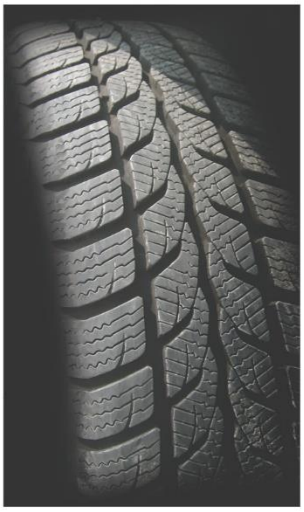



EXTENDED CONSOLIDATED QUARTERLY REPORT

of the CIECH Group for the first quarter of 2018




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

CIECH GROUP — SELECTED CONSOLIDATED FINANCIAL DATA

SELECTED FINANCIAL DATA	in thousand PLN		in thousand EUR	
	3 months ended 31.03.2018	3 months ended 31.03.2017	3 months ended 31.03.2018	3 months ended 31.03.2017
Sales revenues	885,670	898,378	211,964	209,456
Operating profit/(loss)	102,083	126,832	24,431	29,571
Profit/(loss) before tax	95,789	95,697	22,925	22,312
Net profit / (loss) for the year	74,050	78,089	17,722	18,206
Net profit/(loss) attributable to shareholders of the parent company	73,897	78,003	17,685	18,186
Net profit/(loss) attributed to non-controlling interest	153	86	37	20
Other comprehensive income net of tax	3,126	19,541	748	4,556
Total comprehensive income	77,176	97,630	18,470	22,762
Cash flows from operating activities	(3,873)	(21,027)	(927)	(4,902)
Cash flows from investment activities	(118,481)	(102,099)	(28,356)	(23,804)
Cash flows from financial activities	(1,570)	(2,221)	(376)	(518)
Total net cash flows	(123,924)	(125,347)	(29,659)	(29,224)
Earnings (loss) per ordinary share (in PLN/EUR)	1.40	1.48	0.34	0.35
	as at 31.03.2018	as at 31.12.2017	as at 31.03.2018	as at 31.12.2017
Total assets	4,665,833	4,643,511	1,108,669	1,113,311
Non-current liabilities	1,376,506	1,369,282	327,078	328,294
Current liabilities	1,031,694	1,089,584	245,145	261,235
Total equity	2,257,633	2,184,645	536,446	523,782
Equity attributable to shareholders of the parent	2,260,334	2,187,596	537,088	524,490
Non-controlling interest	(2,701)	(2,951)	(642)	(708)
Share capital	287,614	287,614	68,341	68,957

CIECH S.A. — SELECTED SEPARATE FINANCIAL DATA

SELECTED FINANCIAL DATA	in thousand PLN		in thousand EUR	
	3 months ended 31.03.2018	3 months ended 31.03.2017	3 months ended 31.03.2018	3 months ended 31.03.2017
Sales revenues	595,246	600,701	142,458	140,053
Operating profit/(loss)	37,054	61,294	8,868	14,291
Profit/(loss) before tax	30,218	105,194	7,232	24,526
Net profit/(loss) for the period	24,248	85,800	5,803	20,004
Other comprehensive income net of tax	(1,298)	9,655	(311)	2,251
Total comprehensive income	22,950	95,455	5,492	22,255
Cash flows from operating activities	(82,637)	52,548	(19,777)	12,252
Cash flows from investment activities	(31,545)	(116,526)	(7,550)	(27,168)
Cash flows from financial activities	18,439	(41,177)	4,413	(9,600)
Total net cash flows	(95,743)	(105,155)	(22,914)	(24,516)
	as at 31.03.2018	as at 31.12.2017	as at 31.03.2018	as at 31.12.2017
Total assets	3,694,406	3,652,664	877,844	875,749
Non-current liabilities	1,175,892	1,172,446	279,409	281,101
Current liabilities	963,719	931,190	228,993	223,259
Total equity	1,554,795	1,549,028	369,442	371,389
Share capital	287,614	287,614	68,341	68,957

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

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

as at 31.03.2018	as at 31.12.2017	3 months ended 31.03.2018	3 months ended 31.03.2017
1 EUR = 4.2085 PLN	1 EUR = 4.1709 PLN	1 EUR = 4.1784 PLN	1 EUR = 4.2891 PLN

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2018

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

TABLE OF CONTENTS

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE CIECH GROUP

	01.01.-31.03.2018	01.01.-31.03.2017
CONTINUING OPERATIONS		
Sales revenues	**885,670**	**898,378**
Cost of sales	(679,044)	(678,124)
Gross profit/(loss) on sales	**206,626**	**220,254**
Other operating income	11,317	11,061
Selling costs	(67,555)	(61,556)
General and administrative expenses	(37,147)	(34,763)
Other operating expenses	(11,158)	(8,164)
Operating profit/(loss)	**102,083**	**126,832**
Financial income	4,967	3,506
Financial expenses	(11,257)	(34,590)
Net financial income/(expenses)	**(6,290)**	**(31,084)**
Share of profit / (loss) of equity-accounted investees	(4)	(51)
Profit/(loss) before tax	**95,789**	**95,697**
Income tax	(21,739)	(17,608)
Net profit/(loss) on continuing operations	**74,050**	**78,089**
DISCONTINUED OPERATIONS		
Net profit/(loss) on discontinued operations	-	-
Net profit / (loss) for the year	**74,050**	**78,089**
Including:		
Net profit/(loss) attributable to shareholders of the parent company	73,897	78,003
Net profit/(loss) attributed to non-controlling interest	153	86
Earnings per share (in PLN):		
Basic	1.40	1.48
Diluted	1.40	1.48
Earnings/(loss) per share (in PLN) from continuing operations:		
Basic	1.40	1.48
Diluted	1.40	1.48

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

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME OF THE CIECH GROUP

	01.01.-31.03.2018	01.01.-31.03.2017
Net profit / (loss)	**74,050**	**78,089**
Other comprehensive income before tax that may be reclassified to the statement of profit or loss	**3,316**	**32,825**
Currency translation differences (foreign companies)	1,414	(13,605)
Cash flow hedge	2,957	46,430
Hedging costs	(1,053)	-
Other components of other comprehensive income	(2)	-
Other comprehensive income before tax that may not be reclassified to the statement of profit or loss	**-**	**-**
Income tax attributable to other comprehensive income	**(190)**	**(13,284)**
Income tax attributable to other comprehensive income that may be reclassified to the statement of profit or loss	(190)	(13,284)
Other comprehensive income net of tax	**3,126**	**19,541**
Comprehensive income including attributable to:	**77,176**	**97,630**
Shareholders of the parent company	76,926	97,595
Non-controlling interest	250	35

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

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE CIECH GROUP

	31.03.2018	31.12.2017
ASSETS		
Property, plant and equipment	2,703,014	2,712,252
Right of perpetual usufruct	29,963	30,069
Intangible assets, including:	207,111	169,758
- goodwill	*61,790*	*61,373*
Investment property	44,268	44,268
Non-current receivables	84,321	81,678
Investments in associates and jointly-controlled entities measured under the equity method	5,145	5,095
Long-term financial assets	47,901	54,432
Deferred income tax assets	97,200	107,411
Total non-current assets	**3,218,923**	**3,204,963**
Inventory	390,458	364,517
Short-term financial assets	55,620	57,979
Income tax receivables	13,361	13,244
Trade and other receivables	621,030	509,824
Cash and cash equivalents	365,526	489,754
Non-current assets held for sale	915	3,230
Total current assets	**1,446,910**	**1,438,548**
Total assets	**4,665,833**	**4,643,511**
EQUITY AND LIABILITIES		
Share capital	287,614	287,614
Share premium	470,846	470,846
Cash flow hedge	14,699	10,021
Hedging costs	(6,293)	-
Actuarial gains	311	311
Other reserve capitals	78,521	78,521
Currency translation reserve	(71,816)	(73,630)
Retained earnings	1,486,452	1,413,913
Equity attributable to shareholders of the parent	**2,260,334**	**2,187,596**
Non-controlling interest	(2,701)	(2,951)
Total equity	**2,257,633**	**2,184,645**
Loans, borrowings and other debt instruments	1,133,919	1,130,482
Finance lease liabilities	19,126	20,145
Other non-current liabilities	100,603	103,567
Employee benefits reserve	10,929	10,789
Other provisions	78,922	71,812
Deferred income tax liability	33,007	32,487
Total non-current liabilities	**1,376,506**	**1,369,282**
Loans, borrowings and other debt instruments	206,931	199,437
Finance lease liabilities	4,299	4,743
Trade and other liabilities	702,645	758,581
Income tax liabilities	44,816	47,959
Employee benefits reserve	717	968
Other provisions	72,286	77,896
Total current liabilities	**1,031,694**	**1,089,584**
Total liabilities	**2,408,200**	**2,458,866**
Total equity and liabilities	**4,665,833**	**4,643,511**

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

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS OF THE CIECH GROUP

	01.01.-31.03.2018	01.01.-31.03.2017
Cash flows from operating activities		
Net profit/(loss) for the period	**74,050**	**78,089**
Adjustments		
Amortisation/depreciation	63,336	59,565
Recognition of impairment allowances	(133)	1,069
Foreign exchange (profit) /loss	(513)	9,779
Investment property revaluation	-	(843)
(Profit) / loss on investment activities	163	(206)
(Profit) / loss on disposal of property, plant and equipment	(80)	(121)
Dividends and interest	6,336	9,432
Income tax	21,739	17,608
(Profit) / loss on the settlement of construction contracts (caverns)	(1,671)	(759)
Share of (profit) / loss on equity accounted investees	4	51
Change in liabilities due to loan arrangement fee	479	694
Valuation of derivatives	16,277	(1,876)
Ineffective portion of hedge accounting	632	(2,241)
Other adjustments	(2,416)	(3,780)
Cash from operating activities before changes in working capital and provisions	**178,203**	**166,461**
Change in receivables	(24,944)	(25,221)
Change in inventory	(27,209)	(36,355)
Change in current liabilities	(112,094)	(113,420)
Change in provisions and employee benefits	538	(940)
Cash generated from operating activities	**14,494**	**(9,475)**
Interest paid	(1,171)	(951)
(Profit) / loss on the settlement of construction contracts (caverns)	276	(450)
Income tax (paid)/returned	(14,060)	(10,151)
Expenses for reserch	(3,412)	-
Net cash from operating activities	**(3,873)**	**(21,027)**
Cash flows from investment activities		
Disposal of intangible assets and property, plant and equipment	526	7,519
Dividends received	133	-
Interest received	795	820
Subsidies received	110	-
Acquisition of intangible assets and property, plant and equipment	(118,017)	(107,605)
Acquisition of financial assets	(120)	-
Development expenditures	(1,903)	(2,833)
Other outflows	(5)	-
Net cash from investment activities	**(118,481)**	**(102,099)**
Cash flows from financial activities		
Repayment of loans and borrowings	-	(447)
Payments of finance lease liabilities	(1,567)	(1,774)
Other financial outflows	(3)	-
Net cash from financial activities	**(1,570)**	**(2,221)**
Total net cash flows	**(123,924)**	**(125,347)**
Cash and cash equivalents as at the beginning of the period	**489,754**	**414,369**
Impact of foreign exchange differences	*(304)*	*904*
Cash and cash equivalents as at the end of the period *	**365,526**	**289,926**

** The value of cash and cash equivalents as at 31/03/2018 includes the value of write-downs revaluating cash in accordance with IFRS 9.*

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

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

CONDENSED STATEMENT OF CHANGES IN CONSOLIDATED EQUITY OF THE CIECH GROUP

	Attributable to shareholders of the parent company										
	Share capital	Share premium	Cash flow hedge	Hedging costs	Other reserve capitals	Actuarial gains	Currency translation reserve	Retained earnings	**Equity attributable to shareholders of the parent**	Non-controlling interest	**Total equity**
01.01.2018	**287,614**	**470,846**	**10,021**	**-**	**78,521**	**311**	**(73,630)**	**1,413,913**	**2,187,596**	**(2,951)**	**2,184,645**
Changes in accounting policies - implementation of IFRS 9 and IFRS 15	-	-	2,408	(5,240)	-	-	-	(1,356)	**(4,188)**	-	**(4,188)**
01.01.2018	**287,614**	**470,846**	**12,429**	**(5,240)**	**78,521**	**311**	**(73,630)**	**1,412,557**	**2,183,408**	**(2,951)**	**2,180,457**
Total comprehensive income for the period	**-**	**-**	**2,270**	**(1,053)**	-	-	**1,814**	**73,895**	**76,926**	**250**	**77,176**
Net profit / (loss) for the period	-	-	-	-	-	-	-	73,897	73,897	153	74,050
Other comprehensive income	-	-	2,270	(1,053)	-	-	1,814	(2)	3,029	97	3,126
31.03.2018	**287,614**	**470,846**	**14,699**	**(6,293)**	**78,521**	**311**	**(71,816)**	**1,486,452**	**2,260,334**	**(2,701)**	**2,257,633**
01.01.2017	**287,614**	**470,846**	**(45,306)**		**78,521**	**989**	**(46,336)**	**1,020,499**	**1,766,827**	**(3,335)**	**1,763,492**
Total comprehensive income for the period	**-**	**-**	**35,850**	**-**	-	-	**(16,258)**	**78,003**	**97,595**	**35**	**97,630**
Net profit / (loss) for the period	-	-	-	-	-	-	-	78,003	78,003	86	78,089
Other comprehensive income	-	-	35,850	-	-	-	(16,258)	-	19,592	(51)	19,541
31.03.2017	**287,614**	**470,846**	**(9,456)**	**-**	**78,521**	**989**	**(62,594)**	**1,098,502**	**1,864,422**	**(3,300)**	**1,861,122**

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

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

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

These interim consolidated financial statements were prepared in compliance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" as approved by the European Union and the Regulation of the Minister of Finance dated 29 March 2018 on current and periodical information submitted by issuers of securities and on conditions for deeming equivalent information required by the law of a Non-Member State (Journal of Laws 2018.757 of 2018). These financial statements present the financial position of the CIECH Group as at 31 March 2018 and as at 31 December 2017, results of the Group's operations and cash flows for the period of 3 months ended 31 March 2018 and 31 March 2017, and were approved by the Management Board of CIECH S.A. on 29 May 2018.

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

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

The Management Board of CIECH S.A. represents that to the best of its knowledge these interim condensed consolidated financial statements, including corresponding figures, have been prepared in accordance with the generally acceptable accounting principles and that they represent a true, accurate and fair reflection of the CIECH Group's financial position and the results of operations. Furthermore, the Management Board of CIECH S.A. represents that the Directors' Report for the period of 3 months ended 31 March 2018 contains a true image of the Group's developments, achievements, and condition, including the description of major risks and threats.

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

2.2. ADOPTED ACCOUNTING PRINCIPLES

The CIECH Group's accounting principles are described in the Consolidated Financial Statements of the CIECH Group for the year 2017, published on 26 March 2018. The aforementioned Financial Statement include detailed information regarding the principles and methods of valuation of assets, equity and liabilities and measurement of the financial result as well as the method of preparing the financial statements and comparative information. These principles have been applied on a continuous basis with relation to currently published data, the last annual financial statements and comparative data presented, except for the adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers.

2.2.1. CHANGES IN INTERNATIONAL FINANCIAL REPORTING STANDARDS

The CIECH Group adopted new financial reporting standards from 1 January 2018 IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers.

IFRS 9 "Financial Instruments" implementation

For the purposes of the first application of IFRS 9, the CIECH Group did not restate data regarding previous reporting periods. Thus, any differences between the previous balance sheet value of financial assets and financial liabilities and their carrying amount at the beginning of the annual reporting period, in which the first application of IFRS 9 falls, the Group recognized in the opening balance of retained earnings in the annual reporting period which is the date of first application of IFRS 9.

IFRS 9 implemented: a new financial assets impairment model based on the "expected loss" concept, changes within the scope of financial instruments valuation and classification rules (particularly with regards to financial assets), and a new approach to hedge accounting.

Classification and Valuation of Financial Instruments

Financial Assets

Pursuant to IFRS 9, financial assets - as initially recognized - are classified in the following valuation categories:

1. financial assets valued at depreciated costs;
2. financial assets valued at fair value through other comprehensive income;
3. financial assets valued at fair value through profit or loss.

Any financial asset is classified into one of the foregoing valuation categories when it is initially recognized in the balance sheet, on the basis of the Group's financial asset management business model and contract cash flow characteristics of financial assets.

Initially recognizing equity instruments not held for trading (or as of the first day of IFRS 9 utilization), the Group may irrevocably decide to earmark individual equity instrument investments for valuation at fair value through other comprehensive income. Other equity instruments are measured at fair value through profit or loss.
Carrying out any initial recognition, it must be analysed whether a given instrument includes an embedded derivative. Any derivative embedded in a hybrid contract whose principal agreement is determined by a financial asset covered by IFRS 9 is not separated, while the entirety of the hybrid contract is recognized in pursuance with the IFRS 9 financial asset classification requirements. Conversely, any derivative embedded in a hybrid contract whose principal agreement is not determined by a financial asset covered by IFRS 9 should be assessed against a possible separation.
Financial assets may be reclassified only when the Group changes the financial asset management business model. Should that be the case, the assets affected by the modified business model will be reclassified.

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

1. determined and assigned financial asset groups to the appropriate business model, based on an assessment of the financial assets management portfolio, by means of:
    a. reviewing and assessing significant and objective qualitative data affecting the assignment of asset portfolios to the relevant business model (in particular the reasons for the past sale of financial assets within the framework of portfolios);
    b. reviewing and assessing significant and objective qualitative data affecting the assignment of asset portfolios to the relevant business model (such as the value of sale of financial assets, carried out within the portfolios in earlier reporting periods (provided such sale took place), and the frequency of sale of financial assets within the portfolios (provided such sale took place));
    c. analysing expectations regarding the planned future value of financial assets and their frequency in the framework of portfolios;
2. determined, by identification and analysis of the contractual provisions of the financial asset with economic characteristics of the debt instrument that may affect the non-compliance of the SPPI criterion by the financial asset in question - whether the terms of the financial asset agreement result in the creation, at given time intervals, of cash flows constituting only the repayment of principal and interest i.e. fulfilment of SPPI criterion.

Financial Assets with Economic Characteristics of Debt Instruments

The Group has recognized that the implementation of IFRS 9 will not result in any change in the method of classification and valuation of its financial assets with economic characteristics of debt instruments. An exception could be made for trade receivables to be transferred to the factor as part of factoring without recourse. These receivables are held by the Group so that the entire trade receivable balance (agreed with the factor) may be assigned to the factor. The Group manages trade receivables designated for transfer to the factor under factoring without recourse in order to carry out cash flows through the sale of assets – obtaining cash flows arising from the agreement is not an integral part of the business model. Therefore, in accordance with IFRS 9, the Group classified these receivables as financial assets measured at fair value through profit or loss, whereby - due to the relatively short period of maintenance of receivables subject to transfer to the factor, it does not expect - in its balance sheet - any significant impact of the classification change on the Group’s financial standing.

Equities

The Group holds equity instruments (shares) which constitute financial assets within the meaning of IAS 39 and IFRS 9. According to IAS 39, the Group valuates its equity instruments at purchase price adjusted against impairment. The current net carrying amount of these instruments is close to zero.

According to IFRS 9, the Group qualified its equity instruments in the category measured at fair value through profit or loss. As of 31 December 2017, the Group estimated the value of its equities as close to zero. Therefore, it does not recognized any significant impact of changes in their classification on the Group's financial standing.

Below is presented a comparison of key changes in the classification of financial assets resulting from the implementation of IFRS 9.

Financial Asset Classes	Financial Asset Categories and Valuation Method as per IAS 39	IFRS 9 Business Model	SPPI Criterion	Reclassification	Financial Asset Categories and Valuation Method as per IFRS 9
Cash and cash equivalents	Loans and receivables – valued at depreciated costs;	Maintenance of financial assets to obtain contractual cash flows	Met	None	Financial assets valued at depreciated costs
Bank deposits (value included in cash and cash equivalents)	Loans and receivables – valued at depreciated costs;	Maintenance of financial assets to obtain contractual cash flows	Met	None	Financial assets valued at depreciated costs
Loans granted	Loans and receivables – valued at depreciated costs;	Maintenance of financial assets to obtain contractual cash flows	Met	None	Financial assets valued at depreciated costs
Trade receivables	Loans and receivables – valued at depreciated costs;	Maintenance of financial assets to obtain contractual cash flows	Met	None	Financial assets valued at depreciated costs
Factoring receivables	Loans and receivables – valued at depreciated costs;	Maintenance of financial assets to obtain contractual cash flows	Met	None	Financial assets valued at depreciated costs
Derivatives allotted as hedging instruments	Hedging instruments	Another business model	Not applicable	None	Hedging instruments

Impairment of financial assets

IFRS 9, unlike IAS 39, does not require identification of impairment evidence to estimate losses. Conversely, the units are obliged to estimate their credit losses from the day a given asset was recognized until it is derecognized from the balance sheet.
At the moment of acquiring or granting the financial asset, the Group is required to keep a write-down in the amount of a 12 month ECL. In the event of a significant increase in credit risk as compared with the recognition of assets in the balance sheet, it is necessary to calculate losses over the lifelong horizon (the so-called basket 2). Such an approach makes it possible for the expected credit losses to be recognised earlier, which will ultimately increase the amount of write-downs and thus impact the financial result.
The exception from the above rule are trade receivables and assets related to contracts covering transactions subject to IFRS 15 (the so-called *contract assets*). For these categories of assets, the Group may choose a simplified approach whereby write-downs are estimated over the lifetime horizon - right from the initial recognition of exposures.

The new requirements for the determination of write-downs were primarily related to the following types of financial assets in the Group's balance sheet:

1. Trade receivables,
2. Factoring receivables

3. Contract assets covered by IFRS 15,
4. Loans granted and purchased bonds,
5. Time deposits, cash and cash equivalents.

Hedge Accounting

On 1 January 2018, the CIECH Group decided to move to IFRS 9, as regards hedge accounting. The Group has used the option provided by IFRS 9 and applied the prospective approach from the date of first application of IFRS 9.

The impact of IFRS 9 will depend on the nature and type of the hedging relationship, the performance test structure, and the fair value determination method.

IFRS 9 requires the Group to ensure the coherence of appropriate hedging relationships and its risk management strategy and objectives. IFRS 9 introduces new provisions regarding the assessment of the effectiveness of hedging relationships and the mechanism of rebalancing them. It also eliminates the possibility of discontinuation of hedge accounting as a result of a subjective decision of the Group (i.e. in the absence of evidence justifying the discontinuation of hedge accounting, as specified in the Standard).

As regards the hedging relationship applied by the Group, IFRS 9 will significantly affect the following issues:

1. The temporary value of options for the purchase of natural gas which, according to IAS 39, the Group left outside of hedge accounting, was recognised - throughout the option life cycle - in a separate component of the equity as hedging cost – value reclassified from the position of retained earnings to the item hedging cost.
2. The Group applied a new approach to the FX basis spread for CCIRS transactions, excluding it from the hedge accounting. Such spread was recognized in a separate equity asset as hedging cost.

<u>IFRS 15 "Revenue from Customer Agreements" Implementation</u>

IFRS 15 "Revenue from Customer Agreements" is effective for annual periods beginning on or after 1 January 2018.

CIECH Group decided to apply IFRS 15 retrospectively with the recognition of the cumulative effect of the first application of this IFRS as an adjustment to the opening balance of retained earnings of the year 2018.

The standard introduces uniform requirements for all the entities as regards recognition of revenue from customer agreements, based on the 5-step model:

1. agreement identification,
2. identification of service obligations,
3. transactional price specification,
4. transactional price assignment to service obligations,
5. performance of service obligations.

In line with the standard, the entities should assess their customer agreements and set apart elements constituting separate service obligations within the meaning of the IFRS 15 definition. As for agreements stipulating more obligations of this type, each obligation will be assigned - in the next steps of the model - with expected remuneration, and the revenue will be recognized upon that condition being met. The service obligation identification requirement shall also apply to agreements where the settlement with the customer is based on the assumption of there being only one element (e.g. product sales) stipulated therein.

Based on the analysis of the impact of IFRS 15 on the consolidated report of the CIECH Group, the areas described below were identified, which have been adapted to implement this standard. Due to the immateriality of other adjustments, only the value of non-cash remuneration was adjusted on 1 January 2018.

Non-Cash Remuneration

As part of construction service agreements, the Group receives - apart from cash remuneration - raw materials extracted by the customer during the construction works, such materials being then used by the Group in its production process to manufacture its products. Until the end of 2017, revenues from free raw material use were not recognized in the financial statement.

Pursuant to IFRS 15, in the case of contracts where the customer has been obliged to pay non-cash remuneration, non-cash remuneration is included in the transaction price. The Group valuates such non-cash remuneration at fair value.

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN ’000)

Consequently, revenues that will be recognized from the performance of a given contract will be higher by the fair value of non-cash remuneration. Requirements regarding the recognition of received assets remain unchanged.

Any assets so received are initially recognized in the amount and at the moment specified in line with the standard corresponding to a given asset type, that is inventories.

Consignment warehouses

The Group concludes agreements with clients on the basis of which it undertakes to deliver products to customer's warehouses. Under the contract, raw materials are delivered to customers for their use in production. Products in the raw-materials warehouse remain the property of the Group until they are taken into production by the customer. However, all risks associated with the possibility of loss or damage of raw materials pass to the customer when the raw materials are delivered to the warehouse. The Group undertakes to place on the raw material warehouse appropriate quantities of raw material, in accordance with the customer's order, and the customer controls the quantitative status of the raw material in the raw material composition in terms of frequency and volume of deliveries.

The new IFRS 15 guidelines on determining the moment of revenue recognition, i.e. the transfer of control, resulted in a change in the moment of recognition of revenues from the sale of products transferred to raw material warehouses. Control over raw materials passes to the customer at the time of their admission to the warehouse and at this moment revenue is recognized.

Exclusive production

As part of the silicates and glass segment, part of sales contracts concerns specific products manufactured exclusively for a given client. The customer declares the frequency and the number of products received, however, he cannot refuse to accept the batch of products sent. If the Customer does not collect the products within the specified time, he will bear the storage costs. According to IFRS 15, the Group recognizes revenues from the sale of exclusive production before the customer physically receives the products, while in line with IAS 18, revenue was recognized when the product was delivered to the customer.

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

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

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

The tables below summarize the impact of applying IFRS 15 on the consolidated financial statements of the Group for the period ended 31 March 2018. In order to ensure the comparability of financial data presented in different periods, the Group presented below reconciliation of data prepared in accordance with IFRS 15 with data that would have been prepared if IAS 11 and IAS 18 were in force in 2018.

	01.01.-31.03.2018 according to IFRS 15	Non-Cash Remuneration	Exclusive production	Consignment warehouses	01.01.-31.03.2018 according to IAS 18
CONTINUING OPERATIONS					
Sales revenues	**885,670**	**(986)**	**(9,007)**	**(6,284)**	**869,393**
Cost of sales	(679,044)	735	6,272	5,164	(666,873)
Gross profit/(loss) on sales	**206,626**	**(251)**	**(2,735)**	**(1,120)**	**202,520**
Other operating income	11,317	-	-	-	11,317
Selling costs	(67,555)	-	2,235	157	(65,163)
General and administrative expenses	(37,147)	-	-	-	(37,147)
Other operating expenses	(11,158)	-	-	-	(11,158)
Operating profit/(loss)	**102,083**	**(251)**	**(500)**	**(963)**	**100,369**
Financial income	4,967	-	-	-	4,967
Financial expenses	(11,257)	-	-	-	(11,257)
Net financial income/(expenses)	**(6,290)**	-	-	-	**(6,290)**
Share of profit / (loss) of equity-accounted investees	(4)	-	-	-	(4)
Profit/(loss) before tax	**95,789**	**(251)**	**(500)**	**(963)**	**94,075**
Income tax	(21,739)	**76**	95	183	(21,385)
Net profit/(loss) on continuing operations	**74,050**	**(175)**	**(405)**	**(780)**	**72,690**

	31.03.2018 according to IFRS 15	Non-Cash Remuneration	Exclusive production	Consignment warehouses	01.01.-31.03.2018 according to IAS 18
ASSETS					
Non-current receivables	84,321	(2,407)	-	-	81,914
Total non-current assets	**3,218,923**	**(2,407)**	**-**	**-**	**3,216,516**
Inventory	390,458	-	6,272	5,164	401,894
Income tax receivables	13,361	-	(9,007)	-	4,354
Trade and other receivables	621,030	-	-	(6,284)	614,746
Total current assets	**1,446,910**	-	**(2,735)**	**(1,120)**	**1,443,055**
Total assets	**4,665,833**	**(2,407)**	**(2,735)**	**(1,120)**	**4,659,571**
EQUITY AND LIABILITIES		-			
Retained earnings	1,486,452	**(1,664)**	(405)	(780)	1,483,603
Equity attributable to shareholders of the parent	**2,260,334**	**(1,664)**	**(405)**	**(780)**	**2,257,485**
Non-controlling interest	(2,701)	-	-	-	(2,701)
Total equity	**2,257,633**	**(1,664)**	**(405)**	**(780)**	**2,254,784**
Deferred income tax liability	33,007	**(743)**	(95)	(183)	31,986
Total non-current liabilities	**1,376,506**	**(743)**	**(95)**	**(183)**	**1,375,485**
Trade and other liabilities	702,645	-	(2,235)	(157)	700,253
Total current liabilities	**1,031,694**	-	**(2,235)**	**(157)**	**1,029,302**
Total liabilities	**2,408,200**	**(743)**	**(2,330)**	**(340)**	**2,404,787**
Total equity and liabilities	**4,665,833**	**(2,407)**	**(2,735)**	**(1,120)**	**4,659,571**

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

2.3. FUNCTIONAL AND REPORTING CURRENCY

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

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

NBP exchange rate as at the end day of the reporting period	**31.03.2018[1]**	**31.12.2017[2]**
EUR	4.2085	4.1709
RON	0.9034	0.8953
Average NBP rate for the reporting period	**3 months ended 31.03.2018[3]**	**3 months ended 31.03.2017[4]**
EUR	4.1784	4.2891
RON	0.8968	0.9485

[1] *NBP's average foreign exchange rates table applicable as at 31 March 2018.*

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

[3] *According to the exchange rate constituting the arithmetic mean of average exchange rates determined by NBP on the last day of each month of the period from 1 January 2018 to 31 March 2018.*

[4] *According to the exchange rate constituting the arithmetic mean of average exchange rates determined by NBP on the last day of each month of the period from 1 January 2017 to 31 March 2017.*

2.4. SEASONALITY AND CYCLICALITY OF ACTIVITY OF THE CIECH GROUP

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

2.5. 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.

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

	01.01.-31.03.2018	01.01.-31.03.2017
Net profit/(loss) on continuing operations	74,050	78,089
Income tax	21,739	17,608
Share of profit / (loss) of equity-accounted investees	4	51
Financial expenses	11,257	34,590
Financial income	(4,967)	(3,506)
Amortisation/depreciation	63,336	59,565
EBITDA on continued operations	**165,419**	**186,397**

	01.01.-31.03.2018	01.01.-31.03.2017
EBITDA on continued operations	**165,419**	**186,397**
One-offs including:	2,152	280
Impairment (a)	(134)	1,069
Cash items (b)	1,563	(550)
Non-cash items (without impairment) (c)	723	(239)
Adjusted EBITDA from continuing operations	**167,571**	**186,677**

(a) Impairment losses are associated with the creation/reversal of impairment write-downs of assets value.
(b) Cash items include, among others, profit/loss of the sale of property, plant and equipment and other items (including costs associated with discontinued operations, fees and compensations).
(c) Non-cash items include: fair value measurement of investment properties, costs of liquidation of inventories and property, plant and equipment, the costs of suspended investments, environmental provisions, provisions for liabilities and compensation, costs of unused production capacity and other items (including extraordinary costs and other provisions).

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

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

OPERATING SEGMENTS OF THE CIECH GROUP

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

OPERATING SEGMENTS 01.01.-31.03.2018	Soda segment	Organic segment	Silicates and glass segment	Transport segment	Other operations segment	Corporate functions - reconciliation item	Eliminations (consolidation adjustments)	TOTAL
Revenues from third parties	582,032	210,070	62,941	3,405	27,222	-	-	885,670
Revenue from inter-segment transactions	12,958	609	1	31,392	5,794	-	(50,754)	-
Total sales revenues	**594,990**	**210,679**	**62,942**	**34,797**	**33,016**	**-**	**(50,754)**	**885,670**
Cost of sales	(429,171)	(179,015)	(46,595)	(29,590)	(25,704)	-	31,031	(679,044)
Gross profit /(loss) on sales	**165,819**	**31,664**	**16,347**	**5,207**	**7,312**	**-**	**(19,723)**	**206,626**
Selling costs	(60,061)	(15,486)	(10,416)	(1,107)	(1,181)	(550)	21,246	(67,555)
General and administrative expenses	(13,406)	(4,957)	(1,982)	(1,000)	(1,496)	(14,795)	489	(37,147)
Result on management of receivables	(44)	(12)	(4)	(140)	124	-	-	(76)
Result on other operating activities	4,981	(2,059)	(1,542)	(507)	278	(135)	(781)	235
Operating profit /(loss)	**97,289**	**9,150**	**2,403**	**2,453**	**5,037**	**(15,480)**	**1,231**	**102,083**
Exchange differences and interest on trade settlements	(2,385)	(3,449)	92	(66)	(81)	-	-	(5,889)
Group borrowing costs	-	-	-	-	-	(7,254)	-	(7,254)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	6,853	-	6,853
Share of profit / (loss) of equity-accounted investees	(4)	-	-	-	-	-	-	(4)
Profit /(loss) before tax	**94,900**	**5,701**	**2,495**	**2,387**	**4,956**	**(15,881)**	**1,231**	**95,789**
Income tax	-	-	-	-	-	-	-	(21,739)
Net profit /(loss) on continuing operations	-	-	-	-	-	-	-	74,050
Net profit /(loss) on discontinued operations	-	-	-	-	-	-	-	-
Net profit /(loss) for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**74,050**
Amortization/depreciation	47,752	7,137	4,910	1,457	667	1,413	-	63,336
EBITDA	145,041	16,287	7,313	3,910	5,704	(14,067)	1,231	165,419
Adjusted EBITDA*	146,907	16,307	7,317	4,367	5,600	(14,159)	1,232	167,571

**Adjusted EBITDA for the 3-month period ended 31 March 2018 is calculated as EBITDA adjusted for untypical one-off events: fortuitous events: PLN 1.7 million; change in impairment losses on assets: PLN -0.1 million; change in provisions: PLN 0.6 million.*

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

OPERATING SEGMENTS 01.01.-31.03.2017	Soda segment	Organic segment	Silicates and glass segment	Transport segment	Other operations segment	Corporate functions - reconciliation item	Eliminations (consolidation adjustments)	TOTAL
Revenues from third parties	608,140	216,283	48,914	1,482	23,559	-	-	898,378
Revenue from inter-segment transactions	10,461	640	5	28,064	8,843	-	(48,013)	-
Total sales revenues	**618,601**	**216,923**	**48,919**	**29,546**	**32,402**	**-**	**(48,013)**	**898,378**
Cost of sales	(433,535)	(182,370)	(39,310)	(27,364)	(22,780)	-	27,235	(678,124)
Gross profit /(loss) on sales	**185,066**	**34,553**	**9,609**	**2,182**	**9,622**	**-**	**(20,778)**	**220,254**
Selling costs	(57,962)	(15,246)	(5,930)	(349)	(3,268)	(169)	21,368	(61,556)
General and administrative expenses	(14,065)	(4,803)	(1,872)	(1,103)	(1,474)	(11,875)	429	(34,763)
Result on management of receivables	(755)	448	(14)	29	(11)	1	-	(302)
Result on other operating activities	3,515	(1,332)	(10)	63	853	224	(114)	3,199
Operating profit /(loss)	**115,799**	**13,620**	**1,783**	**822**	**5,722**	**(11,819)**	**905**	**126,832**
Exchange differences and interest on trade settlements	(6,724)	(2,741)	(206)	(12)	512	-	-	(9,171)
Group borrowing costs	-	-	-	-	-	(9,885)	-	(9,885)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	(12,028)	-	(12,028)
Share of profit / (loss) of equity-accounted investees	(51)	-	-	-	-	-	-	(51)
Profit /(loss) before tax	**109,024**	**10,879**	**1,577**	**810**	**6,234**	**(33,732)**	**905**	**95,697**
Income tax								(17,608)
Net profit /(loss) for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**78,089**
Amortization/depreciation	44,006	7,515	4,883	1,471	600	1,090	-	59,565
EBITDA	159,805	21,135	6,666	2,293	6,321	(10,728)	905	186,397
Adjusted EBITDA*	160,992	21,206	6,679	2,198	5,520	(10,824)	906	186,677

**Adjusted EBITDA for the 3-month period ended 31 March 2017 is calculated as EBITDA adjusted for untypical one-off events: valuation of investment properties to fair value: PLN -0.8 million; change in impairment losses on assets: PLN 1.1 million; change in provisions: PLN 0.5 million; other: PLN -0.5 million.*

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

ASSETS AND LIABILITIES BY OPERATING SEGMENTS

	ASSETS		LIABILITIES	
	31.03.2018	31.12.2017	31.03.2018	31.12.2017
Soda segment	2,742,940	2,686,089	168,446	229,225
Organic segment	594,434	577,815	155,301	122,413
Silicates and glass segment	164,427	162,562	22,794	31,021
Transport segment	62,881	61,345	10,676	12,070
Other operations segment	110,774	110,002	21,371	25,026
Corporate functions - reconciliation item	1,031,438	1,080,556	2,069,915	2,071,535
Eliminations (consolidation adjustments)	(41,061)	(34,858)	(40,303)	(32,424)
TOTAL	**4,665,833**	**4,643,511**	**2,408,200**	**2,458,866**

INFORMATION ON GEOGRAPHICAL AREAS

ASSETS DIVIDED ON GEOGRAPHICAL REGIONS	Non-current assets other than financial instruments	Deferred income tax assets	Other assets	Total assets
31.03.2018				
Poland	2,203,126	97,200	1,093,515	3,393,841
European Union (excluding Poland)	881,586	-	289,236	1,170,822
Other European countries	-	-	45,401	45,401
Africa	-	-	9,612	9,612
Asia	-	-	45,639	45,639
Other regions	-	-	518	518
TOTAL	**3,084,712**	**97,200**	**1,483,921**	**4,665,833**
31.12.2017				
Poland	2,178,433	107,411	1,067,014	3,352,858
European Union (excluding Poland)	875,457	-	321,984	1,197,441
Other European countries	-	-	35,286	35,286
Africa	-	-	3,779	3,779
Asia	-	-	53,590	53,590
Other regions	-	-	557	557
TOTAL	**3,053,890**	**107,411**	**1,482,210**	**4,643,511**

SALES REVENUES – GEOGRAPHICAL STRUCTURE OF MARKETS

	01.01.-31.03.2018	01.01.-31.03.2017	Dynamics 2018/2017
Poland	365,253	350,655	4.2%
European Union (excluding Poland)	382,233	411,714	(7.2%)
Germany	157,958	165,356	(4.5%)
Romania	33,156	42,595	(22.2%)
Czech Republic	34,764	39,146	(11.2%)
Italy	21,305	24,311	(12.4%)
The Netherlands	28,497	29,851	(4.5%)
Finland	18,722	14,833	26.2%
Sweden	22,056	18,078	22.0%
Belgium	7,412	10,255	(27.7%)
United Kingdom	12,872	10,553	22.0%
Denmark	5,462	6,247	(12.6%)
France	1,671	16,159	(89.7%)
Luxembourg	5,194	330	1,473.9%
Lithuania	3,734	5,100	(26.8%)
Other EU countries	29,430	28,900	1.8%

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

	01.01.-31.03.2018	01.01.-31.03.2017	Dynamics 2018/2017
Other European Countries	61,372	63,804	(3.8%)
Switzerland	29,152	24,024	21.3%
Norway	8,490	11,601	(26.8%)
Russia	3,691	8,443	(56.3%)
Other European countries	20,039	19,736	1.5%
Africa	16,862	22,321	(24.5%)
Asia	51,566	46,645	10.5%
China	-	83	(100.0%)
Other Asian countries	51,566	46,562	10.7%
Other regions	8,384	3,239	158.8%
TOTAL	**885,670**	**898,378**	**(1.4%)**

2.6. PROVISIONS AND IMPAIRMENT ALLOWANCES ON ASSETS

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

PROVISIONS FOR EMPLOYEE BENEFITS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-31.03.2018					
Long-term	**10,789**	113	(12)	39	**10,929**
Short-term	**968**	36	(287)	-	**717**
01.01.-31.03.2017					
Long-term	**10,752**	105	(32)	(227)	**10,598**
Short-term	**1,194**	77	(281)	-	**990**

CHANGE IN OTHER LONG-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-31.03.2018					
Provision for liabilities	1,047	-	-	-	**1,047**
Provision for environmental protection	70,765	-	138	472	**71,375**
Provision for expected losses	-	-	-	6,500	**6,500**
TOTAL	**71,812**	**-**	**138**	**6,972**	**78,922**
01.01.-31.03.2017					
Provision for liabilities	6,547	-	-	-	**6,547**
Provision for environmental protection	77,737	-	-	(2,911)	**74,826**
TOTAL	**84,284**	**-**	**-**	**(2,911)**	**81,373**

CHANGE IN OTHER SHORT-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-31.03.2018					
Provision for compensation	5,138	40	(237)	-	**4,941**
Provision for liabilities	22,376	748	(86)	158	**23,196**
Provision for environmental protection	951	-	(207)	-	**744**
Provision for expected losses	48,793	534	-	(6,385)	**42,942**
Provision for bonuses	610	-	-	1	**611**

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

CHANGE IN OTHER SHORT-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
Provision for inventory shortages	-	356	-	-	**356**
Other provisions	28	-	-	2	**30**
TOTAL	**77,896**	**1,678**	**(530)**	**(6,224)**	**72,820**
01.01.-31.03.2017					
Provision for compensation	9,337	-	(391)	-	**8,946**
Provision for liabilities	26,598	938	(286)	(944)	**26,306**
Provision for environmental protection	2,391	-	(518)	-	**1,873**
Provision for expected losses	46,507	-	-	(552)	**45,955**
Provision for bonuses	3,661	774	(770)	(154)	**3,511**
Other provisions	292	312	(318)	2	**288**
TOTAL	**88,786**	**2,024**	**(2,283)**	**(1,648)**	**86,879**

CHANGE IN IMPAIRMENT ALLOWANCES	Opening balance	Opening balance adjustment	Opening balance adjusted	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-31.03.2018							
Property, plant and equipment	6,981	-	6,981	2	-	(113)	6,870
Intangible assets, including:	445,791	-	445,791	-	-	3,853	449,644
Goodwill	*402,416*	-	*402,416*	-	-	*3,489*	*405,905*
Należności długoterminowe	-	1,531	1,531	67	-	12	1,610
Long-term financial assets	1,343	-	1,343	-	-	-	1,343
Inventories	37,987	-	37,987	293	(1,720)	699	37,259
Short-term financial assets	24,532	-	24,532	-	-	-	24,532
Trade and other receivables	44,613	5,143	49,756	1,083	(1,114)	(123)	49,602
Cash and cash equivalents	-	571	571	-	(323)	-	248
TOTAL	**561,247**	**7,245**	**568,492**	**1,445**	**(3,157)**	**4,328**	**571,108**
01.01.-31.03.2017							
Property, plant and equipment	5,933	-	5,933	1,069	-	(235)	**6,767**
Intangible assets, including:	473,807	-	473,807	-	-	(21,171)	**452,636**
Goodwill	*427,884*	-	*427,884*	-	-	*(19,208)*	***408,676***
Long-term financial assets	1,343	-	1,343	-	-	-	**1,343**
Inventories	38,217	-	38,217	697	(1,332)	(412)	**37,170**
Short-term financial assets	24,601	-	24,601	-	-	-	**24,601**
Trade and other receivables	57,938	-	57,938	931	(825)	(1,279)	**56,765**
TOTAL	**601,839**			**2,697**	**(2,157)**	**(23,097)**	**579,282**

2.7. INCOME TAX, DEFERRED TAX ASSETS AND LIABILITY

The main components of tax expense include:

THE MAIN COMPONENTS OF TAX EXPENSE (TAX INCOME)	01.01.-31.03.2018	01.01.-31.03.2017
Current income tax	(10,580)	(7,400)
Deferred tax	(11,159)	(10,208)
INCOME TAX RECOGNISED IN STATEMENT OF PROFIT OR LOSS	**(21,739)**	**(17,608)**

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

Deferred income tax is attributable to the following items:

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITY	31.03.2018			31.12.2017		
	Total asset	Total liability	Net value	Total asset	Total liability	Net value
Property, plant and equipment	1,652	142,302	(140,650)	2,199	140,234	(138,035)
Intangible assets	11,705	312	11,393	12,258	333	11,925
Right of perpetual usufruct	-	5,056	(5,056)	-	5,074	(5,074)
Investment property	2,003	1,760	243	2,003	1,761	242
Non-current receivables	476	-	476	-	-	-
Financial assets	700	8,224	(7,524)	700	16,983	(16,283)
Inventory	1,606	2,455	(849)	2,123	2,077	46
Trade and other receivables	3,445	37,601	(34,156)	2,448	30,172	(27,724)
Provisions for employee benefits	2,683	31	2,652	2,673	31	2,642
Other provisions	17,555	-	17,555	20,007	-	20,007
Tax losses carried forward	72,799	-	72,799	84,999	-	84,999
Foreign exchange differences	3,734	257	3,477	3,664	20	3,644
Liabilities	56,190	576	55,614	46,927	810	46,117
Special economic zone	130,161	-	130,161	132,535	-	132,535
Other	266	67	199	2,952	752	2,200
Cash and cash equivalents	112	-	112	-	-	-
Deferred tax assets/liability	**305,087**	**198,641**	**106,446**	**315,488**	**198,247**	**117,241**
Set - off of deferred tax assets/ liability	(165,634)	(165,634)	-	(165,760)	(165,760)	-
Unrecognized deferred tax assets	(42,253)	-	(42,253)	(42,317)	-	(42,317)
Deferred tax assets/liability recognised in the statement of financial position	**97,200**	**33,007**	**64,193**	**107,411**	**32,487**	**74,924**

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

2.8. INFORMATION ON FAIR VALUE OF FINANCIAL INSTRUMENTS

2.8.1. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

As at 31 March 2018, the CIECH Group held the following types of financial instruments measured at fair value:

- futures contracts for the purchase of CO_2 certificates concluded by CIECH Soda Polska S.A., hedging the cost of purchase of CO_2 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 quarter of 2018, there were no transfers within the fair value hierarchy of instruments measured at fair value. There were no changes in the classification of financial instruments, or in business conditions that could affect the fair value of financial assets or liabilities.

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

As compared to the previous reporting period, the CIECH Group has not made any changes in methods of measurement of financial instruments held. The descriptions of methods of measurement to fair value was presented in item 8.4 of the Consolidated Financial Statements of the CIECH Group for 2017, published on 26 March 2018.

In the consolidated financial statements, all financial instruments concluded were designated for hedge accounting, and details of the designation were presented in item 8.2 of the Consolidated Financial Statements of the CIECH Group for 2017, published on 26 March 2018.

In the separate financial statements, all financial instruments, except for CIRS contracts, were designated for hedge accounting, and details of the designation were presented in item 8.2 of the CIECH S.A.'s Financial Statements for 2017, published on 26 March 2018.

Fair value of derivative instruments and embedded instruments

Fair value of derivative instruments and embedded instruments	Cash and cash equivalents	Long-term financial assets	Short-term financial assets	Other non-current liabilities	Trade and other liabilities	TOTAL
31.03.2018						
IRS EUR	-	118	-	(894)	(1,379)	**(2,155)**
CIRS	-	30,842	18,210	(40,637)	(1,117)	**7,298**
Forward EUR/PLN	-	-	3,249	-	-	**3,249**
Forward USD /RON	-	-	1,467	-	-	**1,467**
Embedded instruments	-	6,051	6,607	-	-	**12,658**
Futures contracts	18,997	-	-	-	-	**18,997**
TOTAL	**18,997**	**37,011**	**29,533**	**(41,531)**	**(2,496)**	**41,514**
31.12.2017						
IRS EUR	-	210	-	(620)	(1,336)	**(1,746)**
CIRS	-	34,876	18,654	(40,908)	(805)	**11,817**
Forward EUR/PLN	-	-	4,668	-	-	**4,668**
Forward USD /RON	-	-	1,429	-	-	**1,429**
Embedded instruments	-	8,576	7,141	-	-	**15,717**
Futures contracts	11,458	-	-	-	-	**11,458**
TOTAL	**11,458**	**43,662**	**31,892**	**(41,528)**	**(2,141)**	**43,343**

2.8.2. FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The CIECH Group has taken out term and revolving loans whose book value, as at 31 March 2018, amounts to PLN 1,340,850 thousand, and whose fair value amounts to PLN 1,338,250 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 IFRS 9), the fair value is close to the book value.

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

In the period from 1 January to 31 March 2018, the CIECH Group carried out the following transactions increasing and decreasing the gross value of property, plant and equipment:

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

01.01.-31.03.2018	Land	Buildings offices and land and water engineering facilities	Machinery and equipment	Means of transport	Other tangible fixed assets	Tangible fixed assets under construction	TOTAL
Gross value of property, plant and equipment at the beginning of the period	**79,737**	**1,154,203**	**2,919,663**	**107,552**	**46,055**	**342,673**	**4,649,883**
Purchase	-	6,934	4,821	893	1,484	44,136	58,268
Reclassification	-	28,088	23,810	(449)	2,648	(67,839)	(13,742)
Capitalised borrowing costs	-	-	-	-	-	1,492	1,492
Exchange differences	708	2,124	8,391	164	106	905	12,398
Sales	-	-	(1,537)	-	-	-	(1,537)
Liquidation	-	(907)	(500)	-	(179)	-	(1,586)
Gross value of property, plant and equipment at the end of the period	**80,445**	**1,190,442**	**2,954,648**	**108,160**	**50,114**	**321,367**	**4,705,176**
01.01.-31.03.2017							
Gross value of property, plant and equipment at the beginning of the period	**84,579**	**1,083,972**	**2,717,796**	**101,559**	**46,304**	**340,585**	**4,374,795**
Purchase	-	369	15,738	961	176	56,870	74,114
Reclassification	-	7,204	23,243	6	(6,192)	(47,371)	(23,110)
Capitalised borrowing costs	-	-	-	-	-	3,107	3,107
Exchange differences	(3,882)	(11,456)	(45,006)	(779)	(511)	(2,374)	(64,008)
Sales	-	-	(84)	-	(16)	-	(100)
Liquidation	-	(17)	(677)	(40)	(52)	-	(786)
Gross value of property, plant and equipment at the end of the period	**80,697**	**1,080,072**	**2,711,010**	**101,707**	**39,709**	**350,817**	**4,364,012**

Purchases of property, plant and equipment were made with own financial resources or in the form of a finance lease. As at 31 March 2018, commitments to purchase property, plant and equipment amounted to PLN 85,981 thousand (PLN 79,908 thousand as at 31 December 2017).

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

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

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

2.11. INFORMATION ON TRANSACTIONS WITH RELATED ENTITIES

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

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

TRANSACTIONS BETWEEN CONSOLIDATED ENTITIES AND OTHER RELATED ENTITIES	01.01.-31.03.2018	01.01.-31.03.2017
Revenues from sales of products and services	971	1,619
Revenues from sales of goods and materials	31,155	24,657
Other operating income	5	-

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

TRANSACTIONS BETWEEN CONSOLIDATED ENTITIES AND OTHER RELATED ENTITIES	01.01.-31.03.2018	01.01.-31.03.2017
Financial income	211	3
Purchase of services	9,935	10,260
Other operating expenses	143	638
Financial expenses	77	3
	31.03.2018	31.12.2017
Receivables	23,770	18,792
Impairment allowances of receivables and loans	2	1
Liabilities, including:	6,043	5,135
Kulczyk Holding S.A.	*758*	-

Terms of transactions with related entities

CIECH Group's companies, to the best of their knowledge and belief, did not conclude significant transactions on the terms other than market ones. Sales to and purchases from related entities are realised at market prices that reflect market conditions. Overdue liabilities and receivables are not secured and are settled in cash or by set-off.

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

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

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

2.13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES INCLUDING GUARANTEES AND SURETIES

	31.03.2018	31.12.2017
Contingent assets	**23,527**	**23,527**
Other contingent receivables*	23,527	23,527
Contingent liabilities	**565,835**	**568,733**
Guarantees and sureties granted**	397,063	396,408
Other***	168,772	172,325

** Including:*

- *Contingent asset in the amount of PLN 18,864 thousand related to the action against GZNF "FOSFORY" Sp. z o.o. for the payment of compensation for making an alleged untrue declaration by GZNF "FOSFORY" Sp. z o.o. to CIECH S.A. about the condition of Agrochem Człuchów Sp. z o.o. with its registered office in Człuchów.*
- *CIECH Soda Polska S.A. recognised a contingent asset in the amount of PLN 4,663 thousand – it is the value of energy efficiency certificates received from the President of the Energy Regulatory Office in 2017 that have not been recorded yet in the account kept by the Polish Power Exchange.*

*** Including:*

- *guarantee granted up to the amount of 125% of liability related to term loan in the amount of PLN 1,045,031 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 73,305 thousand.*

**** Including mainly:*

- *contingent liability in the SDC Group relating to environmental protection in the amount of PLN 15,327 thousand (EUR 3,642 thousand),*
- *contingent liability in CIECH Soda Polska S.A. regarding environmental penalty fees in the amount of PLN 36,474 thousand,*
- *contingent liabilities in CIECH Soda Polska S.A. resulting from blank promissory notes for the National Fund for Environmental Protection and Water Management relating to grants received in the event of a potential financial adjustment in the amount of PLN 33,483 thousand, n 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, n connection with the subsidy to the project "Reduction of dust emission in CHP Inowrocław – modernisation of electrofilters OP 110 No 2 and 4" in the amount of PLN 882 thousand, in connection with the subsidy to the project "Reduction of dust emission in CHP Inowrocław – modernisation of electrofilters OP 110 No 1 and 3" in the amount of PLN 98 thousand,*
- *contingent liabilities in CIECH Sarzyna S.A. resulting from promissory notes: relating to grants received for the construction of an innovative MCPA and MCPP-P substance production installation in the amount of PLN 39,997 thousand; relating to a grant received for developing and testing a group of agro-chemical preparations in the amount of PLN 14,581 thousand,*

- *contingent liabilities in CIECH R&D Sp. z o.o. resulting from promissory notes relating to subsidies received for investment projects aimed at developing and optimising production processes in the amount of PLN 15,465 thousand.*

As at 31 March 2018, contingent liabilities amounted to PLN 565,835 thousand and decreased as compared to 31 December 2017 by PLN 2,898 thousand. The change resulted mainly from signing annexes to contracts for subsidies received and foreign exchange losses.

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

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

On 23 May 2018, the Management Board of CIECH S.A. has adopted a resolution in which he recommends to the Ordinary General Meeting the allocation for dividend payment:
• entire net profit generated by CIECH S.A. in 2017 in the amount of PLN 243,907 thousand,
• part of the profits from supplementary capital in the amount of PLN 56,482 thousand.
In total, the Management Board of CIECH S.A. proposed to pay a dividend of PLN 300,389 thousand.

After reviewing the application of the Management Board of CIECH S.A., the Supervisory Board of CIECH S.A. adopted a resolution on 24 May 2018, in which it recommends to the Ordinary General Meeting the allocation for dividend payment:
• entire net profit generated by CIECH S.A. in 2017 in the amount of PLN 243,907 thousand,
• part of the profits from supplementary capital in the amount of PLN 151,342 thousand.
The Supervisory Board of CIECH S.A. proposed to pay a dividend of PLN 395,249 thousand.
The final decision on the allocation of the 2017 net profit and the payment of dividends will be taken by the Ordinary General Meeting of CIECH S.A.

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

2.15. INFORMATION ON POST-BALANCE-SHEET EVENTS

On 6 April 2018, changes to the facility agreement of 9 January 2018 came into effect. For details, see current report No 5/2018.

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

On 27 April, the Management Board of CIECH S.A. made a decision to proceed with the implementation stage of a project whose subject matter is the construction of an evaporated salt production plant in Germany. The value of the project is estimated at about EUR 100 million, and the approximate time of its implementation is 2 to 3 years. The estimated production capacity of the plant is approx. 450 thousand tons of salt per annum. For more information about this investment project, see current report No 7/2018.

On 23 and 24 May 2018, resolutions were adopted recommending the amount of dividend payment and are presented in item 2.14 hereof.

On 28 May 2018 CIECH S.A. signed a sale and purchase agreement whereby the Company will acquire 18,750 shares representing 75% of share capital of Proplan Plant Protection Company, S.L., a Spanish company with more than 25 years of experience in the plant protection products.Closing of the Transaction by way of acquisition of the Proplan Shares will take place by means of a transfer deed that will be executed between 2 July 2018 and 31 July 2018, subject to the previous fulfillment of certain standard pre-closing undertakings from the sellers. The purchase price for the Proplan Shares will be EUR 33,461 thousand. An amount equivalent to 10% of the purchase price shall be deferred and paid in equal instalments between 2019 and 2022. For details, see current report No 12/2018.

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

3 OTHER NOTES TO THE CONSOLIDATED QUARTERLY REPORT

3.1. DESCRIPTION OF THE CIECH GROUP'S ORGANISATION

The CIECH Group consists of domestic and foreign manufacturing, distribution and trade companies operating in the chemical industry. The CIECH Group comprises CIECH S.A. as the parent company, and related companies located, inter alia, in Poland, Germany 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 12th Commercial Division of the National Court Register)
Statistical identification number (REGON)	011179878
Tax ID No (NIP)	118-00-19-377
Website	www.ciechgroup.com
Branches held	CIECH S.A.'s Branch in Romania CIECH S.A.'s Branch in Germany
Ultimate parent company	KI Chemistry s. à r. l (a subsidiary of Kulczyk Investments)

As at 31 March 2018, the CIECH Group comprised 37 business entities, including:

- parent company,
- 31 subsidiaries, of which:
  - 23 domestic subsidiaries,
  - 8 foreign subsidiaries,
- 2 domestic affiliates,
- 1 foreign associate,
- 1 jointly controlled domestic entity,
- 1 jointly controlled foreign entity.

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

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

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

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

Company name	Registered office	Segment	Business	Share in equity as at 31.03.2018 / % of votes at the GMS	Share in equity as at 31.03.2017 / % of votes at the GMS
Parent company					
CIECH S.A.	Warsaw	Soda, Organic, Silicates and Glass, Transport, Other	Sales of chemical products manufactured within the CIECH Group, sales of chemical products purchased from third-party producers, holding activities, managing a portfolio of subsidiaries, provision of support services (in the area of sales, manufacturing, purchases, finance, IT, HR and in the legal area) for selected companies in the Group, financial activities in the form of direct lending to the companies in the Group.	-	-
Fully consolidated direct and indirect subsidiaries					
CIECH R&D Sp. z o.o.	Warsaw	Other	Research and developments activities, granting licenses to the CIECH Group companies to use the trademarks: "Ciech", "Ciech Trading" and "Sól Kujawska naturalna czysta".	100%	100%
CIECH Trading S.A.	Warsaw	Soda, Other	Wholesale and distribution of solid inorganic and organic chemicals, wholesale and distribution of raw materials for household chemicals, wholesale and distribution of raw materials for cosmetic and pharmaceutical products, wholesale and distribution of fillers, pigments, raw materials for paints and varnishes, wholesale and distribution of feed additives and fodder, wholesale and distribution of acids, bases and other liquid chemicals.	100%	100%
CIECH Soda Romania S.A.	Ramnicu Valcea, Romania	Soda, Silicates and Glass	Manufacture of other basic inorganic chemicals, wholesale of chemical products.	98.74%	98.74%
CIECH Vitrosilicon S.A.*	Iłowa	Silicates And Glass	Production of other basic inorganic chemicals, manufacture of hollow glass and technical glassware, manufacture of plastic packaging goods, manufacture of other plastic products.	100%	100%
CIECH Transclean Sp. z o.o.	Bydgoszcz	Other	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.**	Warsaw	Other	Financing activities, leasing of non-current assets to the CIECH Group companies.	100%	100%
Vasco Polska Sp. z o.o.	Inowrocław	Other	Utilisation of post-soda lime in the restoration of degraded land.	90%	90%
Bosten S.A.	Warsaw	Other	Research and developments activities.	100%	-
CIECH Nieruchomości S.A.	Warsaw	Other	Real property agency, real property management.	100%	100%

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

Company name	Registered office	Segment	Business	Share in equity as at 31.03.2018 / % of votes at the GMS	Share in equity as at 31.03.2017 / % of votes at the GMS
CIECH FINANCE Group					
CIECH Finance Sp. z o.o.	Warsaw	Other	Implementing divestment projects concerning obsolete fixed assets (property) and financial assets (shares in companies), carrying out purchases of selected raw materials.	100%	100%
JANIKOSODA S.A.	Warsaw	Other	Since March 2017, the Company has not carried out any operating activities.	100%	100%
CIECH Soda Polska Group					
CIECH Soda Polska S.A.	Inowrocław	Soda	Manufacture of other basic inorganic chemicals, wholesale of chemical products, power generation and distribution.	100%	100%
CIECH Cargo Sp. z o.o.	Inowrocław	Transport	Freight transport services.	100%	100%
Cerium Sp. z o.o.	Warsaw	Other	General partner of CIECH Cerium Sp. z o.o. SKA.	100%	100%
Gamma Finanse Sp. z o.o.***	Warsaw	Other	Financing activities.	100%	100%
Cerium Finance Sp. z o.o.	Warsaw	Other	Conducting financial activities, in particular comprising direct granting of loans and leasing of non-current assets to the CIECH Group companies.	100%	100%
CIECH Sarzyna Group					
CIECH Sarzyna S.A.	Nowa Sarzyna	Organic	Manufacture of resins, manufacture of pesticides and other chemical products.	100%	100%
Verbis KAPPA Sp. z o.o.	Nowa Sarzyna	Organic	General partner of Verbis KAPPA Sp. z o.o. SKA, other financial intermediation.	100%	100%
Verbis KAPPA Sp. z o.o. SKA	Nowa Sarzyna	Organic	Other financial intermediation.	100%	100%
Algete Sp. z o.o.	Nowa Sarzyna	Organic	Granting CIECH Sarzyna Group companies the license for using the trademark of "Chwastox" for the purpose of business.	100%	100%
SDC Group					
SDC GmbH	Stassfurt, Germany	Soda	Manufacture of other basic inorganic chemicals, wholesale of chemical products, power generation and distribution.	100%	100%
CIECH Soda Deutschland GmbH&Co. KG	Stassfurt, Germany	Soda		100%	100%
Sodawerk Holding Stassfurt GmbH	Stassfurt, Germany	Soda		100%	100%
Sodawerk Stassfurt Verwaltungs GmbH	Stassfurt, Germany	Soda		100%	100%
CIECH Energy Deutschland GmbH	Stassfurt, Germany	Soda		100%	100%
Kaverngesellschaft Stassfurt GbmH****	Stassfurt, Germany	Soda		50%	50%

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

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

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

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

3.2. INFORMATION ON NON-CONSOLIDATED SUBSIDIARIES AND ASSOCIATES

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

The total share of data of subsidiaries not covered by consolidation under the full method, due to their irrelevance, in relation to the total values of the CIECH Group for the period from 1 January 2018 to 31 March 2018 does not exceed 1% of total consolidated assets of the Group and 2% of consolidated net revenues from sales of goods and products and financial operations.

Aggregated data of associates and jointly-controlled which were not measured under the equity method for the period from 1 January 2018 to 31 March 2018 did not exceed 2% of the total consolidated equity of the CIECH Group.

3.3. SIGNIFICANT EFFECTS OF CHANGES TO THE ORGANISATIONAL STRUCTURE OF THE CIECH GROUP IN THE FIRST QUARTER OF 2018

Changes in the share capital of companies

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

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

3.4. THE MOST IMPORTANT EVENTS IN THE CIECH GROUP IN THE FIRST QUARTER OF 2018

1st quarter

Execution of annexes to a facility agreement

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

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

Detailed information about the annexes signed were published in Current Report No 1/2018.

Appointment of a new Member of the Management Board

On 6 March 2018, the Supervisory Board of CIECH S.A. appointed Mr Krzysztof Szlaga as a Member of the Management Board of CIECH S.A., effective on March 12, 2018.

Execution of a significant contract by a subsidiary

On 30 March 2018, CIECH Soda Polska S.A., as a result of negotiations conducted, signed an agreement for the supply of power coal with Polska Grupa Górnicza S.A. For details about this agreement, see current report No 4/2018.

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

3.5.1. BASIC FINANCIAL DATA

During the first quarter of 2018, the CIECH Group earned net profit from continuing operations of PLN 74,050 thousand, net cash decreased by PLN 123,924 thousand and the balance sheet total as at the end of the first quarter of 2018 amounted to PLN 4,665,833 thousand. The table below presents selected financial data and basic financial ratios for the first quarter of 2018 and 2017.

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

Selected financial data

	01.01.-31.03.2018	01.01.-31.03.2017	Change 2018/2017
CONTINUING OPERATIONS			
Sales revenues	**885,670**	**898,378**	**(1.4%)**
Cost of sales	(679,044)	(678,124)	(0.1%)
Gross profit/(loss) on sales	**206,626**	**220,254**	**(6.2%)**
Selling costs	(67,555)	(61,556)	(9.7%)
General and administrative expenses	(37,147)	(34,763)	(6.9%)
Other operating income/expense	159	2,897	(94.5%)
Operating profit/(loss)	**102,083**	**126,832**	(19.5%)
Net financial income/expenses	(6,290)	(31,084)	79.8%
Share of profit of equity-accounted investees	(4)	(51)	92.2%
Income tax	(21,739)	(17,608)	(23.5%)
Net profit / (loss)	**74,050**	**78,089**	**(5.2%)**
including:			
Net profit/(loss) attributed to non-controlling interest	153	86	77.9%
Net profit/(loss) attributable to shareholders of the parent company	73,897	78,003	(5.3%)
EBITDA from continuing operations	165,419	186,397	(11.3%)
Adjusted EBITDA from continuing operations*	167,571	186,677	(10.2%)

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

3.5.2. SALES REVENUES

Consolidated net sales revenues from continued operations of the CIECH Group for the first quarter of 2018 amounted to PLN 885,670 thousand. Compared to the corresponding period of the previous year, revenues decreased by PLN 12,708 thousand. The changes were mainly due to market factors.

The **positive** contributors to the presented sales revenues were as follows:
- increase in soda prices on the so-called overseas markets (dollar prices),
- higher sales of dry salt (higher volumes and prices),
- higher sales of packaging glass in CIECH Vitrosilicon S.A.,
- higher sales prices for products based on oil-derivative products sold in the organic segment (mainly PUR foams).

The **negative** contributors to the presented sales revenues were as follows:
- slight decline in prices of soda sold on European markets due to pressure from competitors,
- lower sales of crop protection products (mainly the effect of a long winter and successful pre-season sales),
- lower volume of sales of wet salt.

In the first quarter of 2018, the CIECH Group's activities were focused on four business segments: soda, organic, silicates and glass, and on the transport segment. These segments generate in total more than 90% of the Group's sales revenues. The structure of sales revenues, by business segment, has not changed significantly in comparison with 2017. Invariably, the largest share in revenues was attributed to the sales of soda segment products, i.e.67.3%.

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN ’000)

Sales revenues — business segments

	01.01.-31.03.2018	01.01.-31.03.2017	Change 2018/2017	Change %
Soda segment, including:	**594,990**	**618,601**	**(23,611)**	**(3.8%)**
Dense soda ash	326,567	347,916	(21,349)	(6.1%)
Light soda ash	121,190	125,386	(4,196)	(3.3%)
Salt	42,743	42,239	504	1.2%
Sodium bicarbonate	41,315	40,095	1,220	3.0%
Energy	28,380	33,481	(5,101)	(15.2%)
Gas*	1,734	360	1,374	381.7%
Calcium chloride	7,750	7,803	(53)	(0.7%)
Other products	12,353	10,860	1,493	13.7%
Revenues from inter-segment transactions	12,958	10,461	2,497	23.9%
Organic segment, including:	**210,679**	**216,923**	**(6,244)**	**(2.9%)**
Resins	87,548	87,734	(186)	(0.2%)
Polyurethane foams	89,514	74,364	15,150	20.4%
Crop protection chemicals	30,335	51,593	(21,258)	(41.2%)
Other	2,673	2,592	81	3.1%
Revenues from inter-segment transactions	609	640	(31)	(4.8%)
Silicates and Glass segment, including:	**62,942**	**48,919**	**14,023**	**28.7%**
Sodium silicates	34,466	29,576	4,890	16.5%
Potassium silicates	1,026	1,296	(270)	(20.8%)
Container glass	27,074	17,953	9,121	50.8%
Other	375	89	286	321.3%
Revenues from inter-segment transactions	1	5	(4)	(80.0%)
Transport segment, including:	**34,797**	**29,546**	**5,251**	**17.8%**
Transport services	3,405	1,482	1,923	129.8%
Revenues from inter-segment transactions	31,392	28,064	3,328	11.9%
Other segment, including:	**33,016**	**32,402**	**614**	**1.9%**
Revenues from third parties	27,222	23,559	3,663	15.5%
Revenues from inter-segment transactions	5,794	8,843	(3,049)	(34.5%)
Consolidation adjustments	**(50,754)**	**(48,013)**	**(2,741)**	**(5.7%)**
TOTAL	**885,670**	**898,378**	**(12,708)**	**(1.4%)**

** Resale of surpluses of the gas purchased.*

Source: CIECH S.A

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

After the first half of 2018, gross profit on sales amounted to PLN 206,626 thousand, whereas in the same period of the previous year it amounted to PLN 220,254 thousand. The operating profit amounted to PLN 102,083 thousand, in the comparable period it amounted to PLN 126,832 thousand.

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

- Continuation of good economic situation throughout the European Union, especially in the Eurozone.
- Strong increase in domestic sales of construction and assembly production by 26.1% during the first quarter of 2018 in comparison to the same period of the previous year (the chemical industry produces many raw materials and semi-finished products used in this production).
- Balancing of the European market of soda ash (demand and supply balance) with a tendency to increase in demand.
- Growth of prices of epoxy resins in Europe in the first quarter of 2018 at levels similar to or slightly higher than in the corresponding period of the previous year.
- Strong increase in domestic production of paints and other coating products by 8.6% during the 3 months of 2018, as compared with the same period of the previous year (the paint industry is a recipient of resins produced by the CIECH Group).

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

- Strong growth in production of furniture in Poland by 8.2% in the period from January to March 2018 in comparison to the same period of the previous year (in terms of value). The furniture sector is a recipient of polyurethane foams manufactured by the Ciech Group.
- Increase in soda prices on the so-called overseas markets (dollar prices),
- Higher sales of dry salt (higher volumes and prices),
- Higher sales of packaging glass in CIECH Vitrosilicon S.A.,
- Higher sales prices for products based on oil-derivative products sold in the organic segment (mainly PUR foams).

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

- Slight decrease in soda ash prices since the beginning of 2018 on European markets due to supply pressure from Turkey.
- Increase in prices of raw energy resources used in production of soda ash (coal, natural gas) and of furnace fuels (coke, anthracite); although with a slight stabilisation tendency in relation to the situation a year ago).
- Increase in oil prices (by more than ten percent as compared to the first quarter of 2017) and, consequently, higher prices of raw materials for the organic industry (partially offset by an increase in prices of finished products).
- Strengthening of PLN against EUR and USD, as compared to the first quarter 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 quarter of 2018 amounted to 11.5% (14.1% in the prior year), and the EBITDA margin amounted to 18.7% (20.7% in the prior year). The EBIT margin (excluding one-off events) for first quarter of 2018 amounted to 11.8% (14.1% in the prior year), and the EBITDA margin (excluding one-off events) amounted to 18.9% (20.8% in the prior year).

3.5.4. FINANCING ACTIVITIES AND NET PROFIT/LOSS

Financial income for the first quarter of 2018 amounted to PLN 4,967 thousand and increased compared to the corresponding period of the previous year, when it amounted to PLN 3,506 thousand.
Financial expenses for the first quarter of 2018 amounted to PLN 11,257 thousand and decreased compared to the corresponding period of the previous year, when it amounted to PLN 34,590 thousand**.** The area of financing activities was mainly affected by foreign exchange gains, commissions and interest on loans.

The consolidated net profit for the first quarter of 2018 amounted to PLN 74,050 thousand (of which PLN 73,897 thousand was a net profit attributable to the shareholders of the parent company and PLN 153 thousand as the profit of non-controlling shares). The decrease in net profit as compared to the corresponding period of 2017 results from lower results from basic activities and from higher tax expense.

3.5.5. ASSET POSITION OF THE CIECH GROUP

Basic consolidated balance sheet data

	31.03.2018	31.12.2017	Change 2018/2017
Total assets	**4,665,833**	**4,643,511**	**0.5%**
Total non-current assets	3,218,923	3,204,963	0.4%
Total current assets	1,446,910	1,438,548	0.6%
Inventory	390,458	364,517	7.1%
Current receivables	634,391	523,068	21.3%
Cash and cash equivalents	365,526	489,754	(25.4%)
Short-term financial assets	55,620	57,979	(4.1%)
Non-current assets held for sale	915	3,230	(71.7%)
Total equity	**2,257,633**	**2,184,645**	**3.3%**
Equity attributable to shareholders of the parent	2,260,334	2,187,596	3.3%
Non-controlling interest	(2,701)	(2,951)	8.5%
Total non-current liabilities	1,376,506	1,369,282	0.5%
Total current liabilities	1,031,694	1,089,584	(5.3%)

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

Assets

As at the end of the first quarter of 2018, the Group's non-current assets amounted to PLN 3,218,923 thousand. As compared to the balance as at 31 December 2017, the value of non-current assets increased slightly by PLN 13,960 thousand. This change resulted from higher value of intangible assets in relation to the repurchase of CO_2 certificates, offset by lower balance of financial assets following a change in the valuation of derivative instruments.

The Group's current assets amounted to PLN 1,446,910 thousand as at 31 March 2018. The largest components of non-current assets included: short-term receivables accounting for 42.9%, inventory accounting for 27.0% as well as cash and cash equivalents accounting for 25.3% of total current assets. Compared to the end of December 2017, the value of current assets increased by PLN 8,362 thousand. This change resulted from, among other factors:

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

Capital resources

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

Liabilities

As at 31 March 2018, the CIECH Group's liabilities (total non-current and current) amounted to PLN 2,408,200 thousand, which is a decrease compared to the end of December 2017 by PLN 50,666 thousand (i.e. by 2.1%).

The debt ratio amounted to 51.6% as at 31 March 2018 (at the end of December 2017 to 53.0%). The consolidated net debt of the Group amounted to PLN 1,060,127 thousand as at 31 March 2018 and increased in comparison to the balance as at the end of December 2017 by PLN 123,453 thousand.

Debt instruments currently used

The Group's sources of debt financing include: term loan, revolving credit, overdrafts as well as lease liabilities. Additional information about the management of financial resources is provided in item 4.6. Of the Management Board Report on Activities of the CIECH Group and CIECH S.A. in 2017, published on 26 March 2018.

3.5.6. CASH POSITION OF THE CIECH GROUP

	01.01.-31.03.2018	01.01.-31.03.2017	Change 2018/2017
Net cash from operating activities	(3,873)	(21,027)	81.6%
Net cash from investment activities	(118,481)	(102,099)	(16.0%)
Net cash from financial activities	(1,570)	(2,221)	29.3%
Total net cash flows	**(123,924)**	**(125,347)**	**1.1%**
Free cash flow	(122,354)	(123,126)	0.6%

Total net cash flows in the first quarter of 2018 was negative and amounted to PLN 123,924 thousand. Compared to the same period of the previous year, the cash flows generated by the Group were higher by PLN 1,423 thousand. Cash flows from operating activities were negative. They amounted to PLN 3,873 thousand and decreased as compared to the same period in 2017 by PLN 17,154 thousand.

During the first quarter of 2018, the net cash flows from investing activities were negative, which was mainly the result of expenses for an investment programme implemented by the Group. Net cash from financing activities was negative and amounted to PLN 1,570 thousand, comprising mainly repayments of finance lease liabilities.

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN ’000)

	01.01.-31.03.2018	01.01.-31.03.2017
Financial surplus ((net profit/(loss) on continuing operations + depreciation)	137,386	137,654
Other adjustments to net profit/(loss) on continuing operations	22,988	16,315
Adjusted financial surplus (1+2)	**160,374**	**153,969**
Change in working capital	(164,247)	(174,996)
Net cash from operating activities (3+4)	**(3,873)**	**(21,027)**
Net cash from investing activities	(118,481)	(102,099)
Free cash flow (5+6)	**(122,354)**	**(123,126)**

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

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

Liquidity of the CIECH Group

Liquidity ratios as at 31 March 2018 increased slightly as compared to their level as at 31 December 2017. The current ratio, calculated as the ratio of total current assets to total current liabilities, amounted to 1.40 as at 31 March 2018, while the quick liquidity ratio amounted to 1.02.

	31.03.2018	31.12.2017
Current ratio	1.40	1.32
Quick ratio	1.02	0.99

Working capital of the CIECH Group

As at the end of the first quarter of 2018, working capital, defined as the difference between current assets and short-term liabilities, adjusted by relevant balance sheet items (cash and cash equivalents and short-term loans) was positive and amounted to PLN 225,264 thousand, which is an increase by PLN 189,550 thousand compared to the end of 2017.

	31.03.2018	31.12.2017
1. Current assets, including:	1,446,910	1,438,548
Inventory	390,458	364,517
Trade receivables and services and advances for deliveries	360,269	339,092
2. Cash and cash equivalents and short-term investments	421,146	547,733
3. Adjusted current assets (1-2)	**1,025,764**	**890,815**
4. Current liabilities, including:	1,031,694	1,089,584
Trade liabilities and advances taken	338,285	387,331
5. Short-term credits and other current financial liabilities*	231,194	234,483
6. Adjusted current liabilities (4-5)	**800,500**	**855,101**
7. Working capital including short-term credits(1-4)	**415,216**	**348,964**
8. Working capital (3-6)	**225,264**	**35,714**

** Other short-term financial liabilities include current bond liabilities (in the corresponding period), current finance lease liabilities + current derivative liabilities + factoring liabilities.*

The CIECH Group’s profitability ratios

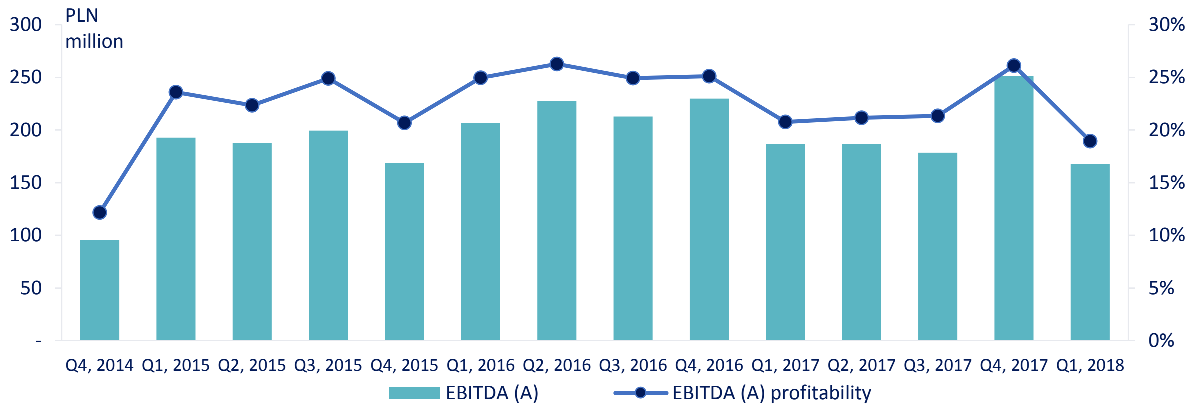
During the first quarter of 2018, profitability ratios of the CIECH Group in respect of the continuing operations were at a lower level than in the first quarter of 2017.

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

THE CIECH GROUP'S PROFITABILITY RATIOS

	01.01.-31.03.2018	01.01.-31.03.2017	Change 2018/2017
CONTINUING OPERATIONS			
Gross return on sales	23.3%	24.5%	(1.2) p.p.
Return on sales	11.5%	13.8%	(2.3) p.p.
EBIT margin	11.5%	14.1%	(2.6) p.p.
EBITDA margin	18.7%	20.7%	(2.0) p.p.
Adjusted EBIT margin	11.8%	14.1%	(3,3)p.p.
Adjusted EBITDA margin	18.9%	20.8%	(1.9) p.p.
Net return on sales (ROS)	8.4%	8.7%	(0.3) p.p.
Return on assets (ROA)	1.6%	1.8%	(0.2) p.p.
Return on equity (ROE)	3.3%	4.2%	(0.9) p.p.
Earnings/(loss) per share (in PLN) from continuing operations	1.40	1.48	(0.08)

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 2017 and amounts to 51.6%. At the same time, the relative level of net debt changed as compared to the end of 2017 mainly due to lower balance of cash. The ratio adjusted for one-off events remains at the level recorded in the previous year.

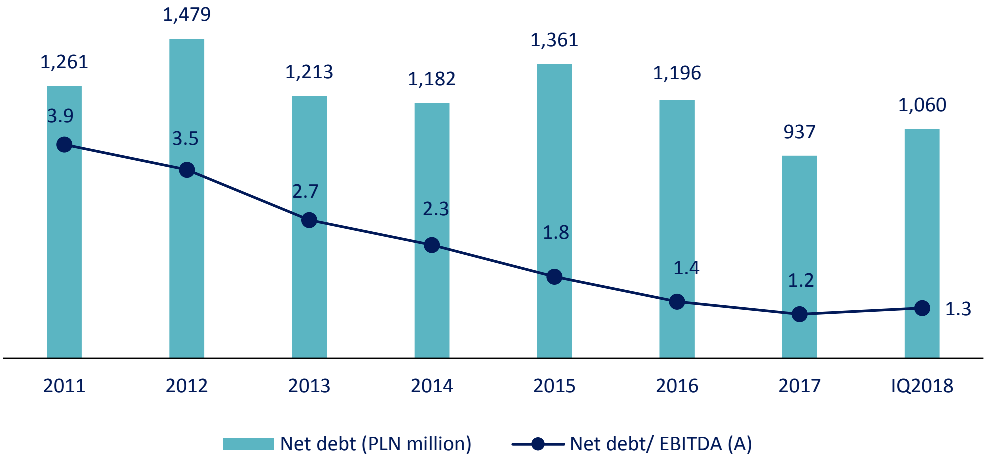
	31.03.2018	31.12.2017
Loans, borrowings and other debt instruments	1,340,850	1,329,919
Finance lease liabilities	23,425	24,888
Factoring liabilities	17,469	28,162
Negative net valuation of derivatives *	43,909	43,459
Gross debt	**1,425,653**	**1,426,428**
Cash and cash equivalents	365,526	489,754
Net debt	**1,060,127**	**936,674**

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

The CIECH Group's debt ratios

	31.03.2018	31.12.2017	Change 2018/2017
Debt ratio	51.6%	53.0%	(1.4) p.p.
Long term debt ratio	29.5%	29.5%	0.0p.p.
Debt to equity ratio	106.7%	112.6%	(5.9) p.p.
Equity to assets ratio	48.4%	47.0%	1.4 p.p.
Gross debt	1,425,652	1,426,428	(0.1%)
Net debt	1,060,127	936,674	13.2%
EBITDA annualized	812,217	833,196	(2.5%)
Adjusted EBITDA (annualised)	789,031	808,137	(2.4%)
Net debt / EBITDA annualized	1.3	1.1	18.2%
Net debt / Adjusted EBITDA (annualised)	1.3	1.2	8.3%
Gross debt / EBITDA annualised	1.8	1.7	5.9%
Gross debt / Adjusted EBITDA (annualised)	1.8	1.8	-

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



Debt financing of the Group

The Group's debt financing is secured mainly through loans made available to CIECH S.A. under the Loans Agreement dated 29 October 2015 (effective as at 31 March 2018; on 6 April 2018, provisions of the annex signed on 9 January 2018 came into effect):

- term loan in the amount of PLN 1,045,031 thousand and EUR 69,673 thousand (the total amount of the loan as at 31 March 2018 was PLN 1,338,250 thousand),
- revolving credit facility granted to CIECH S.A. in the amount of up to PLN 250,000 thousand (the amount of used credit as at 31 March 2018 was PLN 0).

Detailed information about loan and bond liabilities is disclosed in item 4.6.1 of the Management Board Report on activities of the CIECH Group and CIECH S.A. in 2017, published on 26 March 2018.

Factors and events that may affect future performance

In the opinion of the Management Board of CIECH S.A. in further months of 2018 the trends observed in the past few months will continue. Pursuant to the Strategy, the CIECH Group will focus on the following actions conducive to further development:

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

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

3.6. SIGNIFICANT RISK FACTORS

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

During the first quarter of 2018, no new risks occurred, and the previously identified factors have not changed significantly. Moreover, there were no significant changes in relation to the Group’s risk management policy.

Exposure to currency risk

The table below presents the estimated currency exposure of the CIECH Group in EUR and USD as at 31 March 2018 due to financial instruments (for EUR – excluding figures of the SDC Group and Ciech Group Financing AB, because EUR is their functional currency):

Exposure to currency risk	EUR ('000)	USD ('000)	Impact on the statement of profit or loss	Impact on statement of other comprehensive income*
Assets				
Borrowings granted sensitive to FX rate changes	67,065	-	x	
Trade and other receivables	20,182	23,822	x	
Cash including bank deposits	45,993	7,923	x	
Liabilities				
Trade and other liabilities	(19,690)	(5,364)	x	
Term loan liabilities	(69,673)	-		x
Hedging instruments: Forward	(17,700)	(4,070)		x
Hedging instruments: CIRS (forward transactions isolated as part of decomposition of CIRS)	(246,665)	-		x
Total exposure	**(220,488)**	**21,681**		

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

The table contains an analysis of the sensitivity of individual statement of financial position items to exchange rate changes as at 31 March 2018.

Analysis of sensitivity to foreign exchange rate changes – EUR	('000 PLN)*	Impact on the statement of profit or loss	Impact on statement of other comprehensive income
EUR			
Currency balance sheet items	438	1,135	(697)
Hedging instruments: Forward and CIRS	(2,644)	-	(2,644)
USD			
Currency balance sheet items	258	258	-
Hedging instruments: Forward	(41)	-	(41)

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

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

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

The CIECH Group did not publish any forecasts for 2018.

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

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

Costs of labor and energy raw materials (coal, gas, coke, anthracite), 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 3 months of 2018 increased by 5.6% as compared with the corresponding period of the previous year (in 2017 — an increase by 7.3%). In the current year, the relevant dynamics of production in the industries of significant importance to the Group's activities (as receiving or target markets) were: chemicals and chemical products (decrease by 0.5%); rubber and plastic products (increase by 5.2%); manufacture of motor vehicles (decrease by 0.6%); manufacture of furniture (increase by 8.2%); manufacture of food (increase by 6.4%); construction and assembly production (increase by 26.1%).

In the past year, clear improvement of economic situation in the Polish economy was noted (GDP growth of 4.6% in 2017, compared to 3.0% in 2016). Poland's GDP growth rates were and should still be significantly higher than the average rates for the European Union.

The economic situation in Poland is expected to continue or weaken slightly in 2018 (the European Commission projects that GDP growth will amount to 4.2%). Similar trends should be expected in the chemical industry which usually develops similarly to the economy as a whole.

Economic situation in Europe and in the world

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

According to the forecasts of International Monetary Fund, in 2018 the dynamics of global economic development should speed up slightly (increase in GDP by 3.9% vs. 3.8% projected for 2017). The largest Asian economies will grow relatively quickly (India, China, and ASEAN countries, for which the GDP growth indicators should be, respectively: 7.4%, 6.6%, 5.3%). Among large economies, the relatively weaker conditions are observed in Brazil, Russia and Japan (expected GDP growth rates in 2018 of 2.3%, 1.7% and 1.2% respectively). According to the IMF, a clear acceleration can be expected this year in India and Brazil, the Middle East and Africa.

The European Union, on the other hand, is expected to maintain last year's good economic situation (GDP growth by 2.3% in 2018 vs. 2.4% in 2017, according to the European Commission's forecasts).

For the chemical sector, the American Chemical Chamber (ACC) expects that this year the growth rate of global chemicals production will increase for another year in a row (and will amount to 3.2% in 2018 compared to 2.5% in 2017). According to ACC, chemical production in North America is expected to grow by 3.4% this year and in Western Europe by 2%. After an exceptionally good 2017, the European Union's chemical industry in 2018 is expected to show a certain slowdown in the rate of growth (chemical production dynamics of 3% and 2% according to the European Chemical Industry Council - CEFIC).

As regards the European construction sector, the production rate is expected to decline slowly over the next 2-3 years (compared to the steadily growing dynamics over the past few years). According to Euroconstruct, construction output in Western Europe and Central Europe increased by 3.5% last year, but in 2018 and 2019 it can grow by 2.6% and 2.1% respectively. Much more optimistic forecasts are made for Central Europe, and particularly for Poland. Euroconstruct expects that in 2018-2019 the rate of growth of construction output in Poland will slightly accelerate or remain at the current level (ranging from 9% to 10%).

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

OTHER FACTORS AFFECTING THE CIECH GROUP'S ACTIVITIES

Factors	Description
Economic situation on raw material market	Due to the fact that costs of raw materials account for a large share of total costs of the Group, the situation on 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. 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 form 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. Furnace fuel – coke/anthracite. 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. In its business activity, the Group may also use anthracite as a substitute for coke. The main suppliers of anthracite for Europe are Ukraine and Russia. Due to rising prices of coke, in the first quarter of 2018 the Group used anthracite to a large extent. 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.
Exchange rates of Polish zloty (PLN) and Romanian leu (RON) to euro (EUR) and US dollar (USD)	The CIECH Group's main source of exposure to foreign currency risk is related to EUR and USD in which export sales are denominated. Weakening of PLN and RON (in which significant costs are incurred) in relation to EUR and USD (in which a material portion of sales is made) has a positive impact on the CIECH Group's financial performance. The Group applies natural hedging and hedging instruments. The Group's net exposure in the first quarter of 2018 was: EUR -221 million and USD 21.7 million.
Volume of chemical production capacity on markets where the CIECH Group operates	In the sectors of mass chemical products, in which the CIECH Group operates, the capital expenditures are an important barrier to entry, and in the case of the soda segment – an easy access to natural resources. For this reason, in the scope of the most important segment of the CIECH Group, the soda segment, green field investments are rare and generally done outside Europe. The CIECH Group's business can be significantly affected by the extension of large soda ash and sodium bicarbonate production capacity in Turkey. This will change the current global supply and demand situation in the short-term, increasing the supply of soda in the market and decreasing prices in Europe and neighbouring regions which may have a negative impact on the Group's financial performance. On the other hand, it should be noted that the commissioning of new capacity in Turkey has been spread over 2017-2018 and coincides with strong demand and environmental constraints in the world's largest market, China. This situation provides a framework for greater globalisation of the soda ash market and an opportunity that the possible oversupply in Europe (as a result of Turkish investment projects) may be quite moderate in the coming years.
Environmental requirements	**REACH system implementation** In accordance with the REACH regulation, the Group's companies selling substances in quantities exceeding 1 tonne p.a. have completed or plan to complete full registration of these substances by defined deadlines, which will enable them to continue their operations in the current scope. **Emission trading system** 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 CO_2 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 CO_2 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.

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

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

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

SHAREHOLDERS

As of the date of publishing the previous financial statements (i.e. the date of publication of the Management Board Report on activities of the CIECH Group and CIECH S.A. in 2017, published on 26 March 2018), CIECH S.A. has not received any information about a change in interests held by shareholders in the total number of shares. Therefore, to the best knowledge of CIECH S.A., as at the day of approving these statements, shareholders holding significant blocks of shares (at least 5%) include the following entities:

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

Shareholder	Type of shares	Number of shares	Number of votes at the General Meeting of Shareholders	Share in the total number of votes at the General Meeting of Shareholders	Stake in share capital (%)
KI Chemistry s. à r. l. with its registered office in Luxembourg*	**Ordinary bearer**	**26,952,052**	**26,952,052**	**51.14%**	**51.14%**
TFI PZU Funds**	Ordinary bearer	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.*

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

Mr Artur Osuchowski – Member of the Management Board of CIECH S.A., held 65,195 shares of CIECH S.A. as at 31 March 2018. Other Management Board Members of CIECH S.A. and Supervisory Board Members of CIECH S.A. did not hold any shares of the Company.

Managers and supervisors of CIECH S.A. as at 31 December 2018 did not hold any shares in other companies of the CIECH Group and this situation did not change in the period from the publication of the Management Board Report on activities of the CIECH Group and CIECH S.A. in 2017, i.e. from 26 March 2018.

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

3.11.1. SIGNIFICANT DISPUTED LIABILITIES OF THE CIECH GROUP

As at 31 March 2018, the CIECH Group did not have any significant disputed liabilities of CIECH S.A. and CIECH S.A.’s subsidiaries, pursued in all types of proceedings before court, body appropriate for arbitration proceedings or public administration bodies.

3.11.2. SIGNIFICANT DISPUTED RECEIVABLES OF THE CIECH GROUP

As at 31 March 2018, the CIECH Group did not hold any significant disputed receivables of CIECH S.A. and CIECH S.A.’s subsidiaries, pursued in all types of proceedings before court, body appropriate for arbitration proceedings or public administration bodies.

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

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

Letters of support

As at 31 March 2018, CIECH S.A. was the obliged party in the letter of support (Patronatserklärung) regarding CIECH Soda Deutschland GmbH&Co. KG seated in Staßfurt (CSD) granted to RWE Gasspeicher GmbH (“RWE”) relating to liabilities of CSD resulting from the agreement dated 5 May 2009 on salt caverns construction for the purpose of natural gas storage on the Staßfurt mining field according to which CSD received payments of EUR 39.5 million from RWE by 31 March 2018. In the letter of support, CIECH S.A. has committed, among other things, to ensure that CSD will have sufficient funds to fulfil its financial commitments against RWE resulting from the above-mentioned agreement.

Tax audits

In the first quarter of 2018, three companies from the CIECH Group were subject to control proceedings. Control proceedings were also started in another company after the end of the first quarter, i.e. in April 2018. The aim of the proceedings (following the audits performed in the previous year) was to review the accuracy of the declared tax base and the correctness of calculations and payments of corporate income tax for the year 2015. The irregularities identified concern mainly the incorrect settlement of income from a participation in a partnership (this resulted in the reduction of the tax loss by PLN 313 million).

The Management Boards of the companies and their tax advisors do not agree with the findings presented in the audit reports and with responses to objections to the reports or the decision issued. However, if decisions are taken in which the findings contained in the responses to objections to the Report are included – after an appeal against the decision of the first instance authority – the decision of the Head of the Tax Administration Chamber is upheld, each of the companies may be required to pay tax liabilities in the total amount of PLN 15.1 million for 2015 together with default interest from 1 April 2016.

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

Another Polish company of the Ciech Group, which in 2017 appealed against the decision of the first instance authority determining the corporate income tax liability for 2013, received a decision of the second instance authority, in which the Head of the Tax Administration Chamber upheld the findings of the first instance authority decision. After the end of the first quarter of 2018, the company filed a complaint with the Regional Administrative Court in Warsaw, however, paying the amount indicated in the Decision of the Head of the Tax Administration Chamber, i.e. PLN 1.8 million (after taking into account the tax loss incurred in the audited year) together with default interest from 1 April 2014.

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

The Group estimated that the potential impact on income tax expense (in the form of additional tax liabilities or inability to realise a deferred income tax asset calculated for tax losses), in relation to the issues described above, would amount to PLN 92.1 million if it were no longer probable that the Group would be able to uphold its tax interpretations before the tax authorities.

A tax audit concerning the corporate income tax for 2012 or 2016 was also commenced at two Polish companies of the CIECH Group in the first quarter of 2018. In addition, a tax audit concerning tax for 2015 was started in another company in April. Two other companies, on the other hand, are subject to VAT inspections for the 4th quarter of 2013. As at the date of the report, none of the companies had received an audit report.

In addition, as a result of the ongoing audit of the German CIECH Group companies for the years 2007-2009 and 2010-2015, in case of a different assessment by the auditing authorities of economic events, an obligation may arise to recalculate and potentially increase the tax liability and to pay interest on tax arrears. At the time of publication of the financial statements, the audit result is not known.

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

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

QUARTERLY FINANCIAL INFORMATION
OF THE PARENT COMPANY
CIECH S.A.
FOR 3-MONTH PERIOD ENDED 31 MARCH 2018

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

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

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

	01.01-31.03.2018	01.01-31.03.2017
CONTINUING OPERATIONS		
Sales revenues	**595,246**	**600,701**
Cost of sales	(490,020)	(477,734)
Gross profit/(loss) on sales	**105,226**	**122,967**
Other operating income	1,296	1,062
Selling costs	(53,041)	(49,256)
General and administrative expenses	(15,392)	(12,823)
Other operating expenses	(1,035)	(656)
Operating profit/(loss)	**37,054**	**61,294**
Financial income	13,476	64,442
Financial expenses	(20,312)	(20,542)
Net financial income/expenses	**(6,836)**	**43,900**
Profit/(loss) before tax	**30,218**	**105,194**
Income tax	(5,970)	(19,394)
Net profit/(loss) on continuing operations	**24,248**	**85,800**
DISCONTINUED OPERATIONS		
Net profit/(loss) on discontinued operations	-	-
Net profit / (loss)	**24,248**	**85,800**
Earnings per share (in PLN):		
Basic	0.46	1.63
Diluted	0.46	1.63
Earnings/(loss) per share (in PLN) from continuing operations:		
Basic	0.46	1.63
Diluted	0.46	1.63

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

	01.01-31.03.2018	01.01-31.03.2017
Net profit / (loss)	**24,248**	**85,800**
Other comprehensive income before tax that may be reclassified to profit or loss	**(1,604)**	**11,854**
Cash flow hedge	(1,604)	11,854
Income tax attributable to other comprehensive income	**306**	**(2,199)**
Income tax attributable to other comprehensive income that may be reclassified to profit or loss	306	(2,199)
Other comprehensive income net of tax	**(1,298)**	**9,655**
TOTAL COMPREHENSIVE INCOME	**22,950**	**95,455**

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

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

	31.03.2018	31.12.2017
ASSETS		
Property, plant and equipment	13,215	13,880
Intangible assets	35,021	34,143
Shares	1,710,871	1,710,871
Long term loans	116,441	118,180
Other long-term investments	30,960	35,086
Deferred income tax assets	35,373	40,247
Total non-current assets	**1,941,881**	**1,952,407**
Inventory	39,489	31,795
Short-term investments	1,021,161	1,012,304
Trade and other receivables	412,529	280,765
Cash and cash equivalents	279,346	375,393
Total current assets	**1,752,525**	**1,700,257**
Total assets	**3,694,406**	**3,652,664**
EQUITY AND LIABILITIES		
Share capital	287,614	287,614
Share premium	470,846	470,846
Cash flow hedge	1,947	3,246
Actuarial gains	121	121
Other reserve capitals	76,199	76,199
Retained earnings	718,068	711,002
Total equity	**1,554,795**	**1,549,028**
Loans, borrowings and other debt instruments	1,133,919	1,130,482
Other non-current liabilities	41,531	41,528
Employee benefits	442	436
Total non-current liabilities	**1,175,892**	**1,172,446**
Loans, borrowings and other debt instruments	437,395	413,516
Trade and other liabilities	484,164	476,443
Income tax liabilities	5,586	4,758
Provisions (short-term provisions for employee benefits and other provisions)	36,574	36,473
Total current liabilities	**963,719**	**931,190**
Total liabilities	**2,139,611**	**2,103,636**
Total equity and liabilities	**3,694,406**	**3,652,664**

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

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

	01.01-31.03.2018	01.01-31.03.2017
Cash flows from operating activities		
Net profit/(loss) on continuing operations	**24,248**	**85,800**
Amortisation/depreciation	1,949	1,090
Recognition of impairment allowances	836	-
Foreign exchange (profit) /loss	2,131	(4,712)
(Profit) / loss on disposal of property, plant and equipment	(29)	(95)
Dividends and interest	(2,537)	2,561
Income tax	5,970	19,394
Change in liabilities due to loan arrangement fee	479	694
Valuation of financial instruments	4,519	(49,842)
Other adjustments	(1,110)	-
Cash from operating activities before changes in working capital and provisions	**36,456**	**54,890**
Change in receivables	(127,307)	12,353
Change in inventory	(7,694)	(4,741)
Change in current liabilities	19,275	(9,757)
Change in provisions and employee benefits	107	(4)
Cash generated from operating activities	**(79,163)**	**52,741**
Interest paid	(3,702)	(378)
Income tax paid	228	185
Net cash from operating activities	**(82,637)**	**52,548**
Cash flows from investment activities		
Disposal of intangible assets and property, plant and equipment	29	95
Dividends received	203	42
Interest received	9,047	1,929
Proceeds from repaid borrowings	16,591	14,497
Acquisition of intangible assets and property, plant and equipment	(14,140)	(953)
Raise capital expenditures and extra charge on capital	-	(4,500)
Borrowings paid out	(38,818)	(50,231)
Outflows - cash pooling	(4,457)	(77,405)
Net cash from investment activities	**(31,545)**	**(116,526)**
Cash flows from financial activities		
Proceeds from loans and borrowings	-	24,000
Inflows - cash pooling	18,439	-
Repayment of borrowings	-	(447)
Outflows - cash pooling	-	(64,730)
Net cash from financial activities	**18,439**	**(41,177)**
Total net cash flows	**(95,743)**	**(105,155)**
Cash and cash equivalents as at the beginning of the period	**375,393**	**342,607**
Impact of foreign exchange differences	(304)	904
Cash and cash equivalents as at the end of the period *	**279,346**	**238,356**

** The value of cash and cash equivalents as at 31/03/2018 includes the value of write-downs revaluating cash in accordance with IFRS 9.*

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

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**
01.01.2018	**287,614**	**470,846**	**3,245**	**76,199**	**121**	**711,002**	**1,549,027**
Changes in accounting policies -implementation of IFRS 9 and IFRS 15	-	-	-	-	-	(17,182)	(17,182)
01.01.2018 adjusted	**287,614**	**470,846**	**3,245**	**76,199**	**121**	**693,820**	**1,531,845**
Total comprehensive income for the period	**-**	**-**	**(1,298)**	-	-	**24,248**	**22,950**
Net profit / (loss) for the period	-	-	-	-	-	24,248	24,248
Other comprehensive income	-	-	(1,298)	-	-	-	(1,298)
31.03.2018	**287,614**	**470,846**	**1,947**	**76,199**	**121**	**718,068**	**1,554,795**
01.01.2017	**287,614**	**470,846**	**(5,120)**	**76,199**	**132**	**467,095**	**1,296,766**
Total comprehensive income for the period	**-**	**-**	**9,655**	-	-	**85,800**	**95,455**
Net profit / (loss) for the period	-	-	-	-	-	85,800	**85,800**
Other comprehensive income	-	-	9,655	-	-	-	**9,655**
31.03.2017	**287,614**	**470,846**	**4,535**	**76,199**	**132**	**552,895**	**1,392,221**

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

5.1. BASIS OF PREPARATION

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

These interim condensed separate financial statements were prepared in compliance with IAS 34 "Interim Financial Reporting" as approved by the European Union and the Regulation of the Minister of Finance dated 29 March 2018 on current and periodical information submitted by issuers of securities and on conditions for deeming equivalent information required by the law of a Non-Member State (Journal of Laws 2018.757 of 2018). These financial statements present the financial position of CIECH S.A. as at 31 March 2018 and as at 31 December 2017, results of the Company's operations and cash flows for the period of 3 months ended 31 March 2018 and 31 March 2017, and were approved by the Management Board of CIECH S.A. on 29 May 2018.

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

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

These interim condensed separate financial statements should be read together with the interim condensed consolidated financial statements of the CIECH Group for the 3-month period ended 31 March 2018.

5.2. ADOPTED ACCOUNTING PRINCIPLES

The CIECH S.A.'s accounting principles are described in the Financial Statements of CIECH S.A. for 2017, published on 26 March 2018. The aforementioned Financial Statement includes detailed information regarding the principles and methods of valuation of assets, equity and liabilities and measurement of the financial result as well as the method of preparing the financial statements and comparative information. These principles have been applied on a continuous basis with relation to currently published data, the last annual financial statements and comparative data presented, except for the adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers.

5.2.1. CHANGES IN INTERNATIONAL FINANCIAL REPORTING STANDARDS

The CIECH S.A. adopted new financial reporting standards from 1 January 2018. IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers.

IFRS 9 "Financial Instruments" implementation

For the purposes of the first application of IFRS 9, the CIECH S.A. did not restate data regarding previous reporting periods. Thus, any differences between the previous balance sheet value of financial assets and financial liabilities and their carrying amount at the beginning of the annual reporting period, in which the first application of IFRS 9 falls, the CIECH S.A. recognized in the opening balance of retained earnings in the annual reporting period which is the date of first application of IFRS 9.(1 January 2018)

IFRS 9 implemented a new financial assets impairment model based on the "expected loss" concept, changes within the scope of financial instruments valuation and classification rules (particularly with regards to financial assets), and a new approach to hedge accounting.

Classification and Valuation of Financial Instruments

Financial Assets

Pursuant to IFRS 9, financial assets - as initially recognized - are classified in the following valuation categories:

1. financial assets valued at depreciated costs;
2. financial assets valued at fair value through other comprehensive income;
3. financial assets valued at fair value through profit or loss.

Any financial asset is classified into one of the foregoing valuation categories when it is initially recognized in the balance sheet, on the basis of the entity's financial asset management business model and contract cash flow characteristics of financial assets

Initially recognizing equity instruments not held for trading (or as of the first day of IFRS 9 utilization), CIECH S.A. may irrevocably decide to earmark individual equity instrument investments for valuation at fair value through other comprehensive income. Other equity instruments are measured at fair value through profit or loss.

Carrying out any initial recognition, it must be analysed whether a given instrument includes an embedded derivative. Any derivative embedded in a hybrid contract whose principal agreement is determined by a financial asset covered by IFRS 9 is not separated, while the entirety of the hybrid contract is recognized in pursuance with the IFRS 9 financial asset classification requirements. Conversely, any derivative embedded in a hybrid contract whose principal agreement is not determined by a financial asset covered by IFRS 9 should be assessed against a possible separation.

Financial assets may be reclassified only when the company changes the financial asset management business model. Should that be the case, the assets affected by the modified business model will be reclassified.

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

1. determined and assigned financial asset groups to the appropriate business model, based on an assessment of the financial assets management portfolio, by means of:
    a. reviewing and assessing significant and objective qualitative data affecting the assignment of asset portfolios to the relevant business model (in particular the reasons for the past sale of financial assets within the framework of portfolios);
    b. reviewing and assessing significant and objective qualitative data affecting the assignment of asset portfolios to the relevant business model (such as the value of sale of financial assets, carried out within the portfolios in earlier reporting periods (provided such sale took place), and the frequency of sale of financial assets within the portfolios (provided such sale took place));
    c. analysing expectations regarding the planned future value of financial assets and their frequency in the framework of portfolios;
2. by identification and analysis of the contractual provisions of the financial asset with economic characteristics of the debt instrument that may affect the non-compliance of the SPPI criterion by the financial asset in question - whether the terms of the financial asset agreement result in the creation, at given time intervals, of cash flows constituting only the repayment of principal and interest i.e. fulfilment of SPPI criterion.

Financial Assets with Economic Characteristics of Debt Instruments

The company has recognized that the implementation of IFRS 9 will not result in any change in the method of classification and valuation of its financial assets with economic characteristics of debt instruments. An exception could be made for trade receivables to be transferred to the factor as part of factoring without recourse. These receivables are held by the CIECH S.A. so that the entire trade receivable balance (agreed with the factor) may be assigned to the factor. Entity manages trade receivables designated for transfer to the factor under factoring without recourse in order to carry out cash flows through the sale of assets – obtaining cash flows arising from the agreement is not an integral part of the business model. Therefore, in accordance with IFRS 9, the entity classified these receivables as financial assets measured at fair value through profit or loss, whereby - due to the relatively short period of maintenance of receivables subject to transfer to the factor, it does not expect - in its balance sheet - any significant impact of the classification change on the entity's financial standing.

Equities

CIECH S.A. holds equity instruments (shares) which constitute financial assets within the meaning of IAS 39 and IFRS 9. According to IAS 39, the entity valuated its equity instruments at purchase price adjusted against impairment. The current net carrying amount of these instruments is close to zero.

According to IFRS 9, CIECH S.A qualified its equity instruments in the category measured at fair value through profit or loss. As of 31 Dec. 2017, CIECH S.A. estimated the value of its equities as close to zero. Therefore, it does not recognized any significant impact of changes in their classification on the entity's financial standing.

Below is presented a comparison of key changes in the classification of financial assets resulting from the implementation of IFRS 9.

Financial Asset Classes	Financial Asset Categories and Valuation Method as per IAS 39	IFRS 9 Business Model	SPPI Criterion	Reclassification	Financial Asset Categories and Valuation Method as per IFRS 9
Cash and cash equivalents	Loans and receivables – valued at depreciated costs;	Maintenance of financial assets to obtain contractual cash flows	Met	None	Financial assets valued at depreciated costs
Bank deposits (value included in cash and cash equivalents)	Loans and receivables – valued at depreciated costs;	Maintenance of financial assets to obtain contractual cash flows	Met	None	Financial assets valued at depreciated costs
Loans granted	Loans and receivables – valued at depreciated costs;	Maintenance of financial assets to obtain contractual cash flows	Met	None	Financial assets valued at depreciated costs
Trade receivables	Loans and receivables – valued at depreciated costs;	Maintenance of financial assets to obtain contractual cash flows	Met	None	Financial assets valued at depreciated costs
Factoring receivables	Loans and receivables – valued at depreciated costs;	Maintenance of financial assets to obtain contractual cash flows	Met	None	Financial assets valued at depreciated costs
Derivatives	Financial assets measured at fair value through profit or loss	Another business model	Not applicable	None	Financial assets measured at fair value through profit or loss
Derivatives allotted as hedging instruments	Hedging instruments	Another business model	Not applicable	None	Hedging instruments

Impairment of financial assets

IFRS 9, unlike IAS 39, does not require identification of impairment evidence to estimate losses. Conversely, the units are obliged to estimate their credit losses from the day a given asset was recognized until it is derecognized from the balance sheet.

At the moment of acquiring or granting the financial asset, CIECH S.A. is required to keep a write-down in the amount of a 12 month ECL. In the event of a significant increase in credit risk as compared with the recognition of assets in the balance sheet, it is necessary to calculate losses over the lifelong horizon (the so-called basket 2). Such an approach makes it possible for the expected credit losses to be recognised earlier, which will ultimately increase the amount of write-downs and thus impact the financial result.

The exception from the above rule are trade receivables and assets related to contracts covering transactions subject to IFRS 15 (the so-called *contract assets*). For these categories of assets, CIECH S.A. may choose a simplified approach whereby write-downs are estimated over the lifetime horizon - right from the initial recognition of exposures.

The new requirements for the determination of write-downs ware related to the following types of financial assets in the company's balance sheet:

1. Trade receivables,
2. factoring receivables
3. Contract assets covered by IFRS 15,
4. Loans granted and purchased bonds,
5. Time deposits, cash and cash equivalents.

Hedge Accounting

On 1 January 2018, CIECH S.A. decided to move to IFRS 9, as regards hedge accounting. The Company has taken advantage of the possibilities offered by IFRS 9 and applied the prospective approach from the date of first application of IFRS 9

IFRS 9 requires CIECH S.A to ensure the coherence of appropriate hedging relationships and its risk management strategy and objectives. IFRS 9 introduces new provisions regarding the assessment of the effectiveness of hedging relationships and the mechanism of rebalancing them. It also eliminates the possibility of discontinuation of hedge accounting as a result of a subjective decision of entity (i.e. in the absence of evidence justifying the discontinuation of hedge accounting, as specified in the Standard).

IFRS 15 "Revenue from Customer Agreements" Implementation

IFRS 15 "Revenue from Customer Agreements" is effective for annual periods beginning on or after 1 January 2018.

CIECH S.A. decided to apply IFRS 15 retrospectively with the recognition of the cumulative effect of the first application of this IFRS as an adjustment to the opening balance of retained earnings of the year 2018.

The standard introduces uniform requirements for all the entities as regards recognition of revenue from customer agreements, based on the 5-step model:

1. agreement identification,
2. identification of service obligations,
3. transactional price specification,
4. transactional price assignment to service obligations,
5. performance of service obligations.

In line with the standard, the entities should assess their customer agreements and set apart elements constituting separate service obligations within the meaning of the IFRS 15 definition. As for agreements stipulating more obligations of this type, each obligation will be assigned - in the next steps of the model - with expected remuneration, and the revenue will be recognized upon that condition being met. The service obligation identification requirement shall also apply to agreements where the settlement with the customer is based on the assumption of there being only one element (e.g. product sales) stipulated therein.

Based on the analysis of the impact of IFRS 15 on the report of the CIECH S.A., the areas described below were identified, which have been adapted to implement this standard, however due to the immateriality there were no adjustments on 1 January 2018 based on IFRS 15.

Consignment warehouses

The company concludes agreements with clients on the basis of which it undertakes to deliver products to customer's warehouses. Under the contract, raw materials are delivered to customers for their use in production. Products in the raw-materials warehouse remain the property of the company until they are taken into production by the customer. However, all risks associated with the possibility of loss or damage of raw materials pass to the customer when the raw materials are delivered to the warehouse. The company undertakes to place on the raw material warehouse appropriate quantities of raw material, in accordance with the customer's order, and the customer controls the quantitative status of the raw material in the raw material composition in terms of frequency and volume of deliveries.

The new IFRS 15 guidelines on determining the moment of revenue recognition, i.e. the transfer of control, resulted in a change in the moment of recognition of revenues from the sale of products transferred to raw material warehouses. Control over raw materials passes to the customer at the time of their admission to the warehouse and at this moment revenue is recognized.

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN ’000)

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

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

The tables below summarize the impact of applying IFRS 15 on the financial statements of CIECH S.A. for the period ended 31 March 2018. In order to ensure the comparability of financial data presented in different periods, the entity presented below reconciliation of data prepared in accordance with IFRS 15 with data that would have been prepared if IAS 11 and IAS 18 were in force in 2018.

	01.01.-31.03.2018 according to IFRS 15	Adjustment of IFRS 15	01.01.-31.03.2018 according to IAS 18
CONTINUING OPERATIONS			
Sales revenues	595,246	(6,284)	588,962
Cost of sales	(490,020)	5,164	(484,856)
Gross profit/ (loss) on sales	**105,226**	**(1,120)**	**104,106**
Other operating income	1,296	-	1,296
Selling costs	(53,041)	157	(52,884)
General and administrative expenses	(15,392)	-	(15,392)
Other operating expenses	(1,035)	-	(1,035)
Operating profit/(loss)	**37,054**	**(963)**	**36,091**
Financial income	13,476	-	13,476
Financial expenses	(20,312)	-	(20,312)
Net financial income/(expenses)	**(6,836)**	**-**	**(6,836)**
Profit/ (loss) before tax	**30,218**	**(963)**	**29,255**
Income tax	(5,970)	183	**(5,787)**
Net profit/ (loss) on continuing operations	**24,248**	**(780)**	**23,468**

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2018 (in PLN '000)

	31.03.2018 according to IFRS 15	Adjustment of IFRS 15	01.01.-31.03.2018 according to IAS 18
ASSETS			
Deferred income tax assets	35,373	183	35,556
Total non-current assets	**1,941,881**	**183**	**1,942,064**
Inventory	39,489	5,164	44,653
Trade and other receivables	412,529	(6,284)	406,245
Total current assets	**1,752,525**	**(1,120)**	**1,751,405**
Total assets	**3,694,406**	**(937)**	**3,693,469**
EQUITY AND LIABILITIES			
Retained earnings	718,068	(780)	717,288
Total equity	**1,554,795**	**(780)**	**1,554,015**
Total non-current liabilities	**1,175,892**	**-**	**1,175,892**
Trade liabilities and other current liabilities	484,164	(157)	484,007
Total current liabilities	**963,719**	**(157)**	**963,562**
Total liabilities	**2,139,611**	**(157)**	**2,139,454**
Total equity and liabilities	**3,694,406**	**(937)**	**3,693,469**

CIECH S.A. intends to adopt the published, but not binding until the date of publication of this report, amendments to the IFRS, as of the date of their entry into force. The estimated impact of changes and the impact of the new IFRS on the financial statements of the entity have been presented in the Financial Statements of CIECH S.A. for 2017, made available to the public on 26 March 2018.

5.3. CHANGES IN ESTIMATES

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

RATIO CALCULATION METHODOLOGY

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

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

REPRESENTATION OF THE MANAGEMENT BOARD

This Extended consolidated quarterly report of the CIECH Group for the first quarter of 2018 was approved by the Management Board of CIECH S.A. at its registered office on 29 May 2018.

Warsaw, 29 May 2018

(signed on the polish original)

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

(signed on the polish original)

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

(signed on the polish original)

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

(signed on the polish original)

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

(signed on the polish original)

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Katarzyna Rybacka – Chief Accountant of CIECH Spółka Akcyjna