

## **BRIEF ASSESSMENT OF PERFORMANCE OF SELENA FM S.A. IN 2009**

*adopted by the Supervisory Board of Selena FM S.A. on 14 May 2010*

Pursuant to chapter III point 1.1 of the “Best Practice for Listed Companies”, the Supervisory Board of Selena FM S.A. hereby presents a brief description of the Company's performance including an evaluation of the internal control system and the system for management of significant risks in the Company.

### **Main events in 2009**

The following acquisitions were the main events for Selena Group in 2009:

1. On 2 April 2009, Selena Co. S.A. (subsidiary of Selena FM S.A.) acquired 100% stake in OOO Kvadro (Russia) for EUR 658,000 (PLN 2,954 k at the NBP rate current at 2 April 2009). The purpose of the transaction is to increase market presence in the Russian market of building chemistry through acquisition of new customer groups and development of new distribution channels. The Kvadro brand has been present in the Russian market for 10 years and has clients across the European part of Russia.
2. On 3 July 2009 an investment agreement was signed between the subsidiary Selena Co S.A. and Quilosa Holding XXI, S.L., whereby Selena Co. S.A. acquired the new shares of “Industrias Quimicas Löwenberg S.L. (Quilosa), having its registered office in Coslada (Madrid). The new shares of Industrias Quimicas Löwenberg S.L., representing 51% interest in the increased share capital of the company, were acquired in full and paid up in cash by Selena Co. S.A. The acquired shares give Selena Co. S.A. 51% voting power at the General Meeting of “Industrias Quimicas Lowenberg” S.L. The acquisition of the majority stake in the company is aimed to reinforce the position of Selena Group and Quilosa in Europe and to increase their share in the European market. The resultant synergies will expand the two companies' product offer and will permit alignment of technologies and reduction of production costs, including the cost of raw material purchases.
3. On 30 December 2009, Selena FM S.A. signed a conditional agreement with Boryszew S.A. to acquire “Przedsiębiorstwo Materiałów Izolacyjnych Izolacja –Matizol S.A.” of Gorlice for PLN 18.5 m. The agreement came into full force and effect on 12 March 2010, on receipt of the decision of the President of the Polish Competition and Consumer Protection Authority (no. DKK – 17/2010) approving acquisition by Selena

FM S.A. of control over "PMI Izolacja – Matizol S.A". On 12 March 2010, Selena FM S.A. acquired 538,980 series A bearer shares of Matizol for PLN 18.5 m. The acquisition is an element of the strategy of the Selena Group. Through the acquisition, the Selena Group gained new production and development competencies in hydro-insulation, which will give it a stronger foothold in the roofing products market. In 2010 the Matizol products will be added to the product range and the distribution network of the Selena Group, initially in the domestic market, and then in foreign markets. The integration of Matizol will also allow development of system solutions for roofing firms.

Besides, since June 2009, Selena Group has been implementing SAP BI, an IT system which seeks to integrate data from the individual companies of the Group on a single IT platform with a view to improving processing and analysis of financial, sales and logistics data. The system will also cover all the Group companies. Individual modules (sales reporting, controlling, consolidation) will be implemented by the end of 2010.

### **Key financials of the Group and the Company**

In 2008, the Company achieved revenue from sales of PLN 650 m versus PLN 539 m in 2008 (an increase by 23%). Gross profit in 2009 amounted to PLN 231 m versus PLN 160 m in 2008, up 44%, with gross profit margin at 35.6%.

Net profit in 2009 was PLN 4.5 m compared with PLN 14 m posted in 2008. This means a net profit margin of 0.7%.

As at 31.12.2009, the total assets of Selena Group amounted to PLN 529 m, up 23% on the end of 2008. The main component of assets are current assets, which amount to PLN 311 m. The biggest items of current assets are trade debtors (PLN 109 m) and inventory (PLN 92 m).

Non-current assets of PLN 217 m account for 41% of the Group's total assets. Their key component are property, plant and equipment which amount to PLN 174 m.

The Group's assets are primarily funded by equity (PLN 325 m) and short-term liabilities (PLN 111 m).

In the reporting period Selena FM S.A. achieved revenue from sales of PLN 7.3 m.

At the end of 2009, its balance sheet total was PLN 198 m. The key component of assets are non-current assets of PLN 130 m. Their key item are investments in subsidiaries of

PLN 76 m. The assets are funded by equity of PLN 195 m. In 2009, the Company posted a net loss of -PLN 1.15 m.

### **Risk Factors**

The Supervisory Board agrees with the opinion of the Management Board of Selena FM S.A. that the key risks the Group is exposed to include:

- the economic situation in Poland and in the world, which directly affects the demand for construction materials, including building chemistry products;
- trends in construction, particularly construction of buildings;
- availability of loans for the construction sector – growing trend in the recent months;
- risk of increase in raw material prices (mainly oil-based);
- possible increased delays in debtors collection / payment backlogs;
- currency fluctuations in the markets where the Group operates;
- the pace and effectiveness of integration of the newly acquired companies (Quilosa, Matizol);
- risk of legislation changes.

### **Internal control**

The Management Board of Selena FM S.A. constantly monitors the performance of the Group and the Group companies.

To ensure reliability of its financial accounts, the Company has implemented and has been upgrading its internal control and risk management system. The system covers, among others, the following areas:

- Controlling;
- Accounting, including Financial Reporting and Consolidation;
- Forecasting and financial analyses.

The internal control and the risk management system incorporates the following solutions:

- application of a standardised financial reporting model for external and internal purposes;
- clear division of roles and responsibilities of the financial functions and the middle and upper management;
- regular and formalised process of reviewing and updating the budget assumptions and financial projections;

As required by law, the Company has its financial accounts reviewed or audited by an independent auditor.

In the opinion of the Supervisory Board, the Company's and the Group's economic position is good.

The Supervisory Board believes that the Company is managed professionally and Selena FM S.A. as the parent positively shapes the Group's development and position in the markets where it operates.

The Supervisory Board positively assesses the Company's financial performance and the Management Board's efforts to foster Selena Group's growth.

Wrocław, 14 May 2010