



Management Board's report on the Company's activities for the year ended 31 December 2019

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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**Information
about the Company's operations**

1. Information about the Company's operations

1.1. Key information about the Company

Selena FM S.A. (Company, Parent Company) having its registered office at ul. Strzegomska 2-4 in Wrocław 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 under KRS no. 0000292032.

The Company was formed through conversion of the limited liability company Selena FM sp. z o.o. into a joint stock company, approved by the Extraordinary General Meeting on 26 September 2007. On 31 October 2007, the new entity was registered in the National Court Register by the District Court for Wrocław-Fabryczna in Wrocław.

The Company was assigned the statistical number REGON 890226440. Its duration is indefinite (it is a going concern).

On 18 April 2008, the Company debuted on Warsaw Stock Exchange.

Selena FM S.A. has no branches.

1.2. Products and services

The core business of Selena FM S.A. as the parent entity in Selena FM Group (Selena Group, Group) is distribution of the Group's products into foreign markets and into the domestic market (as a multi-distributor), and provision of advice to its subsidiaries with regard to strategic management, finance management, sales strategy and maintenance of books of account for customers. The Company is responsible for strategic management of Selena Group, which comprises the entities referred to in section 1.4.

1.3. Distribution markets

Related parties accounted for more than 88% of the Company's revenues (more than 92% in 2018).

Sales are generated in Poland (PLN 10.1 million to non-connected companies and PLN 209.2 million to connected companies) and abroad (PLN 65.8 million to non-connected companies, PLN 354.2 million to connected companies), mainly in the geographies where the Group-owned companies are established. The Company's tangible assets are located in Poland.

The subsidiaries which contribute more than 10% to total sales of the Company include Selena Vostok OOO (25%) and Selena S.A. (31%).

1.4. Connected companies and equity investments

The stake in share capital and the book value of the individual investments are presented in the table below.

Figures in PLN thousand	as at 31.12.2019			as at 31.12.2018		
	Gross	Write-down	Net	Gross	Write-down	Net
Selena S.A.	62,781	0	62,781	62,781	0	62,781
Selena Labs Sp. z o.o.	1,400	0	1,400	1,400	0	1,400
Carina Sealants Sp. z o.o.	8	0	8	8	0	8
Selena Industrial Technologies Sp. z o.o.	38,379	0	38,379	38,379	0	38,379
Selena Deutschland GmbH	4	0	4	4	0	4
Selena Italia srl	1,884	1,884	0	1,884	1,884	0
Selena Iberia slú	43,478	22,913	20,565	43,478	22,913	20,565
Uniflex S.p.A.	11,082	0	11,082	7,109	0	7,109
Selena USA Inc.	3,707	2,407	1,300	1,289	1,289	0
Selena Sulamericana Ltda	3,594	3,594	0	3,594	3,594	0
Selena USA Specialty Inc	0	0	0	2,418	1,118	1,300
Selena Romania SRL	11,944	11,944	0	11,944	11,944	0
Selena Bohemia s.r.o	9,936	0	9,936	9,936	0	9,936
Selena Hungária Kft.	679	679	0	679	679	0
Selena Bulgaria Ltd.	0	0	0	0	0	0
EURO MGA Product SRL	1	0	1	1	0	1
Selena Ukraine Ltd.	3,068	0	3,068	0	0	0
Selena CA L.L.P.	9,029	0	9,029	9,029	0	9,029
Selena Insulations	1,206	1,206	0	1,206	1,206	0
Weize (Shanghai) Trading Co., Ltd.	0	0	0	0	0	0
Selena Nantong Building Materials Co., Ltd.	33,910	33,910	0	33,910	33,910	0
Selena Vostok	11,197	0	11,197	11,197	0	11,197
Selena Malzemeleri Yapi Sanayi Tic. Ltd.	23,764	23,764	0	23,765	23,764	1
Value of shares	271,051	102,301	168,750	264,011	102,301	161,710

* value of shares below PLN 400

1.5. Key developments

The information on loan agreements and investments into related parties are described in other sections of this report. The key developments for Selena Group were described in the Management Board's report on the activities of Selena Group for 2019.

1.6. Achievements in research and development

The Company does not carry out R&D activity directly. R&D is co-ordinated by the subsidiary Selena Labs Sp. z o.o. and the research units in the subsidiaries that carry out production activity (in Spain, Turkey, China and Italy, in addition to Poland).

1.7. Description of risks and threats

The Management Board of the Company, as the parent entity of Selena Group, is responsible for the risk management system and the internal control system as well as for reviewing these systems in terms of operational efficiency. These systems help identify and manage risks. However, the systems are not able to reduce the risk of fraud and law breaches to zero. The risk factors and threats that the Group (including the Company) is exposed to were described in the Management Board's report on the activities of Selena Group for 2019.

As the Company plays the role of a multi-distributor for its distribution companies (the Company orders production from domestic manufacturers from whom it purchases finished goods branded with the Group's trademarks and sells them on to local distributors), the Company incurs a key risk (market risk). The multi-distributor incurs residual risk related to external factors, such as volatility of raw material prices, varying demand in the market and competitive activities.

The risk of impact of the COVID-19 pandemic on the operating activities of the Company is described in Note 7.7 of the standalone financial statements for 2019.

1.8. Expected development of the Company

The Company is to continue as a centre responsible for planning and coordinating Selena Group's operations world-wide.

In 2020, the Company will focus on implementation of its key strategic programmes in the following areas:

- maintaining and strengthening the core business areas
- continuing the improvement of operational effectiveness of the trading and production companies
- concentration on close cooperation with end users
- increasing the competitiveness of products
- securing the Selena Group's liquidity.

1.9. Investment plans

The Company's investments in 2019 are mainly connected with financing and capital support for its subsidiaries. The level of investment depends on the current and expected performance of the subsidiaries and their capex plans. The Company also remains willing to consider acquisitions should an attractive opportunity arise. The Group's investment plans are presented in Note 1.13 of the Management Board's report on the Group's activity for 2019.



Financial position

2. Financial position

2.1. The Company's revenue and earnings

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018	Change	Change %
Revenue from sales	639,319	490,084	149,235	30%
Cost of sales	546,326	422,937	123,389	29%
Gross profit	92,993	67,147	25,846	38%
Selling and marketing costs	38,206	34,462	3,744	11%
General and administrative expenses	32,789	28,707	4,082	14%
Other operating profit (loss)	-6	-973	967	-
Impairment (-)/ reversal of impairment of financial receivables	2,353	-5,445	7,798	-
EBITDA – operating profit + depreciation/ amortisation	25,326	11,926	13,400	-
Operating profit (EBIT)	19,639	8,450	11,189	-
Net financial income (loss)	38,810	23,060	15,750	-
Impairment loss/ reversal of impairment loss (-) of loans granted	-5,161	-21,341	16,180	-
Profit before tax	58,449	31,510	26,939	-
Net profit	52,663	30,515	22,148	-
Total comprehensive income	52,663	30,515	22,148	-

EBITDA – operating profit + depreciation/amortisation

			Change in p.p.
Gross profit margin	14.5%	13.7%	0.8
Selling costs/ revenue from sales	6.0%	7.0%	-1.0
General and administrative expenses/ revenue from sales	5.1%	5.9%	-0.8
EBITDA margin %	4.0%	2.4%	1.6
Operating profit margin (EBIT%)	3.1%	1.7%	1.4
Net profit margin	8.2%	6.2%	2.0

EBIT % – operating profit / sales

EBITDA % – EBITDA/ sales

In 2019, sales were PLN 639.3 million, up PLN 149.2 million year-on-year. At the same time, cost of sales increased by PLN 123.4 million. As a result, the gross profit margin was PLN 25.8 million higher than the margin achieved in the previous year. The Company acts as a multi-distributor for distribution companies. In addition, as a multi-distributor, the Company faced residual risk related to external factors, such as volatility of raw material prices, which it could not transfer in full to subsidiaries during the year.

Selling costs in 2019 were PLN 34.5m, up 11%. The increase in selling costs results from an increase in sales. The figure was significantly affected by an increase in the cost of transport services. The ratio of selling costs to revenue from sales was 6.0%, down 1.0 pp on 2018.

In 2019, general and administrative expenses were PLN 32.8 million, up PLN 4.1 million on the previous year. The increase in general and administrative expenses results from the functioning of the Company's Management Board in its full composition from March 2019, and the increase in the costs of services purchased from related parties.

The result on other operations was positive at PLN 2.4 million, taking into account the impairment loss in respect of financial assets. The impairment loss on financial assets was PLN 2.4 million.

The result on financial activity was PLN 38.8 million. Key items of financial revenues included: dividends and shares in profits of PLN 27.2 million and interest on loans of PLN 8.6 million.

The result on financial activity was reduced by financial expenses of PLN 5.2 million, including loan interest of PLN 2.1 million, and loans of PLN 5.2 million PLN increased by the reversal of the impairment allowance (details of the impairment allowances for loans are presented in Note 6.2.3 of the standalone financial statements for 2019).

2.2. The Company's key balance sheet figures

Figures in PLN thousand	as at 31.12.2019	as at 31.12.2018	Change	Change %
Shares in subsidiaries	168,750	161,710	7,040	4%
Loans granted, bonds repurchased, valuation of derivatives	183,547	144,943	38,604	27%
Trade receivables	139,067	159,235	-20,168	-13%
Cash	5,064	1,849	3,215	174%
Other assets	35,928	23,828	12,100	51%
Total assets	532,356	491,565	40,791	8%
Equity	352,651	306,838	45,813	15%
Bank and other loans	69,865	91,966	-22,101	-24%
Trade liabilities	84,404	85,597	-1,193	-1%
Other liabilities	25,436	7,164	18,272	255%
Total equity and liabilities	532,356	491,565	40,791	8%
Debt ratio*	34%	38%		

* Total liabilities/ Total equity and liabilities

The balance sheet total at the end of 2019 was PLN 532.4 million, up by PLN 40.8 million on the balance sheet total posted at the end of 2018. The increase was caused by a significant increase in the current net profit, and by the impact of IFRS 16 described in detail in the financial statements for 2019 (Note 1.3).

2.3. Cash flows of the Company

Figures in PLN thousand	2019	2018	Change
Net cash flows from operating activities	12,167	-10,818	22,985
Net cash flows from investing activities	24,887	10,081	14,806
Net cash flows from financing activities	-33,842	-7,555	-26,287
Change in cash and cash equivalents:	3,212	-8,292	11,504

Cash inflows from operating activities were PLN 12.2 million, up PLN 23.0 million vs 2018.

Cash flows from investing activities of PLN 24.9 million were mainly related to the dividend obtained from subsidiaries (PLN 27.2 million). At the same time, the Company provided loans to subsidiaries in the net amount of PLN 6.4 million, down PLN 22 million against 2018.

Net cash flows from financing activities amounted to PLN -33.8 million. This figure was mainly affected by net loan repayments (PLN -22.1 million net), interest paid (PLN -1.6 million) and finance lease payments (PLN -3.3 million). At the same time, in settlement of the dividend payout, the Company paid shareholders PLN 6.9 million in cash in 2019.

2.4. Loans received

Figures in PLN thousand			as at 31.12.2019		as at 31.12.2018	
Ref.	Loan type	Maturity date	Long-term portion	Short-term portion	Long-term portion	Short-term portion
1	Working capital loan	03/2019	0	0	14,270	0
2	Working capital loan	07/2021	2,025	0	21,856	0
3	Working capital loan	12/2021	8,807	0	0	4,759
4	Working capital loan	06/2021	31,200	0	16,154	0
5	Working capital loan	11/2021	3,738	0	7,987	0
6	Non-bank loan	12/2023	2,381	102	2,483	0
7	Non-bank loan	12/2019	0	5	0	1,011
8	Non-bank loan	12/2019	0	3	0	1,728
9	Non-bank loan	12/2019	0	4	0	765
10	Non-bank loan	09/2022	8,700	351	8,700	70
11	Non-bank loan	12/2023	12,000	549	12,000	183
Total loans			68,851	1,014	83,450	8,516

Details of the lending terms are presented in Note 5.1.4 of the standalone statements for 2019.

As part of the loan agreements signed by the Parent Company separately or jointly with its subsidiaries, the Company undertook to maintain certain financial ratios at the levels agreed with banks. As at 31 December 2019, Selena Group maintained the consolidated financial ratios at the levels required by the lenders.

2.5. Loans granted

The Company, as a Parent of Selena Group, finances the operations of its subsidiaries. The financing instruments are intercompany loans.

A summary of changes in the balance of such instruments in 2019 and 2018.

	Gross value	Impairment (-)/ reversal of impairment	Net value
Figures in PLN thousand			
as at 1 January 2019	222,656	-99,569	123,087
Loan granted	44,935	-6,123	38,812
Repayment of principal	-10,770	0	-10,770
Cancellation of principal	-43	0	-43
Interest accrued	8,472	-695	7,777
Interest paid	-2,921	0	-2,921
Interest cancelled	-1	0	-1
Withholding tax	-877	0	-877
FX differences arising on balance sheet valuation	2,890	675	3,565
as at 31.12.2019, including:	264,341	-105,712	158,629
<i>Principal</i>	<i>248,234</i>	<i>-104,650</i>	<i>143,584</i>
<i>Interest</i>	<i>16,107</i>	<i>-1,062</i>	<i>15,045</i>

	Gross value	Impairment (-)/ reversal of impairment	Net value
Figures in PLN thousand			
as at 1 January 2018	224,893	-120,107	104,786
Loan granted	32,977	-439	32,538
Repayment of principal	-11,115	650	-10,465
Cancellation of principal	-25,099	21,130	-3,969
Interest accrued	7,320	0	7,320
Interest paid	-1,538	0	-1,538
Interest cancelled	-2,241	0	-2,241
Withholding tax	-477	0	-477
FX differences arising on balance sheet valuation	-2,064	-803	-2,867
as at 31.12.2019, including:	222,656	-99,569	123,087
<i>Principal</i>	<i>211,603</i>	<i>-99,190</i>	<i>112,413</i>
<i>Interest</i>	<i>11,053</i>	<i>-379</i>	<i>10,674</i>

Details of the financing provided to subsidiaries were presented in detail in Note 5.1.3 of the Company's standalone financial statements for 2019.

2.6. Guarantees and off-balance sheet items

The guarantees the Company extended to its subsidiaries are presented in Note 7.1 of the standalone financial statements for 2018.

The Company does not grant guarantees for the obligations of non-connected entities.

2.7. Financial instruments and financial risk management principles

The Company's financial instruments are presented in detail in Note 5.1 of the standalone financial statements for 2019.

The Company's risk financial risk management principles (covering FX risk, interest rate risk, credit risk and liquidity risk) are presented in detail in Note 6.2 of the standalone financial statements for 2019.

2.8. Assessment of financial resources management

The Company meets its financial obligations in a timely manner and has no liquidity problems. In the Management Board's opinion, there are no risks to the Company's capacity to service its obligations in a timely manner.



Other information

3. Other information

3.1. Material agreements

The agreements concluded in 2019 and deemed material for the Company's financial position, include bank loan agreements (Note 2.4), agreements connected with the financing for subsidiaries (Note 2.5), guarantee agreements with subsidiaries (Note 2.6) and agreements relating to shares held (Note 1.4).

Agreements that are significant for Selena Group were described in the Management Board's report on the activities of Selena Group for 2019 (Note 3.1).

3.2. Related party transactions

In 2019, the Company and its subsidiaries entered into business-as-usual transactions. The terms of the transactions were market-based and resulted from the current activities. These transactions, and the transactions concluded with the Company's Directors, are presented in Notes 7.2 and 7.4 of the standalone financial statements for 2019.

3.3. Issue of securities

In 2019, the Company did not issue any securities.

3.4. Acquisition of own shares

The Company did not have any treasury shares either as at 31 December 2019 or at the date of publication of this report. The list of the Company's shares held by the executive and non-executive directors of the Parent are presented in Note 3.11 of this report.

3.5. Delivery of forecasts

The Company did not publish its standalone forecasts for 2019.

3.6. Litigations

The Company is not involved in any court, arbitration or administration proceedings whose value would be at least 10% of the Group's equity.

3.7. Unusual events and factors

Unusual events and factors affecting the Company's business are described in Notes 2.1-2.3. Unusual events and factors affecting Selena Group were described in the Management Board's report on the Group's activities for 2019.

3.8. Changes to the governance principles

In 2019, no major changes were made to the rules of managing the Group.

3.9. Agreements with directors

Neither the Parent Company nor the subsidiaries entered into any material agreements with members of the Company's management or supervisory bodies, whose effects would not be disclosed in the financial statements of the Parent Company or Selena Group.

3.10. Remuneration of the Management Board and the Supervisory Board

The remuneration of the Management and the Supervisory Board members is described in Note 7.4 of the standalone financial statements for 2019.

3.11. Shareholdings by executive and non-executive directors

The table below shows a summary of the shareholdings in the 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. On 29 November 2019, he indirectly acquired 9,763,000 shares in the Company – the acquisition was made through Syrius Investments S.a.r.l. by a merger – the acquisition of Ad Niva Sp. z o.o.

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

3.12. Agreements affecting changes in the proportion of shareholdings

The Company is not aware of any agreements that in the future might affect the proportion of shareholdings of the existing shareholders.

3.13. Control of Employee Share Programmes

In 2019, no employee shares programmes were in place in the company.

3.14. Information on the audit of the financial statements

On 13 May 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 the 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.

Note 7.5 of the Company's standalone financial statements for 2019 and 2018 contains details of the remuneration paid to the auditor of the standalone financial statements for 2019.



Corporate Governance Principles

4. Corporate Governance Principles

4.1. Corporate governance principles in use

In 2019, the Company adopted and agreed to comply with the corporate governance code “Best Practice for GPW Listed Companies 2016”, issued on 13 October 2015, with the exceptions described at point 4.2. Full text of the best practice is published at: https://www.gpw.pl/pub/GPW/files/PDF/GPW_1015_17_DOBRE_PRAKTYKI_v2.pdf. At the same time, the Company tries to apply in practice European Commission Recommendation No 2054/208 of 9 April 2014 on the quality of corporate governance reporting (“comply or explain” approach).

4.2. Exceptions to the Corporate Governance Principles

The Company’s Management Board hereby declares that in 2019 the Company complied with the corporate governance principles presented in the Best Practice for GPW Listed Companies 2016, except: Principle I.Z.1.15.

- 1) The Company did not develop and does not apply the policy of diversity with regard to the Company’s governing bodies or its key managers. The Company does not ensure a balanced participation of women and men on the Management Board or the Supervisory Board. The roles of executive and non-executive directors were allocated to selected individuals on the basis of their expertise and experience rather than their gender, education or age.
- 2) Principle I.Z.1.16. The Company does not publish information about planned broadcasts of general meetings as no broadcasts are envisaged.
- 3) Principle I.Z.1.20. The Company does not publish any audio or video record of the general meeting. The Company does not keep a detailed record of the course of General Meetings – such information can be derived from the notarial deed of the General Meeting, but the deed does not contain all the statements made, questions asked and answers given at the General Meeting. Individual matters are put on the General Meeting agenda by the Chairman of the General Meeting taking account of the applicable law, importance of the matter and reasonable demands of the shareholders. As stipulated by the Commercial Companies Code, the participants of the General Meeting have the right to make written statements that are attached to the minutes. The Management Board of the Company believes that such rules ensure transparency of the General Meeting and protect the Company against potential claims of the shareholders who might not wish to have their image or statements published.
- 4) Principle IV.Z.2. The Company does not provide real-time broadcasts of its General Meetings as their participants do not agree to their images being made public.
- 5) Principle IV.Z.3. The Company allows the the shareholders participating in the General Meeting to decide on whether or not to make the meeting available to media representatives.
- 6) Principle VI.Z.4. The Company does not apply the principle regarding the publication of a report on the remuneration policy. Remuneration of Management Board members is determined by the Supervisory Board, using fair judgement. The Supervisory Board determines remuneration of the key management personnel taking into account market standards and the Company’s needs. In its annual report the Company publishes information about the emoluments of Management Board members, as required by the relevant legal provisions set out in the Regulation of the Minister for Finance on current and financial information.

At the same time, the Management Board declares that in 2019 the Company adopted and agreed to comply with the Code of Best Practice for the WSE Listed Companies for 2016, introduced by the Resolution of the Warsaw Stock Exchange Council of 13 October 2015, except for those described in the EBI report no. 1/2019 of 31.01.2020.

4.3. Internal control over financial reporting

The Company’s Management Board is responsible for effective functioning of the system of internal control over financial reporting.

To ensure reliability of its financial accounts, the Company has implemented and has been actively upgrading its internal control and risk management system. The system covers, among others, the following areas:

- Controlling and management accounting
- Accounting, including financial reporting and consolidation
- Forecasting and financial analyses
- Internal audit.

As part of the internal control and risk management system there are organisational solutions and corporate standards/procedures in place that ensure effectiveness of the control over financial reporting and identification/elimination of risks in this area. The following measures should be noted:

- Harmonisation of the accounting policies, financial reporting and accounting procedures
- Application of a standardised financial reporting model for external and internal purposes
- Clear division of roles and responsibilities of the financial functions and the middle and upper management
- Regular and formalised process of reviewing and updating the budget assumptions and financial projections
- Having the financial accounts reviewed and audited by an independent auditor
- Implementation of a common IT platform SAP BI for the all the Group companies
- Conduct of internal review of correctness of financial information prepared by the Group members.

The Finance Director has oversight over preparation of the financial statements and financial reports of the Company. Preparation of the annual and interim financial statements is the responsibility of the Company's finance function. The Company keeps abreast of the legal developments relating to the stock exchange reporting and makes sure it is prepared for their implementation well in advance.

Each month, upon closing on the books of account, a management report is put together with details on the key financials and ratios for particular business segments. The Management Board and unit managers analyse and discuss the Company's and subsidiaries' performance.

Each quarter, the Company's Management Board verifies the reliability and currency of the annual budgets and internal short-term projections. Where appropriate, the Management Board liaises with the management of the Group companies to review and update the previous budget assumptions.

As required by law, the Company has its financial accounts audited (reviewed) by an independent auditor. The auditor is selected by the Supervisory Board from among the recognised audit firms which ensure high standards of service and professional independence, following competition rules, in accordance with the "Policy and procedure of selection of an auditor to carry out a statutory audit of the financial statements of Selena FM S.A. of Wrocław and Selena Group".

The auditor presents the audit (review) results to the Company's Supervisory Board and the Management Board, and then in the auditor's opinion and report. The audit of financial statements also includes verification of the Company's internal control system. The findings, observations and recommendations for improvement of the internal control system stemming from the audit of financial statements are presented to the Company in the form of a Management Letter. As of 20 October 2017, the Audit Committee appointed by the Supervisory Board has oversight over the entire financial reporting process at the Company.

4.4. Significant shareholders

According to the Company's knowledge, as at the date of publication of this report, the following shareholders hold the shares which carry at least 5% votes at the General Meeting:

Shareholder	Share types	Number of shares acquired	Stake in share capital	Number of votes	Share in votes at the AGM
Sirius 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. On 29 November 2019, he indirectly acquired 9,763,000 shares in the Company – the acquisition was made through Sirius Investments S.a.r.l. by a merger – the acquisition of Ad Niva Sp. z o.o.

**As at 7 July 2016

4.5. Holders of shares with special control rights

No securities exist which would carry any special control rights in the Company.

4.6. Limitations on voting rights

There are no limitations on the exercise of votes from the Company's shares.

4.7. Limitations on transfer of title to the Company's shares

There are no limitations on the transfer of title to the Company's shares.

4.8. Appointment and powers of the Management Board

The Company's Management Board may consist of one to seven members appointed for a joint 3-year term of office. The number of the Management Board members is determined by the Supervisory Board. The Management Board members, including the Management Board President, are appointed and removed by the Supervisory Board.

The Management Board led by the Management Board President manages the Company and represents it outside. The authority to represent and bind the Company is vested in two Management Board members acting together or one Management Board member acting jointly with a proxy.

The Company is represented by the Supervisory Board in any contracts between the Company and the Management Board members or in any disputes between the Company and the Management Board members.

Management Board resolutions are adopted by absolute majority of votes of the Management Board members present at the meeting.

The Management Board acts pursuant to the Terms of Reference of the Management Board approved by the Supervisory Board.

Each Management Board member may manage the Company's affairs independently in relation to the ordinary course of the Company's business. Any matters that go beyond the ordinary course of the Company's businesses require a resolution of the Management Board. Also, the Management Board shall adopt resolutions at the request of any single Management Board member, particularly in the following matters:

- 1) reports, motions and other matters submitted to the Supervisory Board and the General Meeting
- 2) granting the power of proxy (prokura)
- 3) convening annual and extraordinary General Meetings of Shareholders on its initiative or at a written request of the Supervisory Board or other competent bodies acting in accordance with the applicable laws or the Statutes, and defining the agenda of the General Meeting.

The right to take a decision on the issue or redemption of the Company's shares is regulated by the Commercial Companies Code.

4.9. Amending the Articles of Association of the Company

Any changes to the Company's Articles of Association require a resolution of the General Meeting adopted by an absolute majority of votes in accordance with Article 415 §. Article 3 and Article 416 §1 of the Commercial Companies Code.

4.10. General Meeting and the rights of shareholders

The General Meeting operates pursuant to the Company's Statutes and the Terms of Reference of the General Meeting, which are available to the public. The General Meeting is convened in the Company's registered office or in Warsaw at the date specified in the Company's current reports and on its website. In addition to the shareholders, the General Meeting may be attended by the members of the Management Board and the Supervisory Board, and: directors, officers and other employees of the Company or its subsidiaries invited by the Company's Management Board – when the General Meeting considers an item of the agenda falling within the scope of responsibility of such persons, as well as the experts invited by the authority which convened the General Meeting - when the General Meeting considers an item of the agenda subject to assessment by experts, or – where approved by the Shareholders representing the ordinary majority of votes – when the General Meeting considers other items of the agenda: representatives of the media, other persons – where approved by Shareholders – when the General Meeting considers particular items of the agenda or during the entire General Meeting.

The Terms of Reference of the General Meeting lay down the rules of election of the General Meeting Chairman, the role of the Chairman and the rules of election and the duties of the Ballot Commission. Open ballot is used at General Meetings. Secret ballot is ordered for: appointment or removal of members of the Company's governing bodies; motions to bring a member of the Company's governing bodies to liability; in personal matters and at the request of at least one authorised voter.

Shareholder rights:

1. Shareholders representing at least a half of the share capital or at least a half of the total voting power may convene an Extraordinary General Meeting.
2. The Shareholder(s) representing at least 1/20 of the share capital shall have the right to convene the General Meeting if the General Meeting was not convened at their prior request and the registry court authorised them to convene the same. The court shall appoint the Chairman of the General Meeting so convened.
3. The Shareholder(s) representing at least 1/20 of the share capital may demand that certain items be included in the agenda of the next General Meeting and propose draft resolutions.
4. A Shareholder has the right to receive a certified copy of the Management Board's report on the Company's operations, the financial statements and the auditor's opinion as well as certified copies of the documents indicated in §15 section 2 point a) and point p) of the Company's Statutes. The documents shall be provided to the shareholders on request, no later than 15 days before the General Meeting.
5. The Shareholder shall have the right to demand receipt of certified copies of the proposals on any matters included in the agenda within a week before the General Meeting.
6. The Shareholder has the rights to demand that the list of registered General Meeting participants be forwarded to the indicated e-mail address.
7. The following persons shall have the right to participate in and exercise voting rights at the General Meeting:
 - 1) Shareholders holding registered shares, provided that their names are recorded in the book of shares at least a week before the date of the General Meeting
 - 2) Shareholders who 16 days before the General Meeting date (record date) held on their securities account dematerialised shares of the Company.
 - 3) Proxies of the persons specified in point 2) and 3) above.
8. The basic rights and obligations of the persons authorised to vote (Shareholders or their proxies) include:
 - 1) exercising their right of vote in an unrestricted way
 - 2) making formal proposals
 - 3) demanding that a secret vote be held

- 4) demanding that their objections be recorded in the minutes
 - 5) demanding that their written statements be recorded in the minutes
 - 6) asking questions and demanding explanations from the Management / Supervisory Board members, auditors and experts present at the General Meeting on matters connected with the agenda
 - 7) ensuring compliance with the agenda, applicable laws, Statutes, the Terms of Reference of the General Meeting and the best practice in public companies that the Company has bound itself to observe.
9. At the request of the Shareholders representing at least a fifth of the Company's share capital, the Supervisory Board shall be elected by the next General Meeting through a vote by separate groups. If the Supervisory Board is to be elected through a vote by groups:
- 1) it is up to the Shareholders to create such groups
 - 2) a Shareholder may belong to one group only
 - 3) the minimum number of shares required to create a separate group is the product of the number of shares represented at the General Meeting and the number of Supervisory Board members to be elected
 - 4) creation of a separate group is reported by the Shareholders to the General Meeting Chairman
 - 5) each separate group chooses their leader who shall hold the election
 - 6) the leader of each group shall prepare and sign the attendance list for the group and then shall proposed candidates for the Supervisory Board members and presents to the General Meeting Chairman the results of the election in his group
 - 7) The General Meeting Chairman shall announce the results of the elections in particular groups and shall determine the number of the Supervisory Board members yet to be elected
 - 8) the Shareholders who did not participate in any of the groups shall elect the remaining Supervisory Board members.
10. Shareholders shall have all the other rights conferred upon them by the Commercial Companies Code.

4.11. Membership of the Management Board and the Supervisory Board

The Management Board of the Company

As at 31 December 2018, the Company's Management Board was composed of:

- Krzysztof Domarecki – acting Management Board President.
- Elżbieta Korczyńska – Management Board Member, CFO

Changes in the Management Board in 2019:

On 7 January 2019, the following persons were appointed to the Company's Management Board:

- Dariusz Ciesielski, who was appointed Vice President of the Management Board for Sales, and
- Bogusław Mieszczak, who was appointed Management Board Member for Operations.

On 1 March 2019, the following persons were appointed to the Company's Management Board:

- Krzysztof Domarecki, who was appointed President of the Management Board and
- Christian Dölle, who was appointed Vice President of the Management Board for Marketing.

On 24 June 2019, Elżbieta Korczyńska resigned as Management Board member effective from 30 June 2019.

On 24 June 2019, the Company's Supervisory Board adopted a resolution appointing Jacek Michalak to the Company's Management Board as Chief Financial Officer. The appointment became effective as of 1 July 2019.

On 7 October 2019, Bogusław Mieszczak resigned from the Company's Management Board and stepped down as COO.

As at 31 December 2019, the 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

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

Company's Supervisory Board

As at 31 December 2018, the Company's Supervisory Board was composed of:

- Krzysztof Domarecki – Supervisory Board Chairman
- Borysław Czyżak – independent Supervisory Board Member
- Andrzej Krämer – independent Supervisory Board Member
- Marlena Łubieszko-Siewruk – independent Supervisory Board Member
- Mariusz Warych – independent Supervisory Board Member.

Changes in the Supervisory Board composition in 2019:

On 28 February 2019, Krzysztof Domarecki resigned from the Supervisory Board and from the role of the Chairman of the Supervisory Board effective from 28 February 2019.

On the same day, the Extraordinary General Meeting of Shareholders nominated Andrzej Krämer, Supervisory Board member, as the Chairman of the Company's Supervisory Board and appointed Czesław Domarecki to the Supervisory Board.

On 27 May 2019, the Company's Annual General Meeting of Shareholders appointed Łukasz Dziekan to the Supervisory Board.

As at 31 December 2019, the Company's Supervisory Board 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

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

Audit Committee

As at 31 December 2018, the Audit Committee was composed of:

- Mariusz Warych – Chairman of the Audit Committee
- Marlena Łubieszko-Siewruk – Audit Committee Member
- Krzysztof Domarecki – 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 2019:

Since 1 March 2019, the Audit Committee has consisted 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, fulfills the independence criteria and other requirements specified in Article 128(1) and Article 129(1), (3), (5) and (6) of the Statutory Auditors Act.

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

In the period from 1 January 2019 to 31 December 2019, the Supervisory Board's Audit Committee held 7 regular meetings and 3 working meetings, i.e.

- meeting of 27 March 2019 (regular meeting)
- meeting of 10 April 2019 (working meeting)
- meeting of 24 April 2019 (regular meeting)
- meeting of 28 May 2019 (regular meeting)
- meeting of 30 August 2019 (regular meeting)
- meeting of 25 September 2019 (regular meeting)
- meeting of 27 November 2019 (regular meeting)
- meeting of 9 December 2019 (working meeting)
- meeting of 13 December 2019 (working meeting)
- meeting of 18 December 2019 (regular meeting).

In the period from 1 January 2019 to the date of publication of this report, members of the Audit Committee qualified in the field of accounting or financial statements audit were: Mariusz Warych and Marlena Łubieszko-Siewruk.

The members of the Audit Committee having knowledge and skills in the industry in which the Company operates were Krzysztof Domarecki (in the period from 1 January 2019 to 28 February 2019) and Andrzej Krämer (in the period from 1 March 2019 to the date of publication of this report).

The qualifications of the members of the Audit Committee in the field of accounting or financial statements audit, as well as knowledge and skills in the industry in which the Company operates resulted from the education, experience and professional practice of the Committee's members.

Below are details of the qualifications in the field of accounting or financial statements audit, as well as knowledge and skills in the industry in which the Company operates in relation to the persons who at the date of this report were Members of the Audit Committee.

Mariusz Warych – has a Master's degree in foreign trade obtained from the University of Łódź, Faculty of Economics and Sociology, and has a diploma in Finance and Accounting from Hogeschool van Utrecht, Netherlands. He participated in the ACCA (Association of Certified Chartered Accountants) programme, and holds the Certified Internal Auditor (CIA) designation. He specialises in management, oversight, assessment of business efficiency, identification and resolution of financial and operational weaknesses, management of the risks related to delivery of business objectives, internal audit, business training and independent membership in supervisory boards and audit committees. Since June 2013, he has been an independent member of the Supervisory Board of BNP Paribas Bank Polska S.A., where he also chairs the Audit Committee. In the years 2011–2012, he sat on the Supervisory Board and the Audit Committee of JSW.

In his previous career, he held the position of Internal Audit Director for Europe at KBC, Aviva, Allianz, PZU, and served as Financial Director at Citileasing and Handlowy-Leasing. He also worked as Risk Management Director at Deloitte, and as External Auditor hired by Ernst & Young's flagship offices around the world, specialising in financial services and high-techs – in Warsaw, London, Toronto, Vancouver and New York. Since 2009, he has chaired the Heads of Audit Club in Poland. In addition, he was a financial advisor to the Canadian Polish Congress in Vancouver, where he also hosted a programme at Polish Radio NOFA.

Marlena Łubieszko-Siewruk – manager with several years' experience in finance gained in international and Polish companies from the production industry (household appliances, construction chemicals, bakery). She specialises in building and developing financial functions and contributing to development of financial unit strategies in support of business objectives. She holds a master's degree in economics (major: finance and banking). She also took a Master of Business Administration (MBA) course at the University of Economics in Wrocław. In 2006, she obtained a statutory auditor licence.

In 1998–1999, she worked with Fael Legrand Sp. z o.o. (a member of the Legrand Group (specialist in electrical installation products and systems and in IT networks for residential, commercial and industrial buildings), where she served as Independent Accountant.

In 1999–2000, she was FP&A Manager (a green field project) at General Electric Power Controls Sp. z o.o. with a responsibility for planning, budgeting, analysis and reporting of the company's financial results. She also dealt with SAP implementation in the area of controlling, and managed development of the controlling function in the organisation.

In 2000–2005, she worked as Chief Accountant at Whirlpool Sp. z o.o. Her achievements include: implementation of Whirlpool Group's reporting standards: US GAAP; restructuring of a 100-person accounting team; reorganisation of accounting processes, and implementation of the financial and accounting system – SAP.

In 2005–2013, she worked with the Company, where she served as Accounting and Financial Reporting Director for the Group. She was responsible for the reporting of the Group as an entity listed on the Warsaw Stock Exchange. In 2013, she became Finance and Supply Chain Director at Bama Europa Sp. z o.o. where she is responsible for comprehensive management of the company's financial division (finance, accounting, controlling, IT), and develops the competencies of the financial team. She is also responsible for financial strategy development, liquidity management, product pricing policy for a key client, and negotiating and concluding contracts with suppliers.

Andrzej Krämer – senior manager with over 25 years' track record in sales, operations and business administration, covering a wide range of construction materials markets in the heating and sanitary industry.

Since 1 September 2018, he has held the role of Sales Director as CCO (Chief Commercial Officer) with Logstor A/S established in Denmark, the creator of pioneering solutions in remote control heating. The company develops energy-efficient and sustainable systems, both for the transport of liquids and gases for remote heating and cooling and the transmission sector, as well as for the oil and gas industry.

He graduated from the Faculty of Sanitary Engineering at the Warsaw University of Technology. He started his professional career in 1989 as he set up his own firm specialising in plumbing services; then in 1991 he started work with Danfoss.

He moved up the ranks to Sales Director in the Polish arm of Danfoss, then held the role of Managing Director with Danfoss Plumbing Controls in Sweden; next he moved to Denmark, where he was Regional Director and then the Vice President of Danfoss A/S Hydronic Balancing. Then, also in Denmark, he moved to Danfoss A/S, Residential Heating, where served as Vice President. In 2017–2018, he was CEO at Marmite Sp. z o.o., a leading European producer of wash basins, shower trays and bathtubs made of Mineral Composite material.

In accordance with the resolutions adopted by the Company's Extraordinary General Meeting of Shareholders on 28 February 2019, Andrzej Krämer holds the role of Chairman of the Company's Supervisory Board.

Strategy and Innovation Committee

As at 31 December 2018, 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.

By the date of publication of this report, no changes took place in the Strategy and Innovation Committee's composition.

Nominations and Remunerations. Committee

As at 31 December 2018, 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 Remunerations. Committee

By the date of publication of this report, no changes took place in the Nominations and Remuneration Committee's composition.

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 financial statements for 2019 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 its financial performance and that the Management Board's report on activities gives a true picture of 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