



SELENA FM GROUP

EXTENDED CONSOLIDATED
QUARTERLY REPORT FOR THE PERIOD
FROM 1 JULY TO 30 SEPTEMBER 2017

Wroclaw, 27 November 2017

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1. ADDITIONAL INFORMATION TO THE QUARTERLY REPORT

1.1 Financial highlights

1.1.1 Consolidated financials of Selena Group

| | PLN thousand | | EUR thousand | |
|---|--|--|--|--|
| | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) |
| Revenue from sales | 891,392 | 757,063 | 209,414 | 173,289 |
| Operating profit (loss) | 43,000 | 48,261 | 10,102 | 11,047 |
| Profit (loss) before tax | 21,583 | 50,642 | 5,070 | 11,592 |
| Profit (loss) after tax | 12,072 | 36,622 | 2,836 | 8,383 |
| Profit (loss) attributable to the shareholders of the parent | 11,986 | 36,418 | 2,816 | 8,336 |
| Comprehensive income | 4,038 | 36,333 | 949 | 8,316 |
| Comprehensive income attributable to shareholders of the parent | 3,999 | 36,147 | 939 | 8,274 |
| Net cash flows from operating activities | -28,939 | 14,384 | -6,799 | 3,292 |
| Net cash flows from investing activities | 11,629 | -17,652 | 2,732 | -4,040 |
| Net cash flows from financing activities | 4,033 | 8,512 | 947 | 1,948 |
| Number of shares | 22,834,000 | 22,834,000 | 22,834,000 | 22,834,000 |
| Earnings per ordinary share (PLN/share) /EUR/share) | 0.52 | 1.59 | 0.12 | 0.37 |
| | 30 September 2017 (unaudited) | 31 December 2016 | 30 September 2017 (unaudited) | 31 December 2016 |
| Total assets | 916,878 | 803,063 | 212,777 | 181,524 |
| Non-current liabilities | 51,146 | 178,215 | 11,869 | 40,284 |
| Current liabilities | 434,415 | 190,719 | 100,813 | 43,110 |
| Equity | 431,317 | 434,129 | 100,094 | 98,130 |
| Registered capital | 1,142 | 1,142 | 265 | 258 |

1.1.2 Financial data of the Parent Company

| | figures in PLN thousand | | EUR thousand | |
|---|--|--|--|--|
| | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) |
| Revenue from sales | 384,055 | 322,984 | 90,226 | 73,930 |
| Operating profit (loss) | -7,311 | -8,775 | -1,718 | -2,009 |
| Profit (loss) before tax | -32,871 | 5,554 | -7,722 | 1,271 |
| Profit (loss) after tax | -31,022 | 5,083 | -7,288 | 1,163 |
| Comprehensive income | -31,022 | 5,083 | -7,288 | 1,163 |
| Net cash flows from operating activities | -17,063 | -15,683 | -4,009 | -3,590 |
| Net cash flows from investing activities | 23,203 | -1,432 | 5,451 | -328 |
| Net cash flows from financing activities | -11,702 | 17,568 | -2,749 | 4,021 |
| Number of shares | 22,834,000 | 22,834,000 | 22,834,000 | 22,834,000 |
| Earnings per ordinary share (PLN/share) /EUR/share) | -1.36 | 0.22 | -0.32 | 0.05 |
| | 30 September 2017 (unaudited) | 31 December 2016 | 30 September 2017 (unaudited) | 31 December 2016 |
| Total assets | 539,747 | 527,649 | 125,257 | 119,270 |
| Liabilities | 303,642 | 253,672 | 70,465 | 57,340 |
| Equity | 236,105 | 273,977 | 54,792 | 61,930 |
| Registered capital | 1,142 | 1,142 | 265 | 258 |

1.2 Group structure

The Group structure and changes in it were presented in Note 2.1.5 of this report.

1.3 Material developments in the reporting period

1.3.1 Changes in the Management Board

On 22 September 2017, the Supervisory Board of Selena FM S.A. appointed Ms Agata Gładysz-Stańczk to the position of Vice President of the Management Board, effective from 22 September 2017. Since 1 March 2017, Ms Agata Gładysz-Stańczyk served as a Management Board Member at Selena FM S.A.

On 22 September 2017, the Supervisory Board of Selena FM S.A. appointed Mr Artur Ryglowski to the position of Management Board Member, effective from 22 September 2017.

1.3.2 Group promotion

25th anniversary gala in Wrocław – Selena FM SA, Selena SA (14 July 2017)

The first gala to celebrate the 25th anniversary of Selena Group was organised in Wrocław at the Terminal Hotel. During the ceremony, key development paths for the coming years were presented and the Group's successes achieved to date were discussed. The event was attended by employees, invited guests and business partners. Among the guests, there were representatives of local authorities: the Mayor of Wrocław Rafał Dutkiewicz and the Treasurer of the Lower Silesia Province Ms Elżbieta Berezowska.

25th anniversary gala in Ukraine – Selena Ukraine (19 July 2017)

In July 2017, Selena Group celebrated 25 years of its existence with the local company, Selena Ukraine. At the press conference, the results achieved and plans for development in the local market were outlined. Innovative solutions for the construction industry were presented, and a show was staged to demonstrate the new foam adhesives (FOAD) category, which revolutionised the approach to construction work. There was also a meeting with Selena's customers, business partners and employees.

25th anniversary gala in Turkey – Selena Malzemeleri Yapi (25 August 2017)

On 25 August, a press conference and Selena Group's 25th Anniversary Gala took place in Istanbul. During the meeting with journalists, the company's Management Board members, as well as other top management members, presented Selena's history and strategy, mainly the key innovations created by Selena's R&D centers, and emphasized the unique role of the local company in Turkey in providing the most advanced solutions for professional contractors and individual users in the country. The 25th anniversary celebration was also an opportunity to present the latest products added to the Group's portfolio.

Polish–Kazakh forum in Astana (6 September 2017)

On 6 September, a Polish–Kazakh Forum was held in Kazakhstan, during which the Chairman of the Supervisory Board of Selena Group Krzysztof Domarecki gave a speech "SELENA – Investing in business in Kazakhstan". The Forum was organized on the occasion of the Polish National Day at EXPO 2017 in Astana. At the end of the Forum, the Polish President Andrzej Duda and the President of Kazakhstan Nursultan Nazarbayev addressed the attendees, speaking about Selena as a Polish company which successfully develops in operations in Kazakhstan.

25th anniversary gala in Kazakhstan – Selena CA (7 September 2017)

On 7 September, a press conference and the Group's 25th Anniversary Gala took place in Kazakhstan. The press conference included a presentation of the Group's innovative products and future plans connected with the Kazakh market. After the press conference, representatives of the Group's authorities, employees and Selena's Kazakh clients participated in a gala.

President's visit to the Selena Insulations Factory (7 September 2017)

On 7 September, the President of the Republic of Poland Andrzej Duda visited Selena Insulations – Selena Group's newest and most modern production plant in Kazakhstan, located in the Special Economic Zone "Astana – New City". On his visit, the Polish President together with Selena's founder Krzysztof Domarecki and the Group's CEO Jean Noël Fourel visited the plant opened in December 2016.

Selena at EXPO

Selena Group was one of the exhibitors as part of the Polish Exposition at the Astana EXPO 2017 International Exhibition, whose theme was "Future Energy". At the show, Selena presented its proprietary COOL-R system, an absolute breakthrough in the construction industry. The COOL-R technology supports energy efficiency and reduces carbon emissions. Selena was awarded in a competition organized by the Polish Agency for Enterprise Development for promoting modern technologies as part of the Polish Exposition at EXPO 2017. Selena entered the competition with its COOL-R coating. The product was also applied on the roof of an exhibition building in Astana to seal 2,400 m² of the ducts for removing water.

25th anniversary gala in Wałbrzych – Selena CA (16 September 2017)

16 September saw the Group's last 25th anniversary gala, which was held in Wałbrzych in the Stara Kopalnia (Old Mine) Science and Arts Centre. The event brought together employees of Selena's all production companies in Poland and employees of Selena Labs, company engaged in R&D operations. Among the guests there were also representatives of local authorities.

1.3.3 New products in the portfolio

The following products were added to the offer in the third quarter of 2017:

TYTAN PROFESSIONAL Liquid Nail Mounting Adhesive D4 300 ml – a single-component, transparent, polyurethane-based mounting adhesive marketed in Turkey. This adhesive is used both in the furniture and in construction industry for interior finishing and all kinds of installation works.

ARTELIT PROFESSIONAL Two Component Repair Compound RC-001 – a two-component, epoxy agent for the repair and reinforcement of concrete substrates, marketed in Poland and in the CE countries (Czech Republic, Hungary, Romania). It is used in the places where the concrete substrate is cracked and might deteriorate further as a result of the stress applied when bonding the parquet with the substrate.

ARTELIT PROFESSIONAL WB-981 Special Carpet Adhesive – a new formulation implemented in the Polish market and the CE countries (Czech Republic, Slovakia, Hungary, Romania). Specialist adhesive used for all types of floor and wall coverings on absorbent and non-absorbent substrates in interiors.

1.3.4 Research and development

In the third quarter of 2017, Selena Labs' research and development team focused primarily on developing innovative products, including a new adhesive based on hybrid polymers. As regards industrial adhesives, work mainly focused on

expanding the offer and modifying the existing products to suit customers' special needs. Two formulations were implemented for neutral silicones which do not emit harmful substances (classified as NO MEKO) and a formulation for low-modulus hybrid sealant. In the area of waterproofing products, further work was carried out on modification of COOL-R, the highly-reflective waterproofing roof coating, to expand the range of its use in various temperature and humidity conditions. The Group also continues the search for new sources of raw materials, testing them in the lab to optimise its products and modify their parameters. At the same time, optimisation measures were taken with regard to raw materials and technologies. One of the most important product added to Selena's offer at the time was the family of foams which are in line with the eco trends: foams without MCCP. MCCPs are medium-chain chlorinated paraffins used in foams as plasticisers and fillers. As required by the EU legislation, for several years now MCCPs have been labelled as "harmful to the aquatic environment", and their presence in foam may have a negative effect on the environment. This is why Selena is expanding its portfolio of products which do not contain this ingredient.

1.4 Group performance drivers

1.4.1 Financial performance

The tables below show selected items of the consolidated income statement for the 9 months and 3 months ended 30 September 2017 and 30 September 2016, respectively, as well as selected financial ratios.

| Figures in PLN thousand | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) | Change Change | Change % |
|---|--|--|------------------|-------------|
| Revenue from sales | 891,392 | 757,063 | 134,329 | 17.7% |
| Cost of sales | 625,604 | 500,538 | 125,066 | 25.0% |
| Gross profit on sales | 265,788 | 256,525 | 9,263 | 3.6% |
| Selling and marketing costs | 144,904 | 132,935 | 11,969 | 9.0% |
| General and administrative expenses | 72,621 | 60,012 | 12,609 | 21.0% |
| Other operating profit (loss) | -5,263 | -15,317 | 10,054 | - |
| EBITDA – operating profit + depreciation / amortisation | 62,331 | 65,244 | -2,913 | - |
| Operating profit (loss) (EBIT) | 43,000 | 48,261 | -5,261 | - |
| Net financial income (loss) | -21,902 | 1,900 | -23,802 | - |
| Share in net profit/loss of the associate | 485 | 481 | 4 | - |
| -Profit (loss) before tax | 21,583 | 50,642 | -29,059 | - |
| Profit (loss) after tax | 12,072 | 36,622 | -24,550 | - |
| Total other net comprehensive income | -8,034 | -289 | -7,745 | - |
| Total comprehensive income | 4,038 | 36,333 | -32,295 | - |

EBITDA – operating profit + depreciation/amortisation

| | Change in p.p. | | |
|--|----------------|-------|------|
| Gross profit margin | 29.8% | 33.9% | -4.1 |
| Selling costs / revenue from sales | 16.3% | 17.6% | -1.3 |
| General and administrative expenses / revenue from sales | 8.1% | 7.9% | 0.2 |
| EBITDA margin % | 7.0% | 8.6% | -1.6 |
| Operating profit margin (EBIT%) | 4.8% | 6.4% | -1.6 |
| Net profit margin | 1.4% | 4.8% | -3.5 |

EBIT % – operating profit / sales

EBITDA % – EBITDA / sales

| Figures in PLN thousand | 3 months ended | 3 months ended | Change | Change % |
|--|-------------------------------|-------------------------------|-----------------------|----------|
| | 30 September 2017 (unaudited) | 30 September 2016 (unaudited) | | |
| Revenue from sales | 350,245 | 301,029 | 49,216 | 16.3% |
| Cost of sales | 247,500 | 196,975 | 50,525 | 25.7% |
| Gross profit on sales | 102,745 | 104,054 | -1,309 | -1.3% |
| Selling and marketing costs | 49,060 | 47,922 | 1,138 | 2.4% |
| General and administrative expenses | 24,973 | 21,498 | 3,475 | 16.2% |
| Other operating profit (loss) | -2,937 | -3,400 | 463 | - |
| EBITDA – operating profit + depreciation / amortisation | 32,616 | 37,464 | -4,848 | - |
| Operating profit (loss) (EBIT) | 25,775 | 31,234 | -5,459 | - |
| Net financial income (loss) | -5,165 | -6,981 | 1,816 | - |
| Share in net profit/loss of the associate | 0 | 0 | 0 | - |
| Profit (loss) before tax | 20,610 | 24,253 | -3,643 | - |
| Profit (loss) after tax | 16,983 | 16,499 | 484 | - |
| Total other net comprehensive income | -1,702 | -1,502 | -200 | - |
| Total comprehensive income | 15,281 | 14,997 | 284 | - |
| <i>EBITDA – operating profit + depreciation/amortisation</i> | | | | |
| | | | Change in p.p. | |
| Gross profit margin | 29.3% | 34.6% | -5.2 | |
| Selling costs / revenue from sales | 14.0% | 15.9% | -1.9 | |
| General and administrative expenses / revenue from sales | 7.1% | 7.1% | 0.0 | |
| EBITDA margin % | 9.3% | 12.4% | -3.1 | |
| Operating profit margin (EBIT%) | 7.4% | 10.4% | -3.0 | |
| Net profit margin | 4.8% | 5.5% | -0.5 | |
| <i>EBIT % – operating profit / sales</i> | | | | |
| <i>EBITDA % - EBITDA / sales</i> | | | | |

Sales

During the period of 9 months of 2017, consolidated revenue from sales amounted to PLN 891.4 million, which is by PLN 17.7% (PLN 134.3 million) higher than in the corresponding period of the previous year. In the third quarter of 2017, consolidated sales amounted to PLN 350.2 million (up 16.3% on Q3 2016).

The sales growth over the nine months of 2017 was mainly driven by notable sales increases in Poland, Russia, Turkey and Kazakhstan. Also, the sales in China increased by 12.5 million, which is related to the implementation of a new business model in that market. The sales growth in 2017 is also related to the acquisition in Italy (Uniflex S.p.A).

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 2016. European Union remains the key segment. It generated 63% (vs. 66% in 2016) of total sales. The Poland subsegment maintains its share in total sales, inter alia, thanks to the products sold by the manufacturing plants located in Poland to private label customers abroad. The Eastern Europe and Asia segment increased its share to 31% thanks to strong sales improvement in Russia, Kazakhstan and China. 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 2017 / 2016 |
|----------------------------|--|--|-----------------------|
| | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) | |
| European Union, including: | 63% | 66% | 14% |
| Poland | 38% | 41% | 10% |
| Other countries | 25% | 25% | 21% |
| Eastern Europe and Asia | 31% | 27% | 29% |
| N&S America | 6% | 7% | 5% |

Gross profit on sales

For 9 months of 2017, Selena Group generated gross profit of PLN 265.8 million, i.e. PLN 9.3 million more year-on-year. Gross profit achieved in Q3 2017 was PLN 102.7 million, down PLN 1.3 million vs. Q3 2016.

For 9 months, gross profit margin was 29.8%, down 4.1 p.p. year-on-year. Gross profit margin achieved in Q3 2017 was 29.3%, down 5.2 p.p. year-on-year. The margin decreased as a result of major increases in raw material prices, which the Group tries to transfer to the market gradually depending on the price competition conditions in individual markets.

Selling costs and general and administrative expenses

Selling costs over 9 months of 2017 were PLN 144.9 million, up PLN 12.0 million, i.e. 9.0% YoY. In Q3 2017, selling costs were PLN 49.1 million, up PLN 2.4% YoY compared with the costs incurred in the corresponding period of the previous year. The increase in costs was caused by the substantial increase in sales (17.7%).

Over the 9 months 2017, **general and administrative expenses** were PLN 72.6 million, up 21.0% compared with the previous year. In Q3 2017, the expenses were PLN 25.0 million, up PLN 16.2% YoY compared with the expenses incurred in the corresponding period of the previous year. The increase is due to the unfavourable impact of conversion of the local currencies into the Group's functional currency, recognition of the costs of Uniflex acquired in 2017; the start of amortisation of the ERP system (in Q2 2017); the depreciation charge in Selena Iberia, the increase in salaries in the Polish companies of Selena Group (increasing the manpower) and the market pressure on salary increases.

After 9 months of 2017, the ratio of selling, general and administrative expenses to sales was 24.4%, down 1.1 p.p. year-on-year.

Operating profit (loss)

Over 9 months of 2017, the Group generated operating profit of PLN 43.0 million versus PLN 48.3 million in the corresponding period of the previous year. Operating profit achieved in Q3 2017 was PLN 25.8 million, down PLN 5.5 million vs. Q3 2016.

The result on other operations was negative at PLN -5.3 million. The result was negatively affected by the cost of unused capacity (PLN 2.0 million), impairment charges on receivables, including the write-off of bad debts (PLN 1.3 million), impairment charges on inventory, cost of liquidation of stocks and inventory shortages (PLN 3 million).

Profit after tax

Over 9 months of 2017, Selena Group achieved net profit of PLN 12.1 million compared with PLN 36.6 million achieved in the corresponding period of 2016. Net profit achieved in Q3 2017 was PLN 17 million, similar to the figure reported in Q3 2016 (PLN 16.5 million).

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). The operating result was reduced by a net loss on financial activity of PLN 22.0 million posted over 9 months of 2017. FX losses were PLN 19.2 million. For comparison, over 9 months ended 30 September 2017, the Group posted FX gains of PLN 7.2 million. The FX losses resulted from appreciation of the PLN vs. EUR and USD (decline of the EUR/PLN and USD/PLN rate by 3% and 13%, respectively), coupled with the weakening of the eastern market currencies, mainly the Kazakh tenge (15%), the Russian ruble (5%), the Ukrainian hryvnia (9%) and the Turkish lira (13%) in the period from 1 January 2017 to 30 September 2017. Selena Group hedges a part of its currency exposure relating to trade receivables and liabilities by using multi-currency credit lines and applying the Currency Risk Management, in particular by entering into forward transactions, primarily in EUR/RUB and EUR/PLN.

The cost of interest on loans and finance leases totalled PLN 2.4 million net (after reduction by the achieved interest income from bonds and bank deposits), and was similar to the level reported in the corresponding period of 2016.

For 9 months of 2017, the income tax charge was PLN 9.5 million vs. PLN 14.0 million posted in the corresponding period of 2016.

After the 9 months of 2017, EBITDA was PLN 62.3 million (including depreciation/amortisation: PLN 19.3 million), down PLN 2.9 million lower year-on-year. For 3 months ended 30 September 2017, EBITDA was PLN 32.6 million, down PLN 4.8 million vs. Q3 2016.

1.4.2 Asset and financial position

The table below shows selected figures of the consolidated balance sheet as at 30 September 2017 and 31 December 2016.

| Figures in PLN thousand | 30 September 2017 (unaudited) | 31 December 2016 | Change Change | Change % |
|-------------------------------|----------------------------------|---------------------|------------------|-------------|
| Non-current assets | 320,221 | 327,114 | -6,893 | -2% |
| Property, plant and equipment | 223,775 | 231,803 | -8,028 | -3% |
| Intangible fixed assets | 56,792 | 54,110 | 2,682 | 5% |
| Other long-term assets | 39,654 | 41,201 | -1,547 | -4% |
| Current assets | 596,657 | 475,949 | 120,708 | 25% |
| Inventories | 202,349 | 144,844 | 57,505 | 40% |
| Trade receivables | 257,717 | 181,630 | 76,087 | 42% |
| Cash | 41,526 | 54,704 | -13,178 | -24% |
| Other current assets | 95,065 | 94,771 | 294 | 0% |
| Equity | 431,317 | 434,129 | -2,812 | -1% |
| Liabilities | 485,561 | 368,934 | 116,627 | 32% |
| Loans and advances | 197,368 | 178,090 | 19,278 | 11% |
| Trade liabilities | 180,420 | 109,570 | 70,850 | 65% |
| Other liabilities | 107,773 | 81,274 | 26,499 | 33% |

| | 30 September 2017 (unaudited) | 31 December 2016 |
|-------------------|----------------------------------|---------------------|
| Current liquidity | 1.4 | 2.5 |
| Quick liquidity | 0.9 | 1.7 |
| Debt ratio | 53% | 46% |

Current liquidity – current assets / current liabilities

Quick liquidity – current assets less stocks / current liabilities

Current assets increased vs. 31 December 2016 by PLN 120.7 million as a natural consequence of seasonality and high sales in Q3 2017 compared with the last quarter of 2016, which is reflected mainly in the value of trade receivables and inventories, and the higher level of short-term liabilities.

The increase in inventories vs. 31 December 2016 (+PLN 57.5 million) mainly results from seasonal factors – accumulation of finished goods before the peak of the sales season, and the take-over of control over Uniflex S.p.A. (which increased by value of stocks by PLN 5.9 million as at 30 September 2017).

The increase in trade receivables vs. 31 December 2016 (+PLN 76.1 million) was mainly caused by the strong increase in sales in Q2 and Q3 2017, the FX rates prevailing as at the balance sheet date and the acquisition of Uniflex SpA (which cause the value of receivables to increase by PLN 13.0 million).

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

| | 30 September 2017 (unaudited) | 31 December 2016 |
|---|----------------------------------|------------------|
| Figures in PLN thousand | | |
| Interest bearing borrowings | 197,368 | 178,090 |
| Other financial liabilities | 29,187 | 21,305 |
| Less cash and cash equivalents | -41,526 | -54,704 |
| Net debt | 185,029 | 144,691 |
| Equity attributable to the shareholders of the parent | 430,725 | 433,576 |
| Equity and net debt | 615,754 | 578,267 |
| Gearing (net debt / equity + net debt) | 30% | 25% |
| Debt ratio (liabilities / total assets) | 53% | 46% |
| Ned debt / EBITDA* | 3.29 | 2.44 |

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

The increase in debt on loans vs. 31 December 2016 mainly resulted, as every year, from the seasonal factors and the ensuing higher working capital requirements in the summer months.

As at 30 September 2017, the debt ratio amounted to 53% and was 7 p.p. higher than at the end of 2016 and by 3 p.p. higher year-on-year. The change results from an increase in bank debt. In consequence, net debt to EBITDA was 3.29 and was higher vs. 31 December 2016, when it stood at 2.44.

1.4.4 Cash flows

The tables below show selected items of the consolidated statement of cash flows for the 9 months ended, 30 September 2017 and 30 September 2016, respectively.

| | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) | Change |
|---|--|--|----------------|
| Figures in PLN thousand | | | |
| Net cash flows from operating activities | -28,939 | 14,384 | -43,323 |
| Net cash flows from investing activities | 11,629 | -17,652 | 29,281 |
| Net cash flows from financing activities | 4,033 | 8,512 | -4,479 |
| Change in cash and cash equivalents: | -13,277 | 5,244 | -18,521 |

Net cash flows in the period of 9 months of 2017 were PLN -13.3 million.

Operating cash flows were PLN -29.0 million, down PLN 43.3 million lower than in the corresponding period of 2016. Changes in net current assets compared with 31 December 2016: receivables (PLN -95.6 million), inventories (PLN -62.1 million) and liabilities (PLN -85.0 million). The change in current assets of PLN -72.8 million (compared to PLN -41.8 million in the first 9 months of 2016), which had a negative impact on cash flows from operating activities, was influenced by a YoY increase in sales and an ensuing change in working capital.

Net cash flows from investing activities were positive at PLN 11.6 million, with inflows being PLN 29.3 million higher year-on-year. An important investment cash flow was repurchase of bonds of PLN 20.0 million and the settlement of the acquisition of Uniflex SpA shares (cash flow of PLN -3.7 million).

Net cash inflows from financing activities amounted to PLN 4.0 million. This figure was mainly affected by bank debt: working capital and investment loans, repayment of bank and non-bank loans (a total of PLN -19.8 million), interest paid (PLN -5.2 million), and repayment of finance lease obligations (PLN -3.8 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 2015-2016, 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 2017.

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

On 23 June 2017, the AGM of Selena FM S.A. adopted a resolution on dividend payment in respect of a part of the Parent Company's profit for 2016 in a total amount of PLN 6,850,200.00, i.e. PLN 0.30 per share. The record date, when the list of shareholders eligible for dividend is determined, was set to 1 August 2017. The shares of all series carry the same dividend rights. The dividend was paid on 16 August 2017.

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% |

* entity controlled by Krzysztof Domarecki, Supervisory Board Chairman

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 | 488,150.00 |
| Syrius Investments s.a.r.l.* | - | 8,050,000 | 402,500.00 |
| Artur Ryglowski | Management Board member | 7,600 | 380.00 |
| Marcin Macewicz | Vice-President of the Management Board | 600 | 30.00 |

* entity controlled by Krzysztof Domarecki, Supervisory Board Chairman

1.11 Litigations

As at the date of approval of these financial statements, neither the Parent Company nor any Group company were a party to any court, arbitration or administrative proceedings whose 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 2016 (Note 28.3).

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 6.9 million 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 Millennium filed a motion to refer the case to mediation. The court decided to defer its decision regarding the motion. At the current stage of the proceedings, witnesses are being questioned. The date of the next hearing was set to 11 December 2017.

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 fibreglass mesh fabrics 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 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, 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 dispute, so a decision was made to raise a provision for this purpose. The Company does not agree with the court decisions and on 20 and 22 February lodged appeals to the Supreme Administrative Court.

On 27 September 2017, the court of the second instance, after considering the case, issued decisions upholding the decisions of the court of the first instance. The Company plans to file a complaint with the Provincial Administrative Court in Gdańsk. 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, complaints were lodged with the Provincial Administrative Court in Gdansk in further 15 cases, previously pending before the court of the second instance. Hearings in those cases may be set to March/April 2018.

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 3.13 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 2016.

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 2.23 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 International Monetary Fund (IMF) published in October 2017 shows that the global economy is expected to see GDP growth of 3.6% this year and 3.7% in 2018. Most importantly, highly developed countries are to observe a growth of 2.2% and 2.0%, respectively, and developing countries: 4.6% and 4.9%, respectively. As regards the key markets of Selena Group in Europe, it is important to note the good forecasts for the Spanish economy: 3.1% GDP in 2017 and 2.5% GDP in 2018. Positive GDP growth in 2017 is also expected in the other European geographies of Selena Group: Romania +5.5%, Hungary +3.2%, Czech Republic +3.5%, Bulgaria +3.6% or Italy +1.5%. IMF expects that Poland will see GDP a strong growth of +3.8%. According to the same forecast of the IMF, GDP growth in 2017 will be as follows: USA 2.2%, Turkey 5.1%, Ukraine 2.0%, Kazakhstan 3.3%, China 6.8%, Brazil 0.7%. GDP projections for the Russian market also point to an increase of 1.8%.

Situation in the construction sector. Demand in the construction chemicals market is and 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 October 2017 for the nine months of 2017 point to a growth of 10.6% in house completions year-on-year. At the same time, the number of construction permits increased by 23.4%, while the number of commenced housing investments increased merely by 20.9%. After nine months of 2017, the construction and assembly production was by 13.0% lower year-on-year. According to the data released by Central Statistics Office (GUS) on 20 October 2016, the General Business Indicator in the construction sector was +0.4. An improvement was signalled by 15.5% of enterprises, with 15.1% pointing to a deterioration. A slight increase in orders and in construction-assembly production is expected. The situation in the construction sector in Selena Group's other geographies 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 October 2017, for 6-month projections 54% of the polled bankers pointed to an increase, 40% to stabilisation and merely 6% to a decline in the volume of housing loans. According to the Amron-Safrin report of August 2017, the total value of debt on housing loans was PLN 391.046 billion. This represents an increase of 0.24% in the second quarter, i.e. PLN 932 million compared to the end of the first quarter. Also the number of loans granted in the second quarter increased by 1.10% (nominally 22,978 loans), which means that the situation in this regard is stable.

FX rates. According to the currency forecast of Raiffeisen Bank International of 10 November 2017, in the coming months no major changes should be expected in the EUR/PLN rate, which is expected to stand at 4.22 at the year-end. Likewise, no sudden changes should be observed in the currency markets of Central Europe. Towards the year-end, the following currency rates are expected for the Group's main markets: EUR/RUB 67.7; EUR/CZK 25.8; EUR/HUF 309; EUR/RUB 4.6.

Collection risk. The Group companies report a slight decrease in overdue receivables. At the end of September 2017, the age structure of trade receivables improved vs. 31 December 2016. The proportion of up-to-date receivables increased by 3.2 p.p.

Commodity prices. The third quarter of 2016 started a growing trend in commodity prices, particularly the prices of materials for the manufacture of polyurethane foams. The situation is further complicated by unavailability of commodities. Accordingly, further increases of raw material prices should be expected for the following quarters of 2017 and 2018.

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 | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) | 3 months ended 30 September 2017 (unaudited) | 3 months ended 30 September 2016 (unaudited) |
|--|------|--|--|--|--|
| Continued operations | | | | | |
| Revenue from the sale of products | | 828,435 | 703,290 | 324,910 | 280,996 |
| Revenue from the sale of goods and materials | | 62,014 | 52,856 | 25,107 | 19,630 |
| Revenue from the sale of services and lease | | 943 | 917 | 228 | 403 |
| Sales | 2.5 | 891,392 | 757,063 | 350,245 | 301,029 |
| Cost of sales | | 625,604 | 500,538 | 247,500 | 196,975 |
| Gross profit (loss) | | 265,788 | 256,525 | 102,745 | 104,054 |
| Other operating income | 2.6 | 5,019 | 4,538 | 833 | 1,537 |
| Selling and marketing costs | | 144,904 | 132,935 | 49,060 | 47,922 |
| General and administrative expenses | | 72,621 | 60,012 | 24,973 | 21,498 |
| Other operating costs | 2.6 | 10,282 | 19,855 | 3,770 | 4,937 |
| Operating profit (loss) | | 43,000 | 48,261 | 25,775 | 31,234 |
| Financial revenues | 2.7 | 4,130 | 13,731 | 617 | -3,123 |
| Financial expenses | 2.7 | 26,032 | 11,831 | 5,782 | 3,858 |
| Share in net profit/loss of the associate | | 485 | 481 | 0 | 0 |
| Profit (loss) before tax | | 21,583 | 50,642 | 20,610 | 24,253 |
| Income tax | 2.8 | 9,511 | 14,020 | 3,627 | 7,754 |
| Net profit (loss) on continued operations | | 12,072 | 36,622 | 16,983 | 16,499 |
| Discontinued operations | | | | | |
| Loss on discontinued operations | | - | - | - | - |
| Net profit (loss) for the financial year, including: | | 12,072 | 36,622 | 16,983 | 16,499 |
| Attributed net profit (loss): | | | | | |
| - shareholders of the parent | | 11,986 | 36,418 | 16,925 | 16,394 |
| - non-controlling interests | | 86 | 204 | 58 | 105 |
| Earnings per share (continued operations) attributable to the shareholders of the parent (PLN / share) 2.9 | | | | | |
| - basic | | 0.52 | 1.59 | 0.74 | 0.72 |
| - diluted | | 0.52 | 1.59 | 0.74 | 0.72 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| Figures in PLN thousand | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) | 3 months ended 30 September 2017 (unaudited) | 3 months ended 30 September 2016 (unaudited) |
|--|--|--|--|--|
| Profit after tax | 12,072 | 36,622 | 16,983 | 16,499 |
| Other comprehensive income not subject to reclassification to profit or loss | 0 | 0 | 0 | 0 |
| Other comprehensive income subject to reclassification to profit or loss: | | | | |
| FX differences arising on translation of foreign affiliates | 7,213 | 489 | 313 | 2,211 |
| FX differences on measurement of investments into the net assets of a foreign subsidiary | -17,162 | -680 | -1,489 | -4,588 |
| Income tax | 1,915 | -98 | -526 | 875 |
| Other comprehensive income for the period, after tax | -8,034 | -289 | -1,702 | -1,502 |
| Total comprehensive income | 4,038 | 36,333 | 15,281 | 14,997 |
| Attributable to: | | | | |
| – shareholders of the parent | 3,999 | 36,147 | 15,221 | 14,908 |
| – non-controlling interests | 39 | 186 | 60 | 89 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Figures in PLN thousand | Note | 30 September 2017 (unaudited) | 31 December 2016 |
|--|-------------------------|------|----------------------------------|------------------|
| ASSETS | | | | |
| Property, plant and equipment | | | 223,775 | 231,803 |
| Intangible fixed assets | | | 56,792 | 54,110 |
| Other fixed assets | | | 7,812 | 8,707 |
| Investments accounted for using the equity method | | | 5,769 | 6,233 |
| Other long-term receivables | | | 404 | 372 |
| Long-term portion of loans granted | | | 70 | 71 |
| Other long term financial assets | | 2.11 | 1,494 | 1,627 |
| Deferred tax assets | | | 24,105 | 24,191 |
| Non-current assets | | | 320,221 | 327,114 |
| Inventories | | 2.12 | 202,349 | 144,844 |
| Trade receivables | | 2.13 | 257,717 | 181,630 |
| CIT claimed | | | 4,516 | 4,191 |
| Other short-term receivables | | 2.14 | 44,177 | 25,375 |
| Short-term portion of loans granted | | | 646 | 554 |
| Other short-term financial assets | | 2.11 | 45,726 | 64,651 |
| Cash and cash equivalents | | | 41,526 | 54,704 |
| Current assets | | | 596,657 | 475,949 |
| TOTAL ASSETS | | | 916,878 | 803,063 |
| EQUITY AND LIABILITIES | | | | |
| Registered capital | | | 1,142 | 1,142 |
| FX differences arising on translation of foreign affiliates | | | -25,161 | -17,174 |
| Supplementary capital | | | 551,402 | 525,681 |
| Other reserves | | | 9,633 | 9,633 |
| Retained profit / (loss carried forward) | | | -106,291 | -85,706 |
| - retained profit / loss carried forward from previous years | | | -118,277 | -117,736 |
| - profit (loss) after tax | | | 11,986 | 32,030 |
| Equity attributable to the shareholders of the parent | | | 430,725 | 433,576 |
| Non-controlling interests | | | 592 | 553 |
| Total equity | | | 431,317 | 434,129 |
| Long-term portion of bank and other loans | | 2.15 | 25,903 | 158,730 |
| Other financial liabilities | | 2.16 | 14,219 | 7,590 |
| Other long-term liabilities | | 2.17 | 3,693 | 4,590 |
| Deferred tax liabilities | | | 4,446 | 6,812 |
| Other long-term provisions | | 2.18 | 2,885 | 493 |
| Non-current liabilities | | | 51,146 | 178,215 |
| Trade liabilities | | | 180,420 | 109,570 |
| Short-term portion of bank and other loans | | 2.15 | 171,465 | 19,360 |
| Other financial liabilities | | 2.16 | 14,858 | 13,715 |
| Income tax payable | | | 1,495 | 2,188 |
| Other short-term liabilities | | 2.17 | 54,234 | 30,528 |
| Short-term provisions | | 2.18 | 11,943 | 15,358 |
| Current liabilities | | | 434,415 | 190,719 |
| Total liabilities | | | 485,561 | 368,934 |
| TOTAL EQUITY AND LIABILITIES | | | 916,878 | 803,063 |

CONSOLIDATED STATEMENT OF CASH FLOWS

| | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) |
|---|--|--|
| Figures in PLN thousand | Note | |
| Profit / loss before tax on continued operations | | |
| Profit (loss) before tax | 21,583 | 50,642 |
| Adjusted by: | | |
| Share in the result of the entities accounted for using the equity method | -485 | -481 |
| Depreciation | 19,331 | 16,983 |
| FX gains (losses) | 14,715 | -9,592 |
| Interest and dividends | 2,285 | 2,380 |
| Profit / (loss) on investing activities | -2,110 | 591 |
| Change in the balance of receivables | -95,629 | -53,532 |
| Change in the balance of inventories | -62,114 | -36,791 |
| Change in the balance of obligations | 84,938 | 48,528 |
| Change in the balance of provisions | -4,925 | -560 |
| CIT paid | -11,135 | -5,110 |
| Other | 4,607 | 1,326 |
| Net cash flows from operating activities | -28,939 | 14,384 |
| Cash flows from investing activities | | |
| Inflows from sale of tangible and intangible fixed assets | 3,006 | 436 |
| Acquisition of tangible and intangible fixed assets | -10,882 | -22,057 |
| Acquisition of a subsidiary, net of cash acquired (Uniflex, Oligo) | -3,716 | 0 |
| Purchase of other financial assets | 0 | -23 |
| Inflows from bond repayments | 20,350 | 150 |
| Dividends and interest received | 2,713 | 3,562 |
| Repayments of loans granted | 120 | 350 |
| Outflow on account of loans given | -210 | -70 |
| Other | 248 | 0 |
| Net cash flows from investing activities | 11,629 | -17,652 |
| Cash flows from financing activities | | |
| Repayment of finance lease obligations | -3,799 | -3,439 |
| Inflows from bank / other loans received | 76,863 | 39,864 |
| Repayment of loans and advances | -57,070 | -15,782 |
| Dividend paid | -6,850 | -6,850 |
| Interest paid | -5,236 | -5,452 |
| Other | 125 | 171 |
| Net cash flows from financing activities | 4,033 | 8,512 |
| Net decrease in cash and cash equivalents | -13,277 | 5,244 |
| Change in cash and cash equivalents: | | |
| net FX differences | -13,178 | 5,086 |
| Cash at the beginning of the period* | 99 | -158 |
| Cash at the end of the period* | 54,704 | 41,899 |
| Cash at the end of the period* | 41,526 | 46,985 |

*including restricted cash:

as at 30 September 2017: PLN 0.1m

as at 30 September 2016: PLN 0.1m

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

FOR 9 MONTHS ENDED 30 SEPTEMBER 2017

| Figures in PLN thousand | Attributable to the shareholders of the parent | | | | | | Total equity | Capital attributable to non-controlling interests | Aggregate equity |
|--|--|--------------------------|---|-------------------|---|---------------|----------------|--|------------------|
| | Registered capital | Supplementary capital | FX differences arising on translation of a foreign affiliate | Other reserves | Retained profit/ (loss carried forward): from previous years from the current period | | | | |
| As at 1 January 2016 | 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 | 11,986 | 11,986 | 86 | 12,072 |
| Other net comprehensive income for the period | 0 | 0 | -7,987 | 0 | 0 | 0 | -7,987 | -47 | -8,034 |
| Total comprehensive income for the period | 0 | 0 | -7,987 | 0 | 0 | 11,986 | 3,999 | 39 | 4,038 |
| Transfer of profit to the supplementary capital | 0 | 25,721 | 0 | 0 | -25,721 | 0 | 0 | 0 | 0 |
| Dividend (SELENA FM S.A.) | 0 | 0 | 0 | 0 | -6,850 | 0 | -6,850 | 0 | -6,850 |
| As at 30 June 2017 (not audited) | 1,142 | 551,402 | -25,161 | 9,633 | -118,277 | 11,986 | 430,725 | 592 | 431,317 |

FOR 9 MONTHS ENDED 30 SEPTEMBER 2016

| Figures in PLN thousand | Attributable to the shareholders of the parent | | | | | | Total equity | Capital attributable to non- controlling interests | Aggregate equity |
|--|--|--------------------------|---|-------------------|---|---------------|----------------|--|------------------|
| | Registered capital | Supplementary capital | FX differences arising on translation of a foreign affiliate | Other reserves | Retained profit/ (loss carried forward): from previous years from the current period | | | | |
| As at 1 January 2016 | 1,142 | 463,447 | -22,134 | 9,633 | -48,652 | 0 | 403,436 | 332 | 403,768 |
| Net profit (loss) for the financial year | 0 | 0 | 0 | 0 | 0 | 36,418 | 36,418 | 204 | 36,622 |
| Other net comprehensive income for the period | 0 | 0 | -271 | 0 | 0 | 0 | -271 | -18 | -289 |
| Total comprehensive income for the period | 0 | 0 | -271 | 0 | 0 | 36,418 | 36,147 | 186 | 36,333 |
| Transfer of profit to the supplementary capital | 0 | 65,056 | 0 | 0 | -65,056 | 0 | 0 | 0 | 0 |
| Cover of the loss from previous years | 0 | -2,822 | 0 | 0 | 2,822 | 0 | 0 | 0 | 0 |
| Payment of dividend (SELENA FM S.A.) | 0 | 0 | 0 | 0 | -6,850 | 0 | -6,850 | 0 | -6,850 |
| As at 30 September 2016 | 1,142 | 525,681 | -22,405 | 9,633 | -117,736 | 36,418 | 432,733 | 518 | 433,251 |

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 Parent Company's core business includes:

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

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

2.1.2 Management Board of the Parent Company

As at 31 December 2016, the Parent Company's Management Board was composed of:

- Jean-Noël Fourel – Management Board President
- Hubert Rozpędek – Vice-President of the Management Board for Finance
- Marcin Macewicz – Management Board Member.

Changes in the Management Board in 2017:

- On 30 January 2017, the Supervisory Board of Selena FM S.A. appointed Mr Marcin Macewicz as Vice-President for Sales and Marketing.
- As of 1 March 2017, the Supervisory Board of Selena FM S.A. appointed Ms Agata Gładysz-Stańczyk to the position of Member of the Management Board.
- On 22 September 2017, the Supervisory Board of Selena FM S.A. appointed Ms Agata Gładysz-Stańczyk to the position of Vice President of the Management Board.
- On 22 September 2017, the Supervisory Board of Selena FM S.A. appointed Mr Artur Ryglowski to the position of Management Board Member.

As at 30 September 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.

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 2016, 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.
- Hans Kongsted – Supervisory Board Member
- Francisco Azcona – Supervisory Board Member.

Changes in the Supervisory Board composition in the period from 1 January to 30 September 2017:

- on 26 May 2017, Mr. Francisco Azcona resigned from the position of Member of the Supervisory Board as of 26 May 2017.
- on 20 June 2017, Mr. Hans Kongsted resigned from the position of Member of the Supervisory Board effective from 23 June 2017.

Changes in the Supervisory Board composition in the period from 1 October until the day of publication of this condensed consolidated financial statements:

- On 16 October 2017, the Extraordinary General Meeting of Shareholders adopted a resolution on extending the composition of the Supervisory Board by appointing new members: Ms Marlena Łubieszko-Siewruk, Mr Jacek Olszański and Mr Mariusz Warych.

2.1.4 Audit Committee and Strategy and Innovation Committee

On 20 October 2017, the Supervisory Board of Selena FM S.A. established Audit Committee consisting of:

- Mariusz Warych – Chairman of the Audit Committee
- Stanisław Knaflewski – Audit Committee Member
- Jacek Olszański – Audit Committee Member.

In the opinion of the Supervisory Board, the Audit Committee, in the aforementioned composition, fulfills the independence criteria and other requirements specified in Article 128(1) and Article 129(1), (3), (5) and (6) of the Statutory Auditors Act. The Issuer advises that until now the tasks of the Audit Committee were entrusted to Supervisory Board as a whole body.

On 20 October 2017, the Supervisory Board also decided to establish the Strategy and Innovation Committee consisting of:

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

2.1.5 Group members

The table below shows the ownership and organisational structure of the Group and division into operating segments. The data are presented as at 30 September 2017 and 31 December 2016.

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

The “owner” column specifies the name of the owner as at 30 September 2017.

Changes in the Group structure

Take-over of control over Uniflex S.p.A.

On 29 March 2017, under the agreement signed between Selena FM S.A. and natural persons, Selena FM S.A. acquired 64% stake in the share capital of Uniflex S.p.A. with its registered office in Mezzocorona, Italy, becoming a majority owner of Uniflex S.p.A.

Selena FM S.A. acquired 192 000 shares of Uniflex S.p.A. with a nominal value of EUR 1 per share, representing 64% stake in the company's registered capital, for a total amount of EUR 1 664 thousand. The shares of the acquired company were taken up in full and paid up in cash.

Acquisition of the majority shareholding by Selena FM S.A. is intended to strengthen the Group's position in Italy and in Western Europe. Thanks to synergies and cooperation with Selena Group, Uniflex S.p.A. will be able to supplement its products portfolio for the customers in Italy and Western Europe. At the same time, Selena Group will significantly increase its position in the market of acrylic products in Europe. The transaction will result in mutually complementary technologies, geographical development of distribution markets and synergies in the form of reduction of manufacturing costs and thus the costs of purchase of raw materials.

In addition, on 29 March 2017, both minority shareholders of Uniflex S.p.A. entered into an agreement where Selena FM S.A. made an unconditional offer to purchase the remaining shares (put option), while the minority shareholders guaranteed to Selena FM S.A. an exercise of the option to purchase the remaining shares (call option). The put and call options may be exercised between 1 April and 30 June 2019 or between 1 April and 30 June 2020.

A unit value of a share representing the exercise price for the put and call option will be determined on the basis of valuation of Uniflex S.p.A. as at the day the option is exercised. In accordance with the agreement, the valuation of Uniflex S.p.A. will take place on the basis of a multiplier of the company's EBITDA (adjusted in accordance with the agreement). The ratio will be calculated on the basis of the financial results from the last two approved financial statements of the company, preceding the year when the option was exercised.

Once the above options are exercised, Selena FM S.A. will take up 100% of shares of Uniflex S.p.A. As presented below these consolidated financial statements are prepared on the assumption that at the time of acquisition transactions Selena took up 100% of the shares.

Status of settlement of the acquisition

Using the provisions of IFRS 3 “Business combinations” (paragraph 61), the “provisional settlement” was adopted for the purpose of settlement of the acquisition. At present, work is under way to verify the fair value of the acquired assets and liabilities of the company. Particular focus is placed on acquired fixed assets and current assets as well as contingent liabilities. The final settlement of the acquisition must take place no later than on 29 March 2018.

Another reason why the provisional settlement was used as at 13 March 2017 is the estimated valuation of the obligations arising from the issue of the put option. In accordance with IAS 32 “Financial Instruments: Disclosure and Presentation”, where the parent company is required to repurchase the shares of its subsidiary from minority shareholders, and an obligation arises to recognise a financial liability at the time of issuing the option, regardless of the likelihood of the option being exercised. The financial liability should be recognised in the full present amount of the future payment for shares in connection with the exercise of the option issued. Due to the direct relationship between the issuance of a put option and acquisition of 64% shares, it is justified to recognise these combined transactions, which are a part of acquisition of a subsidiary and application of IFRS 3 “Business Combination” for the purpose of its settlement. In accordance with this approach, these consolidated financial statements have been prepared on the assumption that Selena FM S.A. acquired

100% of the shares of Uniflex S.p.A. Accordingly, in the consolidated financial statements the value of the liability arising from the issuance of put options was recognised, and the cost of acquisition was increased by a corresponding amount.

The provisional settlement presented below was based on estimated value of assets and liabilities, as well as estimates re the cost of acquisition of the acquired entity. Any adjustments to the estimates will be reflected in the final summary.

Presented below are calculations re the goodwill arising on acquisition::

| Figures in PLN thousand | 29 March 2017 |
|--|---------------|
| Acquisition price | 13,398 |
| Fair value of the net assets acquired (100%) | 7,998 |
| Goodwill arising on acquisition | 5,400 |

As at the date of assumption of control, the consolidated report on the Group's financial position includes goodwill of PLN 5 400 thousand. Selena Group delivers on its development strategy focused on Selena's key markets (which is regarded as the area of western Europe). In the opinion of the Parent Company's Management Board, the acquisition has a great growth potential thanks to the expected development of acrylic products and a distribution strategy for those products.

The table below presents the components of the acquisition price:

| Figures in PLN thousand | 29 March 2017 |
|--|---------------|
| Purchase of shares in accordance with the agreement, cash-paid | 7,077 |
| Valuation of the option of repurchase of minority shareholders | 5,320 |
| Valuation of deferred payments for existing shareholders | 969 |
| Other | 32 |
| Total | 13,398 |

Valuation of the option of repurchase of minority shareholders was recognised in the unconsolidated statement of financial position of Selena FM S.A. under "Other financial liabilities".

Performance of the acquired entity

The Group's result adjusted as if the acquisition took place on 1 January 2017, is presented below:

| figures in PLN thousand | Group with the company | Group without the company |
|---------------------------|------------------------|---------------------------|
| Revenue from sales | 891,392 | 905,279 |
| - profit (loss) after tax | 12,072 | 12,419 |

Acquisition price and net assets

The main items of assets and liabilities of Uniflex S.p.A. as at the control acquisition date are presented in the table below.

| Figures in PLN thousand | 29 March 2017 |
|--------------------------------------|---------------|
| Non-current assets | 2,033 |
| Inventories | 4,738 |
| Trade receivables | 14,936 |
| Cash and cash equivalents | 2,989 |
| Other current assets | 986 |
| Total assets | 25,682 |
| Obligations in respect of borrowings | 1,509 |
| Trade liabilities | 10,000 |

| | |
|--------------------------|---------------|
| Other liabilities | 6,175 |
| Total liabilities | 17,684 |
| <hr/> | |
| Net assets | 7,998 |

Costs associated with the acquisition, recognised in the consolidated income statement were PLN 323 thousand, and were posted under external services costs.

Selected items of the net assets acquired

At the control assumption date, as part of the process of recognition of identifiable assets, liabilities and contingent liabilities of the acquired company existing as at the control assumption date, there were contingent liabilities identified of EUR 425 thousand, relating to the potential costs arising from the events dating back to 2003–2015. Valuation of the provisional liabilities was recognised as part of the provisional settlement.

Events occurring after the balance sheet date

On 19 October 2017, the Extraordinary General Meeting of Orion PU Sp. z o.o. decided to cancel 5,335 shares in the company's share capital with a total nominal value of PLN 533.5 thousand (5,333 shares held by Selena Industrial Technologies Sp. z o.o. and 2 shares held by a minority shareholder). The shares were cancelled voluntarily, with the shareholders' consent, following their purchase by the company. The total remuneration for the shares cancelled was PLN 63,945 thousand (including: PLN 63,921 thousand paid to Selena Industrial Technologies Sp. z o.o. and PLN 24 thousand paid to the minority shareholder). The remuneration was paid by 25 October 2017. The funds earmarked for payment to the shareholders for the shares cancelled came from the clean profit generated by the company. The share cancellation did not entail reduction of the share capital. The transaction did not have any impact on the Group's organisational structure.

On 7 November 2017, the General Meeting of Shareholders of Selena Bohemia s.r.o adopted a resolution to increase the share capital by CZK 60 million through a cash contribution. By the date of the publication, the share capital in Selena Bohemia s.r.o had not been registered.

Selena FM Group

Condensed consolidated financial statements for the period
from 1 July to 30 September 2017

| Region | Country | Entity | Reg.Office | Activity | Group's Share | | Owner | |
|-------------------------------|----------------|---------------------------------------|---|-------------|--|---------------------|---------|--|
| | | | | | 30 September 2017 (unaudited) | 31 December 2016 | | |
| European Union | Poland | Poland | Selena FM S.A. | Wroclaw | Group Head Office | | | - |
| | | | Selena S.A. | Wroclaw | 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 |
| | | | PMI "IZOLACJA - MATIZOL" S.A. | Gorlice | Manuf. of roof coverings, hydroinsulation, distributor | 100.00% | 100.00% | SIT |
| | | | Tytan EOS Sp. z o.o. | Wroclaw | Manufacturer of loose materials | 100.00% | 100.00% | SIT |
| | | | Selena Labs Sp. z o.o. | Siechnice | Research and Development | 99.65% | 99.65% | FM 1 |
| | | | Selena Marketing International Sp. z o.o. | Wroclaw | 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% | 24.00% | SL |
| | | | Western Europe | Spain | Spain | Selena Iberia slú | Madrid | Manufacturer of sealants, adhesives, distributor |
| Selena Italia srl | Limena | Distributor | | | | 100.00% | 100.00% | FM |
| Uniflex S.p.A. | Mezzocorona | Manufacturer of sealants, distributor | | | | 64.00% | - | FM 4 |
| Central and Eastern Europe | Germany | Czech Republic | Selena Deutschland GmbH | Hagen | Distributor | 100.00% | 100.00% | FM |
| | | | Selena Bohemia s.r.o. | Prague | Distributor | 100.00% | 100.00% | FM |
| | | | Selena Romania SRL | Ilföv | Distributor | 100.00% | 100.00% | FM |
| | | | EURO MGA Product SRL | Ilföv | Manufacturer of adhesives and cement mortars | 100.00% | 100.00% | ROM |
| | | | Selena Hungária Kft. | Pécs | Distributor | 100.00% | 100.00% | FM |
| Eastern Europe and Asia | Bulgaria | Russia | Selena Bulgaria Ltd. | Sofia | Distributor | 100.00% | 100.00% | FM |
| | | | Selena Vostok Moscow | Moscow | Distributor | 100.00% | 100.00% | FM 2 |
| | | | Selena Sever Moscow | Moscow | Distributor | - | 100.00% | SA |
| | | | 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 |
| | | | Selena Ukraine Ltd. | Kiev | Distributor | 100.00% | 100.00% | FM 2 |
| | | | 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 |
| Middle East | S.Korea | Turkey | House Selena Trading Company Ltd. | Shanghai | Distributor | 40.00% | - | NAN |
| | | | Hamil - Selena Co. Ltd | Kimhae | Manufacturer of foams | 30.00% | 30.00% | SA 3 |
| | | | Selena Malzemeleri Yapi Sanayi Tic. Ltd. | Istanbul | Man. of foams and sealants, distributor | 100.00% | 100.00% | FM |
| N&S America | N&S America | USA | POLYFOAM Yalitim Sanayi ve Tic Ltd. | Istanbul | Distributor | 100.00% | 100.00% | SA 2 |
| | | | Selena Sulamericana Ltda | Curitiba | Manufacturer, distributor | 100.00% | 100.00% | FM 3 |
| | | | 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 as Taurus Sp. z o.o.

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 SA (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 SA, 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 Company's consolidated financial statements for the year ended 31 December 2016 published on 21 March 2017. 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 9 months ended 30 September 2017 and data as at that date.

The income statement and the statement of comprehensive income cover the data for 9 months ended 30 September 2017 and comparative data for the period of 9 months ended 30 September 2016.

The statement of cash flows and the statement of changes in equity cover the data for the 6 months ended 30 June 2017 as well as comparative data for the period of 6 months ended 30 June 2016.

The balance sheet covers the data presented as at 30 September 2017, and comparative data as at 31 December 2016.

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 condensed consolidated financial statements were approved for publication on 27 November 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 | 30 September 2017 (unaudited) | 31 December 2016 | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) | 3 months ended 30 September 2017 (unaudited) | 3 months ended 30 September 2016 (unaudited) |
|----------|----------------------------------|---------------------|--|--|--|--|
| 1 USD | 3.6519 | 4.1793 | 3.8043 | 3.9240 | 3.6202 | 3.9001 |
| 1 EUR | 4.3091 | 4.4240 | 4.2566 | 4.3688 | 4.2751 | 4.3453 |
| 100 HUF | 1.3846 | 1.4224 | 1.3793 | 1.3989 | 1.3908 | 1.3996 |
| 1 UAH | 0.1373 | 0.1542 | 0.1436 | 0.1531 | 0.1390 | 0.1523 |
| 1 CZK | 0.1655 | 0.1637 | 0.1604 | 0.1616 | 0.1640 | 0.1607 |
| 1 RUB | 0.0631 | 0.0680 | 0.0655 | 0.0581 | 0.0616 | 0.0598 |
| 1 BRL | 1.1476 | 1.2838 | 1.1978 | 1.1191 | 1.1462 | 1.1953 |
| 1 BGN | 2.2032 | 2.2619 | 2.1764 | 2.2337 | 2.1859 | 2.2217 |
| 1 CNY | 0.5495 | 0.6015 | 0.5600 | 0.5957 | 0.5438 | 0.5847 |
| 100 KRW | 0.3192 | 0.3476 | 0.3355 | 0.3397 | 0.3204 | 0.3505 |
| 1 RON | 0.9368 | 0.9749 | 0.9348 | 0.9742 | 0.9327 | 0.9744 |
| 1 TRY | 1.0269 | 1.1867 | 1.0627 | 1.3392 | 1.0300 | 1.3039 |
| 100 KZT | 1.0762 | 1.2659 | 1.1819 | 1.1402 | 1.0868 | 1.1371 |

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 consolidated financial statements have been prepared in accordance with International Accounting Standard 34.

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 2016, except for the changes resulting from implementation of new standards.

A summary of changes to the standards and new interpretations applicable to annual periods commencing 1 January 2017 were presented in the next note.

2.3.2 New standards and interpretations

When approving these consolidated financial statements, no amendments were made to the existing standards, issued by IASB, which were approved for adoption in the EU, and which would have to be adopted for the first time in the Group's financial statements for 2017.

2.3.3 Standards and interpretations that have already been published and approved by the EU, but have not become effective yet

When approving these consolidated financial statements, the following new standards were issued by IASB, which were approved for adoption in the EU, but have not become effective yet:

IFRS 9 Financial Instruments – approved by the EU on 22 November 2016 (applicable to the annual periods commencing on or after 1 January 2018). IFRS 9 sets out requirements for classification and measurement, impairment, derecognition and hedge accounting.

Classification and measurement – IFRS 9 introduces a new approach to the classification of financial assets, which depends on the cash flow characteristics and the business model associated with the assets. This uniform, rule-based approach replaces the existing rules set out in IAS 39. The new model also results in adoption of a harmonised model of impairment for all financial instruments.

Impairment – IFRS 9 introduces a new impairment model based on expected loss, in which expected credit losses need to be recognised on an ongoing basis. In particular, the new standard requires that entities should recognise expected credit losses when financial instruments are initially recognised, and that all expected losses over the life of the instruments should be reflected in the books faster than before.

Hedge accounting – IFRS 9 introduces a revised hedge accounting model, with extended disclosure requirements re risk management. The new model represents a significant change in hedge accounting, which aims to align the accounting policies with practical risk management.

Own credit risk – IFRS 9 removes the volatility of financial result caused by changes in the credit risk of liabilities designated at fair value. This change means gains on liabilities due to deterioration of the entity's own credit risk are not recognised in profit.

IFRS 15 “Revenue from Contracts with Customers” and amendments to IFRS 15 “Effective date of IFRS” – approved by the EU on 22 September 2016 (applicable to the annual periods commencing on or after 1 January 2018). This standard specifies how and when revenue is recognised, as well as the need for more detailed disclosures. The standard replaces IAS 18 “Revenue”, IAS 11 “Construction Contracts” and many interpretations related to revenue recognition. The standard applies to almost all customer contracts (the main exceptions are leases, financial instruments and insurance contracts). The fundamental principle of the new standard is to recognise revenue in such a way as to reflect the transfer of goods or services to customers and at an amount that reflects the value of the consideration (payment) which the company expects to become entitled to in exchange for goods or services. The standard also provides guidelines for recognising transactions that have not been specifically regulated by existing standards (e.g. service revenue or contract modifications), as well as provides more clarification on the recognition of multiple performance obligations.

2.3.4 Standards and interpretations adopted by IASB, but not yet approved for application in the EU

IFRS in the form approved by the EU do not differ materially from the regulations adopted by the International Accounting Standards Board (IASB), except for the following new standards, amendments to standards and new interpretations, which as at 27 November 2017 were not yet approved for use in the EU (the following effective dates apply to the full version of the standards):

IFRS 14 “Regulatory Deferral Accounts” (applicable to the annual periods commencing on or after 1 January 2016). The European Commission has decided not to propose for endorsement the interim standard for application across the EU pending publication of the full version of IFRS 14.

IFRS 16 “Leases” (applicable to the annual periods commencing on or after 1 January 2019). In line with IFRS 16, the lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated as appropriate. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. Lessors continue to classify leases as operating or finance, with the approach to lessor accounting substantially unchanged from its predecessor, IAS 17. A lease is classified

as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. A lessor recognises finance income over the lease term of a finance lease, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

IFRS 17 “Insurance Contracts” (applicable to the annual periods commencing on or after 1 January 2021);

Amendments to IFRS 2 “Share-Based Payments” – classification and measurement of share based payment transactions (applicable to the annual periods commencing on or after 1 January 2018).

Amendments to IFRS 4 “Insurance Contracts” - Applying IFRS 9 “Financial Instruments” with IFRS 4 “Insurance Contracts” (applicable to the annual periods commencing on or after 1 January 2018 or at the time for first-time application of IFRS 9 “Financial Instruments”).

Amendments to IFRS 9 “Financial Instruments” regarding prepayment features with negative compensation (applicable to the annual periods commencing on or after 1 January 2019).

Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date of the amendments has been deferred pending finalisation of the project on equity accounting).

Amendments to IFRS 15 “Revenue from Contracts with Customers” – Explanations to IFRS 15 (applicable to the annual periods commencing on 1 January 2018 or thereafter).

Amendments to IAS 7 “Statement of Cash Flows” - Disclosure Initiative (applicable to the annual periods commencing on or after 1 January 2017).

Amendments to IAS 12 “Income Tax” – Recognition of Deferred Tax Assets for Unrealised Losses (applicable to the annual periods commencing on or after 1 January 2017).

Amendments to IAS 28 regarding long-term interests in associates and joint ventures (applicable to the annual periods commencing on or after 1 January 2019).

Amendments to IAS 40 “Investment Property” – transfers of investment properties (applicable to the annual periods commencing on or after 1 January 2018).

Improvements to IFRS (2014-2016 cycle) - made as part of the procedure of making annual amendments to IFRS (IFRS 1, IFRS 12 and IAS 38), designed mainly to address inconsistencies and clarify the terminology (amendments to IFRS 12 apply to annual periods commencing on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 apply to the annual periods starting on or after 1 January 2018).

IFRIC Interpretation 22 IFRIC Interpretation 22—Foreign Currency Transactions and Advance Consideration (applicable to the annual periods commencing on or after 1 January 2018).

Interpretation IFRIC 23 “Uncertainty in Income Tax Settlement” (applicable to the annual periods commencing on or after 1 January 2019).

The Management Board expects that adoption of IFRS 9 may have a material future impact on the amounts presented under financial assets and financial liabilities of the Group. However, presentation of reliable estimates regarding the impact of IFRS 9 will not be possible until the Group finalises a thorough analysis.

The Management Board expects that adoption of IFRS 15 may have a material future impact on the amounts and disclosures presented in the consolidated financial statements of the Group. However, presentation of reliable estimates regarding the impact of IFRS 15 will not be possible until the Group finalises a thorough analysis in this regard.

The Management Board expects that adoption of IFRS 16 may have a material future impact on the amounts presented in assets and liabilities, and other disclosures in the consolidated financial statements of the Group. However, it is not possible to provide reliable estimates of the impact of IFRS 16 as long as the Group does not carry out a detailed analysis in this regard.

Still, the area of accounting for hedges of assets and liabilities portfolio remains unregulated and any rules in this regard have not been approved for application in the EU.

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 2016, 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 the period until 30 September 2017, no significant changes were made to the assumption areas and methods. The business and macroeconomic assumptions underlying the estimates are updated on an ongoing basis depending on changes in the entity's environment and business projections.

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 described in the consolidated financial statements for 2016.

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 data on the revenues and profits of the individual geographic segments.

| 9 months ended 30 September 2017 (unaudited) | EU | Eastern Europe and Asia | N&S America | Total segments | Consolid. adjustments and non- allocated results | Total |
|---|----------------|-------------------------------|----------------|-------------------|---|---------------|
| Figures in PLN thousand | | | | | | |
| Sales to external customers | 558,130 | 279,493 | 53,769 | 891,392 | 0 | 891,392 |
| Sales within a segment | 585,760 | 10,703 | 0 | 596,463 | -596,463 | 0 |
| Sales between segments | 210,757 | 5,976 | 362 | 217,095 | -217,095 | 0 |
| EBITDA | 128,511 | 24,425 | 2,291 | 155,227 | -92,896 | 62,331 |
| Depreciation | -11,315 | -2,451 | -123 | -13,889 | -5,442 | -19,331 |
| Operating profit (loss) | 117,196 | 21,974 | 2,168 | 141,338 | -98,338 | 43,000 |
| Net financial revenue / (expenses) | 0 | 0 | 0 | 0 | -21,902 | -21,902 |
| Profit of an associated undertaking | 0 | 485 | 0 | 485 | 0 | 485 |
| Income tax | 0 | 0 | 0 | 0 | -9,511 | -9,511 |
| Net profit (loss) for the year | 117,196 | 22,459 | 2,168 | 141,823 | -129,751 | 12,072 |

| | | | | | | |
|---------------------|-------|-------|----|--------|---|--------|
| Capital expenditure | 8,793 | 4,325 | 46 | 13,164 | - | 13,164 |
|---------------------|-------|-------|----|--------|---|--------|

| 9 months ended 30 September 2016 (unaudited) | EU | Eastern Europe and Asia | N&S America | Total segments | Consolid. adjustments and non- allocated results | Total |
|---|----------------|-------------------------------|----------------|-------------------|---|---------------|
| Figures in PLN thousand | | | | | | |
| Sales to external customers | 489,527 | 216,234 | 51,302 | 757,063 | 0 | 757,063 |
| Sales within a segment | 496,955 | 3,023 | 0 | 499,978 | -499,978 | 0 |
| Sales between segments | 171,325 | 3,709 | 0 | 175,034 | -175,034 | 0 |
| EBITDA | 125,929 | 9,352 | 2,756 | 138,037 | -72,793 | 65,244 |
| Depreciation | -11,494 | -1,900 | -131 | -13,525 | -3,458 | -16,983 |
| Operating profit (loss) | 114,435 | 7,452 | 2,625 | 124,512 | -76,251 | 48,261 |
| Net financial revenue / (expenses) | 0 | 0 | 0 | 0 | 1,900 | 1,900 |
| Profit of an associated undertaking | 0 | 481 | 0 | 481 | 0 | 481 |
| Income tax | 0 | 0 | 0 | 0 | -14,020 | -14,020 |
| Net profit (loss) for the year | 114,435 | 7,933 | 2,625 | 124,993 | -88,371 | 36,622 |

| | | | | | | |
|---------------------|-------|--------|-----|--------|---|--------|
| Capital expenditure | 9,472 | 11,444 | 224 | 21,140 | - | 21,140 |
|---------------------|-------|--------|-----|--------|---|--------|

| 3 months ended 30 September 2017 (unaudited) | EU | Eastern Europe and Asia | N&S America | Total segments | Consolidation adjustments and non- allocated results | Total |
|--|---------------|----------------------------|----------------|----------------|---|---------------|
| Figures in PLN thousand | | | | | | |
| Sales to external customers | 213,370 | 117,083 | 19,792 | 350,245 | 0 | 350,245 |
| Sales within a segment | 232,370 | 4,314 | 0 | 236,684 | -236,684 | 0 |
| Sales between segments | 86,981 | 1,584 | -9 | 88,556 | -88,556 | 0 |
| EBITDA | 46,080 | 8,416 | 1,026 | 55,522 | -22,906 | 32,616 |
| Depreciation | -3,634 | -784 | -39 | -4,457 | -2,384 | -6,841 |
| Operating profit (loss) | 42,446 | 7,632 | 987 | 51,065 | -25,290 | 25,775 |

| | | | | | | |
|---------------------------------------|---------------|--------------|------------|---------------|----------------|---------------|
| Net financial revenue / (expenses) | 0 | 0 | 0 | 0 | -5,165 | -5,165 |
| Profit of an associated undertaking | 0 | 0 | 0 | 0 | 0 | 0 |
| Income tax | 0 | 0 | 0 | 0 | -3,627 | -3,627 |
| Net profit (loss) for the year | 42,446 | 7,632 | 987 | 51,065 | -34,082 | 16,983 |

| | | | | | | |
|---------------------|-------|-----|----|-------|---|-------|
| Capital expenditure | 3,481 | 200 | 35 | 3,716 | - | 3,716 |
|---------------------|-------|-----|----|-------|---|-------|

| 3 months ended 30 September 2016 (unaudited) | EU | Eastern Europe and Asia | N&S America | Total segments | Consolidation adjustments and non- allocated results | Total |
|---|----|----------------------------|----------------|----------------|---|-------|
|---|----|----------------------------|----------------|----------------|---|-------|

Figures in PLN thousand

| | | | | | | |
|---------------------------------------|---------------|--------------|--------------|---------------|----------------|---------------|
| Sales to external customers | 186,862 | 95,589 | 18,578 | 301,029 | 0 | 301,029 |
| Sales within a segment | 175,963 | 804 | 0 | 176,767 | -176,767 | 0 |
| Sales between segments | 56,216 | 904 | 0 | 57,120 | -57,120 | 0 |
| EBITDA | 46,171 | 6,652 | 1,519 | 54,342 | -16,877 | 37,465 |
| Depreciation | -3,934 | -634 | -51 | -4,619 | -1,611 | -6,230 |
| Operating profit (loss) | 42,237 | 6,018 | 1,468 | 49,723 | -18,488 | 31,235 |
| Net financial revenue / (expenses) | 0 | 0 | 0 | 0 | -6,983 | -6,983 |
| Profit of an associated undertaking | 0 | 0 | 0 | 0 | 0 | 0 |
| Income tax | 0 | 0 | 0 | 0 | -7,753 | -7,753 |
| Net profit (loss) for the year | 42,237 | 6,018 | 1,468 | 49,723 | -33,224 | 16,499 |

| | | | | | | |
|---------------------|-------|-------|-----|-------|---|-------|
| Capital expenditure | 2,196 | 4,520 | 115 | 6,831 | - | 6,831 |
|---------------------|-------|-------|-----|-------|---|-------|

The tables below show selected assets of the individual geographic segments as at 30 September 2017 and 31 December 2016.

| 30 September 2017 (unaudited) | EU | Eastern Europe and Asia | N&S America | Total segments | Consolid. adjustments | Total |
|-------------------------------|----|----------------------------|----------------|-------------------|--------------------------|-------|
|-------------------------------|----|----------------------------|----------------|-------------------|--------------------------|-------|

Figures in PLN thousand

| | | | | | | |
|----------------------------|------------------|----------------|---------------|------------------|-----------------|----------------|
| Segment assets | 1,158,567 | 210,542 | 31,818 | 1,400,927 | -518,439 | 882,488 |
| Investment in an associate | 0 | 5,769 | 0 | 5,769 | 0 | 5,769 |
| Non-allocated assets | 0 | 0 | 0 | 0 | 0 | 28,621 |
| Total assets | 1,158,567 | 216,311 | 31,818 | 1,406,696 | -518,439 | 916,878 |

| 31 December 2016 | EU | Eastern Europe and Asia | N&S America | Total segments | Consolid. adjustments | Total |
|------------------|----|----------------------------|----------------|-------------------|--------------------------|-------|
|------------------|----|----------------------------|----------------|-------------------|--------------------------|-------|

Figures in PLN thousand

| | | | | | | |
|----------------------------|------------------|----------------|---------------|------------------|-----------------|----------------|
| Segment assets | 1,007,237 | 190,911 | 36,658 | 1,234,806 | -466,358 | 768,448 |
| Investment in an associate | 0 | 6,233 | 0 | 6,233 | 0 | 6,233 |
| Non-allocated assets | 0 | 0 | 0 | 0 | 0 | 28,382 |
| Total assets | 1,007,237 | 197,144 | 36,658 | 1,241,039 | -466,358 | 803,063 |

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

| Figures in PLN thousand | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) | 3 months ended 30 September 2017 (unaudited) | 3 months ended 30 September 2016 (unaudited) |
|---|--|--|--|--|
| Operating profit of the reporting segments | 141,709 | 124,512 | 51,436 | 49,723 |
| Net financial revenue / (expenses) | -21,902 | 1,900 | -5,165 | -6,981 |
| Other non-allocated income/costs* | -98,709 | -76,251 | -25,661 | -18,489 |
| Profit of an associated undertaking | 485 | 481 | 0 | 0 |
| Income tax | -9,511 | -14,020 | -3,627 | -7,754 |
| Net profit (loss) for the year | 12,072 | 36,622 | 16,983 | 16,499 |

* 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 | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) | 3 months ended 30 September 2017 (unaudited) | 3 months ended 30 September 2016 (unaudited) |
|--|--|--|--|--|
| Profit from disposal of non-financial fixed assets | 374 | 233 | 93 | 71 |
| Subsidies | 1,333 | 662 | 358 | 226 |
| Reversal of impairment charge for receivables | 971 | 811 | -309 | 83 |
| Reversal of impairment charge for inventory | 175 | 172 | 89 | 87 |
| Inventory surplus | 11 | 6 | -4 | -4 |
| Damages | 1,251 | 291 | 93 | 128 |
| Provisions released | 242 | 525 | 195 | 476 |
| Other | 662 | 1,838 | 318 | 470 |
| Total other operating revenues | 5,019 | 4,538 | 833 | 1,537 |

2.6.2 Other operating costs

| Figures in PLN thousand | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) | 3 months ended 30 September 2017 (unaudited) | 3 months ended 30 September 2016 (unaudited) |
|--|--|--|--|--|
| Loss on disposal of non-financial fixed assets | 50 | 230 | -2 | 24 |
| Impairment of tangible fixed assets | 32 | 0 | 32 | 0 |
| Impairment charge for receivables | 2,055 | 8,121 | 978 | 1,574 |
| Uncollectible receivables written off | 201 | 1,680 | 14 | 128 |
| Impairment charge for inventories | 1,251 | 1,614 | 785 | 335 |
| Liquidation of inventories | 1,488 | 1,471 | 494 | 287 |
| Inventory shortfall | 427 | 15 | -5 | 15 |
| Loss of control over Selena Sever Moscow | 33 | 0 | 0 | 0 |
| Damages, penalties, fines | 1,720 | 1,084 | 818 | 602 |
| Provisions raised | 190 | 0 | -65 | 0 |
| Other | 2,835 | 5,640 | 721 | 1,973 |
| Total other operating costs | 10,282 | 19,855 | 3,770 | 4,938 |

A material item of operating costs is the cost of unutilised production capacity in production companies of PLN 1,997 thousand for the period ended 30 September 2017 (PLN 4,822 thousand in the corresponding period of 2016).

2.7 Financial revenues and expenses

2.7.1 Financial revenues

| Figures in PLN thousand | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) | 3 months ended 30 September 2017 (unaudited) | 3 months ended 30 September 2016 (unaudited) |
|--|--|--|--|--|
| FX gains | 301 | 10,487 | -121 | -4,231 |
| Interest on deposits and bank accounts | 77 | 110 | 34 | 16 |
| Interest on bonds | 2,757 | 3,020 | 768 | 1,017 |
| Other interest | 85 | 31 | 34 | 13 |
| Dividends and profit sharing | 189 | 52 | 189 | 52 |
| Derivative financial instruments | 710 | 0 | -290 | 0 |
| Other financial revenues | 11 | 31 | 3 | 10 |
| Total financial revenues | 4,130 | 13,731 | 617 | -3,123 |

2.7.2 Financial expenses

| Figures in PLN thousand | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) | 3 months ended 30 September 2017 (unaudited) | 3 months ended 30 September 2016 (unaudited) |
|---------------------------------------|--|--|--|--|
| Interest on bank and other loans | 4,968 | 5,306 | 2,272 | 1,794 |
| Interest on finance lease liabilities | 277 | 247 | 106 | 85 |
| Other interest | 600 | 69 | 389 | 20 |
| Derivative financial instruments | 0 | 1,128 | 0 | 260 |
| FX losses | 19,491 | 3,246 | 2,772 | 1,094 |
| Other financial costs | 696 | 1,835 | 243 | 605 |
| Total financial expenses | 26,032 | 11,831 | 5,782 | 3,858 |

In 2017, Selena FM S.A. hedged its expected cash flows with FX forwards and other financial instruments. The Company regularly enters into forward contracts, usually in the currency pairs EUR/RUB, EUR/PLN and CZK/PLN. On average in the period, the Company had open forward contracts hedging the rates 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 30 September 2017, the Company had open forward contracts for EUR/RUB rate (RUB sales); EUR/PLN (EUR sales), CZK/PLN (CZK sales) and HUF/PLN (HUF sales); its loss on valuation of unrealised instruments was PLN 1000 (the result on these transactions is reported under "Valuation of FX contracts"). After the balance sheet date, Selena FM S.A. entered into forward contracts for RON/PLN rate (RON 2.5 million), CZK/PLN (CZK 2.0 million) and EUR/RUB (EUR 1.0 million) with settlement dates falling in the period from 30 November to 26 April 2018.

2.8 Income tax

| Figures in PLN thousand | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) |
|--|--|--|
| <u>Current income tax:</u> | | |
| Current income tax charge | 10,185 | 13,342 |
| Corrections to the current income tax from previous years | -52 | -6 |
| <u>Deferred income tax:</u> | | |
| Connected with origination and reversal of temporary differences | -622 | 684 |
| Tax disclosed in consolidated income statement | 9,511 | 14,020 |

| Figures in PLN thousand | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) |
|---|--|--|
| Profit (loss) before tax | 21,582 | 50,642 |
| Tax at the Polish statutory rate of 19% | 4,101 | 9,622 |
| Costs/(revenues) not included in the taxation basis | 1,527 | 348 |
| Tax effect of the losses not included in the taxation basis | 3,412 | 4,182 |
| Corrections to the current income tax from previous years | -52 | -6 |
| Use of tax losses from previous years | -905 | -1,374 |
| Use of the deferred asset relating to trademarks | 1,292 | 1,292 |
| Effect of other tax rates in foreign affiliates | 136 | -44 |
| Tax at the effective tax rate | 9,511 | 14,020 |
| Effective tax rate | 44% | 28% |

2.9 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.

| | | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) | 3 months ended 30 September 2017 (unaudited) | 3 months ended 30 September 2016 (unaudited) |
|---|------------------|--|--|--|--|
| Profit (loss) attributable to the controlling interests | PLN | 11,986,169 | 36,418,198 | 16,925,375 | 16,394,477 |
| Average number of ordinary shares | share | 22,834,000 | 22,834,000 | 22,834,000 | 22,834,000 |
| Profit/(loss) per ordinary share | PLN/share | 0.52 | 1.59 | 0.74 | 0.72 |
| Number of shares, including dilution | share | 22,834,000 | 22,834,000 | 22,834,000 | 22,834,000 |
| Diluted profit per share | PLN/share | 0.52 | 1.59 | 0.74 | 0.72 |

2.10 Dividend paid and proposed

On 23 June 2017, the AGM of Selena FM S.A. adopted a resolution on dividend payment in respect of a part of the Parent Company's profit for 2016 in a total amount of PLN 6,850,200.00, i.e. PLN 0.30 per share. The record date, when the list of shareholders eligible for dividend is determined, was set to 1 August 2017. The shares of all series carry the same dividend rights. The dividend was paid on 16 August 2017.

2.11 Financial assets

| Figures in PLN thousand | 30 September 2017 (unaudited) | | 31 December 2016 | |
|---|-------------------------------|---------------|------------------|---------------|
| | Long-term | Short-term | Long-term | Short-term |
| Bonds | 0 | 40,767 | 0 | 60,396 |
| Shares in PDR Recycling GmbH (indirectly through Orion PU Sp. z o.o.) | 619 | 0 | 619 | 0 |
| Cheques | 0 | 4,899 | 0 | 4,031 |
| Other financial assets | 875 | 60 | 1,008 | 224 |
| TOTAL | 1,494 | 45,726 | 1,627 | 64,651 |

On 24 June 2015, the Management Board of Selena FM S.A. accepted the proposal from AD Niva sp. z o.o to take up bonds with a maximum value of PLN 60 million. The bonds' nominal value corresponded to their issue price. The interest rate on the bonds is 6.7% p.a. The bonds will be redeemed at the nominal value by 31 December 2017. Selena FM S.A. acquired PLN 60 million worth of bonds.

On 25 July 2017, AD Niva Sp. z o.o. used the right of early redemption of some bonds purchased by Selena FM S.A. The earlier redemption related to the bonds with a total value of PLN 20 million.

AD Niva sp. z o.o. has 51.29% votes at the General Meeting of Selena FM S.A. Mr Krzysztof Domarecki, Chairman of Supervisory Board of Selena FM S.A., is the sole shareholder of Sirius Investments S.a.r.l., which is the sole shareholder of AD Niva sp. z o.o.

2.12 Inventories

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

| | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) |
|-------------------------|--|--|
| Figures in PLN thousand | | |
| Opening balance | 4,664 | 4,043 |
| Creation | 1,251 | 1,614 |
| Utilisation | -673 | -512 |
| Release | -175 | -172 |
| FX differences | -101 | 27 |
| Closing balance | 4,966 | 5,000 |

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 | Overdue, not covered by impairment charges (days in arrears): | | | | | | |
|--------------------------------------|--|------------|--------|---------|---------|----------|------|
| | Total | Up-to-date | < 30 | 31 – 60 | 61 – 90 | 91 – 180 | >180 |
| 30 September 2017 (unaudited) | 257,717 | 233,222 | 18,315 | 3,303 | 2,131 | 792 | -46 |
| 31 December 2016 | 181,630 | 158,594 | 16,130 | 5,235 | 1,479 | 192 | 0 |

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

| | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) |
|------------------------------------|--|--|
| Figures in PLN thousand | | |
| Opening balance | 38,555 | 28,364 |
| Creation | 2,055 | 8,121 |
| Utilisation | -1,043 | -232 |
| Release | -971 | -811 |
| FX differences | -2,427 | 566 |
| Purchase of shares in a subsidiary | 1,173 | 0 |
| Closing balance | 37,342 | 36,008 |

2.14 Other short-term receivables

| | 30 September 2017 (unaudited) | 31 December 2016 |
|----------------------------|----------------------------------|------------------|
| | Figures in PLN thousand | |
| VAT claimed | 29,313 | 11,281 |
| Prepayments for deliveries | 5,815 | 5,359 |
| Prepaid expenses | 4,956 | 3,538 |
| Other | 4,093 | 5,197 |
| Total | 44,177 | 25,375 |

2.15 Loans and advances

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

| Ref | Loan type | Maturity date | 30 September 2017 (unaudited) | | 31 December 2016 | |
|-----|----------------------|---------------|--|---------------------------------------|---|---|
| | | | 31 December 2015 Short-term portion | Long-term portion Maturity date | Long-term portion Short-term portion | Long-term portion Short-term portion |
| 1 | Working capital loan | 07/2018 | 0 | 27,359 | 51,469 | 0 |
| 2 | Working capital loan | 07/2018 | 0 | 48,552 | 25,401 | 0 |
| 3 | Working capital loan | 01/2017 | 0 | 0 | 0 | 10,536 |
| 4 | Working capital loan | 02/2018 | 0 | 55,431 | 55,861 | 0 |
| 5 | Investment loan | 03/2018 | 0 | 857 | 440 | 1,759 |
| 6 | Working capital loan | 09/2019 | 21,816 | 0 | 19,805 | 0 |
| 7 | Working capital loan | 06/2018 | 0 | 18,930 | 0 | 0 |
| 8 | Working capital loan | 01/2019 | 0 | 12,677 | 0 | 0 |
| 9 | Other | Different | 4,087 | 7,659 | 5,754 | 7,065 |
| | | | 25,903 | 171,465 | 158,730 | 19,360 |

On 9 June 2017, the subsidiary Selena Vostok entered into a working capital line agreement (item 7 in the list). The value of the credit line is RUB 300 million with an option of an increase after three months to RUB 400 million. The availability of the bank's credit line is 12 months. The granted credit limit will be used to finance the company's working capital requirements. It is secured by a corporate guarantee of Selena FM S.A.

On 27 July 2017, the subsidiary Selena Vostok entered into a working capital line agreement (item 8 in the list). The available line is RUB 400 million. The credit line was granted for 18 months. It is secured by a corporate guarantee of Selena FM S.A. The guarantee came into force on 12 October 2017.

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 30 September 2017, Selena Group maintained the consolidated financial ratios at the levels required by the lenders.

2.16 Other financial liabilities

| | 30 September 2017 (unaudited) | | 31 December 2016 | |
|--|-------------------------------|---------------|------------------|---------------|
| | Long-term | Short-term | Long-term | Short-term |
| | Figures in PLN thousand | | | |
| Finance lease liabilities | 8,321 | 4,639 | 7,590 | 4,207 |
| Obligations in respect of bills settlement | 0 | 10,209 | 0 | 9,508 |
| Other financial liabilities | 5,898 | 10 | 0 | 0 |
| Total financial liabilities | 14,219 | 14,858 | 7,590 | 13,715 |

The item "Other financial liabilities" includes valuation of the option to repurchase minority interests of Uniflex S.p.a. See Note 2.1.5. for details of settlement of the transaction.

2.17 Other liabilities

| Figures in PLN thousand | 30 September 2017 (unaudited) | | 31 December 2016 | |
|-----------------------------------|-------------------------------|---------------|------------------|---------------|
| | Long-term | Short-term | Long-term | Short-term |
| Investment liabilities | 110 | 1,169 | 0 | 1,137 |
| Prepayments for deliveries | 0 | 1,815 | 0 | 1,100 |
| VAT payable | 0 | 12,965 | 0 | 5,414 |
| Other taxes and insurance payable | 0 | 8,092 | 0 | 6,110 |
| Remuneration payable | 0 | 16,583 | 0 | 12,459 |
| Other liabilities | 1,698 | 8,722 | 2,071 | 3,122 |
| Deferred income | 1,885 | 4,888 | 2,519 | 1,186 |
| Total other liabilities | 3,693 | 54,234 | 4,590 | 30,528 |

2.18 Provisions

The table below shows changes in the balance of provisions.

| Figures in PLN thousand | 9 months ended 2017 (unaudited) | | | Year ended 31 December 2016 | | |
|---|---|---------------------|---------------|---|---------------------|---------------|
| | Provision for retirement benefits | Other provisions | Total | Provision for retirement benefits | Other provisions | Total |
| Long term | | | | | | |
| Balance at the beginning of the period | 491 | 2 | 493 | 429 | 2 | 431 |
| Provisions raised | 248 | 26 | 274 | 216 | 0 | 216 |
| Provisions released | -36 | 0 | -36 | -137 | 0 | -137 |
| Provisions used | 0 | 0 | 0 | -17 | 0 | -17 |
| Purchase of shares in a subsidiary | 2,043 | 84 | 2,127 | 0 | 0 | 0 |
| FX differences | 19 | 8 | 27 | 0 | 0 | 0 |
| Balance at the end of the period | 2,765 | 120 | 2,885 | 491 | 2 | 493 |
| Short term | | | | | | |
| Balance at the beginning of the period | 8 | 15,350 | 15,358 | 2 | 3,823 | 3,825 |
| Provisions raised | 15 | 1,210 | 1,225 | 12 | 12,177 | 12,189 |
| Provisions released | -11 | -242 | -253 | 0 | -545 | -545 |
| Provisions used | -7 | -5,850 | -5,857 | -6 | -531 | -537 |
| Purchase of shares in a subsidiary | 0 | 1,809 | 1,809 | 0 | 0 | 0 |
| FX differences | 0 | -339 | -339 | 0 | 426 | 426 |
| Balance at the end of the period | 5 | 11,938 | 11,943 | 8 | 15,350 | 15,358 |

In the third quarter of 2017, Selena S.A. used a provision of PLN 4.6 million. The provision was used in connection with the decisions received on 27 September 2017 concerning customs administrative proceedings (note 1.11).

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 | 30 September 2017 (unaudited) | 31 December 2016 |
|---|-------------------------|----------------------------------|---------------------|
| Interest bearing borrowings | | 197,368 | 178,090 |
| Other financial liabilities | | 29,077 | 21,305 |
| Less cash and cash equivalents | | -41,526 | -54,704 |
| Net debt | | 184,919 | 144,691 |
| Equity attributed to the shareholders of the parent | | 430,725 | 433,576 |
| Equity and net debt | | 615,644 | 578,267 |

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 9 months ended 30 September (2017 and 2016, respectively), while the receivables and liabilities are presented as at 30 September 2017 and 31 December 2016.

| | Figures in PLN thousand | Period | Sale | Purchase | Other revenues ¹⁾ | Receivables | Liabilities | Other assets |
|--|---|--------|--------------|--------------|---------------------------------|--------------|-------------|-----------------|
| Owners | AD Niva Sp. z o.o. (indirectly Krzysztof Domarecki) | 2017 | 6 | 0 | 2,761 | 1 | 0 | 40,768 |
| | | 2016 | 6 | 0 | 3,009 | 0 | 0 | 60,000 |
| | AD Niva Sp. z o.o. SKA (Krzysztof Domarecki) | 2017 | 1 | 0 | 0 | 0 | 0 | 0 |
| | | 2016 | 1 | 0 | 0 | 0 | 0 | 0 |
| Associates and JV | Syrius Investment (Krzysztof Domarecki) | 2017 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 2016 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Hamil - Selena Co Ltd. | 2017 | 3,682 | 0 | 0 | 959 | 1 | 0 |
| | | 2016 | 3,514 | 32 | 0 | 618 | 11 | 0 |
| Supervisory Board Members | House Selena Trading Company Ltd. | 2017 | 2,055 | 0 | 0 | 110 | 0 | 0 |
| | | 2016 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Krzysztof Domarecki (CONSILE) | 2017 | 0 | 545 | 0 | 0 | 64 | 0 |
| | | 2016 | 0 | 432 | 0 | 0 | 65 | 0 |
| Members of the Management Board | Universal Energy Sp. z o.o. (Krzysztof Domarecki) | 2017 | 3,264 | 0 | -4 | 2,302 | 3 | 0 |
| | | 2016 | 333 | 51 | 11 | 101 | 0 | 396 |
| | Jean-Noël Fourel | 2017 | 0 | 248 | 0 | 0 | 0 | 0 |
| | | 2016 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | Marcin Macewicz | 2017 | 0 | 0 | 0 | 50 | 0 | 0 |
| | | 2016 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Hubert Rozpędek | 2017 | 0 | 210 | 0 | 0 | 43 | 0 |
| | | 2016 | 0 | 0 | 0 | 0 | 43 | 0 |
| | Agata Gładysz-Stańczyk (AG Consulting) | 2017 | 0 | 308 | 0 | 0 | 54 | 0 |
| | | 2016 | 0 | 0 | 0 | 0 | 0 | 0 |
| Krzysztof Kluza * | 2017 | 0 | 0 | 0 | 0 | 0 | 0 | |
| | 2016 | 0 | 315 | 0 | 0 | 0 | 0 | |
| Andrzej Feruga (MERITUM) ** | 2017 | 0 | 0 | 0 | 0 | 0 | 0 | |
| | 2016 | 0 | 315 | 0 | 0 | 0 | 0 | |
| | 2017 | | 9,008 | 1,311 | 2,757 | 3,422 | 165 | 40,768 |
| | 2016 | | 3,854 | 1,145 | 3,020 | 719 | 119 | 60,396 |

¹⁾ includes revenues from interest on bonds

** value of sales and purchases until the VP stepped down from office on 28 July 2016*

** value of sales and purchases until the Management Board member was recalled from office on 31 December 2016*

2.21 Discontinued operations

In the period of 3 months ended 30 September 2017 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 2016 (Note 34).

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

On 20 October 2017, the Supervisory Board of Selena FM S.A. established the Audit Committee and the Strategy and Innovation Committee. See Note 2.1.4 for details.

After the balance sheet date and until the approval of this condensed consolidated report no events took place, other than those reported, which might materially affect the financial data presented in this condensed consolidated report.

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

INCOME STATEMENT

| Figures in PLN thousand | Note | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) | 3 months ended 30 September 2017 (unaudited) | 3 months ended 30 September 2016 (unaudited) |
|---|-------|--|--|--|--|
| Continued operations | | | | | |
| Revenue from the sale of goods and materials | | 362,111 | 303,731 | 146,373 | 105,371 |
| Revenues from the sale of services | | 21,944 | 19,253 | 8,365 | 6,342 |
| Sales | | 384,055 | 322,984 | 154,738 | 111,713 |
| Cost of sales | | 352,052 | 283,723 | 142,410 | 94,523 |
| Gross profit (loss) | | 32,003 | 39,261 | 12,328 | 17,190 |
| Other operating income | 3.2.1 | 23,267 | 5,946 | -1,108 | 435 |
| Selling and marketing costs | | 23,147 | 19,292 | 8,572 | 6,870 |
| General and administrative expenses | | 20,121 | 16,659 | 7,792 | 5,404 |
| Other operating costs | 3.2.2 | 19,313 | 18,031 | 7,057 | 2,653 |
| Operating profit (loss) | | -7,311 | -8,775 | -12,201 | 2,698 |
| Financial revenues | 3.3.1 | 16,238 | 24,142 | 2,323 | 16,197 |
| Financial expenses | 3.3.2 | 41,798 | 9,813 | 378 | 5,941 |
| Profit (loss) before tax | | -32,871 | 5,554 | -10,256 | 12,954 |
| Income tax | 3.4 | -1,849 | 471 | 506 | 2 |
| Net profit (loss) on continued operations | | -31,022 | 5,083 | -10,762 | 12,952 |
| Discontinued operations | | | | | |
| Profit (loss) on discontinued operations | | - | - | - | - |
| Net profit (loss) for the previous year | | -31,022 | 5,083 | -10,762 | 12,952 |
| Earnings per share (continued operations) (PLN/share): | | | | | |
| - basic | 3.5 | -1.36 | 0.22 | -0.47 | 0.57 |
| - diluted | | -1.36 | 0.22 | -0.47 | 0.57 |

STATEMENT OF COMPREHENSIVE INCOME

| Figures in PLN thousand | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) | 3 months ended 30 September 2017 (unaudited) | 3 months ended 30 September 2016 (unaudited) |
|--------------------------------------|--|--|--|--|
| Profit after tax | -31,022 | 5,083 | -10,762 | 12,952 |
| Total other net comprehensive income | 0 | 0 | 0 | 0 |
| Total comprehensive income | -31,022 | 5,083 | -10,762 | 12,952 |

STATEMENT OF FINANCIAL POSITION

| | Figures in PLN thousand | Note | 30 September 2017 (unaudited) | 31 December 2016 |
|--|-------------------------|------|----------------------------------|---------------------|
| Property, plant and equipment | | | 3,057 | 3,320 |
| Intangible fixed assets | | | 17,726 | 18,462 |
| Shares in subsidiaries | | 3.7 | 161,893 | 149,472 |
| Other long-term receivables | | | 0 | 0 |
| Long-term portion of loans granted | | 3.8 | 108,440 | 119,858 |
| Other long term financial assets | | | 0 | 0 |
| Deferred tax asset | | | 0 | 0 |
| Non-current assets | | | 291,116 | 291,112 |
| Inventories | | | 2,528 | 1,968 |
| Trade receivables | | 3.9 | 163,003 | 156,581 |
| CIT claimed | | | 105 | 0 |
| Other short-term receivables | | 3.10 | 28,320 | 5,687 |
| Short-term portion of loans granted | | 3.8 | 13,244 | 5,620 |
| Other short-term financial assets | | 3.8 | 40,767 | 60,406 |
| Cash and cash equivalents | | | 664 | 6,275 |
| Current assets | | | 248,631 | 236,537 |
| TOTAL ASSETS | | | 539,747 | 527,649 |
| Registered capital | | | 1,142 | 1,142 |
| Supplementary capital | | | 246,822 | 246,545 |
| Other reserves | | | 19,163 | 19,163 |
| Retained profit / (loss carried forward) | | | -31,022 | 7,127 |
| - retained profit / loss carried forward from previous years | | | 0 | 0 |
| - profit (loss) after tax | | | -31,022 | 7,127 |
| Equity | | | 236,105 | 273,977 |
| Long-term portion of bank and other loans | | 3.11 | 27,223 | 114,848 |
| Other financial liabilities | | | 6,033 | 869 |
| Deferred tax liability | | | 246 | 2,095 |
| Non-current liabilities | | | 33,502 | 117,812 |
| Trade liabilities | | 3.12 | 177,326 | 129,754 |
| Short-term portion of bank and other loans | | 3.11 | 89,090 | 3,030 |
| Other financial liabilities | | | 570 | 728 |
| Income tax payable | | | 0 | 230 |
| Other short-term liabilities | | | 3,154 | 2,118 |
| Short-term provisions | | | 0 | 0 |
| Current liabilities | | | 270,140 | 135,860 |
| Total liabilities | | | 303,642 | 253,672 |
| TOTAL EQUITY AND LIABILITIES | | | 539,747 | 527,649 |

STATEMENT OF CASH FLOWS

| Figures in PLN thousand | Note | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) |
|--|------|--|--|
| Profit / loss before tax on continued operations | | | |
| Profit / loss before tax on continued operations | | -32,871 | 5,554 |
| <i>Profit / loss before tax on discontinued operations</i> | | - | - |
| Adjusted by: | | | |
| Depreciation | | 1,963 | 1,185 |
| FX (gains) / losses | | 6,179 | -182 |
| Interest and dividends | | -12,188 | -20,072 |
| Profit / loss on investing activities | | 29,992 | 6,040 |
| Change in the balance of receivables | | -58,639 | -55,188 |
| Change in the balance of inventories | | -560 | 1,704 |
| Change in the balance of obligations | | 48,666 | 46,367 |
| Change in the balance of provisions | | 0 | -172 |
| CIT paid | | -335 | -120 |
| Other | | 730 | -799 |
| Net cash flows from operating activities | | -17,063 | -15,683 |
| Cash flows from investing activities | | | |
| Inflows from sale of tangible fixed assets | | 60 | 42 |
| Acquisition of tangible and intangible fixed assets | | -840 | -2,481 |
| Purchase of shares in a subsidiary | | -7,109 | 0 |
| Sale of other financial assets | | 10 | 0 |
| Dividends and interest received | | 9,487 | 14,974 |
| Loans granted | | -8,002 | -14,810 |
| Repayments of loans granted | | 9,247 | 693 |
| Bond repayments received | | 20,350 | 150 |
| Net cash flows from investing activities | | 23,203 | -1,432 |
| Cash flows from financing activities | | | |
| Repayment of finance lease obligations | | -578 | -514 |
| Inflows from bank / other loans received | | 28,659 | 41,423 |
| Repayment of loans | | -29,991 | -12,899 |
| Payment of dividend | | -6,850 | -6,850 |
| Interest paid | | -2,942 | -3,592 |
| Net cash flows from financing activities | | -11,702 | 17,568 |
| Net increase in cash and cash equivalents | | -5,562 | 453 |
| Change in cash and cash equivalents: | | -5,611 | -2 |
| net FX differences | | -49 | -455 |
| <i>Cash at the beginning of the period*</i> | | 6,275 | 4,815 |
| <i>Cash at the end of the period*</i> | | 664 | 4,813 |

*including restricted cash:

as at 30 September 2017: PLN 0.1m

as at 30 September 2016: PLN 0.1m

STATEMENT OF CHANGES IN EQUITY
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2017

| Figures in PLN thousand | Registered capital | Supplementary capital | Other reserves | Retained profit/ (loss carried forward): | | Total equity |
|---|--------------------|-----------------------|----------------|--|----------------|----------------|
| | | | | prior years | current period | |
| | | | | As at 1 January 2016 | 1,142 | |
| Net profit (loss) for the financial year | 0 | 0 | 0 | 0 | -31,022 | -31,022 |
| Total comprehensive income | 0 | 0 | 0 | 0 | -31,022 | -31,022 |
| Transfer of profit to the supplementary capital | 0 | 277 | 0 | -277 | 0 | 0 |
| Dividend | 0 | 0 | 0 | -6,850 | 0 | -6,850 |
| As at 30 September 2017 (unaudited) | 1,142 | 246,822 | 19,163 | 0 | -31,022 | 236,105 |

FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2016

| Figures in PLN thousand | Registered capital | Supplementary capital | Other reserves | Retained profit/ (loss carried forward): | | Total equity |
|---|--------------------|-----------------------|----------------|--|----------------|----------------|
| | | | | prior years | current period | |
| | | | | As at 1 January 2016 | 1,142 | |
| Net profit (loss) for the financial year | 0 | 0 | 0 | 0 | 5,083 | 5,083 |
| Total comprehensive income | 0 | 0 | 0 | 0 | 5,083 | 5,083 |
| Transfer of profit to the supplementary capital | 0 | 36,648 | 0 | -36,648 | 0 | 0 |
| Dividend | 0 | 0 | 0 | -6,850 | 0 | -6,850 |
| As at 30 September 2016 (unaudited) | 1,142 | 246,545 | 19,163 | 0 | 5,083 | 271,933 |

NOTES

3.1 Data covered by the financial statements

Details about the period covered by the financial statements, the comparative data, accounting policies used, 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 Other operating revenues and operating costs

3.2.1 Other operating revenues

| Figures in PLN thousand | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) | 3 months ended 30 September 2017 (unaudited) | 3 months ended 30 September 2016 (unaudited) |
|--|--|--|--|--|
| Profit from disposal of non-financial fixed assets | 61 | 39 | 42 | 9 |
| Reversal of an impairment charge on receivables | 23,121 | 5,778 | -1,180 | 367 |
| Damages | 36 | 0 | 16 | 0 |
| Other | 49 | 129 | 14 | 59 |
| Total other operating revenues | 23,267 | 5,946 | -1,108 | 435 |

In the period ended 30 September 2017, out of the reversed impairment charges for receivables, the amount of PLN 22,692 thousand relates to the impairment on the receivables from subsidiaries, including: Selena Iberia slu – PLN 16,136 thousand, Selena Italia srl – PLN 4,225 thousand, Selena Sulamericana Ltda – PLN 2,331 thousand. In the first half of 2017, impairment charges were reversed as trade receivables were converted into loans.

3.2.2 Other operating costs

| Figures in PLN thousand | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) | 3 months ended 30 September 2017 (unaudited) | 3 months ended 30 September 2016 (unaudited) |
|------------------------------------|--|--|--|--|
| Impairment charge for receivables | 19,145 | 17,906 | 7,035 | 2,619 |
| Donations | 0 | 45 | 0 | 20 |
| Damages, penalties, fines | 150 | 54 | 17 | 8 |
| Other | 18 | 26 | 5 | 6 |
| Total other operating costs | 19,313 | 18,031 | 7,057 | 2,653 |

In the reporting period, impairment charges created for the amounts due from connected entities totalled PLN 19,144 thousand, including: Selena Bohemia – PLN 5,114 thousand, Selena Romania SRL – PLN 4,540 thousand, Selena Malzemeleri Yapi Sanayi – PLN 3,778 thousand, Selena USA Inc. – PLN 2,715 thousand, EURO MGA Products SRL – PLN 1,488 thousand, Selena Ukraine Ltd. – PLN 1,307 thousand, Selena Nantong Building Materials Co., Ltd. – PLN 202 thousand.

3.3 Financial revenues and expenses

3.3.1 Financial revenues

| Figures in PLN thousand | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) | 3 months ended 30 September 2017 (unaudited) | 3 months ended 30 September 2016 (unaudited) |
|---|--|--|--|--|
| Dividends and profit sharing | 8,031 | 17,800 | 0 | 17,800 |
| Interest, including: | 7,173 | 5,884 | 2,321 | 2,113 |
| <i>on bonds and loans granted</i> | 7,137 | 5,805 | 2,313 | 2,091 |
| <i>on discount of financial obligations</i> | 36 | 79 | 8 | 22 |
| FX differences | 0 | 452 | 0 | -3,722 |
| Valuation of currency contracts | 711 | 0 | -290 | 0 |
| Reversal of an impairment charge on loans | 318 | 4 | 292 | 4 |
| Other financial revenues | 5 | 2 | 0 | 2 |
| Total financial revenues | 16,238 | 24,142 | 2,323 | 16,197 |

In 2017, Selena FM S.A. hedged its expected cash flows with FX forwards and other financial instruments. The Company regularly enters into forward contracts, usually in the currency pairs EUR/RUB, EUR/PLN and CZK/PLN. On average in the period, the Company had open forward contracts hedging the rates 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 30 September 2017, the Company had open forward contracts for EUR/RUB rate (RUB sales); EUR/PLN (EUR sales), CZK/PLN (CZK sales) and HUF/PLN (HUF sales); its loss on valuation of unrealised instruments was PLN 1000 (the result on these transactions is reported under "Valuation of FX contracts"). After the balance sheet date, Selena FM S.A. entered into forward contracts for RON/PLN rate (RON 2.5 million), CZK/PLN (CZK 2.0 million) and EUR/RUB (EUR 1.0 million) with settlement dates falling in the period from 30 November to 26 April 2018.

3.3.2 Financial expenses

| Figures in PLN thousand | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) | 3 months ended 30 September 2017 (unaudited) | 3 months ended 30 September 2016 (unaudited) |
|---------------------------------------|--|--|--|--|
| Interest, including: | 3,017 | 3,613 | 1,111 | 1,041 |
| <i>on loans and advances received</i> | 2,927 | 3,549 | 1,082 | 1,014 |
| <i>on finance lease liabilities</i> | 89 | 64 | 29 | 27 |
| <i>on other obligations</i> | 1 | 0 | 0 | 0 |
| Impairment charge for loans | 31,080 | 4,955 | 2 | 4,596 |
| Valuation of currency contracts | 0 | 1,128 | 0 | 260 |
| FX differences | 7,572 | 0 | -747 | 0 |
| Other financial costs | 129 | 117 | 12 | 44 |
| Total financial expenses | 41,798 | 9,813 | 378 | 5,941 |

Details relating to the impairment charge for the value of loans are contained in Note 3.8.

3.4 Income tax

| | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) |
|--|--|--|
| Figures in PLN thousand | | |
| Income tax for the current period | 0 | 799 |
| Change in deferred income tax | -1,849 | -328 |
| Tax charge carried in profit or loss: | -1,849 | 471 |

| | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) |
|--|--|--|
| Figures in PLN thousand | | |
| Profit / loss before tax on continued operations | -32,871 | 5,554 |
| Tax rate | 19% | 19% |
| Tax at the applicable rate | -6,245 | 1,055 |
| Tax on non-taxable income (permanent differences) | -5,908 | -8,428 |
| - on dividends received | -1,526 | -3,382 |
| - in respect of impairment charge on shares and loans | -60 | 0 |
| - in respect of reversal of impairment charge for receivables | -4,322 | -4,670 |
| - other | 0 | -376 |
| Tax on costs that are non-tax deductible (permanent differences) | 10,304 | 7,844 |
| - in respect of impairment charge on shares and loans | 5,905 | 941 |
| - in respect of impairment charge on receivables | 3,637 | 6,838 |
| - other | 762 | 65 |
| Tax charge carried in profit or loss: | -1,849 | 471 |
| Effective tax rate | - | 8.48% |

3.5 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.

| | | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) | 3 months ended 30 September 2017 (unaudited) | 3 months ended 30 September 2016 (unaudited) |
|---|------------------|--|--|--|--|
| Profit (loss) after tax | PLN | -31,021,693 | 5,083,226 | -10,761,216 | 12,951,710 |
| Weighted average number of ordinary shares | share | 22,834,000 | 22,834,000 | 22,834,000 | 22,834,000 |
| Profit/(loss) per ordinary share | PLN/share | -1.36 | 0.22 | -0.47 | 0.57 |
| Number of shares, including possible dilution | share | 22,834,000 | 22,834,000 | 22,834,000 | 22,834,000 |
| Diluted profit per share | PLN/share | -1.36 | 0.22 | -0.47 | 0.57 |

3.6 Dividend paid and proposed

On 23 June 2017, the AGM of Selena FM S.A. adopted a resolution on dividend payment in respect of a part of the Parent Company's profit for 2016 in a total amount of PLN 6,850,200.00, i.e. PLN 0.30 per share. The record date, when the list of shareholders eligible for dividend is determined, was set to 1 August 2017. The shares of all series carry the same dividend rights. The dividend was paid on 16 August 2017.

3.7 Shares in subsidiaries

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

| Figures in PLN thousand | 30 September 2017 (unaudited) | | | 31 December 2016 | | |
|---|-------------------------------|---------------|----------------|------------------|---------------|----------------|
| | 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 |
| Taurus Sp. z o.o. ** | 0 | 0 | 0 | 8 | 0 | 8 |
| 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 slú | 43,478 | 22,913 | 20,565 | 43,478 | 22,913 | 20,565 |
| Uniflex S.p.A. | 12,429 | 0 | 12,429 | 0 | 0 | 0 |
| Selena USA Inc. | 1,289 | 1,289 | 0 | 1,289 | 1,289 | 0 |
| Selena Sulamericana Ltda | 3,594 | 0 | 3,594 | 3,594 | 0 | 3,594 |
| 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 | 0 | 0 | 0 | 0 | 0 | 0 * |
| 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 | 0 | 1,206 | 1,206 | 0 | 1,206 |
| 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. | 12,793 | 12,793 | 0 | 12,793 | 12,793 | 0 |
| Value of shares | 248,423 | 86,530 | 161,893 | 236,002 | 86,530 | 149,472 |

* value of shares below PLN 400

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

Events occurring after the balance sheet date

On 24 October 2017, due to occurrence of the event specified in the Articles of Selena Industrial Technologies Sp. z o.o. that triggered automatic share cancellation, 1,081,248 shares in the company's share capital with a total nominal value of PLN 54,062 thousand were cancelled. As a result, in accordance with the Deed of Incorporation of Selena Industrial Technologies Sp. z o.o., the parent company Selena FM S.A. received remuneration of PLN 63,912 thousand for the shares cancelled. The remuneration was paid by 26 October 2017.

On 7 November 2017, the General Meeting of Shareholders of Selena Bohemia s.r.o adopted a resolution to increase the share capital by CZK 60 million through a cash contribution. By the date of the publication, the share capital in Selena Bohemia s.r.o had not been registered.

3.8 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 2016 | Principal | | Interest | | Other decreases | Valuation | Write-down | 30 September 2017 |
|-----------------------------|--------------------------|------------------|----------------|----------------|--------------|---------------|-----------------|----------------|----------------|-------------------|
| | | | Increase | Decrease | Accrued | Paid | | | | (unaudited) |
| Subsidiaries | Loans | 195,541 | 38,844 | -9,159 | 4,379 | -419 | -330 | -10,398 | 0 | 218,458 |
| | Gross value | | | | | | | | | |
| | Impairment charge | -70,134 | -31,080 | 318 | 0 | 0 | 0 | 4,049 | 0 | -96,847 |
| | Net value | 125,407 | 38,844 | -9,159 | 4,379 | -419 | -330 | -10,398 | -26,713 | 121,611 |
| Other connected entities | Bonds | 60,396 | 0 | -20,350 | 2,756 | -2,035 | 0 | 0 | 0 | 40,767 |
| Non-connected entities | Loans | 71 | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 73 |
| | Valuation of derivatives | 10 | 0 | 0 | 0 | 0 | 0 | -10 | 0 | 0 |
| TOTAL | | 185,884 | 38,844 | -29,509 | 7,137 | -2,454 | -330 | -10,408 | -26,713 | 162,451 |
| <i>including long-term:</i> | | | <i>119,858</i> | | | | | | | <i>108,440</i> |

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

| Maturity (in years) | | below 1 year | 1-3 years | Above 3 years | Without maturity | Total |
|--------------------------------------|--------------------------|---------------|---------------|---------------|------------------|----------------|
| 30 September 2017 (unaudited) | | | | | | |
| Subsidiaries | Loans | 13,241 | 34,027 | 74,343 | 0 | 121,611 |
| Other connected entities | Bonds | 40,767 | 0 | 0 | 0 | 40,767 |
| Non-connected entities | Loans | 3 | 70 | 0 | 0 | 73 |
| Non-connected entities | Valuation of derivatives | | 0 | 0 | 0 | |
| TOTAL | | 54,011 | 34,097 | 74,343 | 0 | 162,451 |

In the reporting period (1 July to 30 September 2017), Selena FM S.A. granted its subsidiaries loans totalling PLN 2,771 thousand:

- On 12 June 2017, Selena FM S.A. signed a loan agreement with Selena Labs. The loan amount is PLN 4 million. The interest rate is variable. It matures on 11 June 2022. According to the agreement, the loan is drawn in tranches. The first tranche was disbursed on 4 July 2017. By 30 September 2017, tranches of PLN 2.3 million were drawn.
- On 10 May 2017, Selena FM S.A. signed a loan agreement with Selena Nantong Building Materials Co., Ltd. for a sum of EUR 410 thousand. The interest rate is fixed. It matures on 14 May 2018. On 18 May 2017, a tranche of EUR 200 thousand was drawn. By 30 September 2017, an additional tranche of EUR 110 thousand was drawn.

In the third quarter of 2017, Selena FM S.A. received loan repayments from subsidiaries totalling PLN 3,966 thousand:

- Selena CA L.L.P.: EUR 854 thousand
- EURO MGA Product SRL: RON 315 thousand.

On 10 August 2017, an annex was signed to the loan agreement with Foshan Chinuri Selena Chemical, extending the repayment date from 1 September 2017 to 1 September 2018, and changing the interest rate on the loan.

On 26 September 2017, an annex was signed to the loan agreement with Selena Nantong, extending the repayment date to 29 October 2022, and changing the interest rate on the loan.

In the reporting period (1 July to 30 September 2017), impairment charges on loans changed by PLN 290 thousand (by historical value):

- EURO MGA Product SRL – reversed a charge of PLN 292 thousand.
- POLYFOAM Yalitim Sanayi ve Tic Ltd. – created a charge of PLN 2000

Details about the conducted impairment tests as at 30 June 2017 are presented in Note 6 of the unconsolidated financial statements for the period ended 30 June 2017.

On 25 July 2017, AD Niva Sp. z o.o. used the right of early redemption of some bonds purchased by Selena FM S.A. The earlier redemption related to the bonds with a total value of PLN 20 million. AD Niva sp. z o.o. has 51.29% votes at the General Meeting of Selena FM S.A. The sole shareholder of AD Niva Sp. z o.o. is Sirius Investment s.a.r.l. of Luxembourg, an entity 100% controlled by Mr Krzysztof Domarecki, Supervisory Board Chairman of Selena FM S.A.

Events occurring after the balance sheet date

On 2 October 2017, Selena FM S.A. signed a loan agreement of EUR 1.9 million with Selena Malzemeleri Yapi Sanayi Tic. The interest rate is variable. The loan matures on 31 December 2022. The loan originated through conversion of the trade receivables from Selena Malzemeleri Yapi Sanayi Tic. Ltd.

On 20 October 2017, Selena FM S.A. signed a loan agreement with Selena Vostok. The loan amount is RUB 700 million. The interest rate is variable. The loan matures on 31 December 2022, with a prepayment option, but not earlier than 26 July 2019. According to the agreement, the loan is drawn in tranches. The first tranche was disbursed on 25 October 2017. By the date of publication of these financial statements, tranches of RUB 100 million had been drawn.

By the date of publication of these financial statements, Selena CA L.L.P. repaid loans of EUR 246 thousand.

3.9 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 | 30 – 60 | 60 – 90 | 90 – 180 | >180 |
| 30 September 2017 (unaudited) | From connected companies | 155,125 | 101,221 | 18,432 | 10,542 | 7,638 | 17,140 | 152 |
| | From non-connected companies | 7,878 | 7,654 | 37 | 43 | 57 | 84 | 3 |
| 31 December 2016 | From connected companies | 150,446 | 66,947 | 29,193 | 12,966 | 10,746 | 30,560 | 34 |
| | From non-connected companies | 6,135 | 4,562 | 1,169 | 623 | 0 | -224 | 5 |

| Figures in PLN thousand | | 9 months ended 30 September 2017 (unaudited) | 9 months ended 30 September 2016 (unaudited) | 3 months ended 30 September 2017 (unaudited) | 3 months ended 30 September 2016 (unaudited) |
|---|--|--|--|--|--|
| Impairment charge at the beginning of the period | | 48,656 | 36,767 | 33,891 | 48,655 |
| Created | | 19,145 | 17,906 | 7,035 | 2,619 |
| <i>connected entities</i> | | 19,144 | 17,254 | 7,035 | 2,353 |
| <i>other entities</i> | | 1 | 652 | 0 | 266 |
| Reversed, including: | | -23,121 | -5,778 | 1,180 | -367 |
| <i>connected entities</i> | | -22,733 | -5,778 | 1,220 | -367 |
| <i>other entities</i> | | -388 | 0 | -40 | 0 |
| FX differences arising on translation | | -2,347 | 641 | 227 | -1,371 |
| Impairment charge at the end of the period | | 42,333 | 49,536 | 42,333 | 49,536 |
| <i>connected entities</i> | | 41,416 | 48,434 | 41,416 | 48,434 |
| <i>other entities</i> | | 917 | 1,102 | 917 | 1,102 |
| including: | | | | | |
| <i>Impairment charge for trade receivables</i> | | 42,333 | 49,536 | 42,333 | 49,536 |

3.10 Other short-term receivables

| | Figures in PLN thousand | 30 September 2017 (unaudited) | 31 December 2016 |
|--------------------------------|-------------------------|----------------------------------|------------------|
| VAT claimed | | 24,582 | 3,801 |
| Prepayments for deliveries | | 0 | 105 |
| Settlements with employees | | 46 | 0 |
| Other | | 3,692 | 1,781 |
| Total other receivables | | 28,320 | 5,687 |

3.11 Loans received

The table below shows the debt in respect of borrowings.

| Ref | Loan type | Maturity date | Long-term portion | Short-term portion | Long-term portion | Short-term portion |
|--------------------|----------------------|---------------|-------------------|--------------------|-------------------|--------------------|
| 1 | Working capital loan | 07/2018 | 0 | 15,560 | 35,686 | 0 |
| 2 | Working capital loan | 07/2018 | 0 | 23,704 | 1,042 | 0 |
| 3 | Working capital loan | 01/2017 | 0 | 0 | 0 | 3,030 |
| 4 | Working capital loan | 02/2018 | 0 | 49,751 | 51,752 | 0 |
| 5 | Working capital loan | 09/2019 | 14,772 | 0 | 19,805 | 0 |
| 6 | Non-bank loan | 12/2018 | 2,477 | 16 | 2,588 | 0 |
| 7 | Loan | 12/2019 | 1,500 | 31 | 1,500 | 0 |
| 8 | Non-bank loan | 12/2019 | 1,724 | 11 | 1,725 | 0 |
| 9 | Non-bank loan | 12/2019 | 750 | 15 | 750 | 0 |
| 10 | Non-bank loan | 09/2022 | 6,000 | 2 | 0 | 0 |
| Total loans | | | 27,223 | 89,090 | 114,848 | 3,030 |

On 25 September 2017, Selena Industrial Technologies Sp. z o.o signed a loan agreement with Selena FM S.A. The loan amount is PLN 10 million. The interest rate is variable. It matures on 24 September 2022. According to the agreement, the loan is drawn in tranches. The first tranche was disbursed on 28 September 2017. By the date of publication of these financial statements, tranches of PLN 6 million had been drawn.

As part of the loan agreements signed by the Company separately or jointly with its subsidiaries, Selena FM S.A. undertook to maintain certain financial ratios at the levels agreed with banks. As at 30 September 2017, Selena Group maintained the consolidated financial ratios at the levels required by the lenders.

3.12 Trade liabilities

| | Figures in PLN thousand | 30 September 2017 (unaudited) | 31 December 2016 |
|---------------------------------------|-------------------------|----------------------------------|------------------|
| Trade liabilities | | | |
| <i>amounts due to related parties</i> | | 164,898 | 122,903 |
| <i>amounts due to other entities</i> | | 12,428 | 6,851 |
| Total trade liabilities | | 177,326 | 129,754 |

3.13 Contingent liabilities and guarantees granted

Selena FM S.A. did not give to non-Group companies any guarantees whose value would exceed 10% of its equity. Group companies, including Selena FM S.A, provide cross-guarantees to each other in connections with jointly incurred bank debt, and as part of commercial transactions. Details of these transactions as at 31 December 2016 were presented in the unconsolidated financial statements of Selena FM S.A. for 2016, Note 28.1.

In the third quarter of 2017, the following changes took place in the guarantees granted by Selena FM S.A.:

- On 10 July 2017, Selena FM S.A. signed a guarantee for Selena Iberia, which secures a lease agreement. The guarantee was signed for five years. The guarantee amount is EUR 0.55 million.

Events occurring after the balance sheet date

On 12 October, the guarantee granted by Selena FM S.A. to Selena Vostok to secure a loan agreement, came into force. The guarantee expires on 25 January 2022.

On 31 October 2017, Selena FM S.A. signed a guarantee for Selena Iberia, which secures a lease agreement. The guarantee was signed for five years. The guarantee amount is EUR 0.38 million.

3.14 Related party transactions

The table below shows transactions with related parties (subsidiaries, associates, members of the Parent's governing bodies) over the 9 months ended 30 September 2017 and 30 September 2016, respectively.

| Figures in PLN thousand | | Period | Sales | Purchase of goods and services | Other revenues ¹ | Other costs |
|---------------------------|--|-------------|----------------|--------------------------------|-----------------------------|-------------|
| Subsidiaries | | 2017 | 359,419 | 323,628 | 15,189 | 92 |
| | | 2016 | 302,804 | 288,727 | 20,657 | 491 |
| Associates | | 2017 | 3,682 | 0 | 0 | 0 |
| | | 2016 | 3,514 | 32 | 0 | 0 |
| Owners | AD Niva Sp. z o.o. (indirectly Krzysztof Domarecki) | 2017 | 7 | 0 | 2,761 | 0 |
| | | 2016 | 6 | 0 | 3,009 | 0 |
| | AD Niva Sp. z o.o. SKA (Krzysztof Domarecki) | 2017 | 1 | 0 | 0 | 0 |
| | | 2016 | 1 | 0 | 0 | 0 |
| Supervisory Board Members | Universal Energy Sp. z o.o. (Krzysztof Domarecki) | 2017 | 3,264 | 0 | -4 | 0 |
| | | 2016 | 333 | 51 | 11 | 45 |
| TOTAL | | 2017 | 366,373 | 323,628 | 17,946 | 92 |
| | | 2016 | 306,658 | 288,810 | 23,677 | 536 |

¹ the value includes other operating revenues and financial revenues

The table shows the balance of transactions with related parties (subsidiaries, associates, members of the Parent Company's governing bodies) as at 30 September 2017 and 31 December 2016.

| Figures in PLN thousand | | Period | Bonds, loans | Trade receivables | Other receivables | Liabilities |
|------------------------------|--|-------------|----------------|-------------------|-------------------|----------------|
| Subsidiaries | | 2017 | 121,611 | 151,862 | 1,101 | 171,436 |
| | | 2016 | 125,407 | 149,727 | 0 | 129,507 |
| Associates | | 2017 | 0 | 959 | 0 | 1 |
| | | 2016 | 0 | 618 | 0 | 11 |
| Owners | AD Niva Sp. z o.o. (indirectly Krzysztof Domarecki) | 2017 | 40,767 | 1 | 0 | 68 |
| | | 2016 | 60,000 | 0 | 0 | 0 |
| Supervisory Board Members | Syrius Investment (Krzysztof Domarecki) | 2017 | 0 | 0 | 0 | 0 |
| | | 2016 | 0 | 0 | 0 | 0 |
| | Universal Energy Sp. z o.o. (Krzysztof Domarecki) | 2017 | 0 | 2,303 | 0 | 0 |
| | | 2016 | 396 | 101 | 0 | 0 |
| TOTAL | | 2017 | 162,378 | 155,125 | 1,101 | 171,505 |
| | | 2016 | 185,803 | 150,446 | 0 | 129,518 |

3.15 Events occurring after the balance sheet date

On 20 October 2017, the Supervisory Board of Selena FM S.A. established the Audit Committee and the Strategy and Innovation Committee. See Note 2.1.4 for details.

On 2 October 2017, Selena FM S.A. signed a loan agreement of EUR 1.9 million with Selena Malzemeleri Yapı Sanayi Tic. Details are presented in Note 3.8.

On 20 October 2017, Selena FM S.A. signed a loan agreement with Selena Vostok. The loan amount is RUB 700 million. Details are presented in Note 3.8.

On 24 October 2017, 1,081,248 shares in the share capital of Selena Industrial Technologies Sp. z o.o. were cancelled. As a result, the parent company Selena FM S.A. received remuneration of PLN 63,912 thousand for the cancelled shares. Details are presented in Note 3.7.

On 7 November 2017, the General Meeting of Shareholders of Selena Bohemia s.r.o adopted a resolution to increase the share capital by CZK 60 million through a cash contribution. By the date of the publication, the share capital in Selena Bohemia s.r.o had not been registered.

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

**Person responsible for maintenance
of books of account**

.....
Agnieszka Rumczyk

Management Board President

.....
Jean-Noël Fourel

**Vice-President of the Management Board
for Sales and Marketing**

.....
Marcin Macewicz

**Vice-President of the Management Board
for Finance**

.....
Hubert Rozpędek

Vice-President of the Management Board

.....
Agata Gładysz-Stańczyk

Management Board Member

.....
Artur Ryglowski