Financial statements
for the year ended 31 December 2019

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

TABLE OF CONTENTS

INCOME STATEMENT **4**

STATEMENT OF COMPREHENSIVE INCOME **4**

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) **5**

EQUITY AND LIABILITIES **5**

STATEMENT OF CASH FLOWS **6**

Change in the balance of provisions **6**

STATEMENT OF CHANGES IN EQUITY **7**

1. General information **9**
- 1.1. Information on the Company 9
- 1.2 Information about the financial statements 11
- 1.3 Accounting policies 12

2. Operating segments and information on revenues **17**

3. Notes to the income statement **19**
- 3.1 Operating costs 20
- 3.2 Other operating revenues and operating costs 21
- 3.3 Financial revenues and expenses 21

4. Taxation **23**

5. Notes to the statement of financial position **27**
- 5.1 Financial instruments 28
- 5.2 Non-financial assets and liabilities 37
- 5.3. Equity 47

6. Risk **49**
- 6.1 Important estimates and assumptions 50
- 6.2 Financial risk management 50
- 6.3 Capital management and net debt 58

7. Other information **59**
- 7.1 Contingent liabilities and guarantees granted 60
- 7.2 Information on related parties 61
- 7.3 Reasons for the difference between balance sheet changes of selected balance sheet times and changes arising from the statement of cash flows 62
- 7.4 Remuneration of the key management personnel of the Company 63
- 7.5 Auditor's fee 63
- 7.6 Employment structure 64
- 7.7 Events occurring after the balance sheet date 64

Financial statements for the year ended 31 December 2019

INCOME STATEMENT

Figures in PLN thousand	Note	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Continued operations			
Revenue from the sale of goods and materials		611,570	462,339
Revenues from the sale of services		27,749	27,745
Revenue from contracts with customers		**639,319**	**490,084**
Cost of sales		546,326	422,937
Gross profit on sales		**92,993**	**67,147**
Selling and marketing costs		38,206	34,462
General and administrative expenses		32,789	28,707
Other operating income	3.2.	424	556
Other operating costs	3.2.	430	1,529
Impairment loss/ reversal of impairment loss (-) of receivables		2,353	-5,445
Operating profit		**19,639**	**8,450**
Financial revenues	3.3.	38,850	34,094
Financial expenses	3.3.	5,201	32,375
Impairment loss/ reversal of impairment loss (-) of loans granted		-5,161	-21,341
Profit before tax		**58,449**	**31,510**
Income tax	4	5,786	995
Net profit		**52,663**	**30,515**

Net profit per share (PLN/share):			
- basic		2.31	1.34
- diluted		2.31	1.34

STATEMENT OF COMPREHENSIVE INCOME

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Net profit	52,663	30,515
Other net comprehensive income	0	0
Total comprehensive income	**52,663**	**30,515**

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

Figures in PLN thousand	Note	As at 31.12.2019	As at 31.12.2018*	As at 01.01.2018*
ASSETS				
Property, plant and equipment	5.2.1. 5.2.2.	13,815	2,837	2,784
Intangible fixed assets	5.2.3.	15,870	15,800	17,204
Shares in subsidiaries	5.2.4.	168,750	161,710	161,710
Long-term portion of loans granted	5.1.3.	101,120	98,364	90,953
Deferred tax asset		0	0	82
Non-current assets		**299,555**	**278,711**	**272,733**
Inventories	5.2.6.	5,070	4,346	2,354
Other short-term non-financial assets	5.2.7.	25,781	22,065	24,448
Trade receivables	5.1.1.	139,067	159,235	143,958
Short-term portion of loans granted	5.1.3.	57,509	24,772	14,628
Other short-term financial assets	5.1.	310	587	619
Cash and cash equivalents	5.1.2.	5,064	1,849	10,121
Current assets		**232,801**	**212,854**	**196,128**
TOTAL ASSETS		**532,356**	**491,565**	**468,861**
EQUITY AND LIABILITIES				
Share capital		1,142	1,142	1,142
Supplementary capital		289,459	265,794	246,822
Other reserves		19,163	19,163	19,163
Retained profit/ loss carried forward		42,887	20,739	25,822
Equity		**352,651**	**306,838**	**292,949**
Long-term portion of bank and other loans	5.1.4.	68,851	83,450	17,516
Long term lease obligations	5.1.6.	9,873	745	480
Deferred tax assets	4	1,161	96	0
Provision for retirement benefits	5.2.8.	236	153	0
Non-current liabilities		**80,121**	**84,444**	**17,996**
Trade liabilities	6.2.4.	84,404	85,597	84,297
Obligations to return remuneration		1,407	953	0
Short-term portion of bank and other loans	5.1.4.	1,014	8,516	70,155
Short-term lease obligations	5.1.6.	2,204	631	527
CIT tax payable		4,621	512	291
Other short term financial liabilities	5.1.	672	496	22
Other short term non-financial liabilities	5.2.9.	5,262	3,578	2,624
Current liabilities		**99,584**	**100,283**	**157,916**
Total liabilities		**179,705**	**184,727**	**175,912**
TOTAL EQUITY AND LIABILITIES		**532,356**	**491,565**	**468,861**

** restated figures are presented in Note 1.3.*

STATEMENT OF CASH FLOWS

Figures in PLN thousand	Note	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Cash flows from operating activities			
Profit before tax		**58,449**	**31,510**
Depreciation/ amortisation		5,687	3,476
FX gains (-)/ losses		-4,203	3,983
Interest and dividends		-33,457	-30,835
Profit (-)/ loss on investing activities		8,711	-145
Change in the balance of receivables		-21,535	-26,237
Change in the balance of inventories		-724	-1,992
Change in the balance of obligations		944	3,387
Change in the balance of provisions		83	153
CIT paid		-162	-223
Other		-1,626	6,105
Net cash flows from operating activities		**12,167**	**-10,818**
Cash flows from investing activities			
Inflows from the sale of tangible fixed assets		181	28
Acquisition of tangible and intangible fixed assets		-2,724	-783
Purchase of shares in subsidiaries		-7,040	0
Dividends and interest received		27,247	26,744
Loans granted		-6,442	-28,455
Repayments of loans granted		13,665	12,547
Net cash flows from investing activities		**24,887**	**10,081**
Cash flows from financing activities			
Repayment of lease obligations		-3,261	-698
Proceeds from bank and other loans		20,074	61,753
Repayment of loans		-42,187	-58,678
Payment of dividend		-6,850	-6,850
Interest paid		-1,618	-3,082
Net cash flows from financing activities		**-33,842**	**-7,555**
Increase (decrease) in cash and cash equivalents		**3,212**	**-8,292**
Change in cash and cash equivalents:		3,215	-8,272
net FX differences		3	20
*Cash at the beginning of the period**		*1,849*	*10,121*
*Cash at the end of the period**		*5,064*	*1,849*

*including restricted cash:

as at 31 December 2019: PLN 0.05m

as at 31 December 2018: PLN 0.05m

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

Figures in PLN thousand	Share capital	Supplementary capital	Other reserves	Retained profit/ (loss carried forward) from: prior years	Retained profit/ (loss carried forward) from: current period	Total equity
As at 01.01.2019	**1,142**	**265,794**	**19,163**	**20,739**	**0**	**306,838**
Net profit	0	0	0	0	52,663	52,663
Total comprehensive income	**0**	**0**	**0**	**0**	**52,663**	**52,663**
Transfer of profit to the supplementary capital	0	23,665	0	-23,665	0	0
Dividend	0	0	0	-6,850	0	-6,850
as at 31.12.2019	**1,142**	**289,459**	**19,163**	**-9,776**	**52,663**	**352,651**

FOR THE YEAR ENDED 31 DECEMBER 2018

Figures in PLN thousand	Share capital	Supplementary capital	Other reserves	Retained profit/ (loss carried forward) from: prior years	Retained profit/ (loss carried forward) from: current period	Total equity
As at 01.01.2018 – published figures	**1,142**	**246,822**	**19,163**	**25,822**	**0**	**292,949**
Impact of implementation of IFRS 9	**0**	**0**	**0**	**-9,776**	**0**	**-9,776**
As at 01.01.2018 – after adoption of IFRS 9	**1,142**	**246,822**	**19,163**	**16,046**	**0**	**283,173**
Net profit	0	0	0	0	30,515	30,515
Total comprehensive income	**0**	**0**	**0**	**0**	**30,515**	**30,515**
Transfer of profit to the supplementary capital	0	18,972	0	-18,972	0	0
Dividend	0	0	0	-6,850	0	-6,850
as at 31.12.2018	**1,142**	**265,794**	**19,163**	**-9,776**	**30,515**	**306,838**

General information

1. General information

1.1. Information on the Company

Company's activity

Selena FM S.A. ("Company", "Parent Company") 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 S.A. Group (also: "Selena Group") are controlled by Krzysztof Domarecki.

The Management Board of the Company

As at 31 December 2018, the Company's Management Board was composed of:

- Krzysztof Domarecki – acting Management Board President.
- Elżbieta Korczyńska – Management Board Member, CFO

Changes in the Management Board in 2019:

On 7 January 2019, the following persons were appointed to the Management Board of Selena FM S.A.:

- Dariusz Ciesielski, who was appointed Vice President of the Management Board for Sales, and
- Bogusław Mieszczak, who was appointed Management Board Member for Operations.

On 1 March 2019, the following persons were appointed to the Management Board of Selena FM S.A.:

- Krzysztof Domarecki, who was appointed President of the Management Board and
- Christian Dölle, who was appointed Vice President of the Management Board for Marketing.

On 24 June 2019, Elżbieta Korczyńska resigned as Management Board member effective from 30 June 2019.
On 24 June 2019, the Company's Supervisory Board adopted a resolution appointing Jacek Michalak to the Company's Management Board as Chief Financial Officer. The appointment became effective as of 1 July 2019.

On 7 October 2019, Bogusław Mieszczak resigned from the Company's Management Board and stepped down as COO.

As at 31 December 2019, the Company's Management Board was composed of:
- Krzysztof Domarecki – Management Board President
- Dariusz Ciesielski – Vice President for Sales
- Christian Dölle – Vice President for Marketing
- Jacek Michalak – Management Board Member for Finance

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

Company's Supervisory Board

As at 31 December 2018, the Company's Supervisory Board was composed of:
- Krzysztof Domarecki – Supervisory Board Chairman
- Borysław Czyżak – independent Supervisory Board Member
- Andrzej Krämer – independent Supervisory Board Member
- Marlena Łubieszko-Siewruk – independent Supervisory Board Member
- Mariusz Warych – independent Supervisory Board Member.

Changes in the Supervisory Board composition in 2019:

On 28 February 2019, Krzysztof Domarecki resigned from the Supervisory Board and from the role of the Chairman of the Supervisory Board effective from 28 February 2019.

On the same day, the Extraordinary General Meeting of Shareholders nominated Andrzej Krämer, Supervisory Board member, as the Chairman of the Company's Supervisory Board and appointed Czesław Domarecki to the Supervisory Board.

On 27 May 2019, the Annual General Meeting of Shareholders of Selena FM S.A. appointed Łukasz Dziekan to the Supervisory Board.

As at 31 December 2019, the Company's Supervisory Board was composed of:
- Andrzej Krämer – Chairman of the Supervisory Board
- Borysław Czyżak – independent Supervisory Board Member
- Marlena Łubieszko-Siewruk – independent Supervisory Board Member
- Mariusz Warych – independent Supervisory Board Member
- Czesław Domarecki – Supervisory Board Member
- Łukasz Dziekan – Supervisory Board Member

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

Audit Committee, Strategy and Innovation Committee, Nominations and Remuneration Committee

As at 31 December 2018, the Audit Committee was composed of:
- Mariusz Warych – Chairman of the Audit Committee
- Marlena Łubieszko-Siewruk – Audit Committee Member
- Krzysztof Domarecki – Audit Committee Member.

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

Changes in the Audit Committee composition in 2019:

Since 1 March 2019, the Audit Committee has consisted of:
- Mariusz Warych – Chairman of the Audit Committee
- Andrzej Krämer – Audit Committee Member
- Marlena Łubieszko-Siewruk – Audit Committee Member.

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

By the date of publication of this report, no changes took place in the the Audit Committee's composition.

As at 31 December 2018, the Strategy and Innovation Committee was composed of:
- Andrzej Krämer – Chairman of the Strategy and Innovation Committee
- Borysław Czyżak – member of the Strategy and Innovation Committee.

By the date of publication of this report, no changes took place in the Strategy and Innovation Committee's composition.

As at 31 December 2018, the Nominations and Remuneration Committee was composed of:
- Borysław Czyżak – Chairman of the Nominations and Remuneration Committee
- Marlena Łubieszko-Siewruk – member of the Nominations and Remunerations. Committee

By the date of publication of this report, no changes took place in the Nominations and Remuneration Committee's composition.

1.2 Information about the financial statements

Data covered by the financial statements

These financial statements are standalone 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 2019, approved on 14 May 2020.

They cover the period of 12 months ended 31 December 2019 and data as at that date.

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 2019 as well as comparative data for the period of 12 months ended 31 September 2018.

The statement of financial position covers the data presented as at 31 December 2019, and comparative data as at 31 December 2018, and as at 1 January 2018, taking into account the presentation changes described in Note 1.3.

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.

Ccy	As at 31.12.2019	As at 31.12.2018
1 USD	3.7977	3.7597
1 EUR	4.2585	4.3000
100 HUF	1.2885	1.3394
1 UAH	0.1602	0.1357
1 CZK	0.1676	0.1673
1 RUB	0.0611	0.0541
1 CNY	0.5455	0.5481
1 RON	0.8901	0.9229

Going concern

At the date of approval of these financial statements, no circumstances occurred that would point to a risk to continuity of operations. The Management Board of Selena FM S.A. also analysed the impact of events after the balance sheet date, and in particular the impact of COVID 19 (as described in Note 7.7 to these financial statements) on the Parent Company's ability to continue as a going concern. As at the date of publication of these financial statements, the Company has a stable financial position, and its cash flow forecasts point to its ability to maintain its cash position at a level sufficient to continue as a going concern. Accordingly, the financial statements have been prepared on the assumption of going concern.

Management Board's assurance statement on reliability of the financial statements

The Management Board of Selena FM S.A. hereby confirms that to the best of its knowledge the annual financial statements for 2019 have been prepared in accordance with the applicable accounting policies and give a true, fair and clear picture of the affairs of Selena FM S.A. and its net profit, and that the Management Board's report on the activities of Selena FM S.A. in 2019 gives a true picture of the development, achievements and standing of Selena FM S.A., including description of the key risks and threats.

1.3 Accounting policies

Basis of preparation and comparability of financial data

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") approved by the EU. The accounting policies described in these financial statements were applied by the Company on a continuous basis for all periods presented, taking into account the accounting and measurement principles resulting from the application of IFRS 16 as of 1 January 2019.

In addition, in order to increase the usability of the financial statements for its readers and to adapt them to the requirements of IAS 1 in terms of aggregation of presented data depending on their significance, in 2019, the Company changed the presentation and names of some headings of the statement of financial position. To meet the requirements of IAS 8, comparative data were restated as at 31 December and 31 January 2018 as the third column was added to the statement of financial position.

Figures in PLN thousand	As at 31.12.2018 published data	Reclassification – loans and lease liabilities	Reclassification of assets and liabilities on account of tax and insurance, remuneration, advance payments	Reclassification of security deposits, forward transactions and investment obligations	As at 31.12.2018 restated data*
Other short-term receivables	**22,375**	0	-22,065	-310	**0**
Other short-term financial assets	**277**	0	0	310	**587**
Other short-term non-financial assets	**0**	0	22,065	0	**22,065**
TOTAL ASSETS	**22,652**	**0**	**0**	**0**	**22,652**
Long term lease obligations	**0**	745			**745**
Short-term lease obligations	**0**	631	0	0	**631**
Other long-term financial liabilities	**745**	-745			**0**
Other short-term financial liabilities	**631**	-631	0	0	**0**
Other short-term liabilities	**4,074**	0	-3,578	-496	**0**
Other short term financial liabilities	**0**	0	0	496	**496**
Other short term non-financial liabilities	**0**	0	3,578	0	**3,578**
TOTAL LIABILITIES	**5,450**	**0**	**0**	**0**	**5,450**

Figures in PLN thousand	As at 31.12.2017 published data	Reclassification – loans and lease liabilities	Reclassification of assets and liabilities on account of tax and insurance, remuneration, advance payments	Reclassification of security deposits, forward transactions and investment obligations	As at 01.01.2018 restated data*
Other short-term receivables	**24,758**	0	-22,727	-2,031	**0**
Other short-term financial assets	**309**	0	22,727	0	**23,036**
Other short-term non-financial assets	**0**	0	0	2,031	**2,031**
TOTAL ASSETS	**25,067**	**0**	**0**	**0**	**25,067**
Long term lease obligations	**0**	480			**480**
Short-term lease obligations	**0**	527	0	0	**527**
Other long-term financial liabilities	**480**	-480			**0**
Other short-term financial liabilities	**527**	-527	0	0	**0**
Other short-term liabilities	**2,646**	0	-2,624	-22	**0**
Other short term financial liabilities	**0**	0	0	22	**22**
Other short term non-financial liabilities	**0**	0	2,624	0	**2,624**
TOTAL LIABILITIES	**3,653**	**0**	**0**	**0**	**3,653**

Impact of new and amended 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 2019 financial statements:

– IFRS 16 Leases
– Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
– Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
– IFRIC 23: Uncertainty over Income Tax Treatments
– Amendments to IFRS 9: Prepayment Features with Negative Compensation
– Annual amendments to IFRS 2015–2017.

The above amendments to standards, with the exception of IFRS 16, will not affect the Company's accounting policy or the standalone financial statements.

Impact of adoption of IFRS 16 on the accounting policy and financial statements of the Company

The Company applied IFRS 16 as of 1 January 2019, without transforming the comparative data, which means that data for 2018 and 2019 will not be comparable, while any adjustments related to IFRS 16 were made as of 1 January 2019 and reflected in equity.

IFRS 16 Leases – effective for annual periods beginning on or after 1 January 2019. The new standard establishes principles for the recognition, measurement, presentation and disclosure of leases. All lease transactions result in the lessee's right to use the assets and the obligation to make a payment. Accordingly, the classification of leases into operating lease and finance lease as per IAS 17 no longer applies under IFRS 16, as the new standard introduces a single model for accounting for leases by the lessee.

According to the standard, the lessee is required to recognise:
(a) assets and liabilities in respect of all lease transactions made for more than 12 months, except where an asset is of low value; and
(b) depreciation of the leased asset separately from interest on the lease liability in the statement of profit or loss.

The principles for accounting for leases established in IFRS 16 are largely the same as in IAS 17. As a consequence, the lessee continues to use the classification into operating lease and finance lease and accounts for them accordingly.

During the work related to implementation of the new IFRS 16 standard, an analysis was performed of all finance lease, operating lease, rental and tenancy contracts identified at the Company and other types of contracts previously not carried as leases.

For the purposes of the first-time adoption of the standard, the modified retrospective method was applied and the right-of-use assets was measured in an amount equal to lease liabilities, adjusted by the amount of any prepayments or accrued lease payments referring to leases, recognised in the statement of financial position immediately before the first-time adoption. In accordance with the transitional provisions included in the standard, the new principles were adopted retrospectively with the first-adoption result reflected in equity as at 1 January 2019. Therefore, comparative data for 2018 were not restated.

In accordance with the adopted policy, at the moment of initial recognition, right of use assets are measured at cost including:
– initial value of the lease liability
– lease payments made on or before the lease contract date, reduced by any incentives received
– any initial costs incurred by the lessee
– an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset.

Depreciation is calculated using the straight-line method over the shorter of the estimated useful life or the lease period.

The lease liabilities have been measured based on the present value of lease payments during the lease contract. The payment included in the measurement includes:
– fixed payments less any lease incentives receivable
– variable lease payments that depend on an index or a rate
– amounts expected to be payable by the lessee under residual value guarantees
– the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
– payments of penalties for terminating the lease (if applicable).

In accordance with IFRS 16, the discount rate was estimated, which is the incremental borrowing rate reflecting the cost of finance that the Company would have to incur to purchase the leased asset. In order to estimate the correct rate, account was taken of the contract type and its duration.

The weighted average lease rate reflecting the cost of borrowing that the Company would have to incur to buy the leased asset, used for the purpose of valuation of liabilities, was 2.90%.

The Company decided to use the following practical expedients provided for in IFRS 16:
– no recognition of right-of-use assets and lease liabilities for contracts involving payments for leases of low-value assets – where the underlying asset has a value not higher than USD 5,000;
– no recognition of right-of-use assets and lease liabilities for short-term contracts (shorter than 12 months, which have no option to purchase the leased asset);
– applying a single discount rate for a portfolio of leases with similar characteristics (e.g. one discount rate for contracts concluded in a particular country);
– the use of hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

Presented below is the impact of implementation of IFRS 16 on individual items of the statement of financial position as at 1 January 2019:

Figures in PLN thousand	As at 01.01.2019
Operating lease liabilities (without discount) as at 31 December 2018	2,995
Impact of the discount using the incremental borrowing rate as a result of implementation of IFRS 16	-67
Finance lease liabilities as at 31 December 2018	1,376
Lease liabilities according to IFRS 16	**4,304**

Figures in PLN thousand	As at 31.12.2018	Impact of IFRS 16 as at 01.01.2019	As at 01.01.2019
Buildings and structures	0	2,928	2,928
Plant and machinery	263	0	263
Vehicles	1,166	0	1,166
Total right-of-use assets	**1,429**	**2,928**	**4,357**

Other disclosures required by IFRS 16 regarding the right-of-use assets and lease liabilities are presented in Note 5.1.6 and 5.2.2.

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

In these financial statements, the Company has decided not to adopt the following published standards, interpretations and improvements to the existing standards before their effective date:

– IFRS 17 Insurance Contracts;
– Amendments to References to the Conceptual Framework in IFRS;
– Amendments to IFRS 3 Business Combinations;
– Amendments to IAS 1 Presentation of Financial Statements and IAS 8 IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
– IFRS 14 Regulatory Deferral Accounts;
– Improvements to IFRS 10 and IAS 28 relating to sales or contributions of assets between an investor and its associates/joint ventures;

The effective dates are the dates arising from the standards published by the International Financial Reporting Board. The effective dates of the standards in the European Union may differ from the effective dates arising from the standards and are announced upon the adoption of the standards by the European Union. When approving these financial statements, no published standards, amendments to existing standards or interpretations were adopted before their entry into force. The Company is currently analysing how the introduction of the above standards and interpretations might affect its financial statements.

Significant accounting policies

Important accounting principles are described in individual notes, except for the policy on the conversion of items expressed in foreign currency, which is described below.

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. Non-cash assets and liabilities are carried at historical cost expressed in the foreign currency, stated at the historical rate current at 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.

Operating segments
and information on revenues

2. Operating segments and information on revenues

Accounting policies

Revenue from contracts with customers
The Company's business includes production and sale of construction chemicals, building materials for doors and windows, and general building accessories. The criteria for recognition of revenues are presented below.

Sale of goods
Revenue from the sale of merchandise and materials are recognised once a performance obligation is satisfied by transferring the promised good (i.e. an asset) to the customer. An asset is transferred once the customer obtains control of that asset.
In the case of the sale of goods, the transfer of control takes place once the ownership and insurance risk are transferred to the customer, which usually takes place upon release from the warehouse.
Goods are delivered to the customer using transport services provided by the Company or by the customer. Where the transport services are provided by the Company, the transport is an element of performance (sale of goods) and does not constitute a separate performance obligation, as control is transferred to the customer once the goods have been delivered to the customer's warehouse.
Where different goods are sold under one contract, the consideration should be allocated to each of the obligations. The Company has no material contracts with more more than one performance obligation.
The Group recognises revenue from the sale of goods at the transaction price received in return for the goods transferred. The transaction price is the expected price to be received, to the extent it is highly likely that there will be no significant reduction in revenues in the future, after deduction of volume discounts/rebates.
The Company offers its customers discounts depending on the volume of purchases. In accordance with IFRS 15, volume discounts are treated as variable consideration. Revenue from from variable consideration is recognised to the extent that there is a high likelihood that no significant part of revenues will be reversed. When calculating rebates, the Company uses information on the business made with with the customer during the reporting period. Obligations to return remuneration are recognised in relation to the anticipated volume rebates due to customers on account of sales completed by the end of the reporting period under a separate balance sheet heading.

The Management Board treats the Company's activity as a single operating segment, hence the Company does not present separate financials for operating and reporting segments.

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 accounted for more than 88% of the Company's revenues (more than 92% in 2018). Sales are generated in Poland (PLN 10.1 million to non-connected companies and PLN 209.2 million to connected companies) and abroad (PLN 65.8 million to non-connected companies, PLN 354.2 million to connected companies), mainly in the geographies where the Group-owned companies are established. The Company's tangible assets are located in Poland.

The Company is not dependant on any single buyer. The turnover with any non-connected buyer does not exceed 10% of the Company's total revenue. 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.

Notes to the income statement

3. Notes to the income statement

3.1 Operating costs

Costs by type

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Use of materials and energy	940	840
Cost of employee benefits	25,162	23,529
Depreciation/ amortisation	5,687	3,476
External services, including:	36,153	32,884
advisory	24,694	24,145
lease	1,156	3,466
other	10,303	5,273
Taxes and charges	101	94
Other costs by type, including:	2,952	2,346
entertainment and advertising costs	679	224
business travel costs	1,704	1,611
Cost of goods and materials sold	519,726	397,447
Cost of services sold	26,600	25,490
Total operating costs	**617,321**	**486,106**
including:		
Cost of sales	546,326	422,937
Selling and marketing costs	38,206	34,462
General and administrative expenses	32,789	28,707

Cost of employee benefits

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Salaries	21,404	19,966
Social insurance costs	2,896	2,880
Other costs of employee benefits	862	683
Total cost of employee benefits	**25,162**	**23,529**
including:		
Selling and marketing costs	12,377	11,930
General and administrative expenses	12,785	11,599

Depreciation/amortisation

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Depreciation of tangible assets	3,251	1,318
Amortisation of intangible assets	2,436	2,158
Total depreciation/amortisation	**5,687**	**3,476**
including:		
Selling and marketing costs	330	322
General and administrative expenses	5,357	3,154

3.2 Other operating revenues and operating costs

Other operating income

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Profit from disposal of non-financial fixed assets	157	64
Damages, penalties, fines	0	399
Other	267	93
Total other operating income	**424**	**556**

Other operating costs

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Impairment allowance for inventory	117	0
Donations	52	18
Receivables cancelled/written off	26	141
Damages, penalties, fines	28	451
Complaints	136	0
Liquidation of inventories	56	0
Obligations to former owners of Industrias Qumicas Lowenberg	0	860
Other	15	59
Total other operating costs	**430**	**1,529**

3.3 Financial revenues and expenses

Accounting policies

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

Financial revenues

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Dividends and profit sharing	27,247	26,528
Interest, including:	8,550	7,326
on loans granted	*8,472*	*7,321*
on bank deposits and accounts	*78*	*5*
FX differences	2,918	0
Forward contracts	0	16
Guarantees	135	224
Total financial revenues	**38,850**	**34,094**

Financial expenses

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Interest, including:	2,265	3,231
on loans and advances received	*2,124*	*3,140*
on finance lease liabilities	*140*	*89*
on other obligations	*1*	*2*
Loans cancelled	44	27,341
Forward contracts	2,042	0
FX differences	0	1,149
Bank fees	850	654
Total financial expenses	**5,201**	**32,375**

As at 31 December 2019, Selena FM S.A. had open forward contracts. The loss on the valuation of unrealised contracts was PLN 372 thousand (including valuation of open contracts of PLN -96 thousand as at 31 December 2019). The loss on exercise of the contracts was PLN 1,670 thousand. The result on transactions was recognised in financial expenses under “Valuation of currency contracts”.

As at the day of publication of these financial statements, Selena FM S.A. held financial instruments in place relating to EUR/PLN (EUR 1.0 million), EUR/RUB (EUR 1.5 million), EUR/BRL (EUR 0.3 million), EUR/CNY (EUR 0.15 million), HUF/PLN (HUF 100 million), CZK/PLN (CZK 3 million) and RON/PLN (RON 2 million) with settlement dates falling until 25 February 2021.

Taxation

4. Taxation

Accounting policies

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

Deferred income tax
Deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.
A deferred tax liability is recognised in relation to all 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 or liability is realised. 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 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 statement of financial position as a part of other short-term non-financial assets or liabilities.

Tax charge

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Income tax for the current period	4,721	771
Change in deferred income tax	1,065	224
Tax charge carried in profit or loss:	**5,786**	**995**

Reconciliation of the effective tax rate

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Profit / loss before tax on continued operations	58,448	31,510
Tax rate	19%	19%
Tax at the applicable rate	11,105	5,987
Tax on non-taxable income (permanent differences)	-5,177	-6,852
– on dividends received	-5,177	-5,040
– in respect of impairment allowance for shares and loans	0	-131
– in respect of reversal of impairment allowance for receivables	0	-1,679
– other	0	-2
Tax on costs that are non-tax deductible (permanent differences)	-142	1,860
– in respect of impairment allowance for shares and loans	-983	91
– in respect of impairment allowance for receivables	447	395
– other	394	1,374
Tax charge carried in profit or loss:	**5,786**	**995**
Effective tax rate	9.90%	3.16%

Deferred income tax

Important estimates and assumptions

The likelihood of using deferred tax assets against future tax gains is based on the budget of the Company's companies. Subsidiaries and the Parent Company recognise in their books deferred tax assets up to the amount in which it is probable that they will achieve a taxable profit against which deductible temporary differences might be applied.

Figures in PLN thousand	As at 31.12.2019	Charge/credit to the financial result	As at 31.12.2018	Charge/credit to the financial result
Deferred tax asset on temporary differences in assets	**580**	**8**	**572**	**311**
Trade receivables	*547*	*67*	*480*	*236*
Impairment losses of trade receivables	*547*	*67*	*480*	*236*
Inventories	*22*	*22*	*0*	*0*
Impairment allowance for inventory	*22*	*22*	*0*	*0*
Other assets	*11*	*-81*	*92*	*75*
Unrealised sales on Incoterms	*11*	*-81*	*92*	*75*
Deferred tax asset on negative temporary differences in liabilities	**4,060**	**2,586**	**1,474**	**658**
Liabilities	*713*	*507*	*206*	*0*
Liability in respect of unpaid remuneration	*713*	*507*	*206*	*0*
Accruals	*542*	*-228*	*770*	*436*
Provision for the cost of audit	*20*	*4*	*16*	*-12*
Provision for the cost of unutilised leaves	*126*	*-10*	*136*	*-13*
Other accruals	*396*	*-222*	*618*	*461*
Liabilities in respect of loans and advances	*198*	*141*	*57*	*28*
Interest payable	*198*	*141*	*57*	*28*
Provisions	*312*	*103*	*209*	*91*
Retirement provision	*45*	*16*	*29*	*29*
Provision for the loyalty scheme	*267*	*87*	*180*	*62*
Other liabilities	*2,295*	*2,063*	*232*	*103*
Lease liabilities	*2,295*	*2,063*	*232*	*103*
Deferred tax asset on unrealised FX differences	**1,086**	**-335**	**1,421**	**95**
Total deferred tax asset	**5,726**	**2,259**	**3,467**	**1,064**

Figures in PLN thousand	As at 31.12.2019	Charge/credit to the financial result	As at 31.12.2018	Charge/credit to the financial result
Deferred tax liability on positive temporary differences relating to assets	**6,887**	**3,324**	**3,563**	**1,296**
Tangible fixed assets	3,022	2,330	692	213
Net value of fixed assets under lease	*2,396*	2,131	*265*	*16*
Difference between the net carrying amount and tax value of non-current assets	*626*	199	*427*	*197*
Loans granted and contributions to capital	*3,865*	994	*2,871*	*1,083*
Interest on loans granted, accrued and outstanding	*3,865*	994	*2,871*	*1,083*
Deferred tax liability on positive temporary differences relating to liabilities	**0**	**0**	**0**	**-8**
Total deferred tax liability	**6,887**	**3,324**	**3,563**	**1,288**
Deferred tax liability less asset	1,161		96	
Change in deferred tax reflected in net profit		**1,065**		**224**

Dates of utilisation of deferred tax assets (liabilities):

Figures in PLN thousand	As at 31.12.2019	As at 31.12.2018
Period of utilisation > 12 months since the end of the reporting period	1,922	141
Period of utilisation < 12 months since the end of the reporting period	-3,083	-237
Total deferred tax liability	**-1,161**	**-96**

Notes
to the statement of financial position

5. Notes to the statement of financial position

5.1 Financial instruments

Accounting policies

Financial assets

The Company allocates financial assets to the appropriate category depending on the business model adopted for managing financial assets and considering the characteristics of contractual cash flows for a particular financial asset.

Financial assets measured at amortised cost are debt instruments held to collect contractual cash flows which include only payments of principal and interest. To this category the Company classifies trade receivables, loans granted, other financial receivables and cash and cash equivalents.
Financial assets are measured at amortised cost using the effective interest rate. After initial recognition, trade receivables and other financial receivables are measured at amortised cost using the effective interest rate method, including impairment allowances. Any trade receivables and other other financial receivables maturing within less than 12 months from the date of origination (i.e. without a financing element) and not transferred to factoring, are not discounted and are measured at nominal value.

Financial assets measured at fair value through profit or loss are financial instruments which do not meet the criteria for measurement at amortised cost or fair value through other comprehensive income.
In the category of financial assets measured at fair value through profit or loss the Company classifies derivatives, factored trade receivables where the terms of the factoring agreement result in the respective amounts to be no longer treated as receivables, as well as loans which have not passed the SPPI test and dividends.
Currency forward contracts are recognised in the books as at the transaction date.

Financial liabilities

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

Financial liabilities measured at amortised cost are the liabilities that are not financial instruments measured at fair value through profit and loss. They are measured using the effective interest rate method.
Trade liabilities are recognised at the amount due.
An expired financial liability is derecognised from the statement of financial position if the obligation stated in the contract has been discharged, cancelled or expired. An exchange of a debt instrument with an instrument with substantially different terms effected between the same entities, is 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 profit or loss.

Financial instruments held the Company are classified below.

Financial assets

Figures in PLN thousand	As at 31.12.2019	As at 31.12.2018*	As at 01.01.2018*
Financial assets measured at amortised cost			
Loans granted	158,629	123,136	105,581
Trade receivables	139,067	159,235	143,958
Other short-term financial assets – security deposits	310	310	310
Cash and cash equivalents	5,064	1,849	10,121
Financial assets measured at fair value through profit and loss			
Other short-term financial assets – forward contracts	0	277	309
Total	**303,070**	**284,807**	**260,279**

** restated data are presented in Note 1.3.*

Financial liabilities

Figures in PLN thousand	As at 31.12.2019	As at 31.12.2018	As at 01.01.2018
Financial liabilities measured at amortised cost			
Bank and other loans	*69,865*	*91,966*	*87,671*
Lease liabilities	*12,077*	*1,376*	*1,007*
Total interest-bearing debt	**81,942**	**93,342**	**88,678**
Trade liabilities	84,404	85,597	84,297
Other short term financial liabilities – investment liabilities	576	496	22
Financial liabilities measured at fair value through profit or loss			
Other short term financial liabilities – forward contracts	96	0	0
Total	**167,018**	**179,435**	**172,997**

** restated data are presented in Note 1.3.*

The Company's exposure to various risk types related to financial instruments is discussed in Note 6.2.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets listed above.

Fair value of financial instruments that the Company held as at 31 December 2019 and 31 December 2018 is not materially different from the values presented in the financial statements. This is because:
– with regard to short-term instruments, the potential effect of the discount is not material;
– the instruments relate to the transactions concluded on market terms.

The fair valuation of currency contracts through profit or loss has been classified to Level 2 of the fair value hierarchy (i.e. valuation using observable inputs other than quoted prices). The present value of future cash flows is determined based on forward FX rates as at the balance sheet date.

5.1.1 Trade receivables

Accounting policies	
After initial recognition, **trade receivables** are measured at amortised cost using the effective interest rate method, including impairment allowances. Any trade receivables maturing within less than 12 months from the date of origination (i.e. without a financing element) and not transferred to factoring, are not discounted and are measured at nominal value. Payment terms for trade receivables are between 60 and 90 days.	At each balance sheet date, the Company assesses the expected credit losses whether or not there are any indications of impairment. The Company uses the model of expected credit losses over the life of the receivables. As part of the model, an individual analysis is made (for loans granted, receivables from significant external customers and affiliates) and a collective analysis (for other external customers due to the similar characteristics of credit risk).

Figures in PLN thousand	As at 31.12.2019	As at 31.12.2018
Gross trade receivables	156,979	186,736
from related parties	134,213	175,962
from other entities	22,766	10,774
Impairment allowance on trade receivables	-17,912	-27,501
from related parties	-16,669	-26,245
from other entities	-1,243	-1,256
Net trade receivables	**139,067**	**159,235**

Detailed information on the classification of financial receivables to the individual credit risk degrees, as well as the methodology for calculating impairment allowances are presented in Note 6.2.3.

5.1.2 Cash

Accounting policies	
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.	The Company classifies cash and cash equivalents as financial assets at amortized cost, taking into account impairment allowances determined in accordance with the expected loss model. Overdrafts are presented in the statement of financial position as a component of bank and other loans, under short-term or long-term liabilities, as appropriate.

Figures in PLN thousand	As at 31.12.2019	As at 31.12.2018
Cash in bank	2,486	1,834
Cash on hand	28	15
Short-term deposits	2,550	0
Total cash	**5,064**	**1,849**

Credit risk related to cash and cash equivalents is described in Note 6.2.3.

5.1.3 Loans granted

Accounting policies	
Loans granted to subsidiaries and external entities are recognised as financial assets measured at amortised cost using the effective interest rate method.	At each balance sheet date, the Company assesses the expected credit losses whether or not there are any indications of impairment.

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

A summary of changes in the balance of such instruments in 2019 and 2018.

Figures in PLN thousand	Gross value	Impairment (-)/ reversal of impairment	Net value
as at 1 January 2019	**222,656**	**-99,569**	**123,087**
Loan granted	44,935	-6,123	38,812
Repayment of principal	-10,770	0	-10,770
Cancellation of principal	-43	0	-43
Interest accrued	8,472	-695	7,777
Interest paid	-2,921	0	-2,921
Interest cancelled	-1	0	-1
Withholding tax	-877	0	-877
FX differences arising on balance sheet valuation	2,890	675	3,565
as at 31.12.2019, including:	**264,341**	**-105,712**	**158,629**
Principal	*248,234*	*-104,650*	*143,584*
Interest	*16,107*	*-1,062*	*15,045*

Figures in PLN thousand	Gross value	Impairment (-)/ reversal of impairment	Net value
as at 1 January 2018	**224,893**	**-120,107**	**104,786**
Loan granted	32,977	-439	32,538
Repayment of principal	-11,115	650	-10,465
Cancellation of principal	-25,099	21,130	-3,969
Interest accrued	7,320	0	7,320
Interest paid	-1,538	0	-1,538
Interest cancelled	-2,241	0	-2,241
Withholding tax	-477	0	-477
FX differences arising on balance sheet valuation	-2,064	-803	-2,867
as at 31.12.2019, including:	**222,656**	**-99,569**	**123,087**
Principal	*211,603*	*-99,190*	*112,413*
Interest	*11,053*	*-379*	*10,674*

Credit risk related to loans granted is described in Note 6.2.3.

Description of loans granted during the reporting period

Selena FM S.A. received loan repayments from subsidiaries totalling PLN 10,770 thousand:

- Polyfoam Yalitim San.Tic.Ltd.Şti: TRY 75 thousand
- Selena Vostok: RUB 97,000 thousand
- Selena CA: EUR 1,150 thousand

On 15 January 2019, agreements were signed with Euro MGA Product S.R.L. re conversion of trade receivables to loans, in the amount of EUR 552 thousand and RON 3,953 thousand. Interest rates on the loans are variable.

The repayment date for both loans is 31 December 2023. As a result of the conversion, the impairment loss on receivables in the amount of PLN 6,121 thousand was reversed. At the same time, an impairment allowance was created for new loans in the same amount.

On 15 January 2019, agreements were signed with Selena Romania S.R.L re conversion of trade receivables to loans, in the amount of EUR 1,358 thousand and RON 6,455 thousand. Interest rates on the loans are variable. The repayment date for both loans is 31 December 2023. As a result of the impairment test for the company's investment in the Romanian companies carried out as at 30 June 2019, the company reversed the impairment allowance for the loans granted to Selena Romania srl (PLN 5,895 thousand), originated as a result of conversion of the trade receivables previously covered with a 100% allowance in the same amount.

On 29 March 2019, annexes were signed to loan agreements with Selena Iberia slu, extending the loan maturity dates to 31 December 2024 and changing the interest rate on the loans.

On 11 June 2019, a loan agreement was signed with Oligo Sp. z o.o., providing for two facilities: of PLN 10,000 thousand and EUR 1,000 thousand. Interest rates on the loans are variable. The facilities mature on 31 December 2023.

On 28 June 2019, an agreement was signed with Selena CA L.L.P. for the conversion of trade receivables into a loan in the amount of EUR 2,097 thousand. The interest rate on the loan is variable. The loan matures on 21 December 2024.

On 28 June 2019, an agreement was signed with Selena Bulgaria EOOD providing for cancellation of a loan with interest in the amount of EUR 10,000.

On 16 June 2019, loan tranches of PLN 100 thousand and EUR 150 thousand were paid out to Oligo.

On 3 June 2019, a loan tranches of PLN 50 thousand was transferred to Oligo.

On 16 September 2019, an annex was signed to the loan agreement with Selena Nantong, extending the repayment date of the loan of CNY 6 million to 19 March 2020, and changing the interest rate on the loan.

On 2 October 2019, loan tranches of PLN 200 thousand and EUR 100 thousand were paid out to Oligo.

On 14 October 2019, a loan tranche of PLN 200 thousand was paid out to Oligo.

On 15 October 2019, a loan tranche of EUR 50 thousand was paid out to Oligo.

On 7 November 2019, a loan tranche of PLN 2,000 thousand was paid out to Oligo.

On 7 November 2019, a loan tranche of PLN 15 thousand was paid out to Carina Sealants.

On 20 November 2019, Annex 2 was signed to the loan agreement with Selena Romania, extending the repayment date to 31 December 2024, and changing the interest rate on the loan.

On 10 December 2019, a loan tranche of PLN 300 thousand was paid out to Oligo.

On 10 December 2019, a loan tranche of EUR 300 thousand was paid out to Oligo.

On 19 December 2019, a loan tranche of PLN 1000 thousand was paid out to Oligo.

On 19 June 2019, an agreement was signed with Selena USA for the conversion of trade receivables into a loan in the amount of USD 3,071 thousand. The interest rate on the loan is variable. The loan matures on 21 December 2024.

Loans granted after the balance sheet date

On 29 January 2020, a loan tranche of PLN 200 thousand was paid out to Oligo.

On 10 February 2020, an agreement was signed with Selena Iberia slu for a loan of EUR 2,000 thousand. The loan carries a variable interest rate. The facilities mature on 31 December 2020.

On 13 February 2020, a loan tranche of PLN 100 thousand was paid out to Oligo.

On 17 February 2020, an annex was signed to the loan agreement with Selena Nantong, extending the repayment date of the loan of CNY 12 million to 31 December 2025, and changing the interest rate on the loan.

On 21 February 2020, a loan tranche of PLN 250 thousand was paid out to Oligo.

On 6 March 2020, a loan tranche of EUR 800 thousand was paid out to Selena Iberia slu.

On 19 March 2020, a loan tranche of EUR 150 thousand was paid out to Oligo.

On 19 March 2020, a loan tranche of PLN 250 thousand was paid out to Oligo.

5.1.4 Bank and other loans

Accounting policies

At initial recognition, bank debt, loans and debt securities are measured at fair value less the cost of the debt.
After the initial recognition, interest-bearing loans and debt securities are then measured at 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.

The incurred bank loans are presented in the table below

Figures in PLN thousand			As at 31.12.2019		As at 31.12.2018	
Ref.	Loan type	Maturity date	*Long-term portion*	*Short-term portion*	*Long-term portion*	*Short-term portion*
1	Working capital loan	03/2019	0	0	14,270	0
2	Working capital loan	07/2021	2,025	0	21,856	0
3	Working capital loan	12/2021	8,807	0	0	4,759
4	Working capital loan	06/2021	31,200	0	16,154	0
5	Working capital loan	11/2021	3,738	0	7,987	0
6	Non-bank loan	12/2023	2,381	102	2,483	0
7	Non-bank loan	12/2019	0	5	0	1,011
8	Non-bank loan	12/2019	0	3	0	1,728
9	Non-bank loan	12/2019	0	4	0	765
10	Non-bank loan	09/2022	8,700	351	8,700	70
11	Non-bank loan	12/2023	12,000	549	12,000	183
Total loans			**68,851**	**1,014**	**83,450**	**8,516**

Specification of loans

1) Receivables Limit Agreement (item 1 in the list above) of 25 June 2009 for Selena FM and subsidiaries Orion PU sp. z o.o., Libra sp. z o.o. and Selena S.A. Variable interest rate based on 1M WIBOR/EURIBOR/LIBOR + margin. The limit is secured by a power of attorney to the borrowers' current accounts maintained by the bank; mortgage on the real estate of Orion PU Sp. z o. o. up to PLN 52.5 million with the assignment of rights under the insurance policy and blank promissory notes issued by the borrowers together with the promissory note declarations. On 29 March 2019 an agreement was concluded with the bank to terminate the receivables limit agreement.

2) Multi-product agreement of 22 February 2011, as amended (item 2 in the list), for Selena FM S.A. and subsidiaries Carina Silicones sp. z o.o., Selena S.A. and Orion PU sp. z o.o. The agreement provides for a total credit limit of PLN 70 million. 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 and inventories of Carina Silicones Sp. z o.o. and Tytan EOS Sp. z o.o., together with assignment of insurance policies for the above assets, a registered pledge on the inventories of Orion PU Sp. z o.o., Libra Sp. z o.o. and Selena S.A. together with assignment of insurance policies for the above assets and civil law guarantees of Tytan EOS Sp. z o.o. and Libra Sp. z o.o. The borrowers also issued blank promissory notes to the bank, alongside promissory note declarations.

3) Multipurpose agreement of 26 November 2013, as amended (item 3 in the list), for Selena FM and subsidiaries Selena S.A., Tytan EOS sp. z o.o. and Izolacja–Matizol Sp. z o.o., Orion PU Sp. z o.o. and Libra Sp. z o.o. On 30 January 2019, an Annex was signed to the premium multi-purpose credit agreement – the multi-purpose credit line was increased to the maximum level of PLN 80 million. At the same time the availability period was extended to 31.12.2021. The interest rate is variable, based on 1M WIBOR/EURIBOR + margin. The facility is secured by an assignment of all the material receivables from specified debtors of Selena S.A., 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.

4) Multi-purpose credit limit agreement of 5 August 2016 (item 4 in the list), as amended, 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. and Selena S.A. The credit limit amount totals PLN 90 million. The interest rate is variable based on 1M WIBOR + margin for the funds used in PLN, 1M EURIBOR + margin for the funds used in EUR and 1M LIBOR for the funds used in USD. 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, and transfer of trade receivables due from the debtors of Selena S.A., together with assignment of insurance policies for the above receivables. The borrowers also issued blank promissory notes to the bank, alongside promissory note declarations.

5) A multi-line credit agreement of 16 November 2018 (item 5 in the list) signed by Selena FM S.A. The credit limit amount is EUR 12 million. The loan term is 36 months and the loan purpose is to finance working capital needs. It bears a variable interest rates at 1M EURIBOR/ WIBOR/ LIBOR + margin. The facility is secured by (i) a mortgage on the property owned by Orion PU up to EUR 18 million along with the assignment of rights under the insurance contract for this property; (ii) debt-joining by Selena S.A., Orion PU Sp. z o.o., Carina Silicones Sp. z o.o. and Libra Sp. z o.o. along with power of attorney, and a statement of submission to debt enforcement under Article 777 of the Code of Civil Procedure.

6) On 12 December 2019, a repayment was made of a loan of PLN 1,000 thousand to the subsidiary (item 7 in the list)

7) On 12 December 2019, a repayment was made of a loan of EUR 400 thousand to the subsidiary (item 8 in the list)

8) On 12 December 2019, a repayment was made of a loan of PLN 749 thousand to the subsidiary (item 9 in the list)

Credit agreement terms

As part of the loan agreements signed by the 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 2019, Selena Group maintained the consolidated financial ratios at the levels required by the lenders.

5.1.5 Reconciliation of the debt balance

The table below presents information on changes in the level of debt on cash flows items and non-cash changes in 2019.

Figures in PLN thousand	Bank loans	Loans received	Leases	Total
Debt balance as at 1 January 2019	**65,025**	**26,941**	**1,376**	**93,342**
Changes resulting from cash flows, including:	-20,047	-3,544	-3,401	-26,992
financing received	*20,074*	*0*	*0*	*20,074*
repayment of principal	*-38,724*	*-3,463*	*-3,261*	*-45,448*
interest and fees paid	*-1,397*	*-81*	*-140*	*-1,618*
Non-cash changes, including:	792	698	14,102	15,592
lease agreements signed	*0*	*0*	*13,962*	*13,962*
interest and fees accrued	*1,397*	*728*	*140*	*2,265*
FX differences	*-605*	*-30*	*0*	*-635*
Debt balance as at 31 December 2019	**45,770**	**24,095**	**12,077**	**81,942**

The table below presents information on changes in the level of debt on cash flows items and non-cash changes in 2018.

Figures in PLN thousand	Bank loans	Loans received	Leases	Total
Debt balance as at 1 January 2018	**72,404**	**15,267**	**1,007**	**88,678**
Changes resulting from cash flows, including:	-10,880	10,962	-787	-705
financing received	*49,753*	*12,000*	*0*	*61,753*
repayment of principal	*-58,078*	*-600*	*-698*	*-59,376*
interest and fees paid	*-2,555*	*-438*	*-89*	*-3,082*
Non-cash changes, including:	3,501	712	1,156	5,370
lease agreements signed	*0*	*0*	*1,067*	*1,067*
interest and fees accrued	*2,555*	*586*	*89*	*3,230*
FX differences	*946*	*126*	*0*	*1,073*
Debt balance as at 31 December 2018	**65,025**	**26,941**	**1,376**	**93,342**

5.1.6 Lease liabilities

Accounting policies

Lease liabilities are initially measured based on the present value of lease payments during the lease contract.
The payment included in the measurement includes:
- fixed payments less any lease incentives receivable
- variable lease payments that depend on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease (where the estimated lease term provides for early lease termination).

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

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

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

Important estimates and assumptions

The estimates affecting the measurement of lease liabilities made by the Group include:
– determination of contracts that meet the definition of a lease in accordance with IFRS 16;
– assumption regarding lease terms;
– calculation of the incremental interest rates used to discount future cash flows.
Other significant assumptions are described in Note 1.3 of the Accounting Policy.

Figures in PLN thousand	As at 31.12.2019 Nominal value	As at 31.12.2019 Current value	As at 31.12.2018 Nominal value	As at 31.12.2018 Current value
Payments up to 1 year	2,411	2,204	678	631
*up to 3 months**	*636*	*620*	*n/a*	*n/a*
*3 to 12 months**	*1,775*	*1,584*	*n/a*	*n/a*
Payments from 1 to 5 years	10,603	9,873	776	745
Total lease payments	13,014	12,077	1,454	1,376
Less financial expenses	-937	0	-78	0
Current value of total minimum lease payments	**12,077**	**12,077**	**1,376**	**1,376**

** additional disclosure in accordance with IFRS 16*

The table below presents the lease costs incurred in 2019.

Figures in PLN thousand	from 01.01.2019 to 31.12.2019
Depreciation of the right-of-use assets	2,674
Interest expense	140
Costs related to short-term leases	0
Costs related to low-value leases	0
Costs related to variable lease payments	0

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

For the period from 01.01.2019 to 31.12.2019	FINANCIAL ASSETS		FINANCIAL LIABILITIES	
Figures in PLN thousand	AFwgZK	AFwWGpWF	ZFwgZK	TOTAL
Interest income/ expense (-)	8,550	0	-2,265	**6,285**
FX gains/ losses (-)	1,995	-193	1,116	**2,918**
Impairment (-)/ reversal of impairment	-7,514	0	0	**-7,514**
Gains/ losses (-) on fair valuation	0	-2,042	0	**-2,042**
TOTAL (net profit/ net loss (-))	**3,031**	**-2,235**	**-1,149**	**-353**

AFwgZK – Financial assets measured at amortised cost
AFwWGpWF – Financial assets measured at fair value through profit and loss
ZFwgZK – Financial liabilities measured at amortised cost

For the period from 01.01.2018 to 31.12.2018	FINANCIAL ASSETS		FINANCIAL LIABILITIES	
Figures in PLN thousand	AFwgZK	AFwWGpWF	ZFwgZK	TOTAL
Interest income/ expense (-)	7,326	0	-3,231	**4,095**
FX gains/ losses (-)	2,317	-962	-2,504	**-1,149**
Impairment (-)/ reversal of impairment	26,786	0	0	**26,786**
Gains/ losses (-) on fair valuation	0	16	0	**16**
Cancellation of loans granted	-27,341	0	0	**-27,341**
TOTAL (net profit/ net loss (-))	**9,129**	**-946**	**-5,735**	**2,407**

AFwgZK – Financial assets measured at amortised cost
AFwWGpWF – Financial assets measured at fair value through profit and loss
ZFwgZK – Financial liabilities measured at amortised cost

5.2 Non-financial assets and liabilities

5.2.1 Changes in the value of tangible fixed assets

Accounting policies

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

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.
Depreciable assets acquired under finance leases are depreciated over the useful life of the assets if the contract transfer the ownership of the leased asset to the lessee. If the contract does not provide for transfer of the leased asset to the lessee, then the asset is depreciated over the lease term.

Where an asset does not generate cash flows sufficiently independently, the recoverable amount is determined for the cash generating unit that the asset belongs to. Impairment allowances are recognised in the profit and loss account under other operating costs.

A given item of the tangible fixed assets may be removed from the balance sheet after its sale, or if no economic

Depreciation for fixed assets is recognised in profit and loss account in the relevant category for the asset.
If in the preparation of the financial statements any circumstances occurred indicating that the carrying amount of the asset may not be recoverable, the asset is tested for impairment. If any indications of impairment have been identified, and the carrying amount exceeds the estimated recoverable amount, then the value of such assets or cash generating units that the assets belong to is reduced to the recoverable amount. The recoverable amount is the higher of the two values: fair value decreased by the cost of sale or value-in-use. When estimating the value-in-use, the estimated future cash flows are discounted to the current value using the discount rate, and before taxation, reflecting the current market estimate for the time value of money and the risks pertaining to the asset. benefits arising from the further use of such a component of assets are expected. 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 allowances, if any. Fixed assets under construction are not depreciated until the construction is finished and the asset is brought into use.
The end value, useful life and the depreciation method of the assets are reviewed each year, and if necessary corrections are made, effective from the beginning of the current reporting period.

Changes in the individual groups of tangible fixed assets

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 2019	**124**	**3,785**	**3,918**	**176**	**301**	**8,304**
presentation change – IFRS 16 *	**0**	**-871**	**-1,642**	**0**	**0**	**-2,513**
Gross value as at 1 January 2019 after the presentation change – IFRS 16	**124**	**2,914**	**2,276**	**176**	**301**	**5,791**
increases, including:	0	629	372	12	-50	963
Direct purchase	0	591	29	12	877	1,509
Settlement from fixed assets under construction	0	32	0	0	-32	0
Transfer to right-of-use assets	0	0	0	0	-895	-895
Purchase of leased assets	0	6	343	0	0	349
Decreases, including:	0	219	760	0	0	979
Liquidation, sale	0	219	760	0	0	979
Gross value as at 31.12.2019	**124**	**3,324**	**1,888**	**188**	**251**	**5,775**
Depreciation as at 01.01.2019	**94**	**2,716**	**2,509**	**148**	**0**	**5,467**
presentation change – IFRS 16 *	**0**	**-608**	**-476**	**0**	**0**	**-1,084**
Depreciation as at 01.01.2019 after the presentation change – IFRS 16	**94**	**2,108**	**2,033**	**148**	**0**	**4,383**
increases, including:	14	362	401	14	0	791
Depreciation for the period	14	362	187	14	0	577
Purchase of leased assets	0	0	214	0	0	214
Decreases, including:	0	189	758	0	0	947
Liquidation, sale	0	189	758	0	0	947
Depreciation as at 31.12.2019	**108**	**2,281**	**1,676**	**162**	**0**	**4,227**
Net value as at 01.01.2019	**30**	**1,069**	**1,409**	**28**	**301**	**2,837**
Net value as at 31.12.2019	**16**	**1,043**	**212**	**26**	**251**	**1,548**

** The item of property, plant and equipment presented in the published financial statements for 2018 contained tangible assets under finance lease. As at 1 January 2019, these assets were transfered to the table of movements concerning the right-of-use assets – Note 5.2.2.*

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 2018	**124**	**3,799**	**3,580**	**393**	**0**	**7,896**
increases, including:	0	398	911	5	301	1,615
Direct purchase	0	150	0	0	264	414
Leases	0	0	0	0	1,201	1,201
Settlement of fixed assets under construction	0	248	911	5	-1,164	0

Other	0	0	0	0	0	0
Decreases, including:	0	412	573	222	0	1,207
Liquidation, sale	0	412	573	222	0	1,207
Gross value as at 31 December 2018	**124**	**3,785**	**3,918**	**176**	**301**	**8,304**
Depreciation as at 1.01.2018	**79**	**2,434**	**2,261**	**338**	**0**	**5,112**
increases, including:	15	694	577	32	0	1,318
Depreciation for the period	15	694	577	32	0	1,318
Decreases, including:	0	412	329	222	0	963
Liquidation, sale	0	412	329	222	0	963
Depreciation as at 31.12.2018	**94**	**2,716**	**2,509**	**148**	**0**	**5,467**
Net value as at 01.01.2018	**45**	**1,365**	**1,319**	**55**	**0**	**2,784**
Net value as at 31.12.2018	**30**	**1,069**	**1,409**	**28**	**301**	**2,837**

In 2019 and 2018, financing costs were not capitalised into tangible assets.

5.2.2. Changes in the value of right-of-use assets

Accounting policies

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

The right-of-use asset is initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- lease payments made on or before the lease contract date, reduced by any incentives received;
- any initial costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset.

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

Depreciation is calculated using the straight-line method over the shorter of the estimated useful life or the lease period.

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

No depreciation is applied in the case of the right-of use assets relating to the perpetual usufruct of land.

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

Important estimates and assumptions

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

Figures in PLN thousand	Buildings and premises	Plant and machinery	Vehicles	Total
Gross value as at 1 January 2019	**2,928**	**871**	**1,642**	**5,441**
increases, including:	9,781	0	1,253	**11,034**
Signing new leases	9,781	0	358	**10,139**
Settlement from fixed assets under construction	0	0	895	**895**
Decreases, including:	315	6	343	**664**
Modification of leases	315	0	0	**315**
Repurchase	0	6	343	**349**
Gross value as at 31 December 2019	**12,394**	**865**	**2,552**	**15,811**
Depreciation as at 01.01.2019	**0**	**608**	**476**	**1,084**
increases, including:	1,952	257	465	**2,674**
Depreciation for the period	1,952	257	465	**2,674**
Decreases, including:	0	0	214	214
Repurchase	0	0	214	214
Depreciation as at 31.12.2019	**1,952**	**865**	**727**	**3,544**
Net value as at 01.01.2019	**2,928**	**263**	**1,166**	**4,357**
Net value as at 31.12.2019	**10,442**	**0**	**1,825**	**12,267**

5.2.3 Intangible fixed assets

Accounting policies

If an intangible asset is acquired separately, it is measured at cost. If an intangible asset is acquired in a business combination, the cost of that intangible asset is based on its fair value at the date of acquisition. After initial recognition, intangible assets are carried at cost less 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.
Intangible assets 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.
Intangible assets that had not been put into use by the balance sheet date, are tested for impairment each year or more often – if during the reporting period there is an indication that the carrying amount may not be recoverable. Impairment allowances for intangible fixed assets not brought into use are recognised in under a separate heading of the profit and loss account (impairment of non-financial assets).

Changes in intangible assets

Figures in PLN thousand	Software	Other intangible assets	Intangible assets not brought into use	Total
Gross value as at 1 January 2019	**22,048**	**152**	**2,867**	**25,067**
increases, including:	1,511	0	995	2,506
Direct purchase	21	0	2,485	2,506
Settlement against assets under development	1,490	0	-1,490	0
Gross value as at 31 December 2019	**23,559**	**152**	**3,862**	**27,573**
Amortisation as at 01.01.2019	**9,130**	**136**	**1**	**9,267**
increases, including:	2,435	1	0	2,436
Amortisation for the period	2,435	1	0	2,436
Amortisation as at 31.12.2019	**11,565**	**137**	**1**	**11,703**
Net value as at 01.01.2019	**12,918**	**16**	**2,866**	**15,800**
Net value as at 31.12.2019	**11,994**	**15**	**3,861**	**15,870**

A significant part of the net value of software as at 31 December 2019 is represented by the ERP system – Microsoft Dynamics AX 2012 in the area relating to the system dedicated for Poland: PLN 11,653 thousand (PLN 12,357 thousand as at 31 December 2018). The system was deployed in March 2017, and 31 December 2024 was adopted at the end of its useful life.

5.2.4 Shares in subsidiaries

Accounting policies

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.
Impairment allowances, if any, are recognised under a separate heading in the profit and loss account.

Company's investments

Entity	Registered Office	Activity	Share in capital As at 31.12.2019	As at 31.12.2018
Selena S.A.	Wrocław	Distributor	100.00%	100.00%
Selena Labs Sp. z o.o.	Siechnice	Research and Development	99.65%	99.65%
Taurus Sp. z o.o.	Dzierżoniów	Legal administration	-	100.00%
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	100.00%	64.00%
Selena USA Inc.	Holland	Distributor	100.00%	100.00%
Selena Sulamericana Ltda	Curitiba	Manufacturer of foams, distributor	95.00%	95.00%
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%
Selena Ukraine Ltd.	Kiev	Distributor	99.00%	99.00%
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%
Selena Malzemeleri Yapi Sanayi Tic. Ltd.	Istambul	Man. of foams and sealants, distributor	100.00%	100.00%

1. Other shares owned by Krzysztof Domarecki (Management Board President of Selena FM S.A.)
2 Cchange 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

Value of shares

Figures in PLN thousand	Gross	As at 31.12.2019 Write-down	Net	Gross	As at 31.12.2018 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**
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.	11,082	0	**11,082**	7,109	0	**7,109**
Selena USA Inc.	3,707	2,407	**1,300**	1,289	1,289	**0**
Selena Sulamericana Ltda	3,594	3,594	**0**	3,594	3,594	**0**
Selena USA Specialty Inc	0	0	**0**	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**	9,936	0	**9,936**
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.	3,068	0	**3,068**	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	1,206	**0**
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.	23,764	23,764	**0**	23,765	23,764	**1**
Value of shares	**271,051**	**102,301**	**168,750**	**264,011**	**102,301**	**161,710**

Merger of Selena USA Inc. with Selena USA Speciality Inc.
On 1 January 2019, Selena USA Inc. merged (as acquiring company) with Selena USA Speciality Inc. (acquired company). The two entities were jointly controlled by Selena FM S.A.

Acquisition of control over Uniflex S.p.A
On 24 June 2019, Selena FM S.A. received a notification from minority shareholders of Uniflex S.p.A. i.e., Franco Berlanda and Primaldo Paglialongi on the exercise of the put options by the above individuals, who had the right to 20.25% and 15.75% of shares, respectively, in the share capital of Uniflex S.p.A. The right to sell Uniflex S.p.A. shares was given to minority shareholders in accordance with the shareholder agreement of 29 March 2017. On the basis of the above agreement, after receiving the notifications, Selena FM S.A. was required to purchase:
1) from Franco Berlanda: his 60,750 shares in the share capital of Uniflex S.p.A.
2) from Primaldo Paglialongi: his 47,250 shares in the share capital of Uniflex S.p.A.
On 4 July 2019, Selena FM S.A. acquired 108,000 shares for EUR 936 thousand, representing 36% of the share capital of Uniflex S.p.A. Thus, Selena FM S.A. became the sole shareholder of Uniflex S.p.A. (100% shares in the share capital).

Increasing the share capital of Selena Ukraine Ltd.
On 15 July 2019, the General Meeting of Selena Ukraine Ltd. adopted a resolution to increase the share capital of UAH 21 million. The cash contribution was made in two tranches on 26 July 2019 (EUR 400 thousand) and on 7 August 2019 (EUR 317 thousand).

Subsequent events after the balance sheet date
On 13 February 2020, a newly formed company of Selena Group trading as Selena Mexico S.de R.L. de C.V. based in Guadalajara (Federal Republic of Mexico) was registered in the business register kept by the Commercial Register in Guadalajara. The company's share capital is MXN 10 thousand (fixed) and MXN 1,484.00 thousand (variable figures stated in Mexican peso are the equivalent of PLN 2.1 thousand and PLN 312.2 thousand, respectively, at the average exchange rate of the National Bank of Poland of 14 February 2020, at 1 MXN = 0.2104 PLN). 95% stake in the subsidiary was acquired by Selena FM S.A. and 5% by Selena S.A.

5.2.5 Impairment of long-term investments;

Important estimates and assumptions

At least on the date of preparation of the financial statements, the Company verifies the carrying amount of financial assets (shares in subsidiaries) to determine whether these assets do not show indications of impairment. To this end, the Company compares the value of net assets of individual entities with the book value of the shares presented in the balance sheet.
Where the carrying amount of shares is not covered by the net assets of a given entity, the Company further checks for indications of impairment of the assets. The Company evaluates internal and external factors affecting the financial results achieved by subsidiaries (and verifies implementation of the budget plans adopted for the particular financial year). In addition, the Company analyzes micro- and macroeconomic factors, including the impact of exchange rate fluctuations and the cost of capital in the markets where the subsidiaries operate. Impairment allowance for the value of shares in subsidiaries is defined as the difference between the value of these assets resulting from books of account as at the valuation date and the present value of expected future cash flows, discounted using the effective interest rate. For such measured value of future discounted cash flows, the Company additionally performs a sensitivity analysis to see the impact of changes in the effective interest rate and of exchange rate fluctuations. The value of assets is restated only when it is determined that the impairment of shares is permanent and irreversible in the long term.

As at 31 December 2019, the Company carried out an impairment test for shareholdings in relation to: Nantong Building Materials Co., Ltd and EURO MGA Products srl. The internal and external impairment test triggers were analysed in relation to the shares in Selena Iberia slu (including sales and performance plans, and the discount rate) and no need was identified to carry out an impairment test for the shares in that company. There were no indications that would prompt an impairment test for shares in relation to other subsidiaries.

Selena Nantong Building Materials Co., Ltd.

Due to the slower-than-planned increase in the value of sales of Selena Nantong Building Materials Co., Ltd resulting from the protracted trade agreement negotiations between China and the USA, as at 31 December 2019, the Company's Management Board carried out an impairment test for the entity's fixed assets, in accordance with IAS 36 Impairment. Based on the projected future cash flows generated by the company, no need was identified to create an additional impairment allowance for the assets invested in Selena Nantong Building Materials Co., Ltd. As at 31 December 2019, all net long-term investment in the company amounted to PL 11,062 thousand after impairment allowances made in previous years at PLN 38,819 thousand.

The test used a 5-year cash flow projection. For the purpose of the test, WACC before tax was taken at 10.6% and the residual growth rate at 2%.

Future cash flow projections include the continuation of the distribution model adopted in 2017 and the launch of innovative construction chemicals. If any material, 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 also did not show a need to create an additional impairment allowance in the Group's consolidated report in respect of the value of the assets invested in Selena Nantong Building Materials Co., Ltd.

Selena Romania srl and EURO MGA Product srl

As the Romanian company failed to achieve the expected sales levels in 2019, and due to the slower-than-expected growth of the dry mortars, wet plasters and ceramic adhesives divisions, the Company's Management Board performed an impairment test (as at 31 December 2019) for the assets invested in Selena Romania srl and EURO MGA Product srl (a subsidiary of Selena Romania srl), in accordance with IAS 36 "Impairment". Based on the projected future cash flows generated in the Romanian market over the 5-year projection period, the recoverable value of assets invested in the company was determined, and no need was identified to create an additional impairment allowance. The previous test carried out as at 30 June 2019 caused a reversal of the impairment allowance for long-term loans granted to Selena Romania srl in the amount of PLN 5,895 thousand originated as a result of conversion of trade receivables previously covered by a 100% allowance in the same amount. As at 31 December 2019, all the long-term assets invested in Selena Romania srl and EURO MGA Product srl amounted to PLN 17,866 thousand, after impairment allowances (made until 31 December 2019) of PLN 54,427 thousand.

For the purpose of the test, WACC before tax was taken at 10% and the residual growth rate at 2%.

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. If any material, negative deviations occur from the adopted action plan (in terms of market share increase and return on sales) and current macroeconomic projections for Romania, in the future reporting periods it might be necessary to post an impairment write-down on the fixed assets of Selena Romania srl and EURO MGA Product srl.

The test described above did not reveal any need to create an impairment allowance for the value of fixed assets of the Romanian companies in the Group's consolidated financial statements as at 31 December 2019.

Assumptions of impairment tests and sensitivity of the cash flow 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).

Cash Generating Unit	Selena Nantong	Selena Romania + EURO MGA
WACC before tax	10.6%	10.0%
Residual growth rate	2.0%	2.0%
Impairment	none	none
Model sensitivity – impairment amount at (PLN '000):		
WACC before tax increased by 1 p.p.	*no allowance*	*no allowance*
residual growth rate reduced by 1 p.p.	*no allowance*	*no allowance*
EBIT margin reduced by 1 p.p.	*1,499*	*1,643*

5.2.6 Inventories

Accounting policies

Inventories at the Company are merchandise which is measured at the lower of: cost or net realisable amount. 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 merchandise is measured by determining its value using the FIFO method.

Expired and defective merchandise
Where merchandise is expired or overdue, no later than at the end of the quarter in which this fact was identified, the Company is required to create an impairment allowance for the value of the merchandise to the net realisable value which is achievable for such merchandise less selling costs. If the merchandise is not suitable for sale at all, the Company should create a provision for the cost of its disposal.

Drop in sales prices below the merchandise value
Where the book value of particular goods or products is lower than the NRV (net realisable value), the value of the merchandise should be reduced to the value of the expected net realisable value). A comparison of the merchandise valuation with the net realisable value should be carried out at least at the end of each year (or more often, if justified), and appropriate adjustments allowance should be made.

Slow moving goods
If the particular index does not move or moves slowly, an impairment allowance is created for the value of the merchandise at the end of each quarter. The merchandise age ranges and its corresponding allowances are as follows:
– over 12 months 50%;
– over 24 months 100%.

Figures in PLN thousand	As at 31.12.2019	As at 31.12.2018

Materials	0	0
Merchandise	5,187	4,346
Total inventory, gross	**5,187**	**4,346**
Impairment allowance for inventory	117	0
Total net inventory	**5,070**	**4,346**

5.2.7 Other short-term non-financial assets

Figures in PLN thousand	As at 31.12.2019	As at 31.12.2018*	As at 01.01.2018*
VAT claimed	22,675	19,777	21,440
Withholding tax claimed	1,887	1,417	919
Prepayments	1,171	827	2,031
Settlements with employees	46	26	58
Prepayments for deliveries	2	18	0
Total	**25,781**	**22,065**	**24,448**

** restated figures are presented in Note 1.3.*

5.2.8 Provisions

Accounting policies

Provisions are raised where the entity has an obligation (legal or constructive) are a result of a past event, and it is likely that fulfilment of such obligation will cause an outflow of economic benefits, and the value of such obligation may be reliably estimated. If the entity expects that the costs covered by the provision will be returned, e.g. by the insurer, then the return is 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.

Employees of the companies registered in Poland are given rights to retirement benefits under the Polish Labour Code. A retirement benefit is paid once-off when the employee retires. The value of the benefit depends on the years of service and the average remuneration of the employee. In the case of foreign companies, the rules for granting severance payments are regulated by the laws of the country concerned.

Where the local law or internal regulations of the 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.

As at 31 December 2019, the Company recognised a provision for retirement benefits in the amount of PLN 236 thousand (as at 31 December 2018: PLN 153 thousand).

5.2.9 Other short term non-financial liabilities

Figures in PLN thousand	As at 31.12.2019	As at 31.12.2018*	As at 01.01.2018*
Advances received for future deliveries	146	34	148
Taxes and insurance payable	697	554	577
Remuneration payable	4,415	2,990	1,876
Other	4	0	23
Total	**5,262**	**3,578**	**2,624**

** restated figures are presented in Note 1.3.*

5.3. Equity

5.3.1 Share capital

Nominal value per share

The structure of the share 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.

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.

Major shareholders

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

Shareholder	Share types	Number of shares acquired	Share in share capital	Number of votes	Share in votes at the AGM
Syrius Investments S.a.r.l.*	Registered preference shares	4,000,000	17.52%	8,000,000	29.81%
	Bearer shares	13,813,000	60.49%	13,813,000	51.48%
Quercus Towarzystwo Funduszy Inwestycyjnych S.A. **	Bearer shares	1,367,141	5.99%	1,367,141	5.09%

** entity controlled by Krzysztof Domarecki, CEO of Selena FM S.A. On 29 November 2019, he indirectly acquired 9,763,000 shares in the Company – the acquisition was made through Syrius Investments S.a.r.l. by a merger – the acquisition of Ad Niva Sp. z o.o.*
***As at 7 July 2016*

5.3.2 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
Transfer of profit to the supplementary capital	2018	18,972
Transfer of profit to the supplementary capital	2019	23,665
Supplementary capital		**289,459**

Dividends paid are described in Note 6.3.1.

5.3.3 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**

5.3.4 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.

Risk

6. Risk

6.1 Important estimates and assumptions

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

The adopted estimates, assumptions and judgments include in particular:
- Impairment of financial assets (Note 6.2.3);
- Impairment of financial assets (Note 5.2.5);
- Estimated useful lives of tangible assets and intangible assets (Note 5.2.1, 5.2.2 and 5.2.3);
- Possibility to use the deferred tax assets (Note 4);
- Uncertainty of estimates and judgments made in relation to lease accounting (Note 5.1.6);
- Estimation of a retirement provision (Note 5.2.8)

In 2019, no significant changes were made to the assumption areas and methods, taking into account the adopted new IFRS 16 described in Note 1.3. The business and macroeconomic assumptions underlying the estimates and judgements are updated on an ongoing basis depending on changes in the environment of the Parent Company and the Group companies, and business plans and projections.

6.2 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. Granting interest-bearing loans to the subsidiaries is the main tool for this policy. 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.

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

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

6.2.1 Currency risk

As part of its distribution activities, Selena FM S.A. exports goods to the markets of the European Union, Eastern Europe and Asia as well as North and South America, which gives rise to a significant currency risk.

The table below presents the Company's open positions denominated in euro, Russian ruble, US dollar, yuan renminbi (China), Romanian leu and in other currencies (converted into PLN and presented in the column "Other currencies") and the estimated impact of exchange rate changes on the result valuation of these positions.

Exposure currency Figures in PLN thousand	As at 31.12.2019 EUR	RUB	USD	CNY	RON	PLN	Other currencies	Total
Loans granted	75,773	40,603	18,219	5,498	5,996	6,092	6,448	**158,629**
Trade receivables	106,379	1,298	14,760	0	8,921	1,905	5,804	**139,067**
Cash	475	12	16	35	0	2,804	1,722	**5,064**
	182,627	**41,913**	**32,995**	**5,533**	**14,917**	**10,801**	**13,974**	
Trade liabilities	75,088	0	681	0	0	8,630	5	**84,404**
Loans received	27,709	0	11,401	0	0	30,755	0	**69,865**
	102,797	**0**	**12,082**	**0**	**0**	**39,385**	**5**	
Net exposure	**79,830**	**41,913**	**20,913**	**5,533**	**14,917**	**-28,584**	**13,969**	
Impact on the result at min. PLN/EUR, RUB, USD rate*	-982	-6,242	-1,160	-233	-27			
Impact on the result at max. PLN/EUR, RUB, USD rate*	3,217	2,470	1,282	360	910			

* rates at the max./min. arithmetic average levels from the last three years

	EUR	RUB	USD	CNY	RON
Rate at the balance sheet date	4.2585	0.0611	3.7977	0.5455	0.8901
Min rate	4.2061	0.0520	3.5870	0.5225	0.8885
Max rate	4.4301	0.0647	4.0305	0.5810	0.9444

Exposure currency Figures in PLN thousand	EUR	RUB	USD	As at 31.12.2018 CNY	RON	PLN	Other currencies	Total
Loans granted	62,465	40,432	6,384	5,328	0	2,581	5946	**123,136**
Trade receivables	111,187	1,096	24,838	0	14,095	1,905	6114	**159,235**
Cash	483	0	23	18	0	597	728	**1,849**
	174,135	**41,528**	**31,245**	**5,346**	**14,095**	**5,083**	**12,788**	
Trade liabilities	72,617	0	546	9	0	12,268	157	**85,597**
Loans received	48,928	0	10,001	0	0	33,037	0	**91,966**
	121,545	**0**	**10,547**	**9**	**0**	**45,305**	**157**	
Net exposure	**52,590**	**41,528**	**20,698**	**5,337**	**14,095**	**-40,222**	**-**	
Impact on the result at min. PLN/EUR, RUB, USD rate*	-1,169	-2,917	-1,262	-35	0			
Impact on the result at max. PLN/EUR, RUB, USD rate*	2,058	10,056	1,536	731	1,233			

* rates at the max./min. arithmetic average levels from the last three years

	EUR	RUB	USD	CNY	RON
Rate at the balance sheet date	4.3000	0.0541	3.7597	0.5349	0.8953
Min rate	4.2044	0.0503	3.5305	0.5314	0.8953
Max rate	4.4683	0.0672	4.0387	0.6082	0.9736

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

2019 saw a favorable trend in relation to EUR/RUB and EUR/UAH currency pairs, which resulted in positive exchange differences (a decrease of EUR/UAH of 16% and EUR/RUB of 12%), with a relatively low volatility of other Group currencies in the period from 1 January to 31 December 2019. Selena Group hedges a part of its currency exposure relating to trade receivables and liabilities by using multi-currency credit lines and applying the Currency Risk Management, in particular by entering into forward transactions. In 2019, the Company 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/KZT, EUR/PLN, USD/PLN, HUF/PLN, CZK/PLN and RON/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 IFRS 9.

As at 31 December 2019, the Company had open FX options for EUR/RUB rate (RUB sales) and EUR/PLN (EUR sales); their value was PLN -96 thousand (as at 31 December 2018: PLN 277 thousand).

As at the day of publication of these financial statements, Selena FM S.A. held financial instruments in place relating to EUR/PLN (EUR 1.0 million), EUR/RUB (EUR 1.5 million), EUR/BRL (EUR 0.3 million), EUR/CNY (EUR 0.15 million), HUF/PLN (HUF 100 million), CZK/PLN (CZK 3 million) and RON/PLN (RON 2 million) with settlement dates falling until 25 February 2021.

6.2.2 Interest rate risk

The Company is exposed to interest rate risk as according to the adopted policy, it finances its subsidiaries with loans bearing 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	As at 31.12.2019				As at 31.12.2018			
Figures in PLN thousand	< 1 year	1-3 years	>3 years	Total	< 1 year	1-3 years	> 3 years	Total
Lease liabilities	817	6,030	2,934	**9,781**	0	0	0	**0**
Loans granted	12,052	0	0	**12,052**	51	6,375	6,437	**12,863**

Instruments with a variable interest rate	As at 31.12.2019				As at 31.12.2018			
Figures in PLN thousand	< 1 year	1-3 years	>3 years	Total	< 1 year	1-3 years	> 3 years	Total
Loans granted	45,457	52,163	48,957	**146,577**	24,721	36,250	49,302	**110,273**
Bank deposits	2,550	0	0	**2,550**	0	0	0	**0**
Lease liabilities	1,387	909	0	**2,296**	631	745	0	**1,376**
Bank loans	1,014	60,151	8,700	**69,865**	8,516	60,266	23,184	**91,966**

The potential impact of the market interest rates changes on the financial result generated by the financial instruments with a variable yield is presented in the table below. The calculation assumes an exposure to a particular interest rate at a fixed value as at 31 December 2019 and 31 December 2018. The analysis is based on the assumption that other variables, notably FX rates, will remain unchanged.

Figures in PLN thousand	As at 31.12.2019 PLN	EUR	OTH	As at 31.12.2018 PLN	EUR	OTH
Loans granted	8,501	74,147	63,929	3,323	55,165	51,785
Bank deposits	2,550	0	0	0	0	0
Loans received	-30,755	-27,709	-11,401	-34,705	-48,928	-8,333
Lease liabilities	-2,296	-9,781	0	-1,376	0	0
Net exposure	**-22,000**	**36,657**	**52,528**	**-32,758**	**6,237**	**43,452**
Impact * of an increase ** in interest rate*** by 1 pp	-220	367	525	-328	62	435

* 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.

6.2.3 Credit risk

The Company has identified the following items that carry credit risk:
- Loans granted
- Trade receivables and
- Cash and cash equivalents.

Due to the nature of the Company's business, financial assets (loans granted, 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 – an expected credit loss is estimated in accordance with IFRS 9.

Important estimates and assumptions

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

The Company uses the following models of making impairment allowances for individual items of financial assets:
•Loans granted and amounts due from connected entities – the Company performs an individual analysis of all exposures, assigning them 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 throughout the credit term, and where there is no significant credit risk (as the value of liabilities is higher than the balance of loans and receivables).

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

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

• Receivables from other units – the Company performs a collective analysis of exposures (except for those which are subject to individual analysis as non-performing receivables) and uses a simplified matrix of allowances for individual age ranges based on expected credit losses over the entire life of the receivables, based on default ratios determined using historical data. We have not identified any future factors that would materially affect the level of default rates. The expected credit loss is calculated when the receivable is recognised in the statement of financial position and is updated on each subsequent day ending the reporting period, depending on the number of days in arrears. For receivables analysed on a collective basis, all items past due by over 360 days are qualified to impairment grade 3, and are covered by a 100% write-down.

For receivables from significant external customers, the Company performs an individual analysis of all exposures, assigning them 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 impairment has been identified.

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

For exposures classified to stage 3, the amount of impairment allowance is calculated as the difference between the carrying amount of the asset and the present value of the estimated future cash flows (excluding future losses on account of uncollected receivables), discounted using the effective interest rate.

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

The classification of loans granted to related parties measured at amortized cost to individual stages of the impairment model is presented below.

Loans granted to related parties Figures in PLN thousand	Stage 1	as at 31.12.2019 Stage 2	Stage 3	Total	as at 31.12.2018 Stage 2	Stage 3	Total
Gross value of loans granted to related parties	18,104	22,252	223,985	**264,341**	22,179	200,477	**222,656**
Impairment in respect of expected credit loss	0	-472	-105,240	**-105,712**	-147	-99,422	**-99,569**
Carrying amount of loans granted to related parties	**18,104**	**21,780**	**118,745**	**158,629**	**22,032**	**101,055**	**123,087**

Reconciliation of impairment allowances for loans granted to related parties as at 31 December 2019 and 31 December 2018 to the opening balances:

Impairment allowance for loans granted to related parties Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Impairment allowance at the beginning of the period	**99,569**	**119,361**
Application of IFRS 9	0	746
Allowance in respect of expected credit loss at the beginning of the period after the application of IFRS 9	**99,569**	**120,107**
Impairment allowance created/ reversed (-) according to IFRS 9:	*6,818*	*-21,341*
related parties, including:	*6,818*	*-21,484*
EURO MGA Product SRL	*6,362*	*0*
Selena Vostok	*322*	*0*
Selena Nantong Building Materials Co., Ltd.	*0*	*-21,130*
Selena Bohemia s.r.o.	*0*	*-354*
Other connected companies	*134*	*143*
FX differences arising on translation	*-675*	*803*
Impairment allowance in accordance with IFRS 9	**105,712**	**99,569**

Trade receivables presented in the statement of financial position have been classified to the following stages of the impairment model:

Figures in PLN thousand	Grade 2	As at 31.12.2019 Grade 3	Total	Grade 2	As at 31.12.2018 Grade 3	Total
Gross value of trade receivables	**48,956**	**108,023**	**156,979**	**42,158**	**144,578**	**186,736**
from related parties	27,263	106,950	**134,213**	32,496	143,466	**175,962**
from other entities	21,693	1,073	**22,766**	9,662	1,112	**10,774**
Impairment in respect of expected credit loss	**-192**	**-17,720**	**-17,912**	**-212**	**-27,289**	**-27,501**
from related parties	-22	-16,647	**-16,669**	-68	-26,177	**-26,245**
from other entities	-170	-1,073	**-1,243**	-144	-1,112	**-1,256**
Carrying amount of trade receivables	**48,764**	**90,303**	**139,067**	**41,946**	**117,289**	**159,235**

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

Days in arrears As at 31.12.2019 (Figures in PLN thousand)	Trade receivables from non-related parties	Default rate	Expected credit losses
Up-to-date	19,338	1.57%	86
< 30	2,174	8.69%	62
31 – 60	27	21.26%	1
61 – 90	123	33.52%	4
91 – 120	0	45.44%	0
121 – 180	8	54.86%	4
181-360	23	71.54%	13
>361	1,073	100.00%	1,073
Total	**22,766**		**1,243**

Days in arrears As at 31.12.2018 (Figures in PLN thousand)	Trade receivables from non-related parties	Default rate	Expected credit losses
Up-to-date	7,895	1.45%	43
< 30	1,521	6.29%	56
31 – 60	170	16.11%	4
61 – 90	26	27.53%	7
91 – 120	1	41.26%	0
121 – 180	5	53.82%	3
181-360	44	71.02%	31
>361	1,112	100.00%	1,112
Total	**10,774**		**1,256**

Changes in impairment allowances alongside comparative data are presented in the table below:

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Impairment allowance at the beginning of the period	**27,501**	**22,701**
Application of IFRS 9	0	9,077
Allowance in respect of expected credit loss at the beginning of the period after the application of IFRS 9	**27,501**	**31,778**
Impairment allowance created/ reversed (-) according to IFRS 9:	**-9,626**	**-5,445**
related parties, including:	*-9,624*	*-5,593*
EURO MGA Product SRL	*-5,895*	*1,268*
Selena Sulamericana IND.	*2,042*	*0*
Selena USA	*0*	*-2,833*
Universal Energy Sp. z o.o.	*0*	*1,165*
Selena Romania SRL	*-6,084*	*-2,632*
TOO Selena Insulations	*0*	*-1,215*
Selena Nantong Building Materials Co., Ltd.	*0*	*-1,223*
Selena Bulgaria Ltd.	*0*	*-426*
Shanghai House Selena Trading Ltd.	*313*	*303*
other entities	*-2*	*148*
Utilisation	**-72**	**-18**
FX differences	**109**	**1,186**
related parties	*101*	*1,155*
other entities	*8*	*31*
Expected credit loss at the end of the period	**17,912**	**27,501**
related parties	16,669	*26,245*
other entities	1,243	*1,256*

Important estimates and assumptions

To estimate the expected loss for cash and cash equivalents, the risk of non-payment has been determined other data, particularly credit worthiness assessment carried out by rating agencies or granted to counterparties as part of the internal credit risk assessment process, adjusted for the assessed probability of default. The analysis showed that these assets have a low credit risk as at the reporting date. As at 31 December 2019, calculation of the allowance showed that its amount was negligible, so the Company decided not to make an adjustment.

Cash is deposited with financial institutions in the form of short-term deposits. Cash in bank carries variable rates of interest. Short-term deposits are opened for different periods (up to 3 months), and carry different interest rates.

In the case of cash and cash equivalents, the Management Board believes that the credit risk is very low (stage 1 of the impairment model). The Company maintains cash and cash equivalents with financial institutions that have medium-high and medium credit rating and which have appropriate equity as well as a strong and stable market position.

Rating level		as at 31.12.2019	as at 31.12.2018
Medium-high	from A + to A- according to S & P and Fitch and from A1 to A3 according to Moody's	79%	74%
Medium	from BBB + to BBB- according to S & P and Fitch and from Baa1 to Baa3 according to Moody's	21%	26%

As at 31 December 2019, the Company had unutilised credit lines of PLN 145.8 million (PLN 171.4 million as at 31 December 2018) as part of the credit limits.

6.2.4 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 232.8 million) are twice as high as the value of its short-term liabilities (PLN 99.6 million).

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

The tables below present the Company's financial liabilities as at the balance sheet date by maturities based on contractual payment schedules.

Maturity (in years) as at 31.12.2019 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	0	1,033	75,791	0	**76,824**
Lease liabilities	0	656	1,688	10,433	0	**12,777**
Trade liabilities	68,871	15,527	6	0	0	**84,404**

Maturity (in years) as at 31.12.2018	On demand	Below	3 to 12 months	1 to 5 years	Above	Total

Figures in PLN thousand		3 months			5 years	
Interest bearing borrowings	6,150	92	2,318	91,862	0	**100,421**
Finance lease obligations	0	298	422	1,101	0	**1,821**
Trade liabilities	70,950	14,645	2	0	0	**85,597**

The maturity dates of loans granted to related parties are presented in the tables below.

Maturity (in years), as at 31.12.2019 Figures in PLN thousand		below 1 year	1-3 years	Above 3 years	Total
Subsidiaries	Loans	57,509	52,163	48,957	**158,629**

Maturity (in years), as at 31.12.2018 Figures in PLN thousand		below 1 year	1-3 years	Above 3 years	Total
Subsidiaries	Loans	24,724	21,125	77,239	**123,087**

6.3 Capital management and net debt

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 2019 and in the year ended 31 December 2018 no changes were made to the goals, rules and processes applicable in this area.

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 bank and other loans, and lease liabilities, less cash and cash equivalents. Equity includes the equity attributable to the shareholders of the Parent. The Company aims to maintain the ratio in the 20-40% range. As at 31 December 2019, the net debt ratio for Selena FM S.A. was 18% due to a decrease in debt, with a simultaneous increase in cash.

Figures in PLN thousand	As at 31.12.2019	As at 31.12.2018
Interest bearing borrowings	69,865	91,966
Lease liabilities	12,077	1,376
Less cash and cash equivalents	-5,064	-1,849
Net debt	**76,878**	**91,493**
Equity	352,651	306,838
Equity and net debt	**429,529**	**398,331**
Gearing (net debt/equity + net debt)	**18%**	**23%**

6.3.1 Dividends paid

On 27 May 2019, 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 2018 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 3 June 2019. The shares of all series carry the same dividend rights. The dividend was paid in two tranches on 5 June and 7 June 2019.

Other information

7. Other information

7.1 Contingent liabilities and guarantees granted

Accounting policies

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

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

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

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

As at 31 December 2019, the result of the valuation of the financial guarantees according to IFRS 9 is immaterial.

Guarantees given

Comment	Secured obligation	Beneficiary	31.12.2019 Amount in currency (m)	Ccy	Expires	31.12.2018 Amount in currency (m)	Ccy	Expires
1	Joint credit limit	Bank	7.45	PLN	12/2021	10.79	PLN	01/2019
	Joint credit limit	Bank	0.94	PLN	07/2021	24.94	PLN	07/2021
	Joint credit limit	Bank	0.00	PLN	03/2019	16.04	PLN	07/2020
	Joint credit limit	Bank	7.81	PLN	06/2021	11.70	PLN	06/2021
2	Loan	Bank	0.00	RUB	07/2019	50.15	RUB	07/2019
	Loan	Bank	150.90	RUB	01/2022	50.68	RUB	01/2022
	Loan	Bank	173.42	RUB	07/2020			
	Loan	Bank	4.97	CNY	08/2020			
	Financing	Bank	5.22	EUR	2020	0.00	EUR	2018
	Financing	Bank	0.85	EUR	2022	2.21	EUR	2019
	Financing	Bank	0.37	EUR	2023	0.76	EUR	2020
	Financing	Bank	1.00	EUR	2025	0.86	EUR	2022
3	Supplies	Supplier	6.18	EUR		6.75	EUR	
	Supplies	Supplier	0.45	RON		0.50	RON	
	Supplies	Supplier	4.50	PLN	03/2020	3.00	PLN	03/2019
4	Settlement of purchase of contingent assets	Holding Lowinter	1.16	EUR	-	1.08	EUR	-
5	Bank guarantee	Customs Office	0.20	PLN	07/2020	0.20	PLN	07/2019

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 agreement (i.e. except Selena FM S.A.) as at 31 December 2019. 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 Selena FM or the subsidiaries. The actual amounts of the loans taken are stated as at 31 December 2019.

3 – Guarantee securing the payments by subsidiaries to towards the supplier. The amount in the table indicates the maximum guarantee limit.

4 – As part of the acquisition of Selena Iberia (formerly: Industrias Quimicas Lowenberg), in 2009, at the acquisition date, potential assets were identified in the acquired company which were related to the realisation of the benefits that might flow to Selena Iberia in the future in respect of contingent tax assets. Pursuant to the agreement between the Selena Group and the previous shareholders of the company, if the company acquires any actual economic benefits in respect of the above items, then they will be returned to the previous shareholders in an amount equal to those benefits (a symmetrical approach without an impact on the Group's results). On 30 September 2010, an additional agreement was signed in relation to this matter, whereby any potential economic benefits arising from these assets will be returned to the previous shareholders in the portion corresponding to 70% or 85% (depending on the type of the asset) of the value of such benefits.

In 2019, Selena Iberia posted a tax loss that did not allow it to use the tax losses and credits from previous years. The maximum nominal value of contingent liabilities not included in the settlement, taking into account liabilities recognised in the statement of financial position as at 31 December 2019, is EUR 1.16 million.

5 – Bank guarantee issued against the limit sanctioned to Selena FM in favour of the Polish Customs Office.

Court disputes

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.

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.

7.2 Information on related parties

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 2019 and 2018. Note 6.2.3 contains information on the loss/ reversal of impairment loss on the value of financial assets on financial assets from related parties.

Figures in PLN thousand	Period	Revenue from sales and re-invoices	Purchase of goods and services	Other revenues[1]	Other costs
Subsidiaries	2019	558,813	522,031	35,855	1,598
	2018	447,289	400,929	34,286	2,142
Associates	2019	4,471	82	0	0
	2018	4,151	65	0	0
Subsidiaries of the ultimate controlling shareholder*	2019	875	0	0	0
	2018	1,914	0	0	0
TOTAL	**2019**	**564,159**	**522,113**	**35,855**	**1,598**
	2018	**453,354**	**400,994**	**34,286**	**2,142**

[1] the value includes other operating revenues and financial revenues

** the item includes entities connected through Mr Krzysztof Domarecki (CEO of Selena FM S.A.)*

Figures in PLN thousand		Period	Loans	Trade receivables	Liabilities
Subsidiaries		2019	158,629	116,068	72,882
		2018	123,087	148,575	104,902
Associates		2019	0	1,334	36
		2018	0	1,013	35
Subsidiaries of the ultimate controlling shareholder	AD Niva Sp. z o.o. (Krzysztof Domarecki)	2019	0	0	0
		2018	0	1	0
	Universal Energy Sp. z o.o. (Krzysztof Domarecki)	2019	0	129	0
		2018	0	123	0
	Elis Consulting Sp. z o.o. (Krzysztof Domarecki)	2019	0	13	0
		2018	0	6	0
TOTAL		**2019**	**158,629**	**117,544**	**72,918**
		2018	**123,087**	**149,718**	**104,937**

Note 6.3.1 contains information on the dividend paid in 2019.

Information on other remuneration for key management personnel not included in the table above is presented in Note 7.4.

7.3 Reasons for the difference between balance sheet changes of selected balance sheet times and changes arising from the statement of cash flows

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

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Balance sheet change in receivables	**16,453**	**-12,895**
Change in receivables in respect of dividend	0	-9,077
Change in receivables in respect of conversion into loans	-37,539	-3,938
Other	-449	-327
Change in the balance of receivables in the statement of cash flows	**-21,535**	**-26,237**

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Balance sheet change in liabilities	**-5,118**	**8,719**
Change in the balance of loans	22,101	-4,295
Change in the balance of lease obligations	-10,701	-369
Change in the balance of investment obligations	-80	-386
Change in the balance of income tax obligations	-4,109	-221
Change in the balance of provisions	-1,149	-153
Change in the balance of liabilities in the statement of cash flows	**944**	**3,295**

7.4 Remuneration of the key management personnel of the Company

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

MANAGEMENT BOARD (Figures in PLN thousand)	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Short-term employment benefits, including bonuses (remuneration and deductions)	2,838	1,941
Death benefits	0	120
Remuneration for services provided to subsidiaries	816	1,527
Total	**3,654**	**3,588**

SUPERVISORY BOARD (Figures in PLN thousand)	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Short-term employment benefits, including bonuses (remuneration and deductions)	421	635
Total	**421**	**635**

Management Board members receive fixed and variable (bonus-based) remuneration. A decision on bonus payment for 2019 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 2019 (Note 6.3.1), in accordance with the number of shares held (Note 5.3.1).

The Group's consolidated accounts for 2019 (Note 8.4) show the transactions with connected entities (including the Parent Company's Management Board members) of all the Group companies.

7.5 Auditor's fee

The table below shows the fee payable to the auditor of the Company's 2019 and 2018 financial statements.

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Audit of the annual financial statements	265	260
Review of the interim financial statements	95	95
Total	**360**	**355**

7.6 Employment structure

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

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Management Board	6	4
Sale	20	79
Administration	84	39
Other	73	16
TOTAL	183	138

7.7 Subsequent events after the balance sheet date

After the balance sheet date and until the approval of these financial statements no events took place other than those described above (taking into account the below description of the impact of the COVID-19 pandemic on the Company's operations) which might materially affect the presented financial data.

In response to the current pandemic situation resulting from the spread of the SARS-CoV-2 coronavirus and the COVID-19 disease, the Management Board of Selena FM S.A. is monitoring situation on an ongoing basis, tracking health and state authorities' recommendations both in Poland and in countries where Selena Group companies are located. A special task force was established to monitor and assess pandemic risks on an ongoing basis, in particular in the areas of:
– product sales (e.g. local restrictions affecting trade restrictions, the number of stores open);
– disruptions in the supply chain of goods through disruptions in transport as well as in relation to the optimisation of inventory;
– disruptions in the continuity of business processes due to possible increased absence of employees;
– financial liquidity of counterparties;
– exchange rate fluctuations.

As a result of the above analyses, the following procedures were developed and implemented to minimise the risk of contagion among employees and counterparties:
– Monitoring the health of the Company's employees through temperature checks;
– Development of the "Procedure for responding to suspected cases of COVID-19 in Selena Group";
– Limiting meetings, and domestic and foreign business trips;
– Introducing the smart working procedure where possible, with a rotational presence of selected employees on the company's premises with other team members working from home;
– Providing hand sanitisers and additional personal protection equipment for the Company's employees.

Until the date of publication of these financial statements, to the best of the Management Board's knowledge, no employee of the Company had been infected with coronavirus. Furthermore, the Company continued its ordinary activities with teleworking arrangements.

So far, there have been no major disruptions in the supply of goods. Likewise, no major risks have been identified relating to employee absenteeism. At the same time, due to the present situation, Selena Group has intensified its activities in the area of remote sales. The Company is looking at possible scenarios of the impact of the pandemic on its activities and takes appropriate cost containment measures.

In addition to the strong financial results reported for 2019 (net profit of PLN 52.7 million), the Company has a good cash position and unused credit lines (as at 31 December 2019, cash amounted to PLN 5.1 million and unused credit lines stood at PLN 145.8 million). As at 31 March 2020, the cash position and the use of credit lines were at a safe level, taking into account the sales seasonality. The covenants agreed with banks are being monitored on an ongoing basis. No breaches were identified as at the publication date. The Company entered

2020 with the lowest debt ratio in more than five years. It has a stable financial position and significant loan agreements will not renew until 2021.

Selena FM S.A. did not observe any impact of the pandemic on the financial results in the first quarter of 2020, relying on current estimates based on the assumptions available as at the date of publication of these financial statements. The final financial results for the first quarter of 2020 will be known before the publication of the quarterly report and may differ from current estimates. In the second quarter of 2020, the Company expects sales revenues to decrease, but due to the rapidly changing situation it is not possible make any reliable estimates. The final impact of the pandemic on the Company's activities in 2020 will depend on the macroeconomic effects in Poland and in the countries where the Company operates. At present, the Management Board of Selena FM S.A. does not yet have full financial data enabling it to make forecasts as to the impact of the situation on the Company's financial position in the long term.

The above information on the situation and the impact of the SARS-CoV-2 spread on the operations of Selena FM S.A. was prepared to the best of knowledge of the Company's Management Board at the time of publication of these financial statements.

Person responsible for maintaining books of account
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Management Board President

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