

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

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 2015 FINANCIAL YEAR**

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

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REPORT ON THE ACTIVITIES OF THE CAPITAL GROUP FOR THE 2015 FINANCIAL YEAR

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 Wroclaw, at Strzegomska 2-4 is the Parent Company, Those consolidated financial statements include: consolidated statement of financial position prepared as of 31 December 2015, 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 2015 to 31 December 2015 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 2015 as well as its financial performance in the financial year from 1 January 2015 to 31 December 2015,
- 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 2015 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 21th, 2016

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 2015 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 in Wrocław, Commercial Division of National Court Register under KRS number 0000292032.

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

As of 31 December 2015, 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,
- 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 21 September 2015 the Supervisory Board dismissed Mr. Robert Konaszewski from the position of the Vice-President of the Management Board.

2. Structure of the Capital Group

The consolidated financial statements as of 31 December 2015 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 2015. As a result of our audit, on March 21st, 2016 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 process of audit	31.12.2015
Orion PU Sp. z o.o., Dzierżoniów	99,95%	Deloitte Polska Sp. z o.o. Sp.k - in the process of audit	31.12.2015
Carina Silicones Sp. z o.o., Siechnice	100,00%	Deloitte Polska Sp. z o.o. Sp.k - in the process of audit	31.12.2015

Libra Sp. z o.o., Dzierżoniów	100,00%	Deloitte Polska Sp. z o.o. Sp.k - in the process of audit	31.12.2015
PMI "IZOLACJA - MATIZOL" S.A., Gorlice	100,00%	Deloitte Polska Sp. z o.o. Sp.k - in the process of audit	31.12.2015
Tytan EOS Sp. z o.o., Wrocław	100,00%	Deloitte Polska Sp. z o.o. Sp.k - in the process of audit	31.12.2015
Selena Industrial Technologies Sp. z o.o., Warszawa	100,00%	Financial statement was not the subject to audit	31.12.2015
Selena Labs sp. z o.o., Siechnice	99,65%	Financial statement was not the subject to audit	31.12.2015
Selena Marketing International Sp. z o.o., Wrocław	100,00%	Financial statement was not the subject to audit	31.12.2015
Orion Polyurethanes Sp. z o.o., Dzierżoniów	100,00%	Financial statement was not the subject to audit	31.12.2015
Carina Sealants Sp. z o.o., Siechnice	100,00%	Financial statement was not the subject to audit	31.12.2015
Selena Iberia slú, Madryt	100,00%	Deloitte Spain - in the process of audit	31.12.2015
Selena Italia srl, Limena	100,00%	Financial statement was not the subject to audit	31.12.2015
Selena Deutschland GmbH, Hagen	100,00%	Financial statement was not the subject to audit	31.12.2015
Selena Bohemia s.r.o., Praga	100,00%	BETA Brno, a.s. – unqualified opinion	31.12.2015
Selena Romania SRL, Ilfov	100,00%	Deloitte Rumunia – in the process of audit	31.12.2015
EURO MGA Product SRL, Ilfov	100,00%	Deloitte Rumunia – in the process of audit	31.12.2015
Selena Hungária Kft., Pécs	100,00%	Contir-Audit KFT – in the process of audit	31.12.2015
Selena Bulgaria Ltd., Sofia	100,00%	Audyt 07 Ltd. – in the process of audit	31.12.2015
Chemistry for Building s.r.o. Nitra	100,00%	Financial statement was not the subject to audit	31.12.2015
Selena Vostok Moskwa, Moskwa	100,00%	OOO AK Audit Prof. Garant, - unqualified opinion	31.12.2015
Selena Sever Moskwa, Moskwa	100,00%	Financial statement was not the subject to audit	31.12.2015
Selena CA L.L.P., Ałmaty	100,00%	TOO „EST Audit” – unqualified opinion	31.12.2015
TOO Selena Insulations, Astana	100,00%	Financial statement was not the subject to audit	31.12.2015
Selena Ukraine Ltd., Kijów	100,00%	Financial statement was not the subject to audit	31.12.2015
Weize (Shanghai) Trading Co., Ltd., Shanghai	100,00%	Financial statement was not the subject to audit	31.12.2015
Selena Nantong Building Materials Co., Ltd., Nantong	100,00%	Nantong Dahua CPA Co. Ltd., in the process of audit	31.12.2015
Foshan Chinuri-Selena Chemical Co., Foshan	84,57%	Financial statement was not the subject to audit	31.12.2015
Selena Malzemeleri Yapi Sanayi Tic. Ltd., Istambul	100,00%	Financial statement was not the subject to audit	31.12.2015
POLYFOAM Yalitim Sanayi ve Tic Ltd., Istambul	100,00%	Financial statement was not the subject to audit	31.12.2015
Selena Sulamericana Ltda, Curitiba	100,00%	Financial statement was not the subject to audit	31.12.2015
Selena USA, Inc., Holland	100,00%	Financial statement was not the subject to audit	31.12.2015

Selena USA Specialty Inc., Holland	100,00%	Financial statement was not the subject to audit	31.12.2015
TOO Big Elit, Astana	100,00%	Financial statement was not the subject to audit	31.12.2015

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	31.12.2015

In the audited financial year, the Parent Company included in consolidation the company Selena Industrial Technologies Sp. Z o.o..

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 2014 resulted in a net profit of TPLN 20,793. The consolidated financial statements of the Capital Group for 2014 were audited by a certified auditor. The audit was performed by authorized entity Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. On 23 March 2015 the certified auditor issued an unqualified opinion on those financial statements.

The General Shareholders' Meeting which approved the consolidated financial statements for the 2014 financial year was held on 29 May 2015.

In accordance with applicable laws, the consolidated financial statements for the 2014 financial year were submitted to the National Court Register (KRS) on 22 June 2015.

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 26 October to 6 November 2015, from 22 February to 4 March 2016 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 21th March 2016.

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 2015 2014 (PLN '000)

Sales revenue	997,867	1,103,387
Operating expenses	(924,381)	(1,022,442)
Operating profit (loss)	58,906	65,648
Net profit (loss)	26,803	20,793

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

Inventory	116,974	130,802
Trade receivables	165,522	175,372
Current assets	374,082	411,477
Total assets	755,064	731,513
Equity	403,768	408,150
Short-term liabilities (including short-term provisions and accruals)	250,288	194,467
Trade liabilities	92,127	100,444
Total liabilities and provisions	351,296	323,363

Profitability and efficiency ratios 2015 2014

– return on sales	5.90%	5.95%
– net return on equity	7.11%	5.37%
– assets turnover ratio	1.32	1.51
– receivables turnover in days	62	61
– liabilities turnover in days	38	42
– inventory turnover in days	49	44

Liquidity/Net working capital

– debt ratio	47%	44%
– equity to fixed assets ratio	53%	56%
– net working capital (PLN '000)	123,794	217,010
– current ratio	1.49	2.12
– quick ratio	1.03	1.44

An analysis of the above figures and ratios indicated the following trends in 2015:

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

III. DETAILED INFORMATION

1. Information about the audited consolidated financial statements

The audited consolidated financial statements were prepared as at 31 December 2015 and include:

- consolidated statement of financial position prepared as of 31 December 2015, with total assets and liabilities plus equity of TPLN 755,064,
- consolidated income statement for the period from 1 January 2015 to 31 December 2015, with a net profit of TPLN 26,803,
- consolidated statement of comprehensive income for the period from 1 January 2015 to 31 December 2015, with a total comprehensive income of TPLN 2,035,
- consolidated statement of changes in equity for the period from 1 January 2015 to 31 December 2015, disclosing an decrease in equity of TPLN 4,382,
- consolidated cash flow statement for the period from 1 January 2015 to 31 December 2015, showing a cash outflow of TPLN 7,312,
- notes, comprising a summary of significant accounting policies and other explanatory information.

The audit covered the period from 1 January 2015 to 31 December 2015 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 2015 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 21th, 2016