CIECH Group

EXTENDED CONSOLIDATED QUARTERLY REPORT

of the CIECH Group for the first quarter of 2022

Ciech

CIECH GROUP — SELECTED CONSOLIDATED FINANCIAL DATA

SELECTED FINANCIAL DATA	in thousand PLN 3 months ended 31.03.2022	in thousand PLN 3 months ended 31.03.2021	in thousand EUR 3 months ended 31.03.2022	in thousand EUR 3 months ended 31.03.2021
Sales revenues on continued operations	1,242,564	861,072	267,379	188,332
Operating profit/(loss) on continued operations	131,368	137,248	28,268	30,019
Profit/(loss) before tax on continued operations	116,411	138,274	25,050	30,243
Net profit / (loss) for the period	103,984	183,699	22,375	40,178
Net profit/(loss) attributable to shareholders of the parent company	104,307	184,429	22,445	40,338
Net profit/(loss) attributed to non-controlling interest	(323)	(730)	(70)	(160)
Other comprehensive income net of tax	3,260	3,006	701	657
Total comprehensive income	107,244	186,705	23,076	40,835
Cash flows from operating activities	150,723	215,998	32,433	47,243
Cash flows from investment activities	(219,876)	(170,659)	(47,314)	(37,326)
Cash flows from financial activities	(7,546)	(12,102)	(1,624)	(2,647)
Total net cash flows	(76,699)	33,237	(16,505)	7,270
Earnings (loss) per ordinary share (in PLN/EUR)	1.98	3.50	0.43	0.77
	as at 31.03.2022	as at 31.12.2021	as at 31.03.2022	as at 31.12.2021
Total assets	7,390,858	7,135,218	1,588,578	1,551,337
Non-current liabilities	2,510,381	2,542,124	539,577	552,708
Current liabilities	2,386,904	2,206,765	513,037	479,794
Total equity	2,493,573	2,386,329	535,964	518,835
Equity attributable to shareholders of the parent	2,497,577	2,390,105	536,825	519,656
Non-controlling interest	(4,004)	(3,776)	(861)	(821)
Share capital	287,614	287,614	61,819	62,533

CIECH S.A. — SELECTED SEPARATE FINANCIAL DATA

SELECTED FINANCIAL DATA	in thousand PLN 3 months ended 31.03.2022	in thousand PLN 3 months ended 31.03.2021	in thousand EUR 3 months ended 31.03.2022	in thousand EUR 3 months ended 31.03.2021
Sales revenues on continued operations	502,654	384,238	108,163	84,040
Operating profit/(loss) on continued operations	27,942	10,617	6,013	2,322
Profit/(loss) before tax on continued operations	58,422	48,699	12,571	10,651
Net profit for the period	50,800	98,877	10,931	21,626
Other comprehensive income net of tax	2,208	2,390	475	523
Total comprehensive income	53,008	101,267	11,406	22,149
Cash flows from operating activities	(54,481)	(59,242)	(11,723)	(12,957)
Cash flows from investment activities	84,376	38,509	18,156	8,423
Cash flows from financial activities	39,595	(5,323)	8,520	(1,164)
Total net cash flows	69,490	(26,056)	14,953	(5,698)
	as at 31.03.2022	as at 31.12.2021	as at 31.03.2022	as at 31.12.2021
Total assets	4,670,167	4,612,557	1,003,798	1,002,861
Total non-current liabilities	1,959,245	1,991,470	421,117	432,985
Total current liabilities	1,043,313	1,006,486	224,248	218,830
Total equity	1,667,609	1,614,601	358,433	351,046
Share capital	287,614	287,614	61,819	62,533

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

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

as at 31.03.2022	as at 31.12.2021	3 months ended 31.03.2022	3 months ended 31.03.2021
EUR 1 = PLN 4.6525	EUR 1 = PLN 4.5994	EUR 1 = PLN 4.6472	EUR 1 = PLN 4.5721

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2022

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

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EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2022 (in PLN '000)

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE CIECH GROUP

	01.01.-31.03.2022	01.01.-31.03.2021
CONTINUING OPERATIONS		
Sales revenues	**1,242,564**	**861,072**
Cost of sales	(974,231)	(675,115)
Gross profit/(loss) on sales	**268,333**	**185,957**
Other operating income	12,404	65,098
Selling costs	(68,481)	(48,930)
General and administrative expenses	(63,487)	(50,615)
Other operating expenses	(17,401)	(14,262)
Operating profit/(loss)	**131,368**	**137,248**
Financial income, including:	15,877	28,953
Profit from financial instruments	*4,396*	*13,378*
Financial costs, including:	(30,973)	(27,812)
Loss from financial instruments	*(24,494)*	*(24,865)*
Net financial income/(expenses)	**(15,096)**	**1,141**
Share of profit / (loss) of equity-accounted investees	139	(115)
Profit/(loss) before tax	**116,411**	**138,274**
Income tax	(12,427)	(24,388)
Net profit/(loss) on continuing operations	**103,984**	**113,886**
DISCONTINUED OPERATIONS		
Net profit/(loss) on discontinued operations	-	69,813
Net profit / (loss) for the period	**103,984**	**183,699**
including:		
Net profit/(loss) attributable to shareholders of the parent company	104,307	184,429
Net profit/(loss) attributed to non-controlling interest	(323)	(730)
Earnings per share (in PLN):		
Basic	1.98	3.50
Diluted	1.98	3.50
Earnings/(loss) per share (in PLN) from continuing operations:		
Basic	1.98	2.17
Diluted	1.98	2.17

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

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2022 (in PLN ’000)

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME OF THE CIECH GROUP

	01.01.-31.03.2022	01.01.-31.03.2021
Net profit/(loss) on continuing operations	**103,984**	**113,886**
Net profit/(loss) on discontinued operations	-	69,813
Net profit / (loss) for the period	**103,984**	**183,699**
Other comprehensive income before tax that may be reclassified to the statement of profit or loss	**(4,384)**	**6,110**
Currency translation differences (foreign companies)	7,767	4,237
Profit (loss) from costs of hedging reserve	(3,236)	(126)
Profit (loss) from cash flow hedge reserve	(9,288)	1,994
Other components of other comprehensive income	373	5
Other comprehensive income before tax that may not be reclassified to the statement of profit or loss	-	-
Income tax attributable to other comprehensive income	**7,644**	**(3,104)**
Income tax attributable to other comprehensive income that may be reclassified to the statement of profit or loss	7,644	(3,104)
Other comprehensive income net of tax	**3,260**	**3,006**
TOTAL COMPREHENSIVE INCOME	**107,244**	**186,705**
Comprehensive income including attributable to:	**107,244**	**186,705**
Shareholders of the parent company	107,472	187,283
Non-controlling interest	(228)	(578)

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.

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2022 (in PLN '000)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE CIECH GROUP

	31.03.2022	31.12.2021*	31.03.2021*
ASSETS			
Property, plant and equipment	3,872,321	3,863,321	3,468,335
Rights to use an asset	193,330	201,476	172,169
Intangible assets other than goodwill	367,843	369,067	472,145
Goodwill	150,785	149,270	151,007
Investment property	34,688	32,839	40,278
Non-current receivables	79,423	78,542	56,507
Investments in jointly-controlled entities measured under the equity method	5,857	5,655	5,584
Long-term financial assets	14,407	12,449	12,691
Deferred income tax assets	80,526	74,984	47,652
Total non-current assets	**4,799,180**	**4,787,603**	**4,426,368**
Inventory	437,847	422,506	357,484
Short-term intangible assets other than goodwill	615,122	403,434	152,969
Short-term financial assets	125,052	102,382	59,184
Income tax receivables	17,237	21,004	26,092
Trade and other receivables	673,073	598,898	548,724
Cash and cash equivalents	722,979	799,023	482,599
Non-current assets and groups for disposal held for sale	368	368	417
Total current assets	**2,591,678**	**2,347,615**	**1,627,469**
Total assets	**7,390,858**	**7,135,218**	**6,053,837**
EQUITY AND LIABILITIES			
Share capital	287,614	287,614	287,614
Share premium	470,846	470,846	470,846
Cash flow hedge reserve	157,119	158,763	(12,358)
Profit (loss) from costs of hedging reserve	(23,567)	(20,331)	(2,256)
Actuarial gains	(1,582)	(1,582)	(495)
Other reserve capitals	425,021	425,021	425,021
Currency translation reserve	(28,705)	(36,377)	(27,326)
Retained earnings	1,210,831	1,106,151	1,166,852
Equity attributable to shareholders of the parent	**2,497,577**	**2,390,105**	**2,307,898**
Non-controlling interest	(4,004)	(3,776)	(2,655)
Total equity	**2,493,573**	**2,386,329**	**2,305,243**
Non-current loans, borrowings and other debt instruments	1,855,358	1,854,154	1,741,890
Lease liabilities	116,211	121,172	100,454
Other non-current liabilities	211,242	231,752	95,069
Employee benefits reserve	15,473	15,273	13,097
Other provisions	273,833	270,649	155,837
Deferred income tax liability	38,264	49,124	54,897
Total non-current liabilities	**2,510,381**	**2,542,124**	**2,161,244**
Current loans, borrowings and other debt instruments	25,380	5,287	163,677
Lease liabilities	27,965	30,025	23,325
Trade and other liabilities	2,113,087	1,956,407	1,258,797
Income tax liabilities	132,498	128,592	45,797
Employee benefits reserve	3,668	2,643	2,142
Other provisions	84,306	83,811	93,612
Total current liabilities	**2,386,904**	**2,206,765**	**1,587,350**
Total liabilities	**4,897,285**	**4,748,889**	**3,748,594**
Total equity and liabilities	**7,390,858**	**7,135,218**	**6,053,837**

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

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

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2022 (in PLN '000)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS OF THE CIECH GROUP

	01.01.-31.03.2022	01.01.-31.03.2021
Cash flows from operating activities		
Net profit/(loss) for the period	**103,984**	**183,699**
Adjustments	***65,162***	***58,265***
Amortisation/depreciation	97,804	83,818
Recognition of impairment allowances	-	214
Foreign exchange (profit) /loss	(9,847)	(13,170)
Investment property revaluation	(1,399)	-
(Profit) / loss on investment activities	25	(60,392)
(Profit) / loss on disposal of property, plant and equipment	(429)	1,655
Dividends and interest	16,508	10,566
Income tax	12,427	25,907
Share of (profit) / loss on equity accounted investees	(139)	114
Change in liabilities due to loan arrangement fee	457	(7,930)
Valuation of derivatives	(5,859)	7,987
Other adjustments	(487)	(8,373)
Change in receivables	(93,917)	(118,170)
Change in inventory	(14,074)	(3,224)
Change in current liabilities	62,163	139,442
Change in provisions and employee benefits	1,929	(179)
Interest paid	(2,217)	(7,200)
Income tax (paid)/returned	(16,206)	(18,766)
Net cash from operating activities	**150,723**	**215,998**
Cash flows from investment activities		
Disposal of a subsidiary*	-	72,429
Disposal of intangible assets and property, plant and equipment	1,427	1,077
Interest received	446	237
Proceeds from repaid borrowings	94	30,259
Acquisition of intangible assets and property, plant and equipment	(127,343)	(184,935)
Acquisition of investment property	(450)	-
Development expenditures	(1,848)	(4,903)
Expenditure on the purchase of emission rights	(90,494)	(82,855)
Other investment inflows (outflows)	(1,708)	(1,968)
Net cash from investment activities	**(219,876)**	**(170,659)**
Cash flows from financial activities		
Proceeds from loans and borrowings	4,229	3,638
Repayment of loans and borrowings	(4,029)	(7,869)
Payments of lease liabilities	(7,746)	(7,732)
Other financial inflows (outflows)	-	(139)
Net cash from financial activities	**(7,546)**	**(12,102)**
Total net cash flows	**(76,699)**	**33,237**
Cash and cash equivalents as at the beginning of the period	**799,023**	**448,799**
Impact of foreign exchange differences	*655*	*563*
Cash and cash equivalents as at the end of the period	**722,979**	**482,599**

**Value decreased by cash of the sold company, CIECH Żywice Sp. z o.o.*

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.

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2022 (in PLN '000)

CONDENSED STATEMENT OF CHANGES IN CONSOLIDATED EQUITY OF THE CIECH GROUP

	Share capital	Share premium	Cash flow hedge reserve	Profit (loss) from costs of hedging reserve	Other reserve capitals	Actuarial gains	Currency translation reserve	Retained earnings	**Equity attributable to shareholders of the parent**	Non-controlling interest	**Total equity**
31.12.2021*	**287,614**	**470,846**	**158,763**	**(20,331)**	**425,021**	**(1,582)**	**(36,377)**	**1,106,151**	**2,390,105**	**(3,776)**	**2,386,329**
Total comprehensive income for the period	**-**	**-**	**(1,644)**	**(3,236)**	-	**-**	**7,672**	**104,680**	**107,472**	**(228)**	**107,244**
Net profit / (loss) for the period	-	-	-	-	-	-	-	104,307	104,307	(323)	103,984
Other comprehensive income	-	-	(1,644)	(3,236)	-	-	7,672	373	3,165	95	3,260
31.03.2022	**287,614**	**470,846**	**157,119**	**(23,567)**	**425,021**	**(1,582)**	**(28,705)**	**1,210,831**	**2,497,577**	**(4,004)**	**2,493,573**
01.01.2021	**287,614**	**470,846**	**(9,393)**	**(3,659)**	**425,021**	**(495)**	**(31,737)**	**982,418**	**2,120,615**	**(2,077)**	**2,118,538**
Total comprehensive income for the period	**-**	**-**	**(2,965)**	**1,403**	-	-	**4,411**	**184,434**	**187,283**	**(578)**	**186,705**
Net profit / (loss) for the period	-	-	-	-	-	-	-	184,429	184,429	(730)	183,699
Other comprehensive income	-	-	(2,965)	1,403	-	-	4,411	5	2,854	152	3,006
31.03.2021	**287,614**	**470,846**	**(12,358)**	**(2,256)**	**425,021**	**(495)**	**(27,326)**	**1,166,852**	**2,307,898**	**(2,655)**	**2,305,243**

**Restated data. For detailed information on the restatement, see Note 2.2.1 to this report.*

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

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

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

These interim consolidated financial statements were prepared in compliance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" as approved by the European Union and the Regulation of the Minister of Finance dated 29 March 2018 on current and periodical information submitted by issuers of securities and on conditions for deeming equivalent information required by the law of a Non-Member State (Journal of Laws 2018.757 of 29 March 2018). These financial statements present the financial position of the CIECH Group as at 31 March 2022 and as at 31 December 2021, results of the Company's operations and cash flows for the period of 3 months ended 31 March 2022 and 31 March 2021, and were approved by the Management Board of CIECH S.A. on 18 May 2022.

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

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

The Management Board of CIECH S.A. represents that to the best of its knowledge these interim condensed consolidated financial statements, including corresponding figures, have been prepared in accordance with the generally acceptable accounting principles and that they represent a true, accurate and fair reflection of the CIECH Group's financial position and the results of operations. Furthermore, the Management Board of CIECH S.A. represents that the Directors' Report for the period of 3 months ended 31 March 2022 contains a true image of the Group's developments, achievements, and condition, including the description of major risks and threats.

Preparation of financial statements in accordance with International Financial Reporting Standards ("IFRS") requires the Management Board to make professional judgements, estimates and assumptions which affect the adopted principles and presented values of assets, equity and liabilities, income and expenses. The estimates and assumptions associated with them are based on historical accuracy and various other factors that are considered to be reasonable under the specific circumstances, and their results provide a basis for professional judgement about the value of assets and liabilities that are not directly apparent from other sources. Actual value may differ from the estimated value. The estimates and the underlying assumptions are reviewed on a continuous basis. Revisions of accounting estimates are recognised in the period in which the changes were made, only if it affects that period or the present and future in case they concern both the current and future periods. The Management Board's professional judgements which have a significant impact on the consolidated financial statements, and the estimates bearing a risk of significant changes in future years have been presented in Notes 2.6, 2.7, 2.8 and 2.13 hereof. Information on the impact of the Russian invasion of Ukraine on the operations of the CIECH Group is presented in Note 2.18 hereof. Information on the impact of the COVID-19 pandemic on the operations of the CIECH Group is presented in Note 2.19 hereof. During the current quarterly period there were no significant revisions to the estimates presented in previous reporting periods.

2.2. ADOPTED ACCOUNTING PRINCIPLES

The CIECH Group's accounting principles are described in the Consolidated Financial Statements of the CIECH Group for the year 2021, published on 29 March 2022. 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.

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2022 (in PLN '000)

The CIECH Group intends to adopt amendments to the IFRS that are published but not effective as at the date of publication of this report in accordance with their effective date. The estimated impact of amendments and impact of new IFRSs on the consolidated financial statements of the CIECH Group was presented in the Consolidated Financial Statements of the CIECH Group for the year 2021, published on 29 March 2022.

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

The following changes were made relative to the previously published comparatives as at 31 March 2021 and 31 December 2021:

a) change in accounting policy with respect to recognition of free CO_2 emission allowances

In 2021, the Group revised its Accounting policy in respect of recognition of emission allowances granted and the measurement principles for the disposal of rights.

Following the revision, the emission allowances granted are recognised in the balance sheet as assets when credited to the account at their fair value determined at that date. At the same time, the same amount is recognised in an accrued income account (as a subsidy for production costs, regulated in IAS 20 Government Grants and Disclosure of Government Assistance). The entity receiving the allowances accounts for them as intangible assets. When emissions covered by the allowances received occur, the corresponding value recognised in the deferred income account is deducted from the operating expenses related to the emission.

If there were no emissions for which the entity received the allowances, then the part of the deferred income relating to them remains in the balance until the allowances are disposed of. If the allowances are used to cover the emission in the following year (years), the relevant part of the deferred income reduces the operating costs of the emission in the year in which the allowances are used, and if such allowances are sold, the deferred income reduces the cost of the allowances sold. In the event of a purchase of additional allowances on the market, the allowances are measured at cost and presented as intangible assets.

The entity recognises a provision for the cost of covering CO_2 emissions into the atmosphere in the amount of the product of the quantity of CO_2 emitted (in tonnes, equivalent to one EUA) and the unit price of the emission allowances. The emission costs are covered by allowances held in a brokerage account at the balance sheet date in accordance with the detailed identification principle. If insufficient allowances are held, the missing portion of the provision is measured at the allowance price of the futures contracts open on the balance sheet date, in accordance with the detailed identification principle. If insufficient allowances have been contracted, the provision for the costs of covering emissions is measured at the current (as at the balance sheet date) market price of the EUA.

Until 2020, emission allowances granted were not subject to recognition on the balance sheet when granted and in subsequent periods. The entity receiving the allowances entered them in the off-balance sheet records.

The impact of the changes on the previously reported consolidated data for the period from 1 January to 31 March 2021 is presented below. Consolidated data as at 31 December 2021 following the policy change are presented in the Consolidated Financial Statements of the CIECH Group for 2021, published on 29 March 2022.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	After adjustment as at 31 March 2021	Change in valuation of emission allowances granted	Previously presented 31.03.2021
ASSETS			
Total non-current assets	**4,426,368**	**-**	**4,426,368**
Short-term intangible assets other than goodwill	152,969	152,969	-
Total current assets	**1,627,469**	**152,969**	**1,474,500**
Total assets	**6,053,837**	**152,969**	**5,900,868**
EQUITY AND LIABILITIES			
Total equity	**2,305,243**	**-**	**2,305,243**
Total non-current liabilities	**2,161,244**	**-**	**2,161,244**
Trade and other liabilities	1,258,797	152,969	1,105,828
Total current liabilities	**1,587,350**	**152,969**	**1,434,381**
Total liabilities	**3,748,594**	**152,969**	**3,595,625**
Total equity and liabilities	**6,053,837**	**152,969**	**5,900,868**

b) amendment to IAS 16 “Property, plant and equipment” – proceeds before intended use

Until 31 December 2021, the value of fixed assets under construction included revenues and costs related to the sale of test production of CIECH Salz Deutschland GmbH. Following the amendment to IAS 16 effective from 1 January 2022, proceeds and related expenses earned before a non-current asset is placed in service are recognised in profit or loss. The impact of the amendments on the previously reported consolidated data is presented below as at 31 December 2021.

	31.12.2021 (restated)	Impact of amendments to IAS 16	Previously presented 31.12.2021
ASSETS			
Property, plant and equipment	3,863,321	(15,339)	3,878,660
Deferred tax assets	74,984	4,737	70,247
Total non-current assets	**4,787,603**	**(10,602)**	**4,798,205**
Total current assets	**2,347,615**	**-**	**2,347,615**
Total assets	**7,135,218**	**(10,602)**	**7,145,820**
EQUITY AND LIABILITIES			
Currency translation reserve	(36,377)	(50)	(36,327)
Retained earnings	1,106,151	(10,552)	1,116,703
Equity attributable to shareholders of the parent	**2,390,105**	**(10,602)**	**2,400,707**
Non-controlling interest	(3,776)		(3,776)
Total equity	**2,386,329**	**(10,602)**	**2,396,931**
Total non-current liabilities	**2,542,124**	**-**	**2,542,124**
Total current liabilities	**2,206,765**	**-**	**2,206,765**
Total liabilities	**4,748,889**	**-**	**4,748,889**
Total equity and liabilities	**7,135,218**	**(10,602)**	**7,145,820**

2.3. FUNCTIONAL AND REPORTING CURRENCY

The Polish zloty (PLN) is the functional currency of the parent company, CIECH S.A., and the reporting currency of these consolidated financial statements. Unless stated otherwise, all financial data in these consolidated financial statements have been presented in thousands of Polish zlotys (PLN ’000).

The functional currencies for the significant foreign subsidiaries are as follows: SDC Group, Ciech Group Financing AB, Proplan Plant Protection Company S.L. and CIECH Salz Deutschland GmbH – EUR, CIECH Soda Romania S.A. – RON. For the purpose of conversion into PLN, the following foreign exchange rates determined on the basis of quotations announced by the National Bank of Poland (“NBP”) have been applied for consolidation purposes:

NBP exchange rate as at the end day of the reporting period	31.03.2022[1]	31.12.2021[2]
EUR	4.6525	4.5994
RON	0.9404	0.9293
Average NBP rate for the reporting period	**3 months ended 31.03.2022[3]**	**3 months ended 31.03.2021[4]**
EUR	4.6472	4.5721
RON	0.9393	0.9346

[1] NBP’s average foreign exchange rates table applicable as at 31 March 2022.

[2] NBP’s average foreign exchange rates table applicable as at 31 December 2021.

[3] According to the exchange rate constituting the arithmetic mean of average exchange rates quoted by NBP on the last day of each month of the period from 1 January 2022 to 31 March 2022.

[4] According to the exchange rate constituting the arithmetic mean of average exchange rates quoted by NBP on the last day of each month of the period from 1 January 2021 to 31 March 2021.

2.4. SEASONALITY AND CYCLICALITY OF ACTIVITY OF THE CIECH GROUP

Seasonality associated with periodic demand and supply fluctuations has little impact on the CIECH Group general sales trends. Products clearly influenced by seasonality are crop protection chemicals. Most crop protection chemicals are used in the first half of the year, during the period of intensive plant growth. However, sales of these products take place mainly in the 1st and 4th quarter of the preceding year. For other products, the Group's revenues and financial results are not influenced by any significant seasonal fluctuations over the year.

2.5. SEGMENT REPORTING

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

From the product perspective, the CIECH Group has been divided into the following operating segments:

Soda segment (comprising BU Soda, and BU Salt) – at the current stage of work on the reorganisation, performance figures for BU Soda and BU Salt are analysed jointly, and the performance of BU Soda and BU Salt are closely linked due to sharing the same raw material, i.e. brine, fed jointly to the production facilities of Soda and Salt, as well as a common power plant and combined heat and power plant providing heat and electricity, within CIECH Soda Polska S.A.For this reason, it is not possible to allocate direct costs in an unambiguous way (mainly: coal, electricity, CO_2, maintenance on shared infrastructure). As a result, business decisions are made jointly for both BUs - e.g. in the case of limitations in the availability of raw material or steam, the profitability analysis of all Soda and Salt products, rather than the fact of being part of a specific BU, determines the production of particular products. A shared source of raw material, a shared infrastructure and practically indivisible costs mean that, consequently, it is also not possible to allocate these values to the BU in question as regards liabilities and certain inventories. This all makes the analysis of cash flow generating units at the BU level potentially misleading. Decisions on the above matters are made at the level of the Management Board of CIECH S.A.

The most important products manufactured in this Segment are: light and dense soda ash, evaporated salt, sodium bicarbonate and calcium chloride. The products of this area are sold mainly by the parent company CIECH S.A. Production of the Segment goods is implemented in CIECH Soda Polska S.A., the Romanian company CIECH Soda Romania S.A. (until September 2019) and in the German company CIECH Soda Deutschland GmbH&Co. KG.These products are used in the glass, food, detergent and pharmaceutical industries. The Soda Segment (in the German company) also includes the business of producing and selling electricity.

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

Resins Segment (comparative data) – the CIECH Group was a producer of a variety of organic compounds manufactured by CIECH Żywice Sp. z o.o. In the first quarter of 2021, it was producing, among others, epoxy resins and polyester resins. These products are used in the following industries: automotive, paints and electronics. On 1 March 2021, CIECH Żywice Sp. z o.o. was sold to LERG S.A., and its figures are reported as discontinued operations.

Foams Segment – the CIECH Group is a producer of polyurethane foams manufactured by CIECH Pianki Sp. z o.o. These products are mainly used in the furniture industry – for upholstered furniture and mattresses.

Silicates Segment – includes mainly the products of CIECH Vitrosilicon S.A. and CIECH Soda Romania S.A. Products manufactured by Ciech Soda Romania S.A. are sold by CIECH S.A. The Segment manufactures sodium silicates (CIECH Vitrosilicon S.A. and CIECH Soda Romania S.A.) and potassium silicates (CIECH Vitrosilicon S.A.). These products are used in the automotive, cosmetics and construction chemicals industries.

Packaging Segment – covers products of CIECH Vitro S.A. This Segment manufactures glass packaging – lanterns and jars, used in the food industry and for the production of headstone lamps.

Other activities covers mainly services rendered outside the Group and goods sold mainly by CIECH S.A., and within the Group, Ciech Serwis i Remonty S.A. provides maintenance services, as well as services are provided by Ciech R&D Sp. z o.o. and CIECH Services Sp. z o.o. that provides support services in various areas.

As of 1 January 2022 (along with restatement of comparative data broken down by operating segments, as presented below), other activities include the operations of CIECH Cargo Sp. z o.o. which renders rail transport services, mainly to companies within the CIECH Group.

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The Group financing is managed (including finance expenses and income with the exception of interest and exchange differences on trade receivables and liabilities) and income tax is calculated on the Group level and they are not allocated to particular Segments.

The CIECH Group has been divided into the following geographical areas: Poland, European Union, Other European countries, Africa, Asia, Other regions. Information on the Group geographical areas is established based on the Group's assets location.

Revenues and costs, assets and liabilities of Segments are recognised and measured in a manner consistent with the method used in the consolidated financial statements.

Operational Segments results are assessed by the CIECH S.A's Management Board on the basis of sales revenue, operating profit, level of EBITDA and adjusted EBITDA. No need to separate additional Segments under IFRS 8 regulations has been identified.
EBITDA should be viewed as a supplement not as a substitute for the business performance presented in accordance with IFRS.
EBITDA is a useful ratio of the ability to incur and service debt. EBITDA and adjusted EBITDA levels are not defined by the IFRS and can be calculated in a different manner by other entities. The reconciliation and definitions applied by the CIECH Group when determining these measures are presented below.

	01.01.-31.03.2022	01.01.-31.03.2021
Net profit/(loss) on continuing operations	**103,984**	**113,886**
Income tax	12,427	24,388
Share of profit / (loss) of equity-accounted investees	(139)	115
Financial expenses	30,973	27,812
Financial income	(15,877)	(28,953)
Amortisation/depreciation	97,804	83,818
EBITDA on continued operations	**229,172**	**221,066**
EBITDA on discontinued operations	-	10,466
EBITDA on continued and discontinued operations	**229,172**	**231,532**

	01.01.-31.03.2022	01.01.-31.03.2021
EBITDA on continued operations	**229,172**	**221,066**
One-offs including:	220	827
Impairment (a)	(2)	-
Cash items (b)	(307)	(251)
Non-cash items (without impairment) (c)	529	1,078
Adjusted EBITDA on continued operations	**229,392**	**221,893**
Adjusted EBITDA on discontinued operations	-	10,489
Adjusted EBITDA on continued and discontinued operations	**229,392**	**232,382**

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

DISCONTINUED OPERATIONS	01.01.-31.03.2022	01.01.-31.03.2021
Operating profit/(loss)	-	10,466
Amortisation and depreciation	-	-
One-offs	-	(23)
EBITDA from discontinued operations	-	10,466
Adjusted EBITDA on discontinued operations	-	**10,489**

The catalogue of items for adjusting adjusted EBITDA for the purposes of these financial statements is as follows:

(a) Impairment losses are associated with the recognition/reversal of impairment write-downs on property, plant and equipment and intangible assets.

(b) Cash items:

- *gain/loss on sale of property, plant and equipment,*
- *fees and compensations received,*
- *donations given,*
- *fortuitous events.*

(c) Non-cash items:

- *fair value measurement of investment properties,*
- *costs of liquidation of property, plant and equipment,*
- *costs of suspended investments,*
- *restructuring costs,*
- *environmental provisions, provisions for liabilities and compensation and other items (including extraordinary costs and other provisions).*

Adjusted EBITDA may be adjusted for other untypical non-recurring events not listed above.

Additional information on adjustments has been presented under tables presenting the consolidated statement of profit or loss by operating segments.

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2022 (in PLN '000)

OPERATING SEGMENTS OF THE CIECH GROUP

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

OPERATING SEGMENTS 01.01.-31.03.2022	Soda Segment	Agro Segment	Foams Segment	Silicates Segment	Packaging Segment	Other operations Segment	Corporate functions - reconciliation item	Eliminations (consolidation adjustments)	TOTAL
Revenues from third parties	790,464	245,118	97,764	87,138	18,308	3,772	-	-	1,242,564
Revenue from inter-segment transactions	27,168	94	341	177	302	29,463	-	(57,545)	-
Total sales revenues	**817,632**	**245,212**	**98,105**	**87,315**	**18,610**	**33,235**	**-**	**(57,545)**	**1,242,564**
Cost of sales	(668,842)	(144,391)	(79,044)	(72,994)	(18,908)	(35,188)	-	45,136	(974,231)
Gross profit /(loss) on sales	**148,790**	**100,821**	**19,061**	**14,321**	**(298)**	**(1,953)**	**-**	**(12,409)**	**268,333**
Selling costs	(53,923)	(13,199)	(3,216)	(8,123)	(1,795)	(106)	-	11,881	(68,481)
General and administrative expenses	(31,368)	(8,250)	(1,287)	(1,540)	(1,141)	(2,691)	(19,091)	1,881	(63,487)
Result on management of receivables	(58)	98	20	1	18	(613)	(67)	26	(575)
Result on other operating activities	(6,022)	296	680	(1,721)	73	3,747	(313)	(1,162)	(4,422)
Operating profit /(loss)	**57,419**	**79,766**	**15,258**	**2,938**	**(3,143)**	**(1,616)**	**(19,471)**	**217**	**131,368**
Exchange differences and interest on trade settlements	(804)	(8,382)	8,665	160	(12)	(131)	6	-	(498)
Group borrowing costs	-	-	-	-	-	-	(11,637)	-	(11,637)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	-	(2,961)	-	(2,961)
Share of profit / (loss) of equity-accounted investees	139	-	-	-	-	-	-	-	139
Profit /(loss) before tax	**56,754**	**71,384**	**23,923**	**3,098**	**(3,155)**	**(1,747)**	**(34,063)**	**217**	**116,411**
Income tax	-	-	-	-	-	-	-	-	(12,427)
Net profit /(loss) on continuing operations	-	-	-	-	-	-	-	-	103,984
Net profit /(loss) for the period	**-**	**-**	**-**				**-**	**-**	**103,984**
Amortization/depreciation	69,928	10,583	1,137	4,008	632	7,153	4,363	-	97,804
EBITDA from continued operations	127,347	90,349	16,395	6,946	(2,511)	5,537	(15,108)	218	229,172
Adjusted EBITDA from continued operations*	127,632	90,760	15,646	8,566	(2,511)	4,143	(14,757)	(87)	229,392

** Adjusted EBITDA from continuing operations for the 3-month period ended 31 March 2022 is calculated as EBITDA adjusted for untypical one-off events: provisions: PLN -0.4 million; other: PLN 0.2 million.*

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OPERATING SEGMENTS 01.01.-31.03.2021	Soda Segment	Agro Segment	Foams Segment	Silicates Segment	Packaging Segment	Other operations Segment	Corporate functions - reconciliation item	Eliminations (consolidation adjustments)	TOTAL*
Revenues from third parties	504,718	168,829	102,577	57,060	13,718	14,170	-	-	861,072
Revenue from inter-segment transactions	18,767	10	49	27	2	26,965	-	(45,820)	-
Total sales revenues	**523,485**	**168,839**	**102,626**	**57,087**	**13,720**	**41,135**	**-**	**(45,820)**	**861,072**
Cost of sales	(412,902)	(124,667)	(81,065)	(44,476)	(8,630)	(38,035)	-	34,660	(675,115)
Gross profit /(loss) on sales	**110,583**	**44,172**	**21,561**	**12,611**	**5,090**	**3,100**	**-**	**(11,160)**	**185,957**
Selling costs	(38,445)	(8,790)	(2,741)	(6,845)	(1,660)	(730)	-	10,281	(48,930)
General and administrative expenses	(17,889)	(7,833)	(921)	(1,088)	(562)	(3,973)	(19,532)	1,183	(50,615)
Result on management of receivables	(473)	418	(4)	(4)	(4)	570	13	-	516
Result on other operating activities	49,874	1,177	4	(31)	898	356	(699)	(1,259)	50,320
Operating profit /(loss)	**103,650**	**29,144**	**17,899**	**4,643**	**3,762**	**(677)**	**(20,218)**	**(955)**	**137,248**
Exchange differences and interest on trade settlements	1,030	(246)	66	402	70	336	-	(1)	1,657
Group borrowing costs	-	-	-	-	-	-	(5,014)	-	(5,014)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	-	4,498	-	4,498
Share of profit / (loss) of equity-accounted investees	(115)	-	-	-	-	-	-	-	(115)
Profit /(loss) before tax	**104,565**	**28,898**	**17,965**	**5,045**	**3,832**	**(341)**	**(20,734)**	**(956)**	**138,274**
Income tax	-	-	-	-	-	-	-	-	(24,388)
Net profit /(loss) on continuing operations	-	-	-	-	-	-	-	-	113,886
Net profit /(loss) on discontinued operations	-	-	-	-	-	-	-	-	69,813
Net profit /(loss) for the period	**-**	**-**	**-**				**-**	**-**	**183,699**
Amortization/depreciation	63,174	7,626	996	2,223	1,300	4,958	3,541	-	83,818
EBITDA from continuing operations	166,824	36,770	18,895	6,866	5,062	4,281	(16,678)	(953)	221,066
Adjusted EBITDA from continuing operations**	167,859	37,143	18,895	6,964	4,256	4,304	(16,595)	(933)	221,893

**Restated data. For information on the restatement of comparative data by segment, see Note 2.5 above.*

** Adjusted EBITDA from continuing operations for the 3-month period ended 31 March 2021 is calculated as EBITDA adjusted for untypical one-off events: provisions: PLN -1.1 million; other: PLN 0.3 million.*

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2022 (in PLN '000)

ASSETS AND LIABILITIES BY OPERATING SEGMENTS

	ASSETS		LIABILITIES	
	31.03.2022	31.12.2021*	31.03.2022	31.12.2021
Soda Segment	4,689,492	4,521,127	476,831	381,282
Agro Segment	835,477	783,143	90,024	138,122
Foams Segment	81,822	62,300	78,078	69,371
Silicates Segment	179,673	171,139	25,702	49,100
Packaging Segment	45,958	43,353	10,293	6,819
Other operations Segment	149,112	47,179	25,485	12,164
Corporate functions - reconciliation item	1,449,621	1,555,318	4,227,170	4,135,863
Eliminations (consolidation adjustments)	(40,297)	(48,341)	(36,298)	(43,832)
TOTAL	**7,390,858**	**7,135,218**	**4,897,285**	**4,748,889**

**Restated data. For detailed information, see Note 2.2.1 to this report. Short-term intangible assets have been allocated to individual segments accordingly. They were presented as unallocated items in the Consolidated Financial Statements for 2021.*

The value of investments in equity-accounted entities occurs only for the assets of the soda segment and amounts to PLN 5,857 thousand as at 31 March 2022 (PLN 5,655 thousand as at 31 December 2021).

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

	31.03.2022	31.03.2021
Soda Segment	34,521	218,852
Agro Segment	4,310	5,468
Foams Segment	1,937	22
Silicates Segment	22,232	6,204
Packaging Segment	2,997	493
Other operations Segment	6,791	1,359
Corporate functions - reconciliation item	4,427	3,229
TOTAL	**77,215**	**235,627**

INFORMATION ON GEOGRAPHICAL AREAS

ASSETS DIVIDED ON GEOGRAPHICAL REGIONS	Non-current assets other than financial instruments	Deferred income tax assets	Other assets	Total assets
31.03.2022				
Poland	2,486,535	66,027	1,941,635	4,494,197
European Union (excluding Poland)	2,229,495	14,499	621,752	2,865,746
Other European countries	-	-	12,669	12,669
Africa	-	-	1,926	1,926
Asia	-	-	7,348	7,348
Other regions	-	-	8,972	8,972
TOTAL	**4,716,030**	**80,526**	**2,594,302**	**7,390,858**
31.12.2021*				
Poland	2,489,645	64,707	2,019,215	4,573,567
European Union (excluding Poland)	2,228,054	5,540	307,414	2,541,008
Other European countries	-	-	2,432	2,432
Africa	-	-	2,313	2,313
Asia	-	-	7,022	7,022
Other regions	-	-	8,876	8,876
TOTAL	**4,717,699**	**70,247**	**2,347,272**	**7,135,218**

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

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2022 (in PLN '000)

SALES REVENUES – GEOGRAPHICAL STRUCTURE OF MARKETS

	01.01.-31.03.2022	01.01.-31.03.2021	Change 2022/2021
Poland	**638,269**	**470,865**	**12.9%**
European Union (excluding Poland)	**557,262**	**364,346**	**(10.8%)**
Germany	307,650	168,499	3.1%
Romania	11,032	13,754	(19.8%)
Czech Republic	59,843	42,653	40.3%
Italy	11,603	7,076	64.0%
The Netherlands	39,096	32,854	19.0%
Finland	18,970	17,582	7.9%
Sweden	5,705	8,479	(32.7%)
Belgium	7,857	5,112	53.7%
Denmark	14,856	10,557	40.7%
Spain	38,444	26,558	44.8%
Austria	7,456	10,541	(29.3%)
France	1,503	4,168	(63.9%)
Luxembourg	11,497	-	#DZIEL/0!
Lithuania	3,813	4,014	(5.0%)
Other EU countries	17,937	12,499	43.5%
Other European Countries	**21,491**	**16,700**	**28.7%**
Switzerland	378	715	(47.1%)
Norway	16,898	10,987	53.8%
United Kingdom	1,732	1,380	25.5%
Russia*	1,177	435	170.6%
Other European countries	1,306	3,183	(59.0%)
Africa	**8,646**	**4,058**	**113.1%**
Asia	**9,300**	**7,608**	**22.2%**
China	762	687	10.9%
Singapore	535	399	34.1%
Turkey	5,391	2,765	95.0%
Other Asian countries	2,612	3,757	(30.5%)
Other regions	**6,654**	**10,025**	**(33.6%)**
Cash flow hedge adjustment	942	(12,530)	-
TOTAL	**1,242,564**	**861,072**	**44.3%**

** Sales carried out until 24 February 2022, after 24 February 2022, contracts were suspended.*

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

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2022 (in PLN '000)

2.6. PROVISIONS AND IMPAIRMENT LOSSES ON ASSETS

During the first quarter of 2022, the following changes in provisions and impairment losses 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.-31.03.2022					
Long-term	**15,273**	154	(55)	101	**15,473**
Short-term	**2,643**	1 105	(98)	18	**3,668**
01.01.-31.03.2021					
Long-term	**12,958**	183	(115)	71	**13,097**
Short-term	**3,100**	-	(586)	(372)	**2,142**

CHANGE IN OTHER LONG-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-31.03.2022					
Provision for liabilities and expected losses	42,406	530	-	-	42,936
Provision for environmental protection	226,972	-	-	2,562	229,534
Provision for expected losses	1,271	92	-	-	1,363
TOTAL	**270,649**	**622**	**-**	**2,562**	**273,833**
01.01.-31.03.2021					
Provision for liabilities and expected losses	40,776	497	-	1,064	42,337
Provision for environmental protection	112,485	-	-	1,015	113,500
TOTAL	**153,261**	**497**	**-**	**2,079**	**155,837**

CHANGE IN OTHER SHORT-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-31.03.2022					
Provision for liabilities and expected losses	82,003	1,791	(941)	339	83,192
Provision for environmental protection	1,663	-	(692)	(2)	969
Provision for bonuses	34	-	-	-	34
Provision for restructuring	111	-	-	-	111
TOTAL	**83,811**	**1,791**	**(1,633)**	**337**	**84,306**
01.01.-31.03.2021	-	-	-	-	-
Provision for liabilities and expected losses	94,199	1,750	(2,480)	(820)	92,649
Provision for environmental protection	889	-	(434)	-	455
Provision for bonuses	38	359	-	-	397
Provision for restructuring	111	-	-	-	111
TOTAL	**95,237**	**2,109**	**(2,914)**	**(820)**	**93,612**

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CHANGE IN IMPAIRMENT ALLOWANCES	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-31.03.2022					
Property, plant and equipment	77,359	-	-	921	78,280
Intangible assets, including:	488,945	26	(28)	4,840	493,783
Goodwill	*437,598*	-	-	*4,903*	*442,501*
Long-term receivables	198	-	-	2	200
Long-term financial assets	2,420	-	-	-	2,420
Inventories	34,932	4,004	(1,813)	87	37,210
Short-term financial assets	28,354	-	-	(1)	28,353
Trade and other receivables	69,278	955	(392)	1,103	70,944
Cash and cash equivalents	450	44	(277)	1	218
TOTAL	**701,936**	**5,029**	**(2,510)**	**6,953**	**711,408**
01.01.-31.03.2021					
Property, plant and equipment	79,007	-	-	(137)	78,870
Intangible assets, including:	491,361	-	-	3,757	495,118
Goodwill	*440,231*	-	-	*3,318*	*443,549*
Long-term receivables	1,015	-	-	10	1,025
Long-term financial assets	2,415	-	-	-	2,415
Inventories	38,303	796	(1,957)	(11)	37,131
Short-term financial assets	28,343	264	-	-	28,607
Trade and other receivables	66,632	874	(1,467)	1,409	67,448
Cash and cash equivalents	316	82	(43)	-	355
TOTAL	**707,392**	**2,016**	**(3,467)**	**5,029**	**710,969**

Detailed information on significant impairment losses at CIECH Soda Romania S.A.

In connection with the suspension in 2019 of production by a subsidiary, CIECH Soda Romania S.A., resulting from the discontinuation of supplies of process steam by its supplier, S.C. CET Govora S.A., the CIECH Group evaluated the evidence of impairment of assets, based on possible scenarios of actions. Following the analysis, the Group recognised an impairment loss on property, plant and equipment in the total amount of PLN 73,486 thousand as at 31 December 2019. The status of the Romanian plant has not changed compared to the status at the end of 2019. In 2022, the Group continues to identify the reasons for the decision to recognise an impairment loss in previous years.

At the same time, the Group still continues analyses of the possibility of obtaining a new source of steam at a reasonable cost and long-term cooperation in the supply of other raw materials necessary for production (guaranteeing cost predictability in subsequent years). The result of these analyses may affect the amount of impairment losses recognised in the consolidated financial statements of the CIECH Group for subsequent reporting periods.

For details on the impairment loss recognised in previous periods, see Note 3.4.1 to the Consolidated Financial Statements of the CIECH Group for 2021, published on 29 March 2022.

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.-31.03.2022	01.01.-31.03.2021
Current income tax	(22,044)	(19,016)
Deferred tax	9,617	(5,372)
INCOME TAX RECOGNISED IN STATEMENT OF PROFIT OR LOSS	**(12,427)**	**(24,388)**

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2022 (in PLN '000)

Deferred income tax is attributable to the following items:

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITY	31.03.2022			31.12.2021*		
	Total asset	Total liability	Net value	Total asset	Total liability	Net value
Property, plant and equipment	3,431	167,643	(164,212)	3,129	172,484	(169,355)
Intangible assets	1,817	20,615	(18,798)	2,237	20,945	(18,708)
Rights to use an asset	-	4,670	(4,670)	-	4,619	(4,619)
Investment property	1,783	1,106	677	1,507	1,106	401
Long term receivables	796	3,271	(2,475)	796	3,551	(2,755)
Financial assets	765	9,507	(8,742)	768	7,401	(6,633)
Inventory	2,274	186	2,088	1,840	331	1,509
Trade and other receivables	3,500	2,042	1,458	3,480	2	3,478
Provisions for employee benefits	4,041	-	4,041	3,618	-	3,618
Other provisions	70,460	2	70,458	68,407	-	68,407
Tax losses carried forward	85,582	-	85,582	83,194	-	83,194
Foreign exchange differences	742	1,800	(1,058)	400	1,665	(1,265)
Liabilities	57,175	3,213	53,962	48,171	2,812	45,359
Special economic zone	94,857	-	94,857	101,341	-	101,341
Other	2,136	3,764	(1,628)	(978)	8,276	(9,254)
Deferred tax assets/liability	**329,359**	**217,819**	**111,540**	**317,910**	**223,192**	**94,718**
Set - off of deferred tax assets/ liability	(179,555)	(179,555)	-	(174,068)	(174,068)	-
Unrecognized deferred tax assets	(69,278)	-	(69,278)	(68,858)	-	(68,858)
Deferred tax assets/liability recognised in the statement of financial position	**80,526**	**38,264**	**42,262**	**74,984**	**49,124**	**25,860**

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

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

2.8. INFORMATION ON FAIR VALUE OF FINANCIAL INSTRUMENTS

The following list presents the fair value of financial instruments.

	31.03.2022		31.12.2021		
Classes of financial instruments	Carrying amount	Fair value	Carrying amount	Fair value	Categories of financial instruments
Cash and cash equivalents	722,979	722,979	799,023	799,023	Financial assets at amortised cost
Loans granted	12	12	133	133	Financial assets at amortised cost
Trade receivables	385,222	385,222	209,231	209,231	Financial assets at amortised cost
Hedging derivatives with positive value	121,900	121,900	101,672	101,672	Financial assets valued at fair value thru other comprehensive income
Derivatives with positive value	5,737	5,737	1,210	1,210	Financial assets valued at fair value thru profit or loss account

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	31.03.2022		31.12.2021		
Classes of financial instruments	Carrying amount	Fair value	Carrying amount	Fair value	Categories of financial instruments
Factoring receivables	63,579	63,579	33,660	33,660	Financial assets at amortised cost
ASSETS	**1,299,429**	**1,299,429**	**1,144,929**	**1,144,929**	
Trade liabilities	(1,880,738)	(1,891,664)	(1,859,441)	(1,870,822)	Financial liabilities at amortised cost
Loans and borrowings	(670,137)	(670,137)	(614,596)	(614,596)	Financial liabilities at amortised cost
Hedging derivatives with negative value	(116,426)	(116,426)	(138,485)	(138,485)	Financial liabilities valued at fair value thru other comprehensive income
Derivatives with negative value	(13,645)	(13,645)	(13,215)	(13,215)	Financial liabilities valued at fair value thru profit or loss account
Factoring liabilities	(26,637)	(26,637)	(23,078)	(23,078)	Financial liabilities at amortised cost
LIABILITIES	**(2,707,583)**	**(2,718,509)**	**(2,648,815)**	**(2,660,196)**	

The fair value of financial assets and liabilities corresponds with the amounts for which these instruments may be exchanged in a market transaction between well informed parties. The following assumptions were made in establishing the fair value:

- cash, trade receivables and liabilities are not measured at fair value – it is assumed that the carrying amount is the closest to fair value due to the short maturities of these instruments,
- fair value of financial assets and liabilities recognised in the statement of financial position at amortised cost for which no active market exists was established as the present value of future cash flows discounted at market interest rate.

Measurement at fair value is grouped according to three-level hierarchy:

- Level 1 – fair value based on market listing stock exchange prices (unadjusted) offered for identical assets or liabilities on active markets.
- Level 2 – the CIECH Group values derivatives at fair value by using measurement models for financial instruments and applying generally available interest rates, currency exchange rates and adjusting for estimated own credit risk.
- Level 3 – fair value estimated on the basis of various evaluation techniques which are not based on observable market inputs.

Assets and liabilities measured at fair value

	31.03.2022			31.12.2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets	**-**	**127,637**	**34,688**	**-**	**102,882**	**32,839**
Investment property	-	-	34,688	-	-	32,839
Hedging instruments	-	121,900	-	-	101,672	-
Derivatives with positive value	-	5,737	-	-	1,210	-
Liabilities	**-**	**(130,071)**	**-**	-	**(151,700)**	**-**
Hedging instruments	-	(116,426)	-	-	(138,485)	-
Derivatives with negative value	-	(13,645)	-	-	(13,215)	-
TOTAL	**-**	**(2,434)**	**34,688**	-	**(48,818)**	**32,839**

As at 31 March 2022, the CIECH Group held the following types of financial instruments measured at fair value:

- concluded by the parent company, CIECH S.A.: interest rate swap contracts, currency and interest rate swaps EUR/PLN — Level 2, according to the fair value hierarchy,
- currency forwards concluded by CIECH S.A. — Level 2, according to the fair value hierarchy,
- gas purchase swaps concluded by CIECH Energy Deutschland GmbH to hedge the risk of rising gas prices – Level 2, according to the fair value hierarchy,

In the first quarter of 2022, 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.

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2022 (in PLN '000)

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 Note 8.4 to the Consolidated Financial Statements of the CIECH Group for 2021, published on 29 March 2022.

In the consolidated financial statements, all financial instruments concluded and described above (except for one currency forward, EUR/PLN, and one of the CIRS contracts as well as futures transactions for the purchase of emission allowances which are not valued due to the application of the "own use exemption" principle) were designated for hedge accounting, and details of the designation were presented in Note 8.2 to the Consolidated Financial Statements of the CIECH Group for 2021, published on 29 March 2022.

In the separate financial statements, interest rate swaps were designated for hedge accounting, and details of the designation were presented in Note 8.2 to the CIECH S.A.'s Financial Statements for 2021, published on 29 March 2022.

Fair value of derivative instruments

	Long-term financial assets	Short-term financial assets	Other long-term liabilities	Trade and other liabilities	TOTAL
31.03.2022					
IRS EUR	2,625	1	-	(42)	**2,584**
IRS PLN	-	19,326	-	-	**19,326**
CIRS	-	96,284	(58,754)	(69,680)	**(32,150)**
Forward EUR/PLN	-	5,907	-	(1,595)	**4,312**
SWAP gas	-	3,494	-	-	**3,494**
TOTAL	**2,625**	**125,012**	**(58,754)**	**(71,317)**	**(2,434)**
31.12.2021					
IRS EUR	662	-	-	(136)	**526**
IRS PLN	-	13,437	-	-	**13,437**
CIRS	-	85,607	(91,857)	(59,707)	**(65,957)**
Forward EUR/PLN	-	3,176	-	-	**3,176**
TOTAL	**662**	**102,220**	**(91,857)**	**(59,843)**	**(48,818)**

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 2022, the CIECH Group carried out the following transactions increasing and decreasing the gross value of property, plant and equipment:

01.01.-31.03.2021	Land	Buildings, premises, civil and marine engineering structures	Machinery and equipment	Vehicles	Other fixed assets	Property, plant and equipment under construction	**TOTAL**
Restated gross value of property, plant and equipment at 31.12.2021*	**90,153**	**1,412,756**	**3,962,341**	**96,890**	**67,740**	**1,185,060**	**6,814,940**
Purchase	-	-	-	3,272	-	66,960	70,232
Reclassifications	-	8,492	58,979	29	759	(71,404)	(3,145)
Capitalised borrowing costs	-	-	-	-	-	5,361	5,361
Foreign exchange differences	1,031	4,390	16,671	253	185	11,295	33,825
Sale	-	(78)	(6,194)	(609)	(7)	-	(6,888)
Liquidation	-	(594)	(674)	-	(171)	-	(1,439)
Other	-	(25)	(88)	(10)	(185)	-	(308)
Gross value of property, plant and equipment at the end of the period	**91,184**	**1,424,941**	**4,031,035**	**99,825**	**68,321**	**1,197,272**	**6,912,578**

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

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Purchases of property, plant and equipment were made with own financial resources and credit facilities. As at 31 March 2022, commitments to purchase property, plant and equipment amounted to PLN 232,601 thousand (PLN 171,655 thousand as at 31 December 2021). The increase in the value of property, plant and equipment is related to investment projects carried out in the CIECH Group, mainly in the production companies of the Group.

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

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

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 2021, published on 29 March 2022.

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, and with the Polenergia Group companies - linked via a personal relationship with the ultimate parent company of CIECH S.A.) is presented below:

TRANSACTIONS BETWEEN CONSOLIDATED ENTITIES AND OTHER RELATED PARTIES	01.01.-31.03.2022	01.01.-31.03.2021
Revenues from sales of products and services, including:	191	1,180
associates	-	*604*
Revenues from sales of goods and materials	11,094	12,712
associates	*7,233*	*6,989*
Other operating income	-	4
associates	-	*4*
Purchase of products, goods and materials	25,536	12,652
Purchase of services, including:	10,968	9,047
KI One S.A.	*50*	*43*
associates	*4,675*	*6,330*
Financial expenses	403	-
	31.03.2022	**31.12.2021**
Trade receivables, including:	-	5,834
associates	-	*1,206*
Trade liabilities, including:	27,161	45,919
associates	*1,271*	*3,094*

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Terms of transactions with related entities

CIECH Group's companies, to the best of their knowledge and belief, did not conclude significant transactions on the terms other than market ones. Sales to and purchases from related entities are carried out on terms which do not differ from arm's length terms. Overdue liabilities and receivables are not secured and are settled through bank transfers. No material non-standard or non-routine transactions were concluded with related entities in the first quarter of 2022, except for transactions described in item 3.3 hereof.

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

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

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

2.13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES INCLUDING GUARANTEES AND SURETIES

	31.03.2022	31.12.2021
Contingent assets	**21,933**	**21,933**
Other contingent receivables*	21,933	21,933
Contingent liabilities	**423,459**	**427,034**
Guarantees and sureties granted	-	-
Tax liabilities (including interests)	90,202	89,299
Letters of support	217,272	214,792
Emission allowances**	49,489	48,905
Promissory notes***	42,747	42,859
Other****	23,749	31,179

** Including:*

- *Contingent asset in the amount of PLN 18,864 thousand related to the action against GZNF "FOSFORY" Sp. z o.o. for the payment of compensation for making an alleged untrue declaration by GZNF "FOSFORY" Sp. z o.o. to CIECH S.A. about the condition of Agrochem Człuchów Sp. z o.o. with its registered office in Człuchów.*
- *As at 31 March 2022, a contingent asset recognised by CIECH Soda Polska S.A. amounted to PLN 3,069 thousand – it is the value of energy efficiency certificates received from the President of the Energy Regulatory Office in previous years that have not been recorded yet in the account kept by the Polish Power Exchange.*

*** Relates to emission allowances received in CIECH Soda Romania S.A. related to the risk of their return due to the suspension of production at CIECH Soda Romania S.A.*

**** Including mainly:*

- *contingent liabilities in CIECH R&D Sp. z o.o. resulting from promissory notes relating to subsidies received for investment projects aimed at developing and optimising production processes in the amount of PLN 11,286 thousand,*
- *contingent liabilities in CIECH R&D Sp. z o.o. resulting from promissory notes relating to subsidies received for the purchase of rolling stock the amount of PLN 14,200 thousand,*
- *contingent liabilities in CIECH Sarzyna S.A. resulting from promissory notes relating to subsidies received for developing and testing a group of agrochemical preparations and for developing and verifying herbicide production technology in the total amount of PLN 7,423 thousand,*
- *contingent liabilities in Smart Fluid Sp. z o.o. resulting from promissory notes relating to subsidies received for research and development projects in the amount of PLN 4,904 thousand.*

***** Including mainly:*

- *contingent liability in CIECH Soda Polska S.A. regarding environmental penalty fees in the amount of PLN 17,176 thousand, regarding subsidies received in the amount of PLN 270 thousand, extension fees in the amount of PLN 1,696 thousand, other in the amount of PLN 1,107 thousand.*

As at 31 March 2022, contingent liabilities amounted to PLN 423,459 thousand and decreased as compared to 31 December 2021 by PLN 3,575 thousand. The change resulted mainly from the expiry of contingent liabilities at CIECH Soda Polska S.A.

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arising from subsidies received in the amount of PLN 10,930 thousand and the translation of contingent liabilities denominated in foreign currencies.
Other guarantees and sureties granted are described in Note 9.2 to the Consolidated Financial Statements of the CIECH Group for 2021, published on 29 March 2022.

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

On 28 April 2022, the Ordinary General Meeting resolved to distribute CIECH S.A.’s net profit for the financial year 2021, amounting to PLN 133,206 thousand, and to allocate the entire profit to CIECH S.A.’s supplementary capital.

On 22 June 2021, the Annual General Meeting of CIECH S.A. resolved to:
1. allocate the entire net profit of CIECH S.A. for 2020 in the amount of PLN 155,287 thousand to the payment of a dividend;
2. transfer PLN 2,812 thousand from profit capital reserves, which may be allocated to dividend payments, to dividend payments;
3. pay out a dividend of PLN 158,099 thousand, i.e. PLN 3 per share, from the net profit of CIECH S.A. for 2020, increased by the amount transferred from the capital reserves created from profits.

At the same time, the Annual General Meeting of CIECH S.A. set the dividend record date for 30 June 2021 and the dividend payment date for 8 July 2021.

2.15. DISCONTINUED OPERATIONS, NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE AND LIABILITIES RELATED THERETO

Discontinued operations

In the first quarter of 2022, there were no discontinued operations at the CIECH Group.

In the corresponding period, there was a discontinued operation concerning the sale of shares in CIECH Żywice Sp. z o.o, On 1 March 2021, CIECH S.A. entered into an agreement for the sale of 74,677 shares in CIECH Żywice Sp. z o.o. with LERG S.A. with its registered office in Pustków-Osiedle, accounting for 100% of shares in the share capital of CIECH Żywice Sp. z o.o. The value of the Agreement (equal to the enterprise value being sold) is PLN 157,410 thousand. The final price of the Shares being sold was determined in accordance with the rule arising from the Agreement and amounted to PLN 74,289 thousand. For details of the transaction, see current reports No 27/2020 and 4/2021.

Cash received from sale of shares	74,289
Cash received from repayment of debt (including loans repaid*)	83,121
TOTAL Value of the Agreement	**157,410**

**Loan previously disclosed as intercompany loan and eliminated at the level of the consolidated statements; following the sale, disclosed in the consolidated figures as a loan to a third party. The loan of PLN 27 million was repaid on 30 July 2021.*

The accounting principles applied in the preparation of the statement of profit or loss for discontinued operations are consistent with the Group's accounting policy. The results of discontinued operations include (for the period from 1 January to 31 March 2021):

- results of CIECH Żywice Sp. z o.o. for the period of being in a subsidiary of the Group – in connection with the planned sale of the company and the conclusion of the agreement for the sale of 74,677 shares in CIECH Żywice Sp. z o.o. to LERG S.A. – activities presented in the Resins Segment,
- elimination of results on transactions between consolidated entities of the CIECH Group and the entity reported under discontinued operations,
- results of the CIECH Group companies (including CIECH S.A.) generated from transactions with the entity reported under discontinued operations.

Below are the figures for the first quarter of 2021 of: CIECH Żywice Sp. z o.o. – held for sale; CIECH S.A. – – with respect to discontinued operations in the area of resins and the consolidated result on discontinued operations for the CIECH Group.

	01.01.-31.03.2021			
	CIECH Żywice Sp. z o.o.	CIECH S.A.	consolidation adjustments	CIECH Group
Net sales revenues	**69,910**	**30,804**	**(30,817)**	**69,897**
Cost of sales	(54,077)	(30,584)	28,020	(56,641)
Gross profit/(loss) on sales	**15,833**	**220**	**(2,797)**	**13,256**
Other operating income	385	-	-	385
Selling costs	(3,782)	(96)	2,667	(1,211)
General and administrative expenses	(1,672)	-	130	(1,542)
Other operating expenses	(422)	-	-	(422)
Operating profit/(loss)	**10,342**	**124**	**-**	**10,466**
Financial income	1,193	79,914	(547)	80,560
Financial expenses	(468)	(30,412)	11,191	(19,689)
Net financial income/(expenses)	**725**	**49,502**	**10,644**	**60,871**
Profit/(loss) before tax	**11,067**	**49,626**	**10,644**	**71,337**
Income tax	(1,524)	-	-	(1,524)
Net profit/(loss)	**9,543**	**49,626**	**10,644**	**69,813**

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

in thousand PLN	01.03.2021
ASSETS	
Property, plant and equipment	62,787
Right-of-use assets	894
Intangible assets	14,611
Investment properties	199
Deferred tax assets	1,508
Total non-current assets	**79,999**
Inventories	30,174
Trade and other receivables	54,392
Cash and cash equivalents	7,335
Total current assets	**91,901**
Total assets	**171,900**
LIABILITIES	
Lease liabilities	47
Provisions for employee benefits	457
Total non-current liabilities	**504**
Loans, borrowings and other debt instruments	57,373
Lease liabilities	72
Trade and other liabilities	91,356
Income tax liabilities	1,575
Provisions for employee benefits	1,620
Other provisions	30
Total current liabilities	**152,026**
Total liabilities	**152,530**
NET ASSETS	**19,370**

**Assets and liabilities of the company prior to the date of sale were reported under assets held for sale.*

Cash flows from discontinued operations for CIECH Żywice Sp. z o.o.:

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

The following table presents information about the consideration received for the sale of discontinued operations (in PLN '000):

Cash received from sale of shares	74,289
Cash over which control was lost	(7,335)
Consideration received (value reported in cash flows as "Disposal of a subsidiary")	**66,954**

Assets and liabilities classified as held for sale

As at 31 March 2022 and 31 December 2021, under the item "Non-current assets and groups held for sale", the CIECH Group presented property, plant and equipment of CIECH Vitrosilicon S.A. in the amount of PLN 368 thousand (land located in the town of Iłowa) redundant from the point of view of the enterprise; a potential buyer of the land is now being sought. These assets are included in the Silicates Segment.

2.16. INFORMATION ON IMPORTANT EVENTS IN THE CIECH GROUP DURING THE FIRST QUARTER OF 2022

Information on important events taking place in the CIECH Group during the first quarter of 2022 has been presented in Notes 3.3 and 3.4 hereof.

2.17. INFORMATION ON POST-BALANCE-SHEET EVENTS

On 28 April 2022, the Annual General Meeting of CIECH S.A. appointed the Supervisory Board of CIECH S.A. for a new term of office, composed of the following members:

- Mr Sebastian Kulczyk;
- Mr Marek Kośnik;
- Mr Łukasz Rędziniak;
- Ms Natalia Scherbakoff;
- Mr Martin Laudenbach;
- Mr Artur Olech.

On 29 April 2022, the Supervisory Board of CIECH S.A. elected Mr Sebastian Kulczyk as Chairman of the Supervisory Board of CIECH S.A. and Mr Marek Kośnik as Deputy Chairman of the Supervisory Board of CIECH S.A.

On 18 May 2022, prior to the signing of this quarterly report, the Supervisory Board of the Company, elected the Audit Committee of the Supervisory Board of the Company and the Remuneration Committee of the Supervisory Board of the Company. Information on the election of both Committees was published in a current report on 18 May 2022.

On 18 May 20022, prior to the signing of this quarterly report, the Supervisory Board of the Company adopted the CIECH Group Strategy for 2022 – 2024 (the "Strategy"). The Strategy was published in a current report on 18 May 2022.

2.18. INFORMATION ON THE CURRENT SITUATION IN CONNECTION WITH THE IMPACT OF THE RUSSIAN INVASION OF UKRAINE ON THE CIECH GROUP'S ACTIVITIES

From the perspective of the CIECH Group and its individual business segments, the Russian invasion of Ukraine has brought about unprecedented risks. These risks have a potentially high impact on ensuring the operational continuity of individual production plants due to potential disruption to the supply chain and availability of raw materials. The Group's Management Board has been monitoring the situation on an ongoing basis and analysing various scenarios for market reactions and administrative decisions.

A description of the potential impact of the invasion of Ukraine on operations of individual business segments of the CIECH Group is presented below

- **Soda Segment** – supplies of brine, power coal, limestone, anthracite and coke are critical for maintaining operational continuity of the soda plants located in Inowrocław and Janikowo. Coal is supplied to the production plants from Polish suppliers and the raw material comes from Polish mines. The CIECH Group purchases power coal based on annual contracts. There is a potential risk of problems with the availability of coal from Polish mines in a situation where domestic demand for coal is redirected, as a priority, towards securing raw materials for the production of electricity and heat for the public and for production facilities of strategic importance to national security. From a long-term perspective, it should be emphasised that the soda segment is an important component of the Polish energy and fuel ecosystem and is of strategic importance to the entire economy in terms of meeting the demand for soda from many industries. In addition, the segment is a key customer for brine from caverns that are used as reservoirs for the state's strategic oil and gas reserves. Providing both brine and maintaining the operational continuity of soda plants in Poland is critical to maintaining oil and gas storage capacity in Poland. In view of the above, it can be concluded that the soda segment is highly ranked in the hierarchy of coal supply security from Polish mines, and therefore the risk of disruption to supplies is assessed by the Management Board to be low. In the short term, on the other hand, it must be assumed that with the end of the heating season the demand for heat will decline, hence the Management Board believes that the risk in the coming quarters is estimated to be even lower. For the soda segment plants located in Stassfurt, the key power resource is gas, 40% of which is imported into the Federal Republic of Germany from Russia. In addition, around one third of the gas consumed by the plant in Stassfurt is sourced locally, which significantly reduces the risk of interruption to the gas supply. Like in Poland, the soda segment plays a very important role in the country's energy system. The caverns from which the brine is extracted are used as natural gas storage facilities. If Germany diversifies its sources of gas supply and switches from Russian pipelines to supplying the gas grid via gas ports, this could be significant, as the demand for the use of storage capacity should increase. The soda segment and the related glass industry, especially in the eastern German states, are very important both in economic and social terms, so the risk of gas supply to the Stassfurt plant being interrupted is assessed as low. As regards the supply of brine to Polish soda plants, hypothetically, a situation may arise where the Polish Government decides to release reserves of fuels stored in caverns, in which case the brine will be used by the state-owned operator of liquid fuel storage facilities to pump them out, thereby disrupting the supply of brine. In the Management Board's opinion, the risk of such a situation is not high; however, if it were to occur, it could (depending on the degree to which the strategic reserves are released) affect the stability and continuity of production. Furthermore, in addition to possible limitations in the availability of raw materials, the segment has already been affected by increases in the prices of the listed power resources, and the increase in fuel prices also translates into increased prices for transport services. The CIECH Group assumes that it will manage to pass on most of the increase in costs of power resources to customers through higher product prices. In terms of sales, the Soda Segment has not concluded any significant contracts with customers in the Ukrainian, Russian and Belarusian markets, hence the Group does not recognise any risk of decreased revenues in this area caused by the inability to supply these markets. In turn, some risks and difficulties can be observed with respect to the availability of transport services - due to the fact that before the conflict, a large proportion of truck drivers were from Ukraine, now, following the invasion of this country, they stayed in their homeland due to the general military mobilisation or left Poland. The resulting shortage of drivers on the market has reduced the availability of transport services. Taking the above into account, it should be noted that the soda segment was not adversely affected by the war in Ukraine in the first quarter of 2022. With an outlook for the coming quarters, the Group has made preparations and is already implementing the necessary measures to secure the supply of energy resources.

- **Agro Segment** – there were and are no companies from the markets affected by the ongoing war among the suppliers of raw materials and consumables for the production plant in Nowa Sarzyna, hence the situation does not have a significant impact on the supply of raw materials. Also the increase in the cost of power resources will not significantly affect the segment. However, the shortage of drivers in transport operators and difficulties in accessing these services are likely to be experienced. At present, the segment does not sell to the Belarusian, Ukrainian and Russian markets. Even before the outbreak of war, the sale of technical MCPA to a Russian customer was suspended – this decision, however, was dictated by reduced production at the plant in Nowa Sarzyna due to the shortage of raw material for its production. Also for this reason, the segment does not supply technical MCPA to customers in the Ukrainian and Belarusian markets. The segment was not adversely affected by the conflict in Ukraine in the first quarter of 2022.
- **Foams Segment** – sales to Russia, Ukraine and Belarus were marginal; however, the conflict will have an impact on furniture manufacturers in the domestic market. There is a risk of problems with the availability of furniture boards manufactured from wood originating in Belarus and Ukraine. Thus, there is a risk that the already evident phenomenon of declining furniture production, and consequently demand for foams manufactured by the Bydgoszcz plant, will continue.
  Given the increased prices of power resources, the segment expects an increase in the prices of raw materials required for the manufacture of foams. Like other segments, the plant in Bydgoszcz will also experience an increase in the cost of transport services due to rising fuel prices and a shortage of drivers on the market. The segment was not adversely affected by the conflict in Ukraine in the first quarter of 2022. However, over the course of the quarter, the Segment started experiencing heavy downward pressure on prices. Additionally there are concerns about a decline in demand for upholstered furniture which can translate into a decline in demand for foams in subsequent quarters of this year.
- **Silicates Segment and Packaging Segment** – as long as the Soda Segment continues to supply the soda necessary for the production of silicates and packaging, these segments do not anticipate any problems with continuity of production. The segments may experience a significant increase in the price of gas, while it should be noted that nitrogenous gas extracted in Poland is used locally as a power resource, so there is no risk of suspension of its supply (the use of this gas is strictly limited and in the event of a suspension of gas supplies from Russia, it cannot be fed into the pipelines of the country's main gas pipeline network). The Silicates and Packaging Segments have already been affected by the rising costs of transport services and the shortage of drivers, and thus the unavailability of transport services. Both segments made no sales and had no customers in eastern markets; instead, they experienced increased competition from that direction. At present, the competitive pressure from this direction is negligible and will most likely remain so until the conflict is over. Thus, both segments were not adversely affected by the war in Ukraine in the first quarter.

Another adverse development caused by the conflict in Ukraine is the increased risk of cyber-attacks. Accordingly, appropriate security updates were implemented and are ongoing, prevention measures and monitoring of unusual events, logs and operations have been enhanced. All these measures have been implemented as part of the IT security policy and information security policy. An intensive information campaign is also underway to build staff awareness of any unusual operations or incidents.

Another significant issue affecting the Group in connection with Russia's invasion of Ukraine, having an impact on all segments and the Group as a whole, is that prices in the financial markets, including commodity prices, exchange rates and interest rates, become highly volatile.

In the wake of the war between Russia and Ukraine, prices of assets perceived as more risky weakened considerably, which translated into the depreciation of PLN against, among others, EUR and USD. The Group has a significant exposure to the EUR/PLN exchange rate (total position of EUR 382.6 million) and a relatively low exposure to USD/PLN (total position of USD 1.6 million). In the short term, the weakening of the PLN against the EUR leads to an increase in negative valuations of derivatives contracted that are sensitive to the EUR/PLN exchange rate (forward and CCIRS transactions), foreign currency credit facilities in EUR and trade payables in EUR, which is offset by an increase in the valuation of loans granted in foreign currency, receivables and cash held in foreign currency and an increase in the expected value of future revenues in foreign currency. Taking into account the hedging relationships regarding future revenues in foreign currencies, the impact of changes in the EUR/PLN rate on the current profit/loss is limited (the position affecting the current profit/loss is EUR 16.4 million). The valuation of derivatives contracted does not involve any cash margin and an increase in the negative valuation of transactions does not have a negative impact on the Group's current liquidity.

The conflict has led to an increase in inflationary expectations globally and in the Polish market, associated in particular with an increase in the prices of oil derivatives, which may lead to an increase in the Group's operating expenses and also have implications in terms of further increases in market interest rates. Market interest rate risk in respect of the Group's term loans has been fully hedged with PLN IRS and CCIRS transactions entered into in May 2021 following the refinancing of the loan, therefore an increase in market interest rates would have a limited impact on the Group's cash flows.

The CIECH Group enters into derivative transactions to hedge commodity risks, including regarding the sale of electricity, the purchase of natural gas and CO_2 emission allowance units (EUAs). Due to significant changes in the prices of these raw materials, there were significant changes in valuations of hedging transactions concluded (increase in positive valuation of gas futures contracts, increase in negative valuation of energy futures contracts, decrease in positive valuation of EUA futures contracts). Excluding transactions for the purchase of CO2 emission allowance units, some of which are entered into on an exchange, day-to-day changes in the valuation of the derivatives contracted do not involve cash margin and have no impact on the Group's current liquidity.

The CIECH Group's liquidity situation is stable, and the CIECH Group companies have sufficient cash and available sources of financing to be able to meet their obligations on time, even if current cash flows deteriorate and access to new sources of financing becomes limited. As at 31 March 2022, the Group held cash of (PLN 723 million) and limits available under committed credit facilities of (PLN 397 million). The Group had access to funds made available under committed facility agreements (syndicated facility agreement with a total value of PLN 2,115 million) and additional sources of financing in the form of receivables factoring agreements, reverse factoring agreements and overdraft facilities. At present, the Group also does not identify any risk of default on repayment liabilities under the loan agreements or risk of loans being called in due to failure to meet the level of ratios tested under the loan agreements.

The entire debt on account of the syndicated facility agreement is of a long-term nature, and no principal payments are due until 30 June 2023.

As at the date of these statements, the Group's analyses did not reveal any indications of a materially higher risk of impairment of property, plant and equipment and intangible assets in use or investments in progress was found.

However, due to the uncertainty associated with the conflict and its further development and subsequent impact on the global economy, the measurement of individual balance sheet items, including: fixed assets and intangible assets, inventories, receivables, measurement of financial instruments, provisions and liabilities, will be closely monitored and it is not excluded that they may change in subsequent reporting periods.

It should be emphasised once again that the Group's Management Board monitors the situation related to the conflict on an ongoing basis and takes measures to ensure the continuity of the Group's and its individual companies' operations and to maintain the assumed margin levels.

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

During the first quarter of 2022, the CIECH Group operated in the midst of the ongoing fifth wave of the pandemic (caused by the omicron variant of the COVID-19 virus). Despite the high infectivity of the omicron variant, COVID-19 vaccination was fully available during the fifth wave of the pandemic and a large part of the population had already been vaccinated or was in the process of being vaccinated. During this period, lockdowns were no longer implemented and all sectors of the industry that were customers for CIECH Group products functioned without interruption. Due to the high number of daily cases of new infections, the Group itself continued to operate and apply the safety procedures implemented since the beginning of the pandemic to protect the health and lives of employees of the Group and third parties. In addition, ensuring the operational continuity of the CIECH Group's individual production plants remained a key issue.

In the period under review, the CIECH Group, despite the ongoing fifth wave of the pandemic, was not adversely affected by the pandemic. The economic situation in the European markets, which are the main recipients of CIECH Group products, was similar to the situation in the second half of 2021, when the economy fully recovered and the vast majority of customers of the CIECH Group and individual segments fully restored their production capacities and started to make up for the losses incurred due to the restrictions and lockdowns introduced in 2020 and the first half of 2021.

The unfavourable phenomena that the CIECH Group had to face were the continuing increase in the prices of raw materials and utilities and the shortage of raw materials in the markets. The situation was further aggravated by the outbreak of the conflict in Ukraine, the effects of which the Group began to experience from the end of February 2022 and are described in Section 2.18 of this report.

However, with regard to the direct impact of the ongoing pandemic on the CIECH Group's operations, no outbreaks of infection resulting in the suspension or necessity to restrict operations were reported at any location or Group company during the first quarter of 2022. Owing to the measures taken and procedures implemented, the Group's Management Board achieved its key objectives, which were to ensure the health and safety of employees, to ensure the continuity of operations at the Group's production plants and to avoid disruption to the supply chain.

Also from the point of view of achieving business objectives, the Group was not adversely affected by the COVID-19 pandemic and its consequences.

In the first quarter of 2022, the situation in the individual business segments of the CIECH Group was as follows:

- The **Soda Segment**, which is key to the CIECH Group did not record any negative events or incidents. Isolated cases of isolation and quarantine did not affect the operational continuity of the soda and salt production plants. On the demand side, the segment reported a record high demand for soda and delivered an all-time high performance, despite rising prices of raw materials and strong inflationary pressure on fixed costs. In addition, contracting with key customers was successfully completed during the quarter.
- During the past quarter, as well as during 2021, the **Silicates Segment** was not affected by the pandemic and operated in a smooth and uninterrupted manner. The segment continued to be adversely affected by the increase in gas prices, which resulted in higher production costs; however, this risk was largely mitigated by the hedging policy in place. A significant portion of the segment's volume is sold based on variable pricing formulas, which allows the segment to maintain consistent margins to a large extent. In addition, during the first quarter, in accordance with earlier plans, the plant in Żary launched a previously scheduled furnace overhaul which, however, did not affect the implementation of previously agreed sales and demand plans.
- The **Packaging Segmen**t faces high gas prices. The problem has further increased following Russia's invasion of Ukraine. In the face of high gas prices, production costs increased and, consequently, the segment was forced to update its price list in the first quarter. The price increase did not fully reflect the increase in gas prices, but it does to some extent reduce the unfavourable increase in production costs for the Iłowa plant. In the coming quarters, steps will be taken to rebuild margins through further price list updates. It seems that in the coming months, the risk for the segment's operations will remain high gas prices with possible further increases. The risk of gas supply interruptions (due to the conflict in Ukraine) however should not be a problem though. The reason for this situation is that the plants in Iłowa and Żary use locally produced nitrogen-rich gas for production, the use of which is strictly limited and in the event of suspension of gas supplies from Russia, it will not be able to be pumped into the gas pipelines of the country's main gas pipeline.
- The **Foams segment –** no direct adverse effect of the pandemic on the demand for the Bydgoszcz plant's products has been observed. In contrast, the first quarter of 2022 was another period of weakening demand for upholstered furniture in European markets. However, in this case, the reasons for the weakening demand for furniture, and thus for foams from the Bydgoszcz plant, should rather be attributed to consumer uncertainty about the economic situation, rising inflation or, last but not least, the situation caused by Russia's invasion of Ukraine. During the first quarter of 2022, the Bydgoszcz plant experienced strong downward pressure on prices due to the aforementioned adverse developments. Despite unfavourable factors, the segment has achieved the objectives set for it.
- Over the past quarter, the **Agro Segment** has proved to be resilient to COVID-19. For the Nowa Sarzyna plant, the first quarter is a period of increased production to prepare product availability for distributors and end customers for the upcoming agricultural spring season. In the past quarter, the segment had to cope with further increases in the prices of materials and raw materials. Despite these unfavourable developments, the Agro segment has achieved the objectives set for it.

In other areas of the CIECH Group's operations, no adverse effects of the ongoing COVID-19 pandemic were recorded in the first quarter of 2022, and:

- In the area of investment projects, in the first quarter of 2022, the CIECH Group continued and completed the projects started. Other projects planned and necessary for the Group's operations were also completed without any obstacles.

The Group's analyses did not reveal any indications of an increased risk of impairment of property, plant and equipment and intangible assets in use or investments in progress was found.

- The Group's liquidity situation in the first quarter of 2022 remained stable, and the CIECH Group Companies had sufficient cash and available sources of financing to be able to meet their obligations on time.
- During the first quarter of 2022, the Group generated net cash flows from operating activities of PLN 151 million. Net cash flows from investing activities were negative (PLN -220 million) due to ongoing capital expenditure. As at 31 March 2022, the Group held cash of PLN 723 million and limits available under committed credit facilities of PLN 396 million. The Group had access to funds made available under committed facility agreements (syndicated facility agreement with a total value of approx. PLN 2,115 million as at 31 March 2022) and additional sources of financing in the form of receivables factoring agreements, reverse factoring agreements and overdraft facilities. The Group's liquidity security was largely supported by the fact that in March 2021 the Management Board of CIECH S.A. signed a new Facilities Agreement with a value (on the date of signing) of PLN 2,115 million and a 5-year repayment period, in order to refinance the existing debt.
- During the first quarter of 2022 the CIECH Group also did not identify any risk of default on repayment liabilities under the loan agreements or risk of loans being called in due to failure to meet the level of ratios tested under the loan agreements.
- Moreover, no deterioration of receivables repayment dates was found. As at 31 March 2022, the share of receivables past due more than 7 days in total receivables has decreased as compared to 31 December 2021. The vast majority of the company's receivables were insured and financed through non-recourse factoring.
- The pandemic also did not have a negative impact on the Group's working capital. During the first quarter of 2022, the Group did not experience any risk of non-performance of contracts at a higher level than in the course of its day-to-day operations in the absence of the pandemic.
- During the first quarter of 2022, no additional impairment losses on non-current or current assets were recognised. There was also no need to recognise additional provisions other than allowances and provisions which are recognised in the course of the Group's ordinary activities.

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2022 (in PLN '000)

3. OTHER NOTES TO THE CONSOLIDATED QUARTERLY REPORT

3.1. DESCRIPTION OF THE CIECH GROUP'S ORGANISATION

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

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

As at 31 March 2022, the CIECH Group comprised 41 business entities, including:

- parent company,
- 34 subsidiaries, of which:
    - 23 domestic subsidiaries,
    - 11 foreign subsidiaries,
- 3 domestic affiliates,
- 1 foreign affiliate,
- 1 jointly controlled domestic entity,
- 1 jointly controlled foreign entity.

The Parent company of the Group is CIECH S.A. It is a holding company that manages domestic and foreign manufacturing, trade and service companies of the Group. CIECH S.A. also provides support services to key subsidiaries. Key products manufactured by the CIECH Group include: soda ash, sodium bicarbonate, evaporated salt, agrochemical products, polyurethane foams, lanterns and jars, sodium and potassium silicates.

The core sales market for the CIECH Group is the European Union, including mainly Poland, Germany and Central Eastern European countries. Products manufactured by the CIECH Group are also exported to overseas markets.

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2022 (in PLN '000)

The parent company of CIECH S.A. has a branch in Romania, a branch in Germany, and operates through its offices in Inowrocław and Nowa Sarzyna. CIECH Trading Sp. z o.o. subsidiary has a branch in Bydgoszcz.

Products of the CIECH Group are manufactured in 9 production plants. Five largest production plants (2 in Poland, 2 in Germany and 1 in Romania) operate in the soda segment and manufacture sodium carbonate, soda derivatives and salt; the plant in Romania produces glassy sodium silicate and sodium water glass. The remaining 4 plants operating in the Agro, Foams, Silicates and Packaging segments are located in Poland. Soda production at the Romanian plant was suspended in the third quarter of 2019 (for more information, see current report No 40/2019). In addition, Proplan outsources product formulation and packaging services to two plants.

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

Company name	Registered office	Segment	Business	Share in equity as at 31.03.2022 / % of votes at the GMS	Share in equity as at 31.03.2021 / % of votes at the GMS
Parent company					
CIECH S.A.	Warsaw	Soda, Agro, Foams, Silicates, Packaging, Other, (Resins – discontinued operations)	Sales of chemical products manufactured by the CIECH Group companies, sales of chemical products and semi-finished products purchased from third-party producers, holding activities, managing a portfolio of the Group's subsidiaries, provision of support services (including in the area of sales, purchases, finance, HR and the legal area) for the Group's companies, financial service activities not elsewhere classified (so-called intercompany loans) for the benefit of the Group's companies.	-	-
Fully consolidated direct and indirect subsidiaries					
CIECH Trading Sp. z o.o.	Warsaw	Soda, Other	The company is preparing for the liquidation process, operations are being phased out.	100%	100%
CIECH Soda Romania S.A.	Ramnicu Valcea, Romania	Soda, Silicates	Manufacture of other basic inorganic chemicals, wholesale of chemical products. Production suspended in the Soda Segment.	98.74%	98.74%
CIECH Vitrosilicon S.A.	Iłowa	Silicates, Packaging	Manufacture of other basic inorganic chemicals, manufacture of other chemical products.	100%	100%
CIECH Vitro Sp. z o.o.*	Iłowa	Packaging	Manufacture of hollow glass, manufacture and processing of other glass.	100%	100%
CIECH Transclean Sp. z o.o.	Bydgoszcz	Other	Since 2017, the Company has been dormant.	100%	100%
CIECH Pianki Sp. z o.o.	Bydgoszcz	Foams	Manufacture of plastics in primary forms and other plastic products.	100%	100%
Ciech Group Financing AB	Stockholm, Sweden	Other	Financing activities.	100%	100%
Verbis ETA Sp. z o.o.	Warsaw	Other	General partner of Verbis ETA Sp. z o.o. SKA.	100%	100%
Verbis ETA Sp. z o.o. SKA	Warsaw	Other	Financing activities, direct lending to the CIECH Group companies.	100%	100%
CIECH Serwis i Remonty Sp. z o.o.	Warsaw	Other	Provision of repair and maintenance services, repair and maintenance of machinery.	100%	100%
CIECH Nieruchomości Sp. z o.o.**	Warsaw	Other	Buying and selling of own real estate, estate agency, real estate management.	100%	100%
Proplan Plant Protection Company S.L.	Madrid, Spain	Agro	Production of crop protection chemicals.	100%	100%
CIECH Salz Deutschland GmbH	Stassfurt, Germany	Soda	Production and sales of salt products.	100%	100%

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2022 (in PLN ’000)

Company name	Registered office	Segment	Business	Share in equity as at 31.03.2022 / % of votes at the GMS	Share in equity as at 31.03.2021 / % of votes at the GMS
CIECH Services Sp. z o.o.	Bydgoszcz	Soda, Agro, Foams, Silicates, Packaging, Other	Provision of support services for companies of the CIECH Group.	100%	100%
CIECH Ventures Sp. z o.o.	Warsaw	Other	Holding activities, other financial activities.	100%	-
CIECH Sól Sp. z o.o.	Warsaw	Soda	Production and sales of salt products.	100%	-
CIECH R&D Group					
CIECH R&D Sp. z o.o.	Warsaw	Soda, Agro, Foams, Silicates, Packaging, Other	Research and developments activities, granting licenses to the CIECH Group companies to use the trademarks: “Ciech”, “Ciech Trading” and “Sól Kujawska naturalna czysta”.	100%	100%
Smart Fluid S.A.	Warsaw	Other	Research & Development.	52.83%	52.83%
CIECH Finance Group					
CIECH Finance Sp. z o.o.	Warsaw	Other	Implementing divestment projects concerning obsolete fixed assets (property) and financial assets (shares in companies).	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	Soda	Freight transport services.	100%	100%
Cerium Sp. z o.o. w likwidacji (in liquidation)	Warsaw	Other	The company was liquidated on 31 August 2021.	-	100%
Gamma Finanse Sp. z o.o.***	Warsaw	Other	Financing activities.	100%	100%
El-Pomiar Sp. z o.o.	Inowrocław	Other	Repair and maintenance of electrical equipment.	94.23%	92.31%
CIECH Sarzyna Group					
CIECH Sarzyna S.A.	Nowa Sarzyna	Agro	Manufacture of resins, manufacture of pesticides and other chemical products.	100%	100%
Verbis KAPPA Sp. z o.o.	Nowa Sarzyna	Agro	General partner of Verbis KAPPA Sp. z o.o. SKA, other financial intermediation.	100%	100%
Verbis KAPPA Sp. z o.o. SKA	Nowa Sarzyna	Agro	Other financial intermediation.	100%	100%
Algete Sp. z o.o.	Nowa Sarzyna	Agro	Granting CIECH Sarzyna Group companies the license for using the trademark of “Chwastox” for the purpose of business.	100%	100%
CIECH Agro Romania S.R.L.	Ramnicu Valcea, Romania	Agro	Wholesale of chemical products.	100%	-
SDC Group					
SDC GmbH	Stassfurt, Germany	Soda	Holding company for all SDC Group entities.	100%	100%
CIECH Soda Deutschland GmbH&Co. KG	Stassfurt, Germany	Soda	Manufacture of other basic inorganic chemicals, wholesale of chemical products.	100%	100%
Sodawerk Holding Stassfurt GmbH	Stassfurt, Germany	Soda	Holding activities.	100%	100%
Sodawerk Stassfurt Verwaltungs GmbH	Stassfurt, Germany	Soda	Management and financial activities.	100%	100%
CIECH Energy Deutschland GmbH	Stassfurt, Germany	Soda	Power generation and distribution.	100%	100%

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Company name	Registered office	Segment	Business	Share in equity as at 31.03.2022 / % of votes at the GMS	Share in equity as at 31.03.2021 / % of votes at the GMS
Kaverngesellschaft Stassfurt GbmH****	Stassfurt, Germany	Soda	Management and maintenance of gas caverns.	50%	50%

**Number of shares / votes at the GMS attributable directly to CIECH S.A. — 39.41%, CIECH Soda Polska S.A. — 60.59%.*

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

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

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

3.2. INFORMATION ON NON-CONSOLIDATED SUBSIDIARIES AND ASSOCIATES

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

The total share of data of subsidiaries not covered by consolidation under the full method, due to their irrelevance, in relation to the total values of the CIECH Group for the period from 1 January 2022 to 31 March 2022 does not exceed 1% of total consolidated assets of the Group and 1% of consolidated net revenues from sales of goods and products and financial operations.

Aggregated data of associates and jointly-controlled which were not measured under the equity method for the period from 1 January 2022 to 31 March 2022 did not exceed 2% of consolidated total assets of the Group 2% of the total consolidated equity of the CIECH Group.

3.3. SIGNIFICANT EFFECTS OF CHANGES TO THE ORGANISATIONAL STRUCTURE OF THE CIECH GROUP IN THE FIRST QUARTER OF 2022

- **CIECH Transclean Sp. z o.o.**

The Court, in its decision of 3 February 2022, registered the reduction in the share capital of CIECH Transclean Sp. z o.o. resulting from the cancellation of shares, which was carried out on 21 July 2021 at the Extraordinary Shareholders' Meeting of CIECH Transclean Sp. z o.o. by deciding on the cancellation of shares against consideration and amending the Articles of Association of the Company:

- ✓ 8,548 shares in the Company's share capital with a total nominal value of PLN 4,274 thousand were cancelled in exchange for consideration of PLN 506.56 per canceled share, i.e. for total consideration amounting to PLN 4,330 thousand by way of purchase of the above shares on the basis of an agreement to sell the shares by the Company against the above consideration,
- ✓ The Management Board of the Company was authorised to purchase the shares (conclude an agreement) in order to cancel them, The agreement for the purchase of shares for cancellation against consideration was concluded on 10 November 2021; according to this agreement, the consideration was transferred within 14 days from the date on which the reduction of capital was registered by the court,
- ✓ following the cancellation of shares, the share capital was reduced from PLN 4,322 thousand (by PLN 4,274 thousand) to PLN 48 thousand through the cancellation of 8,548 shares with a total value of PLN 4,274 thousand.

As a result of the decrease, the share capital of CIECH Transclean Sp. z o.o. is divided into 96 shares, with a total nominal value of PLN 48 thousand (the nominal value for 1 share is PLN 500).

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- **CIECH Sól sp. z o.o.**

On 13 December 2021, the Deed of Incorporation of CIECH Sól sp. z o.o., with a share capital of PLN 5 thousand, divided into 100 shares with a nominal value of PLN 50 each, was drawn up. The share capital was fully covered with cash, all shares were taken up by CIECH S.A. The court, by decision of 7 February 2022, registered CIECH Sól Sp. z o.o. CIECH is the sole shareholder of the Company.

- **CIECH Soda Romania S.A.**

As of 1 March 2022, a reduction in the share capital resulting from the cancellation of 26,819 treasury shares of CIECH Soda Romania S.A. effected by resolution of the General Meeting held on 7 December 2022 became effective. Following the cancellation, the share capital amounts to RON 111,573 thousand and is divided into 796,951,188 shares with a nominal value of RON 0.14 each. The number of shares held by CIECH S.A. remains unchanged - 786,912,905 shares; their proportion in the share capital changes from 98.737% to 98.740%.

3.4. THE MOST IMPORTANT EVENTS IN THE CIECH GROUP IN THE FIRST QUARTER OF 2022

On 23 February 2022, a letter of intent was signed between the CIECH S.A., CIECH Soda Polska S.A., Budimex S.A., EEW Energy from Waste GmbH, EEW Energy from Waste Polska sp. z o.o, FBSerwis S.A. and the City of Inowrocław, on their cooperation in the preparation of conditions for making a decision on the investment consisting in the construction by EEW, EEW Polska and FBSerwis, on the property owned by CIECH Soda Polska S.A., a thermal waste treatment installation. For details on the letter, see current report No 2/2022.

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

3.5.1. BASIC FINANCIAL DATA

During the first quarter of 2022, the CIECH Group earned net profit from continuing operations of PLN 103,984 thousand, net cash decreased by PLN 76,699 thousand and total assets amounted to PLN 7,390,858 thousand as at the end of the first quarter of 2022. The table below presents selected financial data and basic financial ratios for the first quarter of 2022 and 2021.

Selected financial data

	01.01.-31.03.2022	01.01.-31.03.2021	Change 2022/2021
CONTINUING OPERATIONS			
Sales revenues	**1,242,564**	**861,072**	**44.3%**
Cost of sales	(974,231)	(675,115)	(44.3%)
Gross profit/(loss) on sales	**268,333**	**185,957**	**44.3%**
Selling costs	(68,481)	(48,930)	(40.0%)
General and administrative expenses	(63,487)	(50,615)	(25.4%)
Other operating income/expense	(4,997)	50,836	-
Operating profit/(loss)	**131,368**	**137,248**	(4.3%)
Net financial income/expenses	(15,096)	1,141	-
Share of profit of equity-accounted investees	139	(115)	-
Income tax	(12,427)	(24,388)	49.0%
Net profit/(loss) on continuing operations	**103,984**	**113,886**	**(8.7%)**
DISCONTINUED OPERATIONS			
Net profit/(loss) on discontinued operations	-	69,813	-
Net profit / (loss) for the period	**103,984**	**183,699**	**(43.4%)**
including:			
Net profit/(loss) attributed to non-controlling interest	(323)	(730)	55.8%

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	01.01.-31.03.2022	01.01.-31.03.2021	Change 2022/2021
Net profit/(loss) attributable to shareholders of the parent company	104,307	184,429	(43.4%)
EBITDA from continuing operations	229,172	221,066	3.7%
Adjusted EBITDA from continuing operations*	229,392	221,893	3.4%

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

3.5.2. SALES REVENUES

Consolidated net sales revenues from continued operations of the CIECH Group for the first quarter of 2022 amounted to PLN 1,242,564 thousand. Compared to the corresponding period of the previous year, revenues increased by PLN 381,492 thousand.

In the first quarter of 2022, there were no discontinued operations in the CIECH Group, while in the comparable period the consolidated net sales revenue from discontinued operations of the CIECH Group amounted to PLN 69,897 thousand.

In the **Soda Segment**, revenues increased by PLN 294.1 million (56.2%) year-on-year. The increased sales were mainly driven by:

- intensification of efforts to temporarily increase contract prices implemented from early 2022 due to higher raw material and EUA prices,
- commercialisation of top-quality sodium bicarbonate plant (higher plant volume in Germany), introduction of top-quality sodium bicarbonate used for haemodialysis.
- growing demand for soda due to the continuing reduction in imports from other continents into Europe,
- a gradual increase in production capacity at the Stassfurt saltworks, 17% of which is due to an increase in sales of the high-margin salt tablet.

In the **Agro Segment**, sales revenues increased year-on-year by PLN 76.4 million (45.2%). The increase is mainly due to:

- the market success of the new herbicide, Halvetic, based on the innovative Better Glyphosate Technology (BGT),
- high demand for herbicides due to higher pre-season stocking of distributors,
- an upward trend in cereal crops in Poland and Europe due to import sanctions in the eastern regions.

In the **Foams Segment**, sales revenue decreased year-on-year by PLN 4.8 million (4.7%). The changes are mainly related to:

- a significant increase in sales of processed foam,
- attracting new customers with high purchasing potential,
- a deterioration in the automotive sector, which directly determines demand for flexible polyurethane foams,
- uncertainty caused by the war in Ukraine, resulting in retail customers delaying their purchase decisions,
- a decrease in selling prices due to the increased availability of competitors' products.

The **Silicates Segment** recorded a year-on-year increase in revenue by PLN 30.2 million (53%). This increase was driven by, among other factors:

- limited imports of higher-processed silicates from Asia as a result of a sharp increase in ocean freight prices and problems with on-time delivery.
- improving the quality of glassy sodium silicate with the commissioning of a state-of-the-art furnace in Żary,
- higher sales of glassy silicates and potassium water glass due to capacity reductions in Europe,
- lower supply of silicates on the market due to the shutdown of production by a Ukrainian producer.

The **Packaging Segment** recorded a year-on-year increase in revenue by PLN 4.9 million (35.6%), attributable to, among other factors:

- effect of increases in the price of lanterns from 2022,
- change in the product structure towards higher margin products,

In the **Other Activity segment**, sales decreased year-on-year by PLN 7.9 million (-19.2%). The main reason for the decrease is the phasing out of operations by CIECH Trading Sp. z o.o.

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In the first quarter of 2022, the CIECH Group's activities were focused on four business segments: Soda, Agro, Foams, Silicates. These segments generate in total more than 90% of the Group's sales revenues. The structure of sales revenues, by business segment, has not changed significantly in comparison with 2021. Invariably, the largest share in revenues was attributed to the sales of Soda Segment products, i.e. 65.8%.

Sales revenues — business segments

	01.01.-31.03.2022	01.01.-31.03.2021*	Change 2022/2021	Change %
Soda segment, including:	**817,632**	**523,485**	**294,147**	**56.2%**
Dense soda ash	401,007	264,985	136,022	51.3%
Light soda ash	107,763	75,190	32,573	43.3%
Salt	65,369	52,901	12,468	23.6%
Sodium bicarbonate	64,493	53,250	11,243	21.1%
Energy	134,596	40,237	94,359	234.5%
Calcium chloride	5,329	7,716	(2,387)	(30.9%)
Other products	11,907	10,439	1,468	14.1%
Revenues from inter-segment transactions	27,168	18,767	8,401	44.8%
Agro segment, including:	**245,212**	**168,839**	**76,373**	**45.2%**
Agro products	245,118	168,829	76,289	45.2%
Revenues from inter-segment transactions	94	10	84	840.0%
Foams segment, including:	**97,804**	**102,626**	**(4,822)**	**(4.7%)**
Polyurethane foams	97,764	102,577	(4,813)	(4.7%)
Revenues from inter-segment transactions	40	49	(9)	(18.4%)
Silicates segment, including:	**87,315**	**57,087**	**30,228**	**53.0%**
Sodium silicates	84,114	54,834	29,280	53.4%
Potassium silicates	2,992	2,226	766	34.4%
Other products	32	-	32	-
Revenues from inter-segment transactions	177	27	150	555.6%
Packaging segment, including:	**18,610**	**13,720**	**4,890**	**35.6%**
Glass packaging	18,308	13,718	4,590	33.5%
Revenues from inter-segment transactions	302	2	300	15000.0%
Other segment, including:	**33,235**	**41,135**	**(7,900)**	**(19.2%)**
Revenues from third parties	3,772	14,170	(10,398)	(73.4%)
Revenues from inter-segment transactions	29,463	26,965	2,498	9.3%
Consolidation adjustments	**(57,244)**	**(45,820)**	**(11,424)**	**(24.9%)**
TOTAL	**1,242,564**	**861,072**	**381,492**	**44.3%**

**Restated data. For information on the restatement of comparative data by segment, see Note 2.5.*

Source: CIECH S.A.

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

After the first quarter of 2022, gross profit on sales amounted to PLN 268,333 thousand, whereas in the same period of the previous year it amounted to PLN 185,957 thousand. The operating profit amounted to PLN 131,368 thousand, in the comparable period it amounted to PLN 137,248 thousand.

In the first quarter of 2022, there were no discontinued operations in the CIECH Group, while in the comparable period the gross profit on sales on discontinued operations amounted to PLN 13,256 thousand and operating profit amounted to PLN 10,466 thousand.

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

- In the Soda Segment – successfully completed process of updating contract prices offsetting the rapidly increasing prices of energy resources and EUA.
- Optimisation of the use of the local gas source at the German plant reducing the negative impact of rising gas prices on global markets.
- Growing demand for soda due to the continuing reduction in imports from other continents into Europe.
- In the Agro Segment – the market success of the new herbicide, Halvetic, based on the innovative Better Glyphosate Technology (BGT) and successful sales management in response to the limited availability of substances and goods from China and India.
- In the Foams Segment – attracting new foam customers with high purchasing potential and a significant increase in sales in the area of processed foam.
- In the Silicates Segment – improving the quality of glassy sodium silicate with the commissioning of a state-of-the-art new furnace in Żary.
- Higher sales of glassy silicates and potassium water glass due to total capacity reductions in Europe.

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

- Unprecedentedly dynamic increase in prices of energy commodities (coal, gas, electricity) on the global market.
- Continuing high prices for EUA certificates.
- Higher transport costs for raw materials and finished goods.
- Increase in prices of raw materials for crop protection chemicals, mainly driven by high demand in Asian markets.
- Deterioration in the furniture and automotive industries that directly determine demand for flexible polyurethane foams.
- Availability problems and delays in the supply of raw materials and products from China.

For the continuing operations, the EBIT margin for the first quarter of 2022 amounted to 10.6% (15.9% in the prior year), and the EBITDA margin amounted to 18.4% (25.7% in the prior year). The EBIT margin (excluding one-off events) for first quarter of 2022 amounted to 10.6% (16.0% in the prior year), and the EBITDA margin (excluding one-off events) amounted to 18.5% (25.8% in the prior year).

3.5.4. FINANCING ACTIVITIES AND NET PROFIT/LOSS

Financial income for the first quarter of 2022 amounted to PLN 15,877 thousand and decreased compared to the corresponding period of the previous year, when it amounted to PLN 28,953 thousand.
Financial expenses for the first three months of 2022 amounted to PLN 30,973 thousand and increased compared to the corresponding period of the previous year, when it amounted to PLN 27,812 thousand**.** The area of financing activities was mainly affected by foreign exchange gains, interest on loans and valuation of financial instruments.
The consolidated net profit for the first quarter of 2022 amounted to PLN 103,984 thousand (of which PLN 104,307 thousand was a net profit attributable to the shareholders of the parent company and PLN -323 thousand as the loss of non-controlling interest).
The decrease in net profit as compared to the corresponding period of 2021 resulted from, among other factors:

- finalisation of the sale of CIECH Żywice Sp. z o.o. in the first quarter of 2021 – the consolidated gain on the discounted operations of the Group, including sale of the company's shares amounted to almost PLN 70 million (for detailed information see Note 2.15 to this report),
- increased interest expenses,
- year-on-year decrease in other operating income due to the sale of CO_2 emission allowances in CIECH Soda Romania S.A. in the first quarter of 2021.

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3.5.5. ASSET POSITION OF THE CIECH GROUP

Basic consolidated balance sheet data

	31.03.2022	31.12.2021*	Change 2022/2021
Total assets	**7,390,858**	**7,135,218**	**3.6%**
Total non-current assets	4,799,180	4,787,603	0.2%
Total current assets	2,591,678	2,347,615	10.4%
Inventory	437,847	422,506	3.6%
Short-term intangible assets other than goodwill	615,122	403,434	52.5%
Current receivables	690,310	619,902	11.4%
Cash and cash equivalents	722,979	799,023	(9.5%)
Short-term financial assets	125,052	102,382	22.1%
Non-current assets held for sale	368	368	0.0%
Total equity	**2,493,573**	**2,386,329**	**4.5%**
Equity attributable to shareholders of the parent	2,497,577	2,390,105	4.5%
Non-controlling interest	(4,004)	(3,776)	(6.0%)
Total non-current liabilities	2,510,381	2,542,124	(1.2%)
Total current liabilities	2,386,904	2,206,765	8.2%

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

Assets

As at the end of March 2022, the Group's non-current assets amounted to PLN 4,799,180 thousand. As compared to the balance as at 31 December 2021, the value of non-current assets increased by PLN 11,577 thousand.

The Group's current assets amounted to PLN 2,591,678 thousand as at 31 March 2022.
Compared to the end of December 2021, the value of current assets increased by PLN 244,063 thousand.
This change resulted from, among other factors:

- increased short-term intangible assets due to the purchase and receipt of free CO_2 emission allowances,
- lower balance of cash accumulated in companies,
- higher balance of trade receivables, in particular in the Agro Segment.

Capital resources

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

Liabilities

As at 31 March 2022, the CIECH Group's liabilities (total non-current and current) amounted to PLN 4,897,285 thousand, which represents an increase compared to the end of December 2021, when they amounted to PLN 4,748,889 thousand.

The debt ratio amounted to 66.3% as at 31 March 2022 (at the end of December 2021 to 66.6%). The consolidated net debt of the Group amounted to PLN 1,362,358 thousand as at 31 March 2022 and increased in comparison to the balance as at the end of December 2021 by PLN 61,572 thousand. The higher level of this debt was driven by higher utilisation of available credit limits and a lower level of negative valuations of financial instruments.

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Debt instruments currently used

The Group's sources of debt financing include: term loan, revolving credit, overdrafts as well as lease liabilities. Additional information about the management of financial resources is provided in Section 4.5. of the Management Board Report on Activities of the CIECH Group and CIECH S.A. in 2021, published on 29 March 2022.

3.5.6. CASH POSITION OF THE CIECH GROUP

	01.01.-31.03.2022	01.01.-31.03.2021	Change 2022/2021
Net cash from operating activities	150,723	215,998	(30.2%)
Net cash from investment activities	(219,876)	(170,659)	(28.8%)
Net cash from financial activities	(7,546)	(12,102)	37.6%
Total net cash flows	**(76,699)**	**33,237**	**-**
Free cash flow	(69,153)	45,339	-

Total net cash flows in the first quarter of 2022 was negative and amounted to PLN 76,699 thousand. Compared to the same period of the previous year, the cash flows generated by the Group were lower by PLN 109,936 thousand. Cash flows from operating activities were positive and amounted to PLN 150,723 thousand. They decreased as compared to the same period in 2021 by PLN 65,275 thousand.

During the first quarter of 2022, the net cash flows from investing activities were negative, which was mainly the result of expenses for an investment programme implemented by the Group and of expenses related to the purchase of CO_2 certificates. Cash flows from financing activities was negative and amounted to PLN 7,546 thousand.

	01.01.-31.03.2022	01.01.-31.03.2021
Financial surplus ((net profit/(loss) on continuing operations + depreciation)	201,788	267,517
Other adjustments to net profit/(loss) on continuing operations	(5,237)	(69,567)
Adjusted financial surplus (1+2)	**196,551**	**197,950**
Change in working capital	(45,828)	18,048
Net cash from operating activities (3+4)	**150,723**	**215,998**
Net cash from investing activities	(219,876)	(170,659)
Free cash flow (5+6)	**(69,153)**	**45,339**

During the first quarter of 2022, the CIECH Group generated negative free cash flows i.e. it was unable to finance its capital expenditure with cash flows from operating activities.

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

Liquidity of the CIECH Group

As at 31 March 2022, liquidity ratios remained relatively flat compared to those as at 31 December 2021. The current ratio, calculated as the ratio of total current assets to total current liabilities, amounted to 1.09 as at 31 March 2022, while the quick liquidity ratio amounted to 0.90.

	31.03.2022	31.12.2021
Current ratio	1.09	1.06
Quick ratio	0.90	0.87

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Working capital of the CIECH Group

As at the end of the first quarter of 2022, working capital, defined as the difference between current assets and short-term liabilities, adjusted by relevant balance sheet items (cash and cash equivalents and short-term loans) was negative and amounted to PLN 491,958 thousand, which is an increase by PLN 150,365 thousand compared to the end of 2021.

	31.03.2022	31.12.2021
1. Current assets, including:	2,591,678	2,347,615
Inventory	437,847	422,506
Trade receivables and services and advances for deliveries	407,684	255,086
2. Cash and cash equivalents and short-term investments	848,031	901,405
3. Adjusted current assets (1-2)	**1,743,647**	**1,446,210**
4. Current liabilities, including:	2,386,904	2,206,765
Trade liabilities and advances taken	670,925	615,771
5. Short-term credits and other current financial liabilities*	151,299	118,232
6. Adjusted current liabilities (4-5)	**2,235,605**	**2,088,533**
7. Working capital including short-term credits(1-4)	**204,774**	**140,850**
8. Working capital (3-6)	**(491,958)**	**(642,323)**
9. Trade working capital	**174,606**	**61,821**

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

Trade working capital is the difference between current assets (trade receivables and inventory) and trade liabilities. The recorded levels of working capital and trade working capital vary due to a number of factors such as the change in the scale of business, changes in key suppliers' payment terms, foreign exchange rates, the Group companies' strategic decisions regarding inventory maintenance and the seasonal nature of operations (in particular in the crop protection chemicals business).

The increase in trade working capital from PLN 61,821 thousand in 2021 to PLN 174,606 thousand at the end of the first quarter of 2022 (a change by PLN 112,785 thousand) was mainly due to two events:

- the Group companies achieved higher sales levels in the first quarter which translated into an increase in receivables from external customers,
- at the same time, there was a slight increase in current liabilities due to a higher level of reverse factoring and higher purchase costs for raw materials, mainly gas and raw materials for the production of crop protection products.

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

The CIECH Group's profitability ratios

During the first quarter of 2022, almost all profitability ratios of the CIECH Group in respect of the continuing operations reached a lower level than in the corresponding period of the previous year.

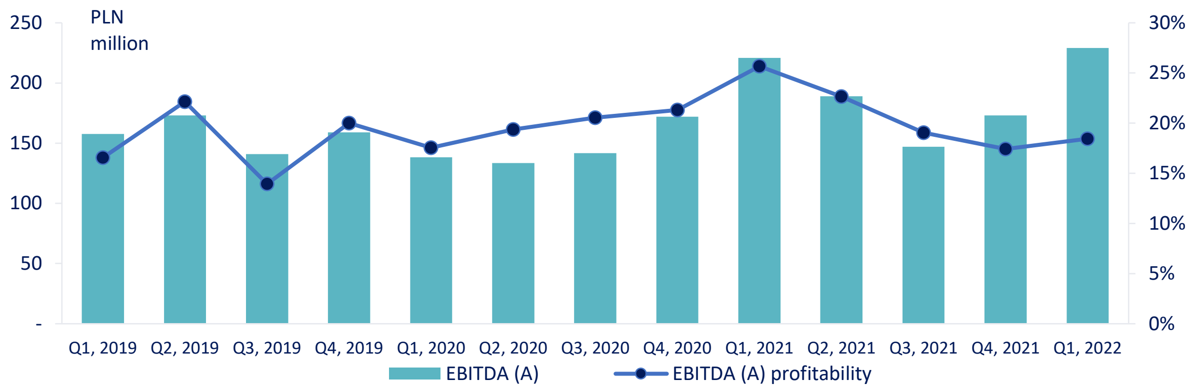
THE CIECH GROUP'S PROFITABILITY RATIOS

	01.01.-31.03.2022	01.01.-31.03.2021	Change 2022/2021
CONTINUING OPERATIONS			
Gross return on sales	21.6%	21.6%	(0.0) p.p.
Return on sales	11.0%	10.0%	1.0 p.p.
EBIT margin	10.6%	15.9%	(5.3) p.p.
EBITDA margin	18.4%	25.7%	(7.3) p.p.
Adjusted EBIT margin	10.6%	16.0%	(5.4) p.p.
Adjusted EBITDA margin	18.5%	25.8%	(7.3) p.p.
Net return on sales (ROS)	8.4%	13.2%	(4.8) p.p.

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2022 (in PLN '000)

	01.01.-31.03.2022	01.01.-31.03.2021	Change 2022/2021
Return on assets (ROA)	1.4%	1.9%	(0.5) p.p.
Return on equity (ROE)	4.2%	4.9%	(0.7) p.p.
Earnings/(loss) per share (in PLN) from continuing operations	1.98	2.17	(0.19)

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 slightly in comparison to December 2021 and amounts to 66.3%. The level of net debt (net financial liabilities in relation to EBITDA) increased as compared to the end of 2021.

	31.03.2022	31.12.2021
Loans, borrowings and other debt instruments	1,880,738	1,859,441
Lease liabilities	144,175	151,197
Factoring liabilities	26,637	23,078
Negative net valuation of derivatives	33,787	66,093
Gross debt	**2,085,337**	**2,099,809**
Cash and cash equivalents	722,979	799,023
Net debt	**1,362,358**	**1,300,786**

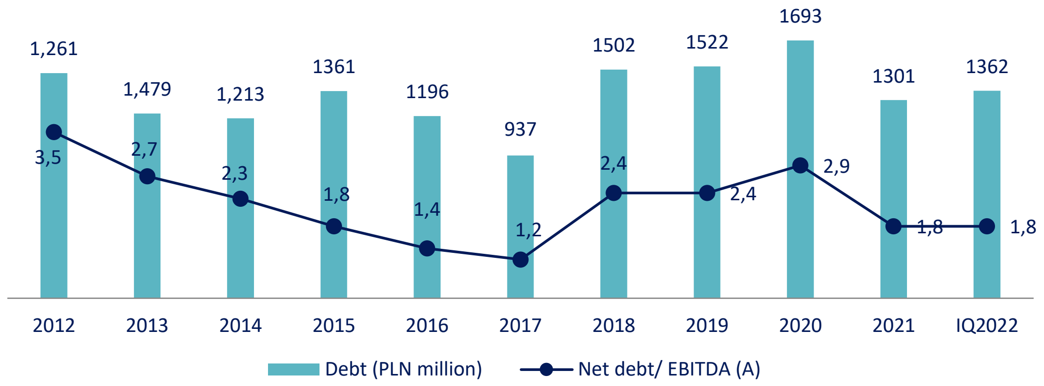
The CIECH Group's debt ratios

	31.03.2022	31.12.2021*	Change 2022/2021
Debt ratio	66.3%	66.6%	(0.3) p.p.
Long term debt ratio	34.0%	35.6%	(1.6) p.p.
Debt to equity ratio	196.4%	199.0%	(2.6) p.p.
Equity to assets ratio	33.7%	33.4%	0.3 p.p.
Gross debt	2,085,337	2,099,809	(0.7%)
Net debt	1,362,358	1,300,786	4.7%
EBITDA annualized	738,517	730,409	1.1%
Adjusted EBITDA (annualised)	734,113	726,614	1.0%
Net debt / EBITDA annualized	1.8	1.8	3.6%

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2022 (in PLN ’000)

	31.03.2022	31.12.2021*	Change 2022/2021
Net debt / Adjusted EBITDA (annualised)	1.9	1.8	3.7%
Gross debt / EBITDA annualised	2.8	2.9	(1.8%)
Gross debt / Adjusted EBITDA (annualised)	2.8	2.9	(1.7%)

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



Debt financing of the Group

As at the end of the first quarter of 2022, the CIECH Group's debt financing was secured mainly through facilities made available to CIECH S.A. under facilities agreements:

1. the Facilities Agreement signed with a consortium of banks dated 16 March 2021 with the total value of approx. PLN 2,115,000 thousand:
- amortised term facility in tranches in PLN and EUR in the amount of PLN 540,700 thousand and EUR 4,231 thousand (the facility is fully drawn down),
- non-amortised term facility in tranches in PLN and EUR in the amount of PLN 1,260,100 thousand and EUR 9,844 thousand (the facility is fully drawn down),
- revolving credit facility in the amount of up to PLN 250,000 thousand (the amount of used credit as at 31 March 2022 was PLN 0),
2. Overdraft facilities up to PLN 100,000 thousand and EUR 10,000 thousand under agreements dated 28 and 29 August 2018 (as at 31 March 2022, the amount used was PLN 0 thousand).

The total value of facilities available under the aforesaid agreements is PLN 2,262,809 thousand; the limits are drawn down in the amount of PLN 1,866,284 thousand.

Detailed information about loan liabilities is disclosed in Section 4.5.1 of the Management Board Report on activities of the CIECH Group and CIECH S.A. in 2021, published on 29 March 2022.

Factors and events that may affect future performance

The CIECH Group finalized the work on Strategy for 2022-2024, envisaging a return to a new normal, taking into account the changes that occurred during and after the COVID-19 pandemic. At the moment, the CIECH Group is convinced that the new Strategy is ambitious but achievable. However, it should be kept in mind that we are currently witnessing a very dynamic political situation in Europe (Russian aggression in Ukraine), which significantly affects, in particular, the markets for energy raw materials consumed by the CIECH Group. The Group is currently conducting analyses in this respect. According to assumptions, the CIECH Group will focus on the following measures:

- Stabilising and ensuring steady cash flow from the soda business through better planning, optimising variable costs, focusing on the development of the sodium bicarbonate business,
- energy transformation in soda plants to reduce CO_2 emissions and environmental impact while controlling the cost of process steam,
- commercialisation of the innovative Halevetic product in the Agro business and development of further hybrid products, as well as further geographical expansion with a continuously expanding product portfolio,

- expansion of the salt business by entering new markets and increasing sales through new production capacity at the Stassfurt plant, as well as the introduction of higher processed products,
- development of the silicates business, among others through an increase in production capacity and improvement of its efficiency, which will strengthen the CIECH Group's position on the European market,
- increase of operational effectiveness due to, among others, optimisation of production costs and process improvements in the Foams business, as well as the development of new formulations, such as bio- and repolyols,
- optimisation of costs of repairs and maintenance of assets, especially in the area of maintenance in all CIECH Group production plants through, among other things, increasing the scope of work performed internally,
- discipline in fixed costs,
- continuous process of improving business and operational processes in all companies of the CIECH Group.
- optimisation of the CIECH Group's corporate and organisational model towards greater agility enabling quick response to the changing environment.

It should be noted that due to the current geopolitical situation in Eastern Europe, uncertainty about the next wave of the COVID-19 pandemic, as well as high volatility in energy commodity markets and rising inflationary pressures, the global economic situation is uncertain and trends are difficult to predict. The Management Board of the CIECH Group analyses scenarios of possible developments on an ongoing basis and will make decisions with a view to ensuring the Group's long-term value.

3.6. SIGNIFICANT RISK FACTORS

In connection with its operations, the CIECH Group is exposed to a number of risks, including financial risks. The most important risk factors are presented in details in Note 3.4 to the Management Board Report on activities of the CIECH Group and CIECH S.A. in 2021, published on 29 March 2022.

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

For a detailed update on the Group's current position in relation to the impact of the Russian invasion of Ukraine, see Note 2.18 to this report.

For a detailed update on the Group's current position in relation to the impact of the COVID-19 coronavirus pandemic, see Note 2.19 to this report.

Exposure to currency risk

The table below presents the estimated currency exposure of the CIECH Group in EUR and USD as at 31 March 2022 due to financial instruments:

Exposure to currency risk	EUR ('000)	USD ('000)	Impact on the statement of profit or loss	Impact on the statement of other comprehensive income*
Assets				
Loans granted sensitive to FX rate changes	186,000	-	x	
Trade and other receivables	6,967	1,173	x	
Cash including bank deposits	68,582	2,106	x	
Liabilities				
Trade and other liabilities	(18,582)	(1,717)	x	
Term loan liabilities	(14,075)	-		x
Working capital facility liabilities	-	-	x	
Other liabilities in respect of credits and loans	-	-	x	
Forward	(55,425)	-		x
Forward (not designated to hedge accounting)	(152,513)	-	x	
CIRS (not designated to hedge accounting)	(60,000)	-	x	
CIRS (forward transactions isolated as part of decomposition of CIRS)	(343,590)	-		
Total exposure	**(382,636)**	**1,562**		

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

The table contains an analysis of the sensitivity of individual statement of financial position items to exchange rate changes as at 31 March 2022.

Analysis of sensitivity to currency risk – EUR	(PLN '000)*	Impact on the statement of profit or loss	Impact on the statement of other comprehensive income
EUR			
Foreign-currency balance sheet items	**2,289**	2,289	-
Hedging instruments: Forward and CIRS	**(6,115)**	(2,125)	(3,990)
USD			
Foreign-currency balance sheet items	**16**	16	-
Hedging instruments: Forward	**-**	-	-

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

The CIECH Group applies hedge accounting. For details on hedging relationships, see Note 8.2 to the Consolidated financial statements of the CIECH Group for 2021, published on 29 March 2022.

Credit risk

Credit risk means a threat of the counterparty not fulfilling the obligations stipulated in the agreement, exposing the lender to financial loss.

From the CIECH Group's point of view, credit risk is linked to:

- trade receivables from customers,
- cash and bank deposits.

The CIECH Group is exposed to credit risk connected with the credit rating of customers being parties to products and goods sales transactions. That risk is limited by using internal procedures to establish amounts of credit limits for customers and to manage trade receivables (the Group uses securities in the form of a letter of credit, bank guarantees, mortgages, receivables insurance and non-recourse factoring; approx. 9% of receivables is not insured). Customers' creditworthiness is assessed and appropriate collateral is obtained from the customers, allowing for a reduction of potential losses in the case of failure to repay the debt. Credit risk assessment for customers is performed prior to concluding an agreement and periodically at subsequent deliveries of goods in accordance with the binding procedures. On selected markets, where more risky payment deadlines are applied, the Group's companies make use of services provided by companies specialising in insuring receivables.

Credit risk connected with cash in bank and bank deposits is low as the CIECH Group enters into transactions with high-rating banks with stable market position.

Expected credit losses on:	**As at 1 January 2022**	Increases	Decreases	Foreign exchange differences	**As at 31 March 2022**
Long-term receivables in relation to caverns	**(198)**	-	-	(2)	**(200)**
Trade receivables	**(46,614)**	(937)	382	(843)	**(48,012)**
Factoring receivables	**(15)**	(18)	12	-	**(21)**
Cash and cash equivalents	**(450)**	(44)	277	(1)	**(218)**
TOTAL	**(47,277)**	**(999)**	**671**	**(846)**	**(48,451)**

Liquidity risk

The CIECH Group is exposed to risk connected with maintaining liquidity due to the considerable value of external financing (due to the term loans, working capital facilities and lease agreements), the limited ability to obtain new financing in the event of a deterioration in market conditions and due to the existing high level of indebtedness and the risk of losing the existing long-term financing as a result of violating covenants stipulated in the bond issue terms and loan agreements.

The following measures are applied to reduce liquidity risk:

- current monitoring of liquidity of the CIECH Group's companies,
- monitoring and optimisation of the level of working capital,
- adjusting the level and schedule of capital expenditure,
- intragroup borrowings and sureties for the liabilities of the Group's companies,

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2022 (in PLN '000)

- current monitoring of the settlement of liabilities under the loan agreements conditions.

The Group's debt financing is ensured primarily by the term loans. In addition, a revolving credit facility in the amount of PLN 250 million, constituting an additional source of current liquidity and working capital financing (as at 31 March 2022, the facility was drawn down in the amount of PLN 0 million), and overdraft facilities (as at the end of March 2022, they were drown down in the amount of PLN 0 thousand) have been made available to the Group.

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

31.03.2022	Carrying amount	Contractual cash flows	Less than 6 months	up to 12 months	1-2 years	3-5 years	More than 5 years
Other financial liabilities:	**(2,577,512)**	**(2,643,306)**	**(715,794)**	**(19,231)**	**(217,611)**	**(1,690,669)**	**-**
Trade liabilities	*(670,137)*	*(670,137)*	*(670,137)*	-	-	-	-
Credits and loans	*(1,880,738)*	*(1,946,532)*	*(19,020)*	*(19,231)*	*(217,611)*	*(1,690,669)*	-
Factoring	*(26,637)*	*(26,637)*	*(26,637)*	-	-	-	-
Lease liabilities	**(144,175)**	**(264,990)**	**(13,748)**	**(15,211)**	**(43,048)**	**(27,956)**	**(165,027)**
Hedging derivatives with negative value	**(116,426)**	**(286,465)**	(705)	(740)	-	(285,020)	-
Derivatives recognised in financial liabilities	**(13,645)**	**(17,808)**	(17,808)	-	-	-	
TOTAL	**(2,851,758)**	**(3,212,568)**	**(748,055)**	**(35,182)**	**(260,659)**	**(2,003,645)**	**(165,027)**

Information on the levels of liquidity ratios is provided in Note 3.5.7 to this report.
A detailed description of information on financial risks is provided in Note 8.3 to the Consolidated Financial Statements of the CIECH Group for 2021, published on 29 March 2022.

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

On 19 April 2022, the CIECH Group published a forecast of results for 2022 and estimated selected results for the first quarter of 2022. The Management Board of CIECH S.A. forecasts that in 2022 the CIECH Group will achieve:

- consolidated sales revenues: between PLN 4,300 million and PLN 4,500 million;
- consolidated adjusted EBITDA: between PLN 740 million and PLN 780 million.

The forecast was prepared on the basis of the current market situation and the operational and financial situation of the CIECH Group. The projected results were prepared after the end of the first quarter of 2022, which was of key importance for the operation of the CIECH Group, and during which, among other things, the process of contracting CIECH Group products for 2022 was completed. The Management Board of CIECH S.A. estimates that in the first quarter of 2022 the CIECH Group will achieve:

- consolidated sales revenues: between PLN 1,200 million and PLN 1,250 million;
- consolidated adjusted EBITDA: between PLN 225 million and PLN 235 million.

The forecast results for the first quarter of 2022 were achieved.

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 and indirect, most important domestic recipients of the Group's products include: glass industry, various chemical industries, furniture, agriculture, construction, food and automotive 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 3 months of 2022 increased by 16.7% year on year (in 2021 — an increase by 7.9%). After 3 months of 2022, the relevant dynamics of production in the industries of significant importance to the Group's activities (as receiving or target markets) were as follows: manufacture of chemicals and chemical products (increase by 26.1%); construction and assembly production (increase by 23.3%); manufacture of furniture (increase by 14.1%, including furniture for sleeping – increase by approx. 15% in terms of volume); manufacture of chemicals and chemical products (increase by 13.0%); manufacture of food (increase by 9.7%); manufacture of motor vehicles (decrease by 1.9%).

Last year saw a very fast recovery in the Polish economy. The high GDP growth in 2021 (5.9% according to the Central Statistical Office) resulted from the rebound after the first pandemic period. For 2022, however, this dynamic is projected to weaken significantly to between 3% and 4% according to analyses published in April this year (with high forecast uncertainty related to the war in Ukraine, risk of a price and wage spiral and global factors such as the pandemic and highly volatile energy prices). 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. Analyses by the International Monetary Fund suggest that the global economy has returned to growth in 2021 (forecast of +6.1% GDP in 2021 vs -3.1% in 2020).

Before the war between Russia and Ukraine broke out, a slowdown in the world's economic development was projected to slow down in 2022, albeit still experiencing relatively high growth (+4.4% GDP according to the IMF). However, these projections were significantly reduced in April this year. According to new IMF analysis, this year's global GDP could grow by 3.6%. GDP growth in the highly developed countries is expected to be strongly positive: +3.7% in the USA, +2.9% in the EU27, +2.4% in Japan. India (+8.2%), the ASEAN countries (+5.3%) and China (+4.4%) should grow above average. The situation can be very different in other major developing economies: Mexico (+2.0%); Brazil (+0.8%); Russia (-8.5%).

Last year, the EU chemical industry also reported a high rate of production growth compared to 2020, a crisis year. The estimates by the European Chemical Industry Council (CEFIC) indicate that chemical production in the EU27 increased by 6% in 2021 (against a decrease of 1.9% recorded in the previous year) and surpassed the level reported in 2019. This very good result can be attributed to the general acceleration of economic growth after the first period of the COVID-19 pandemic. For this year, before the war between Russia and Ukraine broke out,, CEFIC was projecting a lower rate of chemical production in the EU (+2.5%), but at a level significantly higher than the average annual growth rate recorded in the previous decade. In contrast, analysis by the American Chemical Council (ACC) indicated that global output in the chemicals sector would increase by as much as 3.8% in 2022. If the war is prolonged, these projections are likely to be significantly reduced.

The year 2021 can generally be considered a successful one for the European construction sector. According to Euroconstruct estimates, last year's construction output in Western and Central Europe increased by 5.6% (against a contraction of 4.7% the year before). However, the situation on the continent varied widely (from a slight decline in Germany to double-digit growth in Italy). For 2022 (before the outbreak of the war between Russia and Ukraine), a lower growth rate of around 4% is already projected; with a slightly higher rate in the Central European region compared to Western countries.

OTHER FACTORS AFFECTING THE CIECH GROUP'S ACTIVITIES

Factors	Description
Economic situation on raw material market	Due to the fact that costs of raw materials account for a large share of total costs of the Group, the situation on key raw material markets (availability and price) significantly affect the CIECH Group's activities and financial performance. Price and availability of raw materials depends largely on economic and political developments across the globe. **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 is nearly two times higher than production. Most of the coal imported to the EU is power coal, i.e. coal used by the CIECH Group in the production of process steam and electricity in soda plants in Poland. Despite the fact that the Group buys it usually from Polish mines, the price of thermal coal for the CIECH Group in a long term depends on the European and global situation in the area of demand and supply. Second half of 2021 and beginning of 2022 saw an increase in demand for coal unprecedented in recent years, not only in Poland but also in countries such as Germany and France caused by a several-fold increase in gas prices, which in the face of steadily declining production capacity in Europe (i.e. mainly in Poland) resulted in increased prices and shortages of the raw material. The situation was mitigated by the relatively high level of coal reserves on the mine dumps, which until the end of 2021, allowed Polish mines to sell significantly more than their current output. Increased demand has significantly reduced mine inventories, which have dropped to historically low levels by early 2022. **Gas** – the main energy resource used by the combined heat and power plant at the Stassfurt plant. The situation on the gas market depends on many factors, such as the price of oil, demand for gas due to the current weather conditions and the current share of gas in the energy mix. CIECH Energy Deutschland GmbH burns two types of natural gas, from local sources and imported. Gas imports to Germany are from Russia, Norway and the Netherlands. In the gas combustion process, steam and electricity are generated, which is also sold outside the Group. Gas supplies are realized on the basis of bilateral delivery contracts, long-term contracts or short-term purchases (spot). **Furnace fuel (coke/anthracite)** – coke prices depend primarily on prices of coking coal, from which it is produced. The largest global producer of coke is China which, at the same time, is one of the largest consumers of this raw material. In Europe, Poland is one of the leading producers (it is the largest exporter of this material on our continent), and large quantities of coke are also produced in Germany and the Czech Republic. In its business activity, the Group uses anthracite as a substitute for coke. The main source of anthracite for Europe was Russia. In view of the unprecedented increase in coke prices during 2021 and the persistence of high costs at the beginning of 2022, the Group has significantly increased the share of anthracite in the furnace mix and is exploring alternative supply routes for this material. **Oil-derivative raw materials** – used primarily in the Foams Segment, are linked to oil prices, but with a strong short-term impact of the demand/supply situation in the market. Oil prices depend primarily on macroeconomic and political factors which translate into global demand and supply situation.
Exchange rates of Polish zloty (PLN) and Romanian leu (RON) to euro (EUR) and US dollar (USD)	The CIECH Group's main source of exposure to foreign currency risk is related to EUR and USD in which export sales are denominated. Weakening of PLN and RON (in which significant costs are incurred) in relation to EUR and USD (in which a material portion of sales is made) has a positive impact on the CIECH Group's financial performance. The Group applies natural hedging and hedging instruments.
Volume of chemical production capacity on markets where the CIECH Group operates	In the sectors of mass chemical products, in which the CIECH Group operates, the capital expenditures are an important barrier to entry, and in the case of the soda segment – an access to natural resources. For this reason, in the scope of the most important segment of the CIECH Group, the soda segment, green field investments are rare and generally done outside Europe. Information published over the past several months suggests that, globally, large increases in soda ash capacity should not be expected in the next 2 years. In the next 3-5 years, new capacities will be put into operation mainly in China and the USA. This will mainly concern natural sodium. Due to the COVID-19 pandemic and the delays observed in the launch of

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Factors	Description
	projects based on natural resources in the past, it is expected that the performance of these projects will be delayed. In general, in the long term the average annual growth rate of global soda ash capacity is expected to be similar to the growth rate of global demand.
Environmental requirements	**REACH system implementation** 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. **Emission trading system** Some CIECH Group production companies are covered by the greenhouse gas emissions trading scheme. External analyses performed by the CIECH Group companies indicate that the amount of free CO_2 emission allowances in the 3rd settlement period (2021-2030) is insufficient to cover the actual demand for this type of settlement units. In addition to the direct costs connected with the purchase of CO_2 emission allowances, the CIECH Group companies will bear higher costs of electricity due to their assumption of the costs of purchase of CO_2 emission allowances from the producers.

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

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

SHAREHOLDERS

From the date of the Annual General Meeting of CIECH S.A. (information on shareholders is based on the Attendance List of the Annual General Meeting of 28 April 2022) until the submission of this report, no information has been received from shareholders of CIECH S.A. about a change in the ownership status to (+) or to (-) causing a change in the ownership structure of significant blocks of CIECH S.A. shares. Therefore, to the best knowledge of CIECH S.A., as at the day of approving this report, shareholders holding significant blocks of shares (at least 5%) include the following entities:

Shareholder structure of CIECH S.A. as at the date of approval of the report (according to the best knowledge of the Company)

Shareholder	Type of shares	Number of shares	Number of votes at the General Meeting of Shareholders	Share in the total number of votes at the General Meeting of Shareholders	Stake in share capital (%)
KI Chemistry s. à r. l. with its registered office in Luxembourg*	**Ordinary bearer**	**26,952,052**	**26,952,052**	**51.14%**	**51.14%**
Nationale-Nederlanden Otwarty Fundusz Emerytalny**	Ordinary bearer	2,729,507	2,729,507	5.18%	5.18%
Aviva Otwarty Fundusz Emerytalny Aviva Santander ***	Ordinary bearer	3,084,470	3,084,470	5.85%	5.85%
Other	Ordinary bearer	19,934,387	19,934,387	37.83%	37.83%

** In accordance with information dated 9 June 2014 provided by Shareholder under Article 77(7) and Article 69(1)(1) of the Act of 29 July 2005 on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies (CR 26/2014).*

*** On the basis of the list of shareholders holding at least 5% of votes at the Annual General Meeting of Shareholders of CIECH S.A. on 28 April 2022, CR 16/2022 prepared and published pursuant to Article 70(3) of the Act of 29 July 2005 on Public Offering and Conditions*

Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies (Journal of Laws of 2009, No 185, item 1439).

**** On the basis of the list of shareholders holding at least 5% of votes at the Annual General Meeting of Shareholders of CIECH S.A. on 28 April 2022, CR 16/2022 prepared and published pursuant to Article 70(3) of the Act of 29 July 2005 on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies (Journal of Laws of 2009, No 185, item 1439).*

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

The following managers and supervisors held shares of CIECH S.A. as at the date of publication of the Extended report of the CIECH Group for the first quarter of 2022, i.e. as at 18 May 2022:

Management Board of CIECH S.A.:

Mr Dawid Jakubowicz – President of the Management Board of CIECH S.A. held 25,713 shares of CIECH S.A.

Mr Jarosław Romanowski – Member of the Management Board of CIECH S.A. held 7,550 shares of CIECH S.A.

Mr Mirosław Skowron – Member of the Management Board of CIECH S.A., held 11,854 shares of CIECH S.A.

Supervisory Board of CIECH S.A.:

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

Mr Marek Kośnik – Member of the Supervisory Board of CIECH S.A., held 3,582 shares of CIECH S.A.

Managing Director of CIECH S.A.:

Mr Rafał Czubiński – Managing Director of CIECH S.A. held 10,310 shares of CIECH S.A.

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

This situation did not change in the period from the publication of the most recent statements, i.e. the Consolidated Financial Statements of the CIECH Group for 2021, published on 29 March 2022.

Managers and supervisors of CIECH S.A., as at 31 March 2022 and the date of approval hereof, did not hold any shares in other companies of the CIECH Group and this situation did not change in the period from the publication of the most recent statements, i.e. the Consolidated Financial Statements of the CIECH Group for 2021, published on 29 March 2022.

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 2022, the CIECH Group did not have any significant disputed liabilities of CIECH S.A. and CIECH S.A.'s subsidiaries, pursued in all types of proceedings before court, body appropriate for arbitration proceedings or public administration bodies, except for the cases described below in Note 3.12, in "Audits of tax settlements at the CIECH Group and related contingent liabilities".

3.11.2. SIGNIFICANT DISPUTED RECEIVABLES OF THE CIECH GROUP

As at 31 March 2022, the CIECH Group did not hold any significant disputed receivables of CIECH S.A. and CIECH S.A.'s subsidiaries, pursued in all types of proceedings before court, body appropriate for arbitration proceedings or public administration bodies, except for the case disclosed as contingent assets in Note 2.13, in "Contingent assets and liabilities, including sureties and guarantees".

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

Information about loan or borrowing sureties or guarantees is presented in Note 2.13 hereto.

Letters of support

As at 31 March 2022, CIECH S.A. was the obliged party in the letter of support (Patronatserklärung) regarding CIECH Soda Deutschland GmbH&Co. KG seated in Staßfurt (CSD) granted to Innogy Gas Storage NWE GmbH (“Innogy”) relating to liabilities of CSD resulting from the agreement dated 5 May 2009 on salt caverns construction for the purpose of natural gas storage on the Staßfurt mining field according to which CSD received payments of EUR 46.7 million from Innogy by 31 March 2022. In the letter of support, CIECH S.A. has committed, among other things, to ensure that CSD will have sufficient funds to fulfil its financial commitments against Innogy resulting from the above-mentioned agreement.

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

In the first quarter of 2022, the CIECH Group companies were at various stages of proceedings, including inspections, tax proceedings or administrative court cases concerning the settlement of corporate income tax (CIT) and value added tax (VAT).

The CIECH Group companies were subject to CIT proceedings concerning the following years:

a) 2012 – at CIECH S.A.
b) 2013 – at CIECH S.A.
c) 2014 – at CIECH S.A.
d) 2015 – at CIECH Soda Polska S.A.
   - at CIECH Pianki Sp. z o.o.
   - at CIECH Cargo Sp. z o.o.
   - at CIECH Sarzyna S.A.
   - at CIECH Vitrosilicon S.A.
e) 2016 – at CIECH Sarzyna S.A.
   - at CIECH S.A.
f) 2018 – at CIECH Soda Polska S.A.

CIT audit for 2012 at CIECH S.A. was initiated by the Head of the Małopolskie Province Customs and Tax Office in Kraków on 5 April 2018. CIECH S.A. received the outcome of the audit on 4 July 2018. The tax authority challenged the transaction concerning the capital increase in the former subsidiary. In the opinion of the authority, making a cash contribution by means of a contractual set-off of mutual receivables gives rise to income on the part of the Company for which, according to the auditors, the company cannot recognise a cost. The company's management board and its tax advisors do not agree with the findings made by the auditors

In December 2018, the company received a decision of the Head of the Małopolskie Province Customs and Tax Office in Kraków, upholding the previous position of the authority. The Company contested the position and filed an appeal. In April 2019, the Company received a decision of the second instance, upholding the decision of the first instance. In April and May 2019, the Company paid up the outstanding tax along with interest in three tranches in the total amount of PLN 66.4 million (tax: PLN 43.7 million, interest: PLN 22.7 million). The disputed amount of tax and interest were covered by the provision recognised in 2018, which was used as a result of their payment. CIECH S.A. appealed against the decision of the second instance to the Provincial Administrative Court in Kraków. On 9 October 2019, the Provincial Administrative Court issued a ruling in which it confirmed the approach presented by the authority. The court indicated that the company was obliged to recognise the income and did not have the right to recognise the tax deductible cost. After receipt of a written statement of reasons, the company lodged a cassation complaint with the Supreme Administrative Court on 23 December 2019. At present, the company is waiting for the date of the hearing to be set.

CIT audit for 2013 at CIECH S.A. was initiated by the Tax Audit Office in Warsaw on 30 November 2016. The tax audit report was issued on 16 May 2017. The authority claims that the Company has overestimated the tax deductible cost of interest on cash obtained as a result of the issue of bonds and allocated to the reserve capital of CIECH Soda Deutschland GmbH & Co. KG. Moreover, the authority is of the opinion that the fee for the “CIECH” trademark should not be recognised by CIECH S.A. as a tax deductible cost.

The tax base challenged by the authority is PLN 9.4 million (after taking into account the tax loss incurred in the audited year), which translates into a tax of PLN 1.8 million.
The company and its advisors did not agree with the findings of the auditors and as a result of the tax proceedings, the Decision of the First Instance was issued, against which the company filed an appeal in 2017. On 14 March 2018 CIECH S.A. received the decision of the Second Instance in which the auditors upheld their findings contained in the Decision of the First Instance.
The company appealed to the Provincial Administrative Court against this decision. Despite this, the company decided to pay tax in the amount of PLN 1.8 million and interest (PLN 0.3 million) on 10 April 2018. The Court made its decision on 6 June 2019. The Court complied with the CIECH S.A. appeal as regards the costs of trademark fees, repealing the decision of the second instance. However, as regards the costs of consulting and financing of Soda Deutschland, the Court adjudicated that said costs could not constitute tax costs. After receipt of a written statement of reasons, the company lodged a cassation complaint with the Supreme Administrative Court in September 2019. At present, the company is waiting for the date of the hearing to be set.
CIT audit for 2014 at CIECH S.A. was initiated by the Head of the Małopolskie Province Customs and Tax Office in Kraków (hereinafter: Head of the Małopolskie Province Customs and Tax Office in Kraków) on 13 November 2019. The Company received the outcome of the audit on 22 May 2020. The authority claims that the Company has overestimated the tax deductible cost by including interest on external financing contributed to the capital reserves of Soda Deutschland Ciech GmbH (hereinafter: SDC) and the costs of obtaining this financing in tax deductible costs. Moreover, the authority is of the opinion that expenses incurred on account of trade mark fees paid to the CIECH Group company should not be recognised by CIECH S.A. as a tax deductible cost. The taxable amount challenged by the authority is PLN 32.5 million which translates into a potential tax liability of PLN 6.2 million. The Company does not agree with the findings made by the auditors As a result, the customs and fiscal audit was converted into tax proceedings. On 15 October 2020, the Company received a report on the audit of the books in which the Head of the Małopolskie Province Customs and Tax Office leaves only the charge that the company overestimated the tax deductible cost by including interest on external financing contributed to the capital reserves of SDC and the costs of obtaining this financing in tax deductible costs (the taxable amount is PLN 22.6 million which translates into a potential tax liability of PLN 4.3 million). Thus, the office has refrained from questioning the expenses incurred for trade mark fees as a tax deductible cost. In the same month, the company submitted objections to the report on the audit of the books.
In addition, on 6 October 2020 the company received from the Head of the Małopolskie Province Customs and Tax Office a notice of suspension, as of 1 September 2020, of the statute of limitations for tax liabilities for 2014 due to initiation of proceedings for fiscal offences.

On 28 February 2022, the Company received the Order of the Head of the Małopolskie Province Customs and Tax Office to suspend the Tax proceedings, in which the Auditing Authority indicates that the consideration of the case and the issue of the decision depends on the resolution of the preliminary issue by another authority or court, and the proceedings before the Supreme Administrative Court regarding the dispute on the settlement of the corporate income tax for 2013 is directly related to the correct settlement of the corporate income tax for 2014.
CIT audit for 2015 at CIECH Soda Polska S.A. was initiated by the Head of the Kujawsko-Pomorskie Province Tax Office in Bydgoszcz on 10 October 2016. On 7 March 2017, the tax office issued the tax audit report. The irregularities found result primarily from the fact that the auditors challenged the company's right to settle the loss from participation in a partnership – as was the case for CIECH Pianki Sp. z o.o., CIECH Cargo Sp. z o.o., CIECH Vitrosilicon S.A., CIECH Sarzyna S.A. The Company and its tax advisors do not agree with the position of the auditors. In June 2019, CIECH Soda Polska S.A. received a decision of the Kujawsko-Pomorskie Tax Office Head in Bydgoszcz (decision of the First instance), according to which the company had understated - due to its participation in a partnership - its tax obligations in the amount of PLN 3.9 million. The Company appealed against said decision. On 9 September 2019, the company received a decision (decision of the Second instance) issued by the Head of the Tax Administration Chamber in Bydgoszcz, in which the latter upheld the findings of the decision of the First instance. The decision issued by the second instance authority is enforceable. Therefore, the company was obliged to pay the overdue tax (as per the tax auditors) in the amount of PLN 3.9 million (the tax base challenged by the tax authorities was PLN 20.4 million) plus the interest due in the amount of PLN 1 million. On 9 October 2019, the company appealed to the Provincial Administrative Court in Bydgoszcz against the decision of the Second Instance. At a hearing on 11 December 2019, after considering the appeal filed by the Company, the Provincial Administrative Court issued a ruling annulling the decision issued by the Head of the Tax Administration Chamber in Bydgoszcz in its entirety. In February 2020,

Head of the Tax Administration Chamber in Bydgoszcz lodged a cassation complaint with the Supreme Administrative Court. At present, the company is waiting for the date of the hearing to be set.

CIT audit for 2015 at CIECH Pianki Sp. z o.o. was initiated by the Head of the Kujawsko-Pomorskie Province Tax Office in Bydgoszcz on 22 November 2016. On 3 March 2017, the tax office issued the tax audit report. As was the case for CIECH Soda Polska S.A., CIECH Cargo Sp. z o.o., CIECH Vitrosilicon S.A., CIECH Sarzyna S.A., the authority challenged the company's right to settle the loss from participation in a partnership.

The Company and its tax advisors do not agree with the position of the auditors. In June 2019, CIECH Pianki S.A. received a decision of the Kujawsko-Pomorskie Tax Office Head in Bydgoszcz (decision of the First instance), according to which the company had understated - due to its participation in a partnership - its tax obligations in the amount of PLN 2.6 million.

The Company appealed against said decision. On 9 September 2019, the company received a decision (decision of the Second instance) issued by the Head of the Tax Administration Chamber in Bydgoszcz, in which the latter upheld the findings of the decision of the First instance. The decision issued by the second instance authority is enforceable. Therefore, the company was obliged to pay the overdue tax (as per the tax auditors) in the amount of PLN 2.6 million (the tax base challenged by the tax authorities was PLN 13.8 million) plus the interest due in the amount of PLN 0.7 million. On 9 October 2019, the company appealed to the Provincial Administrative Court in Bydgoszcz against the decision of the Second Instance. At a hearing on 11 December 2019, after considering the appeal filed by the Company, the Provincial Administrative Court issued a ruling annulling the decision issued by the Head of the Tax Administration Chamber in Bydgoszcz in its entirety. In February 2020, Head of the Tax Administration Chamber in Bydgoszcz lodged a cassation complaint with the Supreme Administrative Court. At present, the company is waiting for the date of the hearing to be set.

CIT audit for 2015 at CIECH Cargo Sp. z o.o. was initiated by the Head of the Kujawsko-Pomorskie Province Tax Office in Bydgoszcz on 23 January 2017. On 14 June 2017, the tax office issued the tax audit report. As was the case for CIECH Pianki Sp. z o.o., CIECH Soda Polska S.A., CIECH Vitrosilicon S.A., CIECH Sarzyna S.A., the authority challenged the company's right to settle the loss from participation in a partnership. The Company and its tax advisors do not agree with the position of the auditors. In June 2019, CIECH Cargo Sp. o.o. received a decision of the Kujawsko-Pomorskie Tax Office Head in Bydgoszcz (decision of the First instance), according to which the company had understated - due to its participation in a partnership - its tax obligations in the amount of PLN 1.7 million. The Company appealed against said decision. On 9 September 2019, the company received a decision (decision of the Second instance) issued by the Head of the Tax Administration Chamber in Bydgoszcz, in which the latter upheld the findings of the decision of the First instance. The decision issued by the second instance authority is enforceable. Therefore, the company was obliged to pay the overdue tax (as per the tax auditors) in the amount of PLN 1.7 million (the tax base challenged by the tax authorities was PLN 8.8 million) plus the interest due in the amount of PLN 0.5 million. On 9 October 2019, the Company appealed to the Provincial Administrative Court in Bydgoszcz against the decision of the Second Instance. At a hearing on 11 December 2019, after considering the appeal filed by the Company, the Provincial Administrative Court issued a ruling annulling the decision issued by the Head of the Tax Administration Chamber in Bydgoszcz in its entirety. In February 2020, Head of the Tax Administration Chamber in Bydgoszcz lodged a cassation complaint with the Supreme Administrative Court. At present, the company is waiting for the date of the hearing to be set.

CIT audit for 2015 at CIECH Vitrosilicon S.A. was initiated by the Head of the Lubuskie Province Customs and Tax Office in Gorzów Wielkopolski on 19 April 2018. The company received the outcome of the audit on 4 January 2019. As was the case for CIECH Soda Polska S.A., CIECH Cargo Sp. z o.o., CIECH Pianki Sp. z o.o., CIECH Sarzyna S.A., the authority challenged the company's right to settle the loss from participation in a partnership. The Company and its tax advisors do not agree with the position of the auditors. If the unfavourable position of the authority is upheld, an obligation may arise to pay tax arrears in the amount of PLN 2.7 million (the tax base challenged by the authority is PLN 14.4 million) plus with interest due. Tax proceedings are currently underway.

In addition, on 12 March 2021 the company received from the Head of the Lubuskie Province Customs and Tax Office a notice of suspension, as of 1 February 2021, of the statute of limitations for tax liabilities for 2015 due to initiation of proceedings for fiscal offences.

CIT audit for 2015 at CIECH Sarzyna S.A. was initiated by the Head of the Podkarpackie Province Tax Office in Reszów on 6 February 2017. On 7 November 2017, the tax office issued the audit report. As was the case for CIECH Pianki Sp. z o.o., CIECH Soda Polska S.A., CIECH Vitrosilicon S.A., CIECH Cargo Sp. z o.o., the authority challenged the company's right to settle the loss from participation in a partnership. In addition, the authority challenged the company's right to include the fee for the trademark and interest on loans paid in advance in tax deductible costs. The Company and its tax advisors do not agree with the position of the auditors. On 2 December 2021, the Company received the Decision of the Head of the Podkarpackie

Province Tax Office in Reszów of 19 November 2021. In the Decision issued, the Office further questions the company's right to settle the loss from participation in a partnership and the right to include the trademark fee as a tax deductible cost. The Office, on the other hand, upheld the Company's arguments and abandoned the questioning of loan interest as a tax deductible cost. Although the Decision is not due, on 2 December 2021 the company paid tax and interest (tax in the amount of PLN 6.4 million, interest of PLN 1 million). On 16 December 2021, the Company filed an appeal against the Decision of the Head of the Podkarpackie Province Tax Office in Reszów. The company is currently awaiting the decision of the second instance authority.
In addition, on 21 December 2021 the company received from the Head of the Podkarpackie Province Tax Office in Reszów a notice of suspension, as of 3 December 2021, of the statute of limitations for tax liabilities for 2015 due to initiation of proceedings for fiscal offences.
CIT audit for 2016 at CIECH Sarzyna S.A. was initiated by the Head of the Podkarpackie Province Tax Office in Reszów on 26 February 2018. On 11 January 2019, the tax office issued the audit report. According to the authority, the expenses incurred by the company in 2016 for the use of Chwastox trademarks cannot be classified as tax deductible costs. Additionally, the authority claims that the company may not offset the loss for 2015 in the annual return for 2016. The Company and its tax advisors do not agree with the position of the auditors. If the unfavourable position of the authority is upheld, an obligation may arise to pay tax arrears in the amount of PLN 4.8 million (the tax base challenged by the authority is PLN 25.1 million) plus with interest due. Tax proceedings are currently underway.
CIT audit for 2016 at CIECH S.A. On 25 May 2021, CIECH S.A. received an authorisation from the Head of the Małopolskie Province Customs and Tax Office in Kraków to carry out a customs and fiscal audit with regard to corporate income tax (CIT) for 2016. Tax audit is currently underway.

The total amount of possible tax burdens is PLN 108.7 million. From that, following the decisions of the second instance, regarding CIT (2012 and 2013) in CIECH S.A., and CIT (2015) in CIECH Soda Polska S.A., CIECH Pianki Sp. z o.o. and CIECH Cargo Sp. z o.o., despite further dispute before court, and also following the decision of the first instance in the case of CIECH Sarzyna S.A. despite further litigation, a total tax amount of PLN 60.1 million was paid (including PLN 1.8 million of this amount is reported as receivables from the Tax Office, all of which was covered by an impairment loss and interest in the total amount of PLN 27.9 million). Provision is recognised for a potential tax liability of PLN 39.1 million. The remaining amount, i.e. PLN 9.5 million and potential interest on that amount, is not covered by a provision and represents a contingent liability.

The CIECH Group companies were subject to VAT audits/proceedings concerning the following years:

a) Fourth quarter of 2013
   - at Verbis Kappa Sp. z o.o. S.K.A.
   - at Verbis ETA Sp. z o.o. S.K.A.
b) December 2014 – at Cerium Finance Sp. z o.o.
c) January–June 2018 – at CIECH Trading Sp. z o.o.

VAT audit for the fourth quarter of 2013 at Verbis Kappa Sp. z o.o. S.K.A. was initiated by the Head of the Małopolskie Province Customs and Tax Office in Kraków on 6 April 2018. The company received the outcome of the audit on 11 June 2018. The authority challenged the right to deduct VAT on part of the contribution in kind made to the share premium. According to the authority, the taxable amount of the contribution received is the amount equal to the nominal value of the shares acquired. The market value of the in-kind contribution less the amount of VAT was recognised as the taxable amount in the invoice received by the company. Consequently, according to the authority, the company deducted the input tax in the amount to which it was not entitled. The taxable amount challenged by the authority is PLN 35.7 million which translates into a tax of PLN 8.2 million.
The Company and the other party to the transaction, i.e. CIECH Sarzyna S.A., filed motions for tax rulings. The Director of the National Revenue Information agreed with the position of CIECH Sarzyna S.A. presented in the motion that the taxable amount of the in-kind contribution made in 2013 was the value of the contribution, i.e. the market value of the in-kind contribution less the amount of VAT. Taking into account the positive interpretation concerning the taxable amount (an interpretation received after the event that is the subject of the dispute) and the case-law line that existed until the end of 2013, the issuer of the invoice, i.e. CIECH Sarzyna S.A., and its advisors believe that the taxable amount should be the market value of the in-kind contribution less the amount of VAT. Therefore, the company did not make a VAT correction, considering that the tax treatment of the in-kind contribution made in 2013 was correct. On 7 August 2019, the company received the decision of the Head of the Małopolskie Province Customs and Tax Office in Kraków, upholding the previous position of the authority, that the company had no right to deduct VAT in the amount of PLN 8.2 million. The Company and its advisors do

not agree with the findings set forth in the Decision and have appealed against it. On 14 November 2019, the company received the Decision of the second instance, where the Head of the Małopolskie Province Customs and Tax Office upheld the decision of the first instance in its entirety. The decision issued by the second instance authority is enforceable. Therefore, the company was obliged to pay the overdue VAT (as per the tax auditors) in the amount of PLN 8.2 million plus the interest due in the amount of approx. PLN 3.9 million. On 13 December 2019, the Company appealed against the decision of the second instance to the Provincial Administrative Court in Kraków. At a hearing on 22 July 2020, after considering the appeal filed by the Company, the Provincial Administrative Court issued a ruling dismissing the complaint filed by the Company, accepting the position of the Małopolskie Province Customs and Tax Office in Kraków. The company received a written statement of reasons for the judgment and lodged a cassation complaint with the Supreme Administrative Court in November 2020. At present, the company is waiting for the date of the hearing to be set.

VAT audit for the fourth quarter of 2013 at Verbis ETA Sp. z o.o. S.K.A. was initiated by the Head of the Małopolskie Province Customs and Tax Office in Kraków on 5 April 2018. The company received the outcome of the audit on 16 June 2018. The authority challenged the right to deduct VAT on part of the contribution in kind made to the share premium. According to the authority, the taxable amount of the contribution received is the amount equal to the nominal value of the shares acquired. The market value of the in-kind contribution less the amount of VAT was recognised as the taxable amount in the invoice received by the company. Consequently, according to the authority, the company deducted the input tax in the amount to which it was not entitled. The taxable amount challenged by the authority is PLN 133.5 million which translates into a tax of PLN 30.8 million.

The Company and the other party to the transaction, i.e. CIECH S.A., filed motions for tax rulings. The Director of the National Revenue Information agreed with the CIECH S.A.’s position that the company had determined the taxable amount in a correct manner, i.e. the taxable amount of the in-kind contribution made in 2013 should have been the value of the contribution, i.e. the market value of the in-kind contribution less the amount of VAT. Taking into account the positive interpretation concerning the taxable amount (an interpretation received after the event that is the subject of the dispute) and the case-law line that existed until the end of 2013, the Company and its advisors believe that the taxable amount should be the market value of the in-kind contribution less the amount of VAT. Therefore, the company and, accordingly, the other party to the transaction complied with the ruling.

On 17 July 2019, the company received the decision of the Head of the Małopolskie Province Customs and Tax Office in Kraków, upholding the previous position of the authority, that the Company had no right to deduct VAT in the amount of PLN 30.8 million. The Company and its advisors do not agree with the findings set forth in the Decision and have appealed against it. On 6 August 2019, the company received an order of the Head of the Third Tax Office for Warszawa-Śródmieście to make the Decision of the Head of the Małopolskie Province Customs and Tax Office in Krakow, issued in connection with the tax proceedings conducted against the company, immediately enforceable. The Company filed a complaint against said decision. Irrespective of the complaint, the company applied to the Head of the Third Tax Office for crediting the overpaid VAT in the amount of PLN 30.8 million resulting from the correction of the VAT settlement for July 2018 towards the arrears indicated in the Decision of the Małopolskie Province Customs and Tax Office in Krakow, and repaid interest in the amount of PLN 12.4 million. In its decision, the Head of the Third Tax Office agreed to the company's request. Thus, no enforcement proceedings were initiated. On 24 October 2019, the company received the Decision of the second instance, where the Head of the Małopolskie Province Customs and Tax Office upheld the decision of the first instance in its entirety. On 13 November 2019, the company received the decision issued by the Head of the Tax Administration Chamber in Warsaw concerning the upholding of the decision of the Third Tax Office to make the non-final decision of the first-instance authority immediately enforceable. Due to the fact that the company had received the decision of the second instance earlier, it did not file a complaint to the Provincial Administrative Court in Warsaw against the decision received. On 25 November 2019, however, the Company appealed against the decision of the second instance to the Provincial Administrative Court in Kraków. At a hearing on 29 July 2020, after considering the appeal filed by the Company, the Provincial Administrative Court issued a ruling dismissing the complaint filed by the Company, accepting the position of the Małopolskie Province Customs and Tax Office in Kraków. The company received a written statement of reasons for the judgment and lodged a cassation complaint with the Supreme Administrative Court on 20 January 2021. At present, the company is waiting for the date of the hearing to be set.

In total, in the two aforementioned disputes concerning VAT in Verbis Kappa Sp. z o.o. and Verbis ETA Sp. S.K.A. and Verbis ETA Sp. z o.o. S.K.A., despite the continuation of the dispute, PLN 39 million of VAT and PLN 16.3 million of interest were paid after the decisions of the second instance. These amounts are reported as public-law receivables in the financial statements due to the fact that the companies and its tax advisors estimate the chances of winning these disputes to be above 50%. At the same time, due to the continuing uncertainty as to the direction of the dispute resolution by the Supreme Administrative Court, these amounts are also reported as contingent liabilities.

VAT audit for December 2014 at Cerium Finance Sp. z o.o. was initiated by the Head of the Małopolskie Province Customs and Tax Office in Kraków on 5 April 2018. The company received the outcome of the audit on 19 June 2018. The authority challenged the right to deduct VAT on part of the contribution in kind made to the share premium. According to the authority, the taxable amount of the contribution received is the amount equal to the nominal value of the shares acquired. The market value of the in-kind contribution less the amount of VAT was recognised as the taxable amount in the invoice received by the company.

Consequently, according to the authority, the company deducted the input tax in the amount to which it was not entitled. The taxable amount challenged by the authority is PLN 110 million which translates into a tax of PLN 25.3 million. Guided by the outcome of the audit, the other party to the in-kind contribution transaction, i.e. CIECH Soda Polska S.A., issued a correction to the invoice, specifying the taxable amount of the in-kind contribution as the nominal value of the shares acquired. Cerium Finance Sp. z o.o. included the correction of the invoice in the current tax return and paid the tax. CIECH Soda Polska S.A. received a refund of overpaid VAT.

The Company and CIECH Soda Polska S.A. filed motions for tax rulings. The Director of the National Revenue Information agreed with the position of the companies with respect to the recognition of a VAT correction in the current period – the companies had already received the interpretations after the event that is the subject of the dispute. In turn, CIECH Soda Polska S.A. received a reply that the taxable amount of the in-kind contribution made in 2014 was the nominal value of the shares acquired. Taking into account the ruling concerning the taxable amount and the regulations, as amended in 2014, according to which the taxable amount should be the value contributed to the share capital, the company is of the opinion that the correction made (included in the current period) is correct.

On 17 July 2019, CIECH Soda Polska S.A. (CSP), as the legal successor of Cerium Finance Sp. z o.o., received the Accounting Books’ Audit Report, in which the auditors upheld their position, that the Company had no right to deduct VAT in the amount of PLN 25.3 million, without referring to the correction of VAT submitted by the Company in the current period and payment of this tax.

On 11 September 2019, the CSP received the decision of the Head of the Małopolskie Province Customs and Tax Office in Kraków, upholding the previous position of the authority, that Cerium Finance Sp. z o.o. had no right to deduct VAT in the amount of PLN 25.3 million. CSP appealed against the decision of the first instance. On 7 January 2020, the company received the Decision of the second instance, where the Head of the Małopolskie Province Customs and Tax Office in Kraków upheld the decision of the first instance in its entirety. The decision issued by the second instance authority was enforceable. Therefore, despite the fact that the amount of VAT has already been paid to the relevant tax office in connection with the correction of VAT settlement submitted in the current period, according to the received individual ruling, the company decided to pay again the same amount of VAT of PLN 25.3 million and interest of PLN 10 million. The VAT paid again will be recovered by CSP at the latest after the completion of the court and administrative proceedings (for December 2014), if any, or after the completion of the overpayment proceedings for July 2018. On 6 February 2020, the Company appealed against the decision of the second instance to the Provincial Administrative Court in Kraków. At a hearing on 22 September 2020, after considering the appeal filed by the Company, the Provincial Administrative Court issued a ruling dismissing the complaint filed by the Company, accepting the position of the Małopolskie Province Customs and Tax Office in Kraków. The company received a written statement of reasons for the judgment and lodged a cassation complaint with the Supreme Administrative Court on 13 January 2021. At present, the company is waiting for the date of the hearing to be set.

The amount of interest paid, i.e. PLN 10 million, is reported in the financial statements as public-law receivables due to the fact that the company and its tax advisors estimate the chances of winning the dispute to be above 50%. At the same time, due to the continuing uncertainty as to the direction of the dispute resolution by the Supreme Administrative Court, this amount is also reported as a contingent liability.

VAT audit for the period from January to June 2018 at CIECH Trading Sp. z o.o. was commenced by the Head of the Kujawsko-Pomorskie Province Customs and Tax Office in Toruń (for the period from January to April 2018) – commenced on 20 June 2018, and by the Head of the Śląskie Province Customs and Tax Office in Katowice (for the period from May to June 2018) – commenced on 19 September 2018. On 13 September 2019, the Company received a report on the audit of the books and the outcome of the audit from the Kujawsko-Pomorskie Province Customs and Tax Office in Toruń. According to the auditors, the company overstated the input tax by PLN 1.4 million, deducting the tax resulting from invoices issued by two contractors who, according to the authority, committed tax fraud at an earlier stage of trade. According to the authority, the company failed to exercise due diligence when entering into transactions with these entities. The Company does not agree with the position of the auditors. However, given the lack of clear legal guidelines as to the scope of due diligence and following the prudence principle, the company decided to correct the VAT return for the period from January to April 2018 in the amount indicated by the authority, i.e. PLN 1.4 million. In addition, following the prudence principle in order to prevent a possible additional tax liability in the form of VAT sanctions, the company corrected its VAT settlements for 2017 and for the period from July to November 2018, excluding from its settlements the input VAT on invoices issued by the same two counterparties for whom the authority refuses to deduct input VAT for the period from January to June 2018. The amount of the corrected VAT is PLN 7.5 million. As a result of corrections made to VAT returns and their settlement with the tax office, the company paid PLN 0.5 million in interest. On 10 February 2020, the Company received the decision of the Head of the Kujawsko-Pomorskie Province Customs and Tax Office in Toruń concerning the determination of an additional VAT liability in relation to the audit for the period from January to April 2018. The amount of sanctions indicated in the Decision is PLN 1.4 million. The Company lodged an appeal against the Decision received with the Head of the Kujawsko-Pomorskie Province Customs and Tax Office. Regardless of the appeal filed, in order to avoid further accrual of interest, on 5 June 2020 the Company paid the amount of this additional tax liability together with interest. On 21 July 2020, the Company received the decision of the Head of the Kujawsko-Pomorskie Province Customs and Tax Office in Toruń (appeal body). The decision upholds the decision of the first instance authority to set the additional VAT liability in CIECH Trading Sp. z o.o. at 100%, i.e. in the amount of PLN 1.4 million. This Decision is final. On 19 August 2020, the Company appealed against the decision of the second instance to the Provincial Administrative Court in Bydgoszcz. At a hearing on 18 November 2020, after considering the appeal filed by the Company, the Provincial Administrative Court issued a ruling dismissing the complaint filed by the Company, accepting the position of the Head of the Kujawsko-Pomorskie Province Customs and Tax Office. The company received a written statement of reasons for the judgment and lodged a cassation complaint with the Supreme Administrative Court on 28 January 2021. On 22 October 2021 the Supreme Administrative Court overturned the appealed verdict of the Provincial Administrative Court in its entirety and overturned the appealed decision of the Head of the Kujawsko-Pomorskie Province Customs and Tax Office in Toruń (2nd instance authority) on the additional tax liability in VAT at the rate of 100%. The case will now be referred back to the Head of the Kujawsko-Pomorskie Province Customs and Tax Office in Toruń who will reconsider it, taking into account the statement of reasons of the Supreme Administrative Court. In the statement of reasons for the judgment, the Supreme Administrative Court ruled on the non-applicability of the sanction at the 100% rate in the present case. However, there is no guidance on setting the sanction at a different amount or not setting it at all. Ciech Trading Sp. z o.o. will be entitled to appeal against the new decision of the Customs and Tax Office. On 29 March 2022, the Company's attorney received the decision of the Head of the Kujawsko-Pomorskie Province Customs and Tax Office in Toruń concluding once again the appeal proceedings for the period from January to April 2018 (after CIECH Trading Sp. z o.o. won before the Supreme Administrative Court). The decision in question revokes the previous decision in its entirety (both in the part concerning the determination of the sanction of 100% and 15%) and determines the new amount of the additional VAT liability for this period, i.e. 20% (instead of 100%) in the amount of PLN 286.5 thousand and the additional VAT liability for the period from January to February 2018 and April 2018 at the rate of 15% in the same amount as in the previous decision, i.e. PLN 4.9 thousand (the appeal filed did not cover this part of the decision). Thus, the case was closed and the company received a refund of PLN 1 million (80% of the 100% sanction amount) together with interest accrued over nearly 2 years, which should have been returned to the company in principle within 30 days.

In case of the audit of VAT settlements for the period of May and June 2018 carried out by the Head of the Silesian Customs and Tax Office in Katowice, in September 2020 the company received the results of the audit relating to each of the months audited, in which the office refused the company the right to deduct input tax in the amount of PLN 1.5 million. In October 2020, the company paid the disputed amount of tax plus interest. The company recognised a provision for possible VAT arrears, interest and a sanction for the period of May-June 2018 in the amount of PLN 3.8 million. In December 2020, the Company received two Decisions issued by the Head of the Silesian Customs and Tax Office on the transformation of the customs and fiscal audit into tax proceedings on the determination of the additional VAT tax liability for May and June 2018. On 13 January 2021, the Head of the Silesian Customs and Tax Office in Katowice issued a decision on determining the additional VAT liability in the amount of PLN 1.5 million. The Company lodged an appeal against the Decision received with the Head of the Silesian Customs and Tax Office. Regardless of the appeal filed, in order to avoid further accrual of interest, on 11 February 2021 the Company paid the amount of this additional tax liability together with interest. On 25 February 2022, the Company received two Decisions of the Head of the Silesian Customs and Tax Office in Katowice concluding the appeal proceedings for May and June 2018. The decisions in question revoke previous decisions setting a sanction of 100% and set a new sanction of 20%. As CIECH Trading Sp. z o.o. made a sanction payment of 100%, the amount of PLN 1.2 million (80% of the amount paid) together with interest was due to be returned to the company. CIECH Trading Sp. z o.o. will not appeal against the decisions issued. This concluded the dispute concerning the period from May to June 2018.

The audit at CIECH the Ciech Group in Germany concerns income tax and VAT settlements. The audit concerns the following companies: Sodawerk Staßfurt Verwaltungs GmbH, CIECH Soda Deutschland GmbH & Co. KG, Sodawerk Holding Staßfurt

GmbH, SDC GmbH, CIECH Energy Deutschland GmbH. The audits, initiated in previous years, cover settlements for 2007-2009 and 2010-2015 and concern various factual and legal matters. In addition, on 28 October 2021, the audit for the period 2016-2019 was initiated.

As at the balance sheet date, the outcome of the audit is not known – the companies did not receive any reports/decisions from the tax authorities. In case of a different assessment of economic events by audit authorities, an obligation may arise to recalculate and potentially increase the tax liability and to pay interest on tax arrears. Under the prudence principle, the companies have, however, recognized provisions for potential tax liabilities and interest in the total amount of EUR 15.8 million (after conversion into PLN according to the exchange rate quoted on the balance sheet date – about PLN 73.4 million) Of the reported EUR 15.8 million, the provision recognised in previous years is EUR 15.8 million (about PLN 73.4 million). In addition, an amount of EUR 2.5 million (PLN 11.8 million after translation) represents a contingent liability.

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 Note 2.11 hereto.

QUARTERLY FINANCIAL INFORMATION
OF THE PARENT COMPANY
CIECH S.A.
FOR 3-MONTH PERIOD ENDED 31 MARCH 2022

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2022 (in PLN '000)

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

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

	01.01.-31.03.2022	01.01.-31.03.2021
CONTINUING OPERATIONS		
Sales revenues	**502,654**	**384,238**
Cost of sales	(417,702)	(324,815)
Gross profit on sales	**84,952**	**59,423**
Other operating income	1,789	1,106
Selling costs	(37,895)	(29,891)
General and administrative expenses	(18,542)	(18,302)
Other operating expenses	(2,362)	(1,719)
Operating profit	**27,942**	**10,617**
Financial income	102,710	107,367
Financial expenses	(72,230)	(69,285)
Net financial income/(expenses)	**30,480**	**38,082**
Profit before tax	**58,422**	**48,699**
Income tax	(7,622)	552
Net profit on continuing operations	**50,800**	**49,251**
DISCONTINUED OPERATIONS		
Net profit/(loss) on discontinued operations	-	49,626
Net profit for the year	**50,800**	**98,877**
Earnings per share (in PLN):		
Basic	0.96	1.88
Diluted	0.96	1.88
Earnings per share (in PLN) from continuing operations:		
Basic	0.96	0.93
Diluted	0.96	0.93

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

	01.01.-31.03.2022	01.01.-31.03.2021
Net profit on continuing operations	**50,800**	**49,251**
Net profit/(loss) on discontinued operations	-	49,626
Net profit for the year	**50,800**	**98,877**
Other comprehensive income before tax that may be reclassified to the statement of profit or loss	**2,726**	**2,951**
Cash flow hedge reserve	2,726	2,951
Other comprehensive income before tax that may not be reclassified to the statement of profit or loss	**-**	**-**
Income tax attributable to other comprehensive income	**(518)**	**(561)**
Income tax attributable to other comprehensive income that may be reclassified to the statement of profit or loss	(518)	(561)
Other comprehensive income net of tax	**2,208**	**2,390**
TOTAL COMPREHENSIVE INCOME	**53,008**	**101,267**

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2022 (in PLN '000)

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

	31.03.2022	31.12.2021
ASSETS		
Property, plant and equipment	12,777	13,287
Intangible assets	73,339	72,316
Long-term financial assets	2,996,349	3,158,160
Deferred income tax assets	494	6,990
Rights to use an asset	21,679	22,235
Total non-current assets	**3,104,638**	**3,272,988**
Inventory	4,121	5,162
Short-term financial assets	796,459	662,051
Income tax receivables	-	37
Trade and other receivables	227,300	204,844
Cash and cash equivalents	537,649	467,475
Total current assets	**1,565,529**	**1,339,569**
Total assets	**4,670,167**	**4,612,557**
EQUITY AND LIABILITIES		
Share capital	287,614	287,614
Share premium	470,846	470,846
Cash flow hedge reserve	22,293	20,085
Actuarial gains	(150)	(150)
Other reserve capitals	422,699	422,699
Retained earnings	464,307	413,507
Total equity	**1,667,609**	**1,614,601**
Loans, borrowings and other debt instruments	1,855,358	1,854,153
Lease liabilities	18,191	18,513
Other non-current liabilities	84,952	118,070
Employee benefits reserve	744	734
Total non-current liabilities	**1,959,245**	**1,991,470**
Loans, borrowings and other debt instruments	461,248	397,099
Lease liabilities	5,504	5,407
Trade and other liabilities	540,204	569,006
Income tax liabilities	1,077	-
Employee benefits reserve	400	413
Other provisions	34,880	34,561
Total current liabilities	**1,043,313**	**1,006,486**
Total liabilities	**3,002,558**	**2,997,956**
Total equity and liabilities	**4,670,167**	**4,612,557**

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2022 (in PLN '000)

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

	01.01.-31.03.2022	01.01.-31.03.2021
Cash flows from operating activities		
Net profit for the period	**50,800**	**98,877**
Amortisation/depreciation	5,274	4,529
Recognition of impairment allowances	(398)	584
Foreign exchange (profit) /loss	(10,215)	(11,952)
(Profit) / loss on investment activities	25	(49,748)
(Profit) / loss on disposal of property, plant and equipment	62	(6)
Dividends and interest	2,907	(41,385)
Income tax	7,622	(552)
Change in liabilities due to loan arrangement fee	457	(7,930)
Value of derivatives	(34,943)	16,492
Konwersja rozrachunków na pożyczki		(10,000)
Cash from operating activities before changes in working capital and provisions	**21,591**	**(1,091)**
Change in receivables	(41,622)	(3,436)
Change in inventory	1,041	(18,904)
Change in current liabilities	(35,183)	(20,300)
Change in provisions and employee benefits	316	9
Cash generated from operating activities	**(53,857)**	**(43,722)**
Interest paid	(95)	(10,628)
Income tax (paid)	(529)	(4,892)
Net cash from operating activities	**(54,481)**	**(59,242)**
Cash flows from investment activities		
Disposal of a subsidiary	-	79,764
Disposal of intangible assets and property, plant and equipment	416	41
Dividends received	-	43,802
Interest received	4,832	6,917
Proceeds from repaid borrowings	194,808	30,249
Reduction of capital for remuneration in a subsidiary	19,000	-
Acquisition of a subsidiary	(5)	(1,000)
Acquisition of intangible assets and property, plant and equipment	(10,123)	(7,594)
Borrowings paid out	(124,720)	(97,068)
Cash pooling inflows*	168	-
Cash pooling outflows*	-	(16,602)
Net cash from investment activities	**84,376**	**38,509**
Cash flows from financial activities		
Proceeds from loans and borrowings	-	145
Cash pooling inflows*	40,815	15,794
Repayment of loans and borrowings	-	(20,000)
Payments of lease liabilities	(1,220)	(1,262)
Net cash from financial activities	**39,595**	**(5,323)**
Total net cash flows	**69,490**	**(26,056)**
Cash and cash equivalents as at the beginning of the period	**467,476**	**265,287**
Impact of foreign exchange differences	*683*	*581*
Cash and cash equivalents as at the end of the period	**537,649**	**239,812**

**Cash pooling – presentation in cashflow:*

- *Investing activities – the company presents the change in receivables from cash pooling*
- *Financing activities – the company presents the change in liabilities on account of cash pooling*

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2022 (in PLN ’000)

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

	Share capital	Share premium	Cash flow hedge reserve	Other reserve capitals	Actuarial gains	Retained earnings	Total equity
01.01.2022	**287,614**	**470,846**	**20,085**	**422,699**	**(150)**	**413,507**	**1,614,601**
Total comprehensive income for the period	**-**	**-**	**2,208**	-	**-**	**50,800**	**53,008**
Net profit / (loss) for the period	-	-	-	-	-	50,800	50,800
Other comprehensive income	-	-	2,208	-	-	-	2,208
31.03.2022	**287,614**	**470,846**	**22,293**	**422,699**	**(150)**	**464,307**	**1,667,609**
01.01.2021	**287,614**	**470,846**	**(25,713)**	**422,699**	**(78)**	**438,400**	**1,593,768**
Total comprehensive income for the period	**-**	**-**	**2,390**	-	-	**98,877**	**101,267**
Net profit / (loss) for the period	-	-	-	-	-	98,877	98,877
Other comprehensive income	-	-	2,390	-	-	-	2,390
31.03.2021	**287,614**	**470,846**	**(23,323)**	**422,699**	**(78)**	**537,277**	**1,695,035**

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

5.1. BASIS OF PREPARATION

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

These interim condensed separate financial statements were prepared in compliance with IAS 34 “Interim Financial Reporting” as approved by the European Union and the Regulation of the Minister of Finance dated 29 March 2018 on current and periodical information submitted by issuers of securities and on conditions for deeming equivalent information required by the law of a Non-Member State (Journal of Laws 2018.757 of 2018). These financial statements present the financial position of the CIECH Group as at 31 March 2022 and as at 31 December 2021, results of the Company’s operations and cash flows for the period of 3 months ended 31 March 2022 and 31 March 2021, and were approved by the Management Board of CIECH S.A. on 18 May 2022.

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

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

These interim condensed separate financial statements should be read together with the interim condensed consolidated financial statements of the CIECH Group for the 3-month period ended 31 March 2022.

5.2. ADOPTED ACCOUNTING PRINCIPLES

The CIECH S.A.’s accounting principles are described in the Financial Statements of CIECH S.A. for 2021, published on 29 March 2022. The aforementioned Financial Statements include detailed information regarding the principles and methods of valuation of assets, equity and liabilities and measurement of the financial result as well as the method of preparing the financial statements and comparative information. These principles have been applied on a continuous basis with relation to currently published data, the last annual financial statements and comparative data presented.

5.3. CHANGES IN ESTIMATES

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

RATIO CALCULATION METHODOLOGY

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

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

REPRESENTATION BY THE MANAGEMENT BOARD

This Extended consolidated quarterly report of the CIECH Group for the first quarter of 2022 was approved by the Management Board of CIECH S.A. on 18 May 2022.

Warsaw, 18 May 2022

(signed on the polish original)

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

(signed on the polish original)

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

(signed on the polish original)

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

(signed on the polish original)

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Katarzyna Rybacka — Chief Accountant of CIECH Spółka Akcyjna