



### Impact of the COVID-19 coronavirus pandemic on the CIECH Group operations

The Management Board of CIECH S.A. is monitoring, on an ongoing basis, the developments and the impact of the COVID-19 pandemic on the operations of the CIECH Group. The CIECH Group complies with all decisions and recommendations of the authorities while monitoring the situation on an ongoing basis, and its decisions are guided by concern for the health of its employees and care for the long-term value of the CIECH Group. Identifying the risks associated with the epidemic threat is of particular importance to the Management Board of CIECH S.A., so as to enable it to take preventive action in advance. As at the date of publication of this report, the Management Board of CIECH S.A. has diagnosed areas of potential risks associated with the COVID-19 pandemic, which may affect the future financial results of the CIECH Group in a significant manner. These risks include:

1. Potential disruptions in raw material supply chains and product sales caused by transport disruptions due to problems attributable to transport companies, a possible increase in delivery costs due to growing transport rates, a possible reduction in the number and form of available means of transport, temporary shutdown of borders or any other related restrictions. The CIECH Group has taken intensive measures to ensure uninterrupted supply of raw materials necessary for production and products for its customers.
2. Potential disruptions in the availability of raw materials in the Organic Segment (in particular, in the area of production of foams, plant protection products and resins) caused by problems attributable to manufacturers and distributors of raw materials necessary for production, such as production interruptions. The CIECH Group has taken intensive measures to ensure availability of the raw materials for production purposes.
3. Potential disruptions in keeping the deadlines of investment projects and renovation works of the CIECH Group companies due to possible difficulties with, or limited availability of, contractors, possible delays in the supply of materials and equipment, as well as acts of public administration bodies related to decisions issued in administrative processes. The potential risk of disruptions in the timeliness of project implementation also applies to the largest investment project currently implemented by CIECH Salz Deutschland GmbH, i.e. construction of the evaporated salt production plant in Germany due to the aforementioned difficulties and the closing of the Polish border for Poles working in Germany. The CIECH Group has taken intensive measures aimed at ensuring continuity of production in its production plants.
4. Potential disruptions in the continuity of production processes as a result of reduced availability of employees. As at the date of publication of this report, the absenteeism of employees of the CIECH Group companies does not pose any risk of disrupting the continuity of their business.
5. Potential threat of deteriorated liquidity as a result of payment gridlocks. The CIECH Group has adopted new rules, more stringent than the existing ones, for monitoring receivables and granting credit limits to customers. The vast majority of the receivables of the CIECH Group are covered by factoring services and insurance. As at the date of publication of this report, no significant issues have been identified in terms of receivables.
6. Potential threat of negative impact of the COVID-19 pandemic on the global economy, among others, on the level of demand and industrial production. The Management Board of CIECH is observing the developments on an ongoing basis, while actively preparing the CIECH Group to operate in different scenarios, including the scenario of a serious global economic slowdown.

The order of the above risks do not determine the weight of risk.

The situation in individual product segments of the CIECH Group is as follows:

#### Soda Segment

As at the date of publication of this report, there are no material disruptions to the operation of production plants of the CIECH Group. To date, no significant logistics issues have been observed. However, there is a risk of disruption in this area, especially in the case of export sales, which account for approximately 30% of plant sales in Poland and approximately 13% of plant sales in Germany. The level of raw material stocks in production plants ensures continuity of production and the risk in this area is not material at the moment. As at the date of publication of this report, no significant decrease in demand for soda segment products has been observed, however, in the case of a prolonged decline in the level of global industrial production, there is a risk of a decrease in the number of orders placed by customers.

#### Organic Segment

As at the date of publication of this report, the CIECH Group production facilities manufacturing resins and plant protection products are operating without any significant interference. There is a risk in terms of the supply of raw materials for production, some of which originate from foreign manufacturers, including Asian ones. The Group has taken measures in order to secure the necessary raw materials to maintain production continuity. As at the date of publication of this report,



no significant reduction in demand for plant protection products and resins has been observed. In the case of Proplan (a PPP distributor), due to the location of its headquarters and main market (Spain, i.e. a country relatively heavily affected by the pandemic), there is a risk of a material impact of the current situation on the operating activity and financial results of this company. However, as at the date of publication of this report, no significant business disruptions have been observed.

There is a noticeable decrease in orders on the foam market, associated with the furniture sector in Poland and in Europe. As at the date of publication of this report, the main furniture and mattress manufacturers have either suspended or intend to suspend production in the near future. The situation on the furniture market has forced CIECH Pianki Sp. z o.o. to reduce its foam production. In week 13, 2020, foam production was reduced by 30%. There are plans to reduce foam production by 60% in week 14, 2020. As at the date of publication of this report, it is difficult to clearly assess whether the market situation will deteriorate. However, the CIECH Group expects a further decline in foam production. In terms of ensuring continuity of foam production, as at the date of publication of this report, the CIECH Group has not identified any significant risks in terms of raw materials supply (polyols and TDI).

#### **Silicates and Glass Segment**

As at the date of publication of this report, the production facilities of CIECH Vitrosilicon S.A. are operating without significant disruptions. To date, the CIECH Group has not received any signals of the market situation deteriorating significantly in the area of glass packaging production.

In terms of silicate products, customers from the automotive industry value chain (tire manufacturers) are reporting a decline in the number of their orders in the coming weeks. The main recipient of vitreous silicate has introduced weekly downtime in its production facilities in each month until the end of June 2020. The second major recipient of vitreous silicate has reduced production to 40% at its facility. The reduced production by the main recipients of vitreous silicate has forced CIECH Vitrosilicon S.A. to limit its own production by 10%. As at the date of publication of this report, it is difficult to clearly assess whether the market situation will deteriorate. In the event of a further decrease in the production volume, CIECH Vitrosilicon S.A. is ready for product storage.

#### **Other**

As at the date of publication of this report, any other operations of the CIECH Group are conducted without significant disruptions.

The above assessment has been prepared to the best of the knowledge of the Management Board of CIECH S.A. as at the date of publication of this report. The actual scale of future effects of the COVID-19 pandemic and their impact on the CIECH Group's operations is currently unknown and impossible to estimate, and depends on factors that are beyond the control of the CIECH Group and subject to dynamic changes. Accordingly, it is currently not possible to clearly determine the impact that the COVID-19 pandemic will have on the operations, parameters, forecasts and financial situation of the CIECH Group, including the implementation of its investment projects. However, in the near future, an increase in the risk of a significant negative impact of the COVID-19 pandemic on the CIECH Group's operations cannot be excluded.