

SELENA FM S.A.

**LONG-FORM AUDITORS' REPORT
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

I. GENERAL NOTES

1. Background

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

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

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

The Company is the holding company of the SELENA FM S.A. capital group. Details of transactions with affiliated entities and the list of companies in which the Company holds at least 20% of shares in the share capital or in the total number of votes in the company's governing body are included in Note 28 of the summary of significant accounting policies and other explanatory notes ("the additional notes and explanations") to the audited financial statements for the year ended 31 December 2010.

The principal activities of the Company are as follows:

- Advisory services in strategic management;
- Advisory services in financial management;
- Advisory services in sales strategy;
- Accounting services.

As at 31 December 2010, the Company's issued share capital amounted to 1,136 thousand zlotys. Equity as at that date amounted to 254,941 thousand zlotys.

In accordance with or Company's share register as at 31 December 2010, the ownership structure of the Company's issued share capital was as follows:

	Number of shares	Number of votes	Par value of shares	% of issued share capital
Krzysztof Domarecki	9,538,000	13,538,000	476,900	41.97%
Syrius Investments S.a.r.l.	8,050,000	8,050,000	402,500	35.43%
Other shareholders	5,136,000	5,136,000	256,800	22.60%
	=====	=====	=====	=====
Total	22,724,000	26,724,000	1,136,200	100.00%

There were no changes in the ownership structure of the Company during the reporting period as well as during the period from the balance sheet date to the date of the opinion.

There were no movements in the share capital in the reporting period.

As at 29 April 2011, the Company's Management Board was composed of:

Krzysztof Domarecki	- President
Kazimierz Przełomski	- Member
Elżbieta Agnieszka Szymańska	- Member

There were no changes in the Company's Management Board composition during the reporting period as well as from the balance sheet date to the date of the opinion.

2. Financial Statements

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

2.1 Auditors' opinion and audit of financial statements

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

Ernst & Young Audit sp. z o.o. was appointed by Supervisory Board on 30 April 2010 to audit the Company's financial statements.

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

Under the contract executed on 23 July 2010 with the Company's Management Board, we have audited the financial statements for the year ended 31 December 2010.

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

Based on our audit, we issued an auditors' opinion dated 29 April 2011, stating the following:

'To the General Shareholders' Meeting of Selena FM S.A.

1. We have audited the attached financial statements for the year ended 31 December 2010 of Selena FM S.A. ('the Company') located in Wrocław at Strzegomska 2-4, containing statement of financial position as at 31 December 2010, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flow for

the period from 1 January 2010 to 31 December 2010 and the summary of significant accounting policies and other explanatory notes ('the attached financial statements').

2. The truth and fairness¹ of the attached financial statements, the preparation of the attached financial statements in accordance with the required applicable accounting policies and the proper maintenance of the accounting records are the responsibility of the Company's Management Board. In addition, the Company's Management Board and Members of the Supervisory Board are required to ensure that the attached financial statements and the Directors' Report meet the requirements of the Accounting Act dated 29 September 1994 (2009 Journal of Laws No. 152 item 1223 with subsequent amendments – 'the Accounting Act'). Our responsibility was to audit the attached financial statements and to express an opinion on whether, based on our audit, these financial statements comply, in all material respects, with the required applicable accounting policies, whether they truly and fairly² reflect, in all material respects, the financial position and results of the operations of the Company and whether the accounting records that form the basis for their preparation are, in all material respects, properly maintained.
3. We conducted our audit of the attached financial statements in accordance with:
 - chapter 7 of the Accounting Act,
 - national auditing standards issued by the National Council of Statutory Auditors,in order to obtain reasonable assurance whether these financial statements are free of material misstatement. In particular, the audit included examining, to a large extent on a test basis, documentation supporting the amounts and disclosures in the attached financial statements. The audit also included assessing the accounting principles adopted and used and significant estimates made by the Management Board, as well as evaluating the overall presentation of the attached financial statements. We believe our audit has provided a reasonable basis to express our opinion on the attached financial statements treated as a whole.
4. In our opinion, the attached financial statements, in all material respects:
 - present truly and fairly all information material for the assessment of the results of the Company's operations for the period from 1 January 2010 to 31 December 2010, as well as its financial position³ as at 31 December 2010;
 - have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and based on properly maintained accounting records;
 - are in respect of the form and content, in accordance with legal regulations governing the preparation of financial statements and the Company's Articles of Association.
5. We have read the 'Directors' Report for the period from 1 January 2010 to 31 December 2010 and the rules of preparation of annual statements' ('the Directors' Report') and concluded that the information derived from the attached financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant regulations of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and

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

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

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

conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws No. 33, item 259).

6. As at the date of this opinion, the financial statements for the year ended 31 December 2009 have not been submitted for publication in Monitor Polski-B, as required by the Accounting Act.'

We conducted the audit of the Company's financial statements during the period from 22 November 2010 to 29 April 2011. We were present at the Company's head office from 22 November 2010 to 26 November 2010 and from 7 March 2011 to 11 March 2011.

2.2 Representations provided and data availability

The Management Board confirmed its responsibility for the truth and fairness⁴ of the financial statements and the preparation of the financial statements in accordance with the required applicable accounting policies, and stated that it had provided us with all financial information, accounting records and other required documents as well as all necessary explanations. The Management Board also provided a letter of representations dated 29 April 2010, confirming that:

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

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

2.3 Financial statements for prior financial year

The Company's financial statements for the year ended 31 December 2009 were audited by Ewa Kowalczyk, key certified auditor no. 9263, acting on behalf of Ernst & Young Audit Sp. z o.o.. The key certified auditor issued a qualified opinion on the financial statements for the year ended 31 December 2009. The Company's financial statements for the year ended 31 December 2009 were approved by the General Shareholders' Meeting on 11 June 2010, and the shareholders resolved to coverage the 2009 net loss with future profit.

The financial statements for the financial year ended 31 December 2009, together with the auditors' opinion, a copy of the resolution approving the financial statements, a copy of the resolution on the appropriation of coverage of loss and the Directors' Report, were filed on 9 July 2010 with the National Court Register.

As at 29 April 2011, neither the balance sheet as at 31 December 2009, the profit and loss account, statement of changes in equity and cash flow statement for the year ended 31 December 2009, nor the auditors' opinion, a copy of the resolution approving the

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

financial statements or a copy of the resolution on the appropriation of coverage of loss have been submitted for publishing in Monitor Polski B.

The closing balances as at 31 December 2009 were correctly brought forward in the accounts as the opening balances at 1 January 2010.

3. Analytical Review

3.1 Basic data and financial ratios

Presented below are selected financial ratios indicating the economic or financial performance of the Company for the years 2008 - 2010. The ratios were calculated on the basis of financial information included in the financial statements for the years ended 31 December 2009 and 31 December 2010.

	2010	2009	2008
Total assets	259,452	197,966	197,235
Shareholders' equity	254,941	195,194	196,345
Net profit/ loss	59,477	- 1,151	- 5,948
Return on assets (%)	22.9%	-0.6%	-3.0%
$\frac{\text{Net profit/loss} \times 100}{\text{Total assets}}$			
Profit margin (%)	578.1%	-15.7%	-81.6%
$\frac{\text{Net profit/loss} \times 100}{\text{Sales of finished goods, goods for resale and raw materials}}$			
Liquidity I	38.0	24.2	124.1
$\frac{\text{Current assets}}{\text{Short-term creditors}}$			
Liquidity III	0.5	8.7	25.4
$\frac{\text{Cash and cash equivalents}}{\text{Short-term creditors}}$			
Debtors days	165 days	177 days	176 days
$\frac{\text{Trade debtors} \times 365}{\text{Sales of finished goods, goods for resale and raw materials}}$			

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	2010	2009	2008
Creditors days	24 days	23 days	9 days
Trade creditors x 365 <hr/> Costs of finished goods, goods for resale and raw materials sold			
Stability of financing (%)	98.3%	98.6%	99.5%
(Equity + long-term provisions and liabilities) x 100 <hr/> Total liabilities, provisions and equity			
Debt ratio (%)	1.7%	1.4%	0.5%
(Total liabilities and provisions) x 100 <hr/> Total assets			
Rate of inflation:			
Yearly average	2.60%	3.5%	4.2%
December to December	3.10%	3.5%	3.3%

3.2 Comments

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

- Return on assets increased in 2010 to 22.9% from -0.6% in 2009 and 3% in 2008.
- Profit margin increased in 2010 to 578.1% from -15.7% in 2009. In 2008 the ratio amounted to -81.6%.
- Liquidity I decreased from 124.1 in 2008 to 24.2 in 2009. In 2010 increased to 38.0.
- Liquidity III decreased in 2010 to 0.5 from 8.7 in 2009. In 2008 the ratio amounted to 25.4.
- Debtors days decreased in 2010 to 165 days from 177 days in 2009. In 2008 the ratio amounted to 176 dni.
- Creditors days increased to 24 days in 2010 from 23 days in 2009. In 2008 the ratio amounted to 9 days.
- Stability of financing decreased in 2010 to 98.3% from 98.6% in 2009. In 2008 the ratio amounted to 99.5%.
- Debt ratio increase in 2010 to 1.7% from 1.4% in 2009 and 0.5% in 2008.

3.3 Going concern

Nothing came to our attention during the audit that caused us to believe that the Company is unable to continue as a going concern for at least twelve months subsequent to 31 December

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2010 as a result of an intended or compulsory withdrawal from or a substantial limitation in its current operations.

In Note 2.5 of the additional notes and explanations to the audited financial statements for the year ended 31 December 2010, the Management Board has stated that the financial statements were prepared on the assumption that the Company will continue as a going concern for a period of at least twelve months subsequent to 31 December 2010 and that there are no circumstances that would indicate a threat to its continued activity.

II. DETAILED REPORT

1. Accounting System

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

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

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

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

Details of the Company's assets, liabilities and equity and profit and loss account are presented in the audited financial statements for the year ended 31 December 2010.

Verification of assets, liabilities and equity was performed in accordance with the Accounting Act. Any differences were adjusted in the books of account for the year 2010.

3. Additional Notes and Explanations to the Financial Statements

The additional notes and explanations to the financial statements for the year/ _ month period ended 31 December 2010 were prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the EU.

4. Directors' Report

We have read the Directors' report on the Company's activities in the period from 1 January 2010 to 31 December 2010 and the basis for preparation of annual financial statements ('Directors' Report') and concluded that the information derived from the attached financial statements reconciles with the financial statements. The information included in the Directors' Report corresponds with the relevant provisions of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws No. 33, item 259).

5. Conformity with Law and Regulations

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

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

Key Certified Auditor

Ewa Kowalczyk
certified auditor
no. 9263

Wroclaw, 29 April 2011