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

www.ciechgroup.com

EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP FOR THE FIRST QUARTER OF 2016

Warsaw, 12 May 2016

CIECH Group — selected consolidated financial data

SELECTED FINANCIAL DATA	in PLN thousand		in EUR thousand	
	3 months ended	3 months ended	3 months ended	3 months ended
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
Sales revenues	826,469	817,359	189,736	197,006
Operating profit/(loss)	150,453	117,132	34,540	28,232
Profit/(loss) before tax	132,142	69,805	30,336	16,825
Net profit / (loss)	102,238	53,223	23,471	12,828
Net profit/(loss) attributable to shareholders of the parent company	102,068	52,209	23,432	12,584
Net profit/(loss) attributed to non-controlling interest	170	1,014	39	244
Other comprehensive income	1,550	30,371	356	7,320
Total comprehensive income	103,788	83,594	23,827	20,148
Cash flows from operating activities	65,796	144,356	15,105	34,794
Cash flows from investment activities	(134,550)	(114,679)	(30,889)	(27,641)
Cash flows from financial activities	(1,842)	(40,666)	(423)	(9,802)
Total net cash flows	(70,596)	(10,989)	(16,207)	(2,649)
	as at 31.03.2016	as at 31.12.2015	as at 31.03.2016	as at 31.12.2015
Total assets	4,029,008	3,910,273	943,916	917,581
Non-current liabilities	1,841,254	1,802,311	431,369	422,929
Current liabilities	742,462	766,458	173,944	179,856
Total equity	1,445,292	1,341,504	338,603	314,796
Equity attributable to shareholders of the parent	1,449,090	1,345,576	339,493	315,752
Non-controlling interest	(3,798)	(4,072)	(890)	(956)
Share capital	287,614	287,614	67,382	67,491
Earnings (loss) per ordinary share (in PLN/EUR)	1.94	0.99	0.44	0.24

CIECH S.A. — selected separate financial data

SELECTED FINANCIAL DATA	in PLN thousand		in EUR thousand	
	3 months ended 31.03. 2016	3 months ended 31.03.2015	3 months ended 31.03. 2016	3 months ended 31.03. 2015
Net sales revenues	529,928	485,469	121,658	117,011
Operating profit (loss)	73,713	85,300	16,923	20,560
Profit (loss) before tax	59,397	79,409	13,636	19,140
Total net profit (loss) for the period	49,165	62,480	11,287	15,059
Other comprehensive income	(2,479)	3,339	(569)	805
Total comprehensive income	46,686	65,819	10,718	15,864
Cash flows from operating activities	(31,106)	124,800	(7,141)	30,080
Cash flows from investment activities	(73,447)	(127,560)	(16,861)	(30,745)
Cash flows from financial activities	15,740	8,309	3,613	2,003
Total net cash flows	(88,813)	5,549	(20,389)	1,338
	as at 31.03.2016	as at 31.122015	as at 31.03.2016	as at 31.12.2015
Total assets	3,344,372	3,227,761	783,519	757,424
Non-current liabilities	1,570,126	1,537,113	367,849	360,698
Current liabilities	430,337	393,425	100,819	92,321
Total equity	1,343,909	1,297,223	314,851	304,405
Share capital	287,614	287,614	67,382	67,491

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

Items in the statement of financial position were converted using the average exchange rate determined by the National Bank of Poland on the last day of the reporting period:

as at 31.03.2016	as at 31.12.2015
1 EUR = 4.2684 PLN	1 EUR = 4.2615 PLN

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:

3 months ended 31.03.2016	3 months ended 31.03.2015
1 EUR = 4.3559 PLN	1 EUR = 4.1489 PLN

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR 3-MONTH PERIOD ENDED 31 MARCH 2016

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

I. Interim Condensed Consolidated Financial Statements of the CIECH Group prepared in accordance with International Financial Reporting Standards as endorsed by the European Union

Consolidated Statement of Profit or Loss of the CIECH Group

PLN '000	**01.01–31.03.2016**	**01.01–31.03.2015***
CONTINUING OPERATIONS		
Sales revenues	**826,469**	**817,359**
Cost of sales	(582,921)	(603,787)
Gross profit/(loss) on sales	**243,548**	**213,572**
Other operating income	12,026	12,820
Selling costs	(52,576)	(43,074)
General and administrative expenses	(37,979)	(34,818)
Other operating expenses	(14,566)	(31,368)
Operating profit/(loss)	**150,453**	**117,132**
Financial income	1,488	1,033
Financial expenses	(20,182)	(48,464)
Net financial income/expenses	**(18,694)**	**(47,431)**
Share of profit / (loss) of equity-accounted investees	383	104
Profit/(loss) before tax	**132,142**	**69,805**
Income tax	(29,904)	(16,582)
Net profit/(loss) on continuing operations	**102,238**	**53,223**
DISCONTINUED OPERATIONS		
Net profit/(loss) on discontinued operations	**-**	**-**
Net profit / (loss)	**102,238**	**53,223**
including:		
Net profit/(loss) attributable to shareholders of the parent company	102,068	52,209
Net profit/(loss) attributed to non-controlling interest	170	1,014
Earnings per share (in PLN):		
Basic	1.94	0.99
Diluted	1.94	0.99
Earnings/(loss) per share (in PLN) from continuing operations:		
Basic	1.94	0.99
Diluted	1.94	0.99

**restated data, the details of the changes are presented in point II.2 of this Report*

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

Consolidated Statement of Other Comprehensive Income of the CIECH Group

PLN '000	**01.01–31.03.2016**	**01.01–31.03.2015**
Net profit/(loss) on continuing operations	**102,238**	**53,223**
Net profit/(loss) on discontinued operations	-	-
Net profit / (loss)	**102,238**	**53,223**
Other comprehensive income before tax that may be reclassified to profit or loss	**1,436**	**39,221**
Currency translation differences (foreign companies)	1,555	(422)
Cash flow hedge	(119)	39,649
Other components	-	(6)
Other comprehensive income before tax that may not be reclassified to profit or loss	**-**	**-**
Income tax attributable to other comprehensive income	**114**	**(8,850)**
Income tax attributable to other comprehensive income that may be reclassified to profit or loss	114	(8,850)
Income tax attributable to other comprehensive income that may not be reclassified to profit or loss	-	-
Other comprehensive income net of tax	**1,550**	**30,371**
TOTAL COMPREHENSIVE INCOME	**103,788**	**83,594**
Comprehensive income including attributable to:	**103,788**	**83,594**
Shareholders of the parent company	103,514	81,469
Non-controlling interest	274	2,125

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

Consolidated Statement of Financial Position of the CIECH Group

PLN '000	**31.03.2016**	**31.12.2015**
ASSETS		
Property, plant and equipment	2,364,982	2,305,005
Right of perpetual usufruct	31,124	31,409
Intangible assets, including:	142,997	140,875
- *goodwill*	*62,454*	*62,378*
Investment property	34,308	34,308
Non-current receivables	91,891	89,612
Investments in associates and jointly-controlled entities measured under the equity method	5,301	4,918
Other long-term investments	61,843	40,471
Deferred income tax assets	201,950	213,749
Total non-current assets	**2,934,396**	**2,860,347**
Inventory	308,001	293,631
Short-term investments	59,566	50,781
Income tax receivables	20,129	29,544
Trade and other receivables	571,155	469,652
Cash and cash equivalents	132,378	202,935
Non-current assets held for sale	3,383	3,383
Total current assets	**1,094,612**	**1,049,926**
Total assets	**4,029,008**	**3,910,273**
EQUITY AND LIABILITIES		
Share capital	287,614	287,614
Share premium	470,844	470,844
Cash flow hedge	(16,100)	(16,004)
Actuarial gains	434	434
Other reserve capitals	78,521	78,521
Currency translation reserve	(51,550)	(53,092)
Retained earnings	679,327	577,259
Equity attributable to shareholders of the parent	**1,449,090**	**1,345,576**
Non-controlling interest	**(3,798)**	**(4,072)**
Total equity	**1,445,292**	**1,341,504**
Loans, borrowings and other debt instruments	1,495,658	1,494,775
Finance lease liabilities	23,097	21,884
Other non-current liabilities	145,339	113,485
Employee benefits	12,565	12,829
Provisions (other long-term)	75,028	74,704
Deferred income tax liability	89,567	84,634
Total non-current liabilities	**1,841,254**	**1,802,311**
Loans, borrowings and other debt instruments	33,401	19,809
Finance lease liabilities	3,912	4,999
Trade and other liabilities	557,304	585,935
Reverse factoring liabilities	16,949	18,998
Income tax liabilities	46,682	55,020
Provisions (short-term provisions for employee benefits and other provisions)	84,214	81,697
Total current liabilities	**742,462**	**766,458**
Total liabilities	**2,583,716**	**2,568,769**
Total equity and liabilities	**4,029,008**	**3,910,273**

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

Consolidated Statement of Cash Flows of the CIECH Group

PLN '000	**01.01–31.03.2016**	**01.01–31.03.2015**
Cash flows from operating activities		
Net profit/(loss) on continuing operations	**102,238**	**53,223**
Adjustments		
Amortisation/depreciation	53,128	55,959
Recognition of impairment allowances	(3)	6,040
Foreign exchange (profit) /loss	(187)	21,097
Investment property revaluation	-	6,162
(Profit) / loss on investment activities	(136)	2,767
(Profit) / loss on disposal of property, plant and equipment	(77)	(8,195)
Dividends and interest	7,022	24,283
Income tax	29,904	16,582
(Profit) / loss on the settlement of construction contracts (caverns)	(1,268)	(3,103)
Share of (profit) / loss on equity accounted investees	(383)	(104)
Change in liabilities due to loan arrangement fee	567	1,295
Ineffective portion of hedge accounting	1,625	-
Other adjustments	(900)	(6,181)
Cash from operating activities before changes in working capital and provisions	**191,530**	**169,825**
Change in receivables	(90,973)	(39,122)
Change in inventory	(14,102)	(5,186)
Change in current liabilities	(9,206)	16,429
Change in provisions and employee benefits	2,094	7,112
Cash generated from operating activities	**79,343**	**149,058**
Interest paid	(1,234)	(998)
Cash flows from construction contracts (caverns)	(832)	-
Income tax paid	(11,481)	(3,704)
Net cash from operating activities	**65,796**	**144,356**
Cash flows from investment activities		
Inflows	**3,803**	**(670)**
Disposal of a subsidiary*	2,931	(3,443)
Disposal of intangible assets and property, plant and equipment	90	170
Disposal of investment property	-	310
Dividends received	-	118
Interest received	782	545
Subsidies received	-	1,630
Outflows	**(138,353)**	**(114,009)**
Acquisition of intangible assets and property, plant and equipment	(136,326)	(109,825)
Development expenditures	(2,020)	(4,163)
Other outflows	(7)	(21)
Net cash from investment activities	**(134,550)**	**(114,679)**
Cash flows from financial activities		
Inflows	**-**	**14,542**
Proceeds from loans and borrowings	-	14,542
Outflows	**(1,842)**	**(55,208)**
Expenditures on repayment of loans and borrowings	(39)	-
Repayment for "silent partners"	-	(54,263)
Payments of finance lease liabilities	(1,803)	(945)
Net cash from financial activities	**(1,842)**	**(40,666)**
Total net cash flows	**(70,596)**	**(10,989)**
Cash and cash equivalents as at the beginning of the period	**202,935**	**49,162**
Impact of foreign exchange differences	*39*	*(7)*
Cash and cash equivalents as at the end of the period	**132,378**	**38,166**

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

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

Statement of Changes in Consolidated Equity of the CIECH Group

	Attributable to shareholders of the parent company									
PLN '000	Share capital	Share premium	Cash flow hedge	Other reserve capitals	Actuarial gains	Currency translation differences (foreign companies)	Retained earnings	**Total equity attributable to shareholders of the parent company**	Non-controlling interest	**Total equity**
Equity as at (beginning of the period) 01.01.2016:	**287,614**	**470,844**	**(16,004)**	**78,521**	**434**	**(53,092)**	**577,259**	**1,345,576**	**(4,072)**	**1,341,504**
Transactions with the parent company shareholders recognised directly in equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the period	**-**	**-**	**(96)**	**-**	**-**	**1,542**	**102,068**	**103,514**	**274**	**103,788**
Net profit / loss	-	-	-	-	-	-	102,068	102,068	170	102,238
Other comprehensive income	-	-	(96)	-	-	1,542	-	1,446	104	1,550
Equity as at (end of the period) 31.03.2016:	**287,614**	**470,844**	**(16,100)**	**78,521**	**434**	**(51,550)**	**679,327**	**1,449,090**	**(3,798)**	**1,445,292**

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

Statement of Changes in Consolidated Equity of the CIECH Group

	Attributable to shareholders of the parent company									
PLN '000	Share capital	Share premium	Cash flow hedge	Other reserve capitals	Actuarial gains	Currency translation differences (foreign companies)	Retained earnings	**Total equity attributable to shareholders of the parent company**	Non-controlling interest	**Total equity**
Equity as at (beginning of the period) 01.01.2015:	**287,614**	**470,844**	**(28,254)**	**78,521**	**(114)**	**(47,716)**	**233,879**	**994,774**	**(9,300)**	**985,474**
Transactions with the parent company shareholders recognised directly in equity	**-**	**-**	**-**	**-**	**-**	**(1,508)**	**1,477**	**(31)**	**(381)**	**(412)**
Change in the Group's structure	-	-	-	-	-	(1,508)	1,477	(31)	(381)	(412)
Total comprehensive income for the period	**-**	**-**	**32,116**	**-**	**-**	**(2,855)**	**52,208**	**81,469**	**2,125**	**83,594**
Net profit / loss	-	-	-	-	-	-	52,209	52,209	1,014	53,223
Other comprehensive income	-	-	32,116	-	-	(2,855)	(1)	29,260	1,111	30,371
Equity as at (end of the period) 31.03.2015:	**287,614**	**470,844**	**3,862**	**78,521**	**(114)**	**(52,079)**	**287,564**	1,076,212	**(7,556)**	**1,068,656**

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

II. Explanatory notes to the Interim Condensed Consolidated Financial Statements of the CIECH Group

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

These interim consolidated financial statements were prepared in compliance with IAS 34 "Interim Financial Reporting" as approved by the European Union and the Regulation of the Minister of Finance dated 19 February 2009, as amended, on current and periodical information submitted by issuers of securities and on conditions for deeming equivalent information required by the law of a Non-Member State (Journal of Laws of 2009, No 33, item 259) and present the financial position of the CIECH Group as at 31 March 2016 and as at 31 December 2015, results of the Group's operations and cash flows for the period of 3 months ended 31 March 2016 and 31 March 2015, and were approved by the Management Board of CIECH S.A. on 12 May 2016.

These consolidated financial statements cover the financial statements of CIECH S.A., the parent company, and its subsidiaries (jointly referred to as 'the CIECH Group'; 'the Group'), as well as the Group's interests in associates.

The Management Board of the parent company used its best knowledge in selecting the applicable standards and interpretations, as well as in the selection of measurement methods and principles for particular items of the CIECH Group's consolidated financial statements as at 31 March 2016. Due diligence was exercised in determining the information presented herein. The financial statements as at 31 March 2016 present truly and fairly the financial position and the financial performance of the CIECH Group.

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

Preparation of financial statements in accordance with International Financial Reporting Standards ("IFRS") requires the Management Board to make professional judgements, estimates and assumptions which affect the adopted principles and presented values of assets, equity and liabilities, income and expenses. The estimates and assumptions associated with them are based on historical accuracy and various other factors that are considered to be reasonable under the specific circumstances, and their results provide a basis for professional judgement about the value of assets and liabilities that are not directly apparent from other sources. Actual value may differ from the estimated value. The estimates and assumptions associated with them are subject to ongoing verification. Revision of accounting estimates is recognised in the period in which the changes were made, only if it affects that period or the present and future in case they concern both the current and future periods. The Management Board's professional judgements which have a significant impact on the consolidated financial statements, and the estimates bearing a risk of significant changes in future years have been presented in items II.6, II.7 and II.15 hereof. During the current interim period there were no significant revisions to the estimates presented in previous reporting periods.

2. Adopted accounting principles

The CIECH Group's accounting principles are described in the Consolidated Annual Report of the CIECH Group for the year 2015, published on 21 March 2016. The aforementioned Report includes detailed information regarding the principles and methods of valuation of assets, equity and liabilities and measurement of the financial result as well as the method of preparing the financial statements and comparative information. These principles have been applied on a continuous basis with relation to currently published data, the last annual financial statements and presented comparative data, excluding unification of cost presentation in profit or loss statement.

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

3. Functional and presentation currency and conversion principles

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

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

Average NBP rate as at	31.03.2016[1]	31.12.2015[2]
EUR	4.2684	4.2615

RON	0.9538	0.9421
Average NBP rate for the reporting period	3 months ended 31.03.2016[3]	3 months ended 31.03.2015[4]
EUR	4.3559	4.1489
RON	0.9697	0.9368

[1] NBP's average foreign exchange rates table applicable as at 31 March 2016.
[2] NBP's average foreign exchange rates table applicable as at 31 December 2015.
[3] According to the exchange rate constituting the arithmetic mean of average exchange rates determined by NBP on the last day of each month of the period from 1 January 2016 to 31 March 2016.
[4] According to the exchange rate constituting the arithmetic mean of average exchange rates determined by NBP on the last day of each month of the period from 1 January 2015 to 31 March 2015.

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

5. Financial data by operating segments

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

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.

CIECH Group **OPERATING SEGMENTS** **01.01.–31.03.2016** PLN '000	**Soda Segment**	**Organic Segment**	**Silicates and Glass Segment**	**Transport Segment**	**Other operations Segment**	**Corporate functions - reconciliation item**	**Eliminations (consolidation adjustments)**	**TOTAL**
Revenues from third parties	582,517	183,626	37,541	4,156	18,629	-	-	826,469
Revenue from inter-segment transactions	7,031	1,437	1	28,163	12,958	-	(49,590)	-
Total revenues	**589,548**	**185,063**	**37,542**	**32,319**	**31,587**	**-**	**(49,590)**	**826,469**
Cost of sales	(390,798)	(149,559)	(28,630)	(28,415)	(23,305)	-	37,786	(582,921)
Gross profit/(loss) on sales	**198,750**	**35,504**	**8,912**	**3,904**	**8,282**	**-**	**(11,804)**	**243,548**
Selling costs	(47,279)	(14,971)	(4,788)	-	(2,120)	(2,430)	19,012	(52,576)
General and administrative expenses	(11,714)	(5,475)	(1,570)	(1,378)	(853)	(9,721)	(7,268)	(37,979)
Result on management of receivables	1	(3,231)	(66)	57	(8)	-	-	(3,247)
Result on other operating activities	650	(804)	355	186	353	-	(33)	707
Operating profit/(loss)	**140,408**	**11,023**	**2,843**	**2,769**	**5,654**	**(12,151)**	**(93)**	**150,453**
Exchange differences and interest on trade settlements	(6,105)	(5,738)	148	(98)	(415)	-	685	(11,523)
Group borrowing costs	-	-	-	-	-	(9,081)	-	(9,081)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	1,910	-	1,910
Share of profit / (loss) of equity-accounted investees	383	-	-	-	-	-	-	383
Profit/(loss) before tax	**134,686**	**5,285**	**2,991**	**2,671**	**5,239**	**(19,322)**	**592**	**132,142**
Income tax	-	-	-	-	-	-	-	(29,904)
Net profit/(loss) on continuing operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**102,238**
Net profit/(loss) on discontinued operations	-	-	-	-	-	-	-	-
Net profit/(loss) for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**102,238**
Amortization/depreciation	39,312	7,732	3,413	1,506	87	1,078	-	53,128
EBITDA	179,720	18,755	6,256	4,275	5,741	(11,073)	(93)	203,581
*Normalized EBITDA***	182,598	18,646	6,243	4,065	5,840	(11,073)	(56)	*206,263*

** Normalised EBITDA for the 3-month period ended 31 March 2016 is calculated as EBITDA adjusted for untypical one-off events, including primarily the change in provisions of PLN -2.7 million.*

CIECH Group **OPERATING SEGMENTS** **01.01.–31.03.2015** *PLN '000*	**Soda Segment**	**Organic Segment**	**Silicates and Glass Segment**	**Transport Segment**	**Other operations Segment**	**Corporate functions - reconciliation item**	**Eliminations (consolidation adjustments)**	**TOTAL***
Revenues from third parties	527,421	223,988	36,713	3,685	25,552	-	-	817,359
Revenue from inter-segment transactions	8,150	376	102	25,157	5,399	-	(39,184)	-
Total revenues	**535,571**	**224,364**	**36,815**	**28,842**	**30,951**	**-**	**(39,184)**	**817,359**
Cost of sales	(370,596)	(182,212)	(27,152)	(25,019)	(26,761)	-	27,953	(603,787)
Gross profit/(loss) on sales	**164,975**	**42,152**	**9,663**	**3,823**	**4,190**	**-**	**(11,231)**	**213,572**
Selling costs	(37,897)	(11,842)	(4,608)	-	(2,433)	-	13,706	(43,074)
General and administrative expenses	(10,985)	(4,781)	(1,413)	(1,482)	(1,134)	(11,037)	(3,986)	(34,818)
Result on management of receivables	(36)	684	(232)	-	(113)	-	-	303
Result on other operating activities	(9,664)	(1,927)	427	101	(7,741)	-	(47)	(18,851)
Operating profit/(loss)	**106,393**	**24,286**	**3,837**	**2,442**	**(7,231)**	**(11,037)**	**(1,558)**	**117,132**
Exchange differences and interest on trade settlements	(4,384)	(3,468)	(157)	(78)	(713)	-	-	(8,800)
Group borrowing costs	-	-	-	-	-	(25,642)	-	(25,642)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	(12,989)	-	(12,989)
Share of profit / (loss) of equity-accounted investees	104	-	-	-	-	-	-	104
Profit/(loss) before tax	**102,113**	**20,818**	**3,680**	**2,364**	**(7,944)**	**(49,668)**	**(1,558)**	**69,805**
Income tax	-	-	-	-	-	-	-	(16,582)
Net profit/(loss) on continuing operations	-	-	-	-	-	-	-	**53,223**
Net profit/(loss) on discontinued operations	-	-	-	-	-	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	**53,223**
Amortization/depreciation	39,901	8,739	3,764	1,725	22	1,808	-	55,959
EBITDA	146,294	33,025	7,601	4,167	(7,209)	(9,229)	(1,558)	173,091
*Normalized EBITDA***	158,174	33,037	7,488	4,062	784	(9,229)	(1,558)	*192,758*

**restated data, the details of the changes are presented in point II.2 of this Report*

*** Normalised EBITDA for the 3-month period ended 31 March 2015 is calculated as EBITDA adjusted for untypical one-off events: impairment of assets: PLN -6.0 million, evaluation of investment property: PLN -6.2 million, change in provisions: PLN -4.9 million, result on liquidation of CIECH Polsin Pte. Ltd.: PLN -2.8 million, other: PLN 0.3 million.*

CIECH Group
ASSETS AND LIABILITIES BY OPERATING SEGMENTS

31.03.2016 *PLN '000*	**Soda Segment**	**Organic Segment**	**Silicates and Glass Segment**	**Transport Segment**	**Other operations Segment**	**Corporate functions - reconciliation item**	**Eliminations (consolidation adjustments)**	**TOTAL**
Property, plant and equipment	1,895,789	318,636	90,338	48,794	765	10,660	-	2,364,982
Intangible assets, including:	101,808	34,146	852	-	638	5,553	-	142,997
- goodwill	*47,345*	*15,070*	*39*	-	-	-	-	*62,454*
Investments in associates and jointly-controlled entities measured under the equity method	5,301	-	-	-	-	-	-	5,301
Inventory	135,366	135,494	35,239	142	3,668	-	(1,908)	308,001
Trade receivables and prepayments for inventories	218,658	80,360	11,892	18,879	19,515	-	(36,074)	313,230
Assets classified as held for sale	-	-	368	-	3,015	-	-	3,383
Other assets	-	-	-	-	-	891,114	-	891,114
Total assets	**2,356,922**	**568,636**	**138,689**	**67,815**	**27,601**	**907,327**	**(37,982)**	**4,029,008**

31.03.2016 *PLN '000*	**Soda Segment**	**Organic Segment**	**Silicates and Glass Segment**	**Transport Segment**	**Other operations Segment**	**Corporate functions - reconciliation item**	**Eliminations (consolidation adjustments)**	**TOTAL**
Trade liabilities and received advances for deliveries	159,038	102,033	14,316	13,177	13,800	-	(34,956)	267,408
Other liabilities	-	-	-	-	-	2,316,308	-	2,316,308
Total liabilities	**159,038**	**102,033**	**14,316**	**13,177**	**13,800**	**2,316,308**	**(34,956)**	**2,583,716**

CIECH Group
ASSETS AND LIABILITIES BY OPERATING SEGMENTS

31.12.2015 *PLN '000*	**Soda Segment**	**Organic Segment**	**Silicates and Glass Segment**	**Transport Segment**	**Other operations Segment**	**Corporate functions - reconciliation item**	**Eliminations (consolidation adjustments)**	**TOTAL**
Property, plant and equipment	1,838,761	324,180	82,082	48,011	610	11,361	-	2,305,005
Intangible assets, including:	102,985	31,435	994	-	643	4,818	-	140,875
- goodwill	*47,269*	*15,070*	*39*	-	-	-	-	*62,378*
Investments in associates and jointly-controlled entities measured under the equity method	4,918	-	-	-	-	-	-	4,918
Inventory	141,826	119,576	31,166	91	2,709	-	(1,737)	293,631
Trade receivables and prepayments for inventories	199,406	62,380	14,453	17,329	18,151	-	(34,411)	277,308
Assets classified as held for sale	-	-	368	-	3,015	-	-	3,383
Other assets	-	-	-	-	-	885,153	-	885,153
Total assets	**2,287,896**	**537,571**	**129,063**	**65,431**	**25,128**	**901,332**	**(36,148)**	**3,910,273**

31.12.2015 *PLN '000*	**Soda Segment**	**Organic Segment**	**Silicates and Glass Segment**	**Transport Segment**	**Other operations Segment**	**Corporate functions - reconciliation item**	**Eliminations (consolidation adjustments)**	**TOTAL**
Trade liabilities and received advances for deliveries	180,843	77,103	14,873	11,620	20,685	-	(31,792)	273,332
Other liabilities	-	-	-	-	-	2,295,437	-	2,295,437
Total liabilities	**180,843**	**77,103**	**14,873**	**11,620**	**20,685**	**2,295,437**	**(31,792)**	**2,568,769**

CIECH Group
OTHER FINANCIAL DATA BY OPERATING SEGMENTS

01.01.–31.03.2016 *PLN '000*	**Soda Segment**	**Organic Segment**	**Silicates and Glass Segment**	**Transport Segment**	**Other operations Segment**	**Corporate functions - reconciliation item**	**Eliminations (consolidation adjustments)**	**TOTAL**
Recognized impairment losses	(634)	(3,333)	(286)	(3)	(16)	-	-	(4,272)
Reversed impairment losses	737	696	4	60	92	-	-	1,589
Recognized impairment losses (non-attributable to segments)	-	-	-	-	-	(223)	-	(223)
Reversed impairment losses (non-attributable to segments)	-	-	-	-	-	310	-	310
Interest income attributable to segments	414	30	-	-	10	-	(352)	102
Interest income recognized under Corporate Functions	-	-	-	-	-	1,057	-	1,057
Interest expense attributable to segments	(5)	(352)	-	-	-	-	352	(5)
Interest expense recognized under Corporate Functions	-	-	-	-	-	(9,382)	-	(9,382)

01.01.–31.03.2015 *PLN '000*	**Soda Segment**	**Organic Segment**	**Silicates and Glass Segment**	**Transport Segment**	**Other operations Segment**	**Corporate functions - reconciliation item**	**Eliminations (consolidation adjustments)**	**TOTAL**
Recognized impairment losses	(6,326)	(349)	(388)	-	-	-	-	(7,063)
Reversed impairment losses	216	1,788	1,213	-	10	-	-	3,227
Recognized impairment losses (non-attributable to segments)	-	-	-	-	-	(5)	-	(5)
Reversed impairment losses (non-attributable to segments)	-	-	-	-	-	374	-	374
Interest income attributable to segments	229	48	56	-	7	-	(184)	156
Interest income recognized under Corporate Functions	-	-	-	-	-	899	-	899
Interest expense attributable to segments	(113)	(147)	-	-	(19)	-	184	(95)
Interest expense recognized under Corporate Functions	-	-	-	-	-	(25,180)	-	(25,180)

CIECH Group
INFORMATION ON GEOGRAPHICAL AREAS

NET SALES *PLN '000*	**Poland**	**European Union (excluding Poland)**	**Other European countries**	**Africa**	**Asia**	**Other regions**	**TOTAL**
01.01.–31.03.2016	300,367	404,633	60,973	14,121	42,066	4,309	**826,469**
01.01.–31.03.2015	338,949	397,000	51,856	5,010	20,109	4,435	**817,359**

31.03.2016 *PLN '000*	**Poland**	**European Union (excluding Poland)**	**Other European countries**	**Africa**	**Asia**	**Other regions**	**TOTAL**
Non-current assets other than financial instruments	1,764,374	917,590	-	-	-	-	2,681,964
Deferred income tax assets	199,264	2,686	-	-	-	-	201,950
Other assets	764,114	290,163	48,472	6,679	35,260	406	1,145,094
Total assets	**2,727,752**	**1,210,439**	**48,472**	**6,679**	**35,260**	**406**	**4,029,008**

31.12.2015 *PLN '000*	**Poland**	**European Union (excluding Poland)**	**Other European countries**	**Africa**	**Asia**	**Other regions**	**TOTAL**
Non-current assets other than financial instruments	1,694,076	923,444	-	-	-	-	2,617,520
Deferred income tax assets	211,404	2,345	-	-	-	-	213,749
Other assets	735,997	266,202	44,621	8,628	22,596	960	1,079,004
Total assets	**2,641,477**	**1,191,991**	**44,621**	**8,628**	**22,596**	**960**	**3,910,273**

6. Provisions and impairment allowances on assets

In the first quarter of 2016, the following changes in provisions and impairment allowances on assets were recognised in the consolidated financial statements of the CIECH Group.

CHANGE IN PROVISIONS FOR EMPLOYEE BENEFITS 01.01–31.03.2016 *PLN '000*	Long-term provision for retirement benefits, service anniversary awards and disability	Short-term provision for retirement benefits, service anniversary awards and disability	Other short-term provisions for employee benefits
Opening balance	**12,829**	**867**	**736**
Recognition	26	135	-
Use (payment of benefits) and reversal	(330)	(11)	-
Other changes (including exchange differences)	40	(115)	(352)
Closing balance	**12,565**	**876**	**384**

CHANGE IN PROVISIONS FOR EMPLOYEE BENEFITS 01.01–31.03.2015 *PLN '000*	Long-term provision for retirement benefits, service anniversary awards and disability	Short-term provision for retirement benefits, service anniversary awards and disability	Other short-term provisions for employee benefits
Opening balance	**12,720**	**886**	**76**
Recognition	235	128	-
Use (payment of benefits) and reversal	25	(25)	-
Other changes (including exchange differences)	(196)	(257)	-
Closing balance	**12,784**	**732**	**76**

CHANGE IN OTHER LONG-TERM PROVISIONS 01.01.–31.03.2016 *PLN '000*	Provision for liabilities	Provision for environmental protection	**TOTAL**
Opening balance	**6,547**	**68,157**	**74,704**
Other changes (including exchange differences)	-	324	324
Closing balance	**6,547**	**68,481**	**75,028**

CHANGE IN OTHER LONG-TERM PROVISIONS 01.01.–31.03.2015 *PLN '000*	Provision for liabilities	Provision for environmental protection	**TOTAL**
Opening balance	**6,789**	**68,455**	**75,244**
Recognition	-	5,468	5,468
Other changes (including exchange differences)	-	(2,256)	(2,256)
Closing balance	**6,789**	**71,667**	**78,456**

CHANGE IN OTHER SHORT-TERM PROVISIONS 01.01.–31.03.2016 *PLN '000*	Provision for compensation	Provision for liabilities	Provision for environmental protection	Provision for expected losses	Other provisions	**TOTAL**
Opening balance	**8,368**	**37,020**	**2,236**	**30,887**	**1,583**	**80,094**
Recognition	200	1,485	-	2,853	1,236	5,774
Use / reversal	-	(2,173)	(214)	-	(834)	(3,221)
Other changes (including exchange differences)	27	296	-	(29)	11	307
Closing balance	**8,595**	**36,628**	**2,022**	**33,711**	**1,996**	**82,954**

CHANGE IN OTHER SHORT-TERM PROVISIONS 01.01.–31.03.2015 *PLN '000*	Provision for compensation	Provision for liabilities	Provision for environmental protection	Provision for expected losses	Other provisions	**TOTAL**
Opening balance	**5,749**	**33,612**	**2,205**	**19,363**	**439**	**61,368**
Recognition	-	2,384	-	-	452	2,836
Use / reversal	-	(74)	(263)	(5)	(452)	(794)
Other changes (including exchange differences)	-	(777)	-	-	(432)	(1,209)
Closing balance	**5,749**	**35,145**	**1,942**	**19,358**	**7**	**62,201**

CHANGE IN IMPAIRMENT ALLOWANCES 01.01.–31.03.2016	Property, plant and equipment	Intangible assets	Long-term financial assets	Inventories	Short-term investments	Trade receivables	Other short-term receivables	**Total**
Opening balance	**6,021**	**344,234**	**1,343**	**38,215**	**24,601**	**27,382**	**17,444**	**459,239**
Recognition	-	-	-	719	-	3,521	132	4,372
Use (payment of benefits) and reversal	-	-	-	(1,279)	-	(418)	(614)	(2,311)
Other changes (including exchange differences)	14	(14,545)*	-	99	-	1,642	179	(12,613)
Closing balance	**6,035**	**329,688**	**1,343**	**37,754**	**24,601**	**32,126**	**17,141**	**448,688**

CHANGE IN IMPAIRMENT ALLOWANCES 01.01.–31.03.2015	Property, plant and equipment	Intangible assets	Long-term financial assets	Inventories	Short-term investments	Trade receivables	Other short-term receivables	**Total**
Opening balance	**6,262**	**360,211**	**23,131**	**44,393**	**6,807**	**35,977**	**15,642**	**492,423**
Recognition	-	6,045	-	396	-	833	35	7,308
Use (payment of benefits) and reversal	-	-	(3,299)	(7,626)	-	(2,192)	(3)	(13,120)
Other changes (including exchange differences)	1	(28,606)*	-	(201)	-	(214)	728	(28,291)
Closing balance	**6,263**	**337,650**	**19,832**	**36,962**	**6,807**	**34,404**	**16,403**	**458,321**

*Including mainly exchange rate differences due to valuation of impairment of goodwill (arisen from acquisition of SDC group).

7. Deferred tax

The main components of tax expense include:

MAIN COMPONENTS OF TAX EXPENSE (TAX INCOME) *PLN '000*	01.01.–31.03.2016	01.01.–31.03.2015
Current income tax	13,058	15,026
Deferred tax	16,846	1,555
INCOME TAX RECOGNISED IN STATEMENT OF PROFIT OR LOSS	**29,904**	**16,582**

Deferred income tax is attributable to the following items:

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITY *PLN '000*	31.03.2016			31.12.2015		
	Total asset	Total liability	Net value	Total asset	Total liability	Net value
Property, plant and equipment	1,785	128,466	(126,681)	1,772	121,325	(119,553)
Intangible assets	35,960	6,616	29,344	36,611	4,975	31,636
Right of perpetual usufruct of land	-	5,197	(5,197)	-	5,218	(5,218)
Investment properties	2,365	1,580	785	2,365	1,602	763
Financial assets	33,066	3,382	29,684	32,655	3,514	29,141
Inventories	1,540	143	1,397	1,558	538	1,020
Trade and other receivables	2,993	33,667	(30,674)	1,406	30,634	(29,228)
Provisions for employee benefits	2,857	11	2,846	2,169	11	2,158
Other provisions	23,680	-	23,680	18,581	1	18,580
Tax losses carried forward	156,049	-	156,049	179,307	-	179,307
Currency translation differences	2,601	944	1,657	2,522	728	1,794
Liabilities	44,066	687	43,379	34,023	877	33,146
Other	189	4,243	(4,054)	131	4,594	(4,463)
Deferred tax assets/liability	**307,151**	**184,936**	**122,215**	**313,100**	**174,017**	**139,083**
Set-off of deferred tax assets/ liability	(95,369)	(95,369)	-	(89,383)	(89,383)	-
Unrecognised deferred tax assets	9,832	-	9,832	9,968	-	9,968
Deferred tax assets/liability recognised in the statement of financial position	**201,950**	**89,567**	**112,383**	**213,749**	**84,634**	**129,115**

8. Information on fair value of financial instruments

a) Financial instruments measured at fair value

As at 31 December 2016, the CIECH Group held the following types of financial instruments measured at fair value: an interest rate swap contract, currency forward USD/PLN, currency forward EUR/PLN, and CIRS (currency and interest rate swap) contract EUR/PLN.

The fair value of the interest rate swap contract is determined as a difference in the discounted interest rate cash flow (cash flow based on a floating rate, the 'floating leg', and a fixed rate, the 'fixed leg'). The input data for the method is the market data for interest rates provided by Reuters. The fair value of the CIRS contract is determined as a difference between interest and discounted cash flows. The input data for the method is the market data for interest rates and cross currency basis-swaps quotations provided by Reuters. The fair value of the currency forward is determined as a difference between the transaction rate and the forward rate at the valuation date multiplied by the nominal value of the contract in the foreign currency. Input data to the valuation are the market interest rate and spot exchange rate from Reuters, on the basis of which the forward rate is calculated.

As at 31 March 2016, the fair value of the interest rate swap contract amounted to net PLN -5,731 thousand (PLN 3,122 thousand — other non-current liabilities; PLN 2,754 thousand — trade and other liabilities; PLN 145 thousand — other long-term investments).

As at 31 March 2016, the fair value of the currency and interest rate swap contract amounted to net PLN 5,044 thousand (PLN 70,825 thousand — other non-current liabilities; PLN 50,304 thousand — other long-term investments; PLN 25,565thousand — short-term investments).

As at 31 March 2016, the fair value of the USD/PLN forward was negative and amounted to PLN -195 thousand, the fair value of the EUR/PLN forward as at 31 March 2016 was negative and amounted to PLN -15 thousand — total fair value of these financial instruments was presented in trade and other liabilities. According to the fair value hierarchy, it is Level 2.

In the first quarter of 2016, there were no transfers within the fair value hierarchy of instruments measured at fair value. There were no changes in the classification of financial instruments, or in business conditions that could affect the fair value of financial assets or liabilities.

b) Financial instruments not measured at fair value

The CIECH Group holds the issued domestic bonds whose book value, as at 31 March 2016, amounted to PLN 163,425 thousand, and the fair value — to PLN 160,000 thousand.

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

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

In the period from 1 January to 31 March 2016, the CIECH Group carried out the following transactions increasing and decreasing the gross value of property, plant and equipment:

MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT 01.01.–31.03.2016 *PLN '000*	Land	Buildings, premises and civil and water engineering structures	Machinery and equipment	Means of transport	Other tangible fixed assets	Tangible fixed assets under construction	**TOTAL fixed assets**
Gross value of property, plant and equipment at the beginning of the period	**81,567**	**908,740**	**2,354,758**	**102,007**	**42,748**	**392,084**	**3,881,904**
Purchase	-	126	146	370	51	693	**1,386**
Capital expenditure	-	-	-	-	-	100,002	**100,002**
Modernisation	-	1,579	8,971	1,659	9	-	**12,218**
Reclassification from investments	-	8,392	57,160	7	633	-	**66,192**
Accepted under a finance lease agreement	-	-	-	2,203	-	2,203	**4,406**
Capitalised borrowing costs	-	-	-	-	-	5,839	**5,839**
Commissioning	-	-	-	-	-	(81,306)	**(81,306)**
Currency translation differences	296	1,051	3,759	120	60	278	**5,564**
Sales	-	-	(13,056)	(816)	(4)	(570)	**(14,446)**
Liquidation	-	-	(2,605)	-	(42)	-	**(2,647)**
Other increases/decreases	-	86	-	(1)	3	(2)	**86**
Gross value of property, plant and equipment at the end of the period	**81,863**	**919,974**	**2,409,133**	**105,549**	**43,458**	**419,221**	**3,979,198**

Purchases were made with own financial resources or in the form of a finance lease. Commitments to purchase property, plant and equipment amounted to PLN 389,432 thousand (PLN 446,512 thousand as at 31 December 2015).

10. Discontinued operations

In the periods presented, there were no discontinued operations at the CIECH Group.

11. 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 result from the agreements and arrangements with the banks, has been presented in the Consolidated Annual Report of CIECH Group for 2015, which was published on 21 March 2016.

12. 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 section.
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. or non-consolidated companies of the CIECH Group) is presented below:

TRANSACTIONS BETWEEN CONSOLIDATED ENTITIES AND OTHER RELATED ENTITIES *PLN '000*	**01.01.–31.03.2016**	**01.01.–31.03.2015**
Revenues from sales of products and services	1,497	1,463
Revenues from sales of goods and materials	18,986	20,341
Other operating income	-	2
Financial income	1	121
Purchase of products, goods and materials	-	1,365
Purchase of services	10,937	14,575
Other operating expenses	1	-
Financial expenses	5	1
Receivables, loans granted etc.	10,220	12,248
Impairment write-downs of receivables and loans	1	1
Liabilities, loans received etc.	4,388	6,935

Terms of transactions with related entities
Sales to and purchases from related entities were realised at market conditions. Overdue liabilities and receivables are not secured and are settled in cash or by set-off. As at 31 March 2016, all receivables from related entities in Polish companies (CIECH S.A., JANIKOSODA S.A., CIECH Nieruchomości S.A., CIECH Soda Polska S.A., CIECH Transclean S.A., CIECH Sarzyna S.A., CIECH Vitrosilicon S.A., CIECH Trading S.A., Ciech Pianki Sp. z o.o., CIECH Cerium Sp. z o.o. SK, Cerium Sp. z o.o. SKA) and German companies (SDC GmbH, Sodawerk Holding Stassfurt GmbH, Sodawerk Stassfurt Verwaltungs-GmbH, CIECH Soda Deutschland GmbH & Co. KG, KWG-Kraftwerksgesellschaft Stassfurt mbH), who are guarantors of domestic bonds and the term loan, constitute a collateral for financial liabilities.

13. Information on non-standard and non-routine transactions concluded with related entities by CIECH S.A. or its subsidiaries

No significant non-standard or non-routine transactions were concluded within the CIECH Group in the first quarter of 2016.

14. 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 securities.

15. Contingent assets and contingent liabilities including guarantees and sureties

PLN '000

OTHER CONTINGENT ITEMS	31.03.2016	31.12.2015
1. Contingent assets	**18,864**	**18,864**
- other contingent receivables*	18,864	18,864
2. Contingent liabilities	**630,694**	**630,105**
- guarantees and sureties granted**	528,721	528,601
- other***	101,973	101,504

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

*** described in section III.12.*
*** including mainly:*

- *contingent liability in CIECH Soda Romania S.A. resulting from a claim filed by employees of CIECH Soda Romania S.A. — the amount of PLN 20,627 thousand (RON 21,626 thousand),*
- *contingent liability in the SDC Group relating to environmental protection in the amount of PLN 15,546 thousand (EUR 3,642 thousand),*
- *contingent liability in CIECH Soda Polska S.A. regarding environmental penalty fees in the amount of PLN 30,974 thousand,*
- *contingent liabilities in CIECH Soda Polska S.A. resulting from blank promissory notes for the National Fund for Environmental Protection and Water Management relating to grants received in the event of a potential financial adjustment in the amount of PLN 33,483 thousand.*

As at 31 March 2016, contingent liabilities amounted to PLN 630,694 thousand, and remained close to the amount recorded as at 31 December 2015 (the increase by PLN 589 thousand results from currency translation differences).

16. Earnings per share

The table below presents profit and shares data used in the calculation of the basic and diluted earnings per share:

PLN '000	01.01–31.03.2016	01.01–31.03.2015
Net profit (loss) from continuing operations attributable to the shareholders of the parent	102,068	52,209
Net profit (loss) from discontinued operations attributable to the shareholders of the parent	-	-

Pcs.	31.03.2016	31.03.2015
Weighted average number of issued ordinary shares used in calculation of basic earnings per share	52,699,909	52,699,909
Weighted average number of issued ordinary shares used in calculation of diluted earnings per share	52,699,909	52,699,909

in PLN	01.01–31.03.2016	01.01–31.03.2015
Basic earnings per share (continuing operations)	1.94	0.99
Basic earnings per share (discontinued operations)	-	-
Diluted earning s per share (continuing operations)	1.94	0.99
Diluted earning s per share (discontinued operations)	-	-

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

The Management Board of CIECH S.A. is not expecting the dividend payment from profits earned during the period of 2015. The Management Board proposed to transfer the profits net generated in 2015, amounting to PLN 331,579 thousand, to supplementary

capital. On 30 March 2016, the Supervisory Board of CIECH S.A. adopted a resolution on recommending to the Ordinary General Shareholders' Meeting to earmark the entire net profit for 2015 for the supplementary capital, in accordance with the proposal of the Management Board.

18. Information on post-balance-sheet events

On 3 May 2016, a subsidiary of the CIECH S.A. — CIECH Soda Romania S.A. received information regarding the submission by S.C. CET Govora S.A. in Romania ("CET") of a petition for declaration of arrangement bankruptcy of CET to the Provincial Court in Valcea in Romania. On May 9, 2016, the Court issued a decision to initiate arrangement procedure. CET is the only supplier of technological steam to CIECH Soda Romania S.A. Technological steam is necessary for CIECH Soda Romania S.A. to produce soda ash and liquid glass. As at the date of approval of this report, the agreement for the delivery of steam to CIECH Soda Romania S.A. is performed by CET without any obstacles. At the same time, CIECH Soda Romania S.A. will undertake, in accordance with the Romanian law, any activities aimed at the securing of its interests, in particular to secure steam supply.

III. Other notes to the consolidated quarterly report

1. Description of the CIECH Group's organisation

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

The CIECH Group is a group of domestic and foreign manufacturing, distribution and trade companies operating in the chemical industry. As at 31 March 2016, the CIECH Group comprised 36 business entities, including:

- parent company,
- 31 subsidiaries, of which:
  - 22 national subsidiaries,
  - 9 foreign subsidiaries,
- 2 national affiliates,
- 1 foreign affiliate,
- 1 jointly controlled foreign entity.

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

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

In preparing the consolidated financial statements for the first quarter of 2016, the following companies were consolidated:

No	Name of the Company/Group	Registered office	Share in equity as at 31.03.2016 / % of votes at the GMS	Share in equity as at 31.03.2015 / % of votes at the GMS	Business
Parent company					
1	CIECH S.A.	Warsaw	-	-	The actual core business of the parent entity comprises sales of chemical products manufactured within the CIECH Group. in addition to the actual core activity, CIECH S.A. sells chemical products purchased from producers from outside the Group. Additionally, CIECH S.A. as a parent company, conducts holding activity, manages a portfolio of subsidiaries, provides support services (in the area of sales, manufacturing, purchases, finance, IT, HR and in the legal area) for selected companies in the Group as well as conducts financial activities in the form of direct lending to the companies in the Group.
Fully consolidated direct and indirect subsidiaries					
2	CIECH FINANCE Sp. z o.o.	Warsaw	100%	100%	Implementing divestment projects concerning obsolete fixed assets (property) and financial assets (shares in companies), carrying out purchases of selected raw materials.
3	CIECH R&D Sp. z o.o.	Warsaw	100%	100%	Granting licences to the CIECH Group companies to use the trademarks: "Ciech", "Ciech Trading" and "Sól Kujawska naturalna czysta" for business activity purposes, research and developments activities.
4	Ciech Nieruchomości S.A.	Warsaw	100%	100%	Real property agency, real property management.
5	CIECH Soda Romania S.A.	Rm. Valcea, Romania	98.74%	93.76%	Manufacture of other basic inorganic chemicals, wholesale of chemical products.
	CIECH Trading Group				

No	Name of the Company/Group	Registered office	Share in equity as at 31.03.2016 / % of votes at the GMS	Share in equity as at 31.03.2015 / % of votes at the GMS	Business
6	CIECH Trading S.A.	Warsaw	100%	100%	Wholesale and distribution of solid inorganic and organic chemicals, wholesale and distribution of raw materials for household chemicals, wholesale and distribution of raw materials for cosmetic and pharmaceutical products, wholesale and distribution of fillers, pigments, raw materials for paints and varnishes, wholesale and distribution of feed additives and fodder, wholesale and distribution of acids, bases and other liquid chemicals.
6.1.	Janikowskie Zakłady Sodowe JANIKOSODA S.A.	Warsaw	100%	100%	Service activity related to office support, other 'out-of-school' forms of education, not elsewhere classified.
	CIECH Soda Polska Group				
7	CIECH Soda Polska S.A.	Inowrocław	100%	100%	Manufacture of other basic inorganic chemicals, wholesale of chemical products, power generation and distribution.
7.1.	CIECH Cargo Sp. z o.o.	Inowrocław	100%	100%	Freight transport services.
7.2.	Cerium Sp. z o.o.	Warsaw	100%	100%	The Company is the sole general partner of Cerium Sp. z o.o. SKA and Cerium Sp. z o.o. SK, its core operations comprise managing the business of those companies.
7.3	Cerium Sp. z o.o. SKA	Warsaw	100%	100%	Conducting financial activities, in particular comprising direct granting of loans and leasing of non-current assets to the CIECH Group companies.
7.3.1.	CIECH Cerium Sp. z o.o. SK	Warsaw	100%	-	Financing activities.
8	CIECH-POLSIN PRIVATE LIMITED*	Singapore	-	98.00%	Wholesale and retail sale of a variety of goods in the Far East markets.
9	CIECH Vitrosilicon S.A.**	Iłowa	100%	100%	Production of other basic inorganic chemicals, manufacture of hollow glass and technical glassware, manufacture of plastic packaging goods, manufacture of other plastic products.
10	CIECH Transclean Sp. z o.o.	Bydgoszcz	100%	100%	International transport of liquid chemicals.
	CIECH Sarzyna Group				
11	CIECH Sarzyna S.A.	Nowa Sarzyna	100%	100%	Manufacture of plastics, manufacture of pesticides and other chemical products.
11.1.	Verbis KAPPA Sp. z o. o.	Nowa Sarzyna	100%	100%	The company is the sole general partner of Verbis KAPPA Sp. z o.o. SKA, other financial intermediation.
11.2.	Verbis KAPPA Sp. z o.o. SKA	Nowa Sarzyna	100%	100%	Other financial intermediation.
11.3.	Algete Sp. z o.o.	Nowa Sarzyna	100%	100%	Granting CIECH Sarzyna Group companies the license for using the trademark of "Chwastox" for the purpose of business.
12	Ciech Pianki Sp. z o.o.	Bydgoszcz	100%	100%	Manufacture of organic and other inorganic chemicals.
13	Ciech Group Financing AB	Stockholm, Sweden	100%	100%	Conducting financing activities, particularly lending of funds by issuing bonds and other financial instruments with institutional and private investors as well as direct lending of such funds to the companies of the Group and carrying out any other activities in support of such activities and the provision of related services.
14	Verbis ETA Sp. z o.o.	Warsaw	100%	100%	The company is the sole general partner of Verbis ETA Sp. z o.o. SKA, its main objective is to manage the activities of Verbis ETA Sp. z o.o. SKA.
15	Verbis ETA Sp. z o.o. SKA	Warsaw	100%	100%	Conducting financial activities, particularly direct lending to the CIECH Group companies.
	SDC Group				
16	SDC GmbH	Stassfurt, Germany	100%	100%	Manufacture of other basic inorganic chemicals, wholesale of chemical products, power generation and distribution.

No	Name of the Company/Group	Registered office	Share in equity as at 31.03.2016 / % of votes at the GMS	Share in equity as at 31.03.2015 / % of votes at the GMS	Business
16.1.	Sodawerk Holding Stassfurt GmbH	Stassfurt, Germany	100%	100%	
16.1.1	Sodawerk Stassfurt Verwaltungs GmbH	Stassfurt, Germany	100%	100%	
16.1.2.	CIECH Soda Deutschland GmbH&Co. KG	Stassfurt, Germany	100%	100%	
16.1.2.1.	KWG-Kraftwerksgesselschaft Strassfurt mbH	Stassfurt, Germany	100%	100%	
16.1.2.2.	Kaverngesellschaft Stassfurt GbmH***	Stassfurt, Germany	50%	50%	

* *The Company was deleted from the ACRA Register of Businesses on 11 March 2015.*

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

*** *Equity accounted associate*

2. Information on non-consolidated subsidiaries and associates

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

The total share of data of subsidiaries not covered by consolidation under the full method, due to their irrelevance, in relation to the total values of the CIECH Group for the period from 1 January 2016 to 31 March 2016 does not exceed 1% of total consolidated assets of the Group and consolidated net revenues from sales of goods and products and financial operations

Aggregated data of associates which were not measured under the equity method for the period from 1 January 2016 to 31 March 2016 does not exceed 1% of the total consolidated equity of the Group.

3. Significant effects of changes to the organisational structure of the CIECH Group in the first quarter of 2016

In the first quarter of 2016, as part of business optimisation efforts, the CIECH Group decided to reorganise the transport segment by extinguishing operating activities of CIECH Transclean Sp. z o.o. The CIECH Group operates on an international scale, which entails the need to implement optimal logistics solutions, also in the area of transport and forwarding activities. The process of extinguishing the operations of CIECH Transclean Sp. z o.o. will be spread over time, and the completion thereof is scheduled to 30 June 2016.

Apart from the above decision, there were no changes to the CIECH Group's structure in the first quarter of 2016.

4. The most important events in the CIECH Group in the first quarter of 2016

Completion of extension of the soda plant's production capacity — SODA +200 project.
Modernization of production plants is one of the pillars of the CIECH Group's development. The most important project implemented in 2015 is the improvement of the production capacity of the soda plant in Inowrocław, from 600 to 800 thousand tonnes per year. As a result of the first stage of investment under the name of SODA +200, completed in 2015, the plant's capacity has increased by 60 thousand tonnes of products per year. The subsequent 140 tonnes capacity was commissioned in the first quarter of 2016. According to current estimates, the total value of the SODA +200 program will amount to approx. PLN 300 million.

New production line in the organic segment
On 28 January 2016, CIECH Sarzyna S.A., the largest Polish plant protection products manufacturer, presented a new production line in the House and Garden category. It is an element of the strategic organic development of the Group. The ZIEMOVIT brand portfolio includes, among others, two plant protection products – ZIEMOVIT Chwastox Trio 540 SL, offering not only high performance and quick action, but also wide range of weeds that may be eliminated with its three active substances – and ZIEMOVIT Agrosar 360 SL, which perfectly eliminates monocots and dicots. The ZIEMOVIT offer also includes substrates and high quality granulated fertilizers for conifers and roses, promoting the growth and development of plants, improving their water management and increasing their resistance to drought.

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

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

The CIECH Group was awarded the title "Reliable Employer 2015".
The "Reliable Employer" contest is one of the leading projects pertaining to human resources management in Poland. Every year, the Chamber of the Contest decides which Companies deserve the award for their effective and innovative HR policy. The Company was nominated to this prestigious title on the basis of recommendations and opinions from a number of external institutions, such as the National Labour Inspection, District Employment Agency, Association of Employment Agencies. The following criteria were taken into account: working conditions (observance of OHS regulations, labour law, etc.), timely payment of salaries, social conditions, career path (trainings for employees). The purpose of the "Reliable Employer" contest is to identify the best employers in Poland, especially those who promote the most attractive HR solutions in their business, and at the same time share their experience in the press nationwide. The project was created primarily with the aim to find, honour and promote businesses with perfect HR policy translating in high quality of products and services in the demanding Polish market. The title received and recognition as one of the top companies who invest in employees is an important distinction, but also an obligation that makes us even more motivated to continue our efforts in the HR management area.

5. Commentary to financial results achieved in the period from 1 January to 31 March 2016 and description of the factors and events that have a significant impact on the financial results

5.1 Basic financial data

In the first quarter of 2016, the CIECH Group generated a net profit from continuing operations of PLN 102,238 thousand, the net balance of cash and cash equivalents decreased by PLN 70,596 thousand, and the total assets as at the end of the first quarter of 2016 amounted to PLN 4,029,008 thousand.

The table below presents selected financial data and basic financial ratios for the first quarter of 2016 and 2015.

Selected financial data

PLN '000	**01.01–31.03.2016**	**01.01–31.03.2015**	**Change % 2016/2015**	**Change 2016/2015**
CONTINUING OPERATIONS				
Sales revenues	**826,469**	**817,359**	**1.1%**	**9,110**
Cost of sales	(582,921)	(603,787)	3.5%	20,866
Gross profit/(loss) on sales	**243,548**	**213,572**	**14.0%**	**29,976**
Selling costs	(52,576)	(43,074)	(22.1%)	(9,502)
General and administrative expenses	(37,979)	(34,818)	(9.1%)	(3,161)
Other operating income/expense	(2,540)	(18,548)	86.3%	16,008
Operating profit/(loss)	**150,453**	**117,132**	28.4%	**33,321**
Net financial income/expenses	(18,694)	(47,431)	60.6%	28,737

PLN '000	**01.01–31.03.2016**	**01.01–31.03.2015**	**Change % 2016/2015**	**Change 2016/2015**
Share of profit of equity-accounted investees	383	104	268.3%	279
Income tax	(29,904)	(16,582)	(80.3%)	(13,322)
Net profit/(loss) on continuing operations	**102,238**	**53,223**	**92.1%**	**49,015**
DISCONTINUED OPERATIONS				
Net profit/(loss) on discontinued operations	-	-	-	-
Net profit / (loss)	**102,238**	**53,223**	**92.1%**	49,015
including:				
Net profit/(loss) attributed to non-controlling interest	170	1,014	(83.2%)	(844)
Net profit/(loss) attributable to owners of the parent company	102,068	52,209	95.5%	49,859
EBITDA from continuing operations	203,581	173,091	17.6%	30,490
Normalized EBITDA from continuing operations*	206,263	192,758	7.0%	13,505

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

PLN '000	**31.03.2016**	**31.12.2015**	**% Change 2016/2015**	**Change in value 2016/2015**
Total assets	**4,029,008**	**3,910,273**	**3.0%**	**118,735**
Total non-current assets	2,934,396	2,860,347	2.6%	74,049
Total current assets including:	1,094,612	1,049,926	4.3%	44,686
- inventory	*308,001*	*293,631*	*4.9%*	*14,370*
- current receivables	*591,284*	*499,196*	*18.4%*	*92,088*
- cash and cash equivalents	*132,378*	*202,935*	*(34.8%)*	*(70,557)*
- short-term investments	*59,566*	*50,781*	*17.3%*	*8,785*
- non-current assets held for sale	*3,383*	*3,383*	*0.0%*	-
Total equity	**1,445,292**	**1,341,504**	**7.7%**	**103,788**
Equity attributable to shareholders of the parent	1,449,090	1,345,576	7.7%	103,514
Non-controlling interest	(3,798)	(4,072)	6.7%	274
Total non-current liabilities	1,841,254	1,802,311	2.2%	38,943
Total current liabilities	742,462	766,458	(3.1%)	(23,996)

PLN '000	**01.01–31.03.2016**	**01.01–31.03.2015**	**Change % 2016/2015**	**Change 2016/2015**
Net cash from operating activities	65,796	144,356	(54.4%)	(78,560)
Net cash from investment activities	(134,550)	(114,679)	(17.3%)	(19,871)
Net cash from financial activities	(1,842)	(40,666)	95.5%	38,824
Total net cash flows	**(70,596)**	**(10,989)**	**(542.4%)**	**(59,607)**
including free cash flows	*(68,754)*	*29,677*	-	*(98,431)*

	01.01–31.03.2016	**01.01–31.03.2015**	**Change 2016/2015**
CONTINUING OPERATIONS			
Earnings per share (in PLN)	**1.94**	**0.99**	**0.95**
Net return on sales	12.4%	6.5%	5.9 p.p.
EBIT margin	18.2%	14.3%	3.9 p.p.
EBITDA margin	24.6%	21.2%	3.4 p.p.
Normalized EBITDA margin*	25.0%	23.6%	1.4 p.p.

** Excluding one-off events, the more important of which are described in section I.5 of this Report.*
Source: CIECH S.A.

Principles of ratio calculation (according to the data for continuing operations):
Net profit (loss) per share *– net profit (loss) / weighted average number of ordinary shares in the period (in accordance with the definition in IAS 33 Earnings per share)*
Net return on sales *– net profit (loss) for a given period/net revenues from sales of products services goods and materials*
EBIT margin *— profit (loss) on operating activities for a given period / net revenues from sales of products, services, goods and materials for a given period,*
EBITDA margin *— (profit (loss) on operating activities + amortisation/depreciation for a given period)/ net revenues from sales of products, services, goods, and materials in a given period;*
normalised EBITDA margin — *EBITDA excluding one-off events, the more important of which were described in section II.5 / net revenues from sales of products, services, goods and materials for a given period;*

5.2 Sales revenues

Consolidated sales revenues from continued operations of the CIECH Group for the first quarter of 2016 amounted to PLN 826,469 thousand net. In comparison to the same period of the previous year, sales revenues increased by PLN 9,110 thousand. The changes were mainly due to market factors.

The positive contributors to the presented profits were as follows:
- increase in the volume of production and sales of soda,
- slight increase in sales prices of soda produced in Poland and Germany.

The negative contributors to the presented sales revenues were as follows:
- slight decrease in sales prices of soda produced in Romania,
- decrease in the volume of sales of plant protection chemicals,
- increased competition in the packaging market, decreased sales volumes.

In the first quarter of 2016, the CIECH Group's activities were focused on four business segments: soda, organic, silicates and glass, and on the transport segment. These segments generate in total more than 90% of the Group's sales revenues. The structure of sales revenues, by business segment, has not changed significantly in comparison with 2015. Invariably, the greatest share in the revenue was attributed to the sales of soda segment products, i.e. 71.3%.

Sales revenues — business segments

PLN '000	**01.01–31.03.2016**	**01.01–31.03.2015**	**Change**	**Change %**	**% of total revenues in 2016**	**% of total revenues in 2015**
Soda segment, including:	**589,548**	**535,571**	**53,977**	**10.1%**	**71.3%**	**65.5%**
Dense soda ash	345,384	294,655	50,729	17.2%	41.8%	36.0%
Light soda ash	101,341	108,515	(7,174)	(6.6%)	12.3%	13.3%
Salt	42,141	40,897	1,244	3.0%	5.1%	5.0%
Baking soda	40,167	40,248	(81)	(0.2%)	4.9%	4.9%
Energy	21,867	24,329	(2,462)	(10.1%)	2.6%	3.0%
Gas*	187	490	(303)	(61.8%)	0.0%	0.1%
Calcium chloride	8,314	4,205	4,109	97.7%	1.0%	0.5%
Other products	23,116	14,082	9,034	64.2%	2.8%	1.7%
Revenues from inter-segment transactions	7,031	8,150	(1,119)	(13.7%)	0.9%	1.0%
Organic segment, including:	**185,063**	**224,364**	**(39,301)**	**(17.5%)**	**22.4%**	**27.4%**
Resins	81,261	89,059	(7,798)	(8.8%)	9.8%	10.9%
Polyurethane foams	60,331	61,325	(994)	(1.6%)	7.3%	7.5%
Plant protection chemicals	38,766	70,323	(31,557)	(44.9%)	4.7%	8.6%
Other	3,268	3,281	(13)	(0.4%)	0.4%	0.4%
Revenues from inter-segment transactions	1,437	376	1,061	282.2%	0.2%	0.0%
Silicates and Glass segment, including:	**37,542**	**36,815**	**727**	**2.0%**	**4.5%**	**4.5%**
Glass blocks and packaging – lanterns and jars	17,189	17,555	(366)	(2.1%)	2.1%	2.1%
Sodium silicate in lumps	10,631	11,517	(886)	(7.7%)	1.3%	1.4%
Sodium water glass	8,109	6,283	1,826	29.1%	1.0%	0.8%
Other	1,612	1,358	254	18.7%	0.2%	0.2%
Revenues from inter-segment transactions	1	102	(101)	(99.0%)	0.0%	0.0%

PLN '000	01.01–31.03.2016	01.01–31.03.2015	Change	Change %	% of total revenues in 2016	% of total revenues in 2015
Transport segment, including:	**32,319**	**28,842**	**3,477**	**12.1%**	**3.9%**	**3.5%**
Transport services	4,156	3,685	471	12.8%	0.5%	0.5%
Revenues from inter-segment transactions	28,163	25,157	3,006	11.9%	3.4%	3.1%
Transport segment, including:	**31,587**	**30,951**	**636**	**2.1%**	**3.8%**	**3.8%**
Revenues from third parties	18,629	25,552	(6,923)	(27.1%)	2.3%	3.1%
Revenues from inter-segment transactions	12,958	5,399	7,559	140.0%	1.6%	0.7%
Consolidation adjustments	**(49,590)**	**(39,184)**	**(10,406)**	**26.6%**	**(6.0%)**	**(4.8%)**
TOTAL	**826,469**	**817,359**	**9,110**	**1.1%**	**100.0%**	**100.0%**

** Resale of surpluses of the gas purchased.*

Source: CIECH S.A.

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

After the first quarter of 2016, gross profit on sales amounted to PLN 243,548 thousand, whereas in the same period of the previous year it amounted to PLN 213,572 thousand. The operating profit amounted to PLN 150,453 thousand, in the comparable period it amounted to PLN 117,132 thousand.

The following had a positive impact on the presented results:

- Continuation of the good economic situation in the European Union from the previous year (forecast GDP growth in the entire 2016 at the previous year's level of 1.9%, according to the European Commission).
- Favourable economic situation in the domestic economy and chemical industry. Increase in sold industrial output during three months of 2016 (constant prices) by 3.0% in total and in such sectors that are significant for the Group's business (customers' markets or target markets) as: chemicals and chemical products (by 2.5%); rubber products and plastics (by 8.0%); manufacture of motor vehicles (by 5.6%); manufacture of furniture (by 11.2%); manufacture of food (by 2.5%).
- Slight increase in soda ash prices in the European markets since the beginning of 2016 compared to the prior year (for the Western Europe increase of 2%–3%).
- Decrease in prices of raw energy resources used in production of soda ash (coke, coal, natural gas) as compared with the first quarter of 2015.
- Balancing of the European market of soda ash (demand and supply balance) with a tendency to increase in demand.
- Growth of the production of paints and varnishes in the country by 12.0% during three months of 2016 in comparison to the same period of the previous year (in quantitative terms).
- Slight improvement of market conditions for the domestic agricultural sector with an advantageous ratio of agricultural produce to prices of the means of production (the value of the synthetic ratio of the economic situation in agriculture measured by the Institute of Agricultural and Food Economics in March 2016 has remained at the previous year's level).
- Very low level of oil prices (by about 30% lower than in the first quarter of 2015) and consequently, low prices of raw materials for the organic industry improving the efficiency of operations in the organic segment of the CIECH Group.
- Depreciation of PLN against EUR and USD compared with the first quarter of 2015, which was favourable for the profitability of exports of the CIECH Group.
- Decrease in prices of furnace fuel (coke).
- Decrease in prices of gas used to manufacture heat at CIECH Soda Deutschland GmbH&Co.KG.
- Improved results on sales of plastics at CIECH Sarzyna S.A. (improved ratio of product prices to raw material prices).

The following had a negative impact on the presented results:

- Decrease in domestic sales of construction and assembly production by 13.3% during the three months of 2016 in comparison to the same period of the previous year (the chemical industry produces many raw materials and semi-finished products used in this production).
- Unfavourable economic conditions on Chinese market of soda ash, which resulted in lower prices (especially when compared to the first quarter of 2015) offered by soda ash suppliers from China on overseas markets on which the CIECH Group operates.
- Lower results achieved by CIECH Sarzyna S.A. (resulting from the pre-sale of plant protection chemicals carried out in the fourth quarter of 2015).

The EBIT margin for first quarter of 2016 amounted to 18.2% (14.3% in the prior year), and the EBITDA margin amounted to 24.6% (21.2% in the prior year). The EBIT margin (excluding one-off events) for first quarter of 2016 amounted to 18.5% (16.7% in the prior year), and the EBITDA margin (excluding one-off events) amounted to 25.0% (23.6% in the prior year).

5.4 Financing activities and net result

Financial income for first quarter of 2016 amounted to PLN 1,488 thousand and increased slightly compared to the corresponding period of the previous year, when it amounted to PLN 1,033 thousand.

Financial expenses for the first quarter of 2016 amounted to PLN 20,182 thousand and decreased compared to the corresponding period of the previous year, when it amounted to PLN 48,464 thousand.

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

The consolidated net profit for the first quarter of 2016 amounted to PLN 102,238 thousand (of which PLN 102,068 thousand was a net profit attributable to the shareholders of the parent company and 170 thousand as the profit of non-controlling shares). This result was influenced mainly by operating profit partially offset by negative result from the financing activities. The net result of the Group was also significantly impacted by income tax in the amount of PLN 29,904 thousand.

Financial performance on different types of activities

PLN '000	**01.01–31.03.2016**	**01.01–31.03.2015**	**Change % 2016/2015**	**Change 2016/2015**
CONTINUING OPERATIONS				
1. Operating profit/loss	150,453	117,132	28.4%	33,321
2. Net financial income/expenses	(18,694)	(47,431)	60.6%	28,737
3. Share of profit of equity-accounted investees	383	104	268.3%	279
4. Income tax	(29,904)	(16,582)	(80.3%)	(13,322)
5. Net profit/loss (1+2+3+4) on continuing operations	**102,238**	**53,223**	**92.1%**	**49,015**
6. Net profit/loss attributed to non-controlling interest on continuing operations	170	1,014	(83.2%)	(844)
7. Net profit/loss attributable to shareholders of the parent company (5-6) on continuing operations	**102,068**	**52,209**	**95.5%**	**49,859**
8. Net profit/(loss) on discontinued operations	-	-	-	-
9. Net profit/(loss) for the year (5+8)	**102,238**	**53,223**	**92.1%**	**49,015**

Source: CIECH S.A.

5.5 Assets

As at the end of March 2016, the Group's non-current assets amounted to PLN 2,934,396 thousand. As compared to the balance as at 31 December 2015, the value of non-current assets increased by PLN 74,049 thousand. The change is mainly related to the investments in property, plant and equipment (partially offset by depreciation) and positive valuation of derivative instruments.

As at 31 March 2016, the Group's current assets amounted to PLN 1,094,612 thousand. The current assets' structure was predominated by: trade and other receivables accounting for 52.2%, inventory accounting for 28.1% as well as cash and cash equivalents accounting for 12.1% of total current assets. Compared to the end of December 2015, the value of current assets increased by PLN 44,686 thousand. The increase is mainly related to the increased sales in soda segment as a result of increased volumes and prices, seasonality of sales of plant protection chemicals as well as increased volume of PUR foams in the organic segment. In addition, the balance of inventories has increased. This results from an increase in finished products in the soda segment, accompanied by lower inventory of raw materials in the organic segment. The increase in current assets also results from increased receivables, following from lower level of utilisation of factoring facilities than as at the end of 2015.

5.6 Liabilities

As at 31 March 2016, the CIECH Group's liabilities (non-current and current) amounted to PLN 2,583,716 thousand, which accounts for an increase in comparison with the end of December 2015 by PLN 14,947 thousand (i.e. by 0.6%).
The debt ratio (current and non-current liabilities/total assets) amounted to 64.1% as at 31 March 2016 (at the end of December 2015 to 65.7%). The consolidated net debt of the Group calculated as the sum of non-current and current liabilities due to credits, loans and other debt instruments (bonds + finance lease + liabilities resulting from negative net valuation of derivatives + liabilities resulting from reverse factoring) decreased by cash and cash equivalents amounted to PLN 1,446,727 thousand as at 31 March 2016 and increased in comparison to the balance as at the end of December 2015 by PLN 85,415 thousand.

5.7 Cash flows

Total net cash flows in the first quarter of 2016 was negative and amounted to PLN 70,596 thousand. Compared to the same period of the previous year, the cash flows generated by the Group were lower by PLN 59,607 thousand. The cash flows from operating activities amounted to PLN 65,796 thousand and decreased by PLN 78,560 thousand as compared to the same period in 2015.
In the first quarter of 2016, the net cash flows from investing activities were negative. The surplus of investment outflows over investment inflows amounted to PLN 134,550 thousand. Acquisition of property, plant and equipment related to the investment programme implemented by the Group had the main impact on net cash flows from investing activities.
The net cash from financing activities was negative and amounted to PLN 1,842 thousand. When compared to the same period in 2015, it was higher by PLN 38,824 thousand (in 2015, the negative balance of cash flows from financing activities was related mainly to expenditure incurred to buy-out "silent partners" in the amount of PLN 54,263 thousand).

5.8 Information on the CIECH Group's financial standing

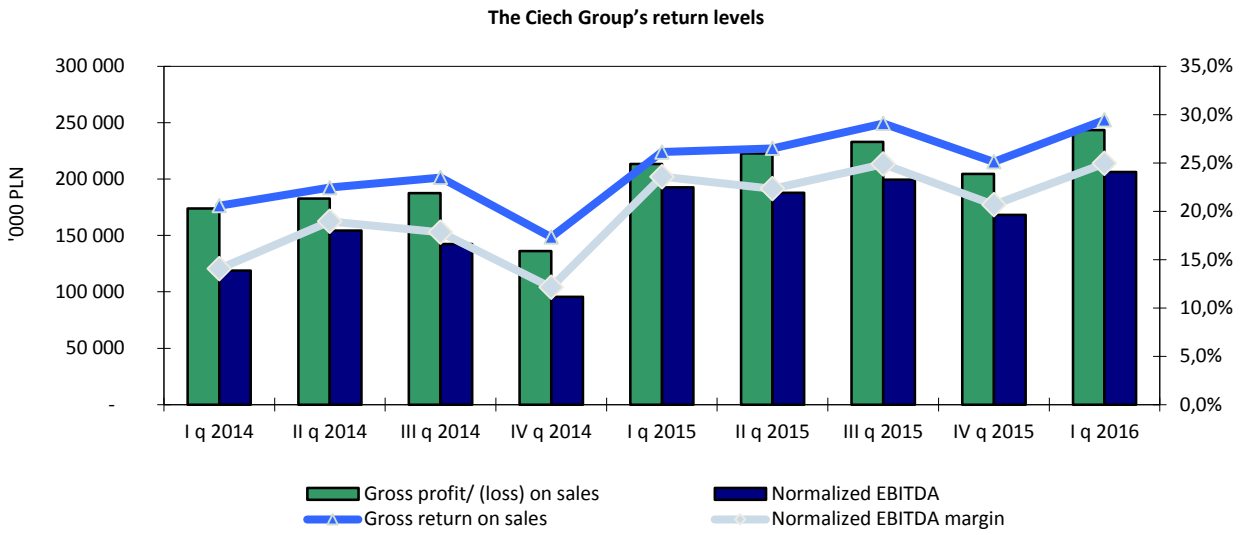
Profitability after the first quarter of 2016
In the first quarter of 2016, profitability ratios of the CIECH Group in respect of the continuing operations were at a higher level than in the comparable period of 2015.

CIECH Group's profitability ratios

	01.01–31.03.2016	01.01–31.03.2015
CONTINUING OPERATIONS		
Gross return on sales	29.5%	26.1%
Return on sales	18.5%	16.6%
EBIT margin	18.2%	14.3%
EBITDA margin	24.6%	21.2%
Normalized EBIT margin*	18.5%	16.7%
Normalized EBITDA margin*	25.0%	23.6%
Net return on sales (ROS)	12.4%	6.5%
Return on assets (ROA)	2.5%	1.4%
Return on equity (ROE)	7.1%	4.0%

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

Principles of ratio calculation (according to the data for continuing operations):
gross return on sales *– gross profit (loss) on sales for a given period / net revenues from sales of products, services, goods and materials for a given period;*
return on sales *— profit (loss) for a given period / net revenues from sales of products, services, goods and materials for a given period;*
EBIT margin *– operating profit (loss) for a given period / net revenues from sales of products, services, goods and materials for a given period;*
EBITDA margin *— (operating profit (loss) on operating activities + amortisation/depreciation for a given period)/ net revenues from sales of products, services, goods, and materials in a given period;*
normalised EBIT margin *— operating profit (loss) for a given period excluding one-off events, the more important of which were described in section II.5 / net revenues from sales of products, services, goods and materials for a given period;*
normalised EBITDA margin — *EBITDA for a given period excluding one-off events, the more important of which were described in section II.5 / net revenues from sales of products, services, goods and materials for a given period;*
net return on sales (ROS) *– net profit (loss) for a given period / net revenues from sales of products, services, goods and materials for a given period;*
return on assets (ROA) *– net profit (loss) for a given period/total assets at the end of a given period;*
return on equity (ROE) *– net profit (loss) for a given period/total equity at the end of a given period.*



Normalised EBITDA – excluding one-off events reported in particular quarters
Source: CIECH S.A.

Liquidity of the Group and working capital

As at the end of March 2016, liquidity ratios increased as compared to their level as at 31 December 2015. The current ratio, calculated as the ratio of total current assets to total current liabilities, amounted to 1.47 as at 31 March 2016, while the quick ratio amounted to 1.06.

CIECH Group's liquidity ratios

	31.03.2016	31.12.2015
Current ratio	1.47	1.37
Quick ratio	1.06	0.99

Principles of ratio calculation:
current ratio *– the ratio of current assets to the current liabilities at the end of a given period; measures a company's ability to cover current liabilities using current assets.*
quick ratio *– the ratio of current assets less inventory to current liabilities at the end of a given period; measures a company's ability to gather cash in short term to cover its current liabilities.*

Ability to generate cash flows

PLN '000	01.01–31.03.2016	01.01–31.03.2015
Financial surplus (net profit + depreciation)	155,366	109,182
Other adjustments to net profit	24,711	63,053
Adjusted financial surplus	**180,077**	**172,235**
Change in working capital	(114,281)	(27,879)
Net cash from operating activities	**65,796**	**144,356**
Net cash from investing activities	(134,550)	(114,679)
Free cash flow	**(68,754)**	**29,677**

In the first quarter of 2016, the CIECH Group generated negative free cash flows, which means that investment expenditures were financed with cash flows from operating activities as well as, partially, with cash inflows from financing activities.

As at the end of March 2016, working capital, defined as the difference between current assets and current liabilities, adjusted by relevant balance sheet items (cash and cash equivalents and short-term loans) amounted to PLN 217,433 thousand, which is an increase by PLN 159,689 thousand compared to the end of 2015.

The CIECH Group's working capital

PLN '000	**31.03.2016**	**31.12.2015**
1. Current assets, including:	1,094,612	1,049,926
Inventory	*308,001*	*293,631*
Trade receivables and prepayments for deliveries	*313,230*	*277,308*
2. Cash and cash equivalents and short-term investments	191,944	253,716
3. Adjusted current assets (1-2)	**902,668**	**796,210**
4. Current liabilities, including:	742,462	766,458
Trade liabilities and received advances for deliveries	*267,408*	*273,332*
5. Short-term credits and other current financial liabilities*	57,227	27,992
6. Adjusted current liabilities (4-5)	**685,235**	**738,466**
7. Working capital including short-term credits(1-4)	**352,150**	**283,468**
8. Working capital (3-6)	**217,433**	**57,744**

** Other current financial liabilities include current finance lease liabilities + short-term derivatives liabilities +liabilities in respect of reverse factoring .*

Indebtedness

The debt ratio decreased in comparison to December 2015 and accounts for 64.1%. At the same time, the relative level of net debt (net financial liabilities in relation to EBITDA) improved as compared to the end of 2015. The ratio adjusted by one-off events is at a higher level in comparison to the previous year (net financial liabilities in relation to normalised EBITDA).

The CIECH Group's debt ratios

	31.03.2016	**31.12.2015**
Debt ratio	64.1%	65.7%
Long term debt ratio	45.7%	46.1%
Debt to equity ratio	178.8%	191.5%
Equity to assets ratio	35.9%	34.3%
Gross debt	1,579,104	1,564,247
Net debt	1,446,727	1,361,312
EBITDA annualized	738,027	707,538
EBITDA normalized (annualized)	761,927	748,422
Net debt / EBITDA annualized	2.0	1.9
Net debt / EBITDA normalized (annualized)*	1.9	1.8
Gross debt / EBITDA annualized	2.1	2.2
Gross debt / EBITDA normalized (annualized)*	2.1	2.1

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

Principles of ratio calculation (according to the data for continuing operations):
debt ratio *– the ratio of current and non-current liabilities to total assets; measures the share of external funds in financing 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 debt *– liabilities from issued bonds, loans and borrowings (plus overdraft) and other debt instruments (finance lease + negative net valuation of derivatives) less cash and cash equivalents;*
gross debt *– liabilities from issued bonds, loans and borrowings (plus overdraft) and other debt instruments (finance lease + negative net valuation of derivatives)*

Debt financing of the CIECH Group

As at 31 March 2016, debt financing of the Group in the form of bonds and loans was obtained mainly through:

- Domestic bonds issued by CIECH S.A. — as at 31 March 2016, the nominal debt amounted to PLN 160 million (the carrying value amounted to PLN 163,425 thousand).
- Loans are granted to CIECH S.A. pursuant to the loans agreement of 29 October 2015:
  - term loan in the amount of PLN 1,045,031 thousand and EUR 69,673 thousand (the total amount of the loan as at 31 March 2016 was PLN 1,344,697 thousand)
  - revolving credit facility granted to CIECH S.A. in the amount of up to PLN 250,000 thousand (the amount of used credit as at 31 March 2016 amounted to PLN 0)
- bank overdrafts granted to CIECH Soda Deutschland GmbH & Co. KG in the amount of EUR 5,000 thousand — as at 31 March 2016 the debt amounted to EUR 4,905 thousand (i.e. PLN 20,937 thousand).

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

Factors and events that may affect future performance

The Management Board of CIECH S.A., on the basis of assumptions of Group's Strategy, anticipates that in 2016 the financial performance should still display an upward trend.
Further improvement in results will be fostered by:

- an increase in the production capacity of soda ash in CIECH Soda Polska S.A. in Inowrocław,
- further actions aimed at optimising the utilisation level of capacity in all production companies of the Group,
- an increase in the efficiency of Agro sector in CIECH Sarzyna S.A.
- continuous process of improving business and operational processes in all companies of the CIECH Group.

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

6. Significant risk factors

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

During the first quarter of 2016, no new risks occurred, and the previously identified factors have not changed, except for the proposed amendment to the regulation of the Minister of Environment on the classification of unit water bodies of surface waters and environmental quality standards for priority substances — the proposed amendment applies to the limit on chloride content in surface waters.

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

In May 2016, a risk has emerged in relation to the institution of composition proceedings of S.C. CET Govora S.A. with its registered office in Romania ("CET"). CET is the only supplier of technological steam to CIECH Soda Romania S.A. which is necessary for CIECH Soda Romania S.A. to produce soda ash and liquid glass. The steam is supplied under a long-term agreement (the "Agreement") which, as at the date of approval of this report, is performed both by CIECH Soda Romania S.A. and by CET without any obstacles. In accordance with provisions of the Romanian law, a bankrupt company conducts regular operating activities in the course of composition proceedings, and the objective of such proceedings is to satisfy creditors of the bankrupt company in accordance with the creditors repayment schedule, related to the organisational, financial and corporate restructuring of the bankrupt company. The purely theoretical possibility that CET may cease to supply the steam is contrary to the principles and objective of the composition proceedings. Steam produced by CET and purchased by CIECH Soda Romania S.A. generates significant revenue for CET and, above all, makes it possible for the bankrupt company to produce the electric energy it sells. Discontinuation of supply of steam to CIECH Soda Romania S.A. by CET, resulting from a termination of the Agreement or violation of its terms and conditions, could lead to the announcement of liquidation bankruptcy of CET. Liquidation bankruptcy of CET may be announced after the closure of unsuccessful composition proceedings.

Exposure to currency risk

The table below presents the estimated balance-sheet currency exposure of the CIECH Group in euro as at 31 March 2016 due to financial instruments (excluding figures of the SDC Group and Ciech Group Financing AB, because EUR is their functional currency):

Exposure to currency risk in EUR	('000 EUR)	Impact on the statement of profit or loss	Impact on statement of other comprehensive income*
Assets			
Loans granted to SDC Group	50,103	x	
Trade receivables	16,669	x	
Cash including bank deposits	5,027	x	
Liabilities			
Trade liabilities	(13,497)	X	
Term loan liabilities	(69,773)		x
Hedging instruments: Forward	(8,700)		x

Exposure to currency risk in EUR	('000 EUR)	Impact on the statement of profit or loss	Impact on statement of other comprehensive income*
Hedging instruments: CIRS (forward transactions isolated as part of decomposition of CIRS)	(246,898)		x
Total exposure	**(267,069)**		

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

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

Analysis of sensitivity to foreign exchange rate changes	('000 PLN)*	Impact on the statement of profit or loss	Impact on the statement of other comprehensive income
Currency items of statement of financial position	(115)	583	(698)
Hedging instruments: Forward and CIRS	(2,556)		(2,556)

** increase of EUR/PLN exchange rate by 1 grosz.*

The table below presents the estimated balance-sheet currency exposure of the CIECH Group in USD as at 31 March 2016:

Exposure to currency risk in USD	('000 USD)	Impact on the statement of profit or loss	Impact on statement of other comprehensive income
Assets			
Trade receivables	13,633	x	
Cash including bank deposits	2,878	x	
Liabilities			
Trade liabilities	(1,024)	x	
Hedging instruments: Forward	(400)		x
Total exposure	**15,087**		

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

Analysis of sensitivity to foreign exchange rate changes	('000 PLN)*	Impact on the statement of profit or loss	Impact on statement of other comprehensive income
Currency items of statement of financial position	155	155	-
Hedging instruments: Forward	(4)	-	(4)

** for currency exchange rate increase of USD/PLN rate by 1 grosz*

The CIECH Group applies hedge accounting. There were no changes in the presentation or valuation in this area compared to previous period. Tests performed as at the balance sheet date have shown that the hedging of future cash flows from the execution of revenues from sales denominated or indexed to the EUR exchange rate using a series of EUR/PLN forward transactions, through the de-composition of CIRS transactions, is not fully effective. The resulting inefficiency recognised in the income statement amounted to PLN -1,625 thousand.

7. Fulfilment of profit forecasts previously published for a given year in the light of the results disclosed in the report against the forecast results

The CIECH Group did not publish any forecasts for 2016.

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

External factors affecting the Group's results

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

Poland is the largest sales market of the CIECH Group. The direct, most important domestic recipients of the Group's products include: glass industry, chemical and plastic products industries, furniture, agriculture, construction, food industry. The development of these sectors of the economy depends on the economic situation in Poland.
According to the data of the Central Statistical Office, the sold industrial output at constant prices during the first 3 months of 2016 increased by 3.0% as compared with the corresponding period of the previous year (in 2015 — an increase of 5.3%). In 2016, the relevant dynamics of production in the industries of significant importance to the Group's activities (as receiving or target markets) were: chemicals and chemical products (increase by 2.5%); rubber and plastic products (increase by 8.0%); manufacture of motor vehicles (increase by 5.6%); manufacture of furniture (increase by 11.2%); manufacture of food (increase by 2.5%); construction and assembly production (decrease by 13.3%).
In the years 2014–2015, the Polish economy recorded definitely above-average rates of economic growth as compared to the European Union (increase in GDP by 3.3% and 3.6% respectively). This good economic situation observed last year should continue also in 2016 (expected GDP growth at 3.6%). Similar trends should be expected in the chemical industry which usually develops similarly to the whole economy.

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 of sales depends on the global economic situation in Europe and in the world. A weakening of the world economic situation usually results in a reduction of the demand for raw materials on world markets and hence on the amount of export turnover of the Group.
In 2016, as estimated by the International Monetary Fund, the global GDP will increase by 3.2% (i.e. slightly more than in the previous year, when the growth amounted to 3.1%). The largest Asian economies grow relatively quickly (India, China, and ASEAN countries, for which the GDP growth indicators should be, respectively: 7.5%, 6.5%, 4.8%). Among large economies, the worst situation is observed in Russia (expected GDP decrease by 1.8% in 2016) and in Brazil (decrease by 3.8%). In turn, the European Union is expected to record a slight slow-down of the development (GDP growth of 1.8% in 2016 vs. 2.0% in 2015).
For the chemical sector, the American Chemical Chamber (ACC) assumes that after a moderate increase in the chemical production in 2014–2015 (by 3.0% and 2.8%, respectively), the following years will indicate a certain growth in productivity: by 3.3% in 2016 and by 3.7% in 2017. In the case of USA, this growth should reach 2.9% in 2016, and 4.4% in 2017. The European Council of Chemical Industry (CEFIC) forecasts that the year 2016 will bring an increase in the chemical production by only 1.0% (in comparison with the increase of 0.5% in 2015).

Financial condition of agriculture
A part of the CIECH Group revenues, including plant protection products (products made in the Group or goods), are generated from the sales to the agricultural sector. In the opinion of the Group, in the long-term perspective, the demand for chemicals for agriculture used in Poland and in Central and Eastern Europe should still grow. Significant factors that are favourable for the increase in the consumption of agrochemicals in Poland and thus in the demand for products and merchandise of the Group, include processes improving the financial condition and profitability of agricultural production, including: quotation of production and direct subsidies. This should be reflected in the increase in revenues of the Group. On the other hand, the lack of significant improvement in the purchasing power of the agricultural sector may result in stagnation of the demand for plant pesticides and, at the same time, in stagnation of the Group's revenues in the agrochemical products.
According to the data of the Institute of Agricultural and Food Economics (IERiGŻ), during the period of 3 months of 2016, as compared to the corresponding period of the previous year, there was a slight improvement of market conditions for the domestic agricultural sector with an advantageous ratio of agricultural produce to prices of the means of production. In March 2016, the synthetic ratio of the economic situation in agriculture measured by IERiGŻ remained at the previous year's level. In the coming period, the market conditions for the Polish agriculture will not change significantly, mainly due to low prices of agricultural products in most of the global markets.

Competitors' activities in the scope of increase of production capacity
In the sectors of mass chemical products, in which the CIECH Group operates, the capital expenditures are an important barrier to entry, and in the case of the soda segment – an easy access to natural resources. For this reason, in the scope of the most important segment of the CIECH Group, the soda segment, green field investments are rare and generally done outside Europe.
The planned opening of soda ash and baking soda production plants in Turkey, with the total capacity of 3.3 million tonnes/year within the nearest approx. 2 years, will be an exceptional event from the perspective of the last decades. The above investments may bring such results as: a temporary, significant oversupply of the product, and a decrease in prices in Europe and in the neighbouring regions, which may have a negative impact on the Group's results of operations.

Economic situation on raw material market
A part of the commercial turnover within the Group's operations is the import of raw chemicals to Poland. The raw material markets are of a cyclical nature related to fluctuations in the global economy. On the one hand, the rising prices of raw materials cause a reduction in the margins of commercial intermediaries and weakening demand at the part of their recipients. On the other hand, the falling prices are usually a symptom of a decreasing demand and the beginning of an economic downturn. The maintenance of a stable rate of economic growth and stable prices of chemical raw materials will have a positive impact on the commercial activity of the Group in the scope of import of raw materials. Significant demand and price fluctuations may be a

result of economic changes due to, for instance, a rapid economic growth or economic stagnation. Strong fluctuations can have a negative impact on the operations related to trade in raw chemicals by the CIECH Group.

REACH system implementation

In accordance with the REACH regulation, the Group's companies selling substances in quantities exceeding 1 ton p.a. have completed or plan to complete full registration of these substances by defined deadlines, which will enable them to continue their operations in the current scope. To date, the CIECH Group has registered 21 substances with the tonnage range from 100 to more than 1,000 Mg/y. Until 31 May 2018, 12 marketed substances in the quantity of 1–100 Mg/y are planned to be registered.

Emission trading system

The emission trading system applies to:

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

External analyses performed by the CIECH Group companies indicate that the amount of free CO_2 emission allowances in the 3rd settlement period (2013–2020) will be insufficient to cover the actual demand for this type of settlement units. The resulting deficit of CO_2 emission allowances may be balanced by applying one or several of the following measures:

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

In addition to the direct costs connected with the purchase of CO_2 emission allowances, the CIECH Group companies will bear higher costs of electricity due to their assumption of the costs of purchase of emission allowances from the producers.

EUR/PLN and USD/PLN exchange rate relationships

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

Internal factors affecting the Group's results

Maintaining cost and quality competitiveness

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

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

Quality and stability of the management and staff

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

9. CIECH S.A.'s shareholders holding at least 5% of shares/votes at the General Meeting of Shareholders

Shares of CIECH S.A. are quoted on the Warsaw Stock Exchange. 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, including:

- 20,816 A-series ordinary bearer shares,
- 19,775,200 B-series ordinary bearer shares,
- 8,203,984 C-series ordinary bearer shares,
- 23,000,000 D-series ordinary bearer shares,
- 1,699,909 E-series ordinary bearer shares.

SHAREHOLDERS

As of the date of publishing the previous report (i.e. the date of publication of the Consolidated Report of the CIECH Group for 2015, announced on 21 March 2016), CIECH S.A. has not received any information from the shareholders about increasing or decreasing the interests of any of them in the total number of shares. To the best knowledge of CIECH S.A., on the date of the approval of this report , entities holding significant blocks of shares (at least 5%) included two entities listed below: KI Chemistry s. à r. l. with its registered office in Luxembourg and ING Otwarty Fundusz Emerytalny.

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%**
ING Otwarty Fundusz Emerytalny**	Ordinary bearer	5,000,000	5,000,000	9.49%	9.49%
Other	Ordinary bearer	20,747,857	20,747,857	39.37%	39.37%

** on the basis of the list of entities holding at least 5% of votes at the Extraordinary Meeting of Shareholders of CIECH S.A. on 7 March 2016, CR 8/2016 prepared and published pursuant to Article 70(3) of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organized Trading, and on Public Companies.*

*** on the basis of the list of entities holding at least 5% of votes at the Extraordinary Meeting of Shareholders of CIECH S.A. on 7 October 2015, CR 35/2015 prepared and published pursuant to Article 70(3) of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies.*

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

The number of CIECH S.A. shares held by managers and supervisors as at the date of approval of this report is as follows:
- Mr Artur Osuchowski — Member of the Management Board of CIECH S.A. holds 65,195 shares in CIECH S.A.

At the date of this report, other management and supervisory persons of CIECH S.A. did not hold any shares in CIECH S.A. or shares or holdings in related entities. There have been no changes in this regard since the publication of Consolidated Report of the CIECH Group for 2015, i.e. since 21 March 2016.

11. Litigation pending before a court, an appropriate arbitration authority or a public administration authority

11.1 Significant disputed liabilities of the CIECH Group

As at 31 March 2016, the total value of significant disputed liabilities of CIECH S.A. and subsidiaries of CIECH S.A., pursued in all types of proceedings before court, body appropriate for arbitration proceedings or public administration bodies represents less than 10% of CIECH S.A.'s equity.

11.2 Significant disputed receivables of the CIECH Group

As at 31 March 2016, the total value of significant disputed receivables of CIECH S.A. and subsidiaries of CIECH S.A., pursued in all types of proceedings before court, body appropriate for arbitration proceedings or public administration bodies represents less than 10% of CIECH S.A.'s equity.

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

Sureties and guarantees granted as at 31 March 2016:

Beneficiary's name	Total amount of liabilities covered by guarantee/surety in whole or in specific part		Guarantee period	Financial terms, including guarantee fee due to the company	Principal	Nature of relations between CIECH S.A. and the principal
	currency '000	PLN '000				
CIECH S.A.						
Anwil S.A.	PLN 15,000 thousand	15,000	2017-06-30	Commission of 1.5% p.a. of the guaranteed liability; collateral pertaining to liability.	CIECH Trading S.A.	Subsidiary
Bank Pekao S.A.	EUR 5,000 thousand	31,342	2016-12-23	Commission of 1.5% p.a. of the guaranteed liability; collateral pertaining to liability	CIECH Soda Deutschland GmbH&Co.KG	Subsidiary

Beneficiary's name	Total amount of liabilities covered by guarantee/surety in whole or in specific part currency '000	PLN '000	Guarantee period	Financial terms, including guarantee fee due to the company	Principal	Nature of relations between CIECH S.A. and the principal
BASF Polska Sp. z o.o., BASF SE	EUR 10,000 thousand	42,684	Until 12 March 2017 at the latest	Guarantee for certain liabilities and warranties made by Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej under the Agreement for Sale and Transfer of TDI assets to BASF.	Infrastruktura Kapuściska S.A. w likwidacji	Unrelated company
Bioagra-Oil S.A.mbH	PLN 250 thousand	250	2016-09-30	Commission of 1.5% p.a. of the guaranteed liability; collateral pertaining to liability	CIECH Trading S.A.	Subsidiary
BZ WBK Faktor Sp. z o.o.	PLN 18,000 thousand	18,000	No time limit	Commission of 1.5% p.a. of the guaranteed liability; collateral pertaining to liability	CIECH Trading S.A.	Subsidiary
BZ WBK Faktor sp. z o.o.	PLN 49,500 thousand	49,500	No time limit	Commission of 1.5% p.a. of the guaranteed liability	CIECH Finance Sp. z o.o.	Subsidiary
Spolana a.s.	EUR 1,500 thousand	6,403	Liabilities incurred and outstanding by 31.12.2016	Commission of 1.5% p.a. of the guaranteed liability; collateral pertaining to liability.	CIECH Trading S.A.	Subsidiary
Zakłady Chemiczne ALWERNIA S.A.	PLN 1,000 thousand	1,000	Liabilities incurred and outstanding by 31.12.2016	Commission of 1.5% p.a. of the guaranteed liability; collateral pertaining to liability.	CIECH Trading S.A.	Subsidiary
GEA Process Engineering A/S	EUR 1,038 thousand	4,431	2016-05-04 (guarantee expired)	Commission of 1.5% p.a. of the guaranteed liability	CIECH Soda Polska S.A.	Subsidiary
Azoty Group Zakłady Azotowe Kędzierzyn S.A.	EUR 200 thousand	854	2016-09-30	Commission of 1.5% p.a. of the guaranteed liability	CIECH Trading S.A.	Subsidiary
PGE Polska Grupa Energetyczna S.A.	PLN 10,000 thousand	10,000	2016-12-31	Commission of 1.5% p.a. of the guaranteed liability	CIECH Soda Romania S.A.	Subsidiary
Siemens Industrial Turbo- machinery s.r.o	EUR 1,753 thousand	7,483	Lease instalments outstanding by 30.04.2019	Commission of 0.4% p.a. of the guaranteed liability	KWG	Subsidiary
VITROBUDOWA Sp. z o.o.	PLN 67,035 thousand	67,035	90 calendar days from signing the final acceptance report	Commission of 1.5% p.a. of the guaranteed liability	CIECH Vitrosilicon S.A.	Subsidiary
Selected subsidiaries in Poland, Germany and Romania						
holders of Series 02 domestic bonds	PLN 248,000 thousand *(guarantee granted up to the amount of 155% of liabilities related to the issue of domestic bonds in the amount of PLN 160,000 thousand)*	PLN 248,000 thousand	2017-12-05	Commission of 0.55% p.a of the difference between the limit of the guarantee collateralised by assets and a surplus of the guarantee limit;	CIECH S.A.	Parent company

Beneficiary's name	Total amount of liabilities covered by guarantee/surety in whole or in specific part		Guarantee period	Financial terms, including guarantee fee due to the company	Principal	Nature of relations between CIECH S.A. and the principal
	currency '000	PLN '000				
banks: Bank Handlowy w Warszawie S.A., Bank Millennium S.A., BZWBK S.A., Bank PKO BP S.A., Credit Agricole Bank Polska S.a., HSBC Bank Polska S.A., ICBC (Europe) S.A. Branch in Poland	PLN 1,618,789 thousand (*guarantee granted up to the amount of 125% of liability related to term loan in the amount of PLN 1,045,031 thousand and revolving loan in the amount of PLN 250,000 thousand)* EUR 87,091 thousand (*guarantee granted up to the amount of 125% of liability related to term loan in the amount of EUR 69,673 thousand*)	PLN 1,990,529 thousand	2023-12-31	Commission of 0.55% p.a of the difference between the limit of the guarantee collateralised by assets and a surplus of the guarantee limit;	CIECH S.A.	Parent company
Total amount of guarantees and sureties granted		**2,492,511**				

Letters of support

As at 31 March 2016, CIECH S.A. was the obliged party in the following letter of support:

- Letter of support (Patronatserklärung) regarding CIECH Soda Deutschland GmbH&Co. KG seated in Staßfurt granted to RWE Gasspeicher GmbH ("RWE") relating to liabilities of CIECH Soda Deutschland GmbH&Co. KG resulting from the agreement dated 5 May 2009 on salt caverns construction for the purpose of natural gas storage on the mining field Stassfurt according to which CIECH Soda Deutschland GmbH&Co. KG received payments of EUR 34.8 million from RWE by 31 March 2016. In the letter of support, CIECH S.A. has committed, among other things, to ensure that CIECH Soda Deutschland GmbH&Co. KG will have sufficient funds to fulfil its financial commitments against RWE resulting from the above-mentioned agreement.

13. Information on transactions between the key management personnel of CIECH S.A. and related parties

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

QUARTERLY FINANCIAL INFORMATION
OF THE PARENT COMPANY
CIECH S.A.
FOR 3-MONTH PERIOD ENDED 31 MARCH 2016

IV. Quarterly financial information of the Parent Company, CIECH S.A.

Interim Separate Statement of Profit Or Loss of CIECH S.A.

PLN '000	**01.01–31.03.2016**	**01.01–31.03.2015***
CONTINUING OPERATIONS		
Sales revenues	**529,928**	**485,469**
Cost of sales	(405,027)	(378,070)
Gross profit/(loss) on sales	**124,901**	**107,399**
Other operating income	766	22,175
Selling costs	(38,649)	(31,847)
General and administrative expenses	(12,149)	(11,894)
Other operating expenses	(1,156)	(533)
Operating profit/(loss)	**73,713**	**85,300**
Financial income	9,083	49,207
Financial expenses	(23,399)	(55,098)
Net financial income/expenses	**(14,316)**	**(5,891)**
Profit/(loss) before tax	**59,397**	**79,409**
Income tax	(10,232)	(16,929)
Net profit/(loss) on continuing operations	**49,165**	**62,480**
DISCONTINUED OPERATIONS		
Net profit/(loss) on discontinued operations	**-**	**-**
Net profit / (loss)	**49,165**	**62,480**
Earnings per share (in PLN):		
Basic	0.93	1.19
Diluted	0.93	1.19
Earnings/(loss) per share (in PLN) from continuing operations:		
Basic	0.93	1.19
Diluted	0.93	1.19

Interim Separate Statement of Other Comprehensive Income of CIECH S.A.

PLN '000	**01.01–31.03.2016**	**01.01–31.03.2015**
Net profit/(loss) on continuing operations	**49,165**	**62,480**
Net profit / (loss)	**49,165**	**62,480**
Other comprehensive income before tax that may be reclassified to profit or loss	**(3,061)**	**4,122**
Cash flow hedge	(3,061)	4,122
Other comprehensive income before tax that may not be reclassified to profit or loss	**-**	**-**
Income tax attributable to other comprehensive income	**582**	**(783)**
Income tax attributable to other comprehensive income that may be reclassified to profit or loss	582	(783)
Income tax attributable to other comprehensive income that may not be reclassified to profit or loss	-	-
Other comprehensive income net of tax	**(2,479)**	**3,339**
TOTAL COMPREHENSIVE INCOME	**46,686**	**65,819**

Interim Separate Statement of Financial Position of CIECH S.A.

PLN '000	**31.03.2016**	**31.12.2015**
ASSETS		
Property, plant and equipment	12,107	12,808
Intangible assets	9,339	9,462
Shares	2,006,409	2,006,409
Long term loans	428,156	292,868
Other long-term investments	50,449	29,078
Deferred income tax assets	126,342	135,316
Total non-current assets	**2,632,802**	**2,485,941**
Inventory	25,642	19,673
Short-term investments	218,498	215,411
Income tax receivables	214	194
Trade and other receivables	381,245	331,797
Cash and cash equivalents	85,971	174,745
Total current assets	**711,570**	**741,820**
Total assets	**3,344,372**	**3,227,761**
EQUITY AND LIABILITIES		
Share capital	287,614	287,614
Share premium	470,846	470,846
Cash flow hedge	(4,814)	(2,335)
Actuarial gains	50	50
Other reserve capitals	76,199	76,199
Retained earnings	514,014	464,849
Total equity	**1,343,909**	**1,297,223**
Loans, borrowings and other debt instruments	1,495,658	1,494,775
Other non-current liabilities	73,947	41,828
Employee benefits	521	510
Total non-current liabilities	**1,570,126**	**1,537,113**
Loans, borrowings and other debt instruments	166,312	124,124
Trade and other liabilities	234,610	238,127
Income tax liabilities	4,262	4,219
Provisions (short-term provisions for employee benefits and other provisions)	25,153	26,955
Total current liabilities	**430,337**	**393,425**
Total liabilities	**2,000,463**	**1,930,538**
Total equity and liabilities	**3,344,372**	**3,227,761**

Interim Separate Statement of Cash Flows of CIECH S.A.

PLN '000	**01.01–31.03.2016**	**01.01–31.03.2015**
Cash flows from operating activities		
Net profit/(loss) on continuing operations	**49,165**	**62,480**
Adjustments		
Amortisation/depreciation	1,078	1,808
Recognition of impairment allowances	(1,088)	31,787
Foreign exchange (profit) /loss	250	(25,178
(Profit)/ loss on investment activities	-	(13,039)
(Profit) / loss on disposal of property, plant and equipment	-	(1)
Dividends and interest	7,302	10,950
Income tax	10,232	16,929
Change in liabilities due to loan arrangement fee	567	1,242
Valuation of financial instruments	(1,317)	-
Cash from operating activities before changes in working capital and provisions	**66,189**	**86,978**
Change in receivables	(87,545)	(1,751)
Change in inventory	(5,969)	4,845
Change in current liabilities	(1,736)	35,211
Change in provisions and employee benefits	(1,791)	(44)
Cash generated from operating activities	**(30,852)**	**125,239**
Interest paid	(254)	(439)
Net cash from operating activities	**(31,106)**	**124,800**
Cash flows from investment activities		
Inflows	**43,040**	**62,448**
Disposal of financial assets	2,931	**-**
Disposal of intangible assets and property, plant and equipment	1	1
Dividends received	-	118
Interest received	1,656	4,504
Inflows - cash pooling	27,138	-
Outflows	**(116,487)**	**(190,008)**
Acquisition of financial assets	-	(20)
Acquisition of intangible assets and property, plant and equipment	(3,012)	(5,390)
Raise capital expenditures and extra charge on capital	-	(35,495)
Borrowings paid out	(113,475)	(123,109)
Outflows - cash pooling	-	(25,994)
Net cash from investment activities	**(73,447)**	**(127,560)**
Cash flows from financial activities		
Inflows	**15,740**	**186,499**
Proceeds from loans and borrowings	-	186,499
Inflows - cash pooling	15,740	-
Outflows	**-**	**(178,190)**
Repayment of borrowings	-	(147,997)
Outflows - cash pooling	-	(30,118)
Payments of finance lease liabilities	-	(75)
Net cash from financial activities	**15,740**	**8,309**
Total net cash flows	**(88,813)**	**5,549**
Cash and cash equivalents as at the beginning of the period	**174,745**	**10,261**
Impact of foreign exchange differences	*39*	*(6)*
Cash and cash equivalents as at the end of the period	**85,971**	**15,804**

Interim Separate Statement of Changes in Equity of CIECH S.A.

PLN '000	Share capital	Share premium	Cash flow hedge	Other reserve capitals	Actuarial gains	Retained earnings	**Total equity**
Equity as at (beginning of the period) 01.01.2016:	**287,614**	**470,846**	**(2,335)**	**76,199**	**50**	**464,849**	**1,297,223**
Total comprehensive income for the period	**-**	**-**	**(2,479)**	**-**	**-**	**49,165**	**46,686**
Net profit / loss	-	-	-	-	-	49,165	49,165
Other comprehensive income	-	-	(2,479)	-	-	-	(2,479)
Equity as at (end of the period) 31.03.2016:	**287,614**	**470,846**	**(4,814)**	**76,199**	**50**	**514,014**	**1,343,909**

PLN '000	Share capital	Share premium	Cash flow hedge	Other reserve capitals	Actuarial gains	Retained earnings	**Total equity**
Equity as at (beginning of the period) 01.01.2015:	**287,614**	**470,846**	**(5,724)**	**76,199**	**(348)**	**133,271**	**961,858**
Total comprehensive income for the period	**-**	**-**	**3,339**	**-**	**-**	**62,480**	**65,819**
Net profit / loss	-	-	-	-	-	62,480	62,480
Other comprehensive income	-	-	3,339	-	-	-	3,339
Equity as at (end of the period) 31.03.2015:	**287,614**	**470,846**	**(2,385)**	**76,199**	**(348)**	**195,751**	**1,027,677**

Explanatory notes to the Interim separate financial statements of CIECH S.A.

Basis of preparation

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

These interim separate financial statements were prepared in compliance with the Regulation of the Minister of Finance dated 19 February 2009, as amended, on current and periodical information submitted by issuers of securities and on conditions for deeming equivalent information required by the law of a Non-Member State (Journal of Laws of 2009, No 33, item 259). They present the financial position of the parent company, CIECH S.A., as at 31 March 2016 and as at 31 December 2015, results of the parent company's operations and cash flows for the period of 3 months ended 31 March 2016 and 31 March 2015, and were approved by the Management Board of CIECH S.A. on 12 May 2016.

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

These interim separate financial statements should be read together with interim condensed consolidated financial statements of the CIECH Group for the 3-month period ended 31 March 2016.

Adopted accounting principles

The CIECH S.A.'s accounting principles are described in the Annual Report of CIECH S.A. for the year 2015, published on 21 March 2016. The aforementioned Report includes detailed information regarding the principles and methods of valuation of assets, equity and liabilities and measurement of the financial result as well as the method of preparing the financial statements and comparative information. These principles have been applied on a continuous basis with relation to currently published data, the last annual financial statements and comparative data.

Changes in estimates

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

V. Approval of the extended consolidated quarterly report of the CIECH Group

This extended consolidated quarterly report of the CIECH Group was approved by the Management Board of CIECH S.A. at its registered office on 12 May 2016.

Warsaw, 12 May 2016

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

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

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

……..
Katarzyna Rybacka –— Chief Accountant of CIECH Spółka Akcyjna