SELENA FM GROUP

MANAGEMENT BOARD'S REPORT ON ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2010

Wrocław, 29 April 2011

Contents

1. GROUP OPERATIONS

1.1 Characteristics of the Parent Company

Selena FM S.A. having its registered office address 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 received 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 Management Board of the Parent Company

In 2010, the Company's Management Board consisted of the following persons:

- Krzysztof Domarecki – Management Board President
- Kazimierz Przełomski – Vice-President of the Management Board, and
- Elżbieta Agnieszka Szymańska – Management Board Member.

The composition of the Management Board did not change until publication of the report.

1.3 Key Products and Services

The core business of the Group includes production, distribution and sale of building chemistry materials and general building accessories. The Group's product range includes:

- polyurethane mounting foams;
- Construction sealants (silicones, acrylic products);
- Construction and mounting adhesives;
- Roofing felt, felt adhesives;
- Bituminous masses;
- Building insulation systems;
- Application equipment:
- Wood impregnating agents;
- Agents for roofs and walls;
- Foils and membranes.

The offered products include both solutions addressed to professionals and to individual users. The Group's leading brands include TYTAN and ARTELIT.

The Group has manufacturing plants in Poland, Spain, Turkey, China, Brazil and the USA, with trading operations present in 18 countries in Europe, Asia and both Americas. The Group also carries on R&D activity in Poland, Spain, Turkey and China.

1.4 Distribution Markets

For management purposes, the Group has identified 3 geographic segments: European Union (including: Poland and Spain), Eastern Europe and Asia (including Russia and China) and North and South America (the USA and Brazil).

See Note 1.5.2 for a detailed structure of the individual segments, and Note 2.1 for a share in sales of the individual segments in the Group sales.

Due to the nature and geographic scale of the business, both the Group's suppliers and buyers are diversified - the share of individual entities in the Group's total purchasing or sales does not exceed 10%.

1.5 Group Composition, Related Parties and Equity Investments

1.5.1 Group Structure

Organisational or capital ties between Selena FM S.A. and other Group companies are shown in the chart on the next page (as at 31.12.2010).

Segment	Region	Country	Entity	Registered Office	Activity	Group's Share 2010	Group's Share 2009	Owner
European Union	Poland	Poland	Selena FM S.A.	Wrocław	Group Head Office	-	-	-
			Selena Co S.A.	Wrocław	Distributor	100.00%	100.00%	FM
			Selena S.A.	Wrocław	Distributor	100.00%	100.00%	FM 1
			Orion Sp. z o.o.	Dzierżoniów	Manufacturer of foam, adhesives, distributor	99.95%	99.95%	FM 2
			Carina Silicones Sp. z o.o	Siechnice	Manufacturer of sealants, distributor	100.00%	100.00%	FM
			Libra Sp. z o.o.	Dzierżoniów	Manufacturer of sealants and adhesives, distributor	100.00%	100.00%	FM
			PMI "IZOLACJA - MATIZOL" S.A.	Gorlice	Manufacturer of roof coverings, distributor	100.00%	-	FM
			Tytan EOS Sp. z o.o.	Wrocław	Manufacturer of loose materials	100.00%	100.00%	FM
			RCoCT (formerly Siloxane Sp. z o.o.)	Siechnice	Research and development	99.50%	99.50%	FM 3
			Sima Technologie Przemysłowe Sp. z o.o.	*Wrocław*	*Distributor*	-	*100.00%*	*Co*
	UE15 & EEA3	Spain	Industrias Quimicas Löwenberg S.L.	Madrid	Manufacturer of sealants and adhesives, distributor	51.00%	51.00%	Co 2
		Italy	Selena Italia srl	Limena	Distributor	100.00%	100.00%	Co
		Finland	FinSelena Oy	Lammi	Distributor	100.00%	50.00%	Co
		Germany	Selena Deutschland GmbH	Hagen	Distributor	100.00%	100.00%	Co
			Neue Hagfa Dr Schenk Niemcy	Hagen	Distributor	95.00%	95.00%	Co 3
	Central and Eastern Europe	Czech Republic	Selena Bohemia s.r.o.	Roudnice	Distributor	100.00%	100.00%	Co
		Romania	Selena Romania SRL	Ilfov	Distributor	100.00%	100.00%	Co
		Hungary	Selena Hungária Kft.	Pécs	Distributor	100.00%	100.00%	Co
		Bulgaria	Selena Bulgaria Ltd.	Sofia	Distributor	100.00%	100.00%	Co
		Slovakia	Selena Slovakia s.r.o.	Nitra	Distributor	100.00%	-	Co
Eastern Europe and Asia	Eastern Europe	Russia	Selena Vostok Moskwa	Moscow	Distributor	100.00%	100.00%	Co
			OOO Kvadro	Widnoje	Distributor	100.00%	100.00%	Co
			Selena Sever Moskwa	Moscow	Distributor	100.00%	100.00%	Co
		Kazakhstan	Selena CA L.L.P.	Almaty	Distributor	100.00%	100.00%	Co
		Ukraine	Selena Ukraine Ltd.	Kiev	Distributor	100.00%	100.00%	Co
	Asia and Middle East	China	Selena Shanghai Trading Co., Ltd.	Shanghai	Distributor	100.00%	100.00%	Co
			Selena Nantong Building Materials Co., Ltd.	Nantong	Manufacturer, distributor	100.00%	100.00%	Co
			Foshan Chinuri-Selena Chemical Co.	Foshan	Manufacturer of sealants, distributor	77.70%	77.70%	Co 1
		Korea	Hamil - Selena Co. Ltd	Kimhae	Manufacturer of polyurethane foams	30.00%	30.00%	Co 4
		Turkey	Selena Danişmanlik Tic. Ltd.	Istambul	Manufacturer of polyurethane foams and sealants, distributor	100.00%	100.00%	FM 4
			POLYFOAM Yalitim Sanayi ve Tic Ltd.	Istambul	Distributor	85.00%	85.00%	Co 1
			Borkan Prefabrik Yapi Elemanlari ve Dis Tic.	*Istambul*	*Distributor*	*40.00%*	*40.00%*	Co 5
North and South America	North and South America	Brazil	Selena Sulamericana Ltda	Ponta Grossa	Manufacturer, distributor	95.00%	95.00%	Co 1
		USA	Selena USA, Inc.	Easton	Manufacturer of sealants, distributor	100.00%	100.00%	Co
			Selena USA Real Estate Corp.	Elkhart	Property management	100.00%	-	Co

Explanations to the “Owner”column

FM - 100% stake owned by Selena FM
FM1 - Selena FM S.A. has 50% of direct share in capital (41.82% voting power), and the remaining 50% of share in capital (58.18% of voting power) indirectly through Selena Co.
FM2 – shares are owned by Selena FM, other shares are owned by Anna Kozłowska (member of the Supervisory Board of Selena FM S.A.)

FM3 – shares are owned by Selena FM, other shares are owned by Krzysztof Domarecki (CEO)
FM4 – shares are owned by Carina Silicones (99%) and RCoCT (1%)
italics – at the balance sheet date the entity was not a member of Selena FM Group

Co - 100% stake owned by Selena Co.
Co1 – shares are owned by Selena Co, the remaining shares are held outside of the Group

Co2 - shares are owned by Selena Co, the remaining shares are held outside of the Group are subject to a call option, consolidation on the assumption that 100% stake is owned

Co3 – shares are owned by Selena Deutschland, the remaining shares are held outside of the Group
Co4 – associate – shares are owned by Selena Co.
Co5 – shares are owned by Polyfoam, the remaining shares are held outside of the Group

1.5.2 Changes in the Group Structure

Purchase of PMI Izolacja-Matizol S.A.

On 12 March 2010, Selena FM S.A. purchased from Boryszew S.A. 100% stake in Przedsiębiorstwo Materiałów Izolacyjnych Izolacja –Matizol S.A. of Gorlice. The acquisition price was PLN 18.5 m. Matizol specialises in production of roof coverings (roofing felt, felt adhesives, shingles, bituminous masses). These products are manufactured in two plants located in Gorlice and Chełmża.

Acquisition of control over FinSelena Oy

On 18 February 2010 Selena Co. S.A. purchased 50% of shares in its joint-venture FinSelena Oy (Lammi, Finland), becoming its 100% owner. The nominal value of the acquired shares was EUR 8 k.

Establishment of Selena USA Real Estate

On 28 April 2010, Selena USA Real Estate Corp. of Elkhart (Indiana, USA) was formed. The company is owned by Selena Co. S.A. The role of the newly established company is to buy out and administer the land and the building that was previously held by Selena USA Corp. under finance lease.

Acquisition of Selena Slovakia

On 23 April 2010, Selena Co. S.A. entered into an agreement to purchase 100% stake in Selena Slovakia s.r.o. from individual investors. The total value of the transaction was EUR 5 k. Selena Slovakia s.r.o. distributes the products of Selena Group in Slovakia.

Merger of Selena Co. S.A. and Sima Technologie Przemysłowe Sp. z o.o.

On 31 March 2010, the process of merger between Selena Co. S.A. and Sima Technologie Przemysłowe Sp. z o.o. was completed. The merger is intended to restructure the Sima's operations and help consolidate the two companies' distribution competencies within a single entity.

Reorganisation of the Group operations in Turkey

In 2009, Selena Danismanlik was founded in Turkey. Its shareholders are companies controlled by Selena FM – Carina Silicones sp. z o.o. (99%) and Reserach Center of Construction Technology sp. z o.o.(1%). The new company took over the business and assets of Polyfoam acquired by the Group in 2008. The debt restructure of Polyfoam is underway. As at 31 December 2010, Polyfoam's debt in respect of bank and other loans was PLN PLN 9.6 m (including PLN 4.3 m owed to Selena FM Group entities).

Under an agreement with the Group, a minority shareholder of Polyfoam that guaranteed the company's bank loans repaid the loans from own funds in Q1 2011, in accordance with the information provided in Note 43 of the Group's Consolidated Financial Statements for 2010.

Reorganisation of the Group's Head Office

In 2010, the Group's Management Board started the project of optimisation of the Group's head office structure, including: financial restructure of Selena Co. S.A. and transfer of operations and ownership supervision over foreign affiliates to Selena FM S.A. Details of the restructure are presented in Note 1.5 of the Report on Activities of Selena FM S.A for 2010.

Reorganisation of Siloxane sp. z o.o.

On 21 October 2010, Siloxane sp. z o.o. was renamed as Research Centre of Construction Technology sp. z o.o. (RCoCT).

In its new form, the company began operations in the autumn of 2010. The objective of RCoCT is to integrate and intensify research & development activity that has previously been conducted independently by the individual companies in the Group. RCoCT will also support the strategy of development of the Group's competitive advantage through innovative products and technology.

Finalisation of acquisition of Quilosa – event after the balance sheet date

On 30 March 2011, Selena Co. S.A. and Holding Lowinter XXI S.L. (legal successor of Quilosa Holding XXI S.L.) signed an additional agreement whereby Selena Co. S.A. purchased 49% stake in Quilosa before the date specified in the original agreement. The share acquisition price was EUR 5.31 m.

1.5.3 Financing Investments

All the completed investments were financed from the Company's own funds derived from the IPO completed in Q2 2008.

1.5.4 Branches

Selena FM S.A. has no branches.

1.6 Key Developments

1.6.1 Changes in the Group Structure

Changes in the Group were described in detail in Note 1.5.2 to this report.

1.6.2 Launch of Test Production in the Natong Plant

In December 2010, the Group completed development of a production plant in Nantong (China) and started test production of mounting foams. A regular production was started in February 2011. Untimately, the new plant will be manufacturing adhesives and sealants, and its estimated revenue is to exceed EUR 30 m.

1.6.3 Development of the Product Range

To accommodate customer needs, Selena Group has been continuously expanding its product range, introducing new innovative solutions. In 2010, the following products were put on the market:

- Innovative sealing and insulating products: TYTAN Professional fast acrylic spackling compound and TYTAN OES adhesive for XPS boards and polystyrene;
- Façade pains, plasters and primers from the TYTAN NEO line;
- Polyurethane foam for assembly of heating, water and sewage systems;
- Tytan Professional façade paints with a new formula;

- Tytan Hydro 2K – water pressure resistant cement mortar for application in wet and damp environment, inside and outside of buildings;
- Colourless Tytan Professional mounting adhesives: Classic Fix and Multi Fix, which are characterised by very good adhesion to most surfaces and by a transparent joints, which make them fit for wide use in most finishing works;
- Plasters with unique properties, producing using three different joints: acrylic, *zolokrzemowy* and silicone.

After the successful entry in the Polish market, Selena went ahead with widespread distribution in the Central and Eastern Europe (starting from Russia) of its innovative angle 360° Applicator that goes with the Tytan Professional sealants.

1.6.4 Awards and Recognitions

In 2010, Selena obtained the following recognitions for the quality of its products:

- Products from the TYTAN PROFESSIONAL line, the leading brand in the Group's portfolio, were awarded with TOP MARKA 2010 title in the category "Building Equipment". The title is awarded in the Poland's biggest consumer programme called Consumer Laurel;
- In June, the TYTAN PROFESSIONAL brand received the most important award in the Polish construction market: Building Brand of the Year; TYTAN PROFESSIONAL proved to be best assessed by professionals in the category of foams and silicones;
- As many as 3 Selena products – Abizol ST Tytan Professional, asphalt and rubber mass for fixing polystyrene and for hydroinsulation; Tytan Professional water insulation system for sealing surfaces under tiles and Tytan Hydro 2K anti-water insulation for terraces, swimming pools and basements – were awarded with the TOP BUILDER statuette by the professional magazine BUILDER.

The Group's rapid development is seen in the prestigious country-wide rankings, in which the Group is steadily going up. Specifically:

- In the ranking of Polityka "List 500", Selena Group was ranked 273rd, moving up by 68 places;
- Selena Group entered the top ten in the ranking published by Parkiet daily Pearls of the Polish Stock Exchange, in the category "industry and construction", encompassing 110 companies;
- During the gala organised by the Polish Market magazine, Selena was awarded the Large Pearl of the Polish Economy in the category of enterprises with at least PLN 100 m in sales p.a.;
- Selena was also selected as one of the 25 Polish companies competing for European Business Awards 2010;
- Selena S.A. again received the prestigious title Business Gazelle of 2009.

1.6.5 Group Promotion

On 8–9 December, representatives of Selena Group took part in a Trading Mission to Turkey, organised by the National Economic Chamber, accompanying the official visit of the Polish Prime Minister Donald Tusk to Ankara and Istambul. The visit included participation in the Economic Forum organised in association with the Turkish Foreign Economic Relations Board (DeiK) and Poland's Consulate General in Turkey.

The full array of Selena's products was displayed during the China International Building & Decoration Fair in Canton on 8-11 July 2010.

In December 2010, Selena Romania celebrated 10th anniversary of its operations, and Quilosa, acquired in 2009, celebrated its 70 years in business.

The Tytan brand products (polyurethane foams, sealants and adhesives) were used by the companies which constructed pavilions for the EXPO 2010 exhibition in Shanghai (cultural pavilion of EXPO and exhibition stands of Malaysia, Switzerland, Germany and Italy).

1.6.6 Other Significant Events

In 2010, no significant events occurred for the Group other than those described in this report or in the Group's financial report for 2010.

1.7 Achievements in Research and Development

Innovation and development of new products are one of the pillars of the Group strategy. The R&D activity is carried out by the research and development functions in Poland, Spain, Turkey and China.

In autumn, Research Centre of Construction Technology sp. z o.o. (RCoCT) started its operations. The objective of RCoCT is to integrate and intensify research & development activity and to support the strategy of development of the Group's competitive advantage through innovative products and technology.

On 8-10 September, Selena took part in the World Convention of Polish Engineers in Warsaw, which was an opportunity to present the Group's achievements in the R&D area.

On 16-17 December 2010, Selena organised an international conference "Generating Innovations Sustainable Eco Friendly Building World" devoted to innovations and the idea of sustainable development in the construction sector. Representatives of the R&D functions of the Selena Group companies from different countries, as well as the invited guests, presented research trends, development directions as well as legislation and standards that supported the idea of energy efficiency and sustainable construction.

1.8 Description of Risks and Threats

The economic forecasts for Poland and other European countries indicate that in 2011 the construction materials sector should see stabilisation and moderate growth. One should expect positive sales trends to be maintained in Russia, Brazil, Turkey and Kazakhstan.

The factors that may materially affect the Group's performance in 2011 have been described below.

The macroeconomic situation in Poland and world-wide. According to the report published by the Institute of Market Economy Research of 2 February 2011, the GDP in Poland in 2011 will grow by 3.7%. The projections for 2012 indicates a GDP growth by 4.1% as a result of growing capital expenditures and improvement in the labour market. The Institute is optimistic about the value added growth in the construction sector, expecting it to grow by 8.6% in 2011 and by as much as 11.8% in 2012. These figures are confirmed by the number of tenders for construction projects announced in 2010 (304,985 compared with 248,823 in 2009), with the biggest number of tenders taking place in Q3 and Q4 2010. Also, the European Commission expects that the GDP in Poland to grow by 3.9%. In the Russian market, which is key to the Group's business, the GDP is expected to grow by 3.8%, while in the Turkish and the Chinese markets by 5.5% and 9.2%, respectively. According to the European Commission, the GDP in the Spanish market (which went through distress in 2009-2010), the GDP will grow by 0.7%.

Situation in the construction sector. According to the data of the Polish Central Statistical Office of 17 February 2011, the number of home completions in January and February fell by 21.4% vs. 2010, but the number of new housing investments increased by 23.9%, which is important for the outlook for 2011 and 2012. The 22% increase in the number of commenced development projects creates a natural demand for construction materials in 2011, and is a sign of reviving optimism, especially in the development market. According to the report of the research firm PMR titled "Construction Sector in Poland, Second Half of 2010 – Comparative Study of Provinces and Projections for 2010-2013", with the relatively favourable weather conditions in winter, the average yearly increase in construction output in 2011 might be as much as 10%.

Availability of funding. According to the figures published by Open Finance, housing loans are growing increasingly popular. At the end of 2010, the average credit margin charged by banks was only 1.69% for PLN loans and 2.5% for EUR loans. The Polish Banks Association notes that in 2010 banks sold 230 k housing loans, which is by 22% more than in the crisis year 2009. This means that the total volume of loans was approximately PLN 48 billion, which is by PLN 9 billion more than in 2009. Nonetheless, the likelihood of deterioration in the lending conditions for the state-subsidised loans ("Rodzina na Swoim") and implementation of Recommendation T by banks might be negatively reflected in the volume of lendings. Open Finance estimates that in 2011 the number of housing loans will be in the order of PLN 200-210 k.

FX rates. In the markets where the Group companies operate, it is expected that the local currencies will remain relatively strong vs. euro. According to the projections of Raiffeisen Bank Polska of 5 April 2011, after the period of relative stabilisation, PLN might appreciate vs. EUR to 3.9 PLN /EUR in June and 3.7 PLN / EUR in 2011.

Receivables. As 2010 saw continuation by the Group of its conservative debtors policy and consistent use of relevant instruments in this area, the Group companies have not recorded any increase in the volume of overdue receivables. It is expected that in 2011 the Group's ability to collect out its receivables will not deteriorate.

Availability of resources. 2010 was characterised by shortages in the supply of certain basic commodities used for manufacturing of building chemistry products; furthermore, the prices of most commodities went up. Given the observed growth in demand for chemical commodities in the developing markets (Chinese in particular) and the increase in oil prices, the prices of chemical commodities should most continue to grow until the end of Q3 2011. In view of the distinct though moderate increase in demand for construction materials, it might be relatively easier to pass on the commodity price increases to the end buyers of the chemical construction products.

1.9 Expected Development of the Group

In 2011 Selena Group will continue to develop its product range. Having launched in Poland 6 key product groups (foams, sealants, adhesives, insulations, fasterning systems and hydroinsulations) and additionally a number of building systems and accessories, the Group intends to introduce them to other markets of the Central and Eastern Europe. For this reason, the major sales increases are planned in new product groups.

The Group will also continue integration of its R&D business as part of its Research Centre of Construction Technology, which is to ensure development of competitive advantage based on innovative products and technical solutions. 2011 will be the year of product innovations – the Group plans to introduce several dozen innovative products to the European, American, Asian and Middle East markets. At the same time, the product structure of all the product groups will be extended.

2011 should also be characterised by organic growth in sales in the existing markets where the sales network in being extended, e.g. for the foams plant in Nantong launched in February 2011.

As in March 2011, the Group finalised its acquisition of Quilosa (purchase of the remaining 49% shares from the minority shareholders), the company should be further integrated with the Group, including through co-operation of the R&D teams, synergies in the purchase of commodities and exchange of product offering.

An increase in sales and improvement in economic effectiveness should be expected from Przedsiębiorstwo Materiałów Izolacyjnych Izolacja –Matizol S.A. (acquired in 2010) and Selena Danismanlik, Turkey, where the restructure of operations (transfer of the business from Polyfoam to

Selena Danismanlik), financial affairs (repayment of the company's bank loans by a minority shareholder) and organisation (acquisition of Selena Group of 100% stake in Polyfoam) is nearing completion.

To ensure further dynamic growth of business, the Group is improving its organisational solutions and management systems. In 2011, integrated IT systems should be fully rolled out in the Group's key companies.

The key companies of the Group continue their programmes of operating cost savings.

1.10 Investment Plans

2011 will primarily see investments in the Polish manufacturing plants to increase capacity of the existing production lines and reduce unit costs of production.

In Libra (producer of adhesives and sealants), a new production / warehouse facility is being built, where equipment will be installed in the middle of the year to almost double the company's production capacity.
In the first quarter of 2011, Carina Silicones (producer of sealants), completed investments into a warehouse and printing facility.

In Orion (producer of polyurethane foams) an investment is under way to construct a new production line and a system of containers for raw materials storage.

Matizol (producer of roofing felt and shingles) is carrying out investments to increase capacity of its production lines.

In December 2010, construction work was completed in the Nantong plant (China), which will provide the Group with the infrastructure for further production growth in China. In February 2011, the plants started regular production of polyurethane foams and in the subsequent years, depending on the market development direction and end-user demand, further production lines will be put in place.

2. FINANCIAL POSITION

2.1 Profit and Loss Account

The table below shows selected figures of the consolidated profit and loss account for 2010 and 2009.

Figures in PLN thousand	2010	2009	Change	Change %
Revenue from sales	878 676	640 616	238 060	37%
Gross profit	266 568	216 246	50 322	23%
Selling expenses	154 958	109 828	45 130	41%
General and administrative expenses	75 589	60 400	15 189	25%
Operating profit (loss) (EBIT)	31 390	28 734	2 656	9%
Profit on financial activity	-3 975	-7 636	3 661	-48%
Profit (loss) before tax	27 752	21 480	6 272	29%
Profit (loss) after tax	24 122	16 456	7 666	47%
EBITDA (operating profit + depreciation)	49 923	44 997	4 926	11%

In addition, to ensure comparability of data for 2010 and 2009, the impact of the final settlement of the acquisition of Quilosa and settlement of the purchase of Matizol were shown separately in the table below. As a result of the settlement, the amount of PLN 12,546 k (for Quilosa) and PLN 3,091 k (for Matizol) by which the acquired net assets exceeded the purchase price (the negative goodwill) was

recognised in other operating income. „ujemną wartość firmy") w wysokości 12 546 tys. zł - Quilosa oraz 3.091 tys. zł - Matizol.
Skorygowane o wpływ tych elementów dane przedstawia poniższa tabela.

Figures in PLN thousand	2010	Purchase of Matizol Settlement	2010 Adj.	2009	Purchase of Quilosa Settlement	2009 Adj.	Change*	Change %
Revenue from sales	878 676		878 676	640 616		640 616	238 060	37%
Gross profit	266 568		266 568	216 246		216 246	50 322	23%
Selling expenses	154 958		154 958	109 828		109 828	45 130	41%
General and administrative expenses	75 589		75 589	60 400		60 400	15 189	25%
Operating profit (loss) (EBIT)	31 390	-3 091	28 299	28 734	-12 546	16 188	12 111	75%
Profit on financial activity	-3 975		-3 975	-7 636		-7 636	3 661	-48%
Profit (loss) before tax	27 752	-3 091	24 661	21 480	-12 546	8 934	15 727	176%
Profit (loss) after tax	24 122	-3 091	21 031	16 456	-12 546	3 910	17 121	438%
EBITDA (operating profit + depreciation)	49 923	-3 091	46 832	44 997	-12 546	32 451	14 381	44%

**the data adjusted by the negative goodwill were used a basis for comparison.*

	2010	2010 Adj.	2009	2009 Adj.	Change in pp*
Gross profit margin	30.3%	30.3%	33.8%	33.8%	-3.4
Operating profit margin (EBIT%)	3.6%	3.2%	4.5%	2.5%	0.6
Net profit margin	2.7%	2.4%	2.6%	0.6%	1.8
EBITDA %	5.7%	5.3%	7.0%	5.1%	0.3

EBIT % – operating profit / sales

EBITDA % - EBITDA / sales

**the data adjusted by the negative goodwill were used a basis for comparison.*

Revenue from Sales

In 2010, the consolidated revenue from sales amounted to PLN 879 m and were by PLN 238 m (37%) higher than the revenue achieved in the previous year, owing to the consistent strategy of the Group's geographic expansion and extension of its product range.

The increase in sales was mainly driven by the consolidation of the newly acquired / established companies (Quilosa, Matizol, Selena Turkey, Kvadro), whose combined sales were PLN 156 m. Sales also increased as a result of organic development of the Group, primarily the increase in sales in the market of construction materials in Russia (by 45%), Kazakhstan and the Ukraine (by 28%) as well as in Poland (by 27%). This is good result is an effect of the Group's strong position and economic growth in those countries, as well as the visible improvement of the construction market with its demand for modern office and retail space.

The sales of Selena Group are presented by three geographical segments: the European Union (including Poland), Eastern Europe and Asia (including Russia and China), and Northern and South America (USA and Brazil). The sales structure by segments has not changed significantly since publication of the report for the corresponding period of the previous year. The European Union remains the key segment, which generated 58% of total sales, similarly to the previous year. However, the structure of this segment changed significantly, with an increase in the share of foreign sales in this segment from 38% to 43%. This is attributable to the consolidation of the Spanish Quilosa.

The share of domestic sales to total sales of the Group decreased from 35% to 33%. In 2010, domestic sales amounted to PLN 288 m compared with PLN 216.6 m in the corresponding period of 2009.

Segment	Segment's share in Group revenues		Revenue change
	2010	2009	2010 / 2009
Poland	33%	34%	33%
Other EU countries	25%	22%	60%
Eastern Europe and Asia	38%	39%	37%
North America and South America	4%	5%	12%

Gross Profit

In 2010, Selena FM Group generated gross profit of PLN 267 m, up 23% (i.e. by PLN 50.3 m) on the previous year. The increase in gross profit is a result of the organic growth in sales and consolidation of the gross profit achieved by the newly acquired companies (Quilosa, Matizol, Selena Turkey, Kvadro), whose combined gross profit was by PLN 23.3 m higher than in 2009.

The gross profit margin was 30.3%, i.e. 3.4% higher than in the previous year.

The substantial increase of the key commodities used for manufacture of the Group's product had a negative impact on the gross profit and is estimated to have reduced it by 2%. Generally, in the sector of chemical construction materials, it takes 3 to 6 months to transfer an increase in commodity prices to the end buyers.

In addition, the strong price competition and FX fluctuations adversely affected the sales level and led to deterioration of profitability of exports.

In 2010, **the costs of goods sold** increased by PLN 45.1 m (41%) year-on-year**.** The growth was mainly driven by consolidation of the selling / distribution costs of the newly acquired entities: Quilosa, Matizol, Kvadro (increase by PLN 18 m). The other key growth drivers included the growth of sales structures in China and both Americas – an increase by PLN 4 m; costs of sale of new product groups (insulation systems) in the Central Europe - an increase by PLN 1.5 m; the costs arising directly from achievement of higher sales - an increase by PLN 13.7 m and the cost of development of product marketing - up by PLN 4.9 m.

The Group’s Executive Team is sponsoring a number of enablement / integration programmes to reduce the cost of sales in the newly acquired entities. The programmes are planned for several years, and the synergies and savings are expected to be achieved in the area of sales organisation with full use of the global sales network, and in the area of centralisation of the marketing efforts.

The general and administrative expenses increased by 25% (i.e. by PLN 15.2 m) year-on-year. The increase is attributable to the wider scale of the Group activities following acquisition and formation of new entities (total impact of PLN 8.9 m). Other factors affecting the increase in general and administrative expenses were the integration costs, delivery of the Group’s development projects, an increase in spend on R&D, and the cost of extension of the organisation structure for managing Selena FM Group.

Operating Profit (Loss)

In 2010, the Group generated an operating profit of PLN 31.4 m versus PLN 28.7 m in the previous year (an increase by 9%). The operating profit margin was 3.6% and was lower by 0.7% than in the corresponding period of the previous year. The key negative factors affecting the operating profit in 2010 include the gross profit reduction and the cost of sales / operating costs outpacing the sales growth.

In 2010, the net balance of other operating income and costs was negative at PLN 7.7 m, after adjustment by the final settlement of the purchase of Matizol. The balance was primarily affected by the impairment charges for debtors (PLN 5.5 m); cost of stock liquidation (PLN 2 m) and impairment of goodwill (PLN 2.7 m).

Profit (Loss) After Tax

In 2010, Selena Group achieved a net profit of PLN 24.1 m compared with PLN 16.5 m posted a year before. The net profit margin was 2.7%, which is slightly lower than last year.

The operating profit was reduced by the loss on financial activity of PLN 4 m. The net balance of financial revenue and expenses was significantly affected by the cost of interest on loans and advances and finance leases, totalling PLN 3.4 m net (after reduction by the achieved interest income from bank deposits). Furthermore, financial expenses increased on account of valuation of the financial liabilities (PLN 1 m). The FX gains amounted to PLN 1.9 m, as a result of appreciation of the local currencies (particularly: the Russian rouble, Kazakh tenge, Ukrainian hryvnia and Turkish lira) against the euro in 2010.

In 2010, EBITDA was PLN 49.9 m (including depreciation of PLN 18.5 m), which was by PLN 4.9 m higher year-on-year.

2.2 Asset and Financial Position

The table below shows selected figures of the consolidated balance sheet as at 31 December 2010 and 31 December 2009.

Figures in PLN thousand	31.12.2010	31.12.2009	Change	Change %
Non-current assets	**269 635**	**228 146**	**41 489**	**18%**
Property, plant and equipment	214 911	185 508	29 403	16%
Other long-term assets	54 724	42 638	12 086	28%
Current assets	**333 719**	**311 182**	**22 537**	**7%**
Inventory	119 305	92 107	27 198	30%
Trade debtors	136 779	109 187	27 592	25%
Cash	35 676	72 897	-37 221	-51%
Other current assets	41 959	36 991	4 968	13%
Equity	**358 640**	**336 198**	**22 442**	**7%**
Liabilities	**244 714**	**203 130**	**41 584**	**20%**
Non-current liabilities	61 779	90 597	-28 818	-32%
Current liabilities	182 935	112 533	70 402	63%

	31.12.2010	31.12.2009
Current liquidity	1.8	2.8
Quick liquidity	1.2	1.9
Debt ratio	41%	38%

Current liquidity – current assets / current liabilities
Quick liquidity – current assets less stocks / current liabilities
Debt ratio – liabilities / total assets

In addition to the expansion of business, the Group's assets were materially affected by the acquisition of Matizol in March 2010, described in detail in Note 13.2 of the Group's consolidated financial statements for 2010.

The increase in the value of property, plant and equipment versus 31 December 2009 (by PLN 29.4 m)mainly results from the consolidation of Matizol. Net value of its fixed assets as at 31 December 2010 was PLN 16.4 m. Selena Group also undertook a number of investments into production capacity with regard to sealants and insulation systems. The Group also continued development of the foams factory in Nantong, China (with total capital expenditure of PLN 9 m).

The growth in the balance of intangible fixed assets was mainly driven by the recognition of Matizol trademark of PLN 5.7 (measured at fair value) and capitalisation of the cost of implementation of SAP BI and ERP system (PLN 2.5 m).

The increase in the value of inventory compared with 31 December 2009 (by PLN 27.2 m) results from consolidation of Matizol, expansion of the Group's business and extension of its product range.

The increase in debtor days vs. 31 December 2009 (by PLN 27.6 m) is attributable to the increase in the Group sales and application of extended payment terms for some customers to maintain sales levels and market shares despite the difficult macroeconomic conditions.

The decrease in cash position compared with 31 December 2009 (by PLN 37.2 m) is mainly attributable to own funding of fixed and equity investments described above (including acquisition of Matizol for PLN 18.5 m).

The increase in loans and advances versus 31 December 2009 (both for long and short-term loans - by PLN 14.2 m) mainly resulted from the working capital loans taken out by the Group companies.

The current and quick liquidity ratios (1.8 and 1.2 respectively) confirm the lack of any liquidity problems of Selena Group and point to its ability to meet its obligations in a timely manner. Both ratios decreased compared with 31 December 2009 mainly as a result of the reduction in cash that had been used to finance investments. At the end of 2010, the debt ratio amounted to 41% and was 3% higher year-on-year. The change results from the increase in bank and other loans, as well as consolidation of borrowings of the newly acquired Matizol.

2.3 Cash Flows

The table below shows selected figures of the consolidated cash flow statement for 2010 and 2009.

Figures in PLN thousand	2010	2009	Change
Net cash flows from operating activities	14 754	16 205	-1 451
Net cash flows from investing activities	-51 456	-26 873	-24 583
Net cash flows from financing activities	-727	-28 198	27 471
Change in cash and cash equivalents:	**-37 429**	**-38 866**	**1 437**

In 2010, net cash flows amounted were negative at - PLN 37.4 m.

Net cash flows from operating activities were at PLN 14.7 m, which is lower than last year. As the business expanded, the Group increased its net current assets: trade debtors increased by PLN 27.6 m, inventories by PLN 27.2 m and trade liabilities by PLN 19.1 m.

Net cash flows from investing activities were negative at - PLN 51.5 m, up by PLN 24.6 m on the previous year. This figure was primarily affected by the acquisition of Matizol and purchase of tangible and intangible assets.

Net cash flows from financing activities amounted to - PLN 0.7 m. This figure was mainly affected by the borrowings (PLN 9.8 m), interest paid (PLN 3.3 m) and finance lease payments (PLN 7.1 m).

2.4 Loans Received

The balance of borrowings as at 31 December 2010 is presented in the table below.

Ref.	Borrower	Loan amount as per agreement (k)	Loan currency	Interest rate	Repayment date	Security	As at 31.12.2010 (PLN k)	Long-term portion (PLN k)	Shoort-term portion (PLN k)
1	Raiffeisen	20 500	PLN	WIBOR 1M+margin	29-09-2017	(1)	7 291	5 011	2 280
2	Fortis Bank	2 483	PLN	WIBOR 3M+margin	31-12-2011	(2)	1 969	1 560	409
3	PEKAO S.A	4 000	PLN	WIBOR 1M+margin	30-06-2011	(3)	1 009	0	1 009
4	Fortis Bank	25 000	PLN	WIBOR 1M+margin	19-12-2012	(4)	1 719	0	1 719
5	ING Bank	4 000	PLN	WIBOR 1M+margin	08-07-2011	(5)	4 000	0	4 000
6	DZ Bank	25 000	PLN	WIBOR + Margin	23-09-2012	(6)	10 817	0	10 817
7	Syrius Investments	n/d*	EUR	n/d*	n/d	none	85	0	85
8	BBVA	3 500	EUR	4.15%	31-03-2014	none	6 959	4 916	2 043
9	TEB	404	EUR	12%	01-03-2010	none	1 067	0	1 067
10	TEB	1 500	EUR	EURIBOR +margin	05-09-2012	none	2 796	0	2 796
11	Other in EUR	1 220	EUR		n/a	none	1 866	0	1 866
12	Other in TRY	625	TRY		until 19-10-2010	none	1 203	0	1 203
13	Other currencies		CZK, BRL		n/a	brak	1 189	933	256
							41 970	**12 420**	**29 550**

* - interest not paid

1 – mortgage on property

2 – mortgage on property, pledge on a production line, assignment of rights from insurance policy

3 – pledge on inventory up to PLN 5.5 m, assignment of insurance

4 – trade receivables, assignment of receivables insurance

5 – pledge on trade receivables

6 – mortgage on property, pledge on machines and stocks, assignment of receivables, assignment of rights from insurance policy

As part of acquisition of Matizol, at the acquisition date the consolidated balance sheet shows a debt of PLN 4.4 m incurred by the company.

In 2010 and 2011, the following material credit agreements were signed.

<u>Credit line with Fortis Bank Polska (PLN 25 m)</u>

Agreement of 21 December 2010 for Selena FM and subsidiaries Selena S.A., Tytan EOS sp. z o.o. and PMI Izolacja-Matizol S.A. up to the total limit of PLN 25 m. The credit line expires on 19 December 2012. The debt is secured by selected receivables and assignment of insurance for the receivables of Selena S.A. The borrowers also signed statements of submission to forced debt collection.

<u>Credit limit with ING Bank Śląski S.A. (PLN 25 m) – event after the balance sheet date</u>

Agreement of 21 February 2011 Selena FM and subsidiaries Carina Silicones sp. z o.o. and Orion sp. z o.o. up to PLN 25 m (including PLN 10 m for Selena FM S.A.). The credit limit expires on 31 January 2014. The facility is secured by an open mortgage up to PLN 20 m over the properties owned by Carina Silicones sp. z o.o., a registered pledge on the company's movables and assignment of rights to its property insurance policy. The borrowers also signed statements of submission to forced debt collection.

Term loan for Libra (PLN 10 m) – event after the balance sheet date

On 31 March 2011, Libra sp. z o.o. signed with DZ Bank Polska S.A. a term loan agreement for PLN 10 m (bearing variable interest at 1M WIBOR + margin; maturity date: 31 March 2018; the loan is secured by a legal mortgage on the company's property up to PLN 13 m, insurance policy assignment and a blank bill of exchange guaranteed by Selena FM S.A.).

2.5 Loans Granted

On 4 December 2009, Selena FM S.A. signed an investment loan agreement for EUR 390 k with Nurichem Co. Ltd. (South Korea.). The borrower is the Korean distributor of Selena's products manufactured by Hamil Selena Co. (an associated company). The loan security includes a lien on the machines to be purchased under the financed investment. By the end of 2009, the borrower received EUR 220 k and on 7 January 2010 – the remainder of the loan, i.e. (EUR 170 k). The loan matured on 7 January 2011. At the borrower's request, the repayment date will be extended to 31 December 2011. At the time of signing this report the terms of the extension were still being negotiated.

On 19 October 2010, Selena FM S.A. purchased EUR 350 k worth of bonds issued by Syrius Investments sarl (an associate); the bonds are to be redeemed on 26 July 2011; the interest rate is fixed at 3.75% (market level); the transaction is treated as a short-term investment of free funds.

2.6 Guarantees and Off-Balance Sheet Items

Detailed specification of the guarantees provided by the Group companies (including to other Group members) is contained at Note 31.1 of the Group's consolidated financial statements for 2010.

2.7 Financial Instruments and Financial Risk Management Principles

The Company's financial instruments are presented in detail in Note 39 of the Group's consolidated financial statements for 2010.

The Group's risk financial risk management principles (covering FX risk, interest rate risk, credit risk and liquidity risk) are presented in detail in Note 38 of the Group's consolidated financial statements for 2010.

The Group does not use hedge accounting.

2.8 Investments

In 2010, the Company made the equity investments described in Note 1.5.2 of this report. The operations of the acquired companies are closely connected with the core business of the Group.

Free cash is put on short-term bank deposits.

2.9 Assessment of Financial Resources Management

The proceeds of the IPO completed in 2008 are being gradually used to acquire companies from the Group's sector, in accordance with the strategy outlined in the share prospectus.

As at 31 December 2010, the Group's cash position was PLN 34.6 m. The Group also has undrawn credit limits of PLN 66.3 m, which in the opinion of the Management Board ensure financial liquidity and stable funding for the Group.

As at 31 December 2010, the Group's current assets amount to PLN 334 m, and its short-term liabilities are PLN 183 m. With such a structure, the Management Board sees no material risks to the Group with regard to liquidity and timely payment of obligations.

3. OTHER INFORMATION

3.1 Material Agreements

In 2010, the Group entered into the following material agreements:

- Agreements for the purchase of new entities, as described in Note 1.5.2 of this report, and
- Bank credit agreements described in Note 2.4 of this report.

As deliveries and sales take place on an ongoing basis, no single material agreements were concluded in the ordinary course of business.

The table below shows other material insurance agreements signed by the Group companies in 2010.

Insured	Insurer	Subject of insurance	Insured amount (k)	Ccy	Term of insurance
All comapnies registered in Poland (except RCoCT)	STU Ergo Hestia SA/ PZU SA (co-insurance)	All risks	186 496	PLN	16/06/2010 - 15/06/2011
		Electronic equipment	2 612	PLN	
		General liability	16 500	PLN	
		Loss of profit	24 071	PLN	
	Allianz	Directors & Officers	15 000	PLN	31/10/2010 - 30/10/2011
Industrias Quimicas Löwenberg S.L.	Zurich / Groupama	Property insurance	25 511	EUR	01/10/2010 - 31/12/2010
	(coinsurance)	Loss of profit due to business disruption	10 000	EUR	

Furthermore, material agreements were concluded between the Group companies in relation to reorganisation of the Group head office and provision of finance to the Group members, as outlined in the report on activities of Selena FM S.A. for 2010.

No other agreements material to the Group's business were concluded.

The Management Board has no information about any agreements between shareholders.

3.2 Related Party Transactions

The companies from the Selena FM Group did not enter into any unusual transactions or transaction made on non-commercial terms whose total value would meet the materiality criteria (10% of equity).

Material transactions within the Group and with related parties are described in the financial statements of Selena FM S.A.:

- Reorganisation of the Group's Head Office – Note 1.4.8;
- Related party transactions - Note 35.

3.3 Issue of Securities

In 2010, the Parent Company did not issue any securities. In 2010, shares of the Parent Company may be potentially issued under the management options programme. The programme is described in detail in Note 3.11 of this report, and the effect of potential dilution of the earnings for the existing shareholders is described in Note 10 of the Group's financial statements for 2010.

3.4 Acquisition of Own Shares

The Parent Company and the Group members did not own treasury shares of Selena FM S.A as at 31 December 2010. The list of treasury shares held by the Company's directors is presented in Note 3.12 of this report.

3.5 Delivery of Forecasts

The Company did not publish its stand-alone forecasts for 2010.

3.6 Litigations

The total value of all court, arbitration or administrative proceedings pending as at 31 December 2010 did not exceed 10% of the Company's equity. Other material litigations that might give rise to contingent liabilities are described in Note 32.2 and in Note 43 of the Group's consolidated financial statements for 2010.

3.7 Unusual Events and Factors

Unusual, internal factors that materially affected the Group's performance in 2010 include the acquisition of PMI Izolacja-Matizol S.A. As the producer of roofing felt and shingles is characterised by a lower gross profit margin compared with what Selena Group achieved before in other business areas, consolidation of the company led to deterioration of the Group's performance.

An external factor that had a major impact on the Group's performance in 2010 was the increase in the prices of most commodities and the temporary freeze of deliveries of some commodities in the peak season.
Due to the stagnation prevailing in most markets or the relatively low growth in the construction segment, the commodity price increases in 2010 were not transferred to the market of the building chemistry products on a macro scale. Selena Group was virtually the only supplier of building chemistry products that attempted such transfer.

This situation led to a decrease in the gross profit margin to 30.4%, which is 3 pp lower than a year ago.

3.8 Changes to the Governance Principles

During the reporting period no changes occurred in the main governance principles, either in the Parent Company or in the Group. The changes in the principles of the Group's Head Office organisation is described in Note 1.5.2.

3.9 Agreements with Directors

The Company did not enter into separate agreements with its executives that would provide for compensation should they decide to step down or be removed from office without a material reason.

3.10 Remuneration of the Management Board and the Supervisory Board

The remuneration of the Management and the Supervisory Board members of the Parent Company is described in Note 36 of the Group's consolidated financial statements for 2010.

3.11 Equity-Based Remuneration Programmes

Execution of the Programme in 2010

The Parent Company operates a share-based incentive scheme described in detail in the share prospectus approved by the KNF on 21 March 2008. Under the programme, the Group's executives may be awarded a maximum of 326,000 shares, i.e. 1.4% of the current shares. The shares may be awarded in 4 tranches in the years 2008-2011. Allocation in any year depends on fulfilment of general conditions (defined each year by the Supervisory Board, relating to achievement of stated effectiveness ratios by the Group) and individual conditions (employment or performance of individual staff members).

The allocation is based on issuance and free vesting of subscription warrants, with the warrants allocated for 2008-2010 being converted into equity from 15 July 2011 to 30 November 2011, and from 15 July 2012 to 30 November 2012 in the case of the warrants allocated for 2011. The warrants will be converted into shares at a price of PLN 1.

In 2008 and 2009, no warrants were allocated to individual employees.

The Supervisory Board resolved to allocate for 2010 the maximum number of 151,400 warrants. Out of this pool, eventually 139,750 warrants were earmarked for the programme in 2010, including those awarded to the Management Board members: Kazimierz Przełomski – 12,000 warrants and Elżbieta A. Szymańska – 12,000 warrants. The 11,425 warrants that were not allocated to the 2010 programme may not be used in the future and will be cancelled.

According to the resolution of the Supervisory Board of 29 January 2010, the general objective (trigger) for 2010 was achievement of a consolidated operating profit of PLN 35 m, while the rights vest on the following rules:

- Operating profit greater than PLN 35 m – allocation of a pool of 139,750 warrants;
- Operating profit between PLN 30 m and PLN 35 m – allocation of up to 80% of the foregoing number of warrants;
- Operating profit below PLN 30 m – no warrants allocated.

The rights to warrants will vest subject to continuation of employment with Selena Group until 15 July 2011.

As in 2010, the achieved operating profit triggered the vesting of 80% of the warrants, their cost (corresponding to 111,800 warrants) was recognised in the books as at 31 December 2010. On receipt of the auditor's opinion to the consolidated financial statements for 2010, a final determination will be made of the operating profit achieved and the number of warrants that will be awarded to employees. The 27,950 unallocated warrants will not be carried over to the next years and will be cancelled.

The number and value of the allocated and available warrants at the balance sheet date are shown in the table below.

	Number	**PLN each***	**PLN k**
Available number of warrants as at 31.12 2009	326 000	16.17	5 271
Warrants earmarked by the Supervisory Board for 2010, including:	151 400		
Unallocated by the Management Board (151.400-139.750) - cancelled	*11 650*		
Allocated for 2010 (139,750 x 80%)	*111 800*	*16.01*	*1 790*
Unallocated for 2010 (139,750 x 20%) – cancelled	*27 950*		
Available number of warrants as at 31.12 2010	174 600	18.68	3 262

* share price at the balance sheet date or at the allocation date.

The fair value of the warrants at their allocation date was PLN 1,623 k according to an independent actuary. In accordance with IFRS 2, the cost will be recognised on a pro-rata basis over the rights vesting period, i.e. from the date of joining the programme (18 October 2010) to 15 July 2011. The cost of PLN 438 k for 2010, is included in the cost of operating activities, while its corresponding increase in capital is recognised in Other Reserves.

Allocation of the subscription warrants may in the future dilute the profit attributable to the equity holders. Details on the possible dilution of the consolidated profit for 2010 were provided in Note 10 of the Group's consolidated financial statements for 2010.

Execution of the Programme in 2011

According to the Supervisory Board resolution of 31 January 2011, the general objective (trigger) for 2011 is achievement by the Group of a consolidated operating profit set by the Board and continuation of employment with Selena Group until 15 July 2012.

On 4 March 2011, the eligible persons joined the programme for 2011. In effect, the cost of the programme for 2011 will be recognised in the financial statements for 2011 and 2012 concurrently with rights vesting, i.e. from the date of joining the programme to commencement of conversion of the warrants into equity (15 July 2012). The total cost of the programme for 2011 is estimated at PLN 3 m (including PLN 1.9 m allocated to 2011).

3.12 Shareholdings by Executive and Non-Executive Directors

As at 31 December 2010, the executive and non-executive directors of Selena FM S.A. held the following shares of the Company:

Name	Number of shares held	Nominal value of shares held (PLN)
Executive Directors:		
Krzysztof Domarecki	9 538 000	476 900
Syrius Investments s.a.r.l.*	8 050 000	402 500
Kazimierz Przełomski	200	10
Non-Executive Directors:		
Anna Kozłowska	4 000	200
Andrzej Kozłowski	132 000	6 600

* entity controlled by Krzysztof Domarecki

Also, Anna Kozłowska holds 10 shares of the subsidiary Orion sp. z o.o. with a total nominal value of PLN 1,000.

At the date of this report, the status of shareholding by the executive and non-executive directors of the Parent Company did not change.

3.13 Agreements Affecting Changes in the Proportion of Shareholdings

As part of the management options programme described in Note 3.11 of this report, in 2011 the proportion of shareholdings in the Parent Company is likely to change.

The Company has not other information on any agreements that in the future might affect the proportion of shareholdings of the existing shareholders.

3.14 Control of Employee Shares Programmes

In 2010, no employee shares programmes were in place in Selena FM S.A.

3.15 Information on the Audit of the Financial Statements

On 30 April 2010, the Supervisory Board of Selena FM S.A. resolved to appoint Ernst&Young Audit sp. z o.o. as the auditor responsible for review and audit of the parent company's financial statements and the Group's consolidated financial statements for 2010. The agreement covering the audit of the parent company's financial statements for 2010, and review of its interim financial statements for the period ended 30 June 2010, and the audit and review of the consolidated financial statements of Selena FM Group was concluded on 23 July 2010. The auditor's fee is described in Note 29 of the Parent Company's financial statements for 2010.

4. CORPORATE GOVERNANCE PRINCIPLES

The Group's corporate governance principles are described in detail in the report on activities of the Parent Company (Selena FM S.A.) for 2010, published on 29 April 2011.

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 consolidated financial statements for 2010 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 Group and its financial performance and that the Management Board's annual report on the Group operations gives a true picture of the Group's development, achievements and standing, including description of the key risks and threats.

THE MANAGEMENT BOARD'S STATEMENT ON SELECTION OF AUDITOR

The Management Board of Selena FM S.A. hereby declares that the auditor of the annual consolidated financial statements of the Group for 2010 was selected in accordance with the law and that the audit firm and its auditors fulfilled the necessary criteria to be able to issue an unbiased and independent opinion of the financial statements in accordance with the applicable laws and professional standards.

President of the Management Board
…..……………………….
Krzysztof Domarecki

Financial Director
Vice-President of the Management Board
……..…………………….
Kazimierz Przełomski

Management Board Member
…..……………………….
Elżbieta A. Szymańska