



Independent Registered Auditor's Report

To the General Shareholders' Meeting and the Supervisory Board of CIECH S.A.

Report on the financial statements

We have audited the accompanying financial statements of CIECH S.A. (hereinafter called "the Company"), Wspólna 62 Street, Warsaw, which comprise the statement of financial position as at 31 December 2016, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year from 1 January to 31 December 2016 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility

The Company's Management Board is responsible for the preparation of these financial statements, on the basis of correctly maintained books of account, and their fair presentation in accordance with the International Financial Reporting Standards as adopted by the European Union and in accordance with the applicable regulations. The Company's Management Board is also responsible for internal controls as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Management Board is obliged to ensure that the financial statements meet the requirements of the Accounting Act of 29 September 1994 ("the Accounting Act" – Journal of Laws of 2016, item 1047 as amended).

Auditor's Responsibility

Our responsibility was to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with section 7 of the Accounting Act and International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Audit and Assurance with a resolution dated 10 February 2015. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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PricewaterhouseCoopers Sp. z o.o. is entered into the National Court Register (KRS) maintained by the District Court in Warsaw, with the reference number (KRS) 0000044655, and tax identification number (NIP) 526-021-02-28. Share capital amounts to PLN 10,363,900. Headquarters in Warsaw, Al. Armii Ludowej 14.



Independent Registered Auditor's Report (cont.)

To the General Shareholders' Meeting and the Supervisory Board of CIECH S.A.

Opinion

In our opinion, the accompanying financial statements:

- a. give a true and fair view of the Company's financial position as at 31 December 2016 and its financial performance and its cash flows for the year from 1 January to 31 December 2016, in accordance with the International Financial Reporting Standards as adopted by the European Union and the applicable accounting policies;
- b. comply in terms of form and content with the applicable laws, including the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions of recognizing as equal information required by the law of other state, which is not a member state ("the Decree" – Journal of Laws of 2016, item 1047 as amended) and the Company's Memorandum of Association;
- c. have been prepared on the basis of correctly maintained books of account.

Report on Other Legal and Regulatory Requirements

Opinion on the Management Board report on the Company's activities

Our opinion on the audit of the financial statements does not cover the Management Board report on the Group's and Company's activities, where the Company is parent company (hereinafter called "the Group").

The Company's Management Board is responsible for the preparation of the report on the Company's activities in accordance with the Accounting Act and the Decree. Further, the Management Board and Supervisory Board are obliged to ensure that the report on the Company's operations meets the requirements of the Accounting Act.

With respect to our audit of the financial statements, our responsibility was to read the Management Board report on Group's and Company's activities and consider whether the information included in this Report complies with the regulations of article 49 of the Accounting Act and the Decree and is consistent with the information in the related financial statements. Our responsibility was also to consider, based on the knowledge of the Company and Group and their environment obtained during our audit, whether the Management Board report on Group's and Company's activities does not contain any material misstatements.

In our opinion, the information contained in the Management Board report on Group's and Company's activities for the year from 1 January to 31 December 2016 comply with the requirements of article 49 of the Accounting Act and the Decree and is consistent with the information in the audited financial statements.

Further, based on the knowledge of the Company and Group and their environment obtained during our audit we have not identified any material misstatements in the Management Board report on Group's and Company's activities.



Independent Registered Auditor's Report (cont.)

To the General Shareholders' Meeting and the Supervisory Board of CIECH S.A.

With respect to our audit of the financial statements, our responsibility was also to read the Company's Statement of Corporate Governance, which is a separate part of the Management Board report on Group's and Company's activities. In our opinion, the Company included information in accordance with the scope defined in the Decree, and information as indicated in the Decree, complies with the applicable regulations and is consistent with the information contained in the financial statements.

Auditor conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Piotr Wyszogrodzki

Key Registered Auditor
No. 90091

Warsaw, 20 March 2017

CIECH S.A.

Independent Registered Auditor's Report

Financial Statements

Management Board Report on Group's and Company's activities

Registered Auditor's Report on the audit of the financial statements

For the year from 1 January to 31 December 2016

Content:

Independent Registered Auditor's Report

prepared by PricewaterhouseCoopers Sp. z o.o.

Financial Statements

prepared by CIECH S.A.

Management Board Report on Group's and Company's activities

prepared by Management Board of CIECH S.A.

Registered Auditor's Report on the audit of the financial statements

prepared by PricewaterhouseCoopers Sp. z o.o.

CIECH S.A.

**Registered auditor's report on the audit of the financial
statements for the year from 1 January to 31 December 2016**

Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

**Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2016**

**To the General Shareholders' Meeting and the Supervisory Board of
CIECH S.A.**

This report contains 11 consecutively numbered pages and consists of:

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CIECH S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2016

I. General information about the Company

- a. CIECH S.A. ("the Company") has its seat in Warsaw, Wspólna 62 street.
- b. The Company was formed on the basis of a Notarial Deed drawn up on 30 May 1995 at the Notary Public's Office of Paweł Błaszczak in Warsaw and registered with Rep. A No. 7512/95. On 25 May 2001, the Company was entered in the Register of Businesses maintained by the District Court in Warsaw, XIII Business Department of the National Court Register, with the reference number KRS 0000011687.
- c. The Company was assigned a tax identification number (NIP) 118-00-19-377 for the purpose of making tax settlements and a REGON number 011179878 for statistical purposes.
- d. As at 31 December 2016 the Company's share capital amounted to PLN 287,614 thousand and included capital from the issued shares in the amount of PLN 263,500 thousand, which consisted of 52,699,909 shares, with a nominal value of PLN 5 each, and the adjustment for hyperinflation for the years from 1989 to 1996 in the amount of PLN 24,114 thousand. Total equity as at that date amounted to PLN 1,296,766 thousand.
- e. As at the date of preparation of the financial statements (*), the Company's shareholders were:

Shareholder's name	Number of shares held	Par value of shares held (PLN)	Type of shares held	Votes (%)
KI Chemistry S. à r. l	26,952,052	134,760,260	ordinary	51.14%
TFI PZU Funds	6 428 681	32,143,405	ordinary	12.20%
Nationale-Nederlanden Otwarty Fundusz Emerytalny	3 000 000	15,000,000	ordinary	5.69%
Others	16 319 176	81,595,880	ordinary	30.97%
	52,699,909	263,499,545		100%

(*) Based on CIECH S.A. list of shareholders holding at least 5% of votes at the Extraordinary General Meeting of Shareholders of CIECH S.A.

- f. During the year the Company's operations comprised:
- Wholesale of chemical products,
 - Wholesale of other intermediate products,
 - Other forms of credit granting,
 - Other financial service activities, not classified elsewhere.



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CIECH S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2016

I. General information about the Company (cont.)

g. During the year the Management Board of the Company comprised:

- Maciej Tybura Chairman of the Board,
- Artur Król Board Member,
- Artur Osuchowski Board Member.

h. The Company has the following related entities:

KI Chemistry S. à r. l	-	parent company
Kulczyk Investments S.A.	-	Global Ultimate Parent

and companies belonging to the Kulczyk Investments S.A. Group.

i. The Company is an issuer of securities admitted for trading on the Warsaw Stock Exchange. In accordance with the choice of selecting accounting policies permitted by the Accounting Act, the Company has decided to prepare its financial statements in accordance with IFRS as adopted by the European Union.

j. As the parent company of the Group, the Company has also prepared consolidated financial statements according to IFRS as adopted by the European Union as at 20 March 2017. To better understand the Company's financial position and its results of operations as the Company, the financial statements should be read in conjunction with the consolidated financial statements.



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CIECH S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2016

II. Information about the audit

- a. The audit of the financial statements for the year from 1 January to 31 December 2016 was conducted by PricewaterhouseCoopers Sp. z o.o. with its seat in Warsaw, Al. Armii Ludowej 14, registered audit company no. 144. The audit was conducted on behalf of the registered audit company under the supervision of the key registered auditor Piotr Wyszogrodzki (no. 90091).
- b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Company by Resolution No. 28/IX/2015 of the Supervisory Board of CIECH S.A. dated 26 May 2015 in accordance with paragraph 21 of the Company's Memorandum of Association.
- c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the audited entity within the meaning of art. 56, clauses 2-4 of the Act dated 7 May 2009 on registered auditors and their self-government, registered audit companies and on public supervision (Journal of Laws of 2016, item 1000 as amended).
- d. The audit was conducted in accordance with an agreement dated 25 June 2015 in the following periods:
 - interim audit from 21 to 25 November 2016;
 - final audit from 23 January to 20 March 2017.
- e. An audit was conducted in accordance with International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Audit and Assurance with a resolution dated 10 February 2015. The scope of an audit was influenced by an application of materiality. In accordance with these auditing standards, the concept of materiality is applied by the auditor at the planning stage and when conducting the audit as well as to evaluate the effect of misstatements identified and adjusted (if any) on the financial statements, and to form the opinion in the Independent Registered Auditor's Report.

An audit was designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. The misstatements are considered to be material, if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on a professional judgement, the certain quantitative thresholds for materiality were determined and documented, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped to determine the scope of the audit and the nature, timing and extent of the audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole. Therefore, all statements included in the Independent Registered Auditor's Report, including those related to the other legal and regulatory requirements, have been expressed considering the materiality determined in accordance with those auditing standards and the auditor's judgement.



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CIECH S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2016

III. The Company's results, financial position and significant items of financial statements

STATEMENT OF FINANCIAL POSITION as at 31 December 2016 (selected lines)

			Change		Structure	
	31.12.2016 PLN '000	31.12.2015 PLN '000	PLN '000	(%)	31.12.2016 (%)	31.12.2015 (%)
ASSETS						
Non-current assets	2,593,182	2,526,919	66,263	2.6	72.0	77.3
Current assets	1,006,790	741,820	264,970	35.7	28.0	22.7
Total assets	3,599,972	3,268,739	331,233	10.1	100.0	100.0
LIABILITIES AND EQUITY						
Equity	1,296,766	1,297,223	(457)	(0.04)	36.0	39.7
Long-term liabilities	1,467,349	1,578,807	(111,458)	(7.1)	40.8	48.3
Short-term liabilities	835,857	392,709	435,017	112.8	23.2	12.0
Total liabilities and equity	3,599,972	3,268,739	328,542	10.1	100.0	100.0

INCOME STATEMENT

for the year from 1 January to 31 December 2016 (selected lines)

			Change		Structure	
	2016 PLN '000	2015 PLN '000	PLN '000	(%)	2016 (%)	2015 (%)
Total sales	2,193,357	2,038,491	154,866	7.6	100.0	100.0
Cost of sales	(1,651,553)	(1,592,087)	(59,466)	3.7	(75.3)	(78.1)
Gross profit on sales	541,804	446,404	95,400	21.4	24.7	21.9
Net profit	152,441	331,578	(179,137)	(54.0)	7.0	16.3

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CIECH S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2016

III. The Company's results, financial position and significant items of financial statements (cont.)

STATEMENT OF COMPREHENSIVE INCOME
for the year from 1 January to 31 December 2016 (selected lines)

	2016		2015		Change		Structure	
	PLN '000	PLN '000	PLN '000	PLN '000	(%)	(%)	(%)	
Net profit	152,441	331,578	(173,697)	(54.0)	6.9	16.3		
Other net comprehensive income	(2,703)	3,787	(6,490)	(171.4)	(0.1)	0.2		
Total net comprehensive income	149,738	335,365	(185,627)	(55.4)	6.8	16.5		



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CIECH S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2016

III. The Company's results, financial position and significant items of financial statements (cont.)

Selected ratios characterising the Company's financial position and results

The following ratios characterise the Company's operating activities, financial results during the year and its financial position as at the balance sheet date compared with previous years:

	2016	2015	2014
Asset ratios			
- receivables turnover	42 days	39 days	47 days
- inventory turnover	7 days	5 days	4 days
Profitability ratios			
- net profit margin	7 %	16 %	6 %
- gross margin	14 %	12 %	9 %
- return on capital employed	12 %	29 %	10 %
Liability ratios			
- gearing	64 %	60 %	63 %
- payables turnover	54 days	47 days	61 days
	31.12.2016	31.12.2015	31.12.2014
Liquidity ratios			
- current ratio	1.2	1.9	1.0
- quick ratio	1.2	1.8	1.0

The above ratios have been calculated on the basis of the financial statements.

It was not the purpose of the audit to present the Company in the context of the results of operations and ratios achieved. A detailed interpretation of the ratios requires an in-depth analysis of the Company's operations and its circumstances.



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III. The Company's results, financial position and significant items of financial statements (cont.)

The financial statements do not take into account the effects of inflation. The consumer price index (on a December to December basis) amounted to 0.8% in the audited year (-0.5% in 2015).

The following comments are based on information obtained during the audit of the financial statements.

- At the end of the financial year, the Company's total assets amounted to PLN 3,599,972 thousand. During the year total assets increased by PLN 331,233 thousand, i.e. by 10.1%. This increase was financed mainly by an increase in liabilities of PLN 331,690 thousand.
- Long-term investments as at the end of financial year amounted to PLN 2,474,312 thousand and increased by PLN 104,979 thousand, i.e. by 4.4% compared to the previous year. Change in the balance during 2016 was connected mainly with the granting loans to subsidiaries and revaluation of shares at balance sheet date.
- Cash and cash equivalents as at 31 December 2016 amounted to PLN 342,607 thousand and comprised mainly cash in bank in the amount of PLN 318,766 thousand.
- Total equity as at 31 December 2016 amounted to PLN 1,296,766 thousand. An increase of total equity by PLN 457 thousand (i.e. by 0.04%) was mainly due to achieved net profit for the current financial year of PLN 152,441 thousand compensated by the dividend paid of PLN 150,195 thousand.
- Long-term liabilities as at 31 December 2016 amounted to PLN 1,467,349 thousand and comprised mainly liabilities under loans, borrowings, bonds and other financial instruments of PLN 1,345,973 thousand and trade liabilities of PLN 120,929 thousand. Decrease in the balance of long-term liabilities of PLN 111,458 thousand compared to the previous year was caused by loans repayment.
- Trade and other liabilities as at 31 December 2016 amounted to PLN 443,963 thousand and comprised mainly trade liabilities in the amount of PLN 384,133 thousand. Increase in the balance of trade liabilities by PLN 184,121 thousand (i.e. by 92,0%) was mainly due to changes in settlements with core supplier.
- Liability ratios and the structure of liabilities have changed. The gearing ratio increased from 60% at the end of the previous year to 64% at the end of the current year. The payables turnover ratio stood at 54 days, while it was 47 days in the previous year.

III. The Company's results, financial position and significant items of financial statements (cont.)

- Total sales amounted to PLN 2,913,357 thousand, which constituted a 7.6% increase compared with the previous year. The Company's core activities in the current financial year consisted of sales of goods and materials. Such sales have increased by PLN 154,866 thousand compared with the previous financial year. The largest sales revenue in 2016 the Company has achieved in the soda segment, where revenues amounted to PLN 1,772,601 thousand, i.e. 80.8 % of total revenues. The second largest segment was organic segment with revenues of PLN 392,897 thousand, constituting 17.9% of total revenues.
- The cost of goods for resale and materials sold was the largest item of operating expenses and amounted to PLN 1,651,553 thousand in the audited year, which constituted 87.5% of operating expenses.
- In 2016 financial costs amounted to PLN 296,423 thousand and comprised mainly creation of impairment write-downs of PLN 180,850 thousand and interests of PLN 54,356 thousand.
- Profitability measured with net profit amounted to 7% and was 9 percentage points lower than in the previous year.
- The Company's liquidity has changed. At the end of audited years, the current and quick ratios amounted to 1.2 (2015: 1.9) and 1.2 (2015: 1.8) respectively.

The financial statements have been prepared on the assumption that the Company will continue in operation as a going concern.

IV. The independent registered auditor's statements

- a. The Management Board of the Company provided all the information, explanations, and representations requested in the course of the audit and provided a representation letter confirming the completeness of the data included in the accounting records and the disclosure of all contingent liabilities and post balance-sheet events which occurred up to the date on which that letter was signed.
- b. The scope of the audit was not limited.
- c. The financial statements of the Company for the year from 1 January to 31 December 2015 were approved by Resolution No. 4 passed by the General Shareholders' Meeting on 16 June 2016 and filed with the National Court Register in Warsaw on 22 June 2016.
- d. We have assessed the operation of the accounting system. Our assessment covered in particular:
 - the accuracy of the documentation relating to business transactions;
 - the fairness, accuracy and verifiability of the books of account, including computerised books of account;
 - the methods used for controlling access to data and the computerised data processing system;
 - the safeguarding of the accounting documentation, books of account, and financial statements.

This assessment, together with our verification of individual items of the financial statements, provides the basis for expressing an overall and comprehensive opinion on these financial statements. The audit was not intended to provide a comprehensive opinion on the operations of the said system.

- e. The notes to the financial statements present all significant information required by IFRS as adopted by the European Union.
- f. The information in the Management Board report on Group's and Company's activities for the year from 1 January to 31 December 2016 has been prepared in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state (Journal of Laws of 2014, item 133 as amended) and is consistent with that presented in the financial statements.

CIECH S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2016

V. Final information

This report has been prepared in connection with our audit of the financial statements of CIECH S.A. Wspólna 62 street, Warsaw. The financial statements were signed by the Company's Management Board and the person entrusted with maintaining the books of account on 20 March 2017.

This report should be read in conjunction with the Independent Registered Auditor's Report dated 20 March 2017 to the General Shareholders' Meeting and the Supervisory Board of CIECH S.A., that includes the unqualified audit opinion on the said financial statements. The opinion on the financial statements expresses a general conclusion drawn from the audit and involves assessing the materiality of individual audit findings rather than being a sum of all the evaluations of individual financial statement components. This assessment takes account of the impact of the facts noted on the truth and fairness of the financial statements as a whole.

Person conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o. Registered Audit Company No. 144:

Piotr Wyszogrodzki

Key Registered Auditor
No. 90091

Warsaw, 20 March 2017



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