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Financial results for Q1 2017

Warsaw, 16th May 2017

Q1 2017 – executive summary



PLN 898 m

revenues

PLN 187 m

Adj. EBITDA

20.7%

Adj. EBITDA margin

Sales of additional volumes of soda ash yoy (thanks to the Soda +200 investment)

Slightly lower selling prices of soda ash yoy

Higher costs of energy sources, furnace fuel and raw materials for production of resins and foams

Higher sales of crop protection products despite successful pre-season sales in Q4 2016

Higher sales of silicates (from the completed investment in CIECH Vitrosilicon), a demanding situation in the market of glass packaging



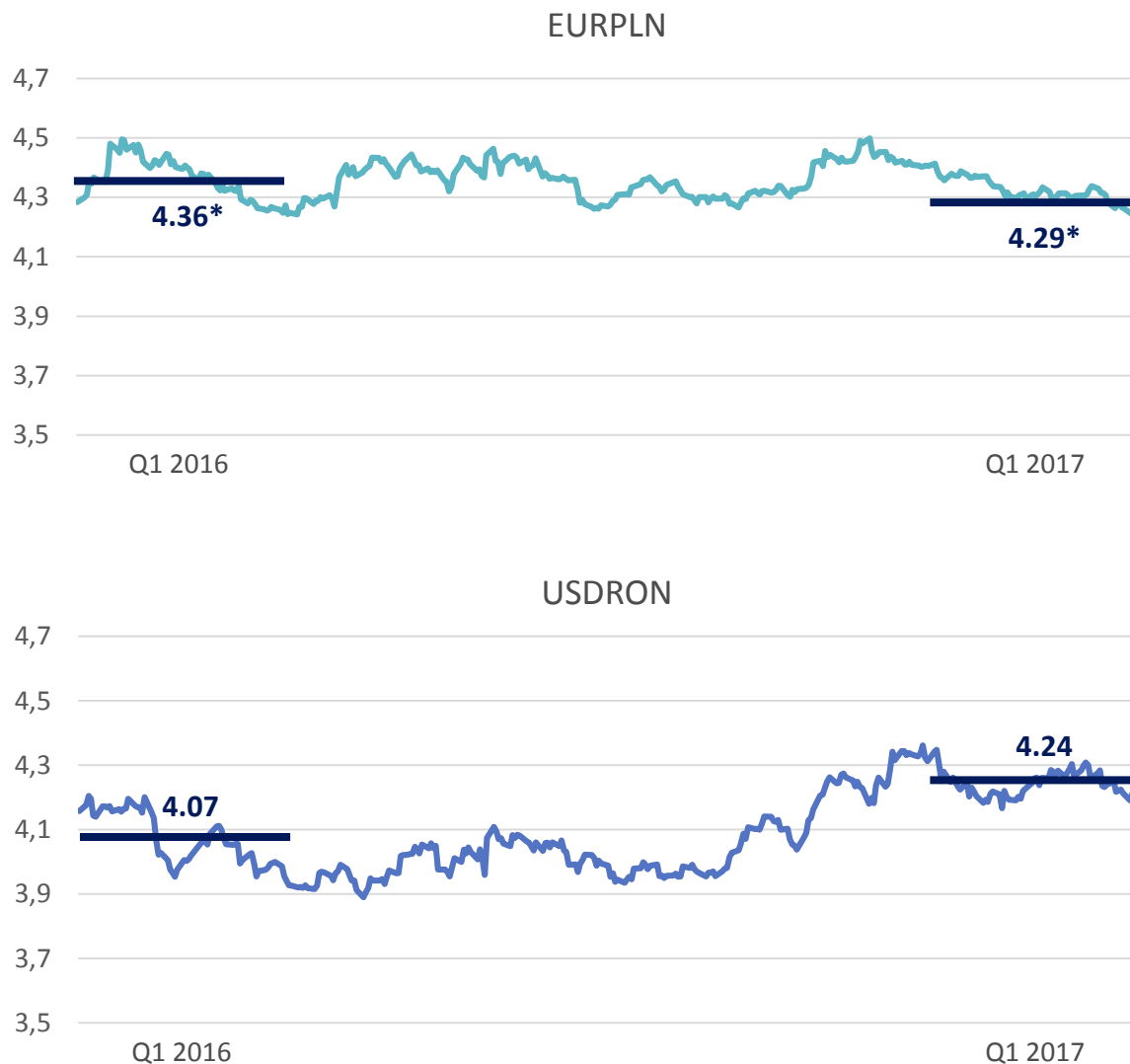
1. Most important events of Q1 2017

2. Financial results for Q1 2017

3. Outlook for next quarters



Market environment: currency situation



The Group applies instruments securing it against foreign currency changes, according to the adopted policy. Therefore, the EURPLN changes were not so painful.

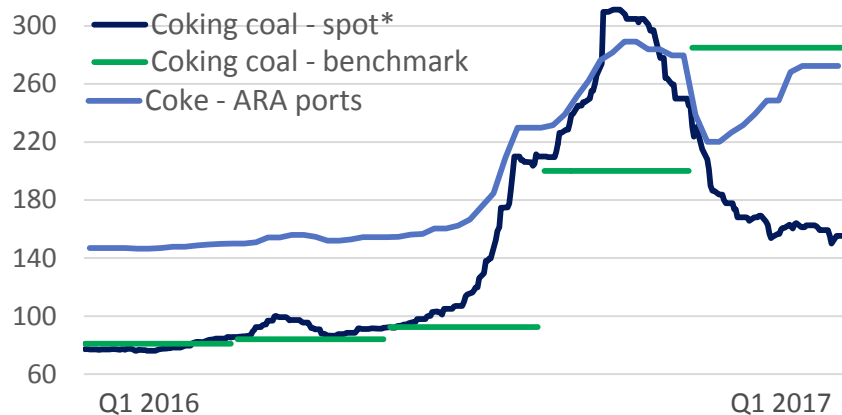
Weakening of Romanian currency towards USD had a positive impact for revenue.

Annual net exposure of the Group (revenues in foreign currency vs. costs in foreign currency) in 2016:

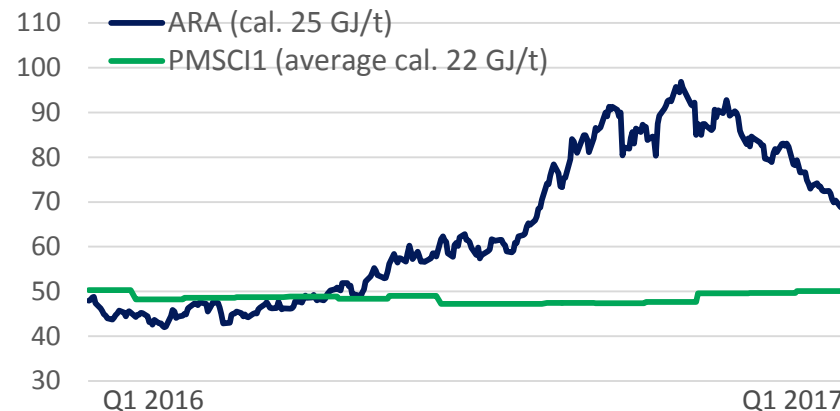
- EUR 150 million
- USD 70 million

Market environment: raw materials

Coking coal and coke prices [USD/t]



Coal prices [USD/t]



German Gaspool (GLP) Natural Gas – 1M Forwards



The CIECH Group purchases coal, coke and anthracite on the basis of contracts each time negotiated (volumes and prices). Thus, market listings help to estimate the trend but not the actual contract prices of CIECH.

Only the formula of gas prices is generally based on market listings (the Group applies partial hedging).

Business: soda segment



Effective sales of additional volumes of soda ash under the Soda +200 investment

Lower contract prices of soda ash

Production volumes lower than expected due to small breakdowns of production installations

Development of dialysis soda in Germany



Higher sales of dry salt, mainly salt tablets and 25 kg packages



Continuation of the desulfurization and denitrification investments

Strengthening of relations with clients and development of logistic competence

Business: organic segment



Successful sales of crop protection products despite large pre-seasonal sales in Q4 2016

Developing sales forces in Poland

Growth of foreign sales of AGRO products

Registration of another new product in Poland (Chwastox Complex) and new foreign MCPA registrations (Iran, Azerbaijan, Spain)

Significant growth in the prices of materials for resin production



Growth in the price of materials for foams production



Higher sales of foams – taking advantage of the growing demand in the market of upholstery furniture and mattresses



Business: silicates and glass segment



Very high competition in the glass packaging market, mainly from large producers and Ukrainian plants

Higher sales of glassy sodium silicate – implementation of the contract with Solvay according to the plan

Change of the portfolio structure of jars



Effective sales efforts in the business of lanterns – CIECH's lanterns models in the largest commercial networks



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Profit and loss account

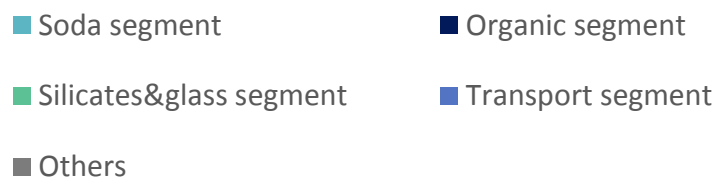
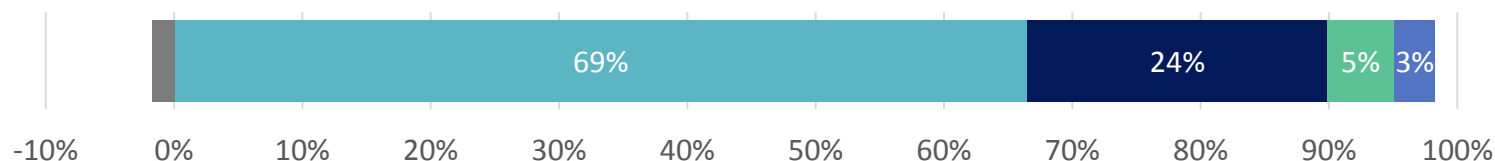
[PLN million]	Q1 2017	Q1 2016	yoy
Revenue	898	826	8.7%
EBIT	127	150	-15.7%
EBIT margin	14.1%	18.2%	-4.1%
EBITDA	186	204	-8.4%
EBITDA margin	20.7%	24.6%	-3.9%
Adjusted EBITDA	187	206	-9.5%
Adjusted EBITDA margin	20.8%	25.0%	-4.2%
Net result	78	102	-23.6%
Net margin	8.7%	12.4%	-3.7%

EBITDA (Z) – adjusted for untypical one-off Events.

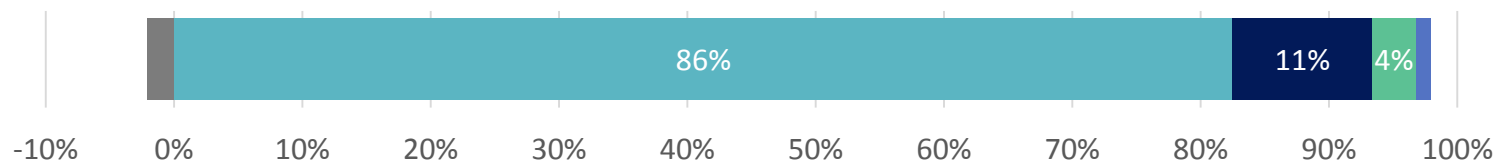
In Q1 2017: valuation of investment properties to fair value: PLN 0.8 million; change in impairment losses on assets: PLN -1.1 million; change in provisions: PLN -0.5 million; other: PLN 0.5 million.

Results by segments

Revenues



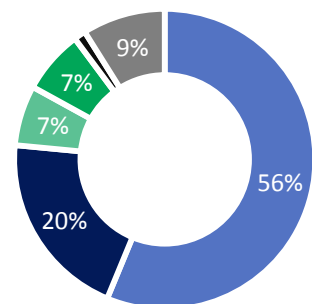
Adj. EBITDA



Revenues by products

	Kluczowe produkty	% przychodów
SODA SEGMENT	Soda ash dense	38.7%
	Soda ash light	14.0%
	Salt	4.7%
	Sodium bicarbonate	4.5%
ORGANIC SEGMENT	Resins	9.8%
	Poliurethane foams	8.3%
	Crop protection chemicals	5.7%
KRZEMIANY I SZKŁO	Sodium silicates	3.3%
	Potassium silicates	0.1%
	Cointainer glass	2.0%
	Transport services	0.2%

Revenue structure from soda segment



- Soda ash dense
- Soda ash light
- Sodium bicarbonate
- Salt
- Calcium chloride
- Others

Results vs. consensus

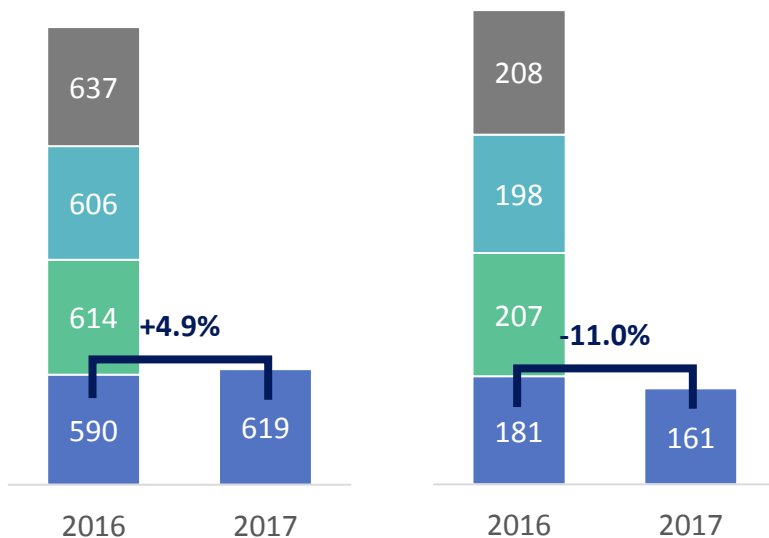
[mln PLN]	Q1 2017	Consensus Q1 2017	Range of forecasts
Revenues	898	886	854 – 934
EBIT	127	129	119 – 137
EBIT margin	14,1%	14,5%	13,9% – 15,5%
EBITDA	186	188	179 – 196
EBITDA margin	20,7%	21,2%	20,1% – 22,2%
Adjusted EBITDA	187	188	179 – 196
Adjusted EBITDA margin	20,8%	21,2%	20,1% – 22,2%
Net result	78	91	87 – 97
Net margin	8,7%	10,3%	9,5% – 10,9%

Soda segment

Q1 Q2 Q3 Q4

Revenue [PLN million]

Adj. EBITDA [PLN million]



Positive:

Higher volumes of soda sales (under the Soda+200 investment)

Higher volumes from Romanian plant – high demand on overseas markets due to lower activity of Chinese producers

Higher volumes of sales of dry salt (mainly salt tablets and salt in 25 kg packages)

The weakening of RON towards USD

Negative:

Lower selling prices

Higher prices of furnace fuel (coke, anthracite) and gas

Lower sales of soda from the German plant as a result of small production limitations; some limitations also in Polish plants

Lower prices of dry salt due to the large supply and intensive competitors' activities

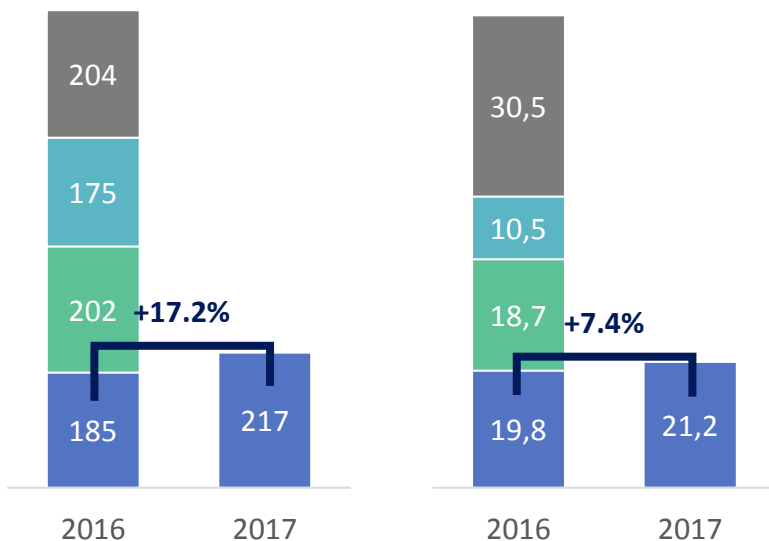
The weakening of PLN in relation to EUR (partly levelled thanks to currency hedging)

Organic segment



Revenue [PLN million]

Adj. EBITDA [PLN million]



Positive:

Crop protection products – higher sales in Q1 despite successful pre-seasonal sales in Q4 2016; higher export sales

Foams – higher volumes of sale as a result of the growth in demand from upholstery furniture and mattresses producers; continued increase of production effectiveness; growth in prices

Negative:

Resins – lower margins due to a significant growth in prices of raw materials and problems with their availability (production exclusions in China)

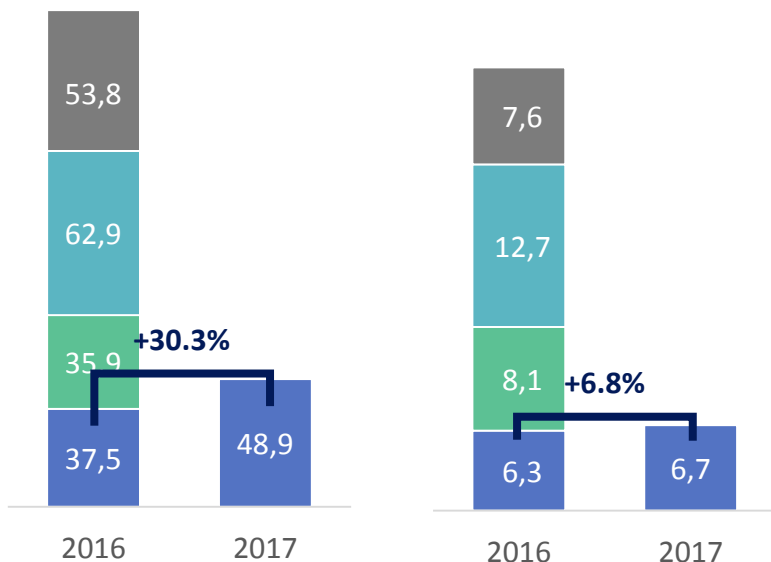
Foams – growth in raw materials prices (TDI, polyalcohols) for production of foams

Silicates and glass segment

Q1 Q2 Q3 Q4

Revenue [PLN million]

Adj. EBITDA [PLN million]



Positive:

Silicates – higher volumes of sale of sodium silicates from a new furnace

Lanterns – effective sales efforts: positive results for CIECH in competitions for lantern models for the largest commercial networks (commencement of contract implementation in March this year); maintenance of prices at last year's level

Jars – a change in the structure of the product range (new product models introduced in 2016)

Negative:

Lanterns – lower volumes of sales in January and February (delayed finalization of competitions for product models by the largest networks); intensive competitors' activities (higher supply of cheap lanterns from Poland and Ukraine)

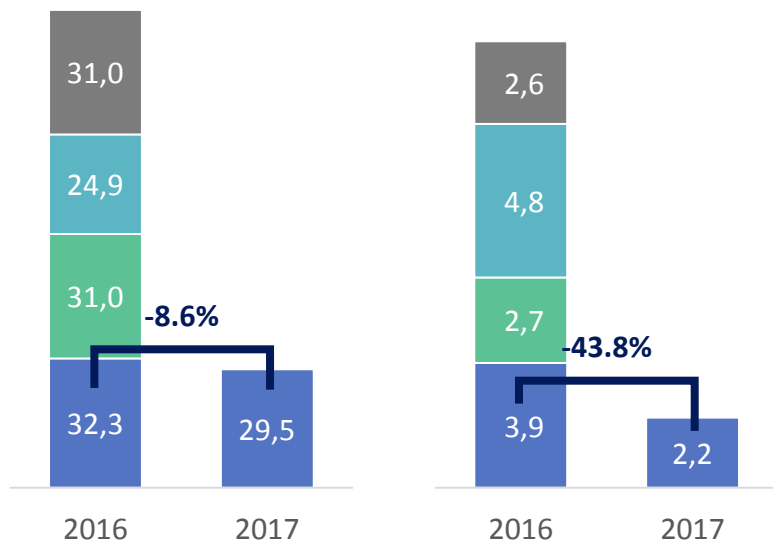
Jars – continued price pressure

Transport segment



Revenue [PLN million]

Adj. EBITDA [PLN million]



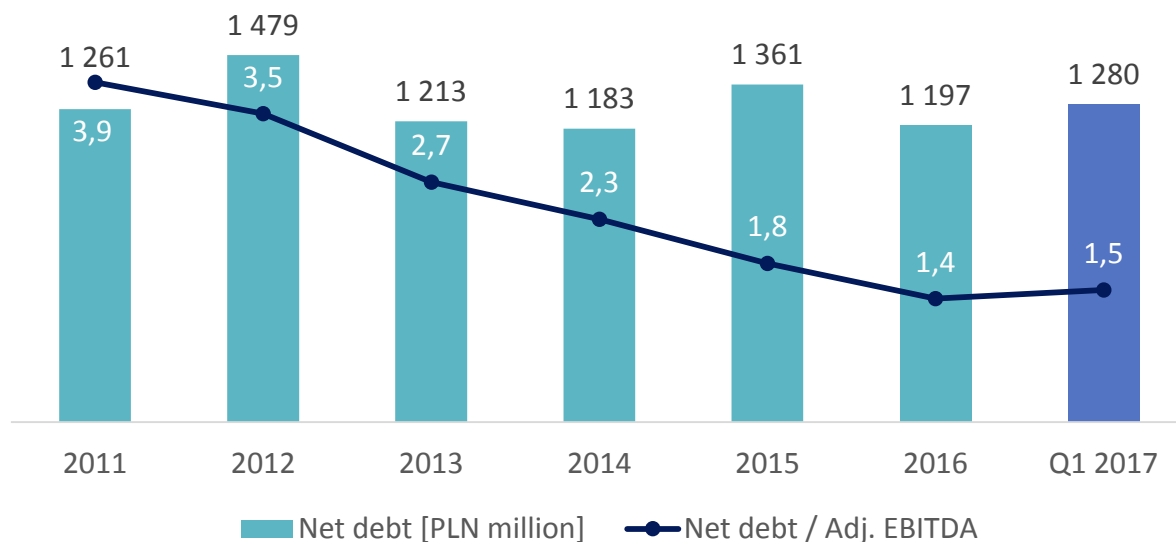
Positive:

Higher volumes sold outside of the CIECH Group
External transport prices maintained at last year's level

Negative:

Price pressure of other companies due to the weather conditions and lower supply of services
Discontinuation of CIECH Transclean

Debt



The Group systematically reduces its debt. At the end of Q1 2017 net debt index / EBITDA (Adj.) amounted to 1.49

Thanks to the refinancing of the debt in Q4 2015 the Group's costs of debt servicing are much lower currently

[thousand PLN]

	At the end of Q1 2017	At the end of 2017
Debt ratio	58.1%	60.8%
Long-term debt ratio	36.5%	37.7%
Equity capital debt ratio	138.8%	155.3%
Gross financial liabilities	1 569 801	1 610 867
Net financial liabilities	1 279 875	1 196 498

Cash flow

[mln PLN]	Q1 2017	Q1 2016
EBITDA	186	204
Working capital	-176	-112
Interest paid	-1	-1
Taxes paid	-10	-11
Others	-20	-13
Cash flow from operating activities	-21	66
CAPEX	-110	-138
Other	8	4
Cash flow from investment activities	-102	-135
Free cash flow	-123	-69
Debt financing	-2	-2
Cash flow from financial activities	-2	-2
Total net flow	-125	-71
Closing balance of cash	290	132

Simplified

Operating activity

- Mainly change in the trade working Capital (higher inventory and receivables, lower liabilities)
- Others include mainly a change in short-term liabilities, fringe benefits, non-trade short-term liabilities and receivables

Investment activity

- Expenses connected with the implemented investment programme were a little bit lower than in the previous year

Financial activity

- Financial activity at the similar level as the year ago



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Activities related to soda ash

Continuing to build strong customer relationships



Continuation of investments in desulfurization and denitrification installations in power plants in Poland

Maintenance of cost competitiveness through process optimization, improvement of production output



Effective management of energy sources



Further expansion onto international markets (e.g. Africa, South America)

Development of logistical capacities, including takeover of customers' warehouse management

Development of container sales activity



Further development of specialized products

Development of the salt products warehouse



Development of new salt products

Intensification of salt tablet production and work on increasing share in the Polish market

Development of the sodium bicarbonate portfolio towards products with even higher margins – focus on dialysis soda



Further development of the resins portfolio towards more specialized products

Next registrations of AGRO products and active substances in the European Union

Extension of applications of the current AGRO products through intensive R&D activities

Work on new products in the crop protection products business

Effective management of the raw materials for production of resins and foams



Expansion of the foams portfolio

Completion of the investment in the warehouse of long blocks in foams



Modern and diversified chemical group on a stable progress path



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