

Dear Shareholders,

2019 was a year of very intensive work for Selena Group, with strong tailwinds that helped us deliver robust financial performance and ensure customer satisfaction in more than 100 markets around the world.

In 2019, our revenue exceeded PLN 1.3 billion, up 8% compared to the previous year. The sales increase was achieved on the back of organic growth, a higher share of innovative products and favourable raw material prices. Additional factors which contributed to the net profit increase of almost 50% vs. 2018 included cost discipline and a strong result on financial activities. Other performance drivers included the consistently implemented new business assumptions, the strong organisational structure, our corporate values, and highly efficient and committed employees.



Selena Group continued to grow in all its key foreign markets, in the European Union and beyond, in Eastern Europe and Asia, and in the Americas. We recorded sales increases in all geographies and in most product groups. It is worth emphasising that in all cases our dynamics is higher than the GDP growth or the construction output – this means that we are growing faster than the market. This superior performance is primarily founded upon the effects of our strategy based on focus on the user and our innovative products developed by the international R&D teams coordinated by Selena Labs in Dzierżonów. One of the factors adversely affecting the company's results was the higher cost of production caused by higher electricity prices and pay increases.

In 2019, we launched Selena Labs, a modern R&D centre located in the city of Dzierżonów, in the “INVEST-PARK” Wałbrzych Special Economic Zone. With a value of PLN 8 million and usable area of more than 4,000 m², the project significantly increased the company's ability to develop construction chemicals with unique parameters and put on global markets. The laboratory coordinates activities of R&D units from Poland, Italy, Spain, Turkey and China. In this way, the globally integrated team works closely together, sharing experience and developing solutions for professional users in more than 100 countries around the world.

Furthermore, Selena Labs also participates in projects carried out under the Horizon 2020 programme, and is the first Polish company leading a project implemented by an international consortium. Under the EENSULATE project, the Centre received a grant for developing and implementing a system of polyurethane foams and foam adhesives with advanced insulation properties. This is a part of Horizon 2020, the largest research and innovation funding programme in the history of the European Union, with a budget of nearly EUR 80 billion. In addition to EENSULATE, under Horizon 2020, Selena Labs participates in the BioMotive project, which is designed to pave the ground towards the production and subsequent sale of components based on biorenewable, crop-based raw materials.

In the context of our new business assumptions, we concentrated on developing comprehensive solutions for end-users. The added value we want to particularly focus on, for example in connection with the shortage of labour, is the possibility of speeding up construction work while maintaining the highest quality. Thanks to the synergy of market knowledge and understanding the needs of end-users in our international divisions, and the know-how of our R&D team, we want to market the products that will redefine the construction process.

For this reason, for many years now we have been consistently developing our range of innovative products, including those based on hybrid polymers, and are steadily increasing the share of these products in total sales. The use of hybrid technology speeds up work while ensuring high quality and very good pro-environmental parameters, as an answer to the growing requirements of professional contractors regarding the materials used. We have observed a significant increase in the level of skill and expertise of builders in all the markets where Selena is active.

The overall situation in the construction industry has changed as well. Shortage of skilled tradesmen, growing cost of labour and emergence of new building materials – this is our reality now. Therefore, the solutions making work easier and considerably reducing the time needed to perform it are increasingly gaining on importance. Professional building tradesmen have already managed to get to know the merits and advantages of products based on hybrid polymers over the traditional sealants and adhesives. A higher premium is also placed on user safety and environmental protection. Of course, the fact that the price difference between the hybrid products and the products based on traditional technologies such as silicones or polyurethane sealants and adhesives has narrowed down considerably, is not without significance.

The efforts of the entire international team of Selena Group have been repeatedly recognised, appreciated and rewarded: in addition to the Medal of Poland's 100th Independence Anniversary Selena was again named the Construction Company of the Year by the Builder monthly, and received "Jedynka Gazety Wyborczej" award for the "30th Anniversary Companies chosen by Gazeta Wyborcza" for its significant contribution to the region's development. Orion, a company from Selena Group, was awarded by the European Agency for Safety and Health at Work (EU-OSHA) for its care about employees' safety as part of the "Hazardous substances under control" campaign. The campaign was held under the patronage of the Minister of Family, Labour and Social Policy. The strategic partner of the campaign was the Chief Sanitary Inspectorate, while the strategic partner is Prof. J. Nofer Institute of Occupational Medicine in Łódź.

We were also engaged in educational initiatives – as a strategic partner for the 2018/2019 edition of the Builder For The Future project, attended by 10,000 people, we provided training to future engineers and architects on new technologies used in construction. The project used innovative solutions developed by our firm such as Track-R and COOL-R, which had obtained the International Product Declaration (EPD) from the Building Research Institute, and the GREEN CARD from DEKRA, the certification company. In addition, COOL-R also

received Type II declaration in accordance with ISO 14012, which confirms reduction of electricity consumption, and obtained the ITB EKO label¹.

We believe that the construction of the future – namely fast building with respect for the environment helped by the availability of advanced technologies in the construction chemicals industry – is commencing today. Suppliers of building materials should support the safety, speed and efficiency of the construction process. They should also pay particular attention to the environment and sustainable development. That said, the future of the Polish construction, and the condition of the environment in the long-run, depend on decisive and conscious actions to be undertaken by manufacturers and contractors alike. In this regard, it is key to ensure cooperation between all the parties in the sector – contractors, manufacturers, government representatives and the business environment. It is essential to listen to the voice of end users and actively respond to, and even anticipate, their real needs, based on proposed legislative changes or global megatrends related to, for example, global warming and the more challenging environmental conditions. Effective experience-sharing and coordination of all the elements of the construction process chain are key to successful development of the industry, and companies responding to this demand have the chance to become leaders in their respective segments.

I would like to thank the employees of the entire Selena Group for their contribution to innovation and the international development of our business. Your commitment allows us to show manufacturers around the globe that there are no limits in creating new, effective and groundbreaking solutions for construction.

I trust that our Shareholders also note and appreciate this approach to the development of Selena Group. Competitive advantages that we build in individual foreign markets allow us to cement our position among the top global players in the construction chemicals sector. Our international expansion – we have been operating in the market for 27 years, with 35 companies in 17 countries and 17 production plants, and we are the only Polish brand in the construction chemicals sector which sells products in 100 countries on four continents – brings tangible effects: we are currently one of the four largest producers of polyurethane foam for construction in the world.

2020 poses challenges not only for the global economy. It requires us to make fast decisions and adapt to new conditions, which we do with the support from our experienced management board, the strong international structure and the enduring values lying at the heart of our business. To efficiently manage the situation we are now facing, we must anticipate its effects before they materialise, and prepare appropriate scenarios.

We expect 2020 and subsequent years to be under strong pressure of technological transformation. We can already see that the COVID-19 outbreak has accelerated digital transformation and forced other ways of working. The virus will slow down the economy but will not stop it. All the global economies, including the Polish one, are grappling with unprecedented difficulties and challenges. With our factories based in China, Selena Group was

¹ The EPD for construction products is awarded by the Building Research Institute. It describes the environmental impact of a product, being an important document for sustainable construction products. One of the certification systems for sustainable construction is LEED certification. By using COOL-R on the roof, we can obtain as many as nine credits in LEED v4 certification – according to the Green Card.

one of the first Polish companies whose resilience was put to test. This experience allowed us to efficiently protect employees, customers and partners while maximising our focus on production.

It will not be until Q3 2020 or later that we might be able to make an in-depth assessment of the impact of the pandemic. However, we already know that the pandemic will change consumer behaviours and habits in addition to affecting the operations of all industries for many years. Some effects – such as automation and increasing the presence of technology in everyday life – can bring long-term positive effects and help economies return to growth. For many years now, Selena Group has been implementing innovations and modern solutions which work well in the current difficult situation, but will also generate quick competitive advantages in the coming years. This is a cumulative effect of our activities undertaken over the last 10 years, both acquisitions and the innovative product range.

Selena Group is not indifferent to charitable campaigns related to the pandemic. Our company and employees are also actively engaged in the efforts to protect Poles' health and wellbeing. We have started the production of the TYTAN HEALTH hand sanitizer, which was donated to medical institutions in Lower Silesia and the whole country. Thanks to the immediate response from the Ministry of Economic Development and the Office for Registration of Medicinal Products, Medical Devices and Biocidal Products, the sanitizer received a marketing authorisation. Disinfection products have also been included in the Selena Group's offer, and are available for purchase through standard orders placed at the sales department. The sanitizer is produced by Libra, one of the Selena Group's plants located in Dzierżoniów in the Wałbrzych Special Economic Zone.

We also have fantastic employees who during this difficult time have started the production of face shields and respirators to donate them to the local hospitals. These attitudes are truly admirable and exemplary!

I am extending my thanks to all Employees for their commitment and building our brands and our position as one of the polyurethane foams leaders for over 27 years! I also thank our Customers for the fact that the Tytan brand has been for years synonymous with "building with confidence", and has been a permanent partner for construction firms in over 100 markets in the world. Finally, I thank our Shareholders for their trust and investment in this international Polish company. And in this difficult time, let me wish you lots of health in the first place. We look forward to returning to normal!

Yours sincerely,

Krzysztof Domarecki

**President of the Management Board of
Selena FM SA**