SELENA FM S.A.

FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017
WITH THE AUDITOR'S OPINION AND REPORT

Wrocław, 20 April 2018

INCOME STATEMENT

Figures in PLN thousand	Note	Year ended 31 December 2017	Year ended 31 December 2016
Continued operations			
Revenue from the sale of goods and materials		474,558	403,863
Revenues from the sale of services		29,030	26,199
Sales		**503,588**	**430,062**
Cost of sales		450,996	374,455
Gross profit (loss)		**52,592**	**55,607**
Other operating income	7	28,367	8,272
Selling and marketing costs	6	30,432	27,212
General and administrative expenses	6	29,210	22,000
Other operating costs	7	5,504	18,919
Operating profit (loss)		**15,813**	**-4,252**
Financial revenues	8	86,095	36,891
Financial expenses	8	77,828	23,777
Profit (loss) before tax		**24,080**	**8,862**
Income tax	9	-1,742	1,735
Net profit (loss) on continued operations		**25,822**	**7,127**
Discontinued operations			
Profit (loss) on discontinued operations		–	–
Net profit (loss) for the year		**25,822**	**7,127**
Earnings per share (continued operations) (PLN/share):	10		
- basic		1.13	0.31
- diluted		1.13	0.31

STATEMENT OF COMPREHENSIVE INCOME

Figures in PLN thousand	Year ended 31 December 2017	Year ended 31 December 2016
Profit after tax	25,822	7,127
Total other net comprehensive income	0	0
Total comprehensive income	**25,822**	**7,127**

STATEMENT OF FINANCIAL POSITION

Figures in PLN thousand	Note	31 December 2017	31 December 2016
ASSETS			
Property, plant and equipment	14	2,784	3,320
Intangible fixed assets	15	17,204	18,462
Shares in subsidiaries	16	167,030	149,472
Other long-term receivables		0	0
Long-term portion of loans granted	18	90,953	119,858
Other long term financial assets		0	0
Deferred tax asset	9.3	82	0
Non-current assets		**278,053**	**291,112**
Inventories	19	2,354	1,968
Trade receivables	20	143,958	156,581
CIT claimed		0	0
Other short-term receivables	21	24,758	5,687
Short-term portion of loans granted	18	14,628	5,620
Other short-term financial assets	18	309	60,406
Cash and cash equivalents	22	10,121	6,275
Current assets		**196,128**	**236,537**
TOTAL ASSETS		**474,181**	**527,649**
Registered capital	23.1	1,142	1,142
Supplementary capital	23.2	246,822	246,545
Other reserves	23.3	19,163	19,163
Retained profit / (loss carried forward)		25,822	7,127
– retained profit / loss carried forward from previous years		0	0
– profit (loss) after tax		25,822	7,127
Equity		**292,949**	**273,977**
Long-term portion of bank and other loans	27	17,516	114,848
Other financial liabilities	26	5,738	869
Deferred tax liability	9.3	0	2,095
Non-current liabilities		**23,254**	**117,812**
Trade liabilities	24	84,359	129,754
Short-term portion of bank and other loans	27	70,155	3,030
Other financial liabilities	26	527	728
Income tax payable		291	230
Other short-term liabilities	25	2,646	2,118
Short-term provisions		0	0
Current liabilities		**157,978**	**135,860**
Total liabilities		**181,232**	**253,672**
TOTAL EQUITY AND LIABILITIES		**474,181**	**527,649**

STATEMENT OF CASH FLOWS

Figures in PLN thousand	Note	Year ended 31 December 2017	Year ended 31 December 2016
Cash flows from operating activities			
Profit / loss before tax on continued operations		**24,080**	**8,862**
Profit / loss before tax on discontinued operations		–	–
Adjusted by:			
Depreciation/amortisation		2,823	1,550
FX (gains) / losses		9,928	-1,294
Interest and dividends		-77,350	-26,434
Profit / loss on investing activities		55,240	18,040
Change in the balance of receivables	31	-48,577	-18,590
Change in the balance of inventories		-386	1,265
Change in the balance of obligations	31	-44,883	57,788
Change in the balance of provisions		0	-172
CIT paid		-374	-53
Other		910	-1,157
Net cash flows from operating activities		**-78,589**	**39,805**
Cash flows from investing activities			
Inflows from sale of tangible fixed assets		62	69
Acquisition of tangible and intangible fixed assets		-892	-3,251
Purchase of shares in a subsidiary		-17,063	0
Sale of other financial assets		10	0
Dividends and interest received		10,581	16,809
Cancellation of subsidiaries' shares		63,912	5,179
Loans granted		-14,262	-25,238
Repayments of loans granted		20,501	132
Bond repayments received		60,350	350
Net cash flows from investing activities		**123,199**	**-5,950**
Cash flows from financing activities			
Repayment of finance lease obligations		-718	-814
Inflows from bank / other loans received		20,205	23,901
Repayment of loans		-49,520	-43,831
Payment of dividend		-6,850	-6,850
Interest paid		-3,854	-4,847
Net cash flows from financing activities		**-40,737**	**-32,441**
Net increase in cash and cash equivalents		**3,873**	**1,414**
Change in cash and cash equivalents:		**3,846**	**1,460**
net FX differences		-27	46
*Cash at the beginning of the period**		*6,275*	*4,815*
*Cash at the end of the period**		*10,121*	*6,275*

*including restricted cash:

as at 31 December 2017: PLN 0.1m

as at 31 December 2016: PLN 0.1m

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

Figures in PLN thousand	Registered capital	Supplementary capital	Other reserves	Retained profit/ (loss carried forward): prior years	Retained profit/ (loss carried forward): current period	Total equity
As at 1 January 2017	**1,142**	**246,545**	**19,163**	**7,127**	**0**	**273,977**
Net profit (loss) for the financial year	0	0	0	0	25,822	25,822
Total comprehensive income	**0**	**0**	**0**	**0**	**25,822**	**25,822**
Transfer of profit to the supplementary capital	0	277	0	-277	0	0
Dividend	0	0	0	-6,850	0	-6,850
As at 31 December 2017	**1,142**	**246,822**	**19,163**	**0**	**25,822**	**292,949**

FOR THE YEAR ENDED 31 DECEMBER 2016

Figures in PLN thousand	Registered capital	Supplementary capital	Other reserves	Retained profit/ (loss carried forward): prior years	Retained profit/ (loss carried forward): current period	Total equity
As at 1 January 2016	**1,142**	**209,897**	**19,163**	**43,498**	**0**	**273,700**
Net profit (loss) for the financial year	0	0	0	0	7,127	7,127
Total comprehensive income	**0**	**0**	**0**	**0**	**7,127**	**7,127**
Transfer of profit to the supplementary capital	0	36,648	0	-36,648	0	0
Dividend	0	0	0	-6,850	0	-6,850
As at 31 December 2016	**1,142**	**246,545**	**19,163**	**0**	**7,127**	**273,977**

ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

1. Information on the Company

1.1. Company's activity

Selena FM S.A. was established and registered in 1993 as a limited liability company under the name Przedsiębiorstwo Budownictwa Mieszkaniowego. In 2006, the Extraordinary General Meeting of Shareholders approved the name change to Selena FM. In 2007, the Company was transformed into a joint stock company. On 18 April 2008, Selena FM S.A. debuted on the Warsaw Stock Exchange and has been a listed entity since that date.

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

The Company's registered office is at Strzegomska 2-4, 53-611 Wrocław, Poland. The Company operates in Poland.

The Company is entered in the business register of the National Court Register kept by the District Court for Wrocław-Fabryczna, VI Commercial Division of the National Court Register, after transformation, under KRS no. 0000292032 (previous KRS no. 0000129819). The Company was assigned the statistical number REGON 890226440.

The Company's core business includes:

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

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

1.2. The Management Board of the 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-Stańczk 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. Company's Supervisory Board

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.

2. Information about the financial statements

2.1. Data covered by the financial statements

2.1.1. Identification of the consolidated financial statements

These financial statements are unconsolidated accounts of the Company. For a full understanding of the financial position and trading performance of the Company as a parent of Selena FM Group these financial statements should be read together with the consolidated financial statements of the Group for the year ended 31 December 2017, published on 20 April 2018.

2.1.2. Period covered by the financial statements

They cover the period of 12 months ended 31 December 2017 and data as at that date.

2.1.3. Comparable data

The income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity cover the data for the 12 months ended 31 September 2017 as well as comparative data for the period of 12 months ended 31 September 2016.

The statement of financial position covers the data presented as at 31 September 2017, and comparative data as at 31 December 2016.

2.1.4. Notes

The accounting policy and notes are an integral part of these financial statements.

2.2. Approval of the financial statements

These financial statements were approved for publication by the Management Board on 20 April 2018.

2.3. Basis of preparation

These financial statements have been prepared under the historical cost convention, except for financial instruments measured at fair value.

2.4. Going concern

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

2.5. Statement of conformity

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") approved by the EU. Taking into account the ongoing IFRS implementation process in the EU, as regards the Company's operations there is no difference between the already implemented IFRS and the IFRS approved by the EU for the financial year ended 31 December 2017.

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

2.6. Measurement and reporting currency

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

The currency rates used for measurement of the balance sheet items expressed in foreign currency are presented in the table below.

Currency	31 December 2017	31 December 2016
1 EUR	4.1709	4.4240
1 USD	3.4813	4.1793
1 TRY	0.9235	1.1867
100 KZT	1.0633	1.2659
1 BRL	1.0510	1.2838

3. Accounting policies

3.1. Changes in the accounting policies

The accounting policies that were used in preparation of the financial statements are consistent with the policies used in preparation of the consolidated financial statements of the Company for the year ended on 31 December 2016, except for the changes resulting from implementation of new standards.

Information on the impact of applying new standards (IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers") on the financial statements for the period in which they will be applied for the first time is presented in Note 3.3.1. and 3.3.2.

3.2. New standards and interpretations

Presented below is a list of standards, amendments to the existing standards and interpretations published by the International Accounting Standards Board (IASB) and approved for application in the EU, which for the first time enter into force in the Company's 2017 financial statements:

Amendments to IAS 7 Statement of Cash Flows – reconciliation of liabilities from financing activities approved by the EU on 6 November 2017 (applicable to the annual periods commencing on or after 1 January 2017). The reconciliation of changes in liabilities arising from financing activities is presented in Note 28 to these financial statements.

Other below changes to the existing standards have no material impact on the data presented in these financial statements:

Amendments to IAS 12 "Income Tax" – Recognition of Deferred Tax Assets for Unrealised Losses – ratified by the EU on 6 November 2017 (applicable to the annual periods commencing on or after 1 January 2017).

Amendments to IFRS 12 as a result of "Improvements to IFRS" (2014–2016 cycle) – made as part of the procedure of making annual amendments to IFRS (IFRS 1, IFRS 12 and IAS 28), designed mainly to address inconsistencies and clarify the terminology, approved in the EU on 7 February 2018 (the amendments to IFRS 12 apply to the annual periods commencing on or after 1 January 2017).

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

When approving these financial statements, the Company did not apply the existing standards, amendments and interpretations that have been published by IASB and approved for adoption in the EU, but have not become effective yet:

IFRS 9 Financial Instruments – approved by the EU on 22 November 2016 (applicable to the annual periods commencing on or after 1 January 2018). IFRS 9 sets out requirements for classification and measurement, impairment, derecognition and hedge accounting.

IFRS 15 “Revenue from Contracts with Customers” and amendments to IFRS 15 “Effective date of IFRS” – approved by the EU on 22 September 2016 (applicable to the annual periods commencing on or after 1 January 2018. This standard specifies how and when revenue is recognised, as well as the need for more detailed disclosures. The standard replaces IAS 18 “Revenue”, IAS 11 “Construction Contracts” and many interpretations related to revenue recognition.

IFRS 16 “Leases” (applicable to the annual periods commencing on or after 1 January 2019). In line with IFRS 16, the lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated as appropriate. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. Lessors continue to classify leases as operating or finance, with the approach to lessor accounting substantially unchanged from its predecessor, IAS 17. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. A lessor recognises finance income over the lease term of a finance lease, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

Amendments to IFRS 2 “Share-Based Payments” – classification and measurement of share based payment transactions – approved by the EU on 27 February 2018 (applicable to the annual periods commencing on or after 1 January 2018).

Amendments to IFRS 4 “Insurance Contracts” - Applying IFRS 9 “Financial Instruments” with IFRS 4 “Insurance Contracts” – approved by the EU on 3 November 2017 – (applicable to the annual periods commencing on or after 1 January 2018 or at the time for first-time application of IFRS 9 “Financial Instruments”).

Amendments to IFRS 15 “Revenue from Contracts with Customers” – Explanations to IFRS 15 – approved by the EU on 31 October 2017 – (applicable to the annual periods commencing on 1 January 2018 or thereafter).

Amendments to IFRS 1 and IAS 28 as a result of “Improvements to IFRS” (2014–2016 cycle) – made as part of the procedure of making annual amendments to IFRS (IFRS 1, IFRS 12 and IAS 28), designed mainly to address inconsistencies and clarify the terminology, approved by the EU on 7 February 2018 (the amendments to IFRS 1 and IAS 28 apply to the annual periods commencing on or after 1 January 2018).

The Company has decided not to use the possibility of earlier applications of the above standards or amendments to the existing standards.

According to the estimates of the Company, the foregoing new standards, interpretations and amendments to the existing standards, except for the standards presented below, would not have any material impact on the financial statements if they had been applied by Selena FM S.A. as at the balance sheet date.

The Company’s Management Board expects that adoption of IFRS 16 Leasing may have a material future impact on the amounts presented under fixed assets and financial liabilities of the Company’s financial statements. The Company is in the process of analysing the impact of the new standard on the financial statements. A detailed analysis will be completed in 2018.

3.3.1. Implementation of IFRS 9 Financial Instruments

As at the date of publication of these financial statements, the Company finalised its analyses of the impact of IFRS on the opening balance, i.e. on 1 January 2018. The company will apply IFRS 9 from the effective date of the standard, without transforming the comparative data, which means that data for 2017 and 2018 will not be comparable, while any adjustments related to IFRS adjustments will be made as of 1 January 2018 and reflected in equity.

The Company has prepared a description of the principles of classification of financial assets. Based on them, Selena FM S.A. carried out business tests of cash flows originating solely from payments of principal and interest (SPPI) for all items of the statement of financial position considered significant as at 31 December 2017.

The Company carried out a detailed assessment of the impact of the introduction of IFRS 9 on the Company's accounting policies in relation to its activities and financial results. This assessment is based on currently available information and may be subject to changes resulting from acquisition of rational and evidence-based additional information during the period when the Company applies IFRS 9 for the first time. These data were not audited and it is possible that the final amounts contained in the financial statements for 2018 will differ from those presented below. The impact of the amendments to IFRS 9 on the Statement of Financial Position is presented in the table below. The Company recalculated the estimated impact on retained earnings in relation to the application of IFRS 9 as at 1 January 2018. Due to the transition method used, no impact on IFRS 9 was identified in the income statement.

Figures in PLN thousand	Carrying amount as at 31 December 2017	Impact of IFRS 9	Carrying amount as at 1 January 2018
Property, plant and equipment	2,784		2,784
Intangible fixed assets	17,204		17,204
Shares in subsidiaries	167,030		167,030
Other long-term receivables	0		0
Long-term portion of loans granted	90,953	-746	90,207
Other long term financial assets	0		0
Deferred tax asset	82	47	129
Non-current assets	**278,053**	**-699**	**277,354**
Inventories	2,354		2,354
Trade receivables	143,958	-9,077	134,881
CIT claimed	0		0
Other short-term receivables	24,758		24,758
Short-term portion of loans granted	14,628		14,628
Other short-term financial assets	309		309
Cash and cash equivalents	10,121		10,121
Current assets	**196,128**	**-9,077**	**187,051**
TOTAL ASSETS	**474,181**	**-9,776**	**464,405**
Registered capital	1,142		1,142
Supplementary capital	246,822		246,822
Other reserves	19,163		19,163
Retained profit / (loss carried forward)	25,822	-9,776	16,046
– retained profit / loss carried forward from previous years	0	-9,776	-9,776
– profit (loss) after tax	25,822		25,822
Equity	**292,949**	**-9,776**	**283,173**
Long-term portion of bank and other loans	17,516		17,516
Other financial liabilities	5,738		5,738
Deferred tax liability	0		0

Non-current liabilities	**23,254**	**0**	**23,254**
Trade liabilities	84,359		84,359
Short-term portion of bank and other loans	70,155		70,155
Other financial liabilities	527		527
Income tax payable	291		291
Other short-term liabilities	2,646		2,646
Short-term provisions	0		0
Current liabilities	**157,978**	**0**	**157,978**
Total liabilities	**181,232**	**0**	**181,232**
TOTAL EQUITY AND LIABILITIES	**474,181**	**-9,776**	**464,405**

Based on the conducted analyses, it is expected that all financial assets measured at fair value until now will continue to be carried at fair value, while assets measured at amortised cost will continue to meet the criteria of the current valuation.

Detailed impact of the methodology used in the calculation of estimated impact on retained earnings in relation to the application of IFRS 9 as at 1 January 2018:

- **Loans granted and amounts due from connected entities** – for the purpose of implementation of IFRS 9 an individual analysis of each exposure was carried out. The exposures were assigned to one of three stages:
  - i) Stage 1 – where credit risk has not increased significantly since initial recognition and where 12-month expected credit loss (ECL) is recognised.
  - ii) Stage 2 – where credit risk has increased significantly since initial recognition and where lifetime ECL is recognised.
  - iii) Stage 3 – where the financial asset is credit impaired and where there is a significant credit risk (as the value of liabilities is higher than the balance of loans and receivables).

  Exposures classified to stage 1 or 2 had impairment allowances determined based on an individually set rating, repayment profile and assessment of recovery from collateral.

  For exposures classified to stage 3, the amount of impairment allowance is calculated as the difference between the carrying amount of the asset and the present value of the estimated future cash flows (excluding future losses on account of uncollected receivables), discounted using the effective interest rate. Impairment allowances are reversed when the present value of the estimated future cash flows is higher than the net assets employed, and a positive balance of payments with the entity concerned is expected to be achieved within the next 12 months.

- **Receivables from other entities** – for the purpose of implementation of IFRS 9, a collective analysis of exposures was performed (with the exception of those which are subject to individual assessment as impaired). A simplified matrix of write-downs was applied for individual age ranges based on expected credit losses over the entire life of the receivables (based on default rates determined using historical data).

- **Cash and cash equivalents** – the Company estimated allowances based on the likelihood of default determined using external bank ratings. A decision was made not to create allowances due to materiality of individual items.

- **Liabilities** – the Company does not expect IFRS 9 to affect the valuation and presentation of the Company's liabilities. The implementation of the new Standard will entail an extension of the scope of disclosures in the financial statements.

As the Company currently does not apply hedge accounting principles, the application of IFRS 9 will have no material impact on the Company's financial statements in this regard.

3.3.2. Implementation of IFRS 15

The Company will apply IFRS 15 “Revenue from Contracts with Customers” as of its effective date, using the modified retrospective approach, i.e. with the combined effect of the first-time adoption of IFRS 15 on the date of first application data (which could result in an equity adjustment a at 1 January 2018) , without adjusting the comparative data.

Selena FM S.A. analysed the impact of IFRS 15 on the principles applied. This assessment is based on currently available information and interpretations re IFRS 15 and may be subject to changes resulting from acquisition of additional information during the period when the Company applies IFRS 15 for the first time and as a result of changes to the interpretation of the standard. The Company is going to monitor any future changes in this area. The Company has analysed its contracts with customers in accordance with the “Five Steps Model”, which is necessary for correct determination of revenues in accordance with IFRS 15 – from identification of the contract (or groups thereof), to identification of individual liabilities, determination of prices and their allocation to individual liabilities to income recognition.

The Company performed a detailed analysis of the impact of IFRS 15 on the current method of recognition of revenues from the Company’s contracts, particularly in terms of the moment and value of the revenue recognised, and verified correctness of presentation of individual revenue items.

Based on the analysis, it has been found that the adoption of IFRS 15 will not have any material impact on the Company’s financial statements at the time of the first adoption of the standard, i.e. from 1 January 2018. Due to the application of the new standard, there will be changes in the presentation of:

- provisions for discounts granted to clients – presented in contractual obligations rather than as reduction of trade receivables (PLN 623 thousand as at 1 January 2018),
- transport costs, if the Company does not generate a separate revenue from this – presented in selling expenses rather than in the cost of sales (PLN 500 thousand as at 1 January 2018).

Based on the analysis of contracts with customers, the Company estimates that the implementation of the IFRS 15 will not have any impact on the Company’s equity as at 1 January 2018. However, there will be presentation changes in the consolidated statement of financial position and in the income statement. There will be increased requirements re disclosures (those imposed by IFRS 15 are more detailed that those resulting previously from IAS 18 and IAS 11 and their related interpretations).

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

IFRS in the form approved by the EU do not differ materially from the regulations adopted by the International Accounting Standards Board (IASB), except for the following new standards, amendments to standards and new interpretations, which as at 20 April 2018 were not yet approved for use in the EU (the following effective dates apply to the full version of the standards):

IFRS 14 “Regulatory Deferral Accounts” (applicable to the annual periods commencing on or after 1 January 2016). The European Commission has decided not to propose for endorsement the interim standard for application across the EU pending publication of the full version of IFRS 14.

IFRS 17 “Insurance Contracts” (applicable to the annual periods commencing on or after 1 January 2021);

Amendments to IFRS 9 “Financial Instruments” regarding prepayment features with negative compensation (applicable to the annual periods commencing on or after 1 January 2019);

Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date of the amendments has been deferred pending finalisation of the project on equity accounting);

Amendments to IAS 19 “Employee Benefits” – Plan Amendment, Curtailment or Settlement (applicable to the annual periods commencing on or after 1 January 2019);

Amendments to IAS 28 “Investments in Associates and Joint Ventures” regarding long-term interests in associates and joint ventures (applicable to the annual periods commencing on or after 1 January 2019).

Amendments to IAS 40 “Investment Property” – transfers of investment properties (applicable to the annual periods commencing on or after 1 January 2018).

Changes to different standards: Improvements to IFRS (2015–2017 cycle) – made as part of the procedure of making annual amendments to IFRS (IFRS 3, IFRS 11, IAS 12, IAS 23) designed mainly to address inconsistencies and clarify the terminology (applicable to the annual periods starting on or after 1 January 2019).

IFRIC Interpretation 22 IFRIC Interpretation 22—Foreign Currency Transactions and Advance Consideration (applicable to the annual periods commencing on or after 1 January 2018).

Interpretation IFRIC 23 "Uncertainty in Income Tax Settlement" (applicable to the annual periods commencing on or after 1 January 2019).

Still, the area of accounting for hedges of assets and liabilities portfolio remains unregulated and any rules in this regard have not been approved for application in the EU.

3.5. Significant accounting policies

3.5.1. Restatement of foreign currency positions

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

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

3.5.2. Property, plant and equipment

Property, plant and equipment are carried at cost reduced by depreciation and impairment charges. The initial value of fixed assets includes the price of acquisition increased by all the costs directly relating to the purchase and adaptation of the asset for use. The expenditures incurred after the asset has been brought into use, including the maintenance and repair costs, are charged to the profit and loss when incurred.

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

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

Category of tangible fixed assets	Depreciation (in years)
Buildings and structures	from 10 to 40
Plant and machinery	from 3 to 10
Office equipment	from 3 to 5
Vehicles	from 3 to 7
Other fixed assets	from 3 to 7

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

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

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

A tangible asset may be derecognised after its disposal or if the entity expects no economic benefits from its continued use. Any profits or losses arising from derecognition of the asset (calculated as a difference between the possible net inflows from sale and the carrying amount of the asset) are recognised in the profit and loss in the period when the derecognition took place.

Fixed assets under construction include all the fixed assets that are during construction or assembly and are recognised at cost reduced by impairment charges, if any. Fixed assets under construction are not depreciated until the construction is finished and the asset is brought into use.

The end value, useful life and the depreciation method of the assets are reviewed each year, and if necessary corrections are made, effective from the beginning of the current reporting period.

3.5.3. Borrowing costs

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

3.5.4. Leases

Financial lease agreements, which substantially transfer all risks and benefits related to holding a leased asset onto the Group, are recognised in the financial situation statement on the lease commencement date according to the lower of the two following values: the fair value of the fixed asset constituting a subject of the lease or the current value of minimal lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The finance charge is recognised in profit or loss, unless the capitalisation conditions are met.

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

Operating lease

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

The leases under which the entity retains substantially all the risks and benefits of ownership are recognised as operating leases.
The initial direct costs incurred during negotiation of the operating lease agreement are added to the book value of the leased asset and are recognised throughout the lease term on the same rules as the revenues from lease. Any conditional lease fees are recognised as an income in the period when they become due.

3.5.5. Intangible fixed assets

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

The enterprise determines if the useful life of an intangible asset is limited or indefinite. Intangible assets with a limited life are amortised throughout the period of their use, and are tested for impairment each time when indications of impairment are identified.
The period and method of amortisation of such assets are reviewed at least at the end of each accounting year.

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

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

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

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

3.5.6. Shares in subsidiaries, associates and joint ventures

Shares in subsidiaries, associates and joint ventures are carried at historical cost less impairment, if any.

If in the preparation of the financial statements any circumstances occurred indicating that the carrying amount of the shares may not be recoverable, the shares are tested for impairment. If the carrying amount of the shares exceeds the estimated recoverable value, then the value of the shares is reduced to their recoverable value. When estimating the recoverable value, the estimated future cash flows are discounted to the current value using the gross discount rate, reflecting the current market estimate for the time value of money and the risks pertaining to the asset. Impairment charges, if any, are recognised in the profit and loss account under financial expenses.

3.5.7. Financial instruments

Financial instruments are divided into the following categories:

- financial assets held to maturity
- financial assets measured at fair value through profit and loss
- loans granted and receivables
- financial assets available for sale
- liabilities measured at fair value through profit and loss
- other liabilities measured at amortised cost.

Financial assets held to maturity are assets, other than derivatives, with determined or determinable payments and a stated maturity, which the entity intends and is able to retain until maturity, other than:

- assets designated on initial recognition as assets measured at fair value through profit and loss
- assets designated as available for sale
- assets that meet the definition of loans and receivables.

Financial assets held to maturity are measured at amortised cost using the effective interest rate. Financial assets held to maturity are classified as long-term assets if their maturity is longer than 12 months after the balance sheet date.

Financial assets measured at fair value through profit and loss are the financial instruments acquired to generate profits on short-term price fluctuations. A financial instrument is classified to this category if its meets one of the following conditions:

a) is classified as held for trading, i.e.
    - acquired with an intention of sell-off in a short-term, or
    - is a part of the portfolio of jointly managed financial instruments, which are likely to generate profits in the short-term, or
    - is a derivative, except derivatives covered by hedge accounting, and financial guarantees agreements
b) was classified to this category under IAS 39 at the time of initial recognition.

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

If a contract contains one or more embedded derivatives, the whole contract may be classified to the category of financial assets measured at fair value through profit and loss. This does not apply in the cases where the embedded derivative does not have any major influence on the cash flows from the contract or it is expressly prohibited to separate the embedded derivatives.

Loans and receivables are financial assets other than derivatives, with determined or determinable payments, not quoted on active market. They are included in current assets unless their maturity date is longer than 12 months from the balance sheet date. Loans grated and receivables with a maturity longer than 12 months after the balance sheet date are included in fixed assets. Loans granted and receivables are measured at amortised cost.

Financial assets available for sale are the financial assets that are not derivatives, which:

- have been classified as available for sale, or
- do not belong to any of the previously specified three asset categories.

Financial assets available for sale are recognised at fair value increased by transaction costs that may be directly allocated to the purchase or issue of the financial asset. Where no stock quotations exist in the active market, and their fair value may not be reliably estimated using alternative methods, financial assets available for sale are measured at cost less impairment. The difference between the fair value and the cost of acquisition of the assets available for sale (if a market price exists, determined in an active regulated market or the fair value may be determined in another reliable manner), after reduction by deferred tax, is recognised in other comprehensive income. A decrease in the value of assets available fore sale cause by impairment is reflected in the profit and loss account as a financial expense.

Purchase and sale of financial assets are recognised at the transaction date.
At the time of initial recognition, a financial asset is measured at fair value, increased – in the case of an asset that is not classified as measured at fair value through profit and loss – by the transaction costs that may be directly allocated to the acquisition.

A financial instrument is derecognised if the entity loses control over the contractual rights that make up the financial instrument; usually this happens when the instrument is sold or when all the cash flows attributed to the instrument are transferred to an independent third party.

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

- initial value decreased by the amounts recognised in the profit and loss are a result of settlement of the initially recognised amount during the period of the guarantee's validity, or
- estimated likely payment.

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

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

3.5.8. Impairment of financial assets

At each balance sheet date, the entity assesses if there are any objective indications of impairment of an asset or a group of financial assets.

Interest carried at amortised cost

If there are objective indications of impairment, the impairment charge is calculated as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted using the effective interest rate. The carrying amount of the asset is reduced by the impairment charge. Losses are reflected in the profit and loss account.

The Group first determines if there are any objective indications of impairment of individually significant financial assets, and the indications of impairment of assets that are not individually significant. If such analysis shows that there are no objective indications of impairment of an individually assessed financial asset, significant or not, the entity includes such asset to the group of financial assets with a similar credit risk profile and tests the assets for impairment collectively. The assets that are individually tested for impairment and for which an impairment charge was recognised or a decision was made that the existing charge would not change, are excluded from collective impairment test.

If in the subsequent period the impairment charge is reduced, and the reduction may be objectively linked to an event occurring after recognition of the charge, the previously recognised charge is reversed. Subsequent reversal of the impairment charge is recognised in the profit and loss account to the degree that at the date of the reversal the book value of the asset was not higher that its amortised cost.

Financial assets measured at cost

If there are objective indications of impairment of a not listed equity instrument that is not carried at fair value because its fair value may not be reliably estimated, or a connected derivative that must be settled by the provider of such not listed equity instrument, then the amount of the impairment loss is calculated as a difference between the book value of the financial asset and the current value of the estimated future cash flows discounted using the current market rate of return for similar financial assets.

Financial assets available for sale

If there are objective indications of impairment of a financial asset available for sale, then the amount being a difference between the purchase price of the asset (less any capital and interest payments and its present fair value less any impairment charges previously recognised in the profit and loss account, is derecognised from equity and transferred to the profit and loss. Reversals of impairment charges for the value of equity instruments classified as available for sales are not recognised in the profit and loss account. If in the subsequent period the fair value of the debt instrument available for sale increases, and the increase may be objectively linked to an event occurring after recognition of the impairment charge in the profit and loss account, then the amount of the reversed charge is included in the profit and loss account.

3.5.9. Inventories

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

The net realisable amount is estimated as the price of a sale effected in the ordinary course of business, less finishing costs and costs needed to finalise the sale.

The closing balance of inventory is measured by determining its value using the FIFO method.

3.5.10. Trade and other receivables

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

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

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

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

3.5.11. Cash and cash equivalents,

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

The balance of cash and cash equivalents presented in the statement of cash flows consists of the items specified above. Overdrafts are presented in the balance sheet under loans and advances in short-term liabilities.

3.5.12. Interest-bearing bank debt, loans and debt securities

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

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

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

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

3.5.13. Trade and other liabilities

Trade liabilities are measured at the value of the payment due.

Financial liabilities are measured at amortised cost using the effective interest rate, except the liabilities classified at measured at fair value through profit and loss.

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

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

3.5.14. Provisions

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

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

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

3.5.15. Retirement benefits

Employees of the companies registered in Poland are given rights to retirement benefits under the Polish Labour Code. A retirement benefit is paid once-off when the employee retires. The value of the benefit depends on the years of service and the average remuneration of the employee.

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

3.5.16. Revenues

Revenues are recognised at the amount of probable economic benefits flowing from the particular transaction, and where the value of the revenue may be reliably estimated. Revenues are recognised at fair value of the payment received or due, reduced by indirect taxes not due to the seller, and discounts. Recognition of revenues is subject to the criteria outlined below.

Sale of finished goods, merchandise and materials

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

Provision of services

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

Interest

Interest income is recognised gradually as the interest is earned (using the effective interest rate method, which discounts the future cash flows over the estimated life of the financial instruments) relative to the net carrying amount of the financial instrument.

Dividends

Dividends are recognised at the time of determination of the shareholders' rights to dividend.

Rental (operating lease) income

Income from the lease of office space is recognised on a straight-line basis over the lease term.

3.5.17. Taxes

Current tax

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

Deferred income tax

Deferred tax is calculated using the balance sheet obligations method for all the temporary differences existing at the balance sheet date between the tax value of assets and liabilities, and their carrying amount shown in the financial statements.
A deferred tax liability is recognised for all the positive temporary differences:

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

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

- except when the deferred tax assets relating to negative temporary differences are a result of initial recognition of a goodwill or an initial recognition of an asset or liability in a transaction other than business combination, and at the time of the transaction it did not have any impact on the PBT or taxable income or tax loss, and
- in the case of negative temporary differences from investments in subsidiaries or associates, or shares in joint ventures, the deferred tax asset is recognised in the balance sheet at the amount of the likely income arising in the foreseeable future from reversal of the temporary differences, allowing for the negative temporary differences to be covered.

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

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

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

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

VAT

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

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

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

3.5.18. Net profit per share

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

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

3.5.19. Transactions settled through equity instruments

The cost of transactions settled with staff in equity instruments is recognised by reference to the fair value at the date when the respective rights were awarded. Fair value is determined by an independent valuer. Measurement of the equity-settled payments takes account of the market conditions of the rights allocation (associated with the price of the parent's shares) and other conditions than those relating to the rights allocation. The cost of equity-settled transactions is recognised together with the corresponding increase in the value of equity in the period when the conditions relating to the financial results and / or performance of service were fulfilled, ending on the date when the particular employees receive full entitlement to the benefits ("vesting date"). The aggregate cost in respect of equity–settled transactions recognised at each balance sheet date until the vesting date reflects the passage of the vesting period and the number of awards to which – according to the parent's management at that date, based on the possibly most accurate estimates of the number of equity instruments - rights will be finally acquired.

No costs will be recognised in respect of the awards to which rights will not be finally acquired, except for the awards for which vesting depends on market conditions or other conditions than those relating to the vesting, which are treated as acquired, regardless of whether or not the market conditions or the other conditions than those relating to the vesting are fulfilled, provided that all the other conditions relating to effectiveness/performance and / or provision of service are fulfilled. If the conditions for allocation of equity-settled awards are modified, to meet the minimum requirement costs are recognised as if the conditions have not been modified. Furthermore, costs are recognised in respect of each increase in the value of the transaction as a result of the modification, measured at the date of the modification.

Where an equity-settled award is cancelled, it is treated as if the rights to the award have not been acquired at the cancellation date, and any not yet recognised costs in respect of the award are recognised immediately. This also relates to the awards for which the conditions other than those relating to the vesting, controlled by the parent or the employee, have not been met. However, where the cancelled award is replaced by a new award – determined as a supplementary award on the date of its allocation, the cancelled award and the new award are treated as a modification of the original award, i.e. in the manner outlined above.

4. Significant values based on professional judgement and estimates

4.1. Professional judgement

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

<u>Classification of lease agreements</u>

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

4.2. Uncertainty of estimates

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

Impairment of long-term investments;

The Company tests its long-term investments for impairment. This exercise requires that the value in use of the cash-generating units (CGU) be estimated. The value in use is estimated by determining the future cash flows generated by the CGU based on the financial plans, and by determining the discount rate for calculation of the present value of such cash flows. Information on the adopted assumptions and results of impairment tests are presented in Note 19.

Impairment of loans and receivables

Impairment charges for loans and receivables are recognised in the event of objective indications of impairment. Impairment charges are estimated based on the realisable future cash flows. Both the amount and time distribution of such cash flows are determined based on the professional judgement of the Group's Management.

Deferred tax assets

Deferred tax assets are recognised if the projected tax results confirm that such tax may be used. However, a deterioration in the tax results in the future might undermine such assumption.

5. Operating segments

The Management Board treats the Company's activity as a single operating segment.

See Note 1.1 of this report for a description of the Company’s activities. Among its other roles, Selena FM S.A. acts as a global distributor – in the Group, it intermediates in goods transactions between production plants and foreign trading organisations; it is also a managing entity of the Group. Financial results on all businesses are analysed jointly as an effect of operation of the Group’s head office and are not a basis for taking decisions on resource allocation within the Company or within the Group's operating segments.

The Company’s trading performance is assessed based on the management data prepared in accordance with IAS/IFRS.

Related parties account for more than 94% of the Company’s revenues (more than 94% in 2016).

Sales are generated in Poland (PLN 0.8 million to non-connected companies and PLN 125.0 million to connected companies) and abroad, mainly in the geographies where the Group-owned companies are located. The Company’s tangible assets are located in Poland.

The Company is not dependant on any buyer. Due to the nature of operations of the Company as a parent of the Group, sales are generated depending on its subsidiaries' demand for goods and services, so they are not a major contributor to the assessment of the Company’s operating efficiency.

6. Operating costs

6.1. Costs by type

Figures in PLN thousand	Year ended 31 December 2017	Year ended 31 December 2016
Use of materials and energy	750	704
Cost of employee benefits	21,504	17,944
Depreciation	2,823	1,550

External services, including:	31,941	26,944
advisory	22,984	11,286
lease	3,286	2,218
other	5,671	13,440
Fees and charges	79	100
Other costs by type, including:	2,545	1,970
entertainment and advertising costs	262	201
business travel costs	1,785	1,459
Cost of goods and materials sold	423,935	350,462
Cost of services sold	27,061	23,993
Total operating costs	**510,638**	**423,667**
including:		
Cost of sales	450,996	374,455
Selling and marketing costs	30,432	27,212
General and administrative expenses	29,210	22,000

6.2. Cost of employee benefits

Figures in PLN thousand	Year ended 31 December 2017	Year ended 31 December 2016
Salaries	18,256	14,970
Social insurance costs	2,641	2,309
Other costs of employee benefits	607	665
Total cost of employee benefits	**21,504**	**17,944**
including:		
Selling and marketing costs	10,066	8,773
General and administrative expenses	11,438	9,171

6.3. Depreciation/amortisation

Figures in PLN thousand	Year ended 31 December 2017	Year ended 31 December 2016
Depreciation of tangible assets	1,159	912
Amortisation of intangible assets	1,664	638
Total depreciation/amortisation	**2,823**	**1,550**
including:		
Selling and marketing costs	328	328
General and administrative expenses	2,495	1,222

7. Other operating revenues and operating costs

7.1. Other operating income

Figures in PLN thousand	Year ended 31 December 2017	Year ended 31 December 2016
Profit from disposal of non-financial fixed assets	62	61
Reversal of an impairment charge on receivables	27,879	7,885
Damages	302	0
Other	124	326
Total other operating revenues	**28,367**	**8,272**

In the year ended 31 December 2017, impairment charges on receivables totalling PLN 27,879 thousand were reversed, including:

- an impairment charge for receivables from connected companies – PLN 27,536 thousand (Selena Iberia slu – PLN 17,306 thousand, Selena Italia srl – PLN 4,225 thousand, Selena Malzemeleri Yapi Sanayi – PLN 2,765 thousand, Selena Sulamericana Ltda – PLN 2,438 thousand, Selena Bohemia – PLN 567 thousand, Selena Romania SRL – PLN 235 thousand);
- an impairment charge for the amounts due from non-connected entities – PLN 343 thousand.

7.2. Other operating costs

Figures in PLN thousand	Year ended 31 December 2017	Year ended 31 December 2016
Impairment charge for receivables	4,907	18,554
Donations	25	45
Uncollectible receivables written off	59	2
Damages, penalties, fines	478	55
Liquidation of inventories	0	55
Other	35	208
Total other operating costs	**5,504**	**18,919**

In the year ended 31 December 2017, impairment charges totalling PLN 4,907 thousand were created, including:

- an impairment charge for receivables from connected companies – PLN 4,905 thousand (Selena USA Inc. – PLN 2,629 thousand, EURO MGA Products SRL – PLN 1,520 thousand, Selena Bułgaria Ltd. – PLN 426 thousand, Selena Nantong Building Materials Co. Ltd – PLN 330 thousand);
- an impairment charge for the amounts due from non-connected entities – PLN 2,000.

8. Financial revenues and expenses

8.1. Financial revenues

Figures in PLN thousand	Year ended 31 December 2017	Year ended 31 December 2016
Dividends and profit sharing	8,031	17,800
Interest, including:	9,412	8,126
on bonds and loans granted	9,363	8,027
on discount of financial obligations	49	99
FX differences	0	4,995
Valuation of currency contracts	1,209	0
Reversal of an impairment charge for shares	0	648
Reversal of an impairment charge on loans	3,334	136
Cancellation of shares	63,912	5,179
Other financial revenues	197	7
Total financial revenues	**86,095**	**36,891**

On 9 Many 2017, the Annual General Meeting of the subsidiary Uniflex SpA adopted a resolution on payment of dividend of EUR 216 thousand from the profit for 2016 to its sole shareholder, i.e. Selena FM S.A. The dividend had not been settled before publication of these financial statements.

On 23 June 2017, the Annual General Meeting of the subsidiary Selena S.A. adopted a resolution on payment of dividend of PLN 6,128k from the profit for 2016 to its sole shareholder, i.e. Selena FM S.A. The dividend was paid by a funds transfer on 25 July 2017.

On 23 June 2017, the Annual General Meeting of the subsidiary Selena Industrial Technologies Sp. z o.o. adopted a resolution on payment of dividend of PLN 983 thousand from the profit for 2016 to its sole shareholder, i.e. Selena FM S.A.

The dividend was paid by a funds transfer on 12 September 2017.

On 24 October 2017, 1,081,248 shares in the share capital of Selena Industrial Technologies Sp. z o.o. were cancelled. As a result, the parent company Selena FM S.A. received remuneration of PLN 63,912 thousand for the cancelled shares. Details are presented in Note 16.5.

In the year ended 31 December 2017, impairment charges for loans were created, totalling PLN 3,334 thousand (see Note 18.3 for details).

8.2. Financial expenses

Figures in PLN thousand	Year ended 31 December 2017	Year ended 31 December 2016
Interest, including:	4,207	4,671
on loans and advances received	4,093	4,577
on finance lease liabilities	111	93
on other obligations	3	1
Impairment charge for the value of shares	15,771	0
Impairment charge for loans	44,072	17,593
Valuation of currency contracts	0	1,297
FX differences	13,584	0
Other financial costs	194	216
Total financial expenses	**77,828**	**23,777**

In the year ended 31 December 2017, impairment charges for shares totalled PLN 15,771 thousand (see Note 16.8 for details).

In the year ended 31 December 2017, impairment charges for loans totalled PLN 44,072 thousand (see Note 18.3 for details).

See Note 17 for details on the impairment tests.

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. Selena FM 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 by entering into forward transactions. In 2017, Selena FM S.A. hedged its expected cash flows with FX forwards and other financial instruments. The Company regularly enters into forward contracts, usually in the currency pairs EUR/RUB, EUR/PLN and CZK/PLN. On average in the period, the Company had open forward contracts hedging the rates up to EUR 5 million for each currency pair. The Company uses such financial instruments solely to hedge its FX risk and does not use them for speculative purposes. The Company does not use hedge accounting within the meaning of IAS 39. As at 31 September 2017, the Company had open FX options for EUR/RUB rate (RUB sales); EUR/PLN (EUR sales), CZK/PLN (CZK sales) and HUF/PLN (HUF sales); its gain on valuation of unrealised instruments was PLN 309 thousand (the result on these transactions is reported in financial revenue under “Valuation of currency contracts”). After the balance sheet date, Selena FM S.A. had financial instruments in place relating to RON/PLN (RON 4.5 million), CZK/PLN (CZK 14.0 million), HUF/PLN (HUF 99.0 million) and EUR/RUB (EUR 1.25 million) with settlement dates in the period until 22 January 2019.

9. Income tax

9.1. Tax charge

Figures in PLN thousand	Year ended 31 December 2017	Year ended 31 December 2016
Income tax for the current period	435	282
Change in deferred income tax	-2,177	1,453
Tax charge carried in profit or loss:	**-1,742**	**1,735**

9.2. Reconciliation of the effective tax rate

The table below shows reconciliation of the tax on the pre-tax profit at the statutory rate with the income tax calculated at the effective tax rate of the Company.

Figures in PLN thousand	Year ended 31 December 2017	Year ended 31 December 2016
Profit / loss before tax on continued operations	24,080	8,862
Profit/ loss before tax on discontinued operations	0	0
Tax rate	19%	19%
Tax at the applicable rate	4,575	1,684
Tax on non-taxable income (permanent differences)	-19,523	-11,381
- on dividends received	-1,526	-3,382
- in respect of cancellation of shares in a subsidiary	-12,143	-984
- in respect of impairment charge on shares and loans	-633	-784
- in respect of reversal of impairment charge for receivables	-5,221	-5,883
- other	0	-348
Tax on costs that are non-tax deductible (permanent differences)	13,206	11,432
- in respect of impairment charge on shares and loans	11,370	3,343
- in respect of impairment charge on receivables	910	7,737
- in respect of management options	0	0
- other	926	352
Other tax deductible costs in the current period - relating to other periods in accounting terms (-)	0	0
Current period's utilisation of tax losses, investment reliefs and other temporary differences not recognised in prior years	0	0
The period's tax losses for which no deferred tax assets were recognised	0	0
The period's negative temporary differences for which no deferred tax assets were recognised	0	0
Adjustments to current tax for prior periods	0	0
Tax charge carried in profit or loss:	**-1,742**	**1,735**
Effective tax rate	**-**	**19.58%**

9.3. Deferred income tax

Deferred tax asset

Figures in PLN thousand	31 December 2017	Charge/credit to the financial result	31 December 2016	Charge/credit to the financial result
Deferred tax asset on temporary differences in assets	*214*	*-84*	*298*	*137*
Trade receivables	*197*	*-54*	*251*	*173*
Impairment charges for receivables	*197*	*-54*	*251*	*173*
Other assets	*17*	*-30*	*47*	*-36*
Unrealised sales on Incoterms	*17*	*-30*	*47*	*-36*
Deferred tax asset on negative temporary differences in liabilities	*817*	*65*	*752*	*-303*
Liabilities	*206*	*61*	*145*	*-44*
Liability in respect of unpaid remuneration	*206*	*61*	*145*	*-44*
Accruals	*334*	*-16*	*350*	*202*
Provision for the cost of audit	*28*	*4*	*24*	*13*
Provision for the cost of unutilised leaves	*149*	*4*	*145*	*8*
Other accruals	*157*	*-24*	*181*	*181*
Liabilities in respect of loans and advances	*29*	*29*	*0*	*-506*
Interest payable	*29*	*29*	*0*	*-506*
Provisions	*118*	*70*	*48*	*5*
Provision for the loyalty scheme	*118*	*70*	*48*	*5*
Other liabilities	*130*	*-79*	*209*	*40*
Lease liabilities	*130*	*-70*	*200*	*59*

Guarantees granted	*0*	*-9*	*9*	*-19*
Deferred tax asset on unrealised FX differences	*1,326*	*1,326*	*0*	*-778*
Deferred tax asset on tax losses	*0*	*0*	*0*	*0*
Deferred tax asset on total temporary differences	**2,357**	**1,307**	**1,050**	**-944**
Deferred tax asset less liability	82		0	

Deferred tax liability

Figures in PLN thousand	31 December 2017	Charge/credit to the financial result	31 December 2016	Charge/credit to the financial result
Deferred tax liability on positive temporary differences in assets	*2,267*	*890*	*1,377*	*416*
Tangible fixed assets	479	170	309	89
Net value of fixed assets under lease	*249*	*-60*	*309*	*89*
Difference between the net carrying amount and tax value of non-current assets	*230*	*230*	*0*	*0*
Loans granted and contributions to capital	*1,788*	*729*	*1,059*	*328*
Interest on loans granted, accrued and outstanding	*1,788*	*729*	*1,059*	*328*
Bonds	*0*	*-9*	*9*	*-1*
Interest on bonds, accrued and outstanding	*0*	*-9*	*9*	*-1*
Deferred tax liability on positive temporary differences	*8*	*-668*	*676*	*676*
Trade liabilities	8	-668	676	676
Obligations in respect of bonuses received in the following year	*8*	*-668*	*676*	*676*
Deferred tax liability on positive unrealised FX differences	*0*	*-1,092*	*1,092*	*-583*
Deferred tax liability	**2,275**	**-870**	**3,145**	**509**
Deferred tax liability less asset	0		2,095	
Change in deferred tax reflected in net profit		**-2,177**		**1,453**

10. Profit per share

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

The number of ordinary shares in 2017 did not change.

		Year ended 31 December 2017	Year ended 31 December 2016
Profit (loss) after tax	PLN	25,822,224	7,127,025
Weighted average number of ordinary shares	share	22,834,000	22,834,000
Profit/(loss) per ordinary share	**PLN/share**	**1.13**	**0.31**
Number of shares, including possible dilution	share	22,834,000	22,834,000
Diluted profit per share	**PLN/share**	**1.13**	**0.31**

As at 31 December 2017, Selena FM S.A. has no potentially diluting ordinary shares.

11. Dividend paid and proposed

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.

12. Discontinued operations

In the period of ended 31 December 2017 or in the period ended 31 December 2016, the Company did not discontinue nor it plans to discontinue any type of business in the next year.

13. Social assets and Social Fund obligations

The Social Fund Act of 4 March 1994, as amended, stipulates that the Social Fund shall be created by the employees with at least 20 staff members (FTEs), as at the beginning of a given year. By virtue of its work regulations, the Company decided not to establish such Social Fund.

14. Property, plant and equipment

The tables below show the gross value, depreciation and net value of tangible assets as at the balance sheet date.

Figures in PLN thousand	Buildings and premises	Plant and machinery	Vehicles	Other fixed assets	Fixed assets under construction	Total
Gross value as at 1 January 2017	**88**	**2,502**	**3,650**	**388**	**906**	**7,534**
increases, including:	36	1,307	180	5	-906	622
Direct purchase	*0*	*0*	*0*	*0*	*442*	*442*
Leases	*0*	*0*	*0*	*0*	*180*	*180*
Settlement of fixed assets under construction	*36*	*1,307*	*180*	*5*	*-1,528*	*0*
Decreases, including:	0	10	250	0	0	260
Liquidation, sale	*0*	*10*	*250*	*0*	*0*	*260*
Gross value as at 31 December 2017	**124**	**3,799**	**3,580**	**393**	**0**	**7,896**
Write-off as at 1 January 2017	**70**	**1,836**	**2,008**	**300**	**0**	**4,214**
increases, including:	9	608	504	38	0	1,159
Depreciation for the period	*9*	*608*	*504*	*38*	*0*	*1,159*
Decreases, including:	0	10	251	0	0	261
Liquidation, sale	*0*	*10*	*251*	*0*	*0*	*261*
Write-off as at 31 December 2017	**79**	**2,434**	**2,261**	**338**	**0**	**5,112**
Net value as at 1 January 2017	**18**	**666**	**1,642**	**88**	**906**	**3,320**
Value as at 31 December 2017	**45**	**1,365**	**1,319**	**55**	**0**	**2,784**

Figures in PLN thousand	Buildings and premises	Plant and machinery	Vehicles	Other fixed assets	Fixed assets under construction	Total
Gross value as at 1 January 2016	**88**	**2,312**	**2,835**	**371**	**865**	**6,471**
increases, including:	0	201	918	17	41	1,177
Direct purchase	*0*	*201*	*0*	*17*	*41*	*259*
Leases	*0*	*0*	*918*	*0*	*0*	*918*
Settlement of fixed assets under construction	0	0	0	0	0	0
Other	0	0	0	0	0	0
Decreases, including:	0	11	103	0	0	114
Liquidation, sale	*0*	*11*	*103*	*0*	*0*	*114*
Gross value as at 31 December 2016	**88**	**2,502**	**3,650**	**388**	**906**	**7,534**
Write-off as at 1 January 2016	**66**	**1,479**	**1,618**	**246**	**0**	**3,409**
increases, including:	4	368	486	54	0	912

Depreciation for the period	*4*	*368*	*486*	*54*	*0*	*912*
Decreases, including:	0	11	96	0	0	107
Liquidation, sale	*0*	*11*	*96*	*0*	*0*	*107*
Write-off as at 31 December 2016	**70**	**1,836**	**2,008**	**300**	**0**	**4,214**
Net value as at 1 January 2016	**22**	**833**	**1,217**	**125**	**865**	**3,062**
Value as at 31 December 2016	**18**	**666**	**1,642**	**88**	**906**	**3,320**

In 2017 and 2016, financing costs were not capitalised into tangible assets.

15. Intangible fixed assets

The tables below show the gross value, depreciation and net value of intangible assets as at the balance sheet date.

Figures in PLN thousand	Software	Other intangible assets	Intangible assets not brought into use	Total
Gross value as at 1 January 2017	**5,814**	**152**	**17,950**	**23,916**
increases, including:	15,960	0	-15,554	406
Direct purchase	*0*	*0*	*406*	*406*
Decreases, including:	0	0	0	0
Liquidation, sale	*0*	*0*	*0*	*0*
Gross value as at 31 December 2017	**21,774**	**152**	**2,396**	**24,322**
Write-off as at 1 January 2017	**5,321**	**133**	**0**	**5,454**
increases, including:	1,662	2	0	1,664
Depreciation for the period	*1,662*	*2*	*0*	*1,664*
Decreases, including:	0	0	0	0
Liquidation, sale	*0*	*0*	*0*	*0*
Write-off as at 31 December 2017	**6,983**	**135**	**0**	**7,118**
Net value as at 1 January 2017	**493**	**19**	**17,950**	**18,462**
Value as at 31 December 2017	**14,791**	**17**	**2,396**	**17,204**

Figures in PLN thousand	Software	Other intangible assets	Intangible assets not brought into use	Total
Gross value as at 1 January 2016	**5,782**	**146**	**15,053**	**20,981**
increases, including:	32	6	2,897	2,935
Direct purchase	*32*	*6*	*2,897*	*2,935*
Settlement against fixed assets under construction	*0*	*0*	*0*	*0*
Decreases, including:	0	0	0	0
Liquidation, sale	0	0	0	0
Other	0	0	0	0
Gross value as at 31 December 2016	**5,814**	**152**	**17,950**	**23,916**
Write-off as at 1 January 2016	**4,683**	**133**	**0**	**4,816**
increases, including:	638	0	0	638
Depreciation for the period	*638*	*0*	*0*	*638*
Decreases, including:	0	0	0	0
Liquidation, sale	0	0	0	0

Write-off as at 31 December 2016	**5,321**	**133**	**0**	**5,454**
Net value as at 1 January 2016	**1,099**	**13**	**15,053**	**16,165**
Value as at 31 December 2016	**493**	**19**	**17,950**	**18,462**

On 28 March 2017, Selena FM S.A. adopted for use ERP system – Microsoft Dynamics AX 2012 in the area relating to the system dedicated for Poland. Value of the investments brought into use PLN 16.0m.

16. Shares in subsidiaries

16.1. Company's investments

Entity	Reg. Office	Activity	Share in capital		
			31 December 2017	31 December 2016	
Selena S.A.	Wrocław	Distributor	100.00%	100.00%	
Selena Labs Sp. z o.o.	Siechnice	Research and Development	99.65%	99.65%	1
Taurus Sp. z o.o.	Dzierżoniów	Legal administration	-	100.00%	2
Carina Sealants Sp. z o.o.	Siechnice	Legal administration	100.00%	100.00%	
Selena Industrial Technologies Sp. z o.o.	Warsaw	Operational administration	100.00%	100.00%	
Selena Deutschland GmbH	Hagen	Distributor	100.00%	100.00%	
Selena Italia srl	Limena	Distributor	100.00%	100.00%	
Selena Iberia slu	Madrid	Manufacturer of sealants, adhesives, distributor	100.00%	100.00%	
Uniflex S.p.A.	Mezzocorona	Manufacturer of sealants, distributor	64.00%	-	5
Selena USA Inc.	Holland	Distributor	100.00%	100.00%	
Selena Sulamericana Ltda	Curitiba	Manufacturer of foams, distributor	95.00%	95.00%	4
Selena USA Specialty Inc	Holland	Property management and distribution	100.00%	100.00%	
Selena Romania SRL	Ilfov	Distributor	100.00%	100.00%	
Selena Bohemia s.r.o	Prague	Distributor	100.00%	100.00%	
Selena Hungária Kft.	Pécs	Distributor	100.00%	100.00%	
Selena Bulgaria Ltd.	Sofia	Distributor	100.00%	100.00%	
EURO MGA Product SRL	Ilfov	Manufacturer of loose materials	0.13%	0.13%	3
Selena Ukraine Ltd.	Kiev	Distributor	99.00%	99.00%	4
Selena CA L.L.P.	Almaty	Distributor	100.00%	100.00%	
Selena Insulations	Astana	Manufacturer of insulation systems	100.00%	100.00%	
Weize (Shanghai) Trading Co., Ltd.	Shanghai	Distributor	100.00%	100.00%	
Selena Nantong Building Materials Co., Ltd.	Nantong	Manufacturer of foams, distributor	100.00%	100.00%	
Selena Vostok	Moscow	Distributor	99.00%	99.00%	4
Selena Malzemeleri Yapi Sanayi Tic. Ltd.	Istambul	Man. of foams and sealants, distributor	100.00%	100.00%	

1 - Other shares owned by Krzysztof Domarecki (Supervisory Board Chairman of Selena FM S.A.)
2 - change of shares owner to Selena Industrial Technologies Sp. z o. o. on 20 January 2017 + resolution to rename the company as Taurus Sp. z o.o. (formerly Orion Polyurethanes Sp. z o.o)
3 - Other shares owned by subsidiary Selena Romania SRL
4 - Other shares owned by subsidiary Selena S.A.
5 - Other shares owned by natural persons

16.2. Value of shares

The table below shows a specification of the shares held by the Company in its subsidiaries.

	31 December 2017			31 December 2016			
Figures in PLN thousand	Gross	Write-down	Net	Gross	Write-down	Net	
Selena S.A.	62,781	0	**62,781**	62,781	0	**62,781**	
Selena Labs Sp. z o.o.	1,400	0	**1,400**	1,400	0	**1,400**	
Taurus Sp. z o.o. **	0	0	**0**	8	0	**8**	
Carina Sealants Sp. z o.o.	8	0	**8**	8	0	**8**	
Selena Industrial Technologies Sp. z o.o.	38,379	0	**38,379**	38,379	0	**38,379**	
Selena Deutschland GmbH	4	0	**4**	4	0	**4**	
Selena Italia srl	1,884	1,884	**0**	1,884	1,884	**0**	
Selena Iberia slu	43,478	22,913	**20,565**	43,478	22,913	**20,565**	
Uniflex S.p.A.	12,429	0	**12,429**	0	0	**0**	
Selena USA Inc.	1,289	1,289	**0**	1,289	1,289	**0**	
Selena Sulamericana Ltda	3,594	3,594	**0**	3,594	0	**3,594**	
Selena USA Specialty Inc	2,418	1,118	**1,300**	2,418	1,118	**1,300**	
Selena Romania SRL	11,944	11,944	**0**	11,944	11,944	**0**	
Selena Bohemia s.r.o	9,936	0	**9,936**	0	0	**0**	*
Selena Hungária Kft.	679	679	**0**	679	679	**0**	
Selena Bulgaria Ltd.	0	0	**0**	0	0	**0**	*
EURO MGA Product SRL	1	0	**1**	1	0	**1**	
Selena Ukraine Ltd.	0	0	**0**	0	0	**0**	*
Selena CA L.L.P.	9,029	0	**9,029**	9,029	0	**9,029**	
Selena Insulations	1,206	1,206	**0**	1,206	0	**1,206**	
Weize (Shanghai) Trading Co., Ltd.	0	0	**0**	0	0	**0**	*
Selena Nantong Building Materials Co., Ltd.	33,910	33,910	**0**	33,910	33,910	**0**	
Selena Vostok	11,197	0	**11,197**	11,197	0	**11,197**	
Selena Malzemeleri Yapi Sanayi Tic. Ltd.	23,765	23,764	**1**	12,793	12,793	**0**	
Value of shares	**269,331**	**102,301**	**167,030**	**236,002**	**86,530**	**149,472**	

* value of shares below PLN 400
** change of shares owner to Selena Industrial Technologies Sp. z o. o. on 20 January 2017 + resolution to rename the company as Taurus Sp. z o.o. (formerly Orion Polyurethanes Sp. z o.o)

16.3. 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.

16.4. Purchase of shares in Uniflex S.p.A.

On 29 March 2017, under the agreement signed between Selena FM S.A. and four 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. Details of the provisional settlement of the acquisition were presented in Note 1.7 of the Group's consolidated financial statements for the year ended 31 December 2017.

16.5. 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.

16.6. 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. Selena Bohemia s.r.o used the funds to repay its obligations and loans towards Selena FM S.A.

16.7. Increasing the share capital in 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 capital was increased by converting the loans of EUR 2,449 thousand and EUR 200 thousand dollars (with a fair value of PLN 0 as at the conversion date) which the company obtained from Selena FM S.A. The increase in the share capital of the subsidiary was registered on 27 December 2017.

16.8. Impairment charges on the value of shares

Details about the completed impairment tests for the value of shares in subsidiaries and the posted impairment charges are presented in Note 17 to this report. Impairment charges for shares were PLN 15,771 thousand in 2017, including:

- Selena Malzemeleri Yapi Sanayi Tic. Ltd. – PLN 10,971 thousand
- Selena Sulamericana – PLN 3,594 thousand
- Selena Insulations – PLN 1,206 thousand

Figures in PLN thousand	Year ended 31 December 2017	Year ended 31 December 2016
Impairment charge for shares at the beginning of the period	**86,530**	**90,518**
Creation of an impairment charge for inventory	15,771	0
Utilisation of the charge for shares (Chemistry for Building s.r.o.)	0	3,340
Reversal of an impairment charge for shares	0	648
Impairment charge for shares at the end of the period	**102,301**	**86,530**

On 25 December 2017, the share capital of Selena Malzemeleri Yapi Sanayi Tic Ltd was increased by converting the loans granted to the company by Selena FM S.A. (for details see Note 16.7 of these financial statements). As at the conversion date, the loans were covered by an impairment allowance. As a result of the capital increase, the company reversed the allowance for the converted shares and created an allowance for the new shares.

17. Impairment of long-term assets

17.1. Shares in Selena Sulamericana Ltda

Due to the deteriorated political and economic situation in Brazil, the slower pace of infrastructural and construction investments and the high volatility of the Brazilian real, the Company's Management Board carried out an impairment test for the assets invested in the entity. As a result, an impairment allowance of PLN 3,594 thousand was created for the value of the shares and an allowance of PLN 7,167 thousand for the value of loans granted alongside interest (at historical value). The test described above did not show any need to post an impairment charge for the fixed assets presented in the Group's consolidated financial statements.

17.2. Shares in TOO Selena Insulations

Due to the later-than-planned start of production at Selena Insulation and the strong depreciation of the local currency (KZT) against the euro, an impairment test was carried out for the assets invested in the company. The test was based on the company's projected future cash flows, taking into account the time value of money. As a result, the Company's Management Board decided to create impairment allowances of PLN 1,206 thousand and PLN 5,631 thousand for the shares in and loans granted to the company, respectively. The test described above did not show any need to post an impairment charge on fixed assets presented in the Group's consolidated financial statements.

17.3. Shares and long term loans in Selena Nantong Building Materials Co. Ltd

Due to the lower-than-planned utilisation of the plant's production capacity in the prior reporting periods and the slower-than-planned increase in the sales of Selena Nantong Building Materials Co., Ltd as well as revision of its business plans, as at 30 June 2017, the Management Board carried out an impairment test for the entity's fixed assets. Based on the projected future cash flows generated by the company, no need was identified to create an additional impairment charge for the assets invested in Selena Nantong Building Materials Co., Ltd. In the prior years, an impairment charge of PLN 33,910 thousand was posted for shares and PLN 26,523 thousand for the loans granted to the company (values converted at the historical rate).

As at 31 December 2017, the impairment test was repeated. Based on the projections of future cash flows generated by Selena Nantong Building Materials Co., Ltd. in the 7-year projection period, a recoverable amount of the fixed assets invested in the company was determined. The test did not reveal any need for additional impairment allowances.

Given the long-term nature of the investment, the test was based on a 7-year cash flow forecast. For the purpose of the test, WACC before tax was taken at 13.9% and the residual growth rate at 2.5%.

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

The test described above did not reveal any need to create an impairment charge for the value of fixed assets in the Group's consolidated report (for details, see Note 16.2 of the consolidated financial statements as at 31 December 2017).

17.4. Shares and loans in Selena Romania srl and long-term loans in Selena Romania srl and EURO MGA Product srl

As the Romanian company failed to achieve the expected sales levels in H1 2017, and due to the slower-than-expected growth of the dry mortars, wet plasters and ceramic adhesives divisions, the Management Board performed an impairment test for the assets invested in Selena Romania srl and EURO MGA Product srl (a subsidiary of Selena Romania srl). In the prior years, an impairment charge was posted for the value of shares and long-term loans in their full amount. As at 30 June 2017, all the long-term assets invested in Selena Romania srl and EURO MGA Product srl were covered by impairment charges.

As at 31 December 2017, the impairment test was repeated. Based on the projections of future cash flows generated in the Romanian market in the 5-year projection period, a recoverable amount of the fixed assets invested in the company was determined.

The test used a 5-year cash flow projection: For the purpose of the test, WACC before tax was taken at 14.1% and the residual growth rate at 2.5%.

Future projections of cash flows include current operations in the Romanian market, particularly in the area of dry mortars and wet plasters, focused on implementation of innovative products and a further development of distribution combined with optimisation of production and logistics costs.

The test described above did not show any need to post an impairment charge on fixed assets presented in the Group's consolidated financial statements.

17.5. Assumptions of the impairment models

Assumptions of the cash flow models for the purpose of impairment tests are presented in the table below (it includes the tests where the Management Board estimated could materially affect the value of potential impairment losses).

CGU	TOO Selena Insulations	Selena Sulamericana	Selena Nantong	Selena Romania + EURO MGA
WACC before tax	17.9%	21.7%	13.9%	14.1%
Residual growth rate	1.2%	2.5%	2.5%	2.5%
Impairment	6,563	10,607	none	425
Model sensitivity - impairment amount at:				
WACC before tax increased by 1 p.p.	*1,614*	*0*	*no charge*	*0*
residual growth rate reduced by 1 p.p.	*1,170*	*0*	*no charge*	*0*
EBIT margin reduced by 1 p.p.	*1,167*	*0*	*3,369*	*0*

18. Loans granted and other financial assets

18.1. Loans granted and other financial assets

Selena FM, as a Parent of the Group, finances the operations of its subsidiaries. The financing instruments are intercompany loans.

A summary of changes in the balance of such instruments in 2017 is shown in the table below.

Type of connection	Figures in PLN thousand	31 December 2016	Principal Increase Decrease	Principal Increase Decrease	Interest Accrued	Interest Paid	Reduction by withholding tax	Valuation	Write-down	31 December 2017
Subsidiaries	Loans									
	Gross value	195,541	58,100	-26,048	5,947	-5,407	-782	-19,175	16,717	224,893
	Impairment charge	-70,134	-44,072	3,334	0	0	0	8,228	-16,717	-119,361
	Net value	125,407	58,100	-26,048	5,947	-5,407	-782	-19,175	-49,227	105,532
Other connected entities	Bonds	60,396	0	-60,350	3,413	-3,459	0	0	0	0
Non-connected entities	Loans	71	0	-25	3	0	0	0	0	49
	Valuation of derivatives	10	0	0	0	0	0	299	0	309
TOTAL		**185,884**	**58,100**	**-86,423**	**9,363**	**-8,866**	**-782**	**-18,876**	**-49,227**	**105,890**
including long-term:		*119,858*								*90,953*

18.2. Maturities of the loans granted and other financial assets

Maturity (in years) 31 December 2017		below 1 year	1-3 years	Above 3 years	Without maturity	Total
Subsidiaries	Loans	14,624	62,569	28,339	0	**105,532**
Non-connected entities	Loans	4	45	0	0	**49**
Non-connected entities	Valuation of derivatives	309	0	0	0	**309**
TOTAL		**14,937**	**62,614**	**28,339**	**0**	**105,890**

Maturity (in years) 31 December 2016		below 1 year	1-3 years	Above 3 years	Without maturity	Total
Subsidiaries	Loans	5,620	35,246	84,541	0	**125,407**
Other connected entities	Bonds	60,396	0	0	0	**60,396**
Non-connected entities	Loans	0	71	0	0	**71**
Non-connected entities	Valuation of derivatives	10				**10**
TOTAL		**66,026**	**35,317**	**84,541**	**0**	**185,884**

18.3. Loans to subsidiaries – changes during the year

In 2017, Selena FM S.A. granted its subsidiaries loans totalling PLN 58,100 thousand, including:

- On 13 January 2017, Selena FM S.A. signed a loan agreement with Selena Nantong Building Materials Co., Ltd. for a sum of CNY 1.2m. The interest rate is fixed. It matures on 15 January 2019. The loan has been drawn down in full.
- On 23 February 2017, an agreement was signed with Selena Nantong Building Materials Co., Ltd. providing for a loan of CNY 620 thousand. The interest rate is fixed. The loan matures on 28 January 2022. The loan has been drawn down in full.
- On 5 April 2017, Selena FM S.A. signed a loan agreement with Selena Sulamericana. The loan amount is EUR 1.0m. The interest rate is variable. The loan matures on 31 December 2022. The loan originated through conversion of the trade receivables from Selena Sulamericana.
- On 10 May 2017, Selena FM S.A. signed a loan agreement with Selena Nantong Building Materials Co., Ltd. for a sum of EUR 410 thousand. The interest rate is fixed. It matures on 14 May 2018. In the year ended 31 December 2017, tranches of EUR 310 thousand were drawn. By the date of publication of these financial statements the loan had been drawn down in full.
- On 15 May 2017, a loan agreement of RUB 50 million was signed with Selena Insulations. The interest rate is variable. It matures on 15 May 2022. The loan has been drawn down in full.
- On 12 June 2017, Selena FM S.A. signed a loan agreement with Selena Labs. The loan amount is PLN 4 million. The interest rate is variable. It matures on 11 June 2022. According to the agreement, the loan is drawn in tranches. The first tranche was disbursed on 4 July 2017. In the year ended 31 December 2017, tranches of PLN 2.3 million were drawn. By the date of publication of these financial statements, a tranche of PLN 500 thousand had been drawn.
- On 21 June 2017, Selena FM S.A. signed a loan agreement with Selena Iberia slu. The loan amount is EUR 5.1 million. The interest rate is variable. The loan matures on 31 December 2022. The loan originated through conversion of the trade receivables from Selena Iberia slu.
- On 30 June 2017, Selena FM S.A. signed a loan agreement with Selena Italia srl. The loan amount is euro 1.0 million. The interest rate is variable. The loan matures on 31 December 2022. The loan originated through conversion of the trade receivables from Selena Italia srl.
- On 2 October 2017, Selena FM S.A. signed a loan agreement with Selena Malzemeleri Yapi Sanayi Tic. Ltd. The loan amount is EUR 1.9 million Turkish lira and carries a variable interest rate. It matures on 31 December 2022. The loan originated through conversion of the trade receivables from Selena Malzemeleri Yapi Sanayi Tic. Ltd.
- On 20 October 2017, Selena FM S.A. signed a loan agreement with Selena Vostok. The loan amount is RUB 700 million. The interest rate is variable. The loan matures on 31 December 2022, with a prepayment option, but not earlier than 26 July 2019. According to the agreement, the loan is drawn in tranches. The first tranche (RUB 100 million) was disbursed on 25 October 2017. By the date of publication of these financial statements, another tranche of RUB 100 million had been drawn.
- On 29 December 2017, a loan agreement of EUR 629 thousand was signed with Selena Romania SRL. The interest rate is variable. It matures on 31 December 2022. The loan originated through conversion of the trade receivables from Selena Romania SRL.
- On 29 December 2017, Selena FM S.A. signed three loan agreements with Selena Malzemeleri Yapi Sanayi Tic. (TRY 1.8 million, EUR 110 thousand and USD 22 thousand, respectively). The interest rate is variable. The loans mature on mature 31 December 2022. The loans originated through conversion of the trade receivables from Selena Malzemeleri Yapi Sanayi Tic. Ltd.

In the year ended 31 December 2017, Selena FM S.A. received loan repayments from subsidiaries totalling PLN 15,070 thousand:

- Selena CA L.L.P.: EUR 3 million
- Selena Bohemia s.r.o.: EUR 1,146 thousand
- EURO MGA Product SRL: RON 385 thousand.

In 2017, loans granted to Selena Malzemeleri Yapi Sanayi Tic. Ltd. were converted into the company's equity, resulting in a share capital increase of PLN 10,978 thousand. Details of the capital increase were presented in Note 16.7 of these financial statements for the year ended 31 December 2017.

On 10 August 2017, an annex was signed to the loan agreement with Foshan Chinuri Selena Chemical, extending the repayment date from 1 September 2017 to 1 September 2018, and changing the interest rate on the loan.

On 20 September 2017, an annex was signed to the loan agreement with Selena Nantong, changing the interest payment dates.

In 2017, annexes were signed to loan agreements with Selena Nantong, extending the loan maturity dates and changing the interest rate on the loans.

In 2017, annexes were signed to loan agreements with Selena Bulgaria Ltd, Selena Romania SRL, Selena Bohemia and Selena Sulamericana, changing the interest rate on the loans.

In line with IFRS and the adopted accounting policy:

- long-term loans granted to foreign affiliates – which are not expected or likely to be settled in a short-term - are treated as an element of investments into net assets of these entities, in the meaning of IAS 21 para. 15;
- in the consolidated financial statements, the FX differences arising for the lender and the borrower upon valuation of these loans are be reflected in other comprehensive income from the moment the loans are classified as an element of investments into net assets;
- this classification has no impact on the unconsolidated financial statements of the parties to the loan agreements.

The decision of the Management Board stating that the settlement of these loans is not planned is taken independent of any analysis relating to the recoverability of these amounts.

Impairment charges for loans and interest reversed in 2017 were PLN 3,334 thousand (by historical value), as indicated in Note 8.1:

- Selena Malzemeleri Yapi Sanayi Tic. Ltd. – PLN 2,951 thousand
- EURO MGA Product SRL – PLN 383 thousand

Impairment charges for loans created in 2017 were PLN 44,072 thousand (by historical value), as indicated in Note 8.2:

- Selena Iberia slu – PLN 21,911 thousand (relates to the conversion of trade receivables into a loan);
- Selena Sulamericana – PLN 11,617 thousand (including PLN 4,450 thousand relating to the conversion of trade receivables into a loan);
- Selena Insulations – PLN 5,631 thousand;
- Selena Iberia slu – PLN 4,481 thousand (relates to the conversion of trade receivables into a loan);
- Selena Romania SRL – PLN 425 thousand;
- POLYFOAM Yalitim Sanayi ve Tic Ltd. – PLN 7,000.

18.4. Bonds of other connected entities – changes during the year

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 (together with interest of PLN 3,417 thousand) 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. Krzysztof Domarecki, Chairman of Supervisory Board of Selena FM S.A., is the sole shareholder of Syrius Investments S.a.r.l., which is the sole shareholder of AD Niva sp. z o.o.

18.5. Loans to non-connected companies – changes during the year

In the year ended 31 December 2016, the loan granted to the Intelligent Start Foundation was set off against the trade creditors of PLN 25 thousand.

18.6. Valuation of derivatives

As at 31 September 2017, the Company had open FX options for EUR/RUB rate (RUB sales); EUR/PLN (EUR sales), CZK/PLN (CZK sales) and HUF/PLN (HUF sales); its gain on valuation of unrealised instruments was PLN 309 thousand (the result on these transactions is reported in financial revenue under “Valuation of currency contracts”). Details of the derivatives were presented in Note 8.1 to these financial statements for the year ended 31 December 2017.

18.7. Loans granted and other financial assets – significant events occurring after the balance sheet date

By the date of publication of these financial statements, Selena CA L.L.P. repaid loans of EUR 160 thousand.

As part of the signed agreements, further tranches of loans for Selena Vostok Selena Labs and Selena Nantong Building Materials Co., Ltd. were drawn in amount of RUB 100 million, PLN 0.5 million and EUR 100 thousand, respectively.

On 19 March 2018, Selena FM S.A. signed an annex to the loan agreement with Selena Nantong, extending the repayment date to 25 March 2023, and changing the interest rate on the loan.

On 3 April, annexes were signed to loan agreements with Selena Malzemeleri Yapi Sanayi Tic. Ltd., extending the loan maturity dates and changing the interest rate on the loans.

On 9 April 2018, a loan agreement was signed with Selena Iberia. The loan amount is USD 1,845.6 thousand and the maturity date is 31 December 2018. The loan interest rate variable: 3M LIBOR plus margin. By the date of publication of this report, tranches of USD 500 thousand had been drawn.

By the date of publication of this report, no other significant events occurred after the balance sheet date.

19. Inventories

Figures in PLN thousand	31 December 2017	31 December 2016
Merchandise	2,354	1,968
Total inventory, gross	**2,354**	**1,968**
Impairment charge for inventory	0	0
Total net inventory	**2,354**	**1,968**

20. Trade receivables

20.1. Age structure of trade receivables

Trade receivables do not carry any interest rate – the standard payment terms are 60 days.

The table below presents the age structure of trade receivables. The table does not include receivables covered by impairment charges.

Figures in PLN thousand		Total	Up-to-date	Overdue, not covered by impairment charges (days in arrears): < 30	30 – 60	60 – 90	90 – 180	>180
31 December 2017	From connected companies	136,754	81,838	17,781	8,993	8,514	19,628	0
	From non-connected companies	7,204	6,011	671	96	220	206	0
31 December 2016	From connected companies	150,446	66,947	29,193	12,966	10,746	30,560	34
	From non-connected companies	6,135	4,562	1,169	623	0	-224	5

20.2. Impairment charge for receivables

Figures in PLN thousand	Year ended 31 December 2017	Year ended 31 December 2016
Impairment charge at the beginning of the period	**48,656**	**36,767**
Created	4,907	18,554
connected entities	*4,905*	*17,675*
other entities	*2*	*879*
Reversed, including:	-27,879	-7,885
connected entities	*-27,576*	*-7,879*
other entities	*-303*	*-6*
FX differences arising on translation	-2,983	1,220
Impairment charge at the end of the period	**22,701**	**48,656**
connected entities	*21,727*	*47,318*
other entities	*974*	*1,338*
including:		
Impairment charge for trade receivables	22,701	48,656

Details on the creation and reversal of the charges are presented in Notes 8.1 and 8.2.

21. Other receivables

Figures in PLN thousand	31 December 2017	31 December 2016
VAT claimed	21,440	3,801
Prepayments for deliveries	0	105
Settlements with employees	58	0
Other	3,260	1,781
Total other receivables	**24,758**	**5,687**

22. Cash and cash equivalents

Cash in bank carries variable rates of interest. As at 31 December 2017, the fair value of cash and cash equivalents essentially corresponds to their book value.

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

Figures in PLN thousand	31 December 2017	31 December 2016
Cash in bank	10,111	6,261
Cash on hand	10	14
Total cash	**10,121**	**6,275**

As at 31 December 2017, the Company had unutilised credit lines of PLN 127.4 million as part of the credit limits described above. As at 31 December 2016: PLN 66.2 million.

23. Registered capital, supplementary capital and reserves

23.1. Registered capital

23.1.1. Nominal value per share

The structure of the registered capital is shown in the table below.

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

All the shares are fully paid-up. In 2017, the number of shares did not change.

23.1.2. Shareholder rights

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

23.1.3. Major shareholders

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

	31 December 2017		31 December 2016	
Shareholder	**share in capital**	**share in votes**	**share in capital**	**share in votes**
AD Niva Sp. z o.o.*	42.76%	51.29%	41.77%	50.45%
Syrius Investments S.a.r.l (Luxemburg)**	35.25%	30.00%	35.25%	30.00%
Quercus Towarzystwo Funduszy Inwestycyjnych S.A. ***	5.99%	5.09%	5.99%	5.09%
	84.00%	**86.38%**	**83.01%**	**85.54%**

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

** entity controlled by Krzysztof Domarecki, Supervisory Board Chairman

***As at 7 July 2016

23.2. Supplementary capital

Figures in PLN thousand	Year recognised	Value
Excess of the shareholding value over the nominal value of the acquired shares in the merger with Domarecki i Wspólnicy spółka jawna	2007	10,042
Share capital increase and acquisition of new shares by Syrius Investment S.a.r.l	2007	13,588
Fair valuation of long-term liabilities as at the date of conversion into share and supplementary capital	2007	-530
Transfer of profit to the supplementary capital	2008	7,239
Excess of the issuance price over the nominal value of shares after deduction of the issuance costs	2008	161,287
Transfer of profit to the supplementary capital	2011	44,935
Transfer of profit to the supplementary capital	2012	37,263
Excess of the price of acquisition of subscription warrants over the nominal value	2012	104
Reserve capital for the purchase of treasury shares	2012	-8,000
Cover of loss for 2012	2013	-45,123
Payment of dividend	2013	-8,677
Transfer of profit to the supplementary capital	2014	25,611
Cover of loss for 2014	2015	-21,448
Payment of dividend	2015	-6,394
Transfer of profit to the supplementary capital	2016	36,648
Transfer of profit to the supplementary capital	2017	277
Supplementary capital		**246,822**

On 23 June 2017, the AGM of Selena FM S.A. adopted a resolution on distribution of profit for the year ended 31 December 2016 by paying a dividend of a total amount of PLN 6,850,200.00, i.e. PLN 0.30 per share and allocating PLN 276,825.25 to the Company's supplementary capital.

23.3. Other reserves

Figures in PLN thousand	Year recognised	Value
Results of the merger Selena FM Sp. z o.o. and Domarecki i Wspólnicy sp. j.	2007	9,530
Fair value of the warrants allocated as part of the incentive programme	2010/2011	1,633
Reserve capital earmarked for the purchase of own shares	2012	8,000
Other reserves		**19,163**

23.4. Retained earnings and limitations on dividend payout

The Company is required under the Commercial Companies Code to create a supplementary capital for possible losses. The supplementary capital is created from at least 8% profit for the given financial year reported in the Company's financial statements to the point when the capital reaches at least a third of the share capital. The allocation of the reserve capital or the supplementary capital is the decision of the General Meeting, however a portion of the supplementary capital equal to a third of the share capital may be used only to cover the loss shown in the financial statements, and cannot be used for other purposes.

24. Trade liabilities

Figures in PLN thousand	31 December 2017	31 December 2016
Trade liabilities		
amounts due to related parties	77,434	122,903
amounts due to other entities	6,925	6,851
Total trade liabilities	**84,359**	**129,754**

Trade creditors do not carry any interest rate – they are usually payable within 60 days.

25. Other liabilities

Figures in PLN thousand	31 December 2017	31 December 2016
Remuneration payable	1,876	1,610
Investment liabilities	22	82
Taxes and insurance payable	577	410
Advances received for future deliveries	148	0
Other liabilities	23	16
Total other liabilities	**2,646**	**2,118**

26. Other financial liabilities

Figures in PLN thousand	31 December 2017	31 December 2016
Long-term financial liabilities	5,738	869
Finance lease obligations	480	861
Other financial liabilities	5,258	8
Short-term financial liabilities	527	728
Finance lease obligations	527	684
Other financial liabilities	0	44
Total financial liabilities	**6,265**	**1,597**

As at 31 December 2017, other financial liabilities of PLN 5,258 thousand including a call option to purchase minority interests due to the take-over of control over Uniflex S.p.A. Details of the provisional settlement of the acquisition were presented in Note 1.7 of the Group's consolidated financial statements for the year ended 31 December 2017.

The obligations in respect of finance lease was described in Note 29.1.

27. Loans received

27.1. Balance of bank and other loans

The incurred bank and other loans are presented in the table below.

Ref	Loan type	Maturity date	31 December 2017 *Long-term portion*	31 December 2017 *Short-term portion*	31 December 2016 *Long-term portion*	31 December 2016 *Short-term portion*
1	Working capital loan	07/2018	0	21,109	35,686	0
2	Working capital loan	07/2018	0	4,705	1,042	0
3	Working capital loan	01/2017	0	0	0	3,030
4	Working capital loan	12/2018	0	41,792	51,752	0
5	Working capital loan	09/2019	4,798	0	19,805	0
6	Non-bank loan	12/2018	0	2,419	2,588	0
7	Loan	12/2019	1,500	41	1,500	0
8	Non-bank loan	12/2019	1,668	15	1,725	0
9	Non-bank loan	12/2019	750	20	750	0
10	Non-bank loan	09/2022	8,800	54	0	0
Total loans			**17,516**	**70,155**	**114,848**	**3,030**

27.2. Specification of loans

1) Receivables Limit Agreement of 25 June 2009 for Selena FM and subsidiaries Orion PU sp. z o.o., Libra sp. z o.o. and Selena S.A. On 1 October 2013, Selena FM S.A., Orion PU sp. z o.o., Libra sp. z o.o., Selena S.A., Izolacja – Matizol S.A. and TYTAN EOS sp. z o.o. signed an annex to the loan agreement, setting a total credit limit of PLN 70 million. As at the balance sheet date, Selena FM S.A. had a sublimit of PLN 50.5m. The loan matures on 12 July 2018. It bears a variable rate of interest: 1M WIBOR/EURIBOR/LIBOR + margin. The debt is secured by a mortgage on a property owned by Orion PU sp. z o.o., assignment of the receivables of Selena S.A., a power of attorney to the borrowers' current accounts and a blank bill of exchange.

2) Multi-product agreement of 22 February 2011 for Selena FM S.A. and subsidiaries Carina Silicones sp. z o.o. and Orion PU sp. z o.o. The agreement provides for a total credit limit of PLN 70 million. As at the balance sheet date, Selena FM S.A. had a sublimit of PLN 45 million. The loan matures on 6 July 2018. It bears a variable rate of interest: 1M WIBOR/EURIBOR + margin. The loan is secured by mortgages on the properties owned by the subsidiaries: Carina Silicones Sp. z o.o., Selena Labs Sp. z o.o. and Tytan EOS Sp. z o.o., a registered pledge on the properties of Carina Silicones Sp. z o.o. and Tytan EOS Sp. z o.o., Orion PU Sp. z o.o., Libra Sp. z o.o. and Selena S.A. together with assignment of insurance policies for the above properties and civil law guarantees of Tytan EOS Sp. z o.o. and Libra Sp. z o.o. The companies also issued blank promissory notes to the bank, alongside promissory note declarations.

3) Multi-product line agreement of 25 January 2013 for Selena FM S.A. and Orion PU Sp. z o.o. The loan amount is EUR 7.35 million, but in November and December of each of the agreement's life the limit will be temporarily reduced to an amount being an equivalent of EUR 2.45 million, and in January it will be reinstated to the full amount. As at the balance sheet date, Selena FM used the limit in the equivalent of PLN 3.3 million. The interest rate is variable (WIBOR/EURIBOR/LIBOR, depending on the currency + margin). The facility is secured on a property owned by Orion PU Sp. z o.o. and blank promissory notes of the borrowers. The loan will be repaid in January 2017.

4) Multipurpose agreement of 26 November 2013 for Selena FM and subsidiaries Selena S.A., Tytan EOS sp. z o.o. and Izolacja–Matizol Sp. z o.o.. with subsequent annexes; the loan amount is PLN 70 million and the maturity date is 31 December 2018.As at the balance sheet date, Selena FM S.A. had a sublimit of PLN 64 million. The loan bears a variable interest rate of 1M WIBOR/EURIBOR + margin. The facility is secured by an assignment of all the material receivables from specified debtors, assignment of insurance rights, a statement of submission to debt enforcement, power of attorney to current accounts and a legal mortgage on a property owned by Libra sp. z o.o.

5) Multi-purpose credit limit agreement of 5 August 2016 for Selena FM S.A, and its subsidiaries: Orion PU Sp. z o.o., Carina Silicones Sp. z o.o., Libra Sp. z o.o., IZOLACJA-MATIZOL Sp. z o.o. The credit amount is PLN 50 million for all Borrowers. The maturity date is September 2019. As at the balance sheet date, Selena FM S.A. had a sublimit of PLN 5.17 million and PLN 15.8 million. The interest rate is variable, based on 1M WIBOR + margin for the funds used in PLN and 1M EURIBOR + margin for the funds used in EUR. The loan is secured by an ordinary joint

mortgage on the properties owned by IZOLACJA-MATIZOL Sp. z o.o. and registered pledge on the properties owned by IZOLACJA-MATIZOL Sp. z o.o. alongside assignment of insurance policies for the above assets, civil law guarantee of Selena S.A., and transfer of trade receivables due from third parties to Orion PU Sp. z o.o. and Carina Silicones Sp. z o.o., Libra Sp. z o.o., together with assignment of insurance policies for the above receivables.

6) Agreement of 10 December 2013: Selena FM S.A. signed a loan agreement of PLN 4,00k and EUR 575 thousand with a subsidiary. As at 31 December 2017, the value of the obligation was EUR 575 thousand. The loan matures on 31 December 2018. The loan carries a variable market rate + margin.

7) Agreement of 31 December 2014: Selena FM S.A. signed a loan agreement of PLN 1,500k with a subsidiary. As at 31 December 2017, the value of the obligation was PLN 1,500 thousand. The loan matures on 31 December 2019. The loan carries a variable market rate + margin.

8) Agreement of 31 December 2014: Selena FM S.A. signed a loan agreement of EUR 400k with a subsidiary. The loan matures on 31 December 2019. The loan carries a variable market rate + margin.

9) Agreement of 31 December 2014: Selena FM S.A. signed a loan agreement of PLN 3,197k with a subsidiary. As at 31 December 2017, the value of the obligation was EUR 749 thousand. The loan matures on 31 December 2019. The loan carries a variable market rate + margin.

10) An agreement of 25 September 2017: Selena FM S.A. signed a loan agreement of PLN 10,000 thousand with a subsidiary. As at 31 December 2017, the value of the obligation was PLN 8,800 thousand. The loan matures on 24 September 2022. The loan carries a variable market rate + margin.

27.3. Loan agreement terms

As part of the loan agreements signed by the Parent Company separately or jointly with its subsidiaries, Selena FM S.A. undertook to maintain certain financial ratios at the levels agreed with banks. As at 31 December 2017, Selena Group maintained the consolidated financial ratios at the levels required by the lenders.

28. Reconciliation of the debt balance

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

Figures in PLN thousand	Bank loans	Loans received	Leases	Other financial liabilities	Total
Debt as at 1 January 2017	**111,315**	**6,563**	**1,545**	**52**	**119,475**
Changes resulting from cash flows, including:	-41,858	8,800	-829	0	-33,887
financing received	*11,405*	*8,800*	*0*	*0*	*20,205*
repayment of principal	*-49,520*	*0*	*-718*	*0*	*-50,238*
interest and fees paid	*-3,743*	*0*	*-111*	*0*	*-3,854*
other	*0*	*0*	*0*	*0*	*0*
Non-cash changes, including:	2,947	-96	291	5,206	8,348
lease agreements signed	*0*	*0*	*180*	*0*	*180*
interest and fees accrued	*3,743*	*151*	*111*	*-48*	*3,957*
FX differences	*-796*	*-247*	*0*	*-66*	*-1,109*
other	*0*	*0*	*0*	*5,320*	*5,320*
Debt balance as at 31 December 2017	**72,404**	**15,267**	**1,007**	**5,258**	**93,936**

29. Contingent liabilities and guarantees granted

29.1. Guarantees given to subsidiaries

Material guarantees that Selena FM S.A. grants to its subsidiaries are presented in the table below.

Comment	Secured obligation	Beneficiary	31.12.2017 Amount in currency (m)	Currency	Expires
1	Joint credit limit	Bank	5.84	PLN	12/2018
	Joint credit limit	Bank	21.98	PLN	07/2018
	Joint credit limit	Bank	12.79	PLN	07/2018
2	Loan	Bank	0.41	PLN	03/2018
	Loan	Bank	63.65	RUB	01/2022
	Loan	Bank	302.32	RUB	06/2018
	Financing	Bank	1.42	EUR	2017
	Financing	Bank	1.94	EUR	2018
	Financing	Bank	1.16	EUR	2020
	Financing	Bank	0.88	EUR	2022
3	Supplies	Supplier	5.05	EUR	
		Supplier	3.00	PLN	03/2018
4	Settlement of purchase of contingent assets	Holding Lowinter	1.29	EUR	-
5	Bank guarantee	Customs Office	0.10	PLN	03/2018

1 – Loan agreements signed jointly by the company and its subsidiaries provide for their joint liabilities towards bank. The amounts shown in the table indicate the value of the loans of other parties to the agreements (i.e. except Selena FM S.A.) as at 31 December 2017. In the opinion of the Management Board the risk of the companies' default under the agreements is marginal.

2 – Loan agreements (other forms of finance) taken out independently by subsidiaries. The amounts in the table show the value of credit obligations of the parties to the agreements as at 31 December 2017

3 – Guarantee securing the payments by subsidiaries to towards the supplier. The amount in the table indicates the maximum guarantee limit. After the balance sheet date, Selena FM S.A. granted new guarantees for suppliers, totalling EUR 4.75 million and RON 0.5 million. By the date of publication of these financial statements, guarantees of EUR 3.75 million and PLN 3 million expired.

4 – On 12 December 2012, Selena FM S.A., Selena S.A. (formerly: Hamil - Selena Co Ltd. Selena Co. S.A.) and Holding Lowinter XXI, SL (legal successor of Quilosa Holding XXI) entered into an agreement whereby Selena FM S.A. acquired from Selena S.A. towards Holding Lowinter XXI, connected with the acquisition of Industrias Quimcas Lowenberg (now: Selena Iberia). The obligation results from the return of the benefits that might flow to Selena Iberia in the future in respect of the conditional tax assets; the maximum nominal value of the obligation as at 31 December 2017 is EUR 1.29 million; the maximum value of the obligation as at 31 December 2017 is EUR 1.29 million.

5 – bank guarantee issued against the limit sanctioned to Selena FM in favour of a Polish Customs Office. After the balance sheet date, Selena FM SA renewed the guarantee for the Customs Office in the amount of PLN 0.2 million.

The obligations in respect of the call option were presented in Note 26.

29.2. Litigations

As at the balance sheet date and by the date of preparation of this report Selena FM S.A. was not a party to any material court dispute.

29.3. Tax settlements

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

Tax payments may be inspected for five years after the year when the tax was paid.

On 20 December 2016, the Company received a decision on commencement of an inspection by the Customs and Tax Office in Wrocław to check correctness of calculation of the taxable income and the CIT paid for 2013. At the date of publication of these unconsolidated financial statements the inspection was still in progress.

Risks and uncertainties associated with tax matters have been described in Management Board's Report on the Activities of Selena Group, Note "Description of risks and threats".

30. Leases

30.1. Finance lease liabilities – Company as a lessee

The Company uses vehicles and computer servers under finance leases. The future minimum lease payments under such leases and the present value of the minimum lease payments are presented in the table below.

	31 December 2017		31 December 2016	
Figures in PLN thousand	Nominal value	Current value	Nominal value	Current value
Total lease payments	**1,065**	**1,007**	**1,628**	**1,545**
Payments up to 1 year	556	527	718	684
Payments from 1 to 5 years	509	480	910	861
Less financial expenses	58	0	83	0
Current value of total minimum lease payments	**1,007**	**1,007**	**1,545**	**1,545**

Terms of the material leases (cars):

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

30.2. Operating lease liabilities – Company as a lessee

The future minimum lease payments under the leases are presented in the table below.

Figures in PLN thousand	Year ended 31 December 2017	Year ended 31 December 2016
Lease payments recognised as cost for the period	2,674	2,637
Future minimum operating lease payments		
payable up to 1 year	2,548	2,662
payable from 1 to 5 years	3,822	6,656
payable over 5 years	0	0
Total operating lease liabilities	**6,370**	**9,318**

The Company operating leases mainly for office and storage space.

30.3. Operating lease receivables – Company as a lessor

Figures in PLN thousand	Year ended 31 December 2017	Year ended 31 December 2016
Lease payments recognised as income for the period	38	39
Future receivables in respect of minimal lease payments:		
payable up to 1 year	38	40
payable from 1 to 5 years	0	0
Operating lease receivables – total	**38**	**40**

31. Reasons for differences between changes in certain balance sheet items and changes arising from the statement of cash flows.

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

Figures in PLN thousand	Year ended 31 December 2017	Year ended 31 December 2016
Balance sheet change in receivables	**-6,448**	**-12,484**
Change in the balance of investment receivables	-5	5
Change in income tax receivable	0	744
Change in receivables in respect of dividend	932	0
Change in receivables in respect of conversion into loans	-43,056	-6,855
Change in the balance of receivables in the statement of cash flows	**-48,577**	**-18,590**

Figures in PLN thousand	Year ended 31 December 2017	Year ended 31 December 2016
Balance sheet change in liabilities	**-72,439**	**32,824**
Change in the balance of loans	30,206	19,567
Change in the balance of lease obligations	538	-105
Change in the balance of investment obligations	45	58
Change in the balance of income tax obligations	-61	-230
Change in guarantee obligations	53	102
Change in liabilities in respect of set-offs	0	6,853
Change in the balance of obligations on account of purchase of shares in subsidiaries	-5,320	0
Change in the balance of provisions	2,095	-1,281
Change in the balance of liabilities in the statement of cash flows	**-44,883**	**57,788**

The “Other” item in operating activities includes an inflow of funds of PLN 910 thousand connected with FX transactions (PLN 1,157 thousand for the year ended 31 December 2016) (Note 8.1).

32. Related party transactions

The Company provides advisory services to its subsidiaries, and is a distributor of the Group’s products to foreign companies. The transactions for the sale and purchase of goods and services to/from the related parties are carried out on an arm's length. The table below shows a summary of the transactions with related parties in 2017 and 2016. Information about the value of impairment charges, including created and reversed charges for receivables and loans, is presented in Notes 7, 8, 18 and 20.2 of these financial statements.

	Figures in PLN thousand	Period	Revenue from sales and recharged costs	Purchase of goods and services	Other revenue*	Other costs
Subsidiaries		2017	469,434	420,480	78,199	770
		2016	403,443	342,717	26,959	286
Associates		2017	4,917	36	0	0
		2016	4,130	42	0	0
Owners	AD Niva Sp. z o.o. (indirectly Krzysztof Domarecki)	2017	9	0	3,417	0
		2016	8	0	4,020	0
	AD Niva Sp. z o.o. SKA (Krzysztof Domarecki)	2017	2	0	0	0
		2016	2	0	0	0
Supervisory Board Members	Universal Energy Sp. z o.o. (Krzysztof Domarecki)	2017	4,447	0	-4	0
		2016	522	6	25	45
TOTAL		**2017**	**478,809**	**420,516**	**81,612**	**770**
		2016	**408,105**	**342,765**	**31,004**	**331**

* the value includes other operating revenues and financial revenues

The table below shows the balance of transactions with related parties as at 31 December 2017 and 31 December 2016.

	Figures in PLN thousand	Period	Bonds, loans	Trade receivables	Other receivables	Liabilities
Subsidiaries		2017	107,746	133,091	0	92,701
		2016	125,407	149,727	0	129,507
Associates		2017	0	1,216	0	0
		2016	0	618	0	11
Owners	AD Niva Sp. z o.o. (indirectly Krzysztof Domarecki)	2017	0	1	0	68
		2016	60,000	0	0	0
Supervisory Board Members	Syrius Investment (Krzysztof Domarecki)	2017	0	0	0	0
		2016	0	0	0	0
	Universal Energy Sp. z o.o. (Krzysztof Domarecki)	2017	0	2,446	0	0
		2016	396	101	0	0
TOTAL		**2017**	**107,746**	**136,754**	**0**	**92,769**
		2016	**185,803**	**150,446**	**0**	**129,518**

33. Emoluments of directors

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

MANAGEMENT BOARD Figures in PLN thousand	Year ended 31 December 2017	Year ended 31 December 2016
Short-term employment benefits, including bonuses (remuneration and deductions)	2,124	2,168
Jean-Noël Fourel	1,160	388
Hubert Rozpędek	240	64
Marcin Macewicz	270	302
Agata Gładysz-Stańczyk	150	0
Artur Ryglowski	221	0
Jarosław Michniuk	0	1,021
Krzysztof Kluza	0	192
Andrzej Feruga	83	201
Retirement benefits	0	0
Termination benefits	0	0
Total	**2,124**	**2,168**

SUPERVISORY BOARD	Figures in PLN thousand	Year ended 31 December 2017	Year ended 31 December 2016
Short-term employment benefits, including bonuses (remuneration and deductions)		309	238
Krzysztof Domarecki		86	74
Andrzej Krämer		33	19
Borysław Czyżak		46	57
Stanisław Knaflewski		34	38
Sylwia Sysko-Romańczuk		34	23
Marlena Łubieszko-Siewruk		18	0
Jacek Olszański		18	0
Mariusz Warych		12	0
Hans Kongsted		14	19
Francisco Azcona		14	8
Retirement benefits		0	0
Termination benefits		0	0
Total		**309**	**238**

Management Board members receive fixed and variable (bonus-based) remuneration. A decision on bonus payment for 2017 will be taken by the Supervisory Board.

AD Niva Sp. z o.o. and Syrius Investment S.a.r.l. as shareholders of Selena FM S.A. received a dividend in 2017 (Note 11), in accordance with the number of shares held (Note 23.1.3).

The Group's consolidated accounts for 2017 (Note 32) show the transactions with connected entities (including the Parent Company's Management Board members) of all the Group companies.

34. Auditor's fee

The table below shows the fee payable to the auditor of the Company's 2017 and 2016 financial statements. The 2017 and 2016 accounts were audited by Deloitte Polska Sp. z o.o.

	Figures in PLN thousand	Year ended 31 December 2017	Year ended 31 December 2016
Audit of the annual financial statements		145	85
Review of the interim financial statements		55	55
Total		**200**	**140**

The fee includes the audit and review of the half-yearling financial statements of the Company and the Group's consolidated accounts.

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.

35. Goals and rules of financial risk management

Selena FM S.A. as a holding entity of the Group primarily focuses on ensuring finance for its subsidiaries' operating and investment needs, and on securing their liquidity. The key tools for this policy include:

- purchase of registered bonds issued by the subsidiaries, and
- granting interest-bearing loans to the subsidiaries.

The Company's cash is put on short-term deposits.

Financial risk management in the Company includes the process of identification, assessment, measurement and management of this risk.

The main risks arising from the utilised financial instruments include the market risk (including the interest rate and currency risk), credit risk and liquidity risk.

35.1. Market risk

35.1.1. Interest rate risk

In accordance with the policy to ensure financing for its subsidiaries, the Company purchases bonds of these companies and grants them loans. See Note 18 of this report for details on these assets.

Selena FM S.A. is exposed to interest rate risk in respect of:

- changes in the fair value of the bonds purchased and bank deposits, for which interest is calculated at the fixed interest rates;
- changes in the cash flows connected with the granted loans for which interest is calculated at variable interest rates.

The age structure of interest-bearing financial instruments (at nominal value) is presented in the table below.

Instruments with a fixed interest rate		**31 December 2017**				**31 December 2016**		
Figures in PLN thousand	**< 1 year**	**1-3 years**	**>3 years**	**> 3 years**	**< 1 year**	**1-3 years**	**> 3 years**	**> 3 years**
Bonds purchased	0	0	0	**0**	60,396	0	0	**60,396**
Loans granted	3,232	8,860	1,072	**13,164**	893	2,342	8,766	**12,001**

Instruments with a variable interest rate		**31 December 2017**				**31 December 2016**		
Figures in PLN thousand	**< 1 year**	**1-3 years**	**>3 years**	**> 3 years**	**< 1 year**	**1-3 years**		**> 3 years**
Loans granted	11,396	53,755	27,266	**92,417**	4,727	32,975	75,775	**113,477**
Finance lease liabilities	527	480	0	**1,007**	684	861	0	**1,545**
Bank loans	70,155	8,716	8,800	**87,671**	3,030	114,848	0	**117,878**

The potential impact of the market interest rates changes during the year on the financial result generated by the financial instruments with a variable yield is presented in the table below. The analysis is based on the assumption that other variables, notably FX rates, will remain unchanged.

	31 December 2017			**31 December 2016**		
Figures in PLN thousand	**PLN**	**EUR**	**OTH**	**PLN**	**EUR**	**OTH**
Loans granted	2,318	58,918	31,181	71	84,490	28,916
Bank loans received	-61,273	-26,398	0	-75,350	-39,498	-3,030
Other financial liabilities	-1,007	0	0	-1,545	0	0
Net exposure	**-59,962**	**32,520**	**31,181**	**-76,824**	**44,992**	**25,886**
Impact * of an increase ** in interest rate*** by 1 pp	-600	325	312	-768	450	259

* excluding possible tax effects

** impact of a decrease is the same

*** respectively: WIBOR / EURIBOR

The Company does not use any IRSs or similar contracts to mitigate its interest rate risk.

35.1.2. FX risk

Selena FM S.A. carries on its business in Poland and the zloty is its functional currency.

The table below shows the open positions denominated in euro, and the estimated impact of changes in PLN/EUR rate on the result on valuation of the open currency positions.

Exposure currency	31 December 2017				31 December 2016			
Figures in PLN thousand	EUR	RUB	USD	Other currencies	EUR	RUB	USD	Other currencies
Loans granted	60,986	24,685	6,963	10,581	85,277	21,049	8,206	10,875
Receivables	109,670	1,394	11,312	16,900	138,246	3,133	9,646	2,013
Cash	10,103	0	10	6	4,018	553	36	76
	180,759	**26,079**	**18,285**	**27,487**	**227,541**	**24,735**	**17,888**	**12,964**
Trade and other liabilities	70,785	0	272	133	113,727	0	53	-22
Loans received	26,398	0	0	0	39,498	0	3,030	0
	97,183	**0**	**272**	**133**	**153,225**	**0**	**3,083**	**-22**
Net exposure	**83,576**	**26,079**	**18,013**	**-**	**74,316**	**24,735**	**14,805**	**-**
Impact on the result at min. PLN/EUR, RUB, USD rate*	-3,781	-4,922	0		-7,422	-6,911	-4,163	
Impact on the result at max. PLN/EUR, RUB, USD rate*	6,665	6,649	3,974		1,335	8,985	248	
* rates at the max. / min. levels from the last three years								
Rate at the balance sheet date	4.1709	0.0604	3.4813		4.4240	0.0680	4.1793	
Min rate	3.9822	0.0490	3.4813		3.9822	0.0490	3.0042	
Max rate	4.5035	0.0758	4.2493		4.5035	0.0927	4.2493	

The column "other currencies" shows the total currency exposures other than the euro, Russian rouble and US dollar (mainly Romanian leu, Turkish lira, Chinese yuan, Hungarian forint and Czech crown). Due to the low exposure to these currencies, their sensitivity is not analysed separately. Selena FM S.A. as such does not have any material FX exposures in such currencies as Bulgarian lev, Ukrainian hryvnia or Brazilian real.

The Company hedges its expected cash flows with FX forwards and other financial instruments (see Note 9.1 of these financial statements).

35.2. Credit risk

The main items that carry credit risk include:

- Bonds, loans and other instruments described in Note 18 to this report
- Trade receivables and
- Cash and cash equivalents.

Due to the nature of the Company's business, financial assets (loans, bonds, trade debtors) mainly relate to connected entities. The Management Board regularly monitors and current and projected financial position of these companies and its impact on their ability to meet payments under the financial instruments. If there are any concerns about the ability to pay specific assets, an impairment charge is created. In 2017, impairment charge for the amounts due from connected entities was PLN 4,905 thousand (2016: PLN 17,675 thousand); the charge for receivables from non-connected companies was PLN 2,000 (2016: PLN 879 thousand) – Note 7.2.

In the case of cash and cash equivalents, the Management Board believes that the credit risk is low.

Concentration of financial risk in the Company results from the fact that the Company's financial assets mainly relate to its subsidiaries.

35.3. Liquidity risk

In the Management Board's opinion, the risk of liquidity loss understood as the ability to meet obligations as and when they fall due is currently marginal.

Taking into account the Company's balance sheet structure, no major liquidity risk exists at the balance sheet date. The Company's short-term assets (PLN 196.1 million) are much higher that the value of its short-term liabilities (PLN 158.0m).

The table below shows a specification of other financial obligations as at 31 December 2017.

Figures in PLN thousand	On demand	Below 3 months	3 to 12 months	< 1 year 5 years	Above 5 years	Total
Interest bearing borrowings	0	41,922	28,233	17,516	0	87,671
Financial liabilities	0	147	380	5,738	0	6,265
Trade liabilities	16,408	67,951	0	0	0	84,359
Other liabilities	0	2,937	0	0	0	2,937
Total liabilities	**16,408**	**112,957**	**28,613**	**23,254**	**0**	**181,232**

The comparative data as at 31 December 2016 are presented in the table below.

Figures in PLN thousand	On demand	Below 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
Interest bearing borrowings	0	3,030	0	114,848	0	117,878
Financial liabilities	0	234	494	869	0	1,597
Trade liabilities	62,509	67,245	0	0	0	129,754
Other liabilities	0	2,348	0	0	0	2,348
Total liabilities	**62,509**	**72,857**	**494**	**115,717**	**0**	**251,577**

Out of the trade debtors shown as payable on demand, PLN 15,301 thousand relates to the obligations towards connected companies.

Furthermore, in Note 29.1 of the financial statements the Company shows contingent liabilities and liabilities in respect of guarantees given that in the future might cause an outflow of cash from the company.

36. Financial instruments

36.1. Fair value of the individual classes of financial instruments

		31 December 2017		31 December 2016	
Instrument class		**Book value**	**Fair value**	**Book value**	**Fair value**
Financial assets					
PiN	Trade receivables	143,958	143,958	156,581	156,581
	Other receivables	1,494	1,494	497	497
	Loans	105,581	105,581	125,478	125,478
	Bonds	0	0	60,396	60,396
WwWGpWF	Cash	10,121	10,121	6,275	6,275
	Forward transactions	309	309	10	10
Financial liabilities					
PZFwgZK	Trade liabilities	84,359	84,359	129,754	129,754

Loans and advances	87,671	87,671	117,878	117,878
Other liabilities	8,334	8,334	3,715	3,715

WwWGpWF - Financial assets / liabilities measured at fair value through profit or loss
PiN - Loans and receivables
PZFwgZK - Other liabilities measured at amortised cost

A major portion of the information that underlies estimation of fair value of financial instruments is highly subjective and results from the Management's judgement, therefore it may not be accurate. Fair value is estimated at the balance sheet date. For the instruments measured at amortised cost fair value is estimated as the current value of future contractual cash flows discounted by a rate corresponding to the market rate that would be determined for such instrument had it been initially recognised at the balance sheet date. The amounts that will be actually achieved or paid at maturity may be significantly different than the estimates.
The Company presents in its balance sheet short-term financial assets – fixed-rate loans and bonds issued by subsidiaries/related parties (as per the table above). Due to the short settlement dates and the interest rates close to market rates, the fair value of these instruments is not significantly different than their book value.

The fair value of cash is determined on the first level of the fair value hierarchy in accordance with IFRS 13. The fair value of other financial instruments is determined on the third level of the fair value hierarchy in accordance with IFRS 13.

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

31 December 2017	FINANCIAL ASSETS		FINANCIAL LIABILITIES		
Figures in PLN thousand	PiN	AF WwWGpWF	ZFwgZK	ZFwzzMSR39	TOTAL
Interest income / expense	9,363	0	-4,096	-111	5,156
FX gains (losses)	-19,404	553	5,267	0	-13,584
Creation of impairment charges	-48,979	0	0	0	-48,979
Reversal of impairment charges	31,213	0	0	0	31,213
Gains/ losses on fair valuation	48	0	0	0	48
TOTAL (net profit / loss)	**-27,759**	**553**	**1,171**	**-111**	**-26,146**

WwWGpWF - Financial assets / liabilities measured at fair value through profit or loss
PiN - Loans and receivables
ZFwgZK - Financial liabilities measured at amortised cost
ZFwzzMSR39 - Financial liabilities out of scope of IAS 39

31 December 2016	FINANCIAL ASSETS		FINANCIAL LIABILITIES		
Figures in PLN thousand	PiN	AF WwWGpWF	ZFwgZK	ZFwzzMSR39	TOTAL
Interest income / expense	8,126	0	-4,578	-93	3,455
FX gains (losses)	9,287	-126	-4,166	0	4,995
Creation of impairment charges	-36,147	0	0	0	-36,147
Reversal of impairment charges	8,021	0	0	0	8,021
TOTAL (net profit / loss)	**-10,713**	**-126**	**-8,744**	**-93**	**-19,676**

WwWGpWF - Financial assets / liabilities measured at fair value through profit or loss
PiN - Loans and receivables
ZFwgZK - Financial liabilities measured at amortised cost
ZFwzzMSR39 - Financial liabilities out of scope of IAS 39

36.3. Hedging

The Company does not use hedge accounting.

37. Capital management

Capital structure is managed at the level of the Group for which the Company is a parent. The Company seeks to maintain good credit rating and safe capital ratios to facilitate the Group's operations and increase its value for shareholders.

The Company manages its capital structure, and modifies it in response to changes in the economic conditions. To maintain or adjust its capital structure the Company may paid a dividend to shareholders, return the capital to shareholders or issue new shares. In the year ended 31 December 2017 and in the year ended 31 December 2016 no changes were made to the goals, rules and processes applicable in this area.

37.1. Net debt

For the purpose of the Group's and Parent's capital management, the Company monitors the level of capital using the gearing ratio, which is calculated as net debt to total equity increased by net debt. Net debt includes interest-bearing loans and advances and other financial liabilities, decreased by cash and cash equivalents. Equity includes the equity attributable to the shareholders of the Parent.

The table below shows a calculation of the Company's net debt.

Figures in PLN thousand	Year ended 31 December 2017	Year ended 31 December 2016
Interest bearing borrowings	87,671	117,878
Other financial liabilities	6,265	1,597
Less cash and cash equivalents	-10,121	-6,275
Net debt	**83,815**	**113,200**
Equity	292,949	273,977
Equity and net debt	**376,764**	**387,177**
Gearing (net debt / equity + net debt)	**22%**	**29%**

38. Group structure

The average employment in the Company is presented in the table below.

	Year ended 31 December 2017	Year ended 31 December 2016
Management Board	4	4
Sale	72	79
Administration	48	49
Other	21	23
TOTAL	**145**	**155**

39. Events occurring after the balance sheet date

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

Person responsible for maintenance of books of account

....
Agnieszka Rumczyk

acting Management Board President

....
Marcin Macewicz

Vice-President of the Management responsible for finance

....
Hubert Rozpędek

Vice-President of the Management Board

....
Agata Gładysz-Stańczyk

Management Board Member

....
Artur Ryglowski