

EXTENDED CONSOLIDATED REPORT

of the CIECH Group for the first half of 2018



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



CIECH GROUP — SELECTED CONSOLIDATED FINANCIAL DATA

SELECTED FINANCIAL DATA	in thousand PLN		in thousand EUR	
	6 months ended 30.06.2018	6 months ended 30.06.2017	6 months ended 30.06.2018	6 months ended 30.06.2017
Sales revenues	1,819,175	1,781,360	429,101	419,400
Operating profit/(loss)	226,277	258,577	53,374	60,879
Profit/(loss) before tax	223,081	218,011	52,620	51,328
Net profit / (loss) for the year	172,809	171,154	40,762	40,296
Net profit/(loss) attributable to shareholders of the parent company	172,492	170,944	40,687	40,247
Net profit/(loss) attributed to non-controlling interest	317	210	75	49
Other comprehensive income net of tax	(12,079)	14,355	(2,849)	3,380
Total comprehensive income	160,730	185,509	37,913	43,676
Cash flows from operating activities	211,818	255,448	49,963	60,142
Cash flows from investment activities	(209,597)	(184,175)	(49,439)	(43,362)
Cash flows from financial activities	(7,105)	(4,026)	(1,676)	(948)
Total net cash flows	(4,884)	67,247	(1,152)	15,832
Earnings (loss) per ordinary share (in PLN/EUR)	3.27	3.24	0.77	0.76
	as at 30.06.2018	as at 31.12.2017	as at 30.06.2018	as at 31.12.2017
Total assets	4,747,448	4,643,511	1,088,465	1,113,311
Non-current liabilities	1,610,476	1,369,282	369,240	328,294
Current liabilities	1,191,034	1,089,584	273,073	261,235
Total equity	1,945,938	2,184,645	446,152	523,782
Equity attributable to shareholders of the parent	1,948,370	2,187,596	446,710	524,490
Non-controlling interest	(2,432)	(2,951)	(558)	(708)
Share capital	287,614	287,614	65,942	68,957

CIECH S.A. — SELECTED SEPARATE FINANCIAL DATA

SELECTED FINANCIAL DATA	in PLN thousand		in EUR thousand	
	6 months ended 30.06.2018	6 months ended 30.06.2017	6 months ended 30.06.2018	6 months ended 30.06.2017
Sales revenues	1 208 028	1 189 387	284 946	280 027
Operating profit/(loss)	69 068	116 789	16 292	27 497
Profit/(loss) before tax	23 471	178 405	5 536	42 003
Net profit / (loss) for the period	17 535	148 589	4 136	34 984
Other comprehensive income net of tax	(4 018)	13 404	(948)	3 156
Total comprehensive income	13 517	161 993	3 188	38 140
Cash flows from operating activities	(32 396)	137 311	(7 641)	32 328
Cash flows from investment activities	14 274	(101 657)	3 367	(23 934)
Cash flows from financial activities	12 767	14 789	3 011	3 482
Total net cash flows	(5 355)	50 443	(1 263)	11 876
	as at 30.06.2018	as at 31.12.2017	as at 30.06.2018	as at 31.12.2017
Total assets	3 713 502	3 652 664	851 408	875 749
Non-current liabilities	1 456 911	1 172 446	334 031	281 101
Current liabilities	1 106 477	931 190	253 686	223 259
Total equity	1 150 114	1 549 028	263 691	371 389
Share capital	287 614	287 614	65 942	68 957

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

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

as at 30.06.2018	as at 31.12.2017	6 months ended 30.06.2018	6 months ended 30.06.2017
1 EUR = 4.3616 PLN	1 EUR = 4.1709 PLN	1 EUR = 4.2395 PLN	1 EUR = 4.2474 PLN



**SEMI-ANNUAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
OF THE CIECH GROUP FOR 6-MONTH PERIOD ENDED 30 JUNE 2018**

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



TABLE OF CONTENTS

1.	SEMI-ANNUAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE CIECH GROUP PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ENDORSED BY THE EUROPEAN UNION	6
	CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE CIECH GROUP	6
	CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME OF THE CIECH GROUP	7
	CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE CIECH GROUP	8
	CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS OF THE CIECH GROUP	9
	CONDENSED STATEMENT OF CHANGES IN CONSOLIDATED EQUITY OF THE CIECH GROUP	10
2.	EXPLANATORY NOTES TO THE SEMI-ANNUAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE CIECH GROUP	11
2.1.	BASIS FOR PREPARATION OF THE SEMI-ANNUAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE CIECH GROUP	11
2.2.	ADOPTED ACCOUNTING PRINCIPLES	11
2.2.1.	CHANGES IN INTERNATIONAL FINANCIAL REPORTING STANDARDS	12
2.3.	FUNCTIONAL AND REPORTING CURRENCY	17
2.4.	SEASONALITY AND CYCLICALITY OF ACTIVITY OF THE CIECH GROUP	17
2.5.	CIECH GROUP'S SEGMENT REPORTING	17
2.6.	PROVISIONS AND IMPAIRMENT ALLOWANCES ON ASSETS	22
2.7.	INCOME TAX, DEFERRED TAX ASSETS AND LIABILITY	25
2.8.	INFORMATION ON FAIR VALUE OF FINANCIAL INSTRUMENTS	25
2.8.1.	FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE	25
2.8.2.	FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE	26
2.9.	INFORMATION ON PURCHASE AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT AND COMMITMENTS FOR THE ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT	27
2.10.	INFORMATION ON LOAN AGREEMENTS, INCLUDING OVERDUE DEBTS OR OTHER VIOLATIONS OF DEBT-RELATED AGREEMENTS	27
2.11.	INFORMATION ON TRANSACTIONS WITH RELATED ENTITIES	28
2.12.	ISSUE, REDEMPTION AND REPAYMENT OF DEBT SECURITIES AND EQUITY SECURITIES IN THE CIECH GROUP	29
2.13.	CONTINGENT ASSETS AND CONTINGENT LIABILITIES INCLUDING GUARANTEES AND SURETIES	29
2.14.	INFORMATION ON DIVIDENDS PAID (OR DECLARED), IN TOTAL AND PER SHARE, BROKEN DOWN INTO ORDINARY SHARES AND PREFERENCE SHARES	31
2.15.	INFORMATION ON POST-BALANCE-SHEET EVENTS	31
3.	SEMI-ANNUAL CONDENSED SEPARATE FINANCIAL STATEMENTS OF CIECH S.A PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ENDORSED BY THE EUROPEAN UNION	34
	CONDENSED SEPARATE STATEMENT OF PROFIT OR LOSS OF CIECH S.A.	34
	CONDENSED SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME OF CIECH S.A.	35
	CONDENSED SEPARATE STATEMENT OF FINANCIAL POSITION OF CIECH S.A.	36
	CONDENSED SEPARATE STATEMENT OF CASH FLOWS OF CIECH S.A.	37
	CONDENSED SEPARATE STATEMENT OF CHANGES IN EQUITY OF CIECH S.A.	38
4.	EXPLANATORY NOTES TO THE SEMI-ANNUAL CONDENSED SEPARATE FINANCIAL STATEMENTS OF CIECH S.A.	39
4.1.	BASIS OF PREPARATION OF THE SEMI-ANNUAL CONDENSED SEPARATE FINANCIAL STATEMENTS OF CIECH S.A.	39
4.2.	ADOPTED ACCOUNTING PRINCIPLES	39
4.2.1.	CHANGES IN INTERNATIONAL FINANCIAL REPORTING STANDARDS	40
4.3.	FUNCTIONAL AND REPORTING CURRENCY	44
4.4.	SEASONALITY AND CYCLICALITY OF ACTIVITY OF CIECH S.A.	44
4.5.	CIECH S.A.'S SEGMENT REPORTING	44
4.6.	PROVISIONS AND IMPAIRMENT ALLOWANCES ON ASSETS	49
4.7.	INCOME TAX, DEFERRED TAX ASSETS AND LIABILITY	50
4.8.	INFORMATION ON FAIR VALUE OF FINANCIAL INSTRUMENTS	51
4.9.	INFORMATION ON PURCHASE AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT AND COMMITMENTS FOR THE ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT	51
4.10.	INFORMATION ON LOAN AGREEMENTS, INCLUDING OVERDUE DEBTS OR OTHER VIOLATIONS OF DEBT-RELATED AGREEMENTS	51
4.11.	INFORMATION ON TRANSACTIONS WITH RELATED ENTITIES	51
4.12.	ISSUE, REDEMPTION AND REPAYMENT OF DEBT AND EQUITY SECURITIES IN CIECH S.A.	52
4.13.	CONTINGENT ASSETS AND CONTINGENT LIABILITIES INCLUDING GUARANTEES AND SURETIES	52
4.14.	INFORMATION ON DIVIDENDS PAID (OR DECLARED), IN TOTAL AND PER SHARE, BROKEN DOWN INTO ORDINARY SHARES AND PREFERENCE SHARES	53
4.15.	INFORMATION ON POST-BALANCE-SHEET EVENTS	53
5.	MANAGEMENT BOARD REPORT ON THE CIECH GROUP'S ACTIVITIES	56
5.1.	DESCRIPTION OF THE CIECH GROUP'S ORGANISATION	56



5.2.	INFORMATION ON NON-CONSOLIDATED SUBSIDIARIES AND ASSOCIATES	59
5.3.	SIGNIFICANT EFFECTS OF CHANGES TO THE ORGANISATIONAL STRUCTURE OF THE CIECH GROUP IN THE FIRST HALF OF 2018	59
5.4.	THE MOST IMPORTANT EVENTS IN THE CIECH GROUP IN THE FIRST HALF OF 2018	59
5.5.	REVIEW OF KEY ECONOMIC AND FINANCIAL FIGURES CONCERNING THE CIECH GROUP	60
5.5.1.	BASIC FINANCIAL DATA.....	60
5.5.2.	SALES REVENUES.....	60
5.5.3.	PROFIT/(LOSS) ON SALES AND OPERATING PROFIT/(LOSS).....	62
5.5.4.	FINANCING ACTIVITIES AND NET PROFIT/LOSS	63
5.5.5.	ASSET POSITION OF THE CIECH GROUP	63
5.5.6.	CASH POSITION OF THE CIECH GROUP	64
5.5.7.	WORKING CAPITAL AND SELECTED FINANCIAL RATIOS OF THE CIECH GROUP.....	64
5.6.	SIGNIFICANT RISK FACTORS	67
5.7.	FULFILMENT OF PROFIT FORECASTS PREVIOUSLY PUBLISHED FOR A GIVEN YEAR IN THE LIGHT OF THE RESULTS DISCLOSED IN THE REPORT AGAINST THE FORECAST RESULTS	68
5.8.	FACTORS AFFECTING THE CIECH GROUP'S RESULTS WITH PARTICULAR FOCUS ON THE NEXT SIX MONTHS.....	68
5.9.	CIECH S.A.'S SHAREHOLDERS HOLDING AT LEAST 5% OF SHARES/VOTES AT THE GENERAL SHAREHOLDERS' MEETING.....	70
5.10.	CHANGES IN THE NUMBER OF SHARES IN CIECH S.A. HELD BY THE MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD	71
5.11.	LITIGATION PENDING BEFORE A COURT, COMPETENT ARBITRATION AUTHORITY OR PUBLIC ADMINISTRATION AUTHORITY.....	71
5.11.1.	SIGNIFICANT DISPUTED LIABILITIES OF THE CIECH GROUP	71
5.11.2.	SIGNIFICANT DISPUTED RECEIVABLES OF THE CIECH GROUP	71
5.12.	LOAN OR BORROWING SURETIES OR GUARANTEES GRANTED BY CIECH S.A. OR ITS SUBSIDIARY.....	71
5.13.	INFORMATION ON TRANSACTIONS BETWEEN THE KEY MANAGEMENT PERSONNEL OF CIECH S.A. AND RELATED PARTIES.....	71
	RATIO CALCULATION METHODOLOGY	72
	REPRESENTATION OF THE MANAGEMENT BOARD	73



1

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE CIECH GROUP

	01.01.-30.06.2018	01.01.-30.06.2017	01.04.-30.06.2018	01.04.-30.06.2017
	<i>Unaudited data</i>			
CONTINUING OPERATIONS				
Sales revenues	1,819,175	1,781,360	933,505	882,982
Cost of sales	(1,404,920)	(1,341,840)	(725,876)	(663,716)
Gross profit/(loss) on sales	414,255	439,520	207,629	219,266
Other operating income	47,145	32,449	35,828	21,388
Selling costs	(134,086)	(129,408)	(66,531)	(67,852)
General and administrative expenses	(79,349)	(65,198)	(42,202)	(30,435)
Other operating expenses	(21,688)	(18,786)	(10,530)	(10,622)
Operating profit/(loss)	226,277	258,577	124,194	131,745
Financial income	21,316	3,349	16,349	(157)
Financial expenses	(24,525)	(44,089)	(13,268)	(9,499)
Net financial income/(expenses)	(3,209)	(40,740)	3,081	(9,656)
Share of profit / (loss) of equity-accounted investees	13	174	17	225
Profit/(loss) before tax	223,081	218,011	127,292	122,314
Income tax	(50,272)	(46,857)	(28,533)	(29,249)
Net profit/(loss) on continuing operations	172,809	171,154	98,759	93,065
DISCONTINUED OPERATIONS				
Net profit/(loss) on discontinued operations	-	-	-	-
Net profit / (loss) for the year	172,809	171,154	98,759	93,065
including:				
Net profit/(loss) attributable to shareholders of the parent company	172,492	170,944	98,595	92,941
Net profit/(loss) attributed to non-controlling interest	317	210	164	124
Earnings per share (in PLN):				
Basic	3.27	3.24	1.87	1.76
Diluted	3.27	3.24	1.87	1.76
Earnings/(loss) per share (in PLN) from continuing operations:				
Basic	3.27	3.24	1.87	1.76
Diluted	3.27	3.24	1.87	1.76

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



CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME OF THE CIECH GROUP

	01.01.-30.06.2018	01.01.-30.06.2017	01.04.-30.06.2018	01.04.-30.06.2017
			<i>Unaudited data</i>	
Net profit / (loss)	172,809	171,154	98,759	93,065
Other comprehensive income before tax that may be reclassified to the statement of profit or loss	(22,210)	27,019	(25,526)	(5,806)
Currency translation differences (foreign companies)	17,099	(14,269)	15,685	(664)
Cash flow hedge reserve	(38,494)	41,288	(41,451)	(5,142)
Cost of hedging reserve	(815)	-	238	-
Other components of other comprehensive income	-	-	2	-
Other comprehensive income before tax that may not be reclassified to the statement of profit or loss	-	-	-	-
Income tax attributable to other comprehensive income	10,131	(12,664)	10,321	620
Income tax attributable to other comprehensive income that may be reclassified to the statement of profit or loss	10,131	(12,664)	10,321	620
Other comprehensive income net of tax	(12,079)	14,355	(15,205)	(5,186)
Comprehensive income including attributable to:	160,730	185,509	83,554	87,879
Shareholders of the parent company	160,211	185,362	83,285	87,767
Non-controlling interest	519	147	269	112

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



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE CIECH GROUP

	30.06.2018	31.12.2017
ASSETS		
Property, plant and equipment	2,770,065	2,712,252
Right of perpetual usufruct	29,858	30,069
Intangible assets, including:	182,636	169,758
- goodwill	63,488	61,373
Investment property	39,012	44,268
Non-current receivables	80,341	81,678
Investments in associates and jointly-controlled entities measured under the equity method	5,123	5,095
Long-term financial assets	41,780	54,432
Deferred income tax assets	92,322	107,411
Total non-current assets	3,241,137	3,204,963
Inventory	377,362	364,517
Short-term financial assets	54,688	57,979
Income tax receivables	15,609	13,244
Trade and other receivables	574,509	509,824
Cash and cash equivalents	483,228	489,754
Non-current assets held for sale	915	3,230
Total current assets	1,506,311	1,438,548
Total assets	4,747,448	4,643,511
EQUITY AND LIABILITIES		
Share capital	287,614	287,614
Share premium	470,846	470,846
Cash flow hedge reserve	(17,228)	10,021
Cost of hedging reserve	(6,055)	-
Actuarial gains	311	311
Other reserve capitals	78,521	78,521
Currency translation reserve	(55,439)	(73,630)
Retained earnings	1,189,800	1,413,913
Equity attributable to shareholders of the parent	1,948,370	2,187,596
Non-controlling interest	(2,432)	(2,951)
Total equity	1,945,938	2,184,645
Loans, borrowings and other debt instruments	1,333,780	1,130,482
Finance lease liabilities	18,297	20,145
Other non-current liabilities	129,957	103,567
Employee benefits reserve	11,156	10,789
Other provisions	81,401	71,812
Deferred income tax liability	35,885	32,487
Total non-current liabilities	1,610,476	1,369,282
Loans, borrowings and other debt instruments	28	199,437
Finance lease liabilities	3,944	4,743
Trade and other liabilities	1,062,999	758,581
Income tax liabilities	49,849	47,959
Employee benefits reserve	670	968
Other provisions	73,544	77,896
Total current liabilities	1,191,034	1,089,584
Total liabilities	2,801,510	2,458,866
Total equity and liabilities	4,747,448	4,643,511

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



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS OF THE CIECH GROUP

	01.01.-30.06.2018	01.01.-30.06.2017
Cash flows from operating activities		
Net profit/(loss) for the period	172,809	171,154
Adjustments		
Amortisation/depreciation	127,368	119,154
Recognition of impairment allowances	1,789	1,835
Foreign exchange (profit) /loss	(3,932)	9,962
Investment property revaluation	-	(843)
(Profit) / loss on investment activities	(14,281)	(148)
(Profit) / loss on disposal of property, plant and equipment	(91)	(490)
Dividends and interest	12,243	10,810
Income tax	50,272	46,857
(Profit) / loss on the settlement of construction contracts (caverns)	(1,971)	(1,448)
Share of (profit) / loss on equity accounted investees	(13)	(174)
Change in liabilities due to loan arrangement fee	(3,032)	1,334
Valuation of derivatives	28,048	(763)
Ineffective portion of hedge accounting	577	(1,610)
Other adjustments	(1,175)	(4,575)
Cash from operating activities before changes in working capital and provisions	368,611	351,055
Change in receivables	(63,796)	18,214
Change in inventory	(10,324)	(37,406)
Change in current liabilities	(47,508)	(30,453)
Change in provisions and employee benefits	780	(2,535)
Cash generated from operating activities	247,763	298,875
Interest paid	(18,520)	(23,416)
(Profit) / loss on the settlement of construction contracts (caverns)	9,047	(888)
Income tax (paid)/returned	(22,130)	(19,123)
Expenses for research	(4,342)	-
Net cash from operating activities	211,818	255,448
Cash flows from investment activities		
Disposal of a subsidiary	-	411
Disposal of intangible assets and property, plant and equipment	2,531	7,934
Disposal of investment property	14,000	-
Dividends received	345	248
Interest received	1,927	1,745
Subsidies received	1,349	1,092
Acquisition of intangible assets and property, plant and equipment	(211,767)	(189,268)
Acquisition of financial assets	(120)	-
Acquisition of investment property	-	(843)
Development expenditures	(17,830)	(5,489)
Other outflows	(32)	(5)
Net cash from investment activities	(209,597)	(184,175)
Proceeds from loans and borrowings	167,488	-
Repayment of loans and borrowings	(171,465)	(438)
Payments of finance lease liabilities	(3,118)	(3,588)
Other financial outflows	(10)	-
Net cash from financial activities	(7,105)	(4,026)
Total net cash flows	(4,884)	67,247
Cash and cash equivalents as at the beginning of the period	489,754	414,369
<i>Impact of foreign exchange differences</i>	<i>(1,642)</i>	<i>1,011</i>
Cash and cash equivalents as at the end of the period	483,228	482,627

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



CONDENSED STATEMENT OF CHANGES IN CONSOLIDATED EQUITY OF THE CIECH GROUP

	Attributable to shareholders of the parent company						Currency translation reserve	Retained earnings	Equity attributable to shareholders of the parent	Non-controlling interest	Total equity
	Share capital	Share premium	Cash flow hedge reserve	Cost of hedging reserve	Other reserve capitals	Actuarial gains					
31.12.2017	287,614	470,846	10,021	-	78,521	311	(73,630)	1,413,913	2,187,596	(2,951)	2,184,645
Changes in accounting policies	-	-	2,408	(5,240)	-	-	-	(1,356)	(4,188)	-	(4,188)
01.01.2018	287,614	470,846	12,429	(5,240)	78,521	311	(73,630)	1,412,557	2,183,408	(2,951)	2,180,457
Transactions with the owners	-	-	-	-	-	-	-	(395,249)	(395,249)	-	(395,249)
Dividend	-	-	-	-	-	-	-	(395,249)	(395,249)	-	(395,249)
Total comprehensive income for the period	-	-	(29,657)	(815)	-	-	18,191	172,492	160,211	519	160,730
Net profit / (loss) for the period	-	-	-	-	-	-	-	172,492	172,492	317	172,809
Other comprehensive income	-	-	(29,657)	(815)	-	-	18,191	-	(12,281)	202	(12,079)
30.06.2018	287,614	470,846	(17,228)	(6,055)	78,521	311	(55,439)	1,189,800	1,948,370	(2,432)	1,945,938
01.01.2017	287,614	470,846	(45,306)	-	78,521	989	(46,336)	1,020,499	1,766,827	(3,335)	1,763,492
Total comprehensive income for the period	-	-	31,237	-	-	-	(16,818)	170,943	185,362	147	185,509
Net profit / (loss) for the period	-	-	-	-	-	-	-	170,944	170,944	210	171,154
Other comprehensive income	-	-	31,237	-	-	-	(16,818)	(1)	14,418	(63)	14,355
30.06.2017	287,614	470,846	(14,069)	-	78,521	989	(63,154)	1,191,442	1,952,189	(3,188)	1,949,001

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



2

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

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

These semi-annual condensed consolidated financial statements were prepared in compliance with 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 2018). These financial statements present the financial position of the CIECH Group as at 30 June 2018 and as at 31 December 2017, results of the Group’s operations and cash flows for the period of 6 months ended 30 June 2018 and 30 June 2017, and were approved by the Management Board of CIECH S.A. on 5 September 2018.

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

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

The Management Board of CIECH S.A. represents that to the best of its knowledge these semi-annual consolidated financial statements, including corresponding figures, have been prepared in accordance with the generally acceptable accounting principles and that they represent a true, accurate and fair reflection of the CIECH Group’s financial position and the results of operations. Furthermore, the Management Board of CIECH S.A. represents that the Directors’ Report for the period of 6 months ended 30 June 2018 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 2.6, 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.

The Management Board of CIECH S.A. represents that PricewaterhouseCoopers Sp. z o.o. with its registered office in Warsaw, entered into the list of entities authorised to audit financial statements under the registry No 144 kept by the National Chamber of Statutory Auditors was chosen in accordance with the binding legal regulations to review the semi-annual condensed consolidated financial statements for the period from 1 January to 30 June 2018.

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 2017, published on 26 March 2018. 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 the adopted IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from contracts with customers*.



2.2.1. CHANGES IN INTERNATIONAL FINANCIAL REPORTING STANDARDS

On 1 January 2018, the CIECH Group adopted new financial reporting standards, IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*.

Implementation of IFRS 9

For the purpose of the initial application of IFRS 9, the CIECH Group did not restate previous periods' figures. Any differences between the previous carrying amount of financial assets and liabilities and their carrying amount at the beginning of the annual reporting period that includes the date of initial application of IFRS 9 were recognised by the Group in the opening retained earnings of the annual reporting period that includes the date of initial application of IFRS 9, i.e. as at 1 January 2018.

IFRS 9 introduced a new impairment model for financial assets based on the concept of „expected credit losses”, changes to the rules of classification and measurement of financial instruments (particularly of financial assets) as well as a new approach towards hedge accounting.

Classification and measurement of financial instruments

Financial assets

In accordance with IFRS 9, on initial recognition a financial asset may be classified into the following measurement categories:

1. financial assets measured at amortised cost,
2. financial assets measured at fair value through other comprehensive income,
3. financial assets measured at fair value through profit or loss.

A financial asset is classified into one of above measurement categories on initial recognition in the balance sheet on the basis of the Group's business model for managing financial assets and the contractual cash flow characteristics of the financial asset.

Upon initial recognition of equity instruments not held for trading (or on the day of initial application of IFRS 9), the Group could have made an irrevocable decision to designate individual investments in equity instruments as measured at fair value through other comprehensive income. Other equity instruments are measured at fair value through profit or loss.

At initial recognition, an analysis was carried out to determine if a financial instrument contains an embedded derivative. Derivative instrument embedded in the hybrid contract, the host of which is a financial asset within the scope of IFRS 9, is not bifurcated and the hybrid contract is recognised in accordance with the MSSF 9 requirements for classification of financial assets. Derivative instrument embedded in the hybrid contract, the host of which is not a financial asset within the scope of IFRS 9, is assessed in order to determine whether it should be bifurcated.

Financial assets may be reclassified if, and only if, the Group changes its business model for managing financial assets. In such a case, all financial assets affected by the business model change are subject to reclassification.

Based on the review of financial assets held by the Group after 31 December 2017, the CIECH Group:

1. determined and allocated groups of financial assets to the appropriate business model on the basis of the assessment of the applied way of managing the financial asset portfolios by:
 - a) reviewing and assessing relevant and objective qualitative data which may have an impact on allocating financial asset portfolios to the appropriate business model (in particular, the reasons of sales of the financial assets from certain portfolios that occurred in the past);
 - b) reviewing and assessing relevant and objective quantitative data which may have an impact on allocating financial asset portfolios to the appropriate business model (e.g. the value of sales of the financial assets from certain portfolios that occurred, if any, in previous reporting periods and the frequency of those sales);
 - c) analysis of expectations regarding the value and frequency of sales from certain portfolios;
2. determined, through identifying and analysing the contractual terms of financial assets with economic characteristics of debts instruments, as a result of which the financial asset may not meet the SPPI criterion, whether these contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, i.e. whether they are consistent with the SPPI criterion.

Financial assets with the characteristics of debt instruments

Following the analysis, the Group concluded that the implementation of IFRS 9 will not change the classification and measurement of financial assets held with economic characteristics of a debt instrument. Trade receivables pending transfer to the factor under non-recourse factoring arrangements could be an exception. These receivables are held by the Group in order to transfer the entire balance of trade receivables agreed with the factor to the factor. The Group manages trade receivables that are designated to be transferred to the factor under non-recourse factoring arrangements with a view to obtaining cash flows through the sale of assets – obtaining contractual cash flows is not an integral part of the business model's objective. Therefore, in accordance with IFRS 9, the Group classified these receivables as financial assets measured



at fair value through profit or loss – however, due to the relatively short period of holding the receivables to be transferred to the factor in the balance sheet, the impact of the change in their classification on the financial position of the Group was deemed immaterial.

Equity instruments

The Group hold equity instruments (shares) which are classified as financial assets pursuant to IAS 39 and IFRS 9. Pursuant to IAS 39, the Group measured the equity instruments held at cost less impairment losses. The net present carrying amount of these instruments is close to zero.

Pursuant to IFRS 9, the CIECH Group classified the equity instruments (shares) held as measured at fair value through profit or loss. However, as at the date of implementation of IFRS 9, the estimated fair value of the equity instruments held was close to zero. Therefore, the impact of the change in their classification on the Group's financial position was deemed immaterial.

The table below presents a comparison of key changes in the classification of financial assets resulting from the implementation of IFRS 9.

Classes of financial assets	Categories of financial assets and measurement method according to IAS 39	Business model according to IFRS 9	SPPI Criterion	Reclassification	Categories of financial assets and measurement method according to IFRS 9
Cash and cash equivalents	Loans and receivables – measured at amortised cost	Holding financial assets in order to collect contractual cash flows	Met	None	Financial assets measured at amortised cost
Bank deposits (their value is included in cash and cash equivalents)	Loans and receivables – measured at amortised cost	Holding financial assets in order to collect contractual cash flows	Met	None	Financial assets measured at amortised cost
Loans granted	Loans and receivables – measured at amortised cost	Holding financial assets in order to collect contractual cash flows	Met	None	Financial assets measured at amortised cost
Trade receivables	Loans and receivables – measured at amortised cost	Holding financial assets in order to collect contractual cash flows	Met	None	Financial assets measured at amortised cost
Factoring receivables (transferred to the factor)	Loans and receivables – measured at amortised cost	Holding financial assets in order to collect contractual cash flows	Met	None	Financial assets measured at amortised cost
Derivative instruments designated as hedging instruments	Hedging instruments	Other business model	Not applicable	None	Hedging instruments

Impairment of financial assets

Contrary to IAS 39, IFRS 9 does not require the entities to identify the impairment trigger in order to estimate losses. Instead, entities are obliged to constantly estimate the level of credit losses since the initial recognition of a given asset until its derecognition.

Upon acquisition or granting of a financial asset, the Group is obliged to keep an allowance in the amount of a 12-month ECL. In the event of significant increase in credit risk since the initial recognition of the asset, the Group is obliged to calculate lifetime expected credit losses (the so-called Stage 2). Such an approach will result in the earlier recognition of credit losses which will cause an increase in loss allowance and therefore it will also affect profit or loss.

Trade receivables and contract assets arising from transactions within the scope of IFRS 15 are exceptions to this rule. For these categories of assets, the Group chose a simplified approach whereby lifetime expected credit losses are estimated from the moment of initial recognition of exposures.

Following the analysis of financial instruments held, the CIECH Group calculated allowances based on the expected credit loss model for the following classes of financial instruments:

1. Trade receivables,
2. Factoring receivables,
3. Contract assets from transactions within the scope of IFRS 15,
4. Loans granted,
5. Term deposits, cash.



Hedge accounting

On 1 January 2018, the CIECH Group decided to adopt the hedge accounting principles of IFRS 9. The Group took advantage of the option offered by IFRS 9 and applied the prospective approach from the date of initial application of IFRS 9.

IFRS 9 requires the Group to ensure that its hedging relationships are compliant with the risk management strategy applied by the Group and its objectives. IFRS 9 introduces new requirements with regard to, among others, the assessment of hedge effectiveness, rebalancing of the hedge relationship as well as it prohibits voluntary discontinuation of hedge accounting (i.e. in the absence of the conditions to stop the application of hedge accounting, as defined in the Standard).

With respect to hedging relationships applied by the Group, IFRS 9 had a material impact on the following two issues:

1. The time value of the gas purchase option, which was left outside hedge accounting by the Group in accordance with IAS 39, was recognised in a separate component of equity as a cost of hedging during the option's life (reclassification from retained earnings to the cost of hedging reserve).
2. The Group applied a new approach to the basis currency spread for CIRS transactions, excluded it from hedge accounting and recognised it as a cost of hedging in a separate component of equity.

Implementation of IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from Contracts with Customers" is effective for annual periods beginning on or after 1 January 2018. The CIECH Group decided to apply IFRS 15 retrospectively with the recognition of the cumulative effect of the initial application of this IFRS as an adjustment to the initial balance of retained earnings in 2018. The standard introduces uniform requirements for all entities with respect to recognition of revenue from contracts with customers based on the so-called 5-step model:

1. identifying the contract,
2. identifying performance obligations,
3. determining the transaction price,
4. allocating the transaction price to performance obligations,
5. satisfying the performance obligation.

This standard requires entities to evaluate contracts with customers and to identify elements in them that constitute separate performance obligations as defined in IFRS 15. For contracts that contain more than one performance obligation, the expected consideration will be allocated to each of the contracts in successive steps and the revenue will be recognised when (or as) the performance obligation is satisfied. The obligation to identify the performance obligations also applies to contracts where the contract is assumed to consist of only one element (e.g. sale of a product) when settled with the customer.

Based on the analysis of the impact of IFRS 15 on the consolidated financial statements of the CIECH Group, the following areas were identified and adjusted in order to implement the standard. Due to the immateriality of other adjustments, only the value of non-cash consideration was adjusted as at 1 January 2018.

Non-cash consideration

Under construction services agreements, in addition to the consideration in cash, the Group receives from the customer the raw materials extracted during the performance of construction works, which are then used by the Group in the production process to manufacture its products. Until the end of 2017, the revenue from gratuitous use of the raw material was not recognised in the financial statements.

In accordance with IFRS 15, in the case of contracts where the customer agreed to pay consideration in a non-cash form, the non-cash consideration is recognised at the transaction price. The Group measures the non-cash consideration at fair value. As a result, revenue to be recognised from the performance of a given agreement will be higher by the fair value of non-cash consideration. The recognition requirements for assets received remain unchanged.

The assets received are initially recognised at the amount and at the time determined in accordance with the standard applicable to the given type of asset, i.e. inventory.

As at 1 January 2018, the value of revenues from non-cash consideration amounted to PLN 2,156 thousand (the impact on equity after deferred tax amounted to PLN 1,489 thousand).

Consignment warehouses

The Group enters into agreements with customers under which it undertakes to deliver its products to the customer's warehouses. Under the agreements, customers are supplied with raw materials to be used in production. Products in the raw material warehouse remain the property of the Group until they are released for production to the customer. However, all risks related to the possibility of losing or damaging raw materials are transferred to the customer upon delivery of the raw



materials to the warehouse. The Group undertakes to deliver appropriate quantities of raw materials to the raw materials warehouse in accordance with the customer's order, and the customer inspects the quantity of raw materials in the raw materials warehouse in terms of frequency and volume of deliveries.

The new IFRS 15 guidelines concerning the determination of the moment of revenue recognition, i.e. the transfer of control, resulted in a change in the moment of recognition of revenue from the sale of products transferred to raw material warehouses. Control over the raw materials is transferred to the customer upon their acceptance into storage and revenue is recognised at this point.

Due to the immateriality of adjustments related to consignment warehouses, the Group decided not to introduce them as at 1 January 2018. Revenue from sales of products delivered to raw material warehouses was recognised in accordance with IFRS 15 in the first half of 2018.

Exclusive production

In the silicates and glass segment, some of the sales agreements concern specific products manufactured exclusively for a particular customer. The customer declares the frequency and quantity of products to be received, however, the customer may not refuse to accept the batch of products dispatched. If the customer fails to collect the products within the specified deadline, it bears the storage costs. In accordance with IFRS 15, the Group recognizes revenue from the sale of exclusive production before the customer physically receives the products, whereas in accordance with IAS 18, the revenue was recognized at the moment of transferring the products to the customer.

Due to the immateriality of adjustments related to exclusive production, the Group decided not to introduce them as at 1 January 2018. Revenue from sales of products manufactured exclusively for a particular customer was recognised in accordance with IFRS 15 in the first half of 2018.

Impact of the implementation of IFRS 9 and IFRS 15 on the statement of financial position of the CIECH Group as at 1 January 2018

	As at 31.12.2017 before adjustments	IFRS 9 adjustments	IFRS 15 adjustments	As at 01.01.2018 (data restated, unaudited)
ASSETS				
Non-current receivables	81,678	(1,531)	2,156	82,303
Deferred income tax assets	107,411	1,568	-	108,979
Total non-current assets	3,204,963	37	2,156	3,207,156
Trade and other receivables	509,824	(5,143)	-	504,681
Cash and cash equivalents	489,754	(571)	-	489,183
Total current assets	1,438,548	(5,714)	-	1,432,834
Total assets	4,643,511	(5,677)	2,156	4,639,990
EQUITY AND LIABILITIES				
Cash flow hedge	10,021	2,408	-	12,429
Hedging costs	-	(5,240)	-	(5,240)
Retained earning	1,413,913	(2,845)	1,489	1,412,557
Equity attributable to shareholders of the parent	2,187,596	(5,677)	1,489	2,183,408
Non-controlling interest	(2,951)	-	-	(2,951)
Total equity	2,184,645	(5,677)	1,489	2,180,457
Deferred income tax liability	32,487	-	667	33,154
Total non-current liabilities	1,369,282	-	667	1,369,949
Total liabilities	2,458,866	-	667	2,459,533
Total equity and liabilities	4,643,511	(5,677)	2,156	4,639,990



The tables below summarise the impact of the application of IFRS 15 on the Group's consolidated financial statements for the period ended 30 June 2018. In order to ensure comparability of financial data presented in different periods, the Group presented below a reconciliation of data prepared in accordance with IFRS 15 with data which would have been prepared had IAS 11 and IAS 18 been in force in 2018.

	01.01.-30.06.2018 according to IFRS 15	Non-Cash consideration	Exclusive production	Consignment warehouses	01.01.-30.06.2018 according to IAS 18/IAS 11
CONTINUING OPERATIONS					
Sales revenues	1,819,175	(2,056)	(5,367)	(8,692)	1,803,060
Cost of sales	(1,404,920)	1,509	3,724	7,155	(1,392,531)
Gross profit/(loss) on sales	414,255	(547)	(1,643)	(1,536)	410,529
Other operating income	47,145	-	-	-	47,145
Selling costs	(134,086)	-	456	-	(133,630)
General and administrative expenses	(79,349)	-	-	-	(79,349)
Other operating expenses	(21,688)	-	-	-	(21,688)
Operating profit/(loss)	226,277	(547)	(1,187)	(1,536)	223,007
Financial income	21,316	-	-	-	21,316
Financial expenses	(24,525)	-	-	-	(24,525)
Net financial income/(expenses)	(3,209)	-	-	-	(3,209)
Share of profit / (loss) of equity-accounted investees	13	-	-	-	13
Profit/(loss) before tax	223,081	(547)	(1,187)	(1,536)	219,811
Income tax	(50,272)	89	226	292	(49,666)
Net profit/(loss) on continuing operations	172,809	(458)	(961)	(1,244)	170,145

	30.06.2018 according to IFRS 15	Non-Cash consideration	Exclusive production	Consignment warehouses	30.06.2018 according to IAS 18/IAS 11
ASSETS					
Non-current receivables	80,341	(2,719)	-	-	77,622
Total non-current assets	3,241,137	(2,719)	-	-	3,238,418
Inventory	377,362	-	3,724	7,155	388,241
Trade and other receivables	574,509	-	(5,367)	(8,692)	560,450
Total current assets	1,506,311	-	(1,643)	(1,536)	1,503,132
Total assets	4,747,448	(2,719)	(1,643)	(1,536)	4,741,550
EQUITY AND LIABILITIES					
Currency translation reserve	(55,438)	(13)	-	-	(55,451)
Retained earnings	1,189,799	(1,947)	(961)	(1,244)	1,185,647
Equity attributable to shareholders of the parent	1,948,370	(1,960)	(961)	(1,244)	1,944,204
Non-controlling interest	(2,432)	-	-	-	(2,432)
Total equity	1,945,938	(1,960)	(961)	(1,244)	1,941,772
Deferred income tax liability	35,885	(759)	(226)	(292)	34,609
Total non-current liabilities	1,610,476	(759)	(226)	(292)	1,609,200
Trade and other liabilities	1,062,999	-	(456)	-	1,062,543
Total current liabilities	1,191,034	-	(456)	-	1,190,578
Total liabilities	2,801,510	(759)	(682)	(292)	2,799,778
Total equity and liabilities	4,747,448	(2,719)	(1,643)	(1,536)	4,741,550

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 2017, published on 26 March 2018.

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 and Ciech Group Financing AB – EUR, CIECH Soda Romania S.A. – RON. For the purpose of conversion into PLN, the following foreign exchange rates determined on the basis of quotations announced by the National Bank of Poland (“NBP”) have been applied for consolidation purposes:

NBP exchange rate as at the end day of the reporting period	30.06.2018 ¹	31.12.2017 ²
EUR	4.3616	4.1709
RON	0.9361	0.8953
Average NBP rate for the reporting period	6 months ended 30.06.2018 ³	6 months ended 30.06.2017 ⁴
EUR	4.2395	4.2474
RON	0.9104	0.9359

¹ NBP's average foreign exchange rates table applicable as at 30 June 2018.

² NBP's average foreign exchange rates table applicable as at 31 December 2017.

³ According to the exchange rate constituting the arithmetic mean of average exchange rates determined by NBP on the last day of each month of the period from 1 January 2018 to 30 June 2018.

⁴ According to the exchange rate constituting the arithmetic mean of average exchange rates determined by NBP on the last day of each month of the period from 1 January 2017 to 30 June 2017.

2.4. SEASONALITY AND CYCLICALITY OF ACTIVITY OF THE CIECH GROUP

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

2.5. CIECH GROUP'S SEGMENT REPORTING

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

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 reporting.

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.

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.

Information on the CIECH Group geographical areas is established based on the Group's assets location.

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 International Financial Reporting Standards and can be calculated in a different manner by other entities. The reconciliation and definitions applied by the CIECH Group when determining these measures are presented below.

	01.01.-30.06.2018	01.01.-30.06.2017
Net profit/(loss) on continuing operations	172,809	171,154
Income tax	50,272	46,857
Share of profit / (loss) of equity-accounted investees	(13)	(174)
Financial expenses	24,525	44,089
Financial income	(21,316)	(3,349)
Amortisation/depreciation	127,368	119,154
EBITDA on continued operations	353,645	377,731

	01.01.-30.06.2018	01.01.-30.06.2017
EBITDA on continued operations	353,645	377,731
One-offs including:	(13,929)	847
Impairment (a)	(284)	1,842
Cash items (b)	(14,901)	(1,383)
Non-cash items (without impairment) (c)	1,256	388
Adjusted EBITDA from continuing operations	339,716	378,578

(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.-30.06.2018	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	1,189,306	425,334	120,207	6,931	77,397	-	-	1,819,175
Revenue from inter-segment transactions	26,985	1,446	81	65,491	11,415	-	(105,418)	-
Total sales revenues	1,216,291	426,780	120,288	72,422	88,812	-	(105,418)	1,819,175
Cost of sales	(875,573)	(356,670)	(91,914)	(64,167)	(73,132)	-	56,536	(1,404,920)
Gross profit /(loss) on sales	340,718	70,110	28,374	8,255	15,680	-	(48,882)	414,255
Selling costs	(125,107)	(35,224)	(15,843)	(2,096)	(2,704)	(970)	47,858	(134,086)
General and administrative expenses	(28,370)	(12,522)	(2,529)	(2,251)	(2,792)	(32,363)	1,478	(79,349)
Result on management of receivables	(36)	722	(4)	(226)	222	64	-	742
Result on other operating activities	14,776	(5,490)	(1,413)	(264)	15,636	1,759	(289)	24,715
Operating profit /(loss)	201,981	17,596	8,585	3,418	26,042	(31,510)	165	226,277
Exchange differences and interest on trade settlements	(41)	(11,990)	292	(216)	(955)	-	-	(12,910)
Group borrowing costs	-	-	-	-	-	(14,548)	-	(14,548)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	24,249	-	24,249
Share of profit / (loss) of equity-accounted investees	13	-	-	-	-	-	-	13
Profit /(loss) before tax	201,953	5,606	8,877	3,202	25,087	(21,809)	165	223,081
Income tax	-	-	-	-	-	-	-	(50,272)
Net profit /(loss) for the period	-	-	-	-	-	-	-	172,809
Amortization/depreciation	96,634	14,313	9,628	2,902	1,380	2,511	-	127,368
EBITDA	298,615	31,909	18,213	6,320	27,422	(28,999)	165	353,645
Adjusted EBITDA*	301,081	31,865	18,303	6,519	13,231	(31,448)	165	339,716

*Adjusted EBITDA for the 6-month period ended 30 June 2018 is calculated as EBITDA adjusted for untypical one-off events: disposal of non-financial assets – PLN 14.5 million; fines and compensations: PLN 2.5 million; fortuitous events: PLN -1.7 million; change in provisions: PLN -1.1 million; other: PLN -0.3 million.



OPERATING SEGMENTS 01.01.-30.06.2017	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	1,185,363	441,695	107,131	4,654	42,517	-	-	1,781,360
Revenue from inter-segment transactions	23,290	1,203	6	56,562	17,830	-	(98,891)	-
Total sales revenues	1,208,653	442,898	107,137	61,216	60,347	-	(98,891)	1,781,360
Cost of sales	(838,510)	(373,126)	(85,995)	(53,879)	(44,115)	-	53,785	(1,341,840)
Gross profit /(loss) on sales	370,143	69,772	21,142	7,337	16,232	-	(45,106)	439,520
Selling costs	(120,730)	(33,255)	(13,133)	(1,442)	(4,312)	-	43,464	(129,408)
General and administrative expenses	(29,517)	(8,523)	(1,889)	(1,368)	(2,350)	(22,675)	1,124	(65,198)
Result on management of receivables	3,028	1,308	75	39	(96)	3	-	4,357
Result on other operating activities	11,978	(3,132)	(62)	66	875	(152)	(267)	9,306
Operating profit /(loss)	234,902	26,170	6,133	4,632	10,349	(22,824)	(785)	258,577
Exchange differences and interest on trade settlements	(11,711)	(4,068)	(191)	(82)	364	-	-	(15,688)
Group borrowing costs	-	-	-	-	-	(14,853)	-	(14,853)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	(10,199)	-	(10,199)
Share of profit / (loss) of equity-accounted investees	174	-	-	-	-	-	-	174
Profit /(loss) before tax	223,365	22,102	5,942	4,550	10,713	(47,876)	(785)	218,011
Income tax	-	-	-	-	-	-	-	(46,857)
Net profit /(loss) for the period	-	-	-	-	-	-	-	171,154
Amortization/depreciation	88,212	15,066	9,486	2,946	1,209	2,235	-	119,154
EBITDA	323,114	41,236	15,619	7,578	11,558	(20,589)	(785)	377,731
Adjusted EBITDA*	324,900	41,369	15,565	7,486	10,752	(20,709)	(785)	378,578

*Adjusted EBITDA for the 6-month period ended 30 June 2017 is calculated as EBITDA adjusted for untypical one-off events: valuation of investment properties to fair value: PLN 0.8 million; change in impairment losses on assets: PLN -1.8 million; change in provisions: PLN -0.8 million; other: PLN 1.0 million.



ASSETS AND LIABILITIES BY OPERATING SEGMENTS

	ASSETS		LIABILITIES	
	30.06.2018	31.12.2017	30.06.2018	31.12.2017
Soda segment	2,772,906	2,686,089	204,247	229,225
Organic segment	644,939	577,815	139,061	122,413
Silicates and glass segment	169,039	162,562	23,695	31,021
Transport segment	66,524	61,345	12,437	12,070
Other operations segment	99,713	110,002	22,396	25,026
Corporate functions - reconciliation item	1,039,513	1,080,556	2,445,633	2,071,535
Eliminations (consolidation adjustments)	(45,186)	(34,858)	(45,959)	(32,424)
TOTAL	4,747,448	4,643,511	2,801,510	2,458,866

INFORMATION ON GEOGRAPHICAL AREAS

ASSETS DIVIDED ON GEOGRAPHICAL REGIONS	Non-current assets other than financial instruments	Deferred income tax assets	Other assets	Total assets
30.06.2018				
Poland	2,180,400	92,322	1,078,376	3,351,098
European Union (excluding Poland)	937,525	-	328,913	1,266,438
Other European countries	-	-	51,465	51,465
Africa	-	-	10,507	10,507
Asia	-	-	64,199	64,199
Other regions	-	-	3,741	3,741
TOTAL	3,117,925	92,322	1,537,201	4,747,448
31.12.2017				
Poland	2,178,433	107,411	1,067,014	3,352,858
European Union (excluding Poland)	875,457	-	321,984	1,197,441
Other European countries	-	-	35,286	35,286
Africa	-	-	3,779	3,779
Asia	-	-	53,590	53,590
Other regions	-	-	557	557
TOTAL	3,053,890	107,411	1,482,210	4,643,511

SALES REVENUES – GEOGRAPHICAL STRUCTURE OF MARKETS

	01.01.-30.06.2018	01.01.-30.06.2017*	Dynamics 2018/2017
Poland	713,850	729,618	(2.2%)
European Union (excluding Poland)	785,938	776,674	1.2%
Germany	333,381	312,561	6.7%
Romania	67,467	77,747	(13.2%)
Czech Republic	71,881	77,205	(6.9%)
Italy	44,264	44,755	(1.1%)
The Netherlands	55,648	59,355	(6.2%)
Finland	34,078	29,638	15.0%
Sweden	40,721	37,396	8.9%
Belgium	15,368	20,274	(24.2%)
United Kingdom	24,341	22,562	7.9%
Denmark	11,941	12,617	(5.4%)
France	6,753	22,209	(69.6%)
Luxembourg	10,684	3,792	181.8%
Lithuania	8,387	9,585	(12.5%)
Other EU countries	61,024	46,978	29.9%
Other European Countries	136,848	122,577	11.6%



	01.01.-30.06.2018	01.01.-30.06.2017*	Dynamics 2018/2017
Switzerland	66,017	51,546	28.1%
Norway	19,142	20,991	(8.8%)
Russia	8,589	12,339	(30.4%)
Other European countries	43,100	37,701	14.3%
Africa	30,843	33,711	(8.5%)
Asia	121,973	93,559	30.4%
India	67,646	63,809	6.0%
Singapore	7,854	9,522	(17.5%)
Bangladesh	7,726	499	1448.3%
Hong Kong	7,715	4,402	75.3%
Turkey	12,908	5,529	133.5%
Other Asian countries	18,124	9,798	85.0%
Other regions	17,721	7,849	125.8%
Cash flow hedge adjustment	12,002	17,372	(30.9%)
TOTAL	1,819,175	1,781,360	2.1%

*Restated data.

2.6. PROVISIONS AND IMPAIRMENT ALLOWANCES ON ASSETS

In the first half of 2018 and in the second quarter of 2018, the following changes in provisions and impairment allowances on assets were recognised in the consolidated financial statements of the CIECH Group.

PROVISIONS FOR EMPLOYEE BENEFITS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2018					
Long-term	10,789	217	(49)	199	11,156
Short-term	968	84	(382)	-	670
01.01.-30.06.2017					
Long-term	10,752	192	(73)	(224)	10,647
Short-term	1,194	181	(477)	-	898
01.04.-30.06.2018					
Long-term	10,929	104	(37)	160	11,156
Short-term	717	48	(95)	-	670
01.04.-30.06.2017					
Long-term	10,598	87	(41)	3	10,647
Short-term	990	104	(196)	-	898

CHANGE IN OTHER LONG-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2018					
Provision for liabilities	1,047	-	-	-	1,047
Provision for environmental protection	70,765	-	(91)	3,180	73,854
Provision for expected losses	-	-	-	6,500	6,500
TOTAL	71,812	-	(91)	9,680	81,401
01.01.-30.06.2017					
Provision for liabilities	6,547	-	-	-	6,547
Provision for environmental protection	77,737	-	-	(2,628)	75,109
TOTAL	84,284	-	-	(2,628)	81,656



CHANGE IN OTHER LONG-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.04.-30.06.2018					
Provision for liabilities	1,047	-	-	-	1,047
Provision for environmental protection	71,375	-	(229)	2,708	73,854
Provision for expected losses	6,500	-	-	-	6,500
TOTAL	78,922	-	(229)	2,708	81,401
01.04.-30.06.2017					
Provision for liabilities	6,547	-	-	-	6,547
Provision for environmental protection	74,826	-	-	283	75,109
TOTAL	81,373	-	-	283	81,656

CHANGE IN OTHER SHORT-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2018					
Provision for compensation	5,138	156	(193)	-	5,101
Provision for liabilities	22,376	2,176	(637)	811	24,726
Provision for environmental protection	951	116	(938)	3	132
Provision for expected losses	48,793	83	-	(5,911)	42,965
Provision for bonuses	610	-	(335)	(5)	270
Other provisions	28	-	-	322	350
TOTAL	77,896	2,531	(2,103)	(4,780)	73,544
01.01.-30.06.2017					
Provision for compensation	9,337	11	(521)	-	8,827
Provision for liabilities	26,598	1,740	(1,557)	(912)	25,869
Provision for environmental protection	2,391	-	(931)	-	1,460
Provision for expected losses	46,507	1,678	-	(542)	47,643
Provision for bonuses	3,661	764	(2,093)	(144)	2,188
Other provisions	292	-	(251)	(11)	30
TOTAL	88,786	4,193	(5,353)	(1,609)	86,017
01.04.-30.06.2018					
Provision for compensation	4,941	116	44	-	5,101
Provision for liabilities	23,196	1,428	(551)	653	24,726
Provision for environmental protection	744	116	(731)	3	132
Provision for expected losses	42,408	83	-	474	42,965
Provision for bonuses	611	-	(335)	(6)	270
Other provisions	30	-	-	320	350
TOTAL	71,930	1,743	(1,573)	1,444	73,544
01.04.-30.06.2017					
Provision for compensation	8,946	11	(130)	-	8,827
Provision for liabilities	26,306	802	(1,271)	32	25,869
Provision for environmental protection	1,873	-	(413)	-	1,460
Provision for expected losses	45,955	1,678	-	10	47,643
Provision for bonuses	3,511	(10)	(1,323)	10	2,188
Other provisions	288	(312)	67	(13)	30
TOTAL	86,879	2,169	(3,070)	39	86,017



CHANGE IN IMPAIRMENT ALLOWANCES	Opening balance	Opening balance adjustment*	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2018						
Property, plant and equipment	6,981	-	2	-	(182)	6,801
Intangible assets, including:	445,791	-	-	-	19,515	465,306
<i>Goodwill</i>	402,416	-	-	-	17,679	420,095
Należności długoterminowe	-	1,531	-	(64)	68	1,535
Long-term financial assets	1,343	-	-	-	-	1,343
Inventories	37,987	-	1,633	(4,448)	935	36,107
Short-term financial assets	24,532	-	2,087	-	-	26,619
Trade and other receivables	44,613	5,143	16,303	(1,596)	1,001	65,464
Cash and cash equivalents	-	571	26	(328)	3	272
TOTAL	561,247	7,245	20,051	(6,436)	21,339	603,447
01.01.-30.06.2017						
Property, plant and equipment	5,933	-	2,941	-	(1,219)	7,655
Intangible assets, including:	473,807	-	-	-	(20,774)	453,033
<i>Goodwill</i>	427,885	-	-	-	(18,764)	409,121
Long-term financial assets	1,343	-	-	-	-	1,343
Inventories	38,218	-	1,894	(1,609)	(420)	38,083
Short-term financial assets	24,601	-	-	-	-	24,601
Trade and other receivables	57,938	-	14,266	(5,974)	(2,109)	64,121
TOTAL	601,840	-	19,101	(7,583)	(24,522)	588,836
01.04.-30.06.2018						
Property, plant and equipment	6,870	-	-	-	(69)	6,801
Intangible assets, including:	449,644	-	-	-	15,662	465,306
<i>Goodwill</i>	405,905	-	-	-	14,190	420,095
Należności długoterminowe	1,610	-	(67)	(64)	56	1,535
Long-term financial assets	1,343	-	-	-	-	1,343
Inventories	37,259	-	1,340	(2,728)	236	36,107
Short-term financial assets	24,532	-	2,087	-	-	26,619
Trade and other receivables	49,602	-	15,220	(482)	1,124	65,464
Cash and cash equivalents	248	-	24	-	-	272
TOTAL	571,108	-	18,604	(3,274)	17,009	603,447
01.04.-30.06.2017						
Property, plant and equipment	6,767	-	1,872	-	(984)	7,655
Intangible assets, including:	452,636	-	-	-	397	453,033
<i>Goodwill</i>	408,676	-	-	-	445	409,121
Long-term financial assets	1,343	-	-	-	-	1,343
Inventories	37,170	-	1,197	(277)	(7)	38,083
Short-term financial assets	24,601	-	-	-	-	24,601
Trade and other receivables	56,765	-	13,335	(5,149)	(830)	64,121
TOTAL	579,282	-	16,404	(5,426)	(1,424)	588,836

*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.-30.06.2018	01.01.-30.06.2017
Current income tax	(22,292)	(16,748)
Deferred tax	(27,980)	(30,109)
INCOME TAX RECOGNISED IN STATEMENT OF PROFIT OR LOSS	(50,272)	(46,857)

Deferred income tax is attributable to the following items:

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITY	30.06.2018			31.12.2017		
	Total asset	Total liability	Net value	Total asset	Total liability	Net value
Property, plant and equipment	1,704	149,061	(147,357)	2,199	140,234	(138,035)
Intangible assets	9,028	333	8,695	12,258	333	11,925
Right of perpetual usufruct	-	5,073	(5,073)	-	5,074	(5,074)
Investment property	2,003	1,760	243	2,003	1,761	242
Financial assets	756	14,264	(13,508)	700	16,983	(16,283)
Inventory	1,630	1,834	(204)	2,123	2,077	46
Trade and other receivables	3,248	29,205	(25,957)	2,448	30,172	(27,724)
Provisions for employee benefits	2,676	31	2,645	2,673	31	2,642
Other provisions	20,984	-	20,984	20,007	-	20,007
Tax losses carried forward	61,104	-	61,104	84,999	-	84,999
Foreign exchange differences	2,825	545	2,280	3,664	20	3,644
Liabilities	59,092	167	58,925	46,927	810	46,117
Special economic zone	135,359	-	135,359	132,535	-	132,535
Other	385	142	243	2,952	752	2,200
Cash and cash equivalents	98	-	98	-	-	-
Deferred tax assets/liability	300,892	202,415	98,477	315,488	198,247	117,241
Set - off of deferred tax assets/ liability	(166,530)	(166,530)	-	(165,760)	(165,760)	-
Unrecognized deferred tax assets	(42,040)	-	(42,040)	(42,317)	-	(42,317)
Deferred tax assets/liability recognised in the statement of financial position	92,322	35,885	56,437	107,411	32,487	74,924

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 30 June 2018, the CIECH Group held the following types of financial instruments measured at fair value:

- futures contracts for the purchase of CO₂ certificates concluded by CIECH Soda Polska S.A., hedging the cost of purchase of CO₂ units in 2018 and 2019 — Level 1, according to the fair value hierarchy,



- concluded by the parent company, CIECH S.A.: interest rate swap contracts, CIRS (currency and interest rate swap) contract EUR/PLN — Level 2, according to the fair value hierarchy,
- currency forward EUR/PLN concluded by CIECH Vitrosilicon S.A. — 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 half of 2018, 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 2017, published on 26 March 2018.

In the consolidated financial statements, all financial instruments concluded 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 2017, published on 26 March 2018.

In the separate financial statements, all financial instruments, except for CIRS contracts, 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 2017, published on 26 March 2018.

Fair value of derivative instruments and embedded instruments

Fair value of derivative instruments and embedded instruments	Cash and cash equivalents	Long-term financial assets	Short-term financial assets	Other non-current liabilities	Trade and other liabilities	TOTAL
30.06.2018						
IRS EUR	-	-	-	(345)	(555)	(900)
CIRS	-	22,794	16,446	(72,341)	(6,386)	(39,487)
Forward EUR/PLN	-	-	878	-	(394)	484
Forward USD /RON	-	-	-	-	(897)	(897)
Embedded instruments	-	8,096	13,364	-	-	21,460
Futures contracts	19,171	-	-	-	-	19,171
TOTAL	19,171	30,890	30,688	(72,686)	(8,232)	(169)
31.12.2017						
IRS EUR	-	210	-	(620)	(1,336)	(1,746)
CIRS	-	34,876	18,654	(40,908)	(805)	11,817
Forward EUR/PLN	-	-	4,668	-	-	4,668
Forward USD /RON	-	-	1,429	-	-	1,429
Embedded instruments	-	8,576	7,141	-	-	15,717
Futures contracts	11,458	-	-	-	-	11,458
TOTAL	11,458	43,662	31,892	(41,528)	(2,141)	43,343

2.8.2. FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The CIECH Group has taken out term and revolving loans whose book value, as at 30 June 2018, amounts to PLN 1,333,808 thousand, and whose fair value amounts to PLN 1,343,368 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 30 June 2018, the CIECH Group carried out the following transactions increasing and decreasing the gross value of property, plant and equipment:

01.01.-30.06.2018	Land	Buildings offices and land and water engineering facilities	Machinery and equipment	Means of transport	Other tangible fixed assets	Tangible fixed assets under construction	TOTAL
Gross value of property, plant and equipment at the beginning of the period	79,737	1,154,203	2,919,663	107,552	46,055	342,673	4,649,883
Purchase	-	7,148	10,154	1,295	1,823	143,651	164,071
Reclassification	-	42,097	38,182	(444)	3,430	(103,296)	(20,031)
Capitalised borrowing costs	-	-	-	-	-	3,015	3,015
Exchange differences	3,586	10,708	42,557	826	506	5,869	64,052
Sales	-	-	(1,630)	(39)	-	-	(1,669)
Liquidation	-	(945)	(1,462)	(74)	(1,237)	-	(3,718)
Gross value of property, plant and equipment at the end of the period	83,323	1,213,211	3,007,464	109,116	50,577	391,912	4,855,603
01.01.-30.06.2017							
Gross value of property, plant and equipment at the beginning of the period	84,579	1,083,972	2,717,796	101,559	46,304	340,585	4,374,795
Purchase	-	372	16,945	3,022	1,069	132,415	153,823
Reclassification	-	46,370	74,486	72	(2,691)	(145,498)	(27,261)
Capitalised borrowing costs	-	-	-	-	-	9,824	9,824
Exchange differences	(3,792)	(11,243)	(43,872)	(792)	(502)	(2,560)	(62,761)
Sales	-	(295)	(228)	(18)	(16)	(616)	(1,173)
Liquidation	-	(23)	(2,692)	(40)	(640)	-	(3,395)
Gross value of property, plant and equipment at the end of the period	80,787	1,119,153	2,762,435	103,803	43,524	334,150	4,443,852

Purchases of property, plant and equipment were made with own financial resources or in the form of a finance lease. As at 30 June 2018, commitments to purchase property, plant and equipment amounted to PLN 172,046 thousand (PLN 79,908 thousand as at 31 December 2017). The increase in the value of property, plant and equipment is related to investment projects carried out in the CIECH Group, mainly in the production companies of the Group.

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

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

All information concerning the financing conditions, which results from the agreements and arrangements with the banks, has been presented in the Management Board Report on activities of the CIECH Group and CIECH S.A. in 2017, published on 26 March 2018.

On 9 January 2018, an Annex to the Facilities Agreement was signed. The most important changes effected under the Annex to the Facilities Agreement include:

- the extension of the maturity of the term and revolving loans from 25 November 2020 to 31 December 2022;
- a change of the outstanding amounts under the term loan by changing the share of the amounts disbursed in PLN and in EUR from PLN 1,045,031 thousand and EUR 69,673 thousand to PLN 1,212,520 thousand and EUR 30,000 thousand, respectively;



- a change in the repayment schedule of the term loan by replacing it with depreciation of the term loan amounting to 26.12% of the original amount lent on 30 December 2021 and 26.12% of the original amount lent under the term loan on 30 September 2022, and the repayment of the remaining amount of the term loan on 31 December 2022.

The entry into force of the Annex to the Facilities Agreement did not result in a change of the interest rate applicable to the loans provided thereunder.

As a result of the Annex signed, the security package under the Facilities Agreement and the Creditors Agreement, described in the Management Board's report on the activities of the CIECH Group and CIECH S.A. for 2017 in point 4.6, has been limited to:

- 1) registered pledges over shares in CIECH Soda Polska S.A. and CIECH Sarzyna S.A.;
- 2) a registered pledge over a collection of moveable assets and property rights of the Issuer;
- 3) financial pledges over rights to the funds credited to the bank accounts of the Issuer, CIECH Soda Polska S.A. and CIECH Sarzyna S.A.;
- 4) a pledge over shares in CIECH Energy Deutschland GmbH;
- 5) an interest pledge agreement related to CIECH Soda Deutschland GmbH & Co. KG;
- 6) a pledge over the bank accounts of Ciech Soda Romania S.A.;
- 7) a pledge over shares in CIECH Soda Romania S.A.;
- 8) representations on submission to enforcement under Article 777 of the Polish Code of Civil Procedure made by the Issuer, CIECH Soda Polska S.A. and CIECH Sarzyna S.A.; and
- 9) guarantees granted by CIECH Soda Polska S.A., CIECH Sarzyna S.A., CIECH Soda Deutschland GmbH & Co. KG, CIECH Energy Deutschland GmbH and CIECH Soda Romania S.A.

Certain other security interests that were established to secure the receivables of the financial institutions under the Facilities Agreement have been released, and the other members of the Issuer's group that are obligors under the finance documentation have been released from the relevant obligations.

2.11. INFORMATION ON TRANSACTIONS WITH RELATED ENTITIES

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

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

TRANSACTIONS BETWEEN CONSOLIDATED ENTITIES AND OTHER RELATED ENTITIES	01.01.-30.06.2018	01.01.-30.06.2017
Revenues from sales of products and services, including:	2,111	2,386
<i>Kulczyk Holding S.A.</i>	-	8
Revenues from sales of goods and materials	56,917	50,688
Other operating income	-	2,045
Financial income	232	749
Purchase of services, including:	20,947	19,967
<i>Kulczyk Holding S.A.</i>	425	1,600
Other operating expenses	343	952
Financial expenses	99	12
	30.06.2018	31.12.2017
Receivables	24,784	18,792
Impairment allowances of receivables and loans	3	1
Liabilities	2,533	5,135

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 related parties.



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

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

2.13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES INCLUDING GUARANTEES AND SURETIES

	30.06.2018	31.12.2017
Contingent assets	23,527	23,527
Other contingent receivables*	23,527	23,527
Contingent liabilities	505,125	568,733
Guarantees and sureties granted**	335,843	396,408
Other***	169,282	172,325

* 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 Czuluchów Sp. z o.o. with its registered office in Czuluchów.*
- *CIECH Soda Polska S.A. recognised a contingent asset in the amount of PLN 4,663 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 303,130 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 32,713 thousand.*

*** Including mainly:

- *contingent liability in the SDC Group relating to environmental protection in the amount of PLN 15,885 thousand (EUR 3,642 thousand),*
- *contingent liability in CIECH Soda Polska S.A. regarding environmental penalty fees in the amount of PLN 36,474 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 event of a potential financial adjustment in the amount of PLN 33,483 thousand, in connection with the received subsidy to the project "Extension of the centre of decantation and filtration of distillation sludge in the Plant in Inowrocław" in the amount of PLN 10,930 thousand, in connection with the subsidy to the project "Reduction of dust emission in CHP Inowrocław – modernisation of electrofilters OP 110 No 2 and 4" in the amount of PLN 882 thousand, in connection with the subsidy to the project "Reduction of dust emission in CHP Inowrocław – modernisation of electrofilters OP 110 No 1 and 3" in the amount of PLN 98 thousand,*
- *contingent liabilities in CIECH Sarzyna S.A. resulting from promissory notes: relating to grants received for the construction of an innovative MCPA and MCPP-P substance production installation in the amount of PLN 39,997 thousand; relating to a grant received for developing and testing a group of agro-chemical preparations in the amount of PLN 14,644 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 15,413 thousand.*

As at 30 June 2018, contingent liabilities amounted to PLN 505,125 thousand and decreased as compared to 31 December 2017 by PLN 63,608 thousand. The change resulted mainly from repayment of a part of debt on account of loans and changes in the level of guarantees granted, as well as from signing annexes for subsidies received.

Other guarantees and sureties granted are described in item 9.2 of the Consolidated Financial Statements of the CIECH Group for 2017.

Tax audits

In the first half of 2018, four companies from the CIECH Group were subject to tax proceedings. The aim of the proceedings (following the audits performed in the previous year) was to review the accuracy of the declared tax base and the correctness of calculations and payments of corporate income tax for the year 2015. The irregularities identified concern mainly the incorrect settlement of income from a participation in a partnership (this resulted in the reduction of the tax loss by PLN 313 million).

The Management Boards of the companies and their tax advisors do not agree with the findings presented in the audit reports and with responses to objections to the reports. However, if decisions are taken in which the findings contained in the responses to objections to the Report are included – after an appeal against the decision of the first instance authority – the



decision of the Head of the Tax Administration Chamber is upheld, each of the companies may be required to pay tax liabilities in the total amount of PLN 15.1 million for 2015 together with default interest from 1 April 2016.

As at the date of the report, tax proceedings are pending in four companies and these companies have not received an Assessment decision by the date of the financial statements.

Another Polish company of the Ciech Group, which in 2017 appealed against the decision of the first instance authority determining the corporate income tax liability for 2013, received a decision of the second instance authority, in which the Head of the Tax Administration Chamber upheld the findings of the first instance authority decision. The company filed a complaint with the Provincial Administrative Court in Warsaw, however, paying the amount indicated in the Decision of the Head of the Tax Administration Chamber, i.e. PLN 1.8 million (after taking into account the tax loss incurred in the audited year) together with default interest from 1 April 2014.

In February 2018, one of the Polish companies of the Group received a written statement of reasons for the judgment issued by the Regional Administrative Court in 2017, in which the Provincial Administrative Court agreed in full with the position of the Company. The case concerned income tax for 2010. The Head of the Tax Administration Chamber did not appeal to the Supreme Administrative Court and thus the verdict became legally binding.

In addition, tax audits concerning the corporate income tax were also commenced at three Polish companies of the CIECH Group in the first half-year of 2018 – for 2012 in one company (customs and tax audit), for 2015 in second company (custom and tax audit) and for 2016 in third company (tax audit). In the case of audits for 2015 and 2016, as at the date of publication of the report, these audits are in progress. Until the date of these statements, one of the companies received the audit findings as regards the corporate income tax for 2012. The auditors questioned one transaction, and if the authorities uphold their position, the company may be required to pay a tax liability of PLN 43.7 million, together with default interest.

The Management Board of the company and their tax advisors do not agree with the findings presented in the audit result. Based on the fact that the auditors in the audit result have questioned the correctness of the determination of revenues (and only to a very limited extent referred to the issue of determining the tax costs related to the questioned issue), as well as the status of the case, ie the lack of tax proceedings ended with the issuance of a dimensional decision, Management Board assesses the risk of additional tax liabilities arising from the findings made during the audit as not high. However, if the tax proceedings end with the decision of the Head of the Tax Administration Chamber, the obligation to pay the tax arrears estimated by the auditors may arise.

The Group estimated that the potential impact on income tax expense (in the form of additional tax liabilities or inability to realise a deferred income tax asset calculated for tax losses), in relation to the issues described above, would amount to PLN 136.3 million if it were no longer probable that the Group would be able to uphold its tax interpretations before the tax authorities.

As regards VAT, three CIECH Group companies were subject to customs and tax audits with respect to the reliability of declared tax bases and correctness of VAT calculation: in two for the fourth quarter of 2013 and in one for December 2014. The audits concern in-kind contributions made by three other companies of the Ciech Group to the controlled companies. The customs and tax audits resulted in the issuing of audit findings. In accordance with the documents received, the authority challenged the deduction of VAT in the amount of about PLN 64.3 million. The companies disagree with the findings of the audit, pointing to a change in the tax authorities' approach to determining the VAT base when making in-kind contributions. However, in two cases the audited companies made adjustments to their transactions in the current period. Consequently, the other party to the transaction, i.e. the two companies making the in-kind contribution, made an adjustment (reduction) to the output VAT in their returns. If the auditors challenge the recognition of the VAT adjustment by the audited companies in the current period, there may be a risk that they will be required to pay interest. No tax proceedings were initiated in any of the companies.

In addition, as a result of the ongoing audit of the German CIECH Group companies for the years 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. At the time of publication of the financial statements, the audit result is not known.



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

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.

On 22 June 2017, the Ordinary General Meeting of Shareholders of CIECH S.A. adopted a resolution regarding the allocation of the entire net profit of the Company for 2016, in the amount of PLN 152,440 thousand, to the Company's supplementary capital.

2.15. INFORMATION ON POST-BALANCE-SHEET EVENTS

- On 24 July 2018, Mr Sebastian Kulczyk was appointed to the office of the Chairman of the Supervisory Board of CIECH S.A., Mr Tomasz Mikołajczak was appointed to the office of the Deputy Chairman, and Mr Mariusz Nowak was appointed to hold the office of the Secretary of the Supervisory Board. At the same time, Mr Piotr Augustyniak, Mr Mariusz Nowak and Mr Artur Olech became members of the Audit Committee. Mr Piotr Augustyniak was elected by the members of the Audit Committee as its Chairman. Furthermore, the Supervisory Board of CIECH S.A. adopted a resolution on the appointment of the following members of the Remuneration Committee: Mr Tomasz Mikołajczak, Mr Mariusz Nowak and Mr Dawid Jakubowicz.
- On 10 August 2018, Mr Artur Król submitted his resignation from the Management Board of CIECH S.A., effective as of the end of the month.
- On 28 August 2018, an overdraft facility agreement was signed by CIECH S.A. and Bank Pekao S.A. in the amount of PLN 50,000 thousand. The agreement was concluded for a period of 1 year, i.e. until 28 August 2019. A drawn-down amount of the facility will bear interest at the 1M WIBOR rate plus the bank's margin. The facility is intended to finance the Company's day-to-day operations. No collateral was established for this facility. The terms and conditions of the agreement do not differ from standard terms used facility agreements.
- On 29 August 2018, overdraft facility agreements were signed by CIECH S.A. and Bank Millenium S.A. in the amount of PLN 50,000 thousand and EUR 10,000 thousand. The agreements were concluded for a period of 1 year, i.e. until 29 August 2019. Any drawn-down amounts of the facilities will bear interest at the 1M WIBOR and 1M EURIBOR rate, respectively, plus the bank's margin. The facility is intended to finance the Company's day-to-day operations. The facility is secured with a package of collateral shared with the lenders of the consortium loan (agreement dated 9 January 2018) and with a surety issued by selected subsidiaries of CIECH S.A. The terms and conditions of the agreement do not differ from standard terms used facility agreements.
- **Acquisition of Proplan Plant Protection Company, S.L.**

On 26 July 2018, CIECH SA finalized the take-over of 100% of shares in Proplan Plant Protection Company, S.L.. Proplan is a company incorporated under Spanish law with more than 25 years of experience in the Agro segment, operating in the crop protection products market.

Throughout its operations, the Company has specialized in the registration, production and distribution of fungicides, herbicides, insecticides and growth regulators. Proplan manufactures and sells its products mainly in the European market, where it also has the largest number of registered products. Outside Europe, the company is active primarily in Australia and Africa. In total, Proplan holds more than 120 product registrations and significant intellectual property assets.

The company operates in the Asset-Light business model, using outsourcing to specialist, large suppliers operating in the industry. Proplan uses this model to purchase manufacturing, logistics or laboratory services. Proplan Plant Protection Company, S.L. does not hold any shares in other entities.

CIECH SA decided to take over Proplan Plant Protection S.L. in connection with the development plans of the CIECH Group in the area of crop protection chemicals. The main reasons for concluding the transaction included:



- repositioning of the CIECH Group as regards access to active substances,
- access to more than 120 product registrations and Proplan's continuous efforts to expand its product portfolio,
- new markets – Proplan has access to markets where the CIECH Group does not currently operate, including a recognisable brand in Spain and a well-established distribution network in other southern European countries.

CIECH S.A. believes that this transaction will create synergies between the CIECH Group and Proplan Plant Protection Company, S.L. The transaction will significantly expand the Group's product portfolio in the area of crop protection chemicals and will contribute to the geographical diversification of this business.

The transaction value amounted to EUR 44,615 thousand. The purchase price for 90% of shares was paid on 26 July 2018. The price for the remaining 10% of shares will be paid over the next 4 years after the closing of the transaction (2.5% each year). Deferral of payment for the acquired 10% of shares involves possible deductions after the closing date of the transaction.

Below are presented the key financial information regarding company Proplan Plant Protection S.L. Presented results and balance sheet items are calculated based on local, Spanish accounting principles, the final values according to IFRS will be presented at the end of the purchase price allocation process.

Key financial information regarding Proplan Plant Protection LC:	In thousand EUR	In thousand PLN*
Sales revenues for period 01.01.-30.06.2018	9,300	39,429
Net profit for period 01.01.-30.06.2018	1,182	5,009
Amount of key assets and liabilities as at acquisition day:	In thousand EUR	In thousand PLN**
Intangible assets	5,866	25,092
Inventory	4,746	20,305
Trade receivables	3,895	16,661
Loans and borrowings	(2,853)	(12,207)
Trade liabilities	(2,141)	(9,160)

*According to the exchange rate constituting the arithmetic mean of average exchange rates determined by NBP on the last day of each month of the period from 1 January 2018 to 30 June 2018.

**According to the exchange rate on 31 July 2018.



**SEMI-ANNUAL CONDENSED SEPARATE FINANCIAL STATEMENTS
OF CIECH S.A. FOR 6-MONTH PERIOD ENDED 30 JUNE 2018**

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



3

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

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

	01.01.-30.06.2018	01.01.-30.06.2017	01.04.-30.06.2018	01.04.-30.06.2017
	<i>Unaudited data</i>			
CONTINUING OPERATIONS				
Sales revenues	1,208,028	1,189,387	612,782	588,686
Cost of sales	(995,395)	(947,111)	(505,375)	(469,377)
Gross profit/(loss) on sales	212,633	242,276	107,407	119,309
Other operating income	6,995	2,161	5,699	1,099
Selling costs	(112,336)	(101,944)	(59,295)	(52,688)
General and administrative expenses	(33,698)	(24,919)	(18,306)	(12,096)
Other operating expenses	(4,526)	(785)	(3,491)	(129)
Operating profit/(loss)	69,068	116,789	32,014	55,495
Financial income	40,394	107,568	26,918	44,662
Financial expenses	(85,991)	(45,952)	(65,679)	(26,946)
Net financial income/(expenses)	(45,597)	61,616	(38,761)	17,716
Profit/(loss) before tax	23,471	178,405	(6,747)	73,211
Income tax	(5,936)	(29,816)	34	(10,422)
Net profit/(loss) on continuing operations	17,535	148,589	(6,713)	62,789
DISCONTINUED OPERATIONS				
Net profit/(loss) on discontinued operations	-	-	-	-
Net profit / (loss) for the period	17,535	148,589	(6,713)	62,789
Earnings/(loss) per share (in PLN):				
Basic	0.33	2.82	(0.13)	1.19
Diluted	0.33	2.82	(0.13)	1.19

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



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

	01.01.-30.06.2018	01.01.-30.06.2017	01.04.-30.06.2018	01.04.-30.06.2017
				<i>Unaudited data</i>
Net profit/(loss) on continuing operations	17,535	148,589	(6,713)	62,789
Net profit / (loss) for the period	17,535	148,589	(6,713)	62,789
Other comprehensive income before tax that may be reclassified to statement of profit or loss	(4,874)	16,275	(3,270)	4,421
Cash flow hedge reserve	(4,874)	16,275	(3,270)	4,421
Income tax attributable to other comprehensive income	856	(2,871)	1,162	(672)
Income tax attributable to other comprehensive income that may be reclassified to statement of profit or loss	856	(2,871)	1,162	(672)
Other comprehensive income net of tax	(4,018)	13,404	(2,108)	3,749
TOTAL COMPREHENSIVE INCOME	13,517	161,993	(8,821)	66,538

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



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

	30.06.2018	31.12.2017
ASSETS		
Property, plant and equipment	12,748	13,880
Intangible assets	35,153	34,143
Long-term financial assets	1,840,796	1,864,137
Deferred income tax assets	33,545	40,247
Total non-current assets	1,922,242	1,952,407
Inventory	18,998	31,795
Short-term financial assets	979,103	1,012,304
Income tax receivables	1,782	-
Trade and other receivables	422,981	280,765
Cash and cash equivalents	368,396	375,393
Total current assets	1,791,260	1,700,257
Total assets	3,713,502	3,652,664
EQUITY AND LIABILITIES		
Share capital	287,614	287,614
Share premium	470,846	470,846
Cash flow hedge reserve	(772)	3,246
Actuarial gains	121	121
Other reserve capitals	76,199	76,199
Retained earnings	316,106	711,002
Total equity	1,150,114	1,549,028
Loans, borrowings and other debt instruments	1,383,772	1,130,482
Other non-current liabilities	72,686	41,528
Employee benefits provisions	453	436
Total non-current liabilities	1,456,911	1,172,446
Loans, borrowings and other debt instruments	179,726	413,516
Trade and other liabilities	889,148	476,443
Income tax liabilities	786	4,758
Employee benefits provisions	316	400
Other provisions	36,501	36,073
Total current liabilities	1,106,477	931,190
Total liabilities	2,563,388	2,103,636
Total equity and liabilities	3,713,502	3,652,664

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



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

	01.01.-30.06.2018	01.01.-30.06.2017
Cash flows from operating activities		
Net profit /(loss) for the period	17,535	148,589
Amortisation/depreciation	4,149	2,235
Recognition of impairment allowances	10,428	2,508
Foreign exchange (profit) /loss	2,988	(4,071)
(Profit) / loss on disposal of property, plant and equipment	121	(95)
Dividends and interest	(7,757)	(27,069)
Income tax payable/(receivable)	5,936	29,816
Change in liabilities due to loan arrangement fee	(3,032)	1,334
Valuation of derivative instruments	51,303	(42,564)
Other adjustments	(490)	-
Cash from operating activities before changes in working capital and provisions	81,181	110,683
Change in receivables	(141,073)	55,831
Change in inventory	12,797	(859)
Change in current liabilities	24,097	(5,212)
Change in provisions and employee benefits	361	(182)
Cash generated from operating activities	(22,637)	160,261
Interest paid	(20,827)	(22,783)
Income tax paid/returned	(2,145)	(167)
Set-off receivables from interest on loans	13,213	-
Net cash from operating activities	(32,396)	137,311
Cash flows from investment activities		
Disposal of a subsidiary	-	411
Disposal of intangible assets and property, plant and equipment	30	4
Dividends received	203	290
Interest received	13,333	6,095
Proceeds from repaid borrowings	56,768	36,496
Acquisition of intangible assets and property, plant and equipment	(16,520)	(4,648)
Expenditures on increase and extra contribution to capital	(150)	(4,500)
Borrowings paid out	(38,856)	(130,291)
Cash pooling expenditures	(534)	(5,514)
Net cash from investment activities	14,274	(101,657)
Cash flows from financial activities		
Proceeds from loans and borrowings	217,488	24,000
Repayment of loans and borrowings	(171,465)	(438)
Cash pooling expenditures	(33,256)	(8,773)
Net cash from financial activities	12,767	14,789
Total net cash flows	(5,355)	50,443
Cash and cash equivalents as at the beginning of the period	375,393	342,607
<i>Impact of foreign exchange differences</i>	<i>(1,642)</i>	<i>1,011</i>
Cash and cash equivalents as at the end of the period	368,396	394,061

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



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

	Share capital	Share premium	Cash flow hedge reserve	Other reserve capitals	Actuarial gains	Retained earnings	Total equity
31.12.2017	287,614	470,846	3,246	76,199	121	711,002	1,549,028
Changes in accounting policies	-	-	-	-	-	(17,182)	(17,182)
01.01.2018	287,614	470,846	3,246	76,199	121	693,820	1,531,846
Transactions with owners	-	-	-	-	-	(395,249)	(395,249)
Dividend	-	-	-	-	-	(395,249)	(395,249)
Total comprehensive income	-	-	(4,018)	-	-	17,535	13,517
Net profit/(loss) for the period	-	-	-	-	-	17,535	17,535
Other comprehensive income	-	-	(4,018)	-	-	-	(4,018)
30.06.2018	287,614	470,846	(772)	76,199	121	316,106	1,150,114
01.01.2017	287,614	470,846	(5,120)	76,199	132	467,095	1,296,766
Total comprehensive income	-	-	13,404	-	-	148,589	161,993
Net profit/(loss) for the period	-	-	-	-	-	148,589	148,589
Other comprehensive income	-	-	13,404	-	-	-	13,404
30.06.2017	287,614	470,846	8,284	76,199	132	615,684	1,458,759

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



4

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

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

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

These semi-annual condensed separate financial statements were prepared in compliance with IAS 34 "Interim Financial Reporting" as approved by the European Union and the Regulation of the Minister of Finance dated 29 March 2018 on current and periodical information submitted by issuers of securities and on conditions for deeming equivalent information required by the law of a Non-Member State (Journal of Laws 2018.757 of 2018). These financial statements present the financial position of CIECH S.A. as at 30 June 2018 and as at 31 December 2017, results of the Company's operations and cash flows for the period of 6 months ended 30 June 2018 and 30 June 2017, and were approved by the Management Board of CIECH S.A. on 5 September 2018.

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

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

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

The Management Board of CIECH S.A. represents that PricewaterhouseCoopers Sp. z o.o. with its registered office in Warsaw, entered into the list of entities authorised to audit financial statements under the registry No 144 kept by the National Chamber of Statutory Auditors was chosen in accordance with the binding legal regulations to review the semi-annual condensed separate financial statements for the period from 1 January to 30 June 2018.

4.2. ADOPTED ACCOUNTING PRINCIPLES

The CIECH S.A.'s accounting principles are described in the Financial Statements of CIECH S.A. for 2017, published on 26 March 2018. 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 the adopted IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from contracts with customers*.



4.2.1. CHANGES IN INTERNATIONAL FINANCIAL REPORTING STANDARDS

On 1 January 2018, CIECH S.A. adopted new financial reporting standards, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

Implementation of IFRS 9

For the purpose of the initial application of IFRS 9, CIECH S.A. did not restate previous periods' figures. Any differences between the previous carrying amount of financial assets and liabilities and their carrying amount at the beginning of the annual reporting period that includes the date of initial application of IFRS 9 were recognised by CIECH S.A. in the opening retained earnings of the annual reporting period that includes the date of initial application of IFRS 9, i.e. as at 1 January 2018.

IFRS 9 introduced a new impairment model for financial assets based on the concept of „expected credit losses”, changes to the rules of classification and measurement of financial instruments (particularly of financial assets) as well as a new approach towards hedge accounting.

Classification and measurement of financial instruments

Financial assets

In accordance with IFRS 9, on initial recognition a financial asset may be classified into the following measurement categories:

1. financial assets measured at amortised cost;
2. financial assets measured at fair value through other comprehensive income;
3. financial assets measured at fair value through profit or loss.

A financial asset is classified into one of above measurement categories on initial recognition in the balance sheet on the basis of the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial asset.

Upon initial recognition of equity instruments not held for trading (or on the day of initial application of IFRS 9), CIECH S.A. could have made an irrevocable decision to designate individual investments in equity instruments as measured at fair value through other comprehensive income. Other equity instruments are measured at fair value through profit or loss.

At initial recognition, an analysis must be carried out to determine if a financial instrument contains an embedded derivative. Derivative instrument embedded in the hybrid contract, the host of which is a financial asset within the scope of IFRS 9, is not bifurcated and the hybrid contract is recognised in accordance with the MSSF 9 requirements for classification of financial assets. Derivative instrument embedded in the hybrid contract, the host of which is not a financial asset within the scope of IFRS 9, is assessed in order to determine whether it should be bifurcated.

Financial assets may be reclassified only when the Company changes the financial asset management business model. In such a case, all financial assets affected by the business model change are subject to reclassification.

Based on the review of financial assets held by the Company after 31 December 2017, CIECH S.A.:

1. determined and allocated groups of financial assets to the appropriate business model on the basis of the assessment of the applied way of managing the financial asset portfolios by:
 - a) reviewing and assessing relevant and objective qualitative data which may have an impact on allocating financial asset portfolios to the appropriate business model (in particular, the reasons of sales of the financial assets from certain portfolios that occurred in the past);
 - b) reviewing and assessing relevant and objective quantitative data which may have an impact on allocating financial asset portfolios to the appropriate business model (e.g. the value of sales of the financial assets from certain portfolios that occurred, if any, in previous reporting periods and the frequency of those sales);
 - c) analysis of expectations regarding the value and frequency of sales from certain portfolios;
2. determined, through identifying and analysing the contractual terms of financial assets with economic characteristics of debts instruments, as a result of which the financial asset may not meet the SPPI criterion, whether these contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, i.e. whether they are consistent with the SPPI criterion.

Financial assets with the characteristics of debt instruments

Following the analysis, the Company concluded that the implementation of IFRS 9 will not change the classification and measurement of financial assets held with economic characteristics of a debt instrument. Trade receivables pending transfer to the factor under non-recourse factoring arrangements could be an exception. These receivables are held by CIECH S.A. so that the entire trade receivable balance (agreed with the factor) may be assigned to the factor. The Company manages trade receivables designated for transfer to the factor under factoring without recourse in order to carry out cash flows through the sale of assets – obtaining cash flows arising from the agreement is not an integral part of the business model. Therefore, in accordance with IFRS 9, the Company classified these receivables as financial assets measured at fair value through profit



or loss – however, due to the relatively short period of holding the receivables to be transferred to the factor in the balance sheet, the impact of the change in their classification on the financial position of the Company was deemed immaterial.

Equity instruments

CIECH S.A. holds equity instruments (shares) which constitute financial assets within the meaning of IAS 39 and IFRS 9. Pursuant to IAS 39, the Company measured the equity instruments held at cost less impairment losses. The net present carrying amount of these instruments is close to zero.

Pursuant to IFRS 9, CIECH S.A. classified the equity instruments (shares) held as measured at fair value through profit or loss. However, as at the date of implementation of IFRS 9, the estimated fair value of the equity instruments held was close to zero. Therefore, the impact of the change in their classification on CIECH S.A.'s financial position was deemed immaterial.

The table below presents a comparison of key changes in the classification of financial assets resulting from the implementation of IFRS 9.

Classes of financial assets	Categories of financial assets and measurement method according to IAS 39	Business model according to IFRS 9	SPPI Criterion	Reclassification	Categories of financial assets and measurement method according to IFRS 9
Cash and cash equivalents	Loans and receivables – measured at amortised cost	Holding financial assets in order to collect contractual cash flows	Met	None	Financial assets measured at amortised cost
Bank deposits (their value is included in cash and cash equivalents)	Loans and receivables – measured at amortised cost	Holding financial assets in order to collect contractual cash flows	Met	None	Financial assets measured at amortised cost
Loans granted	Loans and receivables – measured at amortised cost	Holding financial assets in order to collect contractual cash flows	Met	None	Financial assets measured at amortised cost
Trade receivables	Loans and receivables – measured at amortised cost	Holding financial assets in order to collect contractual cash flows	Met	None	Financial assets measured at amortised cost
Factoring receivables (transferred to the factor)	Loans and receivables – measured at amortised cost	Holding financial assets in order to collect contractual cash flows	Met	None	Financial assets measured at amortised cost
Derivatives	Financial assets measured at fair value through profit or loss	Other business model	Not applicable	None	Financial assets measured at fair value through profit or loss
Derivative instruments designated as hedging instruments	Hedging instruments	Other business model	Not applicable	None	Hedging instruments

Impairment of financial assets

Contrary to IAS 39, IFRS 9 does not require the entities to identify the impairment trigger in order to estimate losses. Instead, entities are obliged to constantly estimate the level of credit losses since the initial recognition of a given asset until its derecognition.

Upon acquisition or granting of a financial asset, CIECH S.A. is obliged to keep an allowance in the amount of a 12-month ECL. In the event of significant increase in credit risk since the initial recognition of the asset, the Group is obliged to calculate lifetime expected credit losses (the so-called Stage 2). Such an approach will result in the earlier recognition of credit losses which will cause an increase in loss allowance and therefore it will also affect profit or loss.

Trade receivables are exceptions to this rule. For these categories of assets, the Company chose a simplified approach whereby lifetime expected credit losses are estimated from the moment of initial recognition of exposures.



Following the analysis of financial instruments held, CIECH S.A. calculated allowances based on the expected credit loss model for the following classes of financial instruments:

1. Trade receivables,
2. Factoring receivables,
3. Loans granted,
4. Term deposits, cash.

Hedge accounting

On 1 January 2018, CIECH S.A. decided to move to IFRS 9, as regards hedge accounting. The Company took advantage of the option offered by IFRS 9 and applied the prospective approach from the date of initial application of IFRS 9. IFRS 9 requires the Company to ensure that its hedging relationships are compliant with the risk management strategy applied by the Company and its objectives. IFRS 9 introduces new requirements with regard to, among others, the assessment of hedge effectiveness, rebalancing of the hedge relationship as well as it prohibits voluntary discontinuation of hedge accounting (i.e. in the absence of the conditions to stop the application of hedge accounting, as defined in the Standard).

Implementation of IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from Contracts with Customers" is effective for annual periods beginning on or after 1 January 2018. CIECH S.A. decided to apply IFRS 15 retrospectively with the recognition of the cumulative effect of the initial application of this IFRS as an adjustment to the initial balance of retained earnings in 2018.

The standard introduces uniform requirements for all entities with respect to recognition of revenue from contracts with customers based on the so-called 5-step model:

1. Identifying the contract;
2. Identifying performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to performance obligations;
5. Satisfying the performance obligation.

This standard requires entities to evaluate contracts with customers and to identify elements in them that constitute separate performance obligations as defined in IFRS 15. For contracts that contain more than one performance obligation, the expected consideration will be allocated to each of the contracts in successive steps and the revenue will be recognised when (or as) the performance obligation is satisfied. The obligation to identify the performance obligations also applies to contracts where the contract is assumed to consist of only one element (e.g. sale of a product) when settled with the customer.

Based on the analysis of the impact of IFRS 15 on the financial statements of CIECH S.A., the following areas were identified and adjusted in order to implement the standard. However, due to the immateriality, no adjustments resulting from the implementation of IFRS 15 were made as at 1 January 2018.

Consignment warehouses

The Company enters into agreements with customers under which it undertakes to deliver its products to the customer's warehouses. Under the agreements, customers are supplied with raw materials to be used in production. Products in the raw material warehouse remain the property of the Company until they are released for production to the customer. However, all risks related to the possibility of losing or damaging raw materials are transferred to the customer upon delivery of the raw materials to the warehouse. The Company undertakes to deliver appropriate quantities of raw materials to the raw materials warehouse in accordance with the customer's order, and the customer inspects the quantity of raw materials in the raw materials warehouse in terms of frequency and volume of deliveries.

The new IFRS 15 guidelines concerning the determination of the moment of revenue recognition, i.e. the transfer of control, resulted in a change in the moment of recognition of revenue from the sale of products transferred to raw material warehouses. Control over the raw materials is transferred to the customer upon their acceptance into storage and revenue is recognised at this point.

**Impact of the implementation of IFRS 9 on the statement of financial position of CIECH S.A. as at 1 January 2018**

	As at 31.12.2017	IFRS 9 adjustments	As at 01.01.2018 (data restated, unaudited)
ASSETS			
Long-term financial assets	1,864,137	(1,740)	1,862,397
Deferred income tax assets	40,247	210	40,457
Total non-current assets	1,952,407	(1,530)	1,950,877
Short-term financial assets	1,012,304	(14,542)	997,762
Trade and other receivables	280,765	(620)	280,145
Cash and cash equivalents	375,393	(490)	374,903
Total current assets	1,700,257	(15,652)	1,684,605
Total assets	3,652,664	(17,182)	3,635,482
EQUITY AND LIABILITIES	-	-	-
Share capital	287,614	-	287,614
Share premium	470,846	-	470,846
Cash flow hedge	3,246	-	3,246
Actuarial gains	121	-	121
Other reserve capitals	76,199	-	76,199
Retained earnings	711,002	(17,182)	693,820
Total equity	1,549,028	(17,182)	1,531,846
Total non-current liabilities	1,172,446	-	1,172,446
Total liabilities	2,103,636	-	2,103,636
Total equity and liabilities	3,652,664	(17,182)	3,635,482

The tables below summarise the impact of the application of IFRS 15 on the financial statements of CIECH S.A. for the period ended 30 June 2018. In order to ensure comparability of financial data presented in different periods, the Company presented below a reconciliation of data prepared in accordance with IFRS 15 with data which would have been prepared had IAS 18 been in force in 2018.

	01.01.-30.06.2018 according to IFRS 15	Consignment warehouses	01.01.-30.06.2018 according to IAS 18
CONTINUING OPERATIONS			
Sales revenues	1,208,028	(6,456)	1,201,572
Cost of sales	(995,395)	5,125	(990,270)
Gross profit on sales	212,633	(1,331)	211,302
Other operating income	6,995	-	6,995
Selling costs	(112,336)	-	(112,336)
General and administrative expenses	(33,698)	-	(33,698)
Other operating expenses	(4,526)	-	(4,526)
Operating profit	69,068	(1,331)	67,737
Financial income	40,394	-	40,394
Financial expenses	(85,991)	-	(85,991)
Net financial income/(expenses)	(45,597)	-	(45,597)
Profit before tax	23,471	(1,331)	22,140
Income tax	(5,936)	253	(5,683)
Net profit on continuing operations	17,535	(1,078)	16,457



	30.06.2018 according to IFRS 15	Consignment warehouses	30.06.2018 according to IAS 18
ASSETS			
Deferred income tax assets	33,545	253	33,798
Total non-current assets	1,922,242	253	1,922,495
Inventory	18,998	5,125	24,123
Trade and other receivables	422,981	(6,456)	416,525
Total current assets	1,791,260	(1,331)	1,789,929
Total assets	3,713,502	(1,078)	3,712,424
EQUITY AND LIABILITIES	-	-	-
Retained earnings	316,106	(1,078)	315,028
Equity attributable to shareholders of the parent	1,150,114	(1,078)	1,149,036
Total equity	1,150,114	(1,078)	1,149,036
Total non-current liabilities	1,456,911	-	1,456,911
Trade and other liabilities	889,148	-	889,148
Total current liabilities	1,106,477	-	1,106,477
Total liabilities	2,563,388	-	2,563,388
Total equity and liabilities	3,713,502	(1,078)	3,712,424

CIECH S.A. intends to adopt amendments to the IFRS that are published but not effective as at the date of publication of this report in accordance with their effective date. The estimated impact of amendments and impact of new IFRSs on the financial statements of CIECH S.A. was presented in the Financial Statements of CIECH S.A. for the year 2017, published on 26 March 2018.

4.3. 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 financial statements. Unless stated otherwise, all financial data in these financial statements have been presented in thousands of Polish zlotys (PLN '000).

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

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

4.5. CIECH S.A.'S SEGMENT REPORTING

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

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

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

Information on the Company's geographical areas is established based on the location of its assets.

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 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 CIECH S.A. when determining these measures are presented below.

	01.01.-30.06.2018	01.01.-30.06.2017
Net profit/(loss) on continuing operations	17,535	148,589
Income tax	5,936	29,816
Financial expenses	85,991	45,952
Financial income	(40,394)	(107,568)
Amortisation/depreciation	4,149	2,235
EBITDA from continuing operations	73,217	119,024

	01.01.-30.06.2018	01.01.-30.06.2017
EBITDA from continuing operations	73,217	119,024
One-offs including:	(2,504)	(621)
Cash items (a)	(2,556)	(49)
Non-cash items (without impairment) (b)	52	(572)
Adjusted EBITDA from continuing operations	70,713	118,403

(a) Cash items include, among others, gain/loss of the sale of property, plant and equipment, as well as fees and compensations received).

(b) Non-cash items include: costs of liquidation of inventories and property, plant and equipment, the costs of suspended investments, provisions for liabilities and compensation and other items (including extraordinary costs and other provisions).



CIECH S.A. — OPERATING SEGMENTS

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

OPERATING SEGMENTS 01.01.-30.06.2018	Soda segment	Organic segment	Silicates and glass segment	Transport segment	Other operations segment	Corporate functions - reconciliation item	TOTAL
Sales revenues	908,516	268,670	8,430	21,062	1,350	-	1,208,028
Cost of sales	(705,022)	(260,883)	(7,314)	(20,976)	(1,200)	-	(995,395)
Gross profit /(loss) on sales	203,494	7,787	1,116	86	150	-	212,633
Selling costs	(107,415)	(1,171)	(664)	(2,096)	(20)	(970)	(112,336)
General and administrative expenses	(853)	(417)	(23)	(42)	-	(32,363)	(33,698)
Result on management of receivables	466	(25)	(1)	1	2	(157)	286
Result on other operating activities	576	(3)	-	-	(1)	1,611	2,183
Operating profit /(loss)	96,268	6,171	428	(2,051)	131	(31,879)	69,068
Exchange differences and interest on trade settlements	122	(11,270)	(13)	(1)	(749)	-	(11,911)
Borrowing costs	-	-	-	-	-	2,661	2,661
Result on financial activity (non-attributable to segments)	-	-	-	-	-	(36,347)	(36,347)
Profit /(loss) before tax	96,390	(5,099)	415	(2,052)	(618)	(65,565)	23,471
Income tax	-	-	-	-	-	-	(5,936)
Net profit /(loss) for the period	-	-	-	-	-	-	17,535
Amortization/depreciation	1,638	-	-	-	-	2,511	4,149
EBITDA	97,906	6,171	428	(2,051)	131	(29,368)	73,217
Adjusted EBITDA*	97,700	6,172	428	(2,051)	132	(31,668)	70,713

*Adjusted EBITDA for the 6-month period ended 30 June 2018 is calculated as EBITDA adjusted for untypical one-off events: fines and compensations received: PLN 2.6 million; change in provisions: PLN -0.1 million; loss on disposal of non-financial assets: PLN -0.1 million.



OPERATING SEGMENTS 01.01.-30.06.2017	Soda segment	Organic segment	Silicates and glass segment	Transport segment	Other operations segment	Corporate functions - reconciliation item	TOTAL
Sales revenues	904,246	265,008	6,751	12,107	1,275	-	1,189,387
Cost of sales	(669,921)	(257,759)	(6,325)	(11,787)	(1,319)	-	(947,111)
Gross profit /(loss) on sales	234,325	7,249	426	320	(44)	-	242,276
Selling costs	(99,094)	(1,035)	(329)	(1,446)	(40)	-	(101,944)
General and administrative expenses	(1,351)	(603)	(29)	(3)	(258)	(22,675)	(24,919)
Result on management of receivables	169	-	-	-	-	2	171
Result on other operating activities	1,359	(3)	-	-	(1)	(150)	1,205
Operating profit /(loss)	135,408	5,608	68	(1,129)	(343)	(22,823)	116,789
Exchange differences and interest on trade settlements	(12,321)	1,064	-	(1)	297	-	(10,961)
Borrowing costs	-	-	-	-	-	(5,191)	(5,191)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	77,768	77,768
Profit /(loss) before tax	123,087	6,672	68	(1,130)	(46)	49,754	178,405
Income tax	-	-	-	-	-	-	(29,816)
Net profit /(loss) for the period	-	-	-	-	-	-	148,589
Amortization/depreciation	-	-	-	-	-	2,235	2,235
EBITDA	135,408	5,608	68	(1,129)	(343)	(20,588)	119,024
Adjusted EBITDA*	134,905	5,608	68	(1,129)	(342)	(20,707)	118,403

* Adjusted EBITDA for the 6-month period ended 30 June 2017 is calculated as EBITDA adjusted for untypical one-off events: change in provisions: PLN -0.6 million.



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

	ASSETS		LIABILITIES	
	30.06.2018	31.12.2017	30.06.2018	31.12.2017
Soda segment	231,093	182,556	334,519	303,910
Organic segment	127,830	53,730	79,355	77,512
Silicates and glass segment	4,821	5,106	2,804	3,272
Transport segment	12,141	4,589	6,995	5,151
Other operations segment	3,612	3,153	6,221	9,040
Corporate functions	3,334,005	3,403,530	2,133,494	1,704,751
TOTAL	3,713,502	3,652,664	2,563,388	2,103,636

CIECH S.A. — SALES REVENUES BY BUSINESS SEGMENTS

	01.01.-30.06.2018	01.01.-30.06.2017	Change 2018/2017
Soda segment, including:	908,516	904,246	0.5%
Dense soda ash	503,289	522,498	(3.7%)
Light soda ash	235,949	223,708	5.5%
Salt	86,576	83,197	4.1%
Sodium bicarbonate	49,170	49,185	(0.0%)
Calcium chloride	12,761	9,943	28.3%
Other goods and services	20,771	15,715	32.2%
Organic segment, including:	268,670	265,008	1.4%
Raw materials for production of crop protection products	62,811	63,238	(0.7%)
Raw materials for production of resins	127,805	132,076	(3.2%)
Raw materials for the production of polyurethane foams	72,605	65,349	11.1%
Other goods and services	5,449	4,345	25.4%
Silicates and Glass segment, including:	8,430	6,751	24.9%
Soda silicates	7,547	6,112	23.5%
Other goods and services	883	639	38.2%
Transport segment, including:	21,062	12,107	74.0%
Transport services	21,062	12,107	74.0%
Other segment, including:	1,350	1,275	5.9%
Other goods and services	1,350	1,275	5.9%
TOTAL	1,208,028	1,189,387	1.6%

CIECH S.A. — INFORMATION ON GEOGRAPHICAL AREAS

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

	ASSETS		Sales revenues	
	30.06.2018	31.12.2017	01.01.-30.06.2018	01.01.-30.06.2017*
Poland	2,584,466	2,590,308	595,028	605,881
European Union (excluding Poland)	1,016,917	986,953	356,268	343,179
Other European countries	46,176	26,634	107,952	104,387
Africa	10,507	3,779	30,828	34,440
Asia	55,436	44,433	111,514	86,840
Other regions	-	557	3,118	7,228
Cash flow hedge adjustment	-	-	3,320	7,432
TOTAL	3,713,502	3,652,664	1,208,028	1,189,387

*Restated data.



The Company's non-current assets are located in Poland and the European Union. They include shares in Polish subsidiaries and subsidiaries having their registered offices primarily in Romania and Germany. Trade and other receivables constitute the main component of current assets presented in individual geographical areas.

4.6. PROVISIONS AND IMPAIRMENT ALLOWANCES ON ASSETS

PROVISIONS FOR EMPLOYEE BENEFITS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2018					
Long-term	436	17	-	-	453
Short-term	400	-	(84)	-	316
01.01.-30.06.2017	-	-	-	-	-
Long-term	447	11	-	-	458
Short-term	313	14	(31)	-	296
01.04.-30.06.2018					
Long-term	442	11	-	-	453
Short-term	316	-	-	-	316
01.04.-30.06.2017	-	-	-	-	-
Long-term	449	9	-	-	458
Short-term	302	11	(17)	-	296

CHANGE IN OTHER SHORT-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Closing balance
01.01.-30.06.2018				
Provision for compensation	823	8	-	831
Provision for liabilities	5,356	654	(317)	5,693
Provision for expected losses	29,387	83	-	29,470
Provision for bonuses	507	-	-	507
Other provisions	-	-	-	-
TOTAL	36,073	745	(317)	36,501
01.01.-30.06.2017				
Provision for compensation	928	-	(105)	823
Provision for liabilities	6,646	655	(475)	6,826
Provision for expected losses	28,066	-	-	28,066
Provision for bonuses	507	-	-	507
Other provisions	251	-	(251)	-
TOTAL	36,398	655	(831)	36,222
01.04.-30.06.2018				
Provision for compensation	678	8	145	831
Provision for liabilities	5,330	654	(291)	5,693
Provision for expected losses	29,387	83	-	29,470
Provision for bonuses	507	-	-	507
TOTAL	35,902	745	(146)	36,501
01.04.-30.06.2017				
Provision for compensation	928	-	(105)	823
Provision for liabilities	6,643	391	(208)	6,826
Provision for expected losses	28,066	-	-	28,066
Provision for bonuses	507	-	-	507
Other provisions	258	(312)	54	-
TOTAL	36,402	79	(259)	36,222



CHANGE IN IMPAIRMENT ALLOWANCES	Opening balance	Opening balance adjustment*	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2018						
Long-term financial assets	404,955	1,740	9,459	-	-	416,154
Short-term financial assets	49,345	14,542	1,486	(519)	-	64,854
Trade and other receivables	28,865	620	18,098	(81)	843	48,345
Cash and cash equivalents	-	490	-	(311)	-	179
TOTAL	483,166	17,392	29,043	(911)	843	529,533
01.01.-30.06.2017						
Long-term financial assets	210,830	-	-	-	-	210,830
Short-term financial assets	130,300	-	2,508	-	-	132,808
Trade and other receivables	33,420	-	473	(4,027)	(1,266)	28,600
TOTAL	374,550	-	2,981	(4,027)	(1,266)	372,238
01.04.-30.06.2018						
Long-term financial assets	406,695	-	9,459	-	-	416,154
Short-term financial assets	64,724	-	519	(389)	-	64,854
Trade and other receivables	29,704	-	17,095	567	979	48,345
Cash and cash equivalents	198	-	292	(311)	-	179
TOTAL	501,124	-	27,073	178	979	529,533
01.04.-30.06.2017						
Long-term financial assets	210,830	-	-	-	-	210,830
Short-term financial assets	130,300	-	2,508	-	-	132,808
Trade and other receivables	29,434	-	(90)	(104)	(640)	28,600
TOTAL	370,564	-	2,418	(104)	(640)	372,238

*IFRS 9 implementation adjustment.

4.7. INCOME TAX, DEFERRED TAX ASSETS AND LIABILITY

The main components of tax expense include:

THE MAIN COMPONENTS OF TAX EXPENSE (TAX INCOME)	01.01.-30.06.2018	01.01.-30.06.2017
Current income tax	1,833	788
Deferred tax	(7,769)	(30,604)
INCOME TAX RECOGNISED IN STATEMENT OF PROFIT OR LOSS	(5,936)	(29,816)

Deferred income tax is attributable to the following items:

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITY	30.06.2018			31.12.2017		
	Total asset	Total liability	Net value	Total asset	Total liability	Net value
Property, plant and equipment	-	74	(74)	-	74	(74)
Financial assets	681	9,745	(9,064)	700	14,970	(14,270)
Inventory	-	253	(253)	-	-	-
Trade and other receivables	118	492	(374)	-	1,297	(1,297)
Provisions for employee benefits	98	31	67	111	31	80
Tax losses carried forward	28,145	-	28,145	48,023	-	48,023
Foreign exchange differences	2,449	-	2,449	3,212	-	3,212
Liabilities	12,723	167	12,556	5,383	810	4,573
Cash and cash equivalents	93	-	93	-	-	-
Deferred tax assets/liability	44,307	10,762	33,545	57,429	17,182	40,247



DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITY	30.06.2018			31.12.2017		
	Total asset	Total liability	Net value	Total asset	Total liability	Net value
Set - off of deferred tax assets / (liability)	(10,762)	(10,762)	-	(17,182)	(17,182)	-
Deferred tax assets/liability recognised in the statement of financial position	33,545	-	33,545	40,247	-	40,247

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

4.8. INFORMATION ON FAIR VALUE OF FINANCIAL INSTRUMENTS

The information is provided in item 2.8 hereof.

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

In the period from 1 January to 30 June 2018, the CIECH Group carried out the following transactions increasing and decreasing the gross value of property, plant and equipment:

	Buildings offices and land and water engineering facilities	Machinery and equipment	Means of transport	Other tangible fixed assets	Tangible fixed assets under construction	TOTAL
01.01.-30.06.2018						
Purchase	15	1,396	-	37	827	2,275
Disposal	-	(93)	-	(4)	-	(97)
01.01.-30.06.2017						
Purchase	-	1,257	-	9	1,865	3,131
Disposal	(219)	(147)	-	-	-	(366)

Purchases in the first half of 2018 were made with own financial resources of the Company. As at the reporting date, there were no commitments to purchase property, plant and equipment. As at 31 December 2017, commitments to purchase property, plant and equipment amounted to PLN 1,039 thousand.

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

The information is provided in item 2.10 hereof.

4.11. INFORMATION ON TRANSACTIONS WITH RELATED ENTITIES

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



TRANSACTIONS BETWEEN CONSOLIDATED ENTITIES AND OTHER RELATED ENTITIES	01.01-30.06.2018	01.01-30.06.2017
Revenues from sales of products and services, including:	409,409	397,437
<i>Kulczyk Holding S.A.</i>	-	8
Purchase of goods, materials and services, including:	712,963	686,243
<i>Kulczyk Holding S.A.</i>	425	1,600
Financial income	43,512	54,238
Financial expenses	26,908	19,770
	30.06.2018	31.12.2017
Receivables	201,750	122,834
Loans granted	1,075,947	1,106,130
Liabilities	394,058	411,840
Loans received	144,945	96,122

Terms of transactions with related entities

Material sales to and purchases from related entities are carried out on terms which do not differ from arm's length terms. Overdue liabilities and receivables are not secured and are settled in cash or by set-off. No material non-standard or non-routine transactions were concluded with related entities in the first half of 2018, except for transactions described in item 5.3 hereof.

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

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

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

4.13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES INCLUDING GUARANTEES AND SURETIES

	30.06.2018	31.12.2017
Contingent assets	18,864	18,864
Other contingent receivables*	18,864	18,864
Contingent liabilities	466,037	511,416
Guarantees and sureties granted**	466,037	511,416

* 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.

** 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 303,130 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 32,713 thousand.

As at 30 June 2018, contingent liabilities amounted to PLN 466,037 thousand and decreased as compared to 31 December 2017 by PLN 45,379 thousand. This change resulted primarily from:

- issue of a new guarantee for the liabilities of a subsidiary in the amount of EUR 3,168 thousand,
- decrease in a contingent liability under a guarantee in the amount of PLN 60,565 thousand following a decrease in the value of liabilities under term loans taken out.

Other guarantees and sureties granted are described in item 9.2 of the Financial Statements of CIECH S.A. for 2017.



Tax audits

In February 2018, CIECH S.A. received a reasoning for the final judgment of the Provincial Administrative Court in Warsaw of December 2017 concerning the settlement of corporate income tax for 2010. As a result, the case related to tax audit regarding corporate income tax for that year was closed. As a result of the final judgment of the Provincial Administrative Court, the decisions of tax authorities reducing the Company's tax loss for 2010 were repealed.

With respect to the audit of corporate income tax settlements for 2013, CIECH S.A. filed a complaint with the Provincial Administrative Court in Warsaw against the decision under which the company's tax loss was reduced and income was determined at PLN 1.8 million. The Company paid the amount of the liability indicated in the authorities' decision, together with default interest, to the budget. The Management Board of the Company and its tax advisors do not agree with the findings of the authorities and are involved in a substantive dispute with respect to all the challenged tax deductible costs.

Between the beginning of April and the beginning of July 2018, CIECH S.A. was subject to a customs and tax audit concerning the corporate income tax for 2012. The Company has received the audit findings. The auditors questioned one transaction, and if the authorities uphold their position, the company may be required to pay a tax liability of PLN 43.7 million, together with default interest. The Management Board of the company and their tax advisors do not agree with the findings presented in the audit result. Based on the fact that the auditors in the audit result have questioned the correctness of the determination of revenues (and only to a very limited extent referred to the issue of determining the tax costs related to the questioned issue), as well as the status of the case, ie the lack of tax proceedings ended with the issuance of a dimensional decision, Management Board assesses the risk of additional tax liabilities arising from the findings made during the audit as not high. However, if the tax proceedings end with the decision of the Head of the Tax Administration Chamber, the obligation to pay the tax arrears estimated by the auditors may arise.

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

The information is provided in item 2.14 hereof.

4.15. INFORMATION ON POST-BALANCE-SHEET EVENTS

- On 6 July 2018, CIECH S.A. granted a guarantee to EVATHERM AG in the amount of EUR 23,200 thousand, for liabilities of CIECH Soda Deutschland GmbH & Co KG. The guarantee concerns the obligation of CIECH Soda Deutschland GmbH & Co KG to pay remuneration related to the contract concluded with EVATHERM AG. The guarantee is valid until it is returned or the entire amount of the guarantee is paid by CIECH Soda Deutschland GmbH & Co KG or CIECH S.A.
- On 24 July 2018, Mr Sebastian Kulczyk was appointed to the office of the Chairman of the Supervisory Board of CIECH S.A., Mr Tomasz Mikołajczak was appointed to the office of the Deputy Chairman, and Mr Mariusz Nowak was appointed to hold the office of the Secretary of the Supervisory Board. At the same time, Mr Piotr Augustyniak, Mr Mariusz Nowak and Mr Artur Olech became members of the Audit Committee. Mr Piotr Augustyniak was elected by the members of the Audit Committee as its Chairman. Furthermore, the Supervisory Board of CIECH S.A. adopted a resolution on the appointment of the following members of the Remuneration Committee: Mr Tomasz Mikołajczak, Mr Mariusz Nowak and Mr Dawid Jakubowicz.
- On 10 August 2018, Mr Artur Król submitted his resignation from the Management Board of CIECH S.A., effective as of the end of the month.
- On 28 August 2018, an overdraft facility agreement was signed by CIECH S.A. and Bank Pekao S.A. in the amount of PLN 50,000 thousand. The agreement was concluded for a period of 1 year, i.e. until 28 August 2019. A drawn-down amount of the facility will bear interest at the 1M WIBOR rate plus the bank's margin. The facility is intended to finance the Company's day-to-day operations. No collateral was established for this facility. The terms and conditions of the agreement do not differ from standard terms used facility agreements.
- On 29 August 2018, overdraft facility agreements were signed by CIECH S.A. and Bank Millenium S.A. in the amount of PLN 50,000 thousand and EUR 10,000 thousand. The agreements were concluded for a period of 1 year, i.e. until 29 August 2019. Aby drawn-down amounts of the facilities will bear interest at the 1M WIBOR and 1M EURIBOR rate, respectively, plus the bank's margin. The facility is intended to finance the Company's day-to-day operations. The facility



is secured with a package of collateral shared with the lenders of the consortium loan (agreement dated 9 January 2018) and with a surety issued by selected subsidiaries of CIECH S.A. The terms and conditions of the agreement do not differ from standard terms used facility agreements.

- **Acquisition of Proplan Plant Protection Company, S.L.**

On 26 July 2018, CIECH SA finalized the take-over of 100% of shares in Proplan Plant Protection Company, S.L.. Proplan is a company incorporated under Spanish law with more than 25 years of experience in the Agro segment, operating in the crop protection products market.

Throughout its operations, the Company has specialized in the registration, production and distribution of fungicides, herbicides, insecticides and growth regulators. Proplan manufactures and sells its products mainly in the European market, where it also has the largest number of registered products. Outside Europe, the company is active primarily in Australia and Africa. In total, Proplan holds more than 120 product registrations and significant intellectual property assets.

The company operates in the Asset-Light business model, using outsourcing to specialist, large suppliers operating in the industry. Proplan uses this model to purchase manufacturing, logistics or laboratory services. Proplan Plant Protection Company, S.L. does not hold any shares in other entities.

CIECH SA decided to take over Proplan Plant Proteccion S.L. in connection with the development plans of the CIECH Group in the area of crop protection chemicals. The main reasons for concluding the transaction included:

- repositioning of the CIECH Group as regards access to active substances,
- access to more than 120 product registrations and Proplan's continuous efforts to expand its product portfolio,
- new markets – Proplan has access to markets where the CIECH Group does not currently operate, including a recognisable brand in Spain and a well-established distribution network in other southern European countries.

CIECH S.A. believes that this transaction will create synergies between the CIECH Group and Proplan Plant Protection Company, S.L. The transaction will significantly expand the Group's product portfolio in the area of crop protection chemicals and will contribute to the geographical diversification of this business.

The transaction value amounted to EUR 44,615 thousand. The purchase price for 90% of shares was paid on 26 July 2018. The price for the remaining 10% of shares will be paid over the next 4 years after the closing of the transaction (2.5% each year). Deferral of payment for the acquired 10% of shares involves possible deductions after the closing date of the transaction.

Below are presented the key financial information regarding company Proplan Plant Protection S.L. Presented results and balance sheet items are calculated based on local, Spanish accounting principles, the final values according to IFRS will be presented at the end of the purchase price allocation process.

Key financial information regarding Proplan Plant Protection LC:		In thousand EUR	In thousand PLN*
Sales revenues for period 01.01.-30.06.2018		9,300	39,429
Net profit for period 01.01.-30.06.2018		1,182	5,009
Amount of key assets and liabilities as at acquisition day:		In thousand EUR	In thousand PLN**
Intangible assets		5,866	25,092
Inventory		4,746	20,305
Trade receivables		3,895	16,661
Loans and borrowings		(2,853)	(12,207)
Trade liabilities		(2,141)	(9,160)

*According to the exchange rate constituting the arithmetic mean of average exchange rates determined by NBP on the last day of each month of the period from 1 January 2018 to 30 June 2018.

**According to the exchange rate on 31 July 2018.



MANAGEMENT BOARD REPORT ON THE CIECH GROUP'S ACTIVITIES



5.

MANAGEMENT BOARD REPORT ON THE CIECH GROUP'S ACTIVITIES

5.1. DESCRIPTION OF THE CIECH GROUP'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 and Romania.

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

As at 30 June 2018, the CIECH Group comprised 37 business entities, including:

- the parent company,
- 31 subsidiaries, of which:
 - 23 domestic subsidiaries,
 - 8 foreign subsidiaries,
- 2 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 sodium carbonate 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.

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



Company name	Registered office	Segment	Business	Share in equity as at 30.06.2018 / % of votes at the GMS	Share in equity as at 30.06.2017 / % of votes at the GMS
Parent company					
CIECH S.A.	Warsaw	Soda, Organic, Silicates and Glass, Transport, Other	Sales of chemical products manufactured within the CIECH Group, sales of chemical products purchased from third-party producers, holding activities, managing a portfolio of subsidiaries, provision of support services (in the area of sales, manufacturing, purchases, finance, IT, HR and in the legal area) for selected companies in the Group, financial activities in the form of direct lending to the companies in the Group.	-	-
Fully consolidated direct and indirect subsidiaries					
CIECH 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%
CIECH Trading S.A.	Warsaw	Soda, Other	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.*	łowa	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%
CIECH Cerium Sp. z o.o. SK	Warsaw	Other	Financing activities.	100%	100%
Beta Cerium Sp. z o.o.**	Warsaw	Other	Financing activities, leasing of non-current assets 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%
Bosten S.A.	Warsaw	Other	Research and developments activities.	100%	-
CIECH Nieruchomości S.A.***	Warsaw	Other	Real property agency, real property management.	100%	100%



Company name	Registered office	Segment	Business	Share in equity as at 30.06.2018 / % of votes at the GMS	Share in equity as at 30.06.2017 / % of votes at the GMS
CIECH Finance Group					
CIECH Finance Sp. z o.o.	Warsaw	Other	Implementing divestment projects concerning obsolete fixed assets (property) and financial assets (shares in companies), carrying out purchases of selected raw materials.	100%	100%
JANIKOSODA S.A.	Warsaw	Other	Since March 2017, the Company has not carried out any operating activities.	100%	100%
CIECH Soda Polska Group					
CIECH Soda Polska S.A.	Inowrocław	Soda	Manufacture of other basic inorganic chemicals, wholesale of chemical products, power generation and distribution.	100%	100%
CIECH Cargo Sp. z o.o.	Inowrocław	Transport	Freight transport services.	100%	100%
Cerium Sp. z o.o.	Warsaw	Other	General partner of CIECH Cerium Sp. z o.o. SKA.	100%	100%
Gamma Finanse Sp. z o.o.****	Warsaw	Other	Financing activities.	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.	100%	100%
CIECH Sarzyna Group					
CIECH Sarzyna S.A.	Nowa Sarzyna	Organic	Manufacture of resins, manufacture of pesticides and other chemical products.	100%	100%
Verbis KAPPA Sp. z o.o.	Nowa Sarzyna	Organic	General partner of Verbis KAPPA Sp. z o.o. SKA, other financial intermediation.	100%	100%
Verbis KAPPA Sp. z o.o. SKA	Nowa Sarzyna	Organic	Other financial intermediation.	100%	100%
Algete Sp. z o.o.	Nowa Sarzyna	Organic	Granting CIECH Sarzyna Group companies the license for using the trademark of "Chwastox" for the purpose of business.	100%	100%
SDC Group					
SDC GmbH	Stassfurt, Germany	Soda		100%	100%
CIECH Soda Deutschland GmbH&Co. KG	Stassfurt, Germany	Soda		100%	100%
Sodawerk Holding Stassfurt GmbH	Stassfurt, Germany	Soda	Manufacture of other basic inorganic chemicals, wholesale of chemical products, power generation and distribution.	100%	100%
Sodawerk Stassfurt Verwaltungs GmbH	Stassfurt, Germany	Soda		100%	100%
CIECH Energy Deutschland GmbH	Stassfurt, Germany	Soda		100%	100%
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%.

**The limited partners of the company are: CIECH Pianki Sp. z o.o., CIECH Sarzyna S.A., CIECH Soda Polska S.A.

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

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

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



5.2. INFORMATION ON NON-CONSOLIDATED SUBSIDIARIES AND ASSOCIATES

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

The total share of data of subsidiaries not covered by consolidation under the full method, due to their irrelevance, in relation to the total values of the CIECH Group for the period from 1 January 2018 to 30 June 2018 does not exceed 1% of total consolidated assets of the Group and 2% of consolidated net revenues from sales of goods and products and financial operations.

Aggregated data of associates and jointly-controlled which were not measured under the equity method for the period from 1 January 2018 to 30 June 2018 did not exceed 2% of the total consolidated equity of the CIECH Group.

5.3. SIGNIFICANT EFFECTS OF CHANGES TO THE ORGANISATIONAL STRUCTURE OF THE CIECH GROUP IN THE FIRST HALF OF 2018

Changes in the share capital of companies

On 3 January 2018, the Court registered the increase of the share capital of Ciech Nieruchomości S.A. The Company's share capital was increased by PLN 18,000 thousand by way of issue of 900 million series D bearer shares with the nominal value and issue price of PLN 0.02 per share. CIECH SA acquired series D shares in exchange for cash, thus control over the Company changed from indirect to direct. At present, CIECH S.A. holds 99.18% of this Company's share capital.

At the general meeting of partners of CIECH Cerium Sp. z o.o. Sp. k., it was decided to express consent for CIECH S.A. to make a new contribution in the amount of PLN 150 thousand, therefore the current contribution of CIECH S.A. amounts to PLN 625 thousand.

5.4. THE MOST IMPORTANT EVENTS IN THE CIECH GROUP IN THE FIRST HALF OF 2018

Execution of annexes to a facility agreement

On 9 January 2018, negotiations related to an annexe to the loans agreement were completed. As a result, the following documents were signed:

- an annexe amending and restating the senior and revolving loans agreement for up to PLN 1,590 million of 29 October 2015, concluded by and between, inter alia, CIECH S.A., its selected subsidiaries, Bank Handlowy w Warszawie S.A. as agent, Powszechna Kasa Oszczędności Bank Polski S.A. as security agent and certain other financial institutions
- an annexe amending and restating the intercreditor agreement of 28 November 2012, concluded by and between, inter alia, CIECH S.A., its selected subsidiaries, Bank Handlowy w Warszawie S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. as security agent,
- the deed of release of collateral.

On 6 April 2018, amendments to the above facility agreement came into effect. Detailed information is published in item 2.10 hereof.

Acquisition of shares in Proplan Plant Protection Company, S.L.

On 28 May 2018, CIECH S.A. signed an agreement whereby the Company undertook to acquire 18,750 shares representing 75% of share capital of Proplan Plant Protection Company, S.L. Proplan manufactures and sells generic crop protection products. It operates in the European market, mostly in Spain, and on other continents – mainly in Australia and Africa.

On 28 May 2018, CIECH S.A. also signed the shareholders' agreement in relation to the remaining 6,250 shares

Appointment of a new Member of the Management Board

On 6 March 2018, the Supervisory Board of CIECH S.A. appointed Mr Krzysztof Szlaga as a Member of the Management Board of CIECH SA with effect from 12 March 2018.

Execution of a significant contract by a subsidiary

On 30 March 2018, CIECH Soda Polska S.A., as a result of negotiations conducted, signed an agreement for the supply of power coal with Polska Grupa Górnicza S.A. The estimated value of the Contract in the period of 5 years may amount to approximately PLN 340,000 thousand

Agreement with the auditor

On 16 April 2018, the Supervisory Board of CIECH S.A. resolved to extend the agreement with PricewaterhouseCoopers Sp. z o.o. for the audit of the statutory financial statements of CIECH S.A. and the consolidated financial statements of the CIECH Group for the years 2018-2019. The agreement will be concluded for a period necessary to perform the obligations specified therein.

Commencement of the implementation stage of an investment project

On 27 April 2018, the Management Board of CIECH S.A. made a decision to proceed with the implementation stage of a project whose subject matter is the construction of an evaporated salt production plant in Germany. The value of the project is estimated at about EUR 100 million, and the approximate time of its implementation is 2 to 3 years. The estimated production capacity of the plant is approx. 450 thousand tons of salt per annum.



representing 25% of the share capital of Proplan, which supposed to enter into force upon closing of the Transaction. The transaction was finally closed by transferring the title to 100% of shares in Proplan in the form of a sale agreement which was concluded on 26 July 2018. The purchase price of the shares amounted to EUR 44,615 thousand (PLN 191,519 thousand measured at the exchange rate effective on the transaction closing date). Detailed information is published in item 2.15 hereof.

Decision on dividend payment

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.

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

5.5.1. BASIC FINANCIAL DATA

During the first half of 2018, the CIECH Group earned net profit from continuing operations of PLN 172,809 thousand, net cash decreased by PLN 4,884 thousand and the balance sheet total as at the end of the first half of 2018 amounted to PLN 4,747,448 thousand. The table below presents selected financial data and basic financial ratios for the first half of 2018 and 2017.

Selected financial data

	01.01.-30.06.2018	01.01.-30.06.2017	Change 2018/2017
CONTINUING OPERATIONS			
Sales revenues	1,819,175	1,781,360	2.1%
Cost of sales	(1,404,920)	(1,341,840)	(4.7%)
Gross profit/(loss) on sales	414,255	439,520	(5.7%)
Selling costs	(134,086)	(129,408)	(3.6%)
General and administrative expenses	(79,349)	(65,198)	(21.7%)
Other operating income/expense	25,457	13,663	86.3%
Operating profit/(loss)	226,277	258,577	(12.5%)
Net financial income/expenses	(3,209)	(40,740)	92.1%
Share of profit of equity-accounted investees	13	174	(92.5%)
Income tax	(50,272)	(46,857)	(7.3%)
Net profit/(loss) on continuing operations	172,809	171,154	1.0%
DISCONTINUED OPERATIONS			
Net profit/(loss) on discontinued operations	-	-	-
Net profit / (loss)	172,809	171,154	1.0%
including:			
Net profit/(loss) attributed to non-controlling interest	317	210	51.0%
Net profit/(loss) attributable to shareholders of the parent company	172,492	170,944	0.9%
EBITDA from continuing operations	353,645	377,731	(6.4%)
Adjusted EBITDA from continuing operations*	339,716	378,578	(10.3%)

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

5.5.2. SALES REVENUES

Consolidated net sales revenues from continued operations of the CIECH Group for the first half of 2018 amounted to PLN 1,819,175 thousand. Compared to the corresponding period of the previous year, revenues increased by PLN 37,815 thousand.

The **positive** contributors to the presented sales revenues were as follows:

- increase in soda prices on the so-called overseas markets (dollar prices),
- higher sales of dry salt (higher volumes and prices),



- higher sales of silicates and packaging glass in CIECH Vitrosilicon S.A., resulting from the conversion of one of the furnaces for production of packaging into a furnace for production of silicates in the first quarter of 2018,
- higher sales prices for products based on oil-derivative products sold in the organic segment (mainly PUR foams),
- higher result on energy for the power plant in Germany.

The **negative** contributors to the presented sales revenues were as follows:

- lower volumes of soda sales due to slightly lower soda production and high sales in the first quarter of 2017 (sales of stocks),
- slight decline in prices of soda sold on European markets due to pressure from competitors,
- lower sales of crop protection products (mainly the effect of the weather conditions - long winter, short vegetation period, drought and successful pre-season sales),
- lower volume of sales of wet salt.

In the first half of 2018, 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 2017. Invariably, the largest share in revenues was attributed to the sales of soda segment products, i.e. 67.1%.

Sales revenues — business segments

	01.01.-30.06.2018	01.01.-30.06.2017	Change 2018/2017	Change %
Soda segment, including:	1,215,956	1,208,653	7,303	0.6%
Dense soda ash	647,477	679,442	(31,965)	(4.7%)
Light soda ash	252,190	246,090	6,100	2.5%
Salt	86,868	83,439	3,429	4.1%
Sodium bicarbonate	79,732	81,198	(1,466)	(1.8%)
Energy	76,018	51,058	24,960	48.9%
Gas*	2,171	1,835	336	18.3%
Calcium chloride	12,830	12,980	(150)	(1.2%)
Other products	32,020	29,321	2,699	9.2%
Revenues from inter-segment transactions	26,650	23,290	3,360	14.4%
Organic segment, including:	426,484	442,898	(16,414)	(3.7%)
Resins	169,612	171,687	(2,075)	(1.2%)
Polyurethane foams	164,026	148,915	15,111	10.1%
Crop protection chemicals	79,943	115,282	(35,339)	(30.7%)
Other	11,753	5,811	5,942	102.3%
Revenues from inter-segment transactions	1,150	1,203	(53)	(4.4%)
Silicates and Glass segment, including:	120,288	107,137	13,151	12.3%
Sodium silicates	77,485	67,509	9,976	14.8%
Potassium silicates	2,192	3,306	(1,114)	(33.7%)
Container glass	39,563	36,073	3,490	9.7%
Other	967	243	724	297.9%
Revenues from inter-segment transactions	81	6	75	1250.0%
Transport segment, including:	60,231	61,216	(985)	(1.6%)
Transport services	6,931	4,654	2,277	48.9%
Revenues from inter-segment transactions	53,300	56,562	(3,262)	(5.8%)
Other segment, including:	88,812	60,347	28,465	47.2%
Revenues from third parties	77,397	42,517	34,880	82.0%
Revenues from inter-segment transactions	11,415	17,830	(6,415)	(36.0%)
Consolidation adjustments	(92,596)	(98,891)	6,295	6.4%
TOTAL	1,819,175	1,781,360	37,815	2.1%

* Resale of surpluses of the gas purchased.



The increase in revenues of energy sales was influenced by, among others, the remuneration received from the network operator for the settlement of the vNNe mechanism for 2017 at a level higher than the revenue reserve established at the end of 2017. The vNNe mechanism, ie "avoided grid charges for using the network", consists of remunerating by operators of distribution networks local energy producers, who by supplying energy to the network cause that network operators do not have to pay energy transmission costs from further distances (they do not have to pay for the network load and energy transmission from the previous networks). The amount of remuneration is determined by the power grid operator. The operator makes the settlement several months after the end of the calendar year.

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

After the first half of 2018, gross profit on sales amounted to PLN 414,255 thousand, whereas in the same period of the previous year it amounted to PLN 439,520 thousand. The operating profit amounted to PLN 226,277 thousand, in the comparable period it amounted to PLN 258,577 thousand.

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

- Continuation of good economic situation throughout the European Union, especially in the Eurozone.
- Strong increase in domestic sales of construction and assembly production by 23.7% during the first half of 2018 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.
- Continuation of relatively high prices of epoxy resins in Europe in the first half of 2018 at levels similar to or slightly higher than in the corresponding period of the previous year.
- Strong increase in domestic production of paints and other coating products by 1.6% during the 6 months of 2018, as compared with the same period of the previous year (the paint industry is a recipient of resins produced by the CIECH Group).
- Strong growth in production of furniture in Poland by 8.8% in the first half 2018 in comparison to the same period of the previous year (in terms of value). The furniture sector is a recipient of polyurethane foams manufactured by the Ciech Group.
- Increase in soda prices on the so-called overseas markets (dollar prices).
- Higher sales of dry salt (higher volumes and prices),
- Higher sales of silicates and packaging glass in CIECH Vitrosilicon S.A.
- Improved results from products based on oil-derivative products sold in the organic segment.

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

- Slight decrease in sodium carbonate prices since the beginning of 2018 on European markets due to supply pressure from Turkey.
- Lower sales of soda and wet salt.
- Increase in prices of raw energy resources used in production of sodium carbonate (coal, natural gas) and prices of CO₂ emission allowances.
- Lower sales of crop protection chemicals.
- Increase in oil prices (by more than ten percent as compared to the first half of 2017) and, consequently, higher prices of raw materials for the organic industry (partially offset by an increase in prices of finished products).
- Strengthening of PLN and RON against EUR and USD, as compared to the first quarter of 2017, which has a negative impact on the profitability of the CIECH Group's export sales.
- Increase in general and administrative expenses resulting from, among others, recognition in the results of the first half-year part of costs related to the acquisition of Proplan Plant Protection Company, S.L.

The EBIT margin for the first half of 2018 amounted to 12.4% (14.5% in the prior year), and the EBITDA margin amounted to 19.4% (21.2% in the prior year). The EBIT margin (excluding one-off events) for first half of 2018 amounted to 11.7% (14.6% in the prior year), and the EBITDA margin (excluding one-off events) amounted to 18.7% (21.3% in the prior year).



5.5.4. FINANCING ACTIVITIES AND NET PROFIT/LOSS

Financial income for the first half of 2018 amounted to PLN 21,316 thousand and increased compared to the corresponding period of the previous year, when it amounted to PLN 3,349 thousand.

Financial expenses for the first half of 2018 amounted to PLN 24,525 thousand and decreased compared to the corresponding period of the previous year, when it amounted to PLN 44,089 thousand. The area of financing activities was mainly affected by foreign exchange gains, commissions and interest on loans.

The consolidated net profit for the first half of 2018 amounted to PLN 172,809 thousand (of which PLN 172,492 thousand was a net profit attributable to the shareholders of the parent company and PLN 317 thousand as the profit of non-controlling shares). The lower operating profit was offset by the lower loss on financing activities as compared to the previous year.

5.5.5. ASSET POSITION OF THE CIECH GROUP

Basic consolidated balance sheet data

	30.06.2018	31.12.2017	Change 2018/2017
Total assets	4,747,448	4,643,511	2.2%
Total non-current assets	3,241,137	3,204,963	1.1%
Total current assets	1,506,311	1,438,548	4.7%
Inventory	377,362	364,517	3.5%
Current receivables	590,118	523,068	12.8%
Cash and cash equivalents	483,228	489,754	(1.3%)
Short-term financial assets	54,688	57,979	(5.7%)
Non-current assets held for sale	915	3,230	(71.7%)
Total equity	1,945,938	2,184,645	(10.9%)
Equity attributable to shareholders of the parent	1,948,370	2,187,596	(10.9%)
Non-controlling interest	(2,432)	(2,951)	17.6%
Total non-current liabilities	1,610,476	1,369,282	17.6%
Total current liabilities	1,191,034	1,089,584	9.3%

Assets

As at the end of the first half of 2018, the Group's non-current assets amounted to PLN 3,241,137 thousand. As compared to the balance as at 31 December 2017, the value of non-current assets increased by PLN 36,174 thousand. This change resulted from higher value of property, plant and equipment and of intangible assets, offset by lower balance of financial assets following a change in the valuation of derivative instruments.

The Group's current assets amounted to PLN 1,506,311 thousand as at 30 June 2018. The largest components of non-current assets included: short-term receivables accounting for 38.1%, inventory accounting for 25.1% as well as cash and cash equivalents accounting for 32.1% of total current assets. Compared to the end of December 2017, the value of current assets increased by PLN 67,763 thousand. This change resulted from, among other factors:

- increase in inventories resulting mainly from an increase in inventories in the organic segment,
- higher balance of trade receivables and factoring receivables which have not been settled as at the balance sheet date,
- decrease in assets held for sale following the disposal of a production plant.

Capital resources

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

Liabilities

As at 30 June 2018, the CIECH Group's liabilities (total non-current and current) amounted to PLN 2,801,510 thousand, which is an increase compared to the end of December 2017 by PLN 342,644 thousand (i.e. by 13.9%).



A significant increase in trade and other liabilities is also related to the dividend payable in the amount of PLN 395,249 thousand, which was approved by the General Meeting on 22 June 2018.

The debt ratio amounted to 59.0% as at 30 June 2018 (at the end of December 2017 to 53.0%). The consolidated net debt of the Group amounted to PLN 932,375 thousand as at 30 June 2018 and increased in comparison to the balance as at the end of December 2017 by PLN 4,299 thousand.

Debt instruments currently used

The Group's sources of debt financing include: term loan, revolving credit and leases. 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 2017, published on 26 March 2018, and in item 2.10 hereof.

5.5.6. CASH POSITION OF THE CIECH GROUP

	01.01.-30.06.2018	01.01.-30.06.2017	Change 2018/2017
Net cash from operating activities	211,818	255,448	(17.1%)
Net cash from investment activities	(209,597)	(184,175)	(13.8%)
Net cash from financial activities	(7,105)	(4,026)	(76.5%)
Total net cash flows	(4,884)	67,247	-
Free cash flow	2,221	71,273	(96.9%)

Total net cash flows in the first half of 2018 was negative and amounted to PLN 4,884 thousand. Compared to the same period of the previous year, the cash flows generated by the Group were lower by PLN 72,131 thousand. Cash flows from operating activities were positive. They amounted to PLN 211,818 thousand and decreased as compared to the same period in 2017 by PLN 43,630 thousand. This balance resulted primarily from lower operating profit and a change in working capital and provisions.

During the first half of 2018, the net cash flows from investing activities were negative, which was mainly the result of expenses for an investment programme implemented by the Group. Net cash from financing activities was negative and amounted to PLN 7,105 thousand. As compared to 2017, they were lower by PLN 3,079 thousand.

	01.01.-30.06.2018	01.01.-30.06.2017
Financial surplus ((net profit/(loss) on continuing operations + depreciation)	300,177	290,308
Other adjustments to net profit/(loss) on continuing operations	33,269	14,785
Adjusted financial surplus (1+2)	333,446	305,093
Change in working capital	(121,628)	(49,645)
Net cash from operating activities (3+4)	211,818	255,448
Net cash from investing activities	(209,597)	(184,175)
Free cash flow (5+6)	2,221	71,273

During the first half of 2018, the CIECH Group generated positive free cash flows i.e. it was able to finance its capital expenditure with cash flows from operating activities.

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

Liquidity of the CIECH Group

Liquidity ratios as at 30 June 2018 decreased as compared to their level as at 31 December 2017. The current ratio, calculated as the ratio of total current assets to total current liabilities, amounted to 1.26 as at 30 June 2018, while the quick liquidity ratio amounted to 0,95

	30.06.2018	31.12.2017
Current ratio	1.26	1.32
Quick ratio	0.95	0.99



Working capital of the CIECH Group

As at the end of the first half of 2018, working capital, defined as the difference between current assets and short-term liabilities, adjusted by relevant balance sheet items (cash and cash equivalents and short-term loans) was negative and amounted to PLN 192,559 thousand, which is a decrease by PLN 228,273 thousand compared to the end of 2017.

	30.06.2018	31.12.2017
1. Current assets, including:	1,506,311	1,438,548
Inventory	377,362	364,517
Trade receivables and services and advances for deliveries	405,258	339,092
2. Cash and cash equivalents and short-term investments	537,916	547,733
3. Adjusted current assets (1-2)	968,395	890,815
4. Current liabilities, including:	1,191,034	1,089,584
Trade liabilities and advances taken	355,876	387,331
5. Short-term credits and other current financial liabilities*	30,080	234,483
6. Adjusted current liabilities (4-5)	1,160,954	855,101
7. Working capital including short-term credits(1-4)	315,277	348,964
8. Working capital (3-6)	(192,559)	35,714

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

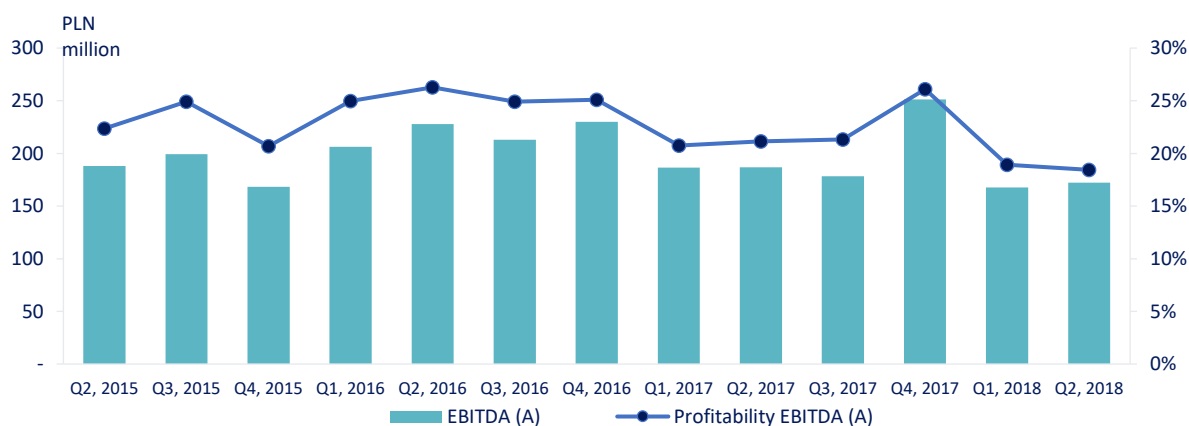
The CIECH Group's profitability ratios

During the first half of 2018, profitability ratios of the CIECH Group in respect of the continuing operations were at a lower level than in the first half of 2017.

THE CIECH GROUP'S PROFITABILITY RATIOS

	01.01.-30.06.2018	01.01.-30.06.2017	Change 2018/2017
CONTINUING OPERATIONS			
Gross return on sales	22.8%	24.7%	(1.9) p.p.
Return on sales	11.0%	13.7%	(2.7) p.p.
EBIT margin	12.4%	14.5%	(2.1) p.p.
EBITDA margin	19.4%	21.2%	(1.8) p.p.
Adjusted EBIT margin	11.7%	14.6%	(2.9) p.p.
Adjusted EBITDA margin	18.7%	21.3%	(2.6) p.p.
Net return on sales (ROS)	9.5%	9.6%	(0.1) p.p.
Return on assets (ROA)	3.6%	3.8%	(0.2) p.p.
Return on equity (ROE)	8.9%	8.8%	0.1 p.p.
Earnings/(loss) per share (in PLN) from continuing operations	3.27	3.24	0.03

PROFITABILITY LEVELS OF THE CIECH GROUP



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

Source: CIECH S.A.



Indebtedness

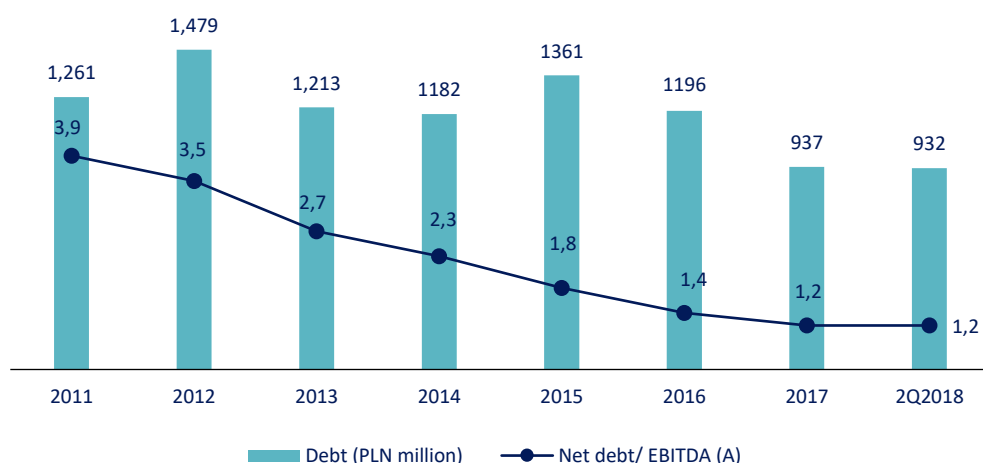
The debt ratio increased in comparison to December 2017 and amounts to 59.0%. The relative level of net debt also increased significantly as compared to the end of 2017. The ratio adjusted for one-off events remains at the level recorded in 2017.

	30.06.2018	31.12.2017
Loans, borrowings and other debt instruments	1,333,808	1,329,919
Finance lease liabilities	22,241	24,888
Factoring liabilities	17,877	28,162
Negative net valuation of derivatives	41,677	43,459
Gross debt	1,415,603	1,426,428
Cash and cash equivalents	483,228	489,754
Net debt	932,375	936,674

The CIECH Group's debt ratios

	30.06.2018	31.12.2017	Change 2018/2017
Debt ratio	59.0%	53.0%	6.0p.p.
Long term debt ratio	33.9%	29.5%	4.4p.p.
Debt to equity ratio	144.0%	112.6%	31.3p.p.
Equity to assets ratio	41.0%	47.0%	(6.0) p.p.
Gross debt	1,415,603	1,426,428	(0.8%)
Net debt	932,375	936,674	(0.5%)
EBITDA annualized	809,111	833,196	(2.9%)
Adjusted EBITDA (annualised)	771,428	808,137	(4.5%)
Net debt / EBITDA annualized	1.2	1.1	9.1%
Net debt / Adjusted EBITDA (annualised)	1.2	1.2	-
Gross debt / EBITDA annualised	1.7	1.7	-
Gross debt / Adjusted EBITDA (annualised)	1.8	1.8	-

For several years, the CIECH Group has been consistently reducing its net debt in relation to adjusted EBITDA. The strategic objective is to achieve the net debt to EBITDA ratio below 1 in 2019. At present, the value of this ratio remains at the level recorded at the end of 2017, which is attributable both to the level of debt and cash as well as to the stable level of adjusted EBITDA over the last 12 months.





Debt financing of the Group

The Group's debt financing is secured mainly through loans made available to CIECH S.A. under the Facilities Agreement dated 29 October 2015: On 6 April 2018, provisions of the annex to the agreement signed on 9 January 2018 came into effect. Pursuant to this annex, debt financing is based on:

- o term loan in the amount of PLN 1,212,520 thousand and EUR 30,000 thousand (the total amount of the loan as at 30 June 2018 was PLN 1,343,368 thousand),
- o 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 30 June 2018 was PLN 0).

For information about the annex to the facilities agreement, see item 2.10 hereof.

Factors and events that may affect future performance

In the opinion of the Management Board of CIECH S.A. in further months of 2018 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 segment, including through a focus on the development of specialist products;
- further actions aimed at optimising the utilisation level of capacity in all production companies of the Group;
- increasing the efficiency of the Agro area in CIECH Sarzyna S.A., actions aimed at registering new products;
- continuous process of improving business and operational processes in all companies of the CIECH Group.

One should also 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. Factors that may affect financial results in the future include:

- economic situation in Poland and the entire European Union (including in particular glass industry, chemical and plastic products industries, furniture industry, agriculture, construction industry, food industry, paint industry and automotive industry),
- weather conditions in agriculture,
- prices of energy resources (coal, natural gas) and furnace fuel (coke, anthracite),
- prices of petrochemical products (derivatives of oil prices),
- changes in the exchange rates of the Polish and Romanian currencies against EUR and USD,
- potential failures and other production interruptions of our suppliers, competitors and customers.

5.6. SIGNIFICANT RISK FACTORS

In connection with its operations, the CIECH Group is exposed to a number of risks, including financial risks. The most important risk factors are presented in details in item 3.4 of the Management Board Report on activities of the CIECH Group and CIECH S.A. in 2017, published on 26 March 2018.

During the first half of 2018, no new risks occurred, and the previously identified factors have not changed significantly. During the first half of 2018, 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 30 June 2018 due to financial instruments (for EUR – excluding figures of the SDC Group and Ciech Group Financing AB, because EUR is their functional currency):

Exposure to currency risk	EUR ('000)	USD ('000)	Impact on the statement of profit or loss	Impact on statement of other comprehensive income*
Assets				
Borrowings granted sensitive to FX rate changes	63,880	-	x	
Trade and other receivables	20,167	22,403	x	
Cash including bank deposits	26,110	1,310	x	
Liabilities				
Trade and other liabilities	(16,665)	(7,075)	x	
Term loan liabilities	(30,000)	-		x



Exposure to currency risk	EUR ('000)	USD ('000)	Impact on the statement of profit or loss	Impact on statement of other comprehensive income*
Hedging instruments: Forward	(17,800)	(27,825)		x
Hedging instruments: CIRS (forward transactions isolated as part of decomposition of CIRS)	(246,606)	-		x
Total exposure	(200,914)	(11,187)		

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

The table contains an analysis of the sensitivity of individual statement of financial position items to exchange rate changes as at 30 June 2018.

Analysis of sensitivity to foreign exchange rate changes – EUR	('000 PLN)*	Impact on the statement of profit or loss	Impact on statement of other comprehensive income
EUR			
Currency balance sheet items	635	935	(300)
Hedging instruments: Forward and CIRS	(2,644)	-	(2,644)
USD			
Currency balance sheet items	166	166	-
Hedging instruments: Forward	(278)	-	(278)

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

The CIECH Group applies hedge accounting. Changes resulting from the introduction of IFRS 9 Financial Instruments are described in section 2.2.1 of this report.

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

The CIECH Group did not publish any forecasts for 2018.

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

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

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

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

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

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

According to the data of the Central Statistical Office, the sold industrial output at constant prices during the first 6 months of 2018 increased by 6.2% as compared with the corresponding period of the previous year (in 2017 — an increase by 5.7%). 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 3.0%); rubber and plastic products (increase by 7.1%); manufacture of motor vehicles (increase by 2.9%); manufacture of furniture (increase by 8.8%); manufacture of food (increase by 5.3%); construction and assembly production (increase by 23.7%).



After last year's clear acceleration of the Polish economic growth (GDP growth rate of 4.6%), the economic situation in Poland is expected to continue in 2018 (the European Commission projects that GDP growth will amount to 4.6%). 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.

According to the forecasts of International Monetary Fund, in 2018 the dynamics of global economic development should speed up slightly (increase in GDP by 3.9% vs. 3.7% in 2017). The largest Asian economies will grow relatively quickly (India, China, and ASEAN countries, for which the GDP growth indicators should be, respectively: 7.3%, 6.6%, 5.3%). Among large economies, the relatively weaker conditions are observed in Brazil, Russia and Japan (expected GDP growth rates in 2018 of 1.8%, 1.7% and 1.0% respectively). According to the IMF, a clear acceleration can be expected this year in India and Brazil, the Middle East and Africa.

The European Union, on the other hand, the last year's good economic situation is expected to slow down slightly (GDP growth by 2.1% in 2018 vs. 2.4% in 2017, 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 3.2% in 2018 compared to 2.5% in 2017). According to ACC, chemical production in North America is expected to grow by 3.4% this year. After an exceptionally good 2017, the European Union's chemical industry in 2018 and 2019 is expected to show a certain slowdown in the rate of growth (expected chemical production dynamics of 1.5% according to the European Chemical Industry Council - CEFIC).

As regards the European construction sector, the production rate is expected to decline over the next 2-3 years (compared to the steadily growing dynamics over the past few years). According to Euroconstruct (after the previous year's strong increase in construction output in Western Europe and Central Europe – by 3.9%), in 2018 and 2019 the European construction sector can grow by 2.7% and 1.9% respectively. Much more optimistic forecasts are made for Central Europe, and particularly for Poland. Euroconstruct expects that in 2018-2019 the rate of growth of construction output in Poland will slightly accelerate to 9.9% and 10% respectively.

OTHER FACTORS AFFECTING THE CIECH GROUP'S ACTIVITIES

Factors	Description
Economic situation on raw material market	<p>Due to the fact that costs of raw materials account for a large share of total costs of the Group, the situation on certain raw material markets (availability and price) significantly affect the CIECH Group's activities and financial performance. Price and availability of raw materials depends largely on economic and political developments across the globe.</p> <p>Hard coal – situation on the market depends on a number of macroeconomic factors. The largest producer of hard coal in the European Union is Poland, but EU's import of coal (primarily from Russia, Columbia, USA 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 heat in soda plants in Poland. Despite the fact that the Group buys it usually from Polish mines, the price of hard coal in Poland depends on the European and global situation in the area of demand and supply.</p> <p>Furnace fuel (coke/anthracite) – coke prices depend primarily on prices of coking coal, from which it is produced. The largest global producer of coke is China which, at the same time, is one of the largest consumers of this raw material. In Europe, coke is produced mainly in Poland and the Czech Republic. In its business activity, the Group may also use anthracite as a substitute for coke. The main suppliers of anthracite for Europe are Ukraine and Russia. Due to rising prices of coke, in the first half of 2018 the Group used anthracite to a large extent.</p> <p>Oil-derivative raw materials – used primarily in the organic segment, are linked to oil prices. Oil prices depend primarily on macroeconomic and political factors which translate into global demand and supply situation.</p>
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.</p>



Factors	Description
	The Group applies natural hedging and hedging instruments. As at the end of the first half of 2018, the CIECH Group's net balance sheet exposure was: EUR -200.9 million and USD -11.2 million.
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 easy 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 can be significantly affected by the extension of large sodium carbonate and sodium bicarbonate production capacity in Turkey. This will change the current global supply and demand situation in the short-term, increasing the supply of soda in the market and decreasing prices in Europe and neighbouring regions which may have a negative impact on the Group's financial performance. On the other hand, it should be noted that the commissioning of new capacity in Turkey has been spread over 2017-2018 and coincides with strong demand and environmental constraints in the world's largest market, China.</p>
Environmental requirements	<p>REACH system implementation</p> <p>In accordance with the REACH regulation, the Group's companies selling substances in quantities exceeding 1 tonne p.a. have completed or plan to complete full registration of these substances by defined deadlines, which will enable them to continue their operations in the current scope.</p> <p>Emission trading system</p> <p>Production companies of the CIECH Group are included in the emission trading system. External analyses performed by the CIECH Group companies indicate that the amount of free CO₂ emission allowances in the 3rd settlement period (2013-2020) will be insufficient to cover the actual demand for this type of settlement units. In addition to the direct costs connected with the purchase of CO₂ emission allowances, the CIECH Group companies will bear higher costs of electricity due to their assumption of the costs of purchase of emission allowances from the producers.</p>

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

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

SHAREHOLDERS

As of the date of publishing the previous financial statements (i.e. the date of publication of the Extended consolidated quarterly report of the CIECH Group for the first quarter of 2018, i.e. 29 May 2018), 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%
TFI PZU Funds**	Ordinary bearer	5,225,987	5,225,987	9.92%	9.92%
Nationale-Nederlanden Otwarty Fundusz Emerytalny***	Ordinary bearer	3,000,000	3,000,000	5.69%	5.69%
Other	Ordinary bearer	17,521,870	17,521,870	33.25%	33.25%



* 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).

** In accordance with information dated 11 June 2018 provided by Shareholder under Article 69(1) of the Act on Public Offering (...) – purchase or disposal of a significant block of shares (CR 13/2018).

*** on the basis of the list of entities holding at least 5% of votes at the Ordinary General Meeting of Shareholders of CIECH S.A. on 16 June 2016, CR 22/2016 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). However, on the basis of the list of entities holding at least 5% of votes at the Ordinary General Meeting of Shareholders of CIECH S.A. on 22 June 2018 (Current report 19/2018), Nationale-Nederlanden Otworthy Fundusz Emerytalny (hereinafter "NN") held 7.96% of the total number of votes on that General Meeting and 4.93% of the total number of votes in the Company. Until the date of publication hereof, the Company has not received a notification from NN on the decrease in the number of votes held below 5% of the total number of votes in the Company.

5.10. 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 30 June 2018.

Mr Sebastian Kulczyk – Chairman of the Supervisory Board of CIECH S.A. on 13 June 2018 indirectly purchased 26,952,052 shares of CIECH S.A. constituting 51.14% of the share capital of the company. 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 30 June 2018 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 Extended consolidated quarterly report of the CIECH Group for the first quarter of 2018, i.e. from 29 May 2018.

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

5.11.1. SIGNIFICANT DISPUTED LIABILITIES OF THE CIECH GROUP

As at 30 June 2018, 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 items 2.13 and 4.13 hereof.

5.11.2. SIGNIFICANT DISPUTED RECEIVABLES OF THE CIECH GROUP

As at 30 June 2018, 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.

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

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

Letters of support

As at 30 June 2018, 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 41.9 million from RWE by 30 June 2018. 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.

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

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



RATIO CALCULATION METHODOLOGY

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

EBITDA (%)	(operating profit + amortization/depreciation for a given period)/ net revenues from sales of products, services, goods and materials in a given period
Adjusted EBITDA (%)	EBITDA excluding one-off events, the more important of which were described in section 2.5 / net revenues from sales of products, services, goods and materials for a given period
Annualised EBITDA (%)	EBITDA for the 12-month period ended on the balance sheet date
gross return on sales	gross profit on sales for a given period / net revenues from sales of products, services, goods and materials for a given period
return on sales	profit for a given period / net revenues from sales of products, services, goods and materials for a given period
EBIT margin	operating profit for a given period / net revenues from sales of products, services, goods and materials for a given period
EBITDA margin	(operating profit + amortization/depreciation for a given period)/ net revenues from sales of products, services, goods and materials in a given period
adjusted EBIT margin	operating profit for a given period excluding one-off events, the more important of which were described in section 2.5 / net revenues from sales of products, services, goods and materials for a given period
adjusted EBITDA margin	EBITDA excluding one-off events, the more important of which were described in section 2.5 / net revenues from sales of products, services, goods and materials for a given period
net return on sales (ROS)	net profit for a given period / net revenues from sales of products, services, goods and materials for a given period
return on assets (ROA)	net profit for a given period/total assets at the end of a given period
return on equity (ROE)	net profit for a given period/total equity at the end of a given period
debt ratio	the ratio of current and non-current liabilities to total assets; measures the share of external funds in financing of a company's activity
long-term debt ratio	the ratio of non-current liabilities to total assets; measures the share of non-current liabilities in financing of company's activity
debt to equity ratio	the ratio of total liabilities to equity
equity to assets ratio	the ratio of equity to total assets; measures the share of equity in financing of a company's activity
net financial liabilities	liabilities from loans, bonds, borrowings (plus overdraft) and other debt instruments (finance lease + liabilities from negative valuation of derivatives calculated separately for each derivative + reverse factoring liabilities + factoring liabilities) less cash and cash equivalents
gross financial liabilities	liabilities from loans, bonds, borrowings (plus overdraft) and other debt instruments (finance lease + liabilities from negative valuation of derivatives calculated separately for each derivative + reverse factoring liabilities + factoring liabilities)



REPRESENTATION OF THE MANAGEMENT BOARD

This Extended consolidated quarterly report of the CIECH Group for the first half of 2018 was approved by the Management Board of CIECH S.A. at its registered office on 5 September 2018.

Warsaw, 5 September 2018.

(signed on the polish original)

.....

Maciej Tybura — President of the Management Board of CIECH Spółka Akcyjna

(signed on the polish original)

.....

Artur Osuchowski — Member of the Management Board of CIECH Spółka Akcyjna

(signed on the polish original)

.....

Krzysztof Szlaga — Member of the Management Board of CIECH Spółka Akcyjna

(signed on the polish original)

.....

Katarzyna Rybacka — Chief Accountant of CIECH Spółka Akcyjna