

EXTENDED
CONSOLIDATED
REPORT
of the CIECH Group
for the first half of 2022



We are providing a courtesy English translation of our reviewed financial statements which were originally written in Polish. We take no responsibility for the accuracy of our translation. For an accurate reading of our reviewed financial statements, please refer to the Polish language version of our reviewed financial statements.



CIECH GROUP — SELECTED CONSOLIDATED FINANCIAL

SELECTED FINANCIAL DATA	in thousand PLN		in thousand EUR	
	6 months ended	6 months ended	6 months ended	6 months ended
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
Sales revenues on continued operations	2,478,853	1,695,785	533,925	372,929
Operating profit/(loss) on continued operations	217,050	237,847	46,751	52,306
Profit/(loss) before tax on continued operations	177,490	178,021	38,230	39,150
Net profit / (loss) for the period	147,548	192,290	31,780	42,288
Net profit/(loss) attributable to shareholders of the parent company	149,166	192,408	32,129	42,314
Net profit/(loss) attributed to non-controlling interest	(1,618)	(118)	(349)	(26)
Other comprehensive income net of tax	(20,419)	25,455	(4,398)	5,598
Total comprehensive income	127,129	217,745	27,382	47,886
Cash flows from operating activities	392,642	431,155	84,572	94,818
Cash flows from investment activities	(543,036)	(368,170)	(116,966)	(80,966)
Cash flows from financial activities	(14,240)	(9,869)	(3,067)	(2,170)
Total net cash flows	(164,634)	53,116	(35,461)	11,682
Earnings (loss) per ordinary share (in PLN/EUR)	2.83	3.65	0.61	0.80
	as at	as at	as at	as at
	30.06.2022	31.12.2021	30.06.2022	31.12.2021
Total assets	7,345,461	7,135,218	1,569,342	1,551,337
Non-current liabilities	2,458,332	2,542,124	525,217	552,708
Current liabilities	2,373,671	2,206,765	507,130	479,794
Total equity	2,513,458	2,386,329	536,995	518,835
Equity attributable to shareholders of the parent	2,518,752	2,390,105	538,126	519,656
Non-controlling interest	(5,294)	(3,776)	(1,131)	(821)
Share capital	287,614	287,614	61,448	62,533

CIECH S.A. — SELECTED SEPARATE FINANCIAL DATA

SELECTED FINANCIAL DATA	in thousand PLN		in thousand EUR	
	6 months ended	6 months ended	6 months ended	6 months ended
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
Sales revenues on continued operations	1,130,899	765,364	243,586	168,315
Operating profit/(loss) on continued operations	44,888	17,998	9,669	3,958
Profit/(loss) before tax on continued operations	300,449	33,500	64,714	7,367
Net profit for the period	278,780	72,520	60,047	15,948
Other comprehensive income net of tax	4,050	27,676	872	6,086
Total comprehensive income	282,830	100,196	60,919	22,034
Cash flows from operating activities	10,691	(73,444)	2,303	(16,151)
Cash flows from investment activities	(107,069)	(170,442)	(23,062)	(37,483)
Cash flows from financial activities	108,884	97,251	23,453	21,387
Total net cash flows	12,506	(146,635)	2,694	(32,247)
Earnings (loss) per ordinary share (in PLN/EUR)	5.29	1.38	1.14	0.30
	as at	as at	as at	as at
	30.06.2022	31.12.2021	30.06.2022	31.12.2021
Total assets	5,096,351	4,612,557	1,088,824	1,002,861
Total non-current liabilities	1,916,177	1,991,470	409,387	432,985
Total current liabilities	1,282,743	1,006,486	274,055	218,830
Total equity	1,897,431	1,614,601	405,382	351,046
Share capital	287,614	287,614	61,448	62,533

The above selected financial data was converted into PLN in accordance with the following principles:

- items in the statement of financial position were converted using the average exchange rate determined by the National Bank of Poland on the last day of the reporting period,
- items in the statement of profit or loss, statement of other comprehensive income and statement of cash flows were converted using the exchange rate constituting the arithmetic mean of rates determined by the National Bank of Poland on the last day of each calendar month of the reporting period.

as at 30.06.2022	as at 31.12.2021	6 months ended 30.06.2022	6 months ended 30.06.2021
EUR 1 = PLN 4.6806	EUR 1 = PLN 4.5994	EUR 1 = PLN 4.6427	EUR 1 = PLN 4.5472



**SEMI-ANNUAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
OF THE CIECH GROUP
FOR A 6-MONTH PERIOD ENDED 30 JUNE 2022**

**PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ENDORSED BY THE EUROPEAN UNION**



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1. SEMI-ANNUAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE CIECH GROUP PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ENDORSED BY THE EUROPEAN UNION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE CIECH GROUP

	01.01.-30.06.2022	01.01.-30.06.2021	01.04.-30.06.2022	01.04.-30.06.2021
			<i>Data not reviewed</i>	
CONTINUING OPERATIONS				
Sales revenues	2,478,853	1,695,785	1,236,289	834,713
Cost of sales	(1,951,206)	(1,303,786)	(976,975)	(628,671)
Gross profit/(loss) on sales	527,647	391,999	259,314	206,042
Other operating income	27,166	77,046	14,762	11,948
Selling costs	(135,316)	(108,781)	(66,835)	(59,851)
General and administrative expenses	(157,059)	(97,099)	(93,572)	(46,484)
Other operating expenses	(45,388)	(25,318)	(27,987)	(11,056)
Operating profit/(loss)	217,050	237,847	85,682	100,599
Financial income, including:	26,596	7,573	10,719	(21,380)
<i>Profit from financial instruments</i>	12,265	5,113	7,869	(8,265)
Financial costs, including:	(66,606)	(67,190)	(35,633)	(39,378)
<i>Loss from financial instruments</i>	(52,915)	(40,323)	(28,421)	(15,458)
Net financial income/(expenses)	(40,010)	(59,617)	(24,914)	(60,758)
Share of profit / (loss) of equity-accounted investees	450	(209)	311	(94)
Profit/(loss) before tax	177,490	178,021	61,079	39,747
Income tax	(29,942)	(48,271)	(17,515)	(23,883)
Net profit/(loss) on continuing operations	147,548	129,750	43,564	15,864
DISCONTINUED OPERATIONS				
Net profit/(loss) on discontinued operations	-	62,540	-	(7,273)
Net profit / (loss) for the period	147,548	192,290	43,564	8,591
including:				
Net profit/(loss) attributable to shareholders of the parent company	149,166	192,408	44,859	7,979
Net profit/(loss) attributed to non-controlling interest	(1,618)	(118)	(1,295)	612
Earnings per share (in PLN):				
Basic	2.83	3.65	0.85	0.15
Diluted	2.83	3.65	0.85	0.15
Earnings/(loss) per share (in PLN) from continuing operations:				
Basic	2.83	2.46	0.85	0.29
Diluted	2.83	2.46	0.85	0.29

The condensed consolidated statement of profit or loss of the CIECH Group should be analysed together with the explanatory notes which constitute an integral part of the semi-annual condensed consolidated financial statements.



CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME OF THE CIECH GROUP

	01.01.-30.06.2022	01.01.-30.06.2021	01.04.-30.06.2022	01.04.-30.06.2021
				<i>Data not reviewed</i>
Net profit / (loss) for the period	147,548	192,290	43,564	8,591
Other comprehensive income before tax that may be reclassified to the statement of profit or loss	(42,935)	41,519	(38,551)	35,409
Currency translation differences (foreign companies)	12,975	(14,774)	5,208	(19,011)
Profit (loss) from cash flow hedge reserve	(43,876)	55,570	(34,588)	53,576
Profit (loss) from costs of hedging reserve	(12,034)	723	(8,798)	849
Other components of other comprehensive income	-	-	(373)	(5)
Other comprehensive income before tax that may not be reclassified to the statement of profit or loss	-	-	-	-
Income tax attributable to other comprehensive income	22,516	(16,064)	14,872	(12,960)
Income tax attributable to other comprehensive income that may be reclassified to the statement of profit or loss	22,516	(16,064)	14,872	(12,960)
Other comprehensive income net of tax	(20,419)	25,455	(23,679)	22,449
Comprehensive income including attributable to:	127,129	217,745	19,885	31,040
Shareholders of the parent company	128,647	217,782	21,175	30,499
Non-controlling interest	(1,518)	(37)	(1,290)	541

The condensed consolidated statement of other comprehensive income of the CIECH Group should be analysed together with the explanatory notes which constitute an integral part of the semi-annual condensed consolidated financial statements.



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE CIECH GROUP

	30.06.2022	31.12.2021*	30.06.2021*
ASSETS			
Property, plant and equipment	3,875,098	3,863,321	3,528,210
Rights to use an asset	187,508	201,476	172,959
Intangible assets other than goodwill	376,798	369,067	372,861
Goodwill	151,586	149,270	147,027
Investment property	34,689	32,839	40,278
Non-current receivables	42,268	78,542	66,882
Investments in jointly-controlled entities measured under the equity method	6,209	5,655	5,322
Long-term financial assets	16,388	12,449	104,630
Deferred income tax assets	90,934	74,984	44,557
Total non-current assets	4,781,478	4,787,603	4,482,726
Inventory	549,850	459,308	374,857
Short-term intangible assets other than goodwill	616,324	403,434	284
Short-term financial assets	189,945	102,382	103,206
Income tax receivables	12,825	21,004	22,918
Trade and other receivables	559,865	562,096	483,489
Cash and cash equivalents	634,806	799,023	502,070
Non-current assets and groups for disposal held for sale	368	368	368
Total current assets	2,563,983	2,347,615	1,487,192
Total assets	7,345,461	7,135,218	5,969,918
EQUITY AND LIABILITIES			
Share capital	287,614	287,614	287,614
Share premium	470,846	470,846	470,846
Cash flow hedge reserve	137,404	158,763	30,597
Profit (loss) from costs of hedging reserve	(32,366)	(20,331)	(3,261)
Actuarial gains	(1,582)	(1,582)	(495)
Other reserve capitals	425,021	425,021	425,021
Currency translation reserve	(23,502)	(36,377)	(46,751)
Retained earnings	1,255,317	1,106,151	1,016,727
Equity attributable to shareholders of the parent	2,518,752	2,390,105	2,180,298
Non-controlling interest	(5,294)	(3,776)	(2,114)
Total equity	2,513,458	2,386,329	2,178,184
Non-current loans, borrowings and other debt instruments	1,763,146	1,854,154	1,851,722
Lease liabilities	112,526	121,172	101,047
Other non-current liabilities	264,864	231,752	181,807
Employee benefits reserve	15,641	15,273	13,016
Other provisions	277,539	270,649	153,238
Deferred income tax liability	24,616	49,124	67,751
Total non-current liabilities	2,458,332	2,542,124	2,368,581
Current loans, borrowings and other debt instruments	99,080	5,287	46,293
Lease liabilities	27,202	30,025	24,214
Trade and other liabilities	2,080,276	1,956,407	1,200,727
Income tax liabilities	66,976	128,592	56,209
Employee benefits reserve	2,547	2,643	2,101
Other provisions	97,590	83,811	93,609
Total current liabilities	2,373,671	2,206,765	1,423,153
Total liabilities	4,832,003	4,748,889	3,791,734
Total equity and liabilities	7,345,461	7,135,218	5,969,918

*Restated data. For detailed information, see Note 2.2.1 to this report.

The condensed consolidated statement of financial position of the CIECH Group should be analysed together with the explanatory notes which constitute an integral part of the semi-annual condensed consolidated financial statements.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS OF THE CIECH GROUP

	01.01.-30.06.2022	01.01.-30.06.2021*
Cash flows from operating activities		
Net profit/(loss) for the period	147,548	192,290
Adjustments	352,573	288,290
Amortisation/depreciation	200,886	169,828
Recognition of impairment allowances	648	332
Foreign exchange (profit) /loss	(11,403)	17,650
Investment property revaluation	(1,399)	-
(Profit) / loss on investment activities	3,937	(54,595)
(Profit) / loss on disposal of property, plant and equipment	(786)	(480)
Dividends and interest	46,969	5,055
Income tax	29,942	49,122
(Profit) / loss on the settlement of construction contracts (caverns)	-	(12,059)
Share of (profit) / loss on equity accounted investees	(450)	209
Change in liabilities due to loan arrangement fee	1,174	(8,953)
Valuation of derivatives	(7,601)	17,584
Ineffective portion of hedge accounting	-	3,492
Other non-monetary adjustments relating to financial instruments	(68,387)	-
Other adjustments	(10,106)	(7,069)
Change in receivables	8,268	(94,961)
Change in inventory	(88,601)	(23,274)
Change in current liabilities	242,313	225,199
Change in provisions and employee benefits	7,169	1,210
Interest paid	(44,026)	(17,684)
(Profit) / loss on the settlement of construction contracts (caverns)	35,150	-
Income tax (paid)/returned	(98,603)	(21,696)
Loans receivables repayment - setoff	-	(10,045)
Net cash from operating activities	392,642	431,155
Cash flows from investment activities		
Disposal of a subsidiary**	-	66,954
Disposal of intangible assets and property, plant and equipment	1,008	1,569
Dividends received	38	-
Interest received	1,413	324
Subsidies received	4,018	287
Proceeds from repaid borrowings	95	30,259
Acquisition of intangible assets and property, plant and equipment	(234,714)	(375,970)
Acquisition of financial assets	(1,287)	-
Acquisition of investment property	(605)	-
Development expenditures	(7,512)	(8,661)
Borrowings paid out	(239)	-
Expenditure on the purchase of emission rights	(303,552)	(82,802)
Other investment inflows (outflows)	(1,699)	(130)
Net cash from investment activities	(543,036)	(368,170)
Cash flows from financial activities		
Proceeds from loans and borrowings	613	197,477
Repayment of loans and borrowings	-	(193,394)
Payments of lease liabilities	(14,825)	(13,869)
Other financial inflows (outflows)	(28)	(83)
Net cash from financial activities	(14,240)	(9,869)
Total net cash flows	(164,634)	53,116
Cash and cash equivalents as at the beginning of the period	799,023	448,799
<i>Impact of foreign exchange differences</i>	<i>417</i>	<i>155</i>
Cash and cash equivalents as at the end of the period	634,806	502,070

* Restated data. For detailed information, see Note 2.2.1 to this report.

** Value decreased by cash of the sold company, CIECH Żywiec Sp. z o.o.

The condensed consolidated statement of cash flows of the CIECH Group should be analysed together with the explanatory notes which constitute an integral part of the semi-annual condensed consolidated financial statements.



CONDENSED STATEMENT OF CHANGES IN CONSOLIDATED EQUITY OF THE CIECH GROUP

	Share capital	Share premium	Cash flow hedge reserve	Profit (loss) from costs of hedging reserve	Other reserve capitals	Actuarial gains	Currency translation reserve	Retained earnings	Equity attributable to shareholders of the parent	Non-controlling interest	Total equity
01.01.2022*	287,614	470,846	158,763	(20,331)	425,021	(1,582)	(36,377)	1,106,151	2,390,105	(3,776)	2,386,329
Total comprehensive income for the period	-	-	(21,359)	(12,035)	-	-	12,875	149,166	128,647	(1,518)	127,129
Net profit / (loss) for the period	-	-	-	-	-	-	-	149,166	149,166	(1,618)	147,548
Other comprehensive income	-	-	(21,359)	(12,035)	-	-	12,875	-	(20,519)	100	(20,419)
30.06.2022	287,614	470,846	137,404	(32,366)	425,021	(1,582)	(23,502)	1,255,317	2,518,752	(5,294)	2,513,458
01.01.2021	287,614	470,846	(9,393)	(3,659)	425,021	(495)	(31,737)	982,418	2,120,615	(2,077)	2,118,538
Transactions with the owners	-	-	-	-	-	-	-	(158,099)	(158,099)	-	(158,099)
Dividend	-	-	-	-	-	-	-	(158,099)	(158,099)	-	(158,099)
Total comprehensive income for the period	-	-	39,990	398	-	-	(15,014)	192,408	217,782	(37)	217,745
Net profit / (loss) for the period	-	-	-	-	-	-	-	192,408	192,408	(118)	192,290
Other comprehensive income	-	-	39,990	398	-	-	(15,014)	-	25,374	81	25,455
30.06.2021	287,614	470,846	30,597	(3,261)	425,021	(495)	(46,751)	1,016,727	2,180,298	(2,114)	2,178,184

*Restated data. For detailed information on the restatement, see Note 2.2.1 to this report.

The condensed statement of changes in consolidated equity of the CIECH Group should be analysed together with the explanatory notes which constitute an integral part of the semi-annual condensed consolidated financial statements.



2. EXPLANATORY NOTES TO THE SEMI-ANNUAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE CIECH GROUP

2.1. BASIS FOR PREPARATION OF THE SEMI-ANNUAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE CIECH GROUP

These semi-annual condensed consolidated financial statements were prepared in compliance with the requirements of International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” as endorsed by the European Union, and with the Regulation of the Minister of Finance dated 29 March 2018 on current and periodical information submitted by issuers of securities and on conditions for deeming equivalent information required by the law of a Non-Member State (Journal of Laws 2018.757 of 2018). These financial statements present the financial position of the CIECH Group as at 30 June 2022 and as at 31 December 2021, results of the Group’s operations and cash flows for the period of 6 months ended 30 June 2022 and 30 June 2021, and were approved by the Management Board of CIECH S.A. on 25 August 2022.

These semi-annual condensed consolidated financial statements cover the financial statements of the parent company, CIECH S.A., and its significant subsidiaries, as well as interests in significant associates.

These semi-annual condensed consolidated financial statements were prepared under the assumption that the CIECH Group will continue as a going concern in the foreseeable future. As at the date of approval of these semi-annual condensed consolidated financial statements, no facts or circumstances are known that would indicate any threat to the Group continuing as a going concern.

The Management Board of CIECH S.A. represents that to the best of its knowledge these semi-annual consolidated financial statements, including corresponding figures, have been prepared in accordance with the generally acceptable accounting principles and that they represent a true, accurate and fair reflection of the CIECH Group’s financial position and the results of operations. Furthermore, the Management Board of CIECH S.A. represents that the Directors’ Report for the period of 6 months ended 30 June 2022 contains a true image of the Group’s developments, achievements and standing, including a description of major risks and threats.

Preparation of financial statements in accordance with International Financial Reporting Standards (“IFRS”) requires the Management Board to make professional judgements, estimates and assumptions which affect the adopted principles and presented values of assets, equity and liabilities, income and expenses. The estimates and assumptions associated with them are based on historical accuracy and various other factors that are considered to be reasonable under the specific circumstances, and their results provide a basis for professional judgement about the value of assets and liabilities that are not directly apparent from other sources. Actual value may differ from the estimated value. The estimates and the underlying assumptions are reviewed on a continuous basis. Revisions of accounting estimates are recognised in the period in which the changes were made, only if it affects that period or the present and future in case they concern both the current and future periods. The Management Board’s professional judgements which have a significant impact on the consolidated financial statements, and the estimates bearing a risk of significant changes in future years have been presented in Sections 2.6, 2.7, 2.8 and 2.13 hereof. Information on the impact of the Russian invasion on Ukraine on the operations of the CIECH Group is presented in Note 2.18 hereof. Information on the impact of the COVID-19 pandemic on the operations of the CIECH Group is presented in Note 2.19 hereof. During the current semi-annual period there were no significant revisions to the estimates presented in previous reporting periods.

The Management Board of CIECH S.A. represents that BDO Spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw, entered on the list of entities authorised to audit financial statements under registry No 3355 kept by the National Chamber of Statutory Auditors, was chosen in accordance with the binding legal regulations to review the semi-annual condensed consolidated financial statements for the period from 1 January to 30 June 2022.



2.2. ADOPTED ACCOUNTING PRINCIPLES

The CIECH Group's accounting principles are described in the Consolidated Financial Statements of the CIECH Group for the year 2021, published on 29 March 2022. The aforementioned Financial Statement include detailed information regarding the principles and methods of valuation of assets, equity and liabilities and measurement of the financial result as well as the method of preparing the financial statements and comparative information. These principles have been applied on a continuous basis with relation to currently published data, the last annual financial statements and comparative data presented, except for changes described in point 2.2.1.

The CIECH Group intends to adopt amendments to the IFRS that are published but not effective as at the date of publication of this report in accordance with their effective date. The estimated impact of amendments and impact of new IFRSs on the consolidated financial statements of the CIECH Group was presented in the Consolidated Financial Statements of the CIECH Group for the year 2021, published on 29 March 2022.

2.2.1. ADJUSTMENT OF PRIOR PERIOD ERRORS AND CHANGES IN ACCOUNTING POLICY

The following changes were made relative to the previously published comparative data as at 30 June 2021 and 31 December 2021:

a) change in accounting policy with respect to recognition of free CO₂ emission allowances

In 2021, the Group revised its Accounting policy in respect of recognition of emission allowances granted and the measurement principles for the disposal of rights.

Following the revision, the emission allowances granted are recognised in the balance sheet as assets when credited to the account at their fair value determined at that date. At the same time, the same amount is recognised in an accrued income account (as a subsidy for production costs, regulated in IAS 20 Government Grants and Disclosure of Government Assistance). The entity receiving the allowances accounts for them as intangible assets. When emissions covered by the allowances received occur, the corresponding value recognised in the deferred income account is deducted from the operating expenses related to the emission.

If there were no emissions for which the entity received the allowances, then the part of the deferred income relating to them remains in the balance until the allowances are disposed of. If the allowances are used to cover the emission in the following year (years), the relevant part of the deferred income reduces the operating costs of the emission in the year in which the allowances are used, and if such allowances are sold, the deferred income reduces the cost of the allowances sold. In the event of a purchase of additional allowances on the market, the allowances are measured at cost and presented as intangible assets.

The entity recognises a provision for the cost of covering CO₂ emissions into the atmosphere in the amount of the product of the quantity of CO₂ emitted (in tonnes, which is equivalent to one EUA) and the unit price of the emission allowances. The emission costs are covered by allowances held in a brokerage account at the balance sheet date in accordance with the detailed identification principle. If insufficient allowances are held, the missing portion of the provision is measured at the allowance price of the futures contracts open on the balance sheet date, in accordance with the detailed identification principle. If insufficient allowances have been contracted, the provision for the costs of covering emissions is measured at the current (as at the balance sheet date) market price of the EUA.

Until 2020, emission allowances granted were not subject to recognition on the balance sheet when granted and in subsequent periods. The entity receiving the allowances entered them in the off-balance sheet records.

The impact of the changes on the previously reported consolidated data for the period from 1 January to 30 June 2021 is presented below. Consolidated data as at 31 December 2021 following the policy change is presented in the Consolidated Financial Statements of the CIECH Group for 2021, published on 29 March 2022.

b) change in the presentation of comparable data as at 30 June 2021 and 31 December 2021 due to the reclassification of amounts of materials between receivables and inventories

The change concerns the reclassification of amounts of advance payments in one of the subsidiaries previously presented as receivables to goods in transit.

c) amendment to IAS 16 "Property, plant and equipment" – proceeds before intended use

Until 31 December 2021, the value of fixed assets under construction included revenues and costs related to the sale of test production of CIECH Salz Deutschland GmbH. Following the amendment to IAS 16 effective from 1 January 2022, proceeds



and related expenses earned before a non-current asset is placed in service are recognised in profit or loss. The above change did not affect the other presented periods and comparative data.

The impact of the amendments on the previously reported consolidated data as at 30 June 2021 is presented below.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	After adjustment as at 30.06.2021	Change in valuation of emission allowances granted	Presentation adjustment of goods in transit	Previously presented on 30.06.2021
ASSETS				
Total non-current assets	4,482,726	-	-	4,482,726
<i>Inventory</i>	374,857	-	14,211	360,646
<i>Trade and other receivables</i>	483,489	-	(14,211)	497,700
<i>Short-term intangible assets other than goodwill</i>	284	284	-	-
Total current assets	1,487,192	284	-	1,486,908
Total assets	5,969,918	284	-	5,969,634
EQUITY AND LIABILITIES				
Total equity	2,178,184	-	-	2,178,184
Total non-current liabilities	2,368,581	-	-	2,368,581
<i>Trade and other liabilities</i>	1,200,727	284	-	1,200,443
Total current liabilities	1,423,153	284	-	1,422,869
Total liabilities	3,791,734	284	-	3,791,450
Total equity and liabilities	5,969,918	284	-	5,969,634

CONSOLIDATED STATEMENT OF CASH FLOWS	After adjustment as at 30.06.2021	Presentation adjustment of goods in transit	Previously presented on 30.06.2021
Cash flows from operating activities	431,155	-	431,155
<i>Change in receivables</i>	(94,961)	(14,211)	(109,172)
<i>Change in inventory</i>	(23,274)	14,211	(9,063)

The impact of the amendments on the previously reported consolidated data as at 31 December 2021 is presented below.

	After adjustment as at 31.12.2021	Impact of amendments to IAS 16	Presentation adjustment of goods in transit	Previously presented as at 31.12.2021
ASSETS				
<i>Property, plant and equipment</i>	3,863,321	(15,339)	-	3,878,660
<i>Deferred tax assets</i>	74,984	4,737	-	70,247
Total non-current assets	4,787,603	(10,602)		4,798,205
<i>Inventory</i>	459,308	-	36,802	422,506
<i>Trade and other receivables</i>	562,096	-	(36,802)	598,898
Total current assets	2,347,615	-	-	2,347,615
Total assets	7,135,218	(10,602)	-	7,145,820
EQUITY AND LIABILITIES				
<i>Currency translation differences (foreign companies)</i>	(36,377)	(50)	-	(36,327)
<i>Retained earnings</i>	1,106,151	(10,552)	-	1,116,703
Equity attributable to shareholders of the parent	2,390,105	(10,602)	-	2,400,707
<i>Non-controlling interest</i>	(3,776)	-	-	(3,776)
Total equity	2,386,329	(10,602)	-	2,396,931
Total non-current liabilities	2,542,124	-	-	2,542,124
Total current liabilities	2,206,765	-	-	2,206,765



	After adjustment as at 31.12.2021	Impact of amendments to IAS 16	Presentation adjustment of goods in transit	Previously presented as at 31.12.2021
Total liabilities	4,748,889	-	-	4,748,889
Total equity and liabilities	7,135,218	(10,602)	-	7,145,820

	Share capital and other capitals (unchanged)	Currency translation reserve	Retained earnings	Equity attributable to shareholders of the parent	Non- controlling interest	Total equity
31.12.2021 (previously presented)	1,320,331	(36,327)	1,116,703	2,400,707	(3,776)	2,396,931
<i>Impact of amendments to IAS 16</i>	-	(50)	(10,552)	(10,602)	-	(10,602)
31.12.2021 (after adjustments)	1,320,331	(36,377)	1,106,151	2,390,105	(3,776)	2,386,329

2.3. FUNCTIONAL AND REPORTING CURRENCY

The Polish zloty (PLN) is the functional currency of the parent company, CIECH S.A., and the reporting currency of these consolidated financial statements. Unless stated otherwise, all financial data in these consolidated financial statements have been presented in thousands of Polish zlotys (PLN '000).

The functional currencies for the significant foreign subsidiaries are as follows: SDC Group, Ciech Group Financing AB, Proplan Plant Protection Company S.L. and CIECH Salz Deutschland GmbH – EUR, CIECH Soda Romania S.A. – RON. For the purpose of conversion into PLN, the following foreign exchange rates determined on the basis of quotations announced by the National Bank of Poland (“NBP”) have been applied for consolidation purposes:

NBP exchange rate as at the end day of the reporting period	30.06.2022 ¹	31.12.2021 ²
EUR	4.6806	4.5994
RON	0.9466	0.9293
Average NBP rate for the reporting period	6 months ended 30.06.2022 ³	6 months ended 30.06.2021 ⁴
EUR	4.6427	4.5472
RON	0.9385	0.9264

¹ NBP's average foreign exchange rates table applicable as at 30 June 2022.

² NBP's average foreign exchange rates table applicable as at 31 December 2021.

³ According to the exchange rate constituting the arithmetic mean of average exchange rates quoted by NBP on the last day of each month of the period from 1 January 2022 to 30 June 2022.

⁴ According to the exchange rate constituting the arithmetic mean of average exchange rates quoted by NBP on the last day of each month of the period from 1 January 2021 to 30 June 2021.

2.4. SEASONALITY AND CYCLICALITY OF THE CIECH GROUP'S ACTIVITY

Seasonality associated with periodic demand and supply fluctuations has little impact on the CIECH Group general sales trends. Products clearly influenced by seasonality are crop protection chemicals. Most crop protection chemicals are used in the first half of the year, during the period of intensive plant growth. However, sales of these products take place mainly in the 3rd and 4th quarter of the preceding year. For other products, the Group's revenues and financial results are not influenced by any significant seasonal fluctuations over the year.

2.5. CIECH GROUP'S SEGMENT REPORTING

The CIECH Group's operating segments are designated on the basis of internal reports related to the components of the Group and are regularly reviewed by the Management Board, which is responsible for operating decisions aimed at allocating resources to segments and assessing the subsidiaries performance.

From the product perspective, the CIECH Group has been divided into the following operating segments:

Soda Segment (comprising BU Soda, and BU Salt) – at the current stage of work on the reorganisation, performance figures for BU Soda and BU Salt are analysed jointly, and the performance of BU Soda and BU Salt are closely linked due to sharing the same raw material, i.e. brine, fed jointly to the production facilities of Soda and Salt, as well as a common power plant and combined heat and power plant providing heat and electricity, within CIECH Soda Polska S.A. For this reason, it is not



possible to allocate direct costs in an unambiguous way (mainly: coal, electricity, CO₂, maintenance on shared infrastructure). As a result, business decisions are made jointly for both BUs - e.g. in the case of limitations in the availability of raw material or steam, the profitability analysis of all Soda and Salt products, rather than the fact of being part of a specific BU, determines the production of particular products. A shared source of raw material, a shared infrastructure and practically indivisible costs mean that, consequently, it is also not possible to allocate these values to the BU in question as regards liabilities and certain inventories. This all makes the analysis of cash flow generating units at the BU level potentially misleading. Decisions on the above matters are made at the level of the Management Board of CIECH S.A.

The most important products manufactured in this Segment are: light and dense soda ash, evaporated salt, sodium bicarbonate and calcium chloride. The products of this area are sold mainly by the parent company CIECH S.A. The Segment's goods are produced in CIECH Soda Polska S.A., the Romanian company CIECH Soda Romania S.A. (until September 2019) and in the German company CIECH Soda Deutschland GmbH&Co. KG. These products are used in the glass, food, detergent and pharmaceutical industries. The Soda Segment (in the German company) also includes the business of producing and selling electricity.

Agro Segment – the CIECH Group is a manufacturer of crop protection products used in agriculture and produced by the following companies: CIECH Sarzyna S.A. and Proplan Plant Protection Company, S.L.

Resins Segment (comparative data) – the CIECH Group used to be a producer of a variety of organic compounds manufactured by CIECH Żywiec Sp. z o.o. In the first half of 2021, it produced, among other things, epoxy resins and polyester resins. These products are used in the following industries: automotive, paints and electronics. On 1 March 2021, CIECH Żywiec Sp. z o.o. was sold to LERG S.A., and its figures are reported as discontinued operations.

Foams Segment – the CIECH Group is a producer of polyurethane foams manufactured by CIECH Pianki Sp. z o.o. These products are mainly used in the furniture industry – for upholstered furniture and mattresses.

Silicates Segment – in mainly includes the products of CIECH Vitrosilicon S.A. and CIECH Soda Romania S.A. Products manufactured by CIECH Soda Romania S.A. are sold by CIECH S.A. The Segment manufactures sodium silicates (CIECH Vitrosilicon S.A. and CIECH Soda Romania S.A.) and potassium silicates (CIECH Vitrosilicon S.A.). These products are used in the automotive, cosmetics and construction chemicals industries.

Packaging Segment – covers products of CIECH Vitro S.A. This Segment manufactures glass packaging – lanterns and jars, used in the food industry and for the production of headstone lamps.

Other activities – covers mainly services rendered outside the Group and goods sold mainly by CIECH S.A.; and within the Group, CIECH Serwis i Remonty S.A. provides maintenance services; services are also provided by CIECH R&D Sp. z o.o. and CIECH Services Sp. z o.o., that offers support services in various areas.

As of 1 January 2022 (along with restatement of comparative data broken down by operating segments, as presented below), other activities include the operations of CIECH Cargo Sp. z o.o. which renders rail transport services, mainly to companies within the CIECH Group.

The Group financing is managed (including finance expenses and income with the exception of interest and exchange differences on trade receivables and liabilities) and income tax is calculated on the Group level and they are not allocated to particular Segments.

The CIECH Group has been divided into the following geographical areas: Poland, European Union, Other European countries, Africa, Asia, Other regions. Information on the Group geographical areas is established based on the Group's assets location. Revenues and costs, assets and liabilities of Segments are recognised and measured in a manner consistent with the method used in the consolidated financial statements.

Operational Segments results are assessed by the CIECH S.A.'s Management Board on the basis of sales revenue, operating profit, level of EBITDA and adjusted EBITDA. No need to separate additional Segments under IFRS 8 regulations has been identified.

EBITDA should be viewed as a supplement, not as a substitute for the business performance presented in accordance with IFRS.

EBITDA is a useful ratio of the ability to incur and serve debt. EBITDA and adjusted EBITDA levels are not defined by the IFRS and can be calculated in a different manner by other entities. The reconciliation and definitions applied by the CIECH Group when determining these measures are presented below.



	01.01.-30.06.2022	01.01.-30.06.2021
Net profit/(loss) on continuing operations	147,548	129,750
Income tax	29,942	48,271
Share of profit / (loss) of equity-accounted investees	(450)	209
Financial expenses	66,606	67,190
Financial income	(26,596)	(7,573)
Amortisation/depreciation	200,886	169,828
EBITDA on continued operations	417,936	407,675
EBITDA on discontinued operations	-	6,927
EBITDA on continued and discontinued operations	417,936	414,602

	01.01.-30.06.2022	01.01.-30.06.2021
EBITDA on continued operations	417,936	407,675
One-offs including:	13,340	1,948
Impairment (a)	6,608	-
Cash items (b)	5,411	(7,719)
Non-cash items (without impairment) (c)	1,321	9,667
Adjusted EBITDA on continued operations	431,276	409,623
Adjusted EBITDA on discontinued operations	-	6,951
Adjusted EBITDA on continued and discontinued operations	431,276	416,574

For discontinued operations, EBITDA and adjusted EBITDA figures are as follows:

DISCONTINUED OPERATIONS	01.01.-30.06.2022	01.01.-30.06.2021
Operating profit/(loss)	-	6,927
Amortisation and depreciation	-	-
One-offs	-	24
EBITDA from discontinued operations	-	6,927
Adjusted EBITDA from discontinued operations	-	6,951

The catalogue of items for adjusting adjusted EBITDA for the purposes of these financial statements is as follows:

(a) Impairment losses are associated with the recognition/reversal of write-downs on property, plant and equipment and intangible assets.

(b) Cash items:

- gain/loss on sale of property, plant and equipment,
- fees and compensations received,
- donations given,
- fortuitous events.

(c) Non-cash items:

- fair value measurement of investment properties,
- costs of liquidation of property, plant and equipment,
- costs of suspended investments,
- restructuring costs,
- environmental provisions, provisions for liabilities and compensation and other items (including extraordinary costs and other provisions).

Adjusted EBITDA may be adjusted for other untypical non-recurring events not listed above.

Additional information on adjustments has been presented under tables presenting the consolidated statement of profit or loss by operating segments.



OPERATING SEGMENTS OF THE CIECH GROUP

Data concerning revenue and costs, as well as data concerning assets, equity and liabilities of individual CIECH Group operating segments for the periods disclosed in the statements are presented in the tables below:

OPERATING SEGMENTS 01.01.-30.06.2022	Soda Segment	Agro Segment	Foams Segment	Silicates Segment	Packaging Segment	Other operations Segment	Corporate functions	Eliminations (consolidation adjustments)	TOTAL
Revenues from third parties	1,698,718	344,608	179,365	206,556	41,600	8,006	-	-	2,478,853
Revenue from inter-segment transactions	55,740	2	271	378	629	63,711	-	(120,731)	-
Total sales revenues	1,754,458	344,610	179,636	206,934	42,229	71,717	-	(120,731)	2,478,853
Cost of sales	(1,418,276)	(213,925)	(146,180)	(160,293)	(35,351)	(70,183)	-	93,002	(1,951,206)
Gross profit /(loss) on sales	336,182	130,685	33,456	46,641	6,878	1,534	-	(27,729)	527,647
Selling costs	(107,979)	(25,721)	(6,398)	(17,337)	(4,592)	(122)	-	26,833	(135,316)
General and administrative expenses	(74,128)	(18,550)	(2,648)	(3,227)	(2,473)	(5,964)	(53,670)	3,601	(157,059)
Result on management of receivables	348	112	24	(16)	15	(1,212)	(302)	153	(878)
Result on other operating activities	(16,032)	543	583	(2,940)	(976)	4,946	(435)	(3,033)	(17,344)
Operating profit /(loss)	138,391	87,069	25,017	23,121	(1,148)	(818)	(54,407)	(175)	217,050
Exchange differences and interest on trade settlements	(2,570)	(16,248)	11,491	365	(27)	(1,286)	(173)	-	(8,448)
Group borrowing costs	-	-	-	-	-	-	(28,572)	-	(28,572)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	-	(2,990)	-	(2,990)
Share of profit / (loss) of equity-accounted investees	450	-	-	-	-	-	-	-	450
Profit /(loss) before tax	136,271	70,821	36,508	23,486	(1,175)	(2,104)	(86,142)	(175)	177,490
Income tax	-	-	-	-	-	-	-	-	(29,942)
Net profit /(loss) on continuing operations	-	-	-	-	-	-	-	-	147,548
Net profit /(loss) for the period	-	-	-	-	-	-	-	-	147,548
Amortization/depreciation	143,106	22,506	2,287	8,228	1,624	14,009	9,126	-	200,886
EBITDA from continuing operations	281,497	109,575	27,304	31,349	476	13,191	(45,281)	(174)	417,936
Adjusted EBITDA from continuing operations*	289,088	110,765	26,565	34,198	1,624	14,371	(44,856)	(479)	431,276

*Adjusted EBITDA for the 6-month period ended 30 June 2022 is calculated as EBITDA adjusted for untypical one-off events: write-downs: -PLN 5.9 million; change in provisions: -PLN 2.6 million; fortuitous events: -PLN 1.3 million; valuation of investment properties: PLN 1.4 million; other: -4.2 PLN million.



OPERATING SEGMENTS 01.01.-30.06.2021	Soda Segment	Agro Segment	Foams Segment	Silicates Segment	Packaging Segment	Other operations Segment	Corporate functions	Eliminations (consolidation adjustments)	TOTAL*
Revenues from third parties	1,036,929	275,652	198,938	106,162	32,175	45,929	-	-	1,695,785
Revenue from inter-segment transactions	37,520	21	64	43	311	49,318	-	(87,277)	-
Total sales revenues	1,074,449	275,673	199,002	106,205	32,486	95,247	-	(87,277)	1,695,785
Cost of sales	(819,754)	(199,307)	(157,467)	(80,282)	(20,669)	(94,051)	-	67,744	(1,303,786)
Gross profit /(loss) on sales	254,695	76,366	41,535	25,923	11,817	1,196	-	(19,533)	391,999
Selling costs	(86,078)	(18,144)	(5,090)	(13,298)	(3,642)	(1,182)	-	18,653	(108,781)
General and administrative expenses	(36,639)	(15,237)	(1,900)	(2,701)	(1,525)	(4,789)	(37,210)	2,902	(97,099)
Result on management of receivables	(2,829)	166	11	1	(8)	1,273	-	-	(1,386)
Result on other operating activities	51,433	1,738	(95)	488	1,149	1,014	295	(2,908)	53,114
Operating profit /(loss)	180,582	44,889	34,461	10,413	7,791	(2,488)	(36,915)	(886)	237,847
Exchange differences and interest on trade settlements	893	(1,032)	91	(296)	78	(64)	-	-	(330)
Group borrowing costs	-	-	-	-	-	-	(24,497)	-	(24,497)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	-	(34,790)	-	(34,790)
Share of profit / (loss) of equity-accounted investees	(209)	-	-	-	-	-	-	-	(209)
Profit /(loss) before tax	181,266	43,857	34,552	10,117	7,869	(2,552)	(96,202)	(886)	178,021
Income tax	-	-	-	-	-	-	-	-	(48,271)
Net profit /(loss) on continuing operations	-	-	-	-	-	-	-	-	129,750
Net profit /(loss) on discontinued operations	-	-	-	-	-	-	-	-	62,540
Net profit /(loss) for the period	-	-	-	-	-	-	-	-	192,290
Amortization/depreciation	127,928	15,448	1,917	4,507	2,672	10,171	7,185	-	169,828
EBITDA from continuing operations	308,510	60,337	36,378	14,920	10,463	7,683	(29,731)	(883)	407,675
Adjusted EBITDA from continuing operations**	311,109	61,009	36,414	15,144	9,400	7,067	(29,638)	(882)	409,623

*Restated data. For information on the restatement of comparative data by segment, see Note 2.5 above.

** Adjusted EBITDA for the 6-month period ended 30 June 2021 is calculated as EBITDA adjusted for untypical one-off events: penalties and compensation: PLN 1.3 million; change in provisions: -2.3 PLN million; liquidation of fixed assets: -0.5 PLN million; other: -0.4 PLN million.



ASSETS AND LIABILITIES BY OPERATING SEGMENTS

	ASSETS		LIABILITIES	
	30.06.2022	31.12.2021*	30.06.2022	31.12.2021
Soda Segment	4,736,829	4,521,127	880,195	381,282
Agro Segment	824,379	783,143	143,079	138,122
Foams Segment	71,814	62,300	42,709	69,371
Silicates Segment	192,798	171,139	60,077	49,100
Packaging Segment	53,208	43,353	13,789	6,819
Other operations Segment	154,122	47,179	28,224	12,164
Corporate functions (items not assigned to other segments)	1,383,360	1,555,318	4,085,356	4,135,863
Eliminations (consolidation adjustments)	(71,049)	(48,341)	(421,426)	(43,832)
TOTAL	7,345,461	7,135,218	4,832,003	4,748,889

*Restated data. For detailed information, see Note 2.2.1 to this report. Also, short-term intangible assets have been allocated to individual segments accordingly. They were presented as unallocated items in the Consolidated Financial Statements for 2021.

The value of investments in equity-accounted entities occurs only for the assets of the Soda Segment and amounts to PLN 6,209 thousand as at 30 June 2022 (PLN 5,655 thousand as at 31 December 2021).

The value of increases in expenditure on property, plant and equipment and intangible assets by operating segment is as follows:

	30.06.2022	30.06.2021
Soda Segment	92,904	387,914
Agro Segment	11,590	11,490
Foams Segment	2,777	65
Silicates Segment	32,568	12,481
Packaging Segment	6,144	1,987
Other Segment	7,934	2,185
Corporate Functions	10,717	10,108
TOTAL	164,634	426,230

INFORMATION ON GEOGRAPHICAL AREAS

ASSETS DIVIDED ON GEOGRAPHICAL REGIONS	Non-current assets other than financial instruments	Deferred income tax assets	Other assets	Total assets
30.06.2022				
Poland	2,487,081	62,684	1,973,932	4,523,697
European Union (excluding Poland)	2,200,141	28,250	578,802	2,807,193
Other European countries	-	-	4,934	4,934
Africa	-	-	3,431	3,431
Asia	-	-	3,479	3,479
Other regions	-	-	2,727	2,727
TOTAL	4,687,222	90,934	2,567,305	7,345,461
31.12.2021*				
Poland	2,489,645	64,707	2,019,215	4,573,567
European Union (excluding Poland)	2,223,317	10,277	307,415	2,541,009
Other European countries	-	-	2,432	2,432
Africa	-	-	2,313	2,313
Asia	-	-	7,022	7,022
Other regions	-	-	8,875	8,875
TOTAL	4,712,962	74,984	2,347,272	7,135,218

*Restated data. For detailed information, see Note 2.2.1 to this report.



SALES REVENUES – GEOGRAPHICAL STRUCTURE OF SALES MARKETS

	01.01.-30.06.2022	01.01.-30.06.2021	Change 2022/2021
Poland	1,212,171	867,014	39.8%
European Union (excluding Poland)	1,161,880	748,019	55.3%
Germany	599,112	373,339	60.5%
Romania	22,557	24,653	(8.5%)
Czech Republic	132,403	76,263	73.6%
Italy	23,180	13,998	65.6%
The Netherlands	104,475	66,455	57.2%
Finland	42,935	26,649	61.1%
Sweden	15,061	12,612	19.4%
Belgium	15,293	13,309	14.9%
Denmark	32,229	20,616	56.3%
Spain	80,492	58,193	38.3%
Austria	18,671	22,343	(16.4%)
France	3,302	10,001	(67.0%)
Luxembourg	29,282	-	-
Lithuania	8,560	7,559	13.2%
Other EU countries	34,328	22,029	55.8%
Other European Countries	54,356	39,222	38.6%
Switzerland	3,131	7,829	(60.0%)
Norway	37,136	22,481	65.2%
United Kingdom	3,090	2,383	29.7%
Russia*	1,177	794	48.2%
Other European countries	9,822	5,735	71.3%
Africa	12,908	11,648	10.8%
Asia	25,349	14,946	69.6%
China	763	1,252	(39.1%)
Singapore	535	3,161	(83.1%)
Turkey	17,616	327	5287.2%
Other Asian countries	6,435	10,206	(37.0%)
Other regions	7,793	11,346	(31.3%)
Cash flow hedge adjustment	4,397	3,590	-
TOTAL	2,478,853	1,695,785	46.2%

*Sales carried out until 24 February 2022, after 24 February 2022 the contracts have been discontinued.

At the CIECH Group, sales revenues are recognised upon the completion of services or delivery of products or goods in accordance with INCOTERMS contained in contracts with customers. Detailed information on sales revenues broken down by products by operating segment is provided in Note 5.5.2 to this report.



2.6. PROVISIONS AND WRITE-DOWNS ON ASSETS

In the first half of 2022 and in the second quarter of 2022, the following changes in provisions and write-downs on assets were recognised in the consolidated financial statements of the CIECH Group.

PROVISIONS FOR EMPLOYEE BENEFITS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2022					
Long-term	15,273	362	(137)	143	15,641
Short-term	2,643	191	(302)	15	2,547
01.01.-30.06.2021					
Long-term	12,958	410	(286)	(66)	13,016
Short-term	3,100	57	(621)	(435)	2,101
01.04.-30.06.2022*					
Long-term	15,473	208	(82)	42	15,641
Short-term	3,668	155	(204)	(1,072)	2,547
01.04.-30.06.2021*					
Long-term	13,097	227	(171)	(137)	13,016
Short-term	2,142	57	(35)	(63)	2,101

*Not reviewed data.

CHANGE IN OTHER LONG-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2022					
Provision for liabilities	42,406	1,376	(485)	-	43,297
Provision for environmental protection	226,972	-	-	5,907	232,879
Provision for bonuses	1,271	-	-	92	1,363
TOTAL	270,649	1,376	(485)	5,999	277,539
01.01.-30.06.2021					
Provision for liabilities	40,776	1,010	-	1,064	42,850
Provision for environmental protection	112,485	-	-	(2,097)	110,388
TOTAL	153,261	1,010	-	(1,033)	153,238
01.04.-30.06.2022*					
Provision for liabilities	42,936	846	(485)	-	43,297
Provision for environmental protection	229,534	-	-	3,345	232,879
Provision for bonuses	1,363	-	-	-	1,363
TOTAL	273,833	846	(485)	3,345	277,539
01.04.-30.06.2021*					
Provision for liabilities	42,337	513	-	-	42,850
Provision for environmental protection	113,500	-	-	(3,112)	110,388
TOTAL	155,837	513	-	(3,112)	153,238

*Not reviewed data.

CHANGE IN OTHER SHORT-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2022					
Provision for liabilities and expected losses	82,003	15,979	(1,158)	558	97,382
Provision for environmental protection	1,663	-	(1,485)	(116)	62
Provision for bonuses	34	-	-	-	34
Provision for restructuring	111	-	-	-	111
TOTAL	83,811	15,979	(2,643)	442	97,590
01.01.-30.06.2021					
Provision for liabilities and expected losses	94,199	3,362	(2,533)	(1,659)	93,369
Provision for environmental protection	889	32	(830)	-	91
Provision for bonuses	38	-	-	-	38
Provision for restructuring	111	-	-	-	111
TOTAL	95,237	3,394	(3,363)	(1,659)	93,609



CHANGE IN OTHER SHORT-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.04.-30.06.2022*					
Provision for liabilities and expected losses	83,192	14,188	(217)	219	97,382
Provision for environmental protection	969	-	(793)	(114)	62
Provision for bonuses	34	-	-	-	34
Provision for restructuring	111	-	-	-	111
TOTAL	84,306	14,188	(1,010)	105	97,590
01.04.-30.06.2021*					
Provision for liabilities and expected losses	92,649	1,612	(53)	(840)	93,368
Provision for environmental protection	455	32	(396)	-	91
Provision for bonuses	397	(359)	-	-	38
Provision for restructuring	111	-	-	-	111
TOTAL	93,612	1,285	(449)	(840)	93,609

*Not reviewed data.

CHANGE IN IMPAIRMENT ALLOWANCES	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2022					
Property, plant and equipment	77,359	4,491	-	1,382	83,232
Intangible assets, including:	488,945	2,197	-	7,702	498,844
<i>Goodwill</i>	437,598	-	-	7,523	445,121
Long-term receivables	198	-	-	3	201
Long-term financial assets	2,420	-	(214)	-	2,206
Inventories	34,932	10,458	(4,122)	166	41,434
Short-term financial assets	28,354	-	(1)	-	28,353
Trade and other receivables	69,278	2,039	(1,556)	2,455	72,216
Cash and cash equivalents	450	13	(270)	(82)	111
TOTAL	701,936	19,198	(6,163)	11,626	726,597
01.01.-30.06.2021					
Property, plant and equipment	79,011	-	-	(2,524)	76,487
Intangible assets, including:	491,363	-	-	(10,437)	480,926
<i>Goodwill</i>	440,232	-	-	(9,532)	430,699
Long-term receivables	1,015	-	-	(21)	995
Long-term financial assets	2,415	-	-	-	2,415
Inventories	38,303	954	(4,909)	(272)	34,076
Short-term financial assets	28,343	264	(1)	-	28,606
Trade and other receivables	66,632	5,018	(3,748)	(56)	67,847
Cash and cash equivalents	316	444	(322)	42	480
TOTAL	707,399	6,680	(8,980)	(13,257)	691,832
01.04.-30.06.2022*					
Property, plant and equipment	78,280	4,491	-	461	83,232
Intangible assets, including:	493,783	2,171	28	2,862	498,844
<i>Goodwill</i>	442,501	-	-	2,620	445,121
Long-term receivables	200	-	-	1	201
Long-term financial assets	2,420	-	(214)	-	2,206
Inventories	37,210	6,454	(2,309)	79	41,434
Short-term financial assets	28,353	-	(1)	1	28,353
Trade and other receivables	70,944	1,084	(1,164)	1,352	72,216
Cash and cash equivalents	218	(31)	-	-	111



CHANGE IN IMPAIRMENT ALLOWANCES	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
TOTAL	711,408	14,169	(3,653)	4,673	726,597
01.04.-30.06.2021*					
Property, plant and equipment	78,870	-	-	(2,383)	76,487
Intangible assets, including:	495,118	-	-	(14,192)	480,926
<i>Goodwill</i>	443,549	-	-	(12,850)	430,699
Long-term receivables	1,025	-	-	(30)	995
Long-term financial assets	2,416	-	-	-	2,415
Inventories	37,131	158	(2,952)	(261)	34,076
Short-term financial assets	28,607	264	(1)	(264)	28,606
Trade and other receivables	67,448	4,144	(2,281)	(1,485)	67,849
Cash and cash equivalents	355	444	(360)	41	480
TOTAL	710,969	4,662	(5,510)	(18,574)	691,832

*Not reviewed data.

2.6.1. Information on the examination of the premises and the performed impairment tests

As at 30 June 2022, the Company assessed whether there was any impairment of property, plant and equipment. The Parent Company and key subsidiaries analyzed whether the assumptions made for the impairment tests performed previously, i.e. as at 31 December 2021, and the results of these tests are up-to-date. As a result of the analysis, it was found that:

- the identification of cash-generating units ("CGUs") within the Group and the value of the assets of individual CGUs have not changed significantly compared to the status as at December 31, 2021,
- the Group's operating results at the level of EBITDA and cash flow for the period of 6 months of 2022 are higher for the vast majority of the tested CGUs than the planned results assumed in the impairment tests at the end of 2021,
- the projected financial results for 2022 are also for the vast majority of the Group's CGUs higher than the planned results for this period, constituting the basis for impairment tests prepared at the end of 2021,
- there was an increase in the risk-free interest rate, which resulted in an increase in the weighted average cost of capital for the Group and, consequently, an increase in the discount rate,
- the general increase in operating costs (including, in particular, the increase in the cost of raw materials and salaries) was largely reflected also on the revenue side,
- simulations carried out for the CGU at the Parent and in key subsidiaries based on the assumptions of the test conducted at the end of 2021 updated with a higher discount rate and the test carried out for one of the CGUs based on fully updated assumptions indicate that the recoverable amount of the tested assets exceed their book value.

Taking into account the above circumstances, it was concluded that the estimates of the recoverable amount resulting from the previously performed tests remain valid as at June 30, 2022, therefore it is not necessary to make additional impairment write-offs, and there are no premises for the release of impairment losses of property in prior periods.

2.6.2. Detailed information on significant write-downs

In connection with the suspension of production by a subsidiary, CIECH Soda Romania S.A. in 2019, resulting from the discontinuation of supplies of process steam by its supplier, S.C. CET Govora S.A., the CIECH Group evaluated the evidence of impairment of assets, based on possible scenarios of actions. Following the analysis, the Group recognised a write-down on property, plant and equipment in the total amount of PLN 73,486 thousand as at 31 December 2019. The status of the Romanian plant has not changed compared to the status at the end of 2019. In 2022, the Group continues to identify the reasons for the decision to recognise a write-down in previous years.

At the same time, the Group still continues analyses of the possibility of obtaining a new source of steam at a reasonable cost and long-term cooperation in the supply of other raw materials necessary for production (guaranteeing cost predictability in



subsequent years). The result of these analyses may affect the amount of write-downs recognised in the consolidated financial statements of the CIECH Group for subsequent reporting periods.

For details on the write-down recognised in previous periods, see Note 3.4.1 to the Consolidated Financial Statements of the CIECH Group for 2021, published on 29 March 2022.

2.7. INCOME TAX, DEFERRED TAX ASSETS AND LIABILITY

The main components of tax expense include:

THE MAIN COMPONENTS OF TAX EXPENSE (TAX INCOME)	01.01.-30.06.2022	01.01.-30.06.2021
Current income tax	(48,716)	(38,482)
Deferred tax	18,774	(9,789)
INCOME TAX RECOGNISED IN STATEMENT OF PROFIT OR LOSS	(29,942)	(48,271)

Deferred income tax is attributable to the following items:

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITIES	30.06.2022			31.12.2021		
	Total assets	Total liabilities	Net value	Total assets	Total liabilities	Net value
Property, plant and equipment	4,186	166,864	(162,678)	3,129	172,484	(169,355)
Intangible assets	626	20,239	(19,613)	2,237	20,945	(18,708)
Right-of-use assets	-	4,585	(4,585)	-	4,619	(4,619)
Investment properties	1,794	1,107	687	1,507	1,106	401
Long-term receivables	796	3,108	(2,312)	796	3,551	(2,755)
Financial assets	767	8,980	(8,213)	768	7,401	(6,633)
Inventories	2,741	681	2,060	1,840	331	1,509
Trade and other receivables	4,095	7	4,088	3,480	2	3,478
Provisions for employee benefits	3,325	11	3,314	3,618	-	3,618
Other provisions	71,102	11,350	59,752	68,407	-	68,407
Tax losses carried forward	90,204	-	90,204	83,194	-	83,194
Foreign exchange differences	20,583	2,370	18,213	400	1,665	(1,265)
Liabilities	74,260	3,428	70,832	48,171	2,812	45,359
Special economic zone	82,275	-	82,275	101,341	-	101,341
Other	2,316	2,689	(373)	(978)	8,276	(9,254)
Deferred tax assets/liabilities	359,070	225,419	133,651	317,910	223,192	94,718
Set-off of deferred tax assets/ liabilities	(200,803)	(200,803)	-	(174,068)	(174,068)	-
Unrecognised deferred tax assets	(67,333)	-	(67,333)	(68,858)	-	(68,858)
Deferred tax assets/liabilities as recognised in the balance sheet	90,934	24,616	66,318	74,984	49,124	25,860

In the light of provisions of the General Anti-Avoidance Rule (“GAAR”), applicable as of 15 July 2016 and aimed at preventing the origination and use of factitious legal structures designed to avoid payment of taxes in Poland, the Management Board of the Parent Company considered the impact of transactions which could potentially be subject to the GAAR regulations on the deferred tax, tax value of assets and deferred tax provisions. In the opinion of the Management Board, the analysis conducted did not demonstrate the need to adjust the reported current and deferred income tax items. However, in the opinion of the Management Board, there is an inherent uncertainty arising from GAAR that tax authorities will interpret these provisions differently, will change their approach to their interpretation or the rules themselves will change, which may affect the ability to utilise the deferred tax assets in future periods and the possible payment of an additional tax for past periods.



2.8. INFORMATION ON FAIR VALUE OF FINANCIAL INSTRUMENTS

The following list presents the fair value of financial instruments.

Classes of financial instruments	30.06.2022		31.12.2021		Categories of financial instruments
	Carrying amount	Fair value	Carrying amount	Fair value	
Cash and cash equivalents	634,806	634,806	799,023	799,023	Financial assets measured at amortised cost
Loans granted	251	251	133	133	Financial assets measured at amortised cost
Trade receivables	304,986	304,986	209,231	209,231	Financial assets measured at amortised cost
Hedging derivatives with positive value	192,362	192,362	101,672	101,672	Financial assets at fair value through other comprehensive income
Derivatives with positive value	631	631	1,210	1,210	Financial assets measured at fair value through profit or loss
Factoring receivables	73,448	73,448	33,660	33,660	Financial assets measured at amortised cost
ASSETS	1,206,484	1,206,484	1,144,929	1,144,929	
Credits and loans	(1,862,226)	(1,872,435)	(1,859,441)	(1,870,822)	Financial assets measured at amortised cost
Trade liabilities	(744,798)	(744,798)	(614,596)	(614,596)	Financial assets measured at amortised cost
Hedging derivatives with negative value	(188,796)	(188,796)	(138,485)	(138,485)	Financial liabilities measured at fair value through profit or loss.
Derivatives recognised in financial liabilities	(1,862)	(1,862)	(13,215)	(13,215)	Financial liabilities measured at fair value through profit or loss.
Factoring liabilities	(31,639)	(31,639)	(23,078)	(23,078)	Financial assets measured at amortised cost
LIABILITIES	(2,829,321)	(2,839,530)	(2,648,815)	(2,660,196)	

The fair value of financial assets and liabilities corresponds with the amounts for which these instruments may be exchanged in a market transaction between well informed parties. The following assumptions were made in establishing the fair value:

- cash, trade receivables and liabilities are not measured at fair value – it is assumed that the carrying amount is the closest to fair value due to the short maturities of these instruments,
- fair value of financial assets and liabilities recognised in the statement of financial position at amortised cost for which no active market exists was established as the present value of future cash flows discounted at market interest rate.

Measurement at fair value is grouped according to three-level hierarchy:

- Level 1 – fair value based on market listing, stock exchange prices (unadjusted) offered for identical assets or liabilities on active markets.
- Level 2 – the CIECH Group values derivatives at fair value by using measurement models for financial instruments and applying generally available interest rates, currency exchange rates and adjusting for estimated own credit risk.
- Level 3 – fair value estimated on the basis of various evaluation techniques which are, however, not based on observable market inputs.

Assets and liabilities measured at fair value	30.06.2022			31.12.2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS	-	192,993	34,689	-	102,882	32,839
Investment properties	-	-	34,689	-	-	32,839
Hedging instruments	-	192,362	-	-	101,672	-
Derivative instruments with positive valuation	-	631	-	-	1,210	-
LIABILITIES	-	(190,658)	-	-	(151,700)	-
Hedging instruments	-	(188,796)	-	-	(138,485)	-
Derivative instruments with negative valuation	-	(1,862)	-	-	(13,215)	-
TOTAL	-	2,335	34,689	-	(48,818)	32,839



As at 30 June 2022, the CIECH Group held the following types of financial instruments measured at fair value:

- concluded by the parent company, CIECH S.A.: interest rate swap contracts, currency and interest rate swaps EUR/PLN — Level 2, according to the fair value hierarchy,
- currency forwards concluded by CIECH S.A. — Level 2, according to the fair value hierarchy,
- gas and electricity price index swaps concluded by CIECH Energy Deutschland GmbH to hedge the risk of rising gas and energy prices – Level 2, according to the fair value hierarchy,
- EUR/PLN currency forwards concluded by CIECH Soda Polska S.A. to hedge changes in the purchase value of CO₂ emission allowances depending on the EUR/PLN exchange rate - Level 2, according to the fair value hierarchy,

In the first half of 2022, there were no transfers within the fair value hierarchy of instruments measured at fair value. There were no changes in the classification of financial instruments, or in business conditions that could affect the fair value of financial assets or liabilities.

As compared to the previous reporting period, the CIECH Group has not made any changes in methods of measurement of financial instruments held. The descriptions of methods of measurement to fair value was presented in Note 8.4 to the Consolidated Financial Statements of the CIECH Group for 2021, published on 29 March 2022.

In the consolidated financial statements, all of the concluded financial instruments described above (except for one of the EUR/PLN forward currency contracts and commodity transactions, which are not measured due to the application of the "own use exemption" principle) have been qualified for hedge accounting.

In the separate financial statements, interest rate swap contracts have been qualified for hedge accounting.

Fair value of derivative instruments

	Long-term financial assets	Short-term financial assets	Other long-term liabilities	Trade and other liabilities	TOTAL
30.06.2022					
IRS EUR	3,328	736	-	-	4,064
IRS PLN	-	20,781	-	-	20,781
CIRS	-	152,325	(105,076)	(66,472)	(19,223)
Forward EUR/PLN	-	996	-	(3,838)	(2,842)
Gas SWAP	-	14,827	-	(15,272)	(445)
TOTAL	3,328	189,665	(105,076)	(85,582)	2,335
31.12.2021					
IRS EUR	662	-	-	(136)	526
IRS PLN	-	13,437	-	-	13,437
CIRS	-	85,607	(91,857)	(59,707)	(65,957)
Forward EUR/PLN	-	3,176	-	-	3,176
TOTAL	662	102,220	(91,857)	(59,843)	(48,818)

2.9. INFORMATION ON PURCHASE AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT AND CONTRACTUAL COMMITMENTS FOR THE ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

In the period from 1 January to 30 June 2022, the CIECH Group carried out the following transactions increasing and decreasing the gross value of property, plant and equipment:



01.01.-30.06.2022	Land	Buildings, premises, civil and marine engineering structures	Machinery and equipment	Means of transport	Other fixed assets	Property, plant and equipment under construction	TOTAL
Adjusted gross value of property, plant and equipment as at 31.12.2021*	90,153	1,412,756	3,962,341	96,890	67,740	1,185,060	6,814,940
Purchase	-	-	-	-	-	146,024	146,024
Reclassifications	-	330,730	561,355	7,923	5,587	(900,722)	4,873
Capitalised borrowing costs	-	-	-	-	-	7,815	7,815
Foreign exchange differences	1,582	9,141	29,316	393	287	11,280	51,999
Sale	-	(78)	(9,725)	(609)	(12)	(10)	(10,434)
Liquidation	-	(974)	(10,196)	-	(192)	-	(11,362)
Transfer to intangible assets	-	-	-	-	-	(7,298)	(7,298)
Other	-	863	(1,200)	(44)	(238)	-	(619)
Gross value of property, plant and equipment at the end of the period	91,735	1,752,438	4,531,891	104,553	73,172	442,149	6,995,938

*Restated data. For detailed information, see Note 2.2.1 to this report.

Purchases of property, plant and equipment were made with own financial resources and credit facilities. As at 30 June 2022, commitments to purchase property, plant and equipment amounted to PLN 160,765 thousand (PLN 171,655 thousand as at 31 December 2021). The increase in the value of property, plant and equipment is related to investment projects carried out in the CIECH Group, mainly in the production companies of the Group.

2.10. INFORMATION ON LOAN AGREEMENTS, INCLUDING OVERDUE DEBTS OR OTHER VIOLATIONS OF DEBT-RELATED AGREEMENTS

During the period covered by these financial statements, no loan agreement was called to maturity and there were no violations of payment terms for repayment of principal or interest due in relation to financial liabilities recognised in the balance sheet.

All information concerning the financing conditions, which results from the agreements and arrangements with the banks, has been presented in the Management Board Report on activities of the CIECH Group and CIECH S.A. in 2021, published on 29 March 2022.

2.11. INFORMATION ON TRANSACTIONS WITH RELATED ENTITIES

Transactions between the parent, CIECH S.A., and its subsidiaries were eliminated during consolidation and have not been presented in this note.

Detailed information about transactions between the CIECH Group and other related entities (i.e. companies controlled by the parent company at the highest level in relation to CIECH S.A. — Kulczyk Investments S.A., non-consolidated companies of the CIECH Group, and with the Polenergia Group companies - linked via a personal relationship with the ultimate parent company of CIECH S.A.) is presented below:

TRANSACTIONS BETWEEN CONSOLIDATED ENTITIES AND OTHER RELATED PARTIES	01.01.-30.06.2022	01.01.-30.06.2021
Revenues from sales of products and services, including:	2,778	2,074
<i>associates</i>	2,446	1,126
Revenues from sales of goods and materials, including:	16,435	19,534
<i>associates</i>	14,413	10,989
Other operating income, including:	8	8
<i>associates</i>	8	8
Purchases of products, goods and materials	65,438	30,963
Purchase of services, including:	15,957	19,670
<i>KI One S.A.</i>	104	95



TRANSACTIONS BETWEEN CONSOLIDATED ENTITIES AND OTHER RELATED PARTIES	01.01.-30.06.2022	01.01.-30.06.2021
<i>associates</i>	11,794	12,379
Other operating expenses, including:	-	3,436
<i>associates</i>	-	3,436
Financial expenses	740	-
	30.06.2022	31.12.2021
Trade receivables	6,671	6,329
Trade liabilities, including:	34,623	28,215
<i>associates</i>	2,792	3,460

Terms of transactions with related entities

The CIECH Group companies, to the best of their knowledge and belief, did not conclude significant transactions on the terms other than market ones. Sales to and purchases from related entities are carried out on terms which do not differ from arm's length terms. Liabilities and receivables are not secured and are settled through bank transfers. No material non-standard or non-routine transactions were concluded with related entities in the first half of 2022, except for the transactions described in section 5.3 hereof.

In the presented period, the key management personnel of CIECH S.A. did not conclude any material transactions with members of the CIECH Group.

2.12. ISSUE, REDEMPTION AND REPAYMENT OF DEBT SECURITIES AND EQUITY SECURITIES IN THE CIECH GROUP

In the presented period, the CIECH Group companies did not issue, redeem or repay any debt or equity securities.

2.13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES, INCLUDING GUARANTEES AND SURETIES

	30.06.2022	31.12.2021
Contingent assets	20,609	21,933
Other contingent receivables*	20,609	21,933
Contingent liabilities	458,604	427,034
Guarantees and sureties granted	1,646	-
Tax liabilities (including interest)	88,694	89,299
Letters of support	254,157	214,792
Emission allowances**	49,952	48,905
Promissory notes***	36,880	42,859
Other****	27,275	31,179

* Including:

- Contingent asset in the amount of PLN 18,864 thousand related to the action against GZNF "FOSFOR" Sp. z o.o. for the payment of compensation for making an alleged untrue declaration by GZNF "FOSFOR" Sp. z o.o. to CIECH S.A. about the condition of Agrochem Człuchów Sp. z o.o. with its registered office in Człuchów.
- As at 30 June 2022, a contingent asset recognised by CIECH Soda Polska S.A. amounted to PLN 1,745 thousand – it is the value of energy efficiency certificates received from the President of the Energy Regulatory Office in previous years that have not been recorded yet in the account kept by the Polish Power Exchange.

** Relates to emission allowances received in CIECH Soda Romania S.A. related to the risk of their return due to the suspension of production at CIECH Soda Romania S.A.

*** Including:

- contingent liabilities in CIECH R&D Sp. z o.o. resulting from promissory notes relating to subsidies received for investment projects aimed at developing and optimising production processes in the amount of PLN 10,083 thousand,
- contingent liabilities in CIECH R&D Sp. z o.o. resulting from promissory notes relating to subsidies received for the purchase of rolling stock the amount of PLN 14,200 thousand,



- contingent liabilities in CIECH Sarzyna S.A. resulting from promissory notes relating to subsidies received for developing and testing a group of agrochemical preparations and for developing and verifying herbicide production technology in the total amount of PLN 7,423 thousand,
- contingent liabilities in Smart Fluid Sp. z o.o. resulting from promissory notes relating to subsidies received for research and development projects in the amount of PLN 4,904 thousand.

**** Including:

- contingent liabilities in CIECH Soda Polska S.A.: from environmental penalty fees in the amount of PLN 11,618 thousand, from subsidies received – PLN 11,050 thousand, resulting from other grounds – PLN 1,107 thousand.

As at 30 June 2022, contingent liabilities amounted to PLN 458,604 thousand and increased by 31,570 thousand compared to the level recorded on 31 December 2021. The change was mainly due to the receipt of payments for caverns covered by the Letter of Support.

Other guarantees and sureties granted are described in Note 9.2 to the Consolidated Financial Statements of the CIECH Group for 2021, published on 29 March 2022.

Audits of tax settlements at the CIECH Group and related contingent liabilities

In the first half of 2022, the CIECH Group companies were involved, at various stages of proceedings, in inspections, tax proceedings or administrative court cases concerning the settlement of corporate income tax (CIT) and value added tax (VAT).

The CIECH Group companies were subject to CIT proceedings concerning the following years:

- a) 2012 – at CIECH S.A.
- b) 2013 – at CIECH S.A.
- c) 2014 – at CIECH S.A.
- d) 2015 – at CIECH Soda Polska S.A.
 - at CIECH Pianki Sp. z o.o.
 - at CIECH Cargo Sp. z o.o.
 - at CIECH Sarzyna S.A.
 - at CIECH Vitrosilicon S.A.
- e) 2016 – at CIECH Sarzyna S.A.
 - at CIECH S.A.

CIT audit for 2012 at CIECH S.A. was initiated by the Head of the Małopolskie Province Customs and Tax Office in Kraków on 5 April 2018. CIECH S.A. received the outcome of the audit on 4 July 2018. The tax authority challenged the transaction concerning the capital increase in the former subsidiary. In the opinion of the authority, making a cash contribution by means of a contractual set-off of mutual receivables gives rise to income on the part of the Company for which, according to the auditors, the company cannot recognise a cost. The company's management board and its tax advisors do not agree with the findings made by the auditors

In December 2018, the company received a decision of the Head of the Małopolskie Province Customs and Tax Office in Kraków, upholding the previous position of the authority. The Company contested the position and filed an appeal. In April 2019, the Company received a decision of the second instance, upholding the decision of the first instance. In April and May 2019, the Company paid up the outstanding tax along with interest in three tranches in the total amount of PLN 66.4 million (tax: PLN 43.7 million, interest: PLN 22.7 million). The disputed amount of tax and interest were covered by the provision recognised in 2018, which was used as a result of their payment. CIECH S.A. appealed against the decision of the second instance to the Provincial Administrative Court in Kraków. On 9 October 2019, the Provincial Administrative Court issued a ruling in which it confirmed the approach presented by the authority. The court indicated that the company was obliged to recognise the income and did not have the right to recognise the tax deductible cost. After receipt of a written statement of reasons, the company lodged a cassation appeal with the Supreme Administrative Court on 23 December 2019. At present, the company is waiting for the date of the hearing to be set.

CIT audit for 2013 at CIECH S.A. was initiated by the Tax Audit Office in Warsaw on 30 November 2016. The tax audit report was issued on 16 May 2017. The authority claims that the Company has overestimated the tax deductible cost of interest on cash obtained as a result of the issue of bonds and allocated to the reserve capital of CIECH Soda Deutschland GmbH & Co. KG. Moreover, the authority is of the opinion that the fee for the "CIECH" trademark should not be recognised by CIECH S.A. as a tax deductible cost.



The tax base challenged by the authority is PLN 9.4 million (after taking into account the tax loss incurred in the audited year), which translates into a tax of PLN 1.8 million.

The company and its advisors did not agree with the findings of the auditors and as a result of the tax proceedings, the Decision of the First Instance was issued, against which the company filed an appeal in 2017. On 14 March 2018 CIECH S.A. received the decision of the Second Instance in which the auditors upheld their findings contained in the Decision of the First Instance.

The company appealed to the Provincial Administrative Court against this decision. Despite this, the company decided to pay tax in the amount of PLN 1.8 million and interest (PLN 0.3 million) on 10 April 2018. The Court made its decision on 6 June 2019. The Court complied with the CIECH S.A. appeal as regards the costs of trademark fees, repealing the decision of the second instance. However, as regards the costs of consulting and financing of Soda Deutschland, the Court adjudicated that said costs could not constitute tax costs. After receipt of a written statement of reasons, the company lodged a cassation appeal with the Supreme Administrative Court (hereinafter referred to as the "SAC") in September 2019. On 6 July 2022, the SAC rendered a judgement in which it dismissed the Company's cassation appeal. The court upheld the auditors' position and denied the Company the right to recognise interest on external financing earmarked for the reserve capital in CIECH Soda Deutschland GmbH & Co. KG and the expense in relation to tax consultancy as tax costs. The SAC judgement in respect of the two matters is final and binding. As far as the fee for the use of the CIECH trademark is concerned, the SAC found that the office that had carried out the audit did not clarify the matter in depth and, therefore, the SAC referred the matter for reconsideration by the office. On 26 July 2022, the Company received a written justification of the SAC's judgement.

CIT audit for 2014 at CIECH S.A. was initiated by the Head of the Małopolskie Province Customs and Tax Office in Kraków (hereinafter: Head of the Małopolskie Province Customs and Tax Office in Kraków) on 13 November 2019. The Company received the outcome of the audit on 22 May 2020. The authority claims that the Company has overestimated the tax deductible cost by including interest on external financing contributed to the capital reserves of Soda Deutschland Ciech GmbH (hereinafter: SDC) and the costs of obtaining this financing in tax deductible costs. Moreover, the authority is of the opinion that expenses incurred on account of trade mark fees paid to the CIECH Group company should not be recognised by CIECH S.A. as a tax deductible cost. The taxable amount challenged by the authority is PLN 32.5 million which translates into a potential tax liability of PLN 6.2 million. The Company does not agree with the findings made by the auditors. As a result, the customs and fiscal audit was converted into tax proceedings. On 15 October 2020, the Company received a report on the audit of the books in which the Head of the Małopolskie Province Customs and Tax Office leaves only the charge that the company overestimated the tax deductible cost by including interest on external financing contributed to the capital reserves of SDC and the costs of obtaining this financing in tax deductible costs (the taxable amount is PLN 22.6 million which translates into a potential tax liability of PLN 4.3 million). Thus, the office has refrained from questioning the expenses incurred for trade mark fees as a tax deductible cost. In the same month, the company submitted objections to the report on the audit of the books.

In addition, on 6 October 2020 the company received from the Head of the Małopolskie Province Customs and Tax Office a notice of suspension, as of 1 September 2020, of the statute of limitations for tax liabilities for 2014 due to the initiation of proceedings for a fiscal offence.

On 28 February 2022, the Company received the Order of the Head of the Małopolskie Province Customs and Tax Office to suspend the Tax proceedings, in which the Auditing Authority indicates that the consideration of the case and the issue of the decision depends on the resolution of the preliminary issue by another authority or court, and the proceedings before the Supreme Administrative Court regarding the dispute on the settlement of the corporate income tax for 2013 is directly related to the correct settlement of corporate income tax for 2014.

In connection with the received Supreme Administrative Court's judgement regarding the settlement of corporate income tax for 2013, the Company created a provision for tax liabilities and related interest in the amount of PLN 4.3 million. Therefore, this amount is no longer recognised in contingent liabilities.

CIT audit for 2015 at CIECH Soda Polska S.A. was initiated by the Head of the Kujawsko-Pomorskie Province Tax Office in Bydgoszcz on 10 October 2016. On 7 March 2017, the tax office issued the tax audit report. The irregularities found result primarily from the fact that the auditors challenged the company's right to settle the loss from participation in a partnership – as was the case for CIECH Pianki Sp. z o.o., CIECH Cargo Sp. z o.o., CIECH Vitrosilicon S.A., CIECH Sarzyna S.A. The Company and its tax advisors do not agree with the position of the auditors. In June 2019, CIECH Soda Polska S.A. received a decision of the Head of the Kujawsko-Pomorskie Tax Office in Bydgoszcz (decision of the first instance), according to which the company had understated - due to its participation in a partnership - its tax liabilities by PLN 3.9 million. The Company appealed against said decision. On 9 September 2019, the company received a decision (decision of the second instance) issued by the Head of the Tax Administration Chamber in Bydgoszcz, in which the latter upheld the findings of the decision



of the First instance. The decision issued by the second instance authority is enforceable. Therefore, the company was obliged to pay the overdue tax (as per the tax auditors) in the amount of PLN 3.9 million (the tax base challenged by the tax authorities was PLN 20.4 million) plus interest due in the amount of PLN 1 million. On 9 October 2019, the company appealed to the Provincial Administrative Court in Bydgoszcz against the decision of the Second Instance. At a hearing on 11 December 2019, after considering the appeal filed by the Company, the Provincial Administrative Court issued a ruling annulling the decision issued by the Head of the Tax Administration Chamber in Bydgoszcz in its entirety. In February 2020, Head of the Tax Administration Chamber in Bydgoszcz lodged a cassation appeal with the Supreme Administrative Court. At present, the company is waiting for the date of hearing to be set.

CIT audit for 2015 at CIECH Pianki Sp. z o.o. was initiated by the Head of the Kujawsko-Pomorskie Province Tax Office in Bydgoszcz on 22 November 2016. On 3 March 2017, the tax office issued the tax audit report. As was the case for CIECH Soda Polska S.A., CIECH Cargo Sp. z o.o., CIECH Vitrosilicon S.A., CIECH Sarzyna S.A., the authority challenged the company's right to settle the loss from participation in a partnership.

The Company and its tax advisors do not agree with the position of the auditors. In June 2019, CIECH Pianki Sp. z o.o. received a decision of the Head of the Kujawsko-Pomorskie Tax Office in Bydgoszcz (decision of the first instance), according to which the company had understated - due to its participation in a partnership - its tax liabilities by PLN 2.6 million. The Company appealed against said decision. On 9 September 2019, the company received a decision (decision of the Second instance) issued by the Head of the Tax Administration Chamber in Bydgoszcz, in which the latter upheld the findings of the decision of the First instance. The decision issued by the second instance authority is enforceable. Therefore, the company was obliged to pay the overdue tax (as per the tax auditors) in the amount of PLN 2.6 million (the tax base challenged by the tax authorities was PLN 13.8 million) plus the interest due in the amount of PLN 0.7 million. On 9 October 2019, the company appealed to the Provincial Administrative Court in Bydgoszcz against the decision of the Second Instance. At a hearing on 11 December 2019, after considering the appeal filed by the Company, the Provincial Administrative Court issued a ruling annulling the decision issued by the Head of the Tax Administration Chamber in Bydgoszcz in its entirety. In February 2020, Head of the Tax Administration Chamber in Bydgoszcz lodged a cassation appeal with the Supreme Administrative Court. At present, the company is waiting for the date of hearing to be set.

CIT audit for 2015 at CIECH Cargo Sp. z o.o. was initiated by the Head of the Kujawsko-Pomorskie Province Tax Office in Bydgoszcz on 23 January 2017. On 14 June 2017, the tax office issued the tax audit report. As was the case for CIECH Pianki Sp. z o.o., CIECH Soda Polska S.A., CIECH Vitrosilicon S.A., CIECH Sarzyna S.A., the authority challenged the company's right to settle the loss from participation in a partnership. The Company and its tax advisors do not agree with the position of the auditors. In June 2019, CIECH Cargo Sp. o.o. received a decision of the Kujawsko-Pomorskie Tax Office Head in Bydgoszcz (decision of the First instance), according to which the company had understated - due to its participation in a partnership - its tax obligations in the amount of PLN 1.7 million. The Company appealed against said decision. On 9 September 2019, the company received a decision (decision of the Second instance) issued by the Head of the Tax Administration Chamber in Bydgoszcz, in which the latter upheld the findings of the decision of the First instance. The decision issued by the second instance authority is enforceable. Therefore, the company was obliged to pay the overdue tax (as per the tax auditors) in the amount of PLN 1.7 million (the tax base challenged by the tax authorities was PLN 8.8 million) plus the interest due in the amount of PLN 0.5 million. On 9 October 2019, the Company appealed to the Provincial Administrative Court in Bydgoszcz against the decision of the Second Instance. At a hearing on 11 December 2019, after considering the appeal filed by the Company, the Provincial Administrative Court issued a ruling annulling the decision issued by the Head of the Tax Administration Chamber in Bydgoszcz in its entirety. In February 2020, Head of the Tax Administration Chamber in Bydgoszcz lodged a cassation appeal with the Supreme Administrative Court. At present, the company is waiting for the date of hearing to be set.

CIT audit for 2015 at CIECH Vitrosilicon S.A. was initiated by the Head of the Lubuskie Province Customs and Tax Office in Gorzów Wielkopolski on 19 April 2018. The company received the outcome of the audit on 4 January 2019. As was the case for CIECH Soda Polska S.A., CIECH Cargo Sp. z o.o., CIECH Pianki Sp. z o.o., CIECH Sarzyna S.A., the authority challenged the company's right to settle the loss from participation in a partnership. The Company and its tax advisors do not agree with the position of the auditors. If the unfavourable position of the authority is upheld, an obligation may arise to pay tax arrears in the amount of PLN 2.7 million (the tax base challenged by the authority is PLN 14.4 million) plus with interest due. Tax proceedings are currently underway.

In addition, on 12 March 2021 the company received from the Head of the Lubuskie Province Customs and Tax Office a notice of suspension, as of 1 February 2021, of the statute of limitations for tax liabilities for 2015 due to the initiation of proceedings for a fiscal offence.



On 1 June 2022, the Company received a Decision of the Head of the Lubuskie Province Customs and Tax Office in Gorzów Wielkopolski dated 31 May 2022, in which the authority determined the amount of corporate income tax liability for 2015, namely PLN 2.7 million. On 15 June 2022, the Company sent an appeal against the decision of the Head of the Lubuskie Province Customs and Tax Office. The company is currently awaiting the decision of the second instance authority.

CIT audit for 2015 at CIECH Sarzyna S.A. was initiated by the Head of the Podkarpackie Province Tax Office in Rzeszów on 6 February 2017. On 7 November 2017, the tax office issued the audit report. As was the case for CIECH Pianki Sp. z o.o., CIECH Soda Polska S.A., CIECH Vitrosilicon S.A., CIECH Cargo Sp. z o.o., the authority challenged the company's right to settle the loss from participation in a partnership. In addition, the authority challenged the company's right to include the fee for the trademark and interest on loans paid in advance in tax deductible costs. The Company and its tax advisors do not agree with the position of the auditors. On 2 December 2021, the Company received a Decision of the Head of the Podkarpackie Province Tax Office in Rzeszów of 19 November 2021. In the Decision issued, the Office further questions the company's right to settle the loss from participation in a partnership and the right to include the trademark fee as a tax deductible cost. The Office, on the other hand, upheld the Company's arguments and abandoned the questioning of loan interest as a tax deductible cost. Although the Decision is not due, on 2 December 2021 the company paid tax and interest (tax in the amount of PLN 6.4 million, interest of PLN 1 million). On 16 December 2021, the Company filed an appeal against the Decision of the Head of the Podkarpackie Province Tax Office in Rzeszów. The company is currently awaiting the decision of the second instance authority.

In addition, on 21 December 2021 the company received from the Head of the Podkarpackie Province Tax Office in Rzeszów a notice of suspension, as of 3 December 2021, of the statute of limitations for tax liabilities for 2015 due to the initiation of penal-fiscal proceedings (Penal Fiscal Code).

CIT audit for 2016 at CIECH Sarzyna S.A. was initiated by the Head of the Podkarpackie Province Tax Office in Rzeszów on 26 February 2018. On 11 January 2019, the tax office issued the audit report. According to the authority, the expenses incurred by the company in 2016 for the use of Chwastox trademarks cannot be classified as tax deductible costs. Additionally, the authority claims that the company may not offset the loss for 2015 in the annual return for 2016. The Company and its tax advisors do not agree with the position of the auditors. If the unfavourable position of the authority is upheld, an obligation may arise to pay tax arrears in the amount of PLN 4.8 million (the tax base challenged by the authority is PLN 25.1 million) plus interest due. Tax proceedings are currently underway.

CIT audit for 2016 at CIECH S.A. On 25 May 2021, CIECH S.A. received from the Head of the Małopolskie Province Customs and Tax Office in Kraków an authorisation to carry out a customs and fiscal audit with regard to corporate income tax (CIT) for 2016. On 25 July 2022, the Company received a decision of the Head of the Małopolskie Province Customs and Tax Office to suspend the tax proceedings, in which the Auditing Authority indicates that the dispute between CIECH S.A. and the Head of the Tax Administration Chamber in Warsaw regarding the settlement of corporate income tax for 2013 is directly related to the correct settlement of corporate income tax for 2016. In view of the above, the Head of the Małopolskie Province Customs and Tax Office in Kraków suspended the customs and fiscal audit.

The total amount of possible tax burden is PLN 108.6 million, of which, following the decisions of the second instance regarding CIT (2012 and 2013) at CIECH S.A., and CIT (2015) at CIECH Soda Polska S.A., CIECH Pianki Sp. z o.o. and CIECH Cargo Sp. z o.o., despite further litigation at the judicial stage, and also following the decision of the first instance in the case of CIECH Sarzyna S.A., Iso despite further litigation, a total tax amount of PLN 60.1 million has been paid (PLN 1.8 million of this amount is reported as receivables from the Tax Office, all of which was covered by a write down) plus interest in a total amount of PLN 26.2 million.

A provision has been recognised to cover a potential tax liability in the amount of PLN 46.2 million. The remaining amount, i.e. PLN 2.3 million and potential interest thereon is not covered by a provision and constitutes a contingent liability.

The CIECH Group companies were subject to VAT audits/proceedings concerning the following years:

- a) Fourth quarter of 2013
 - at Verbis Kappa Sp. z o.o. S.K.A.
 - at Verbis ETA Sp. z o.o. S.K.A.
- b) December 2014 – at Cerium Finance Sp. z o.o.
- c) January–June 2018 – at CIECH Trading Sp. z o.o.



VAT audit for the fourth quarter of 2013 at Verbis Kappa Sp. z o.o. S.K.A. was initiated by the Head of the Małopolskie Province Customs and Tax Office in Kraków on 6 April 2018. The company received the outcome of the audit on 11 June 2018. The authority challenged the right to deduct VAT on part of the contribution in kind made to the share premium. According to the authority, the taxable amount of the contribution received is the amount equal to the nominal value of the shares acquired. The market value of the in-kind contribution less the amount of VAT was recognised as the taxable amount in the invoice received by the company. Consequently, according to the authority, the company deducted the input tax in the amount to which it was not entitled. The taxable amount challenged by the authority is PLN 35.7 million which translates into a tax of PLN 8.2 million.

The Company and the other party to the transaction, i.e. CIECH Sarzyna S.A., filed motions for tax rulings. The Director of the National Revenue Information agreed with the position of CIECH Sarzyna S.A. presented in the motion that the taxable amount of the in-kind contribution made in 2013 was the value of the contribution, i.e. the market value of the in-kind contribution less the amount of VAT. Taking into account the positive interpretation concerning the taxable amount (an interpretation received after the event that is the subject of the dispute) and the case-law line that existed until the end of 2013, the issuer of the invoice, i.e. CIECH Sarzyna S.A., and its advisors believe that the taxable amount should be the market value of the in-kind contribution less the amount of VAT. Therefore, the company did not make a VAT correction, considering that the tax treatment of the in-kind contribution made in 2013 was correct. On 7 August 2019, the company received a Decision of the Head of the Małopolskie Province Customs and Tax Office in Kraków, upholding the previous position of the authority, that the company had no right to deduct VAT in the amount of PLN 8.2 million. The Company and its advisors did not agree with the findings set forth in the Decision and appealed against it. On 14 November 2019, the company received a Decision of the second instance, where the Head of the Małopolskie Province Customs and Tax Office upheld the decision of the first instance in its entirety. The decision issued by the second instance authority is enforceable. Therefore, the company was obliged to pay the overdue VAT (as per the tax auditors) in the amount of PLN 8.2 million plus the interest due in the amount of approx. PLN 3.9 million. On 13 December 2019, the Company appealed against the decision of the second instance to the Provincial Administrative Court in Kraków. At a hearing on 22 July 2020, after considering the appeal filed by the Company, the Provincial Administrative Court issued a ruling dismissing the complaint filed by the Company, accepting the position of the Małopolskie Province Customs and Tax Office in Kraków. The company received a written statement of reasons for the judgement and lodged a cassation appeal with the Supreme Administrative Court in November 2020. At present, the company is waiting for the date of the hearing to be set.

VAT audit for the fourth quarter of 2013 at Verbis ETA Sp. z o.o. S.K.A. was initiated by the Head of the Małopolskie Province Customs and Tax Office in Kraków on 5 April 2018. The company received the outcome of the audit on 16 June 2018. The authority challenged the right to deduct VAT on part of the contribution in kind made to the share premium. According to the authority, the taxable amount of the contribution received is the amount equal to the nominal value of the shares acquired. The market value of the in-kind contribution less the amount of VAT was recognised as the taxable amount in the invoice received by the company. Consequently, according to the authority, the company deducted the input tax in the amount to which it was not entitled. The taxable amount challenged by the authority is PLN 133.5 million which translates into a tax of PLN 30.8 million.

The Company and the other party to the transaction, i.e. CIECH S.A., filed motions for tax rulings. The Director of the National Revenue Information agreed with the CIECH S.A.'s position that the company had determined the taxable amount in a correct manner, i.e. the taxable amount of the in-kind contribution made in 2013 should have been the value of the contribution, i.e. the market value of the in-kind contribution less the amount of VAT. Taking into account the positive interpretation concerning the taxable amount (an interpretation received after the event that is the subject of the dispute) and the case-law line that existed until the end of 2013, the Company and its advisors believe that the taxable amount should be the market value of the in-kind contribution less the amount of VAT. Therefore, the company and, accordingly, the other party to the transaction complied with the ruling.

On 17 July 2019, the company received a Decision of the Head of the Małopolskie Province Customs and Tax Office in Kraków, upholding the previous position of the authority, that the Company had no right to deduct VAT in the amount of PLN 30.8 million. The Company and its advisors did not agree with the findings set forth in the Decision and consistently appealed against it. On 6 August 2019, the company received an order of the Head of the Third Tax Office for Warszawa-Śródmieście to make the Decision of the Head of the Małopolskie Province Customs and Tax Office in Krakow, issued in connection with the tax proceedings conducted against the company, immediately enforceable. The Company filed a complaint against said decision. Irrespective of the complaint, the company applied to the Head of the Third Tax Office for crediting the overpaid VAT in the amount of PLN 30.8 million resulting from the correction of the VAT settlement for July 2018 towards the arrears indicated in the Decision of the Małopolskie Province Customs and Tax Office in Krakow, and repaid interest in the amount



of PLN 12.4 million. In its decision, the Head of the Third Tax Office agreed to the company's request. Thus, no enforcement proceedings were initiated. On 24 October 2019, the company received a Decision of the second instance, where the Head of the Małopolskie Province Customs and Tax Office upheld the decision of the first instance in its entirety. On 13 November 2019, the company received a decision issued by the Head of the Tax Administration Chamber in Warsaw concerning the upholding of the decision of the Third Tax Office to make the non-final decision of the first-instance authority immediately enforceable. Due to the fact that the company had received the decision of the second instance earlier, it did not file a complaint to the Provincial Administrative Court in Warsaw against the decision received. On 25 November 2019, however, the Company appealed against the decision of the second instance to the Provincial Administrative Court in Kraków. At a hearing on 29 July 2020, after considering the appeal filed by the Company, the Provincial Administrative Court issued a ruling dismissing the complaint filed by the Company, accepting the position of the Małopolskie Province Customs and Tax Office in Kraków. The company received a written statement of reasons for the judgement and lodged a cassation appeal with the Supreme Administrative Court on 20 January 2021. At present, the company is waiting for the date of the hearing to be set. In total, in the two aforementioned disputes concerning VAT in Verbis Kappa Sp. z o.o. S.K.A. and Verbis ETA Sp. z o.o. S.K.A., despite the continuation of the dispute, PLN 39 million of VAT and PLN 16.3 million of interest were paid after the decisions of the second instance. These amounts are reported as public-law receivables in the financial statements due to the fact that the companies and its tax advisors estimate the chances of winning these disputes to be above 50%. At the same time, due to the continuing uncertainty as to the direction of the dispute resolution by the Supreme Administrative Court, these amounts are also reported as contingent liabilities.

VAT audit for December 2014 at Cerium Finance Sp. z o.o. was initiated by the Head of the Małopolskie Province Customs and Tax Office in Kraków on 5 April 2018. The company received the outcome of the audit on 19 June 2018. The authority challenged the right to deduct VAT on part of the contribution in kind made to the share premium. According to the authority, the taxable amount of the contribution received is the amount equal to the nominal value of the shares acquired. The market value of the in-kind contribution less the amount of VAT was recognised as the taxable amount in the invoice received by the company.

Consequently, according to the authority, the company deducted the input tax in the amount to which it was not entitled. The taxable amount challenged by the authority is PLN 110 million which translates into a tax of PLN 25.3 million. Guided by the outcome of the audit, the other party to the in-kind contribution transaction, i.e. CIECH Soda Polska S.A., issued a correction to the invoice, specifying the taxable amount of the in-kind contribution as the nominal value of the shares acquired. Cerium Finance Sp. z o.o. included the correction of the invoice in the current tax return and paid the tax. CIECH Soda Polska S.A. received a refund of overpaid VAT.

The Company and CIECH Soda Polska S.A. filed motions for tax rulings. The Director of the National Revenue Information agreed with the position of the companies with respect to the recognition of a VAT correction in the current period – the companies had already received the interpretations after the event that is the subject of the dispute. In turn, CIECH Soda Polska S.A. received a reply that the taxable amount of the in-kind contribution made in 2014 was the nominal value of the shares acquired. Taking into account the ruling concerning the taxable amount and the regulations, as amended in 2014, according to which the taxable amount should be the value contributed to the share capital, the company is of the opinion that the correction made (included in the current period) is correct.

On 17 July 2019, CIECH Soda Polska S.A. (CSP), as the legal successor of Cerium Finance Sp. z o.o., received the Accounting Books' Audit Report, in which the auditors upheld their position, that the Company had no right to deduct VAT in the amount of PLN 25.3 million, without referring to the correction of VAT submitted by the Company in the current period and payment of this tax.

On 11 September 2019, the CSP received the decision of the Head of the Małopolskie Province Customs and Tax Office in Kraków, upholding the previous position of the authority, that Cerium Finance Sp. z o.o. had no right to deduct VAT in the amount of PLN 25.3 million. CSP appealed against the decision of the first instance. On 7 January 2020, the company received a Decision of the second instance, where the Head of the Małopolskie Province Customs and Tax Office in Kraków upheld the decision of the first instance in its entirety. The decision issued by the second instance authority was enforceable. Therefore, despite the fact that the amount of VAT had already been paid to the relevant tax office in connection with the correction of VAT settlement submitted in the current period, according to the received individual ruling, the company decided to pay again the same amount of VAT of PLN 25.3 million and interest of PLN 10 million. The VAT paid again will be recovered by CSP at the latest after the completion of the court and administrative proceedings (for December 2014), if any, or after the completion of the overpayment proceedings for July 2018. On 6 February 2020, the Company appealed against the decision of the second instance to the Provincial Administrative Court in Kraków. At a hearing on 22 September 2020, after considering the appeal filed by the Company, the Provincial Administrative Court issued a judgement dismissing the complaint filed by



the Company, accepting the position of the Małopolskie Province Customs and Tax Office in Kraków. The company received a written statement of reasons for the judgement and lodged a cassation appeal with the Supreme Administrative Court on 13 January 2021. At present, the company is waiting for the date of the hearing to be set.

The amount of interest paid, i.e. PLN 10 million, is reported in the financial statements as public-law receivables due to the fact that the company and its tax advisors estimate the chances of winning the dispute to be above 50%. At the same time, due to the continuing uncertainty as to the direction of the dispute resolution by the Supreme Administrative Court, this amount is also reported as a contingent liability.

VAT audit for the period from January to June 2018 at CIECH Trading Sp. z o.o. was commenced by the Head of the Kujawsko-Pomorskie Province Customs and Tax Office in Toruń (for the period from January to April 2018) – commencement date: 20 June 2018, and by the Head of the Śląskie Province Customs and Tax Office in Katowice (for the period from May to June 2018) – commencement date: 19 September 2018. On 13 September 2019, the Company received a report on the audit of the books and the outcome of the audit from the Kujawsko-Pomorskie Province Customs and Tax Office in Toruń. In the auditors' opinion, the company overstated the input tax by PLN 1.4 million, deducting the tax resulting from invoices issued by two contractors who, according to the authority, committed tax fraud at an earlier stage of trade. According to the authority, the company failed to exercise due diligence when entering into transactions with these entities. The Company does not agree with the position of the auditors. However, given the lack of clear legal guidelines as to the scope of due diligence and following the prudence principle, the company decided to correct the VAT return for the period from January to April 2018 in the amount indicated by the authority, i.e. PLN 1.4 million. In addition, following the prudence principle in order to prevent a possible additional tax liability in the form of VAT sanctions, the company corrected its VAT settlements for 2017 and for the period from July to November 2018, excluding from its settlements the input VAT on invoices issued by the same two counterparties for whom the authority refuses to deduct input VAT for the period from January to June 2018. The amount of the corrected VAT is PLN 7.5 million. As a result of corrections made to VAT returns and their settlement with the tax office, the company paid PLN 0.5 million in interest. On 10 February 2020, the Company received a decision of the Head of the Kujawsko-Pomorskie Province Customs and Tax Office in Toruń concerning the determination of an additional VAT liability in relation to the audit for the period from January to April 2018. The amount of sanctions indicated in the Decision is PLN 1.4 million. The Company lodged an appeal against the Decision received with the Head of the Kujawsko-Pomorskie Province Customs and Tax Office. Regardless of the appeal filed, in order to avoid further accrual of interest, on 5 June 2020 the Company paid the amount of this additional tax liability together with interest. On 21 July 2020, the Company received a decision of the Head of the Kujawsko-Pomorskie Province Customs and Tax Office in Toruń (appeal body). The decision upholds the decision of the first instance authority to set the additional VAT liability in CIECH Trading Sp. z o.o. at 100%, i.e. in the amount of PLN 1.4 million. This Decision is final. On 19 August 2020, the Company appealed against the decision of the second instance to the Provincial Administrative Court in Bydgoszcz. At a hearing on 18 November 2020, after considering the appeal filed by the Company, the Provincial Administrative Court issued a judgement dismissing the complaint filed by the Company, accepting the position of the Head of the Kujawsko-Pomorskie Province Customs and Tax Office. The company received a written statement of reasons for the judgement and lodged a cassation appeal with the Supreme Administrative Court (SAC) on 28 January 2021. On 22 October 2021 the SAC dismissed the appealed judgement of the Provincial Administrative Court in its entirety and dismissed the appealed decision of the Head of the Kujawsko-Pomorskie Province Customs and Tax Office in Toruń (2nd instance authority) on the additional tax liability in VAT at the rate of 100%. The case will now be referred back to the Head of the Kujawsko-Pomorskie Province Customs and Tax Office in Toruń who will reconsider it, taking into account the statement of reasons of the Supreme Administrative Court. In the statement of reasons for the judgement, the Supreme Administrative Court ruled on the non-applicability of the sanction at the 100% rate in the present case. However, there is no guidance on setting the sanction at a different amount or not setting it at all. Ciech Trading Sp. z o.o. will be entitled to appeal against the new decision of the Customs and Tax Office. On 29 March 2022, the Company's attorney received a decision of the Head of the Kujawsko-Pomorskie Province Customs and Tax Office in Toruń concluding the repeatedly conducted appeal proceedings (after Ciech Trading Sp. z o.o. won before the Supreme Administrative Court) for the period from January to April 2018. The decision in question revokes the previous decision in its entirety (both in the part concerning the determination of the sanction of 100% and 15%) and determines a new amount of additional VAT liability for this period, i.e. 20% (instead of 100%) in the amount of PLN 0.29 million and additional VAT liability for the period from January to February 2018 and April 2018 at the rate of 15% in the same amount as in the previous decision, i.e. PLN 0.005 million (the appeal filed did not cover this part of the decision). Thus, the case was closed and the company received a refund of PLN 1.1 million (80% of the 100% sanction amount) together with interest accrued over nearly 2 years. In case of the audit of VAT settlements for the period of May and June 2018 carried out by the Head of the Silesian Customs and Tax Office in Katowice, in September 2020 the company received the results of the audit relating to each of the months



audited, in which the office refused the company the right to deduct input tax in the amount of PLN 1.5 million. In October 2020, the company paid the disputed amount of tax plus interest. The company recognised a provision for possible VAT arrears, interest and a sanction for the period of May-June 2018 in the amount of PLN 3.8 million. In December 2020, the Company received two Decisions issued by the Head of the Silesian Customs and Tax Office on the transformation of the customs and fiscal audit into tax proceedings on the determination of the additional VAT tax liability for May and June 2018. On 13 January 2021, the Head of the Silesian Customs and Tax Office in Katowice issued a decision on determining the additional VAT liability in the amount of PLN 1.5 million. The Company lodged an appeal against the Decision received with the Head of the Silesian Customs and Tax Office. Regardless of the appeal filed, in order to avoid further accrual of interest, on 11 February 2021 the Company paid the amount of this additional tax liability together with interest. On 25 February 2022, the Company received two Decisions of the Head of the Silesian Customs and Tax Office in Katowice concluding the appeal proceedings for May and June 2018. The decisions in question revoke previous decisions setting a sanction of 100% and set a new sanction of 20%. As Ciech Trading Sp. z o.o. made a sanction payment of 100%, it was eligible for a refund of PLN 1.2 million, which it received (80% of the amount paid) together with interest. Ciech Trading Sp. z o.o. will not appeal against the decisions issued. This concluded the dispute concerning the period from May to June 2018.

The audit at CIECH the Ciech Group in Germany concerns income tax and VAT settlements. The audit concerns the following companies: Sodawerk Staßfurt Verwaltungs GmbH, CIECH Soda Deutschland GmbH & Co. KG, Sodawerk Holding Staßfurt GmbH, SDC GmbH, CIECH Energy Deutschland GmbH. The audits, initiated in previous years, cover settlements for 2007-2009 and 2010-2015 and concern various factual and legal matters. In addition, on 28 October 2021, the audit for the period 2016-2019 was initiated.

As at the balance sheet date, the outcome of the audit is not known. In case of a different assessment of economic events by audit authorities, an obligation may arise to recalculate and potentially increase the tax liability and to pay interest on tax arrears. Guided by the prudence principle, the companies recognised provisions for potential tax liabilities and interest in the total amount of EUR 14.1 million (after conversion into PLN according to the exchange rate quoted on the balance sheet date – about PLN 66.0 million) Of the reported EUR 14.1 million, the provision recognised in previous years is EUR 14.1 million (about PLN 66.0 million). In addition, an amount of EUR 4.4 million (PLN 20.6 million after translation) represents a contingent liability.

2.14. INFORMATION ON DIVIDENDS PAID (OR DECLARED), IN TOTAL AND PER SHARE, BROKEN DOWN INTO ORDINARY SHARES AND PREFERENCE SHARES

On 28 April 2022, the Ordinary General Meeting resolved to distribute CIECH S.A.'s net profit for the financial year 2021, amounting to PLN 133,206 thousand, and to allocate the entire profit to CIECH S.A.'s supplementary capital.

On 22 June 2021, the Annual General Meeting of CIECH S.A. resolved to:

1. allocate the entire net profit of CIECH S.A. for 2020 in the amount of PLN 155,287 thousand to the payment of a dividend;
2. transfer PLN 2,812 thousand from profit capital reserves, which may be allocated to dividend payments, to dividend payments;
3. pay out a dividend of PLN 158,099 thousand, i.e. PLN 3 per share, from the net profit of CIECH S.A. for 2020, increased by the amount transferred from the capital reserves created from profits.

At the same time, the Annual General Meeting of CIECH S.A. set the dividend record date for 30 June 2021 and the dividend payment date for 8 July 2021.

2.15. DISCONTINUED OPERATIONS, NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE AND LIABILITIES RELATED THERETO

Discontinued operations

In the first half of 2022, there were no discontinued operations at the CIECH Group.

In the corresponding period, there was a discontinued operation concerning the sale of shares in CIECH Żywiec Sp. z o.o. On 1 March 2021, CIECH S.A. entered into an agreement for the sale of 74,677 shares in CIECH Żywiec Sp. z o.o. with LERG S.A. with its registered office in Pustków-Osiedle, accounting for 100% of shares in the share capital of CIECH Żywiec Sp. z o.o.



The value of the Agreement (equal to the enterprise value being sold) is PLN 157,410 thousand. The final price of the Shares being sold was determined in accordance with the rule arising from the Agreement and amounted to PLN 74,289 thousand. For details of the transaction, see current reports No 27/2020 and 4/2021.

Cash received from sale of shares	74,289
Cash received from repayment of debt (including loans repaid*)	83,121
TOTAL Value of the Agreement	157,410

*Loan previously disclosed as intercompany loan and eliminated at the level of the consolidated statements; following the sale, disclosed in the consolidated figures as a loan to a third party. The loan of PLN 27 million was repaid on 30 July 2021.

The accounting principles applied in the preparation of the statement of profit or loss for discontinued operations are consistent with the Group's accounting policy. The results of discontinued operations include (for the period from 1 January to 30 June 2021):

- results of CIECH Żywiec Sp. z o.o. for the period of being in a subsidiary of the Group – in connection with the planned sale of the company and the conclusion of the agreement for the sale of 74,677 shares in CIECH Żywiec Sp. z o.o. to LERG S.A. – activities presented in the Resins Segment,
- elimination of results on transactions between consolidated entities of the CIECH Group and the entity reported under discontinued operations,
- results of the CIECH Group companies (including CIECH S.A.) generated from transactions with the entity reported under discontinued operations.

Below is the consolidated result on discontinued operations (in the resins area) for the first half of 2021, which includes the figures of CIECH Żywiec Sp. z o.o. and CIECH S.A.

CIECH Group	01.01.-30.06.2021
Net sales revenues	69,898
Cost of sales	(56,642)
Gross profit/(loss) on sales	13,256
Other operating income	385
Selling costs	(1,211)
General and administrative expenses	(5,080)
Other operating expenses	(422)
Operating profit/(loss)	6,928
Financial income	1,864
Financial expenses	(319)
Net financial income/(expenses)	1,545
Profit/(loss) before tax	8,473
Income tax	(852)
Net profit/(loss) (1)	7,621
Income from the sale of CIECH Żywiec Sp. z o.o.	74,289
Net assets	(19,370)
Tax	-
Gain on the sale of CIECH Żywiec Sp. z o.o. (2)	54,919
Total net profit/(loss) on discontinued operations (1+2)	62,540



Analysis of assets and liabilities over which control was lost – CIECH Żywiec Sp. z o.o.*:

<i>in thousand PLN</i>	01.03.2021
ASSETS	
Property, plant and equipment	62,787
Right-of-use assets	894
Intangible assets	14,611
Investment properties	199
Deferred tax assets	1,508
Total non-current assets	79,999
Inventories	30,174
Trade and other receivables	54,392
Cash and cash equivalents	7,335
Total current assets	91,901
Total assets	171,900
LIABILITIES	
Lease liabilities	47
Provisions for employee benefits	457
Total non-current liabilities	504
Loans, borrowings and other debt instruments	57,373
Lease liabilities	72
Trade and other liabilities	91,356
Income tax liabilities	1,575
Provisions for employee benefits	1,620
Other provisions	30
Total short-term liabilities	152,026
Total liabilities	152,530
NET ASSETS	19,370

*Assets and liabilities of the company prior to the date of sale were reported under assets held for sale.

Cash flows from discontinued operations for CIECH Żywiec Sp. z o.o.:

	01.01.-01.03.2021
Cash as at 01.01.2021	4,913
Net cash from operating activities	1,445
Net cash from investing activities	(704)
Net cash from financing activities	1,681
Total net cash flows	2,422
Cash over which control was lost at the time of sale	7,335

The following table presents information about the consideration received for the sale of discontinued operations (in PLN '000):

Cash received from sale of shares	74,289
Cash over which control was lost	(7,335)
Consideration received (value reported in cash flows as "Disposal of a subsidiary")	66,954

Assets and liabilities classified as held for sale

As at 30 June 2022 and 31 December 2021, under the item "Non-current assets and groups held for sale", the CIECH Group presented property, plant and equipment of CIECH Vitrosilicon S.A. in the amount of PLN 368 thousand (land located in the town of Ilowa), which are redundant from the point of view of the enterprise; a potential buyer of the land is now being sought. These assets are included in the Silicates Segment.



2.16. INFORMATION ON IMPORTANT EVENTS IN THE CIECH GROUP IN THE FIRST HALF OF 2022

Information on important events taking place in the CIECH Group in the first half of 2022 is presented in sections 5.3 and 5.4 hereof.

2.17. INFORMATION ON POST-BALANCE-SHEET EVENTS

Until the date of publication of this report, there were no significant post-balance-sheet events.

2.18. INFORMATION ON THE CURRENT SITUATION IN CONNECTION WITH THE IMPACT OF THE RUSSIAN INVASION OF UKRAINE ON THE CIECH GROUP'S ACTIVITIES

From the perspective of the CIECH Group and individual Group Companies, Russia's invasion of Ukraine has given rise to unprecedented risks. These risks have a potentially high impact on ensuring the operational continuity of individual production plants due to supply chain disruptions and the availability of energy raw materials. Since the beginning of Russia's invasion of Ukraine, the Management Board of CIECH S.A. has been monitoring the situation on an ongoing basis and analysing various scenarios for market reactions and administrative decisions. The impact of Russia's invasion of Ukraine from the perspective of the operations of individual business segments of the CIECH Group is presented below:

- **Soda Segment** – in the first half of 2022, the segment experienced unprecedented increases in the prices of energy raw materials, in particular coal (impact on production costs at the Inowroclaw and Janikowo plants), gas (impact on the Stassfurt plant), anthracite and coke. Russia's invasion of Ukraine intensified the increase in energy commodity prices that had already been felt since the 4th quarter of 2021. Additionally, the invasion of Ukraine led to the disruption of the supply chains of energy raw materials from Russia to Europe, as a result of the embargo on the purchase of these raw materials from Russia imposed by the European Union and the United States. The materialisation of the risk in the form of several increases in the prices of contracted energy raw materials (coal, coke, gas) and the impossibility of using anthracite from Russia in the soda production process forced the Group to look for alternative sources of supply. In the first half of the year, as a result of the crisis measures taken and the renegotiation of contracts with suppliers of energy raw materials, the CIECH Group secured uninterrupted supplies of energy raw materials for its plants, which made it possible to carry out sustained production and to respond to the growing customer demand for soda products. However, ensuring the availability of raw materials entailed a significant and unforeseen increase in production costs. The CIECH Group's response to the increase in costs of raw materials and the consequent increase in production costs was to raise the prices of soda products. As a result of the shortage of soda on global markets, the price increases proposed by the Soda Segment were accepted by customers, thanks to which the targets set for the first half of 2022 were met. In the perspective of the second half of 2022, as the armed conflict in Ukraine is still being waged, the priority for the Soda Segment is to ensure the continued availability of energy raw materials for the autumn/winter season, so that production can be carried out uninterruptedly. On the other hand, there are more and more signals of a possible global recession, which could take place in the second half of this year. In view of this risk, the Soda Segment continuously monitors the situation with customers and actively responds to the current customer demand for soda products and to fluctuations in the prices of energy raw materials.
- **Agro Segment** – by the end of the first quarter of 2022, the segment did not experience a negative impact of the conflict in Ukraine. There were no companies from Russia, Belarus or Ukraine among the suppliers or customers of the Agro Segment. In the second quarter of 2022, with the large quantities of grain from Ukraine that arrived on the Polish market, the segment observed a slowdown in agricultural production in Poland and thus a decrease in the sales dynamics of its products. The reason for this situation, apart from the arrival of grain stocks from Ukraine in Poland, is rising inflation and increasing prices of raw materials, which translates into higher prices of crop protection products offered by the segment. Another detrimental phenomenon, which is however not caused by the conflict in Ukraine, is the unfavourable weather conditions for agriculture and the prolonged drought prevailing in most Western European countries. Another consequence of Russia's invasion of Ukraine which is affecting the Agro Segment is the shortage of drivers in transport companies and the availability of these services. Despite the adverse events described above, which occurred during the first half of 2022, the segment met its targets.
- **Foams Segment** – the outbreak of the armed conflict in Ukraine caused uncertainty among furniture end customers in Europe, which translated directly into the level of furniture production by Polish manufacturers. As the amount of furniture manufactured fell, so did the demand for the foams produced by the Bydgoszcz plant. The drop in demand,



which was already seen in the first quarter of 2022, continued during the second quarter. According to representatives of the furniture sector in Poland, the ongoing conflict in Ukraine and customer uncertainty will prolong the state of limited demand for furniture on the European market. As far as the second half of the year is concerned, the outlook is still one of weakening demand for furniture and reduced production volumes. The situation in the furniture sector that took place in the first half of 2022 resulted in the Foams Segment feeling a lot of price pressure from competitors and foam customers' waiting for the prices to fall. Despite the difficulties and the decline in demand for furniture and foam in the first half of this year, the segment met the targets set for that period.

- **Silicates Segment and Packaging Segment** – for both of these segments, the detrimental phenomenon caused by Russia's invasion of Ukraine was a significant and unpredictable increase in gas prices. Due to the increase in prices of energy raw materials caused by the invasion of Ukraine, soda prices have also gone up. Therefore, both segments experienced a significant increase in prices of key raw materials for the production of silicates or glass packaging, namely gas and soda. This led to a significant increase in production costs. In this situation, the better positioned segment is Silicates, which, owing to the high demand in the market, is able to pass on the rising prices of raw materials to customers, in the form of higher prices of silicates sold. However, the current situation shows that customers of the Silicates Segment are reaching the maximum of their ability to accept rising prices of silicates. Further increases resulting from rising prices of raw materials may not be accepted by customers. Despite the aforementioned risks, the Silicates Segment met its targets in the first half of 2022. In the case of the Packaging Segment, the possibilities of passing on the effects of rising raw material prices to customers are considerably smaller and limited. Moreover, in the face of high inflation, end-customers of lanterns are limiting their purchases, because these products are not essential goods. For this reason, it is crucial for the Packaging Segment to use raw materials as efficiently as possible and to seek to optimise their use at every stage of the production process. Due to the difficult market and raw material situation, the segment did not fully meet its targets during the first half of 2022.

The outbreak of the conflict in Ukraine has also increased the risk of cyber-attacks across the CIECH Group. The Group intensified the (already taken) measures related to the application of reliable and up-to-date IT safeguards; also, preventive actions and monitoring of abnormal events, logs and operations were reinforced. All these measures were implemented as part of the IT security policy and information security policy.

Another significant issue affecting the Group in connection with Russia's invasion of Ukraine, having an impact on all segments and the Group as a whole, is that prices in the financial markets, including commodity prices, exchange rates and interest rates, become highly volatile.

In the wake of the war between Russia and Ukraine, prices of assets perceived as more risky weakened considerably, which translated into the depreciation of PLN against, among others, EUR and USD. The Group has a significant exposure to the EUR/PLN exchange rate (total position of EUR 339.8 million) and a relatively low exposure to USD/PLN (total position of USD 4.1 million). In the short term, the weakening of the PLN against the EUR leads to an increase in negative valuations of derivatives contracted that are sensitive to the EUR/PLN exchange rate (forward and CCIRS transactions), foreign currency credit facilities in EUR and trade payables in EUR, which is offset by an increase in the valuation of loans granted in foreign currency, receivables and cash held in foreign currency and an increase in the expected value of future revenues in foreign currency. Taking into account the hedging relationships regarding future revenues in foreign currencies, the impact of changes in the EUR/PLN rate on the current profit/loss is limited (the position affecting the current profit/loss is EUR 46,8 million). The valuation of derivatives contracted does not involve any cash margin and an increase in the negative valuation of transactions does not have a negative impact on the Group's current liquidity.

Both globally and in the Polish market, there has been a significant spike in inflation, primarily linked to the increase in the price of petroleum-type raw materials, which leads to an increase in the Group's operating costs and implies an increase in market interest rates. Market interest rate risk in respect of the Group's term loans has been fully hedged with PLN IRS and CCIRS transactions entered into in May 2021 following the refinancing of the loan, therefore an increase in market interest rates would have a limited impact on the Group's cash flows.

The CIECH Group enters into derivative transactions to hedge commodity risks, including regarding the sale of electricity, the purchase of natural gas and CO₂ emission allowance units (EUAs). Due to significant changes in the prices of these raw materials, there were significant changes in valuations of hedging transactions concluded (increase in positive valuation of gas futures contracts, increase in negative valuation of energy futures contracts, decrease in positive valuation of EUA futures contracts). Excluding transactions for the purchase of CO₂ emission allowance units, some of which are entered into on an



exchange, day-to-day changes in the valuation of the derivatives contracted do not involve cash margin and have no impact on the Group's current liquidity.

The CIECH Group's liquidity situation is stable, and the CIECH Group companies have sufficient cash and available sources of financing to be able to meet their obligations on time, even if current cash flows deteriorate and access to new sources of financing becomes limited. As at 31 June 2022, the Group held cash in the amount of PLN 635 million and limits available under committed credit facilities of PLN 403 million. The Group had access to funds made available under committed facility agreements (syndicated facility agreement with a total value of PLN 2,115 million) and additional sources of financing in the form of receivables factoring agreements, reverse factoring agreements and overdraft facilities. At present, the Group also does not identify any risk of default on repayment liabilities under the loan agreements or risk of loans being called in due to failure to meet the level of ratios tested under the loan agreements.

The entire debt on account of the syndicated facility agreement is of a long-term nature, and no principal payments are due until 30 June 2023.

As at the date of these statements, the Group's analyses did not reveal any indications of a materially higher risk of impairment of property, plant and equipment and intangible assets in use or investments in progress was found.

However, due to the uncertainty associated with the conflict and its further development and subsequent impact on the global economy, the measurement of individual balance sheet items, including: fixed assets and intangible assets, inventories, receivables, measurement of financial instruments, provisions and liabilities, will be closely monitored and it is not excluded that they may change in subsequent reporting periods.

It should be reiterated that the Management Board of CIECH S.A. monitors the situation related to the conflict on an ongoing basis and takes measures to ensure the continuity of the Group's and its individual companies' operations and to maintain the assumed margin levels.

2.19. INFORMATION ON THE CURRENT SITUATION IN CONNECTION WITH THE IMPACT OF THE COVID-19 CORONAVIRUS PANDEMIC ON THE CIECH GROUP'S ACTIVITIES

In the first half of 2022, the CIECH Group did not experience any negative impact of the COVID-19 coronavirus on its ongoing operating activity. In the first quarter of 2022, despite the ongoing 5th wave of the pandemic (caused by the omicron variant of the COVID-19 virus) and the high number of cases nationwide, the CIECH Group, the individual Group companies and production plants operated smoothly. As the epidemic threat subsided, the CIECH Group and individual companies gradually lifted their covid-related restrictions. These actions were conducted on the basis of and in accordance with the lifting of restrictions announced by the country's epidemic services.

None of the CIECH Group's business segments recorded negative events or incidents caused by the ongoing pandemic. There were no instances of reduced or lost business continuity due to infections or employee absence at any of the CIECH Group's production plants.

As far as other areas of the CIECH Group's operations are concerned, also no adverse effects of the ongoing COVID-19 pandemic were recorded in the first half of 2022.



**SEMI-ANNUAL CONDENSED SEPARATE FINANCIAL STATEMENTS
CIECH S.A.
FOR A 6-MONTH PERIOD ENDED 30 JUNE 2022**

**PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ENDORSED BY THE EUROPEAN UNION**



3. SEMI-ANNUAL CONDENSED SEPARATE FINANCIAL STATEMENTS OF CIECH S.A PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ENDORSED BY THE EUROPEAN UNION

CONDENSED SEPARATE STATEMENT OF PROFIT OR LOSS OF CIECH S.A.

	01.01.-30.06.2022	01.01.-30.06.2021	01.04.-30.06.2022	01.04.-30.06.2021
			<i>Data not reviewed</i>	
CONTINUING OPERATIONS				
Sales revenues	1,130,899	765,364	628,245	381,126
Cost of sales	(939,858)	(651,669)	(522,156)	(326,854)
Gross profit on sales	191,041	113,695	106,089	54,272
Other operating income	3,319	3,665	1,530	2,559
Selling costs	(79,700)	(62,363)	(41,805)	(32,472)
General and administrative expenses	(65,364)	(34,350)	(46,822)	(16,048)
Other operating expenses	(4,408)	(2,649)	(2,046)	(930)
Operating profit	44,888	17,998	16,946	7,381
Financial income	342,077	122,582	239,367	15,215
<i>Profit from financial instruments</i>	102,983	50,027	13,587	2,531
Financial expenses	(86,516)	(107,080)	(14,286)	(37,795)
<i>(Loss) from financial instruments</i>	(70,217)	(64,926)	(5,174)	(13,025)
Net financial income/(expenses)	255,561	15,502	225,081	(22,580)
Profit before tax	300,449	33,500	242,027	(15,199)
Income tax	(21,669)	(3,333)	(14,047)	(3,885)
Net profit on continuing operations	278,780	30,167	227,980	(19,084)
DISCONTINUED OPERATIONS				
Net profit/(loss) on discontinued operations	-	42,353	-	(7,273)
Net profit for the year	278,780	72,520	227,980	(26,357)
Earnings per share (in PLN):				
Basic	5.29	1.38	4.33	(0.50)
Diluted	5.29	1.38	4.33	(0.50)
Earnings per share (in PLN) from continuing operations:				
Basic	5.29	0.57	4.33	(0.36)
Diluted	5.29	0.57	4.33	(0.36)

The condensed separate statement of profit or loss of CIECH S.A. should be analysed together with the explanatory notes which constitute an integral part of the semi-annual condensed separate financial statements.



CONDENSED SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME OF CIECH S.A.

	01.01.-30.06.2022	01.01.-30.06.2021	01.04.-30.06.2022	01.04.-30.06.2021
				<i>Data not reviewed</i>
Net profit / (loss)	278,780	72,520	227,980	(26,357)
Other comprehensive income before tax that may be reclassified to the statement of profit or loss	5,000	33,694	2,274	30,743
Cash flow hedge reserve	5,000	33,694	2,274	30,743
Other comprehensive income before tax that may not be reclassified to the statement of profit or loss	-	-	-	-
Income tax attributable to other comprehensive income	(950)	(6,018)	(432)	(5,457)
Income tax attributable to other comprehensive income that may be reclassified to the statement of profit or loss	(950)	(6,018)	(432)	(5,457)
Other comprehensive income net of tax	4,050	27,676	1,842	25,286
TOTAL COMPREHENSIVE INCOME	282,830	100,196	229,822	(1,071)

The condensed separate statement of other comprehensive income of CIECH S.A. should be analysed together with the explanatory notes which constitute an integral part of the semi-annual condensed separate financial statements.



CONDENSED SEPARATE STATEMENT OF FINANCIAL POSITION OF CIECH S.A.

	30.06.2022	31.12.2021
ASSETS		
Property, plant and equipment	12,999	13,287
Intangible assets	74,872	72,316
Long-term financial assets	3,259,218	3,158,160
Deferred income tax assets	6,320	6,990
Rights to use an asset	20,463	22,235
Total non-current assets	3,373,872	3,272,988
Inventory	11,027	5,162
Short-term financial assets	845,082	662,051
Income tax receivables	-	37
Trade and other receivables	386,009	204,844
Cash and cash equivalents	480,361	467,475
Total current assets	1,722,479	1,339,569
Total assets	5,096,351	4,612,557
EQUITY AND LIABILITIES		
Share capital	287,614	287,614
Share premium	470,846	470,846
Cash flow hedge reserve	24,135	20,085
Actuarial gains	(150)	(150)
Other reserve capitals	422,699	422,699
Retained earnings	692,287	413,507
Total equity	1,897,431	1,614,601
Loans, borrowings and other debt instruments	1,763,146	1,854,153
Lease liabilities	17,085	18,513
Other non-current liabilities	135,159	118,070
Employee benefits reserve	787	734
Total non-current liabilities	1,916,177	1,991,470
Loans, borrowings and other debt instruments	602,437	397,099
Lease liabilities	5,589	5,407
Trade and other liabilities	619,061	569,006
Income tax liabilities	8,578	-
Employee benefits reserve	389	413
Other provisions	46,689	34,561
Total current liabilities	1,282,743	1,006,486
Total liabilities	3,198,920	2,997,956
Total equity and liabilities	5,096,351	4,612,557

The condensed separate statement of financial position of CIECH S.A. should be analysed together with the explanatory notes which constitute an integral part of the semi-annual condensed separate financial statements.



CONDENSED SEPARATE STATEMENT OF CASH FLOWS OF CIECH S.A.

	01.01.-30.06.2022	01.01.-30.06.2021
Cash flows from operating activities		
Net profit for the period	278,780	72,520
Amortisation/depreciation	10,971	9,125
Recognition of impairment allowances	1,423	2,588
Foreign exchange (profit) /loss	(11,964)	16,789
(Profit) / loss on investment activities	25	(44,274)
(Profit) / loss on disposal of property, plant and equipment	(24)	(16)
Dividends and interest	(199,752)	(75,174)
Income tax	21,669	2,661
Change in liabilities due to loan arrangement fee	1,174	(8,953)
Value of derivatives	(46,361)	31,560
Cash from operating activities before changes in working capital and provisions	55,941	6,827
Change in receivables	(37,198)	25,637
Change in inventory	(5,865)	(10,571)
Change in current liabilities	48,688	(58,427)
Change in provisions and employee benefits	2,987	255
Cash generated from operating activities	64,553	(36,279)
Interest paid	(47,724)	(20,703)
Income tax (paid)	(6,138)	(6,462)
Loans receivables repayment - setoff	-	(10,000)
Net cash from operating activities	10,691	(73,444)
Cash flows from investment activities		
Disposal of a subsidiary	-	74,289
Disposal of intangible assets and property, plant and equipment	1,137	73
Dividends received	54,775	43,802
Interest received	31,407	19,499
Proceeds from repaid borrowings	190,792	30,249
Other inflows	19,000	-
Acquisition of a subsidiary	-	(1,000)
Acquisition of intangible assets and property, plant and equipment	(16,861)	(14,617)
Acquisition of financial assets	(1,287)	-
Raise capital expenditures and extra charge on capital	(10)	-
Borrowings paid out	(385,319)	(263,195)
Cash pooling outflows*	(703)	(59,542)
Net cash from investment activities	(107,069)	(170,442)
Cash flows from financial activities		
Proceeds from loans and borrowings	-	237,477
Cash pooling inflows*	152,762	68,904
Repayment of loans and borrowings	(41,000)	(206,369)
Payments of lease liabilities	(2,851)	(2,761)
Other financial outflows	(27)	-
Net cash from financial activities	108,884	97,251
Total net cash flows	12,506	(146,635)
Cash and cash equivalents as at the beginning of the period	467,475	265,287
<i>Impact of foreign exchange differences</i>	<i>380</i>	<i>140</i>
Cash and cash equivalents as at the end of the period	480,361	118,792

*Cash pooling – presentation in cashflow:

- Investing activities – the company presents the change in receivables from cash pooling
- Financing activities – the company presents the change in liabilities on account of cash pooling

The condensed separate statement of cash flows of CIECH S.A. should be analysed together with the explanatory notes which constitute an integral part of the semi-annual condensed separate financial statements.



CONDENSED SEPARATE STATEMENT OF CHANGES IN EQUITY OF CIECH S.A.

	Share capital	Share premium	Cash flow hedge reserve	Other reserve capitals	Actuarial gains	Retained earnings	Total equity
01.01.2022	287,614	470,846	20,085	422,699	(150)	413,507	1,614,601
Total comprehensive income for the period	-	-	4,050	-	-	278,780	282,830
Net profit / (loss) for the period	-	-	-	-	-	278,780	278,780
Other comprehensive income	-	-	4,050	-	-	-	4,050
30.06.2022	287,614	470,846	24,135	422,699	(150)	692,287	1,897,431
01.01.2021	287,614	470,846	(25,713)	422,699	(78)	438,400	1,593,768
Transactions with owners	-	-	-	-	-	(158,099)	(158,099)
Dividend payment	-	-	-	-	-	(158,099)	(158,099)
Total comprehensive income for the period	-	-	27,676	-	-	72,520	100,196
Net profit / (loss) for the period	-	-	-	-	-	72,520	72,520
Other comprehensive income	-	-	27,676	-	-	-	27,676
30.06.2021	287,614	470,846	1,963	422,699	(78)	352,821	1,535,865

The condensed separate statement of changes in equity of CIECH S.A. should be analysed together with the explanatory notes which constitute an integral part of the semi-annual condensed separate financial statements.



4. EXPLANATORY NOTES TO THE SEMI-ANNUAL CONDENSED SEPARATE FINANCIAL STATEMENTS OF CIECH S.A.

4.1. BASIS OF PREPARATION OF THE SEMI-ANNUAL CONDENSED SEPARATE FINANCIAL STATEMENTS OF CIECH S.A.

On 31 January 2007, the Extraordinary General Meeting of Shareholders of CIECH S.A. adopted resolution No 4, concerning the preparation of separate financial statements in accordance with International Financial Reporting Standards as approved by the European Union. Due to the adopted resolution, since 2007 the reports of CIECH S.A. have been prepared in accordance with the IFRS using the valuation of assets and liabilities and the measurement of net result as defined in the accounting policy.

These semi-annual condensed separate financial statements were prepared in compliance with IAS 34 "Interim Financial Reporting", as approved by the European Union, and the Regulation of the Minister of Finance dated 29 March 2018 on current and periodical information submitted by issuers of securities and on conditions for deeming equivalent information required by the law of a Non-Member State (Journal of Laws 2018.757 of 2018). These financial statements present the financial position of the CIECH Group as at 30 June 2022 and as at 31 December 2021, results of the Company's operations and cash flows for the period of 6 months ended 30 June 2022 and 30 June 2021, and were approved by the Management Board of CIECH S.A. on 25 August 2022.

These semi-annual condensed separate financial statements were prepared under the assumption that CIECH S.A. will continue as a going concern in the foreseeable future. As at the date of approval of these semi-annual condensed financial statements, no facts or circumstances are known that would indicate any threat to CIECH S.A. continuing as a going concern.

The Management Board of CIECH S.A. represents that to the best of its knowledge these semi-annual condensed separate financial statements, including corresponding figures, have been prepared in accordance with the generally acceptable accounting principles and that they represent a true, accurate and fair reflection of CIECH S.A.'s financial position and the results of operations.

Preparation of financial statements in accordance with International Financial Reporting Standards ("IFRS") requires the Management Board to make professional judgements, estimates and assumptions which affect the adopted principles and presented values of assets, equity and liabilities, income and expenses. The estimates and assumptions associated with them are based on historical accuracy and various other factors that are considered to be reasonable under the specific circumstances, and their results provide a basis for professional judgement about the value of assets and liabilities that are not directly apparent from other sources. Actual value may differ from the estimated value. The estimates and the underlying assumptions are reviewed on a continuous basis. Revisions of accounting estimates are recognised in the period in which the changes were made, only if it affects that period or the present and future in case they concern both the current and future periods. The Management Board's professional judgements which have a significant impact on the separate financial statements, and the estimates bearing a risk of significant changes in future years have been presented in items 4.6, 4.7, 4.8 and 4.13 hereof. Information on the impact of the Russian invasion of Ukraine on the operations of the CIECH Group is presented in Note 4.17. Information on the impact of the COVID-19 pandemic on the operations of CIECH S.A. is presented in Note 4.18. During the current semi-annual period there were no significant revisions to the estimates presented in previous reporting periods.

The Management Board of CIECH S.A. represents that BDO Spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw, entered on the list of entities authorised to audit financial statements under registry No 3355 kept by the National Chamber of Statutory Auditors, was chosen in accordance with the binding legal regulations to review the semi-annual condensed separate financial statements for the period from 1 January to 30 June 2022.

4.2. ADOPTED ACCOUNTING PRINCIPLES

The accounting principles adopted at CIECH S.A. are described in the Financial Statements of CIECH S.A. for 2021, published on 29 March 2022. The aforementioned Financial Statements include detailed information regarding the principles and methods of valuation of assets, equity and liabilities and measurement of the financial result as well as the method of



preparing the financial statements and comparative information. These principles have been applied on a continuous basis in relation to currently published data, the recent annual financial statements and comparative data presented.

CIECH S.A. intends to adopt amendments to the IFRS that are published but not effective as at the date of publication of this report in accordance with their effective date. The estimated impact of amendments and impact of new IFRSs on the separate financial statements of CIECH S.A. was presented in the Financial Statements of CIECH S.A. for the year 2021, published on 29 March 2022.

4.3. FUNCTIONAL AND REPORTING CURRENCY

The Polish zloty (PLN) is the functional currency of CIECH S.A., and the reporting currency of these financial statements. Unless stated otherwise, all financial data in these financial statements has been presented in thousands of Polish zlotys (PLN '000). CIECH S.A. has Branches (in Romania and Germany) whose accounting records are kept in local currencies (RON and EUR). For the purpose of preparing the financial statements of CIECH S.A., accounting records of the Branch in Romania are translated using the transaction exchange rates and the accounting records of the Branch in Germany – at the average NBP rate for a given period. Due to an insignificant value of transactions, translation at this exchange rate does not result in a material distortion of results.

4.4. SEASONALITY AND CYCLICALITY OF ACTIVITY OF CIECH S.A.

Seasonality associated with periodic demand and supply fluctuations has little impact on CIECH S.A.'s overall sales trends. In the soda segment, a seasonal relationship between the sales volume of some products and the course of winter is observable. For calcium chloride and other products (anti-ice salt and chloride mix, waste salt) a mild winter is a reason for decrease of sales, while the influence on the sales of salt is indirect. For other products, CIECH S.A.'s revenues and financial results are not influenced by any significant seasonal fluctuations over the year.

4.5. CIECH S.A.'S SEGMENT REPORTING

CIECH S.A.'s operating segments are designated on the basis of internal reports prepared in the Company and regularly reviewed by the Management Board, which is responsible for operating decisions aimed at allocating resources to segments and assessing the subsidiaries performance.

CIECH S.A. has been divided into the following operating segments:

Soda Segment (comprising BU Soda, and BU Salt) – the most important goods manufactured within the Soda Segment are: light and dense soda ash, evaporated salt, sodium bicarbonate and calcium chloride. The products of this Segment are sold mainly by the parent company CIECH S.A. Production of the Soda Segment goods manufactured by the CIECH Group is implemented in CIECH Soda Polska S.A., the Romanian company CIECH Soda Romania S.A. (until September 2019) and in the German company CIECH Soda Deutschland GmbH&Co. KG. (the German company also sells its products on its own). Soda Segment products are used in the glass, food, detergent and pharmaceutical industries.

Agro Segment – the CIECH Group is a manufacturer of crop protection products used in agriculture and produced by the following companies: CIECH Sarzyna S.A. and Proplan Plant Protection Company, S.L. and CIECH S.A. was the supplier of raw materials for production for CIECH Sarzyna S.A. and provided support services within this segment.

Resins Segment (comparative data) – the CIECH Group used to be a producer of a variety of organic compounds manufactured by CIECH Żywiec Sp. z o.o. In the first quarter of 2021, it was producing, among others, epoxy resins and polyester resins. These products are used in the following industries: automotive, paints and electronics. On 1 March 2021, CIECH Żywiec Sp. z o.o. was sold to LERG S.A., and its figures are reported as discontinued operations. The figures for discontinued operations include the result of CIECH S.A. obtained from the transactions with CIECH Żywiec Sp. z o.o., and from the sale of this company.

Foams Segment – within the Foams Segment, CIECH S.A. provides support services to CIECH Pianki Sp. z o.o., which is a producer of polyurethane foams.

Silicates Segment – CIECH S.A. sells the Silicates and Glass Segment products manufactured by CIECH Soda Romania S.A. In 2022, these were primarily the products such as glassy sodium silicate and sodium water glass. These products are used by the construction industry and in the production of detergents.

Packaging Segment – within this segment, CIECH S.A. provides support services to CIECH Vitro S.A., which manufactures glass packaging - lanterns and jars, used for the production of headstone lamps and in the food industry.

Other Activity Segment – it covers mainly services rendered outside the Group and goods sold by CIECH S.A. outside the scope of the above segments.



The data concerning individual segments also includes support services provided by CIECH S.A. to the CIECH Group companies, such as accounting, controlling, legal, administrative and IT services.

The financing is managed (including finance expenses and incomes with the exception of interest on trade receivables and liabilities) and income tax is calculated on the Company level. The data concerning these areas is not allocated to particular segments.

CIECH S.A. has been divided into the following geographical areas: Poland, European Union, Other European countries, Africa, Asia, Other regions. Information on the Company's geographical areas is established based on the location of its assets.

Revenues and costs, assets and liabilities of segments are recognised and measured in a manner consistent with the method used in the separate financial statements.

Operational segments results are assessed by the CIECH S.A.'s Management Board on the basis of sales revenue, operating profit, level of EBITDA and adjusted EBITDA. No need to separate additional segments under IFRS 8 regulations has been identified.

EBITDA should be viewed as a supplement not as a substitute for the business performance presented in accordance with IFRS.

EBITDA is a useful ratio of the ability to incur and service debt. EBITDA and adjusted EBITDA levels are not defined by the IFRS and can be calculated in a different manner by other entities.

The reconciliation and definitions applied by CIECH S.A. when determining these measures are presented below.

	01.01.-30.06.2022	01.01.-30.06.2021
Net profit/(loss) on continuing operations	278,780	30,167
Income tax	21,669	3,333
Financial expenses	86,516	107,080
Financial income	(342,077)	(122,582)
Amortisation/depreciation	10,971	9,125
EBITDA on continued operations	55,859	27,123
EBITDA on discontinued operations	-	(3,414)
EBITDA on continued and discontinued operations	55,859	23,709

	01.01.-30.06.2022	01.01.-30.06.2021
EBITDA on continued operations	55,859	27,123
One-offs including:	416	95
Cash items (a)	375	84
Non-cash items (without impairment) (b)	41	11
Adjusted EBITDA on continued operations	56,275	27,218
Adjusted EBITDA on discontinued operations	-	(3,414)
Adjusted EBITDA on continued and discontinued operations	56,275	23,804

(a) Impairment losses are associated with the recognition/reversal of write-downs on assets.

(b) Cash items:

- gain/loss on sale of property, plant and equipment,
- fees and compensations received,
- donations given,
- fortuitous events.

(c) Non-cash items:

- fair value measurement of investment properties,
- costs of liquidation of inventories and property, plant and equipment,
- costs of suspended investments,
- restructuring costs,
- environmental provisions, provisions for liabilities and compensation and other items (including extraordinary costs and other provisions).

Adjusted EBITDA may be adjusted for other untypical non-recurring events not listed above.



CIECH S.A. — OPERATING SEGMENTS

Revenue and costs data as well as assets, equity and liabilities data of individual CIECH S.A.'s operating segments for the periods disclosed in the statements are presented in the tables below.

OPERATING SEGMENTS 01.01.-30.06.2022	Soda Segment	Agro Segment	Foams Segment	Silicates Segment	Packaging Segment	Other operations Segment	Corporate functions	TOTAL
Total sales revenues	1,102,481	9,175	1,067	12,969	734	2,858	1,614	1,130,899
Cost of sales	(912,996)	(8,950)	(982)	(11,856)	(633)	(2,995)	(1,446)	(939,858)
Gross profit /(loss) on sales	189,485	225	85	1,113	101	(137)	168	191,041
Selling costs	(79,310)	-	-	(390)	-	-	-	(79,700)
General and administrative expenses	(13,963)	-	-	4	-	-	(51,405)	(65,364)
Result on management of receivables	-	-	-	-	-	-	(302)	(302)
Result on other operating activities	426	(39)	-	-	-	81	(1,255)	(787)
Operating profit /(loss)	96,638	186	85	727	101	(56)	(52,794)	44,888
Exchange differences and interest on trade settlements	916	3	-	-	-	(1,514)	(34)	(629)
Borrowing costs	-	-	-	-	-	-	(10,733)	(10,733)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	-	266,923	266,923
Profit /(loss) before tax	97,554	189	85	727	101	(1,570)	203,362	300,449
Income tax	-	-	-	-	-	-	-	(21,669)
Net profit /(loss) on continuing operations	-	-	-	-	-	-	-	278,780
Net profit /(loss) for the period	-	-	-	-	-	-	-	278,780
Amortization/depreciation	1,666	21	-	-	-	329	8,955	10,971
EBITDA from continuing operations	98,304	207	85	727	101	273	(43,839)	55,859
Adjusted EBITDA from continuing operations*	98,294	208	85	727	101	273	(43,413)	56,275

*Adjusted EBITDA for the 6-month period ended 30 June 2022 is calculated as EBITDA adjusted for untypical one-off events: donations given: -PLN 0.4 million.



OPERATING SEGMENTS 01.01.-30.06.2021	Soda Segment	Agro Segment	Foams Segment	Silicates Segment	Packaging Segment	Other operations Segment	Corporate functions	TOTAL
Total sales revenues	697,675	10,308	5,615	9,297	522	41,947	-	765,364
Cost of sales	(589,885)	(9,815)	(872)	(9,215)	(331)	(41,551)		(651,669)
Gross profit /(loss) on sales	107,790	493	4,743	82	191	396	-	113,695
Selling costs	(61,620)	(37)	-	(446)	-	(260)		(62,363)
General and administrative expenses	(218)	-	-	-	-	(2,851)	(31,281)	(34,350)
Result on management of receivables	702	30	-	1	-	529	-	1,262
Result on other operating activities	(67)	(27)	-	-	-	418	(570)	(246)
Operating profit /(loss)	46,587	459	4,743	(363)	191	(1,768)	(31,851)	17,998
Exchange differences and interest on trade settlements	815	-	1	(7)	-	105	-	914
Borrowing costs	-	-	-	-	-	-	(8,489)	(8,489)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	-	23,077	23,077
Profit /(loss) before tax	47,402	459	4,744	(370)	191	(1,663)	(17,263)	33,500
Income tax	-	-	-	-	-	-	-	(3,333)
Net profit /(loss) on continuing operations	-	-	-	-	-	-	-	30,167
Net profit /(loss) on discontinued operations	-	-	-	-	-	-	-	42,353
Net profit /(loss) for the period	-	-	-	-	-	-	-	72,520
Amortization/depreciation	1,920	15	-	-	-	94	7,096	9,125
EBITDA from continuing operations	48,507	474	4,743	(363)	191	(1,674)	(24,755)	27,123
Adjusted EBITDA from continuing operations*	48,509	474	4,743	(363)	191	(1,674)	(24,662)	27,218

*Adjusted EBITDA for the 6-month period ended 30 June 2021 is calculated as EBITDA adjusted for untypical one-off events: compensation: PLN 0.1 million.



CIECH S.A. — ASSETS AND LIABILITIES BY OPERATING SEGMENTS

	ASSETS		LIABILITIES	
	30.06.2022	31.12.2021	30.06.2022	31.12.2021
Soda segment	143,997	90,758	461,764	424,241
Agro segment	1,732	3,972	1,056	2,177
Silicates segment	1,499	4,307	444	1,856
Packaging segment	155	315	-	-
Other operations segment	13,759	17,948	14,545	13,745
Corporate functions	4,934,990	4,494,246	2,721,095	2,555,925
TOTAL	5,096,351	4,612,557	3,198,920	2,997,956

CIECH S.A. — SALES REVENUES BY BUSINESS SEGMENTS

	01.01.-30.06.2022	01.01.-30.06.2021	Change 2022/2021	Change %
Soda segment, including:	1,102,481	697,675	404,806	58.0%
Dense soda ash	657,895	370,170	287,725	77.7%
Light soda ash	217,170	135,998	81,172	59.7%
Salt	110,008	98,691	11,317	11.5%
Sodium bicarbonate	72,903	53,588	19,315	36.0%
Calcium chloride	17,638	15,984	1,654	10.4%
Other goods and services	26,867	23,244	3,623	15.6%
Agro segment, including:	9,175	10,308	(1,133)	(11.0%)
Raw materials for production of plant protection products	5,762	7,785	(2,023)	(26.0%)
Other goods and services	3,414	2,523	891	35.3%
Foam segment, including:	1,067	5,615	(4,548)	(81.0%)
Other goods and services	1,067	5,615	(4,548)	(81.0%)
Silicates segment, including:	12,969	9,297	3,672	39.5%
Sodium silicates	6,144	5,530	614	11.1%
Other goods and services	6,825	3,767	3,058	81.2%
Packaging segment, including:	734	522	212	40.6%
Container glass	734	522	212	40.6%
Other segment, including:	4,473	41,947	(37,475)	(89.3%)
Revenues from third parties	4,473	41,947	(37,475)	(89.3%)
TOTAL	1,130,899	765,364	365,535	47.8%

At CIECH S.A., sales revenues are recognised upon the provision of services or delivery of goods.

CIECH S.A. — INFORMATION ON GEOGRAPHICAL AREAS

Information on CIECH S.A.'s geographical areas is established based on the location of its assets.

	ASSETS		SALES REVENUES	
	30.06.2022	31.12.2021	01.01.-30.06.2022	01.01.-30.06.2021
Poland	2,827,339	2,462,473	752,160	480,131
European Union (excluding Poland)	2,263,903	2,149,546	319,402	244,012
Other European countries	4,348	-	47,223	29,766
Africa	-	538	8,052	4,322
Asia	761	-	4,062	6,941
Other regions	-	-	-	192
TOTAL	5,096,351	4,612,557	1,130,899	765,364



The Company's non-current assets are located in Poland and the European Union. As regards the European Union, the most significant non-current assets comprise shares in subsidiaries having their registered offices mainly in Romania (PLN 30,551 thousand), Germany (PLN 838,346 thousand) and Spain (PLN 203,866 thousand). Trade and other receivables constitute the main component of current assets presented in individual geographical areas.

4.6. PROVISIONS AND WRITE-DOWNS ON ASSETS

PROVISIONS FOR EMPLOYEE BENEFITS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2022					
Long-term	734	55	-	(2)	787
Short-term	413	6	(32)	2	389
01.01.-30.06.2021					
Long-term	979	-	(57)	34	956
Short-term	826	-	(3)	(389)	434
01.04.-30.06.2022*					
Long-term	744	45	-	(2)	787
Short-term	400	6	(19)	2	389
01.04.-30.06.2021*					
Long-term	987	-	(57)	26	956
Short-term	454	-	17	(37)	434

*Not reviewed data.

CHANGE IN OTHER SHORT-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2022					
Provision for liabilities and expected losses	34,561	12,217	(89)	-	46,689
TOTAL	34,561	12,217	(89)	-	46,689
01.01.-30.06.2021					
Provision for liabilities and expected losses	33,741	676	-	(6)	34,411
TOTAL	33,741	676	-	(6)	34,411
01.04.-30.06.2022*					
Provision for liabilities and expected losses	34,881	11,809	-	(1)	46,689
TOTAL	34,881	11,809	-	(1)	46,689
01.04.-30.06.2021*					
Provision for liabilities and expected losses	34,115	297	-	(1)	34,411
TOTAL	34,114	297	-	(1)	34,411

*Not reviewed data.



CHANGE IN WRITE-DOWNS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2022					
Long-term financial assets	30,733	915	(464)	-	31,184
Short-term financial assets	3,833	764	(6)	-	4,591
Trade and other receivables	37,163	334	(235)	1,812	39,074
Cash and cash equivalents	244	-	(239)	-	5
TOTAL	71,973	2,013	(944)	1,812	74,854
01.01.-30.06.2021					
Intangible assets	210	-	-	-	210
Long-term financial assets	102,538	5,237	(2,864)	-	104,911
Short-term financial assets	8,494	8,760	(8,495)	-	8,759
Trade and other receivables	36,847	708	(2,123)	(39)	35,393
Cash and cash equivalents	150	300	(322)	-	128
TOTAL	148,239	15,005	(13,804)	(39)	149,401
01.04.-30.06.2022*					
Long-term financial assets	29,611	733	840	-	31,184
Short-term financial assets	4,556	35	-	-	4,591
Trade and other receivables	38,111	60	(28)	931	39,074
Cash and cash equivalents	37	(37)	5	-	5
TOTAL	72,315	791	817	931	74,854
01.04.-30.06.2021*					
Intangible assets	210	-	-	-	210
Long-term financial assets	103,058	1,854	(1)	-	104,911
Short-term financial assets	8,608	151	-	-	8,759
Trade and other receivables	38,205	52	(1,800)	(1,064)	35,393
Cash and cash equivalents	173	277	(322)	-	128
TOTAL	150,254	2,334	(2,123)	(1,064)	149,401

*Not reviewed data.

4.7. INCOME TAX, DEFERRED TAX ASSETS AND LIABILITY

The main components of tax expense include:

THE MAIN COMPONENTS OF TAX EXPENSE (TAX INCOME)	01.01.-30.06.2022	01.01.-30.06.2021
Current income tax	(21,949)	(2,530)
Deferred tax	280	(803)
INCOME TAX RECOGNISED IN STATEMENT OF PROFIT OR LOSS	(21,669)	(3,333)



Deferred income tax is attributable to the following items

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITY	30.06.2022			31.12.2021		
	Total asset	Total liability	Net value	Total asset	Total liability	Net value
Property, plant and equipment	-	6,173	(6,173)	-	6,046	(6,046)
Financial assets	368	16,165	(15,797)	368	14,568	(14,200)
Inventory	-	565	(565)	-	290	(290)
Trade and other receivables	60	-	60	39	-	39
Provisions for employee benefits	147	-	147	142	-	142
Tax losses carried forward	48,773	-	48,773	52,106	-	52,106
Foreign exchange differences	-	1,764	(1,764)	-	1,375	(1,375)
Liabilities	30,346	1,987	28,359	26,101	2,813	23,288
Other	-	-	-	46	-	46
Deferred tax assets/liability	79,694	26,654	53,040	78,802	25,092	53,710
Set - off of deferred tax assets/ liability	(26,654)	(26,654)	-	(25,092)	(25,092)	-
Unrecognized deferred tax assets	(46,720)	-	(46,720)	(46,720)	-	(46,720)
Deferred tax assets/liability recognised in the statement of financial position	6,320	-	6,320	6,990	-	6,990

In the light of provisions of the General Anti-Avoidance Rule ("GAAR"), applicable as of 15 July 2016 and aimed at preventing the origination and use of factitious legal structures designed to avoid payment of taxes in Poland, the Management Board of the Parent Company considered the impact of transactions which could potentially be subject to the GAAR regulations on the deferred tax, tax value of assets and deferred tax provisions. In the opinion of the Management Board, the analysis conducted did not demonstrate the need to adjust the reported current and deferred income tax items. However, in the opinion of the Management Board, there is an inherent uncertainty arising from GAAR that tax authorities will interpret these provisions differently, will change their approach to their interpretation or the rules themselves will change, which may affect the ability to utilise the deferred tax assets in future periods and the possible payment of an additional tax for past periods.

4.8. INFORMATION ON FAIR VALUE OF FINANCIAL INSTRUMENTS

The information is provided in Section 2.8 hereof.

4.9. INFORMATION ON PURCHASE AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT AND COMMITMENTS FOR THE ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

In the period from 1 January to 30 June 2022, CIECH S.A. carried out the following transactions increasing and decreasing the gross value of property, plant and equipment:

	Buildings, premises	Machinery and equipment	Other fixed assets	TOTAL
01.01.-30.06.2022				
Purchase/transfer from construction in progress	69	2,605	-	2,674
Disposal	-	(521)	(12)	(533)
01.01.-30.06.2021				
Purchase/transfer from construction in progress	-	1,227	30	1,257
Disposal	-	218	(84)	(302)

Purchases in the first half of 2022 were made with the Company's own financial resources. As at 30 June 2022 and as at 31 December 2021 commitments to purchase property, plant and equipment amounted to PLN 144 thousand and PLN 24 thousand respectively.



4.10. INFORMATION ON LOAN AGREEMENTS, INCLUDING OVERDUE DEBTS OR OTHER VIOLATIONS OF DEBT-RELATED AGREEMENTS

The information is provided in Section 2.10 hereof.

4.11. INFORMATION ON TRANSACTIONS WITH RELATED ENTITIES

Detailed information about transactions between CIECH S.A. and other related entities (i.e. companies controlled by the parent company at the highest level in relation to CIECH S.A. — Kulczyk Investments S.A. as well as subsidiaries and associates of CIECH S.A.) is presented below:

CIECH S.A.'S TRANSACTIONS WITH RELATED ENTITIES	Subsidiaries	Associates	Other related parties	TOTAL
01.01.-30.06.2022				
Sales revenues	110,738	14,143	-	124,881
Financial income, including:	274,272	35	8	274,315
<i>Dividend</i>	217,007	35	-	217,042
Purchases of products, goods, materials and services, including:	925,775	6,309	2,755	934,839
<i>KI One SA</i>	-	-	104	104
Financial expenses	26,601	-	-	26,601
30.06.2022				
Receivables	217,679	4,949	-	222,628
Loans granted	1,859,002	-	-	1,859,002
Trade and other liabilities	734,024	825	13	734,862
Loans received	214,000	-	-	214,000
01.01.-30.06.2021				
Sales revenues	118,339	10,989	-	129,328
Financial income, including:	91,914	-	-	91,914
<i>Dividend</i>	67,717	-	-	67,717
Purchases of products, goods, materials and services, including:	595,451	12,379	2,862	610,692
<i>KI One SA</i>	-	-	95	95
Financial expenses	29,005	-	-	29,005
31.12.2021				
Receivables	57,949	3,019	-	60,968
Loans granted	1,774,601	-	-	1,774,601
Trade and other liabilities	391,549	2,059	24	393,632
Loans received	210,903	-	-	210,903

Terms of transactions with related entities

The CIECH Group companies, to the best of their knowledge and belief, did not conclude significant transactions on the terms other than market ones. Sales to and purchases from related entities are carried out on terms which do not differ from arm's length terms. Liabilities and receivables are not secured and are settled through bank transfers. No material non-standard or non-routine transactions were concluded with related entities in the first half of 2022, except for the transactions described in section 5.3 hereof.

In the presented period, the key management personnel of CIECH S.A. did not conclude any material transactions with related parties within the CIECH Group.

4.12. ISSUE, REDEMPTION AND REPAYMENT OF DEBT AND EQUITY SECURITIES AT CIECH S.A.

In the presented period, CIECH S.A. did not issue, redeem or repay any debt or equity securities.

**4.13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES, INCLUDING GUARANTEES AND SURETIES**

	30.06.2022	31.12.2021
Contingent assets	18,864	18,864
Other contingent receivables*	18,864	18,864
Contingent liabilities	1,817,733	1,764,507
Guarantees and sureties granted**	1,563,576	1,539,555
Tax liabilities (including interest)	-	10,160
Letters of support	254,157	214,792

* *Contingent asset in the amount of PLN 18,864 thousand related to the action against GZNF "FOSFORNY" Sp. z o.o. for the payment of compensation for making an alleged untrue declaration by GZNF "FOSFORNY" Sp. z o.o. to CIECH S.A. about the condition of Agrochem Człuchów Sp. z o.o. with its registered office in Człuchów.*

** *Including:*

- *guarantees for the liabilities of subsidiaries in connection with a reverse factoring agreement in the amount of PLN 206,675 thousand,*
- *guarantee for the liabilities of the subsidiary CIECH Sarzyna S.A. in the amount of PLN 3,000 thousand,*
- *guarantee for the liabilities of a subsidiary, CIECH Salz Deutschland GmbH, in the amount of PLN 155,162 thousand (EUR 33,150 thousand),*
- *guarantees for the liabilities of the SDC Group companies in the amount of PLN 1,197,093 thousand (EUR 304,903 thousand).*

As at 30 June 2022, contingent liabilities amounted to PLN 1,817,733 thousand and increased by 53,226 thousand compared to the level recorded on 31 December 2021. The change was mainly as a result of changes in the amount of sureties in the group and payments received for the caverns covered by the Letter of support.

Other guarantees and sureties granted are described in Note 9.2 to the Financial Statements of CIECH S.A. for 2021, published on 29 March 2022.

Audits of tax settlements at CIECH S.A.

The information is provided in Section 2.13 hereof.

4.14. INFORMATION ON DIVIDENDS PAID (OR DECLARED), IN TOTAL AND PER SHARE, BROKEN DOWN INTO ORDINARY SHARES AND PREFERENCE SHARES

The information is provided in Section 2.14 hereof.

4.15. DISCONTINUED OPERATIONS, NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE AND LIABILITIES RELATED THERETO**Discontinued operations**

In the first half of 2022, there were no discontinued operations at CIECH S.A.

In the corresponding period, there was a discontinued operation concerning the sale of shares in CIECH Żywiec Sp. z o.o. On 1 March 2021, CIECH S.A. entered into an agreement for the sale of 74,677 shares in CIECH Żywiec Sp. z o.o. with LERG S.A. with its registered office in Pustków-Osiedle, accounting for 100% of shares in the share capital of CIECH Żywiec Sp. z o.o. The value of the Agreement (equal to the enterprise value being sold) is PLN 157,410 thousand. The final price of the Shares being sold was determined in accordance with the rule arising from the Agreement and amounted to PLN 74,289 thousand. For details of the transaction, see current reports No 27/2020 and 4/2021.

Cash received from sale of shares	74,289
Cash received from repayment of debt (including loans repaid*)	83,121
TOTAL Value of the Agreement	157,410

* *The loan of PLN 27 million was repaid on 30 July 2021.*

The accounting principles applied in the preparation of the statement of profit or loss for discontinued operations are consistent with the Company's accounting policy. The separate results of discontinued operations include the results of CIECH S.A. obtained from transactions with the entity recognised in discontinued operations of CIECH Żywiec Sp. z o.o. and the



result on the sale of the company in connection with the conclusion of the agreement for the sale of 74,677 shares of CIECH Żywiec Sp. z o.o. to LERG S.A.

Below is the separate result on discontinued operations (in the resins area) of CIECH S.A.

CIECH S.A.	01.01.-30.06.2021
Net sales revenues	30,804
Cost of sales	(30,584)
Gross profit/(loss) on sales	220
Other operating income	-
Selling costs	(96)
General and administrative expenses	(3,538)
Other operating expenses	-
Operating profit/(loss)	(3,414)
Financial income	821
Financial expenses	-
Net financial income/(expenses)	821
Profit/(loss) before tax	(2,593)
Income tax	672
Net profit/(loss) (1)	(1,921)
Income from the sale of CIECH Żywiec Sp. z o.o.	74,289
Value of shares sold	30,015
Tax	-
Separate gain on disposal of CIECH Żywiec Sp. z o.o. (2)	44,274
Total net profit/(loss) on discontinued operations (1+2)	42,353

Cash received from the sale of shares in CIECH Żywiec amounted to PLN 74,289 thousand and was reported in the statement of cash flows of CIECH S.A. under "Disposal of a subsidiary".

4.16. INFORMATION ON POST-BALANCE-SHEET EVENTS

The information is provided in section 2.17 hereof.

4.17. INFORMATION ON THE CURRENT SITUATION IN CONNECTION WITH THE IMPACT OF THE RUSSIAN INVASION OF UKRAINE ON CIECH'S ACTIVITIES

Detailed information on the current situation in connection with the impact of the Russian invasion of Ukraine on the activities of the CIECH Group, including CIECH S.A., is presented in section 2.18 hereof.

4.18. INFORMATION ON THE CURRENT SITUATION IN CONNECTION WITH THE IMPACT OF THE COVID-19 CORONAVIRUS PANDEMIC ON CIECH S.A.'S ACTIVITIES

Detailed information on the current situation in connection with the impact of the COVID-19 coronavirus pandemic on the activities of the CIECH Group, including CIECH S.A., is presented in section 2.19 hereof.



MANAGEMENT BOARD REPORT ON THE CIECH GROUP'S ACTIVITIES



5. MANAGEMENT BOARD REPORT ON THE CIECH GROUP'S ACTIVITIES

5.1. DESCRIPTION OF THE CIECH GROUP ORGANISATION

The CIECH Group consists of domestic and foreign manufacturing, distribution and trade companies operating in the chemical industry. The CIECH Group comprises CIECH S.A. as the parent company, and related companies located, inter alia, in Poland, Germany, Romania and Spain.

Parent company	CIECH S.A.
Legal form	Joint-stock Company
Registered office	Warsaw, Poland
Address	ul. Wspólna 62, 00-684 Warsaw, Poland
KRS (National Court Register number)	0000011687 (District Court for the capital city of Warsaw in Warsaw 12 th Commercial Division of the National Court Register)
Country of registration	Poland
Statistical identification number (REGON)	011179878
Tax ID No (NIP)	118-00-19-377
BDO Registry Number	000015168
Website	www.ciechgroup.com
Branches held	CIECH S.A.'s Branch in Romania CIECH S.A.'s Branch in Germany
Principal place of business	European Union
Ultimate parent company	KI Chemistry s. à r. l (a subsidiary of Kulczyk Investments)
Ultimate parent company	Luglio Limited

As at 30 June 2022, the CIECH Group comprised 41 business entities, including:

- parent company,
- 34 subsidiaries, of which:
 - 23 domestic subsidiaries,
 - 11 foreign subsidiaries,
- 3 domestic affiliates,
- 1 foreign affiliate,
- 1 jointly controlled domestic entity,
- 1 jointly controlled foreign entity.

The Parent company of the Group is CIECH S.A. It is a holding company that manages domestic and foreign manufacturing, trade and service companies of the Group. CIECH S.A. also provides support services to key subsidiaries. Key products manufactured by the CIECH Group include: soda ash, sodium bicarbonate, evaporated salt, agrochemical products, polyurethane foams, lanterns and jars, sodium and potassium silicates.

The core sales market for the CIECH Group is the European Union, including mainly Poland, Germany and Central Eastern European countries. Products manufactured by the CIECH Group are also exported to overseas markets.



The parent company of CIECH S.A. has a branch in Romania, a branch in Germany, and operates through its offices in Inowrocław and Janikowo. CIECH Trading Sp. z o.o. subsidiary has a branch in Bydgoszcz.

Products of the CIECH Group are manufactured in 9 production plants. The five largest production plants (2 in Poland, 2 in Germany and 1 in Romania) operate in the Soda Segment and manufacture soda ash, soda derivatives and salt; the plant in Romania produces glassy sodium silicate and sodium water glass. The remaining 4 plants operating in the Agro, Foams, Silicates and Packaging segments are located in Poland. Soda production at the Romanian plant was suspended in the third quarter of 2019 (for more information, see current report No 40/2019). In addition, Proplan outsources product formulation and packaging services to two plants.

A list of fully consolidated companies and companies accounted for under the equity method is provided below:

Company name	Registered office	Segment	Business	Share in equity as at 30.06.2022 / % of votes at the GMS	Share in equity as at 30.06.2021 / % of votes at the GMS
Parent company					
CIECH S.A.	Warsaw	Soda, Agro, Foams, Silicates, Packaging, Other, (Resins – discontinued operations)	Sales of chemical products manufactured by the CIECH Group companies, sales of chemical products and semi-finished products purchased from third-party producers, holding activities, managing a portfolio of the Group's subsidiaries, provision of support services (including in the area of sales, purchases, finance, HR and the legal area) for the Group's companies, financial service activities not elsewhere classified (so-called intercompany loans) for the benefit of the Group's companies.	-	-
Fully consolidated direct and indirect subsidiaries					
CIECH Trading Sp. z o.o.	Warsaw	Soda, Other	The company is preparing for the liquidation process, operations are being phased out.	100%	100%
CIECH Soda Romania S.A.	Ramnicu Valcea, Romania	Soda, Silicates	Manufacture of other basic inorganic chemicals, wholesale of chemical products. Production suspended in the Soda Segment.	98.74%	98.74%
CIECH Vitrosilicon S.A.	Łłowa	Silicates, Packaging	Manufacture of other basic inorganic chemicals, manufacture of other chemical products.	100%	100%
CIECH Vitro Sp. z o.o.*	Łłowa	Packaging	Manufacture of hollow glass, manufacture and processing of other glass.	100%	100%
CIECH Transclean Sp. z o.o.	Bydgoszcz	Other	Since 2017, the Company has not carried out any operating activities.	100%	100%
CIECH Pianki Sp. z o.o.	Bydgoszcz	Foams	Manufacture of plastics in primary forms and other plastic products.	100%	100%
Ciech Group Financing AB	Stockholm, Sweden	Other	Financing activities.	100%	100%
Verbis ETA Sp. z o.o.	Warsaw	Other	General partner of Verbis ETA Sp. z o.o. SKA.	100%	100%
Verbis ETA Sp. z o.o. SKA	Warsaw	Other	Financing activities, direct lending to the CIECH Group companies.	100%	100%
CIECH Serwis i Remonty Sp. z o.o.	Warsaw	Other	Provision of repair and maintenance services, repair and maintenance of machinery.	100%	100%
CIECH Nieruchomości Sp. z o.o.**	Warsaw	Other	Buying and selling of own real estate, estate agency, real estate management.	100%	100%
Proplan Plant Protection Company S.L.	Madrid, Spain	Agro	Production of crop protection chemicals.	100%	100%
CIECH Salz Deutschland GmbH	Stassfurt, Germany	Soda	Production and sales of salt products.	100%	100%
CIECH Services Sp. z o.o.	Bydgoszcz	Soda, Agro, Foams, Silicates, Packaging, Other	Provision of support services for companies of the CIECH Group.	100%	100%
CIECH Ventures Sp. z o.o.	Warsaw	Other	Holding activities, other financial activities.	100%	-

Company name	Registered office	Segment	Business	Share in equity as at 30.06.2022 / % of votes at the GMS	Share in equity as at 30.06.2021 / % of votes at the GMS
CIECH Sól Sp. z o.o.	Warsaw	Soda	Production and sales of salt products.	100%	-
CIECH R&D Group					
CIECH R&D Sp. z o.o.	Warsaw	Soda, Agro, Foams, Silicates, Packaging, Other	Research and developments activities, granting licenses to the CIECH Group companies to use the trademarks: "Ciech", "Ciech Trading" and "Sól Kujawska naturalna czysta".	100%	100%
Smart Fluid S.A.	Warsaw	Other	Research & Development.	52.83%	52.83%
CIECH Finance Group					
CIECH Finance Sp. z o.o.	Warsaw	Other	Implementing divestment projects concerning obsolete fixed assets (property) and financial assets (shares in companies).	100%	100%
CIECH Soda Polska Group					
CIECH Soda Polska S.A.	Inowrocław	Soda	Manufacture of other basic inorganic chemicals, wholesale of chemical products, power generation and distribution.	100%	100%
CIECH Cargo Sp. z o.o.	Inowrocław	Soda	Freight transport services.	100%	100%
Cerium Sp. z o.o. w likwidacji (in liquidation)	Warsaw	Other	The company was liquidated on 31 August 2021.	-	100%
Gamma Finanse Sp. z o.o.***	Warsaw	Other	Financing activities.	100%	100%
El-Pomiar Sp. z o.o.	Inowrocław	Other	Repair and maintenance of electrical equipment.	94.23%	92.31%
CIECH Sarzyna Group					
CIECH Sarzyna S.A.	Nowa Sarzyna	Agro	Manufacture of resins, manufacture of pesticides and other chemical products.	100%	100%
Verbis KAPPA Sp. z o.o.	Nowa Sarzyna	Agro	General partner of Verbis KAPPA Sp. z o.o. SKA, other financial intermediation.	100%	100%
Verbis KAPPA Sp. z o.o. SKA	Nowa Sarzyna	Agro	Other financial intermediation.	100%	100%
Algete Sp. z o.o.	Nowa Sarzyna	Agro	Granting CIECH Sarzyna Group companies the license for using the trademark of "Chwastox" for the purpose of business.	100%	100%
CIECH Agro Romania S.R.L.	Ramnicu Valcea, Romania	Agro	Wholesale of chemical products.	100%	-
SDC Group					
SDC GmbH	Stassfurt, Germany	Soda	Holding company for all SDC Group entities.	100%	100%
CIECH Soda Deutschland GmbH&Co. KG	Stassfurt, Germany	Soda	Manufacture of other basic inorganic chemicals, wholesale of chemical products.	100%	100%
Sodawerk Holding Stassfurt GmbH	Stassfurt, Germany	Soda	Holding activities.	100%	100%
Sodawerk Stassfurt Verwaltungs GmbH	Stassfurt, Germany	Soda	Management and financial activities.	100%	100%
CIECH Energy Deutschland GmbH	Stassfurt, Germany	Soda	Power generation and distribution.	100%	100%
Kavernengesellschaft Stassfurt GbmH****	Stassfurt, Germany	Soda	Management and maintenance of gas caverns.	50%	50%

*Number of shares / votes at the GMS attributable directly to CIECH S.A. — 39.41% and CIECH Soda Polska S.A. — 60.59%.

**Shares in the share capital acquired by CIECH S.A. — 99.18% and CIECH Soda Polska S.A. — 0.82%.

***Shares in the share capital acquired by CIECH S.A. — 1.4% and CIECH Soda Polska S.A. — 98.6%.

****Jointly-controlled company accounted for under the equity method.



5.2. INFORMATION ON NON-CONSOLIDATED SUBSIDIARIES AND ASSOCIATES

When selecting entities for consolidation, the Management Board was guided by the criteria of significance of their financial data (according to the concept assumptions of IFRS), for executing the obligation of an actual and reliable image of the material and financial situation, and the financial result of the Group.

The total share of data of subsidiaries not covered by consolidation under the full method, due to its irrelevance, in relation to the total values of the CIECH Group for the period from 1 January 2022 to 30 June 2022 does not exceed 2% of the Group's total consolidated assets and 2% of consolidated net revenues from sales of goods and products and financial operations.

Aggregated data of associates and jointly-controlled companies which were not measured under the equity method for the period from 1 January 2022 to 30 June 2022 did not exceed 2% of the Group's consolidated total assets and 2% of the total consolidated equity of the CIECH Group.

5.3. SIGNIFICANT EFFECTS OF CHANGES TO THE ORGANISATIONAL STRUCTURE OF THE CIECH GROUP IN THE FIRST HALF OF 2022

• CIECH Transclean Sp. z o.o.

The Court, in its decision of 3 February 2022, registered the reduction in the share capital of CIECH Transclean Sp. z o.o. resulting from the cancellation of shares, which was carried out on 21 July 2021 at the Extraordinary Shareholders' Meeting of CIECH Transclean Sp. z o.o. by deciding on the cancellation of shares against consideration and amending the Articles of Association of the Company:

- ✓ 8,548 shares in the Company's share capital with a total nominal value of PLN 4,274 thousand were cancelled in exchange for consideration of PLN 506.56 per canceled share, i.e. for total consideration amounting to PLN 4,330 thousand, by way of purchase of the above shares on the basis of an agreement to sell the shares by the Company against the above consideration,
- ✓ The Management Board of the Company was authorised to purchase the shares (conclude an agreement) in order to cancel them, The agreement for the purchase of shares for cancellation against consideration was concluded on 10 November 2021; according to this agreement, the consideration was transferred within 14 days from the date on which the reduction of capital was registered by the court,
- ✓ following the cancellation of shares, the share capital was reduced from PLN 4,322 thousand (by PLN 4,274 thousand) to PLN 48 thousand through the cancellation of 8,548 shares with a total value of PLN 4,274 thousand.

As a result of the decrease, the share capital of CIECH Transclean Sp. z o.o. is divided into 96 shares, with a total nominal value of PLN 48 thousand (the nominal value for 1 share is PLN 500).

• CIECH Sól sp. z o.o.

On 13 December 2021, the Deed of Incorporation of CIECH Sól sp. z o.o., with a share capital of PLN 5 thousand, divided into 100 shares with a nominal value of PLN 50 each, was drawn up. The share capital was fully covered with cash, all shares were taken up by CIECH S.A. The court, by decision of 7 February 2022, registered CIECH Sól Sp. z o.o. CIECH S.A. is the sole shareholder of the Company.

• CIECH Soda Romania S.A.

As of 1 March 2022, a reduction in the share capital resulting from the cancellation of 26,819 treasury shares of CIECH Soda Romania S.A. effected by resolution of the General Meeting held on 7 December 2022 became effective. Following the cancellation, the share capital amounts to RON 111,573 thousand and is divided into 796,951,188 shares with a nominal value of RON 0.14 each. The number of shares held by CIECH S.A. remains unchanged - 786,912,905 shares; their proportion in the share capital changes from 98.737% to 98.740%.



5.4. THE MOST IMPORTANT EVENTS IN THE CIECH GROUP IN THE FIRST HALF OF 2022

On 23 February 2022, a letter of intent was signed between the CIECH S.A., CIECH Soda Polska S.A., Budimex S.A., EEW Energy from Waste GmbH, EEW Energy from Waste Polska sp. z o.o., FBSerwis S.A. and the City of Inowrocław, on their cooperation in the preparation of conditions for making a decision on the investment consisting in the construction by EEW, EEW Polska and FBSerwis, on the property owned by CIECH Soda Polska S.A., a thermal waste treatment installation. For details on the letter, see current report No 2/2022.

On 28 April 2022, the Annual General Meeting of CIECH S.A. appointed the Supervisory Board of CIECH S.A. for a new term of office, composed of the following members:

- Mr Sebastian Kulczyk;
- Mr Marek Kośnik;
- Mr Łukasz Rędziniak;
- Ms Natalia Scherbakoff;
- Mr Martin Laudenbach;
- Mr Artur Olech.

On 29 April 2022, the Supervisory Board of CIECH S.A. elected Mr Sebastian Kulczyk as Chairman of the Supervisory Board of CIECH S.A. and Mr Marek Kośnik as Deputy Chairman of the Supervisory Board of CIECH S.A. For details, see current report No 17/2022.

On 18 May 2022 the Supervisory Board of CIECH S.A. elected the Audit Committee of the Supervisory Board, the ESG Committee and the Remuneration Committee of the Supervisory Board. For details, see current report No 20/2022.

On 18 May 2022, the Company's Supervisory Board adopted the CIECH Group Strategy for the years 2022 – 2024 ("Strategy"). For details, see current report No 19/2022.

On 18 May 2022, with effect from 1 June 2022, the Supervisory Board of CIECH S.A. appointed Mr Kamil Majczak to the Management Board of CIECH S.A. as a Member of the Management Board. For details, see current report No 21/2022.



5.5. REVIEW OF KEY ECONOMIC AND FINANCIAL FIGURES CONCERNING THE CIECH GROUP

5.5.1. BASIC FINANCIAL DATA

During the first half of 2022, the CIECH Group earned net profit from continuing operations of PLN 147,548 thousand, net cash decreased by PLN 164,634 thousand and total assets as at the end of the first half of 2022 amounted to PLN 7,345,461 thousand. The table below presents selected financial data and basic financial ratios for the first half of 2022 and 2021.

Selected financial data

	01.01.-30.06.2022	01.01.-30.06.2021	Change 2022/2021
CONTINUING OPERATIONS			
Sales revenues	2,478,853	1,695,785	46.2%
Cost of sales	(1,951,206)	(1,303,786)	(49.7%)
Gross profit/(loss) on sales	527,647	391,999	34.6%
Selling costs	(135,316)	(108,781)	(24.4%)
General and administrative expenses	(157,059)	(97,099)	(61.8%)
Other operating income/expense	(18,222)	51,728	-
Operating profit/(loss)	217,050	237,847	(8.7%)
Net financial income/expenses	(40,010)	(59,617)	32.9%
Share of profit of equity-accounted investees	450	(209)	-
Income tax	(29,942)	(48,271)	38.0%
Net profit/(loss) on continuing operations	147,548	129,750	13.7%
DISCONTINUED OPERATIONS			
Net profit/(loss) on discontinued operations	-	62,540	-
Net profit / (loss) for the period	147,548	192,290	(23.3%)
<i>including:</i>			
Net profit/(loss) attributed to non-controlling interest	(1,618)	(118)	(1271.2%)
Net profit/(loss) attributable to shareholders of the parent company	149,166	192,408	(22.5%)
EBITDA from continuing operations	417,936	407,675	2.5%
Adjusted EBITDA from continuing operations*	431,276	409,623	5.3%

*Principles of calculating EBITDA and adjusted EBITDA have been described in section "Ratio calculation methodology". EBITDA and adjusted EBITDA are presented in other sections, and are taken into account when calculating selected financial ratios.

5.5.2. SALES REVENUES

Consolidated net sales revenues from continued operations of the CIECH Group for the first half of 2022 amounted to PLN 2,478,853 thousand. Compared to the corresponding period of the previous year, revenues increased by PLN 783,068 thousand.

In the first half of 2022, there were no discontinued operations in the CIECH Group, while in the comparable period the consolidated net sales revenue from discontinued operations of the CIECH Group amounted to PLN 69,897 thousand.

In the **Soda Segment**, revenues increased by PLN 680 million (63.3%) year-on-year. The increased sales were mainly driven by:

- intensification of efforts to temporarily increase contract prices implemented from early 2022 due to higher raw material and EUA prices,
- commercialisation of a top-quality sodium bicarbonate plant (higher plant volume in Germany), introduction of top-quality sodium bicarbonate used for haemodialysis.
- growing demand for soda due to the continuing reduction in imports from other continents into Europe, as well as additional demand for glass sent to Ukraine,



- gradual increase in production capacity and reaching 70% of salt tablet production capacity at the Stassfurt saltworks,
- obtaining IFS certification for food grade salt.

In the **Agro Segment**, sales revenues increased by PLN 68.9 million (25.0%) year-on-year. The increase is mainly due to:

- the market success of the new herbicide, Halvetic, based on the innovative Better Glyphosate Technology (BGT),
- high demand for herbicides due to higher pre-season stocking of distributors,
- an upward trend in cereal crops in Poland and Europe due to import sanctions in the eastern regions.

In the **Foams Segment**, sales revenue decreased by PLN 19.4 million (-9.7%) year-on-year. The changes are mainly related to:

- a deterioration in the automotive sector, which directly determines demand for flexible polyurethane foams,
- uncertainty caused by the war in Ukraine, resulting in retail customers delaying their purchase decisions,
- a decrease in profitability in the furniture industry, causing price pressure on foam suppliers,
- a significant increase in sales of processed foam,
- retention of key customers, despite significant price pressure from competitors,

The **Silicates Segment** recorded a year-on-year increase in revenue by PLN 100.7 million (94.8%). This increase was driven by, among other factors:

- stable demand for silicates despite restrictions in the automotive industry, which is influenced by a lower supply on the silicate market, caused by a reduction in production by key suppliers from Eastern Europe,
- improving the quality of glassy sodium silicate with the commissioning of a state-of-the-art furnace in Żary,
- diversification of sales due to limited market access to glassy silicates and potassium water glass and striving to establish long-term cooperation with new customers,
- higher sales of glassy silicates and potassium water glass due to capacity reductions in Europe,
- lower supply of silicates on the market due to the shutdown of production by a Ukrainian producer,
- increased price competitiveness in the European market following the depreciation of PLN.

The **Packaging Segment** recorded a year-on-year increase in revenue by PLN 9.7 million (30.0%), attributable to, among other factors:

- effect of increases in the price of lanterns from 2022,
- change in the product structure towards higher margin products.

In the **Other Activity segment**, sales decreased year-on-year by PLN 23.5 million (-24.7%). The main reason for the decrease is the phasing out of operations by CIECH Trading Sp. z o.o.

In the first half of 2022, the CIECH Group's activities were focused on four business segments: Soda, Agro, Foams, Silicates. These segments generate in total more than 90% of the Group's sales revenues. The structure of sales revenues, by business segment, has not changed significantly in comparison with 2021. Invariably, the largest share in revenues was attributed to the sales of soda segment products, i.e. 70.8%.

Sales revenues — business segments

	01.01.-30.06.2022	01.01.-30.06.2021*	Change 2022/2021	Change %
Soda segment, including:	1,754,458	1,074,449	680,009	63.3%
Dense soda ash	916,366	513,368	402,998	78.5%
Light soda ash	221,904	164,056	57,848	35.3%
Salt	150,590	96,870	53,720	55.5%
Sodium bicarbonate	145,187	105,540	39,647	37.6%
Energy	229,514	91,773	137,741	150.1%
Calcium chloride	14,753	15,853	(1,100)	(6.9%)
Other products	20,404	49,469	(29,065)	(58.8%)
Revenues from inter-segment transactions	55,740	37,520	18,220	48.6%
Agro segment, including:	344,610	275,673	68,937	25.0%



	01.01.-30.06.2022	01.01.-30.06.2021*	Change 2022/2021	Change %
Agro products	344,608	275,652	68,956	25.0%
Revenues from inter-segment transactions	2	21	(19)	(90.5%)
Foams segment, including:	179,636	199,002	(19,366)	(9.7%)
Polyurethane foams	179,365	198,938	(19,573)	(9.8%)
Revenues from inter-segment transactions	271	64	207	323.4%
Silicates segment, including:	206,934	106,205	100,729	94.8%
Sodium silicates	197,443	101,716	95,727	94.1%
Potassium silicates	9,055	4,373	4,682	107.1%
Other products	58	73	(15)	(20.5%)
Revenues from inter-segment transactions	378	43	335	779.1%
Packaging segment, including:	42,229	32,486	9,743	30.0%
Glass packaging	41,600	32,175	9,425	29.3%
Revenues from inter-segment transactions	629	311	318	102.3%
Other segment, including:	71,717	95,247	(23,530)	(24.7%)
Revenues from third parties	8,006	45,929	(37,923)	(82.6%)
Revenues from inter-segment transactions	63,711	49,318	14,393	29.2%
Consolidation adjustments	(120,731)	(87,277)	(33,454)	(38.3%)
TOTAL	2,478,853	1,695,785	783,068	46.2%

*Restated data. For information on the restatement of comparative data by segment, see Note 2.5. to the report.

5.5.3. PROFIT/(LOSS) ON SALES AND OPERATING PROFIT/(LOSS)

After the first half of 2022, gross profit on sales from continuing operations amounted to PLN 527,647 thousand, whereas in the same period of the previous year it amounted to PLN 391,999 thousand. The operating profit for continuing operations amounted to PLN 217,050 thousand, in the comparable period it amounted to PLN 237,847 thousand.

In the first half of 2022, there were no discontinued operations in the CIECH Group, while in the comparable period the gross profit on sales on discontinued operations amounted to PLN 13,256 thousand and operating profit amounted to PLN 6,927 thousand.

The following had a **positive** impact on the presented results:

- In the Soda Segment – a successful temporary increase in contract prices offsetting the rapidly increasing prices of energy resources and EUA.
- Optimisation of the use of the local gas source at the German plant reducing the negative impact of rising gas prices on global markets.
- Growing demand for soda due to the continuing reduction in imports from other continents into Europe.
- Obtaining IFS certification for food grade salt.
- In the Agro Segment – the market success of the new herbicide, Halvetic, based on the innovative BGT technology.
- High demand for herbicides resulting from distributors' stock replenishment before the season.
- In the Foams Segment – unification of the portfolio of products offered and its positive reception by customers, as well as successful price negotiations with suppliers, ensuring competitive prices and availability of raw materials.
- In the Silicates Segment – improvement of the quality of glassy sodium silicate due to the commissioning of a new state-of-the-art furnace in Żary and stable demand for silicates despite restrictions in the automotive industry.
- Higher sales of glassy silicates and potassium water glass due to total capacity reductions in Europe.

The following had a **negative** impact on the presented results:

- Unprecedentedly dynamic increase in prices of energy raw materials (coal, gas, electricity) on the global market.
- Continuing high prices for EUA certificates.
- Higher transport costs for raw materials and finished goods.
- Increase in prices of raw materials for crop protection chemicals, mainly driven by high demand in Asian markets.
- A decrease in profitability in the furniture industry, causing price pressure on foam suppliers.



- A deterioration in the automotive sector, which directly determines demand for flexible polyurethane foams.
- Higher fixed costs due to the continuously growing inflationary pressure.

For continuing operations, the EBIT margin for the first half of 2022 amounted to 8.8% (14.0% in the previous year), and the EBITDA margin amounted to 16.9% (24.0% in the previous year). The EBIT margin (excluding one-off events) for first half of 2022 amounted to 9.3% (14.1% in the previous year), and the EBITDA margin (excluding one-off events) amounted to 17.4% (24.2% in the previous year).

5.5.4. FINANCING ACTIVITIES AND NET PROFIT/LOSS

Financial income for the first half of 2022 amounted to PLN 26,596 thousand and increased compared to the corresponding period of the previous year, when it amounted to PLN 7,573 thousand.

Financial expenses for the first half of 2022 amounted to PLN 66,606 thousand and decreased compared to the corresponding period of the previous year, when it amounted to PLN 67,190 thousand.

The area of financing activities was mainly affected by interest on loans, foreign exchange gain and valuation of financial instruments.

The consolidated net profit for the first half of 2022 amounted to PLN 147,548 thousand (of which PLN 149,166 thousand was a net profit attributable to the shareholders of the parent company and PLN -1,618 thousand a loss of non-controlling interest).

The decrease in net profit as compared to the corresponding period of 2021 resulted from, among other factors:

- finalisation of the sale of CIECH Żywiec Sp. z o.o. in the first quarter of 2021 – the consolidated gain on discontinued operations of the Group, including the sale of the company's shares, amounted to about PLN 70 million (for detailed information see Note 2.15 to this report),
- increased interest expenses,
- year-on-year decrease in other operating income due to the sale of CO₂ emission allowances in CIECH Soda Romania S.A. in the first quarter of 2021.

5.5.5. ASSET POSITION OF THE CIECH GROUP

Basic consolidated balance sheet data

	30.06.2022	31.12.2021*	Change 2022/2021
Total assets	7,345,461	7,135,218	2.9%
Total non-current assets	4,781,478	4,787,603	(0.1%)
Total current assets	2,563,983	2,347,615	9.2%
Inventory	549,850	459,308	19.7%
Short-term intangible assets other than goodwill	616,324	403,434	52.8%
Current receivables	572,690	583,100	(1.8%)
Cash and cash equivalents	634,806	799,023	(20.6%)
Short-term financial assets	189,945	102,382	85.5%
Non-current assets held for sale	368	368	0.0%
Total equity	2,513,458	2,386,329	5.3%
Equity attributable to shareholders of the parent	2,518,752	2,390,105	5.4%
Non-controlling interest	(5,294)	(3,776)	(40.2%)
Total non-current liabilities	2,458,332	2,542,124	(3.3%)
Total current liabilities	2,373,671	2,206,765	7.6%

*Restated data. For detailed information, see Note 2.2.1 to this report.



Assets

As at the end of June 2022, the Group's non-current assets amounted to PLN 4,781,478 thousand. Compared to the balance as at 31 December 2021, the value of non-current assets decreased by PLN 6,125 thousand.

As at 30 June 2022, the Group's current assets amounted to PLN 2,563,983 thousand. Compared to the end of December 2021, the value of current assets increased by PLN 216,368 thousand.

This change resulted from, among other factors:

- increased short-term intangible assets due to the purchase and receipt of free CO₂ emission allowances,
- lower balance of cash accumulated in companies,
- higher balance of inventories and trade receivables, in particular in the Agro Segment.

Capital resources

The sources of liquidity include cash flows generated from operating activities, cash from the sale of assets, cash from EU grants for capital expenditure, cash available due to the revolving credit facility agreement and overdraft facilities. The Group also uses factoring agreements.

Liabilities

As at 30 June 2022, the CIECH Group's liabilities (total non-current and current) amounted to PLN 4,832,003 thousand, which is an increase of PLN 83,114 thousand (i.e. by 1.8%) compared to the end of December 2021.

The debt ratio amounted to 65.8% as at 30 June 2022 (at the end of December 2021, it was 66.6%). The consolidated net debt of the Group amounted to PLN 1,421,299 thousand as at 30 June 2022 and increased by PLN 120,513 thousand in comparison to the balance as at the end of December 2021. The higher level of this debt was driven by higher utilisation of available credit limits and factoring, as well as a lower level of negative valuations of financial instruments.

Debt instruments currently used

The Group's sources of debt financing include: term loan, revolving credit, overdrafts as well as lease liabilities. Additional information about the management of financial resources is provided in Section 4.5. of the Management Board Report on Activities of the CIECH Group and CIECH S.A. in 2021, published on 29 March 2022.

5.5.6. CASH POSITION OF THE CIECH GROUP

	01.01.-30.06.2022	01.01.-30.06.2021	Change 2022/2021
Net cash from operating activities	392,642	431,155	(8.9%)
Net cash from investment activities	(543,036)	(368,170)	(47.5%)
Net cash from financial activities	(14,240)	(9,869)	(44.3%)
Total net cash flows	(164,634)	53,116	-
Free cash flow	(150,394)	62,985	-

Total net cash flows in the first half of 2022 was negative and amounted to PLN 164,634 thousand. Compared to the same period of the previous year, the cash flows generated by the Group were lower by PLN 217,750 thousand. Cash flows from operating activities were positive and amounted to PLN 392,642 thousand. They decreased compared to the same period in 2021 by PLN 38,513 thousand.

During the first half of 2022, the net cash flows from investing activities were negative, which was mainly the result of expenses for an investment programme implemented by the Group and of expenses related to the purchase of CO₂ certificates. The net cash from financing activities was negative and amounted to PLN 14,240 thousand.



	01.01.-30.06.2022	01.01.-30.06.2021
Financial surplus ((net profit/(loss) on continuing operations + depreciation)	348,434	362,118
Other adjustments to net profit/(loss) on continuing operations	(117,772)	(37,927)
Adjusted financial surplus (1+2)	230,662	324,191
Change in working capital	161,980	106,964
Net cash from operating activities (3+4)	392,642	431,155
Net cash from investing activities	(543,036)	(368,170)
Free cash flow (5+6)	(150,394)	62,985

During the first half of 2022, the CIECH Group generated negative free cash flows i.e. it was unable to finance its capital expenditure with cash flows from operating activities.

5.5.7. WORKING CAPITAL AND SELECTED FINANCIAL RATIOS OF THE CIECH GROUP

Liquidity of the CIECH Group

As at 30 June 2022, liquidity ratios remained relatively flat compared to those recorded on 31 December 2021. The current ratio, calculated as the ratio of total current assets to total current liabilities, amounted to 1.08 as at 30 June 2022, while the quick liquidity ratio amounted to 0.85.

	30.06.2022	31.12.2021
Current ratio	1.08	1.06
Quick ratio	0.85	0.86

Working capital of the CIECH Group

As at the end of the first half of 2022, working capital, defined as the difference between current assets and short-term liabilities, adjusted by relevant balance sheet items (cash and cash equivalents and short-term loans) was negative and amounted to PLN 390,934 thousand, which is an increase of PLN 251,389 thousand compared to the end of 2021.

	30.06.2022	31.12.2021
1. Current assets, including:	2,563,983	2,347,615
Inventory	549,850	459,308
Trade receivables and services and advances for deliveries	309,390	218,284
2. Cash and cash equivalents and short-term investments	824,751	901,405
3. Adjusted current assets (1-2)	1,739,232	1,446,210
4. Current liabilities, including:	2,373,671	2,206,765
Trade liabilities and advances taken	747,485	615,771
5. Short-term credits and other current financial liabilities*	243,505	118,232
6. Adjusted current liabilities (4-5)	2,130,166	2,088,533
7. Working capital including short-term credits(1-4)	190,312	140,850
8. Working capital (3-6)	(390,934)	(642,323)
9. Trade working capital	111,755	61,821

*Other short-term financial liabilities include current lease liabilities + current derivative liabilities + factoring liabilities.

Trade working capital is the difference between current assets (trade receivables and inventory) and trade liabilities. The recorded levels of working capital and trade working capital vary due to a number of factors such as the change in the scale of business, changes in key suppliers' payment terms, foreign exchange rates, the Group companies' strategic decisions regarding inventory maintenance and the seasonal nature of operations (in particular in the crop protection chemicals business).



The increase in trade working capital from PLN 61,821 thousand in 2021 to PLN 111,755 thousand at the end of the first half of 2022 (a change by PLN 49,934 thousand) was mainly due to the two events:

- the Group companies achieved higher sales levels in the first half of the year, which translated into an increase in receivables from external customers.
- at the same time, there was an increase in current liabilities due to a higher level of reverse factoring and higher purchase costs for raw materials, mainly gas and raw materials for the production of crop protection products.

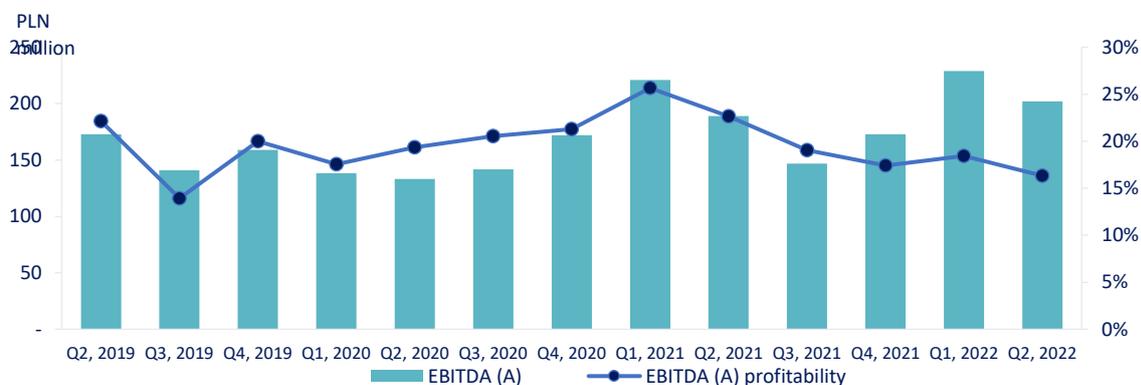
The CIECH Group's profitability ratios for continuing operations

During the first half of 2022, profitability ratios of the CIECH Group in respect of the continuing operations reached a lower level than in the corresponding period of the previous year.

THE GROUP'S PROFITABILITY RATIO

	01.01.-30.06.2022	01.01.-30.06.2021	Change 2022/2021
CONTINUING OPERATIONS			
Gross return on sales	21.3%	23.1%	(1.8) p.p.
Return on sales	9.5%	11.0%	(1.5) p.p.
EBIT margin	8.8%	14.0%	(5.3) p.p.
EBITDA margin	16.9%	24.0%	(7.2) p.p.
Adjusted EBIT margin	9.3%	14.1%	(4.8) p.p.
Adjusted EBITDA margin	17.4%	24.2%	(6.8) p.p.
Net return on sales (ROS)	6.0%	7.7%	(1.7) p.p.
Return on assets (ROA)	2.0%	2.2%	(0.2) p.p.
Return on equity (ROE)	5.9%	6.0%	(0.1) p.p.
Earnings/(loss) per share (in PLN) from continuing operations	2.83	2.46	0.37

PROFITABILITY LEVELS OF THE CIECH GROUP



EBITDA (A) – adjusted EBITDA – excluding one-off events reported in particular quarters.

Source: CIECH S.A.



Indebtedness

The debt ratio decreased slightly in comparison to December 2021 and amounts to 65.8%. The level of net debt (net financial liabilities in relation to EBITDA) increased as compared to the end of 2021.

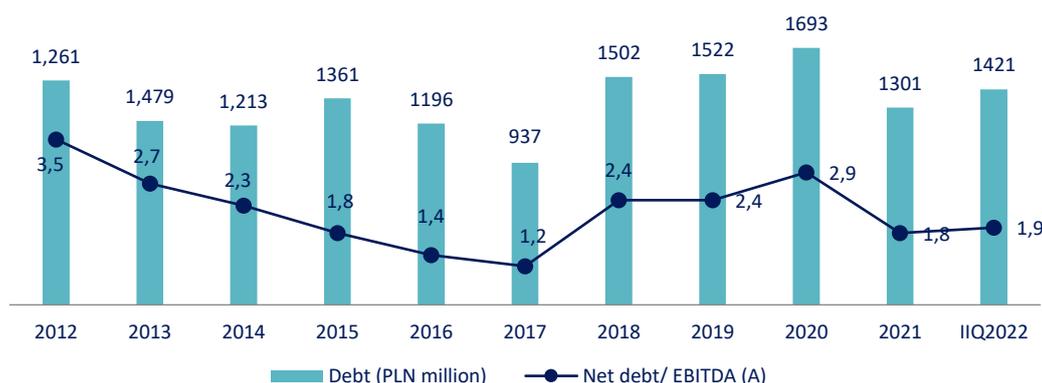
	30.06.2022	31.12.2021
Loans, borrowings and other debt instruments	1,862,228	1,859,441
Lease liabilities	139,728	151,197
Factoring liabilities	31,639	23,078
Negative net valuation of derivatives	22,510	66,093
Gross debt	2,056,105	2,099,809
Cash and cash equivalents	634,806	799,023
Net debt	1,421,299	1,300,786

The CIECH Group's debt ratio

	30.06.2022	31.12.2021*	Change 2022/2021
Debt ratio	65.8%	66.6%	(0.8) p.p.
Long term debt ratio	33.5%	35.6%	(2.1) p.p.
Debt to equity ratio	192.2%	199.0%	(6.8) p.p.
Equity to assets ratio	34.2%	33.4%	0.8 p.p.
Gross debt	2,056,105	2,099,809	(2.1%)
Net debt	1,421,299	1,300,786	9.3%
EBITDA annualized	725,406	715,144	1.4%
Adjusted EBITDA (annualised)	733,002	711,348	3.0%
Net debt / EBITDA annualized	2.0	1.8	7.7%
Net debt / Adjusted EBITDA (annualised)	1.9	1.8	6.0%
Gross debt / EBITDA annualised	2.8	2.9	(3.5%)
Gross debt / Adjusted EBITDA (annualised)	2.8	3.0	(5.0%)
Net debt according to Facilities Agreement	1,328,600	1,177,507	12.8%
Adjusted EBITDA (annualised) according to Facilities Agreement	746,393	706,092	5.7%
Adjusted EBITDA (annualised) according to Facilities Agreement	1.78	1.67	0.11

*Restated data. For detailed information, see Note 2.2.1 to this report.

**Principles of calculating EBITDA and adjusted EBITDA have been described in section "Ratio calculation methodology".



The ratio "Net financial liabilities / Adjusted (annualised) EBITDA in accordance with the Facilities Agreement" is calculated in accordance with the following principles:

- net debt in accordance with the Facilities Agreement do not include, among others, liabilities related to contracts classified as operating leases (before the implementation of IFRS 16 "Leases") in the amount of PLN 128 million and do not include liabilities due to negative valuation of financial instruments in the amount of PLN 23 million,



- adjusted (annualised) EBITDA in accordance with the Facilities Agreement takes into account EBITDA from continuing and discontinued operations in the total amount of PLN 746 million, and is adjusted by, among others, write-downs on receivables and inventories in the amount of approx. PLN 6 million.

As at 30 June 2022, the ratio calculated on the basis of the definitions in the Facilities Agreement is 1.78 and is higher by 0.11 compared to the ratio calculated in these consolidated financial statements.

Debt financing of the Group

As at the end of the first half of 2022, the CIECH Group's debt financing is secured mainly through facilities made available to CIECH S.A. under the following facilities agreements:

1. The Facilities Agreement signed with a banking syndicate dated 16 March 2021 with the total value of approx. PLN 2,115,000 thousand:
 - amortised term facility in tranches in PLN and EUR in the amount of PLN 540,700 thousand and EUR 4,231 thousand (the facility is fully drawn down),
 - non-amortised term facility in tranches in PLN and EUR in the amount of PLN 1,260,100 thousand and EUR 9,844 thousand (the facility is fully drawn down),
 - revolving credit facility in the amount of up to PLN 250,000 thousand (the amount of used credit as at 30 June 2022 was PLN 0 thousand),
2. Overdraft facilities up to PLN 100,000 thousand and EUR 10,000 thousand under agreements dated 28 and 29 August 2018 (as at 30 June 2022, the amount used was PLN 0 thousand),

The total value of facilities available under the aforesaid agreements is PLN 2,263,485 thousand; the limits are drawn down in the amount of PLN 1,866,679 thousand.

Factors and events that may affect future performance

The CIECH Group finalised its Strategy for 2022-2024, envisaging a return to a new normal, taking into account the changes that occurred during and after the COVID-19 pandemic. At the moment, the CIECH Group is convinced that the new Strategy is ambitious but achievable. However, it should be kept in mind that we are currently witnessing a very dynamic political situation in Europe (Russian aggression in Ukraine), which significantly affects, in particular, the markets for energy raw materials consumed by the CIECH Group. The Group is currently conducting analyses in this respect. In line with the objectives, the CIECH Group will focus on the following activities:

- Stabilising and ensuring steady cash flow from the soda business through better planning, optimising variable costs, focusing on the development of the sodium bicarbonate business,
- energy transformation in soda plants to reduce CO₂ emissions and environmental impact while controlling the cost of process steam,
- commercialisation of the innovative Halvetic product in the Agro business and development of further hybrid products, as well as further geographical expansion with a continuously expanding product portfolio,
- expansion of the salt business by entering new markets and increasing sales through new production capacity at the Stassfurt plant, as well as the introduction of higher processed products,
- development of the silicates business, among others through an increase in production capacity and improvement of its efficiency, which will strengthen the CIECH Group's position on the European market,
- increase of operational effectiveness due to, among others, optimisation of production costs and process improvements in the Foams business, as well as the development of new formulations, such as bio- and repolyols,
- optimisation of costs of repairs and maintenance of assets, especially in the area of maintenance in all CIECH Group production plants through, among other things, increasing the scope of work performed internally,
- discipline in fixed costs,
- continuous process of improving business and operational processes in all companies of the CIECH Group.
- optimisation of the CIECH Group's corporate and organisational model towards greater agility enabling quick response to the changing environment.

It should be noted that due to the current geopolitical situation in Eastern Europe, uncertainty about the next wave of the COVID-19 pandemic, as well as high volatility in energy commodity markets and rising inflationary pressures, the global economic situation is uncertain and trends are difficult to predict. The Management Board of CIECH S.A. analyses scenarios of possible developments on an ongoing basis and will make decisions with a view to ensuring the Group's long-term value.



5.6. SIGNIFICANT RISK FACTORS

In connection with its operations, the CIECH Group is exposed to a number of risks, including financial risks. The most important risk factors are presented in details in Note 3.4 to the Management Board Report on activities of the CIECH Group and CIECH S.A. in 2021, published on 29 March 2022.

There were no significant changes in relation to the Group's risk management policy.

For a detailed update on the Group's current position in relation to the impact of the Russian invasion of Ukraine, see Note 2.18 to this report.

For a detailed update on the Group's current position in relation to the impact of the COVID-19 coronavirus pandemic, see Note 2.19 to this report.

Exposure to currency risk

The table below presents the estimated currency exposure of the CIECH Group in EUR and USD as at 30 June 2022 due to financial instruments:

Exposure to currency risk	EUR ('000)	USD ('000)	Impact on the statement of profit or loss	Impact on the statement of other comprehensive income*
Assets				
Loans granted sensitive to FX rate changes	241,000	-	x	
Trade and other receivables	7,821	988	x	
Cash including bank deposits	41,138	4,870	x	
Liabilities				
Trade and other liabilities	(13,353)	(1,714)	x	
Term loan liabilities	(14,075)	-		x
Other liabilities in respect of credits and loans	-	-	x	
Forward	(36,950)			
Forward (not designated to hedge accounting)	(222,513)	-	x	
CIRS (forward transactions isolated as part of decomposition of CIRS)	(342,841)	-	x	
Total exposure	(339,773)	4,144		

* Measurement of financial instruments designated for hedge accounting is referred to other comprehensive income while ineffectiveness is recognised in the profit or loss statement.

The table contains an analysis of the sensitivity of individual statement of financial position items to exchange rate fluctuations as at 30 June 2022.

Analysis of sensitivity to currency risk – EUR	(PLN '000)*	Impact on the statement of profit or loss	Impact on the statement of other comprehensive income
EUR			
Foreign-currency balance sheet items	2,625	2,625	-
Hedging instruments: Forward and CIRS	(6,023)	(2,225)	(3,798)
USD			
Foreign-currency balance sheet items	41	41	-

*Increase in EUR/PLN or USD/PLN exchange rate of 1 grosz.

The CIECH Group uses derivative instruments to hedge currency risk. Details of the instruments used are described in Note 2.8 to this Report.



Credit risk

Credit risk means a threat of the counterparty not fulfilling the obligations stipulated in the agreement, exposing the lender to financial loss.

From the CIECH Group's point of view, credit risk is linked to:

- trade receivables from customers,
- cash and bank deposits.

The CIECH Group is exposed to credit risk connected with the credit rating of customers being parties to products and goods sales transactions. That risk is limited by using internal procedures to establish amounts of credit limits for customers and to manage trade receivables (the Group uses securities in the form of a letter of credit, bank guarantees, mortgages, receivables insurance and non-recourse factoring; approx. 11% of receivables is not insured). Customers' creditworthiness is assessed and appropriate collateral is obtained from the customers, allowing for a reduction of potential losses in the case of failure to repay the debt. Credit risk assessment for customers is performed prior to concluding an agreement and periodically at subsequent deliveries of goods in accordance with the binding procedures. On selected markets, where more risky payment deadlines are applied, the Group's companies make use of services provided by companies specialising in insuring receivables.

Credit risk connected with cash in bank and bank deposits is low as the CIECH Group enters into transactions with high-rating banks with stable market position.

Expected credit losses on:	As at 1 January 2022	Increases	Decreases	Foreign exchange differences	As at 30 June 2022
Long-term receivables in relation to caversns	(198)	-	-	(3)	(201)
Trade receivables	(46,614)	(1,994)	1,399	(1,532)	(48,741)
Factoring receivables	(15)	(45)	32	-	(28)
Cash and cash equivalents	(450)	(13)	270	83	(110)
TOTAL	(47,277)	(2,052)	1,701	(1,452)	(49,080)

Liquidity risk

The CIECH Group is exposed to risk connected with maintaining liquidity due to the considerable value of external financing (due to the term loans, working capital facilities and lease agreements), the limited ability to obtain new financing in the event of a deterioration in market conditions and due to the existing high level of indebtedness and the risk of losing the existing long-term financing as a result of violating covenants stipulated in the bond issue terms and loan agreements.

The following measures are applied to reduce liquidity risk:

- current monitoring of liquidity of the CIECH Group companies,
- monitoring and optimisation of the level of working capital,
- adjusting the level and schedule of capital expenditure,
- intragroup borrowings and sureties for the liabilities of the Group's companies,
- current monitoring of the settlement of liabilities under the loan agreements conditions.

The Group's debt financing is ensured primarily by the term loans. In addition, a revolving credit facility in the amount of PLN 250 million, constituting an additional source of current liquidity and working capital financing (as at 30 June 2022, the facility was drawn down in the amount of PLN 0 million), and overdraft facilities (as at the end of June 2022, the debt on this account was PLN 0 thousand) have been made available to the Group.



The table below presents financial liabilities at face value grouped by maturity.

30.06.2022	Carrying amount	Contractual cash flows	Less than 6 months	up to 12 months	1-2 years	3-5 years	More than 5 years
Other financial liabilities:	(2,638,663)	(3,167,963)	(856,506)	(172,958)	(335,068)	(1,803,431)	-
Trade liabilities	(744,798)	(744,798)	(744,798)	-	-	-	-
Credits and loans	(1,862,226)	(2,391,526)	(80,069)	(172,958)	(335,068)	(1,803,431)	-
Factoring	(31,639)	(31,639)	(31,639)	-	-	-	-
Lease liabilities	(139,728)	(260,152)	(15,053)	(13,032)	(41,435)	(26,241)	(164,391)
Hedging derivatives with negative value	(188,796)	(370,676)	(16,634)	-	-	(354,042)	-
Derivatives recognised in financial liabilities	(1,862)	(1,862)	(1,862)	-	-	-	-
TOTAL	(2,969,049)	(3,800,653)	(890,054)	(185,990)	(376,503)	(2,183,714)	(164,391)

Information on the levels of liquidity ratios is provided in Note 5.5.7 to this report.

A detailed description of information on financial risks is provided in Note 8.3 to the Consolidated Financial Statements of the CIECH Group for 2021, published on 29 March 2022.

5.7. FULFILMENT OF PROFIT FORECASTS PREVIOUSLY PUBLISHED FOR A GIVEN YEAR IN THE LIGHT OF THE RESULTS DISCLOSED IN THE REPORT AGAINST THE FORECAST RESULTS

On 19 April 2022, the CIECH Group published a forecast of results for 2022. The Management Board of CIECH S.A. forecasts that in 2022 the CIECH Group will achieve:

- consolidated sales revenues: between PLN 4,300 million and PLN 4,500 million;
- consolidated adjusted EBITDA: between PLN 740 million and PLN 780 million.

The forecast was prepared on the basis of the current market situation and the operational and financial situation of the CIECH Group.

After the first half of 2022, the CIECH Group upholds the forecast published.

5.8. FACTORS AFFECTING THE CIECH GROUP'S RESULTS WITH PARTICULAR FOCUS ON THE NEXT SIX MONTHS

The CIECH Group business is largely based on the production and sales of chemical products used as raw materials and semi-finished goods in a wide range of industries, including the glass, detergent, furniture, automotive, construction, food, agricultural, pharmaceutical, chemical and consumer goods industries. The demand for the CIECH Group customers' products depends on a number of factors, including general economic conditions.

Costs of labour and energy, interest rates and other macroeconomic factors also have a significant impact on the Group's operations. Due to the fact that a significant portion of the Group's revenue and expenses is generated in foreign currencies, changes in exchange rates also affect its financial performance.

As a result, the volume and profitability of the CIECH Group companies' sales depend on these variables as well as on the economic situation in Poland, Europe, and worldwide.

Situation in industries of recipients of products of the Group in Poland

Poland is the largest sales market of the CIECH Group. The direct and indirect, most important domestic recipients of the Group's products include: glass industry, various chemical industries, furniture, agriculture, construction, food and automotive industry. The development of these sectors of the economy depends on the economic situation in Poland.

According to the data of Statistics Poland, the sold industrial output at constant prices during 6 months of 2022 increased by 13.6% year on year (in 2021 — an increase of 18.2%). After 6 months of 2022, the relevant dynamics of production in the industries of significant importance to the Group's activities (as receiving or target markets) were: manufacture of chemicals and chemical products (increase of 21.5%); construction and assembly production (increase of 12%); manufacture of furniture (increase of 9.3%, including furniture for sleeping — increase of approx. 3% in terms of volume); manufacture of rubber and



plastic products (increase of 10.0%); manufacture of food (increase of 10.1%); manufacture of motor vehicles (increase of 2.1%).

Last year saw a very fast recovery in the Polish economy. The high GDP growth in 2021 (5.9% according to Statistics Poland) resulted from the rebound after the first pandemic period. For 2022, however, this dynamic is projected to weaken to the levels of between 4% and 5% according to analyses published in July this year (with visibly declining dynamics in subsequent quarters as the year progresses, and with high uncertainty of the projections due to the war in Ukraine, risk of a price and wage spiral and global factors such as the pandemic and highly volatile energy prices). Similar trends should be expected in the chemical industry which usually develops similarly to the economy as a whole.

Economic situation in Europe and in the world

The activity of the CIECH Group is based, in a considerable part, on the sales of chemical products on foreign markets. The level of profitability on sales depends on the global economic situation in Europe and in the world. Global economic downturn usually results in the fall of the demand for raw materials on global markets and hence on the amount of export turnover of the Group.

Analyses by the International Monetary Fund suggest that the global economy has returned to growth in 2021 (forecast of +6.1% GDP in 2021 vs -3.1% in 2020).

Before the war between Russia and Ukraine broke out, a slowdown in the world's economic development was projected to slow down in 2022, albeit still experiencing relatively high growth (+4.4% GDP according to the IMF). In July this year, however, these forecasts were, once again, significantly reduced. According to the IMF analyses, this year's global GDP might grow by 3.2%. GDP growth in highly developed countries is expected to be strongly positive: +2.3% in the USA, +2.8% in the EU27, +1.7% in Japan. India (+7.4%), the ASEAN countries (+5.3%) and China (+3.3%) should grow above average. The situation can be very different in other major developing economies: Mexico (+2.4%); Brazil (+1.7%); Russia (-6.0%)

Last year, the EU chemical industry also reported a high rate of production growth compared to 2020, a crisis year. The estimates by the European Chemical Industry Council (CEFIC) indicate that chemical production in the EU27 increased by 6% in 2021 (after a 1.9% decrease recorded in the previous year) and surpassed the level reported in 2019. This very good result can be attributed to the general acceleration of economic growth after the first period of the COVID-19 pandemic. For this year, before the war between Russia and Ukraine broke out, CEFIC was projecting a lower rate of chemical production in the EU (+2.5%), but at a level significantly higher than the average annual growth rate recorded in the previous decade. In contrast, analysis by the American Chemical Council (ACC) indicated that global output in the chemicals sector would increase by as much as 3.8% in 2022. As the war is prolonged, these projections are likely to be significantly reduced. At the beginning of July this year, the German Chemical Industry Association (VCI) expected a 4% decline in chemical production in Germany for the entire year 2022.

For the European construction sector, 2022 is also characterised by a noticeable economic downturn. According to the June projections of Euroconstruct, this year's construction output in Western and Central Europe will increase by only 2.3% (compared to a 5.6% increase in 2021). However, the situation on the continent may vary considerably (from stagnation in Germany to an increase of +3% to +5% in other major EU economies). As far as Central Europe is concerned, projections for the sector's growth rate this year are less optimistic compared to Western Europe (+0.9% and +2.3%, respectively).

OTHER FACTORS AFFECTING THE CIECH GROUP'S ACTIVITIES

Factors	Description
Economic situation on raw material market	<p>Due to the fact that costs of raw materials account for a large share of total costs of the Group, the situation on key raw material markets (availability and price) significantly affect the CIECH Group's activities and financial performance. Price and availability of raw materials depends largely on economic and political developments across the globe.</p> <p>Hard coal – situation on the market depends on a number of macroeconomic factors. The largest producer of hard coal in the European Union is Poland, but EU's import of coal is nearly two times higher than production. Most of the coal imported to the EU is power coal, i.e. coal used by the CIECH Group in the production of process steam and electricity in soda plants in Poland. Despite the fact that the Group buys it usually from Polish mines, the price of thermal coal for the CIECH Group in a long term depends on the European and global situation in the area of demand and supply. Second half of 2021 and beginning of</p>



Factors	Description
	<p>2022 saw an increase in demand for coal unprecedented in recent years, not only in Poland but also in countries such as Germany and France caused by a several-fold increase in gas prices, which in the face of steadily declining production capacity in Europe (i.e. mainly in Poland) resulted in increased prices and shortages of the raw material. The situation was mitigated by the relatively high level of coal reserves on the mine dumps, which, until the end of 2021, allowed Polish mines to sell significantly more than their current output. Increased demand has significantly reduced mine inventories, which have dropped to historically low levels by early 2022.</p> <p>Gas – the main energy resource used by the combined heat and power plant at the Stassfurt plant. The situation on the gas market depends on many factors, such as the price of oil, demand for gas due to the current weather conditions and the current share of gas in the energy mix. In the first half of 2022, CIECH Energy Deutschland GmbH burned two types of natural gas: from local sources and imported. Gas imports to Germany are from Russia, Norway and the Netherlands. In the gas combustion process, steam and electricity are generated, which is also sold outside the Group. Gas supplies are realised on the basis of bilateral delivery contracts, long-term contracts or short-term purchases (spot).</p> <p>Furnace fuel (coke/anthracite) – coke prices depend primarily on prices of coking coal, from which it is produced. The largest global producer of coke is China which, at the same time, is one of the largest consumers of this raw material. In Europe, Poland is one of the leading producers (it is the largest exporter of this material on our continent), and large quantities of coke are also produced in Germany and the Czech Republic. In its business activity, the Group uses anthracite as a substitute for coke. The main source of anthracite for Europe was Russia. In view of the unprecedented increase in coke prices during 2021 and the persistence of high costs at the beginning of 2022, the Group has significantly increased the share of anthracite in the furnace mix and is exploring alternative supply routes for this material.</p> <p>Oil-derivative raw materials – used primarily in the Foams Segment, are linked to oil prices, but with a strong short-term impact of the demand/supply situation in the market. Oil prices depend primarily on macroeconomic and political factors which translate into global demand and supply situation.</p>
Exchange rates of Polish zloty (PLN) and Romanian leu (RON) to euro (EUR) and US dollar (USD)	<p>The CIECH Group's main source of exposure to foreign currency risk is related to EUR and USD in which export sales are denominated. Weakening of PLN and RON (in which significant costs are incurred) in relation to EUR and USD (in which a material portion of sales is made) has a positive impact on the CIECH Group's financial performance. The Group applies natural hedging and hedging instruments.</p>
Volume of chemical production capacity on markets where the CIECH Group operates	<p>In the sectors of mass chemical products, in which the CIECH Group operates, the capital expenditures are an important barrier to entry, and in the case of the soda segment – an access to natural resources. For this reason, in the scope of the most important segment of the CIECH Group, the soda segment, green field investments are rare and generally done outside Europe.</p> <p>Information published over the past several months suggests that, globally, large increases in soda ash capacity should not be expected in the next 2 years. In the next 3-5 years, new capacities will be put into operation mainly in China and the USA. This will mainly concern natural sodium. Due to the COVID-19 pandemic and the delays observed in the launch of projects based on natural resources in the past, it is expected that the performance of these projects will be delayed.</p> <p>In general, in the long term the average annual growth rate of global soda ash capacity is expected to be similar to the growth rate of global demand.</p>
Environmental requirements	<p>REACH system implementation</p> <p>In accordance with the REACH regulation, the Group's companies selling substances in quantities exceeding 1 tonne p.a. have completed or plan to complete full registration of these substances by defined deadlines, which will enable them to continue their operations in the current scope.</p> <p>Emission trading system</p> <p>Some CIECH Group production companies are covered by the greenhouse gas emissions trading scheme. External analyses performed by the CIECH Group companies indicate</p>



Factors	Description
	that the amount of free CO ₂ emission allowances in the 3 rd settlement period (2021-2030) is insufficient to cover the actual demand for this type of settlement units. In addition to the direct costs connected with the purchase of CO ₂ emission allowances, the CIECH Group companies will bear higher costs of electricity due to their assumption of the costs of purchase of CO ₂ emission allowances from the producers.

5.9. CIECH S.A.'S SHAREHOLDERS HOLDING AT LEAST 5% OF SHARES/VOTES AT THE GENERAL SHAREHOLDERS' MEETING

The shares of CIECH S.A. are listed on Warsaw Stock Exchange and on Frankfurt Stock Exchange. The share capital of CIECH S.A. amounts to PLN 263,500,965 and is divided into 52,699,909 shares with a nominal value of PLN 5 each. The number of shares and their nominal value has not changed since the last reporting period.

SHAREHOLDERS

From the date of the Annual General Meeting of CIECH S.A. (information on shareholders is based on the Attendance List of the Annual General Meeting of 28 April 2022) until the submission of this report, no information has been received from shareholders of CIECH S.A. about a change in the ownership status to (+) or to (-) causing a change in the ownership structure of significant blocks of CIECH S.A. shares. Therefore, to the best knowledge of CIECH S.A., as at the day of approving this report, shareholders holding significant blocks of shares (at least 5%) include the following entities:

Shareholder structure of CIECH S.A. as at the date of approval of the report (according to the best knowledge of the Company)

Shareholder	Type of shares	Number of shares	Number of votes at the General Meeting of Shareholders	Share in the total number of votes at the General Meeting of Shareholders	Stake in share capital (%)
KI Chemistry s. à r. l. with its registered office in Luxembourg*	Ordinary bearer	26,952,052	26,952,052	51.14%	51.14%
Nationale-Nederlanden Otwarty Fundusz Emerytalny**	Ordinary bearer	2,729,507	2,729,507	5.18%	5.18%
Aviva Otwarty Fundusz Emerytalny Aviva Santander ***	Ordinary bearer	3,084,000	3,084,000	5.85%	5.85%
Other	Ordinary bearer	19,934,350	19,934,350	37.83%	37.83%

* In accordance with information dated 9 June 2014 provided by Shareholder under Article 77(7) and Article 69(1)(1) of the Act of 29 July 2005 on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies (CR 26/2014).

** On the basis of the list of shareholders holding at least 5% of votes at the Annual General Meeting of Shareholders of CIECH S.A. on 28 April 2022, Current Report 16/2022 prepared and published pursuant to Article 70(3) of the Act of 29 July 2005 on public offering and conditions governing the introduction of financial instruments to organised trading, and on public companies (Journal of Laws of 2009, No 185, item 1439).

*** On the basis of the list of shareholders holding at least 5% of votes at the Annual General Meeting of Shareholders of CIECH S.A. on 28 April 2022, Current Report 16/2022 prepared and published pursuant to Article 70(3) of the Act of 29 July 2005 on public offering and conditions governing the introduction of financial instruments to organised trading, and on public companies (Journal of Laws of 2009, No 185, item 1439).



5.10. CHANGES IN THE NUMBER OF SHARES IN CIECH S.A. HELD BY THE MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF CIECH S.A.

As at the date of publication of the Extended consolidated report of the CIECH Group for the first half of 2022, i.e. as at 25 August 2022, the following managers and supervisors held shares of CIECH S.A. (and this situation did not change in the period from the publication of the most recent statements, i.e. the Extended consolidated report of the CIECH Group for the first quarter of 2022, published on 18 May 2022):

Number of shares held as at the publication date

Management Board of CIECH S.A.:

Mr Dawid Jakubowicz – President of the Management Board of CIECH S.A. held 36,713 shares of CIECH S.A. (previously: 25,713 shares of CIECH S.A.)

Mr Jarosław Romanowski – Member of the Management Board of CIECH S.A. held 7,550 shares of CIECH S.A. (previously: 7,550 shares of CIECH S.A.)

Mr Mirosław Skowron – Member of the Management Board of CIECH S.A. held 20,554 shares of CIECH S.A. (previously: 11,854 shares of CIECH S.A.)

Supervisory Board of CIECH S.A.:

Mr Sebastian Kulczyk – President of the Supervisory Board of CIECH S.A., held indirectly 26,952,052 shares of CIECH S.A., representing 51.14% of the company's share capital (no changes)

Mr Marek Kośnik – Member of the Supervisory Board of CIECH S.A. held 9,230 shares of CIECH S.A. (previously: 3,582 shares of CIECH S.A.)

Managing Director of CIECH S.A.:

Mr Rafał Czubiński – Managing Director of CIECH S.A. held 10,310 shares of CIECH S.A. (previously: 10,310 shares of CIECH S.A.)

Other Members of the Management Board of CIECH S.A. and of the Supervisory of CIECH S.A. did not hold any shares of the Company.

As at 30 June 2022 and the date of approval of this report, managers and supervisors of CIECH S.A. did not hold any shares in other companies of the CIECH Group and this situation did not change in the period from the publication of the most recent statements, i.e. the Extended consolidated report of the CIECH Group for the first quarter of 2022, published on 18 May 2022.

5.11. LITIGATION PENDING BEFORE A COURT, COMPETENT ARBITRATION AUTHORITY OR PUBLIC ADMINISTRATION AUTHORITY

5.11.1. SIGNIFICANT DISPUTED LIABILITIES OF THE CIECH GROUP

As at 30 June 2022, the CIECH Group did not have any significant disputed liabilities of CIECH S.A. and CIECH S.A.'s subsidiaries, pursued in any type of proceedings before court, body appropriate for arbitration proceedings or public administration bodies, except for the cases described in Note 2.13, in the part titled "Audits of tax settlements at the CIECH Group and related contingent liabilities".

5.11.2. SIGNIFICANT DISPUTED RECEIVABLES OF THE CIECH GROUP

As at 30 June 2022, the CIECH Group did not hold any significant disputed receivables of CIECH S.A. and CIECH S.A.'s subsidiaries, pursued in any type of proceedings before court, body appropriate for arbitration proceedings or public administration bodies, except for the case described in Note 2.13, in part titled "Contingent assets and liabilities, including sureties and guarantees".



5.12. LOAN OR BORROWING SURETIES OR GUARANTEES GRANTED BY CIECH S.A. OR ITS SUBSIDIARY

Information about loan or borrowing sureties or guarantees is presented in Note 2.13 hereto.

Letters of support

As at 30 June 2022, CIECH S.A. was the obliged party in the letter of support (Patronatserklärung) regarding CIECH Soda Deutschland GmbH&Co. KG seated in Staßfurt (CSD) granted to Innogy Gas Storage NWE GmbH ("Innogy") relating to liabilities of CSD resulting from the agreement dated 5 May 2009 on the construction of salt caverns for the purpose of natural gas storage on the Staßfurt mining field, according to which CSD received payments of EUR 54.3 million from Innogy by 30 June 2022. In the letter of support, CIECH S.A. committed, among other things, to ensure that CSD would have sufficient funds to fulfil its financial commitments against Innogy resulting from the above-mentioned agreement.

5.13. INFORMATION ON TRANSACTIONS BETWEEN THE KEY MANAGEMENT PERSONNEL OF CIECH S.A. AND RELATED PARTIES

Information on transactions with related entities is presented in Note 2.11 hereto.



RATIO CALCULATION METHODOLOGY

Principles of ratio calculation (according to the data for continuing operations):

EBITDA (%)	(operating profit + amortisation/depreciation for a given period)/ net revenues from sales of products, services, goods and materials in a given period
adjusted EBITDA (%)	EBITDA excluding one-off events, the more important of which were described in Note 2.5 / net revenues from sales of products, services, goods and materials for a given period
gross return on sales	gross profit on sales for a given period / net revenues from sales of products, services, goods and materials for a given period
return on sales	profit for a given period / net revenues from sales of products, services, goods and materials for a given period
EBIT margin	operating profit for a given period / net revenues from sales of products, services, goods and materials for a given period
EBITDA margin	(operating profit + amortisation/depreciation for a given period)/ net revenues from sales of products, services, goods and materials in a given period
adjusted EBIT margin	operating profit for a given period excluding one-off events, the more important of which were described in Note 2.5 / net revenues from sales of products, services, goods and materials for a given period
adjusted EBITDA margin	EBITDA excluding one-off events, the more important of which were described in Note 2.5 / net revenues from sales of products, services, goods and materials for a given period
net return on sales (ROS)	net profit for a given period / net revenues from sales of products, services, goods and materials for a given period
Return on assets (ROA)	net profit for a given period/total assets at the end of a given period
Return on equity (ROE)	net profit for a given period/total equity at the end of a given period
debt ratio	the ratio of current and non-current liabilities to total assets; measures the share of external funds in financing of a company's activity
long-term debt ratio	the ratio of non-current liabilities to total assets; measures the share of non-current liabilities in financing of company's activity
equity debt ratio	the ratio of total liabilities to equity
equity to assets ratio	the ratio of equity to total assets; measures the share of equity in financing of a company's activity
net financial liabilities	liabilities from loans, borrowings (plus overdraft) and other debt instruments (leases + liabilities from negative valuation of derivatives calculated separately for each derivative + factoring liabilities) less cash and cash equivalents
gross financial liabilities	liabilities from loans, borrowings (plus overdraft) and other debt instruments (leases + liabilities from negative valuation of derivatives calculated separately for each derivative + factoring liabilities)



REPRESENTATION BY THE MANAGEMENT BOARD

This Extended consolidated quarterly report of the CIECH Group for the first half of 2022 was approved by the Management Board of CIECH S.A. at its registered office on 25 August 2022.

Warsaw, 25 August 2022

signed on the polish original

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Dawid Jakubowicz — President of the Management Board of CIECH Spółka Akcyjna

signed on the polish original

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Kamil Majczak – Member of the Management Board of CIECH Spółka Akcyjna

signed on the polish original

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Jarosław Romanowski — Member of the Management Board of CIECH Spółka Akcyjna

signed on the polish original

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Mirosław Skowron — Member of the Management Board of CIECH Spółka Akcyjna

signed on the polish original

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Katarzyna Rybacka — Chief Accountant of CIECH Spółka Akcyjna