



Dear Sirs and Madams,

This report depicts the achievements and financial performance generated by the SYNTHOS S.A. Group in 2016. Despite the highly demanding market environment and difficult conditions it faced for nearly 10 months on account of the lack of supplies from the pyrolysis plant in Litvinov, the SYNTHOS Group managed to generate financial performance at a level fundamentally no different from previous years.


The SYNTHOS S.A. Group's sales revenues in the period from 1 January to 31 December 2016 were **PLN 4 775 million**. Operating profit was **PLN 451 million** and EBITDA **PLN 662 million**. In this reporting period, the SYNTHOS S.A. Group earned a net profit of **PLN 256 million**.

2016 was characterized by quite moderate market conditions in the global petrochemical industry, except for the last weeks of the year, when a dynamic growth of the raw material and petrochemical product prices was recorded. The Group's results in 2016 were affected by the weak demand for insulation materials and dispersions in the construction industry. On the other hand the results were supported by good market conditions in European automotive industry. SYNTHOS S.A. endeavored to adapt skillfully to changing market conditions and ultimately generated positive business results.

In 2016 SYNTHOS S.A. consistently pursued its long-term strategy of strengthening its market position and creating a modern product portfolio attracting a high level of profitability. One of the important events was the execution, by Syntos S.A. and Michelin group companies, as licensors, an agreement allowing to increase the production capacity in SYNTHOS Group's Czech plants for Nd BR rubber from 80 thousand to 132 thousand tons p.a.

In the styrene plastics segment 2016 was an exceptional year. In May 2016, SYNTHOS S.A. entered into an agreement on purchase of the EPS business segment owned by INEOS. The transaction was successfully finalized on 31 August 2016. Consequently the Oświęcim-based chemical company became the European leader of the expandable polystyrene (EPS) market, offering high quality products for the construction and packaging industry. Expansion of the product portfolio and development of production capacities strengthened SYNTHOS's position of a major player in the chemical market, not only in Europe but also globally.

Under the INEOS Styrenics purchase, SYNTHOS S.A. acquired 3 production facilities, 2 of which are located in northern France (Wingles and Ribécourt) and the third one in the Netherlands (Breda). The total production capacity of the acquired plants is 310 thousand tons per annum.



In addition, Breda has a modern technological center, comprising specialized research laboratories and pilot facilities testing innovative products.

SYNTHOS S.A.'s long-term strategy also calls for steadily building the market value of the dispersions and adhesives business. The dispersions and adhesives segment is the third area of business currently being developed. In 2016, as a result of optimization of the product portfolio and progressing maximization of sales, the Company significantly increased its market share in Poland in adhesives for wood and adhesives for the paper industry.

I would like to thank our shareholders and Supervisory Board cordially for the support extended to the Management Board and to all of our commercial partners, in particular employees and associates for their contribution to the success of the Company and the SYNTHOS S.A. Group.

Zbigniew Warmuz



CEO of Synthos S.A.

