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**Management Board Report  
on activities of CIECH Group  
and CIECH S.A. in 2021**

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We are providing a courtesy English translation of our Management Board Report on activities of the CIECH Group and CIECH S.A. which was originally written in Polish. We take no responsibility for the accuracy of our translation. For an accurate reading of our Management Board Report on activities of the CIECH Group and CIECH S.A., please refer to the Polish language version of our Management Board Report on activities of the CIECH Group and CIECH S.A.

## LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD OF CIECH S.A.



**Dawid Jakubowicz**  
President of the  
Management Board of  
CIECH S.A.

Dear Sirs and Madams,

The end of 2021 marked the completion of our strategy for 2019-2021. While preparing the strategy, we outlined the key development directions, goals and tasks that can be summarised as the transformation of the CIECH Group into a modern chemical company with global ambitions. We have started and are continuing large-scale restructuring processes, launched investments on a historic scale, improved a number of activities in key business areas, reduced weaknesses and strengthened our competitive advantages.

We did not expect that a carefully planned strategy would be implemented first in the unprecedented conditions of the coronavirus pandemic, and then, at the end of 2021, in the face of the threat of war, the spectre of which finally materialised at the beginning of 2022.

The scale of economic disruptions, increased uncertainty, and thus, the enormous volatility in the financial and commodity markets required and still requires from us extraordinary commitment and responsibility. The results we achieved in such a difficult environment prove that our team is characterised by professionalism, a high level of substantive preparation and business awareness. They also prove that the values of responsibility, reliability, team and development indeed guide our everyday activities. I would like to thank all Employees of our Group for this and express my appreciation.

We achieved very good financial results and, despite unprecedented challenges, we improved all the relevant indicators in the three years of the implementation of the strategy. Consolidated (adj.) EBITDA amounted to PLN 734 million – i.e. by PLN 129 million more than in the previous year and by PLN 100 million more than in 2018, before the implementation of the strategy. We ensured the profitability of our business, maintained the cost discipline necessary in an inflationary environment, and demonstrated flexibility and the ability to react quickly both in the face of risks and new business opportunities.

We confirmed the high quality of this result in our cash flows – in 2021, operating cash flows amounted to PLN 1,279 million, PLN 512 million more than in the previous year and PLN 825 million more than in 2018. Thanks to the focus on the efficiency of cash circulation and meticulous management of working capital we almost tripled our operating cash flows.

As a result, the ratio of the net debt to the EBITDA profit, calculated in accordance with the provisions of the loan agreements, decreased to 1.63 x EBITDA, by 0.82 pp. over the past year and by 0.74 pp. from the end of 2018. The net debt alone amounted to PLN 1,178 million – i.e. over 300 million less than the year before and compared to the beginning of the strategic period.

Hence, our balance sheet result is strong and safe. We are prepared to counteract the risks and market shocks that were present in the previous years. We are also ready to respond positively to chances and opportunities should they arise.

The excellent cash conversion, which we ensured thanks to the effective implementation of our plans, enabled us to finance the largest investment programme in the history of CIECH, which developed our business, from the current operating flows. I believe that it will significantly improve our financial and operating results in the future.

The 2019-2021 strategy consists of three groundbreaking projects. We have built one of the most modern evaporated salt plants in Stassfurt, using our own raw materials, located in the vicinity of the most attractive European markets. We are currently preparing the plant to contribute full-scale performance. However, I am convinced that thanks to permanent competitive advantages, the development of salt sales, especially in the highest quality and purity classes, is only a matter of time.

We have significantly increased our production capacity of sodium bicarbonate, after commissioning a modern installation in the German plant. Our product is targeted especially at the demanding pharmaceutical market, which is very attractive in terms of margins. This is part of our plans of de-commoditising products and increasing their degree of specialisation.

The construction of a new glassy sodium silicate furnace, which we launched at the end of 2021, had a similar goal. This enabled us to increase our share in a very attractive market and strengthen the position of the largest seller in Europe. When producing both soda ash and silicates, we use soda ash of our own production, which significantly stimulates the margin growth along the entire value chain.

Our investments also brought tangible results in the Agro Segment. We placed a new, breakthrough product on the market - Halvetic, which was enthusiastically received by customers. They appreciate its efficiency, effectiveness and the guarantee of maintaining the safety of crops, with the use of just half the dose of the active substance than in other preparations. This is a great success of our R&D team and it is certainly not our last word in introducing new innovations on the plant protection product market. Thanks to new products and successfully implemented restructuring, the Agro Segment has become the second largest component of our business. We have also completed the integration of Proplan, which we acquired in 2018, with the rest of the Group. Within a few years, the value of the acquired business increased by more than 50 percent, which confirms that we are able to implement and lead takeover projects with positive effects.

In 2021, we also worked on the improvement and development of the support function in our Group. We improve work safety by implementing the best available practices. Our corporate culture is evolving in the right direction. Due to a number of initiatives in the human resources management area, we have a fast, effective and fully digitalised internal reporting system, guaranteeing express and complete access to management information.

You are kindly encouraged to learn about the detailed results of our work in all areas, which we have meticulously described in our financial statements and the non-financial report. I am convinced that the achievements of 2021 and previous years will result in a further increase in the value of CIECH both for our shareholders and other stakeholder groups.

I would like to thank our employees, customers, shareholders, suppliers, local communities and all other partners for their trust, commitment and effective cooperation. It is thanks to you that the CIECH Group develops and becomes a modern and competitive chemical company with global ambitions.

I wish all of us that in the coming months we could face challenges, the nature of which is solely that of business.

Yours faithfully,



Dawid Jakubowicz  
President of the Management Board of CIECH S.A.

## LETTER FROM THE CHAIRMAN OF THE SUPERVISORY BOARD OF CIECH S.A.



Dear Sirs and Madams

2021 was a period abounding in challenges for the global economy. The disturbances caused by the continuing pandemic were accompanied by the crisis in the energy resources market and geopolitical tensions, which - as we already know - led to the tragic consequences of Russia's attack on Ukraine. In these demanding conditions, the CIECH Group completed the implementation of its ambitious strategy for 2019-2021 while accelerating the process of transforming the company into a modern, competitive group with a global reach. On behalf of the Supervisory Board of CIECH S.A. I would like to thank the whole team for the enormous amount of work put into the achievement of the intended goals in these unprecedented economic and social circumstances.

The success of the first stage of CIECH's transformation is confirmed by the generated financial results, the implementation of the largest investment programme in the history of the Group, including the construction of a modern evaporated salt plant, or placing innovative and specialised products onto the market, and responding to the challenges of a dynamically changing world. One of the effects of the last 36 months, full of very good work, is also the leading position of CIECH in all its businesses - both on the Polish market and in Europe.

The CIECH Group has achieved readiness for further expansion thanks to stable financial foundations, continuously improving efficiency and process excellence, with an ambitious approach to the issues of sustainable development. Increasing the share of high-margin specialised products, progressive diversification of revenue sources, both geographically and in terms of products, strengthening the global nature of CIECH - these are the main challenges that the Group will face in the coming years.

But these are not the only ones. It is particularly important to me that apart from achieving its business goals, the Group should pay great attention to sustainable development issues. The ambitious ESG Strategy, published in May 2021, places CIECH at the forefront of companies that treat environmental, social and corporate governance issues with great responsibility. This document has been recognised not only by stakeholders but also experts, as confirmed by the numerous awards and distinctions it has received. As the Supervisory Board, we will support the Management Board in the implementation of eight ambitious commitments of the CIECH Group, included in the ESG strategy.

The combination of business efficiency, courage in introducing innovations and investment implementation, as well as responsibility towards stakeholders and local communities creates the image of a company ready for further development on the global market. A summary of the changes and effects of CIECH's transformation can be found in this Annual Report of the Company for 2021, which I kindly encourage you to read.

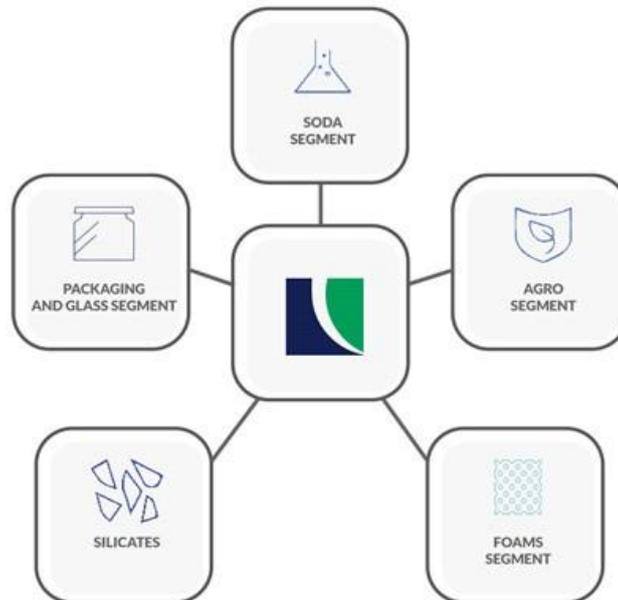
Yours faithfully,



Sebastian Kulczyk

Chairman of the Supervisory Board of CIECH S.A.

## CIECH GROUP IN 2021



### KEY EVENTS IN THE CIECH GROUP IN 2021

- Completion of the construction of the salt plant in Stassfurt
- Launching production from a new silicate furnace in Żary
- Market debut of Halvetic - the newest, innovative product of the Agro Segment
- Announcement of ambitious climate goals as part of the ESG Strategy
- Acquiring long-term financing worth over PLN 2 billion
- Finalization of the sale of CIECH Żywiec Sp. z o.o.

\* Aggregate data for continued and discontinued operations



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# OPERATING ACTIVITIES

## of the CIECH Group

## 1. CIECH GROUP'S OPERATING ACTIVITIES

### 1.1 MAJOR EVENTS AND ACHIEVEMENTS IN 2021

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

On 1 March 2021, CIECH S.A. entered into an agreement for the sale of 74,677 shares in CIECH Żywiec Sp. z o.o. with LERG S.A. with its registered office in Pustków-Osiedle, accounting for 100% of shares in the share capital of CIECH Żywiec Sp. z o.o. The value of the Agreement (equal to the enterprise value being sold) is PLN 157,410 thousand. For details of the transaction, see current reports No 27/2020 and 4/2021.

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

On 16 March 2021, a facilities agreement was concluded between, among others, CIECH S.A. (as the borrower and guarantor), its selected subsidiaries: CIECH Soda Polska S.A., CIECH Sarzyna S.A., CIECH Soda Deutschland GmbH & Co. KG, CIECH Energy Deutschland GmbH and CIECH Salz Deutschland GmbH (as borrowers and guarantors), BNP Paribas Bank Polska S.A (as the agent), Powszechna Kasa Oszczędności Bank Polski S.A. (as the security agent) and the following banks: Powszechna Kasa Oszczędności Bank Polski S.A., mBank S.A., BNP Paribas Bank Polska S.A., Industrial and Commercial Bank of China (Europe) S.A. Branch in Poland, Bank Polska Kasa Opieki S.A., Bank Millennium S.A., Credit Agricole Bank Polska S.A., Société Générale S.A., Bank Handlowy w Warszawie S.A., Bank Ochrony Środowiska S.A. and Intesa Sanpaolo S.P.A. S.A. Branch in Poland (as lenders). The Facilities Agreement provides for the extension of loans in PLN and EUR, up to a total amount (expressed in PLN) of PLN 2,115,000 thousand. The agreement provides for a grace period of over 2 years for the repayment of the term loan during which no principal repayment of the loan will be required. The first principal repayment is required on 30 June 2023. For details on the agreement, see current report No 7/2021. On 26 April 2021, the conditions precedent to the disbursement of the facilities made available under the Facilities Agreement were fulfilled.

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

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

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

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

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

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

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

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

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

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

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

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

### **Commencement of the commissioning phase of a significant investment project**

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

### **Appointment of members of the Management Board for a new term**

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

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

### **Review of strategic options**

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

### **Registration of amendments to the Articles of Association**

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

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

On 8 September 2021, a letter of intent was signed between CIECH S.A. and SYNTHOS GREEN ENERGY S.A. on establishing cooperation in the use of energy from Small and Micro Modular Reactors by companies from the CIECH Group. The letter of intent will enable CIECH S.A. to carry out a thorough analysis of the use of SMR and MMR technologies in the Group Companies.

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

### **Appointment of a Member of the Supervisory Board of CIECH S.A.**

On 26 October, the Extraordinary Shareholders' Meeting of CIECH S.A. appointed Ms Natalia Scherbakoff as a new member of the Supervisory Board of CIECH S.A.

### **Sale of EUA CO<sub>2</sub> emission allowances**

On 29 December 2021, CIECH Soda Deutschland GmbH & Co. KG and CIECH Energy Deutschland GmbH sold 655,390 units of CO<sub>2</sub> emission allowances (EUA), originating from free allocation and units previously purchased from the market. The market value of



EUA Units sold amounts to EUR 52 million (equivalent of PLN 238 million) as per current value of a CO<sub>2</sub> emission allowance unit, i.e. EUR 78.93/EUA (equivalent of PLN 363.30).

At the same time, the Subsidiaries concluded agreements securing the purchase of 655,390 units of CO<sub>2</sub> emission allowances on the forward market, with a settlement date in April 2022 and April 2023. The Hedging settlement dates fall before the deadline for the required redeeming of the units in the amounts corresponding to the CO<sub>2</sub> emissions for the years 2021 and 2022 respectively.

The sale of Allowances and Hedging:

1. have an impact on the adequate increase in the level of cash in the Subsidiaries;
2. an impact on the reduction of the consolidated net debt of the CIECH Group by approx. PLN 238 million, calculated as at 31 December 2021;
3. have an insignificant impact on EBITDA, limited to the difference between the selling price of EUA Units and the repurchase price of the units of CO<sub>2</sub> units, i.e. approx. PLN 2 million;
4. do not affect the change in the net exposure of the CIECH Group to market risk related to fluctuations in the price of CO<sub>2</sub> emission allowances.

The main purpose of the Transaction was to obtain funds that would improve liquidity in the short term and reduce the costs of financing in the CIECH Group. The funds obtained from the Transaction will be allocated, among others, to reduce the utilisation of short-term financing sources (overdraft facilities, factoring) with a higher cost of financing. It is assumed that obtaining funds through the sale of the units of CO<sub>2</sub> emission allowances may be repeated in subsequent years – within the time limits, in quantities and values depending, among others, on the dates of allocation of such units as well as their quantity and market value.

## 1.2 CHARACTERISTICS OF THE CIECH GROUP

The CIECH Group is an international, professionally managed group with a well-established position of a leader of the chemical sector in Central and Eastern Europe. It manufactures products which are used in the production of articles

The CIECH Group is a global concern focused on prospective markets.

necessary in everyday life of people all over the world – state-of-the-art products of the highest, world quality. Taking advantage of the support of a reliable strategic investor – Kulczyk Investments – it implements the strategy of global development.

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

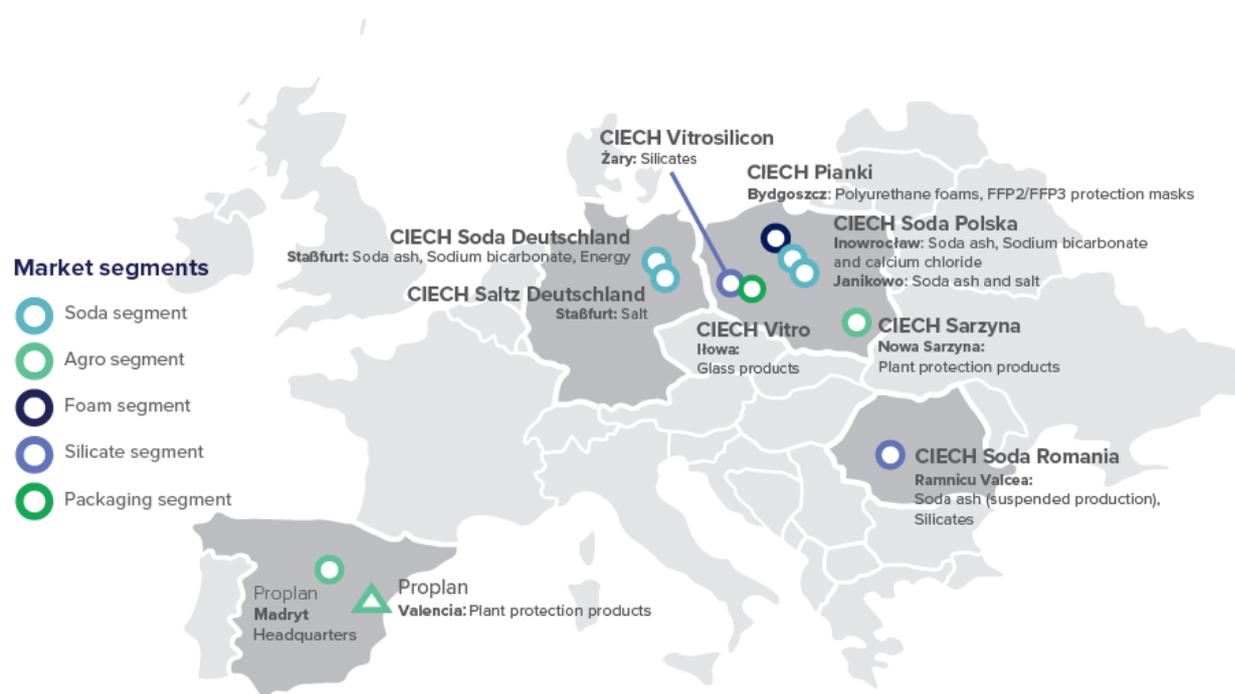
FIGURE 1: KEY OPERATING SEGMENTS AND MAJOR CATEGORIES OF CIECH GROUP PRODUCTS

	SODA SEGMENT	AGRO SEGMENT	FOAMS SEGMENT	SILICATES SEGMENT	PACKAGING SEGMENT
COMPANIES	CIECH CIECH Soda Polska Ciech Soda Deutschland Ciech Salz Deutschland CIECH Soda Romania	CIECH CIECH Sarzyna Proplan	CIECH CIECH Pianki	CIECH CIECH Vitrosilicon CIECH Soda Romania	CIECH CIECH Vitrosilicon CIECH Vitro
PRODUCTS SERVICES CONCERNED	soda ash evaporated salt sodium bicarbonate energy	agro products – crop protection chemicals	polyurethane foams	sodium and potassium silicates	lanterns and jars
CUSTOMERS	glass, food and detergent industry pharmaceutical industry households	agriculture	furniture industry households	chemical industry detergent industry dyeing industry households	food industry households
MARKETS	global	global	global	global	global

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

Strategic distribution of the Group's plants enables optimisation of logistics efforts and expansion of the distribution network which is of particular importance in the area of the soda segment's products. Plants in Poland and Germany guarantee access to key markets and stability of supplies in Europe.

FIGURE 2: KEY COMPANIES OF THE CIECH GROUP



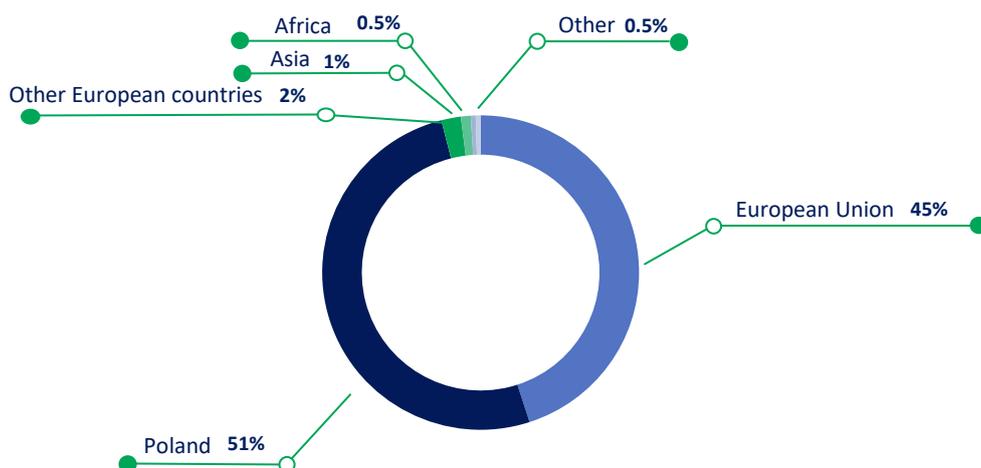
The CIECH Group is the exclusive Polish exporter of:

- Soda ash,
- Sodium bicarbonate,
- Calcium chloride.

The CIECH Group is the largest producer of soda ash in the CEE region and the second largest in Europe.



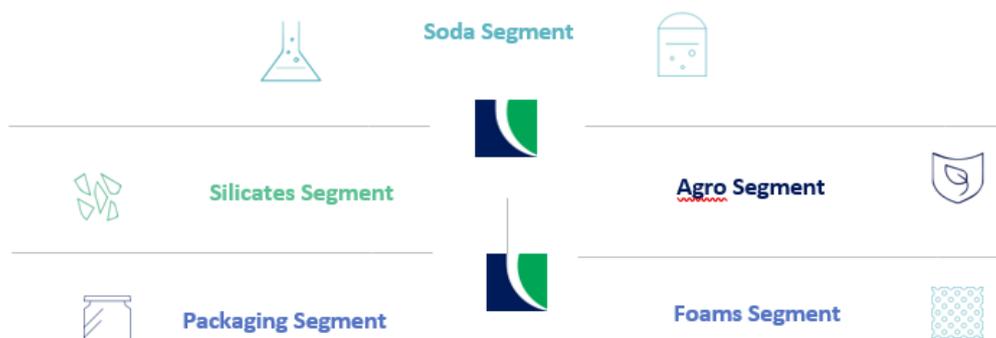
FIGURE 3: GEOGRAPHICAL STRUCTURE OF THE CIECH GROUP'S REVENUES IN 2021



Source: In-house analysis

### 1.3 OPERATING SEGMENTS

Following the organisational changes, activities of the CIECH Group are focused on five key segments which ensure a diversification of its business\*.



\*CIECH Żywiec Sp. z o.o. was earmarked for sale in 2020, and the company sale agreement was finalised on 1 March 2021. In the CIECH Group's consolidated financial statements for 2021 and 2020, the Resins Segment's operations are reported as discontinued operations.

**SODA SEGMENT**

Soda ash | Sodium bicarbonate | Salt

**66%** | of the CIECH Group's revenues in 2021

Soda is one of the basic semi-finished products (raw materials) of modern chemistry that finds wide application in the industry.

The Soda Segment is an area with the largest share in the Group's financial performance. In 2021, it accounted for more than 81% of adjusted EBITDA (adjusted by one-off events). The CIECH Group is focused on expanding its business potential and creating competitive advantages which result from, among other aspects, the Group's strong position on key markets and relations with customers, increase in production capacity, wide range of soda products, extension of the sodium bicarbonate portfolio and optimal distribution of production plants.

The Soda Segment also includes the operations of CIECH Cargo Sp. z o.o., which renders rail transport services, mainly to the companies within the Segment.

There are two basic soda production methods: synthetic method – the Solvay method (sodium carbonate) and natural – mining method (trona). The Solvay method underwent several modifications, of which the most popular is the Hou method, used by certain production companies in China. The CIECH Group produces soda using the Solvay method.

**Soda ash**

Soda ash is one of the basic raw materials for the glass manufacturing industry – about one half sodium carbonate produced worldwide is used for the production of glass. It is also used for the production of washing and cleaning products, in metallurgy and chemical industry, among others, to produce certain types of mineral fertilizers as well as dyes and pigments. There are two basic types of soda ash:



Dense soda – used primarily in the production of glass.



Light soda – used primarily in the production of granular detergents.

The main difference between light and dense soda is the bulk density (1 tonne of light soda is of higher volume than 1 tonne of dense soda), and the basic chemical characteristics are identical. The type of product purchased by customers depends primarily on the technology they use and on their individual preferences.

The CIECH Group sells soda ash both in bulk, as well as packed in big and smaller bags. The products sold in bulk are transported to the customer in specialist rail or road tankers, and the packed products – by road or railway transport. Soda ash is also transported by ship, either in bulk or in packages, usually loaded into containers.

Soda ash is used primarily in production of:

- flat glass,
- glass packaging and glassware,
- silicates,
- detergents.

This product has also technical application, other chemical applications, treatment plants, mineral extraction.

**Sodium bicarbonate**

Sodium bicarbonate is used mainly in production of animal feed (as an acidity regulator), food (among others as an ingredient of baking powder and sparkling drinks), pharmaceuticals (e.g. for dialysis, effervescent tablets and pharmaceuticals), detergents and cosmetics, and for purifying exhaust fumes.

The CIECH Group produces both types of soda, adapting the production structure to the customers' expectations.



Food grade soda – a product that finds many uses in the food industry and in households, and which meets the requirements of special regulations (e.g. IFS certification).



Feed soda – an animal feed ingredient intended for feed manufacturers and private farmers.



Pharmaceutical-grade soda – its acid neutralisation action, potential binding with other chemicals and cleaning properties help pharmaceutical grade soda find widespread use in the pharmaceutical sector.



Pharmaceutical-grade dialysis soda – a specially purified soda grade with specific granulometric parameters and complying with requirements set out in special regulations (including API, GMP+ certification).



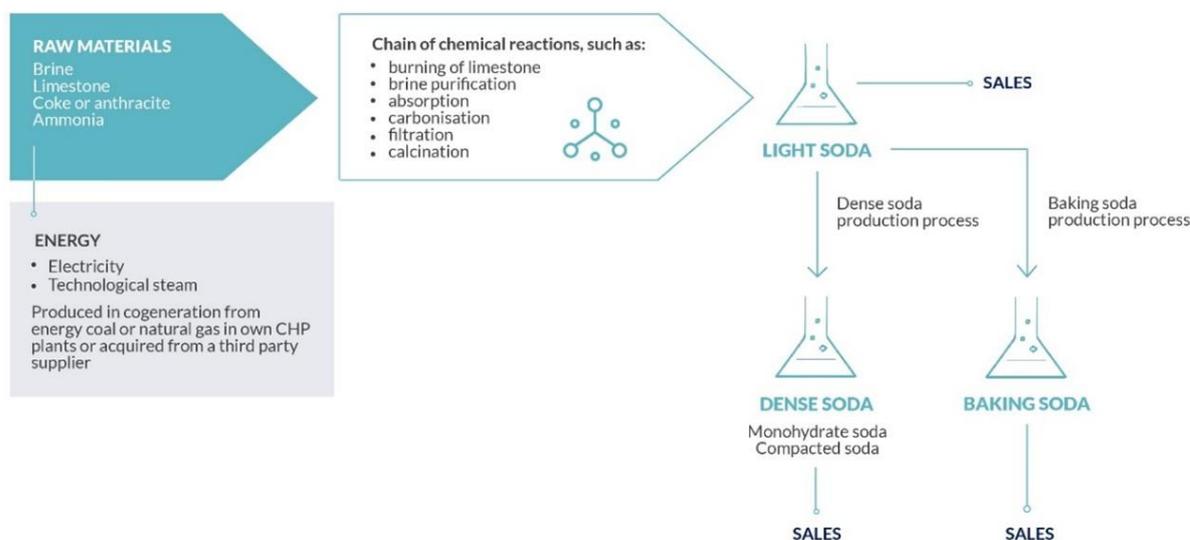
Industrial-grade soda – a product widely used in many branches of industry, including: in the production of detergents, in paper industry, flue gas desulphurization industry and chemical industry.

### Production processes in the Soda Segment

At present, the production of soda in the CIECH Group is the responsibility of the following three companies: CIECH Soda Polska S.A. (plants in Janikowo and Inowrocław), CIECH Soda Deutschland GmbH & Co. KG (Stassfurt) and CIECH Soda Romania S.A. (Ramnicu Valcea – production suspended in September 2019). Soda ash is produced in all plants and sodium bicarbonate – in Inowrocław and Stassfurt.

Presented below is a simplified schematic diagram of the soda ash and sodium bicarbonate production process.

FIGURE 4: SODA PRODUCTION PROCESS

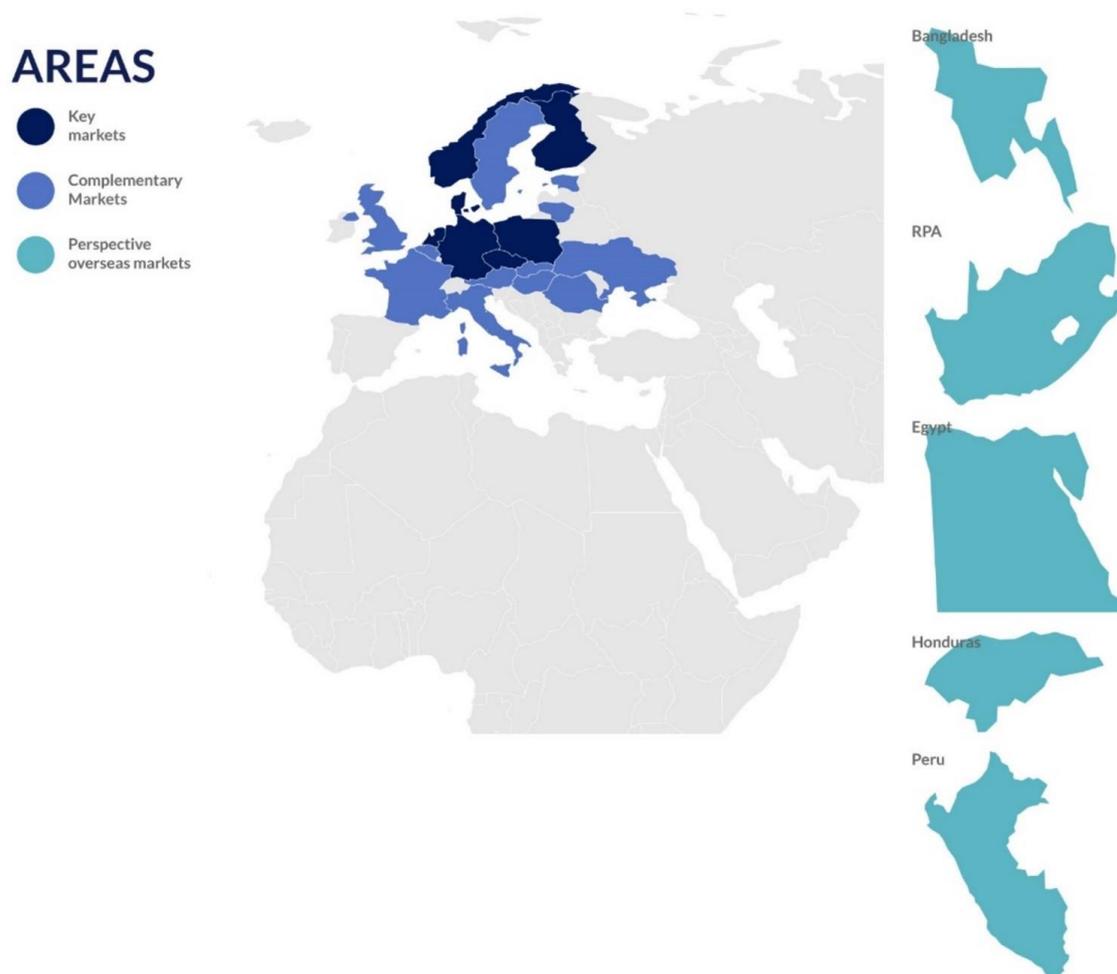


Main raw materials used in the production process in the Soda Segment include limestone, salt brine, ammonia, furnace fuel (coke or anthracite) and heat.

The soda ash production plants are located in close proximity to limestone and brine suppliers (due to the high transportation costs of these raw materials in comparison with their price). The production plant located in Germany uses also own deposits of brine and limestone.

Coke is the so-called furnace fuel, used to burn limestone and produce CO<sub>2</sub>. Coke is usually supplied based on short- or long-term contracts. In the soda production process, coke can be replaced with anthracite which is slightly less efficient, but also cheaper than coke. The Group can use a mixture of both fuel types, i.e. coke and anthracite. Prices and availability on the market are the main factors determining which raw material is used.

FIGURE 5: CIECH GROUP'S SODA PLANTS AND KEY MARKETS



The largest component of manufacturing costs in the production process is heat energy in the form of technological steam – production plants in Poland and Germany have their own CHP plants, and the Romanian company bought it from a third party supplier. Key energy-producing raw materials used by the Group's CHP plants include: hard coal (plants in Inowrocław and Janikowo) and natural gas (plant in Stassfurt). Hard coal is supplied under both short-term and long-term contracts with fixed price or price indexed to various indices, and the price formula for gas supplied in Germany is based on market prices for this raw material (in the case of options - on prices from option contracts).

The soda segment is intensely developed by the Group. In 2015 and 2016, a key project, Soda +200, was completed. It consisted in increasing the production capacity of the soda plant in Inowrocław by 200 thousand tonnes per year (ended in the first quarter of 2016). In addition, in 2020 the Group completed a multi-year project to increase its sodium bicarbonate production capacity at its German plant. Currently, CIECH's plant in Germany can produce up to 50,000 tonnes of top quality sodium bicarbonate, with an overall capacity of 110,000 tonnes per year.

Further development of activities in the soda segment will take place mainly through continuation of optimisation activities with regard to production capacity, as well as the growth of product quality and concentration on more processed products. At the same time, the Group will improve the quality of service of its current clients and conduct intensive activities to attract new customers.

FIGURE 6: PRODUCTION CAPACITY OF THE CIECH GROUP'S SODA PLANTS

## SODA ASH



## SODIUM BICARBONATE\*



\*The plant is currently in hibernation.

\*Soda ash is produced from sodium carbonate, therefore the calculation of total production capacity of the CIECH Group should take into account the soda ash production capacity only – these two items should not be added up.

## Salt

Among various types of salt, the most popular are evaporated salt which is produced by, among other companies, the CIECH Group, sea salt and rock salt. Evaporated salt is widely used in chemical industry (electrolysis, detergent and dye production), food industry, as well as water treatment and softening.

In 2021, the CIECH Group started the process of launching the project for the evaporated salt plant in Germany whose production capacity is planned at around 450 thousand tonnes of salt per year, which allows almost doubling the production capacity of the Group's evaporated salt. Commercial sales on a larger scale will begin in 2022.

## Salt products of the CIECH Group

### Dry salt:

- **Table salt and iodised table salt** – produced from the saline solutions generated by the wet mining of natural rock salt beds, through the extraction of brine. Table salt contains a minimum of 99.9% of sodium chloride and finds widespread use in the food industry. The CIECH Group sells salt primarily in 1 kg bags, under the brand name of Sól Kujawska and under private label brands of discounts and retail chains, as well as in larger, 25 kg packaging for production facilities
- **Salt without anti-caking agent** – used in food production (mainly products manufactured on the BIO market - this product does not contain an anti-caking agent).



- **Salt tablets** – used in water purification systems, e.g. to regenerate ion exchangers and multi-functional filter softeners that filter out water hardness contributors (i.e. calcium and magnesium). The key recipients of salt tablets produced by the CIECH Group include: households (private water purification systems), housing associations (water purification for new residential estates), industry (water purification for factories), as well as by such entities as swimming pools or hospitals. The CIECH Group sells salt tablets both in Poland (where it holds a majority share of the market) and abroad, systematically increasing its market share.



- **Feed salt and salt licks** – used in agriculture and for production of animal feeds which, owing to the salt content, perfectly supplement the diet of livestock, especially ruminants, with minerals. The salt content perfectly supplements the diet of livestock, especially ruminants, with minerals. CIECH's salt products also used in emergency

feeding of forest animals since they improve assimilation of potassium, magnesium and calcium. Fodder-grade salt is sold in the GMP+ chain.

- **Pickling salt** – nitrite salt (for pickling) is an essential additive used in the production of raw and cured meats. Pickling is one of the oldest forms of food preservation – preservation using salt.
- **Granulated salt** – used by households (dishwashers). Granulated salt extends dishwasher life.
- **Industrial salt** – one of the components used in the manufacture of detergents, washing powders and dyes. The product finds widespread use in electrolysis and the production of soda.

At present, the CIECH Group is focused on expanding the range of specialised products in the dry salt portfolio, focusing on increasing production capacity, developing new products and new sales directions.

Salt products are supplied to most European countries. The key export markets are: Germany, Czech Republic, Slovakia, Hungary, Sweden, Belgium, Lithuania, Latvia, Ukraine, Italy, France.

### Salt production process

Evaporated salt is produced from the saline solutions generated by the wet mining of natural rock salt beds.

FIGURE 7: SALT PRODUCTION PROCESS

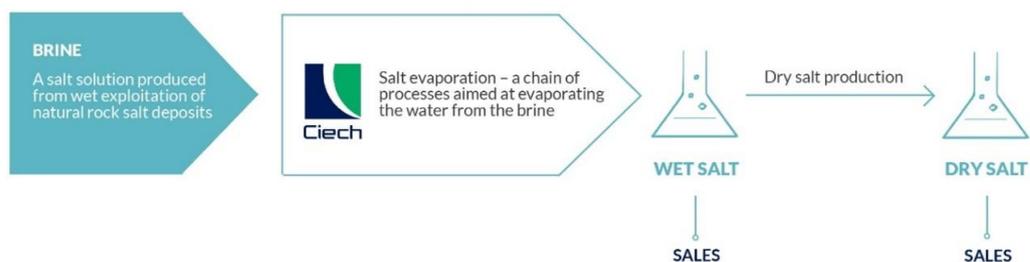


FIGURE 8: SALT PRODUCTION IN THE CIECH GROUP AND KEY MARKETS

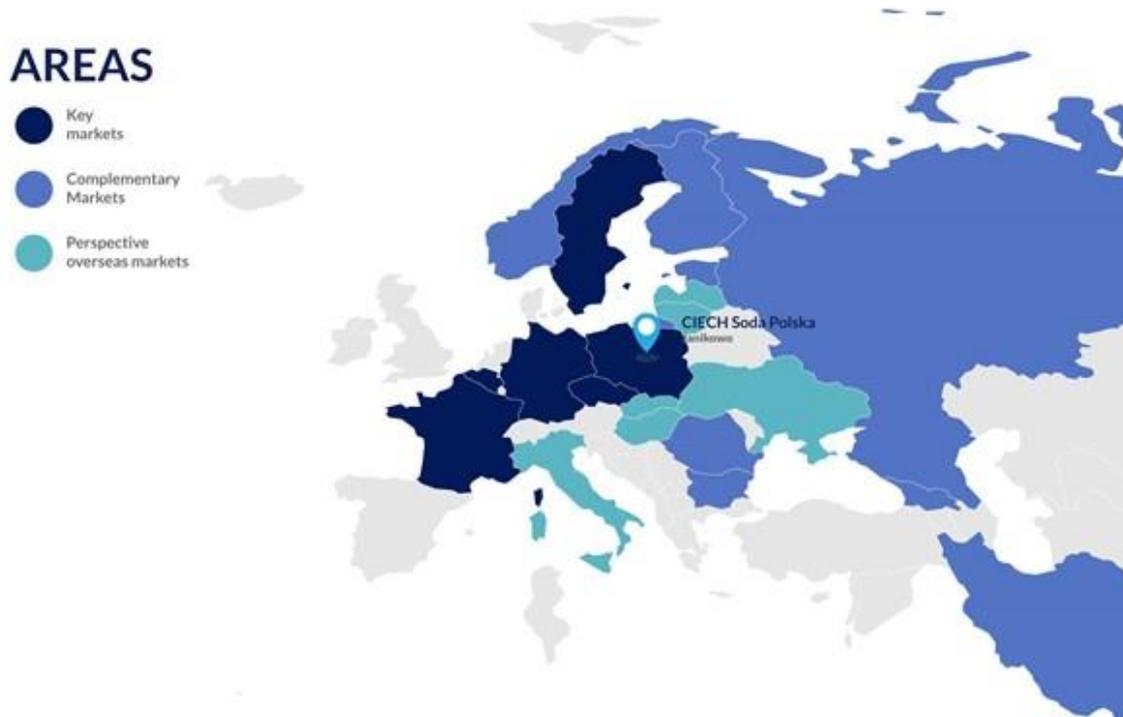


FIGURE 9: PRODUCTION CAPACITY OF THE CIECH GROUP'S PLANTS – SALT



### New salt factory in Stassfurt (Germany)

From mid-2021, a new salt factory started operating in Stassfurt, near Magdeburg (Germany), which will ultimately produce approx. 450 tonnes of evaporated salt per year, thanks to which the CIECH Group will be among the largest producers of evaporated salt in Europe. The target production parameters are planned to be achieved by mid-2022.

The saltworks in Stassfurt are one of the most advanced facilities of this type in Europe. The production of evaporated salt in the new plant will be carried out with the use of a different technology than in the Polish CIECH salt factory. Instead of steam heated evaporators in the MEE (Multiple-Effect Evaporation) technology, a fully automated production line based on MVR (Mechanical Vapor Recompression) technology was used, in which water is evaporated through the supply of compressed steam. The technology based on Boyle's physical law generates significant savings and increases the efficiency of salt production.

The solutions applied in Stassfurt also include the use of an effective, low-emission source of thermal energy (an efficient gas-fired CHP plant) and effective management of thermal energy in the production process, confirmed by the ENEC certificate. In addition, the electricity used in the brewhouse will come from 100% from renewable energy sources.

In addition, the plant has been equipped with an optimal system for managing production waste, which will be discharged to an underground storage site. The new CIECH factory will also be equipped with a state-of-the-art, fully automated high-bay warehouse.



The advantage of the German location of the new salt production plant is the availability of its own sources of raw materials (brine), a low-emission and effective source of energy and a very convenient location, enabling expansion into attractive Western European markets. After reaching the target annual production volume, the CIECH Group will join the strict group of European evaporated salt producers, with an established position in Central Europe and Scandinavia and with the prospect of expansion into the markets of Western Europe. The plant will employ about 100 people.



## AGRO SEGMENT

Crop protection products

**14%** of the CIECH Group's revenues in 2021

The CIECH Group is the largest domestic producer of crop protection chemicals and the leader in the market of herbicides. Products falling within this Segment are manufactured by the following two companies: CIECH Sarzyna S.A. and Proplan Plant Protection Company, a supplier of crop protection products. In 2021, the Agro Segment generated nearly 16% of adjusted EBITDA (adjusted for one-off events).

### Crop protection products

The company that specialises in the production and distribution of crop protection chemicals (herbicides, fungicides, insecticides, growth regulators and seed treatment) is CIECH Sarzyna S.A., a Polish company, and Spanish company Proplan Plant Protection Company. Full range of products of the CIECH Group's AGRO area includes over 150 items of different chemical, application and packaging forms appropriate for their target market and use. The most famous trademarks from the AGRO area include: CHWASTOX®, Agrosar, Tarcza łan Extra, Labrador Extra, Nikosar, Prokarb and HALVETIC®, registered in 2021. In addition to European markets, the AGRO Group also supplies to markets in Asia, Australia, North Africa, Latin America and Canada.

In Poland, owing to an intensive new product registration programme, another 4 products were registered, including HALVETIC®, which achieved a double-digit market share already in the first year of sales.

In 2021, thanks to the further expansion of the portfolio, the development of the Sales Team serving key partners in the distribution channel and the intensifying cooperation with farmers supported by marketing activities, CIECH Sarzyna's market share increased by 1.7 pp to 7.8% according to PSOR (Polish Plant Protection Association). This growth was delivered through further optimisation of production, logistics and sales supported by digitalisation processes at each stage.

Responding to the challenges related to the European Green Deal and the Field to Table Strategy, in 2021 CIECH Sarzyna launched the innovative product, HALVETIC®, manufactured in the Better Glyphosate Technology (BGT) based on the globally largest active substance, namely glyphosate. This is the first such significant innovation in a market that for 45 years has used technologies that were ill-suited to the challenges of the modern world and the expectations of farmers and consumers. Thanks to this technology, it is possible to obtain the same effectiveness in controlling annual and perennial weeds with a reduction of up to 50% of the active substance per hectare. This project addresses directly the expectations arising from the Field to Table Strategy aimed at the development of sustainable agriculture in Europe.

2021 saw further consolidation of the operations of CIECH Sarzyna S.A. and Proplan in the area of production, marketing and sales activities for key markets and process optimisation to achieve synergies in building intellectual property.







**FOAMS SEGMENT**

Polyurethane foams

**11%** | of the CIECH Group's revenues in 2021

**Polyurethane foams**

The CIECH Group is one of the largest suppliers on the domestic market of polyurethane foams (PUR foams). In 2021, the Foams Segment generated more than 9% of adjusted EBITDA (adjusted for one-off events).

Flexible polyurethane foams are used mainly in production of upholstered furniture and sleeping mattresses. To a lesser extent, they are used in the automotive industry, construction industry and textile industry.

CIECH Pianki Sp. z o.o. has many years of experience in the production and sale of flexible PUR foams. It is one of the largest elastic foam producers in Poland.

Recipients of the company's products include the largest furniture and mattress manufacturers in Poland and Europe. Because of physical and mechanical properties (low specific gravity) PUR foams are sold primarily on local markets.



In Poland, the consumption of flexible polyurethane foams is associated largely with the national furniture industry and its high position in the international markets. Thanks to cooperation with the largest manufacturers of furniture and mattresses, the company adjusts the portfolio offered on an ongoing basis to the expectations of the target customers.

In response to the growing demand caused by the COVID-19 pandemic, the Company decided to purchase an installation for the production of protective masks.

In December 2020, the sale of the highest quality protective respirators in the FFP2 class was launched, in April 2021 the company obtained certification in the FFP3 class compliant with the European EN 149:2001 standard and an approval of the Polish Institute of Hygiene. The full capacity of the production line reaches around 10 million pieces per year.





**SILICATES SEGMENT**

Silicates | Water glass

**7%** | of the CIECH Group's revenues in 2021

In 2021, the Silicates Segment generated more than 4% of adjusted EBITDA (adjusted for one-off events).

The CIECH Group manufactures sodium and potassium silicates. Both types of silicates are produced in two forms – solid, offered under the brand name of VITROSIL (glassy sodium and potassium silicate) and liquid, offered under the brand name of VITROLIQ (sodium water glass and potassium water glass).



Sodium silicates are used for production of precipitated silica (about 37% of consumption in Europe, used mainly in the tire and beauty product industries), detergents (about 17%), paper, zeolites and in other industries.

material.

After expanding the production capacity of sodium silicate in the Żary and Iłowa plants, CIECH Vitrosilicon S.A. is currently the third largest manufacturer of sodium silicate in Europe and the leader in the sales of this raw

Potassium silicates are used in the production of welding electrodes, construction chemicals, including paints and silicate plaster. For the purpose of continued development of this Segment, the CIECH Group concentrates on the use of new applications of silicates and development of high-margin products.



The Silicates Segment also includes the Ramnicu Valcea plant in Romania, which has capacity to produce glassy sodium silicates and sodium water glass. Soda and sand are the main raw materials used in the production of sodium silicate.

**PACKAGING SEGMENT**

Glass products

**2%**of the CIECH Group's  
revenues in 2021

In 2021, the Packaging Segment generated more than 2% of adjusted EBITDA (adjusted for one-off events).

CIECH Vitro Sp. z o.o. specialises in the manufacturing of lanterns for vigil lights and is recognised as the leader of the Polish market. The full range covers approx. 160 designs, including lanterns for jar candles and custom designs, dedicated to individual customers. The Company offers a wide and diversified range of lanterns for vigil lights, including lanterns in the smallest and largest sizes and with a very diverse design. The company is also the only Polish producer of COMFORT-type jars with glass cover and fastening clamps. The Company also produces standard Twist-off jars for the food processing industry.

**OTHER ACTIVITIES SEGMENT**

Services | Distribution | Sale and management of real property

Other Activities Segment covers mainly services rendered outside the CIECH Group and goods sold mainly by CIECH S.A. and CIECH Trading Sp. z o.o., as well as foreign companies outside the scope of key segments of the Group.

In addition to trading activities, this Segments also includes companies that support the Group's operations in terms of, among others, sale and management of real property (CIECH Nieruchomości Sp. z o.o.) and financing activities.

**Operating segments of CIECH S.A.**

CIECH S.A., as the Parent Company of the CIECH Group, holds shares in subsidiaries assigned to individual segments described above. In addition to support services provided to these companies, CIECH S.A. also carries out operating activities in the following segments:

**Soda Segment** – CIECH S.A. sells the majority of Soda segment products manufactured by the CIECH Group companies. Key products of this segment include: light and dense soda ash, sodium bicarbonate, evaporated salt and calcium chloride.

**Agro Segment** – in 2021 CIECH S.A. was, among others, the supplier of raw materials to Polish companies operating within the Agro Segment.

**Foams Segment** – in 2021 CIECH S.A. was the supplier of services to Polish companies operating within the Foams Segment.

**Silicates Segment** – CIECH S.A. sells the Silicates and Glass segment products manufactured by CIECH Soda Romania S.A. Key products in this group include glassy sodium silicate and sodium water glass.

**Seasonality and cyclicity of activity of the CIECH Group**

Seasonality associated with periodic demand and supply fluctuations has little impact on the CIECH Group general sales trends. Products clearly influenced by seasonality are crop protection chemicals. Most crop protection chemicals are used in the first half of the year, during the period of intensive plant growth. However, sales of these products take place mainly in the 3<sup>rd</sup> and 4<sup>th</sup> quarter of the preceding year. For other products, the Group's revenues and financial results are not influenced by any significant seasonal fluctuations over the year.



## 1.4 SIGNIFICANT AGREEMENTS AND TRANSACTIONS

On 1 March 2021, CIECH S.A. entered into an agreement for the sale of 74,677 shares in CIECH Żywiec Sp. z o.o. with LERG S.A. with its registered office in Pustków-Osiedle, accounting for 100% of shares in the share capital of CIECH Żywiec Sp. z o.o. The value of the Agreement (equal to the enterprise value being sold) is PLN 157,410 thousand. For details of the transaction, see current reports No 27/2020 and 4/2021.

On 16 March 2021, a facilities agreement was concluded between, among others, CIECH S.A. (as the borrower and guarantor), its selected subsidiaries: CIECH Soda Polska S.A., CIECH Sarzyna S.A., CIECH Soda Deutschland GmbH & Co. KG, CIECH Energy Deutschland GmbH and CIECH Salz Deutschland GmbH (as borrowers and guarantors), BNP Paribas Bank Polska S.A. (as the agent), Powszechna Kasa Oszczędności Bank Polski S.A. (as the security agent) and the following banks: Powszechna Kasa Oszczędności Bank Polski S.A., mBank S.A., BNP Paribas Bank Polska S.A., Industrial and Commercial Bank of China (Europe) S.A. Branch in Poland, Bank Polska Kasa Opieki S.A., Bank Millennium S.A., Credit Agricole Bank Polska S.A., Société Générale S.A., Bank Handlowy w Warszawie S.A., Bank Ochrony Środowiska S.A. and Intesa Sanpaolo S.P.A. S.A. Branch in Poland (as lenders). The Facilities Agreement provides for the extension of loans in PLN and EUR, up to a total amount (expressed in PLN) of PLN 2,115,000 thousand. The agreement provides for a grace period of over 2 years for the repayment of the term loan during which no principal repayment of the loan will be required. The first principal repayment is required on 30 June 2023. For details on the agreement, see current report No 7/2021. On 26 April 2021, the conditions precedent to the disbursement of the facilities made available under the Facilities Agreement were fulfilled.

### **Transactions with related parties other than on an arm's length basis**

CIECH Group's companies, to the best of their knowledge and belief, did not conclude significant transactions on the terms other than market ones. Sales to and purchases from related entities are realised at market prices that reflect market conditions.

For a description of transactions concluded between related parties, see note 9.3. to the Consolidated Financial Statements of the CIECH Group for 2021 and note 9.3 to the Financial Statements of CIECH S.A. for 2021.



## EXTERNAL ENVIRONMENT

## 2. EXTERNAL ENVIRONMENT

### 2.1 FACTORS WITH MAY IMPACT ON THE CIECH GROUP'S ACTIVITIES

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

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

The volume and profitability of the CIECH Group companies' sales depend, among other factors, on these variables as well as on the overall economic situation in Poland, Europe, and worldwide.

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

Poland is the largest sales market of the CIECH Group. The direct and indirect, most important domestic recipients of the Group's products include: glass industry, various chemical industries, furniture, agriculture, construction, food and automotive 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 12 months of 2021 increased by 14.9% year on year (in 2020 — a decrease by 1.0%). After 12 months of 2021, the relevant dynamics of production in the industries of significant importance to the Group's activities (as receiving or target markets) were: manufacture of rubber and plastic products (increase by 17.8%); manufacture of chemicals and chemical products (increase by 17.3%); manufacture of motor vehicles (increase by 14.0%); manufacture of furniture (increase by 16.0%, including furniture for sleeping — increase by approx. 11% in terms of volume); manufacture of food (increase by 5.4%); construction and assembly production (increase by 3.2%).

Over the few years prior to the COVID-19 pandemic, the Polish economy has been growing at a GDP growth rate of 4%-5%, which is clearly faster than the average for the European Union. In the face of the pandemic crisis, a 2.5% drop in the value of national GDP was recorded in 2020 (according to the Central Statistical Office). In the past year a quick economic upturn was already observed and for the entire 2021 Polish GDP is estimated to grow by around 5.7% (according to the Central Statistical Office). For 2022, however, a marked decline in this dynamics is expected to the level of 4% according to the analyzes published in March this year. that is, after the outbreak of war between Russia and Ukraine (with high uncertainty of forecasts related to the war, the risk of a price-wage spiral and global factors such as the continuing pandemic and high fluctuating energy prices). Similar trends should be expected in the chemical industry which usually develops similarly to the economy as a whole.

### Economic situation in Europe and in the world

The activity of the CIECH Group is based, in a considerable part, on the sales of chemical products on foreign markets. The level of profitability on sales depends on the global economic situation in Europe and in the world. Global economic downturn usually results in the fall of the demand for raw materials on global markets and hence on the amount of export turnover of the Group.

In 2020, as a result of the COVID-19 pandemic, there was a global crisis not witnessed in the last few decades. Analyses by the International Monetary Fund suggest that the global economy has already returned to growth in 2021 (forecast of +5.9% GDP in 2021 vs -3.1% in 2020). According to the IMF, many highly developed countries recorded GDP growth rates not observed for at least 10 years (USA + 5.6%; European Union +5.2%; United Kingdom +7.2%). In several other major economies, increases were higher or close to the global average (India +9.0%; China +8.1%; Mexico + 5.3%).

Even before the outbreak of the war between Russia and Ukraine, a slowdown in the economic growth of the world was forecasted for this year, albeit with relatively high dynamics (+ 4.4% GDP according to the IMF). As predicted by the IMF, the dynamics of GDP in highly developed countries in 2022. they were to be definitely positive: in the USA + 4.0%; in the EU (27) + 4.0%; in Japan + 3.3%; India (+ 9.0%), ASEAN countries (+ 5.6%) and China (+ 4.8%) were to develop above average. In other large economies of developing countries, significantly lower GDP growth was expected: Mexico (+ 2.8%); Russia (+ 2.8%); Brazil (+ 0.3%).

However, based on the assessments of various think tanks from March this year. (taking into account the war) it should be expected that the above dynamics will be lower by at least 0.5 to over 1 percentage point in relation to the previous forecasts. In the case of Russia, this may be a negative dynamics of 10%.

Last year, the EU chemical industry also showed a high pace of production growth compared to the crisis in 2020. Estimates of the European Chemical Industry Council (CEFIC) indicate that in 2021 the chemical production of the EU-27 increased by 6% (compared to a decline of 1.9% in the previous year) and exceeded the level from 2019. This very good result is related to the general acceleration of economic development after the first period of the COVID-19 pandemic. This year, even before the outbreak of the war between Russia and Ukraine, CEFIC already forecasted a lower rate of chemical production in the EU (+ 2.5%), but at a level much higher than the average annual growth recorded in the previous decade. In turn, the analyzes of the American Chemical Council (ACC) indicated an increase in world production in the chemical sector by as much as 3.8% in 2022. In the event of a prolonged war, these forecasts will probably be significantly reduced.

In the case of the European construction sector, 2021 can generally be considered a successful year. According to Euroconstruct estimates, last year's construction production in Western and Central Europe increased by 5.6% (compared to a 4.7% drop a year earlier). However, the situation on the continent varied greatly (from a slight decline in Germany to a double-digit increase in Italy). For 2022 (before the outbreak of the war between Russia and Ukraine), a lower dynamics of 4% was forecasted; at a slightly higher pace in the Central European region than in Western countries.

TABLE 1: OTHER FACTORS AFFECTING THE CIECH GROUP'S ACTIVITIES

Factors	Description
Economic situation on raw material market	<p>Due to the fact that costs of raw materials account for a large share of total costs of the Group, the situation on key raw material markets (availability and price) significantly affect the CIECH Group's activities and financial performance. Price and availability of raw materials depends largely on economic and political developments across the globe.</p> <p><b>Hard coal</b> – situation on the market depends on a number of macroeconomic factors. The largest producer of hard coal in the European Union is Poland, but EU's import of coal is nearly two times higher than production. Most of the coal imported to the EU is power coal, i.e. coal used by the CIECH Group in the production of process steam and electricity in soda plants in Poland. Despite the fact that the Group buys it usually from Polish mines, the price of thermal coal for the CIECH Group in a long term depends on the European and global situation in the area of demand and supply. The second half of 2021 saw an increase in demand for coal unprecedented in recent years, not only in Poland but also in countries such as Germany and France caused by a several-fold increase in gas prices, which in the face of steadily declining production capacity in Europe (i.e. mainly in Poland) resulted in increased prices and shortages of the raw material. The situation was mitigated by the</p>



Factors	Description
	<p>relatively high level of coal reserves on the mine dumps, which allowed Polish mines to sell significantly more than their current output until the end of 2021.</p> <p><b>Gas</b> – the main energy resource used by the combined heat and power plant at the Stassfurt plant. The situation on the gas market depends on many factors, such as the price of oil, demand for gas due to the current weather conditions and the current share of gas in the energy mix. CIECH Energy Deutschland GmbH burns two types of natural gas, from local sources and imported. Gas imports to Germany are from Russia, Norway and the Netherlands. In the gas combustion process, steam and electricity are generated, which is also sold outside the Group. Gas supplies are realized on the basis of bilateral delivery contracts, long-term contracts or short-term purchases (spot).</p> <p><b>Furnace fuel (coke/anthracite)</b> – coke prices depend primarily on prices of coking coal, from which it is produced. The largest global producer of coke is China which, at the same time, is one of the largest consumers of this raw material. In Europe, coke is produced mainly in Poland (which is the largest exporter of coke in Europe), Germany and the Czech Republic. In its business activity, the Group uses anthracite as a substitute for coke. The main source of anthracite for Europe is Russia. Due to the unprecedented increase in coke prices in the course of 2021, the Group has significantly increased the share of anthracite in the furnace mix.</p> <p><b>Oil-derivative raw materials</b> – used primarily in the Foams Segment, are linked to oil prices, but with a strong short-term impact of the demand/supply situation in the market. Oil prices depend primarily on macroeconomic and political factors which translate into global demand and supply situation.</p>
Exchange rates of Polish zloty (PLN) and Romanian leu (RON) to euro (EUR) and US dollar (USD)	<p>The CIECH Group's main source of exposure to foreign currency risk is related to EUR and USD in which export sales are denominated. Weakening of PLN and RON (in which significant costs are incurred) in relation to EUR and USD (in which a material portion of sales is made) has a positive impact on the CIECH Group's financial performance. The Group applies natural hedging and hedging instruments.</p>
Volume of chemical production capacity on markets where the CIECH Group operates	<p>In the sectors of mass chemical products, in which the CIECH Group operates, the capital expenditures are an important barrier to entry, and in the case of the soda segment – an access to natural resources. 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.</p> <p>Information published over the past several months suggests that, globally, large increases in soda ash capacity should not be expected in the next 2 years. In the next 3-5 years, new capacities will be put into operation mainly in China and the USA. This will mainly concern natural sodium. Due to the COVID-19 pandemic and the delays observed in the launch of projects based on natural resources in the past, it is expected that the performance of these projects will be delayed.</p> <p>In general, in the long term the average annual growth rate of global soda ash capacity is expected to be similar to the growth rate of global demand.</p>
Environmental requirements	<p><b>REACH system implementation</b></p> <p>In accordance with the REACH regulation, the Group's companies selling substances in quantities exceeding 1 tonne p.a. have completed or plan to complete full registration of these substances by defined deadlines, which will enable them to continue their operations in the current scope.</p> <p><b>Emission trading system</b></p> <p>Some CIECH Group production companies are covered by the greenhouse gas emissions trading scheme. External analyses performed by the CIECH Group companies indicate that the amount of free CO<sub>2</sub> emission allowances in the 3<sup>rd</sup> settlement period (2021-2030) is insufficient to cover the actual demand for this type of settlement units. In addition to the direct costs connected with the purchase of CO<sub>2</sub> emission allowances, the CIECH Group companies will bear higher costs of electricity due to their assumption of the costs of purchase of CO<sub>2</sub> emission allowances from the producers.</p>

## 2.2 CHARACTERISTICS OF THE MARKET AND POSITION OF THE CIECH GROUP

### 2.2.1 SODA SEGMENT

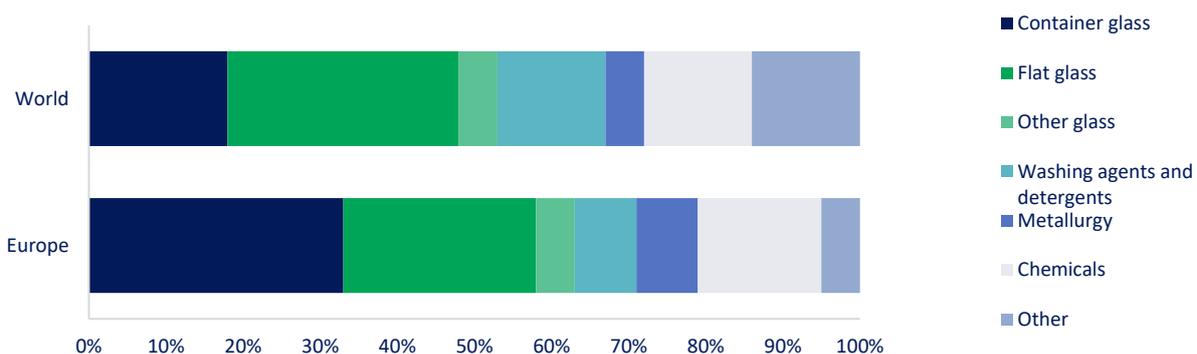


The CIECH Group ranks **second in Europe** and first in the CEE region in terms of soda ash production potential.

#### Soda ash

Soda ash is one of the basic raw materials for the glass manufacturing industry. It is also used for the production of washing and cleaning products, in metallurgy and chemical industry, among others, to produce silicates, sodium bicarbonate, lithium carbonate (used for battery production), as well as in the paper industry. On a global scale more than one half of the currently produced soda ash is used for the production of glass. Further recipients of soda ash include the chemical industry as well as producers of washing agents and detergents. 1/5 of available soda volumes is used by other branches of industry.

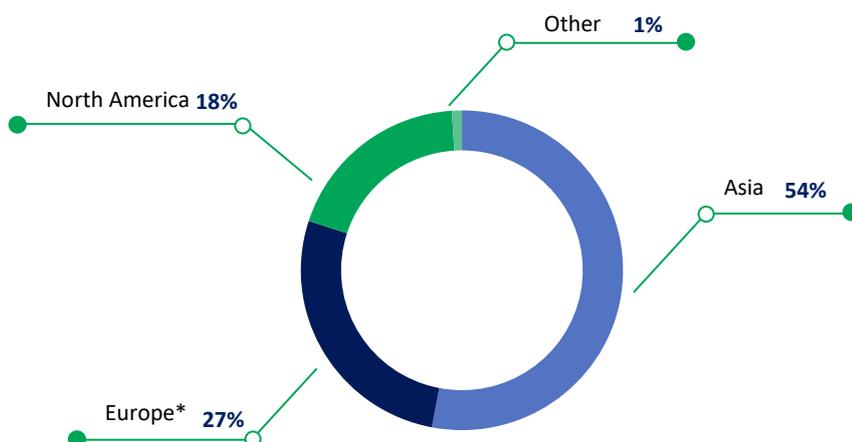
FIGURE 10: SODA ASH CONSUMPTION STRUCTURE



Source: Own compilation based on data from IHS Markit

In Europe, the share of glass manufacturers and chemical sector in soda ash purchases is much larger than on the global market. On the other hand, in Europe relatively lower volumes of soda are used in the production of washing agents and detergents.

FIGURE 11: PRODUCTION CAPACITIES OF SODA ASH IN THE WORLD BY REGION



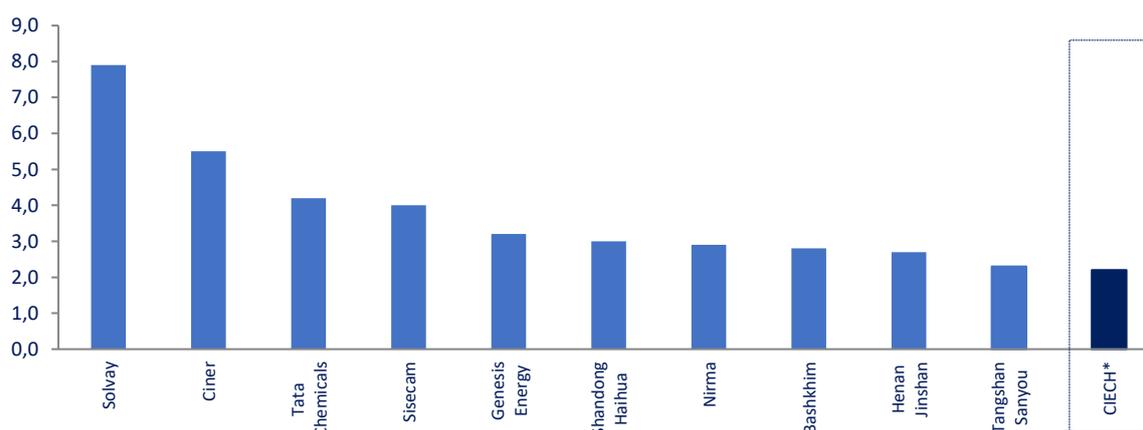
\*Europe including all of Russia and Turkey

Source: Own compilation based on data from IHS Markit

As at the end of the past year, the global production capacities of soda ash stood at approx. 71 million tonnes per year, of which over half is produced in Asia (with dominant share of China and excluding Turkey). More than a quarter of the capacity is concentrated in the European region (including Turkey and all of Russia), while the third key production region is North America, representing nearly 20% of the capacity. The largest sodium carbonate producers in the world, with capacity of 3 million tonnes/year or more, are the following six companies: Solvay, Ciner Group, Tata Chemicals, Sisecam (already after acquiring part of the assets of the Ciner Group in the USA last year), Genesis Energy and Shandong Haihua. As at the end of 2021, these companies represented about 40% of global production capacity.

FIGURE 12: LARGEST GLOBAL PRODUCERS OF SODIUM CARBONATE BY PRODUCTION CAPACITIES IN 2021

million tonnes/year



Source: Own compilation based on IHS Markit and others \*without the capacity of CIECH Soda Romania, where production was suspended in 2019.

Global soda ash production capacity declined relatively slightly last year. The negative balance resulted from the shutdown of factories in China due to environmental requirements with a slight increase in manufacturing capacity in India. At the same time, the prolonged COVID-19 pandemic has contributed to delaying the implementation schedules of many capacity expansion projects planned for the coming years. Revised investment plans assume that some incremental global generation capacity should only be expected from 2023 onwards. However, significant new production facilities are not expected to be operational until 2026 at the earliest; mainly in China and the US for projects based on natural trona deposits. It is worth noting here that the revised projected long-term average annual growth rate of global capacity is similar to or slightly

lower than the projected growth rate of global soda demand, at around 3.0%/year. In the short term (around 2 years), however, the increase in production capacity may clearly not keep pace with demand.

The main soda ash market for CIECH Group is Europe, especially Poland. The biggest producer in this region is Solvay, which owned factories in 6 locations around Europe in 2021, with total production capacities estimated at slightly below 5 million tonnes/year. The second position in Europe in terms of production potential, excluding remote factories in Russia, is held by the CIECH Group. The total capacity of 2.6 million tonnes/year comes from the two operating plants in Poland (Inowrocław and Janikowo) and one in Germany (Stassfurt), as well as the hibernated facilities in Romania (Ramnicu-Valcea), where operations were suspended in September 2019.

In 2021, the Group's share of the sodium carbonate market in Poland is estimated at approx. 85%, at 13-14% in Europe (including Russia and excluding Turkey) and approx. 3% globally (Source: own estimates based on market data compiled by IHS Markit).

Last year's quick return to growth in the world economy resulted in a marked increase in demand for soda both globally (with growth rates of well over 5%) and across Europe (around 4%). Global soda consumption is likely to have surpassed 2019 levels and in Europe (including Russia, excluding Turkey) it was again above 11 million tonnes. The strong recovery naturally followed a rebound after a difficult first period of the COVID-19 pandemic in 2020. Unfortunately, this rebound has resulted in unprecedented rapid increases in energy costs, which are significant in the soda industry. On the other hand, the specifics of the soda ash market, which is dominated by annual contracts negotiated at the end of the calendar year, resulted in a significant reduction in margins that had not been reported for many years.

Apart from periods of exceptional change, most recently between 2020 and 2021, generally the European market (including Poland) is a mature market, growing at an annual rate of around 1.5% in the long term. Growth dynamics in Central Europe is usually higher by 1-2 percentage points than in Western Europe. The structure of soda ash consumption hasn't changed much for many years. The demand for sodium carbonate depends mostly on the demand for flat and packaging glass. The rebound in the flat glass segment was particularly marked last year, mainly driven by an upturn in the European construction industry.

In the next few years, significant drivers for the further growth of the sodium carbonate market will include, among other factors, the growing interest in glass packaging (as more environmentally friendly compared to plastic substitutes), growing requirements for energy efficiency of buildings and the associated trend of using 3-pane windows (instead of 2-pane ones), development of the segment based on glass photovoltaic panels. On the other hand, there are factors that may impede this growth: measures to increase waste recycling (including glass) and problems in the automotive industry responsible for a portion of demand for flat glass (last year related to reduced car production following disruptions in the supply chains of other components necessary in this industry).

### Sodium bicarbonate

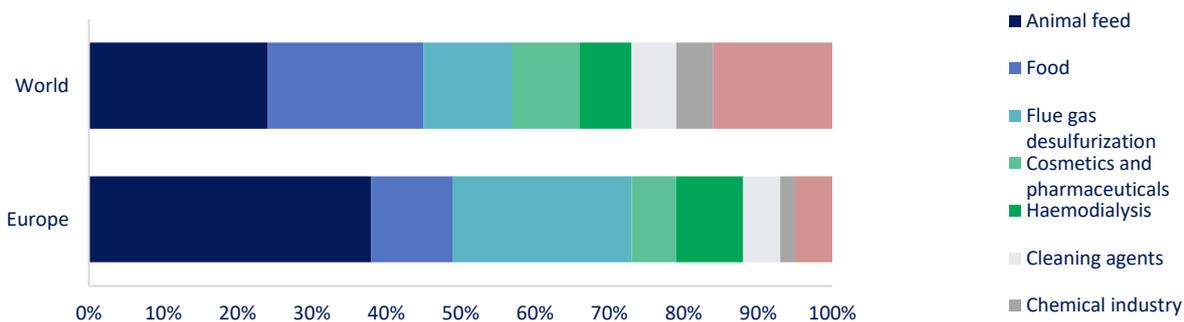


The CIECH Group ranks **second in Europe** in terms of **sodium bicarbonate production potential**.

Sodium bicarbonate is used mainly in production of animal feed (as an acidity regulator) and food (among others as an ingredient of baking powder and sparkling drinks), for purifying exhaust fumes (mainly for desulphurisation) as well as in production of pharmaceuticals, cosmetics and cleaning agents. In the chemical industry it is used for, among others, production of pigments and plastics as well as a component of fire extinguishers. The sodium bicarbonate market is divided into segments of soda of different qualities. The high quality segment covers the food, cosmetics, detergent and feed industries. Very high quality is required for pharmaceutical and medical purposes — e.g. in haemodialysis.

In Europe, sodium bicarbonate is used mostly in production of feed and exhaust gas purification (respectively, approx. 40% and 25%). Other important segments are food production, pharmaceuticals production and hemodialysis.

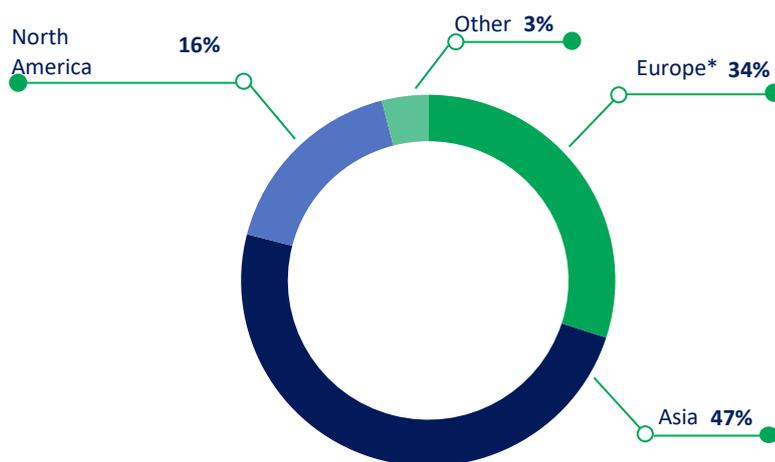
FIGURE 13: SODIUM BICARBONATE CONSUMPTION STRUCTURE



Source: Own compilation based on data from IHS Markit

Global production capacities for sodium bicarbonate are estimated at about 7.1 million tonnes per year. Asia accounts for nearly 50% of these capacities. The share of Europe together with Russia and Turkey reaches 1/3 and North America – approx. 16%. In 2021, capacity additions were recorded mainly in Europe (including the commissioning of a new 200,000 tonnes/year facility at a soda plant in Bulgaria later that year). No significant capacity additions have been announced for the next 2-3 years either in Europe or globally. Significant projects are only expected to be implemented with trona-based projects in the US and China in the second half of this decade.

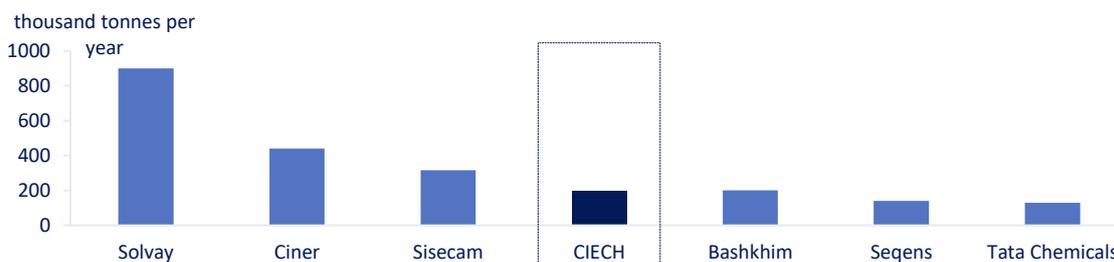
FIGURE 14: PRODUCTION CAPACITIES OF SODIUM BICARBONATE BY REGION



\*Europe together with Russia and Turkey

Source: Own compilation based on data from IHS Markit

FIGURE 15: LARGEST PRODUCERS OF SODIUM BICARBONATE IN THE REGION COMPRISING EUROPE AND TURKEY BY PRODUCTION CAPACITY IN 2021



Source: Own compilation based on IHS Markit and others

In the European region (including Turkey), sodium bicarbonate production capacity is already estimated at around 2.4 million tonnes per year. The biggest producer both in Europe and globally is Solvay, owning factories in seven countries. With a capacity of 200 thousand tonnes per year, the CIECH Group has the second largest production potential in Europe (fourth after Solvay and the Ciner and Sisecam Groups in the region, including Turkey).

The target market for the CIECH Group for sodium bicarbonate is Poland and the foreign markets, especially Western Europe. The share in the sodium bicarbonate market of the CIECH Group is about 11% in Europe (with Russia but without Turkey) and 3% globally. Sodium bicarbonate is produced in two soda factories of the Group: in Inowrocław and in Stassfurt. CIECH Soda Polska S.A. is the only producer of sodium bicarbonate in Poland with just under 60% of the market. The CIECH Group's share in the German market is about 1/4.

The sodium bicarbonate markets in Poland and across Europe are generally mature markets, not subject to rapid change, with annual growth rates in the previous decade ranging from 3% to 4%. 2021 was also characterised by a strong increase in European demand for this soda across different customer segments.

In the coming years, the highest dynamics can be expected within the scope of hemodialysis due to an increase in incidence of illnesses related with modern lifestyle in developed countries (primarily kidney diseases caused by diabetes). Due to growing requirements of environmental protection, a major increase in usage of sodium bicarbonate for fumes desulphurisation is still expected.

From the feed segment's perspective, preliminary forecasts for the EU feed market indicate that 2022 will continue to be quite challenging due to issues such as livestock diseases, export restrictions caused by these diseases, and rising prices for cereals, the primary feed ingredients. In general, however, no major changes are yet expected in view of the global upward trend in the consumption of meat and dairy products.

An increase in demand for sodium bicarbonate is supported by global megatrends, including concerning environmental protection and civilization diseases.

### Evaporated salt



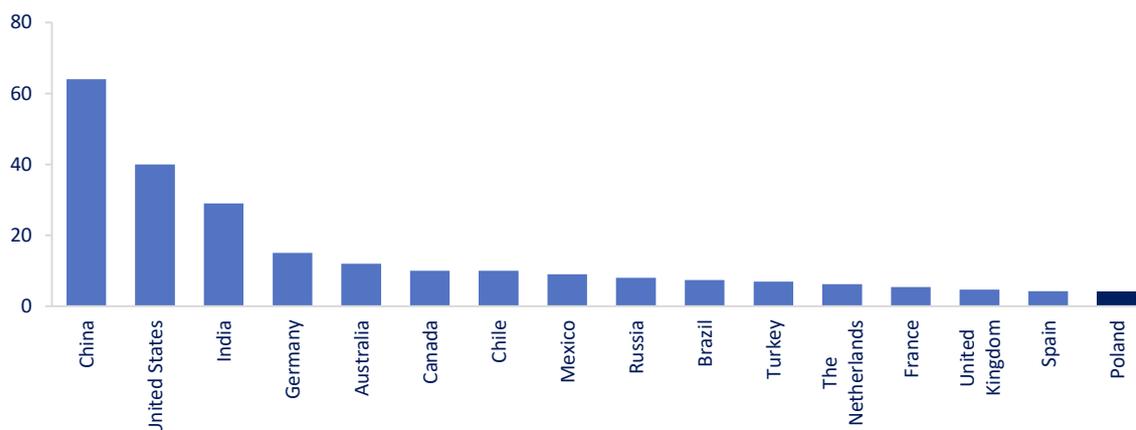
The CIECH Group is the largest Polish producer of evaporated salt, with a share in the domestic production capacity of approx. 80%

In the second half of the previous decade, global salt output has been on an upward trend at an average annual growth rate of 1%. However, as a result of the COVID-19 pandemic in 2020, this output has fallen by several percent. The rapid rebound of the global economy in 2021, including a marked increase in chemical output that determines global salt consumption, has contributed to the salt market returning to growth with a global volume above 330 million tonnes. Further long-term growth in this market will be driven, as in previous years, by increasing demand for chlor-alkali and soda ash; particularly in Asia.

The ten biggest producers (countries) are responsible for approx. 60% of global supply. There are only two European countries among them (Germany producing several million tonnes/year and Russia – about 8 million tonnes/year). Poland (with the production of 4 million tonnes of salt per year is ranked in the second ten of the global ranking and its share in the world production definitely exceeds 1%.

FIGURE 16: MAJOR SALT PRODUCERS IN THE WORLD (INCLUDING POLAND)

million tonnes/year



Source: Own compilation based on USGS and other sources.

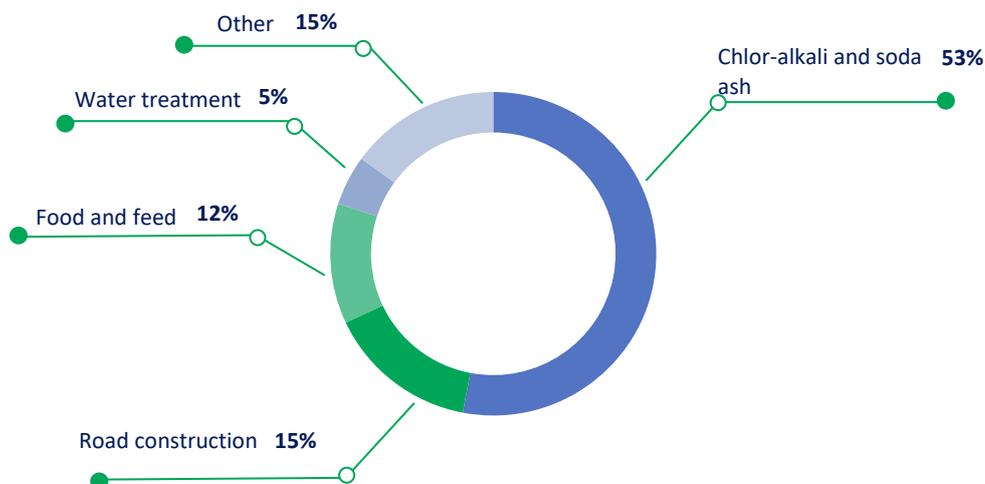
European salt production capacities are estimated at about 100 million tonnes per year (including producers using salt only for the purposes of their own chemical production, such as Solvay and Dow Chemical). The largest producer in Europe operating in the free market is the K+S Group, with capacities of 9 million tonnes per year and production plants in several countries of Western Europe. Other companies with large production capacities (above 5 million tonnes per year) include a Ukrainian company, Artyomsol (around 7 million tonnes per year; capacities used recently to a small extent) and a chemical company Nobian (around 6 million tonnes per year) spun off from Nouryon last year.

Salt is usually present in the European market in two forms: rock salt and evaporated salt. Evaporated salt is one of the key products of the CIECH Group, which offers it in various distribution channels. Salt produced in our two plants in Poland (Janikowo) and Germany (Stassfurt) is used, among others, in specialised water treatment installations (mainly in the form of salt tablets), in the food, meat and chemical industries (e.g. in electrolysis) and many others. Another customer segment of growing importance for the CIECH Group are animal feed plants and large farms. It is for this branch that feed salt and salt licks are dedicated, for balancing the animal diet.

Due to advantages of evaporated salt with regards to quality parameters, European chemical industry abandoned using of rock salt. A similar process occurred in food and households industries. Rock salt is presently used primarily in highway maintenance for winter de-icing. Evaporated salt, on the other hand, is widely used in every field of industry and in households. Its purest grade is also used in the pharmaceutical industry.

In Europe, most of salt is used in the soda ash and chlorine-alkali industries (more than half of the demand). In recent years, much less salt has been used for highway maintenance. Globally, use of salt in highway maintenance is significant only in North America (about 1/3). In other regions of the world, chemical sector (chlorine-alkali industry and soda ash industry) is the main buyers of salt. In Asia (outside China), Latin America, Africa and the Middle East, significant volumes of salt are used for direct consumption and food production.

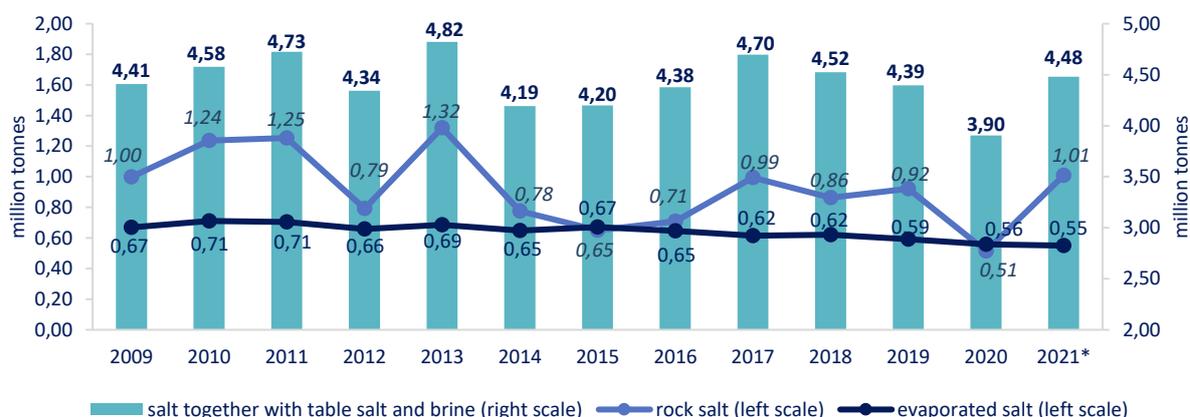
FIGURE 17: SALT CONSUMPTION STRUCTURE IN EUROPE



Source: Eusalt.com

Polish salt market structure differs from the one in Europe. Much more important is the salt used for the production of soda ash, in highway maintenance and for direct consumption, while the salt used in the chlorine-alkali industry is of lesser significance.

FIGURE 18: SALT PRODUCTION IN POLAND WITH DIVISION INTO KINDS IN THE YEARS 2009-2021



Source: Own compilation based on the Central Statistical Office; \* estimates based on preliminary data for 12 months of 2021.

Poland belongs to leading salt producers in Europe. Total production of evaporated and rock salt (including table salt) and brine in the past decade oscillated between 3.9 and 4.8 million tonnes.

Polish salt market, like Europe, is mature. In the long run, the volume of evaporated salt consumption shows a slight average annual growth rate of 1%-1.5%. This growth is mainly driven by highly processed salt products, e.g. for water treatment systems and health care. On the other hand, the market of rock salt used mainly for winter road maintenance is variable. The demand for rock salt in case of atmospheric anomalies can change by several dozen percent. The CIECH Group is generally not present on the road salt market, therefore weather anomalies do not affect our sales volume. However, we play an important role in the following segments: table salt (food industry and direct consumption), water treatment systems and chemical industry (electrolysis salt).

The CIECH Group with its production capacity of 550 thousand tonnes per year is the biggest producer of evaporated salt (in its Janikowo plant) on the Polish market, with a share in domestic capacity of more than 80%. As a result of the project implemented in Stassfurt, Germany, in 2021 the CIECH Group has increased its production capacity to 1 million tonnes/year and is among the leading European producers of evaporated salt.



In the coming year, the directions and further development of the global salt market will be determined by general economic development (because of important role of chemical industry in salt consumption) as well as seasonal factors (due to important role of salt in road maintenance in the developed countries). Development of plants in Asia (with regard to synthetic chlorine-alkali and soda ash) will be especially important for the chemical sector. The projected average annual growth rate of salt consumption worldwide is estimated at around 2%. In Europe, the rate may be two times lower, but in the case of evaporated salt, i.e. in the area where the CIECH Group operates, we expect the average annual market growth at about 1.5%. This is due to the well-proven quality advantage of evaporated salt over other types of salt (rock and sea salt).

Due to global economic, social or demographic trends, specialist products become more and more important in the salt industry. There is a growing awareness of the need to improve water quality – an increase in demand for salt tablets from many industries and from households is visible. In turn, increasing volumes of evaporated salt of pharmacological purity grade are used in pharmaceutical industry. Due to the development civilization diseases related to lifestyle in developed countries, expenditures on health care are growing. The quality of pharmaceuticals also improves, which determines the increase in consumption of salt used in this industry.

There is a worldwide increase in demand for specialist products of the salt industry – salt tablets for water treatment and salt used in the pharmaceutical industry.

The prospects for evaporated salt market development in Europe, including Poland, are stable. The possible quantitative increases will depend on sales dynamics in the sector of highly processed products, e.g. for water treatment systems.

## 2.2.2 AGRO SEGMENT

### Crop protection chemicals (CPC)



The CIECH Group is the largest domestic producer of crop protection products and one of the leaders in the domestic market of herbicides.

About 45% of sales of global crop protection chemicals is attributable to herbicides. Fungicides and insecticides account for about 27% and 25% of the global market value respectively.

FIGURE 19: STRUCTURE OF GLOBAL CONSUMPTION OF CROP PROTECTION CHEMICALS BY TYPE AND BY VALUE



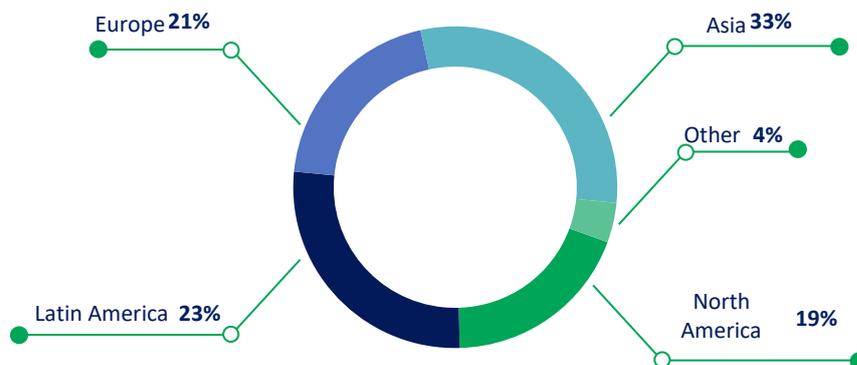
Source: Own compilation based on Phillips McDougall.

In 2021, as in previous years, the global market for crop protection agrochemicals was dominated by several major global producers: Syngenta Group (which includes the large Adama), Bayer (following the acquisition of Monsanto), Corteva (the result of the merger of the agrochemical businesses of Dow Chemicals and DuPont), BASF and FMC. These companies are main contributors to the world markets because they significantly influence directions of the industry development, including: development of new technologies and introduction of innovative products to the market. The total share of the aforementioned producers in the total global sales of agrochemicals is estimated at about 70%.



It is estimated that in 2021, the value of sales in the global market of crop protection chemicals reached approx. USD 65 billion and increased by approx. 5%. The strong performance of the agrochemicals industry in the second difficult year of the COVID-19 pandemic can be attributed to continued strong growth in demand for food with relatively less severe restrictions (related to the epidemic) on agriculture relative to other sectors of the economy. The relatively high revenue dynamics of agrochemical companies was also driven by a significant increase in the prices of raw materials and semi-finished products for the manufacture of crop protection chemicals, whose primary global supplier is China.

FIGURE 20: STRUCTURE OF SALES OF CROP PROTECTION CHEMICALS BY REGION (% OF VALUE)



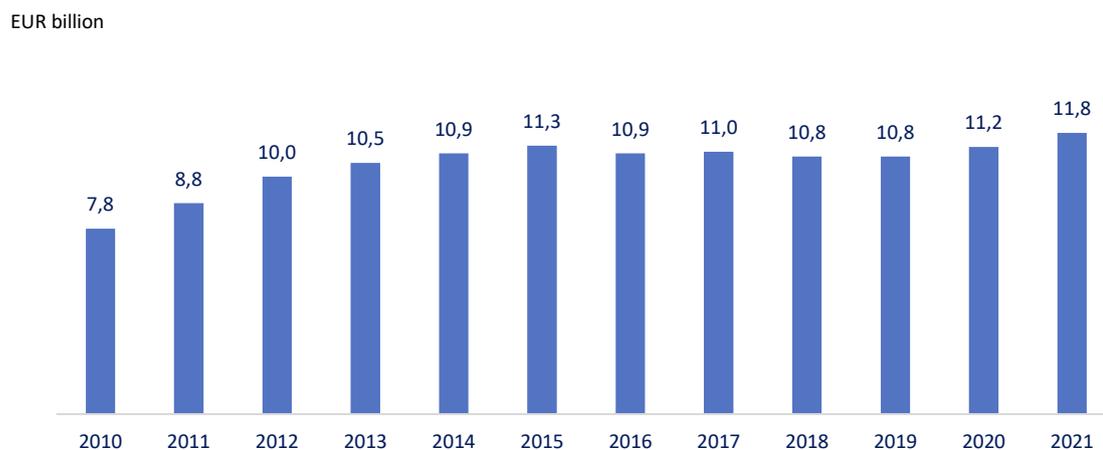
Source: Own compilation based on Phillips McDougall.

It is estimated that Asia Pacific and Latin America are the largest regional markets of crop protection chemicals with shares in global sales amounting to approx. 33% and 23% respectively. Slightly smaller markets are Europe and North America (about 20% each). The rest of the world accounts for several percent of global consumption. Preliminary estimates for the European market in 2021 indicate that its value has reached nearly EUR 12 billion and has grown by several percent for the second year in a row. In the long term, sales in Europe have shown a fairly high growth rate (+4% on average per year since the beginning of the second decade of this century), despite the fact that the European market is a very mature one. The continuation of clear positive growth dynamics on our continent should be attributed to the growing needs of agriculture in the regions of Central and Eastern Europe.

The recovery in European agriculture in 2021 was driven by the lifting of travel restrictions and strong demand for EU agricultural products (including feed grains) from the US and China. As a result, significant price increases were also recorded for major agricultural products such as wheat, maize and barley.

In general, prospects for further development of the European market of crop protection chemicals can be assessed as positive, especially in the area of generic products manufactured by the CIECH Group.

FIGURE 21: SALES OF CROP PROTECTION CHEMICALS IN EUROPE IN 2010-2021 (preliminary estimates for 2021)



Source: Own compilation based on Phillips McDougall.

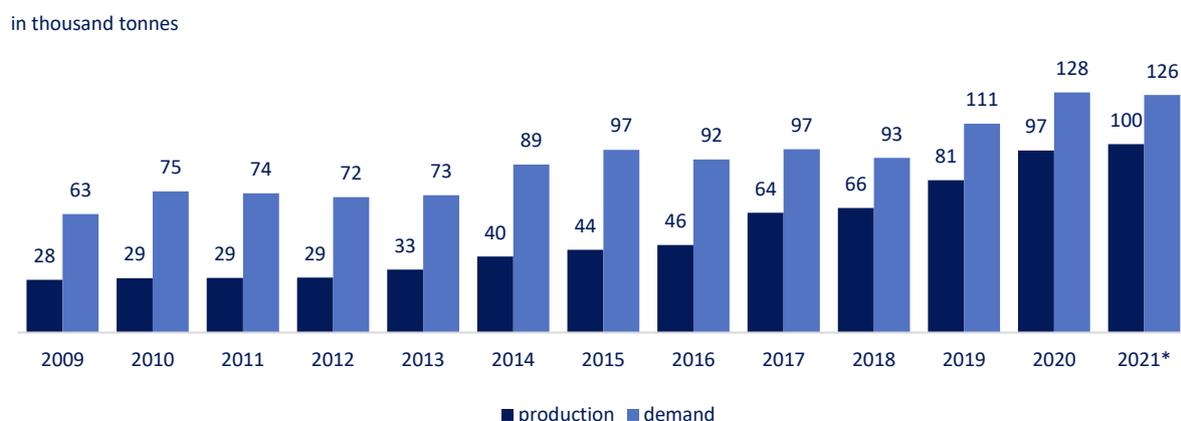
For a number of years, the biggest European markets for CPC are France, Germany, Italy, Russia, Spain, United Kingdom and Poland. However, the importance of countries such as Romania and Ukraine is also increasing.

Over the past decade, annual demand for crop protection products in Poland has shown a clear upward trend from over 70 thousand tonnes to nearly 130 thousand tonnes in 2020. Estimates for 2021 indicate a slight reduction in this consumption (after a very strong increase in the previous year), which can be attributed to a fall in cereal harvests, rationalisation of the dosage of the relevant preparations (in line with trends in mature markets) and progressive inflation. Despite the overall upwards trend in local CPC production, the Polish market continues to be dominated by foreign suppliers with a very wide range of products. The reason of this is lack of sufficient offer of Polish producers, who have much less of financial resources to conduct research on new products, their registration and marketing.

The long-term growth prospects for the CPC market remain attractive, especially in terms of generic products manufactured by the CIECH Group.

The share of herbicides in the structure of CPC consumption in Poland is similar to the global one. Significantly more herbicides are used in Poland because of high percentage of grains in general cultivated area. Insecticide consumption is lower than the world average (in general, in the moderate climate zone, the pressure of diseases is much higher than that of pests – the so-called Central Zone).

FIGURE 22: VOLUME OF PRODUCTION AND CONSUMPTION OF CROP PROTECTION CHEMICALS IN POLAND IN THE YEARS 2009-2021



Source: Own compilation based on the Central Statistical Office and Eurostat (\* estimates based on data from the Central Statistical Office after 12 months of 2021 and Eurostat after 10 months of 2021)



Global concerns and several local producers are main participants in the Polish market. CIECH Sarzyna S.A. is the largest domestic producer. The activity of this company in the field of crop protection chemicals is focused on the Polish market, where the CIECH Group last year increased its share to the level of approximately 7.8% (by value). In the cereal herbicides segment, the main product group, this share is higher - in the order of 1/4. In 2021. The CIECH Group continued its foreign expansion in the area of agrochemicals. Thanks to the acquisition in 2018. of the Spanish supplier of plant protection products, Proplan, the Group is presently present in nearly 50 countries around the world. This is also due to the consistent implementation of the development strategy (in the area of plant protection), which consists in intensification of research and development activities, expansion of the product range and strengthening of the sales and marketing areas. The most important outcome of the R&D work last year was the launch of a new herbicide, HALVETIC, based on glyphosate and a unique patented formulation (the so-called Better Glyphosate Technology). This product makes it possible to halve the dosage of the active substance while maintaining high effectiveness, and is therefore perfectly suited to the European Green Deal whose postulates include limiting the use of crop protection products per hectare. It should be noted here that globally, glyphosate is currently the most important active substance used in agriculture with sales of around USD 6 billion. This creates great opportunities for CIECH Group products in Poland, Europe and other continents. HALVETIC is registered in all major markets worldwide.

The CIECH Group's development strategy in the field of crop protection products includes intensive research and development activities, the expansion of its product portfolio and progressive foreign expansion

Over the next few years, the value of the domestic market for crop protection products should continue to grow at a fast pace. In Poland, the unit consumption of active substances of CPC in kg per 1 ha of arable land and permanent crops as well as field treatments is still much lower than in many Western European countries. Moreover, the relatively good economic situation of Polish farmers can be expected to continue, owing to the direct subsidies received from the EU. Additionally, controversies concerning genetically modified plants (GMO) should effectively influence the higher demand level for traditional crop protection chemicals.

For the following years in the current decade, global demand for crop protection products is expected to continue to grow at an average annual rate of 2.5%-3% (in terms of value). Growth will be driven mainly by overseas markets such as Latin America, some countries in Africa and the Far East, i.e. those where the CIECH Group is already present. In Western Europe, the market will be rather stable, while in the central and eastern regions of our continent, significant growth is still expected.

Market forecasts are based on the assumption of decreasing arable land area on the global scale, increasing population, increasing consumer purchasing power (especially in developing countries) and the resulting necessity of constant increase in the quantity and quality of yields. On the other hand, various national and international regulatory bodies, whose task is to monitor the consumption of crop protection chemicals in order to lower their negative influence on the natural environment will affect the growth in consumption of crop protection chemicals.

## 2.2.3 FOAMS SEGMENT

### Flexible polyurethane foams (PUR)



The CIECH Group has about 13% share in the polyurethane foam market in Poland and is responsible for approx. 23% of the domestic production (except for production for own needs).

Flexible polyurethane foams are used mainly in production of furniture and sleeping mattresses, which amount to more than ¾ of consumption of this material. Another 15%–20% is used in automotive industry for production of seats and interiors. As a result, demand for foams is sensitive to economic cycles.

FIGURE 23. APPLICATION SEGMENTS OF FLEXIBLE POLYURETHANE FOAMS IN EUROPE



Source: Own compilation based on the IAL Consultants and Europur data.

Because of physical properties (low specific gravity) PUR foams are sold only on local markets. Therefore production base develops close to potential buyers. The CIECH Group is active mainly on the Polish market. However, export sales are being developed as well. Furniture manufacturers and foam processing plants are clients of the Group.

Globally, production of flexible polyurethane foams used in furniture production is very fragmented (over a thousand producers of total production capacity of 8 million tonnes per year). With approx. 150 manufacturers, Europe accounts for about 30% of this capacity, while the production capacities of Polish producers are estimated at 210-220 thousand tonnes per year. Major competitors of the CIECH Group on the Polish market are: Eurofoam (operating under the Neveon brand), MZCh Organika, Vita Polymers and CIS. IKEA also hold large production capacities, however, they are designated mainly for internal purposes.

In the past year, the second year of the COVID-19 pandemic, the flexible PUR foam market has seen a marked improvement in demand both in Poland and across Europe. In general, lighter restrictions on business (relative to 2020) allowed for a significant increase in furniture production and sales; including upholstered furniture using flexible foams. On the other hand, disruptions in the supply chain of raw materials for the foam industry and a large increase in their costs due to high oil prices had a negative impact. It is estimated that over the past year as a whole, total demand for flexible PUR foam in Europe may have returned to almost 2 million tonnes. However, due to continuing problems in the automotive industry, foam consumption is unlikely to have reached pre-pandemic levels yet. In Poland, due to the good position of the Polish furniture industry on foreign markets and very good results in furniture exports (forecasted double-digit growth), the flexible polyurethane foam industry should consider last year a successful one.

The CIECH Group, through Ciech Pianki Sp. z o.o., has about 13% share in the Polish market of flexible polyurethane foams, and approx. 23% in domestic production (excluding own production).

The rapid recovery of European demand for flexible PUR foam to pre-2020 levels is being slowed by the crisis in the automotive industry. However, in the furniture industry segment, within which the CIECH Group operates, the market has been growing significantly faster. This is particularly the case in our country, which has a thriving competitive furniture industry focused on further expansion of exports. The industry's performance to date has already secured it a presence in the list of the top global exporters.

The domestic market of flexible polyurethane foams benefits from a very good position of the Polish furniture industry on foreign markets – the leading exporter of furniture worldwide.

## 2.2.4 SILICATES SEGMENT

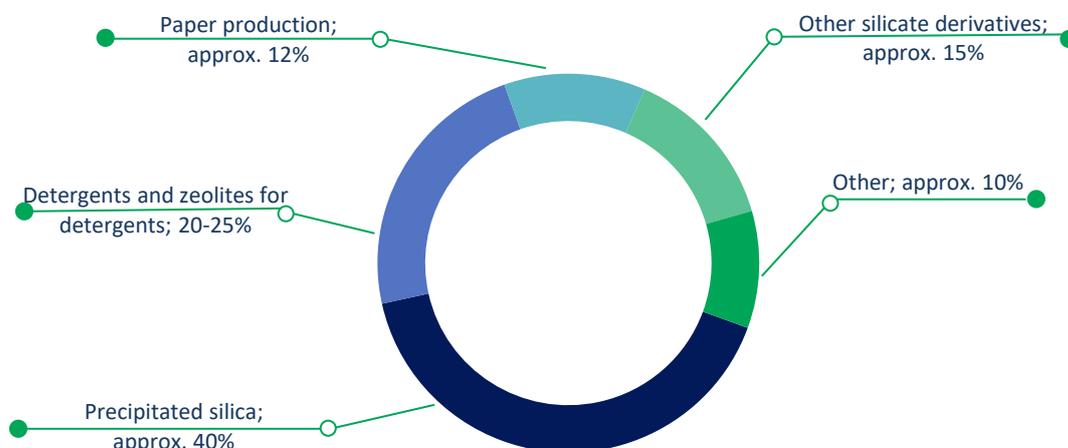
### Sodium silicates (glassy sodium silicate and sodium water glass)

Sodium silicates are manufactured in solid form (glassy sodium silicate) and in liquid form (sodium water glass usually obtained by dissolving glassy sodium silicate in water or using a direct method). The CIECH Group, through CIECH Vitrosilicon S.A. and CIECH Soda Romania S.A., manufactures and sells glassy sodium silicate as well as their solutions.

Sodium silicates are used for production of precipitated silica (about 40% of consumption in Europe, used mainly in the tyre and beauty product industries), detergents and zeolites for detergents (20%-25%), paper, coatings based on titanium white and ceramic materials, and other silicate derivatives for various industries.

In developing countries, applications related to production of detergents dominates, and the total consumption of these silica depends to a large extent on the number of citizens.

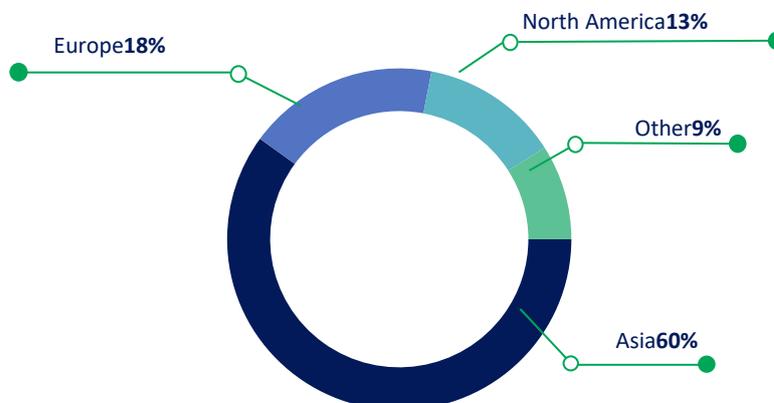
FIGURE 24: APPLICATION SEGMENTS OF SODIUM SILICATES IN EUROPE



Source: Own compilation based on the IHS Markit data.

Sodium silicates are one of the most popular non-organic chemicals, and are manufactured all over the world. However, due to their relatively low price and high importance of the liquid form in trade (silicates dissolved in water), international turnovers are performed usually on a local level, i.e. only on the European continent. The largest production capacities are located in Asia (about 60%) and the most developed regions of the world (Europe, North America) are responsible for approx. 1/3 of global production capacities in total.

FIGURE 25: GEOGRAPHIC STRUCTURE OF PRODUCTION CAPACITIES OF SODIUM SILICATES



Source: Own compilation based on the IHS Markit data.

The nominal sodium silicate production capacity in Europe (together with Russia and Ukraine) can be estimated at over 2 million tonnes/year (in terms of sodium glass). However, majority of these capacities is used by producers, who in general do not offer silicates on the free market. European production capacities are located in Western and Central Europe. PQ and BASF concerns as well as the CIECH Group, are European leaders in silicates production. Our Group's share in total production capacities in Europe is estimated at over a dozen per cent for glassy sodium silicate (third largest producer).

In 2021, demand for Europe's largest sodium silicate segment, precipitated silica used in tyre production, increased significantly due to a significant economic recovery after the first year of the COVID-19 pandemic and some improvement in the automotive industry. Consequently, we estimate that last year the total demand for sodium silicates in the free European market (excluding own consumption) increased significantly to above 400 thousand tonnes.

Overall, our long-term assessment is that demand for sodium silicates in Europe should evolve at an average annual growth rate of 3%, but the precipitated silica segment will continue to show above-average growth. The CIECH Group has significantly strengthened its position in the sodium silicate market thanks to numerous investments in capacity expansion (most recently

by 30% in 2021 to a level of approximately 240 thousand tonnes/year). It is currently the largest supplier of this semi-finished product in Europe. We estimate our share of sales of these silicates in the European free market to be approximately 35%-40%.

### Potassium silicates

Potassium silicates (in the form of glassy silicates or potassium water glass) are used as a raw material in the production of plaster and facade paints for construction, welding (production of electrodes), production of detergents, molecular sieves, fertilisers and crop protection chemicals. The European market for potassium silicate is a mature market with a small growth rate of around 1% per year. The growth of this area is positively affected by segments which are growing at above-average rates: the market for speciality detergents in liquid form and the market of molecular sieves (used for gas cleaning in various chemical processes). There are several glassy potassium silicates producers in the European market, with Van Baerle and PQ holding the dominant market share. We estimate that the production capacity in Europe is around 60 thousand tonnes per annum, including CIECH Group's capacity in CIECH Vitrosilicon of up to 3 thousand tonnes per year.

FIGURE 26: APPLICATION SEGMENTS OF POTASSIUM SILICATES IN EUROPE



Source: Own compilation based on the IHS Markit data.

## 2.2.5 PACKAGING SEGMENT

### Glass products (decorative lanterns, jars)

Glass products manufactured by CIECH Vitro are intended for niche markets: decorative lanterns are used to manufacture vigil lights; COMFORT-type jars with clamp lids and – in small volumes – twist-off jars are to be used for food products.

#### Decorative lanterns

Vigil lights are the products used mainly in Poland and in some Central European countries. Consequently, activity of the CIECH Group in this respect is focused on the domestic market (export accounts for approx. 5%). The demand for vigil lights is related to the tradition of visiting cemeteries, and sales are performed mainly around 1 November every year. Supplies of lanterns used in the production of vigil lights are delivered earlier, mainly in the second and third quarter of a year. In Poland, there are only few producers of decorative lanterns (glass-works). At the same time, complete vigil lights are manufactured by about 300 companies that usually buy lanterns directly from producers. Major producers of decorative lanterns are: CIECH Vitro Sp. z o.o. in Iłowa and HS Sława S.P. in Kielce. The domestic market of decorative lanterns is estimated at about 180 million pieces per year. The CIECH Group has been the clear leader in this market for many years. The main advantages of the leader are its production potential as well as a rich and diverse product range. The market for glass lanterns is very mature and no increase in demand is expected.

#### Jars

CIECH Vitro specialises in the manufacture of COMFORT-type jars with glass lids and fastening clasps, used on niche markets (for storage of bulk products and products that do not require pasteurisation). The CIECH Group is the only producer of such jars, and sales are targeted at the domestic market and to foreign markets (approx. 15%). Competitive products on the Polish market are imported from Germany, China and Italy. The domestic market of Comfort-type jars is estimated by the CIECH Group at about 3.2 million pieces per year. The Group with a share of more than 20% is the third supplier on this market.



## CIECH GROUP'S STRATEGY AND DEVELOPMENT CONDITIONS

### 3. CIECH GROUP'S STRATEGY AND DEVELOPMENT CONDITIONS

#### 3.1 CIECH GROUP STRATEGY FOR 2019-2021

The Management Board of CIECH S.A. carries out an on-going analysis of the market environment and identifies innovative solutions aimed at the building of the CIECH Group's value. Therefore, in late 2018 the Management Board presented the CIECH Group strategy for 2019-2021, approved by a resolution of the Supervisory Board on 5 December 2018.

According to the adopted document, the strategic objective for 2019-2021 was to maximise the CIECH Group's value, primarily by increasing competitive advantages in the key Soda Segment, continuous improvement of customer service, further investing in the development of specialist businesses in other Segments, intensive use of innovations and the effects of R&D efforts to increase production efficiency and expand the product portfolio and value creation through changes in the asset portfolio.

Despite high uncertainty and volatility on the markets from the first quarter of 2020 (due to the pandemic situation), the Management Board of CIECH S.A. decided not to update the entire strategy for the period 2019-2021, because the duration and scale of the impact of the occurring demand and supply shocks were difficult to predict. The Management Board monitored and adjusted the CIECH Group's operations to changing market conditions on an ongoing basis. In addition, in 2021 the Management Board of CIECH S.A. initiated efforts to prepare the CIECH Group strategy for 2022-2024, also reflecting the market changes that occurred during the pandemic. The CIECH Group's vision and ambition is to create real value for all stakeholders.

FIGURE 27: VISION AND AMBITIONS OF THE CIECH GROUP FOR 2019-2021



### 3.2 SELECTED STRATEGIC ACTIVITIES FOR THE 2019-2021 STRATEGY PERIOD

The CIECH Group has been consistently implementing its strategic activities aimed at achieving financial objectives and maximising the Group's value.

In terms of the main segments of activities, it is necessary to mention the following activities carried out in the 2019-2021 strategy period.

TABLE 2: SELECTED ACTIVITIES IN PARTICULAR BUSINESS SEGMENTS OF THE CIECH GROUP IN THE 2019-2021 STRATEGY PERIOD

 Soda segment  Soda	<ul style="list-style-type: none"> <li>• An effective response to the economic downturn triggered by the outbreak of the COVID -19 pandemic, which ensured that the soda business was less affected by the crisis (downturn) than its competitors.</li> <li>• Intensification of activities in the SPOT market, as an effective way of placing volumes that are at risk due to the economic crisis on the market.</li> <li>• Detailed and regular monitoring of customers in industries sensitive to market downturns.</li> <li>• Price renegotiations with key customers carried out in the third and fourth quarters of 2021 to maintain the Group's profitability in the face of significantly rising prices for the main raw materials used in soda production.</li> <li>• Development of logistics and post sales services.</li> <li>• Inter-segment diversification through continued development of highly processed products offering – implementation of an investment in pharmaceutical-grade soda.</li> <li>• R&amp;D projects (e.g. CO<sub>2</sub> concentration, Carbonation Plus).</li> <li>• Projects related to production digitalization and automation (e.g. APC).</li> <li>• Maintenance improvements (e.g. "Mobilny obchodowy").</li> <li>• These efforts remain somewhat overshadowed by the situation of the Romanian plant (affected by the mining disaster at CET's lignite mine), which is still in hibernation mode.</li> </ul>
 Soda segment  Salt	<ul style="list-style-type: none"> <li>• Commissioning of the salt works in Stassfurt (the largest project in the Group's history).</li> <li>• Improvement of the S&amp;OP process – demand and supply planning,</li> <li>• Expansion of the product range – licks, pharmaceutical salt and salt granules,</li> <li>• Increasing production capacity in the salt tablet line in Janikowo by investing in machinery. Optimisation of the product portfolio.</li> <li>• Upgrade of boilers at the CHP plant node.</li> <li>• Implementation of the Food Safety System in compliance with the ISO 22000:2005 standard and its successful operation.</li> </ul>
 Agro Segment	<ul style="list-style-type: none"> <li>• Further work on the Agro Product Portfolio Development Strategy based on innovative R&amp;D projects.</li> <li>• Obtaining HALVETIC® registration with BGT technology in Poland, Greece, Portugal, national registrations in Australia and USA. Intensive work on obtaining registrations in the main European markets (Spain, Romania, Germany, France, Italy, Czech Republic), obtaining state registrations in the USA and Australia; registration work in South America (Brazil, Argentina).</li> <li>• Expansion of the existing product portfolio in key crops for Poland; cereals, rapeseed, maize, in which market shares were significantly increased.</li> <li>• Development of sales forces in Poland and Spain, equipping with innovative tools supporting cooperation with the distribution channel such as EDI (electronic data exchange); state-of-the-art analytical tools based on Microsoft Power BI.</li> <li>• Intense advertising campaigns in the Distribution Channel, targeted at the end customers (farmers) – supported by innovative loyalty programs.</li> </ul>

	<ul style="list-style-type: none"> <li>• Close cooperation with suppliers of key substances and components in the most important markets (China and India).</li> </ul>
 Foams Segment	<ul style="list-style-type: none"> <li>• Optimisation of the range of foams produced based on existing technologies.</li> <li>• Adapting foam formulations to customer requirements – certification for low emission foams according to IKEA requirements, Oeko-Tex certification; certifications; fire resistance of foams according to BS standards for the UK market. Successful production trials of foams using biopolyol to replace petrochemical components in the raw material mix.</li> <li>• The introduction of protective masks, including those with the highest filtration level of FFP3, shortly after the outbreak of the pandemic.</li> </ul>
 Silicates Segment	<ul style="list-style-type: none"> <li>• Construction of a new furnace for silicate production in Żary.</li> <li>• Maintain a leading position in the European sodium silicate market.</li> <li>• Expanding the range of liquid silicates with new products dedicated to specialist applications: VITROBRUK, VITROCER, VITROTECH and VITROAGRO.</li> </ul>
 Packaging Segment	<ul style="list-style-type: none"> <li>• Maintaining the leading position in the Polish market for vigil light lanterns.</li> </ul>

In addition, during the 2019-2021 strategy period, a number of initiatives were implemented to streamline the operation of the entire CIECH Group. With respect to the various areas of the Group's operations, the following measures should be mentioned.

TABLE 3: SELECTED ACTIVITIES AT THE CIECH GROUP LEVEL DURING THE 2019-2021 STRATEGY PERIOD

Human capital	Focusing on safety, increasing motivation among employees and further enhancing human capital potential, including: <ul style="list-style-type: none"> <li>• Implementation of a new OHS strategy</li> <li>• Implementation of a performance management system, including an ABCD model for manufacturing staff</li> <li>• New employee benefits</li> <li>• New internal communication model</li> </ul>
Operating model	Introduction of a BU-centric operating model, including: <ul style="list-style-type: none"> <li>• DoA (Delegation of Authority) matrix, Constitution of the Ciech Group</li> <li>• Establishment of the Shared Services Centre in Bydgoszcz</li> </ul> Reorganisation projects, including: <ul style="list-style-type: none"> <li>• Demerger of Ciech Sarzyna, spin-off of BU Resins into Ciech Żywiec and subsequent sale of Ciech Żywiec to a third party</li> <li>• Demerger of Ciech Vitrosilicon, spin-off of BU Packaging into Ciech Vitro</li> </ul>
Investment projects	<ul style="list-style-type: none"> <li>• New CAPEX procedure, establishment of steering and technical committees</li> <li>• Standardization of CAPEX planning and control across the Group using state-of-the-art digital tools</li> </ul>
Purchases	<ul style="list-style-type: none"> <li>• New purchasing procedures with emphasis on category management (overview of more than 60 purchasing categories)</li> <li>• Execution of more than 25 additional framework agreements</li> </ul>
Finance	<ul style="list-style-type: none"> <li>• Proactive cash flow management</li> <li>• Positive developments in working capital management, including through reverse factoring</li> <li>• Refinancing of over PLN 2 billion</li> </ul>
IT	<ul style="list-style-type: none"> <li>• Improvement of IT systems supporting both production and back office, including improvements to the SAP system with measurable cost savings</li> <li>• Digitalisation of back-office processes (e.g. Delegation of Authority)</li> <li>• Introduction of PowerBI, Salesforce systems and connectors at BU Agro</li> </ul>

- |       |   |
|-------|---|
| Other | <ul style="list-style-type: none"> <li>• Development and publication of the ESG Strategy</li> <li>• Effective response to COVID-19 threats, with particular emphasis on staff safety, community support and business stability</li> </ul> |
|-------|---|

### 3.3 DEVELOPMENT PROSPECTS

The prospects for CIECH S.A.'s and the CIECH Group's development result both from its market position as well as the present and the forecast conditions of environment of the Group in Poland and worldwide. Key development prospects of the CIECH Group and CIECH S.A. in individual segments of its operations are discussed below. More information about market factors affecting the CIECH S.A.'s and CIECH Group's operations is provided in Chapter II of this report: External environment.

The most important economic factors in the environment of CIECH S.A. and the CIECH Group include:

- situation on consumer markets of the CIECH Group – including the construction industry, automotive industry, glass packaging industry, agriculture and food processing industry, plastics industry, chemicals and chemical products industry, furniture industry,
- conditions on commodity and financial markets (e.g. exchange rates),
- the economic situation in Europe and worldwide, in particular the level of economic activity in Europe (rate of growth of industrial output in the European Union, internal demand) and Asia (China, India),
- legal and regulatory environment.

TABLE 2: DEVELOPMENT PROSPECTS OF THE CIECH GROUP AND CIECH S.A. IN INDIVIDUAL BUSINESS SEGMENTS

#### Soda Segment

Soda ash	
Key trends in the market environment	Strategic activities of the CIECH Group
<ul style="list-style-type: none"> <li>• Return to growth in global soda ash demand amid prolonged COVID-19 pandemic:               <ul style="list-style-type: none"> <li>• Economic recovery as the pandemic weakens resulting in an increase in flat glass production for the construction industry.</li> <li>• Problems in the automotive industry (including constraints due to supply chain disruptions) accounting for some of the demand for flat glass.</li> </ul> </li> <li>• An increase in the utilisation of soda ash production capacity worldwide, in the face of delays in the implementation of many expansion projects (e.g. as a result of the COVID-19 pandemic).</li> <li>• An improvement in prices for soda ash as a result of a more balanced supply and demand situation.</li> <li>• Increased imports of Turkish soda into Europe along with increased demand and planned further expansion of soda capacity in Turkey.</li> <li>• Growing demands for the energy efficiency of buildings that can be satisfied through, among others, improved insulation in newly-built houses (using 3-pane windows, increased consumption of glass wool).</li> <li>• Growing interest in glass packaging (as more environmentally friendly compared to plastic substitutes).</li> </ul>	<ul style="list-style-type: none"> <li>• Maintaining the presence in key European markets (Central and Eastern Europe) despite strong competition, including from Turkish soda.</li> <li>• Intensification of activities in the SPOT market – as an effective way of placing volumes that are at risk due to the economic crisis on the market.</li> <li>• Significant reduction in sales in less profitable markets (UK, Ukraine, Estonia).</li> <li>• Intensification of sales from Poland to prospective markets (Bangladesh, South Africa, Egypt, South American markets).</li> <li>• Detailed and regular monitoring of customers in industries sensitive to market downturns.</li> <li>• Further increase in the share of carriage management as an integral sales service function.</li> <li>• Building strong, long-term relationships with key customers.</li> </ul>



- Recycling of packaging glass (the threat of decreasing demand for soda in the production of glass packaging).
- Decreasing demand for washing powder in favour of liquid detergents (resulting in a decrease in the consumption of soda in the detergent industry); offset by the consumption of sodium carbonate for the manufacture of dishwasher tablets.

#### Sodium bicarbonate

##### Key trends in the market environment

- Strong price competition in the feed segment with cheaper products imported from Turkey, Bosnia and Russia.
- Expansion of sodium bicarbonate capacity in the European region (commissioning of a new 200 thousand tonnes/year facility by Solvay at the Devnya plant in Bulgaria at the end of 2021; plan to expand capacity by 100 thousand tonnes/year in Turkey by CINER).
- Global megatrends supporting the increasing demand for sodium bicarbonate:
  - ✓ Increased availability of treatment through hemodialysis and the resulting increase in demand for soda used for this purpose.
  - ✓ Improving health care in developing countries – increased consumption of soda used in the pharmaceutical industry.
  - ✓ Growing regulatory requirements in the area of environmental protection – a major increase in usage of consumption for fumes desulphurisation is expected.
  - ✓ Global population growth (mainly Asia and Africa) accelerating the rate of food consumption – increased consumption of soda used in the food industry.

##### Strategic activities of the CIECH Group

- Intensification of sales of sodium bicarbonate for food, feed, technical and pharmaceutical purposes.
- Expansion of the product mix towards more processed products, specialised products and products that fit in with the trends related to environmental protection and demographic changes.
- Implementation of sales strategy focused on the supply of higher grades of sodium bicarbonate to customers in the pharmaceutical sector.
- Obtaining GMP API Certification for a new plant in Germany.
- Further increase in the share of carriage management as an integral sales service function.

#### Evaporated salt

##### Key trends in the market environment

- The colder winter in 2021 than in previous years contributed to an increase in sales of road salt and salt for snow removal
- Visible slump in demand for salt products in the HoReCa sector due to the temporary shutdown of hotels and other hospitality venues, restaurants, swimming pools – salt tablets, table salt, granules. An effect mainly evident in western export markets where the so-called

##### Strategic activities of the CIECH Group

- Completion of construction of the production facility and start-up of evaporated salt production in Germany in the second quarter of 2021. Target production capacity of around 450 thousand tonnes of salt per year. The plant is currently being expanded both in terms of production, operations and customer base.
- Expanding the product range towards speciality products (pharmacological salt) within the dry salt



## Evaporated salt

Key trends in the market environment	Strategic activities of the CIECH Group
<p>"hard lockdown" was imposed in the first and second quarters</p> <ul style="list-style-type: none"> <li>• Growing awareness of the need to improve water quality – a noticeable increase in demand for salt tablets from hospitals and similar institutions and households.</li> <li>• Potential opportunities for growth in the consumption of pharmaceutical-grade salt resulting from the spread of civilisation diseases and increased health care expenditure.</li> </ul>	<p>portfolio and strengthening the market position in existing markets.</p>

## Agro Segment

## Crop protection products

Key trends in the market environment	Strategic activities of the CIECH Group
<ul style="list-style-type: none"> <li>• Turmoil in global markets due to the COVID-19 pandemic, perturbations and disruptions in production, lengthening of supply chains.</li> <li>• Positive projections for growth in global demand for crop protection products (average annual growth of 2.5%-3% in value terms); particularly in markets such as Latin America and some countries in Africa and the Far East.</li> <li>• Implementation of new policies in key countries/regions (e.g. "Blue Sky" in China, "Green Deal" in the European Union) and their impact on production costs of key substances.</li> <li>• Uncertain political situation and significant changes in the price of fossil fuels which have a huge impact on strongly interlinked agricultural inputs (fertilisers, CPP).</li> <li>• Cyclical but unpredictable diverse weather extremes affecting the market for crop protection products.</li> <li>• Changes in the regulations concerning registration, production and sale of crop protection chemicals, growing pressure from NGOs on legislative processes.</li> <li>• Consolidation and professionalisation of farms in Poland and in Central and Eastern Europe.</li> <li>• Consolidation of companies in the crop protection chemicals industry on a global level - implications for local businesses and turmoil associated with divestment of selected products.</li> </ul>	<ul style="list-style-type: none"> <li>• Systematic expansion of the portfolio addressing key segments (crops) and the main European markets (Poland, Spain, Romania, Germany) with the greatest potential, and leveraging the MCPA-based product portfolio in Europe and other continents (Australia, South East Asia).</li> <li>• Intensive R&amp;D work on new product designs responding to the challenges of implementing the European Green Deal and the Field to Table Strategy.</li> <li>• Further development of the HALVETIC® product with BGT technology, which is a breakthrough solution for the largest molecule used in agriculture. The product is protected by patents in major European and global markets.</li> <li>• Implementation of state-of-the-art tools to support the sales team: Konektor (EDI – electronic data exchange), Microsoft Power BI, which enable better customer service in the distribution channel, and advanced tools using the digitalisation of processes – a chatbot (CIESZEK virtual customer advisor) and a real-time service that allows farmers in Poland to find our products in the nearest location.</li> <li>• Measures aimed at direct access to manufacturers of key substances and components for our products and MCPA synthesis.</li> </ul>



## Foams Segment

### Polyurethane foams

Key trends in the market environment	Strategic activities of the CIECH Group
<ul style="list-style-type: none"> <li>Continuing limited supply of strategic raw materials translating into a significant increase in prices and thus a significant increase in production costs.</li> <li>Broken supply chains in the furniture industry that determine demand for foam.</li> <li>Direct dependence of demand for flexible polyurethane foams on the situation in target industries, i.e. furniture and automotive industries.</li> <li>Growth and strong position of the Polish furniture industry (the main customer for CIECH Group foams) in foreign markets.</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring feedstock supply security while maintaining cost discipline (maintaining or reducing prices of raw materials used) – greater fragmentation of suppliers.</li> <li>R&amp;D activities to implement foams with organic components</li> <li>Enhancing cooperation with existing customers and searching for new prospective customers.</li> <li>Optimisation of the product portfolio.</li> <li>Purchase of high-tech forklift trucks, powered by lithium-ion batteries, as part of the implementation of the ESG strategy.</li> </ul>

## Silicates Segment

Key trends in the market environment	Strategic activities of the CIECH Group
<ul style="list-style-type: none"> <li>Moderate long-term increase in global demand for sodium silicates, mainly due to an increase in production of precipitated silica.</li> <li>Growing global demand for the so-called green tires produced using precipitated silica manufactured from sodium silicates.</li> <li>Reduced consumption of sodium silicates in the detergent area due to increasing demand for products in liquid form.</li> </ul>	<ul style="list-style-type: none"> <li>Capacity expansion for glassy sodium silicate from the fourth quarter of 2021.</li> <li>Focusing on the use of new applications of silicates and development of high-margin products.</li> </ul>

## Packaging Segment

Key trends in the market environment	Strategic activities of the CIECH Group
<ul style="list-style-type: none"> <li>Continuous trend of rich and diverse design of lanterns for vigil lights accompanied by a simultaneous increase in the share of sales of vigil lights by retail chains.</li> <li>Persistently low level of sales prices of standard twist-off jars for the food processing market</li> </ul>	<ul style="list-style-type: none"> <li>Continuous expansion of the range of lanterns for vigil lights, intensification of efforts aimed at obtaining network contracts.</li> </ul>

### 3.4 RISKS TO OPERATIONS

#### Risk management at the CIECH Group

The CIECH Group strives to achieve its strategic objectives without taking excessive risks. To this end, the Group has implemented a risk management system through which:

- it identifies threats to the achievement of its objectives,
- it defines proposed actions to minimise the threats and their impact on the objectives set,
- in the case of risks that have not yet been identified, allows for their proper identification and assessment.

The Risk Management System of the CIECH Group is an organised set of general principles and guidelines, defining how the risks to which the CIECH Group is exposed should be managed. The objective of the system is to lay a foundation for introducing risk management methods, procedures, requirements and reports required for keeping the CIECH Chemical Group's risk at an acceptable level.

The risk management system operating within the CIECH Group is constantly developed and improved. It is an important part of supporting day-to-day operations. This process is aimed at the ongoing identification and mitigation of risks and the introduction of mechanisms through which many external risks affecting the future growth in value of the CIECH Group can be recognised, identified and appropriately managed so that they have a neutral impact on the achievement of strategic objectives.

The CIECH Group defines risk as an event, action or lack of action that will prevent the Group from achieving its objectives. Risk is therefore perceived negatively because it implies a threat to the achievement of the objectives set.

The CIECH Group's risk management system is based on the following key principles:

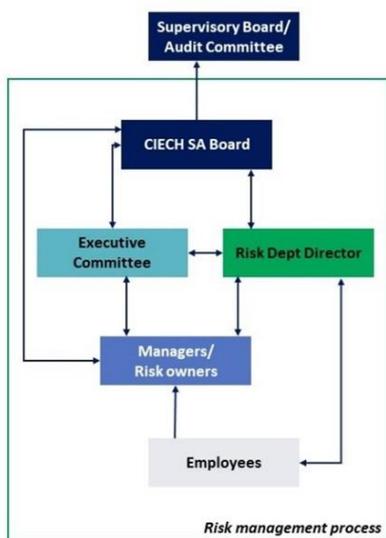
- Each manager and employee of an organisational unit of a CIECH Group entity (including CIECH, the Group's segments and Subsidiaries) is responsible for risk management,
- Risk management is a continuous process,
- A risk whose effects threaten human health and life is unacceptable,
- Risks cannot be completely eliminated; they are an inherent part of the business.

The risk management process implemented in the CIECH Group is a comprehensive and corporate solution. It covers Group entities, processes and projects and applies to all Group employees. This process is an instrument that supports the Management Board in day-to-day operations, while the Supervisory Board of CIECH S.A. uses it to monitor the effectiveness of the internal control and internal audit systems.

Risk management objectives in the CIECH Group are implemented through:

- systematic approach to the identification of all risks,
- supporting the allocation of resources by setting priorities for risks,
- selection and implementation of the best risk management strategy,
- risk monitoring, analysis and reporting that take into account all potential effects of existing risks.

FIGURE 28: STRUCTURE OF RESPONSIBILITIES FOR THE RISK MANAGEMENT PROCESS OF THE CIECH GROUP



Measures taken as part of the CIECH Group's risk management process are implemented on an ongoing and regular basis. Risk is managed in a two-dimensional manner - vertically and horizontally, by identifying not only risks that occur within a given entity, organisational unit or process, but also those risks whose materialisation affects various areas of the Group's operations, entities and processes from the point of view of the entire CIECH Group. Only with such a comprehensive approach to and understanding of risks, is it possible to manage risks effectively and efficiently and deliver tangible benefits to the Group.

As regards responsibility for the risk management process, a special role in the process is assigned to the key participants in the process, which are the Management Board of CIECH S.A., the Executive Committee, the management personnel and the Chief Risk Officer. The correctness and effectiveness of the risk management system implemented is monitored by the Supervisory Board and the Audit Committee on the basis of, among other things, information from the Management Board of CIECH S.A. on current risks and their management methods.

The risk management process at the CIECH Group has been defined and implemented in accordance with the "International Standard ISO 31000:2018 Risk Management".

FIGURE 29: DIAGRAM OF THE CIECH GROUP'S RISK MANAGEMENT PROCESS



By referring to the ISO 31000 standard, the CIECH Group risk management process formally regulates the approach to the activities of identifying, analysing, assessing, managing, monitoring and communicating risks in the CIECH Group.

It is CIECH Group's aspiration to be perceived by its stakeholders as a transparent organisation with a high awareness and understanding of risks that may affect the achievement of objectives. Hence the comprehensive approach to risk management, focused on identifying events that may prevent objectives from being met.

As an element of the Group's value creation, the risk management process focuses on the following risk categories which are essential for achieving the Group's objectives:

- Risks associated with the loss of human health and life,
- Operational risks that may affect the continuity of production processes,
- Legal risks,
- Compliance risks,
- Regulatory risks,



- Strategic risks related to the impact of the environment on the CIECH Group,
- Reputational risks,
- Financial risks,
- Environmental risks.

The CIECH Group's attention is not limited only to the risk categories indicated above. The Group makes every effort to identify and review risk areas that are critical to the business on an ongoing basis and to mitigate them effectively through structured and implemented risk management process.

The year 2021 was another year in which the CIECH Group, due to the prevailing COVID-19 pandemic, faced its effects on a local and global scale.

Unlike in 2020, in 2021 the CIECH Group already had developed and proven ways to manage risks associated with the pandemic situation. Therefore, when presenting the following list of the most significant risks related to the operation of the CIECH Group in 2021, the Group decided not to separate risks into those whose occurrence was caused by the COVID-19 pandemic and those resulting from operating in the current business environment.

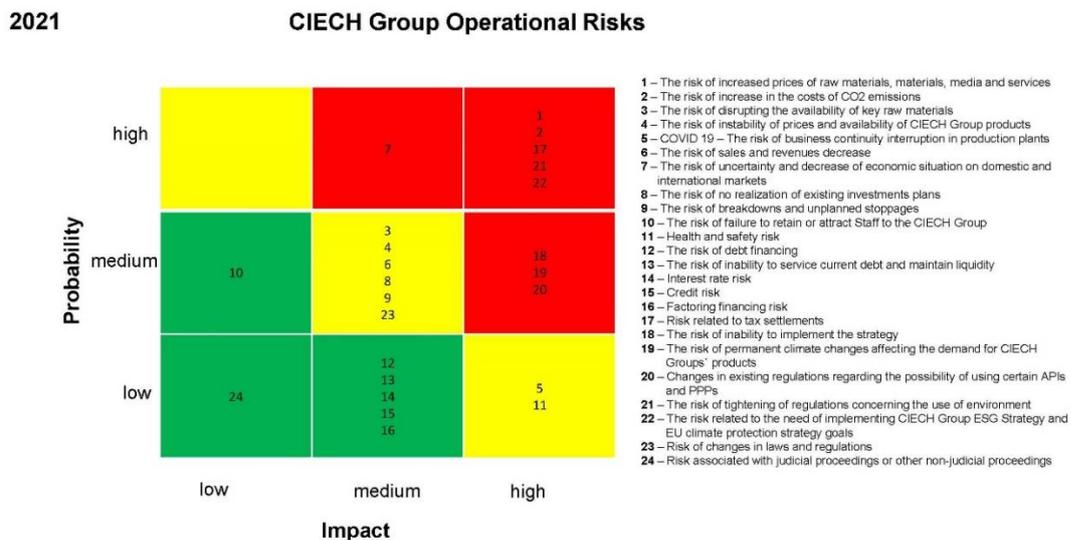
### 3.4.1 LIST OF THE MOST SIGNIFICANT RISKS

In terms of implementation of the CIECH Group's strategic objectives, the key risks that were identified and whose description has been presented in this part of the report affected the following areas:

- Sales,
- Purchases,
- Production,
- Employees,
- OHS,
- Finance,
- Strategy,
- Environmental protection,
- Legal and regulatory.

The following Risk Map presents the most significant risks associated with the day-to-day operations of the CIECH Group in 2021:

FIGURE 30: OPERATING RISKS OF THE CIECH GROUP



**Detailed description of the identified, most significant risks related to the operations of the CIECH Group:**

<b>Risk 1</b> Risk of increase in prices of raw materials, consumables, utilities, services			<b>Segments affected:</b>
			<ul style="list-style-type: none"> <li>• Entire Group</li> <li>• All segments</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
High	High	High	
<b>Risk description and corrective measures taken:</b>			
<p>One of the key factors affecting the viability of production of the CIECH Group companies are the fluctuations of raw material and fuel costs, inability to retain or replace key suppliers, unexpected supply shortages or supply chain disruptions. Obtaining and maintaining attractive prices of production and energy raw materials directly affects the profit generated by the Group and is key to achieving the goals set for the Group.</p> <p>Over the last few years, we have witnessed a high volatility of raw material prices. The availability and prices of raw materials are influenced by factors that mostly are beyond the CIECH Group's control, such as market conditions, global economic climate, production constraints by the suppliers, fluctuations of oil or other commodity prices, infrastructure failures, political conditions, weather conditions, legal regulations and other. In 2021, the Group and individual business segments experienced unpredictable price increases for raw materials, utilities, consumables and services. This was due to the COVID-19 pandemic and the economic recovery following the unfreezing of the economies. The price increase is mainly attributable to increased demand for raw materials and the desire of the wider industry to make up for the losses incurred in 2020 and the first half of 2021.</p> <p>The impact of increases in the prices of raw materials, consumables, utilities and services on the CIECH Group's business segments most affected by price increases is presented below:</p> <ul style="list-style-type: none"> <li>• Soda Segment – Fluctuations in prices of key energy raw materials consumed by the CIECH Group in its day-to-day operations, in particular hard coal, are driven by global trends and efforts to replace them with renewable energy sources. In 2021, the Group's soda segment experienced a significant increase in hard coal and coke prices and problems with their availability. As a result of these adverse developments, the soda segment began to use anthracite as its main energy fuel, thereby reducing the use of expensive and not readily available coke. The Group is aware of the fact that in the long term traditional energy resources will inevitably be abandoned and replaced by carbon-free energy sources.</li> <li>• Agro Segment – Active substances, sourced mainly from Asian suppliers, forming the basis for operations of the agro segment, may be subject to future restrictions due to their potential adverse environmental impact in the process of their manufacture. Suppliers of these substances, mainly from Asia, are paying increasing attention to environmental considerations. For the CIECH Group, this will translate into reduced availability of substances and a further increase in their prices. These phenomena are not likely to happen in the next 2-3 years, but rather in the long term. On the other hand, the risk that has materialised and affected the Agro Segment in 2021 is a significant increase in transport costs – sea freight rates have risen by more than 1000% over the year and in addition there have been problems with the availability of containers. The timely delivery of raw materials from Asian suppliers is of key importance to the Agro segment, as it directly translates into the availability of the CPPs manufactured by the Nowa Sarzyna plant for end customers.</li> <li>• Silicates and Packaging Segment – The Silicates and Packaging segments were another segments of the CIECH Group's operations that were adversely affected by the increase in prices of raw materials and utilities. For these segments, the increase in gas prices by more than 600% over 2021 was an adverse factor and had a significant impact on the increase in production costs. Gas is the main fuel for the production plants in Iłowa and Żary. For the Silicates segment, approximately 70% of the gas price increase was mitigated by existing pricing formulas in customer contracts that imply increases in silicate prices for customers.</li> <li>• In the case of the Packaging segment, the situation was more severe as the segment did not have effective tools to hedge against rising gas prices, resulting in minimal margins on glass packaging sales in the second half of the year. However, thanks to the measures taken in the first half of the year – a secure stock of finished goods in</li> </ul>			



<b>Risk 1</b> Risk of increase in prices of raw materials, consumables, utilities, services			<b>Segments affected:</b>
			<ul style="list-style-type: none"> <li>• Entire Group</li> <li>• All segments</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
High	High	High	
<b>Risk description and corrective measures taken:</b>			
<p>the warehouse and production for large customers under current contracts – it was ultimately possible to meet the targets set for 2021.</p> <ul style="list-style-type: none"> <li>• The segment least adversely affected by the rising prices of raw materials, consumables and services was the Foams segment.</li> <li>• One reason is that the segment has already experienced significant increases in raw material prices in 2020. Along with problems related to the availability of these raw materials, the Foams segment rationed the supply of finished products to customers. Rising raw material prices also necessitated an increase in the prices of foams produced by the Bydgoszcz plant. The segment was able to meet the financial targets set for it despite the difficulties described above.</li> </ul> <p>At present, it appears that price increases for raw materials, consumables, utilities and services will continue in the coming months.</p> <p>The CIECH Group minimises the risk of further increases in the prices of raw materials and services by monitoring the situation on the market, negotiating conditions for subsequent periods with its current suppliers and signing long-term contracts, as well as by looking for alternative suppliers. Proactive efforts are made to minimise the adverse effects of increases in raw material prices, by, among other measures, using alternative specifications of raw materials (using anthracite as a substitute for coal) or by searching for new sources of supply.</p> <p>All measures taken aim at limiting the impact of the increase in prices of strategic raw materials on the performance of individual segments of the CIECH Group.</p>			

<b>Risk 2</b> Risk of increase in the cost of CO <sub>2</sub> emissions			<b>Segments affected:</b>
			<ul style="list-style-type: none"> <li>• Entire Group</li> <li>• All segments</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
High	High	High	
<b>Risk description and corrective measures taken:</b>			
<p>2021 brought unpredictable increases in CO<sub>2</sub> emission prices. When setting the budget for 2021, the Group assumed that a single price of CO<sub>2</sub> emissions during 2021 would not exceed EUR 45. However, CO<sub>2</sub> emission prices increased in the course of 2021 by over 300% - from approximately EUR 30 to over EUR 90 at the end of the year. This level was not foreseeable as, according to earlier analysts' forecasts, it should not have been reached until around 2030.</p> <p>The increase in CO<sub>2</sub> emission prices for the Group, in particular for the soda plants, entailed a very high increase in energy costs and thus an increase in product manufacturing costs.</p> <p>Due to the unpredictable scale of the increase in the price of CO<sub>2</sub> certificates, the CIECH Group, applying the strategies in force in the Group and the possibility of using hedging tools, was not able to completely minimise the effects of the increase in the price of CO<sub>2</sub> emissions. As a consequence, the high and still increasing costs of CO<sub>2</sub> emissions must be taken into account by the Group in its ongoing cost calculations and have a negative impact on the profitability of its production.</p> <p>In view of the materialisation of the risk of rising CO<sub>2</sub> emission prices, the CIECH Group takes ongoing measures to be protected against rising emission costs by monitoring the emission allowances market on an ongoing basis and purchasing emission allowances on a rolling basis, in periods when prices are favourable.</p> <p>In addition, the CIECH Group aims to significantly reduce carbon dioxide emissions by implementing an ambitious energy transformation strategy and working on process and energy efficiency.</p>			



<b>Risk 3</b> Risk of disrupted availability of key raw materials			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• Soda Segment</li> <li>• Foams Segment</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
Medium	Medium	Medium	
<b>Risk description:</b>			
<p>Ensuring the availability of the necessary raw materials is essential for CIECH Group's production plants to ensure the continuity of production processes. Interruptions in supplies, delays or unavailability of these raw materials can lead to interruptions in production processes. For this reason, the CIECH Group is particularly committed to ensuring a continuous and timely supply of raw materials that additionally must meet high quality requirements. The following business segments of the Group are exposed to the risk of becoming dependent on suppliers of key raw materials:</p> <ul style="list-style-type: none"> <li>• Soda Segment – basic raw materials for the Group's key segment, namely limestone and brine (necessary for the production of soda using the Solvay method), are sourced locally from reliable suppliers with whom the Group has cooperated for many years on the basis of long-term contracts. Some production plants of the CIECH Group, in particular those manufacturing soda ash, are located in areas with a limited number of suppliers in the profitable radius. For this reason, having long-term contracts with these suppliers is essential. Due to the fact that the current long-term contract for the supply of brine to the Inowrocław and Janikowo plants will expire in the next 4 years, in 2020 the Group initiated measures to extend/renew the existing contract. at the same time aiming to improve the conditions for sourcing raw material and improve supply parameters by agreeing on and carrying out the necessary upgrade work on the existing brine pipelines. In addition, the CIECH Group took steps to diversify supplies and establish cooperation with an alternative supplier. The risk is not present in the case of the German plant, as it has its own brine and stone resources. Energy commodities necessary for production processes are also sourced under long-term contracts. Key terms of the supply contracts, such as price and quality, are generally flexible and can be modified under certain circumstances to better reflect current business conditions. However, there is no guarantee that this flexibility will be sufficient to adapt the contracts to current business conditions in a way acceptable for the Group. If this occurs, the Group's operations and financial position may be adversely affected. The Soda segment experienced coal availability problems in 2021 due to the economic recovery in the second half of the year. This recovery was driven by the opening up of global economies after the first waves of the COVID-19 pandemic and an increase in demand for coal. Despite having signed long-term contracts to supply coal from Polish suppliers, the Soda segment has been experiencing problems in the availability of coal and a significant increase in prices.</li> <li>• Foams Segment – due to a limited number of producers of key raw materials for foam production (i.e. TDI and polyols) and unprofitability of importing raw materials from Asian markets, the foam segment relies on cooperation with European producers. In 2020 and early 2021, CIECH Pianki experienced periodic suspension of supplies and rationing of key raw materials (TDI and polyols). This was due to the decisions of the producers of these raw materials. Around mid-2021, a deceleration in raw material price increases was observed (with a final increase in raw material prices of more than 100% during 2020 and in the first quarter of 2021 compared to 2019). These events forced the plant to raise prices of foams for its customers. In addition, the availability of key raw materials improved in the second half of 2021, resulting in a stabilisation of their prices. In turn, prices of other raw materials have increased and their availability has deteriorated due to the economic recovery and increased demand for these raw materials, such as metformin (used as a key raw material for the production of non-flammable foams), in other industries. However, the price increase for other raw materials was no longer as high as for the key TDIs and polyols.</li> </ul> <p>As part of the corrective measures taken, the Bydgoszcz plant attempted to establish cooperation with alternative producers and suppliers of the necessary raw materials from Asian markets. Unfortunately, opportunities to become independent of European producers proved to be severely limited due to high transport costs. At the end of 2021, the segment continued to work with existing producers.</p>			



<b>Risk 4</b> Risk of instability of prices and availability of products offered by the Group			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• Soda Segment</li> <li>• Agro Segment</li> <li>• Foams Segment</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
Medium	Medium	Medium	
<b>Risk description and corrective measures taken:</b>			
<p>The following segments within the Group are most exposed to the risk of fluctuations in product prices:</p> <ul style="list-style-type: none"> <li>• Soda Segment – The demand-supply imbalance in 2021 was caused by the COVID-19 pandemic and followed on from the situation faced by customers of soda products back in 2020. The situation of the Soda segment in the first half of 2021 resembled that of 2020 – the segment experienced a reduction in demand despite contracts signed with key customers. In contrast, in the second half of the year, along with the global economic recovery, demand for soda increased, occasionally exceeding the production capacity of the segment's plants. In addition, as demand for soda increased in China, competition from Turkey virtually disappeared from the local market in Poland. The Soda segment closed the year 2021 with the achievement of its targets. The outlook for the next 2-3 years is also optimistic, assuming even an increase in the prices of soda products due to the increase in the prices of raw materials, consumables, energy and CO<sub>2</sub> certificates. In 2021, despite a periodic decline in demand, the segment did not reduce prices in pursuit of its financial plans. The segment assumed price increases when preparing its forecasts for 2022, which was approved by the segment's key customers.</li> <li>• Agro Segment – the segment was affected by the increase in the cost of raw materials purchased from Asia; however, the segment was most affected by the increase in transport rates of more than 1000% during 2021. These events forced the Group to increase product prices. Despite this, the segment continued to increase its market share in 2021, reporting revenue growth.</li> <li>• Foams Segment – the price of the finished product depends heavily on the price of raw materials. In the first half of 2021, the segment was affected by price increases for key raw materials and difficulties with their availability. The segment was forced to increase the prices of its products. As a result, despite the aforementioned adverse developments, the segment met its financial targets, using the risk of rising prices and limited availability of raw materials as an opportunity for growth and improvement in financial performance. In the second half of 2021, price increases have slowed down and the availability of key raw materials has also improved. At the same time, price competition between producers has increased. However, the segment managed to meet its financial targets in 2021.</li> <li>• The Silicates segment experienced a significant increase in gas prices, which directly translated into production costs. With pricing formulas in its contracts with customers, the segment was able to adjust the prices of finished goods to take into account rising gas prices. Due to the nature of the silicate market, customers absorbed the price increases and the segment met its targets in accordance with the contracts concluded. In addition, the macroeconomic situation in 2021 had no negative impact on the availability of the segment's products. Demand for silicates and projections for the coming years proved to be optimistic, as a result of which the Group decided to launch an investment project and commence construction of a new silicate melting furnace to increase production capacity at the Żary plant. The project was completed in late 2021.</li> <li>• Despite significant increases in gas prices, the Packaging segment was not able to fully pass them on to customers in product prices. Thanks to the measures taken in the first half of the year (building up sufficiently high stocks), the effects of rising gas prices experienced in the second half of the year were kept to a minimum. However, persistently high gas prices have significantly reduced the competitiveness of glass packaging manufactured at the Iłowa plant.</li> </ul>			



<b>Risk 5</b> COVID 19 – Risk of loss of continuity of operations at production plants			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• Entire Group</li> <li>• All segments</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
High	Low	Medium	
<b>Risk description and corrective measures taken:</b>			
<p>The outbreak of the COVID-19 pandemic in early 2020 was a classic example of the materialisation of business continuity risk. The occurrence of an outbreak of infection and the spread of the infection in an uncontrolled manner implies the need to limit the operations of the plant and the highly probable possibility of shutting down the production plant (either as a result of the Group's own internal decision or as a result of a decision by the epidemic authorities). A situation where production is stopped in an uncontrolled manner would involve significant financial losses for the Group, due to the shutdown and restarting of process lines.</p> <p>In 2021, the risk of loss of continuity of operation at production plants due to the pandemic remained present. The occurrence of an outbreak of infection at any of the Group's production sites could have resulted in the need to reduce or even temporarily halt production and suspend business continuity.</p> <p>In this context, the key measures to minimise the risk that any of the sites would lose business continuity were those taken by the Group in March 2020, including the decision to set up a Crisis Team in connection with the outbreak of the COVID-19 pandemic; this Team updated, developed and implemented the necessary procedures to deal with the crisis situation. Various scenarios were developed for the evolution of the pandemic and its impact on the segments and individual production plants. For each scenario, detailed action plans were developed and implemented during 2020 as the pandemic unfolded through the country. In 2021, scenarios and corrective actions were modified as necessary, in line with the current pandemic situation in the country. In addition, local Crisis Teams were established within each segment of the Group. They implemented and applied the necessary operating procedures and managed the risk on an ongoing basis based on the decisions and recommendations of the Crisis Team at the CIECH SA Group level.</p> <p>The Group estimates the risk of loss of continuity of operation at its production plants due to the COVID-19 pandemic by focusing on individual business segments:</p> <ul style="list-style-type: none"> <li>• Soda Segment – a significant reduction in the operation of a particular plant is possible. Due to the fact that several production lines are in operation, the risk of any one plant being stopped is low. In 2021, there has been no need to reduce or halt production processes at any of the soda segment plants.</li> <li>• Agro Segment – business continuity risk in this segment has been estimated to be low due to the high dispersion of production lines at the Nowa Sarzyna plant and the direct contact between employees being kept to a minimum. The risk of a simultaneous shutdown of all production lines due to an outbreak of infections is low. The activities of the Crisis Team also include monitoring and managing the crisis in the Agro segment. Similarly to the situation in the soda segment, crisis scenarios have been prepared, detailed action plans in case of materialisation of an epidemic scenario have been developed, and incidents and risks related to the epidemic have been monitored on an ongoing basis.</li> <li>• Foams Segment – business continuity risk due to cases of infections was also assessed as low, as the number of employees is kept to a minimum and there is limited direct contact between employees. If a source of infection were to occur, this could, at most, result in the current shift being recalled from the plant and production continuing by the next shift after the necessary safety procedures have been performed. The remedial actions implemented have also been initiated by the Group's Crisis Team, are focused on action plans for the outbreak scenarios developed and also include ongoing monitoring of risks and responding to incidents as they arise.</li> <li>• Silicates Segment and Packaging Segment – due to the nature of the production and the consequences of stopping the technological processes in an uncontrolled manner, which would occur if an outbreak of infections were detected, there would be a standstill lasting several months and the need to incur high costs to restore production. A complete overhaul of the extinguished furnace would be necessary in this situation. Due to limited direct contact between employees and adherence to the safety procedures implemented, the business continuity risk has been assessed as low – the potential occurrence of a source of infection may result in the</li> </ul>			



<b>Risk 5</b> COVID 19 – Risk of loss of continuity of operations at production plants			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• Entire Group</li> <li>• All segments</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
High	Low	Medium	
<b>Risk description and corrective measures taken:</b>			
<p>current shift being recalled from the plant and production processes being continued by subsequent shifts, following the completion of the necessary safety procedures.</p> <p>The Crisis Staff, by means of the measures and action plans it develops as part of the developed scenarios for the evolution of the epidemic, manages the risks in an effective manner. Any incidents and risks that arise and could lead to a loss of continuity of plant operations are analysed and recorded. All decisions with regard to how to deal with the pandemic situation have been made on an ongoing basis based on the developments in the situation and the available safety measures and procedures.</p>			

<b>Risk 6</b> Risk of decline in sales volumes and revenues			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• Soda Segment</li> <li>• Foams Segment</li> <li>• Packaging Segment</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
Medium	Medium	Medium	
<b>Risk description and corrective measures taken:</b>			
<p>The risk of a decline in sales volumes and revenues of individual segments of the CIECH Group in 2021, as in 2020, was related to the outbreak of the COVID-19 pandemic and the uncertain economic situation in Poland and abroad. In the course of 2021, it should be noted that the first half of the year did not differ from the situation in 2020 – the lockdown of economies and selected industries continued, numerous restrictions and limitations were in force, resulting in limited demand for many products. The second half of the year, on the other hand, saw a recovery, with restrictions and constraints on the economies being lifted and individual industries and sectors starting to make up for the losses suffered in 2020 and the first half of 2021. The situation in the individual segments of the CIECH Group in connection with the risk of a decrease in sales volume and revenues was as follows:</p> <ul style="list-style-type: none"> <li>• <b>Soda Segment</b> – in the first half of the year, the ongoing lockdowns of economies lead to a reduction in demand for soda products. There is considerable customer uncertainty about further developments of the pandemic. The second half of the year is marked by economic recovery and, along with it, previously unanticipated price increases for raw materials, utilities, consumables, services and CO<sub>2</sub> certificates. This leads to a significant increase in plant costs. However, the economic recovery and increased demand for soda products allow rising raw material and utility prices to be partially passed on to the prices of soda segment products. The outlook for the coming years for soda products is also optimistic. As long as the Chinese market remains a net importer of soda for the next 2-3 years, as predicted by analysts, the situation for European soda manufacturers will be positive. Looking at the continuing pandemic situation and subsequent waves of infections, there is no indication that, despite the increase in infections, individual governments would shut down and freeze the economy, thereby reducing demand for the Group's soda products.</li> </ul> <p>The contracting process for 2022 ended with price increases, so that the recorded price increases for raw materials, utilities and CO<sub>2</sub> certificates were partly passed on to customers. With the construction and commissioning of a new salt works in Germany completed in 2021, the segment faces challenges in commercialising the new plant and increasing the production capacity of salt products.</p> <ul style="list-style-type: none"> <li>• <b>Foam Segment</b> – the segment was successful in 2021 despite rising prices of raw materials and problems with their availability. Thanks to the right decisions and a prompt response to problems with the availability and prices of raw materials, the foam factory in Bydgoszcz met its financial targets, with a slight decrease in production volume. However, by the end of 2021, as the growth rate of raw material prices declined and the availability of</li> </ul>			



<b>Risk 6</b> Risk of decline in sales volumes and revenues			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• Soda Segment</li> <li>• Foams Segment</li> <li>• Packaging Segment</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
Medium	Medium	Medium	
<b>Risk description and corrective measures taken:</b>			
<p>raw materials improved, the Bydgoszcz plant began to experience price pressure from other foam producers. In 2022, the segment will face several key challenges, where the most important one will be to maintain margins at current levels, despite competitors' efforts.</p> <ul style="list-style-type: none"> <li>• <b>Packaging Segment</b> – the segment faces challenges related to both the pandemic situation (in 2021 there were still some concerns that the situation seen in 2020 would reoccur, when cemeteries were closed for a few days before 1 November, and many of the packaging segment's customers entered 2021 with stocks that they continued to keep until around the middle of the year), emerging competition from the East and an increasingly apparent decline in demand for glass packaging for lanterns. In addition, in 2021, the segment was adversely affected by the increase in gas prices, which reduced the competitiveness of the Iłowa plant's products relative to other competitors who were less adversely affected by the increase in gas prices. Ultimately, the segment managed to meet its targets in 2021. The following year presents challenges for the Iłowa plant, which should accelerate efforts and initiatives to expand the product portfolio (broader entry into food-grade glass packaging).</li> </ul>			

<b>Risk 7</b> Risk of uncertainty and economic downturn on domestic and international markets			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• Entire Group</li> <li>• All segments</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
Medium	High	High	
<b>Risk description and corrective measures taken:</b>			
<p>The CIECH Group business is based on the sales of chemical products used as raw materials and semi-finished goods in a wide range of industries, including the construction, glass, household chemistry, furniture, automotive, food, pharmaceutical, chemical and consumer goods industries. The demand for the CIECH Group's products is affected by global economic conditions and other factors, including energy costs and costs of labour, exchange rates fluctuations, interest rate fluctuations, and other factors beyond control of the Group. The events of 2021 were closely linked to those of 2020, in particular the outbreak of the COVID-19 pandemic and its economic consequences. The first half of 2021 was marked by economic downturn and frozen economies. In contrast, the second half of 2020 brought about the unfreezing of economies and a major economic recovery, which caused unpredictable increases in the prices of raw materials, utilities, services, increases in the price of CO<sub>2</sub> certificates and difficulties in the availability of key raw materials.</p> <p>For the CIECH Group, this resulted in significant increases in operating costs and the need to raise prices of the Group's products for customers. As a result, there was an element of uncertainty as to whether increases in product prices would be accepted by customers. To this end, the CIECH Group and its companies monitored the trends and market situation in Poland, Europe and around the world on an ongoing basis. They kept track of important developments and circumstances that may affect the Group's operations and took action on an ongoing basis to reduce the potential negative effects of economic changes affecting own operations and operations of key customers.</p> <p>In addition, the Group has launched initiatives to enhance and maintain the Group's competitiveness over several years. As such, measures have been initiated to promote environmentally friendly solutions, protecting the natural environment and rational use of natural resources. Initiatives were scheduled to reduce greenhouse gas emissions and to introduce solutions for abandoning coal as the main energy raw material in production processes. These measures remain in line with the CIECH Group's long-term plans. These measures are one of the elements of the ESG strategy adopted by the</p>			



<b>Risk 7</b> Risk of uncertainty and economic downturn on domestic and international markets			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• Entire Group</li> <li>• All segments</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
Medium	High	High	
<b>Risk description and corrective measures taken:</b>			
CIECH Group in May 2021, which provides for a reduction in CO <sub>2</sub> emissions by 33% compared to the base year 2019 and complete climate neutrality of the Group by 2040.			

<b>Risk 8</b> Risk of failure to implement the investment plan			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• Entire Group</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
Medium	Medium	Medium	
<b>Risk description and corrective measures taken:</b>			
<p>Due to the uncertain economic situation, which was mainly caused by the COVID-19 pandemic, there was a risk that the assumed investment plan would not be implemented. During 2021, this uncertainty continued to be observed due to the economic slowdown that continued in the first half of the year and the economic rebound experienced in the second half of the year, resulting in significant increases in the prices of raw materials, utilities and services. For the CIECH Group, the completion of the Group's largest project, namely the construction of a new salt works in Germany, was of key importance in this context.</p> <p>Measures to minimise the risk of non-implementation of investment plans were taken by the Group as early as 2020, at the outbreak of the COVID-19 pandemic, when a review of planned and ongoing investment projects was carried out, focusing on the implementation of the Group's key projects. Where possible, it revised the scopes and schedules of projects that were assessed as less critical and not having a direct impact on the Group's Strategy for 2019-2021 being implemented.</p> <p>The Group continued its key projects scheduled for 2021. One example is the completion of work on the largest project, which was the construction of the new saltworks in Stassfurt, Germany. Despite the adverse weather conditions and, above all, the constraints and difficulties due to the pandemic situation, construction work on the plant was completed in May 2021 and the plant was put into operation.</p>			

<b>Risk 9</b> Risk of breakdowns and unplanned stoppages			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• Entire Group</li> <li>• All segments</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
Medium	Medium	Medium	
<b>Risk description and corrective measures taken:</b>			
<p>Due to the specific nature of the technological processes of the CIECH Group's production plants, maintaining the continuity of production processes is a key factor. Breakdowns are a significant threat and problem in production facilities, leading to unplanned downtime. In addition, unforeseeable fortuitous events (hidden material or technical defects) can also occur.</p> <p>In order to limit the occurrence of breakdowns and downtimes, the CIECH Group has launched and implemented a number of initiatives such as the development of detailed overhaul plans defining critical elements of the production</p>			



<b>Risk 9</b> Risk of breakdowns and unplanned stoppages			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• Entire Group</li> <li>• All segments</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
Medium	Medium	Medium	
<b>Risk description and corrective measures taken:</b>			
<p>infrastructure, plans for ongoing maintenance and monitoring of the infrastructure, implementation of diagnostic and predictive methods, introduction of additional metering. All these measures were aimed at minimising the risk of breakdowns and unplanned downtime.</p> <p>Another measure to mitigate this risk was the Group's decision to set up dedicated entities within the Group and to develop the competencies of the employees responsible for carrying out repair, maintenance and upkeep work. The new entities made it possible to increase the pool of available human resources with the necessary expertise and experience, as a result of which the Group is no longer dependent on services previously purchased from third parties.</p> <p>In addition, the Group has continuously undertaken a number of initiatives to build employee awareness in respect of physical safety as well as occupational health and safety, measures aimed at reducing the overall number of cases of unplanned downtime and breakdowns.</p> <p>Another measure implemented was the launch of efforts to build and implement a comprehensive Business Continuity Management system, implement an Asset Management System covering, in particular, production infrastructure, and an Occupational Health and Safety Management System. The implementation of the Business Continuity Plans involved updating the risks of loss of business continuity and proceeding with an inventory of solutions and procedures in the area of business continuity, defining gaps and planning measures to be implemented in order to eliminate existing weaknesses and gaps. The activities started with the production facilities of the Soda segment. These activities will also continue in the coming years, covering more production sites.</p>			

<b>Risk 10</b> Risk of failure to retain or attract staff to the CIECH Group			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• Entire Group</li> <li>• All segments</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
Low	Medium	Low	
<b>Risk description and corrective measures taken:</b>			
<p>2021, after some slight turbulence and uncertainty in the labour market, saw a return of the employee market. The consequence of this is a high likelihood of losing key employees. This applies equally to management, technical and administrative areas. In particular, the problem is intensifying with regard to employees who are qualified specialists in their fields and have unique skills in a given industry.</p> <p>In 2021, as an employer, the CIECH Group experienced problems related to the loss of and difficulties in attracting qualified staff.</p> <p>The unique nature of the CIECH Group's operations and its development plans require hiring personnel with high qualifications in various domains. Ability to maintain a competitive position and implementation of business strategy depends significantly on the quality and the experience of staff. The loss of competences important for the CIECH Group or impossibility to acquire them has an effect on operating activities and may translate into the financial condition of the Group, making it impossible to achieve the business and financial objectives set for the CIECH Group.</p> <p>Due to the relatively high costs of acquiring personnel with desired competences and skills, the search for employees having appropriate experience constitutes an element of an ongoing policy of the CIECH Group. In order to minimize the effects of the risk of loss or inability to attract qualified personnel, the Group continuously improves its managerial, technical and administrative staff. In addition, the Group has implemented mechanisms to improve working and pay conditions, prepares and implements development and incentive programmes, and provides employees with a range of training</p>			



<b>Risk 10</b> Risk of failure to retain or attract staff to the CIECH Group			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• Entire Group</li> <li>• All segments</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
Low	Medium	Low	
<b>Risk description and corrective measures taken:</b>			
<p>courses to improve their expertise in line with the Group's business needs and the expectations of employees at various levels in the organisation.</p> <p>An essential element of personnel policy of the company is to build the image of the CIECH Group as an attractive employer for current and future employees. Therefore, the Group cooperates with selected universities and conducts, every year, apprenticeships and traineeships projects. In 2021, the CIECH Group continued to implement initiatives addressed to employees, building the CIECH Group as a friendly and desirable place to work, in order to retain employees and attract new workforce.</p>			

<b>Risk 11</b> OHS risk			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• Entire Group</li> <li>• All segments</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
High	Low	Medium	
<b>Risk description and corrective measures taken:</b>			
<p>One of the CIECH Group's priorities is to be a safe and responsible employer. For this reason, issues related to ensuring the safety of employees, contractors, associates and third parties on worksites are a priority. The Group and the individual companies make every effort to ensure that it is safe to work and stay on production plant sites. The Group, referring to benchmarks in terms of accident rates and OHS standards, is aware of the need to implement corrective actions and to lower the current accident rates, which at the moment still deviate from industry standards. For this reason, both the Group's Management Board and the Management Boards of the individual companies continue and take measures to implement best practices and safety procedures in order to reduce accident rates to a minimum.</p> <p>In addition, the Management Board of the CIECH Group and the Management Boards of individual companies are engaged in educational activities, becoming directly involved in initiatives aimed at improving safety and working conditions.</p> <p>In addition, as part of the measures taken to minimise risk, the CIECH Group and individual entities assess and analyse accident rates on an ongoing basis, responding proactively to any incidents and applying a "zero tolerance" policy for any deviations from the procedures in force and improper conduct in the course of day-to-day operations. It is the Group's aspiration to achieve accident rates consistent with industry standards in the shortest possible time.</p>			

<b>Risk 12</b> Risk associated with debt financing			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• Entire Group</li> <li>• All segments</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
Medium	Low	Low	
<b>Risk description and corrective measures taken:</b>			
<p>The Group finances its activities, to a large extent, with interest-bearing debt, i.e. with loans, finance leases. As at 31 December 2021, the debt on this account amounted to approximately PLN 2,011 million.</p>			



<b>Risk 12</b> Risk associated with debt financing			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• Entire Group</li> <li>• All segments</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
Medium	Low	Low	
<b>Risk description and corrective measures taken:</b>			
<p>The CIECH Group's ability to service the debt in a timely manner depends, among other factors, on future operating activities and the ability to generate sufficiently high cash flows. In the absence of sufficient funds to service the debt, the Group may be forced to limit or postpone business activities and capital expenditures, sell assets, contract additional debt or equity financing and restructure or refinance all or part of the debt.</p> <p>Debt financing conditions contain obliging clauses and covenants. Where these clauses or covenants are violated and the effects of such violations are not remedied, the Group may be required to immediately repay the debt or a portion thereof. Restrictions contained in financing agreements may also limit the Group's ability to finance future operations and own cash requirements, to implement business undertakings.</p> <p>As part of the financial planning processes, the CIECH Group analyses and monitors, on a regular basis, the cash flows generated and its ability to maintain liquidity and service its debt. The Group aims at unifying the debt financing conditions, including the covenants applicable, to limit the risk of infringing these covenants. The observance of provisions of financing agreements and compliance with financial ratios set out therein is monitored on a regular basis. Debt financing is obtained in a controlled and coordinated manner at the Group level. The Group has implemented uniform rules for obtaining external financing in order to take into account the consolidated need for financing of the entire CIECH Group, take advantage of the economies of the scale, reduce financing costs and apply consistent limiting conditions.</p> <p>In order to reduce liquidity risk, the CIECH Group refinanced its debt in March 2021 and concluded a new credit facility agreement of PLN 2,115 million, with a 5-year repayment period. The agreement provides for a grace period of over 2 years for the repayment of the term loan during which no principal repayment of the loan is required. The first principal repayment is required on 30 June 2023. The Group's existing syndicated and bilateral loan debt was refinanced, which provided for loan repayments of PLN 350 million in 2021 and PLN 1,748 million in 2022. The new agreement provides funding for the Group's needs and offers flexibility to raise additional debt within the levels defined by the financial covenants in the agreement. Despite challenging market conditions, the agreement maintained favourable pricing and other terms from the previous financing.</p>			

<b>Risk 13</b> Risk of inability to service the current debt and maintain liquidity			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• Entire Group</li> <li>• All segments</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
Medium	Low	Low	
<b>Risk description and corrective measures taken:</b>			
<p>The ability of the CIECH Group to make scheduled payments to repay the Group's debt as well as to finance working capital and capital expenditures depends on the future operating activities and the ability to generate sufficient amounts of cash. If the CIECH Group's future cash flows from operating activities and other capital resources prove insufficient to repay liabilities timely or to satisfy liquidity related requirements, the Group may be forced to:</p> <ul style="list-style-type: none"> <li>• limit or postpone business operations and capital expenditures,</li> <li>• sell its assets,</li> <li>• obtain additional debt or equity financing,</li> <li>• reorganise or refinance all or part of the debt on or before maturity.</li> </ul>			



<b>Risk 13</b> Risk of inability to service the current debt and maintain liquidity			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• Entire Group</li> <li>• All segments</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
Medium	Low	Low	
<b>Risk description and corrective measures taken:</b>			
<p>As part of the financial planning processes, the Group analyses and monitors the cash flows generated and its ability to maintain liquidity and service its debt. The Group's debt financing sources are diversified in terms of creditors and maturities.</p> <p>The following measures are applied by the CIECH Group to reduce liquidity risk:</p> <ul style="list-style-type: none"> <li>• current monitoring of liquidity of the CIECH Group's companies,</li> <li>• monitoring and optimisation of the level of working capital,</li> <li>• adjusting the level and schedule of capital expenditure,</li> <li>• intragroup borrowings and sureties for the liabilities of the Group's companies,</li> <li>• current monitoring of the settlement of liabilities under the loan agreements conditions.</li> </ul>			

<b>Risk 14</b> Interest rate risk			<b>Segments affected</b> <ul style="list-style-type: none"> <li>• Entire Group</li> <li>• All segments</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
Medium	Low	Low	
<b>Risk description and corrective measures taken:</b>			
<p>The costs of the Group's debt depend on the reference rate. This refers to loans, factoring and some lease contracts. There is a risk of an increase of the reference rate, which may lead to increased financial costs and deterioration of the CIECH Group's financial result.</p> <p>The interest rate risk is reduced by the assets owned by the CIECH Group (bank deposits), interest bearing in accordance with variable interest rate, and by concluding hedging transactions such as cross currency interest rate swaps or interest rate swaps.</p> <p>Moreover, the risk will be kept at a low level by the CIECH Group as a result of signing a refinancing agreement with a financial institution, securing the Group's long-term financing for the following years.</p>			

<b>Risk 15</b> Credit risk			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• Entire Group</li> <li>• All segments</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
Medium	Low	Low	
<b>Risk description and corrective measures taken:</b>			
<p>The CIECH Group is exposed to credit risk of financial institutions connected with cash placed on bank accounts and deposits as well as transactions with financial institutions.</p> <p>In order to limit the credit risk of financial institutions the CIECH Group enters into transactions with high-rating banks with stable market position.</p> <p>The credit risk of the business partners is mitigated by the Group by using internal procedures to establish amounts of credit limits for customers and to manage trade receivables (the Group uses securities such as letters of credit, bank guarantees, mortgages, receivables insurance and factoring). An important part of the credit activity is assessing the customers' creditworthiness and obtaining appropriate collateral from them, thus allowing for a reduction of potential</p>			



<b>Risk 15</b> Credit risk			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• Entire Group</li> <li>• All segments</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
Medium	Low	Low	
<b>Risk description and corrective measures taken:</b>			
losses in the case of failure to repay the debt. Credit risk assessment for customers is performed prior to concluding an agreement and periodically at subsequent deliveries of goods in accordance with the binding procedures.			

<b>Risk 16</b> Risk of financing through factoring			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• Entire Group</li> <li>• All segments</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
Medium	Low	Low	
<b>Risk description and corrective measures taken:</b>			
<p>The economic downturn caused by the COVID-19 pandemic has significantly increased liquidity risk in 2020. In an effort to manage cash in an efficient manner, in 2020 CIECH implemented a reverse factoring mechanism, thereby extending the period of repayment of its liabilities to its main suppliers. However, with the introduction of the reverse factoring mechanism, there is an increased risk arising from the termination of relationship with the factor or the occurrence of financial problems on the part of the factor, so that the Group may be forced to settle its obligations to suppliers in a shorter period of time, thus weakening its working capital ratios. However, this risk has been estimated by the Group as low due to the partial utilisation of the limit available with the factor, the ongoing monitoring of utilisation of the available limit and cooperation with several factors. In 2021, the overall economic situation has improved and the Group's main industries have seen a rebound and recovery compared to 2020. On the other hand, however, in 2021 unpredictable fluctuations and increases in the prices of raw materials, utilities, consumables and CO<sub>2</sub> certificate prices were recorded, which could have undermined the financial stability of some of the Group's customers. The occurring price increase may also result in a situation where the limit for the group granted under the reverse factoring will be insufficient for the growing level of trade liabilities</p> <p>However, at the end of 2021, the Group has not experienced materialisation of this risk. With the introduction of the reverse factoring arrangement in 2021, the Group has additionally secured its current liquidity and extended its payment terms. As a result, the Group's working capital requirements decreased by PLN 205 million as at 31 December 2021.</p>			

<b>Risk 17</b> Risk related to tax settlements			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• Entire Group</li> <li>• All segments</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
High	High	High	
<b>Risk description and corrective measures taken:</b>			
<p>Regulations on corporate and personal income tax, value added tax, social security contributions and other taxes are subject to frequent changes in Poland. Furthermore, the applicable tax laws lack clarity, which leads to differences in opinions and diverse interpretations of tax regulations, both between various public authorities and between public authorities and businesses. In addition, over the past few years there have been changes in tax authorities' interpretations, despite the same regulations in force and after years of their application.</p> <p>Tax settlements are subject to inspection by bodies which are authorised to impose high penalties and fines, and any additional tax liabilities arising from such inspections need to be paid with interest. Consequently, tax risk in Poland is</p>			



<b>Risk 17</b> Risk related to tax settlements			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• Entire Group</li> <li>• All segments</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
High	High	High	
<b>Risk description and corrective measures taken:</b>			
<p>higher than in countries with more mature tax systems. The amounts presented and disclosed in the CIECH Group's financial statements may therefore increase as a result of current and future tax inspections.</p> <p>The Group recognises and measures current and deferred tax assets and liabilities in compliance with the requirements of IAS 12, based on taxable income/tax loss calculated, tax base, unused tax losses, unused tax credits and tax rates, or taking into consideration the assessed uncertainty related to tax settlements. Whenever there is uncertainty as to whether and to what extent a tax authority would accept a tax settlement, the Group discloses such settlement taking into consideration the assessed uncertainty.</p> <p>What is more, the lack of stability in the tax law may hinder the ability for effective future planning and implementation of the business plan according to the assumptions and an increase in the tax expense may have a material adverse effect on the Group's further growth. In 2022, the "Polish Deal" came into force, resulting in a further increase in tax risk for the CIECH Group. This is due to the pace of the changes being introduced, which will further increase the level of fiscalism and result in higher tax liabilities on the part of the CIECH Group and its entities.</p> <p>The Group constantly monitors changes in the law and potential tax risks, taking steps to eliminate them or to reduce them substantially through a constant cooperation with reputable tax advisors and by official inquiries to the tax authorities.</p>			

<b>Risk 18</b> Risk of inability to implement the strategy			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• Entire Group</li> <li>• All segments</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
High	Medium	High	
<b>Risk description and corrective measures taken:</b>			
<p>For the CIECH Group, 2021 was the last year of implementation of the strategy for 2019-2021. In December 2018, when the Supervisory Board approved the strategy presented by the Management Board of CIECH SA, it was intended to adapt the Group's activities to the changing environment. At the end of 2018, however, no one could have predicted the COVID-19 pandemic.</p> <p>The strategy adopted envisaged systematic business growth in individual segments of the Group and the generation of value for investors. The COVID-19 pandemic has significantly affected the operations of all the Group's segments and the ability to deliver projects that have been initiated. Despite the adverse events and effects of the pandemic that materialised in 2020 and 2021, the Group did not deviate from its objectives. The pandemic and uncertainty about the future and the economic situation on a macroeconomic scale with respect to the Polish, European and global economies, have increased the level of uncertainty and the risk of inability to implement the strategy for 2019-2021.</p> <p>Nevertheless, the Group has made every effort throughout 2021 to achieve the strategic objectives despite the pandemic situation and the unstable economic situation in the market (increase in prices of raw materials, utilities, services, increase in prices of CO<sub>2</sub> certificates).</p> <p>With the outbreak of the COVID-19 pandemic, individual entities and segments of the Group analysed in detail the long-term effects and possible scenarios of the COVID-19 pandemic in March 2020. On the basis of these analyses, the Group has reassessed its ability to achieve its strategic objectives. It defined the necessary measures and actions to focus the Group's efforts on the key tasks arising from the strategy. Decisions were made aimed at improving the efficiency of decision-making processes and securing the Group's liquidity which, in view of the implementation of strategic projects, was necessary in order to ensure the Group's security and stability. Implementation and execution of corrective measures</p>			



<b>Risk 18</b> Risk of inability to implement the strategy			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• Entire Group</li> <li>• All segments</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
High	Medium	High	
<b>Risk description and corrective measures taken:</b>			
continued in 2021. Thanks to the measures implemented, the objectives and directions of development set out in the Group Strategy were able to be executed.			

<b>Risk 19</b> Risk of permanent climate change affecting the demand for the CIECH Group's products			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• Agro Segment</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
High	Medium	High	
<b>Risk description and corrective measures taken:</b>			
<p>Due to the increasingly noticeable adverse global effects of climate change (greenhouse effect, prolonged droughts, increasingly frequent local natural disasters), the demand for certain products from the CIECH Group's product portfolio has been changing. This is particularly true for products from the Agro segment.</p> <p>Demand for selected products is becoming less predictable due to increasingly frequent extreme events such as droughts, fires or hurricanes destroying crops in different parts of the world. As a result of these phenomena, crops are reduced or discontinued in some parts of the world, which in turn translates into lower demand for crop protection products manufactured by the CIECH Group. It should also be noted that changing weather conditions have a delayed effect on operating results, as the CIECH Group sells products to distributors who, having excessive stocks, are interested in a lower number of orders for the following period.</p> <p>In order to mitigate the adverse effects of the risk of climate change and the resulting reduction in demand for its products, the CIECH Group has initiated measures aimed at ensuring geographic diversification of customers by trying to direct sales to customers operating in different geographical areas and thus increasing the efficiency of the sales network, as well as by expanding its product range to match long-term trends in agriculture.</p>			

<b>Risk 20</b> Risks of changes in regulations and legislation regarding the possibility of using certain active substances and CPCs			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• Agro Segment</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
High	Medium	High	
<b>Risk description and corrective measures taken:</b>			
<p>In the structures of the CIECH Group, an increase in the importance of the Agro segment can be observed – this is a segment that has been growing and increasing its market share for several years. The portfolio of the Agro segment meets the expectations of farmers not only in the Polish market but also in Europe.</p> <p>In addition to the previously indicated threat to the Agro segment resulting from climate change and thus unpredictable changes in demand, a significant threat to the Agro segment and the use of certain CPCs may come from changes in regulations and legislation which, over the next few years, may prohibit the use of selected CPCs and active substances considered dangerous to human health and the environment. The CIECH Group sees the greatest threat in the discussions and analyses of the impact of the active substance, glyphosate, on health safety, which have been going on for several</p>			



<b>Risk 20</b> Risks of changes in regulations and legislation regarding the possibility of using certain active substances and CPCs			<b>Segments affected:</b> • Agro Segment
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
High	Medium	High	
<b>Risk description and corrective measures taken:</b>			
<p>years. While it is true that in 2021 the European Union, after several years of research, found no negative impact of the use of glyphosate-based CPCs on human health and allowed glyphosate-based formulations to be marketed in the European Union, individual countries are still considering restrictions on the use of this active substance.</p> <p>As a corrective measure, in 2021 the Agro segment launched the Halvetic product family, which is an innovative product developed by the R&amp;D Department of CIECH Sarzyna. An innovative BGT (Better Glyphosate Technology) has been developed and patented, which involves a 50% reduction in the use of the active substance, glyphosate, while maintaining the effectiveness of the herbicide, which has a standard dose of the active substance, glyphosate. Thus, thanks to the launch of the Halvetic product family, the CIECH Group has strengthened its position in the market of CPC manufacturers as an innovative player implementing environmentally friendly initiatives, in accordance with the objectives and assumptions of the EU environmental strategy "Field to Table", which aims to change the current European agriculture into an organic one, minimising the use of hazardous active substances.</p>			

<b>Risk 21</b> Risk of tightening of regulations concerning the use of the environment			<b>Segments affected:</b> • All segments • Entire Group
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
High	High	High	
<b>Risk description and corrective measures taken:</b>			
<p>Operations of the CIECH Group's production plants are onerous and often have a negative impact on the environment. This means that the Group's companies and production plants must hold the relevant permits and environmental approvals. The plants must operate in compliance with specific laws and standards concerning the use of the environment. This applies in particular to limits on emissions of harmful substances into the air, management of water and sewage, and management of the waste generated. In addition, the CIECH Group's operations are strongly affected by dynamic changes in environmental protection regulations.</p> <p>The CIECH Group is a subject to very strict regulations, which may generate significant costs regarding compliance with those regulations. CIECH Group's companies operate under the valid permits, regarding the manner and extent of use of the environment.</p> <p>The CIECH Group's operations are significantly affected by the direction of the Energy and Climate Policy which provides for achieving zero net emissions by 2050 and requires individual member states to submit binding and increasingly ambitious measures, including tightening the emission limit by 2030 from 30% to at least 40% of greenhouse gas emission reductions in the entire economy compared to 1990.</p> <p>In most cases, changes resulting from stricter regulations concerning the use of the environment imply the need to incur significant financial expenditure in order to comply with the new regulations and to be an organisation that is socially responsible and as environmentally neutral as possible. In view of the announcements and already apparent legislative efforts to tighten environmental regulations, the Group is aware of the upcoming changes. This implies that certain investment expenditures will have to be incurred in the coming years, and this, in turn, will have an impact on the Group's future financial performance.</p>			



<b>Risk 21</b> Risk of tightening of regulations concerning the use of the environment			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• All segments</li> <li>• Entire Group</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
High	High	High	
<b>Risk description and corrective measures taken:</b>			
<p>The CIECH Group, as a socially responsible entity, has planned and is taking measures to continuously improve its technological processes and facilities and to implement technology projects that will make it possible for the Group and its plants to operate in compliance with new regulations related to the use of the environment.</p> <p>Individual segments of the CIECH Group comply with standards defined by law. By introducing a uniform Environmental Policy, the CIECH Group strives to implement the best available industry practices.</p> <p>Pursuant to provisions of Directive 2010/75/EU of the European Parliament and of the Council on industrial emissions – IED, implemented in Polish law in 2014 and the adopted National Transitional Plan concerning the reduction of emissions of gaseous and particulate pollutants emitted in CHP plants in Janikowo and Inowroclaw, the CIECH Group carried out the modernization of atmospheric protection equipment. It has been carrying out activities aimed at increasing the level of utilisation of raw materials in order to reduce direct CO<sub>2</sub> emissions, including the project of concentrating CO<sub>2</sub> emissions in soda production technology.</p>			

<b>Risk 22</b> Risk related to the necessity of achieving the objectives of the CIECH Group's ESG strategy and EU climate policy			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• Entire Group</li> <li>• All segments</li> <li>•</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
High	High	High	
<b>Risk description and corrective measures taken:</b>			
<p>With the tightening of regulations concerning environmental issues, which have been implemented by the government and EU institutions, there is also an increasing awareness of the need to protect the environment among other stakeholders, including investors, customers. This imposes expectations on businesses, particularly those operating in the chemical sector and in energy-intensive industries, to implement solutions and move towards socially responsible and environmentally conscious enterprises. The CIECH Group recognises these expectations and is fully aware of the necessary steps it must take and implement in the coming years. To this end, the Group developed and adopted an ESG Strategy in May 2021, setting ambitious targets such as reducing CO<sub>2</sub> emissions by 33% by 2026 compared to 2019, complete decarbonisation by 2040, systematically reducing the volume of electricity needed to manufacture the Group's products, reducing the quantity and maximising the utilisation of production waste, using closed circulation to reduce water consumption and many others. The targets set by the Group are ambitious, requiring the Group to make major investments and commence a number of investment projects in the coming years. The Group must invest in order to achieve its objectives. This will help the Group and its companies become a reliable and socially responsible partner. The expenditure must and will be incurred by the Group regardless of the economic situation, which in the current period of continuing pandemic and fluctuations in raw material prices becomes an additional challenge for the Group.</p> <p>As part of the corrective measures, the CIECH Group has developed a long-term schedule of activities to achieve the goals set out in the ESG Strategy, assuming the launch of a number of investment and reorganisation projects, mainly in the areas of energy and production, while securing funding for their implementation regardless of the economic situation and the market situation.</p>			



<b>Risk 23</b> Risk of changes in laws and regulations			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• Entire Group</li> <li>• All segments</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
Medium	Medium	Medium	
<b>Risk description and corrective measures taken:</b>			
<p>Running a business involves uncertainty. One of the external factors increasing the level of uncertainty is the frequent changes in regulations and their inconsistent interpretations which are characteristic of the Polish legal system. This may lead to a deterioration in the financial standing of the Group and its entities (the need to adapt the Group's or the Group company's operations to the requirements arising from the changes).</p> <p>At present, regulations are construed not only by Polish courts and public administration bodies, but also by courts and institutions of the European Union. Changes to existing regulations can lead to issues arising directly from the absence of a consistent interpretation of the law.</p> <p>Any amendments to or introduction of new regulations under national and EU law may affect the situation and development prospects of the Group and its segments, including financial performance. As a consequence, it will be necessary to incur additional costs to adapt the operations of the Group or Group companies to new or amended legal regulations.</p> <p>In order to reduce the risk, the Group continuously monitors changes in the applicable regulations and laws, and prepares market and business analyses based on the existing and announced regulations. The aim is to obtain information about upcoming regulatory changes well in advance and to prepare the Group and its companies to apply the laws and regulations in the correct manner as they come into force, without the risk of limiting current operations in order to adapt to new regulations.</p>			

<b>Risk 24</b> Risk associated with judicial proceedings or other non-judicial proceedings			<b>Segments affected:</b> <ul style="list-style-type: none"> <li>• Entire Group</li> <li>• All segments</li> </ul>
<b>Risk assessment</b>			
<b>Effects</b>	<b>Likelihood</b>	<b>Risk level</b>	
Low	Low	Low	
<b>Risk description and corrective measures taken:</b>			
<p>The CIECH Group, as part of its day-to-day operations, is exposed to diverse types of claims and legal proceedings resulting from cooperation with customers, counterparties, employees and other parties in connection with the status of a public company listed on Warsaw Stock Exchange and on Frankfurt Stock Exchange. The risks derive from the restrictions and requirements to which public companies are subject in terms of trading rules, access to information, accounting and transactional transparency. In relation to their activities and market position, the CIECH Group companies are subject to adversarial proceedings, including anti-trust proceedings that are a potential source of risk and can be detrimental to their interests if the final decision is unfavourable. In the future, the CIECH Group members may also become a party to legal proceedings regarding, among others, intellectual property rights, producer's liability, product guarantee, environmental or antitrust claims, or enter into settlements regarding legal proceedings and claims that may exert material adverse effect on their operating results which, however, applies equally to any other business entity.</p> <p>As part of the measures taken to minimise risk, the CIECH Group evaluates the existing legal mechanisms on an ongoing basis and introduces appropriate internal regulations aimed at eliminating or mitigating risk. In accordance with the accounting policy, provisions are created for such proceedings if it is highly probable that costs will be incurred and their amount may be reasonably assessed.</p>			

CIECH S.A., as a holding company managing the Group, is exposed to analogous risks to its operations.

The information on risks includes updates related to the impact of the outbreak of the war in Ukraine on the activities of the CIECH Group and CIECH S.A. Detailed information on the current situation in connection with the impact of the Russian invasion on Ukraine on the activities of the CIECH Group and CIECH S.A. was disclosed in note 9.7 of the Consolidated Financial Statements of the CIECH Group for 2021 and in note 9.6 of Financial Statements of CIECH S.A. for 2021.

### 3.5 CORPORATE SOCIAL RESPONSIBILITY (CSR)

Equal concern for economic, social and environmental issues is an important element of the management strategy at the CIECH Group and CIECH S.A.



#### 3.5.1 CSR IN THE CIECH GROUP

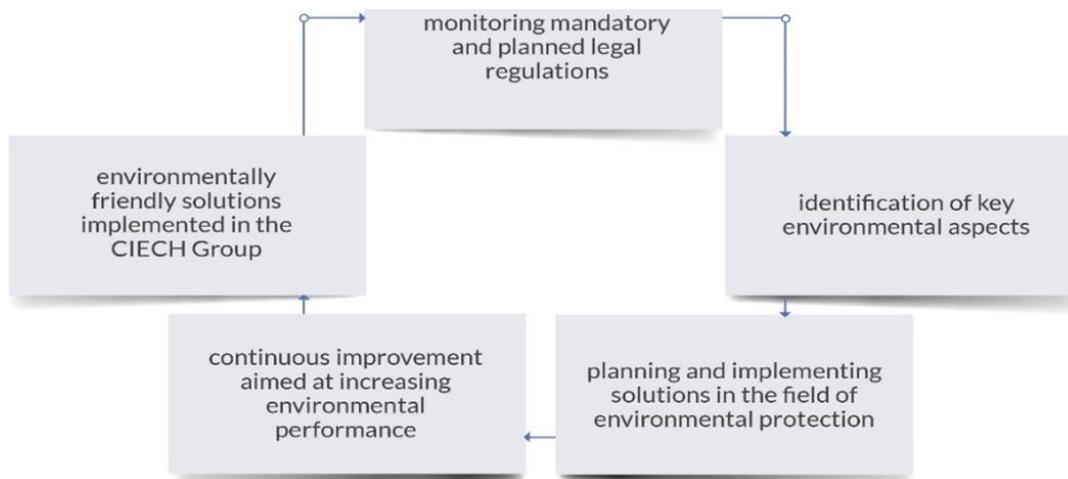
Information on corporate social responsibility was presented in detail in the **Non-financial Report of the CIECH Group for 2021**.

This report complements the data disclosed by the Group with environmental, social, employee and ethical issues. Key issues in the areas of environmental protection, sponsorship activities as well as research and development are presented below.

#### 3.5.2 KEY ISSUES RELATED TO ENVIRONMENTAL PROTECTION

For the CIECH Group, an important issue in the area of environmental protection is maintaining the technology regime and high quality of products, but also minimising negative impact on the environment by limiting emission of pollution to the atmosphere, waters and soil, rational waste management and optimisation of energy consumption per one tonne of the output. Environmental issues are a priority for the CIECH Group, which was reflected in the development and implementation of a Uniform Environmental Policy in 2016. Pursuant to the Policy, all companies of the Group are required to comply with applicable environmental law regulations, reduce emissions and the amount of wastes produced, utilize natural resources in a rational manner and combat climate changes through CO<sub>2</sub> reduction, and to maintain good social relations in local communities where business activities are conducted.

FIGURE 31: ENVIRONMENTAL MANAGEMENT SYSTEM IN THE CIECH GROUP



During the last several years, the CIECH Group has implemented a number of investment projects in the Soda Segment to support the protection of atmosphere, including:

- reduction of dust emissions from the Group’s CHP Plants by modernising ESPs,
- reduction of nitrogen oxide emissions from the Group’s CHP Plants by constructing flue gas denitrification units,
- reduction of nitrogen dioxide emissions from the Group’s CHP Plants by constructing flue gas desulfurisation units,
- a comprehensive modernisation of the dust removal system at the Lime Furnace Facility in Janikowo.

At present, the Group continues to carry out further projects in the scope of, among others, reduction of CO<sub>2</sub> emissions, reduction of energy consumption and reduction of noise emission.

In addition, in order to achieve the ambitious goal of reducing CO<sub>2</sub> emissions by 30% by 2026, a comprehensive Energy Strategy has been prepared in the CIECH Group, which includes initiatives such as:

- construction of a gas-fired heat generating unit,
- construction of a municipal waste thermal processing installation for both soda plants,
- comprehensive upgrade of the existing property of the heat and power plants in Janikowo and Inowrocław, including full upgrade of turbogenerators,
- or installation of photovoltaic panels in various companies of the Group.

Production plants of CIECH Group operate under required permits and administrative decisions. The majority of production companies within the CIECH Group have implemented environment management systems in conformity with ISO 14001 regulations.

Due to the requirements of the Industrial Emissions Directive (IED) and the need to adapt to new stricter emission standards for, among others, sulphur dioxide, nitrogen oxides and dust, deadlines have been set for power and steam generating plants (combined heat and power plants) to comply with the new emission ceilings. The following periods were identified: the period until 30 June 2020 (extension of the deadline for LCP installations to comply under the Interim National Plan (PPK)), the period from 1 July 2020 to 17 August 2021 (from the end of participation in the PPK to the end of the deadline to comply with the new BAT Conclusions for LCPs) and the period from 18 August 2021 (applicability of the revised BAT Conclusions for LCPs).

As of 1 July 2020, plants that produce energy and steam are required to observe restrictive emission standards for dust (20-25 mg/Nm<sup>3</sup>), sulphur oxides (200-250 mg/Nm<sup>3</sup>) and nitrogen oxides (200 mg/Nm<sup>3</sup>) emissions introduced for large combustion plants (LCP). In turn, new, very tight emission limits for large combustion plants resulting from the new BAT Conclusions for LCPs apply from 18 August 2021. The new emission limits are as follows: for dust – 15–20 mg/Nm<sup>3</sup>, for sulphur oxides – 130–200 mg/Nm<sup>3</sup>; and for nitrogen oxides – 150–180 mg/Nm<sup>3</sup>. In addition, for sources with a rated capacity of more than 300 MW, mercury emissions must be measured on a continuous basis. Administrative proceedings are currently underway to issue revised integrated permits, adapted to the requirements of the BAT Conclusions for LCPs.

In the area of greenhouse gas emissions trading scheme (EU ETS) regulations, revised values of emission benchmarks for the allocation of free emission allowances for the period 2021-2025 were set in 2021. 2021 was a landmark year in terms of the

change in the rules for the submission of annual activity level information by EU ETS installations (i.e. BDRs), which were replaced by activity level reports (ALC report). ALC reports are subject to annual verification and shall be submitted to the National Balancing and Emission Management Centre (KOBIZE) by 31 March each year. In addition, further changes are being made to the ALC report from 1 January 2022.

The final annual number of emission allowances for EU ETS installations allocated for 2021 was issued in the fourth quarter of 2021.

### Legal status of the use of the environment

CIECH Group's companies operate under the current permits and administrative decisions regarding the manner and extent of use of the environment. All CIECH Group's companies operating IPPC plants received integrated permits.

**TABLE 3: LIST OF INTEGRATED PERMITS HELD BY CIECH GROUP COMPANIES**

Company	Permit for	Validity period
CIECH Soda Polska S.A. – Production Plant in Inowrocław	Integrated permit for installation to manufacture soda and soda derived products.	Indefinite
CIECH Soda Polska S.A. – Production Plant in Janikowo	Integrated permit for installation to manufacture soda and soda derived products.	Indefinite
CIECH Soda Polska S.A. – Power Plant in Inowrocław	Integrated permit for heat and power station's installation (4 OP-110 boilers).	Indefinite
CIECH Soda Polska S.A. – Power Plant in Janikowo	Integrated permit for heat and power station's installation (3 CKTI boilers and 2 OP-140 boilers).	Indefinite
CIECH Soda Deutschland GmbH & Co. KG	Integrated permit for installations to manufacture light and dense soda ash, and sodium bicarbonate.	Indefinite
CIECH Energy Deutschland GmbH	Integrated permit for heat and power station's installation.	Indefinite
CIECH Soda Romania S.A.*	Integrated permit for installation to manufacture soda ash.	12.09.2022
CIECH Sarzyna S.A.	Integrated permit for installations to manufacture crop protection products (MCPA and MCPB and esters from the esterification of phenoxyacids).	Indefinite
CIECH Vitrosilicon S.A. Plant in Żary	Integrated permit for installations to manufacture sodium silicate glass and potassium silicate glass.	Indefinite
CIECH Vitrosilicon S.A. Plant in Iłowa	Integrated permit for installations to manufacture water solution of sodium and potassium silicates (water glass), glass packaging and solid sodium silicate (glassy sodium silicate).	Indefinite
CIECH Pianki Sp. z o.o.	Integrated permit for the installation to manufacture PUR foams.	Indefinite

\*There is no risk of not receiving the annual verification of the integrated permit.

### Environmental liabilities

Due to the nature of the CIECH Group's business, there are active sources of groundwater pollution on some of the Group's lands. The Group incurs ongoing operating expenses and establishes provisions related to the reclamation of contaminated soil and groundwater purification. The amount of provisions for environmental liabilities in CIECH Group as at 31 December 2021 amounted to PLN 228,635 thousand and as at 31 December 2020 – to PLN 113,524 thousand.

For the fuel combustion plant in Janikowo there is a risk of fines to be paid for exceeding the permissible emission of pollutants into the air in 2011 and 2012 for boiler OP-140 No K4, in the amount of PLN 6,611 thousand together with interest due. An appeal has been lodged with the Chief Inspectorate of Environmental Protection. In addition, a decision will be issued on the obligation to pay a fine for excess NOx emissions in 2011 and 2012 for boiler OP- 140 No 5 in the amount of PLN 83 thousand, together with interest due.

In connection with the failure to comply with emission standards for fuel combustion units in CIECH Soda Polska S.A. in 2021, a fine of PLN 7,044 thousand is expected.

### EU REACH Regulation

In 2021, the European Chemicals Agency (ECHA) has not issued any binding decision ordering the performance of additional tests or updating the registration documentation of substances for which CIECH Group Companies are registrants or co-registrants. However, a spontaneous update of the registration documentation of four substances was submitted:

- two substances from BU Silicates,
- two auxiliary substances related to BU Soda.

The update was mainly driven by the need to bring the chemical safety assessment of the substance in line with current ECHA requirements and was successfully completed.

In 2021, ECHA has not initiated steps to restrict use, or to place under an authorisation procedure, any of the substances for which CIECH Group Companies are registrants or co-registrants.

BU Resins – REACH registrations for 6 substances were transferred to the new owner of the Resins segment, LERG Group, in February 2021 as planned. They were transferred as part of the finalisation of the sale of CIECH Żywiec Sp. z o.o.

### Emission trading

Information on emission trading is provided in items 2.1 and 3.4 of this Report.

## 3.5.3 SPONSORSHIP AND CHARITY POLICY

Sponsorship activities of CIECH S.A. are aimed at supporting the business and strengthening the positive image of the CIECH Group in local communities. This is part of the Group's ESG strategy, in particular Commitment 6 "We are a responsible part of local communities".

Therefore, sponsorship activities are carried out primarily in the regions, where production plants and the head office of the Group are located. Sponsorship activities involve mainly the activities supporting educational, sports, cultural, social initiatives, in particular initiatives aimed at supporting local communities, in which the CIECH Group functions.

In 2021, efforts related to the COVID-19 pandemic continued, including the donation of 50 thousand FFP3 class protective masks to the City of Bydgoszcz. For the second year in a row, the Group also supported the Great Orchestra of Christmas Charity, donating 200 thousand protective masks for the organisation of the annual fundraising finale.

Other efforts focused, among other things, on supporting the education of children and young people in the regions where the Group's production plants operate (Kujawy, Podkarpacie). In addition to its cooperation with primary and secondary schools, CIECH also supported the School Talent Academy programme, which has been running since 2018 and involves providing educational mentoring services for talented children of Group employees ([www.akademiaszkolnychtalentow.pl](http://www.akademiaszkolnychtalentow.pl)). The Group also supports Academy graduates who have enrolled at universities abroad, including in the UK and the Netherlands (scholarships).

Institutions that are important to local communities, such as the Fire Service (Nowa Sarzyna), were also supported, as were local charitable activities aimed at protecting animal rights.

Activities in the area of sports sponsorship have been strengthened. The Group became the title sponsor of the first-league men's basketball club from Inowrocław (CIECH KSK Noteć). It also sponsors football clubs from Inowrocław and Janikowo.

Group companies also provided donations to support locally important charitable initiatives selected by employees as part of CIECH Fest employee picnics.

## 3.6 RESEARCH AND DEVELOPMENT

The CIECH Group consistently implements innovations in key areas of its operations. The activities taken are focused on the development and improvement of products for key markets, improvement of existing production processes as well as implementation of innovative technologies. The CIECH Group has the ambition to become a leader among the most advanced

chemical groups in Poland and worldwide. In the CIECH Group, research and development activities are concentrated in CIECH R&D Sp. z o.o., that has coordinated and carried out research and development activities for the Group's production companies. As a result of the implementation of the CIECH Group Strategy for 2019-2021, the research and development activities of Ciech R&D in the area of manufacturing and products of the Group's companies were transferred to production companies in 2020.

The CIECH Group collaborates with universities and experts in the area of innovation and development, and a part of project implemented is co-financed from EU funds as well as from domestic and regional support funds.

### Achievements in research and development

The Group runs a number of R&D projects in virtually all segments. These projects are implemented with the use of various support programmes. More than a dozen projects at various stages of completion are underway in the Group's key segment, the Soda Segment. These projects aim to improve process efficiency and reduce environmental impact.

The Group has successfully completed and implemented key projects including the recovery and return of carbon dioxide to the process and increasing the efficiency of the carbonisation process.

### Cooperation with universities and institutes

In 2021, the CIECH Group implemented research, development and innovation projects in cooperation with renowned universities and institutes, including:

Universities	Institutes
<ul style="list-style-type: none"><li>• Wrocław University of Technology</li><li>• Nicolaus Copernicus University in Toruń</li><li>• Technical University Delft</li><li>• AGH University of Science and Technology of Kraków</li><li>• University of Agriculture in Kraków</li></ul>	<ul style="list-style-type: none"><li>• Institute For Chemical Processing of Coal – ICHPW in Zabrze</li><li>• Institute of Industrial Organic Chemistry – IPO in Warsaw</li><li>• Institute of Ceramics and Building Materials</li><li>• Max-Planck-Intitut Magdeburg</li></ul>



## FINANCIAL POSITION OF THE CIECH GROUP AND CIECH S.A.

### 4. FINANCIAL POSITION OF THE CIECH GROUP AND CIECH S.A.

#### 4.1 PRINCIPLES FOR DRAWING UP THE ANNUAL FINANCIAL STATEMENTS OF THE CIECH GROUP AND CIECH S.A.

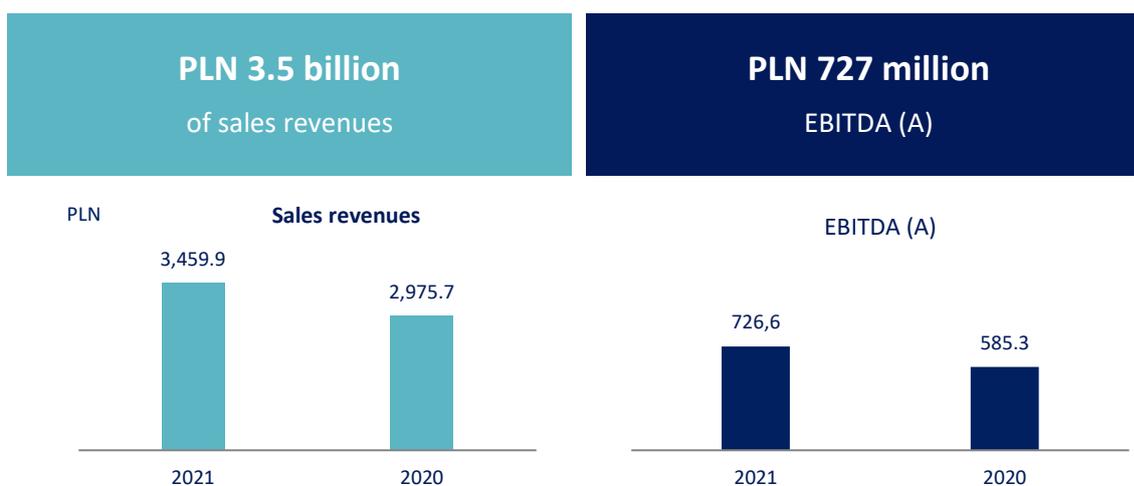
The consolidated financial statements of the CIECH Group and separate financial statements of CIECH S.A. have been prepared in accordance with accounting principles consistent with the International Financial Reporting Standards (IFRS) that were approved by the European Union (EU) and were effective as at 31 December 2021.

The consolidated financial statements of the CIECH Group and separate financial statements of CIECH S.A. have been prepared on a historical cost basis, except for financial instruments at fair value through profit or loss, available-for-sale financial assets, and investment real property at fair value.

The consolidated financial statements of the CIECH Group and separate financial statements of CIECH S.A. give a fair view of the financial and economic position of the CIECH Group and CIECH S.A. as at 31 December 2021, results of their operations and cash flows for the year ended 31 December 2021. The consolidated financial statements of the CIECH Group and separate financial statements of CIECH S.A. were prepared on a going concern basis. As at the date of approval of the consolidated financial statements of the CIECH Group and separate financial statements of CIECH S.A., no facts or circumstances are known that would indicate any threat to the CIECH Group and CIECH S.A. continuing as going concerns. References to accounting policies applied in the preparation of the consolidated financial statements of the CIECH Group and separate financial statements of CIECH S.A. have been presented, respectively, in notes: 1.4 to the Consolidated financial statements of the CIECH Group and 1.4 to the Separate financial statements of CIECH S.A.

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

In 2021, the CIECH Group generated for continuing operations:



In 2021, the Group's results were most significantly shaped by:

**Positive developments:**

- Continuous internal efforts to neutralise the effects of the COVID-19 pandemic, such as:
  - improvement of the product mix and a particular focus on high-margin products,
  - taking action and securing external long-term financing for the Group,
  - discipline in terms of fixed costs and working capital,
  - reviewing and implementing stricter credit policies for customers,
  - implementation of business continuity plans and safety procedures to minimise the risk of infection outbreaks at the Group's plants, thanks to which the plants continued their production and operational activities without interruption throughout the pandemic,
  - taking actions and strategic decisions to accelerate the Group's reduction of greenhouse gases and to accelerate the decarbonisation of the Soda Segment's production processes.
- In the Soda Segment: intensified activities in the SPOT market and increases of contract prices carried out in the fourth quarter of 2021 to maintain margins in view of higher commodity and EUA prices.
- Commercialisation of top-quality sodium bicarbonate plant (higher plant volume in Germany), introduction of top-quality sodium bicarbonate used for haemodialysis.
- Expansion of the salt product range – salt licks together with product rebranding.
- In the Agro Segment, the market success of the new herbicide, Halvetic, based on the innovative Better Glyphosate Technology (BGT).
- Attracting new foam customers with high purchasing potential.
- Improving the quality of glassy sodium silicate with the commissioning of a state-of-the-art new furnace in Kunice.

**Negative developments:**

- Massive price increases for energy commodities (coal, gas, electricity) on the global market.
- Continuing high prices for EUA certificates.
- Difficulties related to the availability of raw materials, in particular coal.
- Disruptions in the furniture industry that determine demand for foam.
- Availability problems and delays in the supply of raw materials and products from China.

In 2021, from continuing operations, the CIECH Group generated sales revenues in the amount of PLN 3,459,915 thousand and adjusted EBITDA of PLN 726,614 thousand. Net profit on continuing operations reached PLN 229,769 thousand, net cash increased by PLN 350,009 thousand and total assets amounted to PLN 7,145,820 thousand as at the end of 2021.

On 1 March 2021, 100% of the share capital of CIECH Żywiec Sp. z o.o. was sold to LERG S.A. Figures of CIECH Żywiec Sp. z o.o. and results of the CIECH Group companies (including CIECH S.A.) generated from transactions with the entity reported under discontinued operations are reported as discontinued operations. EBITDA on discontinued operations for 2021 amounted to PLN 6,927 thousand and decreased by PLN 12,766 thousand compared to 2020, when it amounted to PLN 19,693 thousand. The net profit on discontinued operations (including the gain on the sale of shares) stood at PLN 61,868 thousand for 2021 and PLN 4,846 thousand for the corresponding period.

**Forecast performance of the CIECH Group**

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

- consolidated sales revenues: between PLN 3,125 million and PLN 3,285 million; consolidated sales revenues earned amounted to PLN 3,460 million;
- consolidated adjusted EBITDA: between PLN 700 million and PLN 735 million; consolidated adjusted EBITDA earned amounted to PLN 727 million.

All projected results of the CIECH Group were achieved.

## 4.2.1 STATEMENT OF PROFIT OR LOSS OF THE CIECH GROUP

TABLE 4: CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2021	2020	Change 2021/2020
<b>CONTINUING OPERATIONS</b>			
Sales revenues	3,459,915	2,975,733	16.3%
Cost of sales	(2,812,342)	(2,345,067)	(19.9%)
<b>Gross profit/(loss) on sales</b>	<b>647,573</b>	<b>630,666</b>	<b>2.7%</b>
Selling costs	(229,101)	(173,146)	(32.3%)
General and administrative expenses	(243,319)	(170,624)	(42.6%)
Other operating income/expense	180,618	(36,928)	-
<b>Operating profit/(loss)</b>	<b>355,771</b>	<b>249,968</b>	<b>42.3%</b>
Net financial income/expenses	(83,648)	(61,674)	(35.6%)
Share of profit of equity-accounted investees	27	(161)	-
Income tax	(42,381)	(64,949)	34.7%
<b>Net profit/(loss) on continuing operations</b>	<b>229,769</b>	<b>123,184</b>	<b>86.5%</b>
<b>DISCONTINUED OPERATIONS</b>			
Net profit/(loss) on discontinued operations	61,868	4,846	1176.7%
<b>Net profit / (loss) for the period</b>	<b>291,637</b>	<b>128,030</b>	<b>127.8%</b>
including:			
Net profit/(loss) attributed to non-controlling interest	(781)	(1,247)	37.4%
Net profit/(loss) attributable to shareholders of the parent company	292,418	129,277	126.2%
EBITDA from continuing operations	730,411	583,248	25.2%
Adjusted EBITDA from continuing operations*	726,614	585,332	24.1%

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

### Sales revenues

Consolidated sales revenues net from continuing operations of the CIECH Group for 2021 amounted to PLN 3,459,915 thousand. Compared to the previous year, revenues increased by PLN 484,182 thousand (i.e. by 16.3%). Among other factors, the increase was driven by higher sales of BGT-based crop protection products, higher sales of foams, higher sales of electricity on the back of rising prices.

### Gross profit on sales

Cost of goods sold for 2021 amounted to PLN 2,812,342 thousand, which represents an increase by PLN 467,275 thousand (i.e. by 19.9%) compared to the cost of goods sold in 2020, amounting to PLN 2,345,067 thousand. This increase is mainly driven by higher sales in each of the operating segments.

### Operating profit/loss

Selling costs for 2021 amounted to PLN 229,101 thousand which represents an increase by PLN 55,955 thousand (i.e. by 32.3%), compared to PLN 173,146 thousand in 2020. Selling costs accounted for 6.6% of sales revenues for 2021. This increase was driven, among other factors, by higher transport costs for raw materials and finished goods.

General and administrative expenses for 2021 amounted to PLN 243,319 thousand which is an increase by PLN 72,695 thousand (i.e. by 42.6%) as compared to PLN 170,624 thousand in 2020. The increase is attributable, among other things, to the recognition of a provision for an incentive scheme for key executives, as the estimates made at the end of 2021 substantiated the probability of distributions from the above plan.

Other operating income for 2021 amounted to PLN 238,395 thousand which represents an increase by PLN 161,447 thousand (i.e. by 209.8%), compared to the amount of PLN 76,948 thousand for 2020. The year-on-year change is mainly due to the

fact that in 2021 the Romanian company and German SDC Group sold their surplus CO<sub>2</sub> certificates. Moreover, CIECH Soda Polska S.A. received compensation for the costs of purchasing emission allowances and refund of excise tax.

Other operating expenses for 2021 amounted to PLN 57,777 thousand which represents a decrease by PLN 56,099 thousand from 2020, when these expenses amounted to PLN 113,876 thousand. The year-on-year decrease in other operating expenses results mainly from lower costs of idle capacity at CIECH Soda Romania S.A. following the hibernation of the plant at the end of the third quarter of 2019, lower impairment losses on trade receivables reflecting a more strict credit policy for customers, a lower level of provisions recognised for liabilities.

Operating profit for 2021 stood at PLN 355,771 thousand, whereas in the comparative period it reached PLN 249,968 thousand.

### Financing activities and net profit/loss

Financial income for 2021 amounted to PLN 26,714 thousand and recorded a decrease compared to the corresponding period of the preceding year, when it amounted to PLN 58,475 thousand.

Financial expenses for 2021 amounted to PLN 110,362 thousand and recorded a decline as compared to the preceding year, when they amounted to PLN 120,149 thousand. The net effect of financing activities in 2021 was negative and amounted to PLN 83,648 thousand, which was mainly caused by valuation of derivative instruments, foreign exchange losses (high foreign exchange gains in the corresponding period), commissions and bank charges.

The CIECH Group's income tax for 2021 stood at PLN 42,381 thousand. The tax for 2020 amounted to PLN 64,949 thousand. The consolidated net profit for 2021 amounted to PLN 291,637 thousand (of which PLN 292,418 thousand was a net profit attributable to the shareholders of the parent company and PLN -781 thousand was the loss of non-controlling shares).

### EBITDA<sup>1</sup>

TABLE 5: CONSOLIDATED EBITDA OF THE CIECH GROUP

	2021	2020
<b>Net profit/(loss) on continuing operations</b>	<b>229,769</b>	<b>123,184</b>
Income tax	42,381	64,949
Share of profit / (loss) of equity-accounted investees	(27)	161
Financial expenses	110,362	120,149
Financial income	(26,714)	(58,475)
Amortisation/depreciation	374,640	333,280
<b>EBITDA on continued operations</b>	<b>730,411</b>	<b>583,248</b>
EBITDA on discontinued operations	6,927	19,693
<b>EBITDA on continued and discontinued operations</b>	<b>737,338</b>	<b>602,941</b>

EBITDA from continuing operations for 2021 amounted to PLN 730,411 thousand which represents an increase by PLN 147,163 thousand from the amount of PLN 583,248 thousand earned in 2020. EBITDA increased mainly due to higher result on other operating activities.

The EBIT margin ratio amounted to 10.3% at the end of 2021 (8.4% in the preceding year) and the EBITDA margin ratio amounted to 21.1% (19.6% in the preceding year). The adjusted EBIT margin ratio amounted to 10.2% at the end of 2021 (8.5% in the preceding year) and the adjusted EBITDA margin ratio amounted to 21.0% (19.7% in the preceding year).

<sup>1</sup>EBITDA is the net profit/loss for a financial year plus income tax plus a share in net profit of subordinated entities evaluated with the equity method plus financial costs/income plus profit/loss on sale of a discontinued operation plus amortisation and depreciation. EBITDA is not a liquidity ratio or business performance ratio calculated in accordance with IFRS. EBITDA should be viewed as a supplement not as a substitute for the business performance presented in accordance with IFRS. EBITDA is a useful ratio of the ability to incur and service debt. EBITDA and similar ratios are used by different companies for different purposes and are often calculated in a manner adapted to the conditions in which these companies exist. Care needs to be exercised when comparing EBITDA with EBITDA of other companies.

EBITDA on discontinued operations comprises EBITDA of CIECH Żywiec Sp. z o.o. (for the period of presence in the CIECH Group until 1 March 2021) and EBITDA of CIECH Group companies (including CIECH S.A.) earned from transactions with CIECH Żywiec Sp. z o.o.

### Adjusted EBITDA

Adjusted EBITDA <sup>2</sup> is another additional ratio of operating performance. Adjusted EBITDA is EBITDA adjusted for costs/revenues that were classified by the management as one-off due to their nature. Adjusted EBITDA is a key ratio used in the Group to assess its performance.

TABLE 6: ADJUSTED EBITDA OF THE CIECH GROUP

	2021	2020
<b>EBITDA on continued operations</b>	<b>730,411</b>	<b>583,248</b>
One-offs including:		
Impairment (a)	262	3,597
Cash items (b)	(4,195)	(6,324)
Non-cash items (without impairment) (c)	136	4,811
<b>Adjusted EBITDA from continued operations</b>	<b>726,614</b>	<b>585,332</b>
Adjusted EBITDA from discontinued operations	6,951	18,883
<b>Adjusted EBITDA from continued and discontinued operations</b>	<b>733,565</b>	<b>604,215</b>

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

(b) Cash items include, among others, profit/loss of the sale of property, plant and equipment and other items (including fees and compensations received or paid).

(c) Non-cash items include: fair value measurement of investment properties, environmental provisions, provisions for liabilities and compensation, costs of unused production capacity, costs of development activities written-off and other items (including extraordinary costs and other provisions).

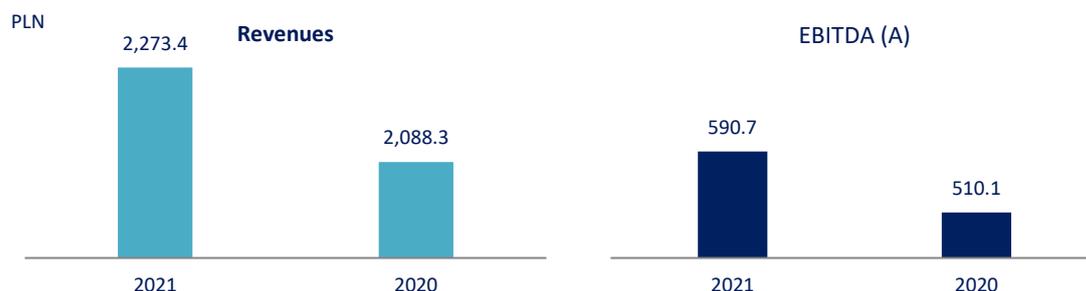
## 4.2.2 FINANCIAL PERFORMANCE BY OPERATING SEGMENT OF THE CIECH GROUP

During 2021, the CIECH Group's activities were focused on five operating segments: Soda, Agro, Foams, Silicates, Packaging. Additionally, financial performance reported includes figures for the "other operations" segment, corporate functions and consolidation exclusions. The structure of sales revenues, by business segment, has not changed significantly in comparison with 2020. Invariably, the largest share in revenues was attributed to the sales of Soda Segment products (soda ash sodium bicarbonate and salt), i.e. 66%.



<sup>2</sup>Other companies may calculate adjusted EBITDA in a manner different from the manner applied by the CIECH Group. Adjusted EBITDA is not a measure of financial performance under IFRS and is therefore not audited. It should not be used as a ratio of liquidity or as an alternative to operating profit or net profit for a year or as another measure of results calculated in accordance with IFRS.

FIGURE 32: REVENUES AND ADJUSTED EBITDA IN THE SODA SEGMENT OF THE CIECH GROUP



In 2021, the Group's results in the Soda Segment were most significantly shaped by:

#### Positive developments:

- Economic recovery and increased demand for Soda Segment products in the second half of 2021.
- China has become a net importer of Soda ash, which results in the relocation of some of Turkey's soda exports to the Chinese market.
- Intensified activities in the SPOT market and increases of contract prices carried out in the fourth quarter of 2021 to maintain margins in view of higher commodity and EUA prices.
- Higher electricity sales in Germany due to rising market prices.
- Commercialisation of top-quality sodium bicarbonate plant (higher plant volume in Germany), introduction of top-quality sodium bicarbonate used for haemodialysis.
- Higher sales volume of calcium chloride.
- Taking advantage of the positive economic climate during the 2021 contracting period, efficient volume reallocation resulting in significant price increases in 2021 (above market).
- Improvement of business analytics with the introduction of business intelligence tools.
- Expansion of the salt product range – salt licks together with product rebranding.
- Gradual increase in production capacity at the saltworks in Stassfurt.
- Launch of sales of electrolysis salts from the Stassfurt plant.
- Optimisation of variable costs, particularly in packaging.

#### Negative developments:

- Increased prices of CO<sub>2</sub> emission allowances (EUA certificates).
- Price increases for energy commodities (coal, gas, electricity) on the global market.
- Difficulties related to the availability of raw materials, in particular coal.
- Higher transport costs for raw materials and finished goods due to, among other factors, inflationary pressures.
- Increase in the price of fuel raw materials (coke and anthracite).
- Boiler failures resulting in temporary disturbances in continuity of process steam supply – mainly July 2021.
- Low demand in the HoReCa sector in the first half of the year for salt products due to the temporary closure of swimming pools, restaurants, hotels, guest houses – salt tablets, table salt, granules.
- Increase in steam and electricity generation costs due to rising coal prices and CO<sub>2</sub> emission costs.

TABLE 7: THE CIECH GROUP'S PERFORMANCE IN THE SODA SEGMENT

	2021	2020	Change 2021/2020	Change %	% of total revenues in 2021	% of total revenues in 2020
<b>Sales revenues</b>	<b>2,273,400</b>	<b>2,088,270</b>	<b>185,130</b>	<b>8.9%</b>	<b>65.6%</b>	<b>70.1%</b>
Dense soda ash	1,104,737	1,159,682	(54,945)	(4.7%)	31.9%	39.0%
Light soda ash	357,574	269,129	88,445	32.9%	10.3%	9.0%
Salt	183,466	183,468	(2)	(0.0%)	5.3%	6.2%



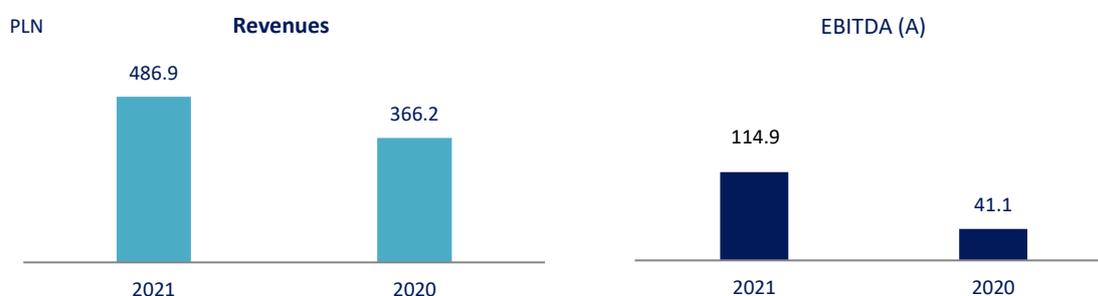
	2021	2020	Change 2021/2020	Change %	% of total revenues in 2021	% of total revenues in 2020
Sodium bicarbonate	219,135	193,001	26,134	13.5%	6.3%	6.5%
Energy	210,472	146,955	63,517	43.2%	6.1%	4.9%
Calcium chloride	30,889	17,809	13,080	73.4%	0.9%	0.6%
Other products	89,937	60,999	28,938	47.4%	2.6%	2.0%
Revenues from inter-segment transactions	77,190	57,227	19,963	34.9%	2.2%	1.9%
<b>Gross profit /(loss) on sales</b>	<b>360,384</b>	<b>451,473</b>	<b>(91,089)</b>	<b>(20.2%)</b>		
<b>EBITDA</b>	<b>593,036</b>	<b>506,852</b>	<b>86,184</b>	<b>17.0%</b>		
<b>Adjusted EBITDA</b>	<b>590,680</b>	<b>510,090</b>	<b>80,590</b>	<b>15.8%</b>		

Sales in the Soda Segment for 2021 amounted to PLN 2,273,400 thousand which represents an increase by PLN 185,130 thousand (i.e. by 8.9%) as compared to sales for 2020, amounting to PLN 2,088,270 thousand. The increase was due to higher sales of sodium bicarbonate, energy as a result of higher prices, higher sales volumes of calcium chloride.

The gross profit on sales in the Soda Segment for 2021 amounted to PLN 360,384 thousand compared to PLN 451,473 thousand for 2020. The detailed reasons for the changes are described above.

 <b>AGRO SEGMENT</b> Crop protection products	<b>14%</b>   of the CIECH Group's revenues in 2021
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FIGURE 33: REVENUES AND ADJUSTED EBITDA IN THE AGRO SEGMENT OF THE CIECH GROUP



In 2021, the Group's results in the **Agro Segment** were most significantly shaped by:

**Positive developments:**

- The market success of the new herbicide, Halvetic, based on the innovative Better Glyphosate Technology (BGT).
- Predictable commercial policy to maintain good relationships with key distributors, allowing for margin expansion
- Optimisation of the S&OP (Sales and Operations Planning) process, purchasing policy well correlated with the situation in the market for the products being sold.
- New registrations and label extensions in, among others, southern European countries.

**Negative developments:**

- Availability problems and delays in the supply of raw materials and products from China due to the ongoing COVID-19 pandemic.
- Increase in raw material prices, mainly driven by high demand in Asian markets.

TABLE 8: THE CIECH GROUP'S PERFORMANCE IN THE AGRO SEGMENT

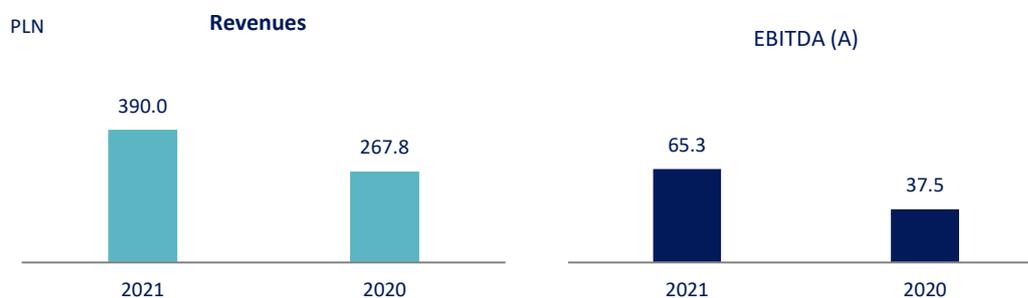
	2021	2020	Change 2021/2020	Change %	% of total revenues in 2021	% of total revenues in 2020
<b>Sales revenues</b>	<b>486,989</b>	<b>366,174</b>	<b>120,815</b>	<b>33.0%</b>	<b>14.1%</b>	<b>12.3%</b>
Agro products	486,925	365,490	121,435	33.2%	14.1%	12.3%
Revenues from inter-segment transactions	64	684	(620)	(90.6%)	0.0%	0.0%
<b>Gross profit /(loss) on sales</b>	<b>146,615</b>	<b>81,071</b>	<b>65,544</b>	<b>80.8%</b>		
<b>EBITDA</b>	<b>115,760</b>	<b>37,930</b>	<b>77,830</b>	<b>205.2%</b>		
<b>Adjusted EBITDA</b>	<b>114,901</b>	<b>41,128</b>	<b>73,773</b>	<b>179.4%</b>		

Sales in the Agro Segment for 2021 amounted to PLN 486,989 thousand which represents an increase by PLN 120,815 thousand (i.e. by 33.0%) as compared to sales for 2020, amounting to PLN 366,174 thousand.

The gross profit on sales in the Agro Segment for the year ended 31 December 2021 amounted to PLN 146,615 thousand and was higher than in 2020. Adjusted EBITDA increased by PLN 73,773 thousand from 2020. The detailed reasons for the changes are described above.



FIGURE 34: REVENUES AND ADJUSTED EBITDA IN THE FOAMS SEGMENT OF THE CIECH GROUP



In 2021, the Group's results **in the Foams Segment** were most significantly shaped by:

**Positive developments:**

- Optimisation of the mix of products offered given the shortage of raw materials.
- Attracting new customers with high purchasing potential.
- Efficient stock management, mitigating the effect of price fluctuations.

**Negative developments:**

- Decreased availability and higher prices of strategic raw materials, resulting in limited production of PUR foams.
- Disruptions in the furniture industry that determine demand for foam.
- Deterioration in the furniture and automotive industries, direct dependence of demand for flexible polyurethane foams on the situation in target industries, i.e. furniture and automotive industries.
- Limited availability of raw material, limiting sales volumes.

TABLE 9: THE CIECH GROUP'S PERFORMANCE IN THE FOAMS SEGMENT

	2021	2020	Change 2021/2020	Change %	% of total revenues in 2021	% of total revenues in 2020
<b>Sales revenues</b>	<b>390,037</b>	<b>267,815</b>	<b>122,222</b>	<b>45.6%</b>	<b>11.3%</b>	<b>9.0%</b>
Polyurethane foams	389,953	267,733	122,220	45.6%	11.3%	9.0%
Revenues from inter-segment transactions	84	82	2	2.4%	0.0%	0.0%
<b>Gross profit /(loss) on sales</b>	<b>79,361</b>	<b>45,627</b>	<b>33,734</b>	<b>73.9%</b>		
<b>EBITDA</b>	<b>65,240</b>	<b>37,633</b>	<b>27,607</b>	<b>73.4%</b>		
<b>Adjusted EBITDA</b>	<b>65,331</b>	<b>37,494</b>	<b>27,837</b>	<b>74.2%</b>		

Sales in the Foams Segment for 2021 amounted to PLN 390,037 thousand which represents an increase by PLN 122,222 thousand (i.e. by 45.6%) as compared to sales for 2020, amounting to PLN 267,815 thousand.

The gross profit on sales in the Foams Segment for the year ended 31 December 2021 amounted to PLN 79,361 thousand compared to PLN 45,627 thousand for the year ended 31 December 2020.

**SILICATES SEGMENT**  
Water glass | Silicates

**7%** | of the CIECH Group's  
revenues in 2021

FIGURE 35: REVENUES AND ADJUSTED EBITDA IN THE SILICATES SEGMENT OF THE CIECH GROUP



In 2021, the Group's results **in the Silicates Segment** were most significantly shaped by:

**Positive developments:**

- Limited imports of higher-processed silicates from Asia as a result of a sharp increase in ocean freight costs and problems with on-time delivery.
- Improving the quality of glassy sodium silicate with the commissioning of a state-of-the-art new furnace in Kunice.
- Increased price competitiveness in the European market following the depreciation of PLN.
- Higher sales of glassy silicates and potassium water glass due to capacity reductions in Europe.

**Negative developments:**

- Increase in and volatility of gas prices.
- Soda price increase even though the prices remained unchanged according to IHS.

TABLE 10: THE CIECH GROUP'S PERFORMANCE IN THE SILICATES SEGMENT

	2021	2020	Change 2021/2020	Change %	% of total revenues in 2021	% of total revenues in 2020
<b>Sales revenues</b>	<b>238,155</b>	<b>172,081</b>	<b>66,074</b>	<b>38.4%</b>	<b>6.9%</b>	<b>5.8%</b>
Sodium silicates	228,099	163,773	64,326	39.3%	6.6%	5.5%

	2021	2020	Change 2021/2020	Change %	% of total revenues in 2021	% of total revenues in 2020
Potassium silicates	9,750	8,070	1,680	20.8%	0.3%	0.3%
Other products	109	9	100	1111.1%	0.0%	0.0%
Revenues from inter-segment transactions	197	229	(32)	(14.0%)	0.0%	0.0%
<b>Gross profit /(loss) on sales</b>	<b>52,964</b>	<b>39,220</b>	<b>13,744</b>	<b>35.0%</b>		
<b>EBITDA</b>	<b>29,917</b>	<b>26,067</b>	<b>3,850</b>	<b>14.8%</b>		
<b>Adjusted EBITDA</b>	<b>30,375</b>	<b>25,964</b>	<b>4,411</b>	<b>17.0%</b>		

Sales in the Silicates Segment for 2021 amounted to PLN 238,155 thousand which represents an increase by PLN 66,074 thousand (i.e. by 38.4%) as compared to sales for 2020, amounting to PLN 172,081 thousand. This decrease was driven by sales of sodium silicates.

The gross profit on sales in the Silicates Segment for 2021 amounted to PLN 52,964 thousand compared to PLN 39,220 thousand for the year ended 31 December 2020.

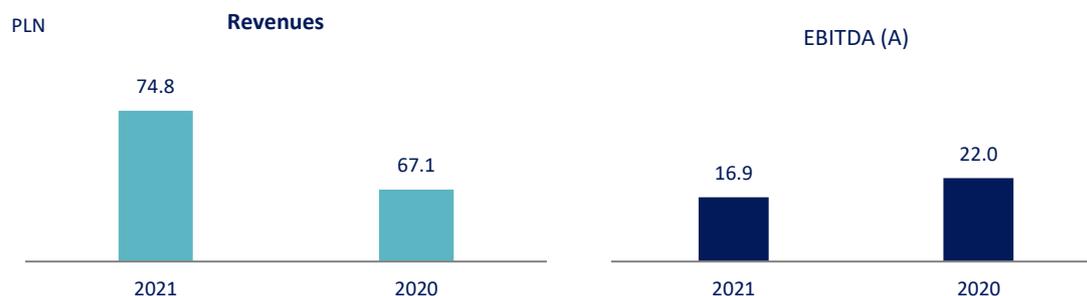


**PACKAGING SEGMENT**  
Glass products

2%

of the CIECH  
Group's revenues  
in 2021

FIGURE 36: REVENUES AND ADJUSTED EBITDA IN THE PACKAGING SEGMENT OF THE CIECH GROUP



In 2021, the Group's results in the **Packaging Segment** were most significantly shaped by:

**Positive developments:**

- Return to a stable market as a result of the gradual reduction in the impact of COVID-19 – until November 2021, vigil light manufacturers kept a high stock of goods.
- Change in the packaging product structure towards higher margin products.
- Optimisation of the raw material mix to improve quality and reduce costs, as well as reducing waste.

**Negative developments:**

- Increased competition in the glass packaging area of the market, mainly from eastern directions, which resulted in a narrowing of the product range in the group of jars and lanterns and a focus on high-margin products.
- Increase in and volatility of gas prices.

TABLE 11: THE CIECH GROUP'S PERFORMANCE IN THE PACKAGING SEGMENT

	2021	2020	Change 2021/2020	Change %	% of total revenues in 2021	% of total revenues in 2020
<b>Sales revenues</b>	<b>74,786</b>	<b>67,054</b>	<b>7,732</b>	<b>11.5%</b>	<b>2.1%</b>	<b>4.2%</b>
Glass packaging	73,652	67,051	6,601	9.8%	2.1%	2.3%
Revenues from inter-segment transactions	1,134	3	1,131	37700.0%	0.0%	1.9%
<b>Gross profit /(loss) on sales</b>	<b>22,425</b>	<b>23,002</b>	<b>(577)</b>	<b>(2.5%)</b>		
<b>EBITDA</b>	<b>18,167</b>	<b>20,608</b>	<b>(2,441)</b>	<b>(11.8%)</b>		
<b>Adjusted EBITDA</b>	<b>16,929</b>	<b>22,020</b>	<b>(5,091)</b>	<b>(23.1%)</b>		

Sales in the Packaging Segment for 2021 amounted to PLN 74,786 thousand which represents an increase by PLN 7,732 thousand (i.e. by 11.5%) as compared to sales for 2020, amounting to PLN 67,054 thousand.

The gross profit on sales in the Packaging Segment for 2021 amounted to PLN 22,425 thousand compared to PLN 23,002 thousand for the year ended 31 December 2020.

 <b>OTHER ACTIVITIES SEGMENT</b>	
Services   Distribution   Sale and management of real property	

Sales in the Other Activities Segment for 2021 amounted to PLN 91,552 thousand which represents a decrease by PLN 36,330 thousand (i.e. by 28.4%) as compared to sales for 2020, amounting to PLN 127,882 thousand.

The gross loss on sales in the Other Activities Segment for the year ended 31 December 2021 amounted to PLN -902 thousand compared to gross profit of PLN 10,267 thousand for the year ended 31 December 2020.

### 4.2.3 ASSET POSITION OF THE CIECH GROUP

TABLE 12: BASIC CONSOLIDATED BALANCE SHEET DATA

	31.12.2021	31.12.2020	Change 2021/2020
<b>Total assets</b>	<b>7,145,820</b>	<b>5,915,543</b>	<b>20.8%</b>
Total non-current assets	4,798,205	4,251,347	12.9%
Total current assets	2,347,615	1,664,196	41.1%
Inventory	422,506	348,989	21.1%
Short-term intangible assets	403,434	185,220	117.8%
Current receivables	619,902	504,268	22.9%
Cash and cash equivalents	799,023	443,886	80.0%
Short-term financial assets	102,382	19,863	415.4%
Non-current assets held for sale	368	161,970	(99.8%)
<b>Total equity</b>	<b>2,396,931</b>	<b>2,118,538</b>	<b>13.1%</b>
Equity attributable to shareholders of the parent	2,400,707	2,120,615	13.2%
Non-controlling interest	(3,776)	(2,077)	(81.8%)
Total non-current liabilities	2,542,124	401,146	533.7%
Total current liabilities	2,206,765	3,395,859	(35.0%)

\*Restated data. For detailed information on the restatement, see Note 1.5.1 to the Consolidated Financial Statements of the CIECH Group for 2021.

### Assets

As at the end of December 2021, the Group's non-current assets amounted to PLN 4,798,205 thousand. As compared to the balance as at 31 December 2020, the value of non-current assets increased by PLN 546,858 thousand. This change was mainly driven by further investments in non-current assets in companies, including the construction of the saltworks in the German company, CIECH Salz Deutschland GmbH.

The Group's current assets amounted to PLN 2,347,615 thousand as at 31 December 2021.

Compared to the end of December 2020, the value of current assets increased by PLN 683,419 thousand.

This change resulted from, among other factors:

- sale of CIECH Żywiec Sp. z o.o., whose assets were reported as non-current assets and groups held for sale.
- recognition of the valuation of greenhouse gas emission allowances granted in the balance sheet (previously the allowances were recognised on an off-balance sheet basis – for details of the change in accounting policy see Note 1.5.1 to the Consolidated Financial Statements of the CIECH Group for 2021),
- higher balance of cash accumulated in companies,
- higher valuations of financial instruments,
- lower balance of trade receivables following the implementation of more restrictive credit policy for customers,
- higher inventories mainly as a result of increased inventories in the Agro Segment.

### Capital resources

The sources of liquidity include cash flows generated from operating activities, cash from the sale of assets, cash from EU grants for capital expenditure, cash available due to the revolving credit facility agreement and overdraft facilities. The Group also uses factoring agreements.

### Liabilities

As at 31 December 2021, the CIECH Group's liabilities (total non-current and current) amounted to PLN 4,748,889 thousand, which is an increase compared to the end of December 2020 by PLN 951,884 thousand (i.e. by 25%).

The debt ratio amounted to 66.5% as at 31 December 2021 (at the end of December 2020 to 64.2%). The consolidated net debt of the Group amounted to PLN 1,300,786 thousand as at 31 December 2021 and decreased in comparison to the balance as at the end of December 2020 by PLN 392,436 thousand. The lower level of this debt was driven by lower utilisation of available credit limits and a high balance of cash in bank accounts.

### Debt instruments currently used

The Group's sources of debt financing include: term loan, revolving credit, overdraft as well as lease liabilities. Additional information about the management of financial resources is provided in Section 4.5.

## 4.2.4 CASH POSITION OF THE CIECH GROUP

TABLE 13: CONSOLIDATED CASH FLOWS OF THE CIECH GROUP

	2021	2020	Change 2021/2020
Net cash from operating activities	1,278,917	767,186	66.7%
Net cash from investment activities	(707,366)	(833,999)	15.2%
Net cash from financial activities	(221,542)	211,697	-
<b>Total net cash flows</b>	<b>350,009</b>	<b>144,884</b>	<b>141.6%</b>
Free cash flow	571,551	(66,813)	-

In 2021, total net cash flows were positive and amounted to PLN 350,009 thousand. Compared to the same period of the previous year, the cash flows generated by the Group were higher by PLN 205,125 thousand. Cash flows from operating

activities amounted to PLN 1,278,917 thousand and increased as compared to the same period in 2020 by PLN 511,731 thousand.

In 2021, the net cash flows from investing activities were negative, which was mainly the result of expenses for an investment programme implemented by the Group. The net cash from financing activities was negative and amounted to PLN 221,542 thousand. As compared to 2020, they were lower by PLN 433,239 thousand. The balance of cash from financing activities resulted mainly from funds obtained from credit facilities and repayment of lease liabilities, as well as the payment of a dividend to the shareholders of CIECH S.A. in the amount of PLN 158,099 thousand.

TABLE 14. ABILITY TO GENERATE CASH FLOWS OF THE CIECH GROUP

	2021	2020
Financial surplus ((net profit/(loss) on continuing operations + depreciation)	666,277	466,639
Other adjustments to net profit/(loss) on continuing operations	85,939	(57,327)
<b>Adjusted financial surplus (1+2)</b>	<b>752,216</b>	<b>409,312</b>
Change in working capital	526,701	357,874
<b>Net cash from operating activities (3+4)</b>	<b>1,278,917</b>	<b>767,186</b>
Net cash from investing activities	(707,366)	(833,999)
<b>Free cash flow (5+6)</b>	<b>571,551</b>	<b>(66,813)</b>

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

#### 4.2.5 SELECTED FINANCIAL RATIOS AND WORKING CAPITAL OF THE CIECH GROUP

##### Liquidity of the CIECH Group

Liquidity ratios as at 31 December 2021 increased significantly as compared to their level as at 31 December 2020. The current ratio, calculated as the ratio of total current assets to total current liabilities, amounted to 1.06 as at 31 December 2021, while the quick liquidity ratio amounted to 0.87. This is due to the non-fulfilment of the ratio level set in the facility agreement at the end of 2020.

TABLE 15: LIQUIDITY RATIOS OF THE CIECH GROUP

	31.12.2021	31.12.2020
Current ratio	1.06	0.49
Quick ratio	0.87	0.39

##### Working capital of the CIECH Group

As at the end of 2021, working capital, defined as the difference between current assets and short-term liabilities, adjusted by relevant balance sheet items (cash and cash equivalents and short-term loans) was negative and amounted to PLN 642,323 thousand, which is a decrease by PLN 467,644 thousand compared to the end of 2020.

TABLE 16: WORKING CAPITAL OF THE CIECH GROUP

	31.12.2021	31.12.2020
1. Current assets, including:	2,347,615	1,664,196
Inventory	422,506	348,989
Trade receivables and services and advances for deliveries	255,086	203,249
2. Cash and cash equivalents and short-term investments	901,405	463,749
<b>3. Adjusted current assets (1-2)</b>	<b>1,446,210</b>	<b>1,200,447</b>
4. Current liabilities, including:	2,206,765	3,395,859



	31.12.2021	31.12.2020
Trade liabilities and advances taken	615,770	492,999
5. Short-term credits and other current financial liabilities*	118,232	2,020,733
<b>6. Adjusted current liabilities (4-5)</b>	<b>2,088,533</b>	<b>1,375,126</b>
<b>7. Working capital including short-term credits(1-4)</b>	<b>140,850</b>	<b>(1,731,663)</b>
<b>8. Working capital (3-6)</b>	<b>(642,323)</b>	<b>(174,679)</b>
<b>9. Trade working capital</b>	<b>61,822</b>	<b>59,239</b>

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

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

The trade working capital was maintained at last year's level – PLN 61,822 thousand compared to PLN 59,239 thousand as at the end of the previous year, but the figures for individual items changed relative to 2020. At present, the Group maintains a lower level of trade receivables, a higher level of inventories and short-term liabilities due to an increase in the level of reverse factoring and higher purchase costs for raw materials, mainly gas and raw materials for the production of crop protection chemicals.

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

### The CIECH Group's profitability ratios

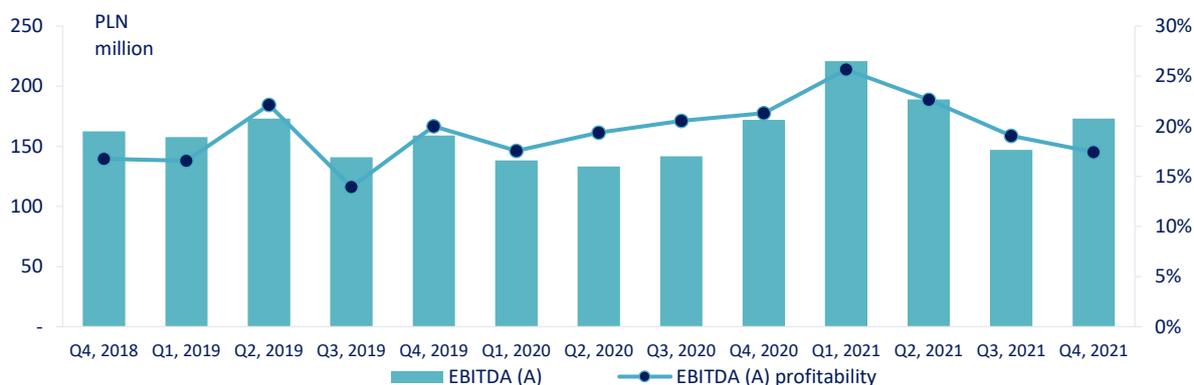
In 2021, most profitability ratios of the CIECH Group in respect of the continuing operations increased or remained relatively flat as compared to 2020.

TABLE 17: THE GROUP'S PROFITABILITY RATIOS

	2021	2020	Change 2021/2020
<b>CONTINUING OPERATIONS</b>			
Gross return on sales	18.7%	21.2%	(2,5) p.p.
Return on sales	5.1%	9.6%	(4,5) p.p.
EBIT margin	10.3%	8.4%	1,9 p.p.
EBITDA margin	21.1%	19.6%	1,5 p.p.
Adjusted EBIT margin	10.2%	8.5%	1,7 p.p.
Adjusted EBITDA margin	21.0%	19.7%	1,3 p.p.
Net return on sales (ROS)	6.6%	4.1%	2,5 p.p.
Return on assets (ROA)	3.2%	2.4%	0,8 p.p.
Return on equity (ROE)	9.6%	5.8%	3,8 p.p.
Earnings/(loss) per share (in PLN) from continuing operations	4.37	2.36	2,01

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

FIGURE 37: PROFITABILITY LEVELS OF THE CIECH GROUP



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

### Indebtedness

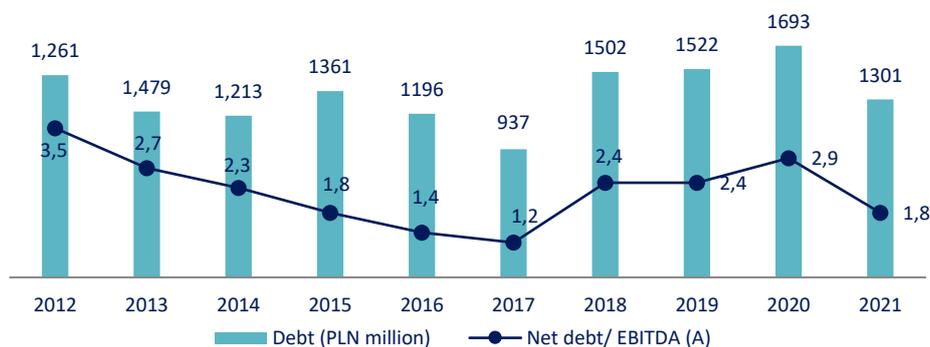
The debt ratio increased in comparison to December 2020 and amounts to 66.5%. On the other hand, the relative level of net debt (net financial liabilities in relation to EBITDA) decreased as compared to the end of 2020.

TABLE 18: THE CIECH GROUP'S DEBT RATIOS

	31.12.2021	31.12.2020	Change 2021/2020
Debt ratio	66.5%	64.2%	2.3p.p.
Long term debt ratio	35.6%	6.8%	28.8p.p.
Debt to equity ratio	198.1%	179.2%	18.9p.p.
Equity to assets ratio	33.5%	35.8%	(2.3) p.p.
Gross debt	2,086,705	2,137,108	(2.4%)
Net debt	1,300,786	1,693,222	(23.2%)
EBITDA annualized	730,411	583,248	25.2%
Adjusted EBITDA (annualised)	726,614	585,332	24.1%
Net debt / EBITDA annualized	1.8	2.9	(38.7%)
Net debt / Adjusted EBITDA (annualised)	1.8	2.9	(38.1%)
Gross debt / EBITDA annualised	2.9	3.7	(22.0%)
Gross debt / Adjusted EBITDA (annualised)	2.9	3.7	(21.3%)
Net financial liabilities in accordance with the Loan Agreement	1,177,507	1,531,317	(23.1%)
Adjusted (annualized) EBITDA in accordance with the Loan Agreement	721,358	625,396	15.3%
Net financial liabilities / adjusted EBITDA (annualized) in accordance with the Loan Agreement	1.63	2.45	(33.3%)

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

FIGURE 38: DEBT OF THE CIECH GROUP (IN PLN MILLION) AND NET DEBT/EBITDA (A) RATIO



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

- net debt in accordance with the Syndicated Facilities Agreement do not include, among others, liabilities related to contracts classified as operating leases (before the implementation of IFRS 16 “Leases”) in the amount of PLN 138 million and do not include liabilities due to negative valuation of financial instruments in the amount of PLN 66 million,
- adjusted EBITDA, in accordance with the Syndicated Facilities Agreement, takes into account EBITDA (less items related to disposal of assets related to discontinued operations) in the total amount of PLN 729 million and is adjusted for, inter alia, impairment losses on receivables and inventories, changes in provisions, disposal of or impairment losses on fixed assets, restructuring costs in the amount of approximately PLN 8 million.

The ratio calculated on the basis of the definitions in the Syndicated Facilities Agreement is 1.6 as at 31 December 2021 and is lower by 0.2 compared to the ratio calculated in the consolidated financial statements.

#### 4.2.6 GROUP’S PERFORMANCE IN THE 4<sup>TH</sup> QUARTER OF 2021

 TABLE 19: CIECH GROUP’S PERFORMANCE IN THE 4<sup>TH</sup> QUARTER OF 2021

	01.10.-31.12.2021*	01.10.-31.12.2020*
<b>CONTINUING OPERATIONS</b>		
Sales revenues	992,065	804,165
Cost of sales	(870,820)	(640,830)
<b>Gross profit/(loss) on sales</b>	<b>121,245</b>	<b>163,335</b>
Other operating income	126,991	35,774
Selling costs	(65,051)	(55,576)
General and administrative expenses	(105,081)	(23,448)
Other operating expenses	(17,674)	(49,790)
<b>Operating profit/(loss)</b>	<b>60,430</b>	<b>70,295</b>
Financial income	12,447	28,262
Financial expenses	(35,221)	(40,441)
<b>Net financial income/(expenses)</b>	<b>(22,774)</b>	<b>(12,179)</b>
Share of profit / (loss) of equity-accounted investees	4	(237)
<b>Profit/(loss) before tax</b>	<b>37,660</b>	<b>57,879</b>
Income tax	21,030	(5,484)
<b>Net profit/(loss) on continuing operations</b>	<b>58,690</b>	<b>52,395</b>
<b>DISCONTINUED OPERATIONS</b>		
Net profit/(loss) on discontinued operations	(672)	(554)



	01.10.-31.12.2021*	01.10.-31.12.2020*
<b>Net profit / (loss) for the period</b>	<b>58,018</b>	<b>51,841</b>
including:		
Net profit/(loss) attributable to shareholders of the parent company	58,386	52,000
Net profit/(loss) attributed to non-controlling interest	(368)	(159)
<b>Earnings per share (in PLN):</b>		
Basic	1.11	0.98
Diluted	1.11	0.98

\*Unaudited data

In the fourth quarter of 2021, operating profit of the CIECH Group was lower than that of the corresponding period of 2020, having decreased by PLN 9,865 thousand. The increase in sales was mainly driven by market factors described in Section 4.2.2. The higher general and administrative expenses reflect the recognition of a provision for the management incentive scheme. On the other hand, financial activities and net profit were negatively affected by, among other factors, the valuation of financial instruments. In total, however, the net profit for the fourth quarter increased by PLN 6,177 thousand year-on-year.

### 4.3 REVIEW OF KEY ECONOMIC AND FINANCIAL FIGURES CONCERNING CIECH S.A.

During 2021, CIECH S.A. generated net profit from continuing operations of PLN 91,525 thousand, net cash increased by PLN 201,971 thousand and total assets as at the end of 2021 amounted to PLN 4,612,557 thousand.

#### Forecast performance of the CIECH S.A.

CIECH S.A. did not publish any stand-alone forecasts for 2021.

For information on the forecast of the CIECH Group's consolidated results, see Section 4.2 of this report.

#### 4.3.1 STATEMENT OF PROFIT OR LOSS OF CIECH S.A.

TABLE 20: STATEMENT OF PROFIT OR LOSS OF CIECH S.A.

	2021	2020	Change 2021/2020
<b>CONTINUING OPERATIONS</b>			
<b>Sales revenues</b>	<b>1,618,680</b>	<b>1,654,075</b>	<b>(2,1%)</b>
Cost of sales	(1,429,542)	(1,409,843)	(1,4%)
<b>Gross profit/(loss) on sales</b>	<b>189,138</b>	<b>244,232</b>	<b>(22,6%)</b>
Selling costs	(136,165)	(108,042)	(26,0%)
General and administrative expenses	(98,333)	(64,322)	(52,9%)
Other operating income/expense	7,771	(7,786)	-
<b>Operating profit/(loss)</b>	<b>(37,589)</b>	<b>64,082</b>	-
Net financial income/expenses	115,019	113,808	1,1%
Income tax	14,095	(23,056)	-
<b>Net profit/(loss) on continuing operations</b>	<b>91,525</b>	<b>154,834</b>	<b>(40,9%)</b>
<b>DISCONTINUED OPERATIONS</b>			
Net profit/(loss) on discontinued operations	41,681	453	9101,1%
<b>Net profit / (loss)</b>	<b>133,206</b>	<b>155,287</b>	<b>(14,2%)</b>
EBITDA from continuing operations	(18,912)	82,921	-
Adjusted EBITDA from continuing operations*	(25,323)	81,905	-

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

**Sales revenues**

Net sales revenues of CIECH S.A. from continuing operations for 2021 amounted to PLN 1,618,680 thousand. Compared to the previous year, revenues decreased by PLN 35,395 thousand (i.e. by 2.1%). The changes were mainly due to market factors.

The **positive** contributors to the presented sales revenues were as follows:

- intensified activities in the SPOT market and increases of contract prices carried out in the fourth quarter of 2021 to maintain margins in view of higher commodity and EUA prices,
- inter-segment diversification through introduction of new, highly processed products into the product portfolio – implementation of an investment in pharmaceutical-grade soda,
- taking advantage of the positive economic climate during the 2021 contracting period, efficient volume reallocation resulting in significant price increases in 2021 (above market),
- expansion of the salt product range – salt licks together with product rebranding.
- higher sales volumes of calcium chloride.

The **negative** contributors to the presented sales revenues were as follows:

- lower sales of raw materials for the production and crop protection chemicals, resins and PUR foams, attributable to a change in the business model, i.e. the absence of intermediation in the raw material purchasing process,
- increased price competition in exports,
- low demand in the HoReCa sector in the first half of the year for salt products due to the temporary closure of swimming pools, restaurants, hotels, guest houses – salt tablets, table salt, granules.

TABLE 21: CIECH S.A.'S SALES BY BUSINESS SEGMENT

	2021	2020	Change 2021/2020	Change %	% of total revenues in 2021
<b>Soda segment, including:</b>	<b>1,490,385</b>	<b>1,407,865</b>	<b>82,520</b>	<b>5.9%</b>	<b>92.1%</b>
Dense soda ash	797,947	814,859	(16,912)	(2.1%)	49.3%
Light soda ash	305,715	227,365	78,350	34.5%	18.9%
Salt	192,643	190,410	2,233	1.2%	11.9%
Sodium bicarbonate	111,015	105,770	5,245	5.0%	6.9%
Calcium chloride	33,194	18,111	15,083	83.3%	2.1%
Other goods and services	49,871	51,350	(1,479)	(2.9%)	3.1%
<b>Agro segment, including:</b>	<b>19,129</b>	<b>106,351</b>	<b>(87,222)</b>	<b>(82.0%)</b>	<b>1.2%</b>
Raw materials for production of plant protection products	13,534	98,137	(84,603)	(86.2%)	0.8%
Other goods and services	5,595	8,214	(2,619)	(31.9%)	0.3%
<b>Foam segment, including:</b>	<b>10,244</b>	<b>100,511</b>	<b>(90,267)</b>	<b>(89.8%)</b>	<b>0.6%</b>
Raw materials for the production of polyurethane foams	-	96,928	(96,928)	-	0.0%
Other goods and services	10,244	3,583	6,661	185.9%	0.6%
<b>Silicates segment, including:</b>	<b>20,348</b>	<b>30,828</b>	<b>(10,480)</b>	<b>(34.0%)</b>	<b>1.3%</b>
Sodium silicates	11,007	11,279	(272)	(2.4%)	0.7%
Other goods and services	9,341	19,549	(10,208)	(52.2%)	0.6%
<b>Packaging segment, including:</b>	<b>1,230</b>	<b>194</b>	<b>1,036</b>	<b>534.0%</b>	<b>0.1%</b>
Other goods and services	1,230	194	1,036	534.0%	0.1%
<b>Other segment, including:</b>	<b>77,344</b>	<b>8,326</b>	<b>69,018</b>	<b>828.9%</b>	<b>4.8%</b>
Revenues from third parties	77,344	8,326	69,018	828.9%	4.8%
<b>TOTAL</b>	<b>1,618,680</b>	<b>1,654,075</b>	<b>(35,395)</b>	<b>(2.1%)</b>	<b>100.0%</b>

#### CIECH S.A.'s sales in the Soda Segment

Sales in the Soda Segment for the year ended 31 December 2021 amounted to PLN 1,490,385 thousand, which is an increase by PLN 82,520 thousand, compared to sales for the year ended 31 December 2020 which amounted to PLN 1,407,865 thousand. The increase was mainly driven by higher sales of light soda ash due to intensified activities in the SPOT market and contract price increases effected in the fourth quarter of 2021.

#### CIECH S.A.'s sales in the Agro Segment

Sales in the agro segment for the year ended 31 December 2021 amounted to PLN 19,129 thousand, which is a decrease by PLN 87,222 thousand, compared to sales for the year ended 31 December 2020 which amounted to PLN 106,351 thousand. Decrease due to change in business model, i.e. the absence of intermediation in the process of purchasing raw materials for the production of crop protection chemicals.

#### CIECH S.A.'s sales in the Foams Segment

Sales in the Foams Segment for the year ended 31 December 2021 amounted to PLN 10,244 thousand, which is a decrease by PLN 90,267 thousand, compared to sales for the year ended 31 December 2020 which amounted to PLN 100,511 thousand. Decrease due to change in business model, i.e. the absence of intermediation in the process of purchasing raw materials for the production of foams.

#### CIECH S.A.'s sales in the Silicates Segment

Sales in the Silicates Segment for the year ended 31 December 2021 amounted to PLN 20,348 thousand, which means a decrease as compared to the previous year by PLN 10,480 thousand.

#### CIECH S.A.'s sales in the Packaging Segment

Sales in the Packaging Segment for the year ended 31 December 2021 amounted to PLN 1,230 thousand, which is an increase by PLN 1,036 thousand year-on-year.

#### Cost of sales

Cost of goods sold from continuing operations for the year ended 31 December 2021 amounted to PLN 1,429,542 thousand, which is an increase by PLN 19,699 thousand (or 1.4%) compared to PLN 1,409,843 thousand in the cost of goods sold in 2020. The increase was driven by the very high prices of raw materials for production (coal, gas, electricity), also of fuel inputs (coke, anthracite) and by the persistently high prices of EUA certificates.

#### Gross profit on sales

TABLE 22: CIECH S.A.'S GROSS PROFIT ON SALES BY BUSINESS SEGMENT

	2021	2020	Change 2021/2020
Soda segment	177,341	225,103	(21.2%)
Agro segment	1,356	7,153	(81.0%)
Segment pianki	8,806	7,301	20.6%
Silicates segment	1,282	3,125	(59.0%)
Packaging segment	29	8	262.5%
Other	324	1,542	(79.0%)
<b>Gross profit /(loss) on sales</b>	<b>189,138</b>	<b>244,232</b>	<b>(22.6%)</b>

#### Soda Segment

The gross profit on sales from continuing operations in the silicates segment for the year ended 31 December 2021 amounted to PLN 177,341 thousand compared to PLN 225,103 thousand for the year ended 31 December 2020. The decrease was mainly due to a lower gross margin that reflects transport costs, mainly on account of rising energy input prices, particularly in the fourth quarter of 2021. An additional factor contributing to the decrease was also the increase in fixed costs, mainly in the area of staff costs.

### Agro Segment

The gross profit on sales from continuing operations in the Agro Segment for the year ended 31 December 2021 amounted to PLN 1,356 thousand compared to PLN 7,153 thousand for the year ended 31 December 2020. Decrease mainly due to change in business model, i.e. the absence of intermediation in the process of purchasing raw materials for the production of crop protection chemicals.

### Foams Segment

The gross profit on sales from continuing operations in the Foams Segment for the year ended 31 December 2021 amounted to PLN 8,806 thousand compared to PLN 7,301 thousand for the year ended 31 December 2020.

### Silicates Segment

The gross profit on sales from continuing operations in the Silicates Segment for the year ended 31 December 2021 amounted to PLN 1,282 thousand compared to PLN 3,125 thousand for the year ended 31 December 2020.

### Packaging Segment

The gross profit on sales from continuing operations in the Packaging Segment for the year ended 31 December 2021 amounted to PLN 29 thousand compared to PLN 8 thousand for the year ended 31 December 2020.

### Operating profit

Other operating income from continuing operations for 2021 amounted to PLN 14,089 thousand which represents an increase by PLN 8,499 thousand compared to the amount of PLN 5,590 thousand for 2020, mainly due to fines and compensation received in the current period in the amount of PLN 3,353 thousand and income from restructuring in the amount of PLN 4,271 thousand.

Selling costs from continuing operations for 2021 amounted to PLN 136,165 thousand which represents an increase by PLN 28,123 thousand (i.e. by 26.0%), compared to PLN 108,042 thousand in 2020. This increase resulted mainly from higher transport costs.

General and administrative expenses from continuing operations for 2021 amounted to PLN 98,333 thousand which means that an increase as compared to the amount of PLN 64,322 thousand in 2020. The increase reported was mainly caused by the recognition of a provision for an incentive scheme for key management personnel.

Other operating expenses for 2021 amounted to PLN 6,318 thousand which is a decrease by PLN 7,058 thousand from PLN 13,376 thousand in 2020.

In 2021, the Company incurred an operating loss of PLN 37,589 thousand, compared to operating profit of PLN 64,082 thousand for the corresponding period.

### Financing activities and net profit/loss

Financial income from continuing operations for 2021 amounted to PLN 330,865 thousand and increased from PLN 286,286 thousand reported in the previous year. In 2021, financial income was positively driven by higher dividends received from subsidiaries and a gain on the valuation of derivatives.

Financial expenses from continuing operations for 2021 amounted to PLN 215,846 thousand and recorded an increase as compared to the preceding year, when they amounted to PLN 172,478 thousand. The increase in financial expenses was mainly driven by a loss on derivative instruments.

Profit from discontinued operations amounted to PLN 41,681 thousand. It resulted from the finalisation of the sale of CIECH Żywiec Sp. z o.o. – the separate gain on the sale of the company's shares amounted to more than PLN 44 million.

After taking into account profit from discontinued operations of PLN 41,681 thousand, CIECH S.A.'s separate net profit for 2021 amounted to PLN 133,206 thousand and was lower by PLN 22,081 thousand than the net profit for 2020. The decrease in net profit compared to 2020 is mainly attributable to lower primary operating results related, among other things, to increasing price pressure in the market for key energy (coal, gas, electricity) and fuel raw materials (coke, anthracite).

**EBITDA<sup>3</sup>**

TABLE 23: CIECH S.A.'S EBITDA

	2021	2020
Net profit/(loss) on continuing operations	91,525	154,834
Income tax	(14,095)	23,056
Financial expenses	215,846	172,478
Financial income	(330,865)	(286,286)
Amortisation/depreciation	18,677	18,839
<b>EBITDA on continued operations</b>	<b>(18,912)</b>	<b>82,921</b>
EBITDA on discontinued operations	(3,414)	2,400
<b>EBITDA on continued and discontinued operations</b>	<b>(22,326)</b>	<b>85,321</b>

EBITDA from continuing operations in the year ended 31 December 2021 was negative and amounted to PLN 18,912 thousand, which represents a decrease by PLN 101,833 thousand, compared to PLN 82,921 thousand for the year ended 31 December 2020. EBITDA was mainly affected by lower figures from operating activities due to rising inflationary pressures in the raw materials market, as well as the recognition of a provision for the long-term incentive plan (LTIP) in the fourth quarter of 2021.

**Adjusted EBITDA<sup>4</sup>**

TABLE 24: ADJUSTED EBITDA OF CIECH S.A.

	2021	2020
<b>EBITDA on continued operations</b>	<b>(18,912)</b>	<b>82,921</b>
One-offs including:	(6,411)	(1,016)
Impairment	(210)	-
Cash items (a)	(7,505)	840
Non-cash items (without impairment) (b)	1,304	(1,856)
<b>Adjusted EBITDA on continued operations</b>	<b>(25,323)</b>	<b>81,905</b>
Adjusted EBITDA on discontinued operations	(3,414)	2,400
<b>Adjusted EBITDA on continued and discontinued operations</b>	<b>(28,737)</b>	<b>84,305</b>

(a) Impairment losses are associated with the recognition/reversal of impairment write-downs on property, plant and equipment and intangible assets.

(b) Cash items include, among others, profit/loss of the sale of property, plant and equipment and other items (including fees and compensations received or paid).

(c) Non-cash items include: provisions for liabilities, compensation and other provisions.

<sup>3</sup>EBITDA is the net profit/loss for a financial year plus income tax plus costs/financial income plus profit/loss on sale of a discontinued operation plus amortisation and depreciation. EBITDA is not a liquidity ratio or business performance ratio calculated in accordance with IFRS. EBITDA should be viewed as a supplement not as a substitute for the business performance presented in accordance with IFRS. EBITDA is a useful ratio of the ability to incur and service debt. EBITDA and similar ratios are used by different companies for different purposes and are often calculated in a manner adapted to the conditions in which these companies exist. Care needs to be exercised when comparing EBITDA with EBITDA of other companies.

<sup>4</sup>Adjusted EBITDA is another additional ratio of operating performance. Adjusted EBITDA is EBITDA adjusted for costs/revenues that were classified by the management as one-off due to their nature. We believe that adjusted EBITDA is an important ratio when estimating and measuring the Company's recurring business performance. Other companies may calculate adjusted EBITDA in a manner different from the manner applied by CIECH S.A. Adjusted EBITDA is not a measure of financial performance under IFRS and is therefore not audited. It should not be used as a ratio of liquidity or as an alternative to operating profit or net profit for a year or as another measure of results calculated in accordance with IFRS.

### 4.3.2 ASSET POSITION OF CIECH S.A.

TABLE 25: SELECTED BALANCE SHEET DATA OF CIECH S.A.

	31.12.2021	31.12.2020	Change 2021/2020	Change 2021/2020
<b>Total assets</b>	<b>4,612,557</b>	<b>4,357,634</b>	<b>5.9%</b>	<b>254,923</b>
Total non-current assets	3,272,988	2,633,932	24.3%	639,056
Total current assets	1,339,569	1,723,702	(22.3%)	(384,133)
Inventory	5,162	6,394	(19.3%)	(1,232)
Current receivables	204,881	232,895	(12.0%)	(28,014)
Cash and cash equivalents	467,475	265,287	76.2%	202,188
Short-term financial assets	662,051	1,189,162	(44.3%)	(527,111)
Non-current assets held for sale	-	29,964	-	(29,964)
<b>Total equity</b>	<b>1,614,601</b>	<b>1,593,768</b>	<b>1.3%</b>	<b>20,833</b>
Total non-current liabilities	1,991,470	40,973	4760.4%	1,950,497
Total current liabilities	1,006,486	2,722,893	(63.0%)	(1,716,407)

#### Assets

As at the end of 2021, the CIECH S.A.'s non-current assets amounted to PLN 3,272,988 thousand. as compared to the balance as at 31 December 2020, the value of non-current assets increased by PLN 639,056 thousand. This increase resulted from higher balance of loans advanced to subsidiaries.

CIECH S.A.'s current assets amounted to PLN 1,339,569 thousand as at 31 December 2021. Compared to the end of December 2020, the value of current assets decreased by PLN 384,133 thousand. This decrease largely resulted from lower short-term portion of the balance of loans advanced to subsidiaries.

#### Liabilities

As at 31 December 2021, liabilities (non-current and current) of CIECH S.A. amounted to PLN 2,997,956 thousand, which is an increase compared to the end of December 2020 by PLN 234,090 thousand. This increase was mainly due to an increase in derivative liabilities and trade liabilities.

The debt ratio amounted to 65.0% as at 31 December 2021 (at the end of December 2020 to 63.4%). CIECH S.A.'s standalone net debt amounted to PLN 1,740,331 thousand as at 31 December 2021 and decreased from the end of December 2020 by PLN 182,052 thousand.

The significant change between long-term and short-term debt was due to the failure in 2020 to meet one of the covenants in the loan agreement, and accordingly, the total value of loans made available under the above agreements was reclassified to short-term liabilities on account of loans. At the end of 2021, all covenants set out in the loan agreements are met. For detailed information about the financial covenants included in loan agreements, see Section 7.1 of the Consolidated Financial Statements of the CIECH Group.

#### Capital resources and debt instruments

The sources of liquidity include cash flows generated from operating activities, cash from the sale of assets, cash available due to the revolving credit facility agreement and overdraft facilities. The Company also uses factoring agreements.

#### Debt instruments currently used

CIECH S.A.'s sources of debt financing include, among others, a term loan, revolving credit and working capital facilities.

### 4.3.3 CASH POSITION OF CIECH S.A.

TABLE 26: CIECH S.A.'S CASH FLOWS

	2021	2020	Change 2021/2020
Net cash from operating activities	39,141	66,310	(41.0%)
Net cash from investment activities	289,353	(303,166)	-
Net cash from financial activities	(126,523)	327,809	-
<b>Total net cash flows</b>	<b>201,971</b>	<b>90,953</b>	<b>122.1%</b>
free cash flows	328,494	(236,856)	-

In 2021, total net cash flows were positive and amounted to PLN 201,971 thousand. Compared to the same period of the previous year, the cash flows generated by CIECH S.A. were higher by PLN 111,018 thousand. Positive cash flows from operating activities amounted to PLN 39,141 thousand and increased by PLN 27,169 thousand as compared to the same period in 2020.

In 2021, the net cash flows from investing activities were positive. Investment inflows were higher than investment outflows by PLN 289,353 thousand. This is mainly attributable to dividends received from subsidiaries.

The net cash from financing activities was negative and amounted to PLN -126,523 thousand. As compared to the corresponding period of 2019, they were lower by PLN 454,332 thousand. This reflected dividends paid to owners in 2021 and the drawdown of credit facilities in the prior period.

#### Ability to generate cash flows

In 2021, CIECH S.A. generated positive free cash flows as a result of positive cash flows from both operating and investing activities. The high level of inflows from investing activities is mainly attributable to dividends from subsidiaries.

TABLE 27: CIECH S.A.'S ABILITY TO GENERATE CASH FLOWS

	01.01.-31.12.2021	01.01.-31.12.2020
Financial surplus ((net profit/(loss) on continuing operations + depreciation)	151,883	174,126
Other adjustments to net profit/(loss) on continuing operations	(287,761)	(206,637)
<b>Adjusted financial surplus (1+2)</b>	<b>(135,878)</b>	<b>(32,511)</b>
Change in working capital	175,019	98,821
<b>Net cash from operating activities (3+4)</b>	<b>39,141</b>	<b>66,310</b>
Net cash from investing activities	289,353	(303,166)
<b>Free cash flow (5+6)</b>	<b>328,494</b>	<b>(236,856)</b>

#### 4.3.4 SELECTED FINANCIAL RATIOS AND WORKING CAPITAL OF CIECH S.A.

Profitability ratios of CIECH S.A.

TABLE 28: CIECH S.A.'S PROFITABILITY RATIOS

	2021	2020	Change 2021/2020
<b>CONTINUING OPERATIONS</b>			
Gross return on sales	11.7%	14.8%	(3.1) p.p.
Return on sales	(2.8%)	4.3%	(7.1) p.p.
EBIT margin	(2.3%)	3.9%	(6.2) p.p.
EBITDA margin	(1.2%)	5.0%	(6.2) p.p.
Adjusted EBIT margin	(2.7%)	3.8%	(6.5) p.p.
Adjusted EBITDA margin	(1.6%)	5.0%	(6.6) p.p.
Net return on sales (ROS)	5.7%	9.4%	(3.7) p.p.
Return on assets (ROA)	2.0%	3.6%	(1.6) p.p.
Return on equity (ROE)	5.7%	9.7%	(4.0) p.p.
Earnings/(loss) per share (in PLN) from continuing operations	1.74	2.94	(1.20)

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

#### CIECH S.A.'s liquidity and working capital

Liquidity ratios as at 31 December 2021 increased significantly as compared to their level as at 31 December 2020. This is due to a more favourable financing structure compared to 2020, when one of the covenants of the loan agreement has not been met. The current ratio, calculated as the ratio of total current assets to total current liabilities, amounted to 1.33 as at 31 December 2021.

TABLE 29: CIECH S.A.'S LIQUIDITY RATIOS

	31.12.2021	31.12.2020
Current ratio	1.33	0.63
Quick ratio	1.33	0.63

#### CIECH S.A.'s working capital

As at the end of 2021, 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) was negative and amounted to PLN 331,257 thousand, which is a decrease by PLN 158,185 thousand compared to the end of 2020.

TABLE 30: CIECH S.A.'S WORKING CAPITAL

	31.12.2021	31.12.2020
1. Current assets, including:	1,339,569	1,723,702
Inventory	5,162	6,394
Trade receivables and services and advances for deliveries	110,720	170,758
2. Cash and cash equivalents and short-term investments	1,129,526	1,454,449
<b>3. Adjusted current assets (1-2)</b>	<b>210,043</b>	<b>269,253</b>
4. Current liabilities, including:	1,006,486	2,722,893
Trade liabilities and advances taken	442,031	332,006
5. Short-term credits and other current financial liabilities*	465,186	2,280,568
<b>6. Adjusted current liabilities (4-5)</b>	<b>541,300</b>	<b>442,325</b>
<b>7. Working capital including short-term credits(1-4)</b>	<b>333,083</b>	<b>(999,191)</b>
<b>8. Working capital (3-6)</b>	<b>(331,257)</b>	<b>(173,072)</b>

\* Other current financial liabilities include current derivative liabilities + lease liabilities + factoring liabilities + cash pooling liabilities.



Trade working capital is the difference between current assets (trade receivables and inventory) and trade liabilities. The recorded levels of working capital and trade working capital vary due to a number of factors such as the change in the scale of business, changes in key suppliers' payment terms, foreign exchange rates, the Company's strategic decisions regarding inventory maintenance. In order to ensure adequate financial liquidity, the Company has the access to a revolving credit facility and factoring limits. The large decrease in working capital was mainly caused by increased use of factoring, owing to higher limits, both with regard to the financing of receivables and reverse factoring, concerning the financing of trade liabilities.

The most significant change between long-term and short-term debt was due to the failure in the previous year to meet one of the covenants in the loan agreement, and accordingly, in 2020 the total value of loans made available under the above agreements was presented as short-term liabilities on account of loans. At the end of year 2021, all covenants out in the loan agreements have been met.

For detailed information about the financial covenants included in loan agreements, see Section 7.1 of the Financial Statements of CIECH S.A.

#### Indebtedness

In 2021, the debt ratio increased in comparison to December 2020 and amounts to 65.0%.

TABLE 31: CIECH S.A.'S DEBT RATIOS

	2021	2020	Change 2021/2020
Debt ratio	65.0%	63.4%	2%
Long term debt ratio	43.2%	0.9%	42%
Debt to equity ratio	185.7%	173.4%	12%
Equity to assets ratio	35.0%	36.6%	(2%)

#### 4.3.5 CIECH S.A.'S PERFORMANCE IN THE 4<sup>TH</sup> QUARTER OF 2021

TABLE 32: CIECH S.A.'S PERFORMANCE IN THE 4<sup>TH</sup> QUARTER OF 2021

	01.10.-31.12.2021*	01.10.-31.12.2020*
<b>CONTINUING OPERATIONS</b>		
<b>Sales revenues</b>	<b>464,715</b>	<b>414,956</b>
Cost of sales	(449,454)	(346,801)
<b>Gross profit on sales</b>	<b>15,261</b>	<b>68,155</b>
Other operating income	5,802	(65)
Selling costs	(41,831)	(31,529)
General and administrative expenses	(51,309)	(1,195)
Other operating expenses	(2,180)	491
<b>Operating profit</b>	<b>(74,257)</b>	<b>35,857</b>
Financial income	51,183	176,072
Financial expenses	(41,029)	(57,195)
<b>Net financial income/(expenses)</b>	<b>10,154</b>	<b>118,877</b>
<b>Profit before tax</b>	<b>(64,103)</b>	<b>154,734</b>
Income tax	17,301	(22,026)
<b>Net profit on continuing operations</b>	<b>(46,802)</b>	<b>132,708</b>
<b>DISCONTINUED OPERATIONS</b>		
Net profit/(loss) on discontinued operations	(672)	2,415
<b>Net profit for the year</b>	<b>(47,474)</b>	<b>135,123</b>
including:		

	01.10.-31.12.2021*	01.10.-31.12.2020*
Net profit attributable to shareholders of the parent company	(47,474)	135,123
Net profit/(loss) attributed to non-controlling interest	-	-
<b>Earnings per share (in PLN):</b>		
Basic	(0.90)	2.57
Diluted	(0.90)	2.57
<b>Earnings per share (in PLN) from continuing operations:</b>		
Basic	(0.88)	2.52
Diluted	(0.88)	2.52

\*Unaudited data

In the fourth quarter of 2021, CIECH S.A. recorded a decrease in operating profit by PLN 110,114 thousand compared to the corresponding period of 2020. After taking into account the result on financing activities, which was lower by PLN 108,723 thousand, the Company incurred a loss of PLN 47,474 thousand compared to a net profit of PLN 135,123 thousand for the fourth quarter of the previous year.

## 4.4 INVESTING ACTIVITIES OF THE CIECH GROUP

### Investments implemented in 2021

The CIECH Group has and constantly updates its capital expenditure program for production facilities in order to develop or maintain the current levels of production in particular plants and their expansion, as well as to fulfil the conditions related to customers' requirements and new legal regulations. Capital expenditure incurred by the Company and its subsidiaries is primarily intended to replace worn-out equipment and to modernise facilities in order to improve energy efficiency, reduce emissions, streamline the automation and control process, streamline management processes, as well as to seek new development opportunities.

Investment expenditures on key tasks incurred by the CIECH Group companies in 2021 amounted to approx. PLN 747 million. In total, expenditure on investment activities amounted to PLN 899 million and included the purchase of intangible assets and property, plant and equipment, expenditure on development work and expenditure on the purchase of CO<sub>2</sub> certificates. Major capital expenditures were spent on several large-scale projects, including the construction of a salt plant in Stassfurt, construction of a sodium silicate glass furnace, development of new products in the Agro segment. Expenditure in the R&D area in 2021 was primarily focused on the registration of new active substances and crop protection products based on those substances. Other investment expenditures were incurred mainly in relation to modernisation and replacement projects which aimed at improving and retaining the production capacity as well as improving the production efficiency of the plants.

Decisions relating to executing development projects are made on the basis of a detailed analysis of each task, including analyses of investment effectiveness and ratios such as: the internal rate of return (IRR), net present value (NPV) and payback period. Key projects implemented in 2021 are presented below:

TABLE 33: KEY INVESTMENT PROJECTS OF THE CIECH GROUP IMPLEMENTED IN 2021

	Investment project	Implementation status in 2021
	<p><b>Salt – increase of production capacity</b></p> <p>In 2018, the planning phase was completed and the implementation phase of the Group's largest project in the salt area – the construction of the plant in Strassfurt – commenced. As at the end of 2021, the project is in the phase of commissioning and ramp-up to the assumed production capacity</p>	<b>Ramp up to assumed production capacity.</b>
	<p><b>Silicates – construction of a sodium silicate glass furnace</b></p> <p>During 2021, a development project to construct a glassy sodium silicate furnace with a production capacity of 300 t/d was completed</p>	<b>Project completed.</b>
	<p><b>R&amp;D projects</b></p> <p>In 2021, the CIECH Group incurred significant expenditures on R&amp;D activities:</p>	<b>Projects in implementation.</b>

Investment project	Implementation status in 2021
<ul style="list-style-type: none"><li>registrations of new active substances used in the production of crop protection chemicals and products based on these active substances,</li><li>installation for the recycling of CO<sub>2</sub> back into the production process,</li><li>construction of the Research and Development Centre in Nowa Sarzyna.</li></ul>	
<b>Energy Project Package</b> In 2018, the implementation of a multi-annual investment programme in the energy area was commenced. Replacement and modernisation projects implemented under the programme will contribute to increasing the efficiency and reliability of energy generation sources, especially in the Inowrocław and Janikowo plants (replacement of coal mills, modernisation and replacement of boilers, modernisation and replacement of turbines).	<b>Projects in implementation.</b>

As part of the investment expenditure plan for 2022, the CIECH Group assumes further implementation of the aforementioned projects, execution of new development projects that are currently in the preparatory phase and execution of new tasks aimed at restoring and increasing the production capacity of individual plants. The most important projects include continuation of tasks related to restoration and upgrade of assets in the soda area, as well as the upgrade of the energy area (upgrade of boilers and turbines). The CIECH Group will also continue a number of R&D activities aimed at increasing the efficiency of technological processes in the area of production and implementing modern products responding to the growing needs of the market (pharmaceutical-grade sodium bicarbonate, as well as work on the extension and optimisation of the agro product portfolio). The CIECH Group is also working on new development projects. The implementation of these projects will depend on business decisions taken on an individual basis.

#### Evaluation of the ability to complete investment plans in relation to owned assets

The CIECH Group's investment policy has been updated to include new task planning and implementation principles and is always adapted to the current ability to acquire capital so that it fully covers the planned material and capital investment. The sources of financing of investing activities in the CIECH Group are as follows:

- cash flows from operating activities,
- external sources of funding in the form of bank loans,
- external sources of funding in the form of European Union funds.

## 4.5 FINANCIAL RESOURCE MANAGEMENT

### 4.5.1 EXTERNAL DEBT FINANCING OF THE GROUP

CIECH S.A.'s debt financing is secured mainly through facilities made available to CIECH S.A. under facilities agreements:

- the Facilities Agreement signed with a consortium of banks dated 16 March 2021 with the total value of approx. PLN 2,115,000 thousand:
  - amortised term facility in tranches in PLN and EUR in the amount of PLN 540,700 thousand and EUR 4,231 thousand (the facility is fully drawn down),
  - non-amortised term facility in tranches in PLN and EUR in the amount of PLN 1,260,100 thousand and EUR 9,844 thousand (the facility is fully drawn down),
  - revolving credit facility in the amount of up to PLN 250,000 thousand (the amount of used credit as at 31 December 2021 was PLN 0),
- Overdraft facilities up to PLN 100,000 thousand and EUR 10,000 thousand under agreements dated 28 and 29 August 2018 (as at 31 December 2021, the amount used was PLN 0 thousand).

The total value of facilities available under the aforesaid agreements is PLN 2,261,531 thousand; the limits are drawn down in the amount of PLN 1,865,537 thousand.

### Facilities Agreement

On 16 March 2021, a Facilities Agreement was concluded between, among others, CIECH S.A. (as the borrower and guarantor), its selected subsidiaries: CIECH Soda Polska S.A., CIECH Sarzyna S.A., CIECH Soda Deutschland GmbH & Co. KG, CIECH Energy Deutschland GmbH and CIECH Salz Deutschland GmbH (as borrowers and guarantors), BNP Paribas Bank Polska S.A (as the agent), Powszechna Kasa Oszczędności Bank Polski S.A. (as the security agent) and the following banks: Powszechna Kasa Oszczędności Bank Polski S.A., mBank S.A., BNP Paribas Bank Polska S.A., Industrial and Commercial Bank of China (Europe) S.A. Branch in Poland, Bank Polska Kasa Opieki S.A., Bank Millennium S.A., Credit Agricole Bank Polska S.A., Société Générale S.A., Bank Handlowy w Warszawie S.A., Bank Ochrony Środowiska S.A. and Intesa Sanpaolo S.P.A. S.A. Branch in Poland (as lenders).

Following the conclusion of the agreement, the following companies acceded to the Facilities Agreement as additional guarantors: CIECH Pianki Sp. z o.o. (on 24 June 2021), CIECH Vitro Sp. z o.o., CIECH Vitrosilicon S.A. and CIECH Cargo Sp. z o.o. (on 29 December 2021).

The Facilities Agreement provides for the extension of loans in PLN and EUR, up to a total amount (expressed in PLN) of PLN 2,115,000 thousand. The agreement provides for a grace period of over 2 years for the repayment of the Term Loan during which no principal repayment of the loan will be required. The first principal repayment is required on 30 June 2023

The Term Loans made available under the Facilities Agreement were fully disbursed on 5 May 2021 and were allocated to the refinancing of the financial debt of the CIECH Group, extended in the form of bilateral loans extended on the basis of loan agreements of 18 April 2019 (in the total amount of PLN 507,100 thousand) and syndicated loans (in the total amount of PLN 1,349,800 thousand) extended on the basis of a loan agreement of 29 October 2015, as amended by the annex of 9 January 2018.

Together with the Facilities Agreement, the Company and its selected subsidiaries entered into documents related to the Facilities Agreement, in particular: (i) an intercreditor agreement, (ii) fee letters relating to the arrangement fee for the agent and the security agent, payable in connection with the conclusion of the Facilities Agreement, (iii) annexes to separate overdraft agreements: with Bank Millennium S.A. and Bank Polska Kasa Opieki S.A., (iv) an agreement amending the existing surety agreement in favour of Bank Millennium S.A. and (v) a new surety agreement with Bank Polska Kasa Opieki S.A. – the above annexes and agreements in order to adjust the aforementioned overdraft agreements and sureties to the terms and conditions of the Facilities Agreement.

### Facilities granted:

Under the Facilities Agreements, the Creditors granted the following facilities to the Company:

1. amortised A term loan (to be repaid in instalments), in tranches in PLN and EUR, up to a total maximum amount (expressed in PLN) of PLN 560,000 thousand;
2. non-amortised B term loan (to be repaid on the final repayment date), in tranches in PLN and EUR, up to a total maximum amount (expressed in PLN) of PLN 1,305,000 thousand;
3. revolving credit facility in PLN, up to a total maximum amount of PLN 250,000 thousand.

### Interest rate:

The Loans bear interest at a floating rate determined on the basis of the WIBOR / EURIBOR base rate, plus margin, the level of which depends on the level of the net debt to EBITDA, such that if the level of the ratio is lower, the margin applied will also be lower. The financial terms of the Facilities Agreement do not differ from those commonly used for this type of agreements.

### Facilities repayment conditions:

The final repayment date of the Facilities falls on the fifth anniversary of the conclusion of the Facilities Agreement, however, not later than 31 March 2026. The amortised term loan will be repaid on a semi-annual basis, starting from 30 June 2023.

Cases of gross breach, allowing the creditors to request an earlier repayment of the facilities:

- no payment of the amounts due to the Creditors;
- violating the financial covenant provided for in the Facilities Agreement;
- ceasing the entire business activity conducted by the Company or its important part;
- violations of the law.

#### Information about the financial covenants included in loan agreements

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

Under the Facilities Agreement dated 16 March 2021, CIECH S.A. and its selected subsidiaries were obliged to, among others, maintain a certain level of:

- net leverage ratio for the Group specified in the Facilities Agreement (the ratio of the CIECH Group's consolidated net debt to consolidated EBITDA of the CIECH Group calculated according to the guidelines) in the amount of at least 4.0x,, measured at the end of a year and first six months of a year. As at the balance sheet date, i.e. 31 December 2021, this ratio was maintained and amounted to 1.6.
- the guarantor coverage ratio (share of subsidiaries being guarantors in the consolidated EBITDA of the CIECH Group, calculated according to the guidelines) at a level of at least 80%; this ratio was met as at the balance sheet date and amounted to 89.6%.

#### Security for repayment of the facilities:

In connection with the Facilities Agreement, CIECH S.A. and selected subsidiaries have established collateral for the repayment of the Facilities granted under the Agreement. In particular, such collateral includes:

1. a registered pledge on the set of properties and rights with variable composition, being part of the Company's enterprise,
2. registered and financial pledges on shares (stocks) of selected subsidiaries of the Company,
3. financial pledges on monetary assets accumulated in bank accounts held for the Company and its selected subsidiaries,
4. pledges (security) established on shares (stocks, other participation titles) and bank accounts of selected subsidiaries of the Company, which will be governed by foreign law, and
5. notarial statements on submission to enforcement made by the Company and its selected subsidiaries.

#### Other essential terms of the Facilities Agreement:

Pursuant to the Facilities Agreement, CIECH S.A. and selected subsidiaries are also obliged to the following:

- abiding by the limitations specified in the Facilities Agreement relating to disposal of assets, with an exception of the allowable disposals under the Facilities Agreement;
- refraining from paying a dividend in the case of exceeding the financial index specified in the Facilities Agreement;
- refraining from taking out loans or granting loans in the case of exceeding the financial index specified in the Facilities Agreement;

#### Overdraft facilities

On 29 August 2018, overdraft facility agreements were signed by CIECH S.A. and Bank Millennium S.A. in the amount of PLN 50,000 thousand and EUR 10,000 thousand. At present, the agreements are valid until 26 September 2022. Drawn-down amounts of the facilities will bear interest at the 1M WIBOR and 1M EURIBOR rate, respectively, plus the bank's margin. The facility is intended to finance the Company's day-to-day operations. The facilities are secured with a package of collateral shared with the lenders of the Facilities Agreement (agreement dated 16 March 2021) and with a surety issued by selected subsidiaries of CIECH S.A. The terms and conditions of the agreement do not differ from standard terms used facility agreements.

On 28 August 2018, an overdraft facility agreement was signed by CIECH S.A. and Bank Pekao S.A. in the amount of PLN 50,000 thousand. At present, the agreement is valid until 31 August 2022. A drawn-down amount of the facility will bear interest at the 1M WIBOR rate plus the bank's margin. The facility is intended to finance the Company's day-to-day operations. The facilities are secured with a package of collateral shared with the lenders of the Facilities Agreement



(agreement dated 16 March 2021) and with a surety issued by selected subsidiaries of CIECH S.A. The terms and conditions of the agreement do not differ from standard terms used facility agreements.

#### 4.5.2 INTRAGROUP LOANS GRANTED

TABLE 34: SUMMARY OF LOANS GRANTED BY CIECH S.A. TO SUBSIDIARIES IN 2021

As at 31 December 2021				
Borrower	Repayment date	The amount of loan granted per agreement (in the currency in thousands)	The amount of loan disbursed in PLN '000	Conditions of granting
CIECH Soda Deutschland GmbH & CO KG	31.12.2026	EUR 111,200	EUR 61,000*/ PLN 280,563	fixed interest rate of 2.7%
Proplan Plant Protection Company S.L.	31.12.2026	EUR 4,500	EUR 3,000*/ PLN 13,798	fixed interest rate of 2.7%
CIECH Energy Deutschland GmbH	31.12.2026	EUR 8,000	EUR 8,000*/ PLN 36,795	fixed interest rate of 2.7%
CIECH Salz Deutschland GmbH*	31.12.2026	EUR 176,000	EUR 152,000*/ PLN 699,109	fixed interest rate of 2.7%
CIECH Vitrosilicon S.A.	30.12.2022	PLN 115,000	PLN 85,000*	interest at 6M WIBOR + margin of 2.7%
CIECH Sarzyna S.A.	30.12.2022	PLN 47,800	PLN 47,800	interest at 6M WIBOR + margin of 2.7%
CIECH Soda Polska S.A.	30.12.2022	PLN 493,000	PLN 402,000*	interest at 6M WIBOR + margin of 2.7%
CIECH Vitro Sp. z o.o.	30.12.2022	PLN 10,000	PLN 1,000*	interest at 6M WIBOR + margin of 2.7%

\*Value of tranches disbursed in 2021.

TABLE 35: SUMMARY OF LOANS GRANTED BY SUBSIDIARIES TO CIECH S.A. IN 2021

As at 31 December 2021				
Lender	Repayment date	The amount of loan granted per agreement (in the currency in thousands)	The amount of loan disbursed in PLN '000	Conditions of granting
Verbis ETA Sp. z o.o.SKA	30.12.2022	PLN 85,000	85,000	interest at 6M WIBOR + margin of 2.7%
CIECH Pianki Sp. z o.o.	30.12.2022	PLN 65,000	65,000	interest at 6M WIBOR + margin of 2.7%

TABLE 36: SUMMARY OF LOANS CONCLUDED BETWEEN SUBSIDIARIES IN THE CIECH GROUP IN 2021

As at 31 December 2021					
Lender	Borrower	Repayment date	The amount of loan granted per agreement (in the currency in thousands)	The amount of loan disbursed in PLN '000	Conditions of granting
Algete Sp. z o.o.	CIECH Sarzyna S.A.	30.12.2022	PLN 29,600	29,600	interest at 6M WIBOR + margin of 2.7%
Verbis Kappa Sp. z o.o. SKA	CIECH Sarzyna S.A.	30.12.2022	PLN 51,000	51,000	interest at 6M WIBOR + margin of 2.7%
CIECH Sarzyna S.A.	Ciech Agro Romania	08.12.2022	PLN 600	600	interest at 6M WIBOR + margin of 2.4%

Sureties and guarantees granted as at 31 December 2021 were described in detail in Section 4.8.

## 4.6 STATE AID USED

2021 was marked by intensive implementation of publicly subsidised projects. Substantive work related to the implementation of the material scope of the projects, as well as those related to their settlement, resulted in the receipt of refunds in the amount of:

- EUR 9,643 thousand by CIECH Salz Deutschland GmbH as part of the project to build a new salt production plant in Stassfurt, Germany (EUR 11,250 thousand in funding awarded in 2017).
- PLN 1,379 thousand by CIECH Sarzyna S.A. as part of the completed project entitled: "Developing and testing, on a demonstrable scale, internationally innovative agro-chemical preparations of a unique composition and formulation"
- PLN 575 thousand by Smart Fluid S.A. as part of the project entitled: "Development and validation of real-world technology for the production of impact-absorbing smart materials by exploiting the properties of shear thickening fluids (STF)".
- PLN 81 thousand by CIECH R&D Sp. z o.o. as part of the project entitled: "Optimisation of the production of soda ash and soda-based products by using concentrated CO<sub>2</sub> waste streams, together with carbon dioxide chemisorption in the post-distillation suspension, to improve the properties of lime". In August 2021, CIECH R&D Sp. z o.o. submitted a final payment request for a refund amount of PLN 526 thousand, which is to be paid upon approval of the payment request in 2022.

In 2021, CIECH Sarzyna S.A. obtained co-financing in the amount of PLN 6,044 thousand for the implementation of the project entitled: "Development and field verification of a more efficient and energy-saving manufacturing technology for a novel herbicide with reduced active ingredient content". The value of the project is PLN 14,194 thousand.

CIECH Cargo Sp. z o.o. has been continuing the implementation of the project entitled: "Purchase of rolling stock used for intermodal transport in CIECH Cargo Sp. z o.o.", for which a co-financing agreement in the amount of PLN 14,200 thousand has been concluded in 2019, and CIECH Soda Polska has been implementing the project entitled: "Development of AI/ML algorithms for selected plant nodes to increase the efficiency of production resources and optimise the soda ash production process - Industry 4.0", co-financed in 2019. The amount of funding awarded was PLN 4,934 thousand.

CIECH R&D Sp. z o.o. has completed the project entitled: "Establishment of a Research and Development Center of Ciech R&D Sp. z o.o." and submitted a final payment request for a refund amount of PLN 3,158 thousand which is to be paid upon approval of the payment request in 2022.

In 2021, CIECH Group companies also received de minimis aid for training and aid in the form of greenhouse gas emission allowance schemes.

The CIECH Group companies also benefit from the corporate income tax exemption for projects implemented on the basis of permits to operate in Special Economic Zones or on the basis of support decisions issued within the Polish Investment Zone. In 2021, CIECH Vitrosilicon S.A. successfully completed the process of applying for a support decision, enabling it to benefit from income tax exemption in subsequent years in the amount of up to PLN 31,850 thousand (if the maximum declared investment expenditure is incurred).

## 4.7 MATERIAL LITIGATION PENDING BEFORE A COURT, AN APPROPRIATE ARBITRATION AUTHORITY OR A PUBLIC ADMINISTRATION AUTHORITY

Information about material litigation pending before a court, an appropriate arbitration authority or a public administration authority is presented in Note 9.2 to the Consolidated Financial Statements of the CIECH Group for 2021 and in Note 9.2 to the Financial Statements of CIECH S.A. for 2021.

## 4.8 INFORMATION ON CHANGES IN CONTINGENT ASSETS AND LIABILITIES OF THE CIECH GROUP

Information on contingent assets and liabilities of the CIECH Group is presented in Note 9.2 to the Consolidated Financial Statements of the CIECH Group for 2021 and in Note 9.2 to the Financial Statements of CIECH S.A. for 2021.



#### 4.9 TRANSACTIONS WITH RELATED PARTIES OTHER THAN ON AN ARM'S LENGTH BASIS

CIECH Group's companies, to the best of their knowledge and belief, did not conclude significant transactions on the terms other than market ones. Sales to and purchases from related entities are realised at market prices that reflect market conditions.

For a description of transactions concluded between related parties, see Note 9.3 to the Consolidated Financial Statements of the CIECH Group for 2021 and Note 9.3 of the Financial Statements of CIECH S.A. for 2021.

#### 4.10 CONTRACT WITH THE ENTITY AUTHORISED TO AUDIT FINANCIAL STATEMENTS

Information about contracts concluded with the entity authorised to audit the consolidated financial statement is presented in Note 9.4 to the Consolidated Financial Statements of the CIECH Group for 2021 and in Note 9.4 to the Financial Statements of CIECH S.A. for 2021.



## ORGANISATION, MANAGEMENT, STRUCTURE AND HUMAN RESOURCES

### 5. ORGANISATION, MANAGEMENT, STRUCTURE AND HUMAN RESOURCES IN THE CIECH GROUP

#### 5.1 EQUITY AND ORGANISATIONAL LINKS

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

<b>Parent company</b>	<b>CIECH Spółka Akcyjna</b>
Registered office	00-684 Warsaw, Wspólna Street 62
KRS (National Court Register number)	0000011687 (District Court for the Capital City of Warsaw in Warsaw, 12 <sup>th</sup> Commercial Division of the National Court Register)
Website	<a href="http://www.ciechgroup.com">www.ciechgroup.com</a>
IR Contact	<a href="mailto:ri@ciechgroup.com">ri@ciechgroup.com</a>

As at 31 December 2021, the CIECH Group comprised 41 business entities, including:

- parent company,
- 34 subsidiaries, of which:
  - 23 domestic subsidiaries,
  - 11 foreign subsidiaries,
- 3 domestic affiliates,
- 1 foreign affiliate,
- 1 jointly controlled domestic entity,
- 1 jointly controlled foreign entity.

The strategic and operational goals of the CIECH Group are attained via organisational structure based on vertical functions, including the function of sales, production, procurement, and support.

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

The trading activity is carried out mostly by CIECH S.A., domestic and foreign trading subsidiaries of CIECH S.A., as well as selected manufacturing companies (CIECH Sarzyna S.A., CIECH Vitrosilicon S.A., SDC Group, CIECH Pianki Sp. z o.o.) while the manufacturing activity is carried out by production companies, subsidiaries of CIECH S.A. The production is located in 8 plants, with four largest production plants (two in Poland, one in Germany and one in Romania) operate in the Soda Segment and manufacture sodium carbonate and soda derived products (in the case of CIECH Soda Romania S.A., the plant also

manufactures products in the Silicates Segment, the soda plant in Janikowo also manufactures salt products and the plant in Germany produces electric energy sold to third parties). The remaining 4 plants operating in the Agro, Foams, Silicates and Packaging Segments are located in Poland. Soda production at the Romanian plant was suspended in the third quarter of 2019 (for more information, see current report No 40/2019).

## 5.2 SCOPE OF ACTIVITIES OF CIECH S.A. AND CONSOLIDATED ENTITIES WITHIN THE GROUP

Within the CIECH Group, the leading division of operations is the segmentation by industry which in 2021 includes the Soda Segment, Agro Segment, Resins Segment (discontinued operations), Foams Segment, Silicates Segment, Packaging Segment. A detailed description of the management segments is presented in item 1.3. The following diagram shows the structure of the CIECH Group, including fully consolidated companies or companies accounted for using the equity method in the consolidated financial statements of the CIECH Group as at 31 December 2021.

FIGURE 39: SEGMENT STRUCTURE OF THE CIECH GROUP AS AT 31 DECEMBER 2021



Detailed information about the number of shares held by CIECH S.A./the CIECH Group in the equity of individual companies, along with the consolidation methods, is presented in Note 9.5 to the Consolidated Financial Statements of the CIECH Group for 2021.

### 5.3 SCOPE OF ORGANISATION AND MANAGEMENT IN THE CIECH GROUP AND CHANGES IN 2021

The CIECH Group operates based on the Constitution of the CIECH Group ("Constitution"), adopted by the Management Board of CIECH in 2019. The Constitution is the highest-ranking internal legal act applicable to the CIECH Group entities, it is a specific agreement between the companies of the CIECH Group. The Constitution creates the foundations of the management system directing the activities of the CIECH Group to achieve the Interest of the CIECH Group. The interest of the CIECH Group is a benefit achieved not at the level of individual companies of the CIECH Group, but at the level of the CIECH Group – through the implementation of common strategic goals by CIECH, Business Units and Companies that are not part of Business Units or constitute independent Business Units. The interest of the CIECH Group is consistent with the interest of CIECH shareholders.

The Constitution:

- regulates mutual relations between entities of the CIECH Group,
- indicates the sources of applicable regulations with which all entities of the CIECH Group must comply,
- sanctions the CIECH Group,
- introduces a BU-centric management model,
- enables the adoption and implementation of Corporate Documents in the CIECH Group companies.

#### Organizational changes in the CIECH Group

Key organisational changes in the CIECH Group:

- Appointment of a Group Health & Safety Manager – responsible for improving group standards across all manufacturing plants and other parts of our organisation.
- Continuation of the reorganisation of the CIECH Group, aiming to effectively separate the roles of the Head Office, Business Units and Support Functions. One of its elements was the transfer of further support functions to CIECH Services Sp. z o.o. as a shared services centre whose primary objective is to centralise and standardise support functions throughout the Group, including:
  - ✓ providing support services under specified conditions and optimising the costs of operations,
  - ✓ using innovative solutions to standardise and automate processes,
  - ✓ achieving the highest possible level of internal customer satisfaction.
- Spin-off of Ciech Vitro Sp. z o.o. as an independent enterprise independently performing the tasks of production and sales, in particular of glass packaging in the form of lanterns and utility jars, on the Polish and foreign market.

The intention behind all the organisational changes introduced as part of the reorganisation concept is the strategy, i.e. to create a chemical holding company based on businesses that operate independently, i.e. that have all the right resources and areas to manage their business effectively. The role of the Head Office is to set strategic directions, corporate standards, set objectives for individual businesses, allocate capital within the Group, supervise the work of its functional teams in all companies and support the desired organisational culture in the CIECH Group.

### 5.4 OWNERSHIP CHANGES

In 2021, the following changes occurred in relation to the companies in which CIECH S.A. held shares, either directly or indirectly. These changes translated into changes in the structure of the CIECH Group.

#### CIECH Żywiec Sp. z o.o.

On 1 March 2021, CIECH S.A. entered into an agreement for the sale of 74,677 shares in CIECH Żywiec Sp. z o.o. with LERG S.A. with its registered office in Pustków-Osiedle, accounting for 100% of shares in the share capital of CIECH Żywiec Sp. z o.o. The value of the Agreement (equal to the enterprise value being sold) is PLN 157,410 thousand. The final price of the Shares

being sold was determined in accordance with the rule arising from the Agreement. For details of the transaction, see current reports No 27/2020 and 4/2021.

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

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

The Extraordinary Shareholders' Meeting of CIECH Vitro sp. z o.o., in connection with the demerger of CIECH Vitrosilicon S.A. (the "Demerged Company"), increased the share capital of the Company from PLN 5 thousand to PLN 1,135.5 thousand, i.e. by the amount of PLN 1,130.5 thousand, through the creation of 22,610 new shares in CIECH Vitro sp. z o.o. with a nominal value of PLN 50 per share and a total nominal value of PLN 1,135.5 thousand, which were granted to shareholders of the Demerged Company using the following share exchange ratio: 6,679,109 shares in the Demerged Company entitled to the receipt of 22,610 shares in CIECH Vitro sp. z o.o. (the "Acquirer") (i.e. 295.4 shares in the Demerged Company entitled to the receipt of 1 share in the Acquirer) in the following manner:

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

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

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

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

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

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

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

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

1)

- cancellation of 1,524,390 shares in the Company's share capital with a total nominal value of PLN 76,219.5 thousand in exchange for consideration of PLN 9.84 per canceled share, i.e. for total consideration amounting to PLN 15,000 thousand by way of purchase of the above shares on the basis of an agreement to sell the shares by the Company against the above consideration,
- The Management Board of the Company was authorised to purchase the shares (conclude an agreement) in order to cancel them,
- the share capital will be reduced from PLN 107,455.4 thousand (by PLN 76,219.5 thousand) to PLN 31,235.9 thousand through the cancellation of 1,524,390 shares with a total value of PLN 76,219.5 thousand. Following the reduction of the Company's share capital, it will be divided into 624,718 shares,
- the Company's Articles of Association will be amended.

2) EGM – cancellation without consideration and amendment to the Company's Articles of Association:

- cancellation of 504,000 shares in the Company's share capital with a total nominal value of PLN 25,200 thousand (with the shareholder's consent), by way of purchase of the above shares on the basis of an agreement to sell the shares by the Company without consideration for CIECH S.A.
- The Management Board of the Company was authorised to purchase the shares in order to cancel them (with the shareholder's consent),
- the Company's share capital will be reduced from PLN 31,235.9 thousand (by PLN 25,200 thousand) to PLN 6,035.9 thousand through the cancellation of 504,000 shares with a total value of PLN 25,200 thousand. Following the reduction of the Company's share capital, it will be divided into 120,718 shares,
- the Company's Articles of Association will be amended.

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

The reduction of the share capital of CIECH Trading Sp. z o.o. described above took place after both reductions of the share capital have been registered by the Court on 28 December 2021.

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

On 25 February 2021, the Deed of Incorporation of CIECH VENTURES sp. z o.o., of which CIECH S.A. is the sole shareholder, was drawn up. The company was established with the share capital of PLN 1,000 thousand, divided into 20 thousand shares with a nominal value of PLN 50 each. The shares were acquired by CIECH S.A. in exchange for cash. The Company was registered by the court on 23 June 2021.

#### **CIECH Soda Romania S.A.**

On 24 May 2021, an Extraordinary Shareholders' Meeting of CIECH Soda Romania S.A. was held to resolve to reduce the Company's share capital against consideration by reducing the value of shares by RON 0.11, i.e. from RON 0.25 to RON 0.14 per share. Following the reduction of the share value, the Company's share capital was reduced from RON 199,244,501.75 to RON 111,576,920.98 and is divided into 796,978,007 shares with a nominal value of RON 0.14 each. The number of shares and shareholders remains unchanged. On 17 August 2021, the reduction of the share capital of CIECH Soda Romania S.A. became final. The consideration for the capital reduction payable to CIECH S.A. amounted to RON 86,560 thousand.

#### **CIECH Agro Romania S.R.L.**

CIECH Sarzyna S.A. established a new company – Ciech Agro Romania S.R.L. with its registered office in Ramnicu Valcea (Romania).

The Articles of Incorporation were drawn up on 26 March 2021, and the company was registered on 6 April 2021. The Company's share capital amounts to RON 4.87 thousand and is divided into 487 shares with a value of RON 10 per share. The sole shareholder of the Company is CIECH Sarzyna S.A.

#### **CIECH Transclean Sp. z o.o.**

On 21 July 2021, the Extraordinary Shareholders' Meeting of CIECH Transclean Sp. z o.o. was held regarding cancellation of shares against consideration and reduction of the share capital:

- cancellation of 8,548 shares in the Company's share capital with a total nominal value of PLN 4,274 thousand in exchange for consideration of PLN 506.56 per canceled share, i.e. for total consideration amounting to PLN 4,330 thousand by way of purchase of the above shares on the basis of an agreement to sell the shares by the Company against the above consideration,
- The Management Board of the Company was authorised to purchase the shares (conclude an agreement) in order to cancel them,
- following the cancellation of shares, the share capital will be reduced from PLN 4,322 thousand (by PLN 4,274 thousand) to PLN 48 thousand through the cancellation of 8,548 shares with a total value of PLN 4,274 thousand. Following the reduction of the Company's share capital, it will be divided into 96 shares,
- the Company's Articles of Association will be amended.

The reduction of the share capital of CIECH Transclean Sp. z o.o. described above took place the reduction has been registered by the Court on 3 February 2022.

**CIECH Services sp. z o.o.**

On 15 July 2021, the Extraordinary Shareholders' Meeting of CIECH Services Sp. z o.o. increased the Company's share capital by PLN 1,995 thousand, i.e. from PLN 5 thousand to PLN 2,000 thousand through creation of 39,900 new, equal and indivisible shares with a nominal value of PLN 50 per share. The right to subscribe for all 39,900 newly created shares in the Company's share capital was granted to the existing shareholder, CIECH S.A. The newly created shares were subscribed in exchange for a cash contribution of PLN 1,995 thousand. The court registered the increase in the share capital of CIECH Services Sp. z o.o. on 25 August 2021. As a result of the increase, the share capital of CIECH Services Sp. z o.o. is divided into 4 thousand shares, with a total nominal value of PLN 2,000 thousand (the nominal value for 1 share is PLN 500). CIECH was and remained the sole shareholder of the Company.

**Smart Fluid S.A. (former name: Smart Fluid sp. z o.o.)**

On 7 June 2021, an Extraordinary Shareholders' Meeting was held concerning the transformation of a limited liability company (spółka z ograniczoną odpowiedzialnością) into a joint stock company (spółka akcyjna). Following the transformation, the share capital of Smart Fluid S.A. amounts to PLN 106 thousand and is divided into 1,060,000 series A registered shares of the value of PLN 0.10 each, which were acquired by:

- a) CIECH R&D Sp. z o.o. with its registered office in Warsaw (a subsidiary of CIECH S.A.) – 560,000 series A registered shares with a total nominal value of PLN 56 thousand, representing 52.83% of the share capital,
- b) Others – 500,000 series A registered shares with a total value of PLN 50 thousand, representing 47.17% of the share capital.

On 9 September 2021, the court registered the transformation of Smart Fluid Sp. z o.o. into Smart Fluid S.A.

The share capital of the Joint Stock Company, in order to bring its amount in line with the minimum amount of share capital of a joint stock company specified in Article 308 § 1 of the Code of Commercial Companies, was determined and covered as follows:

- the amount of PLN 10.6 thousand represents the amount of the share capital of the limited liability company;
- the amount of PLN 95.4 thousand was covered from the supplementary capital of the limited liability company.

**Cerium Sp. z o.o. w likwidacji (in liquidation)**

On 31 August 2021, the court struck Cerium Sp. z o.o. in liquidation from the Register of Entrepreneurs.

**CIECH Salz Deutschland GmbH**

On 26 October 2021, the Shareholders' Meeting of CIECH Salz Deutschland GmbH resolved to increase the Company's share capital by EUR 5,975 thousand by establishing one new share with a nominal value of EUR 5,975 thousand, which was taken up by CIECH S.A. in exchange for cash. As a result of the increase, the share capital increased from EUR 3,025 thousand to EUR 9,000 thousand. The court registered the share capital increase on 18 November 2021. CIECH S.A. was and remained the sole shareholder of the Company.

**CIECH Sól Sp. z o.o.**

On 13 December 2021, the Deed of Incorporation of CIECH Sól Sp. z o.o., with a share capital of PLN 5 thousand, divided into 100 shares with a nominal value of PLN 50 each, was drawn up. The share capital was fully covered with cash, all shares were taken up by CIECH S.A. The court, by decision of 7 February 2022, registered CIECH Sól Sp. z o.o. CIECH S.A. is the sole shareholder of the Company.

## 5.5 EMPLOYMENT STRUCTURE AND HUMAN RESOURCES

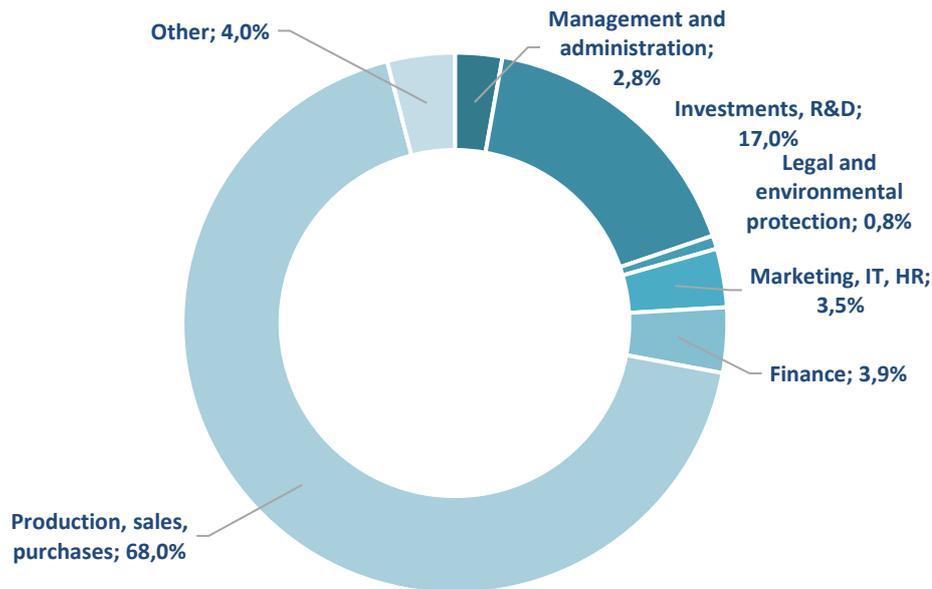
**Employment structure**

As at the end of 2021, the CIECH Group (the parent company, CIECH S.A., and fully consolidated subsidiaries) employed 3,322 people (of which 216 employees in CIECH S.A.). As at the end of the comparable period, i.e. 2020, the Group employed 3,415 people (including 341 in CIECH S.A.). About 84% employees work in Poland, the majority of which is employed by the production department.

TABLE 37: EMPLOYMENT IN THE CIECH GROUP – WHITE COLLAR WORKERS AND BLUE COLLAR WORKERS

	31.12.2021/2021	31.12.2020/2020
<b>Headcount</b>	<b>3,322</b>	<b>3,415</b>
White-collar workers	1,365	1,424
Blue-collar workers	1,957	1,991
<b>Average headcount</b>	<b>3,387</b>	<b>3,445</b>
White-collar workers	1,392	1,435
Blue-collar workers	1,995	2,010

FIGURE 40: EMPLOYMENT IN THE CIECH GROUP – BUSINESS AREAS



The CIECH Group is a responsible employer and undertakes a number of actions aimed at improving the efficiency of communication with employees and enhancing their satisfaction and involvement.



## SHARES AND SHAREHOLDERS

### 6. SHARES AND SHAREHOLDERS

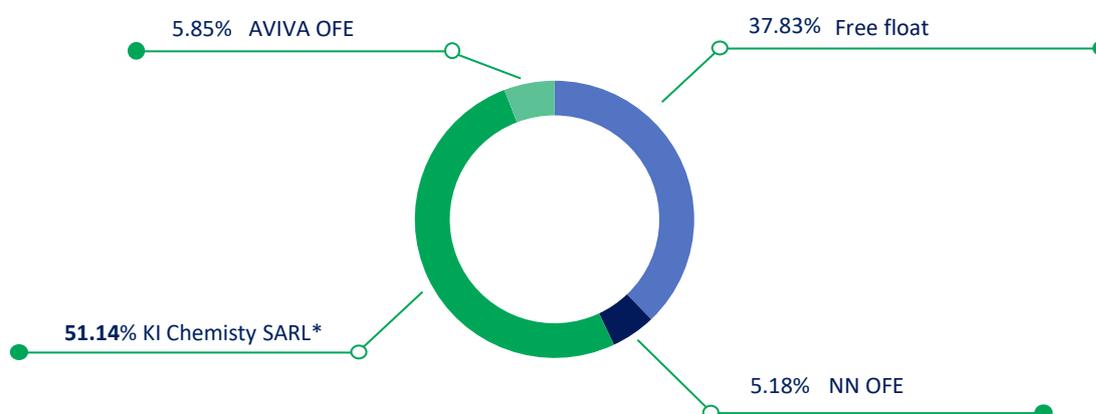
#### 6.1 SHAREHOLDER STRUCTURE OF CIECH S.A.

The shares of CIECH S.A. are listed on Warsaw Stock Exchange and on Frankfurt Stock Exchange. The share capital of CIECH S.A. amounts to PLN 263,500,965 and is divided into 52,699,909 shares with a nominal value of PLN 5 each, 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.

To the best knowledge of CIECH S.A., entities holding significant blocks of shares (at least 5%) are the entities listed below:

FIGURE 41: SHAREHOLDER STRUCTURE AS AT THE DATE OF APPROVAL OF THIS REPORT



\*KI Chemistry s.à.r.l. is a subsidiary of Kulczyk Investments.



Since 2014, the major shareholder of CIECH S.A. is a long-term strategic investor – Kulczyk Investments. It is an international investment company focused on business opportunities in high growth markets.

## 6.2 CIECH S.A. ON THE STOCK EXCHANGE

### 6.2.1 CIECH S.A. ON THE WARSAW STOCK EXCHANGE

Shares of CIECH S.A. debuted on the Warsaw Stock Exchange on 10 February 2005. In February 2011, the company completed the process of issuing shares with pre-emptive rights, and as a result, it issued ordinary bearer shares, which were first quoted on 30 March 2011. Shares of CIECH S.A. are quoted on the primary market of the Warsaw Stock Exchange in the continuous trading system.

TABLE 38: BASIC INFORMATION ON THE SHARES

Name	CIECH S.A.
Abbreviated name	CIECH
Ticker	CIE
ISIN	PLCIECH00018
Bloomberg ticker	CIE PW
Reuters ticker	CIEP.WA
Listed from	10.02.2005
Number of shares	52,699,909
Free float	37.83%
Segment	Large company (capitalisation of over EUR 250 million)
Sector	Basic chemistry
Main indices	WIG, WIG140, WIG-Poland, mWIG40, mWIG40TR, WIG-CHEMIA, WIG.MS-PET, WIG-ESG, CEEplus, InvestorMS, MSCI Emerging Markets Index, FTSE Developed Small Cap Index

TABLE 39: INDICES CONTAINING CIECH S.A.'S SHARES

Index	Description	Share of CIECH S.A.'s shares in the index
<b>WIG</b>	The WIG index is the first stock exchange index and has been calculated since 16 April 1991. The first value of the WIG index was 1000 points. Currently, WIG includes all companies listed on the WSE Main List that meet the basic criteria for participation in indices. The WIG index follows the diversification principle, aimed at the limiting the share of a single company and a single exchange sector. It is a total return index and thus when it is calculated it accounts for both prices of underlying shares and income from dividend and pre-emptive rights.	0.310%
<b>WIG Poland</b>	The WIG-Poland index (formerly WIG-PL) is the first national index calculated by the stock exchange since 22 December 2003. The index includes only shares of domestic companies listed on the WSE Main List that meet the basic criteria for participation in the indices. The historical values and index rules are identical to those of the WIG	0.322%



Index	Description	Share of CIECH S.A.'s shares in the index
	index. This means that from 16 April 1991 to 19 December 2003, the values and portfolio structure of the two indices were the same. At present, both values as well as WIG-PL and WIG index participants are different. WIG-Poland, like WIG, is a total return index and thus when it is calculated it accounts for both prices of underlying shares and income from dividend and pre-emptive rights.	
	mWIG40 index is successor of MIDWIG index and has been calculated since 31 December 1997 and comprises 40 medium size companies listed at WSE Main Market. The initial value of index was 1,000 points. mWIG40 is a price index and thus when it is calculated it accounts only for prices of underlying shares whereas dividend income is excluded. The mWIG40 index excludes WIG20 and sWIG80 index participants and foreign companies listed at WSE and other markets with the market capitalization at the ranking date above EUR 1 billion.	1.375%
	MWIG40TR index has been calculated since 18 September 2017, based on the value of a portfolio of 40 medium size companies on the WSE Main Market. The index base value was set at 2346.14 points on 31 December 2009. Unlike mWIG40, mWIG40TR is the total return index, which means that it is calculated taking into account prices of underlying shares and dividend income. All other index construction rules are consistent with the mWIG40 index methodology.	1.461%
	The WIG-chemia index is a sectoral index, which is comprised of companies which participate in the WIG index and are at the same time categorized as "chemistry" companies. The sub-index portfolio contains the same holdings as the WIG index portfolio. The index base date is 19 September 2008 and the index value on that date was 3836.10 points. The methodology of the sub-index is the same as that of the WIG index, i.e. it is a total return index and thus when it is calculated it accounts for both prices of underlying shares and income from dividend and pre-emptive rights.	33.658%
WIG140	WIG140 index has been calculated since 20 December 2021 based on the value of portfolio of 140 companies participating in WIG20, mWIG40 and sWIG80 indices' portfolios. The base value of WIG140 index was set at 30 December 2016 at the level of 1,000.00 points. WIG140 is a total return index and thus when it is calculated it accounts for both prices of underlying shares and income from dividend and pre-emptive rights. The weight of individual company in the index portfolio is limited to 10% and the share of companies from one sector is limited to 30%.	0.321%
WIG.MS-PET	The WIG-ESG index has been published since 18 March 2019 on the basis of the value of portfolio of 5 most liquid companies covering following sectors: fuels, gas and chemicals. The base value of WIG.MS-PET index was set at 29 December 2017 at the level of 10,000.00 points. It is a price index and thus when it is calculated it accounts only for prices of underlying shares whereas dividend income is excluded. The weight of individual company in the index portfolio is limited to 40%.	4.066%
	The WIG-ESG index has been published since 3 September 2019 based on the value of portfolio of companies recognized as socially responsible, i.e. those that comply with the principles of socially responsible business, in particular in the field of environmental, social, economic and corporate governance issues. The base value of WIG.MS-PET index was set at 28 December 2018 at the level of 10,000.00 points. WIG-ESG is a total return index and thus when it is calculated it accounts for both prices of underlying shares and income from dividend. The weight of individual company in the index portfolio is limited to 10%, while the total share of companies, each of which exceeds 5%, is limited to 40%.	0.309%
CEEplus	The CEEplus index has been published since 4 September 2019 based on the value of the portfolio of the largest and most liquid companies listed on stock exchanges from the Central Europe region of Croatia, the Czech Republic, Poland, Romania, Slovakia, Slovenia and Hungary. The base value of WIG.MS-PET index was set at 30 August 2019 at the level of 1,000.00 points. CEEplus is a price index and thus when it is calculated it accounts only for prices of underlying shares whereas dividend income is excluded. The weight of individual company in the index portfolio is limited to 10%, while the total share of companies, each of which exceeds 5%, is limited to 40%. The weight of companies from one stock exchange from the region may not exceed 50%.	0.140%

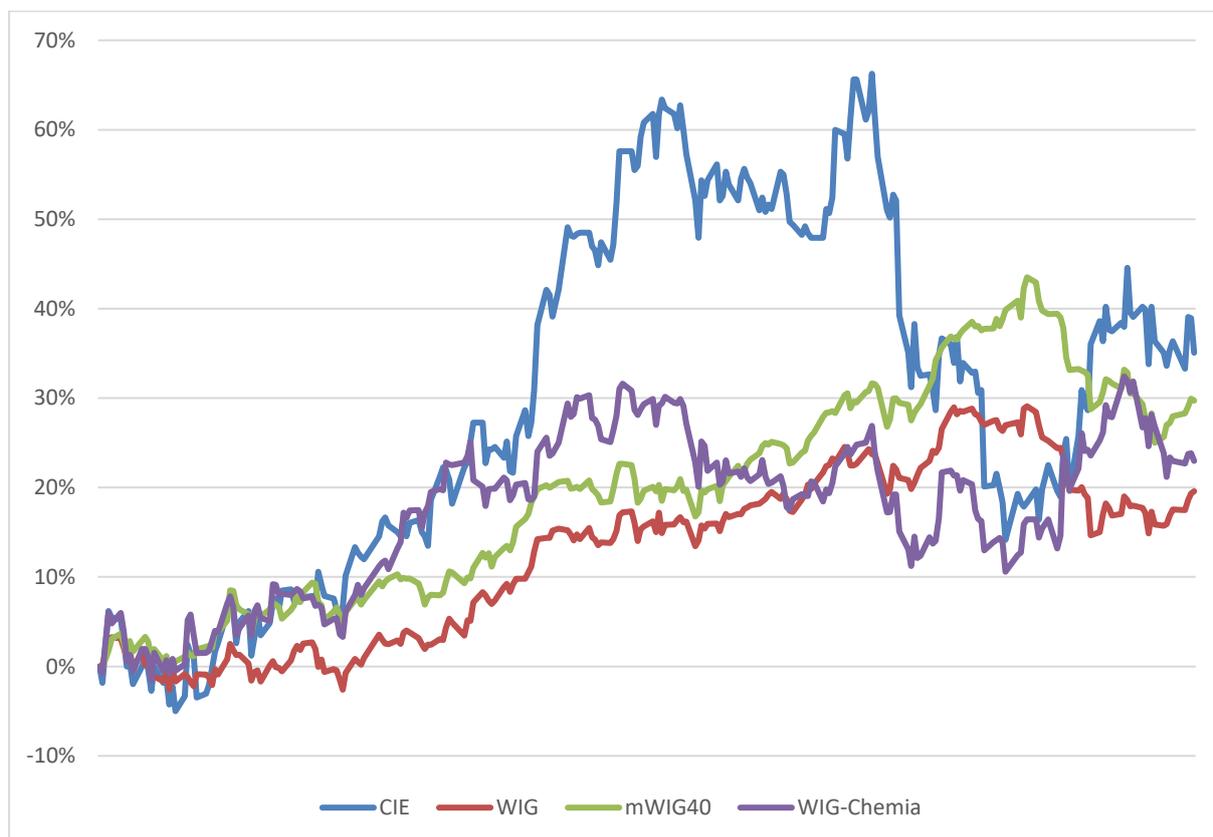


Index	Description	Share of CIECH S.A.'s shares in the index
	InvestorMS is a third-party index calculated by the WSE at the request of Investors TFI S.A. The index tracks the performance of the stock of small and mid-cap companies in the investment focus of the fund Investor Top 25 Małych Spółek FIO. The Investor MS index is the fund's investment performance benchmark. The methodology of the Investor MS index was developed jointly by the Warsaw Stock Exchange and Investors TFI S.A. The index base date is 31 December 2002 and its initial value was 1000 points.	1.051%
	MSCI Emerging Markets Index – one of the indices calculated by MSCI ESG Research. Index created for investors looking for companies whose business profile is focused on emerging markets.	<0.03%
	FTSE Developed Small Cap Index – the index includes shares of low-capitalisation companies from developed markets. The Index is part of the FTSE Global Equity Index Series (GEIS), which covers approximately 98% of the world's market capitalisation.	<0.005%

Data: WSE, MSCI, FTSE Russell

### Share prices

FIGURE 42: CHANGES IN PRICES OF CIECH S.A.'S SHARES IN 2021 IN COMPARISON WITH CHANGES IN INDICES



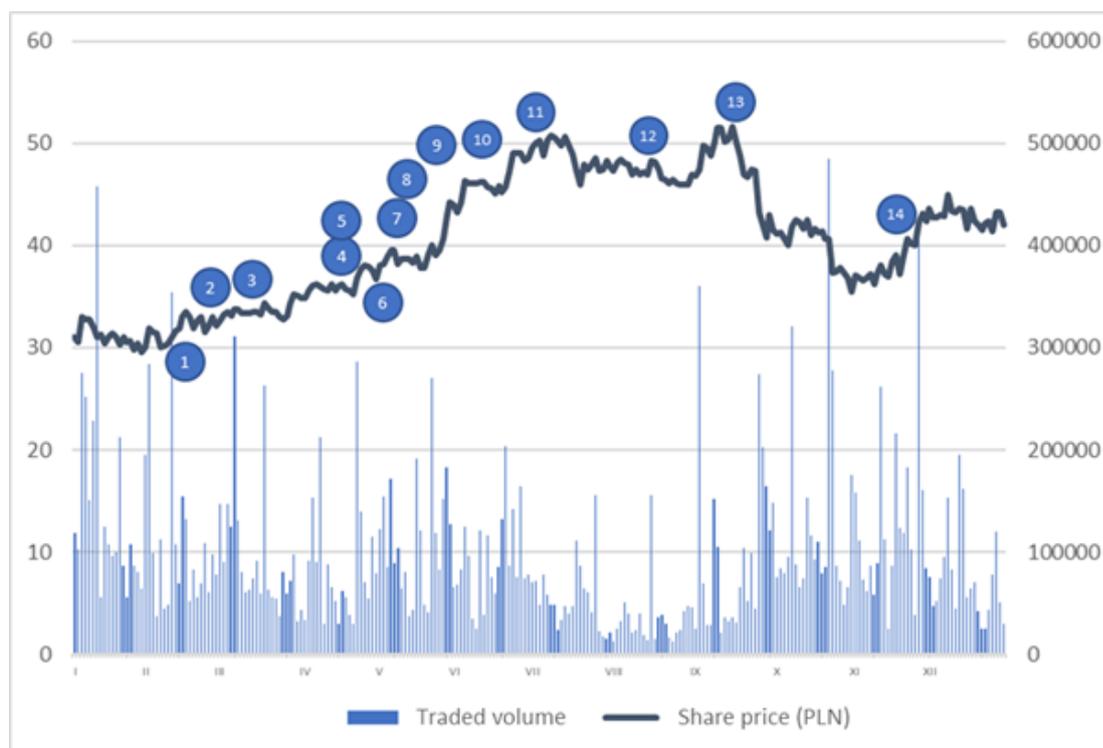
Source: stooq.pl

Stock market quotations climbed for most of the year, reflecting the positive economic situation and rebounding from a negative 2020. WIG, the main WSE index, increased by 20% year-on-year to 69,296.26 points. Over the past year, mWIG40, an index of mid-cap companies that includes CIECH, increased by 30% to 5,291.72 points. The WIG-Chemia industry index went up by 23% to 9,822.11 points.

**PLN 2.2 billion**  
- market capitalisation of  
CIECH S.A.  
at the end of 2021

CIECH's share price increased by 35% over the course of 2021, significantly outperforming the indices to PLN 42 on the last December session of the year. For the first three months of the year, the price fluctuated between about PLN 30 and about PLN 33, reaching an annual floor of PLN 29.54 on 29 January. Following the publication of the financial results for 2020, the outlook for 2021 and the announcement of the dividend, the share price reacted with large jumps, exceeding PLN 50 and reaching an annual peak of PLN 51.7 on 15 September. The last quarter brought a correction, driven among other things by concerns about the economic situation, further spread of the pandemic and its impact on the market for CIECH's main products. However, from November onwards, the share price started to rise again, reflecting, among other things, good financial performance in line with the announced guidance and a favourable outlook for the soda ash market.

FIGURE 43: PRICE OF CIECH S.A.'S SHARES AND TRADING VOLUME IN 2021



Source: stooq.pl

- |   |  |    |   |
|---|--|----|---|
| 1 | Closing of the transaction for the sale of 100% shares in CIECH Żywiec Sp. z o.o. (CR No 4 of 1 March)   | 8  | Commencement of the commissioning phase of a significant investment project (saltworks) (CR No 16 of 19 May)  |
| 2 | Conclusion of a facilities agreement and other agreements related to the facilities agreement (refinancing) (CR No 7 of 16 March)                                  | 9  | Publication of the Report for Q1 2021 (27 May)  |
| 3 | Execution of a letter of intent to continue cooperation in the construction of a thermal waste treatment plant by a subsidiary of the Issuer (CR No 9 of 26 March) | 10 | Annual General Meeting (22 June)  |
| 4 | Publication of Annual Reports for 2020 (22 April)  | 11 | Dividend payment (PLN 3 per share) (8 July)   |
| 5 | CIECH Group 2021 earnings forecast. (CR No 12 of 22 April)   | 12 | Execution of a letter of intent on establishing cooperation in the use of energy from small and micro modular nuclear reactors. (CR No 31 of 8 September) |
| 6 | Publication of ESG strategy "Chemistry for a better world" (11 May)  | 13 | Publication of the Report for H1 2021 (23 September)  |
| 7 | Recommendation of the Management Board of CIECH S.A. regarding allocation of profit for 2020 and payment of dividend (CR No 15 of 18 May)                          | 14 | Publication of the Report for Q3 2021 (25 November)   |

### Key data concerning shares of CIECH S.A.

CIECH S.A.'s shares listed on the Warsaw Stock Exchange are characterised by high liquidity. In 2021, the average number of the company's shares changing hands in a trading session was 97 thousand (vs 85 thousand in 2020), and the average volume of trading per session was PLN 3.8 million (compared to PLN 2.7 million in the previous year).

TABLE 40: DATA CONCERNING SHARES OF CIECH S.A. AT THE WSE

CIECH S.A.'s shares – statistics	2021	2020	2019
Number of shares	52,699,909	52,699,909	52,699,909
Closing share price as at the last quotation day in the year (PLN)	42.0	32.2	39.7
Capitalisation of the company as at the end of the year (PLN million)	2,213	1,697	2,092
Maximum price in the year (PLN)	51.7	41.7	60.55
Minimum price in the year (PLN)	29.54	21.1	30
Average trading volume per session (number of shares)	96,822	85,042	63,900
Average trading value per session (PLN)	3,801	2,702	2,859

Source: CIECH S.A., WSE data.

### 6.2.2 CIECH S.A. ON THE FRANKFURT STOCK EXCHANGE

On 23 August 2016, CIECH S.A.'s shares were admitted to trading in the Frankfurt Stock Exchange and are listed on the regulated market, in the General Standard sub-segment. The decision of the Management Board of the company was another step in the implementation of a strategy of expansion of the leading Polish chemical company in international markets.

TABLE 41: KEY INFORMATION ABOUT SHARES LISTED ON THE FRANKFURT STOCK EXCHANGE

Ticker	CHX
Listed from	23.08.2016
Number of shares	52,699,909
Market	General Standard sub-segment

### 6.2.3 INVESTOR RELATIONS

In order to pursue the highest standards of corporate governance and communication, ensure continuous and equal access to information about the Group to all stakeholders, and to meet their needs, CIECH S.A. makes various efforts in the area of investor relations. Effective communication with the equity market and the transparency thereof are among the key priorities of CIECH S.A. that contribute to its shareholder value.

Due to the epidemic, most communication efforts have migrated to remote communication channels. Both companies and investors have had to switch to new forms of contact, but experience shows that the efficiency of information exchange has been maintained.

CIECH S.A.'s key investor relations activities:

- **Direct meetings** – the company organises group meetings with the Management Board to discuss financial performance which are publicly available through CIECH's corporate YouTube channel. Representatives of the Company are also available for individual meetings where required.
- **Investor conferences in Poland and abroad** – the company also actively meets with investors in Poland and abroad during conferences organised by brokers. For safety reasons and due to restrictions related to the COVID-19 pandemic in 2021, CIECH representatives participated in virtual conferences only.
- **Active "Investor relations" tab on the company's website** – on the website the company publishes information about the most important events and presents materials supporting the analysis of the company (e.g. presentations and recordings of meetings with the Management Board).

**Awards and distinctions received in 2021 for efforts related to communication with investors and presence in the equity market:**



The financial statements of CIECH S.A. for 2020 were appreciated by the jury of the 16<sup>th</sup> edition of "The Best Annual Report" competition. The competition is organised annually by the Institute of Accounting and Taxation, and aims to promote annual reports, prepared by WSE listed companies, with the greatest value for investors and shareholders. CIECH was awarded in this competition for the sixth time.

In this year's edition of "The Best Annual Report" competition, the company won an award from the "Rachunkowość" monthly for the consistently high level of financial statements prepared in accordance with IFRS/IAS (International Financial Reporting Standards or International Accounting Standards) guidelines. This is the sixth award for CIECH S.A. in this prestigious competition. In recent years, the company has received: the distinction for the best directors' report (2017 edition), the 3rd Grand Prize (2018 edition) and the distinction of the "Rachunkowość" monthly for the greatest progress in improving the quality of financial statements (2019 edition).



CIECH won the first prize ("diamond prize") in the "ESG Leaders" competition, in the "Strategy" category, organised by the Warsaw Stock Exchange, the consulting firm PwC and NN Investment Partners TFI.

The "ESG Leaders" competition is addressed to companies and institutions implementing an outstanding ESG strategy, offering innovative products and services with a positive impact on the environment, as well as conducting effective information and promotion campaigns in the field of sustainable development. The awards were granted in three main categories: "Strategy", "Innovation" and "Educational Program". In this former category, ESG strategies adopted in organisations in 2020 and 2021 were assessed by the Award Committee.



CIECH was among the companies awarded with the WNP Awards - distinctions granted by the editors of the WNP.PL portal to people, institutions and enterprises that have a significant impact on positive economic transformations, setting the directions of development for others, illustrating important trends in the economy with their activity.

In their justification, the competition organisers stressed that the award was granted "for making bold commitments and committing to an ambitious ESG strategy – particularly in the area of greenhouse gas emissions reduction".

**TABLE 42: REPORTING CALENDAR OF THE CIECH GROUP AND CIECH S.A.**

<b>Date</b>	<b>Interim report</b>
29.03.2022	Consolidated and separate annual report for 2021
19.05.2022	Consolidated report for the first quarter of 2022
25.08.2022	Consolidated report for the first half of 2022
17.11.2022	Consolidated report for the three quarters of 2022

TABLE 43: INSTITUTIONS SUBMITTING RECOMMENDATIONS FOR CIECH S.A.'S SHARES IN 2021

Institution	Analyst	Address details
BDM	Krystian Brymora	<a href="mailto:brymora@bdm.com.pl">brymora@bdm.com.pl</a>
PKO BP BM	Tomasz Kasowicz	<a href="mailto:tomasz.kasowicz@pkobp.pl">tomasz.kasowicz@pkobp.pl</a>
Trigon DM	Michał Kozak	<a href="mailto:michal.kozak@trigon.pl">michal.kozak@trigon.pl</a>
BM Banku Pekao S.A.	Krzysztof Kozieł	<a href="mailto:Krzysztof.koziel@pekao.com.pl">Krzysztof.koziel@pekao.com.pl</a>
Erste Securities	Jakub Szkopek	<a href="mailto:jakub.szkopek@erstegroup.com">jakub.szkopek@erstegroup.com</a>
DM BOŚ	Łukasz Prokopiuk	<a href="mailto:l.prokopiuk@bossa.pl">l.prokopiuk@bossa.pl</a>
Santander BM	Michał Sopieli	<a href="mailto:michal.sopiel@santander.pl">michal.sopiel@santander.pl</a>
mBank BM	Antoni Kania-Chęciński	<a href="mailto:antoni.kania@mbank.pl">antoni.kania@mbank.pl</a>
WOOD & Company	Paweł Wieprzowski	<a href="mailto:pawel.wieprzowski@wood.com">pawel.wieprzowski@wood.com</a>

### Dividend

Until the date of approval of the financial statements for publication, the Management Board of CIECH SA has not adopted a resolution on the proposed distribution of net profit for 2021.

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

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

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

TABLE 44: DIVIDENDS PAID

	2021	2020	2019
Dividend paid	158,099	-	-
Number of shares	52,699,909	52,699,909	52,699,909
Dividend per share – DPS (PLN) (*)	3	-	-
Dividend yield – DY (%) (**)	6.12%	-	-

(\*) DPS: Dividend per share

(\*\*) DY: (DPS/ share price on the last day enabling the acquisition of shares with the right to dividend\*\*\*)

(\*\*\*) Share price two business days before the date of establishing the right to dividend

## 6.3 OTHER INFORMATION CONCERNING SHARES AND SHAREHOLDERS

### Issue of securities and utilisation of proceeds from issue of shares

In 2005 and 2011, CIECH S.A. issued securities. Proceeds from these issued were used for investments, debt reduction and restructuring efforts.

In 2021, the CIECH Group used no proceeds from the issue of shares.

### Purchase of treasury shares

CIECH S.A. and other entities of the CIECH Group did not hold and did not acquire any shares of CIECH S.A.

**Agreements on potential changes in the shareholder structure**

In 2021, after the reporting date and prior to the date of publication of this report, no agreements were signed that could influence the changes in the proportions of shares held by current shareholders.

**Employee share schemes**

In 2021, there were no employee share schemes offered in the CIECH Group.

**Number of shares of CIECH S.A. and other CIECH Group entities held by managers and supervisors of CIECH S.A.****Management Board of CIECH S.A.:**

Mr Dawid Jakubowicz – President of the Management Board of CIECH S.A. held 25,713 shares of CIECH S.A.

Mr Jarosław Romanowski – Member of the Management Board of CIECH S.A. held 7,550 shares of CIECH S.A.

Mr Mirosław Skowron – Member of the Management Board of CIECH S.A., held 11,854 shares of CIECH S.A.

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

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

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

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

Mr Rafał Czubiński – Managing Director of CIECH S.A. held 10,310 shares of CIECH S.A.

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



## CORPORATE GOVERNANCE

### 7. CORPORATE GOVERNANCE

#### 7.1 SET OF CORPORATE GOVERNANCE PRINCIPLES APPLIED BY CIECH S.A.

This representation is a separate part of the Director's Report of the CIECH Group and CIECH S.A. for 2021.

In 2021, CIECH S.A. was subject to:

1. until 21 July 2021 – corporate governance principles contained in the document “Best Practice of WSE Listed Companies 2016” adopted by Resolution No 26/1413/2015 of the Supervisory Board of Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) of 13 October 2015. This set is available at the website of Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) at:  
[https://www.gpw.pl/pub/GPW/files/PDF/GPW\\_1015\\_17\\_DOBRE\\_PRAKTYKI\\_v2.pdf](https://www.gpw.pl/pub/GPW/files/PDF/GPW_1015_17_DOBRE_PRAKTYKI_v2.pdf) oraz
2. as of 21 July 2021 – corporate governance principles contained in the document “Best Practice of WSE Listed Companies 2021” adopted by Resolution No 13/1834/2021 of the Supervisory Board of Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) of 29 March 2021 which became legally effective on 1 July 2021. This set is available at the website of Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) at:  
[https://www.gpw.pl/pub/GPW/files/PDF/dobre\\_praktyki/DPSN21\\_BROSZURA.pdf](https://www.gpw.pl/pub/GPW/files/PDF/dobre_praktyki/DPSN21_BROSZURA.pdf)

The Management Board of CIECH S.A. represents that in the financial year ended 31 December 2021, since 21 July 2021, CIECH S.A. and its authorities complied with the corporate governance rules contained in the document “Best Practice of WSE Listed Companies 2021”, with exceptions described in item 7.2 below.

#### 7.2 CORPORATE GOVERNANCE PRINCIPLES CONTAINED IN THE DOCUMENT “BEST PRACTICE OF WSE LISTED COMPANIES 2021” WHICH WERE NOT APPLIED BY THE ISSUER IN 2021

The Management Board of CIECH S.A. takes efforts to ensure the highest compliance with principles contained in the set “Best Practice of WSE Listed Companies 2021”. In 2021, the Company departed from the application 9 principles: 2.1., 2.2., 2.11.3., 2.11.4., 2.11.5., 2.11.6., 3.4., 3.9., 6.2. The reasons for departing from the aforementioned detailed principles are indicated below:

**TABLE 45: CORPORATE GOVERNANCE PRINCIPLES NOT APPLIED BY CIECH S.A.**

Principle number	Content	Reasons for departing from the principle
<b>2. MANAGEMENT BOARD AND SUPERVISORY BOARD</b>		
2.1.	Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.	<p>CIECH S.A. will develop and implement a diversity policy with regard to the management board and supervisory board by the date of the General Meeting of the Company approving the financial statements for 2021. The diversity policy will define, among others, the way to achieve the objectives set out in principle 2.1.</p> <p>Supervisory Board of CIECH S.A. on 24 March 2022 adopted the Diversity Policy for the Management Board of CIECH S.A. Diversity policy for the supervisory board of CIECH S.A. will be the subject of the Ordinary General Meeting of CIECH S.A. in 2022.</p>
2.2.	Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.	<p>Principle 2.2. will be applied by CIECH S.A. to the extent specified in the diversity policy for members of the management board and supervisory board referred to in the comment to principle 2.1.</p> <p>This rule is applied to the composition of the Management Board of CIECH S.A.</p>
2.11.3.	In addition to its responsibilities laid down in the legislation, the supervisory board prepares and presents an annual report to the annual general meeting once per year. Such report includes at least the following: assessment of the company's standing on a consolidated basis, including assessment of the internal control, risk management and compliance systems and the internal audit function, and information about measures taken by the supervisory board to perform such assessment; such assessment should cover all significant controls, in particular reporting and operational controls;	<p>The supervisory board prepares an assessment of the company's standing on a consolidated basis, including assessment of the internal control, risk management and compliance systems and the internal audit function. This assessment covers all significant controls, in particular reporting and operational controls. The assessment of the supervisory board does not include information on the steps that the supervisory board has taken to carry out this assessment. The principle in its entirety was to be applied by CIECH S.A. until the date of the General Meeting approving the financial statements for 2021.</p> <p>The Management Board of CIECH S.A. adopted principle No 2.11.3 for application on 24 February 2022.</p>
2.11.4.	In addition to its responsibilities laid down in the legislation, the supervisory board prepares and presents an annual report to the annual general meeting once per year. Such report includes at least the following: assessment of the company's compliance with the corporate governance principles and the manner of compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities, and information about measures taken by the supervisory board to perform such assessment;	<p>The principle in its entirety was to be applied by CIECH S.A. until the date of the General Meeting approving the financial statements for 2021 and appropriate changes were to be made to the company's internal regulations.</p> <p>The Management Board of CIECH S.A. adopted principle No 2.11.4 for application on 24 February 2022.</p>
2.11.5.	In addition to its responsibilities laid down in the legislation, the supervisory board prepares and presents an annual report to the annual general meeting once per year. Such report includes at least the following: assessment of the rationality of expenses referred to in principle 1.5;	<p>The principle in its entirety was to be applied by CIECH S.A. until the date of the General Meeting approving the financial statements for 2021 and appropriate changes were to be made to the company's internal regulations.</p> <p>The Management Board of CIECH S.A. adopted principle No 2.11.5 for application on 24 February 2022.</p>



Principle number	Content	Reasons for departing from the principle
2.11.6.	In addition to its responsibilities laid down in the legislation, the supervisory board prepares and presents an annual report to the annual general meeting once per year. Such report includes at least the following:  information regarding the degree of implementation of the diversity policy applicable to the management board and the supervisory board, including the achievement of goals referred to in principle 2.1.	The principle will be applied by CIECH S.A. after the implementation of the diversity policy referred to in the commentary to principle 2.1. Information on the achievement of the objectives referred to in principle 2.1. will be included in the report referred to in principle 2.11.6 as soon as the objectives have been achieved, in accordance with the timetable set out in the diversity policy.  This rule is applicable to the management of the Company.
<b>3. INTERNAL SYSTEMS AND FUNCTIONS</b>		
3.4.	The remuneration of persons responsible for risk and compliance management and of the head of internal audit should depend on the performance of delegated tasks rather than short-term results of the company.	In CIECH S.A. and the CIECH Group, all key managers are covered by the short-term (annual) Performance Management bonus programme. This programme also covers individuals responsible for risk management and compliance, as well as the person in charge of internal audit. The launch of the annual bonus depends, among others, on the achievement of short-term results of the CIECH Group and quality objectives. In CIECH S.A.'s opinion, there is no need to exclude the aforementioned persons from the Performance Management programme. The effect assumed in principle 3.4 will be achieved, among others, by introducing, to the qualitative objectives of individuals responsible for risk management and compliance and the person in charge of internal audit an additional task related to the ethical performance of their duties.
3.9.	The supervisory board monitors the efficiency of the systems and functions referred to in principle 3.1 among others on the basis of reports provided periodically by the persons responsible for the functions and the company's management board, and makes annual assessment of the efficiency of such systems and functions according to principle 2.11.3. Where the company has an audit committee, the audit committee monitors the efficiency of the systems and functions referred to in principle 3.1, which however does not release the supervisory board from the annual assessment of the efficiency of such systems and functions.	The principle was to be applied in full after an appropriate amendment to CIECH S.A.'s internal regulations, which was to be completed by the date of the CIECH S.A. General Meeting approving the financial statements for 2021.  The Management Board of CIECH S.A. adopted principle No 2.11.3 for application on 24 February 2022.  Prior to this date, the Supervisory Board of CIECH S.A. carried out an annual assessment of the effectiveness of the functioning of the systems and functions referred to in principle 3.1. As of 24 February 2022, the audit committee of the supervisory board will receive periodic reports provided directly by the persons responsible for these functions and the management board of CIECH S.A.
<b>6. REMUNERATION</b>		
6.2.	Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the company's management board and key managers to the actual long-term standing of the company measured by its financial and non-financial results as well as long-term shareholder value creation, sustainable development and the company's stability.	The incentive scheme for the members of the Management Board and key managers operated in CIECH S.A. depended, among other things, on the level of remuneration for the members of the Management Board of the company and its key managers on the actual, long-term situation of the company in terms of financial performance and long-term growth of shareholder value, as well as stability of CIECH S.A.'s operations. The scheme ran from 2019 to 2021. The non-financial results and sustainable development of CIECH S.A. and the CIECH Group will be taken into account when developing a new incentive scheme, provided that such a scheme is prepared and implemented.  As at 24 February 2022, CIECH S.A. complies with principle 6.2.

### 7.3 CORPORATE GOVERNANCE PRINCIPLES ON INFORMATION POLICY AND COMMUNICATION WITH INVESTORS (Chapter 1)

The Company actively communicates with shareholders, potential shareholders, analysts and other capital market stakeholders. The Company has an Investor Relations and ESG Department responsible for activities in this area. The Company's representatives are available to interested individuals and institutions, responding promptly to their queries and attending personal/remote meetings whenever possible.

Once a quarter, the Company's Management Board meets with representatives of the capital market. During the meetings the Management Board, among other things, presents and discusses the Company's financial results and market situation and answers questions. These meetings are streamed live on the corporate YouTube channel and recordings are also available on the Company's website at any time. The company has an ESG strategy entitled "Chemistry for a Better World", which addresses, in a comprehensive manner, the issues relevant to the company's stakeholders that fall under the ESG factors. The strategy contains eight commitments: three on climate and the environment, three on people and society and two on cooperation and corporate governance. In particular, the Strategy sets ambitious decarbonisation targets as, according to the Company's ESG materiality analysis, the issue of containing and combating climate change is the most important medium and long-term ESG challenge. Detailed information on the strategy and its objectives is available at: [esgciech.com](https://esgciech.com)

### 7.4 MANAGEMENT BOARD AND SUPERVISORY BOARD (Chapter 2)

All members of the Company's Management Board and Supervisory Board have the in-depth knowledge, extensive experience and skills necessary to perform their functions and enabling the members of the Management Board to effectively manage the Company and the members of the Supervisory Board to exercise proper, correct and sufficient supervision over the Company's business. Serving on the Management Board of the Company is the main area of the professional activity of Management Board members. Some members of the Management Board sit on the supervisory boards of the CIECH Group entities. This contributes to the smooth operation of the CIECH Group. Supervisory Board Members acting in their function and to the extent of their responsibilities on the supervisory board follow their independent opinion and judgement, including in decision making, and act in the interest of the Company. The Supervisory Board functions in the spirit of debate and analyses the position of the Company in the context of the sector and the market on the basis of information provided by the Management Board of the Company and also obtained from outside the Company. 4 members of the Supervisory Board (out of 6 members of the Supervisory Board) meet the independence criteria. Supervisory Board Members devote the time necessary to perform their duties.

### 7.5 INTERNAL SYSTEMS AND FUNCTIONS (Chapter 3)

The Company has in place effective internal control, risk management and compliance systems. Separate organisational units, namely the Internal Audit Department, the Risk Department and the Compliance Department, are responsible for the implementation of tasks in the respective systems. The Internal Audit Department and the Compliance Department report directly to the President of the Management Board. The Risk Department reports directly to one of the members of the Management Board. The Audit Committee of the Company's Supervisory Board reviews and monitors, among other things, the financial reporting process and the effectiveness of the internal control system, including the functioning of internal audit and compliance.

### 7.6 GENERAL MEETING OF SHAREHOLDERS AND RELATIONS WITH SHAREHOLDERS (Chapter 4)

The Company broadcasts General Meetings in real time. The Company enables its shareholders to participate in a general meeting by means of electronic communication if justified by the expectations of shareholders notified to the company, provided that the company is in a position to provide the technical infrastructure necessary for such general meeting to proceed. The Company makes every effort to hold the Annual General Meeting as soon as possible after the publication of the annual report.

## 7.7 CONFLICT OF INTEREST AND TRANSACTIONS WITH RELATED PARTIES (Chapter 5)

Members of the Company's authorities undertake to abstain from professional and non-professional activities which may result in a conflict of interest. A Supervisory Board member should inform the remaining members of the Board, and in particular the Chairman of the Supervisory Board or the Deputy Chairman of the Supervisory Board, of any conflict of interest that arises, and should refrain from participating in discussions and from voting on passing a resolution on the issue in which the conflict of interest has arisen. In the event of a conflict of the Company's interest with the personal interests of a Board Member, his spouse, relatives or kinsman of the second degree or persons with whom he has a personal relationship, he should abstain from participation in the settlement of such matters, and request for this to be noted in the Board's meeting minutes.

Pursuant to the provisions of the Company's Articles of Association, the Company's Supervisory Board consents to the conclusion by the Company of a material transaction with its related party in accordance with the procedure and principles set out in the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of 29 July 2005.

## 7.8 REMUNERATION (Chapter 6)

The remuneration policy and practices in force are conducive to proper and effective management of the Company and thus contribute to the implementation of the CIECH Group's Strategy. These principles ensure (i) complete involvement of the persons covered by the policy in the performance of their functions within the Company, (ii) incentives for the implementation of the CIECH Group Strategy, (iii) lasting bonds between key managers and the Company, (iv) remuneration level of key managers at the level consistent with the performance of the CIECH Group. The remuneration of the members of the Management Board and key managers is adequate to the tasks assigned to them. The remuneration policy is a set of several internal normative acts that regulate the remuneration and bonus system, operating on the basis of the Performance Management system. The Supervisory Board has a Remuneration Committee. On the other hand, the Company has a Remuneration and Appointment Committee, which is responsible, among other things, for defining the Employment Policy of the CIECH Group, determining the policy on the selection and appointment of CIECH Group Managers, approving the HR strategy of the CIECH Group and approving the draft HR Budget of the CIECH Group.

Detailed rules for the remuneration of members of the Management Board and members of the Supervisory Board are described later in this statement.

## 7.9 INTERNAL CONTROL SYSTEM WITH REGARD TO THE PROCESS OF PREPARING FINANCIAL STATEMENTS

The Management Board of CIECH S.A. is responsible for the internal control system in the Company and its efficiency in the process of preparing financial statements and periodical reports developed and published in accordance with the Regulation of the Minister of Finance of 29 March 2018 on current and periodical information submitted by issuers of securities and on conditions for deeming equivalent information required by the law of a Non-Member State. The Company's effective internal control and risk management system in the financial reporting process operates through:

- preparation of procedures specifying the principles and division of responsibilities for the development of financial statements, including the guarantee of their quality,
- establishment of the scope of reporting based on applicable International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) adopted for implementation in the European Union and related interpretations announced in the form of European Commission Regulations,
- development, implementation and supervision of the use of coherent accounting principles in the CIECH Group's companies,
- semi-annual reviews and annual audits of published financial statements of CIECH S.A. and the CIECH Group by an independent auditor (external control system),
- procedures for authorization of financial statements prior to their publication.

The Management Board member responsible for financial matters supervises the process of preparing the Company's financial statements and periodical reports from the subject-matter point of view. The Accounting Department is responsible for the organization of work related to the preparation of financial statements and reports directly to the Member of Management Board of CIECH S.A. The uniformity of standards applied in the Group guarantees that all companies apply uniform accounting principles of the CIECH Group and uniform consolidation principles in accordance with IAS/IFRS.

The scope of data disclosed in published periodical reports results from the Company's accounting records and additional information submitted by individual organizational units of CIECH S.A. Companies of the Capital Group submit the required data in the form of reporting packages for the purpose of developing consolidated financial statements of the Group. The scope of data disclosed within the Capital Group is defined by the disclosure obligations specified in IAS/IFRS and results from them. Monitoring of changes in IAS/IFRS is conducted on an ongoing basis in order to determine the necessity for updating the scope of reporting.

In accordance with applicable regulations, the Company submits its financial statements to be reviewed and audited by the independent statutory auditor.

The Supervisory Board selects the statutory auditor from a group of reputable auditing firms, guaranteeing high standard of services and the required independence.

On 14 May 2020, CIECH S.A. signed an agreement with Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. on the review of semi-annual and audit of annual financial statements for the years 2020 and 2021.

Procedures for authorisation of financial statements prior are specified in the Company. Reports for 1<sup>st</sup> and 3<sup>rd</sup> quarter are not verified by the auditor, and prior to their publication, they are analysed by the Audit Committee of the Supervisory Board and approved by the Management Board. Semi-annual and annual periodical reports are submitted to the Supervisory Board and Company Shareholders after the conclusion of the appropriate review or audit by the auditor. Annual reports adopted by the Management Board of the Company, after being opined by the Audit Committee and assessed by the Supervisory Board, are approved by the General Meeting of Shareholders.

Prior to the publication of annual or half-year financial statements, conclusions from the audit or review of the financial statements are presented to the Audit Committee. Representatives of the Audit Committee analyse the results of the audit and review at closed meetings with the Company auditor. The statutory auditor also presents a Letter to the Management Board, which contains recommendations for the Management Boards of Group Companies based on results of the audit or review of the financial statements in a given year. The recommendations from the auditor are discussed by the Audit Committee along with the Management Board for the purpose of their implementation.

Financial data constituting the basis of financial statements and periodical reports comes from the finance and accounting system, where transactions are recorded in accordance with the Company's accounting policy (approved by the Management Board) on the basis of International Accounting Standards. The accounting records of CIECH S.A. are kept in the ERP integrated IT system. The modular structure of the system provides a transparent division of competences, coherence of operation records in ledgers, and inspection of reconciliation of the general ledger and subsidiary ledgers. The capabilities of the system allow it to adapt to changing accounting principles or other legal regulations on an ongoing basis. The system keeps full technical and operational documentation which is updated periodically pursuant to Article 10 of the Accounting Act of 29 September 1994 (as amended).

The access to the informational resources of the IT system is limited by appropriate authorisations for authorised employees. The employees have access only to those areas of the system that they are concerned with. The access control is present at every stage, starting with the input of source data, through data processing and ending with the generation of output information.

The effectiveness of the control and risk management procedures in the process of preparing financial statements of CIECH S.A. and the CIECH Group may be seen in the form of the high quality of these statements, as confirmed by the opinions put forth by statutory auditors from their auditing of the financial statements and by the high evaluations of the recipients of these statements. In 2021, the CIECH Group's Annual Report was once again among the winners of The Best Annual Report 2020 competition, this time receiving an accolade from the monthly magazine "Rachunkowość" for the consistently high level of financial reporting.

The selection of the entity authorised to audit the financial statements of CIECH S.A. and the CIECH Group is the responsibility of the Company's Supervisory Board (after prior recommendation of the Audit Committee to the Supervisory Board), which has specified the following principles of selecting the Auditor for report for 2021 for the purpose of ensuring the independence of the opinion:

- the entity authorised to audit financial statements may not conduct audits of the Company/Group for more than 5 subsequent years;

- the first agreement on the audit of financial statements is concluded for a period not shorter than 2 years;
- the entity authorised to audit financial statements may conduct the audit in the Company/Group again after at least 3 years from the end of the last audit, unless the duration of the audit order is 5 years, in which case the entity authorised to audit financial statements may conduct the audit in the Company/Group again after at least 4 years from the end of the last audit;
- a key statutory auditor may not perform financial audit activities in the Company/Group for a period of more than 5 subsequent years;
- a key statutory auditor may perform financial audit activities in the Company/Group again after at least 3 years from the end of the last audit.

## 7.10 SHAREHOLDERS OF CIECH S.A. HOLDING SIGNIFICANT BLOCKS OF SHARES

To the best knowledge of the Company, as at the day of approving this report, entities holding significant blocks of shares (at least 5%) are the entities listed below:

TABLE 46: SHAREHOLDERS OF CIECH S.A. HOLDING SIGNIFICANT BLOCKS OF SHARES

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 (%)
<b>KI Chemistry s. à r. l. with its registered office in Luxembourg*</b>	Ordinary bearer	26,952,052	26,952,052	51.14%	51.14%
Nationale-Nederlanden Otwarty Fundusz Emerytalny**	Ordinary bearer	2,729,000	2,729,000	5.18%	5.18%
Aviva Otwarty Fundusz Emerytalny Aviva Santander ***	Ordinary bearer	3,084,470	3,084,470	5.85%	5.85%
Other	Ordinary bearer	19,934,387	19,934,387	37.83%	37.83%

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

\*\*On the basis of the list of shareholders holding at least 5% of votes at the Extraordinary General Meeting of Shareholders of CIECH S.A. on 26 October 2021, CR 36/2021 prepared and published pursuant to Article 70(3) of the Act of 29 July 2005 on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies (Journal of Laws of 2009, No 185, item 1439).

\*\*\*On the basis of the list of shareholders holding at least 5% of votes at the Extraordinary General Meeting of Shareholders of CIECH S.A. on 26 October 2021, CR 36/2021 prepared and published pursuant to Article 70(3) of the Act of 29 July 2005 on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies (Journal of Laws of 2009, No 185, item 1439).

## 7.11 SHAREHOLDERS WITH SPECIAL CONTROL RIGHTS

As at the publication date of the financial statements, all shares of CIECH S.A. are ordinary bearer shares. The Articles of Association of CIECH S.A. does not provide for any special control rights for the shareholders.

## 7.12 RESTRICTIONS CONCERNING THE EXERCISE OF THE VOTING RIGHTS

In CIECH S.A. there are no restrictions concerning the exercise of the voting rights, such as the voting rights of holders of a specific part or number of votes, time limits concerning the exercise of voting rights, or regulations, according to which, in the case of company's cooperation, equity rights related to securities are separated from the securities themselves.

Restrictions concerning the exercise of voting rights in the Company may result only from generally applicable provisions of the law.

### 7.13 RESTRICTIONS CONCERNING THE TRANSFER OF OWNERSHIP RIGHTS TO THE ISSUER'S SECURITIES

The Articles of Association of CIECH S.A. do not impose any restrictions concerning the transfer of ownership rights to securities issued by the CIECH S.A.

### 7.14 DESCRIPTION OF RIGHTS FOR MAKING DECISIONS ON THE ISSUE OR REDEMPTION OF SHARES

The rights of managers are specified by the provisions of the Code of Commercial Partnerships and Companies and Articles of Association of the Company. Managers do not hold specific rights to take the decision about the issue or redemption of shares. Decisions on the issue or repurchase of shares are within the competence of the General Meeting which may authorise the Management Board to issue and repurchase shares in the Company ("Treasury Shares") within the limits of the authorisation set by a resolution of the General Meeting.

### 7.15 PRINCIPLES OF AMENDING THE ISSUER'S ARTICLES OF ASSOCIATION

The amendment of Articles of Association of the Company is introduced under the principles specified in the provisions of the Code of Commercial Partnerships and Companies. Articles of Association do not include detailed regulations with regard to the above regulations. The amendment of Articles of Association requires a resolution of the Company's General Meeting of Shareholders and an entry in the Register of Entrepreneurs. The resolution of the General Meeting of Shareholders concerning the amendment of the Company's Articles of Association is passed by a majority of three quarters of votes. After the amendment to Articles of Association is entered into the Register of Entrepreneurs, CIECH S.A. makes a current report on this, subject available to the public. The Company's General Meeting of Shareholders may authorise the Supervisory Board to determine the consolidated text of Articles of Association.

### 7.16 CORPORATE BODIES OF CIECH S.A. AND PRINCIPLES GOVERNING THEIR OPERATION

#### **General Meeting of Shareholders of CIECH S.A.**

The operations of the General Meeting of Shareholders of CIECH S.A. and its rights are governed by the Company's Articles of Association and the Regulations of the General Meeting of Shareholders of CIECH S.A. These documents are available on the corporate website of CIECH S.A.: <http://ciechgroup.com/relacje-inwestorskie/tad-korporacyjny/>.

The General Meeting of Shareholders of CIECH S.A. is held as ordinary or extraordinary meeting in accordance with the provisions of the Code of Commercial Partnerships and Companies and Articles of Association under the principles specified in the Regulations of the General Meeting of Shareholders. The General Meeting of Shareholders is convened in a manner and under principles specified in the generally applicable provisions. Announcement on convening the General Meeting of Shareholders is posted on the Company's website and communicated in a current report. The announcement is to be made at least twenty six days before the date of the General Meeting of Shareholders. The Annual General Meeting is convened by the Company's Management Board. The Supervisory Board may convene the Annual General Meeting if the Management Board does not convene it by the fixed date. The following are entitled to the right to convene an Extraordinary General Meeting:

- the Management Board,
- the Supervisory Board if it deems its convening as necessary,
- Shareholders representing at least half of the share capital or at least half of the total number of votes in the Company.

A shareholder or shareholders representing at least 1/20 of the share capital may demand the convening of an Extraordinary General Meeting and may put specific items on the agenda of this Meeting. The demand should be reported to the

Management Board in writing or in electronic form to the e-mail address indicated on the Company's website, along with substantiation. A shareholder or shareholders representing at least 1/20 of the share capital may:

- demand the inclusion of specific items in the agenda of the next General Meeting – such demand should be reported to the Management Board in writing or in electronic form to the e-mail address indicated on the Company's website, no later than twenty one days before the fixed date of the Meeting and is to contain substantiation or a draft of the resolution concerning the proposed item on the meeting agenda;
- submit drafts of resolutions concerning the items put on the agenda of the General Meeting or items that are to be included to the meeting agenda to the Company in writing or by means of electronic communication to the e-mail address indicated on the Company website before the date of the General Meeting.

According to the Articles of Association of CIECH S.A. the competences of the General Meeting include in particular:

- consideration and approval of the Management Board's report on Company's activities, the financial statements for the previous year, the consolidated financial statements and the report on the capital group's activities, in which the parent company is the Company, as long as the Company prepares them, and the annual written statement of the Supervisory Board, as well as acknowledging the fulfillment of duties by Company's bodies;
- taking resolutions on the distribution of profit or covering the losses;
- adoption of Regulations of the General Meeting;
- amending the Articles of Association of the Company;
- changing the Company's business profile;
- sale or lease of, or creation of limited property rights in, the Company's enterprise or its organised part;
- appointing and dismissing the Supervisory Board members and determining the amount of remuneration for the Supervisory Board Members;
- increasing or reducing the share capital;
- passing resolutions concerning the bonds issue, including bonds exchangeable for shares;
- merger, demerger and transformation of the Company;
- dissolution of the Company;
- expressing the consent for the acquisition of shares by the Company for the purposes of their cancellation and determining the conditions of share cancellation;
- passing other resolutions provided for in the provisions of the law or in these Articles of Association.

According to § 21(2)(c) of the Articles of Association of CIECH S.A., the items raised at the General Meeting of CIECH S.A. are considered and opined on by the Supervisory Board of CIECH S.A.

Shareholders may participate in the General Meeting and exercise the voting right in person or through a representative or a proxy. The power of attorney should be granted in writing or in electronic form. A shareholder granting or revoking the proxy for participation in the General Meeting in electronic form will inform the Company by e-mail to the address [wza@ciechgroup.com](mailto:wza@ciechgroup.com).

According to the Regulations of the General Meeting of CIECH S.A., the General Meeting is attended by the participants of the General Meeting and members of the Management Board and the Supervisory Board, in composition which allows them to provide factual answers to questions asked during the Meeting. In addition, the following persons may take part in the Meeting:

- experts, advisers and Company's employees, the presence of which is deemed purposeful by the Company's Management Board, Supervisory Board;
- persons servicing the General Meeting;
- representatives of mass media invited by the Company's Management Board, as long as the General Meeting does not object to their presence by way of resolution;
- persons referred to Article 370 § 3 and Article 395 § 3 sentence 2 of the Code of Commercial Partnerships and Companies;
- the statutory auditor of the Company invited by the Company's Management Board.

The Chairman of the Meeting is selected from the participants of the Meeting. The Chairman directs the course of the Meeting in accordance with the adopted meeting agenda, provisions of the law, Articles of Association and Regulations of the General Meeting, ensuring an efficient course of the Meeting with respect to the rights and interests of all Shareholders.

The Chairman of the General Meeting may independently order breaks at the meeting other than the breaks ordered by the General Meeting pursuant to Article 408 § 2 of the Code of Commercial Partnerships and Companies. Breaks should be ordered by the Chairman in such a way, that the Meeting can be concluded on the day of its commencement.

Participants of the General Meeting may place substantive applications concerning the matters included in the meeting's agenda, ordinal applications and an application for convening an extraordinary general meeting.

1. Substantive motions, submitted in a written form to the Chairman of the General Meeting, may concern:

- amendments to draft resolutions,
- removal of a specific issue from the agenda,
- rearrangement of the agenda,
- appointment and removal of Supervisory Board members.

2. Procedural motions may be submitted to the Chairman of the General Meeting orally.

The Articles of Association do not provide for the possibility of participating and expressing opinion by means of electronic communication in the course of the Meeting.

Drafts of resolutions proposed for acceptance by the General Meeting are uploaded to the Company website. Resolutions of the General Meeting are adopted by an absolute majority of votes, unless the provisions of the Code of Commercial Partnerships and Companies or the Articles of Association provide for stricter terms of adoption.

The Regulations of the General Meeting of Shareholders do not provide for the possibility of voting by correspondence as referred to in Article 411 of the Code of Commercial Partnerships and Companies.

Voting is carried out by open ballot. A secret ballot is ordered in cases provided for in the Code of Commercial Partnerships and Companies and the Company's Articles of Association. A secret ballot is also ordered when a Participant in the General Meeting requests the adoption of a resolution by means of a secret ballot.

The results of the vote are announced by the Chairman of the General Meeting. Once the results of the vote are announced, the Chairman of the General Meeting allows the participants in the General Meeting to submit their objections with a brief justification to be included in the minutes on the General Meeting which are drawn-up by a notary in the form of a notarial deed.

A Participant of the General Meeting who is a member of the Company's governing authorities may take part in the vote on the acknowledgement of fulfilment of duties by other members of that authority of the Company that he/she is a member of.

### **Supervisory Board**

Pursuant to § 20(1) of the Company's Articles of Association, the Supervisory Board consists of five to seven Members appointed by the General Meeting. The number of Supervisory Board members is determined by the General Meeting by way of a resolution. The joint term of the Supervisory Board Members lasts five years.

The Supervisory Board of CIECH S.A. operates on the basis of the regulations passed by the Supervisory Board and approved by the General Meeting. The Supervisory Board appoints the Chairman of the Supervisory Board from among its members and, if necessary, his deputy and secretary. The Supervisory Board supervises the Company's operations.

**The competences of the Supervisory Board include:**

- a) the assessment of the Management Board's report on the Company's activity and financial statements for the previous financial year and the consolidated financial statements and the Board's report on the activity of the Group, in which the Company is a parent company as long as the Company develops them in respect of their compliance with ledgers and documents and the factual state and Management Board's motions, concerning the distribution of profit or covering of losses and the submission to the General Meeting of an annual written report on the results of these assessments;
- b) reviewing and giving its opinion on the Company's strategy and multi-annual financial plans and action programmes drawn up by the Management Board;
- c) considering and giving opinions on draft resolutions and matters that are to be the subject of resolutions of the General Meeting;
- d) adopting the Supervisory Board's regulations;
- e) approving the Management Board's regulations;
- f) defining, in the form of regulations, detailed rules for participation in meetings of the Supervisory Board, committees of the Supervisory Board and in the General Meeting by means of direct remote communication or electronic communication;
- g) adopting the regulations of the Audit Committee and other committees appointed by the Supervisory Board;
- h) appointing and dismissing the Management Board Members, including the President of the Management Board;
- i) determining the rules for remuneration and their levels for the Management Board Members, including the President of the Management Board;

- j) selecting the audit firm to carry out an audit of the Company's financial statements and of the consolidated financial statements of the Capital Group;
- k) granting consent to purchase or dispose of real property, perpetual usufruct right to, or interest in real property;
- l) granting consent to disposal of right or incur of liability exceeding the amount of PLN 20,000,000 net, with the exception of:
  - 1) purchase and sale of raw materials, semi-finished products, commercial goods, energy, gas, CO2 emission rights, media, transport services and packaging connected with the object of activity of the Company,
  - 2) assuming liabilities related to the main operations of the Company in the amount not exceeding 10% of the Company's equity;
  - 3) activities requiring the consent of the General Meeting.
  - 4) transactions within the Capital Group of the Company, i.e. transactions with subsidiaries or between the subsidiaries;
  - 5) incurring liabilities or disposing of rights within the implementation of project referred to in letter (m);
- m) granting consent to the implementation of an project in the value exceeding PLN 20,000,000 net, including incurring any liabilities or disposing of any rights resulting therefrom;
- n) giving opinions about the candidates for the members of supervisory boards of companies, in which the Company is a partner or a shareholder;
- o) approving the annual financial plan of the Company, the Company's Capital Group and amendments thereto;
- p) granting consent to charge assets of the Company with the amount (sum of security) exceeding PLN 10 million net;
- q) granting consent to the Company's granting of sureties or guarantees or establishing other securities with regard to cases with a value exceeding PLN 20,000,000 net. The consent of the Supervisory Board is not required for the guarantee or other security, if the beneficiary of the established security is a subsidiary of the Company;
- r) granting consent to make the payment of interim dividend;
- s) granting consent to the exercise by the Company of ownership rights, vested in it as a shareholder or stockholder of a subsidiary with regard to cases exceeding PLN 20,000,000 net, provided that such consent is not required in cases referred to in letter (l) point 1-5) and letter (m), related to a subsidiary;
- t) granting consent to the conclusion by the Company of a material transaction with its related party in accordance with the procedure and principles set out in the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of 29 July 2005;
- u) temporary withdrawal from the application of the remuneration policy in the manner and under the conditions set out in the Act referred to in letter (t) above;
- v) drawing up an annual remuneration report in the manner and under the rules set out in the Act referred to in letter (u) above.

The Supervisory Board passes resolutions with an absolute majority of votes in the presence of at least half of the members of the Supervisory Board and in the event of a tied vote the Supervisory Board Chairman's vote is decisive. According to the Articles of Association of CIECH S.A., the Supervisory Board may pass resolutions without convening a meeting, by way of written vote or vote by means of direct communication at a distance, however in order for the adoption of a resolution to be effective in such a case, it is necessary to inform all Supervisory Board members of the content of the draft of the resolution and for at least half of its members to participate in the adoption of a given resolution. Supervisory Board Members may participate in the adoption of resolutions by the Supervisory Board by casting their vote in writing through another Supervisory Board Member. Casting of a vote in writing may not be concerned with matters introduced to the agenda during a meeting of the Supervisory Board.

The Supervisory Board may adopt resolutions in writing or by means of electronic communication also in matters where a secret ballot is required, unless any member of the Board objects.

Supervisory Board meetings are held as needed, however, no less frequently than once per quarter.

Every year, the Supervisory Board of CIECH S.A. prepares and submits a report on the Activity of the Supervisory Board for the given financial year to the Annual General Meeting of the Company. The report contains a detailed discussion on the activity of the Supervisory Board, discussion on the implementation by the Company's Management Board of action plans, the assessment of the Company's Management Board report on the activity of the Company and the CIECH Group, financial statements of the Company and the CIECH Group and the motion of the Company's Management Board concerning division of profits or covering of losses.

Having in mind of the highest standards and best practices and in order to provide the possibility for reliable assessment of the Company by shareholders, the Supervisory Board of CIECH S.A. makes a concise assessment of the situation of CIECH S.A. taking into account an assessment of the internal control system and the system in place to manage the risks relevant to the company. This assessment is presented annually during the Annual General Meeting of the Company, at a time allowing CIECH S.A.'s shareholders to become acquainted with the document.

As at 1 January 2021, the Supervisory Board consisted of the following members:

- Sebastian Kulczyk – Chairman of the Supervisory Board,
- Marek Kośnik – Deputy Chairman of the Supervisory Board,
- Piotr Augustyniak,
- Łukasz Rędziniak,
- Artur Olech,
- Martin Laudенbach.

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

On 26 October 2021, the Extraordinary Shareholders' Meeting of CIECH S.A. appointed Ms Natalia Scherbakoff as a member of the Supervisory Board of CIECH S.A.

As at 31 December 2021, the Supervisory Board consisted of the following members:

- Sebastian Kulczyk – Chairman of the Supervisory Board,
- Marek Kośnik – Deputy Chairman of the Supervisory Board,
- Łukasz Rędziniak,
- Artur Olech,
- Martin Laudенbach,
- Natalia Scherbakoff.

The body responsible for establishing the remuneration for the Supervisory Board members is the General Meeting. On 21 May 2020, the Ordinary General Meeting adopted the Remuneration Policy for the Members of the Management Board and Supervisory Board of CIECH S.A. (the "Remuneration Policy"), which includes the solutions required by the Act of 29 July 2005 on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies (Journal of Laws of 2019, item 623, as amended) (hereinafter the "Act"). The Remuneration Policy of CIECH S.A. stipulates that the solutions adopted in it will contribute to the Company's business strategy and long-term interests and sustainability.

In addition, the Remuneration Policy contains an authorisation for the Supervisory Board to further specify the principles of remuneration of members of the Management Board, in accordance with the provisions set forth in the Act.

Detailed information on amounts of remuneration paid to particular Members of the Supervisory Board is provided in Note 9.3.4 to the Consolidated Financial Statements of the CIECH Group for 2021 and in Note 9.3.4 to the Financial Statements of CIECH S.A. for 2021.

Detailed information about CIECH S.A. Supervisory Board Members is presented below.

**TABLE 47: CIECH S.A.'S SUPERVISORY BOARD AS AT 31 DECEMBER 2021**

<b>SEBASTIAN KULCZYK</b> <b>Chairman</b> <b>of the Supervisory Board of</b> <b>CIECH S.A.</b> <b>since 8 October 2015</b>	<p>Since 2010 he has been associated with Kulczyk Investments Group, and since December 2013 he has been Chief Executive Officer of Kulczyk Investments S.A. Member of Supervisory Boards in the following companies: Polenergia S.A., Autostrada Wielkopolska S.A. and Autostrada Wielkopolska II S.A. From 2009 to 2010, he worked at an investment bank, Lazard, in London. Experienced manager of companies from the e-business sector. He also worked in the department for digital media at SonyBMG, New York. For many years, he has invested in and developed new-tech ventures.</p> <p>Sebastian Kulczyk does not conduct any activities that are competitive to the business of CIECH S.A.</p> <p>According to his representation, Mr Sebastian Kulczyk does not meet the criteria of independence within the meaning of Annex II to Recommendation of the European Commission 2005/162/EC of 15 February 2005.</p>
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**MAREK KOŚNIK**

**Supervisory Board Member of CIECH S.A. since 28 January 2019 – Deputy Chairman of the Supervisory Board of CIECH S.A. since 16 July 2020,**

He is a graduate of the Faculty of Management at the University of Warsaw and MBA studies at Harvard Business School. He works in a private equity fund – CVC Capital Partners – as a Senior Managing Director with responsibility for assessing investment projects, supervising the portfolio and implementing digital strategies. In the past, he worked for such companies as Bain & Company, Terra Firma Capital Partners and McKinsey & Company. He has gained experience in building company strategies, investment processes, restructuring and digital transformations. An investor in new technologies projects.

Marek Kośnik does not conduct any activities that are competitive to the business of CIECH S.A.

According to his representation, Mr Marek Kośnik meets the criteria of independence within the meaning of Annex II to Recommendation of the European Commission 2005/162/EC of 15 February 2005.

**MARTIN LAUDENBACH**

**Member of the Supervisory Board from 21 May 2020.**

Graduate of the Business Administration Faculty of the University of Mannheim. He also completed „Making Corporate Boards More Effective” course organized by Harvard Business School in Boston.

From 2010 to 2017, he worked at Solvay Group. He oversaw the business activities of Solvay Group companies in the Asia-Pacific region. He was also a member of the management board of Vinythai Public Company (listed on the Thailand Stock Exchange, Solvay Group) and president of the management board of Solvay Polyamide & Intermediates (formerly Rhodia). From 2007 to 2009, he was the CEO of Almatris Group (leader in development, manufacture and supply of specialty alumina and alumina-based products). From 1988 to 2005, he worked for BASF Group, managing BASF's Fine Chemicals Division, among others.

Mr Martin Laudenbach does not conduct any activities that are competitive to the business of CIECH S.A.

According to his representation, Mr Martin Laudenbach meets the criteria of independence within the meaning of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight, and within the meaning of Annex II to Recommendation of the European Commission 2005/162/EC of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board, as well as the criteria described in the Code of Best Practice for WSE Listed Companies 2016.

**NATALIA SCHERBAKOFF**

**Supervisory Board Member of CIECH S.A. since 26 October 2021**

Mrs. Natalia Scherbakoff holds Ph.D. and M.Sc. degrees in Macromolecular Science from Case Western Reserve University (USA), Chemical Engineer title from Mauá Engineering University (Brazil) and MBA diploma from Getulio Vargas Foundation (Brazil).

Senior Executive with a demonstrated history of working in the chemical, automotive, and composites industry. As Global Technology and Innovation Director at Trinseo (Switzerland), she is responsible for Research, Development, and Innovation Sustainability. She supports key corporate growth initiatives such as M&A. She is also a Board Member (Non-Executive) of Clayens NP and a Member of Forbes Technology Council.

Natalia Scherbakoff does not conduct any activities that are competitive to the business of CIECH S.A.

According to her representation, Mrs Natalia Scherbakoff meets the criteria of independence within the meaning of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight, and within the meaning of Annex II to Recommendation of the European Commission 2005/162/EC of 15 February 2005.

**ARTUR OLECH**

**Supervisory Board Member of CIECH S.A. from 7 July 2014**

A graduate from the Faculty of Law at the University of Warsaw and from the Faculty of Finance and Banking at the Warsaw School of Economics. He attended numerous training sessions for top management, including training at the Harvard Business School, Kellogg School of Management and Chicago GSB.

He is an expert in business process management. Founder and President of the Management Board of a technology and consulting company, hiPRO Sp. z o.o., since October 2016. Until August 2016, he was the President of the Management Board of Pocztowe Towarzystwo Ubezpieczeń Wzajemnych S.A. and Pocztowe Towarzystwo Ubezpieczeń na Życie S.A.

From November 1998 to February 2014, Artur Olech served in the Management Board of the Generali Group. In 2003-2008, he was Member of the Management Board, then Vice-President of the Management Board responsible for life and pension insurances. In 2010, he was appointed President of the Management Board, and he held this position until 2014. In 1997-1998, he served as Director of Volkswagen Bank Polska/Volkswagen Leasing Polska-Warszawa. From 1996 to 1997, he worked as analyst in the Polish Institute of Management (PIM Sp. z o.o.). Previously, he worked for three years as project manager in Fundacja CASE Consulting (Fundacja Centrum Analiz Społeczno-Ekonomicznych) in Warsaw.

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	<p>In 2012, he was granted the Personal Award for Top Manager in Insurance Industry (by Wprost magazine). Responsible for the project entitled: "Exit Processes in Transitional Economy" on behalf of the World Bank, implemented within CASE Consulting under the supervision of Prof. Leszek Balcerowicz.</p> <p>Artur Olech does not conduct any activities that are competitive to the business of CIECH S.A.</p> <p>According to his representation, Mr Artur Olech meets the criteria of independence within the meaning of Annex II to Recommendation of the European Commission 2005/162/EC of 15 February 2005.</p>
<p><b>ŁUKASZ RĘDZINIAK</b> <b>Supervisory Board Member of CIECH S.A. since 23 January 2020</b></p>	<p>Attorney-at-law. Since 1996, a member of the District Bar Association in Warsaw.</p> <p>In 1990–1991, a research assistant at the Faculty of Law and Administration of the Jagiellonian University. Lawyer at Consoft Consulting Sp. z o.o. (1991-1992); attorney-at-law in an individual law firm cooperating with Dewey Ballantine Sp. z o.o. (1997-2000), lawyer at Dewey &amp; LeBoeuf LLP (1993 - 2007), and a partner of this law firm since 2001. In 2007–2009, Undersecretary of State in the Ministry of Justice of the Republic of Poland. In 2009-2013, the managing partner of the office of Studnicki Pleszka Cwiąkalski Górski Sp. K. in Warsaw. Since 2013 to 2020, Member of the Management Board of Kulczyk Investments S.A. Moreover, 2004-2007 and 2013-2021, he was a Member and Secretary of the Supervisory Board of Firma Oponiarska Dębica S.A.</p> <p>Currently a board member of Kulczyk Privatstiftung, STK Properties Limited and Windrose Air Jetcharter GmbH. He is also the Chairman of the Board of Directors of Serinus Energy plc, and a member of the Supervisory Board of Autostrada Wielkopolska S.A., Autostrada Wielkopolska II S.A. and A2 Route Sp. z o.o.</p> <p>Łukasz Rędziński does not conduct any activities that are competitive to the business of CIECH S.A.</p> <p>According to his representation, Mr Łukasz Rędziński does not meet the criteria of independence within the meaning of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight, and within the meaning of Annex II to Recommendation of the European Commission 2005/162/EC of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board, as well as the criteria described in the Code of Best Practice for WSE Listed Companies 2016.</p>

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#### Committees of the Supervisory Board of CIECH S.A.

The following Committees operate within the framework of the Supervisory Board of CIECH S.A.: Audit Committee of the Supervisory Board of CIECH S.A. and Remuneration Committee of the Supervisory Board of CIECH S.A.

#### Audit Committee

The first Audit Committee of the Supervisory Board of CIECH S.A. was appointed by Resolution No 57/IV/2005 from 16 February 2005. The Committee is an advisory and consultative body to the Supervisory Board and is appointed to improve the effectiveness of the supervision of the correctness of financial reporting of the Company, financial results of the Company, effectiveness of internal control, including internal audit and risk management, exercised by the Supervisory Board.

The Audit Committee is composed of at least three Members of the Committee, including the Chairman of the Audit Committee. A majority of Members of the Audit Committee, including its Chairman, should meet the independence criteria set forth in Article 129(3) of the Act.

According to the Audit Committee Regulations the tasks of the Audit Committee include in particular:

- a) monitoring:
  - the financial reporting process;
  - effectiveness of the internal control system, as well as risk management and internal audit systems, also with regard to financial reporting;
  - performance of financial auditing activities, in particular auditing by the audit firm, taking into consideration any applications and determinations of the Audit Oversight Commission resulting from the control carried out in the audit firm;
- b) control and monitoring of independence of the statutory auditor and the audit firm, especially, if the audit firm provides to the public interest entity services other than auditing;
- c) informing the Supervisory Board or other supervisory authority about audit results and explanation of how this audit contributed to reliability of financial reporting in the Company, as well as what was the role of the Audit Committee in the audit process;
- d) assessment of independence of the statutory auditor and expressing consent to his/her provision of permitted services other than audits in the Company,
- e) Developing a policy for selecting an audit firm to perform audits;

- f) preparation of the policy of providing acceptable services other than auditing by the audit firm conducting the audit, its affiliates and by a member of the audit firm's network;
- g) determination of the procedure of selecting the audit firm by the Company,
- h) presenting to the Supervisory Board or other supervisory or controlling authority, or the authority referred to in Article 66(4) of the Accounting Act of 29 September 1994, the recommendation referred to in Article 16(2) of Regulation No 537/2014, in accordance with the policies referred to in points (e) and (f);
- i) submission of recommendations aimed at ensuring reliability of the financial reporting process in the Company.

The Audit Committee elects its Chairman from among its members in a secret ballot. The Chairman of the Audit Committee manages the Committee's work, supervises the preparation of agenda, organisation of document distribution and preparation of minutes of Audit Committee meetings.

The Audit Committee of the Supervisory Board of CIECH S.A. submits an annual report on its activity which is a part of the Report on the activity of the Supervisory Board of CIECH S.A. provided to Shareholders during the Annual General Meeting of CIECH S.A.

As at 1 January 2021, the composition of Audit Committee was as follows:

- Piotr Augustyniak – Chairman of the Committee;
- Marek Kośnik – Committee Member,
- Artur Olech – Committee Member.

Mr Piotr Augustyniak ceased to be a member of the Audit Committee due to his resignation from the Supervisory Board of CIECH S.A. as of 16 March 2021.

Following the above resignation, on 30 March 2021 the Supervisory Board of CIECH S.A. appointed Mr Łukasz Rędziniak to the Audit Committee.

The audit committee at the first meeting in a changed composition, i.e. on 20 April 2021, selected Mr. Marek Kośnik as the Chairman of the Audit Committee.

On 21 September 2021, the Audit Committee elected Mr Artur Olech as Chairman of the Audit Committee, following the resignation of Mr Marek Kośnik as Chairman.

As at 31 December 2021, the composition of Audit Committee was as follows:

- Artur Olech – Chairman of the Committee;
- Marek Kośnik – Committee Member;
- Łukasz Rędziniak – Committee Member.

Two Members of the Audit Committee meet the independence criterion.

Members of the Audit Committee who are knowledgeable about and skilled in accounting or auditing of financial statements are Mr Artur Olech, Mr Marek Kośnik and Mr Łukasz Rędziniak. The professional experience of the Audit Committee Members which confirms their knowledge of and skills in the field is presented in table 51 of this report and on the CIECH S.A. website: <https://ciechgroup.com/grupa-ciech/rada-nadzorcza/>.

Members of the Audit Committee who are knowledgeable about and skilled in the filed in which CIECH S.A. operates are Mr Artur Olech, Mr Marek Kośnik and Mr Łukasz Rędziniak. The professional experience of the Audit Committee Members which confirms their knowledge of and skills in the field is presented in table 51 of this report and on the CIECH S.A. website: <https://ciechgroup.com/grupa-ciech/rada-nadzorcza/>.

The following policies on cooperation with the audit firm are in force at CIECH S.A.:

- *"Policy for the provision of permitted non-audit services by the audit firm conducting the audit of the financial statements"*.

In accordance with the Policy, the audit firm conducting the audit of the financial statements, its affiliates and a member of the audit firm's network may provide only permitted non-audit services specified in the Act of 11 May 2017 on statutory auditors, audit firms and public supervision that are not prohibited services within the meaning of the Act and Regulation

(EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC. The Policy also specifies the catalogue of permitted services.

Ordering a service requires an audit firm to confirm that ordered non-audit services are not prohibited services within the meaning of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision and within the meaning of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC and that the audit firm is able to perform the services in an unobstructed manner.

The Audit Committee, having assessed the risks and safeguards of independence, consents to the provision of the permitted non-audit services.

Permitted services other than auditing of financial statements were provided to CIECH S.A. and CIECH Group companies in 2021. In each instance the Audit Committee assessed independence and consented to the provision of such services. The Audit Committee analyses reports on the audit firm's performance of permitted services.

- *"Policy and procedure of selecting the audit firm"* (changed by a resolution of the Supervisory Board of CIECH S.A. on 19 October 2021). The Policy defines formal conditions and criteria for the selection of the audit firm, the most important of which are:

- the selection is made by the Supervisory Board on the basis of the Audit Committee's recommendations;
- formal conditions for the selection of the audit firm:
  - 1) the first audit agreement is concluded with an audit firm for a period not shorter than two years, with an option to contract (order) renewal the term for further periods of at least two years;
  - 2) subject to point 1), neither the first contract concluded with the audit company nor the first contract, including any renewed contracts, may last longer than 10 years;
  - 3) after the end of the order referred to in point 2, neither the audit firm nor any member of the network operating within the EU may be re-selected to audit financial statements within the next 4 years,
  - 4) a key statutory auditor may not perform statutory audit in CIECH S.A. and the CIECH Capital Group for a period of more than 5 subsequent years since appointment;
  - 5) a key statutory auditor may perform the statutory audit again after at least 3 years from the end of the last statutory audit;
  - 6) the audit firm ensures that the audit is carried out in accordance with the International Standards on Auditing and International Financial Reporting Standards as well as the standards and regulations applicable to the Companies in the individual countries in which CIECH SA has subsidiaries;
  - 7) the audit firm provides the ability to provide the full range of services specified by CIECH S.A. (audit of separate financial statements, audit of consolidated financial statements, reviews, etc.);
  - 8) the audit firm ensures that CIECH Group companies based abroad are audited;
  - 9) the audit firm observes the principles of impartiality and independence, relating to the CIECH Group as well as to the group of the ultimate parent company.

On 26 March 2020, the Audit Committee of CIECH S.A., acting in accordance with the Regulations of the Audit Committee and the "Policy and procedure for the selection of the audit firm to audit the statutory financial statements of CIECH S.A. and the consolidated statements of the CIECH Capital Group" in connection with the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight, issued a recommendation regarding the selection of the audit firm - Deloitte Audyt Sp. z o.o. Sp. k., to audit the statutory financial statements of CIECH S.A. and the consolidated statements of the CIECH Group for the years 2020-2021.

On 1 April 2020, the Supervisory Board of CIECH S.A., having considered the recommendation of the Audit Committee of the Supervisory Board of CIECH S.A. and completed the selection process, selected the audit firm, Deloitte Audyt Sp. z o.o. Sp. k. to audit the statutory financial statements of CIECH S.A. and the consolidated financial statements of the CIECH Capital Group for the years 2020-2021.

#### Remuneration Committee of the Supervisory Board of CIECH S.A.

The first Remuneration Committee was appointed by Resolution No 66/IV/2005 of the Supervisory Board of CIECH S.A. According to the Remuneration Committee Regulations, the primary task of the Committee is to advise the Supervisory Board on matters related to the establishment of the principles and amounts of remuneration of the CIECH S.A.'s Management Board members.

In 2021, the composition of the Remuneration Committee did not change and is as follows:

- Sebastian Kulczyk – Chairman of the Committee,
- Marek Kośnik.

In particular the Remuneration Committee's tasks include:

- presenting the Supervisory Board with proposals of the principles of remuneration of CIECH S.A.'s Management Board members, which should account for all forms of remuneration, in particular as regards: base remuneration, remuneration system based on results, retirement system and severance payments
- presenting the Supervisory Board with regarding the amounts of remuneration for each CIECH S.A.'s Management Board member,
- presenting the Supervisory Board with drafts of agreements, regulating the performance of responsibilities CIECH S.A.'s Management Board members
- discussion (with or without the involvement of the Management Board) of all problems or reservations that may arise in matters related to the remuneration of CIECH S.A.'s Management Board
- consideration of all other matters to which the Committee or Supervisory Board has paid attention
- informing the Supervisory Board of all significant matters in the general context of the Committee's activity.

The Remuneration Committee of the Supervisory Board of CIECH S.A. elects a Chairman from among its members to manage the Committee's work.

The Remuneration Committee of the Supervisory Board of CIECH S.A. submits an annual report on its activity, which is a part of the Report on the activity of the Supervisory Board of CIECH S.A., provided to Shareholders during the Ordinary General Meeting of CIECH S.A.

#### Management Board

According to § 23(1) of the Company's Articles of Association, the Management Board consists of at least two members. The Supervisory Board appoints the Chairman of the Management Board and other Board members. The Supervisory Board determines the number of Board Members. The joint term of the Management Board members lasts three years.

The term of office of a Management Board Member expires at the close of the General Meeting approving the financial statements for the last full financial year in which the Management Board Member held his position in the Company's Management Board during the term of office for which this Member was appointed.

The Management Board's competences include all matters and economic decisions and other decisions not reserved by the regulations of the Code of Commercial Partnerships and Companies or the stipulations of the Company's Articles of Association as belonging solely to the General Meeting or Supervisory Board.

Two Board Members jointly or one Board member together with an proxy are authorized to make declarations of will and to sign them on behalf of the Company.

The current joint term of the Company's Management Board commenced on 22 June 2021. The Company applies the policy of internal distribution of powers among Board Members, in terms of managing the affairs of the Company. A detailed description of segregation of powers of individual Board Members is specified by the Management Board. Within the scope of ordinary activities of the Company, each Board Member is obliged and authorised to independently manage the Company's affairs falling under his/her powers, in accordance with the distribution determined by the Management Board.

The Management Board of CIECH S.A. operates on the basis of the regulations passed by the Management Board and approved by the Supervisory Board. Resolutions of the Management Board are passed by an absolute majority of votes cast with a quorum of at least half of the Management Board members. In the case of a voting tie, the President of the

Management Board has the casting vote. In accordance with the principles of best practices, Management Board Regulations state that in the event of a conflict of the Company's interest with the personal interests of a Board Member, his spouse, relatives or kinsman of the second degree or persons with whom he has a personal relationship, he should abstain from participation in the settlement of such matters, and request for this to be noted in the Board's meeting protocol.

Management Board's resolutions are required only in respect of matters exceeding the scope of ordinary Company's activities including in particular:

- a) the approval and amendment of the Management Board's Regulations;
- b) the approval and amendment of the Company's Organisational Regulations;
- c) adoption of motions addressed to the Supervisory Board or the General Meeting;
- d) convening General Meetings and determining their agendas;
- e) the acceptance of annual and long-term financial plans and development strategies for the Company;
- f) the grant of proxy or general power of attorney;
- g) taking out credit and loans;
- h) granting loans and donations;
- i) the disposal of a right or assumption of a liability exceeding the amount of PLN 500 thousand net, excluding purchase and sale of raw materials, semi-finished products, commercial goods, energy, gas, CO2 emission rights, media, transport services and packaging connected with the object of activity of the Company up to PLN 6 million net, in the form of one-off transaction or a series of related transactions;
- j) incurring liabilities by bank or insurance guarantees, incurring liabilities under promissory notes, granting all types of guarantees and the establishment of other securities.

A Management Board's resolution is also required in matters not exceeding the scope of ordinary Company's activities if its passing is requested by any of the Management Board's Members.

Throughout 2021, the composition of the Company's Management Board was as follows:

- Dawid Jakubowicz — President of the Management Board;
- Mirosław Skowron — Member of the Management Board,
- Jarosław Romanowski — Member of the Management Board.

The body responsible for establishing the principles and level of remuneration for the Management Board members is the CIECH S.A. Supervisory Board, pursuant to the Remuneration Policy for Members of the Management Board and Supervisory Board of CIECH S.A. adopted on 21 May 2020 by the Ordinary General Meeting of CIECH S.A.

TABLE 48: CIECH S.A.'S MANAGEMENT BOARD AS AT 31 DECEMBER 2021



#### DAWID JAKUBOWICZ

President of the Management Board of CIECH S.A. since 10 September 2018

He has completed a Program for Leadership Development (PLD) at the Harvard Business School in Boston and holds the MBA title from the Georgia State University and the University of Economy in Poznań. A graduate of the Faculty of Economy at the University of Economy in Poznań.

Mr Dawid Jakubowicz is a member of the management board of Kulczyk Investments S.A. He joined Kulczyk Investments in 2010 and has since then been responsible for the supervision of the investment portfolio. He is an esteemed expert with the international operational experience in building the value of companies from the chemical, mining, energy, automotive and new technologies sectors. Enlisted as a qualified auditor by the National Chamber of Statutory Auditors since 2014. In the past, he worked for international company KPMG Audyt, where he was responsible for audit of separate and consolidated financial statements of entities from many sectors.

Scope of responsibilities in CIECH S.A. – supervision over organisational units:

- HR and Administration Department
- Strategy Department
- Legal Department
- Compliance Department
- Internal Audit Department
- IR Director
- Public Relations Manager / Press Officer

**MIROSŁAW SKOWRON**

Member of the Management Board of CIECH S.A. since 10 September 2018.

Mr Mirosław Skowron graduated from the Wrocław University of Technology, completed an MBA course at the Wrocław University of Economics, holds the MBA diploma awarded by the Gdansk Foundation for Management Development, and completed a course of Strategic Leadership Academy at the ICAN Institute, organized by the Harvard Business Review.

He is an expert with many years of experience in the energy, construction and mining industries. At the CIECH Group he is responsible, among others, for issues related to production, energy and maintenance. Previously, he was among others, the president of management boards of companies such as Przedsiębiorstwo Budowy Kopalń S.A. forming a part of the KGHM Group, Polimex-Energetyka Sp. z o.o., Energa Elektrownie Ostrołęka S.A. and Energa Invest S.A., as well as PGE Elektrownia Opole S.A.

Scope of responsibilities in CIECH S.A. – supervision over organisational units:

- Investment Department (including PMO and Power Engineering)
- Asset and Safety Management Department (including OHS)
- Environmental Department
- Quality Management Department
- Strategic Investment Project Department (GRAIN)
- Operational Excellence
- Logistics / S&OP Department
- CIECH R&D.

**JAROSŁAW ROMANOWSKI**

Member of the Management Board of CIECH S.A. since 20 April 2020

A graduate of the Faculty of Management at the Poznań University of Economics. He has completed a number of prestigious courses in international finance, risk management and business valuation.

He is a manager with long-standing experience in management of global organizations. An expert in the field of international trade, financing and project development. For years, associated with the raw materials sector. In 2003-2006 and 2017-2020, Jarosław Romanowski served as Vice-President of the Management Board, Chief Financial Officer at Tele-Fonika Kable S.A. From 2002 to 2016, he worked for KGHM Polska Miedź S.A., holding the positions of: General Director for Finance, General Director for Sales and Hedging, and from 2013 to 2016 he was the First Vice President of the Management Board of KGHM Polska Miedź S.A.

Scope of responsibilities in CIECH S.A. – supervision over organisational units:

- Controlling Department
- Finance Management Department
- Accounting Department
- Tax Department
- Risk Department
- Branches (PL, DE, RO)
- Purchasing Department
- IT Department.

## 7.17 REMUNERATION FOR THE MANAGEMENT AND SUPERVISORY BODIES

Information on the remuneration for the management and supervisory bodies is provided in Note 9.3.4 to the Consolidated Financial Statements of the CIECH Group for 2021 and Note 9.3.4 to the Financial Statements of CIECH S.A. for 2021.

## 7.18 INFORMATION ABOUT AGREEMENTS SIGNED BETWEEN THE ISSUER AND PERSONS IN MANAGEMENT POSITIONS

If the Employer terminates the employment contract with a member of the Management Board upon notice, the Member is entitled to compensation in the amount of six months' remuneration. The non-competition agreement with Board Members after the termination of the employment provides a compensation in the amount of up to 50% of monthly remuneration for a period that does not exceed 24 months. Apart from those listed above, no agreements were signed between the Company and Members of the Management Board of CIECH S.A.



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## GLOSSARY OF ABBREVIATIONS AND TERMS

ASEAN	Association of South-East Asian Nations
CEE	Central and Eastern Europe
CIT	Corporate income tax
CO <sub>2</sub>	Carbon dioxide
CSR	Corporate Social Responsibility
Dual listing	Listing of a company's shares on two or more stock exchanges
EBITDA	Earnings before interest, taxes, depreciation and amortization
EBITDA (A)	EBITDA excluding one-off events
EURIBOR	Euro Interbank Offered Rate
Free float	The free float of a public company. It is the ratio of the number of shares not held by large investors, holding 5% or more of the company's shares, to the total number of outstanding shares. In other words, all the publicly-traded shares that are freely available.
GMO	Genetically modified organism
WSE	Warsaw Stock Exchange
Greenfield	Investments on areas with no prior industry or service facilities (e.g. farmlands or woodlands).
GUS	Central Statistical Office
Currency hedging	Strategy used to mitigate foreign exchange risk
IFRS	International Financial Reporting Standards
GDP	Gross Domestic Product
PUR	Polyurethane foams
Rating	Evaluation of the credit risk of a securities issuer
ROA	Return on assets
ROE	Return on equity
ROS	Return on sales
REACH Regulation	Regulation (EC) No 1907/2006 of the European Parliament and of the Council concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)
COMFORT-type jars	Glass latch lid jars
CPC	Crop protection products
Ticker	Three-letter abbreviation used on a stock exchange to uniquely identify each company
EU	European Union
WIBOR	Warsaw Interbank Offered Rate

## RATIO CALCULATION METHODOLOGY

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

<b>EBITDA (%)</b>	(operating profit + amortization/depreciation for a given period)/ net revenues from sales of products, services, goods and materials in a given period
<b>Adjusted EBITDA (%)</b>	EBITDA excluding one-off events, the more important of which were described in item 4.2.1 / net revenues from sales of products, services, goods and materials for a given period
<b>gross return on sales</b>	gross profit on sales for a given period / net revenues from sales of products, services, goods and materials for a given period
<b>return on sales</b>	profit for a given period / net revenues from sales of products, services, goods and materials for a given period
<b>EBIT margin</b>	operating profit for a given period / net revenues from sales of products, services, goods and materials for a given period
<b>EBITDA margin</b>	(operating profit + amortization/depreciation for a given period)/ net revenues from sales of products, services, goods and materials in a given period
<b>adjusted EBIT margin</b>	operating profit for a given period excluding one-off events, the more important of which were described in section 4.2.1 / net revenues from sales of products, services, goods and materials for a given period
<b>adjusted EBITDA margin</b>	EBITDA excluding one-off events, the more important of which were described in section 4.2.1 / net revenues from sales of products, services, goods and materials for a given period
<b>net return on sales (ROS)</b>	net profit for a given period / net revenues from sales of products, services, goods and materials for a given period
<b>return on assets (ROA)</b>	net profit for a given period/total assets at the end of a given period
<b>return on equity (ROE)</b>	net profit for a given period/total equity at the end of a given period
<b>debt ratio</b>	the ratio of current and non-current liabilities to total assets; measures the share of external funds in financing of a company's activity
<b>long-term debt ratio</b>	the ratio of non-current liabilities to total assets; measures the share of non-current liabilities in financing of company's activity
<b>debt to equity ratio</b>	the ratio of total liabilities to equity
<b>equity to assets ratio</b>	the ratio of equity to total assets; measures the share of equity in financing of a company's activity
<b>net financial liabilities</b>	liabilities from loans, bonds, borrowings (plus overdraft) and other debt instruments (lease + liabilities from negative valuation of derivatives calculated separately for each derivative + factoring liabilities) less cash and cash equivalents
<b>gross financial liabilities</b>	liabilities from loans, bonds, borrowings (plus overdraft) and other debt instruments (lease + liabilities from negative valuation of derivatives calculated separately for each derivative + factoring liabilities)



## REPRESENTATION BY THE MANAGEMENT BOARD

This Management Board Report on activities of the CIECH Group and CIECH S.A. in 2021 was approved by the Management Board of the Company on 29 March 2022.

Warsaw, 29 March 2022

*(signed on the polish original)*

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

*(signed on the polish original)*

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

*(signed on the polish original)*

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