



EXTENDED CONSOLIDATED
QUARTERLY REPORT
of the CIECH Group for the first quarter of 2020



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	
	3 months ended 31.03.2020	3 months ended 31.03.2019	3 months ended 31.03.2020	3 months ended 31.03.2019
Sales revenues	854,381	952,705	194,341	221,673
Operating profit/(loss)	63,325	83,375	14,404	19,399
Profit/(loss) before tax	66,713	72,493	15,175	16,867
Net profit / (loss) for the period	39,421	61,830	8,967	14,387
Net profit/(loss) attributable to shareholders of the parent company	39,675	61,775	9,025	14,374
Net profit/(loss) attributed to non-controlling interest	(254)	55	(58)	13
Other comprehensive income net of tax	(65,024)	(24,800)	(14,791)	(5,770)
Total comprehensive income	(25,603)	37,030	(5,824)	8,617
Cash flows from operating activities	10,958	(21,674)	2,493	(5,043)
Cash flows from investment activities	(163,425)	(100,317)	(37,173)	(23,341)
Cash flows from financial activities	541,284	60,044	123,123	13,971
Total net cash flows	388,817	(61,947)	88,443	(14,413)
Earnings (loss) per ordinary share (in PLN/EUR)	0.75	1.17	0.17	0.27
	as at 31.03.2020	as at 31.12.2019	as at 31.03.2020	as at 31.12.2019
Total assets	5,711,432	5,046,442	1,254,625	1,185,028
Non-current liabilities	2,174,089	1,947,307	477,580	457,275
Current liabilities	1,585,700	1,121,918	348,329	263,454
Total equity	1,951,643	1,977,217	428,716	464,299
Equity attributable to shareholders of the parent	1,952,668	1,978,234	428,941	464,538
Non-controlling interest	(1,025)	(1,017)	(225)	(239)
Share capital	287,614	287,614	63,180	67,539

CIECH S.A. — SELECTED SEPARATE FINANCIAL DATA

SELECTED FINANCIAL DATA	in thousand PLN		in thousand EUR	
	3 months ended 31.03.2020	3 months ended 31.03.2019	3 months ended 31.03.2020	3 months ended 31.03.2019
Sales revenues	495,319	626,807	112,667	145,844
Operating profit	12,580	7,620	2,861	1,773
Profit before tax	(43,011)	11,089	(9,783)	2,580
Net profit for the period	(36,982)	6,548	(8,412)	1,524
Other comprehensive income net of tax	(20,752)	(3,417)	(4,720)	(795)
Total comprehensive income	(57,734)	3,131	(13,132)	729
Cash flows from operating activities	(201,365)	(27,355)	(45,803)	(6,365)
Cash flows from investment activities	(38,597)	(64,525)	(8,779)	(15,013)
Cash flows from financial activities	516,832	75,017	117,561	17,455
Total net cash flows	276,870	(16,863)	62,979	(3,923)
	as at 31.03.2020	as at 31.12.2019	as at 31.03.2020	as at 31.12.2019
Total assets	4,413,907	3,889,932	969,600	913,451
Non-current liabilities	1,840,863	1,632,936	404,381	383,453
Current liabilities	1,167,572	793,790	256,480	186,401
Total equity	1,405,472	1,463,206	308,739	343,597
Share capital	287,614	287,614	63,180	67,539

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 31.03.2020	as at 31.12.2019	3 months ended 31.03.2020	3 months ended 31.03.2019
EUR 1 = PLN 4.5523	EUR 1 = PLN 4.2585	EUR 1 = PLN 4.3963	EUR 1 = PLN 4.2978



**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2020**

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



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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.-31.03.2020	01.01.-31.03.2019
CONTINUING OPERATIONS		
Sales revenues	854,381	952,705
Cost of sales	(675,626)	(759,947)
Gross profit/(loss) on sales	178,755	192,758
Other operating income	12,017	15,626
Selling costs	(42,985)	(67,560)
General and administrative expenses	(58,551)	(46,298)
Other operating expenses	(25,911)	(11,151)
Operating profit/(loss)	63,325	83,375
Financial income	29,165	5,262
Financial expenses	(26,098)	(16,466)
Net financial income/(expenses)	3,067	(11,204)
Share of profit / (loss) of equity-accounted investees	321	322
Profit/(loss) before tax	66,713	72,493
Income tax	(27,292)	(10,663)
Net profit/(loss) on continuing operations	39,421	61,830
DISCONTINUED OPERATIONS		
Net profit/(loss) on discontinued operations	-	-
Net profit / (loss) for the period	39,421	61,830
including:		
Net profit/(loss) attributable to shareholders of the parent company	39,675	61,775
Net profit/(loss) attributed to non-controlling interest	(254)	55
Earnings per share (in PLN):		
Basic	0.75	1.17
Diluted	0.75	1.17

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.-31.03.2020	01.01.-31.03.2019
Net profit / (loss) for the period	39,421	61,830
Other comprehensive income before tax that may be reclassified to the statement of profit or loss	(91,855)	(26,934)
Currency translation differences (foreign companies)	40,390	(14,988)
Cash flow hedge reserve	(132,990)	(15,069)
Costs of hedging reserve	745	3,123
Other comprehensive income before tax that may not be reclassified to the statement of profit or loss	-	-
Income tax attributable to other comprehensive income	26,831	2,134
Income tax attributable to other comprehensive income that may be reclassified to the statement of profit or loss	26,831	2,134
Other comprehensive income net of tax	(65,024)	(24,800)
Comprehensive income including attributable to:	(25,603)	37,030
Shareholders of the parent company	(25,566)	36,971
Non-controlling interest	(37)	59

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

	31.03.2020	31.12.2019
ASSETS		
Property, plant and equipment	2,968,553	2,891,207
Rights to use an asset	193,358	194,792
Intangible assets, including:	592,012	486,472
- goodwill	147,926	139,545
Investment property	36,717	36,717
Non-current receivables	61,568	57,624
Investments in associates and jointly-controlled entities measured under the equity method	6,700	5,958
Long-term financial assets	14,532	17,787
Deferred income tax assets	67,582	43,631
Total non-current assets	3,941,022	3,734,188
Inventory	429,765	455,704
Short-term financial assets	11,380	17,282
Income tax receivables	8,807	11,816
Trade and other receivables	626,163	527,082
Cash and cash equivalents	693,505	299,580
Non-current assets held for sale	790	790
Total current assets	1,770,410	1,312,254
Total assets	5,711,432	5,046,442
EQUITY AND LIABILITIES		
Share capital	287,614	287,614
Share premium	470,846	470,846
Cash flow hedge reserve	(134,242)	(26,408)
Costs of hedging reserve	529	(216)
Actuarial gains	(360)	(360)
Other reserve capitals	78,521	78,521
Currency translation reserve	(34,096)	(75,944)
Retained earnings	1,283,856	1,244,181
Equity attributable to shareholders of the parent	1,952,668	1,978,234
Non-controlling interest	(1,025)	(1,017)
Total equity	1,951,643	1,977,217
Loans, borrowings and other debt instruments	1,759,853	1,583,799
Lease liabilities	115,313	115,866
Other non-current liabilities	109,232	74,183
Employee benefits reserve	13,145	12,848
Other provisions	107,992	102,197
Deferred income tax liability	68,554	58,414
Total non-current liabilities	2,174,089	1,947,307
Loans, borrowings and other debt instruments	464,723	61,601
Lease liabilities	27,098	28,068
Trade and other liabilities	925,401	869,658
Income tax liabilities	62,917	47,501
Employee benefits reserve	4,328	15,465
Other provisions	101,233	99,625
Total current liabilities	1,585,700	1,121,918
Total liabilities	3,759,789	3,069,225
Total equity and liabilities	5,711,432	5,046,442

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.-31.03.2020	01.01.-31.03.2019
Cash flows from operating activities		
Net profit/(loss) for the period	39,421	61,830
<i>Adjustments</i>		
Amortisation/depreciation	81,578	76,929
Recognition of impairment allowances	1	(93)
Foreign exchange (profit) /loss	(33,932)	159
(Profit) / loss on investment activities	(330)	-
(Profit) / loss on disposal of property, plant and equipment	(1,583)	152
Dividends and interest	6,684	10,572
Interest from lease liabilities	764	567
Income tax	27,292	10,663
(Profit) / loss on the settlement of construction contracts (caverns)	-	(1,672)
Share of (profit) / loss on equity accounted investees	(321)	(322)
Change in liabilities due to loan arrangement fee	521	428
Valuation of derivatives	(53,404)	(11,053)
Ineffective portion of hedge accounting	(1,384)	485
Other adjustments	8,424	(231)
Cash from operating activities before changes in working capital and provisions	73,731	148,414
Change in receivables	(69,263)	(93,891)
Change in inventory	32,435	(10,840)
Change in current liabilities	(9,230)	(56,597)
Change in provisions and employee benefits	(11,450)	518
Cash generated from operating activities	16,223	(12,396)
Interest paid	(2,202)	(1,969)
(Profit) / loss on the settlement of construction contracts (caverns)	-	8,583
Income tax (paid)/returned	(1,406)	(15,341)
Expenses for research	(1,657)	(551)
Net cash from operating activities	10,958	(21,674)
Cash flows from investment activities		
Disposal of intangible assets and property, plant and equipment	1,588	24
Dividends received	114	649
Interest received	1,059	89
Subsidies received	-	222
Acquisition of a subsidiary (after deduction of acquired cash)	289	-
Acquisition of intangible assets and property, plant and equipment	(140,437)	(71,398)
Acquisition of financial assets	(141)	-
Development expenditures	(3,044)	(1,801)
Borrowings paid out	(120)	-
Expenditure on the purchase of emission rights	(22,733)	(28,102)
Net cash from investment activities	(163,425)	(100,317)
Cash flows from financial activities		
Proceeds from loans and borrowings	555,507	273,408
Other financial inflows	150	-
Repayment of loans and borrowings	(6,036)	(206,820)
Payments of lease liabilities	(8,337)	(6,544)
Net cash from financial activities	541,284	60,044
Total net cash flows	388,817	(61,947)
Cash and cash equivalents as at the beginning of the period	299,567	192,139
<i>Impact of foreign exchange differences</i>	5,121	176
Cash and cash equivalents as at the end of the period	693,505	130,368

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 interim condensed consolidated financial statements.



CONDENSED STATEMENT OF CHANGES IN CONSOLIDATED EQUITY OF THE CIECH GROUP

	Attributable to shareholders of the parent company							Equity attributable to shareholders of the parent	Non-controlling interest	Total equity	
	Share capital	Share premium	Cash flow hedge reserve	Costs of hedging reserve	Other reserve capitals	Actuarial gains	Currency translation reserve				Retained earnings
01.01.2020	287,614	470,846	(26,408)	(216)	78,521	(360)	(75,944)	1,244,181	1,978,234	(1,017)	1,977,217
Transactions with the owners	-	-	-	-	-	-	-	-	-	29	29
Change in the Group's structure	-	-	-	-	-	-	-	-	-	29	29
Total comprehensive income for the period	-	-	(107,834)	745	-	-	41,848	39,675	(25,566)	(37)	(25,603)
Net profit / (loss) for the period	-	-	-	-	-	-	-	39,675	39,675	(254)	39,421
Other comprehensive income	-	-	(107,834)	745	-	-	41,848	-	(65,241)	217	(65,024)
31.03.2020	287,614	470,846	(134,242)	529	78,521	(360)	(34,096)	1,283,856	1,952,668	(1,025)	1,951,643
01.01.2019	287,614	470,846	3,115	(4,625)	78,521	119	(63,242)	1,126,491	1,898,839	288	1,899,127
Total comprehensive income for the period	-	-	(12,942)	3,123	-	-	(14,985)	61,775	36,971	59	37,030
Net profit / (loss) for the period	-	-	-	-	-	-	-	61,775	61,775	55	61,830
Other comprehensive income	-	-	(12,942)	3,123	-	-	(14,985)	-	(24,804)	4	(24,800)
31.03.2019	287,614	470,846	(9,827)	(1,502)	78,521	119	(78,227)	1,188,266	1,935,810	347	1,936,157

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.



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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 31 March 2020 and as at 31 December 2019, results of the Company’s operations and cash flows for the period of 3 months ended 31 March 2020 and 31 March 2019, and were approved by the Management Board of CIECH S.A. on 27 May 2020.

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 3 months ended 31 March 2020 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. 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 2019, published on 31 March 2020. 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 2019, published on 31 March 2020.

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	31.03.2020 ¹	31.12.2019 ²
EUR	4.5523	4.2585
RON	0.9429	0.8901
Average NBP rate for the reporting period	3 months ended 31.03.2020 ³	3 months ended 31.03.2019 ⁴
EUR	4.3963	4.2978
RON	0.9147	0.9053

¹ NBP's average foreign exchange rates table applicable as at 31 March 2020.

² NBP's average foreign exchange rates table applicable as at 31 December 2019.

³ According to the exchange rate constituting the arithmetic mean of average exchange rates quoted by NBP on the last day of each month of the period from 1 January 2020 to 31 March 2020.

⁴ According to the exchange rate constituting the arithmetic mean of average exchange rates quoted by NBP on the last day of each month of the period from 1 January 2019 to 31 March 2019.

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 4th quarter of the preceding year. For other products, the Group's revenues and financial results are not influenced by any significant seasonal fluctuations over the year.

2.5. SEGMENT REPORTING

The CIECH Group's operating segments are designated on the basis of internal reports related to the components of the Group and are regularly reviewed by the Management Board, which is responsible for operating decisions aimed at allocating resources to segments and assessing the subsidiaries performance. Information for a given operating segment may include sales of products and goods also included in the core product range of other divisions. Such items, however, are not significant for those divisions' management accounting.

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.

Reporting segments are identical to operating segments. 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.

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.-31.03.2020	01.01.-31.03.2019
Net profit/(loss) on continuing operations	39,421	61,830
Income tax	27,292	10,663
Share of profit / (loss) of equity-accounted investees	(321)	(322)
Financial expenses	26,098	16,466
Financial income	(29,165)	(5,262)
Amortisation/depreciation	81,578	76,929
EBITDA on continued operations	144,903	160,304

	01.01.-31.03.2020	01.01.-31.03.2019
EBITDA on continued operations	144,903	160,304
One-offs including:	(2,805)	(734)
Impairment (a)	51	(96)
Cash items (b)	(2,903)	(566)
Non-cash items (without impairment) (c)	47	(72)
Adjusted EBITDA from continuing operations	142,098	159,570

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

(b) Cash items include, among others, gain/loss of the sale of property, plant and equipment and other items (including costs associated with discontinued operations, fees and compensations).

(c) Non-cash items include: fair value measurement of investment properties, costs of liquidation of inventories and property, plant and equipment, the costs of suspended investments, environmental provisions, provisions for liabilities and compensation, costs of unused production capacity and other items (including extraordinary costs and other provisions).

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.-31.03.2020	Soda segment	Organic segment	Silicates and glass segment	Transport segment	Other operations segment	Corporate functions - reconciliation item	Eliminations (consolidation adjustments)	TOTAL
Revenues from third parties	509,511	261,167	63,313	3,422	16,968	-	-	854,381
Revenue from inter-segment transactions	22,412	212	12	32,162	7,988	-	(62,786)	-
Total sales revenues	531,923	261,379	63,325	35,584	24,956	-	(62,786)	854,381
Cost of sales	(400,392)	(217,274)	(46,465)	(33,809)	(18,214)	-	40,528	(675,626)
Gross profit /(loss) on sales	131,531	44,105	16,860	1,775	6,742	-	(22,258)	178,755
Selling costs	(37,253)	(11,423)	(10,031)	(791)	(3,278)	-	19,791	(42,985)
General and administrative expenses	(22,223)	(12,147)	(1,556)	(1,556)	(1,401)	(21,022)	1,354	(58,551)
Result on management of receivables	(7)	(533)	11	4	236	-	-	(289)
Result on other operating activities	(4,084)	(5,563)	161	210	(2,981)	(216)	(1,132)	(13,605)
Operating profit /(loss)	67,964	14,439	5,445	(358)	(682)	(21,238)	(2,245)	63,325
Exchange differences and interest on trade settlements	(310)	(2,345)	490	(87)	(828)	-	-	(3,080)
Group borrowing costs	-	-	-	-	-	(13,905)	-	(13,905)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	20,052	-	20,052
Share of profit / (loss) of equity-accounted investees	321	-	-	-	-	-	-	321
Profit /(loss) before tax	67,975	12,094	5,935	(445)	(1,510)	(15,091)	(2,245)	66,713
Income tax	-	-	-	-	-	-	-	(27,292)
Net profit /(loss) for the period	-	-	-	-	-	-	-	39,421
Amortization/depreciation	57,446	11,010	4,669	4,755	184	3,514	-	81,578
EBITDA	125,410	25,449	10,114	4,397	(498)	(17,724)	(2,245)	144,903
Adjusted EBITDA*	123,312	25,295	10,093	4,465	(1,273)	(17,549)	(2,246)	142,098

*Adjusted EBITDA for the 3-month period ended 31 March 2020 is calculated as EBITDA adjusted for untypical one-off events: fortuitous events: sale of fixed assets: PLN 1,6 million, fines and compensation: PLN 1.3 million, other: PLN -0.1 million.



OPERATING SEGMENTS 01.01.-31.03.2019	Soda segment	Organic segment	Silicates and glass segment	Transport segment	Other operations segment	Corporate functions - reconciliation item	Eliminations (consolidation adjustments)	TOTAL
Revenues from third parties	623,888	237,716	59,621	2,379	29,101	-	-	952,705
Revenue from inter-segment transactions	15,806	111	1	33,469	9,470	-	(58,857)	-
Total sales revenues	639,694	237,827	59,622	35,848	38,571	-	(58,857)	952,705
Cost of sales	(492,110)	(190,585)	(46,318)	(33,064)	(30,219)	-	32,349	(759,947)
Gross profit /(loss) on sales	147,584	47,242	13,304	2,784	8,352	-	(26,508)	192,758
Selling costs	(60,539)	(22,929)	(7,911)	(1,088)	(3,157)	-	28,064	(67,560)
General and administrative expenses	(18,539)	(8,019)	(1,578)	(1,176)	(1,643)	(16,039)	696	(46,298)
Result on management of receivables	(62)	821	3	10	(18)	-	-	754
Result on other operating activities	9,798	(4,995)	1,307	84	235	(38)	(2,670)	3,721
Operating profit /(loss)	78,242	12,120	5,125	614	3,769	(16,077)	(418)	83,375
Exchange differences and interest on trade settlements	(1,995)	252	49	(96)	(276)	-	-	(2,066)
Group borrowing costs	-	-	-	-	-	(12,370)	-	(12,370)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	3,232	-	3,232
Share of profit / (loss) of equity-accounted investees	322	-	-	-	-	-	-	322
Profit /(loss) before tax	76,569	12,372	5,174	518	3,493	(25,215)	(418)	72,493
Income tax	-	-	-	-	-	-	-	(10 663)
Net profit /(loss) for the period	-	-	-	-	-	-	-	61,830
Amortization/depreciation	55,276	10,372	5,118	3,673	563	1,927	-	76,929
EBITDA	133,518	22,492	10,243	4,287	4,332	(14,150)	(418)	160,304
Adjusted EBITDA*	132,568	22,637	9,150	4,263	4,296	(14,122)	778	159,570

*Adjusted EBITDA for the 3-month period ended 31 March 2019 is calculated as EBITDA adjusted for untypical one-off events: fortuitous events: PLN 0.7 million; liquidation of fixed assets: PLN -0.2 million; change in provisions: PLN 0.2 million.



ASSETS AND LIABILITIES BY OPERATING SEGMENTS

	ASSETS		LIABILITIES	
	31.03.2020	31.12.2019	31.03.2020	31.12.2019
Soda segment	3,232,555	3,035,136	172,493	216,795
Organic segment	951,342	951,633	142,176	146,613
Silicates and glass segment	135,021	135,117	26,648	26,917
Transport segment	109,345	107,712	19,724	18,185
Other operations segment	74,170	65,072	21,998	36,846
Corporate functions - reconciliation item	1,259,143	801,074	3,426,372	2,671,800
Eliminations (consolidation adjustments)	(50,144)	(49,302)	(49,622)	(47,931)
TOTAL	5,711,432	5,046,442	3,759,789	3,069,225

INFORMATION ON GEOGRAPHICAL AREAS

ASSETS DIVIDED ON GEOGRAPHICAL REGIONS	Non-current assets other than financial instruments	Deferred income tax assets	Other assets	Total assets
31.03.2020				
Poland	2,428,918	67,582	1,471,037	3,967,537
European Union (excluding Poland)	1,442,897	-	288,191	1,731,088
Other European countries	-	-	1,632	1,632
Africa	-	-	3,640	3,640
Asia	-	-	6,342	6,342
Other regions	-	-	1,193	1,193
TOTAL	3,871,815	67,582	1,772,035	5,711,432
31.12.2019				
Poland	2,349,617	43,631	938,761	3,332,009
European Union (excluding Poland)	1,336,062	-	333,671	1,669,733
Other European countries	-	-	13,065	13,065
Africa	-	-	3,658	3,658
Asia	-	-	19,022	19,022
Other regions	-	-	8,955	8,955
TOTAL	3,685,679	43,631	1,317,132	5,046,442

SALES REVENUES – GEOGRAPHICAL STRUCTURE OF MARKETS

	01.01.-31.03.2020	01.01.-31.03.2019	Dynamics 2020/2019
Poland	438,137	388,041	12.9%
European Union (excluding Poland)	387,501	434,332	(10.8%)
Germany	179,742	174,337	3.1%
Romania	9,842	38,223	(74.3%)
Czech Republic	47,016	38,470	22.2%
Italy	13,373	26,346	(49.2%)
The Netherlands	31,733	28,250	12.3%
Finland	14,568	15,675	(7.1%)
Sweden	5,313	12,035	(55.9%)
Belgium	8,151	7,581	7.5%
United Kingdom	3,800	14,776	(74.3%)
Denmark	10,412	9,467	10.0%
Spain	23,499	16,831	39.6%



	01.01.-31.03.2020	01.01.-31.03.2019	Dynamics 2020/2019
Austria	10,073	9,209	9.4%
France	3,744	4,644	(19.4%)
Luxembourg	5,860	5,398	8.6%
Lithuania	3,482	4,231	(17.7%)
Other EU countries	16,893	28,859	(41.5%)
Other European Countries	23,855	37,457	(36.3%)
Switzerland	1,534	4,098	(62.6%)
Norway	10,908	11,454	(4.8%)
Russia	3,163	1,799	75.8%
Other European countries	8,250	20,106	(59.0%)
Africa	3,097	26,631	(88.4%)
Asia	9,802	50,972	(80.8%)
India	328	26,773	(98.8%)
Singapore	512	185	176.8%
Bangladesh	-	10,318	(100.0%)
Hong Kong	-	5,134	(100.0%)
Turkey	4,204	3,719	13.0%
Other Asian countries	4,758	4,843	(1.8%)
Other regions	749	15,770	(95.3%)
Cash flow hedge adjustment	(8,760)	(498)	1659.0%
TOTAL	854,381	952,705	(10.3%)

At the CIECH Group, sales revenues are recognized upon the provision of services or delivery of products or goods.

2.6. PROVISIONS AND IMPAIRMENT ALLOWANCES ON ASSETS

During the first quarter of 2020, the following changes in provisions and impairment allowances on assets were recognised in the consolidated financial statements of the CIECH Group.

PROVISIONS FOR EMPLOYEE BENEFITS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-31.03.2020					
Long-term	12,848	65	(63)	295	13,145
Short-term	15,465	126	(11,692)	429	4,328
01.01.-31.03.2019					
Long-term	11,851	93	(99)	(6)	11,839
Short-term	877	21	(131)	(19)	748

In addition, other long-term liabilities also include the estimated value of the three-year Long-term Incentive Plan of the CIECH Group for 2019-2021 for the key management personnel of the CIECH Group. The intention of the Plan introduction is to harmonise activities of the key managers of the CIECH Group with the achievement of objectives contained in the CIECH Group Strategy for 2019–2021.

The main criterion for the Plan implementation will be the achievement of a value growth by the CIECH Group in 2019-2021 at a level of at least 11% of the reference year, i.e. 2018. The Generated Value will be calculated as the difference in value of the CIECH Group generated at the end of 2021, compared with the same value at the end of 2018. The CIECH Group Value will be measured using the so-called TSR (Total Shareholder Return) ratio, taking into account among others: adjusted EBITDA of the CIECH Group, assumed multiplier for the adjusted EBITDA of the CIECH Group, consolidated net debt of the CIECH Group, the value of dividends paid, and cash inflows from/outflows for the issue/cancellation of shares of the Company. The CIECH Group Value will be calculated on the basis of financial data disclosed in the audited consolidated financial statements of the CIECH Group. If the Generated Value is at a minimum level of 11% of the reference year (2018), the bonus pool will be equal to 12% of the Generated Value. The bonus pool will be paid out in 2022-2024, in equal parts each year.

As at 31 March 2020, 419 units were granted out of 1000 units issued, and the discounted value of the programme as at the end of the first quarter of 2020 amounted to PLN 17,988 thousand (including PLN 16,032 thousand attributable to CIECH S.A.). The liabilities were measured by the Group using a discount rate of 3.53%.

CHANGE IN OTHER LONG-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-31.03.2020					
Provision for liabilities and expected losses	8,762	-	-	-	8,762
Provision for environmental protection	93,435	35	-	5,760	99,230
TOTAL	102,197	35	-	5,760	107,992
01.01.-31.03.2019					
Provision for liabilities and expected losses	3,286	-	(2,013)	-	1,273
Provision for environmental protection	75,794	-	-	240	76,034
TOTAL	79,080	-	(2,013)	240	77,307

CHANGE IN OTHER SHORT-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-31.03.2020					
Provision for liabilities and expected losses	97,998	1,955	(897)	929	99,985
Provision for environmental protection	1,516	-	(379)	-	1,137
Provision for restructuring	111	-	-	-	111
TOTAL	99,625	1,955	(1,276)	929	101,233
01.01.-31.03.2019					
Provision for liabilities and expected losses	170,495	2,853	(180)	-	173,168
Provision for environmental protection	2,311	-	(246)	(3)	2,062
Provision for restructuring	218	-	-	-	218
TOTAL	173,024	2,853	(426)	(3)	175,448

CHANGE IN IMPAIRMENT ALLOWANCES	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-31.03.2020					
Property, plant and equipment	74,915	146	(95)	3,771	78,737
Intangible assets, including:	453,861	-	-	29,275	483,136
<i>Goodwill</i>	408,650	-	-	26,446	435,096
Long-term receivables	975	-	(4)	67	1,038
Long-term financial assets	1,343	-	-	(1)	1,342
Inventories	33,327	780	(824)	109	33,392
Short-term financial assets	27,942	-	-	-	27,942
Trade and other receivables	56,879	3,303	(611)	(763)	58,808
Cash and cash equivalents	200	489	(15)	1	674
TOTAL	649,442	4,718	(1,550)	32,459	685,069
01.01.-31.03.2019					
Property, plant and equipment	3,390	52	-	(191)	3,251
Intangible assets, including:	460,216	-	-	(1,463)	458,753
<i>Goodwill</i>	414,383	-	-	(1,477)	412,906
Long-term receivables	1,441	-	(112)	-	1,329
Long-term financial assets	1,343	-	-	-	1,343
Inventories	40,695	1,584	(4,507)	(139)	37,633
Short-term financial assets	27,953	-	-	-	27,953

CHANGE IN IMPAIRMENT ALLOWANCES	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
Trade and other receivables	58,991	972	(4,180)	742	56,525
Cash and cash equivalents	142	-	(28)	-	114
TOTAL	594,171	2,608	(8,827)	(1,051)	586,901

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.-31.03.2020	01.01.-31.03.2019
Current income tax	(20,034)	(14,764)
Deferred tax	(7,258)	4,101
INCOME TAX RECOGNISED IN STATEMENT OF PROFIT OR LOSS	(27,292)	(10,663)

Deferred income tax is attributable to the following items:

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITY	31.03.2020			31.12.2019		
	Total asset	Total liability	Net value	Total asset	Total liability	Net value
Property, plant and equipment	1,582	146,217	(144,635)	1,647	143,006	(141,359)
Intangible assets	5,772	24,174	(18,402)	6,055	23,113	(17,058)
Right of perpetual usufruct	-	4,933	(4,933)	-	4,933	(4,933)
Investment property	1,573	1,562	11	1,573	1,562	11
Financial assets	17,422	3,103	14,319	641	3,780	(3,139)
Inventory	1,080	2,216	(1,136)	650	3,012	(2,362)
Trade and other receivables	4,923	930	3,993	4,757	1,177	3,580
Provisions for employee benefits	3,620	-	3,620	5,119	-	5,119
Other provisions	18,194	-	18,194	18,553	-	18,553
Tax losses carried forward	26,810	-	26,810	28,627	-	28,627
Foreign exchange differences	1,735	1,035	700	2,620	289	2,331
Liabilities	35,470	-	35,470	30,907	-	30,907
Special economic zone	109,870	-	109,870	109,870	-	109,870
Other	662	37	625	272	914	(642)
Lease liabilities	31,898	-	31,898	31,495	-	31,495
Rights to use an asset	-	31,875	(31,875)	-	31,427	(31,427)
Cash and cash equivalents	123	-	123	105	-	105
Deferred tax assets/liability	260,734	217,521	43,213	242,891	213,213	29,678
Set - off of deferred tax assets/ liability	(148,967)	(148,967)	-	(154,799)	(154,799)	-
Unrecognized deferred tax assets	(44,185)	-	(44,185)	(44,461)	-	(44,461)
Deferred tax assets/liability recognised in the statement of financial position	67,582	68,554	(972)	43,631	58,414	(14,783)

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

2.8.1. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

As at 31 March 2020, the CIECH Group held the following types of financial instruments measured at fair value:

- futures contracts for the purchase of CO₂ certificates concluded by CIECH Soda Polska S.A., hedging the cost of purchase of CO₂ units in 2018 and 2019 — Level 1, according to the fair value hierarchy,
- 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,
- isolated option instruments (acquired call options) embedded in the gas supply contract concluded by CIECH Energy Deutschland GmbH on 1 August 2016, hedging the cost of gas purchased in 2016–2020 — Level 2, according to the fair value hierarchy,
- currency forwards EUR/PLN and RON/PLN concluded by CIECH S.A. — Level 2, according to the fair value hierarchy.

In the first quarter of 2020, there were no transfers within the fair value hierarchy of instruments measured at fair value. There were no changes in the classification of financial instruments, or in business conditions that could affect the fair value of financial assets or liabilities.

As compared to the previous reporting period, the CIECH Group has not made any changes in methods of measurement of financial instruments held. The descriptions of methods of measurement to fair value was presented in Section 8.4 of the Consolidated Financial Statements of the CIECH Group for 2019, published on 31 March 2020.

In the consolidated financial statements, all financial instruments concluded – except for two currency forwards, EUR/PLN and RON/PLN, and one of the CIRS contracts – were designated for hedge accounting, and details of the designation were presented in Section 8.2 of the Consolidated Financial Statements of the CIECH Group for 2019, published on 31 July 2020.

In the separate financial statements, interest rate swaps were designated for hedge accounting, and details of the designation were presented in Section 8.2 of the CIECH S.A.'s Financial Statements for 2019, published on 31 March 2020.

Fair value of derivative instruments and embedded instruments

	Cash and cash equivalents	Long-term financial assets	Short-term financial assets	Other long-term liabilities	Trade and other liabilities	TOTAL
31.03.2020						
IRS EUR	-	-	-	(145)	(494)	(638)
IRS PLN	-	-	20	(22,612)	(3,668)	(26,260)
CIRS	-	1,624	9,245	(10,881)	(60,260)	(60,272)
Forward EUR/PLN	-	-	-	-	(2,395)	(2,395)
Forward RON/PLN	-	-	-	-	(128)	(128)
Embedded derivatives	-	-	155	-	-	155
Futures	(50,906)	-	-	-	-	(50,906)
TOTAL	(50,906)	1,624	9,420	(33,639)	(66,945)	(140,445)
31.12.2019						
IRS EUR	-	118	-	(29)	(460)	(371)
IRS PLN	-	3,048	405	(3,711)	(815)	(1,073)
CIRS	-	1,713	12,664	(2,747)	(17,217)	(5,587)
Forward EUR/PLN	-	-	167	-	-	167
Forward RON/PLN	-	-	-	-	(6)	(6)
Forward USD /RON	-	-	-	-	(35)	(35)
Embedded derivatives	-	-	2,206	-	-	2,206
Futures	438	-	-	-	-	438
TOTAL	438	4,879	15,442	(6,487)	(18,533)	(4,261)

2.8.2. FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The CIECH Group has taken out term and revolving credit facilities whose book value, as at 31 March 2020, was PLN 2,224,576 thousand, and whose fair value amounted to PLN 2,213,795 thousand (Level 2 of fair value hierarchy). The Group concluded that the fair value of the facilities taken out does not differ significantly from their nominal value due to the fact that these facilities bear interest at variable rates. In the case of the remaining financial instruments held by the CIECH Group (classified mainly as cash and cash equivalents, loans and receivables, financial liabilities measured at amortised cost other than loans and bonds and financial liabilities excluded from the scope of IFRS 9), 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 31 March 2020, the CIECH Group carried out the following transactions increasing and decreasing the gross value of property, plant and equipment:

01.01.-31.03.2020	Land	Buildings, premises, civil and marine engineering structures	Machinery and equipment	Vehicles	Other fixed assets	Property, plant and equipment under construction	TOTAL
Gross value of property, plant and equipment at the beginning of the period	83,826	1,281,139	3,147,510	79,627	61,134	701,150	5,354,386
Purchase	116	-	629	868	240	83,097	84,950
Reclassifications	-	6,639	79,026	338	3,610	(89,632)	(19)
Capitalised borrowing costs	-	-	-	-	-	3,430	3,430
Foreign exchange differences	5,560	16,757	63,391	1,196	832	32,632	120,368
Sale	(6)	(789)	(6)	(159)	(3,634)	-	(4,594)
Liquidation	-	(623)	(1,119)	(367)	(13)	-	(2,122)
Change of the Group composition	-	25	104	10	207	-	346
Other	-	-	-	-	-	(6,449)	(6,449)
Gross value of property, plant and equipment at the end of the period	89,496	1,303,148	3,289,535	81,513	62,376	724,228	5,550,296
01.01.-31.03.2019							
Gross value of property, plant and equipment at the beginning of the period	82,164	1,258,088	3,131,875	115,384	53,975	400,455	5,041,941
Purchase	946	-	4,842	703	681	72,966	80,138
Reclassifications	-	1,839	1,494	(36,137)	365	(17,385)	(49,824)
Capitalised borrowing costs	-	-	-	-	-	1,602	1,602
Foreign exchange differences	(305)	(1,725)	(5,148)	(337)	(86)	(428)	(8,029)
Sale	-	-	(83)	(1,285)	(3)	-	(1,371)
Liquidation	-	(63)	(1,076)	(60)	-	-	(1,199)
Other	-	-	3	-	(3)	(388)	(388)
Gross value of property, plant and equipment at the end of the period	82,805	1,258,139	3,131,907	78,268	54,929	456,822	5,062,870

Purchases of property, plant and equipment were made with own financial resources. As at 31 March 2020, commitments to purchase property, plant and equipment amounted to PLN 75,620 thousand (PLN 153,731 thousand as at 31 December 2019). 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 2019, published on 31 March 2020.

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.-31.03.2020	01.01.-31.03.2019
Revenues from sales of products and services	1,032	1,130
Revenues from sales of goods and materials	15,128	22,848
Other operating income	4	2
Financial income	114	135
Purchase of services, including:	12,230	9,753
<i>KI One S.A.</i>	55	-
	31.03.2020	31.12.2019
Receivables	9,007	15,813
Liabilities	3,552	4,452

Terms of transactions with related entities

Material 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 quarter of 2020, except for transactions described in item 3.3 hereof.

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

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

	31.03.2020	31.12.2019
Contingent assets	31,077	31,077
Other contingent receivables*	31,077	31,077
Contingent liabilities	667,345	661,580
Guarantees and sureties granted**	550,302	545,528
Other***	117,043	116,052

* 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 31 March 2020, a contingent asset recognised by CIECH Soda Polska S.A. amounted to PLN 12,213 thousand – it is the value of energy efficiency certificates received from the President of the Energy Regulatory Office in 2019 that have not been recorded yet in the account kept by the Polish Power Exchange.

** Including:

- guarantee granted up to the amount of 125% of liability related to term loan in the amount of PLN 1,212,520 thousand and revolving loan in the amount of PLN 250,000 thousand – contingent liability in the amount of PLN 365,630 thousand,
- guarantee granted up to the amount of 125% of liability related to term loan in the amount of EUR 30,000 thousand – contingent liability in the amount of PLN 34,142 thousand,
- guarantee granted up to the amount of 125% of liability related to short-term loan in the amount of EUR 50,000 thousand – contingent liability in the amount of PLN 12,500 thousand,
- guarantee granted up to the amount of 125% of liability related to short-term loan in the amount of EUR 10,000 thousand – contingent liability in the amount of PLN 11,381 thousand,
- guarantee granted up to the amount of 125% of liability related to revolving loan in the amount of EUR 25,000 thousand – contingent liability in the amount of PLN 28,452 thousand,
- guarantee granted up to the amount of 125% of liability related to revolving loan in the amount of PLN 300,000 thousand – contingent liability in the amount of PLN 75,000 thousand,
- guarantee granted up to the amount of 125% of liability related to revolving loan in the amount of PLN 92,788 thousand – contingent liability in the amount of PLN 23,197 thousand.

*** Including mainly:

- contingent liability in the SDC Group relating to environmental protection in the amount of PLN 16,579 thousand (EUR 3,642 thousand),
- contingent liability in CIECH Soda Polska S.A. regarding environmental penalty fees in the amount of PLN 36,320 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 16,927 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 14,581 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 13,385 thousand,
- contingent liabilities in Smart Fluid Sp. z o.o. resulting from promissory notes relating to subsidies received for development projects in the amount of PLN 5,016 thousand.

As at 31 March 2020, contingent liabilities amounted to PLN 667,345 thousand and increased as compared to 31 December 2019 by PLN 5,765 thousand. The change resulted mainly from an increase in liabilities due to foreign exchange differences.

Other guarantees and sureties granted are described in Section 9.2 of the Consolidated Financial Statements of the CIECH Group for 2019, published on 31 March 2020.

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

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.

On 22 August 2019, the Ordinary General Meeting resolved to distribute CIECH S.A.'s net profit for the financial year 2018, amounting to PLN 270,612 thousand, in the following manner:

- the amount of PLN 17,182 thousand was allocated to cover the loss recognized as an adjustment to the opening balance resulting from the application of IFRS 9 Financial Instruments,
- the amount of PLN 253,430 thousand was allocated to the supplementary capital of CIECH S.A.



2.15. INFORMATION ON POST-BALANCE-SHEET EVENTS

- On 2 April 2020, as part of a significant investment project, involving the construction of an evaporated salt production plant in Stassfurt, Germany, a subsidiary of CIECH S.A. – CIECH Salz Deutschland GmbH – signed an agreement with Adamietz Sp. z o.o. with its registered office in Strzelce Opolskie, for the execution of design, construction and assembly works aimed at constructing the facilities making up the Project. The total value of the Agreement is EUR 44,100 thousand. CIECH Salz Deutschland GmbH is a special purpose vehicle and a wholly-owned subsidiary of CIECH S.A., which took over the salt business in Germany from CIECH Soda Deutschland GmbH & Co.KG.
- On 7 April 2020, CIECH S.A. and its subsidiaries: CIECH Sarzyna S.A., CIECH Pianki sp. z o.o., CIECH Soda Polska S.A. and CIECH Vitrosilicon S.A. entered into a supplier financing agreement (reverse factoring agreement) with BNP Paribas Faktoring sp. z o.o. The conclusion of the Agreement fits in well with the CIECH Group's policy aimed at limiting risks related to the current market situation. Reverse factoring is to ensure an improvement in the companies' liquidity. For details on the agreement, see current reports No 17/2020 and No 21/2020.
- On 20 April 2020, the Supervisory Board of CIECH S.A. appointed Mr Jarosław Romanowski as a Member of the Management Board of CIECH S.A.
- On 20 May 2020, Mr. Tomasz Mikołajczak resigned from his position as a member of the Supervisory Board of CIECH S.A. Mr. Tomasz Mikołajczak was the Deputy Chairman of the Supervisory Board of CIECH S.A.
- On 21 May 2020, the Annual General Meeting of CIECH S.A. appointed to the Supervisory Board of CIECH S.A. a new member, Mr. Martin Laundenbach.
- On 21 May 2020, The Annual General Meeting of Shareholders of the CIECH S.A. granted its consent to CIECH S.A. or its subsidiaries obtaining financing through the issue of bonds by CIECH S.A. or its subsidiaries on international markets or the Polish market, taking out bank loans, taking out loans, incurring debt in any other form or by combining various financing instruments, provided however that the claims of entities providing such financing may be subordinated to the claims of creditors of the CIECH S.A.'s existing debt. The total amount of the additional financing shall not exceed PLN 500 million or the equivalent of this amount in other currencies. For details, see current report No 24/2020.
- On 21 May 2020, the Annual General Meeting of Shareholders of the Company authorised the Management Board of CIECH S.A. to purchase fully paid shares issued by CIECH S.A. ("Own Shares") from one or more of CIECH S.A.'s Own Shares may be acquired in particular for the purpose of:
 - ✓ their redemption by way of reduction of the share capital of CIECH S.A.,
 - ✓ their resale against remuneration,
 - ✓ using them to acquire or exchange shares or stocks in any other companies.

The total number of Own Shares acquired shall not exceed 7.7 million shares of CIECH S.A., representing approx. 14.61% of the share capital of CIECH S.A., provided however that under no circumstances will the total number of Own Shares purchased exceed 20% of CIECH S.A.'s share capital, taking into account the nominal value of any other own shares that have not been sold by CIECH S.A. The purchase price per Own Share shall not be lower than PLN 1 or higher than PLN 45. The maximum amount of remuneration for shareholders shall not be higher than PLN 346,5 million for a total of up to 7,7 million Own Shares. The authorisation of the Management Board to acquire Own Shares shall cover a period of 2 years. For details, see current report No 24/2020.



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	CIECH Spółka Akcyjna
Registered office	Warsaw
Address	Wspólna Street 62, 00-684 Warsaw
KRS (National Court Register number)	0000011687 (District Court for the capital city of Warsaw in Warsaw 12 th Commercial Division of the National Court Register)
Statistical identification number (REGON)	011179878
Tax ID No (NIP)	118-00-19-377
BDO Registry Number	000015168
Website	www.ciechgroup.com
Branches held	CIECH S.A.'s Branch in Romania CIECH S.A.'s Branch in Germany
Ultimate parent company	KI Chemistry s. à r. l (a subsidiary of Kulczyk Investments)

As at 31 December 2020, the CIECH Group comprised 39 business entities, including:

- parent company,
- 32 subsidiaries, of which:
 - 22 domestic subsidiaries,
 - 10 foreign subsidiaries,
- 3 domestic affiliates,
- 1 foreign affiliate,
- 1 jointly controlled domestic entity,
- 1 jointly controlled foreign entity.

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 S.A. subsidiary has a branch in Bydgoszcz.

The trading activity is carried out mostly by CIECH S.A., domestic and foreign trading subsidiaries of CIECH S.A., as well as selected manufacturing companies (CIECH Sarzyna S.A., CIECH Żywiec Sp. z o.o., CIECH Vitrosilicon S.A., SDC Group, CIECH Pianki Sp. z o.o.) while the manufacturing activity is carried out by production companies, subsidiaries of CIECH S.A. The production is located in 9 plants, with four largest production plants (two in Poland, one in Germany and one in Romania) operate in the soda segment and manufacture soda ash and soda derived products (in the case of CIECH Soda Romania S.A., the plant also manufactured products in the silicates and glass segment, the soda plant in Janikowo also manufactures salt products and the plant in Germany produces electric energy sold to third parties). At present, the production of soda in the



Romanian plant has been suspended and details on this are discussed in the Management Board Report on Activities of the CIECH Group and CIECH S.A. in 2019, published on 31 March 2020. The other 5 plants are dedicated to the organic segment, and to silicates and glass segment, and are located in Poland.

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 31.03.2020 / % of votes at the GMS	Share in equity as at 31.03.2019 / % of votes at the GMS
Parent company					
CIECH S.A.	Warsaw	Soda, Organic, Silicates and Glass, Transport, Other	Sales of chemical products manufactured within the CIECH Group, sales of chemical products purchased from third-party producers, holding activities, managing a portfolio of subsidiaries, provision of support services (in the area of sales, manufacturing, purchases, finance, IT, HR and in the legal area) for selected companies in the Group, financial activities in the form of direct lending to the companies in the Group.	-	-
Fully consolidated direct and indirect subsidiaries					
CIECH Trading S.A.	Warsaw	Soda, Other operations	Wholesale and distribution of solid inorganic and organic chemicals, wholesale and distribution of raw materials for household chemicals, wholesale and distribution of raw materials for cosmetic and pharmaceutical products, wholesale and distribution of fillers, pigments, raw materials for paints and varnishes, wholesale and distribution of feed additives and fodder, wholesale and distribution of acids, bases and other liquid chemicals.	100%	100%
CIECH Soda Romania S.A.	Ramnicu Valcea, Romania	Soda, Silicates and Glass	Manufacture of other basic inorganic chemicals, wholesale of chemical products.	98.74%	98.74%
CIECH Vitrosilicon S.A.*	Łowia	Silicates and Glass	Production of other basic inorganic chemicals, manufacture of hollow glass and technical glassware, manufacture of plastic packaging goods, manufacture of other plastic products.	100%	100%
CIECH Transclean Sp. z o.o.	Bydgoszcz	Other	Since 2017, the Company has been dormant.	100%	100%
CIECH Pianki Sp. z o.o.	Bydgoszcz	Organic	Manufacture of organic and other inorganic chemicals.	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 Żywice Sp. z o.o. (formerly: Vasco Polska Sp. z o.o.)	Nowa Sarzyna	Other	Manufacture of plastics in primary forms.	100%	100%
Bosten S.A. (new company name: CIECH Serwis i Remonty S.A.)	Warsaw	Other	Provision of repair and maintenance services.	100%	100%
CIECH Nieruchomości S.A.**	Warsaw	Other	Real property agency, real property management.	100%	100%
Proplan Plant Protection Company S.L.	Madrid, Spain	Organic	Production of crop protection chemicals.	100%	100%



Company name	Registered office	Segment	Business	Share in equity as at 31.03.2020 / % of votes at the GMS	Share in equity as at 31.03.2019 / % of votes at the GMS
CIECH Salz Deutschland GmbH	Stassfurt, Germany	Soda	Production and sales of salt products.	100%	-
CIECH R&D Group					
CIECH R&D Sp. z o.o.	Warsaw	Other	Research and developments activities, granting licenses to the CIECH Group companies to use the trademarks: "Ciech", "Ciech Trading" and "Sól Kujawska naturalna czysta".	100%	100%
Smart Fluid Sp. z o.o.	Warsaw	Other	Research & Development	52.83%	52.83%
CIECH Finance Group					
CIECH Finance Sp. z o.o.	Warsaw	Other	Implementing divestment projects concerning obsolete fixed assets (property) and financial assets (shares in companies), carrying out purchases of selected raw materials.	100%	100%
JANIKOSODA S.A.	Warsaw	Other	Since March 2017, the Company has been dormant.	100%	100%
CIECH Soda Polska Group					
CIECH Soda Polska S.A.	Inowrocław	Soda	Manufacture of other basic inorganic chemicals, wholesale of chemical products, power generation and distribution.	100%	100%
CIECH Cargo Sp. z o.o.	Inowrocław	Transport	Freight transport services.	100%	100%
Cerium Sp. z o.o. w likwidacji (in liquidation)	Warsaw	Other	Dormant. Company in the process of liquidation.	100%	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.	92.31%	-
CIECH Sarzyna Group					
CIECH Sarzyna S.A.	Nowa Sarzyna	Organic	Manufacture of resins, manufacture of pesticides and other chemical products.	100%	100%
Verbis KAPPA Sp. z o.o.	Nowa Sarzyna	Organic	General partner of Verbis KAPPA Sp. z o.o. SKA, other financial intermediation.	100%	100%
Verbis KAPPA Sp. z o.o. SKA	Nowa Sarzyna	Organic	Other financial intermediation.	100%	100%
Algete Sp. z o.o.	Nowa Sarzyna	Organic	Granting CIECH Sarzyna Group companies the license for using the trademark of "Chwastox" for the purpose of business.	100%	100%
SDC Group					
SDC GmbH	Stassfurt, Germany	Soda		100%	100%
CIECH Soda Deutschland GmbH&Co. KG	Stassfurt, Germany	Soda		100%	100%
Sodawerk Holding Stassfurt GmbH	Stassfurt, Germany	Soda	Manufacture of other basic inorganic chemicals, wholesale of chemical products, power generation and distribution.	100%	100%
Sodawerk Stassfurt Verwaltungs GmbH	Stassfurt, Germany	Soda		100%	100%
CIECH Energy Deutschland GmbH	Stassfurt, Germany	Soda		100%	100%
Kavernengesellschaft Stassfurt GbmH****	Stassfurt, Germany	Soda		50%	50%

*Number of shares / votes at the GMS attributable directly to CIECH S.A. — 83.03%, indirect share through CIECH Soda Polska S.A. — the remaining 16.97%.

**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 2020 to 31 March 2020 does not exceed 1% of total consolidated assets of the Group and 1% 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 2020 to 31 March 2020 did not exceed 2% of the total consolidated equity of the CIECH Group.

3.3. SIGNIFICANT EFFECTS OF CHANGES TO THE ORGANISATIONAL STRUCTURE OF THE CIECH GROUP IN THE FIRST QUARTER OF 2020

- **CIECH Żywiec Sp. z o.o.**

The Court registered the increase of the share capital of CIECH Żywiec Sp. z o.o. on 2 January 2020 and on this date CIECH S.A. became the holder of all newly created shares whilst remaining the sole shareholder of CIECH Żywiec Sp. z o.o.

The share capital was increased at the Extraordinary Shareholders' Meeting of CIECH Żywiec Sp. z o.o. on 16 December 2019 which adopted a resolution on the demerger of CIECH Sarzyna S.A., following the adoption of the Demerger Plan of CIECH Sarzyna S.A., by deciding on:

- ✓ CIECH Żywiec Sp. z o.o.'s participation in the demerger of CIECH Sarzyna S.A. effected through the spin-off of an organised part of the enterprise on the terms set forth in the Demerger Plan,
- ✓ approval of the Demerger Plan of CIECH Sarzyna S.A, as agreed by the Management Board of CIECH Sarzyna S.A. on 31 October 2019,
- ✓ increase the share capital of CIECH Żywiec Sp. z o.o. from PLN 56 thousand by PLN 3,678 thousand, i.e. to PLN 3,734 thousand, through the creation of 73,567 new shares with a nominal value of PLN 50 per share and the total value of PLN 3,734 thousand. All newly created shares in the increased share capital of CIECH Żywiec Sp. z o.o. were allotted to the sole shareholder of CIECH Sarzyna S.A., i.e. CIECH S.A., in the following manner: 8,490 thousand shares in CIECH Sarzyna S.A. entitle to the receipt of 73,567 shares in CIECH Żywiec Sp. z o.o. As a result of the increase, the share capital of CIECH Żywiec Sp. z o.o. amounts to PLN 3,734 thousand and is divided into 74,677 shares with a value of PLN 50 per share and a total value of PLN 3,734 thousand.

- **BOSTEN S.A. (new company as of 22 April 2020: CIECH Serwis i Remonty S.A.)**

On 31 January 2020, the Extraordinary Shareholders' Meeting of BOSTEN S.A. increased the Company's share capital by PLN 450, i.e. from PLN 100 thousand to PLN 550 thousand, by way of issue of 45,000 new C series shares with the nominal value of PLN 10 per share and total nominal value of PLN 450 thousand. The issue price of C series shares is equal to the nominal price per share and amounts to PLN 10 per share. C series shares were earmarked for acquisition by CIECH S.A. in exchange for a cash contribution of PLN 450 thousand, in a private placement. The Extraordinary General Meeting also changed the name of the company from BOSTEN S.A. to: CIECH Serwis i Remonty S.A. The court registered the share capital increase and change of the company's name on 22 April 2020.

- **CIECH Salz Deutschland GmbH**

On 11 December 2019, the Shareholders' Meeting of CIECH Salz Deutschland GmbH increased the share capital from EUR 25 thousand to EUR 3,025 thousand, by creating 100 new shares with a value of EUR 30 thousand per share and a total value of EUR 3 million. New shares from the increase of the share capital of CIECH Salz Deutschland GmbH were acquired by CIECH S.A. in exchange for cash. The share capital increase was registered on 5 March 2020.



- **CIECH Vitro Sp. o.o.**

On 4 March 2020, the Deed of incorporation of CIECH Vitro Sp. z o.o., with its registered office in Iłowa and a share capital of PLN 5 thousand, divided into 100 equal and indivisible shares with a nominal value of PLN 50 each, was drawn up. The share capital was paid in full in cash of PLN 400 thousand by CIECH SA. The share premium of PLN 395 thousand was transferred to the supplementary capital. The Company was registered by the court on 7 May 2020.

- **CIECH Trading S.A.**

On 27 March 2020, CIECH S.A. sold to BOSTEN S.A. 100 series A registered shares in CIECH Trading S.A. with a total nominal value of PLN 900, for a total price of PLN 300.

On 30 March 2020 the Management Board of CIECH Trading S.A. notified the shareholders of its intention to adopt a resolution on the transformation of CIECH Trading Spółka Akcyjna into a limited liability company under the name of CIECH Trading Spółka z ograniczoną odpowiedzialnością and presented the Transformation Plan prepared on 30 March 2020. As at the date of publication of this report, the court has not registered Ciech Trading Sp. z o.o.

- **Janikowskie Zakłady Sodowe JANIKOSODA S.A.**

On 31 March 2020 the Management Board of Janikowskie Zakłady Sodowe JANIKOSODA S.A. notified the shareholders of its intention to adopt a resolution on the transformation of Janikowskie Zakłady Sodowe JANIKOSODA Spółka Akcyjna into a limited liability company under the name of Janikowskie Zakłady Sodowe JANIKOSODA Spółka z ograniczoną odpowiedzialnością and presented the Transformation Plan prepared on 30 March 2020. As at the date of publication of this report, the court has not registered Janikowskie Zakłady Sodowe JANIKOSODA Sp. z o.o.

- **EL-POMIAR Spółka z ograniczoną odpowiedzialnością (indirect subsidiary of CIECH Soda Polska S.A.)**

On 9 December 2019, CIECH Soda Polska S.A. concluded with the Shareholders of El-Pomiar Sp. z o.o., holding a total of 67 shares, representing 32.2% of the Company's share capital, a Preliminary Sales Agreement for Shares in the Limited Liability Company. Under this agreement, the Shareholders who are parties to the Preliminary Agreement agreed to sell shares held and to convene a Shareholders' Meeting in order to adopt a resolution on granting consent to the sale of shares held by other shareholders of the Company to CIECH Soda Polska S.A. and to execute the Sales Agreement, provided that the conditions precedent included therein are met. On 18 December 2019, the Extraordinary Shareholders' Meeting of El-Pomiar Sp. z o.o. adopted a resolution to grant consent to all Shareholders of the Company to sell the shares held.

The first shares were acquired under conditional sales agreements on 28 January 2020, with the proviso that the agreements will be effective from the date of acquisition by CIECH Soda Polska S.A. of 110 shares in the Company. On 10 February 2020, CIECH Soda Polska S.A. acquired a total of 110 shares, representing 52.9% of the share capital, thus becoming the majority shareholder in El-Pomiar Sp. z o.o. As at 31 March 2020, CIECH Soda Polska S. A. held 192 shares in El-Pomiar Sp. z o.o. representing 92.3% of the share capital.

3.4. THE MOST IMPORTANT EVENTS IN THE CIECH GROUP IN THE FIRST QUARTER OF 2020

Demerger of CIECH Sarzyna S.A.

On 2 January 2020, the District Court of Warsaw, 12th Commercial Division of the National Court Register, registered the demerger of CIECH Sarzyna S.A. The demerger was made through the spin-off of BU Resins to CIECH Żywice Sp. z o.o. The Demerger is aimed at achieving the key objective under the Strategy, i.e. creating an effective and diversified chemical holding company that generates positive value for shareholders in the long term. The demerger allows for further steps in the ongoing review of strategic options for BU Resins. At the same time, following the registration of the demerger, the District Court registered the increase of the share capital of CIECH Żywice Sp. z o.o. from PLN 56 thousand by PLN 3,678 thousand, i.e. to PLN 3,734 thousand, through the creation of 73,567 new shares with a nominal value of PLN 50 per share. These shares were allotted to CIECH S.A.

Sale of an organised part of the enterprise

On 7 January 2020 the Extraordinary Shareholders' Meeting of CIECH R&D Sp. z o.o. adopted resolution on the sale to CIECH Żywice Sp. z o.o. of an organized part of the enterprise constituting an organisationally, functionally and financially separated set of tangible and intangible assets (including liabilities) of CIECH R&D Sp. z o.o. intended for the performance of specific economic tasks related to carrying out activities in the area of implementation of new products related to production of unsaturated polyester resin products, saturated polyester resin products, epoxy resin products and a complementary products, as well as the rights resulting from the employment relationships, including working positions related to the above activities. The value of the organized part of the enterprise was measured based on a valuation prepared



by an independent appraiser and amounts to PLN 1,988 thousand.

Appointment of a Supervisory Board Member

On 23 January 2020, the Extraordinary Shareholders' Meeting of CIECH S.A. appointed Mr Łukasz Rędziniak as a new member of the Supervisory Board of CIECH S.A.

Cooperation agreement

On 7 February 2020, a term sheet was signed and an agreement with regard to cooperation in the development of design documentation for the water and brine pipelines between CIECH and Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A. The term sheet and the agreement are related to the letter of intent signed on 5 December 2019 by CIECH and GAZ-SYSTEM with regard to their cooperation in the implementation of an investment involving construction by GAZ-SYSTEM of a salt mine, with an underground gas storage facility at the Damasławek salt dump, along with the Linear Infrastructure, and cooperation in the supply of brine to the CIECH Soda Polska S.A. production facilities. The execution of the term sheet and the agreement is yet another step towards ensuring diversified sources of brine supply to the CIECH Soda Polska S.A.'s production facilities in the long term. Detailed information on the agreement is provided in current report No 10/2020.

Signing of letter of intent

On 28 February 2020, a letter of intent was signed between CIECH Soda Polska S.A. and REMONDIS Energy & Services Sp. z o.o. (REMONDIS) on their cooperation in the implementation of the investment project, consisting in the construction by REMONDIS of an incineration plant for municipal waste or waste of municipal origin. The electricity and heat generated in the process of thermal waste transformation will be supplied by REMONDIS to CIECH Soda Polska S.A. The cooperation is aimed at reducing the heat price and increasing the availability of the heat source at the CIECH Soda Polska S.A.'s plant. CIECH S.A. assumes that the collection of heat and electricity from the Incineration Plant will have a positive impact on the consolidated financial results of the CIECH Group by reducing the price of steam, i.e. a key raw material/ingredient in the production of sodium carbonate. In addition, as a result of the cooperation between the Parties, the CIECH Soda Polska S.A.'s production plant would be able to reduce CO₂ emissions. The project will be implemented and fully financed by REMONDIS. However, CIECH Soda Polska S.A. will provide the necessary organisational, technical and formal assistance in implementing the Project. The commencement of the Project and cooperation between the Parties, depends on the fulfilment of certain conditions, including:

1. entry of the Incineration Plant on the list to be published by the Minister competent for the environment in the form of a regulation;
2. conclusion by the Parties of an agreement for the receipt of electricity and heat, under which the Parties will define the financial and any other conditions related to supplies.

Upon the execution of the Letter of Intent, the Parties intend to negotiate the Agreement. In the event that the Incineration Plant is not entered on the said List by 31 December 2020, the Letter of Intent shall expire on that date. The objective of the Parties is to commence the supply of heat and electricity to CIECH Soda Polska S.A. by 2026 at the latest. The parties assume that CIECH Soda Polska S.A. will be collecting heat for a period of approximately 25 years. As estimated by CIECH Soda Polska S.A., the minimum value of the Agreement over a 25-year period will be approximately PLN 350 million. CIECH S.A. expects the cooperation consisting in the heat supply from the Incineration Plant to be analogous to solutions already functioning in the CIECH Group, where similar cooperation exists between CIECH Soda Deutschland GmbH&Co.KG and a heat supplier from the REMONDIS Group. Detailed information is provided in current report No 11/2020.

Use of available financing

In the first quarter of 2020, all funds available under the revolving credit lines made available to CIECH S.A. under the agreement with the consortium of banks of 9 January 2018 and the facility agreements of 18 April 2019 were disbursed:

- ✓ 17 February 2020 – disbursement of the amount of PLN 60,000 thousand – funds disbursed to finance the Group's current liquidity needs,
- ✓ 19 March 2020 and 23 March 2020 - disbursement of the amount of PLN 442,788 thousand - funds disbursed in order to maximize the level of available liquidity and minimize the risk of unavailability of financing in connection with the growing uncertainty of economic developments due to the COVID-19 epidemic.

Letter of intent concerning the construction of a waste treatment installation

On 23 March 2020, a letter of intent was signed between 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, on their cooperation in the implementation of the investment project, consisting in the construction by EEW, EEW Polska and FBSerwis of a thermal waste treatment installation. The primary objective of the installation will be to supply CIECH Soda Polska S.A.'s production plant, located in Janikowo, with thermal energy (process steam). For details on the planned project, see current report No 13/2020.

Voluntary redundancy programme

On 25 March 2020, a decision was made to implement, as of 1 April 2020, the Voluntary Redundancy Programme with regard to employees of CIECH Soda Romania S.A. and the CIECH S.A. Branch in Romania, and to launch, as of 27 March 2020, the collective redundancy procedure with regard to employees of CIECH Soda Romania S.A. For details, see current report No 14/2020.



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

3.5.1. BASIC FINANCIAL DATA

During the first quarter of 2020, the CIECH Group earned net profit from continuing operations of PLN 39,421 thousand, net cash increased 388,817 thousand and the balance sheet total as at the end of the first quarter of 2020 amounted to PLN 5,711,432 thousand. The table below presents selected financial data and basic financial ratios for the first quarter of 2020 and 2019.

Selected financial data

	01.01.-31.03.2020	01.01.-31.03.2019	Change 2020/2019
CONTINUING OPERATIONS			
Sales revenues	854,381	952,705	(10.3%)
Cost of sales	(675,626)	(759,947)	11.1%
Gross profit/(loss) on sales	178,755	192,758	(7.3%)
Selling costs	(42,985)	(67,560)	36.4%
General and administrative expenses	(58,551)	(46,298)	(26.5%)
Other operating income/expense	(13,894)	4,475	-
Operating profit/(loss)	63,325	83,375	(24.0%)
Net financial income/expenses	3,067	(11,204)	-
Share of profit of equity-accounted investees	321	322	(0.3%)
Income tax	(27,292)	(10,663)	(156.0%)
Net profit/(loss) on continuing operations	39,421	61,830	(36.2%)
DISCONTINUED OPERATIONS			
Net profit/(loss) on discontinued operations	-	-	-
Net profit / (loss) for the period	39,421	61,830	(36.2%)
including:			
Net profit/(loss) attributed to non-controlling interest	(254)	55	-
Net profit/(loss) attributable to shareholders of the parent company	39,675	61,775	(35.8%)
EBITDA from continuing operations	144,903	160,304	(9.6%)
Adjusted EBITDA from continuing operations*	142,098	159,570	(10.9%)

*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 the first quarter of 2020 amounted to PLN 854,381 thousand. Compared to the corresponding period of the previous year, revenues decreased by PLN 98,324 thousand.

This decrease was mainly due to lower volume of soda sales as a result of the hibernation of the plant in Romania. The level of revenues in the organic segment was negatively affected by trade restrictions due to the COVID-19 epidemic. The closing of shopping centers and furniture stores in Poland and Western Europe significantly reduced the demand for furniture and mattresses, and as a result for polyurethane foam.

One of the internal factors having a positive impact on the level of revenues is the year on year increase in sales of crop protection products as well as sodium silicates.

The level of revenues achieved in the first quarter of 2020 was also adjusted for the settlement of exchange differences related to the issued debt in EUR, which in the past has been designated as a hedge of revenues in EUR since 2020. This



settlement will be continued in the following quarters until the total accumulated value of negative capital due to hedging revenues is fully covered. The total capital value on this account is PLN -22.5 million, of which PLN -5 million was accounted for in the first quarter.

In the first quarter of 2020, the CIECH Group's activities were focused on four business segments: soda, organic, silicates and glass, and on the transport segment. 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 2019. Invariably, the largest share in revenues was attributed to the sales of soda segment products, i.e. 68.0%.

Sales revenues — business segments

	01.01.-31.03.2020	01.01.-31.03.2019	Change 2020/2019	Change %
Soda segment, including:	531,923	639,694	(107,771)	(16.8%)
Dense soda ash	299,385	344,919	(45,534)	(13.2%)
Light soda ash	64,760	129,309	(64,549)	(49.9%)
Salt	49,730	48,225	1,505	3.1%
Sodium bicarbonate	46,422	42,327	4,095	9.7%
Energy	34,793	38,010	(3,217)	(8.5%)
Gas*	79	3,391	(3,312)	(97.7%)
Calcium chloride	3,493	7,106	(3,613)	(50.8%)
Other products	10,849	10,601	248	2.3%
Revenues from inter-segment transactions	22,412	15,806	6,606	41.8%
Organic segment, including:	261,379	237,827	23,552	9.9%
Resins	67,688	79,260	(11,572)	(14.6%)
Polyurethane foams	65,049	76,495	(11,446)	(15.0%)
Crop protection chemicals	126,015	68,224	57,791	84.7%
Other	2,415	13,737	(11,322)	(82.4%)
Revenues from inter-segment transactions	212	111	101	91.0%
Silicates and Glass segment, including:	63,325	59,622	3,703	6.2%
Sodium silicates	43,983	39,619	4,364	11.0%
Potassium silicates	2,450	1,484	966	65.1%
Container glass	16,721	18,233	(1,512)	(8.3%)
Other	159	285	(126)	(44.2%)
Revenues from inter-segment transactions	12	1	11	1,100.0%
Transport segment, including:	35,584	35,848	(264)	(0.7%)
Transport services	3,422	2,379	1,043	43.8%
Revenues from inter-segment transactions	32,162	33,469	(1,307)	(3.9%)
Other segment, including:	24,956	38,571	(13,615)	(35.3%)
Revenues from third parties	16,968	29,101	(12,133)	(41.7%)
Revenues from inter-segment transactions	7,988	9,470	(1,482)	(15.6%)
Consolidation adjustments	(62,786)	(58,857)	(3,929)	(6.7%)
TOTAL	854,381	952,705	(98,324)	(10.3%)

* Resale of surpluses of the gas purchased.

Source: CIECH S.A.



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

After the first quarter of 2020, gross profit on sales amounted to PLN 178,755 thousand, whereas in the same period of the previous year it amounted to PLN 192,758 thousand. The operating profit amounted to PLN 63,325 thousand, in the comparable period it amounted to PLN 83,375 thousand.

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

- Maintaining positive dynamics of industrial output in the domestic industry (also in the chemical sector) during the first three months of 2020 confirmed by a slight increase in total output sold by 1.0% (in constant prices as compared to the corresponding period of the previous year).
- An increase in domestic sales of construction and assembly production by 5.8% during first three months of 2020 in comparison to the same period of the previous year (the chemical industry produces many raw materials and semi-finished products used in this production).
- Quite good balancing of the European market for sodium carbonate with a trend towards an increase in demand from the glass packaging segment (especially for food products due to the COVID-19 epidemic) and a decrease in demand from flat glass manufacturers; with an overall slight increase in consumption, as in the previous year.
- A few percent increase, on average, in the prices of sodium carbonate in EUR on the European markets since the beginning of 2020 (compared to the previous year) reflecting the supply-demand relations.
- Strong decline in crude oil prices on the global markets (by more than ten percent on average in the first quarter of 2020 compared to the corresponding period of 2019) and, consequently, lower prices of some raw materials for the organic industry – favourable for operations in the organic segment of the CIECH Group.

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

- Very rapidly worsening general economic situation in the European Union; including especially in the EURO zone (reflected by rapid drops in PMI readings, particularly in March 2020, to the levels of about 45 from about 50 at the beginning of the year); the rate of decline in business climate indicators similar to that of 2009, which had a negative impact especially on the sales of soda products, foams and resins.
- Continuously low prices of epoxy resins in Europe in the first quarter of 2020 (especially compared to the same period last year); however, showing a clear upward trend since the beginning of 2020.
- Strong drop in domestic production of paints and other coating products – decrease in volumes by approx. 22% during the three months of 2020, as compared with the same period of the previous year (the paint industry is a recipient of resins produced by the CIECH Group).
- A significant decrease in domestic production of sleeping furniture by approx. 6% in the period January-March 2020 compared to the same period last year (in volume terms). The furniture sector, especially upholstered furniture sector, is a recipient of polyurethane foams manufactured by the Ciech Group.

The EBIT margin for the first quarter of 2020 amounted to 7.4% (8.8% in the prior year), and the EBITDA margin amounted to 17.0% (16.8% in the prior year). The EBIT margin (excluding one-off events) for first quarter of 2020 amounted to 7.1% (8.7% in the prior year), and the EBITDA margin (excluding one-off events) amounted to 16.6% (16.7% in the prior year).

3.5.4. FINANCING ACTIVITIES AND NET PROFIT/LOSS

Financial income for the first quarter of 2020 amounted to PLN 29,165 thousand and increased compared to the corresponding period of the previous year, when it amounted to PLN 5,262 thousand.

Financial expenses for the first three months of 2020 amounted to PLN 26,098 thousand and increased compared to the corresponding period of the previous year, when it amounted to PLN 16,466 thousand.

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

The consolidated net profit for the first quarter of 2020 amounted to PLN 39,421 thousand (of which PLN 39,675 thousand was a net profit attributable to the shareholders of the parent company and PLN -254 thousand as the loss of non-controlling shares). The decrease in net profit as compared to the corresponding period of 2019 results from lower results from primary activities, negative valuations of financial instruments and higher tax expenses.



3.5.5. ASSET POSITION OF THE CIECH GROUP

Basic consolidated balance sheet data

	31.03.2020	31.12.2019	Change 2020/2019
Total assets	5,711,432	5,046,442	13.2%
Total non-current assets	3,941,022	3,734,188	5.5%
Total current assets	1,770,410	1,312,254	34.9%
Inventory	429,765	455,704	(5.7%)
Current receivables	634,970	538,898	17.8%
Cash and cash equivalents	693,505	299,580	131.5%
Short-term financial assets	11,380	17,282	(34.2%)
Non-current assets held for sale	790	790	0.0%
Total equity	1,951,643	1,977,217	(1.3%)
Equity attributable to shareholders of the parent	1,952,668	1,978,234	(1.3%)
Non-controlling interest	(1,025)	(1,017)	(0.8%)
Total non-current liabilities	2,174,089	1,947,307	11.6%
Total current liabilities	1,585,700	1,121,918	41.3%

Assets

As at the end of March 2020, the Group's non-current assets amounted to PLN 3,941,022 thousand. As compared to the balance as at 31 December 2019, the value of non-current assets increased by PLN 206,834 thousand. This change was mainly affected by further investments in non-current assets in the companies and, among others, the purchase of CO₂ emission certificates.

The Group's current assets amounted to PLN 1,770,410 thousand as at 31 March 2020.

Compared to the end of December 2019, the value of current assets increased by PLN 458,156 thousand.

This change resulted from, among other factors:

- higher balance of cash accumulated in companies – all funds available under the revolving credit line have been disbursed; funds disbursed in order to maximize the level of available liquidity and minimize the risk of unavailability of financing in connection with the growing uncertainty of economic developments due to the COVID-19 epidemic,
- higher balance of trade receivables and factoring receivables which have not been settled as at the balance sheet date,
- higher balance of public-law receivables,
- decrease in inventories resulting mainly from a decrease in inventories in the organic segment.

Capital resources

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

Liabilities

As at 31 March 2020, the CIECH Group's liabilities (total non-current and current) amounted to PLN 3,759,789 thousand, which is an increase compared to the end of December 2019 by PLN 690,564 thousand.

The debt ratio amounted to 65.8% as at 31 March 2020 (at the end of December 2019 to 60.8%). The consolidated net debt of the Group amounted to PLN 1,788,994 thousand as at 31 March 2020 and increased in comparison to the balance as at the end of December 2019 by PLN 266,633 thousand.

Debt instruments currently used

The Group's sources of debt financing include: term loan, revolving credit, overdrafts as well as lease liabilities. Additional information about the management of financial resources is provided in Section 4.6. of the Management Board Report on Activities of the CIECH Group and CIECH S.A. in 2019, published on 31 March 2020.



Analysis of the impact of the COVID-19 coronavirus pandemic on the measurement of assets and liabilities of the CIECH Group

Impairment of property, plant and equipment or intangible assets

On the basis of analyses carried out in the CIECH Group companies, no indication of any significant risk of impairment of tangible and intangible assets in use or investments in progress was found.

No significant impact of the situation related to COVID-19 on the value of the shares held and goodwill has been found and therefore the amount of impairment losses on these assets has not changed.

Assessment of credit situation

The CIECH Group analysed the impact of the pandemic on its credit risk level. As at the date of publication of this report, no significant deterioration of receivables repayment dates was found. Therefore, no changes were made to the assumptions used for credit loss estimation and calculation models at the moment. Moreover, most of the receivables of the CIECH Group companies are insured and financed through non-recourse factoring.

Liquidity situation

As at the date of publication of this report, the financial standing of the CIECH Group is stable. In the first quarter of 2020, all funds available under the revolving credit lines made available to CIECH S.A. under the agreement with the consortium of banks of 9 January 2018 and the facility agreements of 18 April 2019 were disbursed: The funds were disbursed to finance the Group's current liquidity needs and, to a greater extent, to maximise the level of available liquidity and minimize the risk of unavailability of financing in connection with the growing uncertainty of economic developments due to the COVID-19 epidemic.

The Group does not currently identify any risk of non-performance of credit facility agreements or failure to meet the level of ratios tested under the loan agreements.

3.5.6. CASH POSITION OF THE CIECH GROUP

	01.01.-31.03.2020	01.01.-31.03.2019	Change 2020/2019
Net cash from operating activities	10,958	(21,674)	-
Net cash from investment activities	(163,425)	(100,317)	(62.9%)
Net cash from financial activities	541,284	60,044	801.5%
Total net cash flows	388,817	(61,947)	-
Free cash flow	(152,467)	(121,991)	(25.0%)

Total net cash flows in the first quarter of 2020 were positive and amounted to PLN 388,817 thousand. Compared to the same period of the previous year, the cash flows generated by the Group were higher by PLN 450,764 thousand. Cash flows from operating activities were positive and amounted to PLN 10,958 thousand. They increased as compared to the same period in 2019 by PLN 32,632 thousand.

During the first quarter of 2020, the net cash flows from investing activities were negative, which was mainly the result of expenses for an investment programme implemented by the Group and of expenses related to the purchase of CO₂ certificates. The net cash from financing activities was positive and amounted to PLN 541,284 thousand.

	01.01.-31.03.2020	01.01.-31.03.2019
Financial surplus ((net profit/(loss) on continuing operations + depreciation)	120,999	138,759
Other adjustments to net profit/(loss) on continuing operations	(63,983)	895
Adjusted financial surplus (1+2)	57,016	139,654
Change in working capital	(46,058)	(161,328)
Net cash from operating activities (3+4)	10,958	(21,674)
Net cash from investing activities	(163,425)	(100,317)
Free cash flow (5+6)	(152,467)	(121,991)



During the first quarter of 2020, the CIECH Group generated negative free cash flows i.e. it was unable to finance its capital expenditure with cash flows from operating activities.

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

Liquidity of the CIECH Group

Liquidity ratios as at 31 March 2020 increased as compared to their level as at 31 December 2019. The current ratio, calculated as the ratio of total current assets to total current liabilities, amounted to 1.12 as at 31 March 2020, while the quick liquidity ratio amounted to 0.85.

	31.03.2020	31.12.2019
Current ratio	1.12	1.17
Quick ratio	0.85	0.76

Working capital of the CIECH Group

As at the end of the first quarter of 2020, 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 positive and amounted to PLN 64,409 thousand, which is an increase by PLN 57,198 thousand compared to the end of 2019.

	31.03.2020	31.12.2019
1. Current assets, including:	1,770,410	1,312,254
Inventory	429,765	455,704
Trade receivables and services and advances for deliveries	346,790	295,534
2. Cash and cash equivalents and short-term investments	704,885	316,862
3. Adjusted current assets (1-2)	1,065,525	995,392
4. Current liabilities, including:	1,585,700	1,121,918
Trade liabilities and advances taken	333,422	397,426
5. Short-term credits and other current financial liabilities*	584,584	133,737
6. Adjusted current liabilities (4-5)	1,001,116	988,181
7. Working capital including short-term credits(1-4)	184,710	190,336
8. Working capital (3-6)	64,409	7,211

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

The CIECH Group's profitability ratios

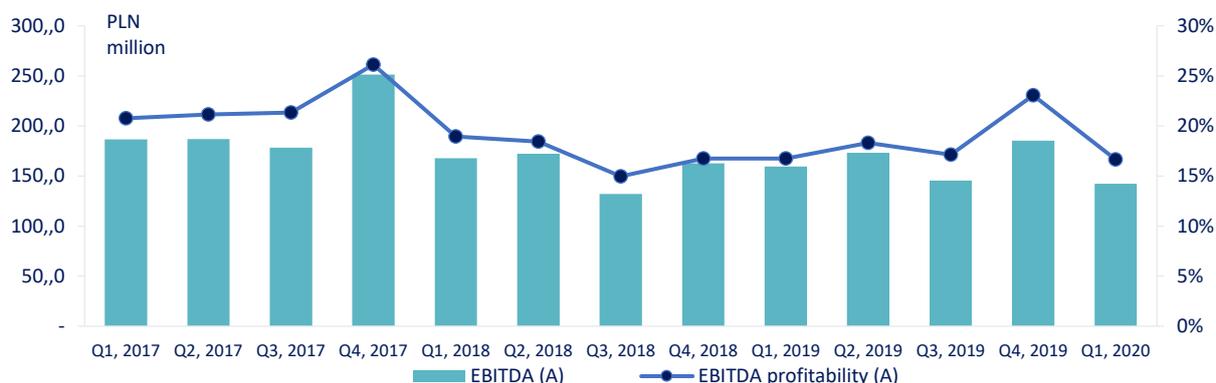
During the first quarter of 2020, profitability ratios of the CIECH Group in respect of the continuing operations were similar to those recorded in the first quarter of 2019.

THE CIECH GROUP'S PROFITABILITY RATIOS

	01.01.-31.03.2020	01.01.-31.03.2019	Change 2020/2019
CONTINUING OPERATIONS			
Gross return on sales	20.9%	20.2%	0.7p.p.
Return on sales	9.0%	8.3%	0.7p.p.
EBIT margin	7.4%	8.8%	(1.4) p.p.
EBITDA margin	17.0%	16.8%	0.2p.p.
Adjusted EBIT margin	7.1%	8.7%	(1.6) p.p.
Adjusted EBITDA margin	16.6%	16.7%	(0.1) p.p.
Net return on sales (ROS)	4.6%	6.5%	(1.9) p.p.
Return on assets (ROA)	0.7%	1.2%	(0.5) p.p.
Return on equity (ROE)	2.0%	3.2%	(1.2) p.p.
Earnings/(loss) per share (in PLN) from continuing operations	0.75	1.17	(0.42)



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 2019 and amounts to 65.8%. The level of net debt (net financial liabilities in relation to EBITDA) increased as compared to the end of 2019. The increase in debt results from:

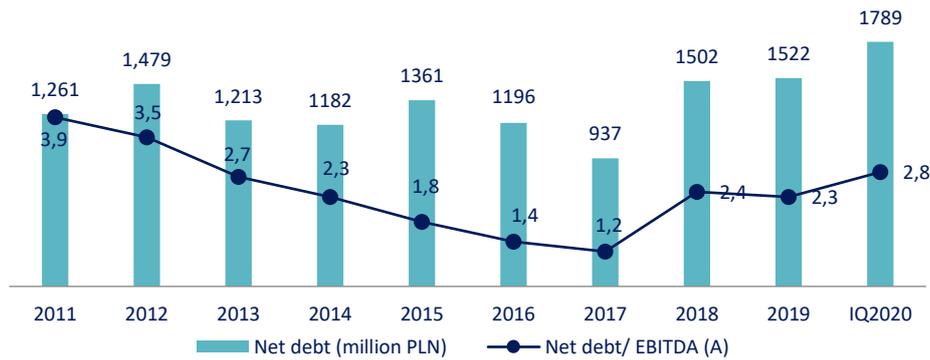
- utilisation of available credit limits by CIECH SA,
- significantly negative valuation of derivative financial liabilities.

	31.03.2020	31.12.2019
Loans, borrowings and other debt instruments	2,224,576	1,645,400
Lease liabilities	142,411	143,934
Factoring liabilities*	25,819	25,536
Negative net valuation of derivatives	89,693	7,071
Gross debt	2,482,499	1,821,942
Cash and cash equivalents	693,505	299,580
Net debt	1,788,994	1,522,361

* 8%-10% of recourse factoring liabilities.

The CIECH Group's debt ratios

	31.03.2020	31.12.2019	Change 2020/2019
Debt ratio	65.8%	60.8%	5.0p.p.
Long term debt ratio	38.1%	38.6%	(0.5) p.p.
Debt to equity ratio	192.6%	155.2%	37.4p.p.
Equity to assets ratio	34.2%	39.2%	(5.0) p.p.
Gross debt	2,482,499	1,821,941	36.3%
Net debt	1,788,994	1,522,361	17.5%
EBITDA annualized	562,608	578,008	(2.7%)
Adjusted EBITDA (annualised)	645,795	663,268	(2.6%)
Net debt / EBITDA annualized	3.2	2.6	20.7%
Net debt / Adjusted EBITDA (annualised)	2.8	2.3	20.7%
Gross debt / EBITDA annualised	4.4	3.2	40.0%
Gross debt / Adjusted EBITDA (annualised)	3.8	2.7	39.9%



Debt financing of the Group

The Group's debt financing is secured mainly through loans made available to CIECH S.A. under:

- the Facilities Agreement dated 9 January 2018:
 - term loan in the amount of PLN 1,212,520 thousand and EUR 30,000 thousand (the total amount of the loan as at 31 March 2020 was PLN 1,360,280 thousand),
 - revolving credit facility granted to CIECH S.A. in the amount of up to PLN 250,000 thousand (the amount of used credit as at 31 March 2020 was PLN 250,000 thousand).
- Overdraft facilities up to PLN 100,000 thousand and EUR 10,000 thousand under agreements dated 28 and 29 August 2018 (as at 31 March 2020, the amount used was PLN 97,267 thousand).
- Revolving credit facilities up to PLN 300,000 thousand, PLN 92,788 thousand and EUR 25,000 thousand, under three agreements dated 18 April 2019 (as at 31 March 2020, the amount used was PLN 506,595 thousand).

Detailed information about loan liabilities is disclosed in Section 4.6.1 of the Management Board Report on activities of the CIECH Group and CIECH S.A. in 2019, published on 31 March 2020.

Factors and events that may affect future performance

Pursuant to the Strategy, the CIECH Group will focus on the following actions conducive to further development:

- development of the soda business, including through a focus on expanding the range of high-margin specialist products in response to the growing demand of the pharmaceutical industry;
- optimisation of the cost structure in the soda segment due to the shutdown of the Romanian plant;
- further development of other segments, in particular improvement of the sales network effectiveness, as well as expansion of the Agro product range in CIECH Sarzyna S.A.,
- further actions aimed at optimising the utilisation level of capacity in all production companies of the Group;
- optimisation of costs of repairs and maintenance of assets, especially in the area of maintenance in all CIECH Group production plants through the expansion of the range of services provided by internal units;
- 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, and possible measures aimed at its optimisation in order to adjust the CIECH Group's structure to the challenges arising from the Strategy.

However, one should keep in mind that the financial performance of the CIECH Group is affected by both the situation on main markets of the Group's operations and the global macroeconomic situation, including the COVID-19 pandemic.

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 Section 3.4 of the Management Board Report on activities of the CIECH Group and CIECH S.A. in 2019, published on 31 March 2020.

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

During the first quarter of 2020, a significant new risk related to the ongoing global coronavirus pandemic COVID -19 emerged. The first information on the impact of the pandemic has already been presented in the Consolidated Financial Statements of the CIECH Group for 2019, published on 31 March 2020.

**Information on the current situation in connection with the impact of the COVID-19 coronavirus pandemic on the CIECH Group's activities is provided below**

The outbreak of the COVID-19 coronavirus pandemic during the first quarter of 2020 and the resulting decisions and recommendations of the state authorities affected the operations of the CIECH Group, but did not disrupt its core operating activities. Since the announcement of the state of epidemic by the government, the Group has implemented and followed all officially announced decisions and recommendations. In addition, the Group has launched its own crisis procedures and safety instructions resulting from the risk analysis conducted within the Group on an ongoing basis. The impact of the COVID-19 pandemic on the CIECH Group's situation is monitored on an ongoing basis. When making decisions related to counteracting the effects of the pandemic, the Management Board is guided by concern for the health of employees and care for the long-term value of the Group.

During the period in which the most severe restrictions announced by the government were in force, the CIECH Group conducted its operations on an ongoing basis and did not record any interruptions in production. There were also no cases of supply chain disruptions due to interruptions in transport, availability of raw materials or for other reasons.

As a result of the global freezing of the economy and the recorded global economic slowdown, some segments and areas of the CIECH Group's operations were affected by the pandemic, which required a decision to temporarily reduce production.

This was particularly the case for the organic segment - foam production, due to the suspension of production by most furniture manufacturers, and for the silicates and glass segment, caused by the freezing of the automotive sector. With the development of the COVID-19 coronavirus pandemic, the CIECH Group also began to feel the negative effects of the impact of the pandemic and the resulting economic slowdown on a key business segment, i.e. the soda segment, in the form of not placing a part of the planned volume of soda and salt on the market.

However, it should be noted that the situation should improve and return to a new normality as the decisions to unfreeze individual economies and industries (in particular the automotive and construction sectors) evolve. At the time of publication of this report, the first signs of recovery and a gradual return to a new normality were already observed in, among others, the furniture industry and the restarted automotive industry.

The CIECH Group stays in touch with its key customers, while at the same time being ready to meet the customers' needs for raw materials, as they restore their production capacity.

The current situation shows that the pandemic has affected the global economy, including the level of demand and industrial production, which may have a detrimental effect on the Group's performance in 2020. A comprehensive and accurate assessment of this impact, especially of the scale and duration of the effects, is currently difficult to estimate as it will depend mainly on the further development of the pandemic and future economic policies of individual countries.

The CIECH Group has already made preparations for various scenarios, including a scenario of a serious global economic slowdown.

Exposure to currency risk

The table below presents the estimated currency exposure of the CIECH Group in EUR and USD as at 31 March 2020 due to financial instruments (for EUR – excluding figures of the SDC Group, Ciech Group Financing AB, Proplan Plant Protection Company, S.L. and CIECH Salz Deutschland GmbH, because EUR is their functional currency):



Exposure to currency risk	EUR ('000)	USD ('000)	Impact on the statement of profit or loss	Impact on the statement of other comprehensive income*
Assets				
Loans granted sensitive to FX rate changes	128,400	-	x	
Trade and other receivables	14,035	3,189	x	
Cash including bank deposits	18,936	2,222	x	
Liabilities				
Trade and other liabilities	(19,563)	(2,331)	x	
Term loan liabilities	(30,000)	-		x
Working capital facility liabilities	(25,000)	-	x	
Other liabilities in respect of credits and loans	(9,673)	-	x	
Forward (not designated to hedge accounting)	(14,500)	-	x	
CIRS (not designated to hedge accounting)	(27,500)	-	x	
Hedging instruments: CIRS (forward transactions isolated as part of decomposition of CIRS)	(172,880)	-		x
Total exposure	(137,745)	3,080		

* 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 31 March 2020.

Analysis of sensitivity to currency risk – EUR	(PLN '000)*	Impact on the statement of profit or loss	Impact on the statement of other comprehensive income
EUR			
Foreign-currency balance sheet items	351	651	(300)
Hedging instruments: Forward and CIRS	(1,729)	-	(1,729)
USD			
Foreign-currency balance sheet items	31	31	-
Hedging instruments: Forward	-	-	-

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

The CIECH Group applies hedge accounting.

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

The CIECH Group did not publish any forecasts for 2020.

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

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



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

Poland is the largest sales market of the CIECH Group. The direct, most important domestic recipients of the Group's products include: glass industry, chemical and plastic products 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 three months of 2020 increased by 1.0% year on year (in 2019 — an increase by 6.1%). After three months of 2020, the relevant dynamics of production in the industries of significant importance to the Group's activities (as receiving or target markets) were: construction and assembly production (increase by 5.8%); manufacture of food (increase by 3.0%), chemicals and chemical products (increase by 2.0%); rubber and plastic products (increase by 1.8%); manufacture of furniture (decrease by 2.8%), including furniture for sleeping — decrease by approx. 6% in terms of volume; manufacture of motor vehicles (decrease by 8.8%).

Last year was marked by a weaker economic situation in the Polish economy compared to the two previous years (GDP growth of about 4.1% vs 5.3% in 2018 according to the Central Statistical Office). In general, Poland's GDP growth rates were, until now, significantly higher than the average rates for the European Union. In view of the COVID-19 pandemic, there are many different economic scenarios for Poland for 2020. According to forecasts made at the end of April this year, various analytical centres estimate that Poland's GDP will fall in 2020 year by several percent — between 2% and 7% (by 4.3% according to the European Commission). 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 2019, the dynamics of global economic development has weakened significantly year on year (e.g. according to the International Monetary Fund, GDP growth by 2.9% vs. 3.6% in 2018 as a result of, among other factors, increased trade barriers between the USA and China and weak situation in the automotive industry).

In the face of the COVID-19 pandemic that spread out in the first quarter of this year, there are new preliminary projections for the development of the global economy in 2020. The IMF's projections from mid-April suggest that this year will be marked by a much larger fall in global GDP (-3%) compared to the 2008-2009 crisis (-0.1% in 2009). According to the IMF, a significantly negative GDP growth should be expected in highly developed countries (EURO zone — 7.5%; USA — 5.9%; Japan — 5.2%), while China and India will maintain economic growth at very low positive rates (+1.2%; +1.9% respectively). However, a visible return to growth can be expected as early as in 2021, with global GDP growth rate of 5.8%.

In European Union, the previous relatively good economic situation deteriorated significantly in the past year (GDP growth in EU 27 without UK by 1.5% in 2019 vs. 2.1% in 2018, according to the European Commission's estimates). According to projections from the beginning of May this year and in the face of the COVID-19 pandemic, a deep crisis in the European Union is predicted for 2020, which will be characterised by a very large drop in GDP (by 7.4% according to the European Commission). A clear improvement of the situation in the EU economy is possible as early as in 2021 (GDP growth by 6.1%). According to the estimates by the European Chemical Industry Council (CEFIC), in 2019 the chemical industry output of the European Union decreased by about 1% (decline for the second year in a row compared to a negative growth rate of -0.7% in 2018). The main reasons for last year's figures include: general slowdown in global economic growth, uncertainty about the UK's exit from the EU, commercial conflicts between major economies, downturn in the automotive industry. In view of the projections indicating an economic crisis in the EU in 2020 (as a result of the COVID-19 pandemic), the EU's chemical production should be expected to fall even more markedly this year. However, given that the efforts to extinguish the pandemic require continuity or increase in the production of, among others, certain chemicals, not all sectors of the chemical industry will necessarily be affected by significant declines.

As for the European construction sector, 2019 was marked by a significantly slower growth rate compared to the last two years. According to Euroconstruct, construction output in Western Europe and Central Europe increased by 2.3% in 2019, compared to 3.2% in 2018. In December 2019, Euroconstruct predicted relatively low but positive growth rates of the sector for the next 2-3 years, reaching 1% per year on average (including above average several percent figures for Poland and other Central European countries). However, in 2020, due to the COVID-19 pandemic, dynamics are expected to be significantly lower than projected.



OTHER FACTORS AFFECTING THE CIECH GROUP'S ACTIVITIES

Factors	Description
<p>Economic situation on raw material market</p>	<p>Due to the fact that costs of raw materials account for a large share of total costs of the Group, the situation on key raw material markets (availability and price) significantly affect the CIECH Group's activities and financial performance. Price and availability of raw materials depends largely on economic and political developments across the globe.</p> <p>Hard coal – situation on the market depends on a number of macroeconomic factors. The largest producer of hard coal in the European Union is Poland, but EU's import of coal (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. 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>Gas – the main energy resource used by the combined heat and power plant at the Stassfurt plant. The situation on the gas market depends on many factors, such as the price of oil, demand for gas due to the current weather conditions and the current share of gas in the energy mix. 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>Process steam – this form of heat energy was used by CIECH Soda Romania S.A. in the production process of sodium carbonate 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>Furnace fuel (coke/anthracite) – coke prices depend primarily on prices of coking coal, from which it is produced. The largest global producer of coke is China which, at the same time, is one of the largest consumers of this raw material. In Europe, 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 relatively high prices of coke, in first quarter of 2020 the Group used anthracite to a large extent in the furnace mixture.</p> <p>Oil-derivative raw materials – used primarily in the organic segment, are linked to oil prices. Oil prices depend primarily on macroeconomic and political factors which translate into global demand and supply situation.</p>
<p>Exchange rates of Polish zloty (PLN) and Romanian leu (RON) to euro (EUR) and US dollar (USD)</p>	<p>The CIECH Group's main source of exposure to foreign currency risk is related to EUR and USD in which export sales are denominated. Weakening of PLN and RON (in which significant costs are incurred) in relation to EUR and USD (in which a material portion of sales is made) has a positive impact on the CIECH Group's financial performance. The Group applies natural hedging and hedging instruments.</p>
<p>Volume of chemical production capacity on markets where the CIECH Group operates</p>	<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>Over the next 3 years or so, significant increases in production capacity in the soda sector are planned mainly in the United States, China and India. However, market information from the turn of March/April indicates that these projects may be delayed as a result of the COVID-19 pandemic. In general, for the coming years the average annual growth rate of global sodium carbonate capacity is expected to be similar to the growth rate of global demand.</p> <p>Much greater capacity expansions (additional 5 million tonnes/year on the basis of natural deposits) were announced for 2024-2025 in the USA. Taking into account the scale of these projects and experience from the implementation of similar projects in the previous years, one should take into account the possible prolongation of their implementation.</p>



Factors	Description
Environmental requirements	<p>REACH system implementation</p> <p>In accordance with the REACH regulation, the Group's companies selling substances in quantities exceeding 1 tonne p.a. have completed or plan to complete full registration of these substances by defined deadlines, which will enable them to continue their operations in the current scope.</p>
	<p>Emission trading system</p> <p>Production companies of the CIECH Group are included in the emission trading system. External analyses performed by the CIECH Group companies indicate that the amount of free CO₂ emission allowances in the 3rd settlement period (2013–2020) will be insufficient to cover the actual demand for this type of settlement units. In addition to the direct costs connected with the purchase of CO₂ emission allowances, the CIECH Group companies will bear higher costs of electricity due to their assumption of the costs of purchase of 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

As of the date of publishing the previous financial statements (i.e. the date of publication of the Consolidated financial statements of the CIECH Group for 2019, i.e. 31 March 2020), 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	3,530,000	3,530,000	6.70%	6.70%
Aviva Otwarty Fundusz Emerytalny Aviva Santander ***	Ordinary bearer	3,086,000	3,086,000	5.86%	5.86%
Other	Ordinary bearer	19,131,857	19,131,857	36.30%	36.30%

* 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 Ordinary General Meeting of Shareholders of CIECH S.A. on 21 May 2020, CR 25/2020 prepared and published pursuant to Article 70(3) of the Act of 29 July 2005 on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies (Journal of Laws of 2009, No 185, item 1439).

*** On the basis of the list of shareholders holding at least 5% of votes at the Ordinary General Meeting of Shareholders of CIECH S.A. on 21 May 2020, CR 25/2020 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 31 March 2020 and the date of approval of this report:

Mr Dawid Jakubowicz – President of the Management Board of CIECH S.A. held 5,713 shares of CIECH S.A.

Mr Mirosław Skowron – Member of the Management Board of CIECH S.A., held 1,930 shares 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.

Mr Rafał Czubiński – Managing Director of CIECH S.A. held 1,950 shares of CIECH S.A.

Managers and supervisors of CIECH S.A., as at 31 March 2020 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 Consolidated financial statements of the CIECH Group for 2019, i.e. 31 March 2020.

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 31 March 2020, 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 3.12 below, in "Audits of tax settlements at the CIECH Group", and the case described below:

3.11.2. SIGNIFICANT DISPUTED RECEIVABLES OF THE CIECH GROUP

As at 31 March 2020, 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.

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 item 2.13 hereof.

Letters of support

As at 31 March 2020, 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 CIECH Soda Deutschland GmbH&Co. KG 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 CIECH Soda Deutschland GmbH&Co. KG received payments of EUR 45.8 million from Innogy by 31 March 2020. In the letter of support, CIECH S.A. has committed, among other things, to ensure that CIECH Soda Deutschland GmbH&Co. KG will have sufficient funds to fulfil its financial commitments against Innogy resulting from the above-mentioned agreement.

Audits of tax settlements at the CIECH Group

In the first quarter of 2020, 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.

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 a 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. 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). CIECH S.A. appealed against the decision of the second instance to the Provincial Administrative Court in Cracow. 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.

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. 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.

CIT audit for 2014 at CIECH S.A. was initiated by the Head of the Małopolskie Province Customs and Tax Office in Kraków on 13 November 2019. On 22 May 2020, the Company received the audit result. The authority accuses the company of overstating the tax deductible costs by including interest on external financing contributed to the reserve capital of Soda Deutschland Ciech GmbH and the costs of obtaining such financing as tax costs. In addition, according to the authority, expenses incurred due to trademark fees paid to a company from the CIECH Group should not be recognized by CIECH S.A. as tax expense. The tax base challenged by the Authority is PLN 32.5 million, which gives a potential tax liability of PLN 6.2 million. The company does not agree with the controller's findings. The potential tax liability related to this control is included in the estimated amount of PLN 143.8 million shown in the following paragraph summarizing the CIT tax controls.

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. **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. **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.

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. 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.

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 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. In January 2019, the company submitted objections to the report. 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 interest due. Tax proceedings are currently underway.

The Group estimated that the potential impact on income tax expense (in the form of additional tax liabilities or inability to recover a deferred income tax asset calculated for tax losses), in connection with the above events which are or may continue to be challenged, would amount to PLN 143.8 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 143.8 million, a provision was recognised for potential tax liabilities in the amount of PLN 90.2 million, and an impairment loss on deferred tax asset was recognised in the amount of PLN 26.7 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 the appeals to the Provincial Administrative Court, the total tax amount of PLN 53.7 million was paid, including total interest of PLN 25.2 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 S.A.

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 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 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 Cracow.

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 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 Cracow.

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 possible VAT correction in the current period. 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 July 2019, 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 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 Cracow.

VAT audit for the period from January to June 2018 at CIECH Trading S.A. 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.

The audit carried out by the Silesian Customs and Tax Office in Katowice (i.e. for the period from May to June 2018) is in progress.

The company recognised a provision for possible VAT arrears, interest and a sanction in the amount of PLN 5.2 million.

The audit at the Ciech Group in Germany concerns CIT settlements. The CIT audit concerns the following companies: Sodawerk Staßfurt Verwaltungs GmbH, CIECH Soda Deutschland GmbH & Co. KG, Sodawerk Holding Staßfurt GmbH, SDC GmbH. The audits cover settlements for 2007-2009 and 2010-2015. The issues raised by the auditors concerning 2006 were definitively clarified by the auditors at the initial stage of the audit. 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. As at the balance sheet date, the outcome of the audit is not known – the companies did not receive any reports from the tax authorities.

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 3-MONTH PERIOD ENDED 31 MARCH 2020**



4

QUARTERLY FINANCIAL INFORMATION OF THE PARENT COMPANY, CIECH S.A.

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

	01.01.-31.03.2020	01.01.-31.03.2019
CONTINUING OPERATIONS		
Sales revenues	495,319	626,807
Cost of sales	(432,552)	(553,179)
Gross profit on sales	62,767	73,628
Other operating income	1,531	1,349
Selling costs	(29,387)	(49,733)
General and administrative expenses	(21,423)	(17,018)
Other operating expenses	(908)	(606)
Operating profit	12,580	7,620
Financial income	30,015	39,697
Financial expenses	(85,606)	(36,228)
Net financial income/(expenses)	(55,591)	3,469
Profit before tax	(43,011)	11,089
Income tax	6,029	(4,541)
Net profit on continuing operations	(36,982)	6,548
Earnings per share (in PLN):		
Basic	(0.70)	0.12
Diluted	(0.70)	0.12
Earnings per share (in PLN) from continuing operations:		
Basic	(0.70)	0.12
Diluted	(0.70)	0.12

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

	01.01.-31.03.2020	01.01.-31.03.2019
Net profit for the year	(36,982)	6,548
Other comprehensive income before tax that may be reclassified to the statement of profit or loss	(25,620)	(4,043)
Cash flow hedge reserve	(25,620)	(4,043)
Other comprehensive income before tax that may not be reclassified to the statement of profit or loss	-	-
Income tax attributable to other comprehensive income	4,868	626
Income tax attributable to other comprehensive income that may be reclassified to the statement of profit or loss	4,868	626
Other comprehensive income net of tax	(20,752)	(3,417)
TOTAL COMPREHENSIVE INCOME	(57,734)	3,131



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

	31.03.2020	31.12.2019
ASSETS		
Property, plant and equipment	13,324	14,131
Intangible assets	53,983	54,414
Long-term financial assets	2,535,036	2,416,967
Deferred income tax assets	15,768	2,166
Rights to use an asset	30,773	29,336
Total non-current assets	2,648,884	2,517,014
Inventory	26,984	30,694
Short-term financial assets	835,048	794,231
Trade and other receivables	450,998	378,010
Cash and cash equivalents	451,993	169,983
Total current assets	1,765,023	1,372,918
Total assets	4,413,907	3,889,932
EQUITY AND LIABILITIES		
Share capital	287,614	287,614
Share premium	470,846	470,846
Cash flow hedge reserve	(21,787)	(1,035)
Actuarial gains	(37)	(37)
Other reserve capitals	76,199	76,199
Retained earnings	592,637	629,619
Total equity	1,405,472	1,463,206
Loans, borrowings and other debt instruments	1,757,436	1,580,756
Lease liabilities	25,121	24,405
Other non-current liabilities	57,189	26,686
Employee benefits reserve	1,117	1,089
Total non-current liabilities	1,840,863	1,632,936
Loans, borrowings and other debt instruments	775,640	301,762
Lease liabilities	6,080	5,035
Trade and other liabilities	351,232	451,356
Employee benefits reserve	1,635	2,312
Other provisions	32,985	33,325
Total current liabilities	1,167,572	793,790
Total liabilities	3,008,435	2,426,726
Total equity and liabilities	4,413,907	3,889,932



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

	01.01.-31.03.2020	01.01.-31.03.2019
Cash flows from operating activities		
Net profit for the period	(36,982)	6,548
Amortisation/depreciation	4,615	3,474
Recognition of impairment allowances	2,015	901
Foreign exchange (profit) /loss	(26,788)	96
(Profit) / loss on disposal of property, plant and equipment	3	(1)
Dividends and interest	4,875	2,506
Income tax	(6,029)	4,541
Change in liabilities due to loan arrangement fee	521	428
Value of derivatives	57,169	(5,771)
Other	-	710
Cash from operating activities before changes in working capital and provisions	(601)	13,432
Change in receivables	(50,943)	(91,686)
Change in inventory	3,710	9,044
Change in current liabilities	(146,362)	49,844
Change in provisions and employee benefits	(989)	1,203
Cash generated from operating activities	(195,185)	(18,163)
Interest paid	(5,824)	(6,051)
Income tax (paid)	(356)	(3,141)
Net cash from operating activities	(201,365)	(27,355)
Cash flows from investment activities		
Disposal of intangible assets and property, plant and equipment	271	2
Dividends received	114	-
Interest received	3,364	3,281
Cash pooling inflows	72,381	1,505
Acquisition of intangible assets and property, plant and equipment	(3,611)	(8,541)
Raise capital expenditures and extra charge on capital	(450)	-
Borrowings paid out	(110,666)	(60,772)
Net cash from investment activities	(38,597)	(64,525)
Cash flows from financial activities		
Proceeds from loans and borrowings	552,147	269,832
Cash pooling inflows	-	11,513
Repayment of loans and borrowings	-	(205,483)
Cash pooling outflows	(34,493)	-
Payments of lease liabilities	(822)	(845)
Net cash from financial activities	516,832	75,017
Total net cash flows	276,870	(16,863)
Cash and cash equivalents as at the beginning of the period	169,984	54,988
<i>Impact of foreign exchange differences</i>	<i>5,139</i>	<i>175</i>
Cash and cash equivalents as at the end of the period	451,993	38,300



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

	Share capital	Share premium	Cash flow hedge reserve	Other reserve capitals	Actuarial gains	Retained earnings	Total equity
01.01.2020	287,614	470,846	(1,035)	76,199	(37)	629,619	1,463,206
Total comprehensive income for the period	-	-	(20,752)	-	-	(36,982)	(57,734)
Net profit / (loss) for the period	-	-	-	-	-	(36,982)	(36,982)
Other comprehensive income	-	-	(20,752)	-	-	-	(20,752)
31.03.2020	287,614	470,846	(21,787)	76,199	(37)	592,637	1,405,472
01.01.2019	287,614	470,846	(1,152)	76,199	11	569,183	1,402,701
Total comprehensive income for the period	-	-	(3,417)	-	-	6,548	3,131
Net profit / (loss) for the period	-	-	-	-	-	6,548	6,548
Other comprehensive income	-	-	(3,417)	-	-	-	(3,417)
31.03.2019	287,614	470,846	(4,569)	76,199	11	575,731	1,405,832



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 31 March 2020 and as at 31 December 2019, results of the Company's operations and cash flows for the period of 3 months ended 31 March 2020 and 31 March 2019, and were approved by the Management Board of CIECH S.A. on 27 May 2020.

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 3-month period ended 31 March 2020.

5.2. ADOPTED ACCOUNTING PRINCIPLES

The CIECH S.A.'s accounting principles are described in the Financial Statements of CIECH S.A. for 2019, published on 31 March 2020. 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.

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):

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



REPRESENTATION OF THE MANAGEMENT BOARD

This Extended consolidated quarterly report of the CIECH Group for the first quarter of 2020 was approved by the Management Board of CIECH S.A. on 27 May 2020.

Warsaw, 27 May 2020

(signed on the polish original)

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

(signed on the polish original)

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

(signed on the polish original)

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

(signed on the polish original)

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Katarzyna Rybacka — Chief Accountant of CIECH Spółka Akcyjna