



SELENA FM GROUP

EXTENDED CONSOLIDATED QUARTERLY REPORT
FOR THE PERIOD
FROM 1 JANUARY TO 31 MARCH 2019

Wrocław, 29 May 2019

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1. ADDITIONAL INFORMATION TO THE QUARTERLY REPORT

1.1 Financial highlights

1.1.1 Consolidated financials of Selena Group

	PLN '000		EUR '000	
	3 months ended 31 March 2019 (unaudited)	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2019 (unaudited)	3 months ended 31 March 2018 (unaudited)
Net revenue from sales	271,084	248,185	63,075	59,397
Operating profit (loss)	10,176	739	2,368	177
Profit (loss) before tax	9,098	-3,647	2,117	-873
Profit (loss) after tax	6,089	-4,177	1,417	-1,000
Profit (loss) after tax attributable to controlling interests	6,057	-4,153	1,409	-994
Comprehensive income	6,923	-3,919	1,611	-938
Comprehensive income attributable to shareholders of the Parent	6,868	-3,903	1,598	-934
Net cash flows from operating activities	12,125	-15,358	2,821	-3,676
Net cash flows from investing activities	-4,031	-6,109	-938	-1,462
Net cash flows from financing activities	-6,516	24,087	-1,516	5,765
Number of shares	22,834,000	22,834,000	22,834,000	22,834,000
Earnings per ordinary share (PLN/share) /EUR/share)	0.27	-0.18	0.06	-0.04
	31 March 2019 (unaudited)	31 December 2018	31 March 2019 (unaudited)	31 December 2018
Total assets	855,585	795,239	198,913	184,939
Non-current liabilities	148,842	132,677	34,604	30,855
Current liabilities	273,917	236,659	63,682	55,037
Equity	432,826	425,903	100,627	99,047
Registered capital	1,142	1,142	266	266

1.1.2 Financial data of the Parent Company

	PLN '000		EUR '000	
	3 months ended 31 March 2019 (unaudited)	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2019 (unaudited)	3 months ended 31 March 2018 (unaudited)
Net revenue from sales	117,028	104,397	27,230	24,985
Operating profit (loss)	9,790	-4,727	2,278	-1,131
Profit (loss) before tax	7,770	-4,919	1,808	-1,177
Profit (loss) after tax	7,184	-3,954	1,672	-946
Comprehensive income	7,184	-3,954	1,672	-946
Net cash flows from operating activities	8,802	-29,178	2,048	-6,983
Net cash flows from investing activities	4,496	-5,416	1,046	-1,296
Net cash flows from financing activities	-9,647	28,088	-2,245	6,722
Number of shares	22,834,000	22,834,000	22,834,000	22,834,000
Earnings per ordinary share (PLN/share) /EUR/share)	0.31	-0.17	0.07	-0.04

	31 March 2019 (unaudited)	31 December 2018	31 March 2019 (unaudited)	31 December 2018
Total assets	514,718	491,565	119,666	114,317
Liabilities	200,695	184,727	46,659	42,960
Equity	314,023	306,838	73,007	71,358
Registered capital	1,142	1,142	266	266

1.2 Group structure

The Group structure and changes in it were presented in Note 2.1.5 of this report.

1.3 Material developments in the reporting period

1.3.1 Group promotion

Selena Italia organises a sales force meeting – 10–11 January 2019

Selena Italia organised a national sales force meeting, during which it showcased new and flagship products with characteristic features that help them stand out in the market. The meeting took place in Bologna.

Selena S.A. participates in the Competition Judging Panel – 11 January 2019

Meeting of the Judging Panel of the 4YoungEngineers Competition - Selena S.A. participated in the Judging Panel's kick-off meeting as a Strategic Partner of the nationwide Young Engineers Programme.

Selena S.A. awarded as the Construction Company of 2018 – 24 January 2019

For the seventh time, Selena S.A. received an award for the Construction Company of the Year. At the same time, Andrzej Ulfig, the CEO of Selena S.A., was honoured with the Personality of the Year title, which is awarded to the most effective managers in the industry. The awards were granted by the Judging Panel chaired by prof. Leonard Runkiewicz. In addition to trading performance, the award criteria included innovativeness of the products and services offered, reliability and stability of the business and achievements vs. competitors.

Selena Vostok strengthens technical support (January–March 2019)

Selena Vostok strengthened its technical and educational support department and conducted hands-on product workshops. On 7–9 February, Selena Vostok took part in the conference: "Master of finishing work as a business owner: risk, typical problems, increase in the company's financial efficiency" (Kirovsk, Saint Petersburg region).

Training for builders – January 2019

Selena Vostok took part in a hands-on training during which it presented TYTAN Professional products: Professional foam adhesive TYTAN for cardboard and TYTAN Professional 60 SECONDS. The training was attended by many specialists from construction companies, who found the information provided as helpful and useful.

Selena S.A. participates in the BUDMA fair – 12–15 February 2019

Selena S.A. participates in the BUDMA Fair in Poznań. Selena took part in the construction fair and supported the organisation of the event of the Polish Roofers Association.

Selena S.A. participates in the BricoMarche Fair – 16–17 February 2019

Selena S.A. participated as an exhibitor in the 3rd III BricoMarche “Building Materials, DIY, Decoration” fair in Poznań, with presentations arranged at its stand. The event is an opportunity to gain new business contacts as well as to familiarise customers with Selena's product novelties.

Selena Iberia: meeting with Leroy Merlin – 20 February 2019

Selena Iberia introduced barrier systems for window installation to employees of the Leroy Merlin chain in Madrid. Each year, Leroy installs over 700,000 windows, and Selena helps installers improve the fitting process by means of Selena's products and systems.

Selena Iberia takes part in EXPOCADENA – 22–23 February 2019

Selena Iberia took part in EXPOCADENA private exhibition, where Selena debuted such products as: Power Fix, Aquaprotect and FOAD. 1300 participants took part in the show.

Selena Labs attends a seminar on 28 February 2019

Selena Labs participated in a seminar as part of the InnoPeer AVM project aimed at raising the awareness of SMEs in the region with respect to changes taking place in the economy. The seminar dealt with issues related to the implementation of the Agile Stage Gate model in the new product development (NPD) process at Selena, as well as the impact on innovation and challenges faced by R&D.

Selena FM S.A. and Selena S.A. participate in 4YoungEngineers – 5 March 2019

Selena FM SA and Selena S.A. participated in the Young Engineer Days in Warsaw, an event organised as part of 4YoungEngineers. During the event, one of the top Selena products was promoted – the innovative, highly reflective COOL-R coating.

Selena Italia participates in the BigMarket 2019 Fair – 8–9 March 2019

The annual fair in Florence is dedicated to a group of members of BigMat, an international firm selling building materials. During this fair, all group members meet with their suppliers, placing commercial offers and presenting new products.

Selena S.A. organises training – March 2019

Selena S.A. organized product training in cooperation with the Association of Finishing Works Specialists. During the training, Selena S.A. presented practical demonstrations of its new products on offer.

Reward for Selena S.A. – 21 March 2019

Selena S.A. won TopBuilder awards for 4 Tytan Professional products: Fix2 GT, Aquaprotect and P70 Ultra Foams foam adhesive for plasterboards, and participated in the Award Gala in Warsaw. Representatives of Selena S.A. received awards for 4 Tytan Professional products.

Selena Iberia – participation in FIGAN fair – 19–22 March 2019

Selena Iberia took part in the biggest industry event: FIGAN in Saragossa – International Animal Production Show. FIGAN's main theme was sustainable breeding and welfare of farmed animals. Selena Iberia supported one of its key clients who built façades using the COOL-R solution.

1.3.2 Research and new products in the portfolio

The Group's R&D activity is carried out chiefly by Selena Labs Sp. z o.o. and through the labs in China, Spain, Turkey and Italy.

During the first quarter of 2019, Selena Labs worked on development of the highly reflective waterproofing COOL-R roof coating, polyurethanes, silicones, acrylic-polyurethane hybrids and new applications for window assembly systems.

Laboratory work was completed on a transparent hybrid adhesive with strong initial grip. The product is used for bonding ceramic tiles, stone and wooden elements on walls.

Production of acrylic sealants was launched in the plant in Turkey.

Selena developed and put into production a new product line based on bitumen emulsions. Selena launched production of a thick-layer waterproofing compound based on bitumen emulsion.

In the first quarter of 2019, Selena Labs Sp. z o.o. also continued work under the HORIZON 2020 – EENSULATE and BIOMOTIVE projects. As part of EENSULATE, work was finalised on the PIR foam with better fire-resistant and thermal insulation properties and limited smoke during combustion. In the second project, conceptual work was started on the design of production lines for the production of polyester, prepolymers and TPU. Development was started of construction chemicals based on polymers obtained as a result of the project, including OCF foams, sealants and coatings.

Work is under way to start production of new water-based bitumen waterproofing emulsions. Foam adhesives and aerosol applications are developed. Work has started on products based on raw materials from biorenewable sources that have a positive impact on the natural environment. All products and systems are certified, taking into account not only mandatory requirements, e.g. those related to the CE mark, but also due to the expectations of end users, e.g. for LEED certification or other ECO-Label marks.

Selena is developing products from the Ultra line, low-temperature foams and flame-retardant foams.

1.4 Group performance drivers**1.4.1 Financial performance**

The tables below show selected items of the consolidated income statement for the 3 months ended 31 March 2019 and 31 March 2018, respectively, as well as selected financial ratios.

Figures in PLN thousand	3 months ended 31 March 2019 (unaudited)	3 months ended 31 March 2018 (unaudited)*	Change	Change %
Revenue from sales	271,084	248,185	22,899	9.2%
Cost of sales	186,340	176,848	9,492	5.4%
Gross profit	84,744	71,337	13,407	18.8%
Selling and marketing costs	49,107	44,197	4,910	11.1%
General and administrative expenses	24,415	24,916	-501	-2.0%
Other operating profit (loss)	590	-282	872	-
Impairment loss on financial assets	1,636	1,203	433	-
EBITDA (operating profit + depreciation + amortisation)	19,312	7,586	11,726	154.6%
Operating profit (EBIT)	10,176	739	9,437	1277.0%
Net financial income (loss)	-1,078	-4,386	3,308	-
Profit (loss) before tax	9,098	-3,647	12,745	-
Profit (loss) after tax	6,089	-4,177	10,266	-
Other net comprehensive income	834	258	576	-
Total comprehensive income	6,923	-3,919	10,842	-

			Change in p.p.
Gross profit margin	31.3%	28.7%	2.6
Selling costs/ revenue from sales	18.1%	17.8%	0.3
General and administrative expenses/ revenue from sales	9.0%	10.0%	-1.0
EBITDA margin %	7.1%	3.1%	4.0
Operating profit margin (EBIT%)	3.8%	0.3%	3.5
Net profit margin	2.2%	-1.7%	3.9

EBIT % - operating profit/ revenue from sales

EBITDA % - EBITDA/ sales

**Comparative data for the period of three months ended 31 March 2018 were adjusted due to reclassification of the cost of unused production capacity from other operating expenses to the cost of sales*

Revenue from sales

During the period of 3 months of 2019, consolidated revenue from sales amounted to PLN 271.1 million, which is by PLN 9.2% (PLN 22.9 million) higher than in the corresponding period of the previous year.

The growth of the revenue from sales over the three months of 2019 was mainly driven by an increase in sales to European countries, as a result of organic growth of transactions in all product groups (mainly sealants, foams and construction chemicals).

The sales of Selena Group are presented by three (reporting) geographical segments: the European Union (including Poland), Eastern Europe and Asia (including Russia and China), and North and South America (USA and Brazil). In Q1, the sales structure by segments has not changed significantly compared with the same period last year. European Union remains the key segment. In Q1 2019, it generated 70% (vs. 68% in Q1 2018) of the Group's total sales. The Poland operating segment had a 36% share in the Group's sales (the same as last year). The Eastern Europe and Asia reporting segment recorded a slight decrease in its share in the Group's sales (to 23%). The North and South America segment saw a slight growth in sales, and had a 7% contribution to Group's sales.

Segment	Segment's share in the Group's revenues		Change 2019 / 2018
	3 months ended 31 March 2019 (unaudited)	3 months ended 31 March 2018 (unaudited)	
European Union, including:	70%	68%	13%
<i>Poland</i>		36%	10%
<i>Other countries</i>		34%	17%
Eastern Europe and Asia	23%	26%	-5%
N&S America	7%	6%	28%

Gross profit on sales

For 3 months of 2019, Selena Group generated gross profit of PLN 84.7 million, i.e. PLN 13.4 million more year-on-year.

Gross profit margin was 31.3%, up 2.6 p.p. year-on-year. The increase resulted from a steady marketing of new, high-margin products.

Selling costs and general and administrative expenses

Selling costs over three months of 2019 were PLN 49.1 million, up PLN 4.9 million (11.1%) year-on-year. The figure was significantly affected by an increase in the cost of transport services and the situation in the labour market.

Over the 3 months of 2019, **general and administrative expenses** were PLN 24.4 million. They fell by PLN 0.5 million year-on-year. The decrease in general and administrative expenses is a consequence of changes in the membership of the Management Board of Selena FM SA. in the first quarter of 2019.

Operating profit (loss)

In the first quart of 2019, the Group generated operating profit of PLN 10.2 million versus PLN 0.7 million in the corresponding period of the previous year.

The result on other operations was negative at PLN -1.0 million, taking into account the impairment loss in respect of financial assets. The loss on other operations was affected by impairment allowances on receivables, less reversed allowances (PLN 1.6 million), impairment allowances for inventory, cost of liquidation of stocks and inventory shortages, less reversed allowances for the value of stocks and stock-taking overages (PLN 0.8 million in total). The result on other operations was also positively influenced by subsidies received (PLN 0.6 million).

Profit (loss) after tax

In the first quarter of 2019, Selena Group achieved net profit of PLN 6.1 million compared with PLN 4.2 million posted in the corresponding period of 2018. The Group's net result was primarily influenced by the net financial income, including by valuation of open currency positions (trading settlements and loans received/granted) and interest expense. The positive balance of FX differences was PLN 1.7 million vs. an FX loss of 2.4 million in Q1 2018. The cost of interest on loans and leases totalled PLN 1.3 million net (after reduction by the achieved interest income from bank deposits) compared with PLN 1.7 million incurred in the corresponding period of 2018.

For the three months of 2019, the income tax charge was PLN 3.0 million.

After the three months of 2019, EBITDA was PLN 19.3 million (including depreciation: PLN 9.1 million), which was by PLN 2.2 million higher year-on-year.

1.4.2 Asset and financial position

The table below shows selected figures of the consolidated balance sheet as at 31 March 2019 and 31 December 2018.

Figures in PLN thousand	31 March 2019 (unaudited)	31 December 2018	Change	Change %
Non-current assets	323,177	302,720	20,457	7%
Property, plant and equipment	229,801	211,586	18,215	9%
Intangible fixed assets	56,764	55,548	1,216	2%
Other long-term assets	36,612	35,586	1,026	3%
Current assets	532,408	492,519	39,889	8%
Inventories	191,021	180,916	10,105	6%
Trade receivables	243,715	217,910	25,805	12%
Cash	47,077	45,501	1,576	3%
Other current assets	50,595	48,192	2,403	5%
Equity	432,826	425,903	6,923	2%
Liabilities	422,759	369,336	53,423	14%
Bank and other loans	140,848	142,492	-1,644	-1%
Trade liabilities	159,620	132,116	27,504	21%
Other liabilities	122,291	94,728	27,563	29%
	31 March 2019 (unaudited)	31 December 2018		
Current liquidity	1.9	2.1		
Quick liquidity	1.2	1.3		
Debt ratio	49%	46%		

Current liquidity – current assets / current liabilities

Quick liquidity – current assets less stocks / current liabilities

As at 31 March 2019, the Group's asset position, with an increase in total assets of PLN 60.3 million vs. 31 December 2018, was affected by seasonality, resulting in an increase in net current assets (inventories, receivables, liabilities). The increase in the balance sheet total as at 31 March 2019 as compared to 31 December 2018 was also affected by implementation of IFRS 16 Leases (for details, see Note 2.3.2 of these condensed financial statements).

As at 31 March 2019, the current and quick liquidity ratios (1.9 and 1.2 respectively) point to the Group's ability to meet its obligations in a timely manner.

1.4.3 Debt

Figures in PLN thousand	31 March 2019 (unaudited)	31 December 2018
Interest bearing borrowings	140,848	142,492
Other financial liabilities	43,889	22,422
Less cash and cash equivalents	-47,077	-45,501
Net debt	137,660	119,413
Equity attributable to the shareholders of the Parent	432,214	425,346
Equity and net debt	569,874	544,759
Gearing (net debt / equity + net debt)	24%	22%
Debt ratio (liabilities / total assets)	49%	46%
Net debt / EBITDA*	1.50	1.73

* debt as at the balance sheet date; EBITDA for the last 4 quarters

As part of capital management, the Management Board monitors the net debt level by means of the gearing ratio, which is calculated as net debt to total equity + net debt. Net debt includes interest-bearing loans and other interest-bearing financial liabilities, decreased by cash and cash equivalents. Equity includes the equity attributable to the shareholders of the Parent. The Group aims to maintain the ratio in the 20-40% range.

The increase in net debt as at 31 March 2019 as compared to 31 December 2018 results mainly from the increase in lease liabilities due to adoption of IFRS 16 as of 1 January 2019.

As at 31 March 2019, the debt ratio amounted to 49% and was 3 pp higher than at the end of 2018. Net debt to EBITDA decreased to 1.50 from 1.73 as at 31 December 2018. The decrease was mainly caused by an increase in the EBITDA level with a relatively low increase in net debt. As at 31 March 2019, the ratio was lower than required by the lenders.

1.4.4 Cash flows

The tables below show selected items of the consolidated statement of cash flows for the three months ended 31 March 2019 and 31 March 2018, respectively.

Figures in PLN thousand	3 months ended 31 March 2019 (unaudited)	3 months ended 31 March 2018 (unaudited)	Change
Net cash flows from operating activities	12,125	-15,358	27,483
Net cash flows from investing activities	-4,031	-6,109	2,078
Net cash flows from financing activities	-6,516	24,087	-30,603
Change in cash and cash equivalents:	1,578	2,620	-1,042

In Q1 2019, net cash flows were PLN 1.6 million.

Operating cash flows were PLN 12.1 million, up PLN 27.5 million on the corresponding period of 2018. Changes in net current assets were as follows: receivables (PLN -24.2 million), inventories (PLN -8.8 million) and liabilities (PLN -33.4 million). The change of PLN -0.4 million in net current assets in the first quarter of 2019 (compared to the change of PLN -20.3 million in Q1 2018) was mainly due to higher sales and inventory level optimization (turnover shorter by 14 days).

Net cash flows from investing activities were negative at PLN -4.0 million and investment expenses were down PLN 2.1 million year-on-year.

In Q1 2019, net cash inflows from financing activity were PLN -6.5 million. This figure was mainly affected by the bank loans (PLN 47.8 million) obtained to fund working capital requirements and investments, repayment of bank and other loans (-PLN 49.7 million), lease payments (-PLN 3.4 million) and interest paid (PLN -1.1 million).

1.5 Seasonality of business

The building materials industry in which Selena Group operates is characterised by seasonality of sales. Lower activity is seen in the winter and early spring months, while in the subsequent quarters sales increase to usually peak in the third quarter. Looking at the figures for 2017–2018, one may conclude that sales in individual quarters have the following contribution to the total annual sales: Q1 – 18%, Q2 - 27%, Q3 - 30%, Q4 - 25%. Seasonal fluctuations of sales are primarily affected by the weather and fluctuations in sales in the individual geographies where the Group operates.

1.6 Delivery of forecasts

The Selena Group did not publish any performance forecast for 2019.

1.7 Issue, redemption of repayment of non-equity and equity instruments

In the period covered by this report, Selena FM S.A. did not issue, redeem or repay any non-equity or equity securities.

1.8 Dividend paid and proposed

On 27 May 2019, the AGM of Selena FM S.A. adopted a resolution on dividend payment in respect of a part of the Parent Company's profit for 2018 in a total amount of PLN 6,850,200, 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, while the dividend payment date was set to 7 June 2019.

1.9 Shareholders of the parent

The table below shows distribution of share capital and voting power among shareholders of the Parent Company as at the date of publication of this report.

Shareholder	Share types	Number of shares acquired	Share in registered capital	Number of votes	Share in votes at the AGM
AD Niva Sp. z o.o. *	Registered preference shares	4,000,000	17.52%	8,000,000	29.81%
	Bearer shares	5,763,000	25.24%	5,763,000	21.48%
Syrius Investments S.a.r.l.*	Bearer shares	8,050,000	35.25%	8,050,000	30.00%
Quercus Towarzystwo Funduszy Inwestycyjnych S.A. **	Bearer shares	1,367,141	5.99%	1,367,141	5.09%

* entity controlled by Krzysztof Domarecki, President of the Management Board

**As at 7 July 2016

In the reporting period, no changes were reported regarding the shareholding of the significant shareholders of the Parent.

1.10 Shareholdings by executive and non-executive directors

The table below shows a summary of the shareholdings in the Parent Company by executive and non-executive directors as at the date of publication of this report.

Name	Role	Number of shares held	Nominal value per share (PLN)
AD Niva Sp. z o.o. *	-	9,763,000	488,150
Syrius Investments s.a.r.l.**	-	8,050,000	402,500

* entity controlled by Krzysztof Domarecki, President of the Management Board, through Syrius Investment s.a.r.l.

** entity controlled by Krzysztof Domarecki, President of the Management Board

Krzysztof Domarecki also holds 0.35% stake in Selena Labs sp. z o.o.

1.11 Litigations

At the date of approval of this report, no company from Selena Group was a party to any court proceedings where the claim value would exceed 10% of the Parent Company's equity.

Other significant court disputes were described in the consolidated financial statements of Selena FM Group for 2018 (Note 26.3). No significant changes in the description of litigations occurred in the period until approval of this report.

1.12 Related party transactions

In the reporting period, the Parent Company did not enter into any material transactions with its related parties on non-arm's length basis.

The material transactions between Selena FM and its subsidiaries were described in the quarterly report on the company's financial position (point 3.14 of this report).

1.13 Guarantees given

Either the Parent Company or any members of the Group did not give to third parties any guarantees whose value would exceed 10% of the Parent's equity.

Group companies provide cross-guarantees to each other in connections with jointly incurred bank debt, and as part of commercial transactions. These are intragroup transactions. Such guarantees given to the subsidiaries by Selena FM S.A. were described in detail in Note 20.1 of the unconsolidated financial statements of Selena FM S.A. for 2018. As at 31 March 2019, the result of the valuation of these guarantees according to IFRS 9 is immaterial.

1.14 Factors that will affect financial performance in the following quarters

The key factors that in the Management Board's opinion may affect the Group's performance in the following periods are described below.

The macroeconomic situation in Poland and world-wide. The forecast of the European Commission (EC) published on 7 May 2019 shows that the global economy is expected to see GDP growth of 3.2% this year and also 3.5% in 2020. Most importantly, EU Member States are to observe a growth of merely 1.4% and 1.6, respectively. As regards the key markets of Selena Group in Europe, it is important to note good but declining forecasts for the Spanish economy: 2.1% in 2019 and 1.9% of GDP in 2020. Positive GDP growth in 2019 is also expected in the other European geographies of Selena Group: Romania +3.3%, Hungary +3.7%, Czech Republic +2.6%, Bulgaria +3.3% and Italy +0.1%. EC expects Poland to record a strong GDP growth of +4.4%. For the United States and China, the EC forecasts an increase of 2.4% and 6.2%, respectively. IMF's forecasts of April 2019 point to the GDP growth in 2019: Russia up 1.6%, Turkey down 2.5%, Ukraine up 2.7%. Kazakhstan up 3.2%, Brazil up 2.1%.

Situation in the construction sector. According to the May forecast of the European Commission, expenditures on construction projects in the EU Member States are to increase by 2.4% in 2020, including in Poland by 3.7% and 3.0% in 2020. Increases are forecast also in other European countries where Selena Group operates: Spain up 4.1%, Romania 2.0%, the Czech Republic 3.2%, Hungary 14.8%, Bulgaria 4.5% and Italy 0.3%. Demand in the construction chemicals market will be influenced by the situation in the residential construction segment, where these materials are used to the highest degree. Data published by the Central Statistics Office (GUS) on 24 April 2019 for the three months of 2019 point to a growth of 5.8% in house completions year-on-year. At the same time the number of construction permits increased by 13.9%, while the number of commenced housing investments increased by 12.3%. After three months of 2018, the construction and assembly production was by 9.4% higher year-on-year. The situation in the construction sector in Selena Group's other geographies also is expected to be positive, except in Turkey.

Availability of financing. According to the results of the PENGAB banking business sentiment index published by the Polish Banks Association in February 2019, for 6-month projections 57% of the the polled bankers pointed to an increase, 37% to stabilisation and merely 6% to a decline in the volume of housing loans.

FX rates. According to the consensus of currency forecasts published by Thomson Reuters on 22 May 2019, in the coming months the zloty should be stable with a slight appreciation tendency towards 4.27 EUR/PLN at the end of the year. The currency markets of Central Europe should also see some stability. Towards the year-end, the following currency rates are expected (for the main markets): EUR/RUB 75.6 EUR/TRY 6.96 EUR/CZK 25.3 EUR/HUF 319 EUR/RUB 4.8 EUR/UAH 32.6.

Collection risk. Selena Group sells products with a deferred payment date, which causes a risk of non-payment for the products and services supplied to buyers. In order to minimise credit risk, Group companies monitor their trade receivables on an ongoing basis and operate a policy of approving credit limits. An increasing number of Group companies insure a portion of their trade receivables. The Group companies do not see any material increase in overdue debtors. The age structure of trade receivables is presented in Note 2.13 of the condensed consolidated financial statements.

1.15 Other significant information

This report presents information which might have a significant impact on the assessment of Selena's employment, asset or financial position, and which is key to assessment of its ability to meet its obligations.

2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

Figures in PLN thousand	Note	3 months ended 31 March 2019 (unaudited)	3 months ended 31 March 2018 (unaudited)
Continued operations			
Revenue from the sale of products		252,708	230,158
Revenue from the sale of goods and materials		17,849	17,791
Revenue from the sale of services and lease		527	236
Revenue from sales	2.5	271,084	248,185
Cost of sales		186,340	176,848
Gross profit (loss)		84,744	71,337
Other operating income	2.6	1,650	1,250
Selling and marketing costs		49,107	44,197
General and administrative expenses		24,415	24,916
Other operating costs	2.6	1,060	1,532
Impairment loss on financial assets		1,636	1,203
Operating profit (loss)		10,176	739
Financial revenues	2.7	3,355	731
Financial expenses	2.7	4,433	5,117
Share in net profit/loss of the associate		0	0
Profit (loss) before tax		9,098	-3,647
Income tax	2.8	3,009	530
Net profit (loss) on continued operations		6,089	-4,177
Discontinued operations			
Loss on discontinued operations		-	-
Net profit (loss) for the financial year, including:		6,089	-4,177
Attributed net profit (loss):			
- shareholders of the Parent		6,057	-4,153
- non-controlling interests		32	-24
Earnings per share (continued operations) attributable to the shareholders of the Parent (PLN / share)			
- basic	2.9	0.27	-0.18
- diluted		0.27	-0.18

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Figures in PLN thousand	3 months ended 31 March 2019 (unaudited)	3 months ended 31 March 2018 (unaudited)
Profit after tax	6,089	-4,177
Other comprehensive income not subject to reclassification to profit or loss	0	0
Other comprehensive income subject to reclassification to profit or loss:	834	258
FX differences arising on translation of foreign affiliates	826	-494
FX differences on measurement of investments into the net assets of a foreign subsidiary	776	630
Income tax	-768	122
Other comprehensive income for the period, after tax	834	258
Total comprehensive income	6,923	-3,919
Attributable to:		
- shareholders of the Parent	6,868	-3,903
- non-controlling interests	55	-16

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figures in PLN thousand	Note	31 March 2019 (unaudited)	31 December 2018
ASSETS			
Property, plant and equipment		229,801	211,586
Intangible fixed assets		56,764	55,548
Other fixed assets		7,825	7,556
Investments accounted for using the equity method		6,086	6,058
Other long-term receivables		386	387
Long-term portion of loans granted		45	45
Other long term financial assets		1,334	1,353
Deferred tax assets		20,936	20,187
Non-current assets		323,177	302,720
Inventories		191,021	180,916
Trade receivables	2.18.3	243,715	217,910
CIT claimed		5,658	5,359
Other short-term receivables	2.11	39,804	40,999
Short-term portion of loans granted		407	409
Other short-term financial assets		4,726	1,425
Cash and cash equivalents	2.18.3	47,077	45,501
Current assets		532,408	492,519
TOTAL ASSETS		855,585	795,239
EQUITY AND LIABILITIES			
Registered capital		1,142	1,142
FX differences arising on translation of foreign affiliates		-30,905	-31,716
Supplementary capital		577,016	577,016
Other reserves		9,633	9,633
Retained profit/ loss carried forward		-124,672	-130,729
– retained profit/ loss from previous years		-130,729	-157,330
– profit (loss) after tax		6,057	26,601
Equity attributable to the shareholders of the parent		432,214	425,346
Non-controlling interests		612	557
Total equity		432,826	425,903
Long-term portion of bank and other loans	2.12	120,750	115,712
Other financial liabilities	2.13	16,648	6,130
Other long-term liabilities	2.14	4,348	4,398
Deferred tax assets		3,767	3,143
Other long-term provisions	2.15	3,329	3,294
Non-current liabilities		148,842	132,677
Trade liabilities		159,620	132,116
Obligations to return remuneration		11,335	10,914
Short-term portion of bank and other loans	2.12	20,098	26,780
Other financial liabilities	2.13	27,241	16,292
CIT tax payable		2,594	2,265
Other short-term liabilities	2.14	47,356	41,973
Short-term provisions	2.15	5,673	6,319
Current liabilities		273,917	236,659
Total liabilities		422,759	369,336
TOTAL EQUITY AND LIABILITIES		855,585	795,239

CONSOLIDATED STATEMENT OF CASH FLOWS

Figures in PLN thousand	Note	3 months ended 31 March 2019 (unaudited)	3 months ended 31 March 2018 (unaudited)
Cash flows from operating activities			
Profit (loss) before tax		9,098	-3,647
Adjusted by:			
Depreciation/ amortisation		9,136	6,847
FX gains (losses)		-2,915	1,037
Interest and dividends		1,135	1,783
Profit/ (loss) on investing activities		60	-127
Change in the balance of receivables		-24,232	-18,725
Change in the balance of inventories		-8,761	-20,538
Change in the balance of obligations		33,413	18,979
Change in the balance of provisions		-611	-153
CIT paid		-3,682	-2,244
Other		-516	1,430
Net cash flows from operating activities		12,125	-15,358
Cash flows from investing activities			
Inflows from sale of tangible and intangible fixed assets		418	394
Acquisition of tangible and intangible fixed assets		-4,484	-6,558
Dividends and interest received		15	3
Other		20	52
Net cash flows from investing activities		-4,031	-6,109
Cash flows from financing activities			
Repayment of lease obligations		-3,440	-1,366
Inflows from bank/ other loans received		47,773	81,759
Repayment of loans and advances		-49,716	-54,443
Interest paid		-1,144	-1,863
<i>including lease interest</i>		-79	-94
Other		11	0
Net cash flows from financing activities		-6,516	24,087
Net increase in cash and cash equivalents		1,578	2,620
Change in cash and cash equivalents, including: net FX differences		1,576	2,653
Cash and cash equivalents at the beginning of the period*		45,501	52,921
Cash and cash equivalents at the end of the period*		47,077	55,574

*including restricted cash:

as at 31 March 2019: PLN 0.05m

as at 31 March 2018: PLN 0.2m

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

FOR 3 MONTHS ENDED 31 MARCH 2019

	Attributable to the shareholders of the parent						Total equity	Capital attributable to non-controlling interests	Aggregate equity
	Registered capital	Supplementary capital	FX differences arising on translation of a foreign affiliate	Other reserves	Retained profit/ (loss carried forward):				
					from previous years	from the current period			
Figures in PLN thousand									
As at 1 January 2019	1,142	577,016	-31,716	9,633	-130,729	0	425,346	557	425,903
Net profit (loss) for the financial year	0	0	0	0	0	6,057	6,057	32	6,089
Other net comprehensive income for the period	0	0	811	0	0	0	811	23	834
Total comprehensive income for the period	0	0	811	0	0	6,057	6,868	55	6,923
Transfer of profit to the supplementary capital	0	0	0	0	0	0	0	0	0
Dividend	0	0	0	0	0	0	0	0	0
As at 31 March 2019 (unaudited)	1,142	577,016	-30,905	9,633	-130,729	6,057	432,214	612	432,826

FOR 3 MONTHS ENDED 31 MARCH 2018

	Attributable to the shareholders of the parent						Total equity	Capital attributable to non-controlling interests	Aggregate equity
	Registered capital	Supplementary capital	FX differences arising on translation of a foreign affiliate	Other reserves	Retained profit/ (loss carried forward):				
					from previous years	from the current period			
Figures in PLN thousand									
As at 1 January 2018	1,142	551,402	-28,485	9,633	-111,457	0	422,235	490	422,725
Impact of implementation of IFRS 9	0	0	0	0	-177	0	-177	0	-177
As at 1 January 2018 (after adoption of IFRS 9)	1,142	551,402	-28,485	9,633	-111,634	0	422,058	490	422,548
Net profit (loss) for the financial year	0	0	0	0	0	-4,153	-4,153	-24	-4,177
Other net comprehensive income for the period	0	0	250	0	0	0	250	8	258
Total comprehensive income for the period	0	0	250	0	0	-4,153	-3,903	-16	-3,919
Transfer of profit to the supplementary capital	0	0	0	0	0	0	0	0	0
Dividend	0	0	0	0	0	0	0	0	0
As at 31 March 2018 (unaudited)	1,142	551,402	-28,235	9,633	-111,634	-4,153	418,155	474	418,629

ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

2.1 Information about the Group

2.1.1 General Information

Activities of the Group

Selena has been trading since 1992. The core business of the Group includes production, distribution and sale of building materials for doors and windows, and general building accessories. The Group has manufacturing plants located mainly in Poland, with trading operations in different countries in Europe, Asia and both Americas.

Parent Company

The Parent of the Group is Selena FM S.A. The 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. 292032 (previous KRS no. 0000129819). The Company was assigned the statistical number REGON 890226440.

The Parent Company's core business includes:

- distribution of the Group's products to foreign markets and to the domestic market (as a multi-distributor)
- providing subsidiaries with advice on strategic management, finance management, sales strategy as well as maintenance of accounting books for customers.

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

2.1.2 Management Board of the Parent Company

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

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

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

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

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

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

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

2.1.3 Supervisory Board of the Parent Company

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

- Krzysztof Domarecki – Supervisory Board Chairman
- Borysław Czyżak – independent Supervisory Board Member
- Andrzej Krämer – independent Supervisory Board Member

- Marlena Łubieszko-Siewruk – independent Supervisory Board Member
- Mariusz Warych – independent Supervisory Board Member.

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

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

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

2.1.4 Audit Committee and Strategy and Innovation Committee

From 15 June 2018 to 28 February 2019, the Audit Committee consisted of:

- Mariusz Warych – Chairman of the Audit Committee
- Marlena Łubieszko-Siewruk – Audit Committee Member
- Krzysztof Domarecki – Audit Committee Member.

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

Since 1 March 2019, the Audit Committee has consisted of:

- Mariusz Warych – Chairman of the Audit Committee
- Andrzej Krämer – Audit Committee Member
- Marlena Łubieszko-Siewruk – Audit Committee Member.

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

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

Since 15 June 2018, the Strategy and Innovation Committee has consisted of:

- Andrzej Krämer – Chairman of the Strategy and Innovation Committee
- Borysław Czyżak – member of the Strategy and Innovation Committee.

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

On 15 June 2018, the Supervisory Board of Selena FM S.A. appointed the Nominations and Remuneration Committee consisting of:

- Borysław Czyżak – Chairman of the Nominations and Remuneration Committee
- Marlena Łubieszko-Siewruk – member of the Nominations and Remunerations. Committee

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

2.1.5 Group members

The table below shows the ownership and organisational structure of the Group and division into operating segments. The data are presented as at 31 March 2019 and 31 December 2018.

All the companies in the table are consolidated using the full (line-by-line) method, except the associated company Hamil – Selena Co. Ltd., and House Selena Company Ltd., which are consolidated using the equity method.

The "owner" column specifies the name of the owner as at 31 March 2019.

Selena FM Group

Condensed consolidated financial statements for the period
from 1 January to 31 March 2019

Region	Country	Entity	Reg.Office	Activity	Group's Share		Owner	
					31 March 2019 (unaudited)	31 December 2018		
European Union	Poland	Selena FM S.A.	Wrocław	Group Head Office			-	
		Selena S.A.	Wrocław	Distributor	100.00%	100.00%	FM	
		Orion PU Sp. z o.o.	Dzierżonów	Manufacturer of foams, adhesives, distributor	99.95%	99.95%	SIT 1	
		Carina Silicones Sp. z o.o.	Siechnice	Manufacturer of sealants, distributor	100.00%	100.00%	SIT	
		Libra Sp. z o.o.	Dzierżonów	Manufacturer of sealants, adhesives, distributor	100.00%	100.00%	SIT	
		Izolacja Matizol Sp. z o.o.	Gorlice	Manuf. of roof coverings, hydroinsulation, distributor	100.00%	100.00%	SIT	
		Tytan EOS Sp. z o.o.	Wrocław	Manufacturer of loose materials	100.00%	100.00%	SIT	
		Selena Labs Sp. z o.o.	Siechnice	Research and Development	99.65%	99.65%	FM 1	
		Selena Marketing International Sp. z o.o.	Wrocław	Intellectual property management	100.00%	100.00%	SA	
		Taurus Sp. z o.o.	Dzierżonów	Legal administration	100.00%	100.00%	SIT	
		Carina Sealants Sp. z o.o.	Siechnice	Legal administration	100.00%	100.00%	FM	
		Selena Industrial Technologies Sp. z o.o.	Warsaw	Production management	100.00%	100.00%	FM	
		Oligo Sp. z o.o.	Katowice	Research and Development	100.00%	100.00%	SL	
		Western Europe	Spain	Selena Iberia sls	Madrid	Manufacturer of sealants, adhesives, distributor	100.00%	100.00%
Selena Italia srl	Limena			Distributor	100.00%	100.00%	FM	
Italy	Uniflex S.p.A.		Mezzocorona	Manufacturer of sealants, distributor	64.00%	64.00%	FM 4	
Central and Eastern Europe	Germany	Selena Deutschland GmbH	Hagen	Distributor	100.00%	100.00%	FM	
	Czech Republic	Selena Bohemia s.r.o.	Prague	Distributor	100.00%	100.00%	FM	
	Romania	Selena Romania SRL	Ilfov	Distributor	100.00%	100.00%	FM	
		EURO MGA Product SRL	Ilfov	Manufacturer of adhesives and cement mortars	100.00%	100.00%	ROM	
	Hungary	Selena Hungária Kft.	Pécs	Distributor	100.00%	100.00%	FM	
	Bulgaria	Selena Bulgaria Ltd.	Sofia	Distributor	100.00%	100.00%	FM	
Eastern Europe and Asia	Eastern Europe	Russia	Selena Vostok Moscow	Moscow	Distributor	100.00%	100.00%	FM 2
			Selena CA L.L.P.	Almaty	Distributor	100.00%	100.00%	FM
		Kazakhstan	TOO Selena Insulations	Nursultan	Manufacturer of insulation systems	100.00%	100.00%	FM
			TOO Big Elit	Nursultan	Manufacturer of dry mortars	100.00%	100.00%	CA
		Ukraine	Selena Ukraine Ltd.	Kiev	Distributor	100.00%	100.00%	FM 2
	Asia	China	Weize (Shanghai) Trading Co., Ltd.	Shanghai	Distributor	100.00%	100.00%	FM
			Selena Nantong Building Materials Co., Ltd.	Nantong	Manufacturer, distributor	100.00%	100.00%	FM
			Foshan Chinuri-Selena Chemical Co.	Foshan	Manufacturer of sealants, distributor	84.57%	84.57%	SA 1
			House Selena Trading Company Ltd.	Shanghai	Distributor	40.00%	40.00%	NAN
		S.Korea	Hamil - Selena Co. Ltd	Kimhae	Manufacturer of foams	30.00%	30.00%	SA 3
Middle East	Turkey	Selena Malzemeleri Yapi Sanayi Tic. Ltd.	Istambul	Man. of foams and sealants, distributor	100.00%	100.00%	FM	
		POLYFOAM Yalitim Sanayi ve Tic Ltd.	Istambul	Distributor	100.00%	100.00%	SA 2	
N&S America	N&S America	Brazil	Selena Sulamericana Ltda	Curitiba	Manufacturer, distributor	100.00%	100.00%	FM 3
		USA	Selena USA, Inc.	Holland	Distributor	100.00%	100.00%	FM
			Selena USA Specialty Inc.*	Holland	Property management	-	100.00%	FM

*On 1 January 2019, Selena USA Inc. merged (as acquiring company) with Selena USA Specialty Inc. (acquired company).

Explanations to the "Owner" column

FM - 100% owned by Selena SA (SFM)

FM 1 – shares owned by SFM, other shares are owned by Krzysztof Domarecki (Supervisory Board Chairman of Selena FM)

FM 2 – shares owned by Selena FM (99%) and Selena S.A. (1%)

FM 3 – shares owned by Selena FM (95%) and Selena S.A. (5%)

FM 4 – shares are owned by Selena FM, the remaining shares are held outside of the Group

SIT – 100% shares are owned by Selena Industrial Technologies Sp. z o.o.

SIT 1 – shares are owned by Selena Industrial Technologies Sp. z o.o. (99.95%), other shares outside the Group

NAN – affiliated company – owned by Selena Nantong Building Materials Co., Ltd.

SL - shares owned by Selena Labs Sp. z o.o. (100%)

SA – 100% owned by Selena SA

SA 1 – shares are owned by Selena S.A., the remaining shares are held outside of the Group

SA 2 – shares are owned by Selena S.A. (85%) and Carina Silicones Sp. z o.o. (15%)

SA 3 – associate – shares are owned by Selena SA

ROM – 99.87% shares owned by Selena Romania, other shares held by Selena FM

CA – 100% shares are owned by Selena CA L.L.P.

2.2 Data covered by the financial statements

2.2.1 Interim report

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

2.2.2 Period covered by the financial statements

These financial statements are interim condensed consolidated financial statements of Selena FM Group. They cover the period of 3 months ended 31 March 2019 and data as at that date.

The consolidated income statement and the consolidated statement of comprehensive income cover the period of 3 months ended 31 March 2019, and the comparative data presented as at 31 March 2018.

The consolidated statement of cash flows and the consolidated statement of changes in equity cover the data for the three months ended 31 March 2019 as well as comparative data for the period of three months ended 31 March 2018.

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

2.2.3 Notes

Notes are an integral part of these condensed consolidated financial statements.

2.2.4 Audit and review of financial statements

These condensed consolidated financial statements were not audited or reviewed by a statutory auditor.

2.2.5 Approval of the financial statements

These condensed consolidated financial statements were approved for publication by the Management Board of the Parent Company on 29 May 2019.

2.2.6 Measurement and reporting currency

The currency used for measurement and presentation of financials in these condensed consolidated financial statements is Polish zloty, and all figures have been presented in PLN thousand, unless specified otherwise.

The rates used for measurement of balance sheet items and the average rates for the individual reporting periods are presented in the table below.

Ccy	31 March 2019 (unaudited)	31 December 2018	3 months ended 31 March 2019 (unaudited)	3 months ended 31 March 2018 (unaudited)	3 months ended 31 March 2019 (unaudited)	3 months ended 31 March 2018 (unaudited)
1 USD	3.8365	3.7597	3.7830	3.3882	3.7830	3.3882
1 EUR	4.3013	4.3000	4.2978	4.1784	4.2978	4.1784
100 HUF	1.3409	1.3394	1.3529	1.3375	1.3529	1.3375
1 UAH	0.1411	0.1357	0.1388	0.1257	0.1388	0.1257
1 CZK	0.1666	0.1673	0.1670	0.1648	0.1670	0.1648
1 RUB	0.0593	0.0541	0.0580	0.0598	0.0580	0.0598
1 BRL	0.9835	0.9687	1.0034	1.0439	1.0034	1.0439
1 BGN	2.1993	2.1985	2.1975	2.1364	2.1975	2.1364

1 CNY	0.5712	0.5481	0.5642	0.5380	0.5642	0.5380
100 KRW	0.3376	0.3373	0.3365	0.3166	0.3365	0.3166
1 RON	0.9029	0.9229	0.9053	0.8968	0.9053	0.8968
1 TRY	0.6802	0.7108	0.7015	0.8831	0.7015	0.8831
100 KZT	1.0066	1.0124	0.9995	1.0548	0.9995	1.0548

2.2.7 Going concern

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

2.2.8 Basis of preparation

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

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

2.3 Accounting policies

2.3.1 Changes in the accounting policies

The accounting policies that were used in preparation of the financial statements are consistent with the policies used in preparation of the consolidated financial statements of Selena FM Group for 2018, taking into account changes resulting from implementation of new standards: IFRS 16 “Leases” as at 1 January 2019.

The impact of applying the above standard on the consolidated financial statements is presented below.

2.3.2 IFRS 16 Leases

The Group has applied IFRS 16 since 1 January 2019, without restating comparative data.

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.

By the date of publication of the financial statements for 2018, all work related to implementation of the new IFRS 16 had been completed.

The analysis looked at all finance lease, operating lease, rental and tenancy contracts and other types of contracts previously not carried as leases.

For the purposes of the first-time adoption of the standard, the Group applied the modified retrospective method and measured right-of-use assets 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.

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.

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

The Group 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);
- 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	1 January 2019
Figures in PLN thousand	
Property, plant and equipment	18,286
Intangible assets (perpetual usufruct of land)	1,749
Other financial liabilities	20,035

Presented below is the impact of implementation of IFRS 16 on the statement of financial position as at March 2019:

Rights of use split by asset classes:	31 December 2018	Impact of IFRS 16	1 January 2019	31 March 2019
Figures in PLN thousand				
Buildings and structures	3,433	11,176	14,609	13,214
Plant and machinery	7,632	0	7,632	12,339
Vehicles	3,102	7,110	10,212	8,604
Other intangible assets (perpetual usufruct of land)	0	1,749	1,749	1,749

2.4 Significant values based on professional judgement and estimates

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 estimates and assumptions give rise to the risk of possible corrections to the balance sheet assets and liabilities in the next reporting periods.

The assumptions were described in the annual consolidated financial statements of the Group for 2018, and particularly relate to:

- the loss of goodwill or other assets (including debtors and inventories)
- the applied depreciation / amortisation rates for tangible and intangible fixed assets
- ability to use the deferred tax assets
- valuation of provisions.

In Q1 2019, no significant changes were made to the assumption areas and methods, taking into account the adopted new IFRS 16 described in Note 2.3. The business and macroeconomic assumptions underlying the estimates 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.

2.5 Operating segments

The organisation structure of Selena FM Group is managed through the data received from the individual geographic segments (countries), later on referred to as operating segments. To the extent permitted by IFRS 8 (e.g. subject to the combination criteria in relation to the following aspects: type of products and services, type of production processes, type or group customers for products and services, methods used in the distribution of products and the type of regulatory environment), they are grouped based on the similarity of location, characteristics of the business and economic environment, and are grouped into the following reporting segments:

- European Union
- Eastern Europe and Asia
- North America and South America

Detailed allocation of operating segments to reporting segments is presented in Note 2.1.5.

Operating results of the segment are primarily measured using the net profit/loss and EBITDA ratio (an alternative measurement of results, which does not measure cash or liquidity and whose calculation may vary from one entity to another), which result directly from reports that are the basis for preparation of the condensed consolidated financial statements. EBITDA is calculated according to the following formula:

$$\text{EBITDA} = \text{Net profit/ loss} + \text{Income tax} +/- \text{share in the profit/loss of the affiliate} +/- \text{financial expenses/revenues} + \text{Depreciation/amortisation}$$

The accounting principles used for preparation of the financial data for reporting segments comply with the Group's accounting policy described in these financial statements.

The financial statements of the entire Group are regularly reviewed by the Management Board of the Parent Company for the purpose of decision-making. The Management Board is also responsible for allocation of resources in the Group.

The profit of a segment is the profit generated by the individual segments without allocation of the administrative expenses, Management Board's remuneration, finance income and expenses, and income tax charge. Non-allocated assets include settlements on account of current and deferred income tax. Revenues are allocated to segments based on the seller's registered office location.

Management of the Group's funding sources, finance income and expense management and the taxation policy are operated at the Group level and are not allocated to operating segments.

Prices in the transactions between the operating segments are determined on an arm's length principle as in the transactions with third parties.

The tables below show data on the revenues and profits of the individual geographic segments.

Selena FM Group S.A. does not have key customers, i.e. such which would account for more than 10% of the Group's revenues.

3 months ended 31 March 2019	EU	Eastern Europe and Asia	North and South America	Total segments	Consolid. adjustments and non- allocated results*	Total
Figures in PLN thousand						
Sales to external customers	189,185	61,901	19,998	271,084	0	271,084
Sales within a segment	170,943	7,685	0	178,628	-178,628	0
Sales between segments	51,030	1,134	0	52,164	-52,164	0
EBITDA	54,228	4,979	2,092	61,299	-41,987	19,312
Depreciation/ amortisation	-5,509	-951	-32	-6,492	-2,644	-9,136
Operating profit (loss)	48,719	4,028	2,060	54,807	-44,631	10,176
Financial revenue/ (expenses)	0	0	0	0	-1,078	-1,078
Income tax	0	0	0	0	-3,009	-3,009
Net profit (loss) for the period	48,719	4,028	2,060	54,807	-48,718	6,089

Capital expenditure	3,840	572	3	4,415	-	4,415
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* General and administrative expenses and consolidation adjustments

3 months ended 31 March 2018	EU	Eastern Europe and Asia	North and South America	Total segments	Consolid. adjustments and non- allocated results*	Total
Figures in PLN thousand						
Sales to external customers	167,717	64,876	15,592	248,185	0	248,185
Sales within a segment	164,751	1,500	0	166,251	-166,251	0
Sales between segments	42,066	1,890	0	43,956	-43,956	0
EBITDA	34,920	3,054	142	38,116	-30,530	7,586
Depreciation/ amortisation	-3,953	-712	-36	-4,701	-2,146	-6,847
Operating profit (loss)	30,967	2,342	106	33,415	-32,676	739
Financial revenue/ (expenses)	0	0	0	0	-4,386	-4,386
Income tax	0	0	0	0	-530	-530
Net profit (loss) for the period	30,967	2,342	106	33,415	-37,592	-4,177

Capital expenditure	5,654	508	0	6,162	-	6,162
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* General and administrative expenses and consolidation adjustments

The tables below show selected assets of the individual geographic segments as at 31 March 2019 and 31 December 2018.

31 March 2019 (unaudited) Figures in PLN thousand	EU	Eastern Europe and Asia	North and South America	Total segments	Consolid. adjustments	Total
Segment assets	1,078,446	177,694	29,178	1,285,318	-462,413	822,905
Investment in an associate	0	6,086	0	6,086	0	6,086
Non-allocated assets	0	0	0	0	0	26,594
Total assets	1,078,446	183,780	29,178	1,291,404	-462,413	855,585

31 December 2018 Figures in PLN thousand	EU	Eastern Europe and Asia	North and South America	Total segments	Consolid. adjustments	Total
Segment assets	992,304	170,885	28,159	1,191,348	-427,713	763,635
Investment in an associate	0	6,058	0	6,058	0	6,058
Non-allocated assets	0	0	0	0	0	25,546
Total assets	992,304	176,943	28,159	1,197,406	-427,713	795,239

2.6 Other operating revenues and operating costs

2.6.1 Other operating revenues

Figures in PLN thousand	3 months ended 31 March 2019 (unaudited)	3 months ended 31 March 2018 (unaudited)
Profit from disposal of non-financial fixed assets	244	125
Subsidies	633	120
Damages	299	569
Provisions released	185	239
Other	289	197
Total other operating income	1,650	1,250

2.6.2 Other operating costs

Figures in PLN thousand	3 months ended 31 March 2019 (unaudited)	3 months ended 31 March 2018 (unaudited)
Loss on disposal of non-financial fixed assets	6	129
Uncollectible receivables written off	5	95
Costs of impairment, liquidation of inventories and net inventory-taking difference	850	981
Damages, penalties, fines	84	107
Provisions raised	4	0
Other	111	220
Total other operating costs	1,060	1,532

The comparative data for the 3 months ended 31 March 2018 have been restated taking into account the following presentation changes introduced for the first time in the consolidated financial statements for 2018:

- reclassify the cost of unused production capacity from other operating expenses to the cost of sales
- reduce the revenue from inventory-taking overages in an amount corresponding to the decrease in expenses on account of inventory shortages; reduce revenue from reversed impairment allowances on inventories in an amount corresponding to

the cost of creating impairment allowances on inventories and aggregating, under a single heading, other operating expenses: in respect of impairment and liquidation of inventories and net balance of inventory-taking differences.

2.7 Financial revenues and expenses

2.7.1 Financial revenues

Figures in PLN thousand	3 months ended 31 March 2019 (unaudited)	3 months ended 31 March 2018 (unaudited)
FX gains	3,128	609
Interest on deposits and bank accounts	32	50
Other interest	193	41
Derivative financial instruments	0	27
Other financial revenues	2	4
Total financial revenues	3,355	731

2.7.2 Financial expenses

Figures in PLN thousand	3 months ended 31 March 2019 (unaudited)	3 months ended 31 March 2018 (unaudited)
Interest on bank and other loans	1,070	1,689
Interest on leases	271	97
Other interest	18	20
Derivative financial instruments	995	0
FX losses	1,467	3,047
Other financial expenses	612	264
Total financial expenses	4,433	5,117

In 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/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 IAS 39. As at 31 March 2019, the Company had open forward contracts; its obligation on account of valuation of unrealised instruments was PLN 202 thousand (the result on these transactions is recognised in financial revenues under "Valuation of currency contracts"). After the balance sheet date, Selena FM S.A. had financial instruments in place relating to USD/PLN (USD 1.4 million), RON/PLN (RON 1.5 million), CZK/PLN (CZK 5.5 million), EUR/RUB (EUR 2.5 million) and EUR/PLN (EUR 3.0 million) with settlement dates in the period until 31 March 2020.

2.8 Income tax

	3 months ended 31 March 2019 (unaudited)	3 months ended 31 March 2018 (unaudited)
Figures in PLN thousand		
<u>Current income tax:</u>		
Current income tax charge	4,078	3,248
Corrections to the current income tax from previous years	-236	0
<u>Deferred income tax:</u>		
Connected with origination and reversal of temporary differences	-833	-2,718
Tax disclosed in consolidated income statement	3,009	530

	3 months ended 31 March 2019 (unaudited)	3 months ended 31 March 2018 (unaudited)
Figures in PLN thousand		
Profit (loss) before tax	9,098	-3,647
Tax at the Polish statutory rate of 19%	1,729	-693
Costs/ (revenues) not included in the taxation basis	-515	-556
Tax effect of the losses not included in the taxation basis	1,785	1,430
Corrections to the current income tax from previous years	-236	0
Use of tax losses from previous years	-263	-103
Use of the deferred asset relating to trademarks	431	431
Tax relief for operations in the Special Economic Zone	-55	0
Effect of other tax rates in foreign affiliates	133	21
Tax at the effective tax rate	3,009	530
Effective tax rate	33%	-

2.9 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.

		3 months ended 31 March 2019 (unaudited)	3 months ended 31 March 2018 (unaudited)
Profit (loss) attributable to the controlling interests	PLN	6,056,731	-4,153,073
Average number of ordinary shares	share	22,834,000	22,834,000
Profit/(loss) per ordinary share	PLN/ share	0.27	-0.18
Number of shares, including dilution	share	22,834,000	22,834,000
Diluted profit per share	PLN/ share	0.27	-0.18

2.10 Inventories

The table below shows the movements in impairment charges on inventory.

Figures in PLN thousand	3 months ended 31 March 2019 (unaudited)	3 months ended 31 March 2018 (unaudited)
Opening balance	5,878	4,622
Creation	857	666
Utilisation	-566	-334
Release	-432	-109
FX differences	7	7
Closing balance	5,744	4,852

2.11 Other short-term receivables

Figures in PLN thousand	31 March 2019 (unaudited)	31 December 2018
VAT claimed	22,834	26,974
Prepayments for deliveries	6,872	6,184
Prepaid expenses	5,258	3,240
Other financial receivables	2,793	2,625
Other non-financial receivables	2,047	1,976
Total	39,804	40,999

2.12 Loans and advances

The balance of loans received is presented in the table below (PLN '000)

Ref	Loan type	Maturity date	31 March 2019 (unaudited)		31 December 2018	
			Long-term portion	Short-term portion	Long-term portion	Short-term portion
1	Working capital loan	07/2020	408	0	30,312	0
2	Working capital loan	07/2021	47,036	0	46,798	0
3	Working capital loan	12/2021	28,568	0	0	15,551
4	Working capital loan	06/2021	38,681	0	27,855	0
5	Working capital loan	08/2019	0	11,570	0	2,742
6	Working capital loan	01/2019	0	0	0	2,713
7	Working capital loan	11/2021	3,852	0	7,986	0
8	Other	Different	2,205	8,528	2,761	5,774
			120,750	20,098	115,712	26,780

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 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.

In January 2019, loan No. 6 from the summary above was repaid.

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 Parent Company separately or jointly with its subsidiaries, Selena FM S.A. undertook to maintain certain consolidated financial ratios at the levels agreed with banks. As at 31 March 2019, Selena Group maintained the consolidated financial ratios at the levels required by the lenders.

2.13 Other financial liabilities

Figures in PLN thousand	31 March 2019 (unaudited)		31 December 2018	
	Long-term portion	Short-term portion	Long-term portion	Short-term portion
Lease liabilities	16,648	15,483	6,130	5,082
Obligations in respect of bills settlement	0	5,669	0	5,325
Other financial liabilities	0	6,089	0	5,885
Total financial liabilities	16,648	27,241	6,130	16,292

2.14 Other liabilities

Figures in PLN thousand	31 March 2019 (unaudited)		31 December 2018	
	Long-term portion	Short-term portion	Long-term portion	Short-term portion
Investment liabilities	0	1,824	110	1,709
Prepayments for deliveries	0	2,199	0	2,121
VAT payable	0	9,543	0	7,068
Other taxes and insurance payable	0	9,034	0	8,556
Remuneration payable	0	16,230	0	13,556
Other liabilities	2,559	5,145	2,444	4,969
Deferred income	1,789	3,381	1,844	3,994
Total other liabilities	4,348	47,356	4,398	41,973

2.15 Provisions

The table below shows changes in the balance of provisions.

Figures in PLN thousand	3 months ended 31 March 2019 (unaudited)			Period ended 31 December 2018		
	Provision for retirement benefits	Other provisions	Total	Provision for retirement benefits	Other provisions	Total
Long term						
Balance at the beginning of the period	3,141	153	3,294	2,793	104	2,897
Provisions raised	60	0	60	670	47	717
Provisions released	0	0	0	-286	0	-286
Provisions used	-22	0	-22	-100	0	-100
Purchase of shares in a subsidiary	0	0	0	0	0	0
FX differences	1	-1	0	64	2	66
Other	-29	26	-3	0	0	0

Balance at the end of the period	3,151	178	3,329	3,141	153	3,294
Short term						
Balance at the beginning of the period	5	6,314	6,319	5	11,491	11,496
Provisions raised	0	170	170	0	1,015	1,015
Provisions released	0	-185	-185	0	-2,270	-2,270
Provisions used	0	-612	-612	0	-3,947	-3,947
Purchase of shares in a subsidiary	0	0	0	0	0	0
FX differences	0	-19	-19	0	25	25
Balance at the end of the period	5	5,668	5,673	5	6,314	6,319

2.16 Related party transactions

The table below shows transactions with directors of the Parent and with associates. The sales and purchases figures cover the period of 3 months ended 31 March (2019 and 2018, respectively), while the receivables and liabilities are presented as at 31 March 2019 and 31 December 2018.

Figures in PLN thousand	Period	Sale	Purchase	Receivables	Liabilities
		2019	5,689	0	2,968
Associates	2018	3,712	0	4,524	35
Subsidiaries of the ultimate controlling shareholder*	2019	337	101	259	0
	2018	1,552	154	130	0
Key management personnel**	2019	0	208	8	0
	2018	0	259	0	110
TOTAL	2019	6,026	309	3,235	227
	2018	5,264	413	4,654	145

* the item includes entities connected through Mr Krzysztof Domarecki

** the item includes members of the Management Board and Supervisory Board, their spouses, siblings, ascendants, descendants and other persons having close links with them.

2.17 Discontinued operations

In the period of 3 months ended 31 March 2019 the Group did not discontinue nor it plans to discontinue any type of business over the next 12 months.

2.18 Goals and rules of financial risk management

On the basis of the analysis of the key factors pertaining to the Group and its economic environment, the Management Board has identified the following financial risks:

- FX risk
- Interest rate risk
- Credit risk
- Liquidity risk
- Other (specific risks).

In Q1 2019, no significant changes occurred to the rules and tools used for financial risk management.

2.18.1 FX risk

For the purpose of risk analysis, FX risk is defined as a risk of volatility of the future cash flows denominated in other currencies than the Group's functional currency as a result of FX fluctuations. In the case of the Group, the risk arises from the fact that a major portion of the transactions is conducted beyond Poland and settled in other currencies than the functional currency. In consequence, the FX fluctuations affect the cash flows, expressed in the functional currency, generated by the Group companies (both on the income and cost side) and the open balance sheet positions (net assets) expressed in foreign currency.

The Group's exposure to currency risk includes the assets and liabilities denominated mainly in EUR, RUB, RON, KZT and TRY, which are not excluded from consolidation. The Group uses selected financial instruments to hedge the value of future cash flows denominated in foreign currencies and the net asset value of its foreign operations. Selena Group hedges the active part of its currency exposures relating to trade receivables and liabilities, i.e. those that can actually be realised over 12 months. Under its FX Risk Management Policy developed in 2017, Selena Group hedges its currency exposure by using multi-currency credit lines, in particular by entering into forward transactions, primarily in EUR/RUB and EUR/PLN.

2.18.2 Interest rate risk

For the purpose of risk analysis, interest rate risk is defined as a risk of fluctuations in the fair value of the future cash flows as a result of changes in the market interest rates. In the case of the Group the risk applies mainly to the bank and other loans, leases and interest-earning financial assets held by the Group companies (mainly cash).

The deposits opened by the Group companies are short-term in nature, therefore they reflect the current market conditions, but they also increase the risk of stability of future cash flows from interest.

As a rule, the Group does not use hedging instruments to protect itself from changes in the market interest rates.

2.18.3 Credit risk

Due the nature and size of its business, the Group's credit risk is subject to regular analysis for all the subsidiaries forming part of the Group. The Group enters into trading transactions with the companies that demonstrate a strong credit worthiness. The customers who are allowed trade credit are vetted depending on the nature and extent of the relationship. As a result, each client has an individually calculated credit limit and payment terms. Group companies regularly monitor the value and age structure of receivables and take collection measures to mitigate credit risk. Furthermore, selected companies of the Group entered into an agreement Atradius Credit Insurance N.V.S.A. to insure their trade receivables.

Since 1 January 2018, the Group has applied a impairment allowance matrix to calculate expected credit losses on trade receivables. Changes in impairment allowances on trade and other receivables alongside comparative data are presented in the table below:

Impairment charge for trade receivables and other financial receivables	3 months ended 31 March 2019	3 months ended 31 March 2018
Figures in PLN thousand	(unaudited)	(unaudited)
Allowance in respect of expected credit loss at the beginning of the period	35,102	34,452
Impact of IFRS 9	-	170
Allowance in respect of expected credit loss at the beginning of the period after the application of IFRS 9	35,102	34,622
Created/ reversed (-) according to IFRS 9	1,649	1,203
Utilisation	-1,022	-82
FX differences	415	49
Other	0	-129
Impairment in respect of expected credit loss at the end of the period	36,144	35,663

The age structure of trade receivables not subject to impairment charges is presented in the table below.

Figures in PLN thousand	Total	Up-to-date	Overdue, not covered by impairment charges (days in arrears):					>361
			< 30	31 – 60	61 – 90	91 – 180	181 - 360	
31 March 2019 (unaudited)	243,715	223,085	14,054	3,264	2,122	899	210	81
31 December 2018	217,910	188,946	20,379	5,678	1,269	997	266	375

The Group's maximum exposure to credit risk at the end of the reporting period approximates the full amount of the trade receivables, cash and other receivables, without taking account of the fair value of any collateral received.

Details on the assets held as security for loans are provided in Note 21.5 of the consolidated financial statements for 2018. The risk that no cash flows will be obtained from the indicated asset items is considered as low. In the situation of an increased credit risk, the Group is protected by asset impairment charges, which are reflected in the carrying amounts of the assets.

Cash is deposited with financial institutions in the form of short-term deposits. Credit risk associated with cash is low in the Management Board's opinion. 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.

As at 31 March 2019, the Group's companies had unutilised credit lines of PLN 211.80 million. As at 31 December 2018: PLN 210.04 million.

The high value of cash on bank accounts is connected with the separate presentation in the consolidated financial statements of settlements between the Polish members of Selena Group under cash-pool agreements (umbrella loan agreements).

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

Figures in PLN thousand	31 March 2019 (unaudited)	31 December 2018
Cash in bank	45,048	40,328
Cash on hand	287	227
Cheques (up to 3 months)	1,515	3,982
Short-term deposits	60	92
Cash in transit	167	872
Total	47,077	45,501

In the case of cash and cash equivalents, the Management Board of the Parent Company believes that the credit risk is low (stage 1 of the impairment model). A great majority of cash on bank accounts is held by Selena FM Group with financial institutions that have high, medium-high and medium credit rating and which have appropriate equity as well as a strong and stable market position.

2.18.4 Liquidity risk

The Group's Management Board seeks to maintain a balance between continuity and flexibility of financing. To this end, different funding sources are used, including investment loans, overdrafts and leases.

As part of its role of central coordination of the Group's finance management, Selena FM S.A. originates loans to its subsidiaries to ensure current financing and liquidity for them (the effect of such transactions is eliminated from the Group's consolidated accounts). Details of these transactions are contained in condensed unconsolidated financial statements of the Parent Company for the three months ended 31 March 2019.

2.18.5 Other risks

The Group has an extensive co-operation with customers from the Eastern markets (Russia, Ukraine, Kazakhstan). The executive boards of the Group companies are aware of the risks pertaining to the Eastern markets (FX, credit, legal, tax and political risk). Since 2015, the Group has operated a sales management model and a partial hedging of FX transactions designed to mitigate the above risks. The Group has also implemented the Currency Risk Management Policy, which

particularly provides for entering into forward contracts, especially for the currency pairs EUR/RUB and EUR/PLN. Additionally, in 2017, the Group provided financing for Selena Vostok's activities using local loans as part of its currency risk management.

Furthermore, a material portion of the Group's operating costs are the cost of commodities, including those purchased in foreign markets. Commodity prices are characterised by volatility and reflect fluctuations in the global economy and oftentimes are linked to changing oil prices. The growing commodity prices press on distributors' margins and bring demand down. On the other hand, decreasing prices may point to a dwindling demand and a beginning of a downturn. Stable growth and stable commodity prices positively affect the Group's business, ensuring more accurate projections of performance, while fluctuations in demand and an increase in commodity prices have a negative bearing on the Group's profitability.

2.19 Events occurring after the balance sheet date

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.

After the balance sheet date and until the approval of this report no other events took place that might materially affect the financial data presented in this report.

3. QUARTERLY FINANCIAL FIGURES OF SELENA FM S.A.

INCOME STATEMENT

Figures in PLN thousand	Note	3 months ended 31 March 2019 (unaudited)	3 months ended 31 March 2018 (unaudited)
Continued operations			
Revenue from the sale of goods and materials		111,010	99,047
Revenues from the sale of services		6,018	5,350
Revenue from sales		117,028	104,397
Cost of sales		102,409	93,830
Gross profit (loss)		14,619	10,567
Other operating income	3.3.1	52	103
Selling and marketing costs		8,254	7,417
General and administrative expenses		7,615	7,985
Other operating costs	3.3.2	28	179
Impairment (reversal of impairment) of financial assets		-11,016	-184
Operating profit (loss)		9,790	-4,727
Financial revenues	3.4.1	6,179	1,552
Financial expenses	3.4.2	1,988	1,620
Impairment (reversal of impairment) of financial assets		6,211	124
Profit (loss) before tax		7,770	-4,919
Income tax	3.5	586	-965
Net profit (loss) on continued operations		7,184	-3,954
Discontinued operations			
Profit (loss) on discontinued operations		-	-
Profit (loss) after tax		7,184	-3,954

STATEMENT OF COMPREHENSIVE INCOME

Figures in PLN thousand	3 months ended 31 March 2019 (unaudited)	3 months ended 31 March 2018 (unaudited)
Profit (loss) after tax	7,184	-3,954
Other net comprehensive income	0	0
Total comprehensive income	7,184	-3,954

STATEMENT OF FINANCIAL POSITION

Figures in PLN thousand	Note	31 March 2019 (unaudited)	31 December 2018
Property, plant and equipment		5,214	2,837
Intangible fixed assets		15,743	15,800
Shares in subsidiaries	3.7	161,710	161,710
Long-term portion of loans granted	3.8	106,426	98,364
Non-current assets		289,093	278,711
Inventories		9,286	4,346
Trade receivables	3.9	161,875	159,235
Other short-term receivables	3.10	20,603	22,375
Short-term portion of loans granted	3.8	28,342	24,772
Other short-term financial assets		0	277
Cash and cash equivalents		5,519	1,849
Current assets		225,625	212,854
TOTAL ASSETS		514,718	491,565
Registered capital		1,142	1,142
Supplementary capital		265,794	265,794
Other reserves		19,163	19,163
Retained profit/ loss carried forward		27,924	20,739
– retained profit/ loss from previous years		20,740	-9,776
– profit (loss) after tax		7,184	30,515
Equity		314,023	306,838
Long-term portion of bank and other loans	3.11	80,062	83,450
Other financial liabilities		1,251	745
Deferred tax assets		681	96
Provision for retirement benefits		153	153
Non-current liabilities		82,147	84,444
Trade liabilities	3.12	107,042	85,597
Liabilities in respect of contracts with customers		262	953
Short-term portion of bank and other loans	3.11	3,933	8,516
Other financial liabilities		2,791	631
CIT tax payable		0	512
Other short-term liabilities		4,520	4,074
Current liabilities		118,548	100,283
Total liabilities		200,695	184,727
TOTAL EQUITY AND LIABILITIES		514,718	491,565

STATEMENT OF CASH FLOWS

Figures in PLN thousand	3 months ended 31 March 2019 (unaudited)	3 months ended 31 March 2018 (unaudited)
Cash flows from operating activities		
Profit / loss before tax on continued operations	7,770	-4,919
Adjusted by:		
Depreciation/ amortisation	1,403	857
FX (gains) / losses	-3,388	757
Interest and dividends	-1,426	-676
Profit / loss on investing activities	7,352	97
Change in the balance of receivables	-18,899	-9,196
Change in the balance of inventories	-4,940	-770
Change in the balance of obligations	21,527	-15,492
CIT paid	-81	-60
Other	-516	224
Net cash flows from operating activities	8,802	-29,178
Cash flows from investing activities		
Inflows from the sale of tangible fixed assets	5	0
Acquisition of tangible and intangible fixed assets	-1,124	-99
Loans granted	0	-6,870
Repayments of loans granted	5,615	1,553
Net cash flows from investing activities	4,496	-5,416
Cash flows from financing activities		
Repayment of lease obligations	-615	-166
Inflows from bank/ other loans received	27,323	62,882
Repayment of loans	-35,934	-33,872
Interest paid	-421	-756
including lease interest	-41	-23
Net cash flows from financing activities	-9,647	28,088
Increase (decrease) in cash and cash equivalents	3,651	-6,506
Change in cash and cash equivalents:	3,669	-6,480
net FX differences	18	26
Cash at the beginning of the period*	1,849	10,121
Cash at the end of the period*	5,519	3,641

*including restricted cash:

as at 31 March 2019: PLN 0.05m

as at 31 March 2018: PLN 0.2m

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD OF 3 MONTHS ENDED 31 MARCH 2019

Figures in PLN thousand	Registered capital	Supplementary capital	Other reserves	Retained profit/ (loss carried forward):		Total equity
				prior years	current period	
As at 1 January 2019	1,142	265,794	19,163	20,740	0	306,839
Profit (loss) after tax	0	0	0	0	7,184	7,184
Total comprehensive income	0	0	0	0	7,184	7,184
As at 31 March 2019 (unaudited)	1,142	265,794	19,163	20,740	7,184	314,023

FOR THE PERIOD OF 3 MONTHS ENDED 31 MARCH 2018

Figures in PLN thousand	Registered capital	Supplementary capital	Other reserves	Retained profit/ (loss carried forward):		Total equity
				prior years	current period	
As at 1 January 2018	1,142	246,822	19,163	25,822	0	292,949
Impact of implementation of IFRS 9	0	0	0	-9,776	0	-9,776
As at 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	-3,954	-3,954
Total comprehensive income	0	0	0	0	-3,954	-3,954
Transfer of profit to the supplementary capital	0	0	0	0	0	0
Dividend	0	0	0	0	0	0
As at 31 March 2018 (unaudited)	1,142	246,822	19,163	16,046	-3,954	279,219

ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

3.1 Data covered by the financial statements

Details about the period covered by the financial statements, the comparative data, accounting policies used, other than described above, information on the entity (and connected entities) and significant events occurring during the reporting period and thereafter as well as other events that are material for the parent company are described in detail in the condensed consolidated financial statements of Selena FM Group, which is an element of this report.

3.2 Accounting policies

3.2.1 Changes in the accounting policies

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

3.2.2 IFRS 16 Leases

The Company applied IFRS 16 as of 1 January 2019, without restating 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.

The lessee will be 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.

As at the date of publication of the unconsolidated financial statements for 2018, the work related to the implementation of the new IFRS 16 had been completed. The analysis looked at all finance lease, operating lease, rental and tenancy contracts and other types of contracts identified at the Company 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.

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.

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 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);
- 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	1 January 2019
Figures in PLN thousand	
Property, plant and equipment	2,928
Other financial liabilities	2,928
<hr/>	
Reconciliation of transition from IAS 17 to IFRS 16 (lease liabilities)	1 January 2019
Figures in PLN thousand	
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 implementation of IFRS 16 on the statement of financial position as at March 2019:

Rights of use split by asset classes:	31 December 2018	Impact of IFRS 16	1 January 2019	31 March 2019
Figures in PLN thousand				
Buildings and structures	0	2,928	2,928	2,440
Plant and machinery	263	0	263	176
Vehicles	1,394	0	1,394	1,496

3.3 Other operating revenues and operating costs

3.3.1 Other operating revenues

	3 months ended 31 March 2019 (unaudited)	3 months ended 31 March 2018 (unaudited)
Figures in PLN thousand		
Profit from disposal of non-financial fixed assets	3	0
Compensations, complaints	45	85
Other	4	18
Total other operating income	52	103

3.3.2 Other operating costs

	3 months ended 31 March 2019 (unaudited)	3 months ended 31 March 2018 (unaudited)
Figures in PLN thousand		
Receivables cancelled/written off	0	82
Damages, penalties, fines	26	97
Other	2	0
Total other operating costs	28	179

3.4 Financial revenues and expenses

3.4.1 Financial revenues

	3 months ended 31 March 2019 (unaudited)	3 months ended 31 March 2018 (unaudited)
Figures in PLN thousand		
Dividends and profit sharing	0	0
Interest, including:	2,030	1,525
<i>on bonds and loans granted</i>	2,027	1,525
<i>on bank deposits and accounts</i>	3	0
FX differences	4,149	0
Valuation of currency contracts	0	27
Total financial revenues	6,179	1,552

In 2019, 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 by entering into forward contracts mainly for the following currency pairs: EUR/RUB, 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 IAS 39. As at 31 March 2019, the Company had open forward contracts; its loss on account of valuation of unrealised instruments was PLN 995 thousand (the result on these transactions is recognised in financial expenses under "Valuation of currency contracts"). After the balance sheet date, Selena FM S.A. had financial instruments in place relating to USD/PLN (USD 1.4 million), RON/PLN (RON 1.5 million), CZK/PLN (CZK 5.5 million), EUR/RUB (EUR 2.5 million) and EUR/PLN (EUR 3.0 million) with settlement dates in the period until 31 March 2020.

3.4.2 Financial expenses

Figures in PLN thousand	3 months ended 31 March 2019 (unaudited)	3 months ended 31 March 2018 (unaudited)
Interest, including:	601	851
<i>on loans and advances received</i>	560	827
<i>on lease liabilities</i>	41	23
<i>on other obligations</i>	0	1
Valuation of currency contracts	995	0
FX differences	0	711
Other financial expenses	392	58
Total financial expenses	1,988	1,620

3.5 Income tax

Figures in PLN thousand	3 months ended 31 March 2019 (unaudited)	3 months ended 31 March 2018 (unaudited)
Income tax for the current period	0	0
Change in deferred income tax	586	-965
Tax charge carried in profit or loss:	586	-965

3.6 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.

		3 months ended 31 March 2019 (unaudited)	3 months ended 31 March 2018 (unaudited)
Profit (loss) after tax	PLN	7,184,402	-3,953,659
Weighted average number of ordinary shares	share	22,834,000	22,834,000
Profit/(loss) per ordinary share	PLN/share	0.31	-0.17
Number of shares, including possible dilution	share	22,834,000	22,834,000
Diluted profit per share	PLN/share	0.31	-0.17

3.7 Shares in subsidiaries

Value of the shares in subsidiaries are presented in the table below.

Figures in PLN thousand	31 March 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 slu	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	0	0	0	2,418	1,118	1,300
Selena Romania SRL	11,944	11,944	0	11,944	11,944	0
Selena Bohemia s.r.o	9,936	0	9,936	9,936	0	9,936
Selena Hungária Kft.	679	679	0	679	679	0
Selena Bulgaria Ltd.	0	0	0	0	0	0 *
EURO MGA Product SRL	1	0	1	1	0	1
Selena Ukraine Ltd.	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

* value of shares below PLN 400

3.8 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	31 March 2019 (unaudited)
			Loans granted	Repaid	Accrued	Paid			
	Loans								
Subsidiaries	Gross value	222,657	17,873	-4,980	2,027	-634	-280	4,253	240,916
	Impairment (-)/ reversal of impairment	-99,570	-6,211	0	0	0	0	-415	-106,196
	Net value	123,087	11,662	-4,980	2,027	-634	-280	3,838	134,721
Non-connected entities	Loans	48	0	0	0	-1	0	0	47
	Valuation of derivatives	277	0	-277	0	0	0	0	0
TOTAL		123,412	11,662	-5,257	2,027	-635	-280	3,838	134,768
<i>including long-term:</i>		98,364							106,426

Maturity dates of the individual assets as at the balance sheet date are shown in the tables below.

Maturity (in years) 31 March 2019 (unaudited)		below 1 year	1-3 years	Above 3 years	Without maturity	Total
Subsidiaries	Loans	28,295	56,312	50,114	0	134,721
Non-connected entities	Loans	47	0	0	0	47
TOTAL		28,341	56,312	50,114	0	134,768

Selena FM S.A. received loan repayments from subsidiaries totalling PLN 4,980 thousand:

- Polyfoam Yalitim San.Tic.Ltd.Şti: TRY 75 thousand
- Selena Vostok: RUB 84,000 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. Both loans mature on 31 December 2023.

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. Both loans mature on 31 December 2023.

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.

Events occurring after the balance sheet date

On 11 April 2019, Selena FM S.A. received a loan repayment of RUB 13,000 thousand from Selena Vostok. No other repayments had been received by the date of publication of this report.

3.9 Trade receivables

The table below presents the age structure of trade receivables.

Figures in PLN thousand		Total	Up-to- date	Days in arrears						
				< 30	31 – 60	61 – 90	91 – 120	121 – 180	181- 360	>361
31 March 2019	Trade receivables from non-related parties	10,585	8,223	323	59	822	0	5	5	1,149
	Default rate		1.6%	8.7%	21.3%	33.5%	45.4%	54.9%	71.5%	100.0%
	Expected credit loss	1,219	50	0	13	0	0	3	4	1,149
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	1112

Figures in PLN thousand		3 months ended 31 March 2019 (unaudited)	3 months ended 31 March 2018 (unaudited)
Impairment charge at the beginning of the period		27,501	22,701
	<i>related parties</i>	26,245	21,727
	<i>other entities</i>	1,256	974
Application of IFRS 9		0	9,077
	<i>related parties</i>	0	8,956
	<i>other entities</i>	0	121
Allowance in respect of expected credit loss at the beginning of the period after the application of IFRS 9		27,501	31,778
	<i>related parties</i>	26,245	30,683
	<i>other entities</i>	1,256	1,095
Impairment charge created/ reversed (-) according to IFRS 9:		-12,017	-184
	<i>related parties, including:</i>	-12,017	-388
	<i>EURO MGA Product SRL</i>	-6,122	-156
	<i>Selena Deutschland GmbH</i>	0	164
	<i>Selena Ukraine Ltd.</i>	0	701
	<i>Selena Sulamericana Ltda</i>	0	335

<i>Selena USA Inc.</i>	0	-112
<i>Universal Energy Sp. z o.o.</i>	0	150
<i>Selena Romania SRL</i>	-5,895	-145
<i>Selena Nantong Building Materials Co. LTD</i>	0	-1,223
<i>Selena Bulgaria Ltd.</i>	0	-176
<i>Other connected companies</i>	0	74
<i>other entities</i>	0	204
Utilised	-1	0
FX differences arising on translation	160	361
<i>related parties</i>	160	352
<i>other entities</i>	0	9
Impairment allowances at the end of the period	16,643	31,955
<i>related parties</i>	15,390	30,647
<i>other entities</i>	1,253	1,308

3.10 Other short-term receivables

Figures in PLN thousand	31 March 2019 (unaudited)	31 December 2018
VAT claimed	18,048	19,777
Prepayments for deliveries	23	18
Settlements with employees	50	26
Withholding tax	1,304	1,417
Prepayments and accruals	868	827
Other	310	310
Total other receivables	20,603	22,375

3.11 Loans received

The table below shows the debt in respect of borrowings.

Loan type	Maturity date	31 March 2019 (unaudited)		31 December 2018	
		Long-term portion	Short-term portion	Long-term portion	Short-term portion
Working capital loan	07/2020	29	0	14,270	0
Working capital loan	07/2021	23,443	0	21,856	0
Working capital loan	12/2019	0	0	0	4,759
Working capital loan	06/2021	20,727	0	16,154	0
Working capital loan	11/2021	3,852	0	7,987	0
Working capital loan	12/2021	8,822	0	0	0
Non-bank loan	12/2023	2,490	0	2,483	0
Non-bank loan	12/2019	0	1,018	0	1,011
Non-bank loan	12/2019	0	1,732	0	1,728
Non-bank loan	12/2019	0	770	0	765
Non-bank loan	09/2022	8,700	140	8,700	70
Non-bank loan	12/2023	12,000	274	12,000	183
		80,062	3,933	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 31 March 2019, Selena FM S.A. maintained financial ratios at the levels required by the lenders.

3.12 Trade liabilities

Figures in PLN thousand	31 March 2019 (unaudited)	31 December 2018
Trade liabilities		
<i>amounts due to related parties</i>	97,427	77,995
<i>amounts due to other entities</i>	9,615	7,602
Total trade liabilities	107,042	85,597

3.13 Related party transactions

The table below shows transactions with related parties (subsidiaries, associates, members of the Company's governing bodies) over the 3 months ended 31 March 2019 and 31 March 2018.

Figures in PLN thousand	Period	Revenue from sales	Purchase of goods and services	Other revenues ¹⁾	Other costs
Subsidiaries	2019	105,743	102,254	1	186
	2018	94,736	90,432	1,579	152
Associates	2019	697	12	0	0
	2018	784	0	0	0
Subsidiaries of the ultimate controlling shareholder*	2019	337	0	0	0
	2018	2,334	0	0	0
TOTAL	2019	106,777	102,266	1	186
	2018	97,072	90,432	1,579	152

¹⁾ the value includes other operating revenues and financial revenues

* 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 31 March 2019 and 31 December 2018.

Figures in PLN thousand	Period	Loans	Trade receivables	Liabilities
Subsidiaries	2019	134,720	151,351	124,550
	2018	123,087	148,574	104,902
Associates	2019	0	932	0
	2018	0	1,013	35
Subsidiaries of the ultimate controlling shareholder*	2019	0	259	0
	2018	0	130	0
TOTAL	2019	134,720	152,542	124,550
	2018	123,087	149,717	104,937

* the item includes entities connected through Mr Krzysztof Domarecki

**The person who prepared the
financial statements**

Monika Szczot

Management Board President

Krzysztof Domarecki

Vice President for Sales

Dariusz Ciesielski

Vice President for Marketing

Christian Dölle

Management Board Member

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**Management Board Member
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Bogusław Mieszczak