Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1
00-124 Warszawa

+48 (0) 22 557 70 00
+48 (0) 22 557 70 01
www.ey.com/pl

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT

To the General Meeting and Supervisory Board of Selena FM S.A.

Audit report on the annual financial statements

Opinion

We have audited the annual financial statements of Selena FM S.A. (the 'Company') located in Wroclaw at Strzegomska 2-4, which comprise the statement of financial position as at 31 December 2021, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the period from 1 January 2021 to 31 December 2021 and additional information to the financial statements, including a summary of significant accounting policies (the 'financial statements').

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2021 and its financial performance and its cash flows for the period from 1 January 2021 to 31 December 2021 in accordance with required applicable rules of International Financial Reporting Standards approved by the European Union and the adopted accounting policies,
- comply in respect of the form and content with laws applicable to Company and its Statute,
- have been prepared based on properly maintained accounting records, in accordance with chapter 2 of the Accounting Act dated 29 September 1994 ('the Accounting Act').

The opinion is consistent with the additional report to the Audit Committee issued on 30 April 2022.

Basis for opinion

We conducted our audit in accordance with the National Standards on Auditing in the version of International Auditing Standards as adopted by the National Council of Statutory Auditors ("NAS") and pursuant to the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (the 'Act on Statutory Auditors') and the Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the 'Regulation 537/2014'). Our responsibilities under those standards are further described in the *'Auditor's responsibilities for the audit of the financial statements'* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), adopted by the National Council of Statutory Auditors and other ethical responsibilities in accordance with required applicable rules of the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. While conducting the audit, the key certified auditor and the audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Statutory Auditors and the EU Regulation 537/2014.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

ERNST & YOUNG W POLSCE JEST CZŁONKIEM GLOBALNEJ PRAKTYKI ERNST & YOUNG
Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.
Sąd Rejonowy dla m.st. Warszawy w Warszawie, XII Wydział Gospodarczy Krajowego Rejestru Sądowego, KRS: 0000481039, NIP: 526-020-79-76

Building a better working world

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. They include the most significant assessed risks of material misstatement, including the assessed risks of material misstatement due to fraud. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we have summarized our reaction to these risks and in cases where we deemed it necessary, we presented the most important observations related to these types of risks. We do not provide a separate opinion on these matters.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed this matter</th></tr>
<tr><td colspan="2">Impairment of investments in shares of subsidiaries and loan receivables</td></tr>
<tr><td>In the financial statements prepared as at 31 December 2021, the Company presented:
• investments in shares of subsidiaries in the amount of PLN 144,088 thousand,
• loans granted in the amount of PLN 262,907 thousand,
representing in total about 48% of total assets.

The value of recognized impairment write-downs relating to investments in shares of subsidiaries as at 31 December 2021 amounts to PLN 128,338 thousand, while the value of impairment write-downs against loans granted – to PLN 85,917 thousand.

In accordance with International Financial Reporting Standards, the Company's Management Board is obliged to measure loans at amortized cost and determine the value of expected credit losses (ECL), while with respect to shares in subsidiary companies – as a result of identifying impairment indicators, to carry out an impairment test.

In connection with the identified impairment indicators for some of these assets, the Company conducted impairment tests and estimated the recoverable amount of the underlying cash generating units and assessed the impairment of loans in accordance with IFRS 9 Financial Instruments. The determination of impairment is based on estimates and is part of the professional judgment of the Company's management.

The matter was identified as key audit matter for the Company's financial statements due to the value of the assets shown above, which is material for these financial statements, as well as due to the complex element of professional judgment of the Management Board regarding</td><td>Our audit procedures relating to the described key audit matter, included, but were not limited to:

► understanding the internal control environment in terms of assessing the occurrence of impairment indicators for non-current assets,
► assessment of the analysis of the occurrence of impairment indicators for non-current assets made by the Company's Management Board,
► assessment of the principles of defining cash-generating units (CGUs) by the Company's Management Board and the correctness and continuity of asset allocation to individual CGUs,
► assessment of the impairment test model in terms of its compliance with IAS 36,
► assessment of the adopted level of the weighted average cost of capital with the support of our valuation specialists,
► analysis of the adopted financial forecasts by comparing the key assumptions underlying the tests to market indicators, to the existing revenue streams, costs, realized margin and cash flows, including the assessment of the implementation of historical forecasts,
► checking the arithmetic/ clerical correctness of discounted cash flow models and reconciling source data and operating budgets adopted by the Company's management
► assessment of the judgment of the Management Board regarding the classification of loans as measured at amortized cost and the existence of objective evidence affecting the impairment of the assets in question</td></tr>
</table>

Key Audit Matter	How our audit addressed this matter
the valuation of receivables from loans and shares in subsidiary companies. The valuation of loan receivables requires the use of an appropriate valuation model, depending on the classification of assets, in accordance with International Financial Reporting Standard 9 *Financial Instruments*. Determining the expected credit losses (ECL) for the loans granted requires the Management Board of the Parent to assess the level of credit risk for a given exposure and estimate the value of expected credit losses that may occur within 12 months or within the remaining life of said loans, depending on the level of credit risk assigned to a given loan. In accordance with IAS 36, the estimate of the recoverable amount of interest in subsidiary companies requires the Company's Management Board to adopt a number of assumptions regarding future market and economic conditions, including, among others, future changes in revenues, expenses and cash flows, weighted average cost of capital ('WACC'), incremental growth rate and expected macroeconomic situation. The estimates relate to future events and are therefore subject to significant risk due to changing market conditions. The Company has disclosed impairment estimates as well as impairment losses on shares in notes 5.2.4 and 5.2.5 of additional explanatory notes to the financial statements for the year ended 31 December 2021. The disclosure regarding the valuation of receivables from loans granted was included by the Company in note No. 5.1.3 of additional explanatory notes to the financial statements for the year ended 31 December 2021.	▶ assessment of the model, assumptions and completeness of the data used by the Group for the purpose of recognition of write-downs for expected credit losses, including assumptions underlying determining the period of identification of the loss, probability of default (PD) and loss as a result of default, as well as assessment of changes in models and verification of the historical models ▶ analysis of historical impairment losses by comparing them to actual credit losses realized ▶ obtaining detailed representations of the Company's Management Board as to the completeness and correctness of the data provided to us and significant assumptions, ▶ assessment of the recognition in the books of account and in the financial statements of the results of impairment tests relating to non-current assets and loans granted, ▶ assessment of the adequacy of disclosures relating to impairment tests and their presentation/ reflection in the balance sheet.
Revenue recognition	
Selena FM S.A. presented in the financial statements total revenues from contracts with customers in the amount of approximately PLN	As part of the audit, we documented our understanding of the analysis and revenue recognition process, assessed the internal control

Key Audit Matter	How our audit addressed this matter
993,642 thousand, which were described in note 2 to the financial statements. The Company generates revenues mainly from the sale of construction chemicals and general construction accessories. At the same time, the Company offers customer sales bonuses. Revenues are recognised when the Company fulfils its obligation to perform the service in the form of a transferred good or service, with the purchaser taking control of the asset at the same time. Revenues are recognised in an amount equal to the transaction price, taking into account variable remuneration, being the consideration for the goods and services transferred. Selena FM S.A. also acts as a global distributor, i.e. acts within the Group as an agent in trading in goods between production plants and foreign trade organizations; it also performs the functions relating to Group management. The matter was identified as key audit matter for the separate financial statements due to the materiality of the item, as well as the vulnerability of the item to the risk of distortion. The accounting policy regarding the method of recognition of revenue from contracts with customers is described in the financial statements in note 2.	environment of this area and conducted a number of substantive tests in this area. Our procedures also included: ▶ ▸ analysis of the terms of sale contained in significant contracts and orders, including the scope and type of services provided and the period of service implementation, in particular, in the context of meeting the conditions for the existence of the contract, identifying the obligations to deliver a good or a service and the method of transferring control over them to the customer, as well as regarding determining the transaction price, ▶ tests of selected internal controls, relevant to determining the correct value of revenues from contracts with customers, ▶ assessment of the correctness of the moment of revenue recognition and of the correctness of the moment of transferring control over the transferred good or service, ▶ verification, based on retail tests, of applied price rates and quantities provided in issued sales invoices to contracts with customers, delivery and payment documents and the amounts of sales bonuses awarded, ▶ confirmation of selected sales transactions with the Group's contractors, ▶ verification of the recognition of sales and bonuses in the correct reporting period, taking into account the moment of transferring control over the sold goods, ▶ assessment of the correctness and completeness of disclosures in the financial statements relating to revenue from contracts with customers. We also conducted an analysis of the presentation of revenues, costs and related disclosures in the financial statements and compliance with IFRS 15.
Non-standard (non-routine) transactions with related parties	
As described in note 5.2.3 of the additional explanatory notes to the financial statements for the year ended 31 December 2021, the Company has concluded a lease agreement for an organized	Our procedures regarding the described key audit matter included, among others: ▶ analysis of accounting policies relating to classifying the transaction as an acquisition

Key Audit Matter	How our audit addressed this matter
part of the enterprise with Selena Marketing International Sp. z o.o. As a result of the agreement signed on 4 October 2021, described in note 5.2.3 of additional explanatory notes to the financial statements for the year ended 31 December 2021, due to the concentration of assets, Selena FM S.A. classified the transaction as an acquisition of assets for financial reporting purposes in the context of the asset concentration test in accordance with IFRS 3. In the financial statements as at 31 December 2021, the Company presented assets related to the acquired trademarks and deferred payment liabilities in the amount of PLN 171.7 million. The matter was identified as key audit matter for the financial statements due to its significant impact on the financial statements, an element of professional judgment and the complexity of the measurement and recognition aspects of the transaction. The disclosure regarding the transaction with Selena Marketing International Sp. z o.o. was presented in note 5.2.3 of the additional explanatory notes to the financial statements for the year ended 31 December 2021.	of a group of assets based on the provisions of IFRS 3 and [analysis of] significant judgments and estimates related to the recognition of this transaction, ▶ understanding the process and control environment in terms of accounting for a business event, including understanding the procedures ensuring the completeness of the identification of such events and transactions, ▶ understanding the business, legal, tax and valuation aspects of concluded transaction, ▶ analysis of the valuation of the acquired assets by our valuation specialists (pricing professionals), ▶ review of compliance with tax regulations by our tax consultants, ▶ obtaining detailed representations of the Company's Management Board as to the completeness of the data provided to us and significant assumptions, ▶ analysis and assessment of the adequacy and completeness of disclosures in the financial statements, including disclosures regarding key judgments and estimates adopted by the Company in this respect.

Other matters

The financial statements for the previous financial year ended on 31 December 2020 were audited by a key statutory auditor acting on behalf of another audit firm, which on 22 April 2021 issued an unqualified on these financial statements.

Responsibilities of the Company's Management and members of the Supervisory Board for the financial statements

The Company's Management is responsible for the preparation, based on properly maintained accounting records, the financial statements that give a true and fair view of the financial position and the financial performance in accordance with applicable International Financial Reporting Standards adopted by the European Union, the applied accounting policies, other applicable laws, as well as the Company's Statute, and is also responsible for such internal control as the Company's Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, The Company's Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless The Company's Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Company's Management and the members of the Company's Supervisory Board are required to ensure that the financial statements meet the requirements of the Accounting Act. The members of the Company's Supervisory Board are responsible for overseeing the Company's financial reporting process.

Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with NAS will always detect material misstatement when it exists. Misstatements may arise as a result of fraud or error and are considered material if they, individually or in the aggregate, could be reasonably expected to influence the economic decisions of the users taken on the basis of these financial statements.

The concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. Hence all auditor's opinions and statements contained in the auditor's report are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgment.

The scope of the audit does not include assurance on the future profitability of the Company nor efficiency or effectiveness of conducting business matters now and in the future by the Company's Management Board.

As part of an audit in accordance with NAS, we exercise professional judgment and maintain professional skepticism and we also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control,
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control,
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management,
- conclude on the appropriateness of the Company's Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report, however, future events or conditions may cause the Company to cease to continue as a going concern,
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information, including the Directors' Report

The other information comprises the management report of the Company for the period from 1 January 2021 to 31 December 2021 („Directors' Report") and the statement on corporate governance, which is a separate section of the Directors' Report and the Annual Financial Report for the financial year ended 31 December 2021 ('Annual Report') (jointly 'Other Information'). The Other Information does not include the financial statements and our auditor's report thereon.

Responsibilities of the Company's Management and members of the Supervisory Board

The Company's Management is responsible for the preparation of the Other Information in accordance with the law.

The Company's Management and members of the Company's Supervisory Board are required to ensure that the Directors' Report with separate elements meets the requirements of the Accounting Act.

Auditor's responsibilities

Our opinion on the financial statements does not include the Other Information. In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether it is materially inconsistent with the financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Other Information, we are required to report that fact in our independent auditor's report. Our responsibility in accordance with the Act on Statutory Auditors is also to issue an opinion on whether the Directors' Report was prepared in accordance with relevant laws and that it is consistent with the information contained in the financial statements.

In addition, we are required to issue an opinion on whether the Company has included the required information in the statement on corporate governance.

Opinion on the Directors' Report

Based on the work performed during our audit, in our opinion, the Directors' Report:

- has been prepared in accordance with the article 49 of the Accounting Act and paragraph 70 of the Decree of the Minister of Finance dated 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (the 'Decree on current and periodic information'),
- is consistent with the information contained in the financial statements.

Moreover, based on our knowledge of the Company and its environment obtained during our audit, we have not identified material misstatements in the Directors' Report.

Opinion on the corporate governance statement

In our opinion, in the representation on application of corporate governance, the Company has included information stipulated in paragraph 70, section 6, point 5 of the Decree on current and periodic information.

Moreover, in our opinion, the information stipulated in paragraph 70, section 6, point 5 letter c-f, h and i of the Regulation included in the statement on corporate governance is in accordance with applicable laws and information included in the financial statements.

Statement on the provision of non-audit services

To the best of our knowledge and belief, we represent that services, which we have provided to the Company and its controlled undertakings, are compliant with the laws and regulations applicable in Poland, and that non-audit services, which are prohibited under article 5 item 1 of Regulation 537/2014 and article 136 of the Act on Statutory Auditors, were not provided. The non-audit services, which we have provided to the Company and its controlled undertakings in the audited period, have been disclosed in the Directors' Report.

Appointment of the audit firm

We were appointed for the audit of the Company's financial statements initially based on the resolution of Supervisory Board from 15 March 2021. We are auditing the financial statements of the Company for the first time.

Wroclaw, 30 April 2022

Key Certified Auditor

Marek Musiał

certified auditor

no in the register: 90036

on behalf of:

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.

Rondo ONZ 1, 00-124 Warsaw
no on the audit firms list: 130