SELENA
GLOBAL EXPERIENCE

Financial statements
for the year ended 31 December 2020

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Financial statements
for the year ended 31 December 2020

INCOME STATEMENT

Figures in PLN thousand	Note	from 01.01.2020 to 31.12.2020	from 01.01.2019 to 31.12.2019*
Continued operations			
Revenue from the sale of goods and raw materials		736,937	611,570
Revenue from the sale of services		29,025	27,749
Revenue from contracts with customers		**765,962**	**639,319**
Cost of sales		631,054	546,499
Gross profit on sales		**134,908**	**92,820**
Selling and marketing costs		45,713	38,206
General and administrative expenses		38,612	32,789
Other operating income	3.2	989	424
Other operating costs	3.2	1,018	257
Impairment loss/ reversal of impairment loss (-) of receivables		2,002	2,353
Dividends from subsidiaries		31,138	27,247
Operating profit		**79,690**	**46,886**
Financial income	3.3	8,614	11,603
Financial costs	3.3	3,280	5,201
Impairment loss/ reversal of impairment loss (-) of loans granted		-897	-5,161
Profit before tax		**85,921**	**58,449**
Income tax	4	10,542	5,786
Net profit on continued operations		**75,379**	**52,663**
Discontinued operations			
Profit (loss) on discontinued operations		–	–
Net profit		**75,379**	**52,663**

** restated data are presented in Note 1.3.*

Net earnings per share (PLN/share):			
– basic		3.30	2.31
– on discontinued operations		–	–
– diluted		3.30	2.31

STATEMENT OF COMPREHENSIVE INCOME

Figures in PLN thousand	from 01.01.2020 to 31.12.2020	from 01.01.2019 to 31.12.2019
Net profit	75,379	52,663
Total comprehensive income	**75,379**	**52,663**

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

Figures in PLN thousand	Note	As at 31.12.2020	As at 31.12.2019
ASSETS			
Property, plant and equipment	5.2.1 5.2.2	5,657	13,815
Intangible assets	5.2.3	16,414	15,870
Shares in subsidiaries	5.2.4	169,005	168,750
Long-term portion of loans granted	5.1.3	180,565	101,120
Non-current assets		**371,641**	**299,555**
Inventories	5.2.6	7,538	5,070
Other short-term non-financial assets	5.2.7	18,551	25,781
Trade receivables	5.1.1	174,785	139,067
Short-term portion of loans granted	5.1.3	27,122	57,509
Other short-term financial assets	5.1	310	310
Cash and cash equivalents	5.1.2	5,170	5,064
Current assets		**233,476**	**232,801**
TOTAL ASSETS		**605,117**	**532,356**
EQUITY AND LIABILITIES			
Registered capital	5.3.1	1,142	1,142
Supplementary capital	5.3.2	332,346	289,459
Other reserves	5.3.3	19,163	19,163
Retained profit		75,379	42,887
Equity		**428,030**	**352,651**
Long-term portion of bank and other loans	5.1.4	34,354	68,851
Long term lease liabilities	5.1.6	1,377	9,873
Deferred tax liability	4	1,245	1,161
Provision for retirement benefits	5.2.8	390	236
Non-current liabilities		**37,366**	**80,121**
Trade liabilities	5.1	86,409	84,404
Obligations to return remuneration		1,291	1,407
Short-term portion of bank and other loans	5.1.4	28,296	1,014
Short-term lease liabilities	5.1.6	2,038	2,204
CIT tax payable		10,226	4,621
Other short term financial liabilities		2,413	672
Other short term non-financial liabilities	5.2.9	9,048	5,262
Current liabilities		**139,721**	**99,584**
Total liabilities		**177,087**	**179,705**
TOTAL EQUITY AND LIABILITIES		**605,117**	**532,356**

STATEMENT OF CASH FLOWS

Figures in PLN thousand	from 01.01.2020 to 31.12.2020	from 01.01.2019 to 31.12.2019
Cash flows from operating activities		
Profit (loss) before tax	**85,921**	**58,449**
Depreciation/ amortisation	5,070	5,687
FX (gains) / losses	1,800	-4,203
Interest and dividends	-37,440	-33,457
Profit / loss on investing activities	6,886	8,711
Change in the balance of receivables	-28,098	-21,535
Change in the balance of inventories	-2,468	-724
Change in the balance of liabilities	5,560	944
Change in the balance of provisions	154	83
CIT paid	-4,853	-162
Other	519	-1,626
Net cash flows from operating activities	**33,051**	**12,167**
Cash flows from investing activities		
Inflows from the sale of tangible assets	124	181
Acquisition of tangible and intangible assets	-3,571	-2,724
Purchase of shares in subsidiaries	-255	-7,040
Dividends and interest received	31,138	27,247
Loans granted	-59,033	-6,442
Repayments of loans granted	16,023	13,665
Net cash flows from investing activities	**-15,574**	**24,887**
Cash flows from financing activities		
Repayment of finance lease liabilities	-9,236	-3,261
Inflows from bank/ other loans received	36,000	20,074
Repayment of loans	-44,081	-42,187
Dividend paid	0	-6,850
Interest paid	-93	-1,618
Net cash flows from financing activities	**-17,410**	**-33,842**
Increase (decrease) in cash and cash equivalents	**67**	**3,212**
Change in cash and cash equivalents, including:	106	3,215
net FX differences	39	3
*Cash at the beginning of the period**	*5,064*	*1,849*
*Cash at the end of the period**	*5,170*	*5,064*

*including restricted cash:

as at 31 December 2020: PLN 0.05m

as at 31 December 2019: PLN 0.05m

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

Figures in PLN thousand	Registered capital	Supplementary capital	Other reserves	Retained profit/ (loss carried forward): from previous years	Retained profit/ (loss carried forward): from the current period	Total equity
As at 01.01.2020	**1,142**	**289,459**	**19,163**	**42,887**	**0**	**352,651**
Net profit	0	0	0	0	75,379	75,379
Total comprehensive income	**0**	**0**	**0**	**0**	**75,379**	**75,379**
Transfer of profit to the supplementary capital	0	42,887	0	-42,887	0	0
As at 31.12.2020	**1,142**	**332,346**	**19,163**	**0**	**75,379**	**428,030**

FOR THE YEAR ENDED 31 DECEMBER 2019

Figures in PLN thousand	Registered capital	Supplementary capital	Other reserves	Retained profit/ (loss carried forward): from previous years	Retained profit/ (loss carried forward): from the 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**

General information

1. General information

1.1. Information on the Company

Company's activity

Selena FM S.A. (hereinafter also referred to as "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 and to the domestic market;
- providing subsidiaries with advice on strategic management, finance management, sales strategy as well as bookkeeping services.

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

The Management Board of the Company

As at 31 December 2019, the Company's Management Board was composed of:
- Krzysztof Domarecki – Chief Executive Officer; President;
- Dariusz Ciesielski – Chief Commercial Officer, Vice President;
- Christian Dölle – Chief Marketing Officer, Vice President;
- Jacek Michalak – Chief Financial Officer.

Changes in the Company's Management Board in 2020:

On 14 May 2020, the Company's Supervisory Board adopted a resolution appointing Marek Tomanek to the Company's Management Board as Chief Operating Officer (COO). The appointment became effective as of 25 May 2020.

On 30 November 2020, Dariusz Ciesielski resigned from the Company's Management Board and from the role of the Vice President for Sales effective from 31 December 2020.

On 30 November 2020, the Company's Supervisory Board adopted a resolution appointing, as of 1 January 2021 Sławomir Majchrowski to the Company's Supervisory Board, entrusting him with the role of Chief Commercial Office and Vice President of the Management Board.

As at 31 December 2020, the Company's Management Board was composed of:
- Krzysztof Domarecki – Chief Executive Officer; President;
- Dariusz Ciesielski – Chief Commercial Officer, Vice President;
- Christian Dölle – Chief Marketing Officer, Vice President;
- Jacek Michalak – Chief Financial Officer;
- Marek Tomanek – Chief Operating Officer.

As at 1 January 2021, the Company's Management Board was composed of:
- Krzysztof Domarecki – Chief Executive Officer; President;
- Christian Dölle – Chief Marketing Officer, Vice President;
- Sławomir Majchrowski – Chief Commercial Officer, Vice President;
- Jacek Michalak – Chief Financial Officer;
- Marek Tomanek – Chief Operating Officer.

On 16 February 2021, Krzysztof Domarecki resigned from the Company's Management Board and from the role of CEO effective from 1 March 2021.

On 16 February 2021, the Company's Supervisory Board adopted a resolution appointing Jacek Michalak to the Company's Management Board as Chief Executive Officer. The appointment became effective as of 1 March 2021.

Since 1 March 2021, the Company's Management Board has consisted of:
- Jacek Michalak – Chief Executive Officer; President;
- Christian Dölle – Chief Marketing Officer, Vice President;
- Sławomir Majchrowski – Chief Commercial Officer, Vice President;
- Marek Tomanek – Chief Operating Officer.

On 19 April 2021, Marek Tomanek resigned from the Company's Management Board and from the role of the COO effective from 30 April 2021.

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

In the period from 1 January 2020 to the date of publication of this report, there were no changes in the composition of the Supervisory Board.

Audit Committee

As at 31 December 2019, the Audit Committee was composed 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, 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 2020:

Since 14 May 2020, the Audit Committee has consisted of:
- Mariusz Warych – Chairman of the Audit Committee;
- Borysław Czyżak – 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 other changes took place in the Audit Committee's composition.

In the period from 1 January 2020 to 31 December 2020, the Supervisory Board's Audit Committee held 10 regular meetings, i.e.
- meeting of 19 March 2020 (regular meeting);
- meeting of 7 May 2020 (regular meeting);
- meeting of 14 May 2020 (regular meeting)
- meeting of 27 May 2020 (regular meeting);
- meeting of 15 June 2020 (regular meeting);
- meeting of 1 July 2020 (regular meeting);
- meeting of 16 September 2020 (regular meeting);
- meeting of 9 October 2020 (regular meeting);
- meeting of 25 November 2020 (regular meeting);
- meeting of 18 December 2020 (regular meeting).

In the period from 1 January 2020 to the date of publication of this report, members of the Audit Committee qualified in the field of accounting or financial statements audit were: Mariusz Warych and Marlena Łubieszko-Siewruk.

The members of the Audit Committee having knowledge and skills in the industry in which the Company operates were Marlena Łubieszko-Siewruk (in the period from 1 January 2020 to the date of publication of this report) and Andrzej Krämer (in the period from 1 January 2020 to 13 May 2020).

The qualifications of the members of the Audit Committee in the field of accounting or financial statements audit, as well as knowledge and skills in the industry in which the Company operates resulted from the education, experience and professional practice of the Committee's members.

Strategy and Innovation Committee

As at 31 December 2019, 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.

In the period from 1 January 2020 to the date of publication of this report, there were no changes in the composition of the Strategy and Innovation Committee.

Nominations and Remunerations. Committee

As at 31 December 2019, 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 Remuneration Committee.

In the period from 1 January 2020 to the date of publication of this report, there were no changes in the composition of the Nominations and Remuneration Committee.

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 2020, approved on 22 April 2021.

They cover the period of 12 months ended 31 December 2020 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 2020 as well as comparative data for the period of 12 months ended 31 September 2019.

The statement of financial position covers the data presented as at 31 December 2020, and comparative data as at 31 December 2019, and as at 1 January 2019, taking into account changes in the presentation of dividend income in the income statement, as described in Note 1.3.

These financial statements were approved for publication by the Management Board on 22 April 2021.

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 31.12.2020	As at 31.12.2019
1 USD	3.7584	3.7977
1 EUR	4.6148	4.2585
100 HUF	1.2638	1.2885
1 UAH	0.1326	0.1602
1 CZK	0.1753	0.1676
1 RUB	0.0501	0.0611
1 CNY	0.5744	0.5455
1 RON	0.9479	0.8901

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 COVID 19 (as described below) 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.

Impact of the COVID-19 pandemic on Company's operations

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.

As a result of operations of a dedicated Response Team, the following measures were designed and implemented to minimise the risk of contagion among employees and counterparties (inter alia):
– Developing the "Procedure for responding to suspected cases of COVID-19 in Selena Group", updated based on current guidelines from the Chief Sanitary Inspectorate (GIS);
– 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;
– Establishing rules for maintaining physical distance and using face masks;
– Limiting the number of meetings, and domestic and foreign business trips;
– Providing hand sanitisers and additional personal protection equipment for employees;
– Providing disinfectants and ensuring additional daily disinfection of common areas;
– Monitoring the health of employees through temperature checks.

So far, there have been no major disruptions in supplies. Likewise, no major risks have been identified relating to employee absenteeism.

Due to the present situation, Selena Group has intensified its activities in the area of remote sales.

The Company is constantly monitoring and using the available opportunities to obtain support offered both under the "Anti-crisis shield" and under other provisions of applicable law. In 2020, the Company benefited from subsidies to the salaries of the employees whose working time had to be reduced. The subsidy amount totalled PLN 896 thousand.

In 2020, a 20% increase in sales revenues was observed compared to the same period last year. The impact of the pandemic on the Company's activities in the following years will depend on the macroeconomic effects in Poland and in the countries where the Group companies operate. At present, the Management Board of Selena FM S.A. does not 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.

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 2020 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 2020 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 change of presentation of dividend income in the income statement as described below.

In order to increase the usefulness of the financial statements for its readers, as of 1 January 2020, in line with the principle of materiality, the Company changed the presentation of dividend income from subsidiaries. The Company decided that due to the importance of this line item, it will present dividend income from subsidiaries under a separate heading in the income statement, as part of the operating profit.

Due to change described above, the Group restated the comparative data. The impact of the presentation changes on selected items of the income statement for 2019. The change has no impact on the statement of financial position.

Figures in PLN thousand	from 01.01.2019 to 31.12.2019 published figures	Change	from 01.01.2019 to 31.12.2019 restated figures
Dividends from subsidiaries	-	27,247	27,247
Operating profit	**19,639**	**27,247**	**46,886**
Financial income	38,850	-27,247	11,603

Impact of new and amended standards and interpretations

The following list presents new standards and changes to the existing standards that became effective on 1 January 2020:
– Amendments to IFRS 3 Business Combinations;
– Amendments to IFRS 9, IAS 39 and IFRS 7 related to the IBOR reform;
– Amendments to IAS 1 Presentation of Financial Statements and IAS 8 IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
– Amendments to References to the Conceptual Framework in IFRS;
– Amendments to IFRS 16 Leases.

The above standards and amendments to standards did not have any material impact on the Company's accounting policy or these consolidated financial statements.

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

The below list presents published standards, interpretations or amendments to existing standards before their effective date:
– IFRS 17 Insurance Contracts, and amendments to IFRS 17;
– Amendments to IAS 1 Presentation of Financial Statements;
– Amendments to IFRS 3 Business Combinations;
– Amendments to IAS 16 Property, Plant and Equipment;
– Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets;
– Annual Improvements to IFRS Standards 2018–2020;

– Amendments to IAS 1 Presentation of Financial Statements and IASB guidance regarding accounting policy disclosures;
– Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors:
– Amendments to IFRS 16 Leases
– Amendments to IFRS 4: Application of IFRS 9 Financial Instruments;
– Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and 16 related to the IBOR reform;
– 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.

The Company has not decided on early adoption of any standard, interpretation or amendment which have been published but not become effective yet. The Company is currently analyzing how the above amendments will affect the 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.

<u>Restatement of foreign currency positions</u>

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 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 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 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 IFRS.

Related parties accounted for more than 80% of the Company's revenues (more than 88% in 2019). Sales are generated in Poland (PLN 18.2 million to non-connected companies and PLN 231.2 million to connected companies) and abroad (PLN 126.4 million to non-connected companies, PLN 390.2 million to connected companies), mainly in the geographies where the Group-owned companies are established. The Company's non-current 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 01.01.2020 to 31.12.2020	from 01.01.2019 to 31.12.2019
Use of materials and energy	942	940
Cost of employee benefits	34,636	25,162
Depreciation/ amortisation	5,070	5,687
External services, including:	41,469	36,153
advisory	*26,347*	*24,694*
lease	*1,316*	*1,156*
other	*13,806*	*10,303*
Taxes and charges	107	101
Other costs by type, including:	2,101	2,952
entertainment and advertising costs	*1,005*	*679*
business travel costs	*443*	*1,704*
Cost of goods and materials sold	603,037	519,899
Cost of services sold	28,017	26,600
Total operating costs	**715,379**	**617,494**
including:		
Cost of sales	631,054	546,499
Selling and marketing costs	45,713	38,206
General and administrative expenses	38,612	32,789

Cost of employee benefits

Figures in PLN thousand	from 01.01.2020 to 31.12.2020	from 01.01.2019 to 31.12.2019
Salaries	28,025	21,404
Social insurance costs	3,765	2,896
Other costs of employee benefits	2,846	862
Total cost of employee benefits	**34,636**	**25,162**
including:		
Selling and marketing costs	12,949	12,377
General and administrative expenses	21,687	12,785

Depreciation/amortisation

Figures in PLN thousand	from 01.01.2020 to 31.12.2020	from 01.01.2019 to 31.12.2019
Depreciation of tangible assets	2,482	3,251
Amortisation of intangible assets	2,588	2,436
Total depreciation/amortisation	**5,070**	**5,687**
including:		
Selling and marketing costs	396	330
General and administrative expenses	4,674	5,357

3.2 Other operating income and operating costs

Other operating income

Figures in PLN thousand	from 01.01.2020 to 31.12.2020	from 01.01.2019 to 31.12.2019
Profit from disposal of non-financial fixed assets	40	157
Subsidies	896	0
Other	53	267
Total other operating income	**989**	**424**

Other operating costs

Figures in PLN thousand	from 01.01.2020 to 31.12.2020	from 01.01.2019 to 31.12.2019
Obligations to former owners of Industrias Qumicas Lowenberg	318	0
Donations	617	52
Receivables cancelled/written off	0	26
Damages, penalties, fines	0	28
Complaints	59	136
Other	24	15
Total other operating costs	**1,018**	**257**

3.3 Financial income and expenses

Accounting policies

Foreign exchange differences arising from both operating and financing activities are recognised in financial income and financial costs.

Financial income

Figures in PLN thousand	from 01.01.2020 to 31.12.2020	from 01.01.2019 to 31.12.2019*
Interest, including:	7,196	8,550
on loans granted	*7,178*	*8,472*
on bank deposits and accounts	*18*	*78*
FX differences	1,417	2,918
Other	1	0
Guarantees	0	135
Total financial income	**8,614**	**11,603**

** restated data are presented in Note 1.3.*

Financial costs

Figures in PLN thousand	from 01.01.2020 to 31.12.2020	from 01.01.2019 to 31.12.2019
Interest, including:	1,714	2,368
on loans and advances received	*1,498*	*2,124*
on lease liabilities	*93*	*140*
on other obligations	*123*	*104*
Loans cancelled	0	44
Derivative financial instruments	890	2,042
Guarantees	22	0
Bank fees	654	747
Total financial costs	**3,280**	**5,201**

In 2020, Selena FM S.A. hedged its expected cash flows with FX forwards and other financial instruments. In accordance with the its hedging policy, the Company hedges an active part of currency exposure. 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 2020, Selena FM S.A. had open forward contracts. The loss on the valuation of unrealised contracts was PLN 1409 thousand (including valuation of open contracts of PLN -1,505 thousand as at 31 December 2020). The gain on exercise of the contracts was PLN 519 thousand. The result on transactions (PLN -890 thousand) was recognised in financial costs under “Derivative financial instruments”.

As at the date of approval of these financial statements, the Company has open currency contracts from the balance sheet date at PLN -438k (according to the valuation of 31 December 2020), which will be exercised by 31 May 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 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 01.01.2020 to 31.12.2020	from 01.01.2019 to 31.12.2019
Income tax for the current period	10,458	4,721
Change in deferred income tax	84	1,065
Tax charge carried in profit or loss:	**10,542**	**5,786**

Reconciliation of the effective tax rate

Figures in PLN thousand	from 01.01.2020 to 31.12.2020	from 01.01.2019 to 31.12.2019
Profit / loss before tax on continued operations	85,921	58,449
Tax rate	19%	19%
Tax at the applicable rate	16,325	11,105
Tax on non-taxable income (permanent differences)	-6,377	-5,177
– on dividends received	*-5,916*	*-5,177*
– in respect of impairment allowance on shares and loans	*-21*	*0*
– in respect of reversal of impairment allowance on receivables	*-270*	*0*
– other	*-170*	*0*
Tax on costs that are non-tax deductible (permanent differences)	1,032	-142
– in respect of impairment allowance on shares and loans	*0*	*-983*
– in respect of impairment allowance on receivables	*627*	*447*
– other	*405*	*394*
Adjustments to current tax for prior periods	-438	0
Tax charge carried in profit or loss:	**10,542**	**5,786**
Effective tax rate	12.27%	9.90%

Deferred income tax

Important estimates and assumptions

The likelihood of realising deferred tax assets against future tax gains is based on the budget of the Company's companies. Selena FM S.A. recognises in its 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 31.12.2020	Charge/credit to the financial result	As at 31.12.2019	Charge/credit to the financial result
Deferred tax asset on temporary differences in assets	**578**	**-2**	**580**	**8**
Trade receivables	*541*	*-6*	*547*	*67*
Impairment losses of trade receivables	*541*	*-6*	*547*	*67*
Inventories	*6*	*-16*	*22*	*22*
Impairment allowance on inventories	*6*	*-16*	*22*	*22*
Other assets	*31*	*20*	*11*	*-81*
Unrealised sales on Incoterms	*31*	*20*	*11*	*-81*
Deferred tax asset on negative temporary differences in liabilities	**3,410**	**-650**	**4,060**	**2,586**
Liabilities	*1,460*	*747*	*713*	*507*
Liability in respect of unpaid remuneration	*1,460*	*747*	*713*	*507*
Accruals	*536*	*-6*	*542*	*-228*
Provision for the cost of audit	*25*	*5*	*20*	*4*
Provision for the cost of unutilised leaves	*77*	*-49*	*126*	*-10*
Other accruals	*434*	*38*	*396*	*-222*
Liabilities in respect of loans and advances	*479*	*281*	*198*	*141*
Interest payable	*479*	*281*	*198*	*141*
Provisions	*319*	*7*	*312*	*103*
Retirement provision	*74*	*29*	*45*	*16*
Provision for the loyalty scheme	*245*	*-22*	*267*	*87*
Other liabilities	*616*	*-1,679*	*2,295*	*2,063*
Lease liabilities	*616*	*-1,679*	*2,295*	*2,063*
Deferred tax asset on unrealised FX differences	**443**	**-643**	**1,086**	**-335**
Total deferred tax asset	**4,431**	**-1,295**	**5,726**	**2,259**

Figures in PLN thousand	As at 31.12.2020	Charge/credit to the financial result	As at 31.12.2019	Charge/credit to the financial result
Deferred tax liability on positive temporary differences relating to assets	**5,676**	**-1,211**	**6,887**	**3,324**
Property, plant and equipment	1,606	-1,416	3,022	2,330
Net value of tangible assets under lease	*777*	-1,619	*2,396*	*2,131*
Difference between the net carrying amount and tax value of tangible assets	*829*	203	*626*	*199*
Loans granted and contributions to capital	*3,530*	-335	*3,865*	*994*
Interest on loans granted, accrued and outstanding	*3,530*	-335	*3,865*	*994*
Other	*540*	540	*0*	*0*
Other accruals	*540*	540	*0*	*0*
Total deferred tax liability	**5,676**	**-1,211**	**6,887**	**3,324**
Deferred tax liability less asset	1,245		1,161	
Change in deferred tax reflected in net profit		**84**		**1,065**

Dates of realisation of deferred tax assets (liabilities):

Figures in PLN thousand	As at 31.12.2020	As at 31.12.2019
Period of utilisation > 12 months since the end of the reporting period	303	1,922
Period of utilisation < 12 months since the end of the reporting period	(1,548)	(3,083)
Total deferred tax liability	**(1,245)**	**(1,161)**

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 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 assets

Figures in PLN thousand	as at 31.12.2020	As at 31.12.2019
Financial assets measured at amortised cost		
Loans granted	207,687	158,629
Trade receivables	174,785	139,067
Other short-term financial assets – security deposits	310	310
Cash and cash equivalents	5,170	5,064
Total	**387,952**	**303,070**

Financial liabilities

Figures in PLN thousand	as at 31.12.2020	As at 31.12.2019
Financial liabilities measured at amortised cost		
Bank and other loans	*62,650*	*69,865*
Lease liabilities	*3,415*	*12,077*
Total interest-bearing debt	**66,065**	**81,942**
Trade liabilities	86,409	84,404
Investment liabilities	907	576
Financial liabilities measured at fair value through profit or loss		
Other short term financial liabilities – forward contracts	1,506	96
Total	**154,887**	**167,018**

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 2020 and 31 December 2019 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.

Figures in PLN thousand	As at 31.12.2020	As at 31.12.2019
Gross trade receivables	193,919	156,979
from related parties	168,282	134,213
from other entities	25,637	22,766
Impairment allowance on trade receivables	-20,119	-17,912
from related parties	-19,146	-16,669
from other entities	-973	-1,243
Net trade receivables	**173,800**	**139,067**

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 amortised 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 31.12.2020	As at 31.12.2019
Cash in bank	5,084	2,486
Cash on hand	36	28
Short-term deposits	50	2,550
Total cash	**5,170**	**5,064**

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 2020 and 2019.

Figures in PLN thousand	Gross value	Impairment (-)/ reversal of impairment	Net value
as at 1 January 2020	**264,341**	**-105,712**	**158,629**
Loan granted	59,033	1,159	60,192
Repayment of principal	-8,097	0	-8,097
Interest accrued	7,178	-262	6,916
Interest paid	-7,926	0	-7,926
Withholding tax	-389	0	-389
FX differences arising on balance sheet valuation	5,115	-6,753	-1,638
as at 31.12.2020	**319,255**	**-111,568**	**207,687**

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	**264,341**	**-105,712**	**158,629**

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 8,097 thousand:
- Selena Labs: EUR 3,300 thousand;
- Selena Iberia S.L.U: EUR 800 thousand;
- Selena Yapi Malzemeleri San.Tic.Ltd.Şti: EUR 267 thousand.

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 6 March 2020, a loan tranche of EUR 800 thousand was paid out to Selena Iberia S.L.U. The tranche was fully repaid by the balance sheet date.

On 28 July 2020, an annex was signed to the loan agreement with Selena Nantong, extending the repayment date of the loan of USD 1.6 million to 07 August 2025, and changing the interest rate on the loan.

On 23 September 2020, a loan agreement of PLN 2.5 million was signed with Oligo Sp. z o.o. The loan carries a variable interest rate. It matures on 31 December 2022.

On 7 October 2020, a loan agreement of PLN 3 million was signed with Tytan EOS sp. z o.o. The loan carries a variable interest rate. It matures on 31 December 2025.

On 26 October 2020, a loan agreement of USD 240 thousand was signed with Selena Mexico. The loan carries a variable interest rate. It matures on 31 December 2025.

On 16 November 2020, a loan agreement of PLN 5 million was signed with Fandla Faktoring sp z o.o. The loan carries a fixed interest rate. It matures on 20 December 2022. The loan is secured with the factor's debt portfolio.

On 16 December 2020, an annex was signed to the loan agreement with TOO Selena CA, extending the repayment date of the loan of EUR 2.5 million to 31 December 2025, and changing the interest rate on the loan.

On 17 December 2020, a loan agreement of PLN 40 million was signed with Elis Consulting sp z o.o. The loan carries a fixed interest rate. It matures on 31 January 2022. The loan was secured with a promissory note.

On 17 December 2020, a loan agreement of PLN 3.5 million was signed with Tytan EOS sp. z o.o. The loan carries a variable interest rate. It matures on 31 December 2025.

By the balance sheet date, loan tranches in a total amount of PLN 59 million were transferred:

- PLN 8.6 million and EUR 330 thousand to Oligo;
- PLN 2.5 million to Tytan EOS sp z o.o.;
- USD 240 thousand to Selena Mexico;
- PLN 2 million to Fandla Factoring sp. z o.o.;
- PLN 40 million to Elis Consulting sp z o.o.

Loans granted after the balance sheet date

On 9 March 2021, 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 2024, and changing the interest rate on the loan.

On 10 March 2021, a loan agreement of USD 1 million was signed with Selena Iberia S.L.U. The loan carries a variable interest rate. It matures on 31 December 2021.

After the balance sheet date, loan tranches totalling PLN 5.4 million were transfered:

- EUR 70 thousand to Oligo;
- PLN 4.1 million to Tytan EOS sp. z o.o.;
- PLN 1 million to Fandla Factoring sp. z o.o.;

After the balance sheet date, Selena FM S.A. received a loan repayment of EUR 53 thousand from TOO Selena CA.

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 balance of bank loans incurred is presented in the table below, while the risk of changes in interest rates in connection with bank and non-bank loans is described in note 6.2.3.

Figures in PLN thousand			As at 31.12.2020		As at 31.12.2019	
Ref.	Loan type	Maturity date	*Long-term portion*	*Short-term portion*	*Long-term portion*	*Short-term portion*
1	Working capital loan	2021	0	2,276	45,770	0
2	Loan	2021	0	25,000	0	12
3	Loan	2022	8,700	38	8,700	549
4	Loan	2023	25,654	982	14,381	453
Total loans			**34,354**	**28,296**	**68,851**	**1,014**

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 2020, Selena FM S.A. maintained financial ratios at the levels required by the lenders.

On 1 May 2020, an annex was signed to the loan agreement of 29 May 2018 with Selena Marketing International Sp z o.o, changing the debt limit to PLN 40 million and changing the value of the loan interest rate. The repayment date did not change. By the balance sheet date, the loan tranches of PLN 11 million were transferred to Selena Marketing International Sp. z o.o.

On 16 December 2020, a loan agreement of PLN 25 million and with a variable interest rate was signed with Selena S.A. It matures on 16 December 2021. By the balance sheet date, the total amount of the loan had been transferred.

Selena FM S.A. together with selected companies from Selena Group is jointly and severally liable for working capital loans provided by banks (security details are described in Note 6.1.3 to the consolidated financial statements).

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 2020.

Figures in PLN thousand	Bank loans	Loans received	Leases	Total
Debt balance as at 1 January 2020	**45,770**	**24,095**	**12,077**	**81,942**
Changes resulting from cash flows, including:	-44,084	35,287	-9,329	-18,126
financing received	*0*	*36,000*	*0*	*36,000*
repayment of principal	*-43,369*	*0*	*-9,236*	*-52,605*
interest and fees paid	*-715*	*-713*	*-93*	*-1,521*
Non-cash changes, including:	590	992	667	2,249
lease agreements signed	*0*	*0*	*455*	*455*
interest and fees accrued	*715*	*783*	*93*	*1,591*
FX differences	*-125*	*209*	*119*	*203*
Debt balance as at 31 December 2020	**2,276**	**60,374**	**3,415**	**66,065**

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**

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.

Figures in PLN thousand	As at 31.12.2020 Nominal value	As at 31.12.2020 Current value	As at 31.12.2019 Nominal value	As at 31.12.2019 Current value
Payments up to 1 year	2,085	2,038	2,411	2,204
*up to 3 months**	*554*	*545*	*636*	*620*
*3 to 12 months**	*1,531*	*1,493*	*1,775*	*1,584*
Payments from 1 to 5 years	1,414	1,377	10,603	9,873
Total lease payments	**3,499**	**3 415****	**13,014**	**12,077**
Less financial costs	-84	0	-937	0
Current value of total minimum lease payments	**3,415**	**3,415**	**12,077**	**12,077**

** additional disclosure in accordance with IFRS 16*
*** the significant decrease in the present value of the liability was due to the office space lease being reduced by 2.5 years*

The table below presents the lease costs incurred in 2020.

Figures in PLN thousand	from 01.01.2020 to 31.12.2020	from 01.01.2019 to 31.12.2019
Depreciation of the right-of-use assets	1,928	2,674
Interest expense	93	140

SELENA GLOBAL EXPERIENCE

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

For the period from 01.01.2020 to 31.12.2020	FINANCIAL ASSETS		FINANCIAL LIABILITIES	
Figures in PLN thousand	AFwgZK	AFwWGpWF	ZFwgZK	TOTAL
Interest income/ expense (-)	7,195	0	-1,591	**5,604**
FX gains/ losses (-)	7,987	0	-6,570	**1,417**
Impairment (-)/ reversal of impairment	-2,899	0	0	**-2,899**
Gains/ losses (-) on fair valuation	0	-890	0	**-890**
TOTAL (net profit/ net loss (-))	**12,283**	**-890**	**-8,161**	**3,232**

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 01.01.2019 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

5.2 Non-financial assets and liabilities

5.2.1 Changes in the value of property, plant and equipment

Accounting policies

Property, plant and equipment are carried at cost reduced by depreciation and impairment allowances. The initial value of tangible 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 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 tangible 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.
Depreciation for tangible 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.
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 assets may be removed from the balance sheet after its sale, or if no economic 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.
Tangible assets under construction include all the tangible assets that are during construction or assembly and are recognised at cost reduced by impairment allowances, if any. Tangible 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 assets are presented below:

Figures in PLN thousand	Buildings and premises	Plant and machinery	Vehicles	Other tangible assets	Tangible assets under construction	Total
Gross value as at 1 January 2020	**124**	**3,324**	**1,888**	**188**	**251**	**5,775**
increases, including:	0	756	0	14	-56	714
Direct purchase	*0*	*750*	*0*	*14*	*122*	*886*
Settlement from tangible assets under construction	*0*	*6*	*0*	*0*	*-178*	*-172*
Decreases, including:	0	65	251	0	49	365
Liquidation, sale	*0*	*65*	*251*	*0*	*49*	*365*
Gross value as at 31.12.2020	**124**	**4,015**	**1,637**	**202**	**146**	**6,124**
Depreciation as at 01.01.2020	**108**	**2,281**	**1,676**	**162**	**0**	**4,227**
increases, including:	7	421	113	13	0	554
Depreciation for the period	*7*	*421*	*113*	*13*	*0*	*554*
Decreases, including:	0	65	227	0	0	292
Liquidation, sale	*0*	*65*	*227*	*0*	*0*	*292*
Depreciation as at 31.12.2020	**115**	**2,637**	**1,562**	**175**	**0**	**4,489**
Net value as at 01.01.2020	**16**	**1,043**	**212**	**26**	**251**	**1,548**
Net value as at 31.12.2020	**9**	**1,378**	**75**	**27**	**146**	**1,635**

Figures in PLN thousand	Buildings and premises	Plant and machinery	Vehicles	Other tangible assets	Tangible 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 tangible 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**
As at 1.01.2019	**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*
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**

In 2020 and 2019, 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

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

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.

	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 2020	**12,394**	**865**	**2,552**	**15,811**
increases, including:	0	0	627	**627**
Signing new leases	*0*	*0*	*455*	***455***
Settlement from tangible assets under construction	*0*	*0*	*172*	***172***
Decreases, including:	9,557	0	0	**9,557**
Liquidation, sale	*2,613*	*0*	*0*	***2,613***
Modification of leases	6,944	0	0	**6,944**
Gross value as at 31.12.2020	**2,837**	**865**	**3,179**	**6,881**
Depreciation as at 01.01.2020	**1,952**	**865**	**727**	**3,544**
increases, including:	1,342	0	586	**1,928**
Depreciation for the period	*1,342*	*0*	*586*	***1,928***
Decreases, including:	2,613	0	0	2,613
Liquidation, sale	*2,613*	*0*	*0*	*2,613*
Depreciation as at 31.12.2020	**681**	**865**	**1,313**	**2,859**
Net value as at 01.01.2020	**10,442**	**0**	**1,825**	**12,267**
Net value as at 31.12.2020	**2,156**	**0**	**1,866**	**4,022**

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 tangible 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 31.12.2019	**12,394**	**865**	**2,552**	**15,811**
As at 1.01.2019	**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 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 assets not brought into use are recognised 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 2020	**23,559**	**152**	**3,862**	**27,573**
increases, including:	257	0	2,875	3,132
Direct purchase	*257*	*0*	*2,875*	*3,132*
Gross value as at 31.12.2020	**23,816**	**152**	**6,737**	**30,705**
Depreciation as at 01.01.2020	**11,565**	**137**	**1**	**11,703**
increases, including:	2,587	1	0	2,588
Depreciation for the period	*2,587*	*1*	*0*	*2,588*
Depreciation as at 31.12.2020	**14,152**	**138**	**1**	**14,291**
Net value as at 01.01.2020	**11,994**	**15**	**3,861**	**15,870**
Net value as at 31.12.2020	**9,664**	**14**	**6,736**	**16,414**

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 31.12.2019	**23,559**	**152**	**3,862**	**27,573**
As at 1.01.2019	**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 2020 is represented by the ERP system – Microsoft Dynamics AX 2012 in the area relating to the system dedicated for Poland: PLN 8,240 thousand (PLN 11,653 thousand as at 31 December 2019). 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	Reg. Office	Activity	Share in capital As at 31.12.2020	Share in capital As at 31.12.2019	
Selena S.A.	Wrocław	Distributor	100.00%	100.00%	
Selena Labs Sp. z o.o.	Siechnice	Research and Development	99.65%	99.65%	1
Carina Sealants Sp. z o.o.	Siechnice	Legal administration	100.00%	100.00%	
Selena Industrial Technologies Sp. z o.o.	Warsaw	Operational administration	100.00%	100.00%	
Selena Deutschland GmbH	Hagen	Distributor	100.00%	100.00%	
Selena Italia srl	Limena	Distributor	100.00%	100.00%	
Selena Iberia slu	Madrid	Manufacturer of sealants, adhesives, distributor	100.00%	100.00%	
Uniflex S.p.A.	Mezzocorona	Manufacturer of sealants, distributor	64.00%	64.00%	4
Selena USA Inc.	Holland	Distributor	100.00%	100.00%	
Selena Sulamericana Ltda	Curitiba	Manufacturer of foams, distributor	95.00%	95.00%	3
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%	2
Selena Ukraine Ltd.	Kiev	Distributor	99.00%	99.00%	3
TOO Selena CA-Селена ЦА	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%	3
Selena Malzemeleri Yapi Sanayi Tic. Ltd.	Istambul	Man. of foams and sealants, distributor	100.00%	100.00%	

1. Other shares owned by Krzysztof Domarecki
2. Other shares owned by subsidiary Selena Romania SRL
3. Other shares owned by subsidiary Selena S.A.
4. Other shares owned by natural persons

Value of shares

Figures in PLN thousand	As at 31.12.2020 Gross	Write-down	Net	As at 31.12.2019 Gross	Write-down	Net	
Selena S.A.	62,781	0	**62,781**	62,781	0	**62,781**	
Selena Labs Sp. z o.o.	1,400	0	**1,400**	1,400	0	**1,400**	
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**	11,082	0	**11,082**	
Selena USA Inc.	3,707	2,407	**1,300**	3,707	2,407	**1,300**	
Selena Sulamericana Ltda	3,594	3,594	**0**	3,594	3,594	**0**	
Selena Mexico	255	0	**255**	0	0	**0**	
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**	
EURO MGA Product SRL	1	0	**1**	1	0	**1**	
Selena Ukraine Ltd.	3,068	0	**3,068**	3,068	0	**3,068**	*
TOO Selena CA-Селена ЦА	9,029	0	**9,029**	9,029	0	**9,029**	
Selena Insulations	1,206	1,206	**0**	1,206	1,206	**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**	23,764	23,764	**0**	
Value of shares	**271,306**	**102,301**	**169,005**	**271,051**	**102,301**	**168,750**	

* value of shares below PLN 400

Establishment of the subsidiary Selena Mexico S.de R.L. de C.V.

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 thousand (variable). The figures stated in Mexican peso are the equivalent of PLN 2,000 and PLN 312 thousand, respectively, calculated at the average exchange rate of the National Bank of Poland of 14 February 2020 (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 on 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.

In 2020, the Company did not identify any indicators that would point to the need to conduct tests for impairment of long-term investments in subsidiaries

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 31.12.2020	As at 31.12.2019
Goods for resale	7,622	5,187
Total inventory, gross	**7,622**	**5,187**
Impairment allowance on inventories	84	117
Total net inventory	**7,538**	**5,070**

5.2.7 Other short-term non-financial assets

Figures in PLN thousand	As at 31.12.2020	As at 31.12.2019
VAT claimed	15,002	22,675
Withholding tax claimed	1,923	1,887
Prepayments	1,586	1,171
Settlements with employees	16	46
Prepayments for deliveries	24	2
Total	**18,551**	**25,781**

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 2020, the Company recognised a provision for retirement benefits in the amount of PLN 390 thousand (as at 31 December 2019: PLN 236 thousand).

5.2.9 Other short term non-financial liabilities

Figures in PLN thousand	As at 31.12.2020	As at 31.12.2019
Advances received for future deliveries	130	146
Taxes and insurance payable	801	697
Payroll liabilities	8,097	4,415
Other	20	4
Total	**9,048**	**5,262**

5.3. Equity

5.3.1 Registered capital

Nominal value per share

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

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

All the shares are fully paid-up.

Shareholder rights

Series A are preference shares, carrying two voting rights each. Series B, C and D shares carry one voting right 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 registered capital	Number of votes	Share in votes at the AGM
Syrius Investments S.a.r.l.*	Registered preference shares	4,000,000	17.52%	8,000,000	29.81%
	Bearer shares	13,813,000	60.49%	13,813,000	51.48%
Quercus Towarzystwo Funduszy Inwestycyjnych S.A. **	Bearer shares	1,857,004	8.13%	1,857,004	6.92%

** entity controlled by Krzysztof Domarecki*

*** as at 22 October 2020, based on data from KDPW*

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
Dividend paid	2013	-8,677
Transfer of profit to the supplementary capital	2014	25,611
Cover of loss for 2014	2015	-21,448
Dividend paid	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
Transfer of profit to the supplementary capital	2020	42,887
Supplementary capital		**332,346**

Distribution of profit for 2019 is 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**

5.3.4Retained 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 non-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 realise 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 2020, no significant changes were made to the assumption areas and methods, except for the presentation of dividends from subsidiaries, as 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 parent company 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 surplus 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	As at 31.12.2020							
Figures in PLN thousand	EUR	RUB	USD	CNY	RON	PLN	Other currencies	Total
Loans granted	84,313	28,492	19,103	6,246	6,636	57,323	5,574	**207,687**
Trade receivables	138,899	961	16,160	0	6,271	7,391	5,103	**174,785**
Cash	1,385	0	345	0	0	3,440	0	**5,170**
	224,597	**29,453**	**35,608**	**6,246**	**12,907**	**68,154**	**10,677**	
Trade liabilities	68,024	0	820	18	0	17,545	2	**86,409**
Loans received	2,715	0	2,276	0	0	57,659	0	**62,650**
	70,739	**0**	**3,096**	**18**	**0**	**75,204**	**2**	
Net exposure	**153,858**	**29,453**	**32,512**	**6,228**	**12,907**	**-7,050**	**10,675**	
Impact on the result at min. PLN/EUR, RUB, USD rate*	-13,709	1,039	-1,754	-563	-809			
Impact on the result at max. PLN/EUR, RUB, USD rate*	-4,718	7,094	2,400	72	-48			

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

	EUR	RUB	USD	CNY	RON
Rate at the balance sheet date	4.6148	0.0501	3.7584	0.5744	0.9479
Min rate	4.2036	0.0519	3.5557	0.5225	0.8885
Max rate	4.4733	0.0622	4.0359	0.5810	0.9444

Exposure currency Figures in PLN thousand	EUR	RUB	USD	As at 31.12.2019 CNY	RON	PLN	Other currencies	Total
Loans granted	75,773	40,603	18,219	5,498	5,996	6,092	6448	**158,629**
Trade receivables	106,379	1,298	14,760	0	8,921	1,905	5804	**139,067**
Cash	475	12	16	35	0	2,804	1722	**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 result at min. PLN/EUR, RUB, USD, CNY, RON rate*	-982	-6,242	-1,160	-233	-27			
Impact on the result at max. PLN/EUR, RUB, USD, CNY, RON 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

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.

2020 saw a favorable trend in relation to the EUR/PLN currency pair, which resulted in positive exchange rate differences (the EUR/PLN exchange rate increased by 8% year-on-year), coupled with high volatility of other emerging market currency pairs, notably an increase in the EUR/BRL and EUR/RUB exchange rates, of 41% and by 32%, respectively, in the period from 1 January to 31 December 2020. Selena Group hedges a part of its currency exposure relating to trade receivables and liabilities by using multi-currency credit lines and applying the Financial Risk Management, in particular by entering into forward transactions. In 2020, the Company hedged its expected cash flows with FX forwards and other financial instruments. 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.

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 31.12.2020				As at 31.12.2019			
Figures in PLN thousand	< 1 year	1-3 years	>3 years	Total	< 1 year	1-3 years	> 3 years	Total
Lease liabilities	1,153	813	0	**1,966**	817	6,030	2,934	**9,781**
Loans granted	5,119	42,000	7,811	**54,930**	12,052	0	0	**12,052**

Instruments with a variable interest rate	As at 31.12.2020				As at 31.12.2019			
Figures in PLN thousand	< 1 year	1-3 years	>3 years	Total	< 1 year	1-3 years	> 3 years	Total
Loans granted	22,003	7,764	122,990	**152,757**	45,457	52,163	48,957	**146,577**
Bank deposits	50	0	0	**50**	2,550	0	0	**2,550**
Lease liabilities	884	565	0	**1,449**	1,387	909	0	**2,296**
Bank and other loans received	28,296	34,354	0	**62,650**	1,014	60,151	8,700	**69,865**

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 2020 (and 31 December 2019). The analysis is based on the assumption that other variables, notably FX rates, will remain unchanged.

Figures in PLN thousand	As at 31.12.2020			As at 31.12.2019		
	PLN	EUR	OTH	PLN	EUR	OTH
Loans granted	16,626	83,211	52,920	8,501	74,147	63,929
Bank deposits	50	0	0	2,550	0	0
Loans received	-57,658	-2,715	-2,277	-30,755	-27,709	-11,401
Lease liabilities	-1,449	0	0	-2,296	-9,781	0
Net exposure	**-42,431**	**80,496**	**50,643**	**-22,000**	**36,657**	**52,528**
Impact * of an increase ** in interest rate*** by 1 pp	-424	805	506	-220	367	525

* 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 both 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 on 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) 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	as at 31.12.2020			as at 31.12.2019		
Figures in PLN thousand	**Stage 2**	**Stage 3**	**Total**	**Stage 2**	**Stage 3**	**Total**
Gross value of loans granted to related parties	116,390	202,865	**319,255**	64,375	199,966	**264,341**
Impairment in respect of expected credit loss	-8,556	-103,012	**-111,568**	-3,887	-101,825	**-105,712**
Carrying amount of loans granted to related parties	**107,834**	**99,853**	**207,687**	**60,488**	**98,141**	**158,629**

Reconciliation of impairment allowances on loans granted to related parties as at 31 December 2020 and 31 December 2019 to the opening balances:

Figures in PLN thousand	from 01.01.2020 to 31.12.2020	from 01.01.2019 to 31.12.2019
Impairment allowance on loans granted at the beginning of the period	**105,712**	**99,569**
Impairment allowance created/ reversed (-) according to IFRS 9:	-897	6,818
related parties, including:	*-897*	*6,818*
EURO MGA Product SRL	*236*	*6,362*
Selena Vostok	*-107*	*322*
Selena Malzemeleri Yapi Sanayi Tic. Ltd.	*-1,156*	*0*
Selena Sulamericana IND. E	*133*	*0*
other connected companies	*-3*	*134*
FX differences arising on translation	6,753	-675
Impairment allowances at the end of the period	**111,568**	**105,712**

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

	As at 31.12.2020			As at 31.12.2019		
Figures in PLN thousand	Stage 2	Stage 3	Total	Stage 2	Stage 3	Total
Gross value of trade receivables	**101,816**	**93,088**	**194,904**	**48,956**	**108,023**	**156,979**
from related parties	77,147	92,120	**169,267**	27,263	106,950	**134,213**
from other entities	24,669	968	**25,637**	21,693	1,073	**22,766**
Impairment in respect of expected credit loss	**-4,592**	**-15,527**	**-20,119**	**-192**	**-17,720**	**-17,912**
from related parties	-4,587	-14,559	**-19,146**	-22	-16,647	**-16,669**
from other entities	-5	-968	**-973**	-170	-1,073	**-1,243**
Carrying amount of trade receivables	**97,224**	**77,561**	**174,785**	**48,764**	**90,303**	**139,067**

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 31.12.2020 (Figures in PLN thousand)	Trade receivables from non-related parties	Default rate	Expected credit losses
Up-to-date	22,142	0.53%	0
< 30	1,935	3.76%	0
31 – 60	398	11.19%	0
61 – 90	0	25.48%	0
91 – 120	152	37.67%	0
121 – 180	15	50.46%	0
181-360	27	64.43%	5
>361	968	100.00%	968
Total	**25,637**		**973**

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**

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

Figures in PLN thousand	from 01.01.2020 to 31.12.2020	from 01.01.2019 to 31.12.2019
Impairment allowance at the beginning of the period	**17,912**	**27,501**
Related parties	16,669	26,245
Other entities	1,243	1,256
Impairment allowance created/reversed (-) according to IFRS 9:	**2,002**	**-9,626**
Related parties, including:	2,184	-9,624
EURO MGA Product SRL	-15	-5,895
Selena Sulamericana Ltda	1,901	2,042
Selena Romania SRL	0	-6,084
Shanghai House Selena Trading Ltd.	311	313
other connected companies	-13	0
Other entities	-182	-2
Used due to cancellation of receivables	**-158**	**-72**
Related parties	0	-71
Other entities	-158	-1
FX differences	**363**	**109**
Related parties	293	119
Other entities	70	-10
Expected credit loss at the end of the period	**20,119**	**17,912**
Related parties	19,146	16,669
Other entities	973	1,243

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 2020, 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 keeps cash and cash equivalents at the accounts of 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 31.12.2020	as at 31.12.2019
Medium-high	from A+ to A- by S & P and Fitch and from A1 to A3 by Moody's	92%	79%
Medium	from BBB+ to BBB- by S&P and Fitch and from Baa1 to Baa3 by Moody's	8%	21%

As at 31 December 2020, the Company had unutilised credit lines of PLN 218 million (PLN 146 million as at 31 December 2019) 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 243.5 million) are by more than 75% higher than the value of its short-term liabilities (PLN 138.7 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.

31.12.2020 Figures in PLN thousand	On demand	Below 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
Interest bearing borrowings	0	0	28,296	34,354	0	62,650
Financial liabilities	0	545	1,493	1,377	0	3,415
Trade liabilities	70,014	15,607	788	0	0	86,409
Other liabilities	0	11,460	11,517	0	0	22,977
Total liabilities	**70,014**	**27,612**	**42,094**	**35,731**	**0**	**175,451**

31.12.2019 Figures in PLN thousand	On demand	Below 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
Interest bearing borrowings	0	0	1,033	75,791	0	76,824
Financial liabilities	0	716	1,488	9,873	0	12,077
Trade liabilities	68,871	15,527	6	0	0	84,404
Other liabilities	0	11,962	0	0	0	11,962
Total liabilities	**68,871**	**28,205**	**2,508**	**78,724**	**0**	**178,308**

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

Maturity (in years), as at 31.12.2020		below 1 year	1-3 years	Above 3 years	Total
Related parties	Loans	27,122	49,763	130,802	**207,687**
TOTAL		**27,122**	**49,763**	**130,802**	**207,687**

Maturity (in years), as at 31.12.2019		below 1 year	1-3 years	Above 3 years	Total
Related parties	Loans	57,509	52,163	48,957	**158,629**
TOTAL		**57,509**	**52,163**	**48,957**	**158,629**

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 2020 and in the year ended 31 December 2019 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 maintains the ratio at a level below 20%. As at 31 December 2020, the net debt ratio for Selena FM S.A. was 12% due to a decrease in debt.

Figures in PLN thousand	As at 31.12.2020	As at 31.12.2019
Interest bearing borrowings	62,650	69,865
Lease liabilities	3,415	12,077
Less cash and cash equivalents	-5,170	-5,064
Net debt	**60,895**	**76,878**
Equity	428,030	352,651
Equity and net debt	**488,925**	**429,529**
Gearing (net debt/equity + net debt)	**12%**	**18%**

6.3.1 Profit distribution for 2019

On 10 June 2020, the Annual General Meeting of Selena FM S.A. adopted a resolution to distribute the Company's net profit for 2019 in the amount of PLN 52,633,039.31 as follows: PLN 9,775,999.90 to cover losses carried forward from previous years; the remainder of PLN 42,887,039.41 to be transferred entirely to the Company's supplementary capital.

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

			31.12.2020			31.12.2019		
	Secured obligation	Beneficiary	Amount in currency (m)	Ccy	Expires	Amount in currency (m)	Ccy	Expires
1	Joint credit limit	Bank	4.47	PLN	12/2021	7.45	PLN	12/2021
1	Joint credit limit	Bank	2.85	PLN	07/2021	0.94	PLN	07/2021
1	Joint credit limit	Bank	0.00	PLN	06/2021	7.81	PLN	06/2021
2	Loan	Bank	79.81	RUB	06/2021	150.90	RUB	01/2022
2	Loan	Bank	160.61	RUB	05/2021	173.42	RUB	07/2020
2	Loan	Bank	4.97	CNY	12/2021	4.97	CNY	08/2020
3	Financing	Bank	5.05	EUR	2021	5.22	EUR	2020
3	Financing	Bank	0.40	EUR	2022	0.85	EUR	2022
3	Financing	Bank	0.97	EUR	2023	0.37	EUR	2023
3	Financing	Bank	2.70	EUR	2025	1.00	EUR	2025
4	Supplies	Supplier	3.80	EUR		1.45	EUR	
4	Supplies	Supplier	0.50	RON		0.50	RON	
4	Supplies	Supplier	4.5	PLN	03/2021	4.5	PLN	03/2020
5	Settlement of purchase of contingent assets	Holding Lowinter	1.16	EUR	-	1.16	EUR	-
6	Bank guarantee	Customs Office	0.2	PLN	07/2021	0.2	PLN	07/2020

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 2020. 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 2020.

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 2020, Selena Iberia posted a tax income that allowed 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 2020, 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 entities. 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 2020 and 2019. 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 recharged costs	Purchase of goods and services	Other revenues[1]	Other costs
Subsidiaries	2020	615,861	606,116	40,643	5,639
	2019	558,813	522,031	35,855	1,598
Associates	2020	5,472	243	0	311
	2019	4,471	82	0	0
Subsidiaries of the ultimate controlling shareholder*	2020	167	0	81	0
	2019	875	0	0	0
TOTAL	**2020**	**621,500**	**606,359**	**40,728**	**5,950**
	2019	**564,159**	**522,113**	**35,855**	**1,598**

[1] *the value includes other operating income and financial income*

* *the item includes entities connected through Mr Krzysztof Domarecki*

Figures in PLN thousand	Period	Loans	Trade receivables	Liabilities
Subsidiaries	2020	165,606	148,105	70,913
	2019	158,629	116,068	72,882
Associates	2020	0	2,014	212
	2019	0	1,334	36
Subsidiaries of the ultimate controlling shareholder*	2020	42,081	3	0
	2019	0	142	0
TOTAL	**2020**	**207,687**	**150,122**	**71,125**
	2019	**158,629**	**117,544**	**72,918**

* *the item includes entities connected through Mr Krzysztof Domarecki*

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 01.01.2020 to 31.12.2020	from 01.01.2019 to 31.12.2019
Balance sheet change in receivables	**-28,488**	**16,453**
Change in receivables in respect of conversion into loans	390	-37,539
Other	0	-449
Change in the balance of receivables in the statement of cash flows	**-28,098**	**-21,535**

Figures in PLN thousand	from 01.01.2020 to 31.12.2020	from 01.01.2019 to 31.12.2019
Balance sheet change in liabilities	**-4,027**	**-5,118**
Change in the balance of loans	7,215	22,101
Change in the balance of lease obligations	8,662	-10,701
Change in the balance of investment obligations	-447	-80
Change in the balance of income tax obligations	-5,605	-4,109
Change in the balance of provisions	-238	-1,149
Change in the balance of liabilities in the statement of cash flows	**5,560**	**944**

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 01.01.2020 to 31.12.2020	from 01.01.2019 to 31.12.2019
Short-term employment benefits, including bonuses (remuneration and deductions)	4,511	2,738
Total	**4,511**	**2,738**

SUPERVISORY BOARD Figures in PLN thousand	from 01.01.2020 to 31.12.2020	from 01.01.2019 to 31.12.2019
Short-term employment benefits, including bonuses (remuneration and deductions)	757	521
Total	**757**	**521**

Management Board members receive fixed and variable (bonus-based) remuneration. A decision on bonus payment for 2020 will be taken by the Supervisory Board.

The Group's consolidated accounts for 2020 (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 2020 and 2019 financial statements.

Figures in PLN thousand	from 01.01.2020 to 31.12.2020	from 01.01.2019 to 31.12.2019
Audit of the annual financial statements	240	265
Review of the interim financial statements	95	95
Total	**335**	**360**

7.6 Employment structure

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

Average employment by full-time equivalents	from 01.01.2020 to 31.12.2020	from 01.01.2019 to 31.12.2019
Sales	45	45
Administration	51	42
Marketing	32	31
Other	21	19
TOTAL	**149**	**137**

7.7 Events occurring 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 which might materially affect the presented financial data.

Person responsible for maintaining books of account
Monika Szczot

Chief Executive Officer
Jacek Michalak

Chief Commercial Officer

Sławomir Majchrowski

Chief Marketing Officer

Christian Dölle

Chief Operating Officer

Marek Tomanek