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EXTENDED CONSOLIDATED REPORT OF THE CIECH GROUP FOR THE FIRST HALF OF 2016

Warsaw, 30 August 2016

CIECH Group — selected consolidated financial data

SELECTED FINANCIAL DATA	in PLN thousand		in EUR thousand	
	6 months ended 30.06.2016	6 months ended 30.06.2015	6 months ended 30.06.2016	6 months ended 30.06.2015
Sales revenues	1,693,596	1,658,124	386,622	401,085
Operating profit/(loss)	344,411	240,784	78,624	58,243
Profit/(loss) before tax	334,356	178,746	76,328	43,237
Net profit / (loss)	264,317	138,783	60,339	33,570
Net profit/(loss) attributable to shareholders of the parent company	263,993	138,457	60,265	33,491
Net profit/(loss) attributed to non-controlling interest	324	326	74	79
Other comprehensive income net of tax	(29,420)	11,163	(6,716)	2,700
Total comprehensive income	234,897	149,946	53,623	36,271
Cash flows from operating activities	361,582	202,708	82,544	49,033
Cash flows from investment activities	(231,049)	(200,411)	(52,745)	(48,478)
Cash flows from financial activities	(3,060)	1,255	(699)	304
Total net cash flows	127,473	3,552	29,100	859
	as at 30.06.2016	as at 31.12.2015	as at 30.06.2016	as at 31.12.2015
Total assets	4,212,797	3,910,273	951,937	917,581
Non-current liabilities	1,891,262	1,802,311	427,356	422,929
Current liabilities	895,329	766,458	202,311	179,856
Total equity	1,426,206	1,341,504	322,270	314,796
Equity attributable to shareholders of the parent	1,429,804	1,345,576	323,083	315,752
Non-controlling interest	(3,598)	(4,072)	(813)	(956)
Share capital	287,614	287,614	64,990	67,491
Earnings (loss) per ordinary share (in PLN/EUR)	5.01	2.63	1.14	0.64

CIECH S.A. — selected separate financial data

SELECTED FINANCIAL DATA	in PLN thousand		in EUR thousand	
	6 months ended 30.06.2016	6 months ended 30.06.2015	6 months ended 30.06.2016	6 months ended 30.06.2015
Sales revenues	1,073,357	1,000,532	245,031	242,019
Operating profit/(loss)	155,311	141,745	35,455	34,287
Profit/(loss) before tax	259,205	247,021	59,172	59,752
Net profit / (loss)	241,955	225,660	55,235	54,585
Other comprehensive income net of tax	(3,048)	2,629	(696)	636
Total comprehensive income	238,907	228,289	54,539	55,221
Cash flows from operating activities	234,578	94,956	53,550	22,969
Cash flows from investment activities	(176,960)	(121,540)	(40,397)	(29,399)
Cash flows from financial activities	29,216	40,925	6,670	9,899
Total net cash flows	86,834	14,341	19,823	3,469
	as at 30.06.2016	as at 31.12.2015	as at 30.06.2016	as at 31.12.2015
Total assets	3,700,364	3,227,761	836,146	757,424
Non-current liabilities	1,613,212	1,537,113	364,527	360,698
Current liabilities	701,217	393,425	158,449	92,321
Total equity	1,385,935	1,297,223	313,170	304,405
Share capital	287,614	287,614	64,990	67,491

The above selected financial data were converted into PLN in accordance with the following principles:

- items in the statement of financial position were converted using the average exchange rate determined by the National Bank of Poland on the last day of the reporting period:
- items in the statement of profit or loss, statement of other comprehensive income and statement of cash flows were converted using the exchange rate constituting the arithmetic mean of rates determined by the National Bank of Poland on the last day of each calendar month of the reporting period:

as at 30.06.2016	as at 31.12.2015	6 months ended 30.06.2016	6 months ended 30.06.2015
1 EUR = 4.4255 PLN	1 EUR = 4.2615 PLN	1 EUR = 4.3805 PLN	1 EUR = 4.1341 PLN

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**SEMI-ANNUAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE CIECH GROUP
FOR 6-MONTH PERIOD ENDED 30 JUNE 2016**

**PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ENDORSED BY THE EUROPEAN UNION**

I. SEMI-ANNUAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE CIECH GROUP PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ENDORSED BY THE EUROPEAN UNION

Condensed Consolidated Statement of Profit or Loss of the CIECH Group

PLN '000	01.01–30.06.2016	01.01–30.06.2015*	01.04–30.06.2016	01.04–30.06.2015*
			unaudited data	
CONTINUING OPERATIONS				
Sales revenues	1,693,596	1,658,124	867,127	840,765
Cost of sales	(1,182,568)	(1,221,620)	(599,647)	(617,833)
Gross profit/(loss) on sales	511,028	436,504	267,480	222,932
Other operating income	44,703	22,282	32,677	9,462
Selling costs	(111,632)	(100,161)	(59,056)	(57,087)
General and administrative expenses	(80,057)	(68,855)	(42,078)	(34,037)
Other operating expenses	(19,631)	(48,986)	(5,065)	(17,618)
Operating profit/(loss)	344,411	240,784	193,958	123,652
Financial income	11,923	2,476	10,435	1,443
Financial expenses	(22,447)	(64,696)	(2,265)	(16,232)
Net financial income/expenses	(10,524)	(62,220)	8,170	(14,789)
Share of profit / (loss) of equity-accounted investees	469	182	86	78
Profit/(loss) before tax	334,356	178,746	202,214	108,941
Income tax	(70,039)	(39,963)	(40,135)	(23,381)
Net profit/(loss) on continuing operations	264,317	138,783	162,079	85,560
DISCONTINUED OPERATIONS				
Net profit/(loss) on discontinued operations	-	-	-	-
Net profit / (loss)	264,317	138,783	162,079	85,560
including:			-	-
Net profit/(loss) attributable to shareholders of the parent company	263,993	138,457	161,925	86,248
Net profit/(loss) attributed to non-controlling interest	324	326	154	(688)
Earnings per share (in PLN):				
Basic	5.01	2.63	3.07	1.64
Diluted	5.01	2.63	3.07	1.64
Earnings/(loss) per share (in PLN) from continuing operations:				
Basic	5.01	2.63	3.07	1.64
Diluted	5.01	2.63	3.07	1.64

*Restated data, detailed description of changes is provided in section II.2.

The condensed consolidated statement of profit or loss of the CIECH Group should be analysed together with the explanatory notes which constitute an integral part of the semi-annual condensed consolidated financial statements.

Condensed Consolidated Statement of Other Comprehensive Income of the CIECH Group

<i>PLN '000</i>	01.01–30.06.2016	01.01–30.06.2015	01.04–30.06.2016	01.04–30.06.2015
			<i>unaudited data</i>	
Net profit/(loss) on continuing operations	264,317	138,783	162,079	85,560
Net profit/(loss) on discontinued operations	-	-	-	-
Net profit / (loss)	264,317	138,783	162,079	85,560
Other comprehensive income/(loss) before tax that may be reclassified to profit or loss	(40,452)	14,940	(41,888)	(24,281)
Currency translation differences (foreign companies)	6,185	(2,211)	4,630	(1,789)
Cash flow hedge	(46,637)	17,165	(46,518)	(22,484)
Other components	-	(14)	-	(8)
Other comprehensive income before tax that may not be reclassified to profit or loss	-	-	-	-
Income tax attributable to other comprehensive income	11,032	(3,777)	10,918	5,073
Income tax attributable to other comprehensive income that may be reclassified to profit or loss	11,032	(3,777)	10,918	5,073
Other comprehensive income net of tax	(29,420)	11,163	(30,970)	(19,208)
TOTAL COMPREHENSIVE INCOME	234,897	149,946	131,109	66,352
Comprehensive income including attributable to:	234,897	149,946	131,109	66,352
Shareholders of the parent company	234,423	148,814	130,909	67,345
Non-controlling interest	474	1,132	200	(993)

The condensed consolidated statement of other comprehensive income of the CIECH Group should be analysed together with the explanatory notes which constitute an integral part of the semi-annual condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position of the CIECH Group

<i>PLN '000</i>	30.06.2016	31.12.2015
ASSETS		
Property, plant and equipment	2,479,935	2,305,005
Right of perpetual usufruct	30,836	31,409
Intangible assets, including:	124,843	140,875
- <i>goodwill</i>	64,197	62,378
Investment property	49,292	34,308
Non-current receivables	97,704	89,612
Investments in associates and jointly-controlled entities measured under the equity method	5,581	4,918
Other long-term investments	61,055	40,471
Deferred income tax assets	191,775	213,749
Total non-current assets	3,041,021	2,860,347
Inventory	280,306	293,631
Short-term investments	51,016	50,781
Income tax receivables	6,911	29,544
Trade and other receivables	500,420	469,652
Cash and cash equivalents	329,740	202,935
Non-current assets held for sale	3,383	3,383
Total current assets	1,171,776	1,049,926
Total assets	4,212,797	3,910,273
EQUITY AND LIABILITIES		
Share capital	287,614	287,614
Share premium	470,846	470,846
Cash flow hedge	(53,779)	(16,004)
Actuarial gains	434	434
Other reserve capitals	78,521	78,521
Currency translation reserve	(44,887)	(53,092)
Retained earnings	691,055	577,257
Equity attributable to shareholders of the parent	1,429,804	1,345,576
Non-controlling interest	(3,598)	(4,072)
Total equity	1,426,206	1,341,504
Loans, borrowings and other debt instruments	1,504,478	1,494,775
Finance lease liabilities	21,318	21,884
Other non-current liabilities	181,442	113,485
Employee benefits	12,748	12,829
Provisions (other long-term)	77,318	74,704
Deferred income tax liability	93,958	84,634
Total non-current liabilities	1,891,262	1,802,311
Loans, borrowings and other debt instruments	23,073	19,809
Finance lease liabilities	3,151	4,999
Trade and other liabilities	722,782	585,935
Reverse factoring liabilities	13,645	18,998
Income tax liabilities	53,993	55,020
Short-term provisions for employee benefits	856	1,603
Other provisions	77,829	80,094
Total current liabilities	895,329	766,458
Total liabilities	2,786,591	2,568,769
Total equity and liabilities	4,212,797	3,910,273

The condensed consolidated statement of financial position of the CIECH Group should be analysed together with the explanatory notes which constitute an integral part of the semi-annual condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows of the CIECH Group

PLN '000	01.01–30.06.2016	01.01–30.06.2015*
Cash flows from operating activities		
Net profit/(loss) on continuing operations	264,317	138,783
Adjustments		
Amortisation/depreciation	109,344	110,457
Recognition of impairment allowances	(16)	(30)
Foreign exchange (profit) /loss	(7,258)	8,775
Investment property revaluation	(14,984)	6,347
(Profit) / loss on investment activities	(32)	2,845
(Profit) / loss on disposal of property, plant and equipment	(1,584)	(477)
Dividends and interest	11,059	50,539
Income tax	70,039	39,963
(Profit) / loss on the settlement of construction contracts (caverns)	(2,598)	(3,163)
Share of (profit) / loss on equity accounted investees	(469)	(182)
Change in liabilities due to loan arrangement fee	876	4,418
Ineffective portion of hedge accounting	(1,273)	-
Other adjustments	(1,970)	(7,558)
Cash from operating activities before changes in working capital and provisions	425,451	350,717
Change in receivables	(22,836)	(84,607)
Change in inventory	15,079	(4,786)
Change in current liabilities	(9,664)	(40,577)
Change in provisions and employee benefits	(4,559)	29,618
Cash generated from operating activities	403,471	250,365
Interest paid	(26,367)	(51,277)
(Profit) / loss on the settlement of construction contracts (caverns)	(1,717)	(2,175)
Income tax paid/returned	(13,805)	5,795
Net cash from operating activities	361,582	202,708
Cash flows from investment activities		
Inflows	20,318	7,678
Disposal of a subsidiary	2,931	-
Disposal of intangible assets and property, plant and equipment	2,657	890
Disposal of investment property	-	310
Dividends received	743	233
Interest received	2,348	1,344
Subsidies received	11,639	4,901
Outflows	(251,367)	(208,089)
Cash outflow as a result of the loss of control of subsidiaries **	-	(3,390)
Acquisition of intangible assets and property, plant and equipment	(247,120)	(200,445)
Development expenditures	(4,144)	(4,248)
Other outflows	(103)	(6)
Net cash from investment activities	(231,049)	(200,411)
Cash flows from financial activities		
Inflows	-	53,003
Proceeds from loans and borrowings	-	50,171
Other financial inflows	-	2,832
Outflows	(3,060)	(51,748)
Repayment of "silent partnerships"	-	(49,609)
Payments of finance lease liabilities	(3,060)	(2,124)
Other financial outflows	-	(15)
Net cash from financial activities	(3,060)	1,255
Total net cash flows	127,473	3,552
Cash and cash equivalents as at the beginning of the period	202,935	49,162
<i>Impact of foreign exchange differences</i>	<i>(668)</i>	<i>(26)</i>
Cash and cash equivalents as at the end of the period	329,740	52,688

*Restated data, detailed description of changes is provided in section II.2.

** This item includes cash and cash equivalents deconsolidated as a result of liquidating CIECH Polsin Pte. Ltd. in the first quarter of 2015.

The condensed consolidated statement of cash flows of the CIECH Group should be analysed together with the explanatory notes which constitute an integral part of the semi-annual condensed consolidated financial statements.

Condensed Statement of Changes in Consolidated Equity of the CIECH Group

PLN '000	Attributable to shareholders of the parent company						Equity attributable to shareholders of the parent	Non-controlling interest	Total equity	
	Share capital	Share premium	Cash flow hedge	Actuarial gains	Other reserve capitals	Currency translation reserve				Retained earnings
Equity as at 01.01.2016:	287,614	470,846	(16,004)	434	78,521	(53,092)	577,257	1,345,576	(4,072)	1,341,504
Transactions with the parent company shareholders recognised directly in equity	-	-	-	-	-	-	(150,195)	(150,195)	-	(150,195)
Dividend payment	-	-	-	-	-	-	(150,195)	(150,195)	-	(150,195)
Total comprehensive income for the period	-	-	(37,775)	-	-	8,205	263,993	234,423	474	234,897
Net profit / loss	-	-	-	-	-	-	263,993	263,993	324	264,317
Other comprehensive income	-	-	(37,775)	-	-	8,205	-	(29,570)	150	(29,420)
Equity as at 30.06.2016	287,614	470,846	(53,779)	434	78,521	(44,887)	691,055	1,429,804	(3,598)	1,426,206
Equity as at 01.01.2015:	287,614	470,846	(28,254)	(114)	78,521	(47,716)	233,877	994,774	(9,300)	985,474
Transactions with the parent company shareholders recognised directly in equity	-	-	-	-	-	(1,508)	1,477	(31)	(387)	(418)
Change in the Group's structure	-	-	-	-	-	(1,508)	1,477	(31)	(387)	(418)
Total comprehensive income for the period	-	-	13,904	-	-	(3,533)	138,443	148,814	1,132	149,946
Net profit / loss	-	-	-	-	-	-	138,457	138,457	326	138,783
Other comprehensive income	-	-	13,904	-	-	(3,533)	(14)	10,357	806	11,163
Equity as at 30.06.2015	287,614	470,846	(14,350)	(114)	78,521	(52,757)	373,797	1,143,557	(8,555)	1,135,002

The condensed statement of changes in consolidated equity of the CIECH Group should be analysed together with the explanatory notes which constitute an integral part of the semi-annual condensed consolidated financial statements.

II. EXPLANATORY NOTES TO THE SEMI-ANNUAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE CIECH GROUP

1. Basis for preparation of the Semi-annual Condensed Consolidated Financial Statements of the CIECH Group

These interim condensed consolidated financial statements were prepared in compliance with IAS 34 "Interim Financial Reporting" as approved by the European Union and the Regulation of the Minister of Finance dated 19 February 2009, as amended, 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 (Journal of Laws of 2009, No 33, item 259). These financial statements present the financial position of the CIECH Group as at 30 June 2016 and as at 31 December 2015, results of the Group's operations and cash flows for the period of 6 months ended 30 June 2016 and 30 June 2015, and were approved by the Management Board of CIECH S.A. on 30 August 2016.

These semi-annual condensed consolidated financial statements cover the financial statements of the parent company, CIECH S.A., and its subsidiaries, as well as interests in associates.

These semi-annual condensed consolidated financial statements were prepared under the assumption that the CIECH Group will continue as a going concern in the foreseeable future. As at the date of approval of these semi-annual condensed consolidated financial statements, no facts or circumstances are known that would indicate any threat to the Group continuing as a going concern.

The Management Board of CIECH S.A. declares that to the best of its knowledge these semi-annual condensed consolidated financial statements, including corresponding figures, have been prepared in accordance with the generally acceptable accounting principles and that they represent a true, accurate and fair reflection of the CIECH Group's financial position and the results of operations. Furthermore, the Management Board of CIECH S.A. declares that the Directors' Report for the period of 6 months ended 30 June 2016 contains a true image of the Group's developments, achievements, and condition, including the description of major risks and threats.

Preparation of financial statements in accordance with International Financial Reporting Standards ("IFRS") requires the Management Board to make professional judgements, estimates and assumptions which affect the adopted principles and presented values of assets, equity and liabilities, income and expenses. The estimates and assumptions associated with them are based on historical accuracy and various other factors that are considered to be reasonable under the specific circumstances, and their results provide a basis for professional judgement about the value of assets and liabilities that are not directly apparent from other sources. Actual value may differ from the estimated value. The estimates and assumptions associated with them are subject to ongoing verification. Revision of accounting estimates is recognised in the period in which the changes were made, only if it affects that period or the present and future in case they concern both the current and future periods. The Management Board's professional judgements which have a significant impact on the consolidated financial statements, and the estimates bearing a risk of significant changes in future years have been presented in items II.6, II.7, II.8 and II.13 hereof. During the current interim period there were no significant revisions to the estimates presented in previous reporting periods.

The Management Board of CIECH S.A. declares that PricewaterhouseCoopers Sp. z o.o. with its registered office in Warsaw, entered into the list of entities authorised to audit financial statements under the registry No 144 kept by the National Chamber of Statutory Auditors was chosen in accordance with the binding legal regulations for the auditor of the semi-annual condensed consolidated financial statements for the period from 1 January 2016 to 30 June 2016.

2. Adopted accounting principles

The CIECH Group's accounting principles are described in the Consolidated Annual Report of the CIECH Group for the year 2015, published on 21 March 2016. The aforementioned Report includes detailed information regarding the principles and methods of valuation of assets, equity and liabilities and measurement of the financial result, as well as the method of preparing the financial statements and comparative information. These principles have been applied on a continuous basis with relation to currently published data, the last annual financial statements and comparative data presented, except for a change consisting in standardisation of presentation of own cost of shared services provided within the Group (reclassification in the statement of profit or loss between cost of sales, general and administrative expenses and selling costs). Moreover, a change in presenting subsidies in the statement of cash flows was introduced – until now, they were indicated as financing activity inflows while currently they are presented as investing activities.

The CIECH Group intends to adopt amendments to the IFRS that are published but not effective as at the date of publication of these consolidated financial statements in accordance with their effective date. The estimated impact of amendments on the CIECH Group's future consolidated financial statements was presented in item II.3.3 of the Consolidated Annual Report of the CIECH Group for 2015, published on 21 March 2016. In the assessment of the Group, amendments to IFRS that came into force between the date of publication of the consolidated financial statements for 2015 and the date of publication of this Report will not have a significant impact on the financial statements.

3. Functional and presentation currency and conversion principles

The Polish zloty (PLN) is the functional currency of the parent company, CIECH S.A., and the reporting currency of these consolidated financial statements. Unless stated otherwise, all financial data in these consolidated financial statements have been presented in thousands of Polish zlotys (PLN '000).

The functional currencies for the significant foreign subsidiaries are as follows: SDC Group and Ciech Group Financing AB – EUR, CIECH Soda Romania S.A. – RON. For the purpose of conversion into PLN, the following foreign exchange rates determined on the basis of quotations announced by the National Bank of Poland ("NBP") have been applied for consolidation purposes:

Average NBP rate as at	30.06.2016 ¹	31.12.2015 ²
EUR	4.4255	4.2615
RON	0.9795	0.9421
Average NBP rate for the reporting period	6 months ended 30.06.2016 ³	6 months ended 30.06.2015 ⁴
EUR	4.3805	4.1341
RON	0.9741	0.9312

¹ NBP's average foreign exchange rates table applicable as at 30 June 2016.

² NBP's average foreign exchange rates table applicable as at 31 December 2015.

³ According to the exchange rate constituting the arithmetic mean of average exchange rates determined by NBP on the last day of each month of the period from 1 January 2016 to 30 June 2016.

⁴ According to the exchange rate constituting the arithmetic mean of average exchange rates determined by NBP on the last day of each month of the period from 1 January 2015 to 30 June 2015.

4. Seasonality and cyclicity of activity of the CIECH Group

Seasonality associated with periodic demand and supply fluctuations has little impact on the CIECH Group general sales trends. Products influenced by seasonality are plant protection chemicals. Most plant protection chemicals are used in the first half of the year, during the period of intensive plant growth. However, owing to the expansion of the product range and the applied forms of pre-season sales, the impact of seasonality on the Group's performance is decreasing. Furthermore, in the soda segment, a seasonal relationship between the sales volume of some products and the course of winter is observable. For calcium chloride and other products (anti-ice salt and chloride mix, waste salt) a mild winter is a reason for decrease of sales, while the influence on the sales of salt is indirect. For other products, the Group's revenues and financial results are not influenced by any significant seasonal fluctuations over the year. Because of this, seasonality plays a relatively small role in the Group's overall sales.

5. Financial data by operating segments

The CIECH Group's operating segments are designated on the basis of internal reports related to the components of the Group and are regularly reviewed by the Management Board, which is responsible for operating decisions aimed at allocating resources to segments and assessing the subsidiaries performance. Information for a given operating segment may include sales of products and goods also included in the core product range of other divisions. Such items, however, are not significant for those divisions' management accounting. The Group financing (including finance expenses and incomes with the exception of interest on trade receivables and liabilities) and income tax are monitored on the Group level and are not allocated to particular segments. Operational segments results are assessed by the CIECH S.A's Management Board on the basis of sales revenue, operating profit, EBITDA and normalised EBITDA. EBITDA and normalised EBITDA are not defined in IFRS so they might be calculated differently by other companies. Reconciliation and definitions applied by the CIECH Group while calculating aforementioned measures are presented below.

PLN '000	01.01–30.06.2016	01.01–30.06.2015
Net profit/(loss) on continuing operations	264,317	138,783
Income tax	70,039	39,963
Share of profit / (loss) of equity-accounted investees	(469)	(182)
Financial expenses	22,447	64,696
Financial income	(11,923)	(2,476)
Amortisation/depreciation	109,344	110,457
EBITDA	453,755	351,241

PLN '000	01.01–30.06.2016	01.01–30.06.2015
EBITDA	453,755	351,241
One-offs including:	(19,708)	29,364
Impairment (a)	(16)	170
Cash items (b)	(2,836)	3,114
Non-cash items (without impairment) (c)	(16,856)	26,080
Normalised EBITDA	434,047	380,605

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

(b) Cash items include, among others, profit/loss of the sale of property, plant and equipment and other items (including costs associated with discontinued operations, fees and compensations).

(c) Non-cash items include: fair value measurement of investment properties, costs of liquidation of inventories and property, plant and equipment, the costs of suspended investments, environmental provisions, provisions for liabilities and compensation, costs of unused production capacity and other items (including extraordinary costs and other provisions).

Additional information on normalisation has been presented under tables presenting the consolidated statement of profit or loss by operating segments.

Revenue and costs data as well as assets, equity and liabilities data of particular CIECH Group operating segments for periods disclosed in statements are presented in the tables below.

OPERATING SEGMENTS 01.01.-30.06.2016 <i>PLN '000</i>	Soda Segment	Organic Segment	Silicates and Glass Segment	Transport Segment	Other operations Segment	Corporate functions - reconciliation item	Eliminations (consolidation adjustments)	TOTAL
Revenues from third parties	1,190,800	384,278	73,475	7,285	37,758	-	-	1,693,596
Revenue from inter-segment transactions	12,619	2,797	3	56,030	26,777	-	(98,226)	-
Total revenues	1,203,419	387,075	73,478	63,315	64,535	-	(98,226)	1,693,596
Cost of sales	(778,419)	(317,308)	(54,658)	(57,360)	(49,067)	-	74,244	(1,182,568)
Gross profit/(loss) on sales	425,000	69,767	18,820	5,955	15,468	-	(23,982)	511,028
Selling costs	(99,062)	(31,547)	(9,497)	(76)	(4,133)	(4,994)	37,677	(111,632)
General and administrative expenses	(27,051)	(11,060)	(2,595)	(2,565)	(2,277)	(19,672)	(14,837)	(80,057)
Result on management of receivables	(571)	(3,083)	(40)	16	(7)	-	-	(3,685)
Result on other operating activities	14,065	(3,030)	10	2,534	15,269	-	(91)	28,757
Operating profit/(loss)	312,381	21,047	6,698	5,864	24,320	(24,666)	(1,233)	344,411
Exchange differences and interest on trade settlements	(4,775)	(9,488)	240	(203)	1,459	-	-	(12,767)
Group borrowing costs	-	-	-	-	-	(16,461)	-	(16,461)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	18,704	-	18,704
Share of profit / (loss) of equity-accounted investees	469	-	-	-	-	-	-	469
Profit/(loss) before tax	308,075	11,559	6,938	5,661	25,779	(22,423)	(1,233)	334,356
Income tax	-	-	-	-	-	-	-	(70,039)
Net profit/(loss) on continuing operations	-	-	-	-	-	-	-	264,317
Net profit/(loss) on discontinued operations	-	-	-	-	-	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	264,317
Amortisation/depreciation	80,863	15,390	7,666	2,969	182	2,274	-	109,344
EBITDA	393,244	36,437	14,364	8,833	24,502	(22,392)	(1,233)	453,755
<i>Normalised EBITDA*</i>	390,703	36,053	14,361	6,866	9,646	(22,392)	(1,190)	434,047

* Normalised EBITDA for the 6-month period ended 30 June 2016 is calculated as EBITDA adjusted for untypical one-off events: fair value measurement of investment property: PLN 14.9 million, change in provisions: PLN 3.2 million; gain on disposal of non-financial non-current assets: PLN 2.4 million; other: PLN -0.8 million.

OPERATING SEGMENTS* 01.01.–30.06.2015 PLN '000	Soda Segment	Organic Segment	Silicates and Glass Segment	Transport Segment	Other operations Segment	Corporate functions - reconciliation item	Eliminations (consolidation adjustments)	TOTAL
Revenues from third parties	1,078,476	431,919	86,370	6,335	55,024	-	-	1,658,124
Revenue from inter-segment transactions	13,618	1,318	10	56,042	17,776	-	(88,764)	-
Total revenues	1,092,094	433,237	86,380	62,377	72,800	-	(88,764)	1,658,124
Cost of sales	(752,942)	(360,749)	(63,632)	(54,538)	(60,186)	-	70,427	(1,221,620)
Gross profit/(loss) on sales	339,152	72,488	22,748	7,839	12,614	-	(18,337)	436,504
Selling costs	(83,189)	(28,068)	(10,248)	-	(4,167)	(4,080)	29,591	(100,161)
General and administrative expenses	(23,050)	(9,913)	(2,870)	(2,792)	(2,200)	(16,805)	(11,225)	(68,855)
Result on management of receivables	(30)	1,885	66	11	77	-	-	2,009
Result on other operating activities	(14,403)	(2,578)	817	343	(7,419)	(3,794)	(1,679)	(28,713)
Operating profit/(loss)	218,480	33,814	10,513	5,401	(1,095)	(24,679)	(1,650)	240,784
Exchange differences and interest on trade settlements	(5,081)	(2,141)	67	(168)	(700)	-	(1,489)	(9,512)
Group borrowing costs	-	-	-	-	-	(49,451)	-	(49,451)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	(3,257)	-	(3,257)
Share of profit / (loss) of equity-accounted investees	182	-	-	-	-	-	-	182
Profit/(loss) before tax	213,581	31,673	10,580	5,233	(1,795)	(77,387)	(3,139)	178,746
Income tax	-	-	-	-	-	-	-	(39,963)
Net profit/(loss) on continuing operations	-	-	-	-	-	-	-	138,783
Net profit/(loss) on discontinued operations	-	-	-	-	-	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	138,783
Amortisation/depreciation	80,199	17,348	7,496	3,080	184	2,150	-	110,457
EBITDA	298,679	51,162	18,009	8,481	(911)	(22,529)	(1,650)	351,241
<i>Normalised EBITDA**</i>	315,868	50,568	17,900	8,145	6,926	(18,737)	(65)	380,605

*Restated data, detailed description of changes is provided in section II.2.

** Normalised EBITDA for the 6-month period ended 30 June 2015 is calculated as EBITDA adjusted for untypical one-off events: change in provisions: PLN -18.9 million, measurement of investment property: PLN -6.3 million, result on liquidation of CIECH Polsin Pte. Ltd.: PLN -2.8 million, other: PLN -1.4 million.

CIECH Group – ASSETS AND LIABILITIES BY OPERATING SEGMENTS

PLN '000	ASSETS		LIABILITIES	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
Soda Segment	2,422,747	2,287,896	179,268	180,843
Organic Segment	542,249	537,571	86,108	77,103
Silicates and Glass Segment	171,404	129,063	15,409	14,873
Transport Segment	58,769	65,431	9,992	11,620
Other operations Segment	29,693	25,128	17,339	20,685
Corporate functions - reconciliation item	1,020,254	901,332	2,505,561	2,295,437
Eliminations (consolidation adjustments)	(32,319)	(36,148)	(27,086)	(31,792)
TOTAL	4,212,797	3,910,273	2,786,591	2,568,769

CIECH Group – INFORMATION ON GEOGRAPHICAL AREAS

PLN '000	ASSETS		Sales revenues	
	30.06.2016	31.12.2015	01.01-30.06.2016	01.01-30.06.2015
Poland	2,865,095	2,641,477	635,429	661,865
European Union (excluding Poland)	1,252,408	1,191,991	815,001	805,413
Other European countries	53,035	44,621	118,667	106,221
Africa	7,123	8,628	38,474	12,185
Asia	34,442	22,596	75,740	60,115
Other regions	694	960	10,285	12,325
TOTAL	4,212,797	3,910,273	1,693,596	1,658,124

6. Provisions and impairment allowances on assets

In the first half of 2016 and in the second quarter of 2016, the following changes in provisions and impairment allowances on assets were recognised in the consolidated financial statements of the CIECH Group.

PROVISIONS FOR EMPLOYEE BENEFITS	Opening balance	Recognition	Use (payment of benefits) and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2016					
Long-term	12,829	113	(444)	250	12,748
Short-term	1,603	252	(488)	(511)	856
01.01.-30.06.2015					
Long-term	12,720	388	(122)	(26)	12,960
Short-term	963	439	(488)	71	985
01.04.-30.06.2016					
Long-term	12,565	87	(114)	210	12,748
Short-term	1,260	117	(477)	(44)	856
01.04.-30.06.2015					
Long-term	12,784	153	(147)	170	12,960
Short-term	808	311	(463)	329	985

CHANGE IN OTHER LONG-TERM PROVISIONS PLN '000	Opening balance	Recognition	Use (payment of benefits) and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2016					
Provision for liabilities	6,547	-	-	-	6,547
Provision for environmental protection	68,157	-	-	2,614	70,771
TOTAL	74,704	-	-	2,614	77,318

CHANGE IN OTHER LONG-TERM PROVISIONS PLN '000	Opening balance	Recognition	Use (payment of benefits) and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2015					
Provision for liabilities	6,789	-	(242)	-	6,547
Provision for environmental protection	68,455	-	-	(287)	68,168
TOTAL	75,244	-	(242)	(287)	74,715
01.04.-30.06.2016					
Provision for liabilities	6,547	-	-	-	6,547
Provision for environmental protection	68,481	-	-	2,290	70,771
TOTAL	75,028	-	-	2,290	77,318
01.04.-30.06.2015					
Provision for liabilities	6,789	-	(242)	-	6,547
Provision for environmental protection	71,667	(5,468)	-	1,969	68,168
TOTAL	78,456	(5,468)	(242)	1,969	74,715

CHANGE IN OTHER SHORT-TERM PROVISIONS PLN '000	Opening balance	Recognition	Use (payment of benefits) and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2016					
Provision for compensation	8,368	580	-	45	8,993
Provision for liabilities	37,020	135	(6,170)	3,935	34,920
Provision for environmental protection	2,236	-	(1,083)	-	1,153
Provision for expected losses	30,887	-	-	435	31,322
Other provisions	1,585	1,714	(1,896)	38	1,441
TOTAL	80,096	2,429	(9,149)	4,453	77,829
01.01.-30.06.2015					
Provision for compensation	5,749	57	(68)	-	5,738
Provision for liabilities	33,612	18,179	(1,058)	12,030	62,763
Provision for environmental protection	2,205	-	(546)	-	1,659
Provision for expected losses	19,363	3,994	(8)	58	23,407
Other provisions	439	2,164	(903)	(730)	970
TOTAL	61,368	24,394	(2,583)	11,358	94,537
01.04.-30.06.2016					
Provision for compensation	8,595	380	-	18	8,993
Provision for liabilities	36,628	(1,350)	(3,997)	3,639	34,920
Provision for environmental protection	2,022	-	(869)	-	1,153
Provision for expected losses	33,711	(2,853)	-	464	31,322
Other provisions	1,998	478	(1,062)	27	1,441
TOTAL	82,954	(3,345)	(5,928)	4,148	77,829
01.04.-30.06.2015					
Provision for compensation	5,749	57	(68)	-	5,738
Provision for liabilities	35,145	15,795	(984)	12,807	62,763
Provision for environmental protection	1,942	-	(283)	-	1,659
Provision for expected losses	19,358	3,994	(3)	58	23,407
Other provisions	7	1,712	(451)	(298)	970
TOTAL	62,201	21,558	(1,789)	12,567	94,537

CHANGE IN IMPAIRMENT ALLOWANCES <i>PLN '000</i>	Opening balance	Recognition	Use (payment of benefits) and reversal	Other changes (including exchange differences)	Closing balance
01.01.–30.06.2016					
Property, plant and equipment	6,021	-	-	37	6,058
Intangible assets, including:	456,422	-	-	16,965	473,387
<i>Goodwill</i>	412,974	-	-	15,386	428,360
Long-term financial assets	1,343	-	-	-	1,343
Inventories	38,215	1,311	(3,273)	320	36,573
Short-term investments	24,601	-	-	-	24,601
Trade and other receivables	44,826	5,110	(2,173)	2,539	50,302
TOTAL	571,428	6,421	(5,446)	19,861	592,264
01.01.–30.06.2015					
Property, plant and equipment	6,262	-	-	(18)	6,244
Intangible assets, including:	457,191	-	-	5,767	462,958
<i>Goodwill</i>	413,735	-	-	(6,419)	407,316
Long-term financial assets	23,131	-	(3,299)	-	19,832
Inventories	44,393	1,264	(9,094)	(138)	36,425
Short-term investments	6,807	-	-	-	6,807
Trade and other receivables	51,620	643	(5,510)	(899)	45,854
TOTAL	589,404	1,907	(17,903)	4,712	578,120
01.04.–30.06.2016					
Property, plant and equipment	6,035	-	-	23	6,058
Intangible assets, including:	457,934	-	-	15,453	473,387
<i>Goodwill</i>	414,418	-	-	13,942	428,360
Long-term financial assets	1,343	-	-	-	1,343
Inventories	37,754	592	(1,994)	221	36,573
Short-term investments	24,601	-	-	-	24,601
Trade and other receivables	49,267	1,457	(1,177)	755	50,302
TOTAL	576,934	2,049	(3,171)	16,452	592,264
01.04.–30.06.2015					
Property, plant and equipment	6,263	-	-	(19)	6,244
Intangible assets, including:	446,502	(6,045)	-	22,501	462,958
<i>Goodwill</i>	398,754	-	-	8,562	407,316
Long-term financial assets	19,832	-	-	-	19,832
Inventories	36,962	868	(1,468)	63	36,425
Short-term investments	6,807	-	-	-	6,807
Trade and other receivables	50,807	(224)	(3,315)	(1,414)	45,854
TOTAL	567,173	(5,401)	(4,783)	21,131	578,120

7. Deferred tax

The main components of tax expense include:

MAIN COMPONENTS OF TAX EXPENSE (TAX INCOME) <i>PLN '000</i>	01.01.–30.06.2016	01.01.–30.06.2015
Current income tax	28,991	26,133
Deferred tax	41,048	13,830
INCOME TAX RECOGNISED IN STATEMENT OF PROFIT OR LOSS	70,039	39,963

Deferred income tax is attributable to the following items:

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITY PLN '000	30.06.2016			31.12.2015		
	Total asset	Total liability	Net value	Total asset	Total liability	Net value
Property, plant and equipment	1,795	131,392	(129,597)	1,772	121,325	(119,553)
Intangible assets	34,823	4,091	30,732	36,611	4,975	31,636
Right of perpetual usufruct	-	5,197	(5,197)	-	5,218	(5,218)
Investment property	2,365	4,370	(2,005)	2,365	1,602	763
Financial assets	33,199	3,329	29,870	32,655	3,514	29,141
Inventory	1,609	41	1,568	1,558	538	1,020
Trade and other receivables	2,798	35,737	(32,939)	1,406	30,634	(29,228)
Provisions for employee benefits	2,636	11	2,625	2,169	11	2,158
Other provisions	23,208	24	23,184	18,581	1	18,580
Tax losses carried forward	141,042	-	141,042	179,307	-	179,307
Foreign exchange differences	3,124	461	2,663	2,522	728	1,794
Liabilities	47,782	36	47,746	34,023	877	33,146
Other	414	4,209	(3,795)	131	4,594	(4,463)
Deferred tax assets/liability	294,795	188,898	105,897	313,100	174,017	139,083
Set - off of deferred tax assets/ liability	(94,940)	(94,940)	-	(89,383)	(89,383)	-
Unrecognized deferred tax assets	(8,080)	-	(8,080)	(9,968)	-	(9,968)
Deferred tax assets/liability recognised in the statement of financial position	191,775	93,958	97,817	213,749	84,634	129,115

8. Information on fair value of financial instruments

a) Financial instruments measured at fair value

As at 30 June 2016, the CIECH Group held the following types of financial instruments measured at fair value: an interest rate swap contract, currency forward EUR/PLN, and CIRS (currency and interest rate swap) contract EUR/PLN. All financial instruments listed above have been concluded by the parent company, CIECH S.A.

As compared to the previous reporting period, the CIECH Group has not made any changes in methods of measurement of financial instruments held. The descriptions of methods of measurement to fair value was presented in item II.5 of the Consolidated Annual Report of the CIECH Group for 2015, published on 21 March 2016.

Fair value of financial instruments PLN '000	Other long-term investments	Short-term investments	Other non-current liabilities	Trade and other liabilities	TOTAL
30.06.2016					
IRS PLN	-	-	(682)	(1,358)	(2,040)
IRS EUR	-	-	(2,974)	(1,210)	(4,184)
CIRS	49,660	17,015	(104,546)	-	(37,871)
Forward EUR/PLN	-	-	-	(422)	(422)
TOTAL	49,660	17,015	(108,202)	(2,990)	(44,517)
31.12.2015					
IRS PLN	-	-	(1,380)	(1,430)	(2,810)
IRS EUR	2,300	-	(617)	(782)	901
CIRS	26,778	16,781	(39,831)	-	3,728
Forward EUR/PLN	-	-	-	(718)	(718)
Forward USD/PLN	-	-	-	(254)	(254)
TOTAL	29,078	16,781	(41,828)	(3,184)	847

According to the fair value hierarchy, it is Level 2.

In the first half of 2016, there were no transfers within the fair value hierarchy of instruments measured at fair value. There were no changes in the classification of financial instruments, or in business conditions that could affect the fair value of financial assets or liabilities.

In the consolidated financial statements, all financial instruments concluded were designated for hedge accounting, and details of the designation were presented in item II.41 of the Consolidated Annual Report of the CIECH Group for 2015, published on 21 March 2016.

In the separate financial statements, all financial instruments, except for CIRS, were designated for hedge accounting, and details of the designation were presented in item II.32.1 of the Annual Report of the CIECH S.A. for 2015, published on 21 March 2016.

b) Financial instruments not measured at fair value

The CIECH Group holds the issued domestic bonds whose book value, as at 30 June 2016, amounted to PLN 160,006 thousand, and the fair value — to PLN 160,000 thousand.

In the case of the remaining financial instruments held by the CIECH Group (classified mainly as cash, loans and receivables, financial liabilities measured at amortised cost and financial liabilities), the fair value was close to the book value.

9. Information on purchase and disposal of property, plant and equipment and commitments for the acquisition of property, plant and equipment

In the period from 1 January to 30 June 2016, the CIECH Group carried out the following transactions increasing and decreasing the gross value of property, plant and equipment:

MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT	Land	Buildings, premises and civil and water engineering structures	Machinery and equipment	Means of transport	Other property, plant and equipment	Property, plant and equipment under construction	Property, plant and equipment, TOTAL
01.01.–30.06.2016 <i>PLN '000</i>							
Gross value of property, plant and equipment at the beginning of the period	81,567	908,740	2,354,758	102,007	42,748	392,084	3,881,904
Purchases	-	-	2,764	868	236	3,868	7,736
Capital expenditure	-	-	-	-	-	238,076	238,076
Modernisation	-	2,022	13,000	1,961	74	-	17,057
Reclassification from investments	-	20,808	99,623	102	1,365	-	121,898
Accepted under a finance lease agreement	-	-	-	2,203	-	2,203	4,406
Capitalised borrowing costs	-	-	-	-	-	10,803	10,803
Commissioning	-	-	-	-	-	(145,026)	(145,026)
Currency translation differences	3,109	9,081	34,631	550	413	1,710	49,494
Sales	-	-	(16,547)	(9,731)	(31)	(568)	(26,877)
Liquidation	-	(3,401)	(18,433)	(3,184)	(128)	-	(25,146)
Other increases/decreases	-	86	-	(1)	3	2	90
Gross value of property, plant and equipment at the end of the period	84,676	937,336	2,469,796	94,775	44,680	503,152	4,134,415

Purchases of property, plant and equipment were made with own financial resources or in the form of a finance lease. Commitments to purchase property, plant and equipment amounted to PLN 325,558 thousand (PLN 446,512 thousand as at 31 December 2015).

10. Information on loan agreements, including overdue debts or other violations of debt-related agreements

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

All information concerning the financing conditions, which results from the agreements and arrangements with the banks, has been presented in the Consolidated Annual Report of CIECH Group for 2015, published on 21 March 2016.

11. Information on transactions with related entities

Transactions between the parent, CIECH S.A., and its subsidiaries were eliminated during consolidation and have not been presented in this note.

Detailed information about transactions between the CIECH Group and other related entities (i.e. companies controlled by the parent company at the highest level in relation to CIECH S.A. — Kulczyk Investments S.A. or non-consolidated companies of the CIECH Group) is presented below:

TRANSACTIONS BETWEEN CONSOLIDATED ENTITIES AND OTHER RELATED ENTITIES		
PLN '000	01.01.–30.06.2016	01.01.–30.06.2015
Revenues from sales of products and services	2,915	2,413
Revenues from sales of goods and materials	41,626	31,657
Other operating income	14	252
Financial income	781	355
Purchase of products, goods and materials	-	6,968
Purchase of services	20,006	19,936
Other operating expenses	2	1
Financial expenses	9	-
PLN '000	30.06.2016	31.12.2015
Receivables	11,041	7,561
Liabilities	4,048	8,965

Terms of transactions with related entities

Material sales to and purchases from related entities are carried out on arm's length terms. Overdue liabilities and receivables are not secured and are settled in cash or by set-off. No material non-standard or non-routine transactions were concluded within the CIECH Group in the first half of 2016. In the presented period, the key management personnel of CIECH S.A. did not conclude any material transactions with related parties.

12. Issue, redemption and repayment of debt securities and equity securities in the CIECH Group

In the presented period, the CIECH Group companies did not issue, redeem or repay any debt or equity securities.

13. Contingent assets and contingent liabilities including guarantees and sureties

PLN '000		
OTHER CONTINGENT ITEMS	30.06.2016	31.12.2015
1. Contingent assets	18,864	18,864
- other contingent receivables*	18,864	18,864
2. Contingent liabilities	650,028	634,322
- guarantees and sureties granted**	533,097	528,601
- other***	116,931	105,721

* Contingent asset in the amount of PLN 18,864 thousand related to the action against GZNF "FOSFOR" Sp. z o.o. for the payment of compensation for making an alleged untrue declaration by GZNF "FOSFOR" Sp. z o.o. to CIECH S.A. about the condition of Agrochem Czulchów Sp. z o.o. with its registered office in Czulchów.

** Including:

- 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 – contingent liability in the amount of PLN 88,000 thousand
- guarantee granted up to the amount of 125% of liability related to term loan in the amount of PLN 1,045,031 thousand and revolving loan in the amount of PLN 250,000 thousand – contingent liability in the amount of PLN 323,758 thousand
- guarantee granted up to the amount of 125% of liability related to term loan in the amount of EUR 69,673 thousand – contingent liability in the amount of PLN 77,084 thousand
- guarantee for certain obligations and warranties made by Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej as a part of the agreement for sale and transfer of TDI assets on BASF – contingent liability in the amount of PLN 44,255 thousand (EUR 10,000 thousand).

*** Including mainly:

- contingent liability in CIECH Soda Romania S.A. resulting from a claim filed by employees of CIECH Soda Romania S.A. — the amount of PLN 18,760 thousand (RON 19,153 thousand),
- contingent liability in the SDC Group relating to environmental protection in the amount of PLN 16,118 thousand (EUR 3,642 thousand),
- contingent liability in CIECH Soda Polska S.A. regarding environmental penalty fees in the amount of PLN 30,974 thousand,

- *contingent liabilities in CIECH Soda Polska S.A. resulting from blank promissory notes for the National Fund for Environmental Protection and Water Management relating to grants received in the event of a potential financial adjustment in the amount of PLN 33,483 thousand, in connection with the received subsidy to the project "Development of sludge decantation and filtration facilities in production plant in Inowrocław" in the amount of PLN 10,930 thousand, in connection with the received subsidy to the project "Boiler electrofilters modernisation of OP-110 No 2 and 4 in CHP Inowrocław" in the amount of PLN 709 thousand,*
- *potential liability in CIECH S.A. regarding employee claims in the amount of PLN 4,883 thousand.*

As at 30 June 2016, contingent liabilities amounted to PLN 650,028 thousand and increased as compared to 31 December 2015 by PLN 15,706 thousand. The change resulted mainly from the receipt of two subsidies by CIECH Soda Polska S.A. in the total amount of PLN 11,639 thousand, decrease in potential liability regarding employee claims in the amount of PLN 947 thousand and increase in other contingent liabilities on account of currency translation differences in the amount of PLN 4,496 thousand.

Other guarantees and sureties granted were described in item II.42 of the Consolidated Annual Report of the CIECH Group for the year 2015, published on 21 March 2016.

14. Information on dividends paid (or declared), in total and per share, broken down into ordinary shares and preference shares

On 16 June 2016, the Ordinary General Meeting of Shareholders of CIECH S.A. adopted a resolution regarding the distribution of the net profit for 2015, amounting to PLN 331,579 thousand, in the following manner:

- the amount of PLN 150,195 thousand is to be allocated for the payment of a dividend to the shareholders of CIECH S.A., i.e. a dividend per one share amounts to PLN 2.85,
- the amount of PLN 181,384 thousand is to be allocated to the supplementary capital of CIECH S.A.

The number of shares covered by the dividend amounts to 52,699,909. Dividend date was set on 30 June 2016. The dividend was paid on 16 August 2016.

15. Information on post-balance-sheet events

On 6 July 2016, the court curator of S.C. CET Govora S.A. in Romania in composition proceedings, acting pursuant to the Romanian bankruptcy law, terminated the agreement with CIECH Soda Romania S.A. for sale of heat energy (supply of technological steam) concluded for a specified period of time, effective on 31 July 2016. At the same time, the court curator of S.C. CET Govora S.A. invited CIECH Soda Romania S.A. to talks about determination of new conditions of delivery of technological steam, starting from 1 August 2016. On 28 July 2016, the court curator of S.C. CET Govora S.A. announced that, despite termination of the heat energy sale agreement with CIECH Soda Romania S.A. with effect on 31 July 2016, deliveries of technological steam to CIECH Soda Romania S.A. will continue after 31 July 2016, with a gradual reduction of their scope by 25% per day, until final discontinuation of deliveries. As a result of limitation of deliveries of technological steam, CIECH Soda Romania S.A., due to technological reasons, suspended its production of soda on 3 August 2016. CIECH Soda Romania S.A. questioned the validity of the notice of termination and took appropriate legal action before a competent court, aimed at invalidation of the effectiveness of termination of the agreement. On 18 August 2016, the decision of Ramnicu Valcea Tribunal in Romania was verbally announced ordering that legal effects of the termination be suspended. The decision to suspend the legal consequences will be binding until the court of the first instance has examined the case. As a result of the said court's decision, on 19 August 2016 the supply of steam was resumed and CIECH Soda Romania S.A. has begun to restore its soda production process. During the forced standstill the equipment was subject to maintenance and repairs. Regardless of the developments, discussions with the court-appointed administrator of S.C. CET Govora S.A., regarding the conclusion of a long-term agreement for the supply of technological steam, are being continued.

On 10 August 2016, the Management Board of CIECH S.A. adopted a decision on applying for admission and introduction of the shares of CIECH S.A. in the regulated market in the basic segment of the Frankfurt Stock Exchange (Frankfurter Börse, "FSE") and, for that purpose, on the drawing-up and submission to FSE of a relevant document summarising the rights required by law for the purpose of the admission. The Management Board of the Frankfurt Stock Exchange has taken decisions on admission as of 22 August 2016 and introduction as of 23 August 2016 of all the shares of CIECH S.A. in the regulated market in the General Standard sub-segment of the FSE. Following the admission, CIECH S.A.'s shares, at the same time, are listed at the Warsaw Stock Exchange and at FSE (dual listing).

**SEMI-ANNUAL CONDENSED SEPARATE FINANCIAL STATEMENTS OF CIECH S.A.
FOR 6-MONTH PERIOD ENDED 30 JUNE 2016**

**PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ENDORSED BY THE EUROPEAN UNION**

III. SEMI-ANNUAL CONDENSED SEPARATE FINANCIAL STATEMENTS OF CIECH S.A. PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ENDORSED BY THE EUROPEAN UNION

Condensed Separate Statement of Profit or Loss of CIECH S.A.

	01.01–30.06.2016	01.01–30.06.2015*	01.04–30.06.2016	01.04–30.06.2015*
<i>PLN '000</i>			<i>unaudited data</i>	
CONTINUING OPERATIONS				
Sales revenues	1,073,357	1,000,532	543,429	515,063
Cost of sales	(807,897)	(787,771)	(402,870)	(409,701)
Gross profit/(loss) on sales	265,460	212,761	140,559	105,362
Other operating income	1,522	23,331	756	1,156
Selling costs	(83,106)	(69,024)	(44,457)	(37,177)
General and administrative expenses	(26,485)	(19,540)	(14,336)	(7,646)
Other operating expenses	(2,080)	(5,783)	(924)	(5,250)
Operating profit/(loss)	155,311	141,745	81,598	56,445
Financial income	175,911	194,975	166,828	145,768
Financial expenses	(72,017)	(89,699)	(48,618)	(34,601)
Net financial income/expenses	103,894	105,276	118,210	111,167
Profit/(loss) before tax	259,205	247,021	199,808	167,612
Income tax	(17,250)	(21,361)	(7,018)	(4,432)
Net profit/(loss) on continuing operations	241,955	225,660	192,790	163,180
DISCONTINUED OPERATIONS				
Net profit/(loss) on discontinued operations	-	-	-	-
Net profit / (loss)	241,955	225,660	192,790	163,180
Earnings per share (in PLN):				
Basic	4.59	4.28	3.66	3.10
Diluted	4.59	4.28	3.66	3.10
Earnings/(loss) per share (in PLN) from continuing operations:				
Basic	4.59	4.28	3.66	3.10
Diluted	4.59	4.28	3.66	3.10

*Restated data, detailed description of changes is provided in section IV.2.

The condensed separate statement of profit or loss of CIECH S.A. should be analysed together with the explanatory notes which constitute an integral part of the semi-annual condensed separate financial statements.

Condensed Separate Statement of Other Comprehensive Income of CIECH S.A.

<i>PLN '000</i>	01.01–30.06.2016	01.01–30.06.2015	01.04–30.06.2016	01.04–30.06.2015
			<i>unaudited data</i>	
Net profit/(loss) on continuing operations	241,955	225,660	192,790	163,180
Net profit/(loss) on discontinued operations	-	-	-	-
Net profit / (loss)	241,955	225,660	192,790	163,180
Other comprehensive income before tax that may be reclassified to profit or loss	(3,763)	3,245	(6,824)	(877)
Cash flow hedge	(3,763)	3,245	(6,824)	(877)
Other comprehensive income before tax that may not be reclassified to profit or loss	-	-	-	-
Income tax attributable to other comprehensive income	715	(616)	1,297	167
Income tax attributable to other comprehensive income that may be reclassified to profit or loss	715	(616)	1,297	167
Other comprehensive income net of tax	(3,048)	2,629	(5,527)	(710)
TOTAL COMPREHENSIVE INCOME	238,907	228,289	187,263	162,470

The condensed separate statement of other comprehensive income of CIECH S.A. should be analysed together with the explanatory notes which constitute an integral part of the semi-annual condensed separate financial statements.

Condensed Separate Statement of Financial Position of CIECH S.A.

PLN '000	30.06.2016	31.12.2015
ASSETS		
Property, plant and equipment	12,192	12,808
Intangible assets	9,431	9,462
Non-current receivables	227	-
Long-term borrowings	572,012	292,868
Other long-term investments	2,056,070	2,035,487
Deferred income tax assets	120,627	135,316
Total non-current assets	2,770,559	2,485,941
Inventory	34,231	19,673
Short-term investments	204,837	215,411
Income tax receivables	233	194
Trade and other receivables	429,593	331,797
Cash and cash equivalents	260,911	174,745
Total current assets	929,805	741,820
Total assets	3,700,364	3,227,761
EQUITY AND LIABILITIES		
Share capital	287,614	287,614
Share premium	470,846	470,846
Cash flow hedge	(5,383)	(2,335)
Actuarial gains	50	50
Other reserve capitals	76,199	76,199
Retained earnings	556,609	464,849
Total equity	1,385,935	1,297,223
Loans, borrowings and other debt instruments	1,504,478	1,494,775
Other non-current liabilities	108,202	41,828
Employee benefits	532	510
Total non-current liabilities	1,613,212	1,537,113
Loans, borrowings and other debt instruments	155,738	124,124
Trade and other liabilities	516,431	238,127
Income tax liabilities	4,979	4,219
Short-term provisions for employee benefits	223	240
Other provisions	23,846	26,715
Total current liabilities	701,217	393,425
Total liabilities	2,314,429	1,930,538
Total equity and liabilities	3,700,364	3,227,761

The condensed separate statement of financial position of CIECH S.A. should be analysed together with the explanatory notes which constitute an integral part of the semi-annual condensed separate financial statements.

Condensed Separate Statement of Cash Flows of CIECH S.A.

PLN '000	01.01–30.06.2016	01.01–30.06.2015*
Cash flows from operating activities		
Net profit/(loss) on continuing operations	241,955	225,660
Adjustments		
Amortisation/depreciation	2,273	2,149
Recognition of impairment allowances	(1,088)	44,846
Foreign exchange (profit) /loss	4,415	(8,160)
(Profit) / loss on investment activities	-	(13,039)
(Profit) / loss on disposal of property, plant and equipment	(11)	(358)
Dividends and interest	(145,647)	(137,743)
Income tax	17,250	21,361
Change in liabilities due to loan arrangement fee	876	4,305
Value of derivatives	41,597	-
Cash from operating activities before changes in working capital and provisions	161,620	139,021
Change in receivables	(14,428)	(4,198)
Change in inventory	(14,558)	5,759
Change in current liabilities	129,459	(3,584)
Change in provisions and employee benefits	(2,864)	4,656
Cash generated from operating activities	259,229	141,654
Interest paid	(24,651)	(55,861)
Income tax paid/returned	-	9,163
Net cash from operating activities	234,578	94,956
Cash flows from investment activities		
Inflows	77,836	138,517
Disposal of a subsidiary	2,931	-
Disposal of intangible assets and property, plant and equipment	18	358
Dividends received	42,074	60,873
Interest received	3,877	9,061
Proceeds from repaid borrowings	22,970	68,224
Cash pooling inflows	5,966	-
Outflows	(254,796)	(260,057)
Acquisition of a subsidiary (after deduction of acquired cash)	-	(5,053)
Acquisition of intangible assets and property, plant and equipment	(3,986)	(6,900)
Raise capital expenditures and extra charge on capital	(35)	(35,495)
Cash pooling outflows	-	(36,594)
Borrowings paid out	(250,775)	(176,015)
Net cash from investment activities	(176,960)	(121,540)
Cash flows from financial activities		
Inflows	29,216	70,621
Proceeds from loans and borrowings	-	70,621
Cash pooling inflows	29,216	-
Outflows	-	(29,696)
Cash pooling outflows	-	(29,536)
Payments of finance lease liabilities	-	(160)
Net cash from financial activities	29,216	40,925
Total net cash flows	86,834	14,341
Cash and cash equivalents as at the beginning of the period	174,745	10,261
<i>Impact of foreign exchange differences</i>	<i>(668)</i>	<i>(25)</i>
Cash and cash equivalents as at the end of the period	260,911	24,577

*Restated data, detailed description of changes is provided in section IV.2.

The condensed separate statement of cash flows of CIECH S.A. should be analysed together with the explanatory notes which constitute an integral part of the semi-annual condensed separate financial statements.

Condensed Separate Statement of Changes in Equity of CIECH S.A.

<i>PLN '000</i>	Share capital	Share premium	Cash flow hedge	Actuarial gains	Other reserve capitals	Retained earnings	Total equity
Equity as at 01.01.2016:	287,614	470,846	(2,335)	50	76,199	464,849	1,297,223
Transactions with the shareholders recognised directly in equity	-	-	-	-	-	(150,195)	(150,195)
Dividend payment	-	-	-	-	-	(150,195)	(150,195)
Total comprehensive income for the period	-	-	(3,048)	-	-	241,955	238,907
Net profit / loss	-	-	-	-	-	241,955	241,955
Other comprehensive income	-	-	(3,048)	-	-	-	(3,048)
Equity as at 30.06.2016	287,614	470,846	(5,383)	50	76,199	556,609	1,385,935
Equity as at 01.01.2015:	287,614	470,846	(5,724)	(348)	76,199	133,271	961,858
Transactions with the shareholders recognised directly in equity	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	2,629	-	-	225,660	228,289
Net profit / loss	-	-	-	-	-	225,660	225,660
Other comprehensive income	-	-	2,629	-	-	-	2,629
Equity as at 30.06.2015	287,614	470,846	(3,095)	(348)	76,199	358,931	1,190,147

The condensed separate statement of changes in equity of CIECH S.A. should be analysed together with the explanatory notes which constitute an integral part of the semi-annual condensed separate financial statements.

IV. EXPLANATORY NOTES TO THE SEMI-ANNUAL CONDENSED SEPARATE FINANCIAL STATEMENTS OF CIECH S.A.**1. Basis of preparation of the Semi-annual Condensed Separate Financial Statements of CIECH S.A.**

On 31 January 2007, the Extraordinary General Meeting of Shareholders of CIECH S.A. adopted resolution No 4, concerning the preparation of separate financial statements in accordance with International Financial Reporting Standards as approved by the European Union ("IFRS"). Due to the adopted resolution, since 2007 the reports of CIECH S.A. have been prepared in accordance with the IFRS using the valuation of assets and liabilities and the measurement of net result as defined in the accounting policy.

These interim condensed separate financial statements were prepared in compliance with IAS 34 "Interim Financial Reporting" as approved by the European Union and the Regulation of the Minister of Finance dated 19 February 2009, as amended, 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 (Journal of Laws of 2009, No 33, item 259). These financial statements present the financial position of CIECH S.A. as at 30 June 2016 and as at 31 December 2015, results of the Company's operations and cash flows for the period of 6 months ended 30 June 2016 and 30 June 2015, and were approved by the Management Board of CIECH S.A. on 30 August 2016.

These semi-annual condensed separate financial statements were prepared under the assumption that CIECH S.A. will continue as a going concern in the foreseeable future. As at the date of approval of these semi-annual condensed financial statements, no facts or circumstances are known that would indicate any threat to CIECH S.A. continuing as a going concern.

The Management Board of CIECH S.A. declares that to the best of its knowledge these semi-annual condensed separate financial statements, including corresponding figures, have been prepared in accordance with the generally acceptable accounting principles and that they represent a true, accurate and fair reflection of CIECH S.A.'s financial position and the results of operations.

Preparation of financial statements in accordance with International Financial Reporting Standards ("IFRS") requires the Management Board to make professional judgements, estimates and assumptions which affect the adopted principles and presented values of assets, equity and liabilities, income and expenses. The estimates and assumptions associated with them are based on historical accuracy and various other factors that are considered to be reasonable under the specific circumstances, and their results provide a basis for professional judgement about the value of assets and liabilities that are not directly apparent from other sources. Actual value may differ from the estimated value. The estimates and assumptions associated with them are subject to ongoing verification. Revision of accounting estimates is recognised in the period in which the changes were made, only if it affects that period or the present and future in case they concern both the current and future periods. The Management Board's professional judgements which have a significant impact on the separate financial statements, and the estimates bearing a risk of significant changes in future years have been presented in items IV.6, IV.7, IV.8 and IV.13 hereof. During the current interim period there were no significant revisions to the estimates presented in previous reporting periods.

The Management Board of CIECH S.A. declares that PricewaterhouseCoopers Sp. z o.o. with its registered office in Warsaw, entered into the list of entities authorised to audit financial statements under the registry No 144 kept by the National Chamber of Statutory Auditors was chosen in accordance with the binding legal regulations for the auditor of the semi-annual condensed separate financial statements for the period from 1 January 2016 to 30 June 2016.

2. Adopted accounting principles

The CIECH S.A.'s accounting principles are described in the Separate Annual Report of CIECH S.A. for the year 2015, published on 21 March 2016. The aforementioned Report includes detailed information regarding the principles and methods of valuation of assets, equity and liabilities and measurement of the financial result, as well as the method of preparing the financial statements and comparative information. These principles have been applied on a continuous basis with relation to currently published data, the last annual financial statements and comparative data presented, except for a change consisting in standardisation of presentation of shared services provided to the Group (reclassification in the statement of profit or loss between cost of sales and general and administrative expenses). Moreover, the presentation of inflows and outflows from cash pooling in the statement of cash flows was amended (previously they were reported separately, at present they are disclosed on a net basis).

3. Functional and presentation currency and conversion principles

The Polish zloty (PLN) is the functional currency of the parent company, CIECH S.A., and the reporting currency of these financial statements. Unless stated otherwise, all financial data in these financial statements have been presented in thousands of Polish zlotys (PLN '000).

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

Seasonality associated with periodic demand and supply fluctuations has little impact on CIECH S.A.'s general sales trends. In the soda segment, a seasonal relationship between the sales volume of some products and the course of winter is observable. For calcium chloride and other products (anti-ice salt and chloride mix, waste salt) a mild winter is a reason for decrease of sales, while the influence on the sales of salt is indirect. For other products, CIECH S.A.'s revenues and financial results are not influenced by any significant seasonal fluctuations over the year. Because of this, seasonality plays a relatively small role in CIECH S.A.'s overall sales.

5. Financial data by operating segments

CIECH S.A.'s operating segments are designated on the basis of internal reports regularly reviewed by the Management Board, which is responsible for operating decisions aimed at allocating resources to segments and assessing the subsidiaries performance. Information for a given operating segment may include sales of products and goods also included in the core product range of other divisions. Such items, however, are not significant for those divisions' management accounting. The financing (including finance expenses and incomes with the exception of interest on trade receivables and liabilities) and income tax are monitored on the company level and are not allocated to particular segments. Operational segments results are assessed by the CIECH S.A.'s Management Board on the basis of sales revenue, operating profit, EBITDA and normalised EBITDA. EBITDA and normalised EBITDA are not defined in IFRS so they might be calculated differently by other companies. Reconciliation and definitions applied by the CIECH S.A. while calculating aforementioned measures are presented below.

PLN '000	01.01–30.06.2016	01.01–30.06.2015
Net profit/(loss) on continuing operations	241,955	225,660
Income tax	17,250	21,361
Financial expenses	72,017	89,699
Financial income	(175,911)	(194,975)
Amortisation/depreciation	2,273	2,149
EBITDA	157,584	143,894

PLN '000	01.01–30.06.2016	01.01–30.06.2015
EBITDA	157,584	143,894
One-offs including:	(366)	3,402
Impairment (a)	-	-
Cash items (b)	101	(1,189)
Non-cash items (without impairment) (c)	(467)	4,591
Normalised EBITDA	157,218	147,296

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

(b) Cash items include, among others, profit/loss of the sale of property, plant and equipment and other items (including costs associated with discontinued operations, fees and compensations).

(c) Non-cash items include: costs of liquidation of inventories and property, plant and equipment, the costs of suspended investments, provisions for liabilities and compensation and other items (including extraordinary costs and other provisions).

Additional information on normalisation has been presented under tables presenting the condensed separate statement of profit or loss by operating segments.

Revenue and costs data as well as assets, equity and liabilities data of particular CIECH S.A.'s operating segments for periods disclosed in statements are presented in the tables below.

OPERATING SEGMENTS 01.01.–30.06.2016 PLN '000	Soda Segment	Organic Segment	Silicates and Glass Segment	Transport Segment	Other operations Segment	Corporate functions - reconciliation item	TOTAL
Total revenues	869,275	182,391	6,378	760	14,553	-	1,073,357
Cost of sales	(609,104)	(178,708)	(5,912)	(572)	(13,601)	-	(807,897)
Gross profit/loss on sales	260,171	3,683	466	188	952	-	265,460
Selling costs	(75,885)	(71)	(108)	(76)	(1,972)	(4,994)	(83,106)
General and administrative expenses	(3,803)	(2,770)	(54)	-	(186)	(19,672)	(26,485)
Result on management of receivables	(1,147)	147	-	-	11	-	(989)
Result on other operating activities	755	(33)	-	-	(291)	-	431
Operating profit/loss	180,091	956	304	112	(1,486)	(24,666)	155,311
Exchange differences and interest on trade settlements	(4,343)	(5,409)	-	-	(441)	-	(10,193)
Group borrowing costs	-	-	-	-	-	(13,782)	(13,782)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	127,869	127,869
Profit/loss before tax	175,748	(4,453)	304	112	(1,927)	89,421	259,205
Income tax	-	-	-	-	-	-	(17,250)
Net profit/loss for the period	-	-	-	-	-	-	241,955
Amortisation/depreciation	-	-	-	-	-	2,273	2,273
EBITDA	180,091	956	304	112	(1,486)	(22,393)	157,584
<i>Normalised EBITDA*</i>	179,630	956	304	112	(1,391)	(22,393)	157,218

* *Normalised EBITDA for the 6-month period ended 30 June 2016 is calculated as EBITDA adjusted for untypical one-off events, including primarily changes in provisions for liabilities: PLN 0.5 million and due to fines and compensation paid: PLN -0.1 million.*

OPERATING SEGMENTS* 01.01.–30.06.2015 PLN '000	Soda Segment	Organic Segment	Silicates and Glass Segment	Transport Segment	Other operations Segment	Corporate functions - reconciliation item	TOTAL
Total revenues	765,163	219,916	5,461	-	9,992	-	1,000,532
Cost of sales	(557,708)	(215,365)	(5,166)	-	(9,532)	-	(787,771)
Gross profit/loss on sales	207,455	4,551	295	-	460	-	212,761
Selling costs	(63,489)	(70)	(34)	-	(1,351)	(4,080)	(69,024)
General and administrative expenses	(2,106)	(596)	(14)	-	(19)	(16,805)	(19,540)
Result on management of receivables	20,882	-	-	-	20	-	20,902
Result on other operating activities	(949)	-	8	-	1,381	(3,794)	(3,354)
Operating profit/loss	161,793	3,885	255	-	491	(24,679)	141,745
Exchange differences and interest on trade settlements	(3,928)	(6,601)	16	-	(404)	-	(10,917)
Group borrowing costs	-	-	-	-	-	(26,432)	(26,432)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	142,625	142,625
Profit/loss before tax	157,865	(2,716)	271	-	87	91,514	247,021
Income tax	-	-	-	-	-	-	(21,361)
Net profit/loss for the period	-	-	-	-	-	-	225,660
Amortisation/depreciation	-	-	-	-	-	2,149	2,149
EBITDA	161,793	3,885	255	-	491	(22,530)	143,894
<i>Normalised EBITDA**</i>	162,541	3,885	247	-	(641)	(18,736)	147,296

* *Restated data, detailed description of changes is provided in section IV.2.*

** *Normalised EBITDA for the 6-month period ended 30 June 2015 is calculated as EBITDA adjusted for untypical one-off events, including primarily: changes in provisions for liabilities and compensation: PLN -4.6 million; fines and compensation received: PLN 0.8 million; gain on disposal of non-financial non-current assets: PLN 0.4 million.*

CIECH S.A.
ASSETS AND LIABILITIES BY OPERATING SEGMENTS

PLN '000	ASSETS		LIABILITIES	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
Soda Segment	223,483	200,706	253,715	138,711
Organic Segment	52,907	86,238	55,938	49,701
Silicates and Glass Segment	3,213	706	3,044	1,149
Transport Segment	427	-	702	-
Other operations Segment	4,682	8,140	6,420	11,831
Corporate functions - reconciliation item	3,415,652	2,931,971	1,994,610	1,729,146
TOTAL	3,700,364	3,227,761	2,314,429	1,930,538

CIECH S.A.
INFORMATION ON GEOGRAPHICAL AREAS

PLN '000	ASSETS		Sales revenues	
	30.06.2016	31.12.2015	01.01-30.06.2016	01.01-30.06.2015
Poland	2,313,382	1,943,128	501,977	513,201
European Union (excluding Poland)	1,304,075	1,221,388	349,082	312,861
Other European countries	49,700	38,477	103,999	93,432
Africa	7,123	8,628	38,474	12,185
Asia	25,627	15,620	69,824	56,903
Other regions	457	520	10,001	11,950
TOTAL	3,700,364	3,227,761	1,073,357	1,000,532

6. Provisions and impairment allowances on assets

In the first half of 2016 and in the second quarter of 2016, the following changes in provisions and impairment allowances on assets were recognised in the financial statements of CIECH S.A.

CHANGE IN PROVISIONS FOR EMPLOYEE BENEFITS PLN '000	Opening balance	Recognition	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2016				
Long-term	510	5	17	532
Short-term	240	-	(17)	223
01.01.-30.06.2015				
Long-term	875	10	40	925
Short-term	132	221	(118)	235
01.04.-30.06.2016				
Long-term	521	5	6	532
Short-term	217	-	6	223
01.04.-30.06.2015				
Long-term	900	10	15	925
Short-term	14	221	-	235

CHANGE IN OTHER SHORT-TERM PROVISIONS PLN '000	Opening balance	Recognition	Use (payment of benefits) and reversal	Other changes (including exchange differences)	Closing balance
01.01.-30.06.2016					
Provision for compensation	839	-	-	45	884
Provision for liabilities	5,489	-	(3,021)	(38)	2,430
Provision for expected losses	19,836	-	-	11	19,847
Other provisions	551	134	-	-	685
TOTAL	26,715	134	(3,021)	18	23,846

CHANGE IN OTHER SHORT-TERM PROVISIONS	Opening balance	Recognition	Use (payment of benefits) and reversal	Other changes (including exchange differences)	Closing balance
<i>PLN '000</i>					
01.01.-30.06.2015					
Provision for compensation	779	57	-	-	836
Provision for liabilities	1,748	4,931	(477)	-	6,202
Provision for expected losses	19,362	-	(8)	-	19,354
TOTAL	21,889	4,988	(485)	-	26,392
01.04.-30.06.2016					
Provision for compensation	866	-	-	18	884
Provision for liabilities	3,628	(309)	(889)	-	2,430
Provision for expected losses	19,847	-	-	-	19,847
Other provisions	595	(4)	94	-	685
TOTAL	24,936	(313)	(795)	18	23,846
01.04.-30.06.2015					
Provision for compensation	779	57	-	-	836
Provision for liabilities	1,802	4,877	(477)	-	6,202
Provision for expected losses	19,357	-	(3)	-	19,354
TOTAL	21,938	4,934	(480)	-	26,392
CHANGE IN IMPAIRMENT ALLOWANCES	Opening balance	Recognition	Use (payment of benefits) and reversal	Other changes (including exchange differences)	Closing balance
<i>PLN '000</i>					
01.01.-30.06.2016					
Long-term financial assets	200,809	-	-	-	200,809
Inventories	84	-	(84)	-	-
Short-term investments	123,655	-	(1,088)	-	122,567
Trade and other receivables	31,890	2,708	(2,665)	374	32,307
TOTAL	356,438	2,708	(3,837)	374	355,683
01.01.-30.06.2015					
Long-term financial assets	643,454	24,640	(120)	(5,810)	662,164
Inventories	218	-	-	-	218
Short-term investments	41,963	20,547	(221)	(942)	61,347
Trade and other receivables	119,362	1,045	(23,079)	(204)	97,124
TOTAL	804,997	46,232	(23,420)	(6,956)	820,853
01.04.-30.06.2016					
Long-term financial assets	200,809	-	-	-	200,809
Short-term investments	122,567	-	-	-	122,567
Trade and other receivables	31,770	1,954	(2,140)	723	32,307
TOTAL	355,146	1,954	(2,140)	723	355,683
01.04.-30.06.2015					
Long-term financial assets	652,045	1,122	(120)	9,117	662,164
Inventories	218	-	-	-	218
Short-term investments	48,025	12,277	(221)	1,266	61,347
Trade and other receivables	96,384	389	(502)	853	97,124
TOTAL	796,672	13,788	(843)	11,236	820,853

7. Deferred tax

The main components of tax expense include:

THE MAIN COMPONENTS OF TAX EXPENSE (TAX INCOME) (PLN '000)	01.01.–30.06.2016	01.01.–30.06.2015
Current income tax	1,845	5,455
Deferred tax	15,405	15,906
INCOME TAX RECOGNISED IN STATEMENT OF PROFIT OR LOSS	17,250	21,361

Deferred income tax is attributable to the following items:

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITY PLN '000	30.06.2016			31.12.2015		
	Total asset	Total liability	Net value	Total asset	Total liability	Net value
Property, plant and equipment	160	-	160	160	-	160
Financial assets	33,199	9,816	23,383	32,653	10,225	22,428
Inventories	-	-	-	16	-	16
Trade and other receivables	-	823	(823)	-	736	(736)
Provisions for employee benefits	104	11	93	102	11	91
Tax losses carried forward	84,640	-	84,640	108,315	-	108,315
Currency translation differences	2,980	-	2,980	2,430	-	2,430
Liabilities	10,237	43	10,194	3,939	1,327	2,612
Deferred tax assets/liability	131,320	10,693	120,627	147,615	12,299	135,316
Set-off of deferred tax assets/ liability	(10,693)	(10,693)	-	(12,299)	(12,299)	-
Deferred tax assets/liability recognised in the statement of financial position	120,627	-	120,627	135,316	-	135,316

As at the presented reporting dates, there were no unrecognised deferred tax assets.

8. Information on fair value of financial instruments

Information on fair value of financial instruments was presented in item II.8 hereof.

9. Information on purchase and disposal of property, plant and equipment and commitments for the acquisition of property, plant and equipment

In the period from 1 January to 30 June 2016, CIECH S.A. carried out the following transactions increasing and decreasing the gross value of property, plant and equipment:

PLN '000	Machinery and equipment	Means of transport	Other property, plant and equipment	Property, plant and equipment under construction	TOTAL
Purchase	3,385	-	25	1,544	4,954
Disposal	2,874	305	3	-	3,182

Purchases in the first half of 2016 were made with own financial resources of the Company. As at the reporting date, commitments to purchase property, plant and equipment amounted to PLN 344 thousand. As at 31 December 2015, commitments to purchase property, plant and equipment amounted to PLN 15 thousand.

10. Information on loan agreements, including overdue debts or other violations of debt-related agreements

The information is provided in item II.10 hereof.

11. Information on transactions with related entities

The following table presents amounts of transactions concluded in the periods presented in the financial statements with entities related with CIECH S.A. and entities related with CIECH S.A. through its parent company:

PLN '000	01.01.–30.06.2016	01.01.–30.06.2015
Sales revenue	313,192	312,373
Purchase of goods and services	646,495	581,896
Financial income	175,769	198,415
PLN '000	30.06.2016	31.12.2015
Receivables	217,916	151,311
Loans granted	759,834	507,487
Liabilities	341,769	207,997
Loans received	59,443	59,426

Terms of transactions with related entities

Material sales to and purchases from related entities are carried out on arm's length terms. Overdue liabilities and receivables are not secured and are settled in cash or by set-off. No material non-standard or non-routine transactions were concluded with related entities in the first half of 2016.

In the presented period, the key management personnel of CIECH S.A. did not conclude any material transactions with related parties.

12. Issue, redemption and repayment of debt securities and equity securities in CIECH S.A.

In the presented period, CIECH S.A. did not issue, redeem or repay any debt or equity securities.

13. Contingent assets and contingent liabilities including guarantees and sureties

PLN '000	30.06.2016	31.12.2015
1. Contingent assets	18,864	18,864
- other contingent receivables*	18,864	18,864
2. Contingent liabilities	744,153	734,048
- guarantees and sureties granted**	739,270	729,831
- other***	4,883	4,217

* Contingent asset in the amount of PLN 18,864 thousand related to the action against GZNF "FOSFOR" Sp. z o.o. for the payment of compensation for making an alleged untrue declaration by GZNF "FOSFOR" Sp. z o.o. to CIECH S.A. about the condition of Agrochem Czulchów Sp. z o.o. with its registered office in Czulchów.

** Including mainly:

- 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 – contingent liability in the amount of PLN 88,000 thousand
- guarantee granted up to the amount of 125% of liability related to term loan in the amount of PLN 1,045,031 thousand and revolving loan in the amount of PLN 250,000 thousand – contingent liability in the amount of PLN 323,758 thousand
- guarantee granted up to the amount of 125% of liability related to term loan in the amount of EUR 69,673 thousand – contingent liability in the amount of PLN 77,084 thousand
- guarantee for certain obligations and warranties made by Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej as a part of the agreement for sale and transfer of TDI assets on BASF – contingent liability in the amount of PLN 44,255 thousand (EUR 10,000 thousand).
- guarantees and sureties for liabilities of subsidiaries which were described in detail in the Annual Report of CIECH S.A. for the year 2015, published on 21 March 2016, in item II.27.3.

*** Potential liabilities on account of employee claims.

As at 30 June 2016, contingent liabilities amounted to PLN 744,153 thousand, which is an increase by PLN 10,105 thousand as compared to 31 December 2015. The change in contingent liabilities compared to the balance as at 31 December 2015 results mainly from:

- granting of a guarantee to ANDRITZ SEPARATION for liabilities of a subsidiary, CIECH Soda Polska S.A., in the amount of PLN 7,979 thousand (EUR 1,803 thousand); the guarantee was granted to 23 August 2016 on the following financial conditions: commission of 1.5% p.a. on the value of the liability covered by the guarantee,
- expiry of a guarantee for liabilities of a subsidiary, CIECH Soda Polska S.A., in the amount of PLN 4,423 thousand,
- change in a potential liability in CIECH S.A. regarding employee claims in the amount of PLN 666 thousand.

The remaining difference results from changes in currency exchange rates used in the valuation of liabilities.

Other guarantees and sureties granted were described in item II.27.3 of the Separate Annual Report of CIECH S.A. for the year 2015, published on 21 March 2016.

14. Information on dividends paid (or declared), in total and per share, broken down into ordinary shares and preference shares

The information is provided in item II.14 hereof.

15. Information on post-balance-sheet events

On 10 August 2016, the Management Board of CIECH S.A. adopted a decision on applying for admission and introduction of the shares of CIECH S.A. in the regulated market in the basic segment of the Frankfurt Stock Exchange (Frankfurter Börse, "FSE") and, for that purpose, on the drawing-up and submission to FSE of a relevant document summarising the rights required by law for the purpose of the admission. The Management Board of the Frankfurt Stock Exchange has taken decisions on admission as of 22 August 2016 and introduction as of 23 August 2016 of all the shares of CIECH S.A. in the regulated market in the General Standard sub-segment of the FSE. Following the admission, CIECH S.A.'s shares, at the same time, are listed at the Warsaw Stock Exchange and at FSE (dual listing).

MANAGEMENT BOARD REPORT ON THE CIECH GROUP'S ACTIVITIES

V. MANAGEMENT BOARD REPORT ON THE CIECH GROUP'S ACTIVITIES

1. Description of the CIECH Group's organisation

CIECH Spółka Akcyjna, seated in Warsaw, ul. Wspólna 62, registered under number 0000011687 at the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, is the parent entity of the CIECH Group.

The CIECH Group is a group of domestic and foreign manufacturing, distribution and trade companies operating in the chemical industry. As at 30 June 2016, the CIECH Group comprised 37 business entities, including:

- parent company,
- 32 subsidiaries, of which:
 - 23 domestic subsidiaries,
 - 9 foreign subsidiaries,
- 2 national affiliates,
- 1 foreign affiliate,
- 1 jointly controlled foreign entity.

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

The core business of the CIECH Group comprises the production and sales of chemical products manufactured by the CIECH Group. Additionally, the CIECH Group sells chemical products purchased from third-party producers. The trading activities are carried out mostly by CIECH S.A. as well as by domestic and foreign trading companies, subsidiaries of CIECH S.A., while the manufacturing activities are carried out by production companies, also subsidiaries of CIECH S.A.

In preparing the consolidated financial statements for the first half of 2016, the following companies were consolidated:

No	Name of the Company/Group	Registered office	Share in equity as at 30.06.2016 / % of votes at the GMS	Share in equity as at 30.06.2015 / % of votes at the GMS	Business
Parent company					
1	CIECH S.A.	Warsaw	-	-	The actual core business of the parent entity comprises sales of chemical products manufactured within the CIECH Group. In addition to the actual core activity, CIECH S.A. sells chemical products purchased from producers from outside the Group. Additionally, CIECH S.A. as a parent company, conducts holding activity, manages a portfolio of subsidiaries, provides support services (in the area of sales, manufacturing, purchases, finance, IT, HR and in the legal area) for selected companies in the Group as well as conducts financial activities in the form of direct lending to the companies in the Group.
Fully consolidated direct and indirect subsidiaries					
2	CIECH FINANCE Sp. z o.o.	Warsaw	100%	100%	Implementing divestment projects concerning obsolete fixed assets (property) and financial assets (shares in companies), carrying out purchases of selected raw materials.
3	CIECH R&D Sp. z o.o.	Warsaw	100%	100%	Granting licences to the CIECH Group companies to use the trademarks: "Ciech", "Ciech Trading" and "Sól Kujawska naturalna czysta" for business activity purposes, research and developments activities.
4	Ciech Nieruchomości S.A.	Warsaw	100%	100%	Real property agency, real property management.
5	CIECH Soda Romania S.A.	Rm. Valcea, Romania	98.74%	93.76%	Manufacture of other basic inorganic chemicals, wholesale of chemical products.
	CIECH Trading Group				

No	Name of the Company/Group	Registered office	Share in equity as at 30.06.2016 / % of votes at the GMS	Share in equity as at 30.06.2015 / % of votes at the GMS	Business
6	CIECH Trading S.A.	Warsaw	100%	100%	Wholesale and distribution of solid inorganic and organic chemicals, wholesale and distribution of raw materials for household chemicals, wholesale and distribution of raw materials for cosmetic and pharmaceutical products, wholesale and distribution of fillers, pigments, raw materials for paints and varnishes, wholesale and distribution of feed additives and fodder, wholesale and distribution of acids, bases and other liquid chemicals.
6.1.	JANIKOSODA S.A.	Warsaw	100%	100%	Service activity related to office support, other "out-of-school" forms of education, not elsewhere classified.
CIECH Soda Polska Group					
7	CIECH Soda Polska S.A.	Inowrocław	100%	100%	Manufacture of other basic inorganic chemicals, wholesale of chemical products, power generation and distribution.
7.1.	CIECH Cargo Sp. z o.o.	Inowrocław	100%	100%	Freight transport services.
7.2.	Cerium Sp. z o.o.	Warsaw	100%	100%	The Company is the sole general partner of CIECH Cerium Sp. z o.o. SK, its core operations comprise managing the business of this company.
7.3	Cerium Finance Sp. z o.o.*	Warsaw	100%	100%	Conducting financial activities, in particular comprising direct granting of loans and leasing of non-current assets to the CIECH Group companies.
7.3.1.	CIECH Cerium Sp. z o.o. SK**	Warsaw	100%	-	Financing activities.
8	CIECH Vitrosilicon S.A.***	Łódź	100%	100%	Production of other basic inorganic chemicals, manufacture of hollow glass and technical glassware, manufacture of plastic packaging goods, manufacture of other plastic products.
9	CIECH Transclean Sp. z o.o.	Bydgoszcz	100%	100%	International transport of liquid chemicals.
CIECH Sarzyna Group					
10	CIECH Sarzyna S.A.	Nowa Sarzyna	100%	99.64%	Manufacture of plastics, manufacture of pesticides and other chemical products.
10.1.	Verbis KAPPA Sp. z o.o.	Nowa Sarzyna	100%	99.64%	The company is the sole general partner of Verbis KAPPA Sp. z o.o. SKA, other financial intermediation.
10.2.	Verbis KAPPA Sp. z o.o. SKA	Nowa Sarzyna	100%	99.64%	Other financial intermediation.
10.3.	Algete Sp. z o.o.	Nowa Sarzyna	100%	99.64%	Granting CIECH Sarzyna Group companies the license for using the trademark of "Chwastox" for the purpose of business.
11	Ciech Pianki Sp. z o.o.	Bydgoszcz	100%	100%	Manufacture of organic and other inorganic chemicals.
12	Ciech Group Financing AB	Stockholm, Sweden	100%	100%	Conducting financing activities, particularly lending of funds by issuing bonds and other financial instruments with institutional and private investors as well as direct lending of such funds to the companies of the Group and carrying out any other activities in support of such activities and the provision of related services.
13	Verbis ETA Sp. z o.o.	Warsaw	100%	100%	The company is the sole general partner of Verbis ETA Sp. z o.o. SKA, its main objective is to manage the activities of Verbis ETA Sp. z o.o. SKA.
14	Verbis ETA Sp. z o.o. SKA	Warsaw	100%	100%	Conducting financial activities, particularly direct lending to the CIECH Group companies.
SDC Group					

No	Name of the Company/Group	Registered office	Share in equity as at 30.06.2016 / % of votes at the GMS	Share in equity as at 30.06.2015 / % of votes at the GMS	Business
15	SDC GmbH	Stassfurt, Germany	100%	100%	Manufacture of other basic inorganic chemicals, wholesale of chemical products, power generation and distribution.
15.1.	Sodawerk Holding Stassfurt GmbH	Stassfurt, Germany	100%	100%	
15.1.1.	Sodawerk Stassfurt Verwaltungs GmbH	Stassfurt, Germany	100%	100%	
15.1.2.	CIECH Soda Deutschland GmbH&Co. KG	Stassfurt, Germany	100%	100%	
15.1.2.1.	KWG-Kraftwerksgesellschaft Strassfurt mbH	Stassfurt, Germany	100%	100%	
15.1.2.2.	Kavernengesellschaft Stassfurt GbmH****	Stassfurt, Germany	50%	50%	
16	Gamma Finanse Sp. z o.o.*****	Warsaw	100%	-	Financing activities.

* Number of shares / votes at the GMS attributable directly to CIECH S.A. — 1.4%, the remaining 98.6%: indirect share through CIECH Soda Polska S.A.

**The general partners of the company are: Ciech Pianki Sp. z o.o., CIECH Vitrosilicon S.A., Ciech Sarzyna S.A., CIECH Soda Polska S.A., CIECH Cargo Sp. z o.o.

*** Number of shares / votes at the GMS attributable directly to CIECH S.A. — 83.03%, indirect share through CIECH Soda Polska S.A. — the remaining 16.97%.

**** Equity accounted associate.

***** Company established on 24 June 2016; registered by the court on 12 July 2016. Shares in the share capital were acquired by CIECH S.A. (50%) and CIECH Soda Polska S.A. (50%).

2. Information on non-consolidated subsidiaries and associates

When selecting entities for consolidation, the Management Board was guided by the criteria of significance of their financial data (according to the concept assumptions of IFRS), for executing the obligation of an actual and reliable image of the material and financial situation, and the financial result of the Group.

The total share of data of subsidiaries not covered by consolidation under the full method, due to their irrelevance, in relation to the total values of the CIECH Group for the period from 1 January 2016 to 30 June 2016 does not exceed 1% of total consolidated assets of the Group and consolidated net revenues from sales of goods and products and financial operations.

Aggregated data of associates which were not measured under the equity method for the period from 1 January 2016 to 30 June 2016 does not exceed 1% of the total consolidated equity of the Group.

3. Significant effects of changes to the organisational structure of the CIECH Group in the first half of 2016

CIECH Transclean Sp. z o.o.

In view of the planned change of the model of purchasing transport and forwarding services, CIECH S.A. (acting as the sole shareholder of the Company) decided to cease operating activities of CIECH Transclean Sp. z o.o. with its registered office in Bydgoszcz, and to phase out the company's business. Further decisions on possible change of the company's object or dissolution of the company will be taken at a later date.

Cerium Sp. z o.o. S.K.A. / Cerium Finance Sp. z o.o.

In connection with the transformation plan prepared on 21 December 2015, reviewed by a registered auditor appointed by a decision of the registry court, the Extraordinary Partners' Meeting of Cerium Sp. z o.o. S.K.A., on 16 May 2016, adopted a resolution on the transformation of the partnership's legal form to a limited liability company (spółka z ograniczoną odpowiedzialnością). The business name of the transformed company is Cerium Finance Sp. z o.o. The share capital of the partnership subject to transformation amounts to PLN 1,439 thousand and is divided into 28,773 equal and indivisible shares with a nominal value of PLN 50 per share. The shares were allotted in the following manner:

- Cerium Sp. z o.o., the sole general partner of the partnership, was allotted 1 share with the nominal value of PLN 50,
- CIECH Soda Polska S.A., a shareholder of the company, was allotted 28,372 shares with the nominal value of PLN 50 per share, with the total nominal value of PLN 1,419 thousand,

- JANIKOSODA S.A., a shareholder of the company, was allotted 200 shares with the nominal value of PLN 50 per share, with the total nominal value of PLN 10 thousand,
- CIECH S.A., a shareholder of the company, was allotted 200 shares with the nominal value of PLN 50 per share, with the total nominal value of PLN 10 thousand.

Assets of the company subject to transformation became assets of the transformed company on 1 June 2016 (i.e. on the date of registration of the transformation by the registry court) and constituted the contribution of individual partners to the transformed company, as specified in the company's deed. The excess of value of the partners' contribution to the transformed company over the value of the company's share capital represents the supplementary capital of the transformed company. Furthermore, at the same Extraordinary Partners' Meeting, the partners submitted declaration on participation in the partnership after the transformation of its legal form into a limited liability company.

On 24 June 2016, the Extraordinary Shareholders' Meeting of Cerium Finance Sp. z o.o. adopted resolutions on the following matters:

- Voluntary redemption without compensation of 200 shares in the company allotted to JANIKOSODA S.A. and the related reduction of the company's share capital. On 24 June 2016, JANIKOSODA S.A. ceased to be a shareholder of the company. Consequently, the Extraordinary Shareholders' Meeting reduced the company's share capital by way of redemption of 200 shares with the nominal value of PLN 50 each and with the total nominal value of PLN 10 thousand, i.e. from PLN 1,439 thousand to PLN 1,429 thousand.
- The increase of the share capital from the amount of PLN 1,429 thousand to the amount of PLN 1,439 thousand by creating 200 new shares with the nominal value of PLN 50 each – total nominal value of PLN 10 thousand. All newly created shares in the increased share capital of the Company were to be taken up by CIECH S.A. in consideration for cash contribution in the amount of PLN 10 thousand.
- The consent to sell by Cerium Sp. z o.o. of 1 share in the Company with nominal value of PLN 50 to the existing shareholder in CIECH Soda Polska S.A. As of 24 June 2016 Cerium Sp. z o.o. ceased to be the shareholder in Cerium Finance Sp. z o.o.

Gamma Finanse Sp. z o.o.

On 24 June 2016 a company was established under the business name Gamma Finanse Spółka z ograniczoną odpowiedzialnością (limited liability company) with the registered office in Warsaw (share capital of PLN 50 thousand, divided into 1,000 shares with nominal value of PLN 50 each). Shares in the share capital are taken up as follows:

- 500 shares were taken up by CIECH S.A. in consideration for cash contribution,
- 500 shares were taken up by CIECH Soda Polska S.A. in consideration for cash contribution.

Gamma Finanse Sp. z o.o. with its registered office in Warsaw was registered by the court on 12 July 2016.

4. The most important events in the CIECH Group in the first half of 2016 and by the date of approval of these financial statements.

Completion of extension of the soda plant's production capacity — SODA +200 project

Modernisation of production plants is one of the pillars of the CIECH Group's development. The most important project implemented in 2015 was the extension of the production capacity of the soda plant in Inowrocław, from 600 to 800 thousand tonnes per year. As a result of the first stage of investment under the name of SODA +200 project, completed in 2015, the plant's capacity has increased by 60 thousand tonnes of products per year. Further 140 thousand tonnes were delivered in the first quarter of 2016. According to current estimates, the total value of the SODA +200 programme will amount to approx. PLN 315 million.

New production line in the organic segment

On 28 January 2016, CIECH Sarzyna S.A., the largest Polish plant protection products manufacturer, presented a new production line in the House and Garden category. It is an element of the strategic organic development of the Group. The ZIEMOVIT brand portfolio includes, among others, two plant protection products – ZIEMOVIT Chwastox Trio 540 SL, offering not only high effectiveness and speed of action, but also broad range of weed control owing to three active substances – and ZIEMOVIT Agrosar 360 SL, which perfectly eliminates monocots and dicots from the garden. The ZIEMOVIT offer also includes substrates and high quality granulated fertilisers for conifers and roses, enhancing the growth and development of plants, improving their water management and increasing their resistance to drought.

Changes in the composition of the Supervisory Board

As of 6 March 2016, Wojciech Stramski resigned from the position of the member of the CIECH S.A.'s Supervisory Board. On 7 March 2016, the Extraordinary General Meeting of CIECH S.A. appointed a new member of the Supervisory Board – Dominik Libicki. As at the date of approval of these financial statements for publishing, the Supervisory Board's composition was as follows:

- Sebastian Kulczyk – Chairman of the Supervisory Board
- Tomasz Mikołajczak – Deputy Chairman of the Supervisory Board
- Dominik Libicki
- Piotr Augustyniak

- Mariusz Nowak
- Artur Olech.

The CIECH Group was awarded the title “Reliable Employer 2015”.

The “Reliable Employer” contest is one of the leading projects pertaining to human resources management in Poland. Every year, the chamber of the contest decides which companies deserve the award for their effective and innovative HR policy. The Company was nominated to this prestigious title on the basis of recommendations and opinions from a number of external institutions, such as the National Labour Inspectorate, District Employment Agency, and Association of Employment Agencies. The following criteria were taken into account: working conditions (observance of OHS regulations, labour law, etc.), timely payment of salaries, social conditions, career path (trainings for employees). The purpose of the “Reliable Employer” contest is to identify the best employers in Poland, especially those who promote the most attractive HR solutions in their business, and at the same time share their experience in the nationwide press. The project was created primarily with the aim to find, honour and promote businesses with model HR policy translating into high quality of products and services provided in the demanding Polish market. The title received and recognition as one of the top companies who invest in employees is a significant distinction, but also an obligation that makes us even more motivated to continue our efforts in the HR management area.

Agreement on the sale of thermal coal – transfer of rights and obligations

On 13 May 2015 CIECH Soda Polska S.A. and Kompania Węglowa S.A. entered into an agreement on the sale of thermal coal. On 27 June 2016 an agreement was made by and between CIECH Soda Polska S.A., Kompania Węglowa S.A. and Polska Grupa Górnicza Sp. z o.o., under which all rights and obligations following from the agreement on the sale of thermal coal were transferred by Kompania Węglowa S.A., upon the consent of CIECH Soda Polska S.A., to Polska Grupa Górnicza Sp. z o.o. Other terms and conditions of the sales agreement remained unchanged. The conclusion of the agreement was related to the acquisition of Kompania Węglowa S.A. by Polska Grupa Górnicza S.A.

Petition for declaration of bankruptcy of major supplier – termination of the agreement on delivery of steam

On 6 July 2016, the court curator of S.C. CET Govora S.A. in Romania in composition proceedings, acting pursuant to the Romanian bankruptcy law, terminated the agreement with CIECH Soda Romania S.A. for sale of heat energy (supply of technological steam) concluded for a specified period of time, effective on 31 July 2016. At the same time, the court curator of S.C. CET Govora S.A. invited CIECH Soda Romania S.A. to talks about determination of new conditions of delivery of technological steam, starting from 1 August 2016. On 28 July 2016, the court curator of S.C. CET Govora S.A. announced that, despite termination of the heat energy sale agreement with CIECH Soda Romania S.A. with effect on 31 July 2016, deliveries of technological steam to CIECH Soda Romania S.A. will continue after 31 July 2016, with a gradual reduction of their scope by 25% per day, until final discontinuation of deliveries. As a result of limitation of deliveries of technological steam, CIECH Soda Romania S.A., due to technological reasons, suspended its production of soda on 3 August 2016. CIECH Soda Romania S.A. challenged the validity of the termination and took an appropriate legal action in this regard before a competent court for resending the termination of the agreement. On 18 August 2016, the decision of Ramnicu Valcea Tribunal in Romania was verbally announced ordering that legal effects of the termination be suspended. The decision to suspend the legal consequences will be binding until the court of the first instance has examined the case. As a result of the said court’s decision, on 19 August 2016 the supply of steam was resumed and CIECH Soda Romania S.A. has begun to restore its soda production process. During the forced standstill the equipment was subject to maintenance and repairs. Regardless of the developments, discussions with the court-appointed administrator of S.C. CET Govora S.A., regarding the conclusion of a long-term agreement for the supply of technological steam, are being continued.

Introduction of the CIECH S.A.’s shares to trading on the stock exchange in Frankfurt

On 10 August 2016, the Management Board of CIECH S.A. adopted a decision on applying for admission and introduction of the shares of CIECH S.A. in the regulated market in the basic segment of the Frankfurt Stock Exchange (Frankfurter Börse, “FSE”) and, for that purpose, on the drawing-up and submission to FSE of a relevant document summarising the rights required by law for the purpose of the admission. The Management Board of the Frankfurt Stock Exchange has taken decisions on admission as of 22 August 2016 and introduction as of 23 August 2016 of all the shares of CIECH S.A. in the regulated market in the General Standard sub-segment of the FSE. Following the admission, CIECH S.A.’s shares, at the same time, are listed at the Warsaw Stock Exchange and at FSE (dual listing).

5. Commentary to financial results achieved in the period from 1 January to 30 June 2016 and description of the factors and events that have a significant impact on the financial results

5.1 Basic financial data

During the first half of 2016, the CIECH Group generated net result on continuing operations of PLN 264,317 thousand, net cash increased by PLN 127,473 thousand and the balance sheet total as at the end of the first half of 2016 amounted to PLN 4,212,797 thousand.

The table below presents selected financial data and basic financial ratios for the first halves of 2016 and 2015.

Selected financial data

PLN '000	01.01-30.06.2016	01.01-30.06.2015	Change % 2016/2015	Change 2016/2015
CONTINUING OPERATIONS				
Sales revenues	1,693,596	1,658,124	2.1%	35,472
Cost of sales	(1,182,568)	(1,221,620)	3.2%	39,052
Gross profit/(loss) on sales	511,028	436,504	17.1%	74,524
Selling costs	(111,632)	(100,161)	(11.5%)	(11,471)
General and administrative expenses	(80,057)	(68,855)	(16.3%)	(11,202)
Other operating income/expense	25,072	(26,704)	-	51,776
Operating profit/(loss)	344,411	240,784	43.0%	103,627
Net financial income/expenses	(10,524)	(62,220)	83.1%	51,696
Share of profit of equity-accounted investees	469	182	157.7%	287
Income tax	(70,039)	(39,963)	(75.3%)	(30,076)
Net profit/(loss) on continuing operations	264,317	138,783	90.5%	125,534
DISCONTINUED OPERATIONS				
Net profit/(loss) on discontinued operations	-	-	-	-
Net profit / (loss)	264,317	138,783	90.5%	125,534
including:				
Net profit/(loss) attributed to non-controlling interest	324	326	(0.6%)	(2)
Net profit/(loss) attributable to shareholders of the parent company	263,993	138,457	90.7%	125,536
EBITDA from continuing operations	453,755	351,241	29.2%	102,514
Normalised EBITDA from continuing operations*	434,047	380,605	14.0%	53,442

*Excluding one-off events, the more important of which are described in section II.5 hereof.

PLN '000	30.06.2016	31.12.2015	% Change 2016/2015	Change 2016/2015
Total assets	4,212,797	3,910,273	7.7%	302,524
Total non-current assets	3,041,021	2,860,347	6.3%	180,674
Total current assets including:	1,171,776	1,049,926	11.6%	121,850
- inventory	280,306	293,631	(4.5%)	(13,325)
- current receivables	507,331	499,196	1.6%	8,135
- cash and cash equivalents	329,740	202,935	62.5%	126,805
- short-term investments	51,016	50,781	0.5%	235
- non-current assets held for sale	3,383	3,383	0.0%	-
Total equity	1,426,206	1,341,504	6.3%	84,702
Equity attributable to shareholders of the parent	1,429,804	1,345,576	6.3%	84,228
Non-controlling interest	(3,598)	(4,072)	11.6%	474
Total non-current liabilities	1,891,262	1,802,311	4.9%	88,951
Total current liabilities	895,329	766,458	16.8%	128,871

PLN '000	01.01-30.06.2016	01.01-30.06.2015	Change % 2016/2015	Change 2016/2015
Net cash from operating activities	361,582	202,708	78.4%	158,874
Net cash from investment activities	(231,049)	(200,411)	(15.3%)	(30,638)
Net cash from financial activities	(3,060)	1,255	-	(4,315)
Total net cash flows	127,473	3,552	3488.8%	123,921
including free cash flows*	130,533	2,297	5582.8%	128,236

* Free cash flows – calculated as the sum of net cash from operating and investment activity

	01.01-30.06.2016	01.01-30.06.2015	Change 2016/2015
CONTINUING OPERATIONS			
Earnings per share (in PLN)	5.01	2.63	2.38
Net return on sales	15.6%	8.4%	7.2 p.p.
EBIT margin	20.3%	14.5%	5.8 p.p.
EBITDA margin	26.8%	21.2%	5.6 p.p.
Normalised EBITDA margin*	25.6%	23.0%	2.6 p.p.

*Excluding one-off events, the more important of which are described in section II.5 hereof.

Source: CIECH S.A.

Principles of ratio calculation (according to the data for continuing operations):

Earnings per share – net profit (loss) / weighted average number of ordinary shares in the period (in accordance with the definition of IAS 33 “Earnings per share”);

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

EBIT margin – operating profit (loss) for a given period / net revenues from sales of products, services, goods and materials for a given period;

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

Normalised EBITDA – EBITDA excluding non-recurring events of which the more important are described in point II.5 / net revenues from sales of products, services, goods and materials in a given period.

5.2 Sales revenue

Consolidated net sales revenues on continuing operations of the CIECH Group for the first half of 2016 amounted to PLN 1,693,596 thousand. In comparison to the same period of the previous year, sales revenues increased by PLN 35,472 thousand. The changes were mainly due to market factors.

The positive contributors to revenues were as follows:

- increase in the volume of production and sales of soda,
- slight increase in sales prices of soda produced in Poland and Germany.

The negative contributors to revenues were as follows:

- slight decrease in sales prices of soda produced in Romania,
- decrease in sales volume of plant protection products and plastics,
- decrease in sales volume of packages and soda glaze.

In the first half of 2016, the CIECH Group's activities were focused on four business segments: soda, organic, silicates and glass, and on the transport segment. These segments generate in total more than 90% of the Group's sales revenues. The structure of sales revenues, by business segment, has not changed significantly in comparison with 2015. Invariably, the greatest share in the revenue was attributed to the sales of soda segment products, i.e. 71.1%.

Sales revenues — business segments

PLN '000	01.01-30.06.2016	01.01-30.06.2015	Change	Change %	% of total revenues in 2016	% of total revenues in 2015
Soda segment, including:	1,203,419	1,092,094	111,325	10.2%	71.1%	65.9%
Dense soda ash	714,956	610,059	104,897	17.2%	42.2%	36.8%
Light soda ash	228,918	217,529	11,389	5.2%	13.5%	13.1%
Salt	86,841	86,002	839	1.0%	5.1%	5.2%
Baking soda	81,063	76,038	5,025	6.6%	4.8%	4.6%
Energy	41,847	38,662	3,185	8.2%	2.5%	2.3%
Gas*	653	13,841	(13,188)	(95.3%)	0.0%	0.8%
Calcium chloride	13,153	8,399	4,754	56.6%	0.8%	0.5%
Other products	23,369	27,946	(4,577)	(16.4%)	1.4%	1.7%
Revenues from inter-segment transactions	12,619	13,618	(999)	(7.3%)	0.7%	0.8%
Organic segment, including:	387,075	433,237	(46,162)	(10.7%)	22.9%	26.1%
Resins	160,445	183,047	(22,602)	(12.3%)	9.5%	11.0%
Polyurethane foams	113,960	113,943	17	0.0%	6.7%	6.9%
Plant protection chemicals	104,399	128,385	(23,986)	(18.7%)	6.2%	7.7%
Other	5,474	6,544	(1,070)	(16.4%)	0.3%	0.4%
Revenues from inter-segment transactions	2,797	1,318	1,479	112.2%	0.2%	0.1%

PLN '000	01.01- 30.06.2016	01.01- 30.06.2015	Change	Change %	% of total revenues in 2016	% of total revenues in 2015
Silicates and Glass segment, including:	73,478	86,380	(12,902)	(14.9%)	4.3%	5.2%
Glass blocks and packaging – lanterns and jars	35,831	42,670	(6,839)	(16.0%)	2.1%	2.6%
Sodium silicate in lumps	17,258	26,650	(9,392)	(35.2%)	1.0%	1.6%
Sodium water glass	16,683	13,861	2,822	20.4%	1.0%	0.8%
Other	3,703	3,189	514	16.1%	0.2%	0.2%
Revenues from inter-segment transactions	3	10	(7)	(70.0%)	0.0%	0.0%
Transport segment, including:	63,315	62,377	938	1.5%	3.7%	3.8%
Transport services	7,285	6,335	950	15.0%	0.4%	0.4%
Revenues from inter-segment transactions	56,030	56,042	(12)	(0.0%)	3.3%	3.4%
Transport segment, including:	64,535	72,800	(8,265)	(11.4%)	3.8%	4.4%
Revenues from third parties	37,758	55,024	(17,266)	(31.4%)	2.2%	3.3%
Revenues from inter-segment transactions	26,777	17,776	9,001	50.6%	1.6%	1.1%
Consolidation adjustments	(98,226)	(88,764)	(9,462)	10.7%	(5.8%)	(5.4%)
TOTAL	1,693,596	1,658,124	35,472	2.1%	100.0%	100.0%

* Resale of surpluses of the gas purchased.

Source: CIECH S.A.

5.3 Profit / (loss) on sales and operating profit / (loss)

After the first half of 2016, gross profit on sales amounted to PLN 511,028 thousand, whereas in the same period of the previous year it amounted to PLN 436,504 thousand. The operating profit amounted to PLN 344,411 thousand, in the comparable period it amounted to PLN 240,784 thousand.

The following events had a positive impact on the presented results:

- Continuation of the good economic situation in the European Union from the previous year (forecast GDP growth and economic indicators at level similar to previous year's level, according to the European Commission data).
- Favourable economic situation in the domestic economy and chemical industry. Increase in sold industrial output during the first half of 2016 (constant prices) by 4.4% in total and in such sectors that are significant for the Group's business (customer markets or target markets) as: chemicals and chemical products (by 3.7%); rubber products and plastics (by 8.6%); manufacture of motor vehicles (by 9.7%); manufacture of furniture (by 13.4%); manufacture of food (by 6.2%).
- Slight increase in soda ash prices in the European markets since the beginning of 2016 compared to the previous year.
- Decrease in prices of raw energy resources used in production of soda ash (coke, coal, natural gas) as compared with the first half of 2015.
- Balanced European market of soda ash (demand and supply balance) with an upward trend in demand.
- Growth of the production of paints and varnishes in the country by 7.5% during the first half of 2016 in comparison with the same period of the previous year (in quantitative terms).
- Low level of oil prices (lower by a dozen or so percent than in the first half of 2015) and consequently, low prices of raw materials for the organic industry improving the efficiency of operations in the organic segment of the CIECH Group.
- Depreciation of PLN currency against EUR and USD compared with the first half of 2015 strengthening the profitability of exports of the CIECH Group.
- Improved results on sales of plastics at CIECH Sarzyna S.A. (improved ratio of product prices to raw material prices).

The following events had a negative impact on the presented results:

- Decrease in domestic sales of construction and assembly production by 11.9% during the first half of 2016 in comparison to the same period of the previous year (the chemical industry produces many raw materials and semi-finished products used in this production).
- Unfavourable economic conditions on Chinese market of soda ash, which resulted in low prices (especially when compared to the first half of 2015) offered by soda ash suppliers from China on overseas markets on which the CIECH Group operates.
- Lower results achieved by CIECH Sarzyna S.A. (resulting from the pre-sale of plant protection chemicals carried out in the fourth quarter of 2015).

The EBIT margin for the first half of 2016 amounted to 20.3% (14.5% in the prior year), and the EBITDA margin amounted to 26.8% (21.2% in the prior year). The EBIT margin (excluding one-off events) for the first half of 2016 amounted to 19.2% (16.3% in the prior year), and the EBITDA margin (excluding one-off events) amounted to 25.6% (23.0% in the prior year).

5.4 Financing activities and net profit / (loss)

Financial income for the first half of 2016 amounted to PLN 11,923 thousand and increased compared to the corresponding period of the previous year, when it amounted to PLN 2,476 thousand.

Finance cost for the first half of 2016 amounted to PLN 22,447 thousand and decreased compared to the corresponding period of the previous year, when it amounted to PLN 64,696 thousand.

The contributors in the area of financing activities included costs of servicing external debt — interest on loans and bonds (these costs decreased compared to the corresponding period) and foreign exchange gains.

The consolidated net profit for the first half of 2016 amounted to PLN 264,317 thousand (of which PLN 263,993 thousand is the net profit of shareholders in the parent company and PLN 324 thousand is the profit of non-controlling shares). This result was influenced mainly by profit on sales partially offset by loss on financing activities. The net profit of the Group was also significantly impacted by income tax in the amount of PLN 70,039 thousand.

Profit / (loss) by type of activities

PLN '000	01.01- 30.06.2016	01.01- 30.06.2015	Change % 2016/2015	Change 2016/2015
CONTINUING OPERATIONS				
1. Operating profit/loss	344,411	240,784	43.0%	103,627
2. Net financial income/expenses	(10,524)	(62,220)	83.1%	51,696
3. Share of profit of equity-accounted investees	469	182	157.7%	287
4. Income tax	(70,039)	(39,963)	(75.3%)	(30,076)
5. Net profit/loss (1+2+3+4) on continuing operations	264,317	138,783	90.5%	125,534
6. Net profit/loss attributed to non-controlling interest on continuing operations	324	326	(0.6%)	(2)
7. Net profit/loss attributable to shareholders of the parent company (5-6) on continuing operations	263,993	138,457	90.7%	125,536
8. Net profit/(loss) on discontinued operations	-	-	-	-
9. Net profit/(loss) for the year (5+8)	264,317	138,783	90.5%	125,534

Source: CIECH S.A.

5.5 Assets

As at the end of June 2016, the Group's non-current assets amounted to PLN 3,041,021 thousand. As compared to the balance as at 31 December 2015, the value of non-current assets increased by PLN 180,674 thousand. The change is mainly related to the investments in property, plant and equipment (partially offset by depreciation) and positive valuation of investment real property.

As at 30 June 2016, the Group's current assets amounted to PLN 1,171,776 thousand. The current assets structure included: trade and other receivables accounting for 42.7%, inventory accounting for 23.9% as well as cash and cash equivalents accounting for 28.1% of total current assets. Compared to the balance as at the end of December 2015, the value of current assets increased by PLN 121,850 thousand. The increase is mainly related to the increased sales in soda segment as a result of increased volumes and prices, seasonality of sales of plant protection chemicals as well as the increased volume of PUR foams in the organic segment.

5.6 Liabilities

Liabilities (non-current and current) of the CIECH Group as at 30 June 2016 amounted to PLN 2,786,591 thousand, which accounts for an increase in comparison with the balance as at the end of December 2015 by PLN 217,822 thousand (i.e. by 8.5%).

The debt ratio (current and non-current liabilities/total assets) amounted to 66.1% as at 30 June 2016 (65.7% as at the end of December 2015). The consolidated net debt of the Group calculated as the sum of non-current and current liabilities for credits, loans and other debt instruments (bonds + finance lease + liabilities for net loss on derivatives calculated separately for each derivative + reverse factoring liabilities + factoring liabilities) less cash and cash equivalents amounted to PLN 1,289,664 thousand as at 30 June 2016 and decreased in comparison to the balance as at the end of December 2015 by PLN 71,648 thousand. Significant increase in current liabilities is related to the recognition of liabilities for dividend, which was approved by the General Meeting on 16 June 2016.

5.7 Cash flows

Total net cash flows in the first half of 2016 was positive and amounted to PLN 127,473 thousand. Compared to the same period of the previous year, the cash flows generated by the Group were higher by PLN 123,921 thousand. The cash flows from operating activities amounted to PLN 361,582 thousand and increased by PLN 158,874 thousand as compared to the same period in 2015. In the first half of 2016, the net cash flows from investing activities were negative, which was the result of expenses for investment programme implemented by the Group. The net cash from financing activities was negative and amounted to PLN 3,060 thousand. In comparison to the same period in 2015 it was lower by PLN 4,315 thousand.

5.8 Information on the CIECH Group's financial standing

Profitability after the first half of 2016

In the first half of 2016, profitability ratios of the CIECH Group in respect of the continuing operations were at a higher level than in the comparable period of 2015.

CIECH Group's profitability ratios

	01.01–30.06.2016	01.01–30.06.2015
CONTINUING OPERATIONS		
Gross return on sales	30.2%	26.3%
Return on sales	18.9%	16.1%
EBIT margin	20.3%	14.5%
EBITDA margin	26.8%	21.2%
Normalised EBIT margin*	19.2%	16.3%
Normalised EBITDA margin*	25.6%	23.0%
Net return on sales (ROS)	15.6%	8.4%
Return on assets (ROA)	6.3%	3.5%
Return on equity (ROE)	18.5%	10.3%

*Excluding one-off events, the more important of which are described in section II.5 hereof.

Principles of ratio calculation (according to the data for continuing operations):

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

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

EBIT margin — operating profit (loss) for a given period / net revenues from sales of products, services, goods and materials for a given period;

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

normalised EBIT margin — operating profit (loss) for a given period excluding one-off events, more important of which were described in section II.5 / net revenues from sales of products, services, goods and materials for a given period;

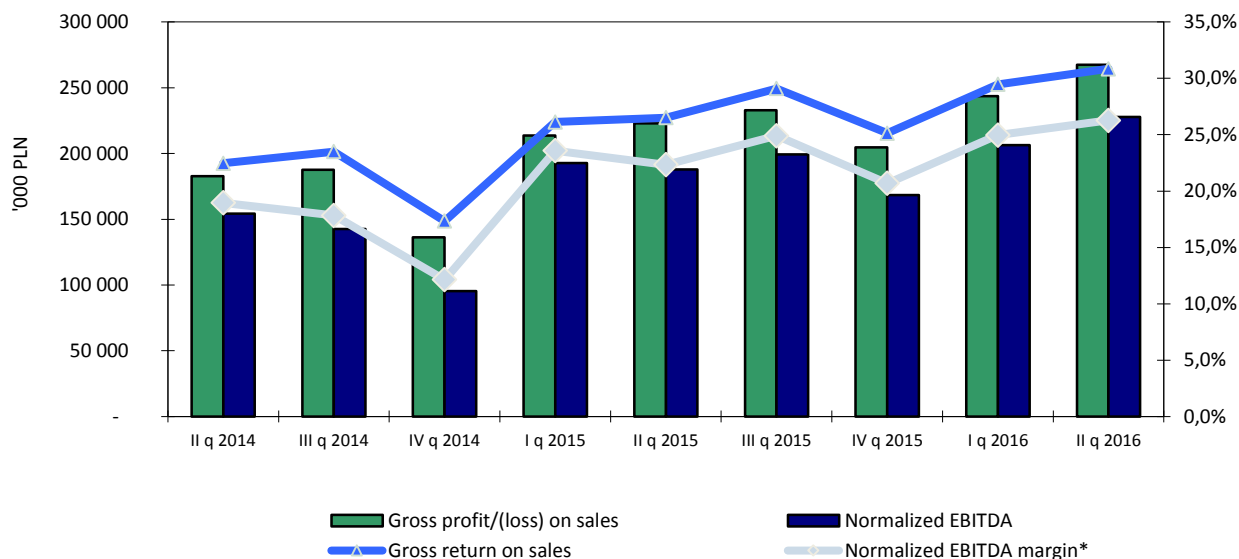
normalised EBITDA margin — EBITDA for a given period excluding one-off events, more important of which were described in section II.5 / net revenues from sales of products, services, goods and materials for a given period;

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

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

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

The Ciech Group's return levels



*Normalised EBITDA – excluding one-off events reported in particular quarters

Source: CIECH S.A.

Liquidity and working capital of the Group

As at the end of June 2016, liquidity ratios remained at a level similar to their level as at 31 December 2015. The current ratio, calculated as the ratio of total current assets to total current liabilities, amounted to 1.31 as at 30 June 2016, while the quick ratio amounted to 1.00.

CIECH Group's liquidity ratios

	30.06.2016	31.12.2015
Current ratio	1.31	1.37
Quick ratio	1.00	0.99

Principles of ratio calculation:

current ratio – the ratio of current assets to current liabilities as at the end of a given period; measures the company's ability to cover current liabilities using current assets;

quick ratio – the ratio of current assets less inventory to current liabilities as at the end of a given period; measures the company's ability to gather cash in short time to cover its maturing liabilities.

Ability to generate cash flows

PLN '000	01.01–30.06.2016	01.01–30.06.2015
(1) Financial surplus ((net profit/(loss) on continuing operations + depreciation)	373,661	249,240
(2) Other adjustments to net profit/(loss) on continuing operations*	5,342	83,438
(3) Adjusted financial surplus (1+2)	379,003	332,678
(4) Change in working capital**	(17,421)	(129,970)
(5) Net cash from operating activities (3+4)	361,582	202,708
(6) Net cash from investing activities	(231,049)	(200,411)
(7) Free cash flow (5+6)	130,533	2,297

* Other adjustments to net profit (loss) on continuing operations – the sum of adjusting items presented in operating activities of the cash flow statements, apart from depreciation/amortisation and adjustments presented as change in working capital**

**Change in working capital – measured as the sum of changes in receivables, changes in inventories and changes in current liabilities presented in the cash flow statement.

In the first half of 2016 the CIECH Group generated positive free cash flows, which means that it was able to finance its capital expenditure with cash flows generated on operating activities. The adjusted financial surplus reached the level required to contribute to generating a positive free cash flows.

As at the end of June 2016, working capital, defined as the difference between current assets and current liabilities, adjusted by relevant balance sheet items (cash and cash equivalents and short-term loans) amounted to PLN -52,228 thousand, which is a decrease by PLN 128,970 thousand compared to the end of 2015.

The CIECH Group's working capital

PLN '000	30.06.2016	31.12.2015
1. Current assets, including:	1,171,776	1,049,926
<i>Inventory</i>	280,306	293,631
<i>Trade receivables and services and advances for deliveries</i>	314,886	277,308
2. Cash and cash equivalents and short-term investments	380,756	253,716
3. Adjusted current assets (1-2)	791,020	796,210
4. Current liabilities, including:	895,329	766,458
<i>Trade liabilities and advances taken</i>	281,030	273,332
5. Short-term credits and other current financial liabilities*	52,081	46,990
6. Adjusted current liabilities (4-5)	843,248	719,468
7. Working capital including short-term credits(1-4)	276,447	283,468
8. Working capital (3-6)	(52,228)	76,742

* Other current financial liabilities include current finance lease liabilities + current derivative liabilities + reverse factoring liabilities + factoring liabilities.

Indebtedness

The debt ratio slightly increased in comparison to December 2015 and accounts for 66.1%. At the same time, the relative level of net debt (net financial liabilities in relation to EBITDA) improved as compared to the balance as at the end of 2015. The ratio adjusted by one-off events is at a lower level in comparison to the previous year (net financial liabilities in relation to normalised EBITDA).

Net debt of the Group

PLN '000	30.06.2016	31.12.2015
Loans, borrowings and other debt instruments	1,527,551	1,514,584
Finance lease liabilities	24,469	26,883
Reverse factoring liabilities	13,645	18,998
Factoring liabilities	9,222	-
Negative net valuation of derivatives *	44,517	3,782
Gross debt	1,619,404	1,564,247
Cash and cash equivalents	329,740	202,935
Net debt	1,289,664	1,361,312

*calculated separately for each derivative

The CIECH Group's debt ratios

	30.06.2016	31.12.2015
Debt ratio	66.1%	65.7%
Long term debt ratio	44.9%	46.1%
Debt to equity ratio	195.4%	191.5%
Equity to assets ratio	33.9%	34.3%
Gross debt	1,619,404	1,564,247
Net debt	1,289,664	1,361,312
EBITDA annualised*	810,051	707,538
EBITDA normalised (annualised)	801,864	748,422
Net debt / EBITDA annualised	1.6	1.9
Net debt / EBITDA normalised (annualised)**	1.6	1.8
Gross debt / EBITDA annualised	2.0	2.2
Gross debt / EBITDA normalised (annualised)**	2.0	2.1

* Annualised EBITDA – EBITDA for 12 months ending on 30 June 2016 (for comparable data on 30 June 2015)

**Excluding one-off events, the more important of which are described in section II.5 hereof.

Principles of ratio calculation (according to the data for continuing operations):

debt ratio – the ratio of current and non-current liabilities to total assets; measures the share of external funds in financing the company's activity;

long-term debt ratio – the ratio of non-current liabilities to total assets; measures the share of non-current liabilities in financing the company's activity;

debt to equity ratio – the ratio of total liabilities to equity;

equity to assets ratio – the ratio of equity to total assets; measures the share of equity in financing the company's activity;

net debt – liabilities from issued bonds, loans and borrowings (plus overdraft) and other debt instruments (finance lease + net negative valuation on derivatives calculated separately for each derivative + reverse factoring liabilities + factoring liabilities) less cash and cash equivalents;

gross debt – liabilities from issued bonds, loans and borrowings (plus overdraft) and other debt instruments (finance lease + net negative valuation on derivatives calculated separately for each derivative + reverse factoring liabilities + factoring liabilities).

Debt financing of the CIECH Group

As at 30 June 2016, debt financing of the Group in the form of bonds and loans was obtained mainly through:

- Domestic bonds issued by CIECH S.A. – as at 30 June 2016 the nominal debt amounted to PLN 160,000 thousand,
- Loans are granted to CIECH S.A. based on the loan agreement of 29 October 2015:
 - term loan in the amount of PLN 1,045,031 thousand and EUR 69,673 thousand (the total amount of the loan as at 30 June 2016 was PLN 1,353,369 thousand),
 - revolving credit facility granted to CIECH S.A. in the amount of up to PLN 250,000 thousand (the amount of used credit as at 30 June 2016 amounted to PLN 0),
- bank overdrafts granted to CIECH Soda Deutschland GmbH & Co. KG in the amount of EUR 5,000 thousand — as at 30 June 2016 the debt amounted to EUR 4,912 thousand (i.e. PLN 21,738 thousand).

Detailed information concerning the conditions of the issue of bonds, the revolving credit facility agreement and the established collaterals were disclosed in the Consolidated Annual Report of the CIECH Group for 2015 in section I.5.8, published on 21 March 2016.

Factors and events that may affect future performance

In the opinion of the Management Board of CIECH S.A. in the second half of 2016 the trends observed in the past few months will continue. Pursuant to the Strategy, the CIECH Group will focus on the following actions conducive to further development:

- sale of additional volumes of soda ash obtained as a result of the increase in the production capacity of CIECH Soda Polska S.A. in Inowrocław,
- further actions aimed at optimising the utilisation level of capacity in all production companies of the Group,
- increasing the efficiency of Agro sector in CIECH Sarzyna S.A.,
- launching supplies of glassy sodium silicate to Solvay Advanced Silicas Poland Sp. z o.o.,
- continuous process of improving business and operational processes in all companies of the CIECH Group.

However, one should keep in mind that the financial performance of the CIECH Group is affected by both the situation on main markets of the Group's operations and the global macroeconomic situation.

6. Significant risk factors

In connection with its operational activities, the CIECH Group is exposed to a number of risks, including financial risks. The most important risk factors are presented in detail in the Consolidated Annual Report of the CIECH Group for 2015 in section I.3.4, published on 21 March 2016.

During the first half of 2016, no new risks occurred, and the previously identified factors have not changed significantly, except for the following:

- On 6 July 2016, the court curator of S.C. CET Govora S.A. in Romania in composition proceedings, acting pursuant to the Romanian bankruptcy law, terminated the agreement with CIECH Soda Romania S.A. for sale of heat energy (supply of technological steam) concluded for a specified period of time, effective on 31 July 2016. At the same time, the court curator of S.C. CET Govora S.A. invited CIECH Soda Romania S.A. to talks about determination of new conditions of delivery of technological steam, starting from 1 August 2016.

On 28 July 2016, the court curator of S.C. CET Govora S.A. announced that, despite termination of the heat energy sale agreement with CIECH Soda Romania S.A. with effect on 31 July 2016, deliveries of technological steam to CIECH Soda Romania S.A. will continue after 31 July 2016, with a gradual reduction of their scope by 25% per day, until final discontinuation of deliveries. As a result of limitation of deliveries of technological steam, CIECH Soda Romania S.A., due to technological reasons, suspended its production of soda on 3 August 2016.

CIECH Soda Romania S.A. questioned the validity of the notice of termination and took appropriate legal action before a competent court, aimed at invalidation of the effectiveness of termination of the agreement. On 18 August 2016, the decision of Ramnicu Valcea Tribunal in Romania was verbally announced ordering that legal effects of the termination be suspended. The decision to suspend the legal consequences will be binding on the Parties until the court of the first instance has examined the case concerning the proceedings initiated by CET Govora S.A. for the annulment of termination of the agreement on the supply of steam to CIECH Soda Romania S.A.

As a result of the said court's decision, on 19 August 2016 the supply of steam was resumed and CIECH Soda Romania S.A. has begun to restore its soda production process. During the forced standstill the equipment was subject to maintenance and repairs.

The Company makes every effort to ensure that prices of steam under the new contract are attractive to CIECH Soda Romania S.A. and believes in expeditious conclusion of negotiations. Nevertheless, it cannot be ruled out that agreement

satisfactory to both parties will not be reached. Should this be the case, there is a risk that there will be no steam supplies for a long time, which may confront CIECH Soda Romania S.A. with problems with continuation of production.

Due to the fact that CET Govora S.A. is now subject to composition proceedings and payments for the collection of steam by CIECH Soda Romania S.A. constitute considerable revenue for CET Govora S.A. and that the steam is produced in co-generation with electric energy supplied by CET Govora S.A. to residents of Valcea region, the Company assesses the risk as medium.

- The results of referendum of 23 June 2016 concerning the Brexit pose a risk related to potential change of applicable trading conditions and trading and economy policy in general between Great Britain and the European Union. At this point it is difficult to assess the scope and scale of impact of Brexit on the CIECH Group. Most probably this will be possible in a few months at the earliest, when the authorities of Great Britain file a formal request for withdrawal from the European Union and a schedule and procedures for appropriate actions is proposed. At the moment the risk related to Brexit is assessed as low, mainly due to limited involvement of the CIECH Group in operations in Great Britain.
- The amendment to the regulation of the Minister of Environment on the classification of unit water bodies of surface waters and environmental quality standards for priority substances entered into force on 20 August 2016. The amendment refers to tightening the limits for chlorides in surface waters, which will affect the process of permit revision (once every 4 years) and/or obtaining new water law permits after the expiry date. In the case of CIECH Soda Polska S.A. there is a risk assessed by the Company as medium that in 2020 during the revision of the Company's permit, the authority may restrict the rules of using water.

Moreover, in accordance with the draft Water Law Act, on 1 January 2017 a new state administration body will be appointed – Państwowe Gospodarstwo Wodne Polska Woda (state water holding – Polish waters, PGW) competent, among others, for issue of environmental permits, with control powers and a body responsible for restoring appropriate status of waters, which considering the reduction of concentrations of the pollutants transferred to the bodies of waters may pose serious challenge to the industry. The draft Act stipulates that from 1 January 2017 the unit rates for water abstraction will increase and introduces the “fee for readiness”, i.e. fee for values determined in water law permits, fees will be paid on a quarterly basis. At this point the risk is assessed as high.

In the first half of 2016, there were no significant changes in relation to the Group's risk management policy.

Exposure to currency risk

The table below presents the estimated balance-sheet currency exposure of the CIECH Group in euro as at 30 June 2016 due to financial instruments (excluding figures of the SDC Group and Ciech Group Financing AB, because EUR is their functional currency):

Exposure to currency risk in EUR	('000 EUR)	Impact on the statement of profit or loss	Impact on the statement of other comprehensive income*
Assets			
Loans granted to SDC Group	47,359	X	
Trade receivables	19,388	X	
Cash including bank deposits	11,254	X	
Equity and liabilities			
Trade liabilities	(15,543)	X	
Term loan liabilities	(69,773)		X
Hedging instruments: Forward	(15,900)		X
Hedging instruments: CIRS (forward transactions isolated as part of decomposition of CIRS)	(246,839)		X
Total exposure	(270,054)		

* Evaluation of financial instruments designated for hedge accounting is referred to other comprehensive income while ineffectiveness is recognised in the profit and loss statement.

The table contains an analysis of the sensitivity of individual items of the statement of financial position to EUR exchange rate changes as at 30 June 2016:

Analysis of sensitivity to foreign exchange rate changes	('000 PLN)*	Impact on the statement of profit or loss	Impact on the statement of other comprehensive income
Currency balance sheet items	(73)	625	(698)
Hedging instruments: Forward and CIRS	(2,627)		(2,627)

* Increase of EUR/PLN exchange rate by 1 grosz.

The table below presents the estimated balance-sheet currency exposure of the CIECH Group in USD as at 30 June 2016:

Exposure to currency risk in USD	('000 USD)	Impact on the statement of profit or loss	Impact on the statement of other comprehensive income
Assets			
Trade receivables	16,931	X	
Cash including bank deposits	4,244	X	
Equity and liabilities			
Trade liabilities	(1,440)	X	
Total exposure	19,735		

The table contains an analysis of the sensitivity of individual items of the statement of financial position to USD exchange rate changes as at 30 June 2016:

Analysis of sensitivity to foreign exchange rate changes	('000 PLN)*	Impact on the statement of profit or loss	Impact on the statement of other comprehensive income
Currency balance sheet items	197	197	-

* For currency exchange rate increase of USD/PLN rate by 1 grosz

The CIECH Group applies hedge accounting. There were no changes in the presentation or valuation in this area compared to the previous period. Tests performed as at the balance sheet date have shown that the hedging of future cash flows from revenues from sales denominated in or indexed to the EUR exchange rate using a series of EUR/PLN forward transactions, through the decomposition of CIRS transactions, is not fully effective. The resulting inefficiency recognised for the first half of 2016 in the income statement amounted to PLN + 1,273 thousand.

7. Meeting the profit forecasts published earlier for a given year in the light of the profit (loss) disclosed in the report as compared to the forecast profit (loss)

The CIECH Group did not publish any forecasts for 2016.

8. Factors affecting the CIECH Group's profit (loss) with particular focus on the next six months

External factors affecting the Group's profit (loss)

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

Poland is the largest sales market of the CIECH Group. The direct, most important domestic recipients of the Group's products include: glass industry, chemical and plastic products industries, furniture, agriculture, construction, 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 the first half of 2016 increased by 4.4% as compared with the same period in the previous year (in 2015 – an increase of 4.6%). In 2016, the relevant dynamics of production in the industries of significant importance to the Group's activities (as receiving or target markets) were: chemicals and chemical products (increase by 3.7%); rubber and plastic products (increase by 8.6%); manufacture of motor vehicles (increase by 9.7%); manufacture of furniture (increase by 13.4%); manufacture of food (increase by 6.2%); construction and assembly production (decrease by 11.9%).

In the years 2014–2015, the Polish economy recorded definitely above-average rates of economic growth as compared to the European Union (increase in GDP by 3.3% and 3.6% respectively). This good economic situation may be also noticed in the current year (the expected GDP growth for the entire 2016 at the level of 3.5% or more). Similar trends should be expected in the chemical industry which usually develops similarly to the economy as a whole.

Economic situation in Europe and in the world

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

In 2016, according to the estimates of the International Monetary Fund, the global GDP will increase by 3.1% (comparable level to the prior year). The largest Asian economies grow relatively quickly (India, China, and ASEAN countries, for which the GDP growth indicators should be, respectively: 7.4%, 6.6%, 4.8%). Among large economies, the worst situation is observed in Russia (expected GDP decrease by 1.2% in 2016) and in Brazil (decrease by 3.3%). In turn, the European Union is expected to record a slight slow-down of the development (GDP growth of 1.8% in 2016 vs. 2.0% in 2015).

For the chemical sector American Chemical Chamber (ACC) assumes that after a moderate increase of chemical production in years 2014–2015 (by 3.0% and 2.8%, respectively) the following years will indicate a rapid growth of productivity: by 3.3%

in 2016 and by 3.7% in 2017. In the case of USA, this growth should reach 2.9% in 2016, and 4.4% in 2017. Whereas in the European Union, the European Council of Chemical Industry (CEFIC) projects that the years 2016–2017 will bring an increase in the chemical production by only 1.0% on an annual average (in comparison with the increase of 0.6% in 2015). As regards the European construction sector, further economic growth is projected for the next 2-3 years. According to Euroconstruct, the annual average production dynamics in construction sector in the Western and Central Europe should grow up to 2.5% in the years 2016–2018 (from 1.4% in 2015).

Financial condition of agriculture

A part of the CIECH Group revenues, including plant protection products (products made in the Group or goods), are generated from the sales to the agricultural sector. In the opinion of the Group, in the long-term perspective, the demand for chemicals for agriculture used in Poland and in Central and Eastern Europe should still grow. Significant factors that are favourable for the increase in the consumption of agrochemicals in Poland and thus in the demand for products and goods of the Group, include processes improving the financial condition and profitability of agricultural production, including: quotation of production and direct subsidies. This should be reflected in the increase in revenues of the Group. On the other hand, the lack of significant improvement in the purchasing power of the agricultural sector may result in the stagnation of the demand for plant pesticides and, at the same time, in the stagnation of the Group's revenues in the agrochemical products. According to the data of the Institute of Agricultural and Food Economics (*Instytut Ekonomiki Rolnictwa i Gospodarki Żywnościowej*, IERiGŻ), during the first half of 2016, as compared to the corresponding period of the previous year, there was a slight improvement of market conditions for the domestic agricultural sector. This effect was mainly related to the increase in purchase prices of basic agricultural products and slight fall in prices of means of agricultural production. In June 2016, the synthetic ratio of the economic situation in agriculture measured by IERiGŻ increased to the level of 100.0 (vs 99.7 in the previous year). In the coming period, the market conditions for the Polish agriculture should slightly improve due to the growing demand for food (improvement on labour market and increase in income of the population).

Competitors' activities in the scope of increase of production capacity

In the sectors of mass chemical products, in which the CIECH Group operates, the capital expenditures are an important barrier to entry, and in the case of the soda segment – an easy access to natural resources. For this reason, in the scope of the most important segment of the CIECH Group, the soda segment, green field investments are rare and generally done outside Europe. The planned opening of new soda ash and baking soda production plants in Turkey, with the total capacity of 3.3 million tonnes/year in years 2017–2018 may bring such results as: a temporary, significant oversupply of the product, and a decrease in prices in Europe and in the neighbouring regions, which may have a negative impact on the Group's profit (loss).

Economic situation on raw material market

The Group, as part of its operation, generates commercial turnover on the import of raw chemicals to Poland. The raw material markets are of a cyclical nature due to fluctuations in the global economy. On the one hand, the growing prices of raw materials force the trading agents to lower their mark-ups while weakening the demand of the recipients. On the other hand, they are usually a sign of declining demand and the onset of an economic slump. If the stable growth rate and steady prices of chemical raw materials continue, this will benefit the CIECH Group's imports of chemical raw materials. Large fluctuations in demand and prices may be caused either by high economic growth rate, or by an economic slump. Large fluctuations may affect the CIECH Group's trade in chemical raw materials.

REACH system implementation

In accordance with the REACH regulation, the Group's companies selling substances in quantities exceeding 1 tonne p.a. have completed or plan to complete full registration of these substances by defined deadlines, which will enable them to continue their operations in the current scope. To date, the CIECH Group has registered 21 substances with the tonnage range from 100 to more than 1,000 Mg/y. Until 31 May 2018, 12 marketed substances in the quantity of 1–100 Mg/y are planned to be registered.

Emission trading system

The emission trading system applies to:

- CIECH Soda Polska S.A. with 2 heat power station installations and 2 soda production installations,
- SDC Group with 1 heat power station installation and 1 soda production installation,
- CIECH Soda Romania S.A. with 1 soda production installation,
- CIECH Vitrosilicon S.A. with 2 glass production installations.

Internal analyses performed by the CIECH Group companies indicate that the amount of free CO₂ emission allowances in the 3rd settlement period (2013–2020) will be insufficient to cover the actual demand for this type of settlement units. The resulting deficit of CO₂ emission allowances may be balanced by applying one or several of the following measures:

- purchase of the emission allowances in an auction, stock market transactions, or over-the-counter transaction,
- equity investments aimed at decreasing the emissions of the generated heat, process emissions, increasing the energy efficiency,
- use of raw materials and emissions with lower emissions.

In addition to the direct costs connected with the purchase of CO₂ emission allowances, the CIECH Group companies will bear higher costs of electricity due to their assumption of the costs of purchase of emission allowances from the producers.

EUR/PLN and USD/PLN exchange rate relationships

The export sales of the CIECH Group are mainly dominated in EUR and USD. Strong EUR and USD increase the profitability of the Group's export sales. On the other hand, in the case of strengthening of the national currency in relation to EUR and USD, we can observe a decrease in the profitability of exports and a negative impact on the volume of export sales accomplished by the Group.

Internal factors affecting the Group's profit / (loss)**Maintaining cost and quality competitiveness**

The competitiveness of the CIECH Group is a result of such basic factors as:

- cost competitiveness based on the economies of scale, specialisation, standardisation and effects of experience,
- quality leadership and quality management systems,
- competition based on the market strength of the company (position of the market leader).

Quality and stability of the management and staff

The market position of the CIECH Group is to a large extent a result of the high quality of the management and its mid-level employees. The CIECH Group HR policy guarantees its employees an opportunity for professional development and continuous skills upgrade.

9. CIECH S.A.'s shareholders holding at least 5% of shares/votes at the General Shareholders Meeting

The shares of CIECH S.A. are listed on Warsaw Stock Exchange since 10 February 2005 and since 23 August 2016 also on Frankfurt Stock Exchange. The share capital of CIECH S.A. amounts to PLN 263,500,965 and is divided into 52,699,909 shares with a nominal value of PLN 5 each. The number of shares and their nominal value has not changed since the last reporting period.

SHAREHOLDERS

Since the date of publishing the previous report (i.e. the date of publication of the Extended Consolidated Report of the CIECH Group for the first quarter of 2016, announced on 12 May 2016), CIECH S.A. has not received any information from the shareholders about increasing or decreasing the interests of any of them in the total number of shares.

The following table presents the up-to-date data available to CIECH S.A. concerning shareholders in CIECH S.A. prepared based on the list of shareholders holding at least 5% of the number of votes at the General Shareholders Meeting of CIECH S.A. of 16 June 2016, who registered their shares in order to participate in the General Shareholders Meeting.

Shareholder	Type of shares	Share in total number of votes at GSM			Number of votes at GSM		
		Report for Q1 2016	Change	Report for H1 2016***	Report for Q1 2016	Change	Report for H1 2016***
KI Chemistry s. à r. l. with its registered office in Luxembourg	Ordinary bearer	51.14%*	-	51.14%	26,952,052*	-	26,952,052
Nationale-Nederlandsen Otwarty Fundusz Emerytalny	Ordinary bearer	9.49%**	(3.80%)	5.69%	5,000,000**	(2,000,000)	3,000,000
Other	Ordinary bearer	39.37%	3.80%	43.17%	20,747,857	2,000,000	22,747,857

* On the basis of information dated 9 June 2014 provided by Shareholder under Article 77(7) and Article 69(1)(1) of the Act of 29 July 2005 on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies (CR 26/2014).

** On the basis of the list of shareholders holding at least 5% of votes at the Extraordinary Meeting of Shareholders of CIECH S.A. on 7 October 2015, CR 35/2015 prepared and published pursuant to Article 70(3) of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies.

*** On the basis of the list of shareholders holding at least 5% of votes at the Ordinary Meeting of Shareholders of CIECH S.A. on 16 June 2016, CR 22/2016 prepared and published pursuant to Article 70(3) of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies.

The percentage share of above-listed shareholders in the share capital of CIECH S.A. equals the percentage share in the number of votes at the General Shareholders Meeting of CIECH S.A.

10. Changes in the number of shares in CIECH S.A. held by the Members of the Management Board and Supervisory Board

The number of shares in CIECH S.A. held by managing and supervising persons as at the date of the approval of this report is as follows:

- Artur Osuchowski — Member of the Management Board of CIECH S.A., holds 65,195 shares in CIECH S.A.

At the date of the approval of this report, other managing and supervising persons of CIECH S.A. did neither hold any shares in CIECH S.A. nor shares or interests in related entities. There have been no changes in this regard since the publication of Extended Consolidated Quarterly Report of the CIECH Group for Q1 of 2016, i.e. since 12 May 2016.

11. Litigation pending before a court, competent arbitration authority or public administration authority

11.1 Significant disputed liabilities of the CIECH Group

As at 30 June 2016, the total value of significant disputed liabilities of CIECH S.A. and subsidiaries of CIECH S.A., pursued in all types of proceedings before court, competent arbitration authority or public administration authority represents less than 10% of CIECH S.A.'s equity.

11.2 Significant disputed receivables of the CIECH Group

As at 30 June 2016, the total value of significant disputed receivables of CIECH S.A. and subsidiaries of CIECH S.A., pursued in all types of proceedings before court, competent arbitration authority or public administration authority represents less than 10% of CIECH S.A.'s equity.

12. Loan or borrowing sureties or guarantees granted by CIECH S.A. or its subsidiary

Information about loan or borrowing sureties or guarantees is presented in the section II.13 and IV.13 of this Report.

Letters of comfort

As at 30 June 2016 the status of liability under the letter of comfort has not changed in respect of the status of 31 December 2015 presented in item II.42 of the Consolidated Annual Report of the CIECH Group for 2015, published on 21 March 2016.

13. Information on transactions with related entities

Information on transactions with related entities is presented in the section II.11 and IV.11 of this Report.

VI. APPROVAL OF THE EXTENDED CONSOLIDATED MID-YEAR REPORT OF THE CIECH GROUP

This extended consolidated report of the CIECH Group for the first half of 2016 was approved by the Management Board of CIECH S.A. at its registered office on 30 August 2016.

Warsaw, 30 August 2016.

Signed on the Polish original

.....
Maciej Tybura — President of the Management Board of CIECH Spółka Akcyjna

Signed on the Polish original

.....
Artur Król — Member of the Management Board of CIECH Spółka Akcyjna

Signed on the Polish original

.....
Artur Osuchowski — Member of the Management Board of CIECH Spółka Akcyjna

Signed on the Polish original

.....
Katarzyna Rybacka — Chief Accountant of CIECH Spółka Akcyjna