SELENA FM GROUP

EXTENDED CONSOLIDATED
QUARTERLY REPORT FOR THE PERIOD
FROM 1 JULY TO 30 SEPTEMBER 2018

Wroclaw, 23 November 2018

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 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)
Net revenue from sales	927,474	891,392	218,050	209,414
Operating profit (loss)	48,057	43,000	11,298	10,102
Profit (loss) before tax	32,100	21,583	7,547	5,070
Profit (loss) after tax	23,679	12,072	5,567	2,836
Profit (loss) after tax attributable to controlling interests	23,575	11,986	5,542	2,816
Comprehensive income	19,521	4,038	4,589	949
Comprehensive income attributable to shareholders of the parent	19,420	3,999	4,566	939
Net cash flows from operating activities	-1,243	-28,939	-292	-6,799
Net cash flows from investing activities	-15,880	11,629	-3,733	2,732
Net cash flows from financing activities	21,891	4,033	5,147	947
Number of shares	22,834,000	22,834,000	22,834,000	22,834,000
Earnings per ordinary share (PLN/share) /EUR/share)	1.03	0.52	0.24	0.12

	30 September 2018 (unaudited)	31 December 2017	30 September 2018 (unaudited)	31 December 2017
Total assets	899,723	822,176	210,639	197,122
Non-current liabilities	150,705	38,345	35,282	9,193
Current liabilities	313,804	361,106	73,466	86,577
Equity	435,214	422,725	101,890	101,351
Registered capital	1,142	1,142	267	274

1.1.2 Financial data of the Parent Company

	PLN thousand		EUR thousand	
	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)
Net revenue from sales	362,273	384,055	85,171	90,226
Operating profit (loss)	-6,809	-7,311	-1,601	-1,718
Profit (loss) before tax	21,214	-32,871	4,987	-7,722
Profit (loss) after tax	22,571	-31,022	5,306	-7,288
Comprehensive income	22,571	-31,022	5,306	-7,288
Net cash flows from operating activities	-43,641	-17,063	-10,260	-4,009
Net cash flows from investing activities	8,391	23,203	1,973	5,451
Net cash flows from financing activities	38,398	-11,702	9,027	-2,749
Number of shares	22,834,000	22,834,000	22,834,000	22,834,000
Earnings per ordinary share (PLN/share) /EUR/share)	0.99	-1.36	0.23	-0.32

	30 September 2018 (unaudited)	31 December 2017 transformed data*	30 September 2018 (unaudited)	31 December 2017 transformed data*
Total assets	530,175	468,861	124,122	112,412
Liabilities	231,281	175,912	54,146	42,176
Equity	298,894	292,949	69,976	70,236
Registered capital	1,142	1,142	267	274

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 Group promotion

Selena Turkey - Tytan 60 SECONDS chosen to construct a school in Izmir (April–September 2018)

Tytan 60 SECONDS was used in the development of a private campus of the Form School. Contractors opted for Selena's product as it is fast and fit for a variety of mounting applications. In addition, the product's major advantages include low transport costs and clean application.

COOL-R used on the roof of the largest fish market in Europe

In July this year, COOL-R covered the roof of Europe's largest fish market located in Madrid. The innovative coating, which combines the function of roof cooling and water-resistance, has been applied as part of renovation of the 33 thousand m^2 building of Mercado Central de Pescados. Thanks to the application of the product the temperature inside the building dropped by 7° C. This has a direct impact on lowering the building's cooling costs and improving the comfort of work in addition to reducing losses of the goods sold.

Selena Turkey has put mounting adhesives on the market (July–September 2018)

At the beginning of July, Selena Turkey launched five new products from the group of mounting adhesives used for interior decoration, fastenings and furniture production. One of them is the fast-curing polyurethane adhesive – Tytan Professional Liquid Nail – most often used by professionals from the Interior & Decoration sector, mainly furniture manufacturers. This product has helped Selena to fill the gap in its portfolio and strengthened its position in the market of furniture accessories. Tytan Professional Liquid Nail is the result of cooperation between Selena Turkey and the research & development department. Selena Turkey has also introduced four new colours of Tytan Professional Fast Fix (MS Polymer) to match main construction and decorative materials. With the new colour options, Selena plans to increase the diversity of applications.

Golden Emblem of the Consumer Quality Leader 2018 (12 July 2018)

The Tytan Professional brand received the Golden Emblem of the Consumer Quality Leader 2018 in the "silicones and foams" category. The Consumer Quality Leader is a ranking based on a survey conducted among 12,000 respondents who point to what they believe are the best products and services. The Tytan Professional brand was chosen as the best in the "silicones and foams" category.

Selena USA at the Sunbelt Builders Show (8–9 August 2018)

This is one of the most important industry events that attracts the most important people from the industry where they can test products, do networking and collect data. During the show, Selena USA presented the FOAD line.

Selena SA – Builder For The Future (August 2018 – in progress)

Selena participated as a Strategic Partner in a social educational programme for young construction engineers – 4 Young Engineers. Selena S.A. is a partner of events organised for young engineers: it took part in e.g. Engineering Days at the Wrocław University of Technology and the Kraków University of Technology and made its solutions available to young engineers for use in competition works in the programme's finals.

Selena S.A. – participation in the meeting of the Judging Panel of the 4YoungEngineers Programme (4 September 2018)

As the Strategic Partner of the event, Selena S.A. met in Warsaw with the organisers of the Programme, Polish architects and engineers, affiliated in industry associations and other companies supporting the Programme.

Selena USA – participation in ICAA in Orlando (13–15 September 2018)

Selena S.A. took part in the ICAA fair (Insulation Contractors of America Association), which each year focuses on the needs of insulation contractors. In addition to exchanging knowledge and observing new trends in the market, the ICAA fair is also a place to establish contacts with suppliers and distributors and manufacturers from the whole of North America.

Selena becomes the Ambassador of Sporty Poland (27 September 2018)

Selena received the title and statuette of the Ambassador of Sporty Poland, confirmed with a certificate. The award was granted as part of the "We Build Sporty Poland" programme. The Ambassador of Sporty Poland is a title awarded to companies and local authorities that support the development of sports infrastructure and are involved in promoting sports among children, youth and local communities. Selena also became a member of the Sporty Poland Club (alongside Polish local authorities and companies which contribute to the development of sports infrastructure). This is an initiative whereby entrepreneurs, local authorities and individual investors join forces to create a modern and safe sports and recreational infrastructure.

1.3.2 Research and new products in the portfolio

In the third quarter of 2018, Selena Group launched started production of new products, developed by its R&D team in previous months, namely: the mounting adhesive with very a short cure time and strong initial grip; the contact adhesive for low temperature applications; the transparent polyurethane adhesive and a range of fire-retardant products – silicone and acrylic sealants. Also, the production of a modified, durable, highly reflective and waterproofing coating – COOL-R – was started, taking on board comments and needs of users from areas with cool climate. Work is under way to start production of new water-based bitumen waterproofing emulsions. The Group develops its foam adhesives and aerosol applications. Work has started on products based on raw materials from biorenewable sources that have a positive impact on the natural environment. All products and systems are certified, taking into account not only mandatory requirements, e.g. those related to the CE mark, but also having regard to the expectations of end users, e.g. in terms o fLEED certification or other ECO-Label marks.

In the second half of 2018, Selena also continued work under the HORIZON 2020 – EENSULATE and BIOMOTIVE projects. As part of the former project, work was finalised on the PIR foam with better fire-resistant and thermal insulation properties and limited smoke emission during combustion.

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 2018 and 30 September 2017, respectively, as well as selected financial ratios.

Figures in PLN thousand	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)	Change	Change %
Revenue from sales	927,474	891,392	36,082	4.0%
Cost of sales	656,846	625,604	31,242	5.0%
Gross profit	270,628	265,788	4,840	1.8%
Selling and marketing costs	145,950	144,904	1,046	0.7%
General and administrative expenses	71,585	72,621	-1,036	-1.4%

Other operating profit (loss)	-2,086	-5,263	3,177	-
Impairment (reversal of impairment) of financial assets	2,950	0	2,950	-
EBITDA (operating profit + depreciation + amortisation)	68,997	62,331	6,666	-
Operating profit (EBIT)	48,057	43,000	5,057	-
Net financial income (loss)	-16,416	-21,902	5,486	-
Share in net profit/loss of the associate	459	485	-26	-
Profit (loss) before tax	32,100	21,583	10,517	-
Profit (loss) after tax	23,679	12,072	11,607	-
Other net comprehensive income	-4,158	-8,034	3,876	-
Total comprehensive income	19,521	4,038	15,483	-

			Change in p.p.
Gross profit margin	29.2%	29.8%	-0.6
Selling costs/ revenue from sales	15.7%	16.3%	-0.5
General and administrative expenses/ revenue from sales	7.7%	8.1%	-0.4
EBITDA margin %	7.4%	7.0%	0.4
Operating profit margin (EBIT%)	5.2%	4.8%	0.4
Net profit margin	2.6%	1.4%	1.2

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

Figures in PLN thousand	3 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2017 (unaudited)	Change	Change %
Revenue from sales	347,011	350,245	-3,234	-0.9%
Cost of sales	244,223	247,500	-3,277	-1.3%
Gross profit	102,788	102,745	43	0.0%
Selling and marketing costs	51,514	49,060	2,454	5.0%
General and administrative expenses	21,913	24,973	-3,060	-12.3%
Other operating profit (loss)	1,133	-2,937	4,070	-
Impairment (reversal of impairment) of financial assets	1,184	0	1,184	
EBITDA (operating profit + depreciation + amortisation)	36,395	32,616	3,779	-
Operating profit (EBIT)	29,310	25,775	3,535	-
Net financial income (loss)	-11,435	-5,165	-6,270	-
Share in net profit/loss of the associate	0	0	0	-
Profit (loss) before tax	17,875	20,610	-2,735	-
Profit (loss) after tax	12,761	16,983	-4,222	-
Other net comprehensive income	-6,257	-1,702	-4,555	-
Total comprehensive income	6,504	15,281	-8,777	-

			Change in p.p.
Gross profit margin	29.6%	29.3%	0.3
Selling costs/ revenue from sales	14.8%	14.0%	0.8
General and administrative expenses/ revenue from sales	6.3%	7.1%	-0.8
EBITDA margin %	10.5%	9.3%	1.2
Operating profit margin (EBIT%)	8.4%	7.4%	1.1
Net profit margin	3.7%	4.8%	-1.2

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

Revenue from sales

During the period of 9 months of 2018, consolidated revenue from sales amounted to PLN 927.5 million, which is by PLN 4% (PLN 36.1 million) higher than in the corresponding period of the previous year. In the third quarter of 2018, consolidated sales amounted to PLN 347.0 million (up 0.9% on Q3 2017).

The increase in sales in the period of 9 months of 2018 was driven by revenues earned in the first quarter of 2018 by Uniflex S.p.A. (PLN 14.8 million), a company acquired at the end of March 2017, and an increase in sales by Group companies in Spain, Kazakhstan and the United States.

The sales of Selena Group are presented by three geographical segments: the European Union (including Poland), Eastern Europe and Asia (including Russia and China), and North and South America (USA and Brazil). The sales structure by segments has not changed significantly compared with 2017. European Union remains the key segment. It generated 66% (vs. 63% in 2017) 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 29% thanks to the strong improvement in sales in Ukraine, Kazakhstan and China. The North and South America segment slightly reduced its share in sales, achieving 5% contribution to Group's revenues, despite growth in terms of value.

Segment	Segment's share in the Group's revenues		Change
	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)	2018 / 2017
European Union, including:	66%	63%	9%
Poland	*37%*	*38%*	*1%*
Other countries	*29%*	*25%*	*23%*
Eastern Europe and Asia	29%	31%	-5%
N&S America	5%	6%	-6%

Gross profit on sales

For 9 months of 2018, Selena Group generated gross profit of PLN 270.6 million, i.e. PLN 4.8 million more year-on-year. Gross profit achieved in Q3 2018 was PLN 102.8 million and was similar to Q3 2017.

Gross profit margin was 29.2%, down 0.6 p.p. year-on-year. Gross profit margin achieved in Q3 2018 was 29.6%, up 0.3 p.p. year-on-year. The margin decreased as a result of major increases in raw material prices, which the Group could only partly transfer to the market given the competitive environment in its individual markets.

Selling costs and general and administrative expenses

Selling costs over 9 months of 2018 were PLN 145.9 million, up by PLN 1.0 million, i.e. 0.7% year-on-year. In Q3 2018, selling costs were PLN 51.5 million, up PLN 5% year-on-year compared with the costs incurred in the corresponding period of the previous year.
Over the 9 months 2018, **general and administrative expenses** were PLN 71.6 million, down 1.4% compared with the previous year. In Q3 2018, the expenses were PLN 21.9 million, down PLN 12.3% year-on-year compared with the expenses incurred in the corresponding period of the previous year.

After 9 months of 2018, the ratio of selling, general and administrative expenses to sales was 23.5%, down 0.9 p.p. year-on-year.

Operating profit (loss)

Over 9 months of 2018, the Group generated operating profit of PLN 48.1 million versus PLN 43.0 million in the corresponding period of the previous year. Operating profit achieved in Q3 2018 was PLN 29.3 million, up PLN 3.5 million vs. Q3 2017.

The result on other operations was negative at PLN -5.0 million, taking into account the impairment loss in respect of financial assets. However, it was by PLN 0.2 million better than last year. Since 1 January 2018, as required by the new IFRS 9 standard, the Group has reported the net balance of impairment of financial assets in a separate line in the income statement. The loss on other operations was affected by the cost of unused capacity (PLN 1.1 million in total), impairment allowances on receivables, less reversed allowances (PLN 2.9 million), impairment allowances for inventory, cost of liquidation of stocks and inventory shortages, less reversed allowances for the value of stocks and stock-taking overages (PLN 3.1 million in total).

Profit (loss) after tax

Over 9 months of 2018, Selena Group achieved net profit of PLN 23.7 million compared with PLN 12.1 million achieved in the corresponding period of 2017. Net profit achieved in Q3 2018 was PLN 12.8 million, down 4.2 million on Q3 2017.

The Group's net profit 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 16.4 million posted over 9 months of 2018. FX losses were PLN 12.0 million. For comparison, over 9 months ended 30 September 2017, the Group posted FX losses of PLN 19.2 million. The FX losses were mainly due to the depreciation of the Turkish lira, Russian ruble and Kazakh Tenge against the euro (increase in EUR/TRY, EUR/RUB and EUR/KZT exchange rates by 56%, 10% and 7%, respectively), with a positive effect of depreciation of PLN against EUR and USD (the exchange rate increased by 3% and 6%, respectively) in the period from 1 January to 30 September 2018. 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 Policy, in particular by entering into forward transactions, primarily in EUR/RUB and currency pairs with PLN.

The cost of interest on loans and finance leases totalled PLN 4.7 million net (after reduction by the achieved interest income from bank deposits and bonds), and was higher by PLN 2.3 million year-on-year.

For 9 months of 2018, the income tax charge was PLN 8.4 million vs. PLN 9.5 million posted in the corresponding period of 2017.

After the 9 months of 2018, EBITDA was PLN 69.0 million (including depreciation: PLN 20.9 million), which was by PLN 6.7 million higher year-on-year. For 3 months ended 30 September 2018, EBITDA was PLN 36.4 million, up PLN 3.8 million vs. Q3 2017.

1.4.2 Asset and financial position

The table below shows selected figures of the consolidated balance sheet as at 30 September 2018 and 31 December 2017.

Figures in PLN thousand	30 September 2018 (unaudited)	31 December 2017	Change	Change %
Non-current assets	**310,419**	**313,531**	**-3,112**	**-1%**
Property, plant and equipment	218,053	220,825	-2,772	-1%
Intangible fixed assets	53,507	55,475	-1,968	-4%
Other long-term assets	38,859	37,231	1,628	4%
Current assets	**589,304**	**508,645**	**80,659**	**16%**
Inventories	200,546	193,040	7,506	4%
Trade receivables	282,984	206,435	76,549	37%
Cash	57,769	52,921	4,848	9%
Other current assets	48,005	56,249	-8,244	-15%
Equity	**435,214**	**422,725**	**12,489**	**3%**
Liabilities	**464,509**	**399,451**	**65,058**	**16%**
Bank and other loans	188,346	152,129	36,217	24%
Trade liabilities	161,873	152,015	9,858	6%
Other liabilities	114,290	95,307	18,983	20%

	30 September 2018 (unaudited)	31 December 2017
Current liquidity	1.9	1.4
Quick liquidity	1.2	0.9
Debt ratio	52%	49%

Current liquidity – current assets / current liabilities

Quick liquidity – current assets less stocks / current liabilities

Current assets increased vs. 31 December 2017 by PLN 80.6 million as a natural consequence of seasonality and high sales in Q3 2018 compared with the last quarter of 2017. This is reflected mainly in the value of trade receivables and inventories, and the higher level of short-term liabilities.

The current and quick liquidity ratios (1.9 and 1.2 respectively) point to the Group's ability to meet its obligations in a timely manner.

1.4.3 Debt

Figures in PLN thousand	30 September 2018 (unaudited)	31 December 2017
Interest bearing borrowings	188,346	152,129
Other financial liabilities	28,706	28,699
Less cash and cash equivalents	-57,769	-52,921
Net debt	**159,283**	**127,907**
Equity attributable to the shareholders of the parent	434,623	422,235
Equity and net debt	**593,906**	**550,142**
Gearing (net debt / equity + net debt)	27%	23%
Debt ratio (liabilities / total assets)	52%	49%
Ned debt / EBITDA*	2.10	1.85

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

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

As at 30 September 2018, the debt ratio amounted to 52% and was 3 p.p. higher than at the end of 2017 and by 1 p.p. lower year-on-year. In consequence, net debt to EBITDA was 2.10 and was higher vs. 31 December 2017, when it stood at 1.85.

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 2018 and 30 September 2017, respectively.

Figures in PLN thousand	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)	Change
Net cash flows from operating activities	-1,242	-28,939	27,697
Net cash flows from investing activities	-15,880	11,629	-27,509
Net cash flows from financing activities	21,891	4,033	17,858
Change in cash and cash equivalents:	**4,769**	**-13,277**	**18,046**

Net cash flows in the period of 9 months of 2018 were PLN 4.8 million.

Operating cash flows were PLN -1.2 million, up PLN 27.7 million on the corresponding period of 2017. Changes in net current assets compared with 31 December 2017: receivables (PLN -80.8 million), inventories (PLN -12.5 million) and liabilities (PLN 32.6 million). The change in current assets of PLN -60.8 million (compared to PLN -72.8 million in the first 9 months of 2017), which had a negative impact on cash flows from operating activities, was influenced by a year-on-year increase in sales and an ensuing change in working capital.

Net cash flows from investing activities were negative at PLN 15.9 million, with inflows being PLN 27.5 million lower year-on-year. In Q3 2017, an important investment cash flow was repurchase of bonds of PLN 20.0m and the settlement of the acquisition of Uniflex SpA shares (cash flow of PLN -3.7 million). In addition, the expenditure on acquisition of tangible and intangible assets was PLN 6.7 million higher than in the corresponding period.

Net cash inflows from financing activities amounted to PLN 21.9 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 37.4 million), dividends to owners (PLN -6.9 million), interest paid (PLN -5.0 million), and repayment of finance lease obligations (PLN -4.2 million).

1.5 Seasonality of business

The building materials industry in which Selena FM Group operates is characterised by seasonality of sales. Lower activity is seen in the winter and early spring months, while in the subsequent quarters sales increase to usually peak in the third quarter. Looking at the figures for 2016–2017, one may conclude that sales in individual quarters have the following contribution to the total annual sales: Q1 – 18%, Q2 - 27%, Q3 - 30%, Q4 - 25%. Seasonal fluctuations of sales are primarily affected by the weather and fluctuations in sales in the individual geographies where the Group operates.

1.6 Delivery of forecasts

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

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

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

1.8 Payment of dividend

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

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

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

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

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

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

The bank presented to the court an estimated obligation of PLN 6.9 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 Millenium filed a motion to refer the case to mediation. The court decided to defer its decision regarding the motion. As at the date of preparation of the quarterly consolidated report, the Regional Court continues examine evidence for the case. The company expects that the decision of the court of first instance should be taken in 2019. The company has a legal opinion which shows that the claim for payment is very likely to be successful.

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

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

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

There were 32 proceedings instigated against the Company, in which anti-dumping duties of PLN 7,992.9 thousand in total were imposed on it in the first instance. The decisions taken by the courts of the first instance to impose the anti-dumping duty were solely based on the OLAF's report on the completed investigation, and actually, fact sheets sent by the Taiwanese authorities (tables appended to the to OLAF's report), whose quality and content cause the Company to have reasonable doubt, a fact that has been consistently brought to the court's attention. As the court of the second instance upheld the decisions unfavourable to the Company, a complaint was lodged with the Supreme Administrative Court.

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

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

In late October/early November 2017, complaints were lodged with the Provincial Administrative Court in Gdańsk in relation to those 15 cases. The Provincial Administrative Court upheld the contested decisions. The judgments are not final and binding. The company disagreed with the judgments and lodged cassation appeals to the Supreme Administrative Court on 16 April 2018. Along with the complaints against the 15 decisions, the Company also filed a cassation appeal in a single case, which after being dismissed by the Provincial Administrative Court and the Supreme Administrative Court, was again negatively resolved for the Company. The issuing of a decision in that single case coincided with the issue of the 15 decisions, which resulted in judgements being handed down by the Provincial Administrative Court (and then cassation appeals being lodged against them) on the same day. The duty in that single case is PLN 407.1 thousand – it was paid by the Company. Another group of the remaining 13 cases remains suspended by the Provincial Administrative Court in Gdańsk. In September 2018, the Company paid the due amount resulting from 13 decisions covered by those proceedings: PLN 2.8 million, including interest.

A provision had been raised for the amount of potential future customs obligations, posted in 2016. Most of the provision was used in 2017 and 2018. As at 30 September 2018, the remaining provision amount is PLN 0.6 million.

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 2017.

1.14 Events occurring after the balance sheet date

Material events occurring after the balance sheet date and before approval of this report were described in Note 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 2018 shows that the global economy is expected to see GDP growth of 3.7% this year and also 3.7% in 2019. Most importantly, highly developed countries are to observe a growth of 2.4% and 2.1%, respectively, and developing countries 4.7% in both years. As regards the key markets of Selena Group in Europe, it is important to note the good forecasts for the Spanish economy: 2.7% GDP in 2018 and 2.2% GDP in 2019. Positive GDP growth in 2018 is also expected in the other European geographies of Selena Group: Romania +4.0%, Hungary +4.0%, Czech Republic +3.1%, Bulgaria +3.6% or Italy +1.2%. IMF expects that Poland will see a strong GDP growth of +4.4%. According to the same forecast of the IMF, GDP growth in 2018 will be as follows: USA 2.9%, Turkey 3.5%, Ukraine 3.5%, Kazakhstan 3.7%, China 6.6%, Brazil 1.4%. GDP projections for the Russian market also point to an increase of 1.7%.

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 16 October 2018 for the nine months of 2017 point to a growth of 4.4% in house completions year-on-year. At the same time, the number of construction permits increased by 1.4%, while the number of commenced housing investments increased by 8.2%. There is a clear decrease in the growth rate in relation to 2017, when these ratios were a double-digit figure for the same period. After nine months of 2018, the construction and assembly production was by 19.8% higher year-on-year. According to the data released by GUS on 22 October 2018, in October the General Business Indicator was similar to the September figure, while the confidence ratio in the construction sector was positive and similar to the Q3 figure. Assessment of the current orders portfolio is slightly less favorable than in September. Forecasts on employment are slightly more positive than last month, although a shortage of qualified workforce is strongly noted. Material costs are reported as a barrier in construction more frequently than a year ago.

Availability of financing. According to the results of the PENGAB banking business sentiment index published by the Polish Banks Association in September 2018, for 6-month projections 52% of the polled bankers pointed to an increase, 45% to stabilisation and merely 3% to a decline in the volume of housing loans. According to the Amron-Safrin report of 29 August 2018, the total value of debt on housing loans was PLN 403.7 billion. This represents an increase of 2.67% in the first quarter.In turn, the number of active loan agreements in the second quarter increased by 1.14%. These data suggest that the situation is stable in this regard.

FX rates. According to the currency forecast of Thomson Reuters of 13 November 2018, in the coming months no major changes should be expected in the EUR/PLN rate, which should stand at 4.29 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 75.38 EUR/CZK 25.60 EUR/HUF 323.75 EUR/RUB 4.68; EUR/TR 7.05; EUR/UAH 33.41.

Collection risk. The Group companies report a slight decrease in overdue receivables. At the end of September 2018, the age structure of trade receivables improved vs. 31 December 2017. The proportion of up-to-date receivables increased by 1.9 p.p.

Raw material prices. After a period of strong increases in commodity prices in 2017 and at the beginning of 2018, the situation is growing stable. The prices of raw materials for the production of foams are gradually decreasing. The growth rate of prices of raw materials for the production of sealants has weakened, but raw material shortages are observed. The high level of oil prices causes the prices of bitumens to continue to trend upwards.

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 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)	3 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2017 (unaudited)
Continued operations					
Revenue from the sale of products		856,546	828,435	320,296	324,910
Revenue from the sale of goods and materials		69,794	62,014	26,195	25,107
Revenue from the sale of services and lease		1,134	943	520	228
Revenue from sales	2.5	**927,474**	**891,392**	**347,011**	**350,245**
Cost of sales		656,846	625,604	244,223	247,500
Gross profit (loss)		**270,628**	**265,788**	**102,788**	**102,745**
Other operating income	2.6	6,516	5,019	3,159	833
Selling and marketing costs		145,950	144,904	51,514	49,060
General and administrative expenses		71,585	72,621	21,913	24,973
Other operating costs	2.6	8,602	10,282	2,026	3,770
Impairment (reversal of impairment) of financial assets	2.7	2,950		1,184	
Operating profit (loss)		**48,057**	**43,000**	**29,310**	**25,775**
Financial revenues	2.8	2,192	4,130	-4,004	617
Financial expenses	2.8	18,608	26,032	7,431	5,782
Share in net profit/loss of the associate		459	485	0	0
Profit (loss) before tax		**32,100**	**21,583**	**17,875**	**20,610**
Income tax	2.9	8,421	9,511	5,114	3,627
Net profit (loss) on continued operations		**23,679**	**12,072**	**12,761**	**16,983**
Discontinued operations					
Loss on discontinued operations		–	–	–	–
Net profit (loss) for the financial year, including:		**23,679**	**12,072**	**12,761**	**16,983**
Attributed net profit (loss):					
– shareholders of the parent		23,575	11,986	12,673	16,925
– non-controlling interests		104	86	88	58
Earnings per share (continued operations) attributable to the shareholders of the parent (PLN / share)	2.10				
– basic		1.03	0.52	0.56	0.74
– diluted		1.03	0.52	0.56	0.74

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Figures in PLN thousand	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)	3 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2017 (unaudited)
Profit after tax	**23,679**	**12,072**	**12,761**	**16,983**
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:	**-4,158**	**-8,034**	**-6,259**	**-1,702**
FX differences arising on translation of foreign affiliates	2,611	7,213	5,220	313
FX differences on measurement of investments into the net assets of a foreign subsidiary	-7,073	-17,162	-13,163	-1,489
Income tax	304	1,915	1,684	-526
Other comprehensive income for the period, after tax	**-4,158**	**-8,034**	**-6,259**	**-1,702**
Total comprehensive income	**19,521**	**4,038**	**6,502**	**15,281**
Attributable to:				
– shareholders of the parent	19,420	3,999	6,446	15,221
– non-controlling interests	101	39	56	60
	19,521	**4,038**	**6,502**	**15,281**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figures in PLN thousand	Note	30 September 2018 (unaudited)	31 December 2017
ASSETS			
Property, plant and equipment		218,053	220,825
Intangible fixed assets		53,507	55,475
Other fixed assets		7,411	7,558
Investments accounted for using the equity method		5,949	5,820
Other long-term receivables		381	367
Long-term portion of loans granted		45	45
Other long term financial assets		1,382	1,471
Deferred tax assets		23,691	21,970
Non-current assets		**310,419**	**313,531**
Inventories	2.12	200,546	193,040
Trade receivables	2.13	282,984	206,435
CIT claimed		6,053	10,041
Other short-term receivables	2.14	39,127	40,637
Short-term portion of loans granted		409	498
Other short-term financial assets		2,416	5,073
Cash and cash equivalents		57,769	52,921
Current assets		**589,304**	**508,645**
TOTAL ASSETS		**899,723**	**822,176**
EQUITY AND LIABILITIES			
Registered capital		1,142	1,142
FX differences arising on translation of foreign affiliates		-32,640	-28,485
Supplementary capital		577,016	551,402
Other reserves		9,633	9,633
Retained profit / (loss carried forward)		-120,528	-111,457
– retained profit / loss carried forward from previous years		-144,103	-118,277
– profit (loss) after tax		23,575	6,820
Equity attributable to the shareholders of the parent		**434,623**	**422,235**
Non-controlling interests		**591**	**490**
Total equity		**435,214**	**422,725**
Long-term portion of bank and other loans	2.15	133,212	12,714
Other financial liabilities	2.16	7,009	14,170
Other long-term liabilities	2.17	4,362	4,747
Deferred tax liabilities		2,863	3,817
Other long-term provisions	2.18	3,259	2,897
Non-current liabilities		**150,705**	**38,345**
Trade liabilities		161,873	152,015
Liabilities in respect of contracts with customers		14,632	
Short-term portion of bank and other loans	2.15	55,134	139,415
Other financial liabilities	2.16	21,697	14,529
Income tax payable		5,522	770
Other short-term liabilities	2.17	46,838	42,881
Short-term provisions	2.18	8,108	11,496
Current liabilities		**313,804**	**361,106**
Total liabilities		**464,509**	**399,451**
TOTAL EQUITY AND LIABILITIES		**899,723**	**822,176**

CONSOLIDATED STATEMENT OF CASH FLOWS

Figures in PLN thousand	Note	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)
Cash flows from operating activities			
Profit (loss) before tax		**32,100**	**21,583**
Adjusted by:			
Share in the result of the entities accounted for using the equity method		-459	-485
Depreciation/ amortisation		20,940	19,331
FX gains (losses)		5,196	14,715
Interest and dividends		4,703	2,285
Profit/ (loss) on investing activities		-415	-2,110
Change in the balance of receivables		-80,846	-95,629
Change in the balance of inventories		-12,553	-62,114
Change in the balance of obligations		32,591	84,938
Change in the balance of provisions		-3,026	-4,925
CIT paid		-2,244	-11,135
Other		2,770	4,607
Net cash flows from operating activities		**-1,243**	**-28,939**
Cash flows from investing activities			
Inflows from sale of tangible and intangible fixed assets		752	3,006
Acquisition of tangible and intangible fixed assets		-17,535	-10,882
Acquisition of a subsidiary, net of cash acquired (Uniflex, Oligo)		0	-3,716
Inflows from bond repayments		0	20,350
Dividends and interest received		619	2,713
Repayments of loans granted		136	120
Outflow on account of loans given		0	-210
Other		148	248
Net cash flows from investing activities		**-15,880**	**11,629**
Cash flows from financing activities			
Repayment of finance lease obligations		-4,201	-3,799
Inflows from bank/ other loans received		131,886	76,863
Repayment of loans and advances		-94,472	-57,070
Dividends paid to owners		-6,855	-6,850
Interest paid		-4,976	-5,236
Other		509	125
Net cash flows from financing activities		**21,891**	**4,033**
Net increase in cash and cash equivalents		4,768	-13,277
Change in cash and cash equivalents, including:		4,848	-13,178
net FX differences		80	99
Cash at the beginning of the period*		52,921	54,704
Cash at the end of the period*		57,769	41,526

**including restricted cash:*
as at 30 September 2018: PLN 0.05m
as at 30 September 2017: PLN 0.1m

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

FOR 9 MONTHS ENDED 30 SEPTEMBER 2018

Figures in PLN thousand	Attributable to the shareholders of the parent							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	Retained profit/ (loss carried forward): from the current period	Total equity		
As at 1 January 2018 (approved data)	**1,142**	**551,402**	**-28,485**	**9,633**	**-111,457**	**0**	**422,235**	**490**	**422,725**
Impact of implementation of IFRS 9	**0**	**0**	**0**	**0**	**-177**	**0**	**-177**	**0**	**-177**
As at 1 January 2018 (transformed data)	**1,142**	**551,402**	**-28,485**	**9,633**	**-111,634**	**0**	**422,058**	**490**	**422,548**
Profit (loss) after tax	0	0	0	0	0	23,575	**23,575**	104	**23,679**
Other net comprehensive income for the period	0	0	-4,155	0	0	0	**-4,155**	-3	**-4,158**
Total comprehensive income for the period	**0**	**0**	**-4,155**	**0**	**0**	**23,575**	**19,420**	**101**	**19,521**
Transfer of profit to the supplementary capital	0	25,614	0	0	-25,614	0	**0**	0	**0**
Dividend	0	0	0	0	-6,855	0	**-6,855**	0	**-6,855**
As at 30 September 2018 (unaudited)	**1,142**	**577,016**	**-32,640**	**9,633**	**-144,103**	**23,575**	**434,623**	**591**	**435,214**

FOR 9 MONTHS ENDED 30 SEPTEMBER 2017

Figures in PLN thousand	Attributable to the shareholders of the parent							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	Retained profit/ (loss carried forward): from the current period	Total equity		
As at 1 January 2017	**1,142**	**525,681**	**-17,174**	**9,633**	**-85,706**	**0**	**433,576**	**553**	**434,129**
Profit (loss) after tax	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 (unaudited)	**1,142**	**551,402**	**-25,161**	**9,633**	**-118,277**	**11,986**	**430,725**	**592**	**431,317**

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 2017, the Parent Company's Management Board was composed of:

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

Changes in the Management Board in 2018:

- on 5 January 2018, Jean-Noël Fourel resigned as Management Board President.
- on 12 January 2018, the Company's Supervisory Board adopted a resolution appointing Marcin Macewicz as acting Management Board President pending election of a new Management Board President.
- on 15 June 2018, the Supervisory Board of the Company appointed the following Management Board members for a joint three-year term of office: Marcin Macewicz – Management Board President, Management Board Member, Artur Ryglowski – Management Board Member.

As at 30 September 2018, the Parent Company's Management Board was composed of:

- Marcin Macewicz – Management Board Management Board President
- Agata Gładysz-Stańczyk – Management Board Member, Innovation and Development Director
- Artur Ryglowski – Management Board Member, Industrial and Logistics Operations Director.

On 19 November 2018, the Supervisory Board of the Parent appointed Ms Elżbieta Korczyńska to the Management Board, entrusting her with the duties of the Group's Financial Director pending appointment of the Vice President for Financial Affairs.

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

2.1.3 Supervisory Board of the Parent Company

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

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

Changes in the Supervisory Board composition in 2018:

On 14 June 2018, the Annual General Meeting of Shareholders of Selena FM S.A. adopted a resolution on appointment of the following Supervisory Board members for a joint three-year term of office:

- Krzysztof Domarecki – Supervisory Board Chairman
- Borysław Czyżak – independent Supervisory Board Member
- Andrzej Krämer – independent Supervisory Board Member
- Marlena Łubieszko-Siewruk – independent Supervisory Board Member
- Mariusz Warych – independent Supervisory Board Member.

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

2.1.4 Audit Committee, Strategy and Innovation Committee, Nominations and Remuneration Committee

As at 31 December 2017, the Parent Company's Audit Committee was composed of:

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

Changes in the Audit Committee composition in 2018.

Since 15 June 2018, the Audit Committee has consisted of:

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

In the opinion of the Supervisory Board, the Audit Committee, in the aforementioned composition, 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.
By the date of publication of this report, no changes took place in the the Audit Committee's composition.

In October 2017, the Supervisory Board appointed the Strategy and Innovation Committee. As at 31 December 2017, the Committee was composed 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.

Since 15 June 2018, the Strategy and Innovation Committee has consisted of:

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

On 15 June 2018, the Supervisory Board of Selena FM S.A. appointed the Nominations and Remuneration Committee consisting of:

- Borysław Czyżak – Chairman of the Nominations and Remuneration Committee
- Marlena Łubieszko-Siewruk – member of the Nominations and Remunerations. 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 2018 and 31 December 2017.

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

The “owner” column specifies the name of the owner as at 30 September 2018.

Region		Country	Entity	Reg.Office	Activity	Group's Share 30 September 2018 (unaudited)	Group's Share 31 December 2017	Owner
European Union	Poland	Poland	Selena FM S.A.	Wrocław	Group Head Office			-
European Union	Poland	Poland	Selena S.A.	Wrocław	Distributor	100.00%	100.00%	FM
European Union	Poland	Poland	Orion PU Sp. z o.o.	Dzierżoniów	Manufacturer of foams, adhesives, distributor	99.95%	99.95%	SIT 1
European Union	Poland	Poland	Carina Silicones Sp. z o.o.	Siechnice	Manufacturer of sealants, distributor	100.00%	100.00%	SIT
European Union	Poland	Poland	Libra Sp. z o.o.	Dzierżoniów	Manufacturer of sealants, adhesives, distributor	100.00%	100.00%	SIT
European Union	Poland	Poland	Izolacja Matizol Sp. z o.o. **	Gorlice	Manuf. of roof coverings, hydroinsulation, distributor	100.00%	100.00%	SIT
European Union	Poland	Poland	Tytan EOS Sp. z o.o.	Wrocław	Manufacturer of loose materials	100.00%	100.00%	SIT
European Union	Poland	Poland	Selena Labs Sp. z o.o.	Siechnice	Research and Development	99.65%	99.65%	FM 1
European Union	Poland	Poland	Selena Marketing International Sp. z o.o.	Wrocław	Intellectual property management	100.00%	100.00%	SA
European Union	Poland	Poland	Taurus Sp. z o.o *	Dzierżoniów	Legal administration	100.00%	100.00%	SIT
European Union	Poland	Poland	Carina Sealants Sp. z o.o.	Siechnice	Legal administration	100.00%	100.00%	FM
European Union	Poland	Poland	Selena Industrial Technologies Sp. z o.o.	Warsaw	Production management	100.00%	100.00%	FM
European Union	Poland	Poland	Oligo Sp. z o.o.	Katowice	Research and Development	100.00%	100.00%	SL
European Union	Western Europe	Spain	Selena Iberia slu	Madrid	Manufacturer of sealants, adhesives, distributor	100.00%	100.00%	FM
European Union	Western Europe	Italy	Selena Italia srl	Limena	Distributor	100.00%	100.00%	FM
European Union	Western Europe	Italy	Uniflex S.p.A.	Mezzocorona	Manufacturer of sealants, distributor	64.00%	64.00%	FM 4
European Union	Western Europe	Germany	Selena Deutschland GmbH	Hagen	Distributor	100.00%	100.00%	FM
European Union	Central and Eastern Europe	Czech Republic	Selena Bohemia s.r.o.	Prague	Distributor	100.00%	100.00%	FM
European Union	Central and Eastern Europe	Romania	Selena Romania SRL	Ilfov	Distributor	100.00%	100.00%	FM
European Union	Central and Eastern Europe	Romania	EURO MGA Product SRL	Ilfov	Manufacturer of adhesives and cement mortars	100.00%	100.00%	ROM
European Union	Central and Eastern Europe	Hungary	Selena Hungária Kft.	Pécs	Distributor	100.00%	100.00%	FM
European Union	Central and Eastern Europe	Bulgaria	Selena Bulgaria Ltd.	Sofia	Distributor	100.00%	100.00%	FM
Eastern Europe and Asia	Eastern Europe	Russia	Selena Vostok Moscow	Moscow	Distributor	100.00%	100.00%	FM 2
Eastern Europe and Asia	Eastern Europe	Kazakhstan	Selena CA L.L.P.	Almaty	Distributor	100.00%	100.00%	FM
Eastern Europe and Asia	Eastern Europe	Kazakhstan	TOO Selena Insulations	Astana	Manufacturer of insulation systems	100.00%	100.00%	FM
Eastern Europe and Asia	Eastern Europe	Kazakhstan	TOO Big Elit	Astana	Manufacturer of dry mortars	100.00%	100.00%	CA
Eastern Europe and Asia	Eastern Europe	Ukraine	Selena Ukraine Ltd.	Kiev	Distributor	100.00%	100.00%	FM 2
Eastern Europe and Asia	Asia	China	Weize (Shanghai) Trading Co., Ltd.	Shanghai	Distributor	100.00%	100.00%	FM
Eastern Europe and Asia	Asia	China	Selena Nantong Building Materials Co., Ltd.	Nantong	Manufacturer, distributor	100.00%	100.00%	FM
Eastern Europe and Asia	Asia	China	Foshan Chinuri-Selena Chemical Co.	Foshan	Manufacturer of sealants, distributor	84.57%	84.57%	SA 1
Eastern Europe and Asia	Asia	China	House Selena Trading Company Ltd.	Shanghai	Distributor	40.00%	40.00%	NAN
Eastern Europe and Asia	Asia	S.Korea	Hamil - Selena Co. Ltd	Kimhae	Manufacturer of foams	30.00%	30.00%	SA 3
Eastern Europe and Asia	Middle East	Turkey	Selena Malzemeleri Yapi Sanayi Tic. Ltd.	Istambul	Man. of foams and sealants, distributor	100.00%	100.00%	FM
Eastern Europe and Asia	Middle East	Turkey	POLYFOAM Yalitim Sanayi ve Tic Ltd.	Istanbul	Distributor	100.00%	100.00%	SA 2
N&S America	N&S America	Brazil	Selena Sulamericana Ltda	Curitiba	Manufacturer, distributor	100.00%	100.00%	FM 3
N&S America	N&S America	USA	Selena USA, Inc.	Holland	Distributor	100.00%	100.00%	FM
N&S America	N&S America	USA	Selena USA Specialty Inc.	Holland	Property management	100.00%	100.00%	FM

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

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

<u>Explanations to the "Owner" column</u>

FM - 100% owned by Selena SA (SFM)
FM 1 – shares owned by SFM, other shares are owned by Krzysztof Domarecki (Supervisory Board Chairman of Selena FM)
FM 2 – shares are owned by Selena FM (99%) and Selena S.A. (1%)
FM 3 – shares owned by Selena FM (95%) and Selena S.A. (5%)
FM 4 – shares are owned by Selena FM, the remaining shares are held outside of the Group
SIT – 100% shares are owned by Selena Industrial Technologies Sp. z o.o.
SIT 1 – shares are owned by Selena Industrial Technologies Sp. z o.o. (99.95%), other shares outside the Group
NAN – affiliated company – owned by Selena Nantong Building Materials Co., Ltd.
SL - shares owned by Selena Labs Sp. z o.o. (100%)
SA – 100% owned by Selena SA
SA 1 – shares are owned by Selena S.A., the remaining shares are held outside of the Group
SA 2 – shares are owned by Selena SA (85%) and Carina Silicones Sp. z o.o. (15%)
SA 3 – associate – shares are owned by Selena SA
ROM – 99.87% shares owned by Selena Romania, other shares held by Selena FM
CA – 100% shares are owned by Selena CA L.L.P.

2.2 Data covered by the financial statements

2.2.1 Interim report

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

2.2.2 Period covered by the financial statements

These financial statements are interim condensed consolidated financial statements of Selena FM Group. They cover the period of 9 months ended 30 September 2018 and data as at that date.

The income statement and the statement of comprehensive income cover the data for 9 months ended 30 September 2018 and comparative data for the period of 9 months ended 30 September 2017.

The statement of cash flows and the statement of changes in equity cover the data for the 9 months ended 30 September 2018 as well as comparative data for the period of 9 months ended 30 September 2017.

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

2.2.3 Notes

Notes are an integral part of these condensed financial statements.

2.2.4 Audit and review of financial statements

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

2.2.5 Approval of the financial statements

These financial statements were approved for publication on 23 November 2018.

2.2.6 Measurement and reporting currency

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

At the balance sheet date, the assets and liabilities expressed in foreign currency are valued using the mean rate applicable to the respective currencies at the end of the reporting period that has been set by for the particular currency by the National Bank of Poland (30 September 2018 and 31 December 2017). Items of the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows are measured at the arithmetic average of the average exchange rates announced for a given currency by the National Bank of Poland on the last day of each month in the period from January to September of 2018 and 2017, respectively.

Currency	30 September 2018 (unaudited)	31 December 2017	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)	3 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2017 (unaudited)
1 USD	3.6754	3.4813	3.5688	3.8043	3.6681	3.6202
1 EUR	4.2714	4.1709	4.2535	4.2566	4.2815	4.2751
100 HUF	1.3191	1.3449	1.3341	1.3793	1.3221	1.3908
1 UAH	0.1301	0.1236	0.1323	0.1436	0.1320	0.1390
1 CZK	0.1664	0.1632	0.1662	0.1604	0.1668	0.1640
1 RUB	0.0561	0.0604	0.0581	0.0655	0.0562	0.0616
1 BRL	0.9161	1.0510	0.9877	1.1978	0.9271	1.1462
1 BGN	2.1840	2.1326	2.1748	2.1764	2.1891	2.1859
1 CNY	0.5342	0.5349	0.5463	0.5600	0.5356	0.5438
100 KRW	0.3317	0.3269	0.3271	0.3355	0.3291	0.3204
1 RON	0.9157	0.8953	0.9141	0.9348	0.9215	0.9327
1 TRY	0.6134	0.9235	0.7862	1.0627	0.6389	1.0300
100 KZT	1.0117	1.0633	1.0589	1.1819	1.0284	1.0868

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) as endorsed by the EU.

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 31, except for the changes resulting from implementation of new standards: IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers".

2.3.2 New and amended standards and interpretations

In these condensed consolidated financial statements the following new standards and amendments to the existing standards which entered into force on 1 January 2018 were adopted for the first time:

IFRS 9 Financial Instruments

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

The Group disclosed information on the impact of the first time adoption of IFRS 9 in the annual financial statements for the year ended 31 December 2017 (Note 3.3.1).

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

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

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

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

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

Financial assets measured at fair value through other comprehensive income are:

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

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

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

IFRS 9 did not change the classification of financial liabilities. The table below presents changes in the classification and measurement of financial assets as at the date of the first adoption of IFRS 9.

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

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

Impairment of financial assets

Interest carried at amortised cost

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

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

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

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

At present, the Group does not use hedge accounting.

The impact of the implementation of IFRS 9 on the Group's consolidated financial statements as at 1 January 2018 relating to the change in impairment allowances on financial assets was PLN 177 million and was reflected as a reduction of equity. The entire value was deducted from equity.

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

The impact of the implementation of IFRS 15 on the Group's consolidated financial statements as at 1 January 2018 is as follows:
- provisions for discounts granted to customers – presentation in the consolidated statement of financial position in liabilities in respect of contracts with customers – instead of reducing trade receivables (PLN 7.4 million);
- transport costs, if the Group does not generate a separate revenue from this category – presentation in selling expenses of the income statement rather than in the cost of sales (PLN 0.5 million).

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

Other new standards and changes to existing standards

Other standards specified below and changes to the existing standards have no material impact on the data presented in these financial statements.

Clarifications to IFRS 15 Revenue from Contracts with Customers provide additional information and guidance re the key assumptions of IFRS 15, including the identification of distinct performance obligations, the establishment of the unit's role (agent vs. principal) and the mode of recording revenue generated under the licence. Apart from additional guidance, there are exemptions and simplified rules for first time adopters.

Amendments to IFRS 2: Classification and measurement of share-based payment transactions – introduces e.g. guidance concerning fair valuation of obligations in respect of share-based, cash-settled transactions, guidance regarding a change of classification from share-based, cash-settled transactions to cash-settled , equity-settled transactions, as well as guidance on recognition of the employee's tax obligations in respect of share-based transactions.

Amendments to IFRS 4: Application of IFRS 9 Financial Instruments together with IFRS 4 Insurance Contracts – they address the issue of adoption of the new standard IFRS 9 Financial Instruments. Amendments to IFRS 4 supplement the existing options and are aimed to prevent temporary fluctuations in the insurance industry results arising from the implementation of IFRS 9.

Annual amendments to IFRS 2014–2016 – they concern three standards: IFRS 12 Disclosure of Interests in Other Entities; IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 28 Investments in Associates. The improvements feature guidelines and amendments re: the scope of applicability, recognition and valuation as well as terminology and editing changes. The amendments to IFRS 12 apply to the annual periods starting on 1 January 2017. Other amendments apply as of 1 January 2018.

Amendments to IAS 40: Reclassification of Investment Properties – specify the requirements for transfers to or from investment property classification.

IFRIC 22: Foreign Currency Transactions and Advance Consideration – clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

2.3.3 Published standards and interpretations which have not come into force and which were not adopted by the Group earlier:

In these consolidated financial statements, the Group has decided not to adopt the following published standards, interpretations and improvements to the existing standards before their effective date:

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

The lessee will be required to recognise:

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

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

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

As at the date of publication of these consolidated financial statements, the Group has identified existing financial lease and operational lease contracts, rental contracts and other types of contracts previously not recognised as leases and which might meet definition of a lease in accordance with IFRS 16.

As part of the ongoing work, the Group is developing its accounting policy concerning leases and a detailed methodology of implementing the standard.

As the work on estimating potential impact of adoption of IFRS 16 on the financial statements as at 1 January 2019 is still under way, as at the day of approval of these consolidated financial statements, the Group does not present the expected impact of IFRS 16 on financial data.

Amendments to IFRS 9: Prepayment Features with Negative Compensation – effective for annual periods starting from 1 January 2019 or later with a possibility of earlier application. As a result of the amendments to IFRS 9, entities will be able to measure financial assets with the right to prepayment with negative compensation at amortized cost or fair value through other comprehensive income, if a specific condition is met – instead of measuring them through profit or loss.

Amendments to IAS 28 Investments in Associates and Joint Ventures – effective for annual periods beginning on or after 1 January 2019. The amendments to IAS 28 Investments in Associates and Joint Ventures clarify that entities apply IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied. The IASB has also published an example to illustrate how requirements arising from IFRS 9 and IAS 28 apply to long-term interests in an associate or joint venture.

IFRIC 23: IFRIC 23 Uncertainty over Income Tax Treatments – IFRIC 23 clarifies requirements relating to recognition and measurement, contained in IAS 12, in the situation of uncertainty over income tax treatment. The guidance is effective for annual periods beginning on or after 1 January 2019.

Annual improvements to IFRS 2015–2017 – the International Accounting Standards Board published Annual Improvements to IFRS Standards 2015-2017 Cycle which amended 4 standards: IFRS 3 Business Combinations; IFRS 11 Joint Arrangements; IAS 12 Income Taxes and IFRS 23 Borrowing Costs. The improvements contain clarifications and refine the guidance for the standards in terms of recognition and measurement.

IAS 19 Amendments to IAS 19 Investments in Associates and Joint Ventures – effective for annual periods beginning on or after 1 January 2019. The improvements to the standard specify requirements connected with accounting treatment of a modification, limitation or settlement of specified benefits plans.

Amendments to References to the Conceptual Framework in IFRS – the amendments will be apply as of 1 January 2020.

IFRS 14 Regulatory Deferral Accounts – the standard allows first-time adopters of IFRS (on or after 1 January 2016) to recognise amounts related to rate regulation in accordance with their previous accounting rules. To enhance comparability with entities that already apply IFRS and that do not recognise such amounts, the effect of rate regulation must be presented separately from other items, both in the statement of financial position and income statement and statement of other comprehensive income. The European Union has decided that IFRS 14 will not be ratified.
Improvements to IFRS 10 and IAS 28 relating to sales or contributions of assets between an investor and its associate/joint venture – they address the problem of the existing inconsistency between IFRS 10 and IFRS 28. The accounting treatment hinges on whether the non-monetary assets sold or contributed to an associate/joint venture constitute a business. Should the assets constitute a business, the investor shall recognise the profit or loss in full. Should the assets not constitute a business, the profit or loss shall be recognised only to the extent of unrelated investors' interests in the associate or joint venture. The amendments were published on 11 September 2014. The effective date has not been established by the International Accounting Standards Board.

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

2.4 Significant values based on professional judgement and estimates

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

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

In the period until September 2018, no significant changes were made to the assumption areas and methods, except for the adoption of new standards: IFRS 9 and IFRS 15, described in Note 2.3. The business and macroeconomic assumptions underlying the estimates are updated on an ongoing basis depending on changes in the entity's environment and business projections.

2.5 Operating segments

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

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

Operating results of the segment are primarily measured using the EBITDA ratio (operating profit increased by depreciation,) which is derived directly from the reports that are the basis for preparation of the consolidated financial statements. The accounting principles used for preparation of the financial data for reporting segments comply with the Group's accounting policy described in the consolidated financial statements for 2017.

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 2018 (unaudited) Figures in PLN thousand	EU	Eastern Europe and Asia	North and South America	Total segments	Consolid. adjustments and non-allocated results	Total
Sales to external customers	611,126	266,045	50,303	927,474	0	927,474
Sales within a segment	576,060	14,270	0	590,330	-590,330	0
Sales between segments	172,692	3,444	9	176,145	-176,145	0
EBITDA	141,710	20,510	1,570	163,790	-94,793	68,997
Depreciation/ amortisation	-12,127	-2,195	-96	-14,418	-6,522	-20,940
Operating profit (loss)	**129,583**	**18,315**	**1,474**	**149,372**	**-101,315**	**48,057**
Net financial revenue/ (expenses)	0	0	0	0	-16,416	-16,416
Profit of an associated undertaking	0	459	0	459	0	459
Income tax	0	0	0	0	-8,421	-8,421
Net profit (loss) for the year	**129,583**	**18,774**	**1,474**	**149,831**	**-126,152**	**23,679**
Capital expenditure	15,076	1,750	12	16,838	-	16,838

9 months ended 30 September 2017 (unaudited) Figures in PLN thousand	EU	Eastern Europe and Asia	North and South America	Total segments	Consolid. adjustments and non-allocated results	Total
Sales to external customers	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/ amortisation	-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

3 months ended 30 September 2018 (unaudited) Figures in PLN thousand	EU	Eastern Europe and Asia	North and South America	Total segments	Consolid. adjustments and non-allocated results	Total
Sales to external customers	225,959	103,857	17,195	347,011	0	347,011
Sales within a segment	205,226	7,603	0	212,829	-212,829	0
Sales between segments	67,460	897	9	68,366	-68,366	0
EBITDA	52,340	10,060	848	63,248	-26,854	36,394
Depreciation/ amortisation	-4,112	-744	-26	-4,882	-2,202	-7,084
Operating profit (loss)	**48,228**	**9,316**	**822**	**58,366**	**-29,056**	**29,310**
Net financial revenue/ (expenses)	0	0	0	0	-11,435	-11,435

Profit of an associated undertaking	0	0	0	0	0	0
Income tax	0	0	0	0	-5,114	-5,114
Net profit (loss) for the year	**48,228**	**9,316**	**822**	**58,366**	**-45,605**	**12,761**
Capital expenditure	5,335	866	0	6,201	-	6,201

3 months ended 30 September 2017 (unaudited) **Figures in PLN thousand**	**EU**	**Eastern Europe and Asia**	**North and South America**	**Total segments**	**Consolid. adjustments and non-allocated results**	**Total**
Sales to external customers	213,371	117,083	19,791	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/ amortisation	-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

The tables below show selected assets of the individual geographic segments as at 30 September 2018 and 31 December 2017.

30 September 2018 (unaudited) **Figures in PLN thousand**	**EU**	**Eastern Europe and Asia**	**North and South America**	**Total segments**	**Consolid. adjustments**	**Total**
Segment assets	1,107,672	186,761	29,825	1,324,258	-460,228	864,030
Investment in an associate	0	5,949	0	5,949	0	5,949
Non-allocated assets	0	0	0	0	0	29,744
Total assets	**1,107,672**	**192,710**	**29,825**	**1,330,207**	**-460,228**	**899,723**

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

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

Figures in PLN thousand	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)	3 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2017 (unaudited)
Operating profit of the reporting segments	**149,372**	**141,338**	**58,366**	**51,065**
Net financial revenue/ (expenses)	-16,416	-21,902	-11,435	-5,165
Other non-allocated income/ costs*	-101,315	-98,338	-29,056	-25,290
Profit of an associated undertaking	459	485	0	0
Income tax	-8,421	-9,511	-5,114	-3,627
Net profit (loss) for the year	**23,679**	**12,072**	**12,761**	**16,983**

2.6 Other operating revenues and operating costs

2.6.1 Other operating revenues

Figures in PLN thousand	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)	3 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2017 (unaudited)
Profit from disposal of non-financial fixed assets	485	374	232	93
Subsidies	2,028	1,333	890	358
Reversal of impairment charge for receivables	0	971	0	-309
Reversal of impairment charge for inventory	307	175	24	89
Inventory surplus	55	11	15	-4
Damages	1,425	1,251	661	93
Provisions released	289	242	157	195
Other	1,927	662	1,180	318
Total other operating revenues	**6,516**	**5,019**	**3,159**	**833**

2.6.2 Other operating costs

Figures in PLN thousand	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)	3 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2017 (unaudited)
Loss on disposal of non-financial fixed assets	242	50	99	-2
Impairment of tangible fixed assets	2,557	32	12	32
Impairment charge for receivables	0	2,055	0	978
Uncollectible receivables written off	175	201	53	14
Impairment charge for inventories	1,366	1,251	445	785
Liquidation of inventories	1,833	1,488	638	494
Inventory shortfall	226	427	48	-5
Loss of control over subsidiary	0	33	0	0
Damages, penalties, fines	566	1,720	308	818
Provisions raised	46	190	37	-65
Other	1,591	2,835	386	721
Total other operating costs	**8,602**	**10,282**	**2,026**	**3,770**

A material item of operating costs is the cost of unutilised production capacity in production companies of PLN 1,076 thousand for the period ended 30 September 2018 (PLN 1,997 thousand in the corresponding period of 2017).

In line with the changes resulting from implementation of the new IFRS 9 standard on 1 January 2018, the result related to impairment of receivables is presented in the consolidated income statement under “Impairment/ (reversal of impairment) of financial assets” (Note 2.7).

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

Figures in PLN thousand	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)	3 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2017 (unaudited)
Reversal of an impairment charge on receivables	-1,073	0	-399	0
Impairment charge for receivables	4,023	0	1,583	0
Impairment (reversal of impairment) of financial assets	**2,950**	**0**	**1,184**	**0**

2.8 Financial revenues and expenses

2.8.1 Financial revenues

Figures in PLN thousand	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)	3 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2017 (unaudited)
FX gains	734	301	-5,246	-121
Interest on deposits and bank accounts	190	77	64	34
Interest on bonds	0	2,757	0	768
Other interest	122	85	39	34
Dividends and profit sharing	155	189	155	189
Derivative financial instruments	974	710	974	-290
Other financial revenues	17	11	10	3
Total financial revenues	**2,192**	**4,130**	**-4,004**	**617**

2.8.2 Financial expenses

Figures in PLN thousand	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)	3 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2017 (unaudited)
Interest on bank and other loans	4,576	4,968	1,392	2,272
Interest on finance lease liabilities	285	277	89	106
Other interest	59	600	17	389
Derivative financial instruments	0	0	-567	0
FX losses	12,726	19,491	6,239	2,772
Other financial costs	962	696	261	243
Total financial expenses	**18,608**	**26,032**	**7,431**	**5,782**

In 2018, Selena FM S.A. hedged its expected cash flows with FX forwards and other financial instruments. The Company enters into futures contracts mainly on the following currency pairs: EUR/RUB, EUR/PLN as well as USD/PLN, RON/PLN, CZK/PLN, HUF/PLN and EUR/KZT. On average in the period, the Company had open forward contracts hedging EUR/PLN and EUR/RUB positions up to EUR 5 million for each currency pair. The Company uses such financial instruments solely to hedge its FX risk and does not use them for speculative purposes. The Company does not use hedge accounting within the meaning of IFRS 9. As at 30 September 2018, the Company had open forward contracts; its gain on valuation of unrealised instruments was PLN 448 thousand (the result on these transactions is recognised in consolidated financial revenues under "Derivative financial instruments"). After the balance sheet date, Selena FM S.A. had financial instruments in place relating to USD/PLN (USD 1.8 million), RON/PLN (RON 2.5 million), CZK/PLN (CZK 9.0 million), HUF/PLN (HUF 99.0 million) and EUR/RUB (EUR 2.0 million), EUR/PLN (EUR 4.0 million) with settlement dates in the period until 30 September 2019.

2.9 Income tax

Figures in PLN thousand	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)
Current income tax:		
Current income tax charge	10,799	10,185
Corrections to the current income tax from previous years	0	-52
Deferred income tax:		
Connected with origination and reversal of temporary differences	-2,378	-622
Tax disclosed in consolidated income statement	**8,421**	**9,511**

Figures in PLN thousand	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)
Profit (loss) before tax	**32,099**	**21,583**
Tax at the Polish statutory rate of 19%	**6,099**	**4,101**
Costs/ (revenues) not included in the taxation basis	-1,793	1,527
Tax effect of the losses not included in the taxation basis	3,473	3,412
Corrections to the current income tax from previous years	0	-52
Use of tax losses from previous years	-807	-905
Use of the deferred asset relating to trademarks	1,292	1,292
Effect of other tax rates in foreign affiliates	157	136
Tax at the effective tax rate	**8,421**	**9,511**
Effective tax rate	**26%**	**44%**

2.10 Profit per share

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

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

		9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)	3 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2017 (unaudited)
Profit (loss) attributable to the controlling interests	PLN	23,575,431	11,986,169	12,673,227	16,925,375
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**	**1.03**	**0.52**	**0.56**	**0.74**
Number of shares, including dilution	share	22,834,000	22,834,000	22,834,000	22,834,000
Diluted profit per share	**PLN/share**	**1.03**	**0.52**	**0.56**	**0.74**

2.11 Dividend paid and proposed

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

2.12 Inventories

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

Figures in PLN thousand	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)
Opening balance	**4,623**	**4,664**
Creation	1,366	1,251
Utilisation	-635	-673
Release	-307	-175
FX differences	7	-101
Closing balance	**5,054**	**4,966**

2.13 Trade receivables

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

			Overdue, not covered by impairment charges (days in arrears):					
Figures in PLN thousand	**Total**	**Up-to-date**	**< 30**	**31 – 60**	**61 – 90**	**91 – 180**	**181 - 360**	**>361**
30 September 2018 (unaudited)	282,984	251,167	22,820	4,723	1,768	1,846	424	236
31 December 2017	206,435	179,322	20,842	3,534	1,625	1,052	60	0

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

Figures in PLN thousand	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)
Impairment charge at the end of December	**36,006**	**38,555**
Impact of IFRS 9	170	0
Impairment charge at 1 January	**36,176**	**38,555**
Creation	4,023	2,055
Utilisation	-1,979	-1,043
Release	-1,073	-971
FX differences	-1,407	-2,427
Other	-165	
Purchase of shares in a subsidiary	0	1,173
Closing balance	**35,575**	**37,342**

Since 1 January 2018, the Group has applied a impairment allowance matrix to calculate expected credit losses on trade receivables. Detailed information on the change in the calculation of impairment allowances on trade receivables in connection with the implementation of IFRS 9 are described in Note 2.3.2.

2.14 Other short-term receivables

Figures in PLN thousand	30 September 2018 (unaudited)	31 December 2017
VAT claimed	23,673	29,107
Prepayments for deliveries	7,453	3,933
Prepaid expenses	3,956	3,826
Other	4,045	3,771
Total	**39,127**	**40,637**

2.15 Loans and advances

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

			30 September 2018 (unaudited)		31 December 2017	
Ref	**Loan type**	**Maturity date**	**31 December 2015** *Short-term portion*	*Long-term portion* *Short-term portion*	**31 December 2015** *Short-term portion*	*Long-term portion* *Short-term portion*
1	Working capital loan	07/2020	30,428	0	0	33,902
2	Working capital loan	07/2021	55,580	0	0	26,686
3	Working capital loan	12/2018	0	39,276	0	47,635
4	Investment loan	03/2018	0	0	0	411
5	Working capital loan	06/2021	45,224	0	9,428	0
6	Working capital loan	08/2019	0	2,789	0	18,260
7	Working capital loan	01/2019	0	5,624	0	3,844
8	Other	Different	1,980	7,445	3,286	8,677
			133,212	**55,134**	**12,714**	**139,415**

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

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

On 15 August 2018, Selena Vostok signed a loan agreement (item 6 in the summary). The loan amount is RUB 300 million, and the credit term expires on 15 August 2019. It will be secured by a corporate guarantee of Selena FM S.A.

Loan agreement terms

As part of the loan agreements signed by the Parent Company separately or jointly with its subsidiaries, Selena FM S.A. undertook to maintain certain consolidated financial ratios at the levels agreed with banks. As at 30 September 2018, Selena Group maintained the consolidated financial ratios at the levels required by the lenders.

Events occurring after the balance sheet date

On 13 November 2018, an annex was signed to the loan agreement with Selena Vostok (item 6 in the summary), changing the repayment date to 16 July 2019.

On 16 November 2018, Selena FM S.A. signed a multi-line credit agreement. The credit limit amount is EUR 12 million. The loan term is 36 months and the loan purpose is to finance working capital needs. It bears a variable interest rate at 1M EURIBOR/ WIBOR/ LIBOR + margin. At the same time, the process of establishing collateral for the agreement has started. The facility will be secured by (i) a mortgage on the property owned by Orion PU up to EUR 18 million along with the assignment of rights under the insurance contract for this property; (ii) debt-joining by Selena S.A., Orion PU Sp. z o.o., Carina Silicones Sp. z o.o. and Libra Sp. z o.o. along with power of attorney, and a statement of submission to debt enforcement under Article 777 of the Code of Civil Procedure.

2.16 Other financial liabilities

Figures in PLN thousand	30 September 2018 (unaudited)		31 December 2017	
	Long-term	Short-term	Long-term	Short-term
Finance lease liabilities	7,009	5,150	8,462	4,930
Obligations in respect of bills settlement	0	10,253	0	9,599
Other financial liabilities	0	6,294	5,708	0
Total financial liabilities	**7,009**	**21,697**	**14,170**	**14,529**

The item “Other financial liabilities” relates to the valuation of the option of purchase of minority interests (applies to shares held by Uniflex S.p.A. by minority shareholders) and the valuation of deferred payments for the minority shareholders of Uniflex S.p.A.

2.17 Other liabilities

Figures in PLN thousand	30 September 2018 (unaudited)		31 December 2017	
	Long-term	Short-term	Long-term	Short-term
Investment liabilities	107	954	107	1,481
Prepayments for deliveries	0	4,612	0	4,625
VAT payable	0	10,254	0	7,240
Other taxes and insurance payable	0	7,835	0	8,503
Remuneration payable	0	15,311	0	13,119
Other liabilities	2,601	3,209	2,821	3,419
Deferred income	1,654	4,663	1,819	4,494
Total other liabilities	**4,362**	**46,838**	**4,747**	**42,881**

2.18 Provisions

The table below shows changes in the balance of provisions.

Figures in PLN thousand	9 months ended 30 September 2018 (unaudited)			Period ended 31 December 2017		
	Provision for retirement benefits	Other provisions	Total	Provision for retirement benefits	Other provisions	Total
Long term						
Balance at the beginning of the period	**2,793**	**104**	**2,897**	**491**	**2**	**493**
Provisions raised	625	0	625	469	14	483
Provisions released	-214	0	-214	-163	0	-163
Provisions used	-100	0	-100	0	0	0
Purchase of shares in a subsidiary	0	0	0	2,038	84	2,122
FX differences	50	1	51	-42	4	-38
Balance at the end of the period	**3,154**	**105**	**3,259**	**2,793**	**104**	**2,897**
Short term						

Balance at the beginning of the period	**5**	**11,491**	**11,496**	**8**	**15,350**	**15,358**
Provisions raised	0	488	488	15	2,004	2,019
Provisions released	0	-289	-289	-6	-818	-824
Provisions used	0	-3,480	-3,480	-12	-6,232	-6,244
Purchase of shares in a subsidiary	0	0	0	0	1,804	1,804
FX differences	0	-107	-107	0	-617	-617
Balance at the end of the period	**5**	**8,103**	**8,108**	**5**	**11,491**	**11,496**

In the third quarter of 2018, Selena S.A. used a provision of PLN 2.8 million. The provision was used in connection with customs 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 2018 (unaudited)	31 December 2017
Interest bearing borrowings	188,346	152,129
Other financial liabilities	28,706	28,699
Less cash and cash equivalents	-57,769	-52,921
Net debt	**159,283**	**127,907**
Equity attributed to the shareholders of the parent	434,623	422,235
Equity and net debt	**593,906**	**550,142**

2.20 Related party transactions

The table below shows transactions with associates, directors of the Parent and subsidiaries of the ultimate controlling shareholder. The sales and purchases figures cover the period of 9 months ended 30 September (2018 and 2017, respectively), while the receivables and liabilities are presented as at 30 September 2018 and 31 December 2017.

Figures in PLN thousand	Period	Sale	Purchase	Other revenues[1)]	Receivables	Liabilities	Other assets
Associates	2018	15,073	9	0	2,197	0	0
	2017	5,737	0	0	1,351	0	0
Subsidiaries of the ultimate controlling shareholder*	2018	1,895	435	0	279	64	0
	2017	3,271	545	2,757	2,446	65	2,446
Key management personnel**	2018	0	760	0	0	54	0
	2017	0	766	0	50	97	0
TOTAL	**2018**	**16,968**	**1,204**	**0**	**2,476**	**118**	**0**
	2017	**9,008**	**1,311**	**2,757**	**3,847**	**162**	**2,446**

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

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

[1)] includes revenues from interest on bonds

2.21 Discontinued operations

In the period of 3 months ended 30 September 2018 the Group did not discontinue nor it plans to discontinue any type of business over the next 12 months.

2.22 Goals and rules of financial risk management

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

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

The key assumptions for managing these risks are described in the consolidated financial statements for 2017 (Note 35) and in the management board's report on the Group's activities for 2017 (Note 1.11).

In 2018, no significant changes occurred to the rules and tools used for financial risk management.

2.23 Events occurring after the balance sheet date

On 16 November 2018, Selena FM S.A. signed a multi-line credit agreement. The credit limit amount is EUR 12 million. A detailed description is included in Note 2.15.

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 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)	3 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2017 (unaudited)
Continued operations					
Revenue from the sale of goods and materials		342,388	362,111	126,179	146,373
Revenues from the sale of services		19,885	21,944	7,395	8,365
Revenue from sales		**362,273**	**384,055**	**133,574**	**154,738**
Cost of sales		322,641	352,052	117,662	142,410
Gross profit (loss)		**39,632**	**32,003**	**15,912**	**12,328**
Other operating income	3.3	427	23,267	142	-1,108
Selling and marketing costs		26,815	23,147	8,997	8,572
General and administrative expenses		20,837	20,121	6,982	7,792
Other operating costs	3.3	400	19,313	93	7,057
Impairment (reversal of impairment) of financial assets	3.5	-1,184	0	-697	0
Operating profit (loss)		**-6,809**	**-7,311**	**679**	**-12,201**
Financial revenues	3.4	32,687	16,238	-1,859	2,323
Financial expenses	3.4	4,774	41,798	2,355	378
Impairment (reversal of impairment) of financial assets	3.5	-110	0	-124	0
Profit (loss) before tax		**21,214**	**-32,871**	**-3,411**	**-10,256**
Income tax	3.6	-1,357	-1,849	-889	506
Net profit (loss) on continued operations		**22,571**	**-31,022**	**-2,522**	**-10,762**
Discontinued operations					
Profit (loss) on discontinued operations		–	–	–	–
Profit (loss) after tax		**22,571**	**-31,022**	**-2,522**	**-10,762**
Earnings per share (continued operations) (PLN/share):					
- basic		0.99	-1.36	-0.11	-0.47
- diluted		0.99	-1.36	-0.11	-0.47

STATEMENT OF COMPREHENSIVE INCOME

Figures in PLN thousand	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)	3 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2017 (unaudited)
Profit (loss) after tax	22,571	-31,022	-2,522	-10,762
Other net comprehensive income	0	0	0	0
Total comprehensive income	**22,571**	**-31,022**	**-2,522**	**-10,762**

STATEMENT OF FINANCIAL POSITION

Figures in PLN thousand	Note	30 September 2018 (unaudited)	31 December 2017 transformed data*
ASSETS			
Property, plant and equipment		2,779	2,784
Intangible fixed assets		15,727	17,204
Shares in subsidiaries	3.9	161,710	161,710
Other long-term receivables		0	0
Long-term portion of loans granted	3.10	111,319	90,953
Other long term financial assets		0	0
Deferred tax asset		1,485	82
Non-current assets		**293,020**	**272,733**
Inventories		3,597	2,354
Trade receivables	3.11	180,619	143,958
CIT claimed		188	0
Other short-term receivables	3.12	21,727	24,758
Short-term portion of loans granted	3.10	17,731	14,628
Other short-term financial assets		0	309
Cash and cash equivalents		13,293	10,121
Current assets		**237,155**	**196,128**
TOTAL ASSETS		**530,175**	**468,861**
EQUITY AND LIABILITIES			
Registered capital		1,142	1,142
Supplementary capital		265,794	246,822
Other reserves		19,163	19,163
Retained profit / (loss carried forward)		12,795	25,822
– retained profit / loss carried forward from previous years		-9,776	0
– profit (loss) after tax		22,571	25,822
Equity		**298,894**	**292,949**
Long-term portion of bank and other loans	3.13	103,251	17,516
Other financial liabilities	3.15	708	418
Other long-term liabilities		0	0
Deferred tax liability		0	0
Other long-term provisions		0	0
Non-current liabilities		**103,959**	**17,934**
Trade liabilities	3.14	87,907	84,359
Liabilities in respect of contracts with customers		617	0
Short-term portion of bank and other loans	3.13	32,973	70,155
Other financial liabilities	3.15	1,044	527
Income tax payable		0	291
Other short-term liabilities		4,781	2,646
Short-term provisions		0	0
Current liabilities		**127,322**	**157,978**
Total liabilities		**231,281**	**175,912**
TOTAL EQUITY AND LIABILITIES		**530,175**	**468,861**

STATEMENT OF CASH FLOWS

Figures in PLN thousand	Note	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)
Cash flows from operating activities			
Profit / loss before tax on continued operations		21,214	-32,871
Profit / loss before tax on discontinued operations		–	–
Adjusted by:			
Depreciation/ amortisation		2,596	1,963
FX (gains) / losses		3,334	6,179
Interest and dividends		-29,216	-12,188
Profit / loss on investing activities		-1,091	29,992
Change in the balance of receivables		-47,107	-58,639
Change in the balance of inventories		-1,242	-560
Change in the balance of obligations		6,293	48,666
Change in the balance of provisions		0	0
CIT paid		-152	-335
Other		1,730	730
Net cash flows from operating activities		-43,641	-17,063
Cash flows from investing activities			
Inflows from the sale of tangible fixed assets		27	60
Acquisition of tangible and intangible fixed assets		-362	-840
Purchase of shares in subsidiaries		0	-7,109
Sale of other financial assets		0	10
Dividends and interest received		26,528	9,487
Loans granted		-24,073	-8,002
Repayments of loans granted		6,271	9,247
Bond repayments received		0	20,350
Net cash flows from investing activities		8,391	23,203
Cash flows from financing activities			
Repayment of finance lease obligations		-468	-578
Inflows from bank/ other loans received		108,689	28,659
Repayment of loans		-60,579	-29,991
Payment of dividend		-6,850	-6,850
Interest paid		-2,394	-2,942
Net cash flows from financing activities		38,398	-11,702
Increase (decrease) in cash and cash equivalents		3,148	-5,562
Change in cash and cash equivalents:		3,172	-5,611
net FX differences		24	-49
*Cash at the beginning of the period**		*10,121*	*6,275*
*Cash at the end of the period**		*13,293*	*664*

*including restricted cash:

as at 30 September 2018: PLN 0.05m

as at 30 September 2017: PLN 0.1m

STATEMENT OF CHANGES IN EQUITY

FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2018

Figures in PLN thousand	Registered capital	Supplementary capital	Other reserves	Retained profit/ (loss carried forward): prior years	Retained profit/ (loss carried forward): current period	Total equity
As at 1 January 2018 (approved data)	**1,142**	**246,822**	**19,163**	**25,822**	**0**	**292,949**
Impact of implementation of IFRS 9	0	0	0	-9,776	0	-9,776
As at 1 January 2018 (transformed data)	**1,142**	**246,822**	**19,163**	**16,046**	**0**	**283,173**
Profit (loss) after tax	0	0	0	0	22,571	22,571
Total comprehensive income	**0**	**0**	**0**	**0**	**22,571**	**22,571**
Transfer of profit to the supplementary capital	0	18,972	0	-18,972	0	0
Dividend	0	0	0	-6,850	0	-6,850
As at 30 September 2018 (unaudited)	**1,142**	**265,794**	**19,163**	**-9,776**	**22,571**	**298,894**

FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2017

Figures in PLN thousand	Registered capital	Supplementary capital	Other reserves	Retained profit/ (loss carried forward): prior years	Retained profit/ (loss carried forward): current period	Total equity
As at 1 January 2017	**1,142**	**246,545**	**19,163**	**7,127**	**0**	**273,977**
Profit (loss) after tax	0	0	0	0	-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**

NOTES

3.1 Data covered by the financial statements

Details about the period covered by the financial statements, the comparative data, accounting policies used (except for the correction of the error from prior years – as described in Note 2.3); information on the entity (and connected entities) and significant events occurring during the reporting period and thereafter as well as other events that are material for the Parent Company are described in detail in the condensed consolidated financial statements of Selena FM Group, which is an element of this report.

3.2 Accounting policies

3.2.1 Comparability of financial data

The accounting policies that were used in preparation of the condensed financial statements are consistent with the policies used in preparation of the financial statements of the Company for the year ended on 31 December 2017, except for the correction of the error from previous years, as described below, and changes resulting from implementation of new standards, as described in Section 3.2 below).

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

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

As a result of the change, the comparative data have been transformed in the statement of financial position and in relevant notes presented in these financial statements (Notes 3.9 and 3.15).

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

The adjustment had no impact on the data presented in the consolidated financial statements as at 31 December 2017.

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

Figures in PLN thousand	Data published 31 December 2017	Adjustments	31 December 2017 transformed data
Shares in subsidiaries	167,030	-5,320	161,710
Non-current assets	**278,053**	**-5,320**	**272,733**
TOTAL ASSETS	**474,181**	**-5,320**	**468,861**

Other financial liabilities	5,738	-5,320	418
Non-current liabilities	**23,254**	**-5,320**	**17,934**
TOTAL EQUITY AND LIABILITIES	**474,181**	**-5,320**	**468,861**

3.2.2 Changes in the accounting policies

The accounting policies that were used in preparation of the financial statements are consistent with the policies used in preparation of the consolidated financial statements of the Company for the year ended on 31 December 2017, except for correction of the error from previous years presented in Note 3.2 and except for the changes described below resulting from implementation of new standards: IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers". Other changes resulting from implementation of new standards (IAS and IFRS) and description of the published standards and interpretations which are not in force yet and which have not been earlier adopted by the Group, have been described in Note 2.3 of the Group's consolidated financial statements for the period of 9 months ended 30 September 2018.

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

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

3.2.3 IFRS 9 "Financial Instruments"

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

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

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

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

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

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

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

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

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

IFRS 9 did not change the classification of financial liabilities.

The table below presents changes in the classification and measurement of financial assets as at the date of the first adoption of IFRS 9.

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

Impairment of financial assets

Interest carried at amortised cost

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

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

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

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

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

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

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

At present, the Company does not use hedge accounting.
The table below presents the impact of implementation of IFRS 9 on the Company's unconsolidated financial statements as at 1 January 2018 is as follows:

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

* the reasons and effects of transforming the data published in earlier periods are described in Note 3.2.1

3.2.4 IFRS 15 "Revenue from Contracts with Customers"

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

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

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

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

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

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

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

3.3 Other operating revenues and operating costs

3.3.1 Other operating revenues

Figures in PLN thousand	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)	3 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2017 (unaudited)
Profit from disposal of non-financial fixed assets	25	61	17	42
Reversal of an impairment charge on receivables	0	23,121	0	-1,180
Compensations, complaints	298	36	67	16
Other	104	49	58	14
Total other operating revenues	**427**	**23,267**	**142**	**-1,108**

3.3.2 Other operating costs

Figures in PLN thousand	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)	3 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2017 (unaudited)
Impairment charge for receivables	0	19,145	0	7,035
Donations	18	0	0	0
Receivables cancelled/written off	105	0	0	0
Damages, penalties, fines	276	150	93	17
Other	1	18	0	5
Total other operating costs	**400**	**19,313**	**93**	**7,057**

In line with the changes resulting from implementation of the new IFRS 9 standard on 1 January 2018, the result related to impairment of receivables is presented in the income statement under "Impairment/(reversal of impairment) of financial assets" (Note 3.5.1).

3.4 Financial revenues and expenses

3.4.1 Financial revenues

Figures in PLN thousand	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)	3 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2017 (unaudited)
Dividends and profit sharing	26,528	8,031	0	0
Interest, including:	5,186	7,173	1,934	2,321
on bonds and loans granted	*5,186*	*7,137*	1,934	2,313
on discount of financial obligations	*0*	*36*	0	8
FX differences	0	0	-4,766	0
Valuation of currency contracts	973	711	973	-290
Reversal of an impairment charge on loans	0	318	0	292
Other financial revenues	0	5	0	0
Total financial revenues	**32,687**	**16,238**	**-1,859**	**2,323**

In 2018, Selena FM S.A. hedged its expected cash flows with FX forwards and other financial instruments. The Company enters into futures contracts mainly on the following currency pairs: EUR/RUB, EUR/PLN as well as USD/PLN, RON/PLN, CZK/PLN, HUF/PLN and EUR/KZT. On average in the period, the Company had open forward contracts hedging EUR/PLN and EUR/RUB positions up to EUR 5 million for each currency pair. The Company uses such financial instruments solely to hedge its FX risk and does not use them for speculative purposes. The Company does not use hedge accounting within the meaning of IFRS 9. As at 30 September 2018, the Company had open forward contracts; its gain on valuation of unrealised instruments was PLN 448 thousand (the result on these transactions is recognised in consolidated financial revenues under "Valuation of currency contracts"). After the balance sheet date, Selena FM S.A. had financial instruments in place relating to USD/PLN (USD 1.8 million), RON/PLN (RON 2.5 million), CZK/PLN (CZK 9.0 million), HUF/PLN (HUF 99.0 million) and EUR/RUB (EUR 2.0 million), EUR/PLN (EUR 4.0 million) with settlement dates in the period until 30 January 2019.

3.4.2 Financial expenses

Figures in PLN thousand	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)	3 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2017 (unaudited)
Interest, including:	2,499	3,017	941	1,111
on loans and advances received	*2,434*	*2,927*	921	1,082
on finance lease liabilities	*63*	*89*	19	29
on other obligations	*2*	*1*	1	0
Impairment charge for loans	0	31,080	0	2
Valuation of currency contracts	0	0	-567	0
FX differences	1,916	7,572	1,916	-747
Other financial costs	359	129	65	12
Total financial expenses	**4,774**	**41,798**	**2,355**	**378**

In line with the changes resulting from implementation of the new IFRS 9 standard on 1 January 2018, the result related to impairment of loans is presented in the income statement under "Impairment/(reversal of impairment) of financial assets" below operating profit (loss) (Note 3.5.2).

3.5 Impairment (reversal of impairment) of financial assets

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

Figures in PLN thousand	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)	3 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2017 (unaudited)
Reversal of an impairment charge on receivables	-5,500	0	-2,681	0
Impairment charge for receivables	4,316	0	1,984	0
Impairment (reversal of impairment) of financial assets	**-1,184**	**0**	**-697**	**0**

In the reporting period ended 30 September 2018, the Company reversed impairment charges created receivables, totalling PLN 5,500 thousand including:

- an impairment charge for receivables from connected entities – PLN 5,492 thousand (Selena USA Inc. – PLN 2,833 thousand, Selena Nantong – PLN 1,223 thousand, Selena Romania SRL - PLN 774 thousand, Selena Bulgaria Ltd. – PLN 426 thousand, Selena Vostok – PLN 191 thousand, Selena S.A. – PLN 42 thousand, others - PLN 3,000);
- an impairment charge for the amounts due from non-connected entities – PLN 8,000.

In the reporting period ended 30 September 2018, the Company created impairment charges for receivables, totalling PLN 4,316 thousand including:

- an impairment charge for receivables from connected entities – PLN 4,075 thousand (EUR MGA – PLN 1,382 thousand, Universal Energy Sp. z o.o. – PLN 1,286 thousand, Selena Ukraine Ltd. – PLN 701 thousand, Selena Sulamericana Ltda – PLN 650 thousand, Selena CA LLP – PLN 44 thousand, other –12 thousand PLN);
- an impairment charge for the amounts due from non-connected entities – PLN 241 thousand.

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

Figures in PLN thousand	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)	3 months ended 30 June 2018 (unaudited)	3 months ended 30 June 2017 (unaudited)
Reversal of an impairment charge on loans	-492	0	-179	0
Impairment charge for loans	382	0	55	0
Impairment (reversal of impairment) of financial assets	**-110**	**0**	**-124**	**0**

Details relating to the impairment charge for the value of loans are contained in Note 3.10.

3.6 Income tax

Figures in PLN thousand	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)
Income tax for the current period	0	0
Change in deferred income tax	-1,357	-1,849
Tax charge carried in profit or loss:	**-1,357**	**-1,849**

Figures in PLN thousand	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)
Profit / loss before tax on continued operations	21,214	-32,871
Tax rate	19%	19%
Tax at the applicable rate	4,031	-6,245
Tax on non-taxable income (permanent differences)	-6,181	-5,908
– on dividends received	-5,040	-1,526
– in respect of impairment charge for shares and loans	-94	-60
– in respect of reversal of impairment charge for receivables	-1,045	-4,322
– other	-2	0
Tax on costs that are non-tax deductible (permanent differences)	793	10,304
– in respect of impairment charge on shares and loans	73	5,905
– in respect of impairment charge on receivables	542	3,637
– other	178	762
Tax charge carried in profit or loss:	**-1,357**	**-1,849**
Effective tax rate	**-**	**-**

3.7 Profit per share

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

		9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)	3 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2017 (unaudited)
Profit (loss) after tax	PLN	22,571,431	-31,021,693	-2,522,011	-10,761,216
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**	**0.99**	**-1.36**	**-0.11**	**-0.47**
Number of shares, including possible dilution	share	22,834,000	22,834,000	22,834,000	22,834,000
Diluted profit (loss) per share	**PLN/share**	**0.99**	**-1.36**	**-0.11**	**-0.47**

3.8 Dividend paid and proposed

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

3.9 Shares in subsidiaries

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

	30 September 2018 (unaudited)			31 December 2017 transformed data**			
Figures in PLN thousand	Gross	Write-down	Net	Gross	Write-down	Net	
Selena S.A.	62,781	0	**62,781**	62,781	0	**62,781**	
Selena Labs Sp. z o.o.	1,400	0	**1,400**	1,400	0	**1,400**	
Carina Sealants Sp. z o.o.	8	0	**8**	8	0	**8**	
Selena Industrial Technologies Sp. z o.o.	38,379	0	**38,379**	38,379	0	**38,379**	
Selena Deutschland GmbH	4	0	**4**	4	0	**4**	
Selena Italia srl	1,884	1,884	**0**	1,884	1,884	**0**	
Selena Iberia slu	43,478	22,913	**20,565**	43,478	22,913	**20,565**	
Uniflex S.p.A.	7,109	0	**7,109**	7,109	0	**7,109**	**

Selena USA Inc.	1,289	1,289	**0**	1,289	1,289	**0**	
Selena Sulamericana Ltda	3,594	3,594	**0**	3,594	3,594	**0**	
Selena USA Specialty Inc	2,418	1,118	**1,300**	2,418	1,118	**1,300**	
Selena Romania SRL	11,944	11,944	**0**	11,944	11,944	**0**	
Selena Bohemia s.r.o	9,936	0	**9,936**	9,936	0	**9,936**	
Selena Hungária Kft.	679	679	**0**	679	679	**0**	
Selena Bulgaria Ltd.	0	0	**0**	0	0	**0**	*
EURO MGA Product SRL	1	0	**1**	1	0	**1**	
Selena Ukraine Ltd.	0	0	**0**	0	0	**0**	*
Selena CA L.L.P.	9,029	0	**9,029**	9,029	0	**9,029**	
Selena Insulations	1,206	1,206	**0**	1,206	1,206	**0**	
Weize (Shanghai) Trading Co., Ltd.	0	0	**0**	0	0	**0**	*
Selena Nantong Building Materials Co., Ltd.	33,910	33,910	**0**	33,910	33,910	**0**	
Selena Vostok	11,197	0	**11,197**	11,197	0	**11,197**	
Selena Malzemeleri Yapi Sanayi Tic. Ltd.	23,765	23,764	**1**	23,765	23,764	**1**	
Value of shares	**264,011**	**102,301**	**161,710**	**264,011**	**102,301**	**161,710**	

* value of shares below PLN 400
** the reasons and effects of transforming the data published in earlier periods are described in Note 3.2.1

3.10 Loans granted and other financial assets

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

Type of connection	Figures in PLN thousand	31 December 2017	Impact of IFRS 9	1 January 2018	Principal		Interest			Valuation	30 September 2018 (unaudited)
					Increase	Decrease	Accrued	Paid	Reduction by withholding tax		
	Loans										
Subsidiaries	*Gross value*	224,893	0	224,893	28,595	-5,425	5,187	-950	-342	-1,583	250,375
	Impairment charge	-119,361	-746	-120,107	-382	492	0	0	0	-1,374	-121,371
	Net value	105,532	-746	104,786	28,213	-4,933	5,187	-950	-342	-2,957	129,004
Non-connected entities	Loans	49	0	49	0	0	-1	-2	0	0	46
	Valuation of derivatives	309	0	309	0	0	0	0	0	-309	0
TOTAL		**105,890**	**-746**	**105,144**	**28,213**	**-4,933**	**5,186**	**-952**	**-342**	**-3,266**	**129,050**
including long-term:		*90,953*	*-746*	*90,207*							*111,319*

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

Maturity (in years) 30 September 2018 (unaudited)		below 1 year	1-3 years	Above 3 years	Without maturity	Total
Subsidiaries	Loans	17,685	58,634	52,685	0	**129,004**
Non-connected entities	Loans	46	0	0	0	**46**
TOTAL		**17,731**	**58,634**	**52,685**	**0**	**129,050**

In the reporting period (1 July to 30 September 2018), Selena FM S.A. granted its subsidiaries loans totalling PLN 16,505 thousand:

- As part of the agreements signed in 2017, further tranches of loans for Selena Vostok in the amount of RUB 150 million.
- On 31 July 2018, Selena FM S.A. signed a loan agreement of EUR 1.07 million with Selena Malzemeleri Yapi Sanayi Tic. It matures on 31 December 2023. The loan originated through conversion of the trade receivables from Selena Malzemeleri Yapi Sanayi tic. Ltd.
- On 17 September 2018, Selena FM S.A. signed a loan agreement of CNY 6 million with Selena Nantong. It matures on 19 September 2019. The loan has been drawn down in full.

In the third quarter of 2018, Selena FM S.A. received loan repayments from subsidiaries totalling PLN 1,039 thousand:

- Selena Iberia: USD 125 thousand
- Foshan Chinuri: EUR 100 thousand
- Selena Bohemia s.r.o.: EUR 40 thousand

On 4 September 2018, an annex was signed to the loan agreement with Selena Nantong, extending the repayment date of the loan of EUR 400 thousand to 10 September 2023, and changing the interest rate on the loan.

In the reporting period (1 July to 30 September 2018), impairment charges on loans were PLN 124 thousand (at historical value), including a change in the value of impairment charges on the principal amount of the loans PLN 223 thousand:

- Selena Bohemia s.r.o – reversed a charge of PLN 167 thousand
- Selena Vostok Moscow – reversed a charge of PLN 44 thousand
- Selena CA L.L.P. – reversed a charge of PLN 12 thousand.

Details about the conducted impairment tests as at 30 June 2018 are presented in Note 6 of the unconsolidated financial statements for the period ended 30 June 2018.

Events occurring after the balance sheet date

By the date of publication of these financial statements, Selena Iberia had repaid loans of USD 125 thousand.

3.11 Trade receivables

The table below presents the age structure of trade receivables.

Figures in PLN thousand		Total	Up-to-date	Overdue, not covered by impairment charges (days in arrears): < 30	31 – 60	61 – 90	91 – 180	181-360	>361
30 September 2018 (unaudited)	From related parties	171,380	88,451	11,425	12,031	9,191	22,044	26,092	2,146
	From non-connected companies	9,239	8,350	709	0	97	4	79	0
31 December 2017	From related parties	136,754	81,838	17,781	8,993	8,514	19,628	0	0
	From non-connected companies	7,204	6,011	671	96	220	206	0	0

Figures in PLN thousand	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)	3 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2017 (unaudited)
Impairment charge at31 December	**22,701**	**48,656**	**32,468**	**33,891**
connected entities	*21,727*	*47,318*	*31,142*	*32,953*
other entities	*974*	*1,338*	*1,326*	*938*
Impact of IFRS 9	9,077	0	0	0
Impairment charge at 1 January	*31,778*	*48,656*	*32,468*	*33,891*
Created	4,316	19,145	1,984	7,035
connected entities	*4,075*	*19,144*	*1,938*	*7,035*
other entities	*241*	*1*	*46*	*0*
Reversed, including:	-5,500	-23,121	-2,681	1,180
connected entities	*-5,492*	*-22,733*	*-2,680*	*1,220*
other entities	*-8*	*-388*	*-1*	*-40*
FX differences arising on translation	1,073	-2,347	-104	227
Impairment charge at the end of the period	**31,667**	**42,333**	**31,667**	**42,333**
connected entities	*30,316*	*41,416*	*30,316*	*41,416*
other entities	*1,351*	*917*	*1,351*	*917*
including:				
Impairment charge for trade receivables	31,667	42,333	31,667	42,333

3.12 Other short-term receivables

Figures in PLN thousand	30 September 2018 (unaudited)	31 December 2017
VAT claimed	18,845	21,440
Prepayments for deliveries	26	0
Settlements with employees	50	58
Other	2,806	3,260
Total other receivables	**21,727**	**24,758**

3.13 Loans received

The table below shows the debt in respect of borrowings.

			30 September 2018 (unaudited)		31 December 2017	
Ref	**Loan type**	**Maturity date**	***Long-term portion***	***Short-term portion***	***Long-term portion***	***Short-term portion***
1	Working capital loan	07/2020	15,319	0	0	21,109
2	Working capital loan	07/2021	30,748	0	0	4,705
3	Working capital loan	12/2018	0	30,261	0	41,792
4	Working capital loan	06/2021	33,026	0	4,798	0
5	Non-bank loan	12/2018	0	2,462	0	2,419
6	Non-bank loan	12/2019	1,000	4	1,500	41
7	Non-bank loan	12/2019	1,709	4	1,668	15
8	Non-bank loan	12/2019	749	10	750	20
9	Non-bank loan	09/2022	8,700	140	8,800	54
10	Non-bank loan	12/2023	12,000	92	0	0
Total loans			**103,251**	**32,973**	**17,516**	**70,155**

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

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

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

Events occurring after the balance sheet date

On 16 August 2018, Selena FM S.A. signed a multi-line credit agreement. The credit limit amount is EUR 12 million. The credit term is 36 months and the purpose is to finance working capital needs. It bears a variable interest rate at 1M EURIBOR/ WIBOR/ LIBOR + margin. At the same time, the process of establishing collateral for the agreement has started. The facility will be secured by (i) a mortgage on the property owned by Orion PU up to EUR 18 million along with the assignment of rights under the insurance contract for this property; (ii) debt-joining by Selena S.A., Orion PU Sp. z o.o., Carina Silicones Sp. z o.o. and Libra Sp. z o.o. along with power of attorney, and a statement of submission to debt enforcement under Article 777 of the Code of Civil Procedure.

3.14 Trade liabilities

Figures in PLN thousand	30 September 2018 (unaudited)	31 December 2017
Trade liabilities		
amounts due to related parties	79,100	77,434
amounts due to other entities	8,807	6,925
Total trade liabilities	**87,907**	**84,359**

3.15 Other financial liabilities

Figures in PLN thousand	30 September 2018 (unaudited)	31 December 2017 transformed data*
Long-term financial liabilities	708	418
Finance lease obligations	708	480
Other financial liabilities	0	-62
Short-term financial liabilities	1,044	527
Finance lease obligations	595	527
Other financial liabilities	449	0
Total financial liabilities	**1,752**	**945**

* the reasons and effects of transforming the data published in earlier periods are described in Note 3.2.1

3.16 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 2017 were presented in the unconsolidated financial statements of Selena FM S.A. for 2017, Note 28.1.

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

- In July 2018, Selena FM S.A. renewed guarantees to secure loans and leases granted to Selena Iberia. Each of these guarantees was renewed for another year. The total amount of the guarantees increased by EUR 1.24 million;

- Granting new guarantees to suppliers of EUR 0.7 million;

Events occurring after the balance sheet date

On 13 November, a guarantee agreement was signed by a bank to secure the loan granted to the subsidiary Selena Vostok. The guarantee amount is RUB 350 million.

3.17 Related party transactions

Transactions with connected entities over the nine months ended 30 September 2018 and 30 September 2017 are presented in the table below.

Figures in PLN thousand	Period	Revenue from sales and recharged costs	Purchase of goods and services	Other revenues[1)]	Other costs
Subsidiaries	2018	330,634	306,218	46	423
	2017	359,419	323,628	15,189	92
Associates	2018	3,304	9	0	0
	2017	3,682	0	0	0
Subsidiaries of the ultimate controlling shareholder*	2018	1,895	0	0	0
	2017	3,272	0	2,757	0
TOTAL	**2018**	**335,833**	**306,227**	**46**	**423**
	2017	**366,373**	**323,628**	**17,946**	**92**

[1] the value includes other operating revenues and financial revenues
** the item includes entities connected through Mr Krzysztof Domarecki*

The table shows the balance of transactions with connected entities as at 30 September 2018 and 31 December 2017.

Figures in PLN thousand	Period	Loans	Trade receivables	Other receivables	Liabilities
Subsidiaries	2018	129,003	170,179	924	105,970
	2017	107,746	133,091	902	92,701
Associates	2018	0	923	0	0
	2017	0	1,216	0	0
Subsidiaries of the ultimate controlling shareholder*	2018	0	278	0	0
	2017	0	2,447	0	0
TOTAL	**2018**	**129,003**	**171,380**	**924**	**105,970**
	2017	**107,746**	**136,754**	**902**	**92,701**

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

3.18 Events occurring after the balance sheet date

On 2 October, Selena FM S.A. received dividend payment of EUR 216 thousand from its subsidiary Uniflex S.p.A.

On 16 November 2018, Selena FM S.A. signed a multi-line credit agreement. The credit limit amount is EUR 12 million. A detailed description is included in Note 3.13.

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

The person who prepared the financial statements

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