

A large, stylized globe graphic, similar to the one in the SELENA logo, is positioned on the right side of the page. It is composed of horizontal, curved, metallic-looking bands and is partially obscured by a light blue gradient bar that spans across the middle of the page.

## SELENA FM GROUP

INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2017  
WITH AN INDEPENDENT AUDITOR'S REPORT

Wroclaw, 18 September 2017

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT .....	3
INTERIM CONDENSED CONSOLIDATED REPORT WITH TOTAL REVENUE .....	3
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....	4
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS .....	5
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWN RESERVES .....	6
ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS .....	7
1. Information about the Group.....	7
2. Information about the financial statements .....	14
3. Accounting policies.....	16
4. Significant values based on professional judgement and estimates.....	18
5. Impairment of fixed assets .....	18
6. Operating segments .....	19
7. Other operating revenues and operating costs .....	22
8. Financial revenues and expenses .....	23
9. Income tax .....	24
10. Profit per share.....	24
11. Dividend paid and proposed .....	25
12. Investments accounted for using the equity method .....	25
13. Financial assets.....	25
14. Inventories.....	26
15. Trade receivables.....	26
16. Other short-term receivables .....	26
17. Loans and advances.....	27
18. Other financial liabilities.....	28
19. Other liabilities .....	28
20. Provisions .....	28
21. Contingent liabilities and guarantees granted.....	29
22. Net debt.....	30
23. Related party transactions.....	31
24. Discontinued operations .....	31
25. Goals and rules of financial risk management .....	31
26. Events occurring after the balance sheet date .....	32

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

Figures in PLN thousand	Note	6 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2016 (unaudited)	3 months ended 30 June 2017 (unaudited)	3 months ended 30 June 2016 (unaudited)
<b>Continued operations</b>					
Revenue from the sale of products		503,526	422,294	300,683	255,467
Revenue from the sale of goods and materials		36,907	33,226	19,917	21,466
Revenue from the sale of services and lease		715	514	443	405
<b>Sales</b>	6	<b>541,148</b>	<b>456,034</b>	<b>321,043</b>	<b>277,338</b>
Cost of sales		378,105	303,563	225,323	182,641
<b>Gross profit (loss)</b>		<b>163,043</b>	<b>152,471</b>	<b>95,720</b>	<b>94,697</b>
Other operating income	7.1	4,186	3,001	2,854	1,859
Selling and marketing costs		95,844	85,013	51,824	46,305
General and administrative expenses		47,648	38,515	24,847	19,179
Other operating costs	7.2	6,512	14,918	2,490	10,067
<b>Operating profit (loss)</b>		<b>17,225</b>	<b>17,026</b>	<b>19,413</b>	<b>21,005</b>
Financial revenues	8.1	3,514	16,855	-1,776	13,130
Financial expenses	8.2	20,251	7,973	10,482	1,775
Share in net profit/loss of the associate		485	481	485	481
<b>Profit (loss) before tax</b>		<b>973</b>	<b>26,389</b>	<b>7,640</b>	<b>32,841</b>
Income tax	9	5,884	6,266	4,018	6,273
<b>Net profit (loss) on continued operations</b>		<b>-4,911</b>	<b>20,123</b>	<b>3,622</b>	<b>26,568</b>
<b>Discontinued operations</b>					
Loss on discontinued operations		-	-	-	-
<b>Net profit (loss) for the financial year, including:</b>		<b>-4,911</b>	<b>20,123</b>	<b>3,622</b>	<b>26,568</b>
Attributed net profit (loss):					
	10				
- shareholders of the parent		-4,939	20,024	3,614	26,486
- non-controlling interests		28	99	8	82
Earnings per share (continued operations) attributable to the shareholders of the parent (PLN / share)					
- basic		-0.22	0.88	0.16	1.16
- diluted		-0.22	0.88	0.16	1.16

## INTERIM CONDENSED CONSOLIDATED REPORT WITH TOTAL REVENUE

Figures in PLN thousand	6 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2016 (unaudited)	3 months ended 30 June 2017 (unaudited)	3 months ended 30 June 2016 (unaudited)
<b>Profit after tax</b>	<b>-4,911</b>	<b>20,123</b>	<b>3,622</b>	<b>26,568</b>
<b>Other comprehensive income not subject to reclassification to profit or loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other comprehensive income subject to reclassification to profit or loss:</b>	<b>-6,331</b>	<b>1,214</b>	<b>-4,536</b>	<b>2,249</b>
FX differences arising on translation of foreign affiliates	6,899	-1,722	4,332	-2,469
FX differences on measurement of investments into the net assets of a foreign subsidiary	-15,672	3,909	-9,843	5,822
Income tax	2,442	-973	975	-1,104
<b>Other comprehensive income for the period, after tax</b>	<b>-6,331</b>	<b>1,214</b>	<b>-4,536</b>	<b>2,249</b>
<b>Total comprehensive income</b>	<b>-11,242</b>	<b>21,337</b>	<b>-914</b>	<b>28,817</b>
Attributable to:				
- shareholders of the parent	-11,221	21,239	-898	28,726
- non-controlling interests	-21	98	-16	91

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Figures in PLN thousand	Note	30 June 2017 (unaudited)	31 December 2016
<b>ASSETS</b>				
Property, plant and equipment			226,275	231,803
Intangible fixed assets			57,197	54,110
Other fixed assets			7,818	8,707
Investments accounted for using the equity method			5,849	6,233
Other long-term receivables			409	372
Long-term portion of loans granted			70	71
Other long term financial assets		13	1,537	1,627
Deferred tax assets			23,057	24,191
<b>Non-current assets</b>			<b>322,212</b>	<b>327,114</b>
Inventories		14	193,947	144,844
Trade receivables		15	248,630	181,630
CIT claimed			4,503	4,191
Other short-term receivables		16	41,996	25,375
Short-term portion of loans granted			648	554
Other short-term financial assets		13	65,329	64,651
Cash and cash equivalents			83,664	54,704
<b>Current assets</b>			<b>638,717</b>	<b>475,949</b>
<b>TOTAL ASSETS</b>			<b>960,929</b>	<b>803,063</b>
<b>EQUITY AND LIABILITIES</b>				
Registered capital			1,142	1,142
FX differences arising on translation of foreign affiliates			-23,456	-17,174
Supplementary capital			551,402	525,681
Other reserves			9,633	9,633
Retained profit / (loss carried forward)			-123,216	-85,706
- retained profit / loss carried forward from previous years			-118,277	-117,736
- profit (loss) after tax			-4,939	32,030
<b>Equity attributable to the shareholders of the parent</b>			<b>415,505</b>	<b>433,576</b>
<b>Non-controlling interests</b>			<b>532</b>	<b>553</b>
<b>Total equity</b>			<b>416,037</b>	<b>434,129</b>
Long-term portion of bank and other loans		17	162,315	158,730
Other financial liabilities		18	12,962	7,590
Other long-term liabilities		19	3,937	4,590
Deferred tax liabilities			2,622	6,812
Other long-term provisions		20	2,793	493
<b>Non-current liabilities</b>			<b>184,629</b>	<b>178,215</b>
Trade liabilities			202,942	109,570
Short-term portion of bank and other loans		17	69,376	19,360
Other financial liabilities		18	14,824	13,715
Income tax payable			3,932	2,188
Other short-term liabilities		19	52,579	30,528
Short-term provisions		20	16,610	15,358
<b>Current liabilities</b>			<b>360,263</b>	<b>190,719</b>
<b>Total liabilities</b>			<b>544,892</b>	<b>368,934</b>
<b>TOTAL EQUITY AND LIABILITIES</b>			<b>960,929</b>	<b>803,063</b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Figures in PLN thousand	Note	6 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2016 (unaudited)
<b>Profit / loss before tax on continued operations</b>			
<b>Profit (loss) before tax</b>		<b>973</b>	<b>26,389</b>
Adjusted by:			
Share in the result of the entities accounted for using the equity method		-485	-481
Depreciation		12,490	10,753
FX gains (losses)		16,106	-17,253
Interest and dividends		868	1,626
Profit / (loss) on investing activities		-2,084	489
Change in the balance of receivables		-84,169	-51,700
Change in the balance of inventories		-53,386	-52,833
Change in the balance of obligations		99,877	87,714
Change in the balance of provisions		-350	14
CIT paid		-5,183	-2,532
Other		3,750	76
<b>Net cash flows from operating activities</b>		<b>-11,593</b>	<b>2,262</b>
<b>Cash flows from investing activities</b>			
Inflows from sale of tangible and intangible fixed assets		496	393
Acquisition of tangible and intangible fixed assets		-6,724	-15,344
Acquisition of a subsidiary, net of cash acquired (Uniflex, Oligo)		-3,716	0
Purchase of other financial assets		0	-14
Inflows from bond repayments		350	100
Dividends and interest received		1,518	2,492
Repayments of loans granted		120	200
Outflow on account of loans given		-210	0
Other		195	0
<b>Net cash flows from investing activities</b>		<b>-7,971</b>	<b>-12,173</b>
<b>Cash flows from financing activities</b>			
Repayment of finance lease obligations		-2,426	-2,232
Inflows from bank / other loans received		84,158	30,946
Repayment of loans and advances		-30,139	-7,226
Interest paid		-2,855	-3,629
Other		0	-13
<b>Net cash flows from financing activities</b>		<b>48,738</b>	<b>17,846</b>
<b>Net increase in cash and cash equivalents</b>		<b>29,174</b>	<b>7,935</b>
Change in cash and cash equivalents:		28,960	7,795
net FX differences		-214	-140
Cash at the beginning of the period*		54,704	41,899
Cash at the end of the period*		83,664	49,694

\*including restricted cash:

as at 30 June 2017: PLN 0.1m

as at 30 June 2016: PLN 0.1m

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWN RESERVES

FOR THE 6 MONTHS ENDED 30 JUNE 2017

Figures in PLN thousand	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 capital reserve	Retained profit/ (loss carried forward):				
					from previous years	from the current period			
As at 1 January 2016	1,142	525,681	-17,174	9,633	-85,706	0	433,576	553	434,129
Net profit (loss) for the financial year	0	0	0	0	0	-4,939	-4,939	28	-4,911
Other net comprehensive income for the period	0	0	-6,282	0	0	0	-6,282	-49	-6,331
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>-6,282</b>	<b>0</b>	<b>0</b>	<b>-4,939</b>	<b>-11,221</b>	<b>-21</b>	<b>-11,242</b>
Transfer of profit to the supplementary capital	0	25,721	0	0	-25,721	0	0	0	0
Dividend (SELENA FM S.A.)	0	0	0	0	-6,850	0	-6,850	0	-6,850
<b>As at 30 June 2017 (not audited)</b>	<b>1,142</b>	<b>551,402</b>	<b>-23,456</b>	<b>9,633</b>	<b>-118,277</b>	<b>-4,939</b>	<b>415,505</b>	<b>532</b>	<b>416,037</b>

FOR THE 6 MONTHS ENDED 30 CZERWCA 2016 ROKU

Figures in PLN thousand	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 capital reserve	Retained profit/ (loss carried forward):				
					from previous years	from the current period			
As at 1 January 2016	1,142	463,447	-22,134	9,633	-48,652	0	403,436	332	403,768
Net profit (loss) for the financial year	0	0	0	0	0	20,024	20,024	99	20,123
Other net comprehensive income for the period	0	0	1,216	0	0	0	1,216	-2	1,214
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>1,216</b>	<b>0</b>	<b>0</b>	<b>20,024</b>	<b>21,240</b>	<b>97</b>	<b>21,337</b>
Transfer of profit to the supplementary capital	0	65,056	0	0	-65,056	0	0	0	0
Cover of the loss from previous years	0	-2,822	0	0	2,822	0	0	0	0
Dividend (SELENA FM S.A.)	0	0	0	0	-6,850	0	-6,850	0	-6,850
<b>As at 30 June 2016 (not audited)</b>	<b>1,142</b>	<b>525,681</b>	<b>-20,918</b>	<b>9,633</b>	<b>-117,736</b>	<b>20,024</b>	<b>417,826</b>	<b>429</b>	<b>418,255</b>

## **ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS**

### **1. Information about the Group**

#### **1.1 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.

#### **1.2 Parent Company**

The Group's dominant entity is Selena FM SA. The company was incorporated and incorporated in 1993 as a company with limited liability under the name Housing Construction Company. 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
- 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.

#### **1.3 Management Board of the Parent Company**

As at 31 December 2016, the Parent Company's Management Board was composed of:

- Jean-Noël Fourel – Management Board President
- Hubert Rozpędek – Vice-President of the Management Board for Finance
- Marcin Macewicz – Management Board Member.

Changes in the Management Board in 2017:

- On 30 January 2017, the Supervisory Board of Selena FM SA appointed Mr Marcin Macewicz as Vice-President for Sales and Marketing.
- As of 1 March 2017, the Supervisory Board of Selena FM SA appointed Ms. Agata Gładysz-Stańczyk to the position of Member of the Management Board.

As at 30 June 2017, the Parent Company's Management Board was composed of:

- Jean-Noël Fourel – Management Board President
- Marcin Macewicz – Vice-President of the Management Board For Sales and Marketing,
- Hubert Rozpędek – Vice-President of the Management Board For Finance,
- Agata Gładysz-Stańczyk – Management Board Member.

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

#### **1.4 Supervisory Board of the Parent Company**

As at 31 December 2016, the Supervisory Board of the Parent Company was composed of:

- Krzysztof Domarecki – Supervisory Board Chairman
- Borysław Czyżak – Supervisory Board Member
- Stanisław Knaflowski – Supervisory Board Member
- Andrzej Krämer – Supervisory Board Member
- Sylwia Sysko-Romańczuk – Supervisory Board Member.
- Hans Kongsted – Supervisory Board Member
- Francisco Azcona – Supervisory Board Member.

Changes in the Supervisory Board composition in 2017:

- On 26 May 2017, Mr. Francisco Azcona resigned from the position of Member of the Supervisory Board as of 26 May 2017.
- On 20 June 2017, Mr. Hans Kongsted resigned from the position of Member of the Supervisory Board effective from 23 June 2017.

As at 30 June 2017, the Parent Company's Management Board was composed of:

- Krzysztof Domarecki – Supervisory Board Chairman
- Borysław Czyżak – Supervisory Board Member
- Stanisław Knaflowski – Supervisory Board Member
- Andrzej Krämer – Supervisory Board Member
- Sylwia Sysko-Romańczuk – Supervisory Board Member.

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

#### **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 30 March 2017 and 31 December 2016.

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 30 June 2017.





# Selena FM Group

Interim condensed consolidated financial statements for the period from 1 January to 30 June 2016

Region	Country	Entity	Reg.Office	Activity	Group's Share		Owner	
					30 June 2017 (unaudited)	31 December 2016		
European Union	Poland	Selena FM S.A.	Wroclaw	Group Head Office			-	
		Selena S.A.	Wroclaw	Distributor	100.00%	100.00%	FM	
		Orion PU Sp. z o.o.	Dzierżoniów	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.	Dzierżoniów	Manufacturer of sealants, adhesives, distributor	100.00%	100.00%	SIT	
		PMI "IZOLACJA - MATIZOL" S.A.	Gorlice	Manuf. of roof coverings, hydroinsulation, distributor	100.00%	100.00%	SIT	
		Tytan EOS Sp. z o.o.	Wroclaw	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.	Wroclaw	Intellectual property management	100.00%	100.00%	SA	
		Taurus Sp. z o.o.*	Dzierżoniów	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%	0.00%	SL	
		Western Europe	Spain	Selena Iberia slú	Madrid	Manufacturer of sealants, adhesives, distributor	100.00%	100.00%
Italy	Selena Italia srl		Limena	Distributor	100.00%	100.00%	FM	
	Uniflex S.p.A.		Mezzocorona	Manufacturer of sealants, distributor	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	Russia	Selena Vostok Moscow	Moscow	Distributor	100.00%	100.00%	FM 2	
		Selena Sever Moscow	Moscow	Distributor	-	100.00%	SA	
	Kazakhstan	Selena CA L.L.P.	Almaty	Distributor	100.00%	100.00%	FM	
		TOO Selena Insulations	Astana	Manufacturer of insulation systems	100.00%	100.00%	FM	
		TOO Big Elit	Astana	Manufacturer of dry mortars	100.00%	100.00%	CA	
Ukraine	Selena Ukraine Ltd.	Kiev	Distributor	100.00%	100.00%	FM 2		
Eastern Europe and Asia	Asia	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%	-	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.	Istanbul	Man. of foams and sealants, distributor	100.00%	100.00%	FM	
		POLYFOAM Yalitim Sanayi ve Tic Ltd.	Istanbul	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
		USA	Selena USA Specialty Inc.	Holland	Property management	100.00%	100.00%	FM

\* change of shares owner to Selena Industrial Technologies Sp. z o.o. on 20 January 2017 + resolution to rename the company as Taurus Sp. z o.o.



## Selena FM Group

Interim condensed consolidated financial statements for the period from 1 January to 30 June 2016

### 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 are owned by Selena FM (99%) and Selena S.A. (1%)

FM 3 - shares owned by Selena FM (95%) and Selena SA (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 SA, the remaining shares are held outside of the Group

SA 2 - shares are owned by Selena SA (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.

### **1.5.1 Liquidation of Selena Sever Moscow**

On 22 October 2015, Selena Sever Moscow was struck off the companies register. The information that the company was deregistered due to discontinuation of its business was received by the company's shareholder on 12 April 2017. The company does not carry on operations. Loss of PLN 33k on the loss of control was presented under operating costs.

### **1.5.2 Sale of shares in Orion Polyurethanes Sp. z o.o.**

On 20 January 2017, Selena FM S.A. entered into an agreement with its connected company (Selena Industrial Technologies Sp. z o.o.) to sell its 100% stake in Orion Polyurethanes Sp. z o.o. The sales price was PLN 5,000. The share disposal did not have any impact on the Group's organisational structure. At the same time, on 20 January 2017, the General Meeting of Orion Polyurethanes Sp. z o.o. adopted a resolution renaming the company as Taurus Sp. z o.o.

### **1.5.3 Formation of a joint venture**

On 21 December 2016, Selena Nantong Building Materials Co., Ltd. entered into a framework agreement with Shanghai Haozheng Construction Engineering Co. Ltd – a Chinese entity operating in the market of polyurethane foams and other construction chemicals. The agreement provided for strategic cooperation between the companies. The framework agreement sets out the key strategic directions of the cooperation and defines next steps to be taken by the parties to finalise individual agreements referred to in the framework agreement. Under the signed contract, the parties agreed to establish a joint venture in which Selena Nantong Building Materials Co. Ltd. undertook to acquire a 40% stake and the partner, Haozheng Construction Engineering Co. Ltd., a 60% stake.

On 28 March 2017, Selena Nantong Building Materials Co., Ltd. entered into further agreements with Shanghai Haozheng Construction Engineering Co. Ltd (partner) under the framework agreement. The Parties signed the Articles of Association of JV for House Selena Company Ltd. This agreements and other agreements with the partner define, inter alia, strategic rules of cooperation in the market, rules and scope of operations of the new entity (including a share in management and supervision over the new entity), terms of trade cooperation between the parties and the rules of using Selena's trademarks by the new entity. The objects of the new company will include distributing and selling in China: foams, silicones and mounting adhesives under the brands owned by Selena Group and the partner, pursuant to licence agreements. Later on, the new company will market in China innovative construction chemicals based on the product portfolio of Selena Group. The purpose of the framework agreement is to boost Selena Group's development in the Chinese market.

The process of registration of House Selena Trading Company Ltd. was completed on 12 June 2017. Selena Nantong Building Materials Co. Ltd. acquired a 40% stake with a value of CNY 200 thousand. Selena Nantong Building Materials Co. Ltd. is entitled to a 30% share in net profit between 2017 and 2019 and to 40% from 2020 onwards. House Selena Company Ltd. is consolidated using the equity method.

### **1.5.4 Take-over of control over Uniflex S.p.A.**

On 29 March 2017, under the agreement signed between Selena FM S.A. and natural persons, Selena FM S.A. acquired 64% stake in the share capital of Uniflex S.p.A. with its registered office in Mezzocorona, Italy, becoming a majority owner of Uniflex S.p.A.

Selena FM S.A. acquired 192,000 shares of Uniflex S.p.A. with a nominal value of EUR 1 per share, representing 64% stake in the company's registered capital, for a total amount of EUR 1 664k. The shares of the acquired company were taken up in full and paid up in cash.

Acquisition of the majority shareholding by Selena FM S.A. is intended to strengthen the Group's position in Italy and in Western Europe. Thanks to synergies and cooperation with Selena Group, Uniflex S.p.A. will be able to supplement its products portfolio for the customers in Italy and Western Europe. At the same time, Selena Group will significantly increase its position in the market of acrylic products in Europe. The transaction will result in mutually complementary technologies, geographical development of distribution markets and synergies in the form of reduction of manufacturing costs and thus the costs of purchase of raw materials.

In addition, on 29 March 2017, an agreement was signed whereby Selena FM S.A. made an unconditional offer to purchase the remaining shares (put option), while both minority shareholders guaranteed to Selena FM S.A. an exercise of the option to purchase the remaining shares (call option). The put and call options may be exercised between 1 April and 30 June 2019 or between 1 April and 30 June 2020. A unit value of a share representing the exercise price for the put and call option will be determined on the basis of valuation of Uniflex S.p.A. as at the day the option is exercised. In accordance with the agreement, the valuation of Uniflex S.p.A. will take place on the basis of a multiplier of the company's EBITDA (adjusted in accordance with the agreement). The ratio will be calculated on the basis of the financial results from the last two approved financial statements of the company, preceding the year when the option was exercised.

Once the above options are exercised, Selena FM S.A. will take up 100% of shares of Uniflex S.p.A. As presented below, these consolidated financial statements are prepared on the assumption that at the time of the acquisition transaction Selena took up 100% of the shares.

### **Status of settlement of the acquisition**

Using the provisions of IFRS 3 "Business combinations" (paragraph 61), the "provisional settlement" was adopted for the purpose of settlement of the acquisition. At present, work is under way to verify the fair value of the acquired assets and liabilities of the company. Particular focus is placed on acquired fixed assets and current assets as well as contingent liabilities. The final settlement of the acquisition must take place no later than on 29 March 2018.

Another reason why the provisional settlement was used is the estimated valuation of the obligations arising from the issue of the put option. In accordance with IAS 32 "Financial Instruments: Disclosure and Presentation", where the parent company is required to repurchase the shares of its subsidiary from minority shareholders, and an obligation arises to recognise a financial liability at the time of issuing the option, regardless of the likelihood of the option being exercised. The financial liability should be recognised in the full present amount of the future payment for shares in connection with the exercise of the option issued. Due to the direct relationship between the put option and the acquisition of 64% of shares, it is justified to include those combined transactions that are part of the acquisition of a subsidiary and the application of IFRS 3 "Business Combinations" to its settlement. In accordance with this approach, these consolidated financial statements have been prepared on the assumption that Selena FM S.A. acquired 100% of the shares of Uniflex S.p.A. Accordingly, in the consolidated financial statements the value of the liability arising from the issuance of put options was recognised, and the cost of acquisition was increased by a corresponding amount.

The provisional settlement presented below was based on estimated value of assets and liabilities, as well as estimates re the cost of acquisition of the acquired entity. Any adjustments to the estimates will be reflected in the final summary.

Presented below are calculations re the goodwill arising on acquisition::

<b>Figures in PLN thousand</b>	<b>29 March 2017</b>
Acquisition price	13,398
Fair value of the net assets acquired attributable to the Group's share (100%)	7,998
<b>Goodwill arising on acquisition</b>	<b>5,400</b>

As at the date of assumption of control, the consolidated report on the Group's financial position includes goodwill of PLN 5.400 thousand (EUR 1,266 thousand). Selena Group delivers on its development strategy focused on its key markets (one of which is Western Europe). In the opinion of the Parent Company's Management Board, the acquisition has a great growth potential thanks to the expected development of acrylic products and a distribution strategy for those products.

The table below presents the components of the acquisition price:

<b>Figures in PLN thousand</b>	<b>29 March 2017</b>
Purchase of shares in accordance with the agreement, cash-paid	7,077
Valuation of the option of repurchase of minority shareholders	5,320
Valuation of deferred payments for existing shareholders	969
Other	32
<b>Total</b>	<b>13,398</b>

Valuation of the option of repurchase of minority shareholders was recognised in the unconsolidated statement of financial position of Selena FM S.A. under "Other financial liabilities".

Costs associated with the acquisition, recognised in the consolidated income statement were PLN 323 thousand, and were posted under external services costs.

### **Net assets of the acquired company**

The main items of assets and liabilities of Uniflex S.p.A. as at the control acquisition date are presented in the table below.

<b>Figures in PLN thousand</b>	<b>29 March 2017</b>
Non-current assets	2,033
Inventories	4,738
Trade receivables	14,936
Cash and cash equivalents	2,989
Other current assets	986
<b>Total assets</b>	<b>25,682</b>
Obligations in respect of borrowings	1,509
Trade liabilities	10,000
Other liabilities	6,175
<b>Total liabilities</b>	<b>17,684</b>
<b>Net assets</b>	<b>7,998</b>

### **Selected items of the net assets acquired**

At the control assumption date, as part of the process of recognition of identifiable assets, liabilities and contingent liabilities of the acquired company existing as at the control assumption date, there were contingent liabilities identified of EUR 425 thousand, relating to the potential costs arising from the events dating back to 2003-2015. Valuation of the provisional liabilities was recognised as part of the provisional settlement.

**Performance of the acquired entity**

The table below presents the results of the Selena FM Group for the period from 1 January to 30 June 2017 adjusted as if the acquisition had taken place on 1 January 2017.

<b>figures in PLN thousand</b>	<b>Group with the company</b>	<b>Group without the company</b>
Revenue from sales	541,148	555,005
- profit (loss) after tax	-4,911	-4,564

**1.5.5 Taking control of Oligo Sp. z o.o.**

On 1 August 2016, Selena Labs Sp. z o.o., the subsidiary, entered into an agreement to purchase 24% stake in Pretorian Sp. z o.o. for PLN 6,700. On 19 August 2016, Pretorian Sp. z o.o. was formally renamed as Oligo Sp. z o.o.

On 30 May 2017, Selena Labs Sp. z o.o. entered into an agreement for the purchase of the remaining 76% stake in Oligo Sp. z o.o. becoming the sole shareholder of the company. The purchase price for the shares was PLN 10,000. Until the date of the acquisition, Oligo Sp. z o.o. did not conduct any material activities. The transaction did not have any material impact on these consolidated financial statements.

**2. Information about the financial statements****2.1 Interim report**

The interim condensed financial statements do not contain all the information and disclosures required of annual financial statements and should be read jointly with the Group's consolidated financial statements for the year ended 31 December 2016 published on 21 March 2017. The interim financial result may not fully reflect the financial result achievable for the whole financial year.

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

**2.2 Period covered by the financial statements**

These financial statements are consolidated financial statements of Selena FM Group. They cover the period of 6 months ended on 30 June 2017 and the data presented as at that date.

The income statement and the statement of comprehensive income cover the data for 6 months ended 30 June 2017 as well as comparative data for the period of 6 months ended 30 June 2016.

The income statement and the statement of comprehensive income also cover the data for 3 months ended 30 June 2017 and comparative data for the period of 3 months ended 30 June 2016. These data were not audited/reviewed by an auditor.

The statement of cash flows and the statement of changes in equity cover the data for the 6 months ended 30 June 2017 as well as comparative data for the period of 6 months ended 30 June 2016.

The balance sheet covers the data presented as at 30 June 2017, and comparative data as at 31 December 2016.

### 2.3 Approval of the financial statements

These financial statements were approved for publication on 18 September 2017.

### 2.4 Basis of preparation

These financial statements have been prepared under the historical cost convention, except for financial instruments measured at fair value.

### 2.5 Measurement and reporting currency

The currency used for presentation of financials in this report in 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.

Currency	30 June 2017 (unaudited)	31 December 2016	6 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2016 (unaudited)	3 months ended 30 June 2017 (unaudited)	3 months ended 30 June 2016 (unaudited)
1 USD	3.7062	4.1793	3.8964	3.9360	3.7704	3.9303
1 EUR	4.2265	4.4240	4.2474	4.3805	4.2057	4.4051
100 HUF	1.3689	1.4224	1.3735	1.3986	1.3595	1.4026
1 UAH	0.1424	0.1542	0.1459	0.1535	0.1434	0.1569
1 CZK	0.1611	0.1637	0.1586	0.1620	0.1585	0.1629
1 RUB	0.0624	0.0680	0.0674	0.0573	0.0654	0.0606
1 BRL	1.1217	1.2838	1.2236	1.0810	1.1614	1.1470
1 BGN	2.1610	2.2619	2.1717	2.2397	2.1504	2.2523
1 CNY	0.5466	0.6015	0.5681	0.6011	0.5517	0.5980
100 KRW	0.3237	0.3476	0.3431	0.3342	0.3325	0.3382
1 RON	0.9269	0.9749	0.9359	0.9741	0.9232	0.9785
1 TRY	1.0535	1.1867	1.0790	1.3569	1.0650	1.3638
100 KZT	1.1506	1.2659	1.2295	1.1417	1.1948	1.1761

### 2.6 Going concern

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

### 2.7 Statement of conformity

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34.

IAS and IFRS include the standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee (IFRIC) in the form approved by the EU.

## 2.8 Notes

The accounting policy and notes are an integral part of these condensed financial statements.

## 3. Accounting policies

### 3.1 Changes in the accounting policies

The accounting policies that were used in preparation of these financial statements are consistent with the policies used in preparation of the consolidated financial statements of the Group for the year ended on 31 December 2016, except for the changes resulting from implementation of new standards.

A summary of changes to the standards and new interpretations applicable to annual periods commencing 1 January 2017 were presented in the next note.

#### 3.1.1 *New standards and changes to existing standards*

By the date of approval of these financial statements, no amendments were made to the existing standards, issued by IASB, which were approved for adoption in the EU, and which would have to be adopted for the first time in the Group's financial statements for 2017.

#### 3.1.2 *New standards and amendments to existing standards that have already been published and approved by the EU, but have not become effective yet*

When approving these consolidated financial statements, the Group did not apply the existing standards, amendments and interpretations that have been published by IASB and approved for adoption in the EU, but have not become effective yet:

IFRS 9 Financial Instruments – approved by the EU on 22 November 2016 (applicable to the annual periods commencing on or after 1 January 2018).

IFRS 15 “Revenue from Contracts with Customers” and amendments to IFRS 15 “Effective date of IFRS” – approved by the EU on 22 September 2016 (applicable to the annual periods commencing on or after 1 January 2018).

#### 3.1.3 *New standards and amendments to existing standards issued by the IASB, but not yet approved for application in the EU*

IFRS in the form approved by the EU do not differ materially from the regulations adopted by the International Accounting Standards Board (IASB), except for the following new standards, amendments to standards and new interpretations, which as at 18 September 2017 were not yet approved for use in the EU (the following effective dates apply to the full version of the standards):

IFRS 14 “Regulatory Deferral Accounts” (applicable to the annual periods commencing on or after 1 January 2016). The European Commission has decided not to propose for endorsement the interim standard for application across the EU pending publication of the full version of IFRS 14.

IFRS 16 “Leasing” (applicable to the annual periods commencing on or after 1 January 2019).

IFRS 17 “Insurance Contracts” (applicable to the annual periods commencing on or after 1 January 2021);



Amendments to IFRS 2 “Share-Based Payments” – classification and measurement of share based payment transactions (applicable to the annual periods commencing on or after 1 January 2018);

Amendments to IFRS 4 “Insurance Contracts” - Applying IFRS 9 “Financial Instruments” with IFRS 4 “Insurance Contracts” (applicable to the annual periods commencing on or after 1 January 2018 or at the time for first-time application of IFRS 9 “Financial Instruments”).

Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date of the amendments has been deferred pending finalisation of the project on equity accounting).

Amendments to IFRS 15 “Revenue from Contracts with Customers” – Explanations to IFRS 15 (applicable to the annual periods commencing on 1 January 2018 or thereafter).

Amendments to IAS 7 “Statement of Cash Flows” – Disclosure Initiative (applicable to the annual periods commencing on or after 1 January 2017).

Amendments to IAS 12 “Income Tax” – Recognition of Deferred Tax Assets for Unrealised Losses (applicable to the annual periods commencing on or after 1 January 2017).

Amendments to IAS 40 “Investment Property” – transfers of investment properties (applicable to the annual periods commencing on or after 1 January 2018).

Improvements to IFRS (2014-2016 cycle) - made as part of the procedure of making annual amendments to IFRS (IFRS 1, IFRS 12 and IAS 38), designed mainly to address inconsistencies and clarify the terminology (amendments to IFRS 12 apply to annual periods commencing on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 apply to the annual periods starting on or after 1 January 2018).

IFRIC Interpretation 22 IFRIC Interpretation 22—Foreign Currency Transactions and Advance Consideration (applicable to the annual periods commencing on or after 1 January 2018).

Interpretation IFRIC 23 "Uncertainty in Income Tax Settlement" (applicable to the annual periods commencing on or after 1 January 2019).

According to the estimates of the Group, the foregoing new standards, interpretations and amendments to the existing standards, except IFRS 9, IFRS 15 and IFRS 16, would not have any material impact on the financial statements if they had been applied by the Group as at the balance sheet date.

The Management Board expects that adoption of IFRS 9 may have a material future impact on the amounts presented under financial assets and financial liabilities of the Group. However, presentation of reliable estimates regarding the impact of IFRS 9 will not be possible until the Group conducts a thorough analysis.

The Management Board expects that adoption of IFRS 15 may have a material future impact on the amounts and disclosures presented in the consolidated financial statements of the Group. However, presentation of reliable estimates regarding the impact of IFRS 15 will not be possible until the Group conducts a thorough analysis in this regard.

The Management Board expects that adoption of IFRS 16 may have a material future impact on the amounts presented in assets and liabilities, and other disclosures in the consolidated financial statements of the Group. However, it is not possible to provide reliable estimates of the impact of IFRS 16 as long as the Group does not carry out a detailed analysis in this regard.

## **4. Significant values based on professional judgement and estimates**

### **4.1 Professional judgement**

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. Estimates and assumptions affect the risk of possible adjustments to the carrying amounts of assets and liabilities in subsequent reporting periods. The assumptions were described in the annual consolidated financial statements of the Group for 2016, and particularly relate to:

- impairment of goodwill and other assets (including receivables and inventories);
- the applied depreciation / amortisation rates for tangible and intangible fixed assets
- ability to use the deferred tax assets
- valuation of provisions;
- classification of lease agreements;
- the lease payment rate used for evaluation of trademarks.

In H1 2017, no significant changes were made to the assumption areas and methods. The business and macroeconomic assumptions underlying the estimates are updated on an ongoing basis depending on changes in the entity's environment and business projections. The selected assumptions used for asset impairment tests were described in Note 5 to this report.

## **5. Impairment of fixed assets**

### **5.1 Selena Nantong Building Materials Co., Ltd**

Due to the lower-than-planned utilisation of the plant's production capacity in the previous reporting periods, and the slower-than-planned increase in the sales of Selena Nantong Building Materials Co., Ltd as well as revision of its business plans, as at 30 June 2017, the Management Board carried out an impairment test for the entity's fixed assets, in accordance with IAS 36 "Impairment". On the basis of projections of future cash flows generated by the company the recoverable value of the company's fixed assets was determined and no need was identified for recognising any additional impairment of the assets presented in this report. In the previous reporting periods, an impairment charge of PLN 9,196k was posted for the value of buildings, structures and equipment.

Given the long-term nature of the investment, the test was based on a 8-year cash flow forecast. For the purpose of the test, WACC before tax was taken at 17.4% and the residual growth rate at 2.5%.

Future cash flow projections take into account the positive impact of the restructuring programmes carried out by the entity's Management Board, involving modification of the distribution and operations model, particularly in the local market and implementation of a new product proposition, with the involvement of business partners. The purpose of the cooperation with the Chinese partner (for details, see Note 1.5) will be to invigorate activities in China by marketing innovative construction chemicals based on the product portfolio of Selena Group. If any material, negative deviations occur from the adopted action plan, in the future reporting periods it might be necessary to post an impairment write-down on the fixed assets of Selena Nantong.

The test also did not show a need to create an impairment charge in the unconsolidated report of Selena FM S.A. in respect of the value of the assets invested in the subsidiary.

## 5.2 Selena Romania srl and EURO MGA Product srl

As the Romanian company failed to achieve the expected sales levels in H1 2017, and due to the slower-than-expected growth of the dry mortars, wet plasters and ceramic adhesives divisions, the Management Board performed an impairment test for the fixed assets of Selena Romania srl and EURO MGA Product srl (a subsidiary of Selena Romania srl), in accordance with IAS 36 "Impairment". Based on the projected future cash flows generated by the companies, the recoverable value of their fixed assets was determined, and no need was identified to create an impairment charge for the company's assets presented in these consolidated financial statements.

The test used a 5-year cash flow projection: For the purpose of the test, WACC before tax was taken at 15.0% and the residual growth rate at 2.5%. As at 30 June 2017, the value of the assets tested was PLN 32.1m.

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

The unconsolidated report of Selena FM S.A. contains an impairment write-down for the company's fixed investment into Selena Romania srl and EURO MGA Product srl, for a full amount of the investment value.

## 6. Operating segments

The organisation structure of Selena Group is managed through the data received from the individual geographic segments. To the extent permitted by IFRS 8, based on the similarity of location, characteristics of the business and economic environment, they have been grouped into the following reporting segments:

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

Operating results of the segment are primarily measured using the EBITDA ratio (operating profit increased by depreciation,) which is derived directly from the reports that are the basis for preparation of the consolidated financial statements. The accounting principles used for preparation of the financial data for reporting segments comply with the Group's accounting policy described in the consolidated financial statements for 2016.

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.

6 months ended 30 June 2017 (unaudited)	EU	Eastern Europe and Asia	N&S America	Total segments	Consolid. adjustments and non- allocated results	Total
Figures in PLN thousand						
Sales to external customers	344,760	162,410	33,978	541,148	0	541,148
Sales within a segment	353,390	6,389	0	359,779	-359,779	0
Sales between segments	123,776	4,392	371	128,539	-128,539	0
EBITDA	82,431	16,009	1,265	99,705	-69,990	29,715
Depreciation	-7,681	-1,667	-84	-9,432	-3,058	-12,490
<b>Operating profit (loss)</b>	<b>74,750</b>	<b>14,342</b>	<b>1,181</b>	<b>90,273</b>	<b>-73,048</b>	<b>17,225</b>
Net financial revenue / (expenses)	0	0	0	0	-16,737	-16,737
Profit of an associated undertaking	0	485	0	485	0	485
Income tax	0	0	0	0	-5,884	-5,884
<b>Net profit (loss) for the year</b>	<b>74,750</b>	<b>14,827</b>	<b>1,181</b>	<b>90,758</b>	<b>-95,669</b>	<b>-4,911</b>
Capital expenditure	5,312	4,125	11	9,448	-	9,448

6 months ended 30 June 2016 (unaudited)	EU	Eastern Europe and Asia	N&S America	Total segments	Consolid. adjustments and non- allocated results	Total
Figures in PLN thousand						
Sales to external customers	302,665	120,645	32,724	456,034	0	456,034
Sales within a segment	320,992	2,219	0	323,211	-323,211	0
Sales between segments	115,109	2,805	0	117,914	-117,914	0
EBITDA	79,758	2,700	1,237	83,695	-55,916	27,779
Depreciation	-7,560	-1,266	-80	-8,906	-1,847	-10,753
<b>Operating profit (loss)</b>	<b>72,198</b>	<b>1,434</b>	<b>1,157</b>	<b>74,789</b>	<b>-57,763</b>	<b>17,026</b>
Net finance revenue / (expenses)	0	0	0	0	8,882	8,882
Profit of an associated undertaking	0	481	0	481	0	481
Income tax	0	0	0	0	-6,266	-6,266
<b>Net profit (loss) for the year</b>	<b>72,198</b>	<b>1,915</b>	<b>1,157</b>	<b>75,270</b>	<b>-55,147</b>	<b>20,123</b>
Capital expenditure	7,276	6,924	109	14,309	-	14,309

3 months ended 30 June 2017 (unaudited)	EU	Eastern Europe and Asia	N&S America	Total segments	Consolid. adjustments and non- allocated results	Total
Figures in PLN thousand						
Sales to external customers	200,570	102,793	17,680	321,043	0	321,043
Sales within a segment	207,225	2,319	0	209,544	-209,544	0
Sales between segments	79,946	2,827	371	83,144	-83,144	0
EBITDA	63,728	12,857	1,081	77,666	-51,685	25,981
Depreciation	-4,004	-829	-39	-4,872	-1,696	-6,568

	59,724	12,028	1,042	72,794	-53,381	19,413
<b>Operating profit (loss)</b>						
Net financial revenue / (expenses)	0	0	0	0	-12,258	-12,258
Profit of an associated undertaking	0	485	0	485	0	485
Income tax	0	0	0	0	-4,018	-4,018
<b>Net profit (loss) for the year</b>	<b>59,724</b>	<b>12,513</b>	<b>1,042</b>	<b>73,279</b>	<b>-69,657</b>	<b>3,622</b>
Capital expenditure	1,760	2,156	6	3,922	-	3,922

  

3 months ended 30 June 2016 (unaudited)	EU	Eastern Europe and Asia	N&S America	Total segments	Consolid. adjustments and non- allocated results	Total
Figures in PLN thousand						
Sales to external customers	177,368	81,179	18,791	277,338	0	277,338
Sales within a segment	216,404	1,640	0	218,044	-218,044	0
Sales between segments	86,522	1,912	0	88,434	-88,434	0
EBITDA	56,389	3,011	446	59,846	-33,619	26,227
Depreciation	-3,787	-641	-41	-4,469	-753	-5,222
<b>Operating profit (loss)</b>	<b>52,602</b>	<b>2,370</b>	<b>405</b>	<b>55,377</b>	<b>-34,372</b>	<b>21,005</b>
Net financial revenue / (expenses)	0	0	0	0	11,355	11,355
Profit of an associated undertaking	0	481	0	481	0	481
Income tax	0	0	0	0	-6,273	-6,273
<b>Net profit (loss) for the year</b>	<b>52,602</b>	<b>2,851</b>	<b>405</b>	<b>55,858</b>	<b>-29,290</b>	<b>26,568</b>
Capital expenditure	3,805	2,419	31	6,255	-	6,255

The tables below show data on selected assets of the individual geographic segments.

30 June 2017 (unaudited)	EU	Eastern Europe and Asia	N&S America	Total segments	Consolid. adjustments	Total
Figures in PLN thousand						
Segment assets	1,247,257	202,183	36,273	1,485,713	-558,193	927,520
Investment in an associate	0	5,849	0	5,849	0	5,849
Non-allocated assets	0	0	0	0	0	27,560
<b>Total assets</b>	<b>1,247,257</b>	<b>208,032</b>	<b>36,273</b>	<b>1,491,562</b>	<b>-558,193</b>	<b>960,929</b>

  

31 December 2016	EU	Eastern Europe and Asia	N&S America	Total segments	Consolid. adjustments	Total
Figures in PLN thousand						
Segment assets	1,007,237	190,911	36,658	1,234,806	-466,358	768,448
Investment in an associate	0	6,233	0	6,233	0	6,233
Non-allocated assets	0	0	0	0	0	28,382
<b>Total assets</b>	<b>1,007,237</b>	<b>197,144</b>	<b>36,658</b>	<b>1,241,039</b>	<b>-466,358</b>	<b>803,063</b>

Reconciliation of the operating profit of the reporting segments with the figures presented in the income statement:

Figures in PLN thousand	6 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2016 (unaudited)	3 months ended 30 June 2017 (unaudited)	3 months ended 30 June 2016 (unaudited)
<b>Operating profit of the reporting segments</b>	<b>90,273</b>	<b>74,789</b>	<b>72,794</b>	<b>55,377</b>
Net financial revenue / (expenses)	-16,737	8,882	-12,258	11,356
Other non-allocated income/costs*	-73,048	-57,763	-53,381	-34,372
Profit of an associated undertaking	485	481	485	481
Income tax	-5,884	-6,266	-4,018	-6,274
<b>Net profit (loss) for the year</b>	<b>-4,911</b>	<b>20,123</b>	<b>3,622</b>	<b>26,568</b>

\* General and administrative expenses and consolidation adjustments

## 7. Other operating revenues and operating costs

### 5.3 Other operating income

Figures in PLN thousand	6 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2016 (unaudited)	3 months ended 30 June 2017 (unaudited)	3 months ended 30 June 2016 (unaudited)
Profit from disposal of non-financial fixed assets	281	162	202	144
Subsidies	975	436	339	190
Reversal of impairment charge for receivables	1,280	728	1,092	623
Reversal of impairment charge for inventory	86	85	25	80
Inventory surplus	15	10	5	-10
Damages	1,158	163	1,066	26
Provisions released	47	49	21	45
Other	344	1,368	104	761
<b>Total other operating revenues</b>	<b>4,186</b>	<b>3,001</b>	<b>2,854</b>	<b>1,859</b>

### 5.4 Other operating costs

Figures in PLN thousand	6 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2016 (unaudited)	3 months ended 30 June 2017 (unaudited)	3 months ended 30 June 2016 (unaudited)
Loss on disposal of non-financial fixed assets	52	206	35	179
Impairment charge for receivables	1,077	6,547	6	4,209
Uncollectible receivables written off	187	1,552	77	1,505
Impairment charge for inventories	466	1,279	231	1,059
Liquidation of inventories	994	1,184	546	1,119
Inventory shortfall	432	0	69	0
Loss of control over Selena Sever Moscow	33	0	0	0
Damages, penalties, fines	902	482	463	242
Provisions raised	255	0	127	0
Other	2,114	3,668	936	1,754
<b>Total other operating costs</b>	<b>6,512</b>	<b>14,918</b>	<b>2,490</b>	<b>10,067</b>

A material item of operating costs is the cost of unutilised production capacity in production companies of PLN 1,593k for the period ended 30 June 2017 (PLN 3,329k in the corresponding period of 2016).

## 8. Financial revenues and expenses

### 6.1 Financial revenues

Figures in PLN thousand	6 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2016 (unaudited)	3 months ended 30 June 2017 (unaudited)	3 months ended 30 June 2016 (unaudited)
FX gains	422	14,718	-3,493	12,069
Interest on deposits and bank accounts	43	94	32	35
Interest on bonds	1,989	2,003	1,002	1,003
Other interest	51	18	26	13
Derivative financial instruments	1,001	0	657	0
Other financial revenues	8	22	0	10
<b>Total financial revenues</b>	<b>3,514</b>	<b>16,855</b>	<b>-1,776</b>	<b>13,130</b>

### 6.2 Financial expenses

Figures in PLN thousand	6 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2016 (unaudited)	3 months ended 30 June 2017 (unaudited)	3 months ended 30 June 2016 (unaudited)
Interest on bank and other loans	2,696	3,512	1,418	1,967
Interest on finance lease liabilities	171	162	88	84
Other interest	211	49	186	35
Derivative financial instruments	0	868	0	457
FX losses	16,720	2,152	8,522	-1,600
Other financial costs	453	1,230	268	832
<b>Total financial expenses</b>	<b>20,251</b>	<b>7,973</b>	<b>10,482</b>	<b>1,775</b>

In 2017, Selena FM S.A. hedged its expected cash flows with FX forwards. The Company regularly enters into forward contracts, usually in the currency pairs EUR/RUB and EUR/PLN. On average in the period, the Company had open forward contracts hedging EUR/PLN and EUR/RUB positions 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 30 June 2017, the Company had open FX options for EUR/RUB rate (RUB sales) and EUR/PLN (EUR sales); its gain on valuation of unrealised instruments was PLN 476k (the result on these transactions is recognised in financial revenues under "Derivative financial instruments").

After the balance sheet date, Selena FM S.A. entered into the following forward contracts: EUR/RUB (EUR 2.2 million), EUR/PLN (EUR 1.9 million) and CZK/PLN (CZK 12.0 million) and HUF/PLN (HUF 198.0 million), with settlement dates between 29 September 2017 and 26 April 2018.

## 9. Income tax

	6 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2016 (unaudited)
<b>Figures in PLN thousand</b>		
<b>Current income tax:</b>		
Current income tax charge	6,729	7,252
Corrections to the current income tax from previous years	-53	0
<b>Deferred income tax:</b>		
Connected with origination and reversal of temporary differences	-792	-986
<b>Tax disclosed in consolidated income statement</b>	<b>5,884</b>	<b>6,266</b>

The agreement on the effective tax rate is presented in the table below.

	6 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2016 (unaudited)
<b>Figures in PLN thousand</b>		
<b>Profit (loss) before tax</b>	<b>973</b>	<b>26,389</b>
<b>Tax at the Polish statutory rate of 19%</b>	<b>185</b>	<b>5,014</b>
Costs/(revenues) not included in the taxation basis	2,707	-2,487
Tax effect of the losses not included in the taxation basis	2,513	3,165
Corrections to the current income tax from previous years	-53	0
Use of tax losses from previous years	-408	-311
Use of the deferred asset relating to trademarks	861	861
Effect of other tax rates in foreign affiliates	79	24
<b>Tax at the effective tax rate</b>	<b>5,884</b>	<b>6,266</b>
<b>Effective tax rate</b>	<b>605%</b>	<b>24%</b>

## 10. Profit per share

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

		6 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2016 (unaudited)	3 months ended 30 June 2017 (unaudited)	3 months ended 30 June 2016 (unaudited)
Profit (loss) attributable to the controlling interests	PLN	-4,939,206	20,023,721	3,614,187	26,485,645
Average number of ordinary shares	share	22,834,000	22,834,000	22,834,000	22,834,000
<b>Profit/(loss) per ordinary share</b>	<b>PLN/share</b>	<b>-0.22</b>	<b>0.88</b>	<b>0.16</b>	<b>1.16</b>
Number of shares, including dilution	share	22,834,000	22,834,000	22,834,000	22,834,000
<b>Diluted profit per share</b>	<b>PLN/share</b>	<b>-0.22</b>	<b>0.88</b>	<b>0.16</b>	<b>1.16</b>



## 11. Dividend paid and proposed

On 23 June 2017, 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 2016 in a total amount of PLN 6,850,200.00, i.e. PLN 0.30 per share. The record date, when the list of shareholders eligible for dividend is determined, was set to 1 August 2017. The shares of all series carry the same dividend rights. The dividend was paid on 16 August 2017.

## 12. Investments accounted for using the equity method

In 2017, Selena S.A., which is the owner of shares in the associated undertaking Hamil - Selena Co. Ltd., acquired the right to dividend from the company of EUR 114.7 thousand in respect of the 2016 profit. The dividend was paid on 28 April 2017.

In 2017, Selena Nantong Building Materials Co., Ltd. and Shanghai Haozheng Construction Engineering Co. Ltd entered into an agreement forming House Selena Company Ltd. (Articles of Association of JV), which was a follow-up on the framework agreement signed in 2016. House Selena Trading Company Ltd. was registered on 12 June 2017. Selena Nantong Building Materials Co. Ltd. took up a 40% stake with a value of CNY 200 thousand and is entitled to a 30% share in the net profit between 2017 and 2019, and to 40% from 2020 onwards. House Selena Company Ltd. is consolidated using the equity method. A detailed description of the transaction is provided in note 1.5.3 of these financial statements.

## 13. Financial assets

Figures in PLN thousand	30 June 2017 (unaudited)		31 December 2016	
	Long-term	Short-term	Long-term	Short-term
Bonds	0	61,002	0	60,396
Shares in PDR Recycling GmbH (indirectly through Orion PU Sp. z o.o.)	619	0	619	0
Cheques	0	3,789	0	4,031
Other financial assets	918	538	1,008	224
<b>TOTAL</b>	<b>1,537</b>	<b>65,329</b>	<b>1,627</b>	<b>64,651</b>

On 24 June 2015, the Management Board of Selena FM S.A. accepted the proposal from AD Niva sp. z o.o to take up bonds with a maximum value of PLN 60m. The bonds' nominal value corresponded to their issue price. The interest rate on the bonds is 6.7% p.a. The bonds will be redeemed at the nominal value by 31 December 2017. Selena FM S.A. acquired PLN 60m worth of bonds.

On 25 July 2017, AD Niva Sp. z o.o. used the right of early redemption of some bonds purchased by Selena FM S.A. The earlier redemption related to the bonds with a total value of PLN 20 million.

AD Niva sp. z o.o. has 51.29% votes at the General Meeting of Selena FM S.A. Mr Krzysztof Domarecki, Chairman of Supervisory Board of Selena FM S.A., is the sole shareholder of Sirius Investments S.a.r.l., which is the sole shareholder of AD Niva sp. z o.o.

## 14. Inventories

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

	Figures in PLN thousand	6 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2016 (unaudited)
<b>Opening balance</b>		<b>4,664</b>	<b>4,043</b>
Creation		466	1,279
Utilisation		-666	-503
Release		-86	-85
FX differences		-86	54
<b>Closing balance</b>		<b>4,292</b>	<b>4,788</b>

## 15. Trade receivables

The age structure of trade receivables not subject to impairment charges is presented in the table below (as at 30 June 2017 and 31 December 2016).

Figures in PLN thousand	Total	Up-to-date	Overdue, not covered by impairment charges (days in arrears):					>180
			< 30	31 – 60	61 – 90	91 – 180		
<b>30 June 2017 (unaudited)</b>	248,630	224,503	18,606	3,077	1,168	1,276	0	
<b>31 December 2016</b>	181,630	158,594	16,130	5,235	1,479	192	0	

The table below shows the movements in impairment charges on receivables (trade and other receivables).

	Figures in PLN thousand	6 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2016 (unaudited)
<b>Opening balance</b>		<b>38,555</b>	<b>28,364</b>
Creation		1,077	6,547
Utilisation		-12	-202
Release		-1,280	-728
FX differences		-2,709	1,580
Purchase of shares in a subsidiary		1,171	0
<b>Closing balance</b>		<b>36,802</b>	<b>35,561</b>

## 16. Other short-term receivables

	Figures in PLN thousand	30 June 2017 (unaudited)	31 December 2016
VAT claimed		28,321	11,281
Prepayments for deliveries		4,603	5,359
Prepaid expenses		5,601	3,538
Other		3,471	5,197
<b>Total</b>		<b>41,996</b>	<b>25,375</b>

## 17. Loans and advances

The balance of loans received as at the balance sheet date is presented in the table below.

Ref	Loan type	Maturity date	30 June 2017 (unaudited)		31 December 2016	
			Short-term portion	Long-term portion	Short-term portion	Long-term portion
1	Working capital loan	07/2018	59,815	0	51,469	0
2	Working capital loan	07/2018	55,239	0	25,401	0
3	Working capital loan	01/2017	0	0	0	10,536
4	Working capital loan	02/2018	0	53,733	55,861	0
5	Investment loan	03/2018	0	1,260	440	1,759
6	Working capital loan	09/2019	42,454	0	19,805	0
7	Other	Different	4,807	14,383	5,754	7,065
			<b>162,315</b>	<b>69,376</b>	<b>158,730</b>	<b>19,360</b>

On 13 January 2017, the multi-facility credit agreement of EUR 2.45 million expired. The company did not extend the agreement (item 3 in the list).

In January 2017, agreements on the transfer of trade receivables of Orion PU Sp. z o.o., Carina Silicones Sp. z o.o. and Libra Sp. z o.o. were signed. The agreements secure a loan agreement. The process of establishing security on the assets of IZOLACJA-MATIZOL S.A. ended in February 2017. After perfection of all the security items provided for in the agreement, the maximum utilisation of the facility increased from PLN 20 million to PLN 50 million (item 6 in the list).

On 9 June 2017, the subsidiary Selena Vostok entered into a working capital line agreement. The value of the credit line is RUB 300 million with an option of an increase after three months to RUB 400 million. The availability of the bank's credit line is 12 months. The granted credit limit will be used to finance the company's working capital requirements. It is secured by a corporate guarantee of Selena FM S.A.

On 30 June 2017, Selena FM S.A., Orion PU Sp. z o.o., Carina Silicones Sp. z o.o. and Selena S.A. signed an annex to the multi-facility agreement. As a result of the annex, the previous collateral under the above agreement was changed as follows:

- 1) The Bank agreed to remove a registered pledge on machinery and equipment (floating charge) established by Carina Silicones Sp. z o.o. on the basis of a registered pledge agreement of 15 July 2013;
- 2) The bank reassigned to Carina Silicones Sp. z o.o. receivables from the insurance agreement for the pledged machines and equipment referred to in point 1 above;
- 3) A registered pledge was established for the highest sum of security on a technological line for the production of PU Sartech foams, owned by Orion PU Sp. z o.o. At the same time, Orion PU Sp. z o.o. assigned to the Bank the receivables from the insurance contract for the pledged assets.

### Loan agreement terms

In the period covered by these condensed consolidated financial statements no default occurred under any loan agreement.

### Events occurring after the balance sheet date

On 27 July 2017, the subsidiary Selena Vostok entered into a working capital line agreement. The available line is RUB 400 million. The loan was granted for 18 months. It will be secured by a corporate guarantee of Selena FM S.A.

## 18. Other financial liabilities

Figures in PLN thousand	30 June 2017 (unaudited)		31 December 2016	
	Long-term	Short-term	Long-term	Short-term
Finance lease liabilities	7,178	4,115	7,590	4,207
Obligations in respect of bills settlement	0	10,709	0	9,508
Other financial liabilities	5,784	0	0	0
<b>Total financial liabilities</b>	<b>12,962</b>	<b>14,824</b>	<b>7,590</b>	<b>13,715</b>

The item "Other financial liabilities" includes valuation of the option to repurchase minority interests of Uniflex S.p.a. See Note 1.5.4. for details of settlement of the transaction.

## 19. Other liabilities

Figures in PLN thousand	30 June 2017 (unaudited)		31 December 2016	
	Long-term	Short-term	Long-term	Short-term
Investment liabilities	109	1,854	0	1,137
Prepayments for deliveries	0	798	0	1,100
VAT payable	0	12,432	0	5,414
Other taxes and insurance payable	0	6,999	0	6,110
Remuneration payable	0	15,833	0	12,459
Dividend liabilities	0	6,850	0	0
Other liabilities	1,682	3,478	2,071	3,122
Deferred income	2,146	4,335	2,519	1,186
<b>Total other liabilities</b>	<b>3,937</b>	<b>52,579</b>	<b>4,590</b>	<b>30,528</b>

## 20. Provisions

The table below shows changes in the balance of provisions.

Figures in PLN thousand	6 months ended 30 June 2017 (unaudited)			Period ended 31 December 2016		
	Provision for retirement benefits	Other provisions	Total	Provision for retirement benefits	Other provisions	Total
<b>Long term</b>						
Balance at the beginning of the period	491	2	493	429	2	431
Provisions raised	248	25	273	216	0	216
Provisions released	-86	0	-86	-137	0	-137
Provisions used	0	0	0	-17	0	-17
Purchase of shares in a subsidiary	2,039	84	2,123	0	0	0
FX differences	-16	6	-10	0	0	0
<b>Balance at the end of the period</b>	<b>2,676</b>	<b>117</b>	<b>2,793</b>	<b>491</b>	<b>2</b>	<b>493</b>
<b>Short term</b>						
Balance at the beginning of the period	8	15,350	15,358	2	3,823	3,825
Provisions raised	15	628	643	12	12,177	12,189
Provisions released	-11	-47	-58	0	-545	-545
Provisions used	-7	-712	-719	-6	-531	-537
Purchase of shares in a subsidiary	0	1,805	1,805	0	0	0
FX differences	0	-419	-419	0	426	426
<b>Balance at the end of the period</b>	<b>5</b>	<b>16,605</b>	<b>16,610</b>	<b>8</b>	<b>15,350</b>	<b>15,358</b>

## 21. Contingent liabilities and guarantees granted

### 20.1 Guarantees

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 intercompany dealings (the guarantees cover the obligations presented in the consolidated balance sheet), therefore the obligations in respect of such guarantees are not presented in the consolidated accounts.

Such guarantees given to the subsidiaries by Selena FM S.A. were described in detail in Note 29.1 of the unconsolidated financial statements of Selena FM S.A. for 2016 and in Note 19.1 of the condensed unconsolidated financial statements of Selena FM S.A. for the period of 6 months ended 30 June 2017.

### 20.2 Litigations

As at the date of approval of these financial statements, neither the Parent Company nor any Group company were a party to any court, arbitration or administrative proceedings whose 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 2016 (Note 28.3).

#### Dispute between Carina Silicones sp. z o.o. and Bank Millennium S.A.

On 27 March 2009, Carina Silicones sp. z o.o. (previously Carina Sealants Sp. z o.o. SKA) filed a suit with the Regional Court in Wrocław, X Commercial Division, against Bank Millennium S.A. of Warsaw to repudiate the FX options agreement of 8 July 2008. The case was referred to resolution to the Regional Court in Warsaw.

The bank presented to the court an estimated obligation of PLN 6.9m in respect of settlement of the FX transactions. On 27 February 2015, the Regional Court in Warsaw passed a judgement on the strength of which the court of first instance dismissed the claim. The Company appealed. On 8 September 2016, the Court of Appeal in Warsaw passed a judgement concerning the claim filed by Carina Silicones Sp. z o.o. against Bank Millennium S.A. and upheld the decision of the District Court in Warsaw of 27 February 2015.

On 11 March 2013, Carina Silicones received from the District Court in Warsaw, XVI Economic Division, a copy of the claim for payment made by Millennium Bank, dated 4 January 2013. The bank stated its total claim amount at PLN 10,256k. The claim relates to the purported conclusion of FX transactions between the company and the bank in 2008. Repeating the opinion of the Management Board of Carina Silicones, supported with legal opinions, the Management Board of the Parent sustains its opinion that the bank's claims are unwarranted. Based on the legal opinion received, the company responded to the claim and moved that it should be dismissed in its entirety, proposing the proceedings to be suspended until determination of the fact of existence of the contested transaction. On 11 May 2013, the District Court in Warsaw, accepted the request of Carina Silicones and decided to suspend the proceedings.

At the request of Bank Millennium, the Regional Court in Warsaw resumed the proceedings. During the first hearing on 14 March 2017, the attorney of Bank Millennium filed a motion to refer the case to mediation. The court decided to defer its decision regarding the motion. At the current stage of the proceedings, witnesses are being questioned. The last hearing was held on 21 August 2017, the next one was scheduled for 23 October 2017.

### Administrative proceedings between Selena S.A. and the Customers Office

Selena S.A. is a party to customs proceedings relating to the imposition by the customs authorities of anti-dumping duty on the company in connection with the import of open-mesh fabrics of glass fibres from Taiwan. The goods were imported in e.g. 2011-2012. At that time, no anti-dumping duty was in effect that would relate to the imports of certain types of fibreglass mesh fabrics forwarded from Taiwan. The anti-dumping duty on this mesh was introduced on 25 May 2012, on the basis of Regulation No. 437/2012 of 23 May 2012 in conjunction with Regulation No. 21/2013 of 10 January 2013.

On 24 February 2014, the Head of the Customs Office in Gdynia initiated the first proceedings against Selena S.A. concerning determination of anti-dumping customs duty on the imports of the open-mesh fabrics from Taiwan. On 27 May 2014, the Head of the Customs Office in Gdańsk initiated further 27 proceedings to determine the amount of the anti-dumping duty for the same goods. The basis for initiation of the procedure by the Polish customs authorities was the receipt of a report drafted by the European Anti-Fraud Office (OLAF) on the investigation carried out by OLAF in Taiwan in 2013 concerning the suspected circumvention of the anti-dumping duty imposed on the imports of open-mesh fabrics.

At present, there are 32 proceedings pending, in which anti-dumping duties of PLN 7,992.9k in total were imposed on the Company in the first instance. The decisions taken by the courts of the first instance to impose the anti-dumping duty are solely based on the OLAF's report on the completed investigation, and actually, fact sheets sent by the Taiwanese authorities (tables appended to the to OLAF's report), whose quality and content cause the Company to have reasonable doubt, a fact that has been consistently brought to the court's attention. Where an authority of the second instance adopts an unfavourable decision, a complaint can be lodged with the Supreme Administrative Court.

Until 15 December 2016, the outcomes of the proceedings before administrative courts were favourable for the Company. The first unfavourable court ruling in customs matters was issued on 15 December 2016, after another examination of the above cases. The court dismissed the complaints made by Selena S.A., but did not refer to the inconsistent data arising from the OLAF report or the supplementary correspondence with OLAF. The above unfavourable ruling relating to the three complaints filed with the Supreme Administrative Court against the decision of the Head of Customs Chamber, increased the risk of a negative outcome of the dispute, so a decision was made to raise a provision for this purpose. The Company does not agree with the court decisions and on 20 and 22 February lodged appeals to the Supreme Administrative Court.

Currently, 15 proceedings previously suspended by the Head of the Customs Chamber in Gdynia have been resumed. The Company used the opportunity to comment on the evidence collected. Now a decision is being awaited. Other proceedings (13 proceedings pending before the Provincial Administrative Court suspended at the request of the Parties) remain suspended.

## 22. Net debt

As part of capital management, the Management Board monitors the 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.

Figures in PLN thousand	30 June 2017 (unaudited)	31 December 2016
Interest bearing borrowings	231,691	178,090
Other financial liabilities	27,786	21,305
Less cash and cash equivalents	-83,664	-54,704
<b>Net debt</b>	<b>175,813</b>	<b>144,691</b>
Equity attributed to the shareholders of the parent	415,505	433,576
<b>Equity and net debt</b>	<b>591,318</b>	<b>578,267</b>
<b>Gearing (net debt / equity + net debt)</b>	<b>30%</b>	<b>25%</b>

## 23. 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 6 months ended 30 June (2017 and 2016, respectively), while the receivables and liabilities are presented as at 30 June 2017 and 31 December 2016.

Figures in PLN thousand		Period	Sale	Purchase	Other revenues <sup>1)</sup>	Receivables	Liabilities	Other assets
Owners	AD Niva Sp. z o.o. (indirectly Krzysztof Domarecki)	2017	5	0	1,993	1	2,929	61,002
		2016	4	0	1,999	0	0	60,000
	AD Niva Sp. z o.o. SKA (Krzysztof Domarecki)	2017	1	0	0	0	0	0
		2016	1	0	0	0	0	0
	Syrius Investment (Krzysztof Domarecki)	2017	0	0	0	0	2,415	0
		2016	0	0	0	0	0	0
Associates and JV	Hamil - Selena Co Ltd.	2017	2,751	0	0	1,450	1	0
		2016	2,372	0	0	618	11	0
	House Selena Trading Company Ltd.	2017	0	0	0	0	109	0
		2016	0	0	0	0	0	0
Supervisory Board Members	Krzysztof Domarecki (CONSILE)	2017	0	341	0	0	62	0
		2016	0	340	0	0	65	0
	Universal Energy Sp. z o.o. (Krzysztof Domarecki)	2017	2,444	0	-4	2,768	0	0
		2016	2	49	4	101	0	396
Members of the Management Board	Jean-Noël Fourel	2017	0	141	0	0	0	0
		2016	0	0	0	0	0	0
	Marcin Macewicz	2017	0	0	0	50	0	0
		2016	0	0	0	0	0	0
	Hubert Rozpędek	2017	0	210	0	0	43	0
		2016	0	0	0	0	43	0
	Agata Gładysz-Stańczyk (AG Consulting)	2017	0	176	0	0	54	0
		2016	0	0	0	0	0	0
	Krzysztof Kluza *	2017	0	0	0	0	0	0
		2016	0	210	0	0	0	0
	Andrzej Feruga (MERITUM) **	2017	0	0	0	0	0	0
		2016	0	210	0	0	0	0
<b>TOTAL</b>		<b>2017</b>	<b>5,201</b>	<b>868</b>	<b>1,989</b>	<b>4,269</b>	<b>5,613</b>	<b>61,002</b>
		<b>2016</b>	<b>2,379</b>	<b>809</b>	<b>2,003</b>	<b>719</b>	<b>119</b>	<b>60,396</b>

<sup>1)</sup> includes revenues from interest on bonds

\* value of sales and purchases until the VP stepped down from office on 28 July 2016

\* value of sales and purchases until the Management Board member was recalled from office on 31 December 2016

## 24. Discontinued operations

In the period of 6 months ended 30 June 2017 the Group did not discontinue nor it plans to discontinue any type of business over the next 12 months.

## 25. 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).

The key assumptions for managing these risks are described in the consolidated financial statements for 2016 (Note 34).

In 2017, no significant changes occurred to the rules and tools used for financial risk management.

## **26. Events occurring after the balance sheet date**

On 25 July 2017, AD Niva Sp. z o.o. used the right of early redemption of some bonds (PLN 20 million) purchased by the Parent Company. Detailed information is provided in Note 13 of these condensed consolidated financial statements.

On 27 July 2017, the subsidiary Selena Vostok entered into a working capital line agreement. The available line is RUB 400 million. The loan was granted for 18 months. It will be secured by a corporate guarantee of Selena FM S.A.

### **Person responsible for maintenance of books of account**

.....  
**Agnieszka Rumczyk**

### **Management Board President**

.....  
**Jean-Noël Fourel**

**Vice-President  
for Sales and Marketing**

.....  
**Marcin Macewicz**

**Vice-President for Finance**

.....  
**Hubert Rozpędek**

**Management Board Member**

.....  
**Agata Gładysz-Stańczyk**