



Management Board's report on the Group's activities for the 6 months ended 30 June 2021

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

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Financial highlights

1. Financial highlights

1.1 Group's financial data

	PLN '000		EUR '000	
	from 01.01.2021 to 30.06.2021	from 01.01.2020 to 30.06.2020 restated figures*	from 01.01.2021 to 30.06.2021	from 01.01.2020 to 30.06.2020 restated figures*
Revenue from contracts with customers	787,669	602,179	173,221	135,586
Operating profit	48,203	44,070	10,601	9,923
Profit before tax	49,374	37,544	10,858	8,453
Net profit	39,777	31,969	8,748	7,198
Profit after tax attributable to controlling interests	39,788	31,896	8,750	7,182
Comprehensive income	37,576	28,591	8,264	6,438
Comprehensive income attributable to shareholders of the parent	37,566	28,496	8,261	6,416
Net cash flows from operating activities	-45,132	3,196	-9,925	720
Net cash flows from investing activities	-16,675	-13,323	-3,667	-3,000
Net cash flows from financing activities	56,068	38,999	12,330	8,781
Number of shares	22,834,000	22,834,000	22,834,000	22,834,000
Earnings per ordinary share (PLN/share; EUR/share)	1.74	1.40	0.38	0.31

	As at	As at	As at	As at
	30.06.2021	31.12.2020 restated figures*	30.06.2021	31.12.2020 restated figures*
Total assets	1,131,478	936,762	250,283	202,991
Long-term liabilities	67,083	49,425	14,839	10,710
Short-term liabilities	494,886	355,400	109,469	77,013
Equity	569,509	531,937	125,975	115,268
Registered capital	1,142	1,142	253	247

*The reasons and effects of restatement of the data published in prior periods are contained in Note 1.3 of the interim consolidated financial statements for the period from 1 January to 30 June 2021

1.2 Financial data of the Parent Company

	PLN '000		EUR '000	
	from 01.01.2021 to 30.06.2021	from 01.01.2020 to 30.06.2020	from 01.01.2021 to 30.06.2021	from 01.01.2020 to 30.06.2020
Revenue from contracts with customers	446,491	321,963	98,190	72,493
Operating profit (loss)	23,403	22,478	5,147	5,061
Profit (loss) before tax	24,326	28,442	5,350	6,404
Profit (loss) after tax	24,674	26,032	5,426	5,861
Comprehensive income	24,674	26,032	5,426	5,861
Net cash flows from operating activities	-79,764	-18,753	-17,541	-4,222
Net cash flows from investing activities	13,434	8,194	2,954	1,845
Net cash flows from financing activities	63,817	27,512	14,034	6,195
Number of shares	22,834,000	22,834,000	22,834,000	22,834,000
Earnings per ordinary share (PLN/share) /EUR/share)	1.08	1.14	0.24	0.26

	As at	As at	As at	As at
	30.06.2021	31.12.2020 restated figures*	30.06.2021	31.12.2020 restated figures*
Total assets	702,805	605,117	155,460	131,125
Liabilities	250,101	177,087	55,322	38,374
Equity	452,704	428,030	100,138	92,752
Registered capital	1,142	1,142	253	247

*The reasons and effects of restatement of the data published in prior periods are contained in Note 1.3 of the interim standalone financial statements for the period from 1 January to 30 June 2021



Information about the Group

2. Information about the Group

2.1 Selena Group's activities

Selena FM Group (Selena Group, Group) is an international producer and distributor of construction chemicals. The Group's Parent is Selena FM S.A. ("Company", "Parent Company") based in Wrocław, which on 18 April 2008 debuted on the main market of the Warsaw Stock Exchange.

The core business of the Group includes production, distribution and sale of construction chemicals and general building accessories. Selena Group's product range includes:

- gun and straw foams;
- high-yield and low-pressure foams;
- summer, winter and multi-season foams;
- specialist foams;
- foam adhesives;
- sealants;
- mounting and industrial adhesives, chemical anchors;
- flooring systems;
- WINS window insulation and sealing systems;
- thermal insulation systems (ETICS);
- systems for finishing interior walls;
- systems for ceramic tiles;
- mortars;
- waterproofing products;
- passive fire protection solutions;
- building accessories.

The products on offer include solutions addressed to both professionals and individual users. The Group's leading brands include Tytan, Quilosa, Artelit, Cool-R and Matizol.

The Group's production plants are located in Poland, China, Romania, Turkey, Spain, Kazakhstan, South Korea and Italy, and its products are available on the markets of nearly 100 countries in the world. Selena also carries on research activities in Poland, China, Romania, Turkey, Spain and Italy.

2.2 Parent Company

The core business of Selena FM S.A. as the parent entity in Selena Group is distribution of the Group's products into foreign markets and into the domestic market (as a multi-distributor), and provision of advice to its subsidiaries with regard to strategic management, finance management, sales strategy and bookkeeping services. The Company strategically manages the Selena Group, which is composed of the units described in Note 2.2 to the interim condensed consolidated financial statements of the Group for the 6 months ended 30 June 2021.

2.3 Management Board of the Parent Company

As at 31 December 2020, the Company's Management Board was composed of:

- Krzysztof Domarecki – Management Board President (CEO);
- Dariusz Ciesielski – Chief Commercial Officer, Vice President;
- Christian Dölle – Chief Marketing & Strategy Officer, Vice President;
- Jacek Michalak – Chief Financial Officer;
- Marek Tomanek – Chief Operating Officer.

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

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

As at 1 January 2021, the Company's Management Board was composed of:

- Krzysztof Domarecki – Management Board President (CEO);
- Christian Dölle – Chief Marketing & Strategy Officer, Vice President;
- Sławomir Majchrowski – Chief Commercial Officer, Vice President;
- Jacek Michalak – Chief Financial Officer;
- Marek Tomanek – Chief Operating Officer.

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

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

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

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

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

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

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

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

2.4 Supervisory Board of the Parent Company

As at 31 December 2020, the Company's Supervisory Board was composed of:

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

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

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

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

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

2.5 Committees of the Parent Company's Supervisory Board

Audit Committee

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

- Mariusz Warych – Chairman of the Audit Committee;
- Borysław Czyżak – Audit Committee Member;
- Marlena Łubieszko-Siewruk – Audit Committee Member.

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

From 1 January to 26 May 2021 no changes took place in the Audit Committee.

On 27 May 2021, the Company's Supervisory Board appointed the Audit Committee with the following composition:

- Mariusz Warych – Chairman of the Audit Committee;
- Borysław Czyżak – Audit Committee Member;
- Paweł Wyrzykowski – Audit Committee Member.

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

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

Strategy and Innovation Committee

As at 31 December 2020, the Strategy and Innovation Committee was composed of:

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

From 1 January to 26 May 2021 no changes took place in the Strategy and Innovation Committee.

On 27 May 2021, the Company's Supervisory Board also decided to appoint the Strategy and Innovation Committee consisting of:

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

- Czesław Domarecki – member of the Strategy and Innovation Committee;
- Łukasz Dziekan – member of the Strategy and Innovation Committee.

In the period from 27 January 2021 to the date of publication of this report, there were no changes in the composition of the Strategy and Innovation Committee.

Nominations and Remuneration Committee

As at 31 December 2020, the Nominations and Remuneration Committee was composed of:

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

From 1 January to 26 May 2021 no changes took place in the Nominations and Remuneration Committee.

On 27 May 2021, the Supervisory Board appointed the Nominations and Remuneration Committee with the following composition:

- Borysław Czyżak – Chairman of the Nominations and Remuneration Committee;
- Andrzej Krämer – member of the Nominations and Remuneration Committee;
- Paweł Wyrzykowski – member of the Nominations and Remuneration Committee.

In the period from 27 May 2021 to the date of publication of this report, there were no changes in the composition of the Nominations and Remuneration Committee.

2.6 Group structure

A detailed geographic and ownership structure, and division into geographic segments were described in Note 2.2 to the interim condensed consolidated financial statements of the Group for the period ended 30 June 2021. Detailed description of changes in the Group structure in the first half of 2021 is presented in Note 2.3 to the condensed consolidated financial statements of the Group.



Material developments in the reporting period

3. Material developments in the reporting period

3.1 Group promotion

In the first half of 2021, the its promotional activities Selena Group focused on several areas: Selena's proprietary Tytan WINS Standard for Window Insulation and Sealing, the FAST & PRO product series, online presence of the Group and its products, and building the Group's positive image.

A special part of the campaign promoting Standard Tytan WINS was the debate "How to decarbonise the construction industry by 2050?" organised by Selena Group in cooperation with the Polish Green Building Council (PLGBC). The discussion concerned support for the decarbonisation roadmap through innovation in construction and cooperation with the PLGBC, which Selena Group had joined, and with the Association of Employers – Producers of Materials for Construction and with the architectural community. The debate was broadcast live online, and its accompanying interviews resulted in numerous publications in the national media.

The image potential of the cooperation with PLGBC was also used more widely – the main shareholder of Selena Group, Krzysztof Domarecki, became the ambassador of #BuildingLife, an international environmental campaign. The project is promoted by the World Green Building Council to support implementation of the European Green Deal. It seeks to develop an action plan to decarbonise construction throughout the life cycle of buildings.

The WINS standard and WINS systems are more and more widely promoted outside Poland. For example, in the first half of 2021 they were put on the Czech market. An essential part of communication with end users – professional installers – was training sessions and certificates issued on their basis. Depending on the evolving pandemic situation, individual companies organise both stationary workshops and webinars. Webinars also were used to promote other Selena Group products, including FIX2 GT, Matizol and G-K System.

In the first half of 2021, representatives of Selena Group participated in important economic events. These included the European Economic Congress (EEC), whose spring edition was held online. The Group's representatives participated both in the kick-off session and in the "Green buildings, green construction" panel, presenting, among other things, the Tytan WINS standard and our sustainable approach to construction.

In addition, Selena S.A. took part as a strategic partner in another edition of the Builder 4 Young Engineers project. The project is part of a nationwide program supporting young engineering talents under the Builder for the Future Program. Selena S.A. also participated in other significant projects: the Building Creators 2021 programme of the Polish Chamber of Civil Engineers, and the Product of the Year 2021 programme and certification for selected products. The company's representatives were also involved in several events, including the convention of the Polish Woodwork Forum, the congress of the Polish Windows and Doors Association and the PSB trade fair.

Both the whole Selena Group and individual companies actively worked towards improving their online presence: through their respective websites, social media and other channels. For example, Selena S.A. and Selena USA. had their e-commerce tools developed. Other web activities aimed at optimum utilisation of the potential of individual channels and building a coherent image of the Group. This is exactly the idea behind implementation of harmonised templates, e.g. on the websites of individual companies (Selena USA), and on Facebook/ LinkedIn.

Selena Group continues its CSR activities as part of the #SelenaPomaga (#SelenaHelps) campaign. Under the Ceramics Titans project, carried out in cooperation with renowned partners (including Ceramika Paradyż), materials were supplied for the construction and decoration of the new "fairy-tale" Elevator Zone at the Children's Memorial Health Institute in Warsaw. Selena delivered 8,400 kg of adhesive and 72 l of priming emulsion. Additionally, children's books were prepared with stories referring to the characters and places depicted on individual floors. These activities, which also included donation of another batch of Selena's hand sanitizer to public institutions and the Between Heaven and Earth Foundation, contribute to the Group's image as an engaged participant of social life that actively responds to the current situation and community needs.

Awards and recognitions

One of the most significant distinctions for Selena Group was the nomination for the Economic Award of the Polish President. Jacek Michalak, the CEO, took part in a meeting and a gala at the Presidential Palace. Selena, as one of the three companies this year, was nominated in the “International Success” category.

Selena Group was also awarded by the jury of the Polish Radio's Economic Awards 2021 with the second place in the competition “A successful company during the times of COVID-19”. As the jury explained: “It is an example of a Polish company that began its international expansion 20 years ago and, thanks to its international reach, has survived the pandemic unscathed,”

Tytan WINS systems, which use the new standard of window insulation based on liquid foil, received the prestigious TOP BUILDER 2021 award in the Novelty and Innovation of the Year category. The award is granted to the best products and services in the construction industry. It was the 13th edition of the competition, which focused on high quality of solutions.

Tytan WINS systems were also awarded as the Innovative Solution for the Joinery Industry 2021. Every year, the IRBS programme recognises the best solutions in the joinery industry, one of the fastest growing industries in the Polish economy.

A separate distinction went to the main shareholder and founder of Selena Group, Krzysztof Domarecki – during the 25th anniversary gala of the Polish Windows and Doors Association at the 11th Polish Joinery Congress, he was awarded as the Association's Honorary Member.

3.1.1 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, Romania, Turkey, Spain and Italy. In H1 2021, Selena Labs worked on development of new products and technologies in all product groups.

Selena launched on global markets the WINS system, the first system solution for professionals in the history of the Selena Group. In the area of waterproofing, further work was carried out on modification of COOL-R, the highly-reflective waterproofing roof coating, to expand the range of its use in various temperature and humidity conditions. That work resulted in a new implementation. Development efforts also concerned other product groups, including the Biomotive project.

Selena Group is committed to environmental protection, including Green Deal issues. For this reason, its research and development activities focus on creating environmentally friendly products. Research in the area of new raw materials, innovative products and applications is guided not only by the company's sustainability policy, but is also determined by legislative changes in chemical regulations. Selena Group puts a high premium on cooperation with network partners and adapting its product portfolio to their requirements, often going beyond the minimum requirements imposed by chemical regulations. There is also an ongoing production technology optimisation process taking place at all the Group's manufacturing plants.

3.2 Investments

In the first half of 2021, Selena Group's capital expenditures were PLN 15.6 million. Like in the previous year, the Group carried out necessary development investments, mainly modernisations, including process robotisation, in most of its production plants. One of the key investments is continuation of the BIOMOTIVE project carried out under the EU's Horizon 2020 Research Programmes, which is designed to pave the ground towards the production and subsequent sale of components based on biorenewable, crop-based raw materials.

3.3 Significant subsequent events after the balance sheet date

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



Financial position

4. Financial position

4.1 Financial performance

The tables below show selected items of the consolidated income statement for the 6 months and 3 months ended 30 June 2021 and 30 June 2020, respectively, as well as selected financial ratios.

Figures in PLN thousand	from 01.01.2021 to 30.06.2021	from 01.01.2020 to 30.06.2020 restated figures*	Change	Change %
Revenue from contracts with customers	787,669	602,179	185,490	30.8%
Cost of sales	559,313	399,262	160,051	40.1%
Gross profit	228,356	202,917	25,439	12.5%
Selling and marketing costs	124,783	103,728	21,055	20.3%
General and administrative expenses	59,997	56,291	3,706	6.6%
Other operating income (loss)	5,473	3,136	2,337	74.5%
Impairment of non-financial fixed assets	0	1,588	-1,588	-
Impairment of financial assets	846	376	470	-
EBITDA (operating profit + depreciation + amortisation)	69,790	62,631	7,159	11.4%
Operating profit (EBIT)	48,203	44,070	4,133	9.4%
Net financial income (loss)	253	-7,646	7,899	-
Share in net profit/loss of the associate	1,091	1,120	-29	-2.6%
Profit before tax	49,374	37,544	11,830	31.5%
Net profit	39,777	31,969	7,808	24.4%
Other net comprehensive income	-2,201	-3,378	1,177	-
Total comprehensive income	37,576	28,591	8,985	-

	from 01.01.2021 to 30.06.2021	from 01.01.2020 to 30.06.2020 restated figures*	Change change in p.p.
Gross profit margin	29.0%	33.7%	-4.7
Selling costs/ Revenue from contracts with customers	15.8%	17.2%	-1.4
General and administrative expenses/ Revenue from contracts with customers	7.6%	9.3%	-1.7
EBITDA margin %	8.9%	10.4%	-1.5
Operating profit margin (EBIT %)	6.1%	7.3%	-1.2
Net profit margin	5.0%	5.3%	-0.3

EBIT% – operating profit/ revenue from contracts with customers

EBITDA% – EBITDA / revenue from contracts with customers

Figures in PLN thousand	from 01.04.2021 to 30.06.2021	from 01.04.2020 to 30.06.2020 restated figures*	Change	Change %
Revenue from contracts with customers	438,197	319,465	118,732	37.2%
Cost of sales	313,946	207,121	106,825	51.6%
Gross profit	124,251	112,344	11,907	10.6%
Selling and marketing costs	66,665	51,562	15,103	29.3%
General and administrative expenses	32,102	28,719	3,383	11.8%
Other operating income (loss)	3,266	2,820	446	15.8%
Impairment of non-financial fixed assets	0	46	-46	-
Impairment of financial assets	307	-89	396	-
EBITDA (operating profit + depreciation + amortisation)	39,512	43,844	-4,333	-9.9%
Operating profit (EBIT)	28,443	34,926	-6,483	-18.6%
Net financial income (loss)	-1,582	-3,913	2,331	-
Share in net profit/loss of the associate	546	560	-14	-2.5%
Profit before tax	27,234	31,573	-4,339	-13.7%
Net profit	21,782	26,200	-4,418	-16.9%
Other net comprehensive income	-5,139	2,086	-7,225	-
Total comprehensive income	16,643	28,286	-11,643	-

	from 01.04.2021 to 30.06.2021	from 01.04.2020 to 30.06.2020 restated figures*	Change change in p.p.
Gross profit margin	28.4%	35.2%	-6.8
Selling costs/ Revenue from contracts with customers	15.2%	16.1%	-0.9
General and administrative expenses/ Revenue from contracts with customers	7.3%	9.0%	-1.7
EBITDA margin %	9.0%	13.7%	-4.7
Operating profit margin (EBIT %)	6.5%	10.9%	-4.4
Net profit margin	5.0%	8.2%	-3.2

EBIT% – operating profit/ revenue from contracts with customers

EBITDA% – EBITDA / revenue from contracts with customers

*The reasons and effects of restating the data published in prior periods are contained in Note 1.3 to the interim condensed consolidated financial statements for the period from 1 January to 30 June 2021.

Revenue from contracts with customers

In H1 2021, the Group's consolidated revenue from contracts with customers amounted to PLN 787.7 million, which is by PLN 30.8% (PLN 185.5 million) higher than in the corresponding period of the previous year.

The increase in revenue from contracts with customers compared to the same period last year is mainly due to the restrictions observed by the customers' business during the first six months of 2020, notably in April–May. Those restrictions were related to the COVID-19 situation. In addition, the increase in revenue from contracts with customers is due to an increase in sales prices as a result of raw materials inflation.

The Group's revenue from contracts with customers is presented with a split into three reporting (geographic) segments: the European Union (including Poland), Eastern Europe and Asia (including Russia and China), and North and South America (USA and Brazil). In H1 2021, the structure of revenue from contracts with customers did not change significantly compared with the same period last year. European Union remains the key segment. In H1 2021, it generated 67% of the Group's total revenue from contracts with customers. Geographic segments maintained their respective percentage shares of revenue from contracts with customers.

Segment	Segment's share in the Group's revenues		Revenue change 2021 / 2020
	from 01.01.2021 to 30.06.2021	from 01.01.2020 to 30.06.2020	
European Union, including:	67%	65%	33%
Poland	36%	37%	25%
Other countries	31%	28%	45%
Eastern Europe and Asia	26%	29%	20%
N&S America	7%	6%	56%

Gross profit

In H1 2021, Selena Group generated gross profit of PLN 228.4 million, i.e. PLN 25.4 million more year-on-year.

Gross profit margin was 29.0%, down 4.7 p.p. year-on-year. This decline resulted from the continued increase in raw material prices on global markets. In the first half of 2021, the inflation of commodities could not be transferred in full to sales prices. This negative impact is partly offset by a constant increase in the share of sales of innovative products with higher margins as well as by optimisation of product formulations.

Selling costs and general and administrative expenses

Selling costs in H1 2021 were PLN 124.8 million, up PLN 21.1 million (20.3%) year-on-year. The increase is mainly due to higher costs of transport, logistics and sales, directly related to the higher level of sales.

Over the first 6 months of 2021, **general and administrative expenses** were PLN 60.0 million. They increased by PLN 3.7 million year-on-year. The increase in general and administrative expenses is mainly due to filling vacancies in managerial positions at Selena FM S.A.

The ratio of selling, general and administrative expenses to revenue from contracts with customers was 23.5% in H1 2021, down 3.1 p.p. year-on-year.

The **result on other operations** was positive at PLN 4.6 million, taking into account the impairment loss on financial and non-financial assets.

The result on other operations was significantly impacted by impairment allowances on receivables of PLN 1,381 thousand, reduced by reversed allowances of PLN 535 thousand.

On the other hand, the figure was positively affected by grants received (PLN 4.4 million, including PLN 3.7 million in relation to the BIOMOTIVE project in Oligo) and reversal of a provision for the customs case at Selena Romania (PLN 1.5 million).

Operating profit (loss)

In H1 2021, Selena Group generated operating profit of PLN 48.2 million vs PLN 44.1 million in the previous year, up 9.4% year-on-year.

Profit (loss) after tax

In H1 2021, Selena Group achieved net profit of PLN 39.8 million compared with PLN 32.0 million posted in the corresponding period of 2020. 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 the negative balance of PLN 5.0 million in H1 2020. The cost of interest on loans and leases totalled PLN 1.8 million net (after reduction by the achieved interest income from bank deposits) compared with PLN 2.4 million incurred a year before.

The income tax charge for the first 6 months of 2021 was PLN 9.6 million, mainly due to the temporary effect of the unrecognised deferred tax asset in respect of the tax loss in the Parent Company.

For the 6 months of 2021, EBITDA was PLN 69.8 million (including depreciation: PLN 21.6 million), which was by PLN 7.2 million higher year-on-year.

4.2 Asset and financial position

The table below shows selected figures of the consolidated statement of financial position as at 30 June 2021 and 31 December 2020.

Figures in PLN thousand	As at 30.06.2021	As at 31.12.2020 restated figures*	Change	Change %
Non-current assets	344,137	383,582	-39,445	-10%
Property, plant and equipment	258,696	259,697	-1,001	0%
Intangible assets	39,794	42,525	-2,731	-6%
Other long-term assets	45,647	81,360	-35,713	-44%
Current assets	787,341	553,180	234,161	42%
Inventories	293,018	192,670	100,348	52%
Trade and other receivables	330,873	261,680	69,194	26%
Cash and cash equivalents	49,279	55,004	-5,725	-10%
Other current assets	114,171	43,826	70,344	161%
Equity	569,509	531,937	37,572	7%

Liabilities	561,969	404,825	157,144	39%
Bank and other loans	113,825	49,752	64,073	129%
Trade and other liabilities	281,381	190,143	91,238	48%
Other liabilities	166,763	164,930	1,833	1%

	As at 30.06.2021	As at 31.12.2020 restated figures*
Current ratio*	1.6	1.6
Quick ratio**	1.0	1.0

*Current liquidity – current assets / current liabilities

**Quick ratio – current assets less stocks / current liabilities

As at 30 June 2021, the Group's asset position, with an increase in total assets of PLN 194.7 million vs. 31 December 2020, was affected by seasonality, resulting in an increase in net current assets (inventories, and trade receivables and liabilities).

As at 30 June 2021, the current and quick liquidity ratios (1.6 and 1.0 respectively) point to the Group's ability to meet its obligations in a timely manner.

4.3 Debt

Figures in PLN thousand	As at 30.06.2021	As at 31.12.2020 restated figures*
Bank and other loans	113,825	49,752
Lease liabilities	32,022	34,962
Liabilities on account of prepaid trade receivables	0	226
Less cash and cash equivalents	-49,279	-55,004
Net debt	96,568	29,936
Equity attributable to the shareholders of the parent	568,632	531,065
Equity and net debt	665,200	561,001
Gearing (net debt / equity + net debt)	15%	5%
Debt ratio (interest-bearing debt/ total assets)	13%	9%
Net debt / EBITDA*	0.56	0.18

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

*The reasons and effects of restatement of the data published in prior periods are contained in Note 1.3 of the interim consolidated financial statements for the period from 1 January to 30 June 2021

As at the balance sheet date, the debt on bank and other loans increased vs 31 December 2020 to PLN 113.8 million. The net debt to EBITDA ratio (bank covenant) increased to 0.56. As at 30 June 2021, the debt ratio amounted to 13% and was 4 p.p. higher than at the end of 2020.

The key goal of the Group's capital management is to maintain good credit rating and safe capital ratios to facilitate the Group's operations and increase value for shareholders.

The Parent Company manages its capital structure, and modifies it in response to the current needs and changes to the economic conditions. To maintain or change the capital structure, the Parent Company may use the following instruments:

- dividend paid to shareholders;
- issue of new stock;
- loan taking or repayment.

As part of capital management, the Management Board of the Parent Company monitors the debt level by means of the gearing ratio, which is calculated as net debt to total equity summed with net debt.

Net debt includes bank and other loans, lease liabilities and prepaid trade receivables, less cash and cash equivalents. Equity includes the equity attributable to the shareholders of the Parent.

4.4 Cash flows

The tables below show selected items of the consolidated statement of cash flows for the six months ended 30 June 2021 and 30 June 2020, respectively.

Figures in PLN thousand	from 01.01.2021 to 30.06.2021	from 01.01.2020 to 30.06.2020	Change
Net cash flows from operating activities	-45,132	3,196	-48,328
Net cash flows from investing activities	-16,675	-13,323	-3,352
Net cash flows from financing activities	56,068	38,999	17,069
Change in cash and cash equivalents:	-5,739	28,872	-34,611

In H1 2021, net cash flows were PLN -5.7 million.

Net operating cash flows were PLN -45.1 million, down PLN 48.3 million on the corresponding period of 2020. Changes in net current assets in H1 2021 were as follows: receivables – up PLN 104.3 million, inventories – up PLN 100.3 million, and liabilities – up PLN 108.6 million. The change of PLN -96.1 million in net current assets in H1 2021 (compared to the change of PLN -45.0 million in H1 2020) was mainly due to the significant increases in raw material prices (a major increase in inventories and a higher level of receivables).

In H1 2021, net cash flows from investing activities were negative at PLN -16.7 million and investment expenses were up PLN 3.4 million year-on-year.

In H1 2021, net cash inflows from financing activities were PLN 56.1 million. This figure was mainly affected by the bank loans (PLN 74.5 million) obtained to fund working capital requirements and investments, repayment of bank and other loans (PLN -9.9 million), lease payments (PLN -8.2 million) and interest paid (PLN -1.4 million).

4.5 Seasonality of activities

The building materials industry in which Selena Group operates is characterised by seasonality of sales. Lower activity is observed 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 2019–2020, one may conclude that sales in individual quarters have the following contribution to the total annual sales: Q1 – 20%, Q2 - 25%, 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.

4.6 Delivery of forecasts

The Selena Group did not publish any performance forecast for H1 2021.

4.7 Factors that will affect financial performance in the next quarter

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 updated forecast of the International Monetary Fund (IMF) published in July 2021 shows that in 2020 the global economy's GDP fell by 3.2%. 2021 is expected to see a global recovery at 6.0%. Most importantly, highly developed countries are to experience a GDP growth of 5.6% in 2021 (vs a decline of 4.6% in 2020). The GDP of developing markets is projected to grow by 6.3% (vs a decline of 2.1% in 2020). For Selena Group's main markets, GDP growth is forecast to grow compared with 2020. Importantly, euro zone countries are to achieve a growth of +4.6% in 2021 (vs -6.5% in 2020). For the USA, the

IMF forecasts an increase of 7.0% in 2021 (-3.5% in 2020), an increase of 8.1% for China (+2.3% in 2020) and an increase of 4.4% for Russia (-3.0% in 2020). For Poland, the European Union's forecasts point to a GDP increase of 4.8% in 2021.

Availability of financing. According to the results of the PENGAB banking business sentiment index published by the Polish Banks Association, in June 2021 the market sentiment improved (for 6-month forecasts): 65% of bankers point to an increase, 28% to stabilisation, and only 7% to a decrease in housing loans.

Situation in the construction sector. Demand in the construction chemicals market is and will be influenced by the situation in the residential construction segment, where these materials are used to the highest degree. Data published in August 2021 by the Central Statistics Office (GUS) for the 7 months of 2021 point to a growth of 2.3% in house completions year-on-year. At the same time, the number of construction permits increased by 35.8%, while the number of commenced housing investments rose by 40.1%. A pronounced growth is noted in relation to 2020 (permits issued and new projects), when these ratios were much lower due to the Covid-19 pandemic.

FX rates. According to the currency forecasts consensus of Thomson Reuters as of September 2021, the coming months may see moderate changes in the EUR/PLN rate. At the end of the year, the expected EUR/PLN exchange rate is 4.49. Towards the year-end, the following currency rates are expected for the Group's main markets: EUR/RUB 85.90; EUR/CZK 25.30; EUR/HUF 348.30; EUR/RON 4.94; EUR/UAH 33.03 and EUR/TRY 10.76. Major fluctuations in exchange rates have an impact on currency risk.

Commodity prices. In 2021, there is a sustained upward trend in raw material prices for most product groups, mainly due to the availability of raw materials (production problems of suppliers, disruptions in the supply chain). Increases in raw material costs may not be fully transferred to the prices of the Company's products due to constraints in the flexibility of demand and the pricing strategies of the Company's competitors. As a result of the increase in raw material prices, the Company's margins may be under further pressure.

Credit 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 receivables.



Other information

5. Other information

5.1 Guarantees and off-balance sheet items

Either the Parent Company or any members of Selena 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 7.1 to the interim condensed standalone financial statements of Selena FM S.A. for the six months ended 30 June 2021.

5.2 Court disputes

At the date of approval of these interim condensed Management Board's report on the Group's activities, neither the Parent Company nor any company from Selena Group was a party to any court proceedings where the claim value would exceed 10% of the Parent Company's equity.

In the period until the date of approval of this Management Board Report, neither Selena FM S.A. nor any company from its Group was party to any significant new court disputes, except for those specified in Note 8.1 to the Group's interim condensed consolidated financial statements for the period ended 30 June 2021.

5.3 Related party transactions

In the period covered by these financial statements, 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 Note 7.2 to the condensed standalone financial statements of Selena FM S.A. as at 30 June 2021.

5.4 Main shareholders of the Parent Company

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

Shareholder	Type of shares	Number of shares acquired	Share in registered capital	Number of votes	Share in votes at the General Meeting
Syrius Investments S.a.r.l.*	Registered preference shares	4,000,000	17.52%	8,000,000	29.81%
	Bearer shares	13,813,000	60.49%	13,813,000	51.48%
Quercus Towarzystwo Funduszy Inwestycyjnych S.A. **	Bearer shares	1,334,746	5.85%	1,334,746	4.97%

* entity controlled by Krzysztof Domarecki

** as of 18 May 2021.

5.5 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.

On 27 May 2021, the Annual General Meeting of Selena FM S.A. adopted a resolution authorising the Management Board to acquire own shares on behalf of and for the benefit of the Company and defining the rules for the acquisition of own shares by the Company.

The Annual General Meeting authorised the Management Board to acquire own shares on the following rules:

1. Only fully paid-up shares may be purchased.
2. The purchase may include up to 3,000,000 of the Company's shares with a nominal value of PLN 0.05 each, with a total nominal value of PLN 150,000.00. As at 27 May 2021, the total nominal value of own shares that may be acquired under this authorisation, represents approximately 13.14% of the Company's share capital. As at 27 May 2021, the Company did not have any own shares.
3. The acquired own shares will entitle the Company to less than 33% of the total number of votes at the General Meeting.
4. Own shares will be acquired for remuneration determined by the Company's Management Board. The price of the shares to be purchased may not be lower than PLN 11.00 per share and not higher than PLN 25.00 per share.
5. The total purchase price for own shares, increased by the costs of their purchase, may not be higher than capital reserve created for this purpose in accordance with the resolution of the Company's AGM of 27 May 2021 on the creation of capital reserve for the purchase of the Company's own shares from the pool of funds that in accordance with Article 348 § 1 of the Commercial Companies Code may be subject to distribution.
6. The acquired own shares may be:
 - a) cancelled;
 - b) resold;
 - c) converted into stocks or shares in the course of the Company's acquisitions or restructuring;
 - d) used as security for liabilities incurred by the Company, in particular as pledge, registered pledge, financial pledge or transfer of title;
 - e) otherwise disposed of by the Company's Management Board in a manner permitted by law, taking into account business needs and subject to the approval of the Supervisory Board.
7. Own shares may be acquired as follows:
 - a) In transactions on the regulated market of the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.);
 - b) in transaction(s) outside the regulated market.
8. The Management Board's authorisation to acquire the Company' own shares covers the period from 27 May 2021 to 27 May 2024, but in any case not longer than until the own shares acquisition pool has been used up.
9. Own shares may be purchased in stages/ tranches.

In accordance with the AGM resolution of 27 May 2021, the Company's Management Board is entitled to take all acts in fact and acts in law to implement the resolution, whilst respecting the principle of equal treatment of shareholders. The Management Board is also authorised to determine the rules for the acquisition of own shares to the extent the rules are not regulated in the said resolution. In particular, it may determine the method of purchase (type of transaction), number, price and date of purchase of own shares. The Management Board may at any time, at its discretion, guided by the best interest of the Company: terminate the process of purchasing own shares before the date indicated above or before the acquisition pool is used up; abandon the purchase of own shares in whole or in part; withdraw from or discontinue the implementation of the resolution in whole or in part.

5.6 Profit distribution for 2020

On 27 May 2021, the Annual General Meeting of Selena FM S.A. adopted a resolution to distribute the Company's net profit for 2020 of PLN 75,379,472.95 as follows: PLN 75,000,000.00 to create a capital reserve for the purchase of the Company's own shares; the remainder of PLN 379,472.95 to be transferred entirely to the Company's supplementary capital.

5.7 Shareholdings by executive and non-executive directors

The Company's executive and non-executive directors did not hold any shares of the Company as at the date of publication of this report.

5.8 Equity-based remuneration programmes

In H1 2021, no equity based remuneration programmes were in operation.

5.9 Audit and review of financial statements

On 15 March 2021, the Supervisory Board resolved to appoint Ernst & Young Audyt Polska Sp. z o.o. Sp. k. as the auditor responsible for review of the interim financial statements and audit of the annual financial statements of the Parent Company, and the Group's consolidated financial statements for 2021–2023. The audit agreement was concluded on 22 June 2021.

MANAGEMENT BOARD'S ASSURANCE STATEMENT ON RELIABILITY OF THE FINANCIAL REPORT

The Management Board of Selena FM S.A. hereby confirms that to the best of its knowledge the interim condensed financial statements of Selena FM S.A. and the interim condensed consolidated financial statements of Selena Group FM for the 6 months ended 30 June 2021 and the comparable data have been prepared in accordance with the applicable accounting policies and give a true, fair and clear picture of the affairs of Selena FM S.A. and Selena Group and their financial performance and that the Management Board's report on activities gives a true picture of the Company's and the Group's development, achievements and standing, including description of the key risks and threats.

Management Board President

Jacek Michalak

Chief Commercial Officer, Vice President

Sławomir Majchrowski

Chief Marketing & Strategy Officer, Vice President

Christian Dölle

Chief Operating Officer

Roman Dziuba