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# Financial results for 1H16

Warszawa, 31 August 2016

# 1H16 – executive summary



**+14.0%**

EBITDA (Adj.) growth

**25.6%**

EBITDA (Adj.) margin

**+2.6 p.p.**

EBITDA (Adj.)  
margin growth

Introduction of the shares of the Company at the Frankfurt Stock Exchange market

Sale of additional volumes of soda ash under the Soda +200 investment

Completion of the investment in the increase of production capacity of glassy sodium silicate at CIECH Vitrosilicon

Favourable currency situation and attractive prices of raw materials y/y



*EBITDA (Adj.) – adjusted EBITDA (adjusted by unusual one-off events, mainly a change in the level of provisions for liabilities; adjustment of the value of investment real estate to the fair value: PLN 14.9 million; a change in the level of provisions: PLN 3.2 million; result of sale of non-financial fixed assets: PLN 2.4 million; other: PLN -0.8 million.*





1. Market situation and major events

2. Financial results for 1H16

3. Outlook for next quarters

# Market environment

The global and European  
soda ash market continues to  
be balanced\*

Noticeable pressure soda  
prices in overseas markets\*  
inflow of Chinese soda



The weakening  
of PLN and RON  
increase of export revenues

Lower prices of  
energy yoy,  
in particular of gas, coke and coal

A drop in the  
market of Plant  
Protection  
Products in  
Poland by 7%  
season by  
season\*\*



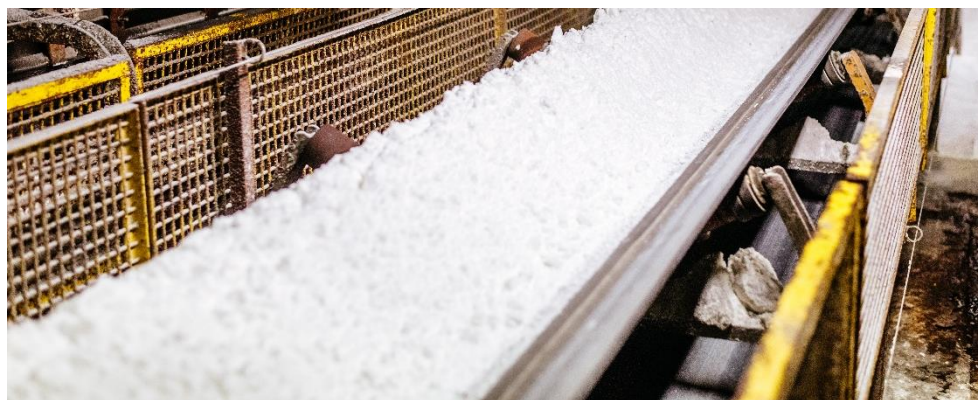


# The most important business events in 1H16

Completion of the Soda +200 project  
and sale of additional volumes of  
soda ash

Intensive commercial activity  
in the area of soda

Completion of the extension of the  
furnace for sodium silicate  
production



CET negotiations concerning a new, long-  
term contract for technological steam  
supply in Romania



# The most important corporate events in 1H16

Introduction of the CIECH shares at the regulated Frankfurt Stock Exchange market



Lower costs of debt servicing  
by approx. 35 million in 1H16

Decision of the  
Shareholders'  
Meeting concerning  
the payment of a  
dividend  
PLN 2.85 per share





A blue-tinted industrial background image. In the upper right, a worker wearing a hard hat and safety glasses is visible, looking down. In the upper left, a robotic arm with a cylindrical end effector is positioned. The background is filled with various industrial components, pipes, and machinery, creating a complex, technical environment.

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# Very high EBITDA (Adj.)

[PLN million]	1H16	1H15	yoy	Q2 16	Q2 15	yoy
Revenue	1 693.6	1 658.1	2.1%	867.2	840.8	3.1%
EBIT	344.4	240.8	43.0%	194.0	123.7	56.9%
EBIT margin	20.3%	14.5%	5.8 p.p.	22.4%	14.7%	7.7 p.p.
EBITDA	453.8	351.2	29.2%	250.2	178.2	40.4%
EBITDA margin	26.8%	21.2%	5.6 p.p.	28.9%	21.2%	7.7 p.p.
Adjusted EBITDA	434.0	380.6	14.0%	227.8	187.8	21.3%
Adjusted EBITDA margin	25.6%	23.0%	2.6 p.p.	26.3%	22.3%	4.0 p.p.
Net result	264.3	138.8	90.5%	162.1	85.6	89.4%
Net margin	15.6%	8.4%	7.2 p.p.	18.7%	10.2%	8.5 p.p.

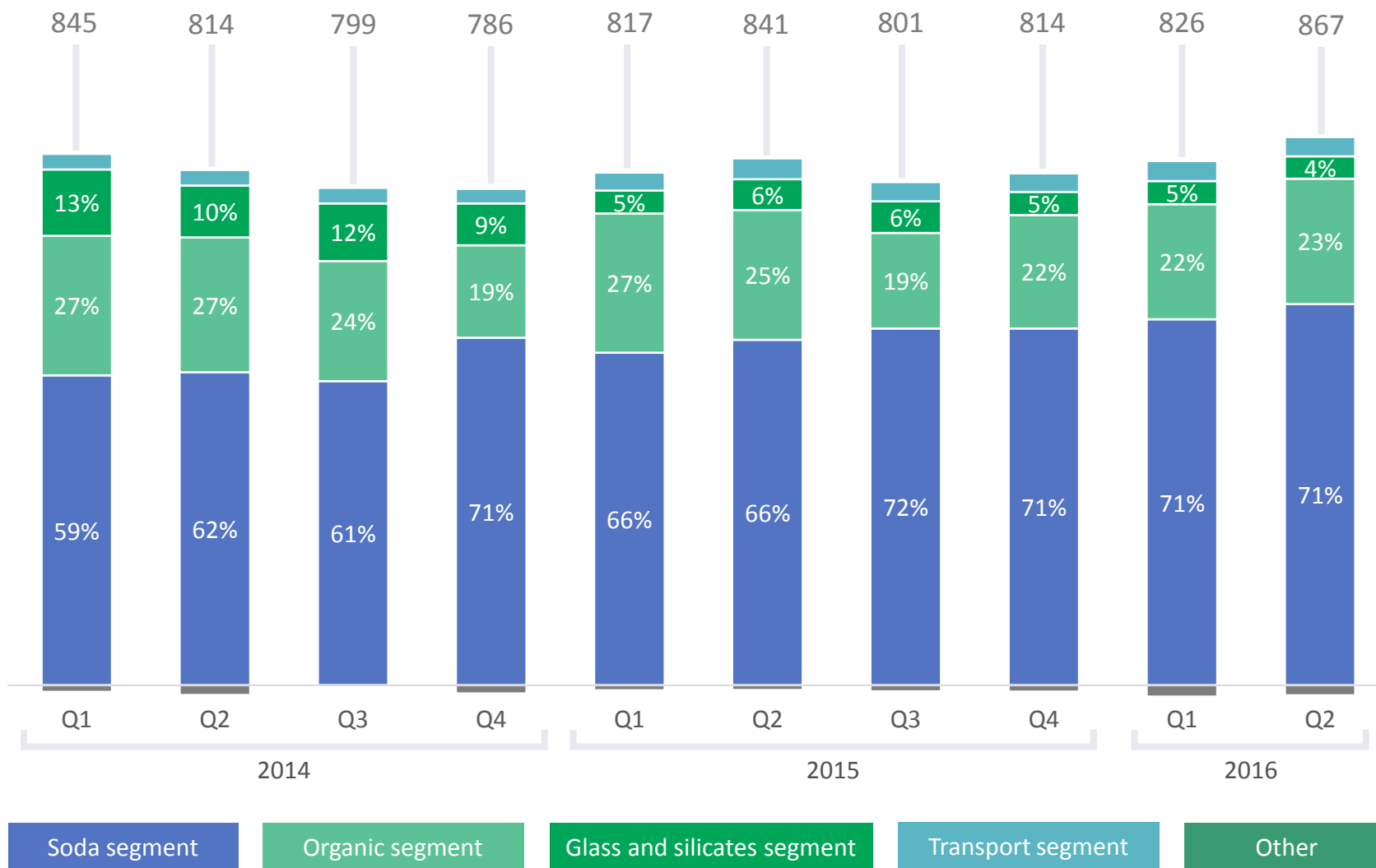
EBITDA (Adj.) – adjusted EBITDA (adjusted by unusual one-off events, mainly a change in the level of provisions for liabilities; adjustment of the value of investment real estate to the fair value: PLN 14.9 million; a change in the level of provisions: PLN 3.2 million; result of sale of non-financial fixed assets: PLN 2.4 million; other: PLN -0.8 million).



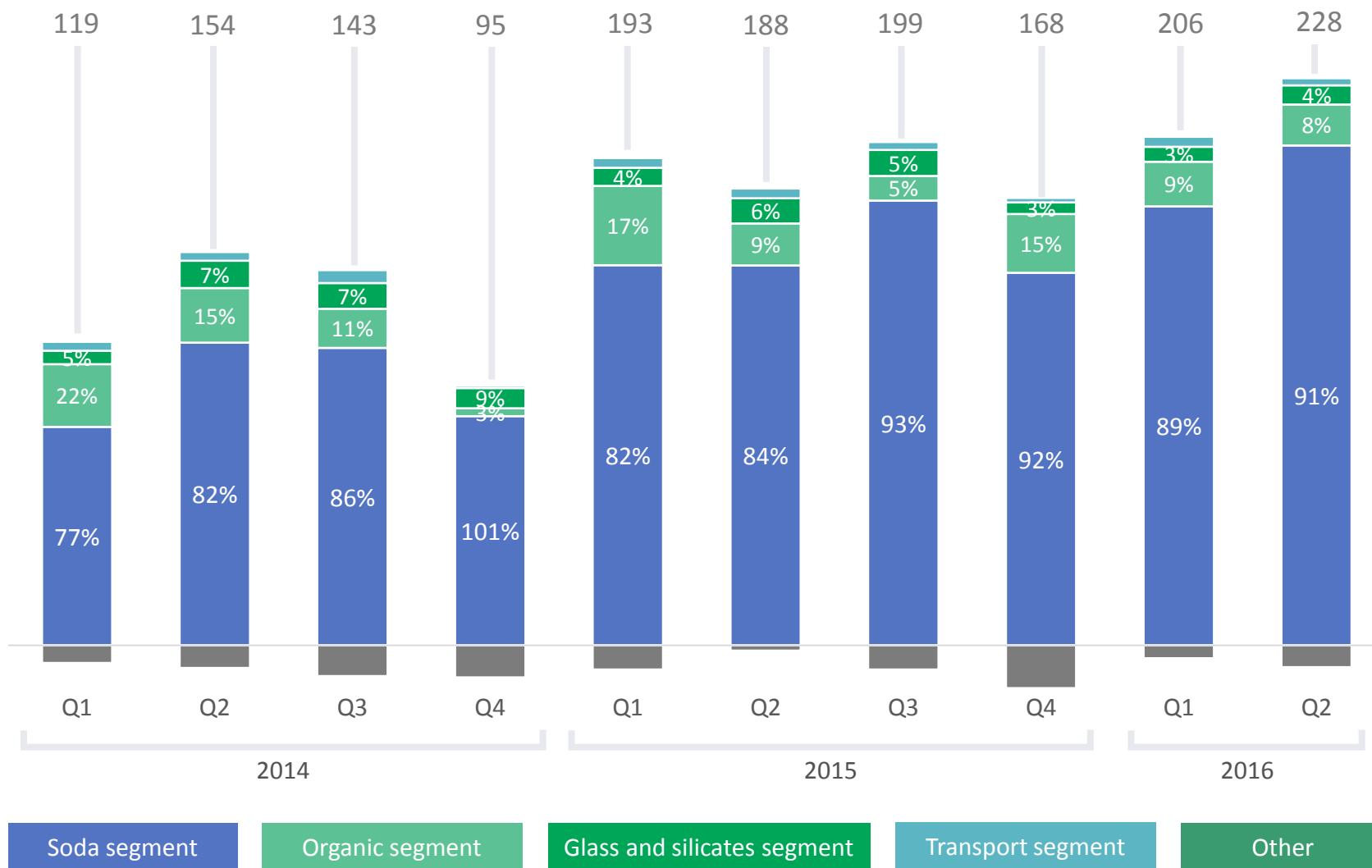
# Results vs. consesnsus

[PLN million]	Q2 2016	Consesnsus Q2 2015	Range of forecasts Q2
Revenues	867.2	876.9	849.2 – 918.9
EBIT	194.0	158.9	152.8 – 165.9
EBIT margin	22.4%	18.1%	16.9% - 19.1%
EBITDA	250.2	215.6	208.6 – 220.0
EBITDA margin	28.9%	24.6%	23.4% - 25.8%
Adjusted EBITDA	227.8	215.6	208.6 – 220.0
Adjusted EBITDA margin	26.3%	24.6%	23.4% - 25.8%
Net result	162.1	116.6	111.6 – 121.0
Net margin	18.7%	13.3%	12.3% - 14.2%

## Revenue



## Adj. EBITDA

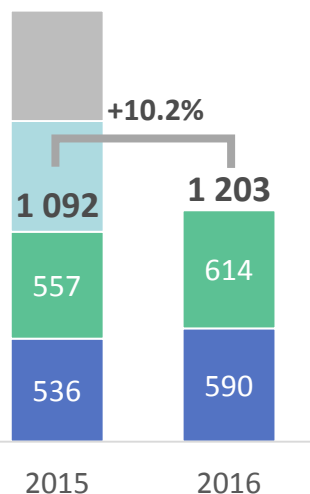




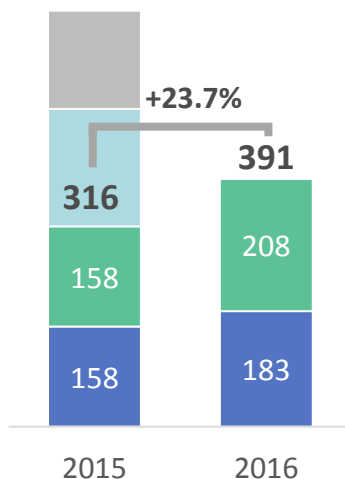
# Soda segment



Revenues [mPLN]



Adj. EBITDA [mPLN]



Share in total revenues (main products)

Dense soda ash	42.2%
Light soda ash	13.5%
Salt	5.1%
Sodium bicarbonate	4.8%

## In plus:

Higher volumes of soda sale

Favourable market situation – a balanced European soda ash market with expected growth in demand

Ability to maintain attractive selling prices of soda from Polish and German plants (related to the market situation and efficient sales negotiations)

Lower prices of furnace fuel (coke) and power sources (coal, gas)

Favourable currency situation – weakening of PLN and RON

Growth of the volume of sales of dry salt and the ability to maintain prices

Continued increase of efficiency of soda production process

## In minus:

Relatively difficult situation in the Chinese soda ash market resulting in the low level of prices offered by Chinese soda suppliers in overseas markets in which the CIECH Group operates

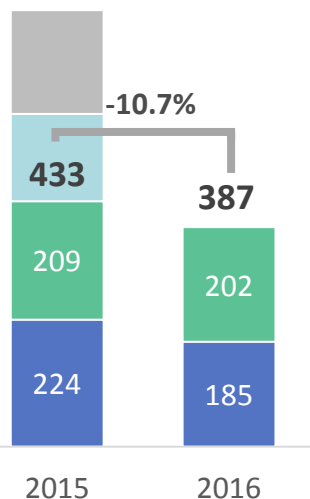
Partial use of more expensive coal from other suppliers (fulfilment of earlier obligations)

High level of supply and intense competition in the salt market, pressure on price reductions

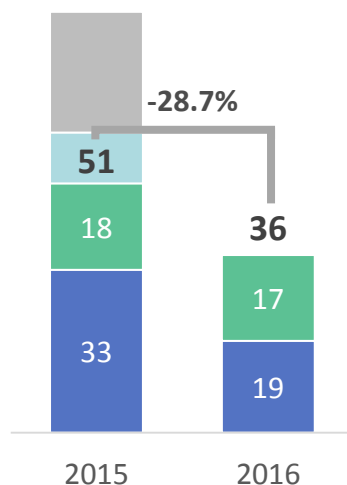
# Organic segment



Revenues [mPLN]



Adj. EBITDA [mPLN]



Share in total revenues (main products)

Resins	9.5%
PUR foams	6.7%
Plant protection products	6.2%

## In plus:

Lower prices of raw materials as a result of low level of oil prices in 1H16

Materials – growth in margins thanks to products dedicated to specialized applications; development of saturated polyester resin sales; optimization of the portfolio mix in the direction of higher-margin products

Foams – growth in the volume of sales as a result of the increase of demand from the producers of upholstered furniture

## In minus:

AGRO products – lower sales of crop protection products y/y as a result of a decrease in the domestic market and successful pre-seasonal sale in November and December 2015 (transfer of revenues between quarters); delays of settlements of EU subsidies for farmers; drop in profitability of agricultural production

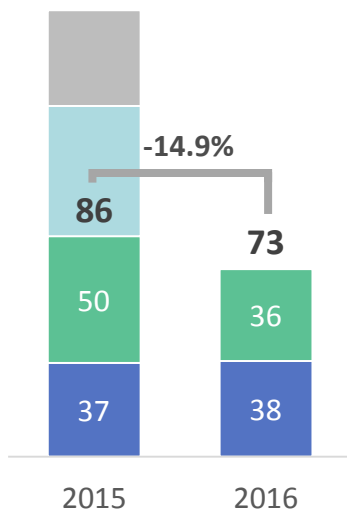
Materials – growth of prices of raw materials in 2Q

Foams – lower selling prices as a result of high competition and a decrease in raw material prices which lasted till Q2

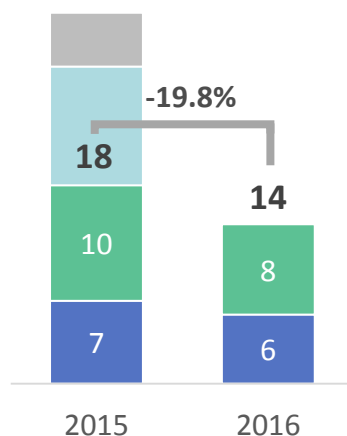
# Glass and Silicates Segment



Revenues [mPLN]



Adj. EBITDA [mPLN]



## In plus:

Higher sales volumes of potassium silicates thanks to the growth of demand in the construction market

Favourable influence of weakening of PLN vs. EUR

## In minus:

Standstill related to the switch from the old to a new sodium silicate production furnace and start-up of the installation

Lower sales of packaging glass as a result of growth of competition in the glass packaging market

Aggressive activities of competitors in the sodium silicates market due to a low capacity utilization

Lower sales of potassium silicates used in drilling due to the low level of oil prices (discontinuation of development of the oil exploration segment)

## Share in total revenues (main products)

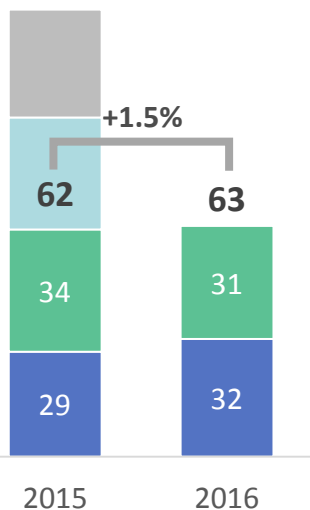
Glass blocks and packaging	2.1%
Sodium silicate in lumps	1.0%
Sodium water glass	1.0%



# Transport Segment



Revenues [mPLN]



Adj. EBITDA [mPLN]



## In plus:

Growth in revenues as a result of an increased volume of sales of soda from CSP

Transfer of a higher volume outside the Group

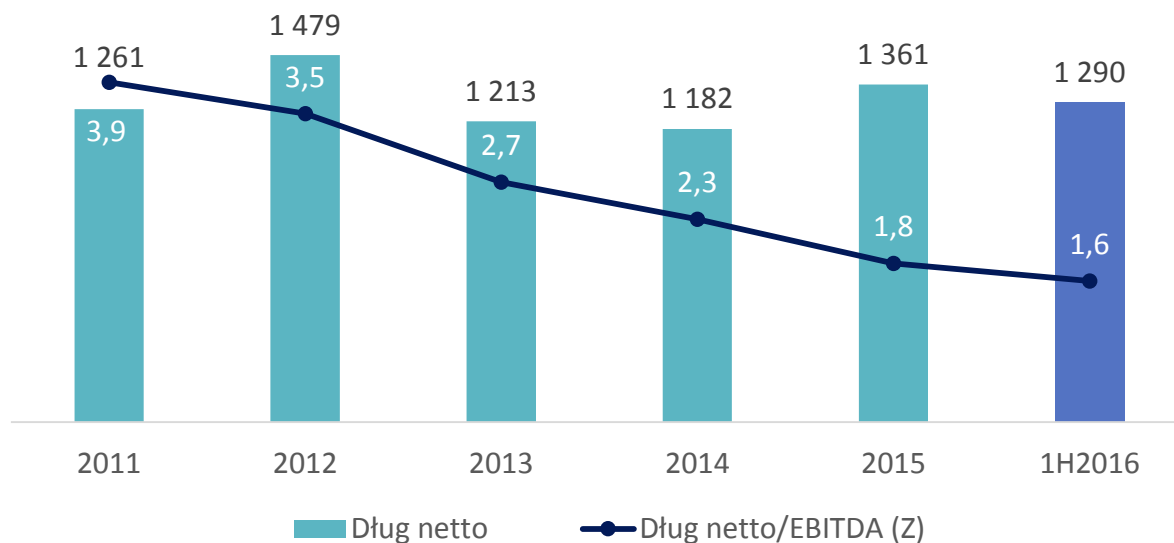
## In minus:

Decreased purchases of coal dust by CIECH Soda Polska

Decrease of the rail cargo market – after 6 months of 2016, the rail cargo market, measured by the weight of transported materials, dropped by 2% y/y. (source: Office of Rail Transport)

Discontinuation of the business of the CIECH Transclean company in 1H

# Debt



The Group systematically reduces its debt. At the end of 1H16, the net debt index / EBITDA (Adj.) amounted to 1.6. According to the adopted strategy, the Group endeavours to reduce the index to the level below 1 in 2019.

Thanks to the refinancing of the debt in 1H16, the Group's costs of debt servicing were much lower

[thousand PLN]

	At the end of 1H16	At the end of 2015	change
Debt ratio	66.1%	65.7%	0.4 p.p.
Long-term debt ratio	44.9%	46.1%	-1.2 p.p.
Equity capital debt ratio	195.4%	191.5%	3.9 p.p.
Gross financial liabilities (mPLN)	1,619,404	1,564,247	3.5%
Net financial liabilities (mPLN)	1,289,664	1,361,312	-5.3%

# Cash flow

[PLN million]	1H16	1H2015
EBITDA	454	351
Working capital	-22	-100
Interest paid	-26	-51
Taxes paid	-14	6
Others	-30	-3
Cash flow from operating activities	362	203
CAPEX	-251	-205
Other	20	4
Cash flow from investment activities	-231	-200
Free cash flow	131	2

Debt financing	-3	48
Other	0	-47
Cash flow from financial activities	-3	1
Total net flow	127	4
Closing balance of cash	330	53

We have positive free cash flow as the effect of:

- Higher operational results
- Effective management of working capital
- Lower financing costs



An aerial, high-angle photograph of a large industrial facility, likely a refinery or chemical plant. The image shows several large, circular storage tanks with radial structural supports on their tops. A dense network of pipes, walkways, and structural steel frames crisscrosses the area. In the background, a multi-story building with a series of windows is visible. The overall scene is industrial and complex.

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# Key business projects

Negotiation of contracts for soda supply in 2017

Commencement: November/December of the current year



Implementation of a significant contract with Solvay for supply of glassy sodium silicate

Continuation of construction of the installation for treatment of nitrogen and sulphur oxide fumes

Signature of a long-term agreement with CET for technological steam supply to CSR



# Challenges connected with the market environment



Macroeconomic situation, including the economic situation in China

Prices of oil and oil-derivative raw materials

Prices of energy sources, in particular gas



Soda market – supply and prices



# Modern and diversified chemical group on a stable progress path



## CONTACT FOR INVESTORS:

Joanna Siedlaczek

Investor Relations Expert

+48 669 600 567, [joanna.siedlaczek@ciechgroup.com](mailto:joanna.siedlaczek@ciechgroup.com)

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