

The Polish original should be referred to in matters of interpretation.
Translation of auditor's report originally issued in Polish.

INDEPENDENT AUDITOR'S REPORT

To the (General) Shareholders Meeting and Supervisory Board of Synthos S.A.

Report on the Audit of the Financial Statements

We have audited the accompanying financial statement for the year ended 31 December 2016 of Synthos S.A. ('the Company') located in Oświęcim, 32-600, Chemików 1, which comprise of the statement of financial position as at 31 December 2016, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the period from 1 January 2016 to 31 December 2016 and the additional notes and explanations ('the accompanying financial statements').

Responsibilities of the Management Board and members of the Supervisory Board for the financial statements

The Management Board is responsible in accordance with the Accounting Act dated 29 September 1994 ('the Accounting Act'), regulations issued on the basis of the Accounting Act, for the preparation based on properly maintained accounting records of the financial statements and fair presentation in accordance with International Accounting Standards, International Financial Reporting Standards and related Interpretations announced in the form of European Commission regulations ('International Financial Reporting Standards as adopted by European Union') and other applicable laws. The Management Board is also responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act the Management Board and members of the Supervisory Board are required to ensure that the financial statements meet the requirements of the Accounting Act.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to express an opinion on accompanying financial statements based on our audit.

We conducted our audit in accordance with chapter 7 of the Accounting Act and National Auditing Standards in the version of International Standards on Auditing as adopted by Resolution no 2783/52/2015 of the National Council of Statutory Auditors dated 10 February 2015 with subsequent amendments ('National Auditing Standards'). 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 Company'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 Company'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.

In accordance with National Auditing Standard 320 point 5 the concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. Hence all auditor's assertions and statements contained in the auditor's report, including those on other information or regulatory requirements, are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgement.

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

Opinion

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2016 and its financial performance and its cash flows for the period from 1 January 2016 to 31 December 2016 in accordance with International Financial Reporting Standards as adopted by European Union and accounting policies;
- have been prepared based on properly maintained accounting records;
- are in respect of the form and content, in accordance with legal regulations governing the preparation of financial statements and the Company's Articles of Association.

Report on Other Legal and Regulatory Requirements

Report on the Directors' Report

Our opinion on the financial statements does not include the Directors' Report.

The Company's Management Board is responsible for preparation of the Directors' Report in accordance with the Accounting Act and other applicable laws. In addition the Company's Management Board and members of the Supervisory Board are obliged to state that the Directors' Report meet the requirements of the Accounting Act.

In connection with the audit of the financial statements, our responsibility was to read the content of the Directors' Report and consider whether the information contained in it take into account the provisions of art. 49 of the Accounting Act and the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states ('the Decree on current and periodic information') and whether they are consistent with the information contained in the accompanying financial statements. Our responsibility was also to report, based on our knowledge of the Company and its environment obtained during the audit of the financial statements, whether the Directors' Report does not include material misstatements.

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We have concluded that the information included in the Directors' Report corresponds with the relevant regulations of art. 49 of the Accounting Act and the Decree on current and periodic information and that the information derived from the accompanying financial statements reconciles with the Directors' Report. Based on our knowledge of the Company and its environment obtained during the audit of the financial statements, we have not identified material misstatements in the Directors' Report.

In connection with the conducted audit of the financial statements, our responsibility was also to read the Company's representation on application of corporate governance which constitutes a separate part of the Directors' Report. We concluded that in the representation the Company included information required by implementing rules issued under art. 60 para. 2 of the Act of 29 July 2005 on public offering and on the terms of introducing financial instruments into an organised trading system and on public companies. This information is, in all material respects, in accordance with applicable regulations and with the information included in the accompanying financial statements.

Other matters

The separate financial statements for the prior financial year ended 31 December 2015 were subject to an audit by a key certified auditor acting on behalf of another authorised audit firm, who issued an unqualified opinion on these separate financial statements, dated 7 March 2016.

Warsaw, 22 March 2017

Key Certified Auditor

Jerzy Buzek
Certified Auditor
No. 10870

on behalf of
Ernst & Young Audyt Polska
spółka z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1
00-124 Warsaw
Reg. No 130

SYNTHOS S.A.

**LONG-FORM AUDITORS' REPORT
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

I. GENERAL NOTES

1. Background

Synthos S.A. (hereinafter 'the Company') was established as a result of the transformation of the State owned enterprise named Zakłady Chemiczne "Oświęcim". The Company's registered office is located in Oświęcim at Chemików 1.

The Company was entered in the Register of Entrepreneurs of the National Court Register under no. KRS 0000038981 on 27 August 2001.

The Company was issued with tax identification number (NIP) 5490002108 on 19 February 1996 and statistical number (REGON) 070472049 on 10 October 2008.

The Company is the holding company of the Synthos S.A. capital group. Details of transactions with affiliated entities and the list of companies in which the Company holds at least 20% of shares in the share capital or in the total number of votes in the company's governing body are included in Note 10 and 31 of the summary of significant accounting policies and other explanatory notes ("the additional notes and explanations") to the audited financial statements for the year ended 31 December 2016.

The principal activities of the Company are as follows:

- holding activities;
- business and management advisory services;
- accounting and bookkeeping activities.

As at 31 December 2016, the Company's issued share capital amounted to 40 million zlotys. Equity as at that date amounted to 1.870 million zlotys.

In accordance with information gathered from Company's management and information included in Note 16 of the additional notes and explanations to audited financial statement for the year ended 31 December 2016, as at 31 December 2016, the date of the preparation of this report, the ownership structure of the Company's issued share capital, up-to-date as of the date of the preparation of this report, was as follows:

	Number of shares	Number of votes	Par value of shares	% of issued share capital
Michał Sołowow – indirectly through subsidiaries	826.559.009	826.559.009	25	62,46
Aviva Otwarty Fundusz Emerytalny Aviva BZ	66.803.137	66.803.137	2	5,05
WBK				
Others	429.887.854	429.887.854	13	32,49
Total	1.323.250.000	1.323.250.000	40	100,00

In the reporting period and between the balance sheet date and the date of the opinion the following changes took place in the ownership structure of the Company's issued share capital. In accordance with Current Report from 3 October 2016, Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK as at 29 September 2016 acquired 2.191.137 company's shares. Consequently Aviva Otwarty Fundusz

Emerytalny Aviva BZ WBK exceeded the threshold of 5% of the share capital of the company. Except for the transaction described above, according to the available information, there were no changes in the ownership structure of the Company, in terms of shareholders holding at least 5% of the share capital of the Company.

In the reporting period the share capital of the Company has not changed.

As at 22 March 2017, the Company's Management Board was composed of:

Zbigniew Warmuz	- President
Tomasz Piec	- Vice-president
Zbigniew Lange	- Member
Jarosław Rogoża	- Member

There were below changes in the Company's Management Board composition during the reporting period as well as from the balance sheet date to the date of the opinion:

- on 1 June 2016 the Supervisory Board passed a resolution, pursuant to which Mr Tomasz Piec was entrusted with the function of the Vice-president of the Management Board,
- on 27 December 2016, the President of the Management Board, Mr Tomasz Kalwat resigned from the position in the Board with the effect from 31 December 2016,
- on 9 January 2017 the Supervisory Board passed a resolution, pursuant to which Mr Zbigniew Warmuz was entrusted with the function of the President of the Management Board.

2. Financial Statements

On 30 May 2005 the General Shareholders' Meeting decided on preparation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU.

2.1 Auditors' opinion and audit of financial statements

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Warsaw, at Rondo ONZ 1, is registered on the list of entities authorised to audit financial statements under no. 130.

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. was appointed by Supervisory Board of Synthos S.A. on 8 June 2016 to audit the Company's financial statements.

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. and the key certified auditor meet the conditions required to express an impartial and independent opinion on the financial statements, as defined in Art. 56.3 and 56.4 of the Act on statutory auditors and their self-governance, audit firms authorized to audit financial statements and public oversight, dated 7 May 2009.

Under the contract executed on 8 August 2016 with the Company's Management Board, we have audited the financial statements for the year ended 31 December 2016.

Our responsibility was to express an opinion on the financial statements based on our audit. The auditing procedures applied to the financial statements were designed to enable us to express an opinion on the financial statements taken as a whole. Our procedures did not extend to supplementary information that does not have an impact on the financial statements taken as a whole.

Based on our audit, we issued an auditors' unqualified opinion dated 22 March 2017, stating the following:

"To the (General) Shareholders Meeting and Supervisory Board of Synthos S.A.

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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 Company'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 Company'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.

In accordance with National Auditing Standard 320 point 5 the concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. Hence all auditor's assertions and statements contained in the auditor's report, including those on other information or regulatory requirements, are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgement.

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

Opinion

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2016 and its financial performance and its cash flows for the period from 1 January 2016 to 31 December 2016 in accordance with International Financial Reporting Standards as adopted by European Union and accounting policies;
- have been prepared based on properly maintained accounting records;
- are in respect of the form and content, in accordance with legal regulations governing the preparation of financial statements and the Company's Articles of Association.

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Our opinion on the financial statements does not include the Directors' Report.

The Company's Management Board is responsible for preparation of the Directors' Report in accordance with the Accounting Act and other applicable laws. In addition the Company's Management Board and members of the Supervisory Board are obliged to state that the Directors' Report meet the requirements of the Accounting Act.

In connection with the audit of the financial statements, our responsibility was to read the content of the Directors' Report and consider whether the information contained in it take into account the provisions of art. 49 of the Accounting Act and the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states ('the Decree on current and periodic information') and whether they are consistent with the information contained in the accompanying financial statements. Our responsibility was also to report, based on our knowledge of the Company and its environment obtained during the audit of the financial statements, whether the Directors' Report does not include material misstatements.

We have concluded that the information included in the Directors' Report corresponds with the relevant regulations of art. 49 of the Accounting Act and the Decree on current and periodic information and that the information derived from the accompanying financial statements reconciles with the Directors' Report. Based on our knowledge of the Company and its environment obtained during the audit of the financial statements, we have not identified material misstatements in the Directors' Report.

In connection with the conducted audit of the financial statements, our responsibility was also to read the Company's representation on application of corporate governance which constitutes a separate part of the Directors' Report. We concluded that in the representation the Company included information required by implementing rules issued under art. 60 para. 2 of the Act of 29 July 2005 on public offering and on the terms of introducing financial instruments into an organised trading system and on public companies. This information is, in all material respects, in accordance with applicable regulations and with the information included in the accompanying financial statements.

Other matters

The separate financial statements for the prior financial year ended 31 December 2015 were subject to an audit by a key certified auditor acting on behalf of another authorised audit firm, who issued an unqualified opinion on these separate financial statements, dated 7 March 2016."

We conducted the audit of the Company's financial statements during the period from 7 November 2016 to 22 March 2017. We were present at the Company's head office from 7 November 2016 to 25 November 2016 and from 23 January 2017 to 10 March 2017.

2.2 Representations provided and data availability

The Management Board confirmed its responsibility for the truth and fairness¹ of the financial statements and the preparation of the financial statements in accordance with the required applicable accounting policies, and stated that it had provided us with all financial information, accounting records and other required documents as well as all necessary explanations. The Management Board also provided a letter of representations dated 22 March 2017, confirming that:

- the information included in the books of account was complete;
- all contingent liabilities had been disclosed in the financial statements, and
- all material events from the balance sheet date to the date of the representation letter had been disclosed in the financial statements;

and confirmed that the information provided to us was true and fair to the best of the Management Board's knowledge and belief, and included all events that could have had an effect on the financial statements.

At the same time declare that during the audit of the financial statements, there were no limitations of scope.

2.3 Financial statements for prior financial year

The Company's financial statements for the year ended 31 December 2015 were audited by Michał Mastalerz, key certified auditor no. 90074, acting on behalf of PricewaterhouseCoopers Sp. z o.o., the company entered on the list of entities authorized to audit financial statements conducted by the National Council of Statutory Auditors with the number 144. The key certified auditor issued an unqualified opinion on the financial statements for the year ended 31 December 2015. The Company's financial statements for the year ended 31 December 2015 were approved by the General Shareholders' Meeting on 25 May 2016, and the shareholders resolved to appropriate the 2015 net profit in the amount of 341 million zlotys to reserved capital.

The financial statements for the financial year ended 31 December 2015, together with the auditors' opinion, a copy of the resolution approving the financial statements, a copy of the resolution on the appropriation of profit and the Directors' Report, were filed on 10 June 2016 with the National Court Register.

The closing balances as at 31 December 2015 were correctly brought forward in the accounts as the opening balances at 1 January 2016.

¹ Translation of the following expression in Polish: "rzetelność i jasność"

3. Analytical Review

3.1 Basic data and financial ratios

Presented below are selected financial ratios indicating the economic or financial performance of the Company for the years 2014 - 2016. The ratios were calculated on the basis of financial information included in the financial statements for the years ended 31 December 2015 and 31 December 2016.

The ratios for the year ended 31 December 2015 were calculated on the basis of financial information included in the approved financial statements audited by another auditor.

	2016	2015* (recast)	2014**
Total assets	3.555	3.829	2.918
Shareholders' equity	1.870	2.293	1.132
Net profit/ loss	256	426	1.006
Return on assets (%)			
Net profit x 100%	7,2%	11,1%	34,5%
Total assets			
Return on equity (%)			
Net profit x 100%	11,2%	37,6%	188%
Shareholders' equity at the beginning of the period			
Profit margin (%)			
Net profit x 100%	164,1%	380,4%	882,5%
Sales of finished goods, goods for resale and raw materials			
Liquidity I			
Current assets	3,7	16,5	0,5
Short-term creditors			
Liquidity III			
Cash and cash equivalents	3,5	14,9	0,1
Short-term creditors			
Debtors days			
Trade debtors x 365	66 days	72 days	231 days
Sales of finished goods, goods for resale and raw materials			

	2016	2015* (recast)	2014**
Creditors days			
Trade creditors x 365	25 days	19 days	40 days
Costs of finished goods, goods for resale and raw materials sold			
Stability of financing (%)			
(Equity + long-term provisions and liabilities) x 100%	96,6%	99,1%	89,5%
Total liabilities, provisions and equity			
Debt ratio (%)			
(Total liabilities and provisions) x 100%	47,4%	40,1%	61,2%
Total assets			

Rate of inflation:

Yearly average	-0,6%	-0,9 %	0,0%
December to December	0,8%	-0,5 %	-1,0%

* Ratios for the year ended 31 December 2015 were calculated on the basis of financial data presented in the financial statements, which were audited by a certified accountant acting on behalf of another entitled entity, taking into account the adjustments introduced by the Company in 2016, as described in note 27 of the additional notes and explanations to the financial statements.

** Ratios for the year ended 31 December 2014 were calculated on the basis of the financial data presented in the approved financial statements for that year, which were audited by a certified accountant acting on behalf of another entitled entity.

3.2 Comments

The following trends may be observed based on the above financial ratios:

- Return on assets was 7.2% in 2016 and decreased in comparison to 11.1% in 2015 and 34.5% in 2014;
- Return on equity was 11.2% in 2016 and decreased in comparison to 37.6% in 2015 and 188.0% in 2014;
- Profit margin amounted to 164.1% in 2016 and decreased compared to 380.4% in 2015 and 882.5% in 2014;
- Liquidity I amounted to 3.7 as at 31 December 2016. and decreased as compared to 16.5 at December 31, 2015 and increased as compared to 0.5 as at 31 December 2014;
- Liquidity III was 3.5 at 31 December 2016. and decreased as compared to 14.9 on 31 December 2015, and increased as compared to 0.1 as at 31 December 2014;
- Debtor days was 66 days in 2016 and decreased in comparison to 72 days in 2015 and 231 days in 2014;
- Creditor days was 25 days in 2016 and increased in comparison to 19 days in 2015 and decreased in comparison 40 days in 2014;

- Stability of financing was 96.6% in 2016 and decreased in comparison to 99.1% in 2015 and increased in comparison to 89.5% in 2014;
- Debt ratio was 47.4% in 2016 and increased in comparison to 40.1% in 2015 and decreased in comparison to 61.2% in 2014;

3.3 Going concern

Nothing came to our attention during the audit that caused us to believe that the Company is unable to continue as a going concern for at least twelve months subsequent to 31 December 2016 as a result of an intended or compulsory withdrawal from or a substantial limitation in its current operations.

In Note 1 point 2 of the additional notes and explanations to the audited financial statements for the year ended 31 December 2016, the Management Board has stated that the financial statements were prepared on the assumption that the Company will continue as a going concern for a period of at least twelve months subsequent to 31 December 2016 and that there are no circumstances that would indicate a threat to its continued activity.

II. DETAILED REPORT

1. Accounting System

The Company's accounts are kept using the IFS computer system at the Company's head office. The Company has up-to-date documentation, as required under Article 10 of the Accounting Act dated 29 September 1994 ('the Accounting Act'), including a chart of accounts approved by the Company's Management Board.

During our audit no material irregularities were noted in the books of account which could have a material effect on the audited financial statements and which were not subsequently adjusted. These would include matters related to:

- the reasonableness and consistency of the applied accounting policies;
- the reliability of the accounting records, the absence of errors in the accounting records and the trail of entries in the accounting records;
- whether business transactions are supported by documents;
- the correctness of opening balances based on approved prior year figures;
- consistency between the accounting entries, the underlying documentation and the financial statements;
- fulfilment of the requirements for safeguarding accounting documents and storing accounting records and financial statements.

2. Assets, Liabilities and Equity, Profit and Loss Account

Details of the Company's assets, liabilities and equity and profit and loss account are presented in the audited financial statements for the year ended 31 December 2016.

Verification of assets, liabilities and equity was performed in accordance with the Accounting Act. Any differences were adjusted in the books of account for the year 2016.

3. Additional Notes and Explanations to the Financial Statements

The additional notes and explanations to the financial statements for the year ended 31 December 2016 were prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the EU.

4. Directors' Report

We have read the Directors' report on the Company's activities in the period from 1 January 2016 to 31 December 2016 and the basis for preparation of annual financial statements ('Directors' Report') and concluded that the information contained in it take into account the provisions of Art. 49 para 2 of the Accounting Act and the relevant provisions of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states. We have also concluded, based on our knowledge of the Company and its environment obtained during the audit of the financial statements, that the Directors' Report does not include material misstatements. We have read also the Company's representation on application of corporate governance which constitutes a separate part of the Directors' Report. We concluded that in the representation the Company included information required by implementing rules issued under art. 60 para. 2 of the Act of 29 July 2005 on public offering and on the terms of introducing financial instruments into an organised trading system

SYNTHOS S.A.
Long-form auditors' report
for the year ended 31 December 2016
(in million zlotys)

and on public companies. This information is, in all material respects, in accordance with applicable regulations and with the information included in the financial statements.

5. Conformity with Law and Regulations

We have obtained a letter of representations from the Management Board confirming that no laws, regulations or provisions of the Company's Articles of Association were breached during the financial year.

Warsaw, 22 March 2017

Key Certified Auditor

Jerzy Buzek
Certified Auditor
No. 10870

on behalf of
Ernst & Young Audyt Polska
spółka z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1, 00-124 Warsaw
Reg. No 130

ACTIVITY REPORT

01.01.2016 - 31.12.2016

SYNTHOS S.A.



synthos
chemical innovations

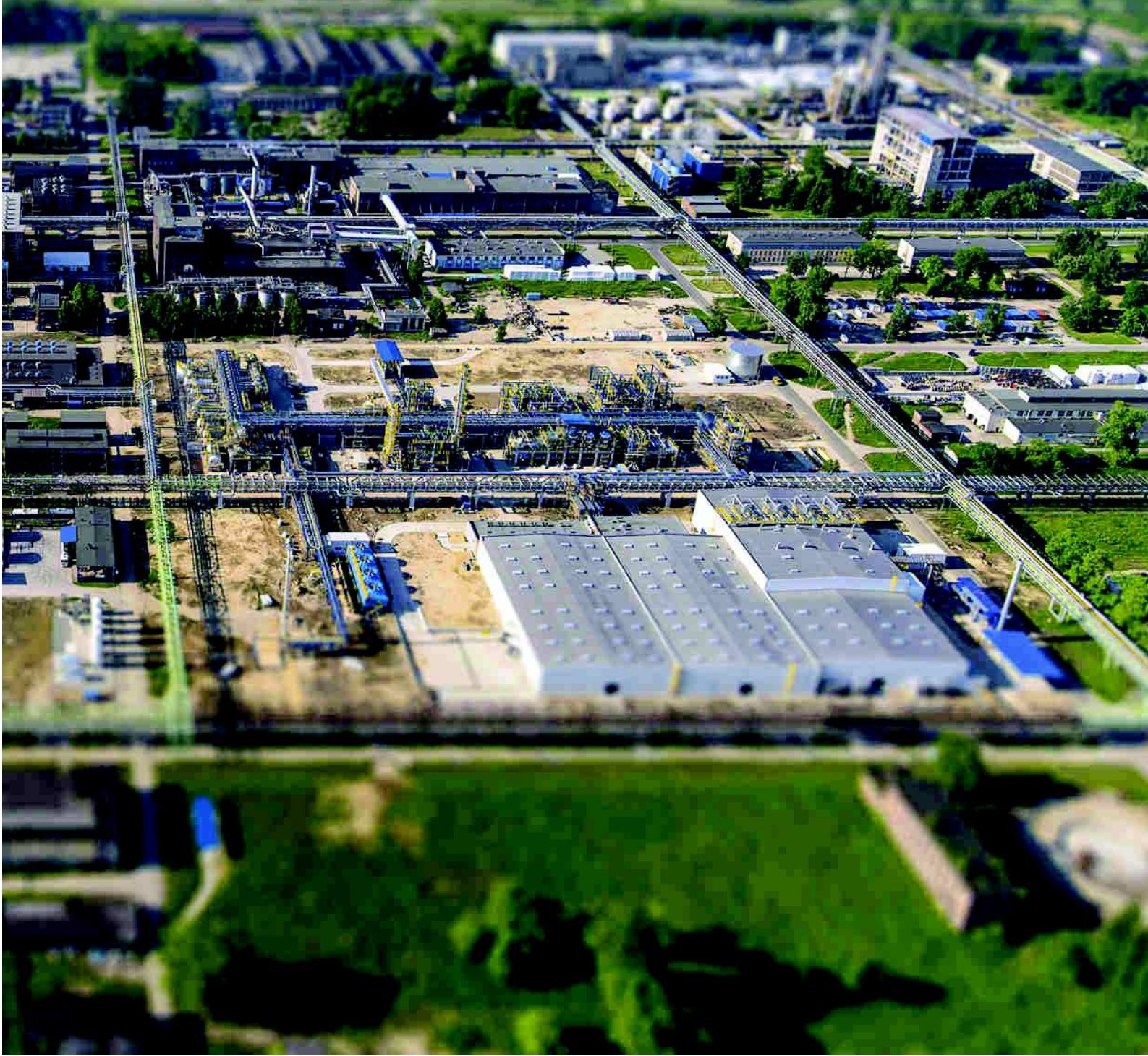
ACTIVITY REPORT OF SYNTHOS S.A.

FOR THE PERIOD FROM 1 JANUARY 2016 TO 31 DECEMBER 2016

Table of Contents

1.	INTRODUCTION.....	1
2.	RISK FACTORS	4
3.	DESCRIPTION OF THE BUSINESS OF THE SYNTHOS SA GROUP	8
4.	FINANCIAL STANDING AND ASSETS	13
5.	MANAGERIAL STAFF	24
6.	MAJOR SHAREHOLDERS	33
7.	STRUCTURE OF THE GROUP	35
8.	CORPORATE GOVERNANCE.....	40
9.	DEFINITIONS.....	50

INTRODUCTION



1. INTRODUCTION

Synthos S.A. (Company), former name: Firma Chemiczna "Dwory" S.A., was established as a sole shareholder company of the State Treasury, by way of transformation of a state-owned company under the Act of 30 April 1993 on National Investment Funds and their Privatization (Journal of Laws No 44, Item 202). On 27 August 2001, the Company was registered in the National Court Register at the District Court in Kraków, Commercial Division of the National Court Register, under KRS number 000038981. The Company's share capital amounted to PLN 25,627,500.

On 11 August 2004, the Company's General Meeting approved the introduction of the already issued A Series shares of the Company to public trading, with a value of PLN 2.01 each, numbered from A 00 000 001 to A 12 750 000.

In November 2004, the Polish Securities and Exchange Commission admitted the Company's shares to public trading.

On 17 December 2004, the Management Board of the Warsaw Stock Exchange S.A. admitted the Company's shares to public trading on the primary market.

On 20 December 2004, the Company's shares were admitted, under ordinary procedure, to public trading on the primary market.

On 2 January 2007, the District Court in Kraków 12th Commercial Division of the National Court Register registered an increase in the Company's share capital.

After the registration of the increase, the share capital of the Company amounted to PLN 39,697,500 and was divided into:

- (a) 12,750,000 (say: twelve million seven hundred and fifty thousand) A series ordinary bearer shares with a nominal value of 2.01 (say: two 1/100) each, entitling the holder to 12,750,000 votes at the Company's General Meeting,
- (b) 7,000,000 (say: seven million) B series ordinary bearer shares, with a nominal value of PLN 2.01 (say: two 1/100) each, entitling to 7,000,000 votes at the Company's General Meeting.

On 16 July 2007, the Management Board of the Warsaw Stock Exchange S.A. in Warsaw adopted a resolution No 508/2007 on admitting and introducing B series ordinary bearer shares of the Company to trading on the primary market.

On 10 October 2007, the Extraordinary General Meeting of the Company adopted a resolution on changing the existing number of the Company's shares through splitting their nominal value in the proportion of 1:67, so that the current nominal value of each share being PLN 2.01 (two 01/100) was set at PLN 0.03 (3/100) per share.

As a result of the change in the nominal value of shares, each of the already issued Series A and B shares with the existing nominal value of PLN 2.01 (two 01/100) were exchanged for 67 (sixty seven) shares of corresponding Series A and B, with rights identical to the shares before the split and with a nominal value of PLN 0.03 (3/100) per share. The change of the nominal value of shares did not constitute a decrease of the Company's share capital. After the split the Company's shares participate in the dividend to the same extent as before the split.

As a result of splitting the shares, the Company's share capital is now PLN 39,697,500 (thirty-nine million six hundred ninety-seven thousand five hundred) and is divided into:

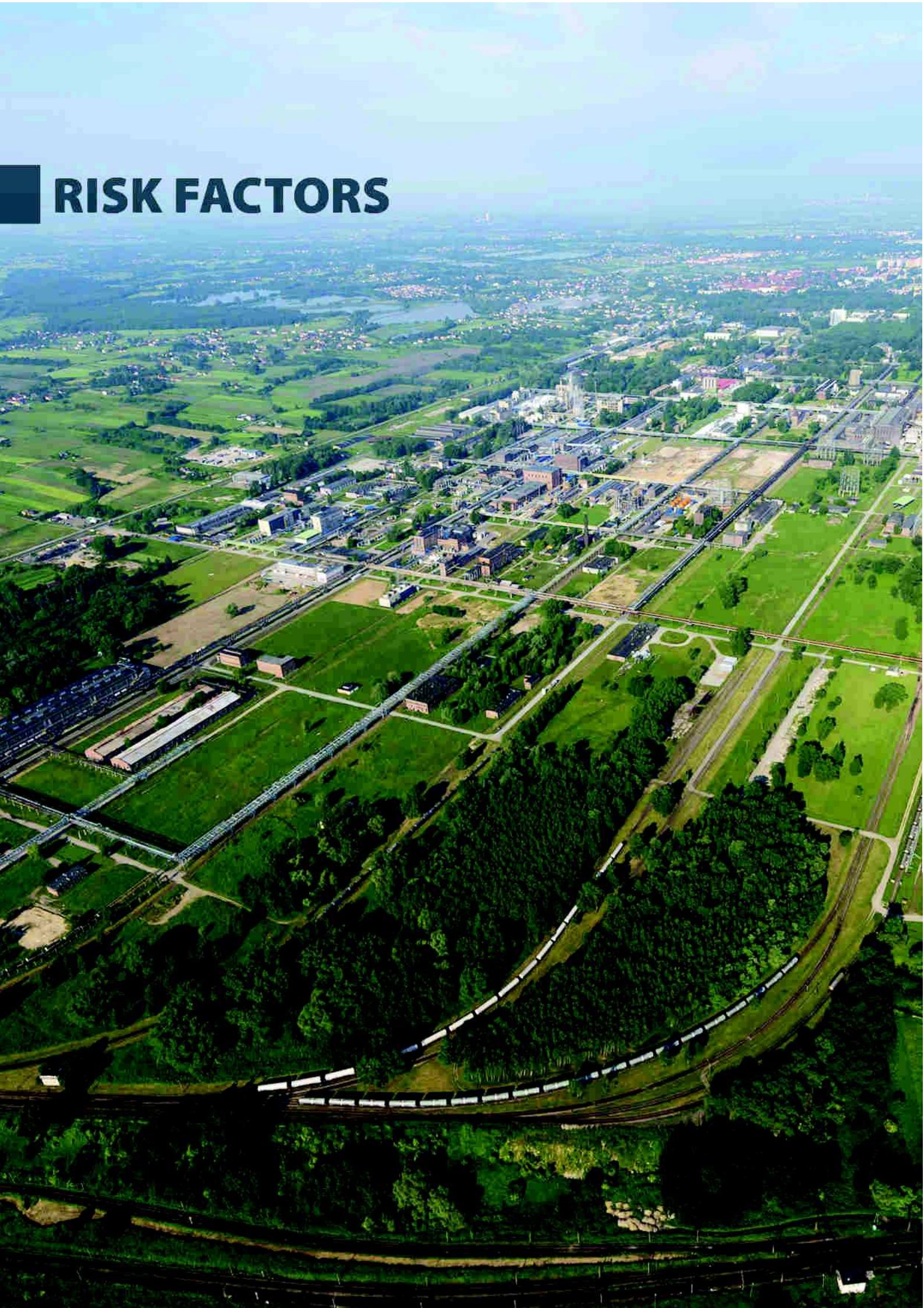
- (a) 854,250,000 (eight hundred fifty-four million two hundred fifty thousand) A series ordinary bearer shares with a nominal value of PLN 0.03 (3/100) each, numbered from A 000,000,001 to A 854,250,000,
- (b) 469,000,000 (four hundred sixty-nine million) B series ordinary bearer shares with a par value of PLN 0.03 (3/100 Polish zloty) each, numbered from A 000.000.001 to B 469.000.000.

The total number of votes resulting from all the issued shares, after all the changes made in the share capital structure, is 1,323,250,000.

On 29 October 2007, the Company's Management Board received a decision of the District Court for Kraków-Śródmieście in Kraków, 12th Commercial Division of the National Court Register, dated 23 October 2007, on the registration in the National Court Register of the change in the share capital structure.

On 30 November 2007, the enterprise of Synthos S.A. was contributed as contribution-in-kind to the fully-owned subsidiary Synthos Dwory Sp. z o.o. Therefore, Synthos S.A. has not conducted any manufacturing activity since that date. The Company's main line of business is to manage the Group.

RISK FACTORS



2. RISK FACTORS

Synthos S.A. is not exposed to any direct product risk.

The production activity conducted by the key entities of the Synthos S.A. Group, i.e. Synthos Dwory i spółka z ograniczoną odpowiedzialnością spółka jawna, Synthos Kralupy a.s., Synthos PBR s.r.o., Tamero Invest s.r.o., Synthos Breda BV, Synthos Wingles SAS, Synthos Ribecourt SAS and Synthos Agro Sp. z o.o., is associated with the following risks:

- Disruptions in global economy and in financial markets may have adverse impact on the Group's activity.
- Fluctuations in the prices of the raw materials used for production of the Group's products or disruptions in deliveries of raw materials may have adverse impact on the Group's production costs.
- The chemical industry is cyclical, which may cause fluctuations in the results of the Group's activity.
- The Group is dependent on a limited number of regional suppliers of its main raw materials and its revenues and profits may drop significantly in the case of loss of one or more such suppliers.
- The Group is dependent on certain key customers purchasing material portion of its products and its revenues and profits may drop significantly in the case of loss of one or more such customers.
- The Group's capability to produce key specialist products may deteriorate as a result of failure to maintain appropriate licenses and the Group may not guarantee that it will be able to extend all required certificates, consents and authorizations pertaining to its activity.
- The large-volume organic chemical industry is highly competitive and the Group may have problems with maintaining its current market position.
- The Group may not be able to adapt its products or technologies on time to the changing customer requirements and competitive challenges and customers may substitute the Group's products with other products that the Group does not offer.
- The Group may have difficulties with future acquisitions.
- Exchange rate fluctuations may have significant impact on the Group's operating results and may significantly disrupt comparability of the results for individual financial periods.
- Decommissionings of the cracking installation may have an impact on the ethylene and butadiene market.
- Surplus of production capacity of synthetic rubber in China may have negative impact on the Group's activity.
- Many of the contracts concluded by the Group with suppliers contain provisions which may limit the quantity of the raw materials delivered to the Group in a force majeure situation.

- The Group's main shareholder may impact certain actions, e.g. payment of dividends, which may bring benefits to shareholders at the cost of creditors or may stop controlling the Group's activity.
- Failure to comply with the regulations pertaining to grants may impact the Group's activity.
- The Group is subject to different regulations and provisions pertaining to taxes, customs, international trade, export control, zoning and occupancy, and labor and employment, which may require modification of the Group's business practices and lead to higher costs.
- Failure to satisfy the conditions of state tax incentive schemes may impact the Group's operating results.
- The Group may be held liable in connection with environmental pollution.
- Provisions for environmental protection liabilities may be insufficient.
- Ensuring compliance with extensive and changing environmental protection and health and safety at work regulations may require significant expenditures.
- Compliance with the current and future regulations on greenhouse gas emissions may require significant additional operating and capital expenditures by the Group.
- Regulatory and statutory changes in the jurisdictions in which the Group manufactures and sells products may lead to increase of costs or decrease of demand.
- Production in the manufacturing facilities may be disrupted for many different reasons and disruptions may expose the Group to significant losses or liabilities.
- The Group is dependent on continuity of the work and recruitment of key managers and loss of any of them may have negative impact on its activity.
- The Group may not be able to implement its business strategy.
- Conduct of the Group's activity is inseparably associated with its ability to maintain and protect its intellectual property.
- The Group's products may breach intellectual property rights of other entities, which may lead to unexpected costs on the part of the Group or prevent it from selling its products.
- Failure to maintain an effective internal control system may have an adverse impact on the Group's ability to report its financial results timely and reliably.
- Deterioration of relations with the Group's employees or trade unions or failure to extend, renew or negotiate on favorable terms the collective bargaining agreements may have negative impact on the Group's activity.
- Court proceedings instigated against the Group and unfavorable rulings may be detrimental to the Group's activity.

- The Group's activity is associated with the risk of claims on account of product liability.
- The insurance purchased by the Group may not fully cover the losses resulting from all potential threats.
- The Group may experience failures of IT systems, disruptions in the operation of the networks and breaches of data security.
- The failure to meet the financial goals of acquisition of EPS business of INEOS Group may have negative impact on Group's operations.
- A significant portion of external capital and high cost of debt service may have negative impact on the Group's activity and may prevent execution of liabilities following from Bonds and Sureties.
- The Group may increase its debt, also on the level of subsidiaries, which may increase the credit risk. To service the debt and continue its core business, the Group needs significant cash. The ability to generate sufficient cash depends on a number of factors beyond the Group's control, and the Group may be forced to take other measures aimed at settling its liabilities, which may not always turn out effective.
- The Group is exposed to interest rate risk which may impact its financial results.

A detailed description of the above risk factors is presented in the Consolidated Financial Statements for 2016.



DESCRIPTION OF THE BUSINESS OF THE SYNTHOS SA GROUP

3. DESCRIPTION OF THE BUSINESS OF THE SYNTHOS SA GROUP

3.1 Key products and services and sales markets

Synthos S.A. does not conduct any manufacturing activity. Its core business activity is the management of the Group and the provision of services related to accounting, intermediation in sales and procurement, and other services for the subsidiaries.

The following entities belonging to the Synthos Group are the key clients of these services: Synthos Dwory z spółka z ograniczoną odpowiedzialnością Sp.j., Synthos Kralupy a.s., Synthos PBR s.r.o. and Tamero Invest s.r.o.

The table below depicts domestic sales revenues, i.e. from Group companies in Poland and export sales revenues, i.e. from Group companies in the Czech Republic.

Types of business	2016		
	Country	Export	Total
	PLN million	PLN million	PLN million
Total sales revenues	93	63	156
2016			
Types of business	Domestic % of revenues	Exports % of revenues	Total % of revenues
	60	40	100

3.2 Recent events

From the point of view of Synthos S.A., business significant events are events relating to the business of its production entities, i.e. Synthos Dwory z spółka z ograniczoną odpowiedzialnością spółka jawna (production of rubber and latex, styrene plastics, dispersions and adhesives), Synthos Kralupy a.s. (production of rubber and styrene plastics), Synthos PBR s.r.o. (production of rubber), Synthos Breda BV (production of styrene plastics), Synthos Wingles SAS (production of EPS), Synthos Ribecourt SAS (production of EPS) and Synthos AGRO Sp. z o.o. (plant protection products).

a) Acquisition of the EPS (Expandable Polystyrene) business from the INEOS Group. On 6 May 2016, Synthos S.A. entered into an agreement with INEOS Industries Holdings Limited seated in Lyndhurst, United Kingdom, to purchase the INEOS Group's EPS business. The total purchase price for this business was EUR 80 million, subject to possible adjustments following from the agreement.

Under the INEOS Styrenics purchase transaction Synthos S.A. acquired, among others, 3 production facilities, 2 of which are located in northern France (Wingles and Ribécourt) and the third one in the Netherlands (Breda).

In addition, Breda has a modern technological center, comprising a specialized research laboratory and pilot facilities testing innovative products marketed by the company.

The purchase of INEOS Styrenics will enable Synthos S.A. to deliver top quality expandable polystyrene (EPS) and maintain the leading position of styrofoam products among insulation materials.

The Synthos Group's styrene processing capacity exceeds 600 thousand tons per annum. Obtaining competitively priced styrene will be possible in the longer run, in particular by expanding new styrene production capacity and will entail significant capital expenditures.

The Company reported the details of the transaction in Current Report no. 16/2016 dated 6 May 2016.

On 26 August 2016 the Company became aware of fulfillment of the condition precedent defined in the Share Purchase Agreement as on 26 August 2016 the European Commission granted unconditional approval to effect the transaction, i.e. transfer of the shares of INEOS Styrenics European Holding B.V. in performance of the Share Purchase Agreement, which the Company reported in Current Report no. 35/2016 of 26 August 2016.

The Company reported the performance of the transaction in Current Report no. 36/2016 of 31 August 2016.

b) Extension of the license – entering into an agreement with Michelin Group entities

On 26 August 2016, in connection with the license agreement of 05 October 2007, a memorandum of agreement was entered into by and between Compagnie Générale des Etablissements Michelin seated in Clermont-Ferrand, France; Michelin Recherche et Technique S.A. seated in Granges-Paccot, Switzerland, as the licensors, and Synthos S.A., as the licensee.

The memorandum of agreement provides for increasing the production capacity of NdBR rubber permitted by the license to 132,000 tons per annum.

The fee for extending the license consists of a flat fee and a variable component in the form of royalties depending on the sales volume of the licensed products.

c) Restart of the cracker in Litvinov on 19 October 2016.

On 19 October 2016, Unipetrol a.s. (PKN Orlen S.A.'s subsidiary) announced restart of the cracker in Litvinov, Czech Republic. The cracker in Litvinov supplies Czech entities from the Synthos Group with raw materials for production of ethylbenzene / styrene and butadiene, transported by pipelines. In connection with the failure of the cracker in August 2015 these raw materials had to be supplied by rail transport from other supply sources.

Reinstating product feed from the local cracker in Litvinov will make a positive contribution to stabilizing the production level and improving the margins commanded on styrene plastics and synthetic rubbers in subsequent reporting periods.

3.3 Expected development

Growing shareholder value is the strategic objective of the Company's Management Board. Achieving this objective will be supported by maintaining stable long-term relationships with business partners, improving operating efficiency and expanding and modernizing the product portfolio.

The major investments in the production area envisaged in the Group's strategy pertain to raw material security and expansion of the product offering for customers.

The Group's value growth strategy pursued by the Management Board calls for strengthening the Group's position in key business areas, i.e. production of synthetic rubber, polystyrenes, dispersions and adhesives and means of plant protection. The Company intends to attain this objective through, among other things, production and capital investments (acquisition of other companies conducting similar activity). The Group's strategy assumes maintaining a safe level of debt and its proper structure during the development process.

The Group assumes constant development and optimization of the product portfolio meeting customer expectations. Product development is to rely primarily on own research carried out by the Research and Development Center, whose task is to develop and implement the production of new, innovative products, primarily new types of synthetic rubber. The Group's objective is to steadily improve its quality and cost competitiveness in relation to leading businesses in the chemical industry.

Acquisitions will focus on entities that have modern products expanding the Group's existing product portfolio and on market opportunities, i.e. relatively low-priced companies with good market prospects.

3.4 Research and development

The Group considers research and development activities an important tool for competing effectively and commits significant resources to such activities.

The Group's research and development division is located in Poland and the Netherlands, consists of 96 people and focuses mainly on product development in three strategic areas: synthetic rubbers, expandable polystyrene (insulation materials), and dispersions and adhesives. Moreover, research work is conducted on plant protection products and liposomes. The Group owns key intellectual property and know-how in these areas. The Group's R&D division has many ongoing research partnerships with external institutes, ranging from outsourcing of non-core activities to joint research and development efforts. The Group currently maintains a domestic and international relationship network with reputable scientific centers, e.g. the University of New Hampshire (USA), Global Bioenergies (France), the Fraunhofer Polymer Pilot Plant Center (Germany), VSCHT (Czech Republic), the Adam Mickiewicz University Foundation in Poznań, the Institute of Industrial Chemistry and the Institute of Organic Industry in Warsaw. This allows the Group to develop innovative products in a timely and cost-effective manner, taking into account the preferences and specifications of its customers.

Last year, work on several dozen projects continued. Some of the recently introduced new products include: Woodmax OC 14.50, a one-component adhesive of the highest water resistance class; Synexil AF 33, a self-crosslinking acrylic dispersion for wood of a very high hardness and scratch resistance; Premier 300 SL and D 750 SL, herbicides in

concentrated form for the preparation of an aqueous solution, to be applied on leaves, intended to control annual dicotyledonous weeds in winter and spring cereals.

3.5 Insurance

The Group believes that the types and amounts of insurance coverage the Group currently maintains are in line with customary practices in its segment of the chemicals industry and sufficient for the conduct of the Group's business. More specifically, the Group has insurance policies with a number of international and local insurance companies covering certain operating risks, including damage of specific property, operational and product liability, cargo in transit insurance (for selected companies), rolling stock and vehicles insurance (in selected locations) and receivables insurance (for selected receivables).

3.6 Court proceedings

The Group is involved in a number of court proceedings in connection with the ordinary course of its business. These include actions initiated by regulatory authorities, tax authorities, suppliers and customers, claims advanced 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 allow to settle 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.

Besides the cases disclosed in this document, during the last 12 months the Group has not been a party to any governmental, court or arbitration proceeding (including pending proceedings or proceedings threatening it if the Group has knowledge thereof) that in the recent past exerted or may exert a material impact on the Group's financial position and profitability.

FINANCIAL STANDING AND ASSETS



4. FINANCIAL STANDING AND ASSETS

4.1 Key drivers of operating performance

The analysis of the Company's current standing and growth prospects should take into account the key business areas of the entire Group, i.e. production of synthetic rubber, polystyrenes and dispersions (which is performed by the subsidiaries: Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka jawna, Synthos Kralupy a.s., Synthos PBR s.r.o., Synthos Breda BV, Synthos Wingle SAS, Synthos Ribecourt SAS) and plant protection products (Synthos Agro Sp. z o.o.).

The Group's operating performance is affected by a number of factors; many of them influence the chemical industry as a whole. They include: global supply and demand on 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 Group's Companies.

Economic environment, demand and cycles on end markets for chemicals

Group's operations depend on the 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. 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 and the Group's future operating results may still be subject to such cycles and variation.

The increase in the Group's revenues depends on a broader European and global business environment. In the past, the results of the Group's activity were affected (and it is expected that the Group's financial performance will continue to be affected) by the key macroeconomic factors, such as GDP growth, inflation, interest rates, exchange rates, unemployment rate, level of insolvency of businesses and the financial standing of the Group's competitors. Generally, poor economic conditions in Europe, including Poland, may be decisive for the growth outlook of the Group's markets.

The outlook for GDP growth in Europe, including Poland, and other macroeconomic factors are inherently subject to uncertainty and are strongly dependent among others on the general economic environment. The Group's markets are also affected by the level of economic development of other countries, which is sown by the negative influence of the declining growth rate in the Chinese economy on the global bulk petrochemical industry.

Tire 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 the construction industry.

In 2016, good business conditions persisted in the European automotive industry. Throughout the year, the European Union's passenger car sales were 14,641,356 cars. The number of new cars registered rose by 6.8% over 2015 (source: European Automobile Manufacturers' Association (ACEA)). The largest growth was recorded by Italy (15.8%) and Spain (10.9%). In France, growth was 5.1%, in Germany it was 4.5% and the United Kingdom it was 2.3%.

In 2016, 206.7 million so-called consumer replacement tires (tires for passenger cars, SUVs and trucks with a weight of up to 3.5 tons) were sold in the European Union, i.e. 1.9% more than in 2015.

The tire industry consumes approx. 70% of the global production of SBR rubbers.

In the long run, a real increase in demand for tires is expected on Asian markets, such as China and India and, to a lesser extent, on South-American markets (mainly Brazil). In addition, the Group's operating results are subject to long-term effect of the tire labelling regulations, which boosted demand for NdBR and SSBR rubber used in the manufacture of modern summer tires and winter tires with improved performance in terms of their resistance to wear and tear, rolling resistance and traction on a wet surface.

The next important factor supporting the performance of the rubber industry in the years to come will be the increasing use of the production capacity of the SSBR rubber installation commissioned in 2015.

2016 was characterized by bad market conditions in the Polish construction industry. In the period from January to December 2016, construction and assembly output was 14.1% lower than a year earlier when growth of 2.8% was recorded (based on data from the Central Statistical Office, January 2017).

This situation affected the performance of the Dispersions, Adhesives and Latexes Segment of the Synthos S.A. Group, since a large portion of its products is used by the construction industry.

In 2017, the economic situation in the domestic construction industry is expected to improve. Moreover, the improved results in the adhesives area should be favorably affected in the medium term by the gradual expansion of the product portfolio as well as an increase in the scale of business.

Variation of raw material prices

Prices of raw material are an important component of the Group's operating expenses. In the year ended 31 December 2016, the Group's costs of raw materials purchases accounted for 77.8% of total operating expenses. The Group's key raw materials include: butadiene, styrene, ethylbenzene, butyl acrylate, vinyl acetate monomer, 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 crackers, which in turn supply the raw materials to the Group. In Europe, the prices of raw materials purchased by the Group are only to a slight extent dependent on gas prices.

Generally, the Group attempts to transfer the increases in raw material prices to its customers. However, in connection with the price pressures and other forms of competitive and market pressures, the Group may be unable to transfer all or any such costs. 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 prices for the Group's clients. 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, in order to optimize such price variations in long-term contracts to supply raw materials, the price formulas in such contracts signed by the Group 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.

Any changes in raw material prices 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 of margins and supply of and demand for Group's products

Margins on the Group's markets are strongly affected by industrial manufacturing capacity utilization, which in turn is affected by the supply and demand of products and the costs of the major commodities. 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 usually cyclical and features periods of limited sales, which drive up operating rates and 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 rates and margins.

In addition to cyclicity, 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 (such as building inventories or reducing inventories in the periods of expected price hikes).

Current and future environmental regulations

The Group is subject to extensive environmental and occupational health and safety regulation at both national and European level. There are numerous laws that affect the Group's operations and 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 properties. Nevertheless, the Group is convinced that the potential costs of corrective measures will not be high and does not expect them to affect the results of its operation.

The REACH regulation 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, among others, from the Industrial Emissions Directive ("IED") and the EU Emissions Trading System ("EU ETS") as well as from amendments to Water Law which in the long run may result in a significant increase in prices for industrial water consumption. The Group is striving to follow the increasing environmental awareness of its customers by producing NdBR rubbers used to manufacture tires with improved operational parameters that reduce fuel consumption. Moreover, the Group participates in the development of alternative paths of obtaining butadiene from renewable sources. Finally, the Group is considering building a municipal waste incineration plant that would comply with the Polish national waste management regulations.

Exchange rate fluctuations

The Group operates internationally and consequently it is exposed to various currency risks, in particular in respect to EUR, PLN, USD and CZK. The presentation currency used in the financial statements is Polish zloty, however in 2016, 76% of the Group's revenues and 90% of its costs were linked to transactions settled in currencies other than 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. A possible 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. Appreciation of the Polish zloty against other currencies may have a negative 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 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 expressed in Polish zlotys. 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 and natural disasters, as well as failures of mechanical devices ensuring safety of the process and reducing the emission of pollutants.

If any disruption occurs, alternative plants with adequate capacity may not be available, may cost much more or may require ample time to launch production, which may adversely affect the Group's operations and financial results. Even though such events are nothing out of ordinary, they occur rarely, no more frequently than once or twice a year and usually are short-lasting.

On 13 August 2015, as a result of a failure of the ethylene installation, a fire broke out in the Chempark Zaluži chemical facilities in Litvinow in the Czech Republic owned by the Unipetrol Group (which is part of the PKN Orlen Group).

Synthos Group sources raw materials from the cracking installation at facilities owned by Grupa Unipetrol and is connected to these facilities by a pipeline used to feed C4 fraction, ethylene and benzene to Synthos' production facilities in the Czech Republic. The failure and fire put a temporary halt to supplies of raw materials. In connection with the above, after utilizing the amassed inventories of raw materials, the Synthos Group started to use alternative sources of supply.

4.2 Key economic and financial figures

Sales revenues in the period from 1 January to 31 December 2016 were PLN 156 million. Operating profit was PLN 387 million. During the reporting period, the Company earned a net profit of PLN 256 million.

The key factor contributing the result earned by Synthos S.A. in 2016 was the results from subsidiaries and related parties. These revenues amounted to PLN 422 million.

From the point of view of Synthos S.A., business significant factors are factors relating to the business of its production subsidiaries, i.e., among others, Synthos Dwory z spółka z ograniczoną odpowiedzialnością spółka jawna (production of rubber and latex, styrene plastics, dispersions and adhesives), Synthos Kralupy a.s. (production of rubber and styrene plastics), Synthos PBR s.r.o. (production of rubber), Tamero Invest s.r.o. (heat and electricity), Synthos AGRO Sp. z o.o. (plant protection products) and the production facilities in France and the Netherlands purchased as part of the acquisition of the EPS business from INEOS.

4.3 Comparison of key economic and financial figures

(data in PLN million, according to IFRS)

BALANCE SHEET HIGHLIGHTS	31.12.2016	31.12.2015	struktura 2016	struktura 2015	dynamika 2016/2015
Non-current assets, of which:	3,086	3,250	87%	85%	95%
Property, plant and equipment	83	79	2%	2%	105%
Long-term investments	2,927	3,066	82%	80%	95%
Current assets, of which:	469	579	13%	15%	81%
Trade and other receivables	30	26	1%	1%	115%
Cash and cash equivalents	439	522	12%	14%	84%
Equity, of which:	1,870	2,293	53%	60%	82%
Share capital	40	40	1%	1%	100%
Non-current liabilities	1,558	1,501	44%	39%	104%
Liabilities on loans, borrowings and other debt instruments	1,531	1,471	43%	38%	104%
Current liabilities	127	35	4%	1%	363%
Liabilities on loans, borrowings and other debt instruments	18	18	1%	0%	100%

STATEMENT OF COMPREHENSIVE INCOME	<i>mln PLN</i>	
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	2016	2015
<i>Net revenues from sales of products, goods and materials</i>	156	112
<i>Costs of sold services</i>	129	96
<i>Gross profit (loss) on sales</i>	27	16
<i>Profit from associated companies accounted for under equity method</i>	422	445
<i>Profit (loss) on operating activities</i>	387	442
<i>Financial income</i>	73	88
<i>Financial costs</i>	126	104
<i>Profit before tax</i>	334	426
<i>Income tax</i>	78	-
<i>Net profit (loss)</i>	256	426

LIQUIDITY RATIOS	2016	2015
<i>Working capital</i>	-79	40
<i>Current ratio</i>	3.69	16.54
<i>Quick ratio</i>	3.69	16.54
PROFITABILITY RATIOS		
<i>Return on equity (ROE)</i>	13.69%	18.58%
<i>Return on assets (ROA)</i>	7.20%	11.13%
<i>Net return on sales (ROS)</i>	164.10%	380.36%
<i>EBITDA / equity</i>	21.60%	19.76%
DEBT RATIOS		
<i>General debt ratio</i>	47%	40%
<i>Debt to equity ratio</i>	90%	67%

4.4 Current and projected financial standing

The Company's statement of financial position drawn up as at 31 December 2016 showed assets and liabilities and equity at PLN 3,555 million.

The statement of comprehensive income for the period from 1 January to 31 December 2016 showed a net profit of PLN 256 million.

The statement of changes in equity for the period from 1 January to 31 December 2016 showed a decrease in equity by PLN 423 million.

The cash flow statement showed a decrease in net cash in the reporting period by PLN 83 million.

The Company is in a good financial standing.

4.5 Fair value of financial instruments

Details on fair values of financial instruments that may be estimated:

- Cash and cash equivalents, short-term bank deposits. The carrying amount of these instruments is similar to their fair value due to short maturities of these instruments;
- Trade receivables, other liabilities, trade liabilities. The carrying amount of these instruments is similar to their fair value since these are short-term items;
- Financial assets available for sale are measured at fair value. The carrying amount of these instruments is their fair value, quoted price in a stock market (level 1 in the fair value measurement hierarchy).
- The carrying value of the liability on account of bonds towards the Company's subsidiary Synthos Finance adjusted for transaction costs is PLN 1,549 million.
- Receivables under loans and purchased bonds. The carrying value of receivables from loans granted to related parties was PLN 27 million. As at the balance sheet date, the fair value of these receivables was PLN 27 million.

4.6 Financial activity

On 30 September 2014, Synthos Finance AB (publ) with registered seat in Stockholm, Sweden ("Bond Issuer"), a subsidiary fully owned by Synthos S.A., issued senior notes with a total nominal value of EUR 350,000,000 ("Initial Bonds"). The Initial Bonds bear a fixed interest rate of 4.000% p.a., with interest payable every half a year (on 30 March and 30 September of each year) starting on 30 March 2015 and their maturity date is 30 September 2021. The Initial Bonds were issued for a price equal to 100% of their principal, for a total price of EUR 350,000,000. The Initial Bonds are unsubordinated and rank equally in right of payment to any existing and future unsecured unsubordinated debt.

The Initial Bonds are unsecured and guaranteed jointly and severally by Synthos S.A., Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka jawna, SYNTHOS Kralupy a.s., TAMERO INVEST s.r.o. and SYNTHOS PBR s.r.o. ("Guarantors"). The guarantee extended by the Guarantors covers all the obligations of Synthos Finance AB (publ) under the Initial Bonds (including the obligation to repay the face value of the Initial Bonds and interest on the Bonds) and has been extended to all Bondholders. The guarantee will expire after the expiration of the Bondholders' claims against Synthos Finance AB (publ). The fee charged for the extension of the guarantee was awarded on an arm's length basis.

In connection with the Initial Bond issue, the group is also subject to covenants which are typical for high-yield bonds, which may impair its ability to finance future activity and capital needs and to take advantage of business opportunities and conduct current operations. These covenants are subject to numerous exceptions and exclusions and therefore if certain terms and conditions are met, the debt amount incurred in compliance with those covenants may be considerable.

The Initial Bonds are listed on the Official Listing Market of the Irish Stock Exchange and have been admitted into trading on the Global Exchange Market.

The Initial Bond Issue Agreement, the Initial Bonds and Guarantees are governed by New York state law and will be construed accordingly.

At the same time, in order to transfer the proceeds from the Initial Bond issue, the Company's Management Board adopted a resolution on 30 September 2014 on the issue of intra-group bonds, which were subscribed by Synthos Finance AB (publ) and which are unsecured registered bonds issued under the Act on Bonds of 29 June 1995. The par value of the intra-group bonds is EUR 350,000,000 and corresponds to the par value of the Bonds. The total

issue price of the intra-group bonds is EUR 344,001,000. The proceeds from the intra-group bond issue have been designated for repayment of the Group's debt, payment of Initial Bond issue costs and for general corporate purposes of the Group. The maturity date of the date of payment of interest on the intra-corporate bonds correspond to those applicable to the Bonds.

Additional Bonds

On 2 April 2015, Synthos Finance AB (publ) with registered seat in Stockholm, Sweden, a subsidiary fully owned by Synthos S.A., issued senior note bonds with a total par value of EUR 50,000,000, fixed interest of 4.000% per annum and maturity on 30 September 2021 ("Additional Bonds"). The Additional Bonds are an additional issue ("tap issue") for the Initial Bonds.

As in the case of the Initial Bond issue, the obligations of Synthos Finance AB (publ) under the Additional Bonds were secured by a guarantee extended, jointly and severally, by the Guarantors.

At the same time, in order to transfer the proceeds from the Additional Bonds, on 2 April 2015, Synthos Finance AB (publ) granted an intra-group loan to Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością sp. j., an indirect subsidiary of Synthos S.A. in the amount of EUR 50 million and with an interest rate of 4.7% p.a. maturing on 30 September 2021.

As in the case of the Initial Bonds, the Additional Bonds were listed on the official listing market of the Irish Stock Exchange and were admitted into trading on the Global Exchange Market.

Loans granted

In the reporting period, on 10 February 2016 Synthos S.A. signed a loan agreement with Green Papper SCSp with a possible debt amount up to EUR 50 thousand with an option of drawing tranches in foreign currencies: PLN, EUR, USD, GBP, CZK. The loan repayment date was set at 31 December 2020 and the interest rate was set as a fixed rate of 4.89% per annum. During the reporting period, a loan of EUR 30 thousand was drawn down and repaid.

During the reporting period, Synthos Agro spółka z ograniczoną odpowiedzialnością signed a PLN 22 million loan agreement with Synthos S.A. On 29 October 2017 with the possible debt amount up to PLN 60 million with the option of drawing tranches in foreign currencies such as PLN, EUR, USD, GBP and CZK. The loan repayment date was set at 30 September 2021 and the interest rate was set as fixed at 4.89% per annum.

Explanation of differences between the financial results of the Synthos S.A. Group reported in the annual report and the previously published forecasts of the results for the given year.

The Company did not publish any forecast of standalone financial results for 2016.

4.7 Auditors and internal control and risk management systems in reference to preparing financial statements and consolidated financial statements

Auditor

On 28 July 2016, the Company's Supervisory Board selected Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k. as the entity authorized to audit the Company's financial statements for 2016 and the Group's consolidated financial statements for 2016, and to review the Group's interim consolidated financial statements for H1 2016.

Ernst & Young Audit Polska spółka z ograniczoną odpowiedzialnością sp.k. with its registered office in Warsaw, at Rondo ONZ 1, 00-124 Warsaw, is entered on the list of entities authorized to audit financial statements (kept by the National Chamber of Statutory Auditors) under the number 130. In the past the issuer has not availed itself of the services of Ernst & Young Audit Polska spółka z ograniczoną odpowiedzialnością sp. k. The Supervisory Board selected the entity authorized to audit the Company's financial statements based on Article 15.1.b of Synthos S.A.'s Articles of Association, in accordance with the binding regulations and professional standards.

Further to the resolution of 28 June 2016, on 20 October 2016, the Supervisory Board of Synthos S.A. selected Ernst & Young Audit Polska spółka z ograniczoną odpowiedzialnością sp.k. with its registered office in Warsaw as the entity authorized to audit and review the standalone financial statements of Synthos S.A. and the consolidated financial statements of the Synthos S.A. Group in 2016, 2017 and 2018.

The Supervisory Board selected the entity authorized to audit the standalone financial statements of Synthos S.A. and the consolidated financial statements of the Synthos S.A. Group in 2016, 2017 and 2018 in accordance with the provisions of the Issuer's Articles of Association and in accordance with the binding regulations and professional standards.

On 8 August 2016, the Company entered into a one-year agreement to review and audit its financial statements and consolidated financial statements for 2016 with Ernst & Young Audit Polska spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Warsaw. On 21 October 2016, the Parties executed an annex to the agreement to expand the scope of services to include audits and reviews of the standalone financial statements of Synthos S.A. and other entities belonging to the Synthos Group (based on agreements between these entities and entities belonging to the EY Group) and the consolidated financial statements of the Synthos S.A. Group in 2016, 2017 and 2018.

The auditor's total fee for auditing the annual financial statements and the consolidated financial statements for 2016 and reviewing the condensed financial statements of the Company and the Synthos Group for the first 6 months of 2016 was PLN 110 thousand. For other assurance services, including reviews of the financial statements of the Company and its associated companies (in all locations), the auditor's fee (and its associated companies) was PLN 1,372 thousand. The auditor's fee for other services was PLN 30 thousand.

For the previous year (2015) auditors fee for audit of annual financial statement and revision of shortened financial statements of the Company and its affiliates was PLN 500 thousand.

Internal control and risk management system

Internal control and risk management in reference to preparing financial statements are provided on the basis of an internal regulation on financial policies. At the same time, interim reports are prepared on the basis of legal regulations prevailing in this respect (Minister of Finance regulation). The financial data constituting the basis for the financial statements and periodic reports come from the financial and operational reporting used by the Company. Substantive and organizational supervision over preparation of the financial statements is exercised by Financial Director.

The financial statements prepared are verified by the Management Board. One of the most important elements in the process of drawing up the Company's and the Group's financial statements is verification of the financial statements by an independent auditor. The

independent auditor is selected by the Supervisory Board. After the auditor completes the audit of the financial statements, they are sent to the Company's Supervisory Board members and the Supervisory Board assesses the Company's and the Group's financial statements.

Additionally, the Company manages the risk associated with preparation of the financial statements through monitoring on an ongoing basis of the changes required by external regulations relating to reporting requirements and preparation for their introduction.

■ MANAGERIAL STAFF



5. MANAGERIAL STAFF

In accordance with Polish commercial companies law, the Company's decision-making processes are implemented by the Shareholder Meeting, the Supervisory Board and the Management Board. The powers of these corporate authorities and the relations between them are governed by the applicable provisions of the Commercial Companies Code and the provisions of the Company's Articles of Association and internal bylaws, including the Management Board Bylaws and the Supervisory Board Bylaws.

5.1 Supervisory Board

On 4 April 2016 the Company received a declaration from Mr. Krzysztof Kwapisz, the Issuer's Supervisory Board Deputy Chairman on tendering his resignation from the Supervisory Board with effect as of the date of holding the next Shareholder Meeting. This resignation was justified by health reasons. The Company reported the above in Current Report No. 8/2016 of 05 April 2016.

On 25 May 2016 the Ordinary Shareholder Meeting of Synthos S.A. appointed Mariusz Gromek to the Supervisory Board of Synthos S.A. in its 8th term of office, which was publicized under Current Report no. 20/2016 of 25 May 2016.

On 1 June 2016 the Supervisory Board adopted a resolution according to which Synthos S.A. Supervisory Board Member, Mr. Robert Oskard was entrusted with serving in the capacity of Supervisory Board Deputy Chairman as of 1 June 2016. The Company reported this event in Current Report no. 26/2016 of 2 June 2016.

As at the date of publication of this Annual Report, the following persons were members of the Supervisory Board:

Name	Age	Position
Jarosław Grodzki.....	49	Chairman
Robert Oskard	54	Deputy Chairman
Grzegorz Mironiński	48	Secretary
Wojciech Ciesielski	53	Member
Mariusz Gromek	56	Member

The following is a summary of professional experience of the Supervisory Board members:

Jarosław Grodzki graduated from the Department of Finance and Statistics at the Warsaw School of Economics (SGH). In 1994, he completed his studies in the Postgraduate Tax College at the Warsaw School of Economics. From 1992 to December 1997, he worked for Bank Handlowy w Warszawie S.A. He participated in the organization of the Capital Operations Center of Bank Handlowy w Warszawie S.A. and then joined Bank Handlowy's Department of Securities Issues, starting as a section manager and ending as Department Head. In 1996, he was appointed to the position of Director of the Financial Consulting Department. In the first half of 1998, he was an Advisor to the President of the Management Board of Hydrocentrum S.A. In the same year, he joined Echo Investment S.A., initially as Director of the Sales Division, then as Vice President of the Management Board and in 2007-2008 as President of the Management Board of Echo Investment S.A. Since 2009 he has held a position of a person discharging managerial responsibilities in a group of companies that remain under control of Mr. Michał Sołowow, currently, among others, he is the President of the Management Board in: FTF Columbus S.A., Ustra S.A., FTF Galleon S.A. and the Member of Supervisory Board in, among others, Sklepy Komfort S.A., North Food S.A. Since 2011 he has been the Chairman of the Supervisory Board of Synthos S.A., since 2015 he has held a position of the Member of the Supervisory Board of Rovese S.A.

Grzegorz Miroński is a lawyer. In 1992, he graduated from the Faculty of Law and Administration at the Jagiellonian University in Kraków. Since 1997, he has been providing legal services to a number of businesses, including several companies listed on the Warsaw Stock Exchange. In 1997, he commenced his regular cooperation with Echo Investment S.A. where he advised on the largest investments and a number of transactions related to the company's financing as well as on the conduct of day-to-day operations. Moreover, Mr. Miroński assisted Cersanit S.A., Barlinek S.A., Media Projekt Sp. z o.o. and others on various investment and financial projects. Mr. Miroński runs a law firm and is a member of the supervisory boards of the following companies: FTF Columbus S.A, FTF Galeon S.A., Ustra S.A., Barlinek S.A, Sklepy Komfort S.A., North Food S.A. Mr. Miroński is also a current member of the Supervisory Board of Synthos S.A. and previously was a member of the Synthos S.A. Supervisory Board of the 5th term of office until 10 October 2007.

Wojciech Ciesielski is a lawyer. He graduated from the Faculty of Law and Administration at the Jagiellonian University in Kraków. From 1987 to 1990, he was a court legal trainee at the District Court in Kielce. In 1990, he earned a judicial qualification. Since 1991, he has served as head of the legal team, commercial proxy, member of various management boards and member of various supervisory boards in the group of Michał Sołowow's companies. From 2002 to 2004, he was a member of the Supervisory Board of Orbis. From 2005 to 2011, he was a member of the Supervisory Board of Synthos S.A. From 2003 to 2015, he was a member of the Supervisory Board of Echo Investment S.A., from 2015 to 2017 he was a member of the Supervisory Board of Rovese S.A.

Robert Oskard graduated from the Faculty of Technical Physics and Applied Mathematics at the Warsaw University of Technology. In 1987-1990, he worked for Fabryka Łożysk Tocznych Iskra where he was involved in designing and programming IT systems. In 1990-1992, he worked for the Voivodship Office in Kielce as the Voivodship IT Specialist. In 1992-2000, he worked for Exbud S.A. as Director of the Department of Planning and Economic Analysis, Director of the Development Department, Director of the Department of Management Systems and in other positions. In 2000-2002, he served as Director of Strategic Projects in Echo Investment S.A. Mr. Oskard served as Chairman or Member of more than ten supervisory boards, including in several public companies. Currently, he is a member of the management boards, among others, of the following companies: FTF Columbus S.A., Ustra S.A., FTF Galeon S.A, and a member of supervisory boards, among others, of the following companies: Barlinek S.A., Rovese S.A., Synthos S.A., Sklepy Komfort S.A.

Mariusz Gromek studied at SGPiS (presently the Warsaw School of Economics) in the Foreign Trade Faculty. In 1990-1991 he worked for EXBUD2 Sp. z o.o., among others, as Proxy of the Management Board of EXBUD S.A. responsible for Restructuring, then in 1992 for TERIKO Sp. z o.o. in Kielce as a co-shareholder and Sales Director. In 1992-1993 he ran his own business as a sole proprietorship. In 1993-1994 he worked for MITEX-TRADE Sp. z o.o. as Director of Wholesale Sales and then as Sales Director. In 1994 he started to work for P.L.I. S.A. as Director of the Supermarket Chain, then as Sales Director. From 1995 he acted in the capacity of Vice-President of the Management Board, while in 1997-1999 in the capacity of President of the Management Board of P.L.I. S.A. (later its name was NOMI S.A.). In 2000-2002 he acted in the capacity of President of the Management Board of Cersanit S.A. He was a Supervisory Board Member of Cersanit S.A. in 2003-2006 and the Supervisory Board Member of Barlinek S.A. in 2003-2016. Mr. Mariusz Gromek presently sits in the Supervisory Boards of the following companies: Oncoarendi Therapeutics sp. z o.o.

Activities of the Supervisory Board

The Supervisory Board oversees the Company's business in accordance with the provisions of the Commercial Companies Code and other applicable regulations. The Supervisory Board is also authorized to execute agreements on behalf of the Company with Management Board members and represent the Company in disputes with Management Board members. The Supervisory Board may authorize, by way of a resolution, one or more of its members to perform such legal actions.

Pursuant to Article 14 of the Company's Articles of Association, the Supervisory Board consists of at least five members. The composition of the Supervisory Board is each time determined by the Shareholder Meeting. Supervisory Board members are appointed for a 3-year joint term of office, which does not preclude the right to recall any Supervisory Board member prior to that. Pursuant to Article 385 of the Commercial Companies Code, the Shareholder Meeting appoints and dismisses the Supervisory Board. The Articles of Association do not provide for any other method of appointing or dismissing any Supervisory Board members. In accordance with the provisions of the Articles of Association, the Supervisory Board elects from among its members the Chairperson and one or two Deputy Chairpersons and the Secretary. In order to properly perform its duties, the Supervisory Board may appoint special teams and experts from outside the Supervisory Board to prepare opinions or expert reports on an as-needed basis. The Supervisory Board performs its tasks and exercises its powers collectively at Supervisory Board meetings by voting in writing and by exercising the oversight and control functions in the following forms: (i) the right to request the Management Board and the Company's employees to present any and all documents, reports or explanations concerning the Company's business, and (ii) the right to review the Company's asset position.

The Supervisory Board holds its meetings as needed but not less frequently than once per quarter. Supervisory Board meetings are convened by the Supervisory Board Chairperson or, if this person is not able to do that for objective reasons, by one of the Deputy Chairpersons, and if that possibility does not exist, by any Supervisory Board member. Supervisory Board meetings are convened at the initiative of the Supervisory Board Chairperson's initiative or in response to a written motion submitted by the Management Board or a Supervisory Board member.

The Supervisory Board prepares and submits to the Shareholder Meeting a report on the results of audits of the Company's financial statements and the Management Board's motion on the distribution of profit/coverage of loss together with the report of the Supervisory Board's activity.

Committees of the Supervisory Board

No committees operate in the Supervisory Board. All issues are examined collectively by the Supervisory Board and all decisions are made in the same manner. Members of the Supervisory Board have the knowledge and competence appropriate for the discharge of their functions. The Supervisory Board acts as an audit committee.

Remunerations, bonuses and other benefits

The Supervisory Board Chairperson and Supervisory Board Members have severance payments guaranteed in their contracts. The severance payments are expressed as a multiple of their remuneration or as an amount expressed in thousands of Polish zloty.

Remunerations of Supervisory Board Members	2016	2015
Jarosław Grodzki.....	85	88

Krzysztof Kwapisz (until May 25, 2016)	29	61
Grzegorz Miroński	49	48
Robert Oskard	55	49
Mariusz Gromek (since May 25, 2016)	25	-
Wojciech Ciesielski.....	48	21
Mariusz Waniałka	-	35

Shares and ownership interests in the Company's related entities

The Company's Supervisory Board members do not hold any ownership interests or shares in the Company's subsidiaries or affiliates.

Shares in the Company held by Supervisory Board members as at 31 December 2016 and as at the date of preparation of this report

Name	Number of shares held as at 31 December 2016	Number of shares held as at the date of this report	Par value of shares held [PLN]
Jarosław Grodzki			
Supervisory Board Chairman	350	350	10.5
Grzegorz Miroński	0	0	0
Supervisory Board Secretary	0	0	0
Wojciech Ciesielski	0	0	0
Supervisory Board Member.	0	0	0
Robert Oskard			
Supervisory Board Deputy			
Chairman.....	0	0	0
Mariusz Gromek			
Supervisory Board Member.	0	0	0

5.2 Management Board

On 01 June 2016 the Synthos S.A. Supervisory Board adopted a resolution according to which Synthos S.A. Management Board Member, Mr. Tomasz Piec was entrusted with serving in the capacity of Vice-President of the Management Board of SYNTHOS S.A. as of 1 June 2016. The Company reported this event in Current Report no. 26/2016 of 2 June 2016.

On 27 December 2016 the Company received a declaration from Mr. Tomasz Kalwat, the President of the Issuer's Management Board on tendering his resignation from membership in the Management Board as of 31 December 2016, which the Company reported in Current Report no. 47/2016 of 28 December 2016.

On 9 January 2017 the SYNTHOS S.A. Supervisory Board adopted a resolution to entrust Mr. Zbigniew Warmuz with the capacity of President of the Management Board of Synthos S.A. To that date Mr. Zbigniew Warmuz had acted in the capacity of Vice-President of the Management Board. The above was reported in Current Report No. 1/2017 of 9 January 2017.

As at the date of publication of this Annual Report, the following persons were members of the Management Board:

Name	Age	Position
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Zbigniew Warmuz.....	52	President of the Management Board
Tomasz Piec.....	48	Vice-President of the Management Board
Zbigniew Lange	46	Member
Jarosław Rogoża	43	Member

The following is a summary of professional experience of the Management Board members:

Zbigniew Warmuz graduated from the Silesian University of Technology majoring in business management. In 2004, he graduated from the University of Economics in Katowice. In 1984-2006, he worked for POCH S.A., initially as a machine operator and then as a foreman in the Organic Production Department. In 1999, he became a Product Manager for a group of products for the heavy industry and electroplating plants. Until 2002, he worked in the position of Head of the Sales and Marketing Department, and then became the Chief Engineer and Director of Production. He also served as the company's commercial proxy. Since 2007, he has been employed in the Synthos Group. Zbigniew Warmuz served as Vice-President of the Company's Management Board from 13 January 2014 to 8 January 2017.

Tomasz Piec earned his master's degree in 1994 at the University of Economics in Kraków, majoring in Management and Marketing. In 1992, he graduated in business management from the University of Copenhagen. In 1990, he completed his studies at the d'Orsay Academy of Cuisine and Wine. From 1993, he worked for Elektor Sp. z o.o. with its registered office in Kraków. In 1994, he was appointed to the position of Regional Director of the Remy Cointreau Group Poland. From 1995 to 2001, he served as Regional Director of Colgate Palmolive Polska and, from 2001 to 2003, as Head of Sales of Colgate Palmolive Adria a.s. in the Balkans. From 2003, he worked for Tchibo Polska as its Sales Director. In 2004-2007, he was a member of the Management Board of Sigma-Kalon Deco Polska Sp. z o.o. In 2007, he was appointed to the Management Board of Sigma-Kalon Deco Eastern a.s. in Prague. Since 2008, he has worked for the Synthos S.A. Group serving as Sales Director.

Zbigniew Lange graduated from the Economics Section of the Faculty of Social Sciences at the Catholic University of Lublin. He began his professional career in 1994 as an economics specialist for Lubelskie Zakłady Zielarskie Sp. z o.o. From October 1995 to September 1996, he worked at the Department of Financial Analysis of Przedsiębiorstwo Przemysłu Chłodniczego S.A. in Lublin – from February 1996 as Head of the Financial Analysis Department. In that period, he cooperated with Biuro Konsultingowe TIM Sp. z o.o. in Lublin in developing investment projects and preparing financial analyses. In 1996-1997, he served as the Head of the Financial Department of the Lublin Branch of Pepsico Trading Sp. z o.o. From October 1997 to May 1998, he provided management services to Cersanit-Krasnystaw S.A. with its registered office in Krasnystaw as the company's Finance Director. In June 1998, he became a member of the Management Board of Cersanit S.A. in charge of financial matters in the company and in the Cersanit S.A. Group. From December 2002 to December 2004, he served as President of the Management Board of Cersanit S.A. Subsequently, he worked as Finance Director at Polmos Lublin S.A. and Medi-Sept Sp. z o.o. In February 2007, he was appointed to the position of Finance Director at Opoczno S.A. From 2007 to 2008, he served as President of the Management Board of Opoczno S.A. Since 2008, he has been employed by the Synthos Group where he has been in charge of financial matters.

Jarosław Rogoża graduated from the Poznań University of Technology where in 2001 he earned his Ph.D. in chemical technology. He also completed an Executive MBA program offered by the WSB School of Banking in Poznań and he graduated from the Helsinki School

of Economics in 2004. In 2000-2006, he worked for GlaxoSmithKline Pharmaceuticals S.A., initially as a technologist in the manufacturing department and then, from 2002, as the head of research and development projects in the R&D division. In 2006-2009, he served as Director of R&D and SHEQ at PPG Deco Polska Sp. z o.o. where, apart from the research and development division, he was in charge of quality management, environmental protection and occupational health and safety matters. Since September 2009, he has worked for the Synthos S.A. Group in the position of Director of Research and Development. Mr. Rogoża has served as a member of the Company's Management Board since 13 January 2014.

Activities of the Management Board

The Management Board exercises all powers in the field of management in the Company with the exception of the powers reserved by the law or the Company's Articles of Association for the Company's other corporate authorities. The Commercial Companies Code and the Articles of Association define the powers and functions of the Management Board. The functions of the Management Board, matters that may be allocated to members of the Management Board and powers and responsibilities of each member of the Management Board are defined in detail in the Bylaws of the Management Board adopted by the Management Board and approved by the Supervisory Board. The Company's staff report to the Management Board. The Management Board executes and terminates employment contracts and sets the amounts of remuneration in such contracts in accordance with the standards defined by the Management Board and prescribed by the applicable regulations.

In accordance with the provisions of the Articles of Association, the Management Board consists of one or more members. Management Board members are appointed for a joint term of office, which lasts 3 years. The Supervisory Board appoints, recalls or suspends the Management Board or its various members. It is entitled to elect the President of the Management Board and Vice-Presidents of the Management Board. The Supervisory Board may recall Management Board members, in particular in response to a written motion from shareholders representing at least 1/3 of the share capital or if the Ordinary Shareholder Meeting adopts a resolution not to grant a discharge to the Management Board on the performance of its duties in a completed financial year. The Supervisory Board specifies the number of Management Board members. The Supervisory Board may dismiss a Management Board member or the entire Management Board before the elapse of the Management Board's term of office. The mandates of Management Board members expire on the date of holding a Shareholder Meeting whose subject matter is to approve the financial statements for the most recent full financial year of the Management Board's term of office.

In accordance with the Bylaws, the Management Board makes decisions at its meetings in the form of resolutions. The Management Board holds its meetings as needed but not less frequently than once per month. Management Board meetings are convened by the President of the Management Board or any of the other Management Board members who perceives such a need.

The President of the Management Board runs the Management Board's work. In the event of an absence of the President of the Management Board for no more than 5 business days, a Vice-President of the Management Board runs the Management Board's work (in the event that the Management Board has at least two Vice-Presidents, the President of the Management Board will designate the Vice-President of the Management Board to fill in for him or her), and in the event of an absence of the President of the Management Board and the Vice-President of the Management Board, the Management Board Member with the longest period of service in the Management Board of Synthos S.A. runs the work. In the

event of an absence of the President of the Management Board for more than 5 business days (for any reason whatsoever), the Synthos S.A. Supervisory Board will designate the Management Board Member to fill in for the President of the Management Board during this absence. The provisions of these Bylaws regarding the President of the Management Board are applicable to the Management Board Member filling in for the President of the Management Board according to the Supervisory Board resolution referred to above.

The Management Board may adopt resolutions only if at least half of its members are present at the meeting and if all the Management Board members have been properly notified of the convocation of the meeting.

Management Board resolutions are adopted by an absolute majority of the votes cast. In the event of a tie vote, the vote cast by the President of the Management Board will prevail. The consent of all Management Board members is required for the appointment of a commercial proxy. Any Management Board member may revoke a commercial proxy.

Compensation, bonuses and other benefits

Remuneration of Company's Management Board (paid in PLN thousand)	2016	2015
Tomasz Kalwat	6,316	1,800
Zbigniew Lange	915	724
Tomasz Piec.....	1,306	1,158
Jarosław Rogoża.....	937	640
Zbigniew Warmuz.....	1,740	912

Estimation of premium due to the Company's Management Board for 2016

	PLN thousand
Zbigniew Lange	240
Tomasz Piec	500
Jarosław Rogoża.....	302
Zbigniew Warmuz	699

Shares and ownership interests in the Company's subsidiaries

The Company's Management Board members do not hold any ownership interests or shares in the Company's subsidiaries or affiliates.

Shares in the Company held by Management Board members as at 31 December 2016 and as at the date of preparation of this report

Name	Number of shares held as at 31 December 2016	Number of shares held as at the date of this report	Par value of shares held [PLN]
Tomasz Kalwat President of the Management Board until 31 December 2016	173,191	-	5,195.73
Zbigniew Warmuz	0	0	0

President of the Management Board since 9 January 2017	0	0	0
Tomasz Piec Vice-President of the Management Board.....	0	0	0
Zbigniew Lange Management Board Member.....	0	0	0
Jarosław Rogoża Management Board Member.....	0	0	0

MAIN SHAREHOLDERS



6. MAJOR SHAREHOLDERS

As at 31 December 2016, the outstanding 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.

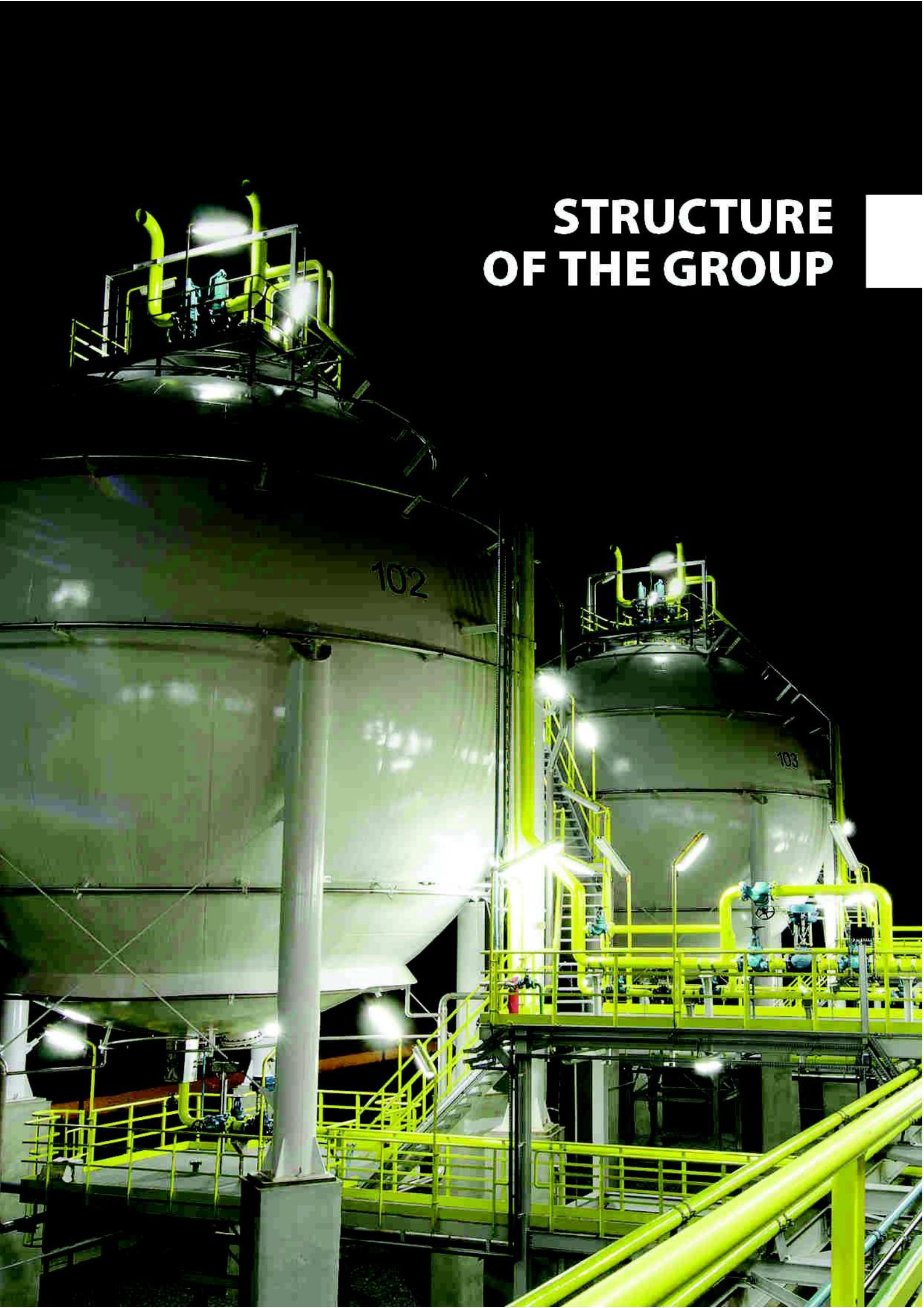
Synthos S.A. is a public company whose shares are listed on the regulated market of the Warsaw Stock Exchange. Accordingly, Synthos S.A. does not possess detailed information regarding all its shareholders. The Company obtains information about significant shareholders only if they comply with their reporting duties arising from the provisions of Polish law.

The following table contains a list of our shareholders as at 31 December 2016 prepared based on their notifications of holding at least 5% of votes at the Shareholder Meeting of Synthos S.A.

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, <i>indirectly via</i> subsidiaries:	826,559,009	62.46%	826,559,009	62.46%
a) FTF Galleon S.A.	682,918,112	51.61%	682,918,112	51.61%
b) Ustra 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 ¹	429,887,854	32.49%	429,887,854	32.49%
Total	1,323,250,000	100%	1,323,250,000	100%

¹ According to the Company's knowledge, other than the shareholders listed in the table above and based on the notifications of shareholdings received at the Shareholder Meeting, no shareholder holds more than 5% of the Company's equity.

The Company is not aware of agreements as a result of which changes may transpire in the future in the proportions of shareholdings held by the current shareholders.



STRUCTURE OF THE GROUP

7. STRUCTURE OF THE GROUP

7.1 Organization of the Group

The highest-level parent company of the Synthos S.A. Group is Synthos S.A. In the structure of the Synthos S.A. Group, the following are the three main production companies: Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością Sp.j., Synthos Kralupy a.s. and Synthos PBR s.r.o. involved predominantly in the production of rubbers and styrene plastics.

7.2 Group subsidiaries subject to consolidation (in 2016):

Branch of Synthos S.A. doing business as 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 7 spółka z ograniczoną odpowiedzialnością spółka jawna with its registered office in Oświęcim. The company produces synthetic rubbers and synthetic latexes, styrene plastics, vinyl dispersions and acrylic copolymer dispersions; it also generates and distributes electricity, generates and distributes heat and draws and treats water. The company's shareholders are 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. This 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 (formerly: Synthos Dwory 4 Sp. z o.o.) 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 is the generation of electricity.

Synthos Dwory 2 spółka z ograniczoną odpowiedzialnością SD5 spółka komandytowa (formerly: Synthos Dwory 5 Sp. z o.o.) 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 the limited partner in this 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 z spółka z ograniczoną odpowiedzialnością SD8 spółka komandytowa (formerly: Synthos Dwory 8 Sp. z o.o.) 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 (250) certificates issued by the fund.

CALGERON INVESTMENT LIMITED with its registered office in Nicosia, Cyprus. Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka jawna holds a 100% stake in the share capital of CALGERON INVESTMENT Ltd., a company involved in the Group's capital investment operations. On November 23rd, 2016 the company was liquidated and deleted from the registry of companies.

Red Chilli Ltd. with its registered office in Nicosia, Cyprus. The Synthos S.A. subsidiary known as Synthos Kralupy holds all the shares in this company. The company is involved in capital investment operations.

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 Agro Sp. z o.o. with its registered office in Oświęcim, an indirect subsidiary of the Company. The company is involved in the sales and marketing of 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.

Synthos Finance AB (publ.) with its registered office in Stockholm. 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. It is involved in the Group's capital investment operations.

Green Pepper SCSp with its registered office in Luxembourg, entered in the Luxembourg Commercial and Company Register under RCS file number B 192143 on 27 November 2014.

It was wholly controlled by the Company indirectly. In the Group, it conducted capital investment operations. The Company was wound up on 15 November 2016.

Bilberry Sàrl with its registered office in Luxembourg, entered in the Luxembourg Commercial and Company Register under RCS file number Sàrl on 20 November 2015. It is wholly controlled by the Company indirectly. It is involved in the Group's capital investment operations.

Oristano Investment Spółka z ograniczoną odpowiedzialnością in liquidation with its registered office in Oświęcim. The Company holds 100% of its share capital and represents 100% of votes at the Shareholder Meeting. On 15 October 2014, the Shareholder Meeting adopted a resolution to dissolve the company. Accordingly, the company's liquidation was opened on 15 October 2014. On 14 March 2016 the company was struck from the National Court Register.

Synthos Dwory z Sp. z o.o. with its registered office in Oświęcim. Currently, the Company holds 100% of its share capital and represents 100% of votes at the Shareholder Meeting.

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 z 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 z sp. z o.o. is the general partner.

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 on 02 September 2016 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 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 plastics.

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.

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 Compiègne. The company is an indirect subsidiary of the Company.

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.

7.3 Group member companies not subject to consolidation (in 2016):

Synthos XEPS s.r.o. in liquidation with its registered office in Kralupy nad Vltavou, the Czech Republic. The Company holds 100% of its share capital and votes at the shareholder meeting. The company's liquidation was opened on 1 December 2015, which was completed by striking it from the Czech register of undertakings on 2 November 2016.

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.

7.4 Branches

On 30 November 2007, the Company's Management Board adopted a resolution to form a branch outside the Republic of Poland in the Czech Republic under the name of Synthos S.A. (organizační složka) with its registered office at 278 52 Kralupy nad Vltavou, O. Wichterleho 810, the Czech Republic. The Branch commenced operations on the date of its registration in the Czech Commercial Register, i.e. on 22 January 2008.

CORPORATE GOVERNANCE



8. CORPORATE GOVERNANCE

8.1 Corporate governance principles applicable to the Company

Since 11 January 2016, the Company has been subject to the corporate governance rules laid down in the document entitled "Code of Best Practice for WSE Listed Companies" adopted by Resolution No. 26/1413/2015 of the Warsaw Stock Exchange Supervisory Board on 13 October 2015. The wording of these principles is publicly available on the Internet at www.corp-gov.gpw.pl, which is the official website of the Warsaw Stock Exchange devoted to corporate governance issues for companies listed on the WSE main market and on the NewConnect market.

At the same time, the Company explains that it does not apply any other best practices in the field of corporate governance, including principles extending beyond the requirements provided for by the national law.

8.2 Observance of corporate governance standards

In connection with the entry into force, on 1 January 2016, of the corporate governance standards laid down in the document entitled "Code of Best Practice for WSE Listed Companies 2016" adopted by the Stock Exchange Supervisory Board's resolution of 13 October 2015, the Company published, on 17 February 2016, a report on the application of these standards and uploaded the pertinent statement on its website. According to the said report, the Company declares that the following standards contained in the document entitled "Code of Best Practice for WSE Listed Companies 2016" are not applied.

Information policy and investor communication

I.Z.1.2. composition of the company's management board and supervisory board and professional CVs of the members of these corporate bodies along with information about supervisory board members satisfying the independence criteria, the Company does not apply the foregoing standard. The standard is not applied to information about the Company's supervisory board members satisfying the independence criteria in connection with not applying standard no. II.Z.3.

I.Z.1.3. split of duties and responsibilities among management board members drawn up according to standard II.Z.1, the Company does not apply the foregoing standard. The standard is not applied in connection with not applying standard no. II.Z.1.

I.Z.1.6. calendar of corporate events leading to the acquisition or limitation of shareholder rights, calendar of publishing financial reports and other important events from an investor's point of view - with sufficient lead time allowing investors to make investment decisions, the Company does not apply the foregoing standard. The standard is not applied - the Company publishes a calendar of publishing financial reports and information concerning any and all important events from an investor's point of view according to the prevailing legal regulations.

I.Z.1.8. tables containing the company's financial highlights for the most recent 5 years of business in a format facilitating data processing by the recipients thereof, the Company does not apply the foregoing standard. The standard is not applied as these data are available in the periodic report for a given reporting period and these reports are available on the Company's website.

I.Z.1.9. information on the planned dividend and the dividend the company has paid during the most recent 5 financial years containing data on the record date, the dividend payment dates and the dividends paid - in total and per share, the Company does not apply the foregoing standard. The standard is not applied as the Company publishes these data according to the prevailing regulations in current reports and this information is also set forth in periodic reports available on the Company's website and according to the Company there is no need to publish additionally separate information on this subject.

I.Z.1.10. financial forecasts - if the company has made a decision to publish them - published over a period of at least the most recent 5 years along with information on the degree of their execution, the Company does not apply the foregoing standard. The standard is not applied as the Company has not made a decision to publish financial forecasts in the future, while these estimated results have thus far been published incidentally and are available in current reports. If the decision is changed, the Company will publish the relevant current reports according to the prevailing regulations.

I.Z.1.11. information on the rule binding in the company concerning the entity authorized to audit financial statements, or of the absence of such a rule, the Company does not apply the foregoing standard. The standard is not applied as the Company's Supervisory Board is the entity authorized to select the statutory auditor authorized to audit the financial statements. Every year it makes this choice according to the prevailing legal regulations giving consideration to its powers, independence and integrity. This information is transmitted to investors in the form of a current report according to the prevailing regulations.

I.Z.1.15. information containing a description of the policy of diversity applied by the company in reference to the company's corporate authorities and its key managers; this description should give consideration to such elements of the policy of diversity as gender, field of education, age, professional experience and specify the objectives of the applied policy of diversity and the method of its execution in a given reporting period; if the company has not drafted and is not pursuing a policy of diversity, it publishes the explanation for this decision on its website. The Company does not apply the foregoing standard. The standard is not applied as the Company has not devised and is not applying a policy of diversity. The fundamental criterion for filling key positions is related to competences and satisfying the requirements for a given position. Elements such as age and gender do not affect the assessment of candidates.

I.Z.1.16. information on the planned transmission of shareholder meetings - no later than 7 days prior to the date of the shareholder meeting, the Company does not apply the foregoing standard. The standard is not applied as standard IV.Z.2 is not applied.

I.Z.1.17. justification for the shareholder meeting's draft resolutions concerning business and important decisions or ones that may evince doubts among shareholders - with sufficient lead time to allow the participants in a shareholder meeting to review them and adopt resolutions with the proper amount of comprehension, the Company does not apply the foregoing standard. The standard is not applied in connection with not applying standard no. IV.Z.9.

I.Z.1.20. a record of the shareholder meeting in audio or video format, the Company does not apply the foregoing standard. The standard is not applied since the Company does not currently plan broadcasts of Shareholder Meetings in real time, nor does it anticipate recording Shareholder Meetings in audio or video format or publishing a record thereof on its

website. According to the Company, on account of the current shareholder structure, as well as the provisions of the Articles of Association contemplating the possibility of holding Shareholder Meetings in the Company's registered offices and in any other community in Poland, they provide sufficient safeguards for the interests of all shareholders. Documenting and the course of the Shareholders Meetings held to date ensure the Company's transparency, while the standards in force in the Company for participating in Shareholder Meetings facilitate proper and effective exercise of the rights attached to shares. Moreover, the application of the foregoing standards would also entail the necessity for the Company to incur additional expenses. The content of the resolutions adopted by the Shareholder Meeting is promptly transmitted in the form of current reports.

Management Board and Supervisory Board

II.Z.1. The internal split of responsibilities for the company's various business areas between the management board members should be articulated in an unequivocal and transparent manner and the diagram with this split should be available on the company's website. The Company does not apply the foregoing standard. The standard is not applied since, on account of the nature of the Company's business and magnitude, the entire Management Board is responsible for all the Company's business areas and for performing the duties stemming from legal regulations and the Articles of Association.

II.Z.3. At least two supervisory board members meet the independence criteria referred to in standard II.Z.4. The Company does not apply the foregoing standard. The standard is not applied as the decision to elect Supervisory Board members is one of the powers of the Shareholder Meeting. Shareholders, being guided by the skills of various candidates and trust in them, designate the Supervisory Board composition and considering this, there are no grounds for restriction of the shareholders' freedom in selecting Supervisory Board members. The Company does not apply this standard on account of the doubt concerning the very term "independence" of a supervisory board member, the doubt following from the fact that the "independence" (from the company and/or its shareholders) of a person who is to act and is acting in a given capacity in Supervisory Board, is - according to the Company - subject to material factual limitation in the process of putting forward candidates, electing and retaining them in its composition and the possibility of recalling someone from the supervisory Board composition.

II.Z.4. Annex II to European Commission Recommendation 2005/162/EC of 15 February 2005 on the role of non-executive or supervisory directors of public companies and on the committees of the (supervisory) board is applicable to the independence criteria for supervisory board members.

Regardless of the provisions of item 1b) of the document referred to in the preceding sentence, a person who is an employee of the company, a subsidiary or an affiliate, as well as a person related to these entities by a contract of a similar nature cannot be deemed to meet the independence criteria. A relationship with a shareholder precluding the independence of a supervisory board member as construed by this standard is also construed to mean an actual and significant relationship with a shareholder holding at least 5% of the total number of votes in the company. The Company does not apply the foregoing standard. The standard is not applied on account of not applying standard no. II.Z.3.

II.Z.5. Supervisory Board members convey to the other Supervisory Board members and the Company's Management Board a declaration of satisfying the independence criteria

specified in standard II.Z.4. The Company does not apply the foregoing standard. The standard is not applied on account of not applying standard no. II.Z.3

II.Z.6. The Supervisory Board assesses whether there are ties or circumstances that may affect the satisfaction of independence criteria by a given supervisory board member. The assessment of satisfying the independence criteria by supervisory board members is presented by the supervisory board according to standard II.Z.10.2. The Company does not apply the foregoing standard. The standard is not applied on account of not applying standard no. II.Z.3

II.Z.7. The provisions of Annex I to the European Commission Recommendation referred to in standard II.Z.4 are applicable to the tasks and functioning of the committees operating in the supervisory board. If the Supervisory Board discharges the audit committee function, then the foregoing standards are applied accordingly. The Company does not apply the foregoing standard. The standard is not applied as no committees operate in the Supervisory Board. The Supervisory Board discharges the audit committee function and this standard is not applied on account of not applying standard no. II.Z.3.

II.Z.8. The audit committee chairman satisfies the independence criteria specified in standard II.Z.4. The Company does not apply the foregoing standard. The standard is not applied on account of not applying standard no. II.Z.3. The Supervisory Board discharges the audit committee function in the Company and its Chairman is concurrently the Audit Committee Chairman.

II.Z.10.1. In addition to the statutory activities, once a year the Supervisory Board prepares and presents to the Ordinary General Meeting of Shareholders the assessment of the company's position giving consideration to the assessment of the systems for internal control, risk management, compliance and internal audit functions; this assessment covers all the material control mechanisms, including especially the ones pertaining to financial reporting and operating activity. The standard will be applied by making the assessment on this subject a part of the Supervisory Board's annual report in the part pertaining to the performance of the Audit Committee's function.

II.Z.10.2. Supervisory Board's activity report encompassing at least information on the following subject matter:

- composition of the supervisory board and its committees,
- satisfaction of independence criteria by supervisory board members,
- number of meetings of the supervisory board and its committees in the reporting period,
- self-assessment of the supervisory board's work;

The Company does not apply the foregoing standard. The standard is not applied in respect to the part concerning the satisfaction by supervisory board members of independence criteria on account of not applying standard no. II.Z.3 and in respect to the part concerning the self-assessment of the supervisory board's work on account of the fact that the Shareholder Meeting assesses the Supervisory Board's work by giving (or not) a discharge on the performance of duties to its various members.

II.Z.10.4. assessment of the reasonableness of the policy pursued by the company referred to in recommendation I.R.2, or information on the absence of such a policy. The Company does not apply the foregoing standard. The standard is not applied on account of this policy

referred to in recommendation I.R.2 not being implemented, while the decisions on this subject are made by the Management Board at the individual requests of applicants.

Internal systems and functions

III.Z.1. The company's management board is responsible for implementing and maintaining effective systems of internal control, risk management, compliance and internal audit functions. The Company does not apply the foregoing standard. The standard is not applied on account of the fact that the Management Board is responsible for controlling the Company's operating activity, including the controlling of its internal business processes along with risk management processes. Within the scope of legal regulations, the Supervisory Board also carries out auditing and control functions. However, there are no specialized units in the Company to manage internal control, risk management and compliance processes. These functions are discharged on an ongoing basis in every area of the company's business.

III.Z.2. Without prejudice to standard III.Z.3, the persons responsible for risk management, internal audit and compliance report directly to the CEO or some other management board member, and also have the ability to report directly to the supervisory board or audit committee. The Company does not apply the foregoing standard. The standard is not applied since, as has been indicated in the justification for not applying standard no. III.Z.1, the Company does not have separate units dealing with risk management, internal audit and compliance activities. According to the Company, the current organizational structure in which the directors of the various divisions report to the Company's Management Board provides a sufficient basis for the correct flow of information and supervision over the business of the various areas. The Company does not have procedures forbidding the sending of reports directly to the Supervisory Board.

III.Z.3. The standards of independence specified in generally recognized international standards for the professional practice of internal audit are applicable to the person managing the internal audit function and other persons responsible for the performance of its tasks. The Company does not apply the foregoing standard. The standard is not applied as the Company does not have a separate internal audit unit and there is not a separate position held by a person managing this unit.

III.Z.4. At least once a year, the person responsible for internal audit (in such a function is formed separately in the company) and the management board present their own assessment to the supervisory board of the operating effectiveness of the systems and functions referred to in standard III.Z.1 along with the pertinent report. The Company does not apply the foregoing standard. The standard is not applied as the Company does not have a separate internal audit unit and there is not a separate position held by a person managing this unit; the Supervisory Board discharges the audit committee function.

III.Z.5. The Supervisory Board monitors the effectiveness of the systems and functions referred to in standard III.Z.1 based among others on reports delivered to it from time to time by the persons responsible for these functions and the company's management board; it also conducts an annual assessment of the operating effectiveness of these systems and functions according to standard II.Z.10.1. If an audit committee operates in the company, it monitors the effectiveness of the systems and functions referred to in standard III.Z.1; however, this does not release the supervisory board from conducting its annual assessment of the operating effectiveness of these systems and functions. The Company does not apply the

foregoing standard. The standard is not applied as standard no. III.Z.1 is not applied in the Company and there are no specialized units to manage internal control, risk management and compliance processes. III.Z.6. If the company has not organizationally separated an internal audit function, then the audit committee (or the supervisory board, if it discharges the audit committee function) makes the annual assessment of whether there is a need to define it separately. The Company does not apply the foregoing standard. The standard is not applied since the Company's Management Board makes the decision on the organizational structure and separating specific units. Both the Management Board and the Supervisory Board monitor the Company's operation on an ongoing basis, simultaneously assessing whether there is a need to define separate dedicated internal audit units.

Shareholder meeting and shareholder relations

IV.Z.2. If this is justified on account of the company's shareholder structure, the company provides a generally available broadcast of shareholder meetings in real time. The Company does not apply the foregoing standard. The standard is not applied since, according to the Company, the current shareholder structure does not justify the application of the foregoing standard.

IV.Z.3. The presence of representatives of the media should be allowed at shareholder meetings. The Company does not apply the foregoing standard. The standard is not applied. Authorized persons and providing support to the Shareholder Meeting participate in the Company's Shareholder Meetings. In the Company's opinion, the prevailing legal regulations sufficiently regulate performance of the reporting duties imposed on public companies as regards openness and transparency of matters being reviewed at the Shareholder Meeting. If representatives of the media pose questions to the Company, the Company provides the pertinent replies within the confines permitted by the prevailing legal regulations.

IV.Z.16. The record date and the dividend payment date should be set so to ensure that the period between them is no longer than 15 business days. Setting a longer period between these dates requires justification. The Company does not apply the foregoing standard. The standard is not applied - Shareholder Meeting sets the record date and the dividend payment date according to its own discretion within the confines defined by the prevailing regulations.

IV.Z.18. A shareholder meeting resolution on division of the par value of shares should not set a new par value of the shares below PLN 0.50, which could result in a very low unit market value of such shares, which could, as a consequence, result in a threat to the correctness and credibility of the company's valuation on the stock exchange. The Company does not apply the foregoing standard. The standard is not applied. Setting the par value of shares is one of the powers of the Shareholder Meeting within the confines defined by the prevailing regulations.

Conflicts of interest and transactions with related parties

V.Z.5. Before a company executes a significant agreement with a shareholder holding at least 5% of the total number of votes in the company or a related entity, its management board shall request the supervisory board's consent for such a transaction. Prior to giving consent the Supervisory Board assesses the impact such a transaction will have on the company's interest. Typical transactions executed on an arm's length basis in the operating business of a company with entities belonging to a company's group are not subject to the foregoing obligation.

If shareholder meeting makes the decision on a company entering into a material agreement with a related entity, prior to making that decision, the company provides all shareholders with access to information needed to assess such a transaction's impact on the company's interest. The Company does not apply the foregoing standard. According to the provisions of the Company's Articles of Association the Supervisory Board assesses transactions in respect of the Company's interests, applying the materiality criterion, regardless of the entity that is a party to the transaction.

V.Z.6. In its internal regulations the Company defines the criteria and circumstances in which a conflict of interests may occur in the company, and the rules of conduct when facing a conflict of interest or the possibility of one occurring. The company's internal regulations give consideration among others to the methods of preventing, identifying and solving conflicts of interest as well as the rules for precluding management board or supervisory board member from participating in the examination of a case entailing or threatening a conflict of interest. The Company does not apply the foregoing standard. The Company independently creates a conflict resolution policy.

Remunerations

VI.Z.1. Incentive programs should be designed in such a manner as to enable the company, among others, to correlate the level of remuneration of the members of its management board and its key managers with the company's actual, long-term financial standing and long-term growth in shareholder value as well as stability of the company's operations. The Company creates incentive programs independently, basing on freely chosen criteria.

VI.Z.2. In order to correlate the remuneration of management board members and key managers with the company's long-term business and financial objectives, the period between the granting, as part of the incentive program, of options or other instruments associated with the company's shares and their exercisability should not be shorter than 2 years. The Company creates incentive programs independently, basing on freely chosen criteria.

VI.Z.4. In its activity report, the company should present an account of its remuneration policy containing at least:

- 1) general information on the remuneration system adopted in the company,
- 2) information on the terms and conditions as well as the amount of remuneration of each management board member, broken down into fixed and variable components of remuneration, indicating key parameters that affect the variable components of remuneration and the rules for making severance payments and other payments due by virtue of termination of the employment relationship, the mandate agreement relationship or other legal relationship of a similar nature – separately for the company and for each member of its group,
- 3) information on any non-financial components of remuneration granted to each management board member and key manager,
- 4) indication of significant changes that took place last year in the remuneration policy or information about the absence of such changes,

5) assessment of the implementation of the remuneration policy from the perspective of the achievement of its objectives, in particular the long-term growth in shareholder value and stability of the company's operations.

The Company does not apply the foregoing standard. The standard is not applied. In its annual financial statements, the Company presents information on the remuneration paid to its Management Board members in accordance with the applicable provisions of law.

8.3 Restrictions on the exercise of voting rights or in the transferability of ownership interests in securities issued by the Company

The Company's articles of association do not provide for any restrictions on the exercise of voting rights and do not contain any provisions according to which, with the Company's cooperation, capital rights attached to securities would be detached from the holding of the securities.

In the case of the Company, restrictions on the exercise of voting rights may arise only from the generally applicable provisions of law.

Pursuant to Article 8.2 of the Company's Articles of Association, shares may be disposed of or pledged without any limitations, subject to Article 336 Section 1 of the Commercial Companies Code as regards shares issued in exchange for non-cash contributions.

8.4 Changes in management standards

During the reporting period no changes were introduced to the basic corporate governance standards in the Company or its Group.

8.5 Description of amendments to the Articles of Association

The Company's Articles of Association are amended by resolutions of the Shareholder Meeting, in accordance with the provisions of the Commercial Companies Code. Pursuant to Article 19.5 of the Company's Articles of Association, resolutions amending the Articles of Association in a manner resulting in increasing benefits to shareholders or limiting rights granted personally to individual shareholders require consent of all the shareholders concerned.

The establishment of the consolidated version of the Company's Articles of Association belongs to the powers of the Supervisory Board.

On 28 September 2016 the Company learned, according to the Information corresponding to the current excerpt from the Register of Undertakings from the Central Information System of the National Court Register, of the registration on 28 September 2016 of the amendment to the Company's Articles of Association ratified by the Extraordinary Shareholder Meeting of Synthos S.A. on 19 September 2016 under resolution no. 4/2016, which it reported in Current Report no. 39/2016 of 28 September 2016. The Issuer reported the resolutions adopted by the Extraordinary Shareholder Meeting of Synthos S.A. on 19 September 2016 in Current Report no. 37/2016 of 19 September 2016. The scope of amendments made to the Articles of Association of Synthos S.A. involved the addition of section 3 in article 23.

The current wording of the Company's Articles of Association is available on the Company's website.

8.6 Shareholder Meeting

The rights and manner of operation of the Shareholder Meeting are governed by the provisions of the Commercial Companies Code and the Articles of Association, and are as follows:

The Shareholder Meeting is convened by the Company's Management Board. An Ordinary Shareholder Meeting should be convened by the Management Board within 6 months of the end of the financial year.

The Supervisory Board may convene an Ordinary Shareholder Meeting if the Management Board fails to convene it by the prescribed deadline. An Extraordinary Shareholder Meeting may be convened by the Supervisory Board or shareholders representing at least half of the share capital or at least half of the total number of votes if they consider such convocation advisable. The convening entity presents, in the notice of convocation of the Shareholder Meeting, its agenda and draft resolutions for the distinct items of the proposed agenda.

A shareholder or shareholders representing at least one-twentieth of the share capital may request that an Extraordinary Shareholder Meeting be convened and that specific items be placed in the Meeting agenda. Such a request for convening an Extraordinary Shareholder Meeting should be submitted to the Management Board in writing or in electronic form. To request that an Extraordinary Shareholder Meeting be convened, the shareholders submitting the request should attach a justification and draft resolutions for the distinct items of the proposed agenda.

A shareholder or shareholders representing at least one-twentieth of the share capital may request that specific items be placed in the agenda of the nearest Shareholder Meeting. Such a request should be submitted to the Management Board no later than 21 days before the set date of the Meeting. The request should contain a justification and a draft resolution pertaining to the proposed item on the agenda. The request may be submitted in electronic form. The Management Board announces changes in the agenda made at the request of shareholders.

The Shareholder Meeting is held in the Company's registered office or in any other location in the territory of the Republic of Poland indicated in the notice of the Shareholder Meeting.

The Shareholder Meeting may adopt resolutions notwithstanding the number of shareholders in attendance or the shares represented unless the applicable regulations provide otherwise.

Resolutions of the Shareholder Meeting are adopted by an ordinary majority of votes cast unless the Company's Articles of Association or the applicable regulations provide otherwise.

The following matters require the adoption of a resolution by the Shareholder Meeting:

- a. review and approval of the Management Board's report on the Company's activity and the financial statements for the previous financial year,
- b. distribution of profit or cover of loss,
- c. granting a discharge to members of the Company's corporate bodies on the performance of their duties,
- d. the Company's execution of a loan or surety agreement or another similar agreement with a member of the Management Board, a member of the Supervisory Board, a commercial proxy or a liquidator or in favor of any such person,

- e. the Company's acquisition or disposal of an enterprise or an organized part thereof and establishment of a limited right in rem thereon,
- f. decisions on claims to repair damages inflicted during the establishment of a company or in the exercise of its management or supervision,
- g. the issue of convertible bonds or bonds with a pre-emptive right,

Resolutions amending the Company's Articles of Association in a manner resulting in increasing benefits to shareholders or limiting rights granted personally to individual shareholders require consent of all the shareholders concerned.

The balloting at a Shareholder Meeting is open. Secret balloting is ordered during elections and when considering motions to recall members of the Company's corporate bodies or liquidators, or to hold them accountable and in personnel-related matters. Secret balloting shall be ordered at the request of even one of the shareholders present or represented at the Shareholder Meeting.

Resolutions on changing the Company's line of business are adopted in open registered balloting.

The Chairperson or Deputy Chairperson of the Supervisory Board opens the Shareholder Meeting and then the Meeting Chairperson is elected from among the persons authorized to vote. If the Chairperson or Deputy Chairperson of the Supervisory Board is absent, the President of the Management Board or another person appointed by the Management Board opens the Shareholder Meeting.

In accordance with the Company's Articles of Association, the Shareholder Meeting may adopt its bylaws. However, the Shareholder Meeting has not exercised this right and has not adopted its bylaws.

9. DEFINITIONS

"Bond Issuer" means Synthos Finance AB (publ) with its registered office in Stockholm, Sweden, which issued its bonds on 30 September 2014;

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

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

"Bonds" means the senior notes with a total par value of EUR 350,000,000 issued by Synthos Finance AB (publ) on 30 September 2014;

"GDP" means gross domestic product;

"Guarantor" or **"Guarantors"** means Synthos S.A., Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka jawna, SYNTHOS Kralupy a.s., TAMERO INVEST s.r.o. and SYNTHOS PBR s.r.o. as the guarantors of the Bonds;

"Company" means Synthos S.A.;

"PPPs" means plant protection products;

"EU" means the European Union;

"Bond Issue Agreement" means the agreement governing the Bonds.

SYNTHESIS·ORTHOS





SEPARATE FINANCIAL STATEMENTS FOR
THE 12 MONTHS ENDED 31 DECEMBER
2016



SYNTHOS S.A.

Oświęcim, ul. Chemików 1

**Separate financial statements
for the 12 months ended
31 December 2016
prepared in accordance with the International
Financial Reporting Standards
as endorsed by the European Union**

Oświęcim, 22 March 2017

MANAGEMENT REPRESENTATIONS	4
STATEMENT OF COMPREHENSIVE INCOME FOR THE 12 MONTHS ENDED 31 DECEMBER 2016	5
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016	6
STATEMENT OF CHANGES IN EQUITY FOR THE 12 MONTHS ENDED 31 DECEMBER 2016	7
CASH FLOW STATEMENT FOR THE 12 MONTHS ENDED 31 DECEMBER 2016	8
Note 1. Accounting policies	10
Note 2. Sales revenue	24
Note 3. Costs by type	24
Note 4. Other operating income (expenses)	24
Note 5. Employee benefit expense	24
Note 6. Finance income/costs	25
Note 7. Income tax	25
Note 8. Property, plant and equipment	27
Note 9. Intangible assets	30
Note 10. Shares in subsidiaries	31
Note 11. Loans granted	33
Note 12. Financial assets	34
Note 13. Deferred tax	35
Note 14. Trade and other receivables	36
Note 15. Cash and cash equivalents	37
Note 16. Equity	37
Note 17. Earnings per share	38
Note 18. Liabilities in respect of loans, borrowings and other debt instruments	39
Note 19. Fair value of financial instruments	40
Note 20. Deferred income	40
Note 21. Trade and other payables	40

Note 22. Reasons for the differences between the changes in certain items in the statement of financial position and the corresponding changes in the cash flow statement.....	41
Note 23. Auditor's fees.....	41
Note 24. Financial instruments.....	41
Note 25. Operating leases	47
Note 26. Capital commitments	47
Note 27. Change in comparative data related to accounting for investments in subsidiaries, jointly controlled entities and associates as a result of applying IAS 27	47
Note 28. Contingent liabilities, suretyships and guaranties	50
Note 29. Events after the balance sheet date	51
Note 30. Significant accounting estimates and judgements.....	51
Note 31. Related party transactions	52
Note 32. Authorisation of the financial statements	55

MANAGEMENT REPRESENTATIONS

The Management Board of Synthos S.A. hereby presents the separate financial statements for the 12 months ended **31.12.2016**, which comprise:

- the statement of comprehensive income for the period from 1.01.2016 to 31.12.2016;
- the statement of financial position as at 31.12.2016;
- the statement of changes in equity for the period from 1.01.2016 to 31.12.2016;
- the statement of cash flows for the period from 1.01.2016 to 31.12.2016;
- Accounting policies and notes to the financial statements.

The annual separate financial statements and the comparatives have been prepared in accordance with the requirements of the International Financial Reporting Standards, as endorsed by the European Union (hereinafter "the EU IFRS"), and the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information to be provided by issuers of securities (Journal of Laws of 2009 No. 33, item 259) and present the Company's financial and economic position and the results of its operations truly, fairly and clearly.

The Directors' Report of Synthos S.A. presents a true view of the Company's development, achievements and situation, including a description of key risks and threats.

The registered audit company auditing the separate financial statements was appointed in accordance with legal regulations. This entity, as well as the registered auditors performing the audit, satisfied the conditions for issuing an unbiased and independent audit opinion on the annual financial statements, in accordance with the professional regulations and standards.

Signatures of the Management Board Members

.....
Zbigniew Warmuz
President of the Board

.....
Zbigniew Lange
Board Member

.....
Tomasz Piec
Vice President of the Board

.....
Jarosław Rogoża
Board Member

.....
Zbigniew Lange
Board Member

.....
Michał Watoła
Person responsible for maintaining the
books of account

Oświęcim, 22 March 2017

STATEMENT OF COMPREHENSIVE INCOME FOR THE 12 MONTHS ENDED 31 DECEMBER 2016

	Note	from 01.01.2016 to 31.12.2016	from 01.01.2015 to 31.12.2015 restated
Sales revenue	2	156	112
Cost of sales	3	(129)	(96)
Gross profit on sales		27	16
Administrative expenses	3	(17)	(9)
Other operating (expenses)/income	4	(45)	(10)
Share of profits of entities: accounted for using the equity method		422	445
Operating profit/(loss)		387	442
Finance income	6	73	88
Finance costs	6	(126)	(104)
Profit/(Loss) before tax		334	426
Income tax	7	(78)	-
Net profit/(loss)		256	426
Other comprehensive income that may be reclassified to profit or loss at a later date			
Foreign exchange differences on translation of a foreign branch		45	23
Measurement of available-for-sale financial assets		-	(48)
Measurement of pension plans		(23)	-
Other comprehensive income (net)		22	(25)
Total comprehensive income		278	401
Earnings per share:			
Basic (in PLN)	17	0,19	0,32
Diluted (in PLN)	17	0,19	0,32

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	31.12.2016	31.12.2015 restated	1.01.2015 restated
Assets				
Non-current assets				
Property, plant and equipment	8	83	79	54
Intangible assets	9	53	94	88
Shares in subsidiaries	10	2 894	1 965	1 831
Non-current financial assets	12	-	574	574
Available-for-sale financial assets	24	6	6	7
Loans granted	11	27	521	1 286
Deferred tax asset	13	23	11	11
Total non-current assets		3 086	3 250	3 851
Current assets				
Loans granted			-	15
Short-term financial assets	12	-	28	28
Income tax receivable	7	-	3	-
Trade and other receivables	14	30	26	75
Cash and cash equivalents	15	439	522	40
Total current assets		469	579	158
Total assets		3 555	3 829	4 009
Equity and liabilities				
Equity				
Share capital	16	40	40	40
Foreign exchange differences on translation of foreign operations		85	40	17
Revaluation reserve		(23)	-	48
Retained earnings	16	1 768	2 213	2 118
Total equity		1 870	2 293	2 223
Liabilities				
Liabilities in respect of loans, borrowings and other debt instruments	18	1 531	1 471	1 468
Deferred income from government grants	8	27	30	12
Total non-current liabilities		1 558	1 501	1 480
Liabilities in respect of loans, borrowings and other debt instruments	18	18	18	272
Deferred income	20	16	-	-
Income tax payable	7	55	-	-
Trade and other payables	21	31	17	34
Provisions	4	7	-	-
Total current liabilities		127	35	306
Total liabilities		1 685	1 536	1 786
Total equity and liabilities		3 555	3 829	4 009

Synthos S.A.
 Separate financial statements for the 12 months ended 31 December 2016
 (in PLN millions unless stated otherwise)

STATEMENT OF CHANGES IN EQUITY FOR THE 12 MONTHS ENDED 31 DECEMBER 2016

Note	Share capital	Revaluation reserve	Foreign exchange differences on translation of foreign operations	Retained earnings	Total equity
	PLN M	PLN M	PLN M	PLN M	PLN M
1 January 2016	40	-	40	2 213	2 293
Net profit	-	-	-	256	256
Other comprehensive income	-	(23)	45	-	22
Total comprehensive income, net	-	(23)	45	256	278
Payment of interim dividend	-	-	-	(701)	(701)
31 December 2016	40	(23)	85	1 768	1 870
1 January 2015 restated	40	48	17	2 118	2 223
Net profit	-	-	-	426	426
Other comprehensive income	-	(48)	23	-	(25)
Total comprehensive income, net	-	(48)	23	426	401
Payment of dividend	-	-	-	(331)	(331)
31 December 2015 restated	40	-	40	1 107	2 293

The statement of changes in equity should be analysed jointly with the explanatory notes constituting an integral part of the financial statements

CASH FLOW STATEMENT FOR THE 12 MONTHS ENDED 31 DECEMBER 2016

	Note	from 01.01.2016 to 31.12.2016	from 01.01.2015 to 31.12.2015 restated
Profit before income tax		334	426
Adjustments			
Depreciation and amortisation	3	17	11
Share value write-down		-	5
Foreign exchange gains/(losses)		37	23
Costs of discontinued development works		38	-
Interest		17	(5)
Dividends received		160	360
Profit of entities accounted for using the equity method		(422)	(445)
Loss on liquidation of a company		-	1
Other		(5)	-
Cash from operating activities before changes in working capital		176	376
(Increase) / decrease in receivables	22	(4)	49
Increase/(decrease) in trade and other payables	22	13	(9)
Movement in provisions		7	-
Net cash generated on operating activities		192	416
Tax paid	7	(32)	(3)
Net cash from operating activities		160	413
Cash flows from investing activities			
Proceeds from sale of intangible assets and property, plant and equipment		1	-
Interest received		97	100
Repayment of loans granted	11	534	876
Proceeds from sale and liquidation of companies		-	49
Proceeds from sale of financial instruments	12	574	-
Purchase of intangible assets and property, plant and equipment		(19)	(50)
Loans granted	11	(22)	(261)
Purchase of shares in subsidiaries	10	(644)	(3)
Subsidies received	8	2	19
Net cash from investing activities		523	730
Cash flows from financing activities			
Bond issue	18	814	-
Dividends and other payments to shareholders	16	(701)	(331)
Redemption of bonds	18	(814)	(240)
Other inflows	20	16	-
Interest paid		(82)	(91)
Net cash from financing activities		(767)	(662)
Net increase/(decrease) in cash and cash equivalents		(84)	481
Change in cash and cash equivalents in the balance sheet, of which:		(83)	482
Cash and cash equivalents at beginning of period		522	40
Effect of changes resulting from foreign exchange differences on cash and cash equivalents and valuation of term deposits		(1)	(1)
Cash and cash equivalents at end of period	15	439	522

Accounting policies of Synthos S.A.

Information on Synthos S.A.

Synthos S.A. (formerly: Firma Chemiczna Dwory S.A., hereinafter referred to as "the Company") is a joint stock company registered in Poland. The Company's shares are listed on the Warsaw Stock Exchange.

The Company's registered office is in Oświęcim, ul. Chemików 1.

Key contact details of the Company:

Telephone: Telephone enquiry: (33) 844 18 21 to 25
Fax: (33) 842 42 18
E-mail: recepca@synthosgroup.com
Website: www.synthosgroup.com

On 27 August 2001, the Company was registered in the Register of Businesses of the National Court Register with the reference number KRS 0000038981.

NIP 549-00-02-108
REGON 070472049

The Company's operations comprise in particular:

- holding activities;
- business and management advisory services;
- accounting and bookkeeping activities.

The Company is the Parent Company of the Synthos S.A. Group ("Group" / "Capital Group"). The list of group subsidiaries is provided in Note 11.

As stated in the Articles of Association, the Company's duration is unlimited.

Synthos S.A. has a foreign branch in the Czech Republic - Synthos S.A. (organizační složka)

The registered office of the branch is in Kralupy nad Vltavou, O.Wichterleho 810.
The Branch is registered in the Court Register in Prague with the number 59670.
NIP 28226313

The Branch's operations comprise in particular:

- accounting and bookkeeping activities.

The Company's Management Board:

Zbigniew Warmuz	-	President of the Board
Tomasz Piec	-	Vice President of the Board
Zbigniew Lange	-	Board Member
Jarosław Rogoża	-	Board Member

During the reporting period, Mr Tomasz Piec, Member of the Management Board of Synthos S.A., was appointed as Vice President of the Management Board with effect as of 1 June 2016.

As of 31 December 2016 Mr Tomasz Kalwat resigned from being a member of the Management Board of Synthos S.A..

On 9 January 2017 the Supervisory Board appointed Mr Zbigniew Warmuz as President of the Management Board of Synthos S.A..

Supervisory Board:

Jarosław Grodzki	—	President of the Board
Robert Oskard	—	Vice President of the Board
Grzegorz Miroński	—	Secretary
Mariusz Gromek	—	Board Member

In the reporting period Mr Krzysztof Kwapisz resigned from his position on the Supervisory Board of Synthos S.A.. On 25 May 2016 General Shareholder's Meeting of Synthos S.A. appointed Mr Mariusz Gromek. The Supervisory Board appointed Mr Robert Oskard, Member of the Supervisory Board of Synthos S.A. as Vice Chairman of the Supervisory Board with effect as of 1 June 2016.

Note 1. Accounting policies

1. Statement on compliance and basis of preparation of the separate financial statements

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("the EU IFRS").

The Company is the parent company of the Synthos S.A. Group. The consolidated financial statements of the Group have been prepared in accordance with the EU IFRS.

In order to fully understand the financial standing and the results of Synthos S.A. as the parent company of the Group, these separate financial statements should be read in conjunction with the consolidated financial statements for the 12 month period ended 31 December 2016. The financial statements will be available on the Company's website at the address www.synthosgroup.com on the date determined in the current report concerning the deadline for publishing the Company's annual report and Group's consolidated annual report for the year 2016.

The data in the separate financial statements is provided in Polish zloty, which is the presentation currency, rounded to full millions. The financial statements have been prepared on the historical cost basis, with the exception of available-for-sale financial assets measured at fair value.

The preparation of separate financial statements in accordance with the EU IFRS requires the Management Board to exercise judgement, use estimates and assumptions which affect the adopted accounting policies and the presented balances of assets, liabilities & equity, revenue and costs.

The judgement exercised by the Management Board in applying the EU IFRS, which have a significant effect on the financial statements, as well as the estimates, which carry a significant risk of changes in the coming years, have been presented in Note 30.

The accounting policies presented below were applied consistently to all the periods presented in the separate financial statements.

2. Going concern assumption

The Company's separate financial statements were prepared for the 12-month period ended 31 December 2016. The Management Board stated that the separate financial statements were prepared on the assumption that the Company would be able to continue as a going concern for at least 12 months subsequent to 31 December 2016 and that there were no circumstances indicating any threat to its ability to continue as a going concern.

3. New and revised accounting standards and interpretations

The accounting policies applied in the preparation of these consolidated financial statements are consistent with those applied in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2015, except for the measurement of shares in subsidiaries.

New or amended standards and interpretations applicable to annual periods beginning after 1 January 2016.

- ***Amendments arising from Annual Improvements to IFRSs 2010-2012 Cycle, including:***

- ***Amendments to IFRS 2 Share-based Payment***

These amendments apply prospectively and clarify the definition of the "market condition" and "vesting condition" as well as separately define the "service condition" and "performance condition", which are vesting conditions.

The Company does not run any share-based payment plans and, therefore, the application of these amendments had no impact on its financial position or the results of its operations.

- ***Amendments to IFRS 3 Business Combinations***

These amendments apply prospectively and clarify that the contingent consideration which is not classified as an equity component is measured at fair value through profit or loss regardless of whether or not it is included in the scope of IAS 39.

The application of these amendments had no impact on the Company's financial position or the results of its operations.

- ***Amendments to IFRS 8 Operating segments***

These amendments are applied retrospectively and clarify that:

- An enterprise should disclose Management's judgement in the process of applying the criteria of aggregating operating segments as described in paragraph 12 of IFRS 8, including a short description of the segments that have been aggregated and a description of the economic characteristics of the segments used in the analysis of segment similarity.
 - Reconciliation of segment assets with total assets of the enterprise is required only when such data is regularly provided to the chief operating decision maker.

This amendment had no impact on the figures presented by the Company.

- ***Amendments to IFRS 16 Property, Plant and Equipment and IAS 38 Intangible Assets***

These amendments apply retrospectively and clarify that an asset can be restated based on the acquired observable data by adjusting the gross carrying amount of the asset to the market value or by determining the gross carrying amount proportionately so that the carrying amount thus obtained is equal to the market value. Additionally, accumulated depreciation/amortisation is the difference between the cost and the carrying amount of an asset.

The amendment applies to measurement of property, plant and equipment and intangible assets using the revalued amount model. Since the Company does not

apply this model, the application of these amendments had no impact on the Company's financial position or the results of its operations.

- **Amendments to IFRS 13 *Fair Value Measurement***

These amendments clarify that the removal of paragraphs B5.4.12 from IFRS 9 *Financial Instruments: Recognition and Measurement* was not intended to change the measurement requirements for short-term receivables and payables. As a result, enterprises may still measure their short-term receivables and payables with no stated interest rate at nominal value, if the discounting effect would have no significant impact on the figures presented.

The application of these amendments had no impact on the Company's financial position or the results of its operations.

- **Amendments to IAS 24 *Related Party Disclosures***

These amendments apply retrospectively and clarify that the management entity (entity providing key management personnel services) is treated as a related party for the purpose of related party disclosures. Additionally, the entity which uses the services provided by the management entity is required to disclose the costs incurred in this respect.

The Company does not use any services provided by a management entity.

- **Amendments arising from Annual Improvements to IFRSs 2012-2014 Cycle, including:**

- **Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations***

Assets (or disposal groups) are usually disposed of by way of a sale or distribution to the owners. These amendments clarify that the change of one method to the other shall not be treated as a new disposal plan but as the continuation of the original plan.

The application of these amendments had no impact on the Company's financial position or the results of its operations.

- **Amendments to IAS 34 *Interim Financial Statements***

These amendments clarify that the requirements for interim disclosures can be fulfilled both by including appropriate disclosures in the interim financial statements and by including a cross-reference between the interim financial statements and another report (e.g. the directors' report). Other disclosures in the interim financial statements must be available to the users on the same terms and at the same time as the interim financial statements.

The application of these amendments had no impact on the Company's financial position or the results of its operations.

- **Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation***

These amendments clarify the rules contained in IAS 16 and IAS 38 which state that the revenue-based method of depreciation/ amortisation reflects the manner in which an enterprise obtains the economic benefits generated by an asset rather than the expected manner of consumption of the future economic benefits embodied in that asset. As a result, the revenue-based method cannot be applied to calculate depreciation of tangible fixed assets, and only in certain circumstances it may be correct to apply it to calculate amortisation of intangible assets. These amendments shall be applied prospectively.

The application of these amendments had no impact on the Company's financial position or the results of its operations.

- **Amendments to IAS 27 *Equity Method in Separate Financial Statements***

These amendments will enable enterprises to account for investments in subsidiaries, associates and joint ventures using the equity method in their separate financial statements. The enterprises which apply IFRSs and decide to change the method of accounting for investments to the equity method will apply this amendment retrospectively.

The Company applied the amendment retrospectively. Impact on the separate financial statements is presented in Note 10 and 27.

- **Amendments to IAS 1 *Disclosures***

These amendments clarify the existing requirements of IAS 1 regarding:

- materiality,
- aggregation and subtotals,
- sequence of notes,
- aggregation of information about the share of associates and joint ventures accounted for using the equity method in other comprehensive income – disclosure within the same line item.

Additionally, these amendments clarify the requirements which shall apply when additional subtotals are presented in the statement of financial position and statement of profit or loss and other comprehensive income.

The application of these amendments had no impact on the Company's financial position or the results of its operations.

In addition, the following new or amended standards and interpretations apply to annual periods beginning after 1 January 2015, but do not apply to the information presented and disclosed in the Company's financial statements:

- Amendments to IAS 16 and IAS 41 *Agriculture: Agricultural Produce*

This amendment applies to accounting for agricultural produce.

- Amendments to IFRS 11 *Acquisition of an Interest in a Joint Operation*

This amendment applies to accounting for an interest in a joint operation acquired by a partner in a joint operation.

- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

This amendment applies to accounting for employee or third party contributions in the accounting for defined benefit plans.

- and in *Amendments arising from Annual Improvements to IFRSs 2012-2014 Cycle*, including:

- Amendments to IFRS 7 *Financial Instruments: Disclosures*

I. Servicing contracts - this amendment clarifies that a servicing contract which includes a fee may represent a continuing involvement in the financial asset.

II. Application of amendments to IFRS 7 (issued in December 2011) to condensed interim financial statements.

- Amendments to IAS 19 *Employee Benefits*

- Amendments to IFRS 10, amendments to IFRS 12, amendments to IAS 28

- Investment entities: Applying the Consolidation Exception*

The Company has not decided to early apply any standard, interpretation or amendment that has been issued but is not yet effective in the light of EU regulations.

IFRS 15 *Revenue from Contracts with Customers*

This standard was issued on 28 May 2014 and will be applicable to annual periods beginning on or after 1 January 2018. The standard was endorsed by the European Union on 22 September 2016. IFRS 15 introduces a 5-step model for recognizing revenue from contracts with customers. According to this Standard, revenue is recognised at an amount reflecting the value of the consideration due to the enterprise for the transfer of goods or services to the customer. The new standard will replace all the current requirements for recognizing revenues under IFRS. With respect to annual periods beginning on or after 1

January 2018 the application of a full retrospective or modified retrospective approach is required. Early application of the standard is permitted.

Synthos S.A. plans to implement the new standard in accordance with its required effective date. As at the date of these separate financial statements, the Management Board of Synthos S.A. has not yet finalised to analyse the impact of the application of this standard.

IFRS 9 *Financial Instruments*

In July 2014 the IASB issued the final version of IFRS 9 *Financial Instruments*. This standard shall replace the current IAS 39 *Financial Instruments: Recognition and Measurement* and all the previous versions of IFRS 9. IFRS 9 combines all the three aspects of accounting for financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 shall apply to annual periods beginning on or after 1 January 2018, with the possibility of early application. This standard must be applied retrospectively except for hedge accounting; however, it is required to present comparable data. For hedge accounting, the application of the prospective approach is required with certain rare exceptions. Synthos S.A. plans to apply the new standard as of its effective date. IFRS 9 contains new requirements and guidance for classification and measurement of financial assets and modifies accounting for hedging transactions. Considering the nature of the transactions made by Synthos S.A. no serious changes are expected. IFRS 9 also includes a new impairment model based on the expected but not incurred credit losses. The Company's Management Board has not yet finalised to analyse the impact as at the date of the separate financial statements.

4. Presentation currency and functional currencies

The Company has two functional currencies due to having two basic economic environments in which business activities are conducted:

- in the Czech branch of the Company, the Czech crown is the functional currency;
- in the Head Office in Poland, the functional currency is the Polish zloty.

The Polish zloty is the presentation currency in which these separate financial statements are prepared. Assets and liabilities and revenue and costs measured in functional currencies other than the presentation currency have been translated into the presentation currency as follows:

- assets and liabilities were translated using the mid rate of the National Bank of Poland as of the balance sheet date;
- revenue and costs have been translated using the mid NBP rate as of the transaction date or the average rate for the period if there were no significant exchange rate fluctuations in a given period;
- foreign exchange differences on translation have been recognised in other comprehensive income.

Transactions expressed in foreign currencies are recorded in the functional currency on the transaction date using the mid NBP rate (in the Head Office), and in the Czech branch using the CNB (the Czech National Bank) rate as of the transaction date. The monetary items of assets and liabilities expressed in foreign currencies are translated as at the balance sheet date at the mid NBP rate for a given currency binding at that date. Foreign exchange gains and losses resulting from the settlement of transactions in foreign currencies and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary assets and liabilities valued at historical cost and denominated in foreign currencies are translated using the mid exchange rate for the functional currency prevailing at the date of the transaction.

The following PLN exchange rates have been adopted in the valuation of the separate statement of financial position items expressed in foreign currencies:

	30.12.2016	31.12.2015
EUR	4.4240	4.2615
USD	4.1793	3.9011
GBP	5.1445	5.7862

The following CZK exchange rates have been adopted in the valuation of the separate statement of financial position items of the foreign branch expressed in foreign currencies:

	30.12.2016	31.12.2015
EUR	27.020	27.025
USD	25.639	24.824
GBP	31.586	36.822

The following PLN exchange rates have been adopted in the valuation of the statement of comprehensive income items of the foreign branch expressed in foreign currencies:

	30.12.2016	31.12.2015
PLN	0.1617	0.1526

5. Property, plant and equipment

a) The Company's own property, plant and equipment

Property, plant and equipment items are stated at cost (cost of purchase or manufacture) less accumulated depreciation and impairment write-downs.

When a PPE item is composed of separate and significant components with different useful lives, these components are treated as separate assets.

b) Property, plant and equipment used under lease agreements

Finance lease agreements in which substantially all the risk and rewards of ownership are transferred to the Company are capitalised on the date of commencing a lease at the lower of: fair value of the leased asset and the present value of the minimum lease payments. Lease payments are divided between finance costs and repayment of principal instalments taking into account the fixed interest rate established for the outstanding liability. Finance costs are charged directly to profit or loss.

Assets used based on finance lease agreements are depreciated according to the principles adopted for own property, plant and equipment. If it is not reliably certain that on completion of a lease agreement the Company will obtain the ownership right, assets are depreciated for the shorter of: the lease term and the useful life.

Lease agreements according to which the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Lease payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

c) Subsequent expenditure

Subsequent replacements of components of a PPE item are capitalised when their cost can be reliably estimated and it is probable that the Company will obtain economic benefits related to the replaced PPE items. The remaining expenditure is charged to profit or loss as incurred.

d) Depreciation and amortisation

Property, plant and equipment items or their significant and separate components are depreciated under the straight line method over their useful lives, taking account of their residual value. The following useful lives have been adopted for the individual categories of property, plant and equipment:

• Plant and machinery	17 years
• Vehicles	5 years
• Computer hardware	4 years
• Buildings	40 years

Fixed assets under construction are not depreciated.

Upon purchase, items of property, plant and equipment are divided into components when their cost of purchase or manufacture is significant compared with the cost of purchase or manufacture of the entire asset, and they are depreciated over their own useful life.

The correctness of the useful lives, depreciation methods and residual values of PPE items (unless immaterial) are verified by the Company on an annual basis.

e) Capitalisation of borrowing costs

When the expenditure incurred on assets under construction (the preparation for the use of which requires significant time) was financed with borrowings, the Company capitalises the borrowing costs within the value of the PPE items.

f) Deferred income from government grants

Subsidies, including non-monetary subsidies, are recognised in the separate financial statements when there is sufficient certainty that the entity meets the conditions related to the subsidies and the subsidies are going to be received. Subsidies are recorded in the separate financial statements in a manner ensuring matching with the related costs which the subsidies are to offset.

If a subsidy relates to an asset, its fair value is recorded as deferred income and then gradually, through annual charges, it is carried to profit or loss over the estimated useful life of the related asset.

6. Intangible assets

Intangible assets comprise: licenses, trademarks, computer software, provided it has been purchased and not developed internally, and research expenditure.

Intangible assets are recorded when it is probable that the entity will obtain future economic benefits which can be attributed to a given asset and the cost can be reliably estimated. Intangible assets are stated at the cost of purchase or manufacture, less accumulated amortisation and impairment.

When the expenditure incurred on assets under construction (the preparation for the use of which requires significant time) was financed with borrowings, the Company capitalises the borrowing costs within the value of the intangible assets.

a) Research and development

Expenditure incurred at the research stage with the intention of gaining new scientific or technical knowledge is charged to profit or loss as incurred.

Expenditure incurred on development the results of which are applied in developing or creating a new or considerably improved product are capitalised when the production of the new product (or process) is technically viable and economically justified and the Company has technical, financial and other necessary resources to complete the development works. The capitalised costs include: the costs of materials, salaries of employees directly involved in the development works and a justified portion of indirect costs directly related to developing an intangible asset. Development costs are recorded as intangible assets and are subject to amortisation and impairment write-downs.

The remaining development costs are charged to profit or loss as incurred.

b) Subsequent expenditure

Subsequent expenditure on existing intangible assets is capitalised only when it meets the definition of an asset. The remaining expenditure is charged to profit or loss in the period in which it was incurred.

c) Amortisation

Intangible assets are amortised using the straight line method, taking account of their useful lives, unless not specified.

The estimated useful lives of intangible assets subject to amortisation are as follows:

• Licenses, computer software	2 years;
• R&D expenses	10 years;
• License relating to installations for the manufacture of new types of rubber	20 years.

7. Shares in subsidiaries

The Company classifies shares in subsidiaries and interest in joint ventures as investments accounted for using the equity method.

Subsidiaries are those entities over which the Company has control. Interests in a joint venture refers to joint ventures based on contractually-specified divisions of control over the economic activities of such entities, in respect of which strategic financial and operational decisions require the joint consent of the controlling parties (venture partners).

These investments are initially recognised at cost. The net value of Company's investments in the entity which is recognised in the statement of financial position also includes, as set on the date control was obtained, goodwill and identified items not recognised in the statement of financial position of the acquired entity measured at fair value.

The Company's share of post-acquisition profits or losses of entities accounted for using the equity method is recognised in its profit or loss, and its share of post-acquisition movements in accumulated other comprehensive income is recognised in the respective item of accumulated other comprehensive income. The cumulative post-acquisition movements in equity are adjusted against the carrying amount of the investment. When the Company's share of losses of entities accounted for using the equity method equals or exceeds its interest in the entity, the Company discontinues recognising its share of further losses, unless it has incurred obligations or made payments on behalf of the associate.

8. Short-term receivables

Short-term receivables are recognised initially at fair value and subsequently measured at amortised cost established using the effective interest rate, less impairment allowances.

Impairment allowances on receivables are recorded when there is objective evidence that the Company will be unable to recover its receivables in the full amount. If there is objective evidence of impairment of receivables carried at amortised cost, the impairment loss is determined as the difference between the carrying amount of the asset and the present value of future cash flows discounted based on the effective interest rate. Impairment allowances are recognised in profit or loss.

Impairment allowances on receivables, both recorded and released, are recognised in other operating expenses and income respectively.

9. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits. Cash and cash equivalents shown in the separate cash flow statement comprise the above-mentioned cash and cash equivalents.

Cash and cash equivalents are stated at the nominal value plus accrued interest.

Foreign exchange differences arising on the balance sheet date revaluation of cash and cash equivalents expressed in foreign currencies are credited or charged in the net amount to the statement of comprehensive income, to finance income or costs respectively.

10. Impairment of non-financial assets and shares in subsidiaries

The carrying amount of the Company's non-financial assets, excluding deferred tax assets to which other principles apply, is analysed at each balance sheet date to assess whether there are indications of impairment. When such indications do occur, the Company estimates the recoverable amount of the individual assets or cash-generating units. The recoverable amount estimates with reference to intangible assets which are not yet commissioned are also performed annually as at the date of preparing the separate financial statements.

Impairment allowances are recognised each time the carrying amount of an asset or a cash-generating unit to which the asset belongs exceeds its recoverable amount. Impairment allowances are recognised in profit or loss.

For the purpose of verifying the carrying amounts, assets are identified in the form of the smallest CGUs to which a given asset can be classified.

a) Calculation of the recoverable amount

The recoverable amount of an asset is defined as the higher of:

- their carrying amount and fair value less costs to sell; and
- value in use.

In the course of calculating value in use, the estimated future cash flows are discounted using the pre-tax interest rate which reflects the current market assessment of the time value of money and the risk factors characteristic of a given asset for which the cash flows had not been adjusted. In the case of assets which do not generate separate cash flows, value in use is determined for the smallest identifiable cash-generating unit to which a given asset belongs.

b) Reversal of impairment allowances of non-current assets

Impairment allowances are reversed only when there was a change in estimates adopted at the stage of calculating the recoverable amount since the time of recording the last impairment allowance.

Impairment allowances are reversed only up to the carrying amount of a given asset (less depreciation) that would have been shown had the impairment allowance not been recorded.

11. Equity

Equity is recorded in the books of account in accordance with equity components and the binding regulations and the Company's Articles of Association.

Share capital is shown at the nominal value of the issued shares in accordance with the Company's Articles of Association. Share issue costs incurred on the formation of a joint stock company or share capital increase reduce the entity's supplementary capital.

The amounts arising from profit distribution, undistributed profits/losses from previous years and net profit/loss for the year are presented in the separate financial statements as retained earnings.

12. Employee benefits

Employee benefits comprise all forms of benefits offered by the Company in return for work performed by the employees. These are both benefits paid in the course of employment and post-employment benefits. The Company records provisions for future liabilities in respect of retirement benefits in order to match costs to the periods to which they relate.

a) Defined contributions plan

When employing its employees the Company is obliged to collect and remit contributions for employee pension benefits, in line with the binding regulations. These benefits, in accordance with IAS 19, are a state plan and constitute a defined contributions plan. In view of the above, the Company's obligation for each period is estimated on the basis of the amount of contributions to be made for a given year.

b) Defined benefits plan – retirement and death benefits

Pursuant to the binding regulations, the Company is obliged to pay retirement and death bonuses in an amount that is consistent with the provisions of the Labour Code. Additionally, pursuant to the Collective Labour Agreement, retirement bonuses of the

Company's employees are increased to an amount which depends on the years of service of an employee worked in the course of employment at the Company. The minimum level of retirement bonuses arises from the provisions of the Labour Code binding as at the date of paying out the retirement bonus.

The Company's liability relating to retirement bonuses is calculated by estimating the amount of the employee's future salary in the period in which the employee will reach retirement age and by estimating the amount of the future retirement bonus. Retirement bonuses are discounted to the present value. The discount rate is arrived at based on the market rate of return on Treasury Bonds as at the balance sheet date. The liability in respect of retirement bonuses is recognised proportionately to the anticipated years of service of a given employee.

The calculation is performed by an authorised actuary using the projected unit credit method. Employee turnover is estimated on the basis of historical data and the anticipated level of employment in the future.

Actuarial gains/losses on valuation of defined posts-employment benefit plans are recorded in other comprehensive income.

c) Benefits in the form of compensation pensions

Pursuant to the provisions of the Civil Code, the Company is obliged to pay compensation in the form of compensation pensions to former employees in respect of on-the-job illness or accidents at work.

The liability is calculated by an authorised actuary.

The provision for compensation pensions is utilised at the moment of paying the benefits to former employees.

13. Provisions

Provisions are recorded when the following conditions have been met:

- the entity has a current legal or constructive obligation as a result of past events;
- it is likely than an outflow of resources will be required to settle the obligation; and
- the amount of the obligation can be reliably estimated.

The amount of the provision is the most appropriate estimate of expenditure necessary to discharge the obligation at the balance sheet date. Management estimates the amount of the provision based on professional judgement supported by experience of similar events, and where necessary – opinions of third party experts. When the effect of the time value of money is material, provisions are estimated by discounting the expected future cash flows based on the pre-tax rate which reflects the present market estimates of the changes in the time value of money and, where appropriate, the risk related to a given liability.

The balance of provisions is verified at each balance sheet date and adjusted to reflect the current and most appropriate estimate. The provision is utilised only in respect of those costs for which it was originally created.

14. Long-term and short-term liabilities

Short-term liabilities are all trade payables and all or a part of other liabilities which mature within 12 months from the balance sheet date.

If their maturity date exceeds one year from the balance sheet date, the balances of such liabilities are shown as long-term liabilities.

On initial recognition, trade payables, bank loans and borrowings and liabilities in respect of issued bonds are recorded at fair value, less the costs of obtaining a loan/borrowing or issuing bonds. In subsequent periods, the liabilities are valued at amortised cost taking into account the effective interest rate.

Financial guarantees

Financial guarantees are contracts which require the issuer to make a payment to a specified guarantee beneficiary to cover the losses resulting from the debtor's defaulting on a specific guaranteed obligation. Financial guarantees are initially recognised at fair value if their fair value can be reliably determined. After initial recognition the issued guarantees are measured at the higher of: the provision which would be required according to IAS 37 or the initial value of the guarantee net of amortisation."

15. Financial instruments

On initial recognition, financial instruments are included in one of the following categories:

- financial instruments measured at fair value through profit or loss;
- financial assets held to maturity;
- loans granted and receivables;
- available-for-sale financial assets;
- other financial liabilities (stated at amortised cost).

Purchase or sale of financial assets is recognised on the transaction date. Financial assets or liabilities are initially stated at fair value plus or less (in the case of a financial asset or liability not classified as measured at fair value through profit or loss) transaction costs, which can be directly attributed to the purchase or issuing of a financial asset or liability. The Company only has financial assets classified as "loans and receivables" and "available-for-sale financial assets".

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are recorded in the balance sheet as: trade and other receivables, originated loans and long- and short-term financial assets (bonds acquired).

Originated loans and receivables are initially stated at fair value plus transaction costs and subsequently at amortised cost using the effective interest rate.

b) Available-for-sale financial assets

Financial assets not classified to the above categories are included in available-for-sale financial assets. Available-for-sale financial assets are stated at fair value, in recognition of transaction costs and their market value at the balance sheet date. If there are no market quotations on an active market and there is no possibility of determining their fair values using alternative methods, available-for-sale financial assets are stated at purchase price, less impairment. Positive and negative differences between the fair value and the purchase price, less deferred income tax, of available-for-sale assets (if there is a market price determined on an active regulated market or whose fair value may be otherwise reliably

estimated), are recognised in other comprehensive income. The decrease in value of available-for-sale assets due to impairment is reflected in the income statement under other costs.

16. Sales revenue

a) Sales of services

Sales of services are recorded in proportion to the stage of completion of the transaction at the balance sheet date (i.e. revenue is recognised on a straight-line basis over the period of providing the service). Revenue is not recognised when there is significant uncertainty as to the possibility of obtaining future economic benefits, determining the amount of costs incurred and the level of completion.

b) Other income

Other operating income is indirectly related to the entity's operations. It comprises:

- income related to the sale of property, plant and equipment;
- other income not included in revenue from sales or finance income.

c) Finance income

The principles for recognizing financial income:

- interest at effective interest rate (including on loans and bonds constituting an element of the Group's liquidity management);
- foreign exchange gains on cash, originated loans, receivables and liabilities.

d) Dividend

Dividend income is recorded when shareholders acquire the rights to its receipt.

17. Expenses

a) Cost of sales

Cost of sales comprises all costs related to the Company's core operations, with the exception of administrative expenses, other costs and finance costs. The cost of manufacture of a product comprises costs directly related to a given service.

b) Administrative expenses

Administrative expenses include:

- general administrative expenses related to maintenance of specific Management Board sections.

c) Other costs

Other costs are indirectly related to the Company's operations, in particular:

- other costs not included in operating expenses, administrative expenses or finance costs.

d) Operating lease payments

Payments in respect of operating lease agreements concluded by the Company are charged to profit or loss on a straight-line basis over the period of the lease. Special

promotional offers received are recorded on a straight-line basis together with the lease costs.

e) Finance lease payments

Lease payments are divided into the portion constituting the cost of financing and the portion reducing the liability. The portion constituting the cost of financing is attributed to the individual periods over the duration of the lease agreement using the effective interest rate method.

f) Finance costs

Finance costs mainly include:

- interest on liabilities accrued and paid, determined based on the effective interest rate;
- foreign exchange losses on cash, originated loans, receivables and liabilities.

18. Income tax expense

Corporate income tax shown in profit or loss comprises the current and the deferred portion. Corporate income tax is recognised in profit or loss, with the exception of amounts related to items recognised in other comprehensive income or settled directly against equity. This tax is then also recorded in other comprehensive income or in equity.

The current portion of income tax constitutes a tax liability in respect of taxable income for a given year, determined using the tax rates binding as at the balance sheet date and the adjustment of tax relating to prior years.

Deferred tax is calculated using the liability method, based on the temporary differences between the value of assets and liabilities estimated for accounting purposes and their value estimated for tax purposes. The deferred tax asset and provision are not recorded for the following temporary differences: goodwill where its amortisation is not treated as a tax-deductible cost, initial recognition of assets or liabilities which do not affect either the accounting profit or the taxable income and do not arise in a business combination, differences related to investments in subsidiaries to the extent that their realisation in the foreseeable future is not probable. The recorded amount of deferred tax is based on the expectations as to the method of the realisation of the carrying value of assets and liabilities, using the tax rates binding or decreed as at the balance sheet date.

A deferred tax asset is only recorded when it is probable that future taxable income will be available against which a given deferred tax asset can be realised. A deferred tax asset is reduced if it can be concluded that it is not probable the tax benefits it represents can be realised.

19. Operating segment reporting

The Company does not present segment information in the separate financial statements. The Company avails itself of the exemption specified in IFRS 8.4.

Note 2. Sales revenue

	from 01.01.2016 to 31.12.2016	from 01.01.2015 to 31.12.2015
Sales of services	156	112
	156	112

Note 3. Costs by type

	from 01.01.2016 to 31.12.2016	from 01.01.2015 to 31.12.2015
a) amortisation and depreciation	17	11
b) materials and energy used	5	3
c) external services	42	34
d) taxes and fees	6	1
e) employee benefit expense (Note 5)	62	45
f) other costs by type	13	11
Total costs by type	145	105
Administrative expenses (negative amount)	(17)	(9)
Cost of sales of services	129	96
Cost of sales	129	96

Note 4. Other operating income (expenses)

	from 01.01.2016 to 31.12.2016	from 01.01.2015 to 31.12.2015
Grants	5	1
Total operating income	5	1
Contractual penalties received	(4)	(4)
Costs of discontinued development works*	(38)	-
Donations	-	(1)
Provision recognised	(7)	-
Share value write-downs	-	(5)
Other	(1)	(1)
Total operating expenses	(50)	(11)
Net other operating income/(expenses)	(45)	(10)

*The Company restated development works by PLN 38 million due to lower effectiveness of the projects than assumed at the beginning of their implementation. These projects were designed to develop alternative methods of acquiring raw materials. The main factor resulting in lower effectiveness of the restated projects is the relation of costs of obtaining raw materials using these methods in relation to current prices on the market.

Note 5. Employee benefit expense

	from 01.01.2016 to 31.12.2016	from 01.01.2015 to 31.12.2015
Wages and salaries	53	37
Social insurance	6	6
Trainings	1	1
Other employee benefits	2	1
Total employee benefit expense	62	45

Administrative expenses
 Cost of services sold

7	2
55	43
62	45

Note. 6 Finance income/costs

	from 01.01.2016 to 31.12.2016	from 01.01.2015 to 31.12.2015
Income from interest on bonds purchased	40	41
Income on deposits	5	6
Income from fee paid for the guarantee granted (Note 28)	3	3
Interest income on loans granted	25	38
Total finance income	73	88

	from 01.01.2016 to 31.12.2016	from 01.01.2015 to 31.12.2015
Interest on bonds	(86)	(80)
Commitment fee	(6)	-
Interest on amounts due to the state budget*	(15)	-
Net foreign exchange gains/losses	(19)	(24)
Total finance costs	(126)	(104)

* Interest on tax arrears as discussed in Note 7.

Note 7. Income tax

Corporate income tax recognised in the profit or loss

	from 01.01.2016 to 31.12.2016	from 01.01.2015 to 31.12.2015
Income tax		
Adjustment of income tax for the prior years*	62	-
Income tax for the current period	26	-
88		
Deferred tax		
Temporary differences recognised/reversed	(10)	(2)
Deferred tax asset on tax losses derecognised	2	-
(10)		
Corporate income tax recognised in the statement of comprehensive income	78	-

*In 2016 the Tax Inspection Office commenced inspections in the Company for the financial years 2010 – 2015. As a result of these inspections the Tax Inspection Office assessed an additional CIT liability for 2010 – 2014 of PLN 31 million, and additionally the Company recognised a provision for a potential additional tax liability for 2015 of PLN 31 million. The Company recognised these liabilities together with due interest in its separate financial statements as at 31 December 2016. These proceedings are currently at the stage of an appeal filed with the Tax Office of Appeal in Kraków and appeals filed with the Provincial Administrative Court in Kraków.

Effective tax rate

		from 01.01.2016 to 31.12.2016		from 01.01.2015 to 31.12.2015 restated
	%		%	
Profit before tax		334		426
Income tax at statutory income tax rate of Non-deductible expenses (permanent differences)	19%	64	19%	81
Non-taxable income (permanent differences) – measurement of shares with the equity method		3		-
Deferred tax asset on tax losses derecognised		(80)		(83)
Incomes of general partnerships		2		2
Adjustment of income tax from prior years		27		-
Income tax at the effective income tax rate of 38% (2015: 0%)	23%	78		-

As at 31 December 2016 the Company's CIT liabilities towards the tax office amounted to PLN 55 million (of which PLN 45 million arising from tax inspections). As at 31 December 2015 the Company had a CIT receivable of PLN 3 million, which represented the amount due from the tax office in respect of CIT payments made in advance.

In 2016 legal status transformations took place both in the subsidiaries and within the structure of the capital group, as a result of which Synthos S.A. is a taxpayer in respect of income earned from being a partner in Synthos Dwory 7 sp. z o.o. spółka jawna, Synthos Dwory 2 spółka z ograniczoną odpowiedzialnością SD4 spółka komandytowa (formerly: Synthos Dwory 5 Sp. z o.o.), Synthos Dwory 2 spółka z ograniczoną odpowiedzialnością SD5 spółka komandytowa (formerly: Synthos Dwory 8 Sp. z o.o.), Synthos Dwory 2 spółka z ograniczoną odpowiedzialnością SD5 spółka komandytowa (formerly: Synthos Dwory 8 Sp. z o.o.).

Note 8. Property, plant and equipment

	Buildings and structures	Plant and machinery	Vehicles	Other	Fixed assets under construction	Total
Gross amount as at 1 January 2016	32	16	8	30	15	101
Purchase	-	-	-	-	16	16
Reclassification	4	3	4	6	(17)	-
Disposal / Scrapping	-	-	(1)	-	-	(1)
Gross amount as at 31 December 2016	36	19	11	36	14	116
Gross amount as at 1 January 2015	13	10	6	14	27	70
Purchase	-	-	-	-	31	31
Reclassification	19	6	2	16	(43)	-
Gross amount as at 31 December 2015	32	16	8	30	15	101

Synthos S.A.
 Separate financial statements for the 12 months ended 31 December 2016
 (In PLN millions unless stated otherwise)

	Buildings and structures	Plant and machinery	Vehicles	Other	Fixed assets under construction	Total
Depreciation and impairment						
Accumulated depreciation and impairment as at 1 January 2016	1	9	4	8	-	22
Depreciation charge for the period	2	3	2	5	-	12
Disposal / Scrapping	-	-	(1)	-	-	(1)
Accumulated depreciation and impairment as at 31 December 2016	3	12	5	13	-	33
Accumulated depreciation and impairment as at 1 January 2015	-	7	4	5	-	16
Depreciation charge for the period	1	2	-	3	-	6
Accumulated depreciation and impairment as at 31 December 2015	1	9	4	8	-	22
Net amount						
As at 1 January 2016	31	7	4	22	15	79
As at 31 December 2016	33	7	6	23	14	83
As at 1 January 2015	13	3	2	9	27	54
As at 31 December 2015	31	7	4	22	15	79

Depreciation of property, plant and equipment is presented in the statement of comprehensive income under cost of sales in the amount of PLN 12 million.

Collateral

As at 31 December 2016 no Company liabilities were secured with property, plant and equipment.

On 23 November 2012 the Company concluded an agreement with the Ministry of the Economy for additional funding for the New Technologies Research and Development Centre (Centrum Badawczo-Rozwojowe Nowych Technologii) which was established in Oświęcim. On 10 September 2015 an annex to the Agreement was concluded whereby the term of the Agreement was extended to 30 November 2015. The Agreement was settled at the end of the year, and the eligible costs of the investment exceeded PLN 60 million. The Company will receive 50% i.e. over PLN 30 million support from the Innovative Economy Operational Programme.

The project covered the construction of laboratories for synthesizing (laboratory and semi-technical scale), analytical testing and application research. Almost 73% of the project costs were earmarked for purchasing state-of-the-art research equipment. The investment was commissioned in 2015.

The project enabled creating a Research and Development Centre equipped in state-of-the-art apparatus, the main purpose of which is to develop and implement for production new and innovative products, including mainly new types of synthetic rubber. They will allow tyre manufacturers to develop products with lower rolling resistance and increased road grip, which will translate into a significantly lower use of fuel and improved driving safety.

As part of this Project the Company will also develop a new, innovative technology of manufacturing the main raw material for synthesizing the above-mentioned synthetic rubber, i.e. the butadiene. This technology, unlike those currently used, will be based on renewable raw materials, which will enable the Company to become independent of the traditional sources of supply. The implementation of this project resulted in the creation of 25 new jobs in the Research and Development department, which is one of the key covenants for the implementation of the project. In addition, the Company is obliged to maintain these jobs for a period of at least 5 years after the final settlement of the project.

The Company did not incur any expenditure for this purpose in 2016 (2015: PLN 36 million). In 2016 the Company recognised PLN 3 million under other operating income (2015: PLN 1 million) in respect of accounting for grants proportionally to the depreciation of the fixed assets financed in part by this grant. In 2016 the Company did not receive any cash from grants (in 2015 it received PLN 19 million). The total balance of outstanding grants received by the Company is PLN 27 million (2015: PLN 30 million) and it is presented in the statement of financial position under the line item of deferred income from government grants.

Note 9. Intangible assets

	Computer software and licenses	Costs of uncompleted development projects	Total
Gross amount as at 1 January 2016	76	43	119
Purchase	2	-	2
Impairment	-	(38)	(38)
Gross amount as at 1 January 2016	78	5	83
Gross amount as at 1 January 2015	67	41	108
Purchase	9	2	11
Gross amount as at 31 December 2015	76	43	119
Accumulated amortisation as at 1 January 2016	25	-	25
Amortisation charge for the period	5	-	5
Accumulated amortisation as at 31 December 2016	30	-	30
Accumulated amortisation as at 1 January 2015	20	-	20
Amortisation charge for the period	5	-	5
Accumulated amortisation as at 31 December 2015	25	-	25
Net amount			
As at 1 January 2016	51	43	94
As at 31 December 2016	48	5	53
As at 1 January 2015	47	41	88
As at 31 December 2015	51	43	94

As at the balance sheet date intangible assets comprise mainly:

- licences for the manufacture of polybutadiene rubber of PLN 36 million
- costs of development projects of PLN 5 million which are related to work on developing new products and commercializing the processes for acquiring key raw materials for production from alternative sources, which in the future will translate into lower costs of key production materials for the Group.

Costs of amortisation of intangible assets are presented under the cost of sales in the statement of comprehensive income.

The Company performed an impairment test of the costs of uncompleted development works. As at 31 December 2016, the Company restated development works by PLN 38 million. The main factor resulting in lower effectiveness of the restated projects is the currently low prices of raw materials on the market. The net amount of uncompleted development works at the balance sheet date is PLN 5 million.

Note 10. Shares in subsidiaries

In accordance with IAS 27 *Separate Financial Statements*, the Company applied the equity method to account for investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. In 2016 the Company changed the method of measurement of investments in subsidiaries from measurement at cost to the equity method.

31 December 2016

Entity's name and legal form	Interest in share capital	1 January 2016	Purchase of shares and increase in equity	Other	Participation in net income	Dividend payments	Other comprehensive income	Foreign exchange differences on translation of foreign operations	End of the period
Synthos PBR s.r.o	100%	471	-	-	130	-	-	20	621
Synthos Kralupy a.s.	100%	455	-	1 039	132	(160)	-	19	1 485
Synthos Dwory 7 sp. z o.o. spółka jawna	100%	-	282	-	122	-	-	-	404
Red Chilli Ltd.	100%	1 039	-	(1 039)	-	-	-	-	-
Synthos Styrenics Dwory 2 sp. z o.o. spółka komandytowa	100%	-	121	-	-	-	-	-	121
Synthos Holding Netherlands B.V.	100%	-	240	-	37	-	(23)	7	261
Synthos Dwory 2 sp. z o.o.	100%	-	-	-	1	-	-	-	1
Photo Hitech Sp. z o.o.	44%	-	1	-	-	-	-	-	1
		1 965	644	-	422	(160)	(23)	46	2 894

Synthos S.A.
 Separate financial statements for the 12 months ended 31 December 2016
 (In PLN millions unless stated otherwise)

**31 December 2015
 restated**

Entity's name and legal form	Interest in share capital	1 January 2015	Purchase of shares and increase in equity	Other	Participation in net income	Dividend payments	Other comprehensive income	Foreign exchange differences on translation of foreign operations	End of the period
Synthos PBR s.r.o	100%	284	127	-	51	-	-	9	471
Synthos Kralupy a.s.	100%	357	-	-	86	-	-	12	455
Red Chilli Ltd.	100%	1 138	-	-	308	(360)	(47)	-	1 039
Oristano Investment sp. z o.o. w likwidacji	100%	40	(40)	-	-	-	-	-	-
Zaklad Doświadczalny sp. z o.o.	100%	8	(8)	-	-	-	-	-	-
Synthos do Brasil	100%	4	-	(4)	-	-	-	-	-
		1 831	79	(4)	445	(360)	(47)	21	1 965

The introduction and the additional notes and explanations constitute an integral part of the separate financial statements

During the reporting period the Company acquired the following enterprises:

- 100% of shares in Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka jawna in Oświęcim from the Green Pepper SCSp subsidiary (the total value of the transaction was PLN 282 million),
- 99.99% of shares in Synthos Styrenics Synthos Dwory 2 spółka komandytowa from the Green Pepper SCSp subsidiary (the total value of the transaction was of PLN 121 million),
- 100% of shares in Synthos Holding Netherlands B.V. based in Breda (the total value of the transaction was PLN 240 million),
- 44% of shares in Photo Hitech spółka z ograniczoną odpowiedzialnością in Kraków from Fundacja Uniwersytetu im. Adama Mickiewicza w Poznaniu (the total value of the transaction was PLN 1 million).
- The Company increased the share capital in its subsidiary Synthos Kralupy a.s. in Kralupy by contributing the shares of the subsidiary Red Chilli Ltd. in Nicosia.

On 16 March 2016 the Company's subsidiary Oristano Investment Sp. z o.o. w Oświęcimiu w likwidacji [in liquidation] was deleted from the National Court Register.

Note 11. Loans granted

Long-term loans

	31.12.2016	31.12.2015
Receivables in respect of loans granted to related parties	27	521
Total	27	521

Repayment schedule as at 31 December 2016

	Effective interest rate	Total	<1 year	From 1 to 5 years
Synthos Agro sp. zo.o.	Fixed interest rate	27	-	27
Total		27	-	27

Repayment schedule as at 31 December 2015

	Effective interest rate	Total	<1 year	From 1 to 5 years
Synthos Kralupy a.s.	Fixed interest rate	371	-	371
Red Chilli LTD.	Fixed interest rate	126	-	126
Synthos Agro sp. z o.o.	Fixed interest rate	20	-	20
Zakład Doświadczalny Organika	Fixed interest rate	4	-	4
Total		521	-	521

In 2016 the Company received early repayments of loans amounting to PLN 534 million from Synthos Kralupy a.s., Red Chilli Ltd, Synthos Agro sp. z o.o. and Zakład Doświadczalny Organika.

In 2016 the Company granted a loan of PLN 22 million to Synthos Agro sp. z o.o..

Note 12. Financial assets

Non-current financial assets

	31.12.2016	31.12.2015
Nominal value of bonds issued by Synthos Kralupy a.s.	-	574
Total	-	574

Short-term financial assets

	31.12.2016	31.12.2015
Accrued interest on bonds	-	28
Total	-	28

In the first half of 2014, the Company acquired bonds issued by its subsidiary Synthos Kralupy s.a. amounting to PLN 574 million. Eighty-two bonds were acquired. The price of one bond is equal to the bond's nominal value and amounts to PLN 7 million. The bonds are intended to optimise liquidity management within the Group. The redemption date of the bonds is 28 April 2019.

On 20 December 2016 these bonds were early redeemed by the Company's subsidiary Synthos Kralupy a.s. through the payment of the nominal value of 82 bonds together with the interest due at the redemption date.

Note 13. Deferred tax

Deferred tax assets and deferred tax liabilities have been recognised in respect of the following assets and liabilities:

	Assets		Liabilities		Net amount	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Property, plant and equipment	-	-	2	2	2	2
Trade and other receivables	-	-	4	11	4	11
Provisions	(2)	-	-	-	(2)	-
Bond and loan liabilities	(27)	(14)	-	-	(27)	(14)
Tax losses deductible in future years	-	(10)	-	-	-	(10)
Deferred tax assets / liabilities	(29)	(24)	6	13	(23)	(11)
Offsetting	6	13	(6)	(13)	-	-
Deferred tax assets / liabilities in the statement of financial position	(23)	(11)	-	-	(23)	(11)
Deferred tax assets/liabilities to be recovered within 12 months	(6)	(2)	4	-	(2)	(2)
Deferred tax assets/liabilities to be recovered within more than 12 months	(23)	(22)	2	13	(21)	(9)

Deferred tax assets and deferred tax liabilities

Change in temporary differences during the period

	As at 01.01.2016	Change in deferred tax on temporary differences recognised in			As at 31.12.2016
		Statement of comprehensive income	Other comprehensive income	As at 31.12.2016	
Property, plant and equipment	2	-	-	2	
Receivables	11	(7)	-	4	
Provisions	-	(2)	-	(2)	
Bond and loan liabilities	(14)	(13)	-	(27)	
Tax loss deductible in future years	(10)	10	-	-	
	(11)	(12)	-	(23)	

	As at 01.01.2015	Change in deferred tax on temporary differences recognised in			As at 31.12.2015
		Statement of comprehensive income	Other comprehensive income	As at 31.12.2015	
Property, plant and equipment	2	-	-	2	
Receivables	13	(2)	-	11	
Bond and loan liabilities	(13)	(1)	-	(14)	
Tax loss deductible in future years	(13)	3	-	(10)	
	(11)	-	-	(11)	

Note 14. Trade and other receivables

	31.12.2016	31.12.2015
Trade receivables from related parties	28	22
Other receivables	1	3
Prepayments	1	1
Total	30	26

As at 31 December 2016 and 31 December 2015, there were no doubtful debt allowances. As at 31 December 2016 and 31 December 2015, no receivables were pledged as collateral for the Company's liabilities.

The trade credit in the normal course of sales is 14 days.

Note 15. Cash and cash equivalents

	31.12.2016	31.12.2015
Cash at bank	423	139
Short-term deposits (up to 3 months)	16	383
Cash and cash equivalents, as shown in the statement of financial position	439	522
Cash and cash equivalents, as shown in the statement of cash flows	423	522

As at 31 December 2016 and 31 December 2015 the Company had no restricted cash and cash equivalents.

Note 16. Equity

	31.12.2016	31.12.2015
Number of shares at the beginning of the period	1 323 250 000	1 323 250 000
Number of shares at the end of the period	1 323 250 000	1 323 250 000
Nominal value of one share (in PLN)	0.03	0.03

Holders of ordinary shares are authorised to receive the dividend passed by a resolution and are entitled to one vote per share at the Company's General Shareholders' Meeting. All shares give equal entitlement to the Company's assets should they be divided.

Retained earnings

	31.12.2016	31.12.2015 restated
Reserve capital	13	766
Reserve capital allocated to dividend*	393	-
Undistributed profit from previous periods	1 106	1 021
Net (loss) for the current period	256	426
Retained earnings	1 768	2 213

*set up according to the Extraordinary General Meeting resolution of 19 September 2016 for payment of the dividend or interim dividend

As at 31 December 2016 the Company paid an interim dividend of PLN 701 million.

As at 31 December 2016 the following shareholders had more than 5% of the total number of voting rights:

1. Mr Michał Sołowow holds indirectly – through subsidiaries – 826,559,009 shares in Synthos S.A., which accounts for 62.46% of the share capital and represents 826,559,009 votes at the General Shareholders' Meeting, constituting 62.46% of the total number of votes at the General Shareholders' Meeting of Synthos S.A. Shares held indirectly as at the date of the issuance of these financial statements through:
 - FTF Galleon S.A. with its registered office in Warsaw. The Company holds 682,918,112 shares in SYNTHOS S.A., which accounts for 51.61% of the share capital and the total number of votes at the General Shareholders' Meeting of SYNTHOS S.A.;
 - Ustra S.A. with its registered office in Kielce. The Company holds 143,640,897 shares in Synthos S.A., which accounts for 10.85% of the share capital and total number of votes at the General Shareholders' Meeting of SYNTHOS S.A.

2. Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK with its registered office in Warsaw holds 66,803,137 shares of Synthos S.A., which accounts for 5.05 % of the share capital and the total number of votes at the General Shareholders' Meeting of SYNTHOS S.A.

The Issuer communicated the changes in the ownership of significant blocks of shares during the reporting period i.e. the period from 1 January 2016 to 31 December 2016 in the current report No. 40/2016 and 40/2016 – corrected report. These changes have been taken into account in the listing presented above.

There were no changes to the shareholding structure of significant blocks of the Issuer's shares after the reporting period – from 31 December 2016 to the date of submission of this report.

The ultimate parent is FTF Galleon S.A. with its registered office in Warsaw.

Consolidated financial statements at the ultimate level will be prepared by FTF Galleon S.A.

Dividend paid per share

	2016	2015
Dividend paid per share	0.53	0.25

In 2016 the Company paid an interim dividend of PLN 701 million from the 2016 profit. The interim dividend was paid out of the reserve capital set up for the payment of the dividend or interim dividend.

In 2015 the Ordinary Shareholders' Meeting resolved to pay a dividend of PLN 331 million. This dividend was paid on 17 July 2015.

Note. 17 Earnings per share

Basic earnings per share

The calculation of basic earnings per share was based on the net profit/(loss) of the Company's shareholders and the weighted average number of shares as at the date of preparation of the financial statements. These values have been determined in the following manner:

	from 01.01.2016 to 31.12.2016	from 01.01.2015 to 31.12.2015 restated
Net profit for the period	256	426
Number of shares as at 1 January	1 323 250 000	1 323 250 000
Weighted average number of shares at 31 December	1 323 250 000	1 323 250 000
Earnings per share		
Basic (in PLN)	0.19	0.32
Diluted (in PLN)	0.19	0.32

Diluted earnings per share

There are no factors causing dilution of earnings per share.

Note 18. Liabilities in respect of loans, borrowings and other debt instruments

This note presents information on the Company's liabilities in respect of loans, borrowings and other debt instruments.

	31.12.2016	31.12.2015
Non-current liabilities		
Liabilities in respect of bonds	1 531	1 471
	1 531	1 471
Current liabilities		
Liabilities in respect of interest on bonds	18	18
	18	18

Repayment schedule of loans, borrowings and bonds

As at 31 December 2016

	Total	up to 1 year	1 to 5 years
<i>interest</i>			
Fixed interest rate	1 549	18	1 531
	1 549	18	1 531

Repayment schedule of loans, borrowings and bonds

As at 31 December 2015

	Total	up to 1 year	1 to 5 years
<i>interest</i>			
Fixed interest rate	1 489	18	1 471
	1 489	18	1 471

In 2016 the Company issued bonds for a total amount of PLN 814,000,000. The Company issued 814 unsecured registered bonds with numbers from 01 to 814. The price of one bond is equal to its nominal value and amounts to PLN 1,000,000.

In 2016 the Company early redeemed 814 bonds. The bonds were redeemed prior to the redemption date arising from the agreement of 13 December 2016 signed by the Company with the purchaser of bonds, FORUM 62 FIZ, through the payment of the nominal value of each bond and the interest due.

In 2014 the Company issued bonds for a total of EUR 350,000,000 (the equivalent of PLN 1,491,805,000). Five hundred (500) unsecured registered bonds were issued with numbers from 01 to 3,500. The issue price of one bond is equal to EUR 98,286 and its nominal value is EUR 100,000.

The bonds will be redeemed in cash, in amounts equal to the nominal value of the bonds, on 30 September 2021.

Note 19. Fair value of financial instruments

Presented below are the details of the fair value of financial instruments for which fair value can be estimated:

- Financial instruments measured at fair value as at 31 December 2016

	Level 1	Level 2	Level 3
Assets available for sale	6	-	-
• Financial instruments measured at fair value as at 31 December 2015			
	Level 1	Level 2	Level 3
Assets available for sale	6	-	-

Level 1

Shares of listed companies. Fair value was determined based on stock exchange prices.

Level 2

None.

Level 3

None.

The value of other financial assets and liabilities approximates fair value.

Note 20. Deferred income

This item includes advance payments received in respect of future dividends from general partnerships.

Note 21. Trade and other payables

	31.12.2016	31.12.2015
Trade payables to related parties	4	5
Trade payables to other entities	5	-
Taxation and [social] insurance payables, excluding income tax	2	1
Payables from interest on amounts due to the state budget	6	-
Wages and salaries payable	1	2
Accruals	9	7
Special funds	1	-
Capital commitments	3	2
Total	31	17

Note 22. Reasons for the differences between the changes in certain items in the statement of financial position and the corresponding changes in the cash flow statement

	from 01.01.2016 to 31.12.2016	from 01.01.2015 to 31.12.2015
Receivables:		
Change in trade and other receivables in the statement of financial position	(4)	49
Foreign exchange differences on translation of the foreign branch	-	-
Change in receivables as presented in the cash flow statement	(4)	49
Liabilities:		
Change in trade payables, other payables and government grants in the statement of financial position	12	(17)
Change in capital commitments	(1)	8
Increase/decrease in liabilities as presented in the cash flow statement	11	(9)

Note 23. Auditor's fees

Auditor's fees for the audit of the annual separate financial statements and consolidated financial statements for the year 2016 and the review of condensed financial statements of the Company and of the Synthos Group are disclosed in section 4.10 of the Directors' Report on the activities of the Group.

Note 24. Financial instruments

a) Classification of financial instruments

	31 December 2016		
	Long-term	Short-term	Total
Available-for-sale financial assets	6	-	6
Loans granted	27	-	27
Trade and other receivables	-	30	30
Cash and cash equivalents	-	439	439
Trade payables	-	(21)	(21)
Liabilities in respect of bonds	(1 531)	(18)	(1 549)
	(1 498)	430	(1 068)

	31 December 2015		
	Long-term	Short-term	Total
Available-for-sale financial assets	6	-	6
Loans granted	521	-	521
Non-current financial assets	574	28	602
Trade and other receivables	-	26	26
Cash and cash equivalents	-	522	522
Trade payables	-	(14)	(14)
Liabilities in respect of bonds	(1 471)	(18)	(1 489)
	(370)	544	174

b) Effective interest rates and maturities

The tables below show interest rates on assets and liabilities on which interest is accrued and their maturities.

31 December 2016

Description	Effective interest rate*	Total	<1 year	1-5 years
Loans granted	Fixed interest rate	27	-	27
Cash and cash equivalents**	PRIBOR +/- margin	1	1	-
Cash and cash equivalents**	EURIBOR +/- margin	435	435	-
Cash and cash equivalents**	WIBOR +/- margin	3	3	-
Liabilities in respect of bonds	Fixed interest rate	(1 549)	(18)	(1 531)

*the same as the nominal rate
** does not include cash in hand

31 December 2015

Description	Effective interest rate*	Total	<1 year	1-5 years
Financial assets – bonds	Fixed interest rate	602	28	574
Loans granted	Fixed interest rate	521	-	521
Cash and cash equivalents**	PRIBOR +/- margin	10	10	-
Cash and cash equivalents**	EURIBOR +/- margin	127	127	-
Cash and cash equivalents**	WIBOR +/- margin	385	385	-
Liabilities in respect of bonds	Fixed interest rate	(1 489)	(18)	(1 471)

*the same as the nominal rate
** does not include cash in hand

c) Financial risk management

Credit risk, liquidity risk and market risk arise in the Company's normal course of business. The purpose of the Company's financial risk management is to minimise the impact of factors which have an impact on the above risks.

Credit risk

Credit risk is the risk of the Company incurring financial losses as a result of contractual default on the part of a customer or counterparty who is party to a financial instrument. Credit risk is mainly related to the Company's receivables from subsidiaries in respect of loans granted and bonds purchased. As at the end of the year there were no overdue payments in respect of those instruments.

The table below shows the Company's maximum exposure to credit risk (reflecting the carrying amounts of those items):

	31 December 2016	31 December 2015
Bonds	-	602
Originated loans, other financial assets and receivables	27	521
Cash and cash equivalents	439	522
	466	1 645

Trade receivables

	31 December 2016	31 December 2015
Receivables in respect of services provided (Note 14)	30	26
	30	26

The Company's credit risk relates mainly to receivables from related parties, bonds and loans.

In the opinion of the Management Board, credit risk in respect of those receivables, bonds and loans is insignificant.

Receivables, loans and bonds relate exclusively to related parties and the fact that they have not been paid is related to liquidity management and optimisation within the Group.

Impairment

The table below shows the ageing structure of trade receivables:

	31 December 2016	31 December 2016	31 December 2015	31 December 2015
	Gross amount	Impairment	Gross amount	Impairment
Not overdue	17	-	8	-
Overdue	11	-	14	-
1-30 days	7	-	5	-
31-90 days	1	-	1	-
91-180 days	-	-	3	-
More than 181 days	3	-	5	-
	28	-	22	-

Cash in hand and at bank

Cash and cash equivalents are deposited in highly reliable financial institutions.

Liquidity risk

The liquidity risk is the risk that the Company will be unable to discharge its financial liabilities as they become due and payable. The activities taken to mitigate this risk include

proper management of financial liquidity through accurate assessment of the level of cash held based on cash flow plans prepared for various time horizons. The Company and its subsidiaries entered into a revolving loan agreement for the total amount of EUR 220 million. This loan has not been utilised as at 31 December 2016.

As at 31 December 2016 and 2015, current assets exceeded current liabilities by PLN 341 million (31 December 2015: PLN - 544 million). Therefore, the Management Board believes that there is no liquidity risk.

31 December 2016

	Present (carrying) amount	Contractual undiscounted cash flows	up to 1 year	1-5 years	over 5 years
Financial liabilities excluding derivatives					
Liabilities in respect of loans, borrowings and other debt instruments 1) Guarantees granted 2)	(1 549)	(1 913)	(73)	(1 840)	-
Trade payables	-	(2 654)	-	(2 654)	-
	(21)	(21)	(21)	-	-
	(1 570)	(4 588)	(94)	(4 494)	-

1) Comprises of the par value and interest to the maturity date

2) The amount equals to 150% of the bond value

31 December 2015

	Present (carrying) amount	Contractual undiscounted cash flows	up to 1 year	1-5 years	over 5 years
Financial liabilities excluding derivatives					
Liabilities in respect of loans, borrowings and other debt instruments	(1 489)	(1 912)	(70)	(280)	(1 562)
Guarantees granted	-	(2 558)	-	-	(2 558)
Trade payables	(14)	(14)	(14)	-	-
	(1 503)	(4 484)	(84)	(280)	(4 120)

Market risk

Interest rate risk

Assets and liabilities bearing a fixed interest rate (Note 24b) expose the Company to a risk of change in fair value in the event of changes in interest rates; however, such changes have no bearing on the profit or loss as the assets and liabilities are measured at amortised cost.

Assets which earn a fluctuating rate (Note 24b) expose the Company to a change in cash flows as a result of a change in interest rates.

The Company does not hedge against interest rate risk.

The table below shows the Company's susceptibility (maximum exposure) to interest rate risk.

	Present value 31 December 2016	Present value 31 December 2015
Variable interest rate instruments		
Cash and cash equivalents	439	522

Actions relating to mitigating the interest rate risk cover on-going monitoring of the conditions on the money market.

The Company analysed sensitivity of its financial instruments with variable interest rates to changes in market interest rates. The table below presents the effect of an increase and a decrease in the interest rate by 100 bp on the Company's profit or loss and its equity. The analysis was performed assuming that all other variables such as e.g. foreign exchange rates are held constant. The analysis was performed for the periods ended 31 December 2016 and 31 December 2015.

	Profit/loss		Equity	
	Increases 100bp	Decreases 100bp	Increases 100bp	Decreases 100bp
WIBOR				
31 December 2016	-	-	-	-
31 December 2015	4	(4)	4	(4)
EURIBOR				
31 December 2016	4	(4)	4	(4)
31 December 2015	1	(1)	1	(1)

Foreign exchange risk

The Company is exposed to foreign exchange risk in respect of liabilities relating to bonds issued, denominated in EUR, and receivables in respect of loans granted in EUR. Currently the Company does not hedge against this risk; however, in the longer perspective, it is not excluded concluding currency contracts which will mitigate the risk. At the same time, it should be emphasised that part of the Company's revenue is earned in CZK. Revenue in CZK is generated by the Company's branch operating in the Czech republic, for which CZK is the functional currency; therefore, there is no foreign exchange risk in respect of the Branch's settlements denominated in CZK.

The table below shows the Company's susceptibility (maximum exposure) to changes in foreign exchange rates by presenting financial instruments by the currency in which they are denominated (data in PLN thousands):

31 December 2016	EUR	USD	CZK	PLN
Trade and other receivables	4	-	14	10
Cash and cash equivalents	435	-	1	3
Loans granted	-	-	-	27
Bonds issued	(1 549)	-	-	-
Balance-sheet exposure to foreign exchange risk	(1 110)	0	Not applicable	

31 December 2015

	EUR	USD	CZK	PLN
Trade and other receivables	-	-	4	18
Cash and cash equivalents	127	-	10	385
Loans granted	497	-	-	24
Financial assets – bonds				602
Liabilities			(2)	(12)
Bonds issued		-		
Balance-sheet exposure to foreign exchange risk	(1 489)			
	(865)	0	Not applicable	

The Company conducted a sensitivity analysis of financial instruments denominated in foreign currencies to changes in foreign exchange rates. The table below shows the impact which a 10% strengthening or weakening of the Polish zloty in respect of all the currencies would have on the profit or loss and on equity. The analysis was conducted on the assumption that all other variables, such as interest rates, are held constant.

	Profit/loss		Equity	
	10% increase in foreign exchange rates	10% decrease in foreign exchange rates	10% increase in foreign exchange rates	10% decrease in foreign exchange rates
31 December 2016	(111)	111	(111)	111
31 December 2015	(87)	87	(87)	87

d) Fair value of financial instruments

Detailed information on the fair value of financial instruments for which fair value can be estimated is shown below:

- Cash and cash equivalents, short-term bank deposits. The carrying amounts of the above-mentioned instruments is similar to their fair values due to the short maturities of the instruments;
- Trade and other receivables, trade payables. The carrying amounts of the above-mentioned instruments is similar to their fair values due to their short-term nature;
- Available-for-sale financial assets stated at fair value. The carrying amounts of the above-mentioned instruments are their fair values, being their quotation on the stock exchange market (level 1 in the hierarchy of fair value measurement).
- The carrying amount of the bond liability to the Synthos Finance subsidiary adjusted for transaction costs is PLN 1,549 million. The fair value of issued bonds as at 31 December 2016 was PLN 1,566 million.
- Loan receivables. The carrying amount of receivables from loans granted to related parties was PLN 27 million. The fair value of these receivables at the balance sheet date was PLN 27 million.

e) Capital management

The Company's basic assumption in respect of capital management is to maintain a strong capital base which will ensure the Company's reliability vis-à-vis the investors, lenders and the market, and will ensure future development of the Company and the Group. The

Company monitors shareholding changes, return on equity, liquidity ratios and debt to equity ratios.

The Company's objective is to achieve a return on equity at a level satisfactory to the shareholders.

	For the period from 01.01.2016 to 31.12.2016	For the period from 01.01.2015 to 31.12.2015 restated	Change
Return on equity*	13.69%	18.58%	-4.89
Current ratio**	3.69	16.54	-12.88
Debt to equity***	90%	67%	23%

* net profit to equity as at the balance sheet date

** current assets to current liabilities as at the balance sheet date

*** total liabilities to equity as at the balance sheet date

As at 31 December 2016, return on equity was negative and amounted to a high level 13.69%. At the end of the reporting period the current ratio amounted to 3.69, which is higher than the levels commonly considered to be safe. During the reporting period there were no changes to the Company's capital management policy.

Note 25. Operating leases

Operating lease agreements in which the Company is the lessee.

Future minimum payments in respect of irrevocable operating lease agreements are as follows:

	31 December 2016	31 December 2015
up to 1 year	4	4
2 to 5 years	15	14
over 5 years	4	7
	23	25

Note 26. Capital commitments

As at 31 December 2016 the Company incurred capital commitments of PLN 16 million. As at 31 December 2015, the Company's capital commitments amounted to PLN 11 million.

Note 27. Change in comparative data related to accounting for investments in subsidiaries, jointly controlled entities and associates as a result of applying IAS 27

The Company restated its comparative data as at 31 December 2015 in order to comply with the requirements of IAS 27 "Separate Financial Statements".

Restated Separate Statement of Comprehensive Income for the 12 months ended 31 December 2015

	from 01.01.2015 to 31.12.2015 Published	Adjustment	from 01.01.2015 to 31.12.2015 Restated
Sales revenue	112	-	112
Cost of sales	(96)	-	(96)
Gross profit on sales	16	-	16
Administrative expenses	(9)	-	(9)
Dividends	360	(360)	-
Other operating (expenses)/income	(10)	-	(10)
Share of profits of entities: accounted for using the equity method	-	445	445
Operating profit/(loss)	357	85	442
Finance income	88	-	88
Finance costs	(104)	-	(104)
Profit/(Loss) before tax	341	85	426
Income tax	-	-	-
Net profit/(loss)	341	85	426
Other comprehensive income that may be reclassified to profit or loss at a later date			
Foreign exchange differences on translation of a foreign branch	2	21	23
Measurement of available-for-sale financial assets	(1)	(47)	(48)
Other comprehensive income (net)	1	(26)	(25)
Total comprehensive income	342	59	401
Earnings per share:			
Basic (in PLN)	0.26	0.06	0.32
Diluted (in PLN)	0.26	0.06	0.32

Restated Statement of Financial Position as at 31 December 2014

	31.12.2014 Published	Adjustment	31.12.2014 Restated
Assets			
Non-current assets			
Property, plant and equipment	54	-	54
Intangible assets	88	-	88
Shares in subsidiaries	740	1 091	1 831
Non-current financial assets	574	-	574
Available-for-sale financial assets	7	-	7
Loans granted	1 286	-	1 286
Deferred tax asset	11	-	11

Total non-current assets	2 760	1 091	3 851
Current assets			
Loans granted	15	-	15
Short-term financial assets	28	-	28
Trade and other receivables	75	-	75
Cash and cash equivalents	40	-	40
Total current assets	158	-	158
Total assets	2 918	1 091	4 009
Equity and liabilities			
Equity			
Share capital	40	-	40
Foreign exchange differences on translation of foreign operations	1	47	48
Revaluation reserve	(6)	23	17
Retained earnings	1 097	1 021	2 118
Total equity	1 132	1 091	2 223
Liabilities			
Liabilities in respect of loans, borrowings and other debt instruments	1 468	-	1 468
Deferred income from government grants	12	-	12
Total non-current liabilities	1 480	-	1 480
Liabilities in respect of loans, borrowings and other debt instruments	272	-	272
Trade and other payables	34	-	34
Total current liabilities	306	-	306
Total liabilities	1 786	-	1 786
Total equity and liabilities	2 918	1 091	4 009

Restated Statement of Financial Position as at 31 December 2015

	31.12.2015 Published	Adjustment	31.12.2015 Restated
Assets			
Non-current assets			
Property, plant and equipment	79	-	79
Intangible assets	94	-	94
Shares in subsidiaries	815	1 150	1 965
Non-current financial assets	574	-	574
Available-for-sale financial assets	6	-	6
Loans granted	521	-	521
Deferred tax asset	11	-	11
Total non-current assets	2 100	1 150	3 829

Current assets			
Loans granted	28	-	28
Short-term financial assets	3	-	3
Trade and other receivables	26	-	26
Cash and cash equivalents	522	-	522
Total current assets	579	-	579
Total assets	2 679	1 150	3 829
Equity and liabilities			
Equity			
Share capital	40	-	40
Foreign exchange differences on translation of foreign operations	-	-	-
Revaluation reserve	(4)	44	40
Retained earnings	1 107	1 106	2 213
Total equity	1 143	1 150	2 293
Liabilities			
Liabilities in respect of loans, borrowings and other debt instruments	1 471	-	1 471
Deferred income from government grants	30	-	30
Total non-current liabilities	1 501	-	1 501
Liabilities in respect of loans, borrowings and other debt instruments	18	-	18
Trade and other payables	17	-	17
Total current liabilities	35	-	35
Total liabilities	1 536	-	1 536
Total equity and liabilities	2 679	1 150	3 829

Note 28. Contingent liabilities, suretyships and guaranties

On 30 September 2014 Synthos Finance AB with its registered office in Stockholm, Sweden, a 100% subsidiary of Synthos S.A., issued Senior Notes with a total nominal value of EUR 350,000,000.

The liabilities of Synthos Finance AB arising from this issue were secured with a guarantee granted by Synthos S.A. jointly and severally with its subsidiaries Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością sp. Jawna, SYNTHOS Kralupy a.s., TAMERO INVEST s.r.o. and SYNTHOS PBR (jointly: "the Guarantors"). The guarantee granted by the Guarantors covers all the liabilities of Synthos Finance AB arising from the Notes (including the liability to pay the nominal value of the Notes and the respective interest) and was granted to all Noteholders.

On 2 April 2015 Synthos Finance AB with its registered office in Stockholm, Sweden, a 100% subsidiary of Synthos S.A., issued Senior Notes with a total nominal value of EUR 50,000,000.

The liabilities of Synthos Finance AB arising from this issue were identically secured with a guarantee granted by Synthos S.A. jointly and severally with its subsidiaries Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością sp. Jawna, SYNTHOS Kralupy a.s., TAMERO INVEST s.r.o. and SYNTHOS PBR (jointly: "the Guarantors"). The guarantee granted by

the Guarantors covers all the liabilities of Synthos Finance AB arising from the Notes (including the liability to pay the nominal value of the Notes and the respective interest) and was granted to all Noteholders.

The guarantee granted by the Guarantors covers up to 150% of the nominal value of the Notes issued. The guarantee will expire after the Noteholders' claims in respect of Synthos Finance AB have expired.

As at the date of preparing these separate financial statements, there were no circumstances which would oblige the guarantor to discharge its obligations under the guarantees.

Note 29. Events after the balance sheet date

In the period from 31 December 2016 to the date of these financial statements there were no events that were not and should have been recognised in these separate financial statements.

Note 30. Significant accounting estimates and judgements

Presented below are the key assumptions concerning the future and other key sources of uncertainty at the reporting date that incur a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Company adopted the assumptions and estimates concerning the future based on the knowledge held at the time of the preparation of these financial statements. These key assumptions and estimates may change as a result of the events in the future in response to market changes or changes which are outside the control of the Company. Such changes are reflected in the estimates or assumptions at the time they materialise.

Deferred tax asset

The Company recognises the deferred tax asset based on the assumption that taxable profits will be available in the future against which the deferred tax asset can be utilised. Deterioration of future taxable profits might render this assumption unreasonable.

Depreciation and amortisation rates

Depreciation and amortisation rates are determined based on the anticipated economic useful lives of property, plant and equipment and intangible assets. The economic useful lives are reviewed annually by the Company based on current estimates.

Uncertain tax treatment

Regulations concerning VAT, corporate income tax and social security contributions are subject to frequent changes. These changes result in there being little point of reference, inconsistent interpretations and few established precedents that may be followed. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies.

Tax and other settlements (e.g. customs or foreign currency settlements) may be subject to inspection by administrative bodies authorised to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest. The above circumstances mean that tax exposure is greater in Poland than in countries that have a more established taxation system.

Accordingly, the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities.

On 15 July 2016, amendments were made to the Tax Ordinance to reflect the provisions of the General Anti-Avoidance Rule ("the GAAR"). The GAAR is targeted to prevent origination and use of factitious legal structures designed to avoid payment of taxes in Poland. Similar regulations apply in other countries in which the Company's subsidiaries operate, including in the Czech Republic. The GAAR defines tax avoidance as an activity performed mainly with a view to obtaining tax benefits, which is, in the given circumstances, contrary to the object and purpose of the tax law. In accordance with the GAAR, an activity does not bring about tax benefits if its modus operandi was false. Any instances of (i) unreasonable division of an operation (ii) involvement of agents despite the lack of economic or commercial rationale for such involvement, (iii) mutually exclusive or mutually offsetting items as well as (iv) other activities similar to those mentioned above may be treated as an indication of the existence of artificial activities which are subject to the GAAR. The new regulations will require a considerably greater judgment in assessing the tax effects of individual transactions.

The GAAR should be applied to transactions performed after its effective date and those for which, although they had been made prior to the GAAR's effective date, tax benefits were or continue to be obtained after its effective date. The implementation of the above-mentioned regulations will enable Polish tax inspection authorities to challenge such legal arrangements used by the taxpayers as group restructuring or reorganisation.

The Company recognises and measures current and deferred income tax assets and liabilities in accordance with the provisions of IAS 12 *Income taxes* based on taxable profit (tax loss), taxable base, carry-forward of unused tax losses, unused tax credits and tax rates, taking into account its assessment of the uncertainties arising from tax settlements.

If there is any uncertainty as to whether or to what extent the tax authority will accept the individual tax settlements of transactions, the Company accounts for such settlements taking into consideration its assessment of the uncertainty.

Note 31. Related party transactions

Transactions with key management personnel (in PLN thousand)

	2016	2015
Remuneration of the Management Board Members		
Kalwat Tomasz	6 316	1 800
Lange Zbigniew	915	724
Piec Tomasz	1 306	1 158
Rogoża Jarosław	937	640
Warmuz Zbigniew	1 740	912
	11 214	5 234

Remuneration of the Supervisory Board

	2016	2015
Ciesielski Wojciech	48	21
Grodzki Jarosław	85	88
Gromek Mariusz	25	-
Kwapisz Krzysztof	29	61
Miroński Grzegorz	49	48
Oskard Robert	55	49
Waniolka Mariusz	-	35
	291	302

Transactions with other related parties (in PLN million)

Transactions with related parties are made at an arm's length.

Receivables from related parties

	31.12.2016	31.12.2015
Direct subsidiaries		
Synthos Kralupy a.s.	12	3
Synthos PBR s.r.o.	1	-
Synthos Finance AB (publ)	4	10
Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka jawna	9	9
Indirect subsidiaries		
Tamero Invest s.r.o.	1	-
Synthos Agro Sp. z o.o.	1	-
	28	22

Liabilities to related parties

	31.12.2016	31.12.2015
Direct subsidiaries		
Synthos PBR s.r.o.	4	4
Indirect subsidiaries		
Other	-	1
	4	5

Revenues from mutual transactions between related parties

	from 01.01.2016 to 31.12.2016	from 01.01.2015 to 31.12.2015
Direct subsidiaries		
Synthos Kralupy a.s.	50	34
Synthos PBR s.r.o.	7	8
Synthos Finance AB (publ)	1	4
Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka jawna	89	61
Indirect subsidiaries		
Tamero Invest s.r.o.	5	4
Synthos Agro Sp. z o.o.	4	-
	156	111

Purchases from related parties

	from 01.01.2016 to 31.12.2016	from 01.01.2015 to 31.12.2015
Direct subsidiaries		
Synthos Kralupy a.s.	1	1
Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka jawna	5	4
Indirect subsidiaries		
Other related entities (controlled by the key shareholder)		
Magellan Pro-Service Sp. z o.o.	5	5
Other	4	3
	15	13

Receivables from related parties in respect of loans granted

	31.12.2016	31.12.2015
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Direct subsidiaries		
Synthos Kralupy a.s.	-	371
Red Chilli Ltd.	-	126
Indirect subsidiaries		
Synthos Agro Sp. z o.o.	27	20
Zakład Doświadczalny Organika Sp. z o.o.	-	4
	27	521

Receivables from related parties in respect of bonds and guarantees granted

	31.12.2016	31.12.2015
Direct subsidiaries		
Synthos Kralupy a.s.	-	601
Synthos Finance AB (public)	1	1
	1	602

Liabilities to related parties in respect of bonds

	31.12.2016	31.12.2015
Direct subsidiaries		
Synthos Finance AB (public)	1 549	1489
	1 549	1489

Finance income from mutual transactions between related parties

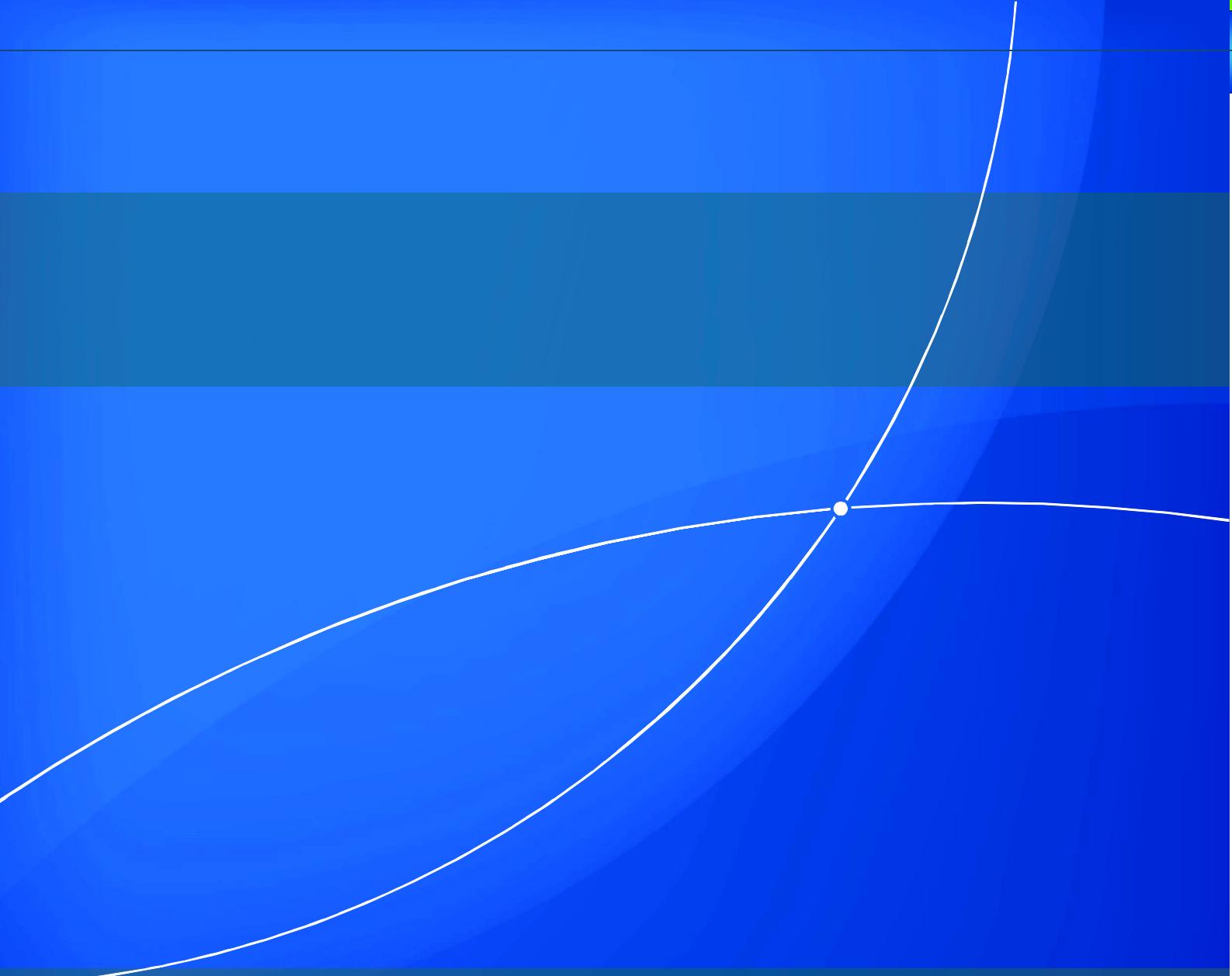
	from 01.01.2016 to 31.12.2016	from 01.01.2015 to 31.12.2015
Direct subsidiaries		
Synthos Kralupy a.s.	58	58
Synthos PBR s.r.o.	-	6
Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka jawna	-	8
Red Chilli Ltd.	6	-
Indirect subsidiaries		
Synthos Agro Sp. z o.o.	1	2
Tamero Invest s.r.o.	-	3
	65	77

Finance costs from mutual transactions between related parties

	from 01.01.2016 to 31.12.2016	from 01.01.2015 to 31.12.2015
Direct subsidiaries		
Synthos Finance AB (public)	75	73
Forum FIZ 62	11	-
Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka jawna	-	7
	86	80

Note 32. Authorisation of the financial statements

The Management Board of Synthos S.A. represents that as at 22 March 2017 it has authorised the Company's separate financial statements for the period from 1 January to 31 December 2016.



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