



Management Board's report on the Group's activities for the 6 months ended 30 June 2020

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 01.01.2020 to 30.06.2020	from 01.01.2019 to 30.06.2019	from 01.01.2020 to 30.06.2020	from 01.01.2019 to 30.06.2019
Revenue from contracts with customers	602,179	617,157	135,586	143,927
Operating profit	44,070	34,642	9,923	8,079
Profit before tax	36,908	30,790	8,310	7,181
Net profit	31,333	20,721	7,055	4,832
Profit after tax attributable to controlling interests	31,260	20,628	7,038	4,811
Comprehensive income	27,955	20,048	6,294	4,675
Comprehensive income attributable to shareholders of the parent	27,860	19,963	6,273	4,656
Net cash flows from operating activities	3,196	35,492	720	8,277
Net cash flows from investing activities	-13,323	-6,655	-3,000	-1,552
Net cash flows from financing activities	38,999	-4,528	8,781	-1,056
Number of shares	22,834,000	22,834,000	22,834,000	22,834,000
Earnings per ordinary share (PLN/share; EUR/share)	1.37	0.90	0.31	0.21

	As at	As at	As at	As at
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Total assets	936,017	848,743	209,587	199,306
Non-current liabilities	119,646	103,234	26,790	24,242
Current liabilities	329,380	286,467	73,753	67,269
Equity	486,991	459,042	109,044	107,794
Registered capital	1,142	1,142	256	268

1.2 Financial data of the Parent Company

	PLN '000		EUR '000	
	from 01.01.2020 to 30.06.2020	from 01.01.2019 to 30.06.2019*	from 01.01.2020 to 30.06.2020	from 01.01.2019 to 30.06.2019*
Revenue from contracts with customers	321,963	271,322	72,493	63,275
Operating profit (loss)	22,478	21,979	5,061	5,126
Profit (loss) before tax	28,442	30,492	6,404	7,111
Profit (loss) after tax	26,032	29,441	5,861	6,866
Comprehensive income	26,032	29,441	5,861	6,866
Net cash flows from operating activities	-18,753	-1,498	-4,222	-349
Net cash flows from investing activities	8,194	32,115	1,845	7,490
Net cash flows from financing activities	27,512	-14,193	6,195	-3,310
Number of shares	22,834,000	22,834,000	22,834,000	22,834,000
Earnings per ordinary share (PLN/share) /EUR/share)	1.14	1.29	0.26	0.30

	As at	As at	As at	As at
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Total assets	612,144	532,356	137,068	125,010
Liabilities	233,461	179,705	52,275	42,199
Equity	378,683	352,651	84,792	82,811
Registered capital	1,142	1,142	256	268

*The change in the presentation of dividend income is described in Note 1.3 to the interim condensed standalone financial statements for the first half of 2020



Information about the Group

2. Information about the Group

2.1 Selena Group's activities

Selena FM Group (hereinafter also referred to as "Selena Group", "Group") is an international producer and distributor of construction chemicals. The Group's Parent is Selena FM S.A. with the head office located 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. The 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,
- 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 to individual users. The Group's leading brands include Tytan, Quilosa, Artelit and Matizol.

The Group's production plants are located in Poland, China, Romania, Turkey, Spain, Kazakhstan and Italy, and its products are available in more than 100 countries in the world. Selena also carries on R&D activity in Poland, Spain, Turkey, China 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 and domestic markets (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 2020.

2.3 Management Board of the Parent Company

As at 31 December 2019, the Parent Company's Management Board was composed of:

- Krzysztof Domarecki – Management Board President,
- Dariusz Ciesielski – Vice President for Sales,
- Christian Dölle – Vice President for Marketing,
- Jacek Michalak – Management Board Member for Finance.

Changes in the Management Board in 2020:

On 14 May 2020, the Parent Company's Supervisory Board adopted a resolution appointing Marek Tomanek to the Parent Company's Management Board as Chief Operating Officer (COO). The appointment became effective as of 25 May 2020.

As at 30 June 2020, the Parent Company's Management Board was composed of:

- Krzysztof Domarecki – Management Board President,
- Dariusz Ciesielski – Vice President for Sales,
- Christian Dölle – Vice President for Marketing,
- Jacek Michalak – Management Board Member for Finance,
- Marek Tomanek – Management Board Member for Operations.

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

2.4 Supervisory Board of the Parent Company

As at 31 December 2019, the Supervisory Board of the Parent Company was composed of:

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

In the period from 1 January 2020 to the date of publication of this report, there were no changes in the composition of the Supervisory Board.

2.5 Committees of the Parent Company's Supervisory Board

Audit Committee

As at 31 December 2019, the Audit Committee was composed of:

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

In the opinion of the Supervisory Board, the Audit Committee, in the aforementioned composition, 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.

Changes in the Audit Committee composition in 2020:

Since 14 May 2020, the Audit Committee has consisted of:

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

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.

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

Strategy and Innovation Committee

As at 31 December 2019, 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.

In the period from 1 January 2020 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 2019, 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.

In the period from 1 January 2020 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, as well as 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 2020. Detailed description of changes in the Group structure in the first half of 2020 is presented in Note 2.3 to the condensed consolidated financial statements of the Group.



Material developments in the reporting period

3. Significant developments in the reporting period

3.1 Group promotion

January 2020

Selena S.A. – submission of Tytan Professional masonry foam adhesive to the industry competition TopBuilder
TopBuilder statuettes are awarded every year in the construction industry for the best products and technological solutions.

Inauguration of the next edition of the Builder For The Future competition – 4 Young Engineers Competition
For the second time Selena S.A. became the Strategic Partner of the event. The competition is dedicated to the most talented students of technical universities throughout Poland, and involves development of a project on a topic proposed by the judging panel. This year the topic was: “Time for the railway”.

Participation in the January BUILDER AWARDS Gala

During the Gala, prestigious awards were presented to companies from the construction and architecture sectors. Selected individuals were also honoured with the Personality of the Year 2019 titles. The group of awardees included Selena S.A., which in addition to being named as the Construction Company of the Year, found itself at the top of the “Build The Future” Ranking prepared in cooperation with PwC Poland and Bisnode Poland. Andrzej Ulfig, the CEO of Selena S.A., was awarded as the Industry Personality.

February 2020

Selena Labs receives the Forbes Diamond 2020 award

Selena Labs – an R&D centre from Selena Group was granted the Forbes Diamond 2020 award. “Forbes Diamonds” is an annual ranking of companies which have increased their value most significantly over the past three years. “Forbes Diamonds 2020” ranking results were analysed by the magazine’s publishing board using a Swiss method of company valuation. The key criteria included financial results for the years 2014–2018, asset value, payment history, creditworthiness and no negative legal issues.

Selena Group receives the Hidden Champion title

Selena Group was recognised as a Hidden Champion in the report prepared for the European Bank for Reconstruction and Development (EBRD). The survey was conducted by a team of experts of the Warsaw School of Economics (SGH) led by SGH Professor Grażyna Leśniak-Łebkowska, PhD, as part of the project “Hidden Champions in Central, Eastern, and South-Eastern Europe” (CESEE). This project was coordinated and finally developed according to EBRD requirements by IEDC-Bled School of Management and CEEMAN.

Selena S.A. took part in the assessment of the submissions to the Builder For The Future competition – 4 Young Engineers Competition

As members of the judging panel, Selena S.A.’s representatives received online access to the competition works of young engineers, and could award points for the best works in Poland.

Selena S.A. participated in the online Young Engineer Days (developing materials for a nationwide knowledge exchange platform for young engineers)

Together with the editors of the Builder magazine and the authorities of the best Polish universities of technology, Selena S.A. organised the Young Engineer Days, providing materials on products and product solutions. The aim of the campaign was to strengthen young people’s understanding about the use of Tytan Professional, Tack R, Evomer, COOL-R and other products.

March 2020

TopBuilder award for the Tytan Professional masonry foam adhesive

The judging panel composed of engineers and experts from the construction industry, awarded the TopBuilder title for the product submitted by Selena S.A. to the annual competition for the best solution in the market.

The 60 SECONDS foam adhesive submitted to the 30th edition of the nationwide Teraz Polska (Now Poland) competition

Starting the process aimed at obtaining the prestigious Teraz Polska emblem. The purpose of the competition is to select the best Polish products, services, municipalities and projects that stand out in the market with their qualitative, technological and functional values.

Online meeting of the judging panel of the Builder For The Future – 4 Young Engineers Competition

As a Strategic Partner of the nationwide Builder 4 The Future programme, Selena S.A. is also a member of the judging panel of the 4 Young Engineers Competition for the most talented young Polish engineers. The judging panel meets regularly to discuss organisational matters.

April 2020

Tytan Health disinfectant – a new line of products for the pandemic era

In response to the market need, in April Selena Group started production of Tytan Health hand sanitizer. The antibacterial and antiviral hand rub obtained the marketing authorization from the Office for Registration of Medicinal Products, Medical Devices and Biocidal Products. The product is sold through standard orders placed at the sales department or via the online store of Selena Group. The first batch of the product was transferred free of charge to hospitals in Lower Silesia, which kicked off the #Selena Pomaga (#SelenaHelps) campaign. In addition, Selena Group became involved in the CSR campaign under which it provided the Tytan Health disinfectant to employees returning to the office, hospitals and medical facilities, beneficiaries of the Między Niebem a Ziemią (Between Heaven and Earth) foundation and for the initiative sponsored by the Marshal's Office "Maseczka dla seniora" ("Face Mask for the Senior").

TopBuilder statuette for the Tytan Professional masonry foam adhesive

TopBuilder is one of the most prestigious awards in the Polish construction market. An award for the highest quality products, novelties and innovations, including in terms of material, technological and construction solutions; for services and projects dedicated to the industry as well as construction projects distinguished by high quality of the designed architecture and based on modern solutions. TopBuilder is also a distinction for the IT&BIM sector, and for manufacturers from the construction industry for services, products and technologies applicable in architecture and construction.

May 2020

TYTANI CERAMIKI - webinars with Partners

In response to the pandemic situation, Selena Group launched a webinar platform so that it could provide training to clients online. TYTANI CERAMIKI (TYTANS OF CERAMICS) is a project with participation of Selena's partners who are leading suppliers of equipment, tools and tiles as well as equipment distributors (e.g. Redmax and Lange Łukaszuk). The training attracted a lot of interest and strengthened the brand's online presence.

June 2020

Government minister visits the production plant in Dzierżoniów

The Minister of Family, Labour and Social Policy Marlena Małaż visited Libra, the Dzierżoniów-based plant producing adhesives and sealants. This was part of her visits to plants in Lower Silesia in the context of employee protection and safety. During her visit to Libra, Minister Marlena Małaż was accompanied by Sejm Deputy Marcin Gwóźdź and Deputy Voivode of Lower Silesia Jarosław Kresa. Libra is one of Selena Group's two European plants which produce adhesives and sealants for European, but also for Qatar, South Korea and India markets. During the pandemic, Selena Group received support under the government's anti-crisis shield, which helped

maintain more than 600 jobs in Poland. The delegation of the government's representatives met with the Management Board and learned about the construction chemicals which are developed in Poland and distributed all over the world.

The "Teraz Polska" accolade for TYTAN 60 SECONDS

Selena Group was awarded with the "Teraz Polska" ("Poland Now") accolade for its TYTAN Professional 60 SECONDS foam adhesive. The ceremony of presenting congratulatory letters and the "Teraz Polska" statuettes took place in the Presidential Palace. The award was handed over by the First Lady of Poland Agata Kornhauser-Duda to the CEO of Selena Group Krzysztof Domarecki and the CEO of the distribution company Andrzej Ulfig. The advantages of foam adhesives include time savings of even 30% compared to traditional technologies, and lower environmental impact.

Global Experience brand-building campaign

In June 2020, Selena Group published its first online brand-building campaign under the slogan "Global Experience". Campaign activities were carried out on Facebook, LinkedIn and Youtube channels. The purpose of the campaign was to strengthen Selena's image as an experienced international expert who successfully creates innovative solutions for users around the world. The Global Experience campaign supported and complemented the marketing activities of the Tytan Professional product brand addressed directly to end users.

CEO Krzysztof Domarecki participates in the online EEC Congress

Krzysztof Domarecki, CEO of Selena Group, took part in the European Economic Congress in Katowice. The event was held online due to the coronavirus outbreak. Krzysztof Domarecki spoke during the International Trade, Export and Expansion panel, which dealt with effective models of operation in the era of global recession, reviving global economies, supporting exporters and investors in foreign markets.

Summary of the #SelenaPomaga (#SelenaHelps) campaign

In cooperation with local authorities as part of the #SelenaPomaga campaign, Selena Group transferred the first batch of TYTAN HEALTH (a sanitiser manufactured by Libra in Dzierżoniów) free of charge to over 50 entities. 10,000 packages were sent to e.g. hospitals and medical facilities, children from the Między Niebem a Ziemią foundation, and seniors. #SelenaPomaga is one of the elements of the Company's CSR policy.

Quilosa Health – a new product line in Spain and Portugal

The team in Spain launched the Quilosa Health disinfectant (equivalent to the Polish Tytan Health). The product is currently available in Spain and Portugal and is sold online.

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, Spain, Turkey, Romania and Italy.

During the first and second quarter of 2020, Selena Labs worked on development of the highly reflective waterproofing COOL-R roof coating, polyurethanes, silicones and acrylic-polyurethane hybrids. The laboratory work was completed, trial production was carried out and application validation began for relevant product recipes on flat roofs. The Group started production of foam sealants for the American market and new applications for window assembly systems based on the Ultra Fast 70 foam and coatings with properties oriented on water vapour permeability.

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.

3.2 Investments

In the first half of 2020, Selena Group's capital expenditures were PLN 14.3 million. Like in the previous year, the Group carried out necessary development investments, mainly modernisations, in most of its production plants. One of the key investments is the BIOMOTIVE project carried out under the Horizon 2020 - The EU Framework Programme for Research and Innovation, which is designed to pave the ground towards the production and subsequent sale of components based on biorenewable, plant-derived 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 which might materially affect the data presented herein, other than those described herein, took place.



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 2020 and 30 June 2019, respectively, as well as selected financial ratios.

Figures in PLN thousand	from 01.01.2020 to 30.06.2020	from 01.01.2019 to 30.06.2019	Change	Change %
Revenue from contracts with customers	602,179	617,157	-14,978	-2.4%
Cost of sales	399,262	422,086	-22,824	-5.4%
Gross profit	202,917	195,071	7,846	4.0%
Selling and marketing costs	103,728	102,675	1,053	1.0%
General and administrative expenses	56,291	52,566	3,725	7.1%
Other operating income (loss)	3,136	-2,379	5,515	-231.8%
Impairment of non-financial fixed assets	1,588	0	1,588	-
Impairment of financial assets	376	2,809	-2,433	-86.6%
EBITDA (operating profit + depreciation + amortisation)	62,631	53,500	9,131	17.1%
Operating profit (EBIT)	44,070	34,642	9,428	27.2%
Net financial income (loss)	-7,646	-4,322	-3,324	76.9%
Share in net profit/loss of the associate	484	470	14	3.0%
Profit before tax	36,908	30,790	6,118	19.9%
Net profit	31,333	20,721	10,612	51.2%
Other net comprehensive income	-3,378	-673	-2,705	401.9%
Total comprehensive income	27,955	20,048	7,907	39.4%

	from 01.01.2020 to 30.06.2020	from 01.01.2019 to 30.06.2019	Change in p.p.
Gross profit margin	33.7%	31.6%	2.1
Cost of sales/ Revenue from contracts with customers	17.2%	16.6%	0.6
General and administrative expenses/ Revenue from contracts with customers	9.3%	8.5%	0.8
EBITDA margin %	10.4%	8.7%	1.7
Operating profit margin (EBIT %)	7.3%	5.6%	1.7
Net profit margin	5.2%	3.4%	1.8

EBIT% – operating profit/ revenue from contracts with customers

EBITDA% – EBITDA / revenue from contracts with customers

Figures in PLN thousand	from 01.04.2020 to 30.06.2020	from 01.04.2019 to 30.06.2019	Change	Change %
Revenue from contracts with customers	319,465	346,073	-26,608	-7.7%
Cost of sales	207,121	235,746	-28,625	-12.1%
Gross profit	112,344	110,327	2,017	1.8%
Selling and marketing costs	51,562	53,566	-2,004	-3.7%
General and administrative expenses	28,719	28,150	569	2.0%
Other operating income (loss)	2,820	-2,971	5,791	-194.9%
Impairment of non-financial fixed assets	46	0	46	-
Impairment of financial assets	-89	1,173	-1,262	-107.6%
EBITDA (operating profit + depreciation + amortisation)	43,844	34,189	9,655	28.2%
Operating profit (EBIT)	34,926	24,467	10,459	42.7%
Net financial income (loss)	-3,913	-3,245	-668	20.6%
Share in net profit/loss of the associate	484	470	14	3.0%
Profit before tax	31,497	21,692	9,805	45.2%
Net profit	26,124	14,632	11,492	78.5%
Other net comprehensive income	2,086	-1,507	3,593	-238.4%
Total comprehensive income	28,210	13,125	15,085	114.9%

	from 01.04.2020 to 30.06.2020	from 01.04.2019 to 30.06.2019	Change in p.p.
Gross profit margin	35.2%	31.9%	3.3
Cost of sales/ Revenue from contracts with customers	16.1%	15.5%	0.6
General and administrative expenses/ Revenue from contracts with customers	9.0%	8.1%	0.9
EBITDA margin %	13.7%	9.9%	3.8
Operating profit margin (EBIT %)	10.9%	7.1%	3.8
Net profit margin	8.2%	4.2%	4.0

EBIT% – operating profit/ revenue from contracts with customers
EBITDA% – EBITDA / revenue from contracts with customers

Revenue from contracts with customers

In H1 2020, the Group's consolidated revenue from contracts with customers amounted to PLN 602.2 million, which is by 2.4% (PLN 15.0 million) lower than in the corresponding period of the previous year.

The slight decrease in revenue from contracts with customers during the first 6 months of the year was mainly due to the situation related to COVID-19, and the ensuing limitation of the counterparties' business activity in April and May.

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 2020, 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 2020, it generated 65% 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 2020 / 2019
	from 01.01.2020 to 30.06.2020	from 01.01.2019 to 30.06.2019	
European Union, including:	65%	66%	-4%
<i>Poland</i>	37%	36%	3%
<i>Other countries</i>	28%	30%	-11%
Eastern Europe and Asia	29%	28%	0%
N&S America	6%	6%	2%

Gross profit on sales

In H1 2020, Selena Group generated gross profit of PLN 202.9 million, i.e. PLN 7.8 million more year-on-year.

Gross profit margin was 33.7%, i.e. up 2.1 p.p. on last year. This increase resulted from the continued decline in commodity prices and a partial stabilisation of prices of other commodities in the second quarter of 2020. The margin also benefited from a constant increase in the share of sales of innovative products with a higher margin as well as from optimisation of product formulations.

Selling costs and general and administrative expenses

Selling costs in H1 2020 were PLN 103.7 million, up PLN 1.1 million (1.0%) year-on-year. The level of selling costs did not change significantly in relation to the previous year. The figure was significantly affected by the increase in the cost of transport services that has continued over the last six months.

Over the first 6 months of 2020, **general and administrative expenses** were PLN 56.3 million. They increased by PLN 3.7 million year-on-year. The increase in general and administrative expenses mainly results from the ended process of completing the composition of the Management Board of Selena FM S.A.

The ratio of selling, general and administrative expenses to revenue from contracts with customers was 26.6% in H1 2020, up 1.4 p.p. year-on-year.

The **result on other operations** was positive at PLN 1.2 million, taking into account the impairment loss in respect of financial and non-financial assets.

This line was adversely affected by:

- impairment of intangible assets of PLN 1,588 thousand resulting from a change in the concept of implementing IT systems in the subsidiary Selena Iberia slú,
- allowances for receivables of PLN 1,133 thousand, reduced by reversed allowances of PLN 757 thousand.

The result on other operations was positively influenced by subsidies received (PLN 4.5 million, including PLN 3.8 million as financial support received from the government in relation to the pandemic).

Operating profit (loss)

In H1 2020, Selena Group generated operating profit of PLN 44.1 million vs PLN 34.6 million in the previous year, up 27.2% year-on-year.

Profit (loss) after tax

In H1 2020, Selena Group achieved net profit of PLN 31.3 million compared with PLN 20.7 million posted in the corresponding period of 2019. 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 negative balance of FX differences was PLN 5.0 million vs the positive balance of PLN 0.04 million in H1 2019. The cost of interest on loans and leases totalled PLN 2.4 million net (after reduction by the achieved interest income from bank deposits) compared with PLN 2.7 million incurred in the corresponding period of 2019.

For the 6 months of 2020, the income tax charge was PLN 5.6 million.

After the 6 months of 2020, EBITDA was PLN 62.6 million (including depreciation/ amortisation: PLN 18.6 million), which was by PLN 9.1 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 2020 and 31 December 2019.

Figures in PLN thousand	As at 30.06.2020	As at 31.12.2019	Change	Change %
Non-current assets	325,552	323,592	1,960	1%
Property, plant and equipment	235,857	235,620	237	0%
Intangible fixed assets	50,915	52,492	-1,577	-3%
Other long-term assets	38,780	35,480	3,300	9%
Current assets	610,465	525,151	85,314	16%
Inventories	178,440	150,185	28,255	19%
Trade receivables	271,788	237,892	33,896	14%
Cash and cash equivalents	114,819	85,653	29,166	34%
Other current assets	45,418	51,421	-6,003	-12%
Equity	486,991	459,042	27,949	6%
Liabilities	449,026	389,701	59,325	15%
Bank and other loans	153,794	103,907	49,887	48%
Trade liabilities	164,181	143,986	20,195	14%
Other liabilities	131,051	141,808	-10,757	-8%
	As at 30.06.2020	As at 31.12.2019		
Current ratio	1.9	1.8		
Quick ratio	1.3	1.3		
Debt ratio	48%	46%		
<i>Current liquidity – current assets / current liabilities</i>				
<i>Quick liquidity – current assets less stocks / current liabilities</i>				

As at 30 June 2020, the Group's asset position, with an increase in total assets of PLN 87.3 million vs 31 December 2019, was affected by seasonality, resulting in an increase in working capital (inventories, receivables, liabilities).

As at 30 June 2020, the current and quick ratios (1.9 and 1.3 respectively) point to the Group's ability to meet its obligations in a timely manner.

4.3 Debt

Figures in PLN thousand	As at 30.06.2020	As at 31.12.2019
Interest bearing borrowings	153,794	103,907
Lease liabilities	32,432	37,729
Liabilities on account of prepaid trade receivables	345	12,725
Less cash and cash equivalents	-114,819	-85,653
Net debt	71,752	68,708
Equity attributable to the shareholders of the parent	486,175	458,315
Equity and net debt	557,927	527,023
Gearing (net debt / equity + net debt)	13%	13%
Debt ratio (net debt / total assets)	48%	46%
Net debt / EBITDA*	0.49	0.67
<i>* debt as at the balance sheet date; EBITDA for the last 4 quarters</i>		

As at the balance sheet date, the debt on bank and other loans increased vs 31 December 2019 to PLN 153.8 million. The net debt to EBITDA ratio (bank covenant) did not change significantly. As at 30 June 2020, the debt ratio amounted to 48% and was 2 p.p. higher than at the end of 2019.

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:

- payment of dividend 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 table below show selected items of the consolidated statement of cash flows for the six months ended 30 June 2020 and 30 June 2019, respectively.

Figures in PLN thousand	from 01.01.2020 to 30.06.2020	from 01.01.2019 to 30.06.2019	Change
Net cash flows from operating activities	3,196	35,492	-32,296
Net cash flows from investing activities	-13,323	-6,655	-6,668
Net cash flows from financing activities	38,999	-4,528	43,527
Change in cash and cash equivalents:	28,872	24,309	4,563

In H1 2020, net cash flows were PLN 28.9 million.

Net operating cash flows were PLN 3.2 million, down PLN 32.3 million on the corresponding period of 2019. Changes in net current assets in H1 2020 were as follows: receivables – up PLN 31.8 million, inventories – up PLN 29.5 million, and liabilities – up PLN 16.3 million. The change of PLN -45.0 million in net current assets in H1 2020 (compared to the change of PLN -12.1 million in H1 2019) was mainly due to the sustained low raw material prices (a lower increase in liabilities).

In H1 2020, net cash flows from investing activities were negative at PLN -13.3 million and investment expenses were up PLN 6.7 million year-on-year.

In H1 2020, net cash inflows from financing activity were PLN 39.0 million. This figure was mainly affected by the bank loans (PLN 82.9 million) obtained to fund working capital requirements and investments, repayment of bank and other loans (PLN -34.4 million), lease payments (-PLN 7.7 million) and interest paid (PLN -1.9 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 2018–2019 as a point of reference, one may conclude that sales in individual quarters have the following contribution to the total annual sales: Q1 – 20%, Q2 – 27%, Q3 – 29%, Q4 – 24%. 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 2020.

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 IMF forecast of June 2020 shows that the world economy will record a GDP decline of 4.9% this year, and in the next year it will return to the growth path at +5.4%. What is particularly important, the European Union countries will achieve -10.2% and +6.0%, respectively. For the USA, the IMF forecasts a decrease of 8.0% in 2020 (+4.5% in 2021); for China an increase of 1.0% (+8.2% in 2021), and for Russia a decrease of 6.6% (+4.1% in 2021). For Poland, the European Commission's forecast of July 2020 points to a relatively low GDP decline of 4.6% in 2020, and a rebound of 4.3% in 2021.

Situation in the construction sector. According to the May forecast of the European Commission, expenditures on construction projects in the EU Member States are to decrease by 9.4% in 2020, and will recover to 8.1% in 2021. Poland is to see a drop of 5.9% in 2020 and an increase of 3.1% in 2021. Decreases are forecasted also for other European countries where Selena Group operates: Spain of 20.1%, Romania 10.0%, Czech Republic 6.4%, Hungary 14.7%, Bulgaria 13.6% and Italy 9.2%.

Availability of financing. According to the results of the PENGAB banking business sentiment index published by the Polish Banks Association, in June 2020 the market sentiment improved: 42% of bankers point to an increase, 40% to stabilisation, and only 18% to a decrease in housing loans.

FX rates. According to the consensus of currency forecasts published by Thomson Reuters on 9 September 2020, following a weaker period, in the coming months the zloty should become stable with a slight appreciation trend towards 4.41 EUR/PLN at the end of the year. One should also expect a slight strengthening of Central European currencies. Towards the year-end, the following currency rates are expected (for the main markets): EUR/RUB 84.5 EUR/TRY 8.9 EUR/CZK 26.3 EUR/HUF 352 EUR/RON 4.87 EUR/UAH 33.8.

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.

Commodity prices. As a result of administrative restrictions related to the pandemic, Q2 2020 saw a sharp decline in consumption in most application segments, which influenced the prices of raw materials throughout the chain, and, consequently, led to a gradual reduction in the current and planned production for the following period.

The risk of impact of the COVID-19 pandemic on the operating activities of Selena Group was described in Note 1.4 to the Group's interim condensed consolidated financial statements for the period ended 30 June 2020.



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 6 months ended 30 June 2020. As at 30 June 2020, the valuation of those guarantees according to IFRS 9 is immaterial.

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 2020.

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 2020.

5.4 Main shareholders of the Parent Company

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

Shareholder	Share types	Number of shares acquired	Share in registered capital	Number of votes	Share in votes at the AGM
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	1,367,141	5.99%	1,367,141	5.09%

* entity controlled by Krzysztof Domarecki, President of the Management Board of Selena FM S.A.

**As at 7 July 2016

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

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.

5.6 Profit distribution for 2019

On 10 June 2020, the Annual General Meeting of Selena FM S.A. adopted a resolution to distribute the Company's net profit for 2019 in the amount of PLN 52,633,039.31 as follows: PLN 9,775,999.90 to cover losses carried over from previous years; the remainder of PLN 42,887,039.41 to be transferred entirely to the Company's supplementary capital.

5.7 Shareholdings by executive and non-executive directors

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

Name	Role	Number of shares held	Nominal value of a share (PLN)
Syrius Investments s.a.r.l.*	-	17,813,000	890,650

* entity controlled by Krzysztof Domarecki, President of the Management Board of Selena FM S.A.

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

5.8 Equity-based remuneration programmes

In H1 2020, no equity based remuneration programmes were in operation.

5.9 Audit and review of financial statements

On 13 March 2018, the Company's Supervisory Board resolved to appoint PricewaterhouseCoopers Sp. z o.o. Audyt Sp. k. (formerly: PricewaterhouseCoopers Sp. z o.o.) 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 2018, 2019 and 2020. The audit agreement was concluded on 23 April 2018.

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 2020 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
Krzysztof Domarecki**

Vice President for Sales

Dariusz Ciesielski

Vice President for Marketing

Christian Dölle

**Management Board Member
for Finance
Jacek Michalak**

**Management Board Member for
Operations**

Marek Tomanek