



EXTENDED CONSOLIDATED REPORT OF THE CIECH GROUP

for the first half of 2017



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



CIECH GROUP — SELECTED CONSOLIDATED FINANCIAL DATA

SELECTED FINANCIAL DATA	PLN '000		EUR '000	
	6 months ended 30.06.2017	6 months ended 30.06.2016	6 months ended 30.06.2017	6 months ended 30.06.2016
Sales revenues	1,781,360	1,693,596	419,400	386,622
Operating profit/(loss)	258,577	344,411	60,879	78,624
Profit/(loss) before tax	218,011	334,356	51,328	76,328
Net profit / (loss) for the year	171,154	264,317	40,296	60,339
Net profit/(loss) attributable to shareholders of the parent company	170,944	263,993	40,247	60,265
Net profit/(loss) attributed to non-controlling interest	210	324	49	74
Other comprehensive income net of tax	14,355	(29,420)	3,380	(6,716)
Total comprehensive income	185,509	234,897	43,676	53,623
Cash flows from operating activities	255,448	361,582	60,142	82,544
Cash flows from investment activities	(184,175)	(231,049)	(43,362)	(52,745)
Cash flows from financial activities	(4,026)	(3,060)	(948)	(699)
Total net cash flows	67,247	127,473	15,832	29,100
Earnings (loss) per ordinary share (in PLN/EUR)	3.24	5.01	0.76	1.14
	as at 30.06.2017	as at 31.12.2016	as at 30.06.2017	as at 31.12.2016
Total assets	4,500,066	4,501,892	1,064,727	1,017,607
Non-current liabilities	1,610,510	1,695,514	381,051	383,254
Current liabilities	940,555	1,042,886	222,538	235,734
Total equity	1,949,001	1,763,492	461,138	398,619
Equity attributable to shareholders of the parent	1,952,189	1,766,827	461,893	399,373
Non-controlling interest	(3,188)	(3,335)	(755)	(754)
Share capital	287,614	287,614	68,050	65,012

CIECH S.A. — SELECTED SEPARATE FINANCIAL DATA

SELECTED FINANCIAL DATA	PLN '000		EUR '000	
	6 months ended 30.06.2017	6 months ended 30.06.2016	6 months ended 30.06.2017	6 months ended 30.06.2016
Sales revenues	1,189,387	1,073,357	280,027	245,031
Operating profit/(loss)	116,789	155,311	27,497	35,455
Profit/(loss) before tax	178,405	259,205	42,003	59,172
Net profit / (loss) for the period	148,589	241,955	34,984	55,235
Other comprehensive income net of tax	13,404	(3,048)	3,156	(696)
Total comprehensive income	161,993	238,907	38,139	54,539
Cash flows from operating activities	137,311	234,578	32,328	53,551
Cash flows from investment activities	(101,657)	(176,960)	(23,934)	(40,397)
Cash flows from financial activities	14,789	29,216	3,482	6,670
Total net cash flows	50,443	86,834	11,876	19,824
	as at 30.06.2017	as at 31.12.2016	as at 30.06.2017	as at 31.12.2016
Total assets	3,699,748	3,599,972	875,369	813,737
Non-current liabilities	1,398,314	1,467,349	330,844	331,679
Current liabilities	842,675	835,857	199,379	188,937
Total equity	1,458,759	1,296,766	345,146	293,121
Share capital	287,614	287,614	68,050	65,012

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

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

as at 30.06.2017	as at 31.12.2016	6 months ended 30.06.2017	6 months ended 30.06.2016
EUR 1 = PLN 4.2265	EUR 1 = PLN 4.4240	EUR 1 = PLN 4.2474	EUR 1 = PLN 4.3805



**SEMI-ANNUAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
OF THE CIECH GROUP FOR 6-MONTH PERIOD ENDED 30 JUNE 2017**

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

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE CIECH GROUP

	01.01.-30.06.2017	01.01.-30.06.2016*	01.04.-30.06.2017	01.04.-30.06.2016*
			<i>Unaudited data</i>	
CONTINUING OPERATIONS				
Sales revenues	1,781,360	1,693,596	882,982	867,127
Cost of sales	(1,341,840)	(1,192,368)	(663,716)	(604,388)
Gross profit/(loss) on sales	439,520	501,228	219,266	262,739
Other operating income	32,449	44,703	21,388	32,677
Selling costs	(129,408)	(113,224)	(67,852)	(59,758)
General and administrative expenses	(65,198)	(68,665)	(30,435)	(36,635)
Other operating expenses	(18,786)	(19,631)	(10,622)	(5,065)
Operating profit/(loss)	258,577	344,411	131,745	193,958
Financial income	3,349	11,923	(157)	10,435
Financial expenses	(44,089)	(22,447)	(9,499)	(2,265)
Net financial income/(expenses)	(40,740)	(10,524)	(9,656)	8,170
Share of profit / (loss) of equity-accounted investees	174	469	225	86
Profit/(loss) before tax	218,011	334,356	122,314	202,214
Income tax	(46,857)	(70,039)	(29,249)	(40,135)
Net profit/(loss) on continuing operations	171,154	264,317	93,065	162,079
DISCONTINUED OPERATIONS				
Net profit/(loss) on discontinued operations	-	-	-	-
Net profit / (loss) for the year	171,154	264,317	93,065	162,079
including:			-	-
Net profit/(loss) attributable to shareholders of the parent company	170,944	263,993	92,941	161,925
Net profit/(loss) attributed to non-controlling interest	210	324	124	154
Earnings per share (in PLN):				
Basic	3.24	5.01	1.76	3.07
Diluted	3.24	5.01	1.76	3.07

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

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



CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME OF THE CIECH GROUP

	01.01.-30.06.2017	01.01.-30.06.2016	01.04.-30.06.2017	01.04.-30.06.2016
				<i>Unaudited data</i>
Net profit/(loss) on continuing operations	171,154	264,317	93,065	162,079
Net profit/(loss) on discontinued operations	-	-	-	-
Net profit / (loss) for the year	171,154	264,317	93,065	162,079
Other comprehensive income before tax that may be reclassified to the statement of profit or loss	27,019	(40,452)	(5,806)	(41,888)
Currency translation differences (foreign companies)	(14,269)	6,185	(664)	4,630
Cash flow hedge	41,288	(46,637)	(5,142)	(46,518)
Other comprehensive income before tax that may not be reclassified to the statement of profit or loss	-	-	-	-
Income tax attributable to other comprehensive income	(12,664)	11,032	620	10,918
Income tax attributable to other comprehensive income that may be reclassified to the statement of profit or loss	(12,664)	11,032	620	10,918
Other comprehensive income net of tax	14,355	(29,420)	(5,186)	(30,970)
TOTAL COMPREHENSIVE INCOME	185,509	234,897	87,879	131,109
Comprehensive income including attributable to:	185,509	234,897	87,879	131,109
Shareholders of the parent company	185,362	234,423	87,767	130,909
Non-controlling interest	147	474	112	200

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



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE CIECH GROUP

	30.06.2017	31.12.2016
ASSETS		
Property, plant and equipment	2,611,613	2,623,660
Right of perpetual usufruct	29,579	30,219
Intangible assets, including:	142,048	129,389
- goodwill	61,989	64,180
Investment property	33,070	31,384
Non-current receivables	97,069	99,252
Investments in associates and jointly-controlled entities measured under the equity method	5,533	5,610
Long-term financial assets	64,766	90,135
Deferred income tax assets	152,513	199,866
Total non-current assets	3,136,191	3,209,515
Inventory	334,483	299,265
Short-term financial assets	65,445	59,971
Income tax receivables	5,619	13,542
Trade and other receivables	472,471	502,000
Cash and cash equivalents	482,627	414,369
Non-current assets held for sale	3,230	3,230
Total current assets	1,363,875	1,292,377
Total assets	4,500,066	4,501,892
EQUITY AND LIABILITIES		
Share capital	287,614	287,614
Share premium	470,846	470,846
Cash flow hedge	(14,069)	(45,306)
Actuarial gains	989	989
Other reserve capitals	78,521	78,521
Currency translation reserve	(63,154)	(46,336)
Retained earnings	1,191,442	1,020,499
Equity attributable to shareholders of the parent	1,952,189	1,766,827
Non-controlling interest	(3,188)	(3,335)
Total equity	1,949,001	1,763,492
Loans, borrowings and other debt instruments	1,333,203	1,345,973
Finance lease liabilities	23,713	18,979
Other non-current liabilities	132,507	197,738
Employee benefits reserve	10,647	10,752
Other provisions	81,656	84,284
Deferred income tax liability	28,784	37,788
Total non-current liabilities	1,610,510	1,695,514
Loans, borrowings and other debt instruments	160,717	160,845
Finance lease liabilities	3,704	4,714
Trade and other liabilities	650,024	743,479
Income tax liabilities	39,195	43,868
Employee benefits reserve	898	1,194
Other provisions	86,017	88,786
Total current liabilities	940,555	1,042,886
Total liabilities	2,551,065	2,738,400
Total equity and liabilities	4,500,066	4,501,892

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



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS OF THE CIECH GROUP

	01.01.-30.06.2017	01.01.-30.06.2016
Cash flows from operating activities		
Net profit/(loss) for the period	171,154	264,317
Adjustments		
Amortisation/depreciation	119,154	109,344
Recognition of impairment allowances	1,835	(16)
Foreign exchange (profit) /loss	9,962	(7,258)
Investment property revaluation	(843)	(14,984)
(Profit) / loss on investment activities	(148)	(32)
(Profit) / loss on disposal of property, plant and equipment	(490)	(1,584)
Dividends and interest	10,810	11,059
Income tax	46,857	70,039
(Profit) / loss on the settlement of construction contracts (caverns)	(1,448)	(2,598)
Share of (profit) / loss on equity accounted investees	(174)	(469)
Change in liabilities due to loan arrangement fee	1,334	876
Valuation of embedded instruments	(763)	-
Ineffective portion of hedge accounting	(1,610)	(1,273)
Other adjustments	(4,575)	(1,970)
Cash from operating activities before changes in working capital and provisions	351,055	425,451
Change in receivables	18,214	(22,836)
Change in inventory	(37,406)	15,079
Change in current liabilities	(30,453)	(9,664)
Change in provisions and employee benefits	(2,535)	(4,559)
Cash generated from operating activities	298,875	403,471
Interest paid	(23,416)	(26,367)
(Profit) / loss on the settlement of construction contracts (caverns)	(888)	(1,717)
Income tax (paid)/returned	(19,123)	(13,805)
Net cash from operating activities	255,448	361,582
Cash flows from investment activities		
Disposal of a subsidiary	411	2,931
Disposal of intangible assets and property, plant and equipment	7,934	2,657
Dividends received	248	743
Interest received	1,745	2,348
Subsidies received	1,092	11,639
Acquisition of intangible assets and property, plant and equipment	(189,268)	(247,120)
Acquisition of investment property	(843)	-
Development expenditures	(5,489)	(4,144)
Other outflows	(5)	(103)
Net cash from investment activities	(184,175)	(231,049)
Cash flows from financial activities		
Repayment of loans and borrowings	(438)	-
Payments of finance lease liabilities	(3,588)	(3,060)
Net cash from financial activities	(4,026)	(3,060)
Total net cash flows	67,247	127,473
Cash and cash equivalents as at the beginning of the period	414,369	202,935
<i>Impact of foreign exchange differences</i>	<i>1,011</i>	<i>(668)</i>
Cash and cash equivalents as at the end of the period	482,627	329,740

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



CONDENSED STATEMENT OF CHANGES IN CONSOLIDATED EQUITY OF THE CIECH GROUP

	Attributable to shareholders of the parent company							Equity attributable to shareholders of the parent	Non-controlling interest	Total equity
	Share capital	Share premium	Cash flow hedge	Other reserve capitals	Actuarial gains	Currency translation reserve	Retained earnings			
01.01.2017	287,614	470,846	(45,306)	78,521	989	(46,336)	1,020,499	1,766,827	(3,335)	1,763,492
Transactions with the owners	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	31,237	-	-	(16,818)	170,943	185,362	147	185,509
Net profit / (loss) for the period	-	-	-	-	-	-	170,944	170,944	210	171,154
Other comprehensive income	-	-	31,237	-	-	(16,818)	(1)	14,418	(63)	14,355
30.06.2017	287,614	470,846	(14,069)	78,521	989	(63,154)	1,191,442	1,952,189	(3,188)	1,949,001
01.01.2016	287,614	470,846	(16,004)	78,521	434	(53,092)	577,257	1,345,576	(4,072)	1,341,504
Transactions with the owners	-	-	-	-	-	-	(150,195)	(150,195)	-	(150,195)
Total comprehensive income for the period	-	-	(37,775)	-	-	8,205	263,993	234,423	474	234,897
Net profit / (loss) for the period	-	-	-	-	-	-	263,993	263,993	324	264,317
Other comprehensive income	-	-	(37,775)	-	-	8,205	-	(29,570)	150	(29,420)
30.06.2016	287,614	470,846	(53,779)	78,521	434	(44,887)	691,055	1,429,804	(3,598)	1,426,206

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



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

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

These semi-annual condensed consolidated financial statements were prepared in compliance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” as approved by the European Union and the Regulation of the Minister of Finance dated 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 2014, No 0, item 133, as amended). These financial statements present the financial position of the CIECH Group as at 30 June 2017 and as at 31 December 2016, results of the Group’s operations and cash flows for the period of 6 months ended 30 June 2017 and 30 June 2016, and were approved by the Management Board of CIECH S.A. on 24 August 2017.

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

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

The Management Board of CIECH S.A. declares that to the best of its knowledge these semi-annual 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 6 months ended 30 June 2017 contains a true image of the Group’s developments, achievements, and condition, including the description of major risks and threats.

Preparation of financial statements in accordance with International Financial Reporting Standards (“IFRS”) requires from the Management Board to make professional judgements, estimates and assumptions which affect the adopted principles and presented values of assets, equity and liabilities, income and expenses. The estimates and assumptions associated with them are based on historical accuracy and various other factors that are considered to be reasonable under the specific circumstances, and their results provide a basis for professional judgement about the value of assets and liabilities that are not directly apparent from other sources. Actual value may differ from the estimated value. The estimates and assumptions associated with them are subject to ongoing verification. Revision of accounting estimates is recognised in the period in which the changes were made, only if it affects that period or the present and future in case they concern both the current and future periods. The Management Board’s professional judgements which have a significant impact on the consolidated financial statements, and the estimates bearing a risk of significant changes in future years have been presented in items 2.6, 2.7, 2.8 and 2.13 hereof. During the current semi-annual period there were no significant revisions to the estimates presented in previous reporting periods.

The Management Board of CIECH S.A. declares that PricewaterhouseCoopers Sp. z o.o., with its registered office in Warsaw, entered into the list of entities authorised to audit financial statements under the registry No 144 kept by the National Chamber of Statutory Auditors, was chosen in accordance with the binding legal regulations to review the semi-annual condensed consolidated financial statements for the period from 1 January to 30 June 2017.

2.2. ADOPTED ACCOUNTING PRINCIPLES

The CIECH Group’s accounting principles are described in the Consolidated Financial Statements of the CIECH Group for the year 2016, published on 20 March 2017. The aforementioned Financial Statement include detailed information regarding the principles and methods of valuation of assets, equity and liabilities and measurement of the financial result as well as the method of preparing the financial statements and comparative information. These principles have been applied on a continuous basis with relation to currently published data, the last annual financial statements and comparative data presented, except for a change in the presentation of support services provided by CIECH S.A. to the Group companies



within segment reporting — at present, all revenues and expenses from support services are presented under relevant segments within which the services are provided, whereas previously they were reported in the “Other activities” segment.

The CIECH Group intends to adopt amendments to the IFRS that are published but not effective as at the date of publication of this report in accordance with their effective date. The estimated impact of amendments and impact of new IFRS on the consolidated financial statements of the CIECH Group was presented in the Consolidated Financial Statements of the CIECH Group for the year 2016, published on 20 March 2017.

2.3. FUNCTIONAL AND REPORTING CURRENCY

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

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

	30.06.2017 ¹	31.12.2016 ²
EUR	4.2265	4.4240
RON	0.9269	0.9749
Average NBP rate for the reporting period	6 months ended 30.06.2017 ³	6 months ended 30.06.2016 ⁴
EUR	4.2474	4.3805
RON	0.9359	0.9741

¹ NBP's average foreign exchange rates table applicable as at 30 June 2017.

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

³ According to the exchange rate constituting the arithmetic mean of average exchange rates determined by NBP on the last day of each month of the period from 1 January 2017 to 30 June 2017.

⁴ According to the exchange rate constituting the arithmetic mean of average exchange rates determined by NBP on the last day of each month of the period from 1 January 2016 to 30 June 2016.

2.4. SEASONALITY AND CYCLICALITY OF ACTIVITY OF THE CIECH GROUP

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

2.5. CIECH GROUP'S SEGMENT REPORTING

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

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

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

Reporting segments are identical to operating segments. Revenues and costs, assets and liabilities of segments are recognised and measured in a manner consistent with the method used in the consolidated financial statements.

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

Operational segments results are assessed by the CIECH S.A.'s Management Board on the basis of sales revenue, operating profit, level of EBITDA and adjusted EBITDA.



EBITDA should be viewed as a supplement, not as a substitute for the business performance presented in accordance with IFRS. EBITDA is a useful ratio of the ability to incur and serve debt. EBITDA and adjusted EBITDA levels are not defined by the International Financial Reporting Standards and can be calculated in a different manner by other entities. The reconciliation and definitions applied by the CIECH Group when determining these measures are presented below.

	01.01.-30.06.2017	01.01.-30.06.2016
Net profit/(loss) on continuing operations	171,154	264,317
Income tax	46,857	70,039
Share of profit / (loss) of equity-accounted investees	(174)	(469)
Financial expenses	44,089	22,447
Financial income	(3,349)	(11,923)
Amortisation/depreciation	119,154	109,344
EBITDA on continuing operations	377,731	453,755

	01.01.-30.06.2017	01.01.-30.06.2016
EBITDA on continuing operations	377,731	453,755
One-offs including:	847	(19,708)
Impairment (a)	1,842	(16)
Cash items (b)	(1,383)	(2,836)
Non-cash items (without impairment) (c)	388	(16,856)
Adjusted EBITDA from continuing operations	378,578	434,047

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



OPERATING SEGMENTS OF THE CIECH GROUP

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

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

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



OPERATING SEGMENTS 01.01.–30.06.2016	Soda segment	Organic segment	Silicates and glass segment	Transport segment	Other operations segment	Corporate functions - reconciliation item	Eliminations (consolidation adjustments)	TOTAL*
Revenues from third parties	1,190,800	384,278	73,475	7,285	37,758	-	-	1,693,596
Revenue from inter-segment transactions	13,050	2,797	3	56,030	15,992	-	(87,872)	-
Total sales revenues	1,203,850	387,075	73,478	63,315	53,750	-	(87,872)	1,693,596
Cost of sales	(772,379)	(317,244)	(54,318)	(56,992)	(36,908)	-	45,473	(1,192,368)
Gross profit /(loss) on sales	431,471	69,831	19,160	6,323	16,842	-	(42,399)	501,228
Selling costs	(107,672)	(31,612)	(9,581)	(382)	(3,998)	(544)	40,565	(113,224)
General and administrative expenses	(28,094)	(8,611)	(2,830)	(2,911)	(2,424)	(24,488)	693	(68,665)
Result on management of receivables	(571)	(3,083)	(40)	16	(7)	-	-	(3,685)
Result on other operating activities	14,065	(3,030)	10	2,534	15,560	(291)	(91)	28,757
Operating profit /(loss)	309,199	23,495	6,719	5,580	25,973	(25,323)	(1,232)	344,411
Exchange differences and interest on trade settlements	(4,775)	(9,488)	240	(203)	1,960	-	-	(12,266)
Group borrowing costs	-	-	-	-	-	(16,462)	-	(16,462)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	18,204	-	18,204
Share of profit / (loss) of equity-accounted investees	469	-	-	-	-	-	-	469
Profit /(loss) before tax	304,893	14,007	6,959	5,377	27,933	(23,581)	(1,232)	334,356
Income tax	-	-	-	-	-	-	-	(70,039)
Net profit/(loss) on discontinued operations	-	-	-	-	-	-	-	-
Net profit /(loss) for the period	-	-	-	-	-	-	-	264,317
Amortization/depreciation	80,863	15,390	7,666	2,969	182	2,274	-	109,344
EBITDA	390,062	38,885	14,385	8,549	26,155	(23,049)	(1,232)	453,755
Adjusted EBITDA**	387,520	38,501	14,383	6,582	11,219	(22,968)	(1,190)	434,047

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

**Adjusted EBITDA for the 6-month period ended 30 June 2016 is calculated as EBITDA adjusted for untypical one-off events: valuation of investment properties to fair value: PLN 14.9 million; change in provisions: PLN 3.2 million; gain on disposal of non-financial non-current assets: PLN 2.4 million; other: PLN -0.8 million.



ASSETS AND LIABILITIES BY OPERATING SEGMENTS

	ASSETS		LIABILITIES	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Soda segment	2,544,678	2,553,494	193,117	217,161
Organic segment	533,833	527,848	144,861	123,634
Silicates and glass segment	166,989	172,186	23,028	22,378
Transport segment	63,494	66,295	8,379	12,763
Other operations segment	109,741	68,349	17,828	32,189
Corporate functions - reconciliation item	1,115,809	1,157,669	2,194,508	2,370,033
Eliminations (consolidation adjustments)	(34,478)	(43,949)	(30,656)	(39,758)
TOTAL	4,500,066	4,501,892	2,551,065	2,738,400

INFORMATION ON GEOGRAPHICAL AREAS

ASSETS DIVIDED INTO GEOGRAPHICAL AREAS	Non-current assets other than financial instruments	Deferred tax asset	Other assets	Total assets
30.06.2017				
Poland	2,052,095	152,513	1,033,235	3,237,843
European Union (excluding Poland)	878,178	-	274,604	1,152,782
Other European countries	-	-	47,065	47,065
Africa	-	-	2,459	2,459
Asia	-	-	59,188	59,188
Other regions	-	-	729	729
TOTAL	2,930,273	152,513	1,417,280	4,500,066
31.12.2016				
Poland	2,008,662	199,866	915,484	3,124,012
European Union (excluding Poland)	922,211	-	346,472	1,268,683
Other European countries	-	-	52,816	52,816
Africa	-	-	2,852	2,852
Asia	-	-	50,550	50,550
Other regions	-	-	2,979	2,979
TOTAL	2,930,873	199,866	1,371,153	4,501,892

SALES REVENUES – GEOGRAPHICAL STRUCTURE OF MARKETS

	01.01. - 30.06.2017	01.01. - 30.06.2016	Dynamics 2017/2016
Poland	729,618	635,429	14.8%
European Union (excluding Poland)	792,228	815,001	(2.8%)
Germany	314,207	332,839	(5.6%)
Romania	77,968	76,238	2.3%
Czech Republic	78,002	79,506	(1.9%)
Italy	44,965	55,987	(19.7%)
The Netherlands	60,274	43,671	38.0%
Finland	30,416	31,374	(3.1%)
Sweden	38,441	34,876	10.2%
Belgium	20,427	17,382	17.5%
United Kingdom	22,901	27,592	(17.0%)
Denmark	12,621	18,230	(30.8%)
France	22,834	14,016	62.9%
Luxembourg	3,792	13,963	(72.8%)
Lithuania	9,762	10,236	(4.6%)
Other EU countries	55,618	59,091	(5.9%)
Other European Countries	124,347	118,667	4.8%
Switzerland	52,062	62,532	(16.7%)
Norway	21,665	18,757	15.5%



	01.01. - 30.06.2017	01.01. - 30.06.2016	Dynamics 2017/2016
Russia	12,347	4,451	177.4%
Other European countries	38,273	32,927	16.2%
Africa	33,712	38,474	(12.4%)
Asia	93,606	75,740	23.6%
China	83	18	361.1%
Other Asian countries	93,523	75,722	23.5%
Other regions	7,849	10,285	(23.7%)
TOTAL	1,781,360	1,693,596	5.2%

2.6. PROVISIONS AND IMPAIRMENT ALLOWANCES ON ASSETS

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

PROVISIONS FOR EMPLOYEE BENEFITS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2017					
Long-term	10,752	192	(73)	(224)	10,647
Short-term	1,194	181	(477)	-	898
01.01.-30.06.2016					
Long-term	12,829	113	(444)	250	12,748
Short-term	1,603	252	(980)	(19)	856
01.04.-30.06.2017					
Long-term	10,598	87	(41)	3	10,647
Short-term	990	104	(196)	-	898
01.04.-30.06.2016					
Long-term	12,565	87	(114)	210	12,748
Short-term	1,260	117	(842)	321	856

CHANGE IN OTHER LONG-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2017					
Provision for liabilities	6,547	-	-	-	6,547
Provision for environmental protection	77,737	-	-	(2,628)	75,109
TOTAL	84,284	-	-	(2,628)	81,656
01.01.-30.06.2016					
Provision for liabilities	6,547	-	-	-	6,547
Provision for environmental protection	68,157	-	-	2,614	70,771
TOTAL	74,704	-	-	2,614	77,318
01.04.-30.06.2017					
Provision for liabilities	6,547	-	-	-	6,547
Provision for environmental protection	74,826	-	-	283	75,109
TOTAL	81,373	-	-	283	81,656
01.04.-30.06.2016					
Provision for liabilities	6,547	-	-	-	6,547
Provision for environmental protection	68,481	-	-	2,290	70,771
TOTAL	75,028	-	-	2,290	77,318



CHANGE IN OTHER SHORT-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2017					
Provision for compensation	9,337	11	(521)	-	8,827
Provision for liabilities	26,598	1,740	(1,557)	(912)	25,869
Provision for environmental protection	2,391	-	(931)	-	1,460
Provision for expected losses	46,507	1,678	-	(542)	47,643
Provision for bonuses	3,661	764	(2,093)	(144)	2,188
Other provisions	292	-	(251)	(11)	30
TOTAL	88,786	4,193	(5,353)	(1,609)	86,017
01.01.-30.06.2016					
Provision for compensation	8,368	580	-	45	8,993
Provision for liabilities	37,020	135	(6,170)	3,935	34,920
Provision for environmental protection	2,236	-	(1,083)	-	1,153
Provision for expected losses	30,887	-	-	435	31,322
Provision for bonuses	1,146	1,580	(1,895)	23	854
Other provisions	437	134	(1)	17	587
TOTAL	80,094	2,429	(9,149)	4,455	77,829
01.04.-30.06.2017					
Provision for compensation	8,946	11	(130)	-	8,827
Provision for liabilities	26,306	802	(1,271)	32	25,869
Provision for environmental protection	1,873	-	(413)	-	1,460
Provision for expected losses	45,955	1,678	-	10	47,643
Provision for bonuses	3,511	(10)	(1,323)	10	2,188
Other provisions	288	(312)	67	(13)	30
TOTAL	86,879	2,169	(3,070)	39	86,017
01.04.-30.06.2016					
Provision for compensation	8,595	380	-	18	8,993
Provision for liabilities	36,628	(1,350)	(3,997)	3,639	34,920
Provision for environmental protection	2,022	-	(869)	-	1,153
Provision for expected losses	33,711	(2,853)	-	464	31,322
Provision for bonuses	1,101	797	(1,061)	17	854
Other provisions	897	(319)	(1)	10	587
TOTAL	82,954	(3,345)	(5,928)	4,148	77,829

CHANGE IN IMPAIRMENT ALLOWANCES	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2017					
Property, plant and equipment	5,933	2,941	-	(1,219)	7,655
Intangible assets, including:	473,807	-	-	(20,774)	453,033
<i>Goodwill</i>	427,885	-	-	(18,764)	409,121
Long-term financial assets	1,343	-	-	-	1,343
Inventories	38,218	1,894	(1,609)	(420)	38,083
Short-term financial assets	24,601	-	-	-	24,601
Trade and other receivables	57,938	14,266	(5,974)	(2,109)	64,121
TOTAL	601,840	19,101	(7,583)	(24,522)	588,836
01.01.-30.06.2016					
Property, plant and equipment	6,021	-	-	37	6,058
Intangible assets, including:	456,422	-	-	16,965	473,387
<i>Goodwill</i>	412,974	-	-	15,386	428,360



CHANGE IN IMPAIRMENT ALLOWANCES	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
Long-term financial assets	1,343	-	-	-	1,343
Inventories	38,215	1,311	(3,273)	320	36,573
Short-term financial assets	24,601	-	-	-	24,601
Trade and other receivables	44,826	5,110	(2,173)	2,539	50,302
TOTAL	571,428	6,421	(5,446)	19,861	592,264
01.04.-30.06.2017					
Property, plant and equipment	6,767	1,872	-	(984)	7,655
Intangible assets, including:	452,636	-	-	397	453,033
<i>Goodwill</i>	408,676	-	-	445	409,121
Long-term financial assets	1,343	-	-	-	1,343
Inventories	37,170	1,197	(277)	(7)	38,083
Short-term financial assets	24,601	-	-	-	24,601
Trade and other receivables	56,765	13,335	(5,149)	(830)	64,121
TOTAL	579,282	16,404	(5,426)	(1,424)	588,836
01.04.-30.06.2016					
Property, plant and equipment	6,035	(3)	-	26	6,058
Intangible assets, including:	457,934	-	-	15,453	473,387
<i>Goodwill</i>	414,418	-	-	13,942	428,360
Long-term financial assets	1,343	-	-	-	1,343
Inventories	37,754	592	(1,994)	222	36,573
Short-term financial assets	24,601	-	-	-	24,601
Trade and other receivables	49,267	1,457	(1,141)	719	50,302
TOTAL	576,934	2,045	(3,136)	16,420	592,264

2.7. INCOME TAX, DEFERRED TAX ASSETS AND LIABILITY

The main components of tax expense include:

THE MAIN COMPONENTS OF TAX EXPENSE (TAX INCOME)	01.01.-30.06.2017	01.01.-30.06.2016
Current income tax	(16,748)	(28,991)
Deferred tax	(30,109)	(41,048)
INCOME TAX RECOGNISED IN STATEMENT OF PROFIT OR LOSS	(46,857)	(70,039)

Deferred income tax is attributable to the following items:

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITY	30.06.2017			31.12.2016		
	Total asset	Total liability	Net value	Total asset	Total liability	Net value
Property, plant and equipment	2,120	137,799	(135,679)	2,081	136,195	(134,114)
Intangible assets	29,514	452	29,062	32,430	499	31,931
Right of perpetual usufruct	-	5,109	(5,109)	-	5,147	(5,147)
Investment property	2,003	1,642	361	2,003	1,673	330
Financial assets	790	7,332	(6,542)	1,732	13,454	(11,722)
Inventory	2,174	367	1,807	2,106	557	1,549
Trade and other receivables	3,476	35,267	(31,791)	4,053	35,599	(31,546)
Provisions for employee benefits	2,763	31	2,732	3,181	31	3,150
Other provisions	22,030	-	22,030	22,107	-	22,107



DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITY	30.06.2017			31.12.2016		
	Total asset	Total liability	Net value	Total asset	Total liability	Net value
Tax losses carried forward	115,508	-	115,508	139,309	-	139,309
Foreign exchange differences	3,182	185	2,997	3,839	376	3,463
Liabilities	48,601	2,244	46,357	61,850	306	61,544
Special economic zone	89,697	-	89,697	90,759	-	90,759
Other	275	166	109	207	1,777	(1,570)
Deferred tax assets/liability	322,133	190,594	131,539	365,657	195,614	170,043
Set - off of deferred tax assets/ liability	(161,810)	(161,810)	-	(157,826)	(157,826)	-
Unrecognized deferred tax assets	(7,810)	-	(7,810)	(7,965)	-	(7,965)
Deferred tax assets/liability recognised in the statement of financial position	152,513	28,784	123,729	199,866	37,788	162,078

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

2.8. INFORMATION ON FAIR VALUE OF FINANCIAL INSTRUMENTS

2.8.1. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

As at 30 June 2017, the CIECH Group held the following types of financial instruments measured at fair value:

- futures contracts for the purchase of CO₂ certificates concluded by CIECH Soda Polska S.A., hedging the cost of purchase of CO₂ units in 2017 and 2018 — Level 1, according to the fair value hierarchy,
- concluded by the parent company, CIECH S.A.: interest rate swap contracts, CIRS (currency and interest rate swap) contract EUR/PLN — Level 2, according to the fair value hierarchy,
- currency forward EUR/PLN concluded by CIECH Vitrosilicon S.A. — Level 2, according to the fair value hierarchy,
- isolated option instruments (acquired call options) embedded in the gas supply contract concluded by CIECH Energy Deutschland GmbH on 1 August 2016, hedging the cost of gas purchased in 2016–2020 — Level 2, according to the fair value hierarchy,
- currency forwards EUR/PLN and USD/RON concluded by CIECH S.A. — Level 2, according to the fair value hierarchy.

In the first half of 2017, there were no transfers within the fair value hierarchy of instruments measured at fair value. There were no changes in the classification of financial instruments, or in business conditions that could affect the fair value of financial assets or liabilities.

As compared to the previous reporting period, the CIECH Group has not made any changes in methods of measurement of financial instruments held. The descriptions of methods of measurement to fair value was presented in item 8.4 of the Consolidated Financial Statements of the CIECH Group for 2016, published on 20 March 2017.

In the consolidated financial statements, all financial instruments concluded were designated for hedge accounting, and details of the designation were presented in item 8.2 of the Consolidated Financial Statements of the CIECH Group for 2016, published on 20 March 2017.

In the separate financial statements, all financial instruments, except for CIRS contracts, were designated for hedge accounting, and details of the designation were presented in item 8.2 of the CIECH S.A.’s Financial Statements for 2016, published on 20 March 2017.

**Fair value of derivative instruments and embedded instruments**

	Cash and cash equivalents	Long-term financial assets	Short-term financial assets	Other non-current liabilities	Trade and other liabilities	TOTAL
30.06.2017						
IRS PLN	-	-	-	-	(641)	(641)
IRS EUR	-	347	-	(626)	(1,303)	(1,582)
CIRS	-	43,784	17,748	(64,027)	-	(2,495)
Forward EUR/PLN	-	1,530	8,069	-	-	9,599
Forward USD /RON	-	558	2,931	-	-	3,489
Embedded instruments	-	7,186	2,697	-	-	9,883
Futures contracts	1,848	-	-	-	-	1,848
TOTAL	1,848	53,405	31,445	(64,653)	(1,944)	20,101
31.12.2016						
IRS PLN	-	-	-	-	(1,241)	(1,241)
IRS EUR	-	58	-	(1,506)	(1,243)	(2,691)
CIRS	-	55,569	18,454	(119,083)	-	(45,060)
Forward EUR/PLN	-	967	743	-	-	1,710
Forward USD /RON	-	-	-	(340)	(3,521)	(3,861)
Embedded instruments	-	22,182	6,773	-	-	28,955
Futures contracts	5,012	-	-	-	-	5,012
TOTAL	5,012	78,776	25,970	(120,929)	(6,005)	(17,176)

2.8.2. FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The CIECH Group holds the issued domestic bonds whose book value, as at 30 June 2017, amounted to PLN 160,689 thousand, and whose fair value amounted to PLN 160,000 thousand (Level 2 of fair value hierarchy). The Group recognised that the fair value of the issued bonds does not differ significantly from their nominal value due to the fact that these bonds carry variable interest rates.

The CIECH Group has taken out term and working capital loans whose book value, as at 30 June 2017, amounted to PLN 1,333,231 thousand, and whose fair value amounted to PLN 1,339,504 thousand (Level 2 of fair value hierarchy). The Group recognised that the fair value of the loans taken out does not differ significantly from their nominal value due to the fact that these loans carry variable interest rates.

In the case of the remaining financial instruments held by the CIECH Group (classified mainly as cash and cash equivalents, loans and receivables, financial liabilities measured at amortised cost other than loans and bonds and financial liabilities excluded from the scope of IAS 39), the fair value is close to the book value.

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

In the period from 1 January to 30 June 2017, the CIECH Group carried out the following transactions increasing and decreasing the gross value of property, plant and equipment:



01.01.-30.06.2017	Land	Buildings offices and land and water engineering facilities	Machinery and equipment	Means of transport	Other tangible fixed assets	Tangible fixed assets under construction	TOTAL
Gross value of property, plant and equipment at the beginning of the period	84,579	1,083,972	2,717,796	101,559	46,304	340,585	4,374,795
Purchase	-	372	16,945	3,022	1,069	132,415	153,823
Reclassification	-	46,370	74,486	72	(2,691)	(145,498)	(27,261)
Capitalised borrowing costs	-	-	-	-	-	9,824	9,824
Exchange differences	(3,792)	(11,243)	(43,872)	(792)	(502)	(2,560)	(62,761)
Sales	-	(295)	(228)	(18)	(16)	(616)	(1,173)
Liquidation	-	(23)	(2,692)	(40)	(640)	-	(3,395)
Gross value of property, plant and equipment at the end of the period	80,787	1,119,153	2,762,435	103,803	43,524	334,150	4,443,852
01.01.-30.06.2016							
Gross value of property, plant and equipment at the beginning of the period	81,567	908,740	2,354,758	102,007	42,748	392,084	3,881,904
Purchase	-	2,022	15,764	5,032	310	244,147	267,275
Reclassification	-	20,808	99,623	102	1,365	(145,025)	(23,127)
Capitalised borrowing costs	-	-	-	-	-	10,803	10,803
Exchange differences	3,109	9,081	34,631	550	413	1,710	49,494
Sales	-	-	(16,547)	(9,731)	(31)	(568)	(26,877)
Liquidation	-	(3,401)	(18,433)	(3,184)	(128)	-	(25,146)
Other	-	86	-	-	-	-	86
Gross value of property, plant and equipment at the end of the period	84,676	937,336	2,469,796	94,776	44,677	503,151	4,134,412

Purchases of property, plant and equipment were made with own financial resources or in the form of a finance lease. As at 30 June 2017, commitments to purchase property, plant and equipment amounted to PLN 168,464 thousand (PLN 174,220 thousand as at 31 December 2016).

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

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

All information concerning the financing conditions, which results from the agreements and arrangements with the banks, has been presented in the Management Board Report on activities of the CIECH Group and CIECH S.A. in 2016, published on 20 March 2017.

2.11. INFORMATION ON TRANSACTIONS WITH RELATED ENTITIES

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

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



TRANSACTIONS BETWEEN CONSOLIDATED ENTITIES AND OTHER RELATED ENTITIES	01.01.-30.06.2017	01.01.-30.06.2016
Revenues from sales of products and services, including:	2,386	2,915
<i>Kulczyk Holding S.A.</i>	8	29
Revenues from sales of goods and materials	50,688	41,626
Other operating income	2,045	14
Financial income	749	781
Purchase of services, including:	19,967	20,006
<i>Kulczyk Holding S.A.</i>	1,600	1,337
Other operating expenses	952	2
Financial expenses	12	9
	30.06.2017	31.12.2016
Receivables, including:	20,176	15,691
<i>Kulczyk Holding S.A.</i>	658	863
Impairment allowances of receivables and loans	711	-
Liabilities, including:	5,704	6,647
<i>Kulczyk Holding S.A.</i>	-	872

Terms of transactions with related entities

Material sales to and purchases from related entities are carried out on terms which do not differ from arm's length terms. Overdue liabilities and receivables are not secured and are settled in cash or by set-off. No material non-standard or non-routine transactions were concluded within the CIECH Group in the first half of 2017, except for transactions described in item 5.3 hereof.

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

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

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

2.13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES INCLUDING GUARANTEES AND SURETIES

	30.06.2017	31.12.2016
Contingent assets	18,864	18,864
Other contingent receivables*	18,864	18,864
Contingent liabilities	585,191	632,527
Guarantees and sureties granted**	485,376	533,056
Other***	99,815	99,471

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

** Including:

- guarantee granted up to the amount of 155% of liabilities related to the issue of domestic bonds in the amount of PLN 160,000 thousand – contingent liability in the amount of PLN 88,000 thousand,
- guarantee granted up to the amount of 125% of liability related to term loan in the amount of PLN 1,045,031 thousand and revolving loan in the amount of PLN 250,000 thousand – contingent liability in the amount of PLN 323,758 thousand,
- guarantee granted up to the amount of 125% of liability related to term loan in the amount of EUR 69,673 thousand – contingent liability in the amount of PLN 73,618 thousand.

*** Including mainly:

- contingent liability in the SDC Group relating to environmental protection in the amount of PLN 15,393 thousand (EUR 3,642 thousand),
- contingent liability in CIECH Soda Polska S.A. regarding environmental penalty fees due to a boiler failure in the amount of PLN 30,974 thousand,
- contingent liabilities in CIECH Soda Polska S.A. resulting from blank promissory notes for the National Fund for Environmental Protection and Water Management relating to grants received in the event of a potential financial adjustment in the amount of PLN 33,483 thousand, in connection with the received subsidy to the project "Extension of the centre of decantation and filtration of distillation sludge in the Plant in Inowrocław" in the amount of PLN 10,930 thousand, in connection with the subsidy to the project



“Reduction of dust emission in CHP Inowroclaw – modernisation of electrofilters OP 110 No 2 and 4” in the amount of PLN 882 thousand, in connection with the subsidy to the project “Reduction of dust emission in CHP Inowroclaw – modernisation of electrofilters OP 110 No 1 and 3” in the amount of PLN 98 thousand,

- *potential liability in CIECH S.A. regarding employee claims in the amount of PLN 6,548 thousand.*

As at 30 June 2017, contingent liabilities amounted to PLN 585,191 thousand and decreased as compared to 31 December 2016 by PLN 47,336 thousand. The change results primarily from the expiry on 12 March 2017 of a guarantee in the amount of PLN 44,240 thousand (EUR 10,000 thousand) for certain obligations and warranties made by Infrastruktura Kapuściska S.A. in liquidation, as a part of the agreement for sale and transfer of TDI assets on BASF. The remaining decrease in liabilities resulted mainly from positive foreign exchange differences.

Other guarantees and sureties granted are described in item 9.2 of the Consolidated Financial Statements of the CIECH Group for 2016.

Tax audits

In the first half of 2017, five companies from the CIECH Group were subject to inspections or tax audits. The aim of the audits is to review the accuracy of the declared tax base and the correctness of calculations and payments of corporate income tax for the year 2015 or 2013. In the case of one company, the audit is in progress and as at the publication date of the financial statements the result of the audit is unknown. Four of the audited companies received the audit reports. The irregularities identified concern mainly the incorrect settlement of income from a participation in a partnership (resulted in the reduction of the tax loss by PLN 118 million).

The companies have submitted objections to the audit reports or their parts. In response to the objections submitted, the auditors maintained their position on key issues (of significant value), while acknowledging the Company’s position or its additional explanations on other issues.

The Management Boards of the companies and their tax advisors do not agree with the findings presented in the audit reports and with responses to objections to the reports. However, if tax assessment proceedings are instituted (in August, three of the audited companies received a decision on the initiation of such proceedings) and if a decision is taken in which the findings contained in the responses to objections to the Report are accepted, each of the companies may be required to pay estimated tax liabilities in the total amount of PLN 8.2 million for 2015 together with default interest from 1 April 2016, and in the amount of PLN 3.5 million for 2013 (taking account of the tax loss incurred in the audited year) together with default interest from 1 April 2014.

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

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

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

2.15. INFORMATION ON POST-BALANCE-SHEET EVENTS

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



**SEMI-ANNUAL CONDENSED SEPARATE FINANCIAL STATEMENTS
OF CIECH S.A. FOR 6-MONTH PERIOD ENDED 30 JUNE 2017**

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



3

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

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

	01.01.-30.06.2017	01.01.-30.06.2016*	01.04.-30.06.2017	01.04.-30.06.2016*
	<i>Unaudited data</i>			
CONTINUING OPERATIONS				
Sales revenues	1,189,387	1,073,357	588,686	543,429
Cost of sales	(947,111)	(807,897)	(469,377)	(402,870)
Gross profit/(loss) on sales	242,276	265,460	119,309	140,559
Other operating income	2,161	1,522	1,099	756
Selling costs	(101,944)	(83,106)	(52,688)	(44,457)
General and administrative expenses	(24,919)	(26,485)	(12,096)	(14,336)
Other operating expenses	(785)	(2,080)	(129)	(924)
Operating profit/(loss)	116,789	155,311	55,495	81,598
Financial income	107,568	175,911	44,662	166,828
Financial expenses	(45,952)	(72,017)	(26,946)	(48,618)
Net financial income/(expenses)	61,616	103,894	17,716	118,210
Profit/(loss) before tax	178,405	259,205	73,211	199,808
Income tax	(29,816)	(17,250)	(10,422)	(7,018)
Net profit/(loss) on continuing operations	148,589	241,955	62,789	192,790
DISCONTINUED OPERATIONS				
Net profit/(loss) on discontinued operations	-	-	-	-
Net profit / (loss) for the period	148,589	241,955	62,789	192,790
Earnings/(loss) per share (in PLN):				
Basic	2.82	4.59	1.19	3.66
Diluted	2.82	4.59	1.19	3.66

* Restated data, description of changes is provided in item 4.2. hereof.

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



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

	01.01.-30.06.2017	01.01.-30.06.2016	01.04.-30.06.2017	01.04.-30.06.2016
				<i>Unaudited data</i>
Net profit/(loss) on continuing operations	148,589	241,955	62,789	192,790
Net profit/(loss) on discontinued operations	-	-	-	-
Net profit / (loss) for the period	148,589	241,955	62,789	192,790
Other comprehensive income before tax that may be reclassified to statement of profit or loss	16,275	(3,763)	4,421	(6,824)
Cash flow hedge	16,275	(3,763)	4,421	(6,824)
Income tax attributable to other comprehensive income	(2,871)	715	(672)	1,297
Income tax attributable to other comprehensive income that may be reclassified to statement of profit or loss	(2,871)	715	(672)	1,297
Other comprehensive income net of tax	13,404	(3,048)	3,749	(5,527)
TOTAL COMPREHENSIVE INCOME	161,993	238,907	66,538	187,263

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



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

	30.06.2017	31.12.2016
ASSETS		
Property, plant and equipment	11,763	11,362
Intangible assets	16,129	9,251
Long-term financial assets	2,560,973	2,474,312
Deferred income tax assets	64,782	98,257
Total non-current assets	2,653,647	2,593,182
Inventory	38,309	37,450
Short-term financial assets	298,036	232,022
Income tax receivables	846	807
Trade and other receivables	314,849	393,904
Cash and cash equivalents	394,061	342,607
Total current assets	1,046,101	1,006,790
Total assets	3,699,748	3,599,972
EQUITY AND LIABILITIES		
Share capital	287,614	287,614
Share premium	470,846	470,846
Cash flow hedge	8,284	(5,120)
Actuarial gains	132	132
Other reserve capitals	76,199	76,199
Retained earnings	615,684	467,095
Total equity	1,458,759	1,296,766
Loans, borrowings and other debt instruments	1,333,203	1,345,973
Other non-current liabilities	64,653	120,929
Employee benefits provisions	458	447
Total non-current liabilities	1,398,314	1,467,349
Loans, borrowings and other debt instruments	365,501	348,889
Trade and other liabilities	436,070	443,963
Income tax liabilities	4,586	6,294
Employee benefits provisions	296	313
Other provisions	36,222	36,398
Total current liabilities	842,675	835,857
Total liabilities	2,240,989	2,303,206
Total equity and liabilities	3,699,748	3,599,972

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



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

	01.01.-30.06.2017	01.01.-30.06.2016
Cash flows from operating activities		
Net profit /(loss) for the period	148,589	241,955
Adjustments		
Amortisation/depreciation	2,235	2,273
Recognition of impairment allowances	2,508	(1,088)
Foreign exchange (profit) /loss	(4,071)	4,415
(Profit) / loss on disposal of property, plant and equipment	(95)	(11)
Dividends and interest	(27,069)	(145,647)
Income tax payable/(receivable)	29,816	17,250
Change in liabilities due to loan arrangement fee	1,334	876
Valuation of derivative instruments	(42,564)	41,597
Cash from operating activities before changes in working capital and provisions	110,683	161,620
Change in receivables	55,831	(14,428)
Change in inventory	(859)	(14,558)
Change in current liabilities	(5,212)	129,459
Change in provisions and employee benefits	(182)	(2,864)
Cash generated from operating activities	160,261	259,229
Interest paid	(22,783)	(24,651)
Income tax paid/returned	(167)	-
Net cash from operating activities	137,311	234,578
Cash flows from investment activities		
Disposal of a subsidiary	411	2,931
Disposal of intangible assets and property, plant and equipment	4	18
Dividends received	290	42,074
Interest received	6,095	3,877
Proceeds from cash-pooling facility	-	5,966
Proceeds from repaid borrowings	36,496	22,970
Acquisition of intangible assets and property, plant and equipment	(4,648)	(3,986)
Expenditures on increase and extra contribution to capital	(4,500)	(35)
Borrowings paid out	(130,291)	(250,775)
Cash pooling expenditures	(5,514)	-
Net cash from investment activities	(101,657)	(176,960)
Cash flows from financial activities		
Proceeds from loans and borrowings	24,000	-
Proceeds from cash-pooling facility	-	29,216
Expenditures on repayment of loans and borrowings	(438)	-
Cash pooling expenditures	(8,773)	-
Net cash from financial activities	14,789	29,216
Total net cash flows	50,443	86,834
Cash and cash equivalents as at the beginning of the period	342,607	174,745
<i>Impact of foreign exchange differences</i>	<i>1,011</i>	<i>(668)</i>
Cash and cash equivalents as at the end of the period	394,061	260,911

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



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

	Share capital	Share premium	Cash flow hedge	Other reserve capitals	Actuarial gains	Retained earnings	Total equity
01.01.2017	287,614	470,846	(5,120)	76,199	132	467,095	1,296,766
Transactions with shareholders recognised directly in equity	-	-	-	-	-	-	-
Total comprehensive income	-	-	13,404	-	-	148,589	161,993
Net profit /(loss) for the period	-	-	-	-	-	148,589	148,589
Other comprehensive income net of tax	-	-	13,404	-	-	-	13,404
30.06.2017	287,614	470,846	8,284	76,199	132	615,684	1,458,759
01.01.2016	287,614	470,846	(2,335)	76,199	50	464,849	1,297,223
Transactions with shareholders recognised directly in equity	-	-	-	-	-	(150,195)	(150,195)
Total comprehensive income	-	-	(3,048)	-	-	241,955	238,907
Net profit /(loss) for the period	-	-	-	-	-	241,955	241,955
Other comprehensive income net of tax	-	-	(3,048)	-	-	-	(3,048)
30.06.2016	287,614	470,846	(5,383)	76,199	50	556,609	1,385,935

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



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

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

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

These semi-annual condensed separate financial statements were prepared in compliance with IAS 34 "Interim Financial Reporting" as approved by the European Union and the Regulation of the Minister of Finance dated 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 2014, No 0, item 133, as amended). These financial statements present the financial position of CIECH S.A. as at 30 June 2017 and as at 31 December 2016, results of the Company's operations and cash flows for the period of 6 months ended 30 June 2017 and 30 June 2016, and were approved by the Management Board of CIECH S.A. on 24 August 2017.

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

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

Preparation of financial statements in accordance with International Financial Reporting Standards ("IFRS") requires from 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 separate financial statements, and the estimates bearing a risk of significant changes in future years have been presented in items 4.6, 4.7, 4.8 and 4.13 hereof. During the current semi-annual period there were no significant revisions to the estimates presented in previous reporting periods.

The Management Board of CIECH S.A. declares that PricewaterhouseCoopers Sp. z o.o., with its registered office in Warsaw, entered into the list of entities authorised to audit financial statements under the registry No 144 kept by the National Chamber of Statutory Auditors, was chosen in accordance with the binding legal regulations to review the semi-annual condensed separate financial statements for the period from 1 January to 30 June 2017.

4.2. ADOPTED ACCOUNTING PRINCIPLES

The CIECH S.A.'s accounting principles are described in the Financial Statements of CIECH S.A. for 2016, published on 20 March 2017. The aforementioned Financial Statement include detailed information regarding the principles and methods of valuation of assets, equity and liabilities and measurement of the financial result as well as the method of preparing the financial statements and comparative information. These principles have been applied on a continuous basis with relation to currently published data, the last annual financial statements and comparative data presented, except for a change in the presentation of support services provided by CIECH S.A. to the Group companies within segment reporting —



at present, all revenues and expenses from support services are presented under relevant segments within which the services are provided, whereas previously they were reported in the "Other activities" segment.

4.3. FUNCTIONAL AND REPORTING CURRENCY

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

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

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

4.5. CIECH S.A.'S SEGMENT REPORTING

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

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

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

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

Reporting segments are identical to operating segments. Revenues and costs, assets and liabilities of segments are recognised and measured in a manner consistent with the method used in the financial statements.

Operational segments results are assessed by the CIECH S.A.'s Management Board on the basis of sales revenue, operating profit, level of EBITDA and adjusted EBITDA. EBITDA should be viewed as a supplement not as a substitute for the business performance presented in accordance with IFRS. EBITDA is a useful ratio of the ability to incur and serve debt. EBITDA and adjusted EBITDA levels are not defined by the IFRS and can be calculated in a different manner by other entities. The reconciliation and definitions applied by CIECH S.A. when determining these measures are presented below.

	01.01.-30.06.2017	01.01.-30.06.2016
Net profit/(loss) on continuing operations	148,589	241,955
Income tax	29,816	17,250
Financial expenses	45,952	72,017
Financial income	(107,568)	(175,911)
Amortisation/depreciation	2,235	2,273
EBITDA from continuing operations	119,024	157,584

	01.01.-30.06.2017	01.01.-30.06.2016
EBITDA from continuing operations	119,024	157,584
One-offs including:	(621)	(366)
Cash items (a)	(49)	101
Non-cash items (without impairment) (b)	(572)	(467)
Adjusted EBITDA from continuing operations	118,403	157,218

(a) Cash items include, among others, profit/loss of the sale of property, plant and equipment as well as penalty fees and compensation received or paid.

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



CIECH S.A. — OPERATING SEGMENTS

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

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

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



OPERATING SEGMENTS 01.01.-30.06.2016*	Soda segment	Organic segment	Silicates and glass segment	Transport segment	Other operations segment	Corporate functions - reconciliation item	TOTAL
Sales revenues	876,949	186,155	6,836	1,223	2,194	-	1,073,357
Cost of sales	(616,414)	(182,294)	(6,348)	(1,013)	(1,828)	-	(807,897)
Gross profit /(loss) on sales	260,535	3,861	488	210	366	-	265,460
Selling costs	(81,978)	(71)	(108)	(382)	(23)	(544)	(83,106)
General and administrative expenses	(1,257)	(500)	(54)	-	(186)	(24,488)	(26,485)
Result on management of receivables	(1,147)	147	-	-	11	-	(989)
Result on other operating activities	755	(33)	-	-	-	(291)	431
Operating profit /(loss)	176,908	3,404	326	(172)	168	(25,323)	155,311
Exchange differences and interest on trade settlements	(4,343)	(5,409)	-	-	60	-	(9,692)
Borrowing costs	-	-	-	-	-	(13,782)	(13,782)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	127,368	127,368
Profit /(loss) before tax	172,565	(2,005)	326	(172)	228	88,263	259,205
Income tax	-	-	-	-	-	-	(17,250)
Net profit /(loss) on discontinued operations	-	-	-	-	-	-	-
Net profit /(loss) for the period	-	-	-	-	-	-	241,955
Amortization/depreciation	-	-	-	-	-	2,273	2,273
EBITDA	176,908	3,404	326	(172)	168	(23,050)	157,584
Adjusted EBITDA**	176,448	3,404	326	(172)	181	(22,969)	157,218

*Restated data, description of changes is provided in item 4.2 hereof.

**Adjusted EBITDA for the 6-month period ended 30 June 2016 is calculated as EBITDA adjusted for untypical one-off events: change in provisions: PLN -0.5 million; fees and compensations: PLN 0.1 million.



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

	ASSETS		LIABILITIES	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Soda segment	172,673	204,540	272,301	288,311
Organic segment	87,245	135,961	102,000	77,819
Silicates and glass segment	2,088	1,864	2,084	1,667
Transport segment	5,269	3,045	3,412	3,984
Other operations segment	2,652	6,893	3,719	13,623
Corporate functions	3,429,821	3,247,669	1,857,473	1,917,802
TOTAL	3,699,748	3,599,972	2,240,989	2,303,206

CIECH S.A. — SALES REVENUES BY BUSINESS SEGMENTS

	01.01.-30.06.2017	01.01.-30.06.2016	Change 2017/2016	% of total revenues in 2017
Soda segment, including:	904,246	876,949	3.1%	76.0%
Dense soda ash	522,498	520,455	0.4%	43.9%
Light soda ash	223,708	192,898	16.0%	18.8%
Salt	83,197	85,541	(2.7%)	7.0%
Sodium bicarbonate	49,185	48,473	1.5%	4.1%
Calcium chloride	9,943	8,485	17.2%	0.8%
Other goods and services	15,715	21,097	(25.5%)	1.4%
Organic segment, including:	265,008	186,155	42.4%	22.3%
Raw materials for production of crop protection products	63,238	28,495	121.9%	5.3%
Raw materials for production of resins	132,076	96,828	36.4%	11.1%
Raw materials for the production of polyurethane foams	65,349	56,863	14.9%	5.5%
Other goods and services	4,345	3,969	9.5%	0.4%
Silicates and Glass segment, including:	6,751	6,836	(1.2%)	0.6%
Soda silicates	6,112	6,378	(4.2%)	0.5%
Other goods and services	639	458	39.5%	0.1%
Transport segment, including:	12,107	1,223	889.9%	1.0%
Transport services	12,107	1,223	889.9%	1.0%
Other segment, including:	1,275	2,194	(41.9%)	0.1%
Other goods and services	1,275	2,194	(41.9%)	0.1%
TOTAL	1,189,387	1,073,357	10.8%	100.0%

CIECH S.A. — INFORMATION ON GEOGRAPHICAL AREAS

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

	ASSETS		SALES REVENUES	
	30.06.2017	31.12.2016	01.01.-30.06.2017	01.01.-30.06.2016
Poland	2,597,710	2,417,181	605,881	501,977
European Union (excluding Poland)	1,004,267	1,085,395	350,842	349,082
Other European countries	43,693	50,685	105,192	103,999
Africa	2,459	2,852	33,712	38,474
Asia	51,050	42,380	86,547	69,824
Other regions	569	1,479	7,213	10,001
TOTAL	3,699,748	3,599,972	1,189,387	1,073,357



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

4.6. PROVISIONS AND IMPAIRMENT ALLOWANCES ON ASSETS

PROVISIONS FOR EMPLOYEE BENEFITS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2017					
Long-term	447	11	-	-	458
Short-term	313	14	(31)	-	296
01.01.-30.06.2016	-	-	-	-	-
Long-term	510	5	-	17	532
Short-term	240	-	-	(17)	223
01.04.-30.06.2017					
Long-term	449	9	-	-	458
Short-term	302	11	(17)	-	296
01.04.-30.06.2016	-	-	-	-	-
Long-term	521	5	-	6	532
Short-term	217	-	23	(17)	223

CHANGE IN OTHER SHORT-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2017					
Provision for compensation	928	-	(105)	-	823
Provision for liabilities	6,646	655	(475)	-	6,826
Provision for expected losses	28,066	-	-	-	28,066
Provision for bonuses	507	-	-	-	507
Other provisions	251	-	(251)	-	-
TOTAL	36,398	655	(831)	-	36,222
01.01.-30.06.2016					
Provision for compensation	839	-	-	45	884
Provision for liabilities	5,489	-	(3,021)	(38)	2,430
Provision for expected losses	19,836	-	-	11	19,847
Provision for bonuses	507	-	-	-	507
Other provisions	44	134	-	-	178
TOTAL	26,715	134	(3,021)	18	23,846
01.04.-30.06.2017					
Provision for compensation	928	-	(105)	-	823
Provision for liabilities	6,643	391	(208)	-	6,826
Provision for expected losses	28,066	-	-	-	28,066
Provision for bonuses	507	-	-	-	507
TOTAL	36,402	79	(259)	-	36,222
01.04.-30.06.2016					
Provision for compensation	866	-	-	18	884
Provision for liabilities	3,628	(309)	(889)	-	2,430
Provision for expected losses	19,847	-	-	-	19,847
Provision for bonuses	413	-	94	-	507
Other provisions	182	(4)	-	-	178
TOTAL	24,936	(313)	(795)	18	23,846



CHANGE IN IMPAIRMENT ALLOWANCES	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2017					
Long-term financial assets	210,830	-	-	-	210,830
Short-term financial assets	130,300	2,508	-	-	132,808
Trade and other receivables	33,420	473	(4,027)	(1,266)	28,600
TOTAL	374,550	2,981	(4,027)	(1,266)	372,238
01.01.-30.06.2016					
Long-term financial assets	200,809	-	-	-	200,809
Inventories	84	-	(84)	-	-
Short-term financial assets	123,655	-	(1,088)	-	122,567
Trade and other receivables	31,890	2,708	(2,665)	374	32,307
TOTAL	356,438	2,708	(3,837)	374	355,683
01.04.-30.06.2017					
Long-term financial assets	210,830	-	-	-	210,830
Short-term financial assets	130,300	2,508	-	-	132,808
Trade and other receivables	29,434	(90)	(104)	(640)	28,600
TOTAL	370,564	2,418	(104)	(640)	372,238
01.04.-30.06.2016					
Long-term financial assets	200,809	-	-	-	200,809
Short-term financial assets	122,567	-	-	-	122,567
Trade and other receivables	31,770	1,954	(2,140)	723	32,307
TOTAL	355,146	1,954	(2,140)	723	355,683

4.7. INCOME TAX, DEFERRED TAX ASSETS AND LIABILITY

The main components of tax expense include:

MAIN COMPONENTS OF TAX EXPENSE (TAX INCOME)	01.01.-30.06.2017	01.01.-30.06.2016
Current income tax	788	(1,845)
Deferred tax	(30,604)	(15,405)
Income tax recognised in the statement of profit or loss	(29,816)	(17,250)

Deferred income tax is attributable to the following items:

	30.06.2017			31.12.2016		
	Total asset	Total liability	Net value	Total asset	Total liability	Net value
Property, plant and equipment	-	74	(74)	-	74	(74)
Financial assets	790	9,746	(8,956)	1,732	9,746	(8,014)
Trade and other receivables	-	1,189	(1,189)	-	385	(385)
Provisions for employee benefits	107	31	76	108	31	77
Tax losses carried forward	69,880	-	69,880	88,068	-	88,068
Foreign exchange differences	2,818	-	2,818	3,777	-	3,777
Liabilities	4,471	2,244	2,227	15,114	306	14,808
Deferred tax assets/liability	78,066	13,284	64,782	108,799	10,542	98,257
Set - off of deferred tax assets / (liability)	(13,284)	(13,284)	-	(10,542)	(10,542)	-
Deferred tax assets/liability recognised in the statement of financial position	64,782	-	64,782	98,257	-	98,257

In the light of provisions of the General Anti-Avoidance Rule ("GAAR"), applicable as of 15 July 2016 and aimed at preventing the origination and use of factitious legal structures designed to avoid payment of taxes in Poland, the Management Board of the Parent Company considered the impact of transactions which could potentially be subject to the



GAAR regulations on the deferred tax, tax value of assets and deferred tax provisions. In the opinion of the Management Board, the analysis conducted did not demonstrate the need to adjust the reported current and deferred income tax items. However, in the opinion of the Management Board, there is an inherent uncertainty arising from GAAR that tax authorities will interpret these provisions differently, will change their approach to their interpretation or the rules themselves will change, which may affect the ability to utilise the deferred tax assets in future periods and the possible payment of an additional tax for past periods.

4.8. INFORMATION ON FAIR VALUE OF FINANCIAL INSTRUMENTS

The information is provided in item 2.8 hereof.

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

In the period from 1 January to 30 June 2017, CIECH S.A. carried out the following transactions increasing and decreasing the gross value of property, plant and equipment:

01.01.-30.06.2017	Buildings offices and land and water engineering facilities	Machinery and equipment	Means of transport	Other tangible fixed assets	Tangible fixed assets under construction	TOTAL
Purchase	-	1,257	-	9	1,865	3,131
Disposal	219	147	-	-	-	366
01.01.-30.06.2016						
Purchase	-	3,385	-	25	1,544	4,954
Disposal	-	2,874	305	3	-	3,182

Purchases in the first half of 2017 were made with own financial resources of the Company. As at the reporting date, commitments to purchase property, plant and equipment amounted to PLN 1,039 thousand. As at 31 December 2016, commitments to purchase property, plant and equipment amounted to PLN 542 thousand.

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

The information is provided in item 2.10 hereof.

4.11. INFORMATION ON TRANSACTIONS WITH RELATED ENTITIES

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

TRANSACTIONS BETWEEN OTHER RELATED ENTITIES	01.01.-30.06.2017	01.01.-30.06.2016
Revenues from sales of products and services, including:	397,437	313,221
<i>Kulczyk Holding S.A.</i>	8	29
Purchase of services, including:	686,243	647,832
<i>Kulczyk Holding S.A.</i>	1,600	1,337
Financial income	54,238	175,769
	30.06.2017	31.12.2016
Receivables, including:	161,837	197,752
<i>Kulczyk Holding S.A.</i>	658	863
Loans granted	951,010	801,337
Liabilities, including:	374,279	458,727
<i>Kulczyk Holding S.A.</i>	-	872
Loans received	84,534	442



Terms of transactions with related entities

Material sales to and purchases from related entities are carried out on terms which do not differ from arm's length terms. Overdue liabilities and receivables are not secured and are settled in cash or by set-off. No material non-standard or non-routine transactions were concluded with related entities in the first half of 2017, except for transactions described in item 5.3 hereof.

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

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

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

4.13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES INCLUDING GUARANTEES AND SURETIES

	30.06.2017	31.12.2016
Contingent assets	18,864	18,864
Other contingent receivables*	18,864	18,864
Contingent liabilities	605,708	653,142
Guarantees and sureties granted**	599,160	647,482
Other***	6,548	5,660

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

** Including:

- guarantee granted up to the amount of 155% of liabilities related to the issue of domestic bonds in the amount of PLN 160,000 thousand – contingent liability in the amount of PLN 88,000 thousand
- guarantee granted up to the amount of 125% of liability related to term loan in the amount of PLN 1,045,031 thousand and revolving loan in the amount of PLN 250,000 thousand – contingent liability in the amount of PLN 323,758 thousand,
- guarantee granted up to the amount of 125% of liability related to term loan in the amount of EUR 69,673 thousand – contingent liability in the amount of PLN 73,618 thousand.

*** Potential liabilities on account of employee claims.

As at 30 June 2017, contingent liabilities amounted to PLN 605,708 thousand and decreased as compared to 31 December 2016 by PLN 47,434 thousand. This change resulted primarily from:

- expiry of a guarantee for liabilities of subsidiaries in the amount of EUR 10,000 thousand,
- increase in a potential liability regarding employee claims by the amount of PLN 888 thousand.

The remaining difference results from changes in currency exchange rates used in the valuation of liabilities.

Other guarantees and sureties granted are described in item 9.2 of the Financial Statements of CIECH S.A. for 2016.

Tax audits

As at the date of preparation of the financial statements, CIECH S.A. is subject to inspection proceedings. The aim of the audit is to review the accuracy of the declared tax base and the correctness of calculations and payments of corporate income tax for 2013. The Company has already received the Audit report. The irregularities identified concern the overestimation of tax deductible expenses by PLN 25 million and underestimation of revenue by PLN 9 million.

The Company submitted objections to the Audit report. In response to the objections submitted, the auditors maintained their position on key issues (of significant value), while acknowledging the Company's position or its additional explanations on other issues.

The Management Board of the Company and its tax advisors do not agree with the findings presented in the audit reports and with responses to objections to the reports. However, if tax assessment proceedings are instituted and a decision is taken in which the findings contained in the responses to objections to the Report are accepted, the company may be



required to pay tax liabilities estimated by the auditors in the amount of PLN 3.5 million for 2013 (taking account of the tax loss incurred in the audited year) together with default interest from 1 April 2014.

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

The information is provided in item 2.14 hereof.

4.15. INFORMATION ON POST-BALANCE-SHEET EVENTS

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



MANAGEMENT BOARD REPORT ON THE CIECH GROUP'S ACTIVITIES



5.

MANAGEMENT BOARD REPORT ON THE CIECH GROUP'S ACTIVITIES

5.1. DESCRIPTION OF THE CIECH GROUP'S ORGANISATION

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

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

As at 30 June 2017, the CIECH Group comprised 38 business entities, including:

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

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

The trading activity is carried out mostly by CIECH S.A., domestic and foreign trading subsidiaries of CIECH S.A., as well as selected manufacturing companies (CIECH Sarzyna S.A., CIECH Vitrosilicon S.A., SDC Group, CIECH Pianki Sp. z o.o.) while the manufacturing activity is carried out by production companies, subsidiaries of CIECH S.A. The production is located in 8 plants, with four largest production plants (two in Poland, one in Germany and one in Romania) operate in the soda segment and manufacture soda ash and soda derived products (in the case of CIECH Soda Romania S.A., the plant also manufactures products in the silicates and glass segment, the soda plant in Janikowo also manufactures salt products and the plant in Germany produces electric energy sold to third parties). The other 4 plants are dedicated to the organic segment, and to silicates and glass segment, and are located in Poland.

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



Company name	Registered office	Segment	Business	Share in equity as at 30.06.2017 / % of votes at the GMS	Share in equity as at 30.06.2016 / % of votes at the GMS
Parent company					
CIECH S.A.	Warsaw	Soda, organic, silicates and glass, transport, other	Sales of chemical products manufactured within the CIECH Group, sales of chemical products purchased from third-party producers, holding activities, managing a portfolio of subsidiaries, provision of support services (in the area of sales, manufacturing, purchases, finance, IT, HR and in the legal area) for selected companies in the Group, financial activities in the form of direct lending to the companies in the Group.	-	-
Fully consolidated direct and indirect subsidiaries					
CIECH R&D Sp. z o.o.	Warsaw	Other	Granting licences to the CIECH Group companies to use the trademarks: "Ciech", "Ciech Trading" and "Sól Kujawska naturalna czysta" for business activity purposes, research and developments activities.	100%	100%
CIECH Trading S.A.	Warsaw	Soda, other	Wholesale and distribution of solid inorganic and organic chemicals, wholesale and distribution of raw materials for household chemicals, wholesale and distribution of raw materials for cosmetic and pharmaceutical products, wholesale and distribution of fillers, pigments, raw materials for paints and varnishes, wholesale and distribution of feed additives and fodder, wholesale and distribution of acids, bases and other liquid chemicals.	100%	100%
CIECH Soda Romania S.A.	Ramnicu Valcea, Romania	Soda, silicates and glass	Manufacture of other basic inorganic chemicals, wholesale of chemical products.	98.74%	98.74%
CIECH Vitrosilicon S.A.*	Itowa	Silicates And Glass	Production of other basic inorganic chemicals, manufacture of hollow glass and technical glassware, manufacture of plastic packaging goods, manufacture of other plastic products.	100%	100%
CIECH Transclean Sp. z o.o.	Bydgoszcz	Transport	International transport of liquid chemicals.	100%	100%
CIECH Pianki Sp. z o.o.	Bydgoszcz	Organic	Manufacture of organic and other inorganic chemicals.	100%	100%
Ciech Group Financing AB	Stockholm, Sweden	Other	Financing activities.	100%	100%
Verbis ETA Sp. z o.o.	Warsaw	Other	General partner of Verbis ETA Sp. z o.o. SKA.	100%	100%
Verbis ETA Sp. z o.o. SKA	Warsaw	Other	Financing activities, direct lending to the CIECH Group companies	100%	100%
CIECH Cerium Sp. z o.o. SK	Warsaw	Other	Financing activities.	100%	100%
Beta Cerium Sp. z o.o. Sp. k.**	Warsaw	Other	Financing activities, leasing of non-current assets to the CIECH Group companies.	100%	-
Vasco Polska Sp. z o.o.	Inowrocław	Other	Utilisation of post-soda lime in the restoration of degraded land.	90%	-



Company name	Registered office	Segment	Business	Share in equity as at 30.06.2017 / % of votes at the GMS	Share in equity as at 30.06.2016 / % of votes at the GMS
CIECH FINANCE Group					
CIECH Finance Sp. z o.o.	Warsaw	Other	Implementing divestment projects concerning obsolete fixed assets (property) and financial assets (shares in companies), carrying out purchases of selected raw materials.	100%	100%
CIECH Nieruchomości S.A.	Warsaw	Other	Real property agency, real property management.	100%	100%
JANIKOSODA S.A.	Warsaw	Other	Service activity related to office support, other 'out-of-school' forms of education.	100%	100%
CIECH Soda Polska Group					
CIECH Soda Polska S.A.	Inowrocław	Soda	Manufacture of other basic inorganic chemicals, wholesale of chemical products, power generation and distribution.	100%	100%
CIECH Cargo Sp. z o.o.	Inowrocław	Transport	Freight transport services.	100%	100%
Cerium Sp. z o.o.	Warsaw	Other	General partner of CIECH Cerium Sp. z o.o. SKA.	100%	100%
Gamma Finanse Sp. z o.o.***	Warsaw	Other	Financing activities.	100%	100%
Cerium Finance Sp. z o.o.	Warsaw	Other	Conducting financial activities, in particular comprising direct granting of loans and leasing of non-current assets to the CIECH Group companies.	100%	100%
CIECH Sarzyna Group					
CIECH Sarzyna S.A.	Nowa Sarzyna	Organic	Manufacture of resins, manufacture of pesticides and other chemical products.	100%	100%
Verbis KAPPA Sp. z o.o.	Nowa Sarzyna	Organic	General partner of Verbis KAPPA Sp. z o.o. SKA, other financial intermediation.	100%	100%
Verbis KAPPA Sp. z o.o. SKA	Nowa Sarzyna	Organic	Other financial intermediation.	100%	100%
Algete Sp. z o.o.	Nowa Sarzyna	Organic	Granting CIECH Sarzyna Group companies the license for using the trademark of "Chwastox" for the purpose of business.	100%	100%
SDC Group					
SDC GmbH	Stassfurt, Germany	Soda		100%	100%
CIECH Soda Deutschland GmbH&Co. KG	Stassfurt, Germany	Soda		100%	100%
Sodawerk Holding Stassfurt GmbH	Stassfurt, Germany	Soda	Manufacture of other basic inorganic chemicals, wholesale of chemical products, power generation and distribution.	100%	100%
Sodawerk Stassfurt Verwaltungs GmbH	Stassfurt, Germany	Soda		100%	100%
CIECH Energy Deutschland GmbH	Stassfurt, Germany	Soda		100%	100%
Kaverngesellschaft Stassfurt GbmH****	Stassfurt, Germany	Soda		50%	50%

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

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

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

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



5.2. INFORMATION ON NON-CONSOLIDATED SUBSIDIARIES AND ASSOCIATES

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

The total share of data of subsidiaries not covered by consolidation under the full method, due to their irrelevance, in relation to the total values of the CIECH Group for the period from 1 January 2017 to 30 June 2017 does not exceed 1% of total consolidated assets of the Group and 2% of consolidated net revenues from sales of goods and products and financial operations.

Aggregated data of associates and jointly-controlled which were not measured under the equity method for the period from 1 January 2017 to 30 June 2017 did not exceed 2% of the total consolidated equity of the CIECH Group.

5.3. SIGNIFICANT EFFECTS OF CHANGES TO THE ORGANISATIONAL STRUCTURE OF THE CIECH GROUP IN THE FIRST HALF OF 2017

Changes in the share capital of companies

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

Pursuant to resolution of the Extraordinary Shareholders' Meeting of CIECH R&D Sp. z o.o. of 28 February 2017 on the increase of the share capital, CIECH S.A., in accordance with the declaration dated 3 March 2017, took up 90,000 new shares in CIECH R&D Sp. z o.o. with the nominal value of PLN 50 each. Shares in CIECH R&D Sp. z o.o. taken up by CIECH S.A. were covered in whole with a cash contribution in the amount of PLN 4,500 thousand, constituting the equivalent of the total nominal price of new shares in CIECH R&D Sp. z o.o. Following the above, the share capital of the Company, registered by the Court on 8 May 2017, increased to PLN 40,000 thousand and is divided into 800,000 shares with the nominal value of PLN 50 each. CIECH S.A. remains the sole shareholder of the Company.

Phasing out of businesses

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

5.4. THE MOST IMPORTANT EVENTS IN THE CIECH GROUP IN THE FIRST HALF OF 2017

New branding of soda products

1st quarter

RELIABLE EMPLOYER Title

The CIECH Group has introduced new brands for its soda products. They are to reflect rising standards in customer service, logistics and production processes, introduced in the last quarters. The new branding is also to differentiate the specialist product portfolio of the Group in the soda segment, including the pharmaceutical, feed or food grade soda.

SOLID EMPLOYER is a title awarded to the CIECH Group in February 2017, in the National "Solid Employer" Contest. The chamber of the contest decides which companies deserve the award for their effective and innovative HR policy, taking into account such criteria as: working conditions (observance of OHS regulations, labour law, etc.), timely payment of salaries, social conditions, career path (trainings for employees).

**Golden Website of the Issuer Contest Final****1st quarter**

CIECH S.A. qualified for the final stage of the Golden Website X contest organised by the Association of Listed Companies, in which 889 websites of companies listed on the Warsaw Stock Exchange, including on the NewConnect market, were assessed.

Appointment of the Management Board Members for the new term of office**2nd quarter**

On 24 May 2017, in connection with the expiry of the current term of office of Members of the Management Board as at the date of opening of the Annual Shareholders' Meeting of CIECH S.A., convened for the purpose of approval of the financial statements for the financial year 2016, the Supervisory Board of CIECH S.A. resolved to reappoint all current members of the Management Board for a new 3-year term of office. The Supervisory Board resolved to reassign their existing functions to members of the Management Board, i.e. Mr Maciej Tybura – the office of the President of the Management Board, and Mr Artur Król and Mr Artur Osuchowski – the office of Members of the Management Board.

5.5. REVIEW OF KEY ECONOMIC AND FINANCIAL FIGURES CONCERNING THE CIECH GROUP**5.5.1. BASIC FINANCIAL DATA**

During the first half of 2017, the CIECH Group earned net profit from continuing operations of PLN 171,154 thousand, net cash increased by PLN 67,247 thousand and the balance sheet total as at the end of the first half of 2017 amounted to PLN 4,500,066 thousand. The table below presents selected financial data and basic financial ratios for the first half of 2017 and 2016.

Selected financial data

	01.01.-30.06.2017	01.01.-30.06.2016*	Change 2017/2016
CONTINUING OPERATIONS			
Sales revenues	1,781,360	1,693,596	5.2%
Cost of sales	(1,341,840)	(1,192,368)	(12.5%)
Gross profit/(loss) on sales	439,520	501,228	(12.3%)
Selling costs	(129,408)	(113,224)	(14.3%)
General and administrative expenses	(65,198)	(68,665)	5.0%
Other operating income/expense	13,663	25,072	(45.5%)
Operating profit/(loss)	258,577	344,411	(24.9%)
Net financial income/expenses	(40,740)	(10,524)	(287.1%)
Share of profit of equity-accounted investees	174	469	(62.9%)
Income tax	(46,857)	(70,039)	33.1%
Net profit/(loss) on continuing operations	171,154	264,317	(35.2%)
DISCONTINUED OPERATIONS			
Net profit/(loss) on discontinued operations	-	-	-
Net profit / (loss)	171,154	264,317	(35.2%)
including:			
Net profit/(loss) attributed to non-controlling interest	210	324	(35.2%)
Net profit/(loss) attributable to shareholders of the parent company	170,944	263,993	(35.2%)
EBITDA from continuing operations	377,731	453,755	(16.8%)
Adjusted EBITDA from continuing operations**	378,578	434,047	(12.8%)

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

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



5.5.2. SALES REVENUES

Consolidated net sales revenues from continued operations of the CIECH Group for the first half of 2017 amounted to PLN 1,781,360 thousand. Compared to the previous year, revenues increased by PLN 87,764 thousand. The changes were mainly due to market factors.

The following facts had a **positive** impact on sales revenues earned:

- increase in the volume of soda sales – sale of additional volumes of soda ash from Soda +200 investment,
- higher sales of dry salt,
- increased sales of crop protection products,
- increased volume of sodium silicates following the extension of production capacity carried out in CIECH Vitrosilicon S.A.,
- higher sales of PUR foams,
- higher sales prices for products based on oil-derivative products sold in the organic segment (resins and PUR foams).

The following facts had a **negative** impact on sales revenues earned:

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

In the first half of 2017, the CIECH Group's activities were focused on four business segments: soda, organic, silicates and glass, and on the transport segment. These segments generate in total more than 90% of the Group's sales revenues. The structure of sales revenues, by business segment, has not changed significantly in comparison with 2016. Invariably, the greatest share in the revenue was attributed to the sales of soda segment products, i.e. 67.8%.

Sales revenues — business segments

	01.01.-30.06.2017	01.01.-30.06.2016	Change 2017/2016	Change %
Soda segment, including:	1,208,653	1,203,850	4,803	0.4%
Dense soda ash	679,442	708,892	(29,450)	(4.2%)
Light soda ash	246,090	228,013	18,077	7.9%
Salt	83,439	86,005	(2,566)	(3.0%)
Sodium bicarbonate	81,198	79,982	1,216	1.5%
Energy	51,058	41,847	9,211	22.0%
Gas*	1,835	653	1,182	181.0%
Calcium chloride	12,980	13,153	(173)	(1.3%)
Other products	29,321	32,255	(2,934)	(9.1%)
Revenues from inter-segment transactions	23,290	13,050	10,240	78.5%
Organic segment, including:	442,898	387,075	55,823	14.4%
Resins	171,687	160,445	11,242	7.0%
Polyurethane foams	148,915	113,960	34,955	30.7%
Crop protection chemicals	115,282	104,399	10,883	10.4%
Other	5,811	5,474	337	6.2%
Revenues from inter-segment transactions	1,203	2,797	(1,594)	(57.0%)
Silicates and Glass segment, including:	107,137	73,478	33,659	45.8%
Sodium silicates	67,509	33,934	33,575	98.9%
Potassium silicates	3,306	2,923	383	13.1%
Container glass	36,073	35,831	242	0.7%
Other	243	787	(544)	(69.1%)
Revenues from inter-segment transactions	6	3	3	100.0%
Transport segment, including:	61,216	63,315	(2,099)	(3.3%)
Transport services	4,654	7,285	(2,631)	(36.1%)
Revenues from inter-segment transactions	56,562	56,030	532	0.9%
Other segment, including:	60,347	53,750	6,597	12.3%
Revenues from third parties	42,517	37,758	4,759	12.6%
Revenues from inter-segment transactions	17,830	15,992	1,838	11.5%
Consolidation adjustments	(98,891)	(87,872)	(11,019)	(12.5%)
TOTAL	1,781,360	1,693,596	87,764	5.2%

* Resale of surpluses of the gas purchased.



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

After the first half of 2017, gross profit on sales amounted to PLN 439,520 thousand, whereas in the same period of the previous year it amounted to PLN 501,228 thousand. The operating profit amounted to PLN 258,577 thousand, in the comparable period it amounted to PLN 344,411 thousand.

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

- Continuation of good economic situation throughout the European Union, especially in the Eurozone.
- Increase in domestic sales of construction and assembly production by 7.6% during the first half of 2017 in comparison to the same period of the previous year (the chemical industry produces many raw materials and semi-finished products used in this production).
- Balancing of the European market of soda ash (demand and supply balance) with a tendency to increase in demand.
- Higher volume of sales of key product groups, such as: soda ash, dry salt, crop protection products, silicates and PUR foams.
- An increase in prices of epoxy resins and PUR foams following the increase in prices of oil-based raw materials.

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

- Slight decrease in soda ash prices in the European markets, following the announced launching of new production capacity in Turkey during 2017.
- Increase in prices of raw energy resources used in production of soda ash (coke, coal, natural gas).
- Increase in oil prices (by approx. 10% as compared than in the first half of 2016) and, consequently, higher prices of raw materials for the organic industry (partially offset by an increase in prices of finished products).
- Strengthening of PLN against EUR and of RON against USD, as compared to the first half of the previous year, which has a negative impact on the profitability of the CIECH Group's export sales.

The EBIT margin for the first half of 2017 amounted to 14.5% (20.3% in the prior year), and the EBITDA margin amounted to 21.2% (26.8% in the prior year). The EBIT margin (excluding one-off events) for first half of 2017 amounted to 14.6% (19.2% in the prior year), and the EBITDA margin (excluding one-off events) amounted to 21.3% (25.6% in the prior year).

5.5.4. FINANCING ACTIVITIES AND NET RESULT

Financial income for the first half of 2017 amounted to PLN 3,349 thousand and decreased compared to the corresponding period of the previous year, when it amounted to PLN 11,923 thousand.

Financial costs for the first half of 2017 amounted to PLN 44,089 thousand and increased compared to the corresponding period of the previous year, when it amounted to PLN 22,447 thousand.

The contributors in the area of financing activities included mainly negative exchange differences related to positive currency exposure in USD on trading activities and valuation of loans denominated in EUR. Costs of servicing external debt remained at a level similar to the one recorded in the corresponding period.

The consolidated net profit for the first half of 2017 amounted to PLN 171,154 thousand (of which PLN 170,944 thousand was a net profit attributable to the shareholders of the parent company and PLN 210 thousand as the profit of non-controlling shares). The decrease in net profit as compared to the corresponding period of 2016 results from lower results from basic activities and from lower results from financing activities.



5.5.5. ASSET POSITION OF THE CIECH GROUP

Basic consolidated balance sheet data

	30.06.2017	31.12.2016	Change 2017/2016
Total assets	4,500,066	4,501,892	(0.0%)
Total non-current assets	3,136,191	3,209,515	(2.3%)
Total current assets	1,363,875	1,292,377	5.5%
Inventory	334,483	299,265	11.8%
Current receivables	478,090	515,542	(7.3%)
Cash and cash equivalents	482,627	414,369	16.5%
Short-term financial assets	65,445	59,971	9.1%
Non-current assets held for sale	3,230	3,230	0.0%
Total equity	1,949,001	1,763,492	10.5%
Equity attributable to shareholders of the parent	1,952,189	1,766,827	10.5%
Non-controlling interest	(3,188)	(3,335)	4.4%
Total non-current liabilities	1,610,510	1,695,514	(5.0%)
Total current liabilities	940,555	1,042,886	(9.8%)

Assets

As at the end of the first half of 2017, the Group's non-current assets amounted to PLN 3,136,191 thousand. As compared to the balance as at 31 December 2016, the value of non-current assets decreased by PLN 73,324 thousand. This change resulted from, among other factors:

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

As at 30 June 2017, the Group's current assets amounted to PLN 1,363,875 thousand. The largest components of non-current assets included: short-term receivables accounting for 34.6%, inventory accounting for 24.5% as well as cash and cash equivalents accounting for 35.4% of total current assets. Compared to the end of December 2016, the value of current assets increased by PLN 71,498 thousand. This change resulted from, among other factors:

- higher balance of cash accumulated in companies,
- increase in inventories resulting mainly from an increase in inventories used for soda production and increase in goods related to the development of new businesses.

Capital resources

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

Liabilities

As at 30 June 2017, the CIECH Group's liabilities (total non-current and current) amounted to PLN 2,551,065 thousand, which is a decrease compared to the end of December 2016 by PLN 187,335 thousand (i.e. by 6.8%).

The debt ratio amounted to 56.7% as at 30 June 2017 (at the end of December 2016 to 60.8%). The consolidated net debt of the Group amounted to PLN 1,073,771 thousand as at 30 June 2017 and decreased in comparison to the balance as at the end of December 2016 by PLN 122,727 thousand.

Debt instruments currently used

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



5.5.6. CASH POSITION OF THE CIECH GROUP

	01.01.-30.06.2017	01.01.-30.06.2016	Change 2017/2016
Net cash from operating activities	255,448	361,582	(29.4%)
Net cash from investment activities	(184,175)	(231,049)	20.3%
Net cash from financial activities	(4,026)	(3,060)	(31.6%)
Total net cash flows	67,247	127,473	(47.2%)
free cash flows	71,273	130,533	(45.4%)

Total net cash flows in the first half of 2017 was positive and amounted to PLN 67,247 thousand. Compared to the same period of the previous year, the cash flows generated by the Group were lower by PLN 60,226 thousand. Cash flows from operating activities were positive. They amounted to PLN 255,448 thousand and decreased as compared to the same period in 2016 by PLN 106,134 thousand. This balance resulted primarily from lower results on operating activities and a change in working capital and provisions.

During the first half of 2017, the net cash flows from investing activities were negative, which was mainly the result of expenses for an investment programme implemented by the Group. The net cash from financial activities was negative and amounted to PLN 4,026 thousand. In comparison to 2016, they were lower by PLN 966 thousand.

	01.01.-30.06.2017	01.01.-30.06.2016
Financial surplus ((net profit/(loss) on continuing operations + depreciation)	290,308	373,661
Other adjustments to net profit/(loss) on continuing operations	14,785	5,342
Adjusted financial surplus (1+2)	305,093	379,003
Change in working capital	(49,645)	(17,421)
Net cash from operating activities (3+4)	255,448	361,582
Net cash from investing activities	(184,175)	(231,049)
Free cash flow (5+6)	71,273	130,533

In the first half of 2017, 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.

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

Liquidity of the CIECH Group

Liquidity ratios as at 30 June 2017 increased as compared to their level as at 31 December 2016. The current ratio, calculated as the ratio of total current assets to total current liabilities, amounted to 1.45 as at 30 June 2017, while the quick liquidity ratio amounted to 1.09.

	30.06.2017	31.12.2016
Current ratio	1.45	1.24
Quick ratio	1.09	0.95

The CIECH Group's working capital

As at the end of the first half of 2017, working capital, defined as the difference between current assets and short-term liabilities, adjusted by relevant balance sheet items (cash and cash equivalents and short-term loans) was positive and amounted to PLN 71,956 thousand, which is an increase by PLN 97,738 thousand compared to the end of 2016.

	30.06.2017	31.12.2016
1. Current assets, including:	1,363,875	1,292,377
Inventory	334,483	299,265
Trade receivables and services and advances for deliveries	306,213	298,449
2. Cash and cash equivalents and short-term investments	548,072	474,340
3. Adjusted current assets (1-2)	815,803	818,037
4. Current liabilities, including:	940,555	1,042,886
Trade liabilities and advances taken	356,557	368,937



	30.06.2017	31.12.2016
5. Short-term credits and other current financial liabilities*	196,708	199,067
6. Adjusted current liabilities (4-5)	743,847	843,819
7. Working capital including short-term credits(1-4)	423,320	249,491
8. Working capital (3-6)	71,956	(25,782)

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

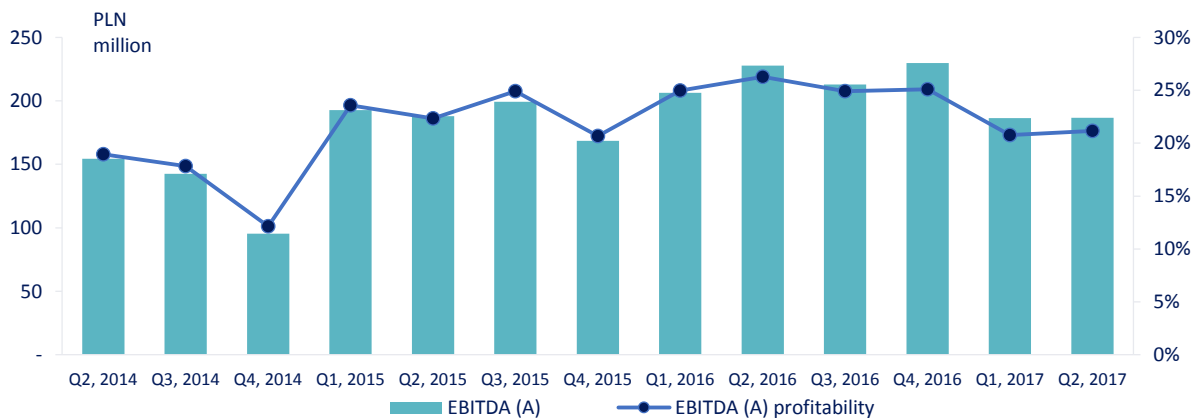
CIECH Group's profitability ratios

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

CIECH GROUP'S PROFITABILITY RATIOS

	01.01.-30.06.2017	01.01.-30.06.2016	Change 2017/2016
CONTINUING OPERATIONS			
Gross return on sales	24.7%	29.6%	(4.9) p.p.
Return on sales	13.7%	18.9%	(5.2) p.p.
EBIT margin	14.5%	20.3%	(5.8) p.p.
EBITDA margin	21.2%	26.8%	(5.6) p.p.
Adjusted EBIT margin	14.6%	19.2%	(4.6) p.p.
Adjusted EBITDA margin	21.3%	25.6%	(4.3) p.p.
Net return on sales (ROS)	9.6%	15.6%	(6.0) p.p.
Return on assets (ROA)	3.8%	5.9%	(2.1) p.p.
Return on equity (ROE)	8.8%	15.0%	(6.2) p.p.
Earnings/(loss) per share (in PLN) from continuing operations	3.24	5.01	(1.77)

PROFITABILITY LEVELS OF THE CIECH GROUP



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

Source: CIECH S.A

Indebtedness

The debt ratio decreased in comparison to December 2016 and amounts to 56.7%. The relative level of net debt also decreased significantly as compared to the end of 2016. The ratio adjusted by one-off events is at a lower level in comparison to the previous year.

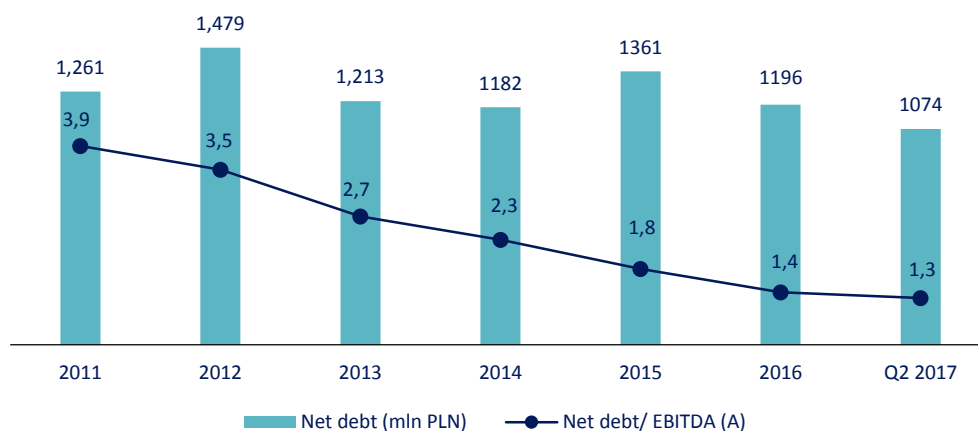


	30.06.2017	31.12.2016
Loans, borrowings and debt securities – bonds issued	1,493,920	1,506,818
Financial lease liabilities	27,417	23,693
Factoring liabilities	30,343	27,502
Net valuation of liabilities due to derivative instruments	4,718	52,854
Gross debt	1,556,398	1,610,867
Cash and cash equivalents	482,627	414,369
Net debt	1,073,771	1,196,498

The CIECH Group's debt ratios

	30.06.2017	31.12.2016	Change 2017/2016
Debt ratio	56.7%	60.8%	(4.1) p.p.
Long term debt ratio	35.8%	37.7%	(1.9) p.p.
Debt to equity ratio	130.9%	155.3%	(24.4) p.p.
Equity to assets ratio	43.3%	39.2%	4.1 p.p.
Gross debt	1,556,398	1,610,867	(3.4%)
Net debt	1,073,771	1,196,498	(10.3%)
EBITDA annualised	807,769	883,794	(8.6%)
Adjusted EBITDA (annualised)	821,364	876,832	(6.3%)
Net debt / EBITDA annualised	1.3	1.4	(7.1%)
Net debt / Adjusted EBITDA (annualised)	1.3	1.4	(7.1%)
Gross debt / EBITDA annualised	1.9	1.8	5.6%
Gross debt / Adjusted EBITDA (annualised)	1.9	1.8	5.6%

The CIECH Group is consistently reducing its net debt in relation to adjusted EBITDA. The strategic objective is to achieve the net debt to EBITDA ratio below 1 in 2019.



Debt financing of the Group

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

- Domestic bonds issued by CIECH S.A. – as at 30 June 2017 the nominal debt amounted to PLN 160,000 thousand.
- Loans are granted to CIECH S.A. pursuant to the loans agreement of 29 October 2015:
 - term loan in the amount of PLN 1,045,031 thousand and EUR 69,673 thousand (the total amount of the loan as at 30 June 2017 was PLN 1,339,504 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 June 2017 amounted to PLN 0).

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



Factors and events that may affect future performance

In the opinion of the Management Board of CIECH S.A. in further months of 2017 the trends observed in the past few months will continue. Pursuant to the Strategy, the CIECH Group will focus on the following actions conducive to further development:

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

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

5.6. SIGNIFICANT RISK FACTORS

In connection with its operational activities, the CIECH Group is exposed to a number of risks, including financial risks. The most important risk factors are presented in details in item 3.4 of the Management Board Report on activities of the CIECH Group and CIECH S.A. in 2016, published on 20 March 2017.

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

Exposure to currency risk

The table below presents the estimated balance-sheet currency exposure of the CIECH Group in EUR and USD as at 30 June 2017 due to financial instruments (for EUR – excluding figures of the SDC Group and Ciech Group Financing AB, because EUR is their functional currency):

Exposure to currency risk	EUR ('000)	USD ('000)	Impact on the statement of profit or loss	Impact on statement of other comprehensive income*
Assets				
Borrowings granted sensitive to FX rate changes	43,866	-	x	
Trade and other receivables	20,686	21,244	x	
Cash including bank deposits	18,485	4,021	x	
Liabilities				
Trade and other liabilities	(20,787)	(6,712)	x	
Term loan liabilities	(69,773)	-		x
Hedging instruments: Forward	(35,140)	(19,700)		x
Hedging instruments: CIRS (forward transactions isolated as part of decomposition of CIRS)	(246,723)	-		x
Total exposure	(289,386)	(1,147)		

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

The table contains an analysis of the sensitivity of individual statement of financial position items to exchange rate changes as at 30 June 2017.

Analysis of sensitivity to foreign exchange rate changes – EUR	('000 PLN)*	Impact on the statement of profit or loss	Impact on statement of other comprehensive income
EUR			
Currency balance sheet items	(75)	622	(698)
Hedging instruments: Forward and CIRS	(2,819)	-	(2,819)
USD			
Currency balance sheet items	186	186	-
Hedging instruments: Forward	(197)	-	(197)

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

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



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

The CIECH Group did not publish any forecasts for 2017.

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

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

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

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

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

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

According to the data of the Central Statistical Office, the sold industrial output at constant prices during the first half of 2017 increased by 5.7% as compared with the corresponding period of the previous year (in 2016 — an increase of 4.4%). 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 4.1%); rubber and plastic products (increase by 7.5%); manufacture of motor vehicles (increase by 7.6%); manufacture of furniture (increase by 6.8%); manufacture of food (increase by 6.9%); construction and assembly production (increase by 7.6%).

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

An improvement of economic situation in Poland is observed in 2017 (the European Commission projects that GDP growth will amount to 3.5%). Similar trends should be expected in the chemical industry which usually develops similarly to the economy as a whole.

Economic situation in Europe and in the world

The activity of the CIECH Group is based, in a considerable part, on the sales of chemical products on foreign markets. The level of profitability on sales depends on the global economic situation in Europe and in the world. Global economic downturn usually results in the fall of the demand for raw materials on global markets and hence on the amount of export turnover of the Group.

According to the forecasts of International Monetary Fund, in 2017 the dynamics of global economic development are higher than in the previous year (projected increase in GDP by 3.5% in 2017 vs. 3.2% in 2016). The largest Asian economies continue to grow relatively quickly (India, China, and ASEAN countries, for which the GDP growth indicators should be, respectively: 7.2%, 6.7%, 5.1% in 2017). Among large economies, the worst conditions is observed in Russia and Brazil; any recession in these countries in 2015–2016 should be already gone (expected increases in GDP by 1.4% and 0.3% respectively).

For the chemical sector, the American Chemical Chamber (ACC) assumes that after a moderate increase in the chemical production in 2016 (by 2.2%), the following years will indicate a certain growth in productivity: by 2.9% in 2017 and by 3.3% in 2018. In the case of USA, this growth should reach 3.3% in 2017, and 4.3% in 2018. The European Council of Chemical Industry (CEFIC) forecasts that after a period of clear stagnation in 2016, the year 2017 will bring an increase in the chemical production by 1.5%.

As regards the European construction sector, further economic growth is projected for the next 2-3 years. According to Euroconstruct, the annual average production dynamics in construction sector in the Western and Central



Europe should grow in the entire 2017 to 2.9% (from 2.5% in 2016), and may slow down slightly in subsequent two years to 2–2.5%.

OTHER FACTORS AFFECTING THE CIECH GROUP'S ACTIVITIES

Factors	Description
Economic situation on raw material market	<p>Due to the fact that costs of raw materials account for a large share of total costs of the Group, the situation on certain raw material markets (availability and price) significantly affect the CIECH Group's activities and financial performance. Price and availability of raw materials depends largely on economic and political developments across the globe.</p> <p>Hard coal – situation on the market depends on a number of macroeconomic factors. The largest producer of hard coal in the European Union is Poland, but EU's import of coal (primarily from Russia, Columbia, USA and Australia) is nearly two times higher than production. Most of the coal imported to the EU is power coal, i.e. coal used by the CIECH Group in the production of heat in soda plants in Poland. Despite the fact that the Group buys it usually from Polish mines, the price of hard coal in Poland depends on the European and global situation in the area of demand and supply.</p> <p>Coke – coke prices depend primarily on prices of coking coal, from which it is produced. The largest global producer of coke is China which, at the same time, is one of the largest consumers of this raw material. In Europe, coke is produced mainly in Poland and the Czech Republic.</p> <p>Oil-derivative raw materials – used primarily in the organic segment, are linked to oil prices. Oil prices depend primarily on macroeconomic and political factors which translate into global demand and supply situation.</p>
Exchange rates of Polish zloty (PLN) and Romanian leu (RON) to euro (EUR) and US dollar (USD)	<p>The CIECH Group's main source of exposure to foreign currency risk is related to EUR and USD in which export sales are denominated. Weakening/strengthening of PLN and RON (in which significant costs are incurred) in relation to EUR and USD (in which a material portion of sales is made) has a positive/negative impact on the CIECH Group's financial performance.</p> <p>The Group applies natural hedging and hedging instruments. The Group's net exposure in the first half of 2017 was: EUR -289.4 million and USD -1.1 million.</p>
Volume of chemical production capacity on markets where the CIECH Group operates	<p>In the sectors of mass chemical products, in which the CIECH Group operates, the capital expenditures are an important barrier to entry, and in the case of the soda segment – an easy access to natural resources. For this reason, in the scope of the most important segment of the CIECH Group, the soda segment, green field investments are rare and generally done outside Europe.</p> <p>The CIECH Group's business can be significantly affected by the extension of soda ash and sodium bicarbonate production capacity in Turkey. This will change the current European and global supply and demand situation in the short-term, increasing the supply of soda in the market and decreasing prices in Europe and neighboring regions which may have a negative impact on the Group's financial performance.</p>
Environmental requirements	<p>REACH system implementation</p> <p>In accordance with the REACH regulation, the Group's companies selling substances in quantities exceeding 1 tonne p.a. have completed or plan to complete full registration of these substances by defined deadlines, which will enable them to continue their operations in the current scope.</p> <p>Emission trading system</p> <p>Production companies of the CIECH Group are included in the emission trading system. External analyses performed by the CIECH Group companies indicate that the amount of free CO₂ emission allowances in the 3rd settlement period (2013-2020) will be insufficient to cover the actual demand for this type of settlement units. In addition to the direct costs connected with the purchase of CO₂ emission allowances, the CIECH Group companies will bear higher costs of electricity due to their assumption of the costs of purchase of emission allowances from the producers.</p>

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

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

**SHAREHOLDERS**

As of the date of publishing the previous financial statements (i.e. the date of publication of the Extended consolidated quarterly report the CIECH Group for the first quarter of 2017, announced on 16 May 2017), CIECH S.A. has not received any information about a change in interests held by shareholders in the total number of shares. Therefore, to the best knowledge of CIECH S.A., as at the day of approving these statements, shareholders holding significant blocks of shares (at least 5%) include the following entities:

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

Shareholder	Type of shares	Number of shares	Number of votes at the General Meeting of Shareholders	Share in the total number of votes at the General Meeting of Shareholders	Stake in share capital (%)
KI Chemistry s. à r. l. with its registered office in Luxembourg*	Ordinary bearer	26,952,052	26,952,052	51.14%	51.14%
TFI PZU Funds**	Ordinary bearer	6,428,681	6,428,681	12.20%	12.20%
Nationale-Nederlanden Otwarty Fundusz Emerytalny***	Ordinary bearer	3,000,000	3,000,000	5.69%	5.69%
Other	Ordinary bearer	16,319,176	16,319,176	30.97%	30.97%

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

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

*** On the basis of the list of entities holding at least 5% of votes at the Ordinary Meeting of Shareholders of CIECH S.A. on 16 June 2016, CR 22/2016 prepared and published pursuant to Article 70(3) of the Act of 29 July 2005 on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies (Journal of Laws of 2009, No 185, item 1439). However, on the basis of the list of entities holding at least 5% of votes at the Ordinary Meeting of Shareholders of CIECH S.A. on 22 June 2017 (Current report 13/2017), Nationale-Nederlanden Otwarty Fundusz Emerytalny (hereinafter "NN") held 4.74% of the total number of votes in the Company. Until the date of publication hereof, the Company has not received a notification from NN on the decrease in the number of votes held below 5% of the total number of votes in the Company.

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

Mr Artur Osuchowski – Member of the Management Board of CIECH S.A., held 65,195 shares of CIECH S.A. as at 30 June 2017. Other Management Board Members of CIECH S.A. and Supervisory Board Members of CIECH S.A. did not hold any shares of the Company.

Managers and supervisors of CIECH S.A. as at 30 June 2017 did not hold any shares in other companies of the CIECH Group and this situation did not change in the period from the publication of the Extended consolidated quarterly report of the CIECH Group for 2017, i.e. from 16 May 2017.

5.11. LITIGATION PENDING BEFORE A COURT, COMPETENT ARBITRATION AUTHORITY OR PUBLIC ADMINISTRATION AUTHORITY**5.11.1. SIGNIFICANT DISPUTED LIABILITIES OF THE CIECH GROUP**

As at 30 June 2017, the total value of significant disputed liabilities of CIECH S.A. and subsidiaries of CIECH S.A., pursued in all types of proceedings before court, body appropriate for arbitration proceedings or public administration bodies represents less than 10% of CIECH S.A.'s equity.



5.11.2. SIGNIFICANT DISPUTED RECEIVABLES OF THE CIECH GROUP

As at 30 June 2017, the total value of significant disputed receivables of CIECH S.A. and subsidiaries of CIECH S.A., pursued in all types of proceedings before court, body appropriate for arbitration proceedings or public administration bodies represents less than 10% of CIECH S.A.'s equity.

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

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

Letters of support

As at 30 June 2017, CIECH S.A. was the obliged party in the letter of support (Patronatserklärung) regarding CIECH Soda Deutschland GmbH&Co. KG seated in Staßfurt (CSD) granted to RWE Gasspeicher GmbH ("RWE") relating to liabilities of CSD resulting from the agreement dated 5 May 2009 on salt caverns construction for the purpose of natural gas storage on the Staßfurt mining field according to which CSD received payments of EUR 34.8 million from RWE by 30 June 2017. In the letter of support, CIECH S.A. has committed, among other things, to ensure that CSD will have sufficient funds to fulfil its financial commitments against RWE resulting from the above-mentioned agreement.

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

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



RATIO CALCULATION METHODOLOGY

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

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



STATEMENT OF THE MANAGEMENT BOARD

This Extended consolidated report of the CIECH Group for the first half of 2017 was approved by the Management Board of CIECH S.A. at its registered office on 24 August 2017.

Warsaw, 24 August 2017.

(signed on the polish original)

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

(signed on the polish original)

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

(signed on the polish original)

.....

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

(signed on the polish original)

.....

Katarzyna Rybacka – Chief Accountant of CIECH Spółka Akcyjna