8.3 Profit distribution for 2021

On 5 May 2022, the Company's Management Board decided to recommend to the Company's AGM to distribute the Company's net profit for 2021 of PLN 43,545,445.46 as follows: allocate PLN 43,545,445.46 in full to the Company's capital reserve. On 5 May 2022, the Company's Supervisory Board issued a positive opinion on the Management Board's recommendation to the Company's Annual General Meeting regarding distribution of the profit for 2021.

8.4 Earnings per share

The basic earnings per share are 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 earnings (loss) per share in the reporting period.

		from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021	from 01.04.2022 to 29.06.2022	from 01.04.2021 to 30.06.2021
Profit (loss) attributable to the controlling interests	PLN	62,483,066	39,787,627	37,462,945	21,763,026
Average number of ordinary shares	share	22,834,000	22,834,000	22,834,000	22,834,000
Earnings/(loss) per ordinary share	PLN/share	2.74	1.74	1.64	0.95
Number of shares, including dilution	share	22,834,000	22,834,000	22,834,000	22,834,000
Diluted earnings per share	PLN/share	2.74	1.74	1.64	0.95

8.5 Subsequent events

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
Jacek Michalak

Chief Commercial Officer,
Sławomir Majchrowski

Chief Operating Officer
Roman Dziuba

Chief HR Officer
Andrzej Zygałło