Financial statements
for the year ended 31 December 2021

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

TABLE OF CONTENTS

Financial statements

INCOME STATEMENT

Figures in PLN thousand	Note	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Continued operations			
Revenue from the sale of goods and raw materials		953,921	736,937
Revenue from the sale of services		39,721	29,025
Revenue from contracts with customers		**993,642**	**765,962**
Cost of sales	3.1	892,393	631,054
Gross profit		**101,249**	**134,908**
Selling and marketing costs	3.1	54,960	45,713
General and administrative expenses	3.1	47,008	38,612
Other operating income	3.2	255	989
Other operating costs	3.2	1,057	1,018
Impairment loss/ reversal of impairment loss (-) of receivables	6.2.3	4,545	2,002
Dividends from subsidiaries		44,120	31,138
Operating profit		**38,054**	**79,690**
Financial income	3.3	12,911	8,614
Financial costs	3.3	5,124	3,280
Impairment loss/ reversal of impairment loss (-) of loans granted	6.2.3	132	-897
Profit before tax		**45,709**	**85,921**
Income tax	4	2,164	10,542
Net profit on continued operations		**43,545**	**75,379**
Discontinued operations			
Profit (loss) on discontinued operations		–	–
Net profit		**43,545**	**75,379**
Net profit per share (PLN/share):			
– basic		1.91	3.30
– diluted		1.91	3.30

STATEMENT OF COMPREHENSIVE INCOME

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Net profit	43,545	75,379
Total comprehensive income	**43,545**	**75,379**

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

Figures in PLN thousand	Note	As at 31.12.2021	As at 31.12.2020 restated figures*	As at 01.01.2020 restated figures*
ASSETS				
Property, plant and equipment	5.2.1	4,588	5,657	13,815
Intangible assets	5.2.3	187,759	16,414	15,870
Shares in subsidiaries	5.2.4	144,088	142,968	142,713
Long-term portion of loans granted	5.1.3	170,727	206,602	127,157
Non-current assets		**507,162**	**371,641**	**299,555**
Inventories	5.2.6	3,989	7,538	5,070
Other short-term non-financial assets	5.2.7	23,664	18,551	25,781
Trade receivables	5.1.1	212,927	174,785	139,067
CIT claimed		2,978	0	0
Short-term portion of loans granted	5.1.3	92,180	27,122	57,509
Other short-term financial assets	5.1	333	310	310
Cash and cash equivalents	5.1.2	785	5,170	5,064
Current assets		**336,856**	**233,476**	**232,801**
TOTAL ASSETS		**844,018**	**605,117**	**532,356**
EQUITY AND LIABILITIES				
Registered capital	5.3.1	1,142	1,142	1,142
Own shares	5.3.5	-28,676	0	0
Supplementary capital	5.3.2	342,358	332,346	289,459
Other reserves	5.3.3	84,530	19,163	19,163
Retained profit/ loss carried forward		43,545	75,379	42,887
Equity		**442,899**	**428,030**	**352,651**
Long-term portion of bank and other loans	5.1.4	59,372	34,354	68,851
Long-term lease liabilities	5.1.6	571	1,377	9,873
Long-term obligations in respect of lease of enterprise	5.1.6	152,325	0	0
Other long-term liabilities	5.2.9	1,986	0	0
Deferred tax liability	4	1,543	1,245	1,161
Provision for retirement benefits		745	390	236
Long-term liabilities		**216,542**	**37,366**	**80,121**
Trade and other liabilities	6.2.4	87,271	87,316	84,980
Obligations to return remuneration		3,235	1,291	1,407
Short-term portion of bank and other loans	5.1.4	68,678	28,296	1,014
Short-term lease liabilities	5.1.6	1,376	2,038	2,204
Short-term obligations in respect of lease of enterprise	5.1.6	15,935	0	0
CIT tax payable		0	10,226	4,621
Other short-term financial liabilities	5.1	644	1,506	96
Other short-term liabilities	5.2.9	7,438	9,048	5,262
Short-term liabilities		**184,577**	**139,721**	**99,584**
Total liabilities		**401,119**	**177,087**	**179,705**
TOTAL EQUITY AND LIABILITIES		**844,018**	**605,117**	**532,356**

** restated data are presented in Note 1.3.*

STATEMENT OF CASH FLOWS

Figures in PLN thousand		from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Cash flows from operating activities			
Profit (loss) before tax		**45,709**	**85,921**
Depreciation/ amortization	3.1	5,670	5,070
FX (gains) / losses		-2,214	1,800
Interest and dividends		-51,827	-37,440
Profit / loss on investing activities		1,107	6,886
Change in the balance of receivables and other non-financial assets	7.3	-55,201	-28,098
Change in the balance of inventories		3,549	-2,468
Change in the balance of liabilities	7.3	-1,706	5,560
Change in the balance of provisions		355	154
CIT paid		-13,913	-4,853
Other		-1,830	519
Net cash flows from operating activities		**-70,301**	**33,051**
Cash flows from investing activities			
Inflows from the sale of tangible assets		244	124
Acquisition of tangible and intangible assets		-3,279	-3,571
Purchase of shares in subsidiaries		-1,120	-255
Dividends and interest received		30,839	39,064
Loans granted		-20,013	-59,033
Repayments of loans granted		1,265	8,097
Net cash flows from investing activities		**7,936**	**-15,574**
Cash flows from financing activities			
Buyback of own shares		-28,676	0
Repayment of lease liabilities	5.1.5	-2,108	-9,236
Inflows from bank/ other loans received		102,859	36,000
Repayment of loans		-13,149	-44,081
Interest paid		-913	-93
Net cash flows from financing activities		**58,013**	**-17,410**
Increase (decrease) in cash and cash equivalents		**-4,352**	**67**
Change in cash and cash equivalents, including:		-4,385	106
net FX differences		-33	39
*Cash at the beginning of the period**		*5,170*	*5,064*
*Cash at the end of the period**		*785*	*5,170*

*including restricted cash:

as at 31 December 2021: PLN 0.05m

as at 31 December 2020: PLN 0.05m

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

Figures in PLN thousand	Registered capital	Own shares	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 01.01.2021	**1,142**	**0**	**332,346**	**19,163**	**75,379**	**0**	**428,030**
Net profit	0	0	0	0	0	43,545	43,545
Total comprehensive income	**0**	**0**	**0**	**0**	**0**	**43,545**	**43,545**
Net profit distribution	0	0	379	75,000	-75,379	0	0
Own shares	0	-28,676	0	0	0	0	-28,676
Other	0	0	9,633	-9,633	0	0	0
As at 31.12.2021	**1,142**	**-28,676**	**342,358**	**84,530**	**0**	**43,545**	**442,899**

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**

General information

1. General information

1.1. Information on the Company

Company's activity

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

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

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

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

The Company's core business includes:
- distribution of the Group's products to foreign markets 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 2020, the Company's Management Board was composed of:
- Krzysztof Domarecki – Management Board President (CEO);
- Dariusz Ciesielski – Chief Commercial Officer, Vice President;
- Christian Dölle – Chief Marketing & Strategy Officer, Vice President;
- Jacek Michalak – Chief Financial Officer;
- Marek Tomanek – Chief Operating Officer.

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 1 January 2021, the Company's Management Board was composed of:
- Krzysztof Domarecki – Management Board President (CEO);
- Christian Dölle – Chief Marketing & Strategy 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.

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.

On 22 April 2021, the Company's Supervisory Board adopted a resolution appointing Roman Dziuba to the Company's Management Board as Chief Operating Officer (COO). The appointment became effective as of 1 May 2021.

In the period from 1 May 2021 to 26 May 2021, there were no changes in the composition of the Company's Management Board.

On 27 May 2021, the Supervisory Board appointed the Company's Management Board for a new term of office with the following composition:

- Jacek Michalak – CEO;
- Christian Dölle – Chief Marketing & Strategy Officer, Vice President;
- Sławomir Majchrowski – Chief Commercial Officer, Vice President;
- Roman Dziuba – Chief Operating Officer.

On 23 September 2021, the Company's Supervisory Board adopted a resolution appointing, as of 1 October 2021, Andrzej Zygadło to the Company's Management Board, entrusting him with the role of Chief HR Officer (CHRO).

On 25 November 2021, the Company's Supervisory Board adopted a resolution removing, as of 25 November 2021, Christian Dölle from the Company's Management Board, including from his role as Vice President of the Management Board.

As at 31 December 2021, the Company's Management Board was composed of:

- Jacek Michalak – CEO;
- Sławomir Majchrowski – Chief Commercial Officer, Vice President;
- Roman Dziuba – Chief Operating Officer.
- Andrzej Zygadło – Chief HR Officer.

In the period from 1 October 2022 to the date of publication of this report, no changes took place in the composition of the Company's Management Board.

Company's Supervisory Board

As at 31 December 2020, 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.

From 1 January to 26 May 2021 no changes took place in the Supervisory Board.

On 27 May 2021, the Annual General Meeting appointed the Company's Supervisory Board for a new term of office with the following composition:

- Andrzej Krämer – Chairman of the Supervisory Board;
- Borysław Czyżak – independent Supervisory Board Member;
- Czesław Domarecki – Supervisory Board Member;
- Łukasz Dziekan – Supervisory Board Member;
- Mariusz Warych – independent Supervisory Board Member;
- Paweł Wyrzykowski – independent Supervisory Board Member.

In the period from 27 May 2021 to the date of publication of this report, no other changes took place in the composition of the Company's Supervisory Board.

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 2021, approved on 21 April 2022.

They cover the period of 12 months ended 31 December 2021 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 December 2021 as well as comparative data for the period of 12 months ended 31 September 2020.

The statement of financial position covers the data presented as at 31 December 2021, and comparative data as at 31 December 2020. Due to the retrospective change of presentation of items in the balance sheet/ statement of financial position (see Note 1.3), the opening balance of the earliest period presented, i.e. as at 1 January 2020, is also reported.

These financial statements were approved for publication by the Management Board on 29 April 2022.

Functional and reporting currency

The functional and reporting currency used in these financial statements is 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 31.12.2021	As at 31.12.2020
1 USD	4.0600	3.7584
1 EUR	4.5994	4.6148
100 HUF	1.2464	1.2638
1 UAH	0.1487	0.1326
1 CZK	0.1850	0.1753
1 RUB	0.0542	0.0501
1 CNY	0.6390	0.5744
1 RON	0.9293	0.9479

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 analyzed the impact of the situation in Ukraine (as described in Note 7.7) on the Company's ability to continue as a going concern. As at the date of publication of these financial statements, the Company has a stable financial position, and its cash flow forecasts point to its ability to maintain its cash position at a level sufficient to continue as a going concern. Accordingly, the financial statements have been prepared on the assumption of going concern.

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

The Management Board of Selena FM S.A. hereby confirms that to the best of its knowledge the annual financial statements for 2021 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 2021 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 that were used in preparation of these financial statements are consistent with the policies used in preparation of the Company's financial statements for 2020, except for the use of new or amended standards and interpretations applicable to annual periods starting on or after 1 January 2021, and with changes presentation and correction of an error in the statement of financial position, as described below.

In order to increase the usefulness and transparency of the financial statements for its readers, as of 1 January 2021, the Company changed the method of presentation of investment liabilities. The Company decided to present these liabilities under the line item "Trade and other liabilities".

The error correction concerned the determination of impairment of shares in subsidiaries in accordance with IAS 36 Impairment of Assets and the expected credit loss on loans granted to those entities in accordance with IFRS 9 Financial Instruments.

Due to this change, the Group restated the comparative data. Presented below is the impact of the presentation changes and error correction on selected items of the statement of financial position as at 31 December 2020 and 1 January 2020.

Figures in PLN thousand	As at 31.12.2020 published figures	correction	As at 31.12.2020 restated figures	As at 31.12.2019 published figures	correction	As at 01.01.2020 restated figures
Trade and other liabilities*	86,409	907	87,316	84,404	576	84,980
Other short-term financial liabilities	2,413	-907	1,506	672	-576	96
Shares in subsidiaries**	169,005	-26,037	142,968	168,750	-26,037	142,713
Long-term portion of loans granted**	180,565	26,037	206,602	101,120	26,037	127,157

**Due to the nature of the item, the name was changed from "Trade liabilities" to "Trade and other liabilities"*
***Correction of error*

Impact of new and amended standards and interpretations

The amended standards and interpretations, which will apply for the first time in 2021, do not have a material impact on the Company's financial statements.

1. Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform—Phase 2

The proposed amendments contain temporary derogations addressing the effects of replacing the Interbank Offered Rate (IBOR) with an alternative risk-free rate (RFR), and the ensuing impact on financial reporting. The changes include the following practical expedient:

– a practical solution requiring that changes to contracts or to cash flows that are a direct consequence of the reform should be treated as variable interest rate changes, which is tantamount to market interest rate changes;

– permission to adjust the hedge accounting documentation in terms of hedge designations and hedge documentation for hedge relationships without discontinuing those relationships, if the changes were directly required by the IBOR reform;

– granting a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

2. Amendments to IFRS 4

The amendments move the end date of the temporary exemption from the application of IFRS 9 from 1 January 2021 to 1 January 2023 to align with the effective date of IFRS 17. The amendments provide for optional solutions to reduce the impact of different effective dates of IFRS 9 and IFRS 17.

3. Amendment to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021

The amendment extends the practical expedient for lessees regarding leases with rent concessions granted directly in connection with the Covid-19 pandemic and payments originally due on or before 30 June 2021 to include contracts with payments originally due on or before 30 June 2022.

The Company has not decided on early adoption of any standard, interpretation or amendment which have been published but has not become effective yet in the light of EU regulations.

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 14 Regulatory Deferral Accounts (published on 30 January 2014) – according to the decision of the European Commission, the process of adoption of the draft standard will not be initiated before the publication of the final version of the standard – not adopted by the EU by the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2016;
- Amendments to IFRS 10 and IAS 28: Sales or Contributions of Assets between an Investor and its Associate/Joint Venture (published on 11 September 2014) – the work leading to the adoption of these amendments have been postponed by the EU indefinitely – the effective date has been postponed by the IASB indefinitely;
- IFRS 17 Insurance Contracts (published on 18 May 2017), including amendments to IFRS 17 Insurance Contracts (published on 25 June 2020) – applicable to annual periods commencing on or after 1 January 2023;
- Amendments to IAS 1: Presentation of Financial Statements – classification of debt into current and non-current, and classification of debt into current and non-current – deferred effective date (published on 23 January 2020 and 15 July 2020, respectively) – not adopted by the EU by the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2023;
- Amendments to IFRS 3: Amendments to the References to the Conceptual Framework (published on 14 May 2020) – applicable to annual periods beginning on or after 1 January 2022;
- Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use (published on 14 May 2020) – applicable to annual periods beginning on or after 1 January 2022;
- Amendments to IAS 37: onerous contracts – fulfillment costs (published on 14 May 2020) – applicable to annual periods beginning on or after 1 January 2022.

- Improvements to IFRS Standards 2018–2020 (published on 14 May 2020) – applicable to annual periods beginning on or after 1 January 2022;
- Amendments to IAS 1 and Practice Statement 2: Disclosure of Accounting Policies (published on 12 February 2021) – applicable to the annual periods commencing on or after 1 January 2023;
- Amendments to IAS 8: Definition of Accounting Estimates (published on 12 January 2021) – applicable to the annual periods commencing on or after 1 January 2023;
- Amendments to IAS 12: Deferred tax relating to assets and liabilities arising from a single transaction (published on 7 May 2021) – not adopted by the EU by the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2023;
- Amendments to IFRS 17 Insurance Contracts: First adoption of IFRS 17 and IFRS 9 – comparative information (published on 9 December 2021) – not adopted by the EU by the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2023.

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 analysing 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.

Restatement of foreign currency positions

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

At the balance sheet date, the cash assets and liabilities expressed in foreign currency are translated into PLN using the mean rate applicable at the end of the reporting period that has been set by for the particular currency by the National Bank of Poland. The FX differences arising are recognized in finance revenue or expenses as the case may be, or where required by the accounting policy, are capitalized 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 recognized 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 over goods takes place once the ownership and insurance risk are transferred to the customer in accordance with the relevant Incoterms.
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. The average payment terms for the Company's customers are 90 days.
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 Company recognizes 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 (post-transaction bonus). In accordance with IFRS 15, volume discounts are treated as variable consideration. Revenue from variable consideration is recognized 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 recognized 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 Company does not provide warranty for its goods.

Sale of services
Revenue from the sale of services in the Selena Group are mainly revenues resulting from the provision consulting, IT, accounting and HR services.

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 organizations; it is also a managing entity of the Group. Financial results on all businesses are analyzed 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.

In 2021, connected companies accounted for more than 79% of the Company's revenues (more than 80% in 2020). Sales are generated in Poland (PLN 25.3 million to non-connected companies and PLN 279.5 million to connected companies) and abroad (PLN 179.2 million to non-connected companies, PLN 509.6 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 dependent on any single buyer. The turnover with any non-connected buyer does not exceed 10% of the Company's total revenue. Approximately 26% of revenues from the sale of goods achieved in 2021 come from sales to Polish subsidiaries, and 18% of revenues from the sale of goods came from subsidiaries located in Eastern Europe. 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.

The revenue from contracts with customers by geographic region is presented below.

Figures in PLN thousand	2021	2020
Poland	304,879	88,338
Western Europe	157,481	105,020
Central and Eastern Europe	123,714	207,847
Eastern Europe	240,543	249,390
Asia	90,704	71,034
Americas	76,321	44,333
Total revenue from contracts with customers	**993,642**	**765,962**

The table below presents revenue from the sale of goods and materials by product groups.

Figures in PLN thousand	2021	2020
Construction chemicals	782,215	574,811
Insulating chemicals	114,471	110,541
Other	57,235	51,585
Total – revenue from the sale of goods and raw materials	**953,921**	**736,937**

Notes to the income statement

3. Notes to the income statement

3.1 Operating costs

Costs by type

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Use of materials and energy	1,033	942
Cost of employee benefits	41,017	34,636
Depreciation/ amortization	5,670	5,070
External services	84,508	69,486
Taxes and charges	142	107
Other costs by type, including:	3,594	2,101
entertainment and advertising costs	2,065	1,005
business travel costs	785	443
Cost of goods and materials sold	858,397	603,037
Total operating costs	**994,361**	**715,379**
including:		
Cost of sales	892,393	631,054
Selling and marketing costs	54,960	45,713
General and administrative expenses	47,008	38,612

Cost of employee benefits

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Salaries	33,363	28,025
Social insurance costs	4,816	3,765
Other costs of employee benefits	2,838	2,846
Total cost of employee benefits	**41,017**	**34,636**
including:		
Selling and marketing costs	19,501	12,949
General and administrative expenses	21,516	21,687

Depreciation/amortization

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Depreciation of tangible assets	2,646	2,482
Amortization of intangible assets	3,024	2,588
Total depreciation/amortization	**5,670**	**5,070**
including:		
Selling and marketing costs	485	396
General and administrative expenses	5,185	4,674

3.2 Other operating revenues and operating costs

Other operating income

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Profit from disposal of non-financial fixed assets	195	40
Subsidies	0	896
Other	60	53
Total other operating income	**255**	**989**

Other operating costs

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Obligations to former owners of Industrias Qumicas Lowenberg	0	318
Donations	277	617
Complaints	780	59
Other	0	24
Total other operating costs	**1,057**	**1,018**

3.3 Financial income and expenses

Accounting policies

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

Financial income

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Interest, including:	9,656	7,196
on loans granted	9,656	7,178
on bank deposits and accounts	0	18
FX differences	3,255	1,417
Other	0	1
Total financial income	**12,911**	**8,614**

Financial costs

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Interest, including:	3,183	1,714
on loans and advances received	1,872	1,498
on lease liabilities	851	93
on other obligations	460	123
Guarantees	51	22
Derivative financial instruments	945	890
Bank fees	945	654
Total financial costs	**5,124**	**3,280**

In 2021, 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 2021, Selena FM S.A. had open forward contracts. The gain on the valuation of unrealized contracts was PLN 885 thousand (including valuation of open contracts of PLN -621 thousand as at 31 December 2021). The loss on exercise of the contracts was PLN 1,830 thousand. The result on transactions (PLN -995 thousand) was recognized in financial costs under “Derivative financial instruments”.

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 recognized for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

A deferred tax liability is recognized 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 recognized for all the negative temporary differences, also for unutilized tax reliefs and unutilized 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 recognized 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 realization of the deferred tax asset. The unrecognized deferred tax asset is revisited at each balance sheet date and is recognized 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 realized. 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 recognized outside of a profit or loss, is recognized 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 recognized 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 recognized 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 recognized as a part of the price of the assets or as a part of the cost item, and
- the receivables and liabilities that are recognized together with the VAT.

The net amount of the VAT that can be recovered or that is due to the tax authorities is recognized 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 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Income tax for the current period	1,222	10,896
Change in deferred income tax	298	84
Adjustments to current income tax for prior periods	644	-438
Tax charge carried in profit or loss:	**2,164**	**10,542**

Reconciliation of the effective tax rate

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Profit / loss before tax on continued operations	45,709	85,921
Tax rate	19%	19%
Tax at the applicable rate	8,685	16,325
Tax on non-taxable income (permanent differences)	-7,917	-6,377
– on dividends received	-7,491	-5,916
– in respect of impairment allowance on shares and loans	-69	-21
– in respect of reversal of impairment allowance on receivables	0	-270
– other	-357	-170
Tax on costs that are non-tax deductible (permanent differences)	752	1,032
– in respect of impairment allowance on shares and loans	61	0
– in respect of impairment allowance on receivables	790	627
– other	-99	405
Adjustments to current tax for prior periods	644	-438
Tax charge carried in profit or loss:	**2,164**	**10,542**
Effective tax rate	4.73%	12.27%

Deferred income tax

Important estimates and assumptions

The likelihood of realizing deferred tax assets against future tax gains is based on the budget of the Company's companies. Selena FM S.A. recognizes 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 31.12.2021	Charge/credit to the financial result	As at 31.12.2020	Charge/credit to the financial result
Deferred tax asset on temporary differences in assets	**632**	**54**	**578**	**-2**
Trade receivables	*614*	*73*	*541*	*-6*
Impairment losses of trade receivables	*614*	*73*	*541*	*-6*
Inventories	*5*	*-1*	*6*	*-16*
Impairment allowance on inventories	*5*	*-1*	*6*	*-16*
Other assets	*13*	*-18*	*31*	*20*
Unrealized sales on Incoterms	*13*	*-18*	*31*	*20*
Deferred tax asset on negative temporary differences in liabilities	**3,611**	**201**	**3,410**	**-650**
Liabilities	*1,388*	*-72*	*1,460*	*747*
Liability in respect of unpaid remuneration	*1,388*	*-72*	*1,460*	*747*
Accruals	*650*	*114*	*536*	*-6*
Provision for the cost of audit	*26*	*1*	*25*	*5*
Provision for the cost of unutilized leaves	*127*	*50*	*77*	*-49*
Other accruals	*497*	*63*	*434*	*38*
Liabilities in respect of loans and advances	*458*	*-21*	*479*	*281*
Interest payable	*458*	*-21*	*479*	*281*
Provisions	*757*	*438*	*319*	*7*
Retirement provision	*142*	*68*	*74*	*29*
Provision for the loyalty scheme	*615*	*370*	*245*	*-22*
Other liabilities	*358*	*-258*	*616*	*-1,679*
Lease liabilities	*358*	*-258*	*616*	*-1,679*
Deferred tax asset on unrealized FX differences	**286**	**-157**	**443**	**-643**
Total deferred tax asset	**4,529**	**98**	**4,431**	**-1,295**

Figures in PLN thousand	As at 31.12.2021	Charge/credit to the financial result	As at 31.12.2020	Charge/credit to the financial result
Deferred tax liability on positive temporary differences relating to assets	**6,072**	**396**	**5,676**	**-1,211**
Property, plant and equipment	1,679	73	1,606	-1,416
Net value of tangible assets under lease	*645*	-132	*777*	*-1,619*
Difference between the net carrying amount and tax value of tangible assets	*1,034*	205	*829*	*203*
Loans granted and contributions to capital	*4,393*	863	*3,530*	*-335*
Interest on loans granted, accrued and outstanding	*4,393*	863	*3,530*	*-335*
Other liabilities	0	-540	540	540
Deferred tax liability on positive temporary differences relating to liabilities	**0**	**0**	**0**	**0**
Total deferred tax liability	**6,072**	**396**	**5,676**	**-1,211**
Deferred tax liability less asset	1,543		1,245	
Change in deferred tax reflected in net profit		**298**		**84**

Dates of realization of deferred tax assets (liabilities):

Figures in PLN thousand	As at 31.12.2021	As at 31.12.2020
Period of utilization > 12 months since the end of the reporting period	-3,348	303
Period of utilization < 12 months since the end of the reporting period	1,805	-1,548
Total deferred tax liability	**-1,543**	**-1,245**

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 amortized 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 amortized cost using the effective interest rate. After initial recognition, trade receivables and other financial receivables are measured at amortized 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 amortized 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 recognized 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 amortized 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 recognized at the amount due.
An expired financial liability is derecognized 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 recognized 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 recognized as expiry of the original liability and recognition of a new liability. The difference between the respective book values of the exchanged instruments is recognized in profit or loss.

Financial instruments held the Company are classified below.

Financial assets

Figures in PLN thousand	As at 31.12.2021	As at 31.12.2020
Financial assets measured at amortized cost		
Loans granted	262,907	233,724
Trade receivables not covered by factoring agreement	200,929	174,785
Other short-term financial assets – security deposits	310	310
Cash and cash equivalents	785	5,170
Financial assets measured at fair value through profit and loss		
Other short-term financial assets – forward transactions	23	0
Trade receivables covered by factoring agreement	11,998	0
Total	**476,952**	**413,989**

Financial liabilities

Figures in PLN thousand	As at 31.12.2021	As at 31.12.2020
Financial liabilities measured at amortized cost		
Bank and other loans	*128,050*	*62,650*
Lease liabilities	*170,207*	*3,415*
Total interest-bearing debt	**298,257**	**66,065**
Trade liabilities	86,989	86,409
Investment liabilities	282	907
Financial liabilities measured at fair value through profit or loss		
Other short-term financial liabilities – forward transactions	644	1,506
Total	**386,172**	**154,887**

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.

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** not covered by the factoring agreement are measured at amortized cost using the effective interest rate method, including impairment allowances. Any trade receivables maturing within less than 12 months from the date of origination (i.e. without a financing element) and not transferred to factoring, are not discounted and are measured at nominal value. Payment terms for trade receivables are between 60 and 90 days. At each balance sheet date, the Company assesses the expected credit losses whether or not there are any indications of impairment.

The Company uses the model of expected credit losses over the life of the receivables. As part of the model, an individual analysis is made (for receivables from significant external customers and affiliates) and a collective analysis (for other external customers due to the similar characteristics of credit risk).

Trade receivables covered by the non-recourse factoring agreement are initially measured at fair value through profit or loss. According to the agreement, the factor finances 90% of the balance. The fair value of 10% receivables balance not covered by the factor (until paid by the buyer) does not differ significantly from its nominal value as the debt is short-term in nature and is covered by insurance.

Figures in PLN thousand	As at 31.12.2021	As at 31.12.2020
Gross trade receivables	237,636	194,904
from related parties	211,843	169,267
from other entities	25,793	25,637
Impairment allowance on trade receivables	-24,709	-20,119
from related parties	-23,678	-19,146
from other entities	-1,031	-973
Net trade receivables	**212,927**	**174,785**

Detailed information on the methodology for calculating impairment allowances is presented in Note 6.2.3.

5.1.2 Cash

Accounting policies

Cash and short-term deposits include cash in bank and cash on hand, and short-term deposits with an original maturity not longer than 3 months.
The balance of cash and cash equivalents presented in the statement of cash flows consists of the items specified above.

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

Figures in PLN thousand	As at 31.12.2021	As at 31.12.2020
Cash in bank	710	5,084
Cash on hand	25	36
Short-term deposits	50	50
Total cash	**785**	**5,170**

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 recognized as financial assets measured at amortized 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 2021 and 2020.

Figures in PLN thousand	Gross value	Impairment (-)/ reversal of impairment	Net value
as at 1 January 2021	**319,255**	**-85,531**	**233,724**
Loan granted	20,013	-173	19,840
Conversion of receivables	4,574	0	4,574
Repayment of principal	-1,265	0	-1,265
Interest accrued	9,656	41	9,697
Interest paid	-5,161	0	-5,161
Withholding tax	-482	0	-482
FX differences arising on balance sheet valuation	2,234	-254	1,980
as at 31.12.2021	**348,824**	**-85,917**	**262,907**

Figures in PLN thousand	Gross value	Impairment (-)/ reversal of impairment	Net value
as at 1 January 2020	**264,341**	**-79,675**	**184,666**
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**	**-85,531**	**233,724**

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 1 July 2021, a loan agreement of EUR 1 million and PLN 1 million was signed with Carina Silicones. The loan carries a variable interest rate. It matures on 31 December 2025.

On 1 July 2021, a loan agreement of EUR 2.7 million was signed with Carina Sealants (now: Selena ESG Solutions Sp. z o.o.). The loan carries a variable interest rate. It matures on 6 July 2022.

On 1 July 2021, a loan agreement of EUR 250 thousand was signed with Foshan Chinuri Selena Chemical Co., Ltd. The loan carries a variable interest rate. It matures on 1 July 2026.

On 9 August 2021, an annex was signed to the loan agreement with Fandla Faktoring sp. z o.o., changing the loan amount to PLN 8 million.

On 25 October 2021, a loan agreement of EUR 1 million and USD 800 thousand was signed with Selena Iberia S.L.U. The loan carries a variable interest rate. It matures on 31 December 2022.

On 10 November 2021, a loan agreement of EUR 2.7 million was signed with Selena Green Investment sp. z o.o. The loan carries a variable interest rate. It matures on 10 November 2026.

On 16 December 2021, a loan agreement of EUR 700 thousand was signed with Oligo Sp. z o.o. The loan carries a fixed interest rate. It matures on 31 December 2024.

On 20 December 2021, an agreement was signed with Selena Yapi Malzemeleri Sanayi ve Ticaret Ltd Sti. to covert its trade liabilities into a loan of EUR 1 million. The loan carries a variable interest rate. It matures on 31 December 2026.

By the balance sheet date, loan tranches in a total amount of PLN 20 million were transferred:
- PLN 600 thousand and EUR 120 thousand to Carina Silicones;
- PLN 1,650 thousand and EUR 655 thousand to Selena ESG Solutions Sp z o.o.;
- EUR 250 thousand to Foshan Chinuri-Selena Chemical Co.;
- PLN 4 million to Tytan EOS sp. z o.o. (under the agreement of 2020);
- EUR 70 thousand to Oligo;
- PLN 6 million to Fandla Factoring sp. z o.o.;
- USD 250 thousand and EUR 265 thousand to Selena Iberia slu.;
- PLN 650 thousand to Selena Green Investments.

Loans granted after the balance sheet date

On 18 January 2022, an annex was signed to the PLN 40 million loan agreement with Elis Consulting Sp. z o.o., extending the repayment date of the loan to 31 January 2023.

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

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 amortized cost on an effective interest rate basis.	When determining the amortized 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 and other 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 31.12.2021		As at 31.12.2020	
Ref.	Loan type	Maturity date	*Long-term portion*	*Short-term portion*	*Long-term portion*	*Short-term portion*
1	Non-renewable loan	2024	7,000	3,000	0	0
2	Working capital loan	2024	23,428	27,960	0	2,276
3	Loan	2023	28,944	28,980	25,654	982
4	Loan	2022	0	8,738	8,700	38
5	Loan	2021	0	0	0	25,000
Total loans			**59,372**	**68,678**	**34,354**	**28,296**

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 2021, Selena FM S.A. maintained financial ratios at the levels required by the lenders. In 2021, Selena FM S.A. received a total of PLN 59.3 million in respect of a working capital and a non-revolving loan.

By the balance sheet date Selena FM S.A received a loan tranches of PLN 16.3 million from Selena Marketing International Sp. z o.o. In addition, a part of the loan principal (PLN 13 million) was repaid.

In 2021, Selena FM S.A. also received loans from Selena S.A. totaling PLN 27.3 million. As a result of offsetting of mutual claims and the dividend due to Selena FM S.A. for 2020 from Selena S.A., the loan principal of PLN 25 million was repaid.

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 2021.

Figures in PLN thousand	Bank loans	Non-bank loans received	Leases	Total
Debt balance as at 1 January 2019	**2,276**	**60,374**	**3,415**	**66,065**
Changes resulting from cash flows, including:	58,473	30,401	-2,185	**86,689**
financing received	61,591	43,550	0	**105,141**
repayment of principal	-2,282	-13,000	-2,108	**-17,390**
interest and fees paid	-836	-149	-77	**-1,062**
Non-cash changes, including:	639	-24,113	717	**-22,757**
lease agreements signed	0	0	700	**700**
interest and fees accrued	836	1,036	77	**1,949**
FX differences	-197	-10	-60	**-267**
other – set-off	0	-25,139	0	**-25,139**
Debt balance as at 31 December 2019	**61,388**	**66,662**	**1,947**	**129,997**

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	Non-bank 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**

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 recognized 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 31.12.2021 Nominal value	As at 31.12.2021 Current value	As at 31.12.2020 Nominal value	As at 31.12.2020 Current value
Payments up to 1 year	1,401	1,376	2,085	2,038
*up to 3 months**	202	199	554	545
*3 to 12 months**	1,199	1,177	1,531	1,493
Payments from 1 to 5 years	576	571	1,414	1,377
Payments above 5 years	0	0	0	0
Total lease payments	**1,977**	**1,947**	**3,499**	**3,415**
Less financial costs	-30	0	-84	0
Current value of total minimum lease payments	**1,947**	**1,947**	**3,415**	**3,415**

** additional disclosure in accordance with IFRS 16*

The table below presents lease costs.

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Depreciation of the right-of-use assets	2,050	1,928
Interest expense	851	93

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

For the period from 01.01.2021 to 31.12.2021 Figures in PLN thousand	FINANCIAL ASSETS AFwgZK	 AFwWGpWF	FINANCIAL LIABILITIES ZFwgZK	 TOTAL
Interest income/ expense (-)	9,656	0	-3,183	**6,473**
FX gains/ losses (-)	3,511	0	-256	**3,255**
Impairment (-)/ reversal of impairment	-4,677	0	0	**-4,677**
Gains/ losses (-) on fair valuation	0	-945	0	**-945**
TOTAL (net profit/ net loss (-))	**8,490**	**-945**	**-3,439**	**4,106**

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

For the period from 01.01.2020 to 31.12.2020 Figures in PLN thousand	FINANCIAL ASSETS AFwgZK	 AFwWGpWF	FINANCIAL LIABILITIES 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 amortized cost
AFwWGpWF – Financial assets measured at fair value through profit and loss
ZFwgZK – Financial liabilities measured at amortized 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.
Depreciation charges for fixed assets are recognized in profit and loss in the relevant category for the asset.
If in the preparation of the financial statements any circumstances occurred indicating that the carrying amount of the asset may not be recoverable, the asset is tested for impairment. If any indications of impairment have been identified, and the carrying amount exceeds the estimated recoverable amount, then the value of such assets or cash generating units that the assets belong to is reduced to the recoverable amount. The recoverable amount is the higher of the two values: fair value decreased by the cost of sale or value-in-use. When estimating the value-in-use, the estimated future cash flows are discounted to the current value using the discount rate, and before taxation, reflecting the current market estimate for the time value of money and the risks pertaining to the asset. Where an asset does not generate cash flows sufficiently independently, the recoverable amount is determined for the cash generating unit that the asset belongs to.

Impairment allowances are recognized 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 recognized 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 recognized 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 1.01.2021	**124**	**4,880**	**1,637**	**202**	**146**	**6,989**
increases, including:	0	465	78	0	210	753
Direct purchase	0	465	78	0	210	753
Decreases, including:	0	25	437	0	0	462
Liquidation, sale	0	25	437	0	0	462
Gross value as at 31.12.2021	**124**	**5,320**	**1,278**	**202**	**356**	**7,280**
As at 1.01.2021	**115**	**3,502**	**1,562**	**175**	**0**	**5,354**
increases, including:	1	580	80	9	0	670
Amortization for the period	1	506	80	9	0	596
Other	0	74	0	0	0	74
Decreases, including:	0	21	438	0	0	459
Liquidation, sale	0	21	438	0	0	459
Amortization as at 31.12.2021	**116**	**4,061**	**1,204**	**184**	**0**	**5,565**
Net value as at 01.01.2021	**9**	**1,378**	**75**	**27**	**146**	**1,635**
Net value as at 31.12.2021	**8**	**1,259**	**74**	**18**	**356**	**1,715**

Figures in PLN thousand	Buildings and premises	Plant and machinery	Vehicles	Other tangible assets	Tangible assets under construction	Total
Gross value as at 1.01.2020	**124**	**4,189**	**1,888**	**188**	**251**	**6,640**
increases, including:	0	756	0	14	-56	714
Direct purchase	0	756	0	14	-56	714
Decreases, including:	0	65	251	0	49	365
Liquidation, sale	0	65	251	0	49	365
Gross value as at 31.12.2020	**124**	**4,880**	**1,637**	**202**	**146**	**6,989**
Depreciation as at 01.01.2020	**108**	**3,146**	**1,676**	**162**	**0**	**5,092**
increases, including:	7	421	113	13	0	554
Amortization 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**	**3,502**	**1,562**	**175**	**0**	**5,354**
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**

In 2021 and 2020, financing costs were not capitalized into tangible assets.

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

Accounting policies

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

The Company recognizes the right-of-use assets under the same heading that would present relevant underlying assets had they been owned by the lessee.

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

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

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

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

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

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;

Figures in PLN thousand	Buildings and premises	Vehicles	Total
Gross value as at 1 January 2021	**2,837**	**3,179**	**6,016**
increases, including:	0	947	**947**
Signing new leases	0	947	**947**
Decreases, including:	0	242	**242**
Liquidation, sale	0	242	**242**
Gross value as at 31.12.2021	**2,837**	**3,884**	**6,721**
As at 1.01.2021	**681**	**1,313**	**1,994**
increases, including:	1,362	688	**2,050**
Amortization for the period	1,362	688	**2,050**
Decreases, including:	0	196	196
Liquidation, sale	0	196	196
Amortization as at 31.12.2021	**2,043**	**1,805**	**3,848**
Net value as at 01.01.2021	**2,156**	**1,866**	**4,022**
Net value as at 31.12.2021	**794**	**2,079**	**2,873**

Figures in PLN thousand	Buildings	Vehicles	Buildings and premises
Gross value as at 1 January 2020	**12,394**	**2,552**	**14,946**
increases, including:	0	627	**627**
Signing new leases	0	627	**627**
Decreases, including:	9,557	0	**9,557**
Liquidation, sale	2,613	0	**2,613**
Modification of leases	6,944	0	**6,944**
Gross value as at 31.12.2020	**2,837**	**3,179**	**6,016**
Depreciation as at 01.01.2020	**1,952**	**727**	**2,679**
increases, including:	1,342	586	**1,928**
Amortization for the period	1,342	586	**1,928**
Decreases, including:	2,613	0	2,613
Liquidation, sale	2,613	0	2,613
Depreciation as at 31.12.2020	**681**	**1,313**	**1,994**
Net value as at 01.01.2020	**10,442**	**1,825**	**12,267**
Net value as at 31.12.2020	**2,156**	**1,866**	**4,022**

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 amortization and impairment. The expenditure on internally generated intangible assets, except the expenditure on development work, is not capitalized and is recognized in the cost of the period when it was incurred.

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

The estimated economic useful life of software licenses 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 recognized by changing the amortization period or method, as appropriate, and are treated as changes in estimates.

The amortization write-offs for intangible assets with a limited life are recognized in profit and loss in the item that corresponds to the function of amortized asset.

Useful lives are reviewed each year and if needed are corrected effective from the beginning of the current reporting period. Intangible assets with an indefinite useful life and those that are not used, are tested annually for impairment in relation to individual assets or at the level of the cash-generating unit.

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 recognized 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 recognized under a separate heading of the profit and loss account (impairment of non-financial assets).

Changes in intangible assets

Figures in PLN thousand	Software	Trademarks	Other intangible assets	Intangible assets not brought into use	Total
Gross value as at 1 January 2021	**23,816**	**0**	**152**	**6,737**	**30,705**
increases, including:	3,879	171,714	0	-1,204	174,389
Direct purchase	0	171,714	0	2,592	174,306
Settlement against assets under development	3,879	0	0	-3,879	0
Other	0	0	0	83	83
Decreases, including:	0	0	0	21	21
Other	0	0	0	21	21
Gross value as at 31.12.2021	**27,695**	**171,714**	**152**	**5,512**	**205,073**
As at 1.01.2021	**14,152**	**0**	**138**	**1**	**14,291**
increases, including:	3,015	0	9	0	3,024
Amortization for the period	3,015	0	9	0	3,024
Amortization as at 31.12.2021	**17,167**	**0**	**147**	**0**	**17,314**
Net value as at 01.01.2021	**9,664**	**0**	**14**	**6,736**	**16,414**
Net value as at 31.12.2021	**10,528**	**171,714**	**5**	**5,512**	**187,759**

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
Amortization 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**

A significant part of the net value of software as at 31 December 2021 is represented by the ERP system – Microsoft Dynamics AX 2012 in the area relating to the system dedicated for Poland: PLN 6,181 thousand (PLN 8,240 thousand as at 31 December 2020). The system was deployed in March 2017, and 31 December 2024 was adopted at the end of its useful life.

On 4 October 2021, Selena FM S.A. entered into a lease agreement with Selena Marketing International Sp. z o.o., whereby the latter made an organized part of its enterprise available to the Company. The remuneration under the agreement is PLN 172,200 thousand and is payable (alongside interest accrued) quarterly throughout the life of the agreement. The agreement was concluded for 10 years, after which the ownership of the object of the lease will be transferred to Selena FM S.A. (subject to full payment of the remuneration).

Taking into account the components of the organized part of the enterprise, the transaction does not constitute a business acquisition as defined in IFRS 3 Business Combinations. For this reason, the contractual remuneration was assigned to individual identifiable assets and liabilities in proportion to their fair values as at the acquisition date. The liability in respect of the remuneration was recognized in a separate item of the statement of financial position as “obligations in respect of lease of enterprise”.

The organized part of the enterprise used the lease is leasing includes trademarks, whose value as at the transaction date was PLN 171,714 thousand. For this group of intangible assets, an indefinite useful life was assumed as the trademarks are non-transferable beyond Selena Group. As at 31 December 2021, the Company tested the trademarks for impairment, which showed no need to recognize any impairment allowances for them.

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 recognized under a separate heading in the profit and loss account.

Company's investments

Entity	Reg. Office	Region	Activity	Share in capital As at 31.12.2021	Share in capital As at 31.12.2020	
Selena S.A.	Wrocław	Poland	Distributor	100.00%	100.00%	
Selena Labs Sp. z o.o.	Siechnice	Poland	Research and Development	100.00%	99.65%	
Euvic Solutions Sp. z o.o.	Siechnice	Poland	Legal administration	100.00%	100.00%	
Selena Industrial Technologies Sp. z o.o.	Warsaw	Poland	Operational administration	100.00%	100.00%	
Selena Deutschland GmbH	Hagen	Western Europe	Distributor	100.00%	100.00%	
Selena Italia srl	Limena	Western Europe	Distributor	100.00%	100.00%	
Selena Iberia slu	Madrid	Western Europe	Manufacturer of sealants, adhesives, distributor	100.00%	100.00%	
Uniflex S.p.A.	Mezzocorona	Western Europe	Manufacturer of sealants, distributor	64.00%	64.00%	3
Selena USA Inc.	Holland	Americas	Distributor	100.00%	100.00%	
Selena Sulamericana Ltda	Curitiba	Americas	Manufacturer of foams, distributor	95.00%	95.00%	2
Selena Romania SRL	Ilfov	Central and Eastern Europe	Distributor	100.00%	100.00%	
Selena Bohemia s.r.o	Prague	Central and Eastern Europe	Distributor	100.00%	100.00%	
Selena Hungária Kft.	Pécs	Central and Eastern Europe	Distributor	100.00%	100.00%	
Selena Bulgaria Ltd.	Sofia	Central and Eastern Europe	Distributor	100.00%	100.00%	
EURO MGA Product SRL	Ilfov	Central and Eastern Europe	Manufacturer of loose materials	0.13%	0.13%	1
Selena Ukraine Ltd.	Kiev	Eastern Europe	Distributor	99.00%	99.00%	2
Selena CA L.L.P.	Almaty	Asia	Distributor	100.00%	100.00%	
Selena Insulations	Astana	Asia	Manufacturer of insulation systems	100.00%	100.00%	
Weize (Shanghai) Trading Co., Ltd.	Shanghai	Asia	Distributor	100.00%	100.00%	
Selena Nantong Building Materials Co., Ltd.	Nantong	Asia	Manufacturer of foams, distributor	100.00%	100.00%	
Selena Vostok	Moscow	Eastern Europe	Distributor	99.00%	99.00%	2
Selena Malzemeleri Yapi Sanayi Tic. Ltd.	Istambul	Asia	Man. of foams and sealants, distributor	100.00%	100.00%	

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

Value of shares

Figures in PLN thousand	As at 31.12.2021 Gross	Write-down	Net	As at 31.12.2020 Gross	Write-down	Net
Selena S.A.	62,781	0	**62,781**	62,781	0	**62,781**
Selena Labs Sp. z o.o.	1,520	0	**1,520**	1,400	0	**1,400**
Euvic Solutions Sp. z o.o.	1,003	0	**1,003**	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	43,478	**0**	43,478	43,478	**0**
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 Digital Distribution Sp. z o.o	5	0	5	0	0	0
Selena Mexico	255	0	255	255	0	255
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
Selena CA L.L.P.	9,029	5,472	3,557	9,029	5,472	3,557
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	**272,426**	**128,338**	**144,088**	**271,306**	**128,338**	**142,968**

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 2021, the subsidiary Selena Nantong Building Materials Co., Ltd., received a notice from the economic zone in which it operates that in connection with the measures undertaken to protect the Yangtze River, the zone authorities intend to reorganize the zone, which will involve relocating some companies (including those within or outside the zone). In return for the relocation, Selena Nantong may claim compensation which, according to the Management Board of Selena FM S.A., on the basis of the fair value measurement prepared as at 31 December 2021, exceeds the value of the long-term assets invested in the subsidiary##.

In 2021, the Company did not identify any other indicators that would point to the need to conduct tests for impairment of long-term investments in subsidiaries Likewise, the Company did not identify any indications that the impairment loss recognized in previous periods for shares in subsidiaries had ceased to exist or had decreased.

5.2.6 Inventories

Accounting policies

Inventories at the Company are merchandise which is measured at the lower of: cost or net realizable amount. The net realizable amount is estimated as the price of a sale effected in the ordinary course of business, less finishing costs and costs needed to finalize the sale (i.e. transport costs, remuneration for commercial representatives, and marketing costs). 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 realizable 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 realizable value), the value of the merchandise should be reduced to the value of the expected net realizable value). A comparison of the merchandise valuation with the net realizable 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 31.12.2021	As at 31.12.2020
Goods for resale	4,013	7,622
Total inventory, gross	**4,013**	**7,622**
Impairment allowance on inventories	24	84
Total net inventory	**3,989**	**7,538**

5.2.7 Other short-term non-financial assets

Figures in PLN thousand	As at 31.12.2021	As at 31.12.2020
VAT claimed	19,397	15,002
Withholding tax claimed	1,757	1,923
Prepayments	2,395	1,586
Settlements with employees	0	16
Prepayments for deliveries	115	24
Total	**23,664**	**18,551**

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 recognized as a separate asset, but only when it is practically certain that such a return will be realized. The provision costs are recognized 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 recognized 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 Labor Code. A retirement benefit is paid once-off when the employee retires. The value of the benefit depends on the years of service and the average remuneration of the employee. Where the local law or internal regulations of the company impose on obligation of payment of a retirement benefit, the company makes a provision for future obligations on account of such payments to assign the related costs to their corresponding periods. According to IAS 19, retirement benefits are defined programmes of post-employment benefits. The present value of such obligations is calculated at each balance sheet date. The obligation is equal to the discounted payments that will be made in the future, taking into account the employment turnover, and relating to the period until the balance sheet date. Demographic information and information of staff turnover are based on historical figures.

As at 31 December 2021, the Company recognized a provision for retirement benefits in the amount of PLN 745 thousand (as at 31 December 2020: PLN 390 thousand).

5.2.9 Other liabilities

Other short-term liabilities are presented in the table below.

Figures in PLN thousand	As at 31.12.2021	As at 31.12.2020
Advances received for future deliveries	36	130
Taxes and insurance payable	1,153	801
Payroll liabilities	5,989	8,097
Other	260	20
Total	**7,438**	**9,048**

Other long-term liabilities of PLN 1,986 thousand as at 31 December 2021 constitute liabilities in respect of long-term incentive schemes.

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	Type of shares	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	1,334,746	5.85%	1,334,746	4.97%

** entity controlled by Krzysztof Domarecki*

*** as at 18 May 2021, based on a notification from Quercus Towarzystwo Funduszy Inwestycyjnych S.A.*

5.3.2 Supplementary capital

Figures in PLN thousand	Year recognized	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
Transfer of profit to the supplementary capital	2021	379
Transfer from capital reserve	2021	9,633
Supplementary capital		**342,358**

Distribution of profit for 2021 is described in Note 6.3.1.

5.3.3 Other reserves

Figures in PLN thousand	Year recognized	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
Net profit distribution	2021	75,000
Transfer to the supplementary capital	2021	-9,633
Other reserves		**84,530**

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.

5.3.5 Own shares

The purchase of own shares is described in the Company's Management Report for 2021, Note 3.4.

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:

- the Company's activities as the principal – certain elements of the contract with the client might indicate that the Company could be treated as an intermediary (e.g. the Company does not incur the risk related to the storage of inventories); however, in the opinion of the Management Board, the Company acts as the principal, as it bears the main responsibility for performing the contract, including for the quality of the goods sold, and can freely set the prices of the goods. In consequence, the Company recognizes revenues at the amount of gross remuneration that – as expected by the Company – will be payable to it in exchange for the goods transferred (Note 2);
- 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 realize 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 2021, no significant changes were made to the assumption areas and methods. 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 utilized financial instruments include the market risk (including the interest rate and currency risk), credit risk and liquidity risk.

Geopolitical risk related to the current situation in Ukraine is described in Note 7.7.

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	Taking out loans in currencies with lower interest rates
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 31.12.2021							
Figures in PLN thousand	EUR	RUB	USD	CNY	RON	PLN	Other currencies	Total
Loans granted	122,801	31,332	20,899	7,520	6,707	69,875	3,773	**262,907**
Trade receivables	166,728	5,240	25,771	0	8,718	2,076	4,394	**212,927**
Cash	97	4	33	0	0	651	0	**785**
	289,626	**36,576**	**46,703**	**7,520**	**15,425**	**72,602**	**8,167**	
Trade and other liabilities	63,969	0	868	10	0	22,397	27	**87,271**
Loans received	25,968	0	2,785	0	0	99,297	0	**128,050**
	89,937	**0**	**3,653**	**10**	**0**	**121,694**	**27**	
Net exposure	**199,689**	**36,576**	**43,050**	**7,510**	**15,425**	**-49,092**	**8,140**	
Impact on the result at min. PLN/EUR, RUB, USD rate*	-12,672	-2,429	-4,156	-1,083	-601			
Impact on the result at max. PLN/EUR, RUB, USD rate*	-797	4,454	1,025	-347	241			

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

	EUR	RUB	USD	CNY	RON
Rate at the balance sheet date	4.5994	0.0542	4.0600	0.6390	0.9293
Min rate	4.3075	0.0506	3.6681	0.5468	0.8931
Max rate	4.5810	0.0608	4.1567	0.6095	0.9438

Exposure currency Figures in PLN thousand	EUR	RUB	USD	As at 31.12.2020 CNY	RON	PLN	Other currencies	Total
Loans granted	110,350	28,492	19,103	6,246	6,636	57,323	5574	**233,724**
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**
	250,634	**29,453**	**35,608**	**6,246**	**12,907**	**68,154**	**10,677**	
Trade liabilities	68,025	0	821	18	0	18,452	0	**87,316**
Loans received	2,715	0	2,276	0	0	57,659	0	**62,650**
	70,740	**0**	**3,097**	**18**	**0**	**76,111**	**0**	
Net exposure	**179,894**	**29,453**	**32,511**	**6,228**	**12,907**	**-7,957**	**10,677**	
Impact on the result at min. PLN/EUR, RUB, USD rate*	-2,212	-4,387	-1,804	-263	-23			
Impact on the result at max. PLN/EUR, RUB, USD rate*	7,250	1,735	1,993	405	787			

* 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 analyzed separately. The Company does not have any material FX exposures in such currencies as Bulgarian lev, Ukrainian hryvnia or Brazilian real.

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 2021, 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 31.12.2021				As at 31.12.2020			
Figures in PLN thousand	< 1 year	1-3 years	>3 years	Total	< 1 year	1-3 years	> 3 years	Total
Lease liabilities	16,658	49,557	102,769	**168,984**	1,153	813	0	**1,966**
Loans granted	50,664	3,835	9,644	**64,143**	5,119	42,000	7,811	**54,930**

Instruments with a variable interest rate	As at 31.12.2021				As at 31.12.2020			
Figures in PLN thousand	< 1 year	1-3 years	>3 years	Total	< 1 year	1-3 years	> 3 years	Total
Loans granted	41,516	102,088	55,160	**198,764**	22,003	7,764	149,027	**178,794**
Bank deposits	50	0	0	**50**	50	0	0	**50**
Lease liabilities	652	571	0	**1,223**	884	565	0	**1,449**
Bank and other loans received	68,678	59,372	0	**128,050**	28,296	34,354	0	**62,650**

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 2021 (and 31 December 2020). The analysis is based on the assumption that other variables, notably FX rates, will remain unchanged.

	As at 31.12.2021			As at 31.12.2020		
Figures in PLN thousand	PLN	EUR	OTH	PLN	EUR	OTH
Loans granted	18,914	124,784	55,066	16,626	109,248	52,920
Bank deposits	50	0	0	50	0	0
Loans received	-99,334	-25,931	-2,785	-57,658	-2,715	-2,277
Lease liabilities	-1,223	0	0	-1,449	0	0
Net exposure	**-81,593**	**98,853**	**52,281**	**-42,431**	**106,533**	**50,643**
Impact * of an increase ** in interest rate*** by 1 pp	-816	989	523	-424	1,065	506

* 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 – 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 recognized.
ii) Stage 2 – where credit risk has increased significantly since initial recognition and where lifetime ECL is recognized.
iii) Stage 3 – where impairment has been identified in relation to the whole lending period.

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 recognized 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 analyzed on a collective basis, all items past due by over 360 days are covered by a 100% impairment allowance.

• Receivables from significant external buyers and affiliates – each exposure is subject to an individual analysis. The expected credit loss is determined based on individually set rating, repayment profile, and assessment of recovery from collateral.

For impaired exposures, the amount of ECL is calculated as the difference between the carrying amount of the asset and the present value of the estimated future cash flows (excluding future, not yet incurred, 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 31.12.2021				as at 31.12.2020			
Figures in PLN thousand	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross value of loans granted to related parties	71,641	46,196	230,987	**348,824**	40,071	76,319	202,865	**319,255**
Impairment in respect of expected credit loss	-173	-4,717	-81,027	**-85,917**	0	-3,084	-82,447	**-85,531**
Carrying amount of loans granted to related parties	**71,468**	**41,479**	**149,960**	**262,907**	**40,071**	**73,235**	**120,418**	**233,724**

Loans of PLN 48 million granted in 2020 and in 2021 to other related parties have been classified to credit risk grade 1. As at 31 December 2021 an expected credit loss allowance of PLN 173 thousand was recognized. The loan of PLN 40 million was secured with a personal promissory note of the beneficial owner of Selena Group, and the loan for the loan PLN 8 million was secured with the borrower's portfolio of receivables.

Reconciliation of impairment allowances on loans granted to related parties as at 31 December 2021 and 31 December 2020 to the opening balances:

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Impairment allowance on loans granted at the beginning of the period	**85,531**	**79,675**
Impairment allowance created/ reversed (-) according to IFRS 9:	132	-897
related parties, including:	132	-897
FX differences arising on translation	254	6,753
Impairment allowances at the end of the period	**85,917**	**85,531**

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 31.12.2021 (Figures in PLN thousand)	Trade receivables from non-related parties*	Default rate	Expected credit losses
Up-to-date	8,486	0.53%	20
< 30	300	3.76%	11
31 – 60	7	11.19%	1
61 – 90	50	25.48%	13
91 – 120	0	37.67%	0
121 – 180	0	50.46%	0
181-360	0	64.43%	0
>361	986	100.00%	986
Total	**9,829**		**1,031**

* after deducting the insured balances and the balances with buyers subject to an individual analysis

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	6,360	0.53%	0
< 30	595	3.76%	0
31 – 60	205	11.19%	2
61 – 90	0	25.48%	0
91 – 120	14	37.67%	0
121 – 180	13	50.46%	0
181-360	4	64.43%	3
>361	968	100.00%	968
Total	**8,159**		**973**

* after deducting the insured balances and the balances with buyers subject to an individual analysis

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

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Impairment allowance at the beginning of the period	**20,119**	**17,912**
related parties	19,146	16,669
other entities	973	1,243
Impairment allowance created/reversed (-) according to IFRS 9:	**4,544**	**2,002**
related parties, including:	4,484	2,184
EURO MGA Product SRL	-29	-15
OOO SELENA VOSTOK	-13	0
TOO SELENA CA	-117	0
Selena Sulamericana Ltda	5,422	1,901
Shanghai House Selena Trading Ltd.	324	311
Selena USA	-1,103	0
other connected companies	0	-13
other entities	60	-182
Utilization	**0**	**-158**
other entities	0	-158
FX differences	**46**	**363**
related parties	48	293
other entities	-2	70
Expected credit loss at the end of the period	**24,709**	**20,119**
related parties	23,678	19,146
other entities	1,031	973

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 2021, 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 31.12.2021	as at 31.12.2020
Medium-high	from A+ to A- by S & P and Fitch and from A1 to A3 by Moody's	92%	92%
Medium	from BBB+ to BBB- by S&P and Fitch and from Baa1 to Baa3 by Moody's	8%	8%

As at 31 December 2021, the Company had unutilized credit lines of PLN 121 million (PLN 218 million as at 31 December 2020) 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 336.9 million) are twice as high as the value of its short-term liabilities (PLN 184.6 million).

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

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

Figures in PLN thousand as at 31.12.2021	On demand	Below 3 months	3 to 12 months	1 year to 5 years	Above 5 years	Total
Interest bearing borrowings	0	28,135	41,481	60,856	0	**130,472**
Lease liabilities	0	202	1,199	576	0	**1,977**
Trade liabilities	75,333	11,092	564	0	0	**86,989**
Investment liabilities	0	282	0	0	0	**282**
Obligations in respect of lease of enterprise	0	4,713	14,139	75,408	89,550	**183,810**
Financial guarantees	159,150	0	0	0	0	**159,150**
Total liabilities	**234,483**	**43,668**	**55,222**	**128,109**	**85,648**	**547,130**

Figures in PLN thousand as at 31.12.2020	On demand	Below 3 months	3 to 12 months	1 year to 5 years	Total
Interest bearing borrowings	0	0	28,827	35,213	**64,040**
Lease liabilities	0	554	1,531	1,414	**3,499**
Trade liabilities	70,014	15,607	788	0	**86,409**
Investment liabilities	0	907	0	0	**907**
Financial guarantees	86,817	0	0	0	**86,817**
Total liabilities	**156,831**	**17,068**	**31,146**	**36,627**	**241,672**

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 2021 and in the year ended 31 December 2020 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. As at 31 December 2021, the net debt ratio for Selena FM S.A. was 49% due to a increase in debt on account of the lease of enterprise.

Figures in PLN thousand	As at 31.12.2021	As at 31.12.2020
Interest bearing borrowings	128,050	62,650
Lease liabilities	1,947	3,415
Less cash and cash equivalents	-785	-5,170
Net debt	**129,212**	**60,895**
Equity	442,899	428,030
Equity and net debt	**572,111**	**488,925**
Gearing (net debt/equity + net debt)	**23%**	**12%**

6.3.1 Profit distribution for 2020

On 27 May 2021, the Annual General Meeting of Selena FM S.A. adopted a resolution to distribute the Company's net profit for 2020 of PLN 75,379,472.95 as follows: PLN 75,000,000.00 to create a capital reserve for the purchase of the Company’s own shares, with PLN 379,472.95 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 recognized 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 recognized in the profit and loss as a result of settlement of the initially recognized amount during the period of the guarantee's validity, and
- an amount estimated in accordance with the expected credit loss model under IFRS 9.

Guarantees given

			2021-12-31			2020-12-31		
	Secured obligation	Beneficiary	Amount in currency (m)	Ccy	Expires	Amount in currency (m)	Ccy	Expires
1	Joint credit limit	Bank	15.22	PLN	01/2022	4.47	PLN	12/2021
	Joint credit limit	Bank	0.00	PLN	07/2021	2.85	PLN	07/2021
	Joint credit limit	Bank	8.54	PLN	06/2024	0.00	PLN	06/2021
2	Loan	Bank	196.36	RUB	08/2022	79.81	RUB	06/2021
	Loan	Bank	176.25	RUB	05/2022	160.61	RUB	05/2021
	Loan	Bank	5.50	CNY	08/2022	4.97	CNY	12/2021
	Loan	Bank	6.11	UAH	09/2022			
	Loan	Bank	2.00	BRL	09/2022			
	Loan	Bank	968.08	KZT	10/2022			
	Financing	Bank	6.21	EUR	2022	5.05	EUR	2021
	Financing	Bank	1.30	EUR	2023	0.40	EUR	2022
	Financing	Bank	2.70	EUR	2025	0.97	EUR	2023
	Financing	Bank	0.52	EUR	2026	2.70	EUR	2025
3	Supplies	Supplier	9.88	EUR		3.80	EUR	
	Supplies	Supplier	0.50	RON		0.50	RON	
	Supplies	Supplier	5.00	PLN		4.50	PLN	

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 2021. In the opinion of the Management Board the risk of the companies' default under the agreements is marginal.

2 – Loan agreements (or other forms of finance) taken out by subsidiaries. The actual amounts of the loans taken are stated as at 31 December 2021.

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 realization 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. The maximum nominal value of contingent liabilities not included in the settlement, taking into account liabilities recognized in the statement of financial position as at 31 December 2021, is EUR 1.16 million.

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 2021 and 2020. 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 sale	Purchase of goods and services	Other revenues[1)]	Other costs
Subsidiaries	2021	781,065	852,113	53,264	8,559
	2020	615,861	606,116	40,643	5,639
Associates	2021	6,844	89	0	324
	2020	5,472	243	0	311
Subsidiaries of the ultimate controlling shareholder*	2021	16	120	2,383	173
	2020	167	0	85	0
TOTAL	**2021**	**787,925**	**852,322**	**55,647**	**9,056**
	2020	**621,500**	**606,359**	**40,728**	**5,950**

[1] the value includes other operating income and financial income, mainly dividends and interest on loans

** 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.

Figures in PLN thousand	Period	Loans	Trade receivables	Other receivables	Trade and other liabilities
Subsidiaries	2021	214,762	184,754	89	72,561
	2020	191,643	148,105	0	70,913
Associates	2021	0	3,404	0	0
	2020	0	2,014	0	212
Subsidiaries of the ultimate controlling shareholder*	2021	48,145	8	0	120
	2020	42,081	3	0	0
TOTAL	**2021**	**262,907**	**188,166**	**89**	**72,681**
	2020	**233,724**	**150,122**	**0**	**71,125**

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

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 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Balance sheet change in receivables and other non-financial assets	**-46,233**	**-28,488**
Change in income tax receivables	2,978	0
Change in receivables in respect of conversion into loans	-4,091	390
Change in receivables in respect of set-off	-7,168	0
Other	-687	0
Change in the balance of receivables in the statement of cash flows	**-55,201**	**-28,098**

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Balance sheet change in liabilities	**222,490**	**-4,027**
Change in the balance of loans	-90,540	7,215
Change in the balance of lease obligations	-166,792	8,662
Change in the balance of investment obligations	257	-447
Change in the balance of income tax obligations	10,226	-5,605
Change in liabilities in respect of set-offs	25,140	0
Change in the balance of obligations on account of purchase of shares in subsidiaries	-120	0
Change in the balance of provisions	-355	-238
Other	-2,012	0
Change in the balance of liabilities in the statement of cash flows	**-1,706**	**5,560**

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 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Short-term employment benefits, including bonuses (remuneration and deductions)	6,482	5,040
Remuneration for services provided to subsidiaries	769	516
Total	**7,251**	**5,556**

SUPERVISORY BOARD (Figures in PLN thousand)	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Short-term employment benefits, including bonuses (remuneration and deductions)	738	757
Total	**738**	**757**

The key management personnel also includes the beneficial owner of the Selena Group, who in 2021, in the period following his resignation as CEO of Selena FM S.A., obtained remuneration of PLN 122 thousand for services provided to Selena FM S.A.

Management Board members receive fixed and variable (bonus-based) remuneration. A decision on bonus payment for 2021 will be taken by the Supervisory Board.

The Group's consolidated accounts for 2021 (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 2021 and 2020 financial statements.

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Audit of the annual financial statements	269	240
Review of the interim financial statements	128	95
Total	**397**	**335**

7.6 Employment structure

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

Figures in PLN thousand	from 01.01.2021 to 31.12.2021	from 01.01.2020 to 31.12.2020
Sales	50	45
Administration	73	51
Marketing	46	32
Other	21	21
TOTAL	**190**	**149**

7.7 Events occurring after the balance sheet date

The Management Board of Selena FM S.A. constantly monitors and analyses the impact that the hostilities taking place since 24 February 2022 in Ukraine may have on the business activities of the Company. Due to the high uncertainty as to how the events in Ukraine will unfold, the Management Board of Selena FM S.A. has considered possible development scenarios and took preventive measures against the occurrence of negative effects on the Company's operations. The situation in Ukraine is a subsequent event, which according to its definition does not require adjustments to be made as at the end of the reporting period.

In the following periods, the Management Board of Selena FM S.A. will analyze the impact of changes and additional risks related to the outbreak of the war on the calculation of expected credit losses. As at 31 December 2021, the amount of receivables from subsidiaries in Eastern Europe was PLN 4.3 million, and PLN 3.9 million as at 31 March 2022. As at 31 December 2021, the balance of loans granted to subsidiaries in Easter Europe was PLN 16.7 million, and PLN 4.4 million as at 31 March 2022. Moreover, the Company guaranteed the repayment of loans by subsidiaries from Eastern Europe in a total amount of PLN 21.1 million as at 31 December 2021 and PLN 19.1 million as at 31 March 2022.

As at 31 March 2022, due to the geopolitical situation in Eastern Europe, the Company carried out impairment tests for its shares in Selena Vostok. As a result, an impairment allowance of PLN 6.8 million was recognized in respect of those shares. Apart from the impairment loss on the shares, the situation in Ukraine has not had a significant impact on the Company's operations in Q1 2022.

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.

Management Board President
Jacek Michalak

Chief Commercial Officer
Vice President
Sławomir Majchrowski

Chief HR Officer
Andrzej Zygadło

Chief Operating Officer
Roman Dziuba