

**SELENA FM S.A.  
WROCLAW, STRZEGOMSKA 2-4**

**FINANCIAL STATEMENTS  
FOR THE 2016 FINANCIAL YEAR**

**WITH  
AUDITOR'S OPINION  
AND  
AUDIT REPORT**

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**FINANCIAL STATEMENTS FOR THE 2016 FINANCIAL YEAR**

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**REPORT ON THE ACTIVITIES OF THE COMPANY FOR THE 2016 FINANCIAL YEAR**

## **AUDITOR'S OPINION**

### **To the Shareholders and Supervisory Board of Selena FM S.A.**

#### ***Auditor's report***

We have audited the attached financial statements of Selena FM S.A. with its registered office in Wrocław, at Strzegomska 2-4 (hereinafter: the "Company"), including statement of financial position prepared as at 31 December 2016, income statement and statement of comprehensive income, statement of changes in equity, cash flow statement for the financial year from 1 January 2016 to 31 December 2016 and notes comprising a summary of significant accounting policy and other explanatory information.

#### *Responsibility of the Company's manager and those charged with governance for the financial statements*

The Management Board of the Company is responsible for the preparation of the financial statements, based on properly kept accounting records, and their fair presentation in accordance with the International Accounting Standards, International Financial Reporting Standards, related interpretations published as European Commission regulations and applicable laws. It is also responsible for such internal control as Management Board of the Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Under the Accounting Act of 29 September 1994 (Journal of Laws of 2016 item 1047 as amended), hereinafter referred to as the "Accounting Act" the Management Board of the Company and members of its Supervisory Board obliged to ensure that the financial statements meet the requirements of the Accounting Act.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit works.

We conducted our audit in accordance with Section 7 of the Accounting Act and the National Auditing Standards in line with the wording of the International Standards on Auditing adopted by Resolution No. 2783/52/2015 of the National Council of Statutory Auditors of 10 February 2015 as amended. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate

in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Board of the Company, evaluating if accounting books based on which financial statements are prepared, are properly kept, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the attached financial statements:

- give a true and fair view of the economic and financial position of the Company as at 31 December 2016 and its financial performance for the financial year from 1 January 2016 to 31 December 2016 in accordance with the International Accounting Standards, International Financial Reporting Standards, related interpretations published as European Commission regulations and the adopted accounting principles (policies),
- have been prepared based on properly kept accounting books,
- comply, with respect to their form and content, with the applicable provisions of law and the articles of association of the Company.

#### **Report on other legal and regulatory requirements**

##### *Opinion on the report on the activities*

We do not express an opinion on the report on the activities.

It is the responsibility of the Management Board of the Company to prepare the report on the activities in accordance with the Accounting Act and other applicable laws. Moreover, the Management Board of the Company and members of the Supervisory Board are obliged to ensure that the financial statements and the report on the activities meet the requirements of the Accounting Act.

When auditing the financial statements we were obliged to examine the report on the activities and indicate whether the information contained therein complies with Article 49 of the Accounting Act the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2014 item 133 as amended) and is consistent with underlying information disclosed in the attached financial statements. Additionally, it was our responsibility to indicate whether we have detected any material misstatement in the report on the activities based on our knowledge of the Company and its business environment obtained in the course of the audit.

In our view, the information contained in the report on the activities complies with Article 49 of the Accounting Act the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2014 item 133 as amended) and is consistent with underlying information disclosed in the attached financial statements. Moreover, based on our knowledge of the Company and its business environment obtained in the course of the audit, we have not detected any material misstatements in the report on the activities.

*Statement of compliance with corporate governance principles*

In relation to our audit of the financial statements, it was our responsibility to examine the Company's statement of compliance with corporate governance principles, which constitutes a separate part of the report on the activities. In our view, the Company's statement provides all information required by the secondary legislation issued under Article 60.2 of the Act on public offering, conditions governing the introduction of financial instruments to organized trading, and public companies of 29 July 2005 (Journal of Laws of 2016 item 1639 as amended) and regulations issued under Article 61 thereof. The information is compliant with the applicable laws and information presented in the financial statements.

Marcin Diakonowicz  
Key certified auditor  
conducting the audit  
No. 10524

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

Marcin Diakonowicz – Vice-President of the Management Board of Deloitte Polska Sp. z o.o. – which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, March 21, 2017

**The above audit opinion together with audit report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS  
OF SELENA FM S.A. FOR THE 2016 FINANCIAL YEAR**

**I. GENERAL INFORMATION**

**1. Details of the audited Company**

The Company operates under the name Selena FM S.A. (hereinafter: the "Company"). Its registered office is located in Wrocław, ul. Strzegomska 2-4.

It is a joint stock company. The Company is recorded in the Register of Entrepreneurs kept by the District Court in Wrocław - Fabryczna, VI Commercial Division of National Court Register under KRS number 0000292032.

The Company operates based on the provisions of the Code of Commercial Companies.

As at 31 December 2016, the Company's share capital equaled PLN 1,141,700.00 and was divided into 22,834,000 ordinary shares with a face value of PLN 0.05 each.

In the audited period, the Company's objects were mainly in the area of wholesale of chemical products, consulting services in strategic management, financial management, IT, sales management and bookkeeping.

Composition of the Management Board as of the date of the opinion:

- |                    |   |
|--------------------|---|
| - Jean-Noël Fourel | - President of the Management Board,      |
| - Hubert Rozpędek  | - Vice-President of the Management Board, |
| - Marcin Macewicz  | - Vice-President of the Management Board, |
| - Agata Gładysz    | - Member of the Management Board.         |

Changes in the composition of the Management Board during the audited period and until the date of the opinion:

- on July 28, 2016 Mr. Krzysztof Kluza has submitted his resignation from the position of Vice-President for Finance of the Management Board,
- on August 29, 2016 the Supervisory Board dismissed Mr. Jaroslaw Michniuk from the position of the President of the Management Board,
- on December 16, 2016 the Supervisory Board dismissed Mr. Andrzej Feruga from the position of the Member of the Management Board,
- on September 2, 2016 the Supervisory Board appointed Mr. Joen Noel Fourel for the position of Chief Executive Officer,
- on September 26, 2016 the Supervisory Board appointed Mr. Hubert Rozpedka as a Vice-President of the Management Board,
- on January 30, 2017 the Supervisory Board appointed Mr. Marcin Macewicz as a Vice-President of the Management Board,
- on 28 February 2017 the Supervisory Board appointed Ms. Agata Gladysz as a Member of the Management Board as of March 1, 2017.

**2. Information on the financial statements for the previous financial year**

In 2015 the Company reported a net profit of PLN 43,497,833.65. The financial statements of the Company for the 2015 financial year were audited by a certified auditor. The audit was performed by authorized entity Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. The certified auditor issued an unqualified opinion on those financial statements.

The General Shareholders' Meeting which approved the financial statements for the 2015 financial year was held on June 14, 2016. The General Shareholders' Meeting decided to distribute the net profit for 2015 in the following manner:

- dividends for shareholders - PLN 6,850,200;
- allocation to supplementary capital - PLN 36,647,633.65.

The financial statements for the 2015 financial year were submitted to the National Court Register (KRS) on 22 June 2016.

The consolidated financial statements for the 2015 financial year were submitted to the National Court Register (KRS) on 22 June 2016.

### **3. Details of the authorized entity and the key certified auditor acting on its behalf**

The entity authorized to audit the financial statements was appointed by the Supervisory Board. The audit of the financial statements was performed based on the agreement of 6 July 2016 concluded between the Company and Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with registered office in Warsaw, al. Jana Pawła II 22, recorded under number 73 on the list of entities authorized to provide audit services kept by the National Council of Statutory Auditors. On behalf of the authorized entity, the audit of the financial statements was conducted under the supervision of Marcin Diakonowicz, key certified auditor, (No.10524), in the registered office of the Company from 21 November to 25 November 2016, 27 July to 10 March 2017 and outside the Company's premises until the opinion date.

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and the key certified auditor conducting the audit confirm that they are authorized to carry out audits and meet the requirements of Article 56 of the Act on certified auditors and their self-government, entities authorized to audit financial statements and public supervision (Journal of Laws of 2016 item 1000 as amended) to express an unbiased and independent opinion on the financial statements of the Company.

### **4. Availability of data and management's representations**

The scope of our audit was not limited.

During the audit, necessary documents and data as well as detailed information and explanations were provided to the authorized entity and the key certified auditor, as confirmed e.g. in the written representation of the Management Board of March 21, 2017.

**II. ECONOMIC AND FINANCIAL POSITION OF THE COMPANY**

Presented below are the main items from the income statement and statement of financial position as well as financial ratios describing the financial performance of the Company and its economic and financial position compared to the prior year.

<u>Main items from the income statement (PLN '000)</u>	<u>2016</u>	<u>2015</u>
Sales revenue	430 062	352 359
Operating expenses	(423 667)	(350 323)
Operating profit (loss)	(4 252)	(25 530)
Net profit (loss)	7 127	43 498

Main items from the statement of financial position (PLN '000)

Inventory	1 968	3 234
Trade receivables	156 581	133 399
Current assets	236 537	168 154
Total assets	527 649	494 548
Equity	273 977	273 700
Short-term liabilities (including short-term provisions and accruals)	135 860	154 217
Trade liabilities	129 754	78 490
Total liabilities and provisions	253 672	220 848

Profitability and efficiency ratios

	<u>2016</u>	<u>2015</u>
- return on sales	-0,99%	-7,25%
- net return on equity	2,67%	18,90%
- assets turnover ratio	0,82	0,71
- receivables turnover in days	121	145
- liabilities turnover in days	88	86
- inventory turnover in days	2	4

Liquidity/Net working capital

- debt ratio	48%	45%
- equity to fixed assets ratio	52%	55%
- net working capital (PLN '000)	100 677	13 937
- current ratio	1,74	1,09
- quick ratio	1,73	1,07

An analysis of the above figures and ratios indicated the following trends in 2016:

- increase of return on sales and net return on equity;
- increase of assets turnover ratio;
- increase of debt ratio;
- increase of net working capital;
- increase of liquidity ratios.

### **III. DETAILED INFORMATION**

#### **1. Evaluation of the accounting system**

The Company has valid documentation describing the adopted accounting principles, complying in all material respects with Article 10 of the Accounting Act. The principles have been applied consistently and did not change compared to the principles applied in the prior year. The opening balance resulting from the approved financial statements for the prior financial year has been properly introduced into the accounting records of the audited period.

Based on tests performed during the audit procedures, we have verified the adopted accounting system and found no misstatements that would affect the financial statements. Our audit did not include, though, the entire accounting system used by the Company.

The Company performed a physical count of assets, equity and liabilities within the scope necessary to confirm the existence of the presented assets, equity and liabilities.

#### **2. Information identifying the audited financial statements**

The audited financial statements were prepared as at 31 December 2016 and include:

- statement of financial position prepared as of 31 December 2016, with total assets and liabilities plus equity of TPLN 527,649.
- income statement for the period from 1 January 2016 to 31 December 2016, disclosing a net profit of TPLN 7,127;
- statement of comprehensive income for the period from 1 January 2016 to 31 December 2016 with a total comprehensive income of TPLN 7,127;
- statement of changes in equity for the period from 1 January 2016 to 31 December 2016, disclosing an increase in equity of TPLN 277;
- cash flow statement for the period from 1 January 2016 to 31 December 2016, showing a cash inflow of TPLN 1,414;
- notes, comprising a summary of significant accounting policies and other explanatory information.

#### **3. Information about selected material items of the financial statements**

The structure of assets and liabilities as well as items affecting the financial result have been presented in the financial statements.

##### Property, plant and equipment

Additional information correctly describe changes in fixed assets and fixed assets under construction, including disclosure of any impairment losses on such assets.

##### Long-term investments

Long-term investments of the Company include:

- shares in controlled entities in the amount of TPLN 149,472,
- long-term portion of loans granted in the amount of TPLN 119,858.

Additional information correctly describes changes in investments during the financial year.

Inventory

The structure of inventory and related impairment losses has been correctly presented in the relevant explanatory note to the balance sheet.

Receivables

Ageing of trade receivables has been correctly presented in the respective explanatory note to the balance sheet, together with related impairment losses.

Liabilities

The nature of contracted loans, security and maturity has been presented in the notes to the financial statements.

**4. Completeness and correctness of notes and explanations and the report on the activities of the Company**

The Parent confirmed the validity of the going concern basis in preparation of the consolidated financial statements. The notes and explanations to the consolidated financial statements gives a description of measurement principles regarding assets, equity, liabilities, financial performance and principles of preparation of the consolidated financial statements.

The Parent prepared notes in the form of tables to individual items of the consolidated statement of financial position as well as narrative descriptions in line with the requirement of IFRS.

The financial statements have been supplemented with the Management Board's report on the activities of the Company in the 2016 financial year. The report contains information determined by Article 49 of the Accounting Act and the Ordinance of the Minister of Finance Ordinance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2014 item 133 as amended). We have audited the report with respect to the disclosed information derived directly from the audited consolidated financial statements.

**IV. FINAL NOTES**

Management Board's Representations

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and the key certified auditor received a representation letter from the Company's Management Board, in which the Board stated that the Company complied with the laws in force.

Marcin Diakonowicz  
Key certified auditor  
conducting the audit  
No. 10524

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

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Warsaw, March 21, 2017