SELENA GLOBAL EXPERIENCE

SELENA FM GROUP

EXTENDED CONSOLIDATED
QUARTERLY REPORT FOR THE PERIOD
FROM 1 JANUARY TO 31 MARCH 2018

Wrocław, 25 May 2018

1. ADDITIONAL INFORMATION TO THE QUARTERLY REPORT

1.1 Financial highlights

1.1.1 Consolidated financials of Selena Group

	PLN thousand		EUR thousand	
	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)
Revenue from sales	248,185	220,105	59,397	51,317
Operating profit (loss)	739	-2,188	177	-510
Profit (loss) before tax	-3,647	-6,667	-873	-1,554
Profit (loss) after tax	-4,177	-8,533	-1,000	-1,989
Profit (loss) after tax attributable to controlling interests	-4,153	-8,553	-994	-1,994
Comprehensive income	-3,919	-10,328	-938	-2,408
Comprehensive income attributable to shareholders of the parent	-3,903	-10,323	-934	-2,407
Net cash flows from operating activities	-15,358	-2,178	-3,676	-508
Net cash flows from investing activities	-6,109	-5,476	-1,462	-1,277
Net cash flows from financing activities	24,087	10,757	5,765	2,508
Number of shares	22,834,000	22,834,000	22,834,000	22,834,000
Earnings per ordinary share (PLN/share) /EUR/share)	-0.18	-0.37	-0.04	-0.09

	31 March 2018 (unaudited)	31 December 2017	31 March 2018 (unaudited)	31 December 2017
Total assets	861,863	822,176	204,791	197,122
Non-current liabilities	63,655	38,345	15,125	9,193
Current liabilities	379,579	361,106	90,193	86,577
Equity	418,629	422,725	99,472	101,351
Registered capital	1,142	1,142	271	274

1.1.2 Financial data of the Parent Company

	figures in PLN thousand		EUR thousand	
	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)
Revenue from sales	104,397	95,707	24,985	22,314
Operating profit (loss)	-4,727	-12,464	-1,131	-2,906
Profit (loss) before tax	-4,919	-14,355	-1,177	-3,347
Profit (loss) after tax	-3,954	-13,563	-946	-3,162
Comprehensive income	-3,954	-13,563	-946	-3,162
Net cash flows from operating activities	-29,178	-4,394	-6,983	-1,024
Net cash flows from investing activities	-5,416	-1,243	-1,296	-290
Net cash flows from financing activities	28,088	13,994	6,722	3,263
Number of shares	22,834,000	22,834,000	22,834,000	22,834,000
Earnings per ordinary share (PLN/share) /EUR/share)	-0.17	-0.59	-0.04	-0.14

	31 March 2018 (unaudited)	31 December 2017	31 March 2018 (unaudited)	31 December 2017
Total assets	474,194	474,181	112,675	113,688
Liabilities	194,975	181,232	46,329	43,452
Equity	279,219	292,949	66,346	70,236
Registered capital	1,142	1,142	271	274

1.2 Group structure

The Group structure and changes in it were presented in Note 2.1.4 of this report.

1.3 Material developments in the reporting period

1.3.1 Changes in the Management Board

On 5 January 2018, Jean-Noël Fourel resigned as Management Board President.

On 12 January 2018, the Company's Supervisory Board adopted a resolution appointing Marcin Macewicz as acting Management Board President pending election of a new Management Board President.

1.3.2 Group promotion

Krzysztof Domarecki wins the 2017 Wektor award (15 January 2018)

On 15 January 2018, Krzysztof Domarecki received the 2017 Wektor award. Each year, this award goes to personalities from the world of business, politics, culture and media, whose activities contribute to elaboration of a catalogue of good practices for development of Polish business.

Selena S.A. at the Budma Fair (30 January–2 February 2018)

Selena S.A. again participated in one of the largest industry events: the **International Construction and Architecture Fair – BUDMA.** BUDMA is a place where producers and distributors of modern technologies and building materials meet with representatives of trade, architects, contractors and investors in Europe. During this year's edition, Selena S.A. was a partner for 1m/ARCH, called "a city of architects".

Selena S.A. awarded as the Construction Company of the Year (23 January 2018)

At this year's BUILDER AWARDS Gala, Selena S.A. was recognised as Construction Company of the Year already for the sixth time, and Andrzej Ulfig, CEO, was honoured as the Personality of the Sector in 2017. During the event, the Builder magazine conferred the Polish Hercules awards and recognised its partners. Every year, the editors of the Builder monthly recognise contractors, developers, architects as well as manufacturers and distributors of innovative solutions for the construction industry, and companies that actively create and disseminated best practices in the construction sector.

CE region marketing meeting (12–14 February 2018)

In February 2018, marketing and sales employees from the Central and Eastern Europe region met in Kecskemét, Hungary. The purpose of the meeting was to present new products, refresh knowledge about the existing strategic products, discuss selected marketing projects for the coming months and present examples of good practices from the Hungarian, Czech and Romanian markets.

Bricomarché Fair (13–14 February 2018)

On 13 and 14 February 2018, Selena S.A. took part in the Bricomarché fair. This was the third edition of the fair organised for store chains and their suppliers. The fair was an opportunity for Selena to establish new business relations.

Training of the ETICS applicators from Selena Bulgaria (12–15 February 2018)

On February 12–15, the ETICS applicators from Bulgaria participated in training at Polish production plants. They learned about the main features of the Group's products compared with competitive solutions and about how to increase the efficiency of products (including the Tytan IS 13 plaster). During the practical session, customers had an opportunity to test the products and check their performance.

Budma Fair in Kielce (6–7 March 2018)

On 6 and 7 March 2018, Selena took part in the Budma construction fair. This was the 16th edition of the event. At Selena's futuristic stand, stylised as a metropolis customers could both become acquainted with the company's key products and find out about new features in the portfolio of the Tytan Professional brand. Two new products made their debut at the fair: modern tile adhesives FLEX Gel and SUPERFLEX Gel, which are the first in the European market to combine the flexibility of a gel with fibre-enhanced strength.

Eurasia Window & Door (6–9 March 2018)

In March this year, Selena Yapi (Turkey) participated in the Eurasia Window & Door Exhibition in Istanbul. This is one of the largest industry events in the MEA region for the industry related to the Window & Door segment. During the fair, Selena Yapi presented the visitors with a portfolio of innovative products for doors and windows. It was an opportunity to exchange experiences, establish new business contacts and present Selena's product range.

Bulgarian Building Week (March 7–10 2018)

From 7 to 10 March 2018, Selena Bulgaria participated in one of the major industry events – Bulgarian Building Week 2018. This was primarily an opportunity to build a network of business contacts and to familiarise new customers with Selena's product range. This year, Selena focused on demonstrating to customers and contractors the versatility of its portfolio with ready solutions for anything from foundations to the roof.

Fensterbau Frontale (23 March 2018)

On 23 March, Selena Vostok took part in the 2018 Fensterbau Frontale Fair in Nuremberg. Selena Vostok was a bronze partner of the show. Melekhina Maria, Marketing Director Selena Vostok, participated in a discussion panel, during which a presentation was made of the company's technology and good practices regarding the use of the Group's products in the window mounting segment.

1.3.3 Research and new products in the portfolio

In the first quarter of 2018, Selena's R&D department continued to work on a new family of Ultra foams with a very short drying period, with a focus on Ultra winter foams and Ultra flame retardant foams for professional applications. In the first quarter, work was continued in the segment of adhesives and sealants in the area of development of products based on hybrid technologies.

Selena finalised work on the new assembly adhesive, which combines the two most important features – a strong initial grip and very fast curing. The product is currently being validated by customers directly in the market. Laboratory work was also finalised on a hybrid adhesive for parquet flooring, with parameters similar to those of polyurethane adhesives.

Work has begun on modifying the adhesive for floor coverings in order to adapt the product parameters to the customers' requirements. The formulation of the contact adhesive was modified to ensure the product can be used at lower temperatures. Selena finalised work on a new transparent adhesive based on polyurethanes, dedicated to the Turkish market. The product is currently being validated.

The production of fire retardant products – silicone and acrylic sealant – was launched.

Work began on the development of a range of silicone-based sealants, water dispersions and hybrid solutions that meet low-emission requirements, also in winter versions.

In the area of waterproofing products, Selena finalised work on a new formulation of COOL-R, the highly-reflective waterproofing roof coating, to expand the range of its use in various temperature and humidity conditions. The product is currently being validated in the market.

Selena also continues the search for new sources of raw materials, testing them in the lab to optimise its products and modify their parameters.

Q1 2018 saw the debut of Tytan Professional hybrid tile adhesives. Superflex Gel and Flex Gel are highly flexible adhesives which combine two technologies: the flexibility of fibre and the multi-functionality of gel. This solution, which is innovative on a European scale, particularly dedicated to the segment of large format tiles, has not been developed by any other company before.

Other products added to the Selena Group's portfolio include the colourless Tytan Professional self-adhesive protective film and an orange Tytan Professional plastering tape. Another new product is also the Premium Contact Primer (Grunt Sczepny Kontakt Premium), which is a ready-to-use preparation based on acrylic dispersion with the addition of quartz aggregate to increase the roughness of the substrate and to strengthen and improve the adhesion of layers.

Drawing conclusions from the difficult situation in the raw materials market in 2017, Selena Group decided to look for sources of raw materials supply other than petrochemical ones only. One of the main directions in this regard are Bio and recycled products.

1.4 Group performance drivers

1.4.1 Financial performance

The tables below show selected items of the consolidated income statement for the 3 months ended 31 March 2018 and 2017 March 2017, respectively, as well as selected financial ratios.

Figures in PLN thousand	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)	Change	Change %
Revenue from sales	248,185	220,105	28,080	12.8%
Cost of sales	176,502	152,782	23,720	15.5%
Gross profit on sales	71,683	67,323	4,360	6.5%
Selling and marketing costs	44,197	44,021	176	0.4%
General and administrative expenses	24,916	22,801	2,115	9.3%
Other operating profit (loss)	-628	-2,689	858	-
Impairment (reversal of impairment) of financial assets	1,203	n/a		-
EBITDA – operating profit + depreciation / amortisation	7,586	3,734	3,852	-
Operating profit (loss) (EBIT)	739	-2,188	2,927	-
Net financial income (loss)	-4,386	-4,479	93	-
Share in net profit/loss of the associate	0	0	0	-
Profit (loss) before tax	-3,647	-6,667	3,020	-
Profit (loss) after tax	-4,177	-8,533	4,356	-
Other net comprehensive income	258	-1,795	2,053	-
Total comprehensive income	-3,919	-10,328	6,409	-

			Change in p.p.
Gross profit margin	28.9%	30.6%	-1.7
Selling costs / revenue from sales	17.8%	20.0%	-2.2
General and administrative expenses / revenue from sales	10.0%	10.4%	-0.3
EBITDA margin %	3.1%	1.7%	1.4
Operating profit margin (EBIT%)	0.3%	-1.0%	1.3
Net profit margin	-1.7%	-3.9%	2.2

EBIT % – operating profit / sales
EBITDA % - EBITDA / sales

Sales

During the period of 3 months of 2018, consolidated revenue from sales amounted to PLN 248.2 million, which is by PLN 12.8% (PLN 28.1 million) higher than in the corresponding period of the previous year.

The increase in sales in the period of 3 months of 2018 was driven by revenues earned in the first quarter of 2018 by Uniflex S.p.A. (PLN 14.6 million), the acquisition of which took place at the end of March 2017, and an increase in sales by Group companies.

The sales of Selena Group are presented by three geographical segments: the European Union (including Poland), Eastern Europe and Asia (including Russia and China), and North and South America (USA and Brazil). The sales structure by segments has not changed significantly compared with 2017. European Union remains the key segment. It generated 68% (vs. 66% in the corresponding period of 2017) of total sales. The Poland sub-segment achieved a 36% share in the Group's sales, achieving a 3% increase in revenues compared to the same period of 2017. Despite an increase in revenues from sales, the Poland subsegment saw a decrease in its share in the Group's sales mainly due to the acquisition of Uniflex S.p.A., which contributed to the increase in the share of the European Union subsegment – other countries. The Eastern Europe and Asia segment recorded a slight decrease in its share – to 26%. The North and South America segment saw a slight decline in its share in total sales, achieving 6% contribution to Group's revenues, despite growth in terms of value.

Segment	Segment's share in the Group's revenues		Change
	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)	2018 / 2017
European Union, including:	68%	66%	16%
Poland	*36%*	*40%*	*3%*
Other countries	*32%*	*26%*	*37%*
Eastern Europe and Asia	26%	27%	9%
N&S America	6%	7%	-4%

Gross profit on sales

For 3 months of 2018, Selena Group generated gross profit of PLN 71.7 million, i.e. PLN 4.4 million more year-on-year.

Gross profit margin was 28.9%, down 1.7 p.p. year-on-year. The margin decreased mainly as a result of a major increases in raw material prices, which the Group could partly transfer to the market considering the price competition environment in individual markets.

Selling costs and general and administrative expenses

Selling costs over 3 months of 2018 were PLN 44.2 million, up PLN 0.2 million, i.e. 0.4% YoY. Selling costs were significantly affected by the rates of exchange of individual currencies into the functional currency, which partly compensated for the increase in selling costs in local currencies related to the increase in revenue from sales.

Over the 3 months of 2018, **general and administrative expenses** were PLN 24.9 million. They increased by PLN 2.1m YoY. The increase in general and administrative expenses was driven by an increase in R&D costs and the costs which were not posted in Q1 2017 (amortisation of the ERP system and general and administrative expenses of Uniflex S.p.A. acquired by Selena).

Operating profit (loss)

Over 3 months of 2018, the Group for the first time generated an operating profit in the first calendar quarter. It amounted to PLN 0.7 million vs. PLN 2.2 million in the corresponding period of the previous year.

The result on other operations was negative at PLN -1.8 million, taking into account the impairment loss in respect of financial assets. Since 1 January 2018, as required by the new IFRS 9 standard, the Group has reported the net balance of impairment of financial assets in a separate line in the income statement. The loss on other operations was affected by the cost of unused production capacity (PLN 0.3 million in total), impairment allowances on receivables, less reversed allowances (PLN 1.2 million), impairment allowances for inventory, cost of liquidation of stocks and inventory shortages, less reversed allowances for the value of stocks and stock-taking overages (PLN 0.9 million in total).

Profit/ loss after tax

Over the 3 months of 2018, Selena Group posted net loss of PLN 4.2 million vs. PLN 8.5 million of net loss in the corresponding period of 2017.

The Group's net result was primarily influenced by the net financial income, including by valuation of open currency positions (trading settlements and loans received/granted) and interest expense. The operating result was reduced by a net loss on financial activity of PLN 4.4 million posted over 3 months of 2018. The negative balance of FX differences was PLN 2.4 million vs. an FX loss of 4.3 million in Q1 2017.

The cost of interest on loans and finance leases totalled PLN 1.7 million net (after reduction by the achieved interest income from bonds and bank deposits) compared with PLN 0.4 million incurred in the corresponding period of 2017.

For the 3 months of 2018, the income tax charge was PLN 0.5 million.

After the 3 months of 2018, EBITDA was PLN 7.6 million (including depreciation/amortisation: PLN 6.8 million), which was by PLN 3.9 million higher year-on-year.

1.4.2 Asset and financial position

The table below shows selected figures of the consolidated balance sheet as at 31 March 2018 and 31 December 2017.

Figures in PLN thousand	31 March 2018 (unaudited)	31 December 2017	Change	Change %
Non-current assets	**315,620**	**313,531**	**2,089**	**1%**
Property, plant and equipment	222,041	220,825	1,216	1%
Intangible fixed assets	54,728	55,475	-747	-1%
Other long-term assets	38,851	37,231	1,620	4%
Current assets	**546,243**	**508,645**	**37,598**	**7%**
Inventories	212,971	193,040	19,931	10%
Trade receivables	231,496	206,435	25,061	12%
Cash	55,574	52,921	2,653	5%
Other current assets	46,202	56,249	-10,047	-18%
Equity	**418,629**	**422,725**	**-4,096**	**-1%**
Liabilities	**443,234**	**399,451**	**43,783**	**11%**
Loans and advances	179,408	152,129	27,279	18%
Trade liabilities	159,754	152,015	7,739	5%
Other liabilities	104,072	95,307	8,765	9%

	31 March 2018 (unaudited)	31 December 2017
Current liquidity	1.4	1.4
Quick liquidity	0.9	0.9
Debt ratio	51%	49%

Current liquidity – current assets / current liabilities
Quick liquidity – current assets less stocks / current liabilities

The Group's asset position, with an increase in total assets of PLN 39.7 million vs. 31 December 2017, was affected by seasonality, resulting in an increase in current assets (inventories, receivables, liabilities) and their accompanying increase in external financing.
The current and quick liquidity ratios (1.4 and 0.9 respectively) point to the Group's ability to meet its obligations in a timely manner.

1.4.3 Debt

Figures in PLN thousand	31 March 2018 (unaudited)	31 December 2017
Interest bearing borrowings	179,408	152,129
Other financial liabilities	29,630	28,699
Less cash and cash equivalents	-55,574	-52,921
Net debt	**153,464**	**127,907**
Equity attributable to the shareholders of the parent	418,155	422,235
Equity and net debt	**571,619**	**550,142**
Gearing (net debt / equity + net debt)	27%	23%
Debt ratio (liabilities / total assets)	51%	49%
Ned debt / EBITDA*	2.10	1.85

** debt as at the balance sheet date; EBITDA for the last 4 quarters*

The increase in debt on loans vs. 31 December 2017 mainly resulted, as every year, from the seasonal factors and the ensuing higher working capital requirements in the summer months.

As at 31 March 2018, the debt ratio amounted to 51% and was 2 pp higher than at the end of 2017 and the same as the level noted as at 31 March 2017. The net debt to EBITDA was 2.10 and was higher vs. 31 December 2017, when it stood at 1.85. The increase was mainly caused by the stocks provided to the Group's trading companies. In accordance with historical data, the ratio is expected to fall towards the end of the year. The value of the ratio is below the level covenanted with banks.

1.4.4 Cash flows

The tables below show selected items of the consolidated statement of cash flows for the three months ended, 31 March 2018 and 31 March 2017, respectively.

Figures in PLN thousand	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)	Change
Net cash flows from operating activities	-15,358	-2,178	-13,180
Net cash flows from investing activities	-6,109	-5,476	-633
Net cash flows from financing activities	24,087	10,757	13,330
Change in cash and cash equivalents:	**2,620**	**3,103**	**-483**

Net cash flows in the period of 3 months of 2018 were PLN +2.6 million.

Operating cash flows were PLN -15.3 million, down PLN 13.2 million lower than in the corresponding period of 2017. Due to the seasonality of its business, the Group increased the cash value in its net current assets compared with 31 December 2017: receivables (PLN -18.7 million), inventory (PLN -20.5 million) and liabilities (PLN +19.0 million). The periodic decline in operating cash flows in Q1 2018 was affected by purchases of some strategic raw materials made on the basis of prepayments.

Net cash flows from investing activities were negative at PLN - 6.1 million and investment expenses were up PLN 0.6 million year-on-year.

Net cash inflows from financing activities amounted to PLN 24.1 million. This figure was mainly affected by the bank loans (PLN 81.8 million) obtained to fund working capital requirements and investments, repayment of bank and other loans (PLN - 54.4 million), interest paid (PLN -1.9 million), as well as finance lease payments (PLN -1.4 million).

1.5 Seasonality of business

The building materials industry in which Selena Group operates is characterised by seasonality of sales. Lower activity is seen 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 2016–2017, one may conclude that sales in individual quarters have the following contribution to the total annual sales: Q1 – 18%, Q2 - 27%, Q3 - 30%, Q4 - 25%. Seasonal fluctuations of sales are primarily affected by the weather and fluctuations in sales in the individual geographies where the Group operates.

1.6 Delivery of forecasts

The Selena Group did not publish any performance forecast for 2018.

1.7 Issue, redemption of repayment of non-equity and equity instruments

In the period covered by this report, Selena FM S.A. did not issue, redeem or repay any non-equity or equity securities.

1.8 Payment of dividend

In the reporting period the Parent Company did not pay any dividend. The Management Board of Selena FM S.A. recommends a dividend of PLN 6,850,200 (PLN 0.30 per share) payable to the shareholders from the net profit earned in 2017. The Management Board of the Parent Company has proposed 2 July 2018 as the record date and 16 July 2017 as the dividend payment date. On 23 May 2018, the Supervisory Board approved the dividend payment proposal put forward by the Parent Company's Management Board. The Annual General Meeting of Shareholders of Selena FM S.A. will be held on 14 June 2018.

1.9 Shareholders of the parent

The table below shows distribution of share capital and voting power among shareholders of the Parent Company as at the date of publication of this report.

Shareholder	Share types	Number of shares acquired	Share in registered capital	Number of votes	Share in votes at the AGM
AD Niva Sp. z o.o. *	Registered preference shares	4,000,000	17.52%	8,000,000	29.81%
	Bearer shares	5,763,000	25.24%	5,763,000	21.48%
Syrius Investments S.a.r.l.*	Bearer shares	8,050,000	35.25%	8,050,000	30.00%
Quercus Towarzystwo Funduszy Inwestycyjnych S.A. **	Bearer shares	1,367,141	5.99%	1,367,141	5.09%

** entity controlled by Krzysztof Domarecki, Supervisory Board Chairman*
***As at 7 July 2016*

In the reporting period, no changes were reported regarding the shareholding of the significant shareholders of the Parent.

1.10 Shareholdings by executive and non-executive directors

The table below shows a summary of the shareholdings in the Parent Company by executive and non-executive directors as at the date of publication of this report.

Name	Role	Number of shares held	Nominal value of shares (PLN)
AD Niva Sp. z o.o. *	-	9,763,000	488,150
Syrius Investments s.a.r.l.**	-	8,050,000	402,500
Artur Ryglowski	Management Board member	7,600	380.00
Marcin Macewicz	Management Board member	600	30

** entity controlled by Krzysztof Domarecki, Supervisory Board Chairman, through Syrius Investment s.a.r.l.*

*** entity controlled by Krzysztof Domarecki, Supervisory Board Chairman*

1.11 Litigations

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

Other significant court disputes were described in the consolidated financial statements of Selena FM Group for 2017 (Note 29.3). No significant changes occurred in the period until approval of these consolidated financial statements.

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

On 27 March 2009, Carina Silicones sp. z o.o. (previously Carina Sealants Sp. z o.o. SKA) filed a suit with the Regional Court in Wrocław, X Commercial Division, against Bank Millennium S.A. of Warsaw to repudiate the FX options agreement of 8 July 2008. The case was referred to resolution to the Regional Court in Warsaw.

The bank presented to the court an estimated obligation of PLN 6.9m in respect of settlement of the FX transactions. On 27 February 2015, the Regional Court in Warsaw passed a judgement on the strength of which the court of first instance dismissed the claim. The Company appealed. On 8 September 2016, the Court of Appeal in Warsaw passed a judgement concerning the claim filed by Carina Silicones Sp. z o.o. against Bank Millennium S.A. and upheld the decision of the District Court in Warsaw of 27 February 2015.

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, proposing the proceedings to be suspended until determination of the fact of existence of the contested transaction. On 11 May 2013, the District Court in Warsaw, accepted the request of Carina Silicones and decided to suspend the proceedings.

At the request of Bank Millennium, the Regional Court in Warsaw resumed the proceedings. During the first hearing on 14 March 2017, the attorney of Bank Millenium filed a motion to refer the case to mediation. The court decided to defer its decision regarding the motion. As at the date of preparation of the quarterly consolidated report, the Regional Court continues examine evidence for the case. The company expects that the decision of the court of first instance should be taken at the end of 2018 or in 2019. The company has a legal opinion which shows that the claim for payment is very likely to be successful.

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

Selena S.A. is a party to customs proceedings relating to the imposition by the customs authorities of anti-dumping duty on the company in connection with the import of open-mesh fabrics of glass fibres from Taiwan. The goods were imported in e.g. 2011–2012. At that time, no anti-dumping duty was in effect that would relate to the imports of certain types of open-mesh fabrics of glass fibres forwarded from Taiwan. The anti-dumping duty on this mesh was introduced on 25 May 2012, on the basis of Regulation No. 437/2012 of 23 May 2012 in conjunction with Regulation No. 21/2013 of 10 January 2013.

On 24 February 2014, the Head of the Customs Office in Gdynia initiated the first proceedings against Selena S.A. concerning determination of anti-dumping customs duty on the imports of the open-mesh fabrics from Taiwan. On 27 May 2014, the Head of the Customs Office in Gdańsk initiated further 27 proceedings to determine the amount of the anti-dumping duty for the same goods. The basis for initiation of the procedure by the Polish customs authorities was the receipt of a report drafted by the European Anti-Fraud Office (OLAF) on the investigation carried out by OLAF in Taiwan in 2013 concerning the suspected circumvention of the anti-dumping duty imposed on the imports of open-mesh fabrics.

At present, there are 32 proceedings pending, in which anti-dumping duties of PLN 7,992.9 thousand in total were imposed on the Company in the first instance. The decisions taken by the courts of the first instance to impose the anti-dumping duty are solely based on the OLAF's report on the completed investigation, and actually, fact sheets sent by the Taiwanese authorities (tables appended to the to OLAF's report), whose quality and content cause the Company to have reasonable doubt, a fact that has been consistently brought to the court's attention. Where an authority of the second instance adopts an unfavourable decision, a complaint can be lodged with the Supreme Administrative Court.

Until 15 December 2016, the outcomes of the proceedings before administrative courts were favourable for the Company. The first unfavourable court ruling in customs matters was issued on 15 December 2016 (in the group of three cases), after another examination of the above cases. The court dismissed the complaints made by Selena S.A., but did not refer to the inconsistent data arising from the OLAF report or the supplementary correspondence with OLAF. The above unfavourable ruling relating to the three complaints filed with the Provincial Administrative Court against the decision of the Head of Customs Chamber, increased the risk of a negative outcome of the remaining cases, so a decision was made to raise a provision for this purpose. The Company did not agree with the court decisions on the above three cases, and on 20 and 22 February lodged appeals to the Supreme Administrative Court.

A group of other 15 cases were suspended before the court of the second instance. During the proceedings, in September 2017 the court of the second instance issued rulings upholding the decisions of the court of the first instance. In respect of the 15 decisions issued, the Company paid customs duty of PLN 4.4 million plus interest in a total amount of PLN 0.2 million.

In late October/early November 2017, complaints were lodged with the Provincial Administrative Court in Gdansk in relation to those 15 cases. The Provincial Administrative Court upheld the contested decisions. The judgments are not final and binding. The company disagreed with the judgments and lodged cassation appeals to the Supreme Administrative Court on 16 April 2018. Along with the complaints against the 15 decisions, the Company also filed a cassation appeal in a single case, which after being dismissed by the Provincial Administrative Court and the Supreme Administrative Court, was again negatively resolved for the Company. The issuing of a decision in that single case coincided with the issue of the 15 decisions, which resulted in judgements being handed down by the Provincial Administrative Court (and then cassation appeals being lodged against them) on the same day. The duty in that single case is PLN 407.1 thousand – it was paid by the Company. Another group of the remaining 13 cases remains suspended by the Provincial Administrative Court in Gdańsk.

A provision was raised for the amount of potential future customs obligations. The provision was posted in the 2016 costs and was partly used in 2017.

1.12 Related party transactions

In the reporting period, the Parent Company did not enter into any material transactions with its related parties on non-arm's length basis.

The material transactions between Selena FM and its subsidiaries were described in the quarterly report on the company's financial position (point 3.15 of this report).

1.13 Guarantees given

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

Group companies provide cross-guarantees to each other in connections with jointly incurred bank debt, and as part of commercial transactions. These are intercompany dealings (the guarantees cover the obligations presented in the consolidated balance sheet), therefore the obligations in respect of such guarantees are not presented in the consolidated accounts.

Such guarantees given to the subsidiaries by Selena FM S.A. were described in detail in Note 29.1 of the unconsolidated financial statements of Selena FM S.A. for 2017.

1.14 Events occurring after the balance sheet date

Material events occurring after the balance sheet date and before approval of this report were described in Note 3.16 of this report.

1.15 Factors that will affect financial performance in the next quarter

The key factors that in the Management Board's opinion may affect the Group's performance in the following periods are described below.

The macroeconomic situation in Poland and world-wide. The forecast of the European Commission published o 3 May 2018 shows that the global economy is expected to see GDP growth of 3.9% this year and also 3.9% in 2019. Most importantly, EU Member States are to observe a growth of 2.3% and 2.0, respectively. As regards the key markets of Selena Group in Europe, it is important to note good but declining forecasts for the Spanish economy: 2.9% in 2018 and 2.4% of GDP in 2019. Positive GDP growth in 2018 is also expected in the other European geographies of Selena Group: Romania +4.5%, Hungary +4.0%, Czech Republic +3.4%, Bulgaria +3.8% or Italy +1.5%. EC expects Poland to record a strong GDP growth of +4.3%. As regards Selena Group's other markets, the European Commission's (*) and IMF's (**) projections point to the GDP growth in 2018: USA by 2.9% *, Turkey by 4.4% **, Ukraine by 3.2% **, Kazakhstan by 3.2% **, China by 6.6% *, Brazil by 2.3% **. GDP projections for the Russian market also point to an increase of 1.7%.**

Situation in the construction sector. According to the May forecast of the European Commission, expenditures on construction projects in the EU Member States are to increase by 2.2% in 2018, including in Poland by 11.1% vs. merely 2.3% noted in 2017. Increases are forecast also in other European countries where Selena Group operates: Spain +4.8%, Romania 10.3%, the Czech Republic 5.6%, Hungary 15.1%, Bulgaria 5.6% and Italy 2.3%. Demand in the construction chemicals market will be influenced by the situation in the residential construction segment, where these materials are used to the highest degree. Data published by the Central Statistics Office (GUS) on 18 April 2018 for the three months of 2018 point to a growth of 10.6% in house completions year-on-year. At the same time the number of construction permits increased by 10.8%, while the number of commenced housing investments increased by 8.5%.
After nine months of 2018, the construction and assembly production was by 26.8% higher year-on-year. The situation in the construction sector in Selena Group's other geographies also is expected to be positive, including in Russia, Kazakhstan and Ukraine.

Availability of financing. According to the results of the PENGAB banking business sentiment index published by the Polish Banks Association in April 2017, for 6-month projections 67% of the the polled bankers pointed to an increase, 30% to stabilisation and merely 3% to a decline in the volume of housing loans. According to the latest AMRON – SARFiN report published on 28 February 2018, in 2017 banks issued 190.6 thousand new housing loans with a value of PLN 44.6 billion. This is nearly 7% and 12.9% more in terms of number and value, respectively, compared with the previous year. According to the authors of this report, the results for 2018 may be similar to those achieved in 2017, i.e. around 190,000 mortgage loans sanctioned totalling nearly PLN 45 billion.

FX rates. According to the Thomson Reuters currency forecast of 15 May 2018, after a weaker period, in the coming months the zloty should appreciate again to around 4.20 EUR/PLN, and to around 4.18 EUR/PLN at the end of the year. The currency markets of Central Europe should also see some stability. Towards the year-end, the following currency rates are expected (for the main markets): USD/RUB 74.0 EUR/TRY 5.3 EUR/CZK 24.9 EUR/HUF 311 EUR/RUB 4.7 EUR/UAH 35.0.

Collection risk. Selena Group sells products with a deferred payment date, which causes a risk of non-payment for the products and services supplied to buyers. In order to minimise credit risk, Group companies monitor their trade receivables on an ongoing basis and operate a policy of approving credit limits. An increasing number of Group companies insure a portion of their trade receivables. The Group companies do not see any material increase in overdue debtors. The age structure of trade receivables in presented in Note 2.13 of the condensed consolidated financial statements.

Commodity prices. In 2018, the prices of basic raw materials stay at a high level reached in 2017. The high price of PMDI levelled off and the Company does not expect it to grow further (e.g. due to a lack of growing demand). The supply of raw materials for the production of acidic silicones and polymers is rather limited. There are problems with availability and a high price growth. The increase in asphalt prices results directly from oil prices and active investments in road construction. The prices of other commodity groups should be relatively stable.

1.16 Other significant information

This report presents information which might have a significant impact on the assessment of Selena's employment, asset or financial position, and which is key to assessment of its ability to meet its obligations.

2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

Figures in PLN thousand	Note	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)
Continued operations			
Revenue from the sale of products		230,158	202,842
Revenue from the sale of goods and materials		17,791	16,990
Revenue from the sale of services and lease		236	273
Sales		**248,185**	**220,105**
Cost of sales		176,502	152,782
Gross profit (loss)		**71,683**	**67,323**
Other operating income	2.6	1,386	1,333
Selling and marketing costs		44,197	44,021
General and administrative expenses		24,916	22,801
Other operating costs	2.6	2,014	4,022
Impairment (reversal of impairment) of financial assets	2.7	1,203	
Operating profit (loss)		**739**	**-2,188**
Financial revenues	2.8	731	5,290
Financial expenses	2.8	5,117	9,769
Share in net profit/loss of the associate		0	0
Profit (loss) before tax		**-3,647**	**-6,667**
Income tax	2.9	530	1,866
Net profit (loss) on continued operations		**-4,177**	**-8,533**
Discontinued operations			
Loss on discontinued operations		–	–
Net profit (loss) for the financial year, including:		**-4,177**	**-8,533**
Net profit (loss) attributable to:	2.10		
– shareholders of the parent		-4,153	-8,553
– non-controlling interests		-24	20
Earnings per share (continued operations) attributable to the shareholders of the parent (PLN / share)			
– basic		-0.18	-0.37
– diluted		-0.18	-0.37

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Figures in PLN thousand	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)
Profit after tax	**-4,177**	**-8,533**
Other comprehensive income not subject to reclassification to profit or loss	**0**	**0**
Other comprehensive income subject to reclassification to profit or loss:	**258**	**-1,795**
FX differences arising on translation of foreign affiliates	-494	2,567
FX differences on measurement of investments into the net assets of a foreign subsidiary	630	-5,829
Income tax	122	1,467
Other comprehensive income for the period, after tax	**258**	**-1,795**
Total comprehensive income	**-3,919**	**-10,328**
Attributable to:		
– shareholders of the parent	-3,903	-10,323
– non-controlling interests	-16	-5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figures in PLN thousand	Note	31 March 2018 (unaudited)	31 December 2017
ASSETS			
Property, plant and equipment		222,041	220,825
Intangible fixed assets		54,728	55,475
Other fixed assets		7,641	7,558
Investments accounted for using the equity method		5,724	5,820
Other long-term receivables		370	367
Long-term portion of loans granted		45	45
Other long term financial assets		1,425	1,471
Deferred tax assets		23,646	21,970
Non-current assets		**315,620**	**313,531**
Inventories	2.12	212,971	193,040
Trade receivables	2.13	231,496	206,435
CIT claimed		8,647	10,041
Other short-term receivables	2.14	33,762	40,637
Short-term portion of loans granted		545	498
Other short-term financial assets		3,248	5,073
Cash and cash equivalents		55,574	52,921
Current assets		**546,243**	**508,645**
TOTAL ASSETS		**861,863**	**822,176**
EQUITY AND LIABILITIES			
Registered capital		1,142	1,142
FX differences arising on translation of foreign affiliates		-28,235	-28,485
Supplementary capital		551,402	551,402
Other reserves		9,633	9,633
Retained profit / (loss carried forward)		-115,787	-111,457
– retained profit / loss carried forward from previous years		-111,634	-118,277
– profit (loss) after tax		-4,153	6,820
Equity attributable to the shareholders of the parent		**418,155**	**422,235**
Non-controlling interests		**474**	**490**
Total equity		**418,629**	**422,725**
Long-term portion of bank and other loans	2.15	39,340	12,714
Other financial liabilities	2.16	13,858	14,170
Other long-term liabilities	2.17	4,663	4,747
Deferred tax liabilities		2,822	3,817
Other long-term provisions	2.18	2,972	2,897
Non-current liabilities		**63,655**	**38,345**
Trade liabilities		159,754	152,015
Liabilities in respect of contracts with customers		7,674	
Short-term portion of bank and other loans	2.15	140,068	139,415
Other financial liabilities	2.16	15,772	14,529
Income tax payable		400	770
Other short-term liabilities	2.17	44,642	42,881
Short-term provisions	2.18	11,269	11,496
Current liabilities		**379,579**	**361,106**
Total liabilities		**443,234**	**399,451**
TOTAL EQUITY AND LIABILITIES		**861,863**	**822,176**

CONSOLIDATED STATEMENT OF CASH FLOWS

Figures in PLN thousand	Note	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)
Cash flows from operating activities			
Profit (loss) before tax		**-3,647**	**-6,667**
Adjusted by:			
Share in the result of the entities accounted for using the equity method		0	0
Depreciation		6,847	5,922
FX gains (losses)		1,037	5,864
Interest and dividends		1,783	220
Profit / (loss) on investing activities		-127	-1,404
Change in the balance of receivables		-18,725	-24,181
Change in the balance of inventories		-20,538	-25,357
Change in the balance of obligations		18,979	47,673
Change in the balance of provisions		-153	-26
CIT paid		-2,244	-4,068
Other		1,430	-154
Net cash flows from operating activities		**-15,358**	**-2,178**
Cash flows from investing activities			
Inflows from sale of tangible and intangible fixed assets		394	712
Acquisition of tangible and intangible fixed assets		-6,558	-3,817
Acquisition of a subsidiary, net of cash acquired (Uniflex, Oligo)		0	-3,707
Purchase of other financial assets		0	-10
Inflows from bond repayments		0	350
Sale of other financial assets		0	53
Dividends and interest received		3	1,033
Repayments of loans granted		0	0
Outflow on account of loans given		0	-90
Other		52	0
Net cash flows from investing activities		**-6,109**	**-5,476**
Cash flows from financing activities			
Repayment of finance lease obligations		-1,366	-447
Inflows from bank / other loans received		81,759	40,458
Repayment of loans and advances		-54,443	-27,927
Dividends paid to owners		0	0
Interest paid		-1,863	-1,327
Other		0	0
Net cash flows from financing activities		**24,087**	**10,757**
Net increase in cash and cash equivalents		**2,620**	**3,103**
Change in cash and cash equivalents:		2,653	2,813
net FX differences		33	-290
Cash and cash equivalents at the beginning of the period*		52,921	54,704
Cash and cash equivalents at the end of the period*		55,574	57,517

*including restricted cash:
as at 31 March 2018: PLN 0.2m
as at 31 March 2017: PLN 0.1m

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

FOR 3 MONTHS ENDED 31 MARCH 2018

Figures in PLN thousand	Attributable to the shareholders of the parent: Registered capital	Supplementary capital	FX differences arising on translation of a foreign affiliate	Other reserves	Retained profit/ (loss carried forward): from previous years	Retained profit/ (loss carried forward): from the current period	Total equity	Capital attributable to non-controlling interests	Aggregate equity
As at 1 January 2018 (approved data)	**1,142**	**551,402**	**-28,485**	**9,633**	**-111,457**	**0**	**422,235**	**490**	**422,725**
Impact of implementation of IFRS 9	**0**	**0**	**0**	**0**	**-177**	**0**	**-177**	**0**	**-177**
As at 1 January 2018 (transformed data)	**1,142**	**551,402**	**-28,485**	**9,633**	**-111,634**	**0**	**422,058**	**490**	**422,548**
Net profit (loss) for the financial year	0	0	0	0	0	-4,153	**-4,153**	-24	**-4,177**
Other net comprehensive income for the period	0	0	250	0	0	0	**250**	8	**258**
Total comprehensive income for the period	**0**	**0**	**250**	**0**	**0**	**-4,153**	**-3,903**	**-16**	**-3,919**
Transfer of profit to the supplementary capital	0	0	0	0	0	0	**0**	0	**0**
Dividend (SELENA FM S.A.)	0	0	0	0	0	0	**0**	0	**0**
As at 31 March 2018	**1,142**	**551,402**	**-28,235**	**9,633**	**-111,634**	**-4,153**	**418,155**	**474**	**418,629**

FOR 3 MONTHS ENDED 31 MARCH 2017

Figures in PLN thousand	Attributable to the shareholders of the parent: Registered capital	Supplementary capital	FX differences arising on translation of a foreign affiliate	Other reserves	Retained profit/ (loss carried forward): from previous years	Retained profit/ (loss carried forward): from the current period	Total equity	Capital attributable to non-controlling interests	Aggregate equity
As at 1 January 2017	**1,142**	**525,681**	**-17,174**	**9,633**	**-85,706**	**0**	**433,576**	**553**	**434,129**
Net profit (loss) for the financial year	0	0	0	0	0	-8,553	**-8,553**	20	**-8,533**
Other net comprehensive income for the period	0	0	-1,769	0	0	0	**-1,769**	-26	**-1,795**
Total comprehensive income for the period	**0**	**0**	**-1,769**	**0**	**0**	**-8,553**	**-10,322**	**-6**	**-10,328**
As at 31 March 2017	**1,142**	**525,681**	**-18,943**	**9,633**	**-85,706**	**-8,553**	**423,254**	**547**	**423,801**

ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

2.1 Information about the Group

2.1.1 General Information

Activities of the Group

Selena has been trading since 1992. The core business of the Group includes production, distribution and sale of building materials for doors and windows, and general building accessories. The Group has manufacturing plants located mainly in Poland, with trading operations in different countries in Europe, Asia and both Americas.

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. 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. 292032 (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 (as a multidistributor), 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 Group are controlled by Krzysztof Domarecki.

2.1.2 Management Board of the Parent Company

As at 31 December 2017, the Parent Company's Management Board was composed of:

- Jean-Noël Fourel – Management Board President
- Marcin Macewicz – Vice-President of the Management Board for Sales and Marketing
- Hubert Rozpędek – Vice-President of the Management Board for Finance
- Agata Gładysz-Stańczyk – Vice President of the Management Board, Innovation and Development Director.
- Artur Ryglowski – Management Board Member, Industrial and Logistics Operations Director.

Changes in the Management Board in 2018:

- On 5 January 2018, Jean-Noël Fourel resigned as Management Board President.
- On 12 January 2018, the Company's Supervisory Board adopted a resolution appointing Marcin Macewicz as acting Management Board President pending election of a new Management Board President.

As at 31 March 2018, the Parent Company's Management Board was composed of:

- Marcin Macewicz – acting President of the Management Board,;
- Hubert Rozpędek – Vice-President of the Management Board for Finance
- Agata Gładysz-Stańczyk – Vice President of the Management Board, Innovation and Development Director.
- Artur Ryglowski – Management Board Member, Industrial and Logistics Operations Director.

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

2.1.3 Supervisory Board of the Parent Company

As at 31 December 2017, the Supervisory Board of the Parent Company was composed of:

- Krzysztof Domarecki – Supervisory Board Chairman
- Borysław Czyżak – Supervisory Board Member
- Stanisław Knaflewski – Supervisory Board Member
- Andrzej Krämer – Supervisory Board Member
- Sylwia Sysko-Romańczuk – Supervisory Board Member
- Marlena Łubieszko-Siewruk – Supervisory Board Member
- Jacek Olszański – Supervisory Board Member
- Mariusz Warych – Supervisory Board Member.

From 1 January to 31 March 2018 no changes took place in the Supervisory Board.

By the date of publication of this report, no changes took place in the Supervisory Board's composition.

2.1.4 Group members

The table below shows the ownership and organisational structure of the Group and division into operating segments. The data are presented as at 31 March 2018 and 31 December 2017.

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

The "owner" column specifies the name of the owner as at 31 March 2018.

Region	Country		Entity	Reg.Office	Activity	Group's Share 31 March 2018 (unaudited)	Group's Share 31 December 2017	Owner
European Union	Poland	Poland	Selena FM S.A.	Wrocław	Group Head Office			-
			Selena S.A.	Wrocław	Distributor	100.00%	100.00%	FM
			Orion PU Sp. z o.o.	Dzierżoniów	Manufacturer of foams, adhesives, distributor	99.95%	99.95%	SIT 1
			Carina Silicones Sp. z o.o.	Siechnice	Manufacturer of sealants, distributor	100.00%	100.00%	SIT
			Libra Sp. z o.o.	Dzierżoniów	Manufacturer of sealants, adhesives, distributor	100.00%	100.00%	SIT
			Izolacja Matizol Sp. z o.o. **	Gorlice	Manuf. of roof coverings, hydroinsulation, distributor	100.00%	100.00%	SIT
			Tytan EOS Sp. z o.o.	Wrocław	Manufacturer of loose materials	100.00%	100.00%	SIT
			Selena Labs Sp. z o.o.	Siechnice	Research and Development	99.65%	99.65%	FM 1
			Selena Marketing International Sp. z o.o.	Wrocław	Intellectual property management	100.00%	100.00%	SA
			Taurus Sp. z o.o *	Dzierżoniów	Legal administration	100.00%	100.00%	SIT
			Carina Sealants Sp. z o.o.	Siechnice	Legal administration	100.00%	100.00%	FM
			Selena Industrial Technologies Sp. z o.o.	Warsaw	Production management	100.00%	100.00%	FM
			Oligo Sp. z o.o.	Katowice	Research and Development	100.00%	100.00%	SL
	Western Europe	Spain	Selena Iberia slu	Madrid	Manufacturer of sealants, adhesives, distributor	100.00%	100.00%	FM
		Italy	Selena Italia srl	Limena	Distributor	100.00%	100.00%	FM
			Uniflex S.p.A.	Mezzocorona	Manufacturer of sealants, distributor	64.00%	64.00%	FM 4
		Germany	Selena Deutschland GmbH	Hagen	Distributor	100.00%	100.00%	FM
	Central and Eastern Europe	Czech Republic	Selena Bohemia s.r.o.	Prague	Distributor	100.00%	100.00%	FM
		Romania	Selena Romania SRL	Ilfov	Distributor	100.00%	100.00%	FM
			EURO MGA Product SRL	Ilfov	Manufacturer of adhesives and cement mortars	100.00%	100.00%	ROM
		Hungary	Selena Hungária Kft.	Pécs	Distributor	100.00%	100.00%	FM
		Bulgaria	Selena Bulgaria Ltd.	Sofia	Distributor	100.00%	100.00%	FM
Eastern Europe and Asia	Eastern Europe	Russia	Selena Vostok Moscow	Moscow	Distributor	100.00%	100.00%	FM 2
		Kazakhstan	Selena CA L.L.P.	Almaty	Distributor	100.00%	100.00%	FM
			TOO Selena Insulations	Astana	Manufacturer of insulation systems	100.00%	100.00%	FM
			TOO Big Elit	Astana	Manufacturer of dry mortars	100.00%	100.00%	CA
		Ukraine	Selena Ukraine Ltd.	Kiev	Distributor	100.00%	100.00%	FM 2
	Asia	China	Weize (Shanghai) Trading Co., Ltd.	Shanghai	Distributor	100.00%	100.00%	FM
			Selena Nantong Building Materials Co., Ltd.	Nantong	Manufacturer, distributor	100.00%	100.00%	FM
			Foshan Chinuri-Selena Chemical Co.	Foshan	Manufacturer of sealants, distributor	84.57%	84.57%	SA 1
			House Selena Trading Company Ltd.	Shanghai	Distributor	40.00%	40.00%	NAN
		S.Korea	Hamil - Selena Co. Ltd	Kimhae	Manufacturer of foams	30.00%	30.00%	SA 3
	Middle East	Turkey	Selena Malzemeleri Yapi Sanayi Tic. Ltd.	Istanbul	Man. of foams and sealants, distributor	100.00%	100.00%	FM
			POLYFOAM Yalitim Sanayi ve Tic Ltd.	Istanbul	Distributor	100.00%	100.00%	SA 2
N&S America	N&S America	Brazil	Selena Sulamericana Ltda	Curitiba	Manufacturer, distributor	100.00%	100.00%	FM 3
		USA	Selena USA, Inc.	Holland	Distributor	100.00%	100.00%	FM
			Selena USA Specialty Inc.	Holland	Property management	100.00%	100.00%	FM

** change of shares owner to Selena Industrial Technologies Sp. z o. o. on 20 January 2017 + resolution to rename the company (previously Orion Polyurethanes Sp. z o.o).*

*** on 29 December 2017, the company changed its legal form and was renamed (previously PMI "IZOLACJA - MATIZOL" S.A.)*

Explanations to the "Owner" column

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

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

2.2 Data covered by the financial statements

2.2.1 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 Group's consolidated 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.

2.2.2 Period covered by the financial statements

These financial statements are interim condensed consolidated financial statements of Selena FM Group. They cover the period of 3 months ended 31 March 2018 and data as at that date.

These interim condensed consolidated financial statements of Selena FM Group cover the period of 3 months ended 31 March 2018, and the comparative data for 3 months presented as at 31 March 2017.

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 31 March 2018, and comparative data as at 31 December 2017.

2.2.3 Notes

Notes are an integral part of these condensed financial statements.

2.2.4 Audit and review of financial statements

These condensed consolidated financial statements were not audited or reviewed by a statutory auditor.

2.2.5 Approval of the financial statements

These financial statements were approved for publication by the Management Board of the Parent Company on 25 May 2017.

2.2.6 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.

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

Currency	31 March 2018 (unaudited)	31 December 2017	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)
1 USD	3.4139	3.4813	3.3882	4.0224
1 EUR	4.2085	4.1709	4.1784	4.2891
100 HUF	1.3473	1.3449	1.3375	1.3875
1 UAH	0.1298	0.1236	0.1257	0.1484
1 CZK	0.1659	0.1632	0.1648	0.1586
1 RUB	0.0594	0.0604	0.0598	0.0694
1 BRL	1.0330	1.0510	1.0439	1.2858
1 BGN	2.1517	2.1326	2.1364	2.1930
1 CNY	0.5441	0.5349	0.5380	0.5844
100 KRW	0.3215	0.3269	0.3166	0.3537
1 RON	0.9034	0.8953	0.8968	0.9485
1 TRY	0.8625	0.9235	0.8831	1.0931
100 KZT	1.0631	1.0633	1.0548	1.2643

2.2.7 Going concern

These financial statements have been prepared on the assumption that the Group 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.

2.2.8 Statement of conformity

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

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

2.3 Accounting policies

2.3.1 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 Group for the year ended on 31 December 2017, except for the changes resulting from implementation of new standards: IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers”.

The International Accounting Standards Board approved the following new standards: IFRS 9 and IFRS 15, applicable to the annual periods commencing on or after 1 January 2018. The impact of applying the above standards on the consolidated financial statements is presented below:

2.3.2 IFRS 9 “Financial Instruments”

The Group applied IFRS 9 as of 1 January 2018, without transforming the comparative data, which means that data for 2017 and 2018 will not be comparable, while any adjustments related to IFRS 9 were made as of 1 January 2018 and reflected in equity.

The Group 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 (Note 3.3.1).

Since 1 January 2018, the Group has classified **financial assets** into the following valuation categories:

- measured at amortised cost
- measured at fair value through other comprehensive income
- measured at fair value through profit or loss.

The Group 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 Group 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. After initial recognition, trade receivables are measured at amortised cost using the effective interest rate method, including impairment allowances. Any trade receivables maturing within less than 12 months from the date of origination (i.e. without a 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 are:

- debt instruments whose flows contain only payments of principal and interest, and which are held to collect contractual flows and for sale
- investments in equity instruments.

Changes in the carrying amount are measured through other comprehensive income, except for impairment losses (gains), interest income and foreign exchange differences and dividends, which are reflected 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 Group 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 below presents changes in the classification and measurement of financial assets as at the date of the first adoption of IFRS 9.

Classes of financial instruments	Classification by IAS 39	Classification by IFRS 9
Financial assets		
Shares in other entities	Available for sale	Measured at fair value through other comprehensive income/ Measured at historical cost*
Forward transactions	Measured at fair value through profit or loss	Measured at fair value through profit or loss
Trade and other receivables	Loans and receivables	Measured at amortised cost
Other short-term financial assets (cheques)	Loans and receivables	Measured at amortised cost
Cash and cash equivalents	Loans and receivables	Measured at amortised cost

*Paragraph B5.2.3 of IFRS 9 states that cost may be an appropriate estimate of fair value. The Group uses this option if insufficient more recent information is available to measure fair value of the shares.

2.3.2.1 Impairment of financial assets

Interest carried at amortised cost

IFRS 9 has introduced a change in the approach to estimating the impairment of financial assets with a shift from the incurred loss model to the expected loss model. The key items of financial assets in the consolidated financial statements of the Group, which are subject to changed rules for expected loss calculation, are trade receivables. At each balance sheet date, the Group assesses the expected credit losses whether or not there are any indications of impairment.

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

- **Receivables from other units** – the Group 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 Group estimates allowances based on the likelihood of default determined using external bank ratings.

At present, the Group does not use hedge accounting.

The impact of the implementation of IFRS 9 on the Group's consolidated financial statements as at 1 January 2018 relating to the change in impairment allowances on financial assets was PLN 0.2 million and was reflected as a reduction of equity.

2.3.3 IFRS 15 “Revenue from Contracts with Customers”

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

The Group disclosed information on the impact of the first time adoption of IFRS 9in the annual financial statements for the year ended 31 December 2017 (Note 3.3.2).

The Group applies the principles of IFRS 15 taking into account the 5-step revenue recognition model. The Group 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 an amount corresponding to the transaction price allocated to that performance obligation.

In order to determine the transaction price, the Group takes into account the terms of the contract and the customary business practices. Transaction price is the amount of consideration to which the Group 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 Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer.

The impact of the implementation of IFRS 15 on the Group's consolidated financial statements as at 1 January 2018 is as follows:
- provisions for discounts granted to customers – presentation in the consolidated statement of financial position in liabilities in respect of contracts with customers – instead of reducing trade receivables (PLN 7.4 million);
- transport costs, if the Group 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 0.5 million).

Implementation of IFRS 15 “Revenue from Contracts with Customers” will not affect the value of the Group’s equity as at 1 January 2018.

2.4 Significant values based on professional judgement and estimates

Preparation of financial statements in accordance with IFRS approved by the EU requires making accounting estimates and assumptions with regard to the future events or uncertainties existing at the balance sheet date. The estimates and assumptions give rise to the risk of possible corrections to the balance sheet assets and liabilities in the next reporting periods.
The assumptions were described in the annual consolidated financial statements of the Group for 2017, and particularly relate to:

- the loss of goodwill or other assets (including debtors and inventories)
- the applied depreciation / amortisation rates for tangible and intangible fixed assets
- ability to use the deferred tax assets
- valuation of provisions
- classification of lease agreements
- the lease payment rate used for evaluation of trademarks.

In Q1 2018, no significant changes were made to the assumption areas and methods, except for the adoption of new standards: IFRS 9 and IFRS 15, described in Note 2.3. 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.

2.5 Operating segments

The organisation structure of Selena FM Group is managed through the data received from the individual geographic segments. To the extent permitted by IFRS 8, based on the similarity of location, characteristics of the business and economic environment, they have been grouped into the following reporting segments:

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

Operating results of the segment are primarily measured using the EBITDA ratio (operating profit increased by depreciation,) which is derived directly from the reports that are the basis for preparation of the consolidated financial statements. The accounting principles used for preparation of the financial data for reporting segments comply with the Group's accounting policy applied in the preparation of the Group's consolidated financial statements.

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

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

Management of the Group's funding sources, finance income and expense management and the taxation policy are operated at the Group level and are not allocated to operating segments.

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

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

3 months ended 31 March 2018 (unaudited) **Figures in PLN thousand**	**EU**	**Eastern Europe and Asia**	**N&S America**	**Total segments**	**Consolid. adjustments and non-allocated results**	**Total**
Sales to external customers	167,717	64,876	15,592	248,185	0	248,185
Sales within a segment	164,751	1,500	0	166,251	-166,251	0
Sales between segments	42,066	1,890	0	43,956	-43,956	0
EBITDA	34,920	3,054	142	38,116	-30,530	7,586
Depreciation	-3,953	-712	-36	-4,701	-2,146	-6,847
Operating profit (loss)	**30,967**	**2,342**	**106**	**33,415**	**-32,676**	**739**
Net financial revenue / (expenses)	0	0	0	0	-4,386	-4,386
Share in the profit of an associated undertaking	0	0	0	0	0	0
Income tax	0	0	0	0	-530	-530
Net profit (loss) for the year	**30,967**	**2,342**	**106**	**33,415**	**-37,592**	**-4,177**
Capital expenditure	5,654	508	0	6,162	-	6,162

3 months ended 31 March 2017 (unaudited) **Figures in PLN thousand**	**EU**	**Eastern Europe and Asia**	**N&S America**	**Total segments**	**Consolid. adjustments and non-allocated results**	**Total**
Sales to external customers	144,190	59,617	16,298	220,105	0	220,105
Sales within a segment	146,165	4,070	0	150,235	-150,235	0
Sales between segments	43,830	1,565	0	45,395	-45,395	0
EBITDA	18,432	3,152	184	21,768	-18,034	3,734
Depreciation	-3,677	-838	-45	-4,560	-1,362	-5,922
Operating profit (loss)	**14,755**	**2,314**	**139**	**17,208**	**-19,396**	**-2,188**
Net financial revenue / (expenses)	0	0	0	0	-4,479	-4,479
Share in the profit of an associated undertaking	0	0	0	0	0	0
Income tax	0	0	0	0	-1,866	-1,866
Net profit (loss) for the year	**14,755**	**2,314**	**139**	**17,208**	**-25,741**	**-8,533**
Capital expenditure	3,552	1,969	5	5,526	-	5,526

The tables below show selected assets of the individual geographic segments as at 31 March 2018 and 31 December 2017.

31 March 2018 (unaudited) **Figures in PLN thousand**	**EU**	**Eastern Europe and Asia**	**N&S America**	**Total segments**	**Consolid. adjustments**	**Total**
Segment assets	984,144	186,704	31,878	1,202,726	-378,880	823,846
Investment in an associate	0	5,724	0	5,724	0	5,724
Non-allocated assets	0	0	0	0	0	32,293
Total assets	**984,144**	**192,428**	**31,878**	**1,208,450**	**-378,880**	**861,863**

31 December 2017 Figures in PLN thousand	EU	Eastern Europe and Asia	N&S America	Total segments	Consolid. adjustments	Total
Segment assets	941,298	193,610	26,582	1,161,490	-377,145	784,345
Investment in an associate	0	5,820	0	5,820	0	5,820
Non-allocated assets	0	0	0	0	0	32,011
Total assets	**941,298**	**199,430**	**26,582**	**1,167,310**	**-377,145**	**822,176**

Reconciliation of the operating profit of the reporting segments with the figures presented in the income statement.

Figures in PLN thousand	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)
Operating profit of the reporting segments	**33,415**	**17,208**
Net financial revenue / (expenses)	-4,386	-4,479
Other non-allocated income/costs*	-32,676	-19,396
Share in the profit of an associated undertaking	0	0
Income tax	-530	-1,866
Net profit (loss) for the year	**-4,177**	**-8,533**

* General and administrative expenses and consolidation adjustments

2.6 Other operating revenues and operating costs

2.6.1 Other operating revenues

Figures in PLN thousand	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)
Profit from disposal of non-financial fixed assets	125	79
Subsidies	120	636
Reversal of impairment charge for receivables	0	188
Reversal of impairment charge for inventory	109	61
Inventory surplus	27	10
Damages	569	92
Provisions released	239	26
Other	197	241
Total other operating revenues	**1,386**	**1,333**

2.6.2 Other operating costs

Figures in PLN thousand	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)
Loss on disposal of non-financial fixed assets	129	17
Impairment of tangible fixed assets	0	0
Impairment charge for receivables	0	1,071
Uncollectible receivables written off	95	110
Impairment charge for inventories	666	235
Liquidation of inventories	450	448
Inventory shortfall	3	363
Loss of control over subsidiary	0	33
Damages, penalties, fines	107	439
Provisions raised	0	128
Other	564	1,178
Total other operating costs	**2,014**	**4,022**

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

Figures in PLN thousand	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)
Reversal of an impairment charge on receivables	-53	0
Impairment charge for receivables	1,256	0
Impairment (reversal of impairment) of financial assets	**1,203**	**0**

2.8 Financial revenues and expenses

2.8.1 Financial revenues

Figures in PLN thousand	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)
FX gains	609	3,915
Interest on deposits and bank accounts	50	11
Interest on bonds	0	987
Other interest	41	25
Derivative financial instruments	27	344
Other financial revenues	4	8
Total financial revenues	**731**	**5,290**

2.8.2 Financial expenses

Figures in PLN thousand	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)
Interest on bank and other loans	1,689	1,278
Interest on finance lease liabilities	97	83
Other interest	20	25
FX losses	3,047	8,198
Other financial costs	264	185
Total financial expenses	**5,117**	**9,769**

In 2018, Selena FM S.A. hedged its expected cash flows with FX forwards and other financial instruments. In accordance with the its hedging policy, the Company hedges an active part of currency exposure by entering into forward contracts mainly for the following currency pairs: EUR/RUB, EUR/PLN and RON/PLN, CZK/PLN and HUF/PLN. 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. Selena FM S.A. uses such financial instruments solely to hedge its FX risk and does not use them for speculative purposes. The Group does not use hedge accounting within the meaning of IAS 39. As at 31 March 2018, the Company had open forward contracts; its gain on valuation of unrealised instruments was PLN 112 thousand (the result on these transactions is recognised in consolidated financial revenues under “Derivative financial instruments”). After the balance sheet date, Selena FM S.A. had financial instruments in place relating to USD/PLN (USD 2 million), RON/PLN (RON 4 million), CZK/PLN (CZK 14 million), HUF/PLN (HUF 198 million) and EUR/RUB (EUR 1.0 million), EUR/KZT (EUR 0.1 million) and EUR/PLN (EUR 3.0 million), with settlement dates falling before 17 May 2019.

2.9 Income tax

Figures in PLN thousand	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)
Current income tax:		
Current income tax charge	3,248	3,588
Corrections to the current income tax from previous years	0	-53
Deferred income tax:		
Connected with origination and reversal of temporary differences	-2,718	-1,669
Tax disclosed in consolidated income statement	**530**	**1,866**

Figures in PLN thousand	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)
Profit (loss) before tax	**-3,647**	**-6,667**
Tax at the Polish statutory rate of 19%	**-693**	**-1,267**
Costs/(revenues) not included in the taxation basis	-575	1,924
Tax effect of the losses not included in the taxation basis	1,430	1,461
Corrections to the current income tax from previous years	0	31
Use of tax losses from previous years	-103	-716
Tax relief for research and development	0	0
Use of the deferred asset relating to trademarks	431	431
Effect of other tax rates in foreign affiliates	21	2
Tax at the effective tax rate	**530**	**1,866**
Effective tax rate	**-**	**-**

2.10 Profit per share

The basic profit per share is calculated by dividing the net profit for the period attributable to the ordinary shareholders by the weighted average number of outstanding ordinary shares during the period.

The table below shows a calculation of the profit(loss) per share in the reporting period.

		3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)
Profit (loss) attributable to the controlling interests	PLN	-4,153,073	-8,553,393
Average number of ordinary shares	share	22,834,000	22,834,000
Profit/(loss) per ordinary share	**PLN/share**	**-0.18**	**-0.37**
Number of shares, including dilution	share	22,834,000	22,834,000
Diluted profit per share	**PLN/share**	**-0.18**	**-0.37**

2.11 Dividend paid and proposed

In the reporting period the Parent Company did not pay any dividend. The Management Board of Selena FM S.A. recommends a dividend of PLN 6,850,200 (PLN 0.30 per share) payable to the shareholders from the net profit earned in 2017. The Management Board of the Parent Company has proposed 2 July 2018 as the record date and 16 July 2017 as the dividend payment date. On 23 May 2018, the Supervisory Board approved the dividend payment proposal put forward by the Parent Company's Management Board. The Annual General Meeting of Shareholders of Selena FM S.A. will be held on 14 June 2018.

2.12 Inventories

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

Figures in PLN thousand	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)
Opening balance	**4,622**	**4,664**
Creation	666	235
Utilisation	-334	-472
Release	-109	-61
FX differences	7	-55
Closing balance	**4,852**	**4,311**

2.13 Trade receivables

The age structure of trade receivables not subject to impairment charges 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
31 March 2018 (unaudited)	231,496	207,731	14,573	4,753	1,029	2,343	325	742
31 December 2017	206,435	179,322	20,842	3,534	1,625	1,052	60	0

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

Figures in PLN thousand	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)
Impairment charge at the end December	**36,006**	**38,555**
Impact of IFRS 9	170	0
Impairment charge at 1 January	**36,176**	**38,555**
Creation	1,256	1,071
Utilisation	-82	0
Release	-53	-188
FX differences	-41	-1,598
Other	-69	0
Purchase of shares in a subsidiary	0	-1,182
Closing balance	**37,187**	**36,658**

2.14 Other short-term receivables

Figures in PLN thousand	31 March 2018 (unaudited)	31 December 2017
VAT claimed	20,335	29,107
Prepayments for deliveries	4,849	3,933
Prepaid expenses	5,512	3,826
Other	3,066	3,771
Total	**33,762**	**40,637**

2.15 Loans and advances

The balance of loans received is presented in the table below.

Ref	Loan type	Maturity date	31 March 2018 (unaudited) 31 December 2015 *Short-term portion*	*Long-term portion* Maturity date	31 December 2017 *Long-term portion Short-term portion*	*Long-term portion Short-term portion*
1	Working capital loan	07/2018	0	22,345	0	33,902
2	Working capital loan	07/2018	0	47,268	0	26,686
3	Working capital loan	12/2018	0	44,772	0	47,635
4	Investment loan	03/2018	0	0	0	411
5	Working capital loan	09/2019	36,472	0	9,428	0
6	Working capital loan	06/2018	0	5,993	0	18,260
7	Working capital loan	01/2019	0	11,897	0	3,844
8	Other	Different	2,868	7,793	3,286	8,677
			39,340	**140,068**	**12,714**	**139,415**

In March 2018, investment loan No. 4 from the summary above was repaid.

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 consolidated financial ratios at the levels agreed with banks. As at 31 March 2018, Selena Group maintained the consolidated financial ratios at the levels required by the lenders.

2.16 Other financial liabilities

Figures in PLN thousand	31 March 2018 (unaudited) Long-term	Short-term	31 December 2017 Long-term	Short-term
Finance lease liabilities	8,099	5,002	8,462	4,930
Obligations in respect of bills settlement	0	10,770	0	9,599
Other financial liabilities	5,759	0	5,708	0
Total financial liabilities	**13,858**	**15,772**	**14,170**	**14,529**

The item “Other financial liabilities” includes valuation of the option to repurchase minority interests of Uniflex S.p.a.

2.17 Other liabilities

Figures in PLN thousand	31 March 2018 (unaudited) Long-term	Short-term	31 December 2017 Long-term	Short-term
Investment liabilities	109	964	107	1,481
Prepayments for deliveries	0	4,064	0	4,625
VAT payable	0	8,336	0	7,240
Other taxes and insurance payable	0	8,193	0	8,503
Remuneration payable	0	14,358	0	13,119
Other liabilities	2,789	4,026	2,821	3,419
Deferred income	1,765	4,701	1,819	4,494
Total other liabilities	**4,663**	**44,642**	**4,747**	**42,881**

2.18 Provisions

The table below shows changes in the balance of provisions.

	3 months ended 31 March 2018 (unaudited)			Period ended 31 December 2017		
Figures in PLN thousand	Provision for retirement benefits	Other provisions	Total	Provision for retirement benefits	Other provisions	Total
Long term						
Balance at the beginning of the period	**2,793**	**104**	**2,897**	**491**	**2**	**493**
Provisions raised	63	0	63	469	14	483
Provisions released	0	0	0	-163	0	-163
Provisions used	-8	0	-8	0	0	0
Purchase of shares in a subsidiary	0	0	0	2,038	84	2,122
FX differences	19	1	20	-42	4	-38
Balance at the end of the period	**2,867**	**105**	**2,972**	**2,793**	**104**	**2,897**
Short term						
Balance at the beginning of the period	**5**	**11,491**	**11,496**	**8**	**15,350**	**15,358**
Provisions raised	0	142	142	15	2,004	2,019
Provisions released	0	-239	-239	-6	-818	-824
Provisions used	0	-131	-131	-12	-6,232	-6,244
Purchase of shares in a subsidiary	0	0	0	0	1,804	1,804
FX differences	0	1	1	0	-617	-617
Balance at the end of the period	**5**	**11,264**	**11,269**	**5**	**11,491**	**11,496**

2.19 Net debt

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

Figures in PLN thousand	31 March 2018 (unaudited)	31 December 2017
Interest bearing borrowings	179,408	152,129
Other financial liabilities	29,630	28,699
Less cash and cash equivalents	-55,574	-52,921
Net debt	**153,464**	**127,907**
Equity attributed to the shareholders of the parent	418,155	422,235
Equity and net debt	**571,619**	**550,142**
Gearing (net debt / equity + net debt)	**27%**	**23%**

2.20 Related party transactions

The table below shows transactions with directors of the Parent and with associates. The sales and purchases figures cover the period of 3 months ended 31 March (2018 and 2017, respectively), while the receivables and liabilities are presented as at 31 March 2018 and 31 December 2017.

	Figures in PLN thousand	Period	Sale	Purchase	Other revenues[1)]	Receivables	Liabilities	Other assets
Owners	AD Niva Sp. z o.o. (indirectly Krzysztof Domarecki)	2018	2	0	0	1	0	0
		2017	2	0	991	1	0	2,446
Associates and JV	Hamil - Selena Co Ltd.	2018	784	0	0	789	0	0
		2017	1,319	0	0	1,215	0	0
	House Selena Trading Company Ltd.	2018	2,928	0	0	23	0	0
		2017	0	0	0	135	0	0
Supervisory Board Members	Krzysztof Domarecki (CONSILE)	2018	0	154	0	0	65	0
		2017	0	172	0	0	65	0
	Universal Energy Sp. z o.o. (Krzysztof Domarecki)	2018	1,550	0	0	3,018	0	0
		2017	1,019	0	-4	2,446	0	0
Members of the Management Board	Jean-Noël Fourel *	2018	0	22	0	0	0	0
		2017	0	86	0	0	0	0
	Marcin Macewicz	2018	0	0	0	0	0	0
		2017	0	0	0	50	0	0
	Hubert Rozpędek	2018	0	105	0	0	43	0
		2017	0	105	0	0	43	0
	Agata Gładysz-Stańczyk (AG Consulting)	2018	0	132	0	0	54	0
		2017	0	44	0	0	54	0
TOTAL		**2018**	**5,264**	**413**	**0**	**3,831**	**162**	**0**
		2017	**2,340**	**407**	**987**	**3,847**	**162**	**2,446**

[1)] includes revenues from interest on bonds

** value of sales and purchases until the CEO stepped down from office on 5 January 2018.*

2.21 Discontinued operations

In the period of 3 months ended 31 March 2018 the Group did not discontinue nor it plans to discontinue any type of business over the next 12 months.

2.22 Goals and rules of financial risk management

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

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

The key assumptions for managing these risks are described in the consolidated financial statements for 2017 (Note 35).

In 2017, no significant changes occurred to the rules and tools used for financial risk management.

2.23 Events occurring after the balance sheet date

After the balance sheet date and until the approval of this condensed consolidated report no events took place that might materially affect the financial data presented in this report.

3. QUARTERLY FINANCIAL FIGURES OF SELENA FM S.A.

INCOME STATEMENT

Figures in PLN thousand	Note	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)
Continued operations			
Revenue from the sale of goods and materials		99,047	90,172
Revenues from the sale of services		5,350	5,535
Sales		**104,397**	**95,707**
Cost of sales		93,830	85,277
Gross profit (loss)		**10,567**	**10,430**
Other operating income	3.3	103	382
Selling and marketing costs		7,417	6,833
General and administrative expenses		7,985	5,809
Other operating costs	3.3	179	10,634
Impairment (reversal of impairment) of financial assets	3.5	-184	0
Operating profit (loss)		**-4,727**	**-12,464**
Financial revenues	3.4	1,552	2,804
Financial expenses	3.4	1,620	4,695
Impairment (reversal of impairment) of financial assets	3.5	124	0
Profit (loss) before tax		**-4,919**	**-14,355**
Income tax	3.6	-965	-792
Net profit (loss) on continued operations		**-3,954**	**-13,563**
Discontinued operations			
Profit (loss) on discontinued operations		–	–
Net profit (loss) for the year		**-3,954**	**-13,563**
Earnings per share (continued operations) (PLN/share):	3.7		
- basic		-0.17	-0.59
- diluted		-0.17	-0.59

STATEMENT OF COMPREHENSIVE INCOME

Figures in PLN thousand	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)
Profit after tax	-3,954	-13,563
Other net comprehensive income	0	0
Total comprehensive income	**-3,954**	**-13,563**

STATEMENT OF FINANCIAL POSITION

Figures in PLN thousand	Note	31 March 2018 (unaudited)	31 December 2017
Property, plant and equipment		2,651	2,784
Intangible fixed assets		16,721	17,204
Shares in subsidiaries	3.9	167,030	167,030
Other long-term receivables		0	0
Long-term portion of loans granted	3.10	94,309	90,953
Other long term financial assets		0	0
Deferred tax asset		1,094	82
Non-current assets		**281,805**	**278,053**
Inventories		3,125	2,354
Trade receivables	3.11	150,074	143,958
CIT claimed		96	0
Other short-term receivables	3.12	18,548	24,758
Short-term portion of loans granted	3.10	16,793	14,628
Other short-term financial assets	3.10	112	309
Cash and cash equivalents		3,641	10,121
Current assets		**192,389**	**196,128**
TOTAL ASSETS		**474,194**	**474,181**
Registered capital		1,142	1,142
Supplementary capital		246,822	246,822
Other reserves		19,163	19,163
Retained profit / (loss carried forward)		12,092	25,822
– retained profit / loss carried forward from previous years		16,046	0
– profit (loss) after tax		-3,954	25,822
Equity		**279,219**	**292,949**
Long-term portion of bank and other loans	3.13	42,264	17,516
Other financial liabilities		5,766	5,738
Deferred tax liability		0	0
Non-current liabilities		**48,030**	**23,254**
Trade liabilities	3.14	68,069	84,359
Liabilities in respect of contracts with customers		229	0
Short-term portion of bank and other loans	3.13	74,907	70,155
Other financial liabilities		543	527
Income tax payable		0	291
Other short-term liabilities		3,197	2,646
Short-term provisions		0	0
Current liabilities		**146,945**	**157,978**
Total liabilities		**194,975**	**181,232**
TOTAL EQUITY AND LIABILITIES		**474,194**	**474,181**

STATEMENT OF CASH FLOWS

Figures in PLN thousand	Note	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)
Cash flows from operating activities			
Profit / loss before tax on continued operations		**-4,919**	**-14,355**
Profit / loss before tax on discontinued operations		–	–
Adjusted by:			
Depreciation		857	345
FX (gains) / losses		757	3,362
Interest and dividends		-676	-1,540
Profit / loss on investing activities		97	-255
Change in the balance of receivables		-9,196	3,583
Change in the balance of inventories		-770	-73
Change in the balance of obligations		-15,492	4,735
Change in the balance of provisions		0	0
CIT paid		-60	-256
Other		224	60
Net cash flows from operating activities		**-29,178**	**-4,394**
Cash flows from investing activities			
Inflows from sale of tangible fixed assets		0	6
Acquisition of tangible and intangible fixed assets		-99	-179
Purchase of shares in a subsidiary		0	-7,109
Sale of other financial assets		0	10
Dividends and interest received		0	1,109
Loans granted		-6,870	-699
Repayments of loans granted		1,553	5,269
Bond repayments received		0	350
Net cash flows from investing activities		**-5,416**	**-1,243**
Cash flows from financing activities			
Repayment of finance lease obligations		-166	-197
Inflows from bank / other loans received		62,882	35,490
Repayment of loans		-33,872	-20,434
Interest paid		-756	-865
Net cash flows from financing activities		**28,088**	**13,994**
Net increase in cash and cash equivalents		**-6,506**	**8,357**
Change in cash and cash equivalents:		**-6,480**	**8,145**
net FX differences		26	-212
*Cash at the beginning of the period**		*10,121*	*6,275*
*Cash at the end of the period**		*3,641*	*14,420*

*including restricted cash:

as at 31 March 2018: PLN 0.2m

as at 31 March 2017: PLN 0.1m

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD OF 3 MONTHS ENDED 31 MARCH 2018

Figures in PLN thousand	Registered capital	Supplementary capital	Other reserves	Retained profit/ (loss carried forward): prior years	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**
Net profit (loss) for the financial year	0	0	0	0	-3,954	-3,954
Total comprehensive income	**0**	**0**	**0**	**0**	**-3,954**	**-3,954**
Transfer of profit to the supplementary capital	0	0	0	0	0	0
Dividend	0	0	0	0	0	0
As at 31 March 2018 (unaudited)	**1,142**	**246,822**	**19,163**	**16,046**	**-3,954**	**279,219**

FOR THE PERIOD OF 3 MONTHS ENDED 31 MARCH 2017

Figures in PLN thousand	Registered capital	Supplementary capital	Other reserves	Retained profit/ (loss carried forward): prior years	current period	Total equity
As at 1 January 2017	**1,142**	**246,545**	**19,163**	**7,127**	**0**	**273,977**
Net profit (loss) for the financial year	0	0	0	0	-13,563	-13,563
Total comprehensive income	**0**	**0**	**0**	**0**	**-13,563**	**-13,563**
Transfer of profit to the supplementary capital	0	0	0	0	0	0
Dividend	0	0	0	0	0	0
As at 31 March 2017 (unaudited)	**1,142**	**246,545**	**19,163**	**7,127**	**-13,563**	**260,414**

ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

3.1 Data covered by the financial statements

Details about the period covered by the financial statements, the comparative data, accounting policies used, other than described above, information on the entity (and connected entities) and significant events occurring during the reporting period and thereafter as well as other events that are material for the parent company are described in detail in the condensed consolidated financial statements of Selena FM Group, which is an element of this report.

3.2 Accounting policies

3.2.1 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 the changes described below resulting from implementation of new standards: IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers”.

3.2.2 IFRS 9 “Financial Instruments”

The Company applied IFRS 9 as of 1 January 2018, without transforming the comparative data, which means that data for 2017 and 2018 will not be comparable, while any adjustments related to IFRS 9 were made as of 1 January 2018 and 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:

- 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.

<u>Financial assets measured at amortised cost</u> 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. After initial recognition, trade receivables are measured at amortised cost using the effective interest rate method, including impairment allowances. Any trade receivables maturing within less than 12 months from the date of origination (i.e. without a financing element) and not transferred to factoring, are not discounted and are measured at nominal value.

<u>Financial assets measured at fair value through other comprehensive income</u> are:

- debt instruments whose flows contain only payments of principal and interest, and which are held to collect contractual flows and for sale;
- investments in equity instruments.

Changes in the carrying amount are measured through other comprehensive income, except for impairment losses (gains), interest income and foreign exchange differences and dividends, which are reflected in profit or loss. Assets measured at fair value through other comprehensive income include shares in other entities at the time of initial recognition.

<u>Financial assets measured at fair value through profit or loss</u> 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 below presents changes in the classification and measurement of financial assets as at the date of the first adoption of IFRS 9.

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

3.2.2.1 Impairment of financial assets

Interest carried at amortised cost

IFRS 9 has introduced a change in the approach to estimating the impairment of financial assets with a shift from the incurred loss model to the 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	Impact of IFRS 9	Carrying amount as at 1 January 2018
Property, plant and equipment	2,784		2,784
Intangible fixed assets	17,204		17,204
Shares in subsidiaries	167,030		167,030
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	**278,053**	**-699**	**277,354**
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	**474,181**	**-9,776**	**464,405**
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	**23,254**	**0**	**23,254**
Current liabilities	**157,978**	**0**	**157,978**
Total liabilities	**181,232**	**0**	**181,232**
TOTAL EQUITY AND LIABILITIES	**474,181**	**-9,776**	**464,405**

3.2.3 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 an amount corresponding to the transaction price 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 thousand).

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.

3.3 Other operating revenues and operating costs

3.3.1 Other operating revenues

Figures in PLN thousand	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)
Profit from disposal of non-financial fixed assets	0	6
Reversal of an impairment charge on receivables	0	357
Compensations, complaints	85	7
Other	18	12
Total other operating revenues	**103**	**382**

3.3.2 Other operating costs

Figures in PLN thousand	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)
Impairment charge for receivables	0	10,550
Receivables cancelled/written off	82	0
Damages, penalties, fines	97	78
Other	0	6
Total other operating costs	**179**	**10,634**

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".

3.4 Financial revenues and expenses

3.4.1 Financial revenues

Figures in PLN thousand	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)
Interest, including:	1,525	2,429
on bonds and loans granted	*1,525*	*2,413*
on discount of financial obligations	*0*	*16*
Valuation of currency contracts	27	344
Reversal of an impairment charge on loans	0	26
Other financial revenues	0	5
Total financial revenues	**1,552**	**2,804**

In 2018, Selena FM S.A. hedged its expected cash flows with FX forwards and other financial instruments. In accordance with the its hedging policy, the Company hedges an active part of currency exposure by entering into forward contracts mainly for the following currency pairs: EUR/RUB, EUR/PLN and RON/PLN, CZK/PLN and HUF/PLN. 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 39. As at 31 March 2018, the Company had open forward contracts; its gain on valuation of unrealised instruments was PLN 112 thousand (the result on these transactions is recognised in financial revenues under "Valuation of currency contracts"). After the balance sheet date, Selena FM S.A. had financial instruments in place relating to USD/PLN (USD 2 million), RON/PLN (RON 4 million), CZK/PLN (CZK 14 million), HUF/PLN (HUF 198 million) and EUR/RUB (EUR 1.0 million), EUR/KZT (EUR 0.1 million) and EUR/PLN (EUR 3.0 million), with settlement dates falling before 17 May 2019.

3.4.2 Financial expenses

Figures in PLN thousand	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)
Interest, including:	851	890
on loans and advances received	*827*	*858*
on finance lease liabilities	*23*	*31*
on other obligations	*1*	*1*
Impairment charge for loans	0	118
FX differences	711	3,663
Other financial costs	58	24
Total financial expenses	**1,620**	**4,695**

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).

3.5 Impairment (reversal of impairment) of financial assets

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

Figures in PLN thousand	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)
Reversal of an impairment charge on receivables	-1,820	0
Impairment charge for receivables	1,636	0
Impairment (reversal of impairment) of financial assets	**-184**	

In the reporting period ended 31 March 2018, the Company reversed impairment charges created receivables, totalling PLN 1,820 thousand including:

- an impairment charge for receivables from connected entities – PLN 1,812 thousand (Selena Nantong Building Materials Co. - PLN 1,223 thousand, Selena Bulgaria Ltd. - PLN 176 thousand, EURO MGA Products SRL – PLN 156 thousand, Selena Romania SRL – PLN 145 thousand, Selena USA Inc. – 112 thousand PLN);
- an impairment charge for the amounts due from non-connected entities – PLN 8,000.

In the reporting period ended 31 March 2018, the Company created impairment charges for receivables, totalling PLN 1,636 thousand including:

- an impairment charge for receivables from connected entities – PLN 1,424 thousand (Selena Ukraine Ltd. – PLN 701 thousand, Selena Sulamericana Ltda – PLN 335 thousand, Selena Deutschland GmbH – PLN 164 thousand, Universal Energy Sp. z o.o – PLN 150 thousand, other units PLN 74 thousand);
- an impairment charge for the amounts due from non-connected entities – PLN 212 thousand.

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

Figures in PLN thousand	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)
Reversal of an impairment charge on loans	-45	0
Impairment charge for loans	169	0
Impairment (reversal of impairment) of financial assets	**124**	

3.6 Income tax

Figures in PLN thousand	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)
Income tax for the current period	0	782
Change in deferred income tax	-965	-1,574
Tax charge carried in profit or loss:	**-965**	**-792**

The table below shows reconciliation of the tax on the pre-tax profit at the statutory rate with the income tax calculated at the effective tax rate of the Company.

Figures in PLN thousand	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)
Profit / loss before tax on continued operations	-4,919	-14,355
Tax rate	19%	19%
Tax at the applicable rate	-935	-2,727
Tax on non-taxable income (permanent differences)	-353	-134
- in respect of impairment charge on shares and loans	-9	-5
- in respect of reversal of impairment charge for receivables	-344	-50
- other	0	-79
Tax on costs that are non-tax deductible (permanent differences)	323	2,069
- in respect of impairment charge on shares and loans	32	22
- in respect of impairment charge on receivables	242	1,998
- other	49	49
Tax charge carried in profit or loss:	**-965**	**-792**
Effective tax rate	**19.6%**	**5.5%**

3.7 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.

		3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)
Profit (loss) after tax	PLN	-3,953,659	-13,563,188
Weighted average number of ordinary shares	share	22,834,000	22,834,000
Profit/(loss) per ordinary share	**PLN/share**	**-0.17**	**-0.59**
Number of shares, including possible dilution	share	22,834,000	22,834,000
Diluted profit per share	**PLN/share**	**-0.17**	**-0.59**

3.8 Dividend paid and proposed

In the reporting period Selena FM S.A. did not pay any dividend. The Management Board of Selena FM S.A. recommends a dividend of PLN 6,850,200 (PLN 0.30 per share) payable to the shareholders from the net profit earned in 2017. The Management Board of the Parent Company has proposed 2 July 2018 as the record date and 16 July 2017 as the dividend payment date. On 23 May 2018, the Supervisory Board approved the dividend payment proposal put forward by the Parent Company's Management Board. The Annual General Meeting of Shareholders of Selena FM S.A. will be held on 14 June 2017.

3.9 Shares in subsidiaries

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

	31 March 2018 (unaudited)			31 December 2017			
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.	12,429	0	**12,429**	12,429	0	**12,429**	
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	**269,331**	**102,301**	**167,030**	**269,331**	**102,301**	**167,030**	

* value of shares below PLN 400

3.10 Loans granted and other financial assets

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

Type of connection	Figures in PLN thousand	31 December 2017	Impact of IFRS 9	1 January 2018	Principal: Increase Decrease	Principal: Decrease Decrease	Interest: Accrued	Interest: Paid	Reduction by withholding tax	Valuation	Write-down	31 March 2018 (unaudited)
	Loans											
Subsidiaries	*Gross value*	224,893	0	224,893	6,870	-1,380	1,526	-170	-113	690	0	232,316
	Impairment charge	-119,361	-746	-120,107	-169	45	0	0	0	-1,029	0	-121,260
	Net value	105,532	-746	104,786	6,870	-1,380	1,526	-170	-113	690	-1,153	111,056
Non-connected entities	Loans	49	0	49	0	0	-1	-2	0	0	0	46
	Valuation of derivatives	309	0	309	0	0	0	0	0	-197	0	112
TOTAL		**105,890**	**-746**	**105,144**	**6,870**	**-1,380**	**1,525**	**-172**	**-113**	**493**	**-1,153**	**111,214**
including long-term:		*90,953*	*-746*	*90,207*								*94,309*

Maturity dates of the individual assets as at the balance sheet date are shown in the tables below.

Maturity (in years) 31 March 2018 (unaudited)		below 1 year	1-3 years	Above 3 years	Without maturity	Total
Subsidiaries	Loans	16,792	60,051	34,213	0	**111,056**
Non-connected entities	Loans	1	45	0	0	**46**
Non-connected entities	Valuation of derivatives	112	0	0	0	**112**
TOTAL		**16,905**	**60,096**	**34,213**	**0**	**111,214**

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. 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 Building Materials Co., Ltd. were drawn in amount of RUB 100 million, PLN 0.5 million and EUR 100 thousand, respectively.

In the period ended 31 March 2018, Selena FM S.A. received loan repayments from subsidiaries totalling PLN 1,380 thousand:

- Selena CA L.L.P.: EUR 290 thousand
- Selena Bohemia s.r.o.: EUR 20 thousand
- Selena Malzemeleri Yapi Sanayi Tic. Ltd.: USD 23 thousand.

On 19 March 2018, Selena FM S.A. signed an annex to the loan agreement with Selena Nantong, extending the repayment date to 25 March 2023, and changing the interest rate on the loan.

In the reporting period, impairment charges on loans changed by PLN 124 thousand (by historical value):

- Selena Insulations – creating a charge of PLN 97 thousand
- Selena Vostok – creating a charge of PLN 39 thousand
- Selena Selena Sulamericana Ltda – creating a charge of PLN 33 thousand
- Selena CA L.L.P. – reversed a charge of PLN 45 thousand.

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

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.

On 9 April 2018, a loan agreement was signed with Selena Iberia slu. 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.

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.

As part of the agreements signed in 2017, another tranche of the loan for Selena Labs was drawn (PLN 500 thousand).

After the balance sheet date, Selena FM S.A. received loan repayments from Selena CA L.L.P. of EUR 400 thousand.

3.11 Trade receivables

The table below presents the age structure of trade receivables.

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
31 March 2018 (unaudited)	From connected companies	144,019	69,439	11,593	12,179	18,823	21,086	10,899	0
	From non-connected companies	6,055	4,797	719	340	1	150	48	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	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2017 (unaudited)
Impairment charge at the end December	**22,701**	**48,656**
Impact of IFRS 9	9,077	0
Impairment charge at 1 January	*31,778*	*48,656*
Created	1,636	10,550
connected entities	*1,424*	*10,550*
other entities	*212*	*0*
Reversed, including:	-1,820	-357
connected entities	*-1,812*	*-308*
other entities	*-8*	*-49*
FX differences arising on translation	361	-3,022
Impairment charge at the end of the period	**31,955**	**55,827**
connected entities	*30,647*	*54,599*
other entities	*1,308*	*1,228*
including:		
Impairment charge for trade receivables	31,955	55,827

3.12 Other short-term receivables

Figures in PLN thousand	31 March 2018 (unaudited)	31 December 2017
VAT claimed	15,429	21,440
Prepayments for deliveries	0	0
Settlements with employees	153	58
Other	2,966	3,260
Total other receivables	**18,548**	**24,758**

3.13 Loans received

The table below shows the debt in respect of borrowings.

Ref	Loan type	Maturity date	31 March 2018 (unaudited)		31 December 2017	
			Long-term portion	*Short-term portion*	*Long-term portion*	*Short-term portion*
1	Working capital loan	07/2018	0	8,288	0	21,109
2	Working capital loan	07/2018	0	24,180	0	4,705
3	Working capital loan	01/2017	0	0	0	0
4	Working capital loan	12/2018	0	39,774	0	41,792
5	Working capital loan	09/2019	29,532	0	4,798	0
6	Non-bank loan	12/2018	0	2,446	0	2,419
7	Loan	12/2019	1,500	41	1,500	41
8	Non-bank loan	12/2019	1,682	29	1,668	15
9	Non-bank loan	12/2019	750	25	750	20
10	Non-bank loan	09/2022	8,800	124	8,800	54
Total loans			**42,264**	**74,907**	**17,516**	**70,155**

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 31 March 2018, Selena Group maintained the consolidated financial ratios at the levels required by the lenders.

3.14 Trade liabilities

Figures in PLN thousand	31 March 2018 (unaudited)	31 December 2017
Trade liabilities		
amounts due to related parties	61,473	77,434
amounts due to other entities	6,596	6,925
Total trade liabilities	**68,069**	**84,359**

3.15 Related party transactions

The table below shows transactions with related parties (subsidiaries, associates, members of the Company's governing bodies) over the 3 months ended 31 March 2018 and 31 March 2017.

Figures in PLN thousand		Period	Revenue from sales and recharged costs	Purchase of goods and services	Other revenue*	Other costs
Subsidiaries		2018	94,736	90,432	1,579	152
		2017	88,866	77,658	1,426	46
Associates		2018	784	0	0	0
		2017	1,319	0	0	0
Owners	AD Niva Sp. z o.o. (indirectly Krzysztof Domarecki)	2018	2	0	0	0
		2017	2	0	991	0
	AD Niva Sp. z o.o. SKA (Krzysztof Domarecki)	2018	0	0	0	0
		2017	0	0	0	0
Supervisory Board	Universal Energy Sp. z o.o.	2018	1,550	0	0	0

Members	(Krzysztof Domarecki)	2017	1,018	0	-4	0
TOTAL		**2018**	**97,072**	**90,432**	**1,579**	**152**
		2017	**91,205**	**77,658**	**2,413**	**46**

* 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 31 March 2018 and 31 December 2017.

Figures in PLN thousand		Period	Loans	Trade receivables	Other receivables	Liabilities
Subsidiaries		2018	111,056	140,211	910	76,870
		2017	107,746	133,091	902	92,701
Associates		2018	0	789	0	0
		2017	0	1,216	0	0
Owners	AD Niva Sp. z o.o. (indirectly Krzysztof Domarecki)	2018	0	1	0	0
		2017	0	1	0	0
Supervisory Board Members	Syrius Investment (Krzysztof Domarecki)	2018	0	0	0	0
		2017	0	0	0	0
	Universal Energy Sp. z o.o. (Krzysztof Domarecki)	2018	0	3,018	0	0
		2017	0	2,446	0	0
TOTAL		**2018**	**111,056**	**144,019**	**910**	**76,870**
		2017	**107,746**	**136,754**	**902**	**92,701**

3.16 Events occurring after the balance sheet date

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

Person responsible for maintenance of books of account

....
Agnieszka Rumczyk

acting Management Board President

....
Marcin Macewicz

Vice-President of the Management responsible for finance

....
Hubert Rozpędek

Vice-President of the Management Board

....
Agata Gładysz-Stańczyk

Management Board Member

....
Artur Ryglowski