

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

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 2014 FINANCIAL YEAR**

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

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AUDITOR'S OPINION

To the Shareholders and Supervisory Board of SELENA FM S.A.

We have audited the attached financial statements of the SELENA FM S.A. Capital Group (hereinafter: the "Capital Group"), for which SELENA FM S.A. (hereinafter: the "Parent Company") with its registered office in Wrocław, at Strzegomska 2-4 is the Parent Company, Those consolidated financial statements include: consolidated statement of financial position prepared as of 31 December 2014, consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement for the financial year from 1 January 2014 to 31 December 2014 and notes comprising a summary of significant accounting policies and other explanatory information.

Preparation of consolidated financial statements and a report on the activities of the capital group in line with the law is the responsibility of the Management Board of the Parent Company.

The Management Board of the Parent Company and members of its Supervisory Board are obliged to ensure that the consolidated financial statements and the report on the activities of the Capital Group meet the requirements of the Accounting Act of 29 September 1994 (Journal of Laws of 2013 item 330, as amended), hereinafter referred to as the "Accounting Act".

Our responsibility was to audit and express an opinion on compliance of the consolidated financial statements with the accounting principles (policy) adopted by the Capital Group and whether the financial statements give a true and fair view of the financial and economic position as well as the financial performance of the Capital Group.

Our audit of the financial statements has been planned and performed in accordance with:

- section 7 of the Accounting Act,
- national auditing standards, issued by the National Council of Statutory Auditors in Poland.

We have planned and performed our audit of the consolidated financial statements in such a way as to obtain reasonable assurance to express an opinion on the financial statements. Our audit included, in particular, verification of the correctness of the accounting principles (policy) applied by the Parent Company and the subsidiaries, verification - largely on a test basis - of the basis for the amounts and disclosures in the consolidated financial statements, as well as overall evaluation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the audited consolidated financial statements in all material respects:

- give a true and fair view of the information material to evaluation of the economic and financial position of the Capital Group as of 31 December 2014 as well as its financial performance in the financial year from 1 January 2014 to 31 December 2014,
- have been prepared in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations, and in all matters not regulated in the standards – in accordance with the provisions of the Accounting Act and its executory provisions,
- comply with the provisions of law applicable to the Parent Company and Capital Group entities which affect the contents of the consolidated financial statements.

The report on the activities of the Capital Group for the 2014 financial year is complete within the meaning of Article 49.2 of the Accounting Act and 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) and consistent with underlying information disclosed in the audited consolidated 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 23rd, 2015

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 CONSOLIDATED FINANCIAL
STATEMENTS OF THE SELENA FM CAPITAL GROUP
FOR THE 2014 FINANCIAL YEAR**

I. GENERAL INFORMATION

1. Details of the audited Parent Company

The Parent Company of the Capital Group operates under the business name Selena FM S.A. (hereinafter: the "Parent Company"). The Company's registered office is located in Wrocław, ul. Strzegomska 2-4.

The Parent Company operates as a joint stock company. The Parent Company is recorded in the Register of Entrepreneurs kept by the District Court, VI Business-Registry Division in Wrocław, under KRS number 0000292032.

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

As of 31 December 2014, the Parent Company's share capital equaled PLN 1,142,000 and was divided into 22,834,000 shares with a face value of PLN 0.05 each.

Composition of the Management Board of the Parent Company as at the date of the opinion:

- | | |
|----------------------|---|
| – Jarosław Michniuk | – President of the Management Board, |
| – Krzysztof Kluza | – Vice-President of the Management Board, |
| – Robert Konaszewski | – Vice-President of the Management Board, |
| – Andrzej Feruga | – Member of the Management Board, |
| – Marcin Macewicz | – Member of the Management Board, |

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

- on 10 March 2014 Ms. Beata Pawłowska resigned the office of Vice-President of the Management Board – her mandate was revoked the very same day,
- on 5 September 2014 the Supervisory Board appointed Mr. Robert Konaszewski to hold the position of the Vice-President of the Management Board.
- On 24 September 2014 Mr. Kazimierz Przelomski resigned the office of Vice-President of the Management Board – his mandate was revoked on 30 September 2014,
- on 24 September 2014 the Supervisory Board appointed Mr. Krzysztof Kluza to hold the position of the Vice-President of the Management Board effective from 13 October 2014,
- on 24 September 2014 the Supervisory Board appointed Mr. Andrzej Feruga to hold the position of the Member of the Management Board effective from 1 October 2014,
- on 24 September 2014 the Supervisory Board appointed Mr. Marcin Macewicz to hold the position of the Member of the Management Board effective from 1 October 2014.

2. Structure of the Capital Group

The consolidated financial statements as of 31 December 2014 included the following entities:

- a) Parent Company – Selena FM S.A.

We have audited the financial statements of the Parent Company for the period from 1 January to 31 December 2014. As a result of our audit, on March 23rd, 2015 we issued an unqualified opinion.

b) Companies subject to full consolidation:

Name and address of the Company	Interest in the share capital (%)	Name of entity that audited the financial statements and type of opinion issued	Balance sheet date of the consolidated entity
Selena S.A., Wrocław	100,00%	Deloitte Polska Sp. z o.o. Sp.k – in the proces of audit	31.12.2014
Orion Polyurethanes sp. z o.o. SKA, Dzierżoniów	99,95%	Deloitte Polska Sp. z o.o. Sp.k - in the proces of audit	31.12.2014
Carina Sealants sp. z o.o. SKA, Siechnice	100,00%	Deloitte Polska Sp. z o.o. Sp.k - in the proces of audit	31.12.2014
Libra Sp. z o.o., Dzierżoniów	100,00%	Deloitte Polska Sp. z o.o. Sp.k - in the proces of audit	31.12.2014
PMI "IZOLACJA - MATIZOL" S.A., Gorlice	100,00%	Deloitte Polska Sp. z o.o. Sp.k - in the proces of audit	31.12.2014
Tytan EOS Sp. z o.o., Wrocław	100,00%	Deloitte Polska Sp. z o.o. Sp.k - in the proces of audit	31.12.2014
Selena Labs sp. z o.o., Siechnice	99,65%	Financial statement was not the subject to audit	31.12.2014
Virgo Project sp. z o.o., Wrocław	100,00%	Financial statement was not the subject to audit	31.12.2014
Orion Polyurethanes sp. z o.o., Dzierżoniów	100,00%	Financial statement was not the subject to audit	31.12.2014
Carina Sealants sp. z o.o., Siechnice	100,00%	Financial statement was not the subject to audit	31.12.2014
Selena Iberia slú, Madryt	100,00%	Deloitte Spain - in the proces of audit	31.12.2014
Selena Italia srl, Limena	100,00%	F Financial statement was not the subject to audit	31.12.2014
Selena Deutschland GmbH, Hagen	100,00%	Financial statement was not the subject to audit	31.12.2014
Selena Bohemia s.r.o., Roudnice	100,00%	BETA Brno, a.s. - in the proces of audit	31.12.2014
Selena Romania SRL, Ilfov	100,00%	Deloitte Rumunia – in the proces of audit	31.12.2014
EURO MGA Product SRL, Ilfov	100,00%	Deloitte Rumunia – in the proces of audit	31.12.2014
Selena Hungária Kft., Pécs	100,00%	Financial statement was not the subject to audit	31.12.2014
Selena Bulgaria Ltd., Sofia	100,00%	Audyt 07 Ltd. – in the proces of audit	31.12.2014
Selena Slovakia s.r.o., Nitra	100,00%	Financial statement was not the subject to audit	31.12.2014
Selena Vostok Moskwa, Moskwa	100,00%	OOO AK Audit Prof. Garant, unqualified opinion	31.12.2014
Selena Sever Moskwa, Moskwa	100,00%	Financial statement was not the subject to audit	31.12.2014
Selena CA L.L.P., Ałmaty	100,00%	TOO „EST Audit”, unqualified opinion	31.12.2014
TOO Selena Insulations, Astana	100,00%	Financial statement was not the subject to audit	31.12.2014
Selena Ukraine Ltd., Kijów	100,00%	Financial statement was not the subject to audit	31.12.2014
Selena Shanghai Trading Co., Ltd., Shanghai	100,00%	Financial statement was not the subject to audit	31.12.2014
Selena Nantong Building Materials Co., Ltd., Nantong	100,00%	Nantong Dahua CPA Co. Ltd., unqualified opinion	31.12.2014

Foshan Chinuri-Selena Chemical Co., Foshan	84,57%	Financial statement was not the subject to audit	31.12.2014
Selena Malzemeleri Yapi Sanayi Tic. Ltd., Istanbul	100,00%	Financial statement was not the subject to audit	31.12.2014
POLYFOAM Yalitim Sanayi ve Tic Ltd., Istanbul	100,00%	Financial statement was not the subject to audit	31.12.2014
Selena Sulamericana Ltda, Ponta Grossa	100,00%	Financial statement was not the subject to audit	31.12.2014
Selena USA, Inc., Holland	100,00%	Financial statement was not the subject to audit	31.12.2014
Selena USA Specialty Inc., Holland	100,00%	Financial statement was not the subject to audit	31.12.2014
TOO Big Elit, Astana	100,00%	Financial statement was not the subject to audit	31.12.2014

c) Companies subject to equity method of consolidation:

Name and address of the Company	Interest in the share capital (%)	Name of entity that audited the financial statements and type of opinion issued	Balance sheet date of the consolidated entity
Hamil – Selena Co. Ltd., Kimhae	30,00%	Financial statement was not the subject to audit	31.12.2014

In the audited financial year, the Parent Company included in consolidation the company TOO Big Elit and excluded from consolidation the company FinSelena Oy.

Changes in the structure of the Group were presented in the note 1.5.

3. Information about the consolidated financial statements for the prior financial year

The activities of the Capital Group in 2013 resulted in a net profit of TPLN 20,343. The consolidated financial statements of the Capital Group for 2013 were audited by a certified auditor. The audit was performed by authorized entity Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. On 21 March 2014 the certified auditor issued an unqualified opinion on those financial statements.

The General Shareholders' Meeting which approved the consolidated financial statements for the 2013 financial year was held on 9 June 2014.

In accordance with applicable laws, the consolidated financial statements for the 2013 financial year were submitted to the National Court Register (KRS) on 26 June 2014.

4. 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 consolidated financial statements was performed based on the agreement of 18 June 2014 concluded between the Parent Company and Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with its registered office in Warsaw, al. Jana Pawła II 19, 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 consolidated financial statements was conducted under the supervision of Marcin Diakonowicz, key certified auditor (No.

10524) in the registered office of the Parent Company from 17 November to 21 November 2014, from 23 February to 6 March 2015 as well as outside the Company's premises until the date of this opinion.

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and the key certified auditor conducting audit confirm that they are authorized to carry out audits and meet the requirements of Article 56 of the Act on statutory auditors and their self-governing body, auditing firms and on public oversight (Journal of Laws of 2009 No. 77, item 649, as amended) to express an unbiased and independent opinion on the consolidated financial statements of the Capital Group.

5. 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 the Parent Company of 23 March 2015.

II. ECONOMIC AND FINANCIAL POSITION OF THE CAPITAL GROUP

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

Main financial data from consolidated income statement 2014 2013 (PLN '000)

Sales revenue	1,103,387	1,113,912
Operating expenses	(1,022,442)	(1,033,807)
Operating profit (loss)	65,648	50,180
Net profit (loss)	20,793	20,343

Main financial data from consolidated statement of financial position (PLN '000)

Inventory	130,802	116,725
Trade receivables	175,372	193,633
Current assets	411,477	429,832
Total assets	731,513	731,275
Equity	408,150	388,512
Short-term liabilities (including short-term provisions and accruals)	194,467	243,565
Trade liabilities	100,444	132,724
Total liabilities and provisions	323,363	342,763

Profitability and efficiency ratios 2014 2013

– return on sales	5.95%	4.50%
– net return on equity	5.37%	5.53%
– assets turnover ratio	1.51	1.52
– receivables turnover in days	61	61
– liabilities turnover in days	42	39
– inventory turnover in days	44	39

Liquidity/Net working capital

– debt ratio	44%	47%
– equity to fixed assets ratio	56%	53%
– net working capital (PLN '000)	217,010	186,267
– current ratio	2.12	1.76
– quick ratio	1.44	1.29

An analysis of the above figures and ratios indicated the following trends in 2014:

- increase of return on sales;
- decrease of assets turnover ratio;
- increase of liabilities and inventory turnover ratios;
- decrease of debt ratio;
- increase of liquidity.

III. DETAILED INFORMATION

1. Information about the audited consolidated financial statements

The audited consolidated financial statements were prepared as at 31 December 2014 and include:

- consolidated statement of financial position prepared as of 31 December 2014, with total assets and liabilities plus equity of TPLN 731,513,
- consolidated income statement for the period from 1 January 2014 to 31 December 2014, with a net profit of PLN T20,793,
- consolidated statement of comprehensive income for the period from 1 January 2014 to 31 December 2014, with a total comprehensive income of TPLN 26,036,
- consolidated statement of changes in equity for the period from 1 January 2014 to 31 December 2014, disclosing an increase in equity of TPLN 19,638,
- consolidated cash flow statement for the period from 1 January 2014 to 31 December 2014, showing a cash outflow of TPLN 20,437,
- notes, comprising a summary of significant accounting policies and other explanatory information.

The audit covered the period from 1 January 2014 to 31 December 2014 and focused mainly on:

- verification of the correctness and fairness of the consolidated financial statements prepared by the Management Board of the Parent Company;
- verification of the consolidation documentation;
- evaluation of the correctness of the consolidation methods and procedures applied during consolidation;
- review of opinions and reports on audits of financial statements of subsidiaries and associated companies included in consolidation, prepared by other certified auditors.

2. Consolidation documentation

The Parent Company presented the consolidation documentation including:

- financial statements of entities included in the consolidated financial statements;
- financial statements of controlled entities, adjusted to the accounting principles (policy) applied during consolidation;
- financial statements of controlled entities translated into the Polish currency;
- consolidation adjustments and eliminations necessary for preparation of the consolidated financial statements;
- calculation of the fair value of the net assets of controlled entities;
- calculation of goodwill and gain from a bargain purchase as well as impairment losses for goodwill;
- calculation of non-controlling interests;
- calculation of exchange differences arising from translation of the financial statements of controlled entities denominated in foreign currencies.

The financial statements of the subsidiaries were consolidated using the full method, i.e. full amounts of all relevant items of the financial statements of the Parent Company and the subsidiaries included in consolidation were summed up.

The equity method was applied with respect to associated entities. The value of the Parent Company's interest in the associated company was adjusted by increases or decreases in the equity of the associated company attributable to the Parent Company, which occurred in the period covered by consolidation, and decreased by dividends due from such companies.

The Parent Company preparing the consolidated financial statements has not applied any material simplifications and exceptions to the consolidation principles with respect to the controlled entities.

3. Completeness and correctness of drawing up notes and explanations and the report on the activities of the Capital Group

The Parent Company 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, liabilities, financial performance and principles of preparation of the consolidated financial statements.

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

The Management Board of Parent Company prepared and supplemented the consolidated financial statements with a report on the activities of the Capital Group in the 2014 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). 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 Parent Company's Management Board, in which the Board stated that the Capital Group 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:

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 23rd, 2015