

EXTENDED CONSOLIDATED REPORT

of the CIECH Group for the first half of
2021



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



CIECH GROUP — SELECTED CONSOLIDATED FINANCIAL DATA

SELECTED FINANCIAL DATA	in thousand PLN		in thousand EUR	
	6 months ended	6 months ended	6 months ended	6 months ended
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
Sales revenues on continued operations	1,695,785	1,480,602	372,929	333,371
Operating profit/(loss) on continued operations	237,847	119,359	52,306	26,875
Profit/(loss) before tax on continued operations	178,021	78,443	39,150	17,662
Net profit / (loss) for the period	192,290	34,017	42,288	7,660
Net profit/(loss) attributable to shareholders of the parent company	192,408	34,698	42,314	7,813
Net profit/(loss) attributed to non-controlling interest	(118)	(681)	(26)	(153)
Other comprehensive income net of tax	25,455	(22,213)	5,598	(5,001)
Total comprehensive income	217,745	11,804	47,886	2,659
Cash flows from operating activities	431,155	316,059	94,818	71,164
Cash flows from investment activities	(368,170)	(381,758)	(80,966)	(85,956)
Cash flows from financial activities	(9,869)	446,902	(2,170)	100,624
Total net cash flows	53,116	381,203	11,682	85,832
Earnings (loss) per ordinary share (in PLN/EUR)	3.65	0.66	0.80	0.15
	as at	as at	as at	as at
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
Total assets	5,969,634	5,730,323	1,320,481	1,241,728
Non-current liabilities	2,368,581	401,146	523,930	86,926
Current liabilities	1,422,869	3,210,639	314,738	695,727
Total equity	2,178,184	2,118,538	481,813	459,075
Equity attributable to shareholders of the parent	2,180,298	2,120,615	482,281	459,525
Non-controlling interest	(2,114)	(2,077)	(468)	(450)
Share capital	287,614	287,614	63,620	62,324

CIECH S.A. - SELECTED SEPARATE FINANCIAL DATA

SELECTED FINANCIAL DATA	in thousand PLN		in thousand EUR	
	6 months ended	6 months ended	6 months ended	6 months ended
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
Sales revenues on continued operations	765,364	837,545	168,315	188,581
Operating profit/(loss) on continued operations	17,998	19,392	3,958	4,366
Profit/(loss) before tax on continued operations	33,500	32,952	7,367	7,419
Net profit for the period	72,520	32,768	15,948	7,378
Other comprehensive income net of tax	27,676	(26,417)	6,086	(5,948)
Total comprehensive income	100,196	6,351	22,034	1,430
Cash flows from operating activities	(73,444)	(90,418)	(16,151)	(20,358)
Cash flows from investment activities	(170,442)	(89,677)	(37,483)	(20,192)
Cash flows from financial activities	97,251	467,050	21,387	105,161
Total net cash flows	(146,635)	286,955	(32,247)	64,611
Earnings (loss) per ordinary share (in PLN/EUR)	1.38	0.62	0.30	0.14
	as at	as at	as at	as at
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
Total assets	4,495,243	4,357,634	994,346	944,274
Total non-current liabilities	1,999,136	40,973	442,208	8,879
Total current liabilities	960,242	2,722,893	212,405	590,035
Total equity	1,535,865	1,593,768	339,733	345,360
Share capital	287,614	287,614	63,620	62,324

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

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

as at 30.06.2021	as at 31.12.2020	6 months ended 30.06.2021	6 months ended 30.06.2020
EUR 1 = PLN 4.5208	EUR 1 = PLN 4.6148	EUR 1 = PLN 4.5472	EUR 1 = PLN 4.4413



**SEMI-ANNUAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
OF THE CIECH GROUP FOR 6-MONTH PERIOD ENDED 30 JUNE 2021**

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



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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE CIECH GROUP

	01.01.-30.06.2021	01.01.-30.06.2020*	01.04.-30.06.2021	01.04.-30.06.2020*
			<i>Data not reviewed</i>	
CONTINUING OPERATIONS				
Sales revenues	1,695,785	1,480,602	834,713	690,123
Cost of sales	(1,303,786)	(1,154,933)	(628,671)	(538,088)
Gross profit/(loss) on sales	391,999	325,669	206,042	152,035
Other operating income	77,046	18,926	11,948	7,744
Selling costs	(108,781)	(76,912)	(59,851)	(29,886)
General and administrative expenses	(97,099)	(102,419)	(46,484)	(45,927)
Other operating expenses	(25,318)	(45,905)	(11,056)	(27,681)
Operating profit/(loss)	237,847	119,359	100,599	56,285
Financial income, including:	7,573	19,930	(21,380)	(10,845)
<i>Profit from financial instruments</i>	5,113	4,832	(8,265)	4,165
Financial costs, including:	(67,190)	(61,037)	(39,378)	(34,983)
<i>Loss from financial instruments</i>	(40,323)	(56,195)	(15,458)	(33,035)
Net financial income/(expenses)	(59,617)	(41,107)	(60,758)	(45,828)
Share of profit / (loss) of equity-accounted investees	(209)	191	(94)	(130)
Profit/(loss) before tax	178,021	78,443	39,747	10,327
Income tax	(48,271)	(44,636)	(23,883)	(17,442)
Net profit/(loss) on continuing operations	129,750	33,807	15,864	(7,115)
DISCONTINUED OPERATIONS				
Net profit/(loss) on discontinued operations	62,540	210	(7,273)	1,711
Net profit / (loss) for the period	192,290	34,017	8,591	(5,404)
including:				
Net profit/(loss) attributable to shareholders of the parent company	192,408	34,698	7,980	(4,977)
Net profit/(loss) attributed to non-controlling interest	(118)	(681)	611	(427)
Earnings per share (in PLN):				
Basic	3.65	0.66	0.15	(0.09)
Diluted	3.65	0.66	0.15	(0.09)
Earnings/(loss) per share (in PLN) from continuing operations:				
Basic	2.46	0.65	0.29	(0.13)
Diluted	2.46	0.65	0.29	(0.13)

*Restated data. For detailed information on discontinued operations, see Note 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 semi-annual condensed consolidated financial statements.



CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME OF THE CIECH GROUP

	01.01.-30.06.2021	01.01.-30.06.2020*	01.04.-30.06.2021	01.04.-30.06.2020*
				<i>Data not reviewed</i>
Net profit / (loss) for the period	192,290	34,017	8,591	(5,404)
Other comprehensive income before tax that may be reclassified to the statement of profit or loss	41,519	(34,444)	35,409	(5,977)
Currency translation differences (foreign companies)	(14,774)	27,044	(19,011)	(13,346)
Profit (loss) from cash flow hedge reserve	55,570	(61,697)	53,576	7,905
Profit (loss) from costs of hedging reserve	723	212	849	(533)
Other components of other comprehensive income	-	(3)	(5)	(3)
Other comprehensive income before tax that may not be reclassified to the statement of profit or loss	-	-	-	-
Income tax attributable to other comprehensive income	(16,064)	12,231	(12,960)	(2,556)
Income tax attributable to other comprehensive income that may be reclassified to the statement of profit or loss	(16,064)	12,231	(12,960)	(2,556)
Other comprehensive income net of tax	25,455	(22,213)	22,449	(8,533)
Comprehensive income including attributable to:	217,745	11,804	31,040	(13,937)
Shareholders of the parent company	217,782	12,320	30,499	(13,458)
Non-controlling interest	(37)	(516)	541	(479)

*Restated data. For detailed information on discontinued operations, see Note 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 semi-annual condensed consolidated financial statements.



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE CIECH GROUP

	30.06.2021	31.12.2020*	30.06.2020*
ASSETS			
Property, plant and equipment	3,528,210	3,366,296	2,964,158
Rights to use an asset	172,959	176,688	185,557
Intangible assets other than goodwill	372,861	395,193	331,833
Goodwill	147,027	149,709	145,464
Investment property	40,278	40,948	36,625
Non-current receivables	66,882	53,702	60,366
Investments in jointly-controlled entities measured under the equity method	5,322	5,646	6,441
Long-term financial assets	104,630	12,477	14,355
Deferred income tax assets	44,557	50,688	55,006
Total non-current assets	4,482,726	4,251,347	3,799,805
Inventory	360,646	348,989	360,106
Short-term financial assets	103,206	19,863	2,979
Income tax receivables	22,918	25,760	8,336
Trade and other receivables	497,700	478,508	442,834
Cash and cash equivalents	502,070	443,886	673,406
Non-current assets and groups for disposal held for sale	368	161,970	148,365
Total current assets	1,486,908	1,478,976	1,636,026
Total assets	5,969,634	5,730,323	5,435,831
EQUITY AND LIABILITIES			
Share capital	287,614	287,614	287,614
Share premium	470,846	470,846	470,846
Cash flow hedge reserve	30,597	(9,393)	(32,971)
Profit (loss) from costs of hedging reserve	(3,261)	(3,659)	(4)
Actuarial gains	(495)	(495)	(360)
Other reserve capitals	425,021	425,021	425,021
Currency translation reserve	(46,751)	(31,737)	(47,882)
Retained earnings	1,016,727	982,418	887,852
Equity attributable to shareholders of the parent	2,180,298	2,120,615	1,990,116
Non-controlling interest	(2,114)	(2,077)	(1,496)
Total equity	2,178,184	2,118,538	1,988,620
Non-current loans, borrowings and other debt instruments	1,851,722	360	1,754,799
Lease liabilities	101,047	103,523	111,330
Other non-current liabilities	181,807	82,028	128,922
Employee benefits reserve	13,016	12,958	12,742
Other provisions	153,238	153,261	106,336
Deferred income tax liability	67,751	49,016	53,797
Total non-current liabilities	2,368,581	401,146	2,167,926
Current loans, borrowings and other debt instruments	46,293	1,911,115	367,344
Lease liabilities	24,214	25,735	25,418
Trade and other liabilities	1,200,443	1,101,036	676,449
Income tax liabilities	56,209	47,918	72,586
Employee benefits reserve	2,101	3,100	3,212
Other provisions	93,609	95,237	116,912
Liabilities related to non-current assets and groups for disposal classified as held for sale	-	26,498	17,364
Total current liabilities	1,422,869	3,210,639	1,279,285
Total liabilities	3,791,450	3,611,785	3,447,211
Total equity and liabilities	5,969,634	5,730,323	5,435,831

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

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



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS OF THE CIECH GROUP

	01.01.-30.06.2021	01.01.-30.06.2020*
Cash flows from operating activities		
Net profit/(loss) for the period	192,290	34,017
Adjustments	290,803	326,632
Amortisation/depreciation	169,828	163,388
Recognition of impairment allowances	332	48
Foreign exchange (profit) /loss	17,650	(18,550)
Investment property revaluation	-	(115)
(Profit) / loss on investment activities	(54,595)	(388)
(Profit) / loss on disposal of property, plant and equipment	(480)	(1,801)
Dividends and interest	5,055	27,795
Income tax	49,122	45,095
(Profit) / loss on the settlement of construction contracts (caverns)	(12,059)	-
Share of (profit) / loss on equity accounted investees	209	(191)
Change in liabilities due to loan arrangement fee	(8,953)	1,085
Valuation of derivatives	17,584	10,829
Ineffective portion of hedge accounting	3,492	-
Other adjustments	(7,069)	5,128
Change in receivables	(109,172)	84,683
Change in inventory	(9,063)	71,288
Change in current liabilities	225,199	(58,169)
Change in provisions and employee benefits	1,210	(3,493)
Interest paid	(17,684)	(28,966)
Income tax (paid)/returned	(21,696)	(15,624)
Loans receivables repayment - setoff	(10,045)	-
Net cash from operating activities	431,155	316,059
Cash flows from investment activities		
Disposal of a subsidiary	66,954	-
Disposal of intangible assets and property, plant and equipment	1,569	773
Dividends received	-	114
Interest received	324	2,344
Subsidies received	287	558
Proceeds from repaid borrowings	30,259	-
Acquisition of a subsidiary (after deduction of acquired cash)	-	79
Acquisition of intangible assets and property, plant and equipment	(375,970)	(267,476)
Development expenditures	(8,661)	(11,799)
Borrowings paid out	-	(120)
Expenditure on the purchase of emission rights	(82,802)	(107,741)
Other investment inflows (outflows)	(130)	1,510
Net cash from investment activities	(368,170)	(381,758)
Cash flows from financial activities		
Proceeds from loans and borrowings	197,477	473,493
Repayment of loans and borrowings	(193,394)	(10,908)
Payments of lease liabilities	(13,869)	(15,683)
Other financial inflows (outflows)	(83)	-
Net cash from financial activities	(9,869)	446,902
Total net cash flows	53,116	381,203
Cash and cash equivalents as at the beginning of the period	448,799	299,567
<i>Impact of foreign exchange differences</i>	155	24
Cash and cash equivalents as at the end of the period	502,070	680,794

*The difference in relation to cash and cash equivalents presented in the consolidated statement of financial position results from the presentation of cash held by CIECH Żywiec Sp. z o.o. as assets held for sale.

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
01.01.2021	287,614	470,846	(9,393)	(3,659)	425,021	(495)	(31,737)	982,418	2,120,615	(2,077)	2,118,538
Transactions with the owners	-	-	-	-	-	-	-	(158,099)	(158,099)	-	(158,099)
Dividend	-	-	-	-	-	-	-	(158,099)	(158,099)	-	(158,099)
Total comprehensive income for the period	-	-	39,990	398	-	-	(15,014)	192,408	217,782	(37)	217,745
Net profit / (loss) for the period	-	-	-	-	-	-	-	192,408	192,408	(118)	192,290
Other comprehensive income	-	-	39,990	398	-	-	(15,014)	-	25,374	81	25,455
30.06.2021	287,614	470,846	30,597	(3,261)	425,021	(495)	(46,751)	1,016,727	2,180,298	(2,114)	2,178,184
01.01.2020	287,614	470,846	17,678	(216)	78,521	(360)	(75,944)	1,199,657	1,977,796	(1,017)	1,976,779
Transactions with the owners	-	-	-	-	346,500	-	-	(346,500)	-	37	37
Reserve fund for the purchase of own shares	-	-	-	-	346,500	-	-	(346,500)	-	-	-
Change in the Group's structure	-	-	-	-	-	-	-	-	-	37	37
Total comprehensive income for the period	-	-	(50,649)	212	-	-	28,062	34,695	12,320	(516)	11,804
Net profit / (loss) for the period	-	-	-	-	-	-	-	34,698	34,698	(681)	34,017
Other comprehensive income	-	-	(50,649)	212	-	-	28,062	(3)	(22,378)	165	(22,213)
30.06.2020*	287,614	470,846	(32,971)	(4)	425,021	(360)	(47,882)	887,852	1,990,116	(1,496)	1,988,620

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



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

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

These semi-annual condensed consolidated financial statements were prepared in compliance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” as approved by the European Union and the Regulation of the Minister of Finance dated 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 30 June 2021 and as at 31 December 2020, results of the Group’s operations and cash flows for the period of 6 months ended 30 June 2021 and 30 June 2020, and were approved by the Management Board of CIECH S.A. on 23 September 2021.

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

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

The Management Board of CIECH S.A. represents that to the best of its knowledge these semi-annual 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 6 months ended 30 June 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 Sections 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 Note 2.18 hereof. During the current semi-annual period there were no significant revisions to the estimates presented in previous reporting periods.

The Management Board of CIECH S.A. represents that Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. with its registered office in Warsaw, entered into the list of entities authorised to audit financial statements under the registry No 73 kept by the National Chamber of Statutory Auditors was chosen in accordance with the binding legal regulations to review the semi-annual condensed consolidated financial statements for the period from 1 January to 30 June 2021.

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

The following items have been reclassified relative to the previously published comparatives for the period from 1 January to 30 June 2020 and the balance sheet figures as at 31 December 2020 and as at 30 June 2020:

a) allocation of adjustments concerning hedge accounting to discontinued operations

The level of revenues earned in the first half of 2020 was adjusted for the settlement of foreign exchange differences related to debt on account of bonds issued in EUR, previously designated as a hedge of revenues in EUR as of 2020. The previously presented figures for the first half of 2020 erroneously did not include the allocation of the relevant value of these adjustments to discontinued operations.

b) change in the presentation of costs of idle capacity

To date, costs related to idle capacity in CIECH Group companies were presented under other operating expenses. Following the presentation change, these figures are included in core operations and affect the cost of sales, which better reflects the nature of these costs.

c) net foreign exchange differences and presentation adjustments of continuing operations due to separation of discounted operations

Netting of exchange differences that have been allocated to discontinued operations and allocation of items of financial income and expenses that were classified as those related to discontinued operations.

d) reclassification of subsidies

Reclassification of subsidies reported in short-term liabilities to long-term liabilities in the amount of PLN 23,074 thousand in the statement of financial position as at 30 June 2020.

e) recognition of the valuation of futures transactions at CIECH Soda Romania S.A. – this concerns the statement of financial position as at 31 December 2020 and as at 30 June 2020

Recognition of the valuation of futures transactions for the sale of CO₂ emission allowances at CIECH Soda Romania S.A. in the statements of financial position as at 31 December 2020 and as at 30 June 2020.

The impact of the adjustments on the previously reported consolidated data for the period from 1 January to 30 June 2020 is presented below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS	After adjustments 01.01.-30.06.2020	Presentation adjustment of continuing operations due to separation of discontinued operations	Net foreign exchange differences	Allocation of adjustments concerning hedge accounting to discontinued operations	Presentation adjustment to costs of idle capacity	Previously presented 01.01.-30.06.2020
Net sales revenues	1,480,602	-	-	2,679	-	1,477,923
Cost of sales	(1,154,933)	-	-	-	(9,585)	(1,145,348)
Gross profit/loss on sales	325,669	-	-	2,679	(9,585)	332,575
Other operating income	18,926	-	-	-	-	18,926
Selling costs	(76,912)	-	-	-	-	(76,912)
General and administrative expenses	(102,419)	-	-	-	-	(102,420)
Other operating expenses	(45,905)	-	-	-	9,585	(55,490)
Operating profit/loss	119,359	-	-	2,679	-	116,679
Financial income	19,930	1,229	2,063	-	-	16,638
Financial expenses	(61,037)	(3,426)	(2,063)	-	-	(55,548)



CONSOLIDATED STATEMENT OF PROFIT OR LOSS	After adjustments 01.01.-30.06.2020	Presentation adjustment of continuing operations due to separation of discontinued operations	Net foreign exchange differences	Allocation of adjustments concerning hedge accounting to discontinued operations	Presentation adjustment to costs of idle capacity	Previously presented 01.01.-30.06.2020
Net financial income/expenses	(41,107)	(2,197)	-	2,679	-	(38,910)
Share in net profit of subordinated entities accounted for with equity method	191	-	-	-	-	191
Profit/loss before tax	78,443	(2,197)	-	2,679	-	77,960
Income tax	(44,636)	-	-	-	-	(44,636)
Net profit/loss	33,807	(2,197)	-	2,679	-	33,324
Profit/loss on sales relating to discontinued operations	210	2,197	-	(2,679)	-	693
Net profit/loss for the financial year	34,017	(2,197)	-	-	-	34,017
including:						
Net profit/loss attributable to shareholders of the parent	34,699	(2,197)	-	-	-	34,698
Net profit/loss attributable to non-controlling interest	(681)	-	-	-	-	(681)
Earnings/loss per share (in PLN):						
Basic	0.66	-	-	-	-	0.66
Diluted	0.66	-	-	-	-	0.66
Earnings/loss per share (in PLN) from continuing operations:						
Basic	0.65	0.02	-	(0.02)	-	0.65
Diluted	0.65	0.02	-	(0.02)	-	0.65

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	After adjustment as at 31 December 2020	Recognition of valuation of futures	Previously presented 31.12.2020	After adjustment as at 30 June 2020	Recognition of valuation of futures	Reclassification of subsidiaries	Previously presented 30.06.2020
ASSETS							
Total non-current assets	4,251,347	-	4,251,347	3,799,805	-	-	3,799,805
Trade and other receivables	478,508	22,590	455,918	442,834	13,201	-	429,633
Total current assets	1,478,976	22,590	1,456,386	1,636,026	13,201	-	1,622,825
Total assets	5,730,323	22,590	5,707,733	5,435,831	13,201	-	5,422,630
EQUITY AND LIABILITIES							
Total equity	2,118,538	-	2,118,538	1,988,620	-	-	1,988,620
Other long-term liabilities	82,028	-	82,028	128,922	-	23,074	105,848
Total non-current liabilities	401,146	-	401,146	2,167,926	-	23,074	2,144,852
Trade and other liabilities	1,101,036	22,590	1,078,446	676,449	13,201	(23,074)	686,322
Total short-term liabilities	3,210,639	22,590	3,188,049	1,279,285	13,201	(23,074)	1,289,158
Total liabilities	3,611,785	22,590	3,589,195	3,447,211	13,201	-	3,434,010
Total equity and liabilities	5,730,323	22,590	5,707,733	5,435,831	13,201	-	5,422,630



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	30.06.2021 ¹	31.12.2020 ²
EUR	4.5208	4.6148
RON	0.9174	0.9479
Average NBP rate for the reporting period	6 months ended 30.06.2021 ³	6 months ended 30.06.2020 ⁴
EUR	4.5472	4.4413
RON	0.9264	0.9205

¹ NBP's average foreign exchange rates table applicable as at 30 June 2021.

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

³ According to the exchange rate constituting the arithmetic mean of average exchange rates quoted by NBP on the last day of each month of the period from 1 January 2021 to 30 June 2021.

⁴ According to the exchange rate constituting the arithmetic mean of average exchange rates quoted by NBP on the last day of each month of the period from 1 January 2020 to 30 June 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 3rd and 4th quarter of the preceding year. For other products, the Group's revenues and financial results are not influenced by any significant seasonal fluctuations over the year.

2.5. CIECH GROUP'S SEGMENT REPORTING

Note 2.5 to the Consolidated Financial Statements of the CIECH Group for 2020 contains a detailed description of the allocation of operating segments to the new business structure. The change in presentation was made as of 2020 for all reporting periods presented as comparatives.

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, CO₂, maintenance on shared infrastructure). As a result, business decisions are made jointly for both BUs - e.g. in the case of limitations in the availability of raw material or steam, the profitability analysis of all Soda and Salt products, rather than the fact of being part of a specific BU, determines the production of particular products. A shared source of raw material, a shared infrastructure and practically indivisible costs mean that, consequently, it is also not possible to allocate these values to the BU in question as regards liabilities and certain inventories. This all makes the analysis of cash flow generating units at the BU level potentially misleading. Decisions on the above matters are made at the level of the Management Board of CIECH S.A.

The most important products manufactured in this Segment are: light and dense soda ash, evaporated salt, sodium bicarbonate and calcium chloride. The products of this area are sold mainly by the parent company CIECH S.A. Production of the Segment goods is implemented in CIECH Soda Polska S.A., the Romanian company CIECH Soda Romania S.A.



(until September 2019) and in the German company CIECH Soda Deutschland GmbH&Co. KG. These products are used in the glass, food, detergent and pharmaceutical industries. The Soda Segment (in the German company) also includes the business of producing and selling electricity. 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 Vitro S.A. This Segment manufactures glass packaging – lanterns and jars, used in the food industry and for the production of headstone lamps.

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

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

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

EBITDA should be viewed as a supplement not as a substitute for the business performance presented in accordance with IFRS.

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

	01.01.-30.06.2021	01.01.-30.06.2020*
Net profit/(loss) on continuing operations	129,750	33,807
Income tax	48,271	44,636
Share of profit / (loss) of equity-accounted investees	209	(191)
Financial expenses	67,190	61,037
Financial income	(7,573)	(19,930)
Amortisation/depreciation	169,828	158,149
EBITDA on continued operations	407,675	277,508
EBITDA on discontinued operations	6,927	6,536
EBITDA on continued and discontinued operations	414,602	284,044

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



	01.01.-30.06.2021	01.01.-30.06.2020*
EBITDA on continued operations	407,675	277,508
One-offs including:	1,948	(3,064)
Impairment (a)	-	(95)
Cash items (b)	(7,719)	(2,826)
Non-cash items (without impairment) (c)	9,667	(143)
Adjusted EBITDA on continued operations	409,623	274,444
Adjusted EBITDA on discontinued operations	6,951	5,762
Adjusted EBITDA on continued and discontinued operations	416,574	280,206

*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:

DISCONTINUED OPERATIONS	01.01.-30.06.2021	01.01.-30.06.2020*
Operating profit/(loss)	6,927	1,296
Amortisation and depreciation	-	5,240
One-offs	24	(774)
EBITDA from discontinued operations	6,927	6,536
Adjusted EBITDA on discontinued operations	6,951	5,762

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

The catalog of EBITDA adjustment items adjusted for the purposes of these financial statements is as follows:

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

(b) Cash items:

- gain/loss of the sale of property, plant and equipment and other items,
- fines and compensations received or paid,
- donations given,
- restructuring costs,
- fortuitous events.

(c) Non-cash items:

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

Moreover, adjusted EBITDA may also be adjusted for unusual, one-off events not listed above.

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



OPERATING SEGMENTS OF THE CIECH GROUP

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

OPERATING SEGMENTS 01.01.-30.06.2021	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	1,041,645	275,652	198,938	106,162	32,175	41,213	-	-	1,695,785
Revenue from inter-segment transactions	37,852	21	64	43	311	8,421	-	(46,712)	-
Total sales revenues	1,079,497	275,673	199,002	106,205	32,486	49,634	-	(46,712)	1,695,785
Cost of sales	(836,753)	(199,307)	(157,467)	(80,282)	(20,669)	(49,596)	-	40,288	(1,303,786)
Gross profit /(loss) on sales	242,744	76,366	41,535	25,923	11,817	38	-	(6,424)	391,999
Selling costs	(72,969)	(18,144)	(5,090)	(13,298)	(3,642)	(1,182)	-	5,544	(108,781)
General and administrative expenses	(38,778)	(15,237)	(1,900)	(2,701)	(1,525)	(2,650)	(37,210)	2,902	(97,099)
Result on management of receivables	(2,840)	166	11	1	(8)	1,284	-	-	(1,386)
Result on other operating activities	52,062	1,738	(95)	488	1,149	385	294	(2,907)	53,114
Operating profit /(loss)	180,219	44,889	34,461	10,413	7,791	(2,125)	(36,916)	(885)	237,847
Exchange differences and interest on trade settlements	773	(1,032)	91	(296)	78	56	-	-	(330)
Group borrowing costs	-	-	-	-	-	-	(24,497)	-	(24,497)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	-	(34,790)	-	(34,790)
Share of profit / (loss) of equity-accounted investees	(209)	-	-	-	-	-	-	-	(209)
Profit /(loss) before tax	180,783	43,857	34,552	10,117	7,869	(2,069)	(96,203)	(885)	178,021
Income tax	-	-	-	-	-	-	-	-	(48,271)
Net profit /(loss) on continuing operations	-	-	-	-	-	-	-	-	129,750
Net profit /(loss) on discontinued operations	-	-	-	-	-	-	-	-	62,540
Net profit /(loss) for the period	-	-	-	-	-	-	-	-	192,290
Amortization/depreciation	137,569	15,448	1,917	4,507	2,672	530	7,185	-	169,828
EBITDA on continued operations	317,788	60,337	36,378	14,920	10,463	(1,595)	(29,731)	(883)	407,675
Adjusted EBITDA on continued operations*	319,785	61,009	36,414	15,144	9,400	(1,609)	(29,638)	(882)	409,623

*Adjusted EBITDA for the 6-month period ended 30 June 2021 is calculated as EBITDA adjusted for untypical one-off events: fines and compensations: PLN 1.3 million; change in provisions: -2.3 million; liquidation of fixed assets: PLN -0.5 million; other: PLN -0.4 million.



OPERATING SEGMENTS 01.01.-30.06.2020	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	997,606	223,939	111,467	79,820	34,976	32,794	-	-	1,480,602
Revenue from inter-segment transactions	31,333	748	36	87	-	13,590	-	(45,794)	-
Total sales revenues	1,028,939	224,687	111,503	79,907	34,976	46,384	-	(45,794)	1,480,602
Cost of sales	(780,461)	(179,014)	(93,414)	(62,750)	(23,013)	(45,617)	-	29,336	(1,154,933)
Gross profit /(loss) on sales	248,478	45,673	18,089	17,157	11,963	767	-	(16,458)	325,669
Selling costs	(51,384)	(20,724)	(3,423)	(9,188)	(4,195)	(2,668)	-	14,670	(76,912)
General and administrative expenses	(36,345)	(18,677)	(1,391)	(2,141)	(790)	(3,289)	(43,936)	4,150	(102,419)
Result on management of receivables	(8,499)	(363)	22	(2)	(8)	176	-	1	(8,673)
Result on other operating activities	(14,607)	2,617	(49)	-	146	(3,371)	(595)	(2,447)	(18,306)
Operating profit /(loss)	137,643	8,526	13,248	5,826	7,116	(8,385)	(44,531)	(84)	119,359
Exchange differences and interest on trade settlements	(1,440)	70	(1,201)	-	487	(787)	-	-	(2,871)
Group borrowing costs	-	-	-	-	-	-	(36,540)	-	(36,540)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	-	(1,696)	-	(1,696)
Share of profit / (loss) of equity-accounted investees	191	-	-	-	-	-	-	-	191
Profit /(loss) before tax	136,394	8,596	12,047	5,826	7,603	(9,172)	(82,767)	(84)	78,443
Income tax	-	-	-	-	-	-	-	-	(44,636)
Net profit /(loss) on continuing operations	-	-	-	-	-	-	-	-	33,807
Net profit /(loss) on discontinued operations	-	-	-	-	-	-	-	-	210
Net profit /(loss) for the period	-	-	-	-	-	-	-	-	34,017
Amortization/depreciation	124,034	15,102	1,953	5,150	4,343	320	7,247	-	158,149
EBITDA on continued operations	261,677	23,628	15,201	10,976	11,459	(8,064)	(37,284)	(85)	277,508
Adjusted EBITDA on continued operations**	260,233	22,130	15,129	10,977	11,474	(8,227)	(37,188)	(84)	274,444

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

**Adjusted EBITDA for the 6-month period ended 30 June 2020 is calculated as EBITDA adjusted for untypical one-off events: disposal of assets – PLN 1 million; fines and compensations: PLN 1.8 million; change in provisions: PLN 0.3 million.



ASSETS AND LIABILITIES BY OPERATING SEGMENTS

	ASSETS		LIABILITIES	
	30.06.2021	31.12.2020*	30.06.2021	31.12.2020*
Soda Segment	3,808,220	3,654,778	261,984	313,376
Resins Segment	25,867	203,699	11,469	58,312
Agro Segment	732,389	755,969	59,349	93,704
Foams Segment	86,757	68,447	70,733	59,174
Silicates Segment	82,454	84,898	17,718	19,010
Packaging Segment	35,978	33,047	6,622	8,846
Other operations Segment	39,741	23,016	11,200	25,451
Corporate functions - reconciliation item	1,189,084	1,015,451	3,376,942	3,076,077
Eliminations (consolidation adjustments)	(30,856)	(108,982)	(24,567)	(42,165)
TOTAL	5,969,634	5,730,323	3,791,450	3,611,785

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

The value of investments in equity-accounted entities occurs only for the assets of the Soda Segment and amounts to PLN 5,322 thousand as at 30 June 2021.

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

	30.06.2021	30.06.2020
Soda segment	387,914	303,693
Agro Segment	11,490	14,156
Resins Segment	-	19,796
Foams Segment	65	246
Silicates Segment	12,481	2,782
Packaging Segment	1,987	1,915
Other Segment	2,185	5,659
Corporate Functions	10,108	5,024
TOTAL	426,230	353,271

INFORMATION ON GEOGRAPHICAL AREAS

ASSETS DIVIDED ON GEOGRAPHICAL REGIONS	Non-current assets other than financial instruments	Deferred income tax assets	Other assets	Total assets
30.06.2021				
Poland	2,380,326	44,557	1,058,651	3,483,534
European Union (excluding Poland)	1,966,100	-	496,350	2,462,450
Other European countries	-	-	4,543	4,543
Africa	-	-	7,164	7,164
Asia	-	-	7,383	7,383
Other regions	-	-	4,560	4,560
TOTAL	4,346,426	44,557	1,578,651	5,969,634
31.12.2020*				
Poland	2,412,274	50,688	1,085,525	3,548,487
European Union (excluding Poland)	1,787,812	-	360,544	2,148,356
Other European countries	-	-	14,788	14,788
Africa	-	-	3,923	3,923
Asia	-	-	4,493	4,493
Other regions	-	-	10,276	10,276
TOTAL	4,200,086	50,688	1,479,549	5,730,323

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



SALES REVENUES – GEOGRAPHICAL STRUCTURE OF MARKETS

	01.01.-30.06.2021	01.01.-30.06.2020*	Change 2021/2020
Poland	867,014	726,773	12.9%
European Union (excluding Poland)	748,019	674,865	(10.8%)
Germany	373,339	339,069	3.1%
Romania	24,653	13,149	87.5%
Czech Republic	76,263	76,858	(0.8%)
Italy	13,998	15,639	(10.5%)
The Netherlands	66,455	56,341	18.0%
Finland	26,649	25,812	3.2%
Sweden	12,612	10,168	24.0%
Belgium	13,309	16,633	(20.0%)
Denmark	20,616	20,094	2.6%
Spain	58,193	47,195	23.3%
Austria	22,343	12,353	80.9%
France	10,001	3,080	224.7%
Luxembourg	-	10,517	(100.0%)
Lithuania	7,559	6,463	17.0%
Other EU countries	22,029	21,494	2.5%
Other European Countries	39,222	40,155	(2.3%)
Switzerland	7,829	1,705	359.2%
Norway	22,481	21,575	4.2%
United Kingdom	2,383	2,376	0.3%
Russia	794	2,716	(70.8%)
Other European countries	5,735	11,783	(51.3%)
Africa	11,648	9,120	27.7%
Asia	14,946	19,315	(22.6%)
China	1,252	23	5343.5%
India	455	928	(51.0%)
Singapore	3,161	2,170	45.7%
Turkey	327	6,222	(94.7%)
Other Asian countries	9,751	9,972	(2.2%)
Other regions	11,346	13,994	(18.9%)
Cash flow hedge adjustment	3,590	(3,620)	-
TOTAL	1,695,785	1,480,602	14.5%

*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 5.5.2 hereof.



2.6. PROVISIONS AND IMPAIRMENT LOSSES ON ASSETS

In the first half of 2021 and in the second 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
01.01.-30.06.2021					
Long-term	12,958	410	(286)	(66)	13,016
Short-term	3,100	57	(621)	(435)	2,101
01.01.-30.06.2020					
Long-term	12,848	149	(75)	(180)	12,742
Short-term	15,465	175	(12,843)	415	3,212
01.04.-30.06.2021*					
Long-term	13,097	227	(171)	(137)	13,016
Short-term	2,142	57	(35)	(63)	2,101
01.04.-30.06.2020*					
Long-term	13,145	84	(12)	(475)	12,742
Short-term	4,328	49	(1,151)	(14)	3,212

*Not reviewed data.

CHANGE IN OTHER LONG-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2021					
Provision for liabilities	40,776	1,010	-	1,064	42,850
Provision for environmental protection	112,485	-	-	(2,097)	110,388
TOTAL	153,261	1,010	-	(1,033)	153,238
01.01.-30.06.2020					
Provision for liabilities	8,762	-	-	-	8,762
Provision for environmental protection	93,435	-	-	4,139	97,574
TOTAL	102,197	-	-	4,139	106,336
01.04.-30.06.2021*					
Provision for liabilities	42,337	513	-	-	42,850
Provision for environmental protection	113,500	-	-	(3,112)	110,388
TOTAL	155,837	513	-	(3,112)	153,238
01.04.-30.06.2020*					
Provision for liabilities	8,762	-	-	-	8,762
Provision for environmental protection	99,230	(35)	-	(1,621)	97,574
TOTAL	107,992	(35)	-	(1,621)	106,336

*Not reviewed data.

CHANGE IN OTHER SHORT-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2021					
Provision for liabilities	94,199	3,362	(2,533)	(1,659)	93,369
Provision for environmental protection	889	32	(830)	-	91
Restructuring provision	111	-	-	-	111

CHANGE IN OTHER SHORT-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
Provision for bonuses	38	-	-	-	38
TOTAL	95,237	3,394	(3,363)	(1,659)	93,609
01.01.-30.06.2020					
Provision for liabilities	98,000	19,038	(2,510)	1,538	116,066
Provision for environmental protection	1,516	-	(781)	-	735
Restructuring provision	111	-	-	-	111
TOTAL	99,627	19,038	(3,291)	1,538	116,912
01.04.-30.06.2021*					
Provision for liabilities	93,046	1,253	(53)	(839)	93,407
Provision for environmental protection	455	32	(396)	-	91
Restructuring provision	111	-	-	-	111
TOTAL	93,612	1,285	(449)	(839)	93,609
01.04.-30.06.2020*					
Provision for liabilities	99,986	17,083	(1,613)	610	116,066
Provision for environmental protection	1,136	-	(402)	1	735
Restructuring provision	111	-	-	-	111
TOTAL	101,233	17,083	(2,015)	611	116,912

*Not reviewed data.

CHANGE IN IMPAIRMENT LOSSES	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2021					
Property, plant and equipment	79,011	-	-	(2,524)	76,487
Intangible assets, including:	491,363	-	-	(10,437)	480,926
<i>Goodwill</i>	440,232	-	-	(9,533)	430,699
Long-term receivables	1,015	-	-	(21)	995
Long-term financial assets	2,415	-	-	-	2,415
Inventories	38,303	954	(4,909)	(272)	34,076
Short-term financial assets	28,343	264	(1)	-	28,606
Trade and other receivables	66,633	5,018	(3,748)	(56)	67,847
Cash and cash equivalents	316	444	(322)	42	480
TOTAL	707,399	6,680	(8,980)	(13,268)	691,832
01.01.-30.06.2020					
Property, plant and equipment	74,915	-	(95)	2,167	76,987
Intangible assets, including:	453,861	-	-	19,561	473,422
<i>Goodwill</i>	408,650	-	-	18,252	426,902
Long-term receivables	975	-	-	48	1,023
Long-term financial assets	1,343	-	-	-	1,343
Inventories	33,327	2,411	(1,616)	(13)	34,109
Short-term financial assets	27,942	-	-	-	27,942
Trade and other receivables	56,879	12,131	(1,253)	(1,951)	65,806
Cash and cash equivalents	200	263	(9)	7	461
TOTAL	649,442	14,805	(2,973)	19,819	681,093
01.04.-30.06.2021*					
Property, plant and equipment	78,870	-	-	(2,383)	76,487
Intangible assets, including:	495,118	-	-	(14,192)	480,926

CHANGE IN IMPAIRMENT LOSSES	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
<i>Goodwill</i>	443,549	-	-	(12,850)	430,699
Long-term receivables	1,025	-	-	(30)	995
Long-term financial assets	2,416	-	-	-	2,415
Inventories	37,131	158	(2,952)	(261)	34,076
Short-term financial assets	28,607	264	(1)	(264)	28,606
Trade and other receivables	67,448	4,144	(2,260)	(1,485)	67,847
Cash and cash equivalents	355	444	(360)	41	480
TOTAL	710,969	5,010	(5,573)	(18,574)	691,832
01.04.-30.06.2020*					
Property, plant and equipment	78,737	(146)	-	(1,604)	76,987
Intangible assets, including:	483,136	-	-	(9,714)	473,422
<i>Goodwill</i>	435,096	-	-	(8,194)	426,902
Long-term receivables	1,038	-	4	(19)	1,023
Long-term financial assets	1,343	-	-	-	1,343
Inventories	33,392	1,631	(792)	(122)	34,109
Short-term financial assets	27,942	-	-	-	27,942
Trade and other receivables	58,808	11,304	(642)	(3,664)	65,806
Cash and cash equivalents	674	263	(483)	7	461
TOTAL	685,070	11,139	(26,745)	(15,116)	681,093

*Not reviewed data.

Detailed information on significant impairment losses

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. At the end of 2020, the fixed assets held were measured at fair value (on a going concern basis, but taking into account the hibernation of the plant) by an independent valuer to determine whether the value of the assets recognised in the Company's accounting records exceeds the value determined by the valuer. Based on the valuation it was determined that no additional impairment losses were necessary.

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.-30.06.2021	01.01.-30.06.2020
Current income tax	(38,482)	(42,598)
Deferred tax	(9,789)	(2,038)
INCOME TAX RECOGNISED IN STATEMENT OF PROFIT OR LOSS	(48,271)	(44,636)



Deferred income tax is attributable to the following items:

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITY	30.06.2021			31.12.2020		
	Total asset	Total liability	Net value	Total asset	Total liability	Net value
Property, plant and equipment	1,258	134,111	(132,853)	1,221	136,672	(135,451)
Intangible assets	3,636	21,612	(17,976)	5,032	22,982	(17,950)
Rights to use an asset	-	4,720	(4,720)	-	4,686	(4,686)
Investment property	1,143	1,106	37	1,133	1,099	34
Financial assets	4,619	4,075	544	6,795	3,340	3,455
Inventory	1,089	6,368	(5,279)	2,590	426	2,164
Trade and other receivables	3,695	-	3,695	9,152	-	9,152
Provisions for employee benefits	2,649	-	2,649	2,523	-	2,523
Other provisions	26,057	6	26,051	18,210	-	18,210
Tax losses carried forward	37,543	-	37,543	38,413	-	38,413
Foreign exchange differences	121	7,540	(7,419)	471	4,312	(3,841)
Liabilities	33,849	2,622	31,227	32,600	47	32,553
Special economic zone	94,683	-	94,683	95,369	-	95,369
Other	(842)	11,706	(12,548)	369	43	326
Deferred tax assets/liability	209,500	193,866	15,634	213,878	173,607	40,271
Set - off of deferred tax assets/ liability	(126,115)	(126,115)	-	(124,591)	(124,591)	-
Unrecognized deferred tax assets	(38,828)	-	(38,828)	(38,599)	-	(38,599)
Deferred tax assets/liability recognised in the statement of financial position	44,557	67,751	(23,194)	50,688	49,016	1,672

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

2.8. INFORMATION ON FAIR VALUE OF FINANCIAL INSTRUMENTS

The following list presents the fair value of financial instruments.

Classes of financial instruments	30.06.2021		31.12.2020*		Categories of financial instruments
	Carrying amount	Fair value	Carrying amount	Fair value	
Cash and cash equivalents	502,070	502,070	443,886	443,886	Financial assets measured at amortised cost
Loans granted	37,084	37,084	146	146	Financial assets measured at amortised cost
Trade receivables	272,495	272,495	175,697	175,697	Financial assets measured at amortised cost
Hedging derivatives with positive value	157,344	157,344	18,427	18,427	Financial assets at fair value through other comprehensive income
Derivatives with positive value	1,491	1,491	1,835	1,835	Financial assets measured at fair value through profit or loss
Factoring receivables	31,845	31,845	47,425	47,425	Financial assets measured at amortised cost
ASSETS	1,002,330	1,002,330	687,416	687,416	
Credits and loans	(1,898,015)	(1,910,628)	(1,911,475)	(1,910,967)	Financial assets measured at amortised cost



Classes of financial instruments	30.06.2021		31.12.2020*		Categories of financial instruments
	Carrying amount	Fair value	Carrying amount	Fair value	
Liabilities for supplies and services	(416,855)	(416,855)	(490,611)	(490,611)	Financial assets measured at amortised cost
Hedging derivatives with negative value	(132,050)	(132,050)	(66,542)	(66,542)	Financial liabilities measured at fair value through profit or loss.
Derivatives recognised in financial liabilities	(12,515)	(12,515)	(16,494)	(16,494)	Financial liabilities measured at fair value through profit or loss.
Factoring liabilities	(20,916)	(20,916)	(16,174)	(16,174)	Financial assets measured at amortised cost
LIABILITIES	(2,478,981)	(2,491,594)	(2,500,296)	(2,499,788)	

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

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

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

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

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

Assets and liabilities measured at fair value

	30.06.2021			31.12.2020*		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS	-	158,835	40,278	-	20,262	40,948
Investment properties	-	-	40,278	-	-	40,948
Hedging instruments	-	157,344	-	-	18,427	-
Derivative instruments with positive valuation	-	1,491	-	-	1,835	-
LIABILITIES	-	(144,565)	-	(22,590)	(59,446)	-
Hedging instruments	-	(132,050)	-	(22,590)	(42,952)	-
Derivative instruments with negative valuation	-	(12,515)	-	-	(16,494)	-
TOTAL	-	14,270	40,278	(22,590)	(39,184)	40,948

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

CIECH Soda Polska S.A. holds futures contracts for the purchase of emission allowances, which represent a financial instruments but are not measured at fair value. This is because futures contracts on CO₂ emission allowances purchased for own use (surrender in connection with the release of CO₂ into the atmosphere) are excluded from the scope of IFRS 9.

Due to the specific nature of futures contracts (transactions concluded on regulated markets), cash flows are generated from the current market valuation. Notwithstanding the exclusion or inclusion of the instrument within the scope of IFRS 9, these cash flows are accounted for, in corresponding records, as settlement with the Clearing House.

As at 30 June 2021, the balance of settlements on this account amounted to PLN 128 million (liability), which resulted from positive market valuation of the contracts and crediting the account of CIECH Soda Polska S.A.; as at 31 December 2020, the balance amounted to PLN 11.9 million (liability), which resulted from positive market valuation of the contracts and crediting the account of CIECH Soda Polska S.A. with PLN 34.5 million and negative market valuation of the contract and debiting the account of CIECH Soda Romania S.A. with PLN 22.6 million.



2.8.1. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

As at 30 June 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.
- collar option structures for supply of CO₂ units at CIECH Energy Deutschland GmbH – Level 2, according to the fair value hierarchy.

In the first half 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.

Compared to the previous reporting period, as of 30 June 2021, an adjustment for own credit risk, which was previously not applied, was included in the valuation of CIRS derivatives. The descriptions of methods of measurement to fair value was presented in Note 8.4 to the Consolidated Financial Statements of the CIECH Group for 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 of emission allowances which are not valued due to the application of the "own use exemption" principle) were designated for hedge accounting, and details of the designation were presented in Note 8.2 to the Consolidated Financial Statements of the CIECH Group for 2020, published on 22 April 2021. New option structures for the supply of gas and for the supply of CO₂ units were also entered into in 2021, but were not designated for hedge accounting until 30 June 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 to the CIECH S.A.'s Financial Statements for 2020, published on 22 April 2021.

Fair value of derivative instruments

	Long-term financial assets	Short-term financial assets	Other long-term liabilities	Trade and other liabilities	TOTAL
30.06.2021					
IRS EUR	183	-	(102)	(147)	(66)
IRS PLN	-	-	(2,912)	(14,828)	(17,740)
CIRS	92,559	8,469	(112,640)	(10,994)	(22,604)
Forward EUR/PLN	-	842	-	(2,943)	(2,101)
Collar options	-	56,781	-	-	56,781
TOTAL	92,742	66,093	(115,653)	(28,913)	14,270
31.12.2020*					
IRS EUR**	-	-	-	(618)	(618)
IRS PLN**	-	-	-	(31,126)	(31,126)
CIRS	574	1,261	(14,327)	-	(12,492)
Forward EUR/PLN	-	-	-	(13,375)	(13,375)
Collar options	-	18,427	-	-	18,427
Futures contracts for the sale of CO ₂ certificates	-	-	-	(22,590)	(22,590)
TOTAL	574	19,688	(14,327)	(67,709)	(61,774)

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

**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 7.1 to the Consolidated Financial Statements of the CIECH GROUP for 2020.

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 30 June 2021, was PLN 1,898,016 thousand, and whose fair value amounted to PLN 1,910,628 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 CONTRACTUAL COMMITMENTS FOR THE ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

In the period from 1 January to 30 June 2021, the CIECH Group carried out the following transactions increasing and decreasing the gross value of property, plant and equipment:

01.01.-30.06.2021	Land	Buildings, premises, civil and marine engineering structures	Machinery and equipment	Vehicles	Other fixed assets	Property, plant and equipment under construction	TOTAL
Gross value of property, plant and equipment at the beginning of the period	90,702	1,320,662	3,583,262	83,462	62,701	898,999	6,039,788
Purchase	-	273	452	356	382	331,403	332,866
Reclassifications	-	20,399	152,107	2,260	1,982	(178,211)	(1,463)
Capitalised borrowing costs	-	-	-	-	-	8,259	8,259
Foreign exchange differences	(2,002)	(7,343)	(29,764)	(618)	(353)	(14,874)	(54,954)
Sale	-	(770)	(353)	(153)	(268)	-	(1,544)
Liquidation	-	-	(5,131)	(1,367)	-	(352)	(6,850)
Other	-	-	-	(98)	13	(2)	(87)
Gross value of property, plant and equipment at the end of the period	88,700	1,333,221	3,700,573	83,842	64,457	1,045,222	6,316,015
01.01.-30.06.2020							
Gross value of property, plant and equipment at the beginning of the period	83,826	1,281,139	3,147,510	79,627	61,134	701,150	5,354,386
Purchase	121	236	1,603	2,740	1,117	220,151	225,968
Reclassifications	102	(54,938)	(1,908)	308	(253)	(125,000)	(181,689)
Capitalised borrowing costs	-	-	-	-	-	7,116	7,116
Foreign exchange differences	3,837	11,352	42,467	753	556	23,438	82,403
Sale	(6)	(789)	-	(202)	(36)	(3,040)	(4,073)
Liquidation	-	(1,052)	(9,419)	(487)	(149)	-	(11,107)
Change of the Group's structure	-	25	98	10	(3,427)	-	(3,294)
Other	-	-	(6)	-	(97)	(602)	(705)
Gross value of property, plant and equipment at the end of the period	87,880	1,235,973	3,180,345	82,749	58,845	823,213	5,469,005

Purchases of property, plant and equipment were made with own financial resources. As at 30 June 2021, contractual commitments to purchase property, plant and equipment amounted to PLN 60,457 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 statement of financial position.

All information concerning the financing conditions, which results from the agreements and arrangements with the banks, has been presented in the Management Board Report on activities of the CIECH Group and CIECH S.A. in 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.-30.06.2021	01.01.-30.06.2020
Revenues from sales of products and services, including:	2,074	2,389
<i>associates</i>	1,126	962
Revenues from sales of goods and materials, including:	19,534	25,426
<i>associates</i>	10,989	18,708
Other operating income, including:	8	7
<i>associates</i>	8	7
Financial income, including:	-	114
<i>associates</i>	-	114
Purchase of products, goods and materials	23,046	23,160
Purchase of services, including:	19,670	23,204
<i>KI One S.A.</i>	95	-
<i>associates</i>	12,379	8,092
Other operating expenses, including:	3,436	-
<i>associates</i>	3,436	-
Financial expenses, including:	-	1
<i>associates</i>	-	1
	30.06.2021	31.12.2020
Trade receivables, including:	6,329	7,488
<i>associates</i>	3,227	591
Trade liabilities, including:	25,948	27,901
<i>associates</i>	3,360	2,530

Terms of transactions with related entities

The CIECH Group companies, to the best of their knowledge and belief, did not conclude any significant transactions with each other on terms other than market terms. Material sales to and purchases from related entities are carried out on terms which do not differ from arm's length terms. Overdue liabilities and receivables are not secured and are settled through bank transfers. No material non-standard or non-routine transactions were concluded with related entities in the first half of 2021, except for transactions described in Section 5.3 hereof.

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

	30.06.2021	31.12.2020
Contingent assets	22,148	31,077
Other contingent receivables*	22,148	31,077
Contingent liabilities	139,040	645,699
Guarantees and sureties granted**	45,000	551,318
Other***	94,040	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 30 June 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 for the liabilities of CIECH Żywiec Sp. z o.o. (the company sold on 1 March 2021) in connection with a reverse factoring agreement in the amount of PLN 45,000 thousand (the surety was released on 26 August 2021),

*** Including mainly:

- contingent liability in the SDC Group relating to environmental protection in the amount of PLN 16,465 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 5,016 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 30 June 2021, contingent liabilities amounted to PLN 139,040 thousand and decreased as compared to 31 December 2020 by PLN 506,659 thousand. The change was mainly due to the expiry of the guarantees granted under the term credit facility and revolving credit facilities agreement, which were repaid on 5 May 2021.

The values of contingent liabilities related to proceedings before administrative bodies and their changes in 2021 are described below in the item: "Audits of tax settlements at the CIECH Group and related contingent liabilities".

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

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

In the first half 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:

- 2012 – at CIECH S.A.
- 2013 – at CIECH S.A.
- 2014 – at CIECH S.A.
- 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.
- 2016 – at CIECH Sarzyna S.A.



- at CIECH S.A.

f) 2018 – at CIECH Soda Polska S.A.

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

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

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

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

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

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

CIT audit for 2014 at CIECH S.A. was initiated by the Head of the Małopolskie Province Customs and Tax Office in Kraków (hereinafter: Head of the Małopolskie Province Customs and Tax Office in Kraków) on 13 November 2019. The Company received the outcome of the audit on 22 May 2020. The authority claims that the Company has overestimated the tax deductible cost by including interest on external financing contributed to the capital reserves of CIECH Soda Deutschland 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 Rzeszów 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 Rzeszów 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 S.A. received an authorisation from the Head of the Małopolskie Province Customs and Tax Office in Kraków to carry out a customs and fiscal audit with regard to corporate income tax (CIT) for 2016. Tax audit is currently underway.

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 thousand 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 Kraków. At a hearing on 22 July 2020, after considering the appeal filed by the Company, the Provincial Administrative Court issued a ruling dismissing the complaint filed by the Company, accepting the position of the Małopolskie Province Customs and Tax Office in Kraków. The company received a written statement of reasons for the judgment and lodged a cassation complaint with the Supreme Administrative Court in November 2020. At present, the company is waiting for the date of the hearing to be set.

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

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

On 17 July 2019, the company received the decision of the Head of the Małopolskie Province Customs and Tax Office in Kraków, upholding the previous position of the authority, that the Company had no right to deduct VAT in the amount of



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

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

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

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

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

On 11 September 2019, the CSP received the decision of the Head of the Małopolskie Province Customs and Tax Office in Kraków, upholding the previous position of the authority, that Cerium Finance Sp. z o.o. had no right to deduct VAT in the amount of PLN 25.3 million. CSP appealed against the decision of the first instance. On 7 January 2020, the company received the Decision of the second instance, where the Head of the Małopolskie Province Customs and Tax Office in Kraków upheld



the decision of the first instance in its entirety. The decision issued by the second instance authority was enforceable. Therefore, despite the fact that the amount of VAT has already been paid to the relevant tax office in connection with the correction of VAT settlement submitted in the current period, according to the received individual ruling, the company decided to pay again the same amount of VAT of PLN 25.3 million and interest of PLN 10 million. The VAT paid again will be recovered by CSP at the latest after the completion of the court and administrative proceedings (for December 2014), if any, or after the completion of the overpayment proceedings for July 2018. On 6 February 2020, the Company appealed against the decision of the second instance to the Provincial Administrative Court in Kraków. At a hearing on 22 September 2020, after considering the appeal filed by the Company, the Provincial Administrative Court issued a ruling dismissing the complaint filed by the Company, accepting the position of the Małopolskie Province Customs and Tax Office in Kraków. The company received a written statement of reasons for the judgment and lodged a cassation complaint with the Supreme Administrative Court on 13 January 2021. At present, the company is waiting for the date of the hearing to be set.

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

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

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 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 have therefore filed an appeal against the Decision and requested that it be suspended 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. In August 2021, the Company received a notification that the Tax Office had fully withdrawn from the Decision. Thus, the dispute regarding the right to deduct VAT on invoices received by CIECH Energy Deutschland GmbH in connection with the lease of the CHP plant has been completed.

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 the total amount of EUR 15.8 million (after conversion into PLN according to the exchange rate quoted on the balance sheet date – about PLN 71.4 million). Out of the stated amount of EUR 15.8 million, the provision created in previous years amounts to EUR 14.4 million (approx. PLN 65.1 million). Additionally, the amount of EUR 1.5 million (after conversion of PLN 6.8 million) is a contingent liability.

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

On 22 June 2021, the Annual General Meeting of CIECH S.A. resolved to:

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

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

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, NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE AND LIABILITIES RELATED THERETO DURING THE FIRST HALF OF 2021

Discontinued operations

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) is PLN 157,410 thousand. The final price of the Shares being sold was determined in accordance with the rule arising from the Agreement and amounted to PLN 74,829 thousand. For details of the transaction, see current reports No 27/2020 and 4/2021.

Cash received from sale of shares	74,289
Cash received from repayment of debt	56,121
Loans outstanding at 30.06.2021*	27,000
TOTAL Value of the Agreement	157,410

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

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

For the period from 1 January to 30 June 2021 and for the period from 1 January to 30 June 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 is the consolidated result on discontinued operations (in the resins area) for the first half of 2021, which includes the figures of CIECH Żywiec Sp. z o.o. and CIECH S.A.

CIECH Group	01.01.-30.06.2021	01.01.-30.06.2020
Sales revenues	69,898	124,563
Cost of sales	(56,642)	(115,779)
Gross profit/(loss) on sales	13,256	8,784
Other operating income	385	1,686
Selling costs	(1,211)	(4,147)
General and administrative expenses	(5,080)	(4,238)
Other operating expenses	(422)	(788)
Operating profit/(loss)	6,928	1,297
Financial income	1,864	25
Financial expenses	(319)	(652)
Net financial income/(expenses)	1,545	(627)
Profit/(loss) before tax	8,473	670
Income tax	(852)	(460)
Net profit/(loss) (1)	7,621	210
Revenues from sales of CIECH Żywiec Sp. z o.o.	74,289	-
Net assets	(19,370)	-
Income tax	-	-
The result on the sale of CIECH Żywiec Sp. z o.o. (2)	54,919	-
Total net profit / (loss) from discontinued operations (1 + 2)	62,540	210



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

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

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

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

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

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

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

2.16. INFORMATION ON IMPORTANT EVENTS IN THE CIECH GROUP IN THE FIRST HALF OF 2021

Information on important events taking place in the CIECH Group in the first half of 2021 has been presented in Sections 5.3 and 5.4 hereof.



2.17. INFORMATION ON POST-BALANCE-SHEET EVENTS

On 5 July 2021, the Management Board of CIECH S.A. adopted a resolution on the commencement of the review of strategic options supporting further development of the CIECH Group in relation to CIECH Vitro Sp. z o.o., a subsidiary of CIECH S.A. CIECH Vitro operates as part of the Packaging Segment. In the process of reviewing strategic options, the Management Board works together with a transaction, financial, legal and tax advisor.

On 2 August 2021, CIECH S.A. received the decision of the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register, regarding registration of amendments to the Articles of Association of the Company made by virtue of Resolutions No 20/2021 and 23/2021 of the Annual General Meeting of CIECH S.A. of 22 June 2021.

On 8 September 2021 a letter of intent was signed between CIECH S.A. and SYNTHOS GREEN ENERGY S.A. on establishing cooperation in the use of energy from small and micro modular reactors (SMR and MMR respectively) by companies from the CIECH Group. The executed letter of intent will enable the Issuer to carry out a thorough analysis of the use of SMR and MMR technologies in the Group's Companies.

The letter of intent provides for the establishment of long-term cooperation in defining the characteristics of energy supplies for the needs of the Companies using SMR and MMR technologies, developing an energy supply model, determining the possibility of, and conditions for, the construction of SMR and MMR installations on the premises of the Companies, and establishing the boundary terms of the contract for the energy supply to the Companies. Detailed information can be found in the current report No. 31/2021.

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 half of 2021 was another period of CIECH Group operations conducted during the ongoing COVID-19 pandemic. During this period, reality continued to be defined by various restrictions and security measures constantly in force to protect the health and lives of employees of the Group and third parties.

During the described period, the CIECH Group continued to be adversely affected by the pandemic, which translated in many different ways into the achievement of the Group's objectives for 2021 and those of the individual Group segments.

In the first months of 2021, in particular in the first quarter, operations of the Group and the individual segments were regulated by decisions and recommendations of the state authorities and by restrictions imposed in social life. In this period, the CIECH Group continued to comply with the measures taken in 2020 to protect the health and lives of employees, third party employees and business partners. 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).

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. 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 half of 2021, the Group's production facilities continued, uninterrupted, to operate and there were no production stoppages. There were also no cases of supply chain disruptions due to interruptions in transport, availability of raw materials or for other reasons. The risk of an outbreak of infection in the Group began to decline around the second quarter as employees joined the COVID-19 vaccination programme and as the number of new cases declined across Poland.

In the first half 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 isolated cases of quarantine of workers in production facilities, but with no impact on production continuity. The situation began to improve in the second quarter, when



segment employees started the COVID-19 vaccination process. Commercially in the first half of the year, it should be noted that the first quarter of 2021 was marked by restrictions and an ongoing lockdown in the HoReCa sector in Poland and in most European Union countries (restaurants, hotels). In the second quarter, with the easing of restrictions and the opening up of the economy, the situation began to return to normal. The return to business as usual, in connection with the opening up of economies and the lifting of restrictions, was seen most recently in the HoReCa sector. No adverse impact of the pandemic on the construction and automotive sectors was observed during the first half of 2021. It should be noted, however, that in the case of the automotive sector, indications of possible business interruptions began to emerge at the end of the second quarter of 2021. These interruptions, however, were caused not by the pandemic situation but by the economic recovery following periods of economic freezing and therefore by the lack of, or delays in, deliveries of car electronics from Asia. Other sectors that are customers of the soda segment, in particular the construction industry, operated smoothly and without interruption in the first half of 2021. 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 half of 2021 as a result of the elimination of shutdowns caused by various types of failures. In the second quarter of this year, the necessary finishing and installation work was carried out at the new saltworks in Germany and preparations for trial production began. The Polish market saw an increase in sales, driven by the relatively snowy and long winter. Due to the lockdown of the German economy lasting until June 2021, sales performance in Western European markets was weaker than planned. As a result of the continuing lockdown in Germany, the segment recorded an approximate 30% drop in sales compared to the same period in 2020.

- In the first half of 2021, the **Silicates Segment** proved resilient to the ongoing COVID-19 pandemic and operated in a steady and uninterrupted manner. Both production and sales levels were higher than those of the same period of the previous year. 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 half of 2021. The production output was intended to build up stock levels at major customers and maintain secure own stock levels at the production plant in Iłowa. However, it should be emphasised that the first half of the year is not a period of increased sales for the glass packaging producers' sector due to the lack of seasonal high demand for such packaging.
- During the first six months of 2021, the **Foams Segment** continued to struggle with the main risks, i.e. the lack of raw materials required for foam production (in particular the lack of polyols and melamine) and the constantly increasing prices of raw materials required for foam production (the increase in raw material prices compared to the same period of 2020 reached 90%). Raw material shortages and an increase in their prices (the price of foams produced by the plant in Bydgoszcz is affected in about 90% by the prices of raw materials), caused that the plant was forced to ration supplies to customers based on the availability of raw materials and production capacity. At the same time, by purchasing basic raw materials at ever higher prices, the plant was also forced to raise prices for customers. The Foams Segment, like the upholstered furniture sector during the first half of 2021, proved resilient to the pandemic situation – upholstered furniture factories did not suspend production and operated without disruption. Despite unfavourable developments, as described above, on the raw materials market (lack of available raw material and an increase in the price of raw materials), the specific nature of the industry meant that furniture manufacturers had to accept new, higher prices for the foams produced.
- 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. On the other hand, the problems that the segment had to face in the first half of 2021 included a significant increase in the price of materials and raw materials and an increase in the cost of logistics services. The Agro Segment experienced a delayed start of spring fieldworks in Poland and the EU markets compared to previous years, due to a delay in the plant vegetation period (cold April and May). Despite the described unfavourable developments, the Agro Segment delivered growth in sales performance and increased its market share in the first half of 2021. To a large extent, this success has been achieved thanks to the launch of Halvetic, a new herbicide based on innovative BGT (Better Glyphosate Technology), which allows the dose of the active ingredient glyphosate in the herbicide to be reduced by half, while maintaining the same effectiveness as in reference products offered by competitors. With the introduction of Halvetic on the market, the Agro Segment has successfully started to implement the EU Green Deal policy, reducing the use of a hazardous substance in the agricultural sector. Currently, the production plant in Nowa Sarzyna is taking measures to increase the production capacity of the new formulation, to satisfy the growing demand.



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

- In the area of investment projects, during the first half of 2021, the CIECH Group continued the projects launched, including the key project to build new saltworks in Stassfurt, Germany. Other projects planned and necessary for the Group's operations were also carried out without any obstacles. 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 Group's liquidity situation in the first half 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 half of 2021, the CIECH Group generated net cash flows from operating activities of PLN 431 million. Net cash flows from investing activities were negative (PLN -368 million) due to ongoing capital expenditure. As at 30 June 2021, the Group held cash of PLN 502 million and limits available under committed credit facilities of PLN 353 million. In the first half of 2021, the Group had access to funds made available under committed facility agreements (syndicated facility agreement with a total value of PLN 2,114 million as at 30 June 2021) and additional sources of financing in the form of receivables factoring agreements, reverse factoring agreements and overdraft facilities. The Group's liquidity security was largely supported by the fact that in March 2021 the Management Board of CIECH S.A. signed a new Facilities Agreement with a value (on the date of signing) of PLN 2,115 million and a 5-year repayment period, in order to refinance the existing debt. The facilities agreement was signed on 16 March 2021. Under the new Facilities Agreement, the following loans were 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, during which no principal repayment of the loan will be required. The first repayment is required on 30 June 2023.
- Moreover, in the first half of 2021, the CIECH Group also did not identify any risk of default on repayment liabilities under the loan agreements or risk of loans being called in due to failure to meet the level of ratios tested under the loan agreements.
At the end of 2020, there was a breach of the guarantor coverage ratio, tested under the applicable loan agreements. Due to the breach of the ratio and the failure to repeal the breach as at 31 December 2020, the total value of loans made available on the basis of the above-mentioned In accordance with the requirements of IAS 1, the agreements were reclassified into short-term loan liabilities.
- Moreover, no deterioration of receivables repayment dates was found. At the end of the first half of the year, the share of receivables past due for more than 7 days in total receivables remained at a level similar to that reported as at 31 December 2020 and as at 31 March 2020. The vast majority of the Group's receivables were insured and financed through non-recourse factoring.
- The pandemic also did not have a negative impact on the Group's working capital. In the first half of 2021, during 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 half of 2021, no additional impairment losses on non-current or current assets were recognised. There was also no need to recognise additional provisions other than allowances and provisions which are recognised in the course of the Group's ordinary activities.
- The Management Board estimates that in 2021 both the Parent Company and the subsidiaries will continue as going concerns to a materially unchanged extent for at least 12 months from the date of the financial statements, with the exception of CIECH Trading Sp. z o.o., in relation to which a liquidation plan has been implemented. However, it should be stated that the pandemic situation creates economic uncertainty and therefore it is not possible to fully predict its effects, including the impact of the pandemic on the financial statements, including the performance and measurement of individual items in the statement of financial position in subsequent reporting periods.



**SEMI-ANNUAL CONDENSED SEPARATE FINANCIAL STATEMENTS
CIECH S.A.
FOR 6-MONTH PERIOD ENDED 30 JUNE 2021**

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



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

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

	01.01.-30.06.2021	01.01.-30.06.2020*	01.04.-30.06.2021	01.04.-30.06.2020*
				<i>Data not reviewed</i>
CONTINUING OPERATIONS				
Sales revenues	765,364	837,545	381,126	379,205
Cost of sales	(651,669)	(716,534)	(326,854)	(320,974)
Gross profit on sales	113,695	121,011	54,272	58,231
Other operating income	3,665	5,406	2,559	3,875
Selling costs	(62,363)	(50,231)	(32,472)	(21,253)
General and administrative expenses	(34,350)	(43,509)	(16,048)	(22,086)
Other operating expenses	(2,649)	(13,285)	(930)	(12,377)
Operating profit	17,998	19,392	7,381	6,390
Financial income	122,582	92,867	15,215	63,090
<i>Profit from financial instruments</i>	50,027	27,020	2,531	16,387
Financial expenses	(107,080)	(79,307)	(37,795)	4,431
<i>(Loss) from financial instruments</i>	(64,926)	(65,727)	(13,025)	11,833
Net financial income/(expenses)	15,502	13,560	(22,580)	67,521
Profit before tax	33,500	32,952	(15,199)	73,911
Income tax	(3,333)	1,002	(3,885)	(5,027)
Net profit on continuing operations	30,167	33,954	(19,084)	68,884
DISCONTINUED OPERATIONS				
Net profit/(loss) on discontinued operations	42,353	(1,186)	(7,273)	866
Net profit for the year	72,520	32,768	(26,357)	69,750
Earnings per share (in PLN):				
Basic	1.38	0.62	(0.50)	1.32
Diluted	1.38	0.62	(0.50)	1.32
Earnings per share (in PLN) from continuing operations:				
Basic	0.57	0.64	(0.36)	1.30
Diluted	0.57	0.64	(0.36)	1.30

*Restated data. For detailed information on discontinued operations, see Note 4.15 to this report.

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



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

	01.01.-30.06.2021	01.01.-30.06.2020	01.04.-30.06.2021	01.04.-30.06.2020
				<i>Data not reviewed</i>
Net profit / (loss)	72,520	32,768	(26,357)	69,750
Other comprehensive income before tax that may be reclassified to the statement of profit or loss	33,694	(32,608)	30,742	(6,988)
Cash flow hedge reserve	33,694	(32,608)	30,743	(6,988)
Other components of other comprehensive income	-	-	(1)	-
Income tax attributable to other comprehensive income	(6,018)	6,191	(5,457)	1,323
Income tax attributable to other comprehensive income that may be reclassified to the statement of profit or loss	(6,018)	6,191	(5,457)	1,323
Other comprehensive income net of tax	27,676	(26,417)	25,285	(5,665)
TOTAL COMPREHENSIVE INCOME	100,196	6,351	(1,072)	64,085

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



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

	30.06.2021	31.12.2020
ASSETS		
Property, plant and equipment	12,472	11,805
Intangible assets	60,433	57,428
Long-term financial assets	2,816,837	2,538,642
Rights to use an asset	24,122	26,057
Total non-current assets	2,913,864	2,633,932
Inventory	16,965	6,394
Short-term financial assets	1,234,502	1,189,162
Trade and other receivables	211,120	232,895
Cash and cash equivalents	118,792	265,287
Non-current assets held for sale	-	29,964
Total current assets	1,581,379	1,723,702
Total assets	4,495,243	4,357,634
EQUITY AND LIABILITIES		
Share capital	287,614	287,614
Share premium	470,846	470,846
Cash flow hedge reserve	1,963	(25,713)
Actuarial gains	(78)	(78)
Other reserve capitals	422,699	422,699
Retained earnings	352,821	438,400
Total equity	1,535,865	1,593,768
Loans, borrowings and other debt instruments	1,851,722	-
Lease liabilities	20,194	21,792
Other non-current liabilities	119,636	18,198
Employee benefits reserve	956	979
Deferred income tax liability	6,628	4
Total non-current liabilities	1,999,136	40,973
Loans, borrowings and other debt instruments	400,579	2,238,619
Lease liabilities	5,712	6,332
Trade and other liabilities	519,106	438,836
Income tax liabilities	-	4,539
Employee benefits reserve	434	826
Other provisions	34,411	33,741
Total current liabilities	960,242	2,722,893
Total liabilities	2,959,378	2,763,866
Total equity and liabilities	4,495,243	4,357,634

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



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

	01.01.-30.06.2021	01.01.-30.06.2020
Cash flows from operating activities		
Net profit for the period	72,520	32,768
Amortisation/depreciation	9,125	9,395
Recognition of impairment allowances	2,588	2,505
Foreign exchange (profit) /loss	16,789	(13,503)
(Profit) / loss on investment activities	(44,274)	-
(Profit) / loss on disposal of property, plant and equipment	(16)	(146)
Dividends and interest	(75,174)	(42,328)
Income tax	2,661	(1,002)
Change in liabilities due to loan arrangement fee	(8,953)	1,085
Value of derivatives	31,560	35,337
Cash from operating activities before changes in working capital and provisions	6,827	24,111
Change in receivables	25,637	130,432
Change in inventory	(10,571)	12,700
Change in current liabilities	(58,427)	(221,821)
Change in provisions and employee benefits	255	(719)
Cash generated from operating activities	(36,279)	(55,297)
Interest paid	(20,703)	(31,911)
Income tax (paid)	(6,462)	(3,210)
Loans receivables repayment - setoff	(10,000)	-
Net cash from operating activities	(73,444)	(90,418)
Cash flows from investment activities		
Disposal of a subsidiary	74,289	-
Disposal of intangible assets and property, plant and equipment	73	2,748
Dividends received	43,802	55,067
Interest received	19,499	17,722
Cash pooling inflows*	-	1,939
Proceeds from repaid borrowings	30,249	-
Acquisition of a subsidiary	(1,000)	-
Acquisition of intangible assets and property, plant and equipment	(14,617)	(6,015)
Raise capital expenditures and extra charge on capital	-	(4,850)
Borrowings paid out	(263,195)	(156,288)
Cash pooling outflows*	(59,542)	-
Net cash from investment activities	(170,442)	(89,677)
Cash flows from financial activities		
Proceeds from loans and borrowings	237,477	470,100
Cash pooling inflows*	68,904	-
Repayment of loans and borrowings	(206,369)	-
Cash pooling outflows*	-	(288)
Payments of lease liabilities	(2,761)	(2,762)
Net cash from financial activities	97,251	467,050
Total net cash flows	(146,635)	286,955
Cash and cash equivalents as at the beginning of the period	265,287	169,984
<i>Impact of foreign exchange differences</i>	<i>140</i>	<i>29</i>
Cash and cash equivalents as at the end of the period	118,792	456,968

*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

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



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

	Share capital	Share premium	Cash flow hedge reserve	Other reserve capitals	Actuarial gains	Retained earnings	Total equity
01.01.2021	287,614	470,846	(25,713)	422,699	(78)	438,400	1,593,768
Transactions with shareholders included directly in equity	-	-	-	-	-	(158,099)	(158,099)
Dividend payment	-	-	-	-	-	(158,099)	(158,099)
Total comprehensive income for the period	-	-	27,676	-	-	72,520	100,196
Net profit / (loss) for the period	-	-	-	-	-	72,520	72,520
Other comprehensive income	-	-	27,676	-	-	-	27,676
30.06.2021	287,614	470,846	1,963	422,699	(78)	352,821	1,535,865
01.01.2020	287,614	470,846	(1,035)	76,199	(37)	629,619	1,463,206
Transactions with shareholders included directly in equity	-	-	-	346,500	-	(346,500)	-
Reclassification of capital associated with the merger	-	-	-	346,500	-	(346,500)	-
Total comprehensive income for the period	-	-	(26,417)	-	-	32,768	6,351
Net profit / (loss) for the period	-	-	-	-	-	32,768	32,768
Other comprehensive income	-	-	(26,417)	-	-	-	(26,417)
30.06.2020	287,614	470,846	(27,452)	422,699	(37)	315,887	1,469,557

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



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

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

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

These semi-annual condensed separate financial statements were prepared in compliance with IAS 34 "Interim Financial Reporting" as approved by the European Union and the Regulation of the Minister of Finance dated 29 March 2018 on current and periodical information submitted by issuers of securities and on conditions for deeming equivalent information required by the law of a Non-Member State (Journal of Laws 2018.757 of 2018). These financial statements present the financial position of CIECH S.A. as at 30 June 2021 and as at 31 December 2020, results of the Company's operations and cash flows for the period of 6 months ended 30 June 2021 and 30 June 2020, and were approved by the Management Board of CIECH S.A. on 23 September 2021.

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

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

Preparation of financial statements in accordance with International Financial Reporting Standards ("IFRS") requires 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 separate financial statements, and the estimates bearing a risk of significant changes in future years have been presented in items 4.6, 4.7, 4.8 and 4.13 hereof. Information on the impact of the COVID-19 pandemic on the operations of CIECH S.A. is presented in Note 4.17. During the current semi-annual period there were no significant revisions to the estimates presented in previous reporting periods.

The Management Board of CIECH S.A. represents that Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. with its registered office in Warsaw, entered into the list of entities authorised to audit financial statements under the registry No 73 kept by the National Chamber of Statutory Auditors was chosen in accordance with the binding legal regulations to review the semi-annual condensed separate financial statements for the period from 1 January to 30 June 2021.

4.2. 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.

CIECH S.A. 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 separate financial statements of CIECH S.A. was presented in the Financial Statements of CIECH S.A. for the year 2020, published on 22 April 2021.

4.3. FUNCTIONAL AND REPORTING CURRENCY

The Polish zloty (PLN) is the functional currency of CIECH S.A., and the reporting currency of these financial statements. Unless stated otherwise, all financial data in these financial statements have been presented in thousands of Polish zlotys (PLN '000). CIECH S.A. has Branches (in Romania and Germany) whose accounting records are kept in local currencies (RON and EUR). For the purpose of preparing the financial statements of CIECH S.A., accounting records of the Branch in Romania are translated using the transaction exchange rates and the accounting records of the Branch in Germany – at the average NBP rate for a given period. Due to an insignificant value of transactions, translation at this exchange rate does not result in a material distortion of results.

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

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

4.5. CIECH S.A.'S SEGMENT REPORTING

Note 2.5 to the Financial Statements of CIECH S.A. for 2020 contains a detailed description of the allocation of operating segments to the new business structure. The change in presentation was made as of 2020 for all reporting periods presented as comparatives.

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

CIECH S.A. has been divided into the following operating segments:

Soda Segment (comprising BU Soda, and BU Salt) – the most important manufactured goods in the scope of the Soda Segment products are: light and dense soda ash, evaporated salt, sodium bicarbonate and calcium chloride. The products of this Segment are sold mainly by the parent company CIECH S.A. Production of the Soda Segment goods manufactured by the CIECH Group 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. (the German company also sells its products on its own). Soda Segment products are used in the glass, food, detergent and pharmaceutical industries.

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. and CIECH S.A. was the supplier of raw materials for production for CIECH Sarzyna S.A. and provided support services within this segment.

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. The figures for discontinued operations include the result of CIECH S.A. obtained from the transactions with CIECH Żywiec Sp. z o.o., and from the sale of this company.

Foams Segment – within the Foams Segment, CIECH S.A. provides support services to CIECH Pianki Sp. z o.o., which is a producer of polyurethane foams.



Silicates Segment – CIECH S.A. sells the Silicates and Glass segment products manufactured by CIECH Soda Romania S.A. In 2021, key products in this group included glassy sodium silicate and sodium water glass. These products are used by the construction industry and in the production of detergents.

Packaging Segment – within this segment, CIECH S.A. provides support services to CIECH Vitro S.A., which manufactures glass packaging - lanterns and jars, used for the production of headstone lamps and in the food industry.

Other Activities Segment – it covers mainly services rendered outside the Group and goods sold by CIECH S.A. outside the scope of the above segments.

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

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

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

Revenues and costs, assets and liabilities of segments are recognised and measured in a manner consistent with the method used in the separate 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 CIECH S.A. when determining these measures are presented below.

	01.01.-30.06.2021	01.01.-30.06.2020*
Net profit/(loss) on continuing operations	30,167	33,954
Income tax	3,333	(1,002)
Financial expenses	107,080	79,307
Financial income	(122,582)	(92,867)
Amortisation/depreciation	9,125	9,395
EBITDA on continued operations	27,123	28,787
EBITDA on discontinued operations	(3,414)	43
EBITDA on continued and discontinued operations	23,709	28,830

*Restated data. For detailed information on discontinued operations, see Note 4.15 to this report.



	01.01.-30.06.2021	01.01.-30.06.2020*
EBITDA on continued operations	27,123	28,787
One-offs including:	95	(651)
Cash items (a)	84	(2,984)
Non-cash items (without impairment) (b)	11	2,333
Adjusted EBITDA on continued operations	27,218	28,136
Adjusted EBITDA on discontinued operations	(3,414)	43
Adjusted EBITDA on continued and discontinued operations	23,804	28,179

*Restated data. For detailed information on discontinued operations, see Note 4.15 to this report.

The catalog of EBITDA adjustment items adjusted for the purposes of these financial statements is as follows:

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

(b) Cash items:

- gain/loss of the sale of property, plant and equipment and other items,
- fines and compensations received or paid,
- donations given,
- restructuring costs,
- fortuitous events.

(c) Non-cash items:

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

Moreover, adjusted EBITDA may also be adjusted for unusual, one-off events not listed above.



CIECH S.A. — OPERATING SEGMENTS

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

OPERATING SEGMENTS 01.01.-30.06.2021	Soda segment	Agro segment	Foams segment	Silicates segment	Packaging segment	Other operations segment	Corporate functions	TOTAL
Total sales revenues	697,675	10,308	5,615	9,297	522	41,947	-	765,364
Cost of sales	(589,885)	(9,815)	(872)	(9,215)	(331)	(41,551)		(651,669)
Gross profit /(loss) on sales	107,790	493	4,743	82	191	396	-	113,695
Selling costs	(61,620)	(37)	-	(446)	-	(260)		(62,363)
General and administrative expenses	(218)	-	-	-	-	(2,851)	(31,281)	(34,350)
Result on management of receivables	702	30	-	1	-	529	-	1,262
Result on other operating activities	(67)	(27)	-	-	-	418	(570)	(246)
Operating profit /(loss)	46,587	459	4,743	(363)	191	(1,768)	(31,851)	17,998
Exchange differences and interest on trade settlements	815	-	1	(7)	-	105	-	914
Borrowing costs	-	-	-	-	-	-	(8,489)	(8,489)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	-	23,077	23,077
Profit /(loss) before tax	47,402	459	4,744	(370)	191	(1,663)	(17,263)	33,500
Income tax	-	-	-	-	-	-	-	(3,333)
Net profit /(loss) on continuing operations								30,167
Net profit /(loss) on discontinued operations								42,353
Net profit /(loss) for the period	-	-	-	-	-	-	-	72,520
Amortization/depreciation	1,920	15	-	-	-	94	7,096	9,125
EBITDA from continuing operations	48,507	474	4,743	(363)	191	(1,674)	(24,755)	27,123
Adjusted EBITDA from continuing operations*	48,509	474	4,743	(363)	191	(1,674)	(24,662)	27,218

* Adjusted EBITDA for the 6-month period ended 30 June 2021 is calculated as EBITDA adjusted for untypical one-off events: compensation: PLN 0.1 million.



OPERATING SEGMENTS 01.01.-30.06.2020	Soda segment	Agro segment	Foams segment	Silicates segment	Packaging segment	Other operations segment	Corporate functions	TOTAL*
Total sales revenues	677,536	81,235	61,305	13,588	-	3,881	-	837,545
Cost of sales	(563,881)	(78,504)	(57,943)	(12,162)	-	(4,044)	-	(716,534)
Gross profit /(loss) on sales	113,655	2,731	3,362	1,426	-	(163)	-	121,011
Selling costs	(47,782)	(22)	(773)	(573)	-	(1,081)	-	(50,231)
General and administrative expenses	(1,026)	-	-	(9)	-	-	(42,474)	(43,509)
Result on management of receivables	(8,261)	108	(1)	(2)	-	55	-	(8,101)
Result on other operating activities	1,021	-	-	-	-	(204)	(595)	222
Operating profit /(loss)	57,607	2,817	2,588	842	-	(1,393)	(43,069)	19,392
Exchange differences and interest on trade settlements	(735)	(1,637)	(1,201)	-	-	(684)	-	(4,257)
Borrowing costs	-	-	-	-	-	-	(8,740)	(8,740)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	-	26,557	26,557
Profit /(loss) before tax	56,872	1,180	1,387	842	-	(2,077)	(25,252)	32,952
Income tax	-	-	-	-	-	-	-	1,002
Net profit /(loss) on continuing operations	-	-	-	-	-	-	-	33,954
Net profit /(loss) on discontinued operations	-	-	-	-	-	-	-	(1,186)
Net profit /(loss) for the period	-	-	-	-	-	-	-	32,768
Amortization/depreciation	1,923	20	-	-	-	205	7,247	9,395
EBITDA from continuing operations	59,530	2,837	2,588	842	-	(1,188)	(35,822)	28,787
Adjusted EBITDA from continuing operations**	58,783	2,817	2,588	842	-	(1,140)	(35,754)	28,136

*Restated data. For detailed information on discontinued operations, see Note 4.15 to this report.

** Adjusted EBITDA for the 6-month period ended 30 June 2020 is calculated as EBITDA adjusted for untypical one-off events: change in provisions: PLN 0.7 million.



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

	ASSETS		LIABILITIES	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
Soda Segment	119,702	85,672	256,284	268,235
Agro Segment	3,289	9,858	1,585	4,129
Resins Segment	25,867	67,264	11,469	38,192
Foams Segment	1,548	1,326	46	9
Silicates Segment	3,637	4,224	2,229	9,636
Packaging Segment	94	83	-	-
Other operations Segment	13,968	13,901	11,079	16,191
Corporate functions	4,327,138	4,175,306	2,676,686	2,427,474
TOTAL	4,495,243	4,357,634	2,959,378	2,763,866

CIECH S.A. — SALES REVENUES BY BUSINESS SEGMENTS

	01.01.-30.06.2021	01.01.-30.06.2020*	Change 2021/2021	Change %
Soda segment, including:	697,675	677,536	20,139	3.0%
Dense soda ash	370,170	392,277	(22,107)	(5.6%)
Light soda ash	135,998	108,266	27,732	25.6%
Salt	98,691	92,403	6,288	6.8%
Sodium bicarbonate	53,588	55,402	(1,814)	(3.3%)
Calcium chloride	15,984	7,238	8,746	120.8%
Other goods and services	23,244	21,950	1,294	5.9%
Agro segment, including:	10,308	81,235	(70,927)	(87.3%)
Raw materials for production of plant protection products	7,785	79,064	(71,279)	(90.2%)
Other goods and services	2,523	2,171	352	16.2%
Foam segment, including:	5,615	61,305	(55,690)	(90.8%)
Raw materials for the production of polyurethane foams	-	60,495	(60,495)	-
Other goods and services	5,615	810	4,805	593.2%
Silicates segment, including:	9,297	13,588	(4,291)	(31.6%)
Sodium silicates	5,530	4,353	1,177	27.0%
Other goods and services	3,767	9,235	(5,468)	(59.2%)
Packaging segment, including:	522	-	522	-
Container glass	522	-	522	-
Other segment, including:	41,947	3,881	38,066	980.8%
Revenues from third parties	41,947	3,881	38,066	980.8%
TOTAL	765,364	837,545	(72,181)	(8.6%)

*Restated data. For detailed information on discontinued operations, see Note 4.15 to this report.

At CIECH S.A., sales revenues are recognized upon the provision of services or delivery of goods.

CIECH S.A. — INFORMATION ON GEOGRAPHICAL AREAS

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

	ASSETS		Sales revenues	
	30.06.2021	31.12.2020	01.01.-30.06.2021	01.01.-30.06.2020
Poland	2,105,533	2,204,723	480,134	573,610
European Union (excluding Poland)	2,383,730	2,152,810	245,183	222,493
Other European countries	3,016	51	28,595	33,857
Africa	2,074	-	4,322	4,497
Asia	890	50	6,941	3,029
Other regions	-	-	189	59
TOTAL	4,495,243	4,357,634	765,364	837,545



The Company's non-current assets are located in Poland and the European Union. As regards the European Union, the most significant non-current assets comprise shares in subsidiaries having their registered offices mainly in Romania (PLN 111,000 thousand), Germany (PLN 810,493 thousand) and Spain (PLN 203,866 thousand). Trade and other receivables constitute the main component of current assets presented in individual geographical areas.

4.6. PROVISIONS AND IMPAIRMENT LOSSES ON ASSETS

PROVISIONS FOR EMPLOYEE BENEFITS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2021					
Long-term	979	-	(57)	34	956
Short-term	826	-	(3)	(389)	434
01.01.-30.06.2020					
Long-term	1,089	33	-	-	1,122
Short-term	2,312	-	(1,505)	-	807
01.04.-30.06.2021*					
Long-term	987	-	(57)	26	956
Short-term	454	-	17	(37)	434
01.04.-30.06.2020*					
Long-term	1,117	5	-	-	1,122
Short-term	1,635	-	(828)	-	807

*Not reviewed data.

CHANGE IN OTHER SHORT-TERM PROVISIONS	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2021					
Provision for liabilities	33,741	676	-	(6)	34,411
TOTAL	33,741	676	-	(6)	34,411
01.01.-30.06.2020					
Provision for liabilities	33,325	830	(911)	834	34,078
TOTAL	33,325	830	(911)	834	34,078
01.04.-30.06.2021*					
Provision for liabilities	34,115	297	-	(1)	34,411
TOTAL	34,115	297	-	(1)	34,411
01.04.-30.06.2020*					
Provision for liabilities	32,985	420	(140)	813	34,078
TOTAL	32,985	420	(140)	813	34,078

*Not reviewed data.



CHANGE IN IMPAIRMENT LOSSES	Opening balance	Recognition	Use and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2021					
Intangible assets	210	-	-	-	210
Long-term financial assets	102,538	5,237	(2,864)	-	104,911
Short-term financial assets	8,494	8,760	(8,495)	-	8,759
Trade and other receivables	36,847	708	(2,123)	(39)	35,393
Cash and cash equivalents	150	300	(322)	-	128
TOTAL	148,239	15,005	(13,804)	(39)	149,401
01.01.-30.06.2020					
Intangible assets	210	-	-	-	210
Long-term financial assets	159,640	2,030	(2)	-	161,668
Short-term financial assets	14,382	480	(4)	-	14,858
Trade and other receivables	28,554	10,358	(290)	644	39,266
Cash and cash equivalents	128	191	-	-	319
TOTAL	202,914	13,059	(296)	(1,343)	216,321
01.04.-30.06.2021*					
Intangible assets	210	-	-	-	210
Long-term financial assets	103,058	1,854	(1)	-	104,911
Short-term financial assets	8,608	151	-	-	8,759
Trade and other receivables	38,205	52	(1,800)	(1,064)	35,393
Cash and cash equivalents	173	277	(322)	-	128
TOTAL	150,254	2,334	(2,123)	(1,064)	149,401
01.04.-30.06.2020*					
Intangible assets	210	-	-	-	210
Long-term financial assets	161,134	536	(2)	-	161,668
Short-term financial assets	14,902	(50)	6	-	14,858
Trade and other receivables	29,598	10,208	(194)	(346)	39,266
Cash and cash equivalents	489	(170)	-	-	319
TOTAL	206,333	10,524	(190)	(346)	216,321

*Not reviewed data.

4.7. INCOME TAX, DEFERRED TAX ASSETS AND LIABILITY

The main components of tax expense include:

THE MAIN COMPONENTS OF TAX EXPENSE (TAX INCOME)	01.01.-30.06.2021	01.01.-30.06.2020
Current income tax	(2,530)	(4,629)
Deferred tax	(803)	5,631
INCOME TAX RECOGNISED IN STATEMENT OF PROFIT OR LOSS	(3,333)	1,002



Deferred income tax is attributable to the following items:

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITY	30.06.2021			31.12.2020		
	Total asset	Total liability	Net value	Total asset	Total liability	Net value
Property, plant and equipment	40	2,978	(2,938)	40	3,407	(3,367)
Financial assets	4,223	10,995	(6,772)	6,399	10,197	(3,798)
Inventory	-	72	(72)	-	70	(70)
Trade and other receivables	31	-	31	117	-	117
Provisions for employee benefits	187	-	187	187	-	187
Tax losses carried forward	16,500	-	16,500	15,088	-	15,088
Foreign exchange differences	-	7,421	(7,421)	-	4,072	(4,072)
Liabilities	11,567	2,622	8,945	10,954	48	10,906
Other	-	-	-	93	-	93
Deferred tax assets/liability	32,548	24,088	8,460	32,878	17,794	15,084
Set - off of deferred tax assets/ liability	(17,460)	(17,460)	-	(17,790)	(17,790)	-
Unrecognized deferred tax assets	(15,088)	-	(15,088)	(15,088)	-	(15,088)
Deferred tax assets/liability recognised in the statement of financial position	-	6,628	(6,628)	-	4	(4)

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

4.8. INFORMATION ON FAIR VALUE OF FINANCIAL INSTRUMENTS

The information is provided in Section 2.8 hereof.

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

In the period from 1 January to 30 June 2021, CIECH S.A. carried out the following transactions increasing and decreasing the gross value of property, plant and equipment:

01.01.-30.06.2021	Machinery and equipment	Vehicles	Other fixed assets	Fixed assets under construction	TOTAL
Purchase	1,227	-	30	-	1,257
Disposal	218	-	(84)	-	(302)
01.01.-30.06.2020					
Purchase	726	-	3	1,252	1,981
Disposal	-	-	(36)	(3,040)	(3,076)

Purchases in the first half of 2021 were made with own financial resources of the Company. As at 30 June 2021, there were no commitments to purchase property, plant and equipment (PLN 83 thousand as at 31 December 2020).

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

The information is provided in Section 2.10 hereof.



4.11. INFORMATION ON TRANSACTIONS WITH RELATED ENTITIES

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

CIECH S.A.'S TRANSACTIONS WITH RELATED ENTITIES	Subsidiaries	Associates	Other related parties	TOTAL
01.01.-30.06.2021				
Sales revenues	118,339	10,989	-	129,328
Financial income, including:	91,914	-	-	91,914
<i>Dividend</i>	67,717	-	-	67,717
Purchases of products, goods, materials and services, including:	595,451	12,379	2,862	610,692
<i>KI One SA</i>	-	-	95	95
Financial expenses	29,005	-	-	29,005
30.06.2021				
Receivables, including:	57,949	3,019	-	60,968
<i>KI One SA</i>	-	-	-	-
Loans granted	1,774,601	-	-	1,774,601
Trade and other liabilities, including:	391,549	2,059	24	393,632
<i>KI One SA</i>	-	-	-	-
Loans received	210,903	-	-	210,903
01.01.-30.06.2020				
Sales revenues	221,622	18,708	-	240,330
Financial income, including:	94,502	114	-	94,616
<i>Dividend</i>	55,046	114	-	55,160
Purchases of products, goods, materials and services, including:	561,112	6,098	2,359	569,569
Financial expenses	8,729	1	-	8,730
31.12.2020				
Receivables, including:	128,907	372	-	129,279
Loans granted	1,588,191	-	-	1,588,191
Trade and other liabilities, including:	405,656	1,226	48	406,930
Loans received	192,380	-	-	192,380

Terms of transactions with related entities

The CIECH Group companies, to the best of their knowledge and belief, did not conclude any significant transactions with each other on terms other than market terms. 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 half of 2021, except for transactions described in Section 5.3 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.

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

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

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

	30.06.2021	31.12.2020
Contingent assets	18,864	18,864
Other contingent receivables*	18,864	18,864
Contingent liabilities	571,438	1,150,213
Guarantees and sureties granted**	571,438	1,150,213

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

** Including:

- guarantees for the liabilities of subsidiaries in connection with a reverse factoring agreement in the amount of PLN 317,500 thousand,
- guarantee granted for the liabilities of CIECH Żywiec Sp. z o.o. (the company sold on 1 March 2021) in connection with a reverse factoring agreement in the amount of PLN 45,000 thousand (the surety was released on 26 August 2021),
- guarantee for the liabilities of the subsidiary CIECH Sarzyna S.A. in the amount of PLN 3,000 thousand,
- guarantee for the liabilities of a subsidiary, CIECH Salz Deutschland GmbH, in the amount of PLN 167,948 thousand (EUR 37,150 thousand),
- guarantees for the liabilities of the SDC Group companies in the amount of PLN 37,990 thousand (EUR 8,403 thousand).

As at 30 June 2021, contingent liabilities amounted to PLN 571,438 thousand and decreased as compared to 31 December 2020 by PLN 578,775 thousand. The change was mainly due to the expiry of the guarantees granted under the term credit facility and revolving credit facilities agreement, which were repaid on 5 May 2021.

Other guarantees and sureties granted are described in Note 9.2 to the Financial Statements of CIECH S.A. for 2020, published on 22 April 2021.

Audits of tax settlements at CIECH S.A.

The information is provided in Section 2.13 hereof.

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

The information is provided in Section 2.14 hereof.

4.15. INFORMATION ON DISCONTINUED OPERATIONS, NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE AND LIABILITIES RELATED THERETO DURING THE FIRST HALF OF 2021**Discontinued operations**

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) is PLN 157,410 thousand. The final price of the Shares being sold was determined in accordance with the rule arising from the Agreement and amounted to PLN 74,829 thousand. For details of the transaction, see current reports No 27/2020 and 4/2021.

Cash received from sale of shares	74,289
Cash received from repayment of debt	56,121
Loans outstanding at 30.06.2021*	27,000
TOTAL Value of the Agreement	157,410

*Repayment of the loan of PLN 27 million on 30 July 2021.

The accounting principles applied in the preparation of the statement of profit or loss for discontinued operations are consistent with the Company's accounting policy. The separate results of discontinued operations include: results of CIECH S.A. generated from transactions with the entity reported under discontinued operations, CIECH Żywiec Sp. z o.o. and results from the sale of the company in connection with the conclusion of the agreement for the sale of 74,677 shares in CIECH Żywiec Sp. z o.o. to LERG S.A.



Below is the separate result on discontinued operations (in the resins area) of CIECH S.A.

CIECH S.A.	01.01.-30.06.2021	01.01.-30.06.2020
Net sales revenues	30,804	67,353
Cost of sales	(30,584)	(66,359)
Gross profit/(loss) on sales	220	994
Other operating income	-	-
Selling costs	(96)	(936)
General and administrative expenses	(3,538)	-
Other operating expenses	-	(15)
Operating profit/(loss)	(3,414)	43
Financial income	821	-
Financial expenses	-	(1,229)
Net financial income/(expenses)	821	(1,229)
Profit/(loss) before tax	(2,593)	(1,186)
Income tax	672	-
Net profit/(loss) (1)	(1,921)	(1,186)
Income from the sale of CIECH Żywice Sp. z o.o.	74,289	-
Value of shares sold	30,015	-
Tax	-	-
Separate gain on disposal of CIECH Żywice Sp. z o.o. (2)	44,274	-
Total net profit/(loss) on discontinued operations (1+2)	42,353	(1,186)

Cash received from the sale of shares in CIECH Żywice amounted to PLN 74,289 thousand and was reported in the statement of cash flows of CIECH S.A. under "Disposal of a subsidiary".

4.16. INFORMATION ON POST-BALANCE-SHEET EVENTS

The information is provided in Section 2.17 hereof.

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

The first half of 2021 was another period of CIECH S.A.'s operations conducted during the ongoing COVID-19 pandemic. During this period, reality continued to be defined by various restrictions and security measures constantly in force to protect the health and lives of employees of the Company and third parties.

During the described period, the Company continued to be adversely affected by the pandemic, which translated in many different ways into the achievement of the Company's and the entire Group's objectives for 2021.

In the first months of 2021, operations of the Company and the individual segments of the Group were regulated by decisions and recommendations of the state authorities and by restrictions imposed in social life. During this period, the Company continued to comply with the measures taken in 2020 to protect the health and lives of employees, third party employees and business partners. When making all decisions related to counteracting the effects of the pandemic, the Management Board is still guided by concern for the health of employees and care for the long-term value of the Company and the Group. As a result, procedures were continued under which employees were able to work remotely (where possible).

The risk of an outbreak of infection in the Company began to decline around the second quarter as employees joined the COVID-19 vaccination programme and as the number of new cases declined across Poland.

The priority for the Company's Management Board, was to ensure the continuity of the Company's operations, and because of the role the Company plays in the structures of the CIECH Capital Group, the individual segments and production plants. As a result of the arrangements put in place, the Company and the Group operated on an ongoing basis. There were also no cases of supply chain disruptions.

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

- **Soda Segment.** The first quarter of 2021 was marked by restrictions and an ongoing lockdown in the HoReCa (restaurants, hotels) sector in Poland and in most European Union countries. In the second quarter, with the easing of



restrictions and the opening up of the economy, the situation began to return to normal. The return to business as usual, in connection with the opening up of economies and the lifting of restrictions, was seen most recently in the HoReCa sector. No adverse impact of the pandemic on the construction and automotive sectors was observed during the first half of 2021. It should be noted, however, that in the case of the automotive sector, indications of possible business interruptions began to emerge at the end of the second quarter of 2021. These interruptions, however, were caused not by the pandemic situation but by the economic recovery following periods of economic freezing and therefore by the lack of, or delays in, deliveries of car electronics from Asia. Other sectors that are customers of the soda segment, in particular the construction industry, operated smoothly and without interruption in the first half of 2021. 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 half of 2021 as a result of the elimination of shutdowns caused by various types of failures. In the second quarter of this year, the necessary finishing and installation work was carried out at the new saltworks in Germany and preparations for trial production began. The Polish market saw an increase in sales, driven by the relatively snowy and long winter. Due to the lockdown of the German economy lasting until June 2021, sales performance in Western European markets was weaker than planned. As a result of the continuing lockdown in Germany, the segment recorded an approximate 30% drop in sales compared to the same period in 2020.

- In the first half of 2021, the **Silicates Segment** proved resilient to the ongoing COVID-19 pandemic and operated in a steady and uninterrupted manner. Both production and sales levels were higher than those of the same period of the previous year. 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 half of 2021. The production output was intended to build up stock levels at major customers and maintain secure own stock levels at the production plant in Iłowa. However, it should be emphasised that the first half of the year is not a period of increased sales for the glass packaging producers' sector due to the lack of seasonal high demand for such packaging.
- During the first six months of 2021, the **Foams Segment** continued to struggle with the main risks, i.e. the lack of raw materials required for foam production (in particular the lack of polyols and melamine) and the constantly increasing prices of raw materials required for foam production (the increase in raw material prices compared to the same period of 2020 reached 90%). Raw material shortages and an increase in their prices (the price of foams produced by the plant in Bydgoszcz is affected in about 90% by the prices of raw materials), caused that the plant was forced to ration supplies to customers based on the availability of raw materials and production capacity. At the same time, by purchasing basic raw materials at ever higher prices, the plant was also forced to raise prices for customers. The Foams Segment, like the upholstered furniture sector during the first half of 2021, proved resilient to the pandemic situation – upholstered furniture factories did not suspend production and operated without disruption. Despite unfavourable developments, as described above, on the raw materials market (lack of available raw material and an increase in the price of raw materials), the specific nature of the industry meant that furniture manufacturers had to accept new, higher prices for the foams produced.
- 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. On the other hand, the problems that the segment had to face in the first half of 2021 included a significant increase in the price of materials and raw materials and an increase in the cost of logistics services. The Agro Segment experienced a delayed start of spring fieldworks in Poland and the EU markets compared to previous years, due to a delay in the plant vegetation period (cold April and May). Despite the described unfavourable developments, the Agro Segment delivered growth in sales performance and increased its market share in the first half of 2021. To a large extent, this success has been achieved thanks to the launch of Halvetic, a new herbicide based on innovative BGT (Better Glyphosate Technology), which allows the dose of the active ingredient glyphosate in the herbicide to be reduced by half, while maintaining the same effectiveness as in reference products offered by competitors. With the introduction of Halvetic on the market, the Agro Segment has successfully started to implement the EU Green Deal policy, reducing the use of a hazardous substance in the agricultural sector. Currently, the production plant in Nowa Sarzyna is taking measures to increase the production capacity of the new formulation, to satisfy the growing demand.



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

- The outbreak of the COVID-19 pandemic and analyses carried out by the Company did not show any evidence indicating an increased risk of impairment of property, plant and equipment and intangible assets in use or investments in progress was found.
- The Company's and the Group's liquidity situation in the first half of 2021 remained stable. The Company had sufficient cash and available sources of financing to be able to meet its obligations on time. In the first half of 2021, the Company generated net cash flows from operating activities of PLN -73 million. As at 30 June 2021, the Company held cash of PLN 119 million and limits available under committed credit facilities of PLN 353 million. In the first half of 2021, the Group and the Company had access to funds made available under committed Facility Agreements (syndicated facility agreement with a total value of PLN 2,114 million as at 30 June 2021) and additional sources of financing in the form of receivables factoring agreements, reverse factoring agreements and overdraft facilities. The Company's and the Group's liquidity security was largely supported by the fact that in March 2021 the Management Board of CIECH S.A. signed a new Facilities Agreement with a value (on the date of signing) of PLN 2,115 million and a 5-year repayment period, in order to refinance the existing debt. The Facilities Agreement was signed on 16 March 2021. Under the new Facilities Agreement, the following loans were 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, during which no principal repayment of the loan will be required. The first repayment is required on 30 June 2023.
- Moreover, in the first half of 2021, CIECH also did not identify any risk of default on repayment liabilities under the loan agreements or risk of loans being called in due to failure to meet the level of ratios tested under the loan agreements. At the end of 2020, there was a breach of the guarantor coverage ratio, tested under the applicable loan agreements. Due to the breach of the ratio and the failure to repeal the breach as at December 31, 2020, the total value of loans made available on the basis of the above-mentioned In accordance with the requirements of IAS 1, the agreements were reclassified into short-term loan liabilities.
- Moreover, no deterioration of receivables repayment dates was found. At the end of the first half of the year, the share of receivables past due for more than 7 days in total receivables remained at a level similar to that reported as at 31 December 2020 31 March 2020. The vast majority of the Group's receivables were insured and financed through non-recourse factoring.
- The pandemic also did not have a negative impact on the Company's working capital. In the first half of 2021, during the COVID-19 pandemic, the Company 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.
- The Management Board estimates that in 2021 both the Parent Company and the subsidiaries will continue as going concerns to a materially unchanged extent for at least 12 months from the date of the financial statements, with the exception of CIECH Trading Sp. z o.o., in relation to which a liquidation plan has been implemented. However, it should be stated that the pandemic situation creates economic uncertainty and therefore it is not possible to fully predict its effects, including the impact of the pandemic on the financial statements, including the performance and measurement of individual items in the statement of financial position in subsequent reporting periods.



MANAGEMENT BOARD REPORT ON THE CIECH GROUP'S ACTIVITIES



5. MANAGEMENT BOARD REPORT ON THE CIECH GROUP'S ACTIVITIES

5.1. DESCRIPTION OF THE CIECH GROUP'S ORGANISATION

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

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

As at 30 June 2021, the CIECH Group comprised 40 business entities, including:

- the parent company,
- 33 subsidiaries, of which:
 - 23 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: soda ash, sodium bicarbonate, evaporated salt, agrochemical products, polyurethane foams, lanterns and jars, sodium and potassium silicates.

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



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 soda ash 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 30.06.2021 / % of votes at the GMS	Share in equity as at 30.06.2020 / % of votes at the GMS
Parent company					
CIECH S.A.	Warsaw	Soda, Agro, Foams, Silicates, Packaging, Other, (Resins – discontinued operations)	Sales of chemical products manufactured within the CIECH Group, sales of chemical products purchased from third-party producers, holding activities, managing a portfolio of subsidiaries, provision of support services (in the area of sales, manufacturing, purchases, finance, IT, HR and in the legal area) for selected companies in the Group, financial activities in the form of direct lending to the companies in the Group.	-	-
Fully consolidated direct and indirect subsidiaries					
CIECH Trading Sp. z o.o.	Warsaw	Soda, Other	The company is preparing for the liquidation process, operations are being phased out.	100%	100%
CIECH Soda Romania S.A.	Ramnicu Valcea, Romania	Soda, Silicates	Manufacture of other basic inorganic chemicals, wholesale of chemical products.	98.74%	98.74%
CIECH Vitrosilicon S.A.	Howa	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.*	Howa	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 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%
CIECH Serwis i Remonty Sp. z o.o.	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%



Company name	Registered office	Segment	Business	Share in equity as at 30.06.2021 / % of votes at the GMS	Share in equity as at 30.06.2020 / % of votes at the GMS
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%	-
CIECH Ventures Sp. z o.o.	Warsaw	Other	Financial holding activities, financial activities.	100%	-
CIECH R&D Group					
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%
CIECH Finance Group					
CIECH Finance Sp. z o.o.	Warsaw	Other	Implementing divestment projects concerning obsolete fixed assets (property) and financial assets (shares in companies), carrying out purchases of selected raw materials.	100%	100%
JANIKOSODA Sp. z o.o.	Warsaw	Other	The company was sold on 31 December 2020.	-	100%
CIECH Soda Polska Group					
CIECH Soda Polska S.A.	Inowrocław	Soda	Manufacture of other basic inorganic chemicals, wholesale of chemical products, power generation and distribution.	100%	100%
CIECH Cargo Sp. z o.o.	Inowrocław	Soda	Freight transport services.	100%	100%
Cerium Sp. z o.o. w likwidacji (in liquidation)	Warsaw	Other	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%
CIECH Sarzyna Group					
CIECH Sarzyna S.A.	Nowa Sarzyna	Agro	Manufacture of resins, manufacture of pesticides and other chemical products.	100%	100%
Verbis KAPPA Sp. z o.o.	Nowa Sarzyna	Agro	General partner of Verbis KAPPA Sp. z o.o. SKA, other financial intermediation.	100%	100%
Verbis KAPPA Sp. z o.o. SKA	Nowa Sarzyna	Agro	Other financial intermediation.	100%	100%
Algete Sp. z o.o.	Nowa Sarzyna	Agro	Granting CIECH Sarzyna Group companies the license for using the trademark of "Chwastox" for the purpose of business.	100%	100%
SDC Group					
SDC GmbH	Stassfurt, Germany	Soda		100%	100%
CIECH Soda Deutschland GmbH&Co. KG	Stassfurt, Germany	Soda		100%	100%
Sodawerk Holding Stassfurt GmbH	Stassfurt, Germany	Soda	Manufacture of other basic inorganic chemicals, wholesale of chemical products, power generation and distribution.	100%	100%
Sodawerk Stassfurt Verwaltungs GmbH	Stassfurt, Germany	Soda		100%	100%
CIECH Energy Deutschland GmbH	Stassfurt, Germany	Soda		100%	100%
Kaverngesellschaft Stassfurt GbmH****	Stassfurt, Germany	Soda		50%	50%



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

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

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

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

5.2. INFORMATION ON NON-CONSOLIDATED SUBSIDIARIES AND ASSOCIATES

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

The total share of data of subsidiaries not covered by consolidation under the full method, due to their irrelevance, in relation to the total values of the CIECH Group for the period from 1 January 2021 to 30 June 2021 does not exceed 2% of total consolidated assets of the Group and 2% of consolidated net revenues from sales of goods and products and financial operations.

Aggregated data of associates and jointly-controlled which were not measured under the equity method for the period from 1 January 2021 to 30 June 2021 did not exceed 2% of consolidated total assets of the Group 2% of the total consolidated equity of the CIECH Group.

5.3. SIGNIFICANT EFFECTS OF CHANGES TO THE ORGANISATIONAL STRUCTURE OF THE CIECH GROUP IN THE FIRST HALF OF 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) is PLN 157,410 thousand. The final price of the Shares being sold was 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"), increased 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.

From 1 April 2021, the sole shareholder of CIECH Vitrosilicon S.A. is CIECH S.A.

**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.

On 25 May 2021, two Extraordinary General Meetings of CIECH Trading sp. z o.o. were held regarding cancellation of shares, i.e: EGM - cancellation against consideration and amendment to the Company's Articles of Association:

- 1)
 - ✓ cancellation of 1,524,390 shares in the Company's share capital with a total nominal value of PLN 76,219.5 thousand in exchange for consideration of PLN 9.84 per canceled share, i.e. for total consideration amounting to PLN 15,000 thousand by way of purchase of the above shares on the basis of an agreement to sell the shares by the Company against the above consideration,
 - ✓ The Management Board of the Company was authorised to purchase the shares (conclude an agreement) in order to cancel them,
 - ✓ the share capital will be reduced from PLN 107,455.4 thousand (by PLN 76,219.5 thousand) to PLN 31,235.9 thousand through the cancellation of 1,524,390 shares with a total value of PLN 76,219.5 thousand. Following the reduction of the Company's share capital, it will be divided into 624,718 shares,
 - ✓ the Company's Articles of Association will be amended.
- 2) EGM – cancellation without consideration and amendment to the Company's Articles of Association:
 - ✓ cancellation of 504,000 shares in the Company's share capital with a total nominal value of PLN 25,200 thousand (with the shareholder's consent), by way of purchase of the above shares on the basis of an agreement to sell the shares by the Company without consideration for CIECH S.A.
 - ✓ The Management Board of the Company was authorised to purchase the shares in order to cancel them (with the shareholder's consent),
 - ✓ the Company's share capital will be reduced from PLN 31,235.9 thousand (by PLN 25,200 thousand) to PLN 6,035.9 thousand through the cancellation of 504,000 shares with a total value of PLN 25,200 thousand. Following the reduction of the Company's share capital, it will be divided into 120,718 shares,
 - ✓ the Company's Articles of Association will be amended.

CIECH S.A. is and will remain the sole shareholder of the Company.

The reduction of the share capital of CIECH Trading Sp. z o.o. described above will take place after both reductions of the share capital have been registered by the Court. The cancellation of the shares was announced in Monitor Sądowy i Gospodarczy on 12 July 2021.

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 was registered by the court on 23 June 2021.

CIECH Soda Romania S.A.

On 24 May 2021, the Extraordinary General Meeting of CIECH Soda Romania S.A. took place on the reduction of the share capital of the Company by reducing the value of the shares by 0.11 Lei, ie from 0.25 Lei to 0.14 Lei per share.

As a result of the reduction in the value of the shares, the share capital of the Company was reduced from Lei 199,244,501.75 to 111,576,920.98 lei and is divided into 796,978,007 shares with a nominal value of 0.14 lei each. The number of shares and shareholders remains unchanged. On 17 August 2021, the reduction of the share capital of CIECH Soda Romania S.A. was legalised.

CIECH Agro Romania S.R.L.

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 6 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.



5.4. THE MOST IMPORTANT EVENTS IN THE CIECH GROUP IN THE FIRST HALF 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) is PLN 157,410 thousand. 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, during which no principal repayment of the loan will be required. The first repayment is required on 30 June 2023. For details on the agreement, see current report No 7/2021.

On 26 April 2021, the conditions precedent to the disbursement of the facilities made available under the Facilities Agreement were fulfilled.

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.

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.

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.

Commencement of the commissioning phase of a significant investment project

On 19 May 2021, the main construction part of the evaporated salt production plant in Staßfurt, Germany was completed. CIECH Salz Deutschland GmbH proceeded to the pre-commissioning phase of the salt production installation. The transition to the pre-commissioning phase is related to the production of the first batch of wet salt by the production plant, in compliance with the assumed parameters. For details, see current report No 16/2021.

Appointment of members of the Management Board for a new term

On 22 June 2021, in connection with the end of the current term of office of the Management Board on the date of the Annual General Meeting of CIECH S.A. approving the financial statements for the financial year 2020, the Supervisory Board of CIECH S.A. adopted resolutions on the appointment, for a new, three-year term of office, of all current Members of the Management Board of CIECH S.A.

The Supervisory Board entrusted the members of the Management Board with their previously performed functions, i.e. Mr Dawid Jakubowicz as the President of the Management Board, and Mr Mirosław Skowron and Mr Jarosław Romanowski with the function of Management Board Members.



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

5.5.1. BASIC FINANCIAL DATA

During the first half of 2021, the CIECH Group earned net profit from continuing operations of PLN 129,750 thousand, net profit from discontinued operations of PLN 62,540 thousand, net cash increased by PLN 53,116 thousand and total assets as at the end of the first half of 2021 amounted to PLN 5,969,634 thousand. The table below presents selected financial data and basic financial ratios for the first half of 2021 and 2020.

Selected financial data

	01.01.-30.06.2021	01.01.-30.06.2020*	Change 2021/2020
CONTINUING OPERATIONS			
Sales revenues	1,695,785	1,480,602	14.5%
Cost of sales	(1,303,786)	(1,154,933)	(12.9%)
Gross profit/(loss) on sales	391,999	325,669	20.4%
Selling costs	(108,781)	(76,912)	(41.4%)
General and administrative expenses	(97,099)	(102,419)	5.2%
Other operating income/expense	51,728	(26,979)	-
Operating profit/(loss)	237,847	119,359	99.3%
Net financial income/expenses	(59,617)	(41,107)	(45.0%)
Share of profit of equity-accounted investees	(209)	191	-
Income tax	(48,271)	(44,636)	(8.1%)
Net profit/(loss) on continuing operations	129,750	33,807	283.8%
DISCONTINUED OPERATIONS			
Net profit/(loss) on discontinued operations	62,540	210	29681.0%
Net profit / (loss) for the period	192,290	34,017	465.3%
including:			
Net profit/(loss) attributed to non-controlling interest	(118)	(681)	82.7%
Net profit/(loss) attributable to shareholders of the parent company	192,408	34,698	454.5%
EBITDA from continuing operations	407,675	277,508	46.9%
Adjusted EBITDA from continuing operations**	409,623	274,444	49.3%

*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.

5.5.2. SALES REVENUES

Consolidated net sales revenues from continued operations of the CIECH Group for the first half of 2021 amounted to PLN 1,695,785 thousand. Compared to the corresponding period of the previous year, revenues increased by PLN 215,183 thousand.

Consolidated net sales revenues from discontinued operations of the CIECH Group for the first half of 2021 amounted to PLN 69,898 thousand, as compared to PLN 124,563 thousand in the corresponding period.

In the Soda Segment, revenues increased by PLN 50.6 million (+4.9%) year-on-year. Despite the slow recovery observed in the European sodium carbonate market, revenues from heavy soda ash sales have not yet returned to pre-pandemic levels. The negative effect in this area was partially offset by higher sales of other products, including light soda ash and sodium bicarbonate. The first quarter also saw significant growth in calcium chloride and winter salt sales. The main reason was the weather conditions and snowfall, which resulted in an increase in demand for road salt. The ongoing lockdown in European markets and the continued closure of the HoReCa sector for most of the half-year had a negative impact on sales of packaged salt.



In the Agro Segment, sales revenues increased year-on-year by PLN 51.0 million (22.7%). The increase is mainly due to increased sales of Agrosar, Chwastox, Gesta and esters.

In the Foams Segment, sales revenue increased year-on-year by PLN 87.5 million (78.5%). The increase is mainly related to increased raw material prices, which translated into higher PUR foam prices, and the commercialisation of FFP2 and FFP3 protective masks, as well as the improvement of the products offered, e.g. Visco foams.

The Silicates Segment recorded a year-on-year increase in revenue of PLN 26.3 million (32.9%). 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. Demand was also positively affected by limited imports of higher-processed silicates from Asia.

In the Packaging Segment, a year-on-year decrease in revenue of PLN 2.5 million (-7.1%) was recorded, caused by lower demand for candles, due to the full stock levels of wholesalers, which are the main customers in this segment. CIECH Vitro Sp. z o.o. partially neutralised the negative effect by placing more orders in the traditional market (individual sellers).

In the Other Activity segment, sales increased year-on-year by PLN 3.2 million (7.0%). The main reason for the increase is the reporting of CIECH S.A. revenues by CIECH Żywiec Sp. z o.o. This increase was partially offset by lower revenues of CIECH Trading Sp. z o.o. (PLN -32.2 million) due to the phasing out of the business.

In the first half 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. 63.7%.

Sales revenues — business segments

	01.01.-30.06.2021	01.01.-30.06.2020	Change 2021/2020	Change %
Soda segment, including:	1,079,497	1,028,939	50,558	4.9%
Dense soda ash	513,368	570,512	(57,144)	(10.0%)
Light soda ash	164,056	130,297	33,759	25.9%
Salt	96,870	89,284	7,586	8.5%
Sodium bicarbonate	105,540	96,217	9,323	9.7%
Energy	91,773	74,618	17,155	23.0%
Calcium chloride	15,853	7,037	8,816	125.3%
Other products	54,185	29,641	24,544	82.8%
Revenues from inter-segment transactions	37,852	31,333	6,519	20.8%
Agro segment, including:	275,673	224,687	50,986	22.7%
Agro products	275,652	223,939	51,713	23.1%
Revenues from inter-segment transactions	21	748	(727)	(97.2%)
Foams segment, including:	199,002	111,503	87,499	78.5%
Polyurethane foams	198,938	111,467	87,471	78.5%
Revenues from inter-segment transactions	64	36	28	77.8%
Silicates segment, including:	106,205	79,907	26,298	32.9%
Sodium silicates	101,716	74,788	26,928	36.0%
Potassium silicates	4,373	5,009	(636)	(12.7%)
Other products	73	23	50	217.4%
Revenues from inter-segment transactions	43	87	(44)	(50.6%)
Packaging segment, including:	32,486	34,976	(2,490)	(7.1%)
Glass packaging	32,175	34,976	(2,801)	(8.0%)
Revenues from inter-segment transactions	311	-	311	-
Other segment, including:	49,634	46,384	3,250	7.0%
Revenues from third parties	41,213	32,794	8,419	25.7%
Revenues from inter-segment transactions	8,421	13,590	(5,169)	(38.0%)
Consolidation adjustments	(46,712)	(45,794)	(918)	(2.0%)
TOTAL	1,695,785	1,480,602	215,183	14.5%

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



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

After the first half of 2021, gross profit on sales from continuing operations amounted to PLN 391,999 thousand, whereas in the same period of the previous year it amounted to PLN 325,669 thousand. The operating profit for continuing operations amounted to PLN 237,847 thousand, in the comparable period it amounted to PLN 119,359 thousand.

For discontinued operations, these figures were as follows: PLN 13,256 thousand of gross profit on sales for discontinued operations in the first half of 2021, compared to PLN 8,784 thousand in the corresponding period. The operating profit for discontinued operations stood at PLN 6,928 thousand, whereas in the corresponding period it amounted to PLN 1,297 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 18.2% in the period from January to June 2021 (in constant prices as compared to the corresponding period of the previous year).
- A significant improvement in the general economic situation in the European Union (on the basis of PMI indices - Purchasing Managers' Index IHS Markit).
- Strong depreciation of the Polish currency against the EUR in the first half of 2021 (by approx. 3%) – favourable for the profitability of CIECH Group exports.
- A slow recovery was observed in the European soda ash market, with higher revenues for the second quarter compared to the same period of the previous year, when significant demand declines were recorded (resulting from the COVID-19 pandemic) particularly in the glass segment.
- Settlement of the sale of CO₂ emission allowances in CIECH Soda Romania S.A. in the first quarter of 2021 – the gain on this account amounted to nearly PLN 50 million.
- Higher output from post-salt caverns at CIECH Soda Deutschland GmbH.
- Higher result at the German power plant owing to receipt of compensation from the network operator on account of the vNNE mechanism settlement for 2020 at a level higher than the revenue provision recognised and owing to additional volume of electricity generated in the second quarter of 2021.
- Increased soda capacity through the commissioning of a new production facility in Germany, resulting in the generation of additional revenues from the sale of sodium bicarbonate.
- Increased production of salt products, by eliminating downtime caused by various types of breakdowns.
- Increased demand for winter salt and calcium chloride on the Polish market, which was influenced by the relatively snowy and long winter.
- Introduction of FFP2 and FFP3 standard protective masks.
- Upgrade of the foam production process resulting in a reduction of waste.
- Change in product portfolio, development and modification of existing products (e.g. Visco foams).
- Increase in domestic production of wooden furniture (types used in bedrooms and seating furniture converted into sleeping arrangements) by around 28% in the 6 months of 2021 year-on-year (in volume terms); 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.
- The significant increase in ocean freight prices has translated into a lower supply of highly processed silicates imported from Asia and generated new sales opportunities.
- Expansion of the customer portfolio by establishing cooperation with new entities.
- High demand for precipitated silica from the automotive industry; the first half of the year saw a 76% increase in the tyre production rate (at constant prices compared to the same period last year).
- Commencement of high volume contracts for decorative lanterns.
- Expansion of the crop protection product range with the launch of the new herbicide, Halvetic, based on innovative BGT (Better Glyphosate Technology) and the Krum 800 herbicide, which generated additional revenues.
- The persistently high prices of agricultural products create favourable conditions for investment in the agricultural sector.



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

- Continued downward trend in sales of domestic construction and assembly output - down 2.8% over 6 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 for the construction and assembly sector).
- The average decrease of nearly 10% in soda ash prices on European markets since the beginning of 2021 (in EUR) reflects the nature of this market, where annual contracts concluded at the turn of the year predominate.
- A significant increase in prices for energy raw materials used in the production of soda ash (compared to the levels reported in 2020).
- Plant failures in CIECH Soda Deutschland and CIECH Soda Polska resulting in the need to purchase more electricity from third party suppliers in the first quarter of this year.
- Increase in prices of CO2 emission certificates (partially limited by hedging instruments).
- Increase in unit logistics costs and limited availability of freight forwarding services.
- A significant increase in the price of packaging raw materials used in the post-production process (films, pallets).
- Significantly lower demand in the packaged salt segment during the holiday season as a result of the restrictions imposed on account of COVID-19.
- Continued downturn in certain segments of the evaporated salt market particularly in Western Europe (the HoReCa segment is the slowest to return to pre-restriction levels). Due to the lockdown of the German economy lasting until June 2021, sales performance in Western European markets was weaker than planned – a drop in sales of around 30% year-on-year was recorded in 2020.
- High increase in oil prices on world markets and consequently higher prices for some raw materials for the organic industry.
- Increased prices of key raw materials in the Foams Segment exacerbated by low availability in global markets.
- A strong upward trend in the prices of paraffin and plastics for the production of components for headstone lamp.
- Persistently high stocks of headstone lamps in retail chains due to the introduction of restrictions as a result of COVID-19.

For continuing operations, the EBIT margin for the first half of 2021 amounted to 14.0% (8.1% in the prior year), and the EBITDA margin amounted to 24.0% (18.7% in the prior year). The EBIT margin (excluding one-off events) for first half of 2021 amounted to 14.1% (7.9% in the prior year), and the EBITDA margin (excluding one-off events) amounted to 24.2% (18.5% in the prior year).

5.5.4. FINANCING ACTIVITIES AND NET PROFIT/LOSS

Financial income for the first half of 2021 amounted to PLN 7,573 thousand and decreased compared to the corresponding period of the previous year, when it amounted to PLN 19,930 thousand.

Financial expenses for the first half of 2021 amounted to PLN 67,190 thousand and increased compared to the corresponding period of the previous year, when it amounted to PLN 61,037 thousand.

The area of financing activities was mainly affected by foreign exchange losses, interest on loans and valuations of financial instruments.

The consolidated net profit for the first quarter of 2021 (taking into account discontinued operations) amounted to PLN 192,290 thousand (of which PLN 192,408 thousand was a net profit attributable to the shareholders of the parent company and PLN -118 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 nearly PLN 55 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 CO₂ emission allowances in CIECH Soda Romania S.A.



5.5.5. ASSET POSITION OF THE CIECH GROUP

Basic consolidated balance sheet data

	30.06.2021	31.12.2020*	Change 2021/2020
Total assets	5,969,634	5,730,323	4.2%
Total non-current assets	4,482,726	4,251,347	5.4%
Total current assets	1,486,908	1,478,976	0.5%
Inventory	360,646	348,989	3.3%
Current receivables	520,618	504,268	3.2%
Cash and cash equivalents	502,070	443,886	13.1%
Short-term financial assets	103,206	19,863	419.6%
Non-current assets held for sale	368	161,970	(99.8%)
Total equity	2,178,184	2,118,538	2.8%
Equity attributable to shareholders of the parent	2,180,298	2,120,615	2.8%
Non-controlling interest	(2,114)	(2,077)	(1.8%)
Total non-current liabilities	2,368,581	401,146	490.5%
Total current liabilities	1,422,869	3,210,639	(55.7%)

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

Assets

As at the end of June 2021, the Group's non-current assets amounted to PLN 4,482,726 thousand. As compared to the balance as at 31 December 2020, the value of non-current assets increased by PLN 231,379 thousand. This change was mainly affected by further investments in non-current assets in the companies.

The Group's current assets amounted to PLN 1,486,908 thousand as at 30 June 2021.

Compared to the end of December 2020, the value of current assets increased by PLN 7,932 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 5.4 hereto,
- higher balance of cash accumulated in companies,
- higher valuations of financial instruments,
- higher balance of trade receivables due to higher sales reported in most of the Group's segments.

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 30 June 2021, the CIECH Group's liabilities (total non-current and current) amounted to PLN 3,791,450 thousand, which is an increase compared to the end of December 2020 by PLN 179,665 thousand (i.e. by 5.0%).

The debt ratio amounted to 63.5% as at 30 June 2021 (at the end of December 2020 to 63.0%). The consolidated net debt of the Group amounted to PLN 1,584,634 thousand as at 30 June 2021 and decreased in comparison to the balance as at the end of December 2020 by PLN 108,588 thousand. The level of this debt was driven by higher utilisation of available credit limits, a lower level of negative valuation of financial instruments and higher balance of cash in the Group's companies.

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.



5.5.6. CASH POSITION OF THE CIECH GROUP

	01.01.-30.06.2021	01.01.-30.06.2020*	Change 2021/2020
Net cash from operating activities	431,155	316,059	36.4%
Net cash from investment activities	(368,170)	(381,758)	3.6%
Net cash from financial activities	(9,869)	446,902	-
Total net cash flows	53,116	381,203	(86.1%)
Free cash flow	62,985	(65,699)	-

Total net cash flows in the first half of 2021 were positive and amounted to PLN 53,116 thousand. Compared to the same period of the previous year, the cash flows generated by the Group were lower by PLN 328,087 thousand. Cash flows from operating activities were positive and amounted to PLN 431,155 thousand. They increased as compared to the same period in 2020 by PLN 115,096 thousand.

During the first half 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 CO₂ certificates. The net cash from financing activities was negative and amounted to PLN 9,869 thousand.

	01.01.-30.06.2021	01.01.-30.06.2020
Financial surplus ((net profit/(loss) on continuing operations + depreciation)	362,118	197,405
Other adjustments to net profit/(loss) on continuing operations	(37,927)	20,852
Adjusted financial surplus (1+2)	324,191	218,257
Change in working capital	106,964	97,802
Net cash from operating activities (3+4)	431,155	316,059
Net cash from investing activities	(368,170)	(381,758)
Free cash flow (5+6)	62,985	(65,699)

In the first half 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.

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

Liquidity of the CIECH Group

Liquidity ratios as at 30 June 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 1.05 as at 30 June 2021, while the quick liquidity ratio amounted to 0.79. 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 7.1 to the Consolidated Financial Statements of the CIECH Group for 2020.

	30.06.2021	31.12.2020
Current ratio	1.05	0.46
Quick ratio	0.79	0.35

Working capital of the CIECH Group

As at the end of the first half 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 420,900 thousand, which is a decrease by PLN 246,221 thousand compared to the end of 2020.



	30.06.2021	31.12.2020**
1. Current assets, including:	1,486,908	1,478,976
Inventory	360,646	348,989
Trade receivables and services and advances for deliveries	288,191	203,249
2. Cash and cash equivalents and short-term investments	605,276	463,749
3. Adjusted current assets (1-2)	881,632	1,015,227
4. Current liabilities, including:	1,422,869	3,210,639
Trade liabilities and advances taken	416,949	492,999
5. Short-term credits and other current financial liabilities*	120,337	2,020,733
6. Adjusted current liabilities (4-5)	1,302,532	1,189,906
7. Working capital including short-term credits(1-4)	64,039	(1,731,663)
8. Working capital (3-6)	(420,900)	(174,679)
9. Trade working capital	231,888	59,239

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

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

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 231,888 thousand at the end of the first half of 2021 (a change by PLN 172,649 thousand) was mainly due to two initiatives. Firstly, at the end of June 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 half of the year which translated into an increase in receivables from external customers.

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 for continuing operations

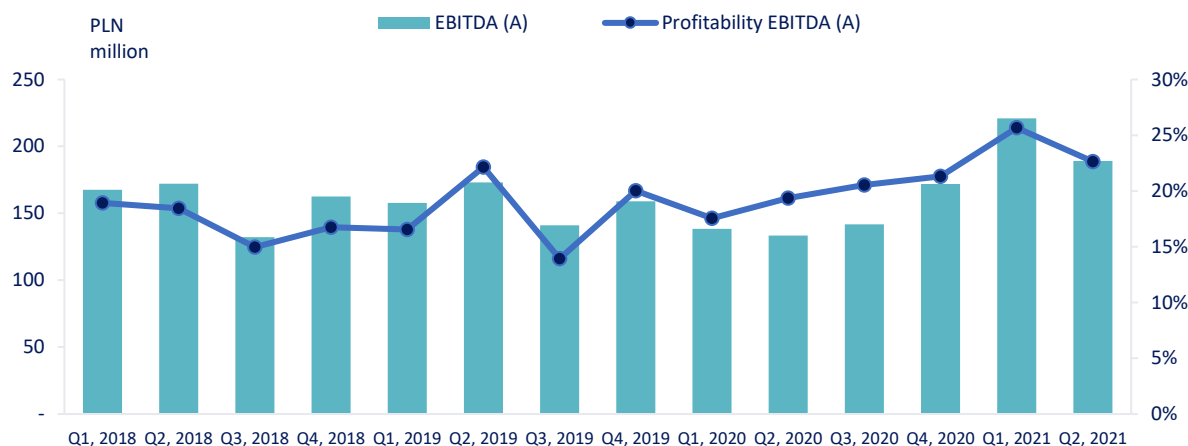
During the first half of 2021, profitability ratios of the CIECH Group in respect of the continuing operations reached a higher level than in the corresponding period of the previous year.

THE GROUP'S PROFITABILITY RATIOS

	01.01.- 30.06.2021	01.01.- 30.06.2020*	Change 2021/2020
CONTINUING OPERATIONS			
Gross return on sales	23.1%	22.0%	1.1p.p.
Return on sales	11.0%	9.9%	1.1p.p.
EBIT margin	14.0%	8.1%	5.9p.p.
EBITDA margin	24.0%	18.7%	5.3p.p.
Adjusted EBIT margin	14.1%	7.9%	6.2p.p.
Adjusted EBITDA margin	24.2%	18.5%	5.7p.p.
Net return on sales (ROS)	7.7%	2.3%	5.4p.p.
Return on assets (ROA)	2.2%	0.6%	1.6p.p.
Return on equity (ROE)	6.0%	1.7%	4.3p.p.
Earnings/(loss) per share (in PLN) from continuing operations	2.46	0.65	1.81



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 increased slightly in comparison to December 2020 and amounts to 63.5%. The level of net debt (net financial liabilities in relation to EBITDA) decreased as compared to the end of 2020.

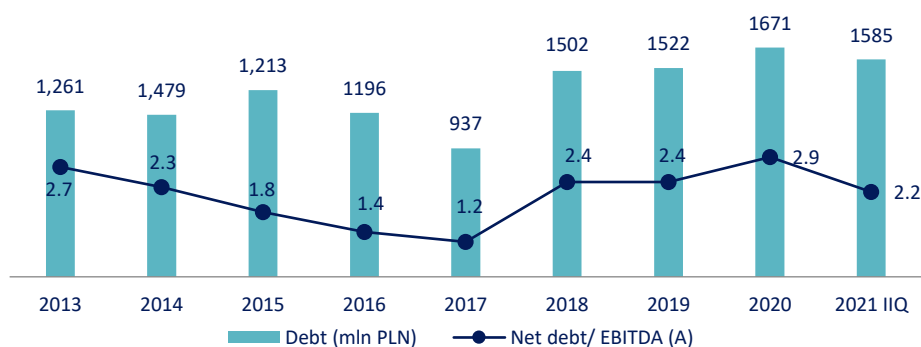
	30.06.2021	31.12.2020*
Loans, borrowings and other debt instruments	1,898,015	1,911,475
Lease liabilities	125,261	129,258
Factoring liabilities	20,916	16,174
Negative net valuation of derivatives	42,512	80,201
Gross debt	2,086,704	2,137,108
Cash and cash equivalents	502,070	443,886
Net debt	1,584,634	1,693,222

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

The CIECH Group's debt ratios

	30.06.2021	31.12.2020	Change 2021/2020
Debt ratio	63.5%	63.0%	0.5p.p.
Long term debt ratio	39.7%	7.0%	32.7p.p.
Debt to equity ratio	174.1%	170.5%	3.6p.p.
Equity to assets ratio	36.5%	37.0%	(0.5)p.p.
Gross debt	2,086,705	2,137,108	(2.4%)
Net debt	1,584,634	1,693,222	(6.4%)
EBITDA annualized	713,413	583,248	22.3%
Adjusted EBITDA (annualised)	720,510	585,332	23.1%
Net debt / EBITDA annualized	2.2	2.9	(23.5%)
Net debt / Adjusted EBITDA (annualised)	2.2	2.9	(24.0%)
Gross debt / EBITDA annualised	2.9	3.7	(20.2%)
Gross debt / Adjusted EBITDA (annualised)	2.9	3.7	(20.7%)
Net debt according to Facilities Agreement	1,501,992	1,531,317	(1.9%)
Adjusted EBITDA (annualised) according to Facilities Agreement	722,775	625,396	15.6%
Adjusted EBITDA (annualised) according to Facilities Agreement	2.08	2.45	(0.37)

* Principles of calculating EBITDA and adjusted EBITDA have been described in section "Ratio calculation methodology".



The ratio "Net financial liabilities / Adjusted (annualised) EBITDA in accordance with the Facilities Agreement" is calculated in accordance with the following principles:

- net debt in accordance with the Facilities Agreement do not include, among others, liabilities related to contracts classified as operating leases (before the implementation of IFRS 16 "Leases") in the amount of PLN 108 million and do not include liabilities due to negative valuation of financial instruments in the amount of PLN 43 million,
- adjusted (annualised) EBITDA in accordance with the Facilities Agreement takes into account EBITDA from continuing and discontinued operations in the total amount of PLN 723 million, and is adjusted by, among others, impairment losses on receivables and inventories in the amount of approx. PLN 8 million.

The ratio calculated on the basis of the definitions in the Facilities Agreement is 2.08 as at 30 June 2021 and is lower by 0.12 compared to the ratio calculated in this consolidated financial statements.

At the end of 2020, there was a breach of the guarantor coverage ratio, tested under the applicable loan agreements. Due to the breach of the ratio and the failure to repeal the breach as at December 31, 2020, the total value of loans made available on the basis of the above-mentioned In accordance with the requirements of IAS 1, the agreements were reclassified into short-term loan liabilities. At the end of the current reporting period, i.e. June 30, 2021, the ratios included in the Loan Agreement were met and, therefore, the loan liabilities are recognized as long-term.

Debt financing of the Group

As at the end of the first half of 2021, the CIECH Group's debt financing is secured mainly through facilities made available to CIECH S.A. under facilities agreements:

1. The Facilities Agreement signed with a consortium of banks dated 16 March 2021 with the total value of approx. PLN 2,115,000 thousand:
 - amortised term facility in tranches in PLN and EUR in the amount of PLN 540,700 thousand and EUR 4,231 thousand (the facility is fully drawn down),
 - non-amortised term facility in tranches in PLN and EUR in the amount of PLN 1,260,100 thousand and EUR 9,844 thousand (the facility is fully drawn down),
 - revolving credit facility in the amount of up to PLN 250,000 thousand (the amount of used credit as at 30 June 2021 was PLN 0).
2. Overdraft facilities up to PLN 100,000 thousand and EUR 10,000 thousand under agreements dated 28 and 29 August 2018 (as at 30 June 2021, the amount used was PLN 44,652 thousand),

The total value of facilities available under the aforesaid agreements is PLN 2,114,091 thousand; the limits are drawn down in the amount of PLN 1,909,082 thousand.

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 increased production capacity (new production plant), pursuit of operational excellence and 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, expansion of the product portfolio and entering new markets,
- 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.

5.6. SIGNIFICANT RISK FACTORS

In connection with its operations, the CIECH Group is exposed to a number of risks, including financial risks. The most important risk factors are presented in details in Note 3.4 to the Management Board Report on activities of the CIECH Group and CIECH S.A. in 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 30 June 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*
Assets				
Loans granted sensitive to FX rate changes	264,179	-	x	
Trade and other receivables	10,989	1,612	x	
Cash including bank deposits	13,338	1,110	x	
Equity and liabilities				
Trade and other liabilities	(22,997)	(1,312)	x	
Term loan liabilities	(14,075)	-		x
Other liabilities in respect of credits and loans	(13,531)	-	x	
Forward	(70,525)			
Forward (not designated to hedge accounting)	(144,831)	-	x	
CIRS (not designated to hedge accounting)	(60,000)	-	x	
Total exposure	(37,452)	1,410		

* 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 30 June 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
EUR			
Foreign-currency balance sheet items	331	331	-
Hedging instruments: CIRS	(705)	-	(705)
USD			
Foreign-currency balance sheet items	14	14	-

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. 15% 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 30.06.2021
Long-term receivables in relation to caversns	(1,015)	-	-	21	(994)
Trade receivables	(48,515)	(3,397)	3,702	153	(48,057)
Factoring receivables	(53)	(26)	46	-	(33)
Cash and cash equivalents	(316)	(444)	322	(42)	(480)
TOTAL	(49,899)	(3,867)	4,070	132	(49,564)

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 half of 2021, the Group's debt financing was ensured primarily by the term facility. 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 30 June 2021, the facility was drawn down in the amount of PLN 0 million), and overdraft facilities (as at the end of June 2021, they were drawn down in the amount of PLN 44,652 thousand) have been made available to the Group.

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

30.06.2021	Carrying amount	Contractual cash flows	Less than 6 months	up to 12 months	1-2 years	3-5 years	More than 5 years
Other financial liabilities:	(2,335,786)	(2,720,274)	(503,955)	(19,667)	(130,382)	(2,066,270)	-
<i>Trade liabilities</i>	<i>(416,855)</i>	<i>(416,855)</i>	<i>(416,855)</i>	-	-	-	-
<i>Credits and loans</i>	<i>(1,898,015)</i>	<i>(2,282,503)</i>	<i>(66,184)</i>	<i>(19,667)</i>	<i>(130,382)</i>	<i>(2,066,270)</i>	-
<i>Factoring</i>	<i>(20,916)</i>	<i>(20,916)</i>	<i>(20,916)</i>	-	-	-	-
Lease liabilities	(125,261)	(245,377)	(13,629)	(10,799)	(53,890)	(167,059)	-
Hedging derivatives with negative value	(132,050)	(138,305)	(10,341)	(6,078)	(4,877)	(117,009)	-
Derivatives recognised in financial liabilities	(12,515)	(11,104)	-	(11,104)	-	-	-
TOTAL	(2,605,612)	(3,115,060)	(527,925)	(47,648)	(189,149)	(2,350,338)	-

Information on the levels of liquidity ratios is provided in Note 5.5.7 to this report.

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

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

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 half of 2021, the CIECH Group upholds the forecast published.

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

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

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

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

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

Poland is the largest sales market of the CIECH Group. The direct and indirect, most important domestic recipients of the Group's products include: glass industry, various chemical 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 6 months of 2021 increased by 18.2% year on year (in 2020 — a decrease by 6.3%). After 6 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 motor vehicles (increase by 42.4%); manufacture of furniture (increase by 26.5%, including furniture for sleeping – increase by approx. 27% in terms of volume); manufacture of rubber and plastic products (increase by 27.2%); manufacture of chemicals and chemical products (increase by 11.7%); manufacture of food (increase by 7.5%); construction and assembly production (decrease by 2.8%).

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 a significant economic upturn is already observed and for the whole of this year Polish GDP is projected to grow by around 4.5%–5% (+4.8% according to the European Commission). 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. Analyses by the International Monetary Fund in July suggest that the global economy is already set for a rapid return to growth this year (+6.0% GDP in 2021 against -3.2% in 2020). According to the IMF, GDP growth in the highly developed countries in 2021 will be strongly positive: in the USA +5.6%; in the EU (27) +4.7%; in Japan +2.8%. The following regions are developing very quickly: China (+8.1%), India (+9.5%), ASEAN countries (+4.3%). High GDP growth is also expected in other major developing economies: Russia (+4.4%); Brazil (+5.3%); Mexico (+6.3%).

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. This is confirmed by the high increases already recorded in the first months of this year (+5.2% in the 4 months of 2021 compared to the same period last year).

The year 2020 has also been very severe for the European construction sector. According to Euroconstruct's estimates from June this year, last year's construction output in Western and Central Europe fell by around 5% (especially in countries such as France, UK, Spain). Relatively smaller declines were reported in Central Europe (-2% in Poland). The European sector is expected to return to growth relatively quickly from 2021 – +3.8% in the current year (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>Hard coal – situation on the market depends on a number of macroeconomic factors. The largest producer of hard coal in the European Union is Poland, but EU's import of coal (primarily from Russia, Columbia, USA, 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>



Factors	Description
	<p>Gas – the main energy resource used by the combined heat and power plant at the Stassfurt plant. The situation on the gas market depends on many factors, such as the price of oil, demand for gas due to the current weather conditions and the current share of gas in the energy mix. CIECH Energy Deutschland GmbH burns two types of natural gas, from local sources and imported. Gas imports to Germany are from Russia, Norway and the Netherlands. In the gas combustion process, steam and electricity are generated, which is also sold outside the Group. Gas supplies are realized on the basis of bilateral delivery contracts, long-term contracts or short-term purchases (spot).</p> <p>Process steam – this form of heat energy was used by CIECH Soda Romania S.A. in the production process of soda ash 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>Furnace fuel (coke/anthracite) – coke prices depend primarily on prices of coking coal, from which it is produced. The largest global producer of coke is China which, at the same time, is one of the largest consumers of this raw material. In Europe, 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. At the end of the first half of 2021, the share of coke in the furnace fuel mix at CIECH Group's Production Plants continued the decline initiated in the first quarter of 2021, due to the continued high cost of this fuel in the market.</p> <p>Oil-derivative raw materials – 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)	The CIECH Group's main source of exposure to foreign currency risk is related to EUR and USD in which export sales are denominated. Weakening of PLN and RON (in which significant costs are incurred) in relation to EUR and USD (in which a material portion of sales is made) has a positive impact on the CIECH Group's financial performance. The Group applies natural hedging and hedging instruments.
Volume of chemical production capacity on markets where the CIECH Group operates	<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 soda ash capacity is expected to be similar to the growth rate of global demand.</p>
Environmental requirements	<p>REACH system implementation</p> <p>In accordance with the REACH regulation, the Group's companies selling substances in quantities exceeding 1 tonne p.a. have completed or plan to complete full registration of these substances by defined deadlines, which will enable them to continue their operations in the current scope.</p> <p>Emission trading system</p> <p>Some CIECH Group production companies are covered by the greenhouse gas emissions trading scheme. External analyses performed by the CIECH Group companies indicate that the amount of free CO₂ emission allowances in the 3rd settlement period (2021-2030) is insufficient to cover the actual demand for this type of settlement units. In addition to the direct costs connected with the purchase of CO₂ emission allowances, the CIECH Group companies will bear higher costs of electricity due to their assumption of the costs of purchase of CO₂ emission allowances from the producers.</p>



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

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

SHAREHOLDERS

As of the date of publishing the previous financial statements (i.e. the date of publication of the Extended consolidated quarterly report of the CIECH Group for the first quarter of 2021, i.e. 27 May 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 entities holding at least 5% of votes at the Ordinary General Meeting of Shareholders of CIECH S.A. on 22 June 2021, CR 23/2021 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 entities holding at least 5% of votes at the Ordinary General Meeting of Shareholders of CIECH S.A. on 22 June 2021, CR 23/2021 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).

5.10. 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 consolidated report of the CIECH Group for the first half of 2021, i.e. as at 23 September 2021 (this situation changed in the period from the publication of the most recent statements, i.e. the Extended consolidated report of the CIECH Group for the first quarter of 2021, published on 27 May 2021):

Number of shares held as at the publication date

Management Board of CIECH S.A.:

Mr Dawid Jakubowicz – President of the Management Board of CIECH S.A. held 25,713 shares of CIECH S.A. (previously: 21,713 shares of CIECH S.A.)

Mr Jarosław Romanowski – Member of the Management Board of CIECH S.A. held 7,550 shares of CIECH S.A. (previously: 3,200 shares of CIECH S.A.)



Mr Mirosław Skowron – Member of the Management Board of CIECH S.A., held 11,854 shares of CIECH S.A. (previously: 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 (no changes)

Mr Marek Kośnik – Member of the Supervisory Board of CIECH S.A., held 3,582 shares of CIECH S.A. (no changes)

Managing Director of CIECH S.A.:

Mr Rafał Czubiński – Managing Director of CIECH S.A. held 10,310 shares of CIECH S.A. (previously: 8,700 shares of CIECH S.A.).

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

Managers and supervisors of CIECH S.A., as at 30 June 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 Extended consolidated report of the CIECH Group for the first quarter of 2021, published on 27 May 2021.

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

5.11.1. SIGNIFICANT DISPUTED LIABILITIES OF THE CIECH GROUP

As at 30 June 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 2.13, in "Audits of tax settlements at the CIECH Group and related contingent liabilities".

5.11.2. SIGNIFICANT DISPUTED RECEIVABLES OF THE CIECH GROUP

As at 30 June 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 described in Note 2.13, in "Contingent assets and liabilities, including sureties and guarantees".

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

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

Letters of support

As at 30 June 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 30 June 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.

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

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



RATIO CALCULATION METHODOLOGY

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

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



REPRESENTATION BY THE MANAGEMENT BOARD

This Extended consolidated quarterly report of the CIECH Group for the first half of 2021 was approved by the Management Board of CIECH S.A. at its registered office on 23 September 2021.

Warsaw, 23 September 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)

.....

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