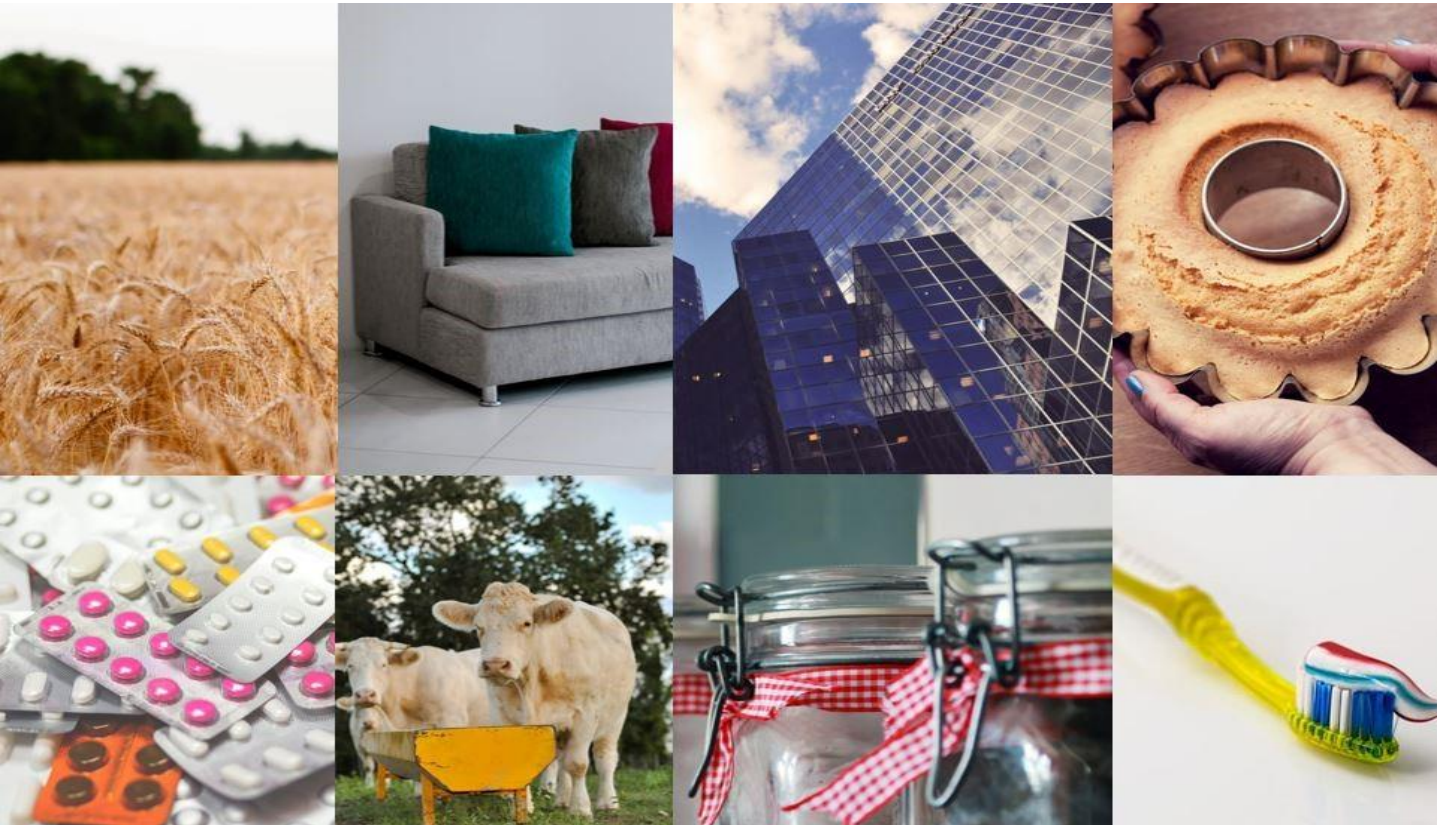




EXTENDED CONSOLIDATED  
QUARTERLY REPORT  
of the CIECH Group for the first quarter of 2019



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 31.03.2019	3 months ended 31.03.2018	3 months ended 31.03.2019	3 months ended 31.03.2018
Sales revenues	952,705	885,670	221,673	211,964
Operating profit/(loss)	83,375	102,083	19,399	24,431
Profit/(loss) before tax	73,306	95,789	17,057	22,925
Net profit / (loss) for the period	62,643	74,050	14,576	17,722
Net profit/(loss) attributable to shareholders of the parent company	62,588	73,897	14,563	17,685
Net profit/(loss) attributed to non-controlling interest	55	153	13	37
Other comprehensive income net of tax	(24,800)	3,126	(5,770)	748
Total comprehensive income	37,843	77,176	8,806	18,470
Cash flows from operating activities	(21,674)	(3,873)	(5,043)	(927)
Cash flows from investment activities	(100,317)	(118,481)	(23,341)	(28,356)
Cash flows from financial activities	60,044	(1,570)	13,971	(376)
Total net cash flows	(61,947)	(123,924)	(14,413)	(29,659)
Earnings (loss) per ordinary share (in PLN/EUR)	1.19	1.40	0.28	0.34
	<b>as at 31.03.2019</b>	<b>as at 31.12.2018</b>	<b>as at 31.03.2019</b>	<b>as at 31.12.2018</b>
Total assets	4,965,935	4,831,303	1,154,519	1,123,558
Non-current liabilities	1,696,968	1,627,589	394,524	378,509
Current liabilities	1,261,009	1,233,599	293,169	286,883
Total equity	2,007,958	1,970,115	466,826	458,166
Equity attributable to shareholders of the parent	2,007,611	1,969,827	466,745	458,099
Non-controlling interest	347	288	81	67
Share capital	287,614	287,614	66,867	66,887

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

SELECTED FINANCIAL DATA	in thousand PLN		in thousand EUR	
	3 months ended 31.03.2019	3 months ended 31.03.2018	3 months ended 31.03.2019	3 months ended 31.03.2018
Sales revenues	626,807	595,246	145,844	142,458
Operating profit/(loss)	7,620	37,054	1,773	8,868
Profit/(loss) before tax	11,089	30,218	2,580	7,232
Net profit/(loss) for the period	6,548	24,248	1,524	5,803
Other comprehensive income net of tax	(3,417)	(1,298)	(795)	(311)
Total comprehensive income	3,131	22,950	729	5,492
Cash flows from operating activities	(27,355)	(82,637)	(6,365)	(19,777)
Cash flows from investment activities	(64,525)	(31,545)	(15,013)	(7,550)
Cash flows from financial activities	75,017	18,439	17,455	4,413
Total net cash flows	(16,863)	(95,743)	(3,923)	(22,914)
	<b>as at 31.03.2019</b>	<b>as at 31.12.2018</b>	<b>as at 31.03.2019</b>	<b>as at 31.12.2018</b>
Total assets	4,096,604	3,927,454	952,411	913,362
Non-current liabilities	1,396,523	1,393,685	324,675	324,113
Current liabilities	1,294,249	1,131,068	300,897	263,039
Total equity	1,405,832	1,402,701	326,839	326,210
Share capital	287,614	287,614	66,867	66,887

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 31.03.2019	as at 31.12.2018	3 months ended 31.03.2019	3 months ended 31.03.2018
EUR 1 = PLN 4.3013	EUR 1 = PLN 4.3000	EUR 1 = PLN 4.2978	EUR 1 = PLN 4.1784



**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2019**

**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.-31.03.2019	01.01.-31.03.2018
<b>CONTINUING OPERATIONS</b>		
Sales revenues	952,705	885,670
Cost of sales	(759,947)	(679,044)
<b>Gross profit/(loss) on sales</b>	<b>192,758</b>	<b>206,626</b>
Other operating income	15,626	11,317
Selling costs	(67,560)	(67,555)
General and administrative expenses	(46,298)	(37,147)
Other operating expenses	(11,151)	(11,158)
<b>Operating profit/(loss)</b>	<b>83,375</b>	<b>102,083</b>
Financial income	5,262	4,967
Financial expenses	(15,653)	(11,257)
<b>Net financial income/(expenses)</b>	<b>(10,391)</b>	<b>(6,290)</b>
Share of profit / (loss) of equity-accounted investees	322	(4)
<b>Profit/(loss) before tax</b>	<b>73,306</b>	<b>95,789</b>
Income tax	(10,663)	(21,739)
<b>Net profit/(loss) on continuing operations</b>	<b>62,643</b>	<b>74,050</b>
<b>DISCONTINUED OPERATIONS</b>		
Net profit/(loss) on discontinued operations	-	-
<b>Net profit / (loss) for the period</b>	<b>62,643</b>	<b>74,050</b>
including:		
Net profit/(loss) attributable to shareholders of the parent company	62,588	73,897
Net profit/(loss) attributed to non-controlling interest	55	153
<b>Earnings per share (in PLN):</b>		
Basic	1.19	1.40
Diluted	1.19	1.40
<b>Earnings/(loss) per share (in PLN) from continuing operations:</b>		
Basic	1.19	1.40
Diluted	1.19	1.40

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.-31.03.2019	01.01.-31.03.2018
<b>Net profit / (loss) for the period</b>	<b>62,643</b>	<b>74,050</b>
<b>Other comprehensive income before tax that may be reclassified to the statement of profit or loss</b>	<b>(26,934)</b>	<b>3,316</b>
Currency translation differences (foreign companies)	(14,988)	1,414
Cash flow hedge reserve	(15,069)	2,957
Costs of hedging reserve	3,123	(1,053)
Other components of other comprehensive income	-	(2)
<b>Other comprehensive income before tax that may not be reclassified to the statement of profit or loss</b>	<b>-</b>	<b>-</b>
<b>Income tax attributable to other comprehensive income</b>	<b>2,134</b>	<b>(190)</b>
Income tax attributable to other comprehensive income that may be reclassified to the statement of profit or loss	2,134	(190)
<b>Other comprehensive income net of tax</b>	<b>(24,800)</b>	<b>3,126</b>
<b>Comprehensive income including attributable to:</b>	<b>37,843</b>	<b>77,176</b>
Shareholders of the parent company	37,784	76,926
Non-controlling interest	59	250

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

	31.03.2019	31.12.2018
<b>ASSETS</b>		
Property, plant and equipment	2,825,186	2,857,199
Right of perpetual usufruct	-	29,646
Rights to use an asset	178,521	-
Intangible assets, including:	460,052	458,158
- goodwill	140,750	140,713
Investment property	37,766	37,766
Non-current receivables	57,676	64,603
Investments in associates and jointly-controlled entities measured under the equity method	5,882	5,556
Long-term financial assets	24,714	28,774
Deferred income tax assets	75,558	77,043
<b>Total non-current assets</b>	<b>3,665,355</b>	<b>3,558,745</b>
Inventory	448,734	438,518
Short-term financial assets	23,418	29,832
Income tax receivables	21,750	16,116
Trade and other receivables	675,520	595,163
Cash and cash equivalents	130,368	192,139
Non-current assets held for sale	790	790
<b>Total current assets</b>	<b>1,300,580</b>	<b>1,272,558</b>
<b>Total assets</b>	<b>4,965,935</b>	<b>4,831,303</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	287,614	287,614
Share premium	470,846	470,846
Cash flow hedge reserve	(9,827)	3,115
Costs of hedging reserve	(1,502)	(4,625)
Actuarial gains	119	119
Other reserve capitals	78,521	78,521
Currency translation reserve	(78,227)	(63,242)
Retained earnings	1,260,067	1,197,479
<b>Equity attributable to shareholders of the parent</b>	<b>2,007,611</b>	<b>1,969,827</b>
Non-controlling interest	347	288
<b>Total equity</b>	<b>2,007,958</b>	<b>1,970,115</b>
Loans, borrowings and other debt instruments	1,341,245	1,340,742
Lease liabilities	101,519	17,623
Other non-current liabilities	107,533	112,631
Employee benefits reserve	11,839	11,851
Other provisions	77,307	79,080
Deferred income tax liability	57,525	65,662
<b>Total non-current liabilities</b>	<b>1,696,968</b>	<b>1,627,589</b>
Loans, borrowings and other debt instruments	367,638	291,924
Lease liabilities	39,217	5,917
Trade and other liabilities	678,600	761,467
Income tax liabilities	52,822	53,041
Employee benefits reserve	748	877
Other provisions	121,984	120,373
<b>Total current liabilities</b>	<b>1,261,009</b>	<b>1,233,599</b>
<b>Total liabilities</b>	<b>2,957,977</b>	<b>2,861,188</b>
<b>Total equity and liabilities</b>	<b>4,965,935</b>	<b>4,831,303</b>

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.-31.03.2019	01.01.-31.03.2018
<b>Cash flows from operating activities</b>		
<b>Net profit/(loss) for the period</b>	<b>62,643</b>	<b>74,050</b>
Adjustments		
Amortisation/depreciation	76,929	63,336
Recognition of impairment allowances	(93)	(133)
Foreign exchange (profit) /loss	159	(513)
(Profit) / loss on investment activities	-	163
(Profit) / loss on disposal of property, plant and equipment	152	(80)
Dividends and interest	10,572	6,336
Interest from lease liabilities	567	-
Income tax	10,663	21,739
(Profit) / loss on the settlement of construction contracts (caverns)	(1,672)	(1,671)
Share of (profit) / loss on equity accounted investees	(322)	4
Change in liabilities due to loan arrangement fee	428	479
Valuation of derivatives	(11,053)	16,277
Ineffective portion of hedge accounting	485	632
Other adjustments	(231)	(2,416)
<b>Cash from operating activities before changes in working capital and provisions</b>	<b>149,227</b>	<b>178,203</b>
Change in receivables	(93,891)	(24,944)
Change in inventory	(10,840)	(27,209)
Change in current liabilities	(56,597)	(112,094)
Change in provisions and employee benefits	(295)	538
<b>Cash generated from operating activities</b>	<b>(12,396)</b>	<b>14,494</b>
Interest paid	(1,969)	(1,171)
(Profit) / loss on the settlement of construction contracts (caverns)	8,583	276
Income tax (paid)/returned	(15,341)	(14,060)
Expenses for research	(551)	(3,412)
<b>Net cash from operating activities</b>	<b>(21,674)</b>	<b>(3,873)</b>
<b>Cash flows from investment activities</b>		
Disposal of intangible assets and property, plant and equipment	24	526
Dividends received	649	133
Interest received	89	795
Subsidies received	222	110
Acquisition of intangible assets and property, plant and equipment	(71,398)	(96,775)
Acquisition of financial assets	-	(120)
Development expenditures	(1,801)	(1,903)
Expenditure on the purchase of emission rights	(28,102)	(21,242)
Other outflows	-	(5)
<b>Net cash from investment activities</b>	<b>(100,317)</b>	<b>(118,481)</b>
<b>Cash flows from financial activities</b>		
Proceeds from loans and borrowings	273,408	-
Repayment of loans and borrowings	(206,820)	-
Payments of lease liabilities	(6,544)	(1,567)
Other financial outflows	-	(3)
<b>Net cash from financial activities</b>	<b>60,044</b>	<b>(1,570)</b>
<b>Total net cash flows</b>	<b>(61,947)</b>	<b>(123,924)</b>
<b>Cash and cash equivalents as at the beginning of the period</b>	<b>192,139</b>	<b>489,754</b>
<i>Impact of foreign exchange differences</i>	176	(304)
<b>Cash and cash equivalents as at the end of the period</b>	<b>130,368</b>	<b>365,526</b>

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
<b>01.01.2019</b>	<b>287,614</b>	<b>470,846</b>	<b>3,115</b>	<b>(4,625)</b>	<b>78,521</b>	<b>119</b>	<b>(63,242)</b>	<b>1,197,479</b>	<b>1,969,827</b>	<b>288</b>	<b>1,970,115</b>
<b>Total comprehensive income for the period</b>	-	-	<b>(12,942)</b>	<b>3,123</b>	-	-	<b>(14,985)</b>	<b>62,588</b>	<b>37,784</b>	<b>59</b>	<b>37,843</b>
Net profit / (loss) for the period	-	-	-	-	-	-	-	62,588	62,588	55	62,643
Other comprehensive income	-	-	(12,942)	3,123	-	-	(14,985)	-	(24,804)	4	(24,800)
<b>31.03.2019</b>	<b>287,614</b>	<b>470,846</b>	<b>(9,827)</b>	<b>(1,502)</b>	<b>78,521</b>	<b>119</b>	<b>(78,227)</b>	<b>1,260,067</b>	<b>2,007,611</b>	<b>347</b>	<b>2,007,958</b>
<b>31.12.2017</b>	<b>287,614</b>	<b>470,846</b>	<b>10,021</b>	-	<b>78,521</b>	<b>311</b>	<b>(73,630)</b>	<b>1,413,913</b>	<b>2,187,596</b>	<b>(2,951)</b>	<b>2,184,645</b>
Changes in accounting policies	-	-	2,408	(5,240)	-	-	-	(1,356)	(4,188)	-	(4,188)
<b>01.01.2018</b>	<b>287,614</b>	<b>470,846</b>	<b>12,429</b>	<b>(5,240)</b>	<b>78,521</b>	<b>311</b>	<b>(73,630)</b>	<b>1,412,557</b>	<b>2,183,408</b>	<b>(2,951)</b>	<b>2,180,457</b>
<b>Total comprehensive income for the period</b>	-	-	<b>2,270</b>	<b>(1,053)</b>	-	-	<b>1,814</b>	<b>73,895</b>	<b>76,926</b>	<b>250</b>	<b>77,176</b>
Net profit / (loss) for the period	-	-	-	-	-	-	-	73,897	73,897	153	74,050
Other comprehensive income	-	-	2,270	(1,053)	-	-	1,814	(2)	3,029	97	3,126
<b>31.03.2018</b>	<b>287,614</b>	<b>470,846</b>	<b>14,699</b>	<b>(6,293)</b>	<b>78,521</b>	<b>311</b>	<b>(71,816)</b>	<b>1,486,452</b>	<b>2,260,334</b>	<b>(2,701)</b>	<b>2,257,633</b>

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



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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 2019 and as at 31 December 2018, results of the Group’s operations and cash flows for the period of 3 months ended 31 March 2019 and 31 March 2018, and were approved by the Management Board of CIECH S.A. on 28 May 2019.

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 2019 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 items 2.2.1, 2.6, 2.7, 2.8 and 2.13 hereof. During the current semi-annual 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 2018, published on 26 March 2019. The aforementioned Financial Statement include detailed information regarding the principles and methods of valuation of assets, equity and liabilities and measurement of the financial result as well as the method of preparing the financial statements and comparative information. These principles have been applied on a continuous basis with relation to currently published data, the last annual financial statements and comparative data presented, except for IFRS 16 Leases and change in the manner of accounting for the disposal of inventories – from the FIFO method to the weighted average method.



### 2.2.1. CHANGES IN INTERNATIONAL FINANCIAL REPORTING STANDARDS

On 1 January 2019, the CIECH Group adopted a new financial reporting standard, IFRS 16 Leases.

IFRS 16 "Leases" was issued by the International Accounting Standards Board on 13 January 2016 and is effective for annual periods beginning on or after 1 January 2019. The CIECH Group had not elected to early adopt the standard and implemented the standard as of 1 January 2019.

The standard has introduced a new definition of lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a given period if, throughout the period of use, the customer has the right to both direct the use of the identified asset and obtain substantially all of the economic benefits from directing the use of the identified asset. As a practical expedient, entities are not required to reassess whether a contract is a lease at the date of initial application of the standard. Instead, the new definition may not be applied to contracts that were previously assessed as to whether they classified as leases in accordance with IAS 17 and IFRIC 4. If entities choose to apply the aforementioned expedient for the identification of contracts as leases, the new lease definition would apply only to contracts executed after 1 January 2019.

For a contract that is, or contains, a lease, an entity accounts for each lease component within the contract as a lease separately from non-lease components of the contract, unless the entity applies the practical expedient. As a practical expedient, a lessee may elect not to separate non-lease components, and instead account for the entire contract as a single lease component.

For lessees, IFRS 16 departs from the classification of leases into operating and finance leases and introduces a single model of accounting treatment, broadly equivalent to the existing accounting model used for finance leases. The lessees will be required to recognise (a) assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value and (b) amortisation of the leased asset separately from interest on lease liability in the statement of profit or loss. IFRS 16's approach to lessor accounting is substantially unchanged from its predecessor, IAS 17. Lessors continue to classify leases as operating or finance leases, with each of them subject to different accounting treatment.

After the application of the new standard at the CIECH Group, operating leases were recognised in the statement of financial position, which resulted in an increase in the balance sheet total (by reporting the right-of-use assets under fixed assets in the statement of financial position (as a separate item) with corresponding lease liabilities) and changed the classification of expenses in the statement of profit or loss (where lease expenses were replaced by depreciation and interest expense). Right-of-use assets are depreciated using the straight-line method, while the lease liabilities are settled using the appropriate interest rate.

The present value of a lease payment was determined based on the incremental borrowing rate. The calculation of interest rates took account of credit risk (reflected in the margin assumed), economic conditions in which the transactions took place (country, currency of the contract) and the duration of the contract (preparation of calculations for the relevant periods within which the Group holds lease contracts). Interest rates range from 0.81% to 7.69% (for PLN 3.39%-5.74%; for EUR 0.81%-5.73% for USD 4.92%-7.12%; for RON 5.37%-7.69%).

In addition, the period of the lease payment projections applied referred previously only to the irrevocable lease term, whereas under IFRS 16, the lease term over which the lease liability is recognised also includes any periods resulting from an extension or early termination if any of the above scenarios is sufficiently certain in the entity's judgement. In the case of contracts with an extension option, the lease liability would be respectively higher, while termination options resulted in a reduction in the liability amount.

Moreover, the Group companies recognised the land perpetual usufruct right received free of charge on the basis of an administrative decision as an operating lease. Under IFRS 16, land perpetual usufruct right was treated as a lease, and the recognition of the assets held by the Group on this account would had, first and foremost, a significant impact on total assets.

The Group applies the simplifications for short-term leases and low-value asset leases provided for in the standard. It is assumed that assets whose unit value does not exceed approximately PLN 15 thousand, which corresponds to approximately USD 5 thousand, are low-value assets. Short-term leases are those whose term is shorter than 12 months.

Following the implementation of IFRS 16, finance leases recognised previously under property, plant and equipment (of PLN 33,588 thousand) and perpetual usufruct right (of PLN 29,521 thousand) were reclassified and as of 1 January 2019 they are reported under "right-of-use assets" in the statement of financial position.



The effect of the implementation of IFRS 16 on the CIECH Group's consolidated financial statements as at 1 January 2019 is as follows (the amounts relate to newly recognized assets):

CIECH Group	01.01.2019
Right-of-use assets recognised	119,089
Lease liabilities recognised	119,089

CIECH Group Right-of-use assets	Adjustment to opening balance
Land	28,267
Buildings, premises, civil and marine engineering structures	51,684
Vehicles	38,574
Other fixed assets	564
<b>Value as at the beginning of the period</b>	<b>119,089</b>

The effect of the implementation of IFRS 16 on the CIECH S.A.'s financial statements as at 1 January 2019 is as follows (the amounts relate to newly recognized assets):

CIECH S.A.	01.01.2019
Right-of-use assets recognised	32,518
Lease liabilities recognised	32,518

CIECH S.A. Right-of-use assets	Adjustment to opening balance
Buildings, premises, civil and marine engineering structures	31,616
Vehicles	902
<b>Value as at the beginning of the period</b>	<b>32,518</b>

A reconciliation of operating lease liabilities presented as at 31 December 2018 to lease liabilities recognised as at 1 January 2019 is presented below.

CIECH Group	
<b>Operating lease liabilities as at 31 December 2018</b>	<b>246,554</b>
Short-term leases	(2,040)
Low-value leases	(216)
Extension and termination options that are likely to be exercised by the Company	1,645
Buy-back option for long-term contracts	(235)
Change due to discount	(126,619)
<b>Amount of lease liabilities as at 1 January 2019, following the implementation of IFRS 16</b>	<b>119,089</b>

CIECH S.A.	
<b>Operating lease liabilities as at 31 December 2018</b>	<b>38,491</b>
Short-term leases	(47)
Low-value leases	(216)
Change due to discount	(5,710)
<b>Amount of lease liabilities as at 1 January 2019, following the implementation of IFRS 16</b>	<b>32,518</b>

Lease periods used to estimate the value of lease liabilities, broken down by underlying asset classes, were as follows:

- land	1-96 years
- buildings, premises, civil and marine engineering structures	1-77 years
- vehicles	1-6 years
- other fixed assets	1-3 years



The impact of the implementation of IFRS 16 Leasing on the net financial results of the CIECH Group and CIECH S.A. for the first quarter of 2019 is presented below:

<b>CIECH Group</b>	<b>01.01.-31.03.2019 IFRS 16</b>
Decrease in costs due to taxes, fees and services	4,261
Increase in interest costs (discount development)	(792)
Increase in amortisation	(3,676)

<b>CIECH S.A.</b>	<b>01.01.-31.03.2019 IFRS 16</b>
Decrease in costs due to taxes, fees and services	1,288
Increase in interest costs (discount development)	(287)
Increase in amortisation	(1,145)

The table below presents lease costs not included in the calculation of carrying amounts in accordance with IFRS 16 for the period:

	<b>01.01.-31.03.2019</b>
Costs due to short-term lease agreements (concluded for up to 12 months)	1,813
Lease costs of low-value assets, including:	188
<i>CIECH S.A.</i>	153
Costs related to variable lease payments not included in the measurement of lease liabilities	1,810

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 2018, published on 26 March 2019.

### 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 and Proplan Plant Protection Company S.L. – 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:

<b>NBP exchange rate as at the end day of the reporting period</b>	<b>31.03.2019<sup>1</sup></b>	<b>31.12.2018<sup>2</sup></b>
EUR	4,3013	4,3000
RON	0,9029	0,9229
<b>Average NBP rate for the reporting period</b>	<b>3 months ended 31.03.2019<sup>3</sup></b>	<b>3 months ended 31.03.2018<sup>4</sup></b>
EUR	4,2978	4,1784
RON	0,9053	0,8968

<sup>1</sup> NBP's average foreign exchange rates table applicable as at 31 March 2019.

<sup>2</sup> NBP's average foreign exchange rates table applicable as at 31 December 2018.

<sup>3</sup> According to the exchange rate constituting the arithmetic mean of average exchange rates quoted by NBP on the last day of each month of the period from 1 January 2019 to 31 March 2019.

<sup>4</sup> According to the exchange rate constituting the arithmetic mean of average exchange rates quoted by NBP on the last day of each month of the period from 1 January 2018 to 31 March 2018.

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



## 2.5. 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 localisation.

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.-31.03.2019	01.01.-31.03.2018
Net profit/(loss) on continuing operations	62,643	74,050
Income tax	10,663	21,739
Share of profit / (loss) of equity-accounted investees	(322)	4
Financial expenses	15,653	11,257
Financial income	(5,262)	(4,967)
Amortisation/depreciation	76,929	63,336
<b>EBITDA on continued operations</b>	<b>160,304</b>	<b>165,419</b>

	01.01.-31.03.2019	01.01.-31.03.2018
<b>EBITDA on continued operations</b>	<b>160,304</b>	<b>165,419</b>
One-offs including:	(734)	2,152
Impairment (a)	(96)	(134)
Cash items (b)	(566)	1,563
Non-cash items (without impairment) (c)	(72)	723
<b>Adjusted EBITDA from continuing operations</b>	<b>159,570</b>	<b>167,571</b>

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

(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.-31.03.2019	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)	-
<b>Total sales revenues</b>	<b>639,694</b>	<b>237,827</b>	<b>59,622</b>	<b>35,848</b>	<b>38,571</b>	-	<b>(58,857)</b>	<b>952,705</b>
Cost of sales	(492,110)	(190,585)	(46,318)	(33,064)	(30,219)	-	32,349	(759,947)
<b>Gross profit /(loss) on sales</b>	<b>147,584</b>	<b>47,242</b>	<b>13,304</b>	<b>2,784</b>	<b>8,352</b>	-	<b>(26,508)</b>	<b>192,758</b>
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
<b>Operating profit /(loss)</b>	<b>78,242</b>	<b>12,120</b>	<b>5,125</b>	<b>614</b>	<b>3,769</b>	<b>(16,077)</b>	<b>(418)</b>	<b>83,375</b>
Exchange differences and interest on trade settlements	(1,995)	252	49	(96)	(276)	-	-	(2,066)
Group borrowing costs	-	-	-	-	-	(11,557)	-	(11,557)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	3,232	-	3,232
Share of profit / (loss) of equity-accounted investees	322	-	-	-	-	-	-	322
<b>Profit /(loss) before tax</b>	<b>76,569</b>	<b>12,372</b>	<b>5,174</b>	<b>518</b>	<b>3,493</b>	<b>(24,402)</b>	<b>(418)</b>	<b>73,306</b>
Income tax	-	-	-	-	-	-	-	(10,663)
<b>Net profit /(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62,643</b>
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.





OPERATING SEGMENTS 01.01.-31.03.2018	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	582,032	210,070	62,941	3,405	27,222	-	-	885,670
Revenue from inter-segment transactions	12,958	609	1	31,392	5,794	-	(50,754)	-
<b>Total sales revenues</b>	<b>594,990</b>	<b>210,679</b>	<b>62,942</b>	<b>34,797</b>	<b>33,016</b>	-	<b>(50,754)</b>	<b>885,670</b>
Cost of sales	(429,171)	(179,015)	(46,595)	(29,590)	(25,704)	-	31,031	(679,044)
<b>Gross profit /(loss) on sales</b>	<b>165,819</b>	<b>31,664</b>	<b>16,347</b>	<b>5,207</b>	<b>7,312</b>	-	<b>(19,723)</b>	<b>206,626</b>
Selling costs	(60,061)	(15,486)	(10,416)	(1,107)	(1,181)	(550)	21,246	(67,555)
General and administrative expenses	(13,406)	(4,957)	(1,982)	(1,000)	(1,496)	(14,795)	489	(37,147)
Result on management of receivables	(119)	(12)	(4)	(140)	124	-	-	(151)
Result on other operating activities	5,056	(2,059)	(1,542)	(507)	278	(135)	(781)	310
<b>Operating profit /(loss)</b>	<b>97,289</b>	<b>9,150</b>	<b>2,403</b>	<b>2,453</b>	<b>5,037</b>	<b>(15,480)</b>	<b>1,231</b>	<b>102,083</b>
Exchange differences and interest on trade settlements	(2,385)	(3,449)	92	(66)	(81)	-	-	(5,889)
Group borrowing costs	-	-	-	-	-	(7,254)	-	(7,254)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	6,853	-	6,853
Share of profit / (loss) of equity-accounted investees	(4)	-	-	-	-	-	-	(4)
<b>Profit /(loss) before tax</b>	<b>94,900</b>	<b>5,701</b>	<b>2,495</b>	<b>2,387</b>	<b>4,956</b>	<b>(15,881)</b>	<b>1,231</b>	<b>95,789</b>
Income tax	-	-	-	-	-	-	-	(21,739)
<b>Net profit /(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74,050</b>
Amortization/depreciation	47,752	7,137	4,910	1,457	667	1,413	-	63,336
EBITDA	145,041	16,287	7,313	3,910	5,704	(14,067)	1,231	165,419
Adjusted EBITDA*	146,907	16,307	7,317	4,367	5,600	(14,158)	1,231	167,571

\*Adjusted EBITDA for the 3-month period ended 31 March 2018 is calculated as EBITDA adjusted for untypical one-off events: fortuitous events: PLN 1.7 million; change in impairment losses on assets: PLN -0.1 million; change in provisions: PLN 0.6 million.



## ASSETS AND LIABILITIES BY OPERATING SEGMENTS

	ASSETS		LIABILITIES	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
Soda segment	2,962,950	2,952,682	202,731	279,805
Organic segment	943,037	906,909	120,076	145,097
Silicates and glass segment	152,458	154,512	24,706	25,211
Transport segment	51,829	69,736	12,983	12,319
Other operations segment	92,478	49,876	39,835	30,272
Corporate functions - reconciliation item	824,584	741,469	2,619,265	2,413,317
Eliminations (consolidation adjustments)	(61,401)	(43,881)	(61,619)	(44,833)
<b>Total</b>	<b>4,965,935</b>	<b>4,831,303</b>	<b>2,957,977</b>	<b>2,861,188</b>

## INFORMATION ON GEOGRAPHICAL AREAS

ASSETS DIVIDED ON GEOGRAPHICAL REGIONS	Non-current assets other than financial instruments	Deferred income tax assets	Other assets	Total assets
<b>31.03.2019</b>				
Poland	2,317,220	75,558	943,347	3,336,125
European Union (excluding Poland)	1,260,770	-	328,912	1,589,682
Other European countries	-	-	18,542	18,542
Africa	-	-	4,164	4,164
Asia	-	-	11,956	11,956
Other regions	-	-	5,466	5,466
<b>TOTAL</b>	<b>3,577,990</b>	<b>75,558</b>	<b>1,312,387</b>	<b>4,965,935</b>
<b>31.12.2018</b>				
Poland	2,429,115	77,043	621,814	3,127,972
European Union (excluding Poland)	1,036,721	-	546,863	1,583,584
Other European countries	-	-	44,549	44,549
Africa	-	-	12,699	12,699
Asia	-	-	62,142	62,142
Other regions	-	-	357	357
<b>TOTAL</b>	<b>3,465,836</b>	<b>77,043</b>	<b>1,288,424</b>	<b>4,831,303</b>

## SALES REVENUES – GEOGRAPHICAL STRUCTURE OF MARKETS

	01.01.-31.03.2019	01.01.-31.03.2018	Dynamics 2019/2018
Poland	388,041	365,253	6.2%
European Union (excluding Poland)	434,332	379,985	14.3%
Germany	174,337	157,958	10.4%
Romania	38,223	33,156	15.3%
Czech Republic	38,470	34,764	10.7%
Italy	26,346	21,305	23.7%
The Netherlands	28,250	28,406	(0.5%)
Finland	15,675	18,722	(16.3%)
Sweden	12,035	22,056	(45.4%)
Belgium	7,581	7,412	2.3%
United Kingdom	14,776	12,872	14.8%
Denmark	9,467	5,462	73.3%
France	4,644	1,671	177.9%
Luxembourg	5,398	5,194	3.9%
Lithuania	4,231	3,734	13.3%
Other EU countries	54,899	27,273	101.3%



	01.01.-31.03.2019	01.01.-31.03.2018	Dynamics 2019/2018
Other European Countries	37,457	61,372	(39.0%)
Switzerland	4,098	29,152	(85.9%)
Norway	11,454	8,490	34.9%
Russia	1,799	3,691	(51.3%)
Other European countries	20,106	20,039	0.3%
Africa	26,631	16,862	57.9%
Asia	50,972	51,566	(1.2%)
India	26,773	32,887	(18.6%)
Singapore	185	3,078	(94.0%)
Bangladesh	10,318	2,809	267.3%
Hong Kong	5,134	1,866	175.1%
Turkey	3,719	6,133	(39.4%)
Other Asian countries	4,843	4,792	1.1%
Other regions	15,770	8,384	88.1%
Cash flow hedge adjustment	(498)	2,248	(122.2%)
<b>TOTAL</b>	<b>952,705</b>	<b>885,670</b>	<b>7.6%</b>

## 2.6. PROVISIONS AND IMPAIRMENT ALLOWANCES ON ASSETS

During the first quarter of 2019, 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
<b>01.01.-31.03.2019</b>					
Long-term	11,851	93	(99)	(6)	11,839
Short-term	877	21	(131)	(19)	748
<b>01.01.-31.03.2018</b>					
Long-term	10,789	113	(12)	39	10,929
Short-term	968	36	(287)	-	717

CHANGE IN OTHER LONG-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
<b>01.01.-31.03.2019</b>					
Provision for liabilities	1,047	-	-	-	1,047
Provision for environmental protection	75,794	-	-	240	76,034
Provision for expected losses	2,239	-	(2,013)	-	226
<b>TOTAL</b>	<b>79,080</b>	<b>-</b>	<b>(2,013)</b>	<b>240</b>	<b>77,307</b>
<b>01.01.-31.03.2018</b>					
Provision for liabilities	1,047	-	-	-	1,047
Provision for environmental protection	70,765	-	138	472	71,375
Provision for expected losses	-	-	-	6,500	6,500
<b>TOTAL</b>	<b>71,812</b>	<b>-</b>	<b>138</b>	<b>6,972</b>	<b>78,922</b>

CHANGE IN OTHER SHORT-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
<b>01.01.–31.03.2019</b>					
Provision for compensation	5,810	-	(98)	-	5,712
Provision for liabilities	76,235	2,040	(82)	-	78,193
Provision for environmental protection	2,311	-	(246)	(3)	2,062
Provision for expected losses	35,799	-	-	-	35,799
Restructuring provision	218	-	-	-	218
<b>TOTAL</b>	<b>120,373</b>	<b>2,040</b>	<b>(426)</b>	<b>(3)</b>	<b>121,984</b>
<b>01.01.–31.03.2018</b>					
Provision for compensation	5,138	40	(237)	-	4,941
Provision for liabilities	22,376	748	(86)	158	23,196
Provision for environmental protection	951	-	(207)	-	744
Provision for expected losses	48,793	-	-	(6,385)	42,408
Provision for bonuses	610	-	-	1	611
Other provisions	28	356	-	2	386
<b>TOTAL</b>	<b>77,896</b>	<b>1,144</b>	<b>(530)</b>	<b>(6,224)</b>	<b>72,286</b>

CHANGE IN IMPAIRMENT ALLOWANCES	Opening balance	Opening balance adjustment*	Adjusted opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
<b>for the period 01.01.–31.03.2019</b>							
Property, plant and equipment	3,390	-	3,390	52	-	(191)	3,251
Intangible assets, including:	460,216	-	460,216	-	-	(1,463)	458,753
<i>Goodwill</i>	414,383	-	414,383	-	-	(1,477)	412,906
Long-term receivables	1,441	-	1,441	-	(112)	-	1,329
Long-term financial assets	1,343	-	1,343	-	-	-	1,343
Inventories	40,695	-	40,695	1,584	(4,507)	(139)	37,633
Short-term financial assets	27,953	-	27,953	-	-	-	27,953
Trade and other receivables	58,991	-	58,991	972	(4,180)	742	56,525
Cash and cash equivalents	142	-	142	-	(28)	-	114
<b>TOTAL</b>	<b>594,171</b>	<b>-</b>	<b>594,171</b>	<b>2,608</b>	<b>(8,827)</b>	<b>(1,051)</b>	<b>586,901</b>
<b>for the period 01.01.–31.03.2018</b>							
Property, plant and equipment	6,981	-	6,981	2	-	(113)	6,870
Intangible assets, including:	445,791	-	445,791	-	-	3,853	449,644
<i>Goodwill</i>	402,416	-	402,416	-	-	3,489	405,905
Long-term receivables	-	1,531	1,531	67	-	(289)	1,309
Long-term financial assets	1,343	-	1,343	-	-	-	1,343
Inventories	37,987	-	37,987	293	(1,720)	699	37,259
Short-term financial assets	24,532	-	24,532	-	-	-	24,532
Trade and other receivables	44,613	5,143	49,756	1,083	(1,114)	(122)	49,603
Cash and cash equivalents	-	571	571	-	(323)	-	248
<b>TOTAL</b>	<b>561,247</b>	<b>7,245</b>	<b>568,492</b>	<b>1,445</b>	<b>(3,157)</b>	<b>4,028</b>	<b>570,808</b>

\*IFRS 9 implementation adjustment.



## 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.-31.03.2019	01.01.-31.03.2018
Current income tax	(14,764)	(10,580)
Deferred tax	4,101	(11,159)
<b>INCOME TAX RECOGNISED IN STATEMENT OF PROFIT OR LOSS</b>	<b>(10,663)</b>	<b>(21,739)</b>

Deferred income tax is attributable to the following items:

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITY	31.03.2019			31.12.2018		
	Total asset	Total liability	Net value	Total asset	Total liability	Net value
Property, plant and equipment	1,695	150,740	(149,045)	1,664	151,728	(150,064)
Intangible assets	7,523	24,838	(17,315)	8,005	25,334	(17,329)
Right of perpetual usufruct	-	5,003	(5,003)	-	5,003	(5,003)
Investment property	1,043	1,555	(512)	1,043	1,555	(512)
Financial assets	1,417	7,502	(6,085)	646	13,899	(13,253)
Inventory	2,155	1,335	820	2,645	1,916	729
Trade and other receivables	4,455	4,997	(542)	4,869	23,445	(18,576)
Provisions for employee benefits	2,474	3	2,471	2,455	3	2,452
Other provisions	20,337	-	20,337	17,067	-	17,067
Tax losses carried forward	47,983	-	47,983	43,521	-	43,521
Foreign exchange differences	2,129	285	1,844	2,492	281	2,211
Liabilities	33,359	47	33,312	52,921	62	52,859
Special economic zone	112,009	-	112,009	131,278	-	131,278
Other	234	45	189	160	12,003	(11,843)
Cash and cash equivalents	104	-	104	103	-	103
<b>Deferred tax assets/liability</b>	<b>236,917</b>	<b>196,350</b>	<b>40,567</b>	<b>268,869</b>	<b>235,229</b>	<b>33,640</b>
Set - off of deferred tax assets/ liability	(138,825)	(138,825)	-	(169,567)	(169,567)	-
Unrecognized deferred tax assets	(22,534)	-	(22,534)	(22,259)	-	(22,259)
<b>Deferred tax assets/liability recognised in the statement of financial position</b>	<b>75,558</b>	<b>57,525</b>	<b>18,033</b>	<b>77,043</b>	<b>65,662</b>	<b>11,381</b>

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

## 2.8. INFORMATION ON FAIR VALUE OF FINANCIAL INSTRUMENTS

### 2.8.1. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

As at 31 March 2019, the CIECH Group held the following types of financial instruments measured at fair value:

- futures contracts for the purchase of CO<sub>2</sub> certificates concluded by CIECH Soda Polska S.A., hedging the cost of purchase of CO<sub>2</sub> units in 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 USD/RON concluded by CIECH S.A. — Level 2, according to the fair value hierarchy.

In the first quarter of 2019, 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 item 8.4 of the Consolidated Financial Statements of the CIECH Group for 2018, published on 26 March 2019.

In the consolidated financial statements, all financial instruments concluded – except for one EUR/PLN currency forward – were designated for hedge accounting, and details of the designation were presented in item 8.2 of the Consolidated Financial Statements of the CIECH Group for 2018, published on 26 March 2019.

In the separate financial statements, all financial instruments, except for CIRS contracts and one EUR/PLN currency forward, were designated for hedge accounting, and details of the designation were presented in item 8.2 of the CIECH S.A.'s Financial Statements for 2018, published on 26 March 2019.

#### 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
<b>31.03.2019</b>						
IRS EUR	-	-	-	(334)	(486)	(820)
CIRS	-	11,806	15,464	(32,770)	(4,202)	(9,702)
Forward EUR/PLN	-	-	991	-	-	991
Forward USD /RON	-	-	-	-	(5,590)	(5,590)
Embedded derivatives	-	-	5,162	-	-	5,162
Futures	11,208	-	-	-	-	11,208
<b>TOTAL</b>	<b>11,208</b>	<b>11,806</b>	<b>21,617</b>	<b>(33,104)</b>	<b>(10,278)</b>	<b>1,249</b>
<b>31.12.2018</b>						
IRS EUR	-	-	-	(282)	(474)	(756)
CIRS	-	11,859	15,517	(37,899)	(5,047)	(15,570)
Forward EUR/PLN	-	-	543	-	(218)	325
Forward USD /RON	-	-	-	-	(848)	(848)
Embedded derivatives	-	4,007	11,972	-	-	15,979
Futures	22,756	-	-	-	-	22,756
<b>TOTAL</b>	<b>22,756</b>	<b>15,866</b>	<b>28,032</b>	<b>(38,181)</b>	<b>(6,587)</b>	<b>21,886</b>

#### 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 2019, was PLN 1,708,883 thousand, and whose fair value amounted to PLN 1,707,050 thousand (Level 2 of fair value hierarchy). The Group concluded that the fair value of the loans taken out does not differ significantly from their nominal value due to the fact that these loans carry variable interest 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 2019, the CIECH Group carried out the following transactions increasing and decreasing the gross value of property, plant and equipment:

01.01.–31.03.2019	Land	Buildings, premises, civil and marine engineering structures	Machinery and equipment	Vehicles	Other fixed assets	Property, plant and equipment under construction	TOTAL
<b>Gross value of property, plant and equipment at the beginning of the period</b>	<b>82,164</b>	<b>1,258,088</b>	<b>3,131,875</b>	<b>115,384</b>	<b>53,975</b>	<b>400,455</b>	<b>5,041,941</b>
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)
<b>Gross value of property, plant and equipment at the end of the period</b>	<b>82,805</b>	<b>1,258,139</b>	<b>3,131,907</b>	<b>78,268</b>	<b>54,929</b>	<b>456,822</b>	<b>5,062,870</b>
<b>01.01.–31.03.2018</b>							
<b>Gross value of property, plant and equipment at the beginning of the period</b>	<b>79,737</b>	<b>1,154,203</b>	<b>2,919,663</b>	<b>107,552</b>	<b>46,055</b>	<b>342,673</b>	<b>4,649,883</b>
Purchase	-	6,934	4,821	893	1,484	44,071	58,203
Reclassifications	-	28,088	23,810	(449)	2,648	(67,839)	(13,742)
Capitalised borrowing costs	-	-	-	-	-	1,492	1,492
Foreign exchange differences	708	2,124	8,391	164	106	905	12,398
Sale	-	-	(1,537)	-	-	-	(1,537)
Liquidation	-	(907)	(500)	-	(179)	-	(1,586)
<b>Gross value of property, plant and equipment at the end of the period</b>	<b>80,445</b>	<b>1,190,442</b>	<b>2,954,648</b>	<b>108,160</b>	<b>50,114</b>	<b>321,302</b>	<b>4,705,111</b>

Purchases of property, plant and equipment were made with own financial resources. As at 31 March 2019, commitments to purchase property, plant and equipment amounted to PLN 84,904 thousand (PLN 76,173 thousand as at 31 December 2018).

## 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 2018, published on 26 March 2019.

## 2.11. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

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.–31.03.2019	01.01.–31.03.2018
Revenues from sales of products and services	1,130	971
Revenues from sales of goods and materials	22,848	31,155
Other operating income	2	5
Financial income	135	211
Purchase of services	9,753	9,935
Other operating expenses	-	143
Financial expenses	-	77
	<b>31.03.2019</b>	<b>31.12.2018</b>
Receivables	17,276	14,695
Impairment losses on receivables and loans	-	2
Liabilities, including:	3,810	5,370
<i>KI One S.A.</i>	-	1,071

### Terms of transactions with related entities

CIECH Group's companies, to the best of their knowledge and belief, did not conclude significant transactions on the terms other than market ones. Sales to and purchases from related entities are realised at market prices that reflect market conditions. Overdue liabilities and receivables are not secured and are settled in cash or by set-off.

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

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

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

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

	31.03.2019	31.12.2018
<b>Contingent assets</b>	<b>22,060</b>	<b>22,060</b>
Other contingent receivables*	22,060	22,060
<b>Contingent liabilities</b>	<b>521,056</b>	<b>522,544</b>
Guarantees and sureties granted**	421,143	421,130
Other***	99,913	101,414

\* 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 2019, a contingent asset recognised by CIECH Soda Polska S.A. amounted to PLN 3,196 thousand – it is the value of energy efficiency certificates received from the President of the Energy Regulatory Office in 2017 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 32,260 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 10,753 thousand.

\*\*\* Including mainly:

- contingent liability in the SDC Group relating to environmental protection in the amount of PLN 15,665 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 19,898 thousand,





- contingent liabilities in CIECH Sarzyna S.A. resulting from a grant received for developing and testing a group of agro-chemical preparations in the amount of PLN 14,645 thousand,
- contingent liabilities in CIECH R&D Sp. z o.o. resulting from promissory notes relating to subsidies received for investment projects aimed at developing and optimising production processes in the amount of PLN 13,385 thousand.

As at 31 March 2019, contingent liabilities amounted to PLN 521,056 thousand and decreased as compared to 31 December 2018 by PLN 1,488 thousand. The change was primarily attributable to a decrease in liabilities related to environmental penalty fees and exchange rate differences resulting from the valuation of liabilities incurred in EUR. Other guarantees and sureties granted are described in item 9.2 of the Consolidated financial statements of the CIECH Group for 2018.

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

On 22 May 2019, the Management Board of CIECH S.A. has adopted a resolution in which he recommends to the Ordinary General Meeting the allocation for net profit in amount PLN 270,612 thousand as follows:

- PLN 17,182 thousand to cover the loss recognised as an adjustment in the opening balance, which is a consequence of application of IFRS 9 Financial Instruments,
- PLN 253,430 thousand to be allocated to the supplementary capital of the Company.

By virtue of the resolution of 27 May 2019, the Supervisory Board of CIECH S.A. approved the recommendation of the Management Board of CIECH S.A.

On 22 June 2018, the Ordinary General Meeting adopted a resolution to allocate the following to the payout of dividend in the amount of PLN 395,249 thousand:

- the entire net profit earned by CIECH S.A. in 2017, amounting to PLN 243,907 thousand;
- a part of profits included in the supplementary capital, amounting to PLN 151,342 thousand.

The dividend record and payment dates were set respectively for 2 July 2018 and 31 August 2018.

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

On 1 April 2019, CIECH Soda Romania S.A. signed an annex to an agreement for the supply of process steam with S.C. CET Govora S.A. in composition bankruptcy based in Romania ("CET"). Pursuant to the Annex, the Parties agreed on the price of the processes steam for a period of 21 months, i.e. from 1 April 2019 to 31 December 2020. The estimated value of the Agreement, in the period from 1 April 2019 to 31 December 2020, consisting of the price of the process steam and the cost of CO<sub>2</sub> certificates, is approximately RON 366 million, which is equivalent to PLN 330.6 million, according to the exchange rate quoted by the National Bank of Poland on the date of the Annex. Moreover, the Parties extended the deadline for the negotiations of the price formula for the supply of process steam in 2021-2026 until 31 December 2020. The Parties agreed that in the event of failure to determine the price formula on or before 31 December 2020, the agreement would terminate by operation of law on 31 December 2020. The parties also modified the notice period, by agreeing that in the period from 1 April 2019 to 31 December 2020 they would have the right to terminate the agreement with a 3-month notice period, whereas as of 1 January 2021, the period of notice would be 9 months, i.e. as stipulated in the agreement.

On 18 April 2019, the CIECH S.A. as the borrower and its subsidiaries – CIECH Soda Polska S.A., CIECH Sarzyna S.A., CIECH Soda Romania S.A., Ciech Energy Deutschland GmbH and CIECH Soda Deutschland GmbH & Co. KG as the guarantors entered into three revolving credit facilities agreements. The Credit Facilities Agreements were concluded by and between the Company and the Guarantors, and the following banks:

- Bank Polska Kasa Opieki S.A. – up to the amount of PLN 300,000 thousand,
- BNP Paribas Bank Polska S.A. – up to the amount of PLN 92,787.5 thousand,
- Banco de Sabadell S.A., London Branch – up to the amount of EUR 25,000 thousand.

Detailed information on these agreements is provided in current reports No 13/2019 and 14/2019.



On 28 May 2019, the Management Board of CIECH S.A. has decided to launch the preparatory phase of its significant investments in the energy sector. The planned investments will be implemented by a subsidiary of the Issuer - CIECH Soda Polska S.A., in its two locations: Janikowo and Inowrocław.

As part of the Project, the construction of new production sources powered by gaseous fuel is being considered.

The purpose of the planned investments in CIECH Soda Polska S.A. is to increase the efficiency and availability of the energy sector, which will translate, among others, into an increase in the volume of soda production by limiting production losses and obtaining steam production reserves. At the same time, the implementation of the energy mix will contribute to reducing CO<sub>2</sub> emissions.

The preparatory phase of the investments involves, among others, tender proceedings related to the selection of the designer, preparation of project documentation, verification of the market conditions for the planned Project, and obtaining relevant administrative decisions.

The value of the aforementioned investments is estimated at approx. PLN 250 - 300 million. The estimated duration of these investments is approximately 3 years. The effects of the implemented investment will have a positive impact on the consolidated financial results of the CIECH Group. The final decision on the implementation of the investment will be taken within the next few quarters and will depend, among others, on market conditions and obtaining relevant administrative decisions.



## OTHER NOTES TO THE CONSOLIDATED QUARTERLY REPORT

## 3.1. DESCRIPTION OF THE CIECH GROUP'S ORGANISATION

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

Parent company	<b>CIECH Spółka Akcyjna</b>
Registered office	Warsaw
Address	ul. Wspólna 62, 00-684 Warsaw
KRS (National Register number)	0000011687 (District Court for the capital city of Warsaw in Warsaw 12 <sup>th</sup> 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	<a href="http://www.ciechgroup.com">www.ciechgroup.com</a>
Branches held	CIECH S.A.'s Branch in Romania CIECH S.A.'s Branch in Germany
Ultimate parent company	KI Chemistry s. à r. l (a subsidiary of Kulczyk Investments)

As at 31 December 2019, the CIECH Group comprised 37 business entities, including:

- the parent company,
- 30 subsidiaries, of which:
  - 21 domestic subsidiaries,
  - 9 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 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 8 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 manufactures 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). The other 4 plants are dedicated to the organic segment, and to silicates and glass segment, and are located in Poland. In 2018, a Spanish company, Proplan Plant Protection Company, S.L., engaged in the production and sale of crop protection chemicals, became a member of the CIECH Group. The company



specialises in registering, manufacturing and distributing fungicides, herbicides, insecticides, growth regulators. It operates in the European market, mostly in Spain, and on other continents – mainly in Australia and Africa.

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 31.03.2019 / % of votes at the GMS	Share in equity as at 31.03.2018 / % of votes at the GMS
<b>Parent company</b>					
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.	-	-
<b>Fully consolidated direct and indirect subsidiaries</b>					
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.*	Itowa	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 not carried out any operating activities.	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%
Vasco Polska Sp. z o.o.	Inowrocław	Other	Utilisation of post-soda lime in the restoration of degraded land.	90%	90%
CIECH Cerium Sp. z o.o. SK	Warsaw	Other	Financing activities. The company was liquidated in the fourth quarter of 2018.	-	100%
Beta Cerium Sp. z o.o.	Warsaw	Other	Financing activities, leasing of non-current assets to the CIECH Group companies. The company was merged with CIECH Soda Polska S.A. and Cerium Finance Sp. z o.o. in the fourth quarter of 2018.	-	100%
Bosten S.A.	Warsaw	Other	Research and developments activities.	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%	-



Company name	Registered office	Segment	Business	Share in equity as at 31.03.2019 / % of votes at the GMS	Share in equity as at 31.03.2018 / % of votes at the GMS
<b>CIECH R&amp;D Group</b>					
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%	-
<b>CIECH Finance Group</b>					
CIECH Finance Sp. z o.o.	Warsaw	Other	Implementing divestment projects concerning obsolete fixed assets (property) and financial assets (shares in companies), carrying out purchases of selected raw materials.	100%	100%
JANIKOSODA S.A.	Warsaw	Other	Since March 2017, the Company has not carried out any operating activities.	100%	100%
<b>CIECH Soda Polska Group</b>					
CIECH Soda Polska S.A.	Inowrocław	Soda	Manufacture of other basic inorganic chemicals, wholesale of chemical products, power generation and distribution.	100%	100%
CIECH Cargo Sp. z o.o.	Inowrocław	Transport	Freight transport services.	100%	100%
Cerium Sp. z o.o.	Warsaw	Other	General partner of CIECH Cerium Sp. z o.o. SKA.	100%	100%
Cerium Finance Sp. z o.o.	Warsaw	Other	Conducting financial activities, in particular comprising direct granting of loans and leasing of non-current assets to the CIECH Group companies. The company was merged with CIECH Soda Polska S.A. and Beta Cerium Sp. z o.o. in the fourth quarter of 2018.	-	100%
Gamma Finance Sp. z o.o.***	Warsaw	Other	Financing activities.	100%	100%
<b>CIECH Sarzyna Group</b>					
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%
<b>SDC Group</b>					
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%
Kaverngesellschaft 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 2019 to 31 March 2019 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 2019 to 31 March 2019 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 2019

#### **CIECH R&D Sp. z o.o.**

On 22 November 2018, the Extraordinary Shareholders' Meeting of CIECH R&D Sp. z o.o. increased the Company's share capital by PLN 2 thousand, i.e. from PLN 40,005 thousand to PLN 40,007 thousand through creation of new, equal and indivisible shares with a value of PLN 50 per share. The right to acquire 40 new shares with a total nominal value of PLN 2 thousand was granted to CIECH S.A. in exchange for a cash contribution of PLN 2,200 thousand, where the amount of PLN 2,198 thousand represented the share premium allocated to the supplementary capital. The court registered the share capital increase on 23 January 2019.

#### **Vasco Polska Sp. z o.o.**

On 14 November 2018, the Extraordinary Shareholders' Meeting of Vasco Polska Sp. z o.o. increased the Company's share capital by PLN 500, i.e. from PLN 50 thousand to PLN 50.5 thousand through creation of 10 new, equal and indivisible shares with a nominal value of PLN 50 per share. The pre-emptive right of existing shareholders to acquire new shares in the increased share capital pro rata to their respective holdings in the share capital was waived. The right to acquire the new shares was granted to CIECH S.A. in exchange for a cash contribution of PLN 130 thousand, where the amount of PLN 129.5 thousand represents the share premium and was allocated to the supplementary capital. By way of a representation of 15 November 2018, CIECH S.A. acquired the new shares. The Court registered the increase of the Company's share capital on 11 January 2019.

On 15 November 2018, CIECH S.A. and a minority shareholder signed an agreement on the sale of 100 shares in Vasco Polska Sp. z o.o. with a nominal value of PLN 50 per share, representing 10% of the Company's share capital in total. Following the aforementioned operations, CIECH S.A. was registered by the Court as the sole shareholder of the Company on 11 January 2019.



### 3.4. THE MOST IMPORTANT EVENTS IN THE CIECH GROUP IN THE FIRST QUARTER OF 2019

#### Appointment of a Supervisory Board Member

On 28 January 2019, the Extraordinary Shareholders' Meeting of CIECH S.A. appointed Mr Marek Kośnik to the Supervisory Board.

#### Collective redundancy procedure

On 20 March 2019, CIECH Soda Romania S.A. made a decision to initiate the procedure of collective redundancies. The reason for the planned collective redundancies is the need to restructure fixed costs by reducing the level and the costs of employment in the company. This decision is a result of the increase in prices of process steam as of 1 January 2019, and the risk arising from the limitation of steam supply by about 20%, as compared to the current status, in the period from 15 May 2019 until the beginning of the next heating season, as announced by the sole supplier of process steam - S.C. CET Govora S.A. The limitation of steam supply may result in the reduction of soda production at a comparable level. As part of collective redundancies, CIECH Soda Romania S.A. intends to dismiss up to 95 employees, which represents 16.1% of the plant team, starting from 15 May 2019. On 20 March 2019, CIECH Soda Romania S.A. notified the trade union organisation operating in the Company and the relevant Romanian authorities – the Employment Office and the State Labour Inspection Service – about the intention and causes of collective redundancies.

#### Commencement of negotiating the terms of and conditions of financing

On 28 March 2019, in connection with the receipt of commitment letters from selected financial institutions concerning granting secured financing, CIECH S.A. made the decision to commence negotiations with selected financial institutions of the terms of granting to CIECH S.A. three-year revolving facilities denominated in EUR or PLN, providing for the option of obtaining financing equivalent to the amount of up to PLN 500 million. The principal terms of granting the Facilities proposed by the financial institutions are fundamentally the same (except for margin and financing period) as the terms of granting a revolving facility under a senior and revolving facilities agreement (the "Consortium Facilities Agreement"). If the Facilities are obtained, the Facilities will be secured with a joint security package that would secure, inter alia, the receivables under the Consortium Facilities Agreement, as a part of and in relation to the authorisation granted in the EGM Resolution. Obtaining the Facilities is related to the implementation by the CIECH Group of the strategic goals set out in the CIECH Group's Strategy for 2019-2021 announced on 5 December 2018, and will enable to tailor the corporate financing structure to the investments in progress by replacing some of the short-term financing with long-term financing. The agreements were concluded on 18 April 2019, as described in detail in Section 2.15 hereof.

#### Review of the Group's structure

On 19 March 2019, the Management Board of CIECH S.A. adopted a resolution to initiate a detailed review of the following options:

- changes to the corporate and organisational structure of the CIECH Group, with particular emphasis on the target model in the form of a holding company with a division of competences between individual business areas and the headquarters;
- changes to the asset structure of the CIECH Group.

This review is aimed at achieving the key objective under the Strategy, i.e. creating an effective and fully diversified chemical holding company that generates positive value for shareholders in the long term. This goal is also to be achieved by building value through changes in the asset portfolio and focusing on areas of key importance for the CIECH Group's operations.

As part of the review, CIECH S.A. will carry out a detailed analysis 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. Measures considered may include, among others, transfer of individual assets within the Company's group, as well as acquisition and divestment of selected assets. The analyses conducted by CIECH S.A. will be combined with the research of the mergers and acquisitions market in various areas.

Pursuant to the decision of the Management Board of CIECH S.A., the review of the options of changes in the asset structure will primarily concern the following companies: CIECH Pianki Sp. z o.o. and CIECH Trading S.A.

The Management Board of CIECH S.A. stipulates that no decision has been made in relation to the selection of any particular option of specific changes to the corporate and organisational structure of the CIECH Group, or the structure of its assets. Thus, it is not certain whether or not, and if so – when, such decisions will be taken in the future.



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

#### 3.5.1. BASIC FINANCIAL DATA

During the first quarter of 2019, the CIECH Group earned net profit from continuing operations of PLN 62,643 thousand, net cash decreased by PLN 61,947 thousand and the balance sheet total as at the end of the first quarter of 2019 amounted to PLN 4,965,935 thousand. The table below presents selected financial data and basic financial ratios for the first quarter of 2019 and 2018.

##### Selected financial data

	01.01.-31.03.2019	01.01.-31.03.2018	Change 2019/2018
<b>CONTINUING OPERATIONS</b>			
Sales revenues	952,705	885,670	7.6%
Cost of sales	(759,947)	(679,044)	(11.9%)
<b>Gross profit/(loss) on sales</b>	<b>192,758</b>	<b>206,626</b>	<b>(6.7%)</b>
Selling costs	(67,560)	(67,555)	(0.0%)
General and administrative expenses	(46,298)	(37,147)	(24.6%)
Other operating income/expense	4,475	159	2714.5%
<b>Operating profit/(loss)</b>	<b>83,375</b>	<b>102,083</b>	<b>(18.3%)</b>
Net financial income/expenses	(10,391)	(6,290)	(65.2%)
Share of profit of equity-accounted investees	322	(4)	-
Income tax	(10,663)	(21,739)	50.9%
<b>Net profit/(loss) on continuing operations</b>	<b>62,643</b>	<b>74,050</b>	<b>(15.4%)</b>
<b>DISCONTINUED OPERATIONS</b>			
Net profit/(loss) on discontinued operations	-	-	-
<b>Net profit / (loss) for the period</b>	<b>62,643</b>	<b>74,050</b>	<b>(15.4%)</b>
including:			
Net profit/(loss) attributed to non-controlling interest	55	153	(64.1%)
Net profit/(loss) attributable to shareholders of the parent company	62,588	73,897	(15.3%)
EBITDA from continuing operations	160,304	165,419	(3.1%)
Adjusted EBITDA from continuing operations*	159,570	167,571	(4.8%)

\*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 2019 amounted to PLN 952,705 thousand. Compared to the corresponding period of the previous year, revenues increased by PLN 67,035 thousand.

This increase was driven both by market factors such as an increase in the prices of soda on both the European and the so-called overseas markets (USD prices), an increase in salt prices and an increase in electricity prices in Germany, as well as by internal factors such as higher sales of silicate as a result of conversion of one of the furnaces for production of packaging into a furnace for production of silicates in 2018. The increase in sales as compared to the first quarter of 2018 was also driven by the consolidation of figures reported by Proplan, a company acquired in the third quarter of 2018.

In the first quarter of 2019, 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 2018. Invariably, the largest share in revenues was attributed to the sales of soda segment products, i.e. 67.2%.





## Sales revenues — business segments

	01.01.-31.03.2019	01.01.-31.03.2018	Change 2019/2018	Change %
<b>Soda segment, including:</b>	<b>639,694</b>	<b>594,990</b>	<b>44,704</b>	<b>7.5%</b>
Dense soda ash	344,919	326,567	18,352	5.6%
Light soda ash	129,309	121,190	8,119	6.7%
Salt	48,225	42,743	5,482	12.8%
Sodium bicarbonate	42,327	41,315	1,012	2.4%
Energy	38,010	28,380	9,630	33.9%
Gas*	3,391	1,734	1,657	95.6%
Calcium chloride	7,106	7,750	(644)	(8.3%)
Other products	10,601	12,353	(1,752)	(14.2%)
Revenues from inter-segment transactions	15,806	12,958	2,848	22.0%
<b>Organic segment, including:</b>	<b>237,827</b>	<b>210,679</b>	<b>27,148</b>	<b>12.9%</b>
Resins	79,260	87,548	(8,288)	(9.5%)
Polyurethane foams	76,495	89,514	(13,019)	(14.5%)
Crop protection chemicals	78,518	30,335	48,183	158.8%
Other	3,443	2,673	770	28.8%
Revenues from inter-segment transactions	111	609	(498)	(81.8%)
<b>Silicates and Glass segment, including:</b>	<b>59,622</b>	<b>62,942</b>	<b>(3,320)</b>	<b>(5.3%)</b>
Sodium silicates	39,619	34,466	5,153	15.0%
Potassium silicates	1,484	1,026	458	44.6%
Container glass	18,233	27,074	(8,841)	(32.7%)
Other	285	375	(90)	(24.0%)
Revenues from inter-segment transactions	1	1	-	0.0%
<b>Transport segment, including:</b>	<b>35,848</b>	<b>34,797</b>	<b>1,051</b>	<b>3.0%</b>
Transport services	2,379	3,405	(1,026)	(30.1%)
Revenues from inter-segment transactions	33,469	31,392	2,077	6.6%
<b>Other segment, including:</b>	<b>38,571</b>	<b>33,016</b>	<b>5,555</b>	<b>16.8%</b>
Revenues from third parties	29,101	27,222	1,879	6.9%
Revenues from inter-segment transactions	9,470	5,794	3,676	63.4%
<b>Consolidation adjustments</b>	<b>(58,857)</b>	<b>(50,754)</b>	<b>(8,103)</b>	<b>(16.0%)</b>
<b>TOTAL</b>	<b>952,705</b>	<b>885,670</b>	<b>67,035</b>	<b>7.6%</b>

\* 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 2019, gross profit on sales amounted to PLN 192,758 thousand, whereas in the same period of the previous year it amounted to PLN 206,626 thousand. The operating profit amounted to PLN 83,375 thousand, in the comparable period it amounted to PLN 102,083 thousand.

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

- Favorable economic situation in the domestic economy and chemical industry confirmed by an increase in industrial output sold by 6.1% in the period from January to March 2019 (in constant prices as compared to the corresponding period of the previous year).
- Strong increase in domestic sales of construction and assembly production by 9.4% during the first three months of 2019 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).
- Balancing of the European market of sodium carbonate (demand and supply balance) with a tendency to increase in demand, although at a slower pace than the year before.
- A few percent increase in the prices of sodium carbonate and sodium bicarbonate on the European markets since the beginning of 2019 (compared to the previous year) reflecting the current and projected supply-demand relations.
- Increase in soda prices on the so-called overseas markets (USD prices).



- Increase in salt prices.
- Inclusion of Proplan, a company acquired in the third quarter of 2018, in consolidation.
- Weakening of PLN in the first quarter of 2019 against EUR and USD, as compared to the corresponding period of the previous year.
- Slightly lower crude oil prices on the global markets (by a few percent in the first quarter of 2019 compared to the corresponding period of the previous year) and, consequently, lower prices of some raw materials for the organic industry – favourable for operations in the organic segment of the CIECH Group.
- Higher sales of silicates resulting from the conversion of one of the furnaces for production of packaging into a furnace for production of silicates in of 2018.

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

- Continuing high prices of raw energy resources used in production of sodium carbonate and prices of CO<sub>2</sub> units, as well as electricity prices paid by the Group.
- A downward trend in prices of epoxy resins in Europe in the first quarter of 2019, to levels that are significantly lower than those of the corresponding period of the previous year – as a result of significant oversupply of Asian resins in Europe and, consequently, price pressure from competitors and decline in margins.
- Increase in fixed costs related to wage pressure and costs related to the implementation of the maintenance programme.

The EBIT margin for the first quarter of 2019 amounted to 8.8% (11.5% in the prior year), and the EBITDA margin amounted to 16.8% (18.7% in the prior year). The EBIT margin (excluding one-off events) for first quarter of 2019 amounted to 8.7% (11.8% in the prior year), and the EBITDA margin (excluding one-off events) amounted to 16.7% (18.9% in the prior year).

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

Financial income for the first quarter of 2019 amounted to PLN 5,262 thousand and increased compared to the corresponding period of the previous year, when it amounted to PLN 4,967 thousand.

Financial expenses for the first quarter of 2019 amounted to PLN 15,653 thousand and increased compared to the corresponding period of the previous year, when it amounted to PLN 11,257 thousand. The area of financing activities was mainly affected by higher interest on loans and interest on newly identified leases, in accordance with IFRS 16.

The consolidated net profit for the first quarter of 2019 amounted to PLN 62,643 thousand (of which PLN 62,588 thousand was a net profit attributable to the shareholders of the parent company and PLN 55 thousand as the profit of non-controlling shares). The decrease in net profit as compared to the corresponding period of 2018 results from lower results from primary activities.

#### 3.5.5. ASSET POSITION OF THE CIECH GROUP

##### Basic consolidated balance sheet data

	31.03.2019	31.12.2018	Change 2019/2018
<b>Total assets</b>	<b>4,965,935</b>	<b>4,831,303</b>	<b>2.8%</b>
Total non-current assets	3,665,355	3,558,745	3.0%
Total current assets	1,300,580	1,272,558	2.2%
Inventory	448,734	438,518	2.3%
Current receivables	697,270	611,279	14.1%
Cash and cash equivalents	130,368	192,139	(32.1%)
Short-term financial assets	23,418	29,832	(21.5%)
Non-current assets held for sale	790	790	0.0%
<b>Total equity</b>	<b>2,007,958</b>	<b>1,970,115</b>	<b>1.9%</b>
Equity attributable to shareholders of the parent	2,007,611	1,969,827	1.9%
Non-controlling interest	347	288	20.5%
Total non-current liabilities	1,696,968	1,627,589	4.3%
Total current liabilities	1,261,009	1,233,599	2.2%



## Assets

As at the end of the first quarter of 2019, the Group's non-current assets amounted to PLN 3,665,355 thousand. As compared to the balance as at 31 December 2018, the value of non-current assets increased by PLN 106,610 thousand.

This change is attributable to the introduction of measurement of right-of-use assets to the financial statements, in accordance with IFRS 16 *Leases*. The total effect on the Group's non-current assets was PLN 115,412 thousand.

The Group's current assets amounted to PLN 1,300,580 thousand as at 31 March 2019. The largest components of current assets included: short-term receivables accounting for 51.9%, inventory accounting for 34.5% as well as cash and cash equivalents accounting for 10.0% of total current assets. Compared to the end of December 2018, the value of current assets increased by PLN 28,022 thousand. This change resulted from, among other factors:

- lower balance of cash accumulated in companies,
- higher balance of trade receivables and factoring receivables which have not been settled as at the balance sheet date.

## 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 2019, the CIECH Group's liabilities (total non-current and current) amounted to PLN 2,957,977 thousand, which is an increase compared to the end of December 2018 by PLN 96,789 thousand (i.e. by 3.4%).

The debt ratio amounted to 59.6% as at 31 March 2019 (at the end of December 2018 to 59.2%). The consolidated net debt of the Group amounted to PLN 1,756,303 thousand as at 31 March 2019 and increased in comparison to the balance as at the end of December 2018 by PLN 254,535 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 item 4.6. of the Management Board Report on Activities of the CIECH Group and CIECH S.A. in 2018, published on 26 March 2019.

### 3.5.6. CASH POSITION OF THE CIECH GROUP

	01.01.–31.03.2019	01.01.–31.03.2018	Change 2019/2018
Net cash from operating activities	(21 674)	(3 873)	(459,6%)
Net cash from investing activities	(100 317)	(118 481)	15.3%
Net cash from financing activities	60 044	(1 570)	-
<b>Total net cash flows</b>	<b>(61 947)</b>	<b>(123 924)</b>	<b>50.0%</b>
Free cash flow	(121 991)	(122 354)	0,3%

Total net cash flows in the first quarter of 2019 were negative and amounted to PLN 61,947 thousand. Compared to the same period of the previous year, the cash flows generated by the Group were higher by PLN 61,977 thousand. Cash flows from operating activities were negative and amounted to PLN 21,674 thousand. They decreased as compared to the same period in 2018 by PLN 17,801 thousand.

During the first quarter of 2019, the net cash flows from investing activities were negative, which was mainly the result of expenses for an investment programme implemented by the Group. The net cash from financing activities was positive and amounted to PLN 60,044 thousand, as proceeds from credit facilities were higher than cash spent on their repayment.



	01.01.-31.03.2019	01.01.-31.03.2018
Financial surplus ((net profit/(loss) on continuing operations + depreciation)	139,572	137,386
Other adjustments to net profit/(loss) on continuing operations	82	22,988
<b>Adjusted financial surplus (1+2)</b>	<b>139,654</b>	<b>160,374</b>
Change in working capital	(161,328)	(164,247)
<b>Net cash from operating activities (3+4)</b>	<b>(21,674)</b>	<b>(3,873)</b>
Net cash from investing activities	(100,317)	(118,481)
<b>Free cash flow (5+6)</b>	<b>(121,991)</b>	<b>(122,354)</b>

During the first quarter of 2019, 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

As at 31 March 2019, liquidity ratios remained relatively unchanged as compared to 31 December 2018. The current ratio, calculated as the ratio of total current assets to total current liabilities, amounted to 1.03 as at 31 March 2019, while the quick liquidity ratio amounted to 0.68.

	31.03.2019	31.12.2018
Current ratio	1.03	1.03
Quick ratio	0.68	0.68

#### Working capital of the CIECH Group

As at the end of the first quarter of 2019, 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 323,859 thousand, which is an increase by PLN 182,134 thousand compared to the end of 2018.

	31.03.2019	31.12.2018
1. Current assets, including:	1,300,580	1,272,558
Inventory	448,734	438,518
Trade receivables and services and advances for deliveries	451,321	377,072
2. Cash and cash equivalents and short-term investments	153,786	221,971
<b>3. Adjusted current assets (1-2)</b>	<b>1,146,794</b>	<b>1,050,587</b>
4. Current liabilities, including:	1,261,009	1,233,599
Trade liabilities and advances taken	338,712	447,871
5. Short-term credits and other current financial liabilities*	438,074	324,737
<b>6. Adjusted current liabilities (4-5)</b>	<b>822,935</b>	<b>908,862</b>
<b>7. Working capital including short-term credits(1-4)</b>	<b>39,571</b>	<b>38,959</b>
<b>8. Working capital (3-6)</b>	<b>323,859</b>	<b>141,725</b>

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

#### The CIECH Group's profitability ratios

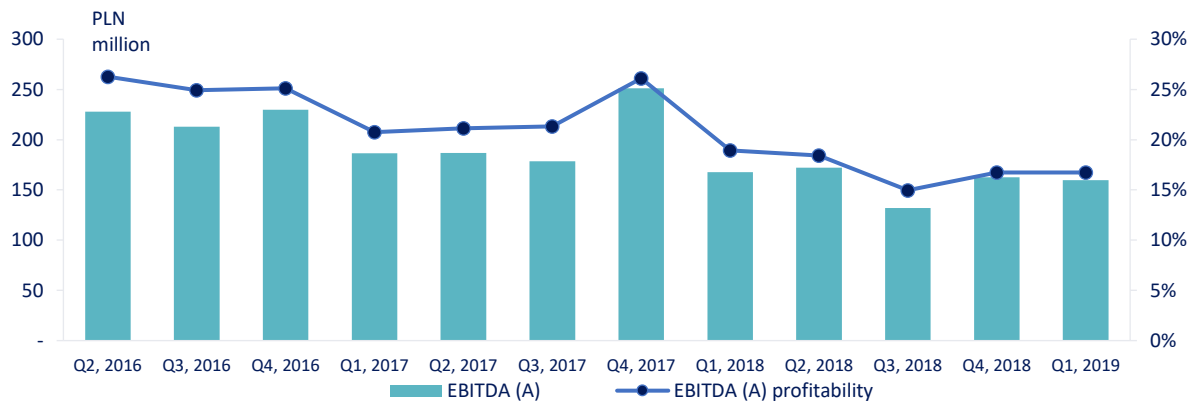
During the first quarter of 2019, profitability ratios of the CIECH Group in respect of the continuing operations were at a lower level than in the first quarter of 2018.



## THE CIECH GROUP'S PROFITABILITY RATIOS

	01.01.-31.03.2019	01.01.-31.03.2018	Change 2019/2018
<b>CONTINUING OPERATIONS</b>			
Gross return on sales	20.2%	23.3%	(3.1) p.p.
Return on sales	8.3%	11.5%	(3.2) p.p.
EBIT margin	8.8%	11.5%	(2.7) p.p.
EBITDA margin	16.8%	18.7%	(1.9) p.p.
Adjusted EBIT margin	8.7%	11.8%	(3.1) p.p.
Adjusted EBITDA margin	16.7%	18.9%	(2.2) p.p.
Net return on sales (ROS)	6.6%	8.4%	(1.8) p.p.
Return on assets (ROA)	1.3%	1.5%	(0.2) p.p.
Return on equity (ROE)	3.1%	3.8%	(0.7) p.p.
Earnings/(loss) per share (in PLN) from continuing operations	1.19	1.40	(0.21)

## 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 2018 and amounts to 59.6%. Consequently, the relative level of net debt (net financial liabilities in relation to EBITDA) increased as compared to the end of 2018. The increase in debt results from:

- utilisation of available credit limits by CIECH SA,
- measurement of lease liabilities in accordance with the guidelines of the new IFRS 16 Leases.

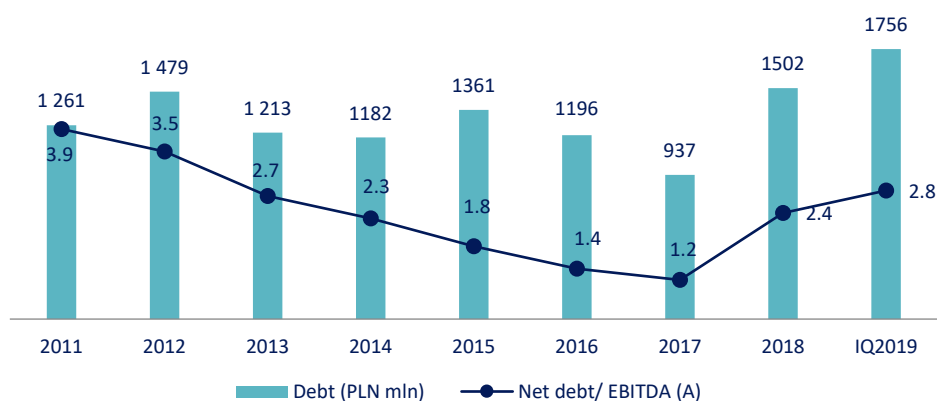
	31.03.2019	31.12.2018
Loans, borrowings and other debt instruments	1,708,883	1,632,666
Lease liabilities	140,736*	23,540
Factoring liabilities**	20,940	20,309
Negative net valuation of derivatives	16,112	17,392
<b>Gross debt</b>	<b>1,886,671</b>	<b>1,693,907</b>
Cash and cash equivalents	130,368	192,139
<b>Net debt</b>	<b>1,756,303</b>	<b>1,501,768</b>

\*Including the effect of IFRS 16.

\*\* 10% of recourse factoring liabilities.

**The CIECH Group's debt ratios**

	31.03.2019	31.12.2018	Change 2019/2018
Debt ratio	59.6%	59.2%	0.4p.p.
Long term debt ratio	34.2%	33.7%	0.5p.p.
Debt to equity ratio	147.3%	145.2%	2.1p.p.
Equity to assets ratio	40.4%	40.8%	(0.4) p.p.
Gross debt	1,886,671	1,693,907	11.4%
Net debt	1,756,303	1,501,768	17.0%
EBITDA annualized	649,288	654,403	(0.8%)
Adjusted EBITDA (annualised)	625,492	633,493	(1.3%)
Net debt / EBITDA annualized	2.7	2.3	17.4%
Net debt / Adjusted EBITDA (annualised)	2.8	2.4	16.7%
Gross debt / EBITDA annualised	2.9	2.6	11.5%
Gross debt / Adjusted EBITDA (annualised)	3.0	2.7	11.1%

**Debt financing of the Group**

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

1. 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 2019 was PLN 1,341,559 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 2019 was PLN 250,000 thousand).

2. Overdraft facilities up to PLN 100,000 thousand and EUR 10,000 thousand under agreements dated 28 and 29 August 2018 (as at 31 March 2019, the amount used was PLN 97,834 thousand).

Detailed information about loan and bond liabilities is disclosed in item 4.6.1 of the Management Board Report on activities of the CIECH Group and CIECH S.A. in 2018, published on 26 March 2019.

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

In the opinion of the Management Board of CIECH S.A. in further months of 2019 the trends observed in the past few months will continue. Pursuant to the Strategy, the CIECH Group will focus on the following actions conducive to further development:

- further development of the soda business, including through a focus on the development of specialist products;
- further development of other business lines, both in the soda segment and in other segments, in particular increasing the efficiency of the Agro area in CIECH Sarzyna S.A., actions aimed at registering new products;
- further actions aimed at optimising the utilisation level of capacity in all production companies of the Group;
- continuous process of improving business and operational processes in all companies of the CIECH Group.



- further analysis 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. Measures considered may include, among others, transfer of individual assets within the Company's group, as well as acquisition and divestment of selected assets (for details, see page 31 hereof).

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.

### 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 item 3.4 of the Management Board Report on activities of the CIECH Group and CIECH S.A. in 2018, published on 26 March 2019.

During the first quarter of 2019, no new risks occurred, and the previously identified factors have not changed significantly. Moreover, there were no significant changes in relation to the Group's risk management policy.

#### Exposure to currency risk

The table below presents the estimated currency exposure of the CIECH Group in EUR and USD as at 31 March 2019 due to financial instruments (for EUR – excluding figures of the SDC Group, Ciech Group Financing AB and Proplan Plant Protection Company, S.L, 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*
<b>Assets</b>				
Loans granted sensitive to FX rate changes	91,400	-	x	
Trade and other receivables	33,683	18,925	x	
Cash including bank deposits	12,554	2,322	x	
<b>Liabilities</b>				
Trade and other liabilities	(15,587)	(6,603)	x	
Term loan liabilities	(30,000)	-		x
Other liabilities in respect of credits and loans	(12,069)	-	x	
Hedging instruments: Forward	(60,203)	(31,050)		x
Forward (not designated to hedge accounting)	(33,000)	-	x	
Hedging instruments: CIRS (forward transactions isolated as part of decomposition of CIRS)	(209,764)	-		x
<b>Total exposure</b>	<b>(222,986)</b>	<b>(16,406)</b>		

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

The table contains an analysis of the sensitivity of individual statement of financial position items to exchange rate changes as at 31 March 2019.

Analysis of sensitivity to currency risk – EUR	(PLN '000)*	Impact on the statement of profit or loss	Impact on the statement of other comprehensive income
<b>EUR</b>			
Foreign-currency balance sheet items	470	770	(300)
Hedging instruments: Forward and CIRS	(2,700)	-	(2,700)
<b>USD</b>			
Foreign-currency balance sheet items	146	146	-
Hedging instruments: Forward	(311)	-	(311)

\* 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 2019.

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

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

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

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

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

Poland is the largest market of the CIECH Group. The direct, most important domestic recipients of the Group's products include: glass industry, chemical and plastic products industries, agriculture, furniture industry, food industry and construction 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 the first 3 months of 2019 increased by 6.1% as compared with the corresponding period of the previous year (in 2018 — an increase by 5.6%). In the current year, the relevant dynamics of production in the industries of significant importance to the Group's activities (as receiving or target markets) were: chemicals and chemical products (increase by 10.2%); rubber and plastic products (increase by 9.6%); manufacture of motor vehicles (increase by 6.3%); manufacture of food (increase by 4.1%); construction and assembly production (increase by 9.4%) and manufacture of upholstered furniture (decrease by 3.5% in terms of volume).

After last year's continued high rate of the Polish economic growth (GDP growth rate of 5.1% according to the Central Statistical Office), the economic situation in Poland is expected to weaken slightly in 2019 (the European Commission projects that GDP growth will amount to 3.5%). 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.

As projected by the International Monetary Fund, the dynamics of global economic development is expected to weaken slightly in 2019 year on year (GDP growth by 3.3% vs. 3.6% in 2018 as a result of, among other factors, increased trade barriers between the USA and China and growing uncertainty about economic policy in some large economies). The largest Asian economies will continue grow relatively quickly (India, China, and ASEAN countries, for which the GDP growth indicators in 2019 should be, respectively: 7.3%, 6.3%, 5.1%). Among large economies, the relatively weaker conditions are expected in the current year in Japan, Russia and Brazil (expected GDP growth rates in 2019 of 1.0%, 1.6% and 2.1% respectively). According to the IMF, a clear acceleration in 2019 can be expected in Latin America (especially in Brazil) and sub-Saharan Africa (South Africa).

In European Union, the current relatively good economic situation is expected to slow down significantly (GDP growth in EU 28 by 1.5% in 2019 vs. 1.9% in 2018, according to the European Commission's forecasts).

For the chemical sector, the American Chemical Chamber (ACC) expects that this year the growth rate of global chemicals production will increase for another year in a row and will amount to 3.0% in 2019 (compared to 2.8% in 2018). According to ACC, in 2019 the chemical production in the US is expected to grow by 3.6%, as compared to 3.1% in the previous year.





On the other hand, a certain stagnation in the chemical industry is expected in the European Union. According to the European Chemical Industry Council (CEFIC), in 2019 the chemical industry output of the European Union will increase slightly by 0.5%, compared to a decrease by 0.7% in the previous year. However, projections for the largest market - Germany - indicate that there may even be a significant drop in output (according to VCI – German Chemical Industry Association).

For the European construction sector, a positive but declining growth rate of construction is expected to continue for the next 2-3 years. According to Euroconstruct, construction output in Western Europe and Central Europe will increase by 2% in 2019, compared to 2.8% in 2018. However, in Central European countries, including Poland, much higher growth rates can be expected. As projected by Euroconstruct, in 2019 construction output in our region of Europe should increase by approx. 9% (compared to approx. 13% in 2018).

## OTHER FACTORS AFFECTING THE CIECH GROUP'S ACTIVITIES

Factors	Description
Economic situation on raw material market	<p>Due to the fact that costs of raw materials account for a large share of total costs of the Group, the situation on key raw material markets (availability and price) significantly affect the CIECH Group's activities and financial performance. Price and availability of raw materials depends largely on economic and political developments across the globe.</p> <p><b>Hard coal</b> – situation on the market depends on a number of macroeconomic factors. The largest producer of hard coal in the European Union is Poland, but EU's import of coal (primarily from Russia, Columbia, USA 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 electric energy in soda plants in Poland. Despite the fact that the Group buys it usually from Polish mines, the price of thermal coal for CIECH S.A. in a long term depends on the European and global situation in the area of demand and supply.</p> <p><b>Gas</b> – the main energy resource used by the combined heat and power plant at the Stassfurt plant. The situation on the gas market depends on many factors, such as the price of oil, demand for gas due to the current weather conditions and the current share of gas in the energy mix. CIECH Energy Deutschland GmbH (CED) burns two types of natural gas, from local sources and imported. Gas imports to Germany are from Russia (around 40%), Norway (around 21%) and the Netherlands (around 29%). In the gas combustion process, steam and electricity are generated, which is also sold outside the Group. Gas supplies are realized on the basis of bilateral delivery contracts, long-term contracts or short-term purchases (spot).</p> <p><b>Process steam</b> – used by CIECH Soda Romania S.A. in the production process of sodium carbonate and liquid silicates, the company buys it from an external supplier. The price of a process steam is determined within the framework of bilateral negotiations with the supplier and depends in a significant way on the current costs of fuel (natural gas and lignite), as well as the costs of issuing EUA certificates.</p> <p><b>Furnace fuel (coke/anthracite)</b> – coke prices depend primarily on prices of coking coal, from which it is produced. The largest global producer of coke is China which, at the same time, is one of the largest consumers of this raw material. In Europe, coke is produced mainly in Poland and the Czech Republic. In its business activity, the Group uses anthracite as a substitute for coke. The main suppliers of anthracite for Europe is Russia. Due to relatively high prices of coke, in the first quarter of 2019 the Group used in the furnace mixture anthracite to a large extent.</p> <p><b>Oil-derivative raw materials</b> – 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>
Exchange rates of Polish zloty (PLN) and Romanian leu (RON) to euro (EUR) and US dollar (USD)	<p>The CIECH Group's main source of exposure to foreign currency risk is related to EUR and USD in which export sales are denominated. Weakening of PLN and RON (in which significant costs are incurred) in relation to EUR and USD (in which a material portion of sales is made) has a positive impact on the CIECH Group's financial performance. The Group applies natural hedging and hedging instruments.</p>
Volume of chemical production capacity on markets where the CIECH Group operates	<p>In the sectors of mass chemical products, in which the CIECH Group operates, the capital expenditures are an important barrier to entry, and in the case of the soda segment – an access to natural resources. For this reason, in the scope of the most important segment of the CIECH Group, the soda segment, green field investments are rare and generally done outside Europe.</p> <p>The CIECH Group's business was significantly affected by the extension of large soda ash and sodium bicarbonate production capacity carried out in recent years in Turkey. This affected the supply and demand situation and prices, mainly in Europe. On the other hand, it should be noted that the commissioning of</p>



Factors	Description
	new capacity in Turkey has been spread over several years and coincided with strong demand in markets served by CIECH and environmental constraints in the world's largest market, China. In the next 2-3 years, new sodium carbonate capacities will probably be commissioned mainly in China and India. In the case of China, however, it is important to bear in mind the simultaneous efforts of the authorities to protect the environment and the related possible further shutdowns of some old or inefficient factories. Therefore, there is still a considerable uncertainty about the balance of capacity changes in this country. Other investment projects that could significantly increase global supply are being considered in the US. However, they will rather be implemented in the longer perspective of 4-5 years.
	<b>REACH system implementation</b> 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.
Environmental requirements	<b>Emission trading system</b> 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 CO <sub>2</sub> emission allowances in the 3 <sup>rd</sup> 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 CO <sub>2</sub> emission allowances, the CIECH Group companies will bear higher costs of electricity due to their assumption of the costs of purchase of emission allowances from the producers.

### 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 Management Board Report on activities of the CIECH Group and CIECH S.A. in 2018, published on 26 March 2019), 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 these statements, 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	3 900 000	3 900 000	7.40%	7.40%
Other	Ordinary bearer	21 847 857	21 847 857	41.46%	41.46%

\* 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 28 January 2019, CR 5/2019 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

Mr Artur Osuchowski – Member of the Management Board of CIECH S.A., held 65,195 shares of CIECH S.A. as at 31 March 2019.

On 31 March 2019, Mr Sebastian Kulczyk – President of the Management Board of CIECH S.A., held indirectly 26,952,052 shares of CIECH S.A., representing 51.14% of the company's share capital.

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

Managers and supervisors of CIECH S.A. as at 31 March 2019 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 Management Board Report on activities of the CIECH Group and CIECH S.A. in 2018, i.e. from 26 March 2019.

### 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 September 2019, 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:

##### **Case brought by OOO GK ZEMLYAKOFF against CIECH Sarzyna S.A. for payment**

Subject of the claim: compensation for improper performance of the contract. Value of the dispute: USD 7,566 thousand.

On 4 March 2019, CIECH Sarzyna S.A. received a counter-claim from OOO GK ZEMLYAKOFF for payment of USD 7,566 thousand with statutory interest for delay from the date of filing the lawsuit (30 November 2016). The amount claimed by OOO GK ZEMLYAKOFF constitutes compensation for improper performance of the contract consisting in the delivery of a defective crop protection product called Expert Trio OF KE. The case is pending.

In order to demonstrate the damage suffered, witnesses and documents from Zemlyakoff were appointed, including agreements between Zemlyakoff and counterparties (Zemlyakoff claims that the damage is the loss of profit resulting from the termination of a commercial relationship due to a defective product, in particular with two main counterparties). Zemlyakoff presented the same evidence in response to the lawsuit brought by CIECH Sarzyna S.A. for payment.

Given the evidence submitted, Zemlyakoff's claim for damages, disregarding its unfoundedness (CIECH Sarzyna S.A. consistently denies responsibility for the product's defectiveness), has not been demonstrated in terms of the existence of damage, its amount and adequate causation. According to CIECH Sarzyna S.A. and its representative, the claim should be dismissed.

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

As at 31 March 2019, 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

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

#### **Letters of support**

As at 31 March 2019, 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 RWE Gasspeicher GmbH ("RWE") relating to liabilities of CSD resulting from the agreement dated 5 May 2009 on salt caverns construction for the purpose of natural gas storage on the Staßfurt mining field according to which CSD received payments of EUR 45.8 million from RWE by



31 March 2019. In the letter of support, CIECH S.A. has committed, among other things, to ensure that CSD will have sufficient funds to fulfil its financial commitments against RWE resulting from the above-mentioned agreement.

#### Audits of tax settlements at the CIECH Group

In 2019, tax authorities carried out tax audits or tax proceedings in the companies of the CIECH Group with respect to CIT and VAT settlements.

The Ciech Group companies were subject to **CIT** audits/proceedings concerning the following years:

- a) 2012
  - at CIECH S.A.
- b) 2013
  - at CIECH S.A.
- c) 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.
- d) 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 SA 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

On 27 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.

On 17 April 2019, the company received a decision of the second instance, upholding the decision of the first instance. Due to the fact that the decision of the second instance is final, the Company was obliged to pay tax arrears in the amount of PLN 43.7 million (the tax base challenged by the authority is PLN 230 million) together with interest due. The Company settled the arrears (PLN 43.7 million) together with interest accrued at the time of payment (PLN 22.7 million). The above payment was settled towards the provision for this tax liability and interest recognised in the fourth quarter of 2018.

The Company consistently disagrees with the position presented in the decision of the second instance and, through its advisors, filed a complaint against the unfavourable decision with the Provincial Administrative Court (WSA) in Kraków on 16 May 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 supplementary capital of CIECH Soda Deutschland GmbH & Co. KG. Moreover, the authority is of the opinion that the fee for the CIECH S.A. 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 the decision of the Second Instance. 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 hearing before the Provincial Administrative Court in Warsaw was held on 24 May 2019, but the publication of the ruling was postponed until 6 June 2019.



**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. If the unfavourable position of the authority is upheld, an obligation may arise to pay tax arrears in the amount of PLN 3.9 million (the tax base challenged by the authority is PLN 20.6 million) plus with interest due. Tax proceedings are currently underway. The Company was called to express its opinion on the evidence gathered. A reply was sent on 30 April 2019. The Company is awaiting the decision of the authority.

**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.

If the unfavorable position of the authority is upheld, an obligation may arise to pay tax arrears in the amount of PLN 2.6 million (the tax base challenged by the authority is PLN 13.8 million) plus with interest due. Tax proceedings are currently underway. The Company was called to express its opinion on the evidence gathered. A reply was sent on 30 April 2019. The Company is awaiting the decision of the authority.

**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. If the unfavourable position of the authority is upheld, an obligation may arise to pay tax arrears in the amount of PLN 1.7 million (the tax base challenged by the authority is PLN 8.8 million) plus with interest due. Tax proceedings are currently underway. The Company was called to express its opinion on the evidence gathered. A reply was sent on 30 April 2019. The Company is awaiting the decision of the authority.

**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 with interest due. Tax proceedings are currently underway, extended by successive decisions.

**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. In February, the Company received a response to the objections in which the authority upheld its findings contained in 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 with interest due.



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. Of the above amount of **PLN 143.8 million**, as a result of the Second Instance decisions issued, the company, despite disagreeing with the authorities' findings, made payments on account of tax arrears in the amount of PLN 45.5 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 Company, however, recognised the market value of the in-kind contribution less the amount of VAT as the taxable amount. 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, 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. Tax proceedings are currently underway, extended by successive decisions of the authority.

**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 Company, however, recognised the market value of the in-kind contribution less the amount of VAT as the taxable amount. 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. Tax proceedings are currently underway, extended by successive decisions. In May 2019, the Company received a report from the audit of the books, in which the controlling authority further questions the right of the Company to deduct VAT from the part of the received in-kind contribution made to the agio.



**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 Company, however, recognised the market value of the in-kind contribution less the amount of VAT as the taxable amount. 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 2013 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. Tax proceedings are currently underway, extended by successive decisions of the authority. CIECH Soda Polska S.A., as the Company's legal successor, is currently a party to the proceedings.

**A VAT audit for the period from January to June 2018 at CIECH Trading S.A.** is carried out 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. The audit is ongoing and the company has not yet received any audit findings. Inspection proceedings are extended by decisions of the authorities.

If the authorities continue to challenge, despite the positive rulings received, the VAT settlements, taking into account the principle of VAT neutrality, Verbis Kappa Sp. z o.o. S.K.A., Verbis Eta Sp. z o.o. S.K.A. and Cerium Finance Sp. z o.o. may be required to pay interest on VAT that, according to the auditors, was unduly deducted. As at the balance sheet date, this interest amounts to approx. PLN 25.0 million.

**The CIT 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 2006, 2007-2009 and 2010-2015. In case of a different assessment by the auditing authorities of economic events, an obligation may arise to recalculate and potentially increase the tax liability and to pay interest on tax arrears. 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 item 2.11 hereof.



**QUARTERLY FINANCIAL INFORMATION  
OF THE PARENT COMPANY  
CIECH S.A.  
FOR 3-MONTH PERIOD ENDED 31 MARCH 2019**





4

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

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

	01.01-31.03.2019	01.01-31.03.2018
<b>CONTINUING OPERATIONS</b>		
Sales revenues	626,807	595,246
Cost of sales	(553,179)	(490,020)
<b>Gross profit/(loss) on sales</b>	<b>73,628</b>	<b>105,226</b>
Other operating income	1,349	1,296
Selling costs	(49,733)	(53,041)
General and administrative expenses	(17,018)	(15,392)
Other operating expenses	(606)	(1,035)
<b>Operating profit/(loss)</b>	<b>7,620</b>	<b>37,054</b>
Financial income	39,697	13,476
Financial expenses	(36,228)	(20,312)
<b>Net financial income/expenses</b>	<b>3,469</b>	<b>(6,836)</b>
<b>Profit/(loss) before tax</b>	<b>11,089</b>	<b>30,218</b>
Income tax	(4,541)	(5,970)
<b>Net profit/(loss) on continuing operations</b>	<b>6,548</b>	<b>24,248</b>
<b>DISCONTINUED OPERATIONS</b>		
Net profit/(loss) on discontinued operations	-	-
<b>Net profit / (loss)</b>	<b>6,548</b>	<b>24,248</b>
<b>Earnings per share (in PLN):</b>		
Basic	0.12	0.46
Diluted	0.12	0.46
<b>Earnings/(loss) per share (in PLN) from continuing operations:</b>		
Basic	0.12	0.46
Diluted	0.12	0.46

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

	01.01-31.03.2019	01.01-31.03.2018
<b>Net profit / (loss)</b>	<b>6,548</b>	<b>24,248</b>
<b>Other comprehensive income before tax that may be reclassified to profit or loss</b>	<b>(4,043)</b>	<b>(1,604)</b>
Cash flow hedge reserve	(4,043)	(1,604)
<b>Income tax attributable to other comprehensive income</b>	<b>626</b>	<b>306</b>
Income tax attributable to other comprehensive income that may be reclassified to profit or loss	626	306
<b>Other comprehensive income net of tax</b>	<b>(3,417)</b>	<b>(1,298)</b>
<b>Total comprehensive income</b>	<b>3,131</b>	<b>22,950</b>



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

	31.03.2019	31.12.2018
<b>ASSETS</b>		
Property, plant and equipment	13,996	13,551
Rights to use an asset	31,373	-
Intangible assets	47,938	46,057
Shares	2,186,798	2,184,468
Long term loans	202,876	142,861
Other long-term investments	11,806	11,859
Deferred income tax assets	22,234	25,514
<b>Total non-current assets</b>	<b>2,517,021</b>	<b>2,424,310</b>
Inventory	31,975	41,019
Short-term investments	1,014,301	1,006,464
Income tax receivables	343	-
Trade and other receivables	494,664	400,673
Cash and cash equivalents	38,300	54,988
<b>Total current assets</b>	<b>1,579,583</b>	<b>1,503,144</b>
<b>Total assets</b>	<b>4,096,604</b>	<b>3,927,454</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	287,614	287,614
Share premium	470,846	470,846
Cash flow hedge	(4,569)	(1,152)
Actuarial gains	11	11
Other reserve capitals	76,199	76,199
Retained earnings	575,731	569,183
<b>Total equity</b>	<b>1,405,832</b>	<b>1,402,701</b>
Loans, borrowings and other debt instruments	1,335,275	1,333,695
Lease liabilities	4,245	-
Other non-current liabilities	56,430	59,416
Employee benefits	573	574
<b>Total non-current liabilities</b>	<b>1,396,523</b>	<b>1,393,685</b>
Loans, borrowings and other debt instruments	578,611	493,601
Trade and other liabilities	583,249	532,895
Income tax liabilities	-	867
Lease liabilities	27,480	-
Provisions for employee benefits	359	421
Other provisions	104,550	103,284
<b>Total current liabilities</b>	<b>1,294,249</b>	<b>1,131,068</b>
<b>Total liabilities</b>	<b>2,690,772</b>	<b>2,524,753</b>
<b>Total equity and liabilities</b>	<b>4,096,604</b>	<b>3,927,454</b>



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

	01.01-31.03.2019	01.01-31.03.2018
<b>Cash flows from operating activities</b>		
<b>Net profit/(loss) on continuing operations</b>	<b>6,548</b>	<b>24,248</b>
Amortisation/depreciation	3,474	1,949
Recognition of impairment allowances	901	836
Foreign exchange (profit) /loss	96	2,131
(Profit) / loss on disposal of property, plant and equipment	(1)	(29)
Dividends and interest	2,506	(2,537)
Income tax	4,541	5,970
Change in liabilities due to loan arrangement fee	428	479
Valuation of financial instruments	(5,771)	4,519
Other adjustments	710	(1,110)
<b>Cash from operating activities before changes in working capital and provisions</b>	<b>13,432</b>	<b>36,456</b>
Change in receivables	(91,686)	(127,307)
Change in inventory	9,044	(7,694)
Change in current liabilities	49,844	19,275
Change in provisions and employee benefits	1,203	107
<b>Cash generated from operating activities</b>	<b>(18,163)</b>	<b>(79,163)</b>
Interest paid	(6,051)	(3,702)
Income tax paid	(3,141)	228
<b>Net cash from operating activities</b>	<b>(27,355)</b>	<b>(82,637)</b>
<b>Cash flows from investment activities</b>		
Disposal of intangible assets and property, plant and equipment	2	29
Dividends received	-	203
Interest received	3,281	9,047
Inflows - cash pooling	1,505	-
Proceeds from repaid borrowings	-	16,591
Acquisition of intangible assets and property, plant and equipment	(8,541)	(14,140)
Borrowings paid out	(60,772)	(38,818)
Outflows - cash pooling	-	(4,457)
<b>Net cash from investment activities</b>	<b>(64,525)</b>	<b>(31,545)</b>
<b>Cash flows from financial activities</b>		
Proceeds from loans and borrowings	269,832	-
Inflows - cash pooling	11,513	18,439
Repayment of borrowings	(205,483)	-
Payments of lease liabilities	(845)	-
<b>Net cash from financial activities</b>	<b>75,017</b>	<b>18,439</b>
<b>Total net cash flows</b>	<b>(16,863)</b>	<b>(95,743)</b>
<b>Cash and cash equivalents as at the beginning of the period</b>	<b>54,988</b>	<b>375,393</b>
Impact of foreign exchange differences	175	(304)
<b>Cash and cash equivalents as at the end of the period</b>	<b>38,300</b>	<b>279,346</b>



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

	Share capital	Share premium	Cash flow hedge	Other reserve capitals	Actuarial gains	Retained earnings	Total equity
<b>01.01.2019</b>	<b>287,614</b>	<b>470,846</b>	<b>(1,152)</b>	<b>76,199</b>	<b>11</b>	<b>569,183</b>	<b>1,402,701</b>
<b>Total comprehensive income for the period</b>	-	-	<b>(3,417)</b>	-	-	<b>6,548</b>	<b>3,131</b>
Net profit / (loss)	-	-	-	-	-	6,548	6,548
Other comprehensive income	-	-	(3,417)	-	-	-	(3,417)
<b>31.03.2019</b>	<b>287,614</b>	<b>470,846</b>	<b>(4,569)</b>	<b>76,199</b>	<b>11</b>	<b>575,731</b>	<b>1,405,832</b>
<b>31.12.2017</b>	<b>287,614</b>	<b>470,846</b>	<b>3,245</b>	<b>76,199</b>	<b>121</b>	<b>711,002</b>	<b>1,549,027</b>
The accounting policies - implementation of MSSF 9	-	-	-	-	-	(17,182)	(17,182)
<b>01.01.2018 adjusted</b>	<b>287,614</b>	<b>470,846</b>	<b>3,245</b>	<b>76,199</b>	<b>121</b>	<b>693,820</b>	<b>1,531,845</b>
<b>Total comprehensive income for the period</b>	-	-	<b>(1,298)</b>	-	-	<b>24,248</b>	<b>22,950</b>
Net profit / (loss)	-	-	-	-	-	24,248	24,248
Other comprehensive income	-	-	(1,298)	-	-	-	(1,298)
<b>31.03.2018</b>	<b>287,614</b>	<b>470,846</b>	<b>1,947</b>	<b>76,199</b>	<b>121</b>	<b>718,068</b>	<b>1,554,795</b>



## 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 2019 and as at 31 December 2018, results of the Company's operations and cash flows for the period of 3 months ended 31 March 2019 and 31 March 2018, and were approved by the Management Board of CIECH S.A. on 28 May 2019.

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 2019.

### 5.2. ADOPTED ACCOUNTING PRINCIPLES

The CIECH S.A.'s accounting principles are described in the Financial Statements of CIECH S.A. for 2018, published on 26 March 2019. 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, except for IFRS 16 Leases and change in the manner of accounting for the disposal of inventories – from the FIFO method to the weighted average method.

#### 5.2.1. CHANGES IN INTERNATIONAL FINANCIAL REPORTING STANDARDS

Information on changes in International Financial Reporting Standards is included in item 2.2.1. hereof.

### 5.3. CHANGES IN ESTIMATES

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



## RATIO CALCULATION METHODOLOGY

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

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



## REPRESENTATION OF THE MANAGEMENT BOARD

This Extended consolidated quarterly report of the CIECH Group for the first quarter of 2019 was approved by the Management Board of CIECH S.A. on 28 May 2019.

Warsaw, 28 May 2019

*(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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**Artur Osuchowski — 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**