SELENA FM S.A.

INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2018
WITH AN INDEPENDENT AUDITOR'S REPORT

Wroclaw, 24 September 2018

INTERIM CONDENSED INCOME STATEMENT

Figures in PLN thousand	Note	6 months ended 30 June 2018 (unaudited)	6 months ended 30 June 2017 (unaudited)	3 months ended 30 June 2018 (unaudited)	3 months ended 30 June 2017 (unaudited)
Continued operations					
Revenue from the sale of goods and materials		216,209	215,738	117,162	125,566
Revenue from the sale of services		12,490	13,579	7,140	8,044
Sales		**228,699**	**229,317**	**124,302**	**133,610**
Cost of sales		204,979	209,642	111,149	124,365
Gross profit (loss)		**23,720**	**19,675**	**13,153**	**9,245**
Other operating income	7.1	285	24,375	182	23,993
Selling and marketing costs		17,818	14,575	10,401	7,742
General and administrative expenses		13,855	12,329	5,870	6,520
Other operating costs	7.2	307	12,256	128	1,622
Impairment (reversal of impairment) of financial assets	9.1	-487	0	-303	0
Operating profit (loss)		**-7,488**	**4,890**	**-2,761**	**17,354**
Financial revenues	8.1	34,546	13,915	32,994	11,111
Financial expenses	8.2	2,419	41,420	799	36,725
Impairment (reversal of impairment) of financial assets	9.2	14	0	-110	0
Profit (loss) before tax		**24,625**	**-22,615**	**29,544**	**-8,260**
Income tax	10	-468	-2,355	497	-1,563
Net profit (loss) on continued operations		**25,093**	**-20,260**	**29,047**	**-6,697**
Discontinued operations					
Profit (loss) on discontinued operations		–	–	–	–
Profit (loss) after tax		**25,093**	**-20,260**	**29,047**	**-6,697**
Earnings per share (continued operations) (PLN/share):	11				
- basic		1.10	-0.89	1.27	-0.29
- diluted		1.10	-0.89	1.27	-0.29

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Figures in PLN thousand	6 months ended 30 June 2018 (unaudited)	6 months ended 30 June 2017 (unaudited)	3 months ended 30 June 2018 (unaudited)	3 months ended 30 June 2017 (unaudited)
Profit (loss) after tax	25,093	-20,260	29,047	-6,697
Other net comprehensive income	0	0	0	0
Total comprehensive income	**25,093**	**-20,260**	**29,047**	**-6,697**

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

Figures in PLN thousand	Note	30 June 2018 (unaudited)	31 December 2017, transformed data*
Property, plant and equipment		2,919	2,784
Intangible fixed assets		16,188	17,204
Shares in subsidiaries	13	161,710	161,710
Long-term portion of loans granted	14	102,969	90,953
Deferred tax asset		597	82
Non-current assets		**284,383**	**272,733**
Inventories	15	8,370	2,354
Trade receivables	16	184,855	143,958
CIT claimed		167	0
Other short-term receivables	17	35,048	24,758
Short-term portion of loans granted	14	14,857	14,628
Other short-term financial assets	14	0	309
Cash and cash equivalents		970	10,121
Current assets		**244,267**	**196,128**
TOTAL ASSETS		**528,650**	**468,861**
Registered capital		1,142	1,142
Supplementary capital		265,794	246,822
Other reserves		19,163	19,163
Retained profit / (loss carried forward)		15,317	25,822
– retained profit / loss carried forward from previous years		-9,776	0
– profit (loss) after tax		25,093	25,822
Equity		**301,416**	**292,949**
Long-term portion of bank and other loans	18	47,804	17,516
Other financial liabilities	21	752	418
Deferred tax liability		0	0
Non-current liabilities		**48,556**	**17,934**
Trade liabilities	19	79,084	84,359
Liabilities in respect of contracts with customers		480	0
Short-term portion of bank and other loans	18	87,313	70,155
Other financial liabilities	21	1,313	527
Income tax payable		0	291
Other short-term liabilities	20	10,488	2,646
Current liabilities		**178,678**	**157,978**
Total liabilities		**227,234**	**175,912**
TOTAL EQUITY AND LIABILITIES		**528,650**	**468,861**

* the reasons and effects of transformation of the data published in prior periods are described in Note 3.1

INTERIM CONDENSED STATEMENT OF CASH FLOWS

Figures in PLN thousand	Note	6 months ended 30 June 2018 (unaudited)	6 months ended 30 June 2017 (unaudited)
Cash flows from operating activities			
Profit / loss before tax on continued operations		**24,625**	**-22,615**
Profit / loss before tax on discontinued operations		–	–
Adjusted by:			
Depreciation		1,718	1,102
FX (gains) / losses		-335	7,238
Interest and dividends		-28,222	-10,978
Profit / loss on investing activities		573	30,035
Change in the balance of receivables		-50,710	-70,665
Change in the balance of inventories		-6,016	-3,293
Change in the balance of obligations		-3,798	52,144
Change in the balance of provisions		0	0
CIT paid		-131	-295
Other		305	534
Net cash flows from operating activities		**-61,991**	**-16,793**
Cash flows from investing activities			
Inflows from sale of tangible fixed assets		0	19
Acquisition of tangible and intangible fixed assets		-224	-819
Purchase of shares in a subsidiary		0	-7,109
Sale of other financial assets		0	10
Dividends and interest received		17,007	1,296
Loans granted		-12,090	-5,231
Repayments of loans granted		4,670	5,192
Bond repayments received		0	350
Net cash flows from investing activities		**9,363**	**-6,292**
Cash flows from financing activities			
Repayment of finance lease obligations		-324	-386
Inflows from bank / other loans received		93,051	74,705
Repayment of loans		-47,820	-22,535
Interest paid		-1,465	-1,857
Net cash flows from financing activities		**43,442**	**49,927**
Net increase (decrease) in cash and cash equivalents		**-9,186**	**26,842**
Change in cash and cash equivalents:		**-9,151**	**26,549**
net FX differences		35	-293
*Cash at the beginning of the period**		*10,121*	*6,275*
*Cash at the end of the period**		*970*	*32,824*

*including restricted cash:

as at 30 June 2018: PLN 0.05m

as at 30 June 2017: PLN 0.1m

INERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE 6 MONTHS ENDED 30 JUNE 2018

Figures in PLN thousand	Registered capital	Supplementary capital	Other reserves	Retained profit/ (loss carried forward): prior years	Retained profit/ (loss carried forward): current period	Total equity
As at 1 January 2018 (approved data)	**1,142**	**246,822**	**19,163**	**25,822**	**0**	**292,949**
Impact of implementation of IFRS 9	0	0	0	-9,776	0	-9,776
As at 1 January 2018 (transformed data)	**1,142**	**246,822**	**19,163**	**16,046**	**0**	**283,173**
Profit (loss) after tax	0	0	0	0	25,093	25,093
Total comprehensive income	**0**	**0**	**0**	**0**	**25,093**	**25,093**
Transfer of profit to the supplementary capital	0	18,972	0	-18,972	0	0
Dividend	0	0	0	-6,850	0	-6,850
As at 30 June 2018 (unaudited)	**1,142**	**265,794**	**19,163**	**-9,776**	**25,093**	**301,416**

FOR THE 6 MONTHS ENDED 30 JUNE 2017

Figures in PLN thousand	Registered capital	Supplementary capital	Other reserves	Retained profit/ (loss carried forward): prior years	Retained profit/ (loss carried forward): current period	Total equity
As at 1 January 2017	**1,142**	**246,545**	**19,163**	**7,127**	**0**	**273,977**
Profit (loss) after tax	0	0	0	0	-20,260	-20,260
Total comprehensive income	**0**	**0**	**0**	**0**	**-20,260**	**-20,260**
Transfer of profit to the supplementary capital	0	277	0	-277	0	0
Dividend	0	0	0	-6,850	0	-6,850
As at 30 June 2017 (unaudited)	**1,142**	**246,822**	**19,163**	**0**	**-20,260**	**246,867**

ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

1. Information about the Company

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

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

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

The 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 Company's core business includes:

- distribution of the Group's products to foreign markets
- providing subsidiaries with advice on strategic management, finance management, sales strategy as well as maintenance of accounting books for customers.

Selena FM S.A. and its subsidiaries are controlled by Krzysztof Domarecki.

2. Information about the financial statements

2.1 Identification of the consolidated financial statements

These interim condensed financial statements are non-consolidated accounts of the Company. For a full understanding of the financial position and trading performance of the Company as a parent of Selena FM Group these financial statements should be read together with the condensed consolidated financial statements of the Group for the period ended 30 June 2018, published on 24 September 2018.

2.2 Interim report

The interim condensed financial statements do not contain all the information and disclosures required of annual financial statements and should be read jointly with the Company's financial statements for the year ended 31 December 2017 published on 20 April 2018. The interim financial result may not fully reflect the financial result achievable for the whole financial year.

These interim condensed financial statements were reviewed by a statutory auditor,

2.3 Period covered by the financial statements

These financial statements cover the period of 6 months ended on 30 June 2018 and the data presented as at that date

These interim condensed consolidated financial statements of Selena FM Group cover the period of 6 months ended, and the data presented as at that date.

The income statement and the statement of comprehensive income also cover the data for 3 months ended 30 June 2018 as well as comparative data for the period of 3 months ended 30 June 2017, which were not audited.

The statement of cash flows and the statement of changes in equity cover the data for the 6 months ended 30 June 2018 as well as comparative data for the period of 6 months ended 30 June 2017.

The balance sheet covers the data presented as at 30 June 2018, and comparative data as at 31 December 2017.

2.4 Approval of the financial statements

These financial statements were approved for publication by the Management Board on 24 September 2018.

2.5 Statement of conformity

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

2.6 Basis of preparation

These financial statements have been prepared under the historical cost convention, except for financial instruments measured at fair value.

2.7 Measurement and reporting currency

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

At the balance sheet date, 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 (30 June 2018 and 31 December 2017).

The currency rates used for measurement of the balance sheet items expressed in foreign currency are presented in the table below.

Currency	30 June 2018 (unaudited)	31 December 2017
1 EUR	4.3616	4.1709
1 USD	3.7440	3.4813
1 TRY	0.8206	0.9235
100 KZT	1.0950	1.0633
1 BRL	0.9693	1.0510

2.8 Going concern

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

3. Accounting policies

3.1 Comparability of financial data

The accounting policies that were used in preparation of the condensed financial statements are consistent with the policies used in preparation of the consolidated financial statements of the Company for 2017, except for correction of the error from previous years, described below, and changes resulting from implementation of the standards described in point 3.2.

On 29 March 2017, Selena FM S.A. acquired a 64% stake in the share capital of Uniflex S.p.A. and became a majority shareholder of the company. In addition, the parties signed a contract containing a symmetrical option for future repurchase of the remaining 36% of shares from minority shareholders. Details of the transaction are described in Note 16.4 of the unconsolidated financial statements for the year ended 31 December 2017, while the settlement of the acquisition, for consolidation purposes, was presented in Note 1.7 of the consolidated financial statements for the year ended 31 December 2017.

In the first half of 2018, Selena FM S.A. made a repeated, in-depth analysis of the agreements concluded in 2017 (when the Company recognised in its financial statements the amount to be paid for the exercise of the call and put option for the same periods and the same price, while in accordance with IAS 39 (and IFRS 9) options for shares in a subsidiary are a derivative instrument that is measured at fair value with the result being reflected in profit or loss). As a result of the analysis, a decision was taken to adjust the value of shares of Uniflex S.p.A. disclosed as at 31 December 2017 and, at the same time, the value of liabilities in respect of the call/put option. The correction was intended to clearly and precisely present the essence of the transaction in the unconsolidated financial statements of Selena FM S.A. in accordance with the currently applicable International Financial Reporting Standards. As a result of the adjustment, the value of shares and financial liabilities decreased by PLN 5,320 thousand. Additionally, as at 31 December 2017, the Company valued the identified call/put options at cost (the option purchase price was zero), in line with the possibility indicated in IAS 39, paragraph 46(c) concerning the measurement of equity instruments that do not have a quoted market price in an active market.

As a result of the change, the comparative data have been transformed in the statement of financial position and in relevant notes presented in these financial statements (Notes 13 and 21).

The adjustment does not change the comparative data presented in these financial statements in the income statement, statement of comprehensive income, statement of cash flows, statement of changes in equity and earnings per share, so these data have not been transformed. The company does not present the data in the statement of financial position as at 1 January 2017 as the adjustment does not affect these data.

The adjustment had not impact on the data presented in the consolidated financial statements as at 31 December 2017.

The following summary shows the impact of the changes and reconciliation between the data published for the year ended 31 December 2017 and those included in this report (selected items of the statement of financial position):

Figures in PLN thousand	Data published on 31 December 2017	Adjustments	31 December 2017 (transformed data)
Shares in subsidiaries	167,030	-5,320	161,710
Non-current assets	**278,053**	**-5,320**	**272,733**
TOTAL ASSETS	**474,181**	**-5,320**	**468,861**
Other financial liabilities	5,738	-5,320	418
Non-current liabilities	**23,254**	**-5,320**	**17,934**
TOTAL EQUITY AND LIABILITIES	**474,181**	**-5,320**	**468,861**

3.2 Changes in the accounting policies

The accounting policies that were used in preparation of the financial statements are consistent with the policies used in preparation of the consolidated financial statements of the Company for the year ended on 31 December 2017, except for correction of the errors from previous years, presented in Note 3.1. and the changes described below resulting from implementation of new standards: IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. Other changes resulting from implementation of new standards (IAS and IFRS) and description of the published standards and interpretations which are not in force yet and which have not been earlier adopted by the Group, have been described in Note 3 of the Group's consolidated financial statements for the period of 6 months ended 30 June 2018.

According to the estimates of the Entity, the new standards, interpretations and amendments to the existing standards, except IFRS 16, would not have any material impact on the financial statements if they had been applied by Selena FM S.A. as at the balance sheet date.

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

3.3 IFRS 9 Financial Instruments

The Company adopted IFRS 9 effective from 1 January 2018, without transforming comparative data, which means that the data for 2017 and 2018 will not be comparable, while adjustments connected with adoption of IFRS 9 were introduced as at 1 January 2018 with the resulting impact reflected in equity.

The Company disclosed information on the impact of the first time adoption of IFRS 9 in the annual financial statements for the year ended 31 December 2017.

Since 1 January 2018, the Company has classified **financial assets** into the following valuation categories:
- financial assets measured at amortised cost
- assets measured at fair value through other comprehensive income
- assets measured at fair value through profit or loss.

The Company allocates financial assets to the appropriate category depending on the business model adopted for managing financial assets and considering the characteristics of contractual cash flows for a particular financial asset.

Financial assets measured at amortised cost are debt instruments held to collect contractual cash flows which include only payments of principal and interest. To this category the Company classifies trade receivables, loans granted, other financial receivables and cash and cash equivalents.

Financial assets are measured at amortised cost using the effective interest rate method. On initial recognition, trade receivables are measured at amortised cost using the effective interest rate method, taking into account impairment allowances. Trade receivables wit maturities below 12 months from the origination data (i.e. without the financing element) and not transferred to factoring, are not discounted and are measured at nominal value.

Financial assets measured at fair value through other comprehensive income include:
- debt instruments whose cash flows are solely payments of principal and interest, and which are held to obtain contractual cash flows and for sale,
- investments in equity instruments.

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange and dividends, which are recognised in profit or loss. Assets measured at fair value through other comprehensive income include shares in other entities at the time of initial recognition.

Financial assets measured at fair value through profit or loss are financial instruments which do not meet the criteria for measurement at amortised cost or fair value through other comprehensive income. In the category of assets measured at fair value through profit or loss the Company classifies derivatives, factored trade receivables where the terms of the factoring agreement result in the respective amounts to be no longer treated as receivables, as well as loans which have not passed the SPPI test and dividends.

IFRS 9 did not change the classification of financial liabilities.

The table presented below shows changes in the classification and measurement of financial assets as at the first time-adoption of IFRS 9.

Categories of financial instruments	Classification as per IAS 39	Classification as per IFRS 9
Financial assets		
Loans granted	Loans and receivables	Measured at amortised cost
Forward transactions	Financial instruments measured at fair value through profit or loss	Financial instruments measured at fair value through profit or loss
Trade receivables and other receivables	Loans and receivables	Measured at amortised cost
Cash and cash equivalents	Loans and receivables	Measured at amortised cost

Impairment of financial assets

Assets measured at amortised cost

IFRS 9 has introduced a changed approach to the estimation of impairment of financial assets from incurred-loss model to an expected loss model. The key items of financial assets in the financial statements of the Company, which are subject to changed rules for expected loss calculation, are trade receivables and loans granted. At each balance sheet date, the Company assesses the expected credit losses whether or not there are any indications of impairment.

The Company uses the following models of making impairment allowances for individual items of financial assets:

- **Loans granted and amounts due from connected entities** – the Company performs an individual analysis of all exposures, assigning them to one of three stages:
    - i) Stage 1 – where credit risk has not increased significantly since initial recognition and where 12-month expected credit loss (ECL) is recognised.
    - ii) Stage 2 – where credit risk has increased significantly since initial recognition and where lifetime ECL is recognised.
    - iii) Stage 3 – where the financial asset is credit impaired and where there is no significant credit risk (as the value of liabilities is higher than the balance of loans and receivables).

  Exposures classified to stage 1 or 2 have impairment allowances determined based on an individually set rating, repayment profile and assessment of recovery from collateral.

  For exposures classified to stage 3, the amount of impairment allowance is calculated as the difference between the carrying amount of the asset and the present value of the estimated future cash flows (excluding future losses on account of uncollected receivables), discounted using the effective interest rate. Impairment allowances are reversed when the present value of the estimated future cash flows is higher than the net assets employed, and a positive balance of payments with the entity concerned is expected to be achieved within the next 12 months.

- **Receivables from other units** – the Company performs a collective analysis of exposures (except for those which are subject to individual analysis as non-performing receivables) and uses a simplified matrix of allowances for individual age ranges based on expected credit losses over the entire life of the receivables (based on default ratios determined using historical data). The expected credit loss is calculated when the receivable is recognised in the statement of financial position and is updated on each subsequent day ending the reporting period, depending on the number of days in arrears.

- **Cash and cash equivalents** – the Company estimates allowances based on the likelihood of default determined using external bank ratings.

At present, the Company does not use hedge accounting.

The table below presents the impact of implementation of IFRS 9 on the Company's unconsolidated financial statements as at 1 January 2018 is as follows:

Figures in PLN thousand	Carrying amount as at 31 December 2017 transformed data*	Impact of IFRS 9	Carrying amount as at 1 January 2018 transformed data*
Property, plant and equipment	2,784		2,784
Intangible fixed assets	17,204		17,204
Shares in subsidiaries	161,710		161,710
Other long-term receivables	0		0
Long-term portion of loans granted	90,953	-746	90,207
Other long term financial assets	0		0
Deferred tax asset	82	47	129
Non-current assets	**272,733**	**-699**	**272,034**
Inventories	2,354		2,354
Trade receivables	143,958	-9,077	134,881
CIT claimed	0		0
Other short-term receivables	24,758		24,758
Short-term portion of loans granted	14,628		14,628
Other short-term financial assets	309		309
Cash and cash equivalents	10,121		10,121
Current assets	**196,128**	**-9,077**	**187,051**
TOTAL ASSETS	**468,861**	**-9,776**	**459,085**
Registered capital	1,142		1,142
Supplementary capital	246,822		246,822
Other reserves	19,163		19,163
Retained profit / (loss carried forward)	25,822	-9,776	16,046
– retained profit / loss carried forward from previous years	0	-9,776	-9,776
– profit (loss) after tax	25,822		25,822
Equity	**292,949**	**-9,776**	**283,173**
Non-current liabilities	**17,934**	**0**	**17,934**
Current liabilities	**157,978**	**0**	**157,978**
Total liabilities	**175,912**	**0**	**175,912**
TOTAL EQUITY AND LIABILITIES	**468,861**	**-9,776**	**459,085**

* the reasons and effects of transformation of the data published in prior periods are described in Note 3.1

3.4 IFRS 15 Revenue from Contracts with Customers

The Company applied IFRS 15 "Revenue from Contracts with Customers as of 1 January 2018, using the modified retrospective approach, without adjusting the comparative data.

The Company disclosed information on the impact of the first time adoption of IFRS 15 in the annual financial statements for the year ended 31 December 2017.

The Company applies the principles of IFRS 15 taking into account the 5-step revenue recognition model. The Company recognises revenue when it satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. Revenue is recognised as amounts equal to the transaction price which is allocated to that performance obligation.

In order to determine the transaction price, the Company takes into account the terms of the contract and the customary business practices. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example certain sales taxes). The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both. If the consideration promised in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer.

The adoption of IFRS 15 has not had any material impact on the Company's financial statements at the time of the first adoption of the standard, i.e. since 1 January 2018.
The impact on the unconsolidated financial statements of Selena FM S.A. as at 1 January 2018:

- provisions for discounts granted to customers – presentation in the statement of financial position in liabilities in respect of contracts with customers, instead of reducing trade receivables (PLN 623 thousand);
- transport costs, if the Company does not generate a separate revenue from this category – presentation in selling expenses of the income statement rather than in the cost of sales (PLN 500 million).

Based on the analysis of contracts with customers, the Company estimated that the implementation of the IFRS 15 would not have any impact on the Company's equity as at 1 January 2018.

4. Significant values based on professional judgement and estimates

Accounting estimates and the professional judgement of the Company's management were of key importance in the process of application of the accounting policies to the areas outlined below:

- Classification of leases as operating or financial leases
- Impairment of long-term investments
- Ability to use the deferred tax assets
- Fair value of financial instruments
- The expected dates and values of cash flows in respect of loans granted and amounts receivable.

In 2018, no significant changes were made to the assumption areas and methods. The business and macroeconomic assumptions underlying the estimates are updated on an ongoing basis depending on changes in the entity's environment and business projections. The selected assumptions used for asset impairment tests were described in Note 6 to this report.

5. Operating segments

The Management Board treats the Company's activity as a single operating segment. See Note 1 of this report for a description of the Company's activities.

The Company's trading performance is assessed based on the management data prepared in accordance with IAS/IFRS.

Related parties account for more than 92% of the Company's revenues (95% in 2017). In the reporting period, the subsidiaries that account for more than 10% of the Company's total sales are: Selena Vostok (30%) and Selena S.A. (22%).

The building materials industry in which Selena FM operates is characterised by seasonality of sales, which is described in the Management Board's report on the Group's activities for the period from 1 January to 30 June 2018 (Note 4.5).

6. Impairment of assets

6.1 Shares and long term loans in Selena Nantong Building Materials Co. Ltd

Due to the slower-than-planned increase in the sales of Selena Nantong as well as revision of its business plans, as at 30 June 2018, the Management Board carried out an impairment test for the entity's fixed assets. Based on the projected future cash flows generated by the company, no need was identified to create an additional impairment charge for the assets invested in Selena Nantong. In the prior years, an impairment charge of PLN 33,910 thousand was posted for shares and PLN 26,523 thousand for the loans granted to the company (values converted at the historical rate).

Given the long-term nature of the investment, the test was based on a 6.5-year cash flow forecast. For the purpose of the test, WACC before tax was taken at 10.4% and the residual growth rate at 2.5%.

Future cash flow projections take into account the positive impact of the restructuring programmes carried out by the entity's Management Board, involving modification of the distribution and operations model, particularly in the local market and implementation of a new product proposition, with the involvement of business partners. The purpose of the cooperation with the Chinese partner will be to invigorate activities in China by marketing innovative construction chemicals based on the product portfolio of Selena Group. If any material, negative deviations occur from the adopted action plan, in the future reporting periods it might be necessary to post an impairment write-down on the fixed assets of Selena Nantong.

The test described above did not reveal any need to create an impairment charge for the value of fixed assets in the Group's consolidated report (for details, see Note 5 of the interim consolidated financial statements as at 30 June 2018).

6.2 Shares and loans in Selena Romania srl and long-term loans in Selena Romania srl and EURO MGA Product srl

As the Romanian company failed to achieve the expected sales levels in H1 2018, and due to the slower-than-expected growth of the dry mortars, wet plasters and ceramic adhesives divisions, the Management Board performed an impairment test for the assets invested in Selena Romania srl and EURO MGA Product srl (a subsidiary of Selena Romania srl). In the prior years, an impairment charge was posted for the value of shares and long-term loans in their full amount. As at 30 June 2018, all the long-term assets invested in Selena Romania srl and EURO MGA Product srl were covered by impairment charges.

The test used a 4.5-year cash flow projection. For the purpose of the test, WACC before tax was taken at 11.7% and the residual growth rate at 2.5%.

Future projections of cash flows include current operations in the Romanian market, particularly in the area of dry mortars and wet plasters, focused on implementation of innovative products and a further development of distribution combined with optimisation of production and logistics costs.

The test described above pointed to a need to post an impairment charge on fixed assets presented in the Group's condensed consolidated financial statements. An impairment charge of PLN 2,543 thousand was created for tangible assets of the entities involved in production and sales in the Romanian market.

7. Other operating revenues and operating costs

7.1 Other operating income

Figures in PLN thousand	6 months ended 30 June 2018 (unaudited)	6 months ended 30 June 2017 (unaudited)	3 months ended 30 June 2018 (unaudited)	3 months ended 30 June 2017 (unaudited)
Profit from disposal of non-financial fixed assets	8	19	8	13
Reversal of an impairment charge on receivables	0	24,301	0	23,944
Compensations, complaints	231	20	146	13
Other	46	35	28	23
Total other operating revenues	**285**	**24,375**	**182**	**23,993**

7.2 Other operating costs

Figures in PLN thousand	6 months ended 30 June 2018 (unaudited)	6 months ended 30 June 2017 (unaudited)	3 months ended 30 June 2018 (unaudited)	3 months ended 30 June 2017 (unaudited)
Impairment charge for receivables	0	12,110	0	1,560
Donations	18	0	18	0
Receivables cancelled/written off	105	0	23	0
Damages, penalties, fines	183	133	86	55
Other	1	13	1	7
Total other operating costs	**307**	**12,256**	**128**	**1,622**

In line with the changes resulting from implementation of the new IFRS 9 standard on 1 January 2018, the result related to impairment of receivables is presented in the income statement under “Impairment/(reversal of impairment) of financial assets (Note 9.1).

8. Financial revenues and expenses

8.1 Financial revenues

Figures in PLN thousand	6 months ended 30 June 2018 (unaudited)	6 months ended 30 June 2017 (unaudited)	3 months ended 30 June 2018 (unaudited)	3 months ended 30 June 2017 (unaudited)
Dividends and profit sharing	26,528	8,031	26,528	8,031
Interest, including:	3,252	4,852	1,727	2,423
on bonds and loans granted	*3,252*	*4,824*	1,727	2,411
on discount of financial obligations	*0*	*28*	0	12
FX differences	4,766	0	4,766	0
Valuation of currency contracts	0	1,001	-27	657
Reversal of an impairment charge on loans	0	26	0	0
Other financial revenues	0	5	0	0
Total financial revenues	**34,546**	**13,915**	**32,994**	**11,111**

On 14 June 2018, the Annual General Meeting of the subsidiary Selena S.A. adopted a resolution on payment of dividend of PLN 17,007 thousand from the profit for 2017 to its sole shareholder, i.e. Selena FM S.A. The dividend was paid by a funds transfer on 26 June 2018.

On 25 June 2017, the Annual General Meeting of the subsidiary Selena Industrial Technologies Sp. z o.o. adopted a resolution on payment of dividend of PLN 9,521 thousand from the profit for 2017 to its sole shareholder, i.e. Selena FM S.A. The dividend was paid by a funds transfer on 18 July 2018.

8.2 Financial expenses

Figures in PLN thousand	6 months ended 30 June 2018 (unaudited)	6 months ended 30 June 2017 (unaudited)	3 months ended 30 June 2018 (unaudited)	3 months ended 30 June 2017 (unaudited)
Interest, including:	1,558	1,906	707	1,016
on loans and advances received	*1,513*	*1,845*	686	987
on finance lease liabilities	*44*	*60*	21	29
on other obligations	*1*	*1*	0	0
Impairment charge for loans	0	31,078	0	30,960
Valuation of currency contracts	567	0	567	0
FX differences	0	8,319	-711	4,656
Other financial costs	294	117	236	93
Total financial expenses	**2,419**	**41,420**	**799**	**36,725**

In 2018, Selena FM S.A. hedged its expected cash flows with FX forwards and other financial instruments. The Company enters into futures contracts mainly in the following currency pairs: EUR/RUB, EUR/PLN and USD/PLN, RON/PLN, CZK/PLN, HUF/PLN and EUR/KZT. On average in the period, the Company had open forward contracts hedging EUR/PLN and EUR/RUB positions up to EUR 5 million for each currency pair. The Company uses such financial instruments solely to hedge its FX risk and does not use them for speculative purposes. The Company does not use hedge accounting within the meaning of IAS 9. As at 30 June 2018, the Company had open forward contracts. The loss on valuation of unrealised instruments was PLN 563 thousand (the result on these transactions is recognised in financial costs under "Valuation of FX contracts").

After the balance sheet date, Selena FM S.A. had financial instruments in place relating to USD/PLN (USD 1.8 million), RON/PLN (RON 3.5 million), CZK/PLN (CZK 11 million), HUF/PLN (HUF 132 million), EUR/RUB (EUR 2.5 million) and EUR/PLN (EUR 3 million) with settlement dates in the period until 28 June 2019.

In line with the changes resulting from implementation of the new IFRS 9 standard on 1 January 2018, the result related to impairment of loans is presented in the income statement under "Impairment/(reversal of impairment) of financial assets" below operating profit/loss (Note 9.2).

9. Impairment (reversal of impairment) of financial assets

9.1 Impairment (reversal of impairment) of financial assets – receivables

Figures in PLN thousand	6 months ended 30 June 2018 (unaudited)	6 months ended 30 June 2017 (unaudited)	3 months ended 30 June 2018 (unaudited)	3 months ended 30 June 2017 (unaudited)
Reversal of an impairment charge on receivables	-2,819	0	-999	0
Impairment charge for receivables	2,332	0	696	0
Impairment (reversal of impairment) of financial assets	**-487**		**-303**	

In the reporting period ended 30 June 2018, the Company reversed impairment allowances created for receivables, totalling PLN 2,819 thousand including:

- an impairment allowance for the amounts due from connected companies – PLN 2,812 thousand (Selena Nantong – PLN 1,223 thousand, Selena Romania SRL – PLN 617 thousand, Selena Bulgaria Ltd. – PLN 426 thousand, Selena Vostok – PLN 188 thousand, EURO MGA Products SRL – PLN 162 thousand, Selena USA Inc. – PLN 146 thousand, Selena S.A. – PLN 50 thousand);
- an impairment allowance for the amounts due from non-connected entities – PLN 7,000.

In the reporting period ended 30 June 2018, the impairment allowances were created for receivables, totalling PLN 2,332 thousand including:

- an impairment allowance for the amounts due from connected entities – PLN 2,137 thousand (Selena Sulamericana Ltda – PLN 732 thousand, Selena Ukraine Ltd. – PLN 701 thousand, Universal Energy Sp. z o.o. – PLN 667 thousand, other entities – PLN 37 thousand);
- an impairment allowance for the amounts due from non-connected entities – PLN 195 thousand.

9.2 Impairment (reversal of impairment) of financial assets (loans granted)

Figures in PLN thousand	6 months ended 30 June 2018 (unaudited)	6 months ended 30 June 2017 (unaudited)	3 months ended 30 June 2018 (unaudited)	3 months ended 30 June 2017 (unaudited)
Reversal of an impairment charge on loans	-313	0	-268	0
Impairment charge for loans	327	0	158	0
Impairment (reversal of impairment) of financial assets	**14**		**-110**	

Details relating to the impairment charge for the value of loans are contained in Note 14. Details about the conducted impairment tests for financial assets are presented in Note 6.

10. Income tax

Figures in PLN thousand	6 months ended 30 June 2018 (unaudited)	6 months ended 30 June 2017 (unaudited)
Income tax for the current period	0	0
Change in deferred income tax	-468	-2,355
Tax charge carried in profit or loss:	**-468**	**-2,355**

Figures in PLN thousand	6 months ended 30 June 2018 (unaudited)	6 months ended 30 June 2017 (unaudited)
Profit / loss before tax on continued operations	24,625	-22,615
Tax rate	19%	19%
Tax at the applicable rate	4,679	-4,297
Tax on non-taxable income (permanent differences)	-5,636	-6,344
- on dividends received	-5,040	-1,526
- in respect of impairment charge on shares and loans	-59	-5
- in respect of reversal of impairment charge for receivables	-534	-4,543
- other	-3	-270
Tax on costs that are non-tax deductible (permanent differences)	489	8,286
- in respect of impairment charge on shares and loans	62	5,905
- in respect of impairment charge on receivables	279	2,301
- other	148	80
Tax charge carried in profit or loss:	**-468**	**-2,355**
Effective tax rate	**-**	**10.4%**

11. Profit per share

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

		6 months ended 30 June 2018 (unaudited)	6 months ended 30 June 2017 (unaudited)	3 months ended 30 June 2018 (unaudited)	3 months ended 30 June 2017 (unaudited)
Profit (loss) after tax	PLN	25,093,442	-20,260,477	29,047,101	-6,697,289
Weighted average number of ordinary shares	share	22,834,000	22,834,000	22,834,000	22,834,000
Profit/(loss) per ordinary share	**PLN/share**	**1.10**	**-0.89**	**1.27**	**-0.29**
Number of shares, including possible dilution	share	22,834,000	22,834,000	22,834,000	22,834,000
Diluted profit (loss) per share	**PLN/share**	**1.10**	**-0.89**	**1.27**	**-0.29**

12. Dividend paid and proposed

On 14 June 2018, the AGM of Selena FM S.A. adopted a resolution on dividend payment in respect of a part of the Parent Company's profit for 2017 in a total amount of PLN 6,850,200.00, i.e. PLN 0.30 per share. The record date, when the list of shareholders eligible for dividend is determined, was set to 2 July 2018. The shares of all series carry the same dividend rights. The dividend was paid on 16 July 2018.

13. Shares in subsidiaries

Value of the shares in subsidiaries are presented in the table below.

	30 June 2018 (unaudited)			31 December 2017, transformed data**			
Figures in PLN thousand	**Gross**	**Write-down**	**Net**	**Gross**	**Write-down**	**Net**	
Selena S.A.	62,781	0	**62,781**	62,781	0	**62,781**	
Selena Labs Sp. z o.o.	1,400	0	**1,400**	1,400	0	**1,400**	
Carina Sealants Sp. z o.o.	8	0	**8**	8	0	**8**	
Selena Industrial Technologies Sp. z o.o.	38,379	0	**38,379**	38,379	0	**38,379**	
Selena Deutschland GmbH	4	0	**4**	4	0	**4**	
Selena Italia srl	1,884	1,884	**0**	1,884	1,884	**0**	
Selena Iberia slu	43,478	22,913	**20,565**	43,478	22,913	**20,565**	
Uniflex S.p.A.	7,109	0	**7,109**	7,109	0	**7,109**	
Selena USA Inc.	1,289	1,289	**0**	1,289	1,289	**0**	
Selena Sulamericana Ltda	3,594	3,594	**0**	3,594	3,594	**0**	
Selena USA Specialty Inc	2,418	1,118	**1,300**	2,418	1,118	**1,300**	
Selena Romania SRL	11,944	11,944	**0**	11,944	11,944	**0**	
Selena Bohemia s.r.o	9,936	0	**9,936**	9,936	0	**9,936**	
Selena Hungária Kft.	679	679	**0**	679	679	**0**	
Selena Bulgaria Ltd.	0	0	**0**	0	0	**0**	*
EURO MGA Product SRL	1	0	**1**	1	0	**1**	
Selena Ukraine Ltd.	0	0	**0**	0	0	**0**	*
Selena CA L.L.P.	9,029	0	**9,029**	9,029	0	**9,029**	
Selena Insulations	1,206	1,206	**0**	1,206	1,206	**0**	
Weize (Shanghai) Trading Co., Ltd.	0	0	**0**	0	0	**0**	*
Selena Nantong Building Materials Co., Ltd.	33,910	33,910	**0**	33,910	33,910	**0**	
Selena Vostok	11,197	0	**11,197**	11,197	0	**11,197**	
Selena Malzemeleri Yapi Sanayi Tic. Ltd.	23,765	23,764	**1**	23,765	23,764	**1**	
Value of shares	**264,011**	**102,301**	**161,710**	**264,011**	**102,301**	**161,710**	

* value of shares below PLN 400
** the reasons and effects of transformation of the data published in prior periods are described in Note 3.1

14. Loans granted and other financial assets

Changes in the balance of the loans granted and other financial assets are presented in the table below.

					Principal		Interest			Valuation	
Type of connection	Figures in PLN thousand	31 December 2017	Impact of IFRS 9	1 January 2018	Increase Decrease	Decrease Decrease	Accrued	Paid	Reduction by withholding tax		30 June 2018 (unaudited)
	Loans										
Subsidiaries	*Gross value*	224,893	0	224,893	12,090	-4,386	3,253	-387	-224	7,891	243,130
	Impairment charge	-119,361	-746	-120,107	-327	313	0	0	0	-5,229	-125,350
	Net value	105,532	-746	104,786	11,763	-4,073	3,253	-387	-224	2,662	117,780
Non-connected entities	Loans	49	0	49	0	0	-1	-2	0	0	46
	Valuation of derivatives	309	0	309	0	0	0	0	0	-309	0
TOTAL		**105,890**	**-746**	**105,144**	**11,763**	**-4,073**	**3,252**	**-389**	**-224**	**2,353**	**117,826**
including long-term:		*90,953*	*-746*	*90,207*							*102,969*

The settlement dates for loans granted and other financial assets as at the balance sheet data are presented in the table below.

Maturity (in years) 30 June 2018 (unaudited)		below 1 year	1-3 years	Above 3 years	Without maturity	Total
Subsidiaries	Loans	14,856	59,914	43,010	0	**117,780**
Non-connected entities	Loans	1	45	0	0	**46**
TOTAL		**14,857**	**59,959**	**43,010**	**0**	**117,826**

On 17 January 2018, Selena FM S.A. signed a loan agreement with Carina Sealants Sp. z o.o. The loan amount is PLN 20 thousand. The interest rate is variable. It matures on 31 December 2018.

On 9 April 2018, a loan agreement was signed with Selena Iberia. The loan amount is USD 1,846 thousand and the maturity date is 31 December 2018. The loan interest rate variable: 3M LIBOR plus margin. By the date of publication of this report, tranches of USD 500 thousand had been drawn.

On 14 May 2018, a loan agreement was signed with Selena Bulgaria Ltd. The loan amount is EUR 10 thousand and the maturity date is 13 May 2019. The loan interest rate variable: 1Y EURIBOR plus margin. The loan has been drawn down in full.

As part of the agreements signed in 2017, further tranches of loans for Selena Vostok, Selena Labs and Selena Nantong were drawn in amount of RUB 150 million, PLN 1 million and EUR 100 thousand, respectively.

In the period ended 30 June 2018, Selena FM S.A. received loan repayments from subsidiaries totalling PLN 4,386 thousand:

- Selena CA L.L.P.: EUR 940 thousand
- Selena Bohemia s.r.o.: EUR 75 thousand
- Selena Malzemeleri Yapi Sanayi Tic. Ltd.: USD 23 thousand.

On 3 April, annexes were signed to loan agreements with Selena Malzemeleri Yapi Sanayi Tic. Ltd., extending the loan maturity dates and changing the interest rate on the loans.

In the first half of 2018 and after the balance sheet date annexes were signed to the loan agreements with Selena Nantong, extending the loan maturity dates and changing the interest rate on the loans.

In the reporting period, impairment charges on loans changed by PLN 14 thousand:

- Selena Vostok – creating a charge of PLN 155 thousand
- Selena Insulations – creating a charge of PLN 97 thousand
- Selena Selena Sulamericana Ltda – creating a charge of PLN 67 thousand
- Selena Labs – creating a charge of PLN 5,000
- POLYFOAM Yalitim Sanayi ve Tic Ltd. – creating a charge of PLN 3,000
- Selena CA L.L.P. – reversing a charge of PLN 126 thousand
- Selena Bohemia s.r.o – reversing a charge of PLN 187 thousand.

Events occurring after the balance sheet date

As part of the agreements signed in 2017, after 30 June 2018, further tranches of loans for Selena Vostok were drawn in the amount of RUB 150 million.

On 31 July 2018, Selena FM S.A. signed a loan agreement of EUR 1.07 million with Selena Malzemeleri Yapi Sanayi Tic. Ltd. The loan matures on 31 December 2023. The loan originated through conversion of the trade receivables from Selena Malzemeleri Yapi Sanayi Tic. Ltd.

On 17 September 2018, Selena FM S.A. signed a loan agreement with Selena Nantong. The loan amount is CNY 6 million. It matures on 19 September 2019. The loan was drawn by the date of publication of these financial statements.

After the balance sheet date, Selena FM S.A. received loan repayments from Foshan Chinuri (EUR 100 thousand) and Selena Bohemia (EUR 40 thousand).

15. Inventories

Figures in PLN thousand	30 June 2018 (unaudited)	31 December 2017
Merchandise	8,370	2,354
Total inventory, gross	**8,370**	**2,354**
Impairment charge for inventory	0	0
Total net inventory	**8,370**	**2,354**

16. Trade receivables

The age structure of trade receivables (not subject to impairment charges) as at the balance sheet date is presented in the table below.

Figures in PLN thousand		Total	Up-to-date	Overdue, not covered by impairment charges (days in arrears): < 30	31 – 60	61 – 90	91 – 180	181-360	>361
30 June 2018 (unaudited)	From connected companies	176,398	91,765	12,722	10,767	9,254	27,805	24,049	36
	From non-connected companies	8,457	7,826	471	14	-1	55	92	0
31 December 2017	From connected companies	136,754	81,838	17,781	8,993	8,514	19,628	0	0
	From non-connected companies	7,204	6,011	671	96	220	206	0	0

Figures in PLN thousand	6 months ended 30 June 2018 (unaudited)	6 months ended 30 June 2017 (unaudited)	3 months ended 30 June 2018 (unaudited)	3 months ended 30 June 2017 (unaudited)
Impairment charge at the end December	**22,701**	**48,656**	**31,955**	**55,827**
Impact of IFRS 9	9,077	0	0	0
Impairment charge at 1 January	*31,778*	*48,656*	*31,955*	*55,827*
Created	2,332	12,110	696	1,560
connected entities	*2,137*	*12,109*	*713*	*1,559*
other entities	*195*	*1*	*-17*	*1*
Reversed, including:	-2,819	-24,301	-999	-23,945
connected entities	*-2,812*	*-23,953*	*-1,000*	*-23,645*
other entities	*-7*	*-348*	*1*	*-300*
FX differences arising on translation	1,177	-2,574	816	448
Impairment charge at the end of the period	**32,468**	**33,891**	**32,468**	**33,890**
connected entities	*31,142*	*32,953*	*31,141*	*32,953*
other entities	*1,326*	*938*	*1,327*	*937*
including:				
Impairment charge for trade receivables	32,468	33,891	32,468	33,891

17. Other short-term receivables

The table below presents the key items of other short-term receivables.

Figures in PLN thousand	30 June 2018 (unaudited)	31 December 2017
VAT claimed	22,376	21,440
Prepayments for deliveries	7	0
Settlements with employees	23	58
Other	12,642	3,260
Total other receivables	**35,048**	**24,758**

The “Other” item shows, inter alia, dividends from subsidiaries in the amount of PLN 10,464 thousand.

18. Loans received

The table below shows the debt in respect of borrowings.

			30 June 2018 (unaudited)		31 December 2017	
Ref	**Loan type**	**Maturity date**	***Long-term portion***	***Short-term portion***	***Long-term portion***	***Short-term portion***
1	Working capital loan	07/2018	0	14,971	0	21,109
2	Working capital loan	07/2018	0	25,625	0	4,705
3	Working capital loan	01/2017	0	0	0	0
4	Working capital loan	12/2018	0	43,964	0	41,792
5	Working capital loan	06/2021	23,110	0	4,798	0
6	Non-bank loan	12/2018	0	2,541	0	2,419
7	Loan	12/2019	1,500	51	1,500	41
8	Non-bank loan	12/2019	1,744	33	1,668	15
9	Non-bank loan	12/2019	750	31	750	20
10	Non-bank loan	09/2022	8,700	70	8,800	54
11	Non-bank loan	12/2023	12,000	27	0	0
Total loans			**47,804**	**87,313**	**17,516**	**70,155**

On 29 May 2018, Selena Marketing International Sp. z o.o signed a loan agreement with Selena FM S.A. The loan amount is PLN 15 million. The interest rate is variable. The loan matures on 31 December 2023. According to the agreement, the loan is drawn in tranches. The first tranche was disbursed on 30 May 2018. By the date of publication of these financial statements, tranches of PLN 12 million had been drawn.

On 20 June 2018, Selena FM S.A. made a partial repayment of the loan from Selena Industrial Technologies (PLN 100 thousand).

On 29 June 2018, an annex was signed to the multi-purpose credit limit for Group companies, increasing the credit amount from PLN 50 million to PLN 90 million (item 5 in the summary). Selena S.A. joined the debt. The increased loan limit was divided among the companies participating in the credit agreement. The distribution of the credit limit between borrowers may vary depending on the needs of individual entities. At the same time, the loan period has been extended to 29 June 2021. The value of securities provided by individual Borrowers (Selena FM S.A., Orion PU Sp. z o.o., Libra Sp. z o.o., Carina Silicones Sp. z o.o., Libra Sp. z o.o, Izolacja Matizol Sp. z o,o, Selena S.A.) has been updated in line with the increased value of the approved credit limit.

As part of the loan agreements signed by the 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 2018, Selena Group maintained the consolidated financial ratios at the levels required by the lenders.

Events occurring after the balance sheet date

On 4 July 2018, an annex was signed to the multi-facility agreement for SELENA FM S.A., Orion PU Sp. z o.o., Carina Silicones Sp. z o.o. and Selena FM S.A. (item 2 in the summary). The credit amount was maintained at PLN 70 million, and at the same time, the loan period was extended to 4 June 2021. The loan is secured by mortgages on the properties owned by the subsidiaries: Carina Silicones Sp. z o.o., Selena Labs Sp. z o.o. and Tytan EOS Sp. z o.o., a registered pledge on the properties and inventories of Carina Silicones Sp. z o.o. and Tytan EOS Sp. z o.o., together with assignment of insurance policies for the above assets, a registered pledge on the inventories of Orion PU Sp. z o.o., Libra Sp. z o.o. and Selena S.A. together with assignment of insurance policies for the above assets and civil law guarantees of Tytan EOS Sp. z o.o. and Libra Sp. z o.o. The borrowers also issued blank promissory notes to the bank, alongside promissory note declarations.

On 9 July 2018, an annex was signed to the receivables limit agreement for Selena FM S.A., Orion PU Sp. z o.o., Libra Sp. z o.o., Selena S.A., Izolacja Matizol, Sp. z o.o. and TYTAN EOS Sp. z o.o. (item 1 in the summary). The limit amount was reduced to PLN 35 million, and the credit period was extended to 13 July 2020. The limit is secured by a power of attorney to the borrowers' current accounts maintained by the bank; mortgage on the real estate of Orion PU Sp. z o. o. up to PLN 52.5 million with the assignment of rights under the insurance policy and blank promissory notes issued by the borrowers together with the promissory note declarations.

On 7 September 2018, Selena FM S.A. made a partial repayment of the loan from Selena Marketing International Sp. z o.o. (PLN 500 thousand).

19. Trade liabilities

Figures in PLN thousand	30 June 2018 (unaudited)	31 December 2017
Trade liabilities		
amounts due to related parties	71,156	77,434
amounts due to other entities	7,928	6,925
Total trade liabilities	**79,084**	**84,359**

20. Other short-term liabilities

Figures in PLN thousand	30 June 2018 (unaudited)	31 December 2017
Remuneration payable	2,881	1,876
Investment liabilities	17	22
Taxes and insurance payable	696	577
Dividend liabilities	6,850	
Advances received for future deliveries	26	148
Other liabilities	18	23
Total other liabilities	**10,488**	**2,646**

21. Other financial liabilities

Figures in PLN thousand	30 June 2018 (unaudited)	31 December 2017 transformed data*
Long-term financial liabilities	752	418
Finance lease obligations	752	480
Other financial liabilities	0	-62
Short-term financial liabilities	1,313	527
Finance lease obligations	570	527
Other financial liabilities	743	0
Total financial liabilities	**2,065**	**945**

* the reasons and effects of transformation of the data published in prior periods are described in Note 3.1

22. Contingent liabilities and guarantees granted

22.1 Guarantees given to subsidiaries

Selena FM S.A. did not give to non-Group companies any guarantees whose value would exceed 10% of its equity. Group companies, including Selena FM S.A, provide cross-guarantees to each other in connections with jointly incurred bank debt, and as part of commercial transactions. Details of these transactions as at 31 December 2017 were presented in the unconsolidated financial statements of Selena FM S.A. for 2017, Note 29.1.

In the first half of 2018, the following changes took place in the guarantees granted by Selena FM S.A.:

- In connection with the expiry, in March 2018, of a bank guarantee in favour of the state, represented by the Customs Office, a new guarantee of PLN 0.2 million was established under the agreement of 13 March 2018;
- Expiry of the guarantee securing the investment loan granted to Libra Sp. z o.o. (as at 31 December 2018, the value of the guarantee was PLN 0.4 million);
- On 29 June 2018, an annex was signed to the multi-purpose credit limit for Group companies, increasing the credit amount from PLN 50 million to PLN 90 million (item 18 in the summary); the company is jointly and severally responsible for the debt of other borrowers;
- On 26 February 2018, Selena FM S.A. granted a guarantee of EUR 0.2 million to secure a lease agreement signed by Selena Iberia;
- Granting new guarantees of EUR 4.45 million, RON 0.5 million and PLN 3 million in favour of suppliers;
- Expiry of guarantees for suppliers granted in prior periods (EUR 1 million and PLN 3 million).

<u>Events occurring after the balance sheet date</u>

After the balance sheet date, Selena FM S.A. renewed three guarantees securing the loans and leases granted to Selena Iberia. Each of these guarantees was renewed for another year. The total amount of the guarantees increased by EUR 1.24 million.

22.2 Litigations

As at 30 June 2018 and by the date of preparation of this report Selena FM S.A. was not a party to any material court dispute.

23. Related party transactions

The table below shows transactions with related parties (subsidiaries, associates, members of the Parent's governing bodies) over the 6 months ended 30 June 2018 and 30 June 2017, respectively.

	Figures in PLN thousand	Period	Revenue from sales and recharged costs	Purchase of goods and services	Other revenue*	Other costs
Subsidiaries		2018	208,717	200,218	29,856	345
		2017	214,461	193,851	10,876	88
Associates		2018	2,453	9	0	0
		2017	2,751	0	0	0
Owners	AD Niva Sp. z o.o. (indirectly Krzysztof Domarecki)	2018	4	0	0	0
		2017	5	0	1,993	0
	AD Niva Sp. z o.o. SKA (Krzysztof Domarecki)	2018	1	0	0	0
		2017	1	0	0	0
Supervisory Board Members	Universal Energy Sp. z o.o. (Krzysztof Domarecki)	2018	1,604	0	0	0
		2017	2,444	0	-4	0
TOTAL		**2018**	**212,779**	**200,227**	**29,856**	**345**
		2017	**219,662**	**193,851**	**12,865**	**88**

* the value includes other operating revenues and financial revenues

The table shows the balance of transactions with related parties (subsidiaries, associates, members of the Parent Company's governing bodies) as at 30 June 2018 and 31 December 2017.

	Figures in PLN thousand	Period	Loans	Trade receivables	Other receivables	Liabilities
Subsidiaries		2018	117,780	173,425	10,464	98,593
		2017	107,746	133,091	902	92,701
Associates		2018	0	1,713	0	10
		2017	0	1,216	0	0
Owners	AD Niva Sp. z o.o. (indirectly Krzysztof Domarecki)	2018	0	1	0	2,929
		2017	0	1	0	0
Supervisory Board Members	Syrius Investment (Krzysztof Domarecki)	2018	0	0	0	2,415
		2017	0	0	0	0
	Universal Energy Sp. z o.o. (Krzysztof Domarecki)	2018	0	1,259	0	0
		2017	0	2,446	0	0
TOTAL		**2018**	**117,780**	**176,398**	**10,464**	**103,947**
		2017	**107,746**	**136,754**	**902**	**92,701**

24. Events occurring after the balance sheet date

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

The person who prepared the financial report	**Management Board President**
....	....
Agnieszka Rumczyk	**Marcin Macewicz**
	Management Board Member
	....
	Agata Gładysz-Stańczyk
	Management Board Member
	....
	Artur Ryglowski