



EXTENDED CONSOLIDATED  
QUARTERLY REPORT  
of the CIECH Group for the first quarter of 2021



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



## CIECH GROUP — SELECTED CONSOLIDATED FINANCIAL DATA

SELECTED FINANCIAL DATA	in thousand PLN		in thousand EUR	
	3 months ended	3 months ended	3 months ended	3 months ended
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
Sales revenues on continued operations	861,072	790,479	188,332	179,806
Operating profit/(loss) on continued operations	137,248	63,074	30,019	14,347
Profit/(loss) before tax on continued operations	138,274	68,116	30,243	15,494
Net profit / (loss) for the period	183,699	39,421	40,178	8,967
Net profit/(loss) attributable to shareholders of the parent company	184,429	39,675	40,338	9,025
Net profit/(loss) attributed to non-controlling interest	(730)	(254)	(160)	(58)
Other comprehensive income net of tax	3,006	(13,680)	657	(3,112)
Total comprehensive income	186,705	25,741	40,835	5,855
Cash flows from operating activities	215,998	10,958	47,243	2,493
Cash flows from investment activities	(170,659)	(163,425)	(37,326)	(37,173)
Cash flows from financial activities	(12,102)	541,284	(2,647)	123,123
Total net cash flows	33,237	388,817	7,270	88,443
Earnings (loss) per ordinary share (in PLN/EUR)	3.50	0.75	0.77	0.17
	as at	as at	as at	as at
	31.03.2021	31.12.2020	31.03.2021	31.12.2020
Total assets	5,900,868	5,707,733	1,266,198	1,236,832
Non-current liabilities	2,161,244	401,146	463,756	86,926
Current liabilities	1,434,381	3,188,049	307,787	690,831
Total equity	2,305,243	2,118,538	494,655	459,075
Equity attributable to shareholders of the parent	2,307,898	2,120,615	495,225	459,525
Non-controlling interest	(2,655)	(2,077)	(570)	(450)
Share capital	287,614	287,614	61,716	62,324

## CIECH S.A. — SELECTED SEPARATE FINANCIAL DATA

SELECTED FINANCIAL DATA	in thousand PLN		in thousand EUR	
	3 months ended	3 months ended	3 months ended	3 months ended
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
Sales revenues on continued operations	384,238	458,340	84,040	104,256
Operating profit/(loss) on continued operations	10,617	13,002	2,322	2,957
Profit/(loss) before tax on continued operations	48,699	(40,959)	10,651	(9,317)
Net profit for the period	98,877	(36,982)	21,626	(8,412)
Other comprehensive income net of tax	2,390	(20,752)	523	(4,720)
Total comprehensive income	101,267	(57,734)	22,149	(13,132)
Cash flows from operating activities	(59,242)	(201,365)	(12,957)	(45,803)
Cash flows from investment activities	38,509	(38,597)	8,423	(8,779)
Cash flows from financial activities	(5,323)	516,832	(1,164)	117,561
Total net cash flows	(26,056)	276,870	(5,698)	62,979
	as at	as at	as at	as at
	31.03.2021	31.12.2020	31.03.2021	31.12.2020
Total assets	4,425,226	4,357,634	949,558	935,054
Total non-current liabilities	1,796,169	40,973	385,419	8,792
Total current liabilities	934,022	2,722,893	200,421	584,274
Total equity	1,695,035	1,593,768	363,718	341,988
Share capital	287,614	287,614	61,716	61,716

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 31.03.2021	as at 31.12.2020	3 months ended 31.03.2021	3 months ended 31.03.2020
EUR 1 = PLN 4.6603	EUR 1 = PLN 4.6148	EUR 1 = PLN 4.5721	EUR 1 = PLN 4.3963



**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2021**

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



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# 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.-31.03.2021	01.01.-31.03.2020*
<b>CONTINUING OPERATIONS</b>		
Sales revenues	861,072	790,479
Cost of sales	(675,115)	(616,845)
<b>Gross profit/(loss) on sales</b>	<b>185,957</b>	<b>173,634</b>
Other operating income	65,098	11,182
Selling costs	(48,930)	(47,026)
General and administrative expenses	(50,615)	(56,492)
Other operating expenses	(14,262)	(18,224)
<b>Operating profit/(loss)</b>	<b>137,248</b>	<b>63,074</b>
Financial income, including:	28,953	30,775
<i>Profit from financial instruments</i>	12,780	487
Financial costs, including:	(27,812)	(26,054)
<i>Loss from financial instruments</i>	(24,865)	(23,160)
<b>Net financial income/(expenses)</b>	<b>1,141</b>	<b>4,721</b>
Share of profit / (loss) of equity-accounted investees	(115)	321
<b>Profit/(loss) before tax</b>	<b>138,274</b>	<b>68,116</b>
Income tax	(24,388)	(27,194)
<b>Net profit/(loss) on continuing operations</b>	<b>113,886</b>	<b>40,922</b>
<b>DISCONTINUED OPERATIONS</b>		
Net profit/(loss) on discontinued operations	69,813	(1,501)
<b>Net profit / (loss) for the period</b>	<b>183,699</b>	<b>39,421</b>
including:		
Net profit/(loss) attributable to shareholders of the parent company	184,429	39,675
Net profit/(loss) attributed to non-controlling interest	(730)	(254)
<b>Earnings per share (in PLN):</b>		
Basic	3.50	0.75
Diluted	3.50	0.75
<b>Earnings/(loss) per share (in PLN) from continuing operations:</b>		
Basic	2.17	0.78
Diluted	2.17	0.78

\*Restated data. For detailed information on restatement and discontinued operations, see Notes 2.2.1 and 2.15 to this report.

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



## CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME OF THE CIECH GROUP

	01.01.-31.03.2021	01.01.-31.03.2020*
<b>Net profit/(loss) on continuing operations</b>	<b>113,886</b>	<b>40,922</b>
Net profit/(loss) on discontinued operations	69,813	(1,501)
<b>Net profit / (loss) for the period</b>	<b>183,699</b>	<b>39,421</b>
<b>Other comprehensive income before tax that may be reclassified to the statement of profit or loss</b>	<b>6,110</b>	<b>(28,467)</b>
Currency translation differences (foreign companies)	4,237	40,390
Profit (loss) from costs of hedging reserve	(126)	745
Profit (loss) from cash flow hedge reserve	1,994	(69,602)
Other components of other comprehensive income	5	-
<b>Other comprehensive income before tax that may not be reclassified to the statement of profit or loss</b>	<b>-</b>	<b>-</b>
<b>Income tax attributable to other comprehensive income</b>	<b>(3,104)</b>	<b>14,787</b>
Income tax attributable to other comprehensive income that may be reclassified to the statement of profit or loss	(3,104)	14,787
<b>Other comprehensive income net of tax</b>	<b>3,006</b>	<b>(13,680)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>186,705</b>	<b>25,741</b>
<b>Comprehensive income including attributable to:</b>	<b>186,705</b>	<b>25,741</b>
Shareholders of the parent company	187,283	25,778
Non-controlling interest	(578)	(37)

\*Restated data. For detailed information on restatement and discontinued operations, see Notes 2.2.1 and 2.15 to this report.

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



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE CIECH GROUP

	31.03.2021	31.12.2020	31.03.2020*
<b>ASSETS</b>			
Property, plant and equipment	3,468,335	3,366,296	2,968,553
Rights to use an asset	172,169	176,688	193,358
Intangible assets other than goodwill	472,145	395,193	444,086
Goodwill	151,007	149,709	147,926
Investment property	40,278	40,948	36,717
Non-current receivables	56,507	53,702	61,568
Investments in jointly-controlled entities measured under the equity method	5,584	5,646	6,700
Long-term financial assets	12,691	12,477	14,532
Deferred income tax assets	47,652	50,688	55,741
<b>Total non-current assets</b>	<b>4,426,368</b>	<b>4,251,347</b>	<b>3,929,181</b>
Inventory	357,484	348,989	429,765
Short-term financial assets	59,184	19,863	11,380
Income tax receivables	26,092	25,760	8,807
Trade and other receivables	548,724	455,918	685,966
Cash and cash equivalents	482,599	443,886	693,505
Non-current assets and groups for disposal held for sale	417	161,970	790
<b>Total current assets</b>	<b>1,474,500</b>	<b>1,456,386</b>	<b>1,830,213</b>
<b>Total assets</b>	<b>5,900,868</b>	<b>5,707,733</b>	<b>5,759,394</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	287,614	287,614	287,614
Share premium	470,846	470,846	470,846
Cash flow hedge reserve	(12,358)	(9,393)	(38,812)
Profit (loss) from costs of hedging reserve	(2,256)	(3,659)	529
Actuarial gains	(495)	(495)	(360)
Other reserve capitals	425,021	425,021	78,521
Currency translation reserve	(27,326)	(31,737)	(34,096)
Retained earnings	1,166,852	982,418	1,239,336
<b>Equity attributable to shareholders of the parent</b>	<b>2,307,898</b>	<b>2,120,615</b>	<b>2,003,578</b>
Non-controlling interest	(2,655)	(2,077)	(1,025)
<b>Total equity</b>	<b>2,305,243</b>	<b>2,118,538</b>	<b>2,002,553</b>
Non-current loans, borrowings and other debt instruments**	1,741,890	360	1,759,853
Lease liabilities	100,454	103,523	115,313
Other non-current liabilities	95,069	82,028	132,306
Employee benefits reserve	13,097	12,958	13,145
Other provisions	155,837	153,261	107,992
Deferred income tax liability	54,897	49,016	68,554
<b>Total non-current liabilities</b>	<b>2,161,244</b>	<b>401,146</b>	<b>2,197,163</b>
Current loans, borrowings and other debt instruments**	163,677	1,911,115	464,723
Lease liabilities	23,325	25,735	27,098
Trade and other liabilities	1,105,828	1,078,446	899,379
Income tax liabilities	45,797	47,918	62,917
Employee benefits reserve	2,142	3,100	4,328
Other provisions	93,612	95,237	101,233
Liabilities related to non-current assets and groups for disposal classified as held for sale	-	26,498	-
<b>Total current liabilities</b>	<b>1,434,381</b>	<b>3,188,049</b>	<b>1,559,678</b>
<b>Total liabilities</b>	<b>3,595,625</b>	<b>3,589,195</b>	<b>3,756,841</b>
<b>Total equity and liabilities</b>	<b>5,900,868</b>	<b>5,707,733</b>	<b>5,759,394</b>

\*Restated data. Detailed information can be found in the Consolidated Financial Statements of the CIECH Group for 2020 in Note 1.5.1 published on 22 April 2021 and in Note 2.2.1 of this report.

\*\*Reclassification of part of the liabilities on account of loans to short-term liabilities due to non-fulfilment of a covenant under the loan agreement in the corresponding period. For details, see note 2.10.

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





## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS OF THE CIECH GROUP

	01.01.-31.03.2021	01.01.-31.03.2020
<b>Cash flows from operating activities</b>		
<b>Net profit/(loss) for the period</b>	<b>183,699</b>	<b>39,421</b>
<b>Adjustments</b>	<b>58,265</b>	<b>(23,198)</b>
Amortisation/depreciation	83,818	81,578
Recognition of impairment allowances	214	1
Foreign exchange (profit) /loss	(13,170)	(33,932)
(Profit) / loss on investment activities	(60,392)	(330)
(Profit) / loss on disposal of property, plant and equipment	1,655	(1,583)
Dividends and interest	10,566	7,448
Income tax	25,907	27,292
Share of (profit) / loss on equity accounted investees	114	(321)
Change in liabilities due to loan arrangement fee	(7,930)	521
Valuation of derivatives	7,987	16,049
Ineffective portion of hedge accounting	-	(1,384)
Other adjustments	(8,373)	8,424
Change in receivables	(118,170)	(138,716)
Change in inventory	(3,224)	32,435
Change in current liabilities	139,442	(9,230)
Change in provisions and employee benefits	(179)	(11,450)
Interest paid	(7,200)	(2,202)
Income tax (paid)/returned	(18,766)	(1,406)
Expenses for research	-	(1,657)
<b>Net cash from operating activities</b>	<b>215,998</b>	<b>10,958</b>
<b>Cash flows from investment activities</b>		
Disposal of a subsidiary*	72,429	-
Disposal of intangible assets and property, plant and equipment	1,077	1,588
Dividends received	-	114
Interest received	237	1,059
Proceeds from repaid borrowings	30,259	-
Acquisition of a subsidiary (after deduction of acquired cash)	-	289
Acquisition of intangible assets and property, plant and equipment	(184,935)	(140,437)
Acquisition of financial assets	-	(141)
Development expenditures	(4,903)	(3,044)
Borrowings paid out	-	(120)
Expenditure on the purchase of emission rights	(82,855)	(22,733)
Other investment inflows (outflows)	(1,968)	-
<b>Net cash from investment activities</b>	<b>(170,659)</b>	<b>(163,425)</b>
<b>Cash flows from financial activities</b>		
Proceeds from loans and borrowings	3,638	555,507
Repayment of loans and borrowings	(7,869)	(6,036)
Payments of lease liabilities	(7,732)	(8,337)
Other financial inflows (outflows)	(139)	150
<b>Net cash from financial activities</b>	<b>(12,102)</b>	<b>541,284</b>
<b>Total net cash flows</b>	<b>33,237</b>	<b>388,817</b>
<b>Cash and cash equivalents as at the beginning of the period</b>	<b>448,799</b>	<b>299,567</b>
<i>Impact of foreign exchange differences</i>	<i>563</i>	<i>5,121</i>
<b>Cash and cash equivalents as at the end of the period</b>	<b>482,599</b>	<b>693,505</b>

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

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



## CONDENSED STATEMENT OF CHANGES IN CONSOLIDATED EQUITY OF THE CIECH GROUP

	Share capital	Share premium	Cash flow hedge reserve	Profit (loss) from costs of hedging reserve	Other reserve capitals	Actuarial gains	Currency translation reserve	Retained earnings	Equity attributable to shareholders of the parent	Non-controlling interest	Total equity
<b>01.01.2021</b>	<b>287,614</b>	<b>470,846</b>	<b>(9,393)</b>	<b>(3,659)</b>	<b>425,021</b>	<b>(495)</b>	<b>(31,737)</b>	<b>982,418</b>	<b>2,120,615</b>	<b>(2,077)</b>	<b>2,118,538</b>
<b>Total comprehensive income for the period</b>	-	-	<b>(2,965)</b>	<b>1,403</b>	-	-	<b>4,411</b>	<b>184,434</b>	<b>187,283</b>	<b>(578)</b>	<b>186,705</b>
Net profit / (loss) for the period	-	-	-	-	-	-	-	184,429	184,429	(730)	183,699
Other comprehensive income	-	-	(2,965)	1,403	-	-	4,411	5	2,854	152	3,006
<b>31.03.2021</b>	<b>287,614</b>	<b>470,846</b>	<b>(12,358)</b>	<b>(2,256)</b>	<b>425,021</b>	<b>(495)</b>	<b>(27,326)</b>	<b>1,166,852</b>	<b>2,307,898</b>	<b>(2,655)</b>	<b>2,305,243</b>
<b>01.01.2020</b>	<b>287,614</b>	<b>470,846</b>	<b>17,678</b>	<b>(216)</b>	<b>78,521</b>	<b>(360)</b>	<b>(75,944)</b>	<b>1,199,661</b>	<b>1,977,800</b>	<b>(1,017)</b>	<b>1,976,783</b>
<b>Total comprehensive income for the period</b>	-	-	<b>(56,490)</b>	<b>745</b>	-	-	<b>41,848</b>	<b>39,675</b>	<b>25,778</b>	<b>(37)</b>	<b>25,741</b>
Net profit / (loss) for the period	-	-	-	-	-	-	-	39,675	39,675	(254)	39,421
Other comprehensive income	-	-	(56,490)	745	-	-	41,848	-	(13,897)	217	(13,680)
<b>31.03.2020*</b>	<b>287,614</b>	<b>470,846</b>	<b>(38,812)</b>	<b>529</b>	<b>78,521</b>	<b>(360)</b>	<b>(34,096)</b>	<b>1,239,336</b>	<b>2,003,578</b>	<b>(1,025)</b>	<b>2,002,553</b>

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

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



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

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

These interim consolidated financial statements were prepared in compliance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” as approved by the European Union and the Regulation of the Minister of Finance dated 29 March 2018 on current and periodical information submitted by issuers of securities and on conditions for deeming equivalent information required by the law of a Non-Member State (Journal of Laws 2018.757 of 29 March 2018). These financial statements present the financial position of the CIECH Group as at 31 March 2021 and as at 31 December 2020, results of the Company’s operations and cash flows for the period of 3 months ended 31 March 2021 and 31 March 2020, and were approved by the Management Board of CIECH S.A. on 27 May 2021.

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 2021 contains a true image of the Group’s developments, achievements, and condition, including the description of major risks and threats.

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

### 2.2. ADOPTED ACCOUNTING PRINCIPLES

The CIECH Group’s accounting principles are described in the Consolidated Financial Statements of the CIECH Group for the year 2020, published on 22 April 2021. 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.



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 2020, published on 22 April 2021.

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

In the Consolidated Financial Statement of the CIECH Group for 2020, note 1.5.1 describes the adjustments of an incorrect approach to the recognition of the valuation of the hedging instruments held by the Group. After consulting with the Advisor, the Company decided to change its approach to:

- a) **the accounting recognition of the CCIRS transaction designated as a hedging instrument in two cash flow hedging relationships – with the change relating to the settlement of a series of FX Forward transactions which hedge sales revenues.**
- b) **recognition of futures transactions hedging the purchase price of CO<sub>2</sub> emission allowances.**

Moreover, the following items were reclassified:

**c) a change in the presentation of the costs of idle assets and production capacity**

Until now, the costs related to idle assets and production capacity in the CIECH Group companies were presented as costs in other operating activities. After the presentation change, these data are included in the core business and affect the cost of sales, which better reflects the nature of these costs.

**d) reclassification of subsidies**

Reclassification of subsidies reported in current liabilities to long-term liabilities.

In connection with the above, the Group introduced the above-mentioned adjustments in the consolidated financial statements. In order to ensure the comparability of data concerning the presented periods, a retrospective approach was applied in the first reporting period after identifying errors from previous years, transforming the data relating to the comparative periods. The impact of the adjustments on the previously presented consolidated data as at 31 March 2020 and for the period from 1 January to 31 March 2020 is presented below. The data for 2019 are presented in the report for 2020.

CONSOLIDATED BALANCE SHEET	After adjustment as at 31 March 2020	Subsidies	FUTURES	CIRS	Before adjustment as at 31 March 2020
<b>ASSETS</b>					
Deferred tax assets	55,741	-	(11,841)	-	67,582
<b>Total non-current assets</b>	<b>3,929,181</b>	-	<b>(11,841)</b>	-	<b>3,941,022</b>
Trade receivables and other	685,966	-	59,803	-	626,163
<b>Total current assets</b>	<b>1,830,213</b>	-	<b>59,803</b>	-	<b>1,770,410</b>
<b>Total assets</b>	<b>5,759,394</b>	-	<b>47,962</b>	-	<b>5,711,432</b>
<b>EQUITY AND LIABILITIES</b>					
Hedging reserve	(38,812)	-	50,906	44,524	(134,242)
Retained earnings	1,239,336	-	4	(44,524)	1,283,856
<b>Equity attributable to shareholders of the parent</b>	<b>2,003,578</b>	-	<b>50,910</b>	-	<b>1,952,668</b>
Non-controlling interest	(1,025)	-	-	-	(1,025)
<b>Total equity</b>	<b>2,002,553</b>	-	<b>50,910</b>	-	<b>1,951,643</b>
<b>Total non-current liabilities</b>	<b>2,197,163</b>	<b>23,074</b>	-	-	<b>2,174,089</b>
<b>Total short-term liabilities</b>	<b>1,559,678</b>	<b>(23,074)</b>	<b>(2,948)</b>	-	<b>1,585,700</b>
<b>Total liabilities</b>	<b>3,756,841</b>	-	<b>(2,948)</b>	-	<b>3,759,789</b>
<b>Total equity and liabilities</b>	<b>5,759,394</b>	-	<b>47,962</b>	-	<b>5,711,432</b>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS	After adjustments 01.01.-31.03.2020	Change in presentation due to discontinuation of operations	Presentation adjustment of continued operations in connection with the separation of discontinued operations	Change in presentation costs of idle assets and production capacity	Previously presented 01.01.- 31.03.2020
<b>Net sales revenues</b>	<b>790,479</b>	<b>(68,609)</b>	<b>4,707</b>	-	<b>854,381</b>
Cost of sales	(616,845)	66,157	-	(7,376)	(675,626)
<b>Gross profit/loss on sales</b>	<b>173,634</b>	<b>(2,452)</b>	<b>4,707</b>	<b>(7,376)</b>	<b>178,755</b>
Other operating income	11,182	(835)	-	-	12,017
Selling costs	(47,026)	666	(4,707)	-	(42,985)
General and administrative expenses	(56,492)	2,059	-	-	(58,551)
Other operating expenses	(18,224)	311	-	7,376	(25,911)
<b>Operating profit/loss</b>	<b>63,074</b>	<b>(251)</b>	-	-	<b>63,325</b>
Financial income	30,775	1,610	-	-	29,165
Financial expenses	(26,054)	44	-	-	(26,098)
<b>Net financial income/expenses</b>	<b>4,721</b>	<b>1,654</b>	-	-	<b>3,067</b>
Share in net profit of subordinated entities accounted for with equity method	321	-	-	-	321
<b>Profit/loss before tax</b>	<b>68,116</b>	<b>1,403</b>	-	-	<b>66,713</b>
Income tax	(27,194)	98	-	-	(27,292)
<b>Net profit/loss</b>	<b>40,922</b>	<b>1,501</b>	-	-	<b>39,421</b>
Profit/loss on sales relating to discontinued operations	(1,501)	(1,501)	-	-	-
<b>Net profit/loss for the financial year</b>	<b>39,421</b>	-	-	-	<b>39,421</b>
<i>including:</i>					
Net profit/loss attributable to shareholders of the parent	39,675	(1,501)	-	-	39,675
Net profit/loss attributable to non-controlling interest	(254)	-	-	-	(254)
<b>Earnings/loss per share (in PLN):</b>					
Basic	0.75	-	-	-	0.75
Diluted	0.75	-	-	-	0.75
<b>Earnings/loss per share (in PLN) from continuing operations:</b>					
Basic	0.78	0.03	-	-	0.75
Diluted	0.78	0.03	-	-	0.75

### 2.3. FUNCTIONAL AND REPORTING CURRENCY

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

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



NBP exchange rate as at the end day of the reporting period	31.03.2021 <sup>1</sup>	31.12.2020 <sup>2</sup>
EUR	4.6603	4.6148
RON	0.9462	0.9479
Average NBP rate for the reporting period	3 months ended 31.03.2021 <sup>3</sup>	3 months ended 31.03.2020 <sup>4</sup>
EUR	4.5721	4.3963
RON	0.9346	0.9147

<sup>1</sup> NBP's average foreign exchange rates table applicable as at 31 March 2021.

<sup>2</sup> NBP's average foreign exchange rates table applicable as at 31 December 2020.

<sup>3</sup> According to the exchange rate constituting the arithmetic mean of average exchange rates quoted by NBP on the last day of each month of the period from 1 January 2021 to 31 March 2021.

<sup>4</sup> According to the exchange rate constituting the arithmetic mean of average exchange rates quoted by NBP on the last day of each month of the period from 1 January 2020 to 31 March 2020.

## 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 1<sup>st</sup> and 4<sup>th</sup> 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

Following the change of the business model and the adoption of the Reorganisation concept of the CIECH group, it was decided to introduce the division of competences within the CIECH Group among individual business areas – business units (“BUs”). The adoption of the Reorganisation Concept is to serve the implementation of the strategy adopted, as well as to streamline business and decision-making processes and improving the transparency of the operation of the CIECH Group. In connection with the reorganisation, the previously presented operating segments were assigned to the new business structure:

1. BU Soda
2. BU Salt
3. BU Agro
4. BU Resins
5. BU Foams
6. BU Silicates
7. BU Packaging

Currently, the Group has reached its target structure for most BUs, assets and operations have been unambiguously assigned to the designated areas. Changes in the adopted reporting segment structure are presented below:

Previous structure:	Current structure:
Soda Segment (BU Soda, BU Salt)	Soda segment comprising BU Soda, BU Salt and transport services assigned to these BUs
Organic Segment (BU Agro, BU Resins, BU Foams)	Agro Segment comprising BU Agro, Resins Segment comprising BU Resins, Foams Segment comprising BU Foams and transport services assigned to these BUs
Silicates and Glass Segment (BU Silicates, BU Packaging)	Silicates Segment comprising BU Silicates, Packaging Segment comprising BU Packaging and transport services assigned to these BUs
Transport Segment	Transport activities transferred to individual segments
Other Segment	Supplemented by other subsidiaries of minor importance to the Group.

For details on the reorganisation of the CIECH Group, see current report No 47/2019.



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

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

**Soda segment (comprising BU Soda, and BU Salt)** – at the current stage of work on the reorganisation, performance figures for BU Soda and BU Salt are analysed jointly, and the performance of BU Soda and BU Salt are closely linked due to sharing the same raw material, i.e. brine, fed jointly to the production facilities of Soda and Salt, as well as a common power plant and combined heat and power plant providing heat and electricity, within CIECH Soda Polska. For this reason, it is not possible to allocate direct costs in an unambiguous way (mainly: coal, electricity, CO<sub>2</sub>, maintenance on shared infrastructure). As a result, business decisions are made jointly for both BUs - e.g. in the case of limitations in the availability of raw material or steam, the profitability analysis of all Soda and Salt products, rather than the fact of being part of a specific BU, determines the production of particular products. A shared source of raw material, a shared infrastructure and practically indivisible costs mean that, consequently, it is also not possible to allocate these values to the BU in question as regards liabilities and certain inventories. This all makes the analysis of cash flow generating units at the BU level potentially misleading. Decisions on the above matters are made at the level of the Management Board of CIECH S.A.

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

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

**Resins Segment** – the CIECH Group was a producer of a variety of organic compounds manufactured by CIECH Żywiec Sp. z o.o. In 2020 and in the first quarter of 2021, it was producing, among others, epoxy resins and polyester resins. These products are used in the following industries: automotive, paints and electronics. On 1 March 2021, CIECH Żywiec Sp. z o.o. was sold to LERG S.A., and its figures are reported as discontinued operations.

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

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

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

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

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

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

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

Operational Segments results are assessed by the CIECH S.A.'s Management Board on the basis of sales revenue, operating profit, level of EBITDA and adjusted EBITDA. No need to separate additional Segments under IFRS 8 regulations has been identified.



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

	01.01.-31.03.2021	01.01.-31.03.2020*
<b>Net profit/(loss) on continuing operations</b>	<b>113,886</b>	<b>40,922</b>
Income tax	24,388	27,194
Share of profit / (loss) of equity-accounted investees	115	(321)
Financial expenses	27,812	26,054
Financial income	(28,953)	(30,775)
Amortisation/depreciation	83,818	78,919
<b>EBITDA on continued operations</b>	<b>221,066</b>	<b>141,993</b>
EBITDA on discontinued operations	10,466	2,910
<b>EBITDA on continued and discontinued operations</b>	<b>231,532</b>	<b>144,903</b>

\*Restated data. For detailed information on discontinued operations, see Note 2.15 to this report.

	01.01.-31.03.2021	01.01.-31.03.2020*
<b>EBITDA on continued operations</b>	<b>221,066</b>	<b>141,993</b>
One-offs including:	827	(2,030)
Impairment (a)	-	51
Cash items (b)	(251)	(2,129)
Non-cash items (without impairment) (c)	1,078	48
<b>Adjusted EBITDA on continued operations</b>	<b>221,893</b>	<b>139,963</b>
Adjusted EBITDA on discontinued operations	10,489	2,135
<b>Adjusted EBITDA on continued and discontinued operations</b>	<b>232,382</b>	<b>142,098</b>

\*Restated data. For detailed information on discontinued operations, see Note 2.15 to this report.

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

<b>DISCONTINUED OPERATIONS</b>	01.01.-31.03.2021	01.01.-31.03.2020*
Operating profit/(loss)	10,466	250
Amortisation and depreciation	-	2,660
One-offs	(23)	775
EBITDA from discontinued operations	10,466	2,910
<b>Adjusted EBITDA from discontinued operations</b>	<b>10,489</b>	<b>2,135</b>

\*Restated data. For detailed information on discontinued operations, see Note 2.15 to this report.

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

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

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

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





## OPERATING SEGMENTS OF THE CIECH GROUP

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

OPERATING SEGMENTS 01.01.-31.03.2021	Soda Segment	Agro Segment	Foams Segment	Silicates Segment	Packaging Segment	Other operations Segment	Corporate functions - reconciliation item	Eliminations (consolidation adjustments)	TOTAL
Revenues from third parties	506,080	168,829	102,577	57,060	13,718	12,808	-	-	861,072
Revenue from inter-segment transactions	18,248	10	49	27	2	5,745	-	(24,081)	-
<b>Total sales revenues</b>	<b>524,328</b>	<b>168,839</b>	<b>102,626</b>	<b>57,087</b>	<b>13,720</b>	<b>18,553</b>	-	<b>(24,081)</b>	<b>861,072</b>
Cost of sales	(420,081)	(124,667)	(81,065)	(44,476)	(8,630)	(16,058)	-	19,862	(675,115)
<b>Gross profit /(loss) on sales</b>	<b>104,247</b>	<b>44,172</b>	<b>21,561</b>	<b>12,611</b>	<b>5,090</b>	<b>2,495</b>	-	<b>(4,219)</b>	<b>185,957</b>
Selling costs	(31,859)	(8,790)	(2,741)	(6,845)	(1,660)	(730)	-	3,695	(48,930)
General and administrative expenses	(18,716)	(7,833)	(921)	(1,088)	(562)	(2,791)	(19,532)	828	(50,615)
Result on management of receivables	(470)	418	(4)	(4)	(4)	567	13	-	516
Result on other operating activities	50,000	1,177	4	(31)	898	230	(700)	(1,258)	50,320
<b>Operating profit /(loss)</b>	<b>103,202</b>	<b>29,144</b>	<b>17,899</b>	<b>4,643</b>	<b>3,762</b>	<b>(229)</b>	<b>(20,219)</b>	<b>(954)</b>	<b>137,248</b>
Exchange differences and interest on trade settlements	955	(246)	66	402	70	410	-	-	1,657
Group borrowing costs	-	-	-	-	-	-	(5,014)	-	(5,014)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	-	4,498	-	4,498
Share of profit / (loss) of equity-accounted investees	(115)	-	-	-	-	-	-	-	(115)
<b>Profit /(loss) before tax</b>	<b>104,042</b>	<b>28,898</b>	<b>17,965</b>	<b>5,045</b>	<b>3,832</b>	<b>181</b>	<b>(20,735)</b>	<b>(954)</b>	<b>138,274</b>
Income tax	-	-	-	-	-	-	-	-	(24,388)
Net profit /(loss) on continuing operations	-	-	-	-	-	-	-	-	113,886
Net profit /(loss) on discontinued operations	-	-	-	-	-	-	-	-	69,813
<b>Net profit /(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>183,699</b>
Amortization/depreciation	67,842	7,626	996	2,223	1,300	290	3,541	-	83,818
EBITDA	171,044	36,770	18,895	6,866	5,062	61	(16,678)	(953)	221,066
Adjusted EBITDA*	172,116	37,143	18,895	6,964	4,256	47	(16,595)	(933)	221,893

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



OPERATING SEGMENTS 01.01.-31.03.2020	Soda Segment	Agro Segment	Foams Segment	Silicates Segment	Packaging Segment	Other operations Segment	Corporate functions - reconciliation item	Eliminations (consolidation adjustments)	TOTAL*
Revenues from third parties	512,978	132,022	65,139	46,453	16,879	17,008	-	-	790,479
Revenue from inter-segment transactions	22,886	28	19	112	-	5,716	-	(28,761)	-
<b>Total sales revenues</b>	<b>535,864</b>	<b>132,050</b>	<b>65,158</b>	<b>46,565</b>	<b>16,879</b>	<b>22,724</b>	-	<b>(28,761)</b>	<b>790,479</b>
Cost of sales	(410,556)	(102,843)	(54,918)	(37,027)	(10,561)	(21,545)	-	20,605	(616,845)
<b>Gross profit /(loss) on sales</b>	<b>125,308</b>	<b>29,207</b>	<b>10,240</b>	<b>9,538</b>	<b>6,318</b>	<b>1,179</b>	-	<b>(8,156)</b>	<b>173,634</b>
Selling costs	(27,785)	(11,096)	(2,424)	(6,001)	(2,762)	(2,736)	-	5,778	(47,026)
General and administrative expenses	(23,557)	(9,226)	(719)	(1,162)	(337)	(1,725)	(21,022)	1,256	(56,492)
Result on management of receivables	(31)	(247)	15	(1)	(4)	231	-	-	(37)
Result on other operating activities	(2,784)	836	(28)	-	89	(3,770)	(216)	(1,132)	(7,005)
<b>Operating profit /(loss)</b>	<b>71,151</b>	<b>9,474</b>	<b>7,084</b>	<b>2,374</b>	<b>3,304</b>	<b>(6,821)</b>	<b>(21,238)</b>	<b>(2,254)</b>	<b>63,074</b>
Exchange differences and interest on trade settlements	(1,034)	904	(1,286)	-	132	(822)	-	-	(2,106)
Group borrowing costs	-	-	-	-	-	-	(13,956)	-	(13,956)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	-	20,783	-	20,783
Share of profit / (loss) of equity-accounted investees	321	-	-	-	-	-	-	-	321
<b>Profit /(loss) before tax</b>	<b>70,438</b>	<b>10,378</b>	<b>5,798</b>	<b>2,374</b>	<b>3,436</b>	<b>(7,643)</b>	<b>(14,411)</b>	<b>(2,254)</b>	<b>68,116</b>
Income tax	-	-	-	-	-	-	-	-	(27,194)
Net profit /(loss) on continuing operations	-	-	-	-	-	-	-	-	40,922
Net profit /(loss) on discontinued operations	-	-	-	-	-	-	-	-	(1,501)
<b>Net profit /(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,421</b>
Amortization/depreciation	62,012	7,568	989	2,616	2,053	167	3,514	-	78,919
EBITDA	133,163	17,042	8,073	4,990	5,357	(6,653)	(17,724)	(2,255)	141,993
Adjusted EBITDA**	131,097	16,889	8,073	4,991	5,370	(6,653)	(17,549)	(2,255)	139,963

\*Restated data. For detailed information on discontinued operations, see Note 2.15 to this report.

\*\*Adjusted EBITDA from continuing operations for the 3-month period ended 31 March 2020 is calculated as EBITDA adjusted for untypical one-off events: fortuitous events: sale of fixed assets: PLN 1.6 million, fines and compensation: PLN 1.3 million, other: PLN -0.1 million.



## ASSETS AND LIABILITIES BY OPERATING SEGMENTS

	ASSETS		LIABILITIES	
	31.03.2021	31.12.2020	31.03.2021	31.12.2020
Soda Segment	3,827,866	3,632,188	254,634	290,786
Resins Segment	43,567	203,699	36,456	58,312
Agro Segment	780,402	755,969	136,865	93,704
Foams Segment	76,372	68,447	64,108	59,174
Silicates Segment	79,216	84,898	18,514	19,010
Packaging Segment	40,245	33,047	4,585	8,846
Other operations Segment	82,797	23,016	9,066	25,451
Corporate functions - reconciliation item	1,047,574	1,015,451	3,145,881	3,076,077
Eliminations (consolidation adjustments)	(77,171)	(108,982)	(74,484)	(42,165)
<b>TOTAL</b>	<b>5,900,868</b>	<b>5,707,733</b>	<b>3,595,625</b>	<b>3,589,195</b>

The value of investments in equity-accounted entities occurs only for the assets of the Soda Segment and amounts to PLN 5,584 thousand as at 31 March 2021.

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

	31.03.2021	31.03.2020
Soda Segment	218,852	161,612
Agro Segment	5,468	4,905
Resins Segment	-	2,943
Foams Segment	22	45
Silicates Segment	6,204	880
Packaging Segment	493	420
Other operations Segment	1,359	3,472
Corporate functions - reconciliation item	3,229	2,115
<b>TOTAL</b>	<b>235,627</b>	<b>176,392</b>

## INFORMATION ON GEOGRAPHICAL AREAS

ASSETS DIVIDED ON GEOGRAPHICAL REGIONS	Non-current assets other than financial instruments	Deferred income tax assets	Other assets	Total assets
<b>31.03.2021</b>				
Poland	2,463,182	47,652	1,078,036	3,588,870
European Union (excluding Poland)	1,914,747	-	378,157	2,292,904
Other European countries	-	-	3,003	3,003
Africa	-	-	5,377	5,377
Asia	-	-	4,080	4,080
Other regions	-	-	6,634	6,634
<b>TOTAL</b>	<b>4,377,929</b>	<b>47,652</b>	<b>1,475,287</b>	<b>5,900,868</b>
<b>31.12.2020</b>				
Poland	2,412,274	50,688	1,085,525	3,548,487
European Union (excluding Poland)	1,787,812	-	337,954	2,125,766
Other European countries	-	-	14,788	14,788
Africa	-	-	3,923	3,923
Asia	-	-	4,493	4,493
Other regions	-	-	10,276	10,276
<b>TOTAL</b>	<b>4,200,086</b>	<b>50,688</b>	<b>1,456,959</b>	<b>5,707,733</b>



## SALES REVENUES – GEOGRAPHICAL STRUCTURE OF MARKETS

	01.01.-31.03.2021	01.01.-31.03.2020*	Change 2021/2020
<b>Poland</b>	<b>458,035</b>	<b>406,038</b>	<b>12.9%</b>
<b>European Union (excluding Poland)</b>	<b>364,346</b>	<b>358,804</b>	<b>(10.8%)</b>
Germany	168,499	172,473	3.1%
Romania	13,754	8,108	69.6%
Czech Republic	42,653	45,716	(6.7%)
Italy	7,076	9,426	(24.9%)
The Netherlands	32,854	31,087	5.7%
Finland	17,582	12,300	42.9%
Sweden	8,479	5,079	66.9%
Belgium	5,112	8,151	(37.3%)
Denmark	10,557	10,211	3.4%
Spain	26,558	23,298	14.0%
Austria	10,541	8,537	23.5%
France	4,168	1,625	156.5%
Luxembourg	-	5,860	(100.0%)
Lithuania	4,014	3,385	18.6%
Other EU countries	12,499	13,548	(7.7%)
<b>Other European Countries</b>	<b>16,700</b>	<b>20,750</b>	<b>(19.5%)</b>
Switzerland	715	776	(7.9%)
Norway	10,987	10,908	0.7%
United Kingdom	1,380	1,363	1.2%
Russia	435	1,806	(75.9%)
Other European countries	3,183	5,897	(46.0%)
<b>Africa</b>	<b>4,058</b>	<b>3,097</b>	<b>31.0%</b>
<b>Asia</b>	<b>7,608</b>	<b>9,802</b>	<b>(22.4%)</b>
China	687	23	2887.0%
Singapore	399	512	(22.1%)
Turkey	2,765	4,204	(34.2%)
Other Asian countries	3,757	4,735	(20.7%)
<b>Other regions</b>	<b>10,025</b>	<b>748</b>	<b>1240.2%</b>
Cash flow hedge adjustment	300	(8,760)	(103.4%)
<b>TOTAL</b>	<b>861,072</b>	<b>790,479</b>	<b>8.9%</b>

\*Restated data. For detailed information on discontinued operations, see Note 2.15 to this report.

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



## 2.6. PROVISIONS AND IMPAIRMENT LOSSES ON ASSETS

During the first quarter of 2021, the following changes in provisions and impairment losses on assets were recognised in the consolidated financial statements of the CIECH Group.

PROVISIONS FOR EMPLOYEE BENEFITS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
<b>01.01.-31.03.2021</b>					
Long-term	12,958	183	(115)	71	13,097
Short-term	3,100	-	(586)	(372)	2,142
<b>01.01.-31.03.2020</b>					
Long-term	12,848	65	(63)	295	13,145
Short-term	15,465	126	(11,692)	429	4,328

CHANGE IN OTHER LONG-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
<b>01.01.-31.03.2021</b>					
Provision for liabilities and expected losses	40,776	497	-	1,064	42,337
Provision for environmental protection	112,485	-	-	1,015	113,500
<b>TOTAL</b>	<b>153,261</b>	<b>497</b>	<b>-</b>	<b>2,079</b>	<b>155,837</b>
<b>01.01.-31.03.2020</b>					
Provision for liabilities and expected losses	8,762	-	-	-	8,762
Provision for environmental protection	93,435	35	-	5,760	99,230
<b>TOTAL</b>	<b>102,197</b>	<b>35</b>	<b>-</b>	<b>5,760</b>	<b>107,992</b>

CHANGE IN OTHER SHORT-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
<b>01.01.-31.03.2021</b>					
Provision for liabilities and expected losses	94,237	2,109	(2,489)	(820)	93,046
Provision for environmental protection	889	-	(434)	-	455
Provision for restructuring	111	-	-	-	111
<b>TOTAL</b>	<b>95,237</b>	<b>2,109</b>	<b>(2,914)</b>	<b>(820)</b>	<b>93,612</b>
<b>01.01.-31.03.2020</b>					
Provision for liabilities and expected losses	97,998	1,955	(897)	929	99,985
Provision for environmental protection	1,516	-	(379)	-	1,137
Provision for restructuring	111	-	-	-	111
<b>TOTAL</b>	<b>99,625</b>	<b>1,955</b>	<b>(1,276)</b>	<b>929</b>	<b>101,233</b>

CHANGE IN IMPAIRMENT ALLOWANCES	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
<b>01.01.-31.03.2021</b>					
Property, plant and equipment	79,007	-	-	(137)	78,870
Intangible assets, including:	491,361	-	-	3,757	495,118
<i>Goodwill</i>	440,231	-	-	3,318	443,549
Long-term receivables	1,015	-	-	10	1,025
Long-term financial assets	2,415	-	-	-	2,415
Inventories	38,303	796	(1,957)	(11)	37,131

CHANGE IN IMPAIRMENT ALLOWANCES	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
Short-term financial assets	28,343	264	-	-	28,607
Trade and other receivables	66,632	874	(1,488)	1,430	67,448
Cash and cash equivalents	316	82	(44)	-	355
<b>TOTAL</b>	<b>707,392</b>	<b>2,016</b>	<b>(3,489)</b>	<b>5,049</b>	<b>710,969</b>
<b>01.01.-31.03.2020</b>					
Property, plant and equipment	74,915	146	(95)	3,771	78,737
Intangible assets, including:	453,861	-	-	29,275	483,136
<i>Goodwill</i>	<i>408,650</i>	-	-	<i>26,446</i>	<i>435,096</i>
Long-term receivables	975	-	(4)	67	1,038
Long-term financial assets	1,343	-	-	(1)	1,342
Inventories	33,327	780	(824)	109	33,392
Short-term financial assets	27,942	-	-	-	27,942
Trade and other receivables	56,879	3,303	(611)	(763)	58,808
Cash and cash equivalents	200	489	(15)	-	674
<b>TOTAL</b>	<b>649,442</b>	<b>4,718</b>	<b>(1,549)</b>	<b>32,458</b>	<b>685,069</b>

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

In connection with the suspension in 2019 of production by a subsidiary, CIECH Soda Romania S.A., resulting from the discontinuation of supplies of process steam by its supplier, S.C. CET Govora S.A., the CIECH Group evaluated the evidence of impairment of assets, based on possible scenarios of actions. Following the analysis, the Group recognised an impairment loss on property, plant and equipment in the total amount of PLN 73,486 thousand as at 31 December 2019. The status of the Romanian plant has not changed compared to the status at the end of 2019. In 2021, the Group continues to identify the reasons for the decision to recognise an impairment loss in previous years.

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

For details on the impairment loss recognised in previous periods, see Note 3.4 to the Consolidated Financial Statements of the CIECH Group for 2020, published on 22 April 2021.

## 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.-31.03.2021	01.01.-31.03.2020
Current income tax	(19,016)	(19,320)
Deferred tax	(5,372)	(7,874)
<b>INCOME TAX RECOGNISED IN STATEMENT OF PROFIT OR LOSS</b>	<b>(24,388)</b>	<b>(27,194)</b>

\*Restated data. For detailed information on discontinued operations, see Note 2.15 to this report.



Deferred income tax is attributable to the following items:

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITY	31.03.2021			31.12.2020		
	Total asset	Total liability	Net value	Total asset	Total liability	Net value
Property, plant and equipment	1,237	135,826	(134,589)	1,221	136,672	(135,451)
Intangible assets	4,379	22,733	(18,354)	5,032	22,982	(17,950)
Rights to use an asset	-	4,686	(4,686)	-	4,686	(4,686)
Investment property	1,139	1,099	40	1,133	1,099	34
Financial assets	6,234	8,219	(1,985)	6,795	3,340	3,455
Inventory	1,738	813	925	2,590	426	2,164
Trade and other receivables	11,523	-	11,523	9,152	-	9,152
Provisions for employee benefits	2,704	-	2,704	2,523	-	2,523
Other provisions	16,422	-	16,422	18,210	-	18,210
Tax losses carried forward	37,442	-	37,442	38,413	-	38,413
Foreign exchange differences	304	6,419	(6,115)	471	4,312	(3,841)
Liabilities	34,122	1,915	32,207	32,600	47	32,553
Special economic zone	95,381	-	95,381	95,369	-	95,369
Other	640	42	598	369	43	326
<b>Deferred tax assets/liability</b>	<b>213,265</b>	<b>181,752</b>	<b>31,513</b>	<b>213,878</b>	<b>173,607</b>	<b>40,271</b>
Set - off of deferred tax assets/ liability	(126,855)	(126,855)	-	(124,591)	(124,591)	-
Unrecognized deferred tax assets	(38,758)	-	(38,758)	(38,599)	-	(38,599)
<b>Deferred tax assets/liability recognised in the statement of financial position</b>	<b>47,652</b>	<b>54,897</b>	<b>(7,245)</b>	<b>50,688</b>	<b>49,016</b>	<b>1,672</b>

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

## 2.8. INFORMATION ON FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

**Assets and liabilities measured at fair value**

	31.03.2021		31.12.2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	482,599	482,599	443,886	443,886
Loans granted	36,923	36,923	146	146
Trade receivables	299,367	299,367	175,697	175,697
Financial assets from valuation of derivatives	23,021	23,021	20,262	20,262
Factoring receivables	50,280	50,280	47,425	47,425
<b>ASSETS</b>	<b>892,190</b>	<b>892,190</b>	<b>687,416</b>	<b>687,416</b>
Credits and loans	(1,905,567)	(1,907,582)	(1,911,475)	(1,910,967)
Liabilities for supplies and services	(453,319)	(453,319)	(490,611)	(490,611)
Derivatives with negative value	(62,103)	(62,103)	(59,446)	(59,446)
Factoring liabilities	(17,472)	(17,472)	(16,174)	(16,174)
<b>LIABILITIES</b>	<b>(2,438,461)</b>	<b>(2,440,476)</b>	<b>(2,477,706)</b>	<b>(2,477,198)</b>

**2.8.1. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE**

As at 31 March 2021, the CIECH Group held the following types of financial instruments measured at fair value:

- concluded by the parent company, CIECH S.A.: interest rate swap contracts, CIRS (currency and interest rate swap) contract EUR/PLN — Level 2, according to the fair value hierarchy,
- currency forwards concluded by CIECH S.A. — Level 2, according to the fair value hierarchy,
- collar option structures for gas supply at CIECH Energy Deutschland GmbH – Level 2, according to the fair value hierarchy.

In the first quarter of 2021, there were no transfers within the fair value hierarchy of instruments measured at fair value. There were no changes in the classification of financial instruments, or in business conditions that could affect the fair value of financial assets or liabilities.

As compared to the previous reporting period, the CIECH Group has not made any changes in methods of measurement of financial instruments held. The descriptions of methods of measurement to fair value was presented in note 8.4 of the Consolidated Financial Statements of the CIECH Group for 2020, published on 22 April 2021.

In the consolidated financial statements, all financial instruments concluded and described above – except for one currency forward, EUR/PLN, and one of the CIRS contracts as well as futures transactions for the purchase and sale of CO<sub>2</sub> certificates – were designated for hedge accounting, and details of the designation were presented in note 8.2 of the Consolidated Financial Statements of the CIECH Group for 2020, published on 22 April 2021.

In the separate financial statements, interest rate swaps were designated for hedge accounting, and details of the designation were presented in note 8.2 of the CIECH S.A.'s Financial Statements for 2020, published on 22 April 2021.

**Fair value of derivative instruments**

	Cash and cash equivalents	Long-term financial assets	Short-term financial assets	Other long-term liabilities	Trade and other liabilities	TOTAL
<b>31.03.2021</b>						
IRS EUR	-	-	-	(232)	(369)	(601)
IRS PLN	-	-	-	(9,683)	(18,509)	(28,192)
CIRS	-	789	1,316	(17,948)	-	(15,843)
Collar options	-	-	19,578	-	-	19,578
Forward EUR/PLN	-	-	1,338	-	(15,362)	(14,024)
<b>TOTAL</b>	<b>-</b>	<b>789</b>	<b>22,232</b>	<b>(27,863)</b>	<b>(34,240)</b>	<b>(39,082)</b>
<b>31.12.2020</b>						
IRS EUR*	-	-	-	-	(618)	(618)
IRS PLN*	-	-	-	-	(31,126)	(31,126)
CIRS	-	574	1,261	(14,327)	-	(12,492)



	Cash and cash equivalents	Long-term financial assets	Short-term financial assets	Other long-term liabilities	Trade and other liabilities	TOTAL
Forward EUR/PLN	-	-	-	-	(13,375)	(13,375)
Collar options	-	-	18,427	-	-	18,427
Futures contracts for the sale of CO <sub>2</sub> certificates	(22,590)	-	-	-	-	(22,590)
<b>TOTAL</b>	<b>(22,590)</b>	<b>574</b>	<b>19,688</b>	<b>(14,327)</b>	<b>(45,119)</b>	<b>(61,774)</b>

\*As at the end of 2020, the long-term portion of IRS transactions designated for hedge accounting is not reported. These transactions hedge the interest rate on loans that have been recognised as short-term liabilities due to a breach of one of the covenants at the balance sheet date. For details, see note 2.10.

## 2.8.2. FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The CIECH Group has taken out term and revolving credit facilities whose book value, as at 31 March 2021, was PLN 1,905,566 thousand, and whose fair value amounted to PLN 1,907,582 thousand (Level 2 of fair value hierarchy). In the case of the remaining financial instruments held by the CIECH Group (classified mainly as cash and cash equivalents, financial assets and liabilities measured at amortised cost), 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 2021, the CIECH Group carried out the following transactions increasing and decreasing the gross value of property, plant and equipment:

01.01.-31.03.2021	Land	Buildings, premises, civil and marine engineering structures	Machinery and equipment	Vehicles	Other fixed assets	Property, plant and equipment under construction	TOTAL
<b>Gross value of property, plant and equipment at the beginning of the period</b>	<b>90,702</b>	<b>1,320,662</b>	<b>3,583,262</b>	<b>83,462</b>	<b>62,701</b>	<b>898,999</b>	<b>6,039,788</b>
Purchase	-	274	179	282	267	154,744	155,746
Reclassifications	-	9,166	37,151	195	995	(48,504)	(997)
Capitalised borrowing costs	-	-	-	-	-	4,123	4,123
Foreign exchange differences	701	2,075	9,973	18	99	8,398	21,264
Sale	-	-	(40)	-	(181)	-	(221)
Liquidation	-	-	(21)	(162)	(87)	-	(270)
Other	-	-	8	(97)	10	-	(79)
<b>Gross value of property, plant and equipment at the end of the period</b>	<b>91,403</b>	<b>1,332,177</b>	<b>3,630,512</b>	<b>83,698</b>	<b>63,804</b>	<b>1,017,760</b>	<b>6,219,354</b>

Purchases of property, plant and equipment were made with own financial resources. As at 31 March 2021, commitments to purchase property, plant and equipment amounted to PLN 88,205 thousand (PLN 120,509 thousand as at 31 December 2020). The increase in the value of property, plant and equipment is related to investment projects carried out in the CIECH Group, mainly in the production companies of the Group.

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

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



Under the Facilities Agreement dated 29 October 2015 and under three revolving credit facilities agreements dated 18 April 2019, CIECH S.A. and its selected subsidiaries were obliged to, among others, maintain a certain level of:

- net leverage ratio for the Group specified in the Facilities Agreement (the ratio of the CIECH Group's consolidated net debt to consolidated EBITDA of the CIECH Group calculated according to the guidelines in the amount of at least 4.0, measured at the end of a year and first six months of a year). As at the balance sheet date, i.e. 31 December 2020, this ratio was maintained and amounted to 2.45.
- the guarantor coverage ratio (share of subsidiaries being guarantors in the consolidated EBITDA of the CIECH Group, calculated according to the guidelines) at a level of at least 80%; this ratio was not met as at the 31 December 2020: the share of the subsidiaries in the consolidated EBITDA value, which are guarantors, in the Facilities Agreement did not exceed the required threshold of 80% and amounted to 76.7%. Due to the breach of the ratio and failure to repeal the breach as at the balance sheet date, the total value of loans made available on the basis of the above-mentioned agreements, as at 31 December 2020, was reclassified to short-term loan liabilities in accordance with IAS 1. In connection with the occurrence of a breach of the guarantor coverage ratio, the Company asked the lenders to change the method of calculating the ratio, by: not taking into account the results of CIECH Soda Romania S.A. in the calculation, and not taking into account of the results of CIECH Żywiec Sp. z o.o. and for lenders waiving their rights related to the occurrence of a breach of the ratio. The lenders being a party to the syndicated Facilities Agreement of 29 October 2015 and the lenders of the revolving facility agreements (except for Banco de Sabadell, for a EUR 25 million loan), accepted the Company's request by 31 March 2021, i.e. during the cure period provided for in facility agreements. Accordingly, upon approval, the above facilities were presented at the balance sheet date of 31 March 2021 in accordance with their maturity dates, except for the facility granted by Banco de Sabadell, whose value was reclassified in its entirety to the short-term liability on account of loans.

At the same time, a new long-term facility agreement concerning facilities in the total amount of PLN 2,115,000 thousand was signed on 16 March 2021. For details on the agreement, see current report No 7/2021. Under the new facilities agreement, the guarantor coverage ratio will be tested for the first time as at the balance sheet date of 30 June 2021.

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 2020, published on 22 April 2021.

## 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 PARTIES	01.01.-31.03.2021	01.01.-31.03.2020
Revenues from sales of products and services, including:	1,062	1,032
<i>associates</i>	486	486
Revenues from sales of goods and materials, including:	12,712	15,128
<i>associates</i>	6,989	11,878
Other operating income, including:	4	4
<i>associates</i>	4	4
Financial income, including:	-	114
<i>associates</i>	-	114
Purchase of services, including:	8,125	12,230
<i>KI One S.A.</i>	43	55
<i>associates</i>	5,408	1,867
	<b>31.03.2021</b>	<b>31.12.2020</b>
Trade receivables, including:	11,693	7,488
<i>associates</i>	3,347	591
Trade liabilities, including:	2,741	7,501
<i>associates</i>	2,041	2,530

**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 through bank transfers. No material non-standard or non-routine transactions were concluded with related entities in the first quarter of 2021, except for transactions described in item 3.3 hereof.

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

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

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

**2.13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES INCLUDING GUARANTEES AND SURETIES**

	31.03.2021	31.12.2020
<b>Contingent assets</b>	<b>22,148</b>	<b>31,077</b>
Other contingent receivables*	22,148	31,077
<b>Contingent liabilities</b>	<b>646,605</b>	<b>645,699</b>
Guarantees and sureties granted**	552,057	551,318
Other***	94,548	94,381

\* Including:

- Contingent asset in the amount of PLN 18,864 thousand related to the action against GZNF "FOSFOR" Sp. z o.o. for the payment of compensation for making an alleged untrue declaration by GZNF "FOSFOR" Sp. z o.o. to CIECH S.A. about the condition of Agrochem Człuchów Sp. z o.o. with its registered office in Człuchów.
- As at 31 March 2021, a contingent asset recognised by CIECH Soda Polska S.A. amounted to PLN 3,284 thousand – it is the value of energy efficiency certificates received from the President of the Energy Regulatory Office in previous years that have not been recorded yet in the account kept by the Polish Power Exchange.

\*\* Including:

- guarantee granted up to the amount of 125% of liability related to term loan in the amount of PLN 1,212,520 thousand and revolving loan in the amount of PLN 250,000 thousand – contingent liability in the amount of PLN 365,630 thousand,
- guarantee granted up to the amount of 125% of liability related to term loan in the amount of EUR 30,000 thousand – contingent liability in the amount of PLN 34,952 thousand,
- guarantee granted up to the amount of 125% of liability related to short-term loan in the amount of EUR 50,000 thousand – contingent liability in the amount of PLN 12,500 thousand,
- guarantee granted up to the amount of 125% of liability related to short-term loan in the amount of EUR 10,000 thousand – contingent liability in the amount of PLN 11,651 thousand,
- guarantee granted up to the amount of 125% of liability related to revolving loan in the amount of EUR 25,000 thousand – contingent liability in the amount of PLN 29,127 thousand,
- guarantee granted up to the amount of 125% of liability related to revolving loan in the amount of PLN 300,000 thousand – contingent liability in the amount of PLN 75,000 thousand,
- guarantee granted up to the amount of 125% of liability related to revolving loan in the amount of PLN 92,788 thousand – contingent liability in the amount of PLN 23,197 thousand.

\*\*\* Including:

- contingent liability in the SDC Group relating to environmental protection in the amount of PLN 16,973 thousand (EUR 3,642 thousand),
- contingent liability in CIECH Soda Polska S.A. regarding environmental penalty fees in the amount of PLN 8,755 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 amount of PLN 21,861 thousand,
- contingent liabilities in CIECH Sarzyna S.A. resulting from a grant received for developing and testing a group of agro-chemical preparations in the amount of PLN 14,645 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 11,991 thousand,
- contingent liabilities in CIECH R&D Sp. z o.o. resulting from promissory notes relating to subsidies received for the purchase of rolling stock the amount of PLN 14,200 thousand,
- contingent liabilities in Smart Fluid Sp. z o.o. resulting from promissory notes relating to subsidies received for research and development projects in the amount of PLN 5,015 thousand.



- other off-balance sheet liabilities in CIECH Soda Polska S.A. in the amount of PLN 1,107 thousand in connection with the payment order in the writ of payment proceedings against which an objection was lodged.

As at 31 March 2021, contingent liabilities amounted to PLN 646,605 thousand and increased as compared to 31 December 2020 by PLN 906 thousand. The change was mainly due to changes in the exchange rate.

Other guarantees and sureties granted are described in note 9.2 Consolidated Financial Statements of the CIECH Group for 2020, published on 22 April 2021.

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

The Management Board of CIECH S.A. on 18 May 2021, it adopted a resolution recommending the Ordinary General Meeting of CIECH S.A. to:

1. allocate the net profit generated by the Company in 2020 in the amount of PLN 155,287 thousand in full for the payment of dividends;
2. transfer the amount of PLN 2,812 thousand from the supplementary capitals created from profit, which may be allocated to the payment of dividends, in order to allocate it for the payment of dividends;
3. pay a dividend in the amount of PLN 158,100 thousand, i.e. PLN 3 per share from the net profit of the Company for 2020 increased by the amount transferred from the supplementary capital created from profit,
4. set the dividend date for 24 June 2021,
5. set the dividend payment date for 8 July 2021.

Supervisory Board of CIECH S.A. upon review of the application of the Management Board of CIECH S.A. adopted on 20 May 2021 a resolution recommending to the Ordinary General Meeting the above-mentioned proposal of the Management Board of CIECH S.A.

On 21 May 2020, the Ordinary General Meeting resolved to distribute CIECH S.A.'s net profit for the financial year 2019, amounting to PLN 60,436 thousand, and to allocate the entire profit to CIECH S.A.'s supplementary capital.

## 2.15. INFORMATION ON DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE IN THE FIRST QUARTER OF 2021

### Discontinued operations

The accounting principles applied in the preparation of the statement of profit or loss for discontinued operations are consistent with the Group's accounting policy. The results of discontinued operations include:

For the period from 1 January to 31 March 2021 and for the period from 1 January to 31 March 2020:

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

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

	01.01.-31.03.2021				01.01.-31.03.2020			
	CIECH Żywiec Sp. z o.o.	CIECH S.A.	Consolidation adjustments	Grupa CIECH	CIECH Żywiec Sp. z o.o.	CIECH S.A.	Consolidation adjustments	Grupa CIECH
Net sales revenues	69,910	30,804	(30,817)	69,897	72,534	36,979	(40,904)	68,609
Cost of sales	(54,077)	(30,584)	28,020	(56,641)	(64,933)	(36,992)	35,768	(66,157)
Gross profit/(loss) on sales	15,833	220	(2,797)	13,256	7,601	(13)	(5,136)	2,452
Other operating income	385	-	-	385	61	-	774	835



	01.01.-31.03.2021				01.01.-31.03.2020			
	CIECH Żywiec Sp. z o.o.	CIECH S.A.	Consolidation adjustments	Grupa CIECH	CIECH Żywiec Sp. z o.o.	CIECH S.A.	Consolidation adjustments	Grupa CIECH
Selling costs	(3,782)	(96)	2,667	(1,211)	(3,822)	(409)	3,565	(666)
General and administrative expenses	(1,672)	-	130	(1,542)	(2,059)	-	-	(2,059)
Other operating expenses	(422)	-	-	(422)	(306)	-	(5)	(311)
<b>Operating profit/(loss)</b>	<b>10,342</b>	<b>124</b>	<b>-</b>	<b>10,466</b>	<b>1,475</b>	<b>(422)</b>	<b>(802)</b>	<b>251</b>
Financial income	1,193	79,914	(547)	80,560	3,943	238	(5,791)	(1,610)
Financial expenses	(468)	(30,412)	11,191	(19,689)	(4,565)	(1,868)	6,389	(44)
<b>Net financial income/(expenses)</b>	<b>725</b>	<b>49,502</b>	<b>10,644</b>	<b>60,871</b>	<b>(622)</b>	<b>(1,630)</b>	<b>598</b>	<b>(1,654)</b>
<b>Profit/(loss) before tax</b>	<b>11,067</b>	<b>49,626</b>	<b>10,644</b>	<b>71,337</b>	<b>853</b>	<b>(2,052)</b>	<b>(204)</b>	<b>(1,403)</b>
Income tax	(1,524)	-	-	(1,524)	(98)	-	-	(98)
<b>Net profit/(loss)</b>	<b>9,543</b>	<b>49,626</b>	<b>10,644</b>	<b>69,813</b>	<b>755</b>	<b>(2,052)</b>	<b>(204)</b>	<b>(1,501)</b>

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

Net consolidated gain		Initial estimated consideration*, including:	
Income from the sale of CIECH Żywiec Sp. z o.o.*	79,764	Cash received from sale of shares and repayment of debt*	133,653
Consolidated cost	(19,370)	Loans outstanding at the date of sale**	27,000
<b>Gain on the sale of CIECH Żywiec Sp. z o.o.*</b>	<b>60,394</b>	<b>Initial estimated consideration*</b>	<b>160,653</b>

\* The initial consideration received and the company's sales revenue will be subject to adjustment. The final price of the Shares to be sold will be determined in accordance with the rule resulting from the Agreement.

\*\* Repayment of the loan at maturity of 5 months after the closing of the transaction.

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

in thousand PLN	01.03.2021
<b>ASSETS</b>	
Property, plant and equipment	62,787
Right-of-use assets	894
Intangible assets, including:	14,611
Investment properties	199
Deferred tax assets	1,508
<b>Total non-current assets</b>	<b>79,999</b>
Inventories	30,174
Trade and other receivables	54,392
Cash and cash equivalents	7,335
<b>Total current assets</b>	<b>91,901</b>
<b>Total assets</b>	<b>171,900</b>
<b>EQUITY AND LIABILITIES</b>	
Share capital	3,734
Retained earnings	15,636
<b>Total equity</b>	<b>19,370</b>
Lease liabilities	47
Provisions for employee benefits	457
Provisions for deferred tax	-
<b>Total non-current liabilities</b>	<b>504</b>
Loans, borrowings and other debt instruments	57,373
Lease liabilities	72
Trade and other liabilities	91,356
Income tax liabilities	1,575
Provisions for employee benefits	1,620
Other provisions	30



<i>in thousand PLN</i>	<b>01.03.2021</b>
<b>Total short-term liabilities</b>	<b>152,026</b>
<b>Total liabilities</b>	<b>152,530</b>
<b>Total equity and liabilities</b>	<b>171,900</b>

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

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

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

## 2.16. INFORMATION ON IMPORTANT EVENTS IN THE CIECH GROUP DURING THE FIRST QUARTER OF 2021

Information on important events taking place in the CIECH Group during the first quarter of 2021 has been presented in notes 3.3 and 3.4 hereof.

## 2.17. INFORMATION ON POST-BALANCE-SHEET EVENTS

On 5 May 2021, funds from the disbursement of Term Loans in the amount of PLN 1,856.9 million were used to repay the CIECH Group's financial debt granted in the form of:

1. bilateral loans extended on the basis of facility agreements of 18 April 2019, with a total value of PLN 507.1 million,
2. syndicated loans with a total value of PLN 1,349.8 million, extended under a facility agreement of 29 October 2015, as amended by the annex dated 9 January 2018.

The Refinanced Syndicated Loan Agreement, including Syndicated Loans and the revolving credit facility unused by CIECH S.A. in the amount of PLN 250 million, was terminated on 5 May 2021.

The remaining reimbursed amount of the Term Loans and the amount of the revolving credit facility, extended under the New Facilities Agreement, will be used to finance refinancing expenses, interest on the refinanced Financial Debt and to finance general corporate objectives of CIECH S.A. and its selected subsidiaries. For details, see current report No 14/2021.

On 19 May 2021, the main construction part of the evaporated salt plant in Staßfurt, Germany, was completed. CIECH Salz Deutschland GmbH has moved to the initial start-up phase of the salt production plant. The transition to the initial start-up phase is related to the production by the production plant of the first batch of wet salt that meets the assumed parameters. Detailed information can be found in the current report No. 16/2021.

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

The first quarter of 2021 was another period of the pandemic during which reality was defined by restrictions and security measures aimed at minimising the impact of COVID-19. During this period, the CIECH Group continued to be adversely affected by the pandemic, which translates into the achievement of the Group's objectives in 2021.

The ongoing COVID-19 coronavirus pandemic and the resulting decisions and recommendations of the state authorities affected the operations of the Group.

During the first quarter of 2021, the Group continued to comply with the necessary measures taken in 2020 to protect the health and lives of employees, third party employees and business partners. When making decisions related to counteracting the effects of the pandemic, the Management Board continued to be guided by concern for the health of employees and care for the long-term value of the Company.



Invariably, since the outbreak of the pandemic, the overriding objective for the Group has been to protect the health and lives of its employees. As a result, procedures were continued under which employees were able to work remotely (where possible). Day-to-day operations of the Group were based on internal procedures of conduct relating to remote working, which were effectively implemented in 2020. In the case of a broad group of employees where it was not possible to work in a remote manner (production workers), procedures were still in place at individual plants to keep direct contact between shifts to a necessary minimum, and the necessary required protective measures were still in place to minimise the risk of infection and disease outbreaks. Owing to the solutions in place, the Group continued to record only isolated cases of infection among employees during the first quarter of 2021. The Group has not reported any outbreaks of infections in plants that would result in the closure of the respective area or plant.

In addition to ensuring the health and safety of employees, it was a priority for the Group's Management Board to continue its efforts to ensure the continuity of operations at the Group's various production sites and to avoid disruptions to the supply chain. As a result, during the first quarter of 2021, the Group's production facilities continued, uninterrupted, to operate and there were no production stoppages. Like in 2020, there were also no cases of supply chain disruptions due to interruptions in transport, availability of raw materials or for other reasons.

In the first quarter of 2021, the situation in the individual business segments of the CIECH Group was as follows:

- The Soda Segment, which is key to the CIECH Group in terms of maintaining business continuity in a pandemic situation, did not record any negative events or incidents. There have been cases of quarantine of workers in production facilities, but with no impact on production continuity. In particular, an increase in the number of workers in compulsory quarantine was recorded in March, with the unfolding of the third wave of infections in Poland. On the commercial side, the lockdown imposed on HoReCa businesses (restaurants, hotels) continued in the first quarter of 2021, which was negatively reflected in the implementation of the sodium bicarbonate sales plans by the segment. Other sectors functioned smoothly and without interruption. The segment's revenues in the area of sales of soda products were mainly generated by contract sales, which account for approximately 90% of the sales volume. The remaining 10% of sales were made through spot transactions in the market.  
With regard to salt products, it was possible to increase production levels during the first quarter of 2021 as a result of the elimination of shutdowns caused by various types of failures. The domestic market has seen an increase in demand, which can be explained by the weather conditions and snowfall in the country. However, the continuing lockdown on the German market and the virtually complete shutdown of the HoReCa sector had a negative impact on this area. As a result, this area of the soda segment recorded an approximate 30% decrease in sales compared to the same period of 2020.
- The Silicates Segment operated in a steady and uninterrupted manner during the first quarter of 2021. It has proved resilient to the COVID-19 epidemic. Both production and sales levels were in line with plans. Customers and sectors of the economy that suffered a downturn in 2020 due to the epidemic have returned to normal levels of operation.
- The Packaging Segment also proved resilient to COVID-19 in the first quarter of 2021. For the first two months of 2021, production levels were in line with the plans prepared. The production output was intended to build up stock levels at major customers and secure own stock levels at the production plant in Howa. The first quarter period is not a period of increased sales due to the lack of high demand for glass packaging manufactured and offered by the segment, nevertheless, the sales level achieved was in line with the plans in place.
- The Foams Segment, as was the case in 2020, once again experienced problems with the availability of key raw materials (TDI and polyols) and the continuing increase in the prices of these raw materials (approximately 20% increase in raw material prices was recorded during the first quarter, compared to 2020, when raw material prices also increased). The Foams Segment, like the upholstered furniture sector during the first quarter of 2021, proved resilient to the pandemic situation – upholstered furniture factories did not suspend production and operated without disruption. In addition, the restrictions on the UK market were lifted, which stimulated sales of furniture. Low demand for furniture was observed on the German market, which should be explained by the ongoing lockdown (the level of sales is not visibly stimulated by the ability to purchase furniture online). Despite unfavourable events on the raw materials market (lack of available raw material and an increase in the cost of purchasing raw materials), the specific nature of the industry, as was the case in 2020, meant that furniture manufacturers had to accept new, higher prices for the foams produced, and as a result the Foams Segment performed better than planned.
- The Agro Segment, like in 2020, proved to be completely resilient to COVID-19 and did not experience any reduction in production due to infections among employees and decline in demand from customers. However, a significant increase in the price of materials and raw materials and problems with their availability have been observed. The prices



of virtually all materials and raw materials have increased. Given the high competition in the crop protection products sector and the increase in the cost of purchasing materials and raw materials, the Agro Segment is concerned about the high price competition in the market in the coming months.

In the area of ongoing investment projects, during the first quarter of 2021, the CIECH Group continued the projects launched, including the key project to build new saltworks in Stassfurt, Germany. Other planned and necessary investment projects were also carried out.

During the first quarter of 2021, the Group's analyses also did not reveal any indications of an increased risk of impairment of property, plant and equipment and intangible assets in use or investments in progress was found.

The CIECH Group's liquidity situation in the first quarter of 2021 remained stable, and the CIECH Group companies had sufficient cash and available sources of financing to be able to meet their obligations on time. In the first quarter of 2021, the CIECH Group generated net cash flows from operating activities of PLN 216 million. Net cash flows from investing activities were negative (PLN -171 million) due to ongoing capital expenditure. As at 31 March 2021, the Group held cash of PLN 483 million and limits available under committed credit facilities of PLN 353 million. In the first quarter of 2021, the Group had access to funds made available under committed facility agreements (syndicated loan agreement and bilateral revolving credit facility agreements, with a total value of PLN 2,112 million) and additional sources of financing in the form of receivables factoring agreements, reverse factoring agreements and overdraft facilities.

In March 2021, the Management Board of CIECH S.A. signed a new Facilities Agreement of PLN 2,115 million with a 5-year repayment period, in order to refinance the existing debt. The facilities agreement was signed on 16 March 2021. Under the new facilities agreement, the following loans will be made available: an amortised term loan (PLN 560 million), an unamortised term loan (PLN 1,305 million) and a revolving credit facility of PLN 250 million. The agreement provides for a grace period of over 2 years for the repayment of the term loan (the first repayment is required on 30 June 2023), during which no principal repayment of the loan will be required.

During the first quarter of 2021, the Group also does not identify any risk of default on repayment liabilities under the loan agreements or risk of loans being called in due to failure to meet the level of ratios tested under the loan agreements. Due to a breach of the guarantor cover ratio occurring at the balance sheet date for one of the loan agreements with a value of EUR 25 million (as described in note 2.10 of this report), these loan liabilities were reported as short-term, but this did not affect the availability of funds under this loan and the loan was refinanced on 5 May 2021 with funds from the new facility agreement.

Moreover, no significant deterioration of receivables repayment dates was found. At the end of the quarter, the share of receivables past due more than 7 days in total receivables was at a lower level compared to the level as at 31 December 2020 and 31 March 2020. The vast majority of the Group's receivables were insured and financed through non-recourse factoring. It should be noted that the pandemic did not have a negative impact on the Group's working capital.

In addition, during the first quarter of 2021, as a result of the COVID-19 pandemic, the Group did not experience any risk of non-performance of contracts at a higher level than in the course of its day-to-day operations in the absence of the pandemic.

In the first quarter of 2021, no additional impairment losses on non-current or current assets were recognised as a result of the pandemic. There was also no need to recognise additional provisions other than allowances and provisions which are recognised in the course of the Group's ordinary activities.





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

#### 3.1. DESCRIPTION OF THE CIECH GROUP'S ORGANISATION

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

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

As at 31 March 2021, the CIECH Group comprised 39 business entities, including:

- the parent company,
- 32 subsidiaries, of which:
  - 22 domestic subsidiaries,
  - 10 foreign subsidiaries,
- 3 domestic affiliates,
- 1 foreign affiliate,
- 1 jointly controlled domestic entity,
- 1 jointly controlled foreign entity.

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

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



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

Products of the CIECH Group are manufactured in 8 production plants. Four largest production plants (2 in Poland, 1 in Germany and 1 in Romania) operate in the Soda Segment and manufacture sodium carbonate and soda derivatives; the plant in Romania produces glassy sodium silicate and sodium water glass. The remaining 4 plants operating in the Agro, Foams, Silicates and Packaging segments are located in Poland. Soda production at the Romanian plant was suspended in the third quarter of 2019 (for more information, see current report No 40/2019). In addition, Proplan outsources product formulation and packaging services to two plants.

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

Company name	Registered office	Segment	Business	Share in equity as at 31.03.2021 / % of votes at the GMS	Share in equity as at 31.03.2020 / % of votes at the GMS
<b>Parent company</b>					
CIECH S.A.	Warsaw	Soda, Agro, Foams, Silicates, Packaging, Other, (Resins – discontinued operations)	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.	-	-
<b>Fully consolidated direct and indirect subsidiaries</b>					
CIECH Trading Sp. z o.o.	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	Manufacture of other basic inorganic chemicals, wholesale of chemical products.	98.74%	98.74%
CIECH Vitrosilicon S.A.*	Łowia	Silicates, Packaging	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 Vitro Sp. z o.o.	Łowia	Other	Production of other basic inorganic chemicals, manufacture of hollow glass and technical glassware, manufacture of plastic packaging goods, manufacture of other plastic products.	100%	-
CIECH Transclean Sp. z o.o.	Bydgoszcz	Other	Since 2017, the Company has not carried out any operating activities.	100%	100%
CIECH Pianki Sp. z o.o.	Bydgoszcz	Foams	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 Żywice Sp. z o.o.	Nowa Sarzyna	(Resins – discontinued operations)	Manufacture of plastics in primary forms. The company was sold on 1 March 2021.	-	100%



Company name	Registered office	Segment	Business	Share in equity as at 31.03.2021 / % of votes at the GMS	Share in equity as at 31.03.2020 / % of votes at the GMS
CIECH Serwis i Remonty Sp. z o.o. (former name: Bosten S.A.)	Warsaw	Other	Provision of repair and maintenance services.	100%	100%
CIECH Nieruchomości Sp. z o.o.**	Warsaw	Other	Real property agency, real property management.	100%	100%
Proplan Plant Protection Company S.L.	Madrid, Spain	Agro	Production of crop protection chemicals.	100%	100%
CIECH Salz Deutschland GmbH	Stassfurt, Germany	Soda	Production and sales of salt products.	100%	100%
CIECH Services Sp. z o.o.	Bydgoszcz	Soda, Agro, Foams, Silicates, Packaging, Other, (Resins – discontinued operations)	Provision of support services for companies of the CIECH Group.	100%	-
<b>CIECH R&amp;D Group</b>					
CIECH R&D Sp. z o.o.	Warsaw	Soda, Agro, Foams, Silicates, Packaging, Other, (Resins – discontinued operations)	Research and developments activities, granting licenses to the CIECH Group companies to use the trademarks: “Ciech”, “Ciech Trading” and “Sól Kujawska naturalna czysta”.	100%	100%
Smart Fluid Sp. z o.o.	Warsaw	Other	Research & Development	52.83%	52.83%
<b>CIECH Finance Group</b>					
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 Sp. z o.o.	Warsaw	Other	The company was sold on 31 December 2020.	-	100%
<b>CIECH Soda Polska Group</b>					
CIECH Soda Polska S.A.	Inowrocław	Soda	Manufacture of other basic inorganic chemicals, wholesale of chemical products, power generation and distribution.	100%	100%
CIECH Cargo Sp. z o.o.	Inowrocław	Soda	Freight transport services.	100%	100%
Cerium Sp. z o.o. w likwidacji (in liquidation)	Warsaw	Other	Dormant. Company in the process of liquidation.	100%	100%
Gamma Finanse Sp. z o.o.***	Warsaw	Other	Financing activities.	100%	100%
El-Pomiar Sp. z o.o.	Inowrocław	Other	Repair and maintenance of electrical equipment.	94.23%	92.31%
<b>CIECH Sarzyna Group</b>					
CIECH Sarzyna S.A.	Nowa Sarzyna	Agro	Manufacture of resins, manufacture of pesticides and other chemical products.	100%	100%
Verbis KAPPA Sp. z o.o.	Nowa Sarzyna	Agro	General partner of Verbis KAPPA Sp. z o.o. SKA, other financial intermediation.	100%	100%
Verbis KAPPA Sp. z o.o. SKA	Nowa Sarzyna	Agro	Other financial intermediation.	100%	100%
Algete Sp. z o.o.	Nowa Sarzyna	Agro	Granting CIECH Sarzyna Group companies the license for using the trademark of “Chwastox” for the purpose of business.	100%	100%
<b>SDC Group</b>					
SDC GmbH	Stassfurt, Germany	Soda		100%	100%



Company name	Registered office	Segment	Business	Share in equity as at 31.03.2021 / % of votes at the GMS	Share in equity as at 31.03.2020 / % of votes at the GMS
CIECH Soda Deutschland GmbH&Co. KG	Stassfurt, Germany	Soda	Manufacture of other basic inorganic chemicals, wholesale of chemical products, power generation and distribution.	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%
Kavernengesellschaft 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%.

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

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

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

### 3.2. INFORMATION ON NON-CONSOLIDATED SUBSIDIARIES AND ASSOCIATES

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

The total share of data of subsidiaries not covered by consolidation under the full method, due to their irrelevance, in relation to the total values of the CIECH Group for the period from 1 January 2021 to 31 March 2021 does not exceed 1% of total consolidated assets of the Group and 1% of consolidated net revenues from sales of goods and products and financial operations.

Aggregated data of associates and jointly-controlled which were not measured under the equity method for the period from 1 January 2021 to 31 March 2021 did not exceed 2% of consolidated total assets of the Group 2% of the total consolidated equity of the CIECH Group.

### 3.3. SIGNIFICANT EFFECTS OF CHANGES TO THE ORGANISATIONAL STRUCTURE OF THE CIECH GROUP IN THE FIRST QUARTER OF 2021

#### CIECH Żywiec Sp. z o.o.

On 1 March 2021, CIECH S.A. entered into an agreement for the sale of 74,677 shares in CIECH Żywiec Sp. z o.o. with LERG S.A. with its registered office in Pustków-Osiedle, accounting for 100% of shares in the share capital of CIECH Żywiec Sp. z o.o. The value of the Agreement (equal to the enterprise value being sold), taking into account, among others, the share disposal price, is approximately PLN 160 million. The final price of the Shares being sold will be determined in accordance with the rule arising from the Agreement. For details of the transaction, see current reports No 27/2020 and 4/2021.

#### CIECH Vitro Sp. o.o. – demerger of the company

On 25 February 2021, the Extraordinary General Meeting was held to resolve on the demerger of the Company by transferring a part of the assets of the Demerged Company, CIECH Vitrosilicon S.A., to the Acquiring Company, CIECH Vitro Sp. z o.o., in exchange for the shares to be received by the shareholders of the Demerged Company in the increased share capital of the Acquiring Company – demerger by spin-off. An organised part of the business (OPB) was spun off from CIECH Vitrosilicon S.A. The OPB may constitute an independent enterprise independently performing the tasks of production and sales, in particular of glass packaging in the form of lanterns and utility jars (the "Packaging Business").

The Extraordinary Shareholders' Meeting of CIECH Vitro sp. z o.o., which in connection with the demerger of CIECH Vitrosilicon S.A. (the "Demerged Company"), increases the share capital of the Company from PLN 5 thousand to PLN 1,135.5 thousand, i.e. by the amount of PLN 1,130.5 thousand, through the creation of 22,610 new shares in CIECH Vitro sp. z o.o. with a nominal value of PLN 50 per share and a total nominal value of PLN 1,135.5 thousand, which



will be granted to shareholders of the Demerged Company using the following share exchange ratio: 6,679,109 shares in the Demerged Company entitle to the receipt of 22,610 shares in CIECH Vitro sp. z o.o. (the "Acquirer") (i.e. 295.4 shares in the Demerged Company entitle to the receipt of 1 share in the Acquirer) in the following manner:

- CIECH Soda Polska S.A., in exchange for 1,133,246 shares in the Demerged Company (constituting all shares in the Demerged Company held by CIECH Soda Polska S.A.), will take up 13,759 shares in CIECH Vitro sp. z o.o., which will be covered by a part of the OPB acquired from CIECH Vitrosilicon S.A,
- CIECH S.A., in exchange for 728,982 shares in the Demerged Company (representing a part of shares in the Demerged Company held by CIECH S.A.), will take up 8,851 shares in CIECH Vitro sp. z o.o., which are covered by a part of the OPB acquired from CIECH Vitrosilicon S.A.

As of the date of registration of the share capital increase by the court, the capital structure will be as follows:

- CIECH Soda Polska S.A. will hold 13,759 shares, representing 60.59% of the share capital,
- CIECH S.A. will hold 8,951 shares, representing 39.41% of the share capital.

On 1 April 2021, the Court registered the demerger of CIECH Vitrosilicon S.A., the reduction of the share capital of CIECH Vitrosilicon S.A. and the increase of the share capital of CIECH Vitro Sp. z o.o.

#### **CIECH Trading Sp. z o.o.**

On 2 March 2021, the Extraordinary General Meeting of CIECH Trading Sp. z o.o. approved the decision of the Company's Management Board to discontinue the business activity specified in the Company's Articles of Association, and obliged the Company's Management Board to take all necessary actions to cease and wind up the business activity, and upon completion of the above measures to take a decision to dissolve the Company pursuant to Article 270 of the Code of Commercial Companies.

#### **CIECH VENTURES Sp. z o.o.**

On 25 February 2021, the Deed of Incorporation of CIECH VENTURES sp. z o.o., of which CIECH S.A. is the sole shareholder, was drawn up. The company was established with the share capital of PLN 1,000 thousand, divided into 20 thousand shares with a nominal value of PLN 50 each. The shares were acquired by CIECH S.A. in exchange for cash. The company is in formation and its registration with the National Court Register is pending.

#### **CIECH Sarzyna S.A.**

CIECH Sarzyna S.A. established a new company – Ciech Agro Romania S.R.L. with its registered office in Ramnicu Valcea (Romania). The Articles of Incorporation were drawn up on 26 March 2021, and the company was registered on 7 April 2021. The Company's share capital amounts to RON 4.87 thousand and is divided into 487 shares with a value of RON 10 per share. The sole shareholder of the Company is CIECH Sarzyna S.A.



### 3.4. THE MOST IMPORTANT EVENTS IN THE CIECH GROUP IN THE FIRST QUARTER OF 2021

#### **Closing of the transaction for the sale of 100% shares in CIECH Żywiec Sp. z o.o.**

On 1 March 2021, CIECH S.A. entered into an agreement for the sale of 74,677 shares in CIECH Żywiec Sp. z o.o. with LERG S.A. with its registered office in Pustków-Osiedle, accounting for 100% of shares in the share capital of CIECH Żywiec Sp. z o.o. The value of the Agreement (equal to the enterprise value being sold), taking into account, among others, the share disposal price, is approximately PLN 160 million. The final price of the Shares being sold will be determined in accordance with the rule arising from the Agreement. For details of the transaction, see current reports No 27/2020 and 4/2021.

#### **Conclusion of the facilities agreement**

On 16 March 2021, a facilities agreement was concluded between, among others, CIECH S.A. (as the borrower and guarantor), its selected subsidiaries: CIECH Soda Polska S.A., CIECH Sarzyna S.A., CIECH Soda Deutschland GmbH & Co. KG, CIECH Energy Deutschland GmbH and CIECH Salz Deutschland GmbH (as borrowers and guarantors), BNP Paribas Bank Polska S.A. (as the agent), Powszechna Kasa Oszczędności Bank Polski S.A. (as the security agent) and the following banks: Powszechna Kasa Oszczędności Bank Polski S.A., mBank S.A., BNP Paribas Bank Polska S.A., Industrial and Commercial Bank of China (Europe) S.A. Branch in Poland, Bank Polska Kasa Opieki S.A., Bank Millennium S.A., Credit Agricole Bank Polska S.A., Société Générale S.A., Bank Handlowy w Warszawie S.A., Bank Ochrony Środowiska S.A. and Intesa Sanpaolo S.P.A. S.A. Branch in Poland (as lenders). The Facilities Agreement provides for the extension of loans in PLN and EUR, up to a total amount (expressed in PLN) of PLN 2,115,000 thousand. The agreement provides for a grace period of over 2 years for the repayment of the term loan (the first repayment is required on 30 June 2023), during which no principal repayment of the loan will be required. For details on the agreement, see current report No 7/2021.

#### **Resignation of the supervisor**

On 16 March 2021, Mr Piotr Augustyniak resigned as Member of the Supervisory Board of CIECH S.A.

#### **Winding-up of a subsidiary**

On 2 March 2021, the Extraordinary General Meeting of CIECH Trading Sp. z o.o. approved the decision of the Company's Management Board to discontinue the business activity specified in the Company's Articles of Association, and obliged the Company's Management Board to take all necessary actions to cease and wind up the business activity, and upon completion of the above measures to take a decision to dissolve the Company pursuant to Article 270 of the Code of Commercial Companies.

#### **New company in the CIECH Group**

On 25 February 2021, the Deed of Incorporation of CIECH VENTURES sp. z o.o., of which CIECH S.A. is the sole shareholder, was drawn up. The company was established with the share capital of PLN 1,000 thousand, divided into 20 thousand shares with a nominal value of PLN 50 each. The shares were acquired by CIECH S.A. in exchange for cash. The company is in formation and its registration with the National Court Register is pending.

#### **Signing of letter of intent**

On 26 March 2021, CIECH S.A., CIECH Soda Polska S.A., Budimex S.A., EEW Energy from Waste GmbH, EEW Energy from Waste Polska sp. z o.o., FBSerwis S.A. and the Municipality of Janikowo signed:

- a letter of intent to continue their cooperation in the implementation of an investment project consisting in the construction of a thermal waste treatment installation by EEW, EEW Polska and FBSerwis at a real estate property owned by CIECH Soda Polska S.A., and
- A Memorandum of Understanding.

For details on the cooperation, see current report No 9/2021.



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

#### 3.5.1. BASIC FINANCIAL DATA

During the first quarter of 2021, the CIECH Group earned net profit from continuing operations of PLN 113,886 thousand, net cash increased by PLN 33,237 thousand and total assets amounted to PLN 5,900,868 thousand as at the end of the first quarter of 2021. The table below presents selected financial data and basic financial ratios for the first quarter of 2021 and 2020.

##### Selected financial data

	01.01.-31.03.2021	01.01.-31.03.2020*	Change 2021/2020
<b>CONTINUING OPERATIONS</b>			
Sales revenues	861,072	790,479	8.9%
Cost of sales	(675,115)	(616,845)	(9.4%)
<b>Gross profit/(loss) on sales</b>	<b>185,957</b>	<b>173,634</b>	<b>7.1%</b>
Selling costs	(48,930)	(47,026)	(4.0%)
General and administrative expenses	(50,615)	(56,492)	10.4%
Other operating income/expense	50,836	(7,042)	-
<b>Operating profit/(loss)</b>	<b>137,248</b>	<b>63,074</b>	<b>117.6%</b>
Net financial income/expenses	1,141	4,721	(75.8%)
Share of profit of equity-accounted investees	(115)	321	-
Income tax	(24,388)	(27,194)	10.3%
<b>Net profit/(loss) on continuing operations</b>	<b>113,886</b>	<b>40,922</b>	<b>178.3%</b>
<b>DISCONTINUED OPERATIONS</b>			
Net profit/(loss) on discontinued operations	69,813	(1,501)	-
<b>Net profit / (loss) for the period</b>	<b>183,699</b>	<b>39,421</b>	<b>366.0%</b>
including:			
Net profit/(loss) attributed to non-controlling interest	(730)	(254)	(187.4%)
Net profit/(loss) attributable to shareholders of the parent company	184,429	39,675	364.8%
EBITDA from continuing operations**	221,066	141,993	55.7%
Adjusted EBITDA from continuing operations**	221,893	139,963	58.5%

\*Restated data. For detailed information on discontinued operations, see Note 2.15 to this report.

\*\*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 2021 amounted to PLN 861,072 thousand. Compared to the corresponding period of the previous year, revenues increased by PLN 70,593 thousand.

Consolidated net sales revenues from discontinued operations of the CIECH Group for the first quarter of 2021 amounted to PLN 69,897 thousand, as compared to PLN 68,609 thousand in the corresponding period.

In the soda segment, revenues fell by PLN 11.5 million (-2.2%) year-on-year. Lower sales were reported mainly for dense sodium carbonate. The main reason for the decline was the outbreak of the COVID-19 pandemic whose impact was not yet visible in the first quarter of 2020. The decrease in revenue was partially offset by higher sales of other products, including light sodium carbonate and sodium bicarbonate. An increase was also recorded in the area of salt sales. Mainly due to weather conditions and snowfall, which resulted in increased demand for road salt. However, the lockdown on the German market and the virtually complete shutdown of the HoReCa sector had a negative impact on this area.



In the Agro Segment, sales revenues increased year-on-year by PLN 36.8 million (27.9%). The increase is mainly due to increased sales of Chwastox, Agrosar and herbicides. Other products were sold in lower volumes than in the same period of 2020 due to the late start of the growing season.

In the Foams Segment, sales revenue increased year-on-year by PLN 37.5 million (57.5%). The increase is mainly related to increased raw material prices, which translated into higher PUR foam prices, and the commercialisation of FFP2 protective masks.

The Silicates Segment recorded a year-on-year increase in revenue of PLN 10.5 million (22.6%). The reason for this was the increase in demand for silicates in the automotive industry (mainly in the area of tyre production) and successful negotiations allowing the conclusion of favourable commercial agreements.

In the Packaging Segment, a year-on-year decrease in revenue of PLN 3.2 million (-18.7%) was recorded, caused by lower demand for candles, due to the full stock levels of wholesalers, which are the main customers in this segment. Demand was also negatively affected by increased imports of glass packaging from Ukraine.

In the Other Activity segment, sales decreased year-on-year by PLN 4.2 million (-18.4%). The main reason for the decrease is the phasing out of operations by CIECH Trading Sp. z o.o. and the reporting of CIECH S.A. revenues by CIECH Żywiec Sp. z o.o.

In the first quarter of 2021, the CIECH Group's activities were focused on four business segments: Soda, Agro, Foams, Silicates. These segments generate in total more than 90% of the Group's sales revenues. The structure of sales revenues, by business segment, has not changed significantly in comparison with 2020. Invariably, the largest share in revenues was attributed to the sales of soda segment products, i.e. 60.9%.

#### Sales revenues — business segments

	01.01.-31.03.2021	01.01.-31.03.2020*	Change 2021/2020	Change %
<b>Soda segment, including:</b>	<b>524,328</b>	<b>535,864</b>	<b>(11,536)</b>	<b>(2.2%)</b>
Dense soda ash	264,985	299,884	(34,899)	(11.6%)
Light soda ash	75,190	64,761	10,429	16.1%
Salt	52,901	49,731	3,170	6.4%
Sodium bicarbonate	53,250	46,421	6,829	14.7%
Energy	40,237	34,792	5,445	15.7%
Calcium chloride	7,716	3,014	4,702	156.0%
Other products	11,801	14,375	(2,574)	(17.9%)
Revenues from inter-segment transactions	18,248	22,886	(4,638)	(20.3%)
<b>Agro segment, including:</b>	<b>168,839</b>	<b>132,050</b>	<b>36,789</b>	<b>27.9%</b>
Agro products	168,829	132,022	36,807	27.9%
Revenues from inter-segment transactions	10	28	(18)	(64.3%)
<b>Foams segment, including:</b>	<b>102,626</b>	<b>65,158</b>	<b>37,468</b>	<b>57.5%</b>
Polyurethane foams	102,577	65,139	37,438	57.5%
Revenues from inter-segment transactions	49	19	30	157.9%
<b>Silicates segment, including:</b>	<b>57,087</b>	<b>46,565</b>	<b>10,522</b>	<b>22.6%</b>
Sodium silicates	54,834	43,983	10,851	24.7%
Potassium silicates	2,226	2,450	(224)	(9.1%)
Other products	-	20	(20)	-
Revenues from inter-segment transactions	27	112	(85)	(75.9%)
<b>Packaging segment, including:</b>	<b>13,720</b>	<b>16,879</b>	<b>(3,159)</b>	<b>(18.7%)</b>
Glass packaging	13,718	16,879	(3,161)	(18.7%)
Revenues from inter-segment transactions	2	-	2	-
<b>Other segment, including:</b>	<b>18,553</b>	<b>22,724</b>	<b>(4,171)</b>	<b>(18.4%)</b>
Revenues from third parties	12,808	17,008	(4,200)	(24.7%)
Revenues from inter-segment transactions	5,745	5,716	29	0.5%
<b>Consolidation adjustments</b>	<b>(24,081)</b>	<b>(28,761)</b>	<b>4,680</b>	<b>16.3%</b>
<b>TOTAL</b>	<b>861,072</b>	<b>790,479</b>	<b>70,593</b>	<b>8.9%</b>

\*Restated data. For detailed information on discontinued operations, see Note 2.15 to this report.

Source: CIECH S.A.





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

After the first quarter of 2021, gross profit on sales amounted to PLN 185,957 thousand, whereas in the same period of the previous year it amounted to PLN 173,634 thousand. The operating profit amounted to PLN 137,248 thousand, in the comparable period it amounted to PLN 63,074 thousand.

For discontinued operations, these figures were as follows: PLN 13,256 thousand of gross profit on sales for discontinued operations in the first quarter of 2021, compared to PLN 2,452 thousand in the corresponding period. The operating profit for discontinued operations stood at PLN 10,466 thousand, whereas in the corresponding period it amounted to PLN 251 thousand.

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

- A significant improvement in situation in the domestic economy and chemical industry confirmed by a strong increase in industrial output sold by 7.9% in the period from January to March 2021 (in constant prices as compared to the corresponding period of the previous year).
- Improving general economic situation in the European Union in the first quarter of 2021; including in particular in the EURO zone (illustrated by very rapid increases in PMI indices - Purchasing Managers' Index IHS Markit).
- A slow recovery was observed in the European sodium carbonate market, especially compared to previous quarters, when significant demand declines were recorded (resulting from the COVID-19 pandemic) particularly in the glass segments.
- Increase in domestic production of sleeping furniture by approx. 13% in 3 months of 2021 year-on-year (in volume terms); however, a clear rebound especially against the slump in the second quarter of last year. The furniture sector, especially upholstered furniture sector, is a recipient of polyurethane foams manufactured by the Ciech Group.
- Strong depreciation of the Polish currency against the EUR in the first quarter of 2021 (by approx. 5%) – favourable for the profitability of CIECH Group exports.
- In the first quarter of 2021, the sale of CO<sub>2</sub> emission allowances in CIECH Soda Romania S.A. was settled – the gain on this account amounted to nearly PLN 50 million.

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

- A few percent decrease, on average, in the prices of sodium carbonate in EUR on the European markets since the beginning of 2021 (compared to the previous year) reflecting the nature of this market, with a dominant presence of annual contracts concluded at the turn of the year.
- A significant increase in European prices for energy raw materials used in the production of sodium carbonate (compared to the levels reported in 2020).
- A very strong decrease in domestic sales of construction and assembly production by 13.2% during 3 months of 2021 (at constant prices) 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).
- High increase in crude oil prices on the global markets (by approx. 20% on average in the first quarter of 2021) and, consequently, higher prices of some raw materials for the organic industry - unfavourable for the operations in the organic segment of the CIECH Group.
- Continued downturn in certain segments of the evaporated salt market (particularly in the HoReCa segment as a result of the lockdown – COVID-19 pandemic and in the electrolysis plants closely related to the plastics industry where failures have occurred).

For the continuing operations, the EBIT margin for the first quarter of 2021 amounted to 15.9% (8.0% in the prior year), and the EBITDA margin amounted to 25.7% (18.0% in the prior year). The EBIT margin (excluding one-off events) for first quarter of 2021 amounted to 16.0% (7.7% in the prior year), and the EBITDA margin (excluding one-off events) amounted to 25.8% (17.7% in the prior year).

### 3.5.4. FINANCING ACTIVITIES AND NET PROFIT/LOSS

Financial income for the first quarter of 2021 amounted to PLN 28,953 thousand and increased compared to the corresponding period of the previous year, when it amounted to PLN 30,775 thousand.



Financial expenses for the first three months of 2021 amounted to PLN 27,812 thousand and increased compared to the corresponding period of the previous year, when it amounted to PLN 26,054 thousand. The area of financing activities was mainly affected by foreign exchange gains, interest on loans and negative valuation of financial instruments.

The consolidated net profit for the first quarter of 2021 (taking into account discontinued operations) amounted to PLN 183,699 thousand (of which PLN 184,429 thousand was a net profit attributable to the shareholders of the parent company and PLN -730 thousand as the loss of non-controlling interest).

The increase in net profit as compared to the corresponding period of 2020 resulted from, among other factors:

- finalisation of the sale of CIECH Żywiec Sp. z o.o. – the consolidated gain on the sale of the company's shares amounted to over PLN 60 million (for detailed information see Note 2.15 to this report),
- higher levels of sales, especially in the Agro Segment,
- higher level of other operating income due to the sale of CO<sub>2</sub> emission allowances in CIECH Soda Romania S.A.

### 3.5.5. ASSET POSITION OF THE CIECH GROUP

#### Basic consolidated balance sheet data

	31.03.2021	31.12.2020	Change 2021/2020
<b>Total assets</b>	<b>5,900,868</b>	<b>5,707,733</b>	<b>3.4%</b>
Total non-current assets	4,426,368	4,251,347	4.1%
Total current assets	1,474,500	1,456,386	1.2%
Inventory	357,484	348,989	2.4%
Current receivables	574,816	481,678	19.3%
Cash and cash equivalents	482,599	443,886	8.7%
Short-term financial assets	59,184	19,863	198.0%
Non-current assets held for sale	417	161,970	(99.7%)
<b>Total equity</b>	<b>2,305,243</b>	<b>2,118,538</b>	<b>8.8%</b>
Equity attributable to shareholders of the parent	2,307,898	2,120,615	8.8%
Non-controlling interest	(2,655)	(2,077)	(27.8%)
Total non-current liabilities	2,161,244	401,146	438.8%
Total current liabilities	1,434,381	3,188,049	(55.0%)

#### Assets

As at the end of March 2021, the Group's non-current assets amounted to PLN 4,426,368 thousand. As compared to the balance as at 31 December 2020, the value of non-current assets increased by PLN 175,021 thousand. This change was mainly affected by further investments in non-current assets in the companies.

The Group's current assets amounted to PLN 1,474,500 thousand as at 31 March 2021.

Compared to the end of December 2020, the value of current assets increased by PLN 18,114 thousand.

This change resulted from, among other factors:

- sale of CIECH Żywiec Sp. z o.o., whose assets were reported as non-current assets and groups held for sale. For details of the transaction, see notes 2.15 and 3.4 hereof.
- higher balance of cash accumulated in companies,
- higher balance of trade receivables.

#### 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 consortium facilities agreement, revolving credit facility agreement and overdraft. The Group also uses factoring agreements and reverse factoring arrangements.



## Liabilities

As at 31 March 2021, the CIECH Group's liabilities (total non-current and current) amounted to PLN 3,595,625 thousand, which is almost the same level as at the end of December 2020, when they amounted to PLN 3,589,195 thousand.

The debt ratio amounted to 60.9% as at 31 March 2021 (at the end of December 2020 to 62.9%). The consolidated net debt of the Group amounted to PLN 1,624,217 thousand as at 31 March 2021 and decreased in comparison to the balance as at the end of December 2020 by PLN 46,415 thousand. The higher level of this debt was driven by higher utilisation of available credit limits and a high level of negative valuations of financial instruments.

### 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 2020, published on 22 April 2021.

## 3.5.6. CASH POSITION OF THE CIECH GROUP

	01.01.-31.03.2021	01.01.-31.03.2020	Change 2021/2020
Net cash from operating activities	215,998	10,958	1871.1%
Net cash from investment activities	(170,659)	(163,425)	(4.4%)
Net cash from financial activities	(12,102)	541,284	-
<b>Total net cash flows</b>	<b>33,237</b>	<b>388,817</b>	<b>(91.5%)</b>
Free cash flow	45,339	(152,467)	-

Total net cash flows in the first quarter of 2021 were positive and amounted to PLN 33,237 thousand. Compared to the same period of the previous year, the cash flows generated by the Group were lower by PLN 355,580 thousand. Cash flows from operating activities were positive and amounted to PLN 215,998 thousand. They increased as compared to the same period in 2020 by PLN 205,040 thousand.

During the first quarter of 2021, the net cash flows from investing activities were negative, which was mainly the result of expenses for an investment programme implemented by the Group and of expenses related to the purchase of CO<sub>2</sub> certificates. The net cash from financing activities was negative and amounted to PLN 12,102 thousand.

	01.01.-31.03.2021	01.01.-31.03.2020
Financial surplus ((net profit/(loss) on continuing operations + depreciation)	267,517	120,999
Other adjustments to net profit/(loss) on continuing operations	(69,567)	5,470
<b>Adjusted financial surplus (1+2)</b>	<b>197,950</b>	<b>126,469</b>
Change in working capital	18,048	(115,511)
<b>Net cash from operating activities (3+4)</b>	<b>215,998</b>	<b>10,958</b>
Net cash from investing activities	(170,659)	(163,425)
<b>Free cash flow (5+6)</b>	<b>45,339</b>	<b>(152,467)</b>

In the first quarter of 2021, the CIECH Group generated positive free cash flows, which means that it was able to finance its capital expenditure with cash flows generated on operating activities.

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

### Liquidity of the CIECH Group

Liquidity ratios as at 31 March 2021 increased strongly as compared to their level as at 31 December 2020. The current ratio, calculated as the ratio of total current assets to total current liabilities, amounted to 1.03 as at 31 March 2021, while the quick liquidity ratio amounted to 0.78. The changes in the level of these ratios follow the non-fulfilment of the ratio set out in the loan agreement at the end of 2020, as described in Note 2.10 to this report.



	31.03.2021	31.12.2020
Current ratio	1.03	0.46
Quick ratio	0.78	0.35

### Working capital of the CIECH Group

As at the end of the first quarter of 2021, working capital, defined as the difference between current assets and short-term liabilities, adjusted by relevant balance sheet items (cash and cash equivalents and short-term loans) was negative and amounted to PLN 262,951 thousand, which is a decrease by PLN 65,682 thousand compared to the end of 2020.

	31.03.2021	31.12.2020
1. Current assets, including:	1,474,500	1,456,386
Inventory	357,484	348,989
Trade receivables and services and advances for deliveries	315,285	203,249
2. Cash and cash equivalents and short-term investments	541,783	463,749
<b>3. Adjusted current assets (1-2)</b>	<b>932,717</b>	<b>992,637</b>
4. Current liabilities, including:	1,434,381	3,188,049
Trade liabilities and advances taken	454,099	492,999
5. Short-term credits and other current financial liabilities*	238,713	1,998,143
<b>6. Adjusted current liabilities (4-5)</b>	<b>1,195,668</b>	<b>1,189,906</b>
<b>7. Working capital including short-term credits(1-4)</b>	<b>40,119</b>	<b>(1,731,663)</b>
<b>8. Working capital (3-6)</b>	<b>(262,951)</b>	<b>(197,269)</b>
<b>9. Trade working capital</b>	<b>218,670</b>	<b>59,239</b>

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

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

The increase in trade working capital from PLN 59,239 thousand in 2020 to PLN 218,670 thousand at the end of the first quarter of 2021 (a change by PLN 159,431 thousand) was mainly due to two incidents. Firstly, at the end of March the Group companies report receivables from CIECH Żywiec Sp. z o.o., which was sold on 1 March 2021 (previously these settlements were eliminated at CIECH Group level). Secondly, the Group companies achieved higher sales levels in the first quarter which translated into an increase in receivables from external customers.

The decrease in liabilities was due, among other things, to the repayment of liabilities reported at the end of 2020, which related to purchases of CO<sub>2</sub> emission allowances.

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

### The CIECH Group's profitability ratios

During the first quarter of 2021, almost all profitability ratios of the CIECH Group in respect of the continuing operations reached a higher level than in the corresponding period of the previous year.

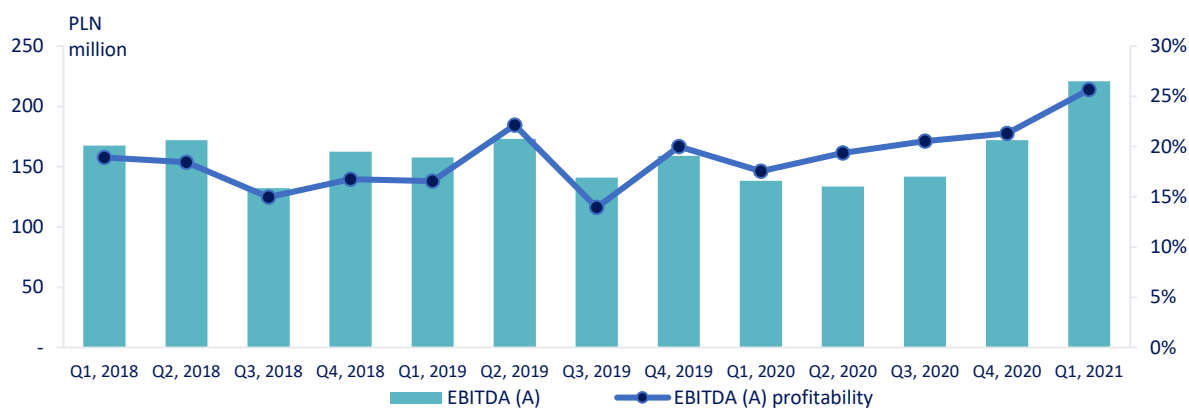
#### THE CIECH GROUP'S PROFITABILITY RATIOS

	01.01.-31.03.2021	01.01.-31.03.2020	Change 2021/2020
<b>CONTINUING OPERATIONS</b>			
Gross return on sales	21.6%	22.0%	(0.4) p.p.
Return on sales	10.0%	8.9%	1.1.p.p.
EBIT margin	15.9%	8.0%	7.9p.p.
EBITDA margin	25.7%	18.0%	7.7p.p.



	01.01.-31.03.2021	01.01.-31.03.2020	Change 2021/2020
Adjusted EBIT margin	16.0%	7.7%	8.3p.p.
Adjusted EBITDA margin	25.8%	17.7%	8.1p.p.
Net return on sales (ROS)	13.2%	5.2%	8.0p.p.
Return on assets (ROA)	1.9%	0.7%	1.2p.p.
Return on equity (ROE)	4.9%	2.1%	2.8p.p.
Earnings/(loss) per share (in PLN) from continuing operations	2.17	0.78	1.39

#### PROFITABILITY LEVELS OF THE CIECH GROUP



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

Source: CIECH S.A.

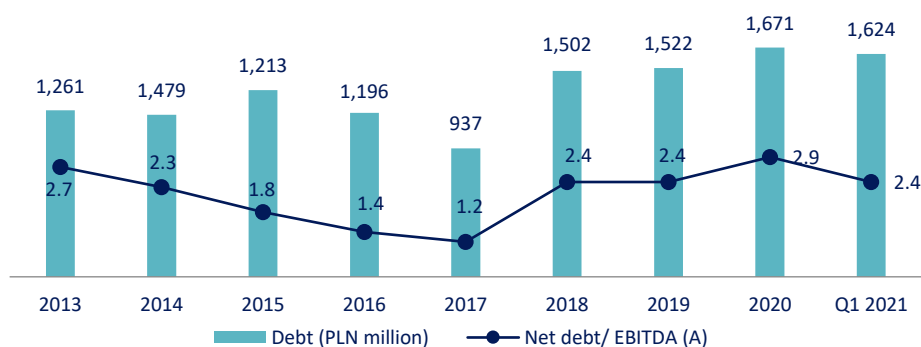
#### Indebtedness

The debt ratio decreased slightly in comparison to December 2020 and amounts to 60.9%. The level of net debt (net financial liabilities in relation to EBITDA) decreased as compared to the end of 2020.

	31.03.2021	31.12.2020
Loans, borrowings and other debt instruments	1,905,567	1,911,475
Lease liabilities	123,779	129,258
Factoring liabilities	17,472	16,174
Negative net valuation of derivatives	59,998	57,611
<b>Gross debt</b>	<b>2,106,816</b>	<b>2,114,518</b>
Cash and cash equivalents	482,599	443,886
<b>Net debt</b>	<b>1,624,217</b>	<b>1,670,632</b>

#### The CIECH Group's debt ratios

	31.03.2021	31.12.2020	Change 2021/2020
Debt ratio	60.9%	62.9%	(2.0) p.p.
Long term debt ratio	36.6%	7.0%	29.6p.p.
Debt to equity ratio	156.0%	169.4%	(13.4) p.p.
Equity to assets ratio	39.1%	37.1%	2.0p.p.
Gross debt	2,106,816	2,114,518	(0.4%)
Net debt	1,624,217	1,670,632	(2.8%)
EBITDA annualized	662,319	583,248	13.6%
Adjusted EBITDA (annualised)	667,262	585,332	14.0%
Net debt / EBITDA annualized	2.5	2.9	(14.4%)
Net debt / Adjusted EBITDA (annualised)	2.4	2.9	(14.7%)
Gross debt / EBITDA annualised	3.2	3.6	(12.3%)
Gross debt / Adjusted EBITDA (annualised)	3.2	3.6	(12.6%)



### Debt financing of the Group

As at the end of the first quarter of 2021, CIECH S.A.'s debt financing is secured mainly through loans made available to CIECH S.A. under the Facilities Agreement dated 9 January 2018:

1. The Facilities Agreement signed with a consortium of banks dated 9 January 2018:
  - o term loan in the amount of PLN 1,212,520 thousand and EUR 30,000 thousand (the total amount of the loan as at 31 March 2021 was PLN 1,352,329 thousand),
  - o 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 2021 was PLN 0 thousand).
2. overdraft facilities up to PLN 100,000 thousand and EUR 10,000 thousand under agreements dated 28 and 29 August 2018 (as at 31 March 2021, the amount used was PLN 43,493 thousand).
3. revolving credit facilities up to PLN 392,788 thousand and EUR 25,000 thousand, under three agreements dated 18 April 2019 (as at 31 March 2021, the amount used was PLN 509,295 thousand).

The total value of facilities available under the aforesaid agreements is PLN 2,258,227 thousand; the limits are drawn down in the amount of PLN 1,905,117 thousand.

Detailed information about loan liabilities is disclosed in Section 4.6.1 of the Management Board Report on activities of the CIECH Group and CIECH S.A. in 2020, published on 22 April 2021.

### Factors and events that may affect future performance

The CIECH Group intends to implement the development strategy adopted, although – as a result of the situation caused by the COVID-19 pandemic – the deadline for its implementation will change. The Group is currently conducting analyses in this respect. Pursuant to the Strategy, the CIECH Group will focus on the following actions conducive to further development:

- development of the soda business, including through increased sales of high-margin specialist products,
- development of the salt business by entering new markets and increasing sales through the construction of a new production facility, as well as the introduction of higher processed products,
- development of the silicates business, among others through an increase in production capacity and improvement of its efficiency, which will strengthen the CIECH Group's position on the European market,
- increase of operational effectiveness due to, among others, optimisation of production costs and process improvements,
- implementation of ambitious decarbonisation projects (including energy strategies and the use of already available technologies dedicated to the soda industry), which will allow the Group to maintain or improve its competitiveness in the long term),
- optimisation of costs of repairs and maintenance of assets, especially in the area of maintenance in all CIECH Group production plants through, among other things, increasing the scope of work performed internally,
- discipline in fixed costs,
- further changes in the functioning of the Agro Segment – striving for operational excellence, optimisation of the product portfolio,
- continuous process of improving business and operational processes in all companies of the CIECH Group.
- optimisation of the corporate and organisational model of the CIECH Group.



It is important to note that due to the ongoing COVID-19 pandemic, the global economic situation is uncertain and trends are difficult to predict. The Management Board of the CIECH Group analyses scenarios of possible developments on an ongoing basis and will make decisions with a view to ensuring the Group's long-term value.

### 3.6. SIGNIFICANT RISK FACTORS

In connection with its operations, the CIECH Group is exposed to a number of risks, including financial risks. The most important risk factors are presented in details in note 3.4 of the Management Board Report on activities of the CIECH Group and CIECH S.A. in 2020, published on 22 April 2021.

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

For a detailed update on the Group's current position in relation to the impact of the COVID-19 coronavirus pandemic, see Note 2.18 to this report.

#### Exposure to currency risk

The table below presents the estimated currency exposure of the CIECH Group in EUR and USD as at 31 March 2021 due to financial instruments:

Exposure to currency risk	EUR ('000)	USD ('000)	Impact on the statement of profit or loss	Impact on the statement of other comprehensive income*
<b>Assets</b>				
Loans granted sensitive to FX rate changes	230,955	-	x	
Trade and other receivables	12,560	1,970	x	
Cash including bank deposits	14,913	3,250	x	
<b>Equity and liabilities</b>				
Trade and other liabilities	(15,141)	(2,381)	x	
Term loan liabilities	(30,000)	-		x
Working capital facility liabilities	(25,000)	-	x	
Other liabilities in respect of credits and loans	(11,005)	-	x	
Forward	(121,775)	-		x
Forward (not designated to hedge accounting)	(56,000)	-	x	
CIRS (not designated to hedge accounting)	(60,000)	-	x	
<b>Total exposure</b>	<b>(60,492)</b>	<b>2,839</b>		

\* 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 2021.

Analysis of sensitivity to currency risk – EUR	(PLN '000)*	Impact on the statement of profit or loss	Impact on the statement of other comprehensive income
<b>EUR</b>			
Foreign-currency balance sheet items	613	913	(300)
Hedging instruments: Forward and CIRS	(1,218)	-	(1,218)
<b>USD</b>			
Foreign-currency balance sheet items	28	28	-
Hedging instruments: Forward	-	-	-

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

The CIECH Group applies hedge accounting. For details on hedging relationships, see Note 8.2 to the Consolidated financial statements of the CIECH Group for 2020, published on 22 April 2021.



## Credit risk

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

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

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

The CIECH Group is exposed to credit risk connected with the credit rating of customers being parties to products and goods sales transactions. That risk is limited by using internal procedures to establish amounts of credit limits for customers and to manage trade receivables (the Group uses securities in the form of a letter of credit, bank guarantees, mortgages, receivables insurance and non-recourse factoring; approx. 14% of receivables is not insured). Customers' creditworthiness is assessed and appropriate collateral is obtained from the customers, allowing for a reduction of potential losses in the case of failure to repay the debt. Credit risk assessment for customers is performed prior to concluding an agreement and periodically at subsequent deliveries of goods in accordance with the binding procedures. On selected markets, where more risky payment deadlines are applied, the Group's companies make use of services provided by companies specialising in insuring receivables.

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

Expected credit losses on:	As at 1 January 2021	Increases	Decreases	Foreign exchange differences	As at 31 March 2021
Long-term receivables in relation to caversns	(1,015)	-	-	(10)	(1,025)
Trade receivables	(48,515)	(870)	1,484	(972)	(48,873)
Factoring receivables	(53)	(4)	4	-	(53)
Cash and cash equivalents	(316)	(82)	21	22	(355)
<b>TOTAL</b>	<b>(49,899)</b>	<b>(956)</b>	<b>1,509</b>	<b>(960)</b>	<b>(50,306)</b>

## Liquidity risk

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

The following measures are applied to reduce liquidity risk:

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

In the first quarter of 2021, the Group's debt financing was ensured primarily by the term loan. In addition, a revolving credit facility in the amount of PLN 250 million, constituting an additional source of current liquidity and working capital financing (as at 31 March 2021, the facility was drawn down in the amount of PLN 0 million), and overdraft facilities (as at the end of March 2021, they were drawn down in the amount of PLN 552,788 thousand) have been made available to the Group.

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

31.03.2021	Carrying amount	Contractual cash flows	Less than 6 months	up to 12 months	1-2 years	3-5 years	More than 5 years
<b>Other financial liabilities:</b>	<b>(2,376,358)</b>	<b>(2,418,475)</b>	<b>(645,132)</b>	<b>(364,914)</b>	<b>(1,408,428)</b>	-	-
Trade liabilities	(453,319)	(453,319)	(453,319)	-	-	-	-
Credits and loans	(1,905,567)	(1,947,684)	(174,341)	(364,914)	(1,408,428)	-	-
Factoring	(17,472)	(17,472)	(17,472)	-	-	-	-
<b>Lease liabilities</b>	<b>(123,779)</b>	<b>(246,652)</b>	<b>(12,134)</b>	<b>(12,133)</b>	<b>(30,159)</b>	<b>(21,805)</b>	<b>(170,421)</b>





31.03.2021	Carrying amount	Contractual cash flows	Less than 6 months	up to 12 months	1-2 years	3-5 years	More than 5 years
Hedging derivatives with negative value	(44,155)	(43,868)	(22,946)	(11,091)	(9,831)	-	-
Derivatives recognised in financial liabilities	(17,948)	(18,004)	-	-	(18,004)	-	-
<b>TOTAL</b>	<b>(2,562,240)</b>	<b>(2,726,999)</b>	<b>(680,213)</b>	<b>(388,138)</b>	<b>(1,466,422)</b>	<b>(21,805)</b>	<b>(170,421)</b>

Information on the levels of liquidity ratios is provided in note 3.5.7 of this report.

A detailed description of information on financial risks is provided in note 8.3 of the Consolidated Financial Statements of the CIECH Group for 2020, published on 22 April 2021.

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

On 22 April 2021, the CIECH Group published a forecast of results for 2021. The Management Board of CIECH S.A. forecasts that in 2021 the CIECH Group will achieve:

- consolidated sales revenues: between PLN 3,125 million and PLN 3,285 million;
- consolidated adjusted EBITDA: between PLN 700 million and PLN 735 million.

The forecast was prepared on the basis of the current market situation and the operational and financial situation of the CIECH Group. For details, see current report No 12/2021. After the first quarter, the CIECH Group upholds the forecast published.

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

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

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

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

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

Poland is the largest sales market of the CIECH Group. The direct, most important domestic recipients of the Group's products include: glass industry, chemical and 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 3 months of 2021 increased by 7.9% year on year (in 2020 — an increase by 1.0%). After 3 months of 2021, the relevant dynamics of production in the industries of significant importance to the Group's activities (as receiving or target markets) were: manufacture of rubber and plastic products (increase by 15.5%); manufacture of chemicals and chemical products (increase by 7.9%); manufacture of food (increase by 4.5%); manufacture of furniture (increase by 10.9%, including furniture for sleeping — increase by approx. 13% in terms of volume); manufacture of motor vehicles (increase by 11.2%); construction and assembly production (decrease by 13.2%).

Over the past few years, the Polish economy has been growing at a GDP growth rate of 4%-5%, which is clearly faster than the average for the European Union. In the face of the COVID-19 pandemic crisis, a 2.7% drop in the value of national GDP was recorded in 2020 (according to the Central Statistical Office). In 2021 an economic upturn is already observed and for the whole of this year Polish GDP is projected to grow by around 3% (+3.1% according to the EC). 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.

In 2020, as a result of the COVID-19 pandemic, there was a global crisis not witnessed in the last few decades. According to the International Monetary Fund's April projections, the global economy can be expected to return to growth as early as this year (+6.0% GDP in 2021 against -3.3% in 2020). According to the IMF, GDP growth in the highly developed countries in 2021 will be strongly positive: in the USA +6.4%; in the EU (27) +4.4%; in Japan +3.3%. The following regions will develop very quickly: China (+8.4%), India (+12.5%), ASEAN countries (+4.9%). Relatively moderate GDP growth is expected in other major developing economies: Brazil (+3.7%); Russia (+3.8%); Mexico (+5.0%).

The EU chemical industry also did not resist the general crisis in the previous year, as its products are sold to virtually all other industries and branches of the economy. The estimates by the European Chemical Industry Council (CEFIC) indicate that chemical production in the EU27 fell by 1.9% in 2020. This result was probably also influenced by a certain positive factor related to the fact that the efforts to extinguish the COVID-19 pandemic require continuity or increase in the production of certain chemicals (not all sectors of the chemical industry were affected by significant declines). For 2021-2022, CEFIC already predicts positive chemical production growth rates of 2%-3% per annum.

The year 2020 has also been very severe for the European construction sector. According to Euroconstruct's estimates, construction output in Western and Central Europe fell by around 8% (especially in countries such as the UK, France, Spain and Italy). Relatively smaller declines were reported in Central Europe (-2% in Poland). The European sector is expected to return to growth relatively quickly from 2021 (mainly in the countries most affected by last year's crisis; however, much more slowly in Central Europe).

### OTHER FACTORS AFFECTING THE CIECH GROUP'S ACTIVITIES

Factors	Description
Economic situation on raw material market	<p>Due to the fact that costs of raw materials account for a large share of total costs of the Group, the situation on key raw material markets (availability and price) significantly affect the CIECH Group's activities and financial performance. Price and availability of raw materials depends largely on economic and political developments across the globe.</p> <p><b>Hard coal</b> – situation on the market depends on a number of macroeconomic factors. The largest producer of hard coal in the European Union is Poland, but EU's import of coal (primarily from Russia, Columbia, USA, South Africa 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 process steam and electricity in soda plants in Poland. Despite the fact that the Group buys it usually from Polish mines, the price of thermal coal for the CIECH Group in a long term depends on the European and global situation in the area of demand and supply.</p> <p><b>Gas</b> – the main energy resource used by the combined heat and power plant at the Stassfurt plant. The situation on the gas market depends on many factors, such as the price of oil, demand for gas due to the current weather conditions and the current share of gas in the energy mix. CIECH Energy Deutschland GmbH burns two types of natural gas, from local sources and imported. Gas imports to Germany are from Russia, Norway and the Netherlands. In the gas combustion process, steam and electricity are generated, which is also sold outside the Group. Gas supplies are realized on the basis of bilateral delivery contracts, long-term contracts or short-term purchases (spot).</p> <p><b>Process steam</b> – this form of heat energy was used by CIECH Soda Romania S.A. in the production process of sodium carbonate and liquid silicates, the company bought it from an external supplier. At the end of the first half of 2019, the agreement was terminated and the production of soda in the Romanian plant was suspended in the third quarter.</p> <p><b>Furnace fuel (coke/anthracite)</b> – 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, Germany and the Czech Republic. In its business activity, the Group uses anthracite as a substitute for coke. The main source of anthracite for Europe is Russia.</p>



Factors	Description
	<p>At the end of the first quarter of 2021, the share of coke in the mix began to decline relative to the fourth quarter of 2020, due to a sharp increase in the cost of this fuel in the market.</p> <p><b>Oil-derivative raw materials</b> – used primarily in the Foams Segment, are linked to oil prices. Oil prices depend primarily on macroeconomic and political factors which translate into global demand and supply situation.</p>
Exchange rates of Polish zloty (PLN) and Romanian leu (RON) to euro (EUR) and US dollar (USD)	<p>The CIECH Group's main source of exposure to foreign currency risk is related to EUR and USD in which export sales are denominated. Weakening of PLN and RON(in which significant costs are incurred) in relation to EUR and USD (in which a material portion of sales is made) has a positive impact on the CIECH Group's financial performance. The Group applies natural hedging and hedging instruments.</p>
Volume of chemical production capacity on markets where the CIECH Group operates	<p>In the sectors of mass chemical products, in which the CIECH Group operates, the capital expenditures are an important barrier to entry, and in the case of the Soda Segment – an access to natural resources.</p> <p>According to the information published in the past year, in the next 3-5 years, new capacities will be put into operation mainly in China and the USA. This will mainly concern natural sodium. Due to the COVID-19 pandemic and the delays observed in the launch of projects based on natural resources in the past, it is expected that the performance of these projects will be delayed.</p> <p>In general, in the long term the average annual growth rate of global sodium carbonate capacity is expected to be similar to the growth rate of global demand.</p>
Environmental requirements	<p><b>REACH system implementation</b></p> <p>In accordance with the REACH regulation, the Group's companies selling substances in quantities exceeding 1 tonne p.a. have completed or plan to complete full registration of these substances by defined deadlines, which will enable them to continue their operations in the current scope.</p> <p><b>Emission trading system</b></p> <p>Some 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<sub>2</sub> emission allowances in the 4<sup>th</sup> settlement period (2021–2030) is insufficient to cover the actual demand for this type of settlement units. In addition to the direct costs connected with the purchase of CO<sub>2</sub> emission allowances, the CIECH Group companies will bear higher costs of electricity due to their assumption of the costs of purchase of emission allowances from the producers.</p>

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

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

#### SHAREHOLDERS

As of the date of publishing the previous financial statements (i.e. the date of publication of the Consolidated financial statements of the CIECH Group for 2020, i.e. 22 April 2021), 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 this report, shareholders holding significant blocks of shares (at least 5%) include the following entities:

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

Shareholder	Type of shares	Number of shares	Number of votes at the General Meeting of Shareholders	Share in the total number of votes at the General Meeting of Shareholders	Stake in share capital (%)
KI Chemistry s. à r. l. with its registered office in Luxembourg*	Ordinary bearer	26,952,052	26,952,052	51.14%	51.14%
Nationale-Nederlanden Otwarty Fundusz Emerytalny**	Ordinary bearer	2,729,507	2,729,507	5.18%	5.18%
Aviva Otwarty Fundusz Emerytalny Aviva Santander ***	Ordinary bearer	3,084,470	3,084,470	5.85%	5.85%
Other	Ordinary bearer	19,933,880	19,933,880	37.83%	37.83%

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

\*\* On the basis of the list of shareholders holding at least 5% of votes at the Extraordinary General Meeting of Shareholders of CIECH S.A. on 15 March 2021, CR 6/2021 prepared and published pursuant to Article 70(3) of the Act of 29 July 2005 on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies (Journal of Laws of 2009, No 185, item 1439).

\*\*\* On the basis of the list of shareholders holding at least 5% of votes at the Extraordinary General Meeting of Shareholders of CIECH S.A. on 15 March 2021, CR 6/2021 prepared and published pursuant to Article 70(3) of the Act of 29 July 2005 on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies (Journal of Laws of 2009, No 185, item 1439).

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

The following managers and supervisors held shares of CIECH S.A. as at the date of publication of the Extended report of the CIECH Group for the first quarter of 2021, i.e. as at 27 May 2021:

**Management Board of CIECH S.A.:**

Mr Dawid Jakubowicz – President of the Management Board of CIECH S.A. held 21,713 shares of CIECH S.A.

Mr Jarosław Romanowski – Member of the Management Board of CIECH S.A. held 3,200 shares of CIECH S.A.

Mr Mirosław Skowron – Member of the Management Board of CIECH S.A., held 8,656 shares of CIECH S.A.

**Supervisory Board of CIECH S.A.:**

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

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

**Managing Director of CIECH S.A.:**

Mr Rafał Czubiński – Managing Director of CIECH S.A. held 8,700 shares of CIECH S.A.

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

This situation did not change in the period from the publication of the most recent statements, i.e. the Consolidated Financial Statements of the CIECH Group for 2020, published on 22 April 2021.

Managers and supervisors of CIECH S.A., as at 31 March 2021 and the date of approval hereof, did not hold any shares in other companies of the CIECH Group and this situation did not change in the period from the publication of the most recent statements, i.e. the Consolidated Financial Statements of the CIECH Group for 2020, published on 22 April 2021.



### 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 2021, the CIECH Group did not have any significant disputed liabilities of CIECH S.A. and CIECH S.A.'s subsidiaries, pursued in all types of proceedings before court, body appropriate for arbitration proceedings or public administration bodies, except for the cases described in note 3.12, in "Audits of tax settlements at the CIECH Group and related contingent liabilities".

#### 3.11.2. SIGNIFICANT DISPUTED RECEIVABLES OF THE CIECH GROUP

As at 31 March 2021, the CIECH Group did not hold any significant disputed receivables of CIECH S.A. and CIECH S.A.'s subsidiaries, pursued in all types of proceedings before court, body appropriate for arbitration proceedings or public administration bodies, except for the case disclosed as contingent assets in note 2.13, in "Contingent assets and liabilities, including sureties and guarantees".

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

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

#### Letters of support

As at 31 March 2021, CIECH S.A. was the obliged party in the letter of support (Patronatserklärung) regarding CIECH Soda Deutschland GmbH&Co. KG seated in Staßfurt (CSD) granted to Innogy Gas Storage NWE GmbH ("Innogy") relating to liabilities of CSD resulting from the agreement dated 5 May 2009 on salt caverns construction for the purpose of natural gas storage on the Staßfurt mining field according to which CSD received payments of EUR 45.8 million from Innogy by 31 March 2021. In the letter of support, CIECH S.A. has committed, among other things, to ensure that CSD will have sufficient funds to fulfil its financial commitments against Innogy resulting from the above-mentioned agreement.

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

In the first quarter of 2021, the CIECH Group companies were at various stages of proceedings, including inspections, tax proceedings or administrative court cases concerning the settlement of corporate income tax (CIT) and value added tax (VAT).

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

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

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



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

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

The tax base challenged by the authority is PLN 9.4 million (after taking into account the tax loss incurred in the audited year), which translates into a tax of PLN 1.8 million.

The company and its advisors did not agree with the findings of the auditors and as a result of the tax proceedings, the Decision of the First Instance was issued, against which the company filed an appeal in 2017. On 14 March 2018 CIECH S.A. received the decision of the Second Instance in which the auditors upheld their findings contained in the Decision of the First Instance.

The company appealed to the Provincial Administrative Court against this decision. Despite this, the company decided to pay tax in the amount of PLN 1.8 million and interest (PLN 0.3 million) on 10 April 2018. The Court made its decision on 6 June 2019. The Court complied with the CIECH S.A. appeal as regards the costs of trademark fees, repealing the decision of the second instance. However, as regards the costs of consulting and financing of Soda Deutschland, the Court adjudicated that said costs could not constitute tax costs. After receipt of a written statement of reasons, the company lodged a cassation complaint with the Supreme Administrative Court in September 2019. At present, the company is waiting for the date of the hearing to be set.

**CIT audit for 2014 at CIECH S.A.** was initiated by the Head of the Małopolskie Province Customs and Tax Office in Kraków (hereinafter: Head of the Małopolskie Province Customs and Tax Office in Kraków) on 13 November 2019. The Company received the outcome of the audit on 22 May 2020. The authority claims that the Company has overestimated the tax deductible cost by including interest on external financing contributed to the capital reserves of Soda Deutschland Ciech GmbH (hereinafter: SDC) and the costs of obtaining this financing in tax deductible costs. Moreover, the authority is of the opinion that expenses incurred on account of trade mark fees paid to the CIECH Group company should not be recognised by CIECH S.A. as a tax deductible cost. The taxable amount challenged by the authority is PLN 32.5 million which translates into a potential tax liability of PLN 6.2 million. The Company does not agree with the findings made by the auditors. As a result, the customs and fiscal audit was converted into tax proceedings.

On 15 October 2020, the Company received a report on the audit of the books in which the Head of the Małopolskie Province Customs and Tax Office leaves only the charge that the company overestimated the tax deductible cost by including interest on external financing contributed to the capital reserves of SDC and the costs of obtaining this financing in tax deductible costs (the taxable amount is PLN 22.7 million which translates into a potential tax liability of PLN 4.3 million). Thus, the office has refrained from questioning the expenses incurred for trade mark fees as a tax deductible cost. In the same month, the company submitted objections to the report on the audit of the books. Tax proceedings are currently underway.

In addition, on 6 October 2020 the company received from the Head of the Małopolskie Province Customs and Tax Office a notice of suspension, as of 1 September 2020, of the statute of limitations for tax liabilities for 2014 due to initiation of proceedings for fiscal offences.

**CIT audit for 2015 at CIECH Soda Polska S.A.** was initiated by the Head of the Kujawsko-Pomorskie Province Tax Office in Bydgoszcz on 10 October 2016. On 7 March 2017, the tax office issued the tax audit report. The irregularities found result primarily from the fact that the auditors challenged the company's right to settle the loss from participation in a partnership – as was the case for CIECH Pianki Sp. z o.o., CIECH Cargo Sp. z o.o., CIECH Vitrosilicon S.A., CIECH Sarzyna S.A. The Company and its tax advisors do not agree with the position of the auditors. In June 2019, CIECH Soda Polska S.A. received a decision of the Kujawsko-Pomorskie Tax Office Head in Bydgoszcz (decision of the First instance), according to which



the company had understated - due to its participation in a partnership - its tax obligations in the amount of PLN 3.9 million. The Company appealed against said decision. On 9 September 2019, the company received a decision (decision of the Second instance) issued by the Head of the Tax Administration Chamber in Bydgoszcz, in which the latter upheld the findings of the decision of the First instance. The decision issued by the second instance authority is enforceable. Therefore, the company was obliged to pay the overdue tax (as per the tax auditors) in the amount of PLN 3.9 million (the tax base challenged by the tax authorities was PLN 20.4 million) plus the interest due in the amount of PLN 1 million. On 9 October 2019, the company appealed to the Provincial Administrative Court in Bydgoszcz against the decision of the Second Instance. At a hearing on 11 December 2019, after considering the appeal filed by the Company, the Provincial Administrative Court issued a ruling annulling the decision issued by the Head of the Tax Administration Chamber in Bydgoszcz in its entirety. In February 2020, Head of the Tax Administration Chamber in Bydgoszcz lodged a cassation complaint with the Supreme Administrative Court. At present, the company is waiting for the date of the hearing to be set.

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

The Company and its tax advisors do not agree with the position of the auditors. In June 2019, CIECH Pianki S.A. received a decision of the Kujawsko-Pomorskie Tax Office Head in Bydgoszcz (decision of the First instance), according to which the company had understated - due to its participation in a partnership - its tax obligations in the amount of PLN 2.6 million. The Company appealed against said decision. On 9 September 2019, the company received a decision (decision of the Second instance) issued by the Head of the Tax Administration Chamber in Bydgoszcz, in which the latter upheld the findings of the decision of the First instance. The decision issued by the second instance authority is enforceable. Therefore, the company was obliged to pay the overdue tax (as per the tax auditors) in the amount of PLN 2.6 million (the tax base challenged by the tax authorities was PLN 13.8 million) plus the interest due in the amount of PLN 0.7 million. On 9 October 2019, the company appealed to the Provincial Administrative Court in Bydgoszcz against the decision of the Second Instance. At a hearing on 11 December 2019, after considering the appeal filed by the Company, the Provincial Administrative Court issued a ruling annulling the decision issued by the Head of the Tax Administration Chamber in Bydgoszcz in its entirety. In February 2020, Head of the Tax Administration Chamber in Bydgoszcz lodged a cassation complaint with the Supreme Administrative Court. At present, the company is waiting for the date of the hearing to be set.

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

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



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

If the unfavourable position of the authority is upheld, an obligation may arise to pay tax arrears in the amount of PLN 6.9 million (the tax base challenged by the authority is PLN 36.4 million) plus with interest due. Tax proceedings are currently underway.

**CIT audit for 2016 at CIECH Sarzyna S.A.** was initiated by the Head of the Podkarpackie Province Tax Office in Reszów on 26 February 2018. On 11 January 2019, the tax office issued the audit report. According to the authority, the expenses incurred by the company in 2016 for the use of Chwastox trademarks cannot be classified as tax deductible costs. In addition, the company should have included interest on loans paid in advance in 2015 in its tax deductible costs in 2016. Additionally, the authority claims that the company may not offset the loss for 2015 in the annual return for 2016. The Company and its tax advisors do not agree with the position of the auditors. If the unfavourable position of the authority is upheld, an obligation may arise to pay tax arrears in the amount of PLN 4.3 million (the tax base challenged by the authority is PLN 22.4 million) plus with interest due. Tax proceedings are currently underway.

**CIT audit for 2016 at CIECH S.A.** On 25 May 2021, CIECH SA. received from the Head of the Małopolska Customs and Tax Office in Krakow authorization to carry out a customs and tax inspection in the field of corporate income tax (CIT) for 2016. By the date of publication of the report, the inspection activities had not commenced.

**CIT audit for 2018 at CIECH Soda Polska S.A.** was initiated on 1 December 2020 by the Head of the Kujawsko-Pomorskie Province Customs and Tax Office in Toruń. The audit concerns the correctness of settlements with the state budget in respect of corporate income tax. On 27 April 2021, the Head of the Customs and Tax Office issued a Notice of Consideration of the CIT correction filed by the company resulting in an overpayment of CIT in the amount of PLN 0,9 million due to the transfer of proceeds from excise tax refunds (for 2016 - PLN 1,4 million and for 2017 - PLN 3,8 million) from taxable activities to activities within the Special Economic Zone (hereinafter: SEZ) and, as a consequence, a change in the allocation of shared costs between these activities (PLN 0,5 million transferred to SEZ). Therefore, the audit was terminated.

The Group estimated that the potential impact on income tax expense (in the form of additional tax liabilities or inability to recover a deferred income tax asset calculated for tax losses), in connection with the above events which are or may continue to be challenged, would amount to PLN 136.3 million if it were no longer probable that the Group would be able to uphold its tax interpretations before the tax authorities. From the above-mentioned amount of PLN 136.3 million, following the decisions of the second instance, regarding CIT (2012 and 2013) in CIECH S.A., and CIT (2015) in CIECH Soda Polska S.A., CIECH Pianki Sp. z o.o. and CIECH Cargo Sp. z o.o., despite further dispute before court, the total tax amount of PLN 53.7 million was paid, a provision was recognised for potential tax liabilities in the amount of PLN 38.4 million, and it was decided not to recognise a deferred tax in the amount of PLN 26.7 million, and an impairment loss on receivables from the tax office in the amount of PLN 1.8 million. The remaining amount, i.e. PLN 15.7 million, is not covered by a provision and represents a contingent liability. The Group also paid interest in the total amount of PLN 26.9 million.

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

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

**VAT audit for the fourth quarter of 2013 at Verbis Kappa Sp. z o.o. S.K.A.** was initiated by the Head of the Małopolskie Province Customs and Tax Office in Kraków on 6 April 2018. The company received the outcome of the audit on 11 June 2018. The authority challenged the right to deduct VAT on part of the contribution in kind made to the share premium. According to the authority, the taxable amount of the contribution received is the amount equal to the nominal value of the shares acquired. The market value of the in-kind contribution less the amount of VAT was recognised as the taxable amount in the invoice received by the company. Consequently, according to the authority, the company deducted the input tax





in the amount to which it was not entitled. The taxable amount challenged by the authority is PLN 35.7 million which translates into a tax of PLN 8.2 million.

The Company and the other party to the transaction, i.e. CIECH Sarzyna S.A., filed motions for tax rulings. The Director of the National Revenue Information agreed with the position of CIECH Sarzyna S.A. presented in the motion that the taxable amount of the in-kind contribution made in 2013 was the value of the contribution, i.e. the market value of the in-kind contribution less the amount of VAT. Taking into account the positive interpretation concerning the taxable amount (an interpretation received after the event that is the subject of the dispute) and the case-law line that existed until the end of 2013, the issuer of the invoice, i.e. CIECH Sarzyna S.A., and its advisors believe that the taxable amount should be the market value of the in-kind contribution less the amount of VAT. Therefore, the company did not make a VAT correction, considering that the tax treatment of the in-kind contribution made in 2013 was correct. On 7 August 2019, the company received the decision of the Head of the Małopolskie Province Customs and Tax Office in Kraków, upholding the previous position of the authority, that the company had no right to deduct VAT in the amount of PLN 8.2 million. The Company and its advisors do not agree with the findings set forth in the Decision and have appealed against it. On 14 November 2019, the company received the Decision of the second instance, where the Head of the Małopolskie Province Customs and Tax Office upheld the decision of the first instance in its entirety. The decision issued by the second instance authority is enforceable. Therefore, the company was obliged to pay the overdue VAT (as per the tax auditors) in the amount of PLN 8.2 million plus the interest due in the amount of approx. PLN 3.9 million. On 13 December 2019, the Company appealed against the decision of the second instance to the Provincial Administrative Court in Cracow. At a hearing on 22 July 2020, after considering the appeal filed by the Company, the Provincial Administrative Court issued a ruling dismissing the complaint filed by the Company, accepting the position of the Małopolskie Province Customs and Tax Office in Kraków. The company received a written statement of reasons for the judgment and lodged a cassation complaint with the Supreme Administrative Court in November 2020. At present, the company is waiting for the date of the hearing to be set.

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

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

On 17 July 2019, the company received the decision of the Head of the Małopolskie Province Customs and Tax Office in Kraków, upholding the previous position of the authority, that the Company had no right to deduct VAT in the amount of PLN 30.8 million. The Company and its advisors do not agree with the findings set forth in the Decision and have appealed against it. On 6 August 2019, the company received an order of the Head of the Third Tax Office for Warszawa-Śródmieście to make the Decision of the Head of the Małopolskie Province Customs and Tax Office in Krakow, issued in connection with the tax proceedings conducted against the company, immediately enforceable. The Company filed a complaint against said decision. Irrespective of the complaint, the company applied to the Head of the Third Tax Office for crediting the overpaid VAT in the amount of PLN 30.8 million resulting from the correction of the VAT settlement for July 2018 towards the arrears indicated in the Decision of the Małopolskie Province Customs and Tax Office in Krakow, and repaid interest in the amount of PLN 12.4 million. In its decision, the Head of the Third Tax Office agreed to the company's request. Thus, no enforcement proceedings were initiated. On 24 October 2019, the company received the Decision of the second instance, where the Head of the Małopolskie Province Customs and Tax Office upheld the decision of the first instance in its entirety. On 13 November 2019, the company received the decision issued by the Head of the Tax Administration Chamber in Warsaw concerning the upholding of the decision of the Third Tax Office to make the non-final decision of the first-instance authority immediately



enforceable. Due to the fact that the company had received the decision of the second instance earlier, it did not file a complaint to the Provincial Administrative Court in Warsaw against the decision received. On 25 November 2019, however, the Company appealed against the decision of the second instance to the Provincial Administrative Court in Cracow. At a hearing on 29 July 2020, after considering the appeal filed by the Company, the Provincial Administrative Court issued a ruling dismissing the complaint filed by the Company, accepting the position of the Małopolskie Province Customs and Tax Office in Kraków. The company received a written statement of reasons for the judgment and lodged a cassation complaint with the Supreme Administrative Court on 20 January 2021. At present, the company is waiting for the date of the hearing to be set.

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

**VAT audit for December 2014 at Cerium Finance Sp. z o.o.** was initiated by the Head of the Małopolskie Province Customs and Tax Office in Kraków on 5 April 2018. The company received the outcome of the audit on 19 June 2018. The authority challenged the right to deduct VAT on part of the contribution in kind made to the share premium. According to the authority, the taxable amount of the contribution received is the amount equal to the nominal value of the shares acquired. The market value of the in-kind contribution less the amount of VAT was recognised as the taxable amount in the invoice received by the company. Consequently, according to the authority, the company deducted the input tax in the amount to which it was not entitled. The taxable amount challenged by the authority is PLN 110 million which translates into a tax of PLN 25.3 million. Guided by the outcome of the audit, the other party to the in-kind contribution transaction, i.e. CIECH Soda Polska S.A., issued a correction to the invoice, specifying the taxable amount of the in-kind contribution as the nominal value of the shares acquired. Cerium Finance Sp. z o.o. included the correction of the invoice in the current tax return and paid the tax. CIECH Soda Polska S.A. received a refund of overpaid VAT.

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

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

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

The amount of interest paid, i.e. PLN 10 million, is reported in the financial statements as public-law receivables due to the fact that the company and its tax advisors estimate the chances of winning the dispute to be above 50%.



At the same time, due to the continuing uncertainty as to the direction of the dispute resolution by the Supreme Administrative Court, this amount is also reported as contingent liabilities.

**VAT audit for the period from January to June 2018 at CIECH Trading Sp. z o.o.** was commenced by the Head of the Kujawsko-Pomorskie Province Customs and Tax Office in Toruń (for the period from January to April 2018) – commenced on 20 June 2018, and by the Head of the Śląskie Province Customs and Tax Office in Katowice (for the period from May to June 2018) – commenced on 19 September 2018. On 13 September 2019, the Company received a report on the audit of the books and the outcome of the audit from the Kujawsko-Pomorskie Province Customs and Tax Office in Toruń. According to the auditors, the company overstated the input tax by PLN 1.4 million, deducting the tax resulting from invoices issued by two contractors who, according to the authority, committed tax fraud at an earlier stage of trade. According to the authority, the company failed to exercise due diligence when entering into transactions with these entities. The Company does not agree with the position of the auditors. However, given the lack of clear legal guidelines as to the scope of due diligence and following the prudence principle, the company decided to correct the VAT return for the period from January to April 2018 in the amount indicated by the authority, i.e. PLN 1.4 million. In addition, following the prudence principle in order to prevent a possible additional tax liability in the form of VAT sanctions, the company corrected its VAT settlements for 2017 and for the period from July to November 2018, excluding from its settlements the input VAT on invoices issued by the same two counterparties for whom the authority refuses to deduct input VAT for the period from January to June 2018. The amount of the corrected VAT is PLN 7.5 million. As a result of corrections made to VAT returns and their settlement with the tax office, the company paid PLN 0.5 million in interest. On 10 February 2020, the Company received the decision of the Head of the Kujawsko-Pomorskie Province Customs and Tax Office in Toruń concerning the determination of an additional VAT liability in relation to the audit for the period from January to April 2018. The amount of sanctions indicated in the Decision is PLN 1.4 million. The Company lodged an appeal against the Decision received with the Head of the Kujawsko-Pomorskie Province Customs and Tax Office. Regardless of the appeal filed, in order to avoid further accrual of interest, on 5 June 2020 the Company paid the amount of this additional tax liability together with interest. On 21 July 2020, the Company received the decision of the Head of the Kujawsko-Pomorskie Province Customs and Tax Office in Toruń (appeal body). The decision upholds the decision of the first instance authority to set the additional VAT liability in CIECH Trading Sp. z o.o. at 100%, i.e. in the amount of PLN 1.4 million. This Decision is final. On 19 August 2020, the Company appealed against the decision of the second instance to the Provincial Administrative Court in Bydgoszcz. At a hearing on 18 November 2020, after considering the appeal filed by the Company, the Provincial Administrative Court issued a ruling dismissing the complaint filed by the Company, accepting the position of the Head of the Kujawsko-Pomorskie Province Customs and Tax Office. The company received a written statement of reasons for the judgment and lodged a cassation complaint with the Supreme Administrative Court on 28 January 2021.

In case of the audit of VAT settlements for the period of May and June 2018 carried out by the Head of the Silesian Customs and Tax Office in Katowice, in September 2020 the company received the results of the audit relating to each of the months audited, in which the office refused the company the right to deduct input tax in the amount of PLN 1.5 million. In October 2020, the company paid the disputed amount of tax plus interest. The company recognised a provision for possible VAT arrears, interest and a sanction for the period of May-June 2018 in the amount of PLN 3.8 million. In December 2020, the Company received two Decisions issued by the Head of the Silesian Customs and Tax Office on the transformation of the customs and fiscal audit into tax proceedings on the determination of the additional VAT tax liability for May and June 2018. On 13 January 2021, the Head of the Silesian Customs and Tax Office in Katowice issued a decision on determining the additional VAT liability in the amount of PLN 1.5 million. The Company lodged an appeal against the Decision received with the Head of the Silesian Customs and Tax Office. Regardless of the appeal filed, in order to avoid further accrual of interest, on 11 February 2021 the Company paid the amount of this additional tax liability together with interest.

**The audit at CIECH the Ciech Group in Germany** concerns income tax and VAT settlements. The audit concerns the following companies: Sodawerk Staßfurt Verwaltungs GmbH, CIECH Soda Deutschland GmbH & Co. KG, Sodawerk Holding Staßfurt GmbH, SDC GmbH, CIECH Energy Deutschland GmbH. The audits cover settlements for 2007-2009 and 2010-2015 and concern various factual and legal matters.

On 22 March 2021, the proxy of CIECH Soda Deutschland GmbH & Co. KG received the preliminary result of the tax audit issued by the Tax Office in Staßfurt. The decision was issued in connection with an audit of the VAT settlements for 2012-2013 at Ciech Energy Deutschland GmbH. The decision was delivered to CIECH Soda Deutschland GmbH & Co. KG, as in the VAT group to which CIECH Soda Deutschland GmbH & Co. KG and Ciech Energy Deutschland GmbH belong, CIECH Soda Deutschland GmbH & Co. KG is responsible for settlements with the tax authorities. In the Decision, the Tax Office questioned the right to deduct VAT in the amount of EUR 5.0 million on invoices received in 2012-2013 by Ciech Energy



Deutschland GmbH in connection with the leasing of the CHP plant, whereby, due to the principle of neutrality, the amount of VAT deducted by Ciech Energy Deutschland GmbH can be offset against the VAT paid by the lessor. The amount in dispute would be interest of approximately EUR 1.9 million (approximately PLN 8.9 million). CIECH Energy Deutschland GmbH and the tax advisors do not agree with the Decision issued and therefore they appealed against the Decision and demanded its suspension until the pending case is finally resolved.

CIECH Energy Deutschland GmbH, having analysed the Decision and the tax advisor's position on the chances of a positive outcome of the proceedings for Ciech Energy Deutschland GmbH, has decided not to recognise a provision for interest.

With regard to the other years and issues subject to ongoing audits, the outcome of the audit as at the balance sheet date is not known – the companies did not receive any reports/decisions from the tax authorities. In case of a different assessment of economic events by audit authorities, an obligation may arise to recalculate and potentially increase the tax liability and to pay interest on tax arrears. Under the prudence principle, the companies have, however, recognized provisions for potential tax liabilities and interest in previous years in the total amount of EUR 14.4 million (after conversion into PLN according to the exchange rate quoted on the balance sheet date – about PLN 67.1 million); the amount of EUR 1.5 million (PLN 7.0 million after conversion), is a contingent liability.

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

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



**QUARTERLY FINANCIAL INFORMATION  
OF THE PARENT COMPANY  
CIECH S.A.  
FOR 3-MONTH PERIOD ENDED 31 MARCH 2021**



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

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

	01.01.-31.03.2021	01.01.-31.03.2020*
<b>CONTINUING OPERATIONS</b>		
<b>Sales revenues</b>	<b>384,238</b>	<b>458,340</b>
Cost of sales	(324,815)	(395,560)
<b>Gross profit on sales</b>	<b>59,423</b>	<b>62,780</b>
Other operating income	1,106	1,531
Selling costs	(29,891)	(28,978)
General and administrative expenses	(18,302)	(21,423)
Other operating expenses	(1,719)	(908)
<b>Operating profit</b>	<b>10,617</b>	<b>13,002</b>
Financial income	107,367	29,777
<i>Profit from financial instruments</i>	<i>46,898</i>	<i>10,452</i>
Financial expenses	(69,285)	(83,738)
<i>(Loss) from financial instruments</i>	<i>(51,901)</i>	<i>(77,560)</i>
<b>Net financial income/(expenses)</b>	<b>38,082</b>	<b>(53,961)</b>
<b>Profit before tax</b>	<b>48,699</b>	<b>(40,959)</b>
Income tax	552	6,029
<b>Net profit on continuing operations</b>	<b>49,251</b>	<b>(34,930)</b>
<b>DISCONTINUED OPERATIONS</b>		
Net profit/(loss) on discontinued operations	49,626	(2,052)
<b>Net profit for the year</b>	<b>98,877</b>	<b>(36,982)</b>
<b>Earnings per share (in PLN):</b>		
Basic	1.88	(0.70)
Diluted	1.88	(0.70)
<b>Earnings per share (in PLN) from continuing operations:</b>		
Basic	0.93	(0.66)
Diluted	0.93	(0.66)

\*Restated data. For detailed information on discontinued operations, see Note 2.15 to this report.

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

	01.01.-31.03.2021	01.01.-31.03.2020*
<b>Net profit on continuing operations</b>	<b>49,251</b>	<b>(34,930)</b>
Net profit/(loss) on discontinued operations	49,626	(2,052)
<b>Net profit for the year</b>	<b>98,877</b>	<b>(36,982)</b>
<b>Other comprehensive income before tax that may be reclassified to the statement of profit or loss</b>	<b>2,951</b>	<b>(25,620)</b>
Cash flow hedge reserve	2,951	(25,620)
<b>Other comprehensive income before tax that may not be reclassified to the statement of profit or loss</b>	<b>-</b>	<b>-</b>
Other components of other comprehensive income	-	-
<b>Income tax attributable to other comprehensive income</b>	<b>(561)</b>	<b>4,868</b>
Income tax attributable to other comprehensive income that may be reclassified to the statement of profit or loss	(561)	4,868
<b>Other comprehensive income net of tax</b>	<b>2,390</b>	<b>(20,752)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>101,267</b>	<b>(57,734)</b>

\*Restated data. For detailed information on discontinued operations, see Note 2.15 to this report.



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

	31.03.2021	31.12.2020
<b>ASSETS</b>		
Property, plant and equipment	11,287	11,805
Intangible assets	57,990	57,428
Long-term financial assets	2,611,541	2,538,642
Deferred income tax assets	526	-
Rights to use an asset	24,663	26,057
<b>Total non-current assets</b>	<b>2,706,007</b>	<b>2,633,932</b>
Inventory	25,298	6,394
Short-term financial assets	1,210,180	1,189,162
Income tax receivables	6	-
Trade and other receivables	243,923	232,895
Cash and cash equivalents	239,812	265,287
Non-current assets held for sale	-	29,964
<b>Total current assets</b>	<b>1,719,219</b>	<b>1,723,702</b>
<b>Total assets</b>	<b>4,425,226</b>	<b>4,357,634</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	287,614	287,614
Share premium	470,846	470,846
Cash flow hedge reserve	(23,323)	(25,713)
Actuarial gains	(78)	(78)
Other reserve capitals	422,699	422,699
Retained earnings	537,277	438,400
<b>Total equity</b>	<b>1,695,035</b>	<b>1,593,768</b>
Loans, borrowings and other debt instruments*	1,741,891	-
Lease liabilities	21,420	21,792
Other non-current liabilities	31,871	18,198
Employee benefits reserve	987	979
Deferred income tax liability	-	4
<b>Total non-current liabilities</b>	<b>1,796,169</b>	<b>40,973</b>
Loans, borrowings and other debt instruments*	490,123	2,238,619
Lease liabilities	5,806	6,332
Trade and other liabilities	403,342	438,836
Income tax liabilities	183	4,539
Employee benefits reserve	454	826
Other provisions	34,114	33,741
<b>Total current liabilities</b>	<b>934,022</b>	<b>2,722,893</b>
<b>Total liabilities</b>	<b>2,730,191</b>	<b>2,763,866</b>
<b>Total equity and liabilities</b>	<b>4,425,226</b>	<b>4,357,634</b>

\*Reclassification of loans to short-term liabilities due to non-fulfilment of a covenant under the loan agreement. For details, see Note 2.10 to this report.



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

	01.01.-31.03.2021	01.01.-31.03.2020
<b>Cash flows from operating activities</b>		
<b>Net profit for the period</b>	<b>98,877</b>	<b>(36,982)</b>
Amortisation/depreciation	4,529	4,615
Recognition of impairment allowances	584	2,015
Foreign exchange (profit) /loss	(11,952)	(26,788)
(Profit) / loss on investment activities	(49,748)	-
(Profit) / loss on disposal of property, plant and equipment	(6)	3
Dividends and interest	(41,385)	4,875
Income tax	(552)	(6,029)
Change in liabilities due to loan arrangement fee	(7,930)	521
Value of derivatives	16,492	57,169
Settlements conversion to a loan	(10,000)	-
<b>Cash from operating activities before changes in working capital and provisions</b>	<b>(1,091)</b>	<b>(601)</b>
Change in receivables	(3,436)	(50,943)
Change in inventory	(18,904)	3,710
Change in current liabilities	(20,300)	(146,362)
Change in provisions and employee benefits	9	(989)
<b>Cash generated from operating activities</b>	<b>(43,722)</b>	<b>(195,185)</b>
Interest paid	(10,628)	(5,824)
Income tax (paid)	(4,892)	(356)
<b>Net cash from operating activities</b>	<b>(59,242)</b>	<b>(201,365)</b>
<b>Cash flows from investment activities</b>		
Disposal of a subsidiary	79,764	-
Disposal of intangible assets and property, plant and equipment	41	271
Dividends received	43,802	114
Interest received	6,917	3,364
Cash pooling inflows*	-	72,381
Proceeds from repaid borrowings	30,249	-
Acquisition of a subsidiary	(1,000)	-
Acquisition of intangible assets and property, plant and equipment	(7,594)	(3,611)
Raise capital expenditures and extra charge on capital	-	(450)
Borrowings paid out	(97,068)	(110,666)
Cash pooling outflows*	(16,602)	-
<b>Net cash from investment activities</b>	<b>38,509</b>	<b>(38,597)</b>
<b>Cash flows from financial activities</b>		
Proceeds from loans and borrowings	145	552,147
Cash pooling inflows*	15,794	-
Repayment of loans and borrowings	(20,000)	-
Cash pooling outflows*	-	(34,493)
Payments of lease liabilities	(1,262)	(822)
<b>Net cash from financial activities</b>	<b>(5,323)</b>	<b>516,832</b>
<b>Total net cash flows</b>	<b>(26,056)</b>	<b>276,870</b>
<b>Cash and cash equivalents as at the beginning of the period</b>	<b>265,287</b>	<b>169,984</b>
<i>Impact of foreign exchange differences</i>	581	5,139
<b>Cash and cash equivalents as at the end of the period</b>	<b>239,812</b>	<b>451,993</b>

\*Cash pooling – presentation in cashflow:

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





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

	Share capital	Share premium	Cash flow hedge reserve	Other reserve capitals	Actuarial gains	Retained earnings	Total equity
<b>01.01.2021</b>	<b>287,614</b>	<b>470,846</b>	<b>(25,713)</b>	<b>422,699</b>	<b>(78)</b>	<b>438,400</b>	<b>1,593,768</b>
<b>Total comprehensive income for the period</b>	-	-	<b>2,390</b>	-	-	<b>98,877</b>	<b>101,267</b>
Net profit / (loss) for the period	-	-	-	-	-	98,877	98,877
Other comprehensive income	-	-	2,390	-	-	-	2,390
<b>31.03.2021</b>	<b>287,614</b>	<b>470,846</b>	<b>(23,323)</b>	<b>422,699</b>	<b>(78)</b>	<b>537,277</b>	<b>1,695,035</b>
<b>01.01.2020</b>	<b>287,614</b>	<b>470,846</b>	<b>(1,035)</b>	<b>76,199</b>	<b>(37)</b>	<b>629,619</b>	<b>1,463,206</b>
<b>Total comprehensive income for the period</b>	-	-	<b>(20,752)</b>	-	-	<b>(36,982)</b>	<b>(57,734)</b>
Net profit / (loss) for the period	-	-	-	-	-	(36,982)	(36,982)
Other comprehensive income	-	-	(20,752)	-	-	-	(20,752)
<b>31.03.2020</b>	<b>287,614</b>	<b>470,846</b>	<b>(21,787)</b>	<b>76,199</b>	<b>(37)</b>	<b>592,637</b>	<b>1,405,472</b>



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

### 5.1. BASIS OF PREPARATION

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

These interim condensed separate financial statements were prepared in compliance with IAS 34 "Interim Financial Reporting" as approved by the European Union and the Regulation of the Minister of Finance dated 29 March 2018 on current and periodical information submitted by issuers of securities and on conditions for deeming equivalent information required by the law of a Non-Member State (Journal of Laws 2018.757 of 2018). These financial statements present the financial position of the CIECH Group as at 31 March 2021 and as at 31 December 2020, results of the Company's operations and cash flows for the period of 3 months ended 31 March 2021 and 31 March 2020, and were approved by the Management Board of CIECH S.A. on 27 May 2021.

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

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

These interim condensed separate financial statements should be read together with the interim condensed consolidated financial statements of the CIECH Group for the 3-month period ended 31 March 2021.

### 5.2. ADOPTED ACCOUNTING PRINCIPLES

The CIECH S.A.'s accounting principles are described in the Financial Statements of CIECH S.A. for 2020, published on 22 April 2021. The aforementioned Financial Statements include detailed information regarding the principles and methods of valuation of assets, equity and liabilities and measurement of the financial result as well as the method of preparing the financial statements and comparative information. These principles have been applied on a continuous basis with relation to currently published data, the last annual financial statements and comparative data presented.

### 5.3. CHANGES IN ESTIMATES

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



## RATIO CALCULATION METHODOLOGY

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

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



## REPRESENTATION BY THE MANAGEMENT BOARD

This Extended consolidated quarterly report of the CIECH Group for the first quarter of 2021 was approved by the Management Board of CIECH S.A. on 27 May 2021.

Warsaw, 27 May 2021

*(signed on the polish original)*

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

*(signed on the polish original)*

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

*(signed on the polish original)*

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

*(signed on the polish original)*

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