Consolidated financial statements for the year ended 31 December 2021

This report is a direct translation from the original Polish version. In the event of differences resulting from the translation, reference should be made to the official Polish version.

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Consolidated financial statements

CONSOLIDATED INCOME STATEMENT

Figures in PLN thousand	Note	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020 restated figures*
Continued operations			
Revenue from the sale of products		1,587,837	1,273,264
Revenue from the sale of goods and raw materials		136,212	109,229
Revenue from the sale of services		4,301	2,242
Revenue from contracts with customers	**3**	**1,728,350**	**1,384,735**
Cost of sales	4.1	1,248,607	916,672
Gross profit		**479,743**	**468,063**
Selling and marketing costs	4.1	270,243	228,752
General and administrative expenses	4.1	126,098	114,059
Other operating income	4.2	16,028	13,913
Other operating costs	4.2	3,095	8,316
Impairment of non-financial fixed assets	4.2	600	1,587
Impairment of financial assets	4.2	3,023	2,086
Operating profit		**92,712**	**127,176**
Financial income	4.3	10,096	7,399
Financial costs	4.3	16,895	40,755
Share in net profit/loss of the associate		2,511	2,633
Profit before tax		**88,424**	**96,453**
Income tax	5	-14,273	22,345
Net profit on continued operations		**102,697**	**74,108**
Profit (loss) on discontinued operations		**0**	**0**
Net profit for the period		**102,697**	**74,108**

Net profit attributable to:		
– shareholders of the parent	102,670	73,996
– non-controlling interests	27	112

Earnings per share attributable to the shareholders of the parent

	(PLN/share)	(PLN/share)
– basic, including:	4.50	3.24
on continued operations	*4.50*	*3.24*
on discontinued operations	*0*	*0*
– diluted, including:	4.50	3.24
on continued operations	*4.50*	*3.24*
on discontinued operations	*0*	*0*

*The reasons and effects of restating the data published in prior periods are contained in Note 1.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020 restated figures*
Profit after tax	**102,697**	**74,108**
FX differences arising on translation of the foreign associate	-3,134	-10,688
Other comprehensive income subject to reclassification to profit or loss, before tax	**-3,134**	**-10,688**
Other comprehensive income, before tax	**-3,134**	**-10,688**
Income tax related to foreign exchange differences on translation	-469	-1,032
Income tax related to components of comprehensive income that are reclassified to profit or loss	**-469**	**-1,032**
Other comprehensive income for the period, after tax	**-3,603**	**-11,720**
Total comprehensive income	**99,094**	**62,388**
Attributable to:		
– shareholders of the parent	98,967	62,237
– non-controlling interests	127	151

*The reasons and effects of restating the data published in prior periods are contained in Note 1.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

Figures in PLN thousand	Note	As at 31.12.2021	As at 31.12.2020 restated figures*	As at 01.01.2020 restated figures*
ASSETS				
Property, plant and equipment	6.2.1; 6.2.2	261,497	259,697	251,794
Intangible assets	6.2.3	38,932	42,525	46,095
Investments accounted for using the equity method	6.2.5	19,814	17,847	16,467
Deferred tax assets	5	46,924	20,417	20,867
Other long-term financial assets	6.1	1,138	43,096	1,327
Total non-current assets		**368,305**	**383,582**	**336,550**
Inventories	6.2.6	280,015	192,670	150,185
Other short-term non-financial assets	6.2.7	44,623	36,393	39,106
Trade and other receivables	6.1	305,387	261,680	243,155
CIT claimed		14,315	4,661	4,228
Other short-term financial assets	6.1	57,195	2,772	2,824
Cash and cash equivalents	6.1.2	38,915	55,004	85,653
Total current assets		**740,450**	**553,180**	**525,151**
TOTAL ASSETS		**1,108,755**	**936,762**	**861,701**
LIABILITIES AND EQUITY				
Registered capital	6.3.1	1,142	1,142	1,142
Own shares	6.3.2	-28,676	0	0
FX differences arising on translation of the foreign associate	6.3.5	-46,858	-43,155	-31,396
Supplementary capital		675,747	659,758	608,648
Other reserves	6.3.3	75,000	9,633	9,633
Retained profit/ loss carried forward		-75,379	-96,313	-119,199
Equity attributable to the shareholders of the parent		**600,976**	**531,065**	**468,828**
Non-controlling interests	6.3.4	969	872	727
Total equity		**601,945**	**531,937**	**469,555**
Long-term portion of bank and other loans	6.1.3	48,969	14,107	69,515
Long term lease liabilities	6.1.5	16,862	21,570	25,924
Deferred tax liability	5	2,069	3,784	3,843
Other long term non-financial liabilities	6.2.9	4,366	1,526	1,707
Long-term portion	6.2.8	8,079	8,438	4,690
Long-term liabilities		**80,345**	**49,425**	**105,679**
Trade and other liabilities	6.1	198,294	190,143	158,302
Obligations to return remuneration		31,718	24,151	19,556
Short-term portion of bank and other loans	6.1.3	99,054	35,645	34,392
Short-term lease liabilities	6.1.5	12,315	13,392	14,250
Other short term financial liabilities	6.1	644	1,506	96
CIT tax payable		7,439	15,688	8,324
Other short term non-financial liabilities	6.2.9	56,977	51,317	46,339
Short-term provisions	6.2.8	20,024	23,558	5,208
Short-term liabilities		**426,465**	**355,400**	**286,467**
Total liabilities		**506,810**	**404,825**	**392,146**
TOTAL LIABILITIES AND EQUITY		**1,108,755**	**936,762**	**861,701**

*The reasons and effects of restating the data published in prior periods are contained in Note 1.3

CONSOLIDATED STATEMENT OF CASH FLOWS

Figures in PLN thousand	Note	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020 restated figures*
Cash flows from operating activities			
Profit (loss) before tax		**88,424**	**96,453**
Adjustments to reconcile profit, including:		**-86,191**	**32,033**
Share in the result of the entities accounted for using the equity method		-2,511	-2,633
Depreciation/ amortization		44,048	38,515
FX gains (losses)		3,325	-11,833
Interest		2,318	3,179
Gain (loss) on sale/ liquidation of non-financial fixed assets		168	955
Valuation of derivatives		-885	1,409
Impairment of non-financial fixed assets		600	1,587
Change in the balance of receivables	8.3	-64,785	-18,580
Change in the balance of inventories		-87,345	-42,484
Change in the balance of liabilities	8.3	25,016	40,536
Change in the balance of provisions		-3,894	22,098
Other	8.3	-2,246	-716
Net cash flows from operating activities, before tax		**2,233**	**128,486**
CIT paid		-32,391	-16,193
Net cash flows from operating activities		**-30,158**	**112,293**
Cash flows from investing activities			
Purchase of property, plant and equipment, and intangible assets		-32,563	-33,200
Inflows from sale of tangible and intangible assets		344	852
Outflow on account of loans granted		-6,000	-42,000
Dividends received		650	1,494
Interest received		2,145	0
Other	8.3	-397	0
Net cash flows from investing activities		**-35,821**	**-72,854**
Cash flows from financing activities			
Inflows from bank/ other loans received	6.1.4	108,395	37,358
Repayment of bank and other loans	6.1.4	-11,972	-90,830
Buyback of own shares		-28,676	0
Repayment of lease liabilities	6.1.4	-15,730	-14,398
Dividends paid to non-controlling shareholders		-10	-6
Interest paid	6.1.4	-3,744	-2,866
Other	8.3	1,149	347
Net cash flows from financing activities		**49,412**	**-70,395**
Net decrease in cash and cash equivalents		**-16,567**	**-30,956**
Change in cash and cash equivalents, including:		-16,089	-30,649
Net FX differences		478	307
Cash and cash equivalents at the beginning of the period		55,004	85,653
Cash and cash equivalents at the end of the period		38,915	55,004

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

Figures in PLN thousand	Registered capital	Own shares (-)	FX differences arising on translation of the foreign affiliate	Supplementary capital	Other reserves	Retained profit/ loss carried forward	Equity attributable to the shareholders of the parent	Equity attributable to non-controlling interests	Aggregate equity
As at 31 December 2020 – approved figures*	**1,142**	**0**	**-43,155**	**659,758**	**9,633**	**-104,586**	**522,792**	**872**	**523,664**
Correction of errors from previous years	0	0	0	0	0	8,273	8,273	0	8,273
As at 1 January 2021 – restated figures*	**1,142**	**0**	**-43,155**	**659,758**	**9,633**	**-96,313**	**531,065**	**872**	**531,937**
Profit for the period	0	0	0	0	0	102,670	102,670	27	102,697
Other net comprehensive income for the period	0	0	-3,703	0	0	0	-3,703	100	-3,603
Total comprehensive income for the period	**0**	**0**	**-3,703**	**0**	**0**	**102,670**	**98,967**	**127**	**99,094**
Profit distributions	0	0	0	6,356	75,000	-81,356	0	0	0
Dividend	0	0	0	0	0	0	0	-9	-9
Buyback of own shares	0	-28,676	0	0	0	0	-28,676	0	-28,676
Other	0	0	0	9,633	-9,633	-380	-380	-21	-401
Increase (decrease) in equity	**0**	**-28,676**	**-3,703**	**15,989**	**65,367**	**20,934**	**69,911**	**97**	**70,008**
As at 31 December 2021	**1,142**	**-28,676**	**-46,858**	**675,747**	**75,000**	**-75,379**	**600,976**	**969**	**601,945**

*The reasons and effects of restating the data published in prior periods are contained in Note 1.3

FOR THE YEAR ENDED 31 DECEMBER 2020

Figures in PLN thousand	Registered capital	Own shares (-)	FX differences arising on translation of the foreign affiliate	Supplementary capital	Other reserves	Retained profit/ loss carried forward	Equity attributable to the shareholders of the parent	Equity attributable to non-controlling interests	Aggregate equity
As at 31 December 2019 – approved figures*	**1,142**	**0**	**-31,396**	**608,648**	**9,633**	**-129,712**	**458,315**	**727**	**459,042**
Correction of errors from previous years	0	0	0	0	0	10,513	10,513	0	10,513
As at 1 January 2020 – restated figures*	**1,142**	**0**	**-31,396**	**608,648**	**9,633**	**-119,199**	**468,828**	**727**	**469,555**
Profit for the financial year	0	0	0	0	0	73,996	73,996	112	74,108
Other net comprehensive income for the period	0	0	-11,759	0	0	0	-11,759	39	-11,720
Total comprehensive income for the period	**0**	**0**	**-11,759**	**0**	**0**	**73,996**	**62,237**	**151**	**62,388**
Transfer of profit to the supplementary capital	0	0	0	51,110	0	-51,110	0	0	0
Dividend	0	0	0	0	0	0	0	-6	-6
Increase (decrease) in equity	**0**	**0**	**-11,759**	**51,110**	**0**	**22,886**	**62,237**	**145**	**62,382**
As at 31 December 2020	**1,142**	**0**	**-43,155**	**659,758**	**9,633**	**-96,313**	**531,065**	**872**	**531,937**

*The reasons and effects of restating the data published in prior periods are contained in Note 1.3

General information

1. General information

1.1 Characteristics of the Parent Company

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 based in Wrocław, Poland. In 2006, the Extraordinary General Meeting of Shareholders of the Parent Company approved the name change to Selena FM. In 2007, the Company was transformed into a joint stock company. The shares of Selena FM S.A. have been publicly traded since the Company's debut on the Warsaw Stock Exchange on 18 April 2008.

The parent company did not change its business name during the current reporting period.

Its duration is indefinite (it is a going concern).

The Company's registered office is in Poland, at Strzegomska 2-4, 53-611 Wrocław. 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 core business of the Company, as a parent company, includes: distribution of the Group's products into foreign markets and the domestic market, and provision of advice to its subsidiaries with regard to strategic management, finance management, sales strategy and maintenance of accounting books for customers.

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

Management Board of the Parent Company

As at 31 December 2020, the Parent Company's Management Board was composed of:

- Krzysztof Domarecki – Management Board President (CEO);
- Dariusz Ciesielski – Chief Commercial Officer, Vice President;
- Christian Dölle – Chief Marketing & Strategy Officer, Vice President;
- Jacek Michalak – Chief Financial Officer;
- Marek Tomanek – Chief Operating Officer.

On 30 November 2020, Dariusz Ciesielski resigned from the Parent Company's Management Board and from the role of the Vice President for Sales effective from 31 December 2020.

On 30 November 2020, the Parent Company's Supervisory Board adopted a resolution appointing, as of 1 January 2021 Sławomir Majchrowski to the Company's Supervisory Board, entrusting him with the role of Chief Commercial Office and Vice President of the Management Board.

As at 1 January 2021, the Company's Management Board was composed of:

- Krzysztof Domarecki – Management Board President (CEO);
- Christian Dölle – Chief Marketing & Strategy Officer, Vice President;
- Sławomir Majchrowski – Chief Commercial Officer, Vice President;
- Jacek Michalak – Chief Financial Officer;
- Marek Tomanek – Chief Operating Officer.

On 16 February 2021, Krzysztof Domarecki resigned from the Parent Company's Management Board and from the role of CEO effective from 1 March 2021.

On 16 February 2021, the Parent Company's Supervisory Board adopted a resolution appointing Jacek Michalak to the Parent Company's Management Board as Chief Executive Officer. The appointment became effective as of 1 March 2021.

On 19 April 2021, Marek Tomanek resigned from the Parent Company's Management Board and from the role of the COO effective from 30 April 2021.

On 22 April 2021, the Company's Supervisory Board adopted a resolution appointing Roman Dziuba to the Parent Company's Management Board as Chief Operating Officer (COO). The appointment became effective as of 1 May 2021.

In the period from 1 May 2021 to 26 May 2021, there were no changes in the composition of the Parent Company's Management Board.

On 27 May 2021, the Supervisory Board appointed the Parent Company's Management Board for a new term of office with the following composition:

- Jacek Michalak – CEO;
- Christian Dölle – Chief Marketing & Strategy Officer, Vice President;
- Sławomir Majchrowski – Chief Commercial Officer, Vice President;
- Roman Dziuba – Chief Operating Officer.

On 23 September 2021, the Parent Company's Supervisory Board adopted a resolution appointing, as of 1 October 2021, Andrzej Zygadło to the Company's Management Board, entrusting him with the role of Chief HR Officer (CHRO).

On 25 November 2021, the Parent Company's Supervisory Board adopted a resolution removing, as of 25 November 2021, Christian Dölle from the Company's Management Board, including from his role as Vice President of the Management Board.

As at 31 December 2021, the Parent Company's Management Board was composed of:

- Jacek Michalak – CEO;
- Sławomir Majchrowski – Chief Commercial Officer, Vice President;
- Roman Dziuba – Chief Operating Officer.
- Andrzej Zygadło – Chief HR Officer.

In the period from 1 January 2022 to the date of publication of this report, no changes took place in the composition of the Company's Management Board.

Supervisory Board of the Parent Company

As at 31 December 2020, the Parent Company's Supervisory Board was composed of:

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

From 1 January to 26 May 2021 no changes took place in the Supervisory Board.

On 27 May 2021, the Annual General Meeting appointed the Parent Company's Supervisory Board for a new term of office with the following composition:

- Andrzej Krämer – Chairman of the Supervisory Board;
- Borysław Czyżak – independent Supervisory Board Member;
- Czesław Domarecki – Supervisory Board Member;
- Łukasz Dziekan – Supervisory Board Member;
- Mariusz Warych – independent Supervisory Board Member;
- Paweł Wyrzykowski – independent Supervisory Board Member.

In the period from 27 May 2021 to the date of publication of this report, no changes took place in the composition of the Company's Supervisory Board.

1.2 Information about the financial statements

Data covered by the financial statements

These financial statements are consolidated financial statements of Selena Group. They cover the period of 12 months ended 31 December 2021 and data as at that date.

The consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity cover the data for the 12 months ended 31 December 2021 as well as comparative data for the period of 12 months ended 31 December 2020.

The consolidated statement of financial position covers the data presented as at 31 December 2021, and comparative data as at 31 December 2020. Due to the retrospective correction of an error and the change in the presentation of items in the consolidated statement of financial position (see Note 1.3), the opening balance of the earliest period presented, i.e. as at 1 January 2020, is also reported.

Approval of the financial statements

These financial statements were approved for publication by the Parent Company's Management Board on 29 April 2022.

Functional currency of the Parent Company and the currency of the financial statements

The Parent Company's functional and presentation currency for these consolidated financial statements is Polish zloty, and all figures have been presented in PLN thousand, unless specified otherwise.

At the balance sheet date, i.e. 31 December 2021 and 31 December 2020, 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. Items of the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows are measured at the arithmetic average of the average exchange rates announced for a given currency by the National Bank of Poland on the last day of each month in the period from January to December of 2021 and 2020, respectively.

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

Ccy	As at 31.12.2021	As at 31.12.2020	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
1 USD	4.0600	3.7584	3.8757	3.9045
1 EUR	4.5994	4.6148	4.5775	4.4742
100 HUF	1.2464	1.2638	1.2758	1.2636
1 UAH	0.1487	0.1326	0.1422	0.1439
1 CZK	0.1850	0.1753	0.1785	0.1687
1 RUB	0.0542	0.0501	0.0524	0.0535
1 BRL	0.7287	0.7236	0.7189	0.7543
1 BGN	2.3516	2.3595	2.3404	2.2876
1 CNY	0.6390	0.5744	0.6020	0.5664
100 KRW	0.3417	0.3456	0.3380	0.3314
1 RON	0.9293	0.9479	0.9293	0.9239
1 TRY	0.3016	0.5029	0.4350	0.5556
100 KZT	0.9354	0.8767	0.9112	0.9421
1 MXN	0.1984	0.1891	0.1901	0.1815

Going concern

At the date of approval of these consolidated financial statements, no circumstances occurred that would point to a risk to continuity of operations by Selena Group companies. The Management Board of Selena FM S.A. also analyzed the impact of the situation in Ukraine (as described in Note 8.7) on the Parent Company's ability to continue as a going concern. As at the date of publication of these consolidated financial statements, Selena Group has a stable financial position, and its cash flow forecasts point to its ability to maintain its cash position at a level sufficient to continue as a going concern. Accordingly, these consolidated financial statements have been prepared on the assumption of going concern.

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 2021 have been prepared in accordance with the applicable accounting policies and give a true, fair and clear picture of the affairs of Selena Group and its net profit. The Management Board's report on the activities of Selena Group for 2021 gives a true view of development, achievements and the situation of the Company, including a description of key threats and risks.

1.3 Accounting policies

Basis of preparation and comparability of financial data

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) approved by the EU.

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

The accounting policies that were used in preparation of these condensed consolidated financial statements are consistent with the policies used in preparation of the consolidated financial statements of Selena Group for the year ended 31 December 2020, with the exception of using new or amended standards and interpretations for the annual periods beginning on or after 1 January 2021, as well as considering the below-described presentation changes and error correction.

Presentation changes and error corrections

In 2021, in order to increase the usability of the consolidated financial statements for its readers, the Group changed the presentation and names of some headings of the consolidated statement of financial position taking into account the nature of the presented data.

In 2021, also corrections were made to previous years’ errors. The first correction concerned the presentation and valuation of the right of perpetual usufruct of land. As a result, perpetual usufruct of land was reclassified from intangible assets (“other”) and from other long-term non-financial assets to tangible assets (“land”).

In addition, as a result of the analysis of recoverability of the deferred tax asset relating to the provision raised in connection with the dispute between Bank Millennium and Carina Silicones (see Note 8.1 for details), it was decided that as at 31 December 2020 no taxable income was likely to be achieved to allow for deduction of negative temporary differences.

Furthermore, the Management Board of the Parent Company decided to correct an error from previous years with regard to the equity method measurement of shares in the associated undertaking Hamil - Selena Co. Ltd. As at 31 December 2020, that correction increased the value of investments in associates by PLN 11.7 million (by PLN 10.5 million as at 1 January 2020) in correspondence with the “Retained earnings” line item.

The following summary shows the impact of the presentation changes and correction of the errors, as well as reconciliation between the data published for the year ended 31 December 2020 and those included in these consolidated statement of financial position (impact as at 31.12.2020 and 01.01.2020) and in the consolidated income statement (impact as at 01.01.2020–31.12.2020):

Impact on the consolidated statement of financial position:

Figures in PLN thousand	As at 31.12.2020 published figures	Reclassification of the right of perpetual usufruct of land *correction of error*	Reclassification of receivables settled by checks and credit cards *presentation change*	Reversal of a deferred tax asset *correction of error*	Measurement of interest in the associate *correction of error*	As at 31.12.2020 restated figures
Property, plant and equipment	243,303	16,394	0	0	0	259,697
Intangible assets	48,888	-6,363	0	0	0	42,525
Investments accounted for using the equity method	6,174	0	0	0	11,673	17,847
Deferred tax assets	23,817	0	0	-3,400	0	20,417
Other long-term non-financial assets	7,523	-7,523	0	0	0	0
Trade and other receivables*	251,907	0	9,773	0	0	261,680
Other short-term financial assets	12,545	0	-9,773	0	0	2,772
TOTAL ASSETS	**594,157**	**2,508**	**0**	**-3,400**	**11,673**	**604,938**

Figures in PLN thousand	As at 31.12.2020 published figures	Reclassification of the right of perpetual usufruct of land *correction of error*	Reclassification of investment liabilities and other funds *presentation change*	Reversal of a deferred tax asset *correction of error*	Measurement of interest in the associate *correction of error*	As at 31.12.2020 restated figures
Retained profit/ loss carried forward	-104,586	0	0	-3,400	11,673	-96,313
Other long term financial liabilities	115	0	-115	0	0	0
Long term lease liabilities	19,062	2,508	0	0	0	21,570
Other long term non-financial liabilities	1,411	0	115	0	0	1,526
Total trade and other liabilities**	187,337	0	2,806	0	0	190,143
Other short term financial liabilities	4,862	0	-3,356	0	0	1,506
Other short term non-financial liabilities	50,767	0	550	0	0	51,317
TOTAL EQUITY AND LIABILITIES	**158,968**	**2,508**	**0**	**-3,400**	**11,673**	**169,749**

Figures in PLN thousand	As at 01.01.2020 published figures	Reclassification of the right of perpetual usufruct of land	Reclassification of receivables settled by checks and credit cards	Reversal of a deferred tax asset	Measurement of interest in the associate	As at 01.01.2020 restated figures
		correction of error	*presentation change*	*correction of error*	*correction of error*	
Property, plant and equipment	235,620	16,174	0	0	0	251,794
Intangible assets	52,492	-6,397	0	0	0	46,095
Investments accounted for using the equity method	5,954	0	0	0	10,513	16,467
Other long-term financial assets	1,322	0	5	0	0	1,327
Other long-term non-financial assets	7,337	-7,332	-5	0	0	0
Trade and other receivables*	237,892	0	5,263	0	0	243,155
Other short-term financial assets	8,087	0	-5,263	0	0	2,824
TOTAL ASSETS	**548,704**	**2,445**	**0**	**0**	**10,513**	**561,662**

Figures in PLN thousand	As at 01.01.2020 published figures	Reclassification of the right of perpetual usufruct of land	Reclassification of investment liabilities and other funds	Reversal of a deferred tax asset	Measurement of interest in the associate	As at 01.01.2020 restated figures
		correction of error	*presentation change*	*correction of error*	*correction of error*	
Retained profit/ loss carried forward	-129,712	0	0	0	10,513	-119,199
Other long term financial liabilities	109	0	-109	0	0	0
Long term lease liabilities	23,479	2,445	0	0	0	25,924
Other long term non-financial liabilities	1,598	0	109	0	0	1,707
Total trade and other liabilities**	143,986	0	14,316	0	0	158,302
Other short term financial liabilities	16,841	0	-16,745	0	0	96
Other short term non-financial liabilities	43,910	0	2,429	0	0	46,339
TOTAL EQUITY AND LIABILITIES	**100,211**	**2,445**	**0**	**0**	**10,513**	**113,169**

* due to the nature of the item, the name was changed from “trade receivables” to “trade and other receivables”
**due to the nature of the item, the name was changed from “trade liabilities” to “trade and other liabilities”

Impact on the consolidated income statement

Figures in PLN thousand	from 01.01.2020 to 31.12.2020 published figures	Reversal of a deferred tax asset	Measurement of interest in the associate	Uncollectible receivables written off	from 01.01.2020 to 31.12.2020 restated figures
		correction of error	*correction of error*	*presentation change*	
Other operating costs	8,865	0	0	-549	8,316
Impairment of financial assets	1,537	0	0	549	2,086
Share in net profit/loss of the associate	1,473	0	1,160	0	2,633
Profit before tax	95,293	0	1,160	0	96,453
Income tax	18,945	3,400	0	0	22,345
Net profit for the period	**76,348**	**-3,400**	**1,160**	**0**	**74,108**

Impact on EPS attributable to the shareholders of the parent:

Figures in PLN	from 01.01.2020 to 31.12.2020 published figures	Reversal of a deferred tax asset *correction of error*	Measurement of interest in the associate *correction of error*	Uncollectible receivables written off *presentation change*	from 01.01.2020 to 31.12.2020 restated figures
– basic, including:	3.34	-0.15	0.05	0.00	3.24
on continued operations	*3.34*	*-0.15*	*0.05*	*0.00*	*3.24*
on discontinued operations	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
– diluted, including:	3.34	-0.15	0.05	0.00	3.24
on continued operations	*3.34*	*-0.15*	*0.05*	*0.00*	*3.24*
on discontinued operations	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*

Impact of new and amended standards and interpretations

The following amended standards and interpretations, which will apply for the first time in 2021, do not have a material impact on the Group's consolidated financial statements:

1. Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform—Phase 2
The proposed amendments contain temporary derogations addressing the effects of replacing the Interbank Offered Rate (IBOR) with an alternative risk-free rate (RFR), and the ensuing impact on financial reporting. The changes include the following practical expedient:
– a practical solution requiring that changes to contracts or to cash flows that are a direct consequence of the reform should be treated as variable interest rate changes, which is tantamount to market interest rate changes;
– permission to adjust the hedge accounting documentation in terms of hedge designations and hedge documentation for hedge relationships without discontinuing those relationships, if the changes were directly required by the IBOR reform;
– granting a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

2. Amendments to IFRS 4:
The amendments move the end date of the temporary exemption from the application of IFRS 9 from 1 January 2021 to 1 January 2023 to align with the effective date of IFRS 17. The amendments provide for optional solutions to reduce the impact of different effective dates of IFRS 9 and IFRS 17.

3. Amendment to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021.
The amendment extends the practical expedient for lessees regarding leases with rent concessions granted directly in connection with the Covid-19 pandemic and payments originally due on or before 30 June 2021 to include contracts with payments originally due on or before 30 June 2022.

The Group has not decided on early adoption of any standard, interpretation or amendment which have been published but has not become effective yet in the light of EU regulations.

Published standards and interpretations which have not come into force and which were not adopted earlier

The below list presents published standards, interpretations or amendments to existing standards before their effective date:
– IFRS 14 Regulatory Deferral Accounts;
– Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
– IFRS 17 Insurance Contracts, and amendments to IFRS 17;
– Amendments to IAS 1 Presentation of Financial Statements – classification of debt into current and non-current, and classification of debt into current and non-current – deferred effective date;
– Amendments to IFRS 3 – changes to references to the Conceptual Framework;
– Amendments to IAS 16 Property, Plant and Equipment – proceeds before intended use;
– Amendments to IAS 37 Onerous Contracts — Cost of Fulfilling a Contract;
– Annual Improvements to IFRS Standards 2018–2020;
– Amendments to IAS 1 and Practice Statement 2: Disclosure of Accounting Policies.
– Amendments to IAS 8 Definition of Accounting Estimates;
– Amendments to IAS 12 Deferred tax relating to assets and liabilities arising from a single transaction;
– Amendments to IFRS 17 Insurance Contracts: first adoption of IFRS 17 and IFRS 9 (comparative information).

The effective dates are the dates arising from the standards published by the International Financial Reporting Board. The effective dates of the standards in the European Union may differ from the effective dates arising from the standards and are announced upon the adoption of the standards by the European Union.

The Group has not decided on early adoption of any standard, interpretation or amendment which have been published but not become effective yet. Selena Group is currently analyzing how the above amendments will affect the consolidated financial statements.

Consolidation rules

These consolidated financial statements include the financial statements of the Parent Company and the financial statements of its subsidiaries, associates and joint ventures. 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 unrealized profits arising from intra-Group transactions are eliminated. Unrealized 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.

Investments in associates and joint ventures

Associates are entities which are significantly influenced by the Parent Company 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 Selena Group.

Investments in associates are measured using the equity method. Investments in associates are recognized 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.

The Group has interests in joint ventures that are joint contractual arrangements in which the parties with joint control have rights to the net assets of the entity. Joint control is the contractual sharing of control over the economic activities of the joint ventures, which only applies when decisions about the significant activities of the joint venture require the unanimous consent of the jointly controlling parties. Significant activity is defined as an activity that has a significant impact on the returns generated by those joint ventures.

In the consolidated financial statements, shares in a joint venture are initially recognized at cost, and measured using the equity method on subsequent days ending the reporting periods. The Group's share in the profit or loss of the joint venture as of the date of acquisition is recognized in profit or loss, while its share in changes in other comprehensive income as of the date of acquisition is recognized in the appropriate item of other comprehensive income. The carrying amount of the investments is adjusted by the total movements in equity as of the date of acquisition.

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

Financial statements of subsidiaries with a functional currency other than PLN

The consolidated financial statements are presented in PLN, which is also the functional currency of the Parent Company and its Polish subsidiaries.

For the purposes of preparing the consolidated financial statements in the Selena Group's presentation currency, the following translations are made for individual items of the financial statements of the foreign entities whose functional currency is other than PLN:

a) asset and liability items – at closing rates, i.e. at the average exchange rate as at the end of the reporting period announced for a given currency by the National Bank of Poland;

b) items of the income statement, statement of comprehensive income and statement of cash flows – 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. In the event of significant fluctuations in the exchange rate in a given period, the revenues and expenses of the income statement and the statement of comprehensive income are translated at the rates applicable at transaction dates.

Foreign exchange differences arising on translation of foreign affiliates are recognized in other comprehensive income of the given period.

In its standalone financial statements, the Parent Company recognizes 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 and the Parent Company are recognized in the consolidated statement of financial position under other comprehensive income, and aggregated in a separate equity items (FX differences arising on translation of the foreign associate) until disposal of the foreign entity.

Information about the Group

2. Information about the Group

2.1 Activities of Selena Group

Selena FM Group (Selena Group, Group) is an international producer and distributor of construction chemicals. The Group's Parent is Selena FM S.A. of Wrocław, which on 18 April 2008 debuted on the main market of the Warsaw Stock Exchange.

The core business of the Group includes production, distribution and sale of construction chemicals and general building accessories.

The products on offer include both solutions addressed to professionals and to individual users. The Group's leading brands include Tytan, Quilosa, Artelit, Cool-R and Matizol.

The Group’s production plants are located in Poland, China, Romania, Turkey, Spain, Kazakhstan, South Korea and Italy, and its products are available on the markets of nearly 100 countries in the world. Selena also carries on research activities in Poland, China, Romania, Turkey, Spain and Italy.

2.2. Group members

The table below shows the ownership and organizational structure of the Group and division into operating segments. The data are presented as at 31 December 2021 and 31 December 2020.

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

The “owner” column specifies the owner as at 31 December 2021:

	REGION	COUNTRY	ENTITY	REG. OFFICE	ACTIVITY	GROUP'S SHARE As at 31.12.2021	GROUP'S SHARE As at 31.12.2020	OWNER
Union European Union	Poland	Poland	Selena FM S.A.	Wrocław	Group's headquarters, distributor			-
			Selena S.A.	Wrocław	Distributor	100.00%	100.00%	FM
			Orion PU Sp. z o.o.	Dzierżoniów	Man. of foams and sealants	100.00%	99.95%	SIT
			Carina Silicones Sp. z o.o.	Siechnice	Manufacturer of sealants, provider of production services	100.00%	100.00%	SIT
			Libra Sp. z o.o.	Dzierżoniów	Manufacturer of sealants and adhesives	100.00%	100.00%	SIT
			Izolacja Matizol Sp. z o.o.	Gorlice	Manuf. of roof coverings, waterproofing products, 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.	Dzierżoniów	Research and Development	100.00%	99.65%	FM
			Selena Marketing International Sp. z o.o.	Wrocław	Intellectual property management	100.00%	100.00%	SA
			Selena Digital Distribution Sp. z o.o	Wrocław	E-commerce	100.00%	-	SA
			Selena Green Investments Sp. z o.o.	Wrocław	Activities of central companies	100.00%	-	FM 3
			Taurus Sp. z o.o.	Dzierżoniów	Lease of plant and machinery	100.00%	100.00%	SIT
			Selena ESG Sp. z o.o.	Wrocław	Making electrical systems	100.00%	100.00%	FM
			Selena Industrial Technologies Sp. z o.o.	Dzierżoniów	Manufacturer of sealants; production management	100.00%	100.00%	FM
			Oligo Sp. z o.o.	Dzierżoniów	Research and Development	100.00%	99.65%	SL
	Western Europe	Spain	Selena Iberia slu	Madrid	Manufacturer of sealants, adhesives, distributor	100.00%	100.00%	FM
		Italy	Selena Italia srl	Padova	Distributor	100.00%	100.00%	FM
			Uniflex S.R.L.	Mezzocorona	Manufacturer of sealants, distributor	100.00%	100.00%	FM
		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.	Gurmazovo	Distributor	100.00%	100.00%	FM
Eastern Europe and Asia	Eastern Europe	Russia	Selena Vostok Moscow	Moscow	Distributor	100.00%	100.00%	FM 1
		Ukraine	Selena Ukraine Ltd.	Kiev	Distributor	100.00%	100.00%	FM 1
	Asia	Kazakhstan	TOO Selena CA-Селена ЦА	Almaty	Distributor	100.00%	100.00%	FM
			TOO Selena Insulations	Nur-Sultan	Manufacturer of insulation systems and dry mortars	100.00%	100.00%	FM
		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 Co.Ltd	Shanghai	Distributor	40.00%	40.00%	NAN
		S.Korea	Hamil - Selena Co. Ltd	Kimhae	Manufacturer of foams	30.00%	30.00%	SA 3
		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 2
		Mexico	Selena Mexico S. de R.L. de C.V.	Zapopan	Distributor	100.00%	100.00%	FM 2
		USA	Selena USA, Inc.	Fort Worth	Distributor	100.00%	100.00%	FM

Explanations to the "Owner" column

FM – 100% shares owned by Selena FM (SFM)
FM 1 – shares owned by Selena FM (99%) and Selena S.A. (1%)
FM 2 – shares owned by Selena FM (95%) and Selena S.A. (5%)
FM 3 – shares owned by Selena FM (95%) and Selena ESG Solutions (5%)
SIT – 100% shares owned by Selena Industrial Technologies Sp. z o.o.
NAN – joint venture – owned by Selena Nantong Building Materials Co., Ltd.
SL – 100% shares owned by Selena Labs Sp. z o.o.

SA – 100% shares owned by Selena S.A.
SA 1 – shares owned by Selena S.A., the remaining shares are held outside of the Group
SA 2 – shares owned by Selena S.A. (85%) and Carina Silicones Sp. z o.o. (15%)
SA 3 – associate – shares owned by Selena S.A.
ROM – 99.99% shares owned by Selena Romania, other shares held by Selena FM
SGI – 100% shares owned by Selena Green Investments

2.3 Changes in the Group composition

Establishment of Selena Digital Distribution Sp. z o.o.

On 21 May 2021, a founding deed of Selena Digital Distribution Sp. z o.o. was signed. The sole shareholder of this limited liability company is Selena S.A., and its share capital is PLN 5,000. PLN. The company may be used in the future to implement the Group's business plans.

Increasing the registered capital, change of name and registered office of subsidiary Carina Sealants Sp. z o.o.

On 21 May 2021, the Extraordinary General Meeting of CARINA SEALANTS Sp. z o.o. was held. The business transacted during the meeting included adoption of resolutions on changes in the composition of the company's Management Board, a change of the company's business name (to Selena ESG Solutions Sp. z o.o.), changes in the company's objects (update of the PKD list indicated in the Articles of Association), increasing the registered capital, and changes in the Articles of Association, with ratification of a consolidated text of the document. Selena FM S.A. remains the sole shareholder of this company. Once the registered capital increase is recorded in the National Court Register, Selena FM S.A. will hold 20 thousand shares in the company's share capital with a total value of PLN 1 million.

Conclusion of a lease agreement for an organized part of Selena Marketing International Sp. z o.o.

On 4 October 2021, Selena FM S.A. entered into a lease agreement with Selena Marketing International Sp. z o.o., whereby the latter made an organized part of its enterprise available to the Company so that it could use and derive tax benefits from it. As the transaction increased the value trademarks, a decision was made to increase the deferred tax asset by PLN 25,451 thousand.

Establishment of Selena Green Investments Sp. z o.o.

On 2 September 2021, a founding deed of Selena Green Investments Sp. z o.o. was signed. The company's shareholders are: Selena FM S.A., which acquired 95% of shares, and Selena ESG Solutions sp.z o.o., which acquired 5% of shares in the registered capital of the new entity. The share capital of Selena Green Investments is PLN 5,000. In the future, the company may be used to implement the Group's business plans.

Establishment of SGI 1 Sp. z o.o.

On 6 December 2021, the founding act of SGI 1 Sp. z o.o. was signed. The sole shareholder of this limited liability company is Selena Green Investments Sp. z o.o., and its share capital is PLN 5,000. The company may be used in the future to implement the Group's business plans. As at the balance sheet date (31 December 2021), the company had the "under organization" status. On 14 January 2022, the company was entered in the National Court Register under number 0000946701.

Establishment of SGI 2 Sp. z o.o.

On 6 December 2021, the founding act of SGI 2 Sp. z o.o. was signed. The sole shareholder of this limited liability company is Selena Green Investments Sp. z o.o., and its share capital is PLN 5,000. The company may be used in the future to implement the Group's business plans. As at the balance sheet date (31 December 2021), the company had the “under organization” status. On 9 February 2022, the company was entered in the National Court Register under number 0000952642.

Establishment of SGI 3 Sp. z o.o.

On 6 December 2021, the founding act of SGI 3 Sp. z o.o. was signed. The sole shareholder of this limited liability company is Selena Green Investments Sp. z o.o., and its share capital is PLN 5,000. The company may be used in the future to implement the Group's business plans. As at the balance sheet date (31 December 2021), the company had the “under organization” status. On 18 January 2022, the company was entered in the National Court Register under number 0000947427.

Renaming the subsidiary Selena ESG Solutions Sp. z o.o. as Selena ESG Sp. z o.o.

On 6 December 2021, the Extraordinary General Meeting of Selena ESG Solutions Sp. z o.o. was held, which adopted a resolution on renaming the company to Selena ESG Sp. z o.o.

Purchase of shares in Selena Labs Sp. z o.o.

On 20 December 2021, a Share Purchase Agreement was signed between Krzysztof Domarecki (Seller) and Selena FM S.A. (Buyer), resulting in the acquisition by Selena FM S.A. of 21 shares in the share capital of Selena Labs Sp. z o.o., representing 0.35% of the share capital of Selena Labs Sp. z o.o. As a result of the agreement, Selena FM S.A. became the sole shareholder of Selena Labs, holding 100% of its share capital. The selling price of the shares was set to PLN 120 thousand in total.

Purchase of shares in Orion PU Sp. z o.o.

On 20 December 2021, a Share Purchase Agreement was signed between Krzysztof Domarecki (Seller) and Selena FM S.A. (Buyer), resulting in the acquisition by Selena FM S.A. of 6 shares in the share capital of Selena Labs Sp. z o.o., representing 0.03% of the share capital of Selena Labs Sp. z o.o. As a result of the agreement, Selena FM S.A. became the sole shareholder of Selena Labs, holding 100% of its share capital. The selling price of the shares was set to PLN 277 thousand in total.

Establishment of Selena Green Investments ASI Sp. z o.o.

On 20 December 2021, the founding act of Selena Green Investments ASI Sp. z o.o. was signed. The shareholders of the company are Selena FM S.A. which acquired 90% of shares and Krzysztof Domarecki, who acquired 10% of shares in the share capital of the newly established entity. The share capital of Selena Green Investments ASI is PLN 1,000 thousand. The company may be used in the future to implement the Group's business plans. As at the balance sheet date (31 December 2021), the company had the “under organization” status. On 14 March 2022, the Polish Financial Supervision Authority entered the subsidiary Selena Green Investments ASI Sp. z o.o. to the register of Managers of Alternative Investment Companies (ASI). On 23 March 2022, the subsidiary Selena Green Investments ASI Sp. z o.o. was registered in the register of entrepreneurs of the National Court Register. The shareholders of the company are Selena FM S.A. with 90% of shares and Krzysztof Domarecki with 10% of shares in the share capital of the entity.

Merger of subsidiaries: Selena Industrial Technologies sp.z o.o. (acquiring company) with Orion PU sp. z o.o., "Libra" sp. z o.o. and "Selena Labs" sp. z o.o (acquired companies).

On 1 March 2022, Selena Industrial Technologies Sp. z o.o. (acquiring company) merged with Orion PU Sp. z o.o., "Libra" Sp. z o.o. and "Selena Labs" Sp. z o.o (acquired companies). On that date, the merger (“merger by acquisition) was registered in the Register of Entrepreneurs of the National Court Register. As a result of the merger of Selena Industrial Technologies Sp. z o.o. acquired all the rights and obligations of the acquired companies. In connection with the merger, the share capital of Selena Industrial Technologies Sp. z o.o. was increased by PLN 300,000 (i.e. to PLN 403,305,000.00). 100% of shares in the share capital of Selena Industrial Technologies Sp. z o.o. is entitled to Selena FM S.A. The merger of the companies is economically and economically justified; it is primarily organizational in nature, resulting in simplification of the Group structure. Going forward, depending on the needs, the merger will help harmonize and organize internal procedures so as to ensure more effective operation of the business and continuous improvement of product quality.

Operating segments and information on revenues

3. Operating segments and information on revenues

Accounting policies

Revenue from contracts with customers

Selena Group's business includes production and sale of construction chemicals, building materials for doors and windows, and general building accessories.

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 in accordance with the relevant Incoterms.

Goods are delivered to the customer using transport services provided by the Group or by the customer. The average payment terms for Selena Group customers is 69 days.

Where different goods are sold under one contract, the consideration should be allocated to each of the obligations.

Selena 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.

Selena Group offers its customers discounts depending on the volume of purchases (post-transaction bonus). 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, Selena Group uses information on the business made with the customer during the reporting period.

Obligations to return remuneration 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 ("Obligations to return remuneration").

The organization structure of Selena 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 aggregated into the following reporting segments:

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

Detailed allocation of operating segments to reporting segments is presented in Note 2.2.

Operating results of the segment are primarily measured using the operating 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 costs/income + Depreciation/amortization

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.

Revenues are allocated to segments based on the seller's registered office location. Non-allocated assets and liabilities include settlements on account of current and deferred income tax.

Management of the Selena Group's funding sources, financial income and costs management and operation of the taxation policy are the tasks performed 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 reporting segments.

from 01.01.2021 to 31.12.2021 Figures in PLN thousand	EU	Eastern Europe and Asia	N&S America	Total segments	Consolid. adjustments and non-allocated results*	Total
Sales to external customers	1,103,458	498,845	126,047	1,728,350	0	1,728,350
Sales between segments	361,420	11,759	26	373,205	-373,205	0
EBITDA	213,916	57,849	7,414	279,179	-142,419	136,760
Depreciation/ amortization	-28,763	-2,525	-62	-31,350	-12,698	-44,048
Operating profit (loss)	**185,153**	**55,324**	**7,352**	**247,829**	**-155,117**	**92,712**
Net financial income/ (costs)	0	0	0	0	-6,799	-6,799
Share in profit of the associate	0	2,511	0	2,511	0	2,511
Income tax	0	0	0	0	14,273	14,273
Net profit (loss) for the period	**185,153**	**57,835**	**7,352**	**250,340**	**-147,643**	**102,697**
Capital expenditure	29,411	4,049	34	33,494		33,494

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

from 01.01.2020 to 31.12.2020 restated figures** Figures in PLN thousand	EU	Eastern Europe and Asia	N&S America	Total segments	Consolid. adjustments and non-allocated results*	Total
Sales to external customers	884,713	414,706	85,316	1,384,735	0	1,384,735
Sales between segments	285,940	12,464	0	298,404	-298,404	0
EBITDA	248,150	44,914	6,400	299,464	-133,773	165,691
Depreciation/ amortization	-21,620	-2,747	-60	-24,427	-14,088	-38,515
Operating profit (loss)	**226,530**	**42,167**	**6,340**	**275,037**	**-147,861**	**127,176**
Net financial income/ (costs)	0	0	0	0	-33,356	-33,356
Share in profit of the associate	0	2,633	0	2,633	0	2,633
Income tax	0	0	0	0	-22,345	-22,345
Net profit (loss) for the period	**226,530**	**44,800**	**6,340**	**277,670**	**-203,562**	**74,108**
Capital expenditure	30,718	2,654	25	33,397		33,397

* consolidation adjustments, general and administrative expenses, result on financial activities and income tax
**The reasons and effects of transformation of the data published in prior periods are contained in Note 1.3

In 2021, Poland-based entities of Selena Group generated revenues of PLN 606.1 million from contracts with customers (PLN 501.2 million in 2020). In 2021, the entities based in Western Europe generated revenues of PLN 386.4 million from contracts with customers (PLN 293.2 million in 2020). In 2021, the entities based in Eastern Europe generated revenues of PLN 290.3 million from contracts with customers (PLN 243.9 million in 2020), and companies based in CEE countries achieved revenues of PLN 110.9 million (PLN 90.3 million in 2020). In 2021, the entities based in Asia generated revenues of PLN 208.5 million from contracts with customers (PLN 170.8 million in 2020). In turn, in 2021, the entities based in Asia generated revenues of PLN 126.0 million from contracts with customers (PLN 85.3 million in 2020). In 2021 and 2020, no customer exceed 10% of Selena Group's total revenue.

Revenue from the sale of products, broken down into individual product groups, are presented below.

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Construction chemicals	1,270,270	980,413
Insulating chemicals	190,540	178,257
Other	127,027	114,594
Total revenue from the sale of products	**1,587,837**	**1,273,264**

The tables below show selected assets of the individual geographic segments as at 31 December 2021 and 31 December 2020.

Figures in PLN thousand	as at 31.12.2021					
	EU	Eastern Europe and Asia	N&S America	Total segments	Consolid. adjustments and non-allocated results*	Total
Segment assets	902,377	233,275	59,264	1,194,916	-167,214	1,027,702
Investment in the associate	0	19,814	0	19,814	0	19,814
Non-allocated assets	0	0	0	0	61,239	61,239
Total assets	**902,377**	**253,089**	**59,264**	**1,214,730**	**-105,975**	**1,108,755**

*Consolidation adjustments and settlements on account of current and deferred income tax.

Figures in PLN thousand	as at 31.12.2020 restated figures**					
	EU	Eastern Europe and Asia	N&S America	Total segments	Consolid. adjustments and non-allocated results*	Total
Segment assets	817,689	187,046	41,040	1,045,775	-151,938	893,837
Investment in the associate	0	17,847	0	17,847	0	17,847
Non-allocated assets	0	0	0	0	25,078	25,078
Total assets	**817,689**	**204,893**	**41,040**	**1,063,622**	**-126,860**	**936,762**

*Consolidation adjustments and settlements on account of current and deferred income tax.

**The reasons and effects of transformation of the data published in prior periods are contained in Note 1.3

Figures in PLN thousand	as at 31.12.2021					
	EU	Eastern Europe and Asia	N&S America	Total segments	Consolid. adjustments and non-allocated results*	Total
Segment liabilities	410,114	213,992	81,270	705,376	-208,074	497,302
Non-allocated liabilities	0	0	0	0	9,508	9,508
Total liabilities	**410,114**	**213,992**	**81,270**	**705,376**	**-198,566**	**506,810**

*Consolidation adjustments and settlements on account of current and deferred income tax.

Figures in PLN thousand	EU	Eastern Europe and Asia	N&S America	Total segments	Consolid. adjustments and non-allocated results*	Total
	as at 31.12.2020 restated figures**					
Segment liabilities	326,493	181,578	62,241	570,312	-184,959	385,353
Non-allocated liabilities	0	0	0	0	19,472	19,472
Total liabilities	**326,493**	**181,578**	**62,241**	**570,312**	**-165,487**	**404,825**

*Consolidation adjustments and settlements on account of current and deferred income tax.

**The reasons and effects of transformation of the data published in prior periods are contained in Note 1.3

Notes to the consolidated income statement

4. Notes to the consolidated income statement

4.1 Operating costs

Costs by type

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Use of materials and energy	1,056,329	745,071
Cost of employee benefits	253,986	223,619
Depreciation/ amortization	44,048	38,515
External services, including:	178,923	148,310
transport and logistics	*78,821*	*65,621*
Entertainment and advertising costs	13,537	10,618
Business travel costs	5,517	3,420
Taxes and charges	5,266	4,875
Other costs by type	11,433	9,321
Cost of goods and materials sold	103,480	91,967
Direct cost of recharged services	2,736	1,152
Operating costs	**1,675,255**	**1,276,868**
change in the balance of finished goods	-30,307	-17,385
Total	**1,644,948**	**1,259,483**
including:		
Cost of sales	1,248,607	916,672
Selling and marketing costs	270,243	228,752
General and administrative expenses	126,098	114,059

Cost of employee benefits

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Salaries	204,270	180,628
Social insurance costs	38,366	32,434
Other costs of employee benefits	11,350	10,557
Total cost of employee benefits	**253,986**	**223,619**
including:		
Cost of sales	64,396	58,375
Selling and marketing costs	124,753	104,629
General and administrative expenses	64,837	60,615

Depreciation/amortization

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Depreciation of tangible assets*	37,934	32,292
Amortization of intangible assets	6,114	6,223
Total depreciation/amortization	**44,048**	**38,515**
including:		
Cost of sales	22,787	16,143
Selling and marketing costs	9,412	9,741
General and administrative expenses	11,849	12,631

* Including depreciation of the right-of-use assets of **PLN 11,834 thousand** for 2021.

4.2 Other operating income and operating costs

Other operating income

Accounting policies

Subsidies

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

Government subsidies for costs are recognized in profit or loss as other operating income for a period necessary to match them with the expenses they are to offset.

If the subsidy relates to an asset, it is recognized as deferred income and recognized in profit or loss (other operating income) using the straight-line method over the expected useful life of the underlying assets. The goal is to ensure the matching of subsidy revenues with their corresponding expenses.

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Profit from disposal of non-financial fixed assets	264	253
Subsidies	9,098	10,060
Damages	751	701
Provisions released	4,193	107
Repayment of receivables written off in previous periods	630	1,048
Reimbursement of overpaid social insurance fees	503	992
Other	589	752
Total other operating income	**16,028**	**13,913**

Revenues from subsidies primarily relate to the projects carried out by Oligo Sp. z o.o. (PLN 6.7 millino) and Selena Labs Sp. z o.o. (PLN 1.6 million) in the area of R&D activity.

Other forms of public aid obtained by the Group companies also relate to tax exemptions, as described in Note 5 of these financial statements.

The value of provisions released in 2021 was impacted by the favorable settlement of the customs case relating to Selena Romania (PLN 1.5 million) and the release of a provision for public-law obligations at Uniflex (PLN 1.7 million) due to their expiry.

Other operating costs

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020 restated figures*
Damages, penalties, fines	818	975
Provisions raised	248	3,738
Donations made	1,143	1,252
Amortization of intangible assets	0	1,176
Other	886	1,175
Total other operating costs	**3,095**	**8,316**

Impairment of non-financial fixed assets

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Recognition of an impairment allowance	600	1,587
Reversal of an impairment allowance	0	0
Impairment of non-financial fixed assets	**600**	**1,587**

Impairment of financial fixed assets

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020 restated figures*
Recognition of an impairment allowance on receivables	2,214	3,255
Reversal of an impairment allowance on receivables	-1,195	-1,718
Writing off uncollectible debts previously written down	1,831	549
Reversal of an impairment charge on loans	173	0
Impairment of financial assets	**3,023**	**2,086**

4.3 Financial income and costs

Accounting policies

Foreign exchange differences arising from both operating and financing activities are recognized in financial revenues and financial expenses.

Financial income

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020 restated figures*
FX gains	7,391	6,611
Interest on deposits and bank accounts	5	143
On loans granted	2,383	81
Other interest	121	64
Dividends and profit sharing	172	20
Derivative financial instruments	0	465
Other financial income	24	15
Total financial income	**10,096**	**7,399**

Financial costs

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020 restated figures*
FX losses	9,310	18,324
Interest on bank and other loans	3,546	2,677
Interest on leases	1,037	768
Other interest	325	183
Derivative financial instruments	997	0
Other financial costs	1,680	18,803
Total financial costs	**16,895**	**40,755**

In 2021, Selena FM S.A. hedged its expected cash flows with FX forwards and other financial instruments. In accordance with the its hedging policy, the Company hedges an active part of currency exposure. The Company uses such financial instruments solely to hedge its FX risk and does not use them for speculative purposes. The Company does not use hedge accounting within the meaning of IFRS 9.

As at 31 December 2021, Selena FM S.A. had open forward contracts. The gain on the valuation of unrealized contracts was PLN 885 thousand (including valuation of open contracts of PLN -621 thousand as at 31 December 2021). The loss on exercise of the contracts was PLN 1,882 thousand. The result on transactions (PLN -997 thousand) was recognized in financial costs under “Derivative financial instruments”.

Taxation

5. Taxation

Accounting policies

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 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 recognized for all the negative temporary differences, also for unutilized tax reliefs and unutilized 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 recognized 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 realization of the deferred tax asset. The unrecognized deferred tax asset is revisited at each balance sheet date and is recognized 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 realized. 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 recognized outside of a profit or loss, is recognized 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 recognized 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 recognized 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 recognized as a part of the price of the assets or as a part of the cost item, and
- the receivables and liabilities that are recognized together with the VAT.

The net amount of the VAT that can be recovered or that is due to the tax authorities is recognized in the balance sheet as a part of other short-term assets or non-financial liabilities.

Important estimates and assumptions

The likelihood of using deferred tax assets against future tax gains is based on the budget of Selena 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.

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.

Tax charge

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020 restated figures*
Current income tax:		
Current income tax charge	15,821	23,259
Corrections to the current income tax from previous years	-1,468	-418
Deferred income tax:		
Connected with origination and reversal of temporary differences	-28,626	-496
Tax disclosed in consolidated income statement	**-14,273**	**22,345**

Reconciliation of the effective tax rate

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020 restated figures*
Profit (loss) before tax	**88,424**	**95,293**
Tax at the Polish statutory rate of 19%	**16,801**	**18,106**
Costs/ (revenues) not included in the taxation basis	-5,336	6,386
Tax effect of current period losses for which no deferred tax assets were recognized	2,823	1,813
Corrections to the current income tax from previous years	-1,468	-418
Use of previous years' tax losses for which no asset was recognized	-1,620	-1,716
Use of tax relief for research and development	0	-1,808
Deferred asset relating to trademarks	-25,451	0
Use of tax relief for operations in the Special Economic Zone for which no deferred tax asset was	-1,092	-745
Effect of other tax rates in foreign affiliates	1,070	727
Tax at the effective tax rate	**-14,273**	**22,345**
Effective tax rate	**-16%**	**23%**

Accumulated tax losses

Figures in PLN thousand	As at 31.12.2021	as at 31.12.2020
Unappropriated tax losses from previous years for which no deferred tax asset was recognized	138,988	156,962
Potential positive tax effect according at the average tax rate of 22%	30,865	34,532

Deferred income tax

Deferred tax liability	As at 31.12.2021	from 01.01.2021 to 31.12.2021	As at 31.12.2020 restated figures*	from 01.01.2020 to 31.12.2020	as at 01.01.2020
Deferred tax liability					
Net value of tangible assets under lease	2,475	806	1,669	1,619	50
Difference between the net book value and tax value of non-financial fixed assets	6,727	-401	7,128	90	7,038
Interest not received	4,408	866	3,542	-339	3,881
Valuation of trademarks	993	-194	1,187	-107	1,294
Other	467	-300	768	507	261
FX differences arising on translation	-	24	-	-391	-
Deferred tax liability	**15,070**	**801**	**14,294**	**1,379**	**12,524**
Deferred tax liability (after set-off)	**2,069**	**-**	**3,784**	**-**	**3,843**
Deferred tax assets on negative temporary differences					
Tax losses to be deducted*	4,274	551	4,825	4,969	9,794
Impairment allowances on receivables	1,809	-136	1,673	-195	1,478
Provision for the cost of audit of financial statements	142	-48	94	-52	42
Provision for the cost of unutilized leaves	552	-13	539	-104	435
Retirement provision	389	-70	319	-65	254
Accruals	4,522	-1,380	3,142	-1,463	1,679
Interest not paid	658	17	675	-466	209
Liability in respect of unpaid remuneration	2,298	-522	1,776	-1,399	377
Impairment allowance on inventories	1,593	-412	1,181	-657	524
Tax relief for investments in the special economic zone	1,595	-1,595	0	0	0
Deferred tax on trademarks	31,712	-24,159	7,553	1,723	9,276
Deferred tax relating to margin elimination	5,020	-495	4,525	-1,519	3,006
Unrealized FX losses	212	290	503	562	1,064
Other	5,151	-1,029	4,122	-2,712	1,410
FX differences arising on translation	-	43	-	536	-
Deferred tax assets	**59,927**	**-28,958**	**30,927**	**-842**	**29,548**
Deferred tax assets after set-off	**46,924**	**-**	**20,417**	**-**	**20,867**
Change in deferred tax reflected in equity	**-**	**469**	**-**	**1,032**	**-**
Change in deferred tax reflected in net profit	**-**	**-28,626**	**-**	**-495**	**-**

** including as at 31 December 2020, PLN 3.4 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 recognized in the profit and loss account and other comprehensive income.

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Credit/charge to the profit and loss account in respect of a deferred tax asset	-28,958	-843
Set-off of deferred tax assets and liabilities	2,495	1,827
FX differences arising on balance sheet valuation in foreign affiliates	-44	-534
Balance sheet change in the deferred tax asset	**-26,507**	**450**
Credit/charge to the profit and loss account in respect of a deferred tax liability	332	347
Deferred tax recognized in other comprehensive income	469	1,032
Set-off of deferred tax assets and liabilities	-2,495	-1,827
FX differences arising on balance sheet valuation in foreign affiliates	-21	389
Balance sheet change in the deferred tax liability	**-1,715**	**-59**

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 2021, the company paid in a total of PLN 11,572.3 thousand to the Fund. The company received subsidies totalling PLN 4,008 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. In 2019, the Management Board of Libra Sp. z o.o. decided to suspend the use of the permit due to the suspension of the plant expansion project. At the same time, an adjustment was made to the income tax for 2018, which included tax exemption related to operations in the zone. In 2021, at the Company's request concerning its intention to resume the plant expansion project, the Ministry of Development and Technology issued the decision of 16 November 2021 regarding the extension of the project to 31 December 2024 and extension of the permit validity to 30 June 2026. Due to the resumption of the project, a deferred tax asset of PLN 1,595 thousand was created. Also, the CIT for 2019–2020 was corrected by PLN 2,369 thousand.

Notes to the consolidated statement of financial position

6. Notes to the consolidated statement of financial position

6.1 Financial instruments

Accounting policies

Financial assets

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

Financial assets are measured at amortized cost using the effective interest rate. After initial recognition, trade receivables and other financial receivables are measured at amortized cost using the effective interest rate method, including impairment allowances. Any trade receivables and 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 amortized cost or fair value through other comprehensive income. In the category of assets measured at fair value through profit or loss Selena 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. Forward transactions (forward contracts) are recognized in the books as at the transaction date.

Financial 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 amortized 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 recognized at the amount due.

An expired financial liability is derecognized 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 recognized 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 recognized as expiry of the original liability and recognition of a new liability. The difference between the respective book values of the exchanged instruments is recognized in profit or loss.

Financial instruments held the Group are classified below.

Figures in PLN thousand	As at 31.12.2021	As at 31.12.2020 restated figures*
Financial assets measured at amortized cost		
Trade receivables	*298,175*	*251,907*
Settlements with customers on account of credit card payments	*5,260*	*8,291*
Promissory notes, cheques	*1,950*	*1,482*
Investment receivables	*2*	*0*
Trade and other receivables	305,387	261,680
Loans granted	*50*	*42,000*
Restricted cash	*107*	*107*
Other	*162*	*170*
Total other long term financial assets measured at amortized cost	319	42,277
Loans granted	*48,145*	*81*
Grants receivable	*5,714*	*0*
Security deposits	*771*	*690*
Other	*2,541*	*2,001*
Total other short term financial assets measured at amortized cost	57,171	2,772
Cash and cash equivalents	38,915	55,004
Financial assets measured at fair value through profit and loss		
Other short-term financial assets – forward contracts	24	0
Financial assets measured at fair value through other comprehensive income		
Other long-term financial assets – shares in non-listed companies	819	819
Total	**402,635**	**362,552**

Figures in PLN thousand	As at 31.12.2021	As at from 31.12.2020 restated figures*
Financial liabilities measured at amortized cost		
Bank and other loans	*148,023*	*49,752*
Lease liabilities	*29,177*	*34,962*
Total interest-bearing debt	177,200	84,714
Trade liabilities	*195,721*	*187,337*
Investment liabilities	*2,572*	*2,580*
Liabilities on account of prepaid trade receivables	*1*	*226*
Trade and other liabilities	198,294	190,143
Financial liabilities measured at fair value through profit or loss		
Other short-term liabilities – forward contracts	644	1,506
Total	**376,138**	**276,363**

The Group's exposure to various risk types related to financial instruments is discussed in Note 7.2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets listed above.

Fair value of financial instruments that Selena Group held as at 31 December 2021 and 31 December 2020 was not materially different from the values presented in the financial statements for the respective years:
– with regard to short-term instruments, the potential effect of the discount is not material;
– the instruments relate to the transactions concluded on market terms.

Based on the methods used to determine fair value, Selena Group classifies individual assets and liabilities into the following categories:
– Level 1: assets and liabilities measured on the basis of quoted prices in active markets for identical instruments.

– Level 2: assets and liabilities measured using valuation techniques based on directly or indirectly observable market quotes or other inputs based on market quotes.

– Level 3: assets and liabilities measured using valuation techniques whose inputs are not based on observable market data.

As at 31 December 2021, the Group included financial instruments measured at fair value to Level 2 fair value measurement, i.e.:

– The fair valuation of forward contracts through profit or loss – valuation using observable inputs other than quoted prices (the present value of future cash flows is determined based on forward FX rates as at the balance sheet date);

As at 31 December 2021, the Group included shares in non-listed companies as financial instruments measured at fair value to Level 3 fair value measurement.

6.1.1 Trade receivables

Accounting policies

After initial recognition, **trade receivables** are measured at amortized 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.

Figures in PLN thousand	As at 31.12.2021	As at from 31.12.2020 restated figures*
Gross trade receivables	319,646	275,672
Impairment allowance on trade receivables	-21,471	-23,765

Detailed information on the classification of financial receivables to the individual credit risk degrees, as well as the methodology for calculating impairment allowances are presented in Note 7.2.3.

6.1.2 Cash

Accounting policies

Cash and short-term deposits presented in the consolidated statement of financial position 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 consolidated statement of cash flows consists of the items specified above. Selena Group classifies cash and cash equivalents as financial assets at amortized cost, taking into account 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. As at 31 December 2021, the calculation of the allowance showed that its amount was negligible, so Selena 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.

Figures in PLN thousand	As at 31.12.2021	As at 31.12.2020 restated figures*
Cash in bank*	29,550	50,491
Cash on hand	278	262
Cheques (up to 3 months)	6,699	4,193
Short-term deposits	163	58
Cash in transit	2,225	0
Total	**38,915**	**55,004**

*including restricted cash:
as at 31 December 2021: PLN 0.05m
as at 31 December 2020: PLN 0.05m

Credit risk related to cash and cash equivalents is described in Note 7.2.3.

6.1.3 Bank and other loans

Accounting policies

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 amortized cost on an effective interest rate basis.
When determining the amortized 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.

The incurred bank loans are presented in the table below

Ref	Loan type	Maturity date	As at 31.12.2021 Long-term portion	As at 31.12.2021 Short-term portion	As at 31.12.2020 Long-term portion	As at 31.12.2020 Short-term portion
1	Working capital loan	2022	0	63,377	0	21,636
2	Working capital loan	2024	31,972	0	0	0
3	Non-renewable loan	2022-2024	7,000	3,000	0	0
4	Other	2022-2027	9,997	32,677	14,107	14,009
			48,969	**99,054**	**14,107**	**35,645**

Credit 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 2021, Selena Group maintained the consolidated financial ratios at the levels required by the lenders.

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 (figures in PLN m)
Tangible assets (mortgage/pledge)	63.0
Inventories	0.0
Trade receivables from non-related parties	40.1

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

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

Events occurring after the balance sheet date

On 8 February 2022, an annex was signed to the multi-purpose credit facility agreement. The annex extended the facility availability period to 31 December 2024. Under the annex, the line amount was maintained at PLN 80 million. Other material terms of the credit facility agreement, including the available credit limit and collateral, remained unchanged.

On 28 February 2022, an annex was signed to the guarantee and LC line agreement. The annex extended the availability period of the bank guarantee and letter of credit to 28 February 2023. Under the annex, an additional credit limit of PLN 20 million was granted to Selena FM and the guarantee line amount was maintained at EUR 10.5 million.

6.1.4 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 in 2021.

Figures in PLN thousand	Bank loans	Leases	Total
as at 1.01.2021 – restated figures*	**49,752**	**34,962**	**84,714**
Changes resulting from cash flows, including:	**92,971**	**-15,984**	**76,987**
financing received	108,395	0	108,395
repayment of principal	-11,972	-15,730	-27,702
interest and fees paid	-3,452	-254	-3,706
Non-cash changes, including:	**5,300**	**10,199**	**15,499**
lease agreements signed	0	8,365	8,365
interest and fees accrued	3,546	1,116	4,662
FX differences	1,300	256	1,556
other	454	462	916
Debt balance as at 31 December 2021	**148,023**	**29,177**	**177,200**

The table below presents information on changes in the level of debt on cash flows items and non-cash changes in 2020.

Figures in PLN thousand	Bank loans	Leases	Other financial liabilities	Total
as at 1.01.2020 – restated figures*	**103,907**	**40,174**	**96**	**144,177**
Changes resulting from cash flows, including:	**-56,136**	**-14,600**	**0**	**-70,736**
financing received	37,358	0	0	37,358
repayment of principal	-90,830	-14,398	0	-105,228
interest and fees paid	-2,664	-202	0	-2,866
Non-cash changes, including:	**1,981**	**9,388**	**-96**	**11,273**
lease agreements signed	0	15,162	0	15,162
interest and fees accrued	2,676	583	0	3,259
FX differences	-695	587	0	-108
modification of leases	0	-6,944	0	-6,944
other	0	0	-96	-96
Debt balance as at 31 December 2020	**49,752**	**34,962**	**0**	**84,714**

6.1.5 Lease liabilities

Accounting policies

Lease liabilities are initially 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 (where the estimated lease term provides for early lease termination).

The lease fees exclude variable lease payments that depend on external factors. Variable lease payments not included in the initial valuation of the lease liability are recognized directly in the profit and loss account.
Lease payments are discounted using the Company's incremental borrowing rate or the interest rate implicit in the lease (if available).

Lease term
The lease term determined by the Company includes:
- the non-cancellable lease period;
- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

The lease term begins at the commencement date and includes any rent-free periods provided to the lessee by the lessor.
Subsequent measurement of the lease liability
After the commencement date, Company measures lease liabilities by:
- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

Important estimates and assumptions

The estimates affecting the measurement of lease liabilities made by the Group include:
– identification of leases that meet the definition of a lease in accordance with IFRS 16;
– assumptions about the useful lives of leases (lease term);
– calculation of the incremental interest rates used to discount future cash flows.

Figures in PLN thousand	As at 31.12.2021		As at from 31.12.2020 restated figures*	
	Nominal value	Current value	Nominal value	Current value
Payments up to 1 year	12,757	12,315	13,763	13,392
up to 3 months	3,270	3,230	3,714	3,643
3 to 12 months	9,487	9,085	10,049	9,749
Payments from 1 to 5 years	15,581	14,730	20,484	19,172
Payments above 5 years	2,147	2,132	2,470	2,398
Total lease payments	**30,485**	**29,177**	**36,717**	**34,962**
Less financial costs	-1,308	0	-1,755	0
Current value of minimum lease payments	**29,177**	**29,177**	**34,962**	**34,962**

Lease amounts recognized in the reporting period

The following lease amounts are presented in the consolidated income statement:

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020 restated figures*
Depreciation of the right-of-use assets	11,834	10,458
Interest expense	1,116	583
Costs related to short-term leases	2,210	3,310
Costs related to low-value leases	183	105
Costs related to variable lease payments	0	0

*The reasons and effects of restating the data published in prior periods are contained in Note 1.3

Short-term and low-value leases

The Group applies short-term lease exemption to its short-term office lease agreements (i.e. leases with a lease term of 12 months or shorter from lease commencement and has no call option). The Group also applies the exemption relating to the recognition of low-value leases for e.g. low-value office equipment, the value of which was PLN 183 thousand as at 31 December 2021. Lease fees for short-term leases and low-value leases are recognized as costs using the straight-line method throughout the lease period.

6.1.6 Revenues, expenses, profits and losses disclosed in the consolidated income statement by categories of financial instruments

		Year ended 31 December 2021			
Figures in PLN thousand	**Note**	**WwWGpWF**	**AFwgZK**	**ZFwgZK**	**Total**
Interest income (+) / costs (-)	4.3	0	2,428	-4,696	**-2,268**
FX gains (+)/ losses (-)	4.3	0	-4,459	2,607	**-1,852**
Impairment losses (-)	4.2	0	-4,218	0	**-4,218**
Reversal of impairment losses (+)	4.2	0	1,195	0	**1,195**
Gains (+)/ losses (-) on valuation of forward contracts	4.3	885	0	0	**885**
Gains (+)/ losses (-) on exercise of forward contracts	4.3	-1,882	0	0	**-1,882**
Total net gain/loss		**-997**	**-5,054**	**-2,089**	**-8,140**

Terms used:

WwWGpWF – Financial assets/ liabilities measured at fair value through profit or loss

AFwgZK – Financial assets measured at amortized cost

ZFwgZK – Financial liabilities measured at amortized cost

		Year ended 31 December 2020 transformed data*			
Figures in PLN thousand	**Note**	**WwWGpWF**	**AFwgZK**	**ZFwgZK**	**Total**
Interest income (+) / costs (-)	4.3	0	286	-3,593	**-3,307**
FX gains (+)/ losses (-)	4.3	0	8,812	-20,747	**-11,935**
Impairment losses (-)	4.2	0	-3,804	0	**-3,804**
Reversal of impairment losses (+)	4.2	0	1,718	0	**1,718**
Gains (+)/ losses (-) on valuation of forward contracts	4.3	-1,410	0	0	**-1,410**
Gains (+)/ losses (-) on exercise of forward contracts	4.3	1,875	0	0	**1,875**
Total net gain/loss	**0**	**465**	**7,012**	**-24,340**	**-16,863**

Terms used:

WwWGpWF – Financial assets/ liabilities measured at fair value through profit or loss

AFwgZK – Financial assets measured at amortized cost

ZFwgZK – Financial liabilities measured at amortized cost

*The reasons and effects of restating the data published in prior periods are contained in Note 1.3

6.2. Non-financial assets and liabilities

6.2.1 Changes in the value of tangible fixed assets

Accounting policies

Property, plant and equipment are carried at cost reduced by depreciation and impairment allowances. 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 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 tangible assets	from 3 to 10

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

Depreciation for tangible assets is recognized in profit and loss account 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 allowances are recognized in the profit and loss account under impairment of non-financial assets.

A tangible asset may be derecognized after its disposal or if the entity expects no economic benefits from its continued use. 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 recognized in the profit and loss in the period when the derecognition took place. The amount of a recognized impairment allowance for tangible assets is presented under impairment of non-financial assets.

Fixed assets under construction include all the fixed assets that are during construction or assembly and are recognized at cost reduced by impairment allowances, 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.

Borrowing costs

Accounting policies

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

Either in the year ended 31 December 2021 or 31 December 2020, no borrowing costs were capitalized.

Changes in the individual groups of tangible fixed assets

Figures in PLN thousand	Land	Buildings and structures	Plant and machinery	Vehicles	Other tangible assets	Tangible assets under construction	Total
Initial value							
as at 1.01.2021	**23,848**	**169,430**	**223,135**	**13,003**	**18,758**	**12,745**	**460,919**
increases, including:	0	347	2,456	1,709	1,421	26,154	**32,087**
Acquisition	0	276	1,906	1,088	1,421	26,154	**30,845**
Repurchase of fixed assets under lease	0	0	535	621	0	0	**1,156**
Other	0	71	15	0	0	0	**86**
Transfers from investments	0	11,025	13,137	1,552	1,191	-26,905	**0**
Decreases, including:	0	9	1,328	970	575	102	**2,984**
Sale, Liquidation	0	2	1,251	970	552	12	**2,787**
Other	0	7	77	0	23	90	**197**
FX diff. on translation of foreign subsidiary	-208	1,154	800	320	-98	-2	**1,966**
as at 31.12.2021	**23,640**	**181,947**	**238,200**	**15,614**	**20,697**	**11,890**	**491,988**
Write-off							
as at 1.01.2021	**0**	**64,051**	**146,476**	**10,592**	**15,223**	**0**	**236,342**
increases, including:	0	6,106	17,310	1,692	1,458	0	**26,566**
Amortization for the period	0	*6,037*	*17,209*	*1,396*	*1,458*	*0*	***26,100***
Repurchase of fixed assets under lease	0	*0*	*76*	*296*	*0*	*0*	***372***
Other	0	*69*	*25*	*0*	*0*	*0*	***94***
Decreases, including:	0	2	1,301	971	530	0	**2,804**
Sale, Liquidation	0	*2*	*1,226*	*971*	*517*	*0*	***2,716***
Other	0	*0*	*75*	*0*	*13*	*0*	***88***
FX diff. on translation of foreign subsidiary	0	470	212	188	22	0	**892**
as at 31.12.2021	**0**	**70,625**	**162,697**	**11,501**	**16,173**	**0**	**260,996**
Impairment allowances							
as at 1.01.2021	**0**	**12,375**	**7,405**	**0**	**0**	**585**	**20,365**
Increases	0	475	0	0	0	124	**599**
FX diff. on translation of foreign subsidiary	0	675	209	0	0	-2	**882**
as at 31.12.2021	**0**	**13,525**	**7,614**	**0**	**0**	**707**	**21,846**
Net value							
as at 1.01.2021	**23,848**	**93,004**	**69,254**	**2,411**	**3,535**	**12,160**	**204,212**
as at 31.12.2021	**23,640**	**97,797**	**67,889**	**4,113**	**4,524**	**11,183**	**209,146**

Figures in PLN thousand	Land	Buildings and structures	Plant and machinery	Vehicles	Other tangible assets	Tangible assets under construction	Total
Initial value							
as at 1.01.2020	**22,065**	**164,013**	**199,062**	**12,734**	**17,957**	**12,003**	**427,834**
increases, including:	483	2,912	2,389	1,290	406	21,542	**29,022**
Acquisition	483	2,903	984	585	368	21,542	**26,865**
Repurchase of fixed assets under lease	0	0	1,405	705	0	0	**2,110**
Other	0	9	0	0	38	0	**47**
Transfers from investments	0	1,261	18,226	393	309	-20,189	**0**
Decreases, including:	0	199	3,247	920	177	56	**4,599**
Sale, Liquidation	0	199	2,980	730	122	49	**4,080**
Other	*0*	*0*	*267*	*190*	*55*	*7*	*519*
FX diff. on translation of foreign subsidiary	1,300	1,443	6,705	-494	263	-556	**8,661**
as at 31.12.2020	**23,848**	**169,430**	**223,135**	**13,003**	**18,758**	**12,744**	**460,918**
Write-off							
as at 1.01.2020	**0**	**57,157**	**131,372**	**10,174**	**13,764**	**0**	**212,467**
increases, including:	0	6,091	12,439	1,574	1,309	0	**21,413**
Amortization for the period	0	*6,071*	*12,087*	*1,152*	*1,275*	*0*	***20,585***
Repurchase of fixed assets under lease	0	*0*	*352*	*422*	*0*	*0*	***774***
Other	0	*20*	*0*	*0*	*34*	*0*	***54***
Decreases, including:	0	199	2,908	856	108	0	**4,071**
Sale, Liquidation	0	*199*	*2,557*	*694*	*83*	*0*	***3,533***
Other	0	*0*	*351*	*162*	*25*	*0*	***538***
FX diff. on translation of foreign subsidiary	0	1,002	5,573	-300	258	0	**6,533**
as at 31.12.2020	**0**	**64,051**	**146,476**	**10,592**	**15,223**	**0**	**236,342**
Impairment allowances							
as at 1.01.2020	**0**	**11,701**	**7,170**	**0**	**0**	**579**	**19,450**
Increases	0	0	0	0	0	6	**6**
Decreases	0	0	0	0	0	0	**0**
FX diff. on translation of foreign subsidiary	0	674	235	0	0	0	**909**
as at 31.12.2020	**0**	**12,375**	**7,405**	**0**	**0**	**585**	**20,365**
Net value							
as at 1.01.2020	**22,065**	**95,155**	**60,520**	**2,560**	**4,193**	**11,424**	**195,917**
as at 31.12.2020	**23,848**	**93,004**	**69,254**	**2,411**	**3,535**	**12,159**	**204,211**

6.2.2. Changes in the value of the right-of-use asset

Accounting policies

The Company recognizes right-of-use assets and lease liabilities at the commencement date of the leases as part of which the right to control the use of certain assets is conveyed for a certain period of time. The lease commencement date is the date when the lessor makes the leased asset available to the lessee.
The right-of-use asset is initially measured at cost, which comprises:

- the amount of the initial measurement 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; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset.

After the lease commencement date, the right-of-use asset is measured at cost less depreciation and total impairment losses as well as the lease liability adjusted for impairment.

Depreciation is calculated using the straight-line method over the shorter of the estimated useful life or the lease period, which is as follows:

	Lease term (in years)
Buildings	2-5
Technical equipment and machines	2-5
Vehicles	2-5
Other	2-5

If the lease transfers to the Company the title to the given asset before the end of the lease term or when the cost of the right-of use asset reflects the fact that the option of buying leased asset at its residual value will be exercised, the Company depreciates the right-of use asset from the moment of lease commencement until the end of the estimated economic life of the asset. In other cases, the right-of use asset is depreciated from the lease commencement date to the earlier of the two dates – the end of the economic life of the asset or the lease end date.

Important estimates and assumptions

The estimates affecting the measurement of right-of use assets made by the Group include:
– determination of contracts that meet the definition of a lease in accordance with IFRS 16;
– assumptions regarding the economic lives of the right-of use assets;
– calculation of incremental borrowing rates used for estimating the value of the right-of-use assets at initial recognition.

Figures in PLN thousand	Land	Buildings and structures	Plant and machinery	Vehicles	Other assets	Total
Initial value						
as at 1.01.2021 – restated figures*	**19,492**	**24,997**	**16,056**	**16,962**	**126**	**77,633**
increases, including:	0	733	2,365	5,567	6	**8,671**
Signing new leases	*0*	*733*	*2,365*	*5,567*	*6*	***8,671***
Decreases, including:	0	1,342	535	2,582	0	**4,459**
Repurchase of right-of-use assets	*0*	*1,342*	*535*	*2,582*	*0*	***4,459***
FX diff. on translation of foreign subsidiary	1,311	256	-29	-124	-1	**1,413**
as at 31.12.2021	**20,803**	**24,644**	**17,857**	**19,823**	**131**	**83,258**
Write-off						
as at 1.01.2021 – restated figures*	**3,098**	**8,296**	**4,227**	**6,468**	**59**	**22,148**
increases, including:	216	5,389	1,459	4,750	31	**11,845**
Amortization for the period	*216*	*5,389*	*1,459*	*4,739*	*31*	***11,834***
Other	*0*	*0*	*0*	*11*	*0*	***11***
Decreases, including:	0	1,342	76	1,985	0	**3,403**
Repurchase of right-of-use assets	0	*1,342*	*76*	*1,985*	*0*	***3,403***
FX diff. on translation of foreign subsidiary	342	24	-3	-46	0	**317**
as at 31.12.2021	**3,656**	**12,367**	**5,607**	**9,187**	**90**	**30,907**
Net value						
as at 1.01.2021 – restated figures*	**16,394**	**16,701**	**11,829**	**10,494**	**67**	**55,485**
as at 31.12.2021	**17,147**	**12,277**	**12,250**	**10,636**	**41**	**52,351**

Figures in PLN thousand	Land	Buildings and structures	Plant and machinery	Vehicles	Other assets	Total
Initial value						
as at 1.01.2020 – restated figures*	**18,936**	**26,556**	**14,587**	**13,476**	**0**	**73,555**
increases, including:	0	9,299	2,314	6,706	121	**18,440**
Signing new leases	*0*	*9,297*	*2,309*	*6,706*	*121*	***18,433***
Other	*0*	*2*	*5*	*0*	*0*	***7***
Decreases, including:	0	11,614	1,415	3,474	0	**16,503**
Repurchase of right-of-use assets	*0*	*4,670*	*0*	*2,768*	*0*	***7,438***
Modification of leases	*0*	*6,944*	*0*	*0*	*0*	***6,944***
FX diff. on translation of foreign subsidiary	556	756	570	254	5	**2,141**
as at 31.12.2020	19,492	24,997	16,056	16,962	126	**77,633**
Write-off						
as at 1.01.2020 – restated figures*	**2,762**	**7,117**	**2,865**	**4,934**	**0**	**17,678**
increases, including:	230	5,393	1,581	4,445	58	**11,707**
Amortization for the period	*230*	*5,393*	*1,581*	*4,445*	*58*	***11,707***
Decreases, including:	0	4,446	352	3,005	0	**7,803**
Repurchase of right-of-use assets	*0*	*4,446*	*352*	*3,005*	*0*	***7,803***
FX diff. on translation of foreign subsidiary	106	232	133	94	1	**566**
as at 31.12.2020	**3,098**	**8,296**	**4,227**	**6,468**	**59**	**22,148**
Net value						
as at 1.01.2020 – restated figures*	**16,174**	**19,439**	**11,722**	**8,542**	**0**	**55,877**
as at 31.12.2020	**16,394**	**16,701**	**11,829**	**10,494**	**67**	**55,485**

6.2.3. Intangible assets

Accounting policies

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 amortization and impairment. The expenditure on internally generated intangible assets, except the expenditure on development work, is not capitalized and is recognized in the cost of the period when it was incurred.

Intangible assets are amortized throughout the period of their use, and are tested for impairment each time when indications of impairment are identified. The period and method of amortization 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 licenses 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 recognized by changing the amortization period or method, as appropriate, and are treated as changes in estimates. The amortization write-offs for intangible assets with a limited life are recognized in profit and loss in the item that corresponds to the function of amortized 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 recognized in the profit and loss in the period at the time of the derecognition.

Goodwill arising on acquisition of an entity is initially recognized 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, Selena 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 amortized.

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 recognized.

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.

Changes in intangible assets

Figures in PLN thousand	Goodwill	Software	Trademarks	Other	Intangible assets under development	Total
Initial value						
as at 1.01.2021	**20,044**	**33,610**	**25,892**	**12,971**	**8,080**	**100,597**
Increases, including:	**0**	**135**	**0**	**2**	**2,273**	**2,410**
Acquisition	0	135	0	2	2,190	**2,327**
Other	0	0	0	0	83	**83**
Transfers from investments	0	3,584	0	0	-3,584	**0**
Decreases, including:	**0**	**24**	**0**	**94**	**1,851**	**1,969**
Sale, Liquidation	0	24	0	94	1,606	**1,724**
Transfers	0	0	0	0	0	**0**
Other	0	0	0	0	245	**245**
FX diff. on translation of foreign subsidiary	500	-6	-13	143	-13	**611**
as at 31.12.2021	**20,544**	**37,299**	**25,879**	**13,022**	**4,905**	**101,649**
Write-off						
as at 1.01.2021	**0**	**21,471**	**20,009**	**7,463**	**0**	**48,943**
Increases, including:	**0**	**3,874**	**992**	**1,248**	**0**	**6,114**
Amortization for the period	0	3,874	992	1,248	0	**6,114**
Decreases, including:	**0**	**24**	**0**	**94**	**0**	**118**
Sale, Liquidation	0	24	0	94	0	**118**
FX diff. on translation of foreign subsidiary	0	-6	15	99	0	**108**
as at 31.12.2021	**0**	**25,315**	**21,016**	**8,716**	**0**	**55,047**
Impairment allowances						
as at 1.01.2021	**7,510**	**0**	**0**	**0**	**1,619**	**9,129**
Increases/ decreases:	**0**	**0**	**0**	**0**	**-1,606**	**-1,606**
Impairment allowances	0	0	0	0	0	**0**
Use of allowance	0	0	0	0	1,606	**1,606**
FX diff. on translation of foreign subsidiary	160	0	0	0	-13	**147**
as at 31.12.2021	**7,670**	**0**	**0**	**0**	**0**	**7,670**
Net value						
as at 1.01.2021	**12,534**	**12,139**	**5,883**	**5,508**	**6,461**	**42,525**
as at 31.12.2021	**12,874**	**11,984**	**4,863**	**4,306**	**4,905**	**38,932**

Figures in PLN thousand	Goodwill	Software	Trademarks	Other	Intangible assets under development	Total
Initial value						
as at 1.01.2021 – restated figures*	20,277	32,612	24,980	12,921	8,965	99,755
Increases, including:	0	342	0	0	4,442	4,784
Acquisition	0	342	0	0	4,442	4,784
Transfers from investments	0	9	0	809	-818	0
Decreases, including:	0	47	2	1,515	4,727	6,291
Sale, Liquidation	0	47	2	1,515	4,727	6,291
FX diff. on translation of foreign subsidiary	-233	694	914	756	218	2,349
as at 31.12.2020	20,044	33,610	25,892	12,971	8,080	100,597
Write-off						
as at 1.01.2021 – restated figures*	0	17,475	18,240	5,789	0	41,504
Increases, including:	0	3,654	1,317	1,252	0	6,223
Amortization for the period	0	3,654	1,317	1,252	0	6,223
Decreases, including:	0	71	0	0	0	71
Sale, Liquidation	0	71	0	0	0	71
FX diff. on translation of foreign subsidiary	0	413	452	422	0	1,287
as at 31.12.2020	0	21,471	20,009	7,463	0	48,943
Impairment allowances						
as at 31.12.2020 – approved figures	7,412	0	0	1,515	3,229	12,156
Increases/ decreases:	0	0	0	-1,515	-1,659	-3,174
Impairment allowances	0	0	0	0	1,570	1,570
Use of allowance	0	0	0	1,515	3,229	4,744
FX diff. on translation of foreign subsidiary	98	0	0	0	49	147
as at 31.12.2020	7,510	0	0	0	1,619	9,129
Net value						
as at 1.01.2021 – restated figures*	20,277	15,137	6,740	8,647	10,624	46,095
as at 31.12.2020	12,534	12,139	5,883	5,508	6,461	42,525

Goodwill

Important estimates and assumptions

In accordance with IAS 36, Selena Group carries out goodwill 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.

Based on impairment tests relating to the cash generating units (CGUs) corresponding to the specified companies, no need for a goodwill impairment was identified. Due to materiality, Note 6.2.5 presents the assumptions regarding an impairment test for the goodwill arising from acquisition of Uniflex S.R.L. and Selena CA (merger with a subsidiary TOO Big Elit in 2019).

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

Figures in PLN thousand	As at 31.12.2021	As at from 31.12.2020 restated figures*
Uniflex (Italy)	5,825	5,844
Oligo (Poland)	18	18
Tytan EOS (Poland)	874	874
Vostok (Russia)	1,397	1,292
Matizol (Poland)	715	715
Selena CA (Kazakhstan – ECC division) *	4,044	3,791
Total	**12,873**	**12,534**

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

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020 restated figures*
Goodwill arising on consolidation at the beginning of the period	**12,534**	**12,865**
FX differences arising on goodwill translation	339	-331
Total carrying amount at the end of the period	**12,873**	**12,534**

Research expenditure

The table below shows the expenditures incurred on research activity.

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020 restated figures*
Research expenditure reflected in the profit and loss account	16,330	16,911

6.2.4 Impairment of fixed assets

Important estimates and assumptions

Selena Group carries out impairment tests for tangible and intangible assets with a specified life (except goodwill), with such tests being undertaken only where internal or external indications of impairment exist.

Impairment tests for fixed assets may use the method of discounted cash flows for the given CGU. In such as case, business assumptions and variables must be used such 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 subsidiaries, profitability forecasts) and external sources (publicly available macroeconomic and microeconomic data).

In 2021, the subsidiary Selena Nantong Building Materials Co., Ltd., received a notice from the economic zone in which it operates that in connection with the measures undertaken to protect the Yangtze River, the zone authorities intend to reorganize the zone, which will involve relocating some companies (including those within or outside the zone). In return for the relocation, Selena Nantong may claim compensation which, according to the Management Board of Selena FM S.A., on the basis of the fair value measurement prepared as at 31 December 2021, exceeds the value of the entity's tangible assets.

The Group did not identify any other indicators that would point to the need to conduct tests for impairment of the Group's non-current assets.

Assumptions of impairment and sensitivity tests of the cash flow models

Selected assumptions adopted for testing goodwill are presented in the table below.

Cash Generating Unit	Uniflex	Selena CA
WACC before tax	9.4%	15.8%
Residual growth rate	-	-
Impairment	none	none
Model sensitivity – impairment amount at (PLN '000):		
WACC before tax increased by 1 p.p.	*no allowance*	*no allowance*
residual growth rate reduced by 1 p.p.	*no allowance*	*no allowance*
EBIT margin reduced by 1 p.p.	*no allowance*	*no allowance*

No rational change in assumptions would result in impairment.

The recoverable amount for Uniflex and Selena CA was determined based on the value in use calculated using the cash flow forecast based on five-year financial budgets approved by senior management.

6.2.5 Investments accounted for using the equity method

As at 31 December 2021, 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.

				Net value of the shareholding	
Entity	Year acquired	Group's share in equity	Share value at the acquisition date	As at 31.12.2021	As at from 31.12.2020 restated figures*
Hamil - Selena Co. Ltd	2001	30%	1,317	19,704	17,737
House Selena Trading Company Ltd.	2017	40%	110	110	110
Net value of shares				**19,814**	**17,847**

Key data on Hamil – Selena Co. Ltd.:

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020 restated figures*
Revenue from sales	103,564	76,022
Net profit	8,371	7,175
Non-current assets	57,389	35,493
Current assets	40,545	48,964
Long-term liabilities	12,374	13,890
Short-term liabilities	22,164	13,260

In 2021, Selena S.A., which is the owner of shares in the associated entity Hamil - Selena Co. Ltd., acquired from the company the right to dividend of PLN 478 thousand. The change in the value of shares in Hamil - Selena Co. Ltd. was affected by the share in net profit and 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	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020 restated figures*
Revenue from sales	28,439	26,863
Net loss	-2,927	-2,144
Non-current assets	191	272
Current assets	1,910	7,506
Long-term liabilities	0	0
Short-term liabilities	12,978	14,521

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.

6.2.6 Inventories

Accounting policies

Inventory is measured at the lower of: cost or net realizable amount. The cost of generation of finished goods 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 realizable amount is estimated as the price of a sale effected in the ordinary course of business, less finishing costs and costs needed to finalize the sale (cost of transport to the customer, as well as selling and marketing costs that can be appropriately allocated to the stock).
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 realizable 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 realizable value), the value of the inventories should be reduced to the value of the expected net realizable value). A comparison of the inventory valuation with the net realizable 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.

Slow-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.

Figures in PLN thousand	As at 31.12.2021	As at 31.12.2020
Raw materials	114,814	65,729
Work in progress	7,420	4,762
Finished goods	132,382	103,930
Goods for resale	25,399	18,249
Total inventories, net	**280,015**	**192,670**
Impairment allowance on inventories	6,221	6,209
Total inventories, gross	**286,236**	**198,879**

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

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Impairment allowance on inventories at the beginning of the period	**6,209**	**3,886**
Recognition of impairment allowance on inventories	3,196	3,865
Reversal of impairment allowance on inventories	-962	-1,300
Utilization of impairment allowance on inventories	-2,252	-277
FX differences arising on translation	30	35
Impairment allowance on inventories at the end of the period	**6,221**	**6,209**

6.2.7 Other short-term non-financial assets

The table below shows a specification of other short-term net non-financial assets as at the balance sheet date.

Figures in PLN thousand	As at 31.12.2021	As at 31.12.2020
VAT claimed	27,295	23,128
Prepayments for deliveries	10,724	6,914
Prepaid expenses	5,187	4,270
Other non-financial receivables	1,417	2,081
Other short-term non-financial assets	**44,623**	**36,393**

6.2.8 Provisions

Accounting policies

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 recognized as a separate asset, but only when it is practically certain that such a return will be realized. The provision costs are recognized 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 recognized as a financial revenue.

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

Accounting policies

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 entity 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.

The table below shows changes in the balance of provisions.

Figures in PLN thousand	from 01.01.2021 to 31.12.2021			from 01.01.2020 to 31.12.2020		
	Provision for retirement benefits	Other provisions	Total	Provision for retirement benefits	Other provisions	Total
Long term						
Balance at the beginning of the period	**4,162**	**4,276**	**8,438**	**3,626**	**1,064**	**4,690**
Provisions raised	946	123	1,069	823	3,166	3,989
Provisions released	-207	-940	-1,147	-395	0	-395
Provisions used	-295	0	-295	-84	0	-84
FX differences	-9	23	14	192	-127	65
Reclassification	0	0	0	0	173	173
Balance at the end of the period	**4,597**	**3,482**	**8,079**	**4,162**	**4,276**	**8,438**
Short term						
Balance at the beginning of the period	**0**	**23,558**	**23,558**	**0**	**5,208**	**5,208**
Provisions raised	0	1,022	1,022	0	18,884	18,884
Provisions released	0	-3,253	-3,253	0	-107	-107
Provisions used	0	-1,151	-1,151	0	-575	-575
FX differences	0	-152	-152	0	106	106
Reclassification	0	0	0	0	42	42
Balance at the end of the period	**0**	**20,024**	**20,024**	**0**	**23,558**	**23,558**

The value of provisions released in 2021 was impacted by the favourable settlement of the customs case relating to Selena Romania (PLN 1.5 million). A part of the provision of PLN 0.8 million was used to make the payment resulting from the customs proceedings.

At the same time, in 2021, the provision for Uniflex's public and legal obligations towards INPS (PLN 1.7 million) was released due to expiry of the obligations.

In 2021, Selena Nantong created a provision of PLN 0.8 million for costs related to production safety in accordance with the new legal requirements. A part of the provision of PLN 0.3 million was used in connection with the costs incurred.

6.2.9 Other financial liabilities

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

Figures in PLN thousand	As at 31.12.2021		As at from 31.12.2020 restated figures*	
	Long-term portion	Short-term portion	Long-term portion	Short-term portion
Payroll liabilities	1,986	28,202	0	27,450
VAT payable	0	13,454	0	9,536
Other taxes and insurance payable	0	9,331	0	7,235
Prepayments for deliveries	0	2,850	0	2,068
Other non-financial liabilities	128	1,362	115	1,311
Deferred income	2,252	1,778	1,411	3,717
Total other non-financial liabilities	**4,366**	**56,977**	**1,526**	**51,317**

Deferred income relate mainly to grants received.

6.3. Equity

6.3.1 Registered capital

Nominal value per share

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

Series	Type	Nominal value of a 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.

Shareholder rights

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

Major shareholders

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

Shareholder	Share type	Number of shares acquired	Share in registered capital	Number of votes	Share in votes at the General Meeting
Syrius Investments S.a.r.l.*	Registered preference shares	4,000,000	17.52%	8,000,000	29.81%
	Bearer shares	13,813,000	60.49%	13,813,000	51.48%
Quercus Towarzystwo Funduszy Inwestycyjnych S.A. **	Bearer shares	1,334,746	5.85%	1,334,746	4.97%

** entity controlled by Krzysztof Domarecki*
*** as at 18 May 2021, based on a notification from Quercus Towarzystwo Funduszy Inwestycyjnych S.A.*

6.3.2 Own shares (-)

On 25 October 2021, 194,834 own shares were acquired and settled by the Company in connection with the tender offer announced on 8 October 2021 to the holders of the Company's shares. The share buyback was carried out in accordance with the Company's AGM Resolution of 27 May 2021 authorizing the Management Board to acquire treasury shares for and on behalf of the Company and to determine the rules for the acquisition of own shares by the Company, and in the Management Board's Resolution of 8 October 2021 on the launch of the share buyback programme and implementation of the first tranche of the buyback.

During the period of accepting sales offers for the Company's shares made via Santander Bank Polska S.A. – Santander Brokerage Poland, which acts as an intermediary in the process of acquisition of own shares by the Company, i.e. in the period from 12 to 20 October 2021, two sales offers were accepted for a total of 194,834 shares of the Company.
The Company acquired all of its own shares covered by the sales offers, without the need to apply a proportional reduction of the submitted sales offers. The ownership of the shares was transferred between the shareholders and the Company through Santander Bank Polska S.A. – Santander Brokerage Poland outside the regulated market. In connection with the purchase of own shares carried out by the Company on the basis of the Tender Offer, the Company acquired a total of 194,834 own shares with a nominal value of PLN 0.05 each, at a price of PLN 24.00 per share and a total price of PLN 4,676,016.

The acquired own shares represent about 0.85% of the Company's registered capital and carry about 0.73% of the total number of votes at the Company's General Meeting. Before the end of the above first share buyback tranche, the Company did not have any own shares. On 29 December 2021, 1,000,000 own shares were acquired and settled by the Company in connection with the tender offer announced on 15 December 2021 to the holders of the Company's shares.

The share buyback was carried out in accordance with the Company's AGM Resolution of 27 May 2021 authorizing the Management Board to acquire treasury shares for and on behalf of the Company and to determine the rules for the acquisition of own shares by the Company, and in the Management Board's Resolution of 8 October 2021 on the launch of the share buyback programme and implementation of the first tranche of the buyback, and in the resolution of 15 December 2021, under which the Company decided to cancel the share buyback offer – published together with Current Report no. RB 32/2021 of 2 December 2021 and on the announcement of the new Tender Offer for own shares under the 2nd buyback tranche.

During the period of accepting sales offers for the Company's shares made via Santander Bank Polska S.A. – Santander Brokerage Poland, which acts as an intermediary in the process of acquisition of own shares by the Company, i.e. in the period from 16 to 23 December 2021, 19 sales offers were accepted for a total of 1,005,824 shares of the Company.
The Company made a proportional reduction of the submitted sale offers, in accordance with the description of the share buyback tender offer specified in Current Report No. 34/2021 of 15 December 2021.

Due to the fact that the total number of the Company's own shares covered by all offers submitted by Shareholders by the stated deadline was higher than the number of own shares specified in the tender offer, i.e. higher than 1,000,000 shares, the Company acquired own shares using the proportional reduction of the submitted offers, i.e. any fractional share numbers were rounded down to the nearest whole number. Any unallocated shares remaining after application of the proportional reduction in accordance with the rules specified above were allocated gradually starting from the sales offers covering the largest number of shares to the sales offers covering the smallest number of shares until the pool of shares was used up completely. The ownership of the shares was transferred between the shareholders and the Company outside the regulated market through Santander Bank Polska S.A. – Santander Brokerage House.

In connection with the purchase of own shares carried out by the Company on the basis of the Tender Offer, the Company acquired a total of 1,000,000 own shares with a nominal value of PLN 0.05 (five groszy) each, at a price of PLN 24.00 per share and a total price of PLN 24,000,000.00 (twenty four million 00/100). The acquired own shares represent about 4.38% of the Company's registered capital and carry about 3.73% of the total number of votes at the Company's General Meeting.

Before the end of the above 2nd buyback tranche, the Company had 194,834 own shares. Thus, the Company has 1,194,834 (one million one hundred and ninety-four eight hundred and thirty-four) own shares with a nominal value of PLN 0.05 (five groszy) per share, representing about 5.23% of the Company's registered capital and carrying about 4.45% of the total number of votes at the Company's General Meeting.

6.3.3 Other reserves

The items of reserves are presented in the table below.

Figures in PLN thousand	as at 31.12.2021	as at 31.12.2020
Reserve capital for the purchase of own shares	75,000	8,000
Fair value of the warrants allocated as part of the incentive programme	0	1,633
Other reserves	**75,000**	**9,633**

On 27 May 2021, the Annual General Meeting of Selena FM S.A. adopted a resolution to distribute the Company's net profit for 2020 of PLN 75,379,472.95 as follows: PLN 75,000,000.00 to create a capital reserve for the purchase of the Company's own shares with the remainder of PLN 379,472.95 to be transferred entirely to the Company's supplementary capital.

6.3.4 Non-controlling interests

The table below shows changes in non-controlling interests.

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
As at 1 January	**872**	**727**
a) increase	**127**	**151**
– profit for the financial year	*27*	*112*
– FX differences on translation of a foreign affiliate	*100*	*39*
b) decrease	**30**	**6**
– payment of dividend	*9*	*6*
– buyout of non-controlling interests	*21*	*0*
As at 31 December	**969**	**872**

6.3.5 FX differences on translation of a foreign affiliate

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
FX differences arising on translation of the foreign associate	-1,968	-7,113
FX differences on measurement of investments in the net assets of the foreign associate	-1,166	-3,575
Income tax	-469	-1,032
Total	**-3,603**	**-11,720**

Figures in PLN thousand	As at 31.12.2021	As at 31.12.2020
FX differences arising on translation of the foreign associate	-662	1,399
FX differences on measurement of investments in the net assets of the foreign associate	-46,084	-44,911
Income tax	-112	357
Total	**-46,858**	**-43,155**

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 standalone accounts of the individual companies, are removed from financial income (or costs as the case might be) during consolidation and are recognized in comprehensive income.

Risk

7. Risk

7.1 Important estimates and assumptions

Preparation of financial statements in accordance with IFRS approved by the EU requires making accounting estimates and assumptions with regard to the future events or uncertainties existing at the balance sheet date. The Management Board of the Parent Company also uses a professional judgment when applying the Group's accounting policy. The estimates and assumptions give rise to the risk of possible corrections to the balance sheet assets and equity & liabilities in the next reporting periods. Details on each of these estimates and judgments are included in other notes alongside information on the calculation basis for each item in the financial statements that is affected by this information.

The adopted estimates, assumptions and judgments include in particular:
- Impairment of financial assets (Note 7.2.3);
- Impairment of non-financial assets (Note 6.2.5);
- Estimated useful life of tangible and intangible assets (6.2.1; 6.2.3);
- Possibility to realize the deferred tax assets (Note 5);
- Uncertainty of estimates and judgments made in relation to lease accounting (Note 6.1.5; 6.2.2);
- Estimation of the pension provision and provisions for cases disputed in court (Note 6.2.9)

In 2021, no significant changes were made to the assumption areas and methods. The business and macroeconomic assumptions underlying the estimates and judgements are updated on an ongoing basis depending on changes in the environment of the Parent Company and the Group companies, and business plans and projections.

7.2 Financial risk management

When analyzing 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:
- Currency risk;
- Interest rate risk;
- Credit risk;
- Liquidity risk;
- Other (specific risks).

The table below presents the Management Board's approach to individual types of financial risk.

Risk	Exposure	Measurement	Mitigation
Market risk – currency rates	Future commercial transactions Financial assets and liabilities not denominated in the national currency (PLN)	Cash flow projections Sensitivity analysis	Forward transactions Multi-currency credit lines
Market risk – interest rates	Bank and other loans Cash	Sensitivity analysis	Taking out loans in currencies with lower interest rates
Credit risk	Cash and cash equivalents Other short-term financial assets (cheques) Trade receivables and other financial receivables Loans granted	Exposure aging Use of internal and external information to assess the probability of default	Diversification of bank deposits, credit limits and letters of credit
Liquidity risk	Bank and other loans Lease liabilities Other financial liabilities Trade liabilities	Cash flow projections	Availability of committed credit lines

7.2.1 Currency risk

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

The table below shows the hypothetical impact (expressed in PLN) on the Group's exposure in foreign currencies 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 2019–2021).

Exposure currency converted into PLN thousand	EUR	RUB	RON	USD	KZT	TRY	Other	PLN	TOTAL
	as at 31.12.2021								
Trade receivables	136,352	56,656	7,416	13,519	12,007	4,409	27,723	40,093	298,175
Cash	13,972	1,099	507	1,994	3,672	4,530	7,350	5,791	38,915
Other financial assets	1,574	77	25	1,012	0	7,232	2,698	52,927	65,545
	151,898	**57,832**	**7,948**	**16,525**	**15,679**	**16,171**	**37,771**	**98,811**	**402,635**
Trade liabilities	147,561	1,006	2,652	2,795	901	3,827	7,980	28,999	195,721
Bank loans	58,396	20,195	0	2,785	9,055	0	6,726	50,866	148,023
Leases	4,806	0	0	129	533	131	5,727	17,851	29,177
Other financial liabilities	159	0	0	0	0	0	509	2,549	3,217
	210,922	**21,201**	**2,652**	**5,709**	**10,489**	**3,958**	**20,942**	**100,265**	**376,138**
Net exposure	**-59,024**	**36,631**	**5,296**	**10,816**	**5,190**	**12,213**	**16,829**	**-1,454**	**26,497**

impact of rate changes at the following rates:						
EUR/PLN: 4.4653/ RUB/PLN: 0.0496 / RON/PLN: 0.9046 / USD/PLN: 3.8507 / KZT/PLN: 0.0089 / TRY/PLN: 0.2333	1,721	-3,109	-141	-558	-252	-2,766
EUR/PLN: 4.74880/ RUB/PLN: 0.0596 / RON/PLN: 0.9559 / USD/PLN: 4.3636 / KZT/PLN: 0.01 / TRY/PLN: 0.3451	-1,917	3,650	152	809	358	1,761

Exposure currency converted into PLN thousand	EUR	RUB	RON	USD	KZT	TRY	Other	PLN	TOTAL
	as at 31.12.2020 restated figures*								
Trade receivables	125,030	35,879	5,997	9,015	6,496	4,429	25,804	39,257	251,907
Cash	19,826	139	2,104	3,408	2,029	5,777	5,449	16,272	55,004
Other financial assets	1,308	133	64	14	0	9,798	1,830	42,494	55,641
	146,164	**36,151**	**8,165**	**12,437**	**8,525**	**20,004**	**33,083**	**98,023**	**362,552**
Trade liabilities	129,618	666	2,131	2,203	239	5,582	9,566	37,332	187,337
Bank loans	26,214	12,045	0	2,276	0	6	3,207	6,004	49,752
Leases	10,092	0	0	182	109	1	5,808	18,770	34,962
Other financial liabilities	1,095	4	0	15	0	0	400	2,798	4,312
	167,019	**12,715**	**2,131**	**4,676**	**348**	**5,589**	**18,981**	**64,904**	**276,363**
Net exposure	**-20,855**	**23,436**	**6,034**	**7,761**	**8,177**	**14,415**	**14,102**	**33,119**	**86,189**

impact of rate changes at the following rates:						
EUR/PLN: 4.4747/ RUB/PLN: 0.0455 / RON/PLN: 0.9213 / USD/PLN: 3.5867 / KZT/PLN: 0.0085 / TRY/PLN: 0.4067	633	-2,152	-169	-355	-249	-2,757
EUR/PLN: 4.76180/ RUB/PLN: 0.0546 / RON/PLN: 0.9762 / USD/PLN: 4.142 / KZT/PLN: 0.0099 / TRY/PLN: 0.5827	-664	2,105	180	792	1,057	2,287

Selena Group hedges a part of its currency exposure relating to trade receivables and liabilities by using multi-currency credit lines and applying the Financial Risk Management, in particular by entering into forward transactions. In 2021, the Company hedged its expected cash flows with FX forwards and other financial instruments. The Company uses such financial instruments solely to hedge its FX risk and does not use them for speculative purposes. The Company does not use hedge accounting within the meaning of IFRS 9.

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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	As at 31.12.2021	As at 31.12.2020
PLN	variable	WIBOR		50,866	6,004
EUR	variable	EURIBOR		37,703	7,379
	fixed	-		20,693	18,835
USD	variable	SOFR		2,785	2,276
RUB	variable	different		20,195	12,045
CNY	variable	different		3,514	2,853
Other	different	different		12,267	360
Total				**148,023**	**49,752**

7.2.2 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.

As at 31.12.2021 Figures in PLN thousand	< 1 year	1 – 3 years	3 – 5 years	> 5 years	Total
Fixed interest rate					
Lease liabilities	8,040	9,127	1,350	216	**18,733**
Bank loans	11,257	9,436	0	0	**20,693**
Loans granted	48,145	0	50	0	**48,195**
Bank deposits	113	0	0	0	**113**
Variable interest rate					
Lease liabilities*	4,381	4,315	515	1,491	**10,702**
Bank loans *	89,909	40,173	347	0	130,429
Bank deposits	50	0	0	0	50
Cash in bank	29,550	0	0	0	**29,550**

* amounts shown together with future undiscounted cash flows in respect of interest

As at 31.12.2020 restated figures* Figures in PLN thousand	< 1 year	1 – 3 years	3 – 5 years	> 5 years	Total
Fixed interest rate					
Lease liabilities	7,974	13,835	0	0	**21,809**
Bank loans	5,379	13,455	0	0	**18,834**
Loans granted	81	42,000	0	0	**42,081**
Bank deposits	8	0	0	0	**8**
Variable interest rate					
Lease liabilities	5,418	5,572	492	1,671	**13,153**
Bank loans	30,266	652	0	0	**30,918**
Bank deposits	50	0	0	0	**50**
Cash in bank	50,491	0	0	0	**50,491**

*The reasons and effects of restating the data published in prior periods are contained in Note 1.3

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 2021 (and 31 December 2020). The table includes only the currencies and instruments for which the Group's exposure to fixed-rate instruments is significant.

Figures in PLN thousand	2021			2020		
	PLN	EUR	USD	PLN	EUR	USD
Cash	5,791	14,273	1,994	16,272	19,826	3,408
Bank loans received	-50,866	-60,409	-2,785	-6,004	-26,214	-2,276
Net exposure	**-45,075**	**-46,136**	**-791**	**10,268**	**-6,388**	**1,132**
Impact * of an increase ** in interest rate*** by 1 pp	-451	-461	-8	103	-64	11

* 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 fluctuations of future cash flows from interest.

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

7.2.3 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. Selena 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. Selena Group regularly monitors 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.

Important estimates and assumptions

In accordance with IFRS 9, at each balance sheet date, Selena Group assesses the expected credit losses whether or not there are any indications of impairment.

Selena Group uses the following models of making impairment allowances for individual items of financial assets:
• Trade receivables – Selena Group uses the model of expected credit losses over the life of the receivables to determine their impairment allowances. 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 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 recognized 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.

The Group performs an individual analysis of loans granted, assigning each exposure to one of three stages:
i) Stage 1 – where credit risk has not increased significantly since initial recognition and where 12-month expected credit loss (ECL) is recognized.

ii) Stage 2 – where credit risk has increased significantly since initial recognition and where lifetime ECL is recognized.
iii) Stage 3 – where impairment has been identified.

Exposures classified to stage 1 or 2 have impairment allowances determined based on an individually set rating, repayment profile and assessment of recovery from collateral.
For exposures classified to stage 3, the amount of impairment allowance is calculated as the difference between the carrying amount of the asset and the present value of the estimated future cash flows (excluding future losses on account of uncollected receivables), discounted using the effective interest rate.

Impairment allowances are reversed when the present value of the estimated future cash flows is higher than the net assets employed, and a positive balance of payments with the entity concerned is expected to be achieved within the next 12 months.

The table below shows impairment allowances on trade receivables in individual age ranges. They were calculated using a simplified matrix of expected credit losses based on default rates.

Days in arrears As at 31.12.2021 (Figures in PLN thousand)	Trade receivables measured using the simplified model	Default rate	Expected credit losses
Up-to-date	194,594	0.61%	1,187
< 30	17,518	0.80%	140
31 – 60	3,927	1.68%	66
61 – 90	1,248	5.13%	64
91 – 120	1,183	5.66%	67
121 – 180	849	7.18%	61
181-360	872	47.25%	412
>361	9,790	100.00%	9,790
Total	**229,981**		**11,787**

Days in arrears As at 31.12.2020 (Figures in PLN thousand)	Trade receivables measured using the simplified model	Default rate	Expected credit losses
Up-to-date	156,660	0.22%	345
< 30	10,905	1.35%	147
31 – 60	3,626	1.88%	68
61 – 90	3,535	2.89%	102
91 – 120	1,676	3.10%	52
121 – 180	2,537	5.12%	130
181-360	4,786	53.43%	2,557
>361	10,059	100.00%	10,059
Total	**193,784**		**13,460**

The expected credit loss calculated on the basis of an individual analysis of significant customers and other financial receivables as at 31 December 2021 was PLN 12,050 thousand (PLN 12,640 thousand vs 31 December 2020).

Changes in impairment allowances on trade and other receivables alongside comparative data are presented in the table below:

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Impairment in respect of expected credit loss at the beginning of the period	**26,100**	**28,232**
trade receivables	***23,764***	***25,516***
other financial receivables	***2,336***	***2,716***
Recognized/ reversed (-)	1,019	1,537
trade receivables	*672*	*1,592*
other financial receivables	*347*	*-55*
Utilized	-3,348	-3,566
trade receivables	*-3,026*	*-3,049*
other financial receivables	*-322*	*-517*
FX differences arising on conversion of foreign affiliates	66	-103
trade receivables	*61*	*-295*
other financial receivables	*5*	*192*
Impairment in respect of expected credit loss at the end of the period	**23,837**	**26,100**
trade receivables	***21,471***	***23,764***
other financial receivables	***2,366***	***2,336***

Loans of PLN 48 million granted in 2020 and in 2021 to other related parties have been classified to credit risk Grade 1 (no significant increase in credit risk has been since the initial recognition). As at 31 December 2021 an expected credit loss allowance of PLN 173 thousand was recognized. The loan of PLN 40 million was secured with a personal promissory note of the beneficial owner of Selena Group, and the loan for the loan PLN 8 million was secured with the borrower's portfolio of receivables.

Cash is deposited with financial institutions in the form of short-term deposits. Credit risk associated with cash invested 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 2021, Selena Group had unutilized credit lines of PLN 177.3 million. As at 31 December 2020: PLN 249.6 million.

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 80% 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		as at 31.12.2021	as at 31.12.2020
High	from AAA to AA- by S&P and Fitch, and from Aaa to Aa3 by Moody's	1%	0%
Medium-high	from A+ to A- by S & P and Fitch and from A1 to A3 by Moody's	62%	75%
Medium	from BBB+ to BBB- by S&P and Fitch and from Baa1 to Baa3 by Moody's	18%	19%
Low	from Ba2 to Ca by S & P and Fitch and from BB to CC by Moody's	19%	6%

7.2.4 Liquidity risk

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

As part of its role of central coordination of the Group's finance management, the Parent Company grants loans to its subsidiaries to ensure current financing and liquidity for them (the effect of such transactions is eliminated from the Group's consolidated accounts). Details of such transactions are presented in the standalone financial statements of the Parent Company for 2021. The Parent Company provides financing to subsidiaries based on the Group's liquidity forecasts (including unused credit limits as well as cash and cash equivalents). As a rule, this is done locally by subsidiaries, in accordance with the practice and limits set by the Group. These limits vary from one location to another to reflect the liquidity of the market in which the subsidiary operates. In addition, the Group's liquidity management policy includes preparing cash flow projections for major currencies and taking into account the level of liquid assets necessary to cover the cash flows, monitoring balance sheet liquidity ratios in terms of internal and external regulatory requirements, and maintaining debt plans.

Information on maturity dates of bank loans and lease liabilities is provided in Notes 6.1.3 and 6.1.5, respectively.

7.2.5 Other risks

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

Furthermore, a material portion of the Group's operating costs are the cost of commodities, including those purchased in foreign markets. Commodity prices are characterized 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, Selena Group is exposed to tax risks. These risks are described in Note 1.11 to the consolidated Management Report for 2021.

Geopolitical risk related to the current situation in Ukraine is described in Note 8.7.

7.3 Capital 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 Parent 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 Parent Company may use the following instruments:

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

As part of capital management, the Management Board of the Parent Company monitors the debt level by means of the gearing ratio, which is calculated as net debt to total equity + net debt. Net debt includes bank and other loans, lease liabilities and prepaid trade receivables, less cash and cash equivalents. Equity includes the equity attributable to the shareholders of the Parent. Selena Group aims to maintain the ratio at below 20%. At the end of 2021, the ratio increased compared to 31 December 2020, due to a significant increase in liabilities in respect of bank and other loans.

Figures in PLN thousand	As at 31.12.2021	As at from 31.12.2020 restated figures*
Bank and other loans	148,023	49,752
Lease liabilities	29,177	34,962
Liabilities on account of prepaid trade receivables	1	226
Less cash and cash equivalents	-38,915	-55,004
Net debt	**138,286**	**29,936**
Equity attributable to the shareholders of the parent	600,976	531,065
Equity and net debt	**739,262**	**561,001**
Gearing (net debt / equity + net debt)	19%	5%

7.3.1 Profit distribution for 2020

On 27 May 2021, the Annual General Meeting of Selena FM S.A. adopted a resolution to distribute the Company's net profit for 2020 of PLN 75,379,472.95 as follows: PLN 75,000,000.00 to create a capital reserve for the purchase of the Company's own shares; the remainder of PLN 379,472.95 to be transferred entirely to the Company's supplementary capital.

Other information

8. Other information

8.1 Contingent liabilities

Intragroup guarantees

Accounting policies

The entity discloses contingent liabilities at the end of the reporting period if:
– it has a possible obligation that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
– it has a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

The entity does not disclose a contingent liability if there is a marginal probability of an outflow of resources embodying economic benefits.

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 recognized in the profit and loss as a result of settlement of the initially recognized amount during the period of the guarantee's validity, and
- an amount estimated in accordance with the expected credit loss model under IFRS 9.

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 non-related entities. Such guarantees given to the subsidiaries by Selena FM S.A. were described in detail in Note 7.1 of the standalone financial statements of Selena FM S.A. for 2021.

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 realization 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. The maximum nominal value of contingent liabilities not included in the settlement, taking into account liabilities recognized in the consolidated statement of financial position as at 31 December 2021, is EUR 1.16 million.

Court disputes

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

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.

At the hearing on 5 February 2021, after evidence-taking, the hearing of witnesses and after the attorneys made statements on the case, the District Court decided to close the court proceedings. On 5 March 2021, the court issued a judgment in the first instance, accepting the bank's claim.

The defendant did not agree with the decision and appealed, fully upholding its previous position that the claim is unfounded.

At the same time, in 2020, the Company's Management Board decided to raise a provision for the value of the claim together with statutory interest of PLN 17.9 million.

8.2 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 (2021 and 2020, respectively), while the receivables and liabilities are presented as at 31 December 2021 and 31 December 2020.

Figures in PLN thousand	Period	Sales	Purchases	Receivables	Liabilities	Loans granted
Associates	2021	5,818	0	1,951	38	0
	2020	4,400	243	812	212	0
Joint ventures	2021	23,126	0	7,017	0	0
	2020	20,794	0	6,797	0	0
Subsidiaries of the ultimate controlling shareholder*	2021	10	558	10	120	48,195
	2020	167	0	3	0	42,081
Key management personnel**	2021	0	0	0	0	0
	2020	0	516	0	0	0
TOTAL	**2021**	**28,954**	**558**	**8,978**	**158**	**48,195**
	2020	**25,361**	**759**	**7,612**	**212**	**42,081**

** 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.*

Note 7.3.1 contains information on profit distribution in 2020.

Information on other remuneration for key management personnel not included in the table above is presented in Note 8.4.

8.3 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:	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Balance sheet change in receivables, including	**-74,023**	**-53,432**
change in the balance of trade receivables	*-53,480*	*-14,015*
change in the balance of CIT	*-9,654*	*-433*
change in the balance of other financial assets	*-2,658*	*-41,697*
change in the balance of other non-financial assets	*-8,230*	*2,713*
Change in income tax receivables	9,654	433
Change in the balance of investment receivables and prepayments for investments	-462	281
Elimination of granted loans and interest accrued	6,064	42,076
Return of a loan guarantee	0	-292
Cheques received in settlement of receivables	-6,019	-7,646
Change in the balance of receivables in the statement of cash flows	**-64,785**	**-18,580**

Liabilities:	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Balance sheet change in liabilities	**110,104**	**-9,425**
Change in the balance of loans	-98,271	54,155
Change in the balance of lease obligations	3,277	5,212
Change in the balance of income tax obligations	8,249	-7,364
Change in the balance of investment obligations	-14	-1,044
Change in the balance of the investment loan	0	-292
Elimination of changes in the balance of unearned revenues on account of government subsidy	809	640
Elimination of changes in the balance of liabilities on account of concluded currency transactions	862	-1,409
Change in the balance of liabilities in the statement of cash flows	**25,016**	**40,473**

Other in operating activities	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020 restated figures*
Change in the balance of unearned revenues on account of government subsidy	-2,247	-696
Impairment allowance on loan granted	173	0
Dividend received by subsidiaries	-172	-20
Total other	**- 2,246**	**-716**

Other in investing activities	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Buyout of non-controlling interests in subsidiary	-397	0
Total other	**-397**	**0**

Other in financing activities	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Inflow of funds from subsidies for investment expenditure	1,149	54
Return of a loan guarantee	0	293
Total other	1,149	347

8.4 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)	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Short-term employment benefits, including bonuses (remuneration and deductions)	6,482	5,040
Remuneration for services provided to subsidiaries	769	516
Total	7,251	5,556

SUPERVISORY BOARD (Figures in PLN thousand)	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Short-term employment benefits, including bonuses (remuneration and deductions)	738	757
Total	738	757

The key management personnel also includes the beneficial owner of the Selena Group, who in 2021, in the period following his resignation as CEO of Selena FM S.A., obtained remuneration of PLN 555 thousand for services provided to Selena Group. Management Board members receive fixed and variable (bonus-based) remuneration. A decision on bonus payment for 2021 will be taken by the Supervisory Board.

8.5 Auditor's fee

Remuneration of the auditor of the Parent Company's standalone financial statements and the Selena FM Group's consolidated financial statements as well as standalone financial statements of selected subsidiaries for 2021 and 2020 is presented in the table below.

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Audit of the annual financial statements	1,136	728
Review of the interim financial statements	131	95
Other permitted assurance services	0	51
Total	1,267	874

8.6 Employment structure

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

Average employment by full-time equivalents	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Administration	146	118
Sales department	854	832
Production division	725	714
Others	168	178
Total	**1,893**	**1,842**

8.7 Events occurring after the balance sheet date

The Management Board of Selena FM S.A. constantly monitors and analyzes the impact that the hostilities taking place since 24 February 2022 in Ukraine may have on the business activities of Selena Group. No significant impact of the situation in Ukraine on Selena Group's performance in Q1 2022 has been identified.

Due to the high uncertainty as to how the events in Ukraine will unfold, the Management Board of Selena FM S.A. has considered possible development scenarios and took preventive measures against the occurrence of negative effects on the operations of Selena's companies in Eastern Europe.

Value of inventory
As at the balance sheet date, the value of inventories of goods located in Eastern Europe was PLN 17.8 million, and PLN -22.4 million as at 31 March 2022. At the date of approval of these consolidated financial statements, the inventories are neither damaged or expired. The Management Board of Selena FM S.A. monitors the current situation in terms of its impact on the value of inventories and will continue to do so in the subsequent periods.

Expected credit loss of trade receivables
In the following periods, the Management Board of Selena FM S.A. will analyze the impact of changes and additional risks related to the outbreak of the war on the calculation of expected credit losses. As at 31 December 2021, the amount of receivables from customers of non-related companies from the above region affected by the potential geopolitical risk was PLN 54.2 million, and PLN 41.2 million as at 31 March 2022. Until the date of approval of these consolidated financial statements, those receivables were paid without delay.

Value of tangible assets

As at 31 December 2021, the Group did not have any significant tangible assets in Eastern Europe.

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

Management Board President

Jacek Michalak

Chief Commercial Officer, Vice President

Sławomir Majchrowski

Chief Operating Officer

Roman Dziuba

Chief HR Officer

Andrzej Zygadło