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SEPARATE ANNUAL REPORT OF CIECH S.A. FOR 2015

Warsaw, 21.03.2016

www.ciechgroup.com

Dear Sirs,

I am pleased to publicly present the results of the CIECH Group for the year 2015. From the business point of view, it was a successful period for us, reflected in an increase in profits and margins. Our consolidated revenues for 2015 were running at the similar level as in 2014, and normalized EBITDA grew by 46.4% y/y. It is worth emphasizing that we have consistently improved profitability at the level of the whole of the Group – in 2015, the normalized EBITDA margin reached 22.9% towards 15.8% in the previous year.

The achievement of such good results was possible mainly thanks to the continued optimisation measures and a consistent implementation of a strategy based on organic growth. It is also worth remembering that in 2015 we were dealing with a very favourable market situation, which had a significant impact on the reported financial data. By this, I mean a positive situation on the local soda market, which was already translated into growing soda prices, the depreciation of the Polish zloty and decrease in prices of our major raw materials.

Many of you surely remember unfavourable situation of the Ciech Group a few years ago. A lot has changed since then. In the years 2013-2014, the Group underwent a deep restructuring, which helped it to regain its profitability. In 2014, the shareholding structure of CIECH S.A. was significantly changed, with KI Chemistry, a company from the Kulczyk Investments Group, becoming the majority shareholder. This change has created new possibilities, provided wide perspectives for the further development of the CIECH Group, and introduced new organizational management standards. We have also developed the 2014-2019 Strategy which assumes, inter alia, expansion and modernization of our plants. Thanks to that, the CIECH Group is presently a modern, diversified chemical group on a stable path of growth.

In 2015, we worked on further development of the Group and continued the execution of investment tasks important for us. We completed the first stage of the flagship Programme SODA +200, thanks to which our soda production capacity was increased by 60 000 tons annually. We also completed our investment in the area of intensification of dry salt production: as a result, the daily production was doubled. At the same time, we developed the Agro business, focusing on the broadening of distribution channels and strengthening of sales force. Additionally, sales of the most popular plant pesticides: Chwastox and Agrosar, was supported, for the first time, with national advertising campaigns.

In the area of finance, debt restructuring was a significant event. We signed a loan agreement with a consortium of seven banks, which is far more favourable for us than the previous financing – the HY bonds. As a result, we significantly reduced financial costs. In addition, we can boast that market started to perceive CIECH as more stable – both agencies (Moody's and S&P) raised their ratings for CIECH at the end of 2015.

In 2015, the composition of the Management Board of CIECH S.A. also underwent changes, whereas the Group's Warsaw companies were moved to a new, joint seat.

We are very optimistic about 2016. Above all, we will consistently continue to implement the adopted strategy, focusing on the soda and organic segment. In the first quarter 2016, the second stage of the investment SODA +200 will be completed. In January this year, in the area of business we deployed our new product line ZIEMOVIT and we will intensively develop it. At the same time, we are working on other products in the organic segment (plant protection chemicals, foams, plastics) and foreign certifications for plant protection chemicals. The development actions will be implemented also in the segment of silicates and glass (e.g. increase in production capacities of glassy silicate) and in the transport segment. We will also work on effective communication with our stock market stakeholders, actively working for all market participants, including individual investors.

At the same time, we bear in mind that restructuring of the CIECH Group has not ended. A lot of work has been done, but much work still awaits us. I mean mainly work on further optimisation of use of our production capacity and reduction of debt, which still remains our challenge. According to the strategy adopted, in the long term we aim to achieve the NET DEBT to EBITDA ratio below 1.

We are facing another year of heavy, but, I hope, effective work, which will be building a stable and strong international position of the Group, and, as a consequence, increased value for our shareholders. I believe that our goals are feasible. Not only thanks to the commitment of the Management Board and the majority Shareholder but, first of all, as a result of our team of 3.7 thousand people who work every day for a joint success of the CIECH Group.

Kind regards,

Maciej Tybura
President of the CIECH S.A. Management Board

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I. REPORT ON CIECH S.A. ACTIVITIES FOR 2015

1. Organization and management of CIECH S.A.

1.1. Equity links and organization of CIECH S.A.

Equity links and organization of CIECH S.A.

CIECH S.A. is the parent company of the Group covering entities located in the area of, inter alia, Poland, Germany, Romania, and Sweden. As at 31 December 2015, the CIECH Group comprised 36 business entities, including:

- CIECH S.A. as the parent company,
- 31 subsidiaries, including:
 - 22 national subsidiaries,
 - 9 foreign subsidiaries,
- 2 national subsidiaries,
- 1 foreign affiliate,
- 1 jointly controlled foreign entity.

CIECH S.A. has a branch in Romania, a branch in Germany and conducts activities through their offices in Warsaw, Inowrocław and Nowa Sarzyna.

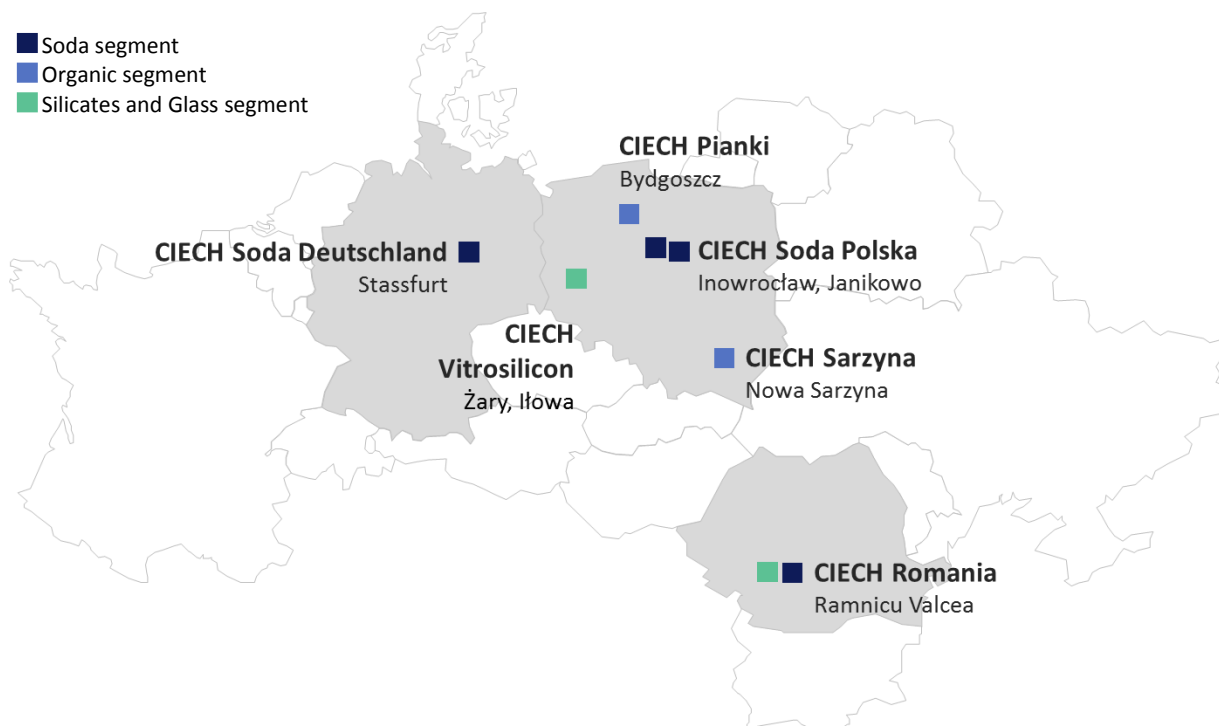
The trading activities are carried out above all by CIECH S.A. and its national and foreign trade subsidiaries, while production activities are carried out by production plants, also subsidiaries of CIECH S.A. The production is located in 8 production plants, including four largest production plants (two in Poland, one in Germany and one in Romania) operate in the soda segment and produce soda ash and soda derived products (in the case of CIECH Soda Romania S.A. the plant also produces products classified to the silicates and glass segment). Other 4 plants operate in the organic segment and in the silicates and glass segment and are located in Poland.

Strategic and operational goals of CIECH S.A. are implemented through the organizational structure based on functional divisions, involving the functions of sales, production and procurement, as well as the support functions.

The scope of activities of CIECH S.A. and the CIECH Group

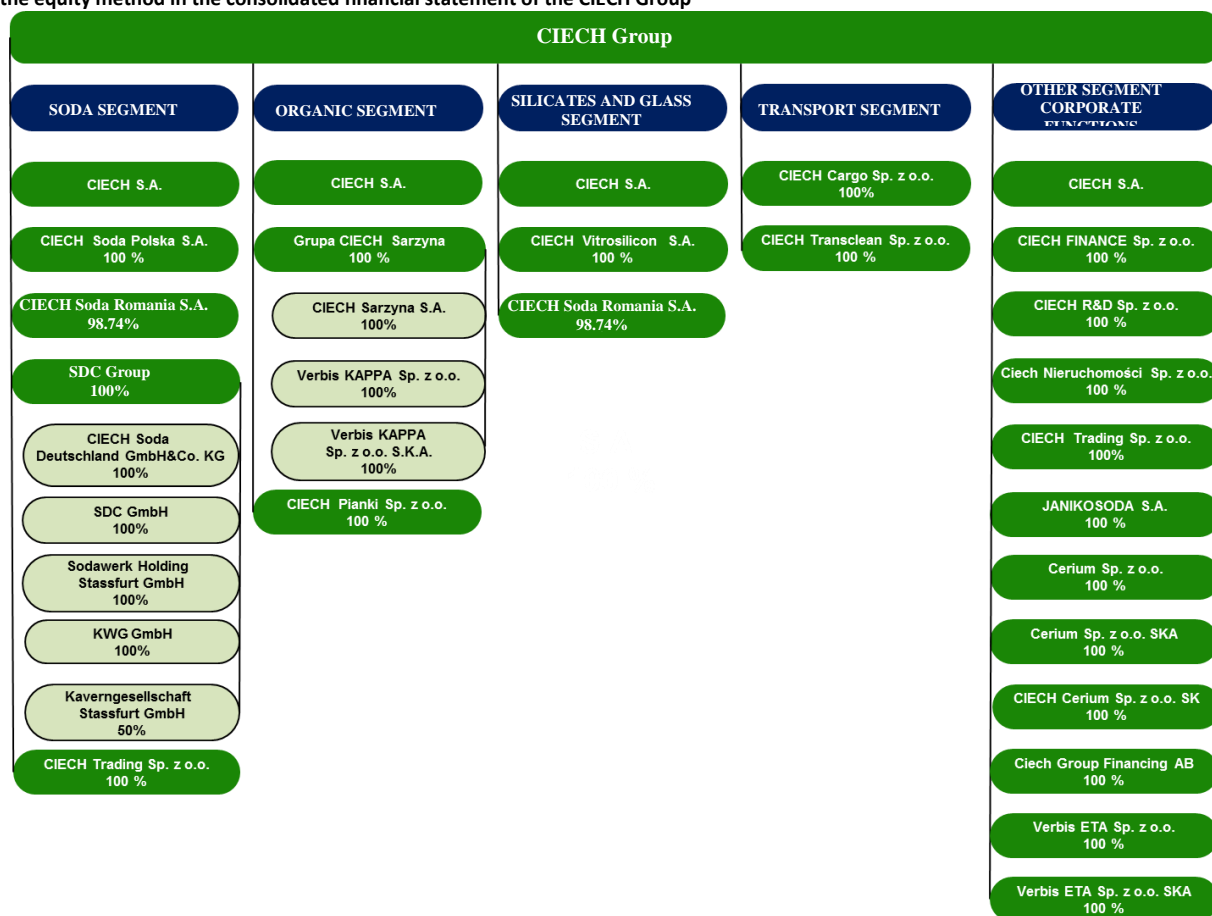
Under the CIECH Group a leading division of activities is industry segmentation which covers, in 2015, the soda segment, the organic segment, the silicates and glass segment and the transport segment. A detailed description of the management segments is presented in the section I. 4.

Production plants within the CIECH Group



Source: CIECH S.A.

The segment structure of the CIECH Group as at 31 December 2015 – entities consolidated with the use of full method, or valued through the equity method in the consolidated financial statement of the CIECH Group



Source: of CIECH S.A.

The level of shares held by CIECH S.A. in capital of particular companies is presented in the section II.31.1.

1.2. Principles of organization and management of CIECH S.A. and the CIECH Group and changes in 2015

In 2015, the management model of CIECH S.A. and the Group was undergoing further optimization. After changes introduced in the period 2012-2014 in the organizational structure, consisting in introducing the matrix business model where heads of particular areas in CIECH S.A., as the holding company, are responsible for their due operations in the whole CIECH Group, and in changing the business model consisting in the exclusion of support functions from the production companies of CIECH Soda Polska S.A. and CIECH Soda Romania S.A. in 2015 the support functions were excluded from another production companies CIECH Sarzyna S.A. from January 2015 and Companies from the SDC Group from April 2015.

The main assumptions of the adopted above model and implemented within it changes in the structure of CIECH S.A. and of the Group include:

- the integration of business functions and support functions at the level of CIECH S.A,
- concentration of production companies on production activities,
- clear division of competences and liability (operational management of production companies by the parent company),
- reduction of positions in connection with doubled business and support functions,
- centralization of management of, inter alia, finances, IT and HR or legal area.

The introduced business model caused growth in organizational effectiveness of the CIECH Group. Elements achieved include in particular greater efficiency in all areas of activities of the Group, higher flexibility and effectiveness of response both to changes inside the Group and market changes, including a shorter decision-making process and clear division of liability, elimination of overlapping competencies between CIECH S.A. and the Group companies.

1.3. Ownership changes in the portfolio of direct or indirect subsidiaries of CIECH S.A.

Within 2015, in the scope of companies where CIECH S.A. has directly/indirectly shares/stock the following significant changes took place,

Ciech-Polsin Private Limited

The Company Ciech-Polsin Private Limited, seated in Singapore, as of 11 March 2015 was deleted from the Register of Entrepreneurs, due to which the company ceased to be covered by full consolidation in the statement of the CIECH Group.

CIECH Sarzyna S.A.

On 12 May 2015, the Extraordinary General Meeting of CIECH Sarzyna S.A. adopted a resolution on a squeeze-out of minority shareholders. The squeeze-out concerned 30 849 shares accounting for 0.363% of the share capital. The ownership of shares was transferred to CIECH S.A. on 16 July 2015. Since 16 July 2015, CIECH S.A. has held 100% of shares in CIECH Sarzyna S.A.

Cerium spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna

On 23 January 2015, the Court registered the increase in the share capital of Cerium spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna (further: "Cerium sp. z o.o. SKA"). The increase in the capital was made by resolution of the Extraordinary General Meeting of Cerium Sp. z o.o. SKA of 23 December 2014. The share capital was increased by the amount of PLN 1 369 thousand by way of issue of 1 368 625 B series registered common shares of the nominal value of PLN 1.00 each. The new issue shares were taken up by CIECH Soda Polska S.A., under private subscription, in exchange for a non-cash contribution in the form of ownership right to movables. The market value of the ownership rights to movables was PLN 136 863 thousand. The fair value of the ownership right to movables was determined based on the valuation of a non-cash contribution conducted by a valuer and the opinion of a registered auditor. The surplus of the issue price of B series shares over the nominal value of the shares in the amount of PLN 135 494 thousand was contributed the company's statutory reserve capital.

On 25 August 2015, the Extraordinary General Meeting of Cerium Sp. z o.o. SKA. made a decision on increasing the share capital by the amount of PLN 10 thousand by way of issue of 10 000 C series registered common shares of the nominal value of PLN 1.00 each. The total issue price of C series shares amounted to PLN 21 982 thousand. The new issue shares were offered under private subscription addressed to Janikowskie Zakłady Sodowe JANIKOSODA S.A. The subscription right of the previous sole shareholder – CIECH Soda Polska S.A. was excluded. The new issue shares were paid up by a non-cash contribution in the form of the whole of rights and obligations of Janikowskie Zakłady Sodowe JANIKOSODA S.A. in connection with its participation, as a limited partner, in CIECH Cerium sp. z o.o. sp. k. The value of non-cash contribution in the amount of PLN 21 982 thousand was determined on the basis of valuation the object of contribution of 20 August 2015 prepared by a valuer and the opinion of a registered auditor of 24 August 2015. The share subscription agreement regarding C series shares was concluded on 25 August 2015 and has been in force since that date. The agreement on the transfer of all rights and obligations of the limited partner, in connection with the performance of the share subscription agreement regarding C series shares of 25 August 2015, was concluded on 25 August 2015 and on that date all rights and obligations of the limited partner were transferred to Cerium sp. z o.o. SKA. The Court registered the increase in the share capital of Cerium sp. z o.o. SKA (issue of C series shares) on 10 September 2015.

On 25 August 2015, the Extraordinary General Meeting of Cerium Sp. z o.o. SKA on 9 September 2015, a decision was made on increasing the share capital by PLN 10 thousand by way of issue of 10,000 D series registered common shares of the nominal value of PLN 1.00 each. The total issue price of D series shares amounted to PLN 38 621 thousand. The new issue shares were offered under private subscription addressed to CIECH S.A. The subscription right of the previous shareholder, CIECH Soda Polska S.A., was excluded. The new issue shares were paid up with a non-cash contribution in the amount of PLN 38 621 thousand in the form of cash liabilities from the CIECH Group companies. The value of non-cash contribution was determined on the basis of valuation of the object of contribution of 7 September 2015 prepared by an independent valuer and on the basis of the opinion of a registered auditor. The share subscription agreement regarding D series shares was concluded on 9 September 2015 and has been in force since that day. The agreement on the transfer of receivables as the non-cash contribution in favour of Cerium sp. z o.o. SKA was concluded on 9 September 2015 and on that day receivables were transferred to Cerium sp. z o.o. SKA. The Court registered the increase in the share capital of Cerium sp. z o.o. SKA (issue of D series shares) on 29 September 2015.

CIECH Soda Romania S.A.

On 15 January 2015, the Extraordinary General Shareholders' Meeting of CIECH Soda Romania S.A. made a decision on withdrawal of the Company's shares from the capital market, on the possibility of the shareholders' withdrawal from the Company on the terms specified by the law, on increase in the share capital by RON 45 000 thousand by way of issue of 180 000 000 shares of the nominal value of RON 0.25 per share. By way of decision of Autoritate de Supraveghere Financiară (equivalent to the Polish Financial Supervision Authority) of 26 June 2015, the shares in CIECH Soda Romania S.A. were withdrawn from the capital market and deleted from the register of Autoritate de Supraveghere Financiară. The increase in the capital was registered by the Romanian registry court on 11 August 2015.

On 4 September 2015, the Extraordinary General Meeting of CIECH Soda Romania S.A. adopted a resolution the increase in the share capital by way of subscription 1 760 000 000 new shares, with the total value of RON 440 000 thousand. As a result of the made subscription, the share capital of CIECH Soda Romania S.A. was increased from 445 201 363 shares with the total value of RON 111 300 thousand to 2 100 338 803 shares with the total value of RON 525 085 thousand. CIECH Cerium sp. z o.o. sp. k., taking part in the subscription, took up 1 655 137 440 new shares of the nominal value of RON 0.25 each, with the total value of RON 413 784 thousand. Thus, as a result of taking up new shares, CIECH Cerium sp. z o.o. sp. k. had total 2 073 813 450 shares of the total nominal value of RON 518 453 thousand, which accounts for 98.7370% of the share capital of CIECH Soda Romania S.A. The increase in the capital was registered by the Romanian registry court on 26 October 2015.

By way of the sales agreement of 17 December 2015, CIECH Cerium sp. z o.o. sp. k. sold to CIECH S.A. 2 073 813 450 shares in CIECH Soda Romania S.A. of the nominal value of RON 0.25 each, with the total nominal value of RON 518 453 thousand, accounting for 98.7370% of the share capital. The sales price amounted to PLN 78 323 thousand and RON 34 000 thousand (converted at the average exchange rate of the National Bank of Poland of 16 December 2015), which is equivalent to the total price of PLN 111 000 thousand. The ownership of shares was transferred to CIECH S.A. on the day of conclusion by the parties of a statement on the transfer of ownership of the shares for the purposes of their entry in the Register of Shareholders of CIECH Soda Romania in Romania, i.e. on 18 December 2015.

CIECH Cerium spółka z ograniczoną odpowiedzialnością spółka komandytowa

On 22 June 2015, CIECH S.A. and other companies of the CIECH Group established CIECH Cerium spółka z ograniczoną odpowiedzialnością sp. k. The founding partners were:

- CIECH S.A. – cash contribution of PLN 10 thousand, limited liability amount of PLN 10 thousand,
- Janikowskie Zakłady Sodowe JANIKOSODA S.A. – cash contribution of PLN 1 thousand, limited liability amount of PLN 1 thousand,
- Cerium sp. z o.o. – cash contribution of PLN 1.

The general partner, responsible for liabilities of the Company without limitation, is Cerium sp. z o.o., and at the time of creation of the company limited partners, responsible for liabilities of the Company up to the limited partnership amount, were: of CIECH S.A. and Janikowskie Zakłady Sodowe JANIKOSODA S.A. The Company was entered into the Register of Entrepreneurs on 29 June 2015.

On 23 July 2015, the General Meeting of CIECH Cerium sp. z o.o. sp. k. adopted a resolution on increase in the limited partners' contributions, i.e. contributions of the following companies:

- CIECH S.A. – through a non-cash contribution in the form of receivables due to CIECH S.A. from CIECH Soda Romania S.A. The contributed receivables due constituted the principal amount of the receivables of the nominal value of EUR 86 022 thousand, and interests due as at 23 July 2015, of the nominal value of EUR 31 523 thousand, whose total fair value, determined on the basis of valuation of an independent valuer, amounted to PLN 100 600 thousand. The receivables contributed by CIECH S.A. were transferred to CIECH Cerium sp. z o.o. sp. k. on the day of signing the agreement on the transfer of receivables, i.e. on 23 July 2015.
- Janikowskie Zakłady Sodowe JANIKOSODA S.A. – through a non-cash contribution in the form of 248 664 727 shares in CIECH Soda Romania S.A. of the nominal value of RON 0.25 each, with the total nominal value of 62 166 thousand, accounting for, as at 23 July 2015, 93.76% of the share capital of CIECH Soda Romania S.A., whose fair value was determined on the basis of valuation of an independent valuer amounted to PLN 12 100 thousand. The ownership of the shares contributed by this partner was transferred to CIECH Cerium sp. z o.o. sp. k. on the day of signing the agreement on the transfer of shares ownership, i.e. on 23 July 2015.

The increase in the partners' contributions was registered in the National Court Register on 7 August 2015. At the same time, the increase in the limited liability amounts was registered, respectively: for CIECH S.A. up to PLN 5 000 thousand, and for Janikowskie Zakłady Sodowe JANIKOSODA S.A. up to PLN 500 thousand.

In connection with conclusion, on 10 August 2015, by CIECH S.A. and Cerium sp. z o.o. SKA of the agreement on the transfer of all rights and obligations of the limited partner, due to CIECH S.A., on 10 August 2015, contributions assigned so far to CIECH S.A. were assigned to a new limited partner, i.e. Cerium sp. z o.o. SKA which is responsible for liabilities of the Company up to the limited partnership amount of PLN 5 000 thousand. of CIECH S.A. on the date of concluding of the agreement on the transfer of all rights and obligations of the limited partner, ceased to be the partner of CIECH Cerium sp. z o.o. sp. k. The value of all rights and obligations of the limited partner was determined on the basis of valuation of an independent valuer and "Opinion on the assessment of the fair value of all rights and obligations of the limited partner, i.e. CIECH Cerium spółka z ograniczoną odpowiedzialnością spółka komandytowa, due to CIECH Spółka Akcyjna" issued by a registered auditor on 5 August 2015, and amounted to PLN 100 097 thousand. Amendment to the partnership agreement of CIECH Cerium sp. z o.o. sp. k. with regard to change in the shareholder was made on 20 August 2015. The new partner was registered in the National Court Register on 10 September 2015.

The General Meeting of CIECH Cerium sp. z o.o. sp. k. on 20 August 2015, adopted a resolution on the provision of an additional contribution to the company by the partner Janikowskie Zakłady Sodowe JANIKOSODA S.A., i.e. a non-cash contribution in the form of 170 011 283 shares in CIECH Soda Romania S.A. of the nominal value of RON 0.25 each, with the total nominal value of RON 42 503 thousand accounting for, as at 20 August 2015, 38.1875% of the share capital of CIECH Soda Romania S.A. The shares' fair value, determined on the basis of valuation of an independent valuer, amounted to PLN 10 000 thousand. The ownership of the shares contributed by Janikowskie Zakłady Sodowe JANIKOSODA S.A. was transferred to the company on the day of signing the agreement on the transfer of shares ownership, i.e. on 20 August 2015. The increase in the partner's contribution was registered in the National Court Register on 10 September 2015. At the same time, the increase in the limited liability amount of Janikowskie Zakłady Sodowe JANIKOSODA S.A. up to PLN 1 000 thousand was registered.

On 25 August 2015 the General Meeting of CIECH Cerium sp. z o.o. sp. k. adopted a resolution on amending the agreement of the partnership, resulting from the conclusion, on 25 August 2015, of the Agreement on the transfer of all rights and obligations of the limited partner. The agreement was concluded between Janikowskie Zakłady Sodowe JANIKOSODA S.A. and Cerium Sp. z o.o. SKA. In connection with the above, contributions assigned so far to Janikowskie Zakłady Sodowe JANIKOSODA S.A. were assigned to the limited partner Cerium Sp. z o.o. SKA, which, on this account, is responsible for liabilities of CIECH Cerium Sp. z o.o. sp.k. to the limited liability amount of PLN 1 000 thousand (total up to PLN 6 000 thousand). Janikowskie Zakłady Sodowe JANIKOSODA S.A. on the date of conclusion of the Agreement on the transfer of all rights and obligations of the limited partner ceased to be the partner of CIECH Cerium Sp. z o.o. sp. k. Cerium Sp. z o.o. SKA was disclosed in the National Court Register as the only limited partner on 17 September 2015.

On 29 September 2015, the General Meeting of CIECH Cerium sp. z o.o. sp.k. adopted resolutions on approving:

- withdrawal of the partner Cerium Sp. z o.o. SKA, at the end of 30 September 2015, with refund of the current values of contributions allocated to the partner, which, according to an independent valuation as at 20 August 2015, amounted to PLN 122,050 thousand. The contributions were refunded on 30 September 2015;
- accession, as of 1 October 2015, of new limited partners, i.e.:
 1. CIECH Sarzyna S.A., with a cash contribution of PLN 40 thousand, which is responsible for liabilities of the company to the limited liability amount of PLN 2 400 thousand,
 2. CIECH Vitrosilicon S.A., with a cash contribution of PLN 15 thousand, which is responsible for liabilities of the company to the limited liability amount of PLN 900 thousand,
 3. Ciech Pianki Sp. z o.o., with a cash contribution of PLN 10 thousand, which is responsible for liabilities of the company to the limited liability amount of PLN 600 thousand,
 4. Soda Polska CIECH S.A., with a cash contribution of PLN 25 thousand, which is responsible for liabilities of the company to the limited liability amount of PLN 1 500 thousand,
 5. CIECH Cargo Sp. z o.o., with a cash contribution of PLN 10 thousand, which is responsible for liabilities of the company to the limited liability amount of PLN 600 thousand.

In connection with the above, Cerium Sp. z o.o. SKA, as of 1 October 2015, ceased to be the partner of CIECH Cerium Sp. z o.o. sp. k. The change in the partners was entered into the National Court Register on 30 October 2015. The total limited liability amounts of CIECH Cerium Sp. z o.o. sp. k. did not change.

On 16 December 2015, the Extraordinary General Meeting of CIECH Cerium Sp. z o.o. Sp. k. approved:

- the provision of new contributions by the following partners:
 - 1) CIECH Sarzyna S.A. - with a cash contribution of PLN 200 thousand,
 - 2) CIECH Vitrosilicon S.A. - with a cash contribution of PLN 75 thousand,
 - 3) Ciech Pianki Sp. z o.o. - with a cash contribution of PLN 50 thousand,
 - 4) CIECH Cargo Sp. z o.o. - with a cash contribution of PLN 50 thousand,
- change in the limited liability amounts, as follows:
 - 1) CIECH Sarzyna S.A. is responsible for liabilities of the company to the limited liability amount of PLN 3 031 thousand,
 - 2) CIECH Vitrosilicon S.A. is responsible for liabilities of the company to the limited liability amount of PLN 1 137 thousand,
 - 3) Ciech Pianki Sp. z o.o. is responsible for liabilities of the company to the limited liability amount of PLN 758 thousand,
 - 4) CIECH Soda Polska S.A. is responsible for liabilities of the company to the limited liability amount of PLN 316 thousand,
 - 5) CIECH Cargo Sp. z o.o. is responsible for liabilities of the company to the limited liability amount of PLN 758 thousand.

On 12 January 2016, the District Court registered the amendment to the agreement of the partnership and new contributions of the partners of CIECH Cerium Sp. z o.o., which are:

- 1) CIECH Sarzyna S.A. PLN 240 thousand,
- 2) CIECH Vitrosilicon S.A. PLN 90 thousand,
- 3) Ciech Pianki Sp. z o.o. PLN 60 thousand,
- 4) CIECH Soda Polska S.A. PLN 25 thousand,
- 5) CIECH Cargo Sp. z o.o. PLN 60 thousand

Other changes in the CIECH Group within 2015 were resulting from, *inter alia*, standardisation of business names of the Group companies for marketing and image needs of the CIECH Group. Changes covered the below listed companies:

Zakłady Chemiczne "Organika-Sarzyna" S.A. / CIECH Sarzyna S.A.

On 6 March 2015, the Extraordinary General Meeting of "Organika-Sarzyna" S.A. changed the Company's business name from Zakłady Chemiczne "Organika-Sarzyna" S.A. to CIECH Sarzyna S.A. The new business name of the Company has been applicable since the date of court registration, i.e. as of 18 March 2015.

Soda Polska CIECH S.A. / CIECH Soda Polska S.A.

On 23 February 2015, the Extraordinary General Meeting of Soda Polska CIECH S.A. changed the Company's business name from Soda Polska CIECH S.A. to CIECH Soda Polska S.A. The new business name of the Company has been applicable since the date of court registration, i.e. as of 20 April 2015.

TRANSCLEAN Sp. z o.o. / CIECH Transclean Sp. z o.o.

On 27 February 2015, the Extraordinary General Meeting of TRANSCLEAN Sp. z o.o. changed the Company's business name from TRANSCLEAN Sp. z o.o. to CIECH Transclean Sp. z o.o. The new business name of the Company has been applicable since the date of court registration, i.e. as of 10 April 2015.

Ciech Trademarks Sp. z o.o. / Centrum Badawczo-Rozwojowe Ciech Sp. z o.o. / CIECH R&D Sp. z o.o.

On 7 January 2015, the Extraordinary General Meeting of Ciech Trademarks Sp. z o.o. changed the Company's business name from Ciech Trademarks Sp. z o.o. to Centrum Badawczo-Rozwojowe Ciech Sp. z o.o. The new business name of the Company has been applicable since the date of court registration, i.e. as of 25 February 2015. On 27 February 2015, the Extraordinary General Meeting of Centrum Badawczo-Rozwojowe Ciech Sp. z o.o. made the decision to change the Company's business name from Centrum Badawczo-Rozwojowe Ciech Sp. z o.o. to CIECH R&D Sp. z o.o. The new business name of the Company has been applicable since the date of court registration, i.e. as of 31 March 2015.

Vitrosilicon S.A. / CIECH Vitrosilicon S.A.

On 23 February 2015, the Extraordinary General Meeting of Vitrosilicon S.A. changed the Company's business name from Vitrosilicon S.A. to CIECH Vitrosilicon S.A. The new business name of the Company has been applicable since the date of court registration, i.e. as of 20 April 2015.

TRANSODA Sp. z o.o. / CIECH Cargo Sp. z o.o.

On 1 April 2015, the Extraordinary General Meeting of TRANSODA Sp. z o.o. changed the Company's business name from CIECH Cargo Sp. z o.o. The new business name of the Company has been applicable since the date of court registration, i.e. as of 20 April 2015.

Sodawerk Stassfurt GmbH & Co. KG / CIECH Soda Deutschland GmbH & Co. KG

On 16 April 2015, the General Shareholders' Meeting made the decision to change the Company's business name from CIECH Soda Deutschland GmbH & Co. KG. The new business name of the Company has been applicable since the date of court registration, i.e. as of 11 May 2015.

Soda Detschland Ciech GmbH / SDC GmbH

On 16 April 2015, the General Shareholders' Meeting made the decision to change the Company's business name from SDC GmbH. The new business name of the Company has been applicable since the date of court registration, i.e. as of 4 May 2015.

Uzinele Sodice Govora Ciech Chemical Group S.A. / CIECH Soda Romania S.A.

On 28 April 2015, the Court registered a new business name of the Company, i.e. CIECH Soda Romania S.A.

Ciech Trading S.A. / CIECH Trading S.A.

On 26 June 2015, the Extraordinary General Meeting of Ciech Trading S.A. made the decision to change the spelling of the Company's business name from Ciech Trading S.A. to CIECH Trading S.A. The new business name of the Company has been applicable since the date of court registration, i.e. as of October 2015.

In 2015, by way of the decision of the Management Board of CIECH S.A. changes were made in the organisational structure of CIECH S.A., consisting in creation of:

- a Branch in Nowa Sarzyna (operating as an organisational unit within the structure of CIECH S.A.),
- a Branch of CIECH S.A. in Germany,

which provide services to the companies in areas in the such as: procurement, accounting, controlling, finance, human resources and payroll, organisation and legal, IT.

In addition, on 1 November 2015, the listed below companies of the CIECH Group changed their registered addresses from ul. Puławska 182, 02-670 Warsaw to ul. Wspólna 62, 00-684 Warsaw:

- CIECH S.A.
- CIECH FINANCE Sp. z o.o.
- CIECH R&D Sp. z o.o.
- Ciech Nieruchomości S.A.
- Janikowskie Zakłady Sodowe JANIKOSODA S.A.
- Cerium Sp. z o.o.
- Cerium Sp. z o.o. SKA
- CIECH Cerium Sp. z o.o. Sp. k.
- CIECH Trading S.A.
- Verbis ETA Sp. z o.o.
- Verbis ETA Sp. z o.o. SKA

2. Employment in CIECH S.A.**2.1. The employment structure in CIECH S.A.**

The state of employment in the CIECH S.A. at the end of 2015 amounted to 379 people. At the end of the comparable period i.e. 2014, the state of employment amounted to 281 people.

	31.12.2015	31.12.2014
Employment in people	379	281
White-collar employees	332	278
Blue-collar employees	47	3
	31.12.2015	31.12.2014
Average employment in persons	359	275
White-collar employees	312	272
Blue-collar employees	47	3

2.2. Composition of the Management Board and the Supervisory Board and changes in 2015

As at 31 December 2014, the Management Board of CIECH S.A. consisted of:

- Dariusz Krawczyk – President of the Management Board
- Artur Osuchowski – Member of the Management Board
- Maciej Tybura – Member of the Management Board

On 22 July 2015, the Supervisory Council of CIECH S.A. dismissed Dariusz Krawczyk from the function of President of the Management Board, without stating the reason. At the same time, on 22 July 2015, the Supervisory Board appointed Maciej Tybura to the position of President of the Management Board. Earlier, Maciej Tybura was a Member of the Management Board.

On 26 October 2015, the Supervisory Board of CIECH S.A. appointed Artur Król to the position of Member of the Management Board of CIECH S.A.

As at 31 December 2015, the Management Board of CIECH S.A. consisted of:

- Maciej Tybura – President of the Management Board
- Artur Król – Member of the Management Board
- Artur Osuchowski – Member of the Management Board

As at 31 December 2014, the Supervisory Board of CIECH S.A. consisted of:

- Jan Kulczyk PhD – Chairman of the Supervisory Board
- Tomasz Mikołajczak – Deputy Chairman of the Supervisory Board
- Wojciech Stramski – Secretary of the Supervisory Board
- Piotr Augustyniak
- Mariusz Nowak
- Artur Olech

Owing to the death of Jan Kulczyk, PhD- the Chairman of the Supervisory Board of CIECH S.A., on 26 August 2015, the Extraordinary General Meeting appointed Mr. Sebastian Kulczyk to the Supervisory Board of CIECH S.A. On 8 October 2015, the Supervisory Board of CIECH S.A. appointed Sebastian Kulczyk its Chairman.

As at 31 December 2015, the Supervisory Board of CIECH S.A. consisted of:

- Sebastian Kulczyk – Chairman of the Supervisory Board
- Tomasz Mikołajczak – Deputy Chairman of the Supervisory Board
- Wojciech Stramski - Secretary of the Supervisory Board
- Piotr Augustyniak
- Mariusz Nowak
- Artur Olech

2.3. Remuneration of the management and supervisory bodies

Information regarding remuneration of the management and supervisory bodies is presented in the section II 31.5.

2.4. Agreements concluded between CIECH S.A. and managing persons

In case of dismissal of the Management Board Members from their position, they will be entitled to one-time severance pay in cash in the amount of six-month remuneration. Non-competition agreement with the Management Board members after termination of the employment relationship envisages payment of compensation, in the amount of 50% of the monthly remuneration for the period no longer than 24 months.

3. Strategy of CIECH S.A. and of the Group and the conditions of its development

3.1. Strategy of the CIECH Group for the years 2015-2019

On 3 November of 2014, the Supervisory Board of CIECH S.A. adopted a resolution approving presented by the Company's Management Board "Strategy of the CIECH Chemical Group for 2014-2019". According to the adopted document, the strategic goal is to maximize value of the CIECH Group., first of all through development in the soda segment.

In addition, strategic goals of the CIECH Group managed by CIECH S.A. include:

1. Growth in revenues in the soda segment,
2. Doubling the share in the Polish market of plant pesticides,
3. Increase in normalized EBITDA,
4. Increase in the Company's goodwill.

The strategy assumes achieving the following financial goals of the CIECH Group:

1. Average annual sales revenues (2014 – 2019): approx. PLN 3.8 billion,
2. Average annual normalized EBITDA (2014 – 2019): approx. PLN 660 million,
3. Average annual margin normalized EBITDA (2014 – 2019): approx. 17%,
4. Achievement of the net debt to EBITDA ratio below 1.00 in 2019.

To calculate the ratio, average annual dividend rate was assumed at the level of 3%. The values of dividend and its payment will depend on the market situation and the financial position of CIECH S.A.

The goals will be pursued, among others, by:

1. The strengthening of the leader's position in the soda segment on key European markets, among others, by effective reaching new customers, further growth in product quality, building a position of first-choice supplier and development of the above processed types of baking soda
2. Consistent strengthening of market position in the organic segment, among others, by growth in production effectiveness and increase in the use of production capacity (plastics and plant pesticides).
3. Optimization of the portfolio of our products, development of highly processed products adapted to customer requirements (plastics), geographical expansion (plant pesticides) with support of the created company CIECH R&D Sp. z o.o., the research and development center of the Group.
4. Completion of restoration investments and investments aimed to increase production capacities, guaranteeing in the long run high quality and cost effectiveness of production in the silicates and glass segment.

5. Active actions for identification and implementation of new development initiatives, focused on building of the CIECH Group's values.

The Management Board of CIECH S.A. has conducted continuous analysis of the market environment and identification of innovative solutions aimed at building the value managed by CIECH S.A. In the case of change in the operating conditions of the Group belonging to CIECH S.A., the Strategy may be reviewed.

3.2. Summary of the performance of strategic activities in 2015

of CIECH S.A. and the CIECH group have consistently pursued the assumed strategic activities, affecting pursuit of the financial goals and maximization of the Group's value. As regards the main operating segments, the following activities performed in 2015 should be mentioned:

Soda segment - in CIECH Soda Polska S.A.

- The most important project, designated as SODA +200, is the expansion of production capacity of the soda plant in Inowrocław from 600 to 800 thousand tons annually. The first stage of the investment completed in 2015 stimulates growth in the plant's power by 60 thousand tons annually. Production from the second stage (additional 140 thousand tons) was launched in the 1st quarter 2016.
- The second one, important project is commissioned in 2015 investment of intensification of the production of dry salt in Janikowo. As a result of this investment, production of this assortment increases from 1 thousand tons to 1.7 thousand tons of the product a day, which will make it possible to process the entire produced wet salt to high quality dry salt. The investment addresses the recorded market demand for higher processed salts.

Organic segment

- CIECH Sarzyna S.A. has been undergoing intensive changes. In the Agro area, their element is intensification of the new products registration process, building of new distribution channels, significant strengthening of sales forces, and conducted advertising campaigns of the flagship products (e.g. Chwastox and Agrosar).
- On the other hand, in the area of Plastics, CIECH Sarzyna S.A. is implementing the program for optimization of the present product portfolio and selective development of new, high-margin products.
- It also continues development of the R&D area, which provides support for the development of Agro and Plastics segment products.

Silicates and glass segment

- The investment implemented in this segment is expansion of production capacity of soda silicate in CIECH Vitrosilicon S.A., in connection with the contract with Solvay signed in 2014. The whole investment should be commissioned in 2016.

3.3. Characteristics of internal and external factors of the development

Internal factors having impact on results of CIECH S.A. and the Group managed by CIECH

Maintenance of cost and qualitative competitiveness

Competitiveness of CIECH S.A. and its Group results from such basic factors as:

- cost competitiveness, based on the economies of scale, specialization, standardization and effects of experience,
- qualitative leadership and quality control systems,
- competition based on the company's market strength (position of the market leader).

Quality and stability of the management staff and employees

The CIECH Group's market position largely results from high quality of the management staff and middle-level employees. The personal policy executed by the CIECH Group provides employees with the possibility of professional development and constant improvement in qualifications.

External factors having impact on results of CIECH S.A.

The situation in industries of recipients of CIECH S.A.'s products in Poland

Poland is the largest sales market of CIECH S.A. The direct most important national recipients of the Company's products include: glass industry, chemical and plastic products industry, furniture, agriculture, construction products, food industry. The development of these sectors of the economy depends on the economic situation in Poland.

According to the data of the Central Statistical Office, the sales in industry at fixed prices in 2015 increased by 4.9% as compared to the same period of the previous year (in 2014 it increased by 3.3%). In 2015, relevant dynamics of production among industries essential for the Company's activities (as receiving or target markets) were as follows: production of motor vehicles (10.7%), production of furniture (8.7%), production of rubber and plastic products (6.9%), production of chemicals and chemical products excluding pharmaceutical products (5.2%), production of groceries (3.6%), construction and assembly production (2.8%).

After the slowdown of economic growth in Poland in 2012 – 2013 (with annual GDP dynamics of 1.5 %) in 2014–2015 a clear recovery of economy was observed (GDP growth by 3.3 and 3.5%, respectively). This good economic situation observed in the previous year should continue also in 2016 (expected GDP growth of 3.5%). Similar trends should be expected in the chemical industry that usually develops similarly to the whole economy.

Economic situation in Europe and in the world

Activities of CIECH S.A. are largely based on sales of chemical products on foreign markets. The level of sales profitability is dependent on the global economic situation in Europe and in the world. A weakening of the world economic situation usually affects reduction in the demand for raw materials on world markets, and hence the amount of export turnover of the Company.

The estimates for the European Union indicate small growth in GDP dynamics in the previous year to 1.9%, from 1.5 % in 2014. In 2015, on the other hand, there a relatively rapid growth was observed in the largest economies of Asia (India, China and ASEAN countries for which GDP dynamics are estimated respectively at: 7.3%, 6.9%, 4.7%). An above-average growth was noted also in the region of Sub-Saharan Africa (3.5% of GDP). According to the IMF estimations, global GDP increased in 2015 from 3.1% (i.e. slightly less than in 2013-2014, when the recorded dynamics was 3.3% and 3.4%). Among large economies, the worst economic situation was observed in Russia (GDP decrease by 3.7%) and in Brazil (decrease by 3.8%).

In 2016, IMF forecasts acceleration of global growth (to 3.4% of GDP) and maintenance of GDP dynamics in the European Union at the level of 1.9%.

For the chemical sector, the American Chemical Chamber (ACC) assumes that after moderate growth in the world's production of chemicals in 2014-2015 (by 3.0% and 2.8%, respectively) subsequent years will indicate a certain acceleration of this production: by 3.3% in 2016, and by 3.7% in 2017. In the case of the USA, this growth is supposed to amount to 2.9% in 2016 and 4.4% in 2017. On the other hand, in the European Union the European Council of Chemical Industry (CEFIC) forecasts that in 2016 the EU chemical production will increase only by 1.0% (as compared to dynamics at the level of 0.5% in 2015).

Competitor's activities in the scope of increase in production capacities

In the sectors of mass chemical products where CIECH S.A. and the CIECH Group's companies operate, an important entrance barrier are capital expenditures and in the case of the soda segment close access to natural resources. For this reason, with regard to the most important segment, i.e. the soda segment, *green field* investments are rare and in general implemented outside Europe.

The planned start-up of new soda ash and baking soda plants in Turkey, with the total capacity of 3.3 million tons/year within the next 2-3 years, will be a special event from the perspective of the last decades. The results of the aforementioned investments may be: temporary considerable oversupply of the product as well as decrease in prices in Europe and the neighbouring regions, which may have adverse impact on the financial results of the Group.

Economic situation on raw material market

A part of commercial turnover within the activities of CIECH S.A. is the import of raw chemicals to Poland. Raw material markets are characterized by great cyclicity connected with fluctuations of the global economic situation. Rising prices of raw materials cause, on the one hand, reduction in margins of commercial intermediaries and weakening demand at the recipients. On the other hand decreasing prices are most often the sign of a weakening demand and beginnings of recession. Maintenance of a stable rate of economic growth and stable prices of raw chemicals will have a positive impact on the commercial activities of the Company in the scope of import of raw materials. Significant demand and price fluctuations may be caused by economic changes owing to for instance rapid economic growth or economic stagnation. Strong fluctuations can have adverse impact on activities related to trade in raw chemicals by CIECH S.A.

REACH system implementation

In accordance with the REACH regulation requirements, CIECH S.A. and the CIECH Group's companies that market substances in the quantity above 1 ton/year have registered or intend to register these substances on specified dates, which will allow them to continue activities in the current scope. So far CIECH S.A. and the Group belonging to CIECH S.A. have registered altogether 21 substances with tonnage range from 100 to above 1000 Mg/r. By 31 May 2018, it is planned to register 12 substances marketed in the amount from 1 to above 100 Mg/year.

EUR/PLN and USD/PLN exchange rate relationships

Export sales of CIECH S.A. is implemented above all in EUR and USD. Strong EUR and USD increase profitability of export sales. On the other hand, in the case of appreciation of the national currency in relation to EUR and USD, we can observe decrease in profitability of export and negative impact on the volume of export sales pursued by the Company.

3.4. Risks to activities

Economic downturns or slowdown of the world and European economy and related problems of the credit and financial markets can adversely affect activities of the CIECH Group

Activities of CIECH S.A. and its subsidiaries are largely based on sales of chemical products, used as raw materials and semi-finished products in a wide range of industries: glass industry, household chemistry, furniture industry, automotive industry, construction industry, food production industry, pharmaceutical industry, chemical industry and consumer goods. Demand for products generated by the customers of CIECH S.A. depends on general economic conditions and other factors, including situation on the construction market, automotive market, packaging market and labour and energy costs, exchange rate fluctuations, interest rates and other factors beyond the control of the Group. As a result, volume and profitability of sales of CIECH S.A. depend on the aforementioned variables as well as on the economic situation in Poland, Europe, and in the world. As a result of the economic downturn in 2008-2009, demand for our products decreased from the record level of 2007-2008 and so far has not been fully recovered.

In the case of long-term deterioration in the world economic situation, recipients of CIECH S.A. can experience financial shortages or difficulties in raising funds for conducting activities. As a result, present or prospective recipients may delay or resign from purchase plans and may not be able to pay (partly or wholly) their obligations on time. The deterioration in the financial situation of recipients is increased by credit risk, to which the CIECH Group is exposed, and hence causes increased risk of reducing or terminating commercial relations.

There is no confidence that events having negative impact on industries and markets where CIECH SA and the CIECH Group operate, such as slowdown in the Polish, European and world economy, growth in interest rates, adverse exchange rates or other factors will not take place. Every significant slowdown in activities of recipients of CIECH S.A. and the CIECH Group's companies, as well as in the Polish, European or world economic situation may result in reduced demand for products and adversely affect operating activities as well as financial position of CIECH S.A. Risk has been estimated as average.

The soda segment and the organic segment are cyclical, and changes in demand and prices may have adverse impact on the operating margin and cash flows of CIECH S.A.

The turnover of CIECH S.A. is related mainly with sales of products of the soda industry whose prices are always cyclical and sensitive to changes in supply and demand, availability and price of raw materials, general economic conditions and other factors beyond control of the Company. These industries are characterized by the cycles of increased demand, during which high operating profits and margins are obtained, followed by periods of oversupply resulting from significantly increased production or fall in demand (for instance as a result of economic slowdown) which then result in reduction in profits and margins.

In 2009, in Europe the demand for soda ash plummeted (by more than ten percent). The main cause of this slope was reduced demand of the glass industry (in particular in the scope of flat glass) which was reaction to the general economic slowdown. Because of falling demand on many local markets, oversupply of soda ash was recorded, which resulted in temporary reduction in average selling prices of soda ash. In the years 2010-2015, fluctuations on the Western European soda ash market reached only several percent annually. However, taking into account sensitivity of the European Union economy to the worldwide economic situation and uncertainty about further development on other continents (particularly in China) more important falls of demand for soda in Europe in the near future cannot be excluded.

The markets of some other products similarly behaved, including the market of epoxy resins where CIECH Sarzyna – subsidiary CIECH SA operates. Epoxy resins are used mainly in construction and production of paints and varnishes, oscillating also between the periods of increased demand along with growth in prices and margins, and reduced demand, resulting in oversupply and reduction in prices and margins. Demand for epoxy resins is strictly connected with demand for final products in paint, construction, electronic industries, which, in turn, depends on the general economic situation. Cyclical nature may affect the prices of products, and hence adversely affect operating activities and financial position. Risk has been estimated as average.

Growing competition may have adverse impact on operating activities as well as financial position of CIECH S.A.

Growing competition on the part of present and new domestic and foreign manufacturers may emerge in major industries and markets of activities of CIECH S.A. and its subsidiaries. Competition in the chemical industry is conditioned by the dynamics of local market and significantly differs, depending on a specific product and its applications. Additionally, competition in the chemical segment depends on many factors, including, but not limited to: demand, prices of products, supply reliability, relevant production capacities, customer service quality, product quality and access to potential substitutes. There is no guarantee that CIECH S.A. will be able to compete with the present and future competition. Increased competition or entrance of new entities to the market may have adverse impact on operating activities and the financial position of the Company.

It mostly applies to soda ash and increase in capacity in the Middle East, in particular competition on the part of manufacturers of soda on the basis of the natural raw material. Several years ago, new important capacity of soda ash and baking soda were launched (1.1 million tons/year) from trona deposits in Turkey, which are partially source of supplies to European markets. According to the information published by the CINER Group - presently, it is building subsequent production facilities on the basis of the natural raw material in this country (with additional total capacity of 3.3 million tons/year for soda ash and baking soda) whose gradual commissioning is planned within the next few years. The target dates of completion of the investments in two locations (Kazan and Bepazari) published officially by the company were postponed, thus it is hard to estimate when these investments will be commissioned. According to the latest information in the reports of IHS (international company that provides information regarding a number of markets, including the chemical market and the soda ash market), the first new production capacity will be available in 2017 in Bepazari (500 tt/year of soda ash, 100 tt/year of baking soda), and in Kazan (1500 tt/year of soda ash, 200 tt/year of baking soda), and additional 1000 tt/year of soda ash in Kazan in 2018.

According to the data of IHS, presently, the European soda market is balanced. Commissioning of a significant number of new production capacities may thus result in periodical oversupply of the product as well as slope in average prices in Europe and the neighbouring regions (also on markets where CIECH S.A. operates), which may have adverse impact on the financial results of CIECH S.A. and its subsidiaries. Subsidiary of CIECH S.A. Since the time of publishing information about the investment in Turkey, the Group has consistently undertaken actions for the development of the soda segment (among others, through increase in production capacity, increase in quality of all products, development of new products on the basis of soda, strengthening of customer relationships and improvement in efficiency of use of production capacity). All this should make it possible for the Company and its subsidiaries to compete with other soda manufacturers in Europe. In addition, the closure of two European soda plants in Portugal and UK at the beginning of 2014 and estimated significant reduction in the scale of increase in capacity in the soda industry in China (on the basis of the IHS report) are factors that can have a positive impact on the balance of demand and supply and the importance of impact of new investments in the Middle East.

In the context of the aforementioned conditions, risk related to the occurrence on new soda capacity has been estimated as average.

Supplies of some raw materials are executed by a limited number of suppliers, which may result in interrupted supplies and cause delays or additional costs, if suppliers do not supply goods within the designated time limit or if their product does not fulfil quality requirements. Furthermore, CIECH S.A. is exposed to risks resulting from long-term contracts.

Actions of production companies belonging to CIECH S.A. require relevant and timely supplies of raw materials. When possible, CIECH S.A. and subsidiaries of CIECH S.A. attempt to diversify supplies by using many entities. However, for some necessary raw materials, limited number of suppliers is available. For example, the majority of limestone and brine – two basic raw materials for the production of soda ash using the Solvay method – are purchased by soda companies locally from single suppliers. Soda ash production plants are to be placed in a direct neighbourhood of suppliers of limestone and brine due to high costs of transport of these raw materials in relation to their price. The Company in Romania also purchases most key raw materials from single suppliers. In addition, some production plants, especially the ones producing soda ash, are located in the areas with limited number of suppliers in economically profitable range.

Additionally, some raw materials, as limestone, brine or energy, is acquired under long-term contracts, some of which were included for the period of 25 years. In spite of the fact that key terms of contracts with suppliers, such as price and quality, are flexible and can be modified under certain conditions to reflect better present economic conditions, there is no confidence that this flexibility will be sufficient to adjust contracts to current economic conditions in a way acceptable to CIECH S.A. and its subsidiaries, which may have adverse impact on operating activities as well as financial position of CIECH S.A. and its Group.

The Company tries to minimize the described above risk by working all the time with present suppliers and seeking optional suppliers. Since CIECH S.A. and its Group's companies are seen as large and good recipient of raw materials, situations when suppliers withdraw from cooperation are rare. Risk has been estimated as average.

The operating activities of CIECH S.A. may be affected adversely by fluctuation in prices of raw materials and fuels, lack of ability to maintain or replace key suppliers, unexpected shortages in supplies or interference in the supply chain.

The profit of CIECH S.A. depends to a large extent on the possibility to obtain attractive prices of production and power raw materials necessary for manufacturing of particular products purchased for the CIECH Group's companies. Production and power raw materials necessary to generate products in the soda segment are: coal, natural gas, electric energy and steam, lime, brine, ammonia and blast-furnace coke. The recorded decrease in coal prices used for the production of electric energy and steam in the plants in CIECH Soda Polska S.A. in Janikowo and Inowrocław. Also prices on the coke market have dropped for a long time, which results in lower purchase prices of this raw material for production plants in Poland, Romania and Germany.

Prices of many raw materials, constituting significant part of operating costs, are variable. Availability and prices of these raw materials are subject to factors that are mostly beyond control of CIECH S.A. and its subsidiaries, such as the market situation, global economic prospects, production restrictions on the part of suppliers, fluctuations in prices of oil and other goods, infrastructure breakdowns, political conditions, atmospheric conditions, legal regulations and other.

The Company tries to minimize the described above risk by monitoring the market situation, regularly negotiating terms for subsequent periods with present suppliers and seeking optional suppliers. Risk has been estimated as average.

Weather conditions may have impact on sales revenues achieved by CIECH. S.A.

Bad weather conditions can decrease sales of products intended for plant protection (organic segment). Sales by CIECH Sarzyna S.A., the subsidiary of CIECH S.A. of plant pesticides and agrochemical products is limited by weather conditions, because harvests of crops and decisions with regard to planting differ depending on whether the vegetation season is exceptionally wet or dry. Bad weather conditions can cause smaller harvest, and thereby smaller demand for our products. Weather conditions may have a delayed impact on the operating results, since we sell our products to distributors who, having excessive stock after a bad vegetation period, will be interested in a lower number of orders for the next period.

A similar situation takes place in the soda segment in the scope of sales of calcium chloride and mixes of chlorine and salt that are used mostly in winter for maintenance of roads. During mild winters, demand for de-icing products drops, and sales revenues of calcium chloride and related products can be lower than the expected. Risk related to weather conditions has been estimated as average.

Force majeure and dangerous character of manufactured chemical products may have adverse impact on activities of CIECH S.A. and its companies. In addition, production plants belonging to the subsidiaries of CIECH SA are object of significant operating hazards and may be subject to standstills.

The production activities can be interrupted in consequence of various dangers and risk factors, which are beyond our control, such as environmental hazards, strikes and some disasters, including fires, weather events, serious equipment breakdowns, natural disasters, terrorist attacks and other accidents or events that may result in cessation of activities. Any damages to facilities, including IT systems, which cause short-term interruptions in the operation of facilities and distribution and logistics services for the time of repair or for other reasons may have considerable, unfavourable impact on operating activities as well as the financial position of CIECH S.A. and its subsidiaries. Our suppliers are exposed to similar risk factors. Events caused by force majeure, consistent with the provisions in purchase agreements may disrupt production and/or increase incurred costs. Interruptions or increase in costs may have considerable, unfavourable impact on the Company's results.

The chemical companies owned by CIECH S.A. use, process, produce, store, transport and remove considerable amounts of chemical, hazardous raw materials as well as liquid and solid waste. Some of this waste it is highly dangerous and may have harmful action as a result of improper handling or unsatisfactory removal. Accidents involving these substances that are often subjected to high pressure and temperatures during the process of production, storage and transport may cause major damages to facilities, the environment and human health as well as interruptions, limitations or delays in production. Any damages to or injuries of people, equipment or property, or any other interruptions of production or distribution can result in a significant reduction in operating income and significant increase in costs related to replacement or repair and protection of assets, which may have significant, unfavourable impact on operating activities as well as the financial position of CIECH. S.A. and its subsidiaries. It may cause also legal consequences, such as breach of statutory requirements and/or lawsuits concerning bodily injuries, damages or depletion of property, and similar claims. The risk has been estimated as low.

The production companies of CIECH S.A. are subject to very strict regulations, which may generate significant costs related to the provision of compliance with regulations on environmental protection, occupational health and safety, applicable to the activities conducted by the CIECH Group.

Dynamic legal changes in the scope of environmental protection and OHS significantly affect activities of CIECH S.A. through impact on its subsidiaries. These requirements regulate actions involving: (i) storage, use and management of hazardous substances and waste; (ii) taking water and discharging sewage; (iii) emission of pollutants to the atmosphere; (iv) human health and safety; (v) reclamation of contaminated areas and (vi) sales and use of the products produced by subsidiaries of CIECH S.A. The companies of CIECH S.A. conduct activities in accordance with valid administrative decisions (integrated permits, aquatic and legal permits, waste management permits) governing the method and the scope of using the environment.

Over the recent years, the companies of CIECH S.A. conducted a number of investments fostering environmental protection, among others, modernization of electro-filters in the plant in Inowrocław and Janikowo. In subsequent years subsequent projects will be implemented, for instance, in terms of flue gas desulfurization and denitrification. The primary purpose of the investment is increase in air protection and adjustment of the system to new emission standards specified in the Industrial Emissions Directive (IED), implemented to the Polish law on 5 September 2014, under amendments to the Act - Environmental Protection Law.

On 1 Jan 2016, very restrictive emission standards for emission of dust (20-25 mg/Nm³), sulphur oxides (200-250 mg/Nm³) and nitrogen oxides (200 mg/Nm³) for large combustion plants (LCP) will be introduced. According to the adopted Temporary National Plan (PPK) the time limit for adjustment of LCPs to new standards will be extended until 30 June 2020.

It should also be mentioned that simultaneously works are underway on the so-called BATs for LCPs, which most likely will be published in 2016. Plants will have 4 years from the effective date of BAT Conclusions to adjust to more stringent requirements than specified in the IED, i.e. for emission of dust (15-20 mg/Nm³), sulphur oxides (130-200 mg/Nm³) and nitrogen oxides (150-180 mg/Nm³).

A modification also covered regulations concerning protection of ground surface and the LCPs' obligation to prepare initial reports of soil condition. Some companies belonging to CIECH S.A. have a long history of industrial activities and activities consisting in waste storage. In connection with the nature of activities conducted by the subsidiaries of CIECH S.A., some grounds feature active sources of ground and water contamination. The CIECH Group's companies bear regular operating costs and create provisions related to reclamation of contaminated grounds and treatment of underground waters. Some plants became the object of litigations related to historical contamination of ground

which were completed with carrying out reclamation works of the ground and water environment in agreement with competent authorities. The identification of the previously unknown pollution or the imposing of new obligations to test and eliminate contamination in the subsidiaries of CIECH S.A. may involve the need to incur additional costs. The CIECH Group's companies may be obliged to create or increase permanently provisions for such liabilities.

The activities of the CIECH S.A.'s companies, in particular soda companies, significantly affect also legal changes with regard to the EU emissions trading scheme. On 15 July 2015, the European Commission published draft EU Emissions Trading Directive, the so-called EU ETS directive. The new directive will define the principles of functioning of the CO₂ allowances market and principles of monitoring and reporting after 2020. There is a risk of benchmark reduction by at least 11% until 2030. Currently, the benchmark for soda is specified at 0.843. In 2019, it is planned to complete works related to revision of the so-called Carbon Leakage List. The project assumes reduction in the number of sectors from 175 to 50 after 2020 covered by the so-called CL List. The soda industry bears a risk of losing the soda status exposed to CL, and hence loss of free allowances after 2020.

Another very important risk is started revision of the Regulation (EC) 2003/2003 of the European Parliament and Council of 13 October 2003 relating to fertilizers which, in the presently proposed version, does not include the possibility of using soda lime for production of fertilizers. Risk has been estimated as average.

Compliance with more and more stringent legal requirements related to testing, recording and safety analysis of produced goods may cause sustaining substantial additional costs or reduction, or elimination availability and/or merchantability of some raw materials used in the production of goods.

The products and raw materials generated by the production subsidiaries of CIECH S.A. used for production are regulated by many legal standards, for instance, in terms of registration and safety analysis of substances contained in them. The Registration, Evaluation, Authorization and Restriction of Chemicals Regulation (EC) no. 1907/2006, "REACH" imposes on the whole chemical industry substantial obligations concerning testing, evaluation and registration of chemical substances produced or imported from non-EU countries.

In accordance with the REACH Regulation, CIECH S.A. or its subsidiaries that market substances in the quantity above 1 tons/year have registered or intend to register these substances on specified dates, which will allow them to continue activities in the current scope.

So far in CIECH S.A.'s subsidiaries 21 substances have been registered with tonnage range from 100 to above 1000 Mg/. On 31 May 2018, it is planned to register 12 marketed substances in the quantity of 1 to more than 100 Mg/year.

Implementation of the REACH requirements is expensive and time-consuming and results in increased manufacturing costs and reduced operating margins on chemical products. We estimate that cumulative expenses on the achievement of compliance with REACH will amount to approximately PLN 7.2 million in the years 2015-2019. Every delay in full registration of substances in accordance with legal requirements can lead to imposing fines or ban on marketing any products containing these substances in the EU.

In connection with the REACH Regulation or EU Regulation concerning classification, labelling and packing of substances and chemical mixtures Regulation (EC) no. 1272/2008 "CLP Regulation", some substances in raw materials or products may be classified as of adverse impact on the environment, product users or employees. Their production can be subjected to authorization in the European Chemicals Agency (ECHA) or completely restricted.

Any such rights and regulations which may be adopted in the future can affect availability and/or merchantability of raw materials used or products manufactured by CIECH S.A. or the Group's companies, lead to restriction or ban on purchasing or selling, which, in consequence, may oblige CIECH S.A. to sustain increasing costs of fulfilment of the requirements concerning registration, labelling and use of products. Furthermore, since some of goods produced by the CIECH Group's companies are sold on markets where proper classification is very important for the legal regime applicable to such substances, it cannot be excluded that the classification used by the Group will be called into question or challenged. Any such factors may have adverse impact on the activities as well as financial position of CIECH S.A. and of the whole CIECH Group. Risk has been estimated as average.

In the event when patents and other intellectual property rights held by CIECH S.A. do not ensure to a sufficient degree protection of products, a part of the market may be lost in favour of the competitors and CIECH S.A. may be unable to profitably conduct its activities.

To protect intellectual property rights of their products and methods of manufacturing, development, production and sale, CIECH S.A. and its subsidiaries have had and used a number of patents created on their own regarding know-how, trade secrets, copyright and trademarks and other internal information.

We use different available protection methods of these rights, including confidentiality agreements/clauses, agreements on assignment of rights to inventions and ownership data, agreement with employees, independent sales agents, distributors, consultants, universities and research units in which it is partner. However, these contracts may be affected. Government agencies or legislative authorities may require disclosure of such information so that we could obtain consent to selling a given product. Agency or legislative authority may also disclose such information on its own initiative, if they decide that such information is not confidential corporate or commercial information. Trade secrets, know-how and other unpatented, own technologies may also be disclosed or developed independently by competition.

of CIECH S.A. and its subsidiaries have also patents and patent applications protecting many components and products. The CIECH Group's companies file in patent office's applications for granting exclusive rights in the form of patent applications and registration applications. The above precautions guarantee only limited protection and, for instance, do not provide possibilities of exclusion of disclosure or independent developed by competition of the information being the property of CIECH S.A. or one of CIECH S.A.'s subsidiaries.

There is no confidence that the existing or future patents will allow obtaining appropriate protection or competitive advantage and that any future patent applications will guarantee obtaining patents or that patents will not be "bypassed", cancelled or there will be lack of possibility to distinguish their implementation. In addition, intellectual property rights may be challenged, which would have considerable, unfavourable impact on operating results. In some instances, court disputes in intellectual cases may be used for obtaining competitive advantage. The CIECH Group's companies were in the past and may be in the future defendants in court cases concerning patents and other intellectual property rights. Commencing proceedings against any of the companies may involve the need to incur considerable costs of defence, since there is no confidence that such proceedings would be settled in favour of a given company. Unfavourable dispute settlement may mean the necessity to pay significant amounts and, at the same time, testing, production or sale of technologies or products may be forbidden.

Any proceedings pending before a patent office and/or a trademark office, or a court may be concluded with unfavourable decisions related to inventions of CIECH S.A. or its Group's companies, e.g. in narrowing or cancelling the scope of protection. In the case of such proceedings, cost of their conducting are considerable. Additionally, legal systems of some countries where the products manufactured by the CIECH Group's companies may be sold, may not protect at all or protect to a smaller extent than in Europe intellectual property rights held by CIECH S.A. or its companies. In some countries CIECH S.A. and its subsidiaries may also be unable to protect rights concerning trade secrets, trademarks and own unpatented technologies. The risk has been estimated as low.

CIECH S.A. is subject to adversarial proceedings, including antimonopoly proceedings that could jeopardize its interests in the case of issuing an unfavourable ruling.

CIECH S.A. is exposed to inherent business risk concerning vulnerability to various types of claims and legal proceedings. The Company was and has been involved in various legal proceedings, claims and enforcements that are pending now or were completed over the past three years. According to the accounting policy, provisions are created for such proceedings in cases when there is a significant likelihood that costs will be incurred and their amount can be reasonably estimated. There is no confidence that there will be no growth with regard to the pending matters or that any future legal suits, claims, proceedings and investigations will not be significant. In addition, CIECH S.A. or any of its subsidiaries can be in the future a party to legal proceedings concerning, among others, intellectual property, manufacturer's liability, bodily injuries, product guarantees, environmental claims, or antimonopoly claims, and conclude settlements with regard to legal proceedings and claims that can have considerable, unfavourable impact on their operating results.

The Antimonopoly Office's (UOKiK) decisions stating that any activities of the Company have resulted in restricted competition in the context of antimonopoly proceedings may affect the possibility to conduct activities and/or determine a cash fine, and these results may have a considerable, unfavourable effect on operating results and the financial position of CIECH S.A. Risk has been estimated as average.

Interests, reputation and products of CIECH S.A. and its subsidiaries may be affected by claims concerning manufacturer's liability, complaints or unfavourable publicity with regard to products.

Products sold by CIECH S.A. and its subsidiaries take account of inherent elements of risk of bodily injuries which may occur in consequence of third party's manipulation or contamination or degeneration of a product, including the presence of external dirt, chemicals, substances or other chemical agents or deposits during various phases of the process of preparation, production, transport and storage. There is no guarantee that the products manufactured by subsidiaries of CIECH S.A. will not cause in the future any diseases or injuries, nor that CIECH S.A. or any of its subsidiaries will be the object of claims or legal proceedings related to such issues. In spite of the fact that the Group's companies have customary insurance concerning liability towards any third parties and manufacturer's guarantee, in the case of presenting a claim concerning manufacturer's guarantee or liability towards third parties, there is no guarantee that the companies will be able to effectively establish insurance claim in accordance with the company policy or that the funds obtained from the claim will be sufficient to cover caused real damage. CIECH S.A. may be forced to recall products manufactured by subsidiaries from some jurisdictions, in the case when these products default on relevant quality or safety standards. There is no guarantee that as a result against companies claims will not be presented, concerning the manufacturer's liability. Unfavourable decision concerning the manufacturer's liability may have significant, unfavourable effect on the Group's operating results. In addition, CIECH S.A. may be forced to increase its debt or redirect resources from other investment projects to satisfy any such claims. In addition, unfavourable publicity with regard to products may have a significant impact on future sales of the Company or its subsidiaries, which may have a considerable, unfavourable impact on CIECH S.A.'s operating results. Risk has been estimated as average.

The subsidiaries of CIECH S.A. may not have valid legal title to some of their real estate.

Some of the Issuer's subsidiaries, including Soda Polska CIECH S.A., use some real estate whose legal status may be unclear or challenged. Since, substantially, acquisition of real estate by the subsidiaries of CIECH S.A. has not benefited from the warranty of public faith land and mortgage registers. It cannot be excluded the some documents confirming or supporting the legal title in relation to parts of the real estate being the property of the subsidiaries of CIECH S.A. are missing. The Companies may not be able to present guarantees related to property and legal condition, potential defects of the legal title or restrictions concerning sales that can affect rights with regard to all real estate. In this scope, the CIECH Group's companies may be also the object of possible third party claims, which may indirectly have considerable, unfavourable impact on operating activities as well as the financial position of CIECH S.A. The risk has been estimated as low.

In the context of bankruptcy of the subsidiary Infrastruktura Kapuściska S.A. of CIECH S.A. may not be fully protected against bankruptcy obligations.

The subsidiary Infrastruktura Kapuściska S.A. completed main production activities in December 2012. On 14 March 2014, the District Court in Bydgoszcz, by way of a decision at a closed session accepted the petition of Infrastruktura Kapuściska S.A. and declared bankruptcy of Infrastruktura Kapuściska S.A. including liquidation of the bankrupt property. In the context of bankruptcy proceedings, CIECH S.A., as the former parent company, will be responsible for obligations of Infrastruktura Kapuściska S.A., because the Polish law does not provide for basis for liability of the parent company or related with the entity announcing bankruptcy with regard to obligation of this bankrupt entity. Therefore, towards bankruptcy of this company, CIECH S.A. may be required to fulfil specified benefits only in these instances where CIECH S.A. has granted a guarantee for liability of Infrastruktura Kapuściska S.A. and to the extent of the guarantee granted. Potentially, it may be a guarantee granted by CIECH S.A. for defined liabilities and statements and guarantees of Infrastruktura Kapuściska S.A. submitted under the Agreement on the Sales and Transfer of Assets of TDI to BASF to the total amount of EUR 10.0 million; that guarantee is in force for the period of two to four years counting from the date of transaction (namely from 12 March 2013). Moreover, regulations of the Polish Civil Code will enable the creditors (including commercial creditors) of the subsidiary to exercise legal remedies against third parties, if a third party concluded with the debtor an activity through which the debtor became insolvent. If in the case of the debtor's creditors filing such suits (the so-called actio pauliana), the court would consider that a determined activity was knowingly made by the debtor with the third party to the detriment of its creditors and as a result of this entity (the debtor) became insolvent or insolvent to a greater extent, and a third party received consequently benefits under the specified terms as described in the Polish Civil Code, such activity may be considered ineffective in relation to a given creditor who may claim satisfaction from the property of such third entity benefits with regard to benefits obtained from the debtor. In case when a competent court or a different body recognized claims referred to mentioned above as reasonably practical, it may have a significant adverse impact on the operating results or the financial position of CIECH S.A. The risk has been estimated as low.

Loss of main management, technical and administrative personnel as well as lack of possibility to obtain such personnel may affect CIECH's interests. S.A.

Development plans of CIECH S.A. and the character of its activities require personnel with high qualifications in different domains. Experience and quality of the personnel largely affects the ability to maintain competitive position and implement the business strategy. Loss of competences important for the Company or difficulty to obtain them has considerable unfavourable impact on the operating activities which affects the financial position. Owing to relatively high costs of obtaining employees with desired competences and skills, seeking for the personnel with appropriate experience is an element of the permanently conducted policy. Capabilities of recruitment, retention and continuous improvement of the management, technical and administrative personnel is an element of this risk management strategy,

minimizing in this way the hazard of loss of key employees from the point of view of interests of CIECH S.A. Since 2015, CIECH S.A. has been providing for the Group's Companies personnel recruitment services. The risk of loss of personnel has been estimated as average.

Activities of CIECH S.A. may depend on work stoppages or personnel disputes.

As at 31 December 2015, CIECH S.A. employed more than 372 people, including approximately 22% were trade union members. The collective agreement terminated in 2012 was replaced by new, unified employee remuneration principles, which aim at adjusting the provisions of internal regulations to the Company's plans business and the economic situation. As a result of the bonus system negotiation process started in 2013 in CIECH S.A., in 2015 the Company applied uniform bonus rules, making additional benefits (bonus) dependent on the Group's results and the implementation of levels of operating targets assumed by the Group. The risk that trade unions will initiate a collective labour dispute as a tool of impact on the employer's decisions has been estimated as average.

If CIECH S.A. does not provide effective internal control system, it may be unable to monitor or effectively manage its activities.

Effective internal controls are required to ensure reliability of the prepared financial reports and for effective monitoring of activities of different CIECH S.A.'s companies. If the control structure has significant defects, CIECH S.A. may be unable to effectively monitor and manage its activities, which may cause harm to its interests and reputation. There is no confidence that internal control will be able to disclose any shortages and their existence may have significant adverse impact on the operating results and the financial position of the Company. Risk has been estimated as average.

Tax charges of CIECH S.A. may increase as a result of current and future tax inspections and potential changes in binding tax regulations. Frequent changes in Polish regulations may have adverse impact on the Company's operating results and financial position.

When calculating liabilities under income tax and all other tax liabilities, CIECH S.A. assesses the situation and makes decisions to the best of its knowledge. Despite a belief that its tax estimates are reasonable, many factors may decrease their accuracy. Furthermore, the Polish tax system is known for its instability. Tax regulations are many times corrected, often to the disadvantage of taxpayers. Additionally, the instability of the Polish tax system results not only from changes in law, but also from reliance on the interpretations of tax regulations issued by treasury authorities and rulings announced by courts. Issued interpretations and court sentences are not consistent and may be the object of potential corrections or changes. Another element influencing the lack of stability in the tax law is the need to implement changes as a result of adjusting domestic legislation to the new regulations of the European Union.

of CIECH S.A. may be subject to inspections by tax bodies, during which these bodies may disagree with the approach applied by subsidiaries concerning tax qualification of some significant items, including past and future events, and consequently, they may oblige a subsidiary to recalculate and potentially increase tax liability and pay interest on outstanding tax.

Frequent changes in tax regulations had and may have in the future negative impact on activities of CIECH S.A., its financial position, operating results and development prospects. Furthermore, the instability in Polish tax regulations may hinder capacity of effectively planning the future and implementing a business plan according to the assumptions. In addition, changes in the existing law may also increase real tax rate, and increase in tax burden may have significant adverse impact on further development of the Company. of CIECH S.A. monitors on an on-going basis changes in law and potential tax risks and takes steps to eliminate or significantly them reduce through constant cooperation with reputable tax advisors and official inquiries to tax authorities.

Risk has been estimated as average.

Fluctuations in currency exchange rates may have adverse impact on activities, financial position and cash flows of CIECH. S.A.

The financial results of CIECH S.A. are reported in PLN. International character of the conducted activities makes CIECH S.A. prone to foreign exchange risk as a result of various currencies in which sales, purchases and costs are settled.

In consequence of running activities in jurisdictions having functional currency other than zloty, CIECH S.A. is prone to exchange rate risk associated with conversion of one currency to another. of CIECH S.A. is also exposed to transaction exchange rate risk when a subsidiary concludes with it transactions in a different currency than the Company's functional currency.

Under foreign exchange exposure of purchase of raw materials, sales of products, borrowings granted and received and cash in foreign currencies, CIECH S.A. was and will be exposed to fluctuations in currency exchange rates that may have significant impact on its operating results, financial assets and liabilities and cash flow in zlotys. Fluctuations in foreign exchange rates may also significantly affect comparability of the Company's results between the periods.

Main sources of CIECH S.A.'s exposure to currency risk are EUR and USD. The estimated balance sheet exposure to currency risk in EUR (except for the SDC Group) was EUR 228.0 million and EUR 277.3 million, as at 31 December 2014 and 2015, respectively.

of CIECH S.A. seeks to achieve natural security of its foreign exchange exposure, including adjustment of cash flows in a given currency resulting from sales and purchases and denomination of indebtedness in some currencies, in order to adjust it to the planned exposure to currency risk in operating activities. Risk has been estimated as average.

CIECH S.A. is exposed to impairment of receivables in the case of the contractors' default on payment.

CIECH S.A. is exposed to operating credit risk that is associated with a risk of the trade contractors' and other debtors' default on repayment of receivables. Financial difficulties experienced by the contractors, including bankruptcies, restructuring and liquidations or potential weakening of situation in the sector increase this risk. As at 31 December 2015, approximately 43% of trade liabilities of CIECH S.A. were held by 10 largest customers (by sales revenues). The credit rating of these buyers, being members of great international groups, is evaluated by rating agencies and credit information agencies as the highest, and the risk is evaluated as the lowest. The liabilities portfolio risk is minimized by insurance of liabilities. For 10 largest recipients of goods, 78% of their liabilities were insured. A considerable part of sales to non-insured recipients takes place under prepayments or letters of credit.

Because of the concentration of the customer base, some amounts can remain due (overdue) from a single customer at any time, but due to the scale of insurance of liabilities portfolio (70-75%) and the application of factoring to the insured part of the portfolio the impact of potential payment delays or loss of liabilities from recipients have insignificant impact on the operating results and financial liquidity of the Company. Payment terms granted to the contractors range from 30 to 90 days, while the average term weighed by the amount of liabilities ranges from 45 to 55 days.

Despite the fact that CIECH S.A. adopts procedures and policies designed to minimize the credit risk, such as liability insurance, credit risk monitoring and assigning credit limits to customers, the mentioned procedures and policies do not protect the Company completely against risk of the contractors' default on payments. The risk has been estimated as low.

Fluctuations in interest rates may have adverse impact on the financial results of CIECH S.A.

CIECH S.A. is exposed to interest rate risk, in connection with dependence of the costs of financing part of the debt and the costs of financing receivables under factoring on the level of market interest rates. Interest on term loan (of PLN 1 045 million at the end of 2015), national bonds (with the nominal value of PLN 160 million at the end of 2015), loan available under the revolving loan agreement (with the maximum value of PLN 250 million) and the cost of financing receivables in PLN under factoring, depend on the variable WIBOR and EURIBOR rates. Interest on debt under term loan (of EUR 69.7 million), available revolving loans in EUR and the cost of financing currency receivables under factoring depend on the variable EURIBOR rate. Interest rate risk in indebtedness on account of bonds in PLN with the nominal value of PLN 80 million, in term loan of PLN 1 045 million, as well as EUR 69.7 million were hedged through a floating interest rate hedging contract. Despite concluding the aforementioned contracts, CIECH S.A. is exposed to fluctuations in market interest rates. The increased level of market interest rates would improve the cost of indebtedness and unfavorably affect the Company's financial position. The risk has been estimated as low.

Insurance policies held by CIECH S.A. CIECH S.A.'s companies may not protect or protect incompletely against some disturbances related to the conduct of business, global conflicts or inherent dangers related to their activities and products.

CIECH S.A. and subsidiaries of CIECH S.A. have insurance policies, taken out with international and local insurers, ensuring protection (with some restrictions as to the subjective and substantive scope) against selected operating risks, including property damage insurance, profit loss insurance, professional civil liability insurance, civil liability insurance for product, insurance of goods in the course of transport, insurance of rolling stock and vehicles, insurance of the members of management bodies of the companies against civil liability and insurance of receivables. Types and amounts of insurances held currently by the CIECH Group's companies are in line with the customary practices in the segments of chemical industry and are adequate to the conducted activities. The held insurance is exclusive of any potential hazards associated with the scope of activities or other hazards for which CIECH S.A. may be liable. For example, insurance policies may not protect against natural disasters, some disturbances related to the conduct of business, global conflicts or inherent dangers related to activities and products manufactured by the Company and its subsidiaries. In addition, insurance policies are subject to standard deductibles, exclusions and limitations, which can affect the claim notification possibility. As a result, there is no confidence that the held insurance adequately protects against any hazards or that the sums insured are sufficient to prevent any significant losses. Risk has been estimated as average.

Hazards associated with debt

Liabilities of CIECH S.A. with regard to debt service may have significant adverse impact on activities, operating results, financial position or ability to redeem debt securities.

CIECH S.A. has significant liabilities as to debt service. As at 31 December 2015, debt amounted to roughly PLN 1 619 million, including finance lease agreements, and liabilities with regard to this debt service will exist in the foreseeable future. Liabilities as to indebtedness service may have important consequences, including, but not limiting to:

- debt repayment difficulties;
- increased vulnerability and reduced flexibility in response to the deteriorating situation in the industry or generally unfavourable economic and industrial conditions;
- restrictions in the capacity to obtain additional financing in order to finance working capital, capital expenditures, development of activities, acquisitions and other corporate goals and increased costs of future borrowings and loans;
- the need to spend a considerable part of generated cash flows from operating activities on repayment of debt and interest, which means limited availability of funds for the purposes of financing operating activities, developing products, capital expenditures, and other corporate goals;
- restricted flexibility in response to and planning in respect of changes in the sector and the environment where the Company and its subsidiaries operate.
- unfavourable situation as compared to competitors who may be indebted to a smaller extent.

These factors may have considerable adverse impact on the possibility to pay liabilities related to the Company's debt.

In addition, part of debt of CIECH S.A. bears interest at a floating rate, on the basis of WIBOR and EURIBOR. Fluctuations in WIBOR and EURIBOR or market disturbances can increase total interest and may have adverse impact on the possibility to pay liabilities related to debt of CIECH S.A. To limit this risk, the Company concludes hedging transactions (IRS and CIRS). Under the term loan of CIECH S.A., the credit margin depends on the level of debt ratio achieved by the Company. Unfavourable change in this ratio may cause growth in the credit margin and increase interest. Risk has been estimated as average.

CIECH S.A. requires a considerable quantity of cash for service of its debt and maintenance of operating activities. Possibilities of generating sufficient quantity of cash depend on many factors beyond control of the Company.

Possibilities of CIECH S.A. to make timely payments in order to repay debt and finance working capital and capital expenditures depend on future operating activities and possibilities to generate a sufficient quantity of cash. It depends to some extent on the success of the business strategy and general economic, financial, competitive, trade, statutory, regulatory factors and other factors, including many of which beyond control of the Company.

There is no confidence that cash flows from operating activities generated by CIECH S.A. and received dividends will be sufficiently high, that forecasts concerning savings, increase in revenues and operating improvements will be accomplished or that the amount of future debt and capital financing attainable by CIECH S.A. will be sufficient to ensure the possibility of timely debt repayment or financing of other needs related to liquidity.

If the future cash flows of CIECH S.A. from operating activities and other capital resources prove insufficient to repay liabilities on time or satisfy the needs related to liquidity, the Company may be forced to:

- limit or postpone business actions and capital expenditures;
- sell the assets;
- obtain additional debt financing or financing with equity; or
- restructure or refinance all or part of its debt within the designated term or before the redemption term.

There is no guarantee that CIECH S.A. will be able to use any of the above possibilities within the designated term or on satisfactory terms, if any. Each case of default on the obligation to make timely payments under net financial debt would probably result in lowering the credit rating of CIECH S.A., which could also adversely affect its ability to take out further debt. In addition, the terms of the taken out debt, also under the term loan, domestic bonds and revolving loan, and any future debt can limit the Company's ability to use any of the above possibilities. In

addition, any possibilities of refinancing debt would be available against higher interest and would involve the need to comply with more difficult terms of agreements, which, in consequence, would limit activity and deteriorate the financial position and operating results of CIECH S.A. There is no guarantee that any assets whose disposal would be necessary may be sold or that in the case of their sales the date of such sales and the amount of receipts from such sales would be acceptable. Risk has been estimated as average.

In spite of the present level of debt, CIECH S.A. and its subsidiaries may still have a possibility to take out significant amounts of additional debt. The above would additionally increase the risk related to significant use of financial leverage.

CIECH S.A. and its subsidiaries have and may have the possibility to take out significant amounts of additional debt in the future. The terms of the term loan and revolving loan agreements, domestic bonds and agreements governing other existing debt do not forbid completely nor will they forbid it in the future. The revolving loan agreement provides for access to revolving loan, with a possibility of taking out debt periodically. In addition, the term loan and revolving loan agreement and the terms of the issue of domestic bonds do not forbid the CIECH Group's companies take out other liabilities which are not debt. Any possible increase in the present level of debt by the amount of a new debt would cause further growth in risk connected with debt, to which presently both CIECH S.A. and its subsidiaries are exposed. Risk has been estimated as average.

CIECH S.A. and its subsidiaries are subject to restrictive terms of financing agreements, which can limit their ability to finance future operations as well as satisfy own capital demands to execute business possibilities and business actions.

The term loan and revolving loan agreement limits, among other things, the ability of CIECH S.A. and the CIECH Group's companies to:

- incur or guarantee additional debt, as well as issue some privileged shares;
- establish some pledges or incur liabilities secured with a pledge;
- make some payment, including dividends or other forms of payment from profit, with regard to shares of such an entity;
- establish encumbrances or limits concerning payment of dividends or other payouts from the profit, credits or advance payments, as well as under transfer of assets for the benefit of such an entity;
- sale, lease or transfer some assets,
- consolidation or merging with other entities; and
- breach collateral in favour of creditors.

All the above limitations are subject to important exceptions and qualifications. Despite the aforementioned exceptions and qualifications, the binding terms would limit the ability of CIECH S.A. and its subsidiaries from the CIECH Group to finance future activities and satisfy capital demands in order to execute possible business opportunities and business activities to the best interest of particular companies.

The terms of the term loan and revolving loan agreement obligate also to maintain a specific level of the financial leverage ratio. The ability of CIECH S.A. and the CIECH Group's companies to meet the terms concerning financial ratios may be adversely affected by events beyond their control; hence, there is no confidence that the Group will be able to fulfil the above requirements with regard to the abovementioned ratios. Any case of breach of the terms of such financial agreements and the lack of the possibility of remedying effects of that breach, or refraining from obtaining exemption from the obligation of remedying that breach from the creditors would be default of CIECH S.A. on any obligations resulting from this agreement, which would cause default on the provisions of other financing agreements and make the creditors cease to provide loan under such financing agreements and deem all amounts due to them as payable. There is no guarantee that the value of the CIECH Group's assets covered by insurance will be sufficient for full repayment of the above debt and other liabilities under debt. Risk has been estimated as average.

The ability of CIECH S.A. to continue activities depends on its future operating results and ability to generate cash.

It is estimated that cash flows of CIECH S.A. will be sufficient to satisfy the expected financial needs. However, there is no guarantee that the Company will generate sufficient cash flows from operating activities or that the available amount of a future debt will be sufficient to ensure the possibilities of serving debt and repaying debt on time, financing other needs related to capital requirements or any operating losses, or continuing activities. If the future cash flows of CIECH S.A. from operating activities and other capital resources prove insufficient to repay liabilities on time or satisfy the needs related to liquidity, the Company may be forced to: limit or postpone business actions and capital expenditures; sell the assets; obtain additional debt financing or financing with equity; restructure or refinance all or part of debt, within the designated time frame or before the redemption date; or resign from possibilities such as e.g. acquisition of other companies. Type, date and terms of each of the above possibilities depend on demand of CIECH S.A. for cash and the conditions prevailing on financial markets. There is no confidence that any future sources of financing will be available for the Company in the specified time frame or that the terms binding with regard to any future sources of financing will be justified. There is no guarantee that the present expectations regarding cash flows from operating activities, which will depend on many future factors and conditions, many of which beyond control of the Company, will be accurate. Such forecasts of cash flows are only estimates concerning future events, while the actual events will probably differ from the present estimates (this difference may be significant). There is no guarantee that any additional sources of financing will be available for CIECH S.A. on reasonable commercial terms, if at all. Risk has been estimated as average.

3.5. Development prospects of CIECH S.A. and the CIECH Group

The development prospects of CIECH S.A. result both from its position on the market and in chemical industry as well as present and forecasted conditions of environment of CIECH S.A. and the Group's Companies in Poland and worldwide.

The CIECH Group has a strong position on many product markets and is:

- the second European producer of soda ash and baking soda (where for many years it has maintained high cost competitiveness);
- the only Polish producer and the main supplier to the domestic market of soda ash and baking soda, calcium chloride, epoxy resins;
- the largest producer of evaporated salt, plant protection chemicals, saturated polyester resins and glass lanterns;
- a significant supplier to the European markets of soda ash and baking soda, calcium chloride, epoxy resins, sodium silicates.

The above is a good base for further improvement in competitiveness of CIECH SA and the CIECH Group through the development of the portfolio of products, recipients and geographical markets.

In the short-term perspective, the most important macroeconomic factors in the environment of CIECH S.A. include:

- **Low level of prices of energy raw materials** (related to moderate growth rate of the global economy and strong reduction in GDP dynamics in China).
- **Small growth in business activities in Europe** (small growth rate of industrial production in the EU; relatively high unemployment, unfavourable for a significant growth in internal demand).
- **Moderate growth rate on the sales markets** (return to the growth dynamics of construction production in the EU; small growth in chemical production in the EU).
- **Stabilization of the situation in the European banking system (increased lending activity of banks).**
- **Situation in the global economy** in particular difficult to estimate direction of changes in GDP of the Chinese economy.

In the opinion of the Company, in the mid-and long-term perspective, most emphasis will be put on macroeconomic factors encouraging further development and strengthening of the position of CIECH S.A. and the CIECH Group's companies on the present and related markets:

POSITIVE

- **A relatively high GDP dynamics of Poland** (forecasted dynamics of economic growth of Poland, being among the highest in the EU – annual average of 3% - 3.5% of GDP until the end of this decade, creating good grounds for further sustainable development of the country).
- **Good perception of Poland by foreign investors** (maintained inflow of investments to our country at the level of EUR 1 billion per annum; stable position of Poland in the international rankings of competitiveness).
- **Large potential for growth in demand for chemicals in Poland**, where their *per capita* consumption of EUR 400 is still approx. 3-4-times lower than in Western Europe (including the presence of CIECH S.A. and CIECH's subsidiaries on relatively rapidly growing chemical markets in Central and Eastern Europe).

NEGATIVE

- **Regulations of the European Union reducing the competitiveness of Polish entities** (adverse effects of EU ETS Directive concerning greenhouse gas emission; significantly strict conditions of the use of the environment by economic entities from 2016 as a result of implementation of the Directive IED (Industrial Emissions Directive) on industrial emissions).

4. Operating activities of CIECH S.A.

4.1. Characteristics of CIECH S.A.

of CIECH S.A. is the parent company of the CIECH Group and manages the CIECH Group, a holding of national and foreign production, commercial and service companies, conducting activities in the field of chemical sector. Through its production companies, CIECH S.A. is a significant domestic producer in chemical industry and a leading producer of chemicals on the Central and Eastern European market. The company provides also services of support for key subsidiaries.

The basic part of activities of CIECH S.A. is commercial activity related to sales of products manufactured by subsidiaries and commercial activity related to trade in goods purchased for further reselling. of CIECH S.A. sells chemicals on the domestic market, and plays an important role in the turnover of the Polish foreign trade in export and import of chemical industry products. Main products sold by the Company in 2015 on the Polish market were: soda ash, evaporated salt, baking soda and other chemicals.

of CIECH S.A. supplies key raw materials for production for the following companies: CIECH Sarzyna S.A., Ciech Pianki Sp. z o.o. To CIECH Vitrosilicon S.A. CIECH S.A. supplies some raw materials for production.

of CIECH S.A. together with their subsidiaries is the sole or dominant exporter of: soda ash produced in Poland (100%), baking soda produced in Poland (100%), calcium chloride produced in Poland (100%), epoxy resins (80%). In addition, CIECH S.A. along with the CIECH Group is a significant exporter of: glassy sodium silicate and salt. The greatest foreign sales market for CIECH S.A. were European Union countries, including mainly Germany, the Nordic countries and the countries of Central and Eastern Europe. A considerable part of soda ash sold by the CIECH Branch in Romania reaches the seaside markets, to recipients mostly in India, North Africa and in the Middle East.

Since 2005, shares of CIECH S.A. have been traded on the Warsaw Stock Exchange.

Structure and object of activities of the CIECH Group's companies as at 31 December 2015

	Soda segment	Organic segment	Silicates and Glass segment	Transport segment
Companies	CIECH Soda Polska CIECH Soda Deutschland CIECH Soda Romania	CIECH Sarzyna CIECH Pianki	CIECH Vitrosilicon CIECH Soda Romania	CIECH Cargo CIECH Transclean
Products Services	Soda ash Evaporated salt Baking soda energy	Epoxy resins Polyester resins Food-processing products Polyurethane foams Saturated and unsaturated	Lanterns and jars Sodium and potassium silicates	Transport, shipping services, transshipments, siding operations, railcar rental
Customers	Glass, food industries Detergents, pharmaceuticals industries, households	Agriculture, Furniture and paint industries	Chemical, food, detergents, paints industries, households	Mainly the CIECH Group companies
Markets	Global, European, domestic	Global, European, domestic	Global, European, domestic	domestic

Source: CIECH S.A.

SODA SEGMENT

Subsidiaries of CIECH S.A. produce soda ash, light and heavy (the only producer of soda in Poland), evaporated salt, baking soda and calcium chloride. Soda ash (both heavy and light), is used in the production of glass (panes and glass packaging), production of detergents in the following industries: metallurgical and chemical. Products of this segment are sold mainly by CIECH S.A. and production of this segment is performed in CIECH Soda Polska S.A., CIECH Soda Romania S.A. and CIECH Soda Deutschland GmbH&Co. KG.

The soda segment in CIECH S.A. generated in 2015 sales revenues of PLN 1 579 944 thousand (which is 77.51% of total sales revenues), EBITDA of PLN 371 123 thousand and normalized EBITDA of PLN 371 621 thousand, while in 2014 it generated sales revenues of PLN 1 390 668, EBITDA of PLN 190 212 thousand and normalized EBITDA of PLN 190 370 thousand.

Characteristics of key production companies running operations under the sodium segment:

- **CIECH Soda Polska S.A.** - CIECH Soda Polska S.A. was established in 2007 as a result of JANIKOSODA S.A. and SODA MATWY S.A. making contributions in the form of businesses of these companies. JANIKOSODA S.A. obtained 46.49% of the shares, and SODA MATWY S.A. 53.51% of the shares in the share capital of Soda Polska Ciech Sp. z o.o. On 12 June 2012, the company was transformed into a joint-stock company. CIECH Soda Polska S.A. has two production plants: in Inowrocław and in Janikowo. It is the second European producer of heavy and light soda ash. It produces also evaporated salt, wet and dry (including Kujawska Salt). It holds the position of the largest producer of evaporated salt in the country. Other goods of the company include baking soda, calcium chloride, absorptive masses, salt tablets. All the listed products have broad application in industry. Their main groups of recipients are international glass concerns, national glassworks, producers of detergents, chemical, metallurgical, food, fodder and pharmaceutical industry, water treatment sector, and households. Production of soda ash oscillates around 1200 tt/year. The plant has the following certificates: ISO 9001: 2000, ISO 14001: 2004, GMP+ B2. The plant also applies the HACCP principles.
- **CIECH Soda Deutschland GmbH&Co. KG (SDC Group)** - a German producer of soda ash and baking soda seated in Stassfurt. For 130 years, it has been involved in production of soda ash with the use of sources of limestone and rock salt. The plant was acquired by CIECH S.A. in 2007 and a year later a new heavy soda production facility started its operation. The Company has the following certificates: ISO 9001, ISO 14001, ISO 50001, Kosher, GMP+ B2, and it applies also the principles of GMP in production of baking soda for pharmaceutical purposes and guidelines of standard ISO 22000 for food products.
- **CIECH Soda Romania S.A.** – acquired in 2006, is the first foreign production company of the CIECH Group, a Romanian producer of, among others, soda ash, glassy sodium silicate and sodium water glass, and soda-related goods. The Company has a certificate ISO 9001.

ORGANIC SEGMENT

The production companies belonging to CIECH S.A. produce many organic chemical compounds. In 2015, it produced, among others, polyurethane foams, epoxy resins as well as polyester resins. These products are used in the following industries: furniture, automotive, paint and electronic. The Group produces plant protection chemicals used in agriculture.

The organic segment in CIECH S.A. generated in 2015 sales revenues of PLN 422 916 thousand (which is 20.75% of total sales revenues), EBITDA of PLN 7 719 thousand, and normalized EBITDA of PLN 7 719 thousand, while in 2014 it generated sales revenues of PLN 73 264, EBITDA of PLN 564 thousand and normalized EBITDA of PLN 564 thousand.

Characteristics of key production companies running activities in the organic segment:

- **CIECH Sarzyna S.A.** - produces plant protection chemicals (herbicides, fungicides, insecticides, seed treatment), epoxy resins as well as polyester resins. Full assortment of production includes over one thousand positions and their varieties, in various chemical forms, utility forms, packages, according to the target market and application. The most famous trademarks of the company include Epidian, Chwastox and Polimal. The basic production activity is supplemented by services of formulation of goods, preparation or distribution, which may be carried out for the benefit of business partners on the basis of own production base, staff potential and the distribution network. The plants have a certificate of compliance of their integrated management system with the requirements of standards ISO 9001, ISO 14001, PN 18001 and a WSK certificate for double-application products.
- **Ciech Pianki Sp. z o.o.** – the company deals with production and sales of PUR foams, and focuses its operating activities mainly on the Central and Eastern European markets, with the furniture market as the main recipient. The foams produced by it can be divided into 5 basic groups: light foams, standard foams, highly-flexible foams, non-flammable standard foams, highly-flexible non-flammable foams. Apart from the blocks, they also have in their offer the goods cut of blocks: boards, profiles, sets, cut blocks, bonellas, rolled slabs.

SILICATES AND GLASS SEGMENT

It includes first of all products by CIECH Vitrosilicon S.A., CIECH Soda Romania S.A. (sold within commercial activity run by CIECH S.A.) such as glass and glassy sodium silicate. Within this segment, the subsidiary of CIECH S.A. produces products of glass, which include, among others glass products (lanterns and jars). Glass products are used in construction, food industry and for production of vigil lights.

The silicates and glass segment in CIECH S.A. generated in 2015 sales revenues of PLN 10 962 thousand (which is 0.54% of total sales revenues), EBITDA of PLN 326 thousand, and normalized EBITDA of PLN 326 thousand, while in 2014 it generated sales revenues of PLN 179 638, EBITDA of PLN 7 050 thousand and normalized EBITDA of PLN 7 064 thousand.

Characteristics of key production companies running activities under the silicates and glass segment:

- **CIECH Vitrosilicon S.A.** – the Company produces glass products: jars, lanterns, headstone lamps, glassy silicates of sodium and potassium, sodium and potassium water glass. CIECH Vitrosilicon S.A. has two production plants: in Iłowa, the seat of the Management Board and production of sodium water glass and glass products, and in Żary, the seat of production of glassy sodium and potassium silicates. The Company has the following certificates: ISO 9001, ISO 14001.
- **CIECH Soda Romania S.A.** – acquired in 2006, is the first foreign production company of the CIECH Group, a Romanian producer of e.g. water glass sodium and glassy sodium silicate. The Company has a certificate ISO 9001.

4.2. Major events in 2015 and until the date of approval of the statement**Change in the auditor**

On 26 May 2015, the Supervisory Board of CIECH S.A. adopted a resolution on changing an entity authorized to conduct semi-annual review and audit of the separate financial statement of CIECH S.A. and the consolidated financial statement of the CIECH Group for the year 2015, choosing, at the same time, a new entity to carry out the aforementioned audits - PricewaterhouseCoopers Sp. z o.o. seated in Warsaw. In addition, the Supervisory Board chose PricewaterhouseCoopers Sp. z o.o. , seated in Warsaw, as an entity authorized to conduct a semi-annual review and audit of the separate financial statement of CIECH S.A. and the consolidated financial statement of the CIECH Group for the years 2016 and 2017.

Changes in the composition of the Management Board and the Supervisory Board

On 22 July 2015, the Supervisory Board of CIECH S.A. dismissed Dariusz Krawczyk from the function of President of the Management Board, without stating the reason. At the same time, on 22 July 2015, the Supervisory Board appointed Maciej Tybura to the position of President of the Management Board. Earlier, Maciej Tybura was a Member of the Management Board.

Owing to the death of Jan Kulczyk, PhD, Chairman of the Supervisory Board of CIECH S.A., on 26 August 2015 the Extraordinary General Meeting appointed Sebastian Kulczyk to the Supervisory Board of CIECH S.A. On 8 October 2015, the Supervisory Board of CIECH S.A. appointed Sebastian Kulczyk its Chairman.

On 26 October 2015, the Supervisory Board of CIECH S.A. appointed Artur Król to the position of Member of the Management Board of CIECH S.A.

On 7 March 2016, the Company obtained information on submission of resignation of Wojciech Stramski from the function of Member of the Supervisory Board as of 6 March 2016.

As of 7 March 2016, by way of a resolution of the Extraordinary General Meeting, Dominik Libicki was appointed to the Supervisory Board.

Ratings

On 25 November 2015, Standard & Poor's Ratings Services informed about publishing a report in which, due to improved performance of CIECH S.A. and reduction in its relative level of debt, it was raising the corporate rating of CIECH S.A. and bonds issued by Ciech Group Financing AB (publ) from "B+" to "BB -" with a stable prospect (current report no. 43/2015 of 25 November 2015).

On 3 December 2015, Moody's Investors Service informed about publishing a report in which it was raising rating granted to the order of CIECH S.A. from "B1" to "Ba3" with a positive prospect. Moody's justified rise in the rating with improved performance in 2014 and 2015, reflected in improved EBITDA and value of generated cash flows and effectively conducted re-financing of (i) debt, resulting, among others, from the fact

that the subsidiary of CIECH S.A. , Ciech Group Financing AB (publ), issued secured superior bonds in the amount of EUR 245 000 thousand and (ii) debt arising from the Revolving Loan Agreement up to the amount of PLN 100 000 thousand (current report no. 47/2015 of 3 December 2015).

Financing

On 7 October 2015, the Extraordinary General Meeting of CIECH S.A. gave consent to CIECH S.A. or its subsidiaries to obtain financing by issuing bonds on international markets or on the Polish market, taking out bank loans or combining various financing instruments as listed above. The total amount of financing will not exceed PLN 1 750 000 thousand or its EUR equivalent. The Extraordinary General Meeting authorized the Management Board of CIECH S.A. to determine any other terms of financing as well as give consent to establish respective securities in connection with financing. Details of the resolutions adopted by the Extraordinary General Meeting have been communicated to the public in the Current Report no. 34/2015 of 7 October 2015.

On 29 October 2015, a loans agreement was concluded between CIECH S.A. , as the borrower, subsidiaries Soda Polska CIECH S.A., CIECH Sarzyna S.A. and CIECH Soda Deutschland GmbH & Co. KG, as the guarantors, and other subsidiaries of CIECH S.A. , as the temporary guarantors (Janikowskie Zakłady Sodowe Janikosoda S.A., CIECH Vitrosilicon S.A., Ciech Nieruchomości S.A., CIECH Transclean sp. z o.o., CIECH Trading S.A., Ciech Pianki sp. z o.o., CIECH Cerium spółka z ograniczoną odpowiedzialnością sp.k., Cerium spółka z ograniczoną odpowiedzialnością SKA, SDC GmbH, Sodawerk Holding Staßfurt GmbH, Sodawerk Staßfurt Verwaltungs-GmbH oraz Bankiem Handlowym w Warszawie S.A., Bankiem Millennium S.A., Bankiem Zachodnim WBK S.A., Credit Agricole Bank Polska S.A., HSBC Bank Polska S.A., Industrial and Commercial Bank of China (Europe) S.A. Branch in Poland and Powszechna Kasa Oszczędności Bank Polski S.A. concerning refinancing of the present financial debt of the CIECH Group, financing of the refinancing costs and financing of general corporate goals of CIECH S.A. In accordance with the provisions of the agreement, two other subsidiaries of CIECH S.A. joined it as the guarantors - KWG-Kraftwerksgesellschaft Staßfurt mbH and CIECH Soda Romania S.A.

On the basis of the Loans Agreement, the creditors made available for CIECH S.A. (subject to being provided with documents that guarantee possibility to disburse loans) the following loans:

- the synthetic term loan in PLN and EUR up to the total amount of PLN 1 340 000 thousand granted by the creditors for the purpose of: (i) refinancing debt resulting, among other things, from the issue by the subsidiary of CIECH S.A. , CIECH Group Financing AB, of superior secured bonds, in the amount of EUR 245 000 thousand, (ii) refinancing debt arising from the revolving loan agreement with the highest priority up to the amount of PLN 100 000 thousand, (iii) refinancing other debt of CIECH S.A. resulting from other loans; (iv) financing refinancing costs; and (v) financing general corporate goals of CIECH S.A. (term loan);
- the revolving loan in PLN up to the total amount of PLN 250 000 thousand, granted by the creditors in order to finance general corporate goals and working capital of the CIECH Group, excluding acquisitions and prepayment of the term loan;

Interest on the Loans is a floating rate, determined on the basis of WIBOR /EURIBOR basis rate plus margin whose level depends on the net debt to operating result plus depreciation and amortization (EBITDA). The initial margin is 1.5 %.

Cash under loans will be made available to CIECH S.A. subject to providing the creditors with standard documents and certificates, including, among others, legal opinions, certificates on the lack of tax arrears, insurance policies and subject to the lack of breach of the loan until the payment date.

Main terms of loans repayment are described in the section I.5.8. The details of the Loans Agreement have been presented in the current report no. 38/2015 of 30 October 2015.

On 30 October 2015, Ciech Group Financing AB submitted a notification regarding its intention of early buyback and redemption on 30 November 2015 of secured bonds with the nominal value of EUR 245 000 thousand, issued on 28 November 2012, with the initial buyback date in 2019. In accordance with the provisions of the Indenture Agreement (details of this agreement have been presented in the current report no. 61/2012), the total amount of buyback of the bonds on 30 November 2015 is PLN 263 426 thousand. The notification also anticipated that early buyback and redemption of the bonds will be made on a condition that the creditors will disburse, under the Loans Agreement described above, the amount no lower than the equivalent of the buyback amount (details of the Agreement have been presented in the current report no. 40/2015 of 30 October 2015).

of CIECH S.A. with regard to liabilities related to the term loan, made available under the Loans Agreement (the current report no. 38/2015 of 30 October 2015), in order to restrict the risk of unfavourable changes in floating interest rates (resulting from the variability of the basic EURIBOR and WIBOR rates) and in order to change the currency of interest and capital flows related to a part of the term loan denominated in PLN from PLN to EUR, on 13-19 November 2015 CIECH S.A. concluded the CIRS (cross currency interest rate swap) and IRS (interest rate swap) transactions. CIRS transactions consist in replacement of the variable component of interest payable on the term loan in PLN in the amount of WIBOR 6M by fixed interest rate in EUR and in replacement of flows related to payment and repayment of the principal amount of the term loan in PLN from PLN to EUR. The CIRS Transactions' nominal value weighted fixed interest rate in EUR is 0.05% p.a. IRS transactions consist in replacement of the variable component of interest payable on the term loan in EUR in the amount of EURIBOR 6M by fixed interest rate in EUR. The CIRS Transactions' nominal value weighted fixed interest rate in EUR is 0.20% p.a. The transactions were concluded with the following banks: Powszechna Kasa Oszczędności Bank Polski S.A., Bank Zachodni WBK S.A., Credit Agricole Bank Polska S.A., Bank Millennium S.A., Bank Handlowy w Warszawie S.A., HSBC Bank Polska S.A. The transactions were concluded for a period from 25 November 2015 (i.e. from the planned date of the first term loan payment under the Loans Agreement) to 25 November 2020 (i.e. the final credit repayment date) and secure together the whole nominal amount of the term loan of PLN 1 045 031 thousand (in the case of CIRS Transactions) and PLN 69 673 thousand (in the case of IRS Transactions). Detailed information about the concluded transactions is presented in the current report no. 41/215 of 19 November 2015.

25 November 2015 saw disbursement of the synthetic term loan granted by Bank Handlowy w Warszawie S.A., Bank Millennium S.A, Bank Zachodni WBK S.A., Credit Agricole Bank Polska S.A, HSBC Bank Polska S.A, Industrial and Commercial Bank of China (Europe) S.A. Branch in Poland and Powszechna Kasa Oszczędności Bank Polski S.A. The disbursement amount is PLN 1 045 031 thousand and PLN 69 673 thousand. of CIECH S.A. plans to allocate a portion of the funds from the Loan disbursement (after a partial conversion under the hedging transactions) in the amount of EUR 263 426 thousand for early redemption of secured bonds with the nominal value of EUR 245 000 thousand, issued by Ciech Group Financing AB (publ) on 28 November 2012. Detailed information is presented in the current report no. 42/2015 of 25 November 2015.

27 November 2015 saw:

- redemption of intra-group bonds of the nominal value of PLN 245 000 thousand, issued on 6 December 2012 by CIECH S.A. (intra-group bonds) and taken up by Ciech Group Financing AB as a result of Ciech Group Financing AB exercising the option of early redemption of intra-group bonds. The amount of early redemption of intra-group bonds along with accrued interest was EUR 263 502 thousand. The early redemption of the intra-group bonds was conducted in connection with submission by Ciech Group Financing AB, on 30 October 2015, of a notification regarding its intention to conduct early buyback and redemption of the secured bonds with the nominal value of EUR 245 000 thousand, issued on 28 November 2012 (HY bonds), for the purpose of Ciech Group Financing AB obtaining funds for early buyback and redemption of the HY bonds,
- transfer of funds necessary for total buyback and redemption of the HY bonds in the amount of EUR 263 426 thousand, obtained under the disbursement under the Loans Agreement of 29 October 2015, to the HY Bonds Payment Agent. In connection with transferring the aforementioned funds, the liabilities of CIECH S.A., Ciech Group Financing AB and subsidiaries of CIECH S.A. granting guarantees for the HY bonds, related to the HY bonds, resulting from the agreement defining the terms of issuing HY bonds and granting a guarantee (Indenture Agreement), the conclusion of which was informed by CIECH S.A. in the current report No.61/2012 of 29 November 2012 are deemed wholly fulfilled. Formal redemption of the HY bonds by the HY bonds guarantor according to the Indenture Agreement will take place on 30 November 2015 (without undertaking additional activities),
- guarantee by KWG-Kraftwerksgesellschaft Staßfurt mbH (subsidiary of CIECH S.A) for liabilities of CIECH S.A. under the Loans Agreement of 29 October 2015, on the terms corresponding to the terms of guarantees granted by other guarantors, designated in the current report no. 38/2015 of 30 October 2015.

The detailed information about the aforementioned transaction is provided in the current report no. 44/2015 of 27 November 2015.

In connection with the issue by CIECH S.A. , on 5 December 2012, of secured bearer bonds under the Polish law, denominated in zlotys, series 02, with total nominal value of PLN 160 000 thousand, without an option of early redemption, with maturity date falling on 5 December 2017 (of which CIECH S.A. informed in the current report no. 62/2012), on 27 November 2015, KWG-Kraftwerksgesellschaft Staßfurt mbH (subsidiary of CIECH S.A), submitted an offer to the holders of all the bonds to conclude a guarantee agreement (as defined by articles 876-887 of the Civil Code) for liabilities of CIECH S.A. regarding any payments under bonds, in the form of an irrevocable guarantee declaration. Guarantees can be established up to the amount of 125% of the total nominal value of bonds held by a given holder, and, at the same time, no more than 125% of the total nominal value of all the bonds. A given bondholder acquired rights resulting from guarantee upon delivery to KWG-Kraftwerksgesellschaft Staßfurt mbH, with a copy to CIECH S.A., of a declaration made by a given holder regarding acceptance of the guarantee, containing a depositary document confirming that: (i) a given bondholder is holder of bonds and (ii) those bonds have been blocked until the business day following the day of the submission of the declaration regarding acceptance of the guarantee. Submission of an offer for granting guarantees for bondholders is connected with KWG-Kraftwerksgesellschaft Staßfurt GmbH granting, with the effect as of 27 November 2015, guarantees for the creditors of the loans granted to CIECH S.A. under the Loans Agreement of 29 October 2015. The detailed information is presented in the current report no. 44/2015 of 27 November 2015. On 26 February 2016, CIECH Soda Romania S.A. granted a guarantee for liabilities of CIECH S.A. under the Loans Agreement of 29 October 2015, on the terms corresponding to the terms of the guarantees granted by other guarantors. The detailed information is presented in the current report no. 4/2016 of 26 February 2016.

4.3. Seasonality and cyclicity of activity of CIECH S.A.

The phenomena of seasonality related to periodical fluctuations in demand and supply have little importance in general sales trends of CIECH S.A. Products with a visible effect of seasonality are plant protection chemicals. Most plant protection chemicals are used in the first half of the year, in the period of strong growth of plants, when the sales of these products account for approximately 90% of total sales. In addition, in the scope of the soda segment, there is a seasonal relation between the sales level of some products, and the course of winter. In the case of calcium chloride and other products (anti-ice salt and chloride mix, waste salt) a hot winter has direct impact on decrease in sales, whereas, in the case of salt the impact is indirect. In the event of other products, the level of revenues and financial results of CIECH S.A. over a financial year is not subject to significant seasonal fluctuations. For this reason, the impact of seasonality on the volume of total sales of the Company is relatively small.

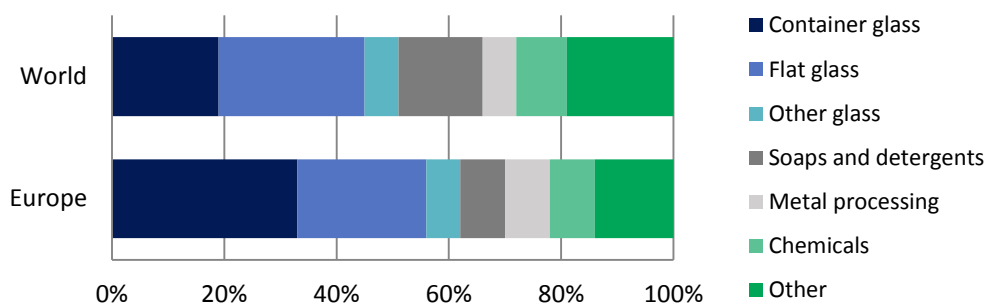
4.4. Description of operating activities

Soda segment

Soda ash

Soda ash is one of the basic raw materials for glass production. It is also applied in the production of washing and cleaning agents, in metallurgy and in chemical industry, among others, to manufacture some species of mineral fertilizers, as well as colorants and pigments. On a global scale, approximately half of the generated soda ash is used for glass production. Later, the recipients of soda ash include soaps and detergents industry and chemical industry. 1/5 of soda is consumed by other industry branches.

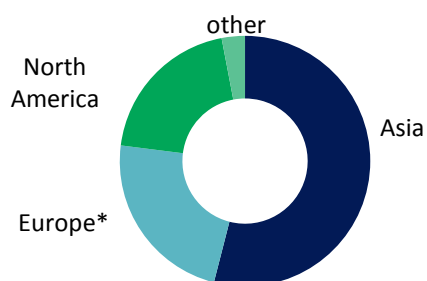
The structure of soda ash use



Source: own compilation based on IHS Chemical

In Europe, much more soda ash is used in comparison with global consumption for production of glass and in metallurgy, but almost 50% less for production of soaps and detergents.

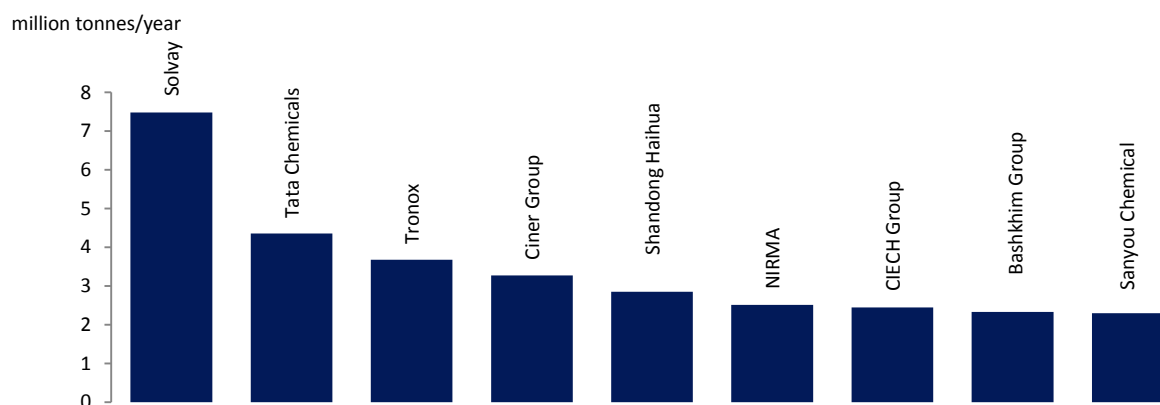
Production capacities of soda ash in the world by region



Source: own compilation based on IHS Chemical

The global production capacities of soda ash are evaluated at approximately 66 million tons, including half of them in Asia. The remaining potential is distributed almost evenly between Europe and North America that have a similar level of production capacities. The largest producers of soda ash in the world with capacities of more than 3 million tons/year are four concerns: Solvay, Tata Chemicals, Tronox and Ciner Group. These companies have together almost 30% of the global production capacities.

The largest manufacturers of soda ash in the world by production capacities in 2015



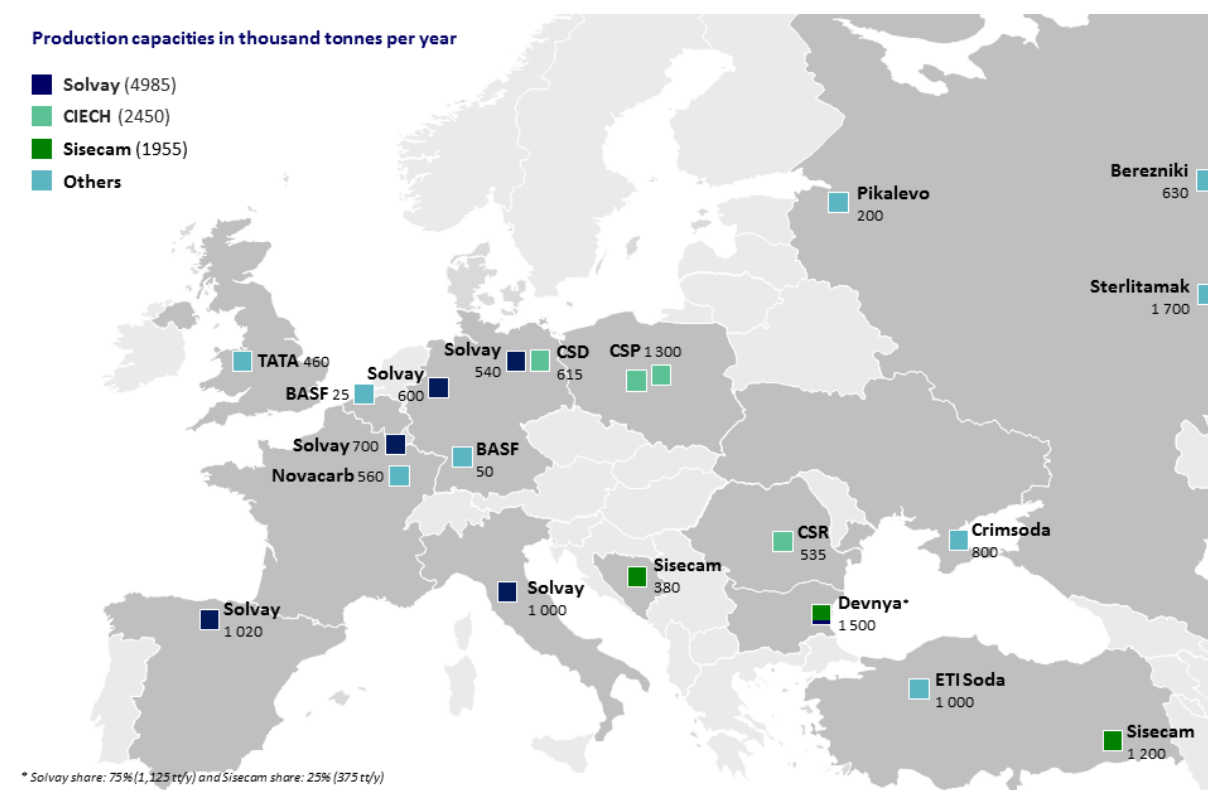
Source: own compilation based on IHS Chemical

It is envisaged that in the next 2-3 years the greatest growth in production capacities of soda ash will take place in the Middle East (more than 3.5 million tonnes/year, mainly in Turkey, based on trona deposits) and in India (less than 2 million tons/year; by IHS). In 2015, the investment

plans in China were revised. As a result of the decision of the PRC government regarding restrictions in investments in energy-consuming and environmentally burdensome sectors, many projects concerning expansion of soda ash production capacities were cancelled in this country. On the whole, all investments planned in the soda industry in the nearest 5 years will not significantly change demand and supply on the global market of soda ash. According to IHS, global demand for soda ash will be growing annually on average by 2.5% by 2020; namely, even slightly faster than production capacities.

The main market of activities of CIECH S.A. with regard to soda ash is the European market with large share of Poland. The largest regional producer is Solvay that, at the end of 2015, had plants in 6 locations in Europe with total production capacities estimated at approximately 5 million tons/year. The second position on the European market is occupied by being part of CIECH S.A. CIECH Group with production capacities of 2.45 million tons. The Group is the only domestic producer of soda ash in Poland, and total production capacities of its factories in Inowrocław and Janikowo are 1.3 million tons/year. Two other plants belonging to the subsidiaries of CIECH S.A.: in Germany and Romania have production capacities of 0.61 and 0.54 million tons annually. Quantitative share of the Group in the soda ash market in Poland reaches almost 100%, approx. 15% in Europe and approx. 4% in the world market. The Bashkchim Group (Russia) has a similar production capacities with plants: Soda Sterlitamak and Berezniki Soda Plant.

Competition of the CIECH Group in soda ash market in Europe and Turkey in 2015



Source: Own compilation based on IHS Chemical and others

The European soda ash market (including CIS and Turkey) is assessed at approx. 11.5 million tonnes, including approx. 6.1 million tons in Europe. The European and Polish soda ash markets are mature markets that are not subject to rapid fluctuations in annual growth rates, which generally do not exceed a few per cent. An exception was the year 2009: at that time, the global economic crisis had a significant impact on demand on the soda ash markets due to industries sensitive to the economic situation, for which it was intended. After a slope of about a dozen percent in consumption in 2009, the Western European soda market returned to the path of growth at the level of 1%-2% annually on average. Dynamics of growth the Central and Eastern Europe is usually by 1 percentage point higher.

The structure of soda ash usage in Europe has not undergone major changes for many years. Demand for this soda mainly depends on demand for packaging glass and flat glass.

Over 30% of soda ash is used in production of glass packaging: bottles, jars and other glass containers used in food, pharmaceutical and cosmetics-perfume industry. It is estimated that in 2015 usage of soda by the European glass packaging industry grew slightly (by 1%). In subsequent years, this segment should demonstrate similar positive dynamics. For Poland, a further growth in the usage of glass packaging is expected, driven by growth in consumer markets. National usage of packaging glass per person (below 30 kg) is lower than in many Western European countries (by 40 kg or more), which proves a great potential of this market in Poland. However, in the long term, weakening growth in demand for soda ash among the manufacturers of glass packaging may be determined by increasing usage of cullet.

The recipients of flat glass include building and automotive industry. High sensitivity of these industries to changes in the economic situation determines variable demand for soda ash.

The greatest recipient of flat glass is the building market, on which in the European Union recovery was recorded as already as in 2015. After a few years of fall in demand or stagnation due to the economic crisis last year was characterized by increasing EU building production by 1.6%.

For subsequent years, a clear further growth is anticipated by 2% - 3% annually (by Euroconstruct). Poland and the market of Central Europe will continue to be a market with a greater growth potential in relation to Western Europe.

Another significant recipient of flat glass, for the production of which soda ash is used, is automotive industry. The European Union is one of the largest manufacturers of passenger cars in the world with share of 22% (2nd place after China according to the industry organization ACEA). The production results of the EU automotive industry after 9 months 2015 (growth in passenger cars by 6.8%) as well as estimates concerning increase in production of delivery trucks by 10% throughout 2015 evidence a clear improvement in the economic situation in this industry. Forecasts for the automotive market in the European Union evidence likely maintenance of a clear upward trend in manufacturing of vehicles also in 2016. A definitely reverse trend will persist in Russia (after two-digit production decrease in 2015 the current year will continue to be characterized by negative dynamics).

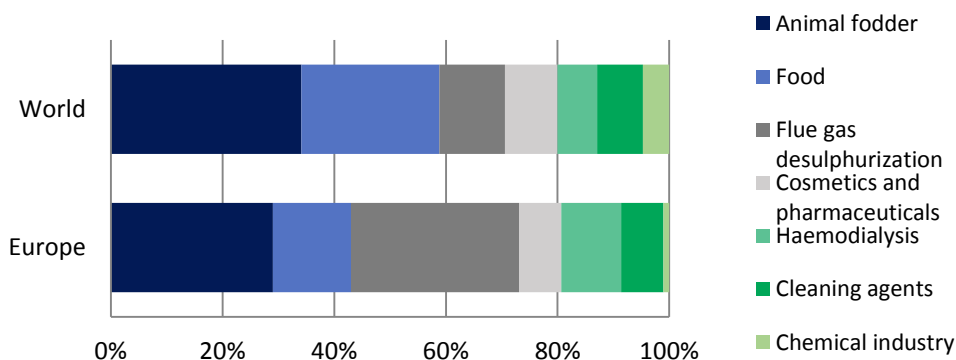
In 2016, on the European soda ash market maintenance of positive growth is anticipated (by 1.5 %-2%). In the perspective of a several years, demand for soda ash should keep on showing positive average growth dynamics: globally by 2.5%, in Europe approx. 1.5% (in the Central and Eastern Europe even by 2.5 %).

Baking soda

Baking soda is applied, first of all, for the production of fodder (as acidity regulator), food (among others, as ingredient of baking powder and sparkling drinks), pharmaceuticals, detergents and cosmetics and to purify exhaust fumes (primarily in desulfurization). In chemical industry it is used for production of colorants and explosive products and as a basic ingredient of fire extinguishers. The baking soda market is divided into the segment of low, high and very high quality soda. The high quality soda segment includes food and pharmaceutical industry. Very high quality is required for medicinal purposes – for instance in haemodialysis.

In Europe, baking soda is applied, first of all, for the production of fodder and flue gas purification (approx. 30% each). Other important segments are production of food products and haemodialysis. In the years to come, due to growing environmental protection requirements, a significant growth in usage of baking soda in the sector of waste gas purification is anticipated. More than average dynamics should be expected also in hemodialysis owing to growth in incidence of illnesses related to contemporary lifestyle of developed countries (mainly kidney diseases caused by diabetes).

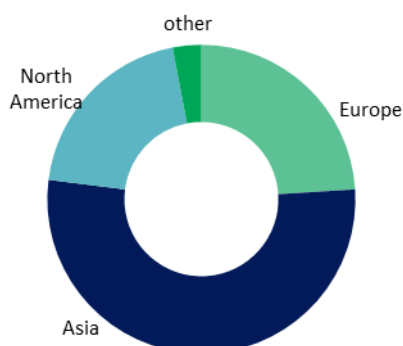
The structure of baking soda usage



Source: own compilation based on IHS Chemical

Global baking soda production capacities are estimated at 5.3 million tons annually. Asia is responsible for more than 50% of these capacities. The share of Europe is almost 25% and of North America of 20%.

Baking soda production capacities in the world by regions

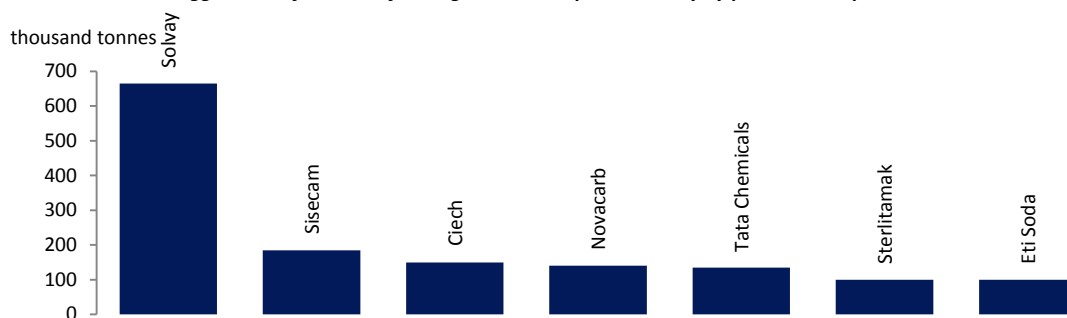


Source: own compilation based on IHS Chemical and others

The market of activities of CIECH S.A. with regard to baking soda is the domestic market and foreign markets with the dominance of the Western European countries. Shares of CIECH S.A. and its subsidiaries in the baking soda market oscillate at the level of around 13% in Europe and 3% globally. Baking soda is produced in two soda plants belonging to the Group: in Inowrocław and Stassfurt with production capacities are of 90

and 60 000 tons/year, respectively. CIECH Soda Polska is the only manufacturer of baking soda in the country with market share of approx. 45%. The share in the German market is approx. 30%.

The biggest manufacturers of baking soda in Europe and Turkey by production capacities in 2015



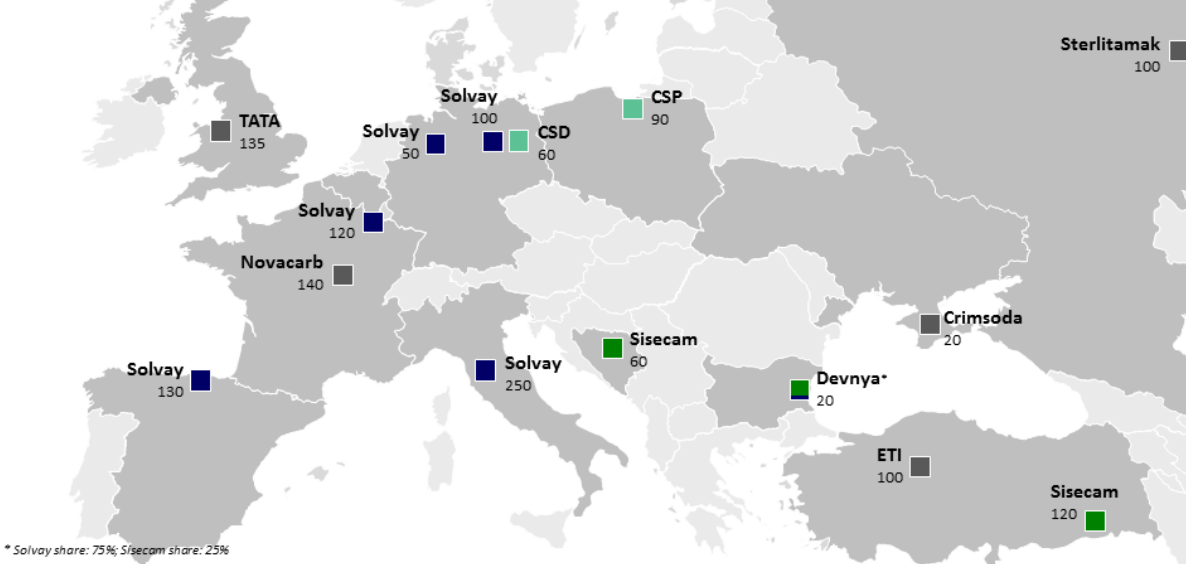
Source: own compilation based on IHS Chemical and others

In Europe (including close Turkey) baking soda production capacities are estimated at approx. 1.5 million tons annually. The biggest manufacturer in Europe and in the world is Solvay with plants in several countries. Total European production capacities of this manufacturer are approx. 0.67 million tons/year (globally more than 1 million tons/year; after start-up in 2015 of a new plant with capacities of 100 000 tons/year, in Thailand). The production companies currently belonging to CIECH S.A. with capacities of 150 000 tons/year, is the second European manufacturer (and third after Solvay and Sisecam in the region including Turkey). The European leading manufacturer also include Novacarb (140 000 tons/year) and Tata Chemicals (135 000 tons/year).

Competition of the CIECH Group in baking soda market in Europe and Turkey in 2015

Production capacities in thousand tonnes per year

- Solvay (665)
- Sisecam (185)
- CIECH (150)
- Others



Source: Own compilation based on IHS Chemical and others

The Polish and European baking soda markets, like the soda ash markets, are mature markets that are not subject to rapid changes in annual growth rates of several percent annually. From among industries using baking soda, fodder industry is the most vulnerable to recession. In Poland, the industry is, however, more resistant to economic fluctuations than on most markets in Europe. Slopes in Poland are much weaker than in the remaining part of Europe. In the future sales growth can be anticipated in the technical soda segment owing to increased demand of the gas purification sector. European soda manufacturers continue actions towards intensification of baking soda production, which takes place at the expense of soda ash.

In the years to come, it is assumed that the average annual growth in European usage of baking soda would be at least 3%. However, its course will vary among market segments and European regions. The fodder, food and detergent segment should record growth at the rate close to GDP dynamics, while the haemodialysis and gas desulfurization segment - at a much higher level.

The forecasted growth dynamics of the baking soda market for the whole world should exceed 4% annually.

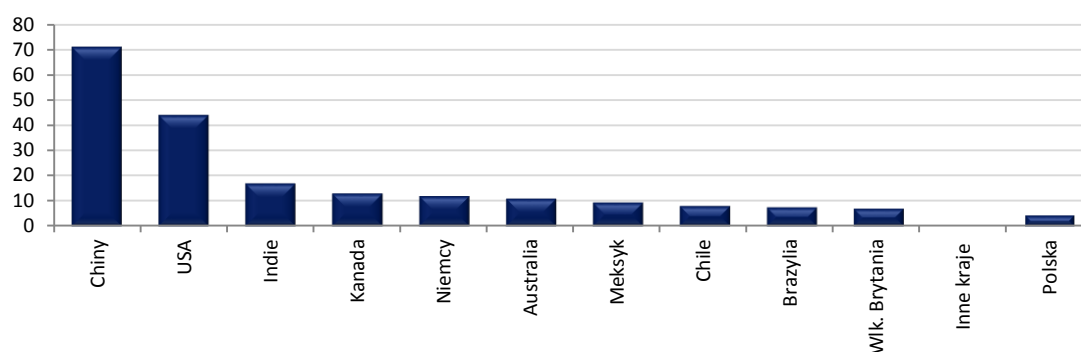
Evaporated salt

Salt is usually present on the European in two forms: rock salt and evaporated salt. Evaporated salt is one of key products sold by CIECH S.A., which offers varieties intended , among others, for food, fodder, water treatment and chemical industry.

Salt production in the world is annually 280 - 290 million tons. Ten largest producers (countries) are responsible for 3/4 of the global supply. They include only two countries from Europe (Germany producing approx. 12 million tons/year and Great Britain with production of 7 million tons/year). The share of Poland in the global salt production (approx. 4 million tons/year) is relatively small and is approx.. 1.4%.

Main salt producers in the world and Poland

million tonnes/year

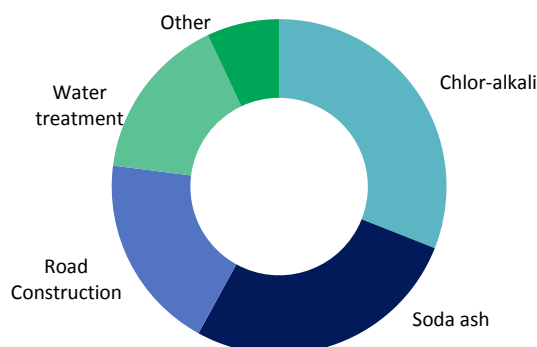


Source: own compilation based on USGS

Owing to advantages of evaporated salt in terms of quality parameters, chemical industry in Western Europe has practically stopped using rock salt. Similar process took place in food and household industry. Presently, rock salt is used in road maintenance, during winter de-icing. On the other hand, evaporated salt is broadly used in the chemical industry (electrolysis, production of detergents and colorants) and water treatment and softening processes. It is also used in food industry (including: bakery, fruit-vegetable and meat industry). Evaporated salt with pharmacological purity grade is also used in pharmaceutical industry.

In Europe, most salt is applied in chlorine-alkali industry. Slightly less salt is used by production of soda ash and road maintenance. On a global scale, only the North-American continent records a significant share of salt in road maintenance (approx. 1/3). In other regions of the world, chlorine-alkali industry is the dominant salt recipient. In China, an important salt consumer is also soda industry (production of soda ash). In Asia (beyond China) and in Latin America, Africa and in the Middle East significant quantities of salt are intended for direct consumption and food production.

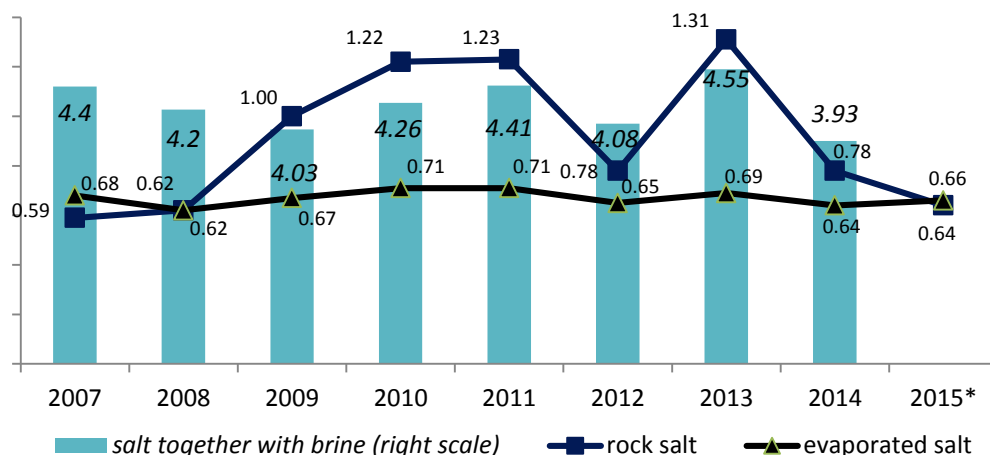
The structure of salt usage in Europe



Source: Estimates on the basis of Roskill

The salt market structure in Poland slightly differs from segmentation on the European scale. Definitely more salt is used in road maintenance and direct consumption, and less in chemical industry.

Salt production in Poland, with breakdown into varieties in 2007-2015 (million t)



Source: own compilation based on GUS; * estimates on the basis of preliminary data

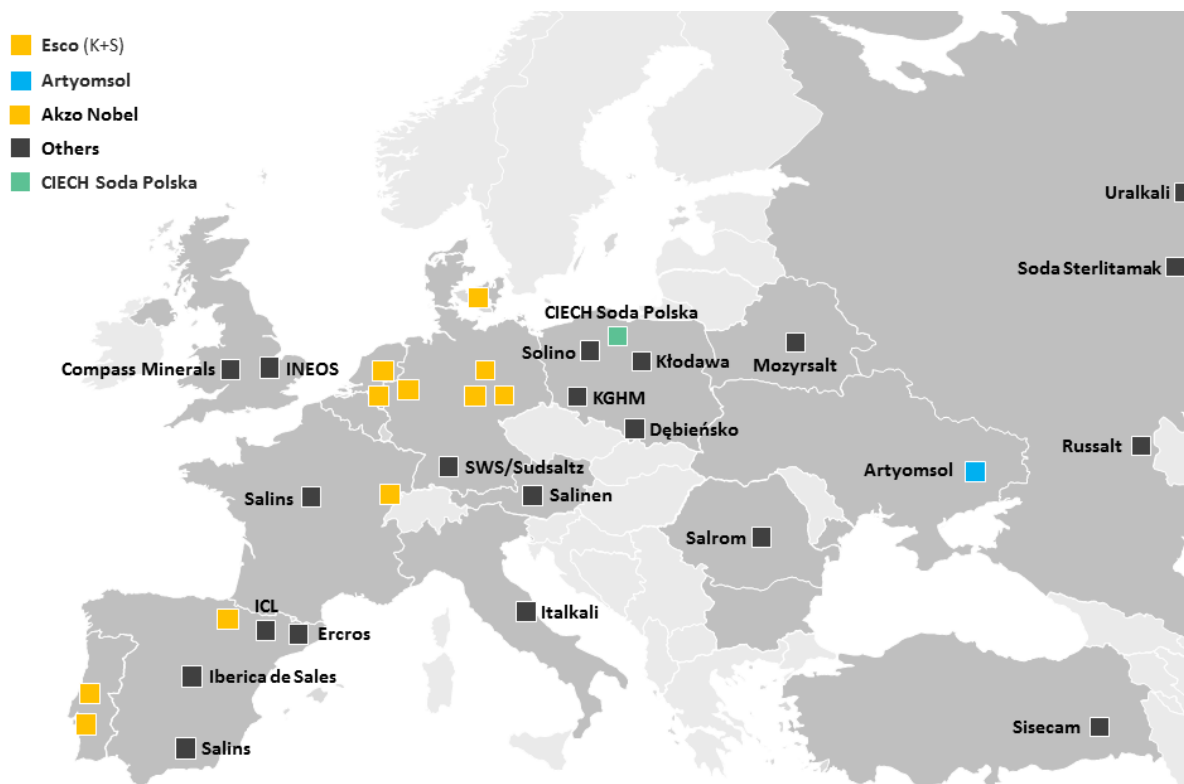
Poland is one of the leading salt producers in Europe. In the recent years, total annual production of evaporated salt, rock salt and brine has showed fluctuations between 4 million tons and 4.6 million tonnes.

The Polish salt market, like the European market, is a mature market. The volume of evaporated salt use has remained stable, showing generally resistance to possible economic slowdowns. Growth in sales volume is small and results mostly from growth in sales of highly processed salt products. On the other hand, the rock salt market, whose main application is winter road maintenance, is characterized by considerable fluctuations. During weather anomalies, demand for rock salt is able to change by a few dozen percent. of CIECH S.A. does not provide large quantities of salt for road sector and therefore weather anomalies have practically no impact on its sales volume.

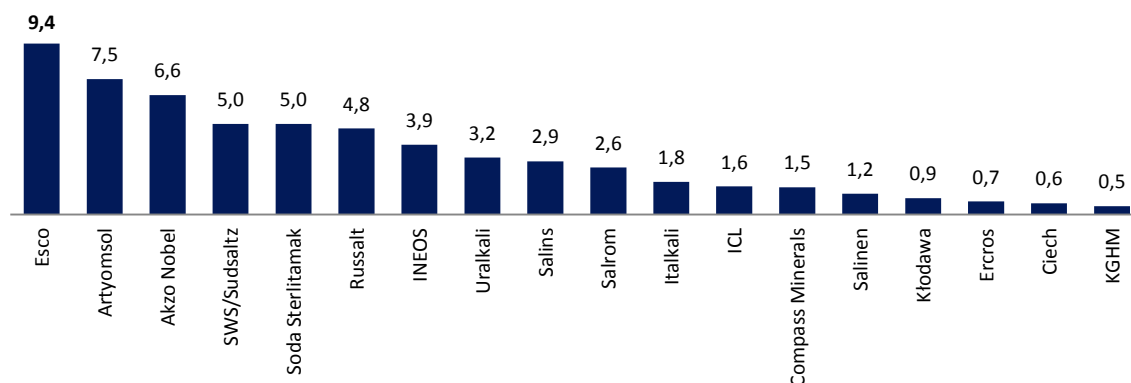
of CIECH S.A. plays an important role in the segments: food salt (food industry and direct consumption that absorb most salt produced by CIECH Soda Polska S.A.), chemical industry and water treatment.

On the domestic market, the CIECH group with the parent company CIECH S.A. is the biggest producer of evaporated salt, with production capacities of 620 thousand tons annually, and its share in the Polish evaporated salt market is approx. 60%.

The biggest salt producers in Europe 2015 operating on the free market



Source: Own compilation based on Roskill and others

Capacities of main European salt producers operating on the free market in 2015 (million tons/year)

Source: Own compilation based on Roskill and others

European production capacities are estimated at approximately 90 million tons/year (together with producers using salt only for the needs of own chemical production, as Solvay and Dow Chemical). The biggest European salt producer operating on the free market is Esco from the K+S Group, having capacities of above 9 million tons/year and production plants in several Western European countries. Other companies with large production capacities (above 5 million tons/year) are: the Ukrainian company Artyomsol (7.5 million tons/year capacities used recently to a small degree) and the chemical concern Akzo Nobel (6.6 million tons/year).

In the perspective of several years to come, directions and further dynamics of development of the global salt market, estimated at approx. 290 million tons, will be determined by the general economic development (owing to a high role of chemical industry in salt consumption) and seasonal factors (owing to significant share of salt consumption in road maintenance in highly developed countries). In the chemical sector, particularly important projects concern plans of expansion of production facilities in Asia (with regard to chlorine-alkalis and soda ash). Considering the expected clear weakening of economic development dynamics in China and the previous year's resignations from many investments in soda ash production in this country, previous optimistic forecasts with regard to development of the global salt market (annually of 3%) may be out of date. The forecasted pace of salt use in the whole world will not be higher than in the previous years, namely of 1-2% annually.

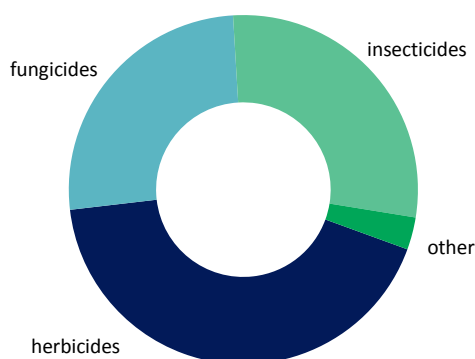
The European salt market development perspectives, including Poland, are assessed as stable. Possible quantitative increases will be determined by sales dynamics in the highly processed products sector, e.g. water treatment systems. Owing to the dominant role of rock salt in the total salt market, applied mostly in road maintenance, sales of salt will still depend on weather conditions and can be subject to periodical significant fluctuations. These phenomena do not affect the segment of food salt and salt for chemical industry. The salt usage growth dynamics in Europe and in Poland for the nearest several years is forecasted at 1.5%.

Organic segment

In 2015, CIECH S.A. supplied to CIECH Sarzyna S.A. and CIECH Pianki Sp. z o.o. key raw materials for production.

Plant protection chemicals (PPC)

It is estimated that in 2015 the value of global PPC market reached approx. USD 52 billion and was lower than in the previous year by approx. 1% (after eliminating an effect of significant appreciation of the US dollar). The reasons for slope were: falls in prices of agricultural products, high levels of inventory of distributors of agrochemicals and weather conditions (e.g. delayed sowings in South America caused by the El Nino effect). More than 40% of globally sold PPC are herbicides. Insecticides are almost 1/3, while fungicides about 1/4 of the global market value.

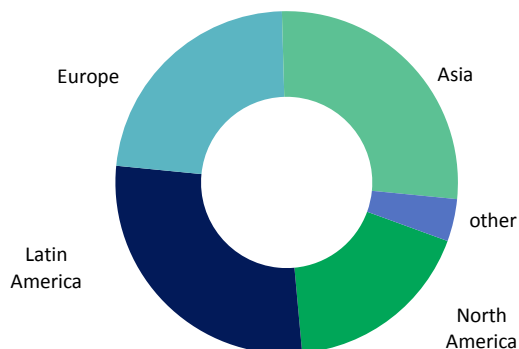
Structure of global PPC usage by type and by value

Source: own compilation based on Phillips McDougall

In 2015, the world market was still dominated by 6 major global manufacturers, i.e. Syngenta, Bayer CropScience, BASF, Dow AgroScience, Monsanto, DuPont. These companies are the main participants of world markets also because they have significant impact on industry development directions, including: developing new technologies, launching innovative products and developing legislation in the world. The share of the above producers in the total world sales is estimated at approx. 75%. In connection with the merger of Dow Chemical and DuPont, since 2016 the number of top players

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The structure of PPC usage by regions (% of the value)

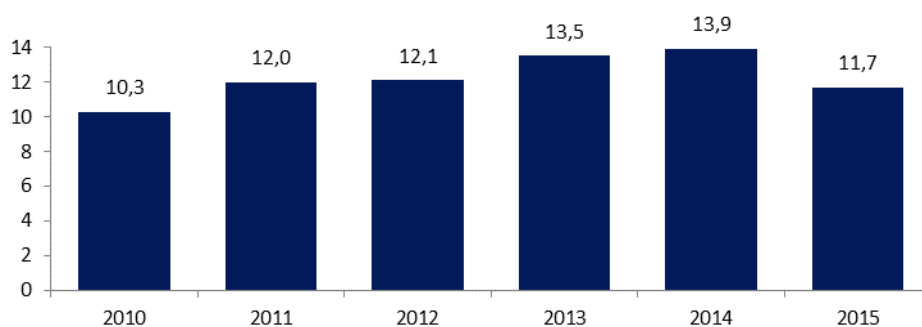


Source: own compilation based on Phillips McDougall

Latin America and Asia are currently the largest regional PPC markets with share in global sales of almost 30% each. Europe and North America are a bit smaller markets. (of 20% each). The value of the European market in 2015 can be estimated at approx. USD 12 billion. Other regions of the world account for several per cent of the global PPC usage.

In the long run, since the beginning the 21st century, demand for PPC in Europe has been growing at the rate of 5% annually (by value). In the period of recent few years, however, this dynamics has decreased particularly owing to maturity of this market. A large, a dozen-or-so decrease in sales value in 2015 measured in USD results mostly from a strong appreciation of this currency and the Russian crisis. Changes in PPC usage in Europe in the period of recent few years are presented on the chart below.

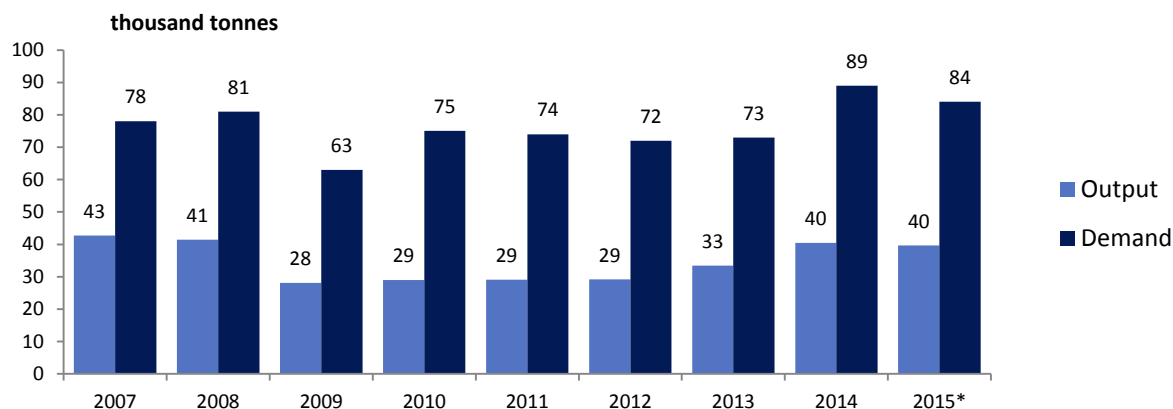
European usage of PPC in 2011-2015 (USD billion)



Source: own compilation based on Phillips McDougall

In the past few years, the usage of plant protection chemicals in Poland ranged within 70-90 000 tons/year (in volume). From the point of view of tonnage of active substances, this usage reaches approx. 20 000 tons/year. In 2015, both domestic production and usage fell significantly (by several thousand tons in volume). The basic cause was a draught in the summer and in the second half of the year. Despite general upward trend regarding local production of PPC in the long run, the Polish market is dominated by foreign suppliers with a very rich offer.

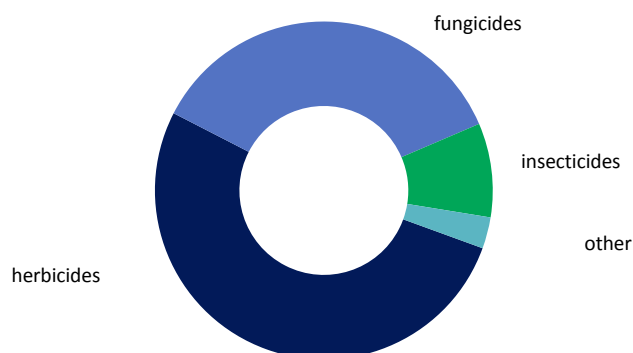
**Production and usage of PPC in Poland in 2007-2015
in quantitative terms (thousand tons in volume)**



Source: own compilation based on GUS and Eurostat (* estimates based on preliminary data)

The value of the Polish PPC market is estimated at approx. USD 750 million (680 million EUR). The estimated sales structure of PPC on the domestic market is presented below.

Sales structure of PPC in Poland by value



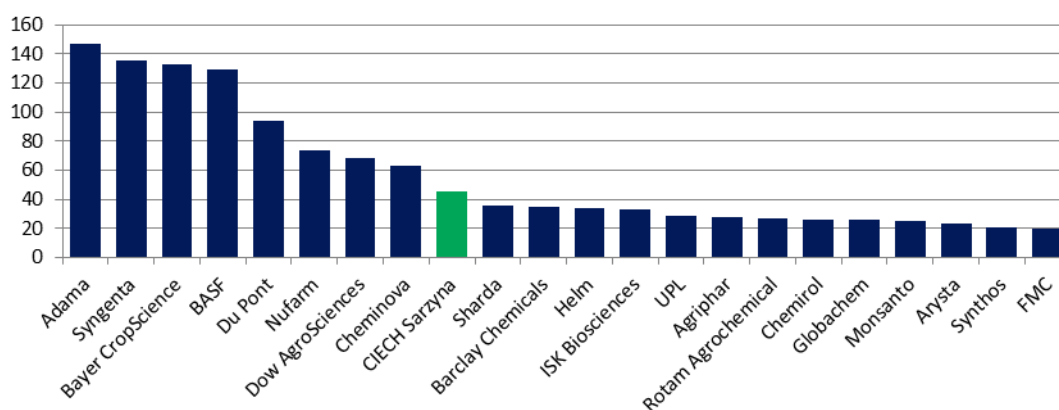
Source: own compilation based on Phillips McDougall

As compared to global usage, in Poland definitely more herbicides and fungicides are used, due to a large share of cereals in grounds arable and significant meaning of gardening. Far less insecticides are consumed.

In the perspective of the next few years, the Polish PPC market should systematically grow. In Poland the unit usage of chemicals per 1 ha is still far lower than in Western European countries. In addition, the economic situation of the Polish farmers should improve as a result of received direct payments from the EU. Additionally, controversies concerning genetically modified organisms (GMO) should effectively influence increase in demand for traditional plant protection chemicals.

A characteristic feature of the Polish market is very high import, which is approx. 80% of the market offer. As a result, Polish goods account for only 1/5 of the whole market. The reason for this big disproportions is the lack of sufficient offers of Polish producers who have far smaller funds to conduct research on new preparations, register them and launch to the market.

The main entities in the industry operating on the Polish market are known global concerns and Polish manufacturers. CIECH Sarzyna is the largest Polish company operating in this industry. The company's activities regarding the PPC market are focused on the Polish market where the Group's share is approx. 6% (by value). In the segment of cereal herbicides, the main product group, this share is greater – over ten percent. The figure below presents the competitive position of particular PPC producers per number of products registered on the Polish market.

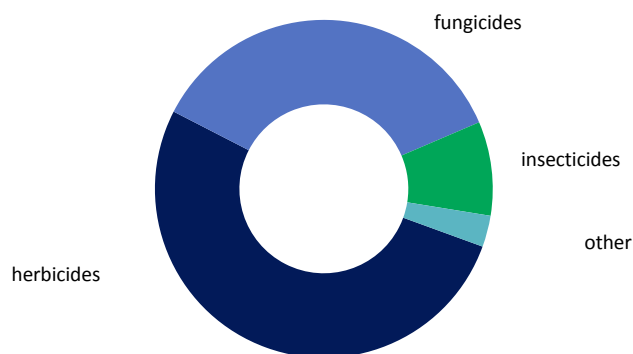
Plant protection chemicals registered in Poland by the biggest producers

Source: Ministry of Agriculture and Rural Development (as of 04.01.2016)

In the long run, the PPC market belongs to rapidly growing markets as compared to other chemical segments. Average annual growth rate of the global market should reach 5% -6% within the next few years (by value). Growths will be driven mainly by Latin American and Asian markets. The dynamics assumed for the whole Europe is much lower, of 2% - 3%, however, for Poland this pace should be close to the global one. Optimistic market forecasts with regard to PPC are based on assumptions of decreasing arable lands on a global scale, growing population and resulting need for constant yield increase. On the other hand, uncontrolled growth in consumption of pesticides usage will be stimulate by different domestic and international regulatory bodies, whose task is to monitor the usage of pesticides to reduce their adverse environmental impact.

Epoxy and saturated polyester resins

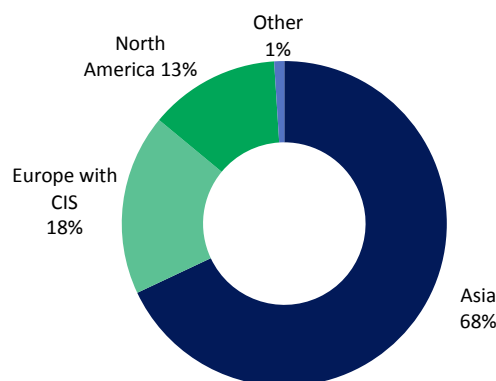
In Europe, epoxy resins are used primarily - in more than 50% - for production of powder paints and varnishes (chemically resistant, insulation, electrical insulation). Another dozen percent of resins is used in the construction sector (screeds, sealants, fillers, binders, coatings, wall linings). More than 10% of epoxy resins is used for production of composites; about 10%- for production of electrical insulators. Only in Central Europe the share of the segment of coverings (paints, etc.) is exceptionally high and reaches 2/3.

Application segments of epoxy resins in Europe

Source: own compilation based on IHS

Global production capacities of epoxy resins (liquid and solid) are estimated at 5.2 million tons/year: Asia (more than 2/3), Europe with CIS (approx. 18% approx. 900 000 tons/year), North America (approx. 13%). Investment projects with regard to new capacities are implemented mainly in Asia. The largest world resin producers are Hexion (formerly Momentive), Dow Chemical, Nan Ya (Taiwan), KUKDO (South Korea) and Huntsman Advanced Materials. The aforementioned companies account for approximately 60% of the global production of these resins.

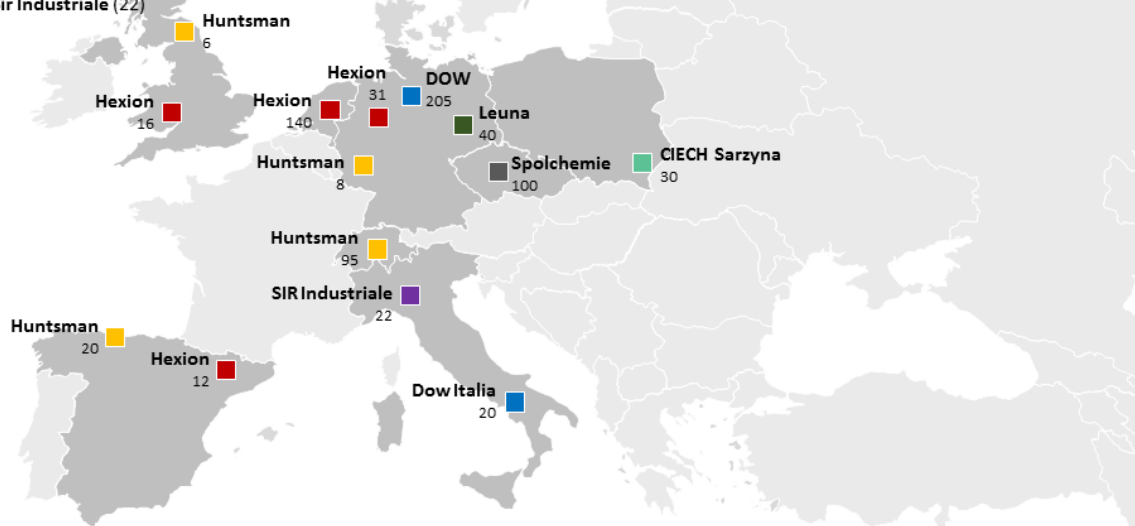
The CIECH Group through CIECH Sarzyna S.A. is the only domestic producer of epoxy resins. Production capacities of the Group are estimated at 30 thousand tons/year and its share in the domestic market, estimated at approx. 15 thousand tons/year, is approx. 37%. The major competitors in Poland are suppliers from Germany, the Czech Republic and Italy.

Geographical structure of production capacities of epoxy resins

Source: own compilation based on IHS

Main European competitors of the Ciech Group in epoxide resins in 2015**Production capacities in thousand tonnes per year**

- Dow Chemical (225)
- Hexion (199)
- Huntsman (129)
- Spolchemie (100)
- Leuna (40)
- CIECH (30)
- Sir Industriale (22)



Production capacities in thousand tons/year

Source: compiled by CIECH SA based on IHS and others

The volume of the global (liquid and solid) epoxy resins market in 2015 is estimated at 3.1 million tons/year. Demand in Europe (together with CIS) is estimated at approx. 410 000 tons/year, which indicates approx. 4% average annual dynamics of the European market growth over the past 5 years. Despite growing demand, the usage of production capacities in Europe is very low (of 50%). It results from significant growth in production capacities in the previous years and stagnation in the consumption of resins at the turn of the first and the second decade of the century (2008/2009 crisis).

Long-term demand growth forecasts are quite optimistic (globally annually by 3% - 4%). Similar growth dynamics will be recorded on the largest market – Asia; whereas North America will develop a bit slowly. The lowest dynamics, of 2% - 3%, should be expected in Western Europe.

Above-average growth forecasts are also assumed for still little market of Central and Eastern Europe (with average annual growth dynamics of 5%).

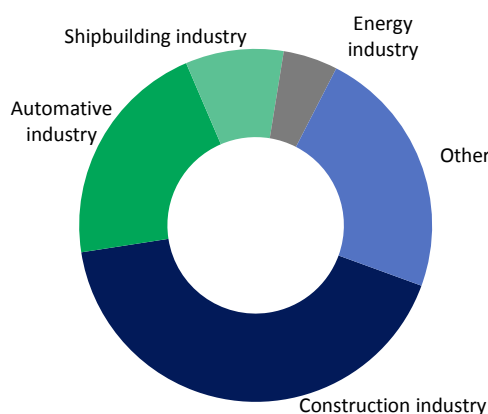
Europe and North America will continue to be net exporters of epoxy resins (the main markets for international trade will be China and India). In subsequent years, the basic growth factors for the usage of epoxy resins will be adhesives and composites for aviation and wind power plants (in North America and Europe) and electronics and powder paints (in the region of the Far East and South-Eastern Asia).

In the segment of powder paints, an important substitute of epoxy resins are saturated polyester resins. The CIECH Group produces also those resins through CIECH Sarzyna with production capacities of 12 thousand tons/year (and 8th rank from among the European producers). Saturated polyester resins are used primarily for production of solvent-free powder paints, and their market in Europe has developed with average annual rate of 2% - 3%.

Unsaturated polyester resins

In Europe, the vast majority of unsaturated polyester resins is applied in the construction sector and in transport. Demand of these two sectors is more than 60% of the market.

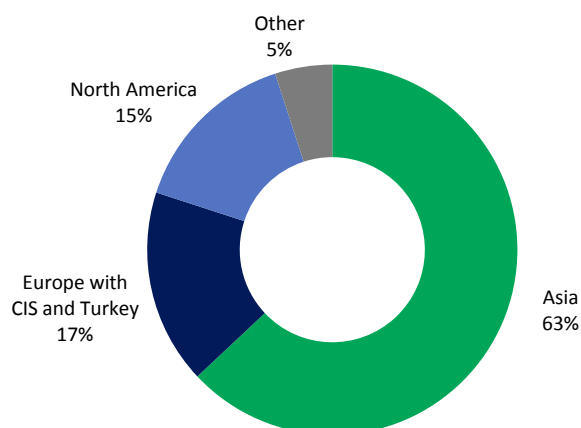
Application segments of unsaturated polyester resins in Europe



Source: own compilation based on IHS

Global production capacities of unsaturated polyester resins are estimated at approximately 7 million tons/year, including approximately 1.2 million tons/year in Europe (together with CIS and Turkey).

Geographical structure of production capacities of unsaturated polyester resins



Source: own compilation based on IHS

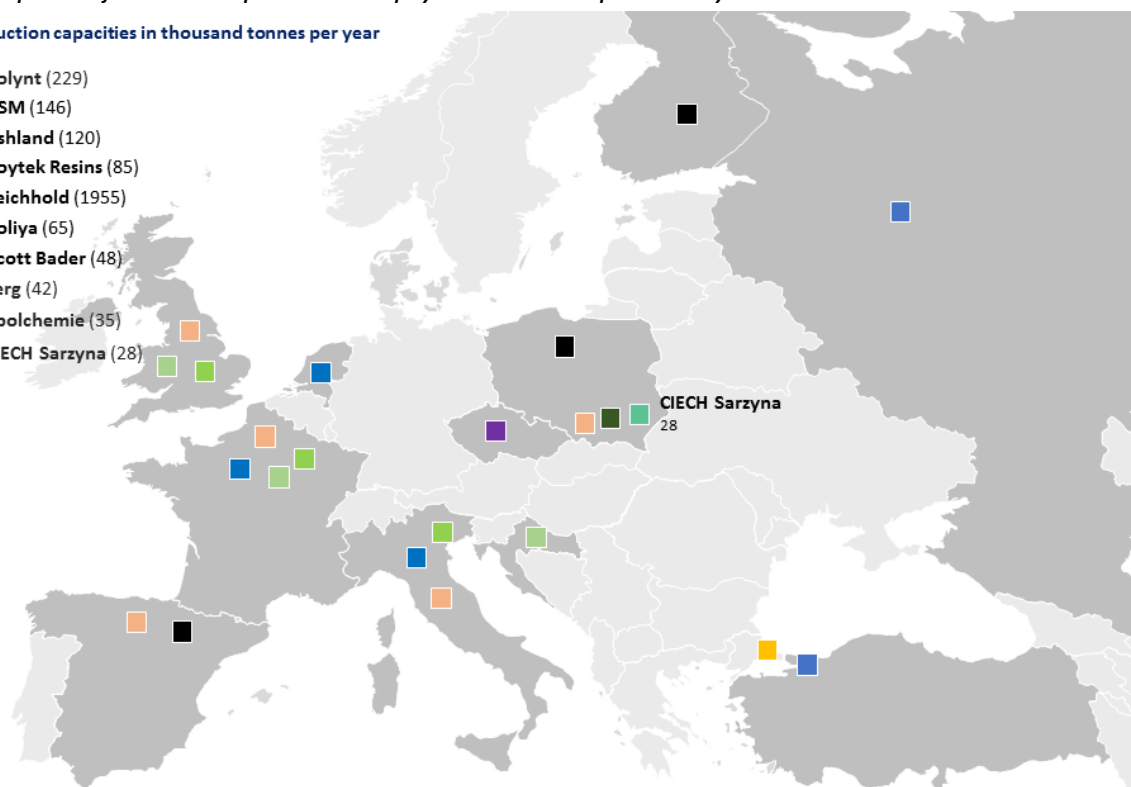
More than 50 producers of these resins operate in Europe. The top six accounts for approximately 60% of the European production capacities. It includes international concerns: Polynt, DSM, Ashland, Reichhold, and Turkish companies: Boytek Resins and Poliya. Small producers, owing to sharp competition, usually focus on high value niches.

The largest producers of unsaturated polyester resins in Poland are Lerg SA and CIECH Sarzyna SA (production capacities of 42 thousand tons/year and 28 thousand tons/year, respectively). With regard to these resins, a considerable part of sales is directed the domestic market (with the volume of approx. 60 thousand tons/year) where the CIECH Group has a strong position with approx. 20% share. Resins by CIECH Sarzyna are also supplied to other European markets. Major competitors on the Polish market are: Polynt, Ashland, Reichhold, Lerg, DSM.

Main competition of the Ciech Group in unsaturated polyester resins in Europe and Turkey in 2015

Production capacities in thousand tonnes per year

- Polynt (229)
- DSM (146)
- Ashland (120)
- Boytek Resins (85)
- Reichhold (1955)
- Poliya (65)
- Scott Bader (48)
- Lerg (42)
- Spolchemie (35)
- CIECH Sarzyna (28)



Production capacities in thousand tons/year

Source: compiled by CIECH SA based on IHS and others

The volume of the unsaturated polyester resins market in Europe (with CIS) and Turkey is estimated at approx. 700 thousand tons/year.

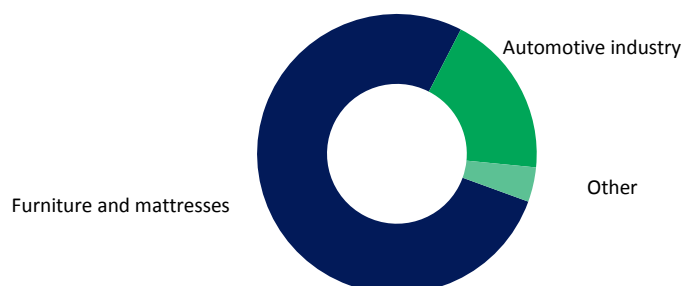
Since consumption of these resins largely depends on the situation in the construction industry and transport, for the future years moderate growth rate for the Western European market is forecasts (of 2%). In the region of Central and Eastern Europe, positive demand dynamics should be much greater (even of 3% - 4%). Demand for unsaturated polyester resins will be growing in Asia and Africa (annually by approx. 5%).

In the nearest future, the European market will keep on indicating a dominant importance (for sales of resins) of the construction sector (pipelines, containers, construction elements, artificial marble, etc.). The automotive segment will also be significant (replacement of metal parts with elements made with the use of resins). However, these two usage directions will be characterized by quite free dynamics. On the other hand, an exceptionally rapid growth in demand is anticipated in still hardly significant for polyester resins segment of wind power plants. It will largely depend on support for the development of renewable energy sources on the part of European governments.

Flexible polyurethane foams (PUR)

Flexible polyurethane foams are used mostly in production of furniture and sleeping mattresses, which account for approximately ¾ of the usage. Another approx. 20% of these foams are used in the automotive industry for production of seats and interior finishing. As a result, demand for foams is very sensitive to economic cycles.

Application segments of soft polyurethane foams in Europe



Source: compiled by CIECH SA based on IAL Consultants

Owing to physical properties (low specific gravity), PUR foams are sold only on local markets. Thus the production base has been developed close to potential recipients. The CIECH Group operates mainly on the Polish market (where import is still of little importance). However, it also develops export sales. The customers of the Group are furniture manufacturers and foams processors.

On a global scale, production of polyurethane foams is very fragmented (more than one thousand producers with capacities above 5 million tons/year). Production capacities of Polish producers are estimated at approx. 210 thousand tons/year. The largest competitors of the Ciech Group on the Polish market are: Eurofoam, MZCH Organika and Vita Polymers. Large production capacities of IKEA are intended mainly for own needs.

Competition of the CIECH Group in polyurethane foams in Poland in 2015



Source: compiled by CIECH SA based on producers' data

The CIECH Group through CIECH Pianki has about 15% share in the domestic market.

European demand for polyurethane foams (used in the furniture industry) is estimated at approx. 1.3 million tons/year. The Polish market accounts for 160 thousand tons/year. Demand for foams depends on the situation in industries that are the largest consumers of the product, namely: furniture and automotive industry. In the case of the domestic furniture industry, a very good economic situation has been recorded since 2013 and the last year was another when this industry achieved high production growth as compared to the average dynamics for the whole Polish industry. Economic results and financial situation of furniture industry (focused mainly on export) largely depend on the economic situation on foreign markets and exchange rate of the Polish currency. A good position of the domestic furniture industry on foreign markets is also fostered by its high price competitiveness.

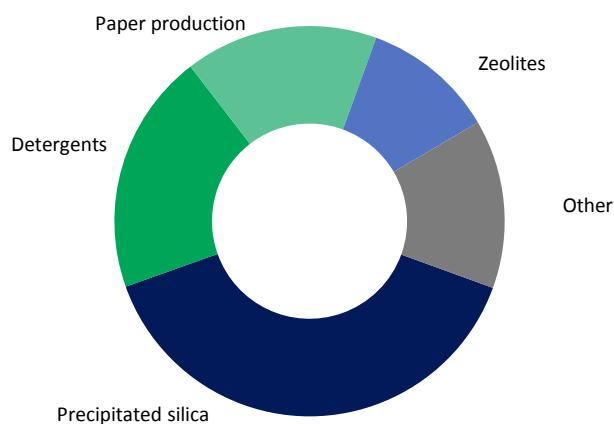
Forecasts for the years to come indicate further growth in the European soft polyurethane foams market with the average annual dynamics of 2% in Western Europe and of approx. 5% in Central and Eastern Europe. The latter dynamics applies in particular to Poland, where the usage is largely associated with domestic furniture industry and its high position on the international market (fourth world exporter of furniture).

Silicates and glass segment

Sodium silicates (glassy sodium silicate and sodium water glass)

Sodium silicates are manufactured as solid (glassy sodium silicate) and liquid (water glass sodium manufactured usually by dissolution of glassy sodium silicate in water). The CIECH Group, through CIECH Vitrosilicon S.A., and CIECH Soda Romania S.A. produces and sells glassy sodium silicate and sodium water glass. Products manufactured by CIECH Soda Romania S.A. are sold by CIECH S.A. through its Branch in Romania. To CIECH Vitrosilicon S.A. some raw materials are supplied.

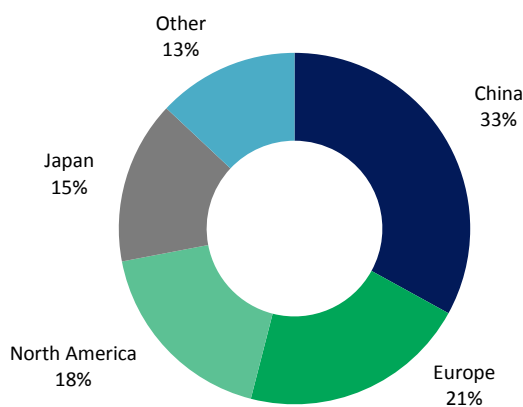
Sodium silicates are used for production of precipitated silica (approx. 40% of the European usage; used mostly in tires and cosmetic industry), detergents (approx. 20%) , paper, zeolites and in other industries. The applications dominating in developing countries relate to production of detergents and the total usage of these silicates is proportional to the number of inhabitants.

Application segments of sodium silicates in Europe

Source: own compilation based on IHS

Sodium silicates belong to the most popular inorganic chemicals and are manufactured worldwide. However, owing to their relatively low price and large importance in the liquid form (silicates dissolved in water) international turnover are performed usually on a local level; e.g. only within the European continent.

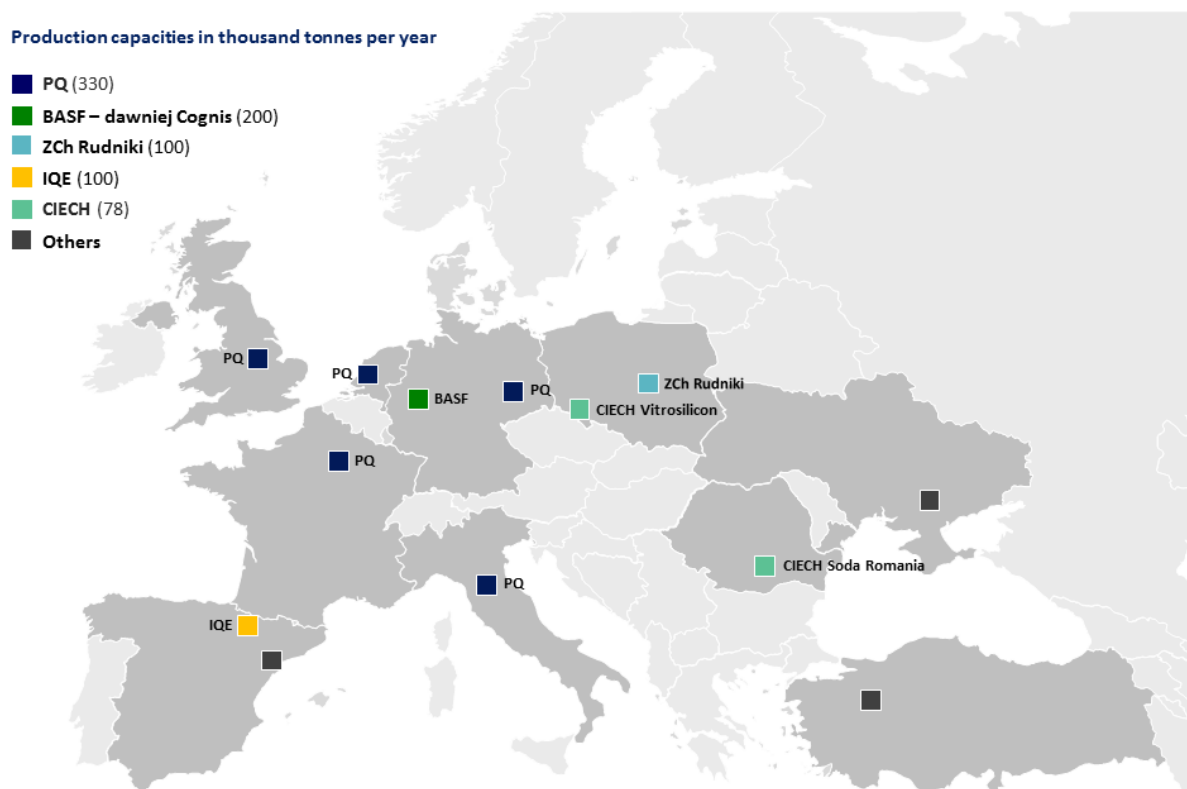
The largest production capacities are located in China (approx. 1/3). The most developed regions of the world (Europe, North America, Japan) account for above 50% of global production capacities

Geographical structure of production capacities of sodium silicates

Source: own compilation based on IHS

Production capacities of glassy sodium silicate in Europe are estimated at 1400-1500 thousand tons/year. However, approx. 1/3 of these capacities are used by producers that in general do not offer silicates on the free market. Most European production capacities are in Western and Central Europe. The European market leaders are PQ and BASF and Polish entities Z.Ch Rudniki and the CIECH Group. The share of the CIECH Group (the fourth supplier to the European markets) in total European production capacities is estimated by the Group at approximately 6%.

Competition of the Ciech Group in glassy sodium silicate in Europe 2015



Source: compiled by CIECH SA based on IHS and others

General demand for soda silicates in Europe is estimated at 1 300 thousand tons/year (per soda glaze) and has developed with average annual dynamics of 1% - 2%. Quite a low growth rate results from maturity of the European market. A segment with relatively high development dynamics (annually on average 3% - 4%) is production of precipitated silica used for production of modern tires.

In Poland, turnover of sodium silicates have been performed so far mostly in the liquid form - as water glass sodium. The CIECH Group evaluates its share in the domestic market in 2015 at approximately 40%. Starting in 2016, in connection with the execution of the agreements for deliveries of silicates to the precipitated silica plant of Solvay in Włocławek this share will increase significantly.

Glass products (decorative lanterns, jars)

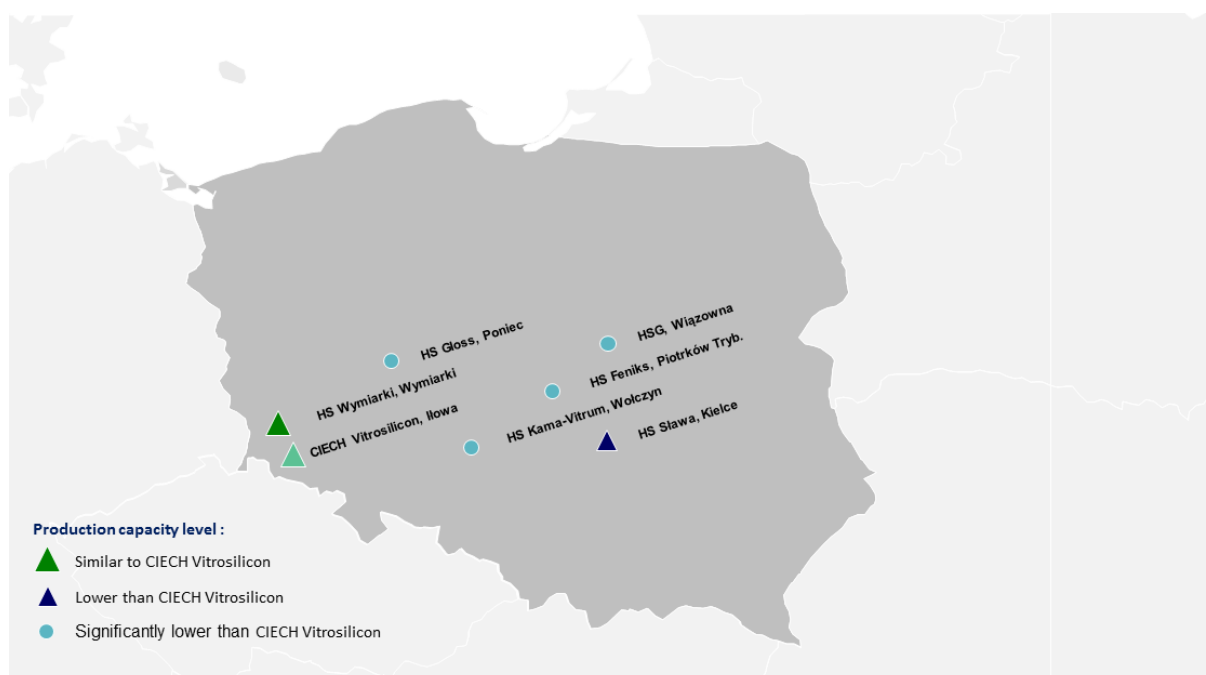
Glass products manufactured by CIECH Vitrosilicon S.A. are intended for niche markets: decorative lanterns are used to manufacture vigil lights; jars with clamp lids and twist-off jars are used for food.

Decorative lanterns

Vigil lights are products used mainly in Poland and in some Central European countries. Therefore, the CIECH Group's activities in this respect focuses on the domestic market. Demand for vigil lights is connected with the tradition of visiting cemeteries and most sales are performed each year around 1 November.

In Poland only several manufacturers of decorative lanterns (glassworks) operate. To the contrary, vigil lights are produced by approx. 300 companies that usually buy lanterns directly from producers. The largest producers of decorative lanterns are: CIECH Vitrosilicon S.A. in Howa, HS Sława in Kielce and HS Wymiarki in Wymiarki.

Competition of the CIECH Group in decorative lanterns in 2015



Source: compiled by CIECH SA CIECH based on Vitrosilicon and others

The volume of the domestic decorative lanterns market is estimated at approx. 260 million pieces/year. For many years, the market leader has been the CIECH Group through CIECH Vitrosilicon S.A. with the share of approx. 45%. The basic strengths of the leader are: production potential and a rich and diversified offer.

Plastic products are also sold on the vigil lights market. However, the share of these substitutes is small in full demand (of 10%) due to their low aesthetic attractiveness.

On the whole, the decorative lanterns market is quite a stable and mature market with low growth dynamics (1% annually on average, taking into account volume in the long-term perspective).

Rings

Jars from the CIECH Group are designed for food processing (fruit-vegetable; meat; fish; production of mustard, mayonnaise and honey) and commercial companies.

CIECH Vitrosilicon S.A. specializes in the manufacture of DZK jars with glass lids and fastening catch, used on niche markets (to store loose products and other products that do not require pasteurisation). The CIECH Group is the only Polish producer of these jars, and most sales is targeted at the domestic market. Competitive products on the Polish market come from Germany, China and Italy. The volume of the domestic DZK jars market is estimated at approx. 2.7 million pieces/year. According to the estimations of the Group, the CIECH Group, with 15% share, is the third supplier of these products on this market.

4.5. Main products and services, sales markets and supply sources

of CIECH S.A. has a very well diversified customer portfolio. In 2015, CIECH S.A. did not record dependence on one or more recipients or suppliers, and its sales to no external recipient exceeded 10% of revenues.

of CIECH S.A. is a significant recipient and supplier for most companies from the CIECH Group. CIECH S.A. presented largest turnover by pursuing business transactions with the following subsidiaries:

- CIECH Soda Polska S.A.,
- CIECH Sarzyna S.A.

Significant external recipients of CIECH S.A. in 2015 were, among others:

- Govcrest International S.R.L Bucharest-Romania
- AGC Flat Glass Czech A.S. Clen, AGC Group
- O-I Europe Sarl

Geographical structure of sales markets

About 50% of revenues from sales of products, goods and services achieved by CIECH S.A. in 2015 came from the domestic market, while the largest foreign recipients of products, goods and services offered by the Group's companies were European Union countries.

Net sales value of CIECH S.A. in the period 01.01.2015-31.12.2015 and in the comparable period (in PLN thousand)

Direction	2015	2014	Change	Change%
Country	1 023 889	665 662	358 227	54%
Export	1 014 602	990 077	24 525	2%
European Union	634 768	619 263	15 505	3%
Other European countries	207 508	143 592	63 916	45%
Africa	55 176	173 400	(118 224)	(68%)
Asia	107 498	42 913	64 585	151%
Other	9 652	10 909	(1 257)	(12%)

Net purchase value of goods of CIECH S.A. in the period 01.01.2015-31.12.2015 and in the comparable period (in PLN thousand)

Direction	2015	2014	Change	Change%
Country	921 529	988 115	(66 586)	(7%)
Import	635 138	305 217	329 921	108%
European Union	482 354	292 908	189 446	65%
Other European countries	61 749	9 317	52 432	563%
Asia	91 035	2 992	88 043	2 943%

The largest suppliers of CIECH S.A. in 01.01.-31.12.2015

Supplier name	Net purchase value (in PLN thousand)	share	Linkage of CIECH S.A.
CIECH Soda Polska S.A.	799 670	51%	Subsidiary
CIECH Soda Romania	342 891	22%	Subsidiary
Other	414 106	27%	
TOTAL	1 556 667	100%	

The largest suppliers of CIECH S.A. in 01.01.-31.12.2014

Supplier name	Net purchase value (in PLN thousand)	% share	Linkage with CIECH S.A.
CIECH Soda Polska S.A..	827 605	64%	Subsidiary
CIECH Soda Romania	260 519	20%	Indirect subsidiary
Grupa Azoty Kopalnie and Zakłady Chemiczne Siarki Siarkopol S.A.	131 104	10%	none
Other	74 104	6%	
TOTAL	1 293 332	100%	

4.6. REACH

Valid since 1 June 2007, the so-called REACH regulation applies to safe use of chemical substances produced or imported (from non-EU) in the quantity above 1 tons annually. Producers and importers marketing substances to the customs area of EU have been obliged to make registration – initial, until 1 December 2008, and then the appropriate – on three dates, depending on tonnage of the marketed substances.

4.7. Agreement with the entity authorized to audit financial statements

Information about concluded agreements with the entity authorized to audit separate financial statements is presented in the section II.28.

4.8. Significant transactions with related parties other than on an arm's length basis

The CIECH Group's companies did not conclude significant transactions other than on arm's length basis. Sales to and purchases from the related entities are made according to the market prices.

Description of transactions concluded between related entities can be found in the section II.31.2.

4.9. Material litigation pending before a court, an authority arbitration authority or a public administration authority

Significant disputed liabilities of the Ciech Group

Total value of significant disputed liabilities of CIECH S.A. and subsidiaries of CIECH S.A. as at 31 December 2015, claimed in any type of proceedings before a court, an arbitration authority or a public administration authority is less than 10% of the equity of CIECH S.A.

Significant disputed receivables of the CIECH Group

Total value of significant disputed receivables of CIECH S.A. and subsidiaries of CIECH S.A. as at 31 December 2015, claimed in any type of proceedings before a court, an arbitration authority or a public administration authority is less than 10% of the equity of CIECH S.A.

4.10. Sponsorship and charity policy

Sponsorship activity of CIECH S.A. is conducted with focus on support for business and image of the CIECH Group. The implemented actions should bring measurable benefits, reflected in growth in sales or image of the company.

Cooperation on the sponsorship terms is conducted mainly in cities, with the Group's production plants and the headquarters of CIECH S.A. Sponsorship activity is conducted mostly through actions associated with support for educational, cultural initiatives or initiatives focused on assistance for local communities where the CIECH Group operates.

Charity activity conducted by the CIECH Group is related mainly to education of children and teenagers and popularization of knowledge concerning chemistry (the main goal). The Group also helps local communities, among others, by way of donations, in particular in the case of disasters and unexpected events, and by education.

5. Current and projected financial position of CIECH S.A.

5.1. Principles of preparation of annual financial statement

The separate financial statement was prepared using the accounting principles compliant with International Financial Reporting Standards (IFRS) covering International Accounting Standards (IAS) and Interpretations of the Standing Interpretation Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) that were approved by the European Union (EU) and were applicable as at 31 December 2015.

The separate financial statement was prepared on the basis of the principle of historical cost, except for financial instruments valued at fair value through profit or loss.

The separate financial statement is consistent with IFRS requirements adopted by EU and presents reliably the financial and economic position of CIECH S.A. as at 31 December 2015 results of its operations and cash flows for the year ended 31 December 2015.

The separate financial statement was prepared on an going concern basis. As at the date of approval of this separate financial statement, no circumstances indicating hazard for continuing activities by CIECH S.A. were confirmed.

The accounting policy applied for preparing the Separate Financial Statement is presented in the section II.2.1.

5.2. Review of key economic and financial parameters

5.2.1. Basic financial data

Within 2015, CIECH S.A. reached net result on continuing activities in the amount of PLN 331 578 thousand, the balance of net cash increased by PLN 164 587 thousand, and the balance sheet total at the end of 2015 amounted to PLN 3 227 761 thousand.

The presented results were affected positively by :

- Favourable economic situation in the national chemical industry. In 2015, sales grew as compared to the previous year: by 5.2% for chemicals and chemical products and by 6.9% for rubber and plastics products (in fixed prices).
- Growth in domestic sales of construction and assembly production by 2.8% within twelve months 2015 as compared to the same period in the previous year (the chemical industry produces many raw materials and semi-finished products meant for this production).

- Growth in prices of soda ash on European markets from the beginning of 2015 as compared to the previous year.
- Balancing of the European soda ash market (balancing of demand and supply) with demand upward trend.
- Growth in production of paints and varnishes in the country by 8.8% in the period from January to December 2015 as compared to the same period in the previous year (in quantitative terms).
- Very low level of oil prices (lower by approx. 30% as compared to the previous year) and, as a consequence, low prices of raw materials for the organic industry improving operating effectiveness in the organic segment of the CIECH Group.
- The economic revival in the European Union as compared to the previous year (increase in GDP dynamics by 1.5% up to 1.9% according to the European Commission data), mainly due to private consumption and export.

The presented results were affected adversely by:

- Poor economic situation on the Chinese soda ash market resulting in reduction in Chinese prices and greater activity of suppliers from China on overseas markets where the CIECH Group operates (India, Africa and the Middle East).

The below specification presents the selected financial data of CIECH S.A. along with basic financial ratios for 2015 and 2014.

PLN '000	01.01-31.12.2015	01.01-31.12.2014	Change in 2015/2014	change in value in 2015/2014
CONTINUING ACTIVITIES				
Net sales revenues	2 038 491	1 655 739	23.1%	382 752
Prime costs	(1 592 087)	(1 308 071)	21.7%	(284 016)
Gross profit on sales	446 404	347 668	28.4%	98 736
Prime costs	(145 914)	(153 249)	(4.8%)	7 335
Overheads	(64 755)	(49 871)	29.8%	(14 884)
Other operating revenues /(costs)	79 490	(12 422)	-	91 912
Profit on operating activities	315 225	132 126	138.6%	183 099
Financial revenues /(costs)	(36 693)	(76 419)	(52.0%)	39 726
Income tax	53 046	(22 246)	-	75 292
Net result on continuing activities	331 578	33 461	890.9%	298 117
DISCONTINUED OPERATIONS				
net profit/(loss) on discontinued operations	-	58 668	(100.0%)	(58 668)
Net profit for the period	331 578	92 129	-	-
EBITDA	319 132	138 992	129.6%	180 140
Normalized EBITDA*	327 913	140 855	124.2%	174 904

* calculation principles of EBITDA and normalized EBITDA are described in section I.5.2.5 of this Report.

PLN '000	31.12.2015	31.12.2014	Change in 2015/2014	change in value in 2015/2014
Value of assets	3 227 761	2 573 983	25.4%	653 778
Fixed assets	2 485 941	2 141 401	16.1%	344 540
Current assets, including:	741 820	432 582	71.5%	309 238
- receivables under income tax	194	9 163	(97.9%)	(8 969)
- inventory	19 673	21 773	(9.6%)	(2 100)
- short-term receivables	331 797	272 993	21.5%	58 804
- cash and cash equivalents	174 745	10 261	1 603.0%	164 484
- short-term investments	215 411	118 392	81.9%	97 019
Total equity	1 297 223	961 858	34.9%	335 365
Long-term liabilities	1 537 113	1 180 992	30.2%	356 121
Short-term liabilities	393 425	431 133	(8.7%)	(37 708)

PLN '000	01.01-31.12.2015	01.01-31.12.2014	Change in 2015/2014	change in value in 2015/2014
Net cash flows from operating activities	56 987	60 031	(5.1%)	(3 044)
Net cash flows from investment activities	(186 185)	48 850	-	(235 035)
Net cash flows from financial activities	293 785	(146 360)	-	440 145
Total net cash flows	164 587	(37 479)	-	202 066
including free cash flows	(129 198)	108 881	-	(238 079)

	01.01-31.12.2015	01.01-31.12.2014	change in value in 2015/2014
Continuing activities			
Net earnings / share	6.29	0.63	5.66
Net return	16.3%	2.0%	14.3 p.p.
EBIT %	15.5%	8.0%	7.5 p.p.
EBITDA %	15.7%	8.4%	7.3 p.p.
Normalized EBITDA %*	16.1%	8.5%	7.6 p.p.

* calculation principles of EBITDA and normalized EBITDA are described in the section I.5.2.5 of this Report.

Ratio calculation principles (according to data for continuing activities)

Net profit / share – net profit / average weighted number of common shares within a given period (in accordance with the definition of IAS 33 "Earnings per share");

net return – profit for a given period / net revenues from sales of products services, goods and materials for a given period;

EBIT% – operating profit for a given period / net revenues from sales of products services, goods and materials for a given period

EBITDA% – (operating profit+ depreciation for a given period) / net revenues from sales of products services, goods and materials for a given period;

Normalized EBITDA % – EBITDA without one-time events most significant of which are described in the section II.6 / net revenues from sales of products services, goods and materials for a given period.

5.2.2. Sales revenues

Sales revenues

Net sales revenues of CIECH S.A. for 2015 amounted to PLN 2 038 491 thousand. As compared to the previous year, they increased by PLN 382 752 thousand, i.e. by 23.1%. The main sources of these changes were market factors.

The earned revenues were affected positively by:

- growth in soda prices, appreciation of the dollar in relation to PLN and RON,
- higher volumes of soda sales,
- price competitiveness of the European soda manufacturers towards import from North America.

The earned revenues were affected negatively by:

- high supply and intensive actions of competitors on the salt market, pressure on price reductions,
- decrease in electricity prices in Germany,
- no sulfur trading sales (completion of a contract for supplies of the product with the Azoty Group).

Sales revenues – operating segments

PLN '000	2015	2014	Change	Change%	% share in total revenues for 2015	% share in total revenues for 2014
The soda segment, including:	1 579 944	1 390 668	189 276	13.61%	77.53%	83.99%
Heavy soda ash	919 169	794 217	124 952	15.73%	45.09%	47.97%
Light soda ash	373 148	309 625	63 523	20.52%	18.31%	18.70%
Salt	169 338	166 295	3 043	1.83%	8.31%	10.04%
Baking soda	90 048	92 076	(2 028)	(2.20%)	4.42%	5.56%
Calcium chloride	12 388	21 019	(8 631)	(41.06%)	0.61%	1.27%
Other	9 727	7 436	2 291	30.81%	0.48%	0.45%
the soda segment services	6 126	-	6 126	n/a	0.30%	-
The organic segment, including:	422 916	73 264	349 652	477.25%	20.73%	4.43%
Plant protection chemicals	540	17 260	(16 720)	(96.87%)	0.03%	1.04%
Ortho-cresol	9 338	2 245	7 093	315.95%	0.46%	0.14%
EPI	41 080	3 839	37 241	970.07%	2.02%	0.23%
Bisphenol A	67 492	11 015	56 477	512.73%	3.31%	0.67%
Anhydride (phthalic and maleic)	20 413	5 445	14 968	274.89%	1.00%	0.33%
Styrene	29 922	6 494	23 428	360.76%	1.47%	0.39%
Monopropylene glycol	12 673	2 827	9 846	348.28%	0.62%	0.17%
Neopentyl glycol	9 453	-	9 453	n/a	0.46%	-
Polyethers	90 325	15 557	74 768	480.61%	4.43%	0.94%
Other polyurethane	23 432	3 471	19 961	575.08%	1.15%	0.21%
Glifosat	20 665	-	20 665	n/a	1.01%	-
Other	97 583	5 111	92 472	1 809.27%	4.79%	0.31%
The silicates and glass segment, including:	10 962	179 638	(168 676)	(93.90%)	0.54%	10.85%
Sulfur	-	165 721	(165 721)	(100.00%)	-	10.01%
Sodium silicate	2 237	13 917	(11 680)	(83.93%)	0.11%	0.84%
Sodium glass water	8 531	-	8 531	n/a	0.42%	-
Other	194	-	194	n/a	0.01%	-
Other activities	24 669	12 169	12 500	102.72%	1.21%	0.73%
TOTAL, including:	2 038 491	1 655 739	382 752	23.12%	-	-

Sales in the soda segment

Sales in the soda segment for the year ended 31 December 2015 amounted to PLN 1 579 944 thousand, what means growth by PLN 189 276 thousand, in relation to sales revenues for the year ended 31 December 2014 in the amount of PLN 1 390 668 thousand. Growth was mainly caused by higher volume of sales of products and growth in soda prices.

Sales in the organic segment

Sales in the organic segment for the year ended 31 December 2015 amounted to PLN 422 916 thousand, which means growth by PLN 349 652 thousand in relation to sales revenues in the amount of PLN 73 264 thousand for the year ended 31 December 2014. Growth caused by a year-long execution of intra-group of purchases of raw materials for CIECH Sarzyna S.A. and Ciech Pianki S.A.

Sales in the silicates and glass segment

Sales in the silicates and glass segment for the year ended 31 December 2015 amounted to PLN 10 962 thousand, which means decrease by PLN 168 676 thousand in relation to sales revenues for the year ended 31 December 2014 in the amount of PLN 179 638 thousand. The decrease was caused mainly by the Company's cessation of trade in sulfur.

Prime cost

Prime cost for the year ended 31 December 2015 amounted to PLN 1 592 087 thousand, which means growth by PLN 284 016 thousand (21.7%) in relation to prime cost for 2014 in the amount of PLN 1 308 071 thousand. Growth caused by a year-long execution of intra-group of purchases of raw materials for CIECH Sarzyna S.A. and Ciech Pianki S.A.

5.2.3. Gross sales result

The table below presents gross profit on sales with breakdown into operating segments:

PLN '000	01.01-31.12.2015	01.01-31.12.2014
Soda segment	435 812	310 785
Organic segment	8 541	1 761
Silicates and glass segment	557	34 502
Other*	1 494	620
Gross profit / loss on sales	446 404	347 668

Soda segment

Gross profit on sales in the soda segment for the year ended 31 December 2015 amounted to PLN 435 812 thousand as compared to PLN 310 785 thousand for the year ended 31 December 2014. Growth was mainly caused by higher volume of sales of products and growth in soda prices.

Organic segment

Gross profit on sales in the organic segment for the year ended 31 December 2015 amounted to PLN 8 541 thousand as compared to PLN 1 761 thousand for the year ended 31 December 2014. Growth is caused by a year-long execution of intra-group purchases of raw materials for CIECH Sarzyna S.A. and CIECH Pianki S.A.

Silicates and glass segment

Gross profit on sales in the silicates and glass segment for the year ended 31 December 2015 amounted to PLN 557 thousand as compared to PLN 34 502 thousand for the year ended 31 December 2014. The decrease was caused mainly by the Company's cessation of trade in sulfur.

5.2.4. Operating result**Other operating revenues**

Other operating revenues for the year ended 31 December 2015 amounted to PLN 86 361 thousand, which means growth by PLN 64 942 thousand, in relation to the level of PLN 21 419 thousand for the year ended 31 December 2014. Growth in other operating revenues resulted mostly from higher in 2015 revenues under termination of impairment write-downs against receivables.

Selling costs

Selling costs for the year ended 31 December 2015 amounted to PLN 145 914 thousand, which means decrease by PLN 7 335 thousand (i.e. by 4.8%) in relation to the level of PLN 153 249 thousand for the year ended 31 December 2014.

Overheads

Overheads for the year ended 31 December 2015 amounted to PLN 64 755 thousand, which means growth by PLN 14 885 thousand (i.e. by 29.8 %), in relation to the level of PLN 49 871 thousand for the year ended 31 December 2014. Growth in overheads is the effect of taking over the corporate functions from the Group's companies.

Other operating costs

Other operating costs for the year ended 31 December 2015 amounted to PLN 6 871 thousand, which means decrease by PLN 26 970 thousand, in relation to the level of PLN 33 841 thousand for the year ended 31 December 2014.

Result on operating activities for 2015 reached the level of PLN 315 225 thousand and PLN 132 126 thousand for the comparable period.

5.2.5. EBITDA

EBITDA is net profit /loss for the financial year plus income tax plus financial costs/revenues plus profits/losses under sale of discontinued activities plus depreciation and amortization. EBITDA is not ratio of liquidity or operating results calculated in accordance with IFRS. EBITDA should be perceived as addition, rather than substitute for operating results presented in accordance with IFRS. EBITDA is a useful ratio of the capacity to take out and service debt. EBITDA and similar ratios are used by different companies for different purposes and are often calculated in a manner adapted to conditions of these companies. Caution should be exercised when comparing EBITDA with EBITDA of other companies.

PLN '000	01.01-31.12.2015	01.01-31.12.2014
Net result on continuing activities	331 578	33 461
Income tax	(53 046)	22 246
Financial costs	346 437	303 820
Financial revenues	(309 744)	(227 401)
Depreciation and amortization	3 907	6 866
EBITDA	319 132	138 992

Normalized EBITDA is an additional ratio of operating results. Normalized EBITDA is EBITDA adjusted by costs/revenues, which were considered by the management as one-time, "as is". Normalized EBITDA is a significant ratio during estimation and measurement of recurring operating

results of the Company. Other companies can calculate normalized EBITDA in a different manner than CIECH S.A. Normalized EBITDA is not a measure of financial results in accordance with IFRS and for this reason it is not audited. It should not be considered as a liquidity ratio or alternative to operating profit or net profit for year or another measure of results calculated in accordance with IFRS. The table below contains agreeing of EBITDA with normalized EBITDA for the selected periods.

PLN '000	01.01-31.12.2015	01.01-31.12.2014
EBITDA	319 132	138 992
One-time events, including:		
Cash items (a)	(743)	(9)
Non-cash items (except for impairment losses) (b)	9 524	1 872
Normalized EBITDA	327 913	140 855

(a) Cash items contain, among others, profit/loss on disposal of tangible fixed assets and other items (including any costs related to discontinued operations, received or paid penalties and compensations).

(b) Non-cash items contain, among other things, result on disposal of tangible fixed assets, costs of suspended investments, provisions for liabilities and compensations and other items (including extraordinary costs and other provisions).

EBITDA on continuing activities for the year ended 31 December 2015 amounted to PLN 319 132 thousand, which means growth by PLN 180 140 thousand in relation to the level of PLN 138 992 thousand for the year ended 31 December 2014. EBITDA growth resulted mostly from significant growth in gross profit on sales as well as balance of other operating activities.

EBIT margin rate at the end of 2015 amounted to 15.5% (the year before 8.0%), and EBITDA amounted to 15.7% (the year before 8.4%). EBITDA margin rate without one-time events amounted to 16.1% (the year before 8.5%).

The following specification presents EBITDA and normalized EBITDA with breakdown into segments:

EBITDA (in PLN '000)	01.01-31.12.2015	01.01-31.12.2014
Soda segment	371 123	190 212
Organic segment	7 719	564
Silicates and glass segment	326	7 050
Other	(60 036)	(58 834)
TOTAL	319 132	138 992

Normalized EBITDA (in PLN '000)	01.01-31.12.2015	01.01-31.12.2014
Soda segment	371 621	190 370
Organic segment	7 719	564
Silicates and glass segment	326	7 064
Other	(51 753)	(57 143)
TOTAL	327 913	140 855

5.2.6. Financial activities and net result

Financial revenues for 2015 amounted to PLN 309 744 thousand and recorded growth as compared to the previous year, when they amounted to PLN 227 401 thousand. Financial costs for 2015 amounted to PLN 346 437 thousand and recorded growth as compared to the previous year, when they amounted to PLN 303 820 thousand.

The area of financial activities was adversely affected by high costs of debt service incurred in the 4th quarter 2015, costs related to re-financing of external debt and exchange rate losses. The adverse impact of financial costs was partially compensated by revenues under received dividends.

Separate net result for 2015 amounted to PLN 331 578 thousand. This profit was mainly affected by result on sales, partially leveled by negative result on financial activities (the biggest impact was exerted by costs of external debt service, mainly interest on bonds and costs of refinancing). The net result of CIECH S.A. was positively affected also by income tax amounting to PLN 53 046 thousand.

Financial results on different types of activities

PLN '000	01.01-31.12.2015	01.01-31.12.2014	Change in 2015/2014	change in value in 2015/2014
CONTINUING ACTIVITIES				
1. Result on operating activities	315 225	132 126	138.6%	183 099
2. Net financial revenues/costs	(36 693)	(76 419)	(52.0%)	39 726
3. Income tax	53 046	(22 246)		75 292
4. Net result on continuing activities (1 +2 + 3 + 4)	331 578	33 461	890.9%	298 117

5.2.7. Assets

At the end of 2015, fixed assets of CIECH S.A. were equal to PLN 2 485 941 thousand. As compared to the balance as at 31 December 2014, the value of fixed assets increased by PLN 344 540 thousand. This change was connected mainly with increase in other long-term investments, investments in tangible fixed assets and recognition of deferred tax assets. Reclassification of borrowings granted to short-term items had adverse impact on change in fixed assets.

Operating assets of CIECH S.A. as at 31 December 2015 amounted to PLN 741 820 thousand. The structure of assets was dominated by: trade receivables and other receivables accounting for 44.73%, inventory accounting for 2.65% and cash and cash equivalents accounting for 23.56% of total current assets.. As compared to the balance at the end of December 2014, the value of current assets increased by PLN 309 239 thousand. This growth results from increase in cash (effect of debt refinancing in the 4th quarter 2015), increase in receivables as a result of increased sales revenues in the soda segment due to growth in prices and growth in short-term investments.

5.2.8. Liabilities

As at 31 December 2015, liabilities (long and short-term) of CIECH S.A. amounted to PLN 1 930 538 thousand, which means growth as compared to the balance at the end of December 2014 by PLN 318 413 thousand.

As at 31 December 2015, debt ratio (short-term liabilities and long-term liabilities to total assets) amounted to 59.8% (at the end of December 2014 it amounted to 62.6%). Separate net debt of CIECH S.A. calculated as total short- and long-term liabilities under loans, borrowings and other debt instruments (bonds+ finance lease+ liabilities under hedging instruments) decreased by the value of cash and its equivalents was PLN 1 489 166 thousand and increased as compared to the balance at the end of December 2014 by PLN 222 474 thousand.

5.2.9. Capital resources and debt instruments

Liquidity sources include cash flows generated from operating activities, funds from sales of assets, funds available under the revolving loan agreement and the loan in current account agreement. The Company uses also factoring agreements.

Present debt instruments

The present sources of debt financing of CIECH S.A. include, among other things, issued domestic bonds, term loan, revolving loan and loan in current account and lease debt.

5.2.10. Cash flows

The value of net cash flows for 2015 was positive and amounted to PLN 164 587 thousand. As compared to the similar period in the last year, CIECH S.A. generated flows higher by PLN 202 066 thousand. Cash flows from operating activities amounted to PLN 56 987 thousand and were lower than generated in the comparable period of 2014 by PLN 3 044 thousand.

Within 2015, net flows from investment activities were negative. Surplus of investment outflows over inflows amounted to PLN 186 185 thousand. The greatest impact on the balance of cash flows from investment activities had mainly surplus of granted borrowings over the sum of their repayments. The amount of flows under granted/repaid borrowings was partially offset with received dividends in the amount of PLN 161 603 thousand.

Net cash from financial activities were positive and amounted to PLN 293 785 thousand. As compared to the same period 2014, they were higher by PLN 440 145 thousand (in 2015, the Company recorded large inflows from debt refinancing , in 2014 negative balance of cash flows on financial activities was related to expenses on redemption of bonds denominated in PLN in the amount of PLN 160 million).

5.2.11. Working capital and selected financial ratios**Profitability ratios of CIECH S.A.**

Within 2015, profitability ratios of continuing activities of CIECH S.A. were at a level higher in relation to results achieved in 2014.

Specification	01.01-31.12.2015	01.01-31.12.2014
Gross return on sales	21.9%	21.0%
Return on sales	11.6%	8.7%
Return on operating activities	15.5%	8.0%
EBITDA	15.7%	8.4%

Specification	01.01-31.12.2015	01.01-31.12.2014
Profitability of operating activities (normalized)	15.9%	8.1%
Normalized EBITDA profitability	16.1%	8.5%
Return on sales (ROS)	16.3%	2.0%
Total return on assets (ROA)	10.3%	1.3%
Return on equity (ROE)	25.6%	3.5%

<i> Ratio calculation principles (according to the data for continuing activities):

gross return on sales – gross profit on sales for a given period / net revenues from sales of products, services, goods and materials for a given period;

return on sales - profit on sales for a given period / net revenues from sales of products, services, goods and materials for a given period;

EBIT – profit on operating activities for a given period / net revenues from sales of products, services, goods and materials for a given period;

EBITDA - (operating profit+ depreciation for a given period) /net revenues from sale of products, services, goods and materials for a given period;

normalized EBIT – profit on operating activities for a given period without one-time events, of which the most significant are described in the section I.5.2.5 / net revenues from sales of products, services, goods and materials for a given period;

normalized EBITDA – EBITDA for a given period without one-time events of which significant are described in the section I.5.2.5 /net revenues from sales of products, services, goods and materials for a given period;

return on sales (ROS) – net profit for a given period / net revenues from sales of products, services, goods and materials for a given period;

return on assets (ROA) - net profit for a given period/assets as at the end of the period;

return on equity (ROE) - net profit for a given period/equity as at the end of the period.

Liquidity of CIECH S.A. and working capital

Liquidity ratios as at 31 December 2015 increased as compared to the level from 31 December 2014. The current liquidity ratio calculated as a quotient of total operating assets and short-term liabilities as at 31 December 2015 amounted to 1.89, while increased liquidity ratio was equal to 1.84.

Liquidity ratios of CIECH S.A.

Specification	31.12.2015	31.12.2014
Current liquidity ratio	1.89	1.00
Rapid liquidity ratio	1.84	0.95

Ratio calculation principles:

current liquidity ratio – current assets to total current liabilities as at the end of the period; depicts the company's ability to pay current liabilities using current assets;

quick liquidity ratio – current assets less inventory to current liabilities at the end of the period; depicts the capacity to collect in a short time cash to settle liabilities with high degree of maturity.

The capacity to generate cash flows

In 2015, CIECH S.A. generated negative free cash flows, that is it did not manage to finance capital expenditures from flows created within operating activities and from disinvestment. The adjusted financial surplus did not obtain the required level to contribute to development of positive free cash flows.

Specification (PLN '000)	31.12.2015	31.12.2014
Financial surplus (net profit + depreciation)	335 485	98 995
Other net profit adjustments	(161 141)	(103 876)
Adjusted financial surplus	174 344	(4 881)
Change in working capital	(117 357)	64 912
Cash flows from operating activities	56 987	60 031
Cash flows from investment activities	(186 185)	48 850
Free cash flows	(129 198)	108 881

Working capital of CIECH S.A.

Working capital, defined as a difference between current assets and short-term liabilities adjusted by relevant balance sheet items (cash and cash equivalents and short-term credits) at the end of 2015 amounted to PLN 85 246 thousand, which means growth by PLN 121 589 thousand as compared to the end of 2014.

Specification (in PLN '000)	31.12.2015	31.12.2014
1. Current assets, including:	741 820	432 582
Inventory	19 673	21 773
Trade receivables	283 514	199 854
2. Cash and other short-term investments	390 156	128 653
3. Adjusted current assets (1-2)	351 664	303 929
4. Short-term liabilities, including:	393 425	431 133

Trade liabilities	200 011	272 261
5. Short-term loans and other short-term financial liabilities	127 007	90 861
6. Adjusted short-term liabilities (4-5)	266 418	340 272
7. Working capital including short-term loans (1-4)	348 395	1 449
8. Working capital (3-6)	85 246	(36 343)

Trade working capital is defined as a difference between current assets (trade receivables plus inventory) and trade liabilities. The recorded levels of working capital and trade working capital differ in time due to a number of factors, such as impact of prices of raw materials and selling prices, variability of trade working capital related to commercial activities (transactions of high value), production and repair stoppages, changes in payment terms with regard to key suppliers, currency exchange rates, decisions of the Company relating to the maintenance of inventory, operating level of activities and seasonal character of activities.

In the past, the demand for working capital of CIECH S.A. was financed from available cash, revenues and by active working capital management. To ensure proper financial liquidity, CIECH S.A. has the opportunity to take out revolving loans and use factoring limits. The Company assumes that cash flows from operating activities, in connection with cash reserves and available revolving loans and factoring limits will prove sufficient to finance the demand for working capital, anticipated capital expenditures and service of debt upon maturity.

Debt

Debt ratio in 2015 decreased in relation to December 2014 and is 59.8%.

Debt ratios of CIECH S.A.

Specification	31.12.2015	31.12.2014
Debt ratio	59.8%	62.6%
Long-term debt ratio	47.6%	45.9%
Total debt to equity ratio	148.8%	167.6%
Equity to asset ratio	40.2%	37.4%

** calculation principles of EBITDA and normalized EBITDA are described in section I.5.2.5 of this Report.*

Ratio calculation principles (according to the data for continuing activities):

debt ratio – total short and long-term liabilities to total assets; depicts the share of external financing sources in the company's activities;

long-term debt ratio – long-term liabilities to total assets; determines the share of long-term liabilities in financing of activities;

debt to equity ratio – total liabilities to equity;

equity to asset ratio – equity to total assets; presents the share of own funds in financing of activities;

5.2.12. Results achieved by CIECH S.A. for the fourth quarter 2015

PLN '000	01.10-31.12.2015*	01.10-31.12.2014*
CONTINUING ACTIVITIES		
Net sales revenues	515 017	439 842
Prime costs	(388 485)	(349 100)
Gross profit on sales	126 532	90 742
Prime costs	(38 473)	(30 161)
Overheads	(27 545)	(14 060)
Other operating revenues /(costs)	(598)	6 561
Profit on operating activities	59 916	53 082
Financial revenues /(costs)	(104 594)	(19 241)
Income tax	28 201	(28 349)
Net result on continuing activities	(16 477)	5 492
DISCONTINUED OPERATIONS		
net profit on discontinued activities	-	58 668
Net profit for the period	(16 477)	64 160
Profit / (loss) per share (in PLN) on continuing activities		
Basic	(0.31)	1.05
Diluted	(0.31)	1.05

** non-audited data*

The operating results in the fourth quarter 2015 were determined mainly by costs related to re-financing of debt, creation of additional provisions for liabilities and losses, and creation of deferred tax asset component.

5.3. Explanation of differences between financial results and previously published forecasts of results for 2015

of CIECH S.A. did not publish forecasts of results for 2015.

5.4. Information about changes in contingent liabilities or contingent assets and other issues

Significant disputed liabilities of CIECH S.A.

Total value of significant disputed liabilities of CIECH S.A. and subsidiaries of CIECH S.A. as at 31 December 2015, claimed in any type of proceedings before a court, an arbitration authority or a public administration authority is less than 10% of the equity of CIECH S.A.

Significant disputed receivables of CIECH S.A.

Total value of significant disputed receivables of CIECH S.A. and subsidiaries of CIECH S.A. as at 31 December 2015, claimed in any type of proceedings before a court, an arbitration authority or a public administration authority is less than 10% of the equity of CIECH S.A.

Contingent assets and other contingent liabilities, including guarantees and sureties and comfort letters.

<i>in PLN '000</i>	31.12.2015	31.12.2014
1. Contingent assets	18 864	18 864
-other contingent liabilities*	18 864	18 864
2. Contingent liabilities	729 831	768 273
-granted guarantees and sureties	729 831	768 273

* contingent asset in the amount of PLN 18 864 thousand related to an action against GZNF "FOSFOR" Sp. z o.o. for payment under compensation for GZNF "FOSFOR" Sp. z o.o. making allegedly untrue statements towards CIECH S.A. on the condition of Agrochem Czulchów Sp. z o.o. seated in Czulchów.

As at 31 December 2015, in CIECH S.A. contingent receivables amounted to PLN 18 864 thousand and were not changed as compared to the balance as at 31 December 2014.

The value of contingent liabilities as at 31 December 2015 amounted to PLN 729 831 thousand, which means decrease, as compared to December 2014, by the amount of PLN 38 442 thousand.

The reason for change in the value of contingent liabilities was:

granting new sureties for subsidiaries' liabilities:

- CIECH Finance Sp. z o.o. in the amount of PLN 49 500 thousand,
- KWG GmbH in the amount of PLN 7 470 thousand (EUR 1 753 thousand),
- CIECH Vitrosilicon S.A. in the amount of PLN 67 035 thousand,
- CIECH Soda Romania S.A. in the amount of PLN 10 000 thousand,
- CIECH Soda Polska in the amount of PLN 4 423 thousand (EUR 1 038 thousand),
- CIECH Trading by the amount of PLN 852 thousand (EUR 200 thousand).
- the selected companies granting guarantees up to 125% of liability under term loans and revolving loan – the total amount of the granted guarantees is PLN 397 986 thousand.

In the reporting period, the following sureties for liabilities expired:

- CIECH Soda Romania S.A. of PLN 1 350 thousand (EUR 316.7 thousand).
- expiration of guarantee up to 155% of liabilities related to the issue of foreign bonds in the amount of EUR 245 000 thousand in connection with early repayment (the amount of the expired guarantee is PLN 574 345 thousand).

The remaining difference results from changes in the value of currency exchange rates adopted for valuation of liabilities.

Sureties and guarantees granted or valid as at 31 December 2015

Name of the entity which given guarantee and surety	Total amount of liabilities covered in the entire or in a certain part by sureties and guarantees		Period for which guarantee was granted	Financial conditions on which own guarantees were granted, subject to remuneration of the company for granted guarantees	Entity whose liabilities are covered by guarantee	Nature of linkages between CIECH S.A. and the entity granted with guarantee
	currency in thousands	PLN '000				
CIECH S.A.						
Anwil S.A.	PLN 15 000	15 000	2017-06-30	Commission 1.5 % p.a. on the value of guaranteed liability; liability payment collateral.	CIECH Trading S.A.	Subsidiary
Bank Pekao S.A.	EUR 5 000	21 308	2016-12-23	Commission 1.5 % p.a. on the value of guaranteed liability; liability payment collateral	CIECH Soda Deutschland GmbH&Co.KG	Subsidiary
BASF Polska Sp. z o.o., BASF SE	EUR 10 000	42 615	At the latest until 2017.03.12	Guarantee for specific liabilities and guarantees submitted by Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej under the agreement on sales and transfer of TDI assets to BASF.	Infrastruktura Kapuściska S.A. w likwidacji	Unrelated company
Bioagra-Oil S.A.mBH	PLN 250	250	2016-09-30	Commission 1.5 % p.a. on the value of guaranteed liability; liability payment collateral	CIECH Trading S.A.	Subsidiary
BZ WBK Faktor Sp. z o.o.	PLN 18 000	18 000	for an indefinite time	Commission 1.5 % p.a. on the value of guaranteed liability; liability payment collateral	CIECH Trading S.A.	Subsidiary
BZ WBK Faktor sp. z o.o.	PLN 49 500	49 500	for an indefinite time	Commission 1.5 % p.a.on the value of guaranteed liability	CIECH Finance Sp. z o.o.	Subsidiary
Spolana a.s.	EUR 1 500	6 393	Liabilities outstanding by 2016-12-31	Commission 1.5 % p.a. on the value of guaranteed liability; liability payment collateral.	CIECH Trading S.A.	Subsidiary
Zakłady Chemiczne ALWERNIA S.A.	PLN 1 000	1 000	Liabilities outstanding by 2016-12-31	Commission 1.5 % p.a. on the value of guaranteed liability; liability payment collateral.	CIECH Trading S.A.	Subsidiary
GEA Process Engineering A/S	EUR 1 038	4 423	2016-05-04	Commission 1.5 % p.a.on the value of guaranteed liability	CIECH Soda Polska S.A.	Subsidiary
Grupa Azoty Zakłady Azotowe Kędzierzyn S.A.	EUR 200	852	2016-09-30	Commission 1.5 % p.a.on the value of guaranteed liability	CIECH Trading S.A.	Subsidiary
PGE Polska Grupa Energetyczna S.A.	PLN 10 000	10 000	2016-12-31	Commission 1.5 % p.a.on the value of guaranteed liability	CIECH Soda Romania S.A.	Subsidiary
Siemens Industrial Turbo- machinery s.r.o	EUR 1 753	7 470	lease installments outstanding by 2019-04-30	Commission of 0.4% p.a.on the value of the guaranteed liability	KWG	Subsidiary
VITROBUDOWA Sp. z o.o.	PLN 67 035	67 034	90 calendar days from the day of signing the Final Acceptance Certificate	Commission 1.5 % p.a.on the value of guaranteed liability	CIECH Vitrosilicon S.A.	Subsidiary

Name of the entity which given guarantee and surety	Total amount of liabilities covered in the entire or in a certain part by sureties and guarantees		Period for which guarantee was granted	Financial conditions on which own guarantees were granted, subject to remuneration of the company for granted guarantees	Entity whose liabilities are covered by guarantee	Nature of linkages between CIECH S.A. and the entity granted with guarantee
	currency in thousands	PLN '000				
Total amount of granted guarantees and sureties		243 845				

Selected subsidiaries in Poland, Germany and Romania that granted guarantees for liabilities of CIECH S.A. under issued bonds and taken out loans

holders of Series 02 domestic bonds	PLN 248 000 thousand (<i>guarantee granted up to the amount of 155% of liabilities related to the issue of domestic bonds in the amount of PLN 160 000 thousand</i>)	248 000	2017-12-05	Commission of 0.55% on the difference between the limit of the guarantee collateralised by assets and the surplus of the guarantee limit	of CIECH S.A.	Parent company
banks: Bank Handlowy w Warszawie S.A., Bank Millennium S.A., BZWBK S.A., Bank PKO BP S.A., Credit Agricole Bank Polska S.a., HSBC Bank Polska S.A., ICBC (Europe) S.A. branch in Poland	PLN 1 618 789 thousand (<i>guarantee granted up to the amount of 125% of liability under term loan in the amount of PLN 1 045 031 thousand and revolving loan in the amount of PLN 250,000 thousand</i>) EUR 87 092 thousand (<i>guarantee granted up to the amount of 125% of liability under revolving loan in the amount of EUR 69 673 thousand</i>)	1 989 930	2023-12-31	Commission of 0.55% on the difference between the limit of the guarantee collateralised by	of CIECH S.A.	Parent company
Total		2 237 930				

Letters of support

As at 31 December 2015, CIECH S.A. was the obliged party in the following comfort letter:

Letter of support (Patronatserklärung) regarding Sodawerk Staßfurt GmbH&Co. KG based in Staßfurt ("SWS") whose beneficiary is RWE Gasspeicher GmbH ("RWE"), concerning liabilities of SWS resulting from the agreement of May 2009 on salt caverns construction for the purpose of natural gas storage on a the Stassfurt mining field under which SWS received, until 31 December 2015, payment from RWE in the amount of EUR 34.8 million. In the comfort letter CIECH S.A. has committed, among other things, to ensure that SWS will be provided with necessary funds to be able to perform towards RWE any obligations arising from the above mentioned agreement.

5.5. Investment activities – tangible investments

Investments implemented in 2015

Total capital expenditures incurred in CIECH S.A. amounted to PLN 10 298 thousand. Main investment projects related to purchase of licenses for computer software and purchase of IT hardware.

Capital expenditures planned for 2016 amount to PLN 27 000 thousand. Tangible investments planned for 2016 and subsequent years are consistent with a new Strategy of the CIECH Group and assume construction of IT support in connection with further development all Group's companies.

The main category of projects to be implemented in CIECH S.A. are IT projects. Definitely, the most important project will be preparation for the implementation of a new ERP system. Other planned projects relate to technological support related to current production, which is to affect its quality and effectiveness

The Company intends to finance the planned investments from cash flows from operating activities, or other borrowing sources.

5.6. Investment activities – equity investments

In 2015, CIECH S.A. implemented the following equity investments:

- it took up shares in CIECH Soda Romania S.A. in the amount of PLN 111 000 thousand,
- it took up shares in Cerium Sp. z o.o. SKA in the amount of PLN 40 418 thousand,
- it took up shares in CIECH R&D in the amount of PLN 35 515 thousand.

In the reporting year, the following disinvestment were implemented:

- disposal of rights and obligations in CIECH Cerium Sp. z o. o. SK.

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

Sources of financing investment activities in CIECH S.A. and the CIECH Group are:

- funds from operating activities,
- external sources of financing in the form of EU funds,
- external sources of financing in the form of bank loans and issued bonds.

5.8. Financial resource management

Debt financing of the Group

Debt financing of the Group, in the form of bonds and loan, is provided mostly through:

- Domestic bonds issued by CIECH S.A. -as at 31 December 2015, the nominal debt was PLN 160 million,
- Loans made available to CIECH S.A. under the loans agreement of 29 October 2015:
 - term loan in the amount of PLN 1 045 031 thousand and EUR 69 673 thousand (total loan amount as at 31 December 2015 was PLN 1 341 942 thousand)
 - revolving loan granted to CIECH S.A. in the amount of up to PLN 250 000 thousand (the amount of used loan as at 31 December 2015 was PLN 0)

Domestic bonds

On 5 December 2012, CIECH S.A. issued Domestic Bonds in the total principal amount of PLN 320 000 thousand.

General

Domestic Bonds have a 5-year maturity term. Two series of bonds were issued:

- Series 01 with total nominal value of PLN 160 000 thousand with an option enabling CIECH S.A. to conduct early redemption of bonds prior to their maturity, i.e. after 18 and 42 months from the date of issue, with maturity date falling on 5 December 2017;
- Series 02 with total nominal value of PLN 160 000 thousand not containing an option of early redemption by CIECH S.A. with maturity date falling on 5 December 2017.

Series 01 domestic were redeemed before maturity date falling on 5 June 2014.

Domestic bonds are primary liabilities of CIECH S.A., collateralised by sureties granted by the Group's guarantors and they are treated equally in terms of payment order with the existing and future debt of CIECH S.A. which is not subordinated in terms of repayment order to Domestic Bonds; and are structurally subordinated to all existing and future liabilities of CIECH S.A.'s subsidiaries that are not guarantors.

Domestic bonds are collateralised with a common collateral package shared by creditors of, among others, domestic bonds and loan agreement creditors according to the principles specified in the Intercreditor Agreement. Only those holders of domestic bonds who entered into the Intercreditor Agreement, will receive benefits from collateral and rights and obligations resulting from the Intercreditor Agreement. A holder of domestic bonds who does not enter into the Intercreditor Agreement will not be covered by collateral.

Coupon

The interest rate on the domestic bonds is the sum of 490 basis points in the case of Series 02 and a half-year WIBOR rate (defined on the basis of the domestic bonds). Interest for the domestic bonds are paid in the mid-year periods.

Early mandatory redemption - payment default

CIECH S.A. is subject to early mandatory redemption of the Domestic Bonds at the nominal value plus interest charged and outstanding until the date of early redemption, in the case of lack of payment of interest or principal of the Domestic Bonds.

Early mandatory redemption - change in control

CIECH S.A. is subject to early mandatory redemption of the Domestic Bonds for 100.7% of their nominal value plus interest charged and outstanding until the date of early redemption, in the event when a third party or third parties acting jointly receive(s), as a result of one or more transactions, indirectly or directly, more than 50% of votes in CIECH S.A.

Other conditions of early redemption

CIECH S.A. is subject to early mandatory redemption of the Domestic Bonds at the nominal value plus interest charged and outstanding until the date of early redemption, in the case of one of the following events and, in some cases, support of such redemption in open voting through two thirds of the Domestic Bonds holders:

- default on payment of due and payable debt in the amount exceeding 10% of the consolidated equity;
- acceleration of debt repayment in the amount exceeding 10% of the consolidated equity;
- CIECH S.A. or subsidiaries taking out additional debt, if the ratio EBITDA/net interests is not met at the level higher than 2.5 on the basis of pro forma consolidated financial statement;
- CIECH S.A. or any subsidiaries selling any assets in the soda segment and failing to receive of at least 75% of remuneration in cash or its equivalents and failing to use receipts as provided for in the conditions of issue of Domestic Bonds;
- CIECH S.A. or any subsidiaries selling any other assets and failing to receive at least 75% of remuneration in cash or its equivalents and failing to use proceeds as provided for in the terms of issue of the Domestic Bonds;
- expiration or cancellation of any licenses or permits necessary for CIECH S.A. to fulfil its obligations on the basis of the Domestic Bonds;
- purchase by CIECH S.A. or any subsidiary of another company, which is not related to the current main area of activities of the Group or when a newly created entity does not accept any obligations resulting from the Domestic Bonds;
- purchase by CIECH S.A. or any subsidiary of other company whose activities were entirely or partially convergent with the current main area of activities of the group, and as a result of this transaction of purchase EBITDA/net interest ratio will be, on the basis of the pro form financial statement, smaller than 2.5;
- merger between CIECH S.A. and another company, unless the newly created company is CIECH S.A. or the created company will accept liabilities arising from the Domestic Bonds and, additionally, there were no instances of breach on the basis of the Domestic Bonds, and EBITDA/net interest ratio on the basis of the pro form consolidated financial statement will not be smaller than 2.5;
- default by CIECH S.A. on payment of amounts exceeding 10% of the consolidated equity, due and payable on the basis of the final and binding sentence or administrative decision;
- loss by liabilities resulting from the Domestic Bonds of the equal status along with any other claims of other debtors, secured or not, with reservations of claims having priority under binding legal regulations;
- loss of the status of lawful, valid and enforceable security by guarantees granted by CIECH S.A.'s subsidiaries with regard to the Domestic Bonds;
- CIECH S.A. or additional guarantors of debt secured with assets of CIECH S.A. or guarantors, and net debt/EBITDA is greater than 3.5 (3.0 if such additional debt is taken out after 31 December 2014);
- a subsidiary of CIECH S.A. not being guarantor, takes out additional debt, and secured net debt/EBITDA (assuming for the needs of calculating ratio that such debt is secured) is greater than 3.5 (3.0 if such additional debt is taken out after 31 December 2014);
- at the time of submitting, untruth is confirmed for all or part of any statements or guarantees submitted by CIECH S.A. in proposals of subscriptions for Domestic Bonds or terms of the Domestic Bonds;
- observing incorrect concluding of documentation under which securities of transactions were established, or non-submission of applications for registering all significant transaction collaterals in competent courts and on relevant dates;
- loss of the status of lawful, valid and enforceable security by transaction security;
- conducting enforcement or issuing a court order with regard to any assets of CIECH S.A. for the amount exceeding 10% of the consolidated equity;
- granting by CIECH S.A. or a subsidiary security or guarantee of security of the Bonds to the Bonds holders, without simultaneous granting of equivalent collaterals to the Domestic Bonds holders; and
- default by CIECH S.A. on its liabilities and failure to remedy such default within 45 days from such default.

CIECH S.A. is subject to mandatory early redemption of the Domestic Bonds at the nominal value plus interest charged and outstanding until the date of early redemption, in the following cases (without voting by holders):

- receipt of by the Security Agent an order of enforcement from an appropriate Group Granting Instruction on the basis of the Intercreditor Agreement;
- procedure for statement of insolvency;
- termination or liquidation of CIECH S.A.;
- termination of activities; and
- total withdrawal of all shares in CIECH S.A. from the regulated market in Poland.

Governing law

The Domestic Bonds are subject to, are interpreted and enforceable in accordance with the regulations of the Polish law.

Loans agreement

On 29 October 2015, a loans agreement ("the Loans Agreement") was concluded between CIECH S.A., as the borrower, and its subsidiaries: Soda Polska CIECH S.A., CIECH Sarzyna S.A. and CIECH Soda Deutschland GmbH & Co. KG, as the guarantors ("the Guarantors"), and other subsidiaries of CIECH S.A., as the temporary guarantors (Janikowskie Zakłady Sodowe Janikosoda S.A., CIECH Vitrosilicon S.A., CIECH Nieruchomości S.A., CIECH Transclean sp. z o.o., CIECH Trading S.A., CIECH Pianki sp. z o.o., CIECH Cerium spółka z ograniczoną odpowiedzialnością sp.k., Cerium spółka z ograniczoną odpowiedzialnością S.K.A., SDC GmbH, Sodawerk Holding Staßfurt GmbH, Sodawerk Staßfurt Verwaltungs-GmbH ("the Temporary Guarantors") And Bank Handlowy w Warszawie S.A., Bank Millennium S.A., Bank Zachodni WBK S.A., Credit Agricole Bank Polska S.A., HSBC Bank Polska S.A., Industrial and Commercial Bank of China (Europe) S.A. (joint-stock company) Branch in Poland and Powszechna Kasa Oszczędności Bank Polski S.A. ("the Creditors") concerning refinancing of the present financial debt of the Issuer's Capital Group, financing of the costs of refinancing and financing of the Issuer's general corporate goals.

In accordance with the provisions of the agreement, two other subsidiaries of CIECH S.A. entered into the agreement as the guarantors - KWG-Kraftwerksgesellschaft Staßfurt mbH (the company entered into the agreement on 27 November 2015) and CIECH Soda Romania S.A. (the company entered into the agreement on 26 February 2016) ("the Successive Guarantors").

Made available loans:

On the basis of the Loans Agreement, the Creditors made available the following loans to the Company:

- the synthetic term loan in PLN and EUR up to the maximum amount of PLN 1 340 000 thousand granted by the Creditors for the purposes of: (i) refinancing debt resulting, among other things, from the issue by the subsidiary of CIECH S.A. - Ciech Group Financing AB (publ) of the secured superior bonds in the amount of EUR 245 000 thousand, (ii) refinancing debt arising from the revolving loan agreement with the highest priority up to the amount of PLN 100 000 thousand, (iii) refinancing other debt of CIECH S.A. resulting from other loans; (iv) financing refinancing costs; and (v) financing the Company's general corporate goals ("the Term Loan"); The Term Loan was disbursed on 25 November 2015 in the amount of PLN 1 045 031 thousand and EUR 69 673 thousand.
- the revolving loan in PLN up to the total amount of PLN 250 000 thousand granted by the Creditors in order to finance general corporate goals and working capital of the Company's capital group, excluding acquisition and prepayment of the Term Loan, ("the Revolving Loan", and jointly with the Term Loan "Loans");

Interest:

Interest on Loans is variable and defined on the basis of basic WIBOR / EURIBOR rate plus margin whose level depends on the level of net debt to operating result plus depreciation and amortization (EBITDA). The initial margin is 1.5 %.

Disbursement terms:

Funds under Loans are made available to the Company subject to the delivery to the Creditors of standard documents and certificates, including, among others, legal opinions, certificates on the lack of tax arrears, insurance policies and subject to the lack of breach of credit until the disbursement date.

Loans repayment terms:

Main Loans repayment terms include, among others:

- depreciation of the Term Loan in the amount of 14.93% of the loan amount as at 30 December 2018, as at 30 December 2019 and as at 30 September 2020, repayment of the remaining part on a day within five years from the date of the first Term Loan,
- repayment of the Revolving Loan upon selected by the Company for a given use length of the interest period along with a mechanism of automatic rolling of use for subsequent interest periods,
- important instances of breach, enabling creditors to request early loan repayment:
 - lack of payments due to the Creditors
 - breach of financial ratio provided for in the Loan Agreement;
 - lack of repayment of net financial debt until 31 December 2015;
 - redemption of series 02 bonds (domestic bonds) until 5 December 2017;
 - cease of the whole or significant part of activities conducted by the Companies;
 - incompliance with the law;
- final repayment date of the Term Loan and Revolving Loan – the day within five years from the date of signing the Loans Agreement.

Security of loan repayments:

Loans were secured by guarantees granted by each of Guarantors and Temporary Guarantors for the benefit of each of the Creditors in the amount equal to 125% of the maximum commitment of a given Creditor in a given currency, provided that the total amount of guarantees granted by each Guarantor and Temporary Guarantor will not exceed 125% of the Loans amount.

In the period until redemption of domestic bonds, security of loans granted on the basis of the Loans Agreement, will constitute, among others, securities established by the Company, Guarantors, Temporary Guarantors and Successive Guarantors to secure parallel debt created under the Creditors Agreement concluded on 28 November 2012, including:

- mortgage established on the real estate of some subsidiaries towards CIECH S.A.;
- pledges (registered and financial pledges with regard to companies seated in Poland and corresponding collaterals in Germany and in Romania) on shares, stocks or rights or shareholders of private companies of the Guarantors, Temporary Guarantors and Successive Guarantors;
- registered pledges on the real estate and other asset components of CIECH S.A., Guarantors and Temporary Guarantor seated in Poland;
- financial pledges on rights to funds deposited on bank accounts of CIECH S.A., Guarantors and Temporary Guarantors and Successive Guarantors (including corresponding to financial pledges collaterals in Germany and Romania);
- assignments concerning rights from insurance policies issued with respect to assets being the object of security as well as assignments concerning rights from intra-group loans or loan instruments of another type and significant trade agreements of CIECH S.A. and selected Guarantors and Temporary Guarantors;
- statement on submission of enforcement by CIECH S.A., Guarantors and Temporary Guarantors seated in Poland;
- powers of attorney to bank accounts of CIECH S.A., Guarantors and Temporary Guarantors seated in Poland.

Release of part of securities after redemption of domestic bonds:

According to the Loans Agreement, when the Company conducts total redemption of domestic bonds, guarantees granted by Temporary Guarantors will be released (guarantees of the Guarantors and Successive Guarantors will still be valid), and package of securities for liabilities of the Creditors will be limited to the following:

- pledges (registered and financial pledges with regard to companies seated in Poland and corresponding securities in Germany and in Romania) on shares and stocks of Guarantors and Successive Guarantors;
- registered pledge on the real estate and other asset components of CIECH S.A.
- financial pledges on the rights to funds deposited on bank accounts of the Issuer, Guarantors and Successive Guarantors (including corresponding to financial pledges securities in Germany and Romania);
- statement on submission to enforcement by the Issuer and Guarantors;

Other significant terms of the Loans Agreement:

On the basis of the Loans Agreement, Ciech S.A. and Guarantors have undertaken, in addition, among other things, to:

- comply with defined in the Loans Agreement constraints on disposal of assets, except for acceptable disposals defined in the Loans Agreement;
- refraining from payment of dividend in the event when the financial ratio level specified in the Loans Agreement is exceeded;
- refraining from taking out of financial debt and giving borrowings in the event when the financial ratio level specified in the Loans Agreement is exceeded.

Intercreditor Agreement

On 28 November 2012, CIECH S.A. and specified companies of the Group entered into a intercreditor agreement ("the Intercreditor Agreement") in order to govern relations and relative priority between: (i) creditors and other super senior creditors under primary loan agreement and any another next loan agreement which will supersede it; (ii) persons, who enter into the intercreditor agreement as parties of some acceptable risk hedging agreements (jointly "the Risk Hedging Agreements"; the persons who enter into the intercreditor agreement as parties to the Risk Hedging Agreement will be in such nature referred to as "the Parties to the Risk Hedging Agreements"); (iii) Guarantor acting on their own behalf and on behalf of the holders of bonds issued on foreign markets; (iv) Espirito Santo Investment Bank as the administrative agent for the purposes of domestic bonds ("Representative of the Domestic Bondholders"), on behalf of the holders of Domestic Bonds ("the Authorized Domestic Bondholders") who entered into the Intercreditor Agreement; (v) Representatives of the Creditor and Equal Creditors (according to the definitions in the Intercreditor Agreement) of any Equal Debt (as defined below) who will enter into the Intercreditor Agreement (vi) intra-group creditors and debtors and (vii) the bank PKO BP S.A. as the Security Agent.

The Intercreditor Agreement determines:

- the relative ranking of certain indebtedness of the Debtors,
- the relative ranking of certain securities established by the Debtors,
- when payments can be made in respect of certain indebtedness of the Debtors,
- when enforcement actions can be taken with regard to this indebtedness,
- the conditions, on which this debt is organized after occurrence of specified cases of insolvency,
- provisions concerning refund of the amounts received; and
- when securities and guarantees are released to enable sale of assets which are the object of transaction securities.

As at 31 December 2015, parties to the Intercreditor Agreement were:

- CIECH Group's companies: Ciech S.A., Ciech Group Financing AB, CIECH Soda Polska S.A., CIECH Sarzyna S.A., CIECH Soda Deutschland GmbH & Co. KG, Janikowskie Zakłady Sodowe Janikosoda S.A., CIECH Vitrosilicon S.A., CIECH Nieruchomości S.A., CIECH Transclean sp. z o.o., CIECH Trading S.A., CIECH Pianki sp. z o.o., CIECH Cerium spółka z ograniczoną odpowiedzialnością sp.k., Cerium spółka z ograniczoną odpowiedzialnością S.K.A., SDC GmbH, Sodawerk Holding Staßfurt GmbH, Sodawerk Staßfurt Verwaltungs-GmbH, Ciech Soda Romania S.A., KWG-Kraftwerksgesellschaft Staßfurt mbH,
- banks being a party to the Loans Agreement of 29 October 2015 in the capacity of the Equal Creditors
- domestic bondholders who entered into the Intercreditor Agreement
- administrative agent for the purposes of domestic bonds
- security agent.

Below are specified loans granted by CIECH S.A. to its subsidiaries in 2015.

Borrower	Repayment date	Amount of granted and paid loan, PLN '000, as at 31.12.2015 (gross amount)	Terms of granting	Value of granted loans in the currency, '000
CIECH NIERUCHOMOŚCI S.A.	2016-12-31	PLN 5 000	interest in the amount of WIBOR 3M + margin	PLN 5 000
CIECH Soda Polska S.A.	2016-12-31	PLN 113 000	fixed interest	PLN 113 000
JANIKOSODA S.A.	2016-12-31	PLN 42 000	interest in the amount of WIBOR 6M + margin	PLN 42 000
CIECH Cerium sp. z o.o. S.K.	2016-12-31	PLN 45 193	interest in the amount of WIBOR 6M + margin	PLN 122 050
KWG - Kraftwerksgesellschaft Strassfurt mbH	2018-08-30	PLN 34 092	fixed interest	EUR 8 000
CIECH Soda Deutschland GmbH&Co.KG	2018-08-30	PLN 42 615	fixed interest	EUR 10 000
CIECH Soda Deutschland GmbH&Co.KG	2018-12-31	PLN 17 472	fixed interest	EUR 4 100
CIECH Sarzyna S.A.	2016-12-31	repaid	fixed interest	PLN 35 000
CIECH Sarzyna S.A.	2016-12-31	PLN 35 000	fixed interest	PLN 35 000
Ciech Trading S.A.	2016-12-31	PLN 6 000	fixed interest	PLN 6 000
CIECH Cerium sp. z o.o. S.K.	2015-12-21	repaid	fixed interest	RON 140 000

Sureties and guarantees as at 31 December are described in detail in the section II.27.3

5.9. The anticipated financial position of CIECH S.A. and the Group, major events with a substantial impact on performance whose impact is possible in the next periods

The Management Board of CIECH S.A. on the basis of assumptions from the Group Strategy adopted in the 4th quarter 2014, envisages that in 2016 financial results will keep on showing an upward trend.

Further improvement in results will be fostered by:

- start-up of additional production capacity related to soda ash in CIECH Soda Polska S.A. in Inowrocław,
- further optimization actions with regard to the degree of use of production capacity in all companies of the Group,
- increase in the effectiveness of the Agro area in CIECH Sarzyna,
- continuous process of improvement in business and operating processes in all companies of the CIECH Group.

However, it should be taken into account that the financial results of the CIECH Group are determined both by the situation on major markets of the Group's activities and global macroeconomic situation.

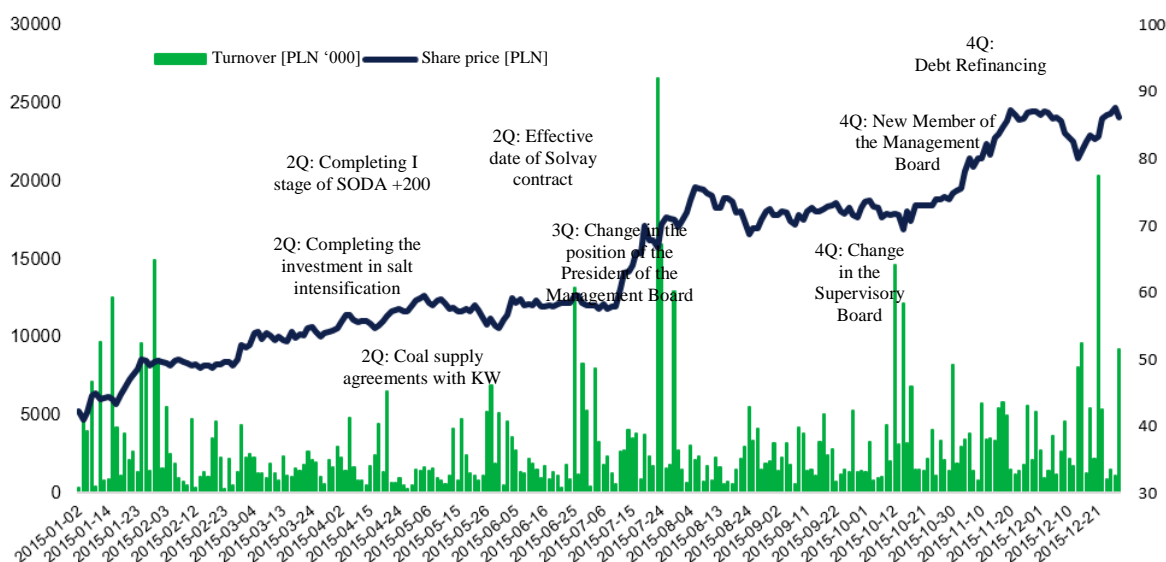
6. INFORMATION ABOUT SHARES

6.1. CIECH S.A. on the Warsaw Stock Exchange

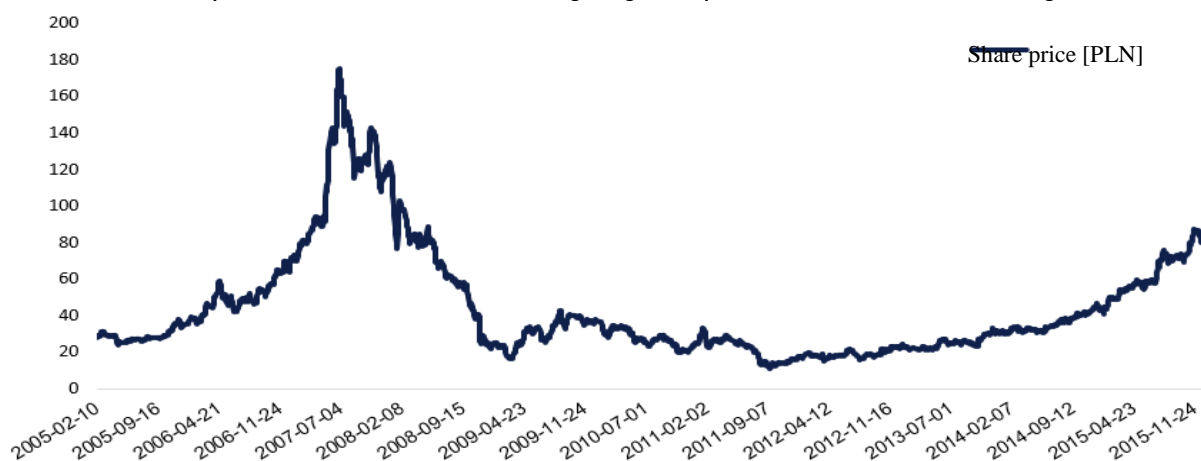
The shares of CIECH S.A. debuted on the Warsaw Stock Exchange on 10 February 2005. In February 2011, the company completed the process of issue of shares with the preemptive right, resulting in the issue of ordinary bearer shares, whose first quotation was held on 30 March 2011. Currently, shares of CIECH S.A. are quoted on the primary market of the Warsaw Stock Exchange in the system of continuous quotations and are part of the indexes WIG, mWIG40, WIG-Poland, as well as the sector index WIG-CHEMIA.

In 2015, the price of shares of CIECH S.A. was showing a clear upward trend and had definitely better results than the wide market. The closing price at the last stock exchange session in 2015 amounted to PLN 86.00, which means 101.83% growth as compared to the closing price at the end of 2014. At the end of 2015, capitalization of CIECH S.A. amounted to PLN 4.53 billion.

Share prices and turnover of CIECH S.A. in 2015



The price of shares of CIECH S.A. from the beginning of the quotation on the Warsaw Stock Exchange



Key data concerning shares of CIECH S.A.

Shares of CIECH S.A. are characterized by a high liquidity. The turnover of the shares of CIECH S.A. in 2015 amounted to PLN 254.37 million. The average volume per session amounted to 47.05 thousand, and the average number of transactions per session amounted to 278.

	2013	2014	2015
Number of shares [pcs.]	52 699 909	52 699 909	52 699 909
Closing price from the last day of quotations in the year [PLN]	31.05	42.61	86.00
Capitalization of the company at the end of the year [PLN million]	1 636	2 246	4 532
Maximum price in the year [PLN]	33.70	46.70	88.00
Minimum price in the year [PLN]	20.40	29.86	40.51
Volume of turnover per session			
average [pcs of shares]	59 505	45 897	47 048
median [pcs shares]	35 435	28 747	28 363

Recommendations and reports of brokerage houses

CIECH S.A. as a representative of the chemical sector whose shares are quoted, among others, in the index of companies with average capitalization mWIG40, it is regularly evaluated and valued by reputable institutions of the capital market.

In 2015, the following recommendations were issued for the shares of CIECH S.A.:

Date	Institution	Recommendation	Target price
2015-01-22	BOŚ DM	BUY	57.40
2015-01-26	DM mBanku	HOLD	46.90
2015-01-27	Ipopema Securities	SELL	43.00
2015-02-19	DM BDM	REDUCE	43.20
2015-03-03	DM BZ WBK	BUY	62.00
2015-03-06	mBank	REDUCE	46.90
2015-03-17	Unicredit	BUY	62.40
2015-03-18	Raiffeisen	BUY	62.50
2015-04-22	BOŚ DM	BUY	70.00
2015-05-08	BZ WBK	HOLD	65.00
2015-05-21	Erste	HOLD	58.85
2015-05-28	Raiffeisen	BUY	65.00
2015-06-23	DM PKO BP	SELL	43.65
2015-07-10	Wood&Co	BUY	69.80
2015-07-15	BOŚ DM	BUY	80.00
2015-09-16	DM Trigon	BUY	83.00
2015-10-08	DM Haitong	BUY	84.10
2015-10-20	ING Securities	BUY	88.30
2015-11-16	DM Trigon	BUY	83.00
2015-11-18	BOŚ DM	BUY	110.00
2015-11-24	DM mBanku	HOLD	81.30
2015-11-30	BZ WBK	BUY	100.00
2015-12-09	DM Trigon	SELL	84.00
2015-12-18	ING Securities	BUY	103.90

6.2. Issue of securities and use of proceeds from the issue

The shares of CIECH S.A. debuted on the Warsaw Stock Exchange on 10 February 2005. The prospectus of CIECH S.A. was made available to the public on 6 January 2005. In the Prospectus, the Issuer specified the investment program including a number of projects with the total value of outlays of PLN 500-600 million, implemented in the years 2005 - 2006. In order to finance its investment plan, CIECH S.A. used all funds from the issue as well as own funds and external funds in the form of long-term investment loans.

In February 2011, the company completed the process of issue of shares with the pre-emptive right, as a result of which it issued 23 000 000 common bearer shares. The allocation of new issue shares took place on 25 February 2011. As a result of the issue, the company gathered PLN 436 million of net proceeds. According to issue goals specified in the Prospectus, PLN 245 million were allocated for the reduction in indebtedness towards the banks financing CIECH S.A. and its subsidiaries. The remaining amount of net proceeds, i.e. PLN 191 was allocated, along with other proceeds, received mostly from restructuring activities, for co-financing of the investment plan of the Group managed by CIECH S.A.

In 2015, the CIECH Group headed by CIECH S.A. did not use funds from issue of shares.

6.3. Shareholder structure of CIECH S.A.

The shares of CIECH S.A. are quoted on the Warsaw Stock Exchange. The share capital of CIECH S.A. is PLN 287 614 000 and is divided into 52 699 909 shares with the nominal value of PLN 5 each, including:

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

To the best of knowledge of CIECH S.A., as at the date of approval of the present report, shareholders holding significant block of shares (at least 5%) were 2 entities: KI Chemistry s. à r. l. seated in Luxembourg, and ING Otworthy Fundusz Emerytalny.

Shareholder	Type of shares	Number of shares	Number of votes at the General Meeting	Share in the overall number of votes at the General Meeting	Share in the share capital (%)
KI Chemistry s. à r. l. seated in Luxembourg*	Common bearer	26 952 052	26 952 052	51.14%	51.14%
ING Otworthy Fundusz Emerytalny **	Common bearer	5 000 000	5 000 000	9.49%	9.49%
Other	Common bearer	20 747 857	20 747 857	39.37%	39.37%

* on the basis of a list of shareholders holding at least 5% of votes at the Extraordinary General Meeting of CIECH S.A. on 7 March 2016, Rb 8/2016 drawn up and provided to the public on the basis of Article 70 item 3 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to the Organized Trading, and on Public Companies.

**on the basis of a list of shareholders holding at least 5% of votes at the Extraordinary General Meeting of CIECH S.A. on 7 October 2015, Rb 35/2015 drawn up and provided to the public on the basis of Article 70 item 3 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to the Organized Trading, and on Public Companies.

6.4. Number of shares in CIECH S.A. and other CIECH Group's entities being in the possession of managing and supervising persons of CIECH S.A.

Artur Osuchowski – Board Member of CIECH S.A. had as at 31 December 2015 65 195 shares in CIECH S.A. The members of the Supervisory Board of CIECH S.A. did not have shares in the company.

The managing and supervising persons of CIECH S.A. as at 31 December 2015 did not have shares and stock in other companies of the CIECH Group.

6.5. Information about redemption of own shares in CIECH S.A.

of CIECH S.A. and other companies of the CIECH Group did not have and did not conclude transactions of redemption of own shares in CIECH S.A.

6.6. Agreements which can bring future changes in the proportions of shares possessed by the previous shareholders

In 2015 and after the reporting date until the date of publication of this statement, no agreements were concluded that may affect changes in the proportions of shares possessed by the previous shareholders.

6.7. Information about the control system of employee share schemes

In 2015, the CIECH Group did not implement any employee share schemes.

6.8. Ratings

At the end of 2015, ratings in two leading rating agencies – Standard & Poor's and Moody's improved. In November 2015, Standard & Poor's Ratings Services informed about publishing a report, in which, due to improved performance of CIECH S.A. and reduction in its relative level of debt, it was raising the corporate rating of CIECH S.A. and bonds issued by Ciech Group Financing AB, raised the rating from "B+" to "BB -" with a stable prospect.

In December 2015, Moody's Investors Service informed about publishing a report, in which, it raised granted to the order of CIECH S.A. from "B1" to "Ba3" with a positive prospect. Moody's justified rise in the rating with improved performance in 2014 and 2015, reflected in improved EBITDA and value of generated cash flows and effectively conducted re-financing of (i) debt, resulting, among others, from the fact that the subsidiary of CIECH S.A. - Ciech Group Financing AB (publ) of secured superior bonds in the amount of EUR 245 000 thousand and (ii) debt arising from the revolving loan agreement up to the amount of PLN 100 000 thousand.

7. CORPORATE GOVERNANCE

7.1. The set of corporate governance principles followed by the Company

This statement is a separate part of the report on CIECH S.A.'s activity, being a part of the annual report of CIECH S.A. for the financial year 2015.

According to § 2 of Resolution no. 718/2009 of the Board of Giełda Papierów Wartościowych S.A. w Warszawie S.A. on 16 December 2009 regarding the submission by listed companies of the reports on principles of corporate governance, the submission of this report is equivalent to the submission of the report pursuant to § 29(5) of the Stock Exchange Regulations.

CIECH S.A. seated in Warsaw ("the Company" or "the Issuer") in 2015 was subject to the principles of corporate governance contained in the document adopted by Resolution no. 17/1249/2010 of Giełda Papierów Wartościowych w Warszawie S.A. of 19 May 2010 (as amended). Uniform text of applicable to CIECH S.A. in 2014 "Code of Best Practice for WSE-Listed Companies" is included as an appendix to Resolution of the WSE Board no. 19/1307/2012 of 21 November 2012. This set is available on the website of Giełda Papierów Wartościowych w Warszawie S.A. at <http://www.corp-gov.gpw.pl>.

The Management Board of CIECH S.A. states that in the financial year ended 31 December 2015, CIECH S.A. and its bodies complied with the principles of corporate governance included in the document "Code of Best Practice for WSE-Listed Companies", in the wording determined by the resolution of the WSE Board no. 19/1307/2012 of 21 November 2012 with exclusions, described in the section I.7.2 below.

The Management Board of CIECH S.A. informs that starting on 1 January 2016 CIECH S.A. and its bodies have been complying with the principles of corporate governance "Code of Best Practice for WSE-Listed Companies 2016" excluding the principles presented in the Report EIB no. 1/2016 of 29 January 2016 - concerning non-use of the detailed principles contained in the set "Code of Best Practice for WSE-Listed Companies 2016" which are described in the section I.7.2 below.

7.2. Principles of corporate governance which were not followed by the Issuer in 2015

In 2015, the Company recorded exemption from using the principles and recommendations concerning:

- 1) running a web site about the scope and way of presentation, based on the model investor relations website, available at: <http://naszmodel.gpw.pl/>. At the same time, the Company informs that information contained on own website contain most information required in the model website. The website is a reliable and useful source of information about the Company for the representatives of capital market. The content of the website is prepared in a clear and reliable manner, to allow investors and analysts make decisions on the basis of the information presented by the Company. The Company provides to all interested parties equal access to information published on the corporate website.
- 2) providing shareholders with the possibility to participate in the General Meeting with the use of electronic communication means, in the scope of:
 - a real-time broadcast of the General Meeting sessions;
 - providing shareholders with the possibilities of bilateral communication, with the use of electronic communication means, real time, under which shareholders can make comments in the course of the session of the General Meeting, when staying elsewhere than at the place of the sessions and
 - exercising the voting right during the General Meeting by means of electronic communication, in person or by an authorized representative.

The Company analyses the possibility to adjust to the recommendations in this respect, provided that IT systems available on the market will guarantee conduct of the General Meeting in a safe and effective manner.

- 3) placing on the corporate website shareholders' questions concerning the matters covered by the agenda, asked before and during the General Meeting sessions, along with answers to asked questions. The Company does not keep a detailed record of the course of the general meeting sessions, containing all statements and questions. Placing of specified issues in the minutes of general meetings is determined by their chairman, following legal regulations and justified requests of shareholders.
- 4) audio or video record of the course of general meeting sessions. The Company analyses the possibility to adjust to the recommendations of the principles of corporate governance in this respect and will consider the possibility to prepare record of the course of the general meeting sessions.

- 5) remuneration policy, since the regulations contained in binding legal regulations in connection with the CIECH S.A. Articles of Association and the Supervisory Board's Regulations concerning the principles of fixing remuneration of the members of supervisory and management bodies, are sufficient in the opinion of the Issuer. The determination of the principles and levels of remuneration of the members of the Management Board rests with the Supervisory Board, and the level of remuneration for members of the Supervisory Board is determined by the General Meeting. The remuneration policy does not constitute a separate item in the agenda of the Ordinary General Meeting and is not subject to voting. The Company did not publish on the website "a remuneration declaration". However, the Company makes available, in different documents, a number of information that should be contained in such a declaration.
- 6) balanced participation of women and men in performing the management and supervisory functions. The Company informs that when electing candidates for members of the management and supervisory bodies, the authorized bodies follow the best interest of the Company and its shareholders, taking into account candidates' qualifications, their knowledge and experience. Below is a specification of the share of women and men in the supervisory and management bodies of the Company in the period of the last three years, including in 2015.

Number of women and men in the Company's Supervisory Board in the last three years:

As at	Number of women	Number of men
31 December 2013	1	7
31 December 2014	-	6
31 December 2015	-	6

Number of women and men in the Company's Management in the last three years:

As at	Number of women	Number of men
31 December 2013	-	3
31 December 2014	-	3
31 December 2015	-	3

The Company informs that starting from 1 January 2016 there will be departures from the principles and recommendations, concerning:

Information policy and communication with investors

I.Z.1.8. the list of the selected financial data of the company for the last 5 years of operations, in a form enabling the processing of this data by the recipients,

The Company's commentary concerning the manner of applying the above principle.

Currently, the website of CIECH S.A. contains the financial data for the last 5 years of operations in the form of comprehensible tables with figures. By the end of the 1st quarter 2016, the mentioned data will be also published in an editable format in an .xls file.

I.Z.1.9. information about the planned dividend and dividend paid by the company in the period of the last five financial years, containing data on the dividend date, the payment date and the dividend amount - total and per share,

The Company's commentary concerning the manner of applying the above principle.

According to valid laws, the above information about dividend can be found in relevant current reports.

I.Z.1.15. information containing the description of the Company's diversity policy with regard to the Company's authorities and its key managers; the description should include such elements of the diversity policy as sex, education, age, professional experience, as well as indicate goals of the applied diversity policy and the way of its implementation in a particular reporting period; if the company has not developed and executed the diversity policy, it will publish on its website an explanation of this decision,

The Company does not apply the above principle.

of CIECH S.A. does not find it necessary to prepare and apply the diversity policy in relation to the Company's authorities and its key managers. The fact that particular persons serve managerial, supervisory, and key functions in the Company's structures depends, first of all, on competences and experience. In the opinion of CIECH S.A. these criteria enable selection of candidates ensuring an effective execution of the strategy, and, as a consequence, development of the company and benefits for its shareholders.

I.Z.1.16. information about the planned broadcast of the General Meeting session: no later than within 7 days prior to the date of the General Meeting,

The Company does not apply the above principle.

of CIECH S.A. does not publish on its website information about the planned broadcast of the General Meeting session, because such broadcasts are not executed by the company.

I.Z.1.17. substantiations for draft resolutions of the General Meeting concerning matters and decisions or settlements significant or raising doubts of shareholders – with sufficient advance enabling the General Meeting participants to read them and adopt a resolution with due examination,

The Company does not apply the above principle.

These substantiations will be published, provided that they are prepared under statutory regulations.

I.Z.1.20. the record of the General Meeting sessions, in the audio or video form,

The Company does not apply the above principle.

of CIECH S.A. does not publish on its website the recording of the General Meeting session in the audio or video form, because it does not record the sessions in this form. The Company prepares and immediately publishes on the website information required by the regulations of binding law, among others, the content of resolutions adopted at the general meeting, which enables its investors to read the minutes.

Management Board and Supervisory Board

II.Z.2. The Supervisory Board is required to express consent for the Management Board Members to sit on management boards or supervisory boards of companies, other than Group's companies.

The Company's commentary concerning the manner of applying the above principle.

Internal documents of CIECH S.A. do not obligate the Management Board members to obtain a consent of the Supervisory Board to sit on management boards or supervisory boards of companies, which are not a part of the Capital Group. However, the above provisions are included in the contracts of employment.

II.Z.7. With regard to tasks and operations of committees operating in the Supervisory Board, the provisions of Appendix I to the Commission Recommendation, referred to in the principle II.Z.4. In the case when the function of audit committee is fulfilled by the Supervisory Board, the above principles will apply accordingly.

The Company does not apply the above principle.

The Supervisory Board comprises, among others, the Remuneration Committee consisting of two members who meet the criterion of independence. Both members have high qualifications, thanks to which the Remuneration Committee operates effectively. The criterion of independence has no impact on reliability of actions performed by the Committee.

II.Z.8. The Audit Committee Chairman meets the criteria of independence as indicated in the principle II.Z.4.

The Company does not apply the above principle.

The Audit Committee Chairman does not meet the criterion of independence. Thanks to high qualifications and long-time experience, the Audit Committee operates effectively, and failure to meet the criterion of independence has no impact on reliability of actions performed by the Committee.

II.Z.10.1. assessment of the Company's situation, subject to assessments of internal control system, risk management, compliance and internal audit; this assessment includes all important control mechanisms - especially with regard to financial reporting and operating activities;

The Company does not apply the above principle.

Assessment of the Supervisory Board concerns assessment of the operation of control systems, risk management, compliance (to be implemented in 2016) and internal audit in CIECH S.A., rather than the company itself. The situation of CIECH S.A. is described in the financial statement that is subject to the Supervisory Board's assessment.

II.Z.10.4. assessment of rationality of the policy executed by the Company referred to in the recommendation I.R.2, or information on the lack of this policy.

The Company does not apply the above principle.

Sponsorship and charity activities of CIECH S.A. have no significant impact on the operational and financial situation of the Company. In the Company's opinion, the Supervisory Board is not required to prepare and present the assessment of the rationality of the policy referred to in the Recommendation I.R.2.

Systems and internal functions

III.Z.1. The Company's Management Board is responsible for implementation and maintenance of effective systems of internal control, risk management, compliance and internal audit.

The Company's commentary concerning the manner of applying the above principle.

The compliance system will be implemented in 2016.

III.Z.4. At least once a year, a person responsible for internal audit (in the case when in the company this function is separated) and the Management Board present to the Supervisory Board its own assessment of effective operation of systems and functions referred to in the principle III.Z.1, along with a relevant report.

The Company's commentary concerning the manner of applying the above principle.

Additionally, the assessment of effective operation of systems and functions referred to in the Principle III.Z.1, along with a relevant report, is presented to the Audit Committee, namely the Supervisory Board.

III.Z.6. In the case when the internal audit function is not organizationally separated in the Company, the Audit Committee (or the Supervisory Board, if it serves the Audit Committee function) assesses every year whether there is a need for such separation.

Not applicable.

In CIECH S.A. there is the Control and Audit Bureau.

General Meeting and relations with shareholders

IV.Z.2. If it is justified due to the shareholder structure of the Company, the Company provides commonly available broadcast of the General Meeting sessions.

The Company does not apply the above principle.

In the opinion of CIECH S.A. the shareholder structure is dispersed, but not to the extent that would justify the need for ensuring commonly available real-time broadcast of the General Meeting sessions.

IV.Z.7. A break in the General Meeting sessions may take place only in special situations, each time indicated in the substantiation of a resolution on ordering break, drawn up based on reasons presented by a shareholder who applies for a break.

The Company does not apply the above principle.

According to the valid legal regulations, decisions on breaks are made by way of voting of shareholders and this is their exclusive order. As a result, CIECH S.A. cannot guarantee each time application of the above principle.

IV.Z.8. The resolution of the General Meeting on ordering break indicates expressly the term of resuming the sessions, and this term may not be a barrier for participation of most shareholders, including minority shareholders, in the resumed sessions.

The Company does not apply the above principle.

According to the valid legal regulations, the term of resuming the General Meeting sessions is decided by way of voting of shareholders. As a result, CIECH S.A. cannot guarantee each time application of the above principle.

IV.Z.9. The Company makes efforts so that draft resolutions of the General Meeting contain a justification, if it makes it easier for the shareholders to adopt a resolution with due examination. In the event when a given matter is included in the agenda of the General Meeting at a request of a shareholder or shareholders, the Board or the General Meeting Chairman applies for presenting a substantiation for a proposed resolution. In matters that are crucial or may arouse doubts of shareholders, the Company will provide justification, unless it otherwise presents to shareholders information that will ensure adoption of a resolution with due examination.

The Company does not apply the above principle.

of CIECH S.A. will make every effort so that in justified cases draft resolutions of the General Meeting contain justifications. However, it may not be possible, for instance in the case when a matter is introduced to the agenda of the General Meeting by a shareholder who provided the draft resolution without providing the Management Board of CIECH S.A. without justification. may be unable to transfer justification they will not know. The Management Board of CIECH S.A. thus, they may not guarantee that the principle will be always applied.

IV.Z.12. The Management Board should present to the General Meeting participants the financial results of the Company and other significant information included in the financial statement subject to approval by the General Meeting.

The Company does not apply the above principle.

According to the valid legal regulations, CIECH S.A. prepares financial statements containing information significant according to the Management Board. The documents are public (available, among others, on the website ciechgroup.com) and the General Meeting participants can read them. Additionally, the term "other significant information" is vague to declare the application of this principle.

IV.Z.13. In the case when a shareholder presents a request for granting information about the Company, no later than within 30 days, the Company's Management Board is obliged to reply to the shareholder's request or inform them on refusal of granting such information, if the Management Board made such decision on the basis of Article 428 § 2 or § 3 of the Code of Commercial Partnerships and Companies.

The Company does not apply the above principle.

According to the valid legal regulations, during the General Meeting sessions, the Management Board grants to a shareholder, at their request, information about the Company, but only in the case when it is justified for evaluation of the matters covered by the agenda, in accordance with regulations of Article 428 of the Code of Commercial Partnerships and Companies. In the opinion of CIECH S.A. in the case of the obligation to apply the aforementioned principles, it could result in numerous abuses by the shareholders.

IV.Z.18. A resolution of the General Meeting on splitting the nominal value of shares should not define a new nominal value of shares at the level lower than PLN 0.50, which could result in a very low unit market value of these shares, which, in consequence, would pose a hazard for correct and credible valuation of a listed company.

The Company's commentary concerning the manner of applying the above principle.

The principle applied in the case when the effect of determination of a new nominal value of shares is very low unit market value of shares.

Conflicts of interests and transactions with related parties

V.Z.5. Before the Company enters into a significant agreement with a shareholder having at least 5% of the total number of votes in the Company or a related entity, the Management Board requires the Supervisory Board to give consent to such transaction. The Supervisory Board, before expressing the consent, assesses the impact of such transaction on the Company's interest. The above obligation is not applicable to typical transactions and transactions concluded on an arm's length basis under operating activities by the Company with entities comprising the Company's Capital Group.

In the case when the decision concerning the Company's conclusion of a significant agreement with a related entity is made by the Annual General Meeting, before making such decision, the Company ensures all shareholders access to the information necessary to assess impact of this transaction on the Company's interest.

The Company's commentary concerning the manner of applying the above principle.

Relevant provisions will be introduced to the Regulations of the Supervisory Board.

V.Z.6. The Company determines in its internal regulations criteria and circumstances which may lead to a conflict of interest in the Company, as well as the principles of handling conflict of interests or its likelihood. Internal regulations of the Company take account of, among others, ways of preventing, identification and solving conflicts of interests, as well as the principles of exclusion of a member of the Management Board or the Supervisory Board from participation in examining a case covered by or at risk of conflict of interests.

The Company does not apply the above principle.

So far, the internal regulations of CIECH S.A. have not related to the aforementioned issues. Currently, the Company analyses the case in terms of possible introduction of relevant provisions to the Regulations of the Supervisory Board and Regulations of the Management Board, being a reflection of statutory regulations.

Remunerations

VI.Z.1. Motivation programs should be designed to, among others, make the level of remuneration of the management board members and its key managers dependent on actual, long-term financial situation of the Company and long-term growth in the shareholder value and stability of the Company's operations.

Not applicable.

CIECH S.A. does not have motivational programs, but members of the Management Board and key managers are covered by the bonus system based on precisely selected key performance indicators. In the opinion of CIECH S.A. this is an effective motivational strategy.

VI.Z.2. To link remuneration of the Management Board members and key managers with long-term business and financial goals of the Company, the period between granting under the motivational program options or other instruments associated with the Company's shares, and the possibility to execute them should be minimum 2 years.

Not applicable.

of CIECH S.A. has not envisaged under the remuneration system for body members and key managers motivational programs based on instruments associated with the Company's shares.

VI.Z.4. The Company present in the report on activity a report on remuneration policy, containing at least:

- 1) the overall information about the remuneration system adopted in the company,
- 2) information about the conditions and level of remuneration for each member of the Management Board, with breakdown into fixed and items remuneration components, with indication of key parameters fixing variable components of remuneration and principles of payment of severance pays and other payments under termination of the contract of employment, order or other legal relationship of a similar nature – separately for the company and each entity being a part of the capital group,
- 3) information about non-financial remuneration components granted to individual members of the Management Board and key managers,
- 4) indication of significant changes that, over the last financial year, took place in the remuneration policy, or information on their lack,
- 5) assessment of the functioning of the remuneration policy, from the point of view of the realization of its goals, in particular long-term growth in the shareholder value and stability of the Company's operations.

The Company does not apply the above principle.

of CIECH S.A. does not have remuneration policy, thus the principle cannot be applied. However, in the report on activity, according to valid laws, CIECH S.A. presents information regarding remuneration of the management board and supervisory board members.

7.3. The internal control and risk management system in the process of preparation of financial statements and consolidated financial statements

The Management Board of CIECH S.A. is responsible for the internal control system in the Company and its effectiveness in the process of preparation of financial statements and periodical reports prepared and published according to the principles of the Regulation of the Minister of Finance of 19 February 2009 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 effective internal control of the Company and risk management in the process of financial reporting operates through:

- preparation of procedures determining principles and division of responsibility for preparation of financial statements, including their quality,
- determination of the scope of reporting on the basis of the binding International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS), adopted for use in the European Union and related interpretations announced in the form of Commission Regulations,
- preparation, implementation and supervision over the use of consistent accounting principles in the CIECH Group's companies,
- six-month reviews and annual audits of published financial statements of CIECH S.A. and the CIECH Group by an independent auditor,
- procedures of financial statement authentication prior to publication.

Substantive supervision over the process of preparation of the Company's financial statements and periodical reports is exercised by a Management Board Member responsible for financial issues. The Financial and Accounting Division, directly reporting to a member of the Management Board of CIECH S.A., is responsible for organizing the works related to preparation of the financial statements. Due to the homogeneity of the standards applied in the Group, all the companies apply uniform accounting principles of the CIECH Group and uniform principles of consolidation according to IAS/IFRS.

The scope of data disclosed in published periodical reports results from the accounting records of the Company and additional information transferred by particular organizational units of CIECH S.A. The Capital Group's Companies transfer required data in the form of reporting packages in order to prepare the consolidated financial statement of the Group. The scope of disclosed data within the Capital Group is defined and results from information obligations specified by IAS/IFRS. Amendments to IAS/IFRS are monitored on a regular basis in order to determine the needs for updating the scope of reporting.

According to valid regulations, the Company submits its financial statements to review and audit by a registered auditor.

The registered auditor is chosen by the Supervisory Board, from the group of reputable auditing companies that ensure high standards of services and required independence. Previously, agreements for audit of financial statements by a registered auditor were concluded every year with the registered auditor selected by the Supervisory Board.

On 4 June 2013, the Supervisory Board of CIECH S.A. chose KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. seated in Warsaw as the registered auditor to carry out semi-annual review and audit annual separate financial statements of CIECH S.A. and consolidated financial statements of the Ciech Group for 2013, 2014 and 2015, with a possibility of termination of the agreement after each year.

On 26 May 2015, the Supervisory Board of CIECH S.A. changed the registered auditor chosen to audit financial statements for the year 2015 by:

- resignation of KPMG Audyt Sp. z o.o. sp. k. , seated in Warsaw, and
- selection of PricewaterhouseCoopers Sp. z o.o. seated in Warsaw to carry out semi-annual review and audit of the separate financial statement of CIECH S.A. and consolidated financial statement of the Ciech Capital Group for the year 2015,

in addition, it chose PricewaterhouseCoopers Sp. z o.o. seated in Warsaw, as the registered auditor to carry out semi-annual review and audit the separate financial statement of CIECH S.A. and the consolidated financial statement of the Ciech Capital Group for 2016 and 2017.

The Company has specified authentication procedures for financial statements. Reports for 1st, 3rd and 4th (4th quarter – if any) quarter are not subject to the auditor's verification, before publication they are analysed by the Audit Committee of the Supervisory Board approved by the Management Board. Semiannual

and annual periodic reports after termination of the review or audit by the auditor are transferred to the Supervisory Board

and Shareholders of the Company. Annual statements adopted by the Company's Management Board, after being consulted by the Committee Audit and assessed by the Supervisory Board, are approved by the General Meeting.

Before publication of the annual or semi-annual financial statement, conclusions from the audit of the financial statement are presented to the Audit Committee. The representatives of the Audit Committee analyse the results of audit and review at closed meetings with the auditor of the Company. Additionally, the registered auditor presents the Letter to the Management Board, which contains recommendations for the Management Boards of the Group's Companies based on the results of audit or review of the financial statement in a given year. The received auditor's recommendations are discussed by the Audit Committee along with managers of the Financial and Accounting Division for the purpose of implementation.

The financial data being the basis for financial statements and periodic reports derive from the accounting and financial system, which contains a register of transactions in accordance with the accounting policy of the Company (approved by the Management Board) based on International Accounting Standards. The accounting books of CIECH S.A. are kept in the integrated IT system ERP. The modular structure of the system provides a clear division of competences, consistency of recorded operations in books and controls of compatibility between the general ledger and auxiliary books. The system possibilities enable its current adaptation to changing accounting principles or other legal regulations. The system has full technical and functional documentation, which, according to Article 10 of the Accounting Act of 29 September 1994, is periodically updated.

Access to information resources of the IT system is limited by appropriate rights for authorized employees. Employees have access only to those areas of the system they are dealing with. Access control is conducted at every stage, starting from entering source data, through data processing until generation of output information.

Effectiveness of the applied procedures of control and risk management in the process of preparation of financial statements of CIECH S.A. and of the CIECH Group, is reflected in high quality of these reports, which is confirmed by issued opinions of registers auditors on audit of financial statements, high assessments of recipients of statements and high ranks held by CIECH S.A. in the competition The Best Annual Report organized by the Institute of Accounting and Taxes under the auspices of the Warsaw Stock Exchange.

Selection of the entity authorized to audit financial statements of CIECH S.A. and financial statements of the CIECH Group rests with the Company's Supervisory Board (only after prior recommendation of the Audit Committee of the Supervisory Board), which identified, in order to ensure the independence of the opinion, the following rules of selection of Auditor:

- the entity authorized to audit financial statements cannot conduct audits for the Company/the Group longer than 5 years in a row;
- the entity authorized to audit financial statements may re-conduct audits for the Company/the Group after at least 2 years;

- the key registered auditor cannot perform activities of the financial revision of the Company/the Group over a period longer than 5 years in a row;
- the key registered auditor may re-conduct activities of the financial revision of the Company/the Group after at least 2 years.

7.4. Shareholders of CIECH S.A. holding substantial blocks of shares

The shares of CIECH S.A. are quoted on Giełda Papierów Wartościowych w Warszawie S.A.

As at 31 December 2015, the share capital amounted to PLN 263 500 965 and was divided into 52 699 909 shares with the nominal value of PLN 5.00 each, including:

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

To the best of knowledge of the Company, as at the date of approval of the present report, shareholders holding substantial blocks of shares (at least 5%) are the below entities:

Shareholder	Type of shares	Number of shares	Number of votes at the General Meeting	Share in the overall number of votes at the General Meeting	Share in the share capital (%)
KI Chemistry s. à r. l. seated in Luxembourg*	Common bearer	26 952 052	26 952 052	51.14%	51.14%
ING Otwarty Fundusz Emerytalny **	Common bearer	5 000 000	5 000 000	9.49%	9.49%
Other	Common bearer	20 747 857	20 747 857	39.37%	39.37%

* on the basis of a list of shareholders holding at least 5% of votes at the Extraordinary General Meeting of CIECH S.A. on 7 March 2016, Rb 8/2016 drawn up and provided to the public on the basis of Article 70 item 3 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to the Organized Trading, and on Public Companies.

**on the basis of a list of shareholders holding at least 5% of votes at the Extraordinary General Meeting of CIECH S.A. on 7 October 2015, Rb 35/2015 drawn up and provided to the public on the basis of Article 70 item 3 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to the Organized Trading, and on Public Companies.

7.5. Shareholders holding special control rights along with description of these rights

As at the date of publication of the statement, all shares of CIECH S.A. are common bearer shares. The CIECH S.A. Articles of Association do not stipulate any special control rights for shareholders.

7.6. Restrictions concerning exercising the voting right

CIECH S.A. has no restrictions in exercising the voting right such as voting right by holders of a certain part or number of votes, time limitations concerning exercising the voting right or provisions, according to which, in cooperation with the Company, equity rights related to securities are separated from holding of securities. Restrictions as to exercising the voting right may result in the case of the Company only from commonly binding legal regulations.

7.7. Restrictions concerning transfer of ownership rights to securities of the Issuer

The CIECH S.A. Articles of Association does not introduce any restrictions concerning transfer of ownership right to securities issued by CIECH S.A.

7.8. Description of rights to make decisions on issue or redemption of shares

Rights of managing persons are defined by the provisions of the Code of Commercial Partnerships and Companies and of the Company's Articles of Association. Managing persons do not have particular rights to make decision on issue or redemption of shares.

7.9. Principles of changes in the Articles of Association of the Issuer's Company

Change in the Articles of Association is made on the terms described in the regulations of the Code of Commercial Partnerships and Companies. The Articles of Associations do not introduce detailed regulations in relation to the aforementioned regulations. Any change in the Company's Articles of Association requires a resolution of the General Meeting and an entry in the register of entrepreneurs. Resolution of the General Meeting on change in the Company's Articles of Association is adopted with a majority of three fourths of votes. After entering the changes in the Articles of Association in the register of entrepreneurs, CIECH S.A. communicates it to the general public in the current report. The General Meeting of the Company may authorize the Supervisory Board to determine a uniform text of the Articles of Association.

7.10. Method of operation of the General Meeting and its basic rights, as well as description of rights of shareholders and the method of their exercising

The method of operation of the General Meeting of CIECH S.A. and its rights are governed by the Company's Articles of Association and the Regulations of the General Meeting of CIECH S.A. These documents are available on the corporate website of CIECH S.A. www.ciechgroup.com, tabs: "Investor Relations/Corporate Documents".

The General Meeting of CIECH S.A. is held as an ordinary or extraordinary meeting in accordance with the provisions of the Code of Commercial Partnerships and Companies and the Articles of Association on the terms provided for in the Regulations of the General Meeting. The General Meeting is summoned in the way and on the terms stipulated in the commonly binding provisions. The General Meeting is summoned through the announcement placed on the Company's website and transfer of a current report. The announcement should be made at least twenty-six days prior to the date of the General Meeting. The Ordinary General Meeting is summoned by the Company's Management Board. The Supervisory Board may summon the Ordinary General Meeting if the Management Board does not summon it within the time set out in the provisions. The right to summon the Extraordinary General Meeting is vested to:

- 1) The Management Board,
- 2) the Supervisory Board, if it deems it indicated,
- 3) shareholders representing at least half of the share capital or at least half of all votes in the Company.

A shareholder or shareholders representing at least 1/20 of the share capital may request formal summoning of the Extraordinary General Meeting and introducing specified matters into the agenda of this Meeting. This request should be reported to the Board, in writing or in the electronic form to the e-mail address designated on the Company's website, along with substantiation. A shareholder or shareholders representing at least 1/20 of the share capital may:

- 1) request introducing specified matters into the agenda of the next General Meeting - such a request should be reported to the Board, in writing or in the electronic form to the e-mail address designated on the Company's website, no later than twenty one days prior to the designated date of the Meeting, and should contain a substantiation or draft resolution concerning the proposed item of the agenda;
- 2) before the date of the General Meeting, report to the Company in writing or using means of electronic communication to the e-mail address designated on the Company's website, draft resolutions concerning matters introduced into the agenda of sessions of the General Meeting, or matters that are to be introduced into the agenda.

According to the Regulations of the General Meeting, the Meeting may be cancelled, if its holding encounters extraordinary obstacles (force majeure) or is obviously pointless. A Meeting whose agenda, at the request of authorized entities, contains specific matters or that was summoned at such request can be cancelled only with prior consent of the applicants. A Meeting is cancelled in the same way as it is summoned, at the same time ensuring as small as possible negative effects for shareholders. The date of the Meeting can be changed following the same procedure as its cancellation, even if the proposed agenda did not change.

In line with the CIECH S.A. Articles of Association, the General Meeting's competences include in particular

- 1) examination and approval of the statement of the Management Board on the Company's operations, financial statement for the previous financial year, consolidated financial statement and report on activities of the group whose parent company is the Company, provided that the Company prepares them, and annual written statement of the Supervisory Board, as well as granting of the vote of approval to the members of the Company for performance of their obligations;
- 2) adoption of resolutions on profit distribution or loss coverage;
- 3) adoption of the General Meeting's regulations;
- 4) change in the Company's Articles of Association;
- 5) change in the Company's object of activities;
- 6) sale and lease of the business or its organized part and establishment of any limited property law on it;
- 7) appointment and dismissal of the Supervisory Board members and determination of remuneration for the Supervisory Board members;
- 8) increase or decrease in the share capital;
- 9) adoption of resolutions with regard to conducting the issue of bonds, including bonds convertible into shares;
- 10) merger of the Company with other companies, split and transformation of the Company;
- 11) dissolution of the Company;
- 12) expressing consent to the Company purchasing shares for the purpose of redemption and adoption of share redemption conditions;
- 13) adoption of other resolutions provided for by legal regulations or these Articles of Association.

According to § 21 section 2 item 3) of the CIECH S.A. Articles of Association, matters to be included in its agenda of the General Meeting of CIECH S.A. are examined and consulted by the Supervisory Board of CIECH S.A.

Shareholders may participate in the Meeting and exercise voting right in person or by representatives. The power of attorney should be granted in writing or in the electronic form. The Company should be informed by the Shareholder about granting and revoking a power of attorney to participate in the General Meeting by e-mail to the following address wza@ciechgroup.com.

According to the Regulations of the General Meeting, CIECH S.A. apart from the Meeting participants, sessions are attended by the Management Board and Supervisory Board members, in a composition making it possible to provide a substantive answer to questions asked in the course of the Meeting. In addition, the Meeting can be attended by:

- 1) experts, advisors and employees of the Company, if their presence is considered purposeful by the Management Board, the Supervisory Board or the Chairman,
- 2) persons serving the Meeting,
- 3) representatives of the mass media, provided that the Meeting does not express objection against their presence by way of a resolution,
- 4) persons referred to in Article 370 § 3 and Article 395 § 3. 2 of the Code of Commercial Partnerships and Companies.

Among the Meeting participants, the Chairman of the Meeting is elected. The Chairman heads the course of the Meeting in accordance with the accepted agenda, legal regulations, the Articles of Association and the Regulations of the General Meeting, providing efficient course of the Meeting sessions and respect for rights and interests of all Shareholders.

The General Meeting Chairman's competences include in particular:

- 1) ensuring that Meeting participants comply with regulations, including provisions of the Regulations and, when necessary, adoption of relevant decisions in this respect,
- 2) opening of discussions on particular items of the agenda, giving floor,
- 3) taking back floor in the case of statements:

- ✓ that exceed determined limit of time of statements or replicas, or
 - ✓ concern topics not covered by the agenda, or
 - ✓ contain offensive contents,
- 4) closing of discussions on particular items of the agenda,
 - 5) closing of the lists referred to in § 42 section 4 of the Regulations of the General Meeting of CIECH S.A. (list of candidates for members of the Management Board, including President of the Management Board or Chairman of the Supervisory Board),
 - 6) determination – on the basis of accepted applications – of contents of the draft resolutions of the Meeting,
 - 7) managing voting, watching over their proper course, signing all documents containing the voting results and announcing voting results,
 - 8) issuing order dispositions binding in the session room,
 - 9) resolving procedural doubts and explaining – where necessary, on the basis of obtained legal opinions – legal and regulatory issues,
 - 10) confirming the end of the agenda,
 - 11) closing the Meeting after exhaustion of the agenda,
 - 12) making other order decisions.

The Chairman may, on their own, order breaks in sessions other than breaks ordered by the Meeting on the basis of Article 408 § 2 of the Code of Commercial Partnerships and Companies. Such breaks should be managed by the Chairman in a way that the Meeting sessions can be completed upon commencement.

The Chairman may introduce to the agenda examination of an application and adoption of a resolution on summoning the Extraordinary General Meeting and other order matters, which include especially:

- 1) admitting to the room persons referred to in § 8 section 2 item 1-3 of the Regulations of the General Meeting of CIECH S.A.,
- 2) submitting an application for changing the order of examination of matters of the matters stipulated in the agenda,
- 3) electing commissions as provided for in the Regulations.

The Meeting participants can submit substantive applications concerning matters covered by the agenda, ordinal applications and an application for summoning the Extraordinary General Meeting.

Draft resolutions proposed for the Meeting are available on the Company's website. Resolutions of the General Meeting of CIECH S.A. are adopted by an absolute majority, unless the provisions of the Code of Commercial Partnerships and Companies state otherwise.

The Regulations of the General Meeting do not provide for the possibility of casting a vote by correspondence referred to in Article 411¹ of the Code of Commercial Partnerships and Companies.

The Articles of Association do not provide for the possibility of participation and making statements in the course of the Meeting with the use of electronic communication means.

Voting is carried out as open voting. Secret ballot is ordered:

- 1) during elections,
- 2) for applications for dismissal/appointment of members of the Company's bodies,
- 3) for applications for dismissal of the Company's liquidators,
- 4) for applications for holding accountable the people specified in item 2) and 3),
- 5) for personal matters,
- 6) upon request of at least one Meeting participant.

The right to request confidential ballot is not exercised when adopting resolutions on order matters. The Meeting may repeal confidentiality of voting in matters concerning election of the commissions appointed by it.

7.11. Composition and code of conduct of the management and supervisory bodies of the Company and their committees The Management Board of CIECH S.A.

According to § 23 section 1 of the Company's Articles of Association, the Management Board consisted of at least two members. The Supervisory Board appoints the President of the Management Board and other Management Board members. The Supervisory Board determines the number of the Management Board members. The joint term of office of the Management Board members lasts three years.

A Mandate of the Management Board Member expires at the latest on the date of holding the General Meeting approving the financial statement for the last complete financial year of performing the function of Management Board Member. The mandate of a Member also expires as a consequence of death, resignation or dismissal from the Management Board.

The competences of the Management Board include all matters and decisions, economic and other, not stipulated by the regulations of the Code of Commercial Partnerships and Companies or provisions of the Company's Articles of Association as exclusive competence of the General Meeting or the Supervisory Board.

Two members of the Management Board jointly or one member of the Management Board with a proxy are entitled to submit statements of will and sign on behalf of the Company.

The present joint term of office of the Company's Management Board began on 22 May 2013. A detailed division of competences of particular Management Board members is specified in the resolution of the Management Board.

The Management Board of CIECH S.A. operates on the basis of the Regulations adopted by the Management Board approved by the Supervisory Board. Resolutions of the Board are adopted with an absolute voting majority. In the case of an equal number of votes, the vote cast by the President of the Management Board is casting vote. In accordance with the principle of good practices, the Regulations of the Management Board state that in the event of a conflict between interests of the Company and personal interests of a Member of the Management Board, his or her spouse, relatives or affinities up to the second degree or persons with whom he or she is associated in person, he or she should withhold from participation in settling such matters and request this fact to be noted in the minutes from the meeting of the Management Board.

In accordance with the wording of the Regulations, resolutions of the Management Board should cover issues exceeding the scope of normal activities of the Company, in particular:

- 1) adoption and amendment in the Regulations of the Management Board;
- 2) adoption and amendment in the Organizational Regulations of the Company;
- 3) receipt of applications directed to the Supervisory Board or the General Meeting;
- 4) summoning of Annual General Meetings and adoption of the proposed agenda for their sessions;
- 5) adoption of annual and long-term financial plans and development strategy of the Company;
- 6) granting proxy or general powers of attorney;

- 7) taking out loans and borrowings;
- 8) granting borrowings and donations;
- 9) exercising a right or taking out a liability with the value exceeding PLN 500 thousand;
- 10) applying for bank guarantees, taking out liabilities under bills of exchange, giving any kind of sureties and establishing other securities.

The Management Board's Resolution is required also in matters that do not go beyond the scope of normal activities of the Company, if its adoption is requested by any of the Management Board members.

As at 1 January 2015, the Company's Management Board perform its functions in the following composition:

- 1) Dariusz Krawczyk – President of the Management Board,
- 2) Artur Osuchowski – Member of the Management Board
- 3) Maciej Tybura – Member of the Management Board

On 22 July 2015, the Issuer's Supervisory Board dismissed Dariusz Krawczyk - President of the Management Board, determined the number of members of the Management Board at 2 (two) persons and entrusted to the Member of the Management Board – Maciej Tybura the function of President of the Management Board of CIECH S.A.

On 26 October 2015, the Issuer's Supervisory Board determined the number of members of the Management Board at 3 (three) persons and appointed Artur Król as a new member of the Management Board and entrusted to him performance of the function of Member of the Company's Management Board.

As at 31 December, the Company's Management Board fulfilled their functions in the following composition:

- 1) Maciej Tybura – President of the Management Board,
- 2) Artur Król – Member of the Management Board,
- 3) Artur Osuchowski – Member of the Management Board .

The body responsible for determination of principles and amount of remuneration of the Management Board members is the Supervisory Board of CIECH S.A.

Below is presented detailed information on Members of the Management Board of CIECH S.A.

Full name	Maciej Tybura
Position	President of the Management Board of CIECH S.A. since 22 July 2015, Member of the Management Board of CIECH S.A. since 13 October 2014,
Qualifications	Graduated from Poznan University of Economics with a specialization in Corporate Finance and Accounting. In addition, he is a graduate of postgraduate studies MBA (Wrocław University of Economics) and Cost Management (Wrocław School of Economics).
Experience	At the beginning of his career, he was related with the Hochtief Group and Wrozamet (1997 – 2002), where he worked on strategic planning, investment projects and controlling. Then, he served several management functions in companies from the KGHM group, including the position of Vice President of the Management Board of KGHM Polska Miedź SA (2008 – 2012). Member of numerous Supervisory Boards: CIECH S.A., PCC Exol, KGHM International, Telefonía Dialog, Pol-Miedź Trans, Walcownia Metali Nieżelaznych, PIGO. He still serves as Chairman of the Supervisory Board of KGHM TFI and PHP Mercus, he also sits on the Supervisory Board of Tauron Polska Energia.
Scope of responsibilities in the CIECH Group	Supervision over organizational units: <ul style="list-style-type: none"> • Group Management Office • Strategy Department • Human Resources Department • Audit and Control Department • Legal Counsel Team • IT Department • Communications Department • Assets Management Department • PURCHASE DIVISION, including: <ul style="list-style-type: none"> ✓ Raw Materials Purchase Department ✓ Investment and Technical Purchases Department • Finance and Accounting Department, including: <ul style="list-style-type: none"> ✓ Accounting Department ✓ Finance Management Department ✓ Controlling Department ✓ Branch in Inowrocław ✓ Branch in Nowa Sarzyna

Full name	Artur Król
Position	Member of the Management Board of CIECH S.A. since 26 October 2015
Qualifications	He graduated from the Wrocław University of Technology, Faculty of Computer Science and Management in Marketing and Management. It is also a graduate of postgraduate studies at Warsaw School of Economics - "Value Based Management".

Full name	Artur Król
Experience	From the beginning of his career, he was related with KGHM Polska Miedź S.A. Group. He started work in the Ownership Supervision Department, then he was Head of the Implementation Department (later Marketing and Development Department) in Fundusz Inwestycji Kapitałowych KGHM Metale S.A. In the period 2006 - 2008, he worked in Wałbrzyskie Zakłady Koksownicze "Victoria" S.A. on the position of Investment and Development Director. In 2008-2012, he was the creator and General Director of the Central Purchase Department in KGHM Polska Miedź S.A. He also served as the President of the Management Board in Przedsiębiorstwo Budowy Pieców Przemysłowych "PIEC-BUD" Sp. z o.o. (2013-2014). Recently, the General Director of the Branch of Huta Miedzi "Głogów" (2014-2015). Artur Król sat on the Supervisory Boards of: KGHM Ecoren S.A., KGHM Shanghai Copper Trading Co. Ltd, PHP Mercus Sp. z o.o.
Scope of responsibilities in the CIECH Group	<p>Supervision over organizational units:</p> <ul style="list-style-type: none"> • PRODUCTION DIVISION, including: <ul style="list-style-type: none"> ✓ Production Department ✓ Facilities Maintenance Department ✓ Energy Department • Environmental Department • Investment Management Department • Department of Continuous Improvement of the Group Systems
Full name	Artur Osuchowski
Position	Member of the Management Board of CIECH S.A. since 2 April 2008
Qualifications	Graduate of the Private Higher School of Business and Administration in Warsaw, Faculty of Economics in Finance and Banking. He completed professional courses related to business value management, valuations of companies on the capital market, restructuring of companies' activities. Holder of the scholarship of the "Die Zeit" weekly, American Council on Germany, Dreager Foundation.
Experience	In the years 1996-1997, he worked in Raiffeisen Bank Polska as the analyst in the Management Accounting Department. From 1998 to 2001, in Ernst & Young, he was senior consultant in the Corporate Finance Department (responsible for projects of mergers and acquisitions on the capital market and strategic projects related to restructuring and reorganization of the companies' operations). In 2001-2003, he was senior consultant in the Corporate Finance Department in Capgemini. Responsible for projects of mergers and acquisitions on the capital market and strategic projects related to restructuring and reorganization of the companies' operations. In 2003-2008, he served as a manager in KPMG Advisory in the Economic Consulting Department. Responsible for development of services within strategic projects, reorganization of companies' operations as well as projects related to financing of operations and support for direct investments.
Scope of responsibilities in the CIECH Group	<p>Supervision over organizational units:</p> <ul style="list-style-type: none"> • Project Management and Entities Supervision • Marketing and Communication Department • European Funds Department • SALES DIVISION, including: <ul style="list-style-type: none"> ✓ Soda Ash Sales Department ✓ Baking Soda Sales Department ✓ Salt Sales Department ✓ Sales Logistics and Administration Department ✓ Sales Analysis Support Department ✓ Business Development Position • Independent positions, including: Representative of the Management Board of CIECH S.A. for Integrated Quality Management System and Information Security; Coordinator for Integrated Management Systems in the Group, Representative of the Management Board of CIECH S.A.; Information Security Administrator in CIECH S.A.

Supervisory Board of CIECH S.A.

According to § 20 section 1 of the Supervisory Board is composed of five to nine members appointed by the General Meeting. The joint term of office of members of the Supervisory Board is three years.

The Supervisory Board of CIECH S.A. operates under the regulations adopted by the Supervisory Board and approved by the General Meeting. Appointment and dismissal of members of the Supervisory Board rests with the General Meeting. The Supervisory Board elects the Chairman of the Supervisory Board and, where necessary, his or her deputy and secretary from among its members. The Supervisory Board exercises supervision over operations of the Company.

The competences of the Supervisory Board include in particular:

- 1) assessment of the Management Board's report on the Company's activity and financial statement for the previous financial year and consolidated financial statement and the Board's report on the activity of the group, in which the Company is the parent company, provided that the Company prepares them, with regard to their compliance with ledgers and documents, as well as with the factual state

- and Management Board's motions concerning profit distribution or loss coverage , as well as presentation to the General Meeting of annual written report on this assessment results;
- 2) giving opinion on the Company's activity programs prepared by the Management Board;
 - 3) examining and giving opinion on matters that are supposed to be the object of the General Meeting's resolutions;
 - 4) adoption of the Regulations of the Supervisory Board;
 - 5) approval of the Regulations of the Management Board;
 - 6) appointment and dismissal of members of the Management Board, including President of the Management Board;
 - 7) fixing the principles of remuneration and their levels for members of the Management Board, including President of the Management Board;
 - 8) selection of registered auditor to conduct audit of the financial statement of the Company and audit the consolidated financial statement of the capital group;
 - 9) giving consent to purchase and sell real estate, perpetual usufruct or shares in real estate;
 - 10) expressing consent to exercising a right or assuming a liability in the amount exceeding PLN 20 million (in words: twenty million zlotys) excluding:
 - a) purchase and sales of raw materials, semi-finished products and products related to the object of the Company's activities;
 - b) assuming liabilities related to basic, current Company's activities in the amounts that do not exceed 10% of the Company's equity;
 - c) activities that require consent of the General Meeting.
 - 11) expressing opinion on candidates for members of supervisory boards of companies whose partner or shareholder is the Company;
 - 12) approval of draft annual business plans and budget of the Company, Capital Group of the Company and their changes;
 - 13) expressing consent to encumbering asset components of the Company for the amount of (the sum of collateral) exceeding PLN 10.000.000,00 (in words: ten million zlotys), in one or a series of interrelated transactions;
 - 14) expressing consent to the Company granting sureties and guarantees to entities other than subsidiaries as defined by the Code of Commercial Partnerships and Companies ;
 - 15) expressing consent to paying advance payment for planned dividend;
 - 16) expressing consent to the Company exercising ownership rights granted to it as to a partner or shareholder of a subsidiary within the scope specified in item 10) above.

The Supervisory Board adopts resolutions with an absolute majority of votes, with presence of at least half of the composition of the Supervisory Board, and in the case of equal number of votes, the vote of the Chairman of the Supervisory Board is casting vote. According to the CIECH S.A. Articles of Association, The Supervisory Board may adopt resolution also without convening a meeting, by voting in writing or with the use means of direct remote communication, provided that for effective adoption of a resolution following such a procedure it is necessary to report the content of draft resolution to all members of the Supervisory Board. Members of the Supervisory Board can take part in adopting resolutions of the Supervisory Board by voting in writing or through another member of the Supervisory Board. The vote may not be given in writing in the case of matters introduced to the agenda on the meeting of the Supervisory Board.

Meetings of the Supervisory Board are held if needed, however, no less frequently than once every quarter.

The Supervisory Board of CIECH S.A. on the annual basis submits to the Ordinary General Meeting the report on the Supervisory Board's activity for the financial year. The report contains the detailed discussion of the Supervisory Board's activity, discussion of implementation of activity programs by the Board, evaluation of the Board's report on activity of the Company and CIECH Capital Group, financial statement of the Company and the CIECH Capital Group and Management Board's motions concerning profit distribution or loss coverage.

Bearing in mind, the highest standards of good practices and to ensure a possibility of reliable evaluation of the Company by shareholders, the Supervisory Board of CIECH S.A. conducts a concise assessment of the situation of CIECH S.A. This assessment is presented on the annual basis before the Ordinary General Meeting with sufficient advance enabling the shareholders of CIECH S.A. to read the document.

As at 1 January 2015, the Supervisory Board operated in the following composition:

- 1) Jan Kulczyk PhD – Chairman of the Supervisory Board
- 2) Tomasz Mikołajczak – Deputy Chairman of the Supervisory Board
- 3) Wojciech Stramski – Secretary of the Supervisory Board
- 4) Piotr Augustyniak
- 5) Mariusz Nowak
- 6) Artur Olech.

Owing to the death of Jan Kulczyk PhD - Chairman of the Supervisory Board, the Extraordinary General Meeting of the Company appointed as of 26 August 2015 Sebastian Kulczyk to the Supervisory Board .

On 8 October 2015, the Supervisory Board appointed Sebastian Kulczyk as Chairman of the Supervisory Board.

As at 31 December 2015, the Supervisory Council operated in the following composition:

- 1) Sebastian Kulczyk – Chairman of the Supervisory Board
- 2) Tomasz Mikołajczak – Deputy Chairman of the Supervisory Board
- 3) Wojciech Stramski – Secretary of the Supervisory Board
- 4) Piotr Augustyniak
- 5) Mariusz Nowak
- 6) Artur Olech.

The body responsible for determination of the principles and levels of remuneration of members of the Supervisory Board is the General Meeting.

Detailed information on amounts of remuneration paid to individual Supervisory Board Members can be found in section II.31.5.

Below is presented detailed information on Members of the Supervisory Board of CIECH S.A.

Full name	Sebastian Kulczyk
Position	Chairman of the Supervisory Board of CIECH S.A. since 8 October 2015, Does not conduct competitive activities towards CIECH S.A.
Qualifications	A graduate in management and marketing from the Faculty of Law of the Adam Mickiewicz University in Poznań. He studied at the London School of Economics.
Professional experience	Since 2010, he has been related with the Kulczyk Investments Group, and since December 2013 he has been the Chief Executive Officer of Kulczyk Investments S.A.

Full name	Tomasz Mikołajczak
Position	Deputy Chairman of the Supervisory Board of CIECH S.A. since 10 July 2014, Member of the Supervisory Board since 7 July 2014. Does not conduct competitive activities towards CIECH S.A.
Qualifications	A graduate of the Faculty of Law and Administration of the University of Warsaw. Since 1998, he has been registered on the list of legal advisors in the District Chamber of Legal Advisors in Warsaw.
Professional experience	Since 1980, a private investor, who has conducted its business activities mainly through Towarzystwo Inwestycji Kapitałowych S.A., through which he makes short and medium-term private equity investments. He invests mostly in real estate, data communications, construction and industrial automation and companies involved in infrastructure design and construction. Since the beginning of his activities, Tomasz Mikołajczak has implemented over ten privatization processes as a strategic investor: he has also participated in acquisitions of many companies and in the processes of their restructuring. He invests also on the capital market and in financial instruments. He is an academic and advisor of many young entrepreneurs, effectively acting in various areas of the Polish market. Member of the Supervisory Boards of Kulczyk Investments S.A., Kulczyk Holding S.A., Polish Energy Partners S.A. and Polenergia Holding S.à.r.l. and Chairman of the Audit Committee of the Polish Business Round Table.

Full name	Wojciech Stramski
Position	Secretary of the Supervisory Board of CIECH S.A. since 10 July 2014, Member of the Supervisory Board since 7 July 2014.
Qualifications	He graduated from the Marshall School of Business at the University of Southern California. He is a member of the Association of Chartered Certified Accountants (ACCA) and of the Association of International Internal Auditors (IIA). He also holds accreditations which enable him to verify effectiveness of the function of internal audit in accordance with IIA standards.
Experience	He started professional started in KPMG in the structures of a team responsible for financial audits of companies from various sectors. For two years, as the Manager of the Risk Advisory Services Department at KPMG in Poland, he provided advisory services, among others, concerning logistic processes. For more than 8 years he has been focused on the issues related to identification and implementation of operating and strategic solutions, supporting increase in business value. He worked for large international corporations such as Altria Corporate Services in Switzerland (a holding of the Philip Morris Group) and for the Honeywell Group. The scope of his responsibilities included, among others, operational effectiveness studies of the branches of Philip Morris and Honeywell in the EMEA for the Audit Committee of the Supervisory Board in the USA, to ensure that both entities create goodwill. Before joining Kulczyk Holding in 2012, he was a Member of the Management Board of Magro International (companies belonging to Kulczyk Holding and Pon Holding) and a head of the Internal Audit Department at KPI Polska Group. At Kulczyk Holding, he has served as Director in the Portfolio Management Department where he supervises the project investments in the KI/KH Group.

Full name	Piotr Augustyniak
Position	Member of the Supervisory Board of CIECH S.A. since 7 July 2014. Does not conduct competitive activities towards CIECH S.A.
Qualifications	A graduate of the University of Warsaw, the Faculty of English Philology and the Faculty of Business Administration.
Experience	Currently he conducts his own business activity (financial advisory services). In years 1994-2011, he was employed in Enterprise Investors (EI), as analyst, investment director, vice president, in 2006-2011, he was a partner. In the period June - December 2001, he served as the President of the Management Board of Energoaparatura S.A. In 1993-1994, he was employed in the Ministry of Ownership Transformation as project manager and privatization team manager. In 1992-1993, he was employed as an assistant of the financial officer in the Ownership Transformation Foundation at the Ministry of Ownership Transformation. In 1991-1992, he worked in New York Times (Warsaw) as a translator. As a partner of EI, he was responsible for monitoring, entry of companies into the Warsaw Stock Exchange, transactions of sale of significant block shares in companies from the EI portfolio on the public and private market. He took part in more than 40 transactions related to EI companies, in particular sales on the private market of controlling block of shares (Bauma, Agros Nova, Opoczno), introduction of companies to the Warsaw Stock Exchange (Comp Rzeszów (currently Asseco Poland), PEP, Opoczno, Teta, Sfinks, AB, Magellan), financial restructuring of the Slovak logistics

Full name	Piotr Augustyniak
	company STD Donivo (preparation of and supervision over the restructuring plan including negotiations with a group of banks financing the company). Member of the Supervisory Boards of several Polish and foreign companies (such as Polfa Kutno, Energoaparatura, Elektrobudowa, Wizów, Sfinks, Bauma, Opoczno).

Full name	Mariusz Nowak
Position	Member of the Supervisory Board of CIECH S.A. since 7 July 2014. Does not conduct competitive activities towards CIECH S.A.
Qualifications	A graduate from the University of Szczecin, the Faculty of Economics and the Faculty of Cybernetics and Computer Science. He also holds the title of MBA of Ecole Nationale des Ponts et Chaussees in Paris.
Experience	A specialist in the field finance, accounting and management. In Kulczyk Investments and Kulczyk Holding since 2012. Earlier, starting in March 2010, the Financial Director of Kulczyk Pon Investments and President of the Management Board of Magro International. In 1991-2010, he worked on various positions for the Wavin Group, and in 2007 he took the function of Managing Director of Wavin Ekoplastik. Member of Supervisory Boards: PEKAES S.A., PEP S.A., Autostrada Wielkopolska S.A., Autostrada Wielkopolska II S.A., Autostrada Eksploatacja S.A. and AWSA Holland II BV.

Full name	Artur Olech
Position	Member of the Supervisory Board of CIECH S.A. since 7 July 2014 Does not conduct competitive activities towards CIECH S.A.
Qualifications	A graduate of the University of Warsaw, the Faculty of Law and Administration, and the Warsaw School of Economics, the Faculty of Finance and Banking.
Experience	From October 1998 to February 2014, he was a Member of the Management Board of the Generali Group. In 2010-2014, the President of the Management Board, in 2008-2010, the Vice President the Management Board, responsible for life and pension insurance. In 2003-2008, a Member of the Supervisory Board. In 1997-1998, the Director of Volkswagen Bank Polska/Volkswagen Leasing Polska-Warszawa. In 1996- 1997, he was employed as an analyst in the Polish Institute of Management (PIM Sp. z o.o.). In 1994-1997, he was employed on the position of a Foundation Project Manager in CASE Consulting (Fundacja Centrum Analiz Społeczno-Ekonomicznych) in Warsaw. He completed numerous trainings for top management, including training at the Harvard Business School, Kellogg School of Management and Chicago GSB. In 2012, he was granted the personal award for Top Manager in insurance industry (by the Wprost weekly). Responsible for the project "Exit processes in transitional economy" on behalf of the Bank World, executed under CASE Consulting (Fundacja Centrum Analiz Społeczno-Ekonomicznych) under the supervision of Professor Leszek Balcerowicz.

Committees of the Supervisory Board of CIECH S.A.

The following Committees operate under 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

Audit Committee of the Supervisory Board of CIECH S.A. was appointed by Resolution no. 57/IV/2005 of 16 February 2005.

According to the Regulations of the Audit Committee, the tasks of the Audit Committee include in particular:

- 1) monitoring of the financial reporting process,
- 2) monitoring effectiveness of the internal control system,
- 3) monitoring effectiveness of the internal audit system,
- 4) monitoring effectiveness of the risk management system,
- 5) monitoring of the performance of financial inspection activities,
- 6) monitoring independence of the registered auditor and the entity authorized to audit financial statements of the Company.

Audit Committee of the Supervisory Board of CIECH S.A. submits annual reports on its activity, which are part of the report on activity of the Supervisory Board of CIECH S.A., submitted to shareholders during the Ordinary General Meeting of CIECH S.A.

As at 1 January 2015, the composition of the Audit Committee was as follows:

- 1) Wojciech Stramski - Chairman of the Committee
- 2) Piotr Augustyniak - Member of the Committee
- 3) Artur Olech - Member of the Committee

As at 31 December 2015, the Audit Committee performed its functions in an unchanged composition.

Remuneration Committee of the Supervisory Board of CIECH S.A.

The Remuneration Committee was appointed by Resolution no. 66/IV/2005 of the Supervisory Board of CIECH S.A. According to the Regulations of the Remuneration Committee, the primary goal of the Committee is advising the Supervisory Board in issues related to defining the principles and levels of remuneration of members of the Management Board of CIECH S.A.

The tasks of the Committee include in particular:

- 1) presenting to the Supervisory Board the proposals regarding the principles of remuneration for members of the Management Board of CIECH S.A., which should take account of all forms of remuneration, in particular with regard to: base remuneration, remuneration system based on results, retirement system and severance pays;
- 2) presenting to the Supervisory Board the proposals with regard to the amount of remuneration of each member of the Management Board of CIECH S.A.;

- 3) presenting to the Supervisory Board draft agreements governing performance of responsibilities by members of the Management Board of CIECH S.A.;
- 4) discussing (with or without participation of the Company's Management Board) any problems or objections, which can appear in the issues related to remuneration for members of the Management Board of CIECH S.A.;
- 5) considering any other matters emphasized by the Committee or the Supervisory Board;
- 6) informing the Supervisory Board about any important matters in the overall context of the Committee's activity.

The Remuneration Committee of the Supervisory Board of CIECH S.A. submits annual reports on its activity, which are part of the report on activity of the Supervisory Board of CIECH S.A., submitted to shareholders during the Ordinary General Meeting of CIECH S.A.

As at 1 January 2015, the composition of the Remuneration Committee was as follows:

- 1) Tomasz Mikołajczak - Chairman of the Committee ,
- 2) Mariusz Nowak - Member of the Committee

As at 31 December 2015, the Remuneration Committee performed its functions in an unchanged composition.

7.12. Information about agreements signed between the issuer and persons in management positions providing for compensation in the event of their resignation or dismissal from their positions without substantial reason or when their dismissal takes place as a result of the issuer's merging through a takeover

In case of dismissal of the Management Board Members from their position, they will be entitled to one-time severance pay in cash in the amount of six-month remuneration. Non-competition agreement with the Management Board members after termination of the employment relationship envisages payment of compensation, in the amount of 50% of the monthly remuneration for the period no longer than 24 months.

Erratum

to the Report on CIECH S.A.'s activities for 2015 which is a part of the Separate Annual Report of CIECH S.A. for 2015.

- At the top of the page 77 (in polish version at the bottom of the page 77) Report on CIECH S.A.'s activities for 2015 information concerning Mr. Thomas Mikołajczak - Deputy Chairman of the Supervisory Board of CIECH S.A.:

"Qualifications a graduate of the Faculty of Law and Administration of the University of Warsaw. Since 1998 he is registered on the list of legal advisor at the Regional Chamber of Legal Advisors in Warsaw."

is entirely untrue.

II. SEPARATE FINANCIAL STATEMENT OF CIECH S.A. FOR 2015

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

<i>PLN '000</i>		01.01-31.12.2015	01.01-31.12.2014*
CONTINUING ACTIVITIES			
Net sales revenues	7	2 038 491	1 655 739
Prime cost of sales	7	(1 592 087)	(1 308 071)
Net profit/(loss) on sales		446 404	347 668
Other operating revenues	7	86 361	21 419
Prime costs		(145 914)	(153 249)
Overheads		(64 755)	(49 871)
Other operating costs	7	(6 871)	(33 841)
Net profit/(loss) on operating activities		315 225	132 126
Financial revenues	7	309 744	227 401
Financial costs	7	(346 437)	(303 820)
Net financial revenues / costs		(36 693)	(76 419)
Profit/(loss) before taxation		278 532	55 707
Income tax	8	53 046	(22 246)
Net profit/(loss) on continuing activities		331 578	33 461
DISCONTINUED OPERATIONS			
Net profit/(loss) on discontinued operations		-	58 668
Net profit/(loss) for the period		331 578	92 129
Earnings per share (in PLN):			
Basic		6.29	1.75
Diluted		6.29	1.75
Earnings per share (in PLN) on continuing activities:			
Basic		6.29	0.64
Diluted		6.29	0.64

* transformed data

The separate statement of profit or loss should be analysed together with additional information and explanations that are an integral part of the separate financial statement.

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

<i>PLN '000</i>	01.01-31.12.2015	01.01-31.12.2014
Net profit/(loss) on continuing activities	331 578	33 461
Net profit/(loss) on discontinued operations	-	58 668
Net profit/(loss) for the period	331 578	92 129
Gross other comprehensive income, which may be reclassified to profit or loss	4 184	(7 163)
Cash flow hedge	4 184	(7 163)
Gross other comprehensive income, which may not be reclassified to profit or loss	491	(432)
Valuation of actuarial provisions	491	(432)
Income tax concerning other comprehensive income	(888)	1 443
Income tax relating to other comprehensive income, which may be reclassified to profit or loss	(795)	1 361
Income tax relating to other comprehensive income, which may not be reclassified to profit or loss	(93)	82
Net other comprehensive income	3 787	(6 152)
TOTAL COMPREHENSIVE INCOME	335 365	85 977

The separate statement of other comprehensive income of CIECH S.A. should be analysed together with additional information and explanations that are an integral part of the separate financial statement.

SEPARATE STATEMENT OF FINANCIAL POSITION OF CIECH S.A.

PLN '000		31.12.2015	31.12.2014
ASSETS			
Tangible fixed assets	12	12 808	6 031
Intangible assets	13	9 462	9 861
Granted long-term loans	14	292 868	317 805
Other long-term investments	15	2 035 487	1 730 373
Deferred income tax assets	8	135 316	77 331
Total fixed assets		2 485 941	2 141 401
Inventory	16	19 673	21 773
Short-term investments	18	215 411	118 392
Receivables under income tax		194	9 163
Trade receivables and other receivables	17	331 797	272 993
Cash and cash equivalents	19	174 745	10 261
Total current assets		741 820	432 582
Total assets		3 227 761	2 573 983
LIABILITIES			
Share capital	21	287 614	287 614
Share premium	21	470 846	470 846
Capital under using hedge accounting	21	(2 335)	(5 724)
Capital under actuarial valuation	21	50	(348)
Other reserve capitals	21	76 199	76 199
Retained profits	21	464 849	133 271
Total equity		1 297 223	961 858
Liabilities under loans, borrowings and other debt instruments	22	1 494 775	1 177 605
Other long-term liabilities	22	41 828	2 512
Employee benefits	25	510	875
Total long-term liabilities		1 537 113	1 180 992
Liabilities under loans, borrowings and other debt instruments	26	124 124	91 921
Liabilities under lease		-	360
Trade liabilities and other liabilities	26	238 127	316 822
Income tax liabilities		4 219	9
Provisions (short-term provisions for employee benefits and other provisions)	24, 25	26 955	22 021
Total short-term liabilities		393 425	431 133
Total liabilities		1 930 538	1 612 125
Total liabilities		3 227 761	2 573 983

The separate statement of financial position should be analysed together with additional information and explanations that are an integral part of the separate financial statement.

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

<i>PLN '000</i>	Share capital	Share premium	Capital under using hedge accounting	Capital under actuarial valuation	Other reserve capitals	Retained profits	Total equity
Equity as at 01.01.2015:	287 614	470 846	(5 724)	(348)	76 199	133 271	961 858
Transactions with shareholders presented directly in equity	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	3 389	398	-	331 578	335 365
Net profit / (loss)						331 578	331 578
Other comprehensive income			3 389	398		-	3 787
Equity as at 31.12.2015	287 614	470 846	(2 335)	50	76 199	464 849	1 297 223

<i>PLN '000</i>	Share capital	Share premium	Capital under using hedge accounting	Capital under actuarial valuation	Other reserve capitals	Retained profits	Total equity
Equity as at 01.01.2014:	287 614	470 846	78	2	76 199	100 693	935 432
Transactions with shareholders presented directly in equity	-	-	-	-	-	(59 551)	(59 551)
Payment of dividend	-	-	-	-	-	(59 551)	(59 551)
Total comprehensive income for the period	-	-	(5 802)	(350)	-	92 129	85 977
Net profit / (loss)	-	-	-	-	-	92 129	92 129
Other comprehensive income			(5 802)	(350)		-	(6 152)
Equity as at 31.12.2014	287 614	470 846	(5 724)	(348)	76 199	133 271	961 858

The separate statement of changes in equity should be analysed together with additional information and explanations that are an integral part of the separate financial statement.

SEPARATE STATEMENT OF CASH FLOWS OF CIECH S.A.

<i>PLN '000</i>	01.01-31.12.2015	01.01-31.12.2014*
Cash flows from operating activities		
Net profit / (loss) for the period	331 578	92 129
Adjustments		
Depreciation and amortization	3 907	6 866
Recognition of impairment allowances	38 240	23 271
Foreign exchange (profit) /loss	59 958	18 908
(Profit) /loss on investment activities	(13 628)	-
(Profit) /loss on disposal of tangible fixed assets	(366)	(36)
Dividends and interest	(97 680)	12 802
Income tax	(53 046)	(36 422)
Cash flows from operating activities before changes in working capital and provisions	268 963	117 518
Change in receivables 20	(60 117)	51 866
Change in inventory	2 100	(13 908)
Change in short-term liabilities 20	(59 340)	26 954
Change in provisions and employee benefits	4 569	-
Net cash generated on operating activities	156 175	182 430
Interest paid	(125 391)	(121 641)
Change in liabilities under commission	20 767	5 179
Evaluation of financial instruments	(3 727)	-
Income tax paid	9 163	(5 937)
Net cash from operating activities	56 987	60 031
Cash flows from investment operations		
Receipts	667 627	226 164
Disposal of subsidiary	101 199	-
Disposal of intangible and tangible fixed assets	386	38
Received dividends	161 603	38 075
Interest received	13 614	22 752
Inflows with repayments of borrowings	389 513	165 299
Cash pooling inflows	1 312	-
Expenses	(853 812)	(177 314)
Purchase of a subsidiary (after deduction of taken over cash)	(116 063)	-
Purchase of intangible and tangible fixed assets	(11 975)	(9 468)
Expenditures on increase and extra contributions to capital	(35 495)	(53 505)
Cash pooling outflows	-	(18 267)
Paid out borrowings	(690 279)	(96 074)
Net cash from investment activities	(186 185)	48 850
Cash flows from financial activities		
Receipts	1 373 161	74 967
Inflows from taken out loans and borrowings	1 371 499	10 445
Cash pooling inflows	1 662	64 522
Expenses	(1 079 376)	(221 327)
Dividend and other payments for owners	-	(59 551)
Loans and borrowings expenditure	-	-
Repurchased debt securities	(1 079 298)	(160 000)
Payments of financial lease liabilities	(78)	(1 776)
Net cash from financial activities	293 785	(146 360)
Total net cash flows	164 587	(37 479)
Opening balance of cash 19	10 261	50 499
<i>Impact of foreign exchange differences</i>	<i>(103)</i>	<i>(2 759)</i>
Closing balance of cash 19	174 745	10 261

* transformed data

The separate statement of cash flows should be analysed together with additional information and explanations that are an integral part of the separate financial statement.

ADDITIONAL INFORMATION AND EXPLANATIONS TO THE SEPARATE FINANCIAL STATEMENT**1. General**

The presented financial statement of CIECH S.A. for the period from 1 January 2015 until 31 December 2015, together with comparative data, was approved by the Management Board of CIECH S.A. on 21 March 2016.

The accounting principles are published in the section II.2.1 of the additional information and explanations to the financial statement.

This separate financial statement should be read together with the consolidated financial statement of the CIECH Group.

CIECH S.A. is seated in Warsaw, ul. Wspólna 62. From 1995, CIECH S.A. was registered in the Commercial Register B under number RHB 44665 kept by the Court District Court for the capital city of Warsaw, 16th Commercial and Registration Division. On 24 May 2001, the District Court for the Capital City of Warsaw 19th Commercial Division of the National Court Register issued a decision on registering CIECH S.A. in the Register of Entrepreneurs of the National Court Register under number KRS 0000011687. Currently, after organizational changes in the Court, CIECH S.A. is registered under number 0000011687 in the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register.

The main object of activities of CIECH S.A., in accordance with its Articles of Association, is, among others: conducting business activities including commercial, investment, production, service activities and financial operations with particular emphasis on activities with regard to foreign and domestic trade in chemicals and related activities. The Company may act as a representative of domestic and foreign companies.

The Management Board of CIECH S.A. declares that, to the best of its knowledge, the financial statement as at 31 December 2015 and comparative data were prepared in accordance with binding accounting principles and that they reflect in a true, reliable and clear way the financial and economic position of CIECH S.A. In addition, the Management Board of CIECH S.A. declares that the financial statement for 2015 contains a true reflection of development and accomplishments and situation of the Company, including description of basic risks and hazards.

The Management Board of CIECH S.A. declares that the entity authorized to audit financial statements, auditing the financial statement for the period from 1 January 2015 to 31 December 2015, was chosen as specified by law and it is: PricewaterhouseCoopers Sp. z o.o. seated in Warsaw, entered on the list of entities authorized to audit financial statements kept by the National Chamber of Statutory Auditors under number 144 of the register. This entity and certified auditors who conduct this audit meet the conditions for issuing an impartial and independent opinion and report on audit, in accordance with relevant regulations of the domestic law.

2. Basis for preparing the financial statement**The Management Board Statement on compliance with International Financial Reporting Standards**

The Management Board of CIECH S.A. declares that the financial statement for the presented period and comparative period was prepared according to all International Financial Reporting Standards adopted in the European Union, as well as related Interpretations announced in the form of regulations of the European Commission (IFRS).

The presented financial statement was prepared on the going concern basis. The term of activities is indefinite.

The financial year for CIECH S.A. is the calendar year.

The separate statement of profit or loss of CIECH S.A. is prepared in the multiple-step variant, and the separate statement of cash flows is prepared with the use of the indirect method.

The functional currency and reporting currency of the presented financial statement is the Polish zloty. The data in the financial statement are provided in PLN thousand (PLN '000), unless indicated otherwise.

Preparation of the financial statement in accordance with IFRS requires the Management Board to make professional judgments, estimates and assumptions, which have impact on the adopted principles and presented values of assets, liabilities, revenues and costs. Detailed information about approximate data is described in the section II.3.

Estimates and related assumptions are based on historical experience and various factors that are considered as rational in given circumstances and their results give the basis for professional judgment as to the carrying amount of assets and liabilities, which does not result directly from other sources. In significant issues, the Management Board relies its estimates on independent experts' opinions. Detailed information about approximate data is described in the section II.3 "Made judgments and estimates" in this financial statement.

2.1. Accounting policy principles

Principles of the accounting policy

The financial statement is prepared according to the concept of historical cost, except for presentation of some financial instruments in fair value.

a) Financial Instruments

The below principles of valuation and recognition of financial assets do not apply to valuation of shares and stocks in subsidiaries, financial lease agreements, insurance agreements, financial instruments under employee schemes, as well as financial instruments issued by the entity being its equity instruments.

Most important asset components that are subject to the principles of valuation for financial instruments are as follows:

1. shares and stocks in other entities,
2. bonds issued by other entities,
3. other securities issued by other entities,
4. receivables under loans,
5. trade receivables,
6. cash,
7. derivatives (options, forward contracts, future contracts, swap contracts, embedded derivatives) with positive fair value,
8. other financial asset components.

Most important liability components that are subject to the principles of valuation for financial instruments are as follows:

1. liabilities under borrowings,
2. liabilities under loans,
3. liabilities under issued bonds,
4. trade liabilities,
5. financial instruments with negative fair value,
6. other financial liabilities.

Division of financial instruments

Financial assets are divided into:

1. financial assets valued at fair value through profit or loss,
2. borrowings and receivables,
3. held-to-maturity financial assets,
4. financial assets held for sale.

Financial liabilities are divided into:

1. financial liabilities valued at fair value through profit or loss,
2. other financial liabilities.

Borrowings, receivables and deposits are presented at the date when they are created. All other financial assets (including assets valued at fair value through profit or loss) are presented as at the transaction day which is the day when the Company becomes a party of a mutual liability concerning a given financial instrument. The Company stops presenting the financial asset component when the rights resulting from the contract to receive cash flows from this asset component expire or from the moment when the rights to receive cash flows from the financial asset are transferred in a transaction transferring essentially all significant risks and benefits resulting from their ownership. Each share in the transferred financial asset component, which is created or remains in the possession of the Company, is treated as an asset component or liability.

The issued debt instruments and subordinated liabilities are presented by the Company as at the date of their creation. All other financial liabilities, including liabilities valued at fair value through profit or loss, are presented as at the date of concluding the transaction which is the day when the Company becomes a party to the agreement obliging to issue a financial instrument. The Company excludes the financial liability from the ledgers when the liability is repaid, written off or expires.

(i) Financial assets are valued at fair value through profit or loss

Financial assets valued at fair value through profit or loss are classified as short-term assets and are recognized in fair value, and profits and losses resulting from their valuation are shown directly in the statement of profit or loss. Financial assets valued at fair value through profit or loss include financial assets:

- purchased for the purpose of sale in the short run,
- constituting part of the jointly managed portfolio for which obtaining short-term profits in the past is confirmed,
- classified to this category upon their initial recognition.

Upon initial recognition, financial assets may be classified to the category of assets valued at fair value through profit or loss, if the following criteria are met:

- this qualification eliminates or significantly reduces inconsistency with regard to recognition or valuation (accounting mismatch),
- assets are a part of the group of financial assets that are managed and assessed on the basis of fair value, in accordance with the documented risk management strategy,
- financial assets contain embedded derivatives which should be recognized separately.

Financial assets valued at fair value through profit or loss also include derivatives, provided that the requirements concerning the application of hedge accounting have been met.

(ii) Held-to-maturity assets

Held-to-maturity assets are quoted financial assets not being derivative instruments, with the agreed or specifiable payments and with the agreed maturity, in relation to which the Company has a firm intention and is able to hold them until maturity, which are not borrowings and receivables and which were not classified upon the initial recognition as financial assets valued at fair value through profit or loss or financial assets held for sale.

of CIECH S.A. does not classify any financial assets as held-to-maturity, if in the current financial year or in two recent financial years it sold or reclassified more than insignificant amount of held-to-maturity investments, except for sales or reclassifications made:

- close enough to maturity or purchase of a component of financial assets that changes in market interest rates would not have a significant impact on fair value of a component of financial assets;
- after recovering the principle through repayments or prepayments according to the agreed schedule; or
- as a result of a separated event that is not subject to control, is not a recurring event and could not have been foreseen on the basis of rational premises.

Held-to-maturity financial assets are valued upon initial recognition at depreciated cost using the method of effective interest rate.

(iii) Borrowings and receivables

Borrowings and receivables are financial assets that are not derivatives, with agreed or specifiable payments, which are not quoted on the active market, other than financial assets that:

- The Company intends to sell immediately or in the short term that are classified as held for sale and these that which, upon initial recognition, were determined as valued at fair value through profit or loss;
- Upon their initial recognition, were determined by the Company as held for sale; or
- The Company may not recover essentially the full amount of the initial investment otherwise than for reason of deterioration in credit service that are classified as held for sale.

Borrowings and receivables are valued upon initial recognition at depreciated cost using the method of effective interest rate and reduced by any possible impairment losses.

(iv) Financial assets held for sale

Financial assets held for sale are financial assets that are not derivatives that were designated as held for sale or that are not borrowings and receivables, held-to-maturity investments or financial assets valued at fair value through profit or loss.

Financial assets held for sale are valued upon initial recognition at fair value, and valuation profits and losses are recognized in other comprehensive income. In the event of interest-bearing debt instruments classified into this category, interest fixed using the method of effective interest rate is presented directly in the statement of profit or loss.

In the case of no quotations on active market and no possibility to reliably determine fair value of equity instruments using alternative methods, financial assets held for sale are valued at their purchase price adjusted by impairment loss.

(v) Financial liabilities

Financial liabilities held for sale, including, in particular derivatives with negative fair value, which were not designated as hedging instruments, are recognized in the fair value, and profits and losses resulting from their valuation are shown directly in the statement of profit or loss.

Other financial liabilities are valued at depreciated cost using the method of effective interest rate.

Valuation principles upon initial recognition/or at the end of the reporting period and presentation of financial instruments in the financial statement

Group of assets or liabilities	Principle of valuation	Principles of recognition in the financial statement
Assets valued at fair value through profit or loss	At fair value	Valuation difference reported in the financial result of the current reporting period in the item financial revenues or financial costs
Liabilities valued at fair value through profit or loss	At fair value	Valuation difference reported in the financial result of the current reporting period in the item financial revenues or financial costs
Other financial liabilities	At depreciated cost with the application of effective interest rate (IRR)	Valuation difference adjusts the value of liability component being valued and is shown in the financial result of the current reporting period.
Granted borrowings and receivables	At depreciated cost with the application of effective interest rate (IRR)	Difference from valuation adjusts the value of valued asset component and is shown in the financial result of the current reporting period.
Held-to-maturity assets	At depreciated cost with the application of effective interest rate (IRR)	Difference from valuation adjusts the value of valued asset component and is shown in the financial result of the current reporting period.
Financial assets held for sale	At fair value	Fair value valuation difference recognized in other comprehensive income. In the event of debt instruments, interest charged is recognized directly in the statement of profit or loss.

Hedge accounting and embedded derivatives.

Hedge accounting

Hedge accounting includes effects of compensating changes in fair value of the hedging instrument and the hedged item affecting the statement of profit or loss.

Derivatives such as options, forwards, swaps are usually intended to hedge fair value of assets or liabilities or hedge future cash flows. With regard to these derivatives, the Company may use hedge accounting principles only in the case of fulfilment of all hedge accounting terms, i.e.:

- ✓ at the time of establishing hedge, a formalized documentation of hedging relation was drawn up, with the specification of adopted by the Company risk management goal and hedging strategy. In the documentation the Company designates a hedging instrument that hedges a given item or transaction and determines the type of risk it is hedged against. The Company determines the way of assessing effectiveness of a hedging instrument in compensating changes in net cash flows under the hedged transaction, in the scope of limitation in risk against which the Company is hedged,
- ✓ The Company envisages that the hedge will be characterized by high effectiveness in balancing the changes in fair value or cash flows, in accordance with the documented risk management strategy concerning this specific hedging relation,
- ✓ in the case of cash flow hedge accounting, hedge of cash flows applies to the planned transaction, which is highly likely and is exposed to the risk of changes in cash flows affecting the financial result,
- ✓ hedge effectiveness may be credibly evaluated, i.e. fair value of the hedged item or cash flows originating from it and fair value of the hedging instrument can be credibly evaluated,
- ✓ hedge is verified on a current basis and its high effectiveness is determined in all periods, for which hedge was established.

If the above terms are not met, a derivative is subject to the valuation principles applicable to financial instruments held for trading.

The Company may use the following types of hedge accounting:

Fair value hedge:

It is a hedge against the hazard of changes in fair value of the included asset or liability component or reasonably anticipated future liability, or a separate part of such asset component, liability or reasonably anticipated future liability that may be assigned to a specific kind of risk and which may affect the statement of profit or loss.

Fair value of hedge is shown as follows:

- ✓ Profits or losses resulting from overestimation of fair value of a hedging instrument (for the derivative) are shown in the statement of profit or loss.
- ✓ Profits or losses related to the hedged item, resulting from risk being hedged, adjust the carrying amount of the hedged item and are shown in the statement of profit or loss. This principle is applicable to the hedged item, which, under other circumstances, would be valued at cost. In the case of the hedged item that is a component of financial assets available for sale, profits or losses resulting from the risk being hedged are included in the statement of profit or loss.

Hedging of cash flows:

It is a hedge against cash flow variability risk that (i) can be attributed to a specific kind of risk related to a recognized asset component or liability or with a highly probable planned transaction and that (ii) may affect the statement of profit or loss.

Hedging of cash flows is recognized as follows:

- ✓ some profits or losses related to a hedging instrument, which constitute effective security, are recognized in other comprehensive income and in equity, and the ineffective part of profits or losses related to a hedging instrument is recognized in the statement of profit or loss.
- ✓ if the planned transaction being hedged may lead to presentation of a financial asset component or financial liability, related profits or losses, which were recognized in other comprehensive income (effective hedge) are transferred to the statement of profit or loss in the same period or in the periods where the purchased asset component or taken over liability affect the statement of profit or loss.
- ✓ in the case of hedging of the planned transaction resulting in the presentation of assets or non - financial liabilities recognized in other comprehensive income as effective hedge, profits and losses are gradually charged against the result, in the periods when an asset component or non - financial liability influences the statement of profit or loss (, for instance in the form of depreciation) or excluded from other comprehensive incomes and included in initial purchase cost or carrying amount of the item being hedged.
- ✓ in the case of cash flow hedges other than the above, amounts charged directly against other comprehensive income (effective hedge) are recognized in the statement of profit or loss in the same period or periods when the planned transaction affects the statement of profit or loss.

Embedded derivatives

Agreements with embedded derivatives are agreements which contain terms making a part or all cash flows under the primary agreement change in a way similar to changes resulting from an independent derivative. Due to an embedded derivative, a part or whole cash flows resulting from the primary agreement gets modified based on specified interest rate, price of financial instrument, price of goods, currency exchange rate, index of prices or rates, credit rating or credit index, or another variable, provided that a variable not being financial variable is not specific for either party to the contract. A derivative attached to a financial instrument that may be carried regardless of this instrument or applies to another contractor than party to this instrument is not embedded instrument, but a separate financial instrument.

Embedded derivatives are subject to exclusion from the base instrument and a separate valuation at fair value, if all of the following criteria are fulfilled:

- ✓ economic nature and risk of an embedded instrument are not strictly related to the economic character and risk of agreement in which a given instrument is embedded,
- ✓ an independent instrument with identical terms of exercise as embedded instrument would fulfil the definition of derivative,
- ✓ a complex instrument is not valued and reported in the financial statement in fair value.

If an embedded derivative is separated, the primary agreement should be recognized according to the principles related to financial instruments when this agreement is financial instrument or in accordance with other relevant principles when this agreement is not a financial instrument.

Regardless of the above provisions, if the agreement contains one or more embedded derivatives, the Company may assign the whole hybrid (total) agreement as a component of financial assets or financial liabilities valued at fair value through profit or loss, provided that:

- a) an embedded derivative does not change significantly cash flows that would be required under the agreement not containing this embedded derivative; or
- b) it is obvious, without or after a rough analysis, that if a similar hybrid (total) instrument was first examined, then the separation of the embedded derivative (derivatives) would be forbidden like, for example, prepayment option embedded in borrowing allowing its holder to repay the borrowing in the amount similar to its depreciated cost.

If, in accordance with IAS 36, the Company is obliged to separate the embedded derivative from the primary agreement, but is unable to separately value such embedded derivative either at the time of its purchase or at the end of subsequent reporting periods, then it will designate the whole hybrid (total) agreement as agreement valued at fair value through profit or loss. By analogy, if the entity is unable to separately value embedded derivative that should be separated in connection with reclassification of the hybrid (total) agreement from the category of derivatives valued at fair value through profit or loss, such reclassification is not permitted. Under such circumstances, a hybrid (complex) agreement is still classified as fully valued at fair value through profit or loss.

If the Company is not able to credibly the fair value of the embedded derivative on the basis of the agreement provisions and the terms (e.g., because the embedded derivative is linked to equity instrument non-quoted on active market), the fair value of the embedded derivative will be the difference between the fair value of the total instrument and the value fair value of the primary agreement, if those values may be credibly agreed. If, on the other hand, the Company is not able to determine the fair value of the embedded derivative in accordance with the above method, then the total instrument is treated as valued at fair value through profit or loss.

b) Tangible fixed assets

<i> (i) Own components of tangible fixed assets

Tangible fixed assets are presented at purchase price/manufacture cost decreased by depreciation and impairment losses. Initial value of tangible fixed assets includes their purchase price increased by all costs directly related with the purchase and adaptation of an asset component to the condition suitable for use. The cost includes also cost of replacement of components of machines and devices at the time of its incurring, if the recognition criteria are fulfilled.

(ii) Components of tangible fixed assets used on the basis of finance lease agreements

Lease agreements, under which the Company bears practically the whole risk and derives practically all benefits resulting from the possession of components of tangible fixed assets, are classified as finance lease agreements. Tangible fixed assets purchased by way of finance lease are initially presented in fair value or current value of minimal lease fees, whichever is lower, and then reduced by depreciation charges and impairment losses.

In the case of tangible fixed assets used on the basis of finance lease agreements without the confidence of purchase of the ownership of a tangible fixed asset prior to the agreement termination, value of tangible fixed assets is fully depreciated during shorter of two periods:

- throughout the effective term of the lease agreement,
- time of use.

In the case of classification of agreement as finance lease the subject matter of the agreement belongs to tangible fixed assets of the Company (lessee) and depreciation charges are made according to the principles specified in item b.(iv).

(i) Later expenses

The activation covers costs incurred later intended to replace shown separately part of a component of tangible fixed assets. Other costs are capitalized only when they can be credibly measured and they increase future economic benefits associated with a component of tangible assets. Other expenses are recognized on a current basis in the statement of profit or loss as costs.

A separate part of tangible fixed assets, which requires replacement at regular time intervals, is depreciated in accordance with its economic service life. The costs of repair are activated when the amount of outlays incurred applies to the part considered as a separate constituent part of tangible fixed assets. If these components were not separated upon recognition of tangible fixed assets, they can be separated upon new expenditures.

The Company increases the value of tangible fixed assets by the value of capital expenditures sustained during regular major repairs, necessary for further operation of tangible fixed assets. These expenditures are treated as separate tangible fixed assets and are depreciated by the expected period to the next planned major repair. At the time of capitalization of new costs of general repairs, the value of previous repairs is charged against operating costs.

At the time of purchase or manufacture of tangible fixed assets, the Company distinguishes from purchase price or manufacture cost value equal to necessary expenditures during the next major repair, which applies to a given tangible fixed asset, and depreciates it for the expected period remaining until the next planned major repair.

(i v) Depreciation

Components of tangible fixed assets or their significant and separate component parts are depreciated with the use of the linear method for useful economic life. Grounds are not depreciated. The Company assumes the following useful economic life for the below mentioned categories of tangible fixed assets:

Buildings	20 - 40	years
Technical equipment and machines	3 - 10	years
Means of transport	5	years

Depreciation period and final value are subject to verification as at each reporting date. Any changes resulting from the conducted verification are recognized as change in estimated figures prospectively.

c) Right of perpetual usufruct of land

The acquired right of perpetual usufruct is presented in a separate item of the statement of profit or loss. The right of perpetual usufruct of land obtained under decisions is presented in off-balance sheet records (treated as operating lease).

The right of perpetual usufruct of land is depreciated with the use of the linear method during the effective term of the agreement.

d) Intangible assets**<i> (i) Other intangible assets**

Other intangible assets acquired by the Company are presented on the basis of their purchase price, decreased by depreciation allowances and impairment losses. Expenses incurred for internally created goodwill or commercial marks are recognized in the statement of profit or loss upon incurring.

Any costs associated with registration of substances in the REACH system, such as, among others, participation in tests, consulting services associated directly with a specific registration, costs of preparing registration documentation and Chemical Safety Reports, registration fees, authorization – are activated as expenses for intangible assets.

(ii) Later expenses

Later expenses on components of existing intangible assets are subject to capitalization only when they increase future economic benefits related to a given component. Other outlays are presented directly in the statement of profit or loss as costs.

(iii) Depreciation

Intangible assets are depreciated using the linear method for the period of their economic usability. The Company assumes the following economic usability periods for particular categories of intangible assets:

Patents and licenses	2 - 10	years
Other	2 - 12	years

Depreciation period and final value are subject to verification as at each reporting date. Any changes resulting from the conducted verification are prospectively recognized as change in the estimated figures.

Depreciation of intangible assets connected with expenditures on registration in the REACH system should be started in a month following the one of registration of a given substance. Depreciation period is 12 years. Depreciation charges are made against prime cost.

e) Merger of companies or split up parts of jointly-controlled companies

Merger of the Companies or split up parts of jointly-controlled companies takes place in their book value. Then items of assets and liabilities of these companies (or their split up parts) are summed in values previously reported in their financial statements prepared according to IFRS after excluding revenues and expenses of the year of the merger and mutual settlements. In the case when the acquiring company is the parent company, the surplus of received assets over the paid remuneration is presented in the target company as revenue under dividend.

f) Exchange of non-cash assets to other non-cash assets – taking up of shares in exchange for contribution-in-kind of other non-cash assets

Regardless whether or not a transaction has economic content or does not have economic content at the contributing party, purchased non-cash assets are shown at the previous book value of assets which are the object of contribution-in-kind. The element of purchase price are also costs directly associated with it (e.g. input Value Added Tax on this transaction calculated by "against revenue" method).

g) Borrowing costs

In the case of adjusted asset components, borrowing costs, which could be avoided, if the entity did not incur expenses associated with purchase, construction or adjustment of a given asset component, should be activated as a part of purchase price or manufacture cost of

this asset component. The amount of borrowing costs, which may be activated, is defined as appropriate value of interest on loans, costs of financing arrangement and foreign exchange gains and losses on currency loans.

h) Long-term investments

Stocks and shares in subsidiaries, affiliates and joint ventures are recognized at the purchase price, taking account of impairment allowances.

i) Trade and other receivables

Short-term trade receivables and other receivables are valued upon initial recognition at depreciated cost with the application of effective interest rate and are reduced by any possible impairment allowances.

j) Inventory

Components of materials and goods inventory are valued at the purchase price constituting the purchase cost increased by costs directly related with the purchase and adaptation of an asset component to the condition suitable for use or marketing, no higher than the net attainable selling price.

Inventory is presented in the balance sheet in the net value, i.e. decreased by the value of impairment allowances.
Outgoing inventory is fixed by means of the FIFO method (first in – first out).

k) Cash and cash equivalents

Cash and its equivalents include cash in hand and bank deposits upon request. Short-term investments that are not subject to significant fluctuations in values and which may be easily converted into the amount of specified cash and form part of the Company's liquidity management policy are shown as cash and cash equivalents for the purposes of the cash flow statement.

As at the reporting date, currencies gathered at bank and in cash (foreign currencies) are valued at the average exchange rate determined for the particular currency by the President of the National Bank of Poland.

l) Impairment losses on assets

(i) Impairment of non-financial assets

The carrying value of non-financial assets of the Company other than inventory and deferred income tax is subject to an analysis as at each reporting date to ascertain whether there are premises indicating their impairment. When such premises occur, the Company estimates the recoverable value of particular cash flow generating units.

The recoverable value of assets with an undefined time of usability and intangible assets that are not suitable for use is estimated as at each reporting date regardless of occurrence of premises.

The recoverable value of an asset component or cash generating unit corresponds to the fair value reduced by selling costs of this asset component or, respectively, cash generating unit, or its utility value, whichever is higher. The recoverable value is determined for particular assets, unless a given asset component generates on its own cash inflows that are mostly independent on inflows generated by other assets or groups of assets. If the carrying amount of an asset component is higher than its recoverable value, its impairment takes place and then impairment loss is made to the agreed recoverable value. When estimating the value in use, the forecasted cash flows are discounted to their current value with the use of discount rate before taking into consideration taxation effects reflecting current market estimation of the value of money in time and risk typical of a given asset component.

Impairment loss is recognized when the carrying amount of an asset component or cash generating unit exceeds its recoverable value. Impairment of cash generating center is presented, in the first place, as a reduction in goodwill assigned to this center (group of centers) and then as a reduction in the balance sheet value of other assets of this center (group of centers), proportionally. Impairment losses are recognized in the statement of profit or loss. Impairment losses of asset components are recognized in the categories of costs that correspond to the function of an asset component, for which impairment was confirmed.

Impairment loss of goodwill is not reversible. In other instances, impairment loss is reversed, if estimates applied for determination of the recoverable value change.

Impairment loss is reversed only up to the carrying value of an asset component reduced by depreciation charges that would be shown in the event when impairment loss was not recognized.

(ii) Impairment of financial assets

As at each reporting date, the Company assesses whether there are objective premises of impairment of a financial assets component or a group of financial assets.

Assets recognized at depreciated cost

If there are objective premises for observing impairment loss on granted borrowings and receivables valued at depreciated cost, the amount of impairment loss is equal to the difference between the carrying amount of an financial asset and the current value of estimated future cash flows (except for future losses under non-collection of receivables which have not been incurred yet), discounted with the use of primary (i.e., fixed upon initial recognition) effective interest rate. The carrying amount of an asset component is reduced by applying impairment losses. The amount of loss is recognized in profit or loss.

The Company assesses first whether there are objective premises for impairment of particular financial assets, which are individually significant, as well as premises for impairment of financial assets, which are not significant. If from the conducted analysis it results that there are no objective premises for impairment of an individually assessed component of financial assets, regardless of whether or not it is significant, the Company includes this component to a group of financial assets of similar loan risk profile and assesses them together for impairment. Assets that are assessed individually in terms of impairment and for which impairment write-down was included or it was recognized that the previous impairment write-down would not change are not taken into account at the cumulative assessment of a group of assets in terms of impairment.

If in the next period, impairment loss decreased and this decrease may be connected in an objective manner with an event following recognition of impairment loss, the previously included impairment loss is reversed. Later reversal of impairment loss is reported in profit or loss to the extent in which, as at the date of reversing, the carrying amount of an asset component does not exceed its depreciated cost.

In particular, with regard to trade receivables from debtors put into liquidation or bankruptcy, from debtors in the case of dismissal of bankruptcy declaration, contested by debtors (disputable receivables) and with the payment of which the debtor is in arrears, and according to the assessment of its assets and financial position, repayment of the contractual amount is not likely and where such overdue is 180 days, impairment is recognized in the full amount taking account of securities assessed by the Management Board as highly likely.

Financial assets held for sale

If there are objective premises for impairment of a financial asset component held for sale, the amount being a difference between the purchase price of this asset component (reduced by any repayment of principal and depreciation) and its current fair value decreased by any impairment losses of this component previously included in profit or loss will be derecognized from other comprehensive income and reclassified to profit or loss. Reversal of impairment write-down of equity instruments qualified as available for sale cannot be included in profit or loss. If in the next period fair value of a debt instrument available for sale increases and this increase may be linked objectively with an event following recognition of impairment write-down in profit or loss, the amount of reversing write-down is recognized in profit or loss.

Financial assets reported at purchase price

If there are objective premises for impairment of a non-quoted equity instrument which is not recognized at fair value, since its fair value cannot be credibly determined, or a derivative that is related or must be settled by the delivery of such non-quoted equity instrument, the amount of impairment loss will be determined as the difference between the balance sheet value of an asset component as well as the current value of estimated future cash flows, discounted using current market rate of return for similar financial assets.

m) Equity

The share capital of CIECH S.A. is reported at the nominal value adjusted by the effects of hyper-inflation for the years from 1989 to 1996.

In the case of redemption of own shares, the amount of payment on this account along with direct transaction costs, is recognized in a separate item as a change in equity. Redeemed shares are recognized under equity reduction.

Dividends are recognized as liabilities in the period when they were agreed upon.

Net profit (loss) is presented in equity in the item retained earnings.

n) Employee benefits

Retirement and pension severance pays:

According to the plant remuneration regulations, the employees of the Company are entitled to retirement and pension severance pays. These obligations result from rights acquired by employees in the current year and in the previous years.

The value of the Company's liabilities under retirement and pension severance pays is calculated by an authorized actuary using the method of forecasted unit rights discounted to their current value after deducting the fair value of any related assets.

The statement of profit or loss presents:

- current employment costs – this is a change in provisions arising from accumulation of liabilities within the period arising from increasing job seniorities and age of employees;
- future employment costs, the rights to which were acquired – are connected with change in the principles of payment of benefits over the last period;
- interest costs – change in liabilities arising from discount development;

The statement of other comprehensive income presents:

- actuarial profits / losses – changes resulting from differences between the adopted assumptions and their realization and changes adopted for calculations of parameters and assumptions.
- change in discount rate.

o) Provisions

The provision is recognized when the Company has an obligation arising from past events and it is likely that the fulfilment of this obligation will be related to outflow of economic benefits from the Company. In the case when the effect of money value in time is of critical importance, provisions are determined by discounting the expected future cash flows based on the rate before taxation, which reflects current market estimates, changes in the value of money in time and the risk related to a given liability component.

(i) Restructuring

Provision for restructuring is recognized in the case when the Management Board accepted detailed and official restructuring plan and this process was started or was publicly announced and it is possible to credibly estimate future liabilities.

p) Trade liabilities and other liabilities

Trade liabilities and other liabilities are divided into long and short-term liabilities, using the following criteria:

- maturing within 12 months from the reporting date
- other liabilities, liabilities not meeting the criteria of short-term liabilities, are long-term liabilities.

Trade liabilities are valued at the reporting date at depreciated cost (i.e. discounted using the effective interest rate) and increased by default interest possibly due as at the date of valuation.

Default interest under untimely payment of liabilities are not charged in the case when the authorized entity (contractor) submits a written statement concerning resigning from charging interest. In other cases, interest is charged and recorded according to the following principles:

- on the current basis, on the basis of received interest notes,
- in the estimated value, and the estimate is based on historical data reflecting amounts of interest charged by particular contractors in relation to debt towards them.

q) Contingent liabilities

The Company considers contingent liabilities as possible future obligation to perform benefits resulting from past events, whose creation depends on occurrence of specific events that are not fully controlled by the entity. These can be also liabilities created as a result of past events, but not included in the financial statement since it is not likely that it is necessary to spend assets containing economic benefits in order to fulfill an obligation or amount of obligation cannot be valued sufficiently credibly. These liabilities are not presented in the statement of financial position but are disclosed in the financial statement.

r) Revenues and costs

Revenues from sales of products and goods are recognized in the statement of profit or loss, when significant risk and benefits resulting from their ownership have been transferred to the buyer.

Revenues under services are shown in the statement of profit or loss in proportion to the degree of their performance as at the reporting date. The degree of service performance is assessed based on the results of review of the performed works. Revenues are not recognized when there is important uncertainty in connection with obtaining due remuneration, reimbursement of incurred costs or potential return of products and goods.

Costs are likely reduction in economic benefits as a result of decreasing the value of assets or increasing the value of liabilities and provisions.

Prime cost includes manufacture cost of sold products and services and value of goods and materials sold.

Selling costs include, among others, the costs of sales agency, costs of advertising, promotion, and distribution.

Overheads are costs of maintenance of the business entity's management board and general service units.

The result of the reporting period is also determined by **other operating income and costs** indirectly related to basic activities of the Company. The most important items are:

- profits/losses on disposal and liquidation of non-financial fixed assets
- creation/termination of allowance (including against receivables) and provisions (e.g. for retirement and pension severance pays),
- revenues from lease - revenues from lease of investment real estate are recognized in the statement of profit or loss, with the use of the linear method during the effective term of the contract. Granted rebates are an integral part of total revenues under lease.
- revenues/costs of investment real estate valuation to the fair value.

Financial revenues and costs are related to financial activities conducted in the company, among others, sales/purchase of securities, stocks and shares; contracting of loans and borrowings, issue of debt securities. Therefore, the most important financial activities items are:

- interest payable on account of debt agreed on the basis of the effective interest rate,
- interest due on cash invested by the Company (on bank deposits and accounts, granted borrowings, receivables) - is shown in the statement of profit or loss on the accrual basis, using the method of effective interest rate,
- revenues from dividends - are recognized in the statement of profit or loss when the Company acquires rights to receive it,
- surplus of positive or negative exchange rate differences,
- profits/losses on sales of financial assets,
- profits/loss concerning derivatives.

s) Tax

Current tax

Liabilities and receivables under current tax for the current period and previous periods are valued at the amounts of planned payments for tax authorities (subject to refund from tax authorities) with the application of tax rates and tax regulations that were legally or actually binding as at the reporting date.

Deferred tax

For the purpose of financial reporting, deferred tax is calculated in relation to temporary differences as at the reporting date between the tax value of assets and liabilities and their carrying amount recognized in the financial statement.

A deferred tax provision is recognized in relation to all positive temporary differences:

- except for a situation where the deferred tax provision is created as a result of the initial recognition of goodwill or the initial recognition of an asset component or liability at a transaction other than merger of units and which, at the time of its conclusion, without impact on the gross financial result, or on taxable income or tax loss, and
- except for a situation where the dates of reversing of temporary differences are subject to the investor's control and when it is likely that in the foreseeable future temporary differences will not be reversed, in the case of positive temporary differences resulting from investments in subsidiaries or affiliates and shares in joint ventures.

Deferred tax assets are recognized in relation to all negative temporary differences as well as unused tax reliefs and unused tax losses transferred for the next years, in the amount in which it is likely that taxable income will be achieved that will enable using the aforementioned differences, assets and losses:

- except for a situation where deferred tax assets concerning negative temporary differences are created as a result of the initial recognition of an asset component or liability at the transaction other than merger of entities and which, at the time of its conclusion, do not have any impact on the gross financial result or on taxable income or tax loss, and
- in the case of negative temporary differences under investments in subsidiaries or affiliates and shares in joint ventures, asset component under deferred tax is reported in the balance sheet only in the amount in which it is likely that in the foreseeable future the aforementioned temporary differences will be reversed and taxable income will be achieved that will enable negative temporary differences to be offset.

The carrying amount of an deferred tax asset component is verified as at each reporting date and will be reduced accordingly provided that it is no longer likely to achieve taxable income sufficient for partial or total realization of an deferred tax asset component. Non-recognized asset component is subject to re-assessment as at each reporting date and is recognized up to the amount reflecting the probability of achieving in the future taxable income that will enable this asset component to be recovered.

Deferred tax assets and deferred tax provisions are valued with application of tax rates that, according to projections, will be valid in the period when an asset component is realized or a provision terminated, assuming, as the basis, tax rates (and tax regulations) valid as at the reporting date or such whose validity in the future is certain as at the reporting date.

Income tax concerning the items recognized beyond profit or loss is recognized beyond profit or loss: in other comprehensive income concerning items recognized in other comprehensive income or directly in equity concerning items included directly in equity.

The Company sets off deferred tax assets with the deferred tax provisions only when it has an enforceable legal title to offset receivables with liabilities under current tax and deferred tax is related to the same taxpayer and the same tax authority.

t) Receivables and liabilities and revenues in foreign currencies

Receivables expressed in foreign currencies are reported at the average exchange rate of the National Bank of Poland of the last business day before the day of operation fixed for the particular currency for this day, unless the customs application or other binding document upon the entity specifies a different exchange rate.

As at the reporting date, receivables expressed in foreign currencies are valued based on average exchange rate for the particular currency by the National Bank of Poland as of this day except for balances of the advance payments provided for future deliveries. These items are valued at the selling exchange rate of the bank of the payment date.

Liabilities expressed in foreign currencies are reported at the average exchange rate of the National Bank of Poland as of the last business day before the day of operation fixed for the particular currency.

As at the reporting date, liabilities expressed in foreign currencies are valued at the average exchange rate valid as of this day fixed for the particular currency by National Bank of Poland except for balances of received prepayments. Exchange rate differences resulting from payment of liability or its valuation (unrealized) are presented as financial revenues or costs.

Received prepayments expressed in foreign currencies for future deliveries are valued at the exchange rate from the date of transaction.

Revenues from sales of products and goods are recognized in the statement of profit or loss at the average exchange rate of the National Bank of Poland from the day preceding the day of issuing the invoice when significant risk and benefits resulting from their ownership have been transferred to the buyer.

u) Government subsidies

Government subsidies are shown, if there is a justified confidence that a subsidy is obtained and all related conditions are fulfilled. If a subsidy applies to a given cost item, then it is shown as revenue in a manner commensurate to costs this subsidy is to offset. If subsidy applies to an asset component, then its fair value is recognized as accrued income and then gradually, by way of annual allowances, written off to the statement of profit or loss for the estimated period of use of the related asset component.

v) Discontinued activities and fixed assets held for sale

Fixed assets are classified as held for sale, if their carrying amount is completed by sales transaction and when they are available for sale in their present condition in the case of high probability of concluding a sales transaction.

Discontinued activities are defined as part of the Company sold or classified as held for sale and being:

- a separate main line of activities,
- a part of the plan of selling a separate line of activities or geographic segment,
- a subsidiary acquired solely for the purpose of reselling.

Part of the Company is defined as actions and cash flows separable in operational terms and for the purposes of financial reporting of the entity.

Assets held for sale are valued at lower from two values: net selling price and net book carrying amount.

w) Determination of fair value

Fair values are determined and disclosed with the use of the below methods.

(i) Tangible fixed assets

Fair value of tangible fixed assets purchased as a consequence of merging entities is based on their market value. Market value of real estate is an estimated amount for which, as of purchase, it could be exchanged on market terms between concerned parties after conducting appropriate marketing actions and both parties would act intentionally and of their own will. Fair value of other components of tangible fixed assets is determined using the market approach and cost methods which are based on market prices of similar components, unless this information is available and in justified cases are based on substitution costs. The estimates of replacement costs reduced by accumulated depreciation reflect the adjustments resulting from physical deterioration and the loss of functional and economic usefulness of assets.

(ii) Intangible assets

Fair value of intangible assets used by the Company is based on discounted cash flows expected in connection with use or possible sale of these assets.

(iii) Investment real estate

The investment real estate portfolio is valued by external, independent property valuer who was relevant professional qualifications and current experience in making valuations, in location and category of the real estate being valued. Fair values are based on market prices that are the estimated amount for which, as at the valuation date, real estate could be exchanged between the concerned parties, on an arm's length basis, after conducting appropriate marketing activities, and both parties would act knowingly.

Investment real estate under construction is valued through the estimation of fair value of the completed investment real estate and then its reduction by estimated costs of the construction completion, financing costs as well as reasonable profit margin.

(iv) Inventory

Fair value of inventory purchased by way of merging entities is determined on the basis of the estimated selling price in the course of normal business activities, reduced by the estimated costs of preparing for sales and selling costs and reasonable profit margin based on outlays on preparation for sales and sales of inventory.

(v) Equity instruments and debt instruments

Fair value of equity instruments and debt instruments is determined on the basis of listings of their purchase prices as at the reporting date or, if they are not quoted, by using relevant valuation techniques. The used appraisal techniques include market multipliers and the analysis of discounted cash flows using expected future cash flows and the market discount rate. Fair value of investments kept until the maturity term is determined only for the purpose of disclosure.

(v i) Trade receivables and other receivables

Fair value of trade receivables and other receivables, except for receivables under non-terminated construction contracts, however, subjects to receivables under licensed services contracts, is estimated as the current value of future cash flows discounted using the market interest rate as at reporting date. Fair value is estimated for the purpose of disclosure or upon purchase when merging entities.

(v ii) Derivatives

Fair value of futures contracts for purchase or sales of currencies is determined on the basis of market quotations, if any. If quotations are not available, fair value is estimated by discounting the difference between the term exchange rate resulting from the contract, and the term exchange rate as at the date of valuation, for the remaining contract period, by using risk-free interest rate (based on treasury securities). Fair value of interest rate swap contracts is based on brokers' quotations. The rationality of these quotations is verified by discounting approximate future cash flows based on the terms and dates relevant for each contract using market interest rate for similar instruments as at the date of valuation. Fair value reflects credit risk related to a given instrument and includes necessary adjustments resulting from considering credit risk of the Company and, if relevant, of the other party to the contract.

(viii) Financial liabilities other than derivative instruments

Fair value, estimated for the purpose of disclosure, is calculated on the basis of the current value of future cash flows under the principal amount and interest, discounted with the use of market interest rate as at the reporting date. For liability component of replacement bonds, the market interest rate is determined by the reference to similar liabilities without replacement option. In the case of finance lease, the market interest rate will be fixed by reference to similar lease agreements.

2.2. Changes in the applied accounting principles and scope of disclosures

Apart from changes in the accounting policy resulting from introduction of new standards, amendments to standards and interpretations, the Company made the following changes in the accounting policy concerning data presentation:

- Results of discontinued activities are specified together in the "Net profit (loss) on discontinued activities" of the Separate Statement of profit or loss of CIECH S.A. Comparable data are transformed accordingly,
- costs related to selling services provided by IT are presented in the item "Prime cost" of the Separate Statement of profit or loss, in past periods, these costs were presented in the item "Overheads". The Company changed on this account presentation of comparable data,
- cash pooling in the Cash Flow Statement – the made change consists in presentation of the amounts of receivables per company in investment activities, and of the amounts of liabilities in financial activities. The amounts are presented separately for assets and liabilities as outflow from given activities,
- inflows from contracting and expenses on repayment of loans in the Cash Flow Statement are presented as per account balance.

Other accounting policy principles presented above were applied in relation to all periods shown in the financial statement.

Used new and amended standards and interpretations:

In this separate financial statement, the following new and amended standards and interpretations, which came into force as of 1 January 2015 were applied for the first time:

a) Annual amendments to IFRS 2011-2013

The International Accounting Standards Board published in December 2013 "Annual amendments to IFRS 2011-2013", which amend 4 standards. The amendments contain changes in presentation, disclosure and valuation, and contain terminological and editorial changes. CIECH S.A. applied the above amendments, however, they did not have significant impact on the separate financial statement.

b) IFRIC 21 "Levies"

The interpretation explains presentation in books of obligations to pay levies other than income taxes. An obliging event is event specified in legal regulations causing the necessity to pay a levy. The mere fact that the entity will continue activities in subsequent period or prepares the statement in line with the going concern principle, does not create the need to recognize this obligation. The same principles of liability recognition apply to annual and semi-annual statements. Application of the interpretations to liabilities under issue rights is optional. CIECH S.A. applied the above interpretation, however, they did not have significant impact on the separate financial statement.

The published standards and interpretations, which are not binding yet and were not previously applied by CIECH S.A.

The below new Standards, amendments to Standards and interpretations are not valid for an annual period ending 31 December 2015 yet and were not previously applied in the separate financial statement. The Company intends to use them for the periods for which they are valid for the first time. The Company is in the course of analysis of the impact of the below standards, interpretations and amendments to the standards on the separate financial statement.

a) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39. The standard is valid for annual periods beginning on or after 1 January 2018.

The standard introduces one model assuming only two categories of financial assets classification: valued at fair value and at depreciated cost. Classification is made for the moment of initial recognition and depends on the adopted by the entity financial instruments management model and characteristics of contractual cash flows from these instruments.

IFRS 9 introduces a new model with regard to determinations of impairment allowances – the model of expected loan losses.

The majority of requirements of IAS 39 with regard to classification and valuation of financial liabilities was transferred to IFRS 9 in an unchanged form. The key amendment is imposed on the entities requirement of presenting in other comprehensive income the effects of changes in own loan risk under financial liabilities designated for valuation at fair value through profit or loss.

With regard to hedge accounting, changes were supposed to strictly adjust the hedge accounting to risk management.

As at the day of preparation of this separate financial statement, IFRS 9 has not been already approved by the European Union.

b) Specific benefit schemes: Employee premiums – Amendments to IAS 19

Amendments to IAS 19 "Employee benefits" were published by the International Accounting Standards Board in November 2013 and are binding in the European Union for annual periods beginning on or after 1 February 2015.

The amendments made it possible to recognize premiums contributed by employees as reduction of employment costs in the period when work is performed by the employee, instead of attributing premiums to the periods of work, if the employee's premium amount is independent on job seniority.

c) Annual amendments to IFRS 2010-2012

The International Accounting Standards Board published in December 2013 "Annual amendments to IFRS 2010-2012", which amend 7 standards. The amendments contain changes in presentation, disclosure and valuation, and contain terminological and editorial changes. The amendments are binding in the European Union for annual periods beginning on or after 1 February 2015.

d) IFRS 14 "Regulatory Deferral Accounts"

IFRS 14 is valid for annual periods beginning on or after 1 January 2016. This standard makes it possible for entities that prepare the financial statement in accordance with IFRS for the first time, to present the amounts resulting from activities with regulated prices, in accordance with so far applied accounting principles. To improve comparability with entities that already apply IFRS and do not show such amounts, in accordance with published IFRS 14 amounts resulting from activities with regulated prices should be presented in a

separate item both in the statement of financial position and in the statement of profit or loss and statement of other comprehensive income.

As at the day of preparation of this separate financial statement, IFRS 14 has not been already approved by the European Union.

e) Amendments to IFRS 11 concerning purchase of interests in joint operations

This amendment to IFRS 11 requires the investor, in the case when it purchases interests in common operations being business as defined by IFRS 3, use for purchase of its interests the principles concerning accounting of businesses mergers in accordance with IFRS 3 and the principles resulting from other standards, unless they are in conflict with the guidelines included in IFRS 11. Change is binding in the European Union for annual periods beginning on or after 1 January 2016.

f) Amendments to IAS 16 and IAS 38 concerning depreciation

The amendments explain that the use of depreciation methods based on revenues is not correct because revenues generated in operations, which uses data reflecting also factors other than consumption of economic benefits from a given asset component.

The amendment is binding in the European Union for annual periods beginning on or after 1 January 2016.

g) IFRS 15 "Revenue from contracts with customers"

IFRS 15 "Revenue from contracts with customers" was published by the International Accounting Standards Board on 28 May 2014 and are binding for annual periods beginning on or after 1 January 2018.

The principles provided for in IFRS 15 will apply to all contracts bringing revenues. The fundamental principle of the new standard is to present revenues at the time of transfer of goods or services for the benefit of customer, in the amount of transaction price. Any goods or services sold in packages that can be identified under a package should be included separately, in addition, any discounts and rebates concerning transaction price should be substantially allocated to particular package elements. In the case when the amount of revenue is variable, in accordance with the new standard, the variable amounts are classified to revenues, if there is a large likelihood that in the future revenue will be reversed as a result of revaluation. In addition, in accordance with IFRS 15, costs incurred for the purpose of obtaining and protection of a contract with the customer should be activated and settled in time for the period of use of benefits from this contract.

As at the day of preparing this separate financial statement, IFRS 15 has not been already approved by the European Union.

h) Amendments to IAS 16 and IAS 41 concerning plant crops

The amendments require specified production plants to be presented, such as grapevine, rubber trees or oil palms (i.e. which give yields for many years and are held to sales in the form of saplings or for harvest) in accordance with the requirements of IAS 16 "Tangible fixed assets", since their cultivation is analogous to production. As a result, these amendments incorporate such plants into the scope of IAS 16 rather than IAS 41. Crops of these plants still remain in the scope of IAS 41.

i) Amendments to IAS 27 concerning the equity method in separate financial statements

The amendment to IAS 27 enables using the equity method as one of optional methods of presentation of investments in subsidiaries, jointly-controlled entities and affiliates in a separate financial statement.

j) Amendments to IFRS 10 and IAS 28 concerning sale or contribution of assets between the investor and its affiliates or joint ventures

The amendments solve the problem of current inconsistencies between IFRS 10 and IAS 28. Accounting recognition depends on whether or not non-cash assets sold or contributed to an affiliate or joint venture are "business".

In the event when non-cash assets are business, the investor demonstrates full profit or loss on transaction. If assets do not meet the definition of business, the investor recognizes profit or loss excluding the part being of shares of other investors.

The amendments were published on 11 September 2014. The effective date of the amended regulations has not been fixed by the International Accounting Standards Board yet.

As at the day of preparation of the present separate financial statement, these amendments have not been approved by the European Union yet.

k) Annual amendments to IFRS 2012-2014

The International Accounting Standards Board published in September 2014 "Annual amendments to IFRS 2012-2014", which amend 4 standards: To IFRS 5, IFRS 7, IAS 19 and IAS 34. The amendments are applicable in the European Union to annual periods beginning on or after 1 January 2016.

l) Amendments to IAS 1

In December 2014, under the works related to the so-called disclosure initiative, the International Accounting Standards Board published an amendment to IAS 1. The purpose of the published amendment is to clarify the concept of materiality and to clarify that if an entity considers that given information is irrelevant, then it should not disclose it even if such disclosure is substantially required by another IFRS. In the amended IAS 1 it was explained that the items presented in the statement of financial position and in the statement of result and other comprehensive income may be aggregated or disaggregated depending on their materiality. Also additional guidelines were introduced, relating to presentation of partial sums in these statements. The amendments are applicable in the European Union to annual periods beginning on or after 1 January 2016.

m) Amendments to IFRS 10, IFRS 12 and IAS 28 concerning applying the consolidation exception to investment entities

In December 2014, the International Accounting Standards Board published the so-called amendment with limited scope. The amendment to IFRS 10, IFRS 12 and IAS 28 published as Investment Entities: Applying the Consolidation Exception specifies the requirements concerning investment entities and introduces some facilitations.

The standard explains that the entity should value at fair value through financial result all their subsidiaries that are investment entities. Furthermore, it has been particularized that release from preparing the consolidated financial statement, if the higher level parent company prepares publicly available financial statements, applies whether or not subsidiaries are consolidated or valued at fair value through profit or loss in accordance with IFRS 10 in the statement of the highest or higher level parent company. The amendments are applicable to annual periods beginning on or after 1 January 2016.

As at the day of preparation of this separate financial statement, amendments to IFRS have not been approved by the European Union yet.

n) IFRS 16 "Leases"

IFRS 16 "Leases" was published by the International Accounting Standards Board on 13 January 2016 and are applicable to annual periods beginning on or after 1 January 2019.

The new standard establishes the principles of recognition, valuation, presentation and disclosures concerning leases. All lease transactions result in the lessee obtaining the right to use an asset component and liability under payment obligation. In this way, IFRS 16 lifts classification of operating lease and finance lease in accordance with IAS 17 and introduces one model for accounting recognition of lease by the lessee. The lessee will be obliged to include: (a) assets and liabilities for all lease transactions concluded for a period of more than 12 months, except for a situation when a given asset component is of low value; and (b) depreciation of the leased asset component separately from interest on lease liability in the statement of results.

IFRS 16 mostly repeats regulations of IAS 17, concerning accounting recognition of lease by the lessor. In consequence, the lessor continues classification with breakdown into operating lease and finance lease and differentiates accounting recognition accordingly. As at the day of preparation of this separate financial statement, the amendment has not been approved by the European Union yet.

o) Amendments to IAS 12 concerning recognition of a deferred tax asset component on unrealized losses

The amendment to IAS 12 explains the requirements relating to recognition of a deferred tax asset component on unrealized losses related to debt instruments. The entity will be obliged to recognize deferred tax asset components on unrealized losses, in the case when they are a result of discounting of cash flows related to debt instrument with the use of market interest rate; also if it intends to hold specified debt instruments until maturity,

and upon obtaining nominal amount it will not be obliged to pay taxes. Economic benefits reflected

in a deferred tax asset component result from the possibility of the holder of the aforementioned instruments to obtain future profits (by reversing the discounting effect) without being obliged to pay taxes.

The amendment is applicable to annual periods beginning on or after 1 January 2017.

As at the day of preparation of this separate financial statement, the amendment has not been approved by the European Union yet.

p) Amendments to IAS 7: Disclosure initiative

The amendment to IAS 7 is applicable to annual periods beginning on or after 1 January 2017.

As at the day of preparation of this separate financial statement, the amendment has not been approved by the European Union yet.

3. Made judgments and estimates

The preparation of the financial statement in accordance with IFRS requires the Management Board to adopt certain professional judgments, assumptions and estimates which affect presented in the financial statement and in the notes to this statement values of assets, liabilities, revenues and costs.

The estimates and related assumptions are based on historical experience and various factors that are considered as rational in given circumstances and their results give the basis for professional judgment as to the carrying amount of assets and liabilities, which does not result directly from other sources. In significant issues, the Management Board relies its estimates on independent experts' opinions.

Actual value can vary from estimated value. Estimates and related assumptions are subject to current revision. A change in accounting estimates is recognized in the period when they were changed, if it applies only to this period or in the current and future period, if changes relate both to the current period and future periods.

Main estimates and judgments presented in this statement relate, among others, to the following issues.

Impairment of financial assets. As at each reporting day, the Company assesses whether there are premises of impairment of financial assets or a group of financial assets. In the case of premises, the Management Board of CIECH S.A. carries out tests of the value of participation in subsidiaries. The recoverable value is the utility value calculated on the basis of models applied in the CIECH Group. The utility value is determined with the use of the model of discounted cash flows. Cash flows are based on financial plans covering the period of the next five years, without effects of restructuring or significant future investments, which are to improve results on operation of assets comprising the tested cash generating center.

The recoverable value is sensitive, first of all, to applied in the model of discounted cash flows discount rate, as well as to the expected future cash flows and growth rate adopted for the residual period.

Impairment of tangible fixed assets. Assets are impaired when the carrying value of an asset component or cash generating center exceeds its recoverable value, defined as fair value less selling costs or utility value, whichever is higher. The calculation of fair value less selling costs is based on available data from binding sales transaction for similar assets concluded on an arm's length basis or observable market prices less costs necessary to be incurred when selling an asset component. The utility value is determined with the use of the model of discounted cash flows. Cash flows are based on financial plans covering the period of the next five years, without effects of restructuring or significant future investments, which are to improve results on operation of assets comprising the tested cash generating center.

The recoverable value is sensitive, first of all, to the applied in the model of discounted cash flows discount rate, as well as to the expected future cash flows and growth rate adopted for the residual period. Most important assumptions adopted when determining the recoverable value have been presented in the section II.15.

Provisions. When determining the value of provisions, it is required to make estimates, adopt assumptions concerning discount rates, expected costs and terms of payment. The amount of provisions for employee benefits is defined on the basis of actuarial valuations performed by independent, professional companies. Actuarial valuations involve making of estimates concerning employment turnover, level of growth in salaries, discount rates and inflation. Detailed information about the adopted assumptions for valuation of provisions have been presented in the section II.24 of this financial statement.

Taxes. Deferred tax asset component is presented based on the assumption of achieving in the future tax profit permitting its use. When determining the amount of deferred tax asset component, the Company relies on estimates related to the term of achieving and the amount of future tax profits. Detailed information regarding the adopted estimates related to deferred tax asset component have been presented in the section II.8 of this financial statement.

Depreciation rates. They are agreed on the basis of the expected period of service life of components of tangible fixed assets and intangible assets and are subject to annual verification. Detailed information about the used depreciation rates have been presented in the section II.2.1.

4. Determination of fair value

The table below presents fair value of financial instruments.

PLN '000	Carrying amount	Fair value	Carrying amount	Fair value
	31.12.2015		31.12.2014	
Cash	174 745	174 745	10 261	10 261
Granted loans	491 498	491 498	436 197	436 197
Trade receivables	283 514	283 514	199 854	199 854
Financial assets from valuation of derivatives	45 859	45 859	-	-
Other financial assets	29 076	29 076	35 000	35 000
Assets by category	1 024 692	1 024 692	681 312	681 312
Credits and loans	1 392 920	1 392 920	21 384	21 384
Debt securities	159 727	159 727	1 183 581	1 315 505
Trade liabilities	201 392	201 392	272 261	272 261
Liabilities under valuation of derivatives	45 012	45 012	7 067	7 067
Financial lease liabilities (including sale-and-lease-back)	-	-	360	360
Other	66 252	66 252	64 561	64 561
Financial liabilities	1 865 303	1 865 303	1 549 214	1 681 138

Fair value of financial assets and liabilities corresponds to amounts for which these instruments could be replaced under a market transaction between well-informed parties. To estimate fair value the following assumptions were adopted:

- value of cash, trade receivables and trade liabilities are not valued at fair value – the carrying amount is adopted as the most similar to fair value owing to short maturity terms of these instruments,
- fair value of financial assets and liabilities shown in the statement of financial position, at depreciated cost, which do not have active market, was determined as current value of future cash flows, discounted by the market interest rate.

Fair value valuation is grouped according to a three-grade hierarchy:

- **Level 1** – fair value is based on market quotations, stock exchange prices (not adjusted), offered for identical assets or liabilities on active markets.
- **Level 2** – CIECH S.A. values derivatives to fair value with the use of model valuation of financial instruments, using generally available interest rates, currency exchange rates.
- **Level 3** – fair value is determined on the basis of various valuation techniques that, however, are not based on the observable market data.

Assets and liabilities valued at fair value

PLN '000	31.12.2015			31.12.2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets	-	45 859	-	-	-	-
Hedging instruments	-	45 859	-	-	-	-
Liabilities	-	(45 012)	-	-	(7 067)	-
Hedging instruments	-	(45 012)	-	-	(7 067)	-
Total	-	847	-	-	(7 067)	-

As at 31 December 2015, CIECH S.A. had the following types of financial instruments valued at fair value: interest rate swap, USD/PLN currency forward, EUR/PLN currency forward, CIRS (currency and interest rate swap) EUR/PLN.

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

Fair value of interest rate swap as at 31 December 2015 amounted to net PLN -1 909 thousand (1 997 thousand other long-term liabilities; PLN 2 212 thousand trade liabilities and other liabilities PLN 2 300 thousand other long-term investments). Fair value of currency and interest rate swap as at 31 December 2015 amounted to net PLN 3 728 thousand (PLN 26 778 thousand long-term investments; PLN 16 781 thousand short-term investments, PLN 39 831 thousand other long-term liabilities). Fair value of USD/PLN currency forward as at 31 December 2015 was negative and amounted to PLN -254 thousand, fair value of EUR/PLN currency forward as at 31 December 2015 was negative and amounted to PLN -718 000 - total fair value of these instruments was presented in the item trade liabilities and other liabilities. According to the fair value hierarchy, this is Level 2.

Over 2015, there were no transfers of instruments valued at fair value in the fair value hierarchy.

Financial instruments not valued at fair value

of CIECH S.A. has issued domestic bonds, with the carrying amount as at 31 December 2015 of PLN 159 727 thousand, and fair value of PLN 160 000 thousand (Level 2 of the fair value hierarchy). The Company concluded that fair value of the issued bonds does not differ significantly from its nominal value, due to the fact that bonds are interest-bearing at a floating interest rate.

For other financial instruments held by the Company (classified mainly as cash, borrowings and receivables, financial liabilities valued at depreciated cost and financial liabilities excluded from the scope IAS 39), fair value is close carrying amount.

As at the day of preparation of the financial statement and in the comparable period, CIECH S.A. did not have financial assets held for sale.

5. Financial risk management

The purpose of the risk management policy is marking out the areas requiring risk analysis, presentation of the methods of its identification and measurement, specification of activities undertaken in relation to identified risk areas and definition of organizational solutions in the risk management process.

The Company's activities involve an exposure to the following financial risks:

- risk credit scoring of customers,
- risk related to liquidity,
- market risk, including:
 - risk of changes in exchange rates,
 - risk of change in interest rates,
 - risk of changes in the prices of raw materials and goods.

When implementing its superior goals, the Comp tries to avoid excessive market risk. This goal is pursued by identification, monitoring and hedging of the risk of variability of cash flows and monitoring of sizes and costs of indebtedness. The risks assessment takes account of the portfolio effect resulting from diversity of conducted business activities. This risk materializes its effects in the financial statement of CIECH S.A.

Financial risk management contains the processes of identification, measurement and determining the method of handling risk, covering processes associated with variability of exchange rates and interest rates.

The Company monitors risk areas that are the most essential for its activities.

Interest rate risk

of CIECH S.A. finances its activities mainly term loans and bonds. The amount of costs of interest-bearing debt of the Company depends on the reference rate. It applies both to term loans, made available under the Loans Agreement of 29 October 2015 in the amount of PLN 1 045 million and EUR 70 million, the domestic bonds issued on 5 December 2012 with total nominal value of PLN 320 million (current debt is 160 million), the revolving loan made available under the Loans Agreement of 29 October 2015, in the amount of up to PLN 250 million (use as at 31.12.2015: PLN 0), loans in the current account, and part of lease and factoring agreements.

The Group is thus exposed to risk of changes in financial costs, resulting from change in interest on the existing deb. It may lead to growth in financial costs, and thereby deterioration in financial performance of the CIECH Group. This risk is partially reduced by assets held by the CIECH Group (bank deposits) interest-bearing at a floating interest rate and concluded hedging transactions.

In 2015, CIECH S.A. used the following hedging transactions:

- interest rate swap to hedge the level of floating interest rate applicable for charging interest on the bonds issued on 5 December 2012. The transaction hedges debt with the nominal value of PLN 80 million and was concluded in March 2013,
- interest rate swap to hedge the level of floating interest rate applicable for charging interest on the term loan disbursed in November 2015. The transaction hedges debt with the nominal value of EUR 70 million and was concluded in November 2015,
- currency and of interest rate swaps to hedge the level of floating interest rate applicable for charging interest on the term loan made available in November 2015. The transaction hedges debt with the nominal value of EUR 1 045 million and was concluded in November 2015.

The table below presents items exposed to interest rate risk:

PLN '000	31.12.2015 Total carrying amount	31.12.2014 Total carrying amount
Fixed interest rate instruments	432 498	(762 892)
Financial assets	491 498	261 557
Financial liabilities	(59 000)	(1 024 449)
Floating interest rate instruments	(1 493 647)	(5 877)
Financial assets	-	174 639
Financial liabilities	(1 493 647)*	(180 516)**

* including PLN 80 million hedged by IRS, EUR 70 million hedged by IRS, PLN 1 045 million hedged by CIRS – IRS transaction separated under CIRS decomposition.

**including PLN 80 million hedged by IRS.

The table below the effects of a change in the interest rate by 100 base points in relation to floating interest rate instruments indicated in the statement of financial position.

PLN '000	Statement of profit or loss		Equity	
	Increase by 100 bp	Decrease by 100 bp	Increase by 100 bp	Decrease by 100 bp
31.12.2015				
Floating interest rate instruments	(14 936)	14 936	-	-
Interest rate swap transactions (IRS, CIRS)			50 449	(53 497)
Cash flows sensitivity (net)	(14 936)	14 936	50 449	(53 497)-
PLN '000	Statement of profit or loss		Equity	
	Increase by 100 bp	Decrease by 100 bp	Increase by 100 bp	Decrease by 100 bp
31.12.2014				
Floating interest rate instruments	(59)	59	-	-
Interest rate swap transactions (IRS)	-	-	1 938	(2 022)
Cash flows sensitivity (net)	(59)	59	1 938	(2 022)

Currency risk

Currency risk is an inescapable element of running commercial activities denominated in foreign currencies. of CIECH S.A. owing to the profile of the conducted import and export operations it is subject to currency exposure related to substantial dominance of export over import. Sources of currency risk the Company was exposed to in 2015 were: transactions of purchases of raw materials, sales of goods, granted borrowings, taken out loans and cash in foreign currencies. Unfavourable changes in exchange rates can lead to deterioration in the performance of CIECH S.A.

In 2015, CIECH S.A. used hedging contracts, such as forward options, to partially cover currency risk. CIECH S.A. seeks to naturally hedge currency exposure, including adjustment of cash flows in a given currency resulting from sales and purchases and strategic denomination of debt in EUR, in order to adjust it to the planned exposure to currency risk in operating activities.

The table below presents maximum exposure to currency risk of financial instruments denominated in foreign currencies.

PLN '000	31.12.2015	
	EUR	USD
Trade and other receivables	47 239	44 189
Granted loans	219 447	-
Trade and other liabilities	(43 732)	(5 780)
Liabilities under loans and borrowings	(297 339)	-
Nominal value	(74 385)	38 409

PLN '000	31.12.2014	
	EUR	USD
Trade and other receivables	57 209	28 984
Granted loans	174 639	-
Trade and other liabilities	(39 882)	(34 575)
Liabilities under loans and borrowings	(21 384)	-
Bonds	(1 044 263)	-
Nominal value	(873 681)	(5 591)

The tables below contain the estimated currency exposure of CIECH S.A. in EUR as at 31 December 2015 and for the comparable period under financial instruments.

Exposure to currency risk in EUR in 2015	(EUR '000)	Impact on the statement of profit or loss	Impact on the statement of other comprehensive income
Assets			
Granted borrowings sensitive to exchange rate change	52 795	x	-
Trade and other receivables	11 085	x	-
Cash, including bank deposits	5 259	x	-
Liabilities			
Trade and other liabilities	(10 262)	x	-
Liabilities under loans and borrowings and bonds	(69 773)	x	-
Hedging instruments: CIRS (forward transactions separated under the decomposition of CIRS)	(246 909)	-	x
Hedging instruments: forward	(19 500)	-	x
Total item	(277 305)		

Exposure to currency risk in EUR 2014	(EUR '000)	Impact on the statement of profit or loss	Impact on the statement of other comprehensive income
Assets			
Granted borrowings sensitive to exchange rate change	40 973	x	-
Trade and other receivables	13 422	x	-
Cash, including bank deposits	219	x	-
Liabilities			
Trade and other liabilities	(9 357)	x	-
Liabilities under loans and borrowings and bonds	(250 016)	x	-
Hedging instruments: forward	(23 250)	-	x
Total item	(228 009)		

Tables contain an analysis of sensitivity of particular balance sheet items to changes in EUR exchange rates as at 31 December 2015 and as at 31 December 2014.

Analysis of sensitivity to currency risk in EUR in 2015	(PLN '000)*	Impact on the statement of profit or loss	Impact on the statement of other comprehensive income
Currency balance sheet items	(109)	589	(698)
Hedging instruments: forward and CIRS	(2 664)		(2 664)
Total impact	(2 773)	589	(3 362)

* for exchange rate increase in EUR/PLN exchange rate by 1 grosz

Analysis of sensitivity to currency risk in EUR in 2014	(PLN '000)*	Impact on the statement of profit or loss	Impact on the statement of other comprehensive income
Currency balance sheet items	(2 047)	(2 047)	-
Hedging instruments: forward	(233)		(233)
Total impact	(2 280)	(2 047)	(233)

* for exchange rate increase in EUR/PLN exchange rate by 1 grosz

The tables below contain the estimated currency exposure of CIECH S.A. in USD as at 31 December 2015 and for the comparable period under financial instruments.

Exposure to currency risk in USD in 2015	(USD '000)	Impact on the statement of profit or loss	Impact on the statement of other comprehensive income
Assets			
Trade and other receivables	11 328	x	-
Cash, including bank deposits	358	x	-
Liabilities			
Trade and other liabilities	(1 482)	x	-
Hedging instruments: Forward	(1 600)	-	x
Total item	8 604		

Exposure to currency risk in USD in 2014	(USD '000)	Impact on the statement of profit or loss	Impact on the statement of other comprehensive income
Assets			
Trade and other receivables	8 264	x	-
Cash, including bank deposits	23	x	-
Liabilities			
Trade and other liabilities	(7 508)	x	-
Hedging instruments: Forward	(7 450)	-	x
Total item	(6 671)		

The tables contain an analysis of sensitivity of particular balance sheet items to changes in USD exchange rates as at 31 December 2015 and as at 31 December 2014.

Analysis of sensitivity to currency risk in 2015	(PLN '000)*	Impact on the statement of profit or loss	Impact on the statement of other comprehensive income
Currency balance sheet items	102	102	-
Hedging instruments: Forward	(16)	-	(16)
Total impact	86	102	(16)

Analysis of sensitivity to currency risk in 2014	(PLN '000)*	Impact on the statement of profit or loss	Impact on the statement of other comprehensive income
Currency balance sheet items	8	8	-
Hedging instruments: Forward	(75)	-	(75)
Total impact	(67)	8	(75)

Risk of changes in the prices of raw materials

Under the Company's activities, import and export of raw chemicals are a significant part of transactions. Raw material markets are characterized by great cyclicity connected with fluctuations of the global economic situation. Growing prices of raw materials cause, on the one hand, reduction in margins of intermediaries, weakening demand from the part of recipients. On the other hand decreasing prices are most often the sign of a weakening demand and beginnings of recession.

On the domestic market, raw materials are subject to similar trends. Maintenance of a stable growth rate and stable prices of chemical raw materials will have a positive result in the scope of the Company's commercial activities. Significant demand and price fluctuations caused either by fast economic growth or business stagnation will negatively affect activities related to sales of raw chemicals.

The Company reduces price risk by adjusting the pricing policy, concluding agreements with suppliers with protection and insurance of deliveries and an appropriate price formula.

Credit risk

Credit risk means a hazard that the borrower will default on obligations included in the agreement, exposing the creditor to financial losses. From the point of view of CIECH S.A., credit risk is associated with:

- trade receivables from contractors,
- own borrowings granted,
- granted guarantees and sureties,
- cash and bank deposits.

of CIECH S.A. is exposed to credit risk related to credit credibility of customers with whom transactions of sales of goods are concluded. This risk is reduced by the use of internal procedures for determining the amount of credit limits for recipients and managing trade receivables (the Company uses mainly protection in the form of letter of credit, bank guarantee, mortgage, insurance and factoring without recourse). Significant role in the recipients' credit activities is played by the assessment of their credibility and obtaining of appropriate protections from the borrower which will make it possible to reduce losses in the case of the borrower's failure to repay debt. The recipient's credit risk is assessed before entering into an agreement and in cycles during subsequent deliveries of goods in accordance with valid procedures. The risk of the receivables portfolio is assessed every week. On the selected markets, where more risky payment terms are customarily used, the Company uses the services of specialized companies insuring receivables.

Credit risk related to cash and bank deposits held on bank is low because the Company concludes transactions with banks with a high rating and solid market position.

At the end of reporting period CIECH S.A. had no borrowings granted to external entities.

The table below shows maximum exposure exposed to credit risk for financial assets as at the reporting date.

<i>in PLN '000.</i>	Carrying amounts of financial assets	
	31.12.2015	31.12.2014
Cash and cash equivalents	174 745	10 261
Loans and receivables	787 071	647 393
Financial assets from valuation of derivatives	45 859	-
Other financial assets	-	35 000
Total	1 007 675	692 654

The fair value of financial assets exposed to credit risk is close to their carrying amount.

The table below shows maximum exposure of trade receivables (including: trade receivables and receivables under factoring) and borrowings granted to credit risk as at the reporting date with breakdown into geographic and operating segments.

<i>PLN '000</i>	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	Trade receivables and factoring	Trade receivables and factoring	Borrowings granted	Borrowings granted
Poland	188 901	101 199	272 050	155 554
European Union	67 637	94 532	219 448	280 643
Other European countries	17 782	-	-	-
North America	353	-	-	-
South America	167	-	-	-
Africa	8 628	3 086	-	-
Asia	12 105	5 115	-	-
Other regions	-	7 264	-	-
Total	295 573	211 196	491 498	436 197

<i>PLN '000</i>	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	Trade receivables and factoring	Trade receivables and factoring	Borrowings granted	Borrowings granted
Soda segment	233 403	170 756	-	355 054
Organic segment	41 259	21 011	-	4
Silicates and glass segment	706	1 245	-	40
Other activities	20 205	18 184	491 498	81 099
Total	295 573	211 196	491 498	436 197

The table below presents trade receivables by age from maturity date

<i>PLN '000</i>	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	Gross trade receivables and factoring	Impairment loss	Gross trade receivables and factoring	Impairment loss
Not overdue	209 249	3 880	190 603	5 167
Up to 1 month	51 857	-	16 441	-
1-3 months	38 317	-	3 977	-
3-6 months	30	-	5 331	-
6-12 months	-	-	12 717	12 706
Above a year	11 495	11 495	27 504	27 504
Total	310 948	15 375	256 573	45 377

The table below presents borrowings granted by age from maturity date.

<i>PLN '000</i>	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	Gross borrowings granted	Impairment loss	Gross borrowings granted	Impairment loss
Not overdue	638 280	146 782	852 461	416 264
Total	654 270	146 782	852 461	416 264

In 2015, the Company granted borrowings to subsidiaries for the total value of PLN 758 190 thousand (the amount includes also interest charged). Total repayment of borrowings granted along with interest by subsidiaries to in 2015 amounted to PLN 927 317 thousand (repayment included also making contribution-in-kind of borrowings and interest in the amount of PLN 525 661 thousand).

In the opinion of the Company, not overdue and not covered by impairment assets have high credit quality.

Information about granted guarantees and sureties is included in item II.27.3 of this statement

Liquidity risk

of CIECH S.A. is exposed to risk related to maintaining liquidity, owing to a relatively high share of external financing (resulting from issued bonds, working capital facility, capital facility in the current account and lease agreements) in relation to the achieved operating results, limited possibilities of obtaining new financing owing to high level of debt and risk of failure to maintain the existing long-term financing as a result of a breach of the obligations stipulated in bonds issue terms and loan agreements.

In order to limit liquidity risk, the following measures are applied:

- current monitoring of liquidity of CIECH S.A.,
- monitoring and optimization of the level of working capital,
- adjustment of the level and schedule of capital expenditures,
- intragroup borrowings and sureties for the liabilities of the Company from the Group's companies,
- monitoring of performing any obligations resulting from debt agreements terms.

The Company's financing is ensured by term loans and 5-year maturity bonds. In addition, a revolving loan in the amount of PLN 250 million was made available for the Company; it is an additional source of current liquidity and financing of working capital. The financing terms are thoroughly described in item II.23.

The table below presents specification of financial liabilities with breakdown into terms of maturity in carrying amounts contractual amounts of cash flows:

31.12.2015

PLN '000	Carrying amount	Contractual cash flows	Below 6 months	6-12 months	1-2 years	3-5 years	Over 5 years
Other financial liabilities							
- trade liabilities	201 392	201 392	201 392	-	-	-	-
- loans and borrowings	1 392 920	1 573 709	19 783	78 420	277 278	1 198 228	-
- bonds	159 727	182 307	6 236	5 367	170 704	-	-
- derivatives	45 012	45 012	1 955	1 229	1 997	39 831	-
- other	66 252	66 252	66 252	-	-	-	-
Total financial liabilities	1 865 303	2 068 672	295 618	85 016	449 979	1 238 059	-

31.12.2014

PLN '000	Carrying amount	Contractual cash flows	Below 6 months	6-12 months	1-2 years	3-5 years	Over 5 years
Other financial liabilities							
- trade liabilities	272 261	272 261	272 261	-	-	-	-
- loans and borrowings	21 384	21 384	21 384	-	-	-	-
- bonds	1 183 581	2 281 893	111 340	111 400	605 538	1 453 615	-
- derivatives	7 067	7 197	3 576	1 010	2 611	-	-
- financial lease	360	360	360	-	-	-	-
- other	64 561	64 561	64 561	-	-	-	-
Total financial liabilities	1 549 214	2 647 656	473 482	112 410	608 149	1 453 615	-

Detailed information regarding revenues and costs related to financial instruments included in the statement of profit or loss is presented in the section II.32 of the additional information and explanations to the financial statement.

Risk management principles

of CIECH S.A. actively manages operational and financial risk, aiming at reduced the fluctuation of cash flows and maximised market value of the Company.

The policy of CIECH S.A. assumes the use of natural hedging of import and export flows and hedging of up to 70% of net exposure against currency exchange rate change risk with the use of derivatives, as well as 100% of exposure to interest rate risk.

In 2015, futures contracts were concluded to hedge currency risk.

Cash management

of CIECH S.A. uses services of banks of high credibility with great experience in cash management. The allocation of funds in the Group's companies is conducted, among others, by using intragroup borrowings, payment of dividends from subsidiaries, participation in the cash pooling system and increasing the subsidiaries' capital.

Capital structure management

The Company's capital structure includes indebtedness, which includes loan and bonds described in detail in items II.22, II.26, cash and cash equivalents and capital attributable to shareholders of the Company, including shares issued, reserve capitals and retained profit.

of CIECH S.A. manages capital to guarantee that its subsidiaries are capable to continue activities with simultaneous maximisation of return for stakeholders as a result of the optimized debt to equity ratio. In the years 2015-2014, no changes were introduced to capital management goals, principles and processes.

6. Information about operating segments

In CIECH S.A. operating segments were determined on the basis of internal reports prepared in the Company, undergoing regular review by the Management Board, which is responsible for making operational decisions on allocation of resources into different segments and assessments of their performance.

Particular operating segments can include also sales of products and goods being key assortment of other segments. However, these values are not important from the point of view of controlling reporting of particular segments.

In CIECH S.A. the following operating segments were separated:

Soda segment - the most important products manufactured within the soda segment include: light and dense soda ash (the CIECH group is the only manufacturer of soda in Poland), vacuum salt, baking soda and calcium chloride. Products of this segment are sold mainly by CIECH S.A. Production of the soda segment goods manufactured by the CIECH Group is implemented in CIECH Soda Polska S.A., Romanian company CIECH Soda Romania S.A. and CIECH Soda Deutschland GmbH&Co. KG.

Organic segment – CIECH S.A. is the main supplier of raw materials for production for Companies operating under the organic segment. The CIECH Group's companies produce many organic chemical compounds manufactured by the companies: CIECH Sarzyna S.A. and Ciech Pianki Sp. z o.o. In 2015, it produced, among others, polyurethane foams, epoxy resins as well as polyester resins. These products are used in the following industries: furniture, automotive, paint and electronic. The Group produces plant protection chemicals used in agriculture.

Silicates and glass segment - covers, above all, products of CIECH Vitrosilicon S.A., CIECH Soda Romania S.A. and other producers, such as glass and soda glaze. For organisational reasons, this segment includes also trading in other goods. The goods manufactured within the Group include glass goods, which include, among others, glass packaging (lanterns and jars). Glass products are used in construction, food industry and for production of vigil lights.

Other activities segment includes services provided by CIECH S.A. and goods sold beyond the scope of the above segments.

The accounting principles applied in the reporting segment are identical with the accounting policy binding in CIECH S.A. compliant with IFRS. The amount of transfers between particular segments is determined on the basis of real data.

The Company's financing (together with any financial costs and revenues, except for interest on receivables and trade liabilities) and income tax are not allocated to particular segments.

Information about the Company's geographical areas is agreed based on the localisation of its assets.

The following tables present data concerning revenues and costs and assets and liabilities of particular operating segments of CIECH S.A. for periods presented in the statement.

Operating segments' results are assessed by the Management Board of CIECH S.A. on the basis of the level of sales revenues, EBIT and EBITDA. EBITDA is net profit / loss for the financial year plus income tax plus share in net profits of subordinated undertakings valued by using the equity method plus financial costs / revenues plus profits/losses under sale of discontinued operations plus depreciation. EBITDA is not ratio of liquidity or operating results calculated in accordance with IFRS. EBITDA should be perceived as addition, rather than substitute for operating results presented in accordance with IFRS. EBITDA is a useful ratio of the capacity to take out and service debt. EBITDA and similar ratios are used by different companies for different purposes and are often calculated in a manner adapted to conditions of these companies. Caution should be exercised when comparing EBITDA with EBITDA of other companies.

<i>PLN '000</i>	01.01-31.12.2015	01.01-31.12.2014
Net result on continuing activities	331 578	33 461
Income tax	(53 046)	22 246
Financial costs	346 437	303 820
Financial revenues	(309 744)	(227 401)
Depreciation and amortization	3 907	6 866
EBITDA	319 132	138 992

Operating segments

CIECH S.A. OPERATING SEGMENTS 01.01.-31.12.2015 PLN '000	Soda segment	Organic segment	Silicates and glass segment	Other activities	Corporate functions (items non-attributable to other segments)	TOTAL
Sales revenues	1 579 944	422 916	10 962	24 669	-	2 038 491
Prime cost	(1 144 132)	(414 375)	(10 405)	(23 175)	-	(1 592 087)
Net profit / loss on sales	435 812	8 541	557	1 494	-	446 404
Prime costs	(133 717)	(127)	(129)	(3 264)	(8 677)	(145 914)
Overheads	(13 179)	(758)	(102)	-	(50 716)	(64 755)
Result on receivables management	83 047	8	-	244	-	83 299
Profit/loss on other operating activities	(840)	55	-	(3 024)	-	(3 809)
Profit/loss on operating activities	371 123	7 719	326	(4 550)	(59 393)	315 225
Balance of foreign exchange differences and interest on trade settlements	(7 076)	(13 560)	16	799	-	(19 821)
Group borrowing costs	-	-	-	-	(92 508)	(92 508)
Result on financial activities (non-attributable to segments)	-	-	-	-	75 636	75 636
Net profit/loss before taxation	364 047	(5 841)	342	(3 751)	(76 265)	278 532
Tax						53 046
Net profit/(loss) on continuing activities						331 578
Net profit/(loss) on discontinued operations						-
Net profit/(loss) for the period						331 578
Depreciation and amortization	-	-	-	-	3 907	3 907
EBITDA	371 123	7 719	326	(4 550)	(55 486)	319 132
Normalized EBITDA*	371 621	7 719	326	(1 409)	(50 344)	327 913

* Normalized EBITDA for the period ending 31 December 2015 calculated as EBITDA adjusted by non-standard one-time events. Main items of this difference are: creation of a provision for compensation and future liabilities – PLN 9 524 thousand, received compensations PLN 378 thousand, profit on disposal of tangible fixed assets PLN 366 thousand, other - PLN 1 thousand.

CIECH S.A. OPERATING SEGMENTS 01.01.-31.12.2014* in PLN '000	Soda segment	Organic segment	Silicates and glass segment	Other activities	Corporate functions (items non-attributable to other segments)	TOTAL
Sales revenues	1 390 668	73 264	179 638	12 169	-	1 655 739
Prime cost	(1 079 883)	(71 503)	(145 136)	(11 549)	-	(1 308 071)
Net profit / loss on sales	310 785	1 761	34 502	620	-	347 668
Prime costs	(111 449)	(524)	(27 484)	(3 926)	(9 866)	(153 249)
Overheads	(3 445)	(342)	(3)	(2)	(46 079)	(49 871)
Result on receivables management	(8 702)	(410)	-	(1 242)	-	(10 354)
Profit/loss on other operating activities	105	-	(44)	(2 129)	-	(2 068)
Profit/loss on operating activities	187 294	485	6 971	(6 679)	(55 945)	132 126
Balance of foreign exchange differences and interest on trade settlements	(8 106)	(3 162)	(11 528)	532	-	(22 264)
Group borrowing costs	-	-	-	-	(57 598)	(57 598)
Result on financial activities (non-attributable to segments)	-	-	-	-	3 443	3 443
Net profit/loss before taxation	179 188	(2 677)	(4 557)	(6 147)	(110 100)	55 707
Tax						(22 246)
Net profit/(loss) on continuing activities						33 461
Net profit/(loss) on discontinued operations						58 668
Net profit/(loss) for the period						92 129
Depreciation and amortization	2 918	79	79	-	3 790	6 866
EBITDA	190 212	564	7 050	(6 679)	(52 155)	138 992
<i>Normalised EBITDA **</i>	<i>190 370</i>	<i>564</i>	<i>7 064</i>	<i>(4 989)</i>	<i>(52 154)</i>	<i>140 855</i>

* transformed data

** Normalised EBITDA for the period ending 31 December 2014, calculated as EBITDA adjusted by non-standard one-time events. Main items of this difference are: creation of a provision for compensation and future liabilities – PLN 1 872 thousand, received compensations PLN 22 thousand, profit on disposal of tangible fixed assets PLN 37 thousand, other - PLN 50 thousand.

Assets and liabilities with breakdown into operating segments

31.12.2015 PLN '000	Soda segment	Organic segment	Silicates and glass segment	Other activities	Corporate functions (items non-attributable to other segments)	TOTAL
Tangible fixed assets	-	-	-	-	12 808	12 808
Intangible assets	-	-	-	-	9 462	9 462
Inventory	11 372	8 301	-	-	-	19 673
Trade receivables	196 731	77 937	706	8 140	-	283 514
Other assets	-	-	-	-	2 902 304	2 902 304
Total assets	208 103	86 238	706	8 140	2 924 574	3 227 761

	Soda segment	Organic segment	Silicates and glass segment	Other activities	Corporate functions (items non-attributable to other segments)	TOTAL
Trade liabilities	137 330	49 701	1 149	11 831	-	200 011
Other liabilities	-	-	-	-	1 730 527	1 730 527
Total liabilities	137 330	49 701	1 149	11 831	1 730 527	1 930 538

31.12.2014 PLN '000	Soda segment	Organic segment	Silicates and glass segment	Other activities	Corporate functions (items non-attributable to other segments)	TOTAL
Tangible fixed assets	2 563	69	69	-	3 330	6 031
Intangible assets	4 190	113	113	-	5 445	9 861
Inventory	4 329	17 444	-	-	-	21 773
Trade receivables	170 757	20 904	1 245	6 948	-	199 854
Other assets	-	-	-	-	2 336 464	2 336 464
Total assets	181 839	38 530	1 427	6 948	2 345 239	2 573 983

	Soda segment	Organic segment	Silicates and glass segment	Other activities	Corporate functions (items non-attributable to other segments)	TOTAL
Trade liabilities	210 683	50 247	2 115	9 216	-	272 261
Other liabilities	-	-	-	-	1 339 864	1 339 864
Total liabilities	210 683	50 247	2 115	9 216	1 339 864	1 612 125

Other information with breakdown into operating segments

01.01.-31.12.2015 PLN '000	Soda segment	Organic segment	Silicates and glass segment	Other activities	Corporate functions (items non-attributable to other segments)	TOTAL
Recognized impairment losses	-	-	-	8	-	8
Reversed impairment losses	83 047	8	-	386	-	83 441
Recognized impairment losses (non-attributable to segments)	-	-	-	-	(139 051)	(139 051)*
Reversed impairment losses (non-attributable to segments)	-	-	-	-	101 992	101 992
Revenues under interest attributable to segments	2 665	1 074	-	35	-	3 774
Revenues under interest recognized under Corporate Functions	-	-	-	-	51 193	51 193
Costs of interest attributable to segments	(1)	-	-	(1)	-	(2)
Costs of interest recognized under Corporate Functions	-	-	-	-	(113 643)	(113 643)

* in the note net financial revenues/costs allocations for interest on borrowings are presented as reduction in interest revenues.

01.01.-31.12.2014 PLN '000	Soda segment	Organic segment	Silicates and glass segment	Other activities	Corporate functions (items non-attributable to other segments)	TOTAL
Recognized impairment losses	(28 255)	(496)	-	(1 248)	-	(29 999)
Reversed impairment losses	19 553	86	-	39	-	19 678
Recognized impairment losses (non-attributable to segments)	-	-	-	-	(144 465)	(144 465)*
Reversed impairment losses (non-attributable to segments)	-	-	-	-	117 384	117 384
Revenues under interest attributable to segments	2 997	856	-	591	-	4 444
Revenues under interest recognized under Corporate Functions	-	-	-	-	72 671	72 671
Costs of interest attributable to segments	(431)	-	-	(7)	-	(438)
Costs of interest recognized under Corporate Functions	-	-	-	-	(121 071)	(121 071)

* in the note net financial revenues/costs allocations for interest on borrowings are presented as reduction in interest revenues.

Information about geographical areas

The tables below present data concerning sales revenues and some assets relating to particular geographical areas for periods presented in the statement:

01.01.-31.12.2015

<i>PLN '000</i>	Poland	European Union	Other European countries	Africa	Asia	Other regions	TOTAL
Sales revenues	1 023 889	634 768	207 508	55 176	107 498	9 652	2 038 491

31.12.2015 PLN '000	Poland	European Union	Other European countries	Africa	Asia	Other regions	TOTAL
Fixed assets other than financial instruments	1 112 305	914 016	-	-	-	-	2 026 321
Deferred tax assets	135 316	-	-	-	-	-	135 316
Other assets	695 507	307 372	38 477	8 628	15 620	520	1 066 124
Total assets	1 943 128	1 221 388	38 477	8 628	15 620	520	3 227 761

01.01.-31.12.2014

<i>PLN '000</i>	Poland	European Union	Other European countries	Africa	Asia	Other regions	TOTAL
Sales revenues	665 662	619 263	143 592	173 400	42 913	10 909	1 655 739

31.12. 2014 PLN '000	Poland	European Union	Other European countries	Africa	Asia	Other regions	TOTAL
Fixed assets other than financial instruments	1 031 783	705 417	-	-	5 696	-	1 742 896
Deferred tax assets	77 331	-	-	-	-	-	77 331
Other assets	309 987	400 568	34 233	2 883	5 319	766	753 756
Total assets	1 419 101	1 105 985	34 233	2 883	11 015	766	2 573 983

7. Revenues and costs

PLN '000

SALES REVENUES	01.01.-31.12.2015	01.01.-31.12.2014
Revenues from sales of products and services	44 388	15 694
services	44 388	15 694
Revenues from sales of goods and materials	1 994 103	1 640 045
goods	1 994 094	1 640 043
materials	9	2
Net sales revenues	2 038 491	1 655 739

PLN '000

PRIME COST	01.01.-31.12.2015	01.01.-31.12.2014
Cost of manufacturing products sold and services	35 504	19
Value of goods and materials sold	1 556 717	1 308 085
Termination of inventory write-downs	(134)	(33)
Prime cost	1 592 087	1 308 071

PLN '000

OTHER OPERATING INCOME	01.01.-31.12.2015	01.01.-31.12.2014
Subsidies	100	-
Net financial revenues under rental/rents	253	514
Gain on disposal of non-financial fixed assets	366	37
Termination of impairment write-downs on receivables	83 307	19 644
Termination of provisions for employee benefits	491	-
Termination of other provisions	58	-
Received penalties and compensations	833	62
Subsidies under the project DALSZY KROK	-	948
Other	953	214
TOTAL	86 361	21 419

In 2014, CIECH S.A., under subsidies from EU funds, continued implementation of the project DALSZY KROK related to the program of employee dismissals in Infrastruktura Kapuściska S.A. In the statement of profit or loss, in 2014 the recognized value of subsidies amounts to PLN 948 thousand.

PLN '000

OTHER OPERATING EXPENSES	01.01.-31.12.2015	01.01.-31.12.2014
Costs concerning rented premises	232	200
Creating of impairment write-downs on receivables	8	29 999
Creation of provisions for employee benefits	287	1 382
Creation of other provisions	4 991	1 872
Paid penalties and compensations	455	40
Other	898	348
TOTAL	6 871	33 841

PLN '000

NET FINANCIAL REVENUES/COSTS	01.01.-31.12.2015	01.01.-31.12.2014
Interest	27 108	70 474
Profit under balance sheet valuation of derivatives	3 727	-
Dividend and profit-sharing	161 602	38 075
Termination of impairment write-downs *	101 992	117 382
Revenues under guarantees and sureties	1 079	728
Revenues under discount of receivables	-	735
Revenues under liquidation of the Companies	14 141	-
Other	95	7
Total financial revenues	309 744	227 401
Total interest	113 645	121 508
Surplus of negative exchange rate differences	1 152	16 792
Loss on disposal of financial assets	513	-
Creation of impairment write-downs on long-term investments*	24 144	140 017
Creation of impairment write-downs on short-term investments*	87 193	-
Commissions under factoring	2 240	1 436
Commissions and bank fees	106 814	11 609
Increase in provisions under change in the discount	25	24
Costs of liquidated borrowings and interest	-	8
Costs of sureties and guarantees	10 673	11 866
Loss on valuation of financial instruments	-	560
Other	38	-
Total financial costs	346 437	303 820
Net financial costs / revenues	(36 693)	(76 419)

* Detailed description of created and reversed write-downs is included in items II.14, II.15 and II.18 of this statement.

PLN '000

COSTS BY TYPE	01.01.-31.12.2015	01.01.-31.12.2014
Depreciation and amortization	3 907	6 866
Materials and energy	1 612	1 153
Employee benefits	52 897	34 959
External services	150 475	140 822
Taxes and fees	1 018	311
Other	26 027	14 766

PLN '000

EMPLOYEE BENEFITS	01.01.-31.12.2015	01.01.-31.12.2014
Remuneration	44 915	29 281
Social insurance and other benefits	7 982	5 678
TOTAL	52 897	34 959

8. Income tax

Main tax load components are as follows:

in PLN '000

BASIC TAX (TAX INCOME) LOAD COMPONENTS	01.01.-31.12.2015	01.01.-31.12.2014
Current income tax	5 829	(418)
Income tax for the reporting period	2 826	(418)
Adjustment of tax for the previous years	3 003	-
Deferred tax	(58 875)	22 664
Creation /reversal of temporary differences	(58 875)	22 664
Income tax reported in the statement of profit or loss	(53 046)	22 246

PLN '000

INCOME TAX RECOGNIZED UNDER OTHER COMPREHENSIVE INCOME	01.01.-31.12.2015	01.01.-31.12.2014
Cash flow hedge	(795)	1 361
Valuation of actuarial provisions	(93)	82
TOTAL	(888)	1 443

Agreeing income tax calculated on the gross financial result before taxation at the statutory tax rate, with the income tax calculated at the effective tax rate of the Company, for the periods presented in the statement, is presented below:

PLN '000

EFFECTIVE TAX RATE	2015	2014
Profit (loss) before taxation	278 532	55 707
Tax calculated at the valid tax rate	52 921	10 584
Tax effect of revenues adjusting profit/loss before taxation (permanent difference)*	(93 306)	(32 787)
Tax effect of costs adjusting profit/loss before taxation (permanent difference) **	(15 137)	44 031
Unrealized withholding tax	-	418
Difference of tax rates	(527)	-
Tax for the previous years	3 003	-
Income tax shown in the statement of profit or loss	(53 046)	22 246
Effective tax rate	(0,19)	0.40

* Main items comprising the amount of revenues not being revenues according to tax regulations result from:

- revenues under dividends,
- reversal of impairment write-downs on investments in subsidiaries.

**Main items comprising the amount of costs not being tax deductible costs result from:

- creation of impairment write-downs on borrowing and receivables,
- creation of impairment write-downs on investments in subsidiaries.

Deferred income tax

Deferred income tax results from the following items:

PLN '000

DEFERRED TAX ASSETS AND DEFERRED TAX PROVISION	31.12.2015			31.12.2014		
	total asset	total provision	net value	total asset	total provision	net value
Tangible fixed assets	160	-	160	56	-	56
Financial assets	32 653	10 225	22 428	33 278	2 405	30 873
Inventory	16	-	16	41	-	41
Trade receivables and other receivables	-	736	(736)	-	22 978	(22 978)
Employee benefit provisions	102	11	91	191	-	191
Tax losses subject to deduction in future periods	108 315	-	108 315	56 694	-	56 694
Exchange rate differences	2 430	-	2 430	6 563	-	6 563
Liabilities	3 939	1 327	2 612	5 891	-	5 891
Deferred tax assets /provision	147 615	12 299	135 316	102 714	25 383	77 331
Compensation of deferred tax assets/provisions	(12 299)	(12 299)	-	(25 383)	(25 383)	-
Deferred tax assets /provision reported in the balance sheet	135 316	-	135 316	77 331	-	77 331

PLN '000

CHANGE IN TEMPORARY DIFFERENCES IN THE PERIOD	Balance as at 01.01.2015	Change in temporary differences recognized in the statement of profit or loss	Change in temporary differences recognized under equity	Balance as at 31.12.2015
Tangible fixed assets	294	550	-	844
Financial assets	162 482	(41 160)	(3 282)	118 040
Inventory	218	(134)	-	84
Trade receivables and other receivables	(120 929)	117 057	-	(3 872)
Employee benefit provisions	1 006	(35)	(491)	480
Tax losses subject to deduction in future periods	298 396	271 684	-	570 080
Exchange rate differences	34 536	(21 749)	-	12 787
Liabilities	31 004	(16 356)	(902)	13 746
TOTAL	407 007	309 857	(4 675)	712 189

PLN '000

CHANGE IN TEMPORARY DIFFERENCES IN THE PERIOD	Balance as at 01.01.2014	Change in temporary differences recognized in the statement of profit or loss	Change in temporary differences recognized under equity	Balance as at 31.12.2014
Tangible fixed assets	1 993	(1 699)	-	294
Financial assets	154 216	1 103	7 163	162 482
Inventory	251	(33)	-	218
Trade receivables and other receivables	(9 057)	(111 872)	-	(120 929)
Employee benefit provisions	557	18	431	1 006
Tax losses subject to deduction in future periods	13 025	285 371	-	298 396
Exchange rate differences	21 620	12 916	-	34 536
Liabilities	22 899	8 105	-	31 004
TOTAL	205 504	193 909	7 594	407 007

A factor that substantially affected creation of tax loss for the year 2015 was loss on disposal of rights and obligations in CIECH Cerium Sp. z o.o. SK.

In the period of 5 years from the reporting date in CIECH S.A. the planned tax income guarantees in full realization of deferred tax asset. The planned tax income will be generated in particular on operating activities.

The Company did not recognize deferred tax assets under created write-downs of shares/stock in subsidiaries owing to the fact that the Management Board of CIECH S.A. does not intend to sell them in the foreseeable future.

Some impairment write-downs created by the Company are a permanent difference, which, in the future, will not cause the decrease in the tax base. It applies, first for all, to impairment write-downs on borrowings granted to related parties.

9. Discontinued activities and assets and liabilities classified as held for sale

The accounting principles applied to prepare the statement of profit or loss for discontinued operations are consistent with the accounting policy of CIECH S.A. The results on discontinued activities include:

Discontinued activities

No activities were discontinued in the period covered by this financial statement.

In the period from 1 January to 31 December 2014, discontinued activities were presented as deferred tax asset on loss on sales transaction of shares in Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej in the amount of PLN 58 668 thousand.

Assets and liabilities classified as held for sale

In the period covered by this financial statement and in the comparable period, there were no assets and liabilities classified as held for sale.

10. Earnings per share

Basic earnings per share are calculated by dividing net profit of the financial year attributable to ordinary shareholders of the parent company by the average number of issued ordinary shares outstanding during the financial year.

Diluted earnings are calculated by dividing net profit of the financial year attributable to ordinary shareholders of the parent company by the average number of issued ordinary shares outstanding during the financial year along with average number of common shares which would be issued at replacing diluting potential common shares into common shares .

Below are presented data concerning net profit and shares which constitute the basis for calculation of basic and diluted earnings per share:

<i>PLN '000</i>	01.01-31.12.2015	01.01-31.12.2014
Net profit (loss) on continuing activities attributable to the parent company's shareholders	331 578	33 461
Net profit (loss) on discontinued activities attributable to the parent company's shareholders	-	58 668

<i>pcs.</i>	31.12.2015	31.12.2014
Weighted average number of issued shares applied to calculate basic earnings per share	52 699 909	52 699 909
Weighted average number of issued shares applied to calculate diluted earnings per share	52 699 909	52 699 909

In 2015 and in the comparable period, no changes affecting the amount of equity were reported.

11. Dividends paid and declared**2015**

The Management Board of CIECH S.A. does not foresee any payment of dividend from profit earned in 2015. The Management Board applies for allocating profit earned in 2015 for supplementary capital.

2014

The Ordinary General Meeting of CIECH S.A., , by a resolution of 30 June 2015, decided to allocate the whole net profit of the company for the year 2014, in the amount of PLN 92 129 thousand, for supplementary capital.

12. Tangible fixed assets

TABLE OF CHANGE IN FIXED ASSETS 01.01.-31.12.2015 PLN '000	Buildings, premises and civil and water engineering structures	Technical equipment and machines	Means of transport	Other fixed assets	Fixed assets under construction	TOTAL fixed assets
Gross value of fixed assets at the beginning of the period	1 984	12 272	368	1 971	4 010	20 605
Purchase	-	4 531	-	693	5 224	10 448
Capital expenditures	-	-	-	-	3 390	3 390
Receipt from investment	-	4 001	-	-	-	4 001
Acceptance for use	-	-	-	-	(9 225)	(9 225)
Sales	(578)	(104)	-	(66)	-	(748)
Liquidation	-	(5 640)	-	-	-	(5 640)
Other increases/reductions	-	35	-	-	(9)	26
Gross value of fixed assets at the end of the period	1 406	15 095	368	2 598	3 390	22 857
Cumulated depreciation (amortization) at the beginning of the period	1 971	10 334	366	1 903	-	14 574
Depreciation for period (under)	(573)	(3 894)	-	(58)	-	(4 525)
Annual depreciation charge	5	1 830	-	8	-	1 843
Sales	(130)	(104)	-	(66)	-	(300)
Liquidation	(448)	(5 620)	-	-	-	(6 068)
Cumulated depreciation (amortization) at the end of the period	1 398	6 440	366	1 845	-	10 049
Net value of fixed assets at the beginning of the period	13	1 938	2	68	4 010	6 031
Net value of fixed assets at the end of the period	8	8 655	2	753	3 390	12 808

TABLE OF CHANGE IN FIXED ASSETS 01.01.-31.12.2014 PLN '000	Buildings, premises and civil and water engineering structures	Technical equipment and machines	Means of transport	Other fixed assets	Fixed assets under construction	TOTAL fixed assets
Gross value of fixed assets at the beginning of the period	1 984	11 500	368	2 013	656	16 521
Purchase	-	478	-	3	4 482	4 963
Reclassifications	-	647	-	-	(1 128)	(481)
Sales	-	(23)	-	(42)	-	(65)
Liquidation	-	(390)	-	(3)	-	(393)
Other increases/reductions	-	60	-	-	-	60
Gross value of fixed assets at the end of the period	1 984	12 272	368	1 971	4 010	20 605
Cumulated depreciation (amortization) at the beginning of the period	1 966	9 084	320	1 942	-	13 312
Depreciation for period (under)	5	1 250	46	(39)	-	1 262
Annual depreciation charge	5	1 661	46	6	-	1 718
Sales	-	(21)	-	(42)	-	(63)
Liquidation	-	(390)	-	(3)	-	(393)
Cumulated depreciation (amortization) at the end of the period	1 971	10 334	366	1 903	-	14 574
Net value of fixed assets at the beginning of the period	18	2 416	48	71	656	3 209
Net value of fixed assets at the end of the period	13	1 938	2	68	4 010	6 031

Depreciation charges value of tangible fixed assets*PLN '000*

DEPRECIATION CHARGES OF TANGIBLE FIXED ASSETS	01.01-31.12.2015	01.01-31.12.2014
Prime costs	2	-
Overheads	1 841	1 718
TOTAL	1 843	1 718

Ownership structure of tangible fixed assets is presented below:

in PLN '000

FIXED ASSETS REPORTED IN THE BALANCE SHEET (OWNERSHIP STRUCTURE)	31.12.2015	31.12.2014
Own	12 808	5 606
Financial lease	-	425
TOTAL	12 808	6 031

In the presented period, the Company did not receive compensation under impairment of tangible fixed assets.

As at 31 December 2015, all tangible fixed assets are encumbered with protections (under agreement for registration pledges on a set of movables and rights) in connection with securing financial liabilities of the Company for the issued national bonds and contracted term loan.

Incurred in CIECH S.A. outlays on tangible fixed assets under construction in 2015 were mainly associated with the execution of the following investment projects:

PLN '000

Purchase of machines and devices	7 171
Purchase of other asset components	1 471
TOTAL	8 642

The amount of future liabilities as at 31 December 2015, resulting from the concluded agreements concerning purchase of components of tangible fixed assets amounted to PLN 15 thousand

The table below presents tangible fixed assets other than reported in the balance sheet.

in PLN '000

FIXED ASSETS OTHER THAN REPORTED IN THE BALANCE SHEET	31.12.2015	31.12.2014
Used under a rental, lease or other agreement, including lease agreement, including:	3 472	3 153
Operating lease agreement	3 472	3 153

In the current period, changes in accounting estimates did not have any significant impact and they are not expected to have such impact in future periods.

13. Intangible assets

CHANGES IN VALUE OF INTANGIBLE ASSETS (BY TYPE) 01.01.-31.12.2015 PLN '000	Acquired concessions, patents, licenses, etc., including;	Computer software	Intangible assets during implementation	Other intangible assets	TOTAL
Gross value of intangible assets at the beginning of the period	35 437	35 437	4 669	5 553	45 659
Purchase	657	657	1 655	20	2 332
Receipt from investment	88	88	(765)	-	(677)
Liquidation	(331)	(331)	-	-	(331)
Other increases/reductions	-	-	9	-	9
Gross value of intangible assets at the end of the period	35 851	35 851	5 568	5 573	46 992
Cumulated depreciation at the beginning of the period	34 153	34 153	-	1 645	35 798
Depreciation for period (under)	679	679	-	1 053	1 732
Annual depreciation charge	1 010	1 010	-	1 053	2 063
Liquidation	(331)	(331)	-	-	(331)
Cumulated depreciation (amortization) at the end of the period	34 832	34 832	-	2 698	37 530
Net value of intangible assets at the beginning of the period	1 284	1 284	4 669	3 908	9 861
Net value of intangible assets at the end of the period	1 019	1 019	5 568	2 875	9 462

CHANGES IN VALUE OF INTANGIBLE ASSETS (BY CATEGORY GROUP) 01.01.-31.12.2014 PLN '000	Acquired concessions, patents, licenses, etc., including;	Computer software	Intangible assets during implementation	Other intangible assets	TOTAL
Gross value of intangible assets at the beginning of the period	35 095	35 095	404	1 359	36 858
Purchase	342	342	8 856	4 194	13 392
Outlays for intangible assets during implementation	-	-	(4 536)	-	(4 536)
Other increases/reductions	-	-	(55)	-	(55)
Gross value of intangible assets at the end of the period	35 437	35 437	4 669	5 553	45 659
Cumulated depreciation at the beginning of the period	30 140	30 140	-	510	30 650
Depreciation for period (under)	4 013	4 013	-	1 135	5 148
Annual depreciation charge	4 013	4 013	-	1 135	5 148
Cumulated depreciation (amortization) at the end of the period	34 153	34 153	-	1 645	35 798
Net value of intangible assets at the beginning of the period	4 955	4 955	404	849	6 208
Net value of intangible assets at the end of the period	1 284	1 284	4 669	3 908	9 861

Intangible assets are encumbered with securities (under agreement for registered pledges on a set of movables and rights) in connection with securing liabilities of the financing parties. A detailed description of sources of financing of the Company is included in the section II.23 of this statement.

PLN '000

INTANGIBLE ASSETS (OWNERSHIP STRUCTURE)	31.12.2015	31.12.2014
Venture	9 462	9 839
Used under rent, lease or other agreement, including:	-	22
Financial lease	-	22
TOTAL	9 462	9 861

All intangible assets owned by CIECH S.A. are its property. The most important item in intangible assets of the Company is the right to market with the carrying amount of PLN 2 747 thousand. This right will be depreciated for the period of 3 years.

PLN '000

DEPRECIATION CHARGES OF INTANGIBLE ASSETS	31.12.2015	31.12.2014
Prime costs	858	-
Overheads	1 205	5 148
TOTAL	2 063	5 148

of CIECH S.A. does not have components of intangible assets with an undefined period of use.

The amount of future liabilities as at 31 December 2015 resulting from the concluded agreements for the purchase of intangible assets amounted to PLN 393 thousand.

In the current period, changes in estimates did not have any significant impact and they are not expected to have such impact in future periods.

As at 31 December 2015, all intangible assets are encumbered with securities (under agreement for registered pledges on a set of movables and rights) in connection with securing financial liabilities of the Company for the issued national bonds and contracted term loan.

Development works

The Company did not incur outlays on development works in the reporting period and in the presented comparable period.

Intangible assets created on one's own

The Company does not have intangible assets created on its own.

14. Long-term borrowings granted

<i>in PLN '000</i>	31.12.2015	31.12.2014
in subsidiaries, jointly-controlled entities and affiliates	292 868	317 805
- borrowings granted	292 868	317 805
Total long-term borrowings granted	292 868	317 805

CHANGE IN THE BALANCE OF LONG-TERM BORROWINGS GRANTED		
<i>in PLN '000</i>	01.01-31.12.2015	01.01-31.12.2014
Gross value at the beginning of the period	693 811	753 528
increases	44 346	82 827
decreases	(422 162)	(142 544)
Gross value at the end of the period	315 995	693 811
write-downs	(23 127)	(376 006)
Net value at the end of the period	292 868	317 805

As at 31 December 2015, all long-term receivables under borrowings are encumbered with securities (under the agreement for registered pledges on a set of movables and rights) in connection with securing financial liabilities of the Company for the issued national bonds and contracted term loan.

In 2015, CIECH S.A. granted long-term borrowings to subsidiaries, of which the most significant items are borrowings for:

- CIECH Soda Polska S.A. of PLN 113 000 thousand,
- CIECH Sarzyna S.A. of PLN 70 000 thousand,
- CIECH Soda Deutschland of EUR 14 100 thousand (which, after conversion at the exchange rate as of 31.12.2015, amounts to PLN 60 087 thousand),
- KWG of EUR 8 000 thousand (which, after conversion at the exchange rate as of 31.12.2015, amounts to PLN 34 092 thousand).

Some long-term borrowings granted were reclassified to short-term borrowings:

- CIECH Soda Polska S.A. of PLN 113 000 thousand,
- CIECH Sarzyna S.A. of PLN 35 000 thousand,
- KWG of PLN 88 072 thousand.

Main items which affect reduction in long-term borrowings granted is repayment of borrowings by:

- CIECH Sarzyna S.A. of PLN 35 000 thousand

and making of contribution-in-kind of borrowings along with any charged interest of CIECH Soda Romania to CIECH Cerium Sp. z o.o. SK. The value of made contribution-in-kind is PLN equivalent of 371 442 thousand.

Changes in long-term borrowings are also determined by unrealized foreign exchange differences resulting from overestimation of borrowings as at the balance sheet date.

PLN '000

CHANGE IN THE BALANCE OF IMPAIRMENT WRITE-DOWNS ON LONG-TERM BORROWINGS GRANTED	01.01-31.12.2015	01.01-31.12.2014
Opening balance	376 006	378 210
Creation	13 892	1 255
Reversal	(120)	(5 551)
Reclassification	-	(6 675)
Exchange rate differences	(11 510)	8 767
Transfer as contribution-in-kind	(355 141)	-
Closing balance	23 127	376 006

As a result of the occurrence of premises, CIECH S.A. conducted an analysis of recoverability of commitment in subsidiaries. The recoverable value is the utility value calculated on the basis of models applied in the CIECH Group.

On the basis of result of the conducted analysis (analysis of the recoverable value), the Management Board of CIECH S.A. decided to create impairment write-down on borrowings granted for Ciech Nieruchomości Sp. z o.o. of PLN 13 892 thousand.

Reversal of the impairment write-downs results from repayment of the borrowing by CIECH FINANCE Sp. z o.o.

15. Long-term investments in subsidiaries and other investments

PLN '000	31.12.2015	31.12.2014
in subsidiaries	2 006 409	1 730 373
- shares and stock	2 006 409	1 730 373
in other entities	29 078	-
- valuation of hedging instruments	29 078	-
Total other long-term investments	2 035 487	1 730 373

List of companies belonging to CIECH S.A. along with presentation of the carrying amount of particular shares and stocks was presented in the section II.31.1.

CHANGE IN THE BALANCE OF LONG-TERM INVESTMENTS IN SUBSIDIARIES AND OTHER LONG-TERM INVESTMENTS

PLN '000	31.12.2015	31.12.2014
Gross value at the beginning of the period	1 997 820	2 259 545
- shares and stock	1 997 820	2 259 545
increases	323 220	53 505
- shares and stock	294 142	53 505
purchase	116 044	-
increase in capital	35 515	53 505
taking up of contribution-in-kind	142 583	-
- valuation of hedging instruments	29 078	-
reductions	107 871	315 229
- shares and stock	107 871	315 229
sale	102 175	315 229
liquidation	5 696	-
Gross value at the end of the period	2 213 169	1 997 821
- shares and stock	2 184 091	1 997 821
- valuation of hedging instruments	29 078	-
write-downs	(177 682)	(267 448)
Net value at the end of the period	2 035 487	1 730 373

Change in long-term investments in gross values is mostly due to:

- taking up of shares in CIECH SODA ROMANIA S.A. in the amount of PLN 111 000 thousand,
- taking up of shares in CIECH Cerium Sp. z o.o. SK in the amount of PLN 100 600 thousand in exchange for the made contribution-in-kind of liabilities
- taking up of shares in CERIU Sp. z o.o. SKA in the amount of PLN 40 418 thousand,

- taking up of shares in CIECH R&D in the amount of PLN 35 515 thousand,
- sale of shares in CIECH Cerium Sp. z o.o. SK in the amount of PLN 100 600 thousand
- liquidation of Polsin Private Limited in Singapore in the amount of PLN 5 696 thousand.

As at the day of drawing up the financial statement, THE Company does not have shares in quoted companies.

As at 31 December 2015, other long-term investments – shares and stock - are encumbered with securities (under the agreement for registered pledges on a set of movables and rights) in connection with securing financial liabilities of the Company for the issued national bonds and contracted term loan.

PLN '000

CHANGE IN THE BALANCE OF IMPAIRMENT WRITE-DOWNS ON LONG-TERM INVESTMENTS	01.01-31.12.2015	01.01-31.12.2014
Opening balance	267 448	511 697
Creation	10 253	98 606
Reversal	(98 454)	(27 626)
Use	(1 565)	(315 229)
Closing balance	177 682	267 448

As a result of the occurrence of premises, CIECH S.A. conducted tests of the value of commitment in subsidiaries. The recoverable value is the utility value calculated on the basis of models applied in the CIECH Group.

The following assumptions for the impairment test:

- weighted average cost of capital for national companies was 9.0% and for the German company it was 6.8%,
- applied growth rate amounted in the residual period to 2.0% for both national and foreign companies.

The recoverable value was determined on the basis of five-year financial plans prepared by subsidiaries. According to the estimates of the Management Directors, change in average weighed cost of capital by +/-1 p.p. would not substantially affect results of the conducted tests.

On the basis of result of the conducted analyses (impairment tests, analysis of the recoverable value), the Management Board of CIECH S.A. decided to change impairment write-downs on held stocks and shares in the following companies:

- CIECH Transclean Sp. z o.o. - creation of impairment write-downs on held shares in the amount of PLN 5 880 thousand,
- CIECH Soda Deutschland GmbH – termination of impairment write-downs on held shares in the amount of PLN 120 848 thousand (including PLN 22 394 thousand, impairment write-down created in 2015. In accordance with the binding accounting principles was reversed in the same year).

In addition, impairment write-downs were created on shares in the following Companies, bringing the value of shares held to the value corresponding to values of valuations conducted by independent entities:

CIECH Cerium Sp. z o.o. SK – of PLN 1 564 thousand,
Cerium Sp. z o.o. SKA – of PLN 1 797 thousand.

In connection with liquidation of Chemia.com S.A. w likwidacji, impairment write-down was created on the held shares of PLN 1 010 thousand. As at 31.12.2015, CIECH S.A. received already all funds from liquidated property. Derecognition of held shares in this Company took place when it was crossed out from the Code of Commercial Partnerships and Companies, i.e. as of 04.03.2016.

The described above impairment write-downs were recognized into financial costs / revenues in 2015.

16. Inventory

PLN '000

INVENTORY	31.12.2015	31.12.2014
Materials	3	52
Goods	19 670	21 721
TOTAL	19 673	21 773

The value of inventory (including write-downs to the net selling price) recognized as cost in 2015 amounted to PLN 1 556 853 thousand (in the comparable period it amounted to PLN 1 293 313 thousand).

in PLN '000

IMPAIRMENT WRITE-DOWNS ON INVENTORY	31.12.2015	31.12.2014
Opening balance	218	251
Reversal	(134)	(33)
Closing balance	84	218

Reversal of impairment write-down on inventory results from sales of inventory in the course of running economic activities.

As at 31 December 2015, any inventory is encumbered with securities (under the agreement for registered pledges on a set of movables and rights) in connection with securing financial liabilities of the Company for the issued national bonds and contracted term loan.

17. Trade receivables and other receivables

<i>PLN '000</i>	31.12.2015	31.12.2014
a) from related parties	155 280	119 751
a1) trade, maturing	132 206	80 706
- up to 12 months (net value)	132 206	80 706
a2) other receivables	20 716	24 075
assignment of receivables	-	5 328
other	20 716	18 747
a3) advance payments for deliveries	-	14 970
a4) prepayments, including:	2 358	-
b) receivables from other entities	176 517	153 242
b1) trade, maturing	151 308	119 148
- up to 12 months (net value)	151 308	119 148
b2.1) other receivables (net value)	14 856	11 965
b3) advance payments for deliveries	-	3
b2.2) prepayments, including:	2 939	2 093
- external services	422	348
- other	2 517	1 745
b3) under subsidies, customs duties, social and health insurance and other benefits (net value)	7 414	20 033
Total net short-term receivables	331 797	272 993
impairment write-down against receivables	31 890	119 362
Total gross short-term receivables	363 687	392 355

PLN '000

CHANGE IN THE BALANCE OF IMPAIRMENT WRITE-DOWNS On SHORT-TERM RECEIVABLES	31.12.2015	31.12.2014
Opening balance	119 362	103 917
Creation	2 024	33 941
Reversed	(86 503)	19 779
Use	(23)	845
Exchange rate differences	(2 970)	2 128
Closing balance	31 890	119 362

As at 31 December 2015, all receivables are encumbered with securities (under the agreement for registration pledges on a set of movables and rights) in connection with securing financial liabilities of the Company for the issued national bonds and contracted term loan.

Impairment write-downs on receivables from related parties amounted to:

- as at 31 December 2015, PLN 1 933 thousand,
- as at 31 December 2014, PLN 89 975 thousand.

Impairment write-downs on short-term receivables were created for agreement, disputable, interest, overdue receivables, doubtful receivables and for receivables from companies in bankruptcy or liquidation. Reversal took place as a result of repayment of receivables, and use took place as a result of writing-off of receivables in connection with ineffective enforcement and in connection with bankruptcy of companies for which impairment write-down was made.

PLN '000

OVERDUE TRADE RECEIVABLES - WITH BREAKDOWN INTO UNPAID	31.12.2015	31.12.2014
Up to 1 month	51 857	16 441
Above 1 month up to 3 months	38 317	3 977
Above 3 months up to 6 months	30	5 331
Above 6 months up to 1 year	-	12 717
Above 1 year	11 495	27 504
Total gross overdue trade receivables	101 699	65 970
Impairment write-downs on overdue trade receivables	(11 495)	(40 210)
Total net overdue trade receivables	90 204	25 760

Terms of transactions with related parties are presented in the section II.31.2 of the additional information and explanations to the financial statement. In commercial contracts concluded by CIECH S.A. different payment terms for trade receivables are used, depending on the type of transactions, market profile and trade terms. The most often used payment terms are: 14, 30, 60 and 90 days.

18. Short-term investments

PLN '000

Short-term investments	31.12.2015	31.12.2014
valuation of hedging instruments	16 781	-
Granted loans	198 630	118 392
Total net short-term financial assets	215 411	118 392
Impairment write-downs on short-term financial investments	123 655	41 963
Total gross short-term financial assets	339 066	160 355

CHANGE IN THE BALANCE OF SHORT-TERM BORROWINGS GRANTED

PLN '000	01.01-31.12.2015	01.01-31.12.2014
Gross value at the beginning of the period	160 355	110 543
increases	703 353	110 215
decreases	(541 423)	(60 403)
Gross value at the end of the period	322 285	160 355
write-downs	(123 655)	(41 963)
Net value at the end of the period	198 630	118 392

As at 31 December 2015, all short-term receivables under borrowings are encumbered with securities (under the agreement for registration pledges on a set of movables and rights) in connection with securing financial liabilities of the Company for the issued national bonds and contracted term loan.

2015, CIECH S.A. granted short-term borrowings to subsidiaries, of which the most significant items are borrowings for:

- CIECH Soda Polska S.A. in the amount of PLN 52 906 thousand,
- CIECH Sarzyna S.A. in the amount of PLN 34 000 thousand,
- Janikosoda S.A. in the amount of PLN 42 000 thousand,
- CIECH Cerium Sp. z o.o. S.K. in the amount of RON 140 000 thousand (which is the PLN equivalent of 138 306 thousand) and borrowings in the amount of PLN 122 050 thousand,
- CIECH Pianki Sp. z o.o. in the amount of PLN 10 000 thousand.

Increases in borrowings were also determined by the reclassification of long-term borrowings to short-term investments:

- CIECH Soda Polska S.A. of PLN 113 000 thousand,
- CIECH Sarzyna S.A. of PLN 35 000 thousand,
- KWG in the amount of PLN 88 072 thousand,

and charged interest in the amount of PLN 61 385 thousand.

Main items which determined reduction in granted short-term borrowings is their repayment by:

- CIECH Sarzyna S.A. in the amount of PLN 37 800 thousand
- CIECH Soda Polska S.A. in the amount of PLN 52 906 thousand
- CIECH Pianki Sp. z o.o. in the amount of PLN 10 000 thousand
- CIECH Cerium Sp. z o.o. S.K. in the amount of PLN 209 102 thousand

and making of contribution-in-kind of interest on borrowings to CIECH Cerium Sp. z o.o. SK. The value of the made contribution-in-kind amounted to PLN 150 229 thousand

Changes in short-term borrowings are also determined by unrealized foreign exchange differences resulting from overestimation of borrowings as at the balance sheet date.

PLN '000

CHANGE IN THE BALANCE OF IMPAIRMENT WRITE-DOWNS ON SHORT-TERM INVESTMENTS	01.01-31.12.2015	01.01-31.12.2014
Opening balance	41 963	85 042
Creation	112 892	29 186
Reversal	(221)	(72 599)
Use	(1 704)	-
Reclassification	-	6 675
Exchange rate differences	(1 299)	(6 341)
Transfer as contribution-in-kind	(27 976)	-
Closing balance	123 655	41 963

As a result of the occurrence of premises, CIECH S.A. conducted an analysis of recoverability of commitment in subsidiaries. The recoverable value is the utility value calculated on the basis of models applied in the CIECH Group.

On the basis of the result of the conducted analysis of recoverable value, the Management Board of CIECH S.A. decided to create impairment write-downs on granted borrowings and charged on them interest in the following companies:

- creation of allowance for involvement in CIECH Cerium Sp. z o.o. SKA – PLN 46 281 thousand,
- creation of allowance for involvement in Janikowskie Zakłady Sodowe "Janikosoda" S.A. - PLN 43 746 thousand.

19. Cash and cash equivalents

PLN '000

CASH AND CASH EQUIVALENTS	31.12.2015	31.12.2014
Bank accounts	76 534	9 844
Short-term deposits	98 193	235
Cash in hand	18	14
Other cash	-	168
Cash and cash equivalents, value shown in the balance sheet	174 745	10 261
Cash and cash equivalents, value shown in the cash flow statement	174 745	10 261

As at 31 December 2015, all cash and cash equivalents are encumbered with securities (under the agreement for registration pledges on a set of movables and rights) in connection with securing financial liabilities of the Company for the issued national bonds and contracted term loan.

20. Explanations to the separate cash flow statement

The following statements present reasons for differences between changes in some items of the separate statement of financial position and changes resulting from the separate cash flow statement:

<i>PLN '000</i>	01.01.-31.12.2015	01.01.-31.12.2014
Change in receivables presented in the separate statement of financial position	(49 835)	25 167
Change in receivables under income tax	(8 969)	5 665
Reclassification of receivables under cash pooling	(1 313)	18 330
Compensation of receivables with borrowing and interest on borrowings	-	2 701
Other	-	3
Change in receivables in the separate cash flow statement	(60 117)	51 866

<i>PLN '000</i>	01.01.-31.12.2015	01.01.-31.12.2014
Change in liabilities presented in the separate statement of financial position	313 843	(16 314)
Change in financial liabilities	(349 373)	69 132
Change in liabilities under income tax	(4 210)	(5)
Change in liabilities concerning fixed assets	1 671	(3 875)
Change in liabilities under compensation	11 035	-
Reclassification of received borrowings to liability	-	(15 299)
Evaluation of financial instruments	(38 362)	(6 542)
Other	6 056	(143)
Change in liabilities in the separate cash flow statement	(59 340)	26 954

21. Capitals

Share capital

SHARE CAPITAL	31.12.2015	31.12.2014
Number of shares	52 699 909	52 699 909
Carrying amount	287 614	287 614
Share capital	31.12.2015	31.12.2014
	<i>in pcs.</i>	<i>in pcs.</i>
A series common bearer shares, nominal value: PLN 5 each	20 816	20 816
B series common bearer shares, nominal value: PLN 5 each	19 775 200	19 775 200
C series common bearer shares, nominal value: PLN 5 each	8 203 984	8 203 984
D series common bearer shares, nominal value: PLN 5 each	23 000 000	23 000 000
E series common bearer shares, nominal value: PLN 5 each	1 699 909	1 699 909
Total	52 699 909	52 699 909

As at the date of publication of this report, the carrying amount of the share capital is PLN 287 614 thousand and includes capital from issued shares and adjusted capital under hyper-inflation. As at the day of adoption of IFRS, as at 1 January 2004, the Company's share capital was recalculated on account of hyper-inflation for the years from 1989 to 1996. The hyper-inflation adjustment in the amount of PLN 24 114 thousand on both sides reduced the value of retained earnings.

Total number of votes arising from all issued Company's shares, after registration of increases in the share capital, is 52 699 909, and the share capital is divided into 52 699 909 Company's shares of the nominal value of PLN 5 (five zloty) each.

All series shares are common shares and do not confer any additional rights, privileges and restrictions concerning division of dividends and capital return.

The share capital is fully paid.

Share premium

Share premium arose from surplus achieved from the issue of C series, D series and E series shares above their nominal value.

Own shares

In 2015, the Company did not purchase and did not have own shares.

To the best of knowledge of CIECH S.A., as at the date of approval of this report, the shareholders holding substantial blocks of shares (at least 5%) were 2 entities: KI Chemistry s. à r. l. seated in Luxembourg, and ING Otworthy Fundusz Emerytalny.

Shareholder	Type of shares	Number of shares	Number of votes at the General Meeting	Share in the overall number of votes at the General Meeting	Share in the share capital (%)
KI Chemistry s. à r. l. seated in Luxembourg*	Common bearer shares	26 952 052	26 952 052	51,14%	51,14%
ING Otworthy Fundusz Emerytalny **	Common bearer	5 000 000	5 000 000	9.49%	9.49%
Other	Common bearer	20 747 857	20 747 857	39.37%	39.37%

* on the basis of a list of shareholders holding at least 5% of votes at the Extraordinary General Meeting of CIECH S.A. on 7 March 2016, Rb 8/2016, prepared and provided to the public under Article 70 item 3 of the Act on public offering, conditions governing the introduction of financial instruments to organized trading system, and public companies.

**on the basis of a list of shareholders holding at least 5% of votes at the Extraordinary General Meeting of CIECH S.A. on 7 October 2015, Rb 35/2015 drawn up and provided to the public on the basis of Article 70 item 3 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to the Organized Trading, and on Public Companies.

Other reserve capitals

The following table presents balances of other reserve capitals, which consisted of the following items:

PLN '000

OTHER RESERVE CAPITALS (BY PURPOSE)	31.12.2015	31.12.2014
Fund for commercial risk	3 330	3 330
Fund for purchase of soda companies	15 200	15 200
Fund for development	57 669	57 669
Other reserve capitals	76 199	76 199

PLN '000

CAPITAL UNDER USE OF HEDGE ACCOUNTING	01.01.-31.12.2015	01.01-31.12.2014
Opening balance	(5 724)	78
- increases	3 389	-
- valuation of financial instruments	3 389	-
- decreases	-	(5 802)
- valuation of financial instruments	-	(5 802)
Carrying amount - closing balance	(2 335)	(5 724)

PLN '000

CAPITAL FROM ACTUARIAL VALUATION	01.01.-31.12.2015	01.01-31.12.2014
Opening balance	(348)	2
- increases	491	82
valuation of actuarial provisions	491	82
- decreases	(93)	(432)
Income tax on valuation of actuarial provisions	(93)	(432)
Carrying amount - closing balance	50	(348)

Capital structure management

of CIECH S.A. manages capital to guarantee that its units will be capable to continue activities with simultaneous maximization of return for stakeholders as a result of the optimized debt to equity ratio.

The Company's capital structure includes debt, which include credit and bonds disclosed in section II.22 and II.26 cash and cash equivalents and capital attributable to shareholders in the parent company, including shares issued, reserve capitals and retained profits.

The tax effect of each of other comprehensive income components	01.01-31.12.2015			01.01-31.12.2014		
	Before tax	Tax	Net after tax	Before tax	Tax	Net after tax
<i>PLN '000</i>						
Cash flow hedge	4 184	(795)	3 389	(7 163)	1 361	(5 802)
Valuation of actuarial provisions	491	(93)	398	(432)	82	(350)
Net other comprehensive income	4 675	(888)	3 787	(7 595)	1 443	(6 152)

PLN '000

	change in the period	01.01-31.12.2015	change in the period	01.01-31.12.2014
Gross other comprehensive income				
Cash flow hedge		4 184		(7 163)
- change in fair value in the period	(4 675)	-	(18 593)	-
- reclassification adjustment to the statement of profit or loss	8 859	-	11 430	-
Valuation of actuarial provisions		491		(432)
- change in fair value in the period	491	-	(432)	-
- reclassification adjustment to the statement of profit or loss	-	-	-	-
Income tax relating to other comprehensive income		(888)		1 443
- calculated for the current period	795	-	3 614	-
- reclassification adjustment to the statement of profit or loss	(1 683)	-	(2 171)	-
Net other comprehensive income	-	3 787	-	(6 152)

22. Long-term liabilities under loans, borrowings and other debt instruments

PLN '000

LONG-TERM LIABILITIES	31.12.2015	31.12.2014
Liabilities under loans, borrowings and other debt instruments	1 494 775	1 177 605
Liabilities under loans and borrowings	1 335 349	-
Liabilities under issue of debt securities	159 426	1 177 605
Other long-term liabilities	41 828	2 512
valuation of hedging instruments	41 828	2 512
TOTAL	1 536 603	1 180 117

PLN '000

LONG-TERM LIABILITIES MATURING FROM THE BALANCE SHEET DATE	31.12.2015	31.12.2014
Above 1 year to 3 years	395 011	160 086
From 3 to 5 years	1 141 592	1 020 031
TOTAL	1 536 603	1 180 117

23. Information about significant financial liabilities**Debt financing of the Company**

Debt financing of the Company in the form of bonds and loan is provided mostly through:

- Domestic bonds issued by CIECH S.A. - as at 31 December 2015, the nominal debt was PLN 160 million,
- Loans made available to CIECH S.A. under the loans agreement of 29 October 2015:
 - term loan in the amount of PLN 1 045 031 thousand, and EUR 69 673 thousand (total loan amount as at 31 December 2015 was PLN 1 341 942 thousand),
 - revolving loan made available to CIECH S.A. in the amount of PLN 250 000 thousand (the amount of used loan as at 31 December 2015 was PLN 0).

On 27 November 2015, intra-group bonds of the nominal value equal to EUR 245 000 thousand, issued on 6 December 2012 by CIECH S.A. ("the Intragroup Bonds") and taken up by Ciech Group Financing AB (publ) ("the HY Issuer") were redeemed as a result of the HY Issuer's exercise of the option of early redemption of the Intra-group Bonds. The amount of early redemption of the Intragroup Bonds along with accrued interest was PLN 263 502 thousand. The early redemption of the Intragroup Bonds was made in connection with submission by the HY Issuer on 30 October 2015 of a notice of the intent to conduct early redemption of the secured bonds, with the nominal value of EUR 245 000 thousand, issued on 28 November 2012 ("the HY Bonds"), for the purpose of the HY Issuer obtaining funds for earlier redemption the HY Bonds.

Information about ratios included in loan agreements

In the period covered by this financial statement, none of loan agreements was called to maturity and there were no instances of violation of payment terms of the principal amount or interest due under financial liabilities reported in the balance sheet. Under the Revolving Loan Agreement, CIECH S.A. and its selected subsidiaries were obliged, among others, to maintain specified in the agreements level of net financial leverage ratio (the CIECH Group's consolidated net debt to the CIECH Group's consolidated EBITDA calculated according to the guidelines in the amount no higher than 4.0 measured for the period ending 31 December 2015. The level of ratio was maintained and amounted to 1.8.

24. Provisions

<i>in PLN '000</i>								
01.01.-31.12.2015					01.01.-31.12.2014			
OTHER SHORT-TERM PROVISIONS	Provision for compensation	Provision for liabilities	Provision for anticipated losses	Other provisions	Provision for compensation	Provision for liabilities	Provision for anticipated losses	Other provisions
Opening balance	779	1 748	19 362	-	2 559	-	19 348	-
Creation	60	3 885	474	572	110	1748	14	-
Use	-	(107)	-	-	(1 890)	-	-	-
Termination	-	(37)	-	(21)	-	-	-	-
Closing balance	839	5 489	19 836	551	779	1748	19 362	-

As at 31 December 2015, in the books of the Company the balance of short-term provisions for compensations, liabilities and anticipated losses, bonuses and on other accounts is PLN 26 715 thousand, and in the comparable period the balance of provisions as at 31.12.2014 was PLN 21 889 thousand.

These provisions are related to potential claims (the principal amount with interest due, and costs of court proceedings), under court cases described in item II.27.1 of this financial statement.

The main reason for growth in provisions in relation to the end of the past year is establishment of a provision for severance pay for the resigning President of the Management Board, in the amount of PLN 3 794 thousand.

The amount of provision is estimated value and may be changed during implementation.

25. Employee benefits

PLN '000

PROVISIONS FOR EMPLOYEE BENEFITS	LONG-TERM		SHORT-TERM	
	01.01-31.12.2015	01.01-31.12.2014	01.01-31.12.2015	01.01-31.12.2014
	Provision for retirement benefits and service anniversary awards and pension severance pays	Provision for retirement benefits and service anniversary awards and pension severance pays	Provision for retirement benefits and service anniversary awards and pension severance pays	Provision for retirement benefits and service anniversary awards and pension severance pays
Opening balance	875	495	132	62
Creation	77	34	210	-
Reclassification from /to long-term /short term provision	24	(110)	(24)	110
Change in discount rate	25	456	-	-
Use (payment of benefits)	-	-	(78)	(40)
Termination	(491)	-	-	-
Closing balance	510	875	240	132

In 2015, the provision of PLN 491 thousand was reclassified to equity, in the comparable period this value was PLN 432 thousand.

Provisions for employee benefits include provisions for retirement and pension severance pays. Valuation of employee benefits is conducted on the basis of actuarial evaluations. In order to calculate the current value of future liabilities under employee benefits, the amount of annual financial discount rate of 2.5 % annually was adopted. The applied discount rate is fixed in the nominal amount. At the same time, the future inflation of 1.5% annually was taken into account. The expected nominal remuneration growth rate was assumed as 6.2% in 2016, 1.5 % in the following years. The employee turnover ratio is defined on the basis of historical data. For the closest year, the mobility rate was adopted at the level of 6.9%. According to estimations of the Company, any change in the actuarial assumptions will not have significant impact on financial results.

26. Short-term liabilities

PLN '000

SHORT-TERM LIABILITIES UNDER LOANS, BORROWINGS AND OTHER DEBT INSTRUMENTS		
	31.12.2015	31.12.2014
- loans and borrowings	57 571	21 384
- issue of debt securities	301	5 976
-under cash pooling	66 252	64 561
TOTAL	124 124	91 921

SHORT-TERM LIABILITIES - TRADE AND OTHER

in PLN '000	31.12.2015	31.12.2014
a) towards related parties	125 772	218 546
trade	122 159	199 101
- to 12 months	122 159	199 101
other (by type)	3 613	19 445
- other	3 613	19 445
b) towards other entities	112 355	98 276
other financial liabilities, including:	3 185	4 554
-liabilities under valuation of hedging instruments	3 185	4 554
trade	79 233	74 554
- to 12 months	77 852	73 160
- advance payments received for deliveries	1 381	1 394
other (by type)	29 937	19 168
-customs duties and social insurance	2 253	1 106

in PLN '000	31.12.2015	31.12.2014
- provision for holiday	1 868	1 308
-provision for employee bonuses	13 554	8 841
- external services	8 084	1 058
- other	4 179	6 855
TOTAL	238 127	316 822

The terms of transactions with related parties are presented in the section II.31.2 of the additional information and explanations to the financial statement. Trade liabilities are not interest-bearing. In commercial contracts concluded by CIECH S.A. different payment terms are used for trade liabilities depending on the type of transaction, market characteristics and trade terms. The most often used payment terms are: 14, 30, 60 and 90 days.

27. Information about changes in contingent liabilities or contingent assets and other issues

27.1. Significant disputed liabilities of CIECH S.A.

The total value of significant disputed liabilities of CIECH S.A. and subsidiaries of CIECH S.A. as at 31 December 2015, claimed in any type of proceedings before a court, an arbitration authority or a public administration authority is less than 10% of the equity of CIECH S.A.

27.2. Significant disputed receivables of CIECH S.A.

Total value of significant disputed receivables of CIECH S.A. and subsidiaries of CIECH S.A. as at 31 December 2015, claimed in any type of proceedings before a court, an arbitration authority or a public administration authority is less than 10% of the equity of CIECH S.A.

27.3. Contingent assets and other contingent liabilities, including guarantees and sureties and comfort letters.

The following specification presents contingent items, including guarantees and sureties granted by CIECH S.A. to other entities (from outside the CIECH Group). Description of sureties and guarantees granted to related parties (under the CIECH Group) is included in the table "Granted sureties and guarantees".

in PLN '000	31.12.2015	31.12.2014
1. Contingent assets	18 864	18 864
-other contingent liabilities*	18 864	18 864
2. Contingent liabilities	729 831	768 273
-granted guarantees and sureties	729 831	768 273

* contingent asset in the amount of PLN 18 864 thousand related to an action against GZNF "FOSFOR" Sp. z o.o. for payment under compensation for GZNF "FOSFOR" Sp. z o.o. making allegedly untrue statements towards CIECH S.A. on the condition of Agrochem Czulchów Sp. z o.o. seated in Czulchów.

As at 31 December 2015, in CIECH S.A. contingent receivables amounted to PLN 18 864 thousand and were not changed as compared to the balance as at 31 December 2014.

The value of contingent liabilities as at 31 December 2015 amounted to PLN 729 831 thousand, which means decrease, as compared to December 2014, by the amount of PLN 38 442 thousand.

The reason for change in the value of contingent liabilities was:

granting new sureties for subsidiaries' liabilities:

- CIECH Finance Sp. z o.o. in the amount of PLN 49 500 thousand,
- KWG GmbH in the amount of PLN 7 470 thousand (EUR 1 753 thousand),
- CIECH Vitrosilicon S.A. in the amount of PLN 67 035 thousand,
- CIECH Soda Romania S.A. in the amount of PLN 10 000 thousand,
- CIECH Soda Polska in the amount of PLN 4 423 thousand (EUR 1 038 thousand),
- CIECH Trading by the amount of PLN 852 thousand (EUR 200 thousand).
- the selected companies granting guarantees up to 125% of liability under term loans and revolving loan – the total amount of the granted guarantees is PLN 397 986 thousand.

In the reporting period, the following sureties for liabilities expired:

- CIECH Soda Romania S.A. of PLN 1 350 thousand (EUR 316.7 thousand).
- expiration of guarantee up to 155% of liabilities related to the issue of foreign bonds in the amount of EUR 245 000 thousand in connection with early repayment (the amount of the expired guarantee is PLN 574 345 thousand).

The remaining difference results from changes in the value of currency exchange rates adopted for valuation of liabilities.

Sureties and guarantees granted or valid as at 31 December 2015

Name of the entity which given guarantee and surety	Total amount of liabilities covered in the entire or in a certain part by sureties and guarantees		Period for which guarantee was granted	Financial conditions on which own guarantees were granted, subject to remuneration of the company for granted guarantees	Entity whose liabilities are covered by guarantee	Nature of linkages between CIECH S.A. and the entity granted with guarantee
	currency in thousands	PLN '000				
CIECH S.A.						
Anwil S.A.	PLN 15 000	15 000	2017-06-30	Commission 1.5 % p.a. on the value of guaranteed liability; liability payment collateral.	CIECH Trading S.A.	Subsidiary
Bank Pekao S.A.	EUR 5 000	21 308	2016-12-23	Commission 1.5 % p.a. on the value of guaranteed liability; liability payment collateral	CIECH Soda Deutschland GmbH&Co.KG	Subsidiary
BASF Polska Sp. z o.o., BASF SE	EUR 10 000	42 615	At the latest until 2017.03.12	Guarantee for specific liabilities and guarantees submitted by Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej under the agreement on sales and transfer of TDI assets to BASF.	Infrastruktura Kapuściska S.A. w likwidacji	Unrelated company
Bioagra-Oil S.A.mbH	PLN 250	250	2016-09-30	Commission 1.5 % p.a. on the value of guaranteed liability; liability payment collateral	CIECH Trading S.A.	Subsidiary
BZ WBK Faktor Sp. z o.o.	PLN 18 000	18 000	for an indefinite time	Commission 1.5 % p.a. on the value of guaranteed liability; liability payment collateral	CIECH Trading S.A.	Subsidiary
BZ WBK Faktor sp. z o.o.	PLN 49 500	49 500	for an indefinite time	Commission 1.5 % p.a.on the value of guaranteed liability	CIECH Finance Sp. z o.o.	Subsidiary
Spolana a.s.	EUR 1 500	6 393	Liabilities outstanding by 2016-12-31	Commission 1.5 % p.a. on the value of guaranteed liability; liability payment collateral.	CIECH Trading S.A.	Subsidiary
Zakłady Chemiczne ALWERNIA S.A.	PLN 1 000	1 000	Liabilities outstanding by 2016-12-31	Commission 1.5 % p.a. on the value of guaranteed liability; liability payment collateral.	CIECH Trading S.A.	Subsidiary
GEA Process Engineering A/S	EUR 1 038	4 423	2016-05-04	Commission 1.5 % p.a.on the value of guaranteed liability	CIECH Soda Polska S.A.	Subsidiary
Grupa Azoty Zakłady Azotowe Kędzierzyn S.A.	EUR 200	852	2016-09-30	Commission 1.5 % p.a.on the value of guaranteed liability	CIECH Trading S.A.	Subsidiary
PGE Polska Grupa Energetyczna S.A.	PLN 10 000	10 000	2016-12-31	Commission 1.5 % p.a.on the value of guaranteed liability	CIECH Soda Romania S.A.	Subsidiary
Siemens Industrial Turbo- machinery s.r.o	EUR 1 753	7 470	lease installments outstanding by 2019-04-30	Commission of 0.4% p.a.on the value of the guaranteed liability	KWG	Subsidiary
VITROBUDOWA Sp. z o.o.	PLN 67 035	67 034	90 calendar days from the day of signing the Final Acceptance Certificate	Commission 1.5 % p.a.on the value of guaranteed liability	CIECH Vitrosilicon S.A.	Subsidiary

Name of the entity which given guarantee and surety	Total amount of liabilities covered in the entire or in a certain part by sureties and guarantees		Period for which guarantee was granted	Financial conditions on which own guarantees were granted, subject to remuneration of the company for granted guarantees	Entity whose liabilities are covered by guarantee	Nature of linkages between CIECH S.A. and the entity granted with guarantee
	currency in thousands	PLN '000				
Total amount of granted guarantees and sureties		243 845				

Selected subsidiaries in Poland, Germany and Romania that granted guarantees for liabilities of CIECH S.A. under the issued bonds and contracted credits

holders of Series 02 domestic bonds	PLN 248 000 thousand (<i>guarantee granted up to the amount of 155% of liabilities related to the issue of domestic bonds in the amount of PLN 160 000 thousand</i>)	248 000	2017-12-05	Commission of 0.55% on the difference between the limit of the guarantee collateralised by assets and the surplus of the guarantee limit	of CIECH S.A.	Parent company
banks: Bank Handlowy w Warszawie S.A., Bank Millennium S.A., BZWBK S.A., Bank PKO BP S.A., Credit Agricole Bank Polska S.A., HSBC Bank Polska S.A., ICBC (Europe) S.A. branch in Poland	PLN 1 618 789 thousand (<i>guarantee granted up to the amount of 125% of liability under term loan in the amount of PLN 1 045 031 thousand and revolving loan in the amount of PLN 250,000 thousand</i>) EUR 87 092 thousand (<i>guarantee granted up to the amount of 125% of liability under revolving loan in the amount of EUR 69 673 thousand</i>)	1 989 930	2023-12-31	Commission of 0.55% on the difference between the limit of the guarantee collateralised by	of CIECH S.A.	Parent company
Total		2 237 930				

Letters of support

As at 31 December 2015, CIECH S.A. was the obliged party in the following comfort letter:

Letter of support (Patronatserklärung) regarding Sodawerk Staßfurt GmbH&Co. KG based in Staßfurt ("SWS") whose beneficiary is RWE Gasspeicher GmbH ("RWE"), concerning liabilities of SWS resulting from the agreement of May 2009 on salt caverns construction for the purpose of natural gas storage on a the Stassfurt mining field under which SWS received, until 31 December 2015, payment from RWE in the amount of EUR 34.8 million. In the comfort letter CIECH S.A. has committed, among other things, to ensure that SWS will be provided with necessary funds to be able to perform towards RWE any obligations arising from the above mentioned agreement.

28. Information about agreements concluded with the entity authorized to audit financial statements of CIECH S.A.

The entity authorized to audit financial statements for the reporting period from 1 January 2015 to 31 December 2015 was PricewaterhouseCoopers Sp. z o.o. seated in Warsaw. The entity authorized to audit financial statements for the reporting period from 1 January 2014 to 31 December 2014 was KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k. seated in Warsaw.

On 11 June 2013, CIECH S.A. signed an agreement with KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k. on the review of semi-annual and the audit of annual financial statements for 2013, 2014, 2015. On 17 June 2015, the above agreement was terminated. On 25 June 2015, CIECH S.A. signed an agreement with PricewaterhouseCoopers Sp. z o.o. on the review of semi-annual and the audit of annual financial statements for 2015, 2016 2017.

PLN '000	2015**	2014***
Audit of the annual financial statement*	106	185

Review of the semi-annual report*	335	121
Tax consulting services	720	-
Certifying services	537	-
Other services	6	61

* Remuneration contains additional costs.

** Value of agreements concluded with PricewaterhouseCoopers Sp. z o.o. and members of the PricewaterhouseCoopers network

*** Value of the agreements concluded with KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k. and members of the KPMG network:

29. Financial lease

In 2015, CIECH S.A. was not a party to any financial lease agreements. The comparable period featured finance lease and finance sale and lease back.

Financial lease

Under the finance lease agreement in 2014, CIECH S.A. used tangible fixed assets (IT equipment) and intangible assets (computer software). The agreement provides for refund option, extension of the agreement or purchase of all or part of equipment after the end of lease period. The carrying amount of leased tangible fixed assets and intangible assets as at 31 December 2014 was PLN 187 thousand and PLN 22 thousand, respectively.

Finance sale and lease back

Under the finance sale and lease back agreement, CIECH S.A. uses tangible fixed assets – IT equipment. The agreement provides for refund option, extension of the agreement or purchase of all or part of equipment after the end of lease period. The carrying amount of leased tangible fixed assets as at 31 December 2014 was PLN 238 thousand. There are no contingent liabilities under lease fees.

The nominal value and the current value of minimum lease fees related to the described above leases are as follows:

in PLN '000

31.12.2014	Nominal value of minimum lease fees	Future financial costs under financial lease	Current value of minimum lease fees
Up to 1 year	363	3	360
1 to 5 years	-	-	-
TOTAL	363	3	360

Lease fees paid in 2014 are PLN 1 991 thousand

In CIECH S.A. no sublease agreements were concluded. of CIECH S.A. is not lease provider in finance lease.

30. Operating lease

The object of operational lease in CIECH S.A. are passenger cars used under the lease agreement and rent of office space. The concluded operational lease agreement concerning vehicles gives the possibility of its extending or purchasing an asset at the estimated market value at the end of the period of use. The Company has no obligation to purchase the leased asset.

In the financial year 2015, costs of lease fees amounted to:

- under lease of passenger cars – PLN 835 thousand,
- under lease of office space - PLN 3 303 thousand.

In the financial year 2014, costs of lease fees amounted to:

- under lease of passenger cars – PLN 802 thousand,
- under lease of office space - PLN 3 204 thousand.

Total amounts of future minimal lease fees under use of passenger cars are presented in the table below:

PLN '000

LIABILITIES UNDER OPERATING LEASE	31.12.2015	31.12.2014
until	202	647
1 to 5 years	308	87
TOTAL	510	734

In CIECH S.A. no sublease agreements were concluded.

31. Information about related parties**31.1. List of companies of the CIECH Group.**

The following specification presents a list of companies comprising the CIECH Group:

Company name	Seat	31.12.2015			31.12.2014		
		Direct share	Indirect share	carrying amount	Direct share	Indirect share	carrying amount
Polcommerce Handel -und Vertretungsgesellschaft mbH	Vienna, Austria	100%		653	100%		653
Chemia.Com S.A. w likwidacji	Warsaw	100%			100%		1 010
Ciech FINANCE Sp. z o.o.	Warsaw	100%		-	100%		-
<i>CIECH TRADING S.A.</i>	<i>Warsaw</i>					15.75%	
<i>Janikosoda S.A.</i>	<i>Warsaw</i>		100%			100%	
<i>CIECH Soda Romania S.A..</i>	<i>Romania</i>					93.76%	
<i>Polfa Nigeria</i>	<i>Lagos, Nigeria</i>		20.00%			20.00%	
Calanda Polska Sp. z o.o. w likwidacji	Warsaw	95.70%		-	95.70%		-
CIECH Nieruchomości S.A.	Inowrocław	100%		-	100%		-
CIECH Soda Polska S.A.	Inowrocław	100%		517 331	100%		517 331
<i>CIECH Cargo Sp. z o.o.</i>	<i>Inowrocław</i>		100.00%			100.00%	
<i>Cerium Sp. z o.o.</i>	<i>Warsaw</i>		100.00%			100.00%	
<i>Cerium Sp. z o.o.S.K.A</i>	<i>Warsaw</i>		100.00%			100.00%	
<i>CIECH Vitrosilicon S.A.</i>	<i>Itowa</i>		16.97%			16.97%	
<i>Zakład Gospodarki Popiołami Sp. z o.o.</i>	<i>Małogoszcz</i>		28.66%			28.66%	
Nordiska Unipol Aktienbolag	Stockholm, Sweden	97.78%		842	97.78%		842
<i>Suomen Unipol Oy</i>	<i>Espoo, Finland</i>		24.78%	52		24.78%	52
Soda Deutschland Ciech GmbH	Germany	100%		797 471	100%		699 017
<i>Sodawerk Holding Strassfurt GmbH</i>	<i>Germany</i>		100%			100%	
<i>Sodawerk Stassfurt Verwaltungs GmbH</i>	<i>Germany</i>		100%			100%	
<i>CIECH Soda Deutschland GmbH & Co. KG</i>	<i>Germany</i>		100%			100%	
<i>KWG - Kraftwerks-gesellschaft Stassfurt GmbH</i>	<i>Germany</i>		100%			100%	
<i>KPG Kavernen-Projekt-Beteiligungsgesellschaft mbH i.L.</i>	<i>Germany</i>		-			-	
<i>Kavernengesellschaft Stassfurt mbH</i>	<i>Germany</i>		50%			50%	

Company name	Seat	31.12.2015		carrying amount	31.12.2014		carrying amount
		Direct share	Indirect share		Direct share	Indirect share	
Polsin Overseas Shipping Ltd.	Sopot	30.00%		811	30.00%		811
CIECH Pianki Sp. z o.o.	Bydgoszcz	100%		57 451	100%		57 451
CIECH Sarzyna S.A.	Nowa Sarzyna	100%		295 947	99.64%		294 583
<i>Komunalna Biologiczna Oczyszczalnia Ścieków Sp. z o.o.</i>	Nowa Sarzyna		56.62%			56.62%	
<i>Verbis KAPPA Sp. z o.o.</i>	Nowa Sarzyna		100%			100%	
<i>Verbis KAPPA Sp. z o.o. SKA</i>	Nowa Sarzyna		100%			100%	
<i>Algete Sp. z o.o.</i>	Nowa Sarzyna		100%			100%	
CIECH Vitrosilicon S.A.	Itowa	83.03%		12 302	83.03%		12 302
CIECH Transclean Sp. z o.o.	Bydgoszcz	100%		3 455	100%		9 335
CIECH Group Finacing AB	Sweden	100%		2 787	100%		2 787
CIECH TRADING S.A.	Warsaw	100%		94 195	84.25%		90 527
Verbis ETA Sp. z o.o.	Warsaw	100%		5	100%		5
Verbis ETA Sp. z o.o. SKA	Warsaw	100%		37 971	100%		37 971
CERIUM Sp. z o.o. S.K.A.	Warsaw	100%		38 621			
CIECH R&D Sp. z o.o.	Warsaw	100%		35 515		100%	
CIECH Soda Romania	Romania	98.74%		111 000			
<i>CIECH Cerium sp. z o.o. sp.k.</i>	Warsaw		100%				
TOTAL				2 006 409			1 730 373

In 2015, in the CIECH Group there were no restrictions concerning subsidiaries' capacity to transfer funds to the parent company CIECH S.A. in the form of e.g. or dividends or repayments of borrowings.

of CIECH S.A. has additionally shares/stock in entities the control over which was reduced or lost:

- ZAO-Ciech Polfa, Russia – company in liquidation, 6.00% of shares/votes held directly by CIECH S.A.

Below is presented selected financial information as at 31.12.2015 of the affiliate Suomen Unipol Oy seated in Finland:

– total assets*	PLN 18 201 thousand
– total liabilities*	PLN 11 446 thousand
– total revenues **	PLN 71,916 thousand
– this year result **	PLN 1 009 thousand

** data in EUR were converted at the balance sheet rate as of 31 December 2015 – 4.2615*

***data in EUR were converted at the average exchange rate for 2015 calculated as arithmetic average of average exchange rates announced by the National Bank of Poland at the end of particular months – 4.1848*

31.2. Transactions with related parties

The most important changes which took place in 2015 in CIECH SA with regard to investments in affiliates.

Contribution-in-kind of liabilities under borrowings and interest calculated on them.

CIECH S.A. made contribution-in-kind of liabilities under borrowings to the newly created company CIECH Cerium Sp. z o.o. spółka komandytowa (further: CIECH Cerium). The contribution-in-kind was made on 23 July 2015. The nominal value of the contributed borrowings amounted to EUR 86 022 thousand, and interest charged amounted to EUR 31 523 thousand. The market value of the contribution-in-kind was valued by an independent valuer at PLN 100 600 thousand. As a result of submission of the contribution-in-kind the share of CIECH S.A. in the CIECH Cerium's profits amounted to 89.26%.

Contribution-in-kind of interest liabilities.

CIECH S.A. made contribution-in-kind of interest liabilities due from the CIECH Group's companies to Cerium Sp. z o.o. SKA (further: Cerium SKA). The value of the contribution-in-kind was valued by an independent valuer at PLN 38.6 million. In exchange for the contribution-in-kind, CIECH S.A. took up newly issued shares in Cerium SKA (10 thousand shares of the nominal value of 1 PLN each).

Purchase of shares.

In December, 2015 CIECH S.A. purchased 2 073 813 450 shares in CIECH Soda Romania for the amount of PLN 111 000 thousand. It gives CIECH S.A. 98.737% share in the share capital of CIECH Soda Romania.

Sales of rights and obligations.

On 10 August 2015, CIECH S.A. sold all rights and obligations held in CIECH Cerium sp. z o.o. spółka komandytowa.

Additional information about the aforementioned transactions is presented in notes II.14; II.15; II.18.

The table below presents the amounts of transactions for periods presented in the statement with related parties of CIECH S.A. and related parties of CIECH S.A. by its parent company:

PLN '000

01.01.-31.12.2015	Revenue				Costs				Balance sheet items			
	Revenues from sales of products and services	Revenues from sales of goods and materials	Other operating income	Financial revenues	Purchases of products, goods and materials	Purchases of services	Other operating expenses	Financial costs	Receivables, borrowings granted (net), etc.	Impairment write-downs on receivables, including:	Created in the current reporting period	Liabilities, borrowings obtained, etc.
CIECH Soda Polska S.A.	14 930	53	1	58 882	792 619	1 042	-	662	208 994	-	-	69 990
Janikosoda S.A.	32	-	10	1 876	-	180	5	1	2	77 379	43 881	6 330
CIECH Vitrosilicon S.A.	752	24 043	6	2 611	-	8	-	201	44 846	-	-	17 373
CIECH Soda Romania S.A.	4 278	-	59 663	62 883	349 077	24	-	63 991	1 147	2	22 735	51 195
CIECH Sarzyna S.A.	6 084	307 941	150	72 598	-225	599	-	2 522	108 857	1 925	1860	1 593
CIECH Transclean Sp. z o.o.	189	4	-	-	-	10 875	-	5 897	27	-	-	2 616
CIECH FINANSE Sp. z o.o.	68	-	27	537	-	20	-	-	269	-	-	-
CIECH Trading S.A.	405	55 266	2 771	1 495	-	80	-	97	31 082	-	-	4 305
SDC GmbH (Group)	15 244	22 476	20 941	41 840	219	12	-	33 728	235 565	-	-	5 767
CIECH Pianki Sp. z o.o.	806	113 777	-	7 759	-	-	-	103	7 237	-	-	5 380
CIECH Group Financing AB	-	-	-	638	-	-	-	244 258	76	-	-	2 718
Ciech Nieruchomości S.A.	22	-	11	2 020	-	-	-	55	9 427	23 127	-	1 107
Verbis ETA Sp. z o.o.	-	-	9	-	-	-	-	-	-	-	-	-
Verbis ETA Sp. z o.o. SKA	-	-	9	6 059	-	-	-	-	-	-	-	2 305
CIECH R&D Sp. z o.o.	1 370	1	18	3	-	11 825	-	5	1 191	-	-	1 203
CIECH Cargo Sp. z o.o.	512	13	-	-	-	22 729	-	-	78	-	-	14 090
Cerium Sp. z o.o. SKA	-	-	9	-	-	-	-	3 384	2 360	-	-	78 256
Cerium Sp. z o.o.	-	-	9	-	-	-	-	-	1	-	-	-
CIECH Cerium Sp. z o.o. SK	-	-	1	1 707	-	-	1	54 441	67	46 282	46 282	-
Polcommerce GmbH	-	2 916	-	79	-	931	-	17	477	-	-	594
Chemia.com S.A.	-	-	9	105	-	-	-	-	1	-	-	-
Nordiska Unipol AB	-	23 509	-	114	-	881	-	-	1 815	-	-	139
Suomen Unipol Oy	-	35 008	-	118	-	85	-	-	4 651	-	-	12
Polsin Overseas Shipping Ltd.	-	-	-	112	-	5 649	-	-	-	-	-	1 025
Pekaes SA w Błoniu	-	-	-	-	-	990	-	-	462	-	-	195
Kulczyk Holding	-	-	-	-	-	-	-	-	168	-	-	-

01.01.-31.12.2015	Revenue				Costs				Balance sheet items			
	Revenues from sales of products and services	Revenues from sales of goods and materials	Other operating income	Financial revenues	Purchases of products, goods and materials	Purchases of services	Other operating expenses	Financial costs	Receivables, borrowings granted (net), etc.	Impairment write-downs on receivables, including:	Created in the current reporting period	Liabilities, borrowings obtained, etc.
Polenergia S.A.	-	-	-	-	-	194	-	-	-	-	-	1 230
Total	44 692	585 007	83 644	261 436	1 141 690	56 124	6	409 362	658 798	148 715	114 758	267 423

Other operating costs and revenues present created and reversed impairment write-downs on receivables.

Other financial costs and revenues present created and reversed impairment write-downs on borrowings, interest on borrowings and shares and stock.

PLN '000

01.01.-31.12.2014	Revenue				Costs				Balance sheet items			
	Revenues from sales of products and services	Revenues from sales of goods and materials	Other operating income	Financial revenues	Purchases of products, goods and materials	Purchases of services	Other operating expenses	Financial costs	Receivables, borrowings granted, etc.	Impairment write-downs on receivables, including:	Created in the current reporting period	Liabilities, borrowings obtained, etc.
CIECH Soda Polska S.A.	10 749	153	-	29 049	818 406	988	-	1 475	81 082	-	-	167 334
Janikosoda S.A.	12	-	11	3 181	-	182	-	31 676	2	33 498	31 673	4 114
Ciech-Polsin Pte. Ltd.	-	-	-	-	-	-	-	151	-	-	-	16 459
CIECH Vitrosilicon S.A.	323	22 903	11	3 954	-	74	-	262	44 950	-	-	1 563
CIECH Soda Romania S.A.	3 654	1	8 414	154 834	260 672	245	267	40 327	112 144	437 327	11 489	35 781
CIECH Sarzyna S.A.	268	47 599	132	1 950	3 820	242	1	1 581	37 449	65	65	34
CIECH Transclean Sp. z o.o.	2	3	46	57	-	10 057	-	175	5	-	-	1 933
CIECH FINANCE Sp. z o.o.	-	-	9	28	-	-	18	350	6	358	358	-
CIECH Trading S.A.	145	51 140	-	44 430	-	-	-	230	29 561	3 172	16	1 625
SDC GmbH (Group)	144	25 383	11 433	24 147	700	1 560	27 988	105 992	210 183	22 585	29 444	416
CIECH Pianki Sp. z o. o.	4	19 038	-	9 300	-	-	-	170	10 259	1	1	34
CIECH Group Financing AB	-	-	-	2 356	-	-	-	177 928	387	-	-	1 029 547
Ciech Nieruchomości S.A.	7	-	20	2 072	-	-	-	88	21 482	9 235	-	403
Verbis ETA Sp. z o.o.	-	-	9	-	-	-	-	-	-	-	-	-
Verbis ETA Sp. z o.o. SKA	-	-	9	1 415	-	-	-	-	-	-	-	32 819
CIECH R&D Sp. z o.o.*	1	23	31	253	-	12 031	-	2	1	-	-	3 132
CIECH Cargo Sp. z o.o.	52	-	-	-	-	22 165	-	206	1 996	-	-	12 876

01.01.-31.12.2014	Revenue				Costs				Balance sheet items			
	Revenues from sales of products and services	Revenues from sales of goods and materials	Other operating income	Financial revenues	Purchases of products, goods and materials	Purchases of services	Other operating expenses	Financial costs	Receivables, borrowings granted, etc.	Impairment write-downs on receivables, including:	<i>Created in the current reporting period</i>	Liabilities, borrowings obtained, etc.
Polcommerce GmbH	-	2 850	-	-	-	801	-	18	281	-	-	596
Chemia.com S.A. w likwidacji	-	-	9	861	-	-	-	-	1	-	-	-
Nordiska Unipol AB	-	22 590	-	30	-	707	-	-	2 019	-	-	137
Suomen Unipol Oy	-	28 894	-	94	-	119	-	-	3 929	-	-	10
Pekaes S.A. w Błoniu	-	-	-	-	-	436	-	-	-	-	-	147
Kulczyk Holding S.A.	175	-	-	-	-	-	-	-	211	-	-	-
Polsin Overseas Shipping Ltd.	-	-	-	110	-	9 712	-	-	-	-	-	624
Total	15 536	220 577	20 134	278 121	1 083 598	59 319	28 274	360 631	555 948	506 241	73 046	1 309 584

Other operating costs and revenues present created and reversed impairment write-downs on receivables.

Other financial costs and revenues present created and reversed impairment write-downs on borrowings, interest on borrowings and shares and stock.

Terms of transactions with related parties

Sales to and purchases from the related entities are made at market prices. The applied pricing methods are: reselling price, cost plus, net transaction margin and comparable uncontrolled price.

In 2015, no significant transactions were concluded with related parties other than on an arm's length basis.

Outstanding receivables and liabilities are not secured and settled in cash or by compensation. Receivables from related parties were not covered by any granted or received guarantees.

Information about impairment write-downs on receivables from related parties is presented in the section II.17, information about impairment write-downs on borrowings granted in the section II.14 and II.18, and information about impairment write-downs on value of shares/stock in the section II.15 of the additional information and explanations to the financial statement.

31.3. Transactions with State Treasury companies

As a result of changes in control that occurred on 9 June 2014 over CIECH S.A., as at 31 December 2014 the State Treasury did not have any shares in CIECH S.A.

In the period from 1 January 2014 to 9 June 2014, the State Treasury had a significant share and had the possibility to exercise control over CIECH S.A. Through control of the State Treasury over CIECH S.A. the State Treasury Companies (according to the list published by the Ministry of the Treasury) fulfil the definitions of related parties. The Management Board of CIECH S.A. believes that costs of obtaining information about such transactions for the aforementioned period surpass benefits that may be obtained by users of this separate financial statement, and the amounts of transactions with the State Treasury Companies have no significant impact on this statement.

31.4. Description of significant, non-routine transactions with related entities

In the period from 1 January 2015 until 31 December 2015 and in the comparable period, such transactions were not recorded.

31.5. Transactions involving key managerial personnel

Key managerial personnel are people having appropriate powers and responsibility for direct planning, management and control of the Company's activities.

Remuneration of the Management Board of CIECH S.A.

The table below presents the amount of remuneration and additional services received by particular members of the Management Board in 2015 and in the comparable period. In 2015-2014, the members of the Management Board of CIECH S.A. did not charge remuneration for sitting on Supervisory Boards and other functions performed in the CIECH Group's Companies.

Full name	Remuneration paid by CIECH S.A. in 2015 (PLN '000)	Remuneration paid by CIECH S.A. in 2014 (PLN '000)
Maciej Tybura	1 987	318
Artur Osuchowski	2 750	1 203
Artur Król	245	-
Dariusz Krawczyk	3 875	1 604
Andrzej Kopeć	246	884
TOTAL	9 103	4 009

Members of the Management Board are employed under contracts of employment. According to the Resolution of the Supervisory Board of CIECH S.A. Members of the Management Board are entitled to:

- monthly remuneration as specified in individual contracts of employment,
- appreciation bonus granted by the Supervisory Board of CIECH S.A.,
- annual bonus specified in individual contracts of employment.

Remuneration of the Supervisory Board of CIECH S.A.

Full name	Remuneration received from CIECH S.A. in 2015 (PLN '000)	Remuneration received from CIECH S.A. in 2014 (PLN '000)
Sebastian Kulczyk	46	-
Piotr Augustyniak	98	46
Tomasz Mikołajczak	123	57
Mariusz Nowak	98	46
Artur Olech	98	46
Wojciech Stramski	98	46
Ewa Sibrecht-Ośka	-	74
Przemysław Cieszyński	-	47
Arkadiusz Grabalski	-	49
Zygmunt Kwiatkowski	-	52
Maciej Lipiec	-	49
Waldemar Maj	-	49
Mariusz Obszyński	-	49
Sławomir Stelmasiak	-	49
Jan Kulczyk PhD	-	-
Maciej Tybura	-	25
TOTAL	562	684

In line with a resolution of the Extraordinary General Meeting, the Members of the Management Board are paid monthly remuneration in the following amount:

- Chairman of the Supervisory Board - 300%,
- Deputy Chairman of the Supervisory Board – 250%,
- Other members of the Supervisory Board - 200% of the average monthly remuneration in the business sector with payments from profit for the month preceding charging.

32. Financial instruments

The main financial instruments that are reported in the balance sheet of CIECH S.A. as at 31 December 2015 include:

- **Financial assets:**
 - Trade receivables.
 - borrowings granted
- **Financial liabilities:**
 - trade liabilities
 - liabilities under bank loans and borrowings, and issued bonds.

Categories of financial instruments

31.12.2015	Note	Cash	Loans and receivables	Financial liabilities valued at depreciated cost	Financial liabilities excluded from the scope of IAS 39	Hedging instruments	Total
<i>PLN '000</i>							
Classes of financial instruments							
Cash and equivalents	19	174 745	-	-	-	-	174 745
Trade receivables	17	-	283 514	-	-	-	283 514
Granted loans	14, 18	-	491 498	-	-	-	491 498
Derivatives	15, 18	-	-	-	-	45 859	45 859
Other financial assets		-	29 076	-	-	-	29 076
Trade liabilities	26	-	-	(201 392)	-	-	(201 392)
Credits and loans	22, 26	-	-	(1 392 920)	-	-	(1 392 920)
Debt securities - issued bonds	22, 26	-	-	(159 727)	-	-	(159 727)
Liabilities under cash pooling	26	-	-	(66 252)	-	-	(66 252)
Derivatives recognized under financial liabilities designated as hedging instruments	22, 26			-	-	(45 012)	(45 012)
		174 745	804 088	(1 820 291)	-	847	(840 611)

Categories of financial instruments

31.12.2014	Note	Cash	Loans and receivables	Financial liabilities valued at depreciated cost	Financial liabilities excluded from the scope of IAS 39	Hedging instruments	Total
<i>PLN '000</i>							
Classes of financial instruments							
Cash and equivalents	19	10 261	-	-	-	-	10 261
Trade receivables	17	-	199 854	-	-	-	199 854
Granted loans	14, 18	-	436 197	-	-	-	436 197
Other financial assets		-	35 000	-	-	-	35 000
Trade liabilities	26	-	-	(272 261)	-	-	(272 261)
Credits and loans	22, 26	-	-	(21 384)	-	-	(21 384)
Debt securities - issued bonds	22; 26	-	-	(1 183 581)	-	-	(1 183 581)
Financial lease	29	-	-	-	(360)	-	(360)
Derivatives recognized under financial liabilities designated as hedging instruments	22, 26	-	-	-	-	(7 067)	(7 067)
Other	26	-	-	(64 561)	-	-	(64 561)
		10 261	671 051	(1 541 787)	(360)	(7 067)	(867 902)

Items of revenues, costs, profit and loss included in the statement of profit or loss with breakdown into categories of financial instruments.

For 01.01.-31.12.2015							
<i>in PLN '000</i>	Note	Cash	Financial assets/liabilities valued at fair value through statement of profit or loss	Loans and receivables	Financial liabilities valued at depreciated cost	Financial liabilities under factoring and liabilities excluded from the scope of IAS 39	Total financial instruments
Revenues/(costs) under interest, including calculated using the effective interest rate method	7	89	-	54 488	(112 944)	3	(58 364)
Exchange rate gains/(losses)	7	-	-	(22 630)	(330 219)	-	(352 849)
Creation of impairment write-downs	7	-	-	(126 783)	-	-	(126 783)
Reversal of impairment write-downs	7	-	-	342	-	-	342
Revenues/costs under valuation and use of derivative financial instruments	7	-	4 195	-	-	-	4 195
Total net profit/(loss)		89	4 195	(94 583)	(443 163)	3	(533 459)

For 01.01.-31.12.2014							
<i>in PLN '000</i>	Note	Cash	Financial assets/liabilities valued at fair value through statement of profit or loss	Loans and receivables	Financial liabilities valued at depreciated cost	Financial liabilities under factoring and liabilities excluded from the scope of IAS 39	Total financial instruments
Revenues/(costs) under interest, including calculated using the effective interest rate method	7	314	-	74 607	(121 359)	(1 581)	(48 019)
Exchange rate gains/(losses)	7	-	-	(10 267)	(27 104)	-	(37 371)
Creation of impairment write-downs	7	-	-	(71 916)	-	-	(71 916)
Reversal of impairment write-downs	7	-	-	109 270	-	-	109 270
Revenues/costs under valuation and use of derivative financial instruments	7	-	(560)	-	-	-	(560)
Total net profit/(loss)		314	(560)	101 694	(148 463)	(1 581)	(48 596)

32.1. Financial instruments designated for hedge accounting

Summary for particular groups of existing linkages in 2015 that were designated for hedge accounting are presented below:

Hedged risk	Type of hedge	Hedged item	Hedging instrument
Currency risk EUR/PLN	Cash flow hedge	Future cash flows under realization of sales revenues denominated or indexed to EUR exchange rate	Currency forwards EUR/PLN
Interest rate risk (change in WIBOR 6M)	Cash flow hedge	Interest payments of bonds issued by CIECH S.A. (Series 02) with the nominal value of PLN 80,000,000	Swap of WIBOR6M to fixed interest rate
Interest rate risk (change in EURIBOR 6M)	Cash flow hedge	Interest payments of term loan taken out by CIECH S.A. with the nominal value of EUR 69 673 thousand	Swap of EURIBOR 6M to fixed interest rate
Currency risk USD/PLN	Cash flow hedge	Future cash flows under realization of sales revenues denominated or indexed to USD exchange rate	Currency forwards USD/PLN

Detailed information about the instruments designated for hedge accounting in 2015 is presented in the table below:

FINANCIAL INSTRUMENTS	TRANSACTION DETAILS		CASH FLOW HEDGE					
Taken out loan/ issued bonds/Other financial liabilities	Transactions designated as hedging instruments in hedge accounting	Fair value as at the reporting date	Nature of the risk being hedged	Occurrence of flows		Amount included in equity (after taking account of income tax) as at 31.12.2015	Amount derecognized from equity and recognized in the statement of profit or loss (after taking account of income tax) in the period 01.01-31.12.2015	Inefficiency recognized in the statement of profit or loss
				Expected period of flows	Expected date of impact on the financial result			
currency in '000)		in PLN '000				in PLN '000		
-	CIECH S.A. – interest rate swap (IRS) EUR 80 million	(2 810)	Interest rate risk	from 05.06.2016 to 5.12.2017	from 05.06.2016 to 5.12.2017	(2 277)	(988)	-
-	CIECH S.A. - currency forwards	(972)	Currency risk (PLN/EUR) (PLN/USD)	from 01.01.2016 to 30.09.2016	from 01.01.2016 to 30.09.2016	(788)	(6 133) *	-
	CIECH S.A. – interest rate swap (IRS) EUR 70 million	901	Interest rate risk	from 30.06.2016 to 25.11.2020	from 30.06.2016 to 25.11.2020	730	(55)	-
					TOTAL	(2 335)	(7 176)	

The purpose of the Company, when making decisions on the implementation of the hedge accounting principles, was limitation of the effect of variability of interest rates for the taken out liabilities under bonds on the statement of profit or loss by reflecting their hedging nature in financial statements.

The impact of cash flow hedge accounting was presented in the separate statement of other comprehensive income of CIECH S.A.

The result on settlement of the effective portion of hedging instruments is reclassified equity to the statement of profit or loss upon the realization of the hedged item and its impact on the statement of profit or loss.

In the period covered by the financial statement, there were no cases of observing the lack of possibility to execute a future transaction, with regard to which cash flow hedge accounting was applied.

33. Events following the reporting date

After the balance sheet date until the approval of this statement for publication the following events occurred:

As of 6 March 2016 Wojciech Stramski submitted resignation from the function of member of the Supervisory Board of CIECH S.A. On 7 March 2016, the Extraordinary General Meeting of CIECH S.A. appointed to the composition of the Supervisory Board a new member, Dominik Libicki. As at the date of approval of this statement for publication, the Supervisory Board composed of:

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

34. Information about significant events concerning previous years, included in the financial statement for the financial year

In the presented period, there were no events relating to the previous years that were included in the financial statement for 2015.

35. Other information not mentioned above that might significantly affect evaluation of the financial position, assets and financial result of CIECH S.A.

In the presented period there were no other events that might significantly affect the financial and economic position and the result of CIECH S.A.

STATEMENT OF THE MANAGEMENT BOARD

This separate financial statement of CIECH S.A. was approved by the Company's Management Board in its seat on 21 March 2016.

Warsaw, 21 March 2016.

Signed on the Polish original

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Maciej Tybura – President of the Management Board of CIECH Spółka Akcyjna

Signed on the Polish original

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Artur Król - Member of the Management Board of CIECH Spółka Akcyjna

Signed on the Polish original

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Artur Osuchowski - Member of the Management Board of CIECH Spółka Akcyjna

Signed on the Polish original

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Katarzyna Rybacka – Chief Accountant of CIECH Spółka Akcyjna