



SELENA FM S.A.

**INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2019**

Wroclaw, 26 September 2019

INTERIM CONDENSED INCOME STATEMENT	3
INTERIM CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME	3
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION	4
INTERIM CONDENSED STATEMENT OF CASH FLOWS	5
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY	6
ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS	7
1. Information about the Company	7
2. Information about the financial statements	7
3. Accounting policies	9
4. Significant values based on professional judgement and estimates	10
5. Operating segments	11
6. Impairment of assets	11
7. Other operating income and operating costs	12
8. Financial revenues and expenses	13
9. Income tax	14
10. Profit per share	14
11. Dividends paid	14
12. Shares in subsidiaries	14
13. Loans granted and other financial assets	16
14. Inventories	17
15. Trade receivables	17
16. Other short-term receivables	18
17. Loans received	19
18. Trade liabilities	20
19. Other short-term liabilities	20
20. Other financial liabilities	20
21. Contingent liabilities and guarantees granted	20
22. Related party transactions	21
23. Goals and rules of financial risk management	22
24. Events occurring after the balance sheet date	24

INTERIM CONDENSED INCOME STATEMENT

Figures in PLN thousand	Note	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)	3 months ended 30 June 2019 (unaudited)	3 months ended 30 June 2018 (unaudited)
Continued operations					
Revenue from the sale of goods and materials		258,334	216,209	147,324	117,162
Revenues from the sale of services		12,988	12,490	6,970	7,140
Revenue from sales		271,322	228,699	154,294	124,302
Cost of sales		241,933	204,979	139,524	111,149
Gross profit (loss)		29,389	23,720	14,770	13,153
Other operating income	7.1	169	285	117	182
Selling and marketing costs		17,824	17,818	9,570	10,401
General and administrative expenses		15,191	13,855	7,576	5,869
Other operating costs	7.2	160	307	132	128
Impairment loss/ (-) reversal of impairment loss on financial assets		1,651	-487	12,667	-303
Operating profit (loss)		-5,268	-7,488	-15,058	-2,760
Financial revenues	8.1	33,152	34,546	26,973	32,994
Financial expenses	8.2	2,841	2,419	853	799
Impairment loss/ (-) reversal of impairment loss on financial assets		-5,449	14	-11,660	-110
Profit (loss) before tax		30,492	24,625	22,722	29,545
Income tax	9	1,051	-468	465	496
Net profit (loss) on continued operations		29,441	25,093	22,257	29,049
Discontinued operations					
Profit (loss) on discontinued operations		-	-	-	-
Profit (loss) after tax		29,441	25,093	22,257	29,049
Earnings per share (continued operations) (PLN/share):					
- basic		1.29	1.10	0.97	1.27
- on discontinued operations		-	-	-	-
- diluted		1.29	1.10	0.97	1.27

INTERIM CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME

Figures in PLN thousand	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)	3 months ended 30 June 2019 (unaudited)	3 months ended 30 June 2018 (unaudited)
Profit (loss) after tax	29,441	25,093	22,257	29,049
Other net comprehensive income	0	0	0	0
Total comprehensive income	29,441	25,093	22,257	29,049

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

Figures in PLN thousand	Note	30 June 2019 (unaudited)	31 December 2018
ASSETS			
Property, plant and equipment		4,905	2,837
Intangible fixed assets		15,365	15,800
Shares in subsidiaries	12	161,710	161,710
Long-term portion of loans granted	13	128,236	98,364
Non-current assets		310,216	278,711
Inventories	14	9,048	4,346
Trade receivables		169,218	159,235
CIT claimed		45	0
Other short-term receivables	16	20,823	22,375
Short-term portion of loans granted	13	14,807	24,772
Other short-term financial assets		146	277
Cash and cash equivalents		18,262	1,849
Current assets		232,349	212,854
TOTAL ASSETS		542,565	491,565
EQUITY AND LIABILITIES			
Registered capital		1,142	1,142
Supplementary capital		289,459	265,794
Other reserves		19,163	19,163
Retained profit/ loss carried forward		19,665	20,739
– retained profit/ loss from previous years		-9,776	-9,776
– profit (loss) after tax		29,441	30,515
Equity		329,429	306,838
Long-term portion of bank and other loans	17	81,919	83,450
Other financial liabilities	20	951	745
Deferred tax assets		1,146	96
Provision for retirement benefits		195	153
Non-current liabilities		84,211	84,444
Trade liabilities	18	117,238	85,597
Liabilities in respect of contracts with customers		556	953
Short-term portion of bank and other loans	17	4,152	8,516
Other financial liabilities	20	2,687	631
CIT tax payable		0	512
Other short-term liabilities	19	4,292	4,074
Current liabilities		128,925	100,283
Total liabilities		213,136	184,727
TOTAL EQUITY AND LIABILITIES		542,565	491,565

INTERIM CONDENSED STATEMENT OF CASH FLOWS

Figures in PLN thousand	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)
Cash flows from operating activities		
<i>Profit / loss before tax on continued operations</i>	30,492	24,625
Depreciation/ amortisation	2,799	1,718
FX (gains) / losses	-3,038	-335
Interest and dividends	-30,149	-28,222
Profit / loss on investing activities	7,480	573
Change in the balance of receivables	-35,260	-50,710
Change in the balance of inventories	-4,703	-6,016
Change in the balance of obligations	31,754	-3,798
Change in the balance of provisions	42	0
CIT paid	-108	-131
Other	-807	305
Net cash flows from operating activities	-1,498	-61,991
Cash flows from investing activities		
Inflows from the sale of tangible fixed assets	111	0
Acquisition of tangible and intangible fixed assets	-1,332	-224
Dividends and interest received	27,247	17,007
Loans granted	-739	-12,090
Repayments of loans granted	6,828	4,670
Net cash flows from investing activities	32,115	9,363
Cash flows from financing activities		
Repayment of lease obligations	-1,173	-324
Inflows from bank/ other loans received	25,614	93,051
Repayment of loans	-30,930	-47,820
Payment of dividend	-6,850	0
Interest paid	-854	-1,465
<i>including lease interest</i>	-73	0
Net cash flows from financing activities	-14,193	43,442
Increase (decrease) in cash and cash equivalents	16,424	-9,186
Change in cash and cash equivalents:	16,413	-9,151
net FX differences	-11	35
<i>Cash at the beginning of the period*</i>	<i>1,849</i>	<i>10,121</i>
<i>Cash at the end of the period*</i>	<i>18,262</i>	<i>970</i>

*including restricted cash:

as at 30 June 2019: PLN 0.05m

as at 30 June 2018: PLN 0.05m

INERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE 6 MONTHS ENDED 30 JUNE 2019

Figures in PLN thousand	Registered capital	Supplementary capital	Other reserves	Retained profit/ (loss carried forward) from:		Total equity
				prior years	current period	
As at 1 January 2019 (approved data)	1,142	265,794	19,163	20,739	0	306,838
Profit (loss) after tax	0	0	0	0	29,441	29,441
Total comprehensive income	0	0	0	0	29,441	29,441
Transfer of profit to the supplementary capital	0	23,665	0	-23,665	0	0
Dividend	0	0	0	-6,850	0	-6,850
As at 30 June 2019 (unaudited)	1,142	289,459	19,163	-9,776	29,441	329,429

FOR THE 6 MONTHS ENDED 30 JUNE 2018

Figures in PLN thousand	Registered capital	Supplementary capital	Other reserves	Retained profit/ (loss carried forward) from:		Total equity
				prior years	current period	
As at 1 January 2018	1,142	246,822	19,163	25,822	0	292,949
The effect of applying IFRS 9	0	0	0	-9,776	0	-9,776
As at 1 January 2018 (after adoption of IFRS 9)	1,142	246,822	19,163	16,046	0	283,173
Profit (loss) after tax	0	0	0	0	25,093	25,093
Total comprehensive income	0	0	0	0	25,093	25,093
Transfer of profit to the supplementary capital	0	18,972	0	-18,972	0	0
Dividend	0	0	0	-6,850	0	-6,850
As at 30 June 2018 (unaudited)	1,142	265,794	19,163	-9,776	25,093	301,416

ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

1. Information about the Company

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

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

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

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

The Company's core business includes:

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

Selena FM S.A. and its subsidiaries are controlled by Krzysztof Domarecki.

2. Information about the financial statements

2.1 Identification of the consolidated financial statements

These interim condensed financial statements are non-consolidated 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 condensed consolidated financial statements of the Group for the period ended 30 June 2019, published on 27 September 2019.

2.2 Interim report

The interim condensed financial statements do not contain all the information and disclosures required of annual financial statements and should be read jointly with the Company's financial statements for the year ended 31 December 2018 published on 26 April 2019. The interim financial result may not fully reflect the financial result achievable for the whole financial year due to the seasonality effect.

These interim condensed financial statements were reviewed by a statutory auditor,

2.3 Period covered by the financial statements

These financial statements cover the period of 6 months ended on 30 June 2019 and the data presented as at that date

These interim condensed consolidated financial statements of Selena FM Group cover the period of 6 months ended 30 June 2019, and the comparative data presented for the period of 6 months ended 30 June 2018.

The income statement and the statement of comprehensive income also cover the data for 3 months ended 30 June 2019 as well as comparative data for the period of 3 months ended 30 June 2018, which were not audited.

The statement of cash flows and the statement of changes in equity cover the data for the 6 months ended 30 June 2019 as well as comparative data for the period of 6 months ended 30 June 2018.

The statement of financial position covers the data presented as at 30 June 2019, and comparative data as at 31 December 2018.

2.4 Approval of the financial statements

These financial statements were approved for publication by the Management Board on 26 September 2019.

2.5 Basis of preparation

These interim condensed unconsolidated financial statements have been prepared in accordance with International Accounting Standard 34 – “Interim Reporting”, as approved by the EU.

2.6 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 interim condensed financial statements for 6 months ended 30 June 2019 have been prepared in accordance with the applicable accounting policies and give a true, fair and clear picture of the affairs of Selena FM Group and its net profit. The Management Board’s report on the activities of XTPL S.A. for the 6 months ended 30 June 2019 gives a true view of development, achievements and the situation of the Company, including a description of key threats and risks.

2.7 Measurement and reporting currency

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

At the balance sheet date, the assets and liabilities expressed in foreign currency are valued using the mean rate applicable to the respective currencies at the end of the reporting period that has been set by for the particular currency by the National Bank of Poland (30 June 2019 and 31 December 2018). The currency rates used for measurement of the balance sheet items expressed in foreign currency are presented in the table below.

Ccy	30 June 2019 (unaudited)	31 December 2018
1 USD	3.7336	3.7597
1 EUR	4.2520	4.3000
100 HUF	1.3140	1.3394
1 UAH	0.1427	0.1357
1 CZK	0.1672	0.1673
1 RUB	0.0592	0.0541
1 BRL	0.9773	0.9687
1 BGN	2.1740	2.1985
1 CNY	0.5437	0.5481
100 KRW	0.3232	0.3373
1 RON	0.8976	0.9229
1 TRY	0.6481	0.7108
100 KZT	0.9900	1.0124

2.8 Going concern

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

3. Accounting policies

Changes in the accounting policies

The accounting policies that were used in preparation of the financial statements are consistent with the policies used in preparation of the Company's financial statements for 2018, taking into account changes resulting from implementation of new standards: IFRS 16 "Leases".

Application of IFRS 16 Leases

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

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

According to the standard, the lessee is required to recognise:

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

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

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

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

In accordance with the adopted policy, at the moment of initial recognition, right of use assets are measured at cost including:

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

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

The lease liabilities have been measured based on the present value of lease payments during the lease contract. The payment included in the measurement includes:

- fixed payments less any lease incentives receivable
- variable lease payments that depend on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option

– payments of penalties for terminating the lease (if applicable).

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

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

The Company decided to use the following practical expedients provided for in IFRS 16:

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

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

Item in the statement of financial position Figures in PLN thousand	1 January 2019
Property, plant and equipment	2,928
Other financial liabilities	2,928

Reconciliation of transition from IAS 17 to IFRS 16 (lease liabilities) Figures in PLN thousand	1 January 2019
Operating lease liabilities (without discount) as at 31 December 2018	2,995
Impact of the discount using the incremental borrowing rate on implementation of IFRS 16	-67
Finance lease liabilities as at 31 December 2018	1,376
Lease liabilities as at 1 January 2019	4,304

Presented below is the impact of IFRS 16 on asset position as at 30 June 2019:

Rights of use split by asset classes: Figures in PLN thousand	31 December 2018	Impact of IFRS 16 as at 1 January 2019	1 January 2019 (after the application of IFRS 16)	30 June 2019
Buildings and structures	0	2,928	2,928	1,789
Plant and machinery	263	0	263	60
Vehicles	1,394	0	1,394	1,870

4. Significant values based on professional judgement and estimates

Accounting estimates and the professional judgement of the Company's management were of key importance in the process of application of the accounting policies to the areas outlined below:

- Impairment of long-term investments;
- Ability to use the deferred tax assets;
- Fair value of financial instruments;
- The expected dates and values of cash flows in respect of loans granted and amounts receivable.

In H1 2019, no significant changes were made to the assumption areas or methods. The business and macroeconomic assumptions underlying the estimates are updated on an ongoing basis depending on changes in the entity's environment and business projections. The selected assumptions used for asset impairment tests were described in Note 6 to this report.

5. Operating segments

The Management Board treats the Company's activity as a single operating segment. See Note 1 of this report for a description of the Company's activities.

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

Related parties account for more than 90% of the Company's revenues (92% in 2018). In the reporting period, the subsidiaries that account for more than 10% of the Company's total sales are: Selena Vostok (26%) and Selena S.A. (38%).

The building materials industry in which Selena FM operates is characterised by seasonality of sales, as described in the Management Board's report on the Group's activities for the period from 1 January to 30 June 2019 (Note 4.5).

6. Impairment of assets

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

As the Romanian company failed to achieve the expected sales levels in 2018, and due to the slower-than-expected implementation of new innovative products, including: dry mortars, wet plasters and ceramic adhesives, as at 31 December 2018, the Management Board of the Company performed an impairment test for the assets of Selena Romania srl and EURO MGA Product srl (a subsidiary of Selena Romania srl), in accordance with IAS 36 "Impairment". As at 31 December 2018, all the long-term assets invested in Selena Romania srl and EURO MGA Product srl were covered by impairment charges.

As at 30 June 2019, the analysis of indicators of impairment of fixed assets of the Romanian companies showed a need to repeat the test due to a significant change in the WACC compared to that assumed for 31 December 2018. Based on the projected future cash flows generated in the Romanian market over the 5-year projection period, the recoverable value of assets invested in the company was determined, and no need was identified to create an impairment charge for the companies' assets presented in these consolidated financial statements. The test caused a reversal of the impairment loss on long-term loans granted to Selena Romania srl in the amount of PLN 5,895 thousand originated as a result of conversion of trade receivables previously covered by a 100% allowance in the same amount. As at 30 December 2019, all the long-term assets invested in Selena Romania srl and EURO MGA Product srl amounted to PLN 11,567 thousand, after impairment allowances (made until 31 December 2018) of PLN 54,425 thousand.

The test used a 5-year cash flow projection. For the purpose of the test, WACC before tax was taken at 10.9% and the residual growth rate at 2.5%.

Future projections of cash flows include current operations in the Romanian market, particularly in the area of development of new products, including dry mortars and wet plasters, focused on implementation of innovative products and a further development of distribution combined with optimisation of production and logistics costs. If any material, negative deviations occur from the adopted action plan (in terms of market share increase and return on sales) and current macroeconomic projections for Romania, in the future reporting periods it might be necessary to post an impairment write-down on the fixed assets of Selena Romania srl and EURO MGA Product srl.

Sensitivity of the cash flow model is presented in the table below:

CGU	Selena Romania + EURO MGA
Assets tested	non-current assets
WACC before tax	10.9%
Residual growth rate	2.5%
Impairment	none
Model sensitivity - impairment amount at:	
WACC before tax increased by 1 p.p.	no charge
residual growth rate reduced by 1 p.p.	no charge
EBIT margin reduced by 1 p.p.	no charge

The test described above did not reveal any need to create an impairment charge for the value of fixed assets of the Romanian companies in the interim condensed consolidated financial statements of Selena FM S.A. as at 30 June 2019.

7. Other operating income and operating costs

7.1 Other operating income

	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)	3 months ended 30 June 2019 (unaudited)	3 months ended 30 June 2018 (unaudited)
Figures in PLN thousand				
Profit from disposal of non-financial fixed assets	101	8	98	8
Compensations, complaints	59	231	14	146
Other	9	46	5	28
Total other operating income	169	285	117	182

7.2 Other operating costs

	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)	3 months ended 30 June 2019 (unaudited)	3 months ended 30 June 2018 (unaudited)
Figures in PLN thousand				
Receivables cancelled/written off	1	105	1	23
Damages, penalties, fines	96	183	70	86
Other	13	1	11	1
Total other operating costs	160	307	132	128

8. Financial revenues and expenses

8.1. Financial revenues

Figures in PLN thousand	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)	3 months ended 30 June 2019 (unaudited)	3 months ended 30 June 2018 (unaudited)
Dividends and profit sharing	27,247	26,528	27,247	26,528
Interest, including:	4,124	3,252	2,094	1,727
<i>on bonds and loans granted</i>	4,118	3,252	2,091	1,727
<i>on bank deposits and accounts</i>	6	0	3	0
FX differences	1,781	4,766	-2,368	4,766
Valuation of currency contracts	0	0	0	-27
Total financial revenues	33,152	34,546	26,973	32,994

On 29 March 2019, the Annual General Meeting of the subsidiary Uniflex SpA adopted a resolution on payment of dividend of PLN 406 thousand from the profit for 2018 to its shareholder Selena FM S.A. The dividend was paid by a funds transfer on 31 May 2019.

On 19 June 2019, the Annual General Meeting of the subsidiary Selena Industrial Technologies Sp. z o.o. adopted a resolution on payment of dividend of PLN 12,086 thousand from the profit for 2018 to its sole shareholder, i.e. Selena FM S.A. The dividend was paid by a funds transfer in two tranches on 26 June 2019 and 27 June 2019.

On 24 June 2019, the Annual General Meeting of the subsidiary Selena S.A. adopted a resolution on payment of dividend of PLN 14,755 thousand from the profit for 2018 to its sole shareholder, i.e. Selena FM S.A. The dividend was paid by a funds transfer on 25 June 2019.

8.2 Financial expenses

Figures in PLN thousand	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)	3 months ended 30 June 2019 (unaudited)	3 months ended 30 June 2018 (unaudited)
Interest, including:	1,263	1,558	662	707
<i>on loans and advances received</i>	1,144	1,513	584	686
<i>on finance lease liabilities</i>	73	44	32	21
<i>on other obligations</i>	46	1	46	0
Valuation of currency contracts	1,013	567	18	567
FX differences	0	0	0	-711
Other financial expenses	565	294	173	236
Total financial expenses	2,841	2,419	853	799

In H1 2019, Selena FM S.A. hedged its expected cash flows with FX forwards and other financial instruments. In accordance with its hedging policy, the Company hedges an active part of currency exposure by entering into forward contracts mainly for the following currency pairs: EUR/RUB, EUR/KZT, EUR/PLN, USD/PLN and RON/PLN, CZK/PLN and HUF/PLN. On average in the period, the Company had open forward contracts hedging the rates up to EUR 5 million for each currency pair. The Company uses such financial instruments solely to hedge its FX risk and does not use them for speculative purposes. The Company does not use hedge accounting within the meaning of IFRS 9.

As at 30 June 2019, the Company had open forward contracts. The loss on the valuation of unrealised instruments amounted to PLN 162 thousand, and the loss connected with implementation of the contracts was PLN 851 thousand. The result on transactions was recognised in financial expenses under "Valuation of currency contracts".

As at the publication date, Selena FM S.A. had financial instruments in place relating to USD/PLN (USD 0.4 million), CZK/PLN (CZK 3.0 million), CZK/PLN (CZK 3.0 million) and EUR/PLN (EUR 2.0 million) with settlement dates in the period until 31 March 2020.

9. Income tax

Figures in PLN thousand	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)
Income tax for the current period	0	0
Change in deferred income tax	1,051	-468
Tax charge carried in profit or loss:	1,051	-468

10. Profit per share

The basic profit per share is calculated by dividing the net profit for the period attributable to the ordinary shareholders by the weighted average number of outstanding ordinary shares during the period. The table below shows a calculation of the profit(loss) per share in the reporting period.

		6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)	3 months ended 30 June 2019 (unaudited)	3 months ended 30 June 2018 (unaudited)
Profit (loss) attributable to the controlling interests	PLN	29,440,901	25,093,442	22,256,498	29,047,101
Average number of ordinary shares	share	22,834,000	22,834,000	22,834,000	22,834,000
Profit/(loss) per ordinary share	PLN/share	1.29	1.10	0.97	1.27
Number of shares, including dilution	share	22,834,000	22,834,000	22,834,000	22,834,000
Diluted profit per share	PLN/share	1.29	1.10	0.97	1.27

11. Dividends paid

On 27 May 2019, the AGM of Selena FM S.A. adopted a resolution on dividend payment in respect of a part of the Company's profit for 2018 in a total amount of PLN 6,850,200.00, i.e. PLN 0.30 per share. The record date, when the list of shareholders eligible for dividend is determined, was set to 3 June 2019. The shares of all series carry the same dividend rights. The dividend was paid in two tranches on 5 June and 7 June 2019.

12. Shares in subsidiaries

The table below shows the value of the shares in subsidiaries.

Figures in PLN thousand	30 June 2019 (unaudited)			31 December 2018		
	Gross	Write-down	Net	Gross	Write-down	Net
Selena S.A.	62,781	0	62,781	62,781	0	62,781
Selena Labs Sp. z o.o.	1,400	0	1,400	1,400	0	1,400
Carina Sealants Sp. z o.o.	8	0	8	8	0	8
Selena Industrial Technologies Sp. z o.o.	38,379	0	38,379	38,379	0	38,379
Selena Deutschland GmbH	4	0	4	4	0	4
Selena Italia srl	1,884	1,884	0	1,884	1,884	0
Selena Iberia sls	43,478	22,913	20,565	43,478	22,913	20,565
Uniflex S.p.A.	7,109	0	7,109	7,109	0	7,109
Selena USA Inc.	3,707	2,407	1,300	1,289	1,289	0
Selena Sulamericana Ltda	3,594	3,594	0	3,594	3,594	0
Selena USA Specialty Inc	-	-	-	2,418	1,118	1,300
Selena Romania SRL	11,944	11,944	0	11,944	11,944	0
Selena Bohemia s.r.o	9,936	0	9,936	9,936	0	9,936
Selena Hungária Kft.	679	679	0	679	679	0
Selena Bulgaria Ltd.	0	0	0	0	0	0
EURO MGA Product SRL	1	0	1	1	0	1
Selena Ukraine Ltd.	0	0	0	0	0	0
Selena CA L.L.P.	9,029	0	9,029	9,029	0	9,029
Selena Insulations	1,206	1,206	0	1,206	1,206	0
Weize (Shanghai) Trading Co., Ltd.	0	0	0	0	0	0
Selena Nantong Building Materials Co., Ltd.	33,910	33,910	0	33,910	33,910	0
Selena Vostok	11,197	0	11,197	11,197	0	11,197
Selena Malzemeleri Yapi Sanayi Tic. Ltd.	23,765	23,764	1	23,765	23,764	1
Value of shares	264,011	102,301	161,710	264,011	102,301	161,710

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

Events occurring after the balance sheet date

Acquisition of control over Uniflex S.p.A

On 24 June 2019, Selena FM S.A. received a notification from minority shareholders of Uniflex S.p.A. i.e., Franco Berlanda and Primaldo Paglialongi on the exercise of the put options by the above individuals, who had the right to acquire 20.25% and 15.75% of shares, respectively, in the share capital of Uniflex S.p.A. The right to sell Uniflex S.p.A. shares was given to minority shareholders in accordance with the shareholder agreement of 29 March 2017. On the basis of the above agreement, after receiving the notifications, Selena FM S.A. was required to purchase:

- 1) from Franco Berlanda: his 60,750 shares in the share capital of Uniflex S.p.A.
- 2) from Primaldo Paglialongi: his 47,250 shares in the share capital of Uniflex S.p.A.

On 4 July 2019, Selena FM S.A. acquired 108,000 shares for PLN 936 thousand EUR, representing 36% of the share capital of Uniflex S.p.A. Thus, Selena FM S.A. became the sole shareholder of Uniflex S.p.A. (100% shares in the share capital).

Increasing the share capital of Selena Ukraine Ltd.

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

13. Loans granted and other financial assets

Changes in the balance of the loans granted and other financial assets are presented in the table below.

Figures in PLN thousand		1 January 2019	Principal		Interest		Withholding tax	FX differences arising on balance sheet valuation	Write- down*	30 June 2019 (unaudited)
			Loans granted	Repaid	Accrued	Paid				
Subsidiaries										
Loans										
Gross value		222,656	27,642	-5,788	4,117	-1,108	-497	1,186	0	248,208
Impairment (-)/ reversal of impairment		-99,569	0	0	0	0	0	922	-6,567	-105,213
Net value		123,087	27,642	-5,788	4,117	-1,108	-497	2,108	-6,567	142,995
Non-connected entities										
Loans		48	0	0	1	-1	0	0	0	48
Valuation of derivatives		277	0	-131	0	0	0	0	0	146
TOTAL		123,412	27,642	-5,919	4,118	-1,109	-497	2,108	-6,567	143,189
<i>including long-term:</i>		<i>98,364</i>								<i>128,236</i>

* including a reversal of the impairment loss on the loans granted to Selena Romania srl in the amount of PLN 6,121 thousand originated as a result of conversion of trade receivables previously covered by a 100% allowance in the same amount.

The settlement dates for loans granted and other financial assets as at the balance sheet data are presented in the table below.

Maturity (in years)		below 1 year	1-3 years	Above 3 years	Without maturity	Total
30 June 2019 (unaudited), PLN '000						
Subsidiaries	Loans	14,759	30,329	97,907	0	142,995
Non-connected entities	Loans	48	0	0	0	48
TOTAL		14,807	30,329	97,907	0	143,043

Selena FM S.A. received loan repayments from subsidiaries totalling PLN 5,774 thousand:

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

On 15 January 2019, agreements were signed with Euro MGA Product S.R.L. re conversion of trade receivables to loans, in the amount of EUR 552 thousand and RON 3,953 thousand. Interest rates on the loans are variable. The repayment date for both loans is 31 December 2023. As a result of the conversion, the impairment loss on receivables in the amount of PLN 6,121 thousand was reversed. At the same time, an impairment allowance was created for new loans in the same amount.

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

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

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

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

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

Events occurring after the balance sheet date

After the balance sheet date, Selena FM S.A. received loan repayments of EUR 1,150 thousand from Selena CA L.L.P.

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

14. Inventories

Figures in PLN thousand	30 June 2019 (unaudited)	31 December 2018
Merchandise	9,098	4,346
Total inventory, gross	9,098	4,346
Impairment charge for inventory	50	0
Total net inventory	9,048	4,346

15. Trade receivables

The table below shows the age structure of trade receivables from unrelated companies together with an age analysis of expected credit losses on these receivables as at the balance sheet date.

Figures in PLN thousand		Total	Up-to- date	Days in arrears						
				< 30	31 – 60	61 – 90	91 – 120	121 – 180	181- 360	>361
30 June 2019	Trade receivables from non-related parties	12,793	11,619	15	0	1	26	1	10	1,123
	Default rate		1.6%	8.7%	21.3%	33.5%	45.4%	54.9%	71.5%	100.0%
	Expected credit loss	1,328	183	1	0	0	12	0	7	1,123
1 January 2019	Trade receivables from non-related parties	10,774	7,895	1,521	170	26	1	5	44	1,112
	Default rate		1.5%	6.3%	16.1%	27.5%	41.3%	60.0%	71.0%	100.0%
	Expected credit loss	1,256	44	56	3	7	0	3	31	1,112

The following table presents changes in the balance of impairment allowances for trade receivables.

	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)	3 months ended 30 June 2019 (unaudited)	3 months ended 30 June 2018 (unaudited)
Figures in PLN thousand				
Impairment allowance at the beginning of the period	27,501	22,701	16,643	31,955
<i>subsidiaries</i>	26,245	21,727	15,390	30,647
<i>other entities, including associates</i>	1,256	974	1,253	1,308
Application of IFRS 9	0	9,077	0	0
<i>subsidiaries</i>	0	8,956	0	0
<i>other entities, including associates</i>	0	121	0	0
Allowance in respect of expected credit loss at the beginning of the period after the application of IFRS 9	27,501	31,778	16,643	31,955
<i>subsidiaries</i>	26,245	30,683	15,390	30,647
<i>other entities, including associates</i>	1,256	1,095	1,253	1,308
Created according to IAS 39, including:	NA	3,393	-1,002	5,213
<i>subsidiaries</i>	NA	3,226	-1,002	5,046
<i>other entities, including associates</i>	NA	167	0	167
Impairment allowance created/ reversed (-) according to IFRS 9:	-10,365	-487	1,652	-377
<i>subsidiaries, including:</i>	-10,751	-479	1,266	-165
<i>EURO MGA Product SRL</i>	-6,121	-161	1	-5
<i>Selena Hungaria KFT</i>	0	0	0	-18
<i>Selena Deutschland GmbH</i>	0	0	0	-164
<i>Selena Ukraina Sp. z o.o.</i>	0	701	0	0
<i>Selena Sulamericana IND. E</i>	1,265	732	1,265	397
<i>Selena S.A.</i>	0	-50	0	-52
<i>Selena USA</i>	0	-146	0	-34
<i>Universal Energy Sp. z o.o.</i>	0	0	0	-150
<i>Selena Vostok</i>	0	-188	0	-190
<i>Selena Romania SRL</i>	-5,895	-617	0	-472
<i>TOO Selena Insulations</i>	0	0	0	-42
<i>Selena Nantong Building Materials Co. LTD</i>	0	-1,223	0	0
<i>Selena Shanghai Traiding CO LTD</i>	0	0	0	-10
<i>Selena Bulgaria Ltd.</i>	0	-426	0	-250
<i>Other connected companies</i>	0	899	0	825
<i>other entities, including associates</i>	386	-8	386	-212
FX differences arising on translation	115	1,177	-45	816
<i>subsidiaries</i>	127	1,134	-33	782
<i>other entities, including associates</i>	-12	43	-12	34
Impairment allowances at the end of the period	17,251	32,468	18,250	32,394
<i>subsidiaries</i>	15,620	31,142	16,623	31,264
<i>other entities, including associates</i>	1,631	1,326	1,627	1,130

16. Other short-term receivables

The table below presents the key items of other short-term receivables.

Figures in PLN thousand	30 June 2019 (unaudited)	31 December 2018
VAT claimed	17,893	19,777
Prepayments for deliveries	41	18
Settlements with employees	36	26
WHT	1,495	1,417
Prepayments and accruals	1,048	827
Other	310	310
Total other receivables	20,823	22,375

17. Loans received

The table below shows the debt in respect of borrowings.

Ref	Loan type	Maturity date	30 June 2019		31 December 2018	
			Long-term portion	Short-term portion	Long-term portion	Short-term portion
1	Working capital loan	07/2020	169	0	14,270	0
2	Working capital loan	07/2021	14,340	0	21,856	0
3	Working capital loan	12/2021	7,894	0	0	4,759
4	Working capital loan	06/2021	30,754	0	16,154	0
5	Working capital loan	11/2021	5,658	0	7,987	0
6	Non-bank loan	12/2023	2,405	63	2,483	0
7	Non-bank loan	12/2019	0	1,025	0	1,011
8	Non-bank loan	12/2019	0	1,716	0	1,728
9	Non-bank loan	12/2019	0	775	0	765
10	Non-bank loan	09/2022	8,700	210	8,700	70
11	Non-bank loan	12/2023	12,000	365	12,000	183
Total loans			81,919	4,152	83,450	8,516

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 30 June 2019, Selena FM S.A. maintained financial ratios at the levels required by the lenders.

On 30 January 2019, an Annex to the multi-purpose premium credit line contract of 26/11/2013 was signed (item 3 in the list). The Borrowers are: Selena S.A., Selena FM S.A., Tytan EOS Sp. z o.o., Izolacja Matizol sp. o.o., Libra sp. o.o., Orion PU sp. o.o. The amount of the multi-purpose credit line was increased to the maximum level of PLN 80 million. At the same time the availability period was extended to 31.12.2021. The split of the credit limit between the borrowers may change depending on the needs of the two entities. The interest rate is variable, based on 1M WIBOR + margin for the funds used in PLN and 1M EURIBOR + margin for the funds used in EUR. The facility is secured by a mortgage on the property of Libra sp. z o.o. along with assignment of the insurance policy, a blank promissory note issued by all Borrowers and assignment of all existing and future claims of some contractors of Selena S.A.

On 29 March 2019 an agreement was concluded with the bank to terminate the receivables limit agreement (item 1 from the list above).

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 30 June 2019, Selena FM S.A. maintained financial ratios at the levels required by the lenders.

18. Trade liabilities

Figures in PLN thousand	30 June 2019 (unaudited)	31 December 2018
Trade liabilities		
<i>amounts due to related parties</i>	107,759	77,995
<i>amounts due to other entities</i>	9,479	7,602
Total trade liabilities	117,238	85,597

19. Other short-term liabilities

Figures in PLN thousand	30 June 2019 (unaudited)	31 December 2018
Remuneration payable	3,174	2,990
Investment liabilities	45	496
Taxes and insurance payable	1,000	554
Advances received for future deliveries	63	34
Other liabilities	10	0
Total other liabilities	4,292	4,074

20. Other financial liabilities

Figures in PLN thousand	30 June 2019 (unaudited)	31 December 2018
Long-term financial liabilities	951	745
Finance lease obligations	951	745
Other financial liabilities	0	0
Short-term financial liabilities	2,687	631
Finance lease obligations	2,655	631
Other financial liabilities	32	0
Total financial liabilities	3,638	1,376

21. Contingent liabilities and guarantees granted

21.1. Guarantees granted

Selena FM S.A. did not give to non-Group companies any guarantees whose value would exceed 10% of its equity. Group companies, including Selena FM S.A., provide cross-guarantees to each other in connections with jointly incurred bank debt, and as part of commercial transactions. Details of these transactions as at 31 December 2018 were presented in the unconsolidated financial statements of Selena FM S.A. for 2018, Note 21.1.

In the first half of 2019, the following changes took place in the guarantees granted by Selena FM S.A.:

- On 30 January 2019, an annex was signed to the multi-purpose premium credit line agreement for Group companies. By virtue of the annex, the facility amount was increased from PLN 70 million to PLN 80 million. The company is jointly and severally liable for the debt of other borrowers.
- On 11 April 2019, Selena FM S.A. signed a guarantee line agreement for the foreign affiliates of Selena FM Group. The available limit amount will be up to EUR 6.5 million; the maximum validity period of bank guarantees and

letters of credit will be 13 months. The facility will be secured by accession of foreign affiliates to the debt: Selena S.A. and Carina Silicones Sp. o.o. together with the power of attorney to use the funds in the bank accounts.

- On 19 June, Selena FM granted a corporate guarantee to back up the loans to Selena Iberia (EUR 1.55 million) and extended guarantees used as security for loan agreements EUR 0.82 million.
- granting new guarantees to suppliers: EUR 2,049 thousand and PLN 4.5 million;
- expiry of guarantees for suppliers granted in prior periods (EUR 5.0 million, RON 500 thousand and PLN 3.0 million).

Events occurring after the balance sheet date

- On 5 July 2019, Selena FM extended the guarantee securing the loan to Selena Iberia (EUR 2.97 million).
- On 1 July 2019, Selena FM extended the guarantee securing the loan to Selena Vostok (RUB 350 million).

21.2 Court disputes

As at 30 June 2019 and by the date of preparation of this report Selena FM S.A. was not a party to any material court dispute.

22. Related party transactions

The table below shows transactions with related parties (subsidiaries, associates, members of the Company's governing bodies) over the 6 months ended 30 June 2019 and 30 June 2018, respectively.

Figures in PLN thousand	Period	Revenue from sales and recharged costs	Purchase of goods and services	Other revenues¹⁾	Dividends received	Other costs
Subsidiaries	2019	243,674	235,303	4,099	27,247	483
	2018	208,717	200,218	3,328	26,528	345
Associates	2019	1,906	33	0	0	0
	2018	2,453	0	0	0	0
Subsidiaries of the ultimate controlling shareholder*	2019	1,050	0	0	0	0
	2018	1,609	0	0	0	0
TOTAL	2019	246,630	235,336	4,099	27,247	483
	2018	212,779	200,218	3,328	26,528	345

¹⁾ the value includes other operating revenues and revenues from interest on loans

* the item includes entities connected through Mr Krzysztof Domarecki

The table shows the balance of transactions with related parties (subsidiaries, associates, members of the Parent Company's governing bodies) as at 30 June 2019 and 31 December 2018.

Figures in PLN thousand	Period	Loans	Trade receivables	Liabilities
Subsidiaries	2019	142,995	155,988	124,550
	2018	123,087	148,574	104,902
Associates	2019	0	1,600	0
	2018	0	1,013	35

Subsidiaries of the ultimate controlling shareholder*	2019	0	155	0
	2018	0	130	0
TOTAL	2019	142,995	157,743	124,550
	2018	123,087	149,717	104,937

* the item includes entities connected through Mr Krzysztof Domarecki

23. Goals and rules of financial risk management

Selena FM S.A. as a holding entity of the Group primarily focuses on ensuring finance for its subsidiaries' operating and investment needs, and on securing their liquidity. Granting interest-bearing loans to the subsidiaries is the main tool for this policy. The Company's cash is put on short-term deposits.

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

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

23.1 Market risk

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

23.1.2 FX 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 Company hedges the active part of its currency exposures relating to trade receivables and liabilities, i.e. those that can actually be realised over 12 months. Under its FX Risk Management Policy, Selena FM S.A. hedges its currency exposure by using multi-currency credit lines and currency derivatives. Details of currency contracts concluded in the first half of 2019 are described in Note 7.2.

23.2 Credit risk

The Company has identified the following items that carry credit risk:

- Loans granted
- Trade receivables and
- Cash and cash equivalents.

Due to the nature of the Company's business, financial assets (loans granted, trade debtors) mainly relate to connected entities. The Management Board regularly monitors and current and projected financial position of these companies and its impact on their ability to meet payments under the financial instruments – an expected credit loss is estimated in accordance with IFRS 9.

Changes in impairment allowance on loans granted and trade receivables in the first half of 2019, including comparative data, are presented in Note 13 and 15.

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

As at 30 June 2019, the Company had unutilised credit lines of PLN 130.8 million (PLN 171.4 million as at 31 December 2018) as part of the credit limits.

23.3 Liquidity risk

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

Taking into account the Company's balance sheet structure, no major liquidity risk exists at the balance sheet date. The Company's short-term assets (PLN 232.3 million) are nearly twice as high as the value of its short-term liabilities (PLN 128.9 million).

Trade liabilities do not carry any interest rate – they are usually payable within 60 days. The structure of trade liabilities to related parties and other entities is presented in Note 18.

Furthermore, in Note 21.1 of the financial statements the Company shows liabilities in respect of guarantees given that in the future might cause an outflow of cash from the company.

24. Events occurring after the balance sheet date

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

Person responsible for maintaining
books of account

Monika Szczot

Management Board President

Krzysztof Domarecki

Vice President for Sales

Dariusz Ciesielski

Vice President for Marketing

Christian Dölle

Management Board Member for
Finance

Jacek Michalak

Management Board Member for
Operations

Bogusław Mieszczak