SELENA FM GROUP

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Wrocław, 25 April 2019

CONSOLIDATED INCOME STATEMENT

Figures in PLN thousand	Note	Year ended 31 December 2018	Year ended 31 December 2017 restated data*
Continued operations			
Revenue from the sale of products		1,139,692	1,100,478
Revenue from the sale of goods and materials		86,722	76,985
Revenue from the sale of services and lease		1,557	1,243
Revenue from sales	5	**1,227,971**	**1,178,706**
Cost of sales	6	870,084	838,499
Gross profit (loss)		**357,887**	**340,207**
Other operating income	7.1	11,834	7,546
Selling and marketing costs	6	193,646	192,823
General and administrative expenses	6	99,359	98,156
Other operating costs	7.2	9,205	12,728
Impairment of tangible fixed assets	16.3	10,637	612
Impairment loss on financial assets	32.3	4,579	-
Operating profit (loss)		**52,295**	**43,434**
Financial revenues	8.1	5,800	15,479
Financial expenses	8.2	21,291	43,195
Share in net profit/loss of the associate		459	485
Profit (loss) before tax		**37,263**	**16,203**
Income tax	9	10,603	9,364
Net profit (loss) on continued operations		**26,660**	**6,839**
Discontinued operations			
Loss on discontinued operations		–	–
Net profit (loss) for the financial year, including:		**26,660**	**6,839**
Attributed net profit (loss):			
– shareholders of the parent		26,601	6,820
– non-controlling interests		59	19
Earnings per share (continued operations) attributable to the shareholders of the parent (PLN / share)	10		
– basic		1.16	0.30
– diluted		1.16	0.30

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Figures in PLN thousand	Year ended 31 December 2018	Year ended 31 December 2017 restated data*
Profit after tax	**26,660**	**6,839**
Other comprehensive income not subject to reclassification to profit or loss	**0**	**0**
Other comprehensive income subject to reclassification to profit or loss:	**-3,838**	**-10,604**
FX differences arising on translation of foreign affiliates	604	11,728
FX differences on measurement of investments into the net assets of a foreign subsidiary	-4,869	-25,789
Income tax	427	3,457
Other comprehensive income for the period, after tax	**-3,838**	**-10,604**
Total comprehensive income	**22,822**	**-3,765**
Attributable to:		
– shareholders of the parent	22,751	-3,726
– non-controlling interests	71	-39

*The reasons and effects of the restated data published in prior periods are contained in Note 3.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figures in PLN thousand	Note	31 December 2018	31 December 2017 restated data*	1 January 2017 restated data*
ASSETS				
Property, plant and equipment	13	211,586	220,825	231,803
Intangible fixed assets	14	55,548	55,475	54,110
Other fixed assets	15	7,556	7,558	8,707
Investments accounted for using the equity method	17	6,058	5,820	6,233
Other long-term receivables		387	367	372
Long-term portion of loans granted		45	45	71
Other long term financial assets		1,353	1,471	1,627
Deferred tax assets	9.4	20,187	21,970	24,191
Non-current assets		**302,720**	**313,531**	**327,114**
Inventories	18	180,916	193,040	144,844
Trade receivables	32.3	217,910	206,435	181,630
CIT claimed		5,359	10,041	4,191
Other short-term receivables	19	40,999	40,637	25,375
Short-term portion of loans granted		409	498	554
Other short-term financial assets		1,425	5,073	64,651
Cash and cash equivalents	32.3	45,501	52,921	54,704
Current assets		**492,519**	**508,645**	**475,949**
TOTAL ASSETS		**795,239**	**822,176**	**803,063**
EQUITY AND LIABILITIES				
Registered capital	20.1	1,142	1,142	1,142
FX differences arising on translation of foreign affiliates	20.4	-31,716	-27,866	-17,320
Supplementary capital		577,016	551,402	525,681
Other reserves	20.2	9,633	9,633	9,633
Retained profit/ loss carried forward		-130,729	-124,689	-98,938
– retained profit/ loss from previous years		-157,330	-131,509	-130,968
– profit (loss) after tax		26,601	6,820	32,030
Equity attributable to the shareholders of the parent		**425,346**	**409,622**	**420,198**
Non-controlling interests	20.3	**557**	**490**	**553**
Total equity		**425,903**	**410,112**	**420,751**
Long-term portion of bank and other loans	21	115,712	12,714	158,730
Other financial liabilities	23	6,130	14,170	7,590
Other long-term liabilities	24	4,398	4,747	4,590
Deferred tax assets	9.4	3,143	3,817	6,812
Other long-term provisions	25	3,294	2,897	493
Non-current liabilities		**132,677**	**38,345**	**178,215**
Trade liabilities		132,116	164,628	122,948
Obligations to return compensation **		10,914		
Short-term portion of bank and other loans	21	26,780	139,415	19,360
Other financial liabilities	23	16,292	14,529	13,715
Income tax payable		2,265	770	2,188
Other short-term liabilities	24	41,973	42,881	30,528
Short-term provisions	25	6,319	11,496	15,358
Current liabilities		**236,659**	**373,719**	**204,097**
Total liabilities		**369,336**	**412,064**	**382,312**
TOTAL EQUITY AND LIABILITIES		**795,239**	**822,176**	**803,063**

*The reasons and effects of the restated data published in prior periods are contained in Note 3.1
**The impact of IFRS 15 is described in Note 3.2

CONSOLIDATED STATEMENT OF CASH FLOWS

Figures in PLN thousand	Note	Year ended 31 December 2018	Year ended 31 December 2017 restated data*
Cash flows from operating activities			
Profit (loss) before tax		**37,263**	**16,203**
Adjusted by:			
Share in the result of the entities accounted for using the equity method		-459	-485
Depreciation/ amortisation		27,961	25,746
FX gains (losses)		-248	22,337
Interest and dividends		6,119	3,967
Profit/ (loss) on investing activities		6,962	-2,633
Change in the balance of receivables	28	-14,728	-48,182
Change in the balance of inventories	28	8,602	-57,195
Change in the balance of obligations	28	-22,706	47,733
Change in the balance of provisions		-4,934	-5,360
CIT paid		-3,077	-14,429
Other	28	3,772	4,836
Net cash flows from operating activities		**44,527**	**-7,462**
Cash flows from investing activities			
Inflows from sale of tangible and intangible fixed assets		829	3,105
Acquisition of tangible and intangible fixed assets		-26,649	-15,422
Acquisition of a subsidiary, net of cash acquired (Uniflex, Oligo)		0	-3,716
Inflows from bond repayments		0	60,350
Dividends and interest received		646	4,138
Repayments of loans granted		139	295
Outflow on account of loans given		0	-210
Other	28	176	255
Net cash flows from investing activities		**-24,859**	**48,795**
Cash flows from financing activities			
Repayment of finance lease obligations	22	-5,558	-5,104
Inflows from bank/ other loans received	22	98,245	91,138
Repayment of loans and advances	22	-107,379	-115,234
Dividends paid to owners	11	-6,850	-6,850
Interest paid	22	-6,416	-7,415
Other	28	746	328
Net cash flows from financing activities		**-27,212**	**-43,137**
Net decrease in cash and cash equivalents		**-7,544**	**-1,804**
Change in cash and cash equivalents, including:		-7,420	-1,783
net FX differences		124	21
Cash at the beginning of the period*		52,921	54,704
Cash at the end of the period*		45,501	52,921

*including restricted cash:
as at 31 December 2018: PLN 0.05m
as at 31 December 2017: PLN 0.1m

**The reasons and effects of the restated data published in prior periods are contained in Note 3.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

Figures in PLN thousand	Registered capital	Supplementary capital	FX differences arising on translation of a foreign affiliate	Other reserves	Retained profit/ (loss carried forward): from previous years	Retained profit/ (loss carried forward): from the current period	Total equity	Capital attributable to non-controlling interests	Aggregate equity
	Attributable to the shareholders of the parent								
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**
As at 1 January 2018 – after adoption of IFRS 9 **	**1,142**	**551,402**	**-27,866**	**9,633**	**-124,866**	**0**	**409,445**	**490**	**409,935**
Net profit (loss) for the financial year	0	0	0	0	0	26,601	**26,601**	59	**26,660**
Other net comprehensive income for the period	0	0	-3,850	0	0	0	**-3,850**	12	**-3,838**
Total comprehensive income for the period	**0**	**0**	**-3,850**	**0**	**0**	**26,601**	**22,751**	**71**	**22,822**
Transfer of profit to the supplementary capital	0	25,614	0	0	-25,614	0	**0**	0	**0**
Dividend	0	0	0	0	-6,850	0	**-6,850**	-4	**-6,854**
As at 31 December 2018	**1,142**	**577,016**	**-31,716**	**9,633**	**-157,330**	**26,601**	**425,346**	**557**	**425,903**

FOR THE YEAR ENDED 31 DECEMBER 2017

Figures in PLN thousand	Registered capital	Supplementary capital	FX differences arising on translation of a foreign affiliate	Other reserves	Retained profit/ (loss carried forward): from previous years	Retained profit/ (loss carried forward): from the current period	Total equity	Capital attributable to non-controlling interests	Aggregate equity
	Attributable to the shareholders of the parent								
As at 31 December 2016 – approved data	**1,142**	**525,681**	**-17,174**	**9,633**	**-85,706**	**0**	**433,576**	**553**	**434,129**
Correction of errors from previous years (Note 3.1)	**0**	**0**	**-146**	**0**	**-13,232**	**0**	**-13,378**	**0**	**-13,378**
As at 1 January 2017 – restated data*	**1,142**	**525,681**	**-17,320**	**9,633**	**-98,938**	**0**	**420,198**	**553**	**420,751**
Net profit (loss) for the financial year	0	0	0	0	0	6,820	**6,820**	19	**6,839**
Other net comprehensive income for the period – restated data*	0	0	-10,546	0	0	0	**-10,546**	-58	**-10,604**
Total comprehensive income for the period	**0**	**0**	**-10,546**	**0**	**0**	**6,820**	**-3,726**	**-39**	**-3,765**
Transfer of profit to the supplementary capital	0	25,721	0	0	-25,721	0	**0**	0	**0**
Dividend (SELENA FM S.A.)	0	0	0	0	-6,850	0	**-6,850**	0	**-6,850**
Cancellation of shares by the subsidiary (Orion PU Sp. z o.o.)	0	0	0	0	0	0	**0**	-24	**-24**
As at 31 December 2017 – restated data*	**1,142**	**551,402**	**-27,866**	**9,633**	**-131,509**	**6,820**	**409,622**	**490**	**410,112**

*The reasons and effects of the restated data published in prior periods are contained in Note 3.1
**The impact of IFRS 9 is described in Note 3.2

ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

1. Information about the Group

1.1. Activities of the Group

Selena has been trading since 1993. The core business of the Group includes production, distribution and sale of construction chemicals, building materials for doors and windows, and general building accessories. The Group has manufacturing plants located mainly in Poland, with trading operations in different countries in Europe, Asia and Americas.

1.2. 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. 0000292032 (previous KRS no. 0000129819). The Company was assigned the statistical number REGON 890226440.

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

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

1.3. Management Board of the Parent Company

As at 31 December 2017, the Parent Company's Management Board was composed of:
- Jean-Noël Fourel – Management Board President
- Marcin Macewicz – Vice-President of the Management Board for Sales and Marketing
- Hubert Rozpędek – Vice-President of the Management Board for Finance
- Agata Gładysz-Stańczyk – Vice President of the Management Board, Innovation and Development Director.
- Artur Ryglowski – Management Board Member, Production and Logistics Operations Director.

Changes in the Management Board in 2018:
- on 5 January 2018, Jean-Noël Fourel resigned as Management Board President of the Company.
- on 12 January 2018, the Company's Supervisory Board adopted appointed Marcin Macewicz as acting Management Board President pending election of a new Management Board President.
- on 15 June 2018, the Supervisory Board of the Company appointed the following Management Board members for a joint three-year term of office: Marcin Macewicz – Management Board President, Management Board Member, Artur Ryglowski – Management Board Member.
- on 19 November 2018, the Company's Supervisory Board adopted a resolution appointing Elżbieta Korczyńska as a Management Board member and a CFO of Selena Group pending appointment of Vice President of the Management Board for Finance.
- on 5 December 2018, Marcin Macewicz, who was the Management Board President, passed away.
- on 7 December 2018, the Supervisory Board of the Company adopted a resolution delegating the duties of the Management Board President to Krzysztof Domarecki, the Supervisory Board Chairman, for the following three months, but no longer than until appointment of the new President of the Company's Management Board;

- on 19 December 2018, the Supervisory Board removed Agata Gładysz-Stańczyk from the Management Board as Management Board Member and accepted the resignation of Artur Ryglowski, who was a Management Board Member.

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

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.

As of 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.

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

1.4. Supervisory Board of the Parent Company

As at 31 December 2017, the Company's Supervisory Board was composed of:
- Krzysztof Domarecki – Supervisory Board Chairman
- Borysław Czyżak – Supervisory Board Member
- Stanisław Knaflewski – Supervisory Board Member
- Andrzej Krämer – Supervisory Board Member
- Sylwia Sysko-Romańczuk – Supervisory Board Member
- Marlena Łubieszko-Siewruk – Supervisory Board Member
- Jacek Olszański – Supervisory Board Member
- Mariusz Warych – Supervisory Board Member.

Changes in the Supervisory Board composition in 2018:

On 14 June 2018, the Annual General Meeting of Shareholders of Selena FM S.A. adopted a resolution on appointment of the following Supervisory Board members for a joint three-year term of office:
- Krzysztof Domarecki – Supervisory Board Chairman
- Borysław Czyżak – independent Supervisory Board Member
- Andrzej Krämer – independent Supervisory Board Member
- Marlena Łubieszko-Siewruk – independent Supervisory Board Member
- Mariusz Warych – independent Supervisory Board Member.

On 7 December 2018, the Supervisory Board of the Company adopted a resolution delegating the duties of the Management Board President to Krzysztof Domarecki for a period not longer than 3 months.

As at 31 December 2018, the Company's Supervisory Board 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.

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 as the Chairman of the Company's Supervisory Board and appointed Czesław Domarecki to the Supervisory Board.

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

1.5. Audit Committee and Strategy and Innovation Committee

As at 31 December 2017, the Parent Company's Audit Committee was composed of:
- Mariusz Warych – Chairman of the Audit Committee
- Stanisław Knaflewski – Audit Committee Member
- Jacek Olszański – Audit Committee Member.

Changes in the Audit Committee composition in 2018:

Since 15 June 2018, the Audit Committee has consisted of:
- Mariusz Warych – Chairman of the Audit Committee
- Marlena Łubieszko-Siewruk – Audit Committee Member
- Krzysztof Domarecki – Audit Committee Member.

In the opinion of the Supervisory Board, the Audit Committee, in the aforementioned composition, fulfills the independence criteria and other requirements specified in Article 128(1) and Article 129(1), (3), (5) and (6) of the Statutory Auditors Act.

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 Statutory Auditors Act.

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

In October 2017, the Supervisory Board appointed the Strategy and Innovation Committee. As at 31 December 2017, the Committee was composed of:
- Andrzej Krämer – Chairman of the Strategy and Innovation Committee
- Borysław Czyżak – member of the Strategy and Innovation Committee
- Sylwia Sysko-Romańczuk – member of the Strategy and Innovation Committee.

Since 15 June 2018, the Strategy and Innovation Committee has consisted of:
- Andrzej Krämer – Chairman of the Strategy and Innovation Committee
- Borysław Czyżak – member of the Strategy and Innovation Committee.

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

On 15 June 2018, the Supervisory Board of Selena FM S.A. appointed the Nominations and Remuneration Committee consisting of:
- Borysław Czyżak – Chairman of the Nominations and Remuneration Committee
- Marlena Łubieszko-Siewruk – member of the Nominations and Remunerations. Committee

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

1.6. Group members

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

All the companies in the table are consolidated using the full (line-by-line) method, except the associated company Hamil – Selena Co. Ltd., and House Selena Trading Company Ltd., which are consolidated using the equity method.
The "owner" column specifies the name of the owner as at 31 December 2018.

Region		Country	Entity	Reg.Office	Activity	Group's Share 31 December 2018	Group's Share 31 December 2017	Owner
Union European Union	Poland	Poland	Selena FM S.A.	Wrocław	Group Head Office			-
			Selena S.A.	Wrocław	Distributor	100.00%	100.00%	FM
			Orion PU Sp. z o.o.	Dzierżoniów	Manufacturer of foams, adhesives, distributor	99.95%	99.95%	SIT 1
			Carina Silicones Sp. z o.o.	Siechnice	Manufacturer of sealants, distributor	100.00%	100.00%	SIT
			Libra Sp. z o.o.	Dzierżoniów	Manufacturer of sealants, adhesives, distributor	100.00%	100.00%	SIT
			Izolacja Matizol Sp. z o.o.	Gorlice	Manuf. of roof coverings, hydroinsulation, distributor	100.00%	100.00%	SIT
			Tytan EOS Sp. z o.o.	Wrocław	Manufacturer of loose materials	100.00%	100.00%	SIT
			Selena Labs Sp. z o.o.	Siechnice	Research and Development	99.65%	99.65%	FM 1
			Selena Marketing International Sp. z o.o.	Wrocław	Intellectual property management	100.00%	100.00%	SA
			Taurus Sp. z o.o.	Dzierżoniów	Legal administration	100.00%	100.00%	SIT
			Carina Sealants Sp. z o.o.	Siechnice	Legal administration	100.00%	100.00%	FM
			Selena Industrial Technologies Sp. z o.o.	Warsaw	Production management	100.00%	100.00%	FM
			Oligo Sp. z o.o.	Katowice	Research and Development	99.50%	99.50%	SL
	Western Europe	Spain	Selena Iberia slu	Madrid	Manufacturer of sealants, adhesives, distributor	100.00%	100.00%	FM
		Italy	Selena Italia srl	Limena	Distributor	100.00%	100.00%	FM
			Uniflex S.p.A.	Mezzocorona	Manufacturer of sealants, distributor	64.00%	64.00%	FM 4
		Germany	Selena Deutschland GmbH	Hagen	Distributor	100.00%	100.00%	FM
	Central and Eastern Europe	Czech Republic	Selena Bohemia s.r.o.	Prague	Distributor	100.00%	100.00%	FM
		Romania	Selena Romania SRL	Ilfov	Distributor	100.00%	100.00%	FM
			EURO MGA Product SRL	Ilfov	Manufacturer of adhesives and cement mortars	100.00%	100.00%	ROM
		Hungary	Selena Hungária Kft.	Pécs	Distributor	100.00%	100.00%	FM
		Bulgaria	Selena Bulgaria Ltd.	Sofia	Distributor	100.00%	100.00%	FM
Eastern Europe and Asia	Eastern Europe	Russia	Selena Vostok Moscow	Moscow	Distributor	100.00%	100.00%	FM 2
		Kazakhstan	Selena CA L.L.P.	Almaty	Distributor	100.00%	100.00%	FM
			TOO Selena Insulations	Astana	Manufacturer of insulation systems	100.00%	100.00%	FM
			TOO Big Elit	Astana	Manufacturer of dry mortars	100.00%	100.00%	CA
		Ukraine	Selena Ukraine Ltd.	Kiev	Distributor	100.00%	100.00%	FM 2
	Asia	China	Weize (Shanghai) Trading Co., Ltd.	Shanghai	Distributor	100.00%	100.00%	FM
			Selena Nantong Building Materials Co., Ltd.	Nantong	Manufacturer, distributor	100.00%	100.00%	FM
			Foshan Chinuri-Selena Chemical Co.	Foshan	Manufacturer of sealants, distributor	84.57%	84.57%	SA 1
			House Selena Trading Company Ltd.	Shanghai	Distributor	40.00%	40.00%	NAN
		S.Korea	Hamil - Selena Co. Ltd	Kimhae	Manufacturer of foams	30.00%	30.00%	SA 3
	Middle East	Turkey	Selena Malzemeleri Yapi Sanayi Tic. Ltd.	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%	100.00%	FM

Explanations to the "Owner" column

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

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

1.7. Changes in the Group structure

1.7.1 Events occurring after the balance sheet date

On 1 January 2019, Selena USA Inc. merged (as acquiring company) with Selena USA Speciality Inc. (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 company was deregistered.

2. Information about the financial statements

2.1. Data covered by the financial statements

These financial statements are consolidated financial statements of Selena FM Group. They cover the period of 12 months ended 31 December 2018 and data as at that date.

The income income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity cover the data for the 12 months ended 31 September 2018 as well as comparative data for the period of 12 months ended 31 September 2017.

The statement of financial position covers the data presented as at 31 September 2018, and restated comparative data as at 31 December 2017, taking into account correction of the error from previous years, as described in Note 3.1.

2.2. Approval of the financial statements

These condensed consolidated financial statements were approved for publication on 25 April 2019.

2.3. Measurement and reporting currency

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

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

Ccy	31 December 2018	31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017
1 USD	3.7597	3.4813	3.6227	3.7439
1 EUR	4.3000	4.1709	4.2669	4.2447
100 HUF	1.3394	1.3449	1.3339	1.3723
1 UAH	0.1357	0.1236	0.1330	0.1402
1 CZK	0.1673	0.1632	0.1663	0.1614
1 RUB	0.0541	0.0604	0.0576	0.0644
1 BRL	0.9687	1.0510	0.9892	1.1697
1 BGN	2.1985	2.1326	2.1816	2.1703
1 CNY	0.5481	0.5349	0.5463	0.5552
100 KRW	0.3373	0.3269	0.3293	0.3333
1 RON	0.9229	0.8953	0.9165	0.9282
1 TRY	0.7108	0.9235	0.7676	1.0295
100 KZT	1.0124	1.0633	1.0498	1.1550

2.4. Going concern

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

2.5. Management Board's assurance statement on reliability of the financial statements

The Management Board of Selena FM S.A. hereby confirms that to the best of its knowledge the consolidated financial statements for 2018 have been prepared in accordance with the applicable accounting policies and give a true, fair and clear picture of the affairs of Selena FM Group and its net profit, and that the Management Board's report on the activities of Selena FM S.A. in 2018 gives a true picture of the Group's development, achievements and standing, including description of the key risks and threats.

3. Accounting policies

3.1. Basis of preparation and comparability of financial data

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") approved by the EU. The accounting policies described in this note were applied by the Group on a continuous basis for all periods presented, taking into account the correction of previous years' error, as described below, as well as the accounting and measurement principles resulting from the application of IFRS 9 and IFRS 15 as of 1 January 2018.

Some entities of the Group keep their own books of account in accordance with the local accounting principles of the country in which they are established. The consolidated financial statements include adjustments which are not contained in the books of accounts of the Group companies, and which were introduced to bring the financial statements of those entities in line with the IFRS.

During the preparation of the consolidated financial statements for 2018 and as a result of analysis of the comparative data of Selena Iberia, an error was found while led restatement of the data included in the consolidated financial statements for 2017. Correction of the data as at 1 January 2017 and 31 December 2017 resulted from the need to reflect the actual value of trade liabilities of Selena Iberia slu incorrectly presented in previous years. In particular, the error concerned inter-branch transactions incorrectly eliminated in previous years and mispresentation of data reported by Selena Iberia for consolidation purposes in the years 2012–2014.

The change reduced the retained earnings in correspondence with the trade liabilities, taking into account a relevant change in capital in respect of translation of foreign affiliates as at 1 January 2017 and 31 December 2017.

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

Figures in PLN thousand	31 December 2017 data published	Adjustments	31 December 2017 restated data	1 January 2017 data published	Adjustments	1 January 2017 restated data
FX differences arising on translation of foreign affiliates	-28,485	619	-27,866	-17,174	-146	-17,320
Retained profit/ loss carried forward	-111,457	-13,232	-124,689	-85,706	-13,232	-98,938
Total equity	**422,725**	**-12,613**	**410,112**	**434,129**	**-13,378**	**420,751**
Trade liabilities	152,015	12,613	164,628	109,570	13,378	122,948
Current liabilities	**361,106**	**12,613**	**373,719**	**190,719**	**13,378**	**204,097**
TOTAL CORRECTIONS	**-**	**0**	**-**	**-**	**0**	**-**

Figures in PLN thousand	31 December 2017 data published	Adjustments	31 December 2017 restated data
FX gains (losses)	21,572	765	22,337
Change in the balance of obligations	48,498	-765	47,733
Net cash flows from operating activities	**-7,462**	**0**	**-7,462**

When preparing the consolidated financial statements for 2018, as a result of an in-depth cost analysis, a decision was taken to make the following presentation changes were made in the consolidated income statement:
– reclassify the cost of unused production capacity from other operating costs to the cost of sales
– reduce the revenue from inventory-taking overages in an amount corresponding to the decrease in expenses on account of inventory shortages; reduce revenue from reversed impairment allowances on inventories in an amount corresponding to the cost of creating impairment allowances on inventories and aggregating, under a single heading, other operating expenses: in respect of impairment and liquidation of inventories and net balance of inventory-taking differences
– present the cost of impairment of tangible assets as a single line item in other operating activities as a result of reduction of other operating costs.

The above changes caused a need to restate comparative data in the consolidated income statement for the year ended 31 December 2017, as presented in the table below (only adjusted items):

Figures in PLN thousand	Year ended 31 December 2017 data published	Adjustments	Year ended 31 December 2017 restated data
Cost of sales	836,011	2,488	838,499
Gross profit (loss)	**342,695**	**-2,488**	**340,207**
Other operating income	8,277	-731	7,546
Other operating costs	16,559	-3,831	12,728
Impairment of tangible fixed assets	0	612	612

3.2. Impact of new and amended standards and interpretations

Presented below is a list of standards, amendments to the existing standards and interpretations published by the International Accounting Standards Board (IASB) and approved for application in the EU, which for the first time enter into force in the 2018 consolidated financial statements:

– IFRS 9 “Financial Instruments”
– IFRS 15 Revenue from Contracts with Customer and amendments to IFRS 15 which clarify certain requirements of the standard
– Amendments to IFRS 2 re classification and measurement of share-based payment transactions
– Amendments to IFRS 4 re application of IFRS 9 with IFRS 4
– Amendments to IAS 40 re transfers of investment property
– Annual amendments to IFRS 2014–2016: clarification of IAS 28 and IFRS 1

– IFRIC 22 re foreign currency transactions and advance consideration

The above amendments to standards, with the exception of IFRS 9 and IFRS 15, will not affect the Group's accounting policy or the consolidated financial statements.

IFRS 9 Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairment of financial assets

Interest carried at amortised cost

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

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

- **Receivables from other entities** – the Group uses the model of expected credit losses over the life of the receivables to determine impairment allowances on receivables from other entities. As part of the model, an individual analysis is made (for receivables from significant external customers) and a collective analysis (for other external customers due to the similar characteristics of credit risk) Additionally, balances of receivables from other entities constituting the basis for calculating impairment allowances are reduced by the amounts of insured receivables (no allowances are made for insured receivables).

A collective analysis of exposures is made using a simplified matrix of allowances for individual age ranges based on expected credit losses over the entire life of the receivables (based on default ratios determined using historical data for the last 4–5 years. We have not identified any future factors that would materially affect the level of default rates. The expected credit loss is calculated when the receivable is recognised in the statement of financial position and is updated on each subsequent day ending the reporting period, depending on the number of days in arrears.

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

At present, the Group does not use hedge accounting.

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

IFRS 15 Revenue from Contracts with Customers

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

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

The Group applies the principles of IFRS 15 taking into account the 5-step revenue recognition model. The Group recognises revenue when it satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer.

An asset is transferred when (or as) the customer obtains control of that asset. Revenue is recognised as an amount corresponding to the transaction price allocated to that performance obligation.

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

The impact of the implementation of IFRS 15 on the Group's consolidated financial statements as at 1 January 2018 is as follows:

- provisions for discounts granted to customers – presentation in the consolidated statement of financial position in liabilities in respect of remuneration – instead of reducing trade receivables (PLN 7.4 million);
- transport costs, if the Group does not generate a separate revenue from this category – presentation in selling expenses of the income statement rather than in the cost of sales (PLN 0.5 million).

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

As at 31 December 2018, as a result of implementation of IFRS 15, the Company recognized an obligation to return compensation of PLN 10,914 thousand. For the year ended 31 December 2018, as a result of the implementation of IFRS 15 with regard to changes in the presentation of transport costs, cost of sales was reduced in correspondence with selling costs (by PLN 380 thousand).

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

When approving these consolidated financial statements, the Company did not apply the published standards, amendments to existing standards and interpretations before their entry into force. Except the IFRS 16 indicated below, other amendments do not apply to the Group's operations or will not affect the consolidated financial statements.

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

The lessee will be required to recognise:

(a) assets and liabilities in respect of all lease transactions made for more than 12 months, except where an asset is of low value; and
(b) depreciation of the leased asset separately from interest on the lease liability in the statement of profit or loss.

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

As at the date of publication of this consolidated report, work related to the implementation of the new IFRS 16 standard had been completed. The analysis looked at 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 will be adopted retrospectively

with the first-adoption result reflected in equity as at 1 January 2019. Therefore, comparative data for 2018 will not be 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.

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.

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 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);
– the use of hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

Impact of implementation of IFRS 16 on the data disclosed in the statement of financial position as at 1 January 2019:

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

3.4. Standards and interpretations issued by IASB, but not yet approved for application in the EU

IFRS in the form approved by the EU do not differ materially from the regulations adopted by the International Accounting Standards Board (IASB), except for the following new standards, amendments to standards and new interpretations, which as at 25 April 2019 were not yet approved for use in the EU:

- Improvements to IFRS 10 and IAS 28 relating to sales or contributions of assets between an investor and its associates/joint ventures
- IFRIC 23 regarding uncertainties about income tax settlement
- IFRS 17 Insurance Contracts
- Amendments to IFRS 9 relating to debt financial assets with a prepayment feature with negative compensation
- Amendments to IAS 28 relating to long-term interests in associates and joint ventures
- Annual amendments to IFRS 2014–2017
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
- Amendments to the Conceptual Framework in IFRSs
- Amendments to IFRS 3 relating to definition of a business
- Amendments to IAS 1 and IAS 8 relating to definition of material.

The above-mentioned standards, with the exception of IFRIC 23, amendments to IFRS 9 and amendments to IAS 28, are awaiting approval by the European Union.

3.5. Significant accounting policies

3.5.1 Consolidation rules

These consolidated financial statements include the financial statements of Selena FM S.A. and the financial statements of its subsidiaries. After adjustments required to ensure compliance with IFRS, the financial statements of subsidiaries are prepared for the same reporting period as those of the parent company, using consistent accounting principles applied for transactions and economic events of a similar nature. In order to eliminate any differences in the applied accounting policies, adjustments are also implemented on the consolidated level.

All significant balances and transactions between the Group's entities, including unrealised profits arising from intra-Group transactions are eliminated. Unrealised losses are also eliminated, unless they are evidence for impairment.

Subsidiaries are consolidated from the date the Group assumes control over them and cease to be consolidated on the day the control ceases. A control by a parent entity is said to exist where the entity is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

Rules for recognising call options regarding non-controlling interests

Where a controlling interest is acquired in a subsidiary, if the Group does not own all shares in the entity and at the same time issues a call option for other shares, the entity takes into account whether all the criteria for acquiring ownership of all the shares pursuant to IAS 32 have been met. If most of the conditions for the transfer of ownership of all shares are met, the settlement of the acquisition of the subsidiary will take place on the assumption of acquisition of 100% of the shares. In such a case, the Group recognises a financial liability in respect of the financial instrument with the call option for the shares based on the provisions of IAS 32 and, in accordance with IFRS 3, reflects them in the cost of combination of the entities; any subsequent changes in the value of this liability are recognised in profit or loss of the current period. Consequently, no non-controlling interest arises out of such a transaction.

3.5.2 Investments in associates

Investments in associates are recognised using the equity method.

Associates are entities which are significantly influenced by the parent entity directly or through its subsidiaries, and which are neither subsidiaries nor joint ventures of the parent entity. Valuation of the shares held by the parent entity using the equity method is based on the financial statements of the associates. The financial year of associates and the parent company is the same. Associates apply accounting policies which are in conformity with the laws applicable to their place of establishment. Before calculating the share in the net assets of associates, the necessary adjustments are made to bring the financial data of these entities with the IFRS adopted by the Group.

Investments in associates are recognised in the balance sheet at cost increased by subsequent changes in the value of the parent's share in the net assets of these entities, less any impairment allowances. The share in profits or losses of associates is reflected in the consolidated profit or loss of the Group.

Impairment assessment of investments in associates takes place when there are indications of impairment or when impairment allowance made in previous years is no longer required.

3.5.3 Restatement of foreign currency positions

Transactions expressed in foreign currencies are translated into PLN using the exchange rate current at the transaction date.

At the balance sheet date, the cash assets and liabilities expressed in foreign currency are translated into PLN using the mean rate applicable at the end of the reporting period that has been set by for the particular currency by the National Bank of Poland. The FX differences arising are recognised in financial revenue or expenses as the case may be, or where required by the accounting policy, are capitalised in assets. Non-cash assets and liabilities are carried at historical cost expressed in the foreign currency, stated at the historical rate current at the transaction date. Non-cash assets and liabilities carried at fair value expressed in foreign currency are converted at the rate applicable at the fair measurement date.

Functional currencies for foreign subsidiaries are local currencies. At the balance sheet date, the assets and liabilities of the entities are converted into the Group's presentation currency at the rate applicable at the balance sheet date, and their profit and loss account and statements of comprehensive income are converted at the average weighted exchange rate for the particular financial period. The foreign exchange differences arising from this calculation are recognised in other comprehensive income and reported in a separate component of the equity. At the time of disposal of a foreign entity, the FX differences accumulated in equity, relating to a particular foreign entity, are recognised in the profit and loss account.

In its unconsolidated financial statements, the entity recognises receivables from and loans granted to its subsidiaries. If in the Management Board's opinion such instruments represent investments into net assets (i.e. are a part of financing of the subsidiary, and their recovery is not planned in the near future), then the exchange differences from the valuation of such assets arising in the separate financial statements of the entities are presented in the Group's consolidated financial statements as a element of the statement of comprehensive income. Such recognition does not affect the result presented in the separate financial statements of the individual entities.

3.5.4 Property, plant and equipment

Property, plant and equipment are carried at cost reduced by depreciation and impairment charges. The initial value of fixed assets includes the price of acquisition increased by all the costs directly relating to the purchase and adaptation of the asset for use. The expenditures incurred after the asset has been brought into use, including the maintenance and repair costs, are charged to the profit and loss when incurred.
Where fixed assets consist of components of a significant value, and have different useful lives, such components are presented separately. The costs of general repairs are also treated as components of fixed assets.

Depreciation begins when the asset is ready for use and continues until the asset is liquidated or slated for sale. Depreciable value is written off systematically over the useful economic life of the asset.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, as per the table below.

Category of tangible fixed assets	Depreciation (in years)
Buildings and structures	from 10 to 40
Plant and machinery	from 3 to 22
Office equipment	from 3 to 5
Vehicles	from 3 to 8
Other fixed assets	from 3 to 10

This method of depreciation reflects consumption of the economic benefits of the asset.

Depreciable assets acquired under finance leases are depreciated over the useful life of the assets if the contract transfer the ownership of the leased asset to the lessee. If the contract does not provide for transfer of the leased asset to the lessee, then the asset is depreciated over the lease term.

Depreciation charges for fixed assets are recognised in profit and loss in the relevant category for the asset.

If in the preparation of the financial statements any circumstances occurred indicating that the carrying amount of the asset may not be recoverable, the asset is tested for impairment. If any indications of impairment have been identified, and the carrying amount exceeds the estimated recoverable amount, then the value of such assets or cash generating units that the assets belong to is reduced to the recoverable amount. The recoverable amount is the higher of the two values: fair value decreased by the cost of sale or value-in-use. When estimating the value-in-use, the estimated future cash flows are discounted to the current value using the discount rate, and before taxation, reflecting the current market estimate for the time value of money and the risks pertaining to the asset. Where an asset does not generate cash flows sufficiently independently, the recoverable amount is determined for the cash generating unit that the asset belongs to. Impairment charges are recognised in the profit and loss account under other operating costs.

A given item of the tangible fixed assets may be removed from the balance sheet after its sale, or if no economic benefits arising from the further use of such a component of assets are expected. Any profits or losses arising from derecognition of the asset (calculated as a difference between the possible net inflows from sale and the carrying amount of the asset) are recognised in the profit and loss in the period when the derecognition took place.

Fixed assets under construction include all the fixed assets that are during construction or assembly and are recognised at cost reduced by impairment charges, if any. Fixed assets under construction are not depreciated until the construction is finished and the asset is brought into use.
The end value, useful life and the depreciation method of the assets are reviewed each year, and if necessary corrections are made, effective from the beginning of the current reporting period.

3.5.5 Borrowing costs

Borrowing costs are capitalised as a part of the cost of generation of a fixed asset. Borrowing costs include interest calculated using the effective interest rate method, financial charges under a finance lease, and FX differences arising from external finance, up to the value of the interest expense correction.

3.5.6 Leases

Financial lease agreements, which substantially transfer all risks and benefits related to holding a leased asset onto the Group, are recognised in the financial situation statement on the lease commencement date according to the lower of the two following values: the fair value of the fixed asset constituting a subject of the lease or the current value of minimal lease payments.
The current value of the minimum lease payments is recognized as finance lease liabilities broken down into a short-term portion (payable up to one year) and a long-term portion (payable over a period longer than one year). When calculating the present value of the minimum lease payments, the discount rate is the interest rate implicit in the lease, if it can be readily determined. If that rate cannot be readily determined, the lessee uses the lessee's incremental borrowing rate. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The finance charge is recognised in profit or loss, unless the capitalisation conditions are met.

Under finance leases, fixed assets are depreciated for the estimated useful life of the fixed asset.

Operating lease

The leases under which the lessor retains substantially all the risks and benefits of ownership are recognised as operating leases.
The operating lease fees and the subsequent lease payments are expensed in the profit and loss on a straight-line basis throughout the lease term.

3.5.7 Intangible fixed assets

If an intangible asset is acquired separately, it is measured at cost. If an intangible asset is acquired in a business combination, the cost of that intangible asset is based on its fair value at the date of acquisition. After initial recognition, intangible assets are carried at cost less amortisation and impairment. The expenditure on internally generated intangible assets, except the expenditure on development work, is not capitalised and is recognised in the cost of the period when it was incurred.

Intangible assets are amortised throughout the period of their use, and are tested for impairment each time when indications of impairment are identified. The period and method of amortisation of such assets are reviewed at least at the end of each accounting year.

Intangible assets that had not been put into use by the balance sheet date, are tested for impairment each year or more often – if during the reporting period there is an indication that the carrying amount may not be recoverable.

The estimated economic useful life of software licences is 2-5 years, and 10-40 years for trademarks.

Changes in the expected life or consumption of economic benefits flowing from the asset are recognised by changing the amortisation period or method, as appropriate, and are treated as changes in estimates. The amortisation write-offs for intangible assets with a limited life are recognised in profit and loss in the item that corresponds to the function of amortised asset.

Useful lives are reviewed each year and if needed are corrected effective from the beginning of the current reporting period.

Any profits or losses arising from derecognition of an intangible asset from the statement of financial position are measured as a difference between the net inflows from sale and the carrying amount of the asset, and are recognised in the profit and loss in the period at the time of the derecognition.

3.5.8 Goodwill

Goodwill arising on acquisition of an entity is initially recognised at the purchase price constituting the excess of:

- the sum of (i) payment made (ii) amount of any non-controlling interests in the acquired entity and (iii) in the case of combination of entities in fair value stages as at the take-over of a share in the capital of the acquired entity, previously owned by the acquiring entity,
- over the net value of the identifiable assets and liabilities acquired.

If the net amount of the identifiable assets and liabilities acquired exceeds the payment for the acquired entity, the Group recognizes the gain on bargain purchase directly in the profit or loss of the period in which the entity was acquired.

After the initial recognition, goodwill is reported at cost less any accumulated impairment allowances. The impairment test is carried out once a year or more often if required. Goodwill is not amortised.

As at the acquisition date, the goodwill acquired is allocated to each of cash-generating units that can benefit from the synergy of the combination. Each unit or group of units to which goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment defined by IFRS 8 Operating Segments.

An impairment allowance is determined by estimating the recoverable amount of the cash-generating unit to which the goodwill was allocated. Where the recoverable amount of the cash-generating unit is lower than the carrying amount, an impairment allowance is recognised. Where goodwill is a part of a cash-generating unit and part of the operations within this unit is sold, the goodwill associated with the sold business is included in its carrying amount when determining gains or losses from the sale of such activity. In such circumstances, goodwill is sold based on the relative value of the business sold and the value of the part of the cash-generating unit retained.

3.5.9 Financial guarantees

A financial guarantee agreement is an agreement whereby the issuer is require to make payments to the holder to compensate the loss that the holder will incur if the debtor does not make a contractual payment on the terms defined for the particular debt instrument. At the time of initial recognition, the financial obligation on account of the guarantee agreement is measured at fair value. After the initial recognition, the value is measured at the higher of:

- initial value decreased by the amounts recognised in the profit and loss are a result of settlement of the initially recognised amount during the period of the guarantee's validity and an amount estimated in accordance with the expected credit loss model under IFRS 9.
-

3.5.10 Inventories

Inventory is measured at the lower of: cost or net realisable amount. The cost of generation of finished good and work-in-progress consists of the cost of direct materials and labour and the relevant indirect products costs determined on the assumption of a normal use of production capacity.

The net realisable amount is estimated as the price of a sale effected in the ordinary course of business, less finishing costs and costs needed to finalise the sale.
The closing balance of inventory is measured by determining its value using the FIFO method.

Expired and defective inventories

Where inventories (materials, merchandise, finished goods) are expired or overdue, no later than at the end of the quarter in which this fact was identified, the Group's entity is required to create an impairment allowance for the value of the inventories to the net realisable value which is achievable for such inventories less selling costs. If the inventories are not suitable for sale at all, the company should create a provision for the cost of its disposal.

Drop in sales prices below the inventory value

Where the book value of particular goods or products is lower than the NRV (net realisable value), the value of the inventories should be reduced to the value of the expected net realisable value). A comparison of the inventory valuation with the net realisable value should be carried out at least at the end of each year (or more often, if justified), and appropriate adjustments allowance should be made.

Free-moving inventories

If the particular index does not move or moves slowly, an impairment allowance is created for the value of the inventory at the end of each quarter. The inventory age ranges and their corresponding allowances are as follows:
– over 12 months 50%
– over 24 months 100%.

3.5.11 Trade and other receivables

<u>Accounting policies for comparative data effective until 31 December 2017, in accordance with IAS 39.</u>

Trade and other receivables are recognised at the originally invoiced amounts or amounts specified in the contract, taking into account the allowance for doubtful accounts (impairment charges). Such allowances are recognised if recovery of the full amount of the receivable is not longer likely.

Where the time value of money plays a role, the value of the receivables is determined by discounting the future cash flows to the present value using the discount rate that reflects the current market estimates of the time value of money. If such discounting method is used, the increase in the value of receivables over time is recognised as a financial revenue.

Receivables from the state are presented as other receivables, except the CIT receivable, which is a separate item on the balance sheet.

Advance payments are presented in accordance with the nature of the assets they pertain to – as fixed or current assets. Advance payments are not discounted as they are non-cash assets.

<u>Accounting policies effective from 1 January 2018, in accordance with IFRS 9</u>

After initial recognition, trade receivables are measured at amortised cost using the effective interest rate method, including impairment allowances. Any trade receivables maturing within less than 12 months from the date of origination (i.e. without a financing element) and not transferred to factoring, are not discounted and are measured at nominal value.
Impairment of receivables from other entities, in accordance with IFRS 9, is described in detail in Note 3.2.

Receivables from the state are presented as other receivables, except the CIT receivable, which is a separate item on the balance sheet.

Advance payments are presented in accordance with the nature of the assets they pertain to – as fixed or current assets. Advance payments are not discounted as they are non-cash assets.

3.5.12 Cash and cash equivalents,

Cash and short-term deposits include cash in bank and cash on hand, and short-term deposits with an original maturity not longer than 3 months.

The balance of cash and cash equivalents presented in the statement of cash flows consists of the items specified above.

The Group classifies cash and cash equivalents as financial assets at amortized cost, taking into account (as of 1 January 2018) impairment allowances determined in accordance with the expected loss model. To estimate the expected loss for cash and cash equivalents, the risk of non-payment has been determined other data, particularly credit worthiness assessment carried out by rating agencies or granted to counterparties as part of the internal credit risk assessment process, adjusted for the assessed probability of default.

The analysis showed that these assets have a low credit risk as at the reporting date. Calculation of the allowance showed that its amount was negligible, so the Group decided not to make an adjustment.

Overdrafts are presented in the statement of financial position as a component of bank and other loans, under short-term or long-term liabilities, as appropriate.

3.5.13 Interest-bearing bank debt, loans and debt securities

At initial recognition, bank debt, loans and debt securities are measured at fair value less the cost of the debt.

After the initial recognition, interest-bearing loans and debt securities are then measured at amortised cost on an effective interest rate basis.

When determining the amortised cost, one takes into account the cost of obtaining a loan, and the discounts or premiums obtained in connection with the liability.

Revenues and expenses are presented in the profit and loss account upon derecognition of the liability from the balance sheet, and as a result of a settlement effected using the effective interest rate.

3.5.14 Financial liabilities and other liabilities

Financial liabilities measured at fair value through profit and loss are measured at fair value taking account of their market value at the balance sheet date, excluding the sale transaction costs. Changes in the fair value of such instruments are reflected in profit or loss.

Financial liabilities measured at amortised cost are the liabilities that are not financial instruments measured at fair value through profit and loss. They are measured using the effective interest rate method.

Trade liabilities are recognised at the amount due.

An expired financial liability is derecognised from the statement of financial position if the obligation stated in the contract has been discharged, cancelled or expired. An exchange of a debt instrument with an instrument with substantially different terms effected between the same entities, is recognised as expiry of the original financial liability and recognition of a new financial liability. Similarly, modification of the terms of an agreement relating to an existing financial liability is recognised as expiry of the original liability and recognition of a new liability. The difference between the respective book values of the exchanged instruments is recognised in profit or loss.

The other non-financial liabilities include in particular liabilities to the tax office on account of VAT and liabilities on account of advance payments received that will be settled through a supply of goods, services or fixed assets. Other non-financial liabilities are recognised at the amount due.

3.5.15 Provisions

Provisions are raised where the entity has an obligation (legal or constructive) are a result of a past event, and it is likely that fulfilment of such obligation will cause an outflow of economic benefits, and the value of such obligation may be reliably estimated. If the entity expects that the costs covered by the provision will be returned, e.g. by the insurer, then the return is recognised as a separate asset, but only when it is practically certain that such a return will be realised. The provision costs are recognised in the profit and loss account less any returns received.

Where the time value of money plays a role, the value of the provision is determined by discounting the future cash flows to the present value using the discount rate that reflects the current market estimates of the time value of money, and the potential risk associated with such obligation. If such discounting method is used, the increase in the value of receivables over time is recognised as a financial revenue.

Provisions are presented as separate items of long-term or short-term liabilities, depending on the nature of the provision.

3.5.16 Retirement benefits

Employees of the companies registered in Poland are given rights to retirement benefits under the Polish Labour Code. A retirement benefit is paid once-off when the employee retires. The value of the benefit depends on the years of service and the average remuneration of the employee. In the case of foreign companies, the rules for granting severance payments are regulated by the laws of the country concerned.

Where the local law or internal regulations of the company impose on obligation of payment of a retirement benefit, the company makes a provision for future obligations on account of such payments to assign the related costs to their corresponding periods. According to IAS 19, retirement benefits are defined programmes of post-employment benefits. The present value of such obligations is calculated at each balance sheet date. The obligation is equal to the discounted payments that will be made in the future, taking into account the employment turnover, and relating to the period until the balance sheet date. Demographic information and information of staff turnover are based on historical figures.

3.5.17 Revenues

<u>Accounting policies for comparative data effective until 31 December 2017, in accordance with IAS 18.</u>

Sale of finished goods, merchandise and materials

Revenues are recognised if the material risks and benefits arising from the ownership of the goods and products have been transferred to the buyer, and when the revenues may be reliably estimated.

Provision of services

Revenues from provision of services are recognised when the service is performed, at the net value stated in the agreement or on the invoice.

<u>Accounting policy for the current year data in accordance with IFRS 15</u>

Revenue from Contracts with Customers

The Group’s business includes production and sale of construction chemicals, building materials for doors and windows, and general building accessories. Adoption of the new IFRS 15 as of 1 January 2018 did not change the recognition of the Group's revenue except for presentation changes (see Note 3.2 for details re adoption of IFRS 15).

The criteria for recognition of revenues are presented below.

Sale of goods

Revenue from the sale of finished goods, merchandise and materials are recognized once a performance obligation is satisfied by transferring the promised good (i.e. an asset) to the customer. An asset is transferred once the customer obtains control of that asset.

In the case of the sale of goods, the transfer of control takes place once the ownership and insurance risk are transferred to the customer, which usually takes place upon delivery of the goods to the customer.

Goods are delivered to the customer using transport services provided by the Group or by the customer. Where the transport services are provided by the Group, the transport is an element of performance (sale of goods) and does not constitute a separate performance obligation, as control is transferred to the customer once the goods have been delivered to the customer's warehouse. The Group usually sells goods using trade credit.

Where different goods or services are sold under one contract, the consideration should be allocated to each of the obligations. The Group has no material contracts with more more than one performance obligation.

The Group recognizes revenue from the sale of goods at the transaction price received in return for the goods transferred. The transaction price is the expected price to be received, to the extent it is highly likely that there will be no significant reduction in revenues in the future, after deduction of volume discounts/rebates.

The Group offers its customers discounts depending on the volume of purchases. In accordance with IFRS 15, volume discounts are treated as variable consideration. Revenue from variable consideration is recognized to the extent that there is a high likelihood that no significant part of revenues will be reversed. When calculating rebates, the Group uses information on the business made with the customer during the reporting period. Obligations to return compensation are recognized in relation to the anticipated volume rebates due to customers on account of sales completed by the end of the reporting period and are presented under a separate balance sheet heading.

3.5.18 Taxes

Current tax

Liabilities and receivables arising from the tax for the current period and the previous periods are measured at the amount of the expected payment to the revenue authorities (refundable by the revenue authorities) using the tax rates and tax legislation that legally or actually applied at the balance sheet date.

Deferred income tax

Deferred tax assets and liabilities are recognized for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

A deferred tax liability is recognized in relation to all positive temporary differences,

- except when the deferred tax liability arises as a result of initial recognition of a goodwill or an initial recognition of an asset or liability in a transaction other than business combination, and at the time of the transaction it did not have any impact on the PBT or taxable income or tax loss, and
- in the case of positive temporary differences arising from investments in subsidiaries or associates, and shares in joint ventures – except when the dates of reversal of the temporary differences are controlled by the investor and it is likely that in the foreseeable future the temporary differences will not be reversed.

Deferred tax assets are recognised for all the negative temporary differences, also for unutilised tax reliefs and unutilised tax losses carried to subsequent years, in the amount of the likely taxable income that will be generated to use the differences, assets and losses:

- except when the deferred tax assets relating to negative temporary differences are a result of initial recognition of a goodwill or an initial recognition of an asset or liability in a transaction other than business combination, and at the time of the transaction it did not have any impact on the PBT or taxable income or tax loss, and

- in the case of negative temporary differences from investments in subsidiaries or associates, or shares in joint ventures, the deferred tax asset is recognised in the balance sheet at the amount of the likely income arising in the foreseeable future from reversal of the temporary differences, allowing for the negative temporary differences to be covered.

The book value of the deferred tax asset is reviewed at each balance sheet date and is appropriately reduced to reflect the lower likelihood of receipt of a taxable income that would allow to cover, partly or in full the realisation of the deferred tax asset. The unrecognised deferred tax asset is revisited at each balance sheet date and is recognised up to the value that reflects the likelihood of future taxable income that will allow the asset to be recovered.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply in the period when the asset or liability is realised. The measurement is based on the tax rates (and legislation) applicable at the balance sheet date or such rates/legislation which, at the balance sheet date, are certain to apply in the future.

A taxable income for the items recognised outside of a profit or loss, is recognised outside of a profit or loss: in other comprehensive income for the items presented in other comprehensive income, or directly in equity for the items recognised directly in equity.

Deferred tax assets are set off against deferred tax liabilities only where there is a legal title for the set-off between the current tax receivable and payable, and the deferred tax relates to the same taxpayer and the same tax authority.

VAT

Revenues, expenses, assets and liabilities are recognised net of VAT, except where:

- the VAT paid at the acquisition of assets or services cannot be recovered from the tax authorities; then such VAT is recognised as a part of the price of the assets or as a part of the cost item, and
- the receivables and liabilities that are recognised together with the VAT.

The net amount of the VAT that can be recovered or that is due to the tax authorities is recognised in the balance sheet as a part of receivables or liabilities.

3.5.19 Net profit per share

Net profit per share for each period is calculated by dividing the net profit for the period by the weighted average number of shares in the particular reporting period.

The diluted profit per share is calculated by dividing the net profit for the period attributable to the shareholders of the parent by the weighted average number of outstanding ordinary shares during the period, increased by the weighted average number of ordinary shares that would have been issued if the potential instruments entitling their holders to shares were converted into ordinary shares.

3.5.20 Subsidies

In the event of a reasonable certainty that the subsidy will be obtained and all the associated requirements will be satisfied, then government subsidies are recognised at their fair value.

If the subsidy relates to a given cost item, then it is recognised as other operating income. If the grant relates to an asset, then subsidies are included in revenue over one or more periods. The goal is to ensure matching of subsidy revenues with their corresponding costs.

4. Significant values based on professional judgement and estimates

4.1. Professional judgement

In addition to the accounting estimates, professional judgement of the management was of key importance in the process of application of the accounting policies to the areas outlined below.

Classification of lease agreements

The Group classifies leases as operating or finance leased based on the estimated distribution of risks and rewards from the leased asset between the lessor and the lessee. Such evaluation is based on the economic substance of the individual transactions. Further details are given in Note 30.

4.2. Uncertainty of estimates

Below is a presentation of the key assumptions relating to the future and other key sources of uncertainty existing at the balance sheet date, giving rise to a material risk of a significant correction to the carrying amounts of assets and liabilities in the next financial year.

Impairment of goodwill and other intangible and tangible fixed assets

The Company carries out impairment tests at least once a year. This requires estimation of the value in use of the CGU to which the goodwill is allocated. The value in use is estimated by determining the future cash flows generated by the CGU based on the financial plans, and by determining the discount rate for calculation of the present value of such cash flows.

With the same approach, the Group also carries out impairment tests for its intangible assets with a specified life, and the fixed assets, but such tests are undertaken only where indications of impairment exist. Such indications may include, e.g. long-term adverse market changes and losses sustained by a particular entity.

Impairment tests for fixed assets may use the method of discounted cash flows for the given CGU. Where such method is used, the entity must use business assumptions and such variables as the cost of capital and the residual growth rate, whose value and volatility is determined on the basis of a subjective judgement of the Management. Such judgement is based both on internal sources (budgets of individual units, profitability forecasts) and external sources (publically available macroeconomic and microeconomic data). The assumptions used for impairment tests are presented in Note 16.4 to this report.

Impairment of financial assets

Impairment of financial assets is described in detail in Note 3.2. At each balance sheet date, the Company assesses the expected credit losses whether or not there are any indications of impairment.

Deferred tax assets

The likelihood of using deferred tax assets against future tax gains is based on the budget of the Group's companies. Subsidiaries and the Parent Company recognize in their books deferred tax assets up to the amount in which it is probable that they will achieve a taxable profit against which deductible temporary differences might be applied.

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 1.6.

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 consolidated financial statements. EBITDA is calculated according to the following formula:

EBITDA = Net profit/ loss + Income tax +/- share in the profit/loss of the affiliate +/- financial expenses/revenues + 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, finance income and expense management and the taxation policy are operated at the Group level and are not allocated to operating segments.

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

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

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.

12 months ended 31 December 2018 **Figures in PLN thousand**	**EU**	**Eastern Europe and Asia**	**North and South America**	**Total segments**	**Consolid. adjustments and non-allocated results**	**Total**
Sales to external customers	794,381	364,628	68,962	1,227,971	0	1,227,971
Sales within a segment	762,990	20,007	0	782,997	-782,997	0
Sales between segments	236,055	4,234	0	240,289	-240,289	0
EBITDA	**165,210**	**29,158**	**3,345**	**197,713**	**-117,457**	**80,256**
Depreciation/ amortisation	-16,086	-2,919	-132	-19,137	-8,824	-27,961
Financial revenue/ (expenses)	0	0	0	0	-15,491	-15,491
Share in profit of an associated undertaking	0	459	0	459	0	459
Income tax	0	0	0	0	-10,603	-10,603
Net profit (loss) for the period	**149,124**	**26,698**	**3,213**	**179,035**	**-152,375**	**26,660**
Capital expenditure	23,726	2,006	12	25,744	-	25,744

12 months ended 31 December 2017 **Figures in PLN thousand**	**EU**	**Eastern Europe and Asia**	**North and South America**	**Total segments**	**Consolid. adjustments and non-allocated results**	**Total**
Sales to external customers	726,093	382,940	69,673	1,178,706	0	1,178,706
Sales within a segment	755,891	13,162	0	769,053	-769,053	0
Sales between segments	277,387	6,628	357	284,372	-284,372	0
EBITDA	**181,274**	**28,734**	**2,551**	**212,559**	**-143,379**	**69,180**
Depreciation/ amortisation	-15,021	-3,054	-161	-18,236	-7,510	-25,746
Financial revenue/ (expenses)	0	0	0	0	-27,716	-27,716
Share in profit of an associated undertaking	0	485	0	485	0	485
Income tax	0	0	0	0	-9,364	-9,364
Net profit (loss) for the period	**166,253**	**26,165**	**2,390**	**194,808**	**-187,969**	**6,839**
Capital expenditure	15,181	4,387	46	19,614	-	19,614

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

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	-427,712	763,636
Investment in an associate	0	6,058	0	6,058	0	6,058
Non-allocated assets	0	0	0	0	0	25,546
Total assets	**992,304**	**176,943**	**28,159**	**1,197,406**	**-427,712**	**795,240**

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

6. Operating costs

6.1. Costs by type

Figures in PLN thousand	Year ended 31 December 2018	Year ended 31 December 2017
Use of materials and energy	719,573	695,194
Cost of employee benefits	175,775	173,460
Depreciation/ amortisation	27,961	25,746
External services, including:	140,969	138,072
transport and logistics	51,380	51,951
advisory	24,998	22,155
lease, property protection	18,922	17,222
repair services, machine maintenance	4,432	3,808
IT services	2,605	3,266
telecommunication services	1,706	1,715
other	36,926	37,955
Entertainment and advertising costs	9,387	11,080
Business travel costs	8,941	8,949
Fees and charges	4,242	4,511
Other costs by type	7,114	6,432
Cost of goods and materials sold	72,913	64,573
Cost of services sold	767	1,079
Operating costs	**1,167,642**	**1,129,096**
change in the balance of finished goods	-4,553	-551
Total	**1,163,089**	**1,128,545**
including:		
Cost of sales*	870,084	838,499
Selling and marketing costs	193,646	192,823
General and administrative expenses	99,359	98,156

*A material item of cost of sales is the cost of unutilised production capacity in production companies of PLN 1,394 thousand for 2018 and PLN 2,488 thousand for 2017. The decrease in the cost of unutilised production capacity mainly results from an increase in the production volume in Selena Nantong Building Materials Co., Ltd in 2018.

6.2. Cost of employee benefits

Figures in PLN thousand	Year ended 31 December 2018	Year ended 31 December 2017
Salaries	142,566	140,820
Social insurance costs	27,019	27,805
Other costs of employee benefits	6,190	4,835
Total cost of employee benefits	**175,775**	**173,460**
including:		
Cost of sales	48,616	45,124
Selling and marketing costs	82,361	81,917
General and administrative expenses	44,798	46,419

6.3. Depreciation/amortisation

Figures in PLN thousand	Year ended 31 December 2018	Year ended 31 December 2017
Depreciation of tangible assets	21,562	20,578
Amortisation of intangible assets	6,211	4,977
Depreciation/amortisation of other assets	188	191
Total depreciation/amortisation	**27,961**	**25,746**
including:		
Cost of sales	15,095	14,417
Selling and marketing costs	4,338	4,368
General and administrative expenses	8,528	6,961

7. Other operating income and operating costs

7.1. Other operating income

Figures in PLN thousand	Year ended 31 December 2018	Year ended 31 December 2017
Profit from disposal of non-financial fixed assets	532	410
Subsidies	3,052	2,132
Reversal of impairment charge for receivables	N/A*	658
Damages	128	1,215
Provisions released	2,270	818
Liabilities cancelled	2,327	0
Other	3,525	2,313
Total other operating income	**11,834**	**7,546**

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

Revenues from subsidies primarily relate to the projects carried out by Selena Labs Sp. z o.o. (PLN 1,926 thousand) and Selena Iberia slu (PLN 747 thousand) – R&D activity. Other forms of public aid obtained by the Group companies relate to tax exemptions, as described in Note 9.5. of this report.

7.2. Other operating costs

Figures in PLN thousand	Year ended 31 December 2018	Year ended 31 December 2017
Loss on disposal of non-financial fixed assets	199	40
Impairment charge for receivables	N/A*	2,943
Uncollectible receivables written off	754	287
Allowances in respect of impairment and liquidation of inventories and net inventory-taking difference	4,789	4,700
Loss of control over subsidiary	0	33
Damages, penalties, fines	1,469	2,148
Provisions raised	89	1,020
Other	1,905	1,557
Total other operating costs	**9,205**	**12,728**

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

8. Financial revenues and expenses

8.1. Financial revenues

Figures in PLN thousand	Year ended 31 December 2018	Year ended 31 December 2017
FX gains	4,075	10,110
Interest on deposits and bank accounts	224	125
Interest on bonds	0	3,413
Other interest	183	117
Dividends and profit sharing	155	189
Derivative financial instruments	1,125	1,258
Other financial revenues	38	267
Total financial revenues	**5,800**	**15,479**

8.2. Financial expenses

Figures in PLN thousand	Year ended 31 December 2018	Year ended 31 December 2017
Interest on bank and other loans	5,932	7,221
Interest on finance lease liabilities	375	372
Other interest	324	53
FX losses	13,376	34,828
Other financial costs	1,284	721
Total financial expenses	**21,291**	**43,195**

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). In 2018, the negative balance of FX differences was PLN 9.3 million. In 2018, there was an unfavorable trend in key currency pairs, i.e. EUR/RUB, EUR/KZT and EUR/TRY at the beginning and at the end of the reporting period. 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. Under its FX Risk Management Policy developed in 2017, Selena Group hedges its currency exposure by using multi-currency credit lines, in particular by entering into forward transactions, primarily in EUR/RUB, EUR/PLN and USD/PLN. In 2018, the Group ensured extension of financing for Selena Vostok's activities using local loans up to RUB 700 million, which significantly mitigated the negative impact of the currency differences on the EUR/RUB pair.

In 2018, Selena FM S.A. hedged its expected cash flows with FX forwards and other financial instruments. The Parent Company enters into futures contracts mainly on the following currency pairs: EUR/RUB, EUR/PLN as well as USD/PLN, RON/PLN, CZK/PLN, HUF/PLN and EUR/KZT. On average in the period, the Parent Company had open forward contracts hedging EUR/PLN and EUR/RUB positions up to EUR 5 million for each currency pair. The Parent Company uses such financial instruments solely to hedge its FX risk and does not use them for speculative purposes. The Company does not use hedge accounting within the meaning of IFRS 9. As at 31 December 2018, the Parent Entity had open forward contracts valued at PLN 277 thousand (PLN 309 thousand as at 31 December 2017). After the balance sheet date, Selena FM S.A. had financial instruments in place relating to USD/PLN (USD 1.4 million), RON/PLN (RON 1.5 million), CZK/PLN (CZK 5.5 million), HUF/PLN (HUF 50 million) and EUR/RUB (EUR 2.5 million), EUR/PLN (EUR 2.75 million) with settlement dates in the period until 30 December 2019.

9. Income tax

9.1. Tax charge

Figures in PLN thousand	Year ended 31 December 2018	Year ended 31 December 2017
Current income tax:		
Current income tax charge	9,067	7,054
Corrections to the current income tax from previous years	0	-53
Deferred income tax:		
Connected with origination and reversal of temporary differences	1,536	2,363
Tax disclosed in consolidated income statement	**10,603**	**9,364**

9.2. Reconciliation of the effective tax rate

Figures in PLN thousand	Year ended 31 December 2018	Year ended 31 December 2017
Profit (loss) before tax	**37,263**	**16,203**
Tax at the Polish statutory rate of 19%	**7,080**	**3,079**
Costs/ (revenues) not included in the taxation basis	7,707	1,921
Tax effect of the losses not included in the taxation basis	2,317	3,929
Corrections to the current income tax from previous years	0	-53
Use of tax losses from previous years	-7,867	-540
Tax relief for research and development	-380	-1,053
Use of the deferred asset relating to trademarks	1,723	2,093
Tax relief for operations in the Special Economic Zone	-140	0
Effect of other tax rates in foreign affiliates	163	-12
Tax at the effective tax rate	**10,603**	**9,364**
Effective tax rate	**28%**	**58%**

9.3. Losses not included in the deferred tax

Figures in PLN thousand	period of deducting losses from the moment of occurrence	Year ended 31 December 2018	Year ended 31 December 2017
Selena Romania SRL	7 years	3,331	1,866
Selena Bohemia s.r.o.	5 years	114	0
Selena CA L.L.P.	10 years	742	818
Selena Ukraine Ltd.	No term	0	981
Selena Italia srl	No term	1,199	42
Selena Bulgaria Ltd.	5 years	0	12
Weize (Shanghai) Trading Co., Ltd.	5 years	0	537
Selena Nantong Building Materials Co., Ltd.	5 years	0	4,270
POLYFOAM Yalitim Sanayi ve Tic Ltd.	5 years	2,522	2,214
Selena Malzemeleri Yapi Sanayi Tic. Ltd.	5 years	2,017	1,651
Selena Sulamericana Ltda	No term	1,604	1,878
TOO Big Elit	10 years	0	1,180
Selena USA Specialty Inc.	20 years	340	0

EURO MGA Product SRL	7 years	0	573
Taurus Sp. z o.o.	5 years	49	13
Carina Sealants Sp. z o.o.	5 years	11	12
Oligo sp. z o.o.	5 years	76	19
TOO Selena Insulations	10 years	188	4,611
Total		**12,193**	**20,677**
Tax effect of unrecognised losses		**2,317**	**3,929**

9.4. Deferred income tax

	31 December 2018	Year ended 31 December 2018	1 January 2018 after adoption of IFRS 9	31 December 2017	Year ended 31 December 2017
Deferred tax liability on positive temporary differences					
Net value of fixed assets under finance lease	334	-334	668	668	-21
Difference between the net book value and tax value of non-financial fixed assets	6,713	118	6,595	6,595	-116
Interest not received	2,871	1,083	1,788	1,788	709
Valuation of trademarks	1,608	-524	2,132	2,132	-464
Unrealised FX gains	0	0	0	0	-1,229
Other	556	-480	958	958	-106
Deferred tax liability	**12,082**	**-137**	**12,142**	**12,142**	**-1,227**
Deferred tax liability (after set-off)	**3,143**		**3,817**	**3,817**	
Deferred tax assets on negative temporary differences					
Tax losses to be deducted*	7,136	293	7,429	7,429	-941
Impairment charges for receivables	1,688	-364	1,390	1,324	-42
Provision for the cost of audit of financial statements	36	13	115	49	1
Provision for the cost of unutilised leaves	497	70	567	567	47
Retirement provision	180	-36	144	144	-49
Accruals	2,277	-34	2,243	2,243	687
Interest payable	68	-35	33	33	52
Liability in respect of unpaid remuneration	323	6	329	329	-27
Impairment charge for inventory	833	-209	624	624	-191
Tax relief for investments in the special economic zone	10,999	1,723	12,722	12,722	2,092
Deferred tax relating to margin elimination	2,954	-100	2,854	2,854	255
Unrealised FX losses	1,425	-192	1,232	1,232	-1,232
Other	710	111	744	744	-518
Deferred tax assets	**29,126**	**1,246**	**30,426**	**30,295**	**134**
Deferred tax assets (after set-off)	**20,187**		**22,101**	**21,970**	
Change in deferred tax reflected in equity	**-**	**-427**	**-**	**-**	**-3,456**
Change in deferred tax reflected in net profit	**-**	**1,536**	**-**	**-**	**2,363**

** including as at 31 December 2018, PLN 5.6 million relates to deferred tax assets on tax losses of Selena Iberia slu*

The table below presents a reconciliation of changes in deferred tax assets and liabilities in the balance sheet with the respective credits/charges recognised in the profit and loss account and other comprehensive income.

Figures in PLN thousand	Year ended 31 December 2018	Year ended 31 December 2017
Credit/charge to the profit and loss account in respect of a deferred tax asset	1,246	134
Set-off of deferred tax assets and liabilities	613	1,459
FX differences arising on balance sheet valuation in foreign affiliates	-76	628
Balance sheet change in the deferred tax asset	**1,783**	**2,221**
Credit/charge to the profit and loss account in respect of a deferred tax liability	226	2,229
Deferred tax recognised in other comprehensive income	-427	-3,456
Set-off of deferred tax assets and liabilities	-613	-1,459
FX differences arising on balance sheet valuation in foreign affiliates	140	-309
Balance sheet change in the deferred tax liability	**-674**	**-2,995**

9.5. Activity in special economic zones

Orion PU Sp. z o.o operated in the Special Economic Zone (SEZ) of Wałbrzych until 28 May 2017 under the permit of 27 May 1998. Under Article 6.1 of the Act on special economic zones of 6 October 2003, the company converted its permit for operations in the SEZ, by using the regulations pertaining to the tax exemptions specified in Article 5 of the Act in lieu of Article 12 of the Act on special economic zones of 20 October 1994, in the revision of 31 December 2000. Under the Act, the company uses the Special Economic Zone Fund, designed to support new investments in Poland until 2023. By the end of 2018, the company paid in a total of PLN 11,572.8 thousand to the Fund. The company received subsidies totalling PLN 3,051.6 thousand to the technological projects involving changes in the technology of production of polyurethane foams.

Libra Sp. z.o.o. has been operating in the Special Economic Zone (SEZ) of Wałbrzych under the permit of 21 November 2000. On 29 May 2014, Libra sp. z o.o. obtained a new permit for conducting business in the Wałbrzych SEZ, expiring on 31 December 2025. According to the permit, if the company invests at least PLN 15 million until the end of 2021, and increases employment by 10, a tax relief will be granted as 40% of the expenses incurred, but not more than PLN 9 million. The company can use a tax relief until the end of 2025. Based on the permit, in 2018 a tax exemption of PLN 139,980.87 was provided. By the end of 2018, the conditions of the new permit had not been met yet.

10. Profit per share

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

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

		Year ended 31 December 2018	Year ended 31 December 2017
Profit (loss) attributable to the controlling interests	PLN	26,601,352	6,819,649
Average number of ordinary shares	share	22,834,000	22,834,000
Profit/(loss) per ordinary share	**PLN/ share**	**1.16**	**0.30**
Number of shares, including dilution	share	22,834,000	22,834,000
Diluted profit per share	**PLN/ share**	**1.16**	**0.30**

As at 31 December 2018, Selena FM S.A. has no potentially diluting ordinary shares.

11. Dividend paid and proposed

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

12. Discontinued operations

In the period of ended 31 December 2018 or in the period ended 31 December 2017, the Group did not discontinue nor it plans to discontinue any type of business in the next year

13. Property, plant and equipment

13.1. Changes in the value of tangible fixed assets

The tables below show changes in the individual groups of fixed assets.

Figures in PLN thousand	Land	Buildings and structures	Plant and machinery	Vehicles	Other fixed assets	Fixed assets under construction	Total
Initial value							
1 January 2018	**21,930**	**162,870**	**188,615**	**16,714**	**18,836**	**8,481**	**417,446**
increases, including:	0	394	3,826	1,318	1,627	16,120	**23,285**
Acquisition	*0*	*394*	*3,755*	*1,310*	*1,616*	*16,120*	***23,195***
Other	*0*	*0*	*71*	*8*	*12*	*0*	***91***
Transfers from investments	0	6,687	9,840	1,455	932	-18,914	**0**
Decreases, including:	0	206	3,099	2,213	1,407	78	**7,003**
Sale, Liquidation	*0*	*157*	*3,098*	*2,213*	*1,328*	*50*	***6,846***
Other	*0*	*49*	*1*	*0*	*79*	*28*	***157***
FX diff. on translation of foreign subsidiary	401	85	2,167	-132	128	35	**2,684**
31 December 2018	**22,331**	**169,830**	**201,349**	**17,142**	**20,117**	**5,644**	**436,413**
Write-off							
1 January 2018	**0**	**47,186**	**113,710**	**11,801**	**14,276**	**0**	**186,973**
increases, including:	0	5,964	11,724	2,198	1,761	0	**21,647**
Depreciation for the period	*0*	*5,964*	*11,647*	*2,198*	*1,753*	*0*	***21,562***
Other	*0*	*0*	*77*	*0*	*8*	*0*	***85***
Decreases, including:	0	157	3,057	1,829	1,358	0	**6,401**
Sale, Liquidation	*0*	*157*	*3,057*	*1,829*	*1,302*	*0*	***6,345***
Other	*0*	*0*	*0*	*0*	*56*	*0*	***56***
FX diff. on translation of foreign subsidiary	0	332	1,790	-99	141	0	**2,164**
31 December 2018	**0**	**53,325**	**124,167**	**12,071**	**14,820**	**0**	**204,383**
Impairment charges							
1 January 2018	**0**	**6,238**	**2,831**	**0**	**0**	**579**	**9,648**
Increases	0	5,793	4,672	0	1	124	**10,590**
FX diff. on translation of foreign subsidiary	0	175	31	0	0	0	**206**
31 December 2018	**0**	**12,206**	**7,534**	**0**	**1**	**703**	**20,444**
Net value							
1 January 2018	**21,930**	**109,446**	**72,074**	**4,913**	**4,560**	**7,902**	**220,825**
31 December 2018	**22,331**	**104,299**	**69,648**	**5,071**	**5,296**	**4,941**	**211,586**

Figures in PLN thousand	Land	Buildings and structures	Plant and machinery	Vehicles	Other fixed assets	Fixed assets under construction	Total
Initial value							
1 January 2017	**23,058**	**166,903**	**177,265**	**15,706**	**17,977**	**6,002**	**406,911**
increases, including:	87	2,682	16,528	1,531	1,673	10,322	**32,823**
Acquisition	*87*	*1,572*	*7,607*	*1,037*	*1,052*	*9,975*	***21,330***
Purchase of shares in a subsidiary	*0*	*1,110*	*8,686*	*345*	*546*	*0*	***10,687***
Other	*0*	*0*	*235*	*149*	*75*	*347*	***806***
Transfers from investments	*0*	*958*	*5,884*	*722*	*160*	*-7,724*	**0**
Decreases, including:	*0*	*0*	*2,854*	*559*	*158*	*46*	**3,617**
Sale, Liquidation	*0*	*0*	*2,789*	*410*	*137*	*39*	***3,375***
Other	*0*	*0*	*65*	*149*	*21*	*7*	***242***
FX diff. on translation of foreign subsidiary	*-1,215*	*-7,673*	*-8,208*	*-686*	*-816*	*-73*	**-18,671**
31 December 2017	**21,930**	**162,870**	**188,615**	**16,714**	**18,836**	**8,481**	**417,446**
Write-off							
1 January 2017	**0**	**41,647**	**100,457**	**10,028**	**12,750**	**0**	**164,882**
increases, including:	0	6,862	18,103	2,525	2,209	0	**29,699**
Depreciation for the period	*0*	*5,815*	*10,988*	*2,158*	*1,617*	*0*	***20,578***
Purchase of shares in a subsidiary	*0*	*1,047*	*7,110*	*262*	*509*	*0*	***8,928***
Other	*0*	*0*	*5*	*105*	*83*	*0*	***193***
Decreases, including:	0	0	397	271	160	0	**828**
Sale, Liquidation	*0*	*0*	*345*	*1,892*	*131*	*0*	***2,368***
Other	*0*	*0*	*52*	*-1,621*	*29*	*0*	***-1,540***
FX diff. on translation of foreign subsidiary	*0*	*-1,323*	*-4,453*	*-481*	*-523*	*0*	**-6,780**
31 December 2017	**0**	**47,186**	**113,710**	**11,801**	**14,276**	**0**	**186,973**
Impairment charges							
1 January 2017	**0**	**7,015**	**3,212**	**0**	**0**	**-1**	**10,226**
Increases	0	-225	-103	0	0	607	**279**
Decreases	0	0	4	0	0	27	**31**
FX diff. on translation of foreign subsidiary	0	-552	-274	0	0	0	**-826**
31 December 2017	**0**	**6,238**	**2,831**	**0**	**0**	**579**	**9,648**
Net value							
1 January 2017	**23,058**	**118,241**	**73,596**	**5,678**	**5,227**	**6,003**	**231,803**
31 December 2017	**21,930**	**109,446**	**72,074**	**4,913**	**4,560**	**7,902**	**220,825**

13.2. Other disclosures relating to fixed assets

Figures in PLN thousand	31 December 2018	31 December 2017
Fixed assets used under a finance lease agreement	13,735	27,729
Fixed assets held as security for bank debt (mortgage)	117,228	83,226
Value of capitalised borrowing costs for the year	0	0

14. Intangible fixed assets

14.1. Changes in intangible assets

Figures in PLN thousand	Goodwill	Software	Trademarks	Other	Intangible assets under development	Total
Initial value						
1 January 2018	**20,411**	**30,114**	**24,758**	**11,886**	**6,345**	**93,514**
increases, including:	0	906	14	626	4,888	**6,434**
Acquisition	*0*	*808*	*12*	*86*	*4,861*	***5,767***
Other	*0*	*98*	*2*	*541*	*27*	***668***
Transfers from investments	0	474	0	3,568	-4,042	**0**
Decreases, including:	0	859	0	826	0	**1,685**
Sale, Liquidation	*0*	*859*	*0*	*166*	*0*	***1,025***
Other	*0*	*0*	*0*	*660*	*0*	***660***
FX diff. on translation of foreign subsidiary	*-170*	*221*	*308*	*252*	*155*	**766**
31 December 2018	**20,241**	**30,856**	**25,080**	**15,507**	**7,346**	**99,030**
Write-off						
1 January 2018	**0**	**11,829**	**14,693**	**4,150**	**0**	**30,672**
increases, including:	0	3,192	1,836	1,823	0	**6,851**
Depreciation for the period	*0*	*3,094*	*1,834*	*1,283*	*0*	***6,211***
Other	*0*	*98*	*2*	*540*	*0*	***640***
Decreases, including:	0	859	0	825	0	**1,684**
Sale, Liquidation	*0*	*859*	*0*	*165*	*0*	***1,024***
Other	*0*	*0*	*0*	*660*	*0*	***660***
FX diff. on translation of foreign subsidiary	*0*	*73*	*87*	*62*	*0*	**222**
31 December 2018	**0**	**14,235**	**16,616**	**5,210**	**0**	**36,061**
Impairment charges						
1 January 2018	**7,367**	**0**	**0**	**0**	**0**	**7,367**
Increases	*0*	*0*	*0*	*5*	*0*	**5**
FX diff. on translation of foreign subsidiary	*49*	*0*	*0*	*0*	*0*	**49**
31 December 2018	**7,416**	**0**	**0**	**5**	**0**	**7,421**
Net value						
1 January 2018	**13,044**	**18,285**	**10,065**	**7,736**	**6,345**	**55,475**
31 December 2018	**12,825**	**16,621**	**8,464**	**10,292**	**7,346**	**55,548**

A significant part of the net value of software as at 31 December 2018 is represented by the ERP system – Microsoft Dynamics AX 2012 in the area relating to the system dedicated for Poland: PLN 12,357 thousand (PLN 14,416 thousand as at 31 December 2017). The system entered service in March 2017, and 31 December 2024 was adopted as the end of its useful life.

A significant part of intangible assets under development as at 31 December 2018 is represented by expenditure on the ERP system – Microsoft Dynamics AX 2012 in Selena Iberia slu: PLN 3,228 thousand. In accordance with a resolution of the Management Board of the Parent Entity, implementation of the system in Selena Iberia slu is to start in the last quarter of 2019.

Figures in PLN thousand	Goodwill	Software	Trademarks	Other	Intangible assets under development	Total
Initial value						
1 January 2017	**16,321**	**13,161**	**25,600**	**9,701**	**23,344**	**88,127**
increases, including:	5,418	939	337	271	2,663	**9,628**
Acquisition	*0*	*779*	*32*	*216*	*2,663*	***3,690***
Purchase of shares in a subsidiary	*5,418*	*158*	*305*	*55*	*0*	***5,936***
Other	*0*	*2*	*0*	*0*	*0*	***2***
Transfers from investments	*0*	*16,515*	*0*	*2,718*	*-19,233*	**0**
Decreases, including:	0	16	0	336	0	**352**
Sale, Liquidation	*0*	*6*	*0*	*116*	*0*	***122***
Loss of control over subsidiary	*0*	*8*	*0*	*0*	*0*	***8***
Other	*0*	*2*	*0*	*220*	*0*	***222***
FX diff. on translation of foreign subsidiary	*-1,328*	*-485*	*-1,179*	*-468*	*-429*	**-3,889**
31 December 2017	**20,411**	**30,114**	**24,758**	**11,886**	**6,345**	**93,514**
Write-off						
1 January 2017	**0**	**9,650**	**13,348**	**3,513**	**0**	**26,511**
increases, including:	0	2,446	1,925	873	0	**5,244**
Depreciation for the period	*0*	*2,302*	*1,857*	*818*	*0*	***4,977***
Purchase of shares in a subsidiary	*0*	*142*	*68*	*55*	*0*	***265***
Other	*0*	*2*	*0*	*0*	*0*	***2***
Decreases, including:	0	16	0	115	0	**131**
Sale, Liquidation	*0*	*6*	*0*	*115*	*0*	***121***
Other	*0*	*2*	*0*	*0*	*0*	***2***
Loss of control over a subsidiary (Selena Sever Moscow)	*0*	*8*	*0*	*0*	*0*	***8***
FX diff. on translation of foreign subsidiary	*0*	*-251*	*-580*	*-121*	*0*	**-952**
31 December 2017	**0**	**11,829**	**14,693**	**4,150**	**0**	**30,672**
Impairment charges						
1 January 2017	**7,506**	**0**	**0**	**0**	**0**	**7,506**
FX diff. on translation of foreign subsidiary	*-139*	*0*	*0*	*0*	*0*	**-139**
31 December 2017	**7,367**	**0**	**0**	**0**	**0**	**7,367**
Net value						
1 January 2017	**8,815**	**3,511**	**12,252**	**6,188**	**23,344**	**54,110**
31 December 2017	**13,044**	**18,285**	**10,065**	**7,736**	**6,345**	**55,475**

14.2. Goodwill

The table below shows the goodwill recognised in the balance sheet that arose as a result of acquisition of Group companies.

Figures in PLN thousand	31 December 2018	31 December 2017
Uniflex (Italy)	5,446	5,283
Oligo (Poland)	18	18
Tytan EOS (Poland)	874	874
Vostok (Russia)	1,395	1,557
Matizol (Poland)	715	715
Big Elit (Kazakhstan – ECC division)	4,377	4,597
Total	**12,825**	**13,044**

The table below shows changes in the goodwill occurring during the year.

Figures in PLN thousand	Year ended 31 December 2018	Year ended 31 December 2017
Goodwill arising on consolidation at the beginning of the period	**13,044**	**8,815**
Acquisition of control over Uniflex S.p.A	0	5,400
Acquisition of control over Oligo Sp. z o.o.	0	18
FX differences arising on goodwill translation	-219	-1,189
Total carrying amount at the end of the period	**12,825**	**13,044**

As required by IAS 36 – Impairment, as at 31 December 2018, the goodwill disclosed in the consolidated report (Note 14.2) was tested for impairment. Based on an analysis of the models of future cash flows planned for 2019-2023 for the cash generating units (CGUs) corresponding to the specified companies, no need for a goodwill impairment was identified. Due to materiality, Note 16.4 presents the assumptions regarding an impairment test for the goodwill arising from acquisition of Uniflex S.p.A and Big Elit.

14.3. R&D expenditure

The table below shows the expenditures incurred on R&D activity.

Figures in PLN thousand	Year ended 31 December 2018	Year ended 31 December 2017
R&D expenditure reflected in the profit and loss account	14,377	11,244

15. Other fixed assets

In June 2009, Selena Nantong Building Materials Co., Ltd. (subsidiary) entered into a 50-year operating leasehold agreement for land.

The payments are depreciated on a straight-line basis during the term of the lease. This method of depreciation reflects consumption of the economic benefits of the asset.

16. Impairment of fixed assets

Given the existence of indications of impairment, as at 31 December 2018, the Parent Company tested for impairment non-current assets in Nantong Building Materials Co., Ltd and EURO MGA Products srl. There were no indications of impairment that would call for a similar test to be carried out in other subsidiaries.

16.1. Goodwill

Information on impairment tests carried out as at 31 December 2018 is included in Note 14.2. Due to materiality, Note 16.4 presents the assumptions regarding an impairment test for the goodwill arising from acquisition of Uniflex S.p.A and Big Elit.

16.2. Selena Nantong Building Materials Co., Ltd.

Due to the slower-than-planned increase in the value of sales of Selena Nantong Building Materials Co., Ltd as well as revision of its business plans, as at 31 December 2018, the Management Board of the Parent Company carried out an impairment test for the entity's fixed assets, in accordance with IAS 36 "Impairment". Based on the projected future cash flows generated by the company, no need was identified to create an additional impairment charge for the fixed assets invested in Selena Nantong Building Materials Co., Ltd. In the previous reporting periods, impairment allowances of PLN 4,937 and PLN 4,259 thousand were posted for the value of buildings, structures and equipment in 2013 and 2016,

respectively.
As at 31 December 2018, the total impairment allowances (historical value) is PLN 9,196 thousand.

Given the long-term nature of the investment, the test was based on a 6-year cash flow forecast. For the purpose of the test, WACC before tax was taken at 9.5% and the residual growth rate at 2.5%.

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

The test also did not show a need to create an additional impairment charge in the unconsolidated report of Selena FM S.A. in respect of the value of the assets invested in Selena Nantong Building Materials.

16.3. Selena Romania srl and EURO MGA Product srl

As the Romanian company failed to achieve the expected sales levels in 2018, and due to the slower-than-expected growth of the dry mortars, wet plasters and ceramic adhesives divisions, the Management Board performed an impairment test for the fixed assets of Selena Romania srl and EURO MGA Product srl (a subsidiary of Selena Romania srl), in accordance with IAS 36 "Impairment". Based on the projected future cash flows generated by the companies, the recoverable value of of the fixed assets of the entities producing and selling products for the Romanian market was determined. The test showed the need to post an additional allowance for value of buildings & structures, machinery and equipment of RON 7,330 thousand (as a result of a previous test carried out as at 30 June 2018, an impairment allowance on property, plant and equipment of RON 2,793 thousand was posted). The total value of impairment allowances made in 2018 (PLN 9,278 thousand) was presented under impairment property, plant and equipment in the consolidated income statement.

The test used a 5-year cash flow projection: For the purpose of the test, WACC before tax was taken at 10.7% and the residual growth rate at 2.5%.

Future projections of cash flows include current operations in the Romanian market, particularly in the area of dry mortars and wet plasters, focused on implementation of innovative products and a further development of distribution combined with optimisation of production and logistics costs. If any material, negative deviations occur from the adopted action plan (in terms of market share increase and return on sales) and current macroeconomic projections for Romania, in the future reporting periods it might be necessary to post an impairment write-down on the fixed assets of Selena Romania srl and EURO MGA Product srl.

The unconsolidated report of Selena FM S.A. contains an impairment write-down for the company's fixed investment into Selena Romania srl and EURO MGA Product srl, for a full amount of the investment value.

16.4. Assumptions of impairment tests and sensitivity of the cash flow models

Selected model assumptions for the tests are shown in the table below.

CGU	**Uniflex**	**Big Elit**	**Selena Nantong**	**Selena Romania + EURO MGA**
Assets tested	goodwill	goodwill	non-current assets	non-current assets*
WACC before tax	10.8%	14.6%	9.5%	10.7%
Residual growth rate	2.0%	2.5%	2.5%	2.5%
Impairment	none	none	none	6,718
Model sensitivity - impairment amount at:				
WACC before tax increased by 1 p.p.	*no charge*	*no charge*	*no charge*	*2,571*

residual growth rate reduced by 1 p.p.	*no charge*	*no charge*	*no charge*	*2,944*
EBIT margin reduced by 1 p.p.	*7,215*	*no charge*	*no charge*	*4,399*

* fixed assets adopted for the test carried out as at 31 December 2018 were decreased by impairment allowance recognized as at 30 June 2018.

17. Investments accounted for using the equity method

As at 31 December 2018, Selena Group has one entity accounted for using the equity method: Hamil – Selena Co. Ltd. of Kimhae (South Korea), manufacturer of polyurethane foams and aerosols, and House Selena Trading Company Ltd (China), a distributor of Selena Nantong's products in China.

Value of the shares is presented in the table below.

Entity	Year acquired	Group's Share in equity	Share value at the acquisition date	Net value of the shareholding as at:	
				31 December 2018	31 December 2017
Hamil - Selena Co. Ltd	2001	30%	1,317	5,948	5,713
House Selena Trading Company Ltd.	2017	40%	110	110	107
Net value of shares				**6,058**	**5,820**

Key data on Hamil – Selena Co. Ltd.:

Figures in PLN thousand	Period ended 31 December 2018	Period ended 31 December 2017
Revenue from sales	86,641	93,157
Profit/loss after tax	7,385	7,557
Assets	68,492	51,353
Liabilities	21,577	11,579

In 2018, Selena S.A., which is the owner of shares in the associated undertaking Hamil - Selena Co. Ltd., acquired the right to dividend from the company of EUR 108.31 thousand in respect of the 2017 profit. The dividend was paid on 27 April 2018. The change in the value of shares in Hamil - Selena Co. Ltd. was affected only by foreign exchange differences from translation of the foreign affiliate.

The key figures of House Selena Trading Company Ltd. are presented in the table below.

Figures in PLN thousand	Period ended 31 December 2018	Period ended 31 December 2017
Revenue from sales	18,395	4,005
Profit/loss after tax	-1,736	-793
Assets	2,025	1,439
Liabilities	4,549	2,203

The Group does not participate in the loss of House Selena Trading Company Ltd. in accordance with the terms of the agreement. The change in the value of shares in House Selena Trading Company Ltd was affected only by foreign exchange differences from translation of the foreign affiliate.

18. Inventories

Figures in PLN thousand	31 December 2018	31 December 2017
Materials	67,550	75,243
Work in progress	5,664	3,612

Finished goods	94,544	96,448
Merchandise	13,158	17,737
Total inventory, net	**180,916**	**193,040**
Impairment charge for inventory	5,877	4,623
Total inventory, gross	**186,793**	**197,663**

Changes in the impairment charge for inventories are presented in the table below.

Figures in PLN thousand	Year ended 31 December 2018	Year ended 31 December 2017
Impairment charge for inventory at the beginning of the period	**4,623**	**4,664**
Creation of an impairment charge for inventory	2,616	1,777
Reversal of an impairment charge for inventory	-611	-646
Utilisation of an impairment charge for inventory	-765	-1,043
FX differences arising on translation	14	-129
Impairment charge for inventory at the end of the period	**5,877**	**4,623**

19. Other short-term receivables

Specification of other short-term net receivables is presented in the table below.

Figures in PLN thousand	31 December 2018	31 December 2017
VAT claimed	26,974	29,107
Prepayments for deliveries	6,184	3,933
Prepaid expenses	3,240	3,826
Other financial receivables	2,625	2,582
Other non-financial receivables	1,976	1,189
Total	**40,999**	**40,637**

The impairment allowance on other non-financial receivables as at 31 December 2018 was PLN 973 thousand (as at 31 December 2017 it was PLN 1,554 thousand). The impairment allowance on account of the expected credit loss of other financial receivables as at 31 December 2018 amounted to PLN 4,856 thousand (PLN 3,577 thousand as at 31 December 2017) and was classified to grade 3 (also presented in Note 32.3).

20. Equity

20.1. Registered capital

20.1.1. Nominal value per share

The structure of the Parent Company's registered capital is presented in the table below

Series	Type	Nominal value per share (PLN)	Number of shares	Value of shares (PLN)
A	Preference shares	0.05	4,000,000	200,000
B	Ordinary shares	0.05	13,724,000	686,200
C	Ordinary shares	0.05	5,000,000	250,000
D	Ordinary shares	0.05	110,000	5,500
			22,834,000	**1,141,700**

All the shares are fully paid-up.

20.1.2. Shareholder rights

Series A are preference shares, carrying two votes each. Series B, C and D shares carry one share each. The shares of all series carry the same dividend rights and the same return on capital.

20.1.3. Major shareholders

The table below shows the stake in the share capital and the voting power of the major shareholders.

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*

20.2. Other reserves

The items of reserves are presented in the table below.

Figures in PLN thousand	Value
Fair value of the warrants allocated as part of the incentive programme	1,633
Reserve capital earmarked for the purchase of own shares	8,000
Other reserves	**9,633**

20.3. Non-controlling interests

The table below shows changes in non-controlling interests.

Figures in PLN thousand	Year ended 31 December 2018	Year ended 31 December 2017
As at 1 January	**490**	**553**
a) increase	71	19
– profit for the financial year	*59*	*19*
– FX differences on translation of a foreign affiliate	*12*	*0*
b) decrease	4	82
– loss for the financial year	*0*	*0*
– FX differences on translation of a foreign affiliate	*0*	*58*
– payment of dividend	*4*	*0*
– cancellation of shares (Orion PU Sp. z o.o.)	*0*	*24*
As at 31 December	**557**	**490**

20.4. FX differences arising on translation of a foreign affiliate

Figures in PLN thousand	Year ended 31 December 2018	Year ended 31 December 2017 restated data*
FX differences arising on translation of foreign affiliates	604	11,729
FX differences on measurement of investments into the net assets of a foreign subsidiary	-4,869	-25,789
Income tax	427	3,456
Total	**-3,838**	**-10,604**

*The reasons and effects of the restated data published in prior periods are contained in Note 3.1

Figures in PLN thousand	31 December 2018	31 December 2017 restated data*	1 January 2017 restated data*
FX differences arising on translation of foreign affiliates	4,713	7,186	-4,600
FX differences on measurement of investments into the net assets of a foreign subsidiary	-38,322	-36,519	-10,730
Income tax	1,893	1,467	-1,990
Total	**-31,716**	**-27,866**	**-17,320**

*The reasons and effects of the restated data published in prior periods are contained in Note 3.1

The item "FX differences arising from measurement of investments into net assets of a foreign affiliate" includes the elements of the intragroup transactions (loans granted by Selena FM S.A. to its subsidiaries and the amounts payable by these entities), which is the opinion of the Management Board are classified as an element of investments into the net assets of these companies. The settlements are eliminated from the consolidation, but the FX differences arising on their valuation, presented in the unconsolidated accounts of the individual companies, are removed from finance revenues (or expenses as the case might be) at the consolidated level and are presented in the statement of comprehensive income.

21. Loans and advances

21.1. Bank credit agreements

The incurred bank loans are presented in the table below

			31 December 2018 in PLN '000		31 December 2017 in PLN '000	
Ref	Loan type	Maturity date	*Long-term portion*	*Short-term portion*	*Long-term portion*	*Short-term portion*
1	Working capital loan	07/2020	30,312	0	0	33,902
2	Working capital loan	07/2021	46,798	0	0	26,686
3	Working capital loan	01/2019	0	15,551	0	47,635
4	Investment loan	03/2018	0	0	0	411
5	Working capital loan	06/2021	27,855	0	9,428	0
6	Working capital loan	08/2019	0	2,742	0	18,260
7	Working capital loan	01/2019	0	2,713	0	3,844
8	Working capital loan	11/2021	7,986	0	0	0
9	Other	Different	2,761	5,774	3,286	8,677
			115,712	**26,780**	**12,714**	**139,415**

21.2. Specification of loans

1) Receivables Limit Agreement of 25 June 2009 for Selena FM and subsidiaries Orion PU sp. z o.o., Libra sp. z o.o. and Selena S.A. On 9 July 2018, Selena FM S.A., Orion PU sp. z o.o., Libra sp. z o.o., Selena S.A., Izolacja – Matizol S.A. and TYTAN EOS sp. z o.o. signed an annex to the loan agreement, reducing the total credit limit to PLN 35 million. The credit period was extended to 13 July 2020. The facility bears a variable rate of interest: 1M WIBOR/EURIBOR/LIBOR + margin. The limit is secured by a power of attorney to the borrowers' current accounts maintained by the bank; mortgage on the real estate of Orion PU Sp. z o. o. up to PLN 52.5 million with the assignment of rights under the insurance policy and blank promissory notes issued by the borrowers together with the promissory note declarations.

2) Multi-product agreement of 22 February 2011, as amended, for Selena FM S.A. and subsidiaries Carina Silicones sp. z o.o., Selena S.A. and Orion PU sp. z o.o. The agreement provides for a total credit limit of PLN 70 million. On 4 July 2018, an annex was signed, extending the loan repayment date to 4 July 2021. The interest rate is floating: 1M WIBOR/EURIBOR 1M + margin. The loan is secured by mortgages on the properties owned by the subsidiaries: Carina Silicones Sp. z o.o., Selena Labs Sp. z o.o. and Tytan EOS Sp. z o.o., a registered pledge on the properties and inventories of Carina Silicones Sp. z o.o. and Tytan EOS Sp. z o.o., together with assignment of insurance policies for the above assets, a registered pledge on the inventories of Orion PU Sp. z o.o., Libra Sp. z o.o. and Selena S.A. together with assignment of insurance policies for the above assets and civil law guarantees of Tytan EOS Sp. z o.o. and Libra Sp. z o.o. The borrowers also issued blank promissory notes to the bank, alongside promissory note declarations.

3) Multipurpose agreement of 26 November 2013, as amended, for Selena FM and subsidiaries Selena S.A., Tytan EOS sp. z o.o. and Izolacja–Matizol Sp. z o.o., Orion PU Sp. z o.o. and Libra Sp. z o.o. The loan amount is PLN 70 million and the maturity date is 31 January 2019. The loan bears a variable interest rate of 1M WIBOR/EURIBOR + margin. The facility is secured by an assignment of all the material receivables from specified debtors of Selena S.A., assignment of insurance rights, a statement of submission to debt enforcement, power of attorney to current accounts and a legal mortgage on a property owned by Libra sp. z o.o.

4) On 12 March 2014, a non-renewable loan agreement of PLN 7m was signed with Libra sp. z.o.o. The loan value is PLN 7 millin and it matures on 12 March 2018. It is secured by an open mortgage up to PLN 10.5m on a property owned by Libra sp. z o.o., assignment of policy rights, a guarantee of Selena S.A. and a guarantee of Selena FM S.A. The loan bears a variable interest rate based on 1M WIBOR/ 1M EURIBOR + margin. The loan was repaid in full in March 2018.

5) Multi-purpose credit limit agreement of 5 August 2016 for Selena FM S.A, and its subsidiaries: Orion PU Sp. z o.o., Carina Silicones Sp. z o.o., Libra Sp. z o.o., Izolacja Matizol Sp. z o.o. By annex of 29 June 2018, the credit limit amount was increased from PLN 50 million to PLN 90 million. Selena S.A. joined the credit agreement. The interest rate is variable based on 1M WIBOR + margin for the funds used in PLN, 1M EURIBOR + margin for the funds used in EUR and 1M LIBOR for the funds used in U The loan is secured by an ordinary joint mortgage on the properties owned by Izolacja Matizol Sp. z o.o and registered pledge on the properties owned by Izolacja Matizol Sp. z o.o alongside assignment of insurance policies for the above assets, and transfer of trade receivables due from the debtors of Selena S.A., together with assignment of insurance policies for the above receivables. The borrowers also issued blank promissory notes to the bank, alongside promissory note declarations.

6) On 9 June 2017, the subsidiary Selena Vostok entered into a working capital line agreement. The availability of the bank's credit line is 12 months. On 15 August 2018 an agreement was signed extending the credit period for another 12 months. The financing amount is RUB 300 million. Variable interest rate depending on the rate of the Russian Central Bank. The granted credit limit will be used to finance the company's working capital requirements. It is secured by a corporate guarantee of Selena FM S.A.

7) On 27 July 2017, the subsidiary Selena Vostok entered into a working capital line agreement. The available line is RUB 400 million. Variable interest rate depending on the rate of the Russian Central Bank. The credit line was granted for 18 months. It is secured by a corporate guarantee of Selena FM S.A. The guarantee came into force on 12 October 2017.

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

9) Loans for different purposes incurred by the Group's foreign affiliates (including: Selena Iberia: PLN 8.46 million), in different currencies and with different maturities.

Events occurring after the balance sheet date

On 30 January 2019, an Annex to the multi-purpose premium credit line contract of 26/11/2013 was signed (item 3 in the list). The Borrowers are: Selena S.A., Selena FM S.A., Tytan EOS Sp. z o.o., Izolacja Matizol sp. o.o., Libra sp. o.o., Orion PU sp. o.o. The amount of the multi-purpose credit line was increased to the maximum level of PLN 80 million. At the same time the availability period was extended to 31.12.2021. The interest rate is variable, based on 1M WIBOR + margin for the funds used in PLN and 1M EURIBOR + margin for the funds used in EUR. The facility is secured by a mortgage on the property of Libra sp. z o.o. along with assignment of the insurance policy, a blank promissory note issued by all Borrowers and assignment of all existing and future claims of some contractors of Selena S.A.

In January 2019, loan No. 7 from the summary above was repaid.

On 29 March 2019 an agreement was concluded with the bank to terminate the receivables limit agreement (item 1 from the list above).

On 11 April 2018, Selena FM S.A. signed a guarantee line agreement for the foreign affiliates of Selena FM Group. The available limit amount will be up to EUR 6.5 million; the maximum validity period of bank guarantees and letters of credit will be 13 months. The facility will be secured by accession of foreign affiliates to the debt: Selena S.A. and Carina Silicones sp. o.o together with the power of attorney to use the funds in the bank accounts.

21.3. Currency and interest rate risk relating to the bank debt

The table below shows details of the interest rates on loans and loan currencies.

Currency	Interest rate	Base rate	(Figures in PLN thousand)	31 December 2018	31 December 2017
PLN	variable	WIBOR		68,433	92,727
EUR	variable	EURIBOR		53,551	29,897
	fixed	-		4,982	5,841
USD	variable	LIBOR		10,001	0
RUB	variable	Different		5,455	22,104
Other	Different	Different		70	1,560
Total				**142,492**	**152,129**

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

21.5. Security for the bank debt

The table below shows a collective summary of the main assets held as security for bank debt.

Security type	Security value (data in PLN m)
Fixed assets (mortgage/pledge)	117.2
Inventories	71.2
Trade receivables from non-related parties	39.4

In addition to the presented security items, other securities are used, including:

- a declared current account turnover
- a corporate guarantee of another Selena Group company
- intercompany receivables
- blank promissory note.

22. Reconciliation of the debt balance

The table below presents information on changes in the level of debt on cash flows items and non-cash changes.

Figures in PLN thousand	Bank loans	Leases	Other financial liabilities	Total
Debt as at 1 January 2018	**152,129**	**13,392**	**5,708**	**171,229**
Changes resulting from cash flows, including:	-15,177	-5,931	0	-21,108
financing received	*98,245*	*0*	*0*	*98,245*
repayment of principal	*-107,379*	*-5,558*	*0*	*-112,937*
interest and fees paid	*-6,043*	*-373*	*0*	*-6,416*
other	*0*	*0*	*0*	*0*
Non-cash changes, including:	5,540	3,751	177	9,468
lease agreements signed	*0*	*3,104*	*0*	*3,104*
interest and fees accrued	*5,932*	*373*	*0*	*6,305*
FX differences	*-392*	*274*	*177*	*59*
change in respect of purchase of an entity	*0*	*0*	*0*	*0*
other	*0*	*0*	*0*	*0*
Debt balance as at 31 December 2018	**142,492**	**11,212**	**5,885**	**159,589**

The table below presents information on changes in the level of debt on cash flows items and non-cash changes in 2017

Figures in PLN thousand	Bank loans	Leases	Other financial liabilities	Total
Debt as at 1 January 2017	**178,090**	**11,797**	**0**	**189,887**
Changes resulting from cash flows, including:	-31,153	-5,464	0	-36,617
financing received	*91,138*	*0*	*0*	*91,138*
repayment of principal	*-115,234*	*-5,106*	*0*	*-120,340*
interest and fees paid	*-7,057*	*-358*	*0*	*-7,415*
other	*0*	*0*	*0*	*0*
Non-cash changes, including:	5,192	7,059	5,708	17,959
lease agreements signed	*0*	*7,244*	*0*	*7,244*
interest and fees accrued	*7,220*	*358*	*0*	*7,578*
FX differences	*-3,546*	*-543*	*0*	*-4,089*
change in respect of purchase of an entity	*1,518*	*0*	*450*	*1,968*
other	*0*	*0*	*5,258*	*5,258*

Debt balance as at 31 December 2017	**152,129**	**13,392**	**5,708**	**171,229**

23. Other financial liabilities

The table below presents other financial liabilities.

	31 December 2018		31 December 2017	
Figures in PLN thousand	**Long-term portion**	**Short-term portion**	**Long-term portion**	**Short-term portion**
Finance lease liabilities	6,130	5,082	8,462	4,930
Obligations in respect of bills settlement	0	5,325	0	9,599
Other financial liabilities	0	5,885	5,708	0
Total financial liabilities	**6,130**	**16,292**	**14,170**	**14,529**

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

24. Other liabilities

The table below shows a specification of other financial obligations as at the balance sheet date.

	31 December 2018		31 December 2017	
Figures in PLN thousand	**Long-term portion**	**Short-term portion**	**Long-term portion**	**Short-term portion**
Investment liabilities	110	1,709	107	1,481
Prepayments for deliveries	0	2,121	0	4,625
VAT payable	0	7,068	0	7,240
Other taxes and insurance payable	0	8,556	0	8,503
Remuneration payable	0	13,556	0	13,119
Dividend liabilities	0	0	0	0
Other liabilities	2,444	4,969	2,821	3,419
Deferred income	1,844	3,994	1,819	4,494
Total other liabilities	**4,398**	**41,973**	**4,747**	**42,881**

25. Provisions

The table below shows changes in the balance of provisions.

	Period ended 31 December 2018			Period ended 31 December 2017		
Figures in PLN thousand	**Provision for retirement benefits**	**Other provisions**	**Total**	**Provision for retirement benefits**	**Other provisions**	**Total**
Long term						
Balance at the beginning of the period	**2,793**	**104**	**2,897**	**491**	**2**	**493**
Provisions raised	670	47	717	469	14	483
Provisions released	-286	0	-286	-163	0	-163
Provisions used	-100	0	-100	0	0	0
Purchase of shares in a subsidiary	0	0	0	2,038	84	2,122
FX differences	64	2	66	-42	4	-38

Balance at the end of the period	**3,141**	**153**	**3,294**	**2,793**	**104**	**2,897**
Short term						
Balance at the beginning of the period	**5**	**11,491**	**11,496**	**8**	**15,350**	**15,358**
Provisions raised	0	1,015	1,015	15	2,004	2,019
Provisions released	0	-2,270	-2,270	-6	-818	-824
Provisions used	0	-3,947	-3,947	-12	-6,232	-6,244
Purchase of shares in a subsidiary	0	0	0	0	1,804	1,804
FX differences	0	25	25	0	-617	-617
Balance at the end of the period	**5**	**6,314**	**6,319**	**5**	**11,491**	**11,496**

In the 2018, Selena S.A. used a provision of PLN 3.1 million. The provision was used in connection with customs proceedings (Note 26.3).

In addition, Selena Vostok clawed back the provision created in 2016 for a lawsuit related to the bankruptcy of Alta Bank in Russia (PLN 1.9 million).

26. Contingent liabilities

26.1. Intragroup guarantees

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, and the guarantee applies to loan obligations and trade liabilities owed to unrelated entities. Such guarantees given to the subsidiaries by Selena FM S.A. were described in detail in Note 21.1 of the unconsolidated financial statements of Selena FM S.A. for 2018. As at 31 December 2018, the result of the valuation of these guarantees according to IFRS 9 is immaterial.

26.2. Contingent assets and liabilities under the agreement for the acquisition of Selena Iberia

As part of the acquisition of Selena Iberia (formerly: Industrias Quimicas Lowenberg), in 2009, at the acquisition date, potential assets were identified in the acquired company which were related to the realisation of the benefits that might flow to Selena Iberia in the future in respect of contingent tax assets. Pursuant to the agreement between the Selena Group and the previous shareholders of the company, if the company acquires any actual economic benefits in respect of the above items, then they will be returned to the previous shareholders in an amount equal to those benefits (a symmetrical approach without an impact on the Group's results). On 30 September 2010, an additional agreement was signed in relation to this matter, whereby any potential economic benefits arising from these assets will be returned to the previous shareholders in the portion corresponding to 70% or 85% (depending on the type of the asset) of the value of such benefits.

In 2018, Selena Iberia achieved a taxable income allowing it to partially use tax losses tax reliefs from previous years. As a result, in 2018 Selena FM S.A. recognized future liability towards former owners of Industrias Qumicas Lowenberg of EUR 200 thousand.

The maximum nominal value of contingent liabilities not included in the settlement, taking into account future liabilities recognized in the statement of financial position as at 31 December 2018, is EUR 1.08 million.

26.3. Court disputes

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

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

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

On 11 March 2013, Carina Silicones received from the District Court in Warsaw, XVI Economic Division, a copy of the claim for payment made by Millennium Bank, dated 4 January 2013. The bank stated its total claim amount at PLN 10,256 thousand. The claim relates to the purported conclusion of FX transactions between the company and the bank in 2008. Repeating the opinion of the Management Board of Carina Silicones, supported with legal opinions, the Management Board of the Parent sustains its opinion that the bank's claims are unwarranted. Based on the legal opinion received, the company responded to the claim and moved that it should be dismissed in its entirety, proposing the proceedings to be suspended until determination of the fact of existence of the contested transaction. On 11 May 2013, the District Court in Warsaw, accepted the request of Carina Silicones and decided to suspend the proceedings.

At the request of Bank Millennium, the Regional Court in Warsaw resumed the proceedings. During the first hearing on 14 March 2017, the attorney of Bank Millenium filed a motion to refer the case to mediation. The court decided to defer its decision regarding the motion.

As at the date of preparation of the consolidated financial statements, the Regional Court continues examine evidence for the case. The company expects that the decision of the court of first instance should be taken in H2 2019 at the earliest. The company has a legal opinion which shows that the claim for payment is very likely to be successful.

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

Selena S.A. (Company) is a party to customs proceedings relating to the imposition by the customs authorities of anti-dumping duty on the Company in connection with the import of open-mesh fabrics of glass fibres from Taiwan, which took place in 2011–2012 (the anti-dumping duty on imports of certain open mesh fabrics of glass fibers shipped from Taiwan was not in force at the time). Anti-dumping duty on imports of this commodity the anti-dumping duty on this mesh was introduced with transactions carried out from 25 May 2012, on the basis of Regulation No. 437/2012 of 23 May 2012 in conjunction with Regulation No. 21/2013 of 10 January 2013.

On 24 February 2014, the Head of the Customs Office in Gdynia initiated the first proceedings against Selena S.A. concerning determination of anti-dumping customs duty. On 27 May 2014, the Head of the Customs Office in Gdańsk initiated further 37 proceedings in this regard. The basis for initiation of the procedure by the Polish customs authorities was the receipt of a report drafted by the European Anti-Fraud Office (OLAF) on the investigation carried out by OLAF in Taiwan in 2013 concerning the suspected circumvention of the anti-dumping duty imposed on the imports of open-mesh fabrics.

As a result of the proceedings against the Company, an obligation was imposed on it to pay PLN 7,992.9 thousand in customs duties. These decisions were essentially based on the above OLAF report (and in fact, the summaries submitted by the Taiwanese authorities, i.e. tables attached to the OLAF report), which was challenged by the Company during the proceedings. The findings of these decisions were upheld by the court of the second instance, which resulted in the Company filing a complaint to the Provincial Administrative Court (WSA) in Gdańsk.

Following initially favourable decisions issued by the WSA, unfavourable rulings were passed on 15 December 2016 (in a group of three proceedings), where the court dismissed the complaints filed by Selena S.A. These negative rulings increased the risk of a negative outcome of the remaining cases, so a decision was made to raise a provision for this purpose. In these cases, on 20 and 22 February 2017, the Company lodged cassation appeals to the Supreme Administrative Court (NSA).

A group of other 15 cases were suspended before the court of the second instance. During the proceedings, in September 2017 rulings were issued upholding the decisions of the court of the first instance. As a result, customs duties of PLN 4.4 million were paid, including interest of PLN 0.2 million. The Company's appeals lodged to the WSA in these cases were dismissed by the court. The Company disagreed with the judgments and lodged cassation appeals on 16 April 2018. At the same time, the Company also filed a cassation appeal in another similar case. The case was referred by the NSA to be reconsidered, as a result of which the WSA issued a decision unfavorable for the Company. In this other case, the duty payable is PLN 407.1 thousand and was paid by the Company.

There remains another group of 13 proceedings, which were suspended by the Provincial Administrative Court in Gdańsk (the amounts resulting from these decisions, with interest, totalling PLN 2.8 million were paid in September 2018).

A provision had been raised for the amount of potential future customs obligations, posted in 2016 and 2018. Most of the provision was used in 2017 and 2018. As at 31 December 2018, the remaining provision amount is PLN 0.5 million. After the balance sheet date, a provision of PLN 0.5 million was used in connection with the repayment of interest.

26.4. Tax settlements

Tax payment and other regulated areas of business (including customs or currency-related activities) may be subject to inspection by administrative bodies, which have the right to impose high fines and sanctions. In the absence of well-established legislation in Poland and in certain CEE countries, legal provisions in these countries tend to be unclear and inconsistent. There are frequent differences in interpretation of tax regulations both within State administration bodies and between such bodies and corporations, which gives rise to uncertainties and conflicts. As a result, the tax risk in Poland and in certain CEE countries is substantially higher than in the countries with a more mature tax system.

27. Leases

27.1. Finance lease liabilities – Group as a lessee

The Group leases machines, equipment and vehicles under finance leases.

The future minimum lease payments and the present value of the minimum lease payments are presented in the table below.

	31 December 2018		31 December 2017	
Figures in PLN thousand	**Nominal value**	**Current value**	**Nominal value**	**Current value**
Payments up to 1 year	5,287	5,082	5,179	4,930
Payments from 1 to 5 years	6,288	6,130	8,728	8,462
Payments above 5 years	0	0	0	0
Total lease payments	**11,575**	**11,212**	**13,907**	**13,392**
Less financial expenses	-363		-515	
Current value of minimum lease payments	**11,212**	**11,212**	**13,392**	**13,392**

Terms of the material leases:

- production facility of Selena Iberia:
  - duration of the lease – the contract was concluded for a period of 15 years expiring in 2020
  - amortisation period – depending on the component; max. 40 years for the building structure
  - variable interest rate
  - after expiry of the lease term, the ownership of the assets passes to the entity

- Vehicles
  - lease term – 3 years
  - amortisation period – mainly 5 years
  - lease payments vary depending on current interest rate
  - at the lease termination, the lessee has the right to purchase the leased asset for a price equal to its residual value.

27.2. Operating lease liabilities – Group as a lessee

The Group mainly uses office and storage space and passenger cars under operating leases. The future minimum lease payments under such leases are presented in the table below.

Figures in PLN thousand	31 December 2018	31 December 2017
During the year	11,179	7,872
1-5 years	12,226	16,715
Total	**23,405**	**24,587**

Material terms of the operating leases are as follows:

- leased signed for a specified period (usually 3–5 years) with a renewal option subject to agreement of the terms of further cooperation or agreements signed for 12 months or for an indefinite period with a defined termination period
- in the case of space lease, a cash deposit of 2x monthly rent is retained throughout the lease term
- adaptation works are permitted to prepare the space for the tenant's needs
- the payment includes a fixed rent amount and a flat service charge + utility costs and cost of other services (e.g. small repairs, maintenance)
- the operating leases do not impose any restrictions on dividend payouts, additional debt or additional leases.

Lease payments recognized as costs of the period under these contracts amounted to PLN 11,041 thousand for 2018 and PLN 6,688 thousand for 2017.

27.3. Operating lease receivables – Group as a lessor

The Group leases out office space under operating leases. The lease agreements are for an indefinite term.

The future receivables in respect of minimum lease payments arising from the irrevocable operating leases are presented in the table below.

Figures in PLN thousand	31 December 2018	31 December 2017
During the year	59	38
1-5 years	0	0
Total	**59**	**38**

Lease payments recognized as revenue for the period under these contracts amounted to PLN 59 thousand for 2018 and 38 thousand PLN for 2017.

28. Reasons for the difference between balance sheet changes of selected balance sheet times and changes arising from the statement of cash flows

The tables below present the reasons for differences between changes in certain balance sheet items and changes arising from the statement of cash flows.

Receivables: **Figures in PLN thousand**	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Balance sheet change in receivables	**-7,175**	**-45,912**
Change in income tax receivable	-4,682	5,850
Change in investment receivables and prepayments for investments	1,146	-2,014
Acquisition of control over a subsidiary (Uniflex and Oligo)	0	12,846
total balance of receivables	*0*	*13,376*
income tax receivables	*0*	*-530*
Cheques received in settlement of a debt	0	-2,630
FX differences arising on translation of foreign affiliates	-3,840	-16,382
Impact of IFRS 9	-177	0
Elimination of increases in the balance of receivables due to subsidy received	0	60

Change in the balance of receivables in the statement of cash flows	**-14,728**	**-48,182**

Inventories: **Figures in PLN thousand**	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Balance sheet change in inventories	**12,124**	**-48,196**
Acquisition of control over a subsidiary (Uniflex and Oligo)	0	4,738
FX differences arising on translation of foreign affiliates	-3,522	-13,737
Change in the balance of inventories in the statement of cash flows	**8,602**	**-57,195**

Liabilities: **Figures in PLN thousand**	**Year ended 31 December 2018**	**31 December 2017 restated data***
Balance sheet change in liabilities	**-37,119**	**34,205**
Change in the balance of loans	9,637	25,961
Change in the balance of finance lease obligations	2,180	-1,595
Change in the balance of income tax obligations	-1,495	1,418
Change in the balance of investment obligations	-228	-683
Acquisition of control over a subsidiary (Uniflex and Oligo), including:	0	-16,189
total balance of liabilities	*0*	*-17,907*
obligations in respect of borrowings	*0*	*1,513*
obligations in respect of income tax	*0*	*205*
Elimination of changes in the balance of unearned revenues on account of government subsidy	362	-2,593
FX differences arising on translation of a foreign affiliate and other	3,957	7,209
Change in the balance of liabilities in the statement of cash flows	**-22,706**	**47,733**

*The reasons for effects of the restated data published in prior periods are contained in Note 3.1

Other in operating activities **Figures in PLN thousand**	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Receipt of proceeds from subsidies to core business	1,039	3,878
Cheques paid	1,680	0
Outflows from FX transactions (Selena FM)	1,053	958
Total other	**3,772**	**4,836**

Other in investing activities **Figures in PLN thousand**	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Dividends paid to minority shareholders	-5	0
Return of interest-bearing bank pledge	181	250
Impact of receivables from the sale of Chemistry for Building s.r.o.	0	5
Total other	**176**	**255**

Other in financing activities **Figures in PLN thousand**	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Inflow of funds from subsidies for investment expenditure	746	352
Cancellation of shares by the subsidiary (Orion PU Sp. z o.o.)	0	-24
Total other	**746**	**328**

29. Information on related parties

The table below shows transactions with directors of the Parent and with associates. The sales and purchases figures cover the period of 12 months ended 31 December (2018 and 2017, respectively), while the receivables and liabilities are presented as at 31 December 2018 and 31 December 2017.

Figures in PLN thousand	Period	Sale	Purchase	Other revenues[1)]	Receivables	Liabilities	Other assets
Associates	2018	20,844	18	0	4,524	35	0
	2017	8,774	36	0	1,350	0	0
Subsidiaries of the ultimate controlling shareholder*	2018	1,913	613	0	130	0	0
	2017	4,457	684	3,367	2,447	65	2,446
Key management personnel**	2018	0	967	0	0	54	0
	2017	0	1,192	0	50	97	0
TOTAL	**2018**	**22,757**	**1,598**	**0**	**4,654**	**89**	**0**
	2017	**13,231**	**1,912**	**3,367**	**3,847**	**162**	**2,446**

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

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

[1)] includes revenues from interest on bonds

Note 11 contains information on the dividend approved and paid in 2018.

Information on other remuneration for key management personnel not included in the table above is presented in Note 30.

30. Remuneration of the key management personnel of the Parent Company

Emoluments of the Parent's Management Board are presented in the table below.

MANAGEMENT BOARD Figures in PLN thousand	Year ended 31 December 2018	Year ended 31 December 2017
Short-term employment benefits, including bonuses (remuneration and deductions)	1,842	2,124
Death benefits	120	0
Remuneration for services provided to subsidiaries	1,527	1,876
Total	**3,489**	**4,000**

SUPERVISORY BOARD Figures in PLN thousand	Year ended 31 December 2018	Year ended 31 December 2017
Short-term employment benefits, including bonuses (remuneration and deductions)	581	309
Total	**581**	**309**

Management Board members receive fixed and variable (bonus-based) remuneration. A decision on bonus payment for 2018 will be taken by the Supervisory Board.

AD Niva Sp. z o.o. and Syrius Investment S.a.r.l. as shareholders of Selena FM S.A. received a dividend in 2018 (Note 11), in accordance with the number of shares held (Note 20.1.3).

31. Auditor's fee

Remuneration of the auditor of the Parent Company's unconsolidated financial statements and the Selena FM Group's consolidated financial statements as well as unconsolidated financial statements of selected subsidiaries for 2018 and 2017 is in the table below.

Figures in PLN thousand	Year ended 31 December 2018	Year ended 31 December 2017
Audit of the annual financial statements	642	450
Review of the interim financial statements	95	55
Total	**737**	**505**

On 13 May 2018, the Supervisory Board of Selena FM S.A. resolved to appoint PricewaterhouseCoopers Polska Sp. z o.o. Audyt Sp. k. (formerly: PricewaterhouseCoopers Sp. z o.o.) as the auditor responsible for review of the interim financial statements and audit of the annual financial statements of the Parent Company, and the Group's consolidated financial statements, as well as unconsolidated financial statements of selected subsidiaries for 2018, 2019 and 2020.

The 2017 accounts were audited by Deloitte Polska Sp. z o.o. Sp. k.

32. Goals and rules of financial risk management

When analysing the goals and rules of financial risk management in the Group, the Management Board considers the following factors:

- Specific nature of the sector and its typical transactions and connection with the Group's external environment
- Location of the individual entities and the resulting operating, financial, business, legal and tax implications
- Distribution of operating and management roles between the Group companies
- Planned growth of the Group companies and the related demand for capital
- The Group's micro and macroeconomic environment.

On the basis of the analysis of these factors, the Management Board considers the following financial risks:

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

32.1. Currency 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 that 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 table below shows the major exposures of the Group in foreign currency (EUR, RUB, RON, KZT, TRY). The exposure includes the assets and liabilities denominated in EUR, RUB, RON, KZT and TRY, which are not excluded from consolidation. The table below shows the hypothetical impact on the net value of these items expressed in zloty as if at the end of the year the currency rates depreciated/ appreciated to the level shown in the table (FX rate sensitivity levels were adopted on the basis of their actual variability in 2016–2018).

Exposure currency (converted into PLN thousand)	31 December 2018 EUR	RUB	RON	KZT	TRY	Other currencies	PLN	TOTAL
Trade receivables	102,081	36,335	4,698	5,820	1,970	25,836	41,170	217,910
Cash	13,838	1,472	2,911	2,337	4,818	5,091	15,034	45,501
Other assets	3,342	2,902	990	3,704	2,376	3,327	27,977	44,618
	119,261	**40,709**	**8,599**	**11,861**	**9,164**	**34,254**	**84,181**	**308,029**
Trade liabilities	101,191	929	1,441	258	1,515	9,406	17,376	132,116
Bank loans	58,533	5,455	0	0	19	10,053	68,432	142,492
Other financial liabilities	12,323	0	0	0	0	0	10,099	22,422
Other liabilities	10,664	3,216	553	1,259	2,151	3,160	25,368	46,371
	182,711	**9,600**	**1,994**	**1,517**	**3,685**	**22,619**	**121,275**	**343,401**
Net exposure	**-63,450**	**31,109**	**6,605**	**10,344**	**5,479**	**11,635**	**-37,094**	**-35,372**
impact of rate changes at the following rates: EUR/PLN: 4.1882 / RUB/PLN: 0.0480 / RON/PLN: 0.8941 / KZT/PLN: 0.0095 / TRY/PLN: 0.6025	1,650	-3,514	-206	-591	-835			
EUR/PLN: 4.4446 / RUB/PLN: 0.0604 / RON/PLN: 0.9552 / KZT/PLN: 0.0117 / TRY/PLN: 0.8005	-2,134	3,594	231	1,625	692			

Exposure currency (converted into PLN thousand)	31 December 2017* EUR	RUB	RON	KZT	TRY	Other currencies	PLN	TOTAL
Trade receivables	91,893	32,730	6,245	3,849	7,019	19,974	44,725	208,405
Cash	17,890	2,716	4,541	3,038	4,948	5,314	14,474	57,739
Other assets	3,440	3,433	224	4,068	5,143	3,055	28,728	50,467
	113,223	**38,879**	**11,010**	**10,955**	**17,110**	**28,343**	**87,927**	**316,611**
Trade liabilities	127,165	902	603	2,303	1,800	8,379	23,476	166,143
Bank loans	35,738	22,104	0	0	1,381	179	92,727	152,148
Other financial liabilities	24,866	0	0	0	0	0	3,833	28,699
Other liabilities	10,773	3,968	2,288	1,297	2,333	3,116	23,853	49,779
	198,542	**26,974**	**2,891**	**3,600**	**5,514**	**11,674**	**143,889**	**396,769**
Net exposure	**-85,319**	**11,905**	**8,119**	**7,355**	**11,596**	**16,669**	**-55,962**	**-80,158**
impact of rate changes at the following rates: EUR/PLN: 4.1882 / RUB/PLN: 0.0480 / RON/PLN: 0.8941 / KZT/PLN: 0.0095 / TRY/PLN: 0.6025	2,782	-449	-1,607	-1,943	-2,022			
EUR/PLN: 4.4446 / RUB/PLN: 0.0604 / RON/PLN: 0.9552 / KZT/PLN: 0.0117 / TRY/PLN: 0.8005	-3,138	407	1,214	1,231	1,718			

*The reasons and effects of the restated data published in prior periods are contained in Note 3.1

The Group uses selected financial instruments to hedge the value of future cash flows denominated in foreign currencies and the net asset value of its foreign operations. The 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. Under its FX Risk Management Policy developed in 2017, Selena Group hedges its currency exposure by using multi-currency credit lines, in particular by entering into forward transactions, primarily in EUR/RUB and EUR/PLN.

32.2. 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).
A summary of the contractual maturities of the open interest-bearing positions on which interest is received or paid is presented in the table below.

31 December 2018 Figures in PLN thousand	< 1 year	1 – 3 years	3 – 5 years	> 5 years	Total
Fixed interest rate					
Finance lease obligations	0	0	0	0	**0**
Bank loans	3,530	1,452	0	0	**4,982**
Other loans received	0	0	0	4	**4**
Loans granted	5	0	0	0	**5**
Bank deposits	42	0	0	0	**42**
Variable interest rate					
Finance lease obligations	5,082	6,130	0	0	**11,212**
Bank loans	23,250	114,257	0	0	**137,507**
Other loans received	0	0	0	0	**0**
Loans granted	404	45	0	0	**449**
Bank deposits	50	0	0	0	**50**
Cash in bank	40,328	0	0	0	**40,328**

31 December 2017 Figures in PLN thousand	< 1 year	1 – 3 years	3 – 5 years	> 5 years	Total
Fixed interest rate					
Finance lease obligations	0	0	0	0	**0**
Bank loans	2,985	2,856	0	0	**5,841**
Other loans received	64	115	0	4	**183**
Loans granted	90	0	0	0	**90**
Bank deposits	1,422	0	0	0	**1,422**
Variable interest rate					
Finance lease obligations	4,930	8,462	0	0	**13,392**
Bank loans	130,738	9,428	0	0	**140,166**
Other loans received	5,628	311	0	0	**5,939**
Loans granted	408	45	0	0	**453**
Cash in bank	46,598	0	0	0	**46,598**

The potential impact of the market interest rates changes on the financial result generated by the financial instruments with a variable yield is presented in the table below.The calculation assumes an exposure to a particular interest rate at a fixed value as at 31 December 2018 (and 31 December 2017). The table includes only the currencies and instruments for which the Group's exposure to fixed-rate instruments is significant.

		2018		2017	
Figures in PLN thousand	**PLN**	**EUR**	**USD**	**PLN**	**EUR**
Cash	4,818	13,838	1,621	4,948	17,890
Bank loans received	-68,433	-53,551	-10,001	-92,727	-29,897
Net exposure	**-63,615**	**-39,713**	**-8,381**	**-87,779**	**-12,007**
Impact * of an increase ** in interest rate*** by 1 pp	-636	-397	-84	-878	-120

* excluding possible tax effects
** impact of a decrease is the same
*** respectively: WIBOR or EURIBOR

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 stability 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.

32.3. 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 a impairment allowance matrix to calculate expected credit losses on trade receivables. Detailed information on the change in the calculation of impairment allowances on trade receivables in connection with the implementation of IFRS 9 are described in Note 2.3.2.

Trade receivables and other financial receivables presented in the consolidated statement of financial position have been classified to the following stages of the impairment model:

Trade receivables and other financial receivables	31 December 2018				1 January 2018		
Figures in PLN thousand	Grade 2	Grade 3	Simplified model	Total	Grade 3	Simplified model	Total
Total trade receivables and other financial receivables	**9,705**	**7,481**	**238,451**	**255,637**	**6,159**	**237,310**	**248,277**
Impairment in respect of expected credit loss	*-310*	*-4,856*	*-29,935*	***-35,102***	*-3,577*	*-31,045*	***-34,622***
Carrying amount of trade receivables and other financial receivables	**9,395**	**2,625**	**208,515**	**220,535**	**2,582**	**206,265**	**213,655**

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	Year ended 31 December 2018	Year ended 31 December 2017
Impairment charge at the beginning of the period	**34,452**	**36,531**
Application of IFRS 9	170	NA
Allowance in respect of expected credit loss at the beginning of the period after the application of IFRS 9	**34,622**	**NA**
Created according to IAS 39	NA	2,943
Reversed in accordance with IAS 39	NA	-588
Created/ reversed (-) according to IFRS 9 *	4,579	NA
Utilised	-3,252	-1,803
Purchase of shares in a subsidiary	0	1,170
Other	-314	0
FX differences arising on conversion of foreign affiliates	-533	-3,801
Impairment allowance according to IFRS 9 as at 31 December 2018 and IAS 39 as at 31 December 2017	**35,102**	**34,452**

* In 2018, Selena Vostok created an allowance for expected credit loss of PLN 1.9 million for other short-term receivables due to bankruptcy proceedings of Alta Bank.

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

			Overdue, not covered by impairment charges (days in arrears):					
Figures in PLN thousand	Total	Up-to-date	< 30	31 – 60	61 – 90	91 – 180	181 - 360	>361
31 December 2018	217,910	188,946	20,379	5,678	1,269	997	266	375
31 December 2017	206,435	179,322	20,842	3,534	1,625	1,052	60	0

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 24.5. 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 31 December 2018, the Group's companies had unutilised credit lines of PLN 210.04 million. As at 31 December 2017: PLN 168.8 million.

The high value of cash on bank accounts is connected with the separate presentation in the consolidated financial statements of settlements between the Polish members of Selena Group under cash-pool agreements (umbrella loan agreements).

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

Figures in PLN thousand	31 December 2018	31 December 2017
Cash in bank	40,328	46,598
Cash on hand	227	266
Cheques (up to 3 months)	3,982	4,611
Short-term deposits	92	1,422
Cash in transit	872	24
Total	**45,501**	**52,921**

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). Over 90% 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. The table below presents the level of cash concentration on bank accounts, taking into account the credit rating of financial institutions.

Rating level		31 December 2018	31 December 2017
Medium-high	from A + to A- according to S & P and Fitch and from A1 to A3 according to Moody's	70%	64%
Medium	from BBB + to BBB- according to S & P and Fitch and from Baa1 to Baa3 according to Moody's	22%	32%
Low	from Ba2 to Ca by S & P and Fitch and from BB to CC by Moody's	8%	4%

32.4. 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 finance leases.

As part of its role of central coordination of the Group's finance management and to ensure ongoing financing and liquidity for the subsidiaries, Selena FM S.A. originates loans to or purchases the bonds issued by the subsidiaries (the effect of such transactions is eliminated from the Group's consolidated accounts). Details of such transactions are presented in the unconsolidated financial statements of the Parent Company for 2018.

The table below presents the Group's liabilities as at the balance sheet date by maturities based on contractual payment schedules.

31 December 2018 (PLN k)	On demand	Below 3 months	3 to 12 months	< 1 year 5 years	Above 5 years	Total
Interest bearing borrowings	19	20,197	7,256	118,699	4	**146,176**
Finance lease obligations	0	1,365	3,717	6,130	0	**11,212**
Trade liabilities	37,233	94,111	772	0	0	**132,116**
Other liabilities*	12,574	26,617	21,056	2,444	110	**62,801**
	49,826	**142,290**	**32,801**	**127,273**	**114**	**352,305**

31 December 2017 restated data** (PLN k)	On demand	Below 3 months	3 to 12 months	< 1 year 5 years	Above 5 years	Total
Interest bearing borrowings	2,261	50,942	89,816	13,039	4	**156,062**
Finance lease obligations	0	1,226	3,704	8,462	0	**13,392**
Trade liabilities	26,505	120,830	4,680	0	0	**152,015**
Other liabilities*	3,331	12,488	28,312	8,529	107	**52,767**
	32,097	**185,486**	**126,512**	**30,030**	**111**	**374,236**

*the item does not include amounts connected with prepayment for deliveries or deferred revenue

**The reasons and effects of the restated data published in prior periods are contained in Note 3.1

1 January 2017 restated data** (PLN k)	On demand	Below 3 months	3 to 12 months	< 1 year 5 years	Above 5 years	Total
Interest bearing borrowings	0	6,143	13,217	158,730	0	**178,090**
Finance lease obligations	1	1,007	3,199	7,590	0	**11,797**
Trade liabilities	25,442	89,955	7,553	0	0	**122,950**
Other liabilities*	1,731	18,489	19,718	2,071	0	**42,009**
	27,174	**115,594**	**43,687**	**168,391**	**0**	**354,846**

*the item does not include amounts connected with prepayment for deliveries or deferred revenue

**The reasons and effects of the restated data published in prior periods are contained in Note 3.1

32.5. 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). In 2015 and 2014, some of the above risks materialised. For this reason, the Management Board introduced a new model of sales management and a partial hedging of FX transactions to mitigate the above risks. The Group has implemented the Currency Risk Management Policy, which particularly provides for entering into forward contracts, especially for the currency pairs EUR/RUB and EUR/PLN. Additionally, in 2017, the Group provided financing for Selena Vostok's activities using local loans as part of its currency risk management.

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.

In the process of managing the Group's operations and taking strategic decisions which also have an impact on tax settlements, the Group companies are exposed to tax risks. These risks are described in Note 1.11 to the consolidated Management Board's report for 2018.

33. Financial instruments

33.1. Fair value of financial instruments;

	31 December 2018			31 December 2017		
Figures in PLN thousand	**AFwgZK**	**WwWGpPCD**	**WwWGpWF**	**PiN**	**DDS**	**WwWGpWF**
Financial assets						
Other long-term receivables*	386	0	0	365	0	0
Loans granted	454	0	0	543	0	0
Forward transactions	0	0	277	0	0	309
Other long term financial assets	0	819	563	0	1,471	0
Other short-term financial assets	2,416	0	0	5,073	0	0
Trade receivables	217,910	0	0	206,435	0	0
Other short-term receivables*	2,927	0	0	2,087	0	0
Cash and cash equivalents	45,501	0	0	52,921	0	0

Terms used:
AFwgZK – Financial assets measured at amortised cost
WwWGpWF – Financial assets/ liabilities measured at fair value through profit or loss
WwWGpPCD – Financial assets/ liabilities measured at fair value through other comprehensive income
PiN – Loans and receivables
DDS – Financial assets available for sale
* The amount does not include payments due to tax/social security office, advance payments made and prepayments

	31 December 2018	31 December 2017 restated data*		1 January 2017 restated data*
Figures in PLN thousand	**ZFwgZK**	**ZFwgZK**		**ZFwgZK**
Financial liabilities				
Bank and other loans	142,492	152,129		178,090
Finance lease obligations	11,212	13,392		11,797
Other financial liabilities	5,325	9,599		9,599
Trade liabilities	132,116	164,628	*	122,948
Other liabilities**	28,673	26,655		18,789

Terms used:
ZFwgZK – Financial liabilities measured at amortised cost
*The reasons and effects of the restated data published in prior periods are contained in Note 3.1
**The amount does not include payments due to tax/social security office, advance payments made and accrued revenues.

Fair value of financial instruments that the Group held as at 31 December 2018 and 31 December 2017 was not materially different from the values presented in the financial statements for the respective years for the following reasons: in relation to short-term instruments, the possible discount effect is not material; these instruments relate to transactions concluded on commercial terms.

The fair valuation of currency contracts through profit or loss has been classified to Level 2 of the fair value hierarchy (i.e. valuation using observable inputs other than quoted prices).

Valuation of shares in unlisted companies was classified to Level 2 of the fair value hierarchy. In 2018, the Group did not recognize the result from the fair valuation of these assets in other comprehensive income.

As at 31 December 2018, the result of the valuation of guarantees granted according to IFRS 9 is immaterial.

33.2. Revenues, expenses, profits and losses disclosed in the profit and loss account by categories of financial instruments

Year ended 31 December 2018 (PLN '000)	Note	AFWwWGpWF	AFwgZK	ZFwgZK	Total
Interest income/expense	8	222	111	-6,337	**-6,004**
FX gains (losses)	8	-9	29,021	-38,615	**-9,603**
Impairment losses of financial receivables	7	0	-5,806	0	**-5,806**
Reversal of impairment losses of financial receivables	7	0	1,227	0	**1,227**
Gains/losses of valuation of currency contracts	8	-32	0	0	**-32**
Gains/losses on the exercise of financial instruments		1,157	0	0	**1,157**
Total net gain/loss		**1,338**	**24,553**	**-44,952**	**-19,061**

Terms used:
AFWwWGpWF – Financial assets measured at fair value through profit and loss
AFwgZK – Financial assets measured at amortised cost
PZFwgZK – Other liabilities measured at amortised cost

Year ended 31 December 2017 (PLN '000)		AFWwWGpWF	PiN	ZFwgZK	Total
Interest income/expense	8	125	3,473	-7,357	**-3,759**
FX gains (losses)	8	418	-23,425	-1,163	**-24,170**
Creation of impairment charges	7	0	-2,943	0	**-2,943**
Reversal of impairment charges	7	0	658	0	**658**
Gains/losses of valuation of currency contracts	8	299	0	0	**299**
Gains/losses on the exercise of financial instruments		959	0	0	**959**
Total net gain/loss		**1,801**	**-22,237**	**-8,520**	**-28,956**

Terms used:
AFWwWGpWF – Financial assets measured at fair value through profit and loss
PiN – Loans and receivables
PZFwgZK – Other liabilities measured at amortised cost

33.3. Hedging

The Group does not use hedge accounting.

34. Equity management and net debt

The key goal of the Group's capital management is to maintain good credit rating and safe capital ratios to facilitate the Group's operations and increase value for shareholders.

The Company manages its capital structure, and modifies it in response to the current needs and changes to the economic conditions. To maintain or change the capital structure, the Company may used the following instruments:

- payment of dividend to shareholders
- issue of new stock
- loan taking or repayment.

As part of capital management, the Management Board monitors the debt level by means of the gearing ratio, which is calculated as net debt to total equity + net debt. Net debt includes interest-bearing loans and other interest-bearing financial liabilities, decreased by cash and cash equivalents. Equity includes the equity attributable to the shareholders of the Parent. The Group aims to maintain the ratio in the 20-40% range.

Figures in PLN thousand	31 December 2018	31 December 2017 restated data*	1 January 2017 restated data*
Interest bearing borrowings	142,492	152,129	178,090
Other financial liabilities	22,422	28,699	21,305
Less cash and cash equivalents	-45,501	-52,921	-54,704
Net debt	**119,413**	**127,907**	**144,691**
Equity attributed to the shareholders of the parent	425,346	409,622	420,198
Equity and net debt	**544,759**	**537,529**	**564,889**
Gearing (net debt / equity + net debt)	**22%**	**24%**	**26%**

*The reasons and effects of the restated data published in prior periods are contained in Note 3.1

35. Employment structure

The average annual employment in the Group is presented in the table below.

Figures in PLN thousand	Period ended 31 December 2018	Year ended 31 December 2017
Administration	134	146
Sales Department	759	763
Production Division	670	669
Others	182	192
Total	**1,745**	**1,770**

36. Events occurring after the balance sheet date

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

Management Board President
Krzysztof Domarecki

Vice President for Sales

Dariusz Ciesielski

Vice President for Marketing

Christian Dölle

Management Board Member
Elżbieta Korczyńska

Management Board Member for Operations

Bogusław Mieszczak