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**EXTENDED CONSOLIDATED  
QUARTERLY REPORT  
OF THE CIECH GROUP FOR THREE QUARTERS  
OF 2016**

Warsaw, 14 November 2016

**CIECH Group — selected consolidated financial data**

SELECTED FINANCIAL DATA	in PLN thousand		in EUR thousand	
	9 months ended 30.09.2016	9 months ended 30.09.2015	9 months ended 30.09.2016	9 months ended 30.09.2015
Sales revenues	2,547,533	2,458,843	583,120	591,281
Operating profit/(loss)	498,206	380,367	114,037	91,467
Profit/(loss) before tax	468,509	290,863	107,240	69,944
Net profit / (loss)	419,887	258,115	96,111	62,069
Net profit/(loss) attributable to shareholders of the parent company	419,499	255,258	96,022	61,382
Net profit/(loss) attributed to non-controlling interest	388	2,857	89	687
Other comprehensive income net of tax	(19,099)	7,750	(4,372)	1,864
Total comprehensive income	400,788	265,865	91,739	63,933
Cash flows from operating activities	549,245	371,154	125,720	89,252
Cash flows from investment activities	(337,789)	(313,222)	(77,318)	(75,321)
Cash flows from financial activities	(154,786)	(21,609)	(35,430)	(5,196)
Total net cash flows	56,670	36,323	12,972	8,735
	as at 30.09.2016	as at 31.12.2015	as at 30.09.2016	as at 31.12.2015
Total assets	4,110,996	3,910,273	953,385	917,581
Non-current liabilities	1,823,570	1,802,311	422,906	422,929
Current liabilities	695,329	766,458	161,254	179,856
Total equity	1,592,097	1,341,504	369,225	314,796
Equity attributable to shareholders of the parent	1,595,693	1,345,576	370,059	315,752
Non-controlling interest	(3,596)	(4,072)	(834)	(956)
Share capital	287,614	287,614	66,701	67,491
Earnings (loss) per ordinary share (in PLN/EUR)	7.96	4.84	1.82	1.16

**CIECH S.A. — selected separate financial data**

SELECTED FINANCIAL DATA	in PLN thousand		in EUR thousand	
	9 months ended 30.09.2016	9 months ended 30.09.2015	9 months ended 30.09.2016	9 months ended 30.09.2015
Sales revenues	1,615,743	1,523,474	369,837	366,352
Operating profit/(loss)	237,588	255,309	54,383	61,394
Profit/(loss) before tax	349,606	323,210	80,023	77,723
Net profit / (loss)	315,272	348,055	72,164	83,697
Other comprehensive income net of tax	(2,273)	2,223	(520)	535
Total comprehensive income	312,999	350,278	71,644	84,232
Cash flows from operating activities	283,091	185,027	64,798	44,494
Cash flows from investment activities	(177,471)	(252,500)	(40,622)	(60,719)
Cash flows from financial activities	(112,615)	107,686	(25,777)	25,895
Total net cash flows	(6,995)	40,213	(1,601)	9,670
	as at 30.09.2016	as at 31.12.2015	as at 30.09.2016	as at 31.12.2015
Total assets	3,623,721	3,227,761	840,381	757,424
Non-current liabilities	1,590,698	1,537,113	368,901	360,698
Current liabilities	572,996	393,425	132,884	92,321
Total equity	1,460,027	1,297,223	338,596	304,405
Share capital	287,614	287,614	66,701	67,491

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

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

as at 30.09.2016	as at 31.12.2015	9 months ended 30.09.2016	9 months ended 30.09.2015
1 EUR = 4.3120 PLN	1 EUR = 4.2615 PLN	1 EUR = 4.3688 PLN	1 EUR = 4.1585 PLN

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**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR 9-MONTH PERIOD ENDED 30 SEPTEMBER 2016**

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

**I. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT 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**

<i>PLN '000</i>	<b>01.01-30.09.2016</b>	<b>01.01-30.09.2015</b>	<b>01.07-30.09.2016</b>	<b>01.07-30.09.2015</b>
<b>CONTINUING OPERATIONS</b>				
Sales revenues	<b>2,547,533</b>	<b>2,458,843</b>	<b>853,937</b>	<b>800,719</b>
Cost of sales	(1,775,595)	(1,789,361)	(593,027)	(567,741)
<b>Gross profit/(loss) on sales</b>	<b>771,938</b>	<b>669,482</b>	<b>260,910</b>	<b>232,978</b>
Other operating income	56,424	31,656	11,721	9,374
Selling costs	(165,408)	(144,105)	(53,776)	(43,944)
General and administrative expenses	(123,725)	(114,279)	(43,668)	(45,424)
Other operating expenses	(41,023)	(62,387)	(21,392)	(13,401)
<b>Operating profit/(loss)</b>	<b>498,206</b>	<b>380,367</b>	<b>153,795</b>	<b>139,583</b>
Financial income	9,086	5,701	(2,837)	3,225
Financial expenses	(39,211)	(95,280)	(16,764)	(30,584)
<b>Net financial income/expenses</b>	<b>(30,125)</b>	<b>(89,579)</b>	<b>(19,601)</b>	<b>(27,359)</b>
Share of profit / (loss) of equity-accounted investees	428	75	(41)	(107)
<b>Profit/(loss) before tax</b>	<b>468,509</b>	<b>290,863</b>	<b>134,153</b>	<b>112,117</b>
Income tax	(48,622)	(32,748)	21,417	7,215
<b>Net profit/(loss) on continuing operations</b>	<b>419,887</b>	<b>258,115</b>	<b>155,570</b>	<b>119,332</b>
<b>DISCONTINUED OPERATIONS</b>				
<b>Net profit/(loss) on discontinued operations</b>	-	-	-	-
<b>Net profit / (loss)</b>	<b>419,887</b>	<b>258,115</b>	<b>155,570</b>	<b>119,332</b>
including:				
Net profit/(loss) attributable to shareholders of the parent company	419,499	255,258	155,506	116,801
Net profit/(loss) attributed to non-controlling interest	388	2,857	64	2,531
<b>Earnings per share (in PLN):</b>				
Basic	7.96	4.84	2.95	2.22
Diluted	7.96	4.84	2.95	2.22
<b>Earnings/(loss) per share (in PLN) from continuing operations:</b>				
Basic	7.96	4.84	2.95	2.22
Diluted	7.96	4.84	2.95	2.22

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 statement.

**Condensed Consolidated Statement of Other Comprehensive Income of the CIECH Group**

<i>PLN '000</i>	<b>01.01-30.09.2016</b>	<b>01.01-30.09.2015</b>	<b>01.07-30.09.2016</b>	<b>01.07-30.09.2015</b>
<b>Net profit/(loss) on continuing operations</b>	<b>419,887</b>	<b>258,115</b>	<b>155,570</b>	<b>119,332</b>
Net profit/(loss) on discontinued operations	-	-	-	-
<b>Net profit / (loss)</b>	<b>419,887</b>	<b>258,115</b>	<b>155,570</b>	<b>119,332</b>
<b>Other comprehensive income before tax that may be reclassified to profit or loss</b>	<b>(23,973)</b>	<b>9,375</b>	<b>16,479</b>	<b>(5,565)</b>
Currency translation differences (foreign companies)	1,767	1,744	(4,418)	3,955
Cash flow hedge	(25,734)	7,603	20,903	(9,562)
Other components of other comprehensive income	(6)	28	(6)	42
<b>Other comprehensive income before tax that may not be reclassified to profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income tax attributable to other comprehensive income</b>	<b>4,874</b>	<b>(1,625)</b>	<b>(6,158)</b>	<b>2,152</b>
Income tax attributable to other comprehensive income that may be reclassified to profit or loss	4,874	(1,625)	(6,158)	2,152
<b>Other comprehensive income net of tax</b>	<b>(19,099)</b>	<b>7,750</b>	<b>10,321</b>	<b>(3,413)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>400,788</b>	<b>265,865</b>	<b>165,891</b>	<b>115,919</b>
<b>Comprehensive income including attributable to:</b>	<b>400,788</b>	<b>265,865</b>	<b>165,891</b>	<b>115,919</b>
Shareholders of the parent company	400,312	262,431	165,689	113,617
Non-controlling interest	476	3,434	202	2,302

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 statement.

## Condensed Consolidated Statement of Financial Position of the CIECH Group

<i>PLN '000</i>	<b>30.09.2016</b>	<b>31.12.2015</b>
<b>ASSETS</b>		
Property, plant and equipment	2,501,586	2,305,005
Right of perpetual usufruct	30,506	31,409
Intangible assets, including:	124,610	140,875
- <i>goodwill</i>	62,938	62,378
Investment property	32,098	34,308
Non-current receivables	95,482	89,612
Investments in associates and jointly-controlled entities measured under the equity method	5,399	4,918
Other long-term investments	79,356	40,471
Deferred income tax assets	171,852	213,749
<b>Total non-current assets</b>	<b>3,040,889</b>	<b>2,860,347</b>
Inventory	247,256	293,631
Short-term investments	55,663	50,781
Income tax receivables	7,950	29,544
Trade and other receivables	496,680	469,652
Cash and cash equivalents	259,112	202,935
Non-current assets held for sale	3,446	3,383
<b>Total current assets</b>	<b>1,070,107</b>	<b>1,049,926</b>
<b>Total assets</b>	<b>4,110,996</b>	<b>3,910,273</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	287,614	287,614
Share premium	470,846	470,846
Cash flow hedge	(37,533)	(16,004)
Actuarial gains	434	434
Other reserve capitals	78,521	78,521
Currency translation reserve	(50,744)	(53,092)
Retained earnings	846,555	577,257
<b>Equity attributable to shareholders of the parent</b>	<b>1,595,693</b>	<b>1,345,576</b>
Non-controlling interest	(3,596)	(4,072)
<b>Total equity</b>	<b>1,592,097</b>	<b>1,341,504</b>
Loans, borrowings and other debt instruments	1,497,237	1,494,775
Finance lease liabilities	21,181	21,884
Other non-current liabilities	172,995	113,485
Employee benefits	12,583	12,829
Provisions	76,071	74,704
Deferred income tax liability	43,503	84,634
<b>Total non-current liabilities</b>	<b>1,823,570</b>	<b>1,802,311</b>
Loans, borrowings and other debt instruments	35,704	19,809
Finance lease liabilities	3,057	4,999
Trade and other liabilities	531,182	585,935
Reverse factoring liabilities	-	18,998
Income tax liabilities	46,929	55,020
Employee benefits	833	1,603
Provisions	77,624	80,094
<b>Total current liabilities</b>	<b>695,329</b>	<b>766,458</b>
<b>Total liabilities</b>	<b>2,518,899</b>	<b>2,568,769</b>
<b>Total equity and liabilities</b>	<b>4,110,996</b>	<b>3,910,273</b>

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

**Condensed Consolidated Statement of Cash Flows of the CIECH Group**

<i>PLN '000</i>	<b>01.01-30.09.2016</b>	<b>01.01-30.09.2015*</b>
<b>Cash flows from operating activities</b>		
<b>Net profit/(loss) on continuing operations</b>	<b>419,887</b>	<b>258,115</b>
Adjustments		
Amortisation/depreciation	163,927	162,216
Recognition of impairment allowances	(132)	(27)
Foreign exchange (profit) /loss	(1,680)	11,981
Investment property revaluation	(15,094)	6,362
(Profit) / loss on investment activities	74	2,581
(Profit) / loss on disposal of property, plant and equipment	(1,651)	(1,030)
Dividends and interest	16,184	71,257
Income tax	48,622	32,748
(Profit) / loss on the settlement of construction contracts (caverns)	(3,063)	(4,524)
Share of (profit) / loss on equity accounted investees	(428)	(75)
Change in liabilities due to loan arrangement fee	1,495	5,814
Ineffective portion of hedge accounting	(833)	-
Other adjustments	(6,973)	(6,927)
<b>Cash from operating activities before changes in working capital and provisions</b>	<b>620,335</b>	<b>538,491</b>
Change in receivables	(1,942)	(59,120)
Change in inventory	47,166	(45,928)
Change in current liabilities	(43,803)	(28,044)
Change in provisions and employee benefits	(7,746)	26,933
<b>Cash generated from operating activities</b>	<b>614,010</b>	<b>432,332</b>
Interest paid	(26,775)	(61,964)
(Profit) / loss on the settlement of construction contracts (caverns)	(2,040)	(3,119)
Income tax paid/returned	(35,509)	3,905
Expenses for research	(441)	-
<b>Net cash from operating activities</b>	<b>549,245</b>	<b>371,154</b>
<b>Cash flows from investment activities</b>		
Disposal of a subsidiary	2,931	-
Disposal of intangible assets and property, plant and equipment	2,948	2,867
Disposal of investment property	17,202	310
Dividends received	930	623
Interest received	3,961	3,187
Subsidies received	15,226	4,914
Other inflows	-	5
Cash outflow as a result of the loss of control of subsidiaries **	-	(3,443)
Acquisition of intangible assets and property, plant and equipment	(375,396)	(313,866)
Acquisition of financial assets	-	(28)
Development expenditures	(5,484)	(7,776)
Other outflows	(107)	(15)
<b>Net cash from investment activities</b>	<b>(337,789)</b>	<b>(313,222)</b>
<b>Cash flows from financial activities</b>		
Net proceeds from shares and other capital instruments issue and capital premium	-	2,346
Proceeds from loans and borrowings	22	21,134
Other financial inflows	-	2,849
Dividends paid to parent company	(150,195)	-
Repayment of "silent partnerships"	-	(42,902)
Payments of finance lease liabilities	(4,613)	(5,021)
Other financial outflows	-	(15)
<b>Net cash from financial activities</b>	<b>(154,786)</b>	<b>(21,609)</b>
<b>Total net cash flows</b>	<b>56,670</b>	<b>36,323</b>
<b>Cash and cash equivalents as at the beginning of the period</b>	<b>202,935</b>	<b>49,162</b>
<i>Impact of foreign exchange differences</i>	<i>(493)</i>	<i>280</i>
<b>Cash and cash equivalents as at the end of the period</b>	<b>259,112</b>	<b>85,765</b>

\* Restated data, detailed description of changes is provided in section II.2.

\*\* This item includes cash and cash equivalents deconsolidated as a result of liquidating CIECH Polsin Pte. Ltd. in the first quarter of 2015.

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 statement.



## Condensed Statement of Changes in Consolidated Equity of the CIECH Group

PLN '000	Attributable to shareholders of the parent company							Equity attributable to shareholders of the parent	Non-controlling interest	Total equity
	Share capital	Share premium	Cash flow hedge	Actuarial gains	Other reserve capitals	Currency translation reserve	Retained earnings			
<b>Equity as at 01.01.2016:</b>	<b>287,614</b>	<b>470,846</b>	<b>(16,004)</b>	<b>434</b>	<b>78,521</b>	<b>(53,092)</b>	<b>577,257</b>	<b>1,345,576</b>	<b>(4,072)</b>	<b>1,341,504</b>
<b>Transactions with the parent company shareholders recognised directly in equity</b>	-	-	-	-	-	-	<b>(150,195)</b>	<b>(150,195)</b>	-	<b>(150,195)</b>
Dividend payment	-	-	-	-	-	-	(150,195)	(150,195)	-	(150,195)
<b>Total comprehensive income for the period</b>	-	-	<b>(21,529)</b>	-	-	<b>2,348</b>	<b>419,493</b>	<b>400,312</b>	<b>476</b>	<b>400,788</b>
Net profit / loss	-	-	-	-	-	-	419,499	419,499	388	419,887
Other comprehensive income	-	-	(21,529)	-	-	2,348	(6)	(19,187)	88	(19,099)
<b>Equity as at 30.09.2016</b>	<b>287,614</b>	<b>470,846</b>	<b>(37,533)</b>	<b>434</b>	<b>78,521</b>	<b>(50,744)</b>	<b>846,555</b>	<b>1,595,693</b>	<b>(3,596)</b>	<b>1,592,097</b>
<b>Equity as at 01.01.2015:</b>	<b>287,614</b>	<b>470,846</b>	<b>(28,254)</b>	<b>(114)</b>	<b>78,521</b>	<b>(47,716)</b>	<b>233,877</b>	<b>994,774</b>	<b>(9,300)</b>	<b>985,474</b>
<b>Transactions with the parent company shareholders recognised directly in equity</b>	-	-	-	-	-	<b>(1,231)</b>	<b>50</b>	<b>(1,181)</b>	<b>1,770</b>	<b>589</b>
Change in the Group's structure	-	-	-	-	-	(1,231)	50	(1,181)	1,770	589
<b>Total comprehensive income for the period</b>	-	-	<b>6,158</b>	-	-	<b>987</b>	<b>255,286</b>	<b>262,431</b>	<b>3,434</b>	<b>265,865</b>
Net profit / loss	-	-	-	-	-	-	255,258	255,258	2,857	258,115
Other comprehensive income	-	-	6,158	-	-	987	28	7,173	577	7,750
<b>Equity as at 30.09.2015</b>	<b>287,614</b>	<b>470,846</b>	<b>(22,096)</b>	<b>(114)</b>	<b>78,521</b>	<b>(47,960)</b>	<b>489,213</b>	<b>1,256,024</b>	<b>(4,096)</b>	<b>1,251,928</b>

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

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

### 1. Basis for preparation of the Interim Condensed Consolidated Financial Statement of the CIECH Group

These interim consolidated financial statements were prepared in compliance with IAS 34 "Interim Financial Reporting" as approved by the European Union and the Regulation of the Minister of Finance dated 19 February 2009, as amended, on current and periodical information submitted by issuers of securities and on conditions for deeming equivalent information required by the law of a Non-Member State (Journal of Laws of 2009, No 33, item 259). These financial statements present the financial position of the CIECH Group as at 30 September 2016 and as at 31 December 2015, results of the Group's operations and cash flows for the period of 9 months ended 30 September 2016 and 30 September 2015, and were approved by the Management Board of CIECH S.A. on 14 November 2016.

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

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

The Management Board of CIECH S.A. declares that to the best of its knowledge these interim condensed consolidated financial statements, including corresponding figures, have been prepared in accordance with the generally acceptable accounting principles and that they represent a true, accurate and fair reflection of the CIECH Group's financial position and the results of operations. Furthermore, the Management Board of CIECH S.A. declares that the Directors' Report for the period of 9 months ended 30 September 2016 contains a true image of the Group's developments, achievements, and condition, including the description of major risks and threats.

Preparation of financial statements in accordance with International Financial Reporting Standards ("IFRS") requires the Management Board to make professional judgements, estimates and assumptions which affect the adopted principles and presented values of assets, equity and liabilities, income and expenses. The estimates and assumptions associated with them are based on historical accuracy and various other factors that are considered to be reasonable under the specific circumstances, and their results provide a basis for professional judgement about the value of assets and liabilities that are not directly apparent from other sources. Actual value may differ from the estimated value. The estimates and assumptions associated with them are subject to ongoing verification. Revision of accounting estimates is recognised in the period in which the changes were made, only if it affects that period or the present and future in case they concern both the current and future periods. The Management Board's professional judgements which have a significant impact on the consolidated financial statements, and the estimates bearing a risk of significant changes in future years have been presented in items II.6, II.7, II.8 and II.13 hereof. During the current interim period there were no significant revisions to the estimates presented in previous reporting periods.

### 2. Adopted accounting principles

The CIECH Group's accounting principles are described in the Consolidated Annual Report of the CIECH Group for the year 2015, published on 21 March 2016. The aforementioned Report includes detailed information regarding the principles and methods of valuation of assets, equity and liabilities and measurement of the financial result, as well as the method of preparing the financial statements and comparative information. These principles have been applied on a continuous basis with relation to currently published data, the last annual financial statements and comparative data presented, except for a change in presenting subsidies in the statement of cash flows was introduced – until now, they were indicated as financing activity inflows while currently they are presented as investing activities.

The CIECH Group intends to adopt amendments to the IFRS that are published but not effective as at the date of publication of these consolidated financial statements in accordance with their effective date. The estimated impact of amendments on the CIECH Group's future consolidated financial statements was presented in item II.3.3 of the Consolidated Annual Report of the CIECH Group for 2015, published on 21 March 2016. In the assessment of the Group, amendments to IFRS that came into force between the date of publication of the consolidated financial statements for 2015 and the date of publication of this Report will not have a significant impact on the financial statements.

### 3. Functional and presentation currency and conversion principles

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

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

Average NBP rate as at	30.09.2016 <sup>1</sup>	31.12.2015 <sup>2</sup>
EUR	4.3120	4.2615
RON	0.9675	0.9421
Average NBP rate for the reporting period	9 months ended 30.09.2016 <sup>3</sup>	9 months ended 30.09.2015 <sup>4</sup>
EUR	4.3688	4.1585
RON	0.9742	0.9382

<sup>1</sup> NBP's average foreign exchange rates table applicable as at 30 September 2016.

<sup>2</sup> NBP's average foreign exchange rates table applicable as at 31 December 2015.

<sup>3</sup> According to the exchange rate constituting the arithmetic mean of average exchange rates determined by NBP on the last day of each month of the period from 1 January 2016 to 30 September 2016.

<sup>4</sup> According to the exchange rate constituting the arithmetic mean of average exchange rates determined by NBP on the last day of each month of the period from 1 January 2015 to 30 September 2015.

#### 4. Seasonality and cyclicity 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 influenced by seasonality are plant protection chemicals. Most plant protection chemicals are used in the first half of the year, during the period of intensive plant growth. However, owing to the expansion of the product range and the applied forms of pre-season sales, the impact of seasonality on the Group's performance is decreasing. Furthermore, in the soda segment, a seasonal relationship between the sales volume of some products and the course of winter is observable. For calcium chloride and other products (anti-ice salt and chloride mix, waste salt) a mild winter is a reason for decrease of sales, while the influence on the sales of salt is indirect. For other products, the Group's revenues and financial results are not influenced by any significant seasonal fluctuations over the year. Because of this, seasonality plays a relatively small role in the Group's overall sales.

#### 5. Financial data by operating segments

The CIECH Group's operating segments are designated on the basis of internal reports related to the components of the Group and are regularly reviewed by the Management Board, which is responsible for operating decisions aimed at allocating resources to segments and assessing the subsidiaries performance. Information for a given operating segment may include sales of products and goods also included in the core product range of other divisions. Such items, however, are not significant for those divisions' management accounting. The Group financing (including finance expenses and incomes with the exception of interest on trade receivables and liabilities) and income tax are monitored on the Group level and are not allocated to particular segments. 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 normalised EBITDA. EBITDA and normalised 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.

PLN '000	01.01-30.09.2016	01.01-30.09.2015
Net profit/(loss) on continuing operations	419,887	258,115
Income tax	48,622	32,748
Share of profit / (loss) of equity-accounted investees	(428)	(75)
Financial expenses	39,211	95,280
Financial income	(9,086)	(5,701)
Amortisation/depreciation	163,927	162,216
<b>EBITDA</b>	<b>662,133</b>	<b>542,583</b>

PLN '000	01.01-30.09.2016	01.01-30.09.2015
<b>EBITDA</b>	662,133	542,583
One-offs including:	(15,266)	37,415
Impairment (a)	(112)	756
Cash items (b)	(2,638)	7,930
Non-cash items (without impairment) (c)	(12,516)	28,729
<b>Normalised EBITDA</b>	<b>646,867</b>	<b>579,998</b>

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

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

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

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

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.

<b>OPERATING SEGMENTS</b> <b>01.01.-30.09.2016</b> <b>PLN '000</b>	<b>Soda</b> <b>Segment</b>	<b>Organic</b> <b>Segment</b>	<b>Silicates and Glass</b> <b>Segment</b>	<b>Transport</b> <b>Segment</b>	<b>Other operations</b> <b>Segment</b>	<b>Corporate functions</b> <b>– reconciliation item</b>	<b>Eliminations</b> <b>(consolidation</b> <b>adjustments)</b>	<b>TOTAL</b>
Revenues from third parties	1,789,019	557,874	136,326	8,995	55,319	-	-	2,547,533
Revenue from inter-segment transactions	20,879	3,533	3	79,223	40,932	-	(144,570)	-
<b>Total revenues</b>	<b>1,809,898</b>	<b>561,407</b>	<b>136,329</b>	<b>88,218</b>	<b>96,251</b>	-	<b>(144,570)</b>	<b>2,547,533</b>
Cost of sales	(1,169,879)	(470,569)	(100,048)	(77,077)	(73,583)	-	115,561	(1,775,595)
<b>Gross profit/(loss) on sales</b>	<b>640,019</b>	<b>90,838</b>	<b>36,281</b>	<b>11,141</b>	<b>22,668</b>	-	<b>(29,009)</b>	<b>771,938</b>
Selling costs	(143,334)	(42,541)	(16,187)	(369)	(5,780)	(7,639)	50,442	(165,408)
General and administrative expenses	(38,565)	(16,603)	(3,982)	(3,925)	(3,601)	(34,744)	(22,305)	(123,725)
Result on management of receivables	(1,037)	(2,031)	(57)	(68)	(1,564)	-	-	(4,757)
Result on other operating activities	9,625	(6,430)	512	2,096	14,761	-	(406)	20,158
<b>Operating profit/(loss)</b>	<b>466,708</b>	<b>23,233</b>	<b>16,567</b>	<b>8,875</b>	<b>26,484</b>	<b>(42,383)</b>	<b>(1,278)</b>	<b>498,206</b>
Exchange differences and interest on trade settlements	(9,239)	(11,646)	149	(237)	1,812	-	-	(19,161)
Group borrowing costs	-	-	-	-	-	(23,824)	-	(23,824)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	12,860	-	12,860
Share of profit / (loss) of equity-accounted investees	428	-	-	-	-	-	-	428
<b>Profit/(loss) before tax</b>	<b>457,897</b>	<b>11,587</b>	<b>16,716</b>	<b>8,638</b>	<b>28,296</b>	<b>(53,347)</b>	<b>(1,278)</b>	<b>468,509</b>
Income tax	-	-	-	-	-	-	-	(48,622)
<b>Net profit/(loss) on continuing operations</b>	-	-	-	-	-	-	-	<b>419,887</b>
Net profit/(loss) on discontinued operations	-	-	-	-	-	-	-	-
<b>Net profit/(loss) for the period</b>	-	-	-	-	-	-	-	<b>419,887</b>
Amortization/depreciation	122,842	22,610	10,487	4,336	277	3,375	-	163,927
EBITDA	589,550	45,843	27,054	13,211	26,761	(39,008)	(1,278)	662,133
<i>Normalised EBITDA*</i>	590,609	45,310	27,046	11,668	12,496	(39,009)	(1,253)	646,867

\* *Normalised EBITDA for the 9-month period ended 30 September 2016 is calculated as EBITDA adjusted for untypical one-off events: fair value measurement of investment property: PLN 15.1 million; costs of unused production capacity: PLN -4.8 million; change in provisions: PLN 3.3 million; gain on disposal of non-financial non-current assets: PLN 2.3 million; other: PLN -0.6 million.*

<b>OPERATING SEGMENTS</b> <b>01.01.-30.09.2015</b> <b>PLN '000</b>	<b>Soda</b> <b>Segment</b>	<b>Organic</b> <b>Segment</b>	<b>Silicates and Glass</b> <b>Segment</b>	<b>Transport</b> <b>Segment</b>	<b>Other operations</b> <b>Segment</b>	<b>Corporate functions</b> <b>– reconciliation item</b>	<b>Eliminations</b> <b>(consolidation</b> <b>adjustments)</b>	<b>TOTAL</b>
Revenues from third parties	1,646,367	585,023	137,473	9,265	80,715	-	-	2,458,843
Revenue from inter-segment transactions	20,177	2,212	11	83,833	31,464	-	(137,697)	-
<b>Total revenues</b>	<b>1,666,544</b>	<b>587,235</b>	<b>137,484</b>	<b>93,098</b>	<b>112,179</b>	-	<b>(137,697)</b>	<b>2,458,843</b>
Cost of sales	(1,126,705)	(490,695)	(101,079)	(82,027)	(90,819)	-	101,964	(1,789,361)
<b>Gross profit/(loss) on sales</b>	<b>539,839</b>	<b>96,540</b>	<b>36,405</b>	<b>11,071</b>	<b>21,360</b>	-	<b>(35,733)</b>	<b>669,482</b>
Selling costs	(127,628)	(40,301)	(15,771)	-	(7,564)	(6,314)	53,473	(144,105)
General and administrative expenses	(34,086)	(14,707)	(4,356)	(4,248)	(4,224)	(33,698)	(18,960)	(114,279)
Result on management of receivables	(452)	2,587	3	14	106	-	-	2,258
Result on other operating activities	(13,027)	(8,880)	1,184	1,174	(7,847)	(3,842)	(1,751)	(32,989)
<b>Operating profit/(loss)</b>	<b>364,646</b>	<b>35,239</b>	<b>17,465</b>	<b>8,011</b>	<b>1,831</b>	<b>(43,854)</b>	<b>(2,971)</b>	<b>380,367</b>
Exchange differences and interest on trade settlements	(8,186)	(7,941)	74	(277)	(556)	-	-	(16,886)
Group borrowing costs	-	-	-	-	-	(72,077)	-	(72,077)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	(616)	-	(616)
Share of profit / (loss) of equity-accounted investees	75	-	-	-	-	-	-	75
<b>Profit/(loss) before tax</b>	<b>356,535</b>	<b>27,298</b>	<b>17,539</b>	<b>7,734</b>	<b>1,275</b>	<b>(116,547)</b>	<b>(2,971)</b>	<b>290,863</b>
Income tax	-	-	-	-	-	-	-	(32,748)
<b>Net profit/(loss) on continuing operations</b>	-	-	-	-	-	-	-	<b>258,115</b>
Net profit/(loss) on discontinued operations	-	-	-	-	-	-	-	-
<b>Net profit/(loss) for the period</b>	-	-	-	-	-	-	-	<b>258,115</b>
Amortization/depreciation	117,110	26,018	11,255	4,586	258	2,989	-	162,216
EBITDA	481,756	61,257	28,720	12,597	2,089	(40,865)	(2,971)	542,583
<i>Normalised EBITDA*</i>	500,745	60,940	28,604	11,518	10,471	(30,994)	(1,286)	579,998

\* *Normalised EBITDA for the 9-month period ended 30 September 2015 is calculated as EBITDA adjusted for untypical one-off events: change in provisions: PLN -20.3 million, measurement of investment property: PLN -6.4 million, costs related to obtaining financing: PLN -6.0 million; result on liquidation of CIECH Polsin Pte. Ltd.: PLN -2.8 million, other: PLN -1.9 million.*

**CIECH Group – ASSETS AND LIABILITIES BY OPERATING SEGMENTS**

<i>PLN '000</i>	<b>ASSETS</b>		<b>LIABILITIES</b>	
	<b>30.09.2016</b>	<b>31.12.2015</b>	<b>30.09.2016</b>	<b>31.12.2015</b>
Soda Segment	2,449,258	2,329,529	148,421	180,843
Organic Segment	498,464	495,938	85,502	77,103
Silicates and Glass Segment	175,159	129,063	23,641	14,873
Transport Segment	56,463	65,431	6,612	11,620
Other operations Segment	41,203	25,128	15,450	20,685
Corporate functions – reconciliation item	931,077	901,332	2,274,895	2,295,437
Eliminations (consolidation adjustments)	(40,628)	(36,148)	(35,622)	(31,792)
<b>TOTAL</b>	<b>4,110,996</b>	<b>3,910,273</b>	<b>2,518,899</b>	<b>2,568,769</b>

**CIECH Group – INFORMATION ON GEOGRAPHICAL AREAS**

<i>PLN '000</i>	<b>ASSETS</b>		<b>Sales revenues</b>	
	<b>30.09.2016</b>	<b>31.12.2015</b>	<b>01.01-30.09.2016</b>	<b>01.01-30.09.2015</b>
Poland	2,776,177	2,641,477	965,810	946,765
European Union (excluding Poland)	1,236,870	1,191,991	1,216,214	1,211,277
Other European countries	53,026	44,621	183,664	164,156
Africa	7,265	8,628	56,615	41,499
Asia	37,546	22,596	110,327	87,807
Other regions	112	960	14,903	7,339
<b>TOTAL</b>	<b>4,110,996</b>	<b>3,910,273</b>	<b>2,547,533</b>	<b>2,458,843</b>

**6. Provisions and impairment allowances on assets**

During three quarters of 2016 and in the third quarter of 2016, the following changes in provisions and impairment allowances on assets were recognised in the consolidated financial statements of the CIECH Group.

<b>PROVISIONS FOR EMPLOYEE BENEFITS</b>	<b>Opening balance</b>	<b>Recognition</b>	<b>Use and reversal</b>	<b>Other changes (including exchange differences)</b>	<b>Closing balance</b>
<b>01.01.-30.09.2016</b>					
Long-term	<b>12,829</b>	183	(545)	116	<b>12,583</b>
Short-term	<b>1,603</b>	437	(906)	(301)	<b>833</b>
<b>01.01.-30.09.2015</b>					
Long-term	<b>12,720</b>	484	(269)	56	<b>12,991</b>
Short-term	<b>963</b>	637	(906)	315	<b>1,009</b>
<b>01.07.-30.09.2016</b>					
Long-term	<b>12,748</b>	70	(101)	(134)	<b>12,583</b>
Short-term	<b>856</b>	185	(418)	210	<b>833</b>
<b>01.07.-30.09.2015</b>					
Long-term	<b>12,960</b>	96	(147)	82	<b>12,991</b>
Short-term	<b>985</b>	198	(418)	244	<b>1,009</b>

<b>CHANGE IN OTHER LONG-TERM PROVISIONS</b>	<b>Opening balance</b>	<b>Recognition</b>	<b>Use and reversal</b>	<b>Other changes (including exchange differences)</b>	<b>Closing balance</b>
<i>PLN '000</i>					
<b>01.01.-30.09.2016</b>					
Provision for liabilities	6,547	-	-	-	6,547
Provision for environmental protection	68,157	-	-	1,367	69,524
<b>TOTAL</b>	<b>74,704</b>	<b>-</b>	<b>-</b>	<b>1,367</b>	<b>76,071</b>
<b>01.01.-30.09.2015</b>					
Provision for liabilities	6,789	-	(242)	-	6,547
Provision for environmental protection	68,455	-	-	558	69,013
<b>TOTAL</b>	<b>75,244</b>	<b>-</b>	<b>(242)</b>	<b>558</b>	<b>75,560</b>
<b>01.07.-30.09.2016</b>					
Provision for liabilities	6,547	-	-	-	6,547
Provision for environmental protection	70,771	-	-	(1,247)	69,524
<b>TOTAL</b>	<b>77,318</b>	<b>-</b>	<b>-</b>	<b>(1,247)</b>	<b>76,071</b>
<b>01.07.-30.09.2015</b>					
Provision for liabilities	6,547	-	-	-	6,547
Provision for environmental protection	68,168	-	-	845	69,013
<b>TOTAL</b>	<b>74,715</b>	<b>-</b>	<b>-</b>	<b>845</b>	<b>75,560</b>

<b>CHANGE IN OTHER SHORT-TERM PROVISIONS</b>	<b>Opening balance</b>	<b>Recognition</b>	<b>Use and reversal</b>	<b>Other changes (including exchange differences)</b>	<b>Closing balance</b>
<i>PLN '000</i>					
<b>01.01.-30.09.2016</b>					
Provision for compensation	8,368	744	-	45	9,157
Provision for liabilities	37,020	402	(6,773)	4,789	35,438
Provision for environmental protection	2,236	-	(1,552)	-	684
Provision for expected losses	30,887	-	-	141	31,028
Other provisions	1,583	2,505	(2,803)	32	1,317
<b>TOTAL</b>	<b>80,094</b>	<b>3,651</b>	<b>(11,128)</b>	<b>5,007</b>	<b>77,624</b>
<b>01.01.-30.09.2015</b>					
Provision for compensation	5,749	1,060	(68)	-	6,741
Provision for liabilities	33,612	17,948	(11,595)	14,583	54,548
Provision for environmental protection	2,205	-	(950)	-	1,255
Provision for expected losses	19,363	4,478	-	77	23,918
Other provisions	439	2,697	(2,088)	155	1,203
<b>TOTAL</b>	<b>61,368</b>	<b>26,183</b>	<b>(14,701)</b>	<b>14,815</b>	<b>87,665</b>
<b>01.07.-30.09.2016</b>					
Provision for compensation	8,993	164	-	-	9,157
Provision for liabilities	34,920	267	(603)	854	35,438
Provision for environmental protection	1,153	-	(469)	-	684
Provision for expected losses	31,322	-	-	(294)	31,028
Other provisions	1,441	791	(907)	(8)	1,317
<b>TOTAL</b>	<b>77,829</b>	<b>1,222</b>	<b>(1,979)</b>	<b>552</b>	<b>77,624</b>
<b>01.07.-30.09.2015</b>					
Provision for compensation	5,738	1,003	-	-	6,741
Provision for liabilities	62,763	(231)	(10,537)	2,553	54,548
Provision for environmental protection	1,659	-	(404)	-	1,255
Provision for expected losses	23,407	484	8	19	23,918
Other provisions	970	533	(1,185)	885	1,203
<b>TOTAL</b>	<b>94,537</b>	<b>1,789</b>	<b>(12,118)</b>	<b>3,457</b>	<b>87,665</b>

<b>CHANGE IN IMPAIRMENT ALLOWANCES</b> <i>PLN '000</i>	<b>Opening balance</b>	Recognition	Use and reversal	Other changes (including exchange differences)	<b>Closing balance</b>
<b>01.01.-30.09.2016</b>					
Property, plant and equipment	6,021	-	-	(94)	5,927
Intangible assets, including:	456,422	-	-	6,318	462,740
<i>Goodwill</i>	412,974	-	-	5,831	418,805
Long-term financial assets	1,343	-	-	-	1,343
Inventories	38,215	1,634	(3,673)	214	36,390
Short-term investments	24,601	-	-	-	24,601
Trade and other receivables	44,826	6,841	(2,963)	2,180	50,884
<b>TOTAL</b>	<b>571,428</b>	<b>8,475</b>	<b>(6,636)</b>	<b>8,618</b>	<b>581,885</b>
<b>01.01.-30.09.2015</b>					
Property, plant and equipment	6,262	-	-	(1,251)	5,011
Intangible assets, including:	457,191	-	-	(1,316)	455,875
<i>Goodwill</i>	413,735	-	-	(1,089)	412,646
Long-term financial assets	23,131	-	(3,299)	-	19,832
Inventories	44,393	1,691	(9,539)	78	36,623
Short-term investments	6,807	-	-	-	6,807
Trade and other receivables	51,620	1,234	(6,871)	706	46,689
<b>TOTAL</b>	<b>589,404</b>	<b>2,925</b>	<b>(19,709)</b>	<b>(1,783)</b>	<b>570,837</b>
<b>01.07.-30.09.2016</b>					
Property, plant and equipment	6,058	-	-	(131)	5,927
Intangible assets, including:	473,387	-	-	(10,647)	462,740
<i>Goodwill</i>	428,360	-	-	(9,555)	418,805
Long-term financial assets	1,343	-	-	-	1,343
Inventories	36,573	323	(400)	(106)	36,390
Short-term investments	24,601	-	-	-	24,601
Trade and other receivables	50,302	1,731	(790)	(359)	50,884
<b>TOTAL</b>	<b>592,264</b>	<b>2,054</b>	<b>(1,190)</b>	<b>(11,243)</b>	<b>581,885</b>
<b>01.07.-30.09.2015</b>					
Property, plant and equipment	6,244	-	-	(1,233)	5,011
Intangible assets, including:	462,958	-	-	(7,083)	455,875
<i>Goodwill</i>	407,316	-	-	5,330	412,646
Long-term financial assets	19,832	-	-	-	19,832
Inventories	36,425	427	(445)	216	36,623
Short-term investments	6,807	-	-	-	6,807
Trade and other receivables	45,854	591	(1,361)	1,605	46,689
<b>TOTAL</b>	<b>578,120</b>	<b>1,018</b>	<b>(1,806)</b>	<b>(6,495)</b>	<b>570,837</b>

## 7. Deferred tax

The main components of tax expense include:

<b>MAIN COMPONENTS OF TAX EXPENSE (TAX INCOME)</b> <i>PLN '000</i>	<b>01.01.-30.09.2016</b>	<b>01.01.-30.09.2015</b>
Current income tax	(43,330)	(35,738)
Deferred tax	(5,292)	2,990
<b>INCOME TAX RECOGNISED IN STATEMENT OF PROFIT OR LOSS</b>	<b>(48,622)</b>	<b>(32,748)</b>



Deferred income tax is attributable to the following items:

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITY <i>PLN '000</i>	30.09.2016			31.12.2015		
	Total asset	Total liability	Net value	Total asset	Total liability	Net value
Property, plant and equipment	1,804	132,373	(130,569)	1,772	121,325	(119,553)
Intangible assets	33,379	522	32,857	36,611	4,975	31,636
Right of perpetual usufruct	-	5,165	(5,165)	-	5,218	(5,218)
Investment property	2,365	1,521	844	2,365	1,602	763
Financial assets	1,625	4,012	(2,387)	32,655	3,514	29,141
Inventory	1,615	507	1,108	1,558	538	1,020
Trade and other receivables	3,061	35,707	(32,646)	1,406	30,634	(29,228)
Provisions for employee benefits	2,435	11	2,424	2,169	11	2,158
Other provisions	22,161	22	22,139	18,581	1	18,580
Tax losses carried forward	155,007	-	155,007	179,307	-	179,307
Foreign exchange differences	3,170	287	2,883	2,522	728	1,794
Liabilities	46,035	177	45,858	34,023	877	33,146
Special economic zone*	50,152	-	50,152	-	-	-
Other	92	4,602	(4,510)	131	4,594	(4,463)
<b>Deferred tax assets/liability</b>	<b>322,901</b>	<b>184,906</b>	<b>137,995</b>	<b>313,100</b>	<b>174,017</b>	<b>139,083</b>
Set-off of deferred tax assets/ liability	(141,403)	(141,403)	-	(89,383)	(89,383)	-
Unrecognized deferred tax assets	(9,646)	-	(9,646)	(9,968)	-	(9,968)
<b>Deferred tax assets/liability recognised in the statement of financial position</b>	<b>171,852</b>	<b>43,503</b>	<b>128,349</b>	<b>213,749</b>	<b>84,634</b>	<b>129,115</b>

\* Due to the fact that CIECH Soda Polska S.A. fulfils the conditions to qualify for public aid in the form of exemption from corporate income tax in respect of its business operations in the area of the Pomeranian Special Economic Zone, and the fact that the estimates related to the possibility of taking advantage of this exemption have been substantiated, CIECH Soda Polska S.A. recognised a deferred tax asset in the financial result for Q3 this year. The potential maximum amount of the recognized deferred tax asset, taking into account prudence principle, was lowered due to uncertainty of available maximum limit of public aid for so-called single investment project. Because of that uncertainty, the recognized deferred tax asset amounted to PLN 50,152 thousand.

## 8. Information on fair value of financial instruments

### a) Financial instruments measured at fair value

As at 30 September 2016, 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 forward EUR/PLN, CIRS (currency and interest rate swap) contract EUR/PLN — Level 2, according to the fair value hierarchy,
- futures contracts for the purchases of CO<sub>2</sub> certificates concluded by CIECH Soda Polska S.A. — Level 1, according to the fair value hierarchy,
- Options embedded to gas purchases contract for KWG-Kraftwerksgesellschaft Staßfurt mbH (call options) – Level 2, according to the fair value hierarchy.

During three quarters of 2016, 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.

In the consolidated financial statements, all financial instruments concluded were designated for hedge accounting. Details of the designation (which were entered into before 31 December 2015) were presented in item II.41 of the Consolidated Annual Report of the CIECH Group for 2015, published on 21 March 2016. Furthermore in 2016:

- Futures contracts for the purchases of CO<sub>2</sub> certificates were acquired, hedging the price of CO<sub>2</sub> transactions in 2017 and 2018,
- Options (call), embedded to gas purchases contract for KWG-Kraftwerksgesellschaft Staßfurt mbH entered into on 1 August 2016 hedging the price of gas purchases in 2016-2020, were separated.

In the separate financial statement, all financial instruments, except for CIRS, were designated for hedge accounting, and details of the designation were presented in item II.32.1 of the Annual Report of the CIECH S.A. for 2015, published on 21 March 2016.

As compared to the previous reporting period, the CIECH Group has not made any changes in methods of measurement of financial instruments held. The descriptions of methods of measurement to fair value was presented in item II.5 of the Consolidated Annual Report of the CIECH Group for 2015, published on 21 March 2016. Financial instruments which were entered into in 2016 are presented at fair value:

- Futures contracts for the purchases of CO<sub>2</sub> certificates are settled on a daily basis according to quotations published on ICE and EEX's stock exchange,
- Options (call) embedded to gas purchases contract, are valued according to Black-Scholes model, taking into account forward prices quoted on ICE and EEX's stock exchange and implied volatility of gas prices specified based on stock quotations for options for gas purchases.

<b>Fair value of financial instruments</b>	Cash and cash equivalents	Other long-term investments	Short-term investments	Other non-current liabilities	Trade and other liabilities	<b>TOTAL</b>
<i>PLN '000</i>						
<b>30.09.2016</b>						
IRS PLN	-	-	-	(616)	(1,323)	<b>(1,939)</b>
IRS EUR	-	-	-	(3,500)	(1,180)	<b>(4,680)</b>
CIRS	-	54,013	17,997	(88,795)	-	<b>(16,785)</b>
Forward EUR/PLN	-	-	931	-	-	<b>931</b>
Embedded derivatives	-	13,958	2,734	(12,798)	(5,105)	<b>(1,211)</b>
Futures contracts	1,628	-	-	-	-	<b>1,628</b>
<b>TOTAL</b>	<b>1,628</b>	<b>67,971</b>	<b>21,622</b>	<b>(105,709)</b>	<b>(7,608)</b>	<b>(22,056)</b>
<b>31.12.2015</b>						
IRS PLN	(1,430)	-	-	(1,380)	(1,430)	<b>(2,810)</b>
IRS EUR	(782)	2,300	-	(617)	(782)	<b>901</b>
CIRS	-	26,778	16,781	(39,831)	-	<b>3,728</b>
Forward EUR/PLN	(718)	-	-	-	(718)	<b>(718)</b>
Forward USD/PLN	(254)	-	-	-	(254)	<b>(254)</b>
<b>TOTAL</b>	<b>(3 184)</b>	<b>29,078</b>	<b>16,781</b>	<b>(41,828)</b>	<b>(3,184)</b>	<b>847</b>

#### b) Financial instruments not measured at fair value

The CIECH Group holds the issued domestic bonds whose book value, as at 30 September 2016, amounted to PLN 163,751 thousand, and the fair value — to PLN 160,000 thousand.

In the case of the remaining financial instruments held by the CIECH Group (classified mainly as cash, loans and receivables, financial liabilities measured at amortised cost and financial liabilities), the fair value was close to the book value.

#### 9. Information on purchase and disposal of property, plant and equipment and commitments for the acquisition of property, plant and equipment

In the period from 1 January to 30 September 2016, the CIECH Group carried out the following transactions increasing and decreasing the gross value of property, plant and equipment:

<b>MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT</b>	Land	Buildings, premises and civil and water engineering structures	Machinery and equipment	Means of transport	Other property, plant and equipment	Property, plant and equipment under construction	<b>Property, plant and equipment, TOTAL</b>
<i>PLN '000</i>							
<b>01.01.-30.09.2016</b>							
<b>Gross value of property, plant and equipment at the beginning of the period</b>	<b>81,567</b>	<b>908,740</b>	<b>2,354,758</b>	<b>102,007</b>	<b>42,748</b>	<b>392,084</b>	<b>3,881,904</b>
Purchases	-	-	3,324	936	355	4,615	<b>9,230</b>
Capital expenditure	-	-	-	-	-	321,372	<b>321,372</b>
Modernisation	-	2,072	13,714	3,347	153	-	<b>19,286</b>
Reclassification from investments	-	78,105	182,088	145	1,750	-	<b>262,088</b>
Accepted under a finance lease agreement	-	-	-	2,203	-	2,203	<b>4,406</b>
Capitalised borrowing costs	-	-	-	-	-	17,013	<b>17,013</b>
Commissioning	-	-	-	-	-	(288,192)	<b>(288,192)</b>

<b>MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT</b>							
<b>01.01.-30.09.2016</b>	Land	Buildings, premises and civil and water engineering structures	Machinery and equipment	Means of transport	Other property, plant and equipment	Property, plant and equipment under construction	<b>Property, plant and equipment, TOTAL</b>
<i>PLN '000</i>							
Currency translation differences	1,183	3,735	13,731	322	183	627	<b>19,781</b>
Sales and liquidation	-	(4,230)	(72,667)	(13,459)	(1,537)	(568)	<b>(92,461)</b>
Other increases/decreases	-	650	29,425	(181)	3	-	<b>29,897</b>
<b>Gross value of property, plant and equipment at the end of the period</b>	<b>82,750</b>	<b>989,072</b>	<b>2,524,373</b>	<b>95,320</b>	<b>43,655</b>	<b>449,154</b>	<b>4,184,324</b>

Purchases of property, plant and equipment were made with own financial resources or in the form of a finance lease. Commitments to purchase property, plant and equipment amounted to PLN 249,352 thousand (PLN 446,512 thousand as at 31 December 2015).

#### 10. Information on loan agreements, including overdue debts or other violations of debt-related agreements

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

All information concerning the financing conditions, which results from the agreements and arrangements with the banks, has been presented in the Consolidated Annual Report of CIECH Group for 2015, which was published on 21 March 2016.

#### 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 CIECH Group's non-consolidated subsidiaries due to their immateriality) is presented below:

<b>TRANSACTIONS BETWEEN CONSOLIDATED ENTITIES AND OTHER RELATED ENTITIES</b>		
<i>PLN '000</i>	<b>01.01.-30.09.2016</b>	<b>01.01.-30.09.2015</b>
Revenues from sales of products and services	4,215	4,510
Revenues from sales of goods and materials	69,267	95,918
Other operating income	14	14
Financial income	934	877
Purchase of products, goods and materials	273	12,520
Purchase of services	29,469	56,845
Other operating expenses	1,057	5
Financial expenses	12	30
<i>PLN '000</i>	<b>30.09.2016</b>	<b>31.12.2015</b>
Receivables	21,387	7,561
Impairment allowances for loans and receivables	1,057	-
Liabilities	5,086	8,965

#### Terms of transactions with related entities

Material sales to and purchases from related entities are carried out on arm's length terms. Overdue liabilities and receivables are not secured and are settled in cash or by set-off.

No material non-standard or non-routine transactions were concluded within the CIECH Group during three quarters of 2016, except the transactions described in point III.3.

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

#### 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.

**13. Contingent assets and contingent liabilities including guarantees and sureties**

PLN '000

OTHER CONTINGENT ITEMS	30.09.2016	31.12.2015
<b>1. Contingent assets</b>	<b>18,864</b>	<b>18,864</b>
- other contingent receivables*	18,864	18,864
<b>2. Contingent liabilities</b>	<b>628,046</b>	<b>634,322</b>
- guarantees and sureties granted**	529,985	528,601
- other***	98,061	105,721

\* Contingent asset in the amount of PLN 18,864 thousand related to the action against GZNF "FOSFOR" Sp. z o.o. for the payment of compensation for making an alleged untrue declaration by GZNF "FOSFOR" Sp. z o.o. to CIECH S.A. about the condition of Agrochem Człuchów Sp. z o.o. with its registered office in Człuchów.

\*\* Including:

- guarantee granted up to the amount of 155% of liabilities related to the issue of domestic bonds in the amount of PLN 160,000 thousand – contingent liability in the amount of PLN 88,000 thousand
- guarantee granted up to the amount of 125% of liability related to term loan in the amount of PLN 1,045,031 thousand and revolving loan in the amount of PLN 250,000 thousand – contingent liability in the amount of PLN 323,758 thousand
- guarantee granted up to the amount of 125% of liability related to term loan in the amount of EUR 69,673 thousand – contingent liability in the amount of PLN 75,107 thousand
- guarantee for certain obligations and warranties made by Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej as a part of the agreement for sale and transfer of TDI assets on BASF – contingent liability in the amount of PLN 43,120 thousand (EUR 10,000 thousand).

\*\*\* Including mainly:

- contingent liability in the SDC Group relating to environmental protection in the amount of PLN 15,704 thousand (EUR 3,642 thousand),
- contingent liability in CIECH Soda Polska S.A. regarding environmental penalty fees in the amount of PLN 30,974 thousand,
- contingent liabilities in CIECH Soda Polska S.A. resulting from blank promissory notes for the National Fund for Environmental Protection and Water Management relating to grants received in the event of a potential financial adjustment in the amount of PLN 33,483 thousand, in connection with the received subsidy to the project "Development of sludge decantation and filtration facilities in production plant in Inowrocław" in the amount of PLN 10,930 thousand, in connection with the received subsidy to the project "Boiler electrofilters modernisation of OP-110 No 2 and 4 in CHP Inowrocław" in the amount of PLN 709 thousand,
- potential liability in CIECH S.A. regarding employee claims in the amount of PLN 5,216 thousand.

As at 30 September 2016, contingent liabilities amounted to PLN 628,046 thousand and decreased as compared to 31 December 2015 by PLN 6,276 thousand. The change resulted mainly from the elimination of a liability related to a claim filed by employees of CIECH Soda Romania S.A. (PLN 20,374 thousand as at the end of 2015), receipt of two subsidies by CIECH Soda Polska S.A. in the total amount of PLN 11,639 thousand, increase in potential liabilities regarding employee claims in the amount of PLN 999 thousand and increase in other contingent liabilities on account of currency translation differences in the amount of PLN 1,569 thousand.

Other guarantees and sureties granted were described in item II.42 of the Consolidated Annual Report of the CIECH Group for the year 2015, published on 21 March 2016.

**14. Information on dividends paid (or declared), in total and per share, broken down into ordinary shares and preference shares**

On 16 June 2016, the Ordinary General Meeting of Shareholders of CIECH S.A. adopted a resolution regarding the distribution of the net profit for 2015, amounting to PLN 331,579 thousand, in the following manner:

- the amount of PLN 150,195 thousand is to be allocated for the payment of a dividend to the shareholders of CIECH S.A., i.e. a dividend per one share amounts to PLN 2.85,
- the amount of PLN 181,384 thousand is to be allocated to the supplementary capital of CIECH S.A.

The number of shares covered by the dividend amounts to 52,699,909. Dividend date was set on 30 June 2016. The dividend was paid on 16 August 2016.

**15. Information on post-balance-sheet events**

On 2 November 2016, the Management Board of CIECH S.A. decided to submit an offer regarding a potential acquisition of:

- 100% of shares in SAPEC – Agro, S.A., law with its registered seat in Setúbal, Portugal
  - 100% of shares in Trade Corporation International, S.A. with its registered seat in Madrid, Spain
- from SAPEC – Portugal, SGPS, S.A., with its registered seat in Lisbon, Portugal, a subsidiary of SAPEC S.A. with its registered seat in Brussels, Belgium, and acquisition of claims of SAPEC Group towards SAPEC – Agro, S.A. and Trade Corporation International, S.A.

On 7 November 2016, the Management Board of CIECH S.A. has become aware of the sales agreement for 100% shares of above-mentioned companies to Bridgepoint Investment fund. The conclusion of the agreement for the sale of shares of the Companies entails completion of participation of the CIECH S.A. in the process of acquisition of the Companies. Detailed information has been announced in current reports no 33/2016 and 35/2016.

### III. OTHER NOTES TO THE CONSOLIDATED QUARTERLY REPORT

#### 1. Description of the CIECH Group's organisation

CIECH Spółka Akcyjna, seated in Warsaw, ul. Wspólna 62, registered under number 0000011687 at the District Court for the Capital City of Warsaw, 13<sup>th</sup> Commercial Division of the National Court Register, is the parent entity of the CIECH Group.

The CIECH Group is a group of domestic and foreign manufacturing, distribution and trade companies operating in the chemical industry. As at 30 September 2016, the CIECH Group comprised 37 business entities, including:

- parent company,
- 32 subsidiaries, of which:
  - 23 domestic subsidiaries,
  - 9 foreign subsidiaries,
- 2 national affiliates,
- 1 foreign affiliate,
- 1 jointly controlled foreign entity.

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

The core business of the CIECH Group comprises the production and sales of chemical products manufactured by the CIECH Group. Additionally, the CIECH Group sells chemical products purchased from third-party producers. The trading activities are carried out mostly by CIECH S.A. as well as by domestic and foreign trading companies, subsidiaries of CIECH S.A., while the manufacturing activities are carried out by production companies, also subsidiaries of CIECH S.A.

In preparing the consolidated financial statements for the three quarters of 2016, the following companies were consolidated:

No	Name of the Company/Group	Registered office	Share in equity as at 30.09.2016 / % of votes at the GMS	Share in equity as at 30.09.2015 / % of votes at the GMS	Business
<b>Parent company</b>					
1	CIECH S.A.	Warsaw	-	-	The actual core business of the parent entity comprises sales of chemical products manufactured within the CIECH Group. In addition to the actual core activity, CIECH S.A. sells chemical products purchased from producers from outside the Group. Additionally, CIECH S.A. as a parent company, conducts holding activity, manages a portfolio of subsidiaries, provides support services (in the area of sales, manufacturing, purchases, finance, IT, HR and in the legal area) for selected companies in the Group as well as conducts financial activities in the form of direct lending to the companies in the Group.
<b>Fully consolidated direct and indirect subsidiaries</b>					
<b>CIECH FINANCE Group</b>					
2	CIECH FINANCE Sp. z o.o.	Warsaw	100%	100%	Implementing divestment projects concerning obsolete fixed assets (property) and financial assets (shares in companies), carrying out purchases of selected raw materials.
2.1	Ciech Nieruchomości S.A.	Warsaw	100%	100%	Real property agency, real property management.
3	CIECH R&D Sp. z o.o.	Warsaw	100%	100%	Granting licences to the CIECH Group companies to use the trademarks: "Ciech", "Ciech Trading" and "Sól Kujawska naturalna czysta" for business activity purposes, research and developments activities.
4	CIECH Soda Romania S.A.	Rm. Valcea, Romania	98.74%	94.04%	Manufacture of other basic inorganic chemicals, wholesale of chemical products.
	CIECH Trading Group				

No	Name of the Company/Group	Registered office	Share in equity as at 30.09.2016 / % of votes at the GMS	Share in equity as at 30.09.2015 / % of votes at the GMS	Business
5	CIECH Trading S.A.	Warsaw	100%	100%	Wholesale and distribution of solid inorganic and organic chemicals, wholesale and distribution of raw materials for household chemicals, wholesale and distribution of raw materials for cosmetic and pharmaceutical products, wholesale and distribution of fillers, pigments, raw materials for paints and varnishes, wholesale and distribution of feed additives and fodder, wholesale and distribution of acids, bases and other liquid chemicals.
5.1.	JANIKOSODA S.A.	Warsaw	100%	100%	Service activity related to office support, other "out-of-school" forms of education, not elsewhere classified.
CIECH Soda Polska Group					
6	CIECH Soda Polska S.A.	Inowroclaw	100%	100%	Manufacture of other basic inorganic chemicals, wholesale of chemical products, power generation and distribution.
6.1.	CIECH Cargo Sp. z o.o.	Inowroclaw	100%	100%	Freight transport services.
6.2.	Cerium Sp. z o.o.	Warsaw	100%	100%	The Company is the sole general partner of CIECH Cerium Sp. z o.o. SK, its core operations comprise managing the business of this company.
6.3	Gamma Finanse Sp. z o.o.*	Warsaw	100%	-	Financing activities.
6.3.1.	Cerium Finance Sp. z o.o.	Warsaw	100%	100%	Conducting financial activities, in particular comprising direct granting of loans and leasing of non-current assets to the CIECH Group companies.
7	CIECH Cerium Sp. z o.o. SK	Warsaw	100%	100%	Financing activities.
8	CIECH Vitrosilicon S.A.**	łowa	100%	100%	Production of other basic inorganic chemicals, manufacture of hollow glass and technical glassware, manufacture of plastic packaging goods, manufacture of other plastic products.
9	CIECH Transclean Sp. z o.o.	Bydgoszcz	100%	100%	International transport of liquid chemicals.
CIECH Sarzyna Group					
10	CIECH Sarzyna S.A.	Nowa Sarzyna	100%	100%	Manufacture of plastics, manufacture of pesticides and other chemical products.
10.1.	Verbis KAPPA Sp. z o.o.	Nowa Sarzyna	100%	100%	The company is the sole general partner of Verbis KAPPA Sp. z o.o. SKA, other financial intermediation.
10.2.	Verbis KAPPA Sp. z o.o. SKA	Nowa Sarzyna	100%	100%	Other financial intermediation.
10.3.	Algete Sp. z o.o.	Nowa Sarzyna	100%	100%	Granting CIECH Sarzyna Group companies the license for using the trademark of "Chwastox" for the purpose of business.
11	Ciech Pianki Sp. z o.o.	Bydgoszcz	100%	100%	Manufacture of organic and other inorganic chemicals.
12	Ciech Group Financing AB	Stockholm, Sweden	100%	100%	Conducting financing activities, particularly lending of funds by issuing bonds and other financial instruments with institutional and private investors as well as direct lending of such funds to the companies of the Group and carrying out any other activities in support of such activities and the provision of related services.
13	Verbis ETA Sp. z o.o.	Warsaw	100%	100%	The company is the sole general partner of Verbis ETA Sp. z o.o. SKA, its main objective is to manage the activities of Verbis ETA Sp. z o.o. SKA.
14	Verbis ETA Sp. z o.o. SKA	Warsaw	100%	100%	Conducting financial activities, particularly direct lending to the CIECH Group companies.
SDC Group					
15	SDC GmbH	Stassfurt, Germany	100%	100%	Manufacture of other basic inorganic chemicals, wholesale of chemical products, power generation and distribution.
15.1.	Sodawerk Holding Stassfurt GmbH	Stassfurt, Germany	100%	100%	
15.1.1.	Sodawerk Stassfurt Verwaltungs GmbH	Stassfurt, Germany	100%	100%	

No	Name of the Company/Group	Registered office	Share in equity as at 30.09.2016 / % of votes at the GMS	Share in equity as at 30.09.2015 / % of votes at the GMS	Business
15.1.2.	CIECH Soda Deutschland GmbH&Co. KG	Stassfurt, Germany	100%	100%	
15.1.2.1.	KWVG – Kraftwerksgesellschaft Strassfurt mbH	Stassfurt, Germany	100%	100%	
15.1.2.2.	Kaverngesellschaft Stassfurt GbmH***	Stassfurt, Germany	50%	50%	
16	Beta Cerium Sp. z o.o. Sp. k.****	Warsaw	100%	-	Conducting financial activities, in particular comprising leasing of non-current assets to the CIECH Group companies.

\* Shares in the share capital were acquired by CIECH S.A. (1.4%) and CIECH Soda Polska S.A. (98.6%).

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

\*\*\*Equity accounted associate.

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

## 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 2016 to 30 September 2016 does not exceed 1% of total consolidated assets of the Group and consolidated net revenues from sales of goods and products and financial operations.

Aggregated data of associates which were not measured under the equity method for the period from 1 January 2016 to 30 September 2016 does not exceed 1% of the total consolidated equity of the Group.

## 3. Significant effects of changes to the organisational structure of the CIECH Group during three quarters of 2016

### CIECH Transclean Sp. z o.o.

In view of the planned change of the model of purchasing transport and forwarding services, CIECH S.A. (acting as the sole shareholder of the Company) decided to cease operating activities of CIECH Transclean Sp. z o.o. with its registered office in Bydgoszcz, and to phase out the company's business. Further decisions on possible change of the company's object or dissolution of the company will be taken at a later date.

### Gamma Finanse Sp. z o.o.

On 24 June 2016 a company was established under the business name Gamma Finanse Spółka z ograniczoną odpowiedzialnością (limited liability company) with the registered office in Warsaw (share capital of PLN 50 thousand, divided into 1,000 shares with nominal value of PLN 50 each). Shares in the share capital are taken up as follows:

- 500 shares were taken up by CIECH S.A. in consideration for cash contribution,
- 500 shares were taken up by CIECH Soda Polska S.A. in consideration for cash contribution.

Gamma Finanse Sp. z o.o. with its registered office in Warsaw was registered by the court on 12 July 2016.

### Cerium Sp. z o.o. S.K.A. / Cerium Finance Sp. z o.o.

In connection with the transformation plan prepared on 21 December 2015, reviewed by a registered auditor appointed by a decision of the registry court, the Extraordinary Partners' Meeting of Cerium Sp. z o.o. S.K.A., on 16 May 2016, adopted a resolution on the transformation of the partnership's legal form to a limited liability company (spółka z ograniczoną odpowiedzialnością). The business name of the transformed company is Cerium Finance Sp. z o.o. The share capital of the partnership subject to transformation amounts to PLN 1,439 thousand and is divided into 28,773 equal and indivisible shares with a nominal value of PLN 50 per share. The shares were allotted in the following manner:

- Cerium Sp. z o.o., the sole general partner of the partnership, was allotted 1 share with the nominal value of PLN 50,
- CIECH Soda Polska S.A., a shareholder of the company, was allotted 28,372 shares with the nominal value of PLN 50 per share, with the total nominal value of PLN 1,419 thousand,
- JANIKOSODA S.A., a shareholder of the company, was allotted 200 shares with the nominal value of PLN 50 per share, with the total nominal value of PLN 10 thousand,
- CIECH S.A., a shareholder of the company, was allotted 200 shares with the nominal value of PLN 50 per share, with the total nominal value of PLN 10 thousand.

Assets of the company subjected to transformation became assets of the transformed company on 1 June 2016 (i.e. on the date of registration of the transformation by the registry court) and constituted the contribution of individual partners to the transformed company, as specified in the company's deed. The excess of value of the partners' contribution to the transformed company over the value of the company's share capital represents the supplementary capital of the transformed company. Furthermore, at the same Extraordinary Partners' Meeting, the partners submitted declaration on participation in the partnership after the transformation of its legal form into a limited liability company.

On 24 June 2016, the Extraordinary Shareholders' Meeting of Cerium Finance Sp. z o.o. adopted resolutions on the following matters (the District Court registered the change on 7 July 2016):

- Voluntary redemption without compensation of 200 shares in the company allotted to JANIKOSODA S.A. and the related reduction of the company's share capital. On 24 June 2016, JANIKOSODA S.A. ceased to be a shareholder of the company. Consequently, the Extraordinary Shareholders' Meeting reduced the company's share capital by way of redemption of 200 shares with the nominal value of PLN 50 each and with the total nominal value of PLN 10 thousand, i.e. from PLN 1,439 thousand to PLN 1,429 thousand.
- The increase of the share capital from the amount of PLN 1,429 thousand to the amount of PLN 1,439 thousand by creating 200 new shares with the nominal value of PLN 50 each – total nominal value of PLN 10 thousand. All newly created shares in the increased share capital of the Company were to be taken up by CIECH S.A. in consideration for cash contribution in the amount of PLN 10 thousand.
- The consent to sell by Cerium Sp. z o.o. of 1 share in the Company with nominal value of PLN 50 to the existing shareholder in CIECH Soda Polska S.A. As of 24 June 2016 Cerium Sp. z o.o. ceased to be the shareholder in Cerium Finance Sp. z o.o.

#### **Cerium Finance Sp. z o.o. – Gamma Finanse Sp. z o.o.**

On 12 July 2016, shareholders of Cerium Finance Sp. z o.o. made a non-cash contribution to Gamma Finanse Sp. z o.o. in the form of shares in Cerium Finance Sp. z o.o., in exchange for shares in the increased share capital of Gamma Finanse Sp. z o.o., i.e.:

- CIECH Soda Polska S.A. contributed 28,083 shares in Cerium Finance Sp. z o.o., with the total nominal value of PLN 1,404 thousand (representing 98.60% of the share capital),
- CIECH S.A. contributed 400 shares in Cerium Finance Sp. z o.o., with the total nominal value of PLN 20 thousand (representing 1.4% of the share capital).

As of 12 July 2016, CIECH S.A. ceased to be the shareholder in Cerium Finance Sp. z o.o. As of 29 July 2016, i.e. as of the date of registration by the Court of the increase of the share capital of Gamma Finanse Sp. z o.o., Cerium Finance Sp. z o.o. has the following shareholders:

- Gamma Finanse Sp. z o.o. (holding 28,483 shares, representing 98.99% of the share capital),
- CIECH Soda Polska S.A. (holding 290 shares, representing 1.01% of the share capital).

#### **CIECH Cerium Sp. z o.o. Sp. k.**

On 12 July 2016, the General Meeting of CIECH Cerium Sp. z o.o. Sp. k. adopted resolution in which it gave its consent to the disposal by partners of all rights and obligations of the limited partner to CIECH S.A. Therefore, on 12 July 2016, the current partners of CIECH Cerium Sp. z o.o. Sp. k. (CIECH Sarzyna S.A., CIECH Vitrosilicon S.A., Ciech Pianki Sp. z o.o., CIECH Soda Polska S.A., CIECH Cargo Sp. z o.o.) concluded an agreement with CIECH S.A. for the disposal of all rights and obligations of the limited partner. As a result of conclusion of all the agreements listed above, on 12 July 2016 CIECH S.A. became the limited partner of CIECH Cerium Sp. z o.o. Sp. k.

On 12 July 2016, the General Meeting of CIECH Cerium Sp. z o.o. Sp. k. adopted resolution on amendment to the Limited Partnership Deed, according to which the following contributions are assigned to individual partners:

- to the general partner: Cerium Sp. z o.o. — cash contribution in the amount of PLN 1, participating in the Company's profits and losses in the proportion 1/475,001,
- to the limited partner: CIECH S.A. — cash contribution in the amount of PLN 475 thousand, participating in the Company's profits and losses in the proportion 475,000/475,001.

#### **Beta Cerium Sp. z o.o. S.k.**

On 4 July 2016, a partnership under the business name Beta Cerium Spółka z ograniczoną odpowiedzialnością Spółka komandytowa, with its registered office of Warsaw (registered by the Court on 13 July 2016), was established. The partnership has the following partners:

- Cerium Sp. z o.o. (cash contribution of PLN 50),
- CIECH Soda Polska S.A. (cash contribution of PLN 4,200 thousand),
- CIECH Sarzyna S.A. (non-cash contribution with the value of PLN 40 thousand),
- CIECH Pianki Sp. z o.o. (non-cash contribution with the value of PLN 3,955 thousand).

#### **Ciech Nieruchomości S.A.**

On 11 July 2016, CIECH S.A. sold 100% of shares in Ciech Nieruchomości S.A. to CIECH FINANCE Sp. z o.o., for the total amount of PLN 93 thousand.



#### 4. The most important events in the CIECH Group during the first three quarters of 2016

##### Completion of extension of the soda plant's production capacity — SODA +200 project

Modernisation of production plants is one of the pillars of the CIECH Group's development. The most important project implemented in 2015 was the extension of the production capacity of the soda plant in Inowrocław, from 600 to 800 thousand tonnes per year. As a result of the first stage of investment under the name of SODA +200 project, completed in 2015, the plant's capacity has increased by 60 thousand tonnes of products per year. Further 140 thousand tonnes were delivered in the first quarter of 2016. According to current estimates, the total value of the SODA +200 programme will amount to approx. PLN 318 million.

##### New production line in the organic segment

On 28 January 2016, CIECH Sarzyna S.A., the largest Polish plant protection products manufacturer, presented a new production line in the House and Garden category. It is an element of the strategic organic development of the Group. The ZIEMOVIT brand portfolio includes, among others, two plant protection products – ZIEMOVIT Chwastox Trio 540 SL, offering not only high effectiveness and speed of action, but also broad range of weed control owing to three active substances – and ZIEMOVIT Agrosar 360 SL, which perfectly eliminates monocots and dicots from the garden. The ZIEMOVIT offer also includes substrates and high quality granulated fertilisers for conifers and roses, enhancing the growth and development of plants, improving their water management and increasing their resistance to drought.

##### Changes in the composition of the Supervisory Board

As of 6 March 2016, Wojciech Stramski resigned from the position of the member of the CIECH S.A.'s Supervisory Board. On 7 March 2016, the Extraordinary General Meeting of CIECH S.A. appointed a new member of the Supervisory Board – Dominik Libicki. As at the date of approval of these financial statements for publishing, the Supervisory Board's composition was as follows:

- Sebastian Kulczyk – Chairman of the Supervisory Board
- Tomasz Mikołajczak – Deputy Chairman of the Supervisory Board
- Piotr Augustyniak
- Dominik Libicki
- Mariusz Nowak
- Artur Olech.

##### The CIECH Group was awarded the title "Reliable Employer 2015".

The "Reliable Employer" contest is one of the leading projects pertaining to human resources management in Poland. Every year, the chamber of the contest decides which companies deserve the award for their effective and innovative HR policy. The Company was nominated to this prestigious title on the basis of recommendations and opinions from a number of external institutions, such as the National Labor Inspection, District Employment Agency, Association of Employment Agencies. The following criteria were taken into account: working conditions (observance of OHS regulations, labour law, etc.), timely payment of salaries, social conditions, career path (trainings for employees). The purpose of the "Reliable Employer" contest is to identify the best employers in Poland, especially those who promote the most attractive HR solutions in their business, and at the same time share their experience in the nationwide press. The project was created primarily with the aim to find, honour and promote businesses with model HR policy translating into high quality of products and services provided in the demanding Polish market. The title received and recognition as one of the top companies who invest in employees is a significant distinction, but also an obligation that makes us even more motivated to continue our efforts in the HR management area.

##### Agreement on the sale of thermal coal – transfer of rights and obligations

On 13 May 2015 CIECH Soda Polska S.A. and Kompania Węglowa S.A. entered into an agreement on the sale of thermal coal. On 27 June 2016 an agreement was made by and between CIECH Soda Polska S.A., Kompania Węglowa S.A. and Polska Grupa Górnicza Sp. z o.o., under which all rights and obligations following from the agreement on the sale of thermal coal were transferred by Kompania Węglowa S.A., upon the consent of CIECH Soda Polska S.A., to Polska Grupa Górnicza Sp. z o.o. Other terms and conditions of the sales agreement remained unchanged. The conclusion of the agreement was related to the acquisition of Kompania Węglowa S.A. by Polska Grupa Górnicza S.A.

##### Petition for declaration of bankruptcy of major supplier – termination of the agreement on delivery of steam

On 6 July 2016, the court curator of S.C. CET Govora S.A. in Romania in composition proceedings, acting pursuant to the Romanian bankruptcy law, terminated the agreement with CIECH Soda Romania S.A. for sale of heat energy (supply of technological steam) concluded for a specified period of time, effective on 31 July 2016. At the same time, the court curator of S.C. CET Govora S.A. invited CIECH Soda Romania S.A. to talks about determination of new conditions of delivery of technological steam, starting from 1 August 2016. On 28 July 2016, the court curator of S.C. CET Govora S.A. announced that, despite termination of the heat energy sale agreement with CIECH Soda Romania S.A. with effect on 31 July 2016, deliveries of technological steam to CIECH Soda Romania S.A. will continue after 31 July 2016, with a gradual reduction of their scope by 25% per day, until final discontinuation of deliveries. As a result of limitation of deliveries of technological steam, CIECH Soda Romania S.A., due to technological reasons, suspended its production of soda on 3 August 2016. CIECH Soda Romania S.A. questioned the validity of the notice of termination and took appropriate legal action before a competent court, aimed at invalidation of the effectiveness of termination of the agreement. On 18 August 2016, the decision of Ramnicu Valcea Tribunal in Romania was verbally announced ordering that legal effects of the termination be suspended. As a result of the said court's decision, on 19 August 2016 the supply of steam was

resumed and CIECH Soda Romania S.A. has begun to restore its soda production process. During the forced standstill the equipment was subject to maintenance and repairs.

On 6 September, the Ramnicu Valcea Tribunal in Romania dismissed in a non-valid manner the claim of CIECH Soda Romania S.A. against S.C. CET Govora S.A. in composition bankruptcy to declare the termination of the contract for the supply of technological steam by the CET's court administrator ineffective. On 6 September 2016, after weeks of negotiations, CIECH Soda Romania S.A. and S.C. CET Govora S.A. approved new financial conditions on the supply of steam to CIECH Soda Romania S.A. The parties agreed the steam price higher by 16% in comparison to the price set in the terminated agreement.

#### Introduction of CIECH S.A.'s shares to trading on the stock exchange in Frankfurt

On 10 August 2016, the Management Board of CIECH S.A. adopted a decision on applying for admission and introduction of the shares of CIECH S.A. in the regulated market in the basic segment of the Frankfurt Stock Exchange (Frankfurter Börse, "FSE") and, for that purpose, on the drawing-up and submission to FSE of a relevant document summarising the rights required by law for the purpose of the admission. The Management Board of the Frankfurt Stock Exchange has taken decisions on admission as of 22 August 2016 and introduction as of 23 August 2016 of all the shares of CIECH S.A. in the regulated market in the General Standard sub-segment of the FSE. Following the admission, CIECH S.A.'s shares are, at the same time, listed at the Warsaw Stock Exchange and at FSE (dual listing).

### 5. Commentary to financial results achieved in the period from 1 January to 30 September 2016 and description of the factors and events that have a significant impact on the financial results

#### 5.1 Basic financial data

During the three quarters of 2016, the CIECH Group generated net result on continuing operations of PLN 419,887 thousand, net cash increased by PLN 56,670 thousand and the balance sheet total as at the end of the third quarter of 2016 amounted to PLN 4,110,996 thousand.

The table below presents selected financial data and basic financial ratios for three quarters of 2016 and 2015.

#### Selected financial data

PLN '000	01.01- 30.09.2016	01.01- 30.09.2015	Change % 2016/2015	Change 2016/2015
<b>CONTINUING OPERATIONS</b>				
<b>Sales revenues</b>	<b>2,547,533</b>	<b>2,458,843</b>	<b>3.6%</b>	<b>88,690</b>
Cost of sales	(1,775,595)	(1,789,361)	0.8%	13,766
<b>Gross profit/(loss) on sales</b>	<b>771,938</b>	<b>669,482</b>	<b>15.3%</b>	<b>102,456</b>
Selling costs	(165,408)	(144,105)	(14.8%)	(21,303)
General and administrative expenses	(123,725)	(114,279)	(8.3%)	(9,446)
Other operating income/expense	15,401	(30,731)	-	46,132
<b>Operating profit/(loss)</b>	<b>498,206</b>	<b>380,367</b>	<b>31.0%</b>	<b>117,839</b>
Net financial income/expenses	(30,125)	(89,579)	66.4%	59,454
Share of profit of equity-accounted investees	428	75	470.7%	353
Income tax	(48,622)	(32,748)	(48.5%)	(15,874)
<b>Net profit/(loss) on continuing operations</b>	<b>419,887</b>	<b>258,115</b>	<b>62.7%</b>	<b>161,772</b>
<b>DISCONTINUED OPERATIONS</b>				
Net profit/(loss) on discontinued operations	-	-	-	-
<b>Net profit / (loss)</b>	<b>419,887</b>	<b>258,115</b>	<b>62.7%</b>	<b>161,772</b>
including:				
Net profit/(loss) attributed to non-controlling interest	388	2,857	(86.4%)	(2,469)
Net profit/(loss) attributable to shareholders of the parent company	419,499	255,258	64.3%	164,241
EBITDA from continuing operations	662,133	542,583	22.0%	119,550
Normalised EBITDA from continuing operations*	646,867	579,998	11.5%	66,869

\*Excluding one-off events, the more important of which are described in section II.5 hereof.

PLN '000	30.09.2016	31.12.2015	Change % 2016/2015	Change 2016/2015
<b>Total assets</b>	<b>4,110,996</b>	<b>3,910,273</b>	<b>5.1%</b>	<b>200,723</b>
Total non-current assets	3,040,889	2,860,347	6.3%	180,542
Total current assets including:	1,070,107	1,049,926	1.9%	20,181
- inventory	247,256	293,631	(15.8%)	(46,375)
- current receivables	504,630	499,196	1.1%	5,434
- cash and cash equivalents	259,112	202,935	27.7%	56,177

PLN '000	30.09.2016	31.12.2015	Change % 2016/2015	Change 2016/2015
- short-term investments	55,663	50,781	9.6%	4,882
- non-current assets held for sale	3,446	3,383	1.9%	63
<b>Total equity</b>	<b>1,592,097</b>	<b>1,341,504</b>	<b>18.7%</b>	<b>250,593</b>
Equity attributable to shareholders of the parent	1,595,693	1,345,576	18.6%	250,117
Non-controlling interest	(3,596)	(4,072)	11.7%	476
Total non-current liabilities	1,823,570	1,802,311	1.2%	21,259
Total current liabilities	695,329	766,458	(9.3%)	(71,129)

PLN '000	01.01- 30.09.2016	01.01- 30.09.2015	Change % 2016/2015	Change 2016/2015
Net cash from operating activities	549,245	371,154	48.0%	178,091
Net cash from investment activities	(337,789)	(313,222)	(7.8%)	(24,567)
Net cash from financial activities	(154,786)	(21,609)	(616.3%)	(133,177)
<b>Total net cash flows</b>	<b>56,670</b>	<b>36,323</b>	<b>56.0%</b>	<b>20,347</b>
<i>including free cash flows*</i>	<i>211,456</i>	<i>57,932</i>	<i>265.0%</i>	<i>153,524</i>

\* Free cash flows – calculated as the sum of net cash from operating and investment activity

	01.01- 30.09.2016	01.01- 30.09.2015	Change 2016/2015
<b>CONTINUING OPERATIONS</b>			
<b>Earnings per share (in PLN)</b>	<b>7.96</b>	<b>4.84</b>	<b>3.12</b>
Net return on sales (ROS)	16.5%	10.5%	6 p.p.
EBIT margin	19.6%	15.5%	4.1 p.p.
EBITDA margin	26.0%	22.1%	3.9 p.p.
Normalised EBITDA margin*	25.4%	23.6%	1.8 p.p.

\*Excluding one-off events, the more important of which are described in section II.5 hereof.

Source: CIECH S.A

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

**net profit (loss) per share** – net profit (loss) / weighted average number of ordinary shares in the period (in accordance with the definition of IAS 33 "Earnings per share");

**net return on sales (ROS)** – net profit (loss) for a given period/net revenues from sales of products, services, goods and materials for a given period;

**EBIT margin** – operating profit (loss) for a given period / net revenues from sales of products, services, goods and materials for a given period;

**EBITDA margin** – (operating profit (loss) + depreciation/amortisation for a given period) / net revenues from sales of products, services, goods and materials for a given period;

**normalised EBITDA** – EBITDA excluding non-recurring events of which the more important are described in point II.5 / net revenues from sales of products, services, goods and materials in a given period.

## 5.2 Sales revenue

Consolidated net sales revenues from continued operations of the CIECH Group for the three quarters of 2016 amounted to PLN 2,547,533 thousand. In comparison to the same period of the previous year, the revenues increased by PLN 88,690 thousand. The changes were mainly due to market factors.

The positive contributors to the presented profits were as follows:

- increase in the volume of production and sales of soda – sale of additional volumes of calcinated soda from Soda +200 investment,
- slight increase in sales prices of soda produced in Poland and Germany.

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

- slight decrease in sales prices of soda produced in Romania – an effect of increase in competitiveness of American soda to the detriment of Chinese soda,
- lower sales volumes of soda from Romania as a result of the unit being stopped in August (lack of steam supplies from CET Govora),
- high supply and intensive activities of competitors on the salt market, pressure on price reductions;
- lower sales volumes of plant protection substances (2015 pre-sale, agricultural conditions, delays in EU subsidies for agriculture) and plastics (competitive pressure of Asian and European suppliers),
- decrease in sales volumes of packaging as a result of an increase in domestic and international competition.

During the three quarters of 2016, the CIECH Group's activities were focused on four business segments: soda, organic, silicates and glass, and on the transport segment. These segments generate in total more than 90% of the Group's sales revenues. The structure of sales revenues, by business segment, has not changed significantly in comparison with 2015. Invariably, the greatest share in the revenue was attributed to the sales of soda segment products, i.e. 71.0%.

### Sales revenues – business segments

PLN '000	01.01- 30.09.2016	01.01- 30.09.2015	Change	Change %	% of total revenues in 2016	% of total revenues in 2015
<b>Soda segment, including:</b>	<b>1,809,898</b>	<b>1,666,544</b>	<b>143,354</b>	<b>8.6%</b>	<b>71.0%</b>	<b>67.8%</b>
Dense soda ash	1,076,709	935,779	140,930	15.1%	42.3%	38.1%
Light soda ash	331,922	322,327	9,595	3.0%	13.0%	13.1%
Salt	133,606	129,038	4,568	3.5%	5.2%	5.2%
Baking soda	121,993	114,127	7,866	6.9%	4.8%	4.6%
Energy	59,534	44,838	14,696	32.8%	2.3%	1.8%
Gas*	19,865	43,069	(23,204)	(53.9%)	0.8%	1.8%
Calcium chloride	17,074	12,456	4,618	37.1%	0.7%	0.5%
Other products	28,316	44,733	(16,417)	(36.7%)	1.1%	1.8%
Revenues from inter-segment transactions	20,879	20,177	702	3.5%	0.8%	0.8%
<b>Organic segment, including:</b>	<b>561,407</b>	<b>587,235</b>	<b>(25,828)</b>	<b>(4.4%)</b>	<b>22.0%</b>	<b>23.9%</b>
Resins	228,278	274,548	(46,270)	(16.9%)	9.0%	11.2%
Polyurethane foams	175,019	164,113	10,906	6.6%	6.9%	6.7%
Plant protection chemicals	147,023	137,144	9,879	7.2%	5.8%	5.6%
Other	7,554	9,218	(1,664)	(18.1%)	0.3%	0.4%
Revenues from inter-segment transactions	3,533	2,212	1,321	59.7%	0.1%	0.1%
<b>Silicates and Glass segment, including:</b>	<b>136,329</b>	<b>137,484</b>	<b>(1,155)</b>	<b>(0.8%)</b>	<b>5.4%</b>	<b>5.6%</b>
Packaging – lanterns and jars	65,419	69,560	(4,141)	(6.0%)	2.6%	2.8%
Sodium silicate in lumps	39,940	39,305	635	1.6%	1.6%	1.6%
Sodium water glass	25,926	22,199	3,727	16.8%	1.0%	0.9%
Other	5,041	6,409	(1,368)	(21.3%)	0.2%	0.3%
Revenues from inter-segment transactions	3	11	(8)	(72.7%)	0.0%	0.0%
<b>Transport segment, including:</b>	<b>88,218</b>	<b>93,098</b>	<b>(4,880)</b>	<b>(5.2%)</b>	<b>3.5%</b>	<b>3.8%</b>
Transport services	8,995	9,265	(270)	(2.9%)	0.4%	0.4%
Revenues from inter-segment transactions	79,223	83,833	(4,610)	(5.5%)	3.1%	3.4%
<b>Transport segment, including:</b>	<b>96,251</b>	<b>112,179</b>	<b>(15,928)</b>	<b>(14.2%)</b>	<b>3.8%</b>	<b>4.6%</b>
Revenues from third parties	55,319	80,715	(25,396)	(31.5%)	2.2%	3.3%
Revenues from inter-segment transactions	40,932	31,464	9,468	30.1%	1.6%	1.3%
<b>Consolidation adjustments</b>	<b>(144,570)</b>	<b>(137,697)</b>	<b>(6,873)</b>	<b>5.0%</b>	<b>(5.7%)</b>	<b>(5.6%)</b>
<b>TOTAL</b>	<b>2,547,533</b>	<b>2,458,843</b>	<b>88,690</b>	<b>3.6%</b>	<b>100.0%</b>	<b>100.0%</b>

\* Resale of surpluses of the gas purchased.

Source: CIECH S.A.

### 5.3 Profit/(loss) on sales and operating profit/(loss)

After the three quarters of 2016, gross profit on sales amounted to PLN 771,938 thousand, whereas in the same period of the previous year it amounted to PLN 669,482 thousand. The operating profit amounted to PLN 498,206 thousand, in the comparable period it amounted to PLN 380,367 thousand.

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

- Continuation of the good economic situation in the whole European Union from the previous year (forecasted GDP growth at a level similar to previous year's level, although slightly lower, according to the European Commission data).
- Convenient circumstances in the domestic economy and chemical industry confirmed by the increase in sold production of industry by 3.8% in the first three quarters of 2016 (when compared to the analogic period of the previous year).
- Slight increase in soda ash prices in the selected European markets at the beginning of 2016 compared to the previous year.
- Still low prices of energy raw resources used in production of soda ash in Europe (coal, natural gas) and coke as compared with the first three quarters of 2015.
- Balancing of the European market of soda ash (demand and supply balance) with a tendency to increase in demand.
- Very strong growth in production of furniture in Poland by 14.0% during the first three quarters of 2016 in comparison to the same period of the previous year (in terms of value). The furniture sector is a recipient of polyurethane foams manufactured by the CIECH Group.

- Growth in production of paints and varnishes in the country by 3.1% during the first three quarters of 2016 in comparison to the same period of the previous year (in quantitative terms). The paints sector is a recipient of some resins manufactured by the CIECH Group.
- Low level of oil prices (lower by approx. a dozen or so percent than in the first three quarters of 2015) and consequently, low prices of raw materials for the organic industry improving the efficiency of operations in the organic segment of the CIECH Group.
- Depreciation of PLN currency against EUR and USD compared with the first three quarters of 2015, strengthening the profitability of exports of the CIECH Group.
- Increase in the volume of production and sales of soda – sale of additional volumes of calcinated soda from Soda +200 investment,

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

- Decrease in domestic sales of construction and assembly production by 14.9% during the first three quarters of 2016 in comparison to the same period of the previous year (the chemical industry produces many raw materials and semi-finished products used in this production).
- Unfavourable economic conditions on Chinese market of soda ash, which resulted in lower prices (when compared to the first three quarters of 2015) offered by soda ash suppliers from China on overseas markets on which the CIECH Group operates.
- Lower volumes of soda sold from Romania, among others as a result of the unit being stopped in August (lack of heat supplies from CET).
- Decrease in dollar prices for soda sold from Romania.
- Decrease of the domestic SOR market that was followed by the lower SOR sales in CIECH Sarzyna.
- High supply and intensive activities of competitors on the salt market, pressure on price reductions.
- Lower sales of glass packaging.

The EBIT margin for the three quarters of 2016 amounted to 19.6% (15.5% in the prior year), and the EBITDA margin amounted to 26.0% (22.1% in the prior year). The EBIT margin (excluding one-off events) for the three quarters of 2016 amounted to 19.0% (17.0% in the prior year), and the EBITDA margin (excluding one-off events) amounted to 25.4% (23.6% in the prior year).

#### 5.4 Financing activities and net result

Financial income for the three quarters of 2016 amounted to PLN 9,086 thousand and increased compared to the corresponding period of the previous year, when it amounted to PLN 5,701 thousand.

Financial expenses for the three quarters of 2016 amounted to PLN 39,211 thousand and decreased compared to the corresponding period of the previous year, when it amounted to PLN 95,280 thousand.

**The contributors in the area of financing activities included** costs of servicing external debt — interest on loans and bonds (these costs decreased compared to the corresponding period) and foreign exchange losses.

The consolidated net profit for the three quarters of 2016 amounted to PLN 419,887 thousand (of which PLN 419,499 thousand was a net profit attributable to the shareholders of the parent company and PLN 388 thousand was the profit of non-controlling shares). This result was influenced mainly by profit on sales partially offset by loss on financing activities. The net result of the Group was also significantly negatively impacted by income tax in the amount of PLN 48,622 thousand. Its value was positively affected by the recognition of the deferred tax asset in CIECH Soda Polska S.A. in amount of PLN 50,152 thousand related to tax credit in Pomeranian Special Economic Zone.

#### Profit (loss) by type of activities

PLN '000	01.01-30.09.2016	01.01-30.09.2015	Change % 2016/2015	Change 2016/2015
<b>CONTINUING OPERATIONS</b>				
1. Operating profit/loss	498,206	380,367	31.0%	117,839
2. Net financial income/expenses	(30,125)	(89,579)	66.4%	59,454
3. Share of profit of equity-accounted investees	428	75	470.7%	353
4. Income tax	(48,622)	(32,748)	(48.5%)	(15,874)
<b>5. Net profit/loss (1+2+3+4) on continuing operations</b>	<b>419,887</b>	<b>258,115</b>	<b>62.7%</b>	<b>161,772</b>
6. Net profit/loss attributed to non-controlling interest on continuing operations	388	2,857	(86.4%)	(2,469)
<b>7. Net profit/loss attributable to shareholders of the parent company (5-6) on continuing operations</b>	<b>419,499</b>	<b>255,258</b>	<b>64.3%</b>	<b>164,241</b>
8. Net profit/(loss) on discontinued operations	-	-	-	-
<b>9. Net profit/(loss) for the year (5+8)</b>	<b>419,887</b>	<b>258,115</b>	<b>62.7%</b>	<b>161,772</b>

Source: CIECH S.A.

## 5.5 Assets

As at the end of September 2016, the Group's non-current assets amounted to PLN 3,040,889 thousand. As compared to the balance as at 31 December 2015, the value of non-current assets increased by PLN 180,542 thousand. The change is mainly related to the investments in property, plant and equipment (partially offset by depreciation) and valuation of financial instruments.

As at 30 September 2016, the Group's current assets amounted to PLN 1,070,107 thousand. The current assets structure included: trade and other receivables accounting for 46.4%, inventory accounting for 23.1% as well as cash and cash equivalents accounting for 24.2% of total current assets. Compared to the end of December 2015, the value of current assets increased by PLN 20,181 thousand. The increase is mainly related to the increased sales in soda segment as a result of increased volumes and prices, seasonality of sales of plant protection chemicals as well as the increased volume of PUR foams in the organic segment.

## 5.6 Liabilities

Liabilities (non-current and current) of the CIECH Group as at 30 September 2016 amounted to PLN 2,518,899 thousand, which accounts for a decrease in comparison with the balance as at the end of December 2015 by PLN 49,870 thousand (i.e. by 1.9%). The debt ratio (current and non-current liabilities/total assets) amounted to 61.3% as at 30 September 2016 (65.7% as at the end of December 2015). The consolidated net debt of the Group calculated as the sum of non-current and current liabilities for credits, loans and other debt instruments (bonds + finance lease + liabilities for net loss on derivatives calculated separately for each instrument + reverse factoring liabilities + factoring liabilities) less cash and cash equivalents amounted to PLN 1,332,417 thousand as at 30 September 2016 and decreased in comparison to the balance as at the end of December 2015 by PLN 28,895 thousand.

## 5.7 Cash flows

Total net cash flows in the three quarters of 2016 was positive and amounted to PLN 56,670 thousand. Compared to the same period of the previous year, the cash flows generated by the Group were higher by PLN 20,347 thousand. The cash flows from operating activities amounted to PLN 549,245 thousand and increased as compared to the same period in 2015 by PLN 178,091 thousand.

In the three quarters of 2016, the net cash flows from investing activities were negative, which was mainly the result of expenses for an investment programme implemented by the Group. The net cash from financial activities was negative and amounted to PLN 154,786 thousand. In comparison to the same period in 2015, it was lower by PLN 133,177 thousand. It was a result of a dividend in the amount of PLN 150,195 thousand being paid by the CIECH S.A.'s parent company.

## 5.8 Information on the CIECH Group's financial standing

### Profitability after three quarters of 2016

In the three quarters of 2016, profitability ratios of the CIECH Group in respect of the continuing operations were at a higher level than in the comparable period of 2015.

### CIECH Group's profitability ratios

	01.01-30.09.2016	01.01-30.09.2015
<b>CONTINUING OPERATIONS</b>		
Gross return on sales	30,3%	27,2%
Return on sales	19,0%	16,7%
EBIT margin	19,6%	15,5%
EBITDA margin	26,0%	22,1%
Normalised EBIT margin*	19,0%	17,0%
Normalised EBITDA margin*	25,4%	23,6%
Net return on sales (ROS)	16,5%	10,5%
Return on assets (ROA)	10,2%	7,4%
Return on equity (ROE)	26,4%	20,6%

\*Excluding one-off events, the more important of which are described in section II.5 hereof.

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

**gross return on sales** – gross profit (loss) for a given period / net revenues from sales of products, services, goods and materials for a given period;

**return on sales** – profit (loss) for a given period / net revenues from sales of products, services, goods and materials for a given period;

**EBIT margin** – operating profit (loss) for a given period / net revenues from sales of products, services, goods and materials for a given period;

**EBITDA margin** – operating profit (loss) + depreciation/amortisation for a given period / net revenues from sales of products, services, goods and materials for a given period;

**normalised EBIT margin** – operating profit (loss) for a given period excluding one-off events, more important of which were described in section II.5 / net revenues from sales of products, services, goods and materials for a given period;

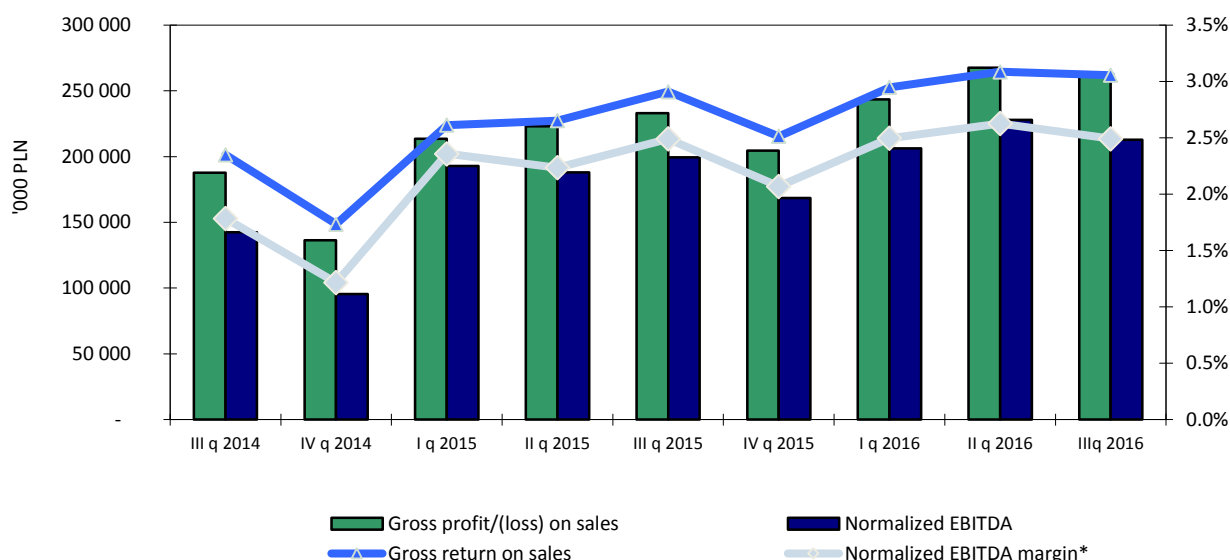
**normalised EBITDA margin** – EBITDA for a given period excluding one-off events, more important of which were described in section II.5 / net revenues from sales of products, services, goods and materials for a given period;

**net return on sales (ROS)** – net profit (loss) for a given period / net revenues from sales of products, services, goods and materials for a given period;

**return on assets (ROA)** – net profit (loss) for a given period / total assets as at the end of a given period;

**return on equity (ROE)** – net profit (loss) for a given period / total equity as at the end of a given period.

## The Ciech Group's return levels



\* Normalised EBITDA – excluding one-off events reported in particular quarters

Source: CIECH S.A.

## Liquidity of the Group and working capital

As at the end of September 2016, liquidity ratios increased as compared to their levels as at 31 December 2015. The current ratio, calculated as the ratio of total current assets to total current liabilities, amounted to 1.54 as at 30 September 2016, while the quick liquidity ratio amounted to 1.18.

## CIECH Group's liquidity ratios

	30.09.2016	31.12.2015
Current ratio	1.54	1.37
Quick ratio	1.18	0.99

## Principles of ratio calculation:

**current ratio** – the ratio of current assets to current liabilities as at the end of a given period; it measures the company's ability to cover current liabilities using current assets;

**quick ratio** – the ratio of current assets less inventory to current liabilities as at the end of a given period; it measures the company's ability to gather cash in short time to cover its maturing liabilities.

## Ability to generate cash flows

PLN '000	01.01-30.09.2016	01.01-30.09.2015
(1) Financial surplus ((net profit/(loss) on continuing operations + depreciation)	583,814	420,331
(2) Other adjustments to net profit/(loss) on continuing operations*	(35,990)	83,915
<b>(3) Adjusted financial surplus (1+2)</b>	<b>547,824</b>	<b>504,246</b>
(4) Change in working capital**	1,421	(133,092)
<b>(5) Net cash from operating activities (3+4)</b>	<b>549,245</b>	<b>371,154</b>
(6) Net cash from investing activities	(337,789)	(313,222)
<b>(7) Free cash flow (5+6)</b>	<b>211,456</b>	<b>57,932</b>

\* Other adjustments to net profit (loss) on continuing operations – the sum of adjusting items presented in operating activities of the cash flow statements, apart from depreciation/amortisation and adjustments presented as change in working capital\*\*

\*\*Change in working capital – measured as the sum of changes in receivables, changes in inventories and changes in current liabilities presented in the cash flow statement.

In the three quarters of 2016, the CIECH Group generated positive free cash flows, which means that it was able to finance its capital expenditure with cash flows generated on operating activities. The adjusted financial surplus reached the level required to contribute to generating a positive free cash flows.

As at the end of September 2016, working capital, defined as the difference between current assets and current liabilities, adjusted by relevant balance sheet items (cash and cash equivalents and short-term loans) amounted to PLN 112,214 thousand, which is an increase by PLN 35,472 thousand compared to the end of 2015.

**The CIECH Group's working capital**

PLN '000	30.09.2016	31.12.2015
1. Current assets, including:	1,070,107	1,049,926
<i>Inventory</i>	247,256	293,631
<i>Trade receivables and services and advances for deliveries</i>	313,221	277,308
2. Cash and cash equivalents and short-term investments	314,775	253,716
<b>3. Adjusted current assets (1-2)</b>	<b>755,332</b>	<b>796,210</b>
4. Current liabilities, including:	695,329	766,458
<i>Trade liabilities and advances taken</i>	244,004	273,332
5. Short-term credits and other current financial liabilities*	52,211	46,990
<b>6. Adjusted current liabilities (4-5)</b>	<b>643,118</b>	<b>719,468</b>
<b>7. Working capital including short-term credits (1-4)</b>	<b>374,778</b>	<b>283,468</b>
<b>8. Working capital (3-6)</b>	<b>112,214</b>	<b>76,742</b>

\* Other current financial liabilities include current finance lease liabilities + current derivative liabilities + reverse factoring liabilities + factoring liabilities.

**Indebtedness**

The debt ratio decreased in comparison to December 2015 and accounts for 61.3%. At the same time, the relative level of net debt (net financial liabilities in relation to EBITDA) improved as compared to the end of 2015. The ratio adjusted by one-off events is at a lower level in comparison to the previous year (net financial liabilities in relation to normalised EBITDA).

**Net debt of the Group**

PLN '000	30.09.2016	31.12.2015
Loans, borrowings and other debt instruments	1,532,941	1,514,584
Finance lease liabilities	24,238	26,883
Reverse factoring liabilities	-	18,998
Factoring liabilities	10,946	-
Negative net valuation of derivatives *	23,404	3,782
<b>Gross debt</b>	<b>1,591,529</b>	<b>1,564,247</b>
Cash and cash equivalents	259,112	202,935
<b>Net debt</b>	<b>1,332,417</b>	<b>1,361,312</b>

\*Calculated separately for each instrument.

**The CIECH Group's debt ratios**

	30.09.2016	31.12.2015
Debt ratio	61.3%	65.7%
Long term debt ratio	44.4%	46.1%
Debt to equity ratio	158.2%	191.5%
Equity to assets ratio	38.7%	34.3%
Gross debt	1,591,529	1,564,247
Net debt	1,332,417	1,361,312
EBITDA annualized*	827,088	707,538
EBITDA normalised (annualized)	815,291	748,422
Net debt / EBITDA annualized	1.6	1.9
Net debt / EBITDA normalised (annualized)**	1.6	1.8
Gross debt / EBITDA annualized	1.9	2.2
Gross debt / EBITDA normalised (annualized)**	2.0	2.1

\* Annualised EBITDA – EBITDA for 12 months ending on 30 September 2016 (for comparable data on 30 September 2015)

\*\*Excluding one-off events, the more important of which are described in section II.5 hereof.

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

**debt ratio** – the ratio of current and non-current liabilities to total assets; measures the share of external funds in financing the 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 the 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 the company's activity;

**net financial liabilities** – liabilities from issued bonds, loans and borrowings (plus overdraft) and other debt instruments (finance lease + net loss on derivatives calculated separately for each derivative + reverse factoring liabilities + factoring liabilities) less cash and cash equivalents;

**gross financial liabilities** – liabilities from issued bonds, loans and borrowings (plus overdraft) and other debt instruments (finance lease + net loss on derivatives calculated separately for each derivative + reverse factoring liabilities + factoring liabilities).



### Debt financing of the CIECH Group

As at 30 September 2016, debt financing of the Group in the form of bonds and loans was obtained mainly through:

- Domestic bonds issued by CIECH S.A. – as at 30 September 2016 the nominal debt amounted to PLN 160,000 thousand,
- Loans are granted to CIECH S.A. based on the loan agreement of 29 October 2015:
  - term loan in the amount of PLN 1,045,031 thousand and EUR 69,673 thousand (the total amount of the loan as at 30 September 2016 was PLN 1,345,461 thousand),
  - revolving credit facility granted to CIECH S.A. in the amount of up to PLN 250,000 thousand (the amount of used credit as at 30 September 2016 amounted to PLN 0).
- Bank overdrafts granted to CIECH Soda Deutschland GmbH & Co. KG in the amount of EUR 5,000 thousand as at 30 September 2016 the debt amounted to EUR 4,919 thousand (i.e. PLN 21,211 thousand).

Detailed information concerning the conditions of the issue of bonds, the revolving credit facility agreement and the established collaterals were disclosed in the Consolidated Annual Report of the CIECH Group for 2015 in section I.5.8, published on 21 March 2016.

### Factors and events that may affect future performance

In the opinion of the Management Board of CIECH S.A. in further months of 2016 the trends observed in the past few months will continue. Pursuant to the Strategy, the CIECH Group will focus on the following actions conducive to further development:

- further Soda segment expansion, also through focusing on development of specialist products,
- further actions aimed at optimising the utilisation level of capacity in all production companies of the Group,
- increasing the efficiency of Agro sector in CIECH Sarzyna S.A., actions towards new registration of products,
- continuous process of improving business and operational processes in all companies of the CIECH Group.

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

## 6. Significant risk factors

In connection with its operational activities, the CIECH Group is exposed to a number of risks, including financial risks. The most important risk factors are presented in details in the Annual Consolidated Report of the CIECH group for 2015 in section I.3.4, published on 21 March 2016.

During the three quarters of 2016, no new risks occurred, and the previously identified factors have not changed significantly, except for the following:

- On 6 July 2016, the court administrator of S.C. CET Govora S.A. in Romania in composition proceedings, acting pursuant to the Romanian bankruptcy law, terminated the agreement with CIECH Soda Romania S.A. on the sale of heat energy (supply of technological steam) concluded for a definite period of time, effective on 31 July 2016. At the same time, the court administrator of S.C. CET Govora S.A. invited CIECH Soda Romania S.A. to discuss the new terms and conditions of technological steam supply, starting from 1 August 2016.

On 28 July 2016, the court administrator of S.C. CET Govora S.A. announced that, despite termination of the heat energy sale agreement with CIECH Soda Romania S.A. with effect on 31 July 2016, supplies of technological steam to CIECH Soda Romania S.A. will continue after 31 July 2016, with a gradual reduction of their scope by 25% per day, until final discontinuation of supplies. As a result of limitation of deliveries of technological steam, CIECH Soda Romania S.A., due to technological reasons, suspended its production of soda on 3 August 2016.

CIECH Soda Romania S.A. challenged the validity of the termination and took an appropriate legal action in this regard before a competent court for resuming the termination of the agreement. On 18 August 2016, the decision of Ramnicu Valcea Tribunal in Romania was verbally announced ordering that legal effects of the termination be suspended.

As a result of the said court's decision, on 19 August 2016 the supply of steam was resumed and CIECH Soda Romania S.A. began to restore its soda production process. During the forced standstill the equipment was subject to maintenance and repairs.

On 6 September, the Ramnicu Valcea Tribunal in Romania dismissed in a non-valid manner the claim of CIECH Soda Romania S.A. against S.C. CET Govora S.A. in composition bankruptcy to declare the termination of the contract for the supply of technological steam by the CET's court administrator ineffective. On the same date, after weeks of negotiations, CIECH Soda Romania S.A. and S.C. CET Govora S.A. approved new financial conditions for the supply of steam to CIECH Soda Romania S.A. The parties agreed the steam price higher by 16% in comparison to the price set in the terminated agreement.

Currently, the parties reached an arrangement in respect of provisions of a long-term agreement for the supply of steam to the CIECH Soda Romania S.A. facility and they complete the execution thereof. Supplies of steam and the production of soda are not in jeopardy. As the agreement was reached with S.C. CET Govora S.A., CIECH Soda Romania S.A. reduced the short-term and middle-term risk of no steam supplies, and therefore it reduced the risk of forced production stoppages to a minimum. The present risk related to lack of steam or insufficient amounts of steam is assessed by us to be low.

- The results of referendum of 23 June 2016 concerning the Brexit pose a risk related to potential change of applicable trading conditions and trading and economy policy in general between Great Britain and the European Union. At this point it is difficult to assess the scope and scale of impact of Brexit on the CIECH Group. Most probably this will be possible in a few months at the earliest, when the authorities of Great Britain file a formal request for withdrawal from the European Union and a schedule and procedures for appropriate actions is proposed. At the moment the risk related to Brexit is assessed as low, mainly due to limited involvement of the CIECH Group in operations in Great Britain.
- The amendment to the regulation of the Minister of Environment on the classification of unit water bodies of surface waters and environmental quality standards for priority substances entered into force on 20 August 2016. The amendment refers to tightening the limits for chlorides in surface waters, which will affect the process of permit revision (once every 4 years) and/or obtaining new water law permits after the expiry date. In the case of CIECH Soda Polska S.A. there is a risk assessed by the Company as medium that in 2020 during the revision of the Company's permit, the authority may restrict the rules of using water.

Moreover, in accordance with the draft Water Law Act, on 1 January 2017 a new state administration body will be appointed – Państwowe Gospodarstwo Wodne Polska Woda (state water holding – Polish waters, PGW) competent, among others, for issue of environmental permits, with control powers and a body responsible for restoring appropriate status of waters, which considering the reduction of concentrations of the pollutants transferred to the bodies of waters may pose serious challenge to the industry. The draft Act stipulates that from 1 January 2017 the unit rates for water abstraction will increase and introduces the “fee for readiness”, i.e. fee for values determined in water law permits, fees will be paid on a quarterly basis. At this point the risk is assessed as high.

In the three quarters of 2016, there were no significant changes in relation to the Group's risk management policy.

#### Exposure to currency risk

The table below presents the estimated balance-sheet currency exposure of the CIECH Group in EUR and USD as at 30 September 2016 due to financial instruments (for EUR – excluding figures of the SDC Group and Ciech Group Financing AB, because EUR is their functional currency):

Exposure to currency risk in EUR	('000 EUR)	('000 USD)	Impact on the statement of profit or loss	Impact on the statement of other comprehensive income*
<b>Assets</b>				
Loans granted to SDC Group	44,569		X	
Trade receivables	20,192	11,631	X	
Cash including bank deposits	9,480	5,023	X	
<b>Equity and liabilities</b>				
Trade liabilities	(14,391)	(1,838)	X	
Term loan liabilities	(69,773)			X
Hedging instruments: Forward	(7,800)			X
Hedging instruments: CIRS (forward transactions isolated as part of decomposition of CIRS)	(246,839)			X
<b>Total exposure</b>	<b>(264,562)</b>	<b>14,816</b>		

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

The table contains an analysis of the sensitivity of individual items of the statement of financial position to EUR exchange rate changes as at 30 September 2016:

Analysis of sensitivity to foreign exchange rate changes	('000 PLN)*	Impact on the statement of profit or loss	Impact on the statement of other comprehensive income
Currency balance sheet items	(99)	599	(698)
Hedging instruments: Forward and CIRS	(2,546)	-	(2,546)

\* For currency exchange rate, increase of EUR/PLN exchange rate by 1 grosz.

The table contains an analysis of the sensitivity of individual items of the statement of financial position to USD exchange rate changes as at 31 March 2016: 30 September 2016:

Analysis of sensitivity to foreign exchange rate changes	('000 PLN)*	Impact on the statement of profit or loss	Impact on statement of other comprehensive income
Currency balance sheet items	148	148	-

\* For currency exchange rate, increase of USD/PLN rate by 1 grosz

The CIECH Group applies hedge accounting. There were no changes in the presentation or valuation in this area compared to the previous period. Tests performed as at the balance sheet date have shown that the hedging of future cash flows from revenues from sales denominated in or indexed to the EUR exchange rate using a series of EUR/PLN forward transactions, through the decomposition of CIRS transactions, is not fully effective. The resulting inefficiency recognised for the three quarters of 2016 in the income statement amounted to PLN + 833 thousand.

#### 7. Meeting the profit forecasts published earlier for a given year in the light of the profit (loss) disclosed in the report as compared to the forecast profit (loss)

The CIECH Group did not publish any forecasts for 2016.

#### 8. Factors affecting the CIECH Group's results with particular focus on the next quarter

##### External factors affecting the Group's results

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

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

According to the data of the Central Statistical Office, the sales in industry at fixed prices in the first nine months of 2016 increased by 3.8% as compared with the same period in the previous year (in 2015 – an increase of 4.5%). In 2016, the relevant dynamics of production in the industries of significant importance to the Group's activities (as receiving or target markets) were: chemicals and chemical products (increase by 1.9%); rubber and plastic products (increase by 7.8%); manufacture of motor vehicles (increase by 7.7%); manufacture of furniture (increase by 14.0%); manufacture of food (increase by 5.8%); construction and assembly production (decrease by 14.9%).

In the years 2014–2015, the Polish economy recorded above-average rates of economic growth as compared to the European Union (increase in GDP by 3.3% and 3.6% respectively). This good economic situation observed this year should continue also in 2017 (forecasted GDP growth at 3.5% in comparison to 3.0% in 2016). Similar trends should be expected in the chemical industry which usually develops similarly to the economy as a whole.

##### Economic situation in Europe and in the world

The activity of the CIECH Group is based, in a considerable part, on the sales of chemical products on foreign markets. The level of profitability on sales depends on the global economic situation in Europe and in the world. Global economic downturn usually results in the fall of the demand for raw materials on global markets and hence on the amount of export turnover of the Group. According to the forecasts of International Monetary Fund of October this year, in 2017 the dynamics of global economic development should speed up slightly (increase in GDP by 3.4% vs. 3.1% expected in 2016). The largest Asian economies will grow relatively quickly (India, China, and ASEAN countries, for which the GDP growth indicators should be, respectively: 7.6%, 6.2%, 5.1%). Among large economies, the worst conditions will be observed in Russia and Brazil; any recession in these countries in 2015–2016 should be already gone (expected increases in GDP by 1.1% and 0.5% respectively). In turn, the European Union will witness the slow-down of development (GDP growth of 1.7% in 2017 vs. 1.9% forecast in 2016).

For the chemical sector American Chemical Chamber (ACC) assumes that after a moderate increase of chemical production in years 2014–2015 (by 3.0% and 2.8%, respectively) the following years will indicate a rapid growth of productivity: by 3.3% in 2016 and by 3.7% in 2017. In the case of USA, this growth should reach 2.9% in 2016, and 4.4% in 2017. Whereas in the European Union, the European Council of Chemical Industry (CEFIC) projects that the years 2016–2017 will bring an increase in the chemical production by only 1.0% on an annual average (in comparison with the increase of 0.6% in 2015).

As regards the European construction sector, further economic growth is projected for the next 2-3 years. According to Euroconstruct, the annual average production dynamics in construction sector in the Western and Central Europe should grow up to 2.5% in the years 2016–2018 (from 1.4% in 2015).

##### Financial condition of agriculture

A part of the CIECH Group revenues, including plant protection products (products made in the Group or goods), are generated from the sales to the agricultural sector. In the opinion of the Group, in the long-term perspective, the demand for chemicals for agriculture used in Poland and in Central and Eastern Europe should still grow. Significant factors that are favourable for the increase in the consumption of agrochemicals in Poland and thus in the demand for products and goods of the Group, include processes improving the financial condition and profitability of agricultural production, including: quotation of production and direct subsidies. This should be reflected in the increase in revenues of the Group. On the other hand, the lack of significant

improvement in the purchasing power of the agricultural sector may result in the stagnation of the demand for plant pesticides and, at the same time, in the stagnation of the Group's revenues in the agrochemical products.

According to the data of the Institute of Agricultural and Food Economics (Instytut Ekonomiki Rolnictwa i Gospodarki Żywnościowej, IERiGŻ), during the period from January to September 2016 there was a slight improvement of market conditions for the domestic agricultural sector as compared to the corresponding period of the previous year. This happened mainly due to: increased demand for food products, increase in purchase prices for animal products, decreases in prices of production inputs. In September 2016, the synthetic ratio of the economic situation in agriculture measured by IERiGŻ remained at the previous year's level (100.5). In the nearest period, market conditions for the Polish agriculture may improve slightly (increasing demand for food, improved conditions on global milk and sugar markets, increase in purchase prices of animal products).

#### **Competitors' activities in the scope of increase of production capacity**

In the sectors of mass chemical products, in which the CIECH Group operates, the capital expenditures are an important barrier to entry, and in the case of the soda segment – an easy access to natural resources. For this reason, in the scope of the most important segment of the CIECH Group, the soda segment, green field investments are rare and generally done outside Europe. The planned opening of new soda ash and baking soda production plants in Turkey, with the total capacity of 3.3 million tonnes/year in 2017–2018, will be an exceptional event from the perspective of the last decades. The above investments may bring such results as: a temporary, significant oversupply of the product, and a decrease in prices in Europe and in the neighbouring regions, which may have a negative impact on the Group's results of operations.

#### **Economic situation on raw material market**

The Group, as part of its operation, generates commercial turnover on the import of raw chemicals to Poland. The raw material markets are of a cyclical nature related to fluctuations in the global economy. On the one hand, the growing prices of raw materials force the trading agents to lower their mark-ups while weakening the demand of the recipients. On the other hand, they are usually a sign of declining demand and the onset of an economic slump. If the stable growth rate and steady prices of chemical raw materials continue, this will benefit the Group's imports of chemical raw materials. Significant demand and price fluctuations may be a result of economic changes due to, for instance, a rapid economic growth or economic stagnation. Strong fluctuations may have a negative impact on the CIECH Group's trade in chemical raw materials.

#### **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. To date, the CIECH Group has registered 21 substances with the tonnage range from 100 to more than 1,000 Mg/y. Until 31 May 2018, 12 marketed substances in the quantity of 1 to above 100 Mg/y are planned to be registered.

#### **Emission trading system**

The emission trading system applies to:

- CIECH Soda Polska S.A. with 2 heat power station installations and 2 soda production installations,
- SDC Group with 1 heat power station installation and 1 soda production installation,
- CIECH Soda Romania S.A. with 1 soda production installation,
- CIECH Vitrosilicon S.A. with 2 glass production installations.

Internal analyses performed by the CIECH Group companies indicate that the amount of free CO<sub>2</sub> emission allowances in the 3rd settlement period (2013–2020) will be insufficient to cover the actual demand for this type of settlement units. The resulting deficit of CO<sub>2</sub> emission allowances may be balanced by applying one or several of the following measures:

- purchase of the emission allowances in an auction, stock market transactions, or over-the-counter transaction,
- equity investments aimed at decreasing the emissions of the generated heat, process emissions, increasing the energy efficiency,
- use of raw materials and emissions with lower emissions.

In addition to the direct costs connected with the purchase of CO<sub>2</sub> emission allowances, the CIECH Group companies will bear higher costs of electricity due to their assumption of the costs of purchase of emission allowances from the producers.

#### **EUR/PLN and USD/PLN exchange rate relationships**

The export sales of the CIECH Group are mainly dominated in EUR and USD. Strong EUR and USD increase the profitability of the Group's export sales. On the other hand, in the case of strengthening of the national currency in relation to EUR and USD, we can observe a decrease in the profitability of exports and a negative impact on the volume of export sales accomplished by the Group.

#### **Internal factors affecting the Group's profit (loss)**

##### **Maintaining cost and quality competitiveness**

The competitiveness of the CIECH Group is a result of such basic factors as:

- cost competitiveness based on the economies of scale, specialisation, standardisation and effects of experience,
- quality leadership and quality management systems,
- competition based on the market strength of the company (position of the market leader).

### Quality and stability of the management and staff

The market position of the CIECH Group is to a large extent a result of the high quality of the management and its mid-level employees. The CIECH Group HR policy guarantees its employees an opportunity for professional development and continuous skills upgrade.

### 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 since 10 February 2005 and since 23 August 2016 also 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

Since the date of publishing the previous report (i.e. the date of publication of the Extended Consolidated Report of the CIECH Group for the first half-year of 2016, announced on 31 August 2016), CIECH S.A. received from TFI PZU S.A. information about increasing the interests in the total number of shares. Therefore, to the best knowledge of CIECH S.A., as at the day of approving this report, entities holding significant blocks of shares (at least 5%) include two entities listed:

Shareholder	Type of shares	Share in total number of votes at GSM			Number of votes at GSM		
		Report for 1st half-year of 2016	Change	Report 3 quarters of 2016	Report for 1st half-year of 2016	Change	Report 3 quarters of 2016
<b>KI Chemistry s. à r. l. with its registered office in Luxembourg</b>	<b>Ordinary bearer</b>	<b>51.14%*</b>	-	<b>51.14%</b>	<b>26,952,052*</b>	-	<b>26,952,052</b>
Nationale-Nederlanden Otwarty Fundusz Emerytalny	Ordinary bearer	5.69%**	-	5.69%	3,000,000**	-	3,000,000
TFI PZU Funds	Ordinary bearer	4.99%	0.13%	5.12%***	2,634,865	61,996	2,696,861***
Others	Ordinary bearer	38.18%	(0,13%)	38.05%	20,112,992	(61,996)	20,050,996

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

\*\* On the basis of the list of shareholders holding at least 5% of votes at the Ordinary Meeting of Shareholders of CIECH S.A. on 16 June 2016, CR 22/2016 prepared and published pursuant to Article 70(3) of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies.

\*\*\* On the basis of information dated 15 September 2016 provided by Shareholder under Article 69(1)(1) and Article 87(1)(2)(a) 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 32/2016).

The percentage share of above-listed shareholders in the share capital of CIECH S.A. equals the percentage share in the number of votes at the General Shareholders Meeting of CIECH S.A.

### 10. Changes in the number of shares in CIECH S.A. held by the Members of the Management Board and Supervisory Board

The number of shares in CIECH S.A. held by managing and supervising persons as at the date of the approval of this report is as follows:

- Artur Osuchowski — Member of the Management Board of CIECH S.A., holds 65,195 shares in CIECH S.A.

At the date of the approval of this report, other managing and supervising persons of CIECH S.A. did not hold any shares in CIECH S.A. nor shares or interests in related entities. There have been no changes in this regard since the publication of Extended Consolidated Report of the CIECH Group for the first half-year of 2016, i.e. since 31 August 2016.

### 11. Litigation pending before a court, competent arbitration authority or public administration authority

#### 11.1 Significant disputed liabilities of the CIECH Group

As at 30 September 2016, the total value of significant disputed liabilities of CIECH S.A. and subsidiaries of CIECH S.A., pursued in all types of proceedings before court, competent arbitration authority or public administration authority represented less than 10% of CIECH S.A.'s equity.

**11.2 Significant disputed receivables of the CIECH Group**

As at 30 September 2016, the total value of significant disputed receivables of CIECH S.A. and subsidiaries of CIECH S.A., pursued in all types of proceedings before court, competent arbitration authority or public administration authority represented less than 10% of CIECH S.A.'s equity.

**12. Loan or borrowing sureties or guarantees granted by CIECH S.A. or its subsidiary**

Information about loan or borrowing sureties or guarantees is presented in sections II.13 of this Report.

**Letters of comfort**

As at 30 September 2016, the status of liability under the letter of comfort has not changed in respect of the status of 31 December 2015 presented in item II.42 of the Consolidated Annual Report of the CIECH Group for 2015, published on 21 March 2016.

**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 sections II.11 of this Report.

**QUARTERLY FINANCIAL INFORMATION  
OF THE PARENT COMPANY  
CIECH S.A.  
FOR 9-MONTH PERIOD ENDED 30 SEPTEMBER 2016**

**IV. QUARTERLY FINANCIAL INFORMATION OF THE PARENT COMPANY, CIECH S.A.**
**Condensed Separate Statement of Profit Or Loss of CIECH S.A.**

<i>PLN '000</i>	01.01-30.09.2016	01.01-30.09.2015	01.07-30.09.2016	01.07-30.09.2015
<b>CONTINUING OPERATIONS</b>				
Sales revenues	1,615,743	1,523,474	542,386	522,942
Cost of sales	(1,209,949)	(1,203,602)	(402,052)	(415,831)
<b>Gross profit/(loss) on sales</b>	<b>405,794</b>	<b>319,872</b>	<b>140,334</b>	<b>107,111</b>
Other operating income	2,191	85,686	669	62,355
Selling costs	(122,500)	(107,441)	(39,394)	(38,417)
General and administrative expenses	(44,636)	(37,210)	(18,151)	(17,670)
Other operating expenses	(3,261)	(5,598)	(1,181)	185
<b>Operating profit/(loss)</b>	<b>237,588</b>	<b>255,309</b>	<b>82,277</b>	<b>113,564</b>
Financial income	195,143	201,201	19,232	6,226
Financial expenses	(83,125)	(133,300)	(11,108)	(43,601)
<b>Net financial income/expenses</b>	<b>112,018</b>	<b>67,901</b>	<b>8,124</b>	<b>(37,375)</b>
<b>Profit/(loss) before tax</b>	<b>349,606</b>	<b>323,210</b>	<b>90,401</b>	<b>76,189</b>
Income tax	(34,334)	24,845	(17,084)	46,206
<b>Net profit/(loss) on continuing operations</b>	<b>315,272</b>	<b>348,055</b>	<b>73,317</b>	<b>122,395</b>
<b>DISCONTINUED OPERATIONS</b>				
<b>Net profit/(loss) on discontinued operations</b>	-	-	-	-
<b>Net profit / (loss)</b>	<b>315,272</b>	<b>348,055</b>	<b>73,317</b>	<b>122,395</b>
<b>Earnings per share (in PLN):</b>				
Basic	5.98	6.60	1.39	2.32
Diluted	5.98	6.60	1.39	2.32
<b>Earnings/(loss) per share (in PLN) from continuing operations:</b>				
Basic	5.98	6.60	1.39	2.32
Diluted	5.98	6.60	1.39	2.32

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

**Condensed Separate Statement of Other Comprehensive Income of CIECH S.A.**

<i>PLN '000</i>	01.01-30.09.2016	01.01-30.09.2015	01.07-30.09.2016	01.07-30.09.2015
<b>Net profit/(loss) on continuing operations</b>	<b>315,272</b>	<b>348,055</b>	<b>73,317</b>	<b>122,395</b>
Net profit/(loss) on discontinued operations	-	-	-	-
<b>Net profit / (loss)</b>	<b>315,272</b>	<b>348,055</b>	<b>73,317</b>	<b>122,395</b>
<b>Other comprehensive income before tax that may be reclassified to profit or loss</b>	<b>(2,806)</b>	<b>2,744</b>	<b>957</b>	<b>(501)</b>
Cash flow hedge	(2,806)	2,744	957	(501)
<b>Other comprehensive income before tax that may not be reclassified to profit or loss</b>	-	-	-	-
<b>Income tax attributable to other comprehensive income</b>	<b>533</b>	<b>(521)</b>	<b>(182)</b>	<b>95</b>
Income tax attributable to other comprehensive income that may be reclassified to profit or loss	533	(521)	(182)	95
<b>Other comprehensive income net of tax</b>	<b>(2,273)</b>	<b>2,223</b>	<b>775</b>	<b>(406)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>312,999</b>	<b>350,278</b>	<b>74,092</b>	<b>121,989</b>

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



**Condensed Separate Statement of Financial Position of CIECH S.A.**

<i>PLN '000</i>	<b>30.09.2016</b>	<b>31.12.2015</b>
<b>ASSETS</b>		
Property, plant and equipment	11,762	12,808
Intangible assets	9,069	9,462
Long-term borrowings	612,275	292,868
Other long-term investments	2,060,459	2,035,487
Deferred income tax assets	104,814	135,316
<b>Total non-current assets</b>	<b>2,798,379</b>	<b>2,485,941</b>
Inventory	24,173	19,673
Short-term investments	191,332	215,411
Income tax receivables	252	194
Trade and other receivables	442,328	331,797
Cash and cash equivalents	167,257	174,745
<b>Total current assets</b>	<b>825,342</b>	<b>741,820</b>
<b>Total assets</b>	<b>3,623,721</b>	<b>3,227,761</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	287,614	287,614
Share premium	470,846	470,846
Cash flow hedge	(4,608)	(2,335)
Actuarial gains	50	50
Other reserve capitals	76,199	76,199
Retained earnings	629,926	464,849
<b>Total equity</b>	<b>1,460,027</b>	<b>1,297,223</b>
Loans, borrowings and other debt instruments	1,497,237	1,494,775
Other non-current liabilities	92,911	41,828
Employee benefits	550	510
<b>Total non-current liabilities</b>	<b>1,590,698</b>	<b>1,537,113</b>
Loans, borrowings and other debt instruments	177,324	124,124
Trade and other liabilities	366,817	238,127
Income tax liabilities	5,123	4,219
Employee benefits	223	240
Provisions	23,509	26,715
<b>Total current liabilities</b>	<b>572,996</b>	<b>393,425</b>
<b>Total liabilities</b>	<b>2,163,694</b>	<b>1,930,538</b>
<b>Total equity and liabilities</b>	<b>3,623,721</b>	<b>3,227,761</b>

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

**Condensed Separate Statement of Cash Flows of CIECH S.A.**

<i>PLN '000</i>	<b>01.01-30.09.2016</b>	<b>01.01-30.09.2015</b>
<b>Cash flows from operating activities</b>		
<b>Net profit/(loss) on continuing operations</b>	<b>315,272</b>	<b>348,055</b>
Adjustments		
Amortisation/depreciation	3,374	2,989
Recognition of impairment allowances	(1,088)	48,149
Foreign exchange (profit) /loss	2,105	4,429
(Profit) / loss on investment activities	(93)	(12,526)
(Profit) / loss on disposal of property, plant and equipment	(77)	(374)
Dividends and interest	(140,808)	(119,509)
Income tax	34,334	(24,845)
Change in liabilities due to loan arrangement fee	1,495	5,640
Value of derivatives	20,511	-
<b>Cash from operating activities before changes in working capital and provisions</b>	<b>235,025</b>	<b>252,008</b>
Change in receivables	(47,588)	(43,354)
Change in inventory	(4,500)	(3,871)
Change in current liabilities	130,350	26,188
Change in provisions and employee benefits	(3,183)	4,848
<b>Cash generated from operating activities</b>	<b>310,104</b>	<b>235,819</b>
Interest paid	(25,108)	(59,955)
Income tax paid/returned	(1,905)	9,163
<b>Net cash from operating activities</b>	<b>283,091</b>	<b>185,027</b>
<b>Cash flows from investment activities</b>		
Disposal of a subsidiary	3,024	100,097
Disposal of intangible assets and property, plant and equipment	87	374
Dividends received	72,253	161,421
Interest received	5,051	12,473
Proceeds from repaid borrowings	45,600	229,236
Acquisition of a subsidiary (after deduction of acquired cash)	(1)	(5,063)
Acquisition of intangible assets and property, plant and equipment	(4,886)	(8,115)
Raise capital expenditures and extra charge on capital	(35)	(35,495)
Cash pooling outflows	(2,789)	(17,149)
Borrowings paid out	(295,775)	(690,279)
<b>Net cash from investment activities</b>	<b>(177,471)</b>	<b>(252,500)</b>
<b>Cash flows from financial activities</b>		
Proceeds from loans and borrowings	-	66,737
Cash pooling inflows	37,580	41,109
Dividends paid to parent company	(150,195)	-
Payments of finance lease liabilities	-	(160)
<b>Net cash from financial activities</b>	<b>(112,615)</b>	<b>107,686</b>
<b>Total net cash flows</b>	<b>(6,995)</b>	<b>40,213</b>
<b>Cash and cash equivalents as at the beginning of the period</b>	<b>174,745</b>	<b>10,261</b>
<i>Impact of foreign exchange differences</i>	<i>(493)</i>	<i>281</i>
<b>Cash and cash equivalents as at the end of the period</b>	<b>167,257</b>	<b>50,755</b>

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

**Condensed Separate Statement of Changes in Equity of CIECH S.A.**

<i>PLN '000</i>	Share capital	Share premium	Cash flow hedge	Actuarial gains	Other reserve capitals	Retained earnings	<b>Total equity</b>
<b>Equity as at 01.01.2016:</b>	<b>287,614</b>	<b>470,846</b>	<b>(2,335)</b>	<b>50</b>	<b>76,199</b>	<b>464,849</b>	<b>1,297,223</b>
<b>Transactions with the shareholders recognised directly in equity</b>	-	-	-	-	-	<b>(150,195)</b>	<b>(150,195)</b>
Dividend payment	-	-	-	-	-	(150,195)	(150,195)
<b>Total comprehensive income for the period</b>	-	-	<b>(2,273)</b>	-	-	<b>315,272</b>	<b>312,999</b>
Net profit / loss	-	-	-	-	-	315,272	315,272
Other comprehensive income	-	-	(2,273)	-	-	-	(2,273)
<b>Equity as at 30.09.2016</b>	<b>287,614</b>	<b>470,846</b>	<b>(4,608)</b>	<b>50</b>	<b>76,199</b>	<b>629,926</b>	<b>1,460,027</b>
<b>Equity as at 01.01.2015:</b>	<b>287,614</b>	<b>470,846</b>	<b>(5,724)</b>	<b>(348)</b>	<b>76,199</b>	<b>133,271</b>	<b>961,858</b>
<b>Transactions with the shareholders recognised directly in equity</b>	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	<b>2,223</b>	-	-	<b>348,055</b>	<b>350,278</b>
Net profit / loss	-	-	-	-	-	348,055	348,055
Other comprehensive income	-	-	2,223	-	-	-	2,223
<b>Equity as at 30.09.2015</b>	<b>287,614</b>	<b>470,846</b>	<b>(3,501)</b>	<b>(348)</b>	<b>76,199</b>	<b>481,326</b>	<b>1,312,136</b>

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

**V. EXPLANATORY NOTES TO THE CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS OF CIECH S.A.****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 ("IFRS"). Due to the adopted resolution, since 2007 the reports of CIECH S.A. have been prepared in accordance with the IFRS using the valuation of assets and liabilities and the measurement of net result as defined in the accounting policy.

These interim condensed separate financial statements were prepared in compliance with IAS 34 "Interim Financial Reporting" as approved by the European Union and the Regulation of the Minister of Finance dated 19 February 2009, as amended, on current and periodical information submitted by issuers of securities and on conditions for deeming equivalent information required by the law of a Non-Member State (Journal of Laws of 2009, No 33, item 259). These financial statements present the financial position of CIECH S.A. as at 30 September 2016 and as at 31 September 2015, results of the Company's operations and cash flows for the period of 9 months ended 30 September 2016 and 30 September 2015, and were approved by the Management Board of CIECH S.A. on 14 November 2016.

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

The Management Board of CIECH S.A. declares that to the best of its knowledge these interim condensed separate financial statements, including corresponding figures, have been prepared in accordance with the generally 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 9-month period ended 30 September 2016.

**2. Adopted accounting principles**

The CIECH S.A.'s accounting principles are described in the Separate Annual Report of CIECH S.A. for the year 2015, published on 21 March 2016. The aforementioned Report includes 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.

**3. Changes in estimates**

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

**VI. APPROVAL OF THE EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP**

This extended consolidated quarterly report of the CIECH Group for three quarters of 2016 was approved by the Management Board of CIECH S.A. at its registered office on 14 November 2016.

Warsaw, 14 November 2016.

*Signed on the Polish original*

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

*Signed on the Polish original*

.....  
**Artur Król — Member of the Management Board of CIECH Spółka Akcyjna**

*Signed on the Polish original*

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

*Signed on the Polish original*

.....  
**Katarzyna Rybacka — Chief Accountant of CIECH Spółka Akcyjna**