

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

SELENA FM GROUP

MANAGEMENT BOARD'S REPORT ON THE GROUP'S
ACTIVITIES FOR 2017

Wrocław, 20 April 2018

1.	Information about the Group	4
1.1.	Characteristics of the Parent Company	4
1.2.	Management Board of the Parent Company	4
1.3.	Supervisory Board of the Parent Company	4
1.4.	Audit Committee and Strategy and Innovation Committee	5
1.5.	Key products and services	5
1.6.	Distribution markets	6
1.7.	Group composition, related parties and equity investments	6
1.8.	Key developments	11
1.9.	Development of R&D operations	16
1.10.	Key investments	17
1.11.	Description of risks and threats	17
1.12.	Expected development of the Group	19
1.13.	Investment plans	19
2.	Financial position	20
2.1.	Financial performance	20
2.2.	Asset and financial position	22
2.3.	Debt	22
2.4.	Cash flows	23
2.5.	Loans received	23
2.6.	Loans and bonds	24
2.7.	Guarantees and off-balance sheet items	24
2.8.	Financial instruments and financial risk management principles	24
2.9.	Investments	24
2.10.	Assessment of financial resources management	24
3.	Other information	25
3.1.	Material agreements	25
3.2.	Related party transactions	25
3.3.	Issue of securities	25
3.4.	Acquisition of own shares	25
3.5.	Delivery of forecasts	26
3.6.	Litigations	26
3.7.	Unusual events and factors	27
3.8.	Remuneration of the Management Board and the Supervisory Board	27
3.9.	Equity-based remuneration programmes	27
3.10.	Shareholdings by executive and non-executive directors	27
3.11.	Agreements affecting changes in the proportion of shareholdings	27
3.12.	Control of Employee Share Programmes	27
3.13.	Information on the audit of the financial statements	28
4.	Corporate governance principles	28
	MANAGEMENT BOARD'S ASSURANCE STATEMENT ON RELIABILITY OF THE FINANCIAL REPORT	29
	THE MANAGEMENT BOARD'S STATEMENT ON SELECTION OF AUDITOR	29
	Appendix 1 GROUP'S NON-FINANCIAL INFORMATION STATEMENT	30
I.	MANAGEMENT AREA	30
1.	Description of the business model and strategic development directions	30
2.	Corporate governance	33
3.	Social/ employee and environmental risk management	34
4.	Ethics management	35
II.	ENVIRONMENTAL AREA	35
1.	General	35
2.	Direct and indirect impact: raw materials and materials	36
3.	Direct and indirect impact: fuel and energy	36
4.	Direct and indirect impact: water	36
5.	Direct and indirect impact: biodiversity	37
6.	Direct and indirect impact: atmospheric emissions	37
7.	Direct and indirect impact: waste and wastewater	37
8.	Other aspects of direct and indirect environmental impact	38
9.	Extended environmental responsibility: products and services	38
III.	SOCIAL AND EMPLOYEE AREA	38

1.	Use of public aid and public procurement	38
2.	Employment and salaries.....	39
3.	Industrial relations and freedom of association	41
4.	Occupational health and safety	41
5.	Development and education	42
6.	Diversity management.....	43
7.	Human rights.....	44
8.	Child and forced labour.....	44
9.	Local communities and social involvement.....	45
10.	Prevention of corruption.....	46
11.	Product and consumer safety	47
12.	Marketing communication	48
13.	Privacy protection.....	48
14.	Product labelling.....	48
15.	Other social and market-related matters	49

1. Information about the Group

1.1. Characteristics of the Parent Company

Selena FM S.A. having its registered office at ul. Strzegomska 2-4 in Wrocław, 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 under KRS no. 0000292032.

The Company was formed through conversion of the limited liability company Selena FM sp. z o.o. into a joint stock company, approved by the Extraordinary General Meeting on 26 September 2007. On 31 October 2007, the new entity was registered in the National Court Register by the District Court for Wrocław-Fabryczna in Wrocław. The Company received statistical number REGON 890226440. Its duration is indefinite (it is a going concern).

On 18 April 2008, the Company debuted on Warsaw Stock Exchange.

1.2. Management Board of the Parent Company

As at 31 December 2016, the Parent Company's Management Board was composed of:

- Jean-Noël Fourel – Management Board President
- Hubert Rozpędek – Vice-President of the Management Board for Finance
- Marcin Macewicz – Management Board Member.

Changes in the Management Board in 2017:

- On 30 January 2017, the Supervisory Board of Selena FM S.A. appointed Mr Marcin Macewicz as Vice-President for Sales and Marketing.
- As of 1 March 2017, the Supervisory Board of Selena FM S.A. appointed Ms Agata Gładysz-Stańczyk to the position of Member of the Management Board.
- On 22 September 2017, the Supervisory Board of Selena FM S.A. appointed Ms Agata Gładysz-Stańczyk to the position of Vice President of the Management Board.
- On 22 September 2017, the Supervisory Board of Selena FM S.A. appointed Mr Artur Ryglowski to the position of Management Board Member.

As at 31 December 2017, the Parent Company's Management Board was composed of:

- Jean-Noël Fourel – Management Board President
- Marcin Macewicz – Vice-President of the Management Board for Sales and Marketing
- Hubert Rozpędek – Vice-President of the Management Board for Finance
- Agata Gładysz-Stańczyk – Vice President of the Management Board, Innovation and Development Director.
- Artur Ryglowski – Management Board Member, Industrial and Logistics Operations Director.

On 5 January 2018, Jean-Noël Fourel resigned as Management Board President.

On 12 January 2018, the Company's Supervisory Board adopted a resolution appointing Marcin Macewicz as acting Management Board President pending election of a new Management Board President.

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

1.3. Supervisory Board of the Parent Company

As at 31 December 2016, the Supervisory Board of the Parent Company was composed of:

- Krzysztof Domarecki – Supervisory Board Chairman
- Borysław Czyżak – Supervisory Board Member
- Stanisław Knaflewski – Supervisory Board Member

- Andrzej Krämer – Supervisory Board Member
- Sylwia Sysko-Romańczuk – Supervisory Board Member.
- Hans Kongsted – Supervisory Board Member
- Francisco Azcona – Supervisory Board Member.

Changes in the Supervisory Board composition in 2017:

- on 26 May 2017, Mr. Francisco Azcona resigned from the position of Member of the Supervisory Board as of 26 May 2017;
- on 20 June 2017, Mr. Hans Kongsted resigned from the position of Member of the Supervisory Board effective from 23 June 2017;
- on 16 October 2017, the Extraordinary General Meeting of Shareholders adopted a resolution on extending the composition of the Supervisory Board by appointing new members: Ms Marlena Łubieszko-Siewruk, Mr Jacek Olszański and Mr Mariusz Warych.

As at 31 December 2017, the Company's Supervisory Board was composed of:

- Krzysztof Domarecki – Supervisory Board Chairman
- Borysław Czyżak – Supervisory Board Member
- Stanisław Knaflewski – Supervisory Board Member
- Andrzej Krämer – Supervisory Board Member
- Sylwia Sysko-Romańczuk – Supervisory Board Member.
- Marlena Łubieszko-Siewruk – Supervisory Board Member
- Jacek Olszański – Supervisory Board Member
- Mariusz Warych – Supervisory Board Member.

1.4. Audit Committee and Strategy and Innovation Committee

On 20 October 2017, the Supervisory Board of Selena FM S.A. appointed Audit Committee consisting of:

- Mariusz Warych – Chairman of the Audit Committee
- Stanisław Knaflewski – Audit Committee Member
- Jacek Olszański – Audit Committee Member.

In the opinion of the Supervisory Board, the Audit Committee, in the aforementioned composition, fulfills the independence criteria and other requirements specified in Article 128(1) and Article 129(1), (3), (5) and (6) of the Statutory Auditors Act. The Issuer advises that until now the tasks of the Audit Committee were entrusted to Supervisory Board as a whole body.

On 20 October 2017, the Supervisory Board also decided to appoint the Strategy and Innovation Committee consisting of:

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

1.5. Key products and services

Selena FM 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 Group's product range includes:

- Polyurethane mounting foams and foam adhesives
- Construction sealants (silicones, acrylic products)

- Construction and mounting adhesives
- Roofing membranes and shingles
- Bituminous masses
- Thermo-reflexive roof coating
- Building insulation systems
- Adhesives and joint fillers for ceramic tiles
- Application equipment
- Wood preservatives
- Agents for roofs and walls
- Foils and membranes.

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

The Group's production plants are located in Poland, Brazil, China, Romania, Turkey, Spain, Kazakhstan and Italy, and its products are available in the markets of more than 70 countries in the world. The Group also carries on R&D activity in Poland, Spain, Turkey and China. The Group also has an associated company, Hamil-Selena Co. Ltd, in South Korea and a joint venture House Selena Company Ltd. in China.

1.6. Distribution markets

For management purposes, the Group has identified 3 geographic segments: European Union (including: Poland and Spain), Eastern Europe and Asia (including Russia and China) and North and South America (the USA and Brazil).

See Note 1.7.1 for a detailed structure of the individual segments, and Note 2.1 for a share in sales of the individual segments in the Group sales.

Due to the nature and geographic scale of the business, both the Group's suppliers and buyers are diversified – the share of individual entities in the Group's total purchasing or sales does not exceed 10%.

1.7. Group composition, related parties and equity investments

1.7.1. Group structure

The table below shows the ownership and organisational structure of the Group and division into operating segments.

The data are presented as at 31 December 2017 and 31 December 2016.

No changes in the Group structure occurred between the balance sheet date and the date of publication of this report.

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

Region	Country	Entity	Reg.Office	Activity	Group's Share		Owner	
					31 December 2017	31 December 2016		
European Union	Poland	Selena FM S.A.	Wroclaw	Group Head Office			-	
		Selena S.A.	Wroclaw	Distributor	100.00%	100.00%	FM	
		Orion PU Sp. z o.o.	Dzierżoniów	Manufacturer of foams, adhesives, distributor	99.95%	99.95%	SIT 1	
		Carina Silicones Sp. z o.o.	Siechnice	Manufacturer of sealants, distributor	100.00%	100.00%	SIT	
		Libra Sp. z o.o.	Dzierżoniów	Manufacturer of sealants, adhesives, distributor	100.00%	100.00%	SIT	
		Izolacja Matizol Sp. z o.o. **	Gorlice	Manuf. of roof coverings, hydroinsulation, distributor	100.00%	100.00%	SIT	
		Tytan EOS Sp. z o.o.	Wroclaw	Manufacturer of loose materials	100.00%	100.00%	SIT	
		Selena Labs Sp. z o.o.	Siechnice	Research and Development	99.65%	99.65%	FM 1	
		Selena Marketing International Sp. z o.o.	Wroclaw	Intellectual property management	100.00%	100.00%	SA	
		Taurus Sp. z o.o. *	Dzierżoniów	Legal administration	100.00%	100.00%	SIT	
		Carina Sealants Sp. z o.o.	Siechnice	Legal administration	100.00%	100.00%	FM	
		Selena Industrial Technologies Sp. z o.o.	Warsaw	Production management	100.00%	100.00%	FM	
		Oligo Sp. z o.o.	Katowice	Research and Development	100.00%	24.00%	SL	
		Western Europe	Spain	Selena Iberia slú	Madrid	Manufacturer of sealants, adhesives, distributor	100.00%	100.00%
Italy	Selena Italia srl		Limena	Distributor	100.00%	100.00%	FM	
	Uniflex S.p.A.		Mezzocorona	Manufacturer of sealants, distributor	64.00%	-	FM 4	
Germany	Selena Deutschland GmbH		Hagen	Distributor	100.00%	100.00%	FM	
Central and Eastern Europe	Czech Republic	Selena Bohemia s.r.o.	Prague	Distributor	100.00%	100.00%	FM	
	Romania	Selena Romania SRL	Ilfov	Distributor	100.00%	100.00%	FM	
		EURO MGA Product SRL	Ilfov	Manufacturer of adhesives and cement mortars	100.00%	100.00%	ROM	
	Hungary	Selena Hungária Kft.	Pécs	Distributor	100.00%	100.00%	FM	
	Bulgaria	Selena Bulgaria Ltd.	Sofia	Distributor	100.00%	100.00%	FM	
Eastern Europe and Asia	Russia	Selena Vostok Moscow	Moscow	Distributor	100.00%	100.00%	FM 2	
		Selena Sever Moscow	Moscow	Distributor	-	100.00%	SA	
	Kazakhstan	Selena CA L.L.P.	Almaty	Distributor	100.00%	100.00%	FM	
		TOO Selena Insulations	Astana	Manufacturer of insulation systems	100.00%	100.00%	FM	
	Ukraine	TOO Big Elit	Astana	Manufacturer of dry mortars	100.00%	100.00%	CA	
		Selena Ukraine Ltd.	Kiev	Distributor	100.00%	100.00%	FM 2	
Asia	China	Weize (Shanghai) Trading Co., Ltd.	Shanghai	Distributor	100.00%	100.00%	FM	
		Selena Nantong Building Materials Co., Ltd.	Nantong	Manufacturer, distributor	100.00%	100.00%	FM	
		Foshan Chinuri-Selena Chemical Co.	Foshan	Manufacturer of sealants, distributor	84.57%	84.57%	SA 1	
	House Selena Trading Company Ltd.	Shanghai	Distributor	40.00%	-	NAN		
	S.Korea	Hamil - Selena Co. Ltd	Kimhae	Manufacturer of foams	30.00%	30.00%	SA 3	
Middle East	Turkey	Selena Malzemeleri Yapi Sanayi Tic. Ltd.	Istanbul	Man. of foams and sealants, distributor	100.00%	100.00%	FM	
		POLYFOAM Yalitim Sanayi ve Tic Ltd.	Istanbul	Distributor	100.00%	100.00%	SA 2	
N&S America	N&S America	Brazil	Selena Sulamericana Ltda	Curitiba	Manufacturer, distributor	100.00%	100.00%	FM 3
		USA	Selena USA, Inc.	Holland	Distributor	100.00%	100.00%	FM
	USA	Selena USA Specialty Inc.	Holland	Property management	100.00%	100.00%	FM	

* change of shares owner to Selena Industrial Technologies Sp. z o.o. on 20 January 2017 + resolution to rename the company (previously Orion Polyurethanes Sp. z o.o).

** on 29 December 2017, the company changed its legal form and was renamed (previously PMI "IZOLACJA - MATIZOL" S.A.)



Selena FM Group

Management Board's Report on the Group's Activities for 2017

Explanations to the "Owner" column

FM - 100% owned by Selena SA (SFM)

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

FM 2 – shares are owned by Selena FM (99%) and Selena S.A. (1%)

FM 3 – shares owned by Selena FM (95%) and Selena SA (5%)

FM 4 – shares are owned by Selena FM, the remaining shares are held outside of the Group

SIT – 100% shares are owned by Selena Industrial Technologies Sp. z o.o.

SIT 1 – shares are owned by Selena Industrial Technologies Sp. z o.o. (99.95%), other shares outside the Group

NAN – affiliated company – owned by Selena Nantong Building Materials Co., Ltd.

SL - shares owned by Selena Labs Sp. z o.o. (100%)

SA – 100% owned by Selena SA

SA 1 – shares are owned by Selena SA, the remaining shares are held outside of the Group

SA 2 – shares are owned by Selena SA (85%) and Carina Silicones Sp. z o.o. (15%)

SA 3 – associate – shares are owned by Selena SA

ROM – 99.87% shares owned by Selena Romania, other shares held by Selena FM

CA – 100% shares are owned by Selena CA L.L.P.

1.7.2. Changes in the Group structure

Liquidation of Selena Sever Moscow

On 22 October 2015, Selena Sever Moscow was struck off the companies register. The information that the company was deregistered due to discontinuation of its business was received by the company's shareholder on 12 April 2017. The company does not carry on operations. Loss of PLN 33 thousand on the loss of control was presented under operating costs.

Sale of shares in Taurus Sp. z o.o.

On 20 January 2017, Selena FM S.A. entered into an agreement with its connected company (Selena Industrial Technologies Sp. z o.o.) to sell its 100% stake in Orion Polyurethanes Sp. z o.o. The sales price was PLN 5,000. The share disposal did not have any impact on the Group's organisational structure. At the same time, on 20 January 2017, the General Meeting of Orion Polyurethanes Sp. z o.o. adopted a resolution renaming the company as Taurus Sp. z o.o. The changed name was registered on 25 April 2017.

Formation of a joint venture

On 21 December 2016, Selena Nantong Building Materials Co., Ltd. entered into a framework agreement with Shanghai Haozheng Construction Engineering Co. Ltd – a Chinese entity operating in the market of polyurethane foams and other construction chemicals. The agreement provided for strategic cooperation between the companies. The framework agreement sets out the key strategic directions of the cooperation and defines next steps to be taken by the parties to finalise individual agreements referred to in the framework agreement. Under the signed contract, the parties agreed to establish a joint venture in which Selena Nantong Building Materials Co. Ltd. undertook to acquire a 40% stake and the partner, Haozheng Construction Engineering Co. Ltd., a 60% stake.

On 28 March 2017, Selena Nantong Building Materials Co., Ltd. entered into further agreements with Shanghai Haozheng Construction Engineering Co. Ltd (Partner) under the framework agreement. The Parties signed the Articles of Association of JV for House Selena Company Ltd. This agreements and other agreements with the partner define, inter alia, strategic rules of cooperation in the market, rules and scope of operations of the new entity (including a share in management and supervision over the new entity), terms of trade cooperation between the parties and the rules of using Selena's trademarks by the new entity. The objects of the new company will include distributing and selling in China: foams, silicones and mounting adhesives under the brands owned by Selena Group and the partner, pursuant to licence agreements. Later on, the new company will market in China innovative construction chemicals based on the product portfolio of Selena Group. The purpose of the framework agreement is to boost Selena Group's development in the Chinese market.

The process of registration of House Selena Trading Company Ltd. was completed on 12 June 2017. Selena Nantong Building Materials Co. Ltd. acquired a 40% stake with a value of CNY 200 thousand. Selena Nantong Building Materials Co. Ltd. is entitled to a 30% share in net profit between 2017 and 2019 and to 40% from 2020 onwards. House Selena Company Ltd. is consolidated using the equity method.

Take-over of control over Uniflex S.p.A. – final settlement

On 29 March 2017, under the agreement signed between Selena FM S.A. and natural persons, Selena FM S.A. acquired 64% stake in the share capital of Uniflex S.p.A. with its registered office in Mezzocorona, Italy, becoming a majority owner of Uniflex S.p.A.

Selena FM S.A. acquired 192,000 shares of Uniflex S.p.A. with a nominal value of EUR 1 per share, representing 64% stake in the company's registered capital, for a total amount of EUR 1,664 thousand. The shares of the acquired company were taken up in full and paid up in cash.

Acquisition of the majority shareholding by Selena FM S.A. is intended to strengthen the Group's position in Italy and in Western Europe. Thanks to synergies and cooperation with Selena Group, Uniflex S.p.A. will be able to supplement its products portfolio for the customers in Italy and Western Europe. At the same time, Selena Group will significantly increase its position in the market of acrylic products in Europe. The transaction will result in mutually complementary technologies, geographical development of distribution markets and synergies in the form of reduction of manufacturing costs and thus the costs of purchase of raw materials.

In addition, on 29 March 2017, both minority shareholders of Uniflex S.p.A. entered into an agreement where Selena FM S.A. made an irrevocable offer to purchase the remaining shares (call option), while the minority shareholders guaranteed to Selena FM S.A. an exercise of the option to purchase the remaining shares (put option). The put and call options may be exercised between 1 April and 30 June 2019 or between 1 April and 30 June 2020.

A unit value of a share representing the exercise price for the put and call option will be determined on the basis of valuation of Uniflex S.p.A. as at the day the option is exercised. In accordance with the agreement, the valuation of Uniflex S.p.A. will take place on the basis of a multiplier of the company's EBITDA (adjusted in accordance with the agreement). The ratio will be calculated on the basis of the financial results from the last two approved financial statements of the company, preceding the year when the option was exercised.

Once the above options are exercised, Selena FM S.A. will take up 100% of shares of Uniflex S.p.A.

Settlement of the acquisition was finalised as at 31 December 2017. Details relating to the settlement of the acquisition are presented in Note 1.7.4 of the Group's consolidated financial statements.

Taking control of Oligo Sp. z o.o.

On 1 August 2016, Selena Labs Sp. z o.o., the subsidiary, entered into an agreement to purchase 24% stake in Pretorian Sp. z o.o. for PLN 6,700. On 19 August 2016, Pretorian Sp. z o.o. was formally renamed as Oligo Sp. z o.o.

On 30 May 2017, Selena Labs Sp. z o.o. entered into an agreement for the purchase of the remaining 76% stake in Oligo Sp. z o.o. becoming the sole shareholder of the company. The purchase price for the shares was PLN 10,000. Until the date of the acquisition, Oligo Sp. z o.o. did not conduct any material activities. The transaction did not have any material impact on the consolidated financial statements.

Cancellation of shares of the subsidiary Orion PU Sp. z o.o.

On 19 October 2017, the Extraordinary General Meeting of Orion PU Sp. z o.o. decided to cancel 5,335 shares in the company's share capital with a total nominal value of PLN 533.5 thousand (5,333 shares held by Selena Industrial Technologies Sp. z o.o. and 2 shares held by a minority shareholder). The shares were cancelled voluntarily, with the shareholders' consent, following their purchase by the company. The total remuneration for the shares cancelled was PLN 63,945 thousand (including: PLN 63,921 thousand paid to Selena Industrial Technologies Sp. z o.o. and PLN 24 thousand paid to the minority shareholder). The remuneration was paid by 25 October 2017. The funds earmarked for payment to the shareholders for the shares cancelled came from the clean profit generated by the company. The share cancellation did not entail reduction of the share capital. The transaction did not have any impact on the Group's organisational structure.

Cancellation of shares in the subsidiary Selena Industrial Technologies Sp. z o.o.

On 24 October 2017, due to occurrence of the event specified in the Articles of Selena Industrial Technologies Sp. z o.o. that triggered automatic share cancellation, 1,081,248 shares in the company's share capital with a total nominal value of PLN 54,062 thousand were cancelled. As a result, in accordance with the Deed of Incorporation of Selena Industrial Technologies Sp. z o.o., the parent company Selena FM S.A. received remuneration of PLN 63,912 thousand for the shares cancelled. The remuneration was paid by 26 October 2017.

Increasing the share capital of Selena Bohemia s.r.o.

On 7 November 2017, the General Meeting of Shareholders of Selena Bohemia s.r.o. adopted a resolution to increase the share capital by CZK 60 million through a cash contribution. The increase in the share capital of the subsidiary was registered on 3 January 2018.

Increasing the share capital of Selena Malzemeleri Yapi Sanayi Tic. Ltd.

On 25 December 2017, the share capital of Selena Malzemeleri Yapi Sanayi Tic Ltd was increased by 11,825 thousand Turkish lira, by issuing 11,825 shares worth 1,000 Turkish lira each. The increase in the share capital of the subsidiary was registered on 27 December 2017.

Change of legal form of Izolacja Matizol Sp. z o.o.

On 29 December 2017, the District Court in Kraków registered a change in the legal form of Przedsiębiorstwo Materiałów Izolacyjnych Izolacja-Matizol S.A. The company was transformed into a limited liability company Izolacja Matizol Sp. z o.o

1.7.3. Financing investments

Investments were funded from equity, subsidies and bank loans. See Note 2.5 for details.

1.7.4. Branches

Selena FM S.A. has no branches.

1.8. Key developments**1.8.1. Execution of Selena Group's strategy in 2017**

In 2017, Selena Group continued to develop its sales in mature markets. New and technologically advanced products were prepared and intensive work commenced on development of new product categories. Product sales in Eastern Europe were increased – both under own brands and with private labels. At the same time, the Group took advantage of the economic recovery in the eastern markets (Russia, Kazakhstan), which added to the strong increase in overall sales.

Moreover, in 2017, Selena Group began work on preparing a development strategy towards 2022, which will focus on leveraging the Group's full potential in terms of developing the best proposition for our clients and managing Selena-owned brands in the existing and prospective markets.

1.8.2. Dividend

On 23 June 2017, the AGM of Selena FM S.A. adopted a resolution on dividend payment in respect of a part of the Parent Company's profit for 2016 in a total amount of PLN 6,850,200.00, i.e. PLN 0.30 per share. The record date, when the list of shareholders eligible for dividend is determined, was set to 1 August 2017. The shares of all series carry the same dividend rights. The dividend was paid on 16 August 2017.

1.8.3. Group promotion**Selena S.A. as a partner of the programme of revitalisation of Polish cities – “Metamorphosis”**

Revitalisation projects are a major challenge for all investors in Poland. Appreciating the need for education in this area, the Builder monthly started the programme called “Metamorphosis – revitalisation of Polish cities”. The programme seeks to provide expert knowledge, demonstrate examples of excellent execution and promote the best construction solutions. Selena S.A. is a partner of the programme.

Selena S.A. – another six TopBuilder 2017 statuettes in the Building Products category for:

- TYTAN Professional 60 seconds, Selena S.A.
- TYTAN Professional EVOMER Filling Putty
- TYTAN Professional EVOMER Quick Coating
- TYTAN Professional EVOMER Quick Primer
- TYTAN Professional Mounting Adhesive Fix2 GALLOP
- Tytan Professional Mounting Foam STD ERGO

SELENA SA has been awarded with six statuettes of TopBuilder 2017, which is one of the most prestigious awards in the Polish construction market. The competition organised by the Builder monthly is held to award the best innovative construction products, IT solutions, projects, services and undertakings for the entire sector.

Launching a new joint venture in China (5 January 2017)

On 5 January 2017, Selena Group arranged a ceremony of launching its new joint venture in China – House Selena. The company was set up under a master agreement signed in December 2016 between Selena Nantong Building Materials Co. Ltd and Shanghai Haozheng Construction Engineering Co. Ltd, a Chinese entity operating in the market of polyurethane foams and other construction chemicals. Mr Liu Yongjun, who has extensive experience in the sector and knowledge of the demanding Chinese market, was appointed the JV's General Manager. The inauguration ceremony of House Selena took place in Nantong. 160 distributors from all over China participated in the event. During the first part of the event, the operations of House Selena officially started.

Gala of the Builder monthly, 14th edition - Selena S.A. (25 January 2017)

At the Builder Awards Gala, the Polish distribution company - Selena S.A. was awarded, for the fifth time, as the "Construction Company of the Year 2016" and its CEO – Andrzej Ulfig, was hailed as the "Personality of the Industry 2016", a recognition conferred for effective management of the company, expansion of its potential, building its competitive advantage as well as for entrepreneurship, business acumen and supporting the initiatives that were important for the sector.

Competing in the *Builder* competition were contractors, developers, architects as well as producers and distributors of solutions for the construction sector, and companies and institutions from outside the sector, who support the sector's development. Its goal was to identify the companies and persons that stand out in the Polish construction sector, promote them and disseminate good practices and business relations in the construction sector. The aspects assessed were e.g. market position, achievements vs. peers and the quality of products and services.

Press conference and meetings with customers – Selena Bulgaria (2 February 2017)

In the local market, in Sofia, Selena organised a press conference, where it outlined the company's development strategy and plans for the Bulgarian market. The matters discussed included e.g. actions programme with a focus on the latest trends and solutions existing in the local construction sector. The event was attended by more than 20 media representatives. At the conference, Selena's new product was presented – COOL-R, the innovative roofing coating. On the same day, meetings were organised for the key business partners of the Bulgarian company, attended by the CEO of Selena FM S.A. Jean-Noël Fourel, Vice-President of the Management Board responsible for Sales and Marketing – Marcin Macewicz and Managing Director of Selena Bulgaria – Diyan Dimitrov. More than 80 people attended the evening meeting with customers, including representatives of Selena's most important partners in Bulgaria such as Bright 2000, Te-Trade Group, Argos 71, Stad Bliznakov, HVG Komers, Toplivo, Bulgarian Association of Thermal Insulation and Waterproofing, Eco Savro, V-Eland, Inter al-Pin and many more.

Silver Partner of the "Turbo Roofer" competition – Selena S.A. (7–10 February 2017)

At the International Construction and Architecture Fair BUDMA 2017, the Polish Association of Roofers arranged the first roofing competition called "Turbo Roofer", and Selena S.A. became a Silver Partner of that event. During the event, TYTAN Professional and Matizol products were presented. BUDMA is one of the most important meeting places for producers of modern technologies and construction materials, architects, contractors and investors.

YugBuild exhibition (WorldBuild Krasnodar) – Selena Vostok (28 February – 3 March 2017)

Selena Group's Russian company – Selena Vostok – participated in international fairs, the largest ones in the south of Russia, with construction and finishing materials, engineering equipment and architectural products: "YugBuild/WorldBuild Krasnodar". Selena Vostok mainly presented the products of Tytan Professional brand and COOL-R – highly reflective, waterproof roof coating. The event was attended by nearly 5 thousand representatives of retail and wholesale trading companies, 3.5 thousand representatives of companies dealing with construction, repair and renovation, 600 architects and designers.

Russia – MosBuild Fair and press conference (5 April 2017)

In April 2017, Selena Group presented in Russia innovative solutions for the construction industry. The opportunity to do it came in mid-April when international MosBuild fair was held, the biggest construction show in the Russian Federation. This year's edition was visited by more than 63,000 people, and Selena's stand attracted about 1,500 visitors. During numerous meetings of industry representatives, the company's managers personally presented the plans and technologies, which was appreciated by existing customers and resulted in 500 new trade relations being established. At the same time, Selena, which celebrated its 25th anniversary, organised a press conference at which management board summarised the activities of the Group and the local company Selena Vostok, and outlined operational and development plans, both on the global front and in the Russian market.

Feicon Batimat 2017 in Brazil (4–8 April 2017)

In April 2017, Selena Sulamericana took part in one of the largest and most important industry events in South America – FEICON BATIMAT 2017 fair. During the fair, which was visited by over 90,000 people, Selena premiered as many as six products. We were the only exhibitor that gave visitors an opportunity to test a selected product on their own. There were 300 companies, with 1,500 brands in their portfolios, exhibiting their products at the 23rd edition of FEICON BATIMAT 2017. Among them, a significant 70 products belonged to Selena Sulamericana Group. We are particularly pleased that over five days more than 2,000 visitors from 11 countries signed up at our stand and found out about our dedicated product range.

European Economic Congress; European Start-up Days (11 May 2017)

One of the participants of the 9th Edition of the European Economic Congress, organised in Katowice since 2009, was Krzysztof Domarecki, Chairman of the Supervisory Board of Selena FM S.A., who took part in the debate "Economic diplomacy – a new opening?". This Congress is one of the most important business events in Central Europe. It focuses on a number of issues related to the broadly understood functioning of the economy, discussing external factors which stimulate business growth and considering obstacles that the economy has to face. New directions of development and new technologies are presented that have the potential to trigger revolutionary changes. The European Economic Congress grows stronger with each edition: this year, the event had 132 sessions, 700 speakers and over 9,000 participants, including 660 media representatives.

During the Congress, Selena was awarded as "Promoter of the Polish Economy". The award, conferred for the first time in history – as an idea of the "Teraz Polska" (Now Poland) Foundation – is designed to promote the companies whose achievements successfully build the awareness of the "Poland" brand, both at home and abroad. European Start-up Days is an event that connects the world of new ideas with funds needed for their implementation. Organised for the second year in a row, as part of the European Economic Congress, the event is also a platform for the exchange of knowledge, where people who have been successful in business share their experiences. One of the speakers at the European Start-up Days was Krzysztof Domarecki, founder and creator of success of Selena, a global producer and distributor of construction chemicals. During the event, he answered the question: "How to develop a start-up from nil to PLN 1 billion in the Polish conditions. Entrepreneur's comments". In his presentation he focused on his personal experience of investing in Selena and start-ups as well as his observations relating to innovation development in Poland, Europe, United States and China.

25th anniversary gala in Romania (8–9 June 2017)

On 8 June, Selena celebrated its anniversary Romania, where the Group's first foreign affiliate was established. Selena Romania is Group's first company set up outside of Poland. The press conference was attended by: The Group's CEO Jean-Noël Fourel, Marcin Macewicz, the Vice President for Sales and Marketing of Selena FM S.A., Michał Specjalski, Head of Marketing of Selena FM S.A., and Daniel Sipu, General Manager of Selena Romania. The local industry media had the opportunity to meet and listen to the presentations made by representatives of Selena's Top Management. The main message accompanying the event was the slogan "GLOBAL EXPERIENCE. LOCAL HEROES", which emphasises that strong cooperation between the Head Office and local companies is the key to success: The conference also was an opportunity to present the innovative FOAD solutions, including Tytan 60 SECONDS.

After the show, journalists had an opportunity to ask questions about the company and its products, and to conduct individual interviews. An important element of the first part of the meeting was networking: individual conversations in the lobby, aimed at establishing relationships and exchanging experiences. The second part was an evening event to which 110 clients of Selena Romania were invited. The guests could find out about the company's strategy and prospects for the future and took part in a mini trade show – a live demonstration of selected products.

25th anniversary gala in Italy (12–13 June 2017)

On 12 June in Milan, we celebrated the Group's 25th anniversary of the 14th anniversary of the Italian company. In the local market, we are now one of the leaders in innovation, placing a strong emphasis on development of sustainable construction. The celebration of the 25th anniversary was an opportunity to review the most significant events in the company's history. This included, for example, the opening of Selena Italia branch in Padua in 2003. In this way, the Polish company made inroads into the Italian market, where it is one of the major players in the field of sustainable construction today. The event was divided into two parts: a press conference and a mini trade show, which was an opportunity to see the fast Tytan 60 SECONDS foam adhesive in action. The evening part of the meeting was dedicated to Selena's Italian clients.

The Korean EXPO 2017 exhibition in Warsaw (June 29-30, 2017)

Selena Group also participated in the last year's edition of the KOREA EXPO 2017 exhibition organised by the Embassy of the Republic of Korea in Poland. At the opening gala, Michał Specjalski, Head of Marketing of Selena Group, delivered a speech

about conducting business in South Korea from the perspective of a foreign investor. Selena FM SA has been present in Korea for more than 16 years as a result of its investment in Hamil Selena Co. Ltd.

25th anniversary gala in Wrocław – Selena FM S.A, Selena S.A. (14 July 2017)

The first gala to celebrate the 25th anniversary of Selena Group was organised in Wrocław at the Terminal Hotel. During the ceremony, key development paths for the coming years were presented and the Group's successes achieved to date were discussed. The event was attended by employees, invited guests and business partners. Among the guests, there were representatives of local authorities: the Mayor of Wrocław Rafał Dutkiewicz and the Treasurer of the Lower Silesia Province Elżbieta Berezowska.

25th anniversary gala in Ukraine – Selena Ukraine (19 July 2017)

In July 2017, Selena Group celebrated 25 years of its existence with the local company, Selena Ukraine. At the press conference, the results achieved and plans for development in the local market were outlined. Innovative solutions for the construction industry were presented, and a show was staged to demonstrate the new foam adhesives (FOAD) category, which revolutionised the approach to construction work. There was also a meeting with Selena's customers, business partners and employees.

25th anniversary gala in Turkey – Selena Malzemeleri Yapi (25 August 2017)

On 25 August, a press conference and Selena Group's 25th Anniversary Gala took place in Istanbul. During the meeting with journalists, the company's Management Board members, as well as other top management members, presented Selena's history and strategy, mainly the key innovations created by Selena's R&D centers, and emphasised the unique role of the local company in Turkey in providing the most advanced solutions for professional contractors and individual users in the country. The 25th anniversary celebration was also an opportunity to present the latest products added to the Group's portfolio.

Polish–Kazakh forum in Astana (6 September 2017)

On 6 September, a Polish–Kazakh Forum was held in Kazakhstan, during which the Chairman of the Supervisory Board of Selena Group Krzysztof Domarecki gave a speech "SELENA – Investing in business in Kazakhstan". The Forum was organised on the occasion of the Polish National Day at EXPO 2017 in Astana. At the end of the Forum, the Polish President Andrzej Duda and the President of Kazakhstan Nursultan Nazarbayev addressed the attendees, speaking about Selena as a Polish company which successfully develops in operations in Kazakhstan.

25th anniversary gala in Kazakhstan – Selena CA (7 September 2017)

On 7 September, a press conference and the Group's 25th Anniversary Gala took place in Kazakhstan. The press conference included a presentation of the Group's innovative products and future plans connected with the Kazakh market. After the press conference, representatives of the Group's authorities, employees and Selena's Kazakh clients participated in a gala.

President's visit to the Selena Insulations Factory (7 September 2017)

On 7 September, the President of the Republic of Poland Andrzej Duda visited Selena Insulations – Selena Group's newest and most modern production plant in Kazakhstan, located in the Special Economic Zone "Astana – New City". On his visit, the Polish President together with Selena's founder Krzysztof Domarecki and the Group's CEO Jean Noël Fourel visited the plant opened in December 2016.

Selena at EXPO (June–September 2017)

Selena Group was one of the exhibitors as part of the Polish Exposition at the Astana EXPO 2017 International Exhibition, whose theme was "Future Energy". At the show, Selena presented its proprietary COOL-R system, an absolute breakthrough in the construction industry. The COOL-R technology supports energy efficiency and reduces carbon emissions. Selena was awarded in a competition organised by the Polish Agency for Enterprise Development for promoting modern technologies as part of the Polish Exposition at EXPO 2017. Selena entered the competition with its COOL-R coating. The product was also applied on the roof of an exhibition building in Astana to seal 2,400 m² of the ducts for removing water.

25th anniversary gala in Wałbrzych – Selena CA (16 September 2017)

16 September 2017 saw the Group's last 25th anniversary gala, which was held in Wałbrzych in the Stara Kopalnia (Old Mine) Science and Arts Centre. The event brought together employees of Selena's all production companies in Poland and employees of Selena Labs, company engaged in R&D operations. Among the guests there were also representatives of local authorities.

Participation in a meeting of the European Trade Promotion Organisations (18–20 October 2017)

On 18–20 October 2017, the 58th meeting of the European Trade Promotion Organisations (ETPO) took place in Warsaw. Selena Group was one of the invited guests. The main topic of the meeting was building and efficient use of business networks in the promotion of foreign trade. The meeting was attended by nearly 60 representatives from different countries. Ewa Ostaszewska, Brand & Marketing Communications Manager, Selena FM S.A. spoke about Selena's foreign expansion and the company's cooperation with the organisations which support the activities of Polish companies on the international stage.

"There is no future without entrepreneurship" – Gala organised by *Dziennik Gazeta Prawna* (24 October 2017)

Selena Group took the first place in the "Brand" category under the project "There is no future without entrepreneurship" organised by the *Dziennik Gazeta Prawna* daily (DGP). The lead theme in the DGP's campaign was prospects for the Polish business and the potential for its development. Selena, which celebrated its 25th anniversary this year, has been contributing to the rapid growth of the construction chemistry sector in Poland and the world since early 1990s, offering innovative solutions adapted to the needs of diverse markets.

Certificate for Selena: Ambassador of *Sportowa Polska* 2017 (25 October 2017)

Selena S.A. was honoured as an Ambassador of a programme carried out by Klub Sportowa Polska (Sporty Poland Club). The aim of the programme is to promote cities, municipalities, districts and their authorities which care about sports promotion and safety. One of the assumptions is also to raise awareness of the need to create sports facilities, including those friendly to children and people with disabilities. The programme also supports the promotion of a healthy, active lifestyle among inhabitants of the areas concerned.

Selena S.A. – Construction Creator 2017 (23 November 2017)

On 23 November 2017, during a gala at the Sobański Palace in Warsaw, Andrzej Ulfig, Management Board President of Selena S.A., received two awards: for the company and for his personal achievements. The organisers recognised Selena for the quality of its products, daring implementation of innovative solutions and for human capital, all of which make Selena a leader in the construction chemicals industry.

BIOmotive – BIObased (6–7 December 2017)

Selena Group's employees were present at the BBI Stakeholder Forum 2017 conference, which took place in Brussels. During the conference, Selena presented the BIOmotive project. The purpose of the project is to create single-component and two-component polyurethane foams, as well as adhesives and sealants based on raw materials of plant origin, which, according to the project assumptions, cannot be used by people or animals. The project fits in the "mega trends" of the global economy. One of those is the pursuit of economically and environmentally justified exchange of raw material sources where chemical components from renewable sources will replace crude oil resources. The end products obtained in this way are supposed to have the same useful properties as products currently synthesised on the basis of raw materials from crude oil with a significantly reduced environmental impact (carbon footprint).

"Made in Wro" (14 December 2017)

On 14 December 2017, Krzysztof Domarecki took part in the "Made in Wro" conference which took place in the Centennial Hall (Hala Stulecia) in Wrocław. The founder and Supervisory Board Chairman was one of the individuals who together with the Mayor of Wrocław Rafał Dutkiewicz inaugurated the opening session, answering the question: "Why is it worth building the 'Made in Wrocław' brand?"

The "Made in Wrocław" brand is a combination of a business conference and a free trade fair. The conference part is addressed to representatives of the business world, being a forum for experience-sharing and showcasing new technologies. During the show people have an opportunity to see the portfolio of services and products offered by Wrocław-based, innovative companies which are the pillars of the Lower Silesia. The event was attended by 3,000 participants, 30 speakers, 30 startups and more than 50 Wrocław brands.

1.8.4. Other significant events

In 2017, no significant events occurred for the Group other than those described in this report or in the Group's financial report for 2017.

1.9. Development of R&D operations

The Group's R&D activity is carried out by Selena Labs sp. z o.o. and through the labs in China, Spain, Turkey and Brazil. The experts working in Selena Labs mainly prepare recipes for new products and deal with technical support for the Group companies. The company prepares new formulations of adhesives, sealants, hydro-insulation products and single-component polyurethane foams.

In the first quarter of 2017 Selena Labs's research and development team focused primarily in the area of adhesives and sealants.

Nine new product formulations were developed, including two new formulations for neutral silicones and low-module hybrid sealant.

In the second quarter of 2017, Selena continued optimisation work on the technology of production of hybrid and polyurethane adhesives. For example, a formulation was developed for the hybrid HIGH TACK adhesive in five new colours, formulations for neutral silicones that do not emit harmful substances (classified as NO MEKO).

In the third quarter of 2017, Selena Labs' research and development team focused primarily on developing innovative products, including a new adhesive based on hybrid polymers. As regards industrial adhesives, work mainly focused on expanding the offer and modifying the existing products to suit customers' special needs. In the area of waterproofing products, further work was carried out on modification of COOL-R, the highly-reflective waterproofing roof coating, to expand the range of its use in various temperature and humidity conditions. At the same time, optimisation measures were taken with regard to raw materials and technologies. One of the most important product added to Selena's offer at the time was the family of foams which are in line with the eco trends: foams without MCCP. MCCPs are medium-chain chlorinated paraffins used in foams as plasticisers and fillers. As required by the EU legislation, for several years now MCCPs have been labelled as "harmful to the aquatic environment", and their presence in foam may have a negative effect on the environment. This is why Selena is expanding its portfolio of products which do not contain this ingredient.

In the fourth quarter, work was continued in the segment of adhesives and sealants with a focus on development of hybrid technologies. Selena implemented two new formulations of non-phthalate parquet adhesives meeting high ecological requirements, which allowed the company to obtain low-emission certificates Emission EC1, A+, M1.

Work continued on the new assembly adhesive, which will combine the two most important features - a strong first grip and very fast curing of the product. Work also started on a new solvent-based mounting adhesive for the Asian market and a transparent polyurethane adhesive for the Turkish market. There is also an ongoing optimisation focusing on the production technology of hybrid and polyurethane adhesives and sealants.

A line of fire retardant products was implemented including an acrylic sealant and silicone, whose production is to start in Q1 2018.

In the area of waterproofing, work continued on a new production technology based on bitumen emulsions.

A formulation was developed for a two-component bituminous compound designed for making thick-film waterproofing coatings, the implementation of which is planned in the 2018 season.

Tytan Ultra 70 foam was approved for production and regular sales. This is expected to be the market's fastest foam in terms of application. It was presented to key clients who highly appreciated its application parameters.

1.10. Key investments

In 2017, as in the previous year, Selena Group carried out necessary development investments, mainly modernisations, in most of its production plants.

Capital expenditure in 2017 mainly concerned investments at production plants: Selena Iberia in Quer (Spain), Libra in Dzierżoniów, Selena Insulations in Astana (Kazakhstan), Orion in Nowa Ruda and Selena Nantong (China). Another major investment in 2017 was the construction of a new research and development laboratory in Dzierżoniów. The new laboratory building is to bring together most of the Group's distributed R&D functions.

1.11. Description of risks and threats

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

The macroeconomic situation in Poland and world-wide. The forecast of the International Monetary Fund, published on 11 January 2018, concerning the situation in the global economy, suggests that in 2018 the global economy will grow by 3.9% vs. 3.7% in 2017, while the economies of developed countries are expected to grow by 2.3%, which is the same as in 2017. Developing countries are expected to grow by a significant 4.9% (vs. 4.7%). As regards the key markets of Selena Group in Europe, it is important to note that the Spanish economy is expected to grow by 2.34% (vs. 3.1% in 2017), while Italy is to grow by 1.4% (1.6% in 2017). According to the IMF, positive GDP growth will also be seen by other countries in which Selena Group is present, including China at 6.6% (6.7% in 2017), Russia 1.7% (1.8% in 2017) or Brazil 1.9% (1.1% in 2017). As regards other countries in which Selena Group operates, the World Bank's forecast published in January 2018 points to the following growth rates compared with the previous year: Bulgaria 3.9% vs 3.8%; Kazakhstan 2.6% vs. 3.7%; Romania 4.5% vs 6.4%; Turkey 3.5% vs. 6.7%; Hungary 3.8% vs. 3.9% and Ukraine 3.5% vs. 2.0%. For Poland, the World Bank and the Institute for Market, Consumption and Business Cycles Research forecast GDP growth of 4% and 3.9%, respectively.

Situation in the construction sector. Demand in the construction chemicals market will be traditionally influenced by the situation in the residential construction segment, where these materials are used to the highest degree. According to the information published by the Central Statistical Office (GUS) on 19 March 2018, in January and February 2018, home completions increased by 10% year-on-year (in 2017, a growth of 12.5% was noted vs. 2016). In the first months of 2018, the number of building permits issued or building notifications received was 11.5% higher vs. 2017 (a growth of 47.8% was reported a year before). Also, the number of started residential projects increased by 20.3% (vs. a growth of 55.0% a year before), which augurs well for the Polish market. According to the GUS data published on 19 March 2018, in January–February construction and assembly production rose by a significant 32.3% vs. previous year. In turn, according to the report on market climate published on 22 March 2018, in March the General Business Indicator in the construction sector was positive, although slightly lower in February. The current portfolio of domestic and foreign orders continues to receive positive ratings.

Availability of financing. According to the latest AMRON – SARFIN report published on 28 February 2018, in 2017 banks issued 190.6 thousand new housing loans with a total value of PLN 44.6 billion. This is nearly 7% and 12.9% more in terms of number and value, respectively, compared with the previous year. According to the authors of this report, the results for 2018 may be similar to those achieved in 2017, i.e. around 190,000 mortgage loans sanctioned totalling nearly PLN 45 billion. According to the results of the PENGAB banking business sentiment index published by the Polish Banks Association in February 2018, for 6-month projections 65% of the polled bankers pointed to an increase, 27% to stabilisation and merely 6% to a decline in the volume of housing loans.

FX rates. According to the forecast of Raiffeisen Bank International published on 5 March 2018 (Bloomberg source), the currencies of the Central European countries should be rather stable vs. euro. The zloty should remain at 4.20–4.25 vs. euro. Raiffeisen Bank's forecasts for other currencies in the area of interest for Selena Group are as follows: Hungarian forint 315–310 EUR/HUF, Romanian leu 4.65–4.70 EUR/RON, Czech crown 25.2–25.0 EUR/CZK. The Russian ruble is also expected to remain stable against the euro throughout 2018 at around 70 EUR /RUB.

Collection risk. Selena Group sells products with a deferred payment date, which causes a risk of non-payment for the products and services supplied to buyers. In order to minimise credit risk, Group companies monitor their trade receivables on an ongoing basis and operate a policy of approving credit limits. An increasing number of Group companies insure a portion of their trade receivables. Selena Group have not observed any material increase in overdue receivables. The age structure of trade receivables is presented in Note 20.1 of the consolidated financial statements.

Commodity prices. In 2018, the prices of basic raw materials stay at a high level reached in 2017. The high price of PMDI levelled off and is not expected to grow further (e.g. due to a lack of growing demand). The supply of raw materials for the production of acidic silicones and polymers is rather limited. There are problems with their availability, which generates potential for an increase in their prices. The increase in asphalt prices results directly from oil prices and active investments in road construction. The prices of other commodity groups should be relatively stable.

The risk of a different assessment by tax authorities of transactions between Selena Group companies. The parent company Selena FM S.A. and Selena Group companies enter into intercompany transactions that may be subject to inspection by the tax authorities. The main purpose of the inspection is to check whether these transactions are entered into on an arm's length basis and whether the tax payable on such transactions is not understated. The companies of Selena FM Group have an obligation to prepare transfer pricing documentation and perform comparative data analyses as and when required. In addition, in 2017, extended transfer pricing obligations were imposed on Selena Group companies (including, e.g. new documentation obligations or extension of the scope of data indicated in the transfer pricing documentation). The approach and practice of tax authorities is not yet fully established and hence not possible to predict.

The parent company is of the opinion that all transactions that the Company and the Group companies make with related entities were and are concluded only on an arm's length basis. However, it cannot be ruled out that tax authorities may have a different assessment of the Company's transactions with related entities, which could result in a need for adjustment of taxable income and the need to pay an additional tax along with default interest, which could have an impact on the Company's and the Group's financial result.

Risk related to changes in legal and tax regulations. Frequent changes in legal provisions and their inconsistent interpretations, which is typical of the Polish legal system, may impair the financial position of the parent company or Selena Group companies (e.g. as a result of a need to bring the operations of the Company or Group companies in line with the resulting changes). Any amendments to or introduction of new local and EU laws may affect the situation and development prospects of Selena FM S.A. or Group companies, including their financial results. In consequence, they might have to incur additional costs to adapt their operations to such new or amended legal provisions.

The above considerations relating to variability of laws and regulations and their inconsistent interpretation also apply to tax law. In particular, it should be noted that 15 July 2016 was the effective date of the Tax Ordinance, notably the General Anti-Avoidance Rule (GAAR), which is intended to prevent the creation and use of artificial legal structures designed to thwart tax avoidance. The above provisions apply to tax benefits arising from artificial legal structures that were achieved after the effective date of the GAAR clause (irrespective of when the structure was created). As a consequence, the determination of tax liabilities may require a significant degree of judgment, including in relation to the transactions that have already occurred, and the tax charges presented and disclosed in the financial statements may change in the future as a result of inspections by tax authorities.

Due to the introduction of the GAAR, it should be noted that there is an inherent uncertainty regarding interpretation of operations of those entities by Selena Group companies in the context of their recognition under tax law, which may affect the ability to use deferred tax assets in future periods and a need to pay additional tax for past periods.

Polish tax authorities may inspect books of account and tax settlements within five years after the end of the year in which tax declarations were filed and assess an additional tax to be paid by Group companies, along with penalties and interest.

Risk related to the introduction the GDPR. From 25 May 2018, the Parent Company and Group companies, as entities processing personal data, will be subject to the requirements of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation or GDPR).

Implementation of the the GDPR requires a change in the approach to the protection of personal data in the organisation. The new requirements include an need to analyse the risks associated with data processing, adapt documentation and procedures to the new requirements and take into account the broad rights of the data subjects. Entities which are in breach of the new law face a fine of up to EUR 20 million or up to 4% of the total worldwide annual turnover. In addition, a temporary or a total ban on personal data processing.

In addition, the materialisation of this risk (possible infringement of the legal provisions on protection of personal data) may involve claims against the Company or Group companies by the data subjects or cause a loss of image/ reputation and customer trust. Early in 2017, the Company and Selena Group companies took steps to ensure their activities fully comply with the administrative requirements resulting from the GDPR. However, it cannot be completely ruled out that if the provisions of the GDPR are breached, the Company or Group companies may be exposed to the obligation to pay administrative fines.

1.12. Expected development of the Group

In 2018, the growth of Selena FM Group will continue to be driven by boosting sales in mature markets, especially in Western Europe, while taking advantage of the improving economic situation in the Eastern markets.

The priority areas for the next years are:

- Balanced growth of sales in many markets, notably in the economically stable ones
- Development of the sales of products that are innovative on an European scale
- Constant improvement of the existing products and mitigating the effects of an increase in raw material prices
- Transferring increases in raw material prices to the market
- Strengthening the market position in the group of adhesives and sealants in global markets
- Consolidation of business position in the mature Polish and Spanish markets
- Continued improvement of operational effectiveness of the Group and optimisation of their production potential.

1.13. Investment plans

In 2018, Selena FM Group intends to focus on modernisation investments to increase the effectiveness and efficiency of production lines and on investments into work safety. The investments will primarily focus on the plants which produce foams, sealants and adhesives (approx. 35% of the capex), plants from the ECC Division and the Waterproofing Division (approx. 27%). Selena is going to finalise construction and fit-out of a new research and development laboratory in Dzierżoniów (approx. 18%).

There are plans to run a pilot of the ERP class IT system based on Microsoft Dynamics AX 2012 at selected foreign affiliates. IT expenditures are expected to have a 10% share in the total capital expenditures planned for 2018.

If the economic conditions are attractive enough, Selena FM Group might consider business investments (acquisitions), provided they are attractive enough and are a good fit with the Group's growth strategy.

2. Financial position

2.1. Financial performance

The tables below show selected items of the consolidated income statement and selected financial ratios.

Figures in PLN thousand	Year ended 31 December 2017	Year ended 31 December 2016	Change	Change %
Revenue from sales	1,178,706	1,013,819	164,887	16.3%
Cost of sales	836,011	680,849	155,162	22.8%
Gross profit on sales	342,695	332,970	9,725	2.9%
Selling and marketing costs	192,823	180,386	12,437	6.9%
General and administrative expenses	98,156	81,976	16,180	19.7%
Other operating profit (loss)	-8,282	-34,977	26,695	-
EBITDA – operating profit + depreciation / amortisation	69,180	59,220	9,960	-
Operating profit (loss) (EBIT)	43,434	35,631	7,803	-
Net financial income (loss)	-27,716	8,644	-36,360	-
Share in net profit/loss of the associate	485	481	4	-
Profit (loss) before tax	16,203	44,756	-28,553	-
Profit (loss) after tax	6,839	32,249	-25,410	-
Total other net comprehensive income	-11,369	4,962	-16,331	-
Total comprehensive income	-4,530	37,211	-41,741	-

			Change in p.p.
Gross profit margin	29.1%	32.8%	-3.8
Selling costs / revenue from sales	16.4%	17.8%	-1.4
General and administrative expenses / revenue from sales	8.3%	8.1%	0.2
EBITDA margin %	5.9%	5.8%	0.0
Operating profit margin (EBIT%)	3.7%	3.5%	0.2
Net profit margin	0.6%	3.2%	-2.6

EBIT % – operating profit / sales

EBITDA % - EBITDA / sales

Sales

Consolidated revenue from sales in 2017 amounted to PLN 1,178.7 million, which is by 16.3% (by PLN 164.9 million) more than in the corresponding period of the previous year.

The sales of Selena Group are presented by three geographical segments: the European Union (including Poland), Eastern Europe and Asia (including Russia and China), and North and South America (USA and Brazil). The sales structure by segments has not changed significantly compared with 2016. European Union remains the key geographic segment. It generated 61% (vs. 63% in 2016) of total sales. The Poland subsegment maintains its share in total sales (approx. 40%), *inter alia* thanks to the products sold by the manufacturing plants located in Poland to private label customers abroad. The Eastern Europe and Asia segment increased its share to 32% thanks to strong sales improvement in Russia, Kazakhstan and China. The North and South America segment maintained its share in sales, achieving 7% contribution to Group's revenues, despite growth in terms of value.

Segment	Segment's share in the Group's revenues		Change
	Period ended 31 December 2017	Period ended 31 December 2016	2017 / 2016
European Union, including:	61%	62%	14%
<i>Poland</i>	37%	39%	10%
<i>Other countries</i>	24%	23%	22%
Eastern Europe and Asia	32%	31%	24%
N&S America	7%	7%	0%

Gross profit on sales

For 12 months of 2017, Selena Group generated gross profit of PLN 342.7 million, i.e. PLN 9.7 million more year-on-year.

Gross profit margin was 29.1%, down 3.8 p.p. year-on-year. The margin decreased mainly as a result of a major increase in raw material prices, which the Group tries to transfer gradually to the market, depending on the price competition conditions in individual markets.

Selling costs and general and administrative expenses

Selling costs in 2017 were PLN 192.8 million, up by PLN 12.4 million, i.e. 6.9% year-on-year. The increase in selling costs is a consequence of the sales growth in 2017; on the positive side, the sales growth rate (16.3%) was significantly higher than the growth rate of selling costs.

General and administrative expenses in 2017 increased by PLN 16.2 million (19.7%) year-on-year. The increase is due to the unfavourable impact of conversion of the local currencies into the Group's functional currency, recognition of the costs of Uniflex acquired in 2017; the start of amortisation of the ERP system (in Q2 2017) and a change in calculation of depreciation/ amortisation in Selena Iberia. In addition, in 2017, general and administrative expenses were influenced by the increase in salary costs resulting from the situation in the labor market, and appointment of new members of the Group's executive team at the N and N-1 levels. In addition, a part of the costs directly correlated with sales, e.g. the cost of trade credit insurance or the cost of bank fees associated with credit card payments in 2017 were also presented in general and administrative expenses.

Other operating loss of PLN -8.3 million represents a significant improvement of PLN 26 million on the last year's figure. This was an effect of the programmes designed to streamline the Group's operating activity and impose a stricter discipline on the trade credit policy. Other operating loss was affected by the cost of unused capacity (PLN 2.5 million), impairment allowances on receivables, including the write-off of bad debts, less allowances (PLN 2.6 million), impairment allowances for inventory, cost of liquidation of stocks and inventory shortages, less reversed allowances for the value of stocks and stock-taking overages (PLN 7.3 million).

The result on other operations was also positively influenced by subsidies received (PLN 2.1 million).

Operating profit (loss)

In 2017, the Group generated an operating profit of PLN 43.4 million vs. PLN 35.6 million in the previous year, up 21.9% year-on-year. The change in operating profit resulted from an increase in sales and a reduced ratio of selling costs to turnover, as well as a significant improvement on the result on other operations.

Profit after tax

In 2017, Selena Group generated net profit of PLN 6.8 million vs PLN 32.2 million posted a year before. The profit margin was lower by 2.6 pp. The Group's net result was primarily influenced by the net financial income, including by valuation of open currency positions (trading settlements and loans received/granted). In the reporting period of 12 months of 2017, operating profit was reduced by a net loss on financial activity of PLN 27.7 million, including a negative balance of FX differences (PLN 24.7 million). For comparison, over 12 months of 2016, the Group's net FX position was PLN 16.2 million. In 2017, there was an unfavorable trend in key currency pairs, i.e. EUR/RUB and EUR/PLN at the beginning and at the end of the reporting period. The Selena Group hedges the active part of its currency exposures relating to trade receivables and liabilities, i.e. those that can actually be realised over 12 months. Under its FX Risk Management Policy developed in 2017, Selena Group hedges its currency exposure by using multi-currency credit lines, in particular by entering into forward transactions, primarily in EUR/RUB and EUR/PLN. In 2017, the Group ensured financing for Selena Vostok's operations with local loans totaling RUB 700 million. In addition, companies from Brazil, Italy, Turkey and Romania converted a part their short-term currency exposure to a long-term one, which in the following years will significantly reduce currency exposure, neutralising the negative impact on the Group's financial result. A number of actions undertaken in 2017 which had a positive impact on the Group's financial activity (currency differences effect) had some positive impact already in 2017, but the biggest effect will be observed in 2018.

The cost of interest on loans and finance leases totalled PLN 4.0 million net (after reduction by the achieved interest income from bonds and bank deposits), and was higher by PLN 1.4 million year-on-year.

For 12 months of 2017, the income tax charge was PLN 9.4 million vs. PLN 12.5 million posted in the corresponding period of 2016.

After the 12 months of 2017, EBITDA was PLN 69.2 million (including depreciation/amortisation: PLN 25.7 million) and was by PLN 10 million (16.9%) higher year-on-year.

2.2. Asset and financial position

The table below shows selected figures of the consolidated statement of financial position as at 31 December 2017 and 31 December 2016.

Figures in PLN thousand	31 December 2017	31 December 2016	Change	Change %
Non-current assets	313,531	327,114	-13,583	-4%
Property, plant and equipment	220,825	231,803	-10,978	-5%
Intangible fixed assets	55,475	54,110	1,365	3%
Other long-term assets	37,231	41,201	-3,970	-10%
Current assets	508,645	475,949	32,696	7%
Inventories	193,040	144,844	48,196	33%
Trade receivables	206,435	181,630	24,805	14%
Cash	52,921	54,704	-1,783	-3%
Other current assets	56,249	94,771	-38,522	-41%
Equity	422,725	434,129	-11,404	-3%
Liabilities	399,451	368,934	30,517	8%
Loans and advances	152,129	178,090	-25,961	-15%
Trade liabilities	152,015	109,570	42,445	39%
Other liabilities	95,307	81,274	14,033	17%
	31 December 2017	31 December 2016		
Current liquidity	1.4	2.5		
Quick liquidity	0.9	1.7		
Debt ratio	49%	46%		

Current liquidity – current assets / current liabilities

Quick liquidity – current assets less stocks / current liabilities

The Group's balance sheet total increased by PLN 19.1 million.

The current and quick liquidity ratios (1.4 and 0.9, respectively) confirm the Group's ability to meet its current liabilities.

2.3. Debt

Net debt figures and debt ratios are presented in the table below.

Figures in PLN thousand	31 December 2017	31 December 2016
Interest bearing borrowings	152,129	178,090
Other financial liabilities	28,699	21,305
Less cash and cash equivalents	-52,921	-54,704
Net debt	127,907	144,691
Equity attributable to the shareholders of the parent	422,235	433,576
Equity and net debt	550,142	578,267
Gearing (net debt / equity + net debt)	23%	25%
Debt ratio (liabilities / total assets)	49%	46%
Net debt / EBITDA*	1.85	2.44

* 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 decreased vs. 31 December 2016 to PLN 152.1 million (down by PLN 26.0 million). A major improvement was noted in the debt covenant Net Debt to EBITDA ratio: which fell from 2.44 in 2016 to 1.85 at the end of 2017.

At the end of 2017, the debt ratio amounted to 49% and was higher than the ratio posted a year before (46%).

2.4. Cash flows

The tables below show selected items of the consolidated cash flow statement for 2017 and 2016.

Figures in PLN thousand	Year ended 31 December 2017	Year ended 31 December 2016	Change
Net cash flows from operating activities	-7,462	69,925	-77,387
Net cash flows from investing activities	48,795	-21,011	69,806
Net cash flows from financing activities	-43,137	-36,031	-7,106
Change in cash and cash equivalents:	-1,804	12,883	-14,687

In 2017, net cash flows were PLN -1.8 million vs. PLN 12.8 million in 2016.

Net cash flows from operating activities were PLN -7.5 million versus PLN 69.9 million in 2016. The value of operating cash flows were significantly affected by the increase in the value of inventory connected with e.g. a decision to increase the purchase of production input at the end of 2017.

Net cash flows from investing activities were positive at PLN 48.8 million compared with the negative balance of PLN -21.0 million recorded in 2016. This major change was driven by an inflow of PLN 60.4 million in respect of bond repayments.

Net cash flows from financing activities amounted to PLN -43.1 million. This figure was mainly affected by the net loan repayments (PLN -24.1 million), interest paid (PLN -7.4 million) and finance lease payments (PLN -5.1 million). The parent company Selena FM S.A. paid shareholders PLN 6.9 million in cash in 2017 as part of settlement of dividend payout.

2.5. Loans received

The balance of bank borrowings as at 31 December 2017 is presented in the table below.

Ref	Loan type	Maturity date	31 December 2017		31 December 2016	
			31 December 2017 Short-term portion	Long-term portion Maturity date	Long-term portion Short-term portion	Long-term portion Short-term portion
1	Working capital loan	07/2018	0	33,902	51,469	0
2	Working capital loan	07/2018	0	26,686	25,401	0
3	Working capital loan	01/2017	0	0	0	10,536
4	Working capital loan	12/2018	0	47,635	55,861	0
5	Investment loan	03/2018	0	411	440	1,759
6	Working capital loan	09/2019	9,428	0	19,805	0
7	Working capital loan	06/2018	0	18,260	0	0
8	Working capital loan	01/2019	0	3,844	0	0
9	Other	Different	3,286	8,677	5,754	7,065
			12,714	139,415	158,730	19,360

Details of the lending terms are presented in Note 24.2 of the consolidated financial statements for 2017.

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 2017, Selena Group maintained the consolidated financial ratios at the levels required by the lenders.

2.6. Loans and bonds

In January 2017, Universal Energy Sp. z o.o. repurchased PLN 350 thousand worth of bonds. Universal Energy Sp. z o.o. is, in accordance with IAS 24, a party related with Selena FM S.A through Mr Krzysztof Domarecki, Supervisory Board Chairman of Selena FM S.A.

On 25 July 2017, AD Niva Sp. z o.o. used the right of early redemption of some bonds purchased by Selena FM S.A. The earlier redemption related to the bonds with a total value of PLN 20 million.

On 28 December 2017, AD Niva Sp. z o.o. used the right of early redemption of some bonds purchased by Selena FM S.A. The earlier redemption related to the bonds with a total value of PLN 23 million.

On 29 December 2017, AD Niva Sp. z o.o. used the right of early redemption of some bonds purchased by Selena FM S.A. The earlier redemption related to the bonds with a total value of PLN 17 million.

As at the balance sheet date, AD Niva Sp. z o.o. redeemed all the bonds it had issued and which had been taken up by the Company.

AD Niva sp. z o.o. has 51.29% votes at the General Meeting of Selena FM S.A. Mr Krzysztof Domarecki, Chairman of Supervisory Board of Selena FM S.A., is the sole shareholder of Sirius Investments S.a.r.l., which is the sole shareholder of AD Niva sp. z o.o.

2.7. Guarantees and off-balance sheet items

The Group companies did not give any material guarantees to non-Group members. Specification of the guarantees provided by the Parent Company to Group companies is contained at Note 29.1 of the unconsolidated financial statements for 2017.

2.8. Financial instruments and financial risk management principles

Details of the Group's financial instruments are presented in Note 36 of the Group's consolidated financial statements for 2017. The Group's risk financial risk management principles (covering FX risk, interest rate risk, credit risk and liquidity risk) are presented in detail in Note 35 of the Group's consolidated financial statements for 2017.

2.9. Investments

In 2017, the Group did not complete any major financial investments, other than the necessary development initiatives.

2.10. Assessment of financial resources management

As at 31 December 2017, the ratio of current assets to current liabilities (current liquidity ratio) was 1.4. The Group's current assets amounted to PLN 508.6 million, while current liabilities were PLN 361.1 million. With such a structure, the Management Board sees no material risks to the Group with regard to liquidity and timely payment of obligations.

As at 31 December 2017, the Group's cash position was PLN 52.9 million. The Group also has undrawn committed credit limits of PLN 168.8 million, which in the opinion of the Management Board ensure financial liquidity and stable funding for the Group entities.

The Company has no problems maintaining liquidity. In the Management Board's opinion, there are no risks to the Company's capacity to service its obligations in a timely manner.

3. Other information

3.1. Material agreements

In 2017, the Group entered into the following material agreements:

- bank credit agreements (Note 2.5).

As deliveries and sales take place on an ongoing basis, no single material agreements were concluded in the ordinary course of business.

The table below shows material insurance agreements signed by the Group companies in 2017.

Contracting company	Insurance	Sum insured (million)	Ccy	Insurance period
All companies established in Poland	Property insurance against all risks and loss of profits	311.11	PLN	16/06/2017 - 15/06/2018
	General liability insurance (for the conducted business and property held)	20.00	PLN	16/06/2017 - 15/06/2018
	Motor insurance	Different	PLN	12 months
	Insurance against accidents and cost of medical service during foreign business trips	20.00	USD	11/06/2017 - 10/06/2018
	Liability insurance for firms providing accounting services to third parties (Selena FM SA)	0.10	PLN	02/02/2017 - 01/02/2018
	Electronic equipment insurance	3.73	PLN	16/06/2017 - 15/06/2018
	Loss of profit insurance	95.28	PLN	16/06/2017 - 15/06/2018
	D&O insurance	50.00	PLN	1/11/2016 - 31/01/2018
Selena Iberia	Asset insurance	28.99	EUR	
	Insurance against loss of profit due to business interruptions	10.20	EUR	
	Goods-in-transit insurance	0.18	EUR	
	Liability insurance for natural environment	3.00	EUR	01/01/2017 - 31/12/2017
	General liability insurance (for the conducted business and property held)	1.00	EUR	
	Trade credit insurance	24.00	EUR	
Global agreements	Trade credit insurance	45.80	PLN	1/11/2017 - 31/10/2018
		24.64	RON	16/06/2017 - 15/06/2018
Other foreign affiliates		11.95	TRY	01/11/2017 - 30/10/2018
	Insurance of assets against all risks, loss of profit	1,051.10	KZT	24/01/2017 - 23/01/2018
		1,641.10	KZT	01/03/2017 - 28/02/2018
		0.29	RUB	01/11/2017 - 31/08/2018
		4.30	TRY	
	General liability insurance (for the conducted business and property held)	4.67	RON	
		359.47	KZT	16/06/2017 - 15/06/2018
	Other	76.00	RUB	
	432.00	KZT	18/05/2017 - 17/05/2018	

3.2. Related party transactions

The companies from the Selena FM Group did not enter into any unusual transactions or transaction made on non-commercial terms whose total value would meet the materiality criteria (10% of equity).

3.3. Issue of securities

In 2017, no securities were issued.

3.4. Acquisition of own shares

The Company did not have any treasury shares either as at 31 December 2017 or at the date of publication of this report. The list of the Company's shares held by the executive and non-executive directors of the Parent are presented in Note 3.10 of this report.

3.5. Delivery of forecasts

The Company did not publish its consolidated forecasts for 2017.

3.6. Litigations

As at the date of approval of the financial statements, neither the Parent Company nor any Group company were a party to any court, arbitration or administrative proceedings whose value would exceed 10% of the Issuer's equity.

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

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

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

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

At the request of Bank Millennium, the Regional Court in Warsaw resumed the proceedings. During the first hearing on 14 March 2017, the attorney of Bank Millennium filed a motion to refer the case to mediation. The court decided to defer its decision regarding the motion. As at the date of preparation of the consolidated report, the Regional Court continues examine evidence for the case. The company expects that the decision of the court of first instance should be taken in 2018. The company has a legal opinion which shows that the claim for payment is very likely to be successful.

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

Selena S.A. is a party to customs proceedings, initiated by the Heads of Customs Offices in Gdynia and Gdańsk, relating to the imposition by the customs authorities of anti-dumping duty on the company in connection with the import of open-mesh fabrics. At present, there are 32 proceedings pending, in which anti-dumping duties of PLN 7,992.9 thousand in total were imposed on the Company in the first instance. The decisions taken by the courts of the first instance to impose the anti-dumping duty are solely based on the OLAF's report on the completed investigation, and actually, fact sheets sent by the Taiwanese authorities (tables appended to the to OLAF's report), whose quality and content cause the Company to have reasonable doubt, a fact that has been consistently brought to the court's attention. Where an authority of the second instance adopts an unfavourable decision, a complaint can be lodged with the Supreme Administrative Court.

Until 15 December 2016, the outcomes of the proceedings before administrative courts were favourable for the Company. The first unfavourable court ruling in customs matters was issued on 15 December 2016, after another examination of the above cases. The court dismissed the complaints made by Selena S.A., but did not refer to the inconsistent data arising from the OLAF report or the supplementary correspondence with OLAF. The above unfavourable ruling relating to the three complaints filed with the Provincial Administrative Court against the decision of the Head of Customs Chamber, increased

the risk of a negative outcome of the dispute, so a decision was made to raise a provision for this purpose. The Company does not agree with the court decisions and on 20 and 22 February lodged appeals to the Supreme Administrative Court.

On 27 September 2017, the court of the second instance, after considering the case, issued decisions upholding the decisions of the court of the first instance. In respect of the 15 decisions issued, the Company paid customs duty of PLN 4.4 million plus interest in a total amount of PLN 0.2 million.

In late October/early November 2017, complaints were lodged with the Provincial Administrative Court in Gdansk in further 15 cases, previously pending before the court of the second instance. The Provincial Administrative Court upheld the contested decisions. The judgments are not final and binding. The company disagrees with the judgments and plans to lodge cassation appeals to the Supreme Administrative Court. The duty resulting from all the 15 decisions has been paid.

A provision was raised for the amount of potential future customs obligations. The provision was posted in the 2016 costs and was partly used in 2017.

3.7. Unusual events and factors

Other key factors affecting the Group's performance in 2017 were described in Note 2 of this report.

3.8. Remuneration of the Management Board and the Supervisory Board

The remuneration of the Management and the Supervisory Board members of the Parent Company is described in Note 33 of the Group's consolidated financial statements for 2017.

3.9. Equity-based remuneration programmes

In 2017, no equity based remuneration programmes were in operation.

3.10. Shareholdings by executive and non-executive directors

The table below shows a summary of the shareholdings in the Parent Company by executive and non-executive directors as at the date of publication of this report.

Name	Role	Number of shares held	Nominal value of shares (PLN)
AD Niva Sp. z o.o. *	-	9,763,000	488,150
Syrius Investments s.a.r.l.**	-	8,050,000	402,500
Artur Ryglowski	Management Board member	7,600	380.00
Marcin Macewicz	Management Board member	600	30

* entity controlled by Krzysztof Domarecki, Supervisory Board Chairman, through Syrius Investment s.a.r.l.

** entity controlled by Krzysztof Domarecki, Supervisory Board Chairman

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

3.11. Agreements affecting changes in the proportion of shareholdings

The Company has not other information on any agreements that in the future might affect the proportion of shareholdings of the existing shareholders.

3.12. Control of Employee Share Programmes

In 2017, no employee shares programmes were in place in Selena FM S.A.

3.13. Information on the audit of the financial statements

On 25 May 2016, the Supervisory Board of Selena FM S.A. resolved to appoint Deloitte Polska sp. z o.o. as the auditor responsible for review of the interim financial statements and audit of the annual financial statements of the Parent Company, and the Group's consolidated financial statements for 2016 and 2017. The audit agreement was concluded on 6 July 2016.

Remuneration of the auditor of the Group's consolidated financial statements for 2017 and 2016 is presented in Note 34 of the consolidated financial statements for 2017.

4. Corporate governance principles

Corporate governance principles applied by the Group are presented in detail in the report on the activities of the Parent Company – Selena FM S.A. for 2017.

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 consolidated financial statements for 2017 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 Group and its financial performance and that the Management Board's annual consolidated report on activities gives a true picture of the Group's development, achievements and standing, including description of the key risks and threats.

THE MANAGEMENT BOARD'S STATEMENT ON SELECTION OF AUDITOR

The Management Board of Selena FM S.A. hereby declares that the auditor of the annual consolidated financial statements of the Group for 2017 was selected in accordance with the law and that the audit firm and its auditors fulfilled the necessary criteria to be able to issue an unbiased and independent opinion of the financial statements in accordance with the applicable laws and professional standards.

acting Management Board President

.....
Marcin Macewicz

**Vice-President of the Management Board
responsible for finance**

.....
Hubert Rozpędek

Vice-President of the Management Board

.....
Agata Gładysz-Stańczyk

Management Board Member

.....
Artur Ryglowski

Appendix 1 GROUP'S NON-FINANCIAL INFORMATION STATEMENT

I. Management area

1. Description of the business model and strategic development directions

1.1. Business model

Selena FM Group ("Group" or "Selena Group") is a group of companies which produce and distribute construction chemicals. The Group is based on Polish capital. 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 Group operates in international markets, producing and supplying a wide range of construction chemicals to professional contractors and individual users. The Group's product portfolio includes polyurethane foams, adhesives, sealants, waterproofing products, innovative roof coverings and building insulation systems. The Group's key brands are Tytan Professional, Quilosa, Artelit Professional and Matizol.

The Group's production plants are located in Poland, Brazil, China, Romania, Turkey, Spain, Italy and Kazakhstan and its products are available in the markets of more than 70 countries in the world. The Group also carries on R&D activity in Poland, Spain, Turkey and China. Selena Group also has an affiliated undertaking in South Korea – Selena Co. Ltd. and a JV Selena House Company Ltd. in China.

1.2. Main business strategy directions

Selena Group's activities focus primarily on:

- research and development
- rapid production growth
- rapid distribution growth.

Selena Group's mission statement is "Together we deliver better building performance", which is underpinned by many years of experience gathered in cooperation with clients: builders from all over the world. The key requirements for the Selena Group products are durability, energy-saving, healthy living environment, weather resistance, speed of application, convenience of application, efficiency, ready-made solutions and practical application methods as well as user safety.

The priority areas for the upcoming years are as follows:

- Balanced growth of sales in many markets, notably in the economically stable ones
- Development of the sales of products that are innovative on an European scale
- Constant improvement of the existing products
- Rapid development of the hydro-insulation product group, including a robust growth in the sales of COOL-R
- Strengthening the market position in the group of adhesives and sealants in global markets
- Consolidation in the mature Polish market
- Continued improvement of operational effectiveness of the Group companies to optimise the use of their production potential.

1.3. Implications of the business model

As a result of a consistent implementation of the adopted business model, Selena Group is now a global producer of construction chemicals, employing 1,740 people (as at 31 December 2017). Its products are distributed to 70 markets on 4 continents.

1.4. Strategies

Selena Group is constantly working on improvement of its existing and introduction of innovative solutions to the market – thanks to the exchange of knowledge and professionalism of the teams located in several countries. Diversification of sales markets allows the Group to pursue stable and balanced development.

The Group's strategic goal is also to improve work ergonomics and internal performance, recognise customer needs and deliver products tailored to global trends while respecting fundamental values such as human rights, equal employment opportunities, counteracting corruption or environmental protection.

With consistent implementation of its strategies and hard work, the Group believes it is able to deliver on its goals.

1.4.1. Environmental aspects

When implementing its business strategy, Selena Group always takes due account of environmental matters.

In the R&D area, Selena Group is an active partner of the Horizons 2020 Programme, whose one of the main goals is to contribute to the protection of natural environment.

In terms of dynamic production growth, Selena Group uses only certified raw materials. In addition, Selena Group's factories operate special programmes designed to save energy and reduce carbon emissions and waste.

In terms of products, Selena Group not only cares about expanding the range of its products, but also focuses on innovation. For example, Selena Group has developed COOL-R technology which allows roof temperature to be lowered by nearly 70%. This in turn helps reduce carbon emissions to the atmosphere.

In 2018, Selena Group plans to run a pilot environmental audit for all the Group companies headquartered in Poland. The purpose of the audit will be to thoroughly verify the current situation and identify possible areas for improvement in terms of environmental protection.

1.4.2. Social/ employment aspects

At present, no major employment downsizing is planned at the Group level. However, due to the noticeable reduction in the number of potential employees, Selena Group might consider future actions aimed at automation of production processes thus reducing the demand for workforce.

1.5. The market

Selena Group operates in the construction chemicals market. Its business area covers 70 local markets on 4 continents. The construction chemicals market is sensitive to changes in the macro environment, i.e. legal, social and technological changes. Particularly important are changes in regulations regarding the use, collection and disposal of chemical products and waste as well as the expectations of customers. This is also important due to the size of Selena Group. Therefore, Selena Group has specialised units responsible for ensuring efficient R&D, compliance and environmental management operations. The Group's market comprises four interlinked and complementary areas:

- a) Foams
- b) Adhesives and sealants
- c) Insulation systems
- d) Waterproofing systems.

The shares in particular segments constitute Selena Group's secret due to the difficult access to and inaccurate external research in this area.

1.6. Products and services

Selena Group executes orders in the markets of 70 countries. Such a large scale of the Group's operations results from the fact that at each stage of product development Selena Group guarantees innovative solutions that ensure adherence to the highest global standards, confirmed by numerous awards and international quality certificates. At present, Selena Group is one of the three largest producers of polyurethane foams in the world. The Group's portfolio includes a wide range of those products tailored to different customer needs and applications. The foams on offer include in particular:

- gun and straw foams
- high-yield and low-pressure foams
- winter and multi-season foams
- specialist and dedicated foams
- foam adhesives
- dispensing guns and cleaners.

In addition, Selena Group produces:

- sealants
- adhesives
- floor systems
- thermal insulation systems (Etics)
- systems for finishing interior walls
- systems for ceramic tiles
- mortars
- waterproofing materials
- building accessories.

To facilitate customers, the Group put on its website <http://www.selena.pl/pl/produkty/> a detailed description of its products, with information on their technical parameters and application areas.

1.7. Competitive environment

Selena Group's competitive market can be divided into three groups:

- a) foams, adhesives and sealants — the main competitor group is large international/ global enterprises including such brands as Soudal, Henkel, Knauf or Mapei;
- b) insulation systems – competition depends to a large extent on local markets and enterprises selling their products in those markets; there is no clear competitor in the global market;
- c) waterproofing systems – as in the case of insulation systems, competition mainly exists in individual local markets, without a clear competitor in the global market.

As the Group has observed, a consolidation trend can be seen in the construction chemicals market.

1.8. Supply chain

Selena Group's activity covers all stages of product creation: from advanced research to production, distribution, marketing and sales worldwide. To achieve the right flexibility in the supply chain, Selena Group has the following units responsible for individual elements of the supply chain:

- Master Data (e.g. registration of basic contractor data, supervision over their correctness, code allocation)
- S&OP (e.g. setting up and keeping track of purchasing plans, monitoring orders and procurement)
- Customer Service (e.g. contact with customers, entering orders, building customer relations)
- Transport & Warehousing (e.g. acceptance and registration of orders, supervision of the transport process, customs service, loading and unloading of goods, monitoring of inventories)
- Supply Chain Analytics (e.g. collection and processing of supply chain data, cost analysis).

2. Corporate governance

2.1. The Group's management structure

The Group comprises over 30 Polish and foreign companies, including production plants located on three continents. The Group's headquarters, from which the entire international activity is managed, are located in Wrocław.

For management purposes, the Group has identified 3 geographic segments:

1. European Union (including: Poland and Spain),
2. Eastern Europe and Asia (including Russia and China)
3. North and South America (the USA and Brazil).

The ownership and organisational structure of the Group and division into operating segments are presented in Note 1.7.1 of the Management Board's consolidated report on the Group's activities.

2.2. Instruments supporting effective management

Effective management in Selena Group is ensured by high-class managerial personnel. To facilitate their work, Selena Group has introduced the *Rules for Objectives and Performance Management System for Management Personnel*. The Rules describe such issues as: consolidating the managerial personnel around joint implementation of Selena Group's strategy; communicating and disseminating the Group's long-term business goals; creating a favourable environment for joint goal-setting; the process of managing goals and results and the system of bonuses for management personnel. Bonuses for management personnel are in particular linked to the IES index (Group/Company/Unit Efficiency Index) and individual MBO objectives. Additionally, ISO 9001 quality management standard was implemented in Polish production plants.

In addition to the above Rules, the Group developed and implemented *Rules for the system of performance management and granting bonuses to specialists at Selena Group's headquarters*. The purpose of these Rules is to motivate and grant additional benefits to the persons who achieve their objectives, designated as IES (Group Effectiveness/Company/Unit Index). The objectives and degree of their achievement are measured and recorded on the corporate Intranet site. Such a solution contributes to ensuring transparency, greater objectivity, as well as the possibility of comparing the employee's development with previous periods. Also, a tool for staff performance review was developed. The tool is still being worked on and has not been implemented yet.

2.3. Selena Group's information policy

The priority of Selena Group's information policy is to protect and respect the interests of all the Group's stakeholders. The activities of the parent company Selena FM S.A. of Wrocław are key in this regard. As an entity listed on the Warsaw Stock Exchange, the company operates an active information policy. In our activities, we focus on transparency. For this reason, we provide reliable information through:

- the website <http://www.selena.com/pl/relacje-inwestorskie/>, which includes, *inter alia*, current and financial reports, stock exchange quotations, terms of reference of the governing bodies of the parent company, information about upcoming general meetings, events and news;
- national and international conferences;
- adherence to the principles and recommendations of the Best Practice of GPW Listed Companies 2016 – a statement in this regard can be found at: <http://www.selena.com/pl/relacje-inwestorskie/lad-korporacyjny/Zasady%20Ladu%20Korporacyjnego%202017.pdf>;

In addition, to ensure correct implementation of the information policy, information about the Group is verified in terms of compliance with the requirements relating to inside information within the meaning of Article 7 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC ("MAR").

2.4. Internal control system

Selena Group's Internal Control System is based on the concept of three lines of defence. It comprises procedures, instructions and practices supporting workers in effective and abuse-free performance of duties. The Group's Internal Control System consists of functional control and institutional control. Functional control concerns all the aspects of Selena Group's operations and is carried out on an ongoing basis by each employee in relation to their respective activities and by employees responsible for supervising identified operations. This type of control also includes control performed by expert units which supervise individual areas of the Group: compliance, health and safety, taxes, etc. (1st and 2nd line of defence). Institutional control is carried out by the Audit Department based on the Annual Internal Audit Plan (3rd line of defense). In order to support the Group's compliance with law, internal policies, procedures and ethics in business, the Group has implemented an *Internal Audit Procedure*. The Procedure applies to all areas of the Group's operations and to all personnel.

3. Social/ employee and environmental risk management

3.1. List of identified social or environmental risks

The Group is in the process of developing the *Anti-Crisis Management Policy of Selena Group*. This document is supposed to regulate risk management in the whole Group, define key risks related to its operations, divide emergency situations into sudden and long-term ones, introduce procedures for monitoring and report the occurrence of crisis situations.

Until the above Policy is adopted, risk management issues are discussed at meetings of management bodies of the parent company and subsidiaries. As part of performance of their duties, individual members of the management board supervise ongoing identification of risks and application of relevant preventive measures. At the lower levels, risk management is the responsibility of selected managers. The management of individual risk categories is also regulated by specific policies and procedures referred to later on in this document.

Selena Group's significant risks, the occurrence of which may affect social aspects, in particular the employment level, the amount of remuneration granted to employees and employee safety, include:

- failure of a plant or a production line
- lack of raw materials needed to carry out core operations
- sudden increase in raw material prices
- sudden loss of suppliers
- serious defect of a product put on the market
- reputational damage resulting from core operations
- sudden legal implications resulting from core operations
- crisis resulting from a sudden deterioration of financial position.

Selena Group's significant risks, the occurrence of which may affect environmental aspects, in particular the use of renewable and non-renewable energy, emission of greenhouse gases, water consumption and air pollution include:

- force majeure:
 - natural disasters (e.g. a hurricane)
 - man-caused disasters (e.g. power outage in the whole country)
- soil and water contamination with waste
- noise
- leakage of raw materials into soil and waters
- fires and explosions.

For the purpose of detailed identification and improvement of environmental risks, in 2017 the Group established a contact with a specialised entity which is to carry out an environmental audit at the production plants located in Poland. The audit, which seeks to identify risks in the environmental area and recommendations for their management, is to take place in Q1 2018.

In 2017, a person was also hired for as the Group Coordinator for Environment and Occupational Health & Safety. His main task is to standardise and raise the level of management and operation in the indicated areas.

3.1.1. Environmental risk management

Selena Group prevents the emergence of environmental risks already at the stage of choosing a place for its production activities. For this reason, virtually all the Group's production plants are located at a safe distance from naturally valuable areas (see also Part II, Section 5). In addition, in order to reduce the occurrence of environmental risks to the minimum, all the Group companies maintain constant production supervision, including monitoring the consumption of raw materials, installing gas detectors and conducting environmental checks.

In turn, at the production plants of Orion PU Sp. z o. o., which were classified as facilities characterised with a high risk of a major industrial accident, the Programme of Prevention of Serious Accidents was put in place. In 2017, Selena Group experienced no failures or violations in the scope of environmental risk. Likewise, no fines related to a breach of environmental regulations were imposed on any Group company.

3.1.2. Social/ employee risk management

In order to efficiently manage social/ employee risk, including with regard to the respect for human rights and counteracting corruption, a number of policies and procedures have been developed for Selena Group to govern the related issues. At present, the Group operates *Selena Group's Anti-Corruption Policy*, *Selena Group's policy on the protection of inside information*, *Procedure for reporting breaches and dealing with cases related to the application of the Security Policy in Selena Group*, *Guidelines for implementation and operation of security policies in Selena Group* and *the Policy on non-competition and conflicts of interest*. These documents comprehensively regulate both guidelines and procedural issues related to identifying, monitoring, preventing and combating the related risks.

4. Ethics management

Selena Group has implemented a Code of Conduct ("CoC") to govern ethical issues. New hires receive a set of documents and are required to familiarize themselves with their provisions. The CoC regulates employees' conduct in relation to the respect of the rights of personnel, suppliers and offtakers. It lays down details of behaviours understood as corruption and conflict of interest, as well as the measures of preventing their occurrence and possible consequences. The "CoC" also provides for the possibility of reporting any (identified) breaches of its provisions. The method of notifying breaches guarantees full anonymity and prevents negative consequences for whistleblowers.

II. Environmental area

1. General

When conducting its industrial activities, Selena Group is primarily focused on avoiding any damage to the natural environment. Therefore, it ensures that the activities comply with environmental protection laws, and its plants have all permits required for their business such as permits for the introduction of gases and dusts into the air, water permits for the discharge of wastewater to water or land, waste production permits or permits for using water intakes.

Due to the diversification of the activities of individual Group companies, including distribution, production, management and research and development, no single system is or is planned to be in place related to the environmental impact of Group entities. At the same time, it should be noted that subsidiaries, in particular those conducting manufacturing activity, carry out their own respective environmental policies. For example, they engage in prevention of violations, carry out ongoing monitoring and necessary audits.

2. Direct and indirect impact: raw materials and materials

2.1. Raw materials and materials in numbers

Type of raw material	The company in which it is used
PMDI	Orion PU Sp. z o.o.
Masterbatch	Orion PU Sp. z o.o.
Asphalt	Izolacja Matizol Sp. z o.o. (previously PMI Izolacja-Matizol S.A.)
Granules	Izolacja Matizol Sp. z o.o. (previously PMI Izolacja-Matizol S.A.)
Sorbent	Izolacja Matizol Sp. z o.o. (previously PMI Izolacja-Matizol S.A.)
Smokebox ash	Izolacja Matizol Sp. z o.o. (previously PMI Izolacja-Matizol S.A.)
POLYETHER POLIOL	Selena Yapi
ISOBUTHANE	Selena Yapi
MDI	Selena Yapi
DME	Selena Yapi

The amount of consumption of key raw materials in Selena Group per unit of income ¹	860 kg
--	--------

3. Direct and indirect impact: fuel and energy

3.1. Energy in numbers

Total energy consumption	16,204,872 kwh
Energy consumption per unit of income	84.14 kwh

3.2. Efficiency of fuel and energy consumption

Selena Group makes efforts to minimise the consumption of fuels and energy. For this reason, it tries to make regular upgrades to its production plants. In 2017, the lighting system at Libra Sp. z o. o. and Selena Malzemeleri Yapi Sanayi Tic. Ltd. was replaced with energy-saving lighting. In addition, at Selena Malzemeleri Yapi Sanayi Tic. Ltd. the heating system was changed from fuel to gas-operated one. Moreover, product formulations are being modified all the time to lower the temperature of their production to make production processes less energy-consuming.

4. Direct and indirect impact: water

4.1. Sources of water

Selena Group takes water from water supply systems. The water used is not subject to recovery. However, at some Group companies water is used in closed circuits for cooling the production process, as referred to in Section 4.3.

4.2. Water in numbers

Water consumption	32,538 m3
Recovery and reuse of water	0 m3
Water consumption per unit of income	0.17 m3

¹The unit of income in this statement means the PLN equivalent of EUR 1,000 according to the average exchange rate announced by the National Bank of Poland as at 31 December 2017, i.e. PLN 4170.9.

4.3. Efficiency of water consumption

The water used at Foshan Chinuri-Selena Chemical Co. and Izolacja Matizol Sp. z o.o. (previously PMI Izolacja-Matizol S.A.) is reused in closed circuits for cooling the production process.

5. Direct and indirect impact: biodiversity

Most of Selena Group's production activities are conducted away from natural areas. In consequence, in most locations no special environmental monitoring is required. However, a weekly environmental monitoring applies to Selena Nantong Building Materials Co. as it is located near the Hong Gang Water Plant.

6. Direct and indirect impact: atmospheric emissions

6.1. Efficiency of atmospheric emissions

In its activities, Selena Group is constantly striving to minimise greenhouse gas emissions to the air. Therefore, it is constantly working on new formulations that would help lower the temperature of product manufacture and thus reduce the amount of carbon emissions. In addition, the Group's manufacturing companies ensure that the gases released into the atmosphere are subject to treatment.

6.2. Atmospheric emissions in numbers

Amount of substances emitted to the atmosphere (including greenhouse gases)	1,379.4 Mg
Emission of substances into the atmosphere per unit of income	7.16 Mg

7. Direct and indirect impact: waste and wastewater

7.1. Waste and wastewater in numbers

7.1.1. Wastewater in numbers

Total volume of wastewater	12,361 m ³
Discharge of wastewater per unit of income	0.06 m ³

7.1.2. Efficiency in wastewater management

Selena Group makes every effort to ensure that the wastewater discharged to water meets all parameters required by applicable law. To this end, some of the subsidiaries carry out quality checks on the wastewater they discharge (e.g. Tytan EOS Sp. z o.o.).

7.1.3. Waste in numbers

Weight of hazardous waste	278 Mg
Weight of non-hazardous waste	6,571 Mg
Emission of waste per unit of income	0.0014 Mg
Emission of non-hazardous waste per unit of income	0.03 Mg

7.1.4. Efficiency in waste management

In order to protect the natural environment against the harmful effects of waste, each of Selena Group companies segregates waste into non-hazardous and hazardous waste.

8. Other aspects of direct and indirect environmental impact

8.1. Direct and indirect impact: noise

Sporadically, the activities of Selena Group cause high noise emissions. Where factories are located in the vicinity of residential areas, appropriate acoustic screens are installed to reduce noise. For example, acoustic screens were put in place near the EURO MGA Product SRL production plant (Romania). Most production plants, however, are located outside residential areas, in particular in economic zones and industrial areas.

9. Extended environmental responsibility: products and services

9.1. Disposal of Selena Group's products purchased by customers

Selena Group's responsibility for its products does not end with their manufacturing and marketing. In practice, this means that every effort is made to place necessary information on products about their correct and safe use and the method of their segregation. To this end, as regards product labelling, all Selena Group companies comply with Regulation (EC) No 1272/2008 of the European Parliament and of the Council of 16 December 2008 on classification, labelling and packaging of substances and mixtures.

III. Social and employee area

1. Use of public aid and public procurement

1.1. Public aid used by Group companies

In 2017, Selena Group received public aid within the meaning of Article 107 of the Treaty on the Functioning of the European Union. The public aid was provided in the form of subsidies and tax exemptions.

In Poland, the main beneficiary of public aid was Selena Labs Sp. z o.o. In 2017, as the leader of an international research and development project, this company signed a contract with a representative of the European Commission for the project financed by the Horizon 2020 Programme: "Advanced biobased polyurethanes and fibers for the automotive industry with increased environmental sustainability". As a result of the project, in the years 2017–2021, Selena Group is to receive a subsidy of max. EUR 3,384,980.00. From this pool, in 2017 Selena Labs recognised revenue from subsidies of PLN 310,367.87.

Also under the Horizon 2020 Programme, as part of the research and development project "Development of innovative lightweight and highly insulating energy efficient components and associated enabling materials for cost-effective retrofitting and new construction of curtain wall facades – EENSULATE", Selena Labs Sp. z o.o., in 2017 Selena Labs Sp. z o.o. recognised revenue from subsidies of PLN 716,578.49. Aid towards this R&D project will continue to be received until 2020.

In 2017, Selena Labs continued a research and development project "Research into ultra-modern polyurethane foams and foam adhesives in 1K and 2K systems using nanotechnology". In respect of this project, in 2017 the company applied for a subsidy of PLN 130,209.00 (the remainder of the subsidy should be accounted for in 2018).

Moreover, on the basis of an agreement signed with the Ministry of Economic Development, in 2017 Selena Labs sp. z o.o. continued

in 2017, its investment financed under Measure 2.1 of the Intelligent Development Operational Programme "Establishment of

a Central Research and Development Laboratory for SELENA Group". The subsidy for this project was not reflected in the financial statements for 2017, but will be disclosed in the accounts for 2018 and subsequent years in accordance with the adopted accounting policy.

In 2017, the company also finalised the project "Development of formulations for acrylic and silicone sealants with increased resistance to microbiological corrosion based on aqueous and non-aqueous silver nanodispersion". In relation to this project, in 2017 Selena Labs recognised revenue from subsidies of PLN 142,956.93.

1.2. Selena Group's participation in public procurement

Companies from Selena Group did not participate in any public procurement proceedings, placing no bids in any public tenders.

2. Employment and salaries

2.1. Selena Group's HR management strategies

Employees are the key capital of Selena Group. Without their commitment, professionalism and integrity, Selena Group would have never been so successful in the construction chemicals market. For this reason, one of the Group's main goals is to build good relations with employees and primarily to create such working conditions for them in which employees:

- will receive equal treatment – regardless of sex, religion, views, origin, disabilities or form of employment;
- will have safe working conditions
- will be able to improve their skills.

2.2. Recruitment policy

The parent company and the subsidiaries try to build good relationships with employees from the very beginning. Selena Group wants to ensure that its prospective employees know right at the recruitment stage that the company will not discriminate anybody for their age, sex, beliefs, religion or education, and that knowledge and professional experience are the key criteria considered when hiring or promoting people. Transparency of the recruitment process is ensured by the website: <http://www.selena.com/pl/kariera/>, where all persons interested in working with Selena Group can find information on vacancies, requirements and general recruitment rules.

2.3. Employment in Selena Group – statistical data

2.3.1. Employment number

Selena Group has 1272 employees in the Polish market. The Group's total workforce is approx. 1740 people. Due to the specific nature of the industry in which we operate, it is mostly men that are interested in working for the Group companies.

2.3.2. Form of employment

Selena Group values stability in the employee–employer relations, which is why Selena Group virtually does not use outsourcing. In addition, the vast majority of employees are employed on the basis of employment contracts. In the reporting period, only approx. 10% of people provided work for Group companies under a work-for-hire or similar contracts.

2.3.3. Employment of the disabled

In the construction chemicals industry, it is very difficult to adapt working conditions to the needs of disabled people. Consequently, only a small percentage of the disabled can find employment there. Nevertheless, Selena Group tries to create jobs that will be suitable for people with disabilities. In 2017, twelve disabled people worked with the Group companies, which is 0.7% of the total workforce. Due to the above-mentioned proportion of employees with disabilities, the

Group companies regularly make payments to the State Fund for Rehabilitation of Disabled People. The payments made in the reporting period totalled PLN 732,287.60.

2.3.4. Employment of young parents

Selena Group fosters a friendly work environment for (future) young parents. In cooperation with employees – (future) parents, Group companies supervise compliance with the standards set by the Labour Code (and relevant labour-related regulations applicable at foreign affiliates), and maternity, paternity and parental leaves are granted as and when appropriate. In addition, women are encouraged to return to work after maternity leave. In the reporting period, only 1 out of 38 women within 12 months of returning to work after childbirth decided not to continue her employment.

2.4. Salaries at Selena Group

2.4.1. Remuneration policy

The individual companies of Selena Group employ people with a very wide range of qualifications. For this reason, Selena Group did not decide to introduce a uniform remuneration policy for all its companies. In turn, remuneration matters are regulated separately for each company. Depending on the headcount number, remuneration at individual companies is regulated by remuneration rules and in employment contracts or only in employment contracts. With such a solution, individual Group companies can comprehensively shape their respective remuneration principles and adapt them to the profile of their operations.

2.4.2. Remuneration statistics at Selena Group

2.4.2.1. The ratio of the average gross remuneration of women to the average remuneration of men

The ratio of the average gross remuneration of women and men in Poland/ Selena Group	0.8837 / 0.8982
The ratio of the average remuneration to the minimum wage (by sex) in Poland/ Selena Group	women 2.4609/ 2.6384 men 2.6128/ 2.9422

2.4.3. Fringe benefits

Selena Group provides a wide range of benefits to its employees. The benefits are primarily designed to cater to the key needs of the Group employees. In addition, they are also to motivate employees to work diligently.

In the reporting period, all employees:

- at the Group's production companies established in Poland benefited from medical care at LUX Med;
- at Selena FM S.A., Selena S.A. and Selena Marketing International Sp. z o.o. and Selena Labs Sp. z o.o. benefited from the Medicovert package (since 1 September 2017).

Furthermore, employees of Selena FM S.A., Selena S.A., Selena Marketing International Sp. z o.o., Selena Industrial Technologies Sp. z o.o., Orion PU Sp. z o.o. and Libra Sp. z o.o. have access to:

- the *Multisport* sports pass
- group insurance from PZU
- foreign language courses
- subsidies to trainings, undergraduate, graduate, postgraduate studies and
- subsidies to housing costs and commuting.

In addition, children of the employees of the above companies also receive gift packages for the St. Clause Day and gift cards. Foreign affiliates of Selena Group operate an independent policy of fringe benefits – there are no Group-wide guidelines in this respect.

2.5. Results of application of HR management policies

The policies operated by Selena Group companies provide stability in the field of employment. This is evidenced by statistical data of individual companies, which indicate that in the reporting period (2017) employment was terminated by 23% people employed on the basis of employment contracts. Quite importantly, to a large degree these agreements were terminated by mutual agreement of the parties (35%).

3. Industrial relations and freedom of association

3.1. Relations between the Group authorities and employees

In its relations with employees, Selena Group focuses primarily on an open dialogue, which takes place, e.g. as part of communication meetings, during which technical, process, health and safety and other vital issues relating to individual companies are discussed. To encourage employees to deal with such difficult subjects such as protection of inside information, competition ban, conflicts of interest or corruption prevention, Selena Group operates a Security Policy, which includes: *Selena Group's Anti-Corruption Policy, Selena Group's policy on the protection of inside information, Procedure for reporting breaches and dealing with cases related to the application of the Security Policy in Selena Group, Guidelines for implementation and operation of security policies in Selena Group and the Policy on non-competition and conflicts of interest and IT Rules.*

The documents specify, for example, behaviour standards, monitoring of breaches, procedures for reporting breaches, prohibition of retaliation, preventive measures and consequences of breaches.

3.2. Freedom of association and the right to conduct collective disputes

Selena Group fully respects one of the most basic human freedoms: the right to form and join associations. Hence, as regards the objectives employees wish to pursue jointly, no obstacles are created to their right to form and join associations, foundations or trade unions. Four trade union organisations operate in the Group.

3.3. Dialogue with employees

As regards employment matters, individual companies of Selena consult and engage in discussions with trade unions in the first place. On the other hand, at the companies where employees have not formed any trade unions, a representative of employees is selected to hold discussions with the management.

3.4. Results of application of employee relations policies

Selena Group's statistics show that the dialogue strategy chosen by the Group in its dealings with employees helps prevent disputes between the employer and employees. It should be noted here that no collective disputes with the employer occurred in the reporting period in Selena Group.

4. Occupational health and safety

4.1. The Group's approach to managing health and safety

Selena Group consists of companies with a very diversified business profile and very diversified production, which poses a major challenge as far as safety is concerned. The Group's Polish companies include for example Orion PU Sp. z o.o., Libra Sp. z o.o., Carina Silicones Sp. z o.o., Izolacja Matizol Sp. z o.o, (previously PMI Izolacja-Matizol) and Tytan EOS Sp. z o.o. which are engaged in production of all product groups. The Group also has Selena Labs Sp. z o.o. which deals with research and development, Selena S.A. responsible for distribution and Selena Marketing International Sp. z o.o. responsible for intellectual property management. However, Selena operates also beyond Poland through its affiliates located in several countries on different continents. It is specifically because of the wide range of its activities that Selena Group has not yet introduced a uniform policy of occupational health and safety.

However, Selena Group ensures that each company complies with all legal requirements relating to health & safety applicable in the country in which the company operates. It also makes sure that companies regularly raise their standards, which is verified during regular audits conducted by headquarters employees. In addition, in 2017, a Group-level health & safety coordinator was appointed whose main role will be to introduce uniform standards leading to a common Health & Safety Policy.

4.2. Self checks

In order to ensure compliance with health and safety rules, internal Group audits are regularly carried out at individual Group companies. The findings are reported, each irregularity is thoroughly analysed and corrective measures are put in place. At most production plants, such internal health & safety checks take place at least once a month, and very often they are also extended to include fire and environmental safety issues.

The Group employs a total of 15 Health & Safety Specialists at its production plants, of which six are employed at facilities in Poland and nine at foreign plants. Seven people are employed directly by Selena Group companies while the remaining people are external specialists providing health & safety services to the companies concerned. All companies also underwent external health & safety inspections by competent external bodies, including: National Labour Inspections (21 inspections, of which 19 held at foreign companies), Sanitary Inspections (4 inspections, including 1 at a foreign company), Environmental Inspections (2 inspections, including 1 at a foreign company) and Fire Inspections (10 inspections, including 6 at foreign companies). It may be interesting to note that most of those inspections were held at the plants located in China (18 Labour Inspections and 6 Fire Inspections).

4.3. Work conditions

Selena Group strives to create for its employees a work environment that will not in any way threaten their lives or health. The work environment is regularly measured and the results show that the actions taken at individual plants ensure very safe work conditions for employees. At all Group companies, employees do not work in conditions in which the maximum admissible concentrations (NDS) or maximum permissible intensities (NDN) are exceeded, with the exception of recorded noise level excesses at the production plant in Spain – in this case, employees are provided with adequate security measures. This is aided, among other things, by annual investments to streamline the production processes carried out in plants as well as improvements (in line with the Kaizen philosophy) proposed directly by employees.

4.4. Results of application of health & safety policies

Statistical data of individual Group companies show that the health and safety measures taken by the Group help create a safe work environment that is regularly being improved. This is also evidenced by the low number of accidents at work recorded in all production plants of the Group throughout the reporting period. In total, 32 accidents at work were recorded at Group companies (15 at Polish plants, 17 at foreign plants), of which 9 accidents which occurred in the Spanish plant did not result in employees being absent from work. None of those accidents ended in serious or fatal injuries.

5. Development and education

5.1. Staff training and development – general information

Selena Group makes every effort to ensure that its employees regularly improve their skills and qualifications. Therefore, training and development programmes are implemented at each of the Group's companies. Due to the very diverse business profile of the Group companies, training provided varies and is adapted to needs of individual companies.

Importantly, Selena Group makes sure that every employee has equal access to training. In practice, this means that factors such as age, job position, sex or the form of employment do not affect the availability of training in any way.

5.2. Types of training held

The range of training provided within the Group is very diverse. The Group companies conduct many trainings that improve both hard and soft skills. For example, Izolacja Matizol Sp. z o.o. (previously PMI „Izolacja-Matizol” S.A.), a company which requires a lot of hard skills from its employees, conducted numerous training courses which helped employees acquire/improve knowledge in individual areas. Specifically, in the reporting period, Izolacja Matizol Sp. z o.o. (previously PMI „Izolacja-Matizol” S.A.), provided:

- technical training in the field of operating II WJL trolleys, overhead cranes; maintenance of hoists, overhead cranes; MAG/TIG welding, and
- specialist training in the area of quality control, purchasing, finance and accounting, labour law and graphic applications.

5.3. Development support

Employees who wish to expand their knowledge outside the workplace can apply for appropriate financing. It is common practice at Selena FM S.A., Selena S.A., Selena Marketing International Sp. z o.o., SIT, Orion PU Sp. z o.o. and Libra Sp. z o.o. to enter into training agreements with employees. These agreements lay down the terms of financing selected for the types of studies selected by an employee (undergraduate, graduate, postgraduate, MBA studies) or courses (e.g. language courses).

The financing is based on an request submitted by the employee to the personnel department. The financing for training covers 100% of the related costs, while studies are co-financed in 50% to 70% depending on the case. Financing is approved on the basis of the consent of the personnel department and the financial director.

The Group does not have general rules for financing training and education given significant differences resulting from geographical factors and the profile of operations of individual companies (production, distribution, administration).

5.4. Performance reviews

In Selena Group, periodic staff performance reviews are carried out by individual companies, taking into account the subject and scope of their operations.

6. Diversity management

6.1. Selena Group's diversity management strategies

Diversity and openness are fundamental values of Selena Group and have a major impact on its development. The values are reflected in the Group's strategy, one of its pillars being the principle of respecting diversity in all the Group's activities.

The success of Selena FM S.A. depends on the creativity and ingenuity of its employees, qualities which can only emerge in a diversified team. Accordingly, the priority is to provide such working conditions in which employees will feel that diversity is the strength of rather than an obstacle at our company.

The most important values lived by Selena FM S.A. include:

- creating a friendly work environment
- providing a sense of security and acceptance
- remunerating for work, not views
- ensuring equal access to employee benefits, respect for the family
- responsibility and proactivity.

6.2. The principle of respecting diversity at the recruitment stage

The principle of respecting diversity is applied already at the recruitment stage. When recruiting employees, companies primarily focus on the knowledge and experience of candidates. Recruitment results are not influenced by such factors as: age, sex, race, nationality, ethnicity, sexual orientation, health, family status, trade union membership, political opinions or religious beliefs.

6.3. The principle of respecting diversity in the workplace

In order to provide the employees of Selena Group with a work environment characterised by mutual respect and understanding, individual companies have developed their guides on equal treatment in employment and anti-bullying procedures. As the guides and their related procedures are adapted to the specific nature of individual companies, they help effectively prevent such negative behaviours as bullying, discrimination or sexual harassment.

6.4. The principle of equal access to earnings, benefits, development, training and promotion

The principle of diversity in the workplace can be said to be followed only when all employees have equal access to earnings, benefits, training, development and promotion. For this reason, all companies attach great importance to the fact that the criteria used for granting all kinds of benefits are transparent, objective and non-discriminatory.

6.5. The Group's diversity support measures

As part of supporting diversity, the Group employs persons who are in the course of serving a prison sentence.

6.6. Results of respecting diversity

As a result of the Group's diversity management strategy, we have managed to create jobs in which employees feel that diversity is their strength rather than weakness. In addition, the lack of tolerance for any behaviours which in any way threaten diversity is another factor contributing to a safer work environment. In the reporting period no cases of discrimination, bullying or sexual harassment were reported in the Group.

7. Human rights

7.1. Strategy adopted

Selena Group makes every effort to ensure that its actions do not undermine the respect of fundamental rights and human freedoms guaranteed by such legal acts as the UN's Universal Declaration of Human Rights, the European Convention on Human Rights or the Constitution of the Republic of Poland. Aspects of the respect for human rights are included the policies and guidelines applicable to the whole Group, including: the Anti-Corruption Policy, the Procedure for reporting breaches and dealing with cases related to the application of the Security Policy in Selena Group and the regulations adopted by individual Group companies. For example, the parent company has implemented Detailed procedure for the prevention of bullying at Selena FM S.A., Work Regulations at Selena FM S.A. or Remuneration Regulations at Selena FM S.A.

7.2. Results of the respect of human rights

As a result of the Group's strategy, no human rights violations were reported in the reporting period.

8. Child and forced labour

8.1. Child labour – strategy adopted

Selena Group has no tolerance for the exploitation of children. All Group companies ensure that their actions are consistent with the applicable laws that protect children's rights, especially the Convention on the Rights of the Child. In addition, the companies strictly prohibit the employment of persons under 16 years of age and comply with the obligation to ensure appropriate working conditions for young workers (with due regard to the requirements binding on foreign affiliates).

8.2. Forced labor – strategy adopted

Partnership and open dialogue are the values by which the Group is guided in its relations with employees. Accordingly, each employment relationship is established on a voluntary and paid basis. This is reflected in the work and remuneration regulations adopted by the Group companies.

8.3. Results of adherence to the laws banning child and forced labour

Due to the stringent compliance with the ban on child and forced labour, no such cases were reported by any Group company in the reporting period.

9. Local communities and social involvement

9.1. Impact on the social environment

Selena Group has its roots in Lower Silesia. This is the region of origin of Krzysztof Domarecki, Supervisory Board Chairman of Selena FM S.A. The company's first branches were also set up in Lower Silesia. Currently, Wrocław is home to the Group's headquarters as well as the head office of the distribution company Selena S.A. Other companies based in Lower Silesia are Carina (silicone manufacturing plant) located Siechnice, Libra and Orion in Dzierżoniów and Orion in Nowa Ruda.

In its operations in Poland and abroad, the Group always emphasises that it was established in Poland, in Lower Silesia. One of the Group's tasks is to support the development of the region, including by employing qualified specialists and experts and to increase the level of innovation in the Lower Silesia province. Quite importantly, Group companies always focus on responsible development when doing their business. Selena makes sure that its projects do not cause nuisance to the people who live near production plants or to the natural environment.

Selena Group's employees are engaged in social activities. The founder Krzysztof Domarecki shares his experience and supports initiatives at the interface of science and business. In 2017, he participated in such events as: the European Economic Congress and its accompanying even European Start-Up Days; the June edition of Impact 2017, the Polish-Kazakh Forum in Astana and Impact fintech in December 2017. Krzysztof Domarecki also actively supports local initiatives, including a trade conference and job fair organised in December in Wrocław ("Made in Wro"). The participation in the above events was a non-commercial exchange of knowledge and business experience.

Selena Group also participates in local events abroad. In January 2017, it took part in the ceremony of opening a new joint venture in China. In April 2017, we participated in the International MosBuild fair in Russia. In May, we were present at FEICON BATIMAT 2017 in Brazil. In September 2017, we participated in the EXPO Astana Kazakhstan, and also hosted President Andrzej Duda at the Selena Insulations plant located in the Special Economic Zone of Astana.

2017 was a special year for Selena Group with the slogan "Global experience – local heroes". Ten events were organised on this occasion, including in Bulgaria, Russia, Romania, Italy, Ukraine, Turkey, Kazakhstan and China, including two events for employees in Poland. Almost each event was accompanied by a press conference, with participation of local trade press representatives, and companies' managing directors talked about the Group's strategy in their respective markets and presented Selena's top products. In the evening, galas were held for the Group employees, suppliers and customers. Each

of those events was an opportunity to strengthen relationships with partners. The added value was the great interest of the media in the history of Selena, its products and the Group's position in the local market.

Furthermore, Selena Group supports the development of local activity by engaging in the activities of charitable foundations and associations. Last year, we provided financial support to e.g. Tertio Millennio Institute Foundation, the MANUS Foundation, the "Intelligent Start" Foundation, the Music Society of Lower Silesia and the New Wave Film. Every year, we are also sponsor the PWR Racing Team. As part of this cooperation students from the University of Technology receive construction chemistry materials and financial support from the Group for implementation of their project. Our local companies are also engaged in local initiatives, e.g. Selena S.A., the Group's distribution company, participated in the following activities in 2017:

- "Turbo Roofer" competition at the Budma fair – the purpose of the event was to promote the technology and skills related to roofing and to disseminate best practices and the know-how;
- METAMORPHOSES – Revitalization of Polish Cities – the initiative seeks to raise awareness among and educate participants of investment processes with regard to the sources of financing upgrades revitalisation projects and to support in designing and identifying solutions to major technical problems;
- "Building Sporty Poland" – the aim of the campaign is to promote cities, municipalities, districts and their authorities which care about sports promotion and safety.. One of the assumptions is also to raise awareness of the need to create sports facilities, including those friendly to children and people with disabilities. The programme also supports the promotion of a healthy, active lifestyle among inhabitants of the areas concerned.
- WTS Sparta Wrocław – promoting selected games of the club as a support for the activity of the local sports team.

9.2. Results of social involvement

The Group's policy of supporting the development of Lower Silesia is not only appreciated by the residents but also by the authorities of the region. On 14 December 2017, the Supervisory Board Chairman Krzysztof Domarecki, together with the Mayor of Wrocław Rafał Dutkiewicz, had the pleasure to open the conference "Made in Wrocław", the aim of which was to promote Lower Silesia. Thanks to our philosophy, the local community lodged no complaints against our activity during the reporting period.

10. Prevention of corruption

10.1. General

Fairness and integrity are among the key values of Selena Group. That is why our company will not condone any aspects of fraud, corruption or other types of financial irregularities. All the Selena Group companies are required to comply with law and internal regulations of the Group. In order to raise the awareness of the Group's employees and partners regarding activities that bear traces of corruption and to combat corruption, in 2014 Selena Group introduced *Selena Group's Anti-Corruption Policy*. At the time of employment, every new hire is informed about the Anti-Corruption Policy and signs a statement that they have read, understood and agree to follow it.

10.2. Characteristics of the policy

The Anti-Corruption Policy lays down details of what is understood by corrupt behaviours and indicates a catalogue of banned behaviours. It discusses the issue of accepting and granting gifts and inducements. It also makes it clear that the employees who were direct witnesses of or have a justified suspicion of corruption being engaged in, are required to immediately report it in accordance with the *Procedure for reporting and dealing with breaches*. They are assured that they will not suffer any negative consequences for doing so. Each employee has also been informed about the risks associated with corrupt behaviours. According to the Anti-Corruption Policy, its infringement can be treated as a gross violation of basic employee duties, which in turn may result in summary dismissal of the employee concerned. In turn, in relation to workers who are not employed under an employment contract, violation of the Anti-Corruption Policy may constitute the basis for immediate termination of their assignment.

10.3. Dissemination of Anti-Corruption Policy

All personnel members of Selena Group are required to read, understand and agree to follow the Anti-Corruption Policy. However, if there are any doubts or ambiguities as to its contents, the employee should turn to the Local Policy Owner, i.e. the person designated to implement, monitor and ensure adherence to Policy at an individual company of Selena Group, or to their superior.

10.4. Results of application of the Anti-Corruption Policy

The Company's application of the Anti-Corruption Policy is effective at counteracting corruption. No cases of corrupt behaviours were observed during the reporting period.

11. Product and consumer safety

Selena Group's products have been popular with representatives of the construction industry for years because they are safe and of high quality. In order to maintain customer satisfaction and provide them with the highest possible level of safety, Selena Group has developed the *Procedure for dealing with and documenting quality problems in Selena Group*. In accordance with the procedure, if any irregularities related to products of individual Group companies are observed, the following actions are taken:

Define immediate protective measures – in the event of a quality problem, the priority is to protect customers against the related effects. For this reason, before addressing the problem, employees first consider the need to take the potentially non-compliant product off the market.

Set up a working group – next, a cross-functional team is established, composed of experienced employees who know the defective product well. As a rule, the team is set up separately for each Selena Group company. However, in the case of problems or complaints requiring cooperation of people from different companies, a cross-company team may be formed.

Describe the problem – for a solution to be effective, the problem should be well-identified first. Accordingly, once formed, the working group immediately proceeds to define the problem, which entails: description of the problem, its location, time and size. A correct description of the problem is the starting point for further stages of the analysis.

Define and implement temporary corrective measures – in order to protect customers against continued effects of the problem until introduction of permanent corrective measures, working group employees apply temporary corrective measures. These include for example: introducing additional controls, stopping production, segregating products or informing customers about the identified problem.

Define the cause of the problem: at this stage the team identifies the cause of the problem. In addition, in order to avoid similar mistakes in the future, the team also determines why the problem was not noticed at the time of its occurrence. When determining the cause of the problem, working group members use quality tools, such as risk analysis (FMEA), Ishikawa diagram or the 80/20, 5 WHY method.

Define long-term corrective measures: after a comprehensive diagnosis of the problem, the team develops several solutions to select the optimal one.

Implement long-term corrective measures: at this stage, the persons appointed by the team first implement corrective measures and then check their effectiveness and efficiency.

Define and implement preventive measures: in order to the problem from reoccurring, the team determines preventive measures.

Assess and finalise actions: having worked through the problem, the team members compare the "as is" state with the state

existing when the problem occurred. Next, the outcome of this comparison is reflected in the 8D report, containing e.g. a description of the causes of the problem and temporary and long-term corrective measures.

12. Marketing communication

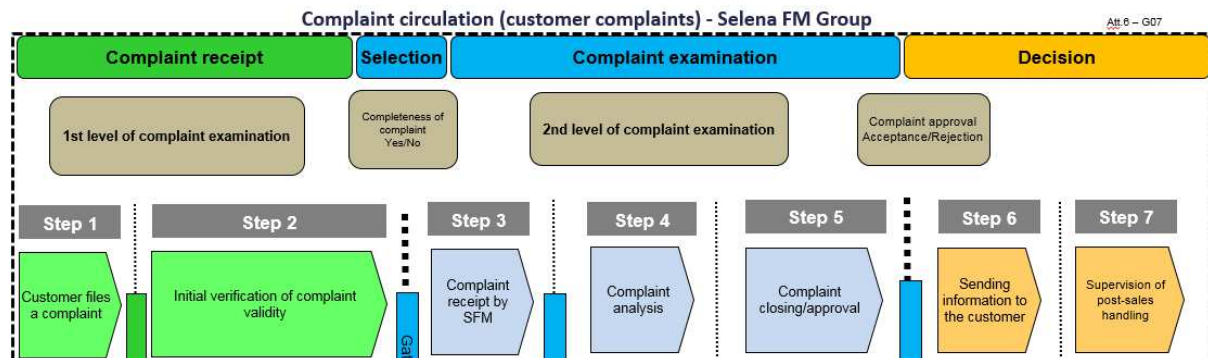
1. Marketing communication with Customers

A good communication with customers is very important for Selena Group. It is thanks to customers' opinions and comments that the Group can improve its products. To facilitate communication, individual Group companies have established their respective communication departments. For example, Selena S.A. has its Selena Contact Centre responsible for comprehensive customer service. Selena Contact Centre's employees are available to customers from Monday to Friday from 8:00 to 17:00 providing them with product information and advice and registering complaints. In addition, the customers of Selena S.A. can contact the company by filling out the contact form available at <http://www.selena.pl/pl/kontakt/>, by sending an email to: kontakt@selena.com, or by sending a letter. All these communication channels have been created so that customers can choose the most convenient way to communicate with Selena S.A.

2. Complaints procedure

In order to streamline and harmonize the complaint handling process, a special procedure was introduced in this area for all the Group companies.

The *Procedure for dealing with and documenting quality problems* consists of seven steps:



3. Results of marketing communication

Thanks to the Group's communication strategy its customers have direct access to dedicated units responsible for individual areas. In addition, by introducing the complaints procedure, we have been able to standardise lead times for complaint-handling across the Group.

13. Privacy protection

Selena Group is committed to privacy protection. This approach is reflected in the policies adopted at the Group level, contained in the Code of Conduct and in respect for the right to protection of personal data of the Group's customers and contractors alike. Thanks to the rules adopted by the Group, no breaches have been identified with respect to the protection of privacy, including the processing of personal data. Likewise, no administrative proceedings were conducted against and no fines were imposed on any Group companies in this respect.

14. Product labelling

Selena Group's products are labelled in accordance with Regulation (EC) No 1272/2008 of the European Parliament and of the Council of 16 December 2008 on classification, labelling and packaging of substances and mixtures. Consequently, each product is labeled in an official language of the Member State in which the substance or mixture is placed on the market and contains, in particular, information such as:

- supplier's name, address and phone number
- hazard pictograms
- safety warnings
- phrases indicating hazard types
- precautionary statements.

Moreover, in order to ensure the best possible level of protection of human health and the environment against chemical products, Selena Group has developed *General guidelines for the preparation of labels and placing alerts for the visually impaired*. The document applies to the whole Selena Group. Labelling activities are coordinated at the head office level.

15. Other social and market-related matters

In the reporting period, no anti-competition or anti-market behaviours were observed in any Group company. In consequence, no fines were imposed on the Group in this regard.

This non-financial information statement of Selena Group has been prepared based on the Non-Financial Information Standard 2017 (SIN).