



EXTENDED CONSOLIDATED QUARTERLY REPORT

of the CIECH Group for the first quarter of 2017



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



CIECH GROUP — SELECTED CONSOLIDATED FINANCIAL DATA

SELECTED FINANCIAL DATA	in PLN thousand		in EUR thousand	
	3 months ended 31.03.2016	3 months ended 31.03.2017	3 months ended 31.03.2016	3 months ended 31.03.2017
Sales revenues	898,378	826,469	209,456	189,736
Operating profit/(loss)	126,832	150,453	29,571	34,540
Profit/(loss) before tax	95,697	132,142	22,312	30,336
Net profit / (loss) for the year	78,089	102,238	18,206	23,471
Net profit/(loss) attributable to shareholders of the parent company	78,003	102,068	18,186	23,432
Net profit/(loss) attributed to non-controlling interest	86	170	20	39
Other comprehensive income net of tax	19,541	1,550	4,556	356
Total comprehensive income	97,630	103,788	22,762	23,827
Cash flows from operating activities	(21,027)	65,796	(4,902)	15,105
Cash flows from investment activities	(102,099)	(134,550)	(23,804)	(30,889)
Cash flows from financial activities	(2,221)	(1,842)	(518)	(423)
Total net cash flows	(125,347)	(70,596)	(29,224)	(16,207)
	as at 31.03.2017	as at 31.12.2016	as at 31.03.2017	as at 31.12.2016
Total assets	4,452,611	4,501,892	1,055,171	1,017,607
Non-current liabilities	1,622,080	1,695,514	384,397	383,254
Current liabilities	969,409	1,042,886	229,729	235,734
Total equity	1,861,122	1,763,492	441,045	398,619
Equity attributable to shareholders of the parent	1,864,422	1,766,827	441,827	399,373
Non-controlling interest	(3,300)	(3,335)	(782)	(754)
Share capital	287,614	287,614	68,158	65,012
Earnings (loss) per ordinary share (in PLN/EUR)	1.48	1.94	0.35	0.45

CIECH S.A. — SELECTED SEPARATE FINANCIAL DATA

SELECTED FINANCIAL DATA	in PLN thousand		in EUR thousand	
	3 months ended 31.03.2017	3 months ended 31.03.2016	3 months ended 31.03.2017	3 months ended 31.03.2016
Sales revenues	600,701	529,928	140,053	121,658
Operating profit/(loss)	61,294	73,713	14,291	16,923
Profit/(loss) before tax	105,194	59,397	24,526	13,636
Net profit / (loss) for the period	85,800	49,165	20,004	11,287
Other comprehensive income net of tax	9,655	(2,479)	2,251	(569)
Total comprehensive income	95,455	46,686	22,255	10,718
Cash flows from operating activities	52,548	(31,106)	12,252	(7,141)
Cash flows from investment activities	(116,526)	(73,447)	(27,168)	(16,861)
Cash flows from financial activities	(41,177)	15,740	(9,600)	3,613
Total net cash flows	(105,155)	(88,813)	(24,516)	(20,389)
	as at 31.03.2017	as at 31.12.2016	as at 31.03.2017	as at 31.12.2016
Total assets	3,590,678	3,599,972	850,912	813,737
Non-current liabilities	1,402,863	1,467,349	332,448	331,679
Current liabilities	795,594	835,857	188,538	188,937
Total equity	1,392,221	1,296,766	329,926	293,121
Share capital	287,614	287,614	68,158	65,012

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 of 31.03.2017	as at 31.12.2016	3 months ended 31.03.2017	3 months ended 31.03.2016
EUR 1 = PLN 4.2198	EUR 1 = PLN 4.4240	EUR 1 = PLN 4.2891	EUR 1 = PLN 4.3559



**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2017**

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

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE CIECH GROUP

	01.01.-31.03.2017	01.01.-31.03.2016*
CONTINUING OPERATIONS		
Sales revenues	898,378	826,469
Cost of sales	(678,124)	(587,980)
Gross profit/(loss) on sales	220,254	238,489
Other operating income	11,061	12,026
Selling costs	(61,556)	(53,466)
General and administrative expenses	(34,763)	(32,030)
Other operating expenses	(8,164)	(14,566)
Operating profit/(loss)	126,832	150,453
Financial income	3,506	1,488
Financial expenses	(34,590)	(20,182)
Net financial income/(expenses)	(31,084)	(18,694)
Share of profit / (loss) of equity-accounted investees	(51)	383
Profit/(loss) before tax	95,697	132,142
Income tax	(17,608)	(29,904)
Net profit/(loss) on continuing operations	78,089	102,238
DISCONTINUED OPERATIONS		
Net profit/(loss) on discontinued operations	-	-
Net profit / (loss) for the year	78,089	102,238
including:		
Net profit/(loss) attributable to shareholders of the parent company	78,003	102,068
Net profit/(loss) attributed to non-controlling interest	86	170
Earnings per share (in PLN):		
Basic	1.48	1.94
Diluted	1.48	1.94

* Restated data, description of changes is provided in item 2.2.

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



CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME OF THE CIECH GROUP

	01.01.-31.03.2017	01.01.-31.03.2016
Net profit/(loss) on continuing operations	78,089	102,238
Net profit/(loss) on discontinued operations	-	-
Net profit / (loss) for the year	78,089	102,238
Other comprehensive income before tax that may be reclassified to the statement of profit or loss	32,825	1,436
Currency translation differences (foreign companies)	(13,605)	1,555
Cash flow hedge	46,430	(119)
Other comprehensive income before tax that may not be reclassified to the statement of profit or loss	-	-
Income tax attributable to other comprehensive income	(13,284)	114
Income tax attributable to other comprehensive income that may be reclassified to the statement of profit or loss	(13,284)	114
Other comprehensive income net of tax	19,541	1,550
TOTAL COMPREHENSIVE INCOME	97,630	103,788
Comprehensive income including attributable to:	97,630	103,788
Shareholders of the parent company	97,595	103,514
Non-controlling interest	35	274

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



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE CIECH GROUP

	31.03.2017	31.12.2016
ASSETS		
Property, plant and equipment	2,588,444	2,623,660
Right of perpetual usufruct	29,932	30,219
Intangible assets, including:	171,604	129,389
- goodwill	61,915	64,180
Investment property	32,227	31,384
Non-current receivables	95,820	99,252
Investments in associates and jointly-controlled entities measured under the equity method	5,301	5,610
Long-term financial assets	80,138	90,135
Deferred income tax assets	173,304	199,866
Total non-current assets	3,176,770	3,209,515
Inventory	336,595	299,265
Short-term financial assets	65,088	59,971
Income tax receivables	11,231	13,542
Trade and other receivables	569,771	502,000
Cash and cash equivalents	289,926	414,369
Non-current assets held for sale	3,230	3,230
Total current assets	1,275,841	1,292,377
Total assets	4,452,611	4,501,892
EQUITY AND LIABILITIES		
Share capital	287,614	287,614
Share premium	470,846	470,846
Cash flow hedge	(9,456)	(45,306)
Actuarial gains	989	989
Other reserve capitals	78,521	78,521
Currency translation reserve	(62,594)	(46,336)
Retained earnings	1,098,502	1,020,499
Equity attributable to shareholders of the parent	1,864,422	1,766,827
Non-controlling interest	(3,300)	(3,335)
Total equity	1,861,122	1,763,492
Loans, borrowings and other debt instruments	1,332,538	1,345,973
Finance lease liabilities	24,577	18,979
Other non-current liabilities	140,819	197,738
Employee benefits reserve	10,598	10,752
Other provisions	81,373	84,284
Deferred income tax liability	32,175	37,788
Total non-current liabilities	1,622,080	1,695,514
Loans, borrowings and other debt instruments	172,473	160,845
Finance lease liabilities	4,271	4,714
Trade and other liabilities	665,620	743,479
Income tax liabilities	39,176	43,868
Employee benefits reserve	990	1,194
Other provisions	86,879	88,786
Total current liabilities	969,409	1,042,886
Total liabilities	2,591,489	2,738,400
Total equity and liabilities	4,452,611	4,501,892

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



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS OF THE CIECH GROUP

	01.01.-31.03.2017	01.01.-31.03.2016
Cash flows from operating activities		
Net profit/(loss) for the period	78,089	102,238
Adjustments		
Amortisation/depreciation	59,565	53,128
Recognition of impairment allowances	1,069	(3)
Foreign exchange (profit) /loss	9,779	(187)
Investment property revaluation	(843)	-
(Profit) / loss on investment activities	(206)	(136)
(Profit) / loss on disposal of property, plant and equipment	(121)	(77)
Dividends and interest	9,432	7,022
Income tax	17,608	29,904
(Profit) / loss on the settlement of construction contracts (caverns)	(759)	(1,268)
Share of (profit) / loss on equity accounted investees	51	(383)
Change in liabilities due to loan arrangement fee	694	567
Valuation of derivatives	(1,876)	-
Ineffective portion of hedge accounting	(2,241)	1,625
Other adjustments	(3,780)	(900)
Cash from operating activities before changes in working capital and provisions	166,461	191,530
Change in receivables	(25,221)	(90,973)
Change in inventory	(36,355)	(14,102)
Change in current liabilities	(113,420)	(9,206)
Change in provisions and employee benefits	(940)	2,094
Cash generated from operating activities	(9,475)	79,343
Interest paid	(951)	(1,234)
(Profit) / loss on the settlement of construction contracts (caverns)	(450)	(832)
Income tax (paid)/returned	(10,151)	(11,481)
Net cash from operating activities	(21,027)	65,796
Cash flows from investment activities		
Disposal of a subsidiary	-	2,931
Disposal of intangible assets and property, plant and equipment	7,519	90
Interest received	820	782
Acquisition of intangible assets and property, plant and equipment	(107,605)	(136,326)
Development expenditures	(2,833)	(2,020)
Other outflows	-	(7)
Net cash from investment activities	(102,099)	(134,550)
Cash flows from financial activities		
Repayment of loans and borrowings	(447)	(39)
Payments of finance lease liabilities	(1,774)	(1,803)
Net cash from financial activities	(2,221)	(1,842)
Total net cash flows	(125,347)	(70,596)
Cash and cash equivalents as at the beginning of the period	414,369	202,935
<i>Impact of foreign exchange differences</i>	904	39
Cash and cash equivalents as at the end of the period	289,926	132,378

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



CONDENSED STATEMENT OF CHANGES IN CONSOLIDATED EQUITY OF THE CIECH GROUP

	Attributable to shareholders of the parent company							Equity attributable to shareholders of the parent	Non-controlling interest	Total equity
	Share capital	Share premium	Cash flow hedge	Other reserve capitals	Actuarial gains	Currency translation reserve	Retained earnings			
01.01.2016	287,614	470,846	(16,004)	78,521	434	(53,092)	577,257	1,345,576	(4,072)	1,341,504
Transactions with the owners	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	(96)	-	-	1,542	102,068	103,514	274	103,788
Net profit / (loss) for the period	-	-	-	-	-	-	102,068	102,068	170	102,238
Other comprehensive income	-	-	(96)	-	-	1,542	-	1,446	104	1,550
31.03.2016	287,614	470,846	(16,100)	78,521	434	(51,550)	679,325	1,449,090	(3,798)	1,445,292
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
Transactions with the owners	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	35,850	-	-	(16,258)	78,003	97,595	35	97,630
Net profit / (loss) for the period	-	-	-	-	-	-	78,003	78,003	86	78,089
Other comprehensive income	-	-	35,850	-	-	(16,258)	-	19,592	(51)	19,541
31.03.2017	287,614	470,846	(9,456)	78,521	989	(62,594)	1,098,502	1,864,422	(3,300)	1,861,122

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



2

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

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

These interim consolidated financial statements were prepared in compliance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” as approved by the European Union and the Regulation of the Minister of Finance dated 19 February 2009, as amended, 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 of 2009, No 33, item 259). These financial statements present the financial position of the CIECH Group as at 31 March 2017 and as at 31 December 2016, results of the Group’s operations and cash flows for the period of 3 months ended 31 March 2017 and 31 March 2016, and were approved by the Management Board of CIECH S.A. on 15 May 2017.

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

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

The Management Board of CIECH S.A. declares that to the best of its knowledge these interim condensed consolidated financial statements, including corresponding figures, have been prepared in accordance with the generally acceptable accounting principles and that they represent a true, accurate and fair reflection of the CIECH Group’s financial position and the results of operations. Furthermore, the Management Board of CIECH S.A. declares that the Directors’ Report for the period of 3 months ended 31 March 2017 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 assumptions associated with them are subject to ongoing verification. Revision of accounting estimates is 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 interim period there were no significant revisions to the estimates presented in previous reporting periods.

2.2. ADOPTED ACCOUNTING PRINCIPLES

The CIECH Group’s accounting principles are described in the Consolidated Financial Statements of the CIECH Group for the year 2016, published on 20 March 2017. 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 a change in the presentation of support services provided by CIECH S.A. to the Group companies within segment reporting — at present, all revenues and expenses from support services are presented under relevant segments within which the services are provided, whereas previously they were reported mainly in the “Other activities” segment.



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:

	31.03.2017 ¹	31.12.2016 ²
EUR	4.2198	4.4240
RON	0.9277	0.9749
Average NBP rate for the reporting period	3 months ended 31.03.2017 ³	3 months ended 31.03.2016 ⁴
EUR	4.2891	4.3559
RON	0.9485	0.9697

¹ NBP's average foreign exchange rates table applicable as at 31 March 2017.

² NBP's average foreign exchange rates table applicable as at 31 December 2016.

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 2017 to 31 March 2017.

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 2016 to 31 March 2016.

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 crop growth. Nevertheless, the sales of these products occur mainly in the fourth quarter of preceding year. For other products, the Group's revenues and financial results are not influenced by any significant seasonal fluctuations over the year.

2.5. SEGMENT REPORTING

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

Information for a given operating segment may include sales of products and goods also included in the core product range of other divisions. Such items, however, are not significant for those divisions' management accounting.

The Group financing (including finance expenses and incomes with the exception of interest on trade receivables and liabilities) and income tax are managed and monitored on the Group level and 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 localisation.

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 serve 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.-31.03.2017	01.01.-31.03.2016
Net profit/(loss) on continuing operations	78,089	102,238
Income tax	17,608	29,904
Share of profit / (loss) of equity-accounted investees	51	(383)
Financial expenses	34,590	20,182
Financial income	(3,506)	(1,488)
Amortisation/depreciation	59,565	53,128
EBITDA on continued operations	186,397	203,581

	01.01.-31.03.2017	01.01.-31.03.2016
EBITDA	186,397	203,581
One-offs including:	280	2,682
Impairment (a)	1,069	(3)
Cash items (b)	(550)	(831)
Non-cash items (without impairment) (c)	(239)	3,516
Adjusted EBITDA from continuing operations	186,677	206,263

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

(b) Cash items include, among others, profit/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 adjustment has been presented under tables presenting the consolidated statement of profit or loss by operating segments.



OPERATING SEGMENTS OF THE CIECH GROUP

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

OPERATING SEGMENTS 01.01.-31.03.2017	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	608,140	216,283	48,914	1,482	23,559	-	-	898,378
Revenue from inter-segment transactions	10,461	640	5	28,064	8,843	-	(48,013)	-
Total sales revenues	618,601	216,923	48,919	29,546	32,402	-	(48,013)	898,378
Cost of sales	(433,535)	(182,370)	(39,310)	(27,364)	(22,780)	-	27,235	(678,124)
Gross profit /(loss) on sales	185,066	34,553	9,609	2,182	9,622	-	(20,778)	220,254
Selling costs	(57,962)	(15,246)	(5,930)	(349)	(3,268)	(169)	21,368	(61,556)
General and administrative expenses	(14,065)	(4,803)	(1,872)	(1,103)	(1,474)	(11,875)	429	(34,763)
Result on management of receivables	(755)	448	(14)	29	(11)	1	-	(302)
Result on other operating activities	3,515	(1,332)	(10)	63	853	224	(114)	3,199
Operating profit /(loss)	115,799	13,620	1,783	822	5,722	(11,819)	905	126,832
Exchange differences and interest on trade settlements	(6,724)	(2,741)	(206)	(12)	512	-	-	(9,171)
Group borrowing costs	-	-	-	-	-	(9,885)	-	(9,885)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	(12,028)	-	(12,028)
Share of profit / (loss) of equity-accounted investees	(51)	-	-	-	-	-	-	(51)
Profit /(loss) before tax	109,024	10,879	1,577	810	6,234	(33,732)	905	95,697
Income tax	-	-	-	-	-	-	-	(17,608)
Net profit /(loss) on continuing operations	-	-	-	-	-	-	-	78,089
Net profit /(loss) on discontinued operations	-	-	-	-	-	-	-	-
Net profit /(loss) for the period	-	-	-	-	-	-	-	78,089
Amortization/depreciation	44,006	7,515	4,883	1,471	600	1,090	-	59,565
EBITDA	159,805	21,135	6,666	2,293	6,322	(10,729)	905	186,397
Adjusted EBITDA*	160,992	21,206	6,679	2,198	5,520	(10,824)	906	186,677

*Adjusted EBITDA for the 3-month period ended 31 March 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 -1.1 million; change in provisions: PLN -0.5 million; other: PLN 0.5 million.



OPERATING SEGMENTS 01.01.-31.03.2016	Soda segment	Organic segment	Silicates and glass segment	Transport segment	Other operations segment	Corporate functions - reconciliation item	Eliminations (consolidation adjustments)	TOTAL*
Revenues from third parties	582,517	183,626	37,541	4,156	18,629	-	-	826,469
Revenue from inter-segment transactions	7,254	1,437	1	28,163	7,355	-	(44,210)	-
Total sales revenues	589,771	185,063	37,542	32,319	25,984	-	(44,210)	826,469
Cost of sales	(388,114)	(149,527)	(28,465)	(28,280)	(17,027)	-	23,433	(587,980)
Gross profit /(loss) on sales	201,657	35,536	9,077	4,039	8,957	-	(20,777)	238,489
Selling costs	(51,349)	(15,005)	(4,832)	(163)	(2,088)	(403)	20,374	(53,466)
General and administrative expenses	(12,250)	(4,366)	(1,680)	(1,505)	(929)	(11,643)	343	(32,030)
Result on management of receivables	1	(3,231)	(66)	57	(8)	-	-	(3,247)
Result on other operating activities	650	(804)	355	186	861	(428)	(113)	707
Operating profit /(loss)	138,709	12,130	2,854	2,614	6,793	(12,474)	(173)	150,453
Exchange differences and interest on trade settlements	(6,106)	(5,738)	148	(98)	99	-	688	(11,007)
Group borrowing costs	-	-	-	-	-	(9,085)	-	(9,085)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	1,398	-	1,398
Share of profit / (loss) of equity-accounted investees	383	-	-	-	-	-	-	383
Profit /(loss) before tax	132,986	6,392	3,002	2,516	6,892	(20,161)	515	132,142
Income tax	-	-	-	-	-	-	-	(29,904)
Net profit /(loss) on continuing operations	-	-	-	-	-	-	-	102,238
Net profit /(loss) on discontinued operations	-	-	-	-	-	-	-	-
Net profit /(loss) for the period	-	-	-	-	-	-	-	102,238
Amortization/depreciation	39,312	7,732	3,413	1,506	87	1,078	-	53,128
EBITDA	178,021	19,862	6,267	4,120	6,880	(11,396)	(173)	203,581
Adjusted EBITDA**	180,899	19,753	6,253	3,910	6,864	(11,280)	(136)	206,263

* Restated data, description of changes is provided in item 2.2.

** Adjusted EBITDA for the 3-month period ended 31 March 2016 is calculated as EBITDA adjusted for untypical one-off events: change in provisions: PLN -2.7 million.



ASSETS AND LIABILITIES BY OPERATING SEGMENTS

	ASSETS		LIABILITIES	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
Soda segment	2,625,895	2,553,494	175,111	217,161
Organic segment	559,274	527,848	129,231	123,634
Silicates and glass segment	163,952	172,186	19,083	22,378
Transport segment	63,337	66,295	10,110	12,763
Other operations segment	102,824	68,349	25,557	32,189
Corporate functions - reconciliation item	986,416	1,157,669	2,277,276	2,370,033
Eliminations (consolidation adjustments)	(49,087)	(43,949)	(44,879)	(39,758)
TOTAL	4,452,611	4,501,892	2,591,489	2,738,400

INFORMATION ON GEOGRAPHICAL AREAS

	Non-current assets other than financial instruments	Deferred tax asset	Other assets	Total assets
31.03.2017				
Poland	2,056,676	173,304	907,290	3,137,270
European Union (excluding Poland)	878,013	-	329,509	1,207,522
Other European countries	-	-	51,733	51,733
Africa	-	-	6,328	6,328
Asia	-	-	49,585	49,585
Other regions	-	-	173	173
TOTAL	2,934,689	173,304	1,344,618	4,452,611
31.12.2016				
Poland	2,008,662	199,866	915,484	3,124,012
European Union (excluding Poland)	922,211	-	346,472	1,268,683
Other European countries	-	-	52,816	52,816
Africa	-	-	2,852	2,852
Asia	-	-	50,550	50,550
Other regions	-	-	2,979	2,979
TOTAL	2,930,873	199,866	1,371,153	4,501,892

SALES REVENUES – GEOGRAPHICAL STRUCTURE OF MARKETS

	01.01.-31.03.2017	01.01.-31.03.2016	2017/2016
Poland	350,655	300,365	16.7%
European Union (excluding Poland)	411,714	404,634	1.7%
Germany	165,356	169,152	(2.2%)
Romania	42,595	36,072	18.1%
Czech Republic	39,146	38,725	1.1%
Italy	24,311	28,238	(13.9%)
The Netherlands	29,851	23,421	27.5%
Finland	14,833	14,877	(0.3%)
Sweden	18,078	15,601	15.9%
Belgium	10,255	9,099	12.7%
United Kingdom	10,553	16,912	(37.6%)
Denmark	6,247	9,705	(35.6%)
France	16,159	4,981	224.4%
Luxembourg	330	6,488	(94.9%)



	01.01.-31.03.2017	01.01.-31.03.2016	2017/2016
Lithuania	5,100	4,317	18.1%
Other EU countries	28,900	27,046	6.9%
Other European Countries	63,804	60,973	4.6%
Switzerland	24,024	31,542	(23.8%)
Norway	11,601	9,140	26.9%
Russia	8,443	2,514	235.8%
Other European countries	19,736	17,777	11.0%
Africa	22,321	14,121	58.1%
Asia	46,645	42,066	10.9%
China	83	17	388.2%
Other Asian countries	46,562	42,049	10.7%
Other regions	3,239	4,310	(24.8%)
TOTAL	898,378	826,469	8.7%

2.6. PROVISIONS AND IMPAIRMENT ALLOWANCES ON ASSETS

In the first quarter of 2017, the following changes in provisions and impairment allowances on assets were recognised in the consolidated financial statements of the CIECH Group.

PROVISIONS FOR EMPLOYEE BENEFITS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-31.03.2017					
Long-term	10,752	105	(32)	(227)	10,598
Short-term	1,194	77	(281)	-	990
01.01.-31.03.2016					
Long-term	12,829	26	(330)	40	12,565
Short-term	1,603	135	(138)	(340)	1,260

CHANGE IN OTHER LONG-TERM PROVISIONS	Opening balance	Other changes (including exchange differences)	Closing balance
01.01.-31.03.2017			
Provision for liabilities	6,547	-	6,547
Provision for environmental protection	77,737	(2,911)	74,826
TOTAL	84,284	(2,911)	81,373
01.01.-31.03.2016			
Provision for liabilities	6,547	-	6,547
Provision for environmental protection	68,157	324	68,481
TOTAL	74,704	324	75,028

CHANGE IN OTHER SHORT-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-31.03.2017					
Provision for compensation	9,337	-	(391)	-	8,946
Provision for liabilities	26,598	938	(286)	(944)	26,306
Provision for environmental protection	2,391	-	(518)	-	1,873
Provision for expected losses	46,507	-	-	(552)	45,955
Provision for bonuses	3,661	774	(770)	(154)	3,511

CHANGE IN OTHER SHORT-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
Other provisions	292	312	(318)	2	288
TOTAL	88,786	2,024	(2,283)	(1,648)	86,879
01.01.-31.03.2016					
Provision for compensation	8,368	200	-	27	8,595
Provision for liabilities	37,019	1,485	(1,978)	102	36,628
Provision for environmental protection	2,236	-	(214)	-	2,022
Provision for expected losses	30,886	2,853	-	(28)	33,711
Provision for bonuses	1,146	783	(834)	6	1,101
Other provisions	439	453	-	5	897
TOTAL	80,094	5,774	(3,026)	112	82,954

CHANGE IN IMPAIRMENT ALLOWANCES	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-31.03.2017					
Property, plant and equipment	5,933	1,069	-	(236)	6,767
Intangible assets, including:	473,807	-	-	(21,171)	452,636
<i>Intangible assets excluding goodwill</i>	45,923	-	-	(1,963)	43,959
<i>Goodwill</i>	427,884	-	-	(19,208)	408,676
Long-term financial assets	1,343	-	-	-	1,343
Inventories	38,217	697	(1,332)	(412)	37,170
Short-term financial assets	24,601	-	-	-	24,601
Trade and other receivables	57,938	931	(825)	(1,280)	56,765
TOTAL	647,762	2,698	(2,157)	(25,062)	623,241
01.01.-31.03.2016					
Property, plant and equipment	6,021	3	-	11	6,035
Intangible assets, including:	456,422	-	-	1,512	457,934
<i>Intangible assets excluding goodwill</i>	43,449	-	-	67	43,516
<i>Goodwill</i>	412,974	-	-	1,445	414,418
Long-term financial assets	1,343	-	-	-	1,343
Inventories	38,215	719	(1,279)	99	37,754
Short-term financial assets	24,601	-	-	-	24,601
Trade and other receivables	44,826	3,653	(1,032)	1,820	49,267
TOTAL	614,876	4,375	(2,311)	3,510	620,451

2.7. INCOME TAX, DEFERRED TAX ASSETS AND LIABILITY

The main components of tax expense include:

THE MAIN COMPONENTS OF TAX EXPENSE (TAX INCOME)	01.01.-31.03.2017	01.01.-31.03.2016
Current income tax	(7,400)	(13,058)
Deferred tax	(10,208)	(16,846)
INCOME TAX RECOGNISED IN STATEMENT OF PROFIT OR LOSS	(17,608)	(29,904)



Deferred income tax is attributable to the following items:

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITY	31.03.2017			31.12.2016		
	Total asset	Total liability	Net value	Total asset	Total liability	Net value
Property, plant and equipment	2,074	135,570	(133,496)	2,081	136,195	(134,114)
Intangible assets	30,851	404	30,447	32,430	499	31,931
Right of perpetual usufruct	-	5,126	(5,126)	-	5,147	(5,147)
Investment property	2,003	1,751	252	2,003	1,673	330
Financial assets	1,359	8,620	(7,261)	1,732	13,454	(11,722)
Inventory	2,023	403	1,620	2,106	557	1,549
Trade and other receivables	4,012	35,851	(31,839)	4,053	35,599	(31,546)
Provisions for employee benefits	3,047	31	3,016	3,181	31	3,150
Other provisions	20,959	-	20,959	22,107	-	22,107
Tax losses carried forward	126,099	-	126,099	139,309	-	139,309
Foreign exchange differences	3,758	248	3,510	3,839	376	3,463
Liabilities	56,031	3,040	52,991	61,850	306	61,544
Special Economic Zone	87,977	-	87,977	90,759	-	90,759
Other	275	464	(189)	207	1,777	(1,570)
Deferred tax assets/liability	340,468	191,508	148,960	365,657	195,614	170,043
Set - off of deferred tax assets/ liability	(159,333)	(159,333)	-	(157,826)	(157,826)	-
Unrecognized deferred tax assets	(7,831)	-	(7,831)	(7,965)	-	(7,965)
Deferred tax assets/liability recognised in the statement of financial position	173,304	32,175	141,129	199,866	37,788	162,078

2.8. INFORMATION ON FAIR VALUE OF FINANCIAL INSTRUMENTS

2.8.1. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

As at 31 March 2017, 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 2017 and 2018 — 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 first quarter of 2017, 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 2016, published on 20 March 2017.



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 2016, published on 20 March 2017.

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
31.03.2017						
IRS PLN	-	-	-	-	(1,277)	(1,277)
IRS EUR	-	227	-	(1,237)	(1,178)	(2,188)
CIRS	-	54,861	18,349	(68,428)	-	4,782
Forward EUR/PLN	-	3,034	9,279	-	-	12,313
Forward USD /RON	-	-	-	(211)	(1,875)	(2,086)
Embedded instruments	-	10,655	3,460	-	-	14,115
Futures contracts	1,380	-	-	-	-	1,380
TOTAL	1,380	68,777	31,088	(69,876)	(4,330)	27,039
31.12.2016						
IRS PLN	-	-	-	-	(1,241)	(1,241)
IRS EUR	-	58	-	(1,506)	(1,243)	(2,691)
CIRS	-	55,569	18,454	(119,083)	-	(45,060)
Forward EUR/PLN	-	967	743	-	-	1,710
Forward USD /RON	-	-	-	(340)	(3,521)	(3,861)
Embedded instruments	-	22,182	6,773	-	-	28,955
Futures contracts	5,012	-	-	-	-	5,012
TOTAL	5,012	78,776	25,970	(120,929)	(6,005)	(17,176)

2.8.2. FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The CIECH Group holds the issued domestic bonds whose book value, as at 31 March 2017, amounted to PLN 164,054 thousand, and whose fair value amounted to PLN 160,000 thousand (Level 2 of fair value hierarchy). The Group recognised that the fair value of the issued bonds does not differ significantly from their nominal value due to the fact that these bonds carry variable interest rates.

The CIECH Group has taken out term and working capital loans whose book value, as at 31 March 2017, amounts to PLN 1,340,957 thousand, and whose fair value amounts to PLN 1,339,037 thousand (Level 2 of fair value hierarchy). The Group recognised 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 IAS 39), the fair value is close to the book value.

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

In the period from 1 January to 31 March 2017, the CIECH Group carried out the following transactions increasing and decreasing the gross value of property, plant and equipment:



01.01.-31.03.2017	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	84,579	1,083,972	2,717,796	101,559	46,304	340,585	4,374,795
Purchase	-	369	15,738	961	176	56,870	74,114
Reclassification	-	7,204	23,243	6	(6,192)	(47,371)	(23,110)
Capitalised borrowing costs	-	-	-	-	-	3,107	3,107
Exchange differences	(3,882)	(11,456)	(45,006)	(779)	(511)	(2,374)	(64,008)
Sales	-	-	(84)	-	(16)	-	(100)
Liquidation	-	(17)	(677)	(40)	(52)	-	(786)
Gross value of property, plant and equipment at the end of the period	80,697	1,080,072	2,711,010	101,707	39,709	350,817	4,364,012

Purchases of property, plant and equipment were made with own financial resources or in the form of a finance lease. As at 31 March 2017, commitments to purchase property, plant and equipment amounted to PLN 173,427 thousand (PLN 174,220 thousand as at 31 December 2016).

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 2016, published on 20 March 2017.

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.-31.03.2017	01.01.-31.03.2016
Revenues from sales of products and services	1,619	1,497
Revenues from sales of goods and materials	24,657	18,986
Financial income	3	1
Purchase of services	10,260	10,937
Other operating expenses	638	1
Financial expenses	3	5
	31.03.2017	31.12.2016
Receivables, including:	16,524	15,691
<i>Kulczyk Holding S.A.</i>	7	180
Impairment allowances of receivables and loans	2,566	-
Liabilities, including:	3,449	6,647
<i>Kulczyk Holding S.A.</i>	-	858

**Terms of transactions with related entities**

Material sales to and purchases from related entities are carried out on 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 within the CIECH Group in the first quarter of 2017, except for transactions described in item 3.3 hereof.

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

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

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

2.13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES INCLUDING GUARANTEES AND SURETIES**Contingent assets and contingent liabilities including guarantees and sureties**

	31.03.2017	31.12.2016
Contingent assets	18,864	18,864
Other contingent receivables*	18,864	18,864
Contingent liabilities	584,019	632,527
Guarantees and sureties granted**	485,260	533,056
Other***	98,759	99,471

*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 155% of liabilities related to the issue of domestic bonds in the amount of PLN 160,000 thousand – contingent liability in the amount of PLN 88,000 thousand,
- guarantee granted up to the amount of 125% of liability related to term loan in the amount of PLN 1,045,031 thousand and revolving loan in the amount of PLN 250,000 thousand – contingent liability in the amount of PLN 323,758 thousand,
- guarantee granted up to the amount of 125% of liability related to term loan in the amount of EUR 69,673 thousand – contingent liability in the amount of PLN 73,502 thousand.

*** Including mainly:

- contingent liability in the SDC Group relating to environmental protection in the amount of PLN 15,369 thousand (EUR 3,642 thousand),
- contingent liability in CIECH Soda Polska S.A. regarding environmental penalty fees due to a boiler failure in the amount of PLN 30,974 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,
- potential liability in CIECH S.A. regarding employee claims in the amount of PLN 5,660 thousand.

As at 31 March 2017, contingent liabilities amounted to PLN 584,019 thousand and decreased as compared to 31 December 2016 by PLN 48,508 thousand. The change results primarily from the expiry on 12 March 2017 of a guarantee in the amount of PLN 44,240 thousand (EUR 10,000 thousand) for certain obligations and warranties made by Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej as a part of the agreement for sale and transfer of TDI assets on BASF. The remaining decrease in liabilities resulted from positive foreign exchange differences.



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

The Management Board of CIECH S.A. is not expecting the dividend payment from profits earned during the period of 2016. The Management Board proposes to transfer the profits generated in 2016 to supplementary capital.

On 16 June 2016, the Ordinary General Meeting of Shareholders of CIECH S.A. adopted a resolution regarding the distribution of the Company's net profit for 2015 in accordance with the recommendation of the Supervisory Board. The amount of PLN 150,195 thousand was allocated to dividends to shareholders, i.e. PLN 2.85 per share. The amount of PLN 181,384 thousand was allocated to the Company's supplementary capital. Dividend date was set on 30 June 2016 and the dividend was paid on 16 August 2016.

2.15. INFORMATION ON POST-BALANCE-SHEET EVENTS

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



OTHER NOTES TO THE CONSOLIDATED QUARTERLY REPORT

3.1. DESCRIPTION OF THE CIECH GROUP'S ORGANISATION

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

Parent company	CIECH Spółka Akcyjna
Registered office	Warsaw
Address	Wspólna Street 62, 00-684 Warsaw
KRS (National Court Register number)	0000011687 (District Court for the capital city of Warsaw in Warsaw 13 th Commercial Division of the National Court Register)
Statistical identification number (REGON)	011179878
Tax ID No (NIP)	118-00-19-377
Website	www.ciechgroup.com
Branches held	CIECH S.A.'s Branch in Romania CIECH S.A.'s Branch in Germany
Ultimate parent company	KI Chemistry s. à r. l (a subsidiary of Kulczyk Investments)

As at 31 March 2017, the CIECH Group comprised 38 business entities, including:

- parent company,
- 32 subsidiaries, of which:
 - 23 domestic subsidiaries,
 - 9 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., Grupa SDC, CIECH Pianki Sp. z o.o.) while the manufacturing activity is carried out by production companies, subsidiaries of CIECH S.A. The production is located in 8 plants, with four largest production plants (two in Poland, one in Germany and one in Romania) operate in the soda segment and manufacture soda ash and soda derived products (in the case of CIECH Soda Romania S.A., the plant also manufactures products in the silicates and glass segment, the soda plant in Janikowo also manufactures salt products and the plant in Germany produces electric energy sold to third parties). The other 4 plants are dedicated to the organic segment, and to silicates and glass segment, and are located in Poland.



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

Company name	Registered office	Segment	Business	Share in equity as at 31.03.2017 / % of votes at the GMS	Share in equity as at 31.03.2016 / % 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 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	Granting licences to the CIECH Group companies to use the trademarks: "Ciech", "Ciech Trading" and "Sól Kujawska naturalna czysta" for business activity purposes, research and developments activities.	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 feed, 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.*	Iłowa	Silicates and glass	Production of other basic inorganic chemicals, manufacture of hollow glass and technical glassware, manufacture of resins packaging goods, manufacture of other resins products.	100%	100%
CIECH Transclean Sp. z o.o.	Bydgoszcz	Transport	International transport of liquid chemicals.	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. Sp. k.**	Warsaw	Other	Financing activities, leasing of non-current assets to the CIECH Group companies.	100%	-
Vasco Polska Sp. z o.o.	Inowrocław	Other	Utilisation of post-soda lime in the restoration of degraded land.	90%	-



Company name	Registered office	Segment	Business	Share in equity as at 31.03.2017 / % of votes at the GMS	Share in equity as at 31.03.2016 / % 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%
CIECH Nieruchomości S.A.	Warsaw	Other	Real property agency, real property management.	100%	100%
JANIKOSODA S.A.	Warsaw	Other	Service activity related to office support, other 'out-of-school' forms of education.	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%	-
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. — 1.4% and CIECH Soda Polska S.A. — 98.6%.

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



3.2. INFORMATION ON NON-CONSOLIDATED SUBSIDIARIES AND ASSOCIATES

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

The total share of data of subsidiaries not covered by consolidation under the full method, due to their irrelevance, in relation to the total values of the CIECH Group for the period from 1 January 2017 to 31 March 2017 does not exceed 2% of total consolidated assets of the Group and consolidated net revenues from sales of goods and products and financial operations. Aggregated data of associates and jointly-controlled entities which were not measured under the equity method for the period from 1 January 2017 to 31 March 2017 did not exceed 2% of the total consolidated equity of the CIECH Group.

3.3. SIGNIFICANT EFFECTS OF CHANGES TO THE ORGANISATIONAL STRUCTURE OF THE CIECH GROUP IN THE FIRST QUARTER OF 2017

Changes in the share capital of companies

On 23 February 2017, the Extraordinary Shareholders' Meeting of Cerium Finance Sp. z o.o. adopted a resolution on voluntary redemption, effected against payment, of 28,483 shares in this Company held by Gamma Finanse Sp. z o.o., with the nominal value of PLN 50 each and the total nominal value of PLN 1,424 thousand, accounting for 98.99% of the share capital of Cerium Finance Sp. z o.o. The market value of all shares subject to redemption was determined based on a valuation prepared by an independent expert and amounted to PLN 206,757 thousand. Following the redemption, the share capital of Cerium Finance Sp. z o.o. decreased from PLN 1,439 thousand to PLN 15 thousand. Following the redemption of shares and decrease of the share capital of Cerium Finance Sp. z o.o., the sole shareholder of the company is CIECH Soda Polska S.A.

Pursuant to resolution of the Extraordinary Shareholders' Meeting of CIECH R&D Sp. z o.o. of 28 February 2017 on the increase of the share capital, CIECH S.A., in accordance with the declaration dated 3 March 2017, took up 90,000 new shares in CIECH R&D Sp. z o.o. with the nominal value of PLN 50 each. Shares in CIECH R&D Sp. z o.o. taken up by CIECH S.A. were covered in whole with a cash contribution in the amount of PLN 4,500 thousand, constituting the equivalent of the total nominal price of new shares in CIECH R&D Sp. z o.o. Following the above, the share capital of the Company increased to PLN 40,000 thousand and is divided into 800,000 shares with the nominal value of PLN 50 each. CIECH S.A. remains the sole shareholder of the Company.

Phasing out of businesses

On 30 November 2016, Polcommerce mbH ceased its operating activities and on 31 December 2016, the Company's liquidation proceedings were opened. The liquidation of the Company is related to the planned changes in the Group's business model in the area of sales. Markets previously served by Polcommerce mbH will be served directly by CIECH S.A.

3.4. THE MOST IMPORTANT EVENTS IN THE CIECH GROUP IN THE FIRST QUARTER OF 2017

New branding of soda products	1 st quarter	SOLID EMPLOYER Title
The CIECH Group has introduced new brands for its soda products. They are to reflect rising standards in customer service, logistics and production processes, introduced in the last quarters. The new branding is also to differentiate the specialist product portfolio of the Group in the soda segment, including the pharmaceutical, feed or food grade soda.		SOLID EMPLOYER is a title awarded to the CIECH Group in February 2017, in the National "Solid Employer" Contest. The chamber of the contest decides which companies deserve the award for their effective and innovative HR policy, taking into account such criteria as: working conditions (observance of OHS regulations, labour law, etc.), timely payment of salaries, social conditions, career path (trainings for employees).
Golden Website of the Issuer Competition Final		
CIECH S.A. qualified for the final stage of the Golden Website X contest organised by the Polish Association of Listed Companies, in which 889 websites of companies listed on the Warsaw Stock Exchange, including the NewConnect market, were assessed.		



3.5. OVERVIEW OF THE BASIC FINANCIAL AND ECONOMIC DATA OF THE CIECH GROUP

3.5.1. BASIC FINANCIAL DATA

During the first quarter of 2017, the CIECH Group earned net profit from continuing operations of PLN 78,089 thousand, net cash decreased by PLN 125,347 thousand and the balance sheet total as at the end of the third quarter of 2017 amounted to PLN 4,452,611 thousand. The table below presents selected financial data and basic financial ratios for the first quarter of 2017 and 2016.

Selected financial data

	01.01.-31.03.2017	01.01.-31.03.2016*	Change 2017/2016
CONTINUING OPERATIONS			
Sales revenues	898,378	826,469	8.7%
Cost of sales	(678,124)	(587,980)	(15.3%)
Gross profit/(loss) on sales	220,254	238,489	(7.6%)
Selling costs	(61,556)	(53,466)	(15.1%)
General and administrative expenses	(34,763)	(32,030)	(8.5%)
Other operating income/expense	2,897	(2,540)	-
Operating profit/(loss)	126,832	150,453	(15.7%)
Net financial income/expenses	(31,084)	(18,694)	(66.3%)
Share of profit of equity-accounted investees	(51)	383	-
Income tax	(17,608)	(29,904)	41.1%
Net profit/(loss) on continuing operations	78,089	102,238	(23.6%)
DISCONTINUED OPERATIONS			
Net profit/(loss) on discontinued operations	-	-	-
Net profit / (loss)	78,089	102,238	(23.6%)
including:			
Net profit/(loss) attributed to non-controlling interest	86	170	(49.4%)
Net profit/(loss) attributable to shareholders of the parent company	78,003	102,068	(23.6%)
EBITDA from continuing operations**	186,397	203,581	(8.4%)
Adjusted EBITDA from continuing operations**	186,677	206,263	(9.5%)

*Restated data, description of changes is provided in item 2.2.

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

3.5.2. SALES REVENUES

Consolidated net sales revenues from continued operations of the CIECH Group for the first quarter of 2017 amounted to PLN 898,378 thousand. Compared to the previous year, revenues increased by PLN 71,909 thousand. The changes were mainly due to market factors.

The following facts had an impact on sales revenues earned:

Positive impact:

- increase in the volume of soda sales – sale of additional volumes of soda ash from Soda +200 investment,
- higher sales of dry salt,
- increased sales of crop protection products,
- increased volume of sodium silicates following the extension of production capacity carried out in CIECH Vitrosilicon S.A.

Negative impact:

- decrease in soda sales prices,
- lower volume of sales of soda from plants in Germany, following production limitations,
- decreased prices of dry salt due to large supply and intensive activities of competitors.



In the first quarter of 2017, 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 2016. Invariably, the greatest share in the revenue was attributed to the sales of soda segment products, i.e. 68.9%.

Sales revenues — business segments

	01.01.- 31.03.2017	01.01.- 31.03.2016	Change 2017/2016	Change %
Soda segment, including:	618,601	589,771	28,830	4.9%
Dense soda ash	347,916	345,384	2,532	0.7%
Light soda ash	125,386	101,341	24,045	23.7%
Salt	42,239	42,141	98	0.2%
Sodium bicarbonate	40,095	40,167	(72)	(0.2%)
Energy	33,481	21,867	11,614	53.1%
Gas*	360	187	173	92.5%
Calcium chloride	7,803	8,314	(511)	(6.1%)
Other products	10,860	23,116	(12,256)	(53.0%)
Revenues from inter-segment transactions	10,461	7,254	3,207	44.2%
Organic segment, including:	216,923	185,063	31,860	17.2%
Resins	87,734	81,261	6,473	8.0%
Polyurethane foams	74,364	60,331	14,033	23.3%
Crop protection chemicals	51,593	38,766	12,827	33.1%
Other	2,592	3,268	(676)	(20.7%)
Revenues from inter-segment transactions	640	1,437	(797)	(55.5%)
Silicates and Glass segment, including:	48,919	37,542	11,377	30.3%
Sodium silicates	29,576	18,740	10,836	57.8%
Potassium silicates	1,296	1,224	72	5.9%
Container glass	17,953	17,189	764	4.4%
Other	89	388	(299)	(77.1%)
Revenues from inter-segment transactions	5	1	4	400.0%
Transport segment, including:	29,546	32,319	(2,773)	(8.6%)
Transport services	1,482	4,156	(2,674)	(64.3%)
Revenues from inter-segment transactions	28,064	28,163	(99)	(0.4%)
Other segment, including:	32,402	25,985	6,417	24.7%
Revenues from third parties	23,559	18,629	4,930	26.5%
Revenues from inter-segment transactions	8,843	7,356	1,487	20.2%
Consolidation adjustments	(48,013)	(44,211)	(3,802)	(8.6%)
TOTAL	898,378	826,469	71,909	8.7%

* Resale of surpluses of the gas purchased.

Source: CIECH S.A

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

After the first quarter of 2017, gross profit on sales amounted to PLN 220,254 thousand, whereas in the same period of the previous year it amounted to PLN 238,489 thousand. The operating profit amounted to PLN 126,832 thousand, in the comparable period it amounted to PLN 150,453 thousand.

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

- Continuation of good economic situation throughout the European Union, especially in the Eurozone.
- Favorable economic situation in the domestic economy and the chemical industry, confirmed by the increase of total sold production of industry by 7.3% and production of chemicals and chemical products by 6.7% in the first quarter of 2017 (in constant prices when compared to the same period of the previous year).
- Balancing of the European market of soda ash (demand and supply balance) with a tendency to increase in demand.
- Strong growth in production of furniture in Poland by 9.1% in the first quarter of 2017 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 domestic sales of construction and assembly production by 3.9% during the first quarter of 2017 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).

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

- Slight decrease in soda ash prices in the European markets at the beginning of 2017 compared to the previous year, following the announced launching of new production capacity in Turkey during 2017.
- Strong increase in prices of raw energy resources used in production of soda ash in Europe (coke, coal, natural gas) as compared, in particular, with the first quarter of 2016.
- Decrease in domestic production of paints and other coating products by 3.8% during the first quarter of 2017, as compared with the same period of the previous year (the paint industry is a recipient of resins produced by the CIECH Group).
- Increase in oil prices (higher by a dozen or so percent than in the first quarter of 2016) and, consequently, higher prices of raw materials for the organic industry – this has an adverse impact on operations in the CIECH Group's organic segment.
- Slight appreciation of PLN against EUR compared with the first quarter of the previous year, which was not favourable for the profitability of exports of the CIECH Group.

The EBIT margin for the first quarter of 2017 amounted to 14.1% (18.2% in the prior year), and the EBITDA margin amounted to 20.7% (24.6% in the prior year). The EBIT margin (excluding one-off events) for first quarter of 2017 amounted to 14.1% (18.5% in the prior year), and the EBITDA margin (excluding one-off events) amounted to 20.8% (25.0% in the prior year).

3.5.4. FINANCIAL ACTIVITIES AND NET RESULT

Financial income for the first quarter of 2017 amounted to PLN 3,506 thousand and increased compared to the corresponding period of the previous year, when it amounted to PLN 1,488 thousand.

Financial expenses for the first quarter of 2017 amounted to PLN 34,590 thousand and increased compared to the corresponding period of the previous year, when it amounted to PLN 20,182 thousand.

The contributors in the area of **financial activities** included mainly negative exchange differences. Costs of servicing external debt remained at a similar level as in the comparable period.

The consolidated net profit for the first quarter of 2017 amounted to PLN 78,089 thousand (of which PLN 78,003 thousand was a net profit attributable to the shareholders of the parent company and PLN 86 thousand as the profit of non-controlling shares). This result was influenced mainly by profit on sales partially offset by loss on financial activities.

3.5.5. FINANCIAL POSITION OF THE CIECH GROUP

Basic consolidated balance sheet data

	31.03.2017	31.12.2016	Change 2017/2016
Total assets	4,452,611	4,501,892	(1.1%)
Total non-current assets	3,176,770	3,209,515	(1.0%)
Total current assets	1,275,841	1,292,377	(1.3%)
Inventory	336,595	299,265	12.5%
Current receivables	581,002	515,542	12.7%
Cash and cash equivalents	289,926	414,369	(30.0%)
Short-term financial assets	65,088	59,971	8.5%
Non-current assets held for sale	3,230	3,230	0.0%
Total equity	1,861,122	1,763,492	5.5%
Equity attributable to shareholders of the parent	1,864,422	1,766,827	5.5%
Non-controlling interest	(3,300)	(3,335)	1.0%
Total non-current liabilities	1,622,080	1,695,514	(4.3%)
Total current liabilities	969,409	1,042,886	(7.0%)



Assets

As at the end of the first quarter of 2017, the Group's non-current assets amounted to PLN 3,176,770 thousand. As compared to the balance as at 31 December 2016, the value of non-current assets decreased by PLN 32,745 thousand. This change resulted from, among other factors:

- lower value of property, plant and equipment related to a negative impact of currency translation differences from revaluation of assets,
- increase in the value of intangible assets in connection with the purchase of CO₂ certificates in CIECH Soda Polska S.A. and costs of development activities in CIECH R&D Sp. z o.o. and CIECH Sarzyna S.A.,
- lower value of long-term financial assets following a change in the valuation of derivative instruments.

As at 31 March 2017, the Group's current assets amounted to PLN 1,275,841 thousand. The largest components of current assets included: short-term receivables accounting for 44.7%, inventory accounting for 26.4% as well as cash and cash equivalents accounting for 22.7% of total current assets. Compared to the end of December 2016, the value of current assets decreased by PLN 16,536 thousand. This change resulted from, among other factors:

- on one hand, lower balance of cash accumulated in companies,
- on the other hand, higher balance of receivables due to, among others, advance sales of crop protection products with extended payment periods.

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 31 March 2017, the CIECH Group's liabilities (total non-current and current) amounted to PLN 2,591,489 thousand, which is a decrease compared to the end of December 2016 by PLN 146,911 thousand (i.e. by 5.4%).

The debt ratio amounted to 58.2% as at 31 March 2017 (at the end of December 2016 to 60.8%). The consolidated net debt of the Group amounted to PLN 1,279,875 thousand as at 31 March 2017 and increased in comparison to the balance as at the end of December 2016 by PLN 83,377 thousand.

Debt instruments currently used

The Group's sources of debt financing include: issued domestic bonds, term loan, revolving credit as well as lease liabilities. Additional information about the management of financial resources is provided in item 4.6. of the Management Board Report on activities of the CIECH Group and CIECH S.A. in 2016, published on 20 March 2017.

3.5.6. CASH POSITION OF THE CIECH GROUP

	01.01.-31.03.2017	01.01.-31.03.2016	Change 2017/2016
Net cash from operating activities	(21,027)	65,796	-
Net cash from investment activities	(102,099)	(134,550)	24.1%
Net cash from financial activities	(2,221)	(1,842)	(20.6%)
Total net cash flows	(125,347)	(70,596)	(77.6%)
free cash flows	(123,126)	(68,754)	(79.1%)

Total net cash flows in the first quarter of 2017 was negative and amounted to PLN 125,347 thousand. Compared to the same period of the previous year, the cash flows generated by the Group were lower by PLN 54,751 thousand. Cash flows from operating activities were negative. They amounted to PLN 21,027 thousand and decreased as compared to the same period in 2016 by PLN 86,823 thousand. This balance resulted primarily from a change in working capital and provisions.

During the first quarter of 2017, 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 2,221 thousand. In comparison to 2016, they were lower by PLN 7,140 thousand.



	01.01.-31.03.2017	01.01.-31.03.2016
Financial surplus ((net profit/(loss) on continuing operations + depreciation)	137,654	155,366
Other adjustments to net profit/(loss) on continuing operations	16,315	24,711
Adjusted financial surplus (1+2)	153,969	180,077
Change in working capital	(174,996)	(114,281)
Net cash from operating activities (3+4)	(21,027)	65,796
Net cash from investing activities	(102,099)	(134,550)
Free cash flow (5+6)	(123,126)	(68,754)

During the first quarter of 2017, the CIECH Group generated negative free cash flows i.e. it was unable to finance its capital expenditure with cash flows from operating activities.

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

Liquidity of the CIECH Group

Liquidity ratios as at 31 December 2017 increased as compared to their level as at 31 December 2016. The current ratio, calculated as the ratio of total current assets to total current liabilities, amounted to 1.32 as at 31 March 2017, while the quick liquidity ratio amounted to 0.97.

	31.03.2017	31.12.2016
Current ratio	1.32	1.24
Quick ratio	0.97	0.95

The CIECH Group's working capital

As at the end of the first quarter of 2017, working capital, defined as the difference between current assets and short-term liabilities, adjusted by relevant balance sheet items (cash and cash equivalents and short-term loans) was positive and amounted to PLN 162,883 thousand, which is an increase by PLN 188,665 thousand compared to the end of 2016.

	31.03.2017	31.12.2016
1. Current assets, including:	1,275,841	1,292,377
Inventory	336,595	299,265
Trade receivables and services and advances for deliveries	376,696	298,449
2. Cash and cash equivalents and short-term investments	355,014	474,340
3. Adjusted current assets (1-2)	920,827	818,037
4. Current liabilities, including:	969,409	1,042,886
Trade liabilities and advances taken	314,213	368,937
5. Short-term credits and other current financial liabilities*	211,465	199,067
6. Adjusted current liabilities (4-5)	757,944	843,819
7. Working capital including short-term credits(1-4)	306,432	249,491
8. Working capital (3-6)	162,883	(25,782)

* Other current financial liabilities include current bond liabilities, current finance lease liabilities + current derivative liabilities + factoring liabilities.

CIECH Group's profitability ratios

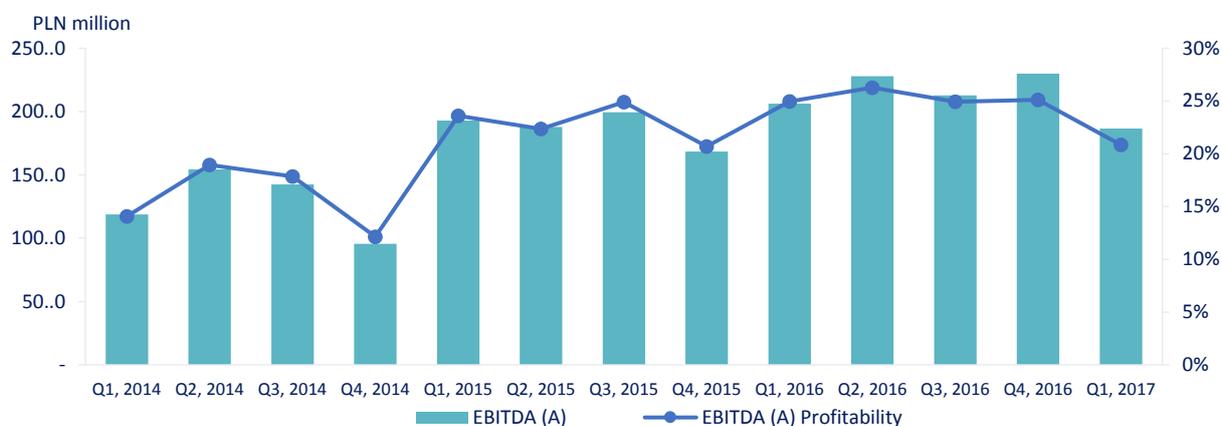
During the first quarter of 2017, profitability ratios of the CIECH Group in respect of the continuing operations were at a lower level than in the first quarter of 2016.



CIECH GROUP'S PROFITABILITY RATIOS

	01.01.-31.03.2017	01.01.-31.03.2016	Change 2017/2016
CONTINUING OPERATIONS			
Gross return on sales	24.5%	28.9%	(4.3%)
Return on sales	13.8%	18.5%	(4.7%)
EBIT margin	14.1%	18.2%	(4.1%)
EBITDA margin	20.7%	24.6%	(3.9%)
Adjusted EBIT margin	14.1%	18.5%	(4.4%)
Adjusted EBITDA margin	20.8%	25.0%	(4.2%)
Net return on sales (ROS)	8.7%	12.4%	(3.7%)
Return on assets (ROA)	1.8%	2.3%	(0.5%)
Return on equity (ROE)	4.2%	5.8%	(1.6%)
Earnings/(loss) per share (in PLN) from continuing operations	1.48	1.94	(0.46)

PROFITABILITY LEVELS OF THE CIECH GROUP



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

Source: CIECH S.A

Indebtedness

The debt ratio decreased in comparison to December 2016 and amounts to 58.2%. At the same time, the relative level of net debt did not change significantly as compared to the end of 2016. The ratio adjusted by one-off events is at a lower level in comparison to the previous year.

	31.03.2017	31.12.2016
Loans, borrowings and debt securities – bonds issued	1,505,011	1,506,818
Financial lease liabilities	28,848	23,693
Factoring liabilities	30,391	27,502
Net valuation of liabilities due to derivative instruments	5,551	52,854
Gross debt	1,569,801	1,610,867
Cash and cash equivalents	289,926	414,369
Net debt	1,279,875	1,196,498

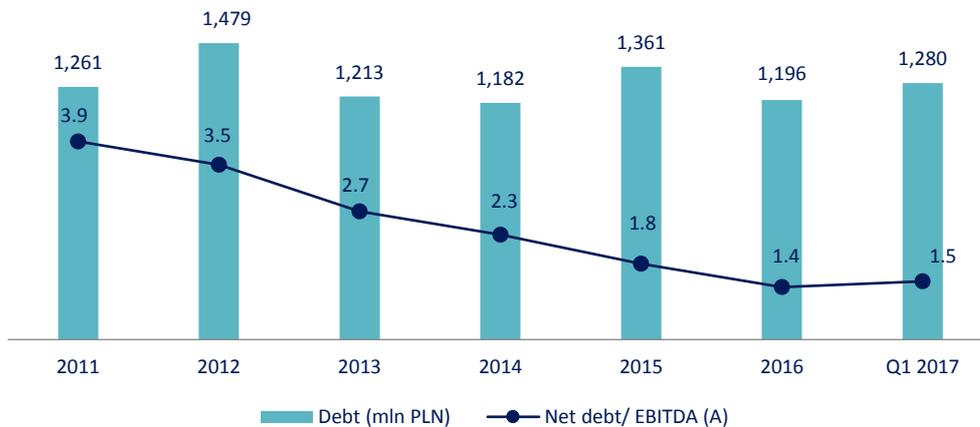
The CIECH Group's debt ratios

	31.03.2017	31.12.2016	Change 2017/2016
Debt ratio	58.2%	60.8%	(2.6) p.p.
Long term debt ratio	36.4%	37.7%	(1.2) p.p.
Debt to equity ratio	139.2%	155.3%	(16.0) p.p.
Equity to assets ratio	41.8%	39.2%	2,7 p.p.



	31.03.2017	31.12.2016	Change 2017/2016
Gross debt	1,569,801	1,610,867	(2.5%)
Net debt	1,279,875	1,196,498	7.0%
EBITDA annualized	866,609	883,794	(1.9%)
Adjusted EBITDA (annualised)	857,248	876,832	(2.2%)
Net debt / EBITDA annualized	1.5	1.4	9.1%
Net debt / Adjusted EBITDA (annualised)	1.5	1.4	9.4%
Gross debt / EBITDA annualised	1.8	1.8	(0.6%)
Gross debt / Adjusted EBITDA (annualised)	1.8	1.8	(0.3%)

The CIECH Group is 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.



Debt financing of the Group

Debt financing of the Group in the form of bonds and loans is composed of:

- Domestic bonds issued by CIECH S.A. – as at 31 March 2017 the nominal debt amounted to PLN 160,000 thousand.
- Loans are granted to CIECH S.A. pursuant to the loans agreement of 29 October 2015:
 - term loan in the amount of PLN 1,045,031 thousand and EUR 69,673 thousand (the total amount of the loan as at 31 March 2017 was PLN 1,339,037 thousand),
 - revolving credit facility granted to CIECH S.A. in the amount of up to PLN 250,000 thousand (the amount of used credit as at 31 March 2017 was PLN 0).

Detailed information about loan and bond liabilities is disclosed in item 4.6.1 of the Management Board Report on activities of the CIECH Group and CIECH S.A. in 2016, published on 20 March 2017.

Factors and events that may affect future performance

In the opinion of the Management Board of CIECH S.A. in further months of 2017 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.

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



3.6. SIGNIFICANT RISK FACTORS

In connection with its operational activities, 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 2016, published on 20 March 2017.

During the first quarter of 2017, no new risks occurred, and the previously identified factors have not changed significantly. In the first quarter of 2017, there were no significant changes in relation to the Group's risk management policy.

Exposure to currency risk

The table below presents the estimated balance-sheet currency exposure of the CIECH Group in EUR and USD as at 31 March 2017 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	46,821	-	x	
Trade and other receivables	21,749	20,572	x	
Cash including bank deposits	18,082	1,723	x	
Liabilities				
Trade and other liabilities	(17,692)	(5,422)	x	
Term loan liabilities	(69,773)	-		x
Hedging instruments: Forward	(47,920)	(26,750)		x
Hedging instruments: CIRS (forward transactions isolated as part of decomposition of CIRS)	(246,781)	-		x
Total exposure	(295,514)	(9,877)		

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

The table contains an analysis of the sensitivity of individual statement of financial position items to exchange rate changes as at 31 March 2017.

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	(8)	690	(698)
Hedging instruments: Forward and CIRS	(2,947)	-	(2,947)
USD			
Currency balance sheet items	169	169	-
Hedging instruments: Forward	(268)	-	(268)

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

The CIECH Group applies hedge accounting. As regards hedging currency risk, there were no changes in the presentation or valuation compared to previous period.

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

The CIECH Group did not publish any forecasts for 2017.



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

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

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

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

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

Poland is the largest sales market of the CIECH Group. The direct, most important domestic recipients of the Group's products include: glass industry, chemical and resins 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 quarter of 2017 increased by 7.3% as compared with the corresponding period of the previous year (in 2016 — an increase of 3.0%). 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 6.7%); rubber and resins products (increase by 10.2%); manufacture of motor vehicles (increase by 12.1%); manufacture of furniture (increase by 9.1%); manufacture of food (increase by 8.1%); construction and assembly production (increase by 3.9%).

In the past year, some weakening of economic situation in the Polish economy was noted (estimated GDP growth of 2.7% in 2016, compared to 3.3% in 2014 and 3.9% in 2015). Despite of this fact, Polish GDP growth rates were and should still be significantly higher than the average rates for the European Union.

A slight improvement of economic situation in Poland is expected in 2017 (the European Commission projects that GDP growth will amount to 3.2%). 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 2017 the dynamics of global economic development should speed up slightly (increase in GDP by 3.5% vs. 3.1% in 2016). A strong increase in dynamics is expected in the U.S. (up to 2.3% from 1.6% in the previous year). The largest Asian economies will grow relatively quickly (India, China, and ASEAN countries, for which the GDP growth indicators should be, respectively: 7.2%, 6.6%, 5.0%). Among large economies, the worst conditions will be observed in Russia and Brazil; any recession in these countries in 2015–2016 should be already gone (expected increases in GDP by 1.4% and 0.2% respectively). In turn, the European Union will witness the slow-down of development (GDP growth of 1.8% in 2017 vs. 2.0% forecast in 2016).

For the chemical sector, the American Chemical Chamber (ACC) assumes that after a moderate increase in the chemical production in 2016 (by 2.2%), the following years will indicate a certain growth in productivity: by 2.9% in 2017 and by 3.3% in 2018. In the case of USA, this growth should reach 3.3% in 2017, and 4.3% in 2018. The European Council of Chemical Industry (CEFIC) forecasts that after a period of clear stagnation in 2016, the year 2017 will bring an increase in the chemical production by only 0.5%.

As regards the European construction sector, further economic growth is projected for the next 2-3 years. According to Euroconstruct, the annual average production dynamics in construction sector in the Western and Central Europe should grow up to 2.1%-2.2% in the years 2017–2019 (from less than 2% in 2014-2016).

**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 affects 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>Coke – 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.</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> <p>The Group applies natural hedging and hedging instruments. The Group's net exposure in the 1st quarter of 2017 was: EUR -295.5 million and USD -9.9 million.</p>
Volume of chemical products' 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 soda ash 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 neighboring regions which may have a negative impact on the Group's financial performance.</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>

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

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

**SHAREHOLDERS**

As of the date of publishing the previous financial statements (i.e. the date of publication of the Consolidated Financial Statements of the CIECH Group for 2016, announced on 20 March 2017), 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	6,428,681	6,428,681	12.20%	12.20%
Nationale-Nederlanden Otwarty Fundusz Emerytalny***	Ordinary bearer	3,000,000	3,000,000	5.69%	5.69%
Other	Ordinary bearer	16,319,176	16,319,176	30.97%	30.97%

* 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 28 February 2017 provided by Shareholder under Article 70(1) of the Act on Public Offering (...) – purchase or disposal of a significant block of shares (CR 4/2017).

*** On the basis of the list of entities holding at least 5% of votes at the Ordinary 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 on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies.

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

Mr Artur Osuchowski – Member of the Management Board of CIECH S.A., held 65,195 shares of CIECH S.A. as at 31 March 2017. Other Management Board Members of CIECH S.A. and Supervisory Board Members of CIECH S.A. did not hold any shares of the Company.

Managers and supervisors of CIECH S.A. as at 31 March 2017 did not hold any shares in other companies of the CIECH Group and this situation did not change in the period from the publication of the Consolidated Financial Statements of the CIECH Group for 2016, i.e. from 20 March 2017.

3.11. LITIGATION PENDING BEFORE A COURT, COMPETENT ARBITRATION AUTHORITY OR PUBLIC ADMINISTRATION AUTHORITY**3.11.1. SIGNIFICANT DISPUTED LIABILITIES OF THE CIECH GROUP**

As at 31 March 2017, the total value of significant disputed liabilities of CIECH S.A. and subsidiaries of CIECH S.A., pursued in all types of proceedings before court, body appropriate for arbitration proceedings or public administration bodies represents less than 10% of CIECH S.A.'s equity.



3.11.2. SIGNIFICANT DISPUTED RECEIVABLES OF THE CIECH GROUP

As at 31 March 2017, the total value of significant disputed receivables of CIECH S.A. and subsidiaries of CIECH S.A., pursued in all types of proceedings before court, body appropriate for arbitration proceedings or public administration bodies represents less than 10% of CIECH S.A.'s equity.

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

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

Letters of support

As at 31 March 2017, 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 34.8 million from RWE by 31 March 2017. 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.

Tax audits

As on the date of the financial statements, in five Polish companies of the CIECH Group were undergoing tax audits. The aim of the audits is to review the accuracy of the declared tax base and the correctness of calculations and payments of corporate income tax for the year 2015 or 2013. In the case of the three companies, the audit is in progress and as on the publication date of the financial statements the result of the audit is unknown. Two of the audited companies received the audit reports. In the reports, the auditors point out, among other things, that the companies underestimated their revenue with respect to the settlement of result on owned shares in a partnership for the total amount of PLN 69 mln.

The companies have submitted objections to the audit reports or their parts. In response to the reported objections, the auditors, in the case of one of the companies upheld their position, and in the second case, adhere to the company's position in the part of the objections raised. The Management Boards of the companies and their tax advisors do not agree with the findings set out in the audit reports.

However, if tax proceedings are instituted and a decision is taken, in which, in case of one of the companies all the findings presented in the Protocol will be accepted, and in the second case all the findings presented in the reply to the objections, it might be necessary to pay by these companies the tax liabilities in the total amount of PLN 6.4 mln as estimated by the auditors plus interest for delay from 1 April 2016.

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

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



**QUARTERLY FINANCIAL INFORMATION
OF THE PARENT COMPANY
CIECH S.A.
FOR 3-MONTH PERIOD ENDED 31 MARCH 2017**



4

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

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

	01.01.-31.03.2017	01.01.-31.03.2016
CONTINUING OPERATIONS		
Sales revenues	600,701	529,928
Cost of sales	(477,734)	(405,027)
Gross profit/(loss) on sales	122,967	124,901
Other operating income	1,062	766
Selling costs	(49,256)	(38,649)
General and administrative expenses	(12,823)	(12,149)
Other operating expenses	(656)	(1,156)
Operating profit/(loss)	61,294	73,713
Financial income	64,442	9,083
Financial expenses	(20,542)	(23,399)
Net financial income/(expenses)	43,900	(14,316)
Profit/(loss) before tax	105,194	59,397
Income tax	(19,394)	(10,232)
Net profit/(loss) on continuing operations	85,800	49,165
DISCONTINUED OPERATIONS		
Net profit/(loss) on discontinued operations	-	-
Net profit / (loss) for the period	85,800	49,165
Earnings/(loss) per share (in PLN):		
Basic	1.63	0.93
Diluted	1.63	0.93

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

	01.01.-31.03.2017	01.01.-31.03.2016
Net profit/(loss) on continuing operations	85,800	49,165
Net profit/(loss) on discontinued operations	-	-
Net profit / (loss) for the period	85,800	49,165
Other comprehensive income before tax that may be reclassified to statement of profit or loss	11,854	(3,061)
Cash flow hedge	11,854	(3,061)
Other comprehensive income before tax that may not be reclassified to statement of profit or loss	-	-
Income tax attributable to other comprehensive income	(2,199)	582
Income tax attributable to other comprehensive income that may be reclassified to statement of profit or loss	(2,199)	582
Other comprehensive income net of tax	9,655	(2,479)
TOTAL COMPREHENSIVE INCOME	95,455	46,686



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

	31.03.2017	31.12.2016
ASSETS		
Property, plant and equipment	11,438	11,362
Intangible assets	14,155	9,251
Long-term financial assets	2,522,623	2,474,312
Deferred income tax assets	75,871	98,257
Total non-current assets	2,624,087	2,593,182
Inventory	42,192	37,450
Short-term financial assets	295,798	232,022
Income tax receivables	826	807
Trade and other receivables	389,419	393,904
Cash and cash equivalents	238,356	342,607
Total current assets	966,591	1,006,790
Total assets	3,590,678	3,599,972
EQUITY AND LIABILITIES		
Share capital	287,614	287,614
Share premium	470,846	470,846
Cash flow hedge	4,535	(5,120)
Actuarial gains	132	132
Other reserve capitals	76,199	76,199
Retained earnings	552,895	467,095
Total equity	1,392,221	1,296,766
Loans, borrowings and other debt instruments	1,332,538	1,345,973
Other non-current liabilities	69,876	120,929
Employee benefits provisions	449	447
Total non-current liabilities	1,402,863	1,467,349
Loans, borrowings and other debt instruments	320,272	348,889
Trade and other liabilities	432,960	443,963
Income tax liabilities	5,658	6,294
Employee benefits provisions	302	313
Other provisions	36,402	36,398
Total current liabilities	795,594	835,857
Total liabilities	2,198,457	2,303,206
Total equity and liabilities	3,590,678	3,599,972



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

	01.01.-31.03.2017	01.01.-31.03.2016
Cash flows from operating activities		
Net profit /(loss) for the period	85,800	49,165
Adjustments		
Amortisation/depreciation	1,090	1,078
Recognition of impairment allowances	-	(1,088)
Foreign exchange (profit) /loss	(4,712)	250
(Profit) / loss on disposal of property, plant and equipment	(95)	-
Dividends and interest	2,561	7,302
Income tax payable/(receivable)	19,394	10,232
Change in liabilities due to loan arrangement fee	694	567
Valuation of derivative instruments	(49,842)	(1,317)
Cash from operating activities before changes in working capital and provisions	54,890	66,189
Change in receivables	12,353	(87,545)
Change in inventory	(4,741)	(5,969)
Change in current liabilities	(9,757)	(1,736)
Change in provisions and employee benefits	(4)	(1,791)
Cash generated from operating activities	52,741	(30,852)
Interest paid	(378)	(254)
Income tax paid/returned	185	-
Net cash from operating activities	52,548	(31,106)
Cash flows from investment activities		
Disposal of a subsidiary	-	2,931
Disposal of intangible assets and property, plant and equipment	95	1
Dividends received	42	-
Interest received	1,929	1,656
Proceeds from cash-pooling facility	-	27,138
Proceeds from repaid borrowings	14,497	11,314
Acquisition of intangible assets and property, plant and equipment	(953)	(3,012)
Expenditures on increase and extra contribution to capital	(4,500)	-
Borrowings paid out	(50,231)	(113,475)
Cash-pooling outflows	(77,405)	-
Net cash from investment activities	(116,526)	(73,447)
Cash flows from financial activities		
Proceeds from loans and borrowings	24,000	-
Proceeds from cash-pooling facility	-	15,740
Repayment of loans and borrowings	(447)	-
Cash-pooling outflows	(64,730)	-
Net cash from financial activities	(41,177)	15,740
Total net cash flows	(105,155)	(88,813)
Cash and cash equivalents as at the beginning of the period	342,607	174,745
<i>Impact of foreign exchange differences</i>	<i>904</i>	<i>39</i>
Cash and cash equivalents as at the end of the period	238,356	85,971



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

	Share capital	Share premium	Cash flow hedge	Other reserve capitals	Actuarial gains	Retained earnings	Total equity
01.01.2016	287,614	470,846	(2,335)	76,199	50	464,849	1,297,223
Transactions with shareholders recognised directly in equity	-	-	-	-	-	-	-
Total comprehensive income	-	-	(2,479)	-	-	49,165	46,686
Net profit/(loss) for the period	-	-	-	-	-	49,165	49,165
Other comprehensive income net of tax	-	-	(2,479)	-	-	-	(2,479)
31.03.2016	287,614	470,846	(4,814)	76,199	50	514,014	1,343,909
01.01.2017	287,614	470,846	(5,120)	76,199	132	467,095	1,296,766
Transactions with shareholders recognised directly in equity	-	-	-	-	-	-	-
Total comprehensive income	-	-	9,655	-	-	85,800	95,455
Net profit/(loss) for the period	-	-	-	-	-	85,800	85,800
Other comprehensive income net of tax	-	-	9,655	-	-	-	9,655
31.03.2017	287,614	470,846	4,535	76,199	132	552,895	1,392,221



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

5.1. BASIS OF PREPARATION

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

These interim condensed separate financial statements were prepared in compliance with IAS 34 "Interim Financial Reporting" as approved by the European Union and the Regulation of the Minister of Finance dated 19 February 2009, as amended, 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 of 2009, No 33, item 259). These financial statements present the financial position of CIECH S.A. as at 31 March 2017 and as at 31 December 2016, results of the Company's operations and cash flows for the period of 3 months ended 31 March 2017 and 31 March 2016, and were approved by the Management Board of CIECH S.A. on 15 May 2017.

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

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

These interim condensed separate financial statements should be read together with the interim condensed consolidated financial statements of the CIECH Group for the 3-month period ended 31 March 2017.

5.2. ADOPTED ACCOUNTING PRINCIPLES

The CIECH S.A.'s accounting principles are described in the Financial Statements of CIECH S.A. for 2016, published on 20 March 2017. 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 a change in the presentation of support services provided by CIECH S.A. to the Group companies within segment reporting — at present, all revenues and expenses from support services are presented under relevant segments within which the services are provided, whereas previously they were reported mainly in the "Other activities" segment.

5.3. CHANGES IN ESTIMATES

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



RATIO CALCULATION METHODOLOGY

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

EBITDA (%)	(operating profit + amortization/depreciation for a given period)/ net revenues from sales of products, services, goods and materials in a given period
Adjusted EBITDA (%)	EBITDA excluding one-off events, the more important of which were described in item 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 net 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 net negative valuation of derivatives calculated separately for each derivative + reverse factoring liabilities + factoring liabilities)



STATEMENT OF THE MANAGEMENT BOARD

This Extended consolidated quarterly report of the CIECH Group for the first quarter of 2017 was approved by the Management Board of CIECH S.A. at its registered office on 15 May 2017.

Warsaw, 15 May 2017

(signed on the polish original)

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

(signed on the polish original)

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Artur Król – Member of the Management Board of CIECH Spółka Akcyjna

(signed on the polish original)

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

(signed on the polish original)

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Katarzyna Rybacka – Chief Accountant of CIECH Spółka Akcyjna