



EXTENDED CONSOLIDATED  
QUARTERLY REPORT  
of the CIECH Group for three quarters of 2021



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



## CIECH GROUP — SELECTED CONSOLIDATED FINANCIAL DATA

SELECTED FINANCIAL DATA	in thousand PLN		in thousand EUR	
	9 months ended	9 months ended	9 months ended	9 months ended
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
Sales revenues on continued operations	2,467,850	2,171,568	541,373	488,872
Operating profit/(loss) on continued operations	295,341	179,673	64,789	40,449
Profit/(loss) before tax on continued operations	234,493	130,254	51,441	29,323
Net profit / (loss) for the period	233,622	76,189	51,249	17,152
Net profit/(loss) attributable to shareholders of the parent company	234,035	77,277	51,340	17,397
Net profit/(loss) attributed to non-controlling interest	(413)	(1,088)	(91)	(245)
Other comprehensive income net of tax	103,454	(11,320)	22,695	(2,548)
Total comprehensive income	337,076	64,869	73,944	14,604
Cash flows from operating activities	591,056	519,459	129,660	116,943
Cash flows from investment activities	(521,650)	(553,329)	(114,435)	(124,568)
Cash flows from financial activities	(172,326)	172,290	(37,803)	38,787
Total net cash flows	(102,920)	138,420	(22,578)	31,162
Earnings (loss) per ordinary share (in PLN/EUR)	4.44	1.47	0.97	0.33
	as at	as at	as at	as at
	30.09.2021	31.12.2020	30.09.2021	31.12.2020
Total assets	6,098,268	5,730,323	1,316,296	1,241,728
Non-current liabilities	2,479,380	401,146	535,168	86,926
Current liabilities	1,322,403	3,210,639	285,437	695,727
Total equity	2,296,485	2,118,538	495,691	459,075
Equity attributable to shareholders of the parent	2,299,883	2,120,615	496,424	459,525
Non-controlling interest	(3,398)	(2,077)	(733)	(450)
Share capital	287,614	287,614	62,081	62,324

## CIECH S.A. — SELECTED SEPARATE FINANCIAL DATA

SELECTED FINANCIAL DATA	in thousand PLN		in thousand EUR	
	9 months ended	9 months ended	9 months ended	9 months ended
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
Sales revenues on continued operations	1,153,965	1,239,119	253,146	278,955
Operating profit/(loss) on continued operations	36,668	28,225	8,044	6,354
Profit/(loss) before tax on continued operations	141,533	23,156	31,048	5,213
Net profit for the period	180,680	20,164	39,636	4,539
Other comprehensive income net of tax	28,594	(27,726)	6,273	(6,242)
Total comprehensive income	209,274	(7,562)	45,909	(1,703)
Cash flows from operating activities	(54,211)	30,199	(11,892)	6,798
Cash flows from investment activities	(120,577)	(146,924)	(26,451)	(33,076)
Cash flows from financial activities	24,403	208,831	5,353	47,012
Total net cash flows	(150,385)	92,106	(32,990)	20,734
	as at	as at	as at	as at
	30.09.2021	31.12.2020	30.09.2021	31.12.2020
Total assets	4,616,121	4,357,634	996,378	944,274
Total non-current liabilities	2,054,215	40,973	443,397	8,879
Total current liabilities	916,963	2,722,893	197,924	590,035
Total equity	1,644,943	1,593,768	355,057	345,360
Share capital	287,614	287,614	62,081	62,324

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

- items in the consolidated 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 consolidated statement of profit or loss, consolidated statement of other comprehensive income and consolidated 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 30.09.2021	as at 31.12.2020	9 months ended 30.09.2021	9 months ended 30.09.2020
EUR 1 = PLN 4.6329	EUR 1 = PLN 4.6148	EUR 1 = PLN 4.5585	EUR 1 = PLN 4.4420



**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2021**

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



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

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE CIECH GROUP

	01.01.-30.09.2021	01.01.-30.09.2020*	01.07.-30.09.2021	01.07.-30.09.2020*
<b>CONTINUING OPERATIONS</b>				
Sales revenues	2,467,850	2,171,568	772,065	690,966
Cost of sales	(1,941,522)	(1,704,237)	(637,736)	(549,304)
<b>Gross profit/(loss) on sales</b>	<b>526,328</b>	<b>467,331</b>	<b>134,329</b>	<b>141,662</b>
Other operating income	111,404	41,174	34,358	22,248
Selling costs	(164,050)	(117,570)	(55,269)	(40,658)
General and administrative expenses	(138,238)	(147,176)	(41,139)	(44,757)
Other operating expenses	(40,103)	(64,086)	(14,785)	(18,181)
<b>Operating profit/(loss)</b>	<b>295,341</b>	<b>179,673</b>	<b>57,494</b>	<b>60,314</b>
Financial income, including:	14,267	30,213	6,694	10,283
<i>Profit from financial instruments</i>	3,369	2,985	(1,744)	(1,847)
Financial costs, including:	(75,138)	(79,708)	(7,948)	(18,671)
<i>Loss from financial instruments</i>	(63,742)	(74,694)	(23,419)	(18,499)
<b>Net financial income/(expenses)</b>	<b>(60,871)</b>	<b>(49,495)</b>	<b>(1,254)</b>	<b>(8,388)</b>
Share of profit / (loss) of equity-accounted investees	23	76	232	(115)
<b>Profit/(loss) before tax</b>	<b>234,493</b>	<b>130,254</b>	<b>56,472</b>	<b>51,811</b>
Income tax	(63,411)	(59,465)	(15,140)	(14,830)
<b>Net profit/(loss) on continuing operations</b>	<b>171,082</b>	<b>70,789</b>	<b>41,332</b>	<b>36,981</b>
<b>DISCONTINUED OPERATIONS</b>				
Net profit/(loss) on discontinued operations	62,540	5,400	-	5,190
<b>Net profit / (loss) for the period</b>	<b>233,622</b>	<b>76,189</b>	<b>41,332</b>	<b>42,171</b>
including:				
Net profit/(loss) attributable to shareholders of the parent company	234,035	77,277	41,628	42,579
Net profit/(loss) attributed to non-controlling interest	(413)	(1,088)	(296)	(408)
<b>Earnings per share (in PLN):</b>				
Basic	4.44	1.47	0.79	0.81
Diluted	4.44	1.47	0.79	0.81
<b>Earnings/(loss) per share (in PLN) from continuing operations:</b>				
Basic	3.25	1.36	0.79	0.71
Diluted	3.25	1.36	0.79	0.71

\*Restated data. For detailed information on discontinued operations, see Note 2.15 to this report.

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 interim condensed consolidated financial statements.



## CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME OF THE CIECH GROUP

	01.01.-30.09.2021	01.01.-30.09.2020*	01.07.-30.09.2021	01.07.-30.09.2020*
<b>Net profit / (loss) for the period</b>	<b>233,622</b>	<b>76,189</b>	<b>41,332</b>	<b>42,171</b>
<b>Other comprehensive income before tax that may be reclassified to the statement of profit or loss</b>	<b>153,124</b>	<b>(25,797)</b>	<b>111,605</b>	<b>8,647</b>
Currency translation differences (foreign companies)	4,116	34,822	18,890	7,778
Profit (loss) from cash flow hedge reserve	142,145	(61,010)	86,575	687
Profit (loss) from costs of hedging reserve	6,863	399	6,140	187
Other components of other comprehensive income	-	(8)	-	(5)
<b>Other comprehensive income before tax that may not be reclassified to the statement of profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income tax attributable to other comprehensive income</b>	<b>(49,670)</b>	<b>14,477</b>	<b>(33,606)</b>	<b>2,246</b>
Income tax attributable to other comprehensive income that may be reclassified to the statement of profit or loss	(49,670)	14,477	(33,606)	2,246
<b>Other comprehensive income net of tax</b>	<b>103,454</b>	<b>(11,320)</b>	<b>77,999</b>	<b>10,893</b>
<b>Comprehensive income including attributable to:</b>	<b>337,076</b>	<b>64,869</b>	<b>119,331</b>	<b>53,064</b>
Shareholders of the parent company	337,367	65,728	119,585	53,408
Non-controlling interest	(291)	(859)	(254)	(344)

\*Restated data. For detailed information on discontinued operations, see Note 2.15 to this report.

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 interim condensed consolidated financial statements.



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE CIECH GROUP

	30.09.2021	31.12.2020*	30.09.2020*
<b>ASSETS</b>			
Property, plant and equipment	3,653,545	3,366,296	3,102,421
Rights to use an asset	176,236	176,688	179,679
Intangible assets other than goodwill	378,602	395,193	333,074
Goodwill	150,225	149,709	147,198
Investment property	36,404	40,948	36,647
Non-current receivables	68,501	53,702	61,156
Investments in jointly-controlled entities measured under the equity method	5,691	5,646	6,413
Long-term financial assets	139,563	12,477	14,100
Deferred income tax assets	46,435	50,688	54,611
<b>Total non-current assets</b>	<b>4,655,202</b>	<b>4,251,347</b>	<b>3,935,299</b>
Inventory	366,764	348,989	326,323
Short-term financial assets	215,422	19,863	4,983
Income tax receivables	27,580	25,760	7,397
Trade and other receivables	486,751	478,508	446,256
Cash and cash equivalents	346,181	443,886	439,474
Non-current assets and groups for disposal held for sale	368	161,970	151,296
<b>Total current assets</b>	<b>1,443,066</b>	<b>1,478,976</b>	<b>1,375,729</b>
<b>Total assets</b>	<b>6,098,268</b>	<b>5,730,323</b>	<b>5,311,028</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	287,614	287,614	287,614
Share premium	470,846	470,846	470,846
Cash flow hedge reserve	84,244	(9,393)	(30,436)
Profit (loss) from costs of hedging reserve	2,200	(3,659)	183
Actuarial gains	(495)	(495)	(360)
Other reserve capitals	425,021	425,021	425,021
Currency translation reserve	(27,901)	(31,737)	(39,771)
Retained earnings	1,058,354	982,418	930,422
<b>Equity attributable to shareholders of the parent</b>	<b>2,299,883</b>	<b>2,120,615</b>	<b>2,043,519</b>
Non-controlling interest	(3,398)	(2,077)	(1,852)
<b>Total equity</b>	<b>2,296,485</b>	<b>2,118,538</b>	<b>2,041,667</b>
Non-current loans, borrowings and other debt instruments	1,853,892	360	1,758,042
Lease liabilities	103,295	103,523	107,844
Other non-current liabilities	235,371	82,028	140,050
Employee benefits reserve	13,425	12,958	12,921
Other provisions	156,176	153,261	107,569
Deferred income tax liability	117,221	49,016	52,890
<b>Total non-current liabilities</b>	<b>2,479,380</b>	<b>401,146</b>	<b>2,179,316</b>
Current loans, borrowings and other debt instruments	58,100	1,911,115	106,991
Lease liabilities	22,666	25,735	23,703
Trade and other liabilities	1,095,235	1,101,036	757,782
Income tax liabilities	51,553	47,918	54,427
Employee benefits reserve	2,877	3,100	3,086
Other provisions	91,972	95,237	120,059
Liabilities related to non-current assets and groups for disposal classified as held for sale	-	26,498	23,997
<b>Total current liabilities</b>	<b>1,322,403</b>	<b>3,210,639</b>	<b>1,090,045</b>
<b>Total liabilities</b>	<b>3,801,783</b>	<b>3,611,785</b>	<b>3,269,361</b>
<b>Total equity and liabilities</b>	<b>6,098,268</b>	<b>5,730,323</b>	<b>5,311,028</b>

\*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 interim condensed consolidated financial statements.





## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS OF THE CIECH GROUP

	01.01.-30.09.2021	01.01.-30.09.2020*
<b>Cash flows from operating activities</b>		
<b>Net profit/(loss) for the period</b>	<b>233,622</b>	<b>76,189</b>
<b>Adjustments</b>	<b>421,729</b>	<b>516,104</b>
Amortisation/depreciation	257,317	242,755
Recognition of impairment allowances	430	92
Foreign exchange (profit) /loss	(10,716)	(29,576)
Investment property revaluation	202	(137)
(Profit) / loss on investment activities	(54,918)	(789)
(Profit) / loss on disposal of property, plant and equipment	(941)	(3,246)
Dividends and interest	13,835	41,337
Income tax	64,263	60,072
(Profit) / loss on the settlement of construction contracts (caverns)	(12,089)	-
Share of (profit) / loss on equity accounted investees	(23)	(76)
Change in liabilities due to loan arrangement fee	(8,360)	1,651
Valuation of derivatives	2,634	14,696
Ineffective portion of hedge accounting	119	(51)
Other adjustments	466	7,139
Change in receivables	(86,684)	63,528
Change in inventory	(13,245)	109,465
Change in current liabilities	269,232	19,923
Change in provisions and employee benefits	207	(10,679)
Interest paid	(18,929)	(33,108)
Income tax (paid)/returned	(35,366)	(39,726)
Loans receivables repayment - setoff	(10,000)	-
<b>Net cash from operating activities</b>	<b>591,056</b>	<b>519,459</b>
<b>Cash flows from investment activities</b>		
Disposal of a subsidiary	66,954	-
Disposal of intangible assets and property, plant and equipment	2,365	2,627
Disposal of investment property	4,516	-
Dividends received	-	114
Interest received	1,391	352
Subsidies received	491	558
Proceeds from repaid borrowings	57,260	-
Acquisition of a subsidiary (after deduction of acquired cash)	(5,105)	(4,634)
Acquisition of intangible assets and property, plant and equipment	(552,673)	(436,530)
Acquisition of financial assets	-	(216)
Development expenditures	(12,981)	(7,735)
Borrowings paid out	-	(120)
Expenditure on the purchase of emission rights	(82,826)	(107,745)
Other investment inflows (outflows)	(1,042)	-
<b>Net cash from investment activities</b>	<b>(521,650)</b>	<b>(553,329)</b>
<b>Cash flows from financial activities</b>		
Proceeds from loans and borrowings	240,999	208,274
Dividends paid to non-controlling interest	(158,099)	-
Repayment of loans and borrowings	(234,596)	(12,149)
Payments of lease liabilities	(20,547)	(23,835)
Other financial inflows (outflows)	(83)	-
<b>Net cash from financial activities</b>	<b>(172,326)</b>	<b>172,290</b>
<b>Total net cash flows</b>	<b>(102,920)</b>	<b>138,420</b>
<b>Cash and cash equivalents as at the beginning of the period</b>	<b>448,799*</b>	<b>299,567</b>
<i>Impact of foreign exchange differences</i>	<i>302</i>	<i>3,996</i>
<b>Cash and cash equivalents as at the end of the period</b>	<b>346,181</b>	<b>441,983*</b>

\*The difference in relation to cash and cash equivalents presented in the consolidated statement of financial position results from the presentation of cash held by CIECH Żywice Sp. z o.o. as assets held for sale.

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
<b>01.01.2021</b>	<b>287,614</b>	<b>470,846</b>	<b>(9,393)</b>	<b>(3,659)</b>	<b>425,021</b>	<b>(495)</b>	<b>(31,737)</b>	<b>982,418</b>	<b>2,120,615</b>	<b>(2,077)</b>	<b>2,118,538</b>
<b>Transactions with the owners</b>	-	-	-	-	-	-	-	<b>(158,099)</b>	<b>(158,099)</b>	<b>(1,030)</b>	<b>(159,129)</b>
Dividend	-	-	-	-	-	-	-	(158,099)	(158,099)	-	(158,099)
Change in the Group's structure	-	-	-	-	-	-	-	-	-	(1,030)	(1,030)
<b>Total comprehensive income for the period</b>	-	-	<b>93,637</b>	<b>5,859</b>	-	-	<b>3,836</b>	<b>234,035</b>	<b>337,367</b>	<b>(291)</b>	<b>337,076</b>
Net profit / (loss) for the period	-	-	-	-	-	-	-	234,035	234,035	(413)	233,622
Other comprehensive income	-	-	93,637	5,859	-	-	3,836	-	103,332	122	103,454
<b>30.09.2021</b>	<b>287,614</b>	<b>470,846</b>	<b>84,244</b>	<b>2,200</b>	<b>425,021</b>	<b>(495)</b>	<b>(27,901)</b>	<b>1,058,354</b>	<b>2,299,883</b>	<b>(3,398)</b>	<b>2,296,485</b>
<b>01.01.2020</b>	<b>287,614</b>	<b>470,846</b>	<b>17,678</b>	<b>(216)</b>	<b>78,521</b>	<b>(360)</b>	<b>(75,944)</b>	<b>1,199,657</b>	<b>1,977,796</b>	<b>(1,017)</b>	<b>1,976,779</b>
<b>Transactions with the owners</b>	-	-	-	-	<b>346,500</b>	-	-	<b>(346,504)</b>	<b>(4)</b>	<b>24</b>	<b>20</b>
Reserve fund for the purchase of own shares	-	-	-	-	346,500	-	-	(346,500)	-	-	-
Change in the Group's structure	-	-	-	-	-	-	-	(4)	(4)	24	20
<b>Total comprehensive income for the period</b>	-	-	<b>(48,114)</b>	<b>399</b>	-	-	<b>36,173</b>	<b>77,269</b>	<b>65,727</b>	<b>(859)</b>	<b>64,868</b>
Net profit / (loss) for the period	-	-	-	-	-	-	-	77,277	77,277	(1,088)	76,189
Other comprehensive income	-	-	(48,114)	399	-	-	36,173	(8)	(11,550)	229	(11,321)
<b>30.09.2020</b>	<b>287,614</b>	<b>470,846</b>	<b>(30,436)</b>	<b>183</b>	<b>425,021</b>	<b>(360)</b>	<b>(39,771)</b>	<b>930,422</b>	<b>2,043,519</b>	<b>(1,852)</b>	<b>2,041,667</b>

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 interim condensed consolidated financial statements.



## 2. EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE CIECH GROUP

### 2.1. BASIS FOR PREPARATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE CIECH GROUP

These interim consolidated financial statements were prepared in compliance with International Accounting Standard (“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 29 March 2018). These financial statements present the financial position of the CIECH Group as at 30 September 2021 and as at 31 December 2020, results of the Group’s operations and cash flows for the period of 9 months ended 30 September 2021 and 30 September 2020, and were approved by the Management Board of CIECH S.A. on 25 November 2021.

These interim 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 interim 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 interim 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 interim condensed 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 9 months ended 30 September 2021 contains a true image of the Group’s developments, achievements, and condition, including the 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 COVID-19 pandemic on the operations of the CIECH Group is presented in Note 2.18 hereof. During the current quarterly period there were no significant revisions to the estimates presented in previous reporting periods.

### 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 2020, published on 22 April 2021. 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.

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 2020, published on 22 April 2021.

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

The following items have been reclassified relative to the previously published comparatives for the period from 1 January to 30 September 2020 and the balance sheet figures as at 31 December 2020 and as at 30 September 2020:

#### a) allocation of adjustments concerning hedge accounting to discontinued operations

The level of revenues earned during three quarters of 2020 was adjusted for the settlement of foreign exchange differences related to debt on account of bonds issued in EUR, previously designated as a hedge of revenues in EUR as of 2020. The previously presented figures for the three quarters of 2020 erroneously did not include the allocation of the relevant value of these adjustments to discontinued operations.

#### b) change in the presentation of costs of idle capacity

To date, costs related to idle capacity in CIECH Group companies were presented under other operating expenses. Following the presentation change, these figures are included in core operations and affect the cost of sales, which better reflects the nature of these costs.

#### c) net foreign exchange differences and presentation adjustments of continuing operations due to separation of discontinued operations

Netting of exchange differences that have been allocated to discontinued operations and allocation of items of financial income and expenses that were classified as those related to discontinued operations.

#### d) reclassification of subsidies

Reclassification of subsidies reported in short-term liabilities to long-term liabilities in the amount of PLN 23,074 thousand in the statement of financial position as at 30 September 2020.

#### e) recognition of the valuation of futures transactions at CIECH Soda Romania S.A. – this concerns the statement of financial position as at 31 December 2020 and as at 30 September 2020

Recognition of the valuation of futures transactions for the sale of CO<sub>2</sub> emission allowances at CIECH Soda Romania S.A. in the statements of financial position as at 31 December 2020 and 30 September 2020.

The impact of the adjustments on the previously reported consolidated data for the period from 1 January to 30 September 2020 is presented below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS	After adjustments 01.01.- 30.09.2020	Presentation adjustment of continuing operations due to separation of discontinued operations	Allocation of adjustments concerning hedge accounting to discontinued operations	Presentation adjustment to costs of idle capacity	Previously presented 01.01.- 30.09.2020
Net sales revenues	2,171,568	-	3,122	-	2,168,446
Cost of sales	(1,704,237)	-	-	(16,501)	(1,687,736)
<b>Gross profit/loss on sales</b>	<b>467,331</b>	-	<b>3,122</b>	<b>(16,501)</b>	<b>480,710</b>
Other operating income	41,174	-	-	-	41,174
Selling costs	(117,570)	-	-	-	(117,570)
General and administrative expenses	(147,176)	1	-	-	(147,177)
Other operating expenses	(64,086)	1	-	16,501	(80,588)
<b>Operating profit/loss</b>	<b>179,673</b>	<b>2</b>	<b>3,122</b>	-	<b>176,549</b>
Financial income	30,213	(697)	-	-	30,910
Financial expenses	(79,708)	(1,563)	-	-	(78,145)
<b>Net financial income/expenses</b>	<b>(49,495)</b>	<b>(2,260)</b>	-	-	<b>(47,235)</b>
Share in net profit of subordinated entities accounted for with equity method	76	-	-	-	76
<b>Profit/loss before tax</b>	<b>130,254</b>	<b>(2,258)</b>	<b>3,122</b>	-	<b>129,390</b>
Income tax	(59,465)	-	-	-	(59,465)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS	After adjustments 01.01.-30.09.2020	Presentation adjustment of continuing operations due to separation of discontinued operations	Allocation of adjustments concerning hedge accounting to discontinued operations	Presentation adjustment to costs of idle capacity	Previously presented 01.01.-30.09.2020
<b>Net profit/loss</b>	<b>70,789</b>	<b>(2,258)</b>	<b>3,122</b>	-	<b>69,925</b>
Profit/loss on sales relating to discontinued operations	5,400	2,258	(3,122)	-	6,264
<b>Net profit/loss for the financial year</b>	<b>76,189</b>	-	-	-	<b>76,189</b>
including:					
Net profit/loss attributable to shareholders of the parent	77,277	-	-	-	77,277
Net profit/loss attributable to non-controlling interest	(1,088)	-	-	-	(1,088)
<b>Earnings/loss per share (in PLN):</b>					
Basic	1.47	-	-	-	1.47
Diluted	1.47	-	-	-	1.47
<b>Earnings/loss per share (in PLN) from continuing operations:</b>					
Basic	1.36	-	-	-	1.36
Diluted	1.36	-	-	-	1.36

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	After adjustment as at 31 December 2020	Recognition of valuation of futures	Previously presented 31.12.2020	After adjustment as at 30 September 2020	Recognition of valuation of futures	Reclassification of subsidiaries	Previously presented 30.09.2020
<b>ASSETS</b>							
<b>Total non-current assets</b>	<b>4,251,347</b>	-	<b>4,251,347</b>	<b>3,935,299</b>	-	-	<b>3,799,805</b>
Trade and other receivables	478,508	22,590	455,918	446,256	13,201	-	429,633
<b>Total current assets</b>	<b>1,478,976</b>	<b>22,590</b>	<b>1,456,386</b>	<b>1,375,729</b>	<b>13,201</b>	-	<b>1,622,825</b>
<b>Total assets</b>	<b>5,730,323</b>	<b>22,590</b>	<b>5,707,733</b>	<b>5,311,028</b>	<b>13,201</b>	-	<b>5,422,630</b>
<b>EQUITY AND LIABILITIES</b>							
<b>Total equity</b>	<b>2,118,538</b>	-	<b>2,118,538</b>	<b>2,041,667</b>	-	-	<b>1,988,620</b>
Other long-term liabilities	82,028	-	82,028	140,050	-	23,074	105,848
<b>Total non-current liabilities</b>	<b>401,146</b>	-	<b>401,146</b>	<b>2,179,316</b>	-	<b>23,074</b>	<b>2,144,852</b>
Trade and other liabilities	1,101,036	22,590	1,078,446	757,782	13,201	- 23,074	686,322
<b>Total short-term liabilities</b>	<b>3,210,639</b>	<b>22,590</b>	<b>3,188,049</b>	<b>1,090,045</b>	<b>13,201</b>	- <b>23,074</b>	<b>1,289,158</b>
<b>Total liabilities</b>	<b>3,611,785</b>	<b>22,590</b>	<b>3,589,195</b>	<b>3,269,361</b>	<b>13,201</b>	-	<b>3,434,010</b>
<b>Total equity and liabilities</b>	<b>5,730,323</b>	<b>22,590</b>	<b>5,707,733</b>	<b>5,311,028</b>	<b>13,201</b>	-	<b>5,422,630</b>

### 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	30.09.2021 <sup>1</sup>	31.12.2020 <sup>2</sup>
EUR	4.6329	4.6148
RON	0.9365	0.9479
Average NBP rate for the reporting period	9 months ended 30.09.2021 <sup>3</sup>	9 months ended 30.09.2020 <sup>4</sup>
EUR	4.5585	4.4420
RON	0.9270	0.9191

<sup>1</sup> NBP's average foreign exchange rates table applicable as at 30 September 2021.

<sup>2</sup> NBP's average foreign exchange rates table applicable as at 31 December 2020.

<sup>3</sup> 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 September 2021.

<sup>4</sup> 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 2020 to 30 September 2020.

## 2.4. SEASONALITY AND CYCLICALITY OF ACTIVITY OF THE CIECH GROUP

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 3<sup>rd</sup> and 4<sup>th</sup> 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

Note 2.5 to the Consolidated Financial Statements of the CIECH Group for 2020 contains a detailed description of the allocation of operating segments to the new business structure. The change in presentation was made as of 2020 for all reporting periods presented as comparatives.

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. For this reason, it is not possible to allocate direct costs in an unambiguous way (mainly: coal, electricity, CO<sub>2</sub>, 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. Production of the Segment goods 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. 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. The Soda Segment also includes the operations of CIECH Cargo Sp. z o.o., which renders rail transport services, mainly to the companies within the Segment.

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

**Resins Segment** – the CIECH Group was a producer of a variety of organic compounds manufactured by CIECH Żywiec Sp. z o.o. In 2020 and 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.

**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** – includes mainly 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, as well as services are provided by Ciech R&D Sp. z o.o. and CIECH Services Sp. z o.o. that will provide support services in various areas.

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 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 the CIECH Group when determining these measures are presented below.

	01.01.-30.09.2021	01.01.-30.09.2020*
<b>Net profit/(loss) on continuing operations</b>	<b>171,082</b>	<b>70,789</b>
Income tax	63,411	59,465
Share of profit / (loss) of equity-accounted investees	(23)	(76)
Financial expenses	75,138	79,708
Financial income	(14,267)	(30,213)
Amortisation/depreciation	257,317	237,517
<b>EBITDA on continued operations</b>	<b>552,658</b>	<b>417,190</b>
EBITDA on discontinued operations	6,928	13,330
<b>EBITDA on continued and discontinued operations</b>	<b>559,586</b>	<b>430,520</b>

\*Restated data. For detailed information on discontinued operations, see Note 2.15 to this report.



	01.01.-30.09.2021	01.01.-30.09.2020*
<b>EBITDA on continued operations</b>	<b>552,658</b>	<b>417,190</b>
One-offs including:	1,698	(496)
Impairment (a)	-	3,890
Cash items (b)	(1,204)	(7,292)
Non-cash items (without impairment) (c)	2,902	2,906
<b>Adjusted EBITDA on continued operations</b>	<b>554,356</b>	<b>416,694</b>
Adjusted EBITDA on discontinued operations	6,951	12,580
<b>Adjusted EBITDA on continued and discontinued operations</b>	<b>561,307</b>	<b>429,274</b>

\*Restated data. For detailed information on discontinued operations, see Note 2.15 to this report.

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

<b>DISCONTINUED OPERATIONS</b>	01.01.-30.09.2021	01.01.-30.09.2020*
Operating profit/loss	6,928	8,093
Amortisation/depreciation	-	5,237
<b>EBITDA from discontinued operations</b>	<b>6,928</b>	<b>13,300</b>
One-offs	(23)	750
<b>Adjusted EBITDA on discontinued operations</b>	<b>6,951</b>	<b>12,580</b>

\*Restated data. For detailed information on discontinued operations, see Note 2.15 to this report.

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 impairment 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,
- restructuring costs,
- 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).

In addition, adjusted EBITDA may also be adjusted for 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

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

OPERATING SEGMENTS 01.01.-30.09.2021	Soda Segment	Agro Segment	Foams Segment	Silicates Segment	Packaging Segment	Other operations Segment	Corporate functions - reconciliation item	Eliminations (consolidation adjustments)	TOTAL
Revenues from third parties	1,563,614	346,694	287,131	160,998	47,379	62,034	-	-	2,467,850
Revenue from inter-segment transactions	52,310	19	80	88	652	11,951	-	(65,100)	-
<b>Total sales revenues</b>	<b>1,615,924</b>	<b>346,713</b>	<b>287,211</b>	<b>161,086</b>	<b>48,031</b>	<b>73,985</b>	-	<b>(65,100)</b>	<b>2,467,850</b>
Cost of sales	(1,289,004)	(250,612)	(230,682)	(123,806)	(31,310)	(74,297)	-	58,189	(1,941,522)
<b>Gross profit /(loss) on sales</b>	<b>326,920</b>	<b>96,101</b>	<b>56,529</b>	<b>37,280</b>	<b>16,721</b>	<b>(312)</b>	-	<b>(6,911)</b>	<b>526,328</b>
Selling costs	(111,138)	(27,174)	(7,540)	(19,236)	(5,610)	(1,359)	-	8,007	(164,050)
General and administrative expenses	(55,775)	(21,574)	(2,811)	(3,624)	(2,302)	(3,356)	(50,995)	2,199	(138,238)
Result on management of receivables	(4,570)	417	15	-	(12)	1,099	-	-	(3,051)
Result on other operating activities	73,692	2,246	(749)	407	1,160	1,398	506	(4,308)	74,352
<b>Operating profit /(loss)</b>	<b>229,129</b>	<b>50,016</b>	<b>45,444</b>	<b>14,827</b>	<b>9,957</b>	<b>(2,530)</b>	<b>(50,489)</b>	<b>(1,013)</b>	<b>295,341</b>
Exchange differences and interest on trade settlements	424	(2,606)	93	379	(8)	(105)	-	-	(1,823)
Group borrowing costs	-	-	-	-	-	-	(34,443)	-	(34,443)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	-	(24,605)	-	(24,605)
Share of profit / (loss) of equity-accounted investees	23	-	-	-	-	-	-	-	23
<b>Profit /(loss) before tax</b>	<b>229,576</b>	<b>47,410</b>	<b>45,537</b>	<b>15,206</b>	<b>9,949</b>	<b>(2,635)</b>	<b>(109,537)</b>	<b>(1,013)</b>	<b>234,493</b>
Income tax	-	-	-	-	-	-	-	-	(63,411)
Net profit /(loss) on continuing operations	-	-	-	-	-	-	-	-	171,082
Net profit /(loss) on discontinued operations	-	-	-	-	-	-	-	-	62,540
<b>Net profit /(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>233,622</b>
Amortization/depreciation	208,232	23,738	2,813	6,755	4,151	827	10,801	-	257,317
EBITDA on continued operations	437,361	73,754	48,257	21,582	14,108	(1,703)	(39,688)	(1,012)	552,658
Adjusted EBITDA on continued operations*	439,460	74,630	48,337	21,984	12,868	(2,358)	(39,555)	(1,010)	554,356

\* Adjusted EBITDA for the 9-month period ended 30 September 2021 is calculated as EBITDA adjusted for untypical one-off events: change in provisions: PLN -1.6 million; liquidation of fixed assets: PLN -1.2 million; fortuitous events: PLN -0.9 million; sale of fixed assets PLN 2.3 million; other: PLN -0.3 million.



OPERATING SEGMENTS 01.01.-30.09.2020	Soda Segment	Agro Segment	Foams Segment	Silicates Segment	Packaging Segment	Other operations Segment	Corporate functions - reconciliation item	Eliminations (consolidation adjustments)	TOTAL*
Revenues from third parties	1,487,652	271,680	182,745	127,478	53,209	48,804	-	-	2,171,568
Revenue from inter-segment transactions	42,723	657	13	90	-	19,288	-	(62,771)	-
<b>Total sales revenues</b>	<b>1,530,375</b>	<b>272,337</b>	<b>182,758</b>	<b>127,568</b>	<b>53,209</b>	<b>68,092</b>	-	<b>(62,771)</b>	<b>2,171,568</b>
Cost of sales	(1,171,092)	(219,422)	(152,549)	(100,398)	(34,704)	(67,047)	-	40,975	(1,704,237)
<b>Gross profit /(loss) on sales</b>	<b>359,283</b>	<b>52,915</b>	<b>30,209</b>	<b>27,170</b>	<b>18,505</b>	<b>1,045</b>	-	<b>(21,796)</b>	<b>467,331</b>
Selling costs	(79,181)	(29,651)	(4,955)	(13,952)	(6,487)	(4,103)	-	20,759	(117,570)
General and administrative expenses	(52,248)	(25,367)	(2,530)	(3,523)	(1,303)	(4,877)	(62,017)	4,689	(147,176)
Result on management of receivables	(12,285)	(787)	32	(2)	(24)	16	-	1	(13,049)
Result on other operating activities	(5,574)	4,344	(42)	(43)	(499)	(3,350)	(957)	(3,742)	(9,863)
<b>Operating profit /(loss)</b>	<b>209,995</b>	<b>1,454</b>	<b>22,714</b>	<b>9,650</b>	<b>10,192</b>	<b>(11,269)</b>	<b>(62,974)</b>	<b>(89)</b>	<b>179,673</b>
Exchange differences and interest on trade settlements	(1,760)	643	(1,401)	-	821	(653)	-	1	(2,349)
Group borrowing costs	-	-	-	-	-	-	(47,522)	-	(47,522)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	-	376	-	376
Share of profit / (loss) of equity-accounted investees	76	-	-	-	-	-	-	-	76
<b>Profit /(loss) before tax</b>	<b>208,311</b>	<b>2,097</b>	<b>21,313</b>	<b>9,650</b>	<b>11,013</b>	<b>(11,922)</b>	<b>(110,120)</b>	<b>(88)</b>	<b>130,254</b>
Income tax	-	-	-	-	-	-	-	-	(59,465)
Net profit /(loss) on continuing operations	-	-	-	-	-	-	-	-	70,789
Net profit /(loss) on discontinued operations	-	-	-	-	-	-	-	-	5,400
<b>Net profit /(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76,189</b>
Amortization/depreciation	187,054	22,417	2,919	7,621	6,108	486	10,912	-	237,517
EBITDA on continued operations	397,049	23,871	25,633	17,271	16,300	(10,782)	(52,063)	(89)	417,190
Adjusted EBITDA on continued operations**	397,415	22,410	25,461	17,314	17,053	(11,043)	(51,824)	(92)	416,694

\*Restated data. For detailed information on discontinued operations, see Note 2.15 to this report.

\*\* Adjusted EBITDA for the 9-month period ended 30 September 2020 is calculated as EBITDA adjusted for untypical one-off events: impairment losses: PLN -3.9 million; provisions: PLN -2.4 million; disposal of fixed assets: PLN 2.5 million, fines and compensation: PLN 5.6 million; other: PLN -1.3 million.

## ASSETS AND LIABILITIES BY OPERATING SEGMENTS

	ASSETS		LIABILITIES	
	30.09.2021	31.12.2020*	30.09.2021	31.12.2020*
Soda Segment	3,881,659	3,654,778	299,773	313,376
Resins Segment	-	203,699	-	58,312
Agro Segment	736,339	755,969	90,339	93,704
Foams Segment	80,581	68,447	44,423	59,174
Silicates Segment	117,964	84,898	24,309	19,010
Packaging Segment	41,737	33,047	8,941	8,846
Other operations Segment	65,125	23,016	23,982	25,451
Corporate functions - reconciliation item	1,207,380	1,015,451	3,344,000	3,076,077
Eliminations (consolidation adjustments)	(32,517)	(108,982)	(33,984)	(42,165)
<b>TOTAL</b>	<b>6,098,268</b>	<b>5,730,323</b>	<b>3,801,783</b>	<b>3,611,785</b>

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

The value of investments in equity-accounted entities occurs only for the assets of the Soda Segment and amounts to PLN 5,691 thousand as at 30 September 2021.

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

	30.09.2021	30.09.2020
Soda Segment	504,167	468,129
Agro Segment	19,459	12,987
Resins Segment	-	4,335
Foams Segment	1,735	257
Silicates Segment	49,615	4,587
Packaging Segment	3,937	2,218
Other operations Segment	3,254	3,385
Corporate functions	14,982	6,168
<b>TOTAL</b>	<b>597,149</b>	<b>502,066</b>

## INFORMATION ON GEOGRAPHICAL AREAS

ASSETS DIVIDED ON GEOGRAPHICAL REGIONS	Non-current assets other than financial instruments	Deferred income tax assets	Other assets	Total assets
<b>30.09.2021</b>				
Poland	2,416,943	42,979	1,023,369	3,483,291
European Union (excluding Poland)	2,065,169	3,456	526,331	2,594,956
Other European countries	-	-	4,438	4,438
Africa	-	-	4,804	4,804
Asia	-	-	5,402	5,402
Other regions	-	-	5,377	5,377
<b>TOTAL</b>	<b>4,482,112</b>	<b>46,435</b>	<b>1,569,721</b>	<b>6,098,268</b>
<b>31.12.2020*</b>				
Poland	2,412,274	50,688	1,085,525	3,548,487
European Union (excluding Poland)	1,787,812	-	360,544	2,148,356
Other European countries	-	-	14,788	14,788
Africa	-	-	3,923	3,923
Asia	-	-	4,493	4,493
Other regions	-	-	10,276	10,276
<b>TOTAL</b>	<b>4,200,086</b>	<b>50,688</b>	<b>1,479,549</b>	<b>5,730,323</b>

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



## SALES REVENUES – GEOGRAPHICAL STRUCTURE OF MARKETS

	01.01.-30.09.2021	01.01.-30.09.2020*	Change 2021/2020
<b>Poland</b>	<b>1,239,045</b>	<b>1,070,157</b>	<b>12.9%</b>
<b>European Union (excluding Poland)</b>	<b>1,110,623</b>	<b>986,796</b>	<b>(10.8%)</b>
Germany	557,969	496,099	3.1%
Romania	36,444	20,255	79.9%
Czech Republic	114,825	116,588	(1.5%)
Italy	20,028	22,310	(10.2%)
The Netherlands	96,836	85,978	12.6%
Finland	40,871	36,745	11.2%
Sweden	17,308	14,372	20.4%
Belgium	31,375	23,476	33.6%
Denmark	30,974	29,244	5.9%
Spain	80,092	68,050	17.7%
Austria	29,774	13,838	115.2%
France	13,532	6,537	107.0%
Luxembourg	-	15,973	(100.0%)
Lithuania	11,279	10,016	12.6%
Other EU countries	29,316	27,315	7.3%
<b>Other European Countries</b>	<b>61,616</b>	<b>57,461</b>	<b>7.2%</b>
Switzerland	15,735	2,613	502.2%
Norway	32,708	32,643	0.2%
United Kingdom	3,498	3,200	9.3%
Russia	1,424	3,260	(56.3%)
Other European countries	8,251	15,745	(47.6%)
<b>Africa</b>	<b>14,872</b>	<b>13,511</b>	<b>10.1%</b>
<b>Asia</b>	<b>19,328</b>	<b>26,054</b>	<b>(25.8%)</b>
China	1,771	23	7600.0%
India	-	1,049	(100.0%)
Singapore	4,453	2,616	70.2%
Turkey	328	10,105	(96.8%)
Other Asian countries	12,776	12,261	4.2%
<b>Other regions</b>	<b>18,498</b>	<b>21,210</b>	<b>(12.8%)</b>
Cash flow hedge adjustment	3,868	(3,621)	(206.8%)
<b>TOTAL</b>	<b>2,467,850</b>	<b>2,171,568</b>	<b>13.6%</b>

\*Restated data. For detailed information on discontinued operations, see Note 2.15 to this report.

At the CIECH Group, sales revenues are recognized upon the provision of services or delivery of products or goods in accordance with INCOTERMS terms and conditions contained in contracts with customers. Detailed information on sales revenues broken down by products by operating segment is provided in Note 3.5.2 hereof.

## 2.6. PROVISIONS AND IMPAIRMENT LOSSES ON ASSETS

During the first three quarters and in the third quarter of 2021, the following changes in provisions and impairment allowances on assets were recognised in the consolidated financial statements of the CIECH Group.

CHANGE IN PROVISION FOR EMPLOYEE BENEFITS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
<b>01.01.-30.09.2021</b>					
Long-term	12,958	1,025	(630)	72	13,425
Short-term	3,100	547	(1,129)	359	2,877
<b>01.01.-30.09.2020</b>					
Long-term	12,848	268	(79)	(116)	12,921
Short-term	15,465	376	(13,166)	411	3,086
<b>01.07.-30.09.2021</b>					
Long-term	13,016	615	(344)	138	13,425
Short-term	2,101	490	(508)	794	2,877
<b>01.07.-30.09.2020</b>					
Long-term	12,742	119	(4)	64	12,921
Short-term	3,212	201	(323)	(4)	3,086

CHANGE IN OTHER LONG-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
<b>01.01.-30.09.2021</b>					
Provision for liabilities and expected losses	40,776	1,522	-	1,064	43,362
Provision for environmental protection	112,485	-	-	329	112,814
<b>TOTAL</b>	<b>153,261</b>	<b>1,522</b>	<b>-</b>	<b>1,393</b>	<b>156,176</b>
<b>01.01.-30.09.2020</b>					
Provision for liabilities and expected losses	8,762	-	-	-	8,762
Provision for environmental protection	93,435	-	-	5,372	98,807
<b>TOTAL</b>	<b>102,197</b>	<b>-</b>	<b>-</b>	<b>5,372</b>	<b>107,569</b>
<b>01.07.-30.09.2021</b>					
Provision for liabilities and expected losses	42,850	512	-	-	43,362
Provision for environmental protection	110,388	-	-	2,426	112,814
<b>TOTAL</b>	<b>153,238</b>	<b>512</b>	<b>-</b>	<b>2,426</b>	<b>156,176</b>
<b>01.07.-30.09.2020</b>					
Provision for liabilities and expected losses	8,762	-	-	-	8,762
Provision for environmental protection	97,574	-	-	1,233	98,807
<b>TOTAL</b>	<b>106,336</b>	<b>-</b>	<b>-</b>	<b>1,233</b>	<b>107,569</b>

CHANGE IN OTHER SHORT-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
<b>01.01.-30.09.2021</b>					
Provision for liabilities and expected losses	94,237	5,132	(6,381)	(1,049)	91,939
Provision for environmental protection	889	194	(1,234)	73	(78)
Provision for restructuring	111	-	-	-	111
<b>TOTAL</b>	<b>95,237</b>	<b>5,326</b>	<b>(7,615)</b>	<b>(976)</b>	<b>91,972</b>
<b>01.01.-30.09.2020</b>					
Provision for liabilities and expected losses	98,000	22,206	(2,628)	1,958	119,536
Provision for environmental protection	1,516	-	(1,104)	-	412
Provision for restructuring	111	-	-	-	111
<b>TOTAL</b>	<b>99,625</b>	<b>22,206</b>	<b>(3,732)</b>	<b>1,960</b>	<b>120,059</b>
<b>01.07.-30.09.2021</b>					
Provision for liabilities and expected losses	93,407	1,770	(2,778)	(461)	91,939

CHANGE IN OTHER SHORT-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
Provision for environmental protection	91	162	(404)	73	(78)
Provision for restructuring	111	-	-	-	111
<b>TOTAL</b>	<b>93,609</b>	<b>1,932</b>	<b>(3,181)</b>	<b>(388)</b>	<b>91,972</b>
<b>01.07.-30.09.2020</b>					
Provision for liabilities and expected losses	99,985	20,251	(1,731)	1,031	119,536
Provision for environmental protection	1,137	-	(725)	-	412
Provision for restructuring	111	-	-	-	111
<b>TOTAL</b>	<b>101,233</b>	<b>20,251</b>	<b>(2,456)</b>	<b>1,031</b>	<b>120,059</b>

CHANGE IN IMPAIRMENT ALLOWANCES	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
<b>01.01.-30.09.2021</b>					
Property, plant and equipment	79,011	-	-	(944)	78,067
Intangible assets, including:	491,363	-	-	649	492,012
<i>Goodwill</i>	440,232	-	-	475	440,707
Long-term receivables	1,015	-	-	4	1,019
Long-term financial assets	2,415	-	-	-	2,415
Inventories	38,303	1,993	(6,445)	(270)	33,581
Short-term financial assets	28,343	84	(1)	-	28,426
Trade and other receivables	66,633	9,279	(4,899)	1,400	72,413
Cash and cash equivalents	316	471	(456)	(9)	322
<b>TOTAL</b>	<b>707,399</b>	<b>11,827</b>	<b>(11,801)</b>	<b>830</b>	<b>708,255</b>
<b>01.01.-30.09.2020</b>					
Property, plant and equipment	74,915	-	(95)	2,125	76,945
Intangible assets, including:	453,861	691	-	24,626	479,178
<i>Goodwill</i>	408,650	-	-	23,424	432,074
Long-term receivables	975	-	-	61	1,037
Long-term financial assets	1,343	-	-	-	1,343
Inventories	33,327	3,366	(2,972)	(146)	33,575
Short-term financial assets	27,942	779	-	(779)	27,942
Trade and other receivables	56,879	19,226	(2,037)	(4,486)	69,582
Cash and cash equivalents	200	509	(186)	16	539
<b>TOTAL</b>	<b>649,442</b>	<b>24,571</b>	<b>(5,290)</b>	<b>21,417</b>	<b>690,141</b>
<b>01.07.-30.09.2021</b>					
Property, plant and equipment	76,487	-	-	1,580	78,067
Intangible assets, including:	480,926	-	-	11,086	492,012
<i>Goodwill</i>	430,699	-	-	10,008	440,707
Long-term receivables	995	-	-	24	1,019
Long-term financial assets	2,415	-	-	-	2,415
Inventories	34,076	1,039	(1,536)	2	33,581
Short-term financial assets	28,606	(180)	-	-	28,426
Trade and other receivables	67,847	4,261	(1,151)	1,456	72,413
Cash and cash equivalents	480	(160)	-	2	323
<b>TOTAL</b>	<b>691,832</b>	<b>4,960</b>	<b>(2,687)</b>	<b>14,150</b>	<b>708,255</b>
<b>01.07.-30.09.2020</b>					
Property, plant and equipment	76,987	-	-	(42)	76,945
Intangible assets, including:	473,422	691	-	5,065	479,178

CHANGE IN IMPAIRMENT ALLOWANCES	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
<i>Goodwill</i>	426,902	-	-	5,172	432,074
Long-term receivables	1,023	-	-	13	1,037
Long-term financial assets	1,343	-	-	-	1,343
Inventories	34,109	955	(1,356)	(133)	33,575
Short-term financial assets	27,942	779	-	(779)	27,942
Trade and other receivables	65,806	7,095	(784)	(2,535)	69,582
Cash and cash equivalents	461	527	(189)	-	539
<b>TOTAL</b>	<b>681,093</b>	<b>10,047</b>	<b>(2,329)</b>	<b>1,590</b>	<b>690,141</b>

#### Detailed information on significant impairment losses

In connection with the suspension in 2019 of production by a subsidiary, CIECH Soda Romania S.A., 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 an impairment loss 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 2021, the Group continues to identify the reasons for the decision to recognise an impairment loss. At the end of 2020, the fixed assets held were measured at fair value (on a going concern basis, but taking into account the hibernation of the plant) by an independent valuer to determine whether the value of the assets recognised in the Company's accounting records exceeds the value determined by the valuer. Based on the valuation it was determined that no additional impairment losses were necessary.

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 impairment losses recognised in the consolidated financial statements of the CIECH Group for subsequent reporting periods.

For details on the impairment loss recognised in previous periods, see Note 3.4 to the Consolidated Financial Statements of the CIECH Group for 2020, published on 22 April 2021.

## 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.-30.09.2021	01.01.-30.09.2020
Current income tax	(41,318)	(63,516)
Deferred tax	(22,093)	4,051
<b>INCOME TAX RECOGNISED IN STATEMENT OF PROFIT OR LOSS</b>	<b>(63,411)</b>	<b>(59,465)</b>

Deferred income tax is attributable to the following items:

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITY	30.09.2021			31.12.2020		
	Total asset	Total liability	Net value	Total asset	Total liability	Net value
Property, plant and equipment	1,966	133,037	(131,071)	1,221	136,672	(135,451)
Intangible assets	2,963	21,621	(18,658)	5,032	22,982	(17,950)
Rights to use an asset	-	4,636	(4,636)	-	4,686	(4,686)
Investment property	932	1,106	(174)	1,133	1,099	34
Financial assets	765	60,322	(59,557)	6,795	3,340	3,455
Inventory	986	156	830	2,590	426	2,164
Trade and other receivables	3,701	6,197	(2,496)	9,152	-	9,152

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITY	30.09.2021			31.12.2020		
	Total asset	Total liability	Net value	Total asset	Total liability	Net value
Provisions for employee benefits	2,387	-	2,387	2,523	-	2,523
Other provisions	19,256	6	19,250	18,210	-	18,210
Tax losses carried forward	25,432	-	25,432	38,413	-	38,413
Foreign exchange differences	1,412	13,063	(11,651)	471	4,312	(3,841)
Liabilities	48,262	2,513	45,749	32,600	47	32,553
Special economic zone	88,808	-	88,808	95,369	-	95,369
Other	(1,001)	1,523	(2,524)	369	43	326
<b>Deferred tax assets/liability</b>	<b>195,869</b>	<b>244,180</b>	<b>(48,311)</b>	<b>213,878</b>	<b>173,607</b>	<b>40,271</b>
Set - off of deferred tax assets/ liability	(126,959)	(126,959)	-	(124,591)	(124,591)	-
Unrecognized deferred tax assets	(22,475)	-	(22,475)	(38,599)	-	(38,599)
<b>Deferred tax assets/liability recognised in the statement of financial position</b>	<b>46,435</b>	<b>117,221</b>	<b>(70,786)</b>	<b>50,688</b>	<b>49,016</b>	<b>1,672</b>

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	30.09.2021		31.12.2020*		Categories of financial instruments
	Carrying amount	Fair value	Carrying amount	Fair value	
Cash and cash equivalents	346,181	346,181	443,886	443,886	Financial assets measured at amortised cost
Loans granted	10,148	10,148	146	146	Financial assets measured at amortised cost
Trade receivables	229,072	229,072	175,697	175,697	Financial assets measured at amortised cost
Hedging derivatives with positive value	330,517	330,517	18,427	18,427	Financial assets measured at fair value through other comprehensive income
Derivatives with positive value	2,386	2,386	1,835	1,835	Financial assets measured at fair value through profit or loss
Factoring receivables	40,758	40,758	47,425	47,425	Financial assets measured at amortised cost
<b>ASSETS</b>	<b>959,061</b>	<b>959,061</b>	<b>687,416</b>	<b>687,416</b>	
Credits and loans	(1,911,992)	(1,911,992)	(1,911,475)	(1,911,475)	Financial assets measured at amortised cost
Trade liabilities	(456,777)	(456,777)	(490,611)	(490,611)	Financial assets measured at amortised cost
Hedging derivatives with negative value	(202,025)	(202,025)	(66,542)	(66,542)	Financial liabilities measured at fair value through other comprehensive income
Derivatives with negative value	(16,136)	(16,136)	(16,494)	(16,494)	Financial liabilities measured at fair value through profit or loss.
Factoring liabilities	(14,475)	(14,475)	(16,174)	(16,174)	Financial assets measured at amortised cost
<b>LIABILITIES</b>	<b>(2,601,405)</b>	<b>(2,601,405)</b>	<b>(2,500,296)</b>	<b>(2,500,296)</b>	

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





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 not based on observable market inputs.

#### Assets and liabilities measured at fair value

	30.09.2021			31.12.2020*		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>ASSETS</b>	-	<b>332,903</b>	<b>36,404</b>	-	<b>20,262</b>	<b>40,948</b>
Investment properties	-	-	36,404	-	-	40,948
Hedging instruments	-	330,517	-	-	18,427	-
Derivative instruments with positive valuation	-	2,386	-	-	1,835	-
<b>LIABILITIES</b>	-	<b>(218,161)</b>	-	<b>(22,590)</b>	<b>(59,446)</b>	-
Hedging instruments	-	(202,025)	-	(22,590)	(42,952)	-
Derivative instruments with negative valuation	-	(16,136)	-	-	(16,494)	-
<b>TOTAL</b>	-	<b>114,742</b>	<b>36,404</b>	<b>(22,590)</b>	<b>(39,184)</b>	<b>40,948</b>

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

#### 2.8.1. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

As at 30 September 2021, 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, CIRS (currency and interest rate swap) contract 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,
- collar option structures for gas supply at CIECH Energy Deutschland GmbH – Level 2, according to the fair value hierarchy.
- collar option structures for supply of CO<sub>2</sub> units at CIECH Energy Deutschland GmbH – Level 2, according to the fair value hierarchy.

During three quarters of 2021, 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.

Compared to the previous reporting period, as of 30 June 2021, an adjustment for own credit risk, which was previously not applied, was included in the valuation of CIRS derivatives. 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 2020, published on 22 April 2021.

In the consolidated financial statements, all financial instruments concluded and described above (except for one currency forward, EUR/PLN, and one of the CIRS contracts as well as futures transactions for the purchase of emission allowances which are not valued due to the application of the "own use exemption" principle) were designated for hedge accounting, and details of the designation were presented in Note 8.2 to the Consolidated Financial Statements of the CIECH Group for 2020, published on 22 April 2021.

In the separate financial statements, interest rate swaps were designated for hedge accounting, and details of the designation were presented in Note 8.2 to the CIECH S.A.'s Financial Statements for 2020, published on 22 April 2021.

**Fair value of derivative instruments and embedded instruments**

	Long-term financial assets	Short-term financial assets	Other long-term liabilities	Trade and other liabilities	TOTAL
<b>30.09.2021</b>					
IRS EUR	246	-	(86)	(167)	(7)
IRS PLN	-	-	(1,468)	(14,616)	(16,084)
CIRS	127,413	7,151	(172,104)	(19,970)	(57,510)
Forward EUR/PLN	-	861	-	(1,350)	(489)
Collar options	-	197,232	-	(8,400)	188,832
<b>TOTAL</b>	<b>127,659</b>	<b>205,244</b>	<b>(173,658)</b>	<b>(44,503)</b>	<b>114,742</b>
<b>31.12.2020*</b>					
IRS EUR**	-	-	-	(618)	(618)
IRS PLN**	-	-	-	(31,126)	(31,126)
CIRS	574	1,261	(14,327)	-	(12,492)
Forward EUR/PLN	-	-	-	(13,375)	(13,375)
Collar options	-	18,427	-	-	18,427
Futures contracts for the sale of CO <sub>2</sub> certificates	-	-	-	(22,590)	(22,590)
<b>TOTAL</b>	<b>574</b>	<b>19,688</b>	<b>(14,327)</b>	<b>(67,709)</b>	<b>(61,774)</b>

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

\*\*As at the end of 2020, the long-term portion of IRS transactions designated for hedge accounting is not reported. These transactions hedge the interest rate on loans that have been recognised as short-term liabilities due to a breach of one of the covenants at the balance sheet date. For details, see Note 7.1 to the Consolidated Financial Statements of the CIECH GROUP for 2020.

**2.8.2. FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE**

The CIECH Group has taken out term and revolving credit facilities whose book value corresponds to the fair value, as at 30 September 2021, was PLN 1,911,992 thousand (Level 2 of fair value hierarchy). In the case of the remaining financial instruments held by the CIECH Group (classified mainly as cash and cash equivalents, financial assets and liabilities measured at amortised cost), the fair value is close to the book value.

**2.9. 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 September 2021, the CIECH Group carried out the following transactions increasing and decreasing the gross value of property, plant and equipment:

<b>01.01.-30.09.2021</b>	Land	Buildings, premises, civil and marine engineering structures	Machinery and equipment	Vehicles	Other fixed assets	Property, plant and equipment under construction	TOTAL
<b>Gross value of property, plant and equipment at the beginning of the period</b>	<b>90,702</b>	<b>1,320,662</b>	<b>3,583,262</b>	<b>83,462</b>	<b>62,701</b>	<b>898,999</b>	<b>6,039,788</b>
Purchase	-	274	836	489	559	485,944	488,102
Reclassifications	-	25,551	185,682	3,549	3,801	(220,759)	(2,176)
Capitalised borrowing costs	-	-	-	-	-	13,085	13,085
Foreign exchange differences	104	(104)	1,403	(179)	5	7,105	8,334
Sale	-	(1,859)	(462)	(149)	(268)	-	(2,738)
Liquidation	-	-	(5,744)	(1,532)	(94)	(353)	(7,723)
Other	-	(6,664)	(5,253)	-	-	-	(11,917)
<b>Gross value of property, plant and equipment at the end of the period</b>	<b>90,806</b>	<b>1,337,860</b>	<b>3,759,724</b>	<b>85,640</b>	<b>66,704</b>	<b>1,184,021</b>	<b>6,524,755</b>

01.01.-30.09.2021	Land	Buildings, premises, civil and marine engineering structures	Machinery and equipment	Vehicles	Other fixed assets	Property, plant and equipment under construction	TOTAL
<b>01.01.-30.09.2020</b>							
<b>Gross value of property, plant and equipment at the beginning of the period</b>	<b>83,826</b>	<b>1,281,139</b>	<b>3,147,510</b>	<b>79,627</b>	<b>61,134</b>	<b>701,150</b>	<b>5,354,386</b>
Purchase	122	2,308	2,530	4,587	1,917	394,246	405,710
Reclassifications	102	(43 630)	16 576	353	3,576	(162,529)	(185,552)
Capitalised borrowing costs	-	-	-	-	-	10,245	10,245
Foreign exchange differences	4,926	14,478	54,984	934	729	33,093	109,144
Sale	(6)	(1,125)	(298)	(202)	(462)	(3,040)	(5,133)
Liquidation	-	(1,053)	(14,285)	(1,746)	(193)	-	(17,277)
Change of the Group's structure	-	25	98	10	(3,427)	-	(3,294)
Other	-	-	-	-	(44)	10,290	10,246
<b>Gross value of property, plant and equipment at the end of the period</b>	<b>88,970</b>	<b>1,252,142</b>	<b>3,207,115</b>	<b>83,563</b>	<b>63,230</b>	<b>983,455</b>	<b>5,678,475</b>

Purchases of property, plant and equipment were made with own financial resources and bank loans. As at 30 September 2021, commitments to purchase property, plant and equipment amounted to PLN 124,190 thousand (PLN 120,509 thousand as at 31 December 2020). 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 statement of financial position.

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 2020, published on 22 April 2021.

## 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. and non-consolidated companies of the CIECH Group) is presented below:

TRANSACTIONS BETWEEN CONSOLIDATED ENTITIES AND OTHER RELATED PARTIES	01.01.-30.09.2021	01.01.-30.09.2020
Revenues from sales of products and services, including:	2 913	2,236
<i>associates</i>	1,578	-
Revenues from sales of goods and materials, including:	26,833	35,685
<i>associates</i>	14,945	24,184
Other operating income, including:	12	11
<i>associates</i>	12	11
Financial income, including:	-	117
<i>associates</i>	-	117
Purchases of products, goods and materials	41,510	33,522
<i>associates</i>	218	-

TRANSACTIONS BETWEEN CONSOLIDATED ENTITIES AND OTHER RELATED PARTIES	01.01.-30.09.2021	01.01.-30.09.2020
Purchase of services, including:	29,924	33,588
<i>KI One S.A.</i>	149	175
<i>associates</i>	23,115	12,047
Other operating expenses, including:	-	3
<i>associates</i>	-	-
Financial expenses, including:	98	4
<i>associates</i>	-	4
	<b>30.09.2021</b>	<b>31.12.2020</b>
Trade receivables, including:	6,978	7,488
<i>associates</i>	3,271	591
Trade liabilities, including:	34,894	27,901
<i>associates</i>	2,210	2,530

### Terms of transactions with related entities

CIECH Group's 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. Overdue 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 three quarters of 2021, except for transactions described in Section 3.3 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

### Contingent assets and liabilities, including guarantees and sureties, excluding those contingent liabilities related to proceedings before administrative authorities.

The amounts of contingent liabilities related to proceedings before administrative authorities and changes therein in 2021 are described in the note below under the heading: "Audits of tax settlements at the CIECH Group and related contingent liabilities".

	30.09.2021	31.12.2020
<b>Contingent assets</b>	<b>21,933</b>	<b>31,077</b>
Other contingent receivables*	21,933	31,077
<b>Contingent liabilities</b>	<b>91,454</b>	<b>645,699</b>
Guarantees and sureties granted	-	551,318
Other**	91,454	94,381

\* 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 September 2021, a contingent asset recognised by CIECH Soda Polska S.A. amounted to PLN 3,069 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.

\*\* Including mainly:

- contingent liability in the SDC Group relating to environmental protection fees in the amount of PLN 16,873 thousand (EUR 3,642 thousand),
- contingent liability in CIECH Soda Polska S.A. regarding environmental penalty fees in the amount of PLN 8,755 thousand,
- contingent liabilities in CIECH Soda Polska S.A. resulting from blank promissory notes for the National Fund for Environmental Protection and Water Management relating to grants received in the amount of PLN 18,999 thousand,



- contingent liabilities in CIECH Sarzyna S.A. resulting from a grant received for developing and testing a group of agro-chemical preparations in the amount of PLN 14,645 thousand,
- 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 11,859 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 Smart Fluid Sp. z o.o. resulting from promissory notes relating to subsidies received for research and development projects in the amount of PLN 5,016 thousand.
- other off-balance sheet liabilities in CIECH Soda Polska S.A. in the amount of PLN 1,107 thousand in connection with the payment order in the writ of payment proceedings against which an objection was lodged.

As at 30 September 2021, contingent liabilities amounted to PLN 91,454 thousand and decreased as compared to 31 December 2020 by PLN 554,245 thousand. The change was mainly due to the expiry of the guarantees granted under the term credit facility and revolving credit facilities agreement, which were repaid on 5 May 2021.

Other guarantees and sureties granted are described in Note 9.2 to the Consolidated Financial Statements of the CIECH Group for 2020, published on 22 April 2021.

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

In the period from January to September 2021, the CIECH Group companies were at various stages of proceedings, including 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.
- f) 2018 – at CIECH Soda Polska 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 complaint 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 complaint with the Supreme Administrative Court in September 2019. At present, the company is waiting for the date of the hearing to be set.

**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 22.7 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. Tax proceedings are currently underway.

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 initiation of proceedings for fiscal offences.

**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 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 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 the 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 complaint with the Supreme Administrative Court. At present, the company is waiting for the date of the 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 S.A. 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 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 complaint with the Supreme Administrative Court. At present, the company is waiting for the date of the 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 complaint with the Supreme Administrative Court. At present, the company is waiting for the date of the 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.

**CIT audit for 2015 at CIECH Sarzyna S.A.** was initiated by the Head of the Podkarpackie Province Tax Office in Reszów 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.

If the unfavourable position of the authority is upheld, an obligation may arise to pay tax arrears in the amount of PLN 6.9 million (the tax base challenged by the authority is PLN 36.4 million) plus with interest due. Tax proceedings are currently underway.

**CIT audit for 2016 at CIECH Sarzyna S.A.** was initiated by the Head of the Podkarpackie Province Tax Office in Reszów 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. In addition,



the company should have included interest on loans paid in advance in 2015 in its tax deductible costs in 2016. 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 4.3 million (the tax base challenged by the authority is PLN 22.4 million) plus with interest due. Tax proceedings are currently underway.

**CIT audit for 2016 at CIECH S.A.** On 25 May 2021, CIECH S.A. received an authorisation from the Head of the Małopolskie Province Customs and Tax Office in Kraków to carry out a customs and fiscal audit with regard to corporate income tax (CIT) for 2016. Tax audit is currently underway.

**CIT audit for 2018 at CIECH Soda Polska S.A.** was initiated on 1 December 2020 by the Head of the Kujawsko-Pomorskie Province Customs and Tax Office in Toruń. The audit concerns the correctness of settlements with the state budget in respect of corporate income tax. On 27 April 2021, the Head of the Customs and Tax Office issued a Notice of Consideration of the CIT correction filed by the company resulting in an overpayment of CIT in the amount of PLN 0.9 thousand due to the transfer of proceeds from excise tax refunds (for 2016 - PLN 1.4 million and for 2017 - PLN 3.8 million) from taxable activities to activities within the Special Economic Zone (hereinafter: SEZ) and, as a consequence, a change in the allocation of shared costs between these activities (PLN 0.5 million transferred to SEZ). Therefore, the audit was terminated.

The Group estimated that the potential impact on income tax expense (in the form of additional tax liabilities, in connection with the above events which are or may continue to be challenged, would amount to PLN 115.2 million if it were no longer probable that the Group would be able to uphold its tax interpretations before the tax authorities. From the above-mentioned amount of PLN 136.3 million, following the decisions of the second instance, regarding CIT (2012 and 2013) in CIECH S.A., and CIT (2015) in CIECH Soda Polska S.A., CIECH Pianki Sp. z o.o. and CIECH Cargo Sp. z o.o., despite further dispute before court, the total tax amount of PLN 53.7 million was paid (of which PLN 1.8 million is presented as receivable from Tax Office fully covered by impairment allowance), a provision was recognised for potential tax liabilities in the amount of PLN 44,2 million. The remaining amount, i.e. PLN 17.3 million, is not covered by a provision and represents a contingent liability. The Group also paid interest in the total amount of PLN 26.9 million.

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 the 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 do not agree with the findings set forth in the Decision and have appealed against it. On 14 November 2019, the company received the 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 judgment and lodged a cassation complaint 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 the 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 do not agree with the findings set forth in the Decision and have 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 the 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 the 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 judgment and lodged a cassation complaint 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. and Verbis ETA Sp. 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 the 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 has 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 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 judgment and lodged a cassation complaint 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) – commenced on 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) – commenced on 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. According to the auditors, 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 the 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 the 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 ruling 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 judgment and lodged a cassation complaint with the Supreme Administrative Court on 28 January 2021.

On 22 October 2021 the Supreme Administrative Court overturned the appealed verdict of the Provincial Administrative Court in its entirety and overturned the appealed decision of the Head of the Kujawsko-Pomorskie Province Tax Office in Toruń (2<sup>nd</sup> instance authority) on the additional tax liability in VAT at the rate of 100%. The details of these proceedings will be known upon receipt of the judgment of the Supreme Administrative Court and its justification.

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.

**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 cover settlements for 2007-2009 and 2010-2015 and concern various factual and legal matters.

On 22 March 2021, the proxy of CIECH Soda Deutschland GmbH & Co. KG received the preliminary result of the tax audit issued by the Tax Office in Staßfurt. The decision was issued in connection with an audit of the VAT settlements for 2012-2013 at Ciech Energy Deutschland GmbH. The decision was delivered to CIECH Soda Deutschland GmbH & Co. KG, as in the VAT group to which CIECH Soda Deutschland GmbH & Co. KG and Ciech Energy Deutschland GmbH belong, CIECH Soda Deutschland GmbH & Co. KG is responsible for settlements with the tax authorities. In the Decision, the Tax Office questioned the right to deduct VAT in the amount of EUR 5.0 million on invoices received in 2012-2013 by Ciech Energy Deutschland GmbH in connection with the leasing of the CHP plant, whereby, due to the principle of neutrality, the amount of VAT deducted by Ciech Energy Deutschland GmbH can be offset against the VAT paid by the lessor. The amount in dispute would be interest of approximately EUR 1.9 million (approximately PLN 8.8 million). Ciech Energy Deutschland GmbH and the tax advisors do not agree with the Decision issued and have therefore filed an appeal against the Decision and requested that it be suspended until the pending case is finally resolved.

Ciech Energy Deutschland GmbH, having analysed the Decision and the tax advisor's position on the chances of a positive outcome of the proceedings for Ciech Energy Deutschland GmbH, has decided not to recognise a provision for interest. In August 2021, the Company received notice that the Tax Office had fully withdrawn its Decision. Thus, the dispute concerning



the right to deduct VAT on invoices received by Ciech Energy Deutschland GmbH in connection with the lease of the CHP plant has been concluded.

With regard to the other years and issues subject to ongoing audits, the outcome of the audit as at the balance sheet date is not known – the companies did not receive any reports/decisions from the tax authorities. 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. Under the prudence principle, the companies have, however, recognized provisions for potential tax liabilities and interest in the total amount of EUR 15.8 million (after conversion into PLN according to the exchange rate quoted on the balance sheet date – about PLN 73.2 million) Of the reported EUR 15.8 million, the provision recognised in previous years is EUR 14.4 million (about PLN 66.7 million). In addition, an amount of EUR 1.5 million (PLN 6.9 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 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.

On 21 May 2020, the Ordinary General Meeting resolved to distribute CIECH S.A.'s net profit for the financial year 2019, amounting to PLN 60,436 thousand, and to allocate the entire profit to CIECH S.A.'s supplementary capital.

## 2.15. INFORMATION ON DISCONTINUED OPERATIONS, NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE AND LIABILITIES RELATED THERETO DURING THREE QUARTERS OF 2021

### Discontinued operations

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	56,121
Loans repaid*	27,000
<b>TOTAL Value of Agreement</b>	<b>157,410</b>

\*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 September 2021 and for the period from 1 January to 30 September 2020:

- 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 three quarters of 2021, which includes the figures of CIECH Żywiec Sp. z o.o. and CIECH S.A.

<b>CIECH Group</b>	<b>01.01.-30.09.2021</b>	<b>01.01.-30.09.2020</b>
<b>Sales revenues</b>	<b>69 898</b>	<b>194 959</b>
Costs of sale	(56 642)	(173 670)
<b>Gross profit/(loss) on sales</b>	<b>13 256</b>	<b>21 289</b>
Other operating income	385	2 025
Selling costs	(1 211)	(7 325)
General and administrative expenses	(5 080)	(6 969)
Other operating expenses	(422)	(927)
<b>Operating profit/(loss)</b>	<b>6 928</b>	<b>8 093</b>
Financial Income	1 864	382
Financial expenses	(319)	(2 467)
<b>Net financial income/(expenses)</b>	<b>1 545</b>	<b>(2 085)</b>
<b>Profit/(loss) before tax</b>	<b>8 473</b>	<b>6 008</b>
Income tax	(852)	(608)
<b>Net profit/(loss) (1)</b>	<b>7 621</b>	<b>5 400</b>
Revenues from sales of CIECH Żywiec Sp. z o.o.	74 289	-
Net assets	(19 370)	-
Income tax	-	-
<b>The result on the sale of CIECH Żywiec Sp. z o.o. (2)</b>	<b>54 919</b>	<b>-</b>
<b>Total net profit / (loss) from discontinued operations (1 + 2)</b>	<b>62 540</b>	<b>5 400</b>

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

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



<i>in thousand PLN</i>	<b>01.03.2021</b>
Provision for employee benefits	1 620
Other provisions	30
<b>Total short-term liabilities</b>	<b>152 026</b>
<b>Total liabilities</b>	<b>152 530</b>
<b>NET ASSETS</b>	<b>19 370</b>

\*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.:

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

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)
<b>Consideration received (value reported in cash flows as "Disposal of a subsidiary")</b>	<b>66 954</b>

## 2.16. INFORMATION ON IMPORTANT EVENTS IN THE CIECH GROUP DURING THREE QUARTERS OF 2021

Information on important events taking place in the CIECH Group during three quarters of 2021 has been presented in Sections 3.3 and 3.4 hereof.

## 2.17. INFORMATION ON POST-BALANCE-SHEET EVENTS

On 26 October, the Extraordinary Shareholders' Meeting of CIECH S.A. appointed Ms Natalia Scherbakoff as a new member of the Supervisory Board of CIECH S.A.

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

The third quarter of 2021 was another period of CIECH Group operations conducted during the ongoing COVID-19 pandemic. Safety restrictions and measures to protect the health and lives of the Group's employees and third parties remained in place, as was the case in the first half of 2021.

In the period under review, the CIECH Group was adversely affected by the pandemic, which translated in many different ways into the achievement of the Group's objectives and those of its individual business segments. In the third quarter, the Group and individual business segments experienced a significant increase in the prices of raw materials, utilities and services. The price increase was largely driven by the economic recovery after months of global economic freezes. This translated directly into the cost of products manufactured.

During the third quarter of 2021, the CIECH Group continued to comply with the measures taken in 2020 to protect the health and lives of employees, third party employees and business partners. Protecting the health and lives of employees continued to be the Group's overriding objective. As a result, procedures were continued under which employees were able to work remotely (where possible).



In the case of groups of employees where it was not possible to work in a remote manner (production workers), procedures were still in place at individual plants to keep direct contact between shifts to a necessary minimum, and the necessary required protective measures were still in place to minimise the risk of infection and disease outbreaks. The third quarter is a holiday period, hence direct contact between employees was less frequent than at other times of the year. Owing to the ongoing vaccination process, the holiday season and thus less direct contact in the workplace and the low number of new infections, no cases of new infections were reported in the CIECH Group. None of the Group's business areas was affected by the need to close or curtail operations. In addition to ensuring the health and safety of employees, a key objective for Group Management continued to be to ensure the continuity of operations at the Group's individual production plants and avoid disruption to the supply chain. During the third quarter of 2021, the Group's production facilities continued to operate without interruption.

However, during the third quarter, there were difficulties related to the availability of raw materials, in particular coal. In addition, as the availability of raw materials deteriorated, the Group experienced a significant increase in raw material prices. This phenomenon affected, to a greater or lesser extent, all the Group's business segments.

In the third quarter of 2021, the situation in the individual business segments of the CIECH Group was as follows:

- The **Soda Segment**, which is key to the CIECH Group in terms of maintaining business continuity in a pandemic situation, did not record any negative events or incidents. The risk of infection decreased during this period as a result of staff vaccination and a good epidemiological situation nationwide. On the demand side, the soda segment has observed a recovery. On the other hand, the recovery was accompanied by a previously unanticipated increase in raw material prices, which directly translated into an increase in the costs of operation of the soda segment plants. Another factor having a direct impact on the manufacturing and operating costs of the plants was the increase in utility prices, in particular an increase in the price of electricity and gas. Key sectors that are customers of the soda segment (in particular the construction industry) operated smoothly and without interruption in the third quarter of 2021. The segment's revenues in the area of sales of soda products were mainly generated by contract sales, which account for approximately 90% of the sales volume. The remaining volume of sales was made through spot transactions in the market. In addition, in the third quarter of this year, work continued on the commissioning of a new salt brewing plant in Germany and the plant commenced test production.
- The **Silicates Segment** was unaffected by the pandemic during the third quarter of 2021 and operated in a smooth and uninterrupted manner. In the third quarter of 2021, the commissioning phase of the new glassy sodium silicate smelting plant began at the Żary plant. Full implementation of a state-of-the-art, efficient and energy-saving furnace is planned by the end of the year, and construction of new warehouses for finished products is scheduled to begin early next year.
- The **Packaging Segment** also proved resilient to COVID-19 in the third quarter. Nonetheless, towards the end of the quarter, with announcements of another fourth wave of infections emerging, the segment's main customers (buyers of glass lanterns) began to express their concerns that the situation experienced in early November 2020, when cemeteries were closed as part of restrictions imposed by the government, would be repeated. As a result of the restrictions imposed, the majority of the segment's customers remained with their inventories from 2020. Concerns that the situation might be repeated resulted in signals from the market that the demand for lanterns was lower than usual at this time of year. Despite this, the plant in Iłowa continued to manufacture as planned and built up a safe level of its own inventories. As with other segments, the plant in Iłowa was adversely affected by the increase in gas prices which led to a significant increase in lantern production costs.
- During the third quarter of 2021, the **Foams Segment** reported an improvement in the availability of key raw materials required for foam production (polyols and TDI), whereas as a result of the economic recovery, demand for other raw materials that are also used by other sectors increased. This situation resulted in problems with the availability of other raw materials, such as melamine, which is necessary for the plant in Bydgoszcz to manufacture non-flammable foams. The segment was also affected by increases in raw material and utility prices. Price competition has increased among foam manufacturers. The disrupted component supply chains in the furniture sector have had a negative impact on the purchasing decisions of the segment's customers. Despite these unfavourable events, the Bydgoszcz plant continued to deliver on its plans.
- The **Agro Segment**, like in the previous period, proved to be resilient to COVID-19 and did not experience any reduction in production due to infections among employees and decline in demand from customers. The problems the segment had to face in the third quarter of 2021, which had already occurred during the first half of 2021, included a further increase in the price of materials and raw materials and an increase in the cost of logistics services. Despite the unfavourable factors, the Agro Segment delivered growth in sales performance and increased its market share in the



third quarter of 2021. As in the first half of 2021, success was driven by the launch of the new herbicide, Halvetic, based on innovative BGT (Better Glyphosate Technology).

In other areas of the CIECH Group's operations, no adverse effects of the ongoing COVID-19 pandemic were recorded in the third quarter, and:

- In the area of investment projects, during the third quarter, the CIECH Group continued the projects that had already been started, including the final work on the new saltworks in Stassfurt, Germany. Other projects planned and necessary for the Group's operations were also carried out without any obstacles. As for the negative developments, despite the continuation of the projects started, the Group experienced an increase in the prices of materials, in particular an increase in the price of steel. The Group's analyses did not reveal any indications of an increased risk of impairment of property, plant and equipment and intangible assets in use or investments in progress was found.
- The Group's liquidity situation in the third quarter of 2021 remained stable, and the CIECH Group Companies had sufficient cash and available sources of financing to be able to meet their obligations on time. In the third quarter, the CIECH Group generated net cash flows from operating activities of PLN 591 million. Net cash flows from investing activities were negative (PLN -522 million) due to ongoing capital expenditure. As at 30 September 2021, the Group held cash of PLN 346 million and limits available under committed credit facilities of PLN 351 million. In the third quarter of 2021, the Group had access to funds made available under committed facility agreements (syndicated facility agreement with a total value of PLN 2,116 million as at 30 September 2021) and additional sources of financing in the form of receivables factoring agreements, reverse factoring agreements and overdraft facilities. The Group's liquidity security was largely supported by the fact that in March 2021 the Management Board of CIECH S.A. signed a new Facilities Agreement with a value (on the date of signing) of PLN 2,115 million and a 5-year repayment period, in order to refinance the existing debt. Facilities Agreement was signed on March 16, 2021. Under the new Facilities Agreement, the following loans were made available: an amortised term loan (PLN 560 million), an unamortised term loan (PLN 1,305 million) and a revolving credit facility of PLN 250 million. The agreement provides for a grace period of over 2 years for the repayment of the term loan, during which no principal repayment of the loan will be required. The first repayment is required on 30 June 2023.
- Moreover, in the third quarter of 2021, the CIECH Group also did 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.
- Moreover, no deterioration of receivables repayment dates was found. At the end of the third quarter of the year, the share of receivables past due for more than 7 days in total receivables remained at a level similar to that reported as at 31 December 2020 and 30 September 2020. The vast majority of the Group's receivables were insured and financed through non-recourse factoring.
- The pandemic also did not have a negative impact on the Group's working capital. In the third quarter of 2021, during the COVID-19 pandemic, the Group did not experience any risk of non-performance of contracts at a higher level than in the course of its day-to-day operations in the absence of the pandemic. The Group increased the share of receivables and payables factoring in settlements with counterparties.
- There were also no impairment losses on non-current or current assets of any material value during the quarter. There was also no need to recognise additional provisions other than allowances and provisions which are recognised in the course of the Group's ordinary activities.





### 3. OTHER NOTES TO THE CONSOLIDATED QUARTERLY REPORT

#### 3.1. DESCRIPTION OF THE CIECH GROUP'S 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	<b>CIECH S.A.</b>
Legal form	Joint-stock Company
Registered office	Warsaw, Poland
Address	ul. Wspólna 62, 00-684 Warsaw, Poland
	000011687
KRS (National Court Register number)	(District Court for the capital city of Warsaw in Warsaw 12 <sup>th</sup> 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	<a href="http://www.ciechgroup.com">www.ciechgroup.com</a>
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 September 2021, the CIECH Group comprised 40 business entities, including:

- parent company,
- 33 subsidiaries, of which:
  - 22 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 Nowa Sarzyna. CIECH Trading Sp. z o.o. subsidiary has a branch in Bydgoszcz.

Products of the CIECH Group are manufactured in 8 production plants. Four largest production plants (2 in Poland, 1 in Germany and 1 in Romania) operate in the Soda Segment and manufacture soda ash and soda derivatives; 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 30.09.2021 / % of votes at the GMS	Share in equity as at 30.09.2020 / % of votes at the GMS
<b>Parent company</b>					
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.	-	-
<b>Fully consolidated direct and indirect subsidiaries</b>					
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.	98.74%	98.74%
CIECH Vitrosilicon S.A.	Iłowa	Silicates, Packaging	Manufacture of other basic inorganic chemicals, manufacture of other chemical products.	100%	100%
CIECH Vitro Sp. z o.o.*	Iłowa	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 Żywiec Sp. z o.o.	Nowa Sarzyna	(Resins – discontinued operations)	Manufacture of plastics in primary forms. The company was sold on 1 March 2021.	-	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%

Company name	Registered office	Segment	Business	Share in equity as at 30.09.2021 / % of votes at the GMS	Share in equity as at 30.09.2020 / % of votes at the GMS
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, (Resins – discontinued operations)	Provision of support services for companies of the CIECH Group.	100%	-
CIECH Ventures Sp. z o.o.	Warsaw	Other	Holding activities, other financial activities.	100%	-
<b>CIECH R&amp;D Group</b>					
CIECH R&D Sp. z o.o.	Warsaw	Soda, Agro, Foams, Silicates, Packaging, Other, (Resins – discontinued operations)	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 Sp. z o.o.	Warsaw	Other	Research & Development.	52.83%	52.83%
<b>CIECH Finance Group</b>					
CIECH Finance Sp. z o.o.	Warsaw	Other	Implementing divestment projects concerning obsolete fixed assets (property) and financial assets (shares in companies).	100%	100%
JANIKOSODA Sp. z o.o.	Warsaw	Other	The company was sold on 31 December 2020.	-	100%
<b>CIECH Soda Polska Group</b>					
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%
<b>CIECH Sarzyna Group</b>					
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%	-
<b>SDC Group</b>					
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%



Company name	Registered office	Segment	Business	Share in equity as at 30.09.2021 / % of votes at the GMS	Share in equity as at 30.09.2020 / % of votes at the GMS
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%, indirect share through CIECH Soda Polska S.A. – the remaining 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.

### 3.2. 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 their irrelevance, in relation to the total values of the CIECH Group for the period from 1 January 2021 to 30 September 2021 does not exceed 2% of total consolidated assets of the Group and 2% of consolidated net revenues from sales of goods and products and financial operations.

Aggregated data of associates and jointly-controlled which were not measured under the equity method for the period from 1 January 2021 to 30 September 2021 did not exceed 2% of consolidated total assets of the Group 2% of the total consolidated equity of the CIECH Group.

### 3.3. SIGNIFICANT EFFECTS OF CHANGES TO THE ORGANISATIONAL STRUCTURE OF THE CIECH GROUP DURING THREE QUARTERS OF 2021

#### CIECH Żywice Sp. z o.o.

On 1 March 2021, CIECH S.A. entered into an agreement for the sale of 74,677 shares in CIECH Żywice 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 Żywice 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. For details of the transaction, see current reports No 27/2020 and 4/2021.

#### CIECH Vitro Sp. o.o. – demerger of the company

On 25 February 2021, the Extraordinary General Meeting was held to resolve on the demerger of the Company by transferring a part of the assets of the Demerged Company, CIECH Vitrosilicon S.A., to the Acquiring Company, CIECH Vitro Sp. z o.o., in exchange for the shares to be received by the shareholders of the Demerged Company in the increased share capital of the Acquiring Company – demerger by spin-off. An organised part of the business (OPB) was spun off from CIECH Vitrosilicon S.A. The OPB may constitute an independent enterprise independently performing the tasks of production and sales, in particular of glass packaging in the form of lanterns and utility jars (the "Packaging Business").

The Extraordinary Shareholders' Meeting of CIECH Vitro Sp. z o.o., in connection with the demerger of CIECH Vitrosilicon S.A. (the "Demerged Company"), increased the share capital of the Company from PLN 5 thousand to PLN 1,135.5 thousand, i.e. by the amount of PLN 1,130.5 thousand, through the creation of 22,610 new shares in CIECH Vitro Sp. z o.o. with a nominal value of PLN 50 per share and a total nominal value of PLN 1,135.5 thousand, which were granted to shareholders of the Demerged Company using the following share exchange ratio: 6,679,109 shares in the Demerged Company entitled to the receipt of 22,610 shares in CIECH Vitro Sp. z o.o. (the "Acquirer") (i.e. 295.4 shares in the Demerged Company entitled to the receipt of 1 share in the Acquirer) in the following manner:



- CIECH Soda Polska S.A., in exchange for 1,133,246 shares in the Demerged Company (constituting all shares in the Demerged Company held by CIECH Soda Polska S.A.), took up 13,759 shares in CIECH Vitro Sp. z o.o., which were covered by a part of the OPB acquired from CIECH Vitrosilicon S.A,
- CIECH S.A., in exchange for 728,982 shares in the Demerged Company (representing a part of shares in the Demerged Company held by CIECH S.A.), took up 8,851 shares in CIECH Vitro Sp. z o.o., which were covered by a part of the OPB acquired from CIECH Vitrosilicon S.A.

As of the date of registration of the share capital increase by the court, the capital structure was as follows:

- CIECH Soda Polska S.A. holds 13,759 shares, representing 60.59% of the share capital,
- CIECH S.A. holds 8,951 shares, representing 39.41% of the share capital.

On 1 April 2021, the Court registered the demerger of CIECH Vitrosilicon S.A., the reduction of the share capital of CIECH Vitrosilicon S.A. and the increase of the share capital of CIECH Vitro Sp. z o.o.

As of 1 April 2021, CIECH S.A. is the sole shareholder of CIECH Vitrosilicon S.A.

#### **CIECH Trading Sp. z o.o.**

On 2 March 2021, the Extraordinary Shareholders' Meeting of CIECH Trading Sp. z o.o. approved the decision of the Company's Management Board to discontinue the business activity specified in the Company's Articles of Association, and obliged the Company's Management Board to take all necessary actions to cease and wind up the business activity, and upon completion of the above measures to take a decision to dissolve the Company pursuant to Article 270 of the Code of Commercial Companies.

On 25 May 2021, two Extraordinary General Meetings of CIECH Trading Sp. z o.o. were held regarding cancellation of shares, i.e: EGM – cancellation against consideration and amendment to the Company's Articles of Association:

1)

- cancellation of 1,524,390 shares in the Company's share capital with a total nominal value of PLN 76,219.5 thousand in exchange for consideration of PLN 9.84 per canceled share, i.e. for total consideration amounting to PLN 15,000 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 share capital will be reduced from PLN 107,455.4 thousand (by PLN 76,219.5 thousand) to PLN 31,235.9 thousand through the cancellation of 1,524,390 shares with a total value of PLN 76,219.5 thousand. Following the reduction of the Company's share capital, it will be divided into 624,718 shares,
- the Company's Articles of Association will be amended.

2) EGM – cancellation without consideration and amendment to the Company's Articles of Association:

- cancellation of 504,000 shares in the Company's share capital with a total nominal value of PLN 25,200 thousand (with the shareholder's consent), by way of purchase of the above shares on the basis of an agreement to sell the shares by the Company without consideration for CIECH S.A.
- The Management Board of the Company was authorised to purchase the shares in order to cancel them (with the shareholder's consent),
- the Company's share capital will be reduced from PLN 31,235.9 thousand (by PLN 25,200 thousand) to PLN 6,035.9 thousand through the cancellation of 504,000 shares with a total value of PLN 25,200 thousand. Following the reduction of the Company's share capital, it will be divided into 120,718 shares,
- the Company's Articles of Association will be amended.

CIECH S.A. is and will remain the sole shareholder of the Company.

The reduction of the share capital of CIECH Trading Sp. z o.o. described above will take place after both reductions of the share capital have been registered by the Court. On 12 July 2021, shares cancellation was announced in Monitor Sądowy i Gospodarczy.

#### **CIECH VENTURES Sp. z o.o.**

On 25 February 2021, the Deed of Incorporation of CIECH VENTURES Sp. z o.o., of which CIECH S.A. is the sole shareholder, was drawn up. The company was established with the share capital of PLN 1,000 thousand, divided into 20 thousand shares



with a nominal value of PLN 50 each. The shares were acquired by CIECH S.A. in exchange for cash. The Company was registered by the court on 23 June 2021.

#### **CIECH Soda Romania S.A.**

On 24 May 2021, an Extraordinary Shareholders' Meeting of CIECH Soda Romania S.A. was held to resolve to reduce the Company's share capital against consideration by reducing the value of shares by RON 0.11, i.e. from RON 0.25 to RON 0.14 per share. Following the reduction of the share value, the Company's share capital was reduced from RON 199,244,501.75 to RON 111,576,920.98 and is divided into 796,978,007 shares with a nominal value of RON 0.14 each. The number of shares and shareholders remains unchanged. On 17 August 2021, the reduction of the share capital of CIECH Soda Romania S.A. became final. The consideration for the capital reduction payable to CIECH S.A. amounted to RON 86,560 thousand.

#### **CIECH Agro Romania S.R.L.**

CIECH Sarzyna S.A. established a new company – Ciech Agro Romania S.R.L. with its registered office in Ramnicu Valcea (Romania). The Articles of Incorporation were drawn up on 26 March 2021, and the company was registered on 6 April 2021. The Company's share capital amounts to RON 4.87 thousand and is divided into 487 shares with a value of RON 10 per share. The sole shareholder of the Company is CIECH Sarzyna S.A.

#### **CIECH Transclean sp. z o.o.**

On 21 July 2021, the Extraordinary Shareholders' Meeting of CIECH Transclean Sp. z o.o. was held regarding cancellation of shares against consideration and reduction of the share capital:

- cancellation of 8,548 shares in the Company's share capital with a total nominal value of PLN 4,274 thousand 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,
- following the cancellation of shares, the share capital will be 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. Following the reduction of the Company's share capital, it will be divided into 96 shares,
- the Company's Articles of Association will be amended.

The cancellation of the shares on 9 August 2021 was announced in Monitor Sądowy i Gospodarczy.

#### **CIECH Services sp. z o.o.**

On 15 July 2021, the Extraordinary Shareholders' Meeting of CIECH Services Sp. z o.o. increased the Company's share capital by PLN 1,995 thousand, i.e. from PLN 5 thousand to PLN 2,000 thousand through creation of 39,900 new, equal and indivisible shares with a nominal value of PLN 50 per share. The right to subscribe for all 39,900 newly created shares in the Company's share capital was granted to the existing shareholder, CIECH S.A. The newly created shares were subscribed in exchange for a cash contribution of PLN 1,995 thousand. The court registered the increase in the share capital of CIECH Services Sp. z o.o. on 25 August 2021.

#### **Smart Fluid S.A. (former name: Smart Fluid sp. z o.o.)**

On 7 June 2021, an Extraordinary Shareholders' Meeting was held concerning the transformation of a limited liability company (spółka z ograniczoną odpowiedzialnością) into a joint stock company (spółka akcyjna). Following the transformation, the share capital of Smart Fluid S.A. amounts to PLN 106 thousand and is divided into 1,060,000 series A registered shares of the value of PLN 0.10 each, which were acquired by:

- a) CIECH R&D Sp. z o.o. with its registered office in Warsaw (a subsidiary of CIECH S.A.) – 560,000 series A registered shares with a total nominal value of PLN 56 thousand, representing 52.83% of the share capital,
- b) Others – 500,000 series A registered shares with a total value of PLN 50 thousand, representing 47.17% of the share capital.

On 9 September 2021, the court registered the transformation of Smart Fluid Sp. z o.o. into Smart Fluid S.A. The share capital of the Joint Stock Company, in order to bring its amount in line with the minimum amount of share capital of a joint stock company specified in Article 308 § 1 of the Code of Commercial Companies, was determined and covered as follows:

- the amount of PLN 10.6 thousand represents the amount of the share capital of the limited liability company;
- the amount of PLN 95.4 thousand was covered from the supplementary capital of the limited liability company.

**Cerium Sp. z o.o. w likwidacji (in liquidation)**

On 31 August 2021, the court struck Cerium Sp. z o.o. in liquidation from the Register of Entrepreneurs.

**3.4. THE MOST IMPORTANT EVENTS IN THE CIECH GROUP DURING THREE QUARTERS OF 2021****Closing of the transaction for the sale of 100% 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. For details of the transaction, see current reports No 27/2020 and 4/2021.

**Conclusion of the facilities agreement**

On 16 March 2021, a facilities agreement was concluded between, among others, CIECH S.A. (as the borrower and guarantor), its selected subsidiaries: CIECH Soda Polska S.A., CIECH Sarzyna S.A., CIECH Soda Deutschland GmbH & Co. KG, CIECH Energy Deutschland GmbH and CIECH Salz Deutschland GmbH (as borrowers and guarantors), BNP Paribas Bank Polska S.A (as the agent), Powszechna Kasa Oszczędności Bank Polski S.A. (as the security agent) and the following banks: Powszechna Kasa Oszczędności Bank Polski S.A., mBank S.A., BNP Paribas Bank Polska S.A., Industrial and Commercial Bank of China (Europe) S.A. Branch in Poland, Bank Polska Kasa Opieki S.A., Bank Millennium S.A., Credit Agricole Bank Polska S.A., Société Générale S.A., Bank Handlowy w Warszawie S.A., Bank Ochrony Środowiska S.A. and Intesa Sanpaolo S.P.A. S.A. Branch in Poland (as lenders). The Facilities Agreement provides for the extension of loans in PLN and EUR, up to a total amount (expressed in PLN) of PLN 2,115,000 thousand.

The agreement provides for a grace period of over 2 years for the repayment of the term loan during which no principal repayment of the loan will be required. The first principal repayment is required on 30 June 2023. For details on the agreement, see current report No 7/2021. On 26 April 2021, the conditions precedent to the disbursement of the facilities made available under the Facilities Agreement were fulfilled. On 5 May 2021, funds from the disbursement of Term Loans in the amount of PLN 1,856.9 million were used to repay the CIECH Group's financial debt granted in the form of:

1. bilateral loans extended on the basis of facility agreements of 18 April 2019, with a total value of PLN 507.1 million,
2. syndicated loans with a total value of PLN 1,349.8 million, extended under a facility agreement of 29 October 2015, as amended by the annex dated 9 January 2018.

The Refinanced Syndicated Loan Agreement, including Syndicated Loans and the revolving credit facility unused by CIECH S.A. in the amount of PLN 250 million, was terminated on 5 May 2021.

The remaining reimbursed amount of the Term Loans and the amount of the revolving credit facility, extended under the New Facilities Agreement, will be used to finance refinancing expenses, interest on the refinanced Financial Debt and to finance general corporate objectives of CIECH S.A. and its selected subsidiaries. For details, see current report No 14/2021.

**Resignation of the supervisor**

On 16 March 2021, Mr Piotr Augustyniak resigned as Member of the Supervisory Board of CIECH S.A.

**Winding-up of a subsidiary**

On 2 March 2021, the Extraordinary General Meeting of CIECH Trading Sp. z o.o. approved the decision of the Company's Management Board to discontinue the business activity specified in the Company's Articles of Association, and obliged the Company's Management Board to take all necessary actions to cease and wind up the business activity, and upon completion of the above measures to take a decision to dissolve the Company pursuant to Article 270 of the Code of Commercial Companies.

**Signing of letter of intent**

On 26 March 2021, 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 Municipality of Janikowo signed:

- a letter of intent to continue their cooperation in the implementation of an investment project consisting in the construction of a thermal waste treatment installation by EEW, EEW Polska and FBSerwis at a real estate property owned by CIECH Soda Polska S.A., and
- A Memorandum of Understanding.

For details on the cooperation, see current report No 9/2021.

**Commencement of the commissioning phase of a significant investment project**

On 19 May 2021, the main construction part of the evaporated salt production plant in Staßfurt, Germany was completed. CIECH Salz Deutschland GmbH proceeded to the pre-commissioning phase of the salt production installation. The transition to the pre-commissioning phase is related to the production of the first batch of wet salt by the production plant, in compliance with the assumed parameters. For details, see current report No 16/2021.

**Appointment of members of the Management Board for a new term**

On 22 June 2021, in connection with the end of the current term of office of the Management Board on the date of the Annual General Meeting of CIECH S.A. approving the financial statements for the financial year 2020, the Supervisory Board of CIECH S.A. adopted resolutions on the appointment, for a new, three-year term of office, of all current Members of the Management Board of CIECH S.A.

The Supervisory Board entrusted the members of the Management Board with their previously performed functions, i.e. Mr Dawid Jakubowicz as the President of the Management Board, and Mr Mirosław Skowron and Mr Jarosław Romanowski with the function of Management Board Members.

**Review of strategic options**

On 5 July 2021, the Management Board of CIECH S.A. adopted a resolution on the commencement of the review of strategic options supporting further development of the CIECH Group in relation to CIECH Vitro Sp. z o.o., a subsidiary of CIECH S.A. CIECH Vitro operates as part of the Packaging Segment. In the process of reviewing strategic options, the Management Board works together with a transaction, financial, legal and tax advisor.

**Registration of amendments to the Articles of Association**

On 2 August 2021, CIECH S.A. received the decision of the District Court for the capital city of Warsaw in Warsaw, 12<sup>th</sup> Commercial Division of the National Court Register, regarding registration of amendments to the Articles of Association of the Company made by virtue of Resolutions No 20/2021 and 23/2021 of the Annual General Meeting of CIECH S.A. of 22 June 2021.

**Signing of letter of intent**

On 8 September 2021, a letter of intent was signed between CIECH S.A. and SYNTHOS GREEN ENERGY S.A. on establishing cooperation in the use of energy from Small and Micro Modular Reactors by companies from the CIECH Group. The letter of intent will enable CIECH S.A. to carry out a thorough analysis of the use of SMR and MMR technologies in the Group Companies.

The letter of intent provides for the establishment of long-term cooperation in defining the characteristics of energy supplies for the needs of the Companies using SMR and MMR technologies, developing an energy supply model, determining the possibility of, and conditions for, the construction of SMR and MMR installations on the premises of the Companies, and establishing the boundary terms of the contract for the energy supply to the Companies. For details, see current report No 31/2021.

**3.5. REVIEW OF KEY ECONOMIC AND FINANCIAL FIGURES CONCERNING THE CIECH GROUP****3.5.1. BASIC FINANCIAL DATA**

During three quarters of 2021, the CIECH Group earned net profit from continuing operations of PLN 171,082 thousand, net cash decreased by PLN 102,920 thousand and the balance sheet total as at the end of the third quarter of 2021 amounted to PLN 6,098,268 thousand. The table below presents selected financial data and basic financial ratios for the three quarters of 2021 and 2020.

**Selected financial data**

	01.01.-30.09.2021	01.01.-30.09.2020*	Change 2021/2020
<b>CONTINUING OPERATIONS</b>			
Sales revenues	2,467,850	2,171,568	13.6%
Cost of sales	(1,941,522)	(1,704,237)	(13.9%)
<b>Gross profit/(loss) on sales</b>	<b>526,328</b>	<b>467,331</b>	<b>12.6%</b>
Selling costs	(164,050)	(117,570)	(39.5%)
General and administrative expenses	(138,238)	(147,176)	6.1%
Other operating income/expense	71,301	(22,912)	-
<b>Operating profit/(loss)</b>	<b>295,341</b>	<b>179,673</b>	<b>64.4%</b>
Net financial income/expenses	(60,871)	(49,495)	(23.0%)
Share of profit of equity-accounted investees	23	76	(69.7%)
Income tax	(63,411)	(59,465)	(6.6%)
<b>Net profit/(loss) on continuing operations</b>	<b>171,082</b>	<b>70,789</b>	<b>141.7%</b>





	01.01.-30.09.2021	01.01.-30.09.2020*	Change 2021/2020
<b>DISCONTINUED OPERATIONS</b>			
Net profit/(loss) on discontinued operations	62,540	5,400	1058.1%
<b>Net profit / (loss) for the period</b>	<b>233,622</b>	<b>76,189</b>	<b>206.6%</b>
including:			
Net profit/(loss) attributed to non-controlling interest	(413)	(1,088)	62.0%
Net profit/(loss) attributable to shareholders of the parent company	234,035	77,277	202.9%
EBITDA from continuing operations	552,658	417,190	32.5%
Adjusted EBITDA from continuing operations**	554,356	416,694	33.0%

\*Restated data.

\*\*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.

### 3.5.2. SALES REVENUES

Consolidated net sales revenues from continued operations of the CIECH Group for three quarters of 2021 amounted to PLN 2,467,850 thousand. Compared to the corresponding period of the previous year, revenues increased by PLN 296,282 thousand.

Consolidated net sales revenues from discontinued operations of the CIECH Group for three quarters of 2021 amounted to PLN 69,898 thousand, as compared to PLN 194,959 thousand in the corresponding period.

In the Soda Segment, revenues increased by PLN 85.5 million (+5.6%) year-on-year. Despite the slow recovery observed in the European sodium carbonate market, revenues from heavy soda ash sales have not yet returned to pre-pandemic levels. The negative effect in this area was partially offset by higher sales of other products, including light soda ash and sodium bicarbonate. The first quarter also saw significant growth in calcium chloride and winter salt sales. The main reason was the weather conditions and snowfall, which resulted in an increase in demand for road salt. The ongoing lockdown in European markets and the continued closure of the HoReCa sector for most of the first half of the year had a negative impact on sales of packaged salt.

In the Agro Segment, sales revenues increased year-on-year by PLN 74.4 million (27.3%). The increase is mainly due to increased sales of Agrosar, Chwastox, Gesta and esters.

In the Foams Segment, sales revenue increased year-on-year by PLN 104.5 million (57.2%). The increase is mainly related to increased raw material prices, which translated into higher PUR foam prices, and the commercialisation of FFP2 and FFP3 protective masks, as well as increased interest in niche products such as Visco foams.

The Silicates Segment recorded a year-on-year increase in revenue of PLN 33.5 million (26.3%). The reason for this was the increase in demand for silicates in the automotive industry (mainly in the area of tyre production) and successful negotiations allowing the conclusion of favourable commercial agreements. Demand was also positively affected by limited imports of higher-processed silicates from Asia.

In the Packaging Segment, a year-on-year decrease in revenue of PLN 5.2 million (-9.7%) was recorded, caused by lower demand for candles, due to the full stock levels of wholesalers, which are the main customers in this segment, and growing imports of glass for lanterns from Ukraine. CIECH Vitro Sp. z o.o. partially neutralised the negative effect by placing more orders in the traditional market (individual sellers).

In the Other Activity segment, sales increased year-on-year by PLN 5.9 million (8.7%). The main reason for the increase is the reporting of CIECH S.A. revenues by CIECH Żywiec Sp. z o.o. (previously reported in Resins Segment). This increase was partially offset by lower revenues of CIECH Trading Sp. z o.o. (PLN -47.9 million) due to the phasing out of the business.

During three quarters of 2021, 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 2020. Invariably, the largest share in revenues was attributed to the sales of soda segment products, i.e. 65,5%.

#### Sales revenues — business segments

	01.01.-30.09.2021	01.01.-30.09.2020*	Change 2021/2020	Change %
<b>Soda segment, including:</b>	<b>1,615,924</b>	<b>1,530,375</b>	<b>85,549</b>	<b>5.6%</b>
Dense soda ash	783,672	851,227	(67,555)	(7.9%)
Light soda ash	252,036	197,142	54,894	27.8%
Salt	136,321	137,888	(1,567)	(1.1%)
Sodium bicarbonate	159,854	142,386	17,468	12.3%
Energy	142,929	107,727	35,202	32.7%
Calcium chloride	22,717	10,629	12,088	113.7%
Other products	66,085	40,653	25,432	62.6%
Revenues from inter-segment transactions	52,310	42,723	9,587	22.4%
<b>Agro segment, including:</b>	<b>346,713</b>	<b>272,337</b>	<b>74,376</b>	<b>27.3%</b>
Agro products	346,694	271,680	75,014	27.6%
Revenues from inter-segment transactions	19	657	(638)	(97.1%)
<b>Foams segment, including:</b>	<b>287,211</b>	<b>182,758</b>	<b>104,453</b>	<b>57.2%</b>
Polyurethane foams	287,131	182,745	104,386	57.1%
Revenues from inter-segment transactions	80	13	67	515.4%
<b>Silicates segment, including:</b>	<b>161,086</b>	<b>127,568</b>	<b>33,518</b>	<b>26.3%</b>
Sodium silicates	154,290	120,716	33,574	27.8%
Potassium silicates	6,619	6,838	(219)	(3.2%)
Other products	89	(76)	165	-
Revenues from inter-segment transactions	88	90	(2)	(2.2%)
<b>Packaging segment, including:</b>	<b>48,031</b>	<b>53,209</b>	<b>(5,178)</b>	<b>(9.7%)</b>
Glass packaging	47,379	53,209	(5,830)	(11.0%)
Revenues from inter-segment transactions	652	-	652	-
<b>Other segment, including:</b>	<b>73,985</b>	<b>68,092</b>	<b>5,893</b>	<b>8.7%</b>
Revenues from third parties	62,034	48,804	13,230	27.1%
Revenues from inter-segment transactions	11,951	19,288	(7,337)	(38.0%)
<b>Consolidation adjustments</b>	<b>(65,100)</b>	<b>(62,771)</b>	<b>(2,329)</b>	<b>(3.7%)</b>
<b>TOTAL</b>	<b>2,467,850</b>	<b>2,171,568</b>	<b>296,282</b>	<b>13.6%</b>

\*Restated data. For detailed information on discontinued operations, see Note 2.2.1 to this report.

### 3.5.3. PROFIT/(LOSS) ON SALES AND OPERATING PROFIT/(LOSS)

After three quarters of 2021, gross profit on sales amounted to PLN 526,328 thousand, whereas in the same period of the previous year it amounted to PLN 467,331 thousand. The operating profit amounted to PLN 295,341 thousand, in the comparable period it amounted to PLN 179,673 thousand.

For discontinued operations, these figures were as follows: PLN 13,256 thousand of gross profit on sales for discontinued operations in the three quarters of 2021, compared to PLN 21,289 thousand in the corresponding period. The operating profit for discontinued operations stood at PLN 6,928 thousand, whereas in the corresponding period it amounted to PLN 8,093 thousand.

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

- A significant improvement in situation in the domestic economy and chemical industry confirmed by a strong increase in industrial output sold by 15.5% in the period from January to September 2021 (in constant prices as compared to the corresponding period of the previous year).
- A significant improvement in the general economic situation in the European Union as compared to the end of the previous year (on the basis of PMI indices - Purchasing Managers' Index IHS Markit).



- Strong depreciation of the Polish currency against the EUR in the first three quarters of 2021 (by approx. 3% year-on-year) – favourable for the profitability of CIECH Group exports.
- Settlement of the sale of CO<sub>2</sub> emission allowances in CIECH Soda Romania S.A. in the first quarter of 2021 – the gain on this account amounted to nearly PLN 50 million.
- Sales of the soda range higher than last year, including a higher share of SPOT transactions in the sales structure.
- Increased soda capacity through the commissioning of a new production facility in Germany, resulting in the generation of additional revenues from the sale of soda ash.
- Rising electricity prices generated higher revenues from the sale of electricity generated by CIECH Soda Deutschland.
- Higher result at the German power plant owing to receipt of compensation from the network operator on account of the vNNe mechanism settlement for 2020 at a level higher than the revenue provision recognised.
- ERO compensation received in September in an amount higher than in the previous year.
- Effective implementation of replacements for previously used pallets to contain the increase in packaging costs.
- Stabilisation of the level of production of salt in 1 kg packages for retail chains in the period from August to September after eliminating the downtime caused by the failure of the Janikowo CHP plant in July.
- Several percent increase in prices of salt products from the main product range compared to the previous year.
- Expansion of the crop protection product range with the launch of the new herbicide, Halvetic, based on innovative BGT (Better Glyphosate Technology) and the Krum 800 herbicide, which generated additional revenues.
- Increase in domestic production of wooden furniture, of the type used in the bedroom and seating furniture converted into sleeping arrangements especially during the first half of 2021 (by about 28% year-on-year in volume terms); a clear rebound especially against the slump in the second quarter of last year. The furniture sector, especially upholstered furniture sector, is a recipient of polyurethane foams manufactured by the Ciech Group.
- Change in product portfolio of polyurethane foams, development and modification of existing products (e.g. Visco foams).
- Introduction of FFP2 and FFP3 standard protective masks.
- Winning sales contracts during the summer period, which is normally difficult for the Foams segment, providing additional sales volume.
- Higher sales volume at BU Foams owing to contract wins over the summer.
- Reducing the level of production waste as a result of further research and development efforts of the manufacturing division and the technology department.
- Continued good conditions in the market for glassy potassium silicate and potassium water glass ensuring stable demand for BU Silicates' products.
- High demand for precipitated silica from the automotive industry, particularly in the first half of the year when there was a 76% increase in tyre production (at constant prices compared to the first half of last year).
- The significant increase in ocean freight prices has translated into a lower supply of highly processed silicates imported from Asia and generated new sales opportunities in this segment.
- Expansion of the customer portfolio by establishing cooperation with new entities by BU Silicates.

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

- Higher freight and land transport costs for finished goods due to rising wage rates and fuel prices. In addition, larger share of SPOT transactions in the sales structure of soda products translates into higher sensitivity to transport costs.
- Increase in unit logistics costs and limited availability of freight forwarding services.
- Increase in costs of energy raw materials (coal, gas, electricity), fuel raw materials (coke, anthracite) and packaging raw materials used in the post-production process (films, pallets).
- Increase in prices of CO<sub>2</sub> emission certificates (partially limited by hedging instruments).
- Plant failures in CIECH Soda Deutschland and CIECH Soda Polska resulting in the need to purchase more electricity from third party suppliers in the first quarter of this year.
- Significantly lower demand in the packaged salt segment during the holiday season as a result of the restrictions imposed on account of COVID-19.
- Continued downturn in certain segments of the evaporated salt market particularly in Western Europe (the HoReCa segment is the slowest to return to pre-restriction levels).
- The failure of the Janikowo CHP plant in July adversely affected the production levels of salt products.
- Slower start-up pace of the new saltworks in Germany, successive resolution of technical problems.



- High increase in oil prices on world markets and consequently higher prices for some raw materials for the organic industry.
- Disrupted component supply chains in the furniture sector, having an impact on the purchasing decisions of BU Foams' customers.
- Aggressive pricing policies of competing polyurethane foam manufacturers.
- Significant fluctuations in the prices of raw materials for polyurethane foams.
- An upward trend in the prices of paraffin and components for the manufacture of headstone lamps affecting the purchasing decisions of BU Packaging's customers.
- Persistently high stocks of headstone lamps in retail chains due to the introduction of restrictions as a result of COVID-19.
- Growing imports of lantern glass from Ukraine.
- Increase in the price of raw materials for lanterns (cullet).

For continuing operations, the EBIT margin for the three quarters of 2021 amounted to 12.0% (8.3% in the prior year), and the EBITDA margin amounted to 22.4% (19.2% in the prior year). The EBIT margin (excluding one-off events) for three quarters of 2021 amounted to 12.0% (8.3% in the prior year), and the EBITDA margin (excluding one-off events) amounted to 22.5% (19.2% in the prior year).

### 3.5.4. FINANCING ACTIVITIES AND NET PROFIT/LOSS

Financial income for the three quarters of 2021 amounted to PLN 14,267 thousand and decreased compared to the corresponding period of the previous year, when it amounted to PLN 30,213 thousand.

Financial expenses for the three quarters of 2021 amounted to PLN 75,138 thousand and decreased compared to the corresponding period of the previous year, when it amounted to PLN 79,708 thousand.

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

The consolidated net profit for three quarters of 2021 (taking into account discontinued operations) amounted to PLN 233,622 thousand (of which PLN 234,035 thousand was a net profit attributable to the shareholders of the parent company and PLN -413 thousand as the loss of non-controlling interest).

The increase in net profit as compared to the corresponding period of 2020 resulted from, among other factors:

- finalisation of the sale of CIECH Żywiec Sp. z o.o. – the consolidated gain on the sale of the company's shares amounted to nearly PLN 55 million (for detailed information see Note 2.15 to this report),
- higher level of margin, especially in the Agro Segment,
- higher level of other operating income due to the sale of CO<sub>2</sub> emission allowances in CIECH Soda Romania S.A.

### 3.5.5. ASSET POSITION OF THE CIECH GROUP

#### Basic consolidated balance sheet data

	30.09.2021	31.12.2020*	Change 2021/2020
<b>Total assets</b>	<b>6,098,268</b>	<b>5,730,323</b>	<b>6.4%</b>
Total non-current assets	4,655,202	4,251,347	9.5%
Total current assets	1,443,066	1,478,976	(2.4%)
Inventory	366,764	348,989	5.1%
Current receivables	514,331	504,268	2.0%
Cash and cash equivalents	346,181	443,886	(22.0%)
Short-term financial assets	215,422	19,863	984.5%
Non-current assets held for sale	368	161,970	(99.8%)
<b>Total equity</b>	<b>2,296,485</b>	<b>2,118,538</b>	<b>8.4%</b>
Equity attributable to shareholders of the parent	2,299,883	2,120,615	8.5%
Non-controlling interest	(3,398)	(2,077)	(63.6%)



	30.09.2021	31.12.2020*	Change 2021/2020
Total non-current liabilities	2,479,380	401,146	518.1%
Total current liabilities	1,322,403	3,210,639	(58.8%)

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

### Assets

As at the end of September 2021, the Group's non-current assets amounted to PLN 4,655,202 thousand. As compared to the balance as at 31 December 2020, the value of non-current assets increased by PLN 403,855 thousand. This change was mainly affected by further investments in non-current assets in the companies, including the largest investment in salt factory plant in Germany.

The Group's current assets amounted to PLN 1,443,066 thousand as at 30 September 2021.

Compared to the end of December 2020, the value of current assets decreased by PLN 35,910 thousand.

This change resulted from, among other factors:

- sale of CIECH Żywiec Sp. z o.o., whose assets were reported as non-current assets and groups held for sale. For details of the transaction, see Note 2.15 hereto,
- lower balance of cash accumulated in companies,
- higher valuations of financial instruments,
- higher balance of trade receivables due to higher sales reported in most of the Group's segments.

### 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 consortium facilities agreement, revolving credit facility agreement and overdraft. The Group also uses factoring agreements and reverse factoring arrangements.

### Liabilities

As at 30 September 2021, the CIECH Group's liabilities (total non-current and current) amounted to PLN 3,801,783 thousand, which is an increase compared to the end of December 2020 by PLN 189,998 thousand (i.e. by 5.3% )

The debt ratio amounted to 62.3% as at 30 September 2021 (at the end of December 2020 to 63.0%). The consolidated net debt of the Group amounted to PLN 1,788,737 thousand as at 30 September 2021 and increased in comparison to the balance as at the end of December 2020 by PLN 95,515 thousand. The level of this debt was driven by higher utilisation of available credit limits, a higher level of negative valuation of financial instruments and lower balance of cash in the Group's companies.

### 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 item 4.6. of the Management Board Report on Activities of the CIECH Group and CIECH S.A. in 2020, published on 22 April 2021.

## 3.5.6. CASH POSITION OF THE CIECH GROUP

	01.01.-30.09.2021	01.01.-30.09.2020*	Change 2021/2020
Net cash from operating activities	591,056	519,459	13.8%
Net cash from investment activities	(521,650)	(553,329)	5.7%
Net cash from financial activities	(172,326)	172,290	-
<b>Total net cash flows</b>	<b>(102,920)</b>	<b>138,420</b>	-
Free cash flow	69,406	(33,870)	-

Total net cash flows in the three quarters of 2021 was negative and amounted to PLN 102,920 thousand. Compared to the same period of the previous year, the cash flows generated by the Group were lower by PLN 241,340 thousand. Cash flows from operating activities were positive and amounted to PLN 591,056 thousand. They increased as compared to the same period in 2020 by PLN 71,597 thousand.

During three quarters of 2021, 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 CO<sub>2</sub> certificates. The net cash from financing activities was negative and amounted to PLN 172,326 thousand. This item was mainly affected by the distribution of dividends to the shareholders of CIECH S.A. in the amount of PLN 158,099 thousand.

	01.01.-30.09.2021	01.01.-30.09.2020
Financial surplus ((net profit/(loss) on continuing operations + depreciation)	490,939	318,944
Other adjustments to net profit/(loss) on continuing operations	(69,186)	7,599
<b>Adjusted financial surplus (1+2)</b>	<b>421,753</b>	<b>326,543</b>
Change in working capital	169,303	192,916
<b>Net cash from operating activities (3+4)</b>	<b>591,056</b>	<b>519,459</b>
Net cash from investing activities	(521,650)	(553,329)
<b>Free cash flow (5+6)</b>	<b>69,406</b>	<b>(33,870)</b>

During three quarters of 2021, the CIECH Group generated positive free cash flows, which means that it was able to finance its capital expenditure with cash flows generated on operating activities.

### 3.5.7. WORKING CAPITAL AND SELECTED FINANCIAL RATIOS OF THE CIECH GROUP

#### Liquidity of the CIECH Group

Liquidity ratios as at 30 September 2021 increased strongly as compared to their level as at 31 December 2020. The current ratio, calculated as the ratio of total current assets to total current liabilities, amounted to 1.09 as at 30 September 2021, while the quick liquidity ratio amounted to 0.81. The changes in the level of these ratios follow the non-fulfilment of the ratio set out in the loan agreement at the end of 2020, as described in Note 7.1 to the Consolidated Financial Statements of the CIECH Group for 2020.

	30.09.2021	31.12.2020
Current ratio	1.09	0.46
Quick ratio	0.81	0.35

#### Working capital of the CIECH Group

As at the end of the third quarter of 2021, 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 301,197 thousand, which is a decrease by PLN 126,518 thousand compared to the end of 2020.

	30.09.2021	31.12.2020**
1. Current assets, including:	1,443,066	1,478,976
Inventory	366,764	348,989
Trade receivables and services and advances for deliveries	253,543	203,249
2. Cash and cash equivalents and short-term investments	561,603	463,749
<b>3. Adjusted current assets (1-2)</b>	<b>881,463</b>	<b>1,015,227</b>
4. Current liabilities, including:	1,322,403	3,210,639
Trade liabilities and advances taken	458,294	492,999
5. Short-term credits and other current financial liabilities*	139,743	2,020,733
<b>6. Adjusted current liabilities (4-5)</b>	<b>1,182,660</b>	<b>1,189,906</b>
<b>7. Working capital including short-term credits(1-4)</b>	<b>120,663</b>	<b>(1,731,663)</b>
<b>8. Working capital (3-6)</b>	<b>(301,197)</b>	<b>(174,679)</b>
<b>9. Trade working capital</b>	<b>162,013</b>	<b>59,239</b>

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

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



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 59,239 thousand in 2020 to PLN 162,013 thousand at the end of the third quarter of 2021 (a change by PLN 102,774 thousand) was mainly due to three initiatives. Firstly, the Group companies achieved higher sales levels during three quarters which translated into an increase in receivables from external customers. Secondly, at the end of September the Group companies report receivables from CIECH Żywiec Sp. z o.o., which was sold on 1 March 2021 (previously these settlements were eliminated at CIECH Group level).

In order to ensure adequate financial liquidity, the Group has the access to a revolving credit facility and factoring limits.

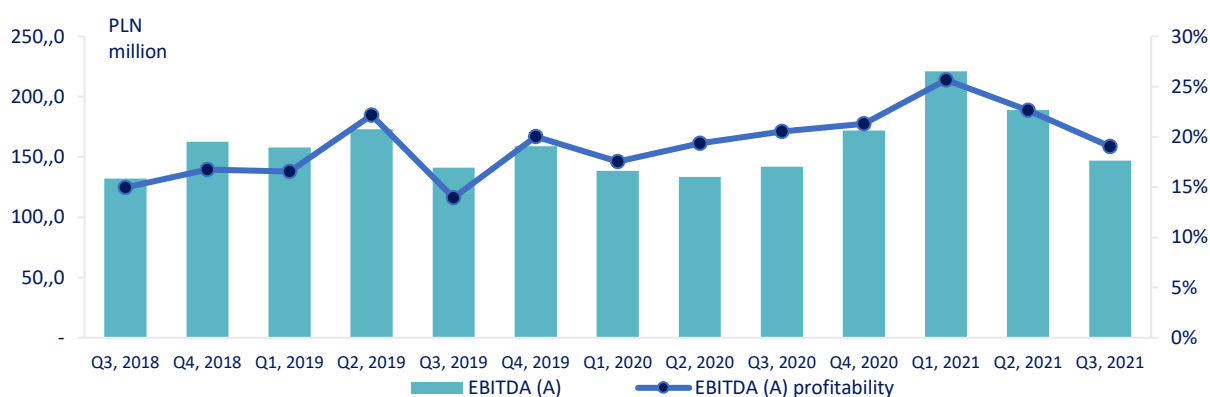
### The CIECH Group's profitability ratios for continuing operations

During the three quarters of 2021, profitability ratios of the CIECH Group in respect of the continuing operations were mostly at higher levels than in the corresponding period of the previous year.

### THE CIECH GROUP'S PROFITABILITY RATIOS

	01.01.-30.09.2021	01.01.-30.09.2020*	Change 2021/2020
<b>CONTINUING OPERATIONS</b>			
Gross return on sales	21.3%	21.5%	(0.2) p.p.
Return on sales	9.1%	9.3%	(0.2) p.p.
EBIT margin	12.0%	8.3%	3.7 p.p.
EBITDA margin	22.4%	19.2%	3.2 p.p.
Adjusted EBIT margin	12.0%	8.3%	3.7 p.p.
Adjusted EBITDA margin	22.5%	19.2%	3.3 p.p.
Net return on sales (ROS)	6.9%	3.3%	3.6 p.p.
Return on assets (ROA)	2.8%	1.3%	1.5 p.p.
Return on equity (ROE)	7.4%	3.5%	3.9 p.p.
Earnings/(loss) per share (in PLN) from continuing operations	3.25	1.36	1.89

### 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 increased slightly in comparison to December 2020 and amounts to 62,3%. The level of net debt (net financial liabilities in relation to EBITDA) increased as compared to the end of 2020.

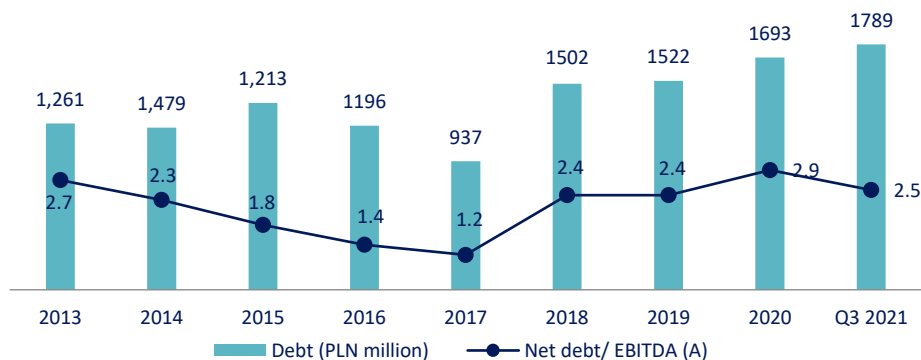
	30.09.2021	31.12.2020*
Loans, borrowings and other debt instruments	1,911,992	1,911,475
Lease liabilities	125,961	129,258
Factoring liabilities	14,475	16,174
Negative net valuation of derivatives	82,490	80,201
<b>Gross debt</b>	<b>2,134,918</b>	<b>2,137,108</b>
Cash and cash equivalents	346,181	443,886
<b>Net debt</b>	<b>1,788,737</b>	<b>1,693,222</b>

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

## The CIECH Group's debt ratios

	30.09.2021	31.12.2020	Change 2021/2020
Debt ratio	62.3%	63.0%	(0.7) p.p.
Long term debt ratio	40.7%	7.0%	33.7 p.p.
Debt to equity ratio	165.5%	170.5%	(5.0) p.p.
Equity to assets ratio	37.7%	37.0%	0.7 p.p.
Gross debt	2,134,918	2,137,108	(0.1%)
Net debt	1,788,737	1,693,222	5.6%
EBITDA annualized*	718,717	583,248	23.2%
Adjusted EBITDA (annualised)*	722,993	585,332	23.5%
Net debt / EBITDA annualized	2.5	2.9	(14.3%)
Net debt / Adjusted EBITDA (annualised)	2.5	2.9	(14.5%)
Gross debt / EBITDA annualised	3.0	3.7	(18.9%)
Gross debt / Adjusted EBITDA (annualised)	3.0	3.7	(19.1%)

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



## Debt financing of the Group

As at the end of the third quarter of 2021, the CIECH Group's debt financing is secured mainly through facilities made available to CIECH S.A. under facilities agreements:

1. The Facilities Agreement signed with a consortium of banks 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 September 2021 was PLN 0).
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 September 2021, the amount used was PLN 45,589 thousand).

The total value of facilities available under the aforesaid agreements is PLN 2,262,337 thousand; the limits are drawn down in the amount of PLN 1,911,596 thousand.

#### **Factors and events that may affect future performance**

The CIECH Group intends to implement the development strategy adopted, although – as a result of the situation caused by the COVID-19 pandemic – the deadline for its implementation will change. The Group is currently conducting analyses in this respect. Pursuant to the Strategy, the CIECH Group will focus on the following actions conducive to further development:

- development of the soda business, including through increased sales of high-margin specialist products,
- development of the salt business by entering new markets and increasing sales through the expansion of production capacity 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,
- implementation of ambitious decarbonisation projects (including energy strategies and the use of already available technologies dedicated to the soda industry, which will allow the Group to maintain or improve its competitiveness in the long term),
- 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,
- further changes in the functioning of the Agro Segment – striving for operational excellence, expansion of the product portfolio and entering new markets,
- continuous process of improving business and operational processes in all companies of the CIECH Group,
- optimisation of the corporate and organisational model of the CIECH Group.

It is important to note that due to the ongoing COVID-19 pandemic, the global economic situation is uncertain and trends are difficult to predict. The Management Board of the CIECH Group analyses scenarios of possible developments on an ongoing basis and will make decisions with a view to ensuring the Group's long-term value.

### **3.6. 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 2020, published on 22 April 2021.

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 COVID-19 coronavirus pandemic, see Note 2.18 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 September 2021 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*
<b>Assets</b>				
Loans granted sensitive to FX rate changes	273,679	-	x	
Trade and other receivables	2,792	1,525	x	
Cash including bank deposits	21,507	3,039	x	
<b>Equity and liabilities</b>				
Trade and other liabilities	(17,994)	(12,721)	x	
Term loan liabilities	(14,075)	-		x
Other liabilities in respect of credits and loans	(13,047)	-	x	
Forward	(19,275)			x
Forward (not designated to hedge accounting)	(199,331)	-	x	
CIRS (not designated to hedge accounting)	(60,000)	-	x	
<b>Total exposure</b>	<b>(25,744)</b>	<b>(8,157)</b>		

\* 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 changes as at 30 September 2021.

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
<b>EUR</b>			
Foreign-currency balance sheet items	(65)	(65)	-
Hedging instruments: Forward and CIRS	(193)	-	(193)
<b>USD</b>			
Foreign-currency balance sheet items	(82)	(82)	-
Hedging instruments: Forward	-	-	-

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

The CIECH Group applies hedge accounting. For details on hedging relationships, see Note 8.2 to the Consolidated financial statements of the CIECH Group for 2020, published on 22 April 2021.

### 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. 10% 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.

According to the CIECH Group's Companies, assets that are not overdue and not covered by a write-down are of high credit quality.

Expected credit losses on:	As at 1 January 2021	Increases	Decreases	Foreign exchange differences	As at 30.09.2021
Long-term receivables in relation to caverns	(1,015)	-	-	(4)	(1,019)
Trade receivables	(48,515)	(4,657)	4,201	(900)	(49,871)
Factoring receivables	(53)	(33)	45	-	(41)
Cash and cash equivalents	(316)	(471)	456	9	(322)
<b>TOTAL</b>	<b>(49,899)</b>	<b>(5,161)</b>	<b>4,702</b>	<b>(895)</b>	<b>(51,253)</b>

### Liquidity risk

The CIECH Group is exposed to risk connected with maintaining liquidity due to the considerable share of external financing (due to the term loan, working capital facilities and lease agreements) in relation to operating results, the limited ability to obtain new financing 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's 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.

During three quarters of 2021, the Group's debt financing was ensured primarily by the term facility. 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 September 2021, the facility was drawn down in the amount of PLN 0 million), and overdraft facilities (as at the end of September 2021, they were drawn down in the amount of PLN 45,589 thousand) have been made available to the Group.

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

30.09.2021	Carrying amount	Contractual cash flows	Less than 6 months	up to 12 months	1-2 years	3-5 years
<b>Other financial liabilities:</b>	<b>(2,383,244)</b>	<b>(2,755,379)</b>	<b>(539,060)</b>	<b>(19,667)</b>	<b>(130,382)</b>	<b>(2,066,270)</b>
Trade liabilities	(456,777)	(456,777)	(456,777)	-	-	-
Credits and loans	(1,911,992)	(2,284,127)	(67,808)	(19,667)	(130,382)	(2,066,270)
Factoring	(14,475)	(14,475)	(14,475)	-	-	-
<b>Lease liabilities</b>	<b>(125,961)</b>	<b>(246,478)</b>	<b>(13,730)</b>	<b>(9,354)</b>	<b>(55,059)</b>	<b>(168,335)</b>
<b>Hedging derivatives with negative value</b>	<b>(202,025)</b>	<b>(190,825)</b>	(16,305)	(5,943)	(7,923)	(160,654)
<b>Derivatives recognised in financial liabilities</b>	<b>(16,136)</b>	<b>(16,211)</b>	-	(16,211)	-	-
<b>TOTAL</b>	<b>(2,727,366)</b>	<b>(3,208,893)</b>	<b>(569,095)</b>	<b>(51,175)</b>	<b>(193,364)</b>	<b>(2,395,258)</b>

Information on the levels of liquidity ratios is provided in Section 3.5.7 of this report.

A detailed description of information on financial risks is provided in Section 8.3 of the Consolidated Financial Statements of the CIECH Group for 2020, published on 22 April 2021.



### 3.7. 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 22 April 2021, the CIECH Group published a forecast of results for 2021. The Management Board of CIECH S.A. forecasts that in

2021 the CIECH Group will achieve:

- consolidated sales revenues: between PLN 3,125 million and PLN 3,285 million;
- consolidated adjusted EBITDA: between PLN 700 million and PLN 735 million.

The forecast was prepared on the basis of the current market situation and the operational and financial situation of the CIECH Group. For details, see current report No 12/2021. After three quarters of 2021, the CIECH Group upholds the forecast published.

### 3.8. FACTORS AFFECTING THE CIECH GROUP'S RESULTS WITH PARTICULAR FOCUS ON THE NEXT QUARTER

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 labor 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 industry. The development of these sectors of the economy depends on the economic situation in Poland.

According to the data of the Central Statistical Office, the sold industrial output at constant prices during 9 months of 2021 increased by 15.5% year on year (in 2020 — a decrease by 3.2%).

After 9 months of 2021, the relevant dynamics of production in the industries of significant importance to the Group's activities (as receiving or target markets) were: manufacture of motor vehicles (increase by 21.2%); manufacture of furniture (increase by 18.9%, including furniture for sleeping — increase by approx. 16% in terms of volume); manufacture of rubber and plastic products (increase by 20.7%); manufacture of chemicals and chemical products (increase by 14.3%); manufacture of food (increase by 6.3%); construction and assembly production (increase by 1.4%).

Over the past few years, the Polish economy has been growing at a GDP growth rate of 4%-5%, which is clearly faster than the average for the European Union. In the face of the COVID-19 pandemic crisis, a 2.7% drop in the value of national GDP was recorded in 2020 (according to the Central Statistical Office). In 2021 a quick economic upturn is already observed and for the whole of this year Polish GDP is projected to grow by around 4.5%–5% (+4.8% according to the European Commission). A further increase in this dynamic is anticipated for 2022. 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.

In 2020, as a result of the COVID-19 pandemic, there was a global crisis not witnessed in the last few decades. Analyses by the International Monetary Fund in October suggest that the global economy has already returned to growth this year (forecast of +5.9% GDP in 2021 vs -3.1% in 2020). According to the IMF, GDP growth in the highly developed countries in the entire 2021 will be strongly positive: in the USA +6.0%; in the EU (27) +5.1%; in Japan +2.4%.



The following regions are developing very quickly: China (+8.0%), India (+9.5%), whereas ASEAN countries are developing at a significantly lower rate (+2.9%). High GDP growth is also expected in other major developing economies: Russia (+4.7%); Brazil (+5.2%); Mexico (+6.2%). The world's rapid economic growth is forecast to continue next year (+4.9% GDP according to the IMF).

The EU chemical industry also did not resist the general crisis in the previous year, as its products are sold to virtually all other industries and branches of the economy. The estimates by the European Chemical Industry Council (CEFIC) indicate that chemical production in the EU27 fell by 1.9% in 2020. This result was probably also influenced by a certain positive factor related to the fact that the efforts to extinguish the COVID-19 pandemic require continuity or increase in the production of certain chemicals (not all sectors of the chemical industry were affected by significant declines). For 2021-2022, CEFIC already predicts positive chemical production growth rates of 2%-3% per annum. This is confirmed by the high increases already recorded in the first half of this year (+7.5% compared to the same period last year).

The year 2020 has also been very severe for the European construction sector. According to Euroconstruct's estimates from June this year, last year's construction output in Western and Central Europe fell by around 5% (especially in countries such as France, United Kingdom, Spain). Relatively smaller declines were reported in Central Europe (-2% in Poland). The European sector is expected to return to growth relatively quickly from 2021 – +3.8% in the current year (mainly in the countries most affected by last year's crisis; however, much more slowly in Central Europe).

## 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><b>Hard coal</b> – 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 (primarily from Russia, Columbia, USA, South Africa and Australia) 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.</p> <p>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.</p> <p><b>Gas</b> – 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. CIECH Energy Deutschland GmbH burns 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 realized on the basis of bilateral delivery contracts, long-term contracts or short-term purchases (spot).</p> <p><b>Process steam</b> – this form of heat energy was used by CIECH Soda Romania S.A. in the production process of soda ash and liquid silicates, the company bought it from an external supplier. At the end of the first half of 2019, the agreement was terminated and the production of soda in the Romanian plant was suspended in the third quarter.</p> <p><b>Furnace fuel (coke/anthracite)</b> – 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, coke is produced mainly in Poland, 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 is Russia. Due to the cost of purchasing coke on the market, continuing to rise in the third quarter of 2021, Production Plants of the CIECH Group continue to reduce its share in the furnace fuel mix.</p> <p><b>Oil-derivative raw materials</b> – used primarily in the Foams Segment, are linked to oil prices. Oil prices depend primarily on macroeconomic and political factors which translate into global demand and supply situation.</p>



Factors	Description
Exchange rates of Polish zloty (PLN) and Romanian leu (RON) to euro (EUR) and US dollar (USD)	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.
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><b>REACH system implementation</b></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><b>Emission trading system</b></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 that the amount of free CO<sub>2</sub> emission allowances in the 3<sup>rd</sup> 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<sub>2</sub> emission allowances, the CIECH Group companies will bear higher costs of electricity due to their assumption of the costs of purchase of CO<sub>2</sub> emission allowances from the producers.</p>

### 3.9. 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

Since the date of the Extraordinary Shareholders' Meeting of CIECH S.A., i.e. 26 October 2021, CIECH S.A. has not received any information about a change in interests held by shareholders in the total number of 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	2,729,000	2,729,000	5.18%	5.18%
Aviva Otwarty Fundusz Emerytalny Aviva Santander ***	Ordinary bearer	3,084,470	3,084,470	5.85%	5.85%
Other	Ordinary bearer	19,934,387	19,934,387	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 Extraordinary General Meeting of Shareholders of CIECH S.A. on 26 October 2021, CR 23/2021 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 entities holding at least 5% of votes at the Ordinary General Meeting of Shareholders of CIECH S.A. on 22 June 2021, CR 23/2021 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).

**3.10. 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.**

The following managers and supervisors held shares of CIECH S.A. as at the date of publication of the Extended consolidated report of the CIECH Group for the three quarters of 2021, i.e. as at 25 November 2021 (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 half of 2021, published on 23 September 2021):

**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 25,713 shares of CIECH S.A. (no changes)

Mr Jarosław Romanowski – Member of the Management Board of CIECH S.A. held 7,550 shares of CIECH S.A. (no changes)

Mr Mirosław Skowron – Member of the Management Board of CIECH S.A., held 11,854 shares of CIECH S.A. (no changes)

**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 3,582 shares of CIECH S.A. (no changes)

**Managing Director of CIECH S.A.:**

Mr Rafał Czubiński – Managing Director of CIECH S.A. held 10,310 shares of CIECH S.A. (no changes)

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

Managers and supervisors of CIECH S.A., as at 30 September 2021 and the date of approval hereof, 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 half of 2021, published on 23 September 2021.



### **3.11. LITIGATION PENDING BEFORE A COURT, COMPETENT ARBITRATION AUTHORITY OR PUBLIC ADMINISTRATION AUTHORITY**

#### **3.11.1. SIGNIFICANT DISPUTED LIABILITIES OF THE CIECH GROUP**

As at 30 September 2021, the CIECH Group did not have any significant disputed liabilities of CIECH S.A. and CIECH S.A.'s subsidiaries, pursued in all types of proceedings before court, body appropriate for arbitration proceedings or public administration bodies, except for the cases described in Section 2.13, in "Audits of tax settlements at the CIECH Group and related contingent liabilities".

#### **3.11.2. SIGNIFICANT DISPUTED RECEIVABLES OF THE CIECH GROUP**

As at 30 September 2021, the CIECH Group did not hold any significant disputed receivables of CIECH S.A. and CIECH S.A.'s subsidiaries, pursued in all types of proceedings before court, body appropriate for arbitration proceedings or public administration bodies, except for the case disclosed as contingent assets in Section 2.13, in "Contingent assets and liabilities, including sureties and guarantees".

### **3.12. LOAN OR BORROWING SURETIES OR GUARANTEES GRANTED BY CIECH S.A. OR ITS SUBSIDIARY AND OTHER CONTINGENT LIABILITIES**

Information about loan or borrowing sureties or guarantees is presented in Section 2.13 hereof.

#### **Letters of support**

As at 30 September 2021, 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 salt caverns construction for the purpose of natural gas storage on the Staßfurt mining field according to which CSD received payments of EUR 45.8 million from Innogy by 30 September 2021.

In the letter of support, CIECH S.A. has committed, among other things, to ensure that CSD will have sufficient funds to fulfil its financial commitments against Innogy resulting from the above-mentioned agreement.

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

Information on transactions with related entities is presented in Section 2.11 hereof.





**QUARTERLY FINANCIAL INFORMATION  
OF THE PARENT COMPANY  
CIECH S.A.  
FOR THE PERIOD OF 9 MONTHS ENDED 30 SEPTEMBER 2021**



## 4. QUARTERLY FINANCIAL INFORMATION OF THE PARENT COMPANY CIECH S.A.

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

	01.01.-30.09.2021	01.01.-30.09.2020*	01.07.-30.09.2021	01.07.-30.09.2020*
<b>CONTINUING OPERATIONS</b>				
Sales revenues	1,153,965	1,239,119	388,601	401,574
Cost of sales	(980,088)	(1,063,042)	(328,419)	(346,508)
<b>Gross profit on sales</b>	<b>173,877</b>	<b>176,077</b>	<b>60,182</b>	<b>55,066</b>
Other operating income	8,287	5,655	4,622	249
Selling costs	(94,334)	(76,513)	(31,971)	(26,282)
General and administrative expenses	(47,024)	(63,127)	(12,674)	(19,618)
Other operating expenses	(4,138)	(13,867)	(1,489)	(582)
<b>Operating profit</b>	<b>36,668</b>	<b>28,225</b>	<b>18,670</b>	<b>8,833</b>
Financial income	279,682	110,214	157,100	17,347
<i>Profit from financial instruments</i>	71,861	39,044	21,834	12,024
Financial expenses	(174,817)	(115,283)	(67,737)	(35,976)
<i>(Loss) from financial instruments</i>	(140,410)	(97,520)	(75,484)	(31,793)
<b>Net financial income/(expenses)</b>	<b>104,865</b>	<b>(5,069)</b>	<b>89,363</b>	<b>(18,629)</b>
<b>Profit before tax</b>	<b>141,533</b>	<b>23,156</b>	<b>108,033</b>	<b>(9,796)</b>
Income tax	(3,206)	(1,030)	127	(2,032)
<b>Net profit on continuing operations</b>	<b>138,327</b>	<b>22,126</b>	<b>108,160</b>	<b>(11,828)</b>
<b>DISCONTINUED OPERATIONS</b>				
Net profit/(loss) on discontinued operations	42,353	(1,962)	-	(776)
<b>Net profit for the year</b>	<b>180,680</b>	<b>20,164</b>	<b>108,160</b>	<b>(12,604)</b>
<b>Earnings per share (in PLN):</b>				
Basic	3.43	0.38	2.05	(0.24)
Diluted	3.43	0.38	2.05	(0.24)
<b>Earnings per share (in PLN) from continuing operations:</b>				
Basic	2.62	0.42	2.05	(0.22)
Diluted	2.62	0.42	2.05	(0.22)

\*Restated data. For detailed information on discontinued operations, see Note 2.15 to this report.

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

	01.01.-30.09.2021	01.01.-30.09.2020	01.07.-30.09.2021	01.07.-30.09.2020
<b>Net profit / (loss)</b>	<b>180,680</b>	<b>20,164</b>	<b>108,160</b>	<b>(12,604)</b>
<b>Other comprehensive income before tax that may be reclassified to the statement of profit or loss</b>	<b>35,296</b>	<b>(34,228)</b>	<b>1,602</b>	<b>(1,620)</b>
Cash flow hedge reserve	35,296	(34,222)	1,602	(1,614)
Other components of other comprehensive income	-	(6)	-	(6)
<b>Income tax attributable to other comprehensive income</b>	<b>(6,702)</b>	<b>6,502</b>	<b>(684)</b>	<b>311</b>
Income tax attributable to other comprehensive income that may be reclassified to the statement of profit or loss	(6,702)	6,502	(684)	311
<b>Other comprehensive income net of tax</b>	<b>28,594</b>	<b>(27,726)</b>	<b>918</b>	<b>(1,309)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>209,274</b>	<b>(7,562)</b>	<b>109,078</b>	<b>(13,913)</b>



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

	30.09.2021	31.12.2020
<b>ASSETS</b>		
Property, plant and equipment	12,153	11,805
Intangible assets	62,316	57,428
Long-term financial assets	2,862,057	2,538,642
Rights to use an asset	22,875	26,057
<b>Total non-current assets</b>	<b>2,959,401</b>	<b>2,633,932</b>
Inventory	11,720	6,394
Short-term financial assets	1,220,421	1,189,162
Trade and other receivables	309,376	232,895
Cash and cash equivalents	115,192	265,287
Non-current assets held for sale	-	29,964
<b>Total current assets</b>	<b>1,656,720</b>	<b>1,723,702</b>
<b>Total assets</b>	<b>4,616,121</b>	<b>4,357,634</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	287,614	287,614
Share premium	470,846	470,846
Cash flow hedge reserve	2,881	(25,713)
Actuarial gains	(78)	(78)
Other reserve capitals	422,699	422,699
Retained earnings	460,981	438,400
<b>Total equity</b>	<b>1,644,943</b>	<b>1,593,768</b>
Loans, borrowings and other debt instruments	1,853,892	-
Lease liabilities	19,500	21,792
Other non-current liabilities	173,658	18,198
Employee benefits reserve	972	979
Deferred income tax liability	6,193	4
<b>Total non-current liabilities</b>	<b>2,054,215</b>	<b>40,973</b>
Loans, borrowings and other debt instruments	501,359	2,238,619
Lease liabilities	5,472	6,332
Trade and other liabilities	375,375	438,836
Income tax liabilities	-	4,539
Employee benefits reserve	425	826
Other provisions	34,332	33,741
<b>Total current liabilities</b>	<b>916,963</b>	<b>2,722,893</b>
<b>Total liabilities</b>	<b>2,971,178</b>	<b>2,763,866</b>
<b>Total equity and liabilities</b>	<b>4,616,121</b>	<b>4,357,634</b>



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

	01.01.-30.09.2021	01.01.-30.09.2020
<b>Cash flows from operating activities</b>		
<b>Net profit for the period</b>	<b>180,680</b>	<b>20,164</b>
Amortisation/depreciation	13,681	14,100
Recognition of impairment allowances	3,103	3,452
Foreign exchange (profit) /loss	(11,958)	(23,054)
(Profit) / loss on investment activities	(44,274)	-
(Profit) / loss on disposal of property, plant and equipment	(30)	(146)
Dividends and interest	(197,175)	(43,648)
Income tax	2,534	1,030
Change in liabilities due to loan arrangement fee	(8,360)	1,651
Value of derivatives	51,093	43,487
<b>Cash from operating activities before changes in working capital and provisions</b>	<b>(10,706)</b>	<b>17,036</b>
Change in receivables	53,459	140,406
Change in inventory	(5,326)	20,617
Change in current liabilities	(51,225)	(108,145)
Change in provisions and employee benefits	183	(260)
<b>Cash generated from operating activities</b>	<b>(13,615)</b>	<b>69,654</b>
Interest paid	(23,338)	(35,482)
Income tax (paid)	(7,258)	(3,973)
Loans receivables repayment - setoff	(10,000)	-
<b>Net cash from operating activities</b>	<b>(54,211)</b>	<b>30,199</b>
<b>Cash flows from investment activities</b>		
Disposal of a subsidiary	74,289	-
Disposal of intangible assets and property, plant and equipment	88	3,518
Dividends received	132,173	55,160
Interest received	31,931	24,332
Cash pooling inflows*	-	5,472
Proceeds from repaid borrowings	101,127	-
Acquisition of a subsidiary	(6,105)	(4,923)
Acquisition of intangible assets and property, plant and equipment	(17,618)	(7,042)
Raise capital expenditures and extra charge on capital	(1,995)	(4,850)
Borrowings paid out	(380,354)	(218,591)
Cash pooling outflows*	(54,113)	-
<b>Net cash from investment activities</b>	<b>(120,577)</b>	<b>(146,924)</b>
<b>Cash flows from financial activities</b>		
Proceeds from loans and borrowings	280,999	204,880
Cash pooling inflows*	154,145	8,692
Dividends paid to parent company	(158,099)	-
Repayment of loans and borrowings	(248,205)	-
Payments of lease liabilities	(4,437)	(4,741)
<b>Net cash from financial activities</b>	<b>24,403</b>	<b>208,831</b>
<b>Total net cash flows</b>	<b>(150,385)</b>	<b>92,106</b>
<b>Cash and cash equivalents as at the beginning of the period</b>	<b>265,287</b>	<b>169,984</b>
<i>Impact of foreign exchange differences</i>	<i>290</i>	<i>4,018</i>
<b>Cash and cash equivalents as at the end of the period</b>	<b>115,192</b>	<b>266,108</b>

\*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



## 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
<b>01.01.2021</b>	<b>287,614</b>	<b>470,846</b>	<b>(25,713)</b>	<b>422,699</b>	<b>(78)</b>	<b>438,400</b>	<b>1,593,768</b>
<b>Transactions with shareholders included directly in equity</b>	-	-	-	-	-	<b>(158,099)</b>	<b>(158,099)</b>
Dividend payment	-	-	-	-	-	(158,099)	(158,099)
<b>Total comprehensive income for the period</b>	-	-	<b>28,594</b>	-	-	<b>180,680</b>	<b>209,274</b>
Net profit / (loss) for the period	-	-	-	-	-	180,680	180,680
Other comprehensive income	-	-	28,594	-	-	-	28,594
<b>30.09.2021</b>	<b>287,614</b>	<b>470,846</b>	<b>2,881</b>	<b>422,699</b>	<b>(78)</b>	<b>460,981</b>	<b>1,644,943</b>
<b>01.01.2020</b>	<b>287,614</b>	<b>470,846</b>	<b>(1,035)</b>	<b>76,199</b>	<b>(37)</b>	<b>629,619</b>	<b>1,463,206</b>
Reclassification of capital associated with the merger	-	-	-	346,500	-	(346,500)	-
<b>Total comprehensive income for the period</b>	-	-	<b>(27,720)</b>	-	-	<b>20,158</b>	<b>(7,562)</b>
Net profit / (loss) for the period	-	-	-	-	-	20,164	20,164
Other comprehensive income	-	-	(27,720)	-	-	(6)	(27,726)
<b>30.09.2020</b>	<b>287,614</b>	<b>470,846</b>	<b>(28,755)</b>	<b>422,699</b>	<b>(37)</b>	<b>303,277</b>	<b>1,455,644</b>



## 5. EXPLANATORY NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS OF CIECH S.A.

### 5.1. BASIS OF PREPARATION

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 interim 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 CIECH S.A. as at 30 September 2021 and as at 31 December 2020, results of the Company's operations and cash flows for the period of 9 months ended 30 September 2021 and 30 September 2020, and were approved by the Management Board of CIECH S.A. on 25 November 2021.

These interim 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 interim 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. declares that to the best of its knowledge these interim 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.

These interim condensed separate financial statements should be read together with the interim condensed consolidated financial statements of the CIECH Group for the 9-month period ended 30 September 2021.

### 5.2. ADOPTED ACCOUNTING PRINCIPLES

The CIECH S.A.'s accounting principles are described in the Financial Statements of CIECH S.A. for 2020, published on 22 April 2021. 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 with relation to currently published data, the last 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 2020, published on 22 April 2021.

### 5.3. CHANGES IN ESTIMATES

In the presented periods, there were no significant revisions to the estimates.



## RATIO CALCULATION METHODOLOGY

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

<b>EBITDA (%)</b>	(operating profit + amortization/depreciation for a given period)/ net revenues from sales of products, services, goods and materials in a given period
<b>Adjusted EBITDA (%)</b>	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
<b>gross return on sales</b>	gross profit on sales for a given period / net revenues from sales of products, services, goods and materials for a given period
<b>return on sales</b>	profit for a given period / net revenues from sales of products, services, goods and materials for a given period
<b>EBIT margin</b>	operating profit for a given period / net revenues from sales of products, services, goods and materials for a given period
<b>EBITDA margin</b>	(operating profit + amortization/depreciation for a given period)/ net revenues from sales of products, services, goods and materials in a given period
<b>adjusted EBIT margin</b>	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
<b>adjusted EBITDA margin</b>	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
<b>net return on sales (ROS)</b>	net profit for a given period / net revenues from sales of products, services, goods and materials for a given period
<b>return on assets (ROA)</b>	net profit for a given period/total assets at the end of a given period
<b>return on equity (ROE)</b>	net profit for a given period/total equity at the end of a given period
<b>debt ratio</b>	the ratio of current and non-current liabilities to total assets; measures the share of external funds in financing of a company's activity
<b>long-term debt ratio</b>	the ratio of non-current liabilities to total assets; measures the share of non-current liabilities in financing of company's activity
<b>debt to equity ratio</b>	the ratio of total liabilities to equity
<b>equity to assets ratio</b>	the ratio of equity to total assets; measures the share of equity in financing of a company's activity
<b>net financial liabilities</b>	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
<b>gross financial liabilities</b>	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 three quarters of 2021 was approved by the Management Board of CIECH S.A. on 25 November 2021.

Warsaw, 25 November 2021

*(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)*

.....

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

*(signed on the polish original)*

.....

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

*(signed on the polish original)*

.....

**Katarzyna Rybacka — Chief Accountant of CIECH Spółka Akcyjna**