NOTES TO THE FINANCIAL STATEMENTS
1 July 2017 – 30 September 2017
QUARTERLY REPORT

Notes to the financial statements of SYNTHOS S.A.

Quarterly report for the period from 1 July 2017 to 30 September 2017

SYNTHOS S.A. MANAGEMENT BOARD:

– PRESIDENT OF THE MANAGEMENT BOARD ....

– VICE-PRESIDENT OF THE MANAGEMENT BOARD ....

– MANAGEMENT BOARD MEMBER ....

– MANAGEMENT BOARD MEMBER ....

– MANAGEMENT BOARD MEMBER ....

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1. INTRODUCTION

The Group is one of the largest producers of chemical raw materials in Central and Eastern Europe. Its registered office is located in Poland and the main production facilities in Poland and Czech Republic. According to IHS Chemical data, the Group is the leading European producer of synthetic rubber and expanded polystyrene. The Group has a broad and diversified customer base from different industries, in particular from the automotive, construction and packaging industries. The Group has maintained long-term relations with its key customers, which include market leaders. Through organic growth and acquisitions, the Group has grown from a local factory into a modern global producer of synthetic rubber. Since 2004 the Company's shares have been listed on the Warsaw Stock Exchange (WSE). The Company's market capitalization was PLN 6,801.5 million as at 30 September 2017.

The Group's sales revenue for the 9 months ended 30 September 2017 amounted to PLN 5,454 million. The Group generated EBITDA of PLN 652 million, which was strongly affected by the non-recurring events described in the further part of the report.

1.1 Accounting principles adopted for drawing up the report

These condensed interim consolidated financial statements have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting* adopted for application by the European Union.

The condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2016 prepared in accordance with the IFRS adopted for application in the European Union.

The data in the condensed interim consolidated financial statements are stated in Polish zloty, which is the Group's presentation currency, rounded to the nearest million.

The items included in the financial statements of the individual Group companies are measured in the currency of the main economic environment in which the company conducts its operations ("functional currency").

The consolidated financial statements have been prepared on a historical cost basis, except for the assets and liabilities that are measured at fair value: available-for-sale financial assets and financial instruments measured at fair value through profit or loss.

Preparation of the financial statements in compliance with IAS 34 requires the Management Board to make professional judgments, estimates and assumptions that affect the adopted accounting policies and the presented values of assets, liabilities, revenues and costs. The actual amounts may differ from the estimated ones. The material estimates and judgments made to prepare the condensed interim financial statements are the same as those presented in the annual consolidated financial statements for the financial year ended 31 December 2016, except for the issue of impairment of property, plant and equipment and intangible assets described in item 3.5, "*Material changes in estimates in the 9-month period ended 30 September 2017 in the Synthos S.A. Group."*

The accounting policies used to prepare these condensed interim consolidated financial statements are consistent with the policies applied in the most recent annual consolidated financial statements and were applied continuously in all the periods presented in the consolidated financial statements.

According to the Shareholder Meeting resolution of 30 May 2005, the standalone financial statements were drawn up pursuant to IAS.

1.2 Functional currency and presentation currency

Our Group has three functional currencies due to the locations where its business is conducted:

a) in Czech companies the functional currency is the Czech koruna,

b) in Dutch and French entities the functional currency is euro,

c) in Polish entities the functional currency is the Polish zloty.

The reporting currency in which these financial statements are prepared is the Polish zloty. Assets and liabilities measured in functional currencies are translated into the reporting currency at the average exchange rate of the National Bank of Poland as at the balance sheet date.

Transactions expressed in foreign currencies on the date of the transaction are recognized in the functional currency using, as applicable, the average exchange rate of NBP (National Bank of Poland), the average exchange rate of CNB (Czech National Bank) and the average exchange rate of ECB (European Central Bank) as at the transaction date.

Cash items of assets and liabilities expressed in a foreign currency are translated on the balance sheet date at the average exchange rate of that foreign currency to the functional currency applicable on that date. The exchange differences arising from the settlement of transactions in foreign currencies and from the book valuation of assets and liabilities expressed in foreign currencies are recognized in the financial result. Non-cash items of assets and liabilities carried at historical cost in a foreign currency are translated at the average exchange rate of the functional currency applicable on the transaction date.

The financial data expressed in foreign currencies (the individual asset and liability items) were translated according to the exchange rate as at 30 September 2017: 0.1655 PLN/CZK and 4.3091 PLN/EUR

2. DESCRIPTION OF THE BUSINESS OF THE SYNTHOS SA GROUP

2.1 General information

The Group's business is divided into four main segments: butadiene and rubber ("**Synthetic Rubber Segment**"), styrene and its derivatives ("**Styrene Plastics Segment**"), dispersions, adhesives and latex ("**Dispersions, Adhesives and Latexes Segment**"), and production of plant protection chemicals ("**AGRO Segment**"). The Group also derives revenues from ancillary activities related to the production and distribution of heat from its own power plants and revenues from electricity trading, production and distribution ("**Other Operations"**, including "Utilities" which are presented as a separate segment in the consolidated financial statements). Other Operations comprise also revenues and expenses not allocated to other segments.

Synthetic Rubber Segment

The Synthetic Rubber Segment is the core segment of the Group's business. 83% of sales volume in this segment is targeted at the principal tire market players, including brands such as Michelin, Continental, Bridgestone, Goodyear and Pirelli. The remaining 17% of the volume of products is sold to other market segments, which include the production of technical rubber cables, high-pressure hydraulic hoses, as well as large-diameter industrial hoses, footwear soles, flexible cables and conveyor and drive belts. In the 9 months ended 30 September 2017, the Synthetic Rubber Segment generated sales revenues of PLN 2,257 million and EBITDA of PLN 443 million.

Styrene Plastics Segment

The Styrene Plastics Segment manufactures three main types of products with varying purposes. The first is expandable polystyrene (EPS), used mainly to produce thermal insulation materials, which is the main material of this type in the Central Europe. The second type includes general purpose polystyrene (GPPS) and high impact polystyrene (HIPS), used mainly in the food packaging industry. Polystyrene is used to manufacture disposable tableware, cups, packaging for dairy products, trays and cutlery. It is also used as the basic material to produce shower cabins, jewelry packaging and in other applications where the final product must be stiff, yet transparent. The third group comprises boards from extruded polystyrene (XPS). XPS is mainly used in the construction sector for thermal insulation of buildings where high strength is required. The most popular uses include reverse layer roofs, floors and foundation walls. In the 9 months ended 30 September 2017, the Styrene Plastics Segment generated sales revenues of PLN 2,722 million and EBITDA of PLN 95 million.

Dispersions, Adhesives and Latexes Segment

The Dispersions, Adhesives and Latexes Segment produces acrylic and styrene-acrylic dispersions, vinyl acetate polymer dispersions, and two types of synthetic latexes: concentrated butadiene-styrene and carboxylic butadiene styrene. The main application of these products is the manufacturing of high quality paints, acrylic plasters, primers, sealants and many other chemicals used in the construction industry. Polyvinyl acetate dispersions are used in the manufacture of wood adhesives and in the paper, textile and construction industries. The adhesives manufactured by the Group are used mainly in the wood, furniture and paper industries. In the 9 months ended 30 September 2017, the Dispersions, Adhesives and Latexes Segment generated sales revenues of PLN 202.8 million and EBITDA equal to PLN 31.4 million.

AGRO Segment

The AGRO Segment's activities involve registration, formulation and sale of plant protection products and biocidal products. The AGRO Segment offers products that protect seeds and plants against a broad range of fungal diseases throughout the growing season, products that ensure protection of plants from pests and weeds. The AGRO portfolio, in addition to pesticides, also includes specialized fertilizers to provide plants with the nutrients they need to grow and develop. In the 9 months ended 30 September 2017, the AGRO Segment generated sales revenues of PLN 67 million and EBITDA of PLN 2 million.

2.2 Recent events

a) In the reporting period, the Company's Management Board conducted a review of operations and the expected outlook for the EPS business acquired on 31 August 2016 from the INEOS Group (hereinafter "Styrenics West") and a review of operations and the expected outlook for the production and sales of SSBR and LiBR rubbers, the production of which was launched in the Oświęcim production facility in Q3 2015; as a result of this exercise, impairment losses had to be recognized, which is detailed in item 3.5 of this Report.

b) In the first three quarters of 2017, the Group continued to execute its key investment projects, including in particular: (i) in the agro segment, construction of a facility for the formulation of plant protection products, including production installations and a Research and Development Center, (ii) in the styrene plastics segment, construction of a facility for the manufacture of Invento, a modern polystyrene-based polymer material featuring a low coefficient of thermal conductivity for use in insulations in the construction industry; and (iii) in the rubbers segment, an increase of the production capacity of neodymium butadiene rubber (NdBR).

c) Preparations for the modernization and extension of the factory infrastructure started in the Oświęcim plant. The modernization and investment efforts will include, among others, the production of energy utilities, including new steam and electricity production installations, the infrastructure for sewage treatment processes and also transmission and road infrastructure. In the years 2018-2020, the estimated total capital expenditures will amount to about PLN 2 billion and for the most part they will involve replacement of the factory infrastructure, including construction of new technical steam and electricity production installations.

2.3 No events occurred after the date of preparation of the quarterly financial statements which were not captured in these financial statements and which could have a material bearing on the future financial results of the Synthos S.A. Group.

2.4 Court proceedings

The Group is engaged in court proceedings in connection with its ordinary business. These include actions initiated by regulatory authorities, tax authorities, suppliers and customers, claims raised by employees, contractual disputes, claims for personal injury or property damage that may occur in connection with the Group's services related to projects or construction sites, tax assessments issues, environmental claims and other matters. Many of the Group's agreements contain provisions relating to alternative dispute resolution proceedings that may be used to resolve any contractual disputes. If parties to an agreement cannot reach an agreement, then it may be necessary to launch court proceedings to adjudicate the dispute.

In the 9 months ended 30 September 2017, the Group was not involved in any governmental, legal or arbitration proceedings (including any pending or threatened proceedings of which the Group is aware), which in the recent past have had, or in the future may have, a significant impact on the Group's financial standing and profitability.

3. FINANCIAL STANDING AND ASSETS

The following discussion and analysis of the Group's financial standing and operating results is based on its consolidated financial statements. This section should be read in conjunction with the consolidated financial statements, including notes and explanations to them, and other financial information presented further on in this Consolidated Quarterly Report.

3.1 Key drivers of operating performance

The Group's operating performance is affected by a number of factors, many of them influencing the chemical industry as a whole. They include: global supply and demand on the end markets on which the Group's clients compete, raw material prices, general economic conditions and ensuring compliance with environmental regulations. The Group's operating performance and cash flows are also subject to structural and operational factors specific to the Company, such as a broad product offering or geographic diversification through intensification of the sales of the Synthos Group products.

Economic environment, demand and cycles on end markets for chemicals

The Group's operations involve the manufacture and sales of chemicals used in a broad range of industry branches, including in particular in the automotive, packaging and construction industries. These branches, and consequently also demand for the Group's products, are affected by the general business conditions. The Group's operations are also cyclical and, what is even more important, the variation in the balance between supply and demand in the chemical industry. The Group's future operating results will continue to be subject to such cycles and variation.

Increase of the Group's revenues depends on the overall situation in Poland, Germany and the Czech Republic and on a broader European and global business environment. The results of the Group's activity are affected by the key macroeconomic factors, such as GDP growth, inflation, interest rates, exchange rates, unemployment rate and business insolvency rate.

Automotive and construction industry

The Synthos S.A. Group's operations are largely dependent on market conditions in the industries which use the raw materials and indirect products of the Group, including in particular the automotive and construction industries.

Compared to the previous year, good business conditions persisted in the European automotive industry in July and August 2017. In September, the market situation worsened. During the first 9 months of the year, the sales of passenger cars in the European Union amounted to 11.7 vehicles and was 3.7% higher than in the comparative period of 2016 (source: European Automobile Manufacturers' Association (ACEA)).

In the third quarter of 2017, the demand for replacement tires on the European market was growing in comparison to the previous year. With respect to car tire sales, in the reporting period sales declined by 3% (55,811 million tires were sold). With respect to truck tire sales, the volume of sales decreased by 7% (7,234 million tires were sold) (source: European Tyre & Rubber Manufacturers Association (ETRMA)).

In the third quarter of 2017, further improvement in the business conditions could be observed on the Polish construction and installation industry. This had a positive effect on the performance of the Styrene Segment and the Dispersions, Adhesives and Latexes Segment, since a large portion of its products is used by the construction industry.

Variation of raw material prices

Prices of raw materials are an important component of the Group's operating expenses. For the 9 months ended 30 September 2017, the costs of raw materials accounted for 86.3% of the Group's cost of sales. The Group's key raw materials include: butadiene, styrene, ethylbenzene, butyl acrylate, vinyl acetate, ethylene, benzene and C4 fraction. Accordingly, the Group's operating expenses may be directly influenced by the volatility of the costs of raw materials, which are affected by global demand and supply and other factors beyond the Group's control. The prices for the Group's raw materials are to some extent correlated with global crude oil prices, since oil is the initial raw material of the European petrochemical plants (pyrolysis), which in turn supply the raw materials to the Group. In turn, higher raw material prices, including butadiene, have a favorable impact on the margins obtained on synthetic rubbers. In addition, higher prices of natural rubbers favorably affect the prices of key synthetic rubber products. In the first quarter of 2017, high prices of butadiene and natural rubber had a positive effect on the Group's results. On the other hand, in the Q2 and Q3 2017 they fell significantly: butadiene from the level of 1750 EUR/t in April of this year to 775 EUR/t in September this year, while natural rubber prices dropped from 1970 EUR/t in March this year to 1590 in September this year, which affected the segment's results. After the reporting period, the prices fell further to 1390 USD/t (15 November 2017).

Installation failures and unpredictable downtime caused among others by weather conditions have a considerable effect on fluctuations in raw material prices. In the third quarter of the year, the styrene production capacity in Europe decreased significantly (according to IHS, by about 30% of the nominal capacity in September), while the import capacity from North America was hampered by Hurricane Harvey. These events caused a sharp and short-term surge in styrene prices in Q3, while benzene and ethylene prices remained stable. The scale of changes is illustrated by the fact that, in November 2017, the contract prices of styrene were already 200 EUR/t lower than in September, while ethylene prices rose by 30 EUR/t and benzene by 47 EUR/t)

In connection with the price pressures and other forms of competitive and market pressures, the Group may be unable to incorporate such higher raw material costs in product prices. Moreover, the volatility of the costs of such raw materials makes it difficult to manage prices and there may be a delay between the hike of raw material prices and the rise of product prices. Even though the changes in raw material prices usually drive the changes of product prices in the long term, the prices for the Group's products may not immediately reflect the changes in raw material prices because of the pricing mechanisms employed by the Group or delays in updating the prices for Group's products. This affects the Group's capacity to transfer price hikes to its customers on a timely basis. Accordingly, variation of raw material prices may have a significant impact on profit before tax, gross margin or other operating results of the Group.

Moreover, the pricing formulas in long-term raw materials supply contracts reflect the current situation on the raw materials market. The formulas used in the contracts reduce the risk of high deviations between contracted purchase prices and market prices. Backward integration and obtaining long-term supply contracts at attractive prices are the key factors that allow the Group to control its raw material costs.

Changes in the prices of raw materials and products have a direct impact on the level of the Group's working capital. Generally, rising prices lead to increased working capital requirement by the Group; falling prices result in lower demand for working capital.

Variation in margins and supply of and demand for the Group's products

The margins in the Group's markets are strongly affected by development of the industry and costs of key raw materials. Certain markets, such as plastics and synthetic rubber markets, are more mature and therefore their overall growth is usually more correlated with movements in global GDP. As demand for products increases and comes nearer to the level of available supply, capacity utilization increases along with prices and margins. Supply on the Group's markets are cyclical and features periods of limited supply, which drive up operating margins, which is followed by the periods of oversupply, usually stimulated by the development of additional production capacities, which in turn cause a reduction in operating margins.

In addition to cyclicality, the Group's margins are also susceptible to potential significant short-term volatility caused by various factors, such as scheduled and unscheduled stoppages, political and economic conditions affecting prices and changes in inventory management policies by clients (building inventories or reducing them).

Current and future environmental regulations

The Group is subject to extensive environmental and occupational health and safety regulation at both national and European level. Numerous regulations affect the Group's operations. The Group incurs and expects to continue to incur significant capital expenditures to ensure compliance with the current and future laws and regulations. The Group may also incur the costs of remediation measures, liquidation and ongoing upgrades and the costs of compliance with the requirements in connection with its production facilities and other real properties. The potential related costs are difficult to estimate, but they may be very high and may affect the Group's results in subsequent periods.

A large number of the Group's existing, former or abandoned production buildings and facilities have a long industrial history, which comprises, among others, chemical processing, hazardous substances and storage of waste and related activities, e.g. related to landfills. As a result, soil or groundwater pollution may occur in the future in connection with discharge of substances, which has occurred in some facilities in past, and it is possible that further pollution may be detected in these or other locations in the future.

The REACH regulation has imposed significant obligations on the Group and the entire chemical industry in respect to testing, evaluation and registration of key chemicals and semi-finished chemical products. The Classification, Labelling and Packaging Regulation ("**CLP**") imposes on the group significant obligations in respect to testing, evaluation and registration of key chemical products, which are expensive, time-consuming, drive up the Group's production costs and erode operating margins earned on the Group's products.

The Group expects that within the next few years it will be additionally affected by new environmental requirements arising, without limitation, from the Industrial Emissions Directive ("**IED**") and the EU Emissions Trading System ("**EU ETS**").

The Group has implemented a modernization and new equipment investment program making it possible to adapt the combined heat and power plant operating in Synthos Dwory 7 Spółka z ograniczoną odpowiedzialnością spółka jawna to the requirements expressed in the new limits. As part of this process, the Group has built a new desulfurization and denitrification installation for one of its existing boilers and a new fluid-bed boiler.

The Group is striving to follow the increasing environmental awareness of its customers by producing NdBR and SSBR rubbers used to manufacture tires with improved operational parameters that reduce fuel consumption.

Exchange rate fluctuations

The Group operates internationally and consequently it is exposed to currency risks, in particular in respect to EUR, PLN, USD and CZK. The presentation currency used in the financial statements is the Polish zloty; however, for the three months ended 30 September 2017, 77.20% of the Group's revenues and 89.50% of its costs were linked to transactions settled in currencies other than the Polish zloty. Accordingly, the Group is affected by transactions in foreign currencies and the effects of currency conversion and FX rate fluctuations. In the recent years, the value of these currencies vs. Polish zloty has fluctuated significantly. This situation may recur in the future. The possible depreciation of these currencies vs. Polish zloty will reduce the PLN equivalent of the amounts which present the operating performance in the consolidated financial statements. Any appreciation of these currencies will increase these amounts accordingly. Exchange rate fluctuations affect the amount of sales revenues and the cost of raw material purchases. Any appreciation of the Polish zloty against other currencies may have an adverse effect on the profitability of the Group's export and domestic sales; however, such changes in export and domestic sales revenues caused by FX rate fluctuations are partially offset by changes in the costs of importing raw materials. One of the consequences of the fact that the Group purchases raw materials, sells products, incurs loans and borrowings, issues bonds and holds cash in foreign currencies, is that the Group has been and will be exposed to FX rate changes, which may materially influence its operating results, assets and liabilities and cash flows denominated in Polish zloty. FX rate volatility may also interfere significantly with the comparability of operating results in individual periods.

Threats and risks of disruption related to chemical production

The Group is exposed to typical threats and risks of disruption related to chemical production and the related storage and transportation of raw materials, products and waste. Such potential risks and disruptions include, among others, explosion, fire, adverse weather conditions, natural disasters, as well as failures of heat-producing installations and the mechanical devices ensuring safety of the process and reducing the emission of pollutants. In the event of occurrence of any disruptions, they may have an adverse impact on the operations and financial results of Synthos S.A. Group.

3.2 Presentation of financial information

For the purpose of this discussion of the results of the Group's activity, the key items of the statement of comprehensive income are: sales revenues, cost of sales, selling expenses, other operating income, administrative expenses, other operating expenses, finance income, finance costs, income tax and net profit. The discussion below refers also to EBITDA and the Group's performance by operating segment.

Revenue

Sales revenues include revenues on sales of merchandise and finished products, provision of services, materials and revenues from lease of property.

Segment results

Segment results include sales revenues of each segment reduced by the total cost allocated to such segment. Reconciliation of segment results with profit before tax is presented in the Consolidated Financial Statements.

Cost of sales

Cost of sales includes, among others, consumption of materials and energy, salaries and costs of products and materials sold.

Selling expenses

Selling expenses include, among others, costs of transportation, loading and unloading, customs duties, trading fees and insurance of goods.

Administrative expenses

Administrative expenses include general expenses associated with the operation of the management board and administration and general production expenses associated with the maintenance and operation of general purpose units.

Other operating income

Other operating income include, among others, revenues associated with the sale of fixed assets, reversal of provisions, impairment losses, indemnities from insurance companies and received contractual penalties.

Other operating expenses

Other operating expenses include, among others, restatement of provisions, impairment losses, charges, cost of unused production capacity.

Finance income

Finance income includes revenues on the valuation of derivatives, interest according to the amortized cost using the effective interest rate, FX gains net of FX losses on account of cash assets, loans, borrowings and other assets and liabilities.

Finance costs

Finance costs include mainly interest paid calculated using the effective interest rate and negative exchange differences net of positive exchange differences on account of cash assets, loans, borrowings and other assets and liabilities.

Income tax

Income tax includes the cost of current and deferred income tax.

Net profit

Net profit is calculated as total income less total expenses.

EBITDA

EBITDA is calculated as operating profit plus depreciation of property, plant and equipment and amortization of intangible assets.

3.3 Result on the Group's activity

The table below presents the consolidated result on the Group's activity in each of the stated periods.

	3 quarters of 2017, from 1 January 2017 to 30 September 2017	3 quarters of 2016, from 1 January 2016 to 30 September 2016
Revenue	5,434	3,319
Cost of sales	(4,291)	(2,726)
Gross profit on sales	**1,143**	**593**
Selling expenses	(162)	(101)
Administrative expenses	(181)	(158)
Cost of research and development work	(30)	(20)
Other operating (expenses)/income	4	(8)
Impairment loss on non-financial non-current assets	(300)	-
Operating profit	**474**	**306**
Finance income	24	39
Finance costs	(65)	(108)
Profit before tax	**433**	**237**
Income tax	(93)	(48)
Net profit	**340**	**189**
Components of other comprehensive income that may be reclassified to the net result in a future period:		
Exchange differences on translation of foreign operations	10	12
Measurement of available-for-sale financial assets	(2)	1

Net other comprehensive income	**8**	**13**
Total comprehensive income	**348**	**202**
Profit attributable to:		
Equity holders of the parent company	339	189
Non-controlling shareholders	1	-
Net profit for the financial year	**340**	**189**
Comprehensive income attributable to:		
Equity holders of the parent company	347	202
Non-controlling shareholders	1	-
Comprehensive income for the period	**348**	**202**
Basic and diluted earnings per share attributable to equity holders of the Company during the year (in PLN per share)	**0.26**	**0.14**

3.4 9 months ended 30 September 2017 compared to the 9 months ended 30 September 2016

Revenue

Total revenue for the 9 months ended 30 September 2017 was PLN 5,434 million and was PLN 2,115 million or 63.72% higher than the amount of PLN 3,319 million for the 9 months ended 30 September 2016.

The above growth was recorded mainly in the synthetic rubber and styrene plastics segments. The change resulted mostly from higher volumes of products sold, in particular expanded polystyrene, which was caused by the purchase of an EPS business in Q3 2016, as well as higher products' sales prices driven by the high prices of monomers, especially butadiene in Q1 2017 and styrene in Q3 2017. Additionally, the higher styrene plastics sales volumes and revenues in Q3 2017 were possible because of the market shortages of styrene in Europe caused by the shutdown of about 30% of styrene production capacity, additionally hampered by logistic difficulties in imports due to weather conditions (hurricane Harvey). The higher EPS sales were also affected by the temporary shortages of other thermal insulation materials in Europe, including polyurethanes, caused by industrial failures.

***Segment analysis* for the nine months ended 30 September 2017 *compared to* the nine months ended 30 September 2016**

Segment results for the nine months ended 30 September 2017 amounted to PLN 770 million and were PLN 456 million or 145.22% higher than PLN 314 million for the three quarters ended 30 September 2016.

The table below presents the Group's historical sales revenues and results for the nine months ended 30 September 2017 and 2016, by operating segment.

	3 quarters of 2017, from 1 January 2017 to 30 September 2017	3 quarters of 2016, from 1 January 2016 to 30 September 2016
Revenue		
Synthetic Rubber Segment	2,257	1,553
Styrene Plastics Segment	2,722	1,392
Dispersions, Adhesives and Latexes Segment	203	153
AGRO Segment	67	67
Other operations	185	154
Total sales revenue	**5,434**	**3,319**
Costs by segment		
Synthetic Rubber Segment	(1,733)	(1,373)
Styrene Plastics Segment	(2,538)	(1,294)
Dispersions, Adhesives and Latexes Segment	(180)	(138)
AGRO Segment	(69)	(66)
Other operations	(144)	(134)
Total costs	**(4,664)**	**(3,005)**
Segment results		
Synthetic Rubber Segment	524	180
Styrene Plastics Segment	184	98
Dispersions, Adhesives and Latexes Segment	23	15
AGRO Segment	(2)	1
Other operations	41	20
Total segment results	**770**	**314**

Synthetic Rubber Segment

The result of the synthetic rubber segment for the nine months ended 30 September 2017 was PLN 524 million, up by PLN 344 million or 191.11% from PLN 180 million after the three quarters ended 30 September 2016.

The key drivers of this change included: higher production of own monomers (raw materials available from the cracker in Litvinov), larger quantities of rubber sold mainly in Q1 2017, especially to the Asian markets, following the much higher prices of butadiene in Asia (compared to Europe) (the price difference was up to 340 USD/t) as well as high prices of butadiene and natural rubber in this period.

The higher prices of natural rubbers favorably affect the demand for and the prices of key synthetic rubber products. This happened in the first quarter of 2017. In the following months, the prices of natural rubbers fell significantly (from 1970 EUR/t in March to 1590 in September of this year) which caused a decline of the price of synthetic rubbers offered by the Group.

Styrene Plastics Segment

The result of the styrene plastics segment for the nine months ended 30 September 2017 was PLN 184 million and was PLN 86 million or 87.75% higher than PLN 98 million earned in the three quarters ended 30 September 2016. The better results follow from an increase in the styrene plastics sold and higher realized unit margins, mainly as a result of the availability of own styrene (renewed deliveries of benzene and ethylene from Unipetrol). Stoppages in European styrene installations were an additional positive growth driver in this segment in the third quarter (in September, about 30% of the European styrene production capacity was not available), as a result of which the prices of this material rose in Europe, while ethylene and benzene prices remained stable.

Dispersions, Adhesives and Latexes Segment

The result of the dispersions, adhesives and latexes segment for the nine months ended 30 September 2017 was PLN 23 million and was PLN 8 million or 53.33% higher than the amount of PLN 15 million for the three quarters ended 30 September 2016. This was caused by the higher sales volumes (mainly latexes) and higher sales prices, which reflected the prices of main raw materials.

AGRO Segment

The result of the AGRO segment for the nine months ended 30 September 2017 was a loss of PLN 2 million and was PLN 3 million or 300% lower than the profit of PLN 1 million posted for the three quarters ended 30 September 2016. The segment's performance was adversely affected by the bad weather conditions in the first quarter of the year, different than assumed sales structure (own products vs. formulation) and ultimately still high costs of the activities necessary to register new products.

Other Operations

The result of the other operations segment for the nine months ended 30 September 2017 was PLN 41 million and was PLN 21 million or 105% higher than the amount of PLN 20 million for the three quarters ended 30 September 2016. This performance resulted mainly from the better results posted on the power generation business.

Cost of sales

The cost of sales for the nine months ended 30 September 2017 was PLN 4,291 million and was PLN 1,565 million or 57.41% higher than the amount of PLN 2,726 million for the nine months ended 30 September 2016. The change is a consequence of the increase in prices of raw materials and higher quantities of products sold.

Other operating income/expenses

Other operating income for the nine months ended 30 September 2017 was PLN 4 million and was PLN 12 million or 300% higher than the amount of PLN 8 million of other operating expenses for the three quarters ended 30 September 2016.

Impairment loss on non-financial non-current assets

Impairment losses recognized on non-financial non-current assets for the nine months ended 30 September 2017 amounted to PLN 300 million. No impairment losses were recognized on this account in the comparative period.

Selling expenses

Selling expenses for the nine months ended 30 September 2017 were PLN 162 million and were PLN 61 million or 60.40% higher than the amount of PLN 101 million for the three quarters ended 30 September 2016. The increase in the selling expenses was mainly connected with higher sales levels, both in terms of quantity and value.

General and administrative expenses

General and administrative expenses for the nine months ended 30 September 2017 were PLN 181 million and were higher by PLN 23 million or 14.56% than the amount of PLN 158 million for the three quarters ended 30 September 2016. The increase in the general and administrative expenses resulted mostly from the acquisition of new entities in the third quarter of 2016.

Finance income

Finance income for the nine months ended 30 September 2017 amounted to PLN 24 million and were PLN 15 million or 38.46% lower than the amount of PLN 39 million for the three quarters ended 30 September 2016. The decline in finance income was connected primarily with the net effect of declining results on realization of financial instruments and an increase in positive exchange differences.

Finance costs

For the nine months ended 30 September 2017, finance costs were PLN 65 million and were PLN 43 million or 39.82% lower than the amount of PLN 108 million for the three quarters ended 30 September 2016. The decline in finance costs was related mainly with the impact of negative exchange differences.

Income tax

For the nine months ended 30 September 2017, income tax was PLN 93 million, increasing by PLN 45 million or 93.75% from PLN 48 million for the three quarters ended 30 September 2016. The increase in income tax was caused primarily by higher profit earned by the Group.

Net profit

For the above reasons, net profit for the nine months ended 30 September 2017 amounted to PLN 340 million, rising PLN 151 million or 79.89% from PLN 189 million posted for the three quarters ended 30 September 2016.

EBITDA

For the nine months ended 30 September 2017, the Group’s EBITDA was PLN 652 million and was higher by PLN 196 million or 42.98% than the amount of PLN 456 million for the three quarters ended 30 September 2016.

EBITDA growth was driven mainly by the performance of the synthetic rubber segment, which was an effect of an increase in the number of products sold and the higher realized unit margins mainly due to the availability of own raw materials (recommenced deliveries of the C4 fraction, benzene and ethylene from Unipetrol).

The table below provides the Group's historic EBITDA by segment for the three months ended 30 September 2017 and 2016.

	3 quarters of 2017, from 1 January 2017 to 30 September 2017	3 quarters of 2016, from 1 January 2016 to 30 September 2016
Synthetic Rubber Segment	443	232
Styrene Plastics Segment	95	140
Dispersions, Adhesives and Latexes Segment	31	23
AGRO Segment	2	5
Other operations	81	56
Total	**652**	**456**

3.5 Liquidity and capital resources

Historically, the Group's liquidity needs have resulted mainly from the need to finance capital expenditures and working capital and to service the Group's debt. The main source of the Group's liquidity was operating cash, bank loans and credit facilities, issued bonds, disposal of assets and EU subsidies for capital expenditures.

Cash flows

The table below presents the Group's consolidated cash flows for each of the stated periods.

	3 quarters of 2017, from 1 January 2017 to 30 September 2017	3 quarters of 2016, from 1 January 2016 to 30 September 2016
Net cash from operating activities	710	297
Net cash from investing activities	(173)	(376)
Net cash from financing activities	(742)	712

Net cash from operating activities

For the nine months ended 30 September 2017, net cash from operating activities amounted to PLN 710 million and was PLN 413 million or 139.06% higher than the amount of PLN 297 million for the three quarters ended 30 September 2016. The increase was caused mainly by the level of earned profits and changes in the working capital.

Net cash from investing activities

For the nine months ended 30 September 2017, net cash used for operating activities amounted to PLN 173 million and was PLN 203 million or 53.99% lower than the amount of PLN 376 million for the three quarters ended 30

September 2016. The change in cash flows was caused mainly by the purchase of the EPS business from the INEOS Group in Q3 2016.

Net cash from financing activities

For the nine months ended 30 September 2017, the net cash expended on financing activities was PLN 742 million, which entailed a difference of PLN 1,454 million, or 204.21% compared to the inflows of PLN 712 million for the three quarters ended 30 September 2016. The increase in expenditures resulted mainly from the dividend paid in 2017, with no dividend paid out in the first three quarters of 2016.

Working capital requirement

The Group defines working capital as current assets less cash less current liabilities, excluding financial liabilities. The Group's net working capital requirement depends mainly on the prices of raw materials and on the management of receivables, liabilities and inventories.

As at 30 September 2017, net working capital was PLN 980 million, up by PLN 21 million from PLN 959 million as at 30 September 2016. The change resulted primarily from the increased scale of business (acquisition of the EPS business from the INEOS Group in Q3 2016) and also from an increase in prices of the main raw materials used in the manufacturing process.

Off-balance sheet arrangements

As at 30 September 2017, the Group had no contingent liabilities towards unaffiliated entities.

Capital expenditures

The Group's capital expenditures on property, plant and equipment and intangible assets for the three quarters ended 30 September 2017 were PLN 188 million.

The table below presents the Group's capital expenditures incurred in the specified periods, by operating segment.

	3 quarters of 2017, from 1 January 2017 to 30 September 2017	3 quarters of 2016, from 1 January 2016 to 30 September 2016
Synthetic Rubber Segment	18	33
Styrene Plastics Segment	98	18
Dispersions, Adhesives and Latexes Segment	6	7
AGRO Segment	24	3
Other operations	42	72

Total	**188**	**133**

The Group implements a capital expenditure program to expand, maintain and improve its production facilities. Considerable capital expenditures are needed to maintain the current production level in the Group's plants, to satisfy the requirements of new regulations and to maintain licenses and permits for conducting business activity. Additional capital expenditures are also required for the modernization of the ageing equipment, to increase energy efficiency, increase production capacity and improve control over processes.

Forecasts

The Management Board of Synthos S.A. did not publish a forecast of the financial results of the Company and its Synthos S.A. Group for the third quarter of 2017.

Material changes in estimates in the period of the nine months ended 30 September 2017 in the Synthos S.A. Group.

<u>*Description of impairment tests in the EPS area as at 30 June 2017*</u>

Based on a review of operations and expectations concerning the outlook for the EPS business acquired on 31 August 2016 from the INEOS Group (hereinafter: "Styrenics West"), the Company's Management Board made a judgment that it could not guarantee the level of the margins on Styrenics West products that was assumed in the acquisition process. The assumptions regarding the sales prices and the bargaining capacity at the purchasing side are not reflected in the actual performance and cannot be maintained in the long run.

The analyzed business is not vertically integrated and consequently it is highly sensitive to any volatility of the market environment. In the period under analysis, the prices of styrene (which is the main raw material) were highly volatile, however the volatility could not be reflected in the EPS prices sold by Styrenics West. The Company has taken steps to improve profitability of this product group, however full implementation of the new solutions will require additional time and potentially capital expenditures.

In the longer perspective, the Company's Management Board also notes the risk that demand for EPS in the packaging segment may decline in favor of substitute materials, which consequently may pose a threat for margins and sales volumes or their increase in this segment. In Europe, approximately 21% of EPS is used for packaging. The remaining 79% is mainly the thermal insulation segment, where EPS has a strong and solid position. In the context of energy savings policies and development of the construction sector, the insulation segment still has significant growth prospects.

Consequently, as at 30 June 2017, certain indications have been identified that necessitated asset impairment tests in the Synthos S.A. Group.

As the Group prepared assumptions for the asset impairment test pursuant to IAS 36 Impairment of Assets, it analyzed the necessity of and the actual capacity for estimating fair value and value in use of the individual assets The measurement of fair value less costs of disposal is not possible, since there is no basis for making a reliable estimation of the price at which the assets in question could be sold.

As a result, it was determined that value in use provided the best reflection of the recoverable amount of the analyzed assets, in accordance with IAS 36.20.

The valuation model was prepared on the basis of a medium term analysis in the period of 2017-2026.

The forecast cash flows are discounted to their present value using the discount rate of 8.2%, including the tax effect, reflecting the current market estimation of time value of money and risk typical for a given asset.

The impact of the impairment loss on net profit, including the tax effect, presented in the statement of comprehensive income as at 30 June 2017 was PLN 112 million.

Description of impairment tests in the SSBR rubbers area as at 30 September 2017.

Based on a review of operations and the expected outlook for the production and sales of SSBR and LiBR rubbers from the installation launched in the Oświęcim production facility in Q3 2015, the Company's Management Board believes that in the coming period it cannot guarantee the production capacity utilization level that was assumed in the acquisition process and in the first years of operation. The process of achieving full production capacity becomes extended because of the competition existing on the market, weak demand on Far East markets and the timeframe for achieving acceptance of the customers. Also, the margins are not at the level that would allow the Company to earn the assumed return on the investment.

Since the project was launched, both the demand and the prices of standard SSBR products have decreased. Synthos is currently implementing new product assortments and products in development are currently undergoing the process of examination and homologation for the leading tire manufacturers. Due to the absence of validation of the tested products, the Management Board cannot guarantee that the pace of the implementation work will allow it to raise the utilization of the production capacity in any significant way in the short term.

It should be noted that full implementation of the new solutions will require additional time and potentially significant capital expenditures for fixed assets.

Consequently, certain indications have been identified that required the Company to conduct asset impairment tests as at 30 September 2017.

For the purposes of the tests conducted as part of these efforts, the recoverable value was calculated using an analysis of discounted cash flows generated by solvent rubber production assets in Oświęcim in accordance with IAS 36 Impairment of Assets

As the Group prepared assumptions for the asset impairment test pursuant to IAS 36 Impairment of Assets, it analyzed the necessity of and the actual capacity for estimating fair value and value in use of the individual assets The measurement of fair value less costs of disposal is not possible, since there is no basis for making a reliable estimation of the price at which the assets in question could be sold. As a result, it was determined that value in use provided the best reflection of the recoverable amount of the analyzed assets, in accordance with IAS 36.20.

The valuation model was prepared on the basis of a medium term analysis in the period of 2017-2027 that included residual value. The forecast cash flows are discounted to their present value using the discount rate of 8.5%, including the tax effect, reflecting the current market estimation of time value of money and risk typical for the analyzed cash generating unit.

The impact of the impairment loss, including the tax effect, on the net profit presented in the statement of comprehensive income in the standalone and consolidated financial statements for Q3 2017 is PLN 119 million.

	Q3 2017, from 1 July 2017 to 30 September 2017	3 quarters of 2017, from 1 January 2017 to 30 September 2017
Operating activity		
Impairment loss on non-financial non-current assets	(147)	(300)
Income tax recognized in the financial result in the statement of comprehensive income		
Recognition/reversal of temporary differences	28	69

The impact on operating segments in 3 quarters of 2017 is presented below.

Business unit	Segment	Carrying amount	Recoverable amount	Impairment loss
WSE Synthos Styrenics	Styrene	258	105	153
SSBR & LiBR Rubbers	Synthetic Rubbers	466	319	147
Total		**724**	**424**	**300**

3.6 Financial activity

On 7 June 2016, a revolving loan agreement for an amount of up to EUR 220 million was entered into between Synthos S.A., Synthos Dwory 7 sp. z o.o. sp.j., Synthos PBR s.r.o., Synthos Kralupy a.s., Tamero Invest s.r.o. and Synthos Agro sp. o.o. as the borrowers and Powszechna Kasa Oszczędności Bank Polski S.A., Bank BGŻ BNP Paribas S.A., Bank Handlowy w Warszawie S.A., Bank Zachodni WBK S.A., HSBC Bank Polski S.A., ING Bank Śląski, HSBC Bank plc as the lenders. At the same time, Powszechna Kasa Oszczędności Bank Polski S.A. acts as the loan agent and the security agent.

As at 30 September 2017, the Group presents liability under the revolving loan in the amount of EUR 770 million.

Information on dividends paid (or declared)

On 8 May 2017, the Ordinary Shareholder Meeting of Synthos S.A. adopted resolution no. 18/2017 to pay dividend of PLN 1,362,947,500, i.e. PLN 1.03 per share. Previously, pursuant to the Company Management Board resolution no. VII/26/2016 of 21 November 2016, Synthos S.A. paid the shareholders the interim dividend in the amount of PLN 701,322,500, i.e. PLN 0.53 per share.

After subtracting the amount of the paid interim dividend from the amount of the dividend stipulated in the resolution, on 29 May 2017 the shareholders were paid the total amount of PLN 661,625,000, or PLN 0.50 per share.

3.7 Additional factors that may affect the financial performance of the Synthos S.A. Group in future reporting periods:

The Company believes that the following factors in particular will drive the results achieved by Synthos S.A. and the Synthos S.A. Group in the future reporting periods:

a) Expiration in 2017 of long-term contracts for the supply of ethylene and benzene from Unipetrol to produce ethylbenzene in Litvinov.

b) Introduction of anti-dumping tariffs by the United States and India in July 2017 and the likely introduction of similar restrictions in Mexico, which may hamper exports of synthetic rubbers to those markets.

c) Persistently low utilization of synthetic rubber production capacity in China and the anticipated decline in margins, in particular for emulsion rubbers. Even now, the prices for basic rubbers in Asia are lower than they are in Europe. This situation, combined with the customs barriers introduced recently, will prevent or materially hamper the export opportunities for the Synthos Group to that market.

d) The performance of the Synthos Group is influenced by the European Union’s climate policy. The resulting regulations for the construction industry (among others Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings and Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency) contribute to a systematic increase in demand for thermal insulation materials, including styrofoam (EPS) and XPS.

e) The Group’s performance will be increasingly affected by the implemented assumptions of the circular economy, a concept in which the impact of reusable products on the environment is minimized. Complying with the requirements of a circular economy is a challenge for the Synthos Group in the Styrene plastics segment, especially in respect to their use in packaging. It must be noted that, in 2016, in the Western Europe, roughly 50% of all polystyrene and about 23% of EPS was used for packaging, while in the Eastern Europe, the figures were 28% for PS and 13% for EPS, respectively (source: IHS 2017).

f) The global climate policy (the Climate Agreement of 2015) and the EU policy to reduce greenhouse gas emissions consistent with the policy (and the related decarbonization of the economy) and reduction of emissions of the remaining pollution (among others, directive of the European Parliament and of the Council EU 2016/2284 of 14 December 2016 on the reduction of national emissions of certain atmospheric pollutants) currently generates and will continue to generate in the nearest future a systematic increase in the cost of industrial processes based on coal-fired energy and the requirement to incur significant capital expenditures for replacement investments of the energy infrastructure, including new gas-fired production capacity. The investments are indispensable because the derogation period for the existing boilers will soon expire; the expected expenditures for new energy installations only form the main item of replacement expenditures for the Synthos SA plant infrastructure, estimated at about PLN 2 billion in the 2018-2020 period.

g) Exchange rates of the Polish zloty and the Czech koruna to euro and the US dollar.

h) The rate of economic growth in Poland and other Central European countries and continuation of the good economic sentiments in those other European Union states which are the main selling markets for Synthos S.A. Group products; this should be additionally supported by the quantitative easement program implemented as part of the European Central Bank's monetary policy (recently extended until September 2018). In the case of the Polish economy, it may be important for the Monetary Policy Council to maintain low interest rates. A low cost of credit should contribute to a further improvement in business conditions, including investments.

i) The increase of construction and installation production in Poland will be supported by an increasing absorption of EU funds, an increase of public expenditures for infrastructure and implementation of the Apartment Plus program.

4. MANAGEMENT STAFF

4.1 Supervisory Board

On 20 October 2017, the Issuer received statements from Mr. Mariusz Gromek and Wojciech Ciesielski, Members of the Synthos S.A. Supervisory Board on their resignation from membership in the Supervisory Board of Synthos S.A.

On 20 October 2017, the Extraordinary Shareholder Meeting of Synthos S.A. appointed Mr. Rafał Pierzchlewicz, Mr. Michał Rumiński and Mr. Adam Zyguła to the Supervisory Board of Synthos S.A. of the 9th term of office.

Shares in the Company held by the Supervisory Board Members as at 30 September 2017 and information on changes in their shareholdings since the previous quarterly report:

Name	Number of shares held as at 31 March 2017	Change in the number of shares held as at the date of this report.
Jarosław Grodzki Supervisory Board Chairman	350	unchanged
Robert Oskard Supervisory Board Deputy Chairman	0	unchanged
Grzegorz Miroński Supervisory Board Secretary...........................	0	unchanged
Wojciech Ciesielski Supervisory Board Member.............................	0	-
Mariusz Gromek Supervisory Board Member.............................	0	-
Rafał Pierzchlewicz Supervisory Board Member.............................	-	-
Michał Rumiński Supervisory Board Member.............................	-	-
Adam Zyguła Supervisory Board Member.............................	-	-

4.2 Management Board

Shares in the Company held by the Management Board members as at 30 September 2017 and information on changes in their shareholdings since the previous quarterly report:

Name	Number of shares held as at 31 March 2017	Change in the number of shares held as at the date of this report.
Zbigniew Warmuz President of the Management Board............	0	unchanged
Tomasz Piec Vice-President of the Management Board............	0	unchanged
Maurice Kramer Management Board Member	0	unchanged
Zbigniew Lange Management Board Member..............................	0	unchanged
Jarosław Rogoża Management Board Member..............................	0	unchanged

5. MAJOR SHAREHOLDERS

As at 30 September 2017, Synthos S.A.'s issued share capital is PLN 39,697,500 and is divided into 1,323,250,000 ordinary bearer shares with a par value of PLN 0.03 each.

Synthos S.A. is a public company whose shares are listed on the regulated market of the Warsaw Stock Exchange. For this reason, the Company does not have detailed information on each and every one of its shareholders. The Company obtains information about its major shareholders only if they comply with their reporting duties arising from the provisions of Polish law.

The following table contains a list of shareholders as at the delivery date of the Q3 2017 report, prepared on the basis of notifications received from shareholders entitled to at least 5% of the votes at the Company's Shareholder Meeting.

Shareholder	Number of shares	Percentage of share capital (%)	Number of votes at the shareholder meeting	Percentage of voting rights at the shareholder meeting
Michał Sołowow, *indirectly via subsidiaries*:................	826,559,009	62.46%	826,559,009	62.46%
FTF Galleon S.A.........	682,918,112	51.61%	682,918,112	51.61%
FTF Columbus S.A.....	143,640,897	10.85%	143,640,897	10.85%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK S.A.	66,803,137	5.05%	66,803,137	5.05%
Others............................	429,887,854	32.49%	429,887,854	32.49%
Total..............................	**1,323,250,000**	**100%**	**1,323,250,000**	**100%**

On 26 October 2017, FTF Galleon S.A. ("Tendering Party") pursuant to Article 91.6 of the Act of 29 July 2005 on public offering and the terms and conditions for introducing financial instruments to an organized trading system and on public companies (consolidated text: Journal of Laws of 2016 Item 1639) ("Act on Offering") and pursuant to Regulation of 14 September 2017 issued by the Minister of Development and Finance on forms of takeover bids to subscribe for sale or exchange of shares in a public company, detailed announcement rules and conditions for acquiring shares as a result of such bids (Journal of Laws 2017 Item 1748) ("Regulation"), announced a takeover bid in connection with the planned purchase of Synthos S.A. shares by FTF Galleon S.A. The subject matter of the Takeover Bid is 496,690,991 (four hundred ninety six million six hundred ninety thousand nine hundred ninety one) common bearer shares with a par value of PLN 0.03 each ("Shares") issued by Synthos S.A. ("Issuer"), that is all of the Issuer's shares, other than the shares owned by (directly or

indirectly) FTF Galleon S.A., its subsidiaries or its parent entities. Each Share entitles its holder to one vote at the Issuer’s Shareholder Meeting. The Shares are dematerialized, identified by the ISIN code PLDWORY00019 and admitted to trading on the regulated market operated by the Warsaw Stock Exchange (“WSE”).

FTF Galleon S.A. will be the sole entity acquiring the Shares. The Shares that FTF Galleon S.A. intends to acquire represent (rounded to a one hundredth of a percent) 37.54% of votes at the Issuer’s Shareholder Meeting and (rounded to a one hundredth of a percent) 37.54% of all of the Issuer’s shares. The Tendering Party intends to purchase number 496,690,991 (four hundred ninety six million six hundred ninety thousand nine hundred ninety one) Shares with 496,690,991 (four hundred ninety six million six hundred ninety thousand nine hundred ninety one) attached votes at the Issuer’s Shareholder Meeting. FTF Galleon S.A., together with the Issuer’s shares owned (directly or indirectly) by that company, its subsidiaries or parents, as a result of the Takeover Bid intends to reach 100% of all votes at the Issuer’s Shareholder Meeting and 100% of all of the Issuer’s shares, that is 1,323,250,000 (one billion three hundred twenty three million two hundred fifty thousand) Issuer’s shares and 1,323,250,000 (one billion three hundred twenty three million two hundred fifty thousand) attached votes at the Issuer’s Shareholder Meeting.

The price stated in the takeover bid is PLN 4.78 (four zloty 78/100 Polish zloty) per Share (“Price Per Share”). The price is consistent with the conditions identified in Article 79 sections 1-3 of the Act on Offering. The Tendering Party is not party to the agreement referred to in Article 87 section 1 item 5 of the Act on Offering. The Shares covered by the Takeover Bid do not differ in respect to the number of votes at the Issuer’s Shareholder Meeting. The period in which subscription for Shares under the Takeover Bid will be accepted will begin on 17 November 2017. The period in which subscription for Shares under the Takeover Bid will be accepted will end on 18 December 2017. The expected date of the Share purchase transaction on the WSE was set for 21 December 2017. The expected settlement date of the Share purchase transaction was set for 21 December 2017.

6. STRUCTURE OF THE GROUP

6.1 Organization of the Group

The Group's highest-level parent company is Synthos S.A. ("**Company**"). The Company's main line of business is to manage the Group. The Company's share capital is PLN 39,697,500 (thirty-nine million six hundred ninety-seven thousand five hundred Polish zloty) and is divided into:

(a) 854,250,000 (eight hundred fifty-four million two hundred fifty thousand) A series ordinary bearer shares with a par value of PLN 0.03 (3/100 Polish zloty) each, numbered from A 000.000.001 to A 854.250.000,

(b) 469,000,000 (four hundred sixty-nine million) B series ordinary bearer shares with a par value of PLN 0.03 (3/100 Polish zloty) each, numbered from A 000.000.001 to B 469.000.000.

In the reporting period, the Company did not purchase any treasury stock.

In the Group's structure, the following are the three main production companies: Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka jawna, Synthos Kralupy a.s. and Synthos PBR s.r.o. involved predominantly in the production of rubbers and styrene plastics.

6.2 Consolidated subsidiaries:

Branch of Synthos S.A. operating under the name of Synthos SA (organizační složka) with its registered office in Kralupy nad Vltavou, Czech Republic, which commenced operations on the date of its registration in the Czech Commercial Register, i.e. on 22 January 2008.

Synthos Dwory 2 Sp. z o.o. with its registered office in Oświęcim. Synthos S.A. holds 100% of its share capital and exercises 100% of votes at the Shareholder Meeting.

Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka jawna with its registered office in Oświęcim. The company's line of business is the production of synthetic rubbers and synthetic latexes, styrene plastics, vinyl dispersions and acrylic copolymer dispersions and the generation and distribution of electricity, the production and distribution of heat and the uptake and treatment of water. The company's shareholders are currently Synthos Dwory 2 spółka z ograniczoną odpowiedzialnością with its registered office in Oświęcim in which the Company holds a 100% stake and Synthos S.A. The shareholder authorized to exclusive representation of this entity is Synthos Dwory 2 spółka z ograniczoną odpowiedzialnością, a wholly-owned subsidiary of the Company.

Synthos Kralupy a.s. with its registered office in Kralupy nad Vltavou, the Czech Republic. The company's line of business is the production of synthetic rubber, styrene plastics, ethylbenzene and butadiene. Synthos Kralupy a.s. is wholly owned by the Company, the sole holder of 100% of its share capital.

Synthos PBR s.r.o. with its registered office in Kralupy nad Vltavou, the Czech Republic. The company's line of business is the production of synthetic rubbers under a license granted by the Michelin Group. The Company holds 100% of the share capital and votes at the Shareholder Meeting of this subsidiary.

Tamero Invest s.r.o. with its registered office in Kralupy nad Vltavou, the Czech Republic. The company's line of business is the generation and distribution of electricity, the production and distribution of heat and the uptake and treatment of water. Synthos Kralupy a.s. is the sole holder of 100% of its share capital.

Synthos Dwory 2 spółka z ograniczoną odpowiedzialnością SD4 spółka komandytowa with its registered office in Oświęcim, established by way of transformation of Synthos Dwory 4 spółka z ograniczoną odpowiedzialnością. Its transformation was registered on 29 June 2016. Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka jawna is the limited partner in the company while Synthos Dwory 2 sp. z o.o. is the general partner. The Company's line of business includes, without limitation, the generation of electricity.

Synthos Dwory 2 spółka z ograniczoną odpowiedzialnością SD5 spółka komandytowa with its registered office in Oświęcim, established by way of transformation of Synthos Dwory 5 spółka z ograniczoną odpowiedzialnością. The transformation was entered in the register of commercial undertakings on 18 August 2016. Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka jawna is a limited partner in the company and Synthos Dwory 2 sp. z o.o. is the general partner. The Company's line of business includes, without limitation, the generation of electricity.

Synthos Dwory 2 spółka z ograniczoną odpowiedzialnością SD8 spółka komandytowa with its registered office in Oświęcim, established by way of transformation of Synthos Dwory 8 spółka z ograniczoną odpowiedzialnością. The transformation was entered in the register of commercial undertakings on 22 July 2016. Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka jawna is a limited partner in the company and Synthos Dwory 2 sp. z o.o. is the general partner. The Company's line of business includes, without limitation, the generation of electricity.

Miejsko-Przemysłowa Oczyszczalnia Ścieków Sp. z o.o. with its registered office in Oświęcim. The company's line of business is the collection, treatment and disposal of sewage, the neutralization of waste and the provision of sanitary and related services. Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka jawna holds a 76.79% stake in the company's share capital and the same percentage of votes at its Shareholder Meeting. The remaining 23.21% of the share capital and votes at the Shareholder Meeting are held by the Urban Municipality of Oświęcim.

FORUM 62 FIZ managed by FORUM TFI S.A. with its registered office in Kraków. The Company is a direct holder of all the 250 certificates issued by the fund. On 8 November 2017, the fund's Investor Meeting adopted a resolution to dissolve the fund.

Red Chilli Ltd. with its registered office in Nicosia, Cyprus. The company was involved in capital investment operations. All the shares in this company were held by Synthos Kralupy a.s., a Synthos S.A. subsidiary. On 29 September 2017, Synthos Kralupy a.s. sold all the shares it held in Red Chilli Ltd.

Butadien Kralupy a.s. with its registered office in Kralupy nad Vltavou, the Czech Republic. Synthos Kralupy a.s. is the holder of 49% of its share capital. The line of business of Butadien Kralupy a.s. is the processing of C4 fraction aimed at obtaining butadiene and raffinate 1. The company is consolidated in accordance with the regulations of IFRS 11.

Synthos Finance AB (publ.) is a Swedish special purpose vehicle involved in capital operations. The company's share capital is EUR 55,005.61 and is divided into 4,951 shares with a par value of EUR 11.11 each. The Company is its sole shareholder.

Synthos Agro Sp. z o.o. with its registered office in Oświęcim. The company is involved in the production, service and marketing activity associated with plant protection products. Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka jawna holds a 99% stake in the company's share capital representing 99% of the votes at its shareholder meeting. The Company holds 1% of its share capital representing 1% of votes at the shareholder meeting.

Synthos do Brasil Industria e Comercio de Quimicos Limitada, entered in the National Register of Legal Persons of the Federal Republic of Brazil on 21 November 2013 under file number 19.297.642/0001-22. On 11 August 2014, the company's share capital was increased to the current BRL 3,544,400.00 and is divided into 3,544,400,000 shares. The Company holds 3,542,400 shares in its share capital. Synthos Dwory 2 Sp. z o.o. holds 2,000 shares in its share capital.

Bilberry Sàrl with its registered office in Luxembourg, entered in the Luxembourg Commercial and Company Register 20 November 2015. The company was involved in the Group's capital investment operations and was indirectly wholly owned by the Company. The Company was wound up on 30 March 2017.

Synthos US, INC, a wholly-owned direct subsidiary of Synthos S.A., registered in accordance with the laws of the state of Ohio, U.S.A. The company is involved in promotional and marketing operations in the United States.

Synthos Styrenics Synthos Dwory 2 spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Oświęcim. On 16 June 2016, it was registered by the District Court for Kraków-Śródmieście in the National Court Register under the number 0000623523. The Company is a limited partner in the company and Synthos Dwory 2 sp. z o.o. is the general partner. The Company conducts activity in the area of production and sales of expandable polystyrenes (EPS).

Synthos Holding Netherlands B.V. with its registered office in Breda, the Netherlands, registered in the Dutch Commercial Register under the number 34223812. The company is involved in the Group's capital investment operations and is wholly owned by the Company.

Synthos Styrenics Services B.V. with its registered office in Breda, the Netherlands, registered in the Dutch Commercial Register under the number 20099736. The company is an indirect subsidiary of the Company. Its lines of business include the provision of sales-related services, accounting and bookkeeping services and services in the area of scientific research and technology development.

Synthos Breda B.V. with its registered office in Breda, the Netherlands, registered in the Dutch Commercial Register under the number 20049639. The company is an indirect subsidiary of the Company. The company's line of business includes, without limitation, the production of expanded polystyrene.

Synthos Wingles SAS (formerly: INEOS Styrenics Wingles SAS) with its registered office in Wingles, France, registered in the Commerce and Company Register under the number 428 658 272 RCS Arras. The company is an indirect subsidiary of the Company. The company's line of business includes, without limitation, the production of expanded polystyrene.

Synthos Ribécourt SAS (formerly: INEOS Styrenics Ribécourt SAS) with its registered office in Ribécourt-Dreslincourt, France, registered in the Commerce and Company Register under the number 389 519 919 RCS Compiégne. The company is an indirect subsidiary of the Company. The company's line of business includes, without limitation, the production of expanded polystyrene.

Synthos Holding France SAS (formerly: INEOS Styrenics Holding France SAS) with its registered office in Ribécourt-Dreslincourt, France, registered in the Commerce and Company Register under the number 392 208 674 RCS Compiégne. The company is involved in the Group's capital investment operations and is indirectly wholly owned by the Company.

Synthos Kimyasal Urunler Limited Sirketi (formerly: INEOS Styrenics Kimyasal Urunler Limited Sirketi) with its registered office in Istanbul, Turkey, registered in the register of companies under the number 432319. The company is involved in sales operations and is indirectly wholly owned by the Company.

WTE SPV spółka z ograniczoną odpowiedzialnością, with its registered office in Oświęcim On 23 February 2017, it was registered by the District Court for Kraków-Śródmieście in the National Court Register under the number 0000665169. The sole shareholder of the company is Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka jawna with its registered office in Oświęcim. At present, the Company does not conduct business activity.

Synthos Care Synthos Dwory 2 spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Oświęcim. On 13 April 2017, it was registered by the District Court for Kraków-Śródmieście in the National Court Register under the number 0000672925. The Company is a limited partner in the company and Synthos Dwory 2 sp. z o.o. is the general partner. The company's line of business includes research and scientific studies in the area of biotechnology as well as production of cosmetic products.

Synthos GmbH with its registered office in Vienna, Austria, established on 11 July 2017. The Company is the sole holder of 100% of its share capital. Synthos GmbH is involved in, among others, investment, trading, marketing and advertising activities.

6.3 Unconsolidated Group companies:

Photo Hitech spółka z ograniczoną odpowiedzialnością with its registered office in Kraków. The Company holds 440 shares in the company representing 44% of votes at its shareholder meeting.

6.4 Consequences of changes in the structure of the Synthos S.A. Group

During the reporting period, there were no changes in the capital structure other than those described in other sections of this report.

6.5 Information on the execution, by Synthos S.A. or any of its subsidiaries, of any single or multiple transactions with their related entities which were of material significance individually or collectively and were executed on terms other than based on an arm's length principle

No such events occurred during the reporting period.

7. DEFINITIONS

"**EPS**" means expandable polystyrene;

"**GPPS**" means general purpose polystyrene;

"**WSE**" means the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.);

"**Group**" or "**Synthos Group**" means Synthos S.A. and its subsidiaries;

"**HIPS**" means high-impact polystyrene;

"**PET**" means polyethylene terephthalate;

"**GDP**" means gross domestic product;

"**Company**" means Synthos S.A.;

"**Consolidated Quarterly Report**" means the quarterly report for the period from 1 July 2017 to 30 September 2017;

"**PPPs**" means plant protection products;

"**EU**" means the European Union;

"**XPS**" means extruded polystyrene.

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