

SELENA FM S.A.

**LONG-FORM AUDITORS' REPORT
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

I. GENERAL NOTES

1. Background

Selena FM S.A. (hereinafter 'the Company') was incorporated on the basis of a Notarial Deed dated 28 December 1993 of Przedsiębiorstwo Budownictwa Mieszkaniowego Sp. z o.o. On 6 December 2006, the Company changed its name to Selena FM Sp. z o.o., and then on 26 September 2007, Selena FM Sp. z o. o. was transformed into a public limited company. The Company's registered office is located in Wrocław at Strzegomska 2-4.

The Company was entered in the Register of Entrepreneurs of the National Court Register under no. KRS 0000292032 on 10 December 2002.

The Company was issued with tax identification number (NIP) 884-00-30-013 on 20 January 1994 and statistical number (REGON) 890226440 on 13 February 2007.

The Company is the holding company of the Selena FM S.A. capital group. Details of transactions with affiliated entities and the list of companies in which the Company holds at least 20% of shares in the share capital or in the total number of votes in the Company's governing body are included in Notes 16 and 32 of the summary of significant accounting policies and other explanatory notes ("the additional notes and explanations") to the audited financial statements for the year ended 31 December 2012.

The principal activities of the Company are as follows:

- Advisory services in strategic management;
- Advisory services in finance management;
- Advisory services in sales strategy;
- Accounting services;
- Wholesale of building materials and sanitary equipment.

As at 31 December 2012, the Company's issued share capital amounted to 1,142 thousand zlotys. Equity as at that date amounted to 241,110 thousand zlotys.

In accordance with the statement issued by the Company as at 20 March 2013, the ownership structure of the Company's issued share capital was as follows:

	Number of shares	Number of votes	Par value of shares	% of issued share capital
Krzysztof Domarecki	9,538,000	13,538,000	476,900	41.77%
Syrius Investments S.a.r.l.	8,050,000	8,050,000	402,500	35.25%
Other shareholders	5,246,000	5,246,000	262,300	22.98%
	=====	=====	=====	=====
Total	22,834,000	26,834,000	1,141,700	100.00%

As a result of execution of the management incentive programme, 110,000 new series D ordinary shares were issued. The shares were admitted to trading on 16 March 2012. A

nominal value of a share is 0.05 zlotys. The shares were acquired in exchange for the warrants awarded under the incentive scheme.

As at 21 March 2013, the Company's Management Board was composed of:

Jarosław Michniuk	- President
Kazimierz Przełomski	- Vice President
Beata Pawłowska	- Vice President

On 4 June 2012 the holding company's Management Board appointed Beata Pawłowska for the position of Vice President.

2. Financial Statements

On 18 December 2007 the Shareholders' Meeting decided on preparation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU.

2.1 Auditors' opinion and audit of financial statements

Ernst & Young Audit sp. z o.o. with its registered office in Warsaw, at Rondo ONZ 1, is registered on the list of entities authorised to audit financial statements under no. 130.

Ernst & Young Audit sp. z o.o. was appointed by the Supervisory Board on 29 June 2012 to audit the Company's financial statements.

Ernst & Young Audit sp. z o.o. and the key certified auditor meet the conditions required to express an impartial and independent opinion on the financial statements, as defined in Art. 56.3 and 56.4 of the Act on statutory auditors and their self-governance, audit firms authorized to audit financial statements and public oversight, dated 7 May 2009 (Journal of Laws 2009, No. 77, item 649 with subsequent amendments).

Under the contract executed on 30 July 2012 with the Company's Management Board, we have audited the financial statements for the year ended 31 December 2012.

Our responsibility was to express an opinion on the financial statements based on our audit. The auditing procedures applied to the financial statements were designed to enable us to express an opinion on the financial statements taken as a whole. Our procedures did not extend to supplementary information that does not have an impact on the financial statements taken as a whole.

Based on our audit, we issued an unqualified auditors' opinion dated 21 March 2013, stating the following:

'To the General Shareholders' Meeting

1. We have audited the attached financial statements for the year ended 31 December 2012 of Selena FM S.A. ('the Company') located in Wrocław at Strzegomska 2-4 Street, containing the income statement, the statement of comprehensive income for the period from 1 January 2012 to 31 December 2012, statement of financial position as at 31 December 2012, the statement of cash flow, the statement of changes in equity for the

period from 1 January 2012 to 31 December 2012 and the summary of significant accounting policies and other explanatory notes ('the attached financial statements').

2. The truth and fairness¹ of the attached financial statements, the preparation of the attached financial statements in accordance with the required applicable accounting policies and the proper maintenance of the accounting records are the responsibility of the Company's Management Board. In addition, the Company's Management Board and Members of the Supervisory Board are required to ensure that the attached financial statements and the Directors' Report meet the requirements of the Accounting Act dated 29 September 1994 (2009 Journal of Laws No. 152 item 1223 with subsequent amendments – 'the Accounting Act'). Our responsibility was to audit the attached financial statements and to express an opinion on whether, based on our audit, these financial statements comply, in all material respects, with the required applicable accounting policies, whether they truly and fairly² reflect, in all material respects, the financial position and results of the operations of the Company and whether the accounting records that form the basis for their preparation are, in all material respects, properly maintained.
3. We conducted our audit of the attached financial statements in accordance with:
 - chapter 7 of the Accounting Act,
 - national auditing standards issued by the National Council of Statutory Auditors,in order to obtain reasonable assurance whether these financial statements are free of material misstatement. In particular, the audit included examining, to a large extent on a test basis, documentation supporting the amounts and disclosures in the attached financial statements. The audit also included assessing the accounting principles adopted and used and significant estimates made by the Management Board, as well as evaluating the overall presentation of the attached financial statements. We believe our audit has provided a reasonable basis to express our opinion on the attached financial statements treated as a whole.
4. In our opinion, the attached financial statements, in all material respects:
 - present truly and fairly all information material for the assessment of the results of the Company's operations for the period from 1 January 2012 to 31 December 2012, as well as its financial position³ as at 31 December 2012;
 - have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and based on properly maintained accounting records;
 - are in respect of the form and content, in accordance with legal regulations governing the preparation of financial statements and the Company's Articles of Association.
5. We have read the 'Directors' Report' for the period from 1 January 2012 to 31 December 2012 and the rules of preparation of annual statements' ('the Directors' Report') and concluded that the information derived from the attached financial statements reconciles with these financial statements. The information included in the

¹ Translation of the following expression in Polish: '*rzetelność i jasność*'

² Translation of the following expression in Polish: '*rzetelnie i jasno*'

³ Translation of the following expression in Polish: '*sytuacja majątkowa i finansowa*'

Directors' Report corresponds with the relevant regulations of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws No. 33, item 259 with subsequent amendments).

6. As at the date of this opinion, the financial statements for the year ended 31 December 2012 have not been submitted for publication in Monitor Polski B, as required by the Accounting Act.'

We conducted the audit of the Company's financial statements during the period from 29 October 2012 to 21 March 2013. We were present at the Company's head office from 29 October 2012 to 31 October 2012, from 25 February 2013 to 15 March 2013.

2.2 Representations provided and data availability

The Management Board confirmed its responsibility for the truth and fairness⁴ of the financial statements and the preparation of the financial statements in accordance with the required applicable accounting policies, and stated that it had provided us with all financial information, accounting records and other required documents as well as all necessary explanations. The Management Board also provided a letter of representations dated 21 March 2013, confirming that:

- the information included in the books of account was complete,
- all contingent liabilities had been disclosed in the financial statements, and
- all material events from the balance sheet date to the date of the representation letter had been disclosed in the financial statements,

and confirmed that the information provided to us was true and fair to the best of the Management Board's knowledge and belief, and included all events that could have had an effect on the financial statements.

At the same time declare that during the audit of the financial statements, there were no limitations of scope.

2.3 Financial statements for prior financial year

The Company's financial statements for the year ended 31 December 2011 were audited by Ewa Kowalczyk, key certified auditor no. 9263, acting on behalf of Ernst & Young Audit sp. z o.o.. The key certified auditor issued an unqualified opinion on the financial statements for the year ended 31 December 2011. The Company's financial statements for the year ended 31 December 2011 were approved by the General Shareholders' Meeting on 19 June 2012, and the shareholders resolved to appropriate the 2011 net profit in the amount of 37,263 thousand zlotys to reserve capital.

The financial statements for the financial year ended 31 December 2011, together with the auditors' opinion, a copy of the resolution approving the financial statements, a copy of the resolution on the appropriation of profit and the Directors' Report, were filed on 27 June 2012 with the National Court Register.

⁴ Translation of the following expression in Polish: "rzetelność i jasność"

As at 21 March 2013, neither the balance sheet as at 31 December 2011, the profit and loss account, statement of changes in equity and cash flow statement for the year ended 31 December 2011, nor the auditors' opinion, a copy of the resolution approving the financial statements or a copy of the resolution on the appropriation of profit have been submitted for publishing in Monitor Polski B.

The closing balances as at 31 December 2011 were correctly brought forward in the accounts as the opening balances at 1 January 2012.

3. Analytical Review

3.1 Basic data and financial ratios

Presented below are selected financial ratios indicating the economic or financial performance of the Company for the years 2010 - 2012. The ratios were calculated on the basis of financial information included in the financial statements for the years ended 31 December 2012 and 31 December 2011.

	2012	2011	2010
Total assets	383,918	460,038	259,453
Shareholders' equity	241,110	286,123	254,937
Net profit/ loss	-45,123	37,263	59,473
Return on assets (%)	-11.8%	8.1%	22.9%
$\frac{\text{Net profit} \times 100}{\text{Total assets}}$			
Return on equity (%)	-15.8%	14.6%	30.5%
$\frac{\text{Net profit} \times 100}{\text{Shareholders' equity at the beginning of the period}}$			
Profit margin (%)	-13.1%	11.1%	578.1%
$\frac{\text{Net profit} \times 100}{\text{Sales of finished goods, goods for resale and raw materials}}$			
Liquidity I	1.3	1.4	38.0
$\frac{\text{Current assets}}{\text{Short-term creditors}}$			

Selena FM S.A.
 Long-form auditors' report
 for the year ended 31 December 2012
 (in thousand zlotys)

	2012	2011	2010
Liquidity III	0.1	0.1	0.5
Cash and cash equivalents			
Short-term creditors			
Debtors days	95 days	141 days	165 days
Trade debtors x 365			
Sales of finished goods, goods for resale and raw materials			
Creditors days	98 days	105 days	24 days
Trade creditors x 365			
Costs of finished goods, goods for resale and raw materials sold			
Inventory days	2 days	3 days	5 days
Inventory x 365			
Costs of finished goods, goods for resale and raw materials sold			
Stability of financing (%)	71.0%	62.4%	98.3%
(Equity + long-term provisions and liabilities) x 100			
Total liabilities, provisions and equity			
Debt ratio (%)	37.2%	37.8%	1.7%
(Total liabilities and provisions) x 100			
Total assets			
Rate of inflation:			
Yearly average	3.7%	4.3%	2.6%
December to December	2.4%	4.6%	3.1%

3.2 Comments

The following trends may be observed based on the above financial ratios:

- Return on assets decreased from 8.1% in 2011 to -11.8% in 2012, in 2010 the ratio amounted to 22.9%,
- Return on equity decreased from 14.6% in 2011 to -15.8% in 2012, in 2010 the ratio amounted to 30.5%,

- Profit margin decreased from 11.1% in 2011 to -13.1% in 2012, in 2010 the ratio amounted to 578.1%,
- Liquidity I has been decreasing from 38.0 in 2010 and 1.4 in 2011 to 1.3 in 2012,
- Liquidity III amounted 0.1 in 2012 and 2011, in 2010 the ratio amounted to 0.5,
- Debtor days decreased from 141 days in 2011 to 95 days in 2012, in 2010 the ratio amounted to 165 days,
- Creditor days decreased from 105 days in 2011 to 98 days in 2012, in 2010 the ratio amounted to 24 days,
- Inventory days decreased from 3 days in 2011 to 2 days in 2012, in 2010 the ratio amounted to 5 days,
- Stability of financing ratio increased from 62.4% in 2011 to 71.0% in 2012, in 2010 the amount to 98.3%,
- Debt ratio decreased from 37.8% in 2011 to 37.2% in 2012, in 2010 the ratio amounted to 1.7%.

3.3 Going concern

Nothing came to our attention during the audit that caused us to believe that the Company is unable to continue as a going concern for at least twelve months subsequent to 31 December 2012 as a result of an intended or compulsory withdrawal from or a substantial limitation in its current operations.

In Note 2.5 of the additional notes and explanations to the audited financial statements for the year ended 31 December 2012, the Management Board has stated that the financial statements were prepared on the assumption that the Company will continue as a going concern for a period of at least twelve months subsequent to 31 December 2012 and that there are no circumstances that would indicate a threat to its continued activity.

II. DETAILED REPORT

1. Accounting System

The Company's accounts are kept using the IMPULS computer system at the Company's head office. The Company has up-to-date documentation, as required under Article 10 of the Accounting Act dated 29 September 1994 (2009 Journal of Laws No. 152 item 1223 with subsequent amendments – 'the Accounting Act'), including a chart of accounts approved by the Company's Management Board.

During our audit no material irregularities were noted in the books of account which could have a material effect on the audited financial statements and which were not subsequently adjusted. These would include matters related to:

- the reasonableness and consistency of the applied accounting policies;
- the reliability of the accounting records, the absence of errors in the accounting records and the trail of entries in the accounting records;
- whether business transactions are supported by documents;
- the correctness of opening balances based on approved prior year figures;
- consistency between the accounting entries, the underlying documentation and the financial statements;
- fulfilment of the requirements for safeguarding accounting documents and storing accounting records and financial statements.

2. Assets, Liabilities and Equity, Profit and Loss Account

Details of the Company's assets, liabilities and equity and profit and loss account are presented in the audited financial statements for the year ended 31 December 2012.

Verification of assets, liabilities and equity was performed in accordance with the Accounting Act. Any differences were adjusted in the books of account for the year 2012.

3. Additional Notes and Explanations to the Financial Statements

The additional notes and explanations to the financial statements for the year/ _ month period ended 31 December 2012 were prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the EU.

4. Directors' Report

We have read the Directors' report on the Company's activities in the period from 1 January 2012 to 31 December 2012 and the basis for preparation of annual financial statements ('Directors' Report') and concluded that the information derived from the attached financial statements reconciles with the financial statements. The information included in the Directors' Report corresponds with the relevant provisions of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws No. 33, item 259 with subsequent amendments).

5. Conformity with Law and Regulations

We have obtained a letter of representations from the Management Board confirming that no laws, regulations or provisions of the Company's Articles of Association were breached during the financial year.

on behalf of
Ernst & Young Audit sp. z o.o.
Rondo ONZ 1, 00-124 Warsaw
Reg. No 130

Key Certified Auditor

Ewa Kowalczyk
certified auditor
no. 9263

Wrocław, 21 March 2013