

A large, stylized globe graphic, similar to the one in the logo, is positioned on the right side of the page. It is composed of horizontal, overlapping, curved bands and is rendered in a light blue and white color scheme. The globe is partially obscured by a semi-transparent blue horizontal bar that spans the width of the page.

## SELENA FM GROUP

QUARTERLY REPORT FOR THE PERIOD  
FROM 1 JULY TO 30 SEPTEMBER 2019

Wroclaw, 28 November 2019

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## 1. ADDITIONAL INFORMATION TO THE QUARTERLY REPORT

### 1.1 Financial highlights

#### 1.1.1 Consolidated financials of Selena Group

	PLN '000		EUR '000	
	9 months ended 30 September 2019 (unaudited)	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2019 (unaudited)	9 months ended 30 September 2018 (unaudited)
Net revenue from sales	1,008,917	927,474	234,164	218,050
Operating profit (loss)	64,423	48,057	14,952	11,298
Profit (loss) before tax	63,665	32,100	14,776	7,547
Profit (loss) after tax	46,975	23,679	10,903	5,567
Profit (loss) after tax attributable to controlling interests	46,816	23,575	10,866	5,542
Comprehensive income	50,610	19,521	11,746	4,589
Comprehensive income attributable to shareholders of the parent	50,439	19,420	11,707	4,566
Net cash flows from operating activities	70,981	-1,243	16,474	-292
Net cash flows from investing activities	-13,091	-15,880	-3,038	-3,733
Net cash flows from financing activities	-10,415	21,891	-2,417	5,147
Number of shares	22,834,000	22,834,000	22,834,000	22,834,000
Earnings per ordinary share (PLN/share) /EUR/share)	2.05	1.03	0.48	0.24
	30 September 2019 (unaudited)	31 December 2018	30 September 2019 (unaudited)	31 December 2018
Total assets	939,899	795,239	214,903	184,939
Non-current liabilities	148,000	132,677	33,839	30,855
Current liabilities	322,242	236,659	73,679	55,037
Equity	469,657	425,903	107,385	99,047
Registered capital	1,142	1,142	261	266

#### 1.1.2 Financial data of the Parent Company

	PLN '000		EUR '000	
	9 months ended 30 September 2019 (unaudited)	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2019 (unaudited)	9 months ended 30 September 2018 (unaudited)
Net revenue from sales	454,823	362,273	105,562	85,171
Operating profit (loss)	-3,630	-6,809	-843	-1,601
Profit (loss) before tax	39,417	21,214	9,148	4,987
Profit (loss) after tax	37,109	22,571	8,613	5,306
Comprehensive income	37,109	22,571	8,613	5,306
Net cash flows from operating activities	31,477	-43,641	7,306	-10,260
Net cash flows from investing activities	30,964	8,391	7,187	1,973
Net cash flows from financing activities	-23,100	38,398	-5,361	9,027
Number of shares	22,834,000	22,834,000	22,834,000	22,834,000
Earnings per ordinary share (PLN/share) /EUR/share)	1.63	0.99	0.38	0.23

	30 September 2019 (unaudited)	31 December 2018	30 September 2019 (unaudited)	31 December 2018
Total assets	563,894	491,565	128,931	114,317
Liabilities	226,797	184,727	51,856	42,960
Equity	337,097	306,838	77,075	71,358
Registered capital	1,142	1,142	261	266

## 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 Italia organises a sales force meeting – 10–11 January 2019**

Selena Italia organised a national sales force meeting, during which it showcased new and flagship products with characteristic features that help them stand out in the market. The meeting took place in Bologna.

#### **Selena S.A. participates in the Competition Judging Panel – 11 January 2019**

Meeting of the Judging Panel of the 4YoungEngineers Competition – Selena S.A. participated in the Judging Panel's kick-off meeting as a Strategic Partner of the nationwide Young Engineers Programme.

#### **Selena S.A. awarded as the Construction Company of 2018 – 24 January 2019**

For the seventh time, Selena S.A. received an award for the Construction Company of the Year. At the same time, Andrzej Ulfig, the CEO of Selena S.A., was honoured with the Personality of the Year title, which is awarded to the most effective managers in the industry. The awards were granted by the Judging Panel chaired by prof. Leonard Runkiewicz. In addition to trading performance, the award criteria included innovativeness of the products and services offered, reliability and stability of the business and achievements vs. competitors.

#### **Selena Vostok strengthens technical support (January–March 2019)**

Selena Vostok strengthened its technical and educational support department and conducted hands-on product workshops. On 7–9 February 2019, Selena Vostok took part in the conference: "Master of finishing work as a business owner: risk, typical problems, increase in the company's financial efficiency" (Kirovsk, Saint Petersburg region).

#### **Training for builders – January 2019**

Selena Vostok took part in a hands-on training during which it presented TYTAN Professional products: Professional foam adhesive TYTAN for cardboard and TYTAN Professional 60 SECONDS. The training was attended by many specialists from construction companies, who found the information provided as helpful and useful.

#### **Selena S.A. participates in the BUDMA fair – 12–15 February 2019**

Selena S.A. participated in the BUDMA Fair in Poznań. Selena took part in the construction fair and supported the organisation of the event of the Polish Roofers Association.

**Selena S.A. participates in the BricoMarche Fair – 16–17 February 2019**

Selena S.A. participated as an exhibitor in the 3rd BricoMarche “Building Materials, DIY, Decoration” fair in Poznań, with presentations arranged at its stand. The event was an opportunity to gain new business contacts as well as to familiarise customers with Selena’s product novelties.

**Selena Iberia: meeting with Leroy Merlin – 20 February 2019**

Selena Iberia introduced three barrier systems for window installation to employees of the Leroy Merlin chain in Madrid. Each year, Leroy installs over 700,000 windows, and Selena helps installers improve the fitting process by means of Selena’s products and systems.

**Selena Iberia takes part in EXPOCADENA – 22–23 February 2019**

Selena Iberia took part in EXPOCADENA private exhibition, where Selena debuted such products as: Power Fix, Aquaprotect and FOAD. 1300 participants took part in the show.

**Selena Labs attends a seminar on 28 February 2019**

Selena Labs participated in a seminar as part of the InnoPeer AVM project aimed at raising the awareness of SMEs in the region with respect to changes taking place in the economy. The seminar dealt with issues related to the implementation of the Agile Stage Gate model in the new product development (NPD) process at Selena, as well as the impact on innovation and challenges faced by R&D.

**Selena FM S.A. and Selena S.A. participate in 4YoungEngineers – 5 March 2019**

Selena FM S.A. and Selena S.A. participated in the Young Engineer Days in Warsaw, an event organised as part of 4YoungEngineers. During the event, one of the top Selena products was promoted – the innovative, highly reflective COOL-R coating.

**Selena Italia participates in the BigMarket 2019 Fair – 8–9 March 2019**

The annual fair in Florence is dedicated to a group of members of BigMat, an international chain selling building materials. During this fair, all group members meet with their suppliers, placing commercial offers and presenting new products.

**Selena S.A. organises training – March 2019**

Selena S.A. organized product training in cooperation with the Association of Finishing Works Specialists. During the training, Selena S.A. presented practical demonstrations of its new products on offer.

**Awards for Selena S.A. – 21 March 2019**

Selena S.A. won TopBuilder awards for 4 Tytan Professional products: Fix2 GT, Aquaprotect and P70 Ultra Foams foam adhesive for plasterboards, and participated in the Award Gala in Warsaw. Representatives of Selena S.A. received awards for 4 Tytan Professional products.

**Selena Iberia – participation in FIGAN fair – 19–22 March 2019**

Selena Iberia took part in the biggest industry event: FIGAN in Saragossa – International Animal Production Show. FIGAN's main theme was sustainable breeding and welfare of farmed animals. Selena Iberia supported one of its key clients who built façades using the COOL-R solution.

**Selena Turkey – participation in an event for the insulation industry organised by the Insulation Industry Achievement Awards (YSBÖ)**

Participation by the Turkish company in the competition for the insulation industry was an opportunity to start a promotional campaign for the Tytan Professional Thermo Spray Acoustic PU. By participating in the event, Selena promoted the new solution among the market leaders and experts.

**Opening of Selena Labs – 2 April 2019**

On 2 April 2019, the company opened its main laboratory centre in the city of Dzierżoniów, in the Wałbrzych Special Economic Zone (WSEZ) "INVEST-PARK". With a value of PLN 8 million and usable area of more than 4,000 m<sup>2</sup>, the project will significantly increase the company's ability to develop and put on global markets construction chemicals with unique parameters. The opening ceremony was attended by representatives of central government and local authorities, WSEZ authorities as well as representatives of EU institutions and universities.

**Selena FM SELENA FM S.A. and Selena S.A – participation in the Corporate Run –April 2019**

In April this year, employees of Selena Group participated in the Corporate Run, an initiative combining charity goals and the promotion of a healthy and active lifestyle. About 50 runners from the company ran the designated distance; supporters and employees could bond and spend time together in Selena's chillout zone.

**Medal of Poland's 100th Independence Anniversary – 8 May 2019**

Krzysztof Domarecki was awarded by the Prime Minister of Poland Mateusz Morawiecki with the Medal of Poland's 100th Independence Anniversary in recognition of his contribution to the Polish economy. The medal, awarded as part of the celebrations marking the anniversary of Poland regaining its independence, goes to the individuals who have contributed to building civic community and the country's economic well-being.

**Selena Iberia – participation in the Tektonica trade fair in Portugal – 8-11 May 2019**

Selena Iberia participated in the largest industry event in Portugal – Tektonika, where it established new business contacts. At its stand, Selena Iberia presented new products and application systems to visitors of the show in Lisbon.

**Selena Iberia took part in the Construmat construction fair – 16 May 2019**

Selena Iberia took part in the largest construction fair in Barcelona – Construmat. The fair is devoted to innovation, new materials and new technologies. For Selena Iberia, the event is primarily a networking platform, but it also allows it to observe new trends in the construction market.

**“Jedynka Gazety Wyborczej” award – 16 May 2019**

On 16 May, Selena Group was awarded at the conference “30th anniversary of economic transformation of Lower Silesia” in Wrocław. The award granted by the “Jedynka Gazety Wyborczej” news service to the “30th Anniversary Companies chosen by Gazeta Wyborcza” for significant contribution to the region’s development was received on behalf of Selena by Andrzej Zygałło, Global Head of HR of Selena Group. Selena was also a conference partner and participated as a speaker in the panel titled “The role and impact of business on the development of Lower Silesia over the last 30 years”. The purpose of the conference was to demonstrate the changes that the region had seen over thirty years and to outline possible developments in the years to come.

**Selena S.A. supports young architects and engineers – 17 June 2019**

Selena S.A. once again supported young, talented architects and engineers. As a strategic partner for the 2018/2019 edition of the Builder For The Future project, attended by 10,000 people, Selena provides education on new technologies used in construction. Selena has made available its innovative solutions: COOL-R, the highly reflective roof coating and the specialist waterproof Tack-R membrane. Participating in the event were also other companies from the construction industry and Polish universities, including: The Wrocław, Gdańsk and Kraków Universities of Technology.

**COOL-R receives the EPD and GREEN CARD**

COOL-R, the innovative product of Selena FM S.A. obtained the International Product Declaration (EPD) from the Building Research Institute, and the GREEN CARD from DEKRA, the certification company. In addition, COOL-R also received Type II declaration in accordance with ISO 14012, which confirms reduction of electricity consumption, and obtained the ITB EKO label. COOL-R is a highly reflective, waterproofing roof coating, reducing temperature of the roof by as much as 70%, so the temperature inside the building can be lowered by a significant 10°C, which affects a number of factors: creates better work conditions, increases work comfort in the rooms under the coating as well as decreases operating costs of buildings and reduces their energy consumption.

**Selena Italia develops cooperation with the BigMat network – June 2019**

Meetings with purchasing managers and owners were arranged at more than 30 BigMat sales points. During the meetings, technical advisors present the capabilities of the products. The purpose of the meetings is to raise awareness of the brand and its technological advantages, and to establish lasting cooperation with a network of Italian DIY stores.

**Selena Kazakhstan – participation in the “The Best Kazakhstan Product of 2019” competition/ exhibition – June 2019**

Selena Kazakhstan participated in the competition/ exhibition titled “The Best Kazakhstan Product of 2019”, which took place in Nur Sultan, in the “Astana” concert hall in June 2019. It was attended by about a hundred metropolitan companies, including our two Kazakh companies – Selena Insulations and Selena Kazakhstan.

**Selena S.A. – participation in publication of the BUILDER publishing house “30 years of Polish construction 1989–2019” – 3 July 2019**

As a company with 25 years of tradition in the construction industry, Selena S.A. took part in the jubilee publication, side by side with the largest companies in Poland, such as Wiśniowski and Fakro.

**Selena S.A. – meeting with the organizers of the Building Creators Gala organized by the Polish Chamber of Civil Engineers (distinctions for Selena S.A. and CEO of the Board Andrzej Ulfig) – 5 July 2019**

Every year, the Polish Chamber of Civil Engineers nominates and awards the best construction companies in Poland. This year, the nomination went both to Selena S.A. and its Management Board President Andrzej Ulfig. This is an industry distinction, especially valued by the market.

**Selena S.A. – participation in the BUILDERS FOR YOUNG ENGINEERS programme – 10 July 2019**

Selena was a Strategic Partner of the nationwide BUILDERS FOR YOUNG ENGINEERS programme. It prepared materials concerning Tytan Professional and Cool-R solutions and other products recommended for the national Competition for Young Engineers. Selena S.A. also participated in publications about the programme (including the “Engineer Profile”).

**Selena S.A. – participation in the “We Build Sporty Poland” programme – 15 July 2019**

Selena S.A. took part in the “We Build Sporty Poland” programme, which is dedicated to companies, municipalities and districts involved in the construction of sports infrastructure and support for sports initiatives in Poland. For the third time in its history, Selena was honoured as the Sporty Poland Ambassador, and for the first time as an Ambassador could nominate companies for the title of the “Perfect Company” (“Firma na Medal”) and the “Enthusiast of Sporty Poland” (“Pasjonat Sportowej Polski”) titles.

**Activities as part of the communication about the Top Builder awards for Ultra Fast 70 foam products and Fix2 GT adhesive – July 2019**

Cooperation with editors of the Builder magazine in the area of publications on solutions awarded by the Editorial Board and the Programme Board as the best products in the construction market.

**Participation in celebrations of the 20th anniversary of the Polish Roofers Association – 22 July 2019**

Representatives of Selena S.A. met with the authorities of the Polish Roofers Association during a gala summarising the cooperation to date. Selena S.A. thanked the Association’s board and presented it with a commemorative statuette.

**Award for Selena Sulamericana – 20 August 2019**

Selena Sulamericana received an “Oscar” in the retail construction industry in Brazil. The Brazilian company participated in the 28th edition of the Anamaco Award, an event which took place in Espaço das Américas in São Paulo. During the event, Selena Sulamericana was recognised in the area of silicones, in the large clients category. The award is granted based on surveys carried out by Anamaco among retail companies. Interviews were held with more than 1000 DIY stores, wholesalers and other entities.

**Selena Italia – training for builders and chain stores – Q2 2019**

Selena Italia prepared and run a series of meetings for end users and network managers to present the potential of Selena's innovative products. Meetings were held with around 100 partners.

**ECC Roadshow after Kazakhstan – Q2 2019**

Selena Kazakhstan continued a series of meetings with end users (an estimated group of over 700 builders). Training courses were prepared by the ECC team and technical advisors. During the meetings, product systems and application fields for Selena's products were discussed.



### **Selena Kazakhstan takes part in master classes organised by its partner NET “Komfort”**

Selena’s constant participation in master classes organised by its large partner NET “Komfort” enabled a meeting with end users in all ECC, I&D and W&D units. It was also an opportunity to speak from a brand perspective and meet strategically important end users.

### **Kazakhstan roadshow with the Ultra Fast 70 foam – Q2 2019**

Selena CA organised 17 events throughout the country, presenting properties of its new product: Selena Ultra Fast 70 foam. These events allowed Selena CA to reach over 700 end users. With this initiative, Selena successfully implemented the Ultra Fast 70 foam on the local market.

### **Preparations for the Product of the Year 2019 programme – August 2019**

The Product of the Year is a nationwide consumer programme for products and services that are recognised by end users. Representatives of the National Certification Office participated in an audit carried out at the headquarters of Selena S.A. Cooperation rules were established and product solutions to be nominated were selected.

### **Selena S.A. conducted communication activities related to the Recommendation of the Polish Roofers Association for Aqua Protect products – 26 August 2019**

An online campaign held in cooperation with editors of Construction Expert (publications on the portal, in social media and mailing on the Aqua Protect product addressed to 1,800 subscribers); publications in Builder, Chemiabudowlana.info, etc.

### **Selena Italia – September 2019**

Selena Italia took part in the «COLORÈ 2019» fair, which is held for companies from the interior finishing sector. The event helped Selena acquire 200 new clients.

### **Selena S.A.’s participation in the International Joinery Forum – 3 September 2019**

Representation of Selena S.A. took part in the annual industry meeting under the slogan “Perfect window, perfect service, perfect facade, perfect installation.” The event was organised for professionals from Poland and Europe.

### **Communication activities with one of the most popular influencers in Poland – Ad Buster – September 2019**

Participation in tests of the FIX2 GT mounting adhesive and in production of a video for one of the most popular YouTubers. The video attracted 1 million viewers, who became familiar with the properties of Tytan Professional.

### **1.3.2 Research and new products in the portfolio**

The Group’s R&D activity is carried out chiefly by Selena Labs Sp. z o.o. and through the labs in China, Spain, Turkey, Italy and Romania.

During the first, second and third quarter of 2019, Selena Labs worked on development of the highly reflective waterproofing COOL-R roof coating, polyurethanes, silicones and acrylic-polyurethane hybrids. The laboratory work was completed, trial production was carried out and application validation began for relevant product recipes on flat roofs.

Laboratory work was completed on a transparent hybrid adhesive with strong initial grip. The product is used for bonding ceramic tiles, stone and wooden elements on walls.

Production of acrylic sealants was launched in the plant in Turkey. Selena also completed work on a new line of polyurethane sealants manufactured in its plant in Spain, dedicated for eastern markets and Turkey. New formulations were implemented for loose products at the Kazakh and Romanian plants.

A water-based acrylic sealant was developed that can replace silicone sealants in sanitary applications. Work is underway to launch sales of the product.

Selena developed and put into production a new product range based on bitumen emulsions. Selena launched production of a thick-layer waterproofing compound based on bitumen emulsion. Work is under way to optimise production and formulations of new bituminous and waterproofing water-based emulsions.

In the first and the second quarter of 2019, Selena Labs also continued work under the HORIZON 2020 – EENSULATE and BIOMOTIVE projects. As part of EENSULATE, work was finalised on the PIR foam with better fire-resistant and thermal insulation properties and limited smoke during combustion. Preparations are being made to insulate a demo building using PIR foams. In the second project, conceptual work was started on the design of production lines for the production of polyester, prepolymers and TPU. Development was started of construction chemicals based on polymers (including biopolyesters).

Foam adhesives and aerosol applications are developed. Work has started on products based on raw materials from biorenewable sources that have a positive impact on the natural environment. All the products and systems are certified, taking into account not only the minimum requirements, such as those related to the CE mark, but also keeping in mind the expectations of end users, e.g. in terms of LEED certification or other ECO-Label marks.

Research is under way on ecological, water-based foams, which can be widely used in internal applications. In addition, Selena is developing products from the Ultra line, low-temperature foams and flame-retardant foams.

## 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 ended 30 September 2019 and 30 September 2018, respectively, as well as selected financial ratios.

Figures in PLN thousand	9 months ended 30 September 2019 (unaudited)	9 months ended 30 September 2018 (unaudited)*	Change	Change %
Revenue from sales	1,008,917	927,474	81,443	8.8%
Cost of sales	694,194	657,922	36,272	5.5%
Gross profit	314,723	269,552	45,171	16.8%
Selling and marketing costs	159,207	145,950	13,257	9.1%
General and administrative expenses	78,621	71,585	7,036	9.8%
Other operating profit (loss)	-9,679	-1,010	-8,669	-
Impairment loss on financial assets	2,793	2,950	-157	-
EBITDA (operating profit + depreciation + amortisation)	92,937	68,997	23,940	34.7%
Operating profit (EBIT)	64,423	48,057	16,366	34.1%
Net financial income (loss)	-1,228	-16,416	15,188	-
Share in net profit/loss of the associate	470	459	11	-
Profit (loss) before tax	63,665	32,100	31,565	-
Profit (loss) after tax	46,975	23,679	23,296	-
Other net comprehensive income	3,635	-4,158	7,793	-
Total comprehensive income	50,610	19,521	31,089	-

			Change in p.p.
Gross profit margin	31.2%	29.1%	2.1
Selling costs/ revenue from sales	15.8%	15.7%	0.0
General and administrative expenses/ revenue from sales	7.8%	7.7%	0.1
EBITDA margin %	9.2%	7.4%	1.8
Operating profit margin (EBIT%)	6.4%	5.2%	1.2
Net profit margin	4.7%	2.6%	2.1

*EBIT % – operating profit / sales*

*EBITDA % - EBITDA/ sales*

*\*Comparative data for the period of nine months ended 30 September 2018 were adjusted due to reclassification of the cost of unused production capacity from other operating expenses to the cost of sales*

Figures in PLN thousand	3 months ended 30 September 2019 (unaudited)	3 months ended 30 September 2018 (unaudited)*	Change	Change %
Revenue from sales	391,761	347,011	44,750	12.9%
Cost of sales	272,109	244,616	27,493	11.2%
Gross profit	119,652	102,395	17,257	16.9%
Selling and marketing costs	56,533	51,514	5,019	9.7%
General and administrative expenses	26,055	21,913	4,142	18.9%
Other operating profit (loss)	-7,300	1,525	-8,825	-
Impairment loss on financial assets	-16	1,184	-1,200	
EBITDA (operating profit + depreciation + amortisation)	39,436	36,394	3,042	8.4%
Operating profit (EBIT)	29,780	29,309	471	1.6%
Net financial income (loss)	3,094	-11,435	14,529	-
Share in net profit/loss of the associate	0	0	0	-
Profit (loss) before tax	32,874	17,874	15,000	-
Profit (loss) after tax	26,254	12,760	13,494	-
Other net comprehensive income	4,309	-6,258	10,567	-
Total comprehensive income	30,563	6,502	24,061	-

			Change in p.p.
Gross profit margin	30.5%	29.5%	1.0
Selling costs/ revenue from sales	14.4%	14.8%	-0.4
General and administrative expenses/ revenue from sales	6.7%	6.3%	0.3
EBITDA margin %	10.1%	10.5%	-0.4
Operating profit margin (EBIT%)	7.6%	8.4%	-0.8
Net profit margin	6.7%	3.7%	3.0

*EBIT % – operating profit / sales*

*EBITDA % - EBITDA/ sales*

*\*Comparative data for the period of three months ended 30 September 2018 were adjusted due to reclassification of the cost of unused production capacity from other operating expenses to the cost of sales*

## Revenue from sales

During the period of nine months of 2019, consolidated revenue from sales amounted to PLN 1008.9 million, which is by PLN 8.8% (PLN 81.4 million) higher than in the corresponding period of the previous year. In the third quarter of 2019, consolidated sales amounted to PLN 391.8 million (up 12.9% on Q3 2018).

The growth of the revenue from sales over the nine months of 2019 was mainly driven by an increase in sales to European countries, as a result of organic growth of transactions in all product groups (mainly foams).

The sales of Selena Group are presented by three (reporting) geographical segments: the European Union (including Poland), Eastern Europe and Asia (including Russia and China), and North and South America (USA and Brazil). Over the

nine months of 2019, the sales structure by segments has not changed significantly compared with the same period last year. European Union remains the key segment. In the nine months of 2019, it generated 64% (vs. 66% in the corresponding period of 2018) of the Group's total sales. The Poland operating segment achieved a 36% share in the Group's sales compared to 37% in the same period of 2018. The Eastern Europe and Asia segment recorded a slight decrease in its share in the Group's sales (to 30%). The North and South America segment also reported a small increase in sales, reaching 6% share in the Group's sales.

Segment	Segment's share in the Group's revenues				Change 2019 / 2018
	9 months ended September 2019 (unaudited)	30 September 2019 (unaudited)	9 months ended September 2018 (unaudited)	30 September 2018 (unaudited)	
European Union, including:	64%		66%	6%	
<i>Poland</i>		36%		37%	6%
<i>Other countries</i>		28%		29%	7%
Eastern Europe and Asia	30%		29%	14%	
N&S America	6%		5%	13%	

## Gross profit on sales

For 9 months of 2019, Selena Group generated gross profit of PLN 314.7 million, i.e. PLN 45.2 million more year-on-year. Gross profit achieved in Q3 2019 was PLN 119.7 million, up PLN 16.9% vs. Q3 2018.

Gross profit margin for the nine months of 2019 was 31.2%, up 2.1 p.p. year-on-year. This increase resulted from a fall in commodity prices and a partial stabilisation of prices of other production inputs. The margin also benefited from a constant increase in the share of sales of innovative products with a higher margin as well as from optimisation of product formulations. Like in the previous quarters of 2019, in Q3 2019, the margin was negatively affected by an increase in production costs caused by salary increases driven by the situation in the labour market as well as by higher electricity costs.

## Selling costs and general and administrative expenses

**Selling costs** over nine months of 2019 were PLN 159.2 million, up PLN 13.3 million (9.1%) year-on-year. In Q3 2019, selling costs were PLN 56.5 million, up PLN 9.7% YoY compared with the costs incurred in the corresponding period of the previous year. The figure was significantly affected by an increase in the cost of transport services and the situation in the labour market.

Over the nine months of 2019, **general and administrative expenses** were PLN 78.6 million. They increased by PLN 7.0 million year-on-year. In Q3 2019, the expenses were PLN 26.1 million, up PLN 18.9% YoY compared to the expenses incurred in the corresponding period of the previous year. The increase in general and administrative expenses results from extra appointments to the Parent Company's Management Board, development of a new organisational structure and hiring necessary personnel.

## Operating profit (loss)

For the three quarters of 2019, the Group generated operating profit of PLN 64.4 million versus PLN 48.1 million in the corresponding period of the previous year. In turn, for the third quarter of 2019, the Group generated operating profit of PLN 29.3 million versus PLN 29.3 million in the corresponding period of the previous year.

**The result on other operations** was negative at PLN -12.5 million, taking into account the impairment loss in respect of financial and non-financial assets. This line was affected by the impairment allowances for:

- capital expenditure on the ERP system: Microsoft Dynamics AX and intangible assets related to the warehouse management system in the subsidiary Selena Iberia slú (a total of PLN 4.7 million);
- inventory, cost of liquidation of inventory and inventory shortages, less reversed allowances for the value of inventory and inventory overages (PLN 4.7 million in total).
- receivables less reversed allowances (PLN 2.8 million).

The result on other operations was positively influenced by subsidies received (PLN 1.5 million).

**Profit (loss) after tax**

For the three quarter of 2019, Selena Group generated net profit of PLN 47.0 million compared to PLN 23.7 million in the corresponding period of 2018. In the third quarter alone, it generated net profit of PLN 26.3 million vs. PLN 12.8 million in the same period of 2018. The Group's net result was primarily influenced by the net financial income, including by valuation of open currency positions (trading settlements and loans received/granted) and interest expense. The positive balance of FX differences was PLN 4.2 million vs. an FX loss of 12.0 million for the three quarters of 2018. FX gains were mainly due to the appreciation of the Ukrainian hryvnia and the Russian ruble against the euro (17% decrease in the EUR/TRY rate and 11% increase in EUR/RUB rate), with the positive effect of depreciation of PLN against EUR and USD (the exchange rate increased by 2% and 6%, respectively) in the period from 1 January to 30 September 2019. Selena Group hedges a part of its currency exposure relating to trade receivables and liabilities by using multi-currency credit lines and applying the Currency Risk Management, in particular by entering into forward transactions. The cost of interest on loans and leases totalled PLN 4.1 million net (after reduction by the achieved interest income from bank deposits) compared with PLN 4.7 million incurred in the corresponding period of 2018.

For the nine months of 2019, the income tax charge was PLN 16.7 million.

After the nine months of 2019, EBITDA was PLN 92.9 million (including depreciation: PLN 28.5 million), which was by PLN 23.9 million higher year-on-year. For the three months ended 30 September 2019, EBITDA was PLN 39.4 million, up PLN 3.0 million vs. Q3 2018.

**1.4.2 Asset and financial position**

The table below shows selected figures of the consolidated balance sheet as at 30 September 2019 and 31 December 2018.

Figures in PLN thousand	30 September 2019 (unaudited)	31 December 2018	Change	Change %
<b>Non-current assets</b>	<b>311,316</b>	<b>302,720</b>	<b>8,596</b>	<b>3%</b>
Property, plant and equipment	225,399	211,586	13,813	7%
Intangible fixed assets	51,501	55,548	-4,047	-7%
Other long-term assets	34,416	35,586	-1,170	-3%
<b>Current assets</b>	<b>628,583</b>	<b>492,519</b>	<b>136,064</b>	<b>28%</b>
Inventories	172,473	180,916	-8,443	-5%
Trade receivables	312,763	217,910	94,853	44%
Cash	92,958	45,501	47,457	104%
Other current assets	50,389	48,192	2,197	5%
<b>Equity</b>	<b>469,657</b>	<b>425,903</b>	<b>43,754</b>	<b>10%</b>
<b>Liabilities</b>	<b>470,242</b>	<b>369,336</b>	<b>100,906</b>	<b>27%</b>
Bank and other loans	155,261	142,492	12,769	9%
Trade liabilities	171,984	132,116	39,868	30%
Other liabilities	142,997	94,728	48,269	51%
	<b>30 September 2019 (unaudited)</b>	<b>31 December 2018</b>		
Current liquidity	2.0	2.1		
Quick liquidity	1.4	1.3		
Debt ratio	50%	46%		

*Current liquidity – current assets / current liabilities*

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

As at 30 September 2019, the Group's asset position, with an increase in total assets of PLN 144.7 million vs. 31 December 2018, was affected by seasonality, resulting in an increase in net current assets (inventories, receivables, liabilities). The increase in the balance sheet total as at 30 September 2019 as compared to 31 December 2018 was also affected by implementation of IFRS 16 Leases (for details, see Note 2.3.2 of this report).

As at 30 September 2019, the current and quick liquidity ratios (2.0 and 1.4 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 2019 (unaudited)	31 December 2018
Interest bearing borrowings	155,261	142,492
Other financial liabilities	36,354	22,422
Less cash and cash equivalents	-92,958	-45,501
<b>Net debt</b>	<b>98,657</b>	<b>119,413</b>
Equity attributable to the shareholders of the parent	468,935	425,346
<b>Equity and net debt</b>	<b>567,592</b>	<b>544,759</b>
EBITDA for the last 4 quarters	104,196	80,256
Gearing (net debt / equity + net debt)	17%	22%
Debt ratio (liabilities / total assets)	50%	46%
Net debt / EBITDA*	0.95	1.49

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

As part of capital management, the Management Board monitors the net 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. The decrease in net debt as at 30 September 2019 as compared to 31 December 2018 results mainly from the increase operating income.

As at 30 September 2019, the debt ratio amounted to 50% and was 4 p.p. higher than at the end of 2018. Net debt to EBITDA decreased to 0.95 from 1.49 as at 31 December 2018. The decrease was mainly caused by an increase in the EBITDA level with a decrease in net debt. As at 30 September 2019, the Group maintained the consolidated financial ratios at the levels required by the lenders.

### 1.4.4 Cash flows

The tables below show selected items of the consolidated statement of cash flows for the nine months ended, 30 September 2019 and 30 September 2018, respectively.

Figures in PLN thousand	9 months ended 30 September 2019 (unaudited)	9 months ended 30 September 2018 (unaudited)	Change
Net cash flows from operating activities	70,981	-1,243	72,224
Net cash flows from investing activities	-13,091	-15,880	2,789
Net cash flows from financing activities	-10,415	21,891	-32,306
<b>Change in cash and cash equivalents</b>	<b>47,475</b>	<b>4,768</b>	<b>42,707</b>

For the three quarters of 2019, net cash flows were PLN 47.5 million.

Operating cash flows for the three quarters of 2019 were PLN 71.0 million, up PLN 72.2 million on the corresponding period of 2018. Changes in net current assets for the three quarters of 2019 were as follows: receivables (PLN -97.6 million), inventories (PLN 12.0 million) and liabilities (PLN 62.5 million). The change of PLN -23.1 million in net current assets in the three quarters of 2019 (compared to the change of PLN -60.8 million in the same period of 2018) was mainly due to higher sales coupled with an inventory level optimization (turnover shorter by 12 days).

Net cash flows from investing activities for the three quarters of 2019 were negative at PLN -13.1 million and investment expenses were down PLN 2.8 million year-on-year.

For the three quarters of 2019, net cash flows were PLN -10.4 million. This figure was mainly affected by the bank loans (PLN 81.6 million) obtained to fund working capital requirements and investments, repayment of bank and other loans (PLN -71.0 million), lease payments (-PLN 10.5 million), dividends paid to owners (PLN -6.8 million) and interest paid (PLN -3.7 million).

### **1.5 Seasonality of business**

The building materials industry in which Selena Group operates is characterised by seasonality of sales. Lower activity is seen in the winter and early spring months, while in the subsequent quarters sales increase to usually peak in the third quarter. Looking at the figures for 2017–2018, one may conclude that sales in individual quarters have the following contribution to the total annual sales: Q1 – 20%, Q2 - 27%, Q3 - 29%, Q4 - 24%. 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 2019.

### **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 Dividend paid**

On 27 May 2019, 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 2018 in a total amount of PLN 6,850,200, i.e. PLN 0.30 per share. The record date, when the list of shareholders eligible for dividend is determined, was set to 3 June 2019. The dividend was paid in two tranches on 5 June and 7 June 2019.

### **1.9 Shareholders of the parent**

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



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

\* entity controlled by Krzysztof Domarecki, President of the Management Board

\*\*As at 7 July 2016

\*\*\* voting preference shares (2 votes per share)

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 per share (PLN)
AD Niva Sp. z o.o. *	-	9,763,000	488,150
Syrius Investments s.a.r.l.**	-	8,050,000	402,500

\* entity controlled by Krzysztof Domarecki, President of the Management Board, through Syrius Investment s.a.r.l.

\*\* entity controlled by Krzysztof Domarecki, President of the Management Board

Krzysztof Domarecki also holds 0.35% stake in Selena Labs sp. z o.o.

### 1.11 Litigations

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

Significant disputes were described in the interim condensed consolidated financial statements of the Selena Group for the period from 1 January to 30 June 2019 (Note 19.2). No significant changes in the description of litigations occurred in the period until approval of this report.

### 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 3.12 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 intragroup transactions. Such guarantees given to the subsidiaries by Selena FM S.A. were described in detail in Note 20.1 of the standalone financial statements of Selena FM S.A. for 2018.



#### 1.14 Factors that will affect financial performance in the following quarters

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

**The macroeconomic situation in Poland and world-wide.** The forecast of the European Commission published on 7 November 2019 shows that the global economy is expected to see GDP growth of 2.9% this year and 3.0% in 2020. Most importantly, EU Member States are to observe a growth of 1.4% both in 2019 and in 2020. As regards the key markets of Selena Group in the euro zone, it is important to note good but declining forecasts for the Spanish economy: 1.9% GDP in 2019 and 1.5% in 2020. Positive GDP growth is also expected in the other European geographies of Selena Group in 2019 and 2020: Romania 4.1% and 3.6%, Hungary 4.6% and 2.8%, Czech Republic 2.5% and 2.2%, Italy 0.1% and 0.4% and Bulgaria 3.6% and 3.0%. For Poland, the EC forecasts GDP growth at 4.1% in 2019 and 3.3% in 2020. For the other markets of Selena Group, the forecasts of the International Monetary Fund of 11 October 2019 point to GDP growth of 2019 and 2020: USA 2.4% and 2.1%, Russia 1.1% and 1.9%, China 6.1% and 5.8%, Brazil 0.9% and 2.0%, Turkey 0.2% and 3.0% and Kazakhstan 3.8% and 3.9%.

**Situation in the construction sector.** Demand in the construction chemicals market will be influenced by the situation in the residential construction segment, where these materials are used to the highest degree. Data published by the Central Statistics Office (GUS) on 22 October 2019 for the nine months of 2019 point to a growth of 12.2% in house completions year-on-year. At the same time the number of construction permits or construction declarations increased by 4.2%, while the number of commenced housing investments increased by 2.6%. After the nine months of 2019, the construction and assembly production was by 5.3% higher year-on-year. The confidence index in construction in October 2019 was at a positive level, like in September. Positive assessments are maintained with regard to the current orders backlog in the domestic and foreign market, while employment forecasts are slightly less optimistic than that those formulated in September this year.

**Availability of financing.** According to the results of the PENGAB banking business sentiment index published by the Polish Banks Association in September 2019, for 6-month projections 38% of the the polled bankers pointed to an increase, 54% to stabilisation and merely 8% to a decline in the volume of housing loans. According to data from the Credit Information Bureau (BIK), in the third quarter, banks granted more than 63 thousand mortgage loans, and the value of new loan agreements granted in this period is almost PLN 17.5 billion.

**FX rates.** According to the consensus of currency forecasts published by Thomson Reuters on 7 November 2019, in the coming months the zloty should be stable with a slight depreciation tendency and the rate of 4.29 EUR/PLN at the end of the year. The currency markets of Central Europe should also see some stability. Towards the year-end, the following currency rates are expected (for the main markets): EUR/RUB 71.3 EUR/TRY 6.55 EUR/CZK 25.6 EUR/HUF 330.5 EUR/RUB 4.77 EUR/UAH 28.75.

**Credit risk.** Selena Group sells products with a deferred payment date, which causes a risk of non-payment for the products and services supplied to buyers. In order to minimise credit risk, Group companies monitor their trade receivables on an ongoing basis and operate a policy of approving credit limits. An increasing number of Group companies insure a portion of their trade receivables. The Group companies do not see any material increase in overdue debtors. The age structure of trade receivables is presented in Note 2.18.3 of this report.

**Commodity prices.** Until the end of 2019, prices of raw materials for foam production should remain stable, with a downward trend. Similarly, the prices of raw materials used in the production of silicones see a downward trend. As regards bitumens, their price is directly linked to oil prices.

#### 1.15 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 2019 (unaudited)	9 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2019 (unaudited)	3 months ended 30 September 2018 (unaudited)
<b>Continued operations</b>					
Revenue from the sale of products		935,564	856,546	361,664	320,296
Revenue from the sale of goods and materials		71,821	69,794	29,559	26,195
Revenue from the sale of services and lease		1,532	1,134	538	520
<b>Revenue from sales</b>	2.5	<b>1,008,917</b>	<b>927,474</b>	<b>391,761</b>	<b>347,011</b>
Cost of sales		694,194	657,922	272,109	244,616
<b>Gross profit (loss)</b>		<b>314,723</b>	<b>269,552</b>	<b>119,652</b>	<b>102,395</b>
Other operating income	2.6	3,760	6,154	1,098	3,120
Selling and marketing costs		159,207	145,950	56,533	51,514
General and administrative expenses		78,621	71,585	26,055	21,913
Other operating costs	2.6	8,700	4,607	3,659	1,584
Impairment of tangible and intangible fixed assets	2.4	4,739	2,557	4,739	11
Impairment loss on financial assets		2,793	2,950	-16	1,184
<b>Operating profit (loss)</b>		<b>64,423</b>	<b>48,057</b>	<b>29,780</b>	<b>29,309</b>
Financial revenues	2.7	8,281	2,192	4,923	-4,004
Financial expenses	2.7	9,509	18,608	1,829	7,431
Share in net profit/loss of the associate		470	459	0	0
<b>Profit (loss) before tax</b>		<b>63,665</b>	<b>32,100</b>	<b>32,874</b>	<b>17,874</b>
Income tax	2.8	16,690	8,421	6,620	5,114
<b>Net profit (loss) on continued operations</b>		<b>46,975</b>	<b>23,679</b>	<b>26,254</b>	<b>12,760</b>
<b>Discontinued operations</b>					
Loss on discontinued operations		-	-	-	-
<b>Net profit (loss) for the financial year, including:</b>		<b>46,975</b>	<b>23,679</b>	<b>26,254</b>	<b>12,760</b>
Attributed net profit (loss):					
- shareholders of the parent		46,816	23,575	26,188	12,673
- non-controlling interests		159	104	66	87
Earnings per share (continued operations) attributable to the shareholders of the parent (PLN / share)					
- basic	2.9	2.05	1.03	1.15	0.56
- diluted		2.05	1.03	1.15	0.56

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Figures in PLN thousand	9 months ended 30 September 2019 (unaudited)	9 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2019 (unaudited)	3 months ended 30 September 2018 (unaudited)
<b>Profit after tax</b>	<b>46,975</b>	<b>23,679</b>	<b>26,254</b>	<b>12,760</b>
<b>Other comprehensive income not subject to reclassification to profit or loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other comprehensive income subject to reclassification to profit or loss:</b>	<b>3,635</b>	<b>-4,158</b>	<b>4,309</b>	<b>-6,258</b>
FX differences arising on translation of foreign affiliates	641	2,611	-1,390	5,220
FX differences on measurement of investments into the net assets of a foreign subsidiary	4,645	-7,073	7,102	-13,162
Income tax	-1,651	304	-1,403	1,684
<b>Other comprehensive income for the period, after tax</b>	<b>3,635</b>	<b>-4,158</b>	<b>4,309</b>	<b>-6,258</b>
<b>Total comprehensive income</b>	<b>50,610</b>	<b>19,521</b>	<b>30,563</b>	<b>6,502</b>
Attributable to:				
- shareholders of the parent	50,439	19,420	30,478	6,446
- non-controlling interests	171	101	85	56

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figures in PLN thousand	Note	30 September 2019 (unaudited)	31 December 2018
<b>ASSETS</b>			
Property, plant and equipment		225,399	211,586
Intangible fixed assets		51,501	55,548
Other fixed assets		7,578	7,556
Investments accounted for using the equity method		6,080	6,058
Other long-term receivables		394	387
Long-term portion of loans granted		0	45
Other long term financial assets		1,290	1,353
Deferred tax assets		19,074	20,187
<b>Non-current assets</b>		<b>311,316</b>	<b>302,720</b>
Inventories		172,473	180,916
Trade receivables		312,763	217,910
CIT claimed		3,309	5,359
Other short-term receivables	2.11	42,478	40,999
Short-term portion of loans granted		5	409
Other short-term financial assets		4,597	1,425
Cash and cash equivalents		92,958	45,501
<b>Current assets</b>		<b>628,583</b>	<b>492,519</b>
<b>TOTAL ASSETS</b>		<b>939,899</b>	<b>795,239</b>
<b>EQUITY AND LIABILITIES</b>			
Registered capital		1,142	1,142
FX differences arising on translation of foreign affiliates		-28,093	-31,716
Supplementary capital		608,645	577,016
Other reserves		9,633	9,633
Retained profit/ loss carried forward		-122,392	-130,729
– retained profit/ loss from previous years		-169,208	-157,330
– profit (loss) after tax		46,816	26,601
<b>Equity attributable to the shareholders of the parent</b>		<b>468,935</b>	<b>425,346</b>
<b>Non-controlling interests</b>		<b>722</b>	<b>557</b>
<b>Total equity</b>		<b>469,657</b>	<b>425,903</b>
Long-term portion of bank and other loans	2.12	122,914	115,712
Other financial liabilities	2.13	12,494	6,130
Other long-term liabilities	2.17	4,015	4,398
Deferred tax assets		5,068	3,143
Other long-term provisions	2.15	3,509	3,294
<b>Non-current liabilities</b>		<b>148,000</b>	<b>132,677</b>
Trade liabilities		171,984	132,116
Obligations to return remuneration		19,265	10,914
Short-term portion of bank and other loans	2.12	32,347	26,780
Other financial liabilities	2.13	23,860	16,292
CIT tax payable		7,567	2,265
Other short-term liabilities	2.17	61,622	41,973
Short-term provisions	2.15	5,597	6,319
<b>Current liabilities</b>		<b>322,242</b>	<b>236,659</b>
<b>Total liabilities</b>		<b>470,242</b>	<b>369,336</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>939,899</b>	<b>795,239</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

Figures in PLN thousand	Note	9 months ended 30 September 2019 (unaudited)	9 months ended 30 September 2018 (unaudited)
<b>Cash flows from operating activities</b>			
Profit (loss) before tax		63,665	32,100
Adjusted by:			
Share in the result of the entities accounted for using the equity method		-470	-459
Depreciation/ amortisation		28,514	20,940
FX gains (losses)		1,426	5,196
Interest and dividends		4,059	4,703
Profit/ (loss) on investing activities		4,631	-415
Change in the balance of receivables		-97,589	-80,846
Change in the balance of inventories		11,958	-12,553
Change in the balance of obligations		62,541	32,591
Change in the balance of provisions		-507	-3,026
CIT paid		-7,649	-2,244
Other		402	2,770
<b>Net cash flows from operating activities</b>		<b>70,981</b>	<b>-1,243</b>
<b>Cash flows from investing activities</b>			
Inflows from sale of tangible and intangible fixed assets		966	752
Acquisition of tangible and intangible fixed assets		-15,203	-17,536
Dividends and interest received		628	619
Repayments of loans granted		445	136
Other		73	148
<b>Net cash flows from investing activities</b>		<b>-13,091</b>	<b>-15,880</b>
<b>Cash flows from financing activities</b>			
Repayment of lease obligations		-10,524	-4,201
Inflows from bank/ other loans received		81,592	131,886
Repayment of loans and advances		-70,965	-94,472
Dividends paid to owners		-6,856	-6,855
Interest paid		-3,720	-4,976
<i>including lease interest</i>		-251	-285
Other		58	509
<b>Net cash flows from financing activities</b>		<b>-10,415</b>	<b>21,891</b>
<b>Net increase in cash and cash equivalents</b>		<b>47,475</b>	<b>4,768</b>
Change in cash and cash equivalents, including:		47,457	4,848
net FX differences		-18	80
Cash and cash equivalents at the beginning of the period*		45,501	52,921
Cash and cash equivalents at the end of the period*		92,958	57,769

\*including restricted cash:

as at 30 September 2018: PLN 0.05m

as at 30 September 2019: PLN 0.05m

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

### FOR 9 MONTHS ENDED 30 SEPTEMBER 2019

Figures in PLN thousand	Attributable to the shareholders of the parent						Total equity	Capital attributable to non-controlling interests	Aggregate equity
	Registered capital	Supplementary capital	FX differences arising on translation of a foreign affiliate	Other reserves	Retained profit/ (loss carried forward):				
					from previous years	from the current period			
As at 1 January 2019	1,142	577,016	-31,716	9,633	-130,729	0	425,346	557	425,903
Net profit (loss) for the financial year	0	0	0	0	0	46,816	46,816	159	46,975
Other net comprehensive income for the period	0	0	3,623	0	0	0	3,623	12	3,635
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>3,623</b>	<b>0</b>	<b>0</b>	<b>46,816</b>	<b>50,439</b>	<b>171</b>	<b>50,610</b>
Transfer of profit to the supplementary capital	0	31,629	0	0	-31,629	0	0	0	0
Dividend	0	0	0	0	-6,850	0	-6,850	-6	-6,856
<b>As at 30 September 2019 (unaudited)</b>	<b>1,142</b>	<b>608,645</b>	<b>-28,093</b>	<b>9,633</b>	<b>-169,208</b>	<b>46,816</b>	<b>468,935</b>	<b>722</b>	<b>469,657</b>

### FOR 9 MONTHS ENDED 30 SEPTEMBER 2018

Figures in PLN thousand	Attributable to the shareholders of the parent						Total equity	Capital attributable to non-controlling interests	Aggregate equity
	Registered capital	Supplementary capital	FX differences arising on translation of a foreign affiliate	Other reserves	Retained profit/ (loss carried forward):				
					from previous years	from the current period			
As at 1 January 2018 (restated data)	1,142	551,402	-27,866	9,633	-124,689	0	409,622	490	410,112
Impact of implementation of IFRS 9	0	0	0	0	-177	0	-177	0	-177
<b>As at 1 January 2018 (after adoption of IFRS 9)</b>	<b>1,142</b>	<b>551,402</b>	<b>-27,866</b>	<b>9,633</b>	<b>-124,866</b>	<b>0</b>	<b>409,445</b>	<b>490</b>	<b>409,935</b>
Net profit (loss) for the financial year	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
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>-4,155</b>	<b>0</b>	<b>0</b>	<b>23,575</b>	<b>19,420</b>	<b>101</b>	<b>19,521</b>
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
<b>As at 30 September 2018 – restated data*</b>	<b>1,142</b>	<b>577,016</b>	<b>-32,021</b>	<b>9,633</b>	<b>-157,335</b>	<b>23,575</b>	<b>422,010</b>	<b>591</b>	<b>422,601</b>

\*The reasons for effects of transformation of the data published in prior periods are contained in Note 3.1 of the consolidated financial statements for 2018.

## ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

### 2.1 Information about the Group

#### 2.1.1 General Information

##### Activities of the Group

The core business of Selena FM Group (the "Group") includes production, distribution and sale of construction chemicals, building materials for doors and windows, and general building accessories. The products on offer include both solutions addressed to professionals and to individual users. The Group's leading brands include Tytan, Quilosa, Artelit and Matizol. The Group's product range includes:

- Polyurethane mounting foams and foam adhesives
- Construction sealants (silicones, acrylic products)
- Construction and mounting adhesives
- Roofing membranes and shingles
- Bituminous masses
- Thermo-reflexive roof coating
- Building insulation systems
- Adhesives and joint fillers for ceramic tiles
- Application equipment
- Wood preservatives
- Agents for roofs and walls
- Foils and membranes.

Selena FM is an international producer and distributor of construction chemicals. The Group's production plants are located mainly in Poland, but also in Brazil, China, Romania, Turkey, Spain and Kazakhstan. In turn, commercial establishments are located in different countries of Europe, Asia and both Americas. Selena Group's products are available in the markets of more than 70 countries.

The Group also carries on R&D activity in Poland, Spain, Turkey and China.

##### 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 and to the domestic market (as a multi-distributor)
- 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 2018, the Parent Company's Management Board was composed of:

- Krzysztof Domarecki – acting Management Board President
- Elżbieta Korczyńska – Management Board Member, CFO

Changes in the Management Board in 2019:

On 7 January 2019, the following persons were appointed to the Management Board of Selena FM S.A.:

- Dariusz Ciesielski, who was appointed Vice President of the Management Board for Sales, and
- Bogusław Mieszczak, who was appointed Management Board Member for Operations.

On 1 March 2019, the following persons were appointed to the Management Board of Selena FM S.A.:

- Krzysztof Domarecki, who was appointed President of the Management Board and
- Christian Dölle, who was appointed Vice President of the Management Board for Marketing.

On 24 June 2019, Elżbieta Korczyńska resigned as Management Board member effective from 30 June 2019.

On 24 June 2019, the Company's Supervisory Board adopted a resolution appointing Jacek Michalak to the Company's Management Board as Chief Financial Officer. The appointment became effective as of 1 July 2019.

As at 30 September 2019, the Parent Company's Management Board was composed of:

- Krzysztof Domarecki – Management Board President
- Dariusz Ciesielski – Vice President for Sales
- Christian Dölle – Vice President for Marketing
- Bogusław Mieszczak – Management Board Member for Operations
- Jacek Michalak – Management Board Member for Finance

On 7 October 2019, Bogusław Mieszczak resigned from the Company's Management Board and stepped down as COO.

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 2018, the Supervisory Board of the Parent Company was composed of:

- 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.

Changes in the Supervisory Board composition in 2019:

On 28 February 2019, Krzysztof Domarecki resigned from the Supervisory Board and from the role of the Chairman of the Supervisory Board effective from 28 February 2019.

On the same day, the Extraordinary General Meeting of Shareholders nominated Andrzej Krämer, Supervisory Board member, as the Chairman of the Company's Supervisory Board and appointed Czesław Domarecki to the Supervisory Board.

On 27 May 2019, the Annual General Meeting of Shareholders of Selena FM S.A. appointed Łukasz Dziekan to the Supervisory Board.

As at 30 September 2019, the Supervisory Board of the Parent Company was composed of:

- Andrzej Krämer – Chairman of the Supervisory Board
- Borysław Czyżak – independent Supervisory Board Member
- Marlena Łubieszko-Siewruk – independent Supervisory Board Member
- Mariusz Warych – independent Supervisory Board Member
- Czesław Domarecki – Supervisory Board Member
- Łukasz Dziekan – Supervisory Board Member

By the date of publication of this report, no other 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 2018, the Parent Company's Audit Committee was composed 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, fulfilled the independence criteria and other requirements specified in Article 128(1) and Article 129(1), (3), (5) and (6) of the Act on Statutory Auditors, Audit Firms and Public Oversight.

Changes in the Audit Committee composition in 2019.

Since 1 March 2019, the Audit Committee has consisted of:

- Mariusz Warych – Chairman of the Audit Committee
- Andrzej Krämer – Audit Committee Member
- Marlena Łubieszko-Siewruk – 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 Act on Statutory Auditors, Audit Firms and Public Oversight.

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

As at 31 December 2018, the Strategy and Innovation Committee was composed of:

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

In 2019 and until the date of publication of this report no changes took place in the Strategy and Innovation Committee's composition.

As at 31 December 2018, the Nominations and Remuneration Committee was composed of:

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

In 2019 and until the date of publication of this report, no changes took place in the Nominations and Remuneration Committee's composition.



### **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 2019 and 31 December 2018.

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 2019.

Region	Country	Entity	Reg.Office	Activity	Group's Share		Owner	
					30 September 2019 (unaudited)	31 December 2018		
European Union	Poland	Selena FM S.A.	Wrocław	Group Head Office			-	
		Selena S.A.	Wrocław	Distributor	100.00%	100.00%	FM	
		Orion PU Sp. z o.o.	Dzierżoniów	Manufacturer of foams, adhesives, distributor	99.95%	99.95%	SIT 1	
		Carina Silicones Sp. z o.o.	Siechnice	Manufacturer of sealants, distributor	100.00%	100.00%	SIT	
		Libra Sp. z o.o.	Dzierżoniów	Manufacturer of sealants, adhesives, distributor	100.00%	100.00%	SIT	
		Izolacja Matizol Sp. z o.o.	Gorlice	Manuf. of roof coverings, hydroinsulation, distributor	100.00%	100.00%	SIT	
		Tytan EOS Sp. z o.o.	Wrocław	Manufacturer of loose materials	100.00%	100.00%	SIT	
		Selena Labs Sp. z o.o.	Siechnice	Research and Development	99.65%	99.65%	FM 1	
		Selena Marketing International Sp. z o.o.	Wrocław	Intellectual property management	100.00%	100.00%	SA	
		Taurus Sp. z o.o.	Dzierżoniów	Legal administration	100.00%	100.00%	SIT	
	Western Europe	Spain	Selena Iberia slú	Madrid	Manufacturer of sealants, adhesives, distributor	100.00%	100.00%	FM
			Selena Italia srl	Limena	Distributor	100.00%	100.00%	FM
	Central and Eastern Europe	Italy	Uniflex S.p.A.**	Mezzocorona	Manufacturer of sealants, distributor	64.00%	64.00%	FM 4
			Germany	Selena Deutschland GmbH	Hagen	Distributor	100.00%	100.00%
		Czech Republic	Selena Bohemia s.r.o.	Prague	Distributor	100.00%	100.00%	FM
		Romania	Selena Romania SRL	Ilfov	Distributor	100.00%	100.00%	FM
		EURO MGA Product SRL	Ilfov	Manufacturer of adhesives and cement mortars	100.00%	100.00%	ROM	
		Hungary	Selena Hungária Kft.	Pécs	Distributor	100.00%	100.00%	FM
Bulgaria	Selena Bulgaria Ltd.	Sofia	Distributor	100.00%	100.00%	FM		
Eastern Europe and Asia	Eastern Europe	Russia	Selena Vostok Moscow	Moscow	Distributor	100.00%	100.00%	FM 2
		Selena CA L.L.P.	Almaty	Distributor	100.00%	100.00%	FM	
		Kazakhstan	TOO Selena Insulations	Nur-sultan	Manufacturer of insulation systems	100.00%	100.00%	FM
			TOO Big Elit	Nur-sultan	Manufacturer of dry mortars	100.00%	100.00%	CA
	Ukraine	Selena Ukraine Ltd.	Kiev	Distributor	100.00%	100.00%	FM 2	
	Asia	China	Weize (Shanghai) Trading Co., Ltd.	Shanghai	Distributor	100.00%	100.00%	FM
			Selena Nantong Building Materials Co., Ltd.	Nantong	Manufacturer, distributor	100.00%	100.00%	FM
			Foshan Chinuri-Selena Chemical Co.	Foshan	Manufacturer of sealants, distributor	84.57%	84.57%	SA 1
			House Selena Trading Company Ltd.	Shanghai	Distributor	40.00%	40.00%	NAN
	S.Korea	Hamil - Selena Co. Ltd	Kimhae	Manufacturer of foams	30.00%	30.00%	SA 3	
Middle East	Turkey	Selena Malzemeleri Yapi Sanayi Tic. Ltd.	Istambul	Man. of foams and sealants, distributor	100.00%	100.00%	FM	
		POLYFOAM Yalitim Sanayi ve Tic Ltd.	Istambul	Distributor	100.00%	100.00%	SA 2	
N&S America	N&S America	Brazil	Selena Sulamericana Ltda	Curitiba	Manufacturer, distributor	100.00%	100.00%	FM 3
		USA	Selena USA, Inc.	Holland	Distributor	100.00%	100.00%	FM
			Selena USA Specialty Inc.*	Holland	Property management	-	100.00%	FM

\*On 1 January 2019, Selena USA Inc. merged (as acquiring company) with Selena USA Specialty Inc. (acquired company).

\*\* Change in the company's legal form on 13 November 2019. Uniflex S.p.A. (joint-stock company) was transformed into a limited liability company – Uniflex S.R.L.

#### Explanations to the "Owner" column

FM - 100% owned by Selena SA (SFM)

FM 1 – shares owned by SFM, other shares are owned by Krzysztof Domarecki (Supervisory Board Chairman of Selena FM)

FM 2 – shares 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 S.A. (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.

### **2.1.6 Changes in the Group structure**

#### **Merger of Selena USA Inc. with Selena USA Speciality Inc.**

On 1 January 2019, Selena USA Inc. merged (as the acquiring company) with Selena USA Speciality Inc. (the acquired company). Under the agreement of 31 December 2018, the share capital of the acquired company was transferred in its entirety to the acquiring company. As a result of the merger, the acquired company was deregistered.

#### **Acquisition of control over Uniflex S.p.A**

On 24 June 2019, Selena FM S.A. received a notification from minority shareholders of Uniflex S.p.A. i.e., Franco Berlanda and Primaldo Paglialongi on the exercise of the put options by the above individuals, who had the right to 20.25% and 15.75% of shares, respectively, in the share capital of Uniflex S.p.A. The right to sell Uniflex S.p.A. shares was given to minority shareholders in accordance with the shareholder agreement of 29 March 2017. On the basis of the above agreement, after receiving the notifications, Selena FM S.A. was required to purchase:

- 1) from Franco Berlanda: his 60,750 shares in the share capital of Uniflex S.p.A.
- 2) from Primaldo Paglialongi: his 47,250 shares in the share capital of Uniflex S.p.A.

On 4 July 2019, Selena FM S.A. acquired 108,000 shares for EUR 936 thousand, representing 36% of the share capital of Uniflex S.p.A. Thus, Selena FM S.A. became the sole shareholder of Uniflex S.p.A. (100% shares in the share capital).

#### **Increasing the share capital of Selena Ukraine Ltd.**

On 15 July 2019, the General Meeting of Selena Ukraine Ltd. adopted a resolution to increase the share capital of UAH 21 million (EUR 724.2 thousand). The cash contribution was made in three tranches on 26 July 2019 (EUR 400 thousand), on 29 July 2019 (EUR 7.2 thousand) and on 7 August 2019 (EUR 317 thousand). After the capital increase, no changes took place in the shareholding of Selena FM S.A. and Selena S.A. in the company's share capital.

## **2.2 Data covered by the financial statements**

### **2.2.1 Interim report**

The interim condensed consolidated financial statements do not contain all the information and disclosures required of annual financial statements and should be read jointly with the Group's annual consolidated financial statements for the year ended 31 December 2018 published on 26 April 2019. The interim condensed financial result may not fully reflect the consolidated 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 nine months ended 30 September 2019 and data as at that date.

The consolidated income statement and the consolidated statement of comprehensive income cover the data for nine months ended 30 September 2019 and comparative data for the period of 9 months ended 30 September 2018.

The consolidated statement of cash flows and the consolidated statement of changes in equity cover the data for the nine months ended 30 September 2019 as well as comparative data for the period of nine months ended 30 September 2018.

The consolidated consolidated statement of financial position covers the data presented as at 30 September 2019, and comparative data as at 31 December 2018.

### **2.2.3 Notes**

The notes are an integral part of these interim condensed consolidated financial statements.

#### 2.2.4 Audit and review of financial statements

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

#### 2.2.5 Approval of the financial statements

These condensed consolidated financial statements were approved for publication by the Management Board of the Parent Company on 28 November 2019.

#### 2.2.6 Measurement and reporting currency

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

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

Ccy	30 September 2019 (unaudited)	31 December 2018	9 months ended 30 September 2019 (unaudited)	9 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2019 (unaudited)	3 months ended 30 September 2018 (unaudited)
1 USD	4.0000	3.7597	3.8426	3.5688	3.8504	3.6681
1 EUR	4.3736	4.3000	4.3086	4.2535	4.2911	4.2815
100 HUF	1.3068	1.3394	1.3295	1.3341	1.3119	1.3221
1 UAH	0.1655	0.1357	0.1472	0.1323	0.1535	0.1320
1 CZK	0.1693	0.1673	0.1675	0.1662	0.1672	0.1668
1 RUB	0.0618	0.0541	0.0593	0.0581	0.0607	0.0562
1 BRL	0.9615	0.9687	0.9839	0.9877	1.0158	0.9271
1 BGN	2.2362	2.1985	2.2030	2.1748	2.1940	2.1891
1 CNY	0.5602	0.5481	0.5598	0.5463	0.5598	0.5356
100 KRW	0.3335	0.3373	0.3302	0.3271	0.3257	0.3291
1 RON	0.9207	0.9229	0.9081	0.9141	0.9067	0.9215
1 TRY	0.7081	0.7108	0.6808	0.7862	0.6948	0.6389
100 KZT	1.0282	1.0124	1.0059	1.0589	1.0012	1.0284

#### 2.2.7 Going concern

These interim consolidated 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 consolidated financial statements, no circumstances occurred that would point to a risk to continuity of operations.

#### 2.2.8 Basis of preparation

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

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

## 2.3 Accounting policies

### 2.3.1 Changes in the accounting policies

The accounting policies that were used in preparation of these interim condensed financial statements are consistent with the policies used in preparation of the consolidated financial statements of Selena FM Group for the year ended 31 December 2018, taking into account changes resulting from implementation of new standards: IFRS 16 “Leases” as at 1 January 2019.

The impact of applying the above standard on the consolidated financial statements is presented below.

### 2.3.2 IFRS 16 Leases

The Group applied IFRS 16 as of 1 January 2019, without transforming the comparative data, which means that data for 2018 and 2019 will not be comparable, while any adjustments related to IFRS 16 were made as of 1 January 2019.

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.

According to the standard, the lessee is 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.

During the work related to implementation of the new IFRS 16 standard, an analysis was performed of all finance lease, operating lease, rental and tenancy contracts and other types of contracts previously not carried as leases.

For the purposes of the first-time adoption of the standard, the Group applied the modified retrospective method and measured right-of-use assets in an amount equal to lease liabilities, adjusted by the amount of any prepayments or accrued lease payments referring to leases, recognized in the statement of financial position immediately before the first-time adoption.

In accordance with the transitional provisions included in the standard, the new principles were adopted retrospectively with the first-adoption result reflected in equity as at 1 January 2019. Therefore, comparative data for 2018 were not restated.

In accordance with the adopted policy, at the moment of initial recognition, right of use assets are measured at cost including:

- initial value of the lease liability
- lease payments made on or before the lease contract date, reduced by any incentives received
- any initial costs incurred by the lessee
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset.

Depreciation is calculated using the straight-line method over the shorter of the estimated useful life or the lease period.

The lease liabilities have been measured based on the present value of lease payments during the lease contract. The payment included in the measurement includes:

- fixed payments less any lease incentives receivable
- variable lease payments that depend on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease (if applicable).

In accordance with IFRS 16, the discount rate was estimated, which is the incremental borrowing rate reflecting the cost of finance that the Group would have to incur to purchase the leased asset. In order to estimate the correct rate, account was taken of the contract type, its duration and the country where it was signed.

The weighted average lease rate reflecting the cost of borrowing that the Group would have to incur to buy the leased asset, used for the purpose of valuation of liabilities, was 4.61%.

The Group decided to use the following practical expedients provided for in IFRS 16:

- no recognition of right-of-use assets and lease liabilities for contracts involving payments for leases of low-value assets – where the underlying asset has a value not higher than USD 5,000;
- no recognition of right-of-use assets and lease liabilities for short-term contracts (shorter than 12 months, which have no option to purchase the leased asset);
- applying a single discount rate for a portfolio of leases with similar characteristics (e.g. one discount rate for contracts concluded in a particular country);
- the use of hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

Presented below is the impact of implementation of IFRS 16 on individual items of the statement of financial position as at 1 January 2019:

Item in the statement of financial position	1 January 2019
Figures in PLN thousand	
Property, plant and equipment	18,286
Intangible assets (perpetual usufruct of land)	1,749
Other financial liabilities	20,035

Reconciliation of transition from IAS 17 to IFRS 16	1 January 2019
Figures in PLN thousand	
Operating lease liabilities (without discount) as at 31 December 2018	23,405
Impact of the discount using the incremental borrowing rate on implementation of IFRS 16	-1,346
Finance lease liabilities as at 31 December 2018	11,212
The value of short-term lease contracts, i.e. contracts whose lease term is not longer than 12 months and does not contain a purchase option	-2,008
The value of low-value leases	-16
<b>Lease liabilities as at 1 January 2019</b>	<b>31,247</b>

Presented below is the impact of IFRS 16 on asset position as at 30 September 2019:

Rights of use split by asset classes:	31 December 2018	Impact of IFRS 16	1 January 2019	30 September 2019
Figures in PLN thousand				
Buildings and structures	3,433	11,176	14,609	10,550
Plant and machinery	7,632	0	7,632	12,157
Vehicles	3,102	7,110	10,212	8,846
Other intangible assets (perpetual usufruct of land)	0	1,749	1,749	1,749

## 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 2018, and particularly relate to:

- the impairment 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.

In Q3 2019, no significant changes were made to the assumption areas and methods, taking into account the adopted new IFRS 16 described in Note 2.3. The business and macroeconomic assumptions underlying the estimates are updated on an ongoing basis depending on changes in the environment of the Parent Company and the Group companies, and business plans and projections.

As at 30 September 2019, the Group made an impairment allowance for the expenditure on intangible assets in the amount of PLN 3,231 thousand. The expenditure incurred by the subsidiary Selena Iberia is related to the implementation of the ERP system: Microsoft Dynamics AX. It is highly likely that this expenditure will not be used and capitalised. At the same time, Selena Iberia slu expects to derecognise its existing warehouse management system, as a result of which it posted an impairment allowance for intangible assets in the amount of PLN 1,508 thousand. As at 30 September 2019, the total value of the impairment allowance was PLN 4,739 thousand.

## 2.5 Operating segments

The organisation structure of Selena FM Group is managed through the data received from the individual geographic segments (countries), later on referred to as operating segments. To the extent permitted by IFRS 8 (e.g. subject to the combination criteria in relation to the following aspects: type of products and services, type of production processes, type or group customers for products and services, methods used in the distribution of products and the type of regulatory environment), they are grouped based on the similarity of location, characteristics of the business and economic environment, and are grouped into the following reporting segments:

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

Detailed allocation of operating segments to reporting segments is presented in Note 2.1.5.

Operating results of the segment are primarily measured using the net profit/loss and EBITDA ratio (an alternative measurement of results, which does not measure cash or liquidity and whose calculation may vary from one entity to another), which result directly from reports that are the basis for preparation of the condensed consolidated financial statements. EBITDA is calculated according to the following formula:

$$\text{EBITDA} = \text{Net profit/ loss} + \text{Income tax} +/- \text{share in the profit/loss of the affiliate} +/- \text{financial expenses/revenues} + \text{Depreciation/amortisation}$$

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

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

The profit of a segment is the profit generated by the individual segments without allocation of the administrative expenses, Management Board's remuneration, 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, financial revenues and expenses 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.

Selena FM Group S.A. does not have key customers, i.e. such which would account for more than 10% of the Group's revenues.

9 months ended 30 September 2019 (unaudited)	EU	Eastern Europe and Asia	North and South America	Total segments	Consolid. adjustments and non- allocated results*	Total
<b>Figures in PLN thousand</b>						
Sales to external customers	648,772	303,124	57,021	1,008,917	0	1,008,917
Sales within a segment	659,855	28,029	0	687,884	-687,884	0
Sales between segments	182,299	2,702	0	185,001	-185,001	0
EBITDA	144,993	33,955	5,413	184,361	-91,424	92,937
Depreciation/ amortisation	-21,666	-2,913	-93	-24,672	-3,842	-28,514
<b>Operating profit (loss)</b>	<b>123,327</b>	<b>31,042</b>	<b>5,320</b>	<b>159,689</b>	<b>-95,266</b>	<b>64,423</b>
Net financial revenue/ (expenses)	0	0	0	0	-1,228	-1,228
Share in profit of an associated undertaking	0	470	0	470	0	470
Income tax	0	0	0	0	-16,690	-16,690
<b>Net profit (loss) for the period</b>	<b>123,327</b>	<b>31,512</b>	<b>5,320</b>	<b>160,159</b>	<b>-113,184</b>	<b>46,975</b>
Capital expenditure	12,170	1,873	5	14,048		14,048

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

9 months ended 30 September 2018 (unaudited)	EU	Eastern Europe and Asia	North and South America	Total segments	Consolid. adjustments and non- allocated results*	Total
<b>Figures in PLN thousand</b>						
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
<b>Operating profit (loss)</b>	<b>129,583</b>	<b>18,315</b>	<b>1,474</b>	<b>149,372</b>	<b>-101,315</b>	<b>48,057</b>
Net financial revenue/ (expenses)	0	0	0	0	-16,416	-16,416
Share in profit of an associated undertaking	0	459	0	459	0	459
Income tax	0	0	0	0	-8,421	-8,421
<b>Net profit (loss) for the period</b>	<b>129,583</b>	<b>18,774</b>	<b>1,474</b>	<b>149,831</b>	<b>-126,152</b>	<b>23,679</b>
Capital expenditure	15,076	1,750	12	16,838	-	16,838

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



3 months ended 30 September 2019 (unaudited)	EU	Eastern Europe and Asia	North and South America	Total segments	Consolid. adjustments and non- allocated results*	Total
<b>Figures in PLN thousand</b>						
Sales to external customers	239,976	130,212	21,573	391,761	0	391,761
Sales within a segment	255,671	9,009	0	264,680	-264,680	0
Sales between segments	73,973	521	0	74,494	-74,494	0
EBITDA	44,525	15,770	2,200	62,495	-23,059	39,436
Depreciation/ amortisation	-11,018	-1,007	-30	-12,055	2,399	-9,656
<b>Operating profit (loss)</b>	<b>33,507</b>	<b>14,763</b>	<b>2,170</b>	<b>50,440</b>	<b>-20,660</b>	<b>29,780</b>
Net financial revenue/ (expenses)	0	0	0	0	3,095	3,095
Share in profit of an associated undertaking	0	0	0	0	0	0
Income tax	0	0	0	0	-6,621	-6,621
<b>Net profit (loss) for the period</b>	<b>33,507</b>	<b>14,763</b>	<b>2,170</b>	<b>50,440</b>	<b>-24,186</b>	<b>26,254</b>

Capital expenditure 5,117 411 2 5,530 5,530

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

3 months ended 30 September 2018 (unaudited)	EU	Eastern Europe and Asia	North and South America	Total segments	Consolid. adjustments and non- allocated results*	Total
<b>Figures in PLN thousand</b>						
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	-2,203	-7,085
<b>Operating profit (loss)</b>	<b>48,228</b>	<b>9,316</b>	<b>822</b>	<b>58,366</b>	<b>-29,057</b>	<b>29,309</b>
Net financial revenue/ (expenses)	0	0	0	0	-11,435	-11,435
Share in profit of an associated undertaking	0	0	0	0	0	0
Income tax	0	0	0	0	-5,114	-5,114
<b>Net profit (loss) for the period</b>	<b>48,228</b>	<b>9,316</b>	<b>822</b>	<b>58,366</b>	<b>-45,606</b>	<b>12,760</b>
Capital expenditure	5,335	866	0	6,201		6,201

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

The tables below show selected assets of the individual geographic segments as at 30 September 2019 and 31 December 2018.

30 September 2019 (unaudited) Figures in PLN thousand	EU	Eastern Europe and Asia	North and South America	Total segments	Consolid. adjustments	Total
Segment assets	1,161,777	207,658	35,122	1,404,557	-493,121	911,436
Investment in an associate	0	6,080	0	6,080	0	6,080
Non-allocated assets	0	0	0	0	0	22,383
<b>Total assets</b>	<b>1,161,777</b>	<b>213,738</b>	<b>35,122</b>	<b>1,410,637</b>	<b>-493,121</b>	<b>939,899</b>

31 December 2018 Figures in PLN thousand	EU	Eastern Europe and Asia	North and South America	Total segments	Consolid. adjustments	Total
Segment assets	992,304	170,885	28,159	1,191,348	-427,713	763,635
Investment in an associate	0	6,058	0	6,058	0	6,058
Non-allocated assets	0	0	0	0	0	25,546
<b>Total assets</b>	<b>992,304</b>	<b>176,943</b>	<b>28,159</b>	<b>1,197,406</b>	<b>-427,713</b>	<b>795,239</b>

## 2.6 Other operating revenues and operating costs

### 2.6.1 Other operating revenues

Figures in PLN thousand	9 months ended 30 September 2019 (unaudited)	9 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2019 (unaudited)	3 months ended 30 September 2018 (unaudited)
Profit from disposal of non-financial fixed assets	561	485	129	233
Subsidies	1,511	2,028	546	890
Damages	442	1,425	-22	660
Provisions released	464	289	222	157
Other	782	1,927	223	1,180
<b>Total other operating income</b>	<b>3,760</b>	<b>6,154</b>	<b>1,098</b>	<b>3,120</b>

### 2.6.2 Other operating costs

Figures in PLN thousand	9 months ended 30 September 2019 (unaudited)	9 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2019 (unaudited)	3 months ended 30 September 2018 (unaudited)
Loss on disposal of non-financial fixed assets	31	242	0	99
Uncollectible receivables written off	1,732	175	-49	53
Costs of impairment, liquidation of inventories and net inventory-taking difference	4,701	3,063	2,683	1,093
Damages, penalties, fines	1,338	566	689	308
Provisions raised	5	46	-6	37
Other	893	515	342	-6
<b>Total other operating costs</b>	<b>8,700</b>	<b>4,607</b>	<b>3,659</b>	<b>1,584</b>

The comparative data for the nine months ended 30 September 2018 have been restated taking into account the following presentation changes introduced for the first time in the consolidated financial statements for 2018:

- reclassification of the cost of unused production capacity from other operating expenses to the cost of sales;
- reduction of revenues from inventory overages in correspondence with reduction of costs of inventory shortages;
- reduction of revenues from reversal of impairment allowances for inventories in correspondence with the cost of creating impairment allowances for inventories;

- aggregating under one heading “other operating costs”: costs of impairment and liquidation of inventories and the result on inventory settlement;
- presenting the cost of impairment of tangible assets as a single line item of other operating activities as a result of reduction of other operating expenses.

## 2.7 Financial revenues and expenses

### 2.7.1 Financial revenues

Figures in PLN thousand	9 months ended 30 September 2019 (unaudited)	9 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2019 (unaudited)	3 months ended 30 September 2018 (unaudited)
FX gains	6,314	735	3,436	-5,247
Interest on deposits and bank accounts	144	190	62	64
Other interest	371	122	19	40
Dividends and profit sharing	21	155	21	155
Derivative financial instruments	0	974	0	974
Result on the exercise of the buy-out option (Uniflex S.p.A.)	1,347	0	1,347	0
Other financial revenues	84	16	38	10
<b>Total financial revenues</b>	<b>8,281</b>	<b>2,192</b>	<b>4,923</b>	<b>-4,004</b>

### 2.7.2 Financial expenses

Figures in PLN thousand	9 months ended 30 September 2019 (unaudited)	9 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2019 (unaudited)	3 months ended 30 September 2018 (unaudited)
FX losses	2,074	12,725	-765	6,239
Interest on bank and other loans	3,454	4,576	1,228	1,392
Interest on leases	760	285	244	89
Other interest	155	59	69	17
Derivative financial instruments	1,854	0	840	-567
Other financial expenses	1,212	963	213	261
<b>Total financial expenses</b>	<b>9,509</b>	<b>18,608</b>	<b>1,829</b>	<b>7,431</b>

In 2019, Selena FM S.A. hedged its expected cash flows with FX forwards and other financial instruments. In accordance with its hedging policy (“FX Risk Management Policy”), the Group hedges an active part of currency exposure by entering into forward contracts mainly for the following currency pairs: EUR/RUB, EUR/KZT, EUR/PLN, USD/PLN and RON/PLN, CZK/PLN and HUF/PLN. On average in the period, Selena FM S.A. had open forward contracts hedging the rates up to EUR 5 million for each currency pair. The Group uses such financial instruments solely to hedge its FX risk and does not use them for speculative purposes. Selena FM Group does not use hedge accounting within the meaning of IFRS 9.

As at 30 September 2019, the Group had open forward contracts. The loss on the valuation of unrealised instruments was PLN 350 thousand (including valuation of open contracts of PLN 73 thousand as at 30 September 2019). The loss on exercise of the contracts was PLN 1,504 thousand. The result on transactions was recognised in financial expenses under “Derivative financial instruments”.

As at the publication date, Selena FM S.A. had financial instruments in place relating to EUR/PLN (EUR 0.75 million) and EUR/RUB (EUR 1.75 million) with settlement dates in the period until 28 February 2020.

## 2.8 Income tax

Figures in PLN thousand	9 months ended 30 September 2019 (unaudited)	9 months ended 30 September 2018 (unaudited)
<b>Current income tax:</b>		
Current income tax charge	15,197	10,799
Corrections to the current income tax from previous years	-29	0
<b>Deferred income tax:</b>		
Connected with origination and reversal of temporary differences	1,522	-2,378
<b>Tax disclosed in consolidated income statement</b>	<b>16,690</b>	<b>8,421</b>

Figures in PLN thousand	9 months ended 30 September 2019 (unaudited)	9 months ended 30 September 2018 (unaudited)
<b>Profit (loss) before tax</b>	<b>63,665</b>	<b>32,100</b>
<b>Tax at the Polish statutory rate of 19%</b>	<b>12,096</b>	<b>6,099</b>
Costs/ (revenues) not included in the taxation basis	2,231	-1,793
Tax effect of the losses not included in the taxation basis	1,924	3,473
Corrections to the current income tax from previous years	-29	0
Use of tax losses from previous years	-920	-807
Use of the deferred asset relating to trademarks	1,292	1,292
Tax relief for operations in the Special Economic Zone	-55	0
Effect of other tax rates in foreign affiliates	151	157
Tax at the effective tax rate	16 690	8 421
<b>Effective tax rate</b>	<b>26%</b>	<b>26%</b>

## 2.9 Profit per share

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

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

		9 months ended 30 September 2019 (unaudited)	9 months ended 30 September 2018 (unaudited)
Profit (loss) attributable to the controlling interests	PLN	46,816,060	23,575,431
Average number of ordinary shares	share	22,834,000	22,834,000
<b>Profit/(loss) per ordinary share</b>	<b>PLN/share</b>	<b>2.05</b>	<b>1.03</b>
Number of shares, including dilution	share	22,834,000	22,834,000
<b>Diluted profit per share</b>	<b>PLN/share</b>	<b>2.05</b>	<b>1.03</b>

## 2.10 Inventories

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

Figures in PLN thousand	9 months ended 30 September 2019 (unaudited)	9 months ended 30 September 2018 (unaudited)
<b>Opening balance</b>	<b>5,877</b>	<b>4,623</b>
Creation	4,300	1,366
Utilisation	-1,171	-635
Release	-1,000	-307
FX differences	50	7
<b>Closing balance</b>	<b>8,056</b>	<b>5,054</b>

**2.11 Other short-term receivables**

<b>Figures in PLN thousand</b>	<b>30 September 2019 (unaudited)</b>	<b>31 December 2018</b>
VAT claimed	23,697	26,974
Prepayments for deliveries	8,789	6,184
Prepaid expenses	5,031	3,240
Other financial receivables	2,449	2,625
Other non-financial receivables	2,512	1,976
<b>Total</b>	<b>42,478</b>	<b>40,999</b>

**2.12 Bank credits and loans received**

The balance of bank credits and loans received is presented in the table below (PLN '000)

Ref	Loan type	Maturity date	30 September 2019 (unaudited)		31 December 2018	
			Long-term portion	Short-term portion	Long-term portion	Short-term portion
1	Working capital loan	07/2020	0	0	30,312	0
2	Working capital loan	07/2021	39,882	0	46,798	0
3	Working capital loan	12/2021	25,709	0	0	15,551
4	Working capital loan	06/2021	37,767	0	27,855	0
5	Working capital loan	06/2020	0	11,784	0	2,742
6	Working capital loan	01/2019	0	0	0	2,713
7	Working capital loan	07/2020	0	8,027	0	0
8	Working capital loan	11/2021	13,022	0	7,986	0
9	Other	Different	6,534	12,536	2,761	5,774
			<b>122,914</b>	<b>32,347</b>	<b>115,712</b>	<b>26,780</b>

On 15 July 2019, the subsidiary Selena Vostok signed an annex to the loan agreement of 15 August 2018 (item 5 in the list). The annex extends the loan availability period to 30 June 2020. Other significant terms of the loan granted remain unchanged.

After Selena Vostok OOO had signed an annex to the loan agreement and the credit period had been extended, on 1 August 2019, the Parent Company issued a new corporate guarantee to secure the Bank's receivables under the above loan agreement. The guarantee amount is RUB 350 million. The guarantee will remain in force until 25 July 2020.

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 2019, Selena Group maintained the consolidated financial ratios at the levels required by the lenders.

**2.13 Other financial liabilities**

Figures in PLN thousand	30 September 2019 (unaudited)		31 December 2018	
	Long-term portion	Short-term portion	Long-term portion	Short-term portion
Lease liabilities	12,494	15,060	6,130	5,082
Obligations in respect of bills settlement	0	8,555	0	5,325
Other financial liabilities	0	243	0	5,885
<b>Total financial liabilities</b>	<b>12,494</b>	<b>23,858</b>	<b>6,130</b>	<b>16,292</b>

**2.14 Other liabilities**

Figures in PLN thousand	30 September 2019 (unaudited)		31 December 2018	
	Long-term portion	Short-term portion	Long-term portion	Short-term portion
Investment liabilities	109	1,180	110	1,709
Prepayments for deliveries	0	3,260	0	2,121
VAT payable	0	18,848	0	7,068
Other taxes and insurance payable	0	8,036	0	8,556
Remuneration payable	0	20,005	0	13,556
Other liabilities	2,249	5,384	2,444	4,969
Deferred income	1,657	4,909	1,844	3,994
<b>Total other liabilities</b>	<b>4,015</b>	<b>61,622</b>	<b>4,398</b>	<b>41,973</b>

**2.15 Provisions**

The table below shows changes in the balance of provisions.

Figures in PLN thousand	9 months ended 30 September 2019 (unaudited)			Year ended 31 December 2018		
	Provision for retirement benefits	Other provisions	Total	Provision for retirement benefits	Other provisions	Total
<b>Long term</b>						
<b>Balance at the beginning of the period</b>	<b>3,141</b>	<b>153</b>	<b>3,294</b>	<b>2,793</b>	<b>104</b>	<b>2,897</b>
Provisions raised	482	0	482	670	47	717
Provisions released	-287	0	-287	-286	0	-286
Provisions used	-30	0	-30	-100	0	-100
FX differences	39	2	41	64	2	66
Other	42	-33	9	0	0	0
<b>Balance at the end of the period</b>	<b>3,387</b>	<b>122</b>	<b>3,509</b>	<b>3,141</b>	<b>153</b>	<b>3,294</b>
<b>Short term</b>						
<b>Balance at the beginning of the period</b>	<b>5</b>	<b>6,314</b>	<b>6,319</b>	<b>5</b>	<b>11,491</b>	<b>11,496</b>
Provisions raised	0	561	561	0	1,015	1,015
Provisions released	0	-464	-464	0	-2,270	-2,270
Provisions used	0	-847	-847	0	-3,947	-3,947
FX differences	0	28	28	0	25	25
<b>Balance at the end of the period</b>	<b>5</b>	<b>5,592</b>	<b>5,597</b>	<b>5</b>	<b>6,314</b>	<b>6,319</b>

**2.16 Related party transactions**

The table below shows transactions with directors of the Parent and with associates. The sales and purchases figures cover the period of nine months ended 30 September (2019 and 2018, respectively), while the receivables and liabilities are presented as at 30 September 2019 and 31 December 2018.

Figures in PLN thousand	Period	Sale	Purchase	Receivables	Liabilities
Associates	2019	21,053	21	7,330	0
	2018	15,073	9	4,524	35
Subsidiaries of the ultimate controlling shareholder*	2019	599	101	23	0
	2018	1,895	435	130	0
Key management personnel**	2019	0	578	0	0
	2018	0	760	0	110
<b>TOTAL</b>	<b>2019</b>	<b>21,652</b>	<b>700</b>	<b>7,353</b>	<b>0</b>
	<b>2018</b>	<b>16,968</b>	<b>1,204</b>	<b>4,654</b>	<b>145</b>

\* 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.

## 2.17 Discontinued operations

In the period of nine months ended 30 September 2019 the Group did not discontinue nor it plans to discontinue any type of business over the next 12 months.

## 2.18 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 2018 (Note 32).

In Q3 2019, no significant changes occurred to the rules and tools used for financial risk management.

### 2.18.1 FX risk

For the purpose of risk analysis, FX risk is defined as a risk of volatility of the future cash flows denominated in other currencies than the Group's functional currency as a result of FX fluctuations. In the case of the Group, the risk arises from the fact that a major portion of the transactions is conducted beyond Poland and settled in other currencies than the functional currency. In consequence, the FX fluctuations affect the cash flows, expressed in the functional currency, generated by the Group companies (both on the income and cost side) and the open balance sheet positions (net assets) expressed in foreign currency.

The Group's exposure to currency risk includes current assets and liabilities exposed to fluctuations in the following currencies: EUR, USD, HUF, UAH, CZK, BRL, BGN, CNY, KRW, GBP, CHF, CAD, BYN, RUB, RON, KZT, TRY . The Group uses selected financial instruments (mainly forward transactions) to hedge the value of future cash flows denominated in foreign currencies and the net asset value of its foreign operations. Selena Group hedges the active part of its currency exposures relating to trade receivables and liabilities, i.e. those that can actually be realised over 12 months. Selena Group also hedges currency exposure by using multi-currency credit lines and external financing in the currencies of local subsidiaries.

### 2.18.2 Interest rate risk

For the purpose of risk analysis, interest rate risk is defined as a risk of fluctuations in the fair value of the future cash flows as a result of changes in the market interest rates. In the case of the Group the risk applies mainly to the bank and other loans, leases and interest-earning financial assets held by the Group companies (mainly cash).

The deposits opened by the Group companies are short-term in nature, therefore they reflect the current market conditions, but they also increase the risk of variability of future cash flows from interest.

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

### 2.18.3 Credit risk

Due the nature and size of its business, the Group's credit risk is subject to regular analysis for all the subsidiaries forming part of the Group. The Group enters into trading transactions with the companies that demonstrate a strong credit worthiness. The customers who are allowed trade credit are vetted depending on the nature and extent of the relationship. As a result, each client has an individually calculated credit limit and payment terms. Group companies regularly monitor the

value and age structure of receivables and take collection measures to mitigate credit risk. Furthermore, selected companies of the Group entered into an agreement Atradius Credit Insurance N.V.S.A. to insure their trade receivables.

Since 1 January 2018, the Group has applied an impairment allowance matrix to calculate expected credit losses on trade receivables. Changes in impairment allowances on trade and other receivables alongside comparative data are presented in the table below:

Impairment charge for trade receivables and other financial receivables Figures in PLN thousand	9 months ended 30 September 2019 (unaudited)	9 months ended 30 September 2018 (unaudited)
<b>Allowance in respect of expected credit loss at the beginning of the period</b>	<b>35,102</b>	<b>34,452</b>
Impact of IFRS 9	-	170
<b>Allowance in respect of expected credit loss at the beginning of the period after the application of IFRS 9</b>	<b>35,102</b>	<b>34,622</b>
Created/ reversed (-) according to IFRS 9	2,793	2,950
Utilisation	-5,118	-1,979
FX differences	902	-1,407
Other	0	-165
<b>Impairment in respect of expected credit loss at the end of the period</b>	<b>33,679</b>	<b>34,021</b>

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

Figures in PLN thousand	Overdue, not covered by impairment charges (days in arrears):							
	Total	Up-to-date	< 30	31 – 60	61 – 90	91 – 180	181 - 360	
<b>30 September 2019 (unaudited)</b>	312,763	280,516	23,733	4,926	1,723	1,237	198	430
<b>31 December 2018</b>	217,910	188,946	20,379	5,678	1,269	997	266	375

The Group's maximum exposure to credit risk at the end of the reporting period approximates the full amount of the trade receivables, cash and other receivables, without taking account of the fair value of any collateral received.

Details on the assets held as security for loans are provided in Note 21.5 of the consolidated financial statements for 2018. The risk that no cash flows will be obtained from the indicated asset items is considered as low. In the situation of an increased credit risk, the Group is protected by asset impairment charges, which are reflected in the carrying amounts of the assets.

Cash is deposited with financial institutions in the form of short-term deposits. Credit risk associated with cash is low in the Management Board's opinion. Cash in bank carries variable rates of interest. Short-term deposits are opened for different periods (up to 3 months), and carry different interest rates.

As at 30 September 2019, the Group's companies had unutilised credit lines of PLN 194.69 million. As at 31 December 2018: PLN 210.04 million.

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

Figures in PLN thousand	30 September 2019 (unaudited)	31 December 2018
Cash in bank	84,822	40,328
Cash on hand	595	227
Cheques (up to 3 months)	6,598	3,982
Short-term deposits	709	92
Cash in transit	235	872
<b>Total</b>	<b>92,959</b>	<b>45,501</b>



In the case of cash and cash equivalents, the Management Board of the Parent Company believes that the credit risk is low (stage 1 of the impairment model). A great majority of cash on bank accounts is held by Selena FM Group with financial institutions that have high, medium-high and medium credit rating and which have appropriate equity as well as a strong and stable market position.

#### **2.18.4 Liquidity risk**

The Group's Management Board seeks to maintain a balance between continuity and flexibility of financing. To this end, different funding sources are used, including investment loans, overdrafts and leases.

As part of its role of central coordination of the Group's finance management, Selena FM S.A. originates loans to its subsidiaries to ensure current financing and liquidity for them (the effect of such transactions is eliminated from the Group's consolidated accounts). Details of these transactions are contained in condensed standalone financial statements of the Parent Company for the nine months ended 30 September 2019 (Note 3.7).

#### **2.18.5 Other risks**

The Group has an extensive co-operation with customers from the Eastern markets (Russia, Ukraine, Kazakhstan). The executive boards of the Group companies are aware of the risks pertaining to the Eastern markets (FX, credit, legal, tax and political risk). The Group has operated a sales management model and a partial hedging of FX transactions designed to mitigate the above risks.

Furthermore, a material portion of the Group's operating costs are the cost of commodities, including those purchased in foreign markets. Commodity prices are characterised by volatility and reflect fluctuations in the global economy and oftentimes are linked to changing oil prices. The growing commodity prices press on distributors' margins and bring demand down. On the other hand, decreasing prices may point to a dwindling demand and a beginning of a downturn. Stable growth and stable commodity prices positively affect the Group's business, ensuring more accurate projections of performance, while fluctuations in demand and an increase in commodity prices have a negative bearing on the Group's profitability.

#### **2.19 Events occurring after the balance sheet date**

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

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

#### INCOME STATEMENT

Figures in PLN thousand	Note	9 months ended 30 September 2019 (unaudited)	9 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2019 (unaudited)	3 months ended 30 September 2018 (unaudited)
<b>Continued operations</b>					
Revenue from the sale of goods and materials		434,762	342,388	176,428	126,179
Revenues from the sale of services		20,061	19,885	7,073	7,395
<b>Revenue from sales</b>		<b>454,823</b>	<b>362,273</b>	<b>183,501</b>	<b>133,574</b>
Cost of sales		403,322	322,641	161,389	117,662
<b>Gross profit (loss)</b>		<b>51,501</b>	<b>39,632</b>	<b>22,112</b>	<b>15,912</b>
Other operating income	3.3	242	427	73	142
Selling and marketing costs		28,648	26,815	10,824	8,997
General and administrative expenses		23,829	20,837	8,638	6,981
Other operating costs	3.3	531	400	371	93
Impairment loss/ (-) reversal of impairment loss on financial assets		2,365	-1,184	714	-697
<b>Operating profit (loss)</b>		<b>-3,630</b>	<b>-6,809</b>	<b>1,638</b>	<b>680</b>
Financial revenues	3.4	42,168	32,687	9,016	-1,859
Financial expenses	3.4	4,417	4,774	1,576	2,355
Impairment loss/ (-) reversal of impairment loss on financial assets		-5,296	-110	153	-124
<b>Profit (loss) before tax</b>		<b>39,417</b>	<b>21,214</b>	<b>8,925</b>	<b>-3,410</b>
Income tax	3.5	2,308	-1,357	1,257	-890
<b>Net profit (loss) on continued operations</b>		<b>37,109</b>	<b>22,571</b>	<b>7,668</b>	<b>-2,520</b>
<b>Discontinued operations</b>					
Profit (loss) on discontinued operations		-	-	-	-
<b>Profit (loss) after tax</b>		<b>37,109</b>	<b>22,571</b>	<b>7,668</b>	<b>-2,520</b>
Earnings per share (continued operations) (PLN/share):					
- basic		1.63	0.99	0.34	-0.11
- diluted		1.63	0.99	0.34	-0.11

#### STATEMENT OF COMPREHENSIVE INCOME

Figures in PLN thousand	9 months ended 30 September 2019 (unaudited)	9 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2019 (unaudited)	3 months ended 30 September 2018 (unaudited)
Profit (loss) after tax	37,109	22,571	7,668	-2,520
Other net comprehensive income	0	0	0	0
<b>Total comprehensive income</b>	<b>37,109</b>	<b>22,571</b>	<b>7,668</b>	<b>-2,520</b>

## STATEMENT OF FINANCIAL POSITION

Figures in PLN thousand	Note	30 September 2019 (unaudited)	31 December 2018
Property, plant and equipment		4,371	2,837
Intangible fixed assets		14,889	15,800
Shares in subsidiaries	3.6	168,750	161,710
Long-term portion of loans granted	3.7	127,936	98,364
<b>Non-current assets</b>		<b>315,946</b>	<b>278,711</b>
Inventories		6,479	4,346
Trade receivables		158,012	159,235
Other short-term receivables	3.9	25,505	22,375
Short-term portion of loans granted	3.7	16,718	24,772
Other short-term financial assets		11	277
Cash and cash equivalents		41,223	1,849
<b>Current assets</b>		<b>247,948</b>	<b>212,854</b>
<b>TOTAL ASSETS</b>		<b>563,894</b>	<b>491,565</b>
Registered capital		1,142	1,142
Supplementary capital		289,459	265,794
Other reserves		19,163	19,163
Retained profit/ loss carried forward		27,333	20,739
– retained profit/ loss from previous years		-9,776	-9,776
– profit (loss) after tax		37,109	30,515
<b>Equity</b>		<b>337,097</b>	<b>306,838</b>
Long-term portion of bank and other loans	3.10	75,701	83,450
Other financial liabilities		929	745
Deferred tax assets		2,246	96
Provision for retirement benefits		195	153
<b>Non-current liabilities</b>		<b>79,071</b>	<b>84,444</b>
Trade liabilities	3.11	135,304	85,597
Liabilities in respect of contracts with customers		771	953
Short-term portion of bank and other loans	3.10	4,457	8,516
Other financial liabilities		2,227	631
CIT tax payable		86	512
Other short-term liabilities		4,881	4,074
<b>Current liabilities</b>		<b>147,726</b>	<b>100,283</b>
<b>Total liabilities</b>		<b>226,797</b>	<b>184,727</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>563,894</b>	<b>491,565</b>

**STATEMENT OF CASH FLOWS**

Figures in PLN thousand	Note	9 months ended 30 September 2019 (unaudited)	9 months ended 30 September 2018 (unaudited)
<b>Cash flows from operating activities</b>			
<b>Profit / loss before tax on continued operations</b>		39,417	21,214
Adjusted by:			
Depreciation/ amortisation		4,281	2,596
FX (gains) / losses		-7,111	3,334
Interest and dividends		-31,760	-29,216
Profit / loss on investing activities		8,402	-1,091
Change in the balance of receivables		-28,525	-47,107
Change in the balance of inventories		-2,134	-1,242
Change in the balance of obligations		50,347	6,293
Change in the balance of provisions		42	0
CIT paid		-135	-152
Other		-1,347	1,730
<b>Net cash flows from operating activities</b>		<b>31,477</b>	<b>-43,641</b>
<b>Cash flows from investing activities</b>			
Inflows from the sale of tangible fixed assets		199	27
Acquisition of tangible and intangible fixed assets		-1,019	-362
Purchase of shares in subsidiaries		-7,040	0
Sale of other financial assets		0	0
Dividends and interest received		27,247	26,528
Cancellation of subsidiaries' shares		0	0
Loans granted		-789	-24,073
Repayments of loans granted		12,366	6,271
Bond repayments received		0	0
<b>Net cash flows from investing activities</b>		<b>30,964</b>	<b>8,391</b>
<b>Cash flows from financing activities</b>			
Repayment of lease obligations		-2,350	-468
Inflows from bank/ other loans received		26,462	108,689
Repayment of loans		-39,086	-60,579
Payment of dividend		-6,850	-6,850
Interest paid		-1,276	-2,394
<i>including lease interest</i>		-113	0
<b>Net cash flows from financing activities</b>		<b>-23,100</b>	<b>38,398</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>39,341</b>	<b>3,148</b>
<b>Change in cash and cash equivalents:</b>		<b>39,374</b>	<b>3,172</b>
net FX differences		33	24
<i>Cash at the beginning of the period*</i>		1,849	10,121
<i>Cash at the end of the period*</i>		41,223	13,293

\*including restricted cash:

as at 30 September 2019: PLN 0.05m

as at 30 September 2018: PLN 0.05m

**STATEMENT OF CHANGES IN EQUITY**
**FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2019**

Figures in PLN thousand	Registered capital	Supplementary capital	Other reserves	Retained profit/ (loss carried forward) from:		Total equity
				years		
				prior years	current period	
<b>As at 1 January 2019</b>	1,142	265,794	19,163	20,739	0	306,838
Profit (loss) after tax	0	0	0	0	37,109	37,109
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>37,109</b>	<b>37,109</b>
Transfer of profit to the supplementary capital	0	23,665	0	-23,665	0	0
Dividend	0	0	0	-6,850	0	-6,850
<b>As at 30 September 2019 (unaudited)</b>	<b>1,142</b>	<b>289,459</b>	<b>19,163</b>	<b>-9,776</b>	<b>37,109</b>	<b>337,097</b>

**FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2018**

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

## ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

### 3.1 Data covered by the financial statements

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

### 3.2 Accounting policies

#### 3.2.1 Changes in the accounting policies

The accounting policies that were used in preparation of the financial statements are consistent with the policies used in preparation of the Company's financial statements for 2018, taking into account changes resulting from implementation of new standards: IFRS 16 "Leases".

#### 3.2.2 IFRS 16 Leases

The Company applied IFRS 16 as of 1 January 2019, without transforming the comparative data, which means that data for 2018 and 2019 will not be comparable, while any adjustments related to IFRS 16 were made as of 1 January 2019 and reflected in equity.

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.

According to the standard, the lessee is 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.

During the work related to implementation of the new IFRS 16 standard, an analysis was performed of all finance lease, operating lease, rental and tenancy contracts identified at the Company and other types of contracts previously not carried as leases.

For the purposes of the first-time adoption of the standard, the modified retrospective method was applied and the right-of-use assets was measured in an amount equal to lease liabilities, adjusted by the amount of any prepayments or accrued lease payments referring to leases, recognized in the statement of financial position immediately before the first-time adoption. In accordance with the transitional provisions included in the standard, the new principles were adopted retrospectively with the first-adoption result reflected in equity as at 1 January 2019. Therefore, comparative data for 2018 were not restated.

In accordance with the adopted policy, at the moment of initial recognition, right of use assets are measured at cost including:

- initial value of the lease liability
- lease payments made on or before the lease contract date, reduced by any incentives received
- any initial costs incurred by the lessee
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset.

Depreciation is calculated using the straight-line method over the shorter of the estimated useful life or the lease period.

The lease liabilities have been measured based on the present value of lease payments during the lease contract.

The payment included in the measurement includes:

- fixed payments less any lease incentives receivable
- variable lease payments that depend on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease (if applicable).

In accordance with IFRS 16, the discount rate was estimated, which is the incremental borrowing rate reflecting the cost of finance that the Company would have to incur to purchase the leased asset. In order to estimate the correct rate, account was taken of the contract type and its duration.

The weighted average lease rate reflecting the cost of borrowing that the Company would have to incur to buy the leased asset, used for the purpose of valuation of liabilities, was 2.90%.

The Company decided to use the following practical expedients provided for in IFRS 16:

- no recognition of right-of-use assets and lease liabilities for contracts involving payments for leases of low-value assets – where the underlying asset has a value not higher than USD 5,000;
- no recognition of right-of-use assets and lease liabilities for short-term contracts (shorter than 12 months, which have no option to purchase the leased asset);
- applying a single discount rate for a portfolio of leases with similar characteristics (e.g. one discount rate for contracts concluded in a particular country);
- the use of hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

Presented below is the impact of implementation of IFRS 16 on individual items of the statement of financial position as at 1 January 2019:

Item in the statement of financial position	1 January 2019
<b>Figures in PLN thousand</b>	
Property, plant and equipment	2,928
Other financial liabilities	2,928
<b>Reconciliation of transition from IAS 17 to IFRS 16 (lease liabilities)</b>	
<b>Figures in PLN thousand</b>	
Operating lease liabilities (without discount) as at 31 December 2018	2,995
Impact of the discount using the incremental borrowing rate on implementation of IFRS 16	-67
Finance lease liabilities as at 31 December 2018	1,376
<b>Lease liabilities as at 1 January 2019</b>	<b>4,304</b>

Presented below is the impact of IFRS 16 on asset position as at 30 September 2019:

Rights of use split by asset classes:	31 December 2018	Impact of IFRS 16 as at 1 January 2019	1 January 2019 (after the application of IFRS 16)	30 September 2019
<b>Figures in PLN thousand</b>				
Buildings and structures	0	2,928	2,928	1,464
Plant and machinery	263	0	263	0
Vehicles	1,394	0	1,394	1,849

### 3.3 Other operating revenues and operating costs

#### 3.3.1 Other operating revenues

	9 months ended 30 September 2019 (unaudited)	9 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2019 (unaudited)	3 months ended 30 September 2018 (unaudited)
<b>Figures in PLN thousand</b>				
Profit from disposal of non-financial fixed assets	174	25	73	17
Compensations, complaints	59	298	0	67
Other	9	104	0	58
<b>Total other operating income</b>	<b>242</b>	<b>427</b>	<b>73</b>	<b>142</b>

#### 3.3.2 Other operating costs

	9 months ended 30 September 2019 (unaudited)	9 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2019 (unaudited)	3 months ended 30 September 2018 (unaudited)
<b>Figures in PLN thousand</b>				
Impairment charge for inventory	331	0	281	0
Donations	48	18	48	0
Receivables cancelled/written off	1	105	0	0
Damages, penalties, fines	103	276	7	93
Other	48	1	35	0
<b>Total other operating costs</b>	<b>531</b>	<b>400</b>	<b>371</b>	<b>93</b>

### 3.4 Financial revenues and expenses

#### 3.4.1 Financial revenues

	9 months ended 30 September 2019 (unaudited)	9 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2019 (unaudited)	3 months ended 30 September 2018 (unaudited)
<b>Figures in PLN thousand</b>				
Dividends and profit sharing	27,247	26,528	0	0
Interest, including:	6,390	5,186	2,266	1,934
<i>on loans granted</i>	6,334	5,186	2,216	1,934
<i>on bank deposits and accounts</i>	56	0	50	0
FX differences	8,531	0	6,750	-4,766
Valuation of currency contracts	0	973	0	973
<b>Total financial revenues</b>	<b>42,168</b>	<b>32,687</b>	<b>9,016</b>	<b>-1,859</b>

#### 3.4.2 Financial expenses

	9 months ended 30 September 2019 (unaudited)	9 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2019 (unaudited)	3 months ended 30 September 2018 (unaudited)
<b>Figures in PLN thousand</b>				
Interest, including:	1,824	2,499	561	941
<i>on loans and advances received</i>	1,710	2,434	566	921
<i>on finance lease liabilities</i>	113	63	40	19
<i>on other obligations</i>	1	2	-45	1
Valuation of currency contracts	1,854	0	841	-567
FX differences	0	1,916	0	1,916
Other financial expenses	739	359	174	65
<b>Total financial expenses</b>	<b>4,417</b>	<b>4,774</b>	<b>1,576</b>	<b>2,355</b>



As at 30 September 2019, Selena FM S.A. had open forward contracts. The loss on the valuation of unrealised instruments was PLN 350 thousand (including valuation of open contracts of PLN 73 thousand as at 30 September 2019). The loss on exercise of the contracts was PLN 1,504 thousand. The result on transactions was recognised in financial expenses under "Derivative financial instruments".

As at the publication date, Selena FM S.A. had financial instruments in place relating to EUR/PLN (EUR 0.75 million) and EUR/RUB (EUR 1.75 million) with settlement dates in the period until 28 February 2020.

### 3.5 Income tax

<b>Figures in PLN thousand</b>	<b>9 months ended 30 September 2019 (unaudited)</b>	<b>9 months ended 30 September 2018 (unaudited)</b>
Income tax for the current period	0	0
Change in deferred income tax	2,308	-1,357
Adjustments to current tax for prior periods	0	0
<b>Tax charge carried in profit or loss:</b>	<b>2,308</b>	<b>-1,357</b>

### 3.6 Shares in subsidiaries

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

<b>Figures in PLN thousand</b>	<b>30 September 2019 (unaudited)</b>			<b>31 December 2018</b>		
	<b>Gross</b>	<b>Write-down</b>	<b>Net</b>	<b>Gross</b>	<b>Write-down</b>	<b>Net</b>
Selena S.A.	62,781	0	<b>62,781</b>	62,781	0	<b>62,781</b>
Selena Labs Sp. z o.o.	1,400	0	<b>1,400</b>	1,400	0	<b>1,400</b>
Carina Sealants Sp. z o.o.	8	0	<b>8</b>	8	0	<b>8</b>
Selena Industrial Technologies Sp. z o.o.	38,379	0	<b>38,379</b>	38,379	0	<b>38,379</b>
Selena Deutschland GmbH	4	0	<b>4</b>	4	0	<b>4</b>
Selena Italia srl	1,884	1,884	<b>0</b>	1,884	1,884	<b>0</b>
Selena Iberia slu	43,478	22,913	<b>20,565</b>	43,478	22,913	<b>20,565</b>
Uniflex S.p.A.	11,082	0	<b>11,082</b>	7,109	0	<b>7,109</b>
Selena USA Inc.	3,707	2,407	<b>1,300</b>	1,289	1,289	<b>0</b>
Selena Sulamericana Ltda	3,594	3,594	<b>0</b>	3,594	3,594	<b>0</b>
Selena USA Specialty Inc.**	0	0	<b>0</b>	2,418	1,118	<b>1,300</b>
Selena Romania SRL	11,944	11,944	<b>0</b>	11,944	11,944	<b>0</b>
Selena Bohemia s.r.o	9,936	0	<b>9,936</b>	9,936	0	<b>9,936</b>
Selena Hungária Kft.	679	679	<b>0</b>	679	679	<b>0</b>
Selena Bulgaria Ltd.	0	0	<b>0</b>	0	0	<b>0</b>
EURO MGA Product SRL	0	0	<b>0</b>	1	0	<b>1</b>
Selena Ukraine Ltd.	3,068	0	<b>3,068</b>	0	0	<b>0</b>
Selena CA L.L.P.	9,029	0	<b>9,029</b>	9,029	0	<b>9,029</b>
Selena Insulations	1,206	1,206	<b>0</b>	1,206	1,206	<b>0</b>
Weize (Shanghai) Trading Co., Ltd.	0	0	<b>0</b>	0	0	<b>0</b>
Selena Nantong Building Materials Co., Ltd.	33,910	33,910	<b>0</b>	33,910	33,910	<b>0</b>
Selena Vostok	11,197	0	<b>11,197</b>	11,197	0	<b>11,197</b>
Selena Malzemeleri Yapi Sanayi Tic. Ltd.	23,765	23,764	<b>1</b>	23,765	23,764	<b>1</b>
<b>Value of shares</b>	<b>271,051</b>	<b>102,301</b>	<b>168,750</b>	<b>264,011</b>	<b>102,301</b>	<b>161,710</b>

\* value of shares below PLN 400

\*\*On 1 January 2019, Selena USA Inc. merged (as acquiring company) with Selena USA Speciality Inc. (acquired company).

### 3.7 Loans granted and other financial assets

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

		Principal			Interest			FX differences arising on balance sheet valuation	Write-down	30 September 2019 (unaudited)
		1 January 2019	Loans granted	Repaid	Accrued	Paid	Withholding tax			
Subsidiaries	Loans									
	Gross value	222,656	27,692	-10,814	6,336	-1,595	-683	9,520	0	253,113
	Impairment (-)/ reversal of impairment	-99,569	0	0	0	0	0	-2,174	-6,716	-108,459
	Net value	123,087	27,692	-10,814	6,336	-1,595	-683	7,346	-6,716	144,654
Non-connected entities	Loans	49	0	-45	0	-4	0	0	0	0
	Valuation of derivatives	277	0	-266	0	0	0	0	0	11
<b>TOTAL</b>		<b>123,413</b>	<b>27,692</b>	<b>-11,125</b>	<b>6,336</b>	<b>-1,599</b>	<b>-683</b>	<b>7,346</b>	<b>-6,716</b>	<b>144,665</b>
<i>including long-term:</i>		98,364								127,936

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

Maturity (in years) 30 September 2019 (unaudited)		below 1 year	1-3 years	Above 3 years	Without maturity	Total
Subsidiaries	Loans	16,718	52,319	75,617	0	144,654
	Contributions to capital					
Non-connected entities	Valuation of derivatives	11	0	0	0	11
<b>TOTAL</b>		<b>16,729</b>	<b>52,319</b>	<b>75,617</b>	<b>0</b>	<b>144,665</b>

Selena FM S.A. received loan repayments from subsidiaries totalling PLN 10,815 thousand:

- Polyfoam Yalitim San.Tic.Ltd.Şti: TRY 75 thousand
- Selena Vostok: RUB 97,000 thousand
- Selena CA: EUR 1,150 thousand
- Inteligentny Start (Smart Start foundation): PLN 45 thousand

On 15 January 2019, agreements were signed with Euro MGA Product S.R.L. re conversion of trade receivables to loans, in the amount of EUR 552 thousand and RON 3,953 thousand. Interest rates on the loans are variable. The repayment date for both loans is 31 December 2023. As a result of the conversion, the impairment loss on receivables in the amount of PLN 6,121 thousand was reversed. At the same time, an impairment allowance was created for new loans in the same amount.

On 15 January 2019, agreements were signed with Selena Romania S.R.L re conversion of trade receivables to loans, in the amount of EUR 1,358 thousand and RON 6,455 thousand. Interest rates on the loans are variable. The repayment date for both loans is 31 December 2023. As a result of the impairment test for the company's investment in the Romanian companies carried out as at 30 June 2019, the company reversed the impairment allowance for the loans granted to Selena Romania srl (PLN 5,895 thousand), originated as a result of conversion of the trade receivables previously covered with a 100% allowance in the same amount.

On 29 March 2019, annexes were signed to loan agreements with Selena Iberia slu, extending the loan maturity dates to 31 December 2024 and changing the interest rate on the loans.

On 11 June 2019, a loan agreement was signed with Oligo Sp. z o.o., providing for two facilities: of PLN 10,000 thousand and EUR 1,000 thousand. Interest rates on the loans are variable. The facilities mature on 31 December 2023.

On 28 June 2019, an agreement was signed with Selena CA L.L.P. for the conversion of trade receivables into a loan in the amount of EUR 2,097 thousand. The interest rate on the loan is variable. The loan matures on 21 December 2024.

On 28 June 2019, an agreement was signed with Selena Bulgaria EOOD providing for cancellation of a loan with interest in the amount of EUR 10 thousand.

On 16 June 2019, loan tranches of PLN 100 thousand and EUR 150 thousand were paid out to Oligo.

On 3 June 2019, a loan tranches of PLN 50 thousand was transferred to Oligo.

On 16 September 2019, an annex was signed to the loan agreement with Selena Nantong, extending the repayment date of the loan of CNY 6 million to 19 March 2020, and changing the interest rate on the loan.

#### Events occurring after the balance sheet date

On 2 October 2019, loan tranches of PLN 200 thousand and EUR 100 thousand were paid out to Oligo.

On 14 October 2019, a loan tranche of PLN 200 thousand was paid out to Oligo.

On 15 October 2019, a loan tranche of EUR 50 thousand was paid out to Oligo.

On 7 November 2019, a loan tranche of PLN 2,000 thousand was paid out to Oligo.

On 7 November 2019, a loan tranche of PLN 15 thousand was paid out to Carina Sealants.

On 20 November 2019, Annex 2 was signed to the loan agreement with Selena Romania, extending the repayment date to 31 December 2024, and changing the interest rate on the loan.

**3.8 Trade receivables**

The table below presents the age structure of trade receivables.

Figures in PLN thousand	Total	Up-to-date	Days in arrears							
			< 30	31 – 60	61 – 90	91 – 120	121 – 180	181 – 360	>361	
30 September 2019	Trade receivables from non-related parties	17,661	15,011	1,112	364	37	17	11	6	1,103
	Default rate		1.6%	8.7%	21.3%	33.5%	45.4%	54.9%	71.5%	100.0%
	Expected credit loss	1,274	18	76	60	4	8	1	4	1,103
1 January 2019	Trade receivables from non-related parties	10,774	7,895	1,521	170	26	1	5	44	1,112
	Default rate		1.5%	6.3%	16.1%	27.5%	41.3%	60.0%	71.0%	100.0%
	Expected credit loss	1,256	44	56	3	7	0	3	31	1,112

<b>9 months ended 30 September 2019 (unaudited)</b>	<b>9 months ended 30 September 2018 (unaudited)</b>	<b>3 months ended 30 September 2019 (unaudited)</b>	<b>3 months ended 30 September 2018 (unaudited)</b>
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**Figures in PLN thousand**

	27,501	22,701	17,250	32,468
<b>Impairment allowance at the beginning of the period</b>				
<i>related parties</i>	26,245	21,727	15,620	31,142
<i>other entities, including associates</i>	1,256	974	1,630	1,326
Application of IFRS 9	0	9,077	0	0
<i>related parties</i>	0	8,956	0	0
<i>other entities, including associates</i>	0	121	0	0
<b>Impairment allowance created/ reversed (-) according to IFRS 9:</b>	-9,646	-1,184	719	-697
<i>related parties, including:</i>	-9,957	-1,417	795	-742
<i>EURO MGA Product SRL</i>	-6,117	1,381	5	1,543
<i>Selena Hungaria KFT</i>	0	2	0	0
<i>Selena Deutschland GmbH</i>	0	-3	0	-12
<i>Selena Ukraina Sp. z o.o.</i>	0	701	0	0
<i>Selena Sulamericana IND. E</i>	2,055	650	790	-82
<i>Selena S.A.</i>	0	-41	0	9
<i>Selena USA</i>	0	-2,833	0	-2,687
<i>Universal Energy Sp. z o.o.</i>	0	1,286	0	619
<i>Selena Vostok</i>	0	-191	0	-3
<i>Selena Romania SRL</i>	-5,895	-774	0	-157
<i>TOO Selena Insulations</i>	0	10	0	0
<i>Selena Nantong Building Materials Co. LTD</i>	0	-1,223	0	0
<i>Selena Bulgaria Ltd.</i>	0	-426	0	0
<i>Other connected companies</i>	0	44	0	28
<i>other entities, including associates</i>	311	233	-76	46
FX differences arising on translation	229	1,073	112	-104
<i>related parties</i>	214	1,050	86	-84
<i>other entities, including associates</i>	15	23	26	-20
<b>Impairment allowances at the end of the period</b>	<b>18,084</b>	<b>31,667</b>	<b>18,084</b>	<b>31,667</b>
<i>related parties</i>	16,502	30,316	16,502	30,315
<i>other entities, including associates</i>	1,582	1,351	1,582	1,352

### 3.9 Other short-term receivables

Figures in PLN thousand	30 September 2019 (unaudited)	31 December 2018
VAT claimed	22,367	19,777
Prepayments for deliveries	78	18
Settlements with employees	86	26
Withholding tax	1,682	1,417
Prepayments and accruals	982	827
Other	310	310
<b>Total other receivables</b>	<b>25,505</b>	<b>22,375</b>

### 3.10 Bank credits and loans received

The table below shows the debt in respect of borrowings.

Ref.	Loan type	Maturity date	30 September 2019 (unaudited)		31 December 2018	
			Long-term portion	Short-term portion	Long-term portion	Short-term portion
<b>Figures in PLN thousand</b>						
1	Working capital loan	07/2020	0	0	14,270	0
2	Working capital loan	07/2021	8,950	0	21,856	0
3	Working capital loan	12/2021	6,795	0	0	4,759
4	Working capital loan	06/2021	23,829	0	16,154	0
5	Working capital loan	11/2021	13,022	0	7,987	0
6	Non-bank loan	12/2023	2,405	139	2,483	0
7	Non-bank loan	12/2019	0	1,032	0	1,011
8	Non-bank loan	12/2019	0	1,769	0	1,728
9	Non-bank loan	12/2019	0	780	0	765
10	Non-bank loan	09/2022	8,700	457	8,700	70
11	Non-bank loan	12/2023	12,000	280	12,000	183
<b>Total loans</b>			<b>75,701</b>	<b>4,457</b>	<b>83,450</b>	<b>8,516</b>

As part of the loan agreements signed by the Company separately or jointly with its subsidiaries, Selena FM S.A. undertook to maintain certain financial ratios at the levels agreed with banks. As at 30 September 2019, Selena FM S.A. maintained financial ratios at the levels required by the lenders.

### 3.11 Trade liabilities

Figures in PLN thousand	30 September 2019 (unaudited)	31 December 2018
Trade liabilities		
<i>amounts due to related parties</i>	124,675	77,995
<i>amounts due to other entities</i>	10,629	7,602
<b>Total trade liabilities</b>	<b>135,304</b>	<b>85,597</b>

### 3.12 Related party transactions

The table below shows transactions with related parties (subsidiaries, associates, members of the Company's governing bodies) over the 9 months ended 30 September 2019 and 30 September 2018, respectively.

Figures in PLN thousand	Period	Revenue from sales and recharged costs	Purchase of goods and services	Other revenues <sup>1)</sup>	Other costs
Subsidiaries	2019	402,978	388,534	33,604	408
	2018	330,634	306,218	31,822	423
Associates	2019	3,731	33	0	0
	2018	3,304	0	0	0
Subsidiaries of the ultimate controlling shareholder	2019	598	0	0	0
	2018	1,895	0	0	0
<b>TOTAL</b>	<b>2019</b>	<b>407,307</b>	<b>388,567</b>	<b>33,604</b>	<b>408</b>
	<b>2018</b>	<b>335,833</b>	<b>306,218</b>	<b>31,822</b>	<b>423</b>

<sup>1)</sup> the value includes other operating revenues and financial revenues

The table shows the balance of transactions with related parties (subsidiaries, associates, members of the Parent Company's governing bodies) as at 30 September 2019 and 31 December 2018.

Figures in PLN thousand	Period	Loans	Trade receivables	Other receivables	Liabilities
Subsidiaries	2019	144,653	139,739	0	152,236
	2018	123,087	148,574	0	104,902
Associates	2019	0	1,857	0	0
	2018	0	1,013	0	35
Subsidiaries of the ultimate controlling shareholder*	2019	0	23	0	0
	2018	0	130	0	0
<b>TOTAL</b>	<b>2019</b>	<b>144,653</b>	<b>141,619</b>	<b>0</b>	<b>152,236</b>
	<b>2018</b>	<b>123,087</b>	<b>149,717</b>	<b>0</b>	<b>104,937</b>

\* the item includes entities connected through Mr Krzysztof Domarecki

**The person who prepared the  
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