



Management Board's report on the Group's activities for the 6 months ended 30 June 2022

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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Financial highlights

1. Financial highlights

1.1 Group's financial data

	PLN '000		EUR '000	
	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
Revenue from contracts with customers	920,785	787,669	198,330	173,221
Operating profit	52,965	48,203	11,408	10,601
Profit before tax	59,649	49,374	12,848	10,858
Net profit	48,602	39,777	10,468	8,748
Profit after tax attributable to controlling interests	48,429	39,788	10,431	8,750
Comprehensive income	58,750	37,576	12,654	8,264
Comprehensive income attributable to shareholders of the parent	58,527	37,566	12,606	8,261
Net cash flows from operating activities	-55,057	-45,132	-11,859	-9,925
Net cash flows from investing activities	-20,681	-16,675	-4,455	-3,667
Net cash flows from financing activities	110,670	56,068	23,837	12,330
Number of shares	22,834,000	22,834,000	22,834,000	22,834,000
Earnings per ordinary share (PLN/share; EUR/share)	2.12	1.74	0.46	0.38

	As at		As at	
	30.06.2022	31.12.2021	30.06.2022	31.12.2021
Total assets	1,371,245	1,108,755	292,964	241,065
Long-term liabilities	212,950	80,345	45,496	17,469
Short-term liabilities	493,442	426,465	105,423	92,722
Equity	664,853	601,945	142,044	130,875
Registered capital	1,142	1,142	244	248

1.2 Financial data of the Parent Company

	PLN '000		EUR '000	
	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021
Revenue from contracts with customers	526,759	446,491	113,460	98,190
Operating profit (loss)	-12,328	23,403	-2,655	5,147
Profit (loss) before tax	11,292	24,326	2,432	5,350
Profit (loss) after tax	8,543	24,674	1,840	5,426
Comprehensive income	8,543	24,674	1,840	5,426
Net cash flows from operating activities	-134,260	-79,764	-28,919	-17,541
Net cash flows from investing activities	790	13,434	170	2,954
Net cash flows from financing activities	133,560	63,817	28,768	14,034
Number of shares	22,834,000	22,834,000	22,834,000	22,834,000
Earnings per ordinary share (PLN/share) /EUR/share)	0.37	1.08	0.08	0.24

	As at		As at	
	30.06.2022	31.12.2021	30.06.2022	31.12.2021
Total assets	1,021,760	844,018	218,297	183,506
Liabilities	570,318	401,119	121,847	87,211
Equity	451,442	442,899	96,450	96,295
Registered capital	1,142	1,142	244	248



Information about the Group

2. Information about the Group

2.1 Selena Group's activities

Selena FM Group (Selena Group, Group) is an international producer and distributor of construction chemicals. The Group's Parent is Selena FM S.A. ("Company", "Parent Company") based in 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 Group's product range includes:

- gun and straw foams;
- high-yield and low-pressure foams;
- summer, winter and multi-season foams;
- specialist foams;
- foam adhesives;
- sealants;
- mounting and industrial adhesives, chemical anchors;
- flooring systems;
- WINS window insulation and sealing systems;
- thermal insulation systems (ETICS);
- systems for finishing interior walls;
- systems for ceramic tiles;
- mortars;
- waterproofing products;
- passive fire protection solutions;
- building accessories.

The products on offer include solutions addressed to both professionals and 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 Parent Company

The core business of Selena FM S.A. as the parent entity in Selena Group is distribution of the Group's products into foreign markets and into the domestic market (as a multi-distributor), and provision of advice to its subsidiaries with regard to strategic management, finance management, sales strategy and bookkeeping services. The Company strategically manages the Selena Group, which is composed of the units described in Note 2.2 to the interim condensed consolidated financial statements of the Group for the 6 months ended 30 June 2022.

2.3 Management Board of the Parent Company

As at 30 June 2022, the 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 October 2022 to the date of publication of this report, no changes took place in the composition of the Company's Management Board.

2.4 Supervisory Board of the Parent Company

As at 30 June 2022, the Parent Company's Management 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;
- Mariusz Warych – independent Supervisory Board Member;
- Paweł Wyrzykowski – independent Supervisory Board Member.

In the period from 1 January 2022 to the date of publication of this report, there were no changes in the composition of the Supervisory Board.

2.5 Committees of the Parent Company's Supervisory Board

Audit Committee

As at 30 December 2022, the Audit Committee was composed of:

- Mariusz Warych – Chairman of the Audit Committee;
- Borysław Czyżak – Audit Committee Member;
- Paweł Wyrzykowski – Audit Committee Member.

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

In the period from 1 January 2022 to the date of publication of this report, there were no changes in the composition of the Audit Committee.

Strategy and Innovation Committee

As at 30 June 2022, the Strategy and Innovation Committee was composed of:

- Andrzej Krämer – Chairman of the Strategy and Innovation Committee;
- Borysław Czyżak – member of the Strategy and Innovation Committee;
- Czesław Domarecki – member of the Strategy and Innovation Committee;
- Łukasz Dziekan – member of the Strategy and Innovation Committee.

In the period from 1 January 2022 to the date of publication of this report, there were no changes in the composition of the Strategy and Innovation Committee.

Nominations and Remuneration Committee

As at 30 June 2022, the Nominations and Remuneration Committee was composed of:

- Borysław Czyżak – Chairman of the Nominations and Remuneration Committee;
- Andrzej Krämer – member of the Nominations and Remuneration Committee;
- Paweł Wyrzykowski – member of the Nominations and Remuneration Committee.

In the period from 1 January 2022 to the date of publication of this report, there were no changes in the composition of the Nominations and Remuneration Committee.

2.6 Group structure

A detailed geographic and ownership structure, and division into geographic segments were described in Note 2.2 to the interim condensed consolidated financial statements of the Group for the period ended 30 June 2022. Detailed description of changes in the Group structure in the first half of 2022 is presented in Note 2.3 to the condensed consolidated financial statements of the Group.



Material developments in the reporting period

3. Material developments in the reporting period

3.1 Group promotion

In the first half of 2022, promotional activities of Selena Group focused on supporting the sale of products – both new and previously put on the market, as well as on expanding the Group's operations to areas related to renewable energy sources and sustainable development.

In the first half of 2022, Selena Group companies as well as the solutions used by the Group won several noteworthy awards. Selena FM S.A. was awarded among the 20 best managed private companies in Poland in the first edition of Deloitte's original awards program "Best Managed Companies".

Selena Group was awarded with the Crystal of the Polish Economy in the "Responsible Business" category. The jury of the competition, under the patronage of the Ministry of Economic Development and Technology and the Ministry of State Assets, emphasized the aspects that distinguish our activities, namely: safe living and working conditions in the places that were built with the use of Selena products; strong focus on the natural environment; and facilitating effective construction works.

Selena Group was also the winner of the Economic Awards of Polish Radio 2022 under the patronage of the Ministry of Economic Development and Technology. It was placed second in the prestigious category of "good governance".

The distribution company Selena S.A. received statuettes in the next edition of the Top Builder for Tytan Professional products: 65 Gun Foam, Mocarny (Prohero) Adhesive and Mocarny (Projero) Sealant.

The Spanish company Selena Iberia received the Madrid Futuro award for leadership and innovation in the production of Quilosa adhesives and sealants. The award is presented by the magazine La Razón, in cooperation with the authorities of Madrid, to companies that can adapt to the new digital reality and are ready to embrace technological future.

3.2. Research and new products in the portfolio

Selena Group's R&D activity is primarily carried out by Selena Industrial Technologies Sp. z o.o. Branch 3 (previously, i.e. before the merger registered on 1 March 2022, trading as Selena Labs Sp. z o.o.) ("SIT Branch 3") and laboratories in China, Romania, Turkey, Spain and Italy. In H1 2022, SIT Branch 3 continued work on development of new products and technologies in all product groups. In addition, a regular process was put in place aimed at testing and cost-optimization of products.

Selena Group is committed to environmental protection, including Green Deal issues. For this reason, its research and development activities focus on creating environmentally friendly products. Research in the area of new raw materials, innovative products and applications is guided not only by the company's sustainability policy, but is also determined by legislative changes in chemical regulations. Selena Group puts a high premium on cooperation with network partners and adapting its product portfolio to their requirements, often going beyond the minimum requirements imposed by chemical regulations. There is also an ongoing production technology optimization process taking place at all the Group's manufacturing plants.

3.3 Investments

In the first half of 2022, Selena Group's capital expenditures were PLN 14.5 million. Like in 2021, the Group carried out necessary development investments, mainly modernizations, including modernization of the warehouse facility in Libra. Selena Group allocates part of its investments to robotization of production.

3.4 Significant subsequent events after the balance sheet date

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



Financial position

4. Financial position

4.1 Financial performance

The tables below show selected items of the consolidated income statement for the 6 months and 3 months ended 30 June 2022 and 30 June 2021, respectively, as well as selected financial ratios.

Figures in PLN thousand	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021	Change	Change %
Revenue from contracts with customers	920,785	787,669	133,116	16.9%
Cost of sales	644,171	559,313	84,858	15.2%
Gross profit	276,614	228,356	48,258	21.1%
Selling and marketing costs	148,208	124,783	23,425	18.8%
General and administrative expenses	69,781	59,997	9,784	16.3%
Other operating income (loss)	842	5,473	-4,631	-84.6%
Impairment of non-financial fixed assets	200	0	200	-
Impairment of financial assets	6,302	846	5,456	-
EBITDA (operating profit + depreciation + amortization)	75,640	69,790	5,850	8.4%
Operating profit (EBIT)	52,965	48,203	4,762	9.9%
Net financial income (loss)	5,404	253	5,151	2036.0%
Share in net profit/loss of the associate	1,280	1,091	189	-
Profit before tax	59,649	49,374	10,275	20.8%
Net profit	48,602	39,777	8,825	22.2%
Other net comprehensive income	10,148	-2,201	12,349	-
Total comprehensive income	58,750	37,576	21,174	-

	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021	Change in p.p.
Gross profit margin	30.0%	29.0%	1.0
Selling costs/ Revenue from contracts with customers	16.1%	15.8%	0.3
General and administrative expenses/ Revenue from contracts with customers	7.6%	7.6%	0.0
EBITDA margin %	8.2%	8.9%	-0.7
Operating profit margin (EBIT %)	5.8%	6.1%	-0.3
Net profit margin	5.3%	5.0%	0.2
<i>EBIT% – operating profit/ revenue from contracts with customers</i>			
<i>EBITDA% – EBITDA / revenue from contracts with customers</i>			

Figures in PLN thousand	from 01.04.2022 to 30.06.2022	from 01.04.2021 to 30.06.2021	Change	Change %
Revenue from contracts with customers	499,177	438,197	60,980	13.9%
Cost of sales	357,727	313,946	43,781	13.9%
Gross profit	141,450	124,251	17,199	13.8%
Selling and marketing costs	79,354	66,665	12,689	19.0%
General and administrative expenses	35,153	32,102	3,051	9.5%
Other operating income (loss)	516	3,266	-2,750	-84.2%
Impairment of non-financial fixed assets	200	0	200	-
Impairment of financial assets	79	307	-228	-
EBITDA (operating profit + depreciation + amortization)	38,821	39,512	-691	-1.7%
Operating profit (EBIT)	27,180	28,443	-1,263	-4.4%
Net financial income (loss)	17,116	-1,582	18,698	-
Share in net profit/loss of the associate	640	546	94	17.2%
Profit before tax	44,936	27,234	17,702	65.0%
Net profit	37,575	21,782	15,793	72.5%
Other net comprehensive income	15,337	-5,139	20,476	-
Total comprehensive income	52,912	16,643	36,269	-

	from 01.04.2022 to 30.06.2022	from 01.04.2021 to 30.06.2021	Change in p.p.
Gross profit margin	28.3%	28.4%	-0.1
Selling costs/ Revenue from contracts with customers	15.9%	15.2%	0.7
General and administrative expenses/ Revenue from contracts with customers	7.0%	7.3%	-0.3
EBITDA margin %	7.8%	9.0%	-1.2
Operating profit margin (EBIT %)	5.4%	6.5%	-1.1
Net profit margin	7.5%	5.0%	2.5

EBIT% – operating profit/ revenue from contracts with customers

EBITDA% – EBITDA / revenue from contracts with customers

Revenue from contracts with customers

In H1 2022, the Group's consolidated revenue from contracts with customers amounted to PLN 920.8 million, which is by PLN 16.9% (PLN 133.1 million) higher than in the corresponding period of the previous year.

The increase in revenues from contracts with customers compared to the comparative period is mainly due to the increase in sales prices as a result of inflation of raw materials, which Selena Group is gradually passing on to the market.

The Group's revenue from contracts with customers is presented with a split into three reporting (geographic) segments: The European Union (including Poland), Eastern Europe and Asia (including Russia and China), and North and South America (USA, Mexico and Brazil). In H1 2022, the structure of revenue from contracts with customers did not change significantly compared with the same period last year. European Union remains the key segment. In H1 2022, it generated 65% of the Group's total revenue from contracts with customers. Geographic segments maintained their respective percentage shares of revenue from contracts with customers.

Segment	Segment's share in the Group's revenues		Revenue change	
	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021	2022/ 2021	
European Union, including:	65%	67%	15%	
Poland		34%	36%	11%
Other countries		31%	31%	19%
Eastern Europe and Asia	26%	26%	13%	
N&S America	9%	7%	54%	

Gross profit

In H1 2022, Selena Group generated gross profit of PLN 276.6 million, i.e. PLN 48.3 million more year-on-year.

Gross profit margin was 30.0%, i.e. up 1.0 p.p. on last year. This growth resulted from a steady increase in the share of sales of innovative products with a higher margin, as well as an increase in their prices.

Selling costs and general and administrative expenses

Selling costs in H1 2022 were PLN 148.2 million, up PLN 23.4 million (18.8%) year-on-year. The year-on-year increase is mainly due to higher costs of transport, logistics and sales, directly related to the higher level of business, as well as the annualization of salaries.

Over the first 6 months of 2022, **general and administrative expenses** were PLN 69.8 million. They increased by PLN 9.8 million year-on-year. The increase in general and administrative expenses results mainly from the development of structures at Selena FM S.A. and the annualization of salaries.

The ratio of selling, general and administrative expenses to revenue from contracts with customers was 23.7% in Q1 2022, up 0.3 p.p. year-on-year.

The result on other operations was negative at PLN -5.7 million, taking into account the impairment loss in respect of financial and non-financial assets.

The result on other operations was significantly impacted by impairment allowances on receivables of PLN 7,650 thousand, reduced by reversed allowances of PLN 1,392 thousand.

This heading was positively influenced by the claw-back of a provision in Selena Sulamericana (PLN 1.2 million) relating to the settlement of the state sales tax (ICMS), and subsidies of PLN 0.2 million.

Operating profit (loss)

In H1 2022, Selena Group generated operating profit of PLN 53.0 million vs PLN 48.2 million in the previous year, up 9.9% year-on-year.

Profit (loss) after tax

In H1 2022, Selena Group achieved net profit of PLN 48.6 million compared with PLN 39.8 million posted in the corresponding period of 2021. The Group's net result was primarily influenced by the net financial income, including by valuation of open currency positions (trading settlements and loans received/granted) and interest expense. The positive balance of FX differences was PLN 10.1 million vs the balance of PLN 1.7 million in H1 2021. The cost of interest on loans and leases totalled PLN 4.3 million net (after reduction by the achieved interest income from bank deposits) compared with PLN 0.7 million incurred a year before.

For the 6 months of 2022, the income tax charge was PLN 11.1 million.

For the 6 months of 2022, EBITDA was PLN 75.6 million (including depreciation/ amortization: PLN 22.7 million), which was by PLN 5.9 million higher year-on-year.

4.2 Asset and financial position

Figures in PLN thousand	As at 30.06.2022	As at 31.12.2021	Change	Change %
Non-current assets	401,827	368,305	33,522	9%
Property, plant and equipment	280,610	261,497	19,113	7%
Intangible assets	37,942	38,932	-990	-3%
Other long-term assets	83,275	67,876	15,399	23%
Current assets	969,418	740,450	228,968	31%
Inventories	380,310	280,015	100,295	36%
Trade and other receivables	380,697	305,387	75,310	25%
Cash	73,833	38,915	34,918	90%
Other current assets	134,578	116,133	18,445	16%
Equity	664,853	601,945	62,908	10%
Liabilities	706,392	506,810	199,582	39%
Bank and other loans	283,570	148,023	135,547	92%
Trade and other liabilities	216,343	198,294	18,049	9%
Other liabilities	206,479	160,493	45,986	29%
	As at 30.06.2022	As at 31.12.2021		
Current ratio*	2.0	1.7		
Quick ratio**	1.2	1.1		

*Current ratio – current assets / current liabilities

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

The table below shows selected figures of the consolidated statement of financial position as at 30 June 2022 and 31 December 2021.

As at 30 June 2022, the Group's asset position, with an increase in total assets of PLN 262.5 million vs. 31 December 2021, was affected by seasonality, resulting in an increase in net current assets (inventories, and trade receivables and trade liabilities).

As at 30 June 2022, the current and quick liquidity ratios (2.0 and 1.2 respectively) point to the Group's ability to meet its obligations in a timely manner.

4.3 Debt

Figures in PLN thousand	As at 30.06.2022	As at 31.12.2021
Bank and other loans	283,570	148,023
Lease liabilities	46,644	29,177
Liabilities on account of prepaid trade receivables	0	1
Less cash and cash equivalents	-73,833	-38,915
Net debt	256,381	138,286
Equity attributable to the shareholders of the parent	663,562	600,976
Equity and net debt	919,943	739,262
Gearing (net debt / equity + net debt)	28%	19%
Debt ratio (interest-bearing debt/ total assets)	24%	16%
Net debt / EBITDA*	1.80	1.01

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

As at the balance sheet date, the debt on bank and other loans increased vs 31 December 2021 to PLN 283.6 million. The net debt to EBITDA ratio (bank covenant) increased to 1.8. As at 30 June 2022, the debt ratio amounted to 24% and was 8 p.p. higher than at the end of 2021.

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 summed with 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.

4.4 Cash flows

The tables below show selected items of the consolidated statement of cash flows for the six months ended 30 June 2022 and 30 June 2021, respectively.

Figures in PLN thousand	from 01.01.2022 to 30.06.2022	from 01.01.2021 to 30.06.2021	Change
Net cash flows from operating activities	-55,057	-45,132	-9,925
Net cash flows from investing activities	-20,681	-16,675	-4,006
Net cash flows from financing activities	110,670	56,068	54,602
Change in cash and cash equivalents:	34,932	-5,739	40,671

In H1 2022, net cash flows were PLN 34.9 million.

Net operating cash flows were PLN -55.1 million, down PLN 9.9 million on the corresponding period of 2021. Changes in net current assets in H1 2022 were as follows: receivables – up PLN 93.0 million, inventories – up PLN 99.7 million, and liabilities – up PLN 42.3 million. The change of PLN -150.4 million in net current assets in H1 2022 (compared to the change of PLN -96.1 million in H1 2021) was mainly due to the significant increases in raw material prices (a major increase in inventories and a higher level of receivables).

In H1 2022, net cash flows from investing activities were negative at PLN -20.7 million and investment expenses were down PLN 7.1 million year-on-year.

In H1 2022, net cash inflows from financing activities were PLN 110.7 million. This figure was mainly affected by the bank loans (PLN 159.6 million) obtained to fund working capital requirements and investments, repayment of bank and other loans (PLN -37.0 million), lease payments (PLN -7.1 million) and interest paid (PLN -6.1 million).

4.5 Seasonality of activities

The building materials industry in which Selena Group operates is characterised by seasonality of sales. Lower activity is observed in the winter and early spring months, while in the subsequent quarters sales increase to usually peak in the third quarter. Looking at the figures for 2020–2021, one may conclude that sales in individual quarters have the following contribution to the total annual sales: Q1 – 20%, Q2 - 24%, Q3 - 30%, Q4 - 26%. Seasonal fluctuations of sales are primarily affected by the weather and fluctuations in sales in the individual geographies where the Group operates.

4.6 Delivery of forecasts

Selena Group did not publish any performance forecast for H1 2022.

4.7 Factors that will affect financial performance in the next quarter

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

The macroeconomic situation in Poland and world-wide. The updated forecast of the International Monetary Fund (IMF) published in July 2022 shows that in 2021 the global economy's GDP fell grew by 6.1%. 2022 is expected to see a moderate recovery at 3.2%. Most importantly, highly developed countries are to experience a GDP growth of 2.5% in 2022 (vs a growth of 5.2% in 2021). The GDP of developing markets is projected to grow by 3.6% (vs a growth of 6.8% in 2021). For most of Selena Group's markets, GDP growth is forecast to grow compared with 2021. Importantly, eurozone countries are to achieve a growth of +2.6% in 2022 (vs 5.4% in 2021). For the USA, the IMF forecasts an increase of 2.3% in 2022 (vs 5.7% in 2021), an increase of 3.3% for China (vs +8.1% in 2021) and a major decrease of 6.0% for Russia (vs 4.7% in 2021). For Poland, the GDP growth is forecast to fall to 4.5% in 2022 (vs 5.9% in 2021).

Availability of financing. According to the results of the PENGAB banking business sentiment index published by the Polish Banks Association, in July this year the market sentiment deteriorated (for 6-month forecasts): 61% of bankers point to a decrease, 34% to stabilization, and only 5% to an increase in housing loans.

Situation in the construction sector. Demand in the construction chemicals market is and will be influenced by the situation in the residential construction segment, where these materials are used to the highest degree. Data published by the Central Statistics Office (GUS) for January–June 2022 point to a growth of 3.8% in house completions year-on-year. At the same time, the number of construction permits fell by 0.5%, while the number of commenced housing investments decreased by 17.2%.

FX rates. According to the currency forecast consensus of Refinitiv as of September 2022, the coming months should not see major changes in the EUR/PLN rate. At the end of the year, the expected EUR/PLN exchange rate is 4.75. Towards the year-end, the following currency rates are expected for the Group's main markets: EUR/RUB 64.70; EUR/CZK 24.80; EUR/HUF 403.20; EUR/RON 4.93; EUR/UAH 31.0 and EUR/TRY 19.80. Major fluctuations in exchange rates have an impact on currency risk.

Credit risk. The Group companies do not see any material changes in overdue receivables.

Commodity prices. In the first half of 2022, the prices of key raw materials are a consequence of the supply and demand situation in 2021 and the situation in Ukraine – the entire industry is facing increases in raw material prices and disruptions in the availability of production inputs (volatility, reductions or suspensions of raw material supplies from Russia and Belarus, record prices of oil, gas and electricity as well as increasing disruptions in the intercontinental and European logistics chains, panic in the market directly affecting acquisitions and production to stock). Increases in raw material costs may not be fully transferred to the prices of the Company's products due to constraints in the flexibility of demand and the pricing strategies of the Company's competitors. As a result of the increase in raw material prices, the Company's margins may be under further pressure.

Operational risk is standard risk related to e.g. potential general failures of machines and devices, failures of distribution networks (electricity, heat) caused, among others, through their exploitation, but also by random events, including those related to extreme weather phenomena (storms, floods, hurricane winds, heat waves, fires) resulting from, among others, climate change. The materialization of risk may affect the availability of assets, and might result in downtime related to asset failures or increased costs of their removal. In H1 2022, no significant events in this risk category were recorded Selena Group, in particular those that would affect the Group's production and trading activities. The risk is partially mitigated by property insurance. As part of an increased response to crisis situations, the BCMS (Business Continuity Management System) was implemented and is regularly enhanced in the Group.

Health & safety risk is related to the need to safe working environment. Materialization of this risk might result in employees' injuries, loss of health or excessive exposure to factors harmful to health, ultimately leading to the Group's duty to pay compensation paid for damage to health. In H1 2022, Selena Group saw no significant health and safety events.

Geopolitical risk, including the impact of the situation in Ukraine on the operating activities of Selena Group, is described in Note 7.1 to the interim condensed consolidated financial statements for the period for the period from 1 January to 30 June 2022. A detailed description of the principles of financial risk management in Selena Group is presented in Note 7 to the interim condensed consolidated financial statements for the period from 1 January to 30 June 2022



Other information

5. Other information

5.1 Guarantees and off-balance sheet items

Either the Parent Company or any members of Selena Group did not give to third parties any guarantees whose value would exceed 10% of the Parent's equity.

Group companies provide cross-guarantees to each other in connections with jointly incurred bank debt, and as part of commercial transactions. These are intragroup transactions. Such guarantees given to the subsidiaries by Selena FM S.A. were described in detail in Note 7.1 to the interim condensed standalone financial statements of Selena FM S.A. for the six months ended 30 June 2022.

5.2 Court disputes

At the date of approval of these interim condensed Management Board's report on the Group's activities, neither the Parent Company nor any company from Selena Group was a party to any court proceedings where the claim value would exceed 10% of the Parent Company's equity.

In the period until the date of approval of this Management Board Report, neither Selena FM S.A. nor any company from its Group was party to any significant new court disputes, except for those specified in Note 8.1 to the Group's interim condensed consolidated financial statements for the period ended 30 June 2022.

5.3 Related party transactions

In the period covered by these financial statements, the Parent Company did not enter into any material transactions with its related parties on non-arm's length basis. The material transactions between Selena FM S.A. and its subsidiaries were described in Note 7.2 to the condensed standalone financial statements of Selena FM S.A. as at 30 June 2022.

5.4 Main shareholders of the Parent Company

According to the Company's knowledge, as at the date of publication of this report, the following shareholders hold the shares which carry at least 5% votes at the General Meeting:

Shareholder	Share type	Number of shares acquired	Share in registered capital	Number of votes	Share in votes at the AGM **
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%

* entity controlled by Krzysztof Domarecki

** Taking into account the Company-held own shares whose voting rights may not be exercised in accordance with Article 364 § 2 of the Commercial Companies Code.

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

As at 31 December 2021, the Company had 1,194,834 own shares with a nominal value of PLN 0.05 per share, representing 5.23% of the Company's registered capital and carrying 4.45% of the total number of votes at the Company's General Meeting (with the note that in accordance with Article 364 § 2 of the Commercial Companies Code voting rights attached to the Company's own shares cannot be exercised).

In the period from 1 January 2022 to the date of publication of this report, there were no changes in the number of own shares held.

The list of the Parent Company's shares held by the executive and non-executive directors of the Parent are presented in Note 5.7 of this report.

5.6 Profit distribution for 2021

On 2 June 2022, the Annual General Meeting of Selena FM S.A. adopted a resolution to distribute the Company's net profit for 2021 of PLN 43,545,445.46 as follows: PLN 43,545,445.46 to be transferred entirely to the Company's capital reserve.

5.7 Shareholdings by executive and non-executive directors

The Company's executive and non-executive directors did not hold any shares of the Company as at the date of publication of this report.

5.8 Equity-based remuneration programs

In H1 2022, no equity based remuneration programs were in operation.

5.9 Audit and review of financial statements

On 15 March 2021, the Supervisory Board resolved to appoint Ernst & Young Audyt Polska Sp. z o.o. Sp. k. as the auditor responsible for review of the interim financial statements and audit of the annual financial statements of the Parent Company, and the Group's consolidated financial statements for 2021–2023. The audit agreement was concluded on 22 June 2021.

MANAGEMENT BOARD'S ASSURANCE STATEMENT ON RELIABILITY OF THE FINANCIAL REPORT

The Management Board of Selena FM S.A. hereby confirms that to the best of its knowledge the interim condensed financial statements of Selena FM S.A. and the interim condensed consolidated financial statements of Selena Group FM for the 6 months ended 30 June 2022 and the comparable data have been prepared in accordance with the applicable accounting policies and give a true, fair and clear picture of the affairs of Selena FM S.A. and Selena Group and their financial performance and that the Management Board's report on activities gives a true picture of the Company's and the Group's development, achievements and standing, including description of the key risks and threats.

Management Board President
Jacek Michalak

Chief Commercial Officer,
Vice President

Sławomir Majchrowski

Chief HR Officer

Andrzej Zygałło

Chief Operating Officer

Roman Dziuba