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FINANCIAL SUPERVISION AUTHORITY

Consolidated Annual Report RS 2009

(year)

(in accordance with section 82 paragraph 2 of the Ordinance of the Minister of Finance of February 19th, 2009 – Journal of Laws No. 33, item 259)
for the issuers of securities conducting manufacturing, building, commercial or service activity

for the financial year 2009, covering the period between January 1st, 2009 and December 31st, 2009,

containing consolidated financial statements prepared in compliance with the International Financial Reporting Standards

presented in the Polish zloty

date of submission: 2010-04-30

CIECH Spółka Akcyjna			
CIECH	(full name of the issuer)	Chemical (che)	
02-670	(abbreviated name of the issuer)	Warsaw	
Puławska	(zip code)	(city)	182
022 6391000	(street)	022 6391451	(number)
	(telephone)		(fax)
biuro.prasowe@ciech.com		www.ciech.com	
	(e-mail)		(www)
1180019377		011179878	
	NIP (tax identification number)		REGON (state statistical number)

Deloitte Audyt Sp. z o.o. Al. Jana Pawła II 19. 00-854 Warszawa
(entity authorised to audit)

SELECTED FIGURES	PLN '000		'000 EUR	
	2009	2008	2009	2008
I. Net sales of products, goods and materials	3,684,225	3,787,072	848,782	1,072,187
II. Operating profit (loss)	134,986	246,683	31,098	69,840
III. Profit (loss) before taxes	(88,041)	(7,251)	(20,283)	(2,053)
IV. Total net profit (loss)	(92,422)	(31,582)	(21,292)	(8,941)
V. Net profit (loss) attributable to controlling shareholders	(85,511)	(41,939)	(19,700)	(11,874)
VI. Net profit (loss) attributable to minority shareholders	(6,911)	10,357	(1,592)	2,932
VII. Net cash flows from operating activities	393,616	33,000	90,682	9,343
VIII. Net cash flows from investment activities	(318,378)	(426,246)	(73,349)	(120,678)
IX. Net cash flows from financial activities	(64,157)	337,584	(14,781)	95,576
X. Total net cash flows	11,081	(55,662)	2,553	(15,759)
XI. Total assets	4,024,128	4,346,618	979,535	1,041,755
XII. Non-current liabilities	1,179,661	1,117,432	287,148	267,815
XIII. Current liabilities	1,984,283	2,330,394	483,005	558,526
XIV. Total equity	860,184	898,792	209,382	215,414
XV. Equity attributable to controlling shareholders	822,952	849,380	200,319	203,571
XVI. Minority interest	37,232	49,412	9,063	11,843
XVII. Share capital	164,115	164,115	39,948	39,333
XVIII. Earnings (loss) per share (in PLN/EUR)	(3.05)	(1.50)	(0.70)	(0.42)

CONTENT OF THE REPORT

File	Description
Certified auditor's opinion and report on the audit of consolidated st.	Certified auditor's opinion and report on the audit of the consolidated financial statements of the Ciech Group for 2009
Consolidated Annual Report of the Ciech Group for 2009 pdf	Consolidated Annual Report of the Ciech Group for 2009

SIGNATURES OF ALL BOARD MEMBERS			
Date	Name and surname	Title/function	Signature
2010-04-28	Ryszard Kunicki	President of the Management Board of CIECH Spółka Akcyjna	
2010-04-28	Robert Bednarski	Member of the Management Board of CIECH Spółka Akcyjna	
2010-04-28	Marcin Dobrzański	Member of the Management Board of CIECH Spółka Akcyjna	
2010-04-28	Artur Osuchowski	Member of the Management Board of CIECH Spółka Akcyjna	

SIGNATURE OF INDIVIDUAL ENTRUSTED WITH BOOKKEEPING			
Date	Name and surname	Title/function	Signature
2010-04-28	Katarzyna Rybacka	Chief Accountant of CIECH Spółka Akcyjna	

**CIECH CAPITAL GROUP
WARSAW, UL. PUŁAWSKA 182**

**CONSOLIDATED FINANCIAL STATEMENTS FOR
2009 AND CERTIFIED AUDITOR'S OPINION
AND AUDIT REPORT**

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OPINION OF AN INDEPENDENT CERTIFIED AUDITOR

To the Shareholders and Supervisory Board of CIECH S.A.

We have audited the attached consolidated financial statements of the Ciech Capital Group for which CIECH S.A., with its registered office in Warsaw, at ul. Puławska 182, is the controlling entity; the financial statements include: the consolidated statement of financial position as at December 31st, 2009, the consolidated profit and loss account, the consolidated statement of comprehensive income, the statement of changes in consolidated equity, the consolidated statement of cash flows for the financial year starting on January 1st, 2009 and ending on December 31st, 2009 and additional notes, including information about the adopted accounting policy and other notes.

The Management Board of the Controlling Company is responsible for the preparation of the consolidated financial statements and of the report on the capital group's activities in accordance with the binding regulations.

The Management Board of the Controlling company and the Members of its Supervisory Board are obliged to ensure that the consolidated financial statements and the report on the capital group's activities satisfy the requirements stipulated in the Accounting Act dated September 29th, 1994 (Journal of Laws of 2009, No. 152, item 1223, as amended), hereinafter referred to as the "Accounting Act".

Our task was to audit and express our opinion on the conformity of the consolidated financial statements with the accounting principles (policy) adopted by the capital group as well as to evaluate whether the statements are a reliable and transparent reflection of the capital group's asset and financial situation and its financial result in all major aspects.

The audit of the financial statements was planned and conducted in accordance with:

- chapter 7 of the Accounting Act,
- national standards for certified auditors, published by the National Council of Statutory Auditors in Poland.

We believe that the audit was a sufficient basis for expressing our opinion.

The audit of the consolidated financial statements was planned and conducted in a manner allowing us to obtain reasonable certainty and express our opinion on the statements. In particular, the audit assessed the correctness of the accounting principles (policy) applied by the Controlling Company and the subsidiaries, and the grounds for figures and information included in the consolidated financial statements (random assessment). The audit included also comprehensive evaluation of the consolidated financial statements.

In our opinion, the audited financial statements in all major aspects:

- a) presents all information vital for the assessment of the capital group's asset and financial situation as at December 31st, 2009 as well as of its financial result for the financial year starting on January 1st, 2009 and ending on December 31st, 2009 in a reliable and transparent manner,
- b) has been prepared in accordance with the International Accounting Standards, the International Financial Reporting Standards and related interpretations published in the form of regulations of the European Commission, and in all matters not regulated by these standards – in accordance with the provisions of the Accounting Act and secondary legislation thereto,
- c) is in conformity with the legal regulations binding for the capital group and having an impact on the content of the consolidated financial statements.

Having no qualifications concerning the truth and fairness of the audited consolidated financial statements, we pay attention to:

- I. Item 24.2 of the notes to the consolidated financial statements in which the Management Board of the Controlling Company informed about the financial position of the Ciech Capital Group as at December 31st, 2009, explaining the reasons for the decrease of profitability and liquidity, the level of working capital and of the Group's debt. The Management Board believes that the fact of obtaining the consortium loan and the activities described therein will ensure improvement of the Capital Group's financial standing and going concern of the Companies operating within the Group at the same or similar level in the foreseeable future. Consequently, in the opinion of the Management Board of the Controlling Company, the risk connected with the uncertain financial situation of the Ciech Capital Group will be reduced.
- II. Item 44 of the notes to the consolidated financial statements in which the Management Board informed about the error made in the consolidated statements for 2008. The error resulted from incorrect application of IAS 39, leading to the distortion of the financial result and of the cash flow hedge. In the financial statements for 2009, the Management Board re-examined the concluded derivative transactions for compliance with the International Financial Reporting Standards and decided to adjust the consolidated financial statements in accordance with the principles included in IAS 8.
- III. Item 16 of the notes to the consolidated financial statements in which the Management Board of the Controlling Company informed about the legal situation of the affiliate PTU S.A., in particular, about the dispute instituted by FSO S.A. against PTU S.A. and regarding the validity of resolutions adopted by the Compulsory Administration acting in the capacity of the general shareholders' meeting as a result of which FSO S.A. was deprived of its controlling shareholding.

JANIKOSODA S.A., being a subsidiary of CIECH S.A., acts as an Intervening Party in this dispute. As a result of the said dispute, the acquisition of shares in PTU S.A. by SODA MATWY S.A. and JANIKOSODA S.A. is being questioned. On April 28th, 2009, the court issued a decision in the case instituted by FSO S.A. against PTU S.A. The decision was dismissed by the Court of Appeal on March 18th, 2010.

As at the date of this opinion, no written statement of reasons to the decision was provided. The consolidated financial statements do not include any adjustments that would be necessary in the case of a court decision unfavourable for CIECH S.A.'s subsidiaries.

The report on the capital group's activities for the financial year 2009 is complete within the meaning of Article 49



section 2 of the Accounting Act and the Ordinance of the Minister of Finance dated February 19th, 2009 on Current and Interim Information Provided by Issuers of Securities and the Conditions of Recognising as Equivalent Information Required by the Law Provisions of a Country which is not a Member State; the information included in the report is compliant with the audited consolidated financial statements from which it was directly taken.

Maria Rzepnikowska
Chief certified auditor responsible for the audit
Reg. no. 3499

representatives

entity authorised to audit financial statements, entered
onto the list of authorised entities kept by the
National Council of Statutory Auditors under no. 73

Warsaw, April 28th, 2010

SUPPLEMENTARY REPORT TO THE OPINION ON THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS OF THE CIECH CAPITAL GROUP FOR THE FINANCIAL YEAR 2009

I. GENERAL INFORMATION

1. Identification data of the audited controlling company

The Controlling Company of the Capital Group operates under the business name CIECH SA. The Company's registered office is in Warsaw, at ul. Puławska 182

The Company conducts its activity as a joint stock company, formed with a notarial deed on May 30th, 1995 in the presence of the notary public Paweł Błaszczak in Warsaw (Register A No. 7513/95).

The Company was entered into the Commercial Register kept by the District Court for the Capital City of Warsaw, 16th Commercial Registry Division in Warsaw, in section B under the RHB (Commercial Register) number 44655. Currently, the Company is entered in the register of entrepreneurs kept by the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register under the KRS (National Court Register) number 0000011687.

The Controlling Company was assigned the NIP (tax identification number) 118-00-19-377 by the Tax Office Warsaw Żoliborz on June 15th, 1993.

On December 19th, 2001 the Statistical Office granted the Controlling Entity its REGON (state statistical number): 011179878.

The Controlling Company operates on the basis of the Commercial Companies Code.

The basic scope of the Controlling Company's activity is the sale of chemicals on the domestic market, as well as the export and import of chemical industry products.

The scope of the subsidiaries' activity is related to the Controlling Company's activity and concerns the production of chemicals and their sale in the domestic market, as well as the export and import of chemical industry products.

The Ciech Capital Group's initial capital is the Controlling Company's (CIECH S.A.) share capital, which as at December 31st, 2009 amounted to PLN 140,001 thousand, and was divided into 28,000,000 ordinary shares of the nominal value of PLN 5.00 for each.

The initial capital, recognised in the consolidated financial statements, as at December 31st, 2009 amounted to PLN 164,115 thousand and differed from the registered one by the results of hyperinflation. As at December 31st, 2009, the Company's shareholders holding at least 5% of shares in the share capital included:

- State Treasury – 36.68% of shares,
- Otwarty Fundusz Emerytalny (Open Pension Fund) PZU "Złota Jesień" – 6.12% of shares,
- Pioneer Pekao Investment Management S.A. (PPIM): – 18.77% of shares.

In the audited period as well as after the balance sheet date, no changes in the Controlling Company's share capital occurred.

The Group's equity as at December 31st, 2009 amounted to PLN 860,184 thousand.

The financial year for the Capital Group is the calendar year.

As at the date of giving the opinion, the Management Board of the Company comprised:

- Ryszard Kunicki – President of the Management Board,
- Marcin Dobrzański – Member of the Management Board,
- Artur Osuchowski – Member of the Management Board,
- Robert Bednarski – Member of the Management Board.

In the audited period, no changes in the composition of the Company's Management Board occurred.

As at December 31st, 2009, the Capital Group Ciech comprised:

- controlling entity – CIECH S.A., and
- subsidiaries:
 - SODA MĄTWY S.A.,
 - TRANSODA Sp. z o.o.,
 - Soda Polska CIECH Sp. z o.o.,
 - JANIKOSODA SA,
 - GZNF "FOSFORNY" Sp. z o.o.,
 - "AGROCHEM" Spółka z ograniczoną odpowiedzialnością in Człuchów,
 - "AGROCHEM" Spółka z ograniczoną odpowiedzialnością in Dobre Miasto,
 - "Alwernia" S.A.,
 - Cheman S.A.,
 - "VITROSILICON" Spółka Akcyjna,
 - POLFA Sp. z o.o.,
 - POLSIN PRIVATE LIMITED,
 - DALTRADE PLC,
 - Przedsiębiorstwo Transportowo-Usługowe TRANSCLEAN Spółka z ograniczoną odpowiedzialnością,
 - Z. Ch. "Organika-Sarżyna" SA,
 - ZACHEM S.A.,
 - ZACHEM UCR Spółka z ograniczoną odpowiedzialnością,
 - BORUTA-ZACHEM KOLOR Sp. z o.o.,
 - S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.,
 - Ciech Finance Sp.z o.o.,
 - Soda Deutschland Ciech GmbH,
 - Sodawerk Holding Stassfurt GmbH,
 - Sodawerk Stassfurt Verwaltungs GmbH,
 - Sodawerk Stassfurt GmbH&Co.KG,
 - KWG GmbH,
 - Polcommerce Handels-und Vertretungsgesellschaft m.b.H.,
 - Nordiska Unipol Aktiebolag,
 - CIECH SERVICE Sp. z o.o.,
 - "Chemia.com S.A.",
 - POLFA Hungaria,
 - "ALWERNIA-FOSFORANY" Spółka z ograniczoną odpowiedzialnością – no activity undertaken,
 - SOC-AL. Spółka z ograniczoną odpowiedzialnością
 - Zakład Doświadczalny "ORGANIKA" Spółka z ograniczoną odpowiedzialnością,
 - Calanda Polska Sp. z o.o. in liquidation,
 - CIECH AMERICA LATINA LTDA,
 - Sodachem GmbH,
 - KPG GmbH&Co. KG,
 - Polskie Konsorcjum Chemiczne Sp. z o.o.,
- affiliated companies:
 - Polskie Towarzystwo Ubezpieczeniowe Spółka Akcyjna,
 - Suomen Unipol Oy,
 - Zakłady Chemiczne "Silikony Polskie" Spółka z ograniczoną odpowiedzialnością,
 - "Komunalna Biologiczna Oczyszczalnia Ścieków - Spółka z ograniczoną odpowiedzialnością",

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- “Bud-Org” Sp. z o.o.,
 - “Gumokor-Organika” Sp. z o.o.,
 - “ORGANIKA-PROJEK.T” Sp. z o.o.,
 - “DREWREM-ORGANIKA” Sp. z o.o.,
 - “EL-CHEM” Sp. z o.o.,
 - “WOD-REM” Sp. z o.o.,
 - “NS Automatyka” Sp. z o.o.,
 - “BUDPUR” Spółka z ograniczoną odpowiedzialnością,
 - Przedsiębiorstwo Transportowo Spedycyjne “TRANSCHEM” Spółka z ograniczoną odpowiedzialnością,
 - Zakład Remontowo-Produkcyjny “Metalpur” Spółka z ograniczoną odpowiedzialnością,
 - Natural Chemical Products Spółka z ograniczoną odpowiedzialnością,
 - Polsin Overseas,
 - Zakład Gospodarowania Popiołami Sp. z o.o.,
- jointly-controlled company:
 - Kaverngesellschaft Stassfurt mbH.

As at the balance sheet date, the Group included also the company CHEMIEPETROL Aussenhandelsgesellschaft mit beschränkter Haftung in liquidation, presented as a subsidiary, which was deleted from the Commercial Register on March 15th, 2010 and thus is no longer a subsidiary as of the date of this opinion.

The consolidated financial statements as at December 31st, 2009 covered the following companies:

a) Controlling Company – CIECH S.A.,

We have audited the financial statements of the Controlling Entity CIECH S.A. for the period from January 1st, 2009 to December 31st, 2009. As a result of the conducted audit, on April 28th, 2010, we issued our opinion with particular focus on:

I. Item 21.1 of the notes to the financial statement in which the Management Board informed about the financial position of the Company as at December 31st, 2009, explaining the reasons for the decrease of profitability and liquidity, the level of working capital and of the debt level.

The Management Board believes that the granting of a consortium loan and the measures described in this item will ensure improvement of the Company’s financial situation and its going concern at the same or similar level in the foreseeable future. Therefore, the Management Board believes that the risks linked to CIECH S.A.’s uncertain financial situation will be diminished.

II. Item 37 of the notes to the financial statement in which the Management Board informed about the error made in the statement for 2008. The error resulted from incorrect application of IAS 39, leading to the distortion of the financial result and of the cash flow hedge.

In the financial statement for 2009, the Management Board re-examined the concluded derivative transactions for compliance with the International Financial Reporting Standards and decided to adjust the financial statement in accordance with the principles included in IAS 8.

b) Fully consolidated entities:

Company name and registered office	Share in capital (%)	Entity auditing financial statements and type of the opinion given	Opinion date
SODA-MĄTWY S.A., Inowrocław	99.85%	<i>In relation to the separate financial statements:</i>	March 9th, 2010
		Deloitte Audyt Sp. z o.o. – opinion without qualifications, attention paid to the fact that the financial statements of SODA-MĄTWY S.A. may not be the only basis for the assessment of the financial and economic position of the company, which is the controlling entity in the SODA-MĄTWY S.A. Capital Group, and to the situation connected with the affiliate PTU S.A.	

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		<i>In relation to the consolidated financial statements:</i> Deloitte Audyt Sp. z o.o. – opinion without qualifications.	April 12th, 2010
JANIKOSODA S.A., Janikowo	99.62%	<i>In relation to the separate financial statements:</i> Deloitte Audyt Sp. z o.o. – opinion without qualifications, attention paid to the situation connected with the affiliate PTU S.A.	March 9th, 2010
GZNF FOSFOR Y Sp. z o.o., Gdańsk	89.46%	<i>In relation to the separate financial statements:</i> Deloitte Audyt Sp. z o.o. – opinion without qualifications, attention paid to the fact that the financial statements of GZNF FOSFOR Y Sp. z o.o. may not be the only basis for the assessment of the financial and economic position of the company, which is the controlling entity in the GZNF FOSFOR Y Sp. z o.o. Capital Group. <i>In relation to the consolidated financial statements:</i> Deloitte Audyt Sp. z o.o. – opinion without qualifications.	February 26th, 2010 April 8th, 2010
CIECH FINANCE Spółka z ograniczoną działalnością, Warsaw	100%	<i>In relation to the separate financial statements of the company:</i> The company's separate financial statements was not subject to the audit by a certified auditor. The shareholders' meeting of CIECH FINANCE Spółka z ograniczoną odpowiedzialnością adopted a resolution not to prepare any consolidated financial statements by the company. CIECH FINANCE, as a lower-level controlling entity, and all its subsidiaries were consolidated by CIECH S.A., starting from the financial statements for the financial year 2006. <i>In relation to the separate financial statements of the subsidiary Cheman S.A.:</i> Deloitte Audyt Sp. z o.o. – opinion without qualifications, attention paid to the poor financial condition of the entity and the obligation to adopt a resolution in accordance with the requirements of Article 397 of the Commercial Companies Code.	March 19th, 2010
“Alwernia” S.A., Alwernia	73.75%	<i>In relation to the separate financial statements:</i> Deloitte Audyt Sp. z o.o. – opinion without qualifications.	March 5th, 2010
“VITROSILICON” Spółka Akcyjna, Iłowa	99.96%	<i>In relation to the separate financial statements:</i> Deloitte Audyt Sp. z o.o. – opinion without qualifications.	February 26th, 2010
Polfa Sp. z o.o., Warsaw	100%	<i>In relation to the separate financial statements:</i> Deloitte Audyt Sp. z o.o. – opinion without qualifications.	February 19th, 2010
ZACHEM S.A., Bydgoszcz	100%	<i>In relation to the separate financial statements:</i> Deloitte Audyt Sp. z o.o. – opinion without qualifications, attention paid to the fact that the financial statements of ZACHEM S.A. may not be the only basis for the assessment of the financial and economic position of the company, which is the controlling entity in the ZACHEM S.A. Capital Group. <i>In relation to the consolidated financial statements:</i> Deloitte Audyt Sp. z o.o. – opinion without qualifications.	February 26th, 2010 April 8th, 2010
Z. Ch. “Organika-Sarzyna” S.A., Sarzyna	100%	<i>In relation to the separate financial statements:</i> Deloitte Audyt Sp. z o.o. – opinion without qualifications.	February 26th, 2010
Przedsiębiorstwo Transportowo- Usługowe Transclean Sp. z o.o., Bydgoszcz	100%	<i>In relation to the separate financial statements:</i> KORPEX-AUDYTOR Sp. z o.o.	February 28th, 2010

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S.C. Uzinele Sodice Govora S.A., Rm. Valcea	92.91%	<i>In relation to a separate shareholding for consolidation purposes:</i> Deloitte Audit SRL – opinion with a qualification concerning the lack of impairment loss for a total of RON 8,185.	April 14th, 2010
POLSIN PRIVATE LIMITED, Singapore	98.00%	<i>In relation to the separate financial statements:</i> Deloitte & Touche LLP, Singapore – opinion without qualifications.	March 4th, 2010
Soda Deutschland Ciech Group, Stassfurt	100%	<i>In relation to a consolidated shareholding for consolidation purposes:</i> Deloitte & Touche GmbH, Berlin – opinion without qualifications.	March 30th, 2010
DALTRADE PLC, London	61.20%	<i>In relation to the separate financial statements:</i> COVENEY NICHOLLS Chartered Accountants & Registered Auditors – opinion without qualifications.	March 1st, 2010

c) Companies consolidated under the equity method:

Company name and registered office	Share in capital (%)	Entity auditing financial statements and type of the opinion given	Opinion date
PTU S.A., Warsaw	45.30%	<i>In relation to the separate financial statements:</i> KPMG Audyt Sp. z o.o. – opinion without qualifications, attention paid to the fact that as at December 31st, 2009 the Company recognised a deficit of own funds for the coverage of the solvency margin in the amount of PLN 7,740 thousand.	April 9th, 2010

2. Information about the consolidated financial statements for the previous financial year

The Capital Group's activity in 2008 presented a net profit amounting to PLN 54,845 thousand (prior to error adjustment for 2008). The consolidated financial statements of the Capital Group for the financial year 2008 were subject to audit by a certified auditor. The audit was conducted by the authorised entity Deloitte Audyt Sp. z o.o. On April 28th, 2009, the certified auditor gave an opinion on these statements, containing the following qualification:

“The Controlling Entity CIECH S.A. concluded derivative transactions, covering option structures, consisting of put options acquired and call options issued. Due to the fact that the option structures concluded by the Company constitute an economic hedge of the Capital Group's future sales revenue, and in connection with the restructuring of these instruments, which was ongoing and completed before the date of preparing the financial statements, the Controlling Entity designated a part of the derivative transactions concluded as the hedge of this revenue within the meaning of hedge accounting. Therefore, the Controlling Entity fragmented them into component instruments, and distinguished among them a portion of derivative transactions, constituting an option structure, which, as a synthetic forward contract, was subject to hedge accounting principles. The transactions which were not included in the option structure, constituting a hedging instrument, are treated as derivative instruments of commercial character.

In our opinion, despite their hedging character in terms of economy, the synthetic forward contracts, resulting from the disintegration conducted by the Controlling Entity, could be assigned as a hedge of the Capital Group's future sales revenue if they had been concluded as transactions identical in relation to parameters but separate with respect to law provisions. This is connected with the fact that, despite the non-inferiority of the economic result, IAS 39 does not allow assigning only a part of a derivative instrument as a hedging instrument in hedge accounting which means that the Controlling Entity should have considered the application of hedge accounting principles for the concluded option structures after completing the process of their restructuring.

Detailed information concerning the concluded derivative instruments and the applied principles of hedge accounting is included in item 36 of the notes to the consolidated financial statements of the Ciech Capital Group.”

We also paid attention to:

- I. “Item 17 of the notes to the consolidated financial statements in which the Management Board of the Controlling Company informed about the completed process of settling Soda Deutschland Ciech GmbH acquisition. The adjustments of initial settlement were recognised in accordance with the International Accounting Standard No. 8, which means that comparable data presented currently in the consolidated financial statements is different from the data presented in the approved consolidated financial statements as at December 31st, 2007.
- II. Item 25.1 the notes to the consolidated financial statements in which the Management Board of the Controlling Company informed about the financial position of the Ciech Capital Group as at December 31st, 2008, explaining the reasons for the decrease of liquidity ratios and increase of the Group's debt rate. Moreover, the Management Board presented debt restructuring plans, aimed at providing long-term and stable sources of financing for the Controlling Company and the Ciech Capital Group. In the opinion of the Management Board, the activities described in the item mentioned above shall result in an improvement related to liquidity ratios, debt rate and the level of working capital of the Capital Group in the foreseeable future.
- III. Item 38 of the notes to the consolidated financial statements in which the Management Board of the Controlling Company informed about the court decision issued on April 28th, 2009 in a case instituted by FSO S.A. against PTU S.A. Due to the fact that the decision lacks the force of law, the Management Board of the Controlling Entity is not able to estimate the financial results and influence of the court's decision on further control over PTU, and, what follows, the influence on the consolidated financial statements as at December 31st, 2009. Therefore, the consolidated financial statements do not include any related adjustments, which would be necessary in the case of an unfavourable valid court judgement.”

The General Meeting of Shareholders, approving the consolidated financial statements for the financial year 2008, was held on June 18th, 2009.

Pursuant to the provisions of law, the consolidated financial statements for the financial year 2008 was filed with the National Court Register on July 1st, 2009 and submitted for publishing in the official gazette Monitor Polski "B" on July 1st, 2009. The statement was published in Monitor Polski B no. 1596 on September 10th, 2009.

3. Identification data of the authorised entity and the certified auditor, conducting the audit on its behalf

The audit of the consolidated financial statements was conducted based on the agreement dated June 19th, 2009 concluded between CIECH S.A. and the company Deloitte Audyt Sp. z o.o., with its registered office in Warsaw, al. Jana Pawła II 19, entered in the register of entities authorised to audit financial statements, kept by the National Council of Statutory Auditors, under the number 73. On behalf of the authorised entity, the audit of the consolidated financial statements was conducted under the supervision of a certified auditor Maria Rzepnikowska (reg. no. 3349) between April 6th, 2010, i.e. the date of receiving the financial statements, and the date of signing hereof.

The entity authorised to audit the financial statements was chosen by the Supervisory Board by way of a resolution as of May 5th, 2009 based on the authorisation included in Article 21 of the Articles of Association of the Controlling Company.

Deloitte Audyt Sp. z o.o. and the chief certified auditor Maria Rzepnikowska confirm that they are authorised to audit financial statements and satisfy the requirements defined in Article 56 of the Act on Certified Auditors, Their Self-government, Entities Authorized to Audit Financial Statements and Public Supervision (Journal of Laws of 2009, No. 77, item 649) related to expressing a fair and independent opinion on the consolidated financial statements of the Ciech Capital Group.

4. Data accessibility and the Management Board's statements

No restrictions or limitations related to the scope of our audit occurred.

All the required documents and data were made available to the authorised entity and the chief certified auditor during the audit; moreover, they were provided with exhaustive information and explanations, which was confirmed by the Management Board of the Controlling Company in its written statement of April 28th, 2010.

5. Financial and economic position of the Capital Group

Below, we present the basic item values from the consolidated profit and loss account, as well as financial ratios, describing the Capital Group's financial result, its financial and economic position in comparison with the analogous values for the previous years. The figures concerning the years 2008 and 2007 result from the adjusted comparative data. Differences as to the approved financial statements have been described in respective consolidated financial statements.

<u>Basic values from the profit and loss account (in PLN '000)</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Sales revenue	3,684,225	3,787,072	3,414,982
Operating costs	3,593,161	3,542,560	3,105,475
Other operating income	179,282	129,589	68,919
Other operating costs	135,360	127,409	335,443
Finance income	62,973	105,947	28,625
Finance costs	282,193	356,619	58,607
Income tax	4,381	24,331	48,096
Net profit (loss)	(92,422)	(31,582)	(30,033)
<u>Return ratios</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
- return on sales (net profit (loss) on operating activities/sales revenue)	3.66%	6.51%	1.26%
- net profit margin (net profit (loss)/sales revenue)	-2.51%	-0.83%	-0.88%
- net return on equity (net profit (loss)/(equity-net profit (loss)))	-9.70%	-3.39%	-2.63%
<u>Efficiency ratios</u>			
- asset turnover ratio (sales revenue/total assets)	91.55%	87.13%	86.10%
- receivables turnover in days (average net trade receivables *365 days/ sales revenue)	60	59	64
- turnover of liabilities in days (average trade liabilities *365 days/ operating costs)	45	41	43
- inventory turnover in days (average inventory *365 days/operating costs)	38	37	31
<u>Liquidity/ Net working capital</u>			
- debt rate (total liabilities/total equity and liabilities)	78.62%	79.32%	71.95%
- equity to assets ratio (equity/total assets)	21.38%	20.68%	28.05%
- net working capital (in PLN '000) (total current assets-current liabilities)	-718,213	-750,049	18,704
- liquidity ratio (total current assets/current liabilities)	0.64	0.68	1.01
- quick ratio (total current assets-inventory)/current liabilities)	0.48	0.49	0.83

The analysis of the aforementioned values and ratios indicates the following tendencies in 2009:

- decrease in return on sales ratios in comparison with 2008,
- increase in asset and inventory turnover ratios in days,
- increase in receivables and liabilities turnover ratios in comparison with 2008,
- unchanging level of the debt rate,
- unchanging negative value of working capital,
- decrease in liquidity ratios.

In item 24.2 of the notes to the consolidated financial statements, the Management Board of the Controlling Company informed about the financial position of the Ciech Capital Group as at December 31st, 2009, explaining the reasons for the decrease in the ratios presented above and the reasons for the Capital Group's debt.

The Management Board believes that the fact of obtaining the consortium loan and the activities described therein will ensure improvement of the Capital Group's financial standing and going concern of the Companies operating within the Group at the same or similar level in the foreseeable future. Consequently, in the opinion of the Management Board of the Controlling Company, the risk connected with the uncertain financial situation of the Capital Group will be reduced.