CIECH CHEMICAL GROUP
COMPLETE CONSOLIDATED
QUARTERLY REPORT
for the third quarter of 2010

CONTENTS

I. Ciech Group consolidated financial statements

(all of the financial statements presented below contain adjustments resulting from changes in the accounting principles and error corrections described in section III.23).

1. Ciech Group consolidated profit and loss statement

	01.01-30.09.2010*	**01.01-30.09.2009***	**01.07-30.09.2010***	**01.07-30.09.2009***
in PLN thousands	**Continuing operations**	**Continuing operations**	**Continuing operations**	**Continuing operations**
Net revenue from sales	2 934 281	2 787 302	984 206	893 824
Cost of sales	(2 512 125)	(2 309 379)	(846 274)	(767 361)
Gross profit / loss on sales	**422 156**	**477 923**	**137 932**	**126 463**
Other operating income	93 253	160 452	14 764	34 842
Distribution costs	(203 339)	(190 648)	(70 566)	(63 823)
Administrative expenses	(171 937)	(179 024)	(55 722)	(51 609)
Other operating costs	(44 967)	(66 167)	(13 116)	(24 809)
Operating profit / loss	**95 166**	**202 536**	**13 292**	**21 064**
Finance income	51 741	26 461	10 526	15 438
Finance costs	(199 445)	(209 041)	(57 866)	(57 311)
Net finance income / costs	**(147 704)**	**(182 580)**	**(47 340)**	**(41 873)**
Share of the net profit of associates and subsidiaries accounted for using the equity method	363	1 272	(539)	(415)
Profit / loss before tax	**(52 175)**	**21 228**	**(34 587)**	**(21 224)**
Income tax	(14 652)	(35 464)	5 591	(12 464)
Net profit / loss	**(66 827)**	**(14 236)**	**(28 996)**	**(33 688)**
Profit / loss on discontinued operations	-	-	-	-
Net profit / loss for the financial year	**(66 827)**	**(14 236)**	**(28 996)**	**(33 688)**
including:				
Net profit / loss attributable to owners of the parent	(62 644)	(10 789)	(28 858)	(31 957)
Net profit / loss attributable to non-controlling interests	(4 183)	(3 447)	(138)	(1 731)
Earnings per share (in PLN):				
Basic	(2,24)	(0,39)	(1,03)	(1,14)
Diluted	(2,24)	(0,39)	(1,03)	(1,14)

** No discontinued operations in the period*

2. Ciech Group consolidated statement of comprehensive income

in PLN thousands	01.01-30.09.2010 Continuing operations	01.01.-31.12.2009 Continuing operations	01.01-30.09.2009 Continuing operations
Net profit for the financial year	**(66 827)**	**(99 166)**	(14 236)
Other gross comprehensive income			
Exchange differences on translation of foreign companies	8 112	(4 826)	(9 490)
Revaluation of available-for-sale financial assets	7 015	23 341	28 782
Cash flow hedges	(18 343)	69 232	51 022
Exchange differences on net investment in foreign entity	(8 484)	(10 206)	-
Other components of other comprehensive income	(74)	(327)	(326)
Income tax on other components of comprehensive income	2 796	(16 672)	(14 427)
Other net comprehensive income	**(8 978)**	**60 542**	**55 561**
COMPREHENSIVE INCOME	**(75 805)**	**(38 624)**	**41 325**
Comprehensive income, attributable to:	**(75 805)**	**(38 624)**	**41 325**
Owners of the parent	(72 855)	(33 372)	43 939
Non-controlling interests	(2 950)	(5 252)	(2 614)

3. Ciech Group consolidated statement of financial position

in PLN thousands

ASSETS	30.09.2010	31.12.2009	30.09.2009
Non-current assets			
Property, plant and equipment	2 173 741	2 265 676	2 260 991
Perpetual usufruct rights	134 648	137 302	137 121
Intangible assets, including:	153 862	164 862	181 117
- goodwill	51 281	52 343	51 446
Investment property	6 590	8 935	22 076
Non-current receivables	32 889	23 586	3 389
Investment in associates and jointly controlled entities accounted for using the equity method	5 048	34 436	39 898
Other long-term investments	51 571	96 159	115 662
Deferred income tax assets	18 718	20 723	17 316
Total non-current assets	**2 577 067**	**2 751 679**	**2 777 570**
Current assets			
Inventory	337 623	314 228	338 103
Short-term investments	1 622	2 529	1 558
Income tax receivables	6 001	16 175	10 960
Trade and other receivables	855 025	801 000	881 388
Cash and cash equivalents	168 963	131 638	161 099
Non-current assets held for sale	31 411	500	-
Total current assets	**1 400 645**	**1 266 070**	**1 393 108**
Total assets	**3 977 712**	**4 017 749**	**4 170 678**

EQUITY AND LIABILITIES	30.09.2010	31.12.2009	30.09.2009
Share capital	164 115	164 115	164 115
Treasury shares	-	-	-
Share premium	151 328	151 328	151 328
Equity components relating to assets held for trading	-	-	-
Hedge accounting reserve	2 383	15 688	939
Financial asset revaluation reserve	1 394	(3 458)	790
Property, plant and equipment revaluation reserve	-	-	-
Other reserves	78 521	78 521	78 521
Exchange differences on net investment in foreign entity	(18 690)	(10 206)	-
Exchange differences on translation of subsidiaries	(50 750)	(57 536)	(61 371)
Retained earnings	415 419	478 123	558 946
Equity attributable to owners of the parent	**743 720**	**816 575**	**893 268**
Non-controlling interests	32 408	37 232	41 173
Total equity	**776 128**	**853 807**	**934 441**
Liabilities			
Borrowings including credits, loans and other debt instruments	552 158	665 876	742 862
Other non-current liabilities	243 576	269 153	320 452
Employee benefits	65 324	64 254	60 434
Provisions (other long-term)	64 501	72 617	76 100
Deferred income tax provision	106 035	107 761	133 282
Total non-current liabilities	**1 031 594**	**1 179 661**	**1 333 130**

EQUITY AND LIABILITIES	**30.09.2010**	**31.12.2009**	**30.09.2009**
Bank overdraft	-	78 640	78 398
Borrowings	1 209 108	921 242	897 863
Trade and other payables	916 394	919 196	857 205
Income tax liabilities	21 076	33 656	33 732
Provisions (short-term provisions for employee benefits and other)	22 968	31 547	35 909
Liabilities related to available-for-sale non-current assets	444	-	-
Total current liabilities	**2 169 990**	**1 984 281**	**1 903 107**
Total liabilities	**3 201 584**	**3 163 942**	**3 236 237**
Total equity and liabilities	**3 977 712**	**4 017 749**	**4 170 678**

4. Ciech Group consolidated statement of cash flows

in PLN thousands	01.01-30.09.2010	01.01-30.09.2009
Cash flows from operating activities		
Net profit (loss) for the period	**(66 827)**	**(14 236)**
Adjustments		
Depreciation / amortisation	178 967	169 629
Creation / reversal of revaluations	(270)	4
Currency exchange gains / losses	18 601	6 566
Change in valuation of investment properties	-	-
Gain / loss on investing activities	(8 226)	(10 478)
Gain / loss on disposal of fixed assets	(3 940)	4 946
Dividend and interest	114 525	74 205
Income tax accrued	14 652	35 464
Gain / loss on settlement of construction contracts (caverns)	(23 348)	(24 869)
Gain / loss on interests in companies accounted for using the equity method	(363)	(1 272)
Operating profit / loss before changes in working capital and provisions	**223 771**	**239 959**
Change in receivables	(59 939)	165 995
Change in inventories	(24 633)	96 699
Change in current liabilities	165 069	28 324
Change in employee benefit provisions and liabilities	(14 521)	(102 861)
Net cash flow from operating activities	**289 747**	**428 116**
Interest paid	(102 723)	(75 609)
Cash flows from construction contracts (caverns)	14 166	31 468
Change in liabilities from loan approval commission	-	-
Income tax paid	(10 382)	(8 537)
Profit / loss on sale of discontinued operations	-	-
Cash flows from execution of options	-	(98 730)
Valuation of derivative financial instruments	(48 888)	(30 568)
Other adjustments (including pro forma correction of cash flows from execution of options)	80 457	101 102
Net cash from operating activities	**222 377**	**347 242**
Cash flows from investing activities		
Inflows	**83 816**	**11 608**
Disposal of subsidiary	276	-
Disposal of intangible assets and property, plant and equipment	23 373	5 724
Disposal of financial assets	47 310	392
Disposal of investment property	-	-
Dividends received	1 971	4 243
Interest received	576	815
Proceeds from repayment of loans	586	50
Other proceeds	9 724	384
Outflows	**(162 400)**	**(286 653)**
Acquisition of subsidiary (less cash acquired)	(7 419)	(73 776)
Purchase of intangible assets and property, plant and equipment	(152 355)	(210 265)
Purchase of financial assets	(189)	(70)
Purchase of investment property	-	-
R&D expenditures	(2 206)	(977)

in PLN thousands	**01.01-30.09.2010**	**01.01-30.09.2009**
Capital increases and additional contributions	-	(1 000)
Loans granted	-	(550)
Other	(231)	(15)
Net cash from investing activities	**(78 584)**	**(275 045)**
Cash flows from financing activities		
Inflows	**476 201**	**295 653**
Net proceeds from issue of ordinary shares and other equity instruments and capital contributions	-	-
Proceeds from loans*	474 372	295 653
Grants received	528	-
Issue of debt securities	-	-
Other financial inflows	1 301	-
Outflows	**(505 250)**	**(332 490)**
Purchase of own shares	-	-
Dividend and other payments to owners	(1 944)	(159)
Dividend paid to non-controlling interests	-	(6 520)
Repayment of loans*	(494 495)	(314 719)
Redemption of debt securities	-	-
Payment of finance lease liabilities	(8 811)	(9 631)
Other finance costs	-	(1 461)
Net cash from financing activities	**(29 049)**	**(36 837)**
Total net cash flows	**114 744**	**35 360**
Cash at the beginning of period	**52 997**	**45 797**
Effect of foreign exchange differences	1 222	1 544
Cash at the end of period	**168 963**	**82 701**

** Only those loan-related inflows and outflows were presented which passed through Ciech Group's bank accounts. PLN 857,396,000 of the syndicated loan that was drawn was settled by means of compensation with receivables. The transaction bypassed Ciech Group's bank accounts and therefore was not included in the cash flow statement.*

5. Ciech Group consolidated statement of changes in equity

	Attributable to owners of the parent												
in PLN thousands	Share capital	Treasury shares	Share premium	Equity components relating to assets held for sale	Hedge accounting reserve	Financial asset revaluation reserve	Other reserves	Exchange differences on net investment in foreign entity	Exchange differences on translation of associates and subsidiaries	Retained earnings	**Equity attributable to owners of the parent**	Non-controlling interests	**Total equity**
Equity as at 01/01/2010													
Previously	**164 115**		**151 328**	**-**	**15 688**	**(3 458)**	**78 521**	**(10 206)**	**(57 876)**	**484 840**	**822 952**	**37 232**	**860 184**
Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of errors in previous periods	-	-	-	-	-	-	-	-	340	(6 717)	(6 377)	-	(6 377)
Equity (after transition) as at: 01/01/2010	**164 115**	**-**	**151 328**	**-**	**15 688**	**(3 458)**	**78 521**	**(10 206)**	**(57 536)**	**478 123**	**816 575**	**37 232**	**853 807**
Dividend payout	-	-	-	-	-	-	-	-	-	-	-	(1 874)	**(1 874)**
Comprehensive income for 2010	-	-	-	-	(13 305)	4 852	-	(8 484)	6 786	(62 704)	**(72 855)**	(2 950)	**(75 805)**
Equity as at 30/09/2010	**164 115**	**-**	**151 328**	**-**	**2 383**	**1 394**	**78 521**	**(18 690)**	**(50 750)**	**415 419**	**743 720**	**32 408**	**776 128**

	Attributable to owners of the parent												
in PLN thousands	Share capital	Treasury shares	Share premium	Equity components relating to assets held for sale	Hedge accounting reserve	Financial asset revaluation reserve	Other reserves	Exchange differences on net investment in foreign entity	Exchange differences on translation of associates and subsidiaries	Retained earnings	**Equity attributable to owners of the parent**	Non-controlling interests	**Total equity**
Equity as at 01/01/2009													
Previously	**164 115**		**151 328**	**-**	**(111 700)**	**(22 887)**	**78 521**	**-**	**(50 961)**	**656 460**	**864 876**	**49 412**	**914 288**
Changes in accounting policies	-	-	-	-	-	-	-	-	-	(15 496)	(15 496)	-	(15 496)
Corrections of errors in previous periods	-	-	-	-	70 934	-	-	-	-	(70 934)	-	-	-
Equity (after transition) as at: 01/01/2009	**164 115**	**-**	**151 328**	**-**	**(40 766)**	**(22 887)**	**78 521**	**-**	**(50 961)**	**570 030**	**849 380**	**49 412**	**898 792**
Dividend payout	-	-	-	-	-	-	-	-	-	-	-	(6 466)	(6 466)
Adjustments related to negative non-controlling interests	-	-	-	-	-	-	-	-	-	567	567	(567)	-
Change in Group structure	-	-	-	-	-	-	-	-	-	-	-	105	105
Comprehensive income for 2009	-	-	-	-	56 454	19 429	-	(10 206)	(6 575)	(92 474)	**(33 372)**	(5 252)	**(38 624)**
Equity as at 31/12/2009	**164 115**	**-**	**151 328**	**-**	**15 688**	**(3 458)**	**78 521**	**(10 206)**	**(57 536)**	**478 123**	**816 575**	**37 232**	**853 807**

	Attributable to owners of the parent												
in PLN thousands	Share capital	Treasury shares	Share premium	Equity components relating to assets held for sale	Hedge accounting reserve	Financial asset revaluation reserve	Other reserves	Exchange differences on net investment in foreign entity	Exchange differences on translation of associates and subsidiaries	Retained earnings	**Total equity attributable to owners of the parent**	Non-controlling interests	**Total equity**
Equity as at 01/01/2009:													
Previously	**164 115**	**-**	**151 328**	**-**	**(111 700)**	**(22 887)**	**78 521**	**-**	**(50 961)**	**656 460**	**864 876**	**49 412**	**914 288**
Changes in accounting policies	-	-	-	-	-	-	-	-	-	(15 496)	(15 496)	-	(15 496)
Corrections of errors in previous periods	-	-	-	-	70 934	-	-	-	-	(70 934)	-	-	-
Equity (after transition) as at: 01/01/2009	**164 115**	**-**	**151 328**	**-**	**(40 766)**	**(22 887)**	**78 521**	**-**	**(50 961)**	**570 030**	**849 380**	**49 412**	**898 792**
Dividend payout	-	-	-	-	-	-	-	-	-	(10)	**(10)**	(6 466)	**(6 476)**
Coverage of negative equity at US Govora	-	-	-	-	-	-	-	-	-	(41)	**(41)**	41	**-**
Change in Group composition	-	-	-	-	-	-	-	-	-	-	**-**	800	**800**
Comprehensive income for the period	-	-	-	-	41 705	23 677	-	-	(10 410)	(11 033)	**43 939**	(2 614)	**41 325**
Equity as at 30/09/2009:	**164 115**	**-**	**151 328**	**-**	**939**	**790**	**78 521**	**-**	**(61 371)**	**558 946**	**893 268**	**41 173**	**934 441**

II. Information on the accounting principles adopted in preparing Ciech Group's complete consolidated quarterly report

1. The basis for the preparation of Ciech Group's complete consolidated quarterly report

These consolidated financial statements for the period from 1 January 2010 to 30 September 2010, including comparative data, were approved by the Management Board of CIECH S.A. on 9 November 2010 for publication on 10 November 2010.

Included in this consolidated report are the financial statements of the parent CIECH S.A. and its subsidiaries (collectively referred to as "Ciech Group" or "Group"), as well as Group interests in associates.

The scope of information presented in this complete consolidated quarterly report is compliant with the requirements of:

- International Accounting Standard 34 – Interim Financial Reporting,
- Ordinance of the Minister of Finance of 19 February 2009 concerning current and interim reports filed by issuers of securities.

In preparing the financial statements in compliance with IFRS, the Management Board must exercise professional judgement as well as make estimates and assumptions that affect the policies applied and the value of assets, equity and liabilities, revenues, and costs. These estimates and the underlying assumptions are based on historical experience and several other factors deemed reasonable under the given circumstances. The outcome of said estimates serves as a basis for the professional assessment of such carrying amounts of assets and liabilities as are not directly available from other sources. The actual values may differ from assessments.

Both the assessments and the underlying assumptions are verified on an ongoing basis. Changes in accounting estimates are recognised in the period in which they are implemented, provided that such changes apply solely to the period in question. If they apply to both the current and future periods, they are recognised appropriately.

Section III, Points 10 and 14 of this Report include such cases of professional judgement as exercised by the Management Board that will materially impact the consolidated financial statements, as well as estimates subject to significant changes in future periods.

2. Statement of compliance

These Ciech Group consolidated financial statements and the financial statements of all CIECH S.A. subsidiaries and associates for the reporting period as well as the comparative data have been prepared in compliance with all International Financial Reporting Standards (IFRS) in effect within the European Union as at 30 September 2010.

The Management Board of the parent has used its best knowledge as regards selecting the standards and interpretations and choosing the methods and principles for IFRS-compliant measurement of the items presented in Ciech Group's consolidated financial statements as at 30 September 2010, including comparative data. Due diligence was exercised in preparing the tables and notes below. The financial data presented has not been audited.

3. Accounting policies adopted

Ciech Group's accounting policies are described in the 2009 Ciech Group consolidated report, published on 30 April 2010. The above report includes a detailed overview of the policies and methods used for measuring assets, liabilities and financial result, as well as preparing the financial statements, including comparative data. Since Ciech Group adopted IFRS on 1 January 2004, these policies have been used continuously in preparing all consolidated financial statements, except for specific changes detailed in stock market reports.

Ciech Group has updated its consolidation policies in 2010 to comply with the amended financial reporting standards IFRS 3 "Business Combinations" and IAS 27 "Consolidated and Separate Financial Statements". These amendments have not affected the consolidated financial statements, except for recognition of period losses that are attributable to non-controlling interests. Previously, any losses attributable to non-controlling interests exceeding such interests' equity of a given subsidiary had been attributed to the owners of the parent. As of 2010, all minority interest losses are attributable to non-controlling interests.

Another change adopted in 2010 was the designation of a new business segment – "Corporate Functions" for reconciliation purposes. This segment includes all CIECH S.A. shared functions, previously split between Divisions on a mark-up allocation basis. CIECH S.A. Management has decided that such a presentation of revenue and cost items will better reflect Ciech Group's governance and ensure a greater degree of transparency in the disclosure, verification and assessment of each Division (segment) against sales and production targets and other objectives, such as central cost reductions in connection with the performance of shared functions in CIECH S.A. and Ciech Group. In addition, in connection with the executed loan agreement, "Corporate Functions" includes Ciech Group's financing costs.

Starting in Q3 2010, information on business segments is to be presented in a new format. The above changes in segment presentation have also been applied to comparative data.

The business segments within Ciech Group have been defined based on IFRS 8 requirements, which set out the principles for defining business segments based on internal reports relating to the elements of a given entity. Such reports are subject to regular Management review, to ensure appropriate resource allocation between segments and evaluation of segment results.

In previous interim reports, Ciech Group presented its business operations across industry segments. As of the third quarter of 2010, restructuring-driven changes have been introduced to business segments. The above changes result from CIECH S.A. obligations under the agreement concluded with the Banks and the Ciech Group Development and Restructuring Programme. Currently, segments are defined in line with the organisational structure of Ciech Group Divisions and correspond with the new financial reporting structure. Key changes include:

- the entire Organika Sarzyna company becoming part of the Organics segment and the CIECH S.A. business of plant protection chemicals being transferred from Agrochemicals to Organics;
- organisational merger of Agrochemicals with Silicates and Glass into the new Agro-Silicon Division.

Business segments may also include the sale of products and goods for resale that would normally belong in other Divisions. These amounts however are immaterial for reporting purposes of each Division.
Based on the existing organisational structure, the following business segments have been outlined within Ciech Group:

Soda Segment – Soda Division – includes products (soda ash in particular) manufactured by Soda Mątwy Group, S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. as well as Soda Deutschland Ciech Group. Soda Mątwy Group sells products through the CIECH S.A. Soda Division, which also includes JANIKOSODA S.A. Ciech Group is the only manufacturer of soda ash in Poland.

Organics Segment – Organika Division – mainly refers to products manufactured by ZACHEM Group: TDI, PUR foams, EPI, hydrochloric acid, soda lye and plastics – as well as Z.Ch. "Organika-Sarzyna" S.A.: epoxy and polyester resins and plant protection chemicals. The Organics Segment also includes goods purchased and re-sold by the CIECH S.A. Organika Division. Most Organics Segment sales, including TDI, hydrochloric acid, soda lye and epoxy resins are direct sales by Ciech S.A. Conversely, external EPI sales and procurement of strategic raw materials take place through agency agreements. The procurement of organic materials for epoxies (bisphenol A, EPI, chlorine, propylene) and plant protection chemicals (o-cresol, MCAA Acid) is being consolidated. Such structure of the Organika Division is in line with Ciech Group strategy, in turn ensuring efficient operations through market and product consolidation, robust product development and reduction in selling costs.

Agro-Silicon Division – this division includes two segments with distinct operations:

Agrochemicals carry a broad portfolio of agricultural fertilisers. The segment features mainly fertilisers produced by GZNF “FOSFORY” Sp. z o.o. and “Alwernia” S.A. In terms of exports, CIECH S.A. sells fertilisers manufactured by GZNF “FOSFORY” Sp. z o.o. and other domestic fertiliser producers. Included in this segment are raw materials used for fertiliser manufacture supplied to GZNF “FOSFORY” Sp. z o.o. and "Alwernia" S.A.

Silicates and Glass refers chiefly to products such as glass and sodium silicate, produced by "VITROSILICON" Spółka Akcyjna and other companies, and exported by CIECH S.A.

Other Operations comprise goods for resale and the external provision of services, mostly by CIECH S.A., Cheman S.A. and foreign companies outside of base chemicals.

Ciech Group's accounting policies are applicable to the reporting segments.
Inter-segment transfers are quantified based on actual data.
Geographical segments within Ciech Group are defined based on Ciech Group's asset locations.

4. Functional currency, presentation currency and currency translation

The functional and presentation currency of these consolidated financial statements is the Polish zloty. Unless indicated otherwise, the data in the consolidated financial statements is expressed in PLN thousands.

In Selected financial data, individual assets and liabilities disclosed in the balance sheet were translated into EUR using the average exchange rate of 3.9870 announced by the National Bank of Poland for the reporting date (30 September 2010). Income statement items were translated into EUR based on the arithmetic mean of average EUR exchange rates determined by the National Bank of Poland for the last day of each month – from January 2010 to September 2010 respectively: 4.0616; 3.9768; 3.8622; 3.9020; 4.0770; 4.1458; 4.0080; 4.0038; 3.9870. The exchange rate applicable in the reporting period is 4.0027.

III. Notes to the complete consolidated financial statements

1. Key events taking place in Ciech Group between 1 January 2010 and the date for the preparation of these statements

Soda Division:

- On 25 March 2010, representatives of Soda Polska Ciech Sp. z o.o. seated in Inowrocław and Kompania Węglowa S.A. seated in Katowice signed an addendum to the long-term contract of 15 April 2008 regulating the terms and prices of energy coal supplies in 2010. The net value of the contract as of 2010 is approximately PLN 175,000,000. The above was disclosed in Current Report no. 8 of 25 March 2010.

Organika Division:

- On 9 February 2010, Ciech Group representatives and Air Products Group of U.S. agreed on the terms and conditions of supplies of amine (TDA) to subsidiary ZACHEM S.A. seated in Bydgoszcz. The amine will be used in TDI production. ZACHEM S.A. is the only manufacturer of TDI in Poland. The total value of TDA supplies from Air Products is estimated at USD 80,000,000 per year, with the total contract value to reach USD 500,000,000. The new terms and conditions will provide ZACHEM S.A. with continuity of supplies and a stable source of high quality materials. Given the recovery in demand for TDI, the Company expects this cooperation to boost manufacture efficiency in ZACHEM S.A.'s key offering, positively contributing to Ciech Group's results in successive years. The agreement, which will remain in force between 1 January 2012 and 31 December 2018, ensures such supplies of the raw material as are required to meet the company's needs. It is a renegotiated version of the agreement dated 25 October 2007 (Current Report no. 67/2007) regarding TDA supplies from Air Products Group. The above was disclosed in Current Report no. 4 of 9 February 2010.

Agro-Silicon Division:

- On 30 March 2010, an annex to the long-term contract for 2002-2010 concluded on 6 September 2002 with Maroc Phosphore S.A. of Morocco, governing the terms and conditions of sulphur sale in 2010, was executed on behalf of CIECH S.A. The approximate value of the contract in 2010 is USD 35,000,000 (approx. PLN 100,000,000). KiZChS Siarkopol S.A. is the domestic supplier. This information was disclosed in Current Report no. 11 of 2 April 2010.

Corporate Centre:

- On 5 January 2010, an Agreement was signed between CIECH S.A. and the State Treasury, under which the terms of the Treasury's purchase of the Remaining Shares held in Z.Ch. Organika Sarzyna S.A. and ZACHEM S.A., as provided in the offering, were amended. Pursuant to the Agreement, the indexation period was extended by 12 months, ending 20 December 2010. For this extended period, the index was increased by a further 2 percentage points.
- On 2 April 2010, CIECH S.A. received a letter from the District Court in Hamburg dated 15 March 2010, according to which Chemiepetrol GmbH (in liquidation) seated in Hamburg, a subsidiary of Ciech Group entered in Commercial Register B under number HRB 33084, was removed from the Commercial Register based on a decision made by the District Court in Hamburg on 15 March 2010. The above was disclosed in Current Report no. 9 of 1 April 2010.
- On 11 April 2010, CIECH S.A. performed a number of block trades in which it disposed of 2,560,000 series B shares in Zakłady Azotowe w Tarnowie-Mościcach S.A. The proceeds from the transactions amounted to PLN 41,600,000. Following the above transactions, CIECH S.A. no longer holds any shares in Zakłady Azotowe w Tarnowie-Mościcach S.A. The above was disclosed in Current Report no. 14 of 22 April 2010.
- On 13 May 2010, CIECH S.A. and Zakłady Azotowe w Tarnowie-Mościcach S.A. seated in Tarnów signed a Letter of Intent. By signing the Letter of Intent, the parties expressed interest in cooperating and negotiating the offer and the subsequent purchase by Azoty Tarnów of the shares held by CIECH S.A. in Gdańskie Zakłady Nawozów Fosforowych Fosfory Sp. z o.o. seated in Gdańsk. By signing the Letter of Intent, CIECH S.A. expressed interest in the disposal of the above-mentioned assets in favour of Azoty Tarnów, the buyer being a major Polish fertiliser manufacturer intending to expand its operations in the fertiliser market. The above was disclosed in Current Report no. 20 of 14 May 2010.
- On 8 June 2010, CIECH S.A. found out from the German Commercial Register in Stendal that the increase in capital of Soda Deutschland Ciech GmbH by EUR 1,500,000 had been registered. As a result, the German holding company's share capital is EUR 16,525,000, with CIECH S.A. holding a 100% interest. The above was disclosed in Current Report no. 23 of 8 June 2010.
- On 11 June 2010, the Supervisory Board of CIECH S.A. passed a resolution by virtue of which Deloitte Audyt Sp. z o.o., seated in Warsaw, ul. Piękna 18, number 73 on the list of entities authorised to audit financial statements maintained by the National Council of Statutory Auditors, was chosen as statutory auditor to audit the 2010 financial statements of CIECH S.A. and Ciech Group. The above was disclosed in Current Report no. 24 of 11 June 2010.
- On 21 June 2010, in connection with the expiry of term of the CIECH S.A. Management Board, the CIECH S.A. General Meeting appointed the following Management Board members for the next term:
  Ryszard Kunicki – President of the Management Board
  Artur Osuchowski – Member of the Management Board
  Marcin Dobrzański – Member of the Management Board
  Rafał Piotr Rybkowski – Member of the Management Board
  Andrzej Bąbaś – Member of the Management Board.

On 21 June 2010, the CIECH S.A. General Meeting dismissed the following members of the CIECH S.A. Supervisory Board:

Grzegorz Kłoczko,
Marzena Okła-Anuszewska,

while appointing the following persons to join the CIECH S.A. Supervisory Board:

Przemysław Cieszyński,
Arkadiusz Grabalski,
Waldemar Tadeusz Maj.

- On 24 June 2010, CIECH S.A. concluded a contingent sale agreement with Sotronic Sp. z o.o. for the disposal of all shares in Ciech-Service Sp. z o.o. The core business of Ciech-Service Sp. z o.o. comprises security and cleaning services. The company provides services primarily to Ciech Group entities. The agreement is contingent upon:
  - Ciech-Service being released from all security interests established in connection with the loan agreement referred to in Current Report no. 16/2010 of 26 April 2010 within 120 days from the execution of the agreement to sell shares in Ciech-Service;
  - concluding by Ciech-Service and Ciech Group companies such Addenda to their service agreements that each agreement may be terminated, subject to the respective notice period, however not before a period of five years passes from the transfer of shares in the Company to the Buyer.
  - The total sale price for shares is PLN 3,102,000, to be paid within 10 days from the Issuer's statement on the conditions precedent having been met. The sale of Ciech-Service is part of Ciech Group's restructuring initiated in 2009. The transaction was disclosed in Current Report no. 31 of 24 June 2010.
- On 9 July 2010, CIECH S.A. and Marvipol S.A. signed a Letter of Intent. The Letter of Intent provides that CIECH S.A. will enter into negotiations with Marvipol S.A., which will remain exclusive during the term of the Letter and be aimed at establishing the terms under which Marvipol S.A. is to purchase from CIECH S.A. perpetual usufruct rights to a plot of land situated in Warsaw. As specified in the Letter, the property sale and purchase agreement should be concluded not later than on 27 December 2010. The above was disclosed in Current Report no. 33 of 9 July 2010.
- On 13 July 2010, Polsin Private Limited, a Singapore-based subsidiary of CIECH S.A., entered into an agreement with NOVITUS S.A. seated in Nowy Sącz, setting out the terms and conditions of sale of the entire block of 2,036,570 shares in Zakłady Urządzeń Komputerowych Elzab S.A., which represent 12.62% of share capital. The shares carry a 19.54% voting stake at the General Meeting of Shareholders. The sale price is PLN 6,069,000, or PLN 2.98 per share. Rights will be transferred in blocks within 120 days from the execution of the agreement. The above was disclosed in Current Report no. 34 of 13 July 2010.
- On 28 July 2010, an agreement was signed to sell assets of a substantial value. The agreement was entered into by the subsidiaries of CIECH S.A.: JANIKOSODA S.A. and SODA MĄTWY S.A. as well as Gothaer Finanzholding AG, a joint stock company established under German law seated in Cologne. The agreement provides for a sale of 15,003,180 shares in the share capital of Polskie Towarzystwo Ubezpieczeń Spółka Akcyjna, accounting for 45.42% of share capital and carrying 45.12% of votes at the General Meeting.
  The carrying amount of the long-term financial investment in PTU S.A. is PLN 34.4 million as at 31 December 2009 (PLN 26.9 million as at 30 September 2010). The nominal value of one share in PTU is PLN 2. Details of interests in PTU S.A. held by Subsidiaries:

  Janikowskie Zakłady Sodowe JANIKOSODA S.A.
  Number of shares: 7,500,012
  Share in capital: 22.707%
  Share in the number of votes at the General Meeting: 23.056%
  Nominal value of shares: PLN 15,000,024
  Inowrocławskie Zakłady Chemiczne SODA MĄTWY S.A.:
  Number of shares: 7,503,168
  Share in capital: 22.716%
  Share in the number of votes at the General Meeting: 23.061%
  Nominal value of shares: 15,006,336

Preliminary selling price: PLN 136,270,000

The Share Sale Agreement was concluded under conditions precedent; if the conditions are met, the Buyer will acquire ownership of the shares on the Closing Date (conditional disposition). Maximum Term of the Agreement: until 30 June 2011.

Conditions precedent:

1. Approval from the appropriate anti-monopoly authorities (if necessary), the European Commission and the German financial supervision authority;
2. Lack of objections from the Polish Financial Supervision Authority;
3. Notification to the Polish Financial Supervision Authority of the Sellers' intent to sell the shares;
4. Approval for the Sale of Shares expressed by the Supervisory Board of Polskie Towarzystwo Ubezpieczeń;
5. Polskie Towarzystwo Ubezpieczeń S.A. obtaining and presenting to the Purchaser the relevant tax certificates;
6. Approval of the Share Sale Agreement and the conditions by the Buyer's Supervisory Board.

On the Closing Date, the shares shall be transferred to the Buyer (release report and release), who will pay the purchase price as adjusted under the terms of the Agreement. The Agreement contains standard representations and warranties by the Sellers which not only pertain to their status and title to the shares but also to the condition of Polskie Towarzystwo Ubezpieczeń S.A. (there being no liability in case of disclosure).
The Agreement provides for the following contractual penalties: each party may pay up to PLN 13,630,000 in contractual penalty if at fault – in particular, for actions resulting in the non-fulfilment of conditions precedent. Furthermore, should any material breach occur at the Sellers' fault and affect the condition of Polskie Towarzystwo Ubezpieczeń S.A. between the execution of the Agreement and the Closing Date, the Buyer may withdraw from the Agreement and claim PLN 13,630,000 in contractual penalty from the Sellers. The conditions of the Agreement conform to market practice and do not differ substantially from conditions typically applied to such contracts. This transaction was disclosed in Current Report no. 35 of 28 July 2010.

Further to the facts disclosed in the annual report, the following has occurred with regard to the case brought against PTU by FSO:
On 12 July 2010, FSO S.A. lodged an appeal that was not dismissed. On 5 August 2010, a response to the appeal was filed. The appeal filed by FSO S.A. refers to three legal issues:
1) infringement of art. 309 of the Code for Commercial Companies (CCC) by the Receiver's resolution allowing for PTU S.A. shares to be subscribed for below nominal value,
2) excessively broad interpretation of art. 14 § 2 of the CCC, validating a so-called compensatory claim of the company towards a shareholder only if a non-monetary contribution has legal defects rather than an overstated value,
3) infringement of art. 433 § 2 of the CCC when waiving the pre-emptive right of FSO S.A., triggering the invalidity of the capital increase.

In response to the appeal, a motion was filed for the refusal to consider the appeal due to the lack of significant legal issues. Nonetheless, the Supreme Court may judge that such an issue is indeed present in point 2 above and consequently accept the appeal for consideration. It seems likely that the appeal will be accepted for consideration. However, the probability of the appeal being dismissed is greater than the sentence of the Court of Appeals being annulled and the case being returned for reconsideration. The case may be ruled upon within 7-12 months.

- On 23 September 2010, Marcin Dobrzański resigned from the Management Board of CIECH S.A. effective 27 September 2010.
- On 11 October 2010, CIECH S.A. and Nafta Polska S.A. in liquidation signed respective addenda to the agreements for the sale of shares in ZACHEM S.A. and Z.Ch. "Organika-Sarzyna" S.A., entered into on 29 March 2006. Under the key provisions of the addendum to the ZACHEM S.A. share sale agreement, the timing of the following investments was extended by 3 years: conversion of electrolysis, implementation of new EPI technology and increase in the production capacity for TDI to 90,000 tonnes/year. The addendum to the Z.Ch. "Organika-Sarzyna" S.A. share sale agreement of 29 March 2006 provides for an extension by two years of the timing of one guaranteed investment – construction of a production installation for active MCPA, including infrastructure. The above was disclosed in Current Report no. 52 of 12 October 2010.
- On 19 October 2010, CIECH S.A. received a binding purchase offer from Zakłady Azotowe "Puławy" S.A. for 51,855 shares in Gdańskie Zakłady Nawozów Fosforowych "Fosfory" Sp. z o.o., accounting for 89.46% of GZNF "FOSFORY" Sp. z o.o. share capital. The fact that Z.A. "Puławy" S.A. has submitted a binding offer implies that negotiations will be launched regarding the form and content of the share sale agreement. Since other entities have expressed interest in the purchase of GZNF "FOSFORY" Sp. z o.o., the Management Board of CIECH S.A. is expecting to receive more offers. The above was disclosed in Current Report no. 56 of 19 October 2010.

Financing:

- On 22 January 2009, a group of 8 banks, parties to the Status Quo Agreement (Bank DNB Nord Polska S.A., Bank Handlowy w Warszawie S.A., Bank Millennium S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Citibank Europe Plc Dublin – Romania Branch) accepted an extension of said Agreement until 28 February 2010. As of said date, separate declarations (disclosed in Current Report no. 31/2009) had been submitted by the following banks: Calyon S.A. Oddział w Polsce, BNP Paribas S.A. Oddział w Polsce and Fortis Bank Polska S.A. The maturity date of the financing for CIECH S.A. and Ciech Group companies provided by Bank Ochrony Środowiska S.A., HSBC Bank Polska S.A., Kredyt Bank S.A. and Bank BPH S.A. was extended until 28 February 2010 or later.
  On 20 January 2010 CIECH S.A. submitted a declaration to 15 banks, analogous to the statement disclosed in Current Report no. 31/2009 of 14 August 2009. This Declaration had been valid until the earlier of the two dates: (i) 1 March 2010 or (ii) date of expiry of the Status Quo Agreement.
  Extending the validity of the Declaration and the term of the Status Quo Agreement has allowed Ciech Group to continue and finalise the work connected with setting up a new financing structure. The above was disclosed in Current Report no. 3 of 22 January 2010.
- On 25 February 2010, it was established that all the conditions precedent of the agreement amending the loan agreement between Soda Deutschland Ciech GmbH ("SDC"), Sodawerk Staßfurt GmbH &Co. KG ("SWS KG", "Company") and Sodawerk Staßfurt Holding GmbH on one side and COMMERZBANK Aktiengesellschaft on the other side had been met. The amended agreement had been concluded on 10 December 2009 with effect from 26 February 2010. The value of the loan agreement currently in place is EUR 63 million. CIECH S.A. has partially secured the loan by issuing a corporate guarantee of EUR 25 million and signing the Sponsor's Letter of Undertaking. The obligations of CIECH S.A. under the Letter include: covering potential cash shortages at SWS KG and Sodawerk Staßfurt Holding GmbH throughout the term of the loan, converting the EUR 70 million subordinated loan provided by CIECH S.A. to SDC to capital within 6 months from the execution of the Sponsor's Letter of Undertaking (this obligation could be waived if CIECH S.A. can prove that negative tax consequences

would arise for SDC Group). The final maturity of the loan was extended from 31 December 2012 to 30 September 2014. SWS KG is a CIECH S.A. subsidiary, controlled via the special purpose entity Soda Deutschland Ciech GmbH, 100% owned by CIECH S.A. SWS KG is a manufacturer of light and heavy soda ash as well as baking soda. This information was disclosed in Current Report no. 5 of 25 February 2010.

- Further to Current Reports no. 31/2009 of 14 August 2009, no. 42/2009 of 2 November 2009 and no. 44/2009 of 16 December 2009 and no. 3/2010 of 22 January 2010, the Management Board of CIECH S.A. announces that, as it was notified on 5 March 2010 that the group of 8 banks (Bank DNB Nord Polska S.A., Bank Handlowy w Warszawie S.A., Bank Millennium S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Citibank Europe Plc Dublin – Romania Branch) accepted an extension of the Status Quo Agreement until 15 March 2010. Prior to that date, the following banks had submitted individual declarations (disclosed in Current Report no. 31/2009): Calyon S.A. Oddział w Polsce, BNP Paribas S.A. Oddział w Polsce and Fortis Bank Polska S.A. The maturity of the financing for CIECH S.A. and Ciech Group provided by Bank Ochrony Środowiska S.A., HSBC Bank Polska S.A., Kredyt Bank S.A. and Bank BPH S.A. was maintained at a date not earlier than 15 March 2010. On 4 March 2010, CIECH S.A. submitted a Declaration to 15 banks, analogous to the declaration disclosed in Current Report no. 31/2009 of 14 August 2009. This Declaration had been valid until the earlier of the two dates: (i) 16 March 2010 or (ii) date of expiry of the Status Quo Agreement. Extending the validity of the Declaration and the execution of the Status Quo Agreement has allowed the Group to complete the set-up of the new financing structure. Further to the above, on 16 March 2010 the Status Quo Agreement was extended until 31 March 2010; on 1 April 2010, the Agreement was re-extended until 16 April 2010 and on 20 April 2010 it was extended again until 26 April 2010. This was disclosed in Current Reports no. 6 of 5 March 2010, no. 7 of 16 March 2010, no. 10 of 1 April 2010 and no. 13 dated 20 April 2010.
- On 26 April 2010, a loan agreement was concluded by and between CIECH S.A. as the borrower and its subsidiaries as guarantors (Agrochem Sp. z o.o. seated in Człuchów, Agrochem Sp. z o.o. seated in Dobre Miasto, JZS Janikosoda S.A., IZCh Soda Mątwy S.A., Soda Polska CIECH Sp. z o.o., ZCh Alwernia S.A., Przedsiębiorstwo Chemiczne Cheman S.A., GZNF Fosfory Sp. z o.o., ZCh Organika Sarzyna S.A., Polfa Sp. z o.o., Ciech Service Sp. z o.o., Vitrosilicon S.A., Transclean Sp. z o.o. and ZCh Zachem S.A. – hereinafter referred to as the “Companies”), and a syndicate of banks (Bank Polska Kasa Opieki S.A., Bank Handlowy w Warszawie S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A. and DNB Nord Polska S.A. – hereinafter referred to as the “Arranging Banks”). Under the Agreement, S.C. US Govora – CIECH Chemical Group S.A., hereinafter also referred to as the “Company” will join it as a guarantor and borrower.

The agreement sets out the following:

Loan tranches:
The total amount of funds borrowed will be equivalent to PLN 1,340,000,000;
The loans will be made available in four tranches, structured as follows:

- tranche A – drawn in EUR and PLN to refinance the existing liabilities of CIECH S.A. and Companies arising from loan agreements concluded with the Arranging Banks (bank overdraft, working capital and investment loans),
- tranche B – a multi-purpose line provided as a revolving loan or guarantees and letters of credit, and a supporting guarantee loan (the total amount of tranche A, tranche B and the supporting guarantee loan equals the involvement of the Arranging Banks in the refinanced loans and will not exceed PLN 1,100,000,000),
- tranche C – drawn in PLN to repay the liabilities of CIECH S.A. arising from option transactions concluded with Bank Handlowy S.A. and ING Bank Śląski S.A. (tranche C amount depending on options valuations as of the date of their early termination; as at 31 December 2009, the refinanced options are valued at PLN 140,401,000,
- tranche D – drawn in PLN to refinance the existing liabilities of CIECH S.A. and Companies arising from loan agreements concluded with banks other than the Arranging Banks (the maximum tranche D amount being PLN 100,000,000).

Loan interest
Variable interest based on WIBOR / EURIBOR plus margin dependent on the individual tranche, changing over time and affected by the net debt ratio.

Key terms of repayment include:

- quarterly amortisation of loans amounting to 10,000,000 between loan origination date and 1 March 2011,
- reduction of loans by a total PLN 400,000,000 (including quarterly amortisation and early repayment) until 31 March 2011; however, should CIECH S.A. fail to accumulate PLN 400,000,000 in its escrow account at Bank Handlowy w Warszawie S.A. by 30 December 2010, this would constitute the infringement of the Agreement, subject to waiver by the Arranging Banks through a contractually agreed majority,
- compulsory early repayment of loans in the following cases:
  - change in control, in particular if (i) the State Treasury ceases to own at least 10,270,800 shares in CIECH S.A., or (ii) any person other than the State Treasury becomes the largest shareholder of CIECH S.A. and owns at least 50% of the issued share capital of CIECH S.A., or (iii) any person other than the State Treasury, or a group of persons acting in concert, acquires control over CIECH S.A., subject to the exception that no early repayment will be required should the change in control

be permitted by a contractually agreed majority of Arranging Banks or should additional conditions be met, such as those related to the level of debt;
    - share capital increase: early repayment of loans in an amount equal to the proceeds from the increase in the share capital of CIECH S.A. or other Significant Members of Ciech Group – whether by public offering or otherwise – Significant Members of Ciech Group being defined as guarantors, selected companies from Ciech Group and fully consolidated Ciech Group companies with net assets of at least PLN 25,000,000; this is restricted by the provision that once PLN 400,000,000 has been repaid, the above duty will be subject to the level of the net debt ratio and could concern 100%, 50% or 0% of such proceeds,
    - excess cash flows: should any Ciech Group quarterly financial report, starting from the report for the period ending 31 March 2011, display free cash flows (i.e. excess consolidated cash flows over cash flows related to debt servicing) – an early repayment of loans amounting to no less than 75% of such excess cash flows; the first early repayment to be made on 30 June 2011,
    - disposal of assets, sale of shares held by CIECH S.A. or Significant Members of Ciech Group – 100% of total net proceeds from disposals made during the given quarter to credit the early repayment of loans (subject to exceptions provided for in the agreement),
    - receipt of substantial proceeds from any insurance policy against loss or damage to its assets or business,
    - conclusion of a sale and lease back of the assets of CIECH S.A. or Significant Members of Ciech Group, concerning either 100% or 75% of such proceeds depending on the given case,
    - non-compliance with the law on the side of lenders,
- one-off repayment of all outstanding loan amounts no later than on 31 December 2011 or 20 months after the execution of the agreement.

Loan security comprises:
- mortgages on real estate owned by CIECH S.A. and Companies,
- pledge on CIECH S.A. and Companies,
- assignment of rights from insurance policies related to the secured assets,
- financial pledges on bank accounts of CIECH S.A. and Companies,
- financial pledges on selected locked-in accounts of Significant Group Members (excluding Soda Deutschland CIECH Group),
- financial pledge and registered pledge on shares in Companies and in Soda Deutschland CIECH GmbH,
- guarantees issued by CIECH S.A. and Companies,
- statement on submission to execution by CIECH S.A. and companies,
- contingent assignments of rights stemming from significant commercial contracts of CIECH S.A. and Companies,
- contingent transfer of title to all movable assets of CIECH S.A. and Companies,
- contingent assignments of rights under internal loans and other borrowings to be used to distribute loan proceeds to Companies,
- proxies to the bank accounts of CIECH S.A. and Companies,
- following the inclusion of S.C. US Govora – CIECH Chemical Group S.A. in the loan agreement, certain security interests above, established on contractually agreed terms, conditions and deadlines (the Company joined the loan agreement on 15 June 2010 – Current Report no. 42/2010).

Significant provisions:
CIECH S.A. and Companies are obliged to – in particular:
- maintain appropriate levels of financial ratios as stipulated in the agreement, calculated at the Ciech Group level excluding Soda Deutschland CIECH Group and tested on a quarterly basis:
    - debt level to operating results (total consolidated net debt to consolidated EBITDA),
    - balance sheet debt ratio (total consolidated net debt to consolidated net value of property, plant and equipment),
    - interest coverage ratio (consolidated EBITDA to consolidated net finance costs),
    - guarantor coverage ratio (gross turnover and assets of loan guarantors to gross turnover and assets of Ciech Group, excluding Soda Deutschland CIECH Group),
- refrain from establishing new collateral, other than contractual security,
- refrain from disposing of assets, other than contractually permitted instances of disposal (including the sale of certain disposable assets held for sale and dispositions as indicated in the Ciech Group's business plan and restructuring plan),
- refrain from declaring and paying out dividends, except in companies with at least 75% of direct or indirect control by CIECH S.A., and in ZCh Alwernia S.A.,
- refrain from incurring debt beyond the permitted levels,
- limit capital expenditure to the level and scope specified in the agreement,
- subject to criteria and deadlines specified in the agreement, establish registered pledges on individual real properties owned by CIECH S.A. and Companies, where the value of such property exceeds PLN 5,000,000,
- refrain from entering into derivative transactions, other than contractually permitted hedging transactions, and
- appoint a restructuring advisor and submit a restructuring plan for Ciech Group within 10 weeks from the execution of the loan agreement.

Conditions precedent:
The availability of the loans will be contingent upon the Loan Agent informing CIECH S.A. that it has received (or waived) all the documents and evidence listed in the appendix to the agreement, the declarations of CIECH S.A. and Companies stipulated in the agreement being true at the time and no infringement of the agreement (as defined therein) will have taken place or be taking place. It is also a condition precedent of the payment of the loans that: CIECH S.A. and the Companies have obtained all required corporate consents, S.C. US Govora – CIECH Chemical Group S.A. has joined the loan agreement and that an agreement is signed (within 14 days from the execution of the loan agreement) between the creditors, the parties to which shall include CIECH S.A., the Companies (except for S.C. US Govora – CIECH Chemical Group S.A. – to join at a later date), the Arranging Banks, BNP Paribas S.A. oddział w Polsce, Fortis Bank Polska S.A. as well as Credit Agricole Corporate and Investment Bank S.A. oddział w Polsce. The loans will be made available not earlier than 2 months after the security documents have been signed and applications to register the security interests have been filed with the relevant registers as well as land and mortgage registers.

Criteria for qualifying the agreement as significant:
The Agreement is deemed significant on account of the total maximum amount borrowed exceeding 10% of CIECH S.A.'s equity. Moreover, further to Current Reports no. 31/2009 of 14 August 2009, no. 42/2009 of 2 November 2009, no. 44/2009 of 16 December 2009 and no. 3/2010 of 22 January 2010, no. 6/2010 of 5 March 2010, no. 7/2010 of 16 March 2010, no. 10/2010 of 1 April 2010 and no. 13/2010 of 20 April 2010, the Management Board of CIECH S.A. announces that, as was notified on 26 April 2010, that the group of 8 banks (Bank DNB Nord Polska S.A., Bank Handlowy w Warszawie S.A., Bank Millennium S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Citibank Europe Plc Dublin – Romania Branch) accepted an extension of the Status Quo Agreement until 30 April 2010. Prior to that date, the following banks had submitted individual declarations (disclosed in Current Report no. 31/2009): Calyon S.A. Oddział w Polsce, BNP Paribas S.A. Oddział w Polsce and Fortis Bank Polska S.A.
The maturity of financing granted to CIECH S.A. and Ciech Group companies by Bank Ochrony Środowiska S.A., HSBC Bank Polska S.A., Kredyt Bank S.A. and Bank BPH S.A. was extended to 30 April 2010 or later. CIECH S.A. submitted a declaration to 15 banks, analogous to the statement disclosed in Current Report no. 31/2009 of 14 August 2009.
This Declaration will remain valid until the earlier of the two dates: (i) 4 May 2010 or (ii) date of expiry of the Status Quo Agreement.

- On 29 April 2010, all outstanding option transactions between the Issuer and Bank Handlowy w Warszawie S.A. (expiring between 29 April 2010 and 5 August 2010) were terminated. As at the termination date, the liability from negative valuation of the above hedging instruments is approximately PLN 17 million. Furthermore, between 14 August 2009 and 20 April 2010 – that is, during the term of the Status Quo Agreement referred to in Report no. 31/2009 – all options expiring during the term of the Status Quo Agreement were settled. Based on the provisions of the Status Quo Agreement, the amount due to Bank Handlowy from the settled transactions was deferred. The approximate amount of liabilities from the settlement of the above options equals PLN 43.5 million. The Issuer is not a party to any outstanding option transactions with Bank Handlowy. Liabilities arising from those transactions will be refinanced based on the Ciech Group Debt Refinancing Agreement as referenced in Report no. 16/2010 of 26 April 2010.

- On 6 May 2010, CIECH S.A. was notified that the syndicate of Arranging Banks (comprising: Bank Polska Kasa Opieki S.A., Bank Handlowy w Warszawie S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A. and DNB Nord Polska S.A.) and Citibank Europe plc Dublin – Romania Branch had signed an extension of the Status Quo Agreement referred to in Current Report no. 31/2009 dated 14 August 2009 until 17 May 2010. The extension would allow the formalities related to the Debt Refinancing Agreement referred to in Report no. 16/2010 to be completed. As of said date, separate statements (disclosed in Current Report no. 31/2009 dated 14 August 2009) had been submitted by the following banks: Calyon S.A. Oddział w Polsce, BNP Paribas S.A. Oddział w Polsce and Fortis Bank Polska S.A. The maturity date of the financing granted to CIECH S.A. and Ciech Group by Bank Ochrony Środowiska S.A., HSBC Bank Polska S.A., Kredyt Bank S.A. and Bank BPH S.A. was extended to 15 March 2010 or later.
  The above actions will enable the formalities relating to the CIECH S.A. Debt Refinancing Agreement referred to in Report no. 16/2010 of 26 April 2010 to be fulfilled.

- On 17 May 2010, one of the conditions precedent of the loan agreement as referred to in Report no. 16/2010 dated 26 April 2010 was met. That is, an agreement was concluded by and between the creditors, i.e., Ciech S.A. and its subsidiaries (Agrochem Sp. z o.o. seated in Człuchów, Agrochem Sp. z o.o. seated in Dobre Miasto, JZS Janikosoda S.A., IZCh Soda Mątwy S.A., Soda Polska CIECH Sp. z o.o., ZCh Alwernia S.A., Przedsiębiorstwo Chemiczne Cheman S.A., GZNF Fosfory Sp. z o.o., ZCh Organika Sarzyna S.A., Polfa Sp. z o.o., Ciech Service Sp. z o.o., Vitrosilicon S.A., Transclean Sp. z o.o. and ZCh Zachem S.A.), as well as a syndicate of banks (Bank Polska Kasa Opieki S.A., Bank Handlowy w Warszawie S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A. and DNB Nord Polska S.A.) and BNP Paribas S.A. Oddział w Polsce, Crédit Agricole Corporate and Investment Bank S.A. Oddział w Polsce as well as Fortis Bank Polska S.A.
  The creditor agreement was concluded to meet one of the conditions precedent of the loan agreement concluded by the Companies and Arranging Banks on 26 April 2010 and referred to in Report no. 16/2010. Terms of the creditor agreement include the following:
  - The Arranging Banks, BNP Paribas S.A. Oddział w Polsce, Crédit Agricole Corporate and Investment Bank S.A. Oddział w Polsce and Fortis Bank Polska S.A. shall extend the maturity of financing provided to

Companies based on existing loan agreements until the earlier of the two dates: (i) 24 August 2010 or (ii) the day that respective loans have been used to refinance the existing borrowings, based on the loan agreement described in Report no. 16/2010.

- Ciech S.A. and the applicable Companies have committed to, among other obligations, extend the financing provided by banks, such as HSBC Bank Polska S.A., Bank Ochrony Środowiska S.A., Bank BPH S.A. and Kredyt Bank S.A. until 24 August 2010.
- The creditor agreement also sets out priority rules for allocating repayments to lenders.
- Ciech S.A. as well as BNP Paribas S.A. Oddział w Polsce, Crédit Agricole Corporate and Investment Bank S.A. Oddział w Polsce and Fortis Bank Polska S.A. resolved to make every effort to conclude bilateral loan agreements within 5 working days to refinance the existing debt.
- Companies (other than Ciech S.A.) guaranteed Ciech S.A.'s liabilities under the expected bilateral loan agreements. The guarantees are analogous to those issued based on the loan agreement described in Report no. 16/2010.
- The principles for establishing pledges in favour of BNP Paribas S.A. Oddział w Polsce, Crédit Agricole Corporate and Investment Bank S.A. Oddział w Polsce and Fortis Bank Polska S.A. were determined (pledge terms should generally match those established under the loan agreement described in Report no. 16/2010, subject to respective provisions on priority of claims to the securities). The above was disclosed in Current Report no. 21 dated 18 May 2010.

- On 15-17 June 2010, CIECH S.A. and certain subsidiaries (namely: Agrochem Sp. z o.o. seated in Człuchów, Agrochem Sp. z o.o. seated in Dobre Miasto, JZS Janikosoda S.A., IZCh Soda Mątwy S.A., Soda Polska CIECH Sp. z o.o., ZCh Alwernia S.A., Przedsiębiorstwo Chemiczne Cheman S.A., GZNF Fosfory Sp. z o.o., ZCh Organika Sarzyna S.A., Polfa Sp. z o.o., Ciech Service Sp. z o.o., Vitrosilicon S.A., Transclean Sp. z o.o. and ZCh Zachem S.A.) as well as certain other subsidiaries signed the following security documents in order to meet one of the conditions precedent of the loan agreement dated 26 April 2010 (referred to in Raport no. 16/2010) and of the creditor agreement of 17 May 2010 mentioned in Report no. 21/2010;
  - declarations on mortgages established on real property (either owned by or in perpetual usufruct) of CIECH S.A. and Companies in favour of the following banks: Bank Polska Kasa Opieki S.A., Bank Handlowy w Warszawie S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A. and DNB Nord Polska S.A., hereinafter referred to as the “Arranging Banks”, as well as BNP Paribas S.A. Oddział w Polsce, Crédit Agricole Corporate and Investment Bank S.A. Oddział w Polsce, and Fortis Bank Polska S.A. – hereinafter jointly with the Arranging Banks referred to as the “Creditors”. The total book value of mortgaged real property is approximately PLN 558 million. Since the value exceeds 10% of CIECH S.A.'s equity, the assets are qualified as assets of substantial value. The mortgages secure a maximum of PLN 1,340,000,000 in liabilities. The mortgaged real property constitutes all material assets of CIECH S.A. and Companies;
  - registered pledge agreements between each Company or CIECH S.A. (as pledger) and Powszechna Kasa Oszczędności Bank Polski S.A. (as pledgee) related to a variable set of movable assets and rights – including:
    - registered pledge agreements between CIECH S.A. (as pledger) and Powszechna Kasa Oszczędności Bank Polski S.A. (as pledgee) of 15 June 2010, related to a variable set of movable assets and rights with a total book value of PLN 1,970,261,000, which – being in excess of 10% of CIECH S.A.'s equity – qualified as assets of substantial value; these assets secure a maximum of PLN 2,010,000,000 in liabilities. Based on art. 393 point 3) of the Code for Commercial Companies, the validity of this agreement will be contingent upon adoption of a resolution by the General Meeting of CIECH S.A.;
    - registered pledge agreements between ZCh Zachem S.A. (as pledger) and Powszechna Kasa Oszczędności Bank Polski S.A. (as pledgee) of 15 June 2010, related to a variable set of movable assets and rights with a total book value of PLN 173,557,000, which – being in excess of 10% of CIECH S.A.'s equity – qualified as assets of substantial value; these assets secure a maximum of PLN 1,340,000,000 in liabilities;
    - registered pledge agreements between GZNF Fosfory Sp. z o.o. (as pledger) and the bank Powszechna Kasa Oszczędności Bank Polski S.A. (as pledgee) dated 15 June 2010, related to a variable set of movable assets and rights with a total book value of PLN 175,157,383.34, which – being in excess of 10% of CIECH S.A. equity – qualified as assets of substantial value; these assets secure a maximum of PLN 1,340,000,000 in liabilities;
    - registered pledge agreements between ZCh Organika Sarzyna S.A. (as pledger) and the bank Powszechna Kasa Oszczędności Bank Polski S.A. (as pledgee) dated 15 June 2010, related to a variable set of movable assets and rights with a total book value of PLN 342,746,000, which – being in excess of 10% of CIECH S.A. equity – qualified as assets of substantial value; these assets secure a maximum of PLN 1,340,000,000 in liabilities;
    - registered pledge agreements between Soda Polska Ciech Sp. z o.o. (as pledger) and the bank Powszechna Kasa Oszczędności Bank Polski S.A. (as pledgee) dated 15 June 2010, related to a variable set of movable assets and rights with a total book value of PLN 323,077,978, which – being in excess of 10% of CIECH S.A. equity – qualified as assets of substantial value; these assets secure a maximum of PLN 1,340,000,000 in liabilities;
  - assignment agreements for the rights from insurance policies written on secured assets, as well as a contingent assignment of rights from significant trade contracts of the Companies and CIECH S.A. and rights from intra-group loans or other borrowings used to distribute loan proceeds to the Companies – between each

Company and CIECH S.A. (as assignor) and the bank Powszechna Kasa Oszczędności Bank Polski S.A. (as assignee);

- financial pledge agreements on the bank accounts of the Companies and CIECH S.A. – between each Company and CIECH S.A. (as pledger) and the Creditors (as pledgees);
- financial pledge agreements on selected locked-in bank accounts of the Companies and CIECH S.A., as well as the companies Zachem UCR Sp. z o.o., Boruta Zachem Kolor Sp. z o.o., Transoda Sp. z o.o. and S.C. US Govora – CIECH Chemical Group S.A., the agreements being concluded between each of the above companies (as pledger) and the Creditors (as pledgees);
- financial pledge agreements on shares in Companies concluded between CIECH S.A. or a relevant Company holding shares in the given Company (as pledger) and the Creditors (as pledgees). Shares in ZCh Organika Sarzyna S.A. and ZCh Zachem S.A. were not subject to a pledge;
- financial pledge agreements on the Companies' shares concluded between CIECH S.A. or a relevant Company holding shares in the given Company (as pledger) and the bank Powszechna Kasa Oszczędności Bank Polski S.A. (as pledgee). Shares in ZCh Organika Sarzyna S.A. and ZCh Zachem S.A. were not subject to a pledge;
- financial pledge agreement on the shares in Soda Deutschland Ciech GmbH (under the rule of German law) concluded between CIECH S.A. (as pledger) and the Creditors (as pledgees);
- declarations on submission to execution by the Companies, CIECH S.A. and S.C. US Govora – CIECH Chemical Group S.A. to each Creditor;
- agreements for contingent transfer of title to movable assets of CIECH S.A. and Companies – between each respective Company or CIECH S.A. and Powszechna Kasa Oszczędności Bank Polski S.A.;
- proxies to the bank accounts of CIECH S.A. and Companies granted to Powszechna Kasa Oszczędności Bank Polski S.A.

- On 4 August 2010, as a result of the analyses and restructuring recommendations prepared by PwC Polska S.A., CIECH S.A. decided to adopt a restructuring plan for CIECH S.A. and the key related companies for the years 2010-2015. The Restructuring Plan was adopted to fulfil CIECH S.A.'s obligations set out in the loan agreement of 26 April 2010 and the agreement with the creditors of 17 May 2010. The Restructuring Plan was backed by the Company's Supervisory Board in a resolution passed on 4 August 2010.
Based on the Restructuring Plan, Ciech Group will implement in 2010-2015 restructuring initiatives (tasks) aimed at improving its financial standing and increasing potential for debt repayment and operations growth. The initiatives are categorised as "quantified", if their effect was captured in a relevant financial model, or "other", if their effect could not be quantified in a reliable manner (although, if implemented, they could result in additional revenue and savings).

The Restructuring initiatives captured in the financial model include:

1) sale of all shares in core Ciech Group companies, i.e. VITROSILICON Spółka Akcyjna, "Alwernia" S.A., GZNF "FOSFORY" Sp. z o.o., to generate cash and exit markets perceived by the Group as non-strategic (within 32 months);
2) sale of shares in 8 large non-core companies, i.e. PTU S.A., Zakłady Azotowe Tarnów S.A., Transoda Sp. z o. o., Transclean Sp. z o.o., Polfa Sp. z o.o. (including Polfa Hungaria), ELZAB S.A., Ciech Service Sp. z o.o. and Polskie Konsorcjum Chemiczne Sp. z o.o. – to generate cash, reduce resources spent on shareholder oversight and increase Ciech Group's transparency (within 12 months);
3) further to an analysis of prospective profitability and economic viability – sale of selected business units of ZACHEM S.A. to generate cash and exit markets perceived by Ciech Group as non-strategic (within 18 months);
4) further to an analysis of prospective profitability and economic viability – discontinuation and liquidation of selected production lines at ZACHEM S.A., GZNF "Fosfory" Sp. z o.o. and Soda Polska Ciech Sp. z o.o. in order to eliminate unprofitable manufacture and reduce resultant operating losses (within 14 months);
5) sale of more than a dozen of major non-core operating real properties, including the property at ul. Powązkowska 46/50 in Warsaw, to generate cash, reduce property maintenance costs – including human supervision costs – and achieve cost effectiveness on real property through adjusting the asset structure to core operations (within 8 to 30 months);
6) workforce restructuring at GZNF "Fosfory" Sp. z o.o., ZACHEM S.A., Soda Polska Ciech Sp. z o.o., VITROSILICON Spółka Akcyjna and Uzinele Sodice Govora as well as at Ciech Group level, in order to reduce employment to fit the new organisational structure and optimise operating costs (within 8 to 32 months);
7) sale of other non-essential assets and property rights in Soda Polska Ciech Sp. z o.o., Uzinele Sodice Govora and VITROSILICON Spółka Akcyjna, in order to raise cash (within 12 to 24 months);
8) tax optimisation, mostly related to refund of tax on civil law transactions and VAT setttlement at Soda Polska Ciech Sp. z o.o., VITROSILICON Spółka Akcyjna as well as Z.Ch. "Organika – Sarzyna" S.A.;
9) capital expenditure optimisation, including:
a) review of the investment schedule for the MCPA production installation at Z.Ch. "Organika-Sarzyna" S.A., to allocate capital expenditures to non-productive periods (over 36 months);
b) postponement of the investment schedule for the conversion of diaphragm electrolysis to membrane electrolysis until 2010 at ZACHEM S.A., to free up cash and maintain investment commitments and production (over 60 months).

Restructuring Plan initiatives not captured in the financial model include:

1) pre-sale activities and sale of shares in minor, non-core companies owned by ZACHEM S.A. (8 entities), Z.Ch. "Organika-Sarzyna" S.A. (9 entities) and in Cheman S.A. (owned by Ciech Finance Sp. z o.o.), to raise cash,

reduce resources spent on shareholder oversight, limit the risk of incurring additional expenses and increase Ciech Group's transparency (within 14 months);
2) divestment of interests in 48 companies by initiating six and actively continuing 30 divestment processes while monitoring bankruptcy proceedings and disposing of marginal blocks of shares in 12 companies, in order to reduce the risk of incurring additional expenses, increase Ciech Group's transparency and reduce resources spent on shareholder oversight (within 60 months);
3) pre-sale activities and sale of the remaining operating real estate deemed non-essential as a result of a detailed property portfolio review at ZACHEM S.A., Alwernia S.A., Z.Ch. "Organika-Sarzyna" S.A., Soda Deutschland Ciech, Uzinele Sodice Govora and Ciech Finance Sp. z o.o., to raise cash, reduce property maintenance costs – including human supervision costs, and achieve cost effectiveness on real property through adjusting the asset structure to core operations (within 8 to 60 months);
4) preparation and implementation of short-term turnaround programmes at Uzinele Sodice Govora and ZACHEM S.A. (in connection with their financial situation and delays in restructuring), to achieve lasting positive EBITDA through means such as optimal cost reduction and asset management efficiency (over 12 months);
5) Group workforce optimisation and adjustment, including – upon completion of the restructuring initiatives and determination of the final organisational structure of Ciech Group – optimisation of support personnel (over 36 months);
6) reduction in net working capital by improving working capital management at selected Ciech Group companies to improve liquidity and raise additional financing (within 6 to 9 months);
7) optimisation of procurement terms (pricing and contractual) with key suppliers and with regard to key supply categories in order to attain cost savings by consolidating supplier contracts across Ciech Group, consolidating volumes in key supply categories within the Group and optimising the commercial terms of selected contracts (within 6 to 21 months).
Total potential net proceeds and savings from restructuring initiatives set out in the Restructuring Plan are estimated at PLN 600 million.

- On 9 and 10 August 2010, CIECH S.A. was notified of the establishment of joint collateral mortgages on assets owned by subsidiary Zakłady Chemiczne "Organika-Sarzyna" S.A. Based on the International Financial Reporting Standards, the approximate total net value of assets subject to the joint collateral mortgages is PLN 76,003,000 (as at 31 July 2010). A detailed overview of the mortgaged assets, along with a list of banks in favour of whom the mortgages were established, was disclosed in the revised Current Reports: no. 38/2010 of 9 November 2010 and no. 39/2010 of 9 November 2010. The joint collateral mortgages were established based on Ciech Group's Debt Refinancing Agreement executed on 26 April 2010, the Creditor Agreement as well as documents signed as reported by the Management Board of CIECH S.A. in Current Report no. 29/2010 of 21 June 2010. The above was disclosed in Current Reports no. 38 and 39 of 10 and 11 August 2010.
- On 12 August 2010, all outstanding option transactions between CIECH S.A. and ING Bank Śląski S.A. (expiring between 27 January 2011 and 19 May 2011) were terminated. Moreover, between 16 July 2009 and 5 August 2010, all options expiring between 16 July 2010 and 20 January 2011 were settled. Total liabilities arising from the above-mentioned transactions amount to PLN 64 million. Due to the above and in connection with the early termination of all outstanding option transactions with Bank Handlowy w Warszawie S.A., CIECH S.A. is no longer party to any outstanding options. Liabilities arising from those transactions will be refinanced based on Ciech Group's Debt Refinancing Agreement. The above information was disclosed in Current Report no. 40 of 12 August 2010.
- On 12 August 2010, a mandate letter was signed by the European Bank for Reconstruction and Development, the Ministry of Treasury and CIECH S.A. The document confirms EBRD's interest in a project to provide the Issuer with long-term financing of up to PLN 300 million in a formula deemed most appropriate. The project successfully passed the first stage of the evaluation process at EBRD. The terms of the financing are subject to subsequent negotiations, pending further assessment of the project, the financing instrument selected, the expected structure of the transaction and the approval by the CIECH S.A. and EBRD management. The above was disclosed in Current Report no. 41 of 13 August 2010.
- On 17 August 2010, the conditions precedent of availability of loans to CIECH S.A. and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. were met, as set out in the loan agreement dated 26 April 2010 referred to in Report no. 16/2010, concluded between CIECH S.A. with its subsidiaries (namely: Agrochem Sp. z o.o. seated in Człuchów, Agrochem Sp. z o.o. seated in Dobre Miasto, JZS Janikosoda S.A., IZCh Soda Mątwy S.A., Soda Polska CIECH Sp. z o.o., ZCh Alwernia S.A., Przedsiębiorstwo Chemiczne Cheman S.A., GZNF Fosfory Sp. z o.o., ZCh Organika Sarzyna S.A., Polfa Sp. z o.o., Ciech Service Sp. z o.o., Vitrosilicon S.A., Transclean Sp. z o.o. and ZCh Zachem S.A.) and the bank syndicate (Bank Polska Kasa Opieki S.A., Bank Handlowy w Warszawie S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A. and DNB Nord Polska S.A.), joined by S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. on 15 June 2010.
  The availability of loans as provided in the loan agreement referred to in Report no. 16/2010 was contingent upon CIECH S.A. being notified by Bank Handlowy w Warszawie S.A. (loan agent) that the Bank had received (or, in some cases, waived) all the documents and evidence listed in the appendix to the loan agreement, the statements of CIECH S.A. and its subsidiaries stipulated in the loan agreement being true at the time and no infringement of the agreement (as defined therein) had taken or was taking place. As the conditions precedent had been met, on 17 August 2010 CIECH S.A. and S.C. US Govora – CIECH Chemical Group S.A. lodged an application for a term loan to be paid out by 24 August 2010 and for a revolving loan to be paid out by 24 and 25 August 2010. The above was disclosed in Current Report no. 42 of 18 August 2010.
- On 24 and 25 August 2010, the term and revolving loans to refinance the existing debt were paid out as per the application. The total amount made available and drawn is PLN 1,285 million. The loan was split into a term tranche of PLN 1,210 million, revolving loans of PLN 30 million as well as guarantees and letters of credit.

- On 12 October 2010, a set of registered pledges was established on the shares of Soda Polska Ciech Sp. z o.o. and registered in the company's share register. The approximate total net value of assets under the registered pledges is PLN 498,118,000. The above was disclosed in Current Report no. 53 of 14 October 2010.
- On 14 October 2010, it was communicated by Soda Polska Ciech Sp. z o.o. (an indirect subsidiary of CIECH S.A.) that pledges had been established on a set of movable assets and rights owned by Soda Polska Ciech Sp. z o.o. in favour of Powszechna Kasa Oszczędności Bank Polski S.A. The net value of the Set of Movable Assets and Rights as at the date of this Agreement is estimated at PLN 323,078,000, based on Pledger estimates. The above was disclosed in Current Report no. 54 of 14 October 2010.
- In October 2010, joint collateral mortgages were established on certain assets of Zakłady Chemiczne ZACHEM S.A., a subsidiary of CIECH S.A. The assets in question comprise real estate either owned by or in perpetual usufruct of Zakłady Chemiczne ZACHEM S.A. The total net value of the assets under joint collateral mortgages is estimated at PLN 259,273,000. The above was disclosed in the revised Current Reports no. 57 and 58 of 9 November 2010.
- On 21 October 2010, joint collateral mortgages were established on certain assets of Gdańskie Zakłady Nawozów Fosforowych "Fosfory" Sp. z o.o., a subsidiary of CIECH S.A. Under International Accounting Standards, the approximate total net value of assets under joint collateral mortgages is PLN 68,456,000 (as at 30 September 2010). The above was disclosed in the revised Current Report no. 59 of 9 November 2010.
- On 28 October 2010, the Extraordinary General Meeting of CIECH S.A. adopted resolutions concerning:
  - Company share capital increase by an amount not smaller than PLN 5 and not greater than PLN 115,000,000, not to exceed PLN 255,001,420 in share capital, through issue of between 1 and 23,000,000 series D ordinary bearer shares with a nominal value of PLN 5 each. The above was disclosed in Current Report no. 61 of 28 October 2010.
  - the deadline for the execution of share purchase rights for Series D Shares, which will be determined in the CIECH S.A. prospectus, prepared based on the relevant laws and regulations in connection with the public offering and application for admission and listing of share purchase rights for Series D Shares, allotment certificates for Series D Shares and Series D Shares themselves to the regulated market maintained by Giełda Papierów Wartościowych w Warszawie S.A.
- On 27 October 2010, CIECH S.A. (lender) and ZACHEM S.A. (borrower) concluded a loan agreement for PLN 43,000,000 and USD 9,000,000. The loan, used to finance the borrower's working capital, will be paid out in full within 7 weeks from the conclusion of the agreement. The loan matures on 31 December 2012.

2. Description of Ciech Group's achievements during the period from 1 January to 30 September 2010, together with factors and events significantly affecting the financial result

2.1 Key financial data

During the three quarters of 2010, Ciech Group generated a net loss of PLN 66,827,000, with the balance sheet total equal to PLN 3,977,712,000 and an increase in net cash of PLN 114,744,000.

The table below includes selected financial data and the key financial ratios for the three quarters of 2010 and the corresponding period of 2009.

Selected financial data

in PLN thousands	**01.01-30.09.2010**	**01.01-30.09.2009**	**change 2010/2009**
Net revenue from sales	**2 934 281**	**2 787 302**	**5,3%**
Cost of sales	2 512 125	2 309 379	8,8%
Gross profit on sales	422 156	477 923	(11,7%)
Distribution costs	203 339	190 648	6,7%
Administrative expenses	171 937	179 024	(4,0%)
Other operating revenues / costs	48 286	94 285	(48,8%)
Profit on operating activities	**95 166**	**202 536**	(53,0%)
Finance income / costs	(147 704)	(182 580)	19,1%
Share of the net profit of associates and subsidiaries accounted for using the equity method	363	1 272	(71,5%)
Income tax	(14 652)	(35 464)	58,7%
Gain on sale of discontinued operations	-	-	-
Net profit	**(66 827)**	**(14 236)**	**(369,4%)**
Net profit attributable to non-controlling interests	(4 183)	(3 447)	(21,4%)
Net profit attributable to owners of the parent	**(62 644)**	**(10 789)**	**(480,6%)**
EBITDA	274 133	372 165	(26,3%)

in PLN thousands	**30.09.2010**	**31.12.2009**	**30.09.2009**
Value of assets	**3 977 712**	**4 017 749**	**4 170 678**
Non-current assets	2 577 067	2 751 679	2 777 570
Current assets, including:	1 400 645	1 266 070	1 393 108
- inventory	337 623	314 228	338 103
- current receivables	861 026	817 175	892 348
- cash and cash equivalents	168 963	131 638	161 099
- short-term investments	1 622	2 529	1 558
- non-current assets held for sale	31 411	500	-
Total equity	**776 128**	**853 807**	**934 441**
Equity attributable to owners of the parent	743 720	816 575	893 268
Non-controlling interests	32 408	37 232	41 173
Non-current liabilities	1 031 594	1 179 661	1 333 130
Current liabilities	2 169 990	1 984 281	1 903 107

in PLN thousands	**01.01-30.09.2010**	**01.01-30.09.2009**	**change 2010/2009**
Net cash flows from operating activities	222 377	347 242	(35.9%)
Net cash flows from investing activities	(78 584)	(275 045)	71.4%
Net cash flows from financing activities	(29 049)	(36 837)	21.1%
Total net cash flows	**114 744**	**35 360**	224.5%
including free cash flows	***143 793***	***72 197***	*99.2%*

	30.09.2010	**31.12.2009**	**30.09.2009**	**change 30.09.2010/ 30.09.2009**
Net earnings per share	**(2.24)**	**(3.29)**	**(0.39)**	**(1.85)**
Net profit margin	(2.3%)	(2.5%)	(0.5%)	(1.8 p.p.)
EBIT %	3.2%	3.7%	7.3%	(4.1 p.p.)
EBITDA %	9.3%	9.9%	13.4%	(4.1 p.p.)
Current ratio	0.65	0.64	0.73	(11.8%)
Quick ratio	0.49	0.48	0.55	(11.6%)
Debt ratio	80.5%	78.6%	77.6%	2.9%
Equity to total assets ratio	19.5%	21.4%	22.4%	(2.9%)

Source: CIECH S.A.

Ratios calculated as follows:
net earnings per share *– net profit / weighted average number of ordinary shares in the given period (as defined in IAS 33 "Earnings per share")*
net profit margin *– net profit for the period / net revenue from sales of products, materials, goods for resale and services for the period*
EBIT% *– operating profit for the period / net revenue from sales of products, materials, goods for resale and services for the period*
EBITDA% *– (operating profit + amortisation and depreciation for the period) / net revenue from sales of products, materials, goods for resale and services for the period*
current ratio *– current assets at the end of period / current liabilities at the end of period*
quick ratio *– (current assets less inventory at the end of period) / current liabilities at the end of period*
debt ratio *– short- and long-term liabilities at the end of period / total assets at the end of period*
equity to total assets ratio *– total equity at the end of period / total assets at the end of period*

2.2 Revenue from sales

Ciech Group's net consolidated revenue from sales for the three quarters of 2010 amounted to PLN 2,934,281,000. Compared to the same period last year, revenue increased by PLN 146,979,000, or 5.3%. The increase was driven mainly by growing revenue from sale of TDI and resins (total increase of PLN 176,307,000), which contributed substantially to Organics revenue growth. Furthermore, the Silicates and Glass segment in the Agro-Silicon Division increased its revenue in relation to 2009, which is mostly attributed to a change from a consignment agreement for the sale of sulphur to a trade operatorship.
Ciech Group's operations focus on four business segments: Soda, Organics, Agrochemicals and Silicates and Glass. The four segments account for over 95% of Ciech Group's revenue from sales. The revenue structure has not changed in relation to the same period last year. Organics were the largest item in Group sales revenue in the three quarters of 2010, their share increasing from 33.1% to 38.8% – a notable improvement for the segment. Soda, in turn, suffered a more than 5% drop compared to the previous year, mainly due to persistent weakness of soda ash prices since the start of this year.

Revenue from sales – business segments

in PLN thousands	three quarters of 2010	three quarters of 2009	change	% change	% of total revenue after three quarters of 2010	% of total revenue after three quarters of 2009
Soda segment – Soda Division, including:	**1 070 206**	**1 163 871**	**(93 665)**	**(8.0%)**	**36.5%**	**41.8%**
Dense soda ash	625 572	677 774	(52 202)	(7.7%)	21.3%	24.3%
Light soda ash	186 007	209 355	(23 348)	(11.2%)	6.3%	7.5%
Salt	106 552	93 972	12 580	13.4%	3.6%	3.4%
Baking soda	71 706	73 288	(1 581)	(2.2%)	2.4%	2.6%
Calcium chloride	24 701	17 496	7 205	41.2%	0.8%	0.6%
Organics segment – Organika Division, including	**1 138 076**	**921 654**	**216 422**	**23.5%**	**38.8%**	**33.1%**
TDI	402 544	327 330	75 214	23.0%	13.7%	11.7%
Resins	280 518	179 425	101 093	56.3%	9.6%	6.4%
PUR foams	139 559	109 329	30 230	27.7%	4.8%	3.9%
Plant protection chemicals	101 204	108 713	(7 509)	-6.9%	3.4%	3.9%
Plastics	69 187	164 833	(95 646)	(58.0%)	2.4%	5.9%
EPI	44 382	29 257	15 125	51.7%	1.5%	1.0%
Agrochemicals segment – Agro-Silicon Division, including	**360 005**	**371 537**	**(11 532)**	**-3.1%**	**12.3%**	**13.3%**
Fertilisers	218 407	205 730	12 677	6.2%	7.4%	7.4%
Phosphoric acid	1 421	41 127	(39 706)	-96.5%	0.0%	1.5%
Sodium tripolyphosphate	2 223	14 643	(12 420)	-84.8%	0.1%	0.5%
Feed	2 533	12 206	(9 673)	-79.2%	0.1%	0.4%
Grain	11 236	11 213	23	0.2%	0.4%	0.4%
Silicates and Glass segment – Agro-Silicon Division, including	**222 233**	**165 382**	**56 851**	**34.4%**	**7.6%**	**5.9%**
Sulphur	92 174	11 802	80 372	681.0%	3.1%	0.4%
Glass blocks and packaging	70 227	74 324	(4 097)	(5.5%)	2.4%	2.7%
Sodium glass	37 800	35 703	2 097	5.9%	1.3%	1.3%
Sodium water glass	13 729	13 330	399	3.0%	0.5%	0.5%
Other operations	**143 761**	**164 858**	**(21 097)**	**(12.8%)**	**4.9%**	**5.9%**
TOTAL	**2 934 281**	**2 787 302**	**146 979**	**5.3%**	**100.0%**	**100.0%**

2.3 Gross profit on sales and operating profit

After three quarters of 2010, gross profit on sales amounted to PLN 422,156,000, compared to PLN 477 923,000 in the same period last year. Operating profit amounted to PLN 95,166,000 versus PLN 202,536,000 in the comparative period.

The presented data was positively affected by:

- improvement in TDI sales margins and volumes, compared to a low level during the same period last year,
- improvement in volumes and margins within the epoxy resin industry, compared to the first three quarters of 2009,
- dynamic sales growth observed in the domestic chemical industry between January and September 2010, compared to the same period in 2009 (based on constant prices – 25.7% for chemicals and chemical products, 15.2% for rubber and plastics),
- robust growth in domestic production of phosphorus-based fertilisers (a 105% volume increase during January-September 2010 from the low base of the first third quarters of 2009,
- upward price trend in global and European phosphorus-based fertiliser markets (an average growth of several percent compared to the second quarter of this year) accompanied by stability of phosphorite (raw material) prices,
- higher sales volumes of soda ash, compared to the first three quarters of 2009.

The data shown was also affected by one-off events including:

- sale of surplus greenhouse gas emission allowances by Soda Polska Ciech Sp. z o.o. and VITROSILICON Spółka Akcyjna,

- sale of shares in Zakłady Azotowe Tarnów by CIECH S.A.,
- sale of non-current assets by ZACHEM S.A. in 2009.

The presented data was negatively affected by:

- extremely low prices of ash soda present in the European markets in the last 4 years (approximately 30% short of peak prices in Q1 2009) despite rising production costs,
- excess supply in the ash soda European market (entry of a Turkish supplier) and slow recovery in demand (after a 15-20% drop in consumption in 2009),
- falling sales of plant protection chemicals caused by unfavourable weather (exceptionally long winter, followed by flooding in Q2) and difficulties in the agriculture sector,
- reduced sales in the domestic construction and assembly industry noted in the first 9 months of 2010, with the drop amounting to 1.5% compared to the same period last (the chemicals industry manufactures numerous raw materials and other inputs),
- upward trend in crude oil prices throughout the third quarter of 2010, causing suppliers to increase (or press to increase) raw material prices in the organic industry.

The EBIT margin amounted to 3.2% as of the end of the third quarter of 2010 (vs 7.3% a year earlier), while the EBITDA margin was 9.3% (vs 13.4% a year earlier).

2.4 Net result

The consolidated net result for the three quarters of 2010 was PLN -66,827,000, including a net loss of PLN 62,644,000 attributable to owners of the parent. Net profit margin was -2.3%. Other than a lower operating result, the net result for the three quarters of 2010 was materially and adversely affected by debt servicing costs and a negative balance of foreign exchange differences. The sale of shares in Zakłady Azotowe Tarnów by CIECH S.A. was also a negative contribution.

Financial results by business line

in PLN thousands	**01.01-30.09.2010**	**01.01-30.09.2009**	**Change 2010/2009**
1. Profit on operating activities	95 166	202 536	(53,0%)
2. Net finance income / costs	(147 704)	(182 580)	19,1%
3. Share of the net profit of associates and subsidiaries accounted for using the equity method	363	1 272	(71,5%)
4. Income tax	(14 652)	(35 464)	58,7%
5. Gain on sale of discontinued operations	-	-	-
6. Net result (1+2+3-4+5)	**(66 827)**	**(14 236)**	**(369.4%)**
7. Net profit / loss attributable to non-controlling interests	(4 183)	(3 447)	(21.4%)
8. Net profit / loss attributable to owners of the parent (6-7)	**(62 644)**	**(10 789)**	**(480.6%)**

Source: CIECH S.A.

2.5 Assets

As at the end of September 2010, Ciech Group's non-current assets were valued at PLN 2,577,067,000. Compared to 31 December 2009, this represents a PLN 174,612,000 decline. The largest drop occurred in property, plant and equipment, amounting to PLN 91,935,000 compared to the end of 2009. One of the reasons for the fall in carrying amount of property, plant and equipment are the sales and liquidations of assets at Ciech Group companies. Other long-term investments declined in value as a result of the sale of shares in Zakłady Azotowe Tarnów held by CIECH S.A.

Ciech Group's current assets amounted to PLN 1,400,645,000 as at 30 September 2010. Current assets mainly consisted of trade and other receivables (60.1%) and inventory (24.1%). Compared to the end of December 2009, the value of current assets rose by PLN 134,575,000, the largest contributor being trade and other receivables (increase by PLN 54,025,000, mainly at CIECH S.A.). Moreover, assets held for trading included such items as shares in PTU S.A., which had previously been classified as investments in associates and jointly controlled entities measured using the equity method, as well as shares in Ciech Service Sp. z o.o., a subsidiary of CIECH S.A.

2.6 Liabilities

Total long- and short-term liabilities of Ciech Group amounted to PLN 3,201,584,000 as at 30 September 2010 – an increase of PLN 37,642,000 (or 1.2%) since the end of December 2009.

Compared to 31 December 2009, borrowings received (plus bank overdraft) increased by PLN 95,508,000 as a result of larger debt incurred by entities such as CIECH S.A. and Soda Deutschland CIECH Group, as well as reclassification of currency option liabilities to loans.
Other long-term liabilities, compared to the end of December 2009, fell, chiefly due to partial repayment of liabilities arising from assignments of receivables and lower liability from financial instruments.

The debt ratio (short- and long-term liabilities divided by total assets) was 80.5% as at 30 September 2010 (78.6% at the end of December 2009). Ciech Group's consolidated net debt (total long- and short-term liabilities from borrowings, current account overdraft and other debt instruments: bonds, finance leases, option liabilities, SWAP liabilities – less cash and cash equivalents) was PLN 1,635,815,000 as at 30 September 2010, or PLN 85,416,000 less than at the end of December 2009.

Liquidity ratios were maintained at the levels observed at the end of 2009. The current ratio (total current assets / total current liabilities) was 0.65 as at 30 September 2010 (0.64 at the end of 2009), while the quick ratio was 0.49 (0.49 at the end of 2009).

2.7 Cash flows

Total net cash flows were positive in the three quarters of 2010, amounting to PLN 114,744,000. Ciech Group generated PLN 79,384,000 more cash than in the same period last year. Operating cash flows, which added up to PLN 222,377,000, were PLN 124,865,000 lower than those generated between January and September 2009.

Investment outflows exceeded inflows by PLN 78,584,000, or PLN 196,461,000 less than in the corresponding period of 2009. Net cash flows from investing activities were most affected by purchases of intangible assets and property, plant and equipment in SODA MĄTWY Group, ZACHEM Group and Z. Ch. "Organika-Sarzyna" S.A. in connection with ongoing development investments.

Net cash flows from financing activities were negative at PLN -29,049,000, PLN 7,788,000 less than in the three quarters of 2009. The main negative driver was a lower net flow from the change in the balance of borrowings.

2.8 Information on Ciech Group's financial standing

Profitability in the three quarters of 2010

During the three quarters of 2010, profitability ratios relating to Ciech Group's operations declined in comparison with the same period last year. The ratios were most influenced by the decline in sales and margin in the Soda segment. Underlying this trend were extremely low prices of ash soda experienced in the European markets in the last 4 years (approximately 30% short of peak prices in Q1 2009) despite rising production costs. Throughout 2009, the fertiliser market grappled with weak demand from agricultural producers and low prices on global markets, relative to the record 2008 levels. In Q3 2010, global as well as European markets saw growing prices of phosphorus-based inorganic fertilisers (in comparison with the first two quarters), whereas raw material prices had stabilised.

Aside from these negative factors affecting Ciech Group's operations, net loss and profitability levels are largely owed to the costs of external debt servicing. Furthermore, the negative balance of foreign exchange differences and the sale of shares in Zakłady Azotowe Tarnów by CIECH S.A. were also at fault.

Presented in the table below are the profitability ratios:

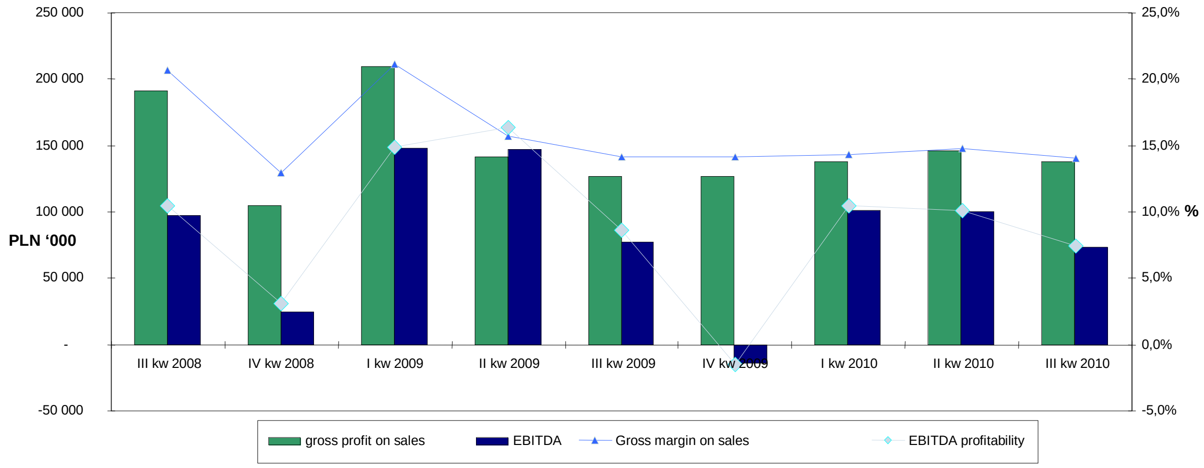
Group profitability ratios

Item	01.01-30.09.2010	01.01-30.09.2009
Gross margin on sales	14,4%	17,1%
Profit margin	1,6%	3,9%
Operating profit margin	3,2%	7,3%
EBITDA profitability	9,3%	13,4%
Return on sales (ROS)	(2,3%)	(0,5%)
Return on assets (ROA)	(1,7%)	(0,3%)
Return on equity (ROE)	(8,6%)	(1,5%)

Ratios calculated as follows:

gross margin on sales *– gross profit on sales for the period / net revenue from sales of products, materials, other goods and services,*
profit margin *– profit on sales for the period / net revenue from sales of products, materials, other goods and services,*
operating profit margin *– operating profit for the period / net revenue from sales of products, materials, goods for resale and services,*
return on sales (ROS) *– net profit for the period / net revenue from sales of products, materials, goods for resale and services,*
return on assets (ROA) *– net profit / assets at the end of period,*
return on equity (ROE) *– net profit / equity at the end of period.*

Ciech Group profitability



Source: CIECH S.A.

Group liquidity and working capital

In the third quarter of 2010, liquidity ratios were maintained at the end-of-2009 level. In the Company's view, the levels of current liquidity ratios (below 1) are caused by the financing structure (substantial share of short-term loans). This, however, does not threaten liquidity; the Company is taking steps to improve its liquidity.

Group liquidity ratios

Item	30.09.2010	31.12.2009	30.09.2009
Current ratio	0.65	0.64	0.73
Quick ratio	0.49	0.48	0.55

Ratios calculated as follows:
current ratio *– current assets to total current liabilities at the end of the given period; measures company's ability to repay current liabilities using current assets.*
quick ratio *– current assets less inventory to current liabilities at the end of the given period; measures company's ability to raise funds rapidly to repay maturing liabilities.*

Ciech Group generated positive free cash flow in the three quarters of both 2010 and 2009. Thus, Ciech Group has managed to finance its investing activities from operating cash flows. During the three quarters of 2010, an increase in the level of working capital resulted in an increase in cash of PLN 80,497,000, compared to PLN 291,018,000 in the corresponding period of 2009. The year 2009 had seen a signification reduction in inventory at hand and slower growth of receivables. 2010 investment outflows were much lower than in 2009, as some of the planned investments had been postponed. Only essential, key development investments are being implemented. Moreover, adjusted cash flows were sufficient to generate positive free cash flow.

Capacity to generate cash flow

Item	30.09.2010	30.09.2009
Cash flow (net profit + amortisation + depreciation)	112 140	155 393
Other adjustments to net profit	29 740	(99 169)
Adjusted cash flow	**141 880**	**56 224**
Change in working capital	**80 497**	**291 018**
Cash flows from operating activities	222 377	347 242
Cash flows from investing activities	(78 584)	(275 045)
Free cash flows	**143 793**	**72 197**

Working capital, or the difference between current assets and current liabilities adjusted by relevant balance sheet items (cash and short-term loans), added up to PLN -533,876,000, marking a decrease by PLN 824,919,000 compared to the end of 2009. Ciech Group is expecting to see a rapid improvement in the net balance of cash as the maturity structure of debt is restructured and streamlined.

Group working capital

Item	30.09.2010	31.12.2009	30.09.2009
1. Current assets, including:	1 400 645	1 266 070	1 393 108
Inventory	*337 623*	*314 228*	*338 103*
Trade receivables	*660 147*	*597 169*	*672 708*
2. Cash and other short-term investments	170 585	134 167	162 657

3. Adjusted current assets (1-2)	1 230 060	1 131 903	1 230 451
4. Current liabilities, including:	2 169 990	1 984 281	1 903 107
Trade payables	*609 785*	*452 948*	*459 356*
5. Short-term loans and other financial liabilities	406 054	1 143 421	1 120 983
6. Adjusted current liabilities (4-5)	1 763 936	840 860	782 124
7. Working capital less short-term loans (1-4)	(769 345)	(718 211)	(509 999)
8. Working capital (3-6)	(533 876)	291 043	448 327

Debt

The 2006-2007 acquisitions which increased Ciech Group's assets were mainly financed through an investment loan and issue of bonds. In addition, investments made in 2008 were financed by a short-term loan. This has resulted in the debt ratio rising in the following years.

Ciech Group's debt went up somewhat compared to the end of 2009. The debt ratio, previously at 78.7%, reached 80.5%. The term structure of financing (non-current liabilities accounting for 46.7% of total assets as at the end of September 2010) remained at the end-of-2009 level and worsened compared to the end of September 2009.

Group debt ratios

Item	30.09.2010	31.12.2009	30.09.2009
Debt ratio	80,5%	78,7%	77,6%
Long-term debt ratio	25,9%	29,4%	32,0%
Financial leverage	412,5%	370,6%	346,3%
Equity-to-assets ratio	19,5%	21,3%	22,4%
Net debt / EBITDA	6,28	4,80	4,44

Ratios calculated as follows:
debt ratio *– current and non-current liabilities to total assets; measures the share of financing from external sources.*
long-term debt ratio *– long-term liabilities to total assets; measures the share of long-term debt in the financing.*
financial leverage *– total liabilities to equity.*
equity-to-assets ratio *– equity to total assets; shows the share of internal funds in the financing.*
net debt *– loans received plus bank overdraft and other debt instruments (financial leases + liabilities from options), less cash and cash equivalents.*
EBITDA *– annualised EBITDA in case of quarterly periods.*

- **Overview of ratios included in the loan agreements**

No loan agreement was called due in the reporting period, nor were there any cases of delinquency in the payments of principal or interest on the debt disclosed in the balance sheet.

Depending on the interpretation, Ciech Group's financial results (excluding the SDC Group) in the third quarter of 2010 may miss one of the financial ratio targets provided in the loan agreement concluded by CIECH S.A. on 26 April 2010. The above interpretative doubts are whether or not to include certain items in the definitions relevant to financial ratios. As at the report publication date, CIECH S.A. was in discussions with lenders, with the aim to determine a uniform manner of assessment of the above-mentioned ratio before the date of review of financial ratio targets after the third quarter of 2010 (i.e. 4 December 2010). If the resulting interpretation will be unfavourable to CIECH S.A., there is a risk of infringement of the loan agreement, which in turn may constitute basis for the creditors to call the loan due. Consequently, a non-current liability of PLN 826,434,000 was recognised as current.

After the reporting date, S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. and S.C. CET Govora S.A. were discussing a possible extension of the maturity of amounts payable to S.C. CET Govora S.A. in connection with the technological steam supply contract between the two companies. On 28 October 2010, S.C. CET Govora S.A. filed a lawsuit against S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. in a Romanian court, demanding payment for said liabilities. The claim submitted by S.C. CET Govora S.A. is RON 48.7 million (PLN 45.6 million based on the average NBP rate announced on 28 October 2010).
The above circumstances qualify as infringement of the loan agreement, parties to which include CIECH S.A. and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.
Thus, CIECH S.A. and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. have undertaken turnaround measures, which include mainly steps agreed with S.C. CET Govora S.A. during the meeting held on 4 November 2010.
In particular, it was agreed that S.C. CET Govora S.A. would withdraw its lawsuit and that S.C. CET Govora S.A. and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. would conclude an amendment to the said contract, under which the liabilities would be repaid gradually over 5 years.
Further to this agreement, CIECH S.A. was informed on 8 November 2010 that the lawsuit lodged by S.C. CET Govora S.A. had been withdrawn. The amendment itself will likely be agreed on and signed in November 2010.

Debt refinancing

On 26 April 2010, a loan agreement was concluded by and between, i.e., CIECH S.A. as the borrower and its subsidiaries as guarantors (Agrochem Sp. z o.o. seated in Człuchów, Agrochem Sp. z o.o. seated in Dobre Miasto, JZS Janikosoda S.A., IZCh Soda Mątwy S.A., Soda Polska Ciech Sp. z o.o., ZCh Alwernia S.A., Przedsiębiorstwo

Chemiczne Cheman S.A., GZNF Fosfory Sp. z o.o., ZCh Organika Sarzyna S.A., Polfa Sp. z o.o., Ciech Service Sp. z o.o., Vitrosilicon S.A., Transclean Sp. z o.o. and ZCh Zachem S.A. – hereinafter referred to as the "Companies"), and a syndicate of banks (Bank Polska Kasa Opieki S.A., Bank Handlowy w Warszawie S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A. and DNB Nord Polska S.A. – hereinafter referred to as the "Arranging Banks"). On 15 June 2010, S.C. US Govora – CIECH Chemical Group S.A., hereinafter also referred to as the "Company", joined as a guarantor and borrower.

The signing of this agreement has led to further steps towards the fulfilment of the conditions precedent of the agreement and payout of the loan, as described below.

- On 17 May 2010, the creditor agreement was concluded, which set out the priority rules for allocating repayments to the participating creditors, while the banks took the obligation to extend the maturity of the existing financing until 24 August 2010 at the latest; based on the agreement, the participating companies guaranteed the liabilities of CIECH S.A. and S.C. US Govora – CIECH Chemical Group S.A. from future bilateral loan agreements; in addition, the principles for securing the receivables of BNP Paribas S.A., Credit Agricole CIB S.A. and Fortis Bank Polska S.A. were established.
- On 14 June 2010, bilateral loan agreements for a total of approx. PLN 42 million were entered into with the following banks: BNP Paribas S.A., Credit Agricole CIB S.A. and Fortis Bank Polska S.A.
- On 15-17 June 2010, the items described below were established as security, as necessary based on the loan agreement and the creditor agreement, and the
- Arranging Banks accepted Ciech Group's restructuring plan adopted by the CIECH S.A. Management Board on 4 August 2010.

On 17 August 2010, the loan agent confirmed that all conditions precedent had been met. On 24 and 25 August 2010 the loan was drawn and all the loans granted to Ciech Group companies previously (excluding German companies) were refinanced.

The consolidation of debt has positively impacted on Ciech Group's overall liquidity. Due to the current margin levels, the burden of interest on net profit is expected to increase; however, the new structure of Ciech Group liabilities will significantly facilitate liquidity management.

Terms and conditions of the loan agreement

Pursuant to the agreement:

Loan amount and tranches:
The total loan amount made available and drawn was the equivalent of PLN 1,285 million.
The loan was made available as a term tranche of PLN 1,210 million, a set of revolving loans of PLN 30 million as well as guarantees amounting to EUR 11.7 million.
Until the date of the publication of this report, a loan repayment equivalent to PLN 21.5 million had been made.

Loan interest:
Variable interest based on WIBOR / EURIBOR plus margin, dependent on the individual tranche, changing over time and affected by net debt ratio.

Key terms of repayment include:

- quarterly amortisation of loans amounting to at least PLN 10,000,000 from the origination date to 1 March 2011,
- reduction of loans by a total of PLN 400,000,000 (including quarterly amortisation and prepayments) until 31 March 2011; however, should CIECH S.A. fail to accumulate PLN 400,000,000 in its escrow account at Bank Handlowy w Warszawie S.A. as of 30 December 2010, this would constitute infringement of the Agreement, subject to waiver by the Arranging Banks through a contractually agreed majority,
- compulsory early repayment of loans in the following cases:
    - change in control, in particular if (i) the State Treasury ceases to own at least 10,270,800 shares in CIECH S.A., or (ii) any person other than the State Treasury becomes the largest shareholder of CIECH S.A. and owns at least 50% of the issued share capital of CIECH S.A., or (iii) any person other than the State Treasury, or a group of persons acting in concert, acquires control over CIECH S.A., subject to the exception that no early repayment will be required should the change in control be permitted by a contractually agreed majority of Arranging Banks or should additional conditions be met, such as those related to the level of debt,
    - share capital increase: early repayment of loans in an amount equal to the proceeds from the increase in the share capital of CIECH S.A. or other Significant Members of the Ciech Group – whether by public offering or otherwise – Significant Members of Ciech Group being defined as guarantors, selected companies from Ciech Group and fully consolidated Ciech Group companies with net assets of at least PLN 25,000,000; this is restricted by the provision that once PLN 400,000,000 has been repaid, the above duty will be subject to the level of the net debt ratio and could concern 100%, 50% or 0% of such proceeds,
    - excess cash flows: should any Ciech Group quarterly financial report, starting from the report for the period ending 31 March 2011, display free cash flows (i.e. excess consolidated cash flows over cash flows related to debt servicing) – an early repayment of loans amounting to no less than 75% of such excess cash flows; the first early repayment to be made on 30 June 2011,

  - disposal of assets, sale of shares held by CIECH S.A. or Significant Members of Ciech Group – 100% of total net proceeds from disposals made during the given quarter to credit the early repayment of loans (subject to exceptions provided for in the agreement),
  - receipt of substantial proceeds from any insurance policy against loss or damage to its assets or business,
  - conclusion of a sale and lease back of the assets of CIECH S.A. or Significant Members of Ciech Group, concerning either 100% or 75% of such proceeds depending on the given case,
  - non-compliance with the law on the side of lenders,
- one-off repayment of all outstanding loan amounts no later than on 31 December 2011 or 20 months after the execution of the agreement.

Loan security comprises:
- mortgages on real estate owned by the Companies and CIECH S.A.,
- pledge on the business of the Companies and CIECH S.A.,
- assignment of rights from insurance policies related to the secured assets,
- financial pledges on bank accounts of CIECH S.A. and Companies,
- financial pledges on the selected locked-in accounts of Significant Members of the Ciech Group (excluding Soda Deutschland Ciech Group),
- financial pledge and registered pledge on the Companies' shares as well as the shares in Soda Deutschland Ciech GmbH,
- guarantees issued by CIECH S.A. and Companies,
- statement on submission to execution by the Companies and CIECH S.A.,
- contingent assignments of rights stemming from significant commercial contracts of CIECH S.A. and Companies,
- contingent transfer of title to all movable assets of CIECH S.A. and Companies,
- contingent assignments of rights stemming from such intra-group loans as will be used to distribute loan proceeds to the Companies,
- proxies to bank accounts of CIECH S.A. and Companies.

Significant provisions
CIECH S.A. and Companies are obliged to – in particular:
- maintain levels of certain financial ratios as stipulated in the agreement, calculated at Group level excluding Soda Deutschland Ciech Group and tested on a quarterly basis:
  - debt level to operating results (total consolidated net debt to consolidated EBITDA),
  - balance sheet debt ratio (total consolidated net debt to consolidated net value of property, plant and equipment),
  - interest coverage ratio (consolidated EBITDA to consolidated net finance costs),
  - guarantor coverage ratio (gross turnover and assets of loan guarantors to gross turnover and assets of the Ciech Group, excluding Soda Deutschland Ciech Group),
- refrain from establishing new collateral, other than contractual security,
- refrain from disposing of assets, other than contractually permitted instances of disposal (including the sale of certain disposable assets held for sale and dispositions as indicated in the Ciech Group's business plan and restructuring plan),
- refrain from declaring and paying out dividends, except in companies with at least 75% of direct or indirect control by CIECH S.A., and in ZCh Alwernia S.A.,
- refrain from incurring debt beyond the permitted levels,
- limit capital expenditure to the level and scope specified in the contract,
- subject to criteria and deadlines specified in the agreement, establish registered pledges on individual real properties owned by CIECH S.A. and Companies, where the value of such property exceeds PLN 5,000,000,
- refrain from entering into derivative transactions, other than contractually permitted hedging transactions, and
- appoint a restructuring advisor and submit a restructuring plan for the Ciech Group within 10 weeks from execution of the loan agreement.

Fulfilment of the conditions of the loan agreement

According to current financial projections, which also take into account restructuring initiatives, the Group will be able to service the borrowing costs and quarterly amortisation as specified in the agreement. As regards the reduction of debt by PLN 400 million until the deadline stipulated in the loan agreement (end of March 2011), the Management Board expects this to be covered mostly by operating initiatives and divestments included in the restructuring plan, including:
- sale of 8 non-core companies,
- discontinuation and liquidation of certain production lines,
- sale of non-operating real estate,
- sale of other non-essential assets,
- workforce restructuring,
- tax optimisation,
- capital expenditure optimisation.

The restructuring efforts taken so far include:

- sale of a 6.54% stake in ZAT S.A. for PLN 41.6 million,
- sale of 100% of shares in Ciech Service S.A. for PLN 3.1 million (completion of transaction subject to conditions precedent),
- sale of a 12.62% stake in Elzab S.A. for PLN 6.1 million,
- sale of a 45.42% stake in PTU S.A. for PLN 136 million (completion of transaction subject to conditions precedent; the final price to be paid by the buyer subject to an adjustment on the terms provided in the agreement),
- sale of the perpetual usufruct right to the developed property located at ul. Powązkowska 46/50 (referred to in Current Report no. 47/2010).

As a result of the above actions, the Management expect to raise a total of PLN 400 million in accordance with the schedule outlined in the agreement.

SUMMARY
From the above information regarding low profitability and liquidity ratios, negative working capital (interpreted as the difference between the current assets and total current liabilities, that is, including short-term debt) and the risk related to the Loan Agreement requirements (including substantial securities on assets – pledges and guarantees stipulated in the Agreement), one must conclude that Ciech Group is in a difficult financial situation.

Nevertheless, the Parent's Management Board expects the situation to improve in connection with the conclusion of the Loan Agreement, adoption of the Restructuring Plan as well as preparations to a new share issue to be conducted in the first quarter of 2011. These, along with the initiatives listed above, should ensure the continued operation of Ciech Group Companies in the foreseeable future at a level that is not materially different from the present.
Therefore, in the opinion of the Parent's Management Board, the risks currently threatening the continued operation of Ciech Group will be mitigated. These financial statements do not contain any such adjustments as would be necessary if the continuing as a going concern was threatened.

2.9 Ongoing investments

In the three quarters of 2010, Ciech Group spent PLN 152,355,000 on the purchase of property, plant and equipment and intangible assets. The largest investments were carried out in Soda and Organics companies.

Key investments in the reporting period were as follows:

- SODA MĄTWY Group – upgrade of the combined cycle unit (steam boilers) and energy facilities (upgrade of boiler de-ashing systems, construction of fume de-sulphuring facility),
- ZACHEM Group – development investments related to the conversion of diaphragm electrolysis to membrane electrolysis and change in technology of epichlorohydrin production,
- Z.Ch. “Organika – Sarzyna” S.A. – construction of active MCPA production facility, including infrastructure, and development of the brine waste purification model,
- Soda Deutschland CIECH Group – investment related to the construction of a belt filter.

2.10 Financial data per business segment

Presented in the tables below is data concerning revenues, profits, assets and equity and liabilities for each Group business segment during the reporting periods:

BUSINESS SEGMENTS

01.01-30.09.2010 *In PLN thousands*	**Soda segment – Soda Division**	**Organics segment – Organika Division**	**Agrochemicals segment**	**Silicates and Glass segment**	**Other operations**	**Corporate Functions – residual item**	**Removed (consolidation adjustments)**	**TOTAL**
			Agro-Silicon Division					
External revenue	1 070 206	1 138 076	360 005	222 233	143 761	-	-	2 934 281
Inter-segment revenue	32 836	74 204	49 980	2 510	1 045	-	(160 575)	-
Total revenue	**1 103 042**	**1 212 280**	**409 985**	**224 743**	**144 806**	-	**(160 575)**	**2 934 281**
Cost of sales	(961 781)	(1 063 939)	(349 274)	(169 109)	(120 341)	-	152 319	(2 512 125)
Gross profit / loss on sales	**141 261**	**148 341**	**60 711**	**55 634**	**24 465**	-	**(8 256)**	**422 156**
Distribution costs	(75 818)	(59 712)	(26 191)	(36 117)	(13 406)	-	7 926	(203 339)
Administrative expenses	(51 198)	(50 221)	(17 584)	(7 092)	(14 193)	(32 141)	492	(171 937)
Gain / loss on receivables management	2 137	194	724	(490)	575	(824)	(17)	2 299
Profit / loss on other operating activities	54 905	(10 752)	3 085	1 763	1 840	(4 854)	-	45 987
Operating profit / loss	**71 287**	**27 850**	**20 745**	**13 698**	**(719)**	**(37 819)**	**145**	**95 166**
Net exchange differences and trade account interest	(25 349)	(56 638)	(11 599)	(8 119)	(4 206)	-	-	(105 911)
Group finance costs	-	-	-	-	-	(106 553)	-	(106 553)
Profit / loss on financing activities (non-segment)	-	-	-	-	-	64 760	-	64 760
Share of the profit of associates	363	-	-	-	-	-	-	363
Profit / loss before tax	**46 301**	**(28 788)**	**9 146**	**5 579**	**(4 925)**	**(79 612)**	**145**	**(52 175)**
Tax	-	-	-	-	-	-	-	(14 652)
Net profit / loss	-	-	-	-	-	-	-	**(66 827)**
Profit on discontinued operations	-	-	-	-	-	-	-	-
Net profit / loss for the financial year	-	-	-	-	-	-	-	**(66 827)**
Depreciation / amortisation	95 662	52 790	12 630	13 579	1 472	2 834	-	178 967
EBITDA	**166 949**	**80 640**	**33 375**	**27 277**	**753**	**(34 985)**	**145**	**274 133**

01.01-30.09.2009 *In PLN thousands*	**Soda segment – Soda Division**	**Organics segment – Organika Division**	**Agrochemicals segment**	**Silicates and Glass segment**	**Other operations**	**Corporate Functions – residual item**	**Removed (consolidation adjustments)**	**TOTAL**
			Agro-Silicon Division					
External revenue	1 164 184	921 654	371 537	165 069	164 858	-		2 787 302
Inter-segment revenue	36 672	25 485	52 480	1 291	1 378	-	(117 306)	-
Total revenue	**1 200 856**	**947 139**	**424 017**	**166 360**	**166 236**	-	**(117 306)**	**2 787 302**
Cost of sales	(897 205)	(861 173)	(406 470)	(119 920)	(134 891)	-	110 280	(2 309 379)
Gross profit / loss on sales	**303 651**	**85 966**	**17 547**	**46 440**	**31 345**	-	**(7 026)**	**477 923**
Distribution costs	(83 282)	(49 878)	(23 694)	(24 534)	(16 261)	-	7 105	(190 648)
Administrative expenses	(54 913)	(45 450)	(19 735)	(10 746)	(13 585)	(36 397)	1 802	(179 024)
Gain / loss on receivables management	(823)	8 001	(8)	110	(3 746)	-	28	3 562
Profit / loss on other operating activities	73 571	19 414	(3 138)	(97)	2 029	(985)	(71)	90 723
Operating profit / loss	**238 204**	**18 053**	**(29 028)**	**11 173**	**(218)**	**(37 382)**	**1 838**	**202 536**
Net exchange differences and trade account interest	(49 069)	(44 327)	(5 770)	(3 239)	(1 347)	380	-	(103 397)
Group finance costs	-	-	-	-	-	(87 124)	-	(87 124)
Profit / loss on financing activities (non-segment)	-	-	-	-	-	7 941	-	7 941
Share of the profit of associates	1 272	-	-	-	-	-	-	1 272
Profit / loss before tax	**190 407**	**(26 274)**	**(34 798)**	**7 934**	**(1 565)**	**(116 185)**	**1 838**	**21 228**
Tax	-	-	-	-	-	-	-	(35 464)
Net profit / loss	-	-	-	-	-	-	-	**(14 236)**
Profit on discontinued operations	-	-	-	-	-	-	-	-
Net profit / loss for the financial year	-	-	-	-	-	-	-	**(14 236)**
Depreciation / amortisation	92 443	44 585	14 838	13 099	1 800	2 864	-	169 629
EBITDA	**330 647**	**62 638**	**(14 190)**	**24 272**	**1 582**	**(34 518)**	**1 838**	**372 165**

30.09.2010 *In PLN thousands*	**Soda segment – Soda Division**	**Organics segment – Organika Division**	**Agrochemicals segment**	**Silicates and Glass segment**	**Other operations**	**Corporate Functions – residual item**	**Removed (consolidation adjustments)**	**TOTAL**
			Agro-Silicon Division					
Property, plant and equipment	1 344 010	567 025	163 496	85 243	6 542	7 425	-	2 173 741
Intangible assets	102 299	26 607	15 897	1 499	1 471	6 090	-	153 862
- goodwill	36 988	-	14 254	39	-	-	-	51 281
Interests in associates	5 048	-	-	-	-	-	-	5 048
Inventory	80 957	147 992	73 180	29 555	8 499	-	(2 560)	337 623
Trade receivables	240 828	252 331	99 725	51 653	54 753	-	(39 143)	660 147
Other assets	-	-	-	-	-	647 290	-	647 290
Total assets	**1 773 142**	**993 955**	**352 298**	**167 950**	**71 265**	**660 805**	**(41 703)**	**3 977 712**
Trade payables	268 954	260 913	65 487	16 384	43 202	-	(45 109)	609 785
Other liabilities	-	-	-	-	-	2 591 799	-	2 591 799
Total liabilities	**268 954**	**260 913**	**65 487**	**16 384**	**43 202**	**2 591 799**	**(45 109)**	**3 201 584**

30.09.2009 *In PLN thousands*	**Soda segment – Soda Division**	**Organics segment – Organika Division**	**Agrochemicals segment**	**Silicates and Glass segment**	**Other operations**	**Corporate Functions – residual item**	**Removed (consolidation adjustments)**	**TOTAL**
			Agro-Silicon Division					
Property, plant and equipment	1 386 309	582 211	179 885	98 990	6 751	6 845	-	2 260 991
Intangible assets	128 933	29 339	13 858	1 963	2 073	4 951	-	181 117
- goodwill	39 174	-	12 233	39	-	-	-	51 446
Interests in associates	39 898	-	-	-	-	-	-	39 898
Inventory	99 336	109 287	85 318	35 155	11 441	-	(2 434)	338 103
Trade receivables	247 412	237 523	104 857	50 746	57 171	-	(25 001)	672 708
Other assets	-	-	-	-	-	677 861	-	677 861
Total assets	**1 901 888**	**958 360**	**383 918**	**186 854**	**77 436**	**689 657**	**(27 435)**	**4 170 678**
Trade payables	185 379	204 720	31 981	21 676	42 503	-	(26 903)	459 356
Other liabilities	-	-	-	-	-	2 776 881	-	2 776 881
Total liabilities	**185 379**	**204 720**	**31 981**	**21 676**	**42 503**	**2 776 881**	**(26 903)**	**3 236 237**

01.01-30.09.2010 *In PLN thousands*	**Soda segment – Soda Division**	**Organics segment – Organika Division**	**Agrochemicals segment**	**Silicates and Glass segment**	**Other operations**	**Corporate Functions – residual item**	**Removed (consolidation adjustments)**	**TOTAL**
			Agro-Silicon Division					
Creation of impairment charges	2 580	2 435	1 064	669	1 227	-	-	7 975
Reversal of impairment charges	6 523	3 748	1 572	1 226	2 870	-	(17)	15 922
Creation of impairment charges (non-segment)	-	-	-	-	-	1 916	-	1 916
Reversal of impairment charges (non-segment)	-	-	-	-	-	798	-	798

01.01-30.09.2009 *In PLN thousands*	**Soda segment – Soda Division**	**Organics segment – Organika Division**	**Agrochemicals segment**	**Silicates and Glass segment**	**Other operations**	**Corporate Functions – residual item**	**Removed (consolidation adjustments)**	**TOTAL**
			Agro-Silicon Division					
Creation of impairment charges	11 819	1 425	2 303	574	4 073	-	3	20 197
Reversal of impairment charges	1 543	7 549	1 570	395	484	-	31	11 572
Creation of impairment charges (non-segment)	-	-	-	-	-	1 630	-	1 630
Reversal of impairment charges (non-segment)	-	-	-	-	-	474	-	474

GEOGRAPHICAL SEGMENTS

30.09.2010 *In PLN thousands*	**Poland**	**European Union**	**Europe – other**	**Africa**	**Asia**	**Other regions**	**TOTAL**
Total segment assets	2 641 572	1 220 843	45 198	13 330	49 971	6 798	**3 977 712**
Net revenue from sales	1 259 844	1 159 406	82 373	135 690	212 750	84 218	**2 934 281**

30.09.2009 *In PLN thousands*	**Poland**	**European Union**	**Europe – other**	**Africa**	**Asia**	**Other regions**	**TOTAL**
Total segment assets	2 673 538	1 390 698	46 359	10 269	45 024	4 790	**4 170 678**
Net revenue from sales	1 413 060	1 080 033	64 993	29 631	161 945	37 640	**2 787 302**

2.11 Derivative transactions

Outstanding transactions as at 30 September 2010 are valued at PLN -13,425,000, with interest rate hedging instruments accounting for the entire amount.

CIECH S.A. has had all outstanding option transactions between CIECH S.A. and Bank Handlowy w Warszawie S.A. terminated early. The same applies to the outstanding transactions between CIECH S.A. and ING Bank Śląski S.A. Due to the above terminating operations, CIECH S.A. is no longer party to any outstanding option transactions as of the end of the reporting period.

Presented in the table below is the estimated Group currency exposure as at 30 September 2010, in both financial instruments and future net operating revenues (excluding SDC data):

Currency risk exposure in EUR	**(EUR '000)**	**Impact on P&L**	**Impact between 1.10.2010 and 30.09.2011**
Assets			
Exchange-sensitive loans granted	84,167	x	
Trade and other receivables	39,158	x	
Bank deposits			
Equity and liabilities			
Trade and other liabilities	(20 952)	x	
Loan liabilities	(17 781)	x	
Estimated future net sales			
Net future projected P&L position * in EUR (12 months)	**106 662**		**X**
Net future projected P&L position * in EUR – other Group companies (12 months)	**11 583**		**X**
Total position	**202,837**		

* net P&L position = operating revenues in currency – operating costs in currency

The following table presents a sensitivity analysis of individual balance sheet items to exchange rate changes as at 30.09.2010.

Analysis of sensitivity to foreign exchange risk	**(PLN '000)***	**Impact on P&L**	**Impact between 1.10.2010 and 30.09.2011**
Foreign-denominated balance sheet items (excluding loans)	4	4	
Exchange-sensitive loans granted	842	842	
Net future projected P&L position in EUR	1 182		1 182
Total impact	**N/A**	**846**	**1 182**

** increase in EUR/PLN exchange rate by PLN 0.01*

3. Seasonal and cyclical aspects of CIECH S.A. and Ciech Group operations

Seasonality – periodical fluctuations of supply and demand – plays a certain role as regards the overall sales trends at Ciech Group. The following products in the Agrochemicals segment are subject to seasonality:

- inorganic fertilisers,
- raw material inputs to fertiliser manufacture,
- plant protection chemicals.

Typically, fertiliser sales intensify between the first and second quarter as well as in the third quarter. This is due to increased fertilisation of fields during the spring and autumn seasons. Similarly, the majority of plant protection chemicals is utilised in the first half of the year, while plant growth is robust; this part of the year brings around 90% of total sales.

Moreover, there is a seasonal relationship in the Soda segment between sales of certain products and the severity of the winter period. A warm winter tends to directly lower calcium chloride sales as well as other products (anti-ice, salt and chloride mix, waste salt) and indirectly reduce salt sales.

As regards other products, there are no significant seasonal fluctuations in Ciech Group revenues and results during the financial year. Therefore, seasonality plays a relatively small role in the overall Ciech Group sales.

4. Comparison of previously published forecasts for the reporting year with the results disclosed in the quarterly report

Ciech Group did not publish any 2010 forecasts in 2010.

5. Factors influencing Ciech Group's results, with an emphasis on the next quarter

5.1 External factors

Situation in client industries in Poland

Poland is the largest sales market for Ciech Group. The largest domestic recipients of Ciech Group products include the following industries: chemicals, plastics, glass and agriculture.

Sector growth largely depends on the overall economic climate in Poland. In constant prices, industrial production increased 10.7% during the first 9 months of 2010 compared to last year (whereas it had dropped 6.0% in the corresponding period of 2009). The chemical industry grew by: 25.7% (production of chemicals and chemical products, excluding pharmaceutical) and 15.2% (rubber products and plastics) respectively. Pharmaceutical product manufacture, on the other hand, increased 7.0%.

2009 saw a rapid decline in Poland's economic growth, down to 1.8% of GDP. This was accompanied by a significant fall in sales in the chemical industry (by about 3%). Since the start of 2010, however, Poland's economic growth has accelerated. GDP growth is forecast to reach at least 3.0% in 2010 and approx. 3.5% in 2011. This is good news for the chemical industry, which normally grows at a pace similar to the overall economic expansion.

The economic climate in Europe and globally

Ciech Group largely relies on sales in foreign markets. Foreign sales volume and margin depend on the European and global economic cycle. If the global economy slows, demand for raw materials typically diminishes, affecting export activities carried out by Ciech Group.

The pace of recovery following the 2008-2009 crisis is varied across the globe. Aside from emerging markets, Germany, Japan and the United States have also been among the top performers in 2010. According to an IMF report published in October 2010, global GDP is bound to increase 4.8% this year ("Emerging Asia" by 9.4%; USA by 3.3%; Central and Eastern Europe by 3.7%). It is also expected that 2011 will bring a slight slowdown in GDP growth, bringing it to 4.2%.

A June 2010 report by the American Chemical Council (ACC) reveals that global chemical production has been growing at a rate much faster than overall industrial production and GDP, the pace being 7.2%, 6.2% and 3.3% respectively. However, output in the global chemicals is expected to decline to 5% in 2010

According to a June 2010 report by the European Chemical Industry Council (CEFIC), as concerns the 27 EU member countries, largest drops in production in the 2009 recession affected inorganic base chemicals, plastics and rubbers. It is these industries, next to petrochemicals, that experienced highest growth rates in 2010 – in excess of 10%. Unfortunately, outstanding growth in chemical manufacture across the UE – forecast at 9.5% – will fall short of compensating for the 2008 and 2009 declines (4.5% and 11.3% respectively).

CEFIC are expecting to see a normal growth rate of several per cent in the EU in 2011 (merely 1% to 2.5%, depending on the industry). A return to pre-crisis production levels is generally not expected before the year 2013 (roughly). According to CEFIC, the future success of the European chemical industry will largely depend on the consolidation of production, which should commence immediately. This is to a large extent dictated by increasing competition from Asian suppliers (including Middle Eastern petrochemicals).

Financial condition of agriculture

Some of Ciech Group revenues – notably, mineral fertilisers and plant protection chemicals – derive from sales to the agricultural sector. In the view of CIECH S.A., long-term demand for mineral fertilisers should continue to grow both in Poland and in Central and Eastern Europe. The use of agrochemicals in Poland, which influences demand for Ciech Group's products, is affected by factors such as the processes designed to improve financial standing and profitability of agricultural production – including production quotas and direct subsidies. These should contribute to growth in Ciech Group's revenue. Should the buying power of the agricultural sector fail to improve, demand for fertilisers and plant protection chemicals could stagnate and agrochemical product revenue would suffer.

According to data supplied by the Institute for Agricultural Economics and Food Economy (IERiGŻ), the market conditions affecting domestic agriculture have been improving in 2010 compared to last year (particularly as regards plant production requiring direct fertilising and plant protection). The economic survey of agriculture (SWKR) increased in September 2010 in relation to last year (advance from 100.6 to 101.8). Poland's agricultural economy is expected to show continued improvement in the coming months.

Situation on commodity markets

Imports of chemical raw materials to Poland constitute a significant portion of Ciech Group's trade. Commodity markets are highly cyclical, driven by the global economic cycle. Surging commodity prices tend to trigger a squeeze of intermediary margins, on the one hand, and a faltering customer demand, on the other hand. Nevertheless, declining prices typically signal weaker demand, marking the beginning of the contractionary cycle. A continued stable pace of economic growth, combined with the stability of raw material prices, will have a positive impact on the raw material import activity carried out by CIECH S.A. Conversely, large fluctuations in demand and prices – caused by economic growth or a stagnant economy – are bound to have a negative effect on CIECH S.A.'s chemical raw materials trade.

REACH implementation
Under the requirements of the REACH regulation, those Ciech Group Companies that distribute substances of more than 1000 tonnes/year intend to ensure the full registration of such substances by December 2010, which should allow the Companies to continue operating in the present framework. Ciech Group Companies are performing preparatory tasks within the project, participating in information forums in relation to substances (established by entities registering the same substance) and in consortia established to submit common registration data. Vitrosilicon and Zachem have already registered their first substances. CIECH S.A. is overseeing these processes.

Emission trading scheme
The 2008-2012 National Allowance Allocation Plan has provided Ciech Group Companies that participate in the emission trading scheme (Soda Polska Ciech, Vitrosilicon and Alwernia) CO_2 emission allowances for a total of 2,000,793 Mg/year. The number of allowances held is sufficient to cover the actual carbon dioxide emissions. Some allowances were sold, while the remainder will be used in the following years for the Second Settlement Period.

EURPLN exchange rate
Ciech Group’s export sales are primarily denominated in euro. A strong euro makes export sales more profitable – for Ciech Group and other Polish chemicals manufacturers. It also boosts the value of CIECH S.A. turnover on products manufactured elsewhere. Consequently, the EURPLN exchange rate affects Ciech Group's revenue profitability. On the other hand, should the domestic currency gain in value in relation to the euro, exports are likely to become less profitable and the value of Ciech Group's export sales are likely to decline.

5.2 Internal factors

Continued cost and quality competitiveness
The competitiveness of Ciech Group is an outcome of certain basic market factors, i.e.: costs, quality and their basic sources, marketing activities and market position. The key factors include:

- cost competitiveness based on economies of scale, specialisation, standardisation and experience,
- quality leadership and quality control systems,
- market force-based competition (market leadership),
- cost leadership and diversification.

Competitiveness is strongly related to innovation. Thus, technological and product innovation are the foundation of competition. Ciech Group's investment strategy includes the implementation of several innovative process and product solutions.

Liabilities related to purchase of the following companies: ZACHEM S.A., Z.Ch. “Organika-Sarzyna” S.A., S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. and Soda Deutschland Ciech
Pursuant to the Privatisation Agreements relating to ZACHEM S.A. and Z.Ch. “Organika-Sarzyna” S.A., certain obligations rest on CIECH S.A. – mainly in connection with investment plans, employee guarantees and minority interest repurchase options.
The agreement for the sale of shares in ZACHEM S.A. contains a "limiting condition", calculated as the ratio of long-term capital (i.e. total assets less current liabilities) to fixed assets based on the Company’s Financial Statements prepared under Polish Accounting Standards. Under the agreement, the ratio is to rise as follows: 20% in 2007 compared to the figure from the sale date (20 December 2006) and 10% in each following year until 2010 (combined for a total growth of 50% in 2007-2010). For each full percentage point short of the minimum for the year, CIECH S.A. will pay Nafta Polska S.A. a penalty of PLN 150,000. Every full percentage point in excess of the 10% deviation from the required ratio will result in a penalty of PLN 500,000.
Addendum no. 1 of 23 December 2009 stipulates that the “limiting condition” level scheduled in the previous Agreement for 31 December 2009 (+40%) is postponed to 31 December 2010; however, should CIECH S.A. fail to meet the new date, Nafta Polska S.A. will be entitled to both the contractual penalty for the non-performance of the “limiting condition” at the end of 2010 and the hypothetical contractual penalty for non-performance at the end of 2009. Moreover, it was established that the “limiting condition” level previously scheduled for 31 December 2010 would be deferred to 31 December 2011.
If the originally agreed “limiting condition” is met by 31 December 2010 (i.e. +50%), it will no longer be tested as at 31 December 2011 and no contractual penalty for non-performance in 2009 will be imposed. If necessary, CIECH S.A. will support ZACHEM S.A. financially in order to ensure that the limiting condition is fulfilled.

Moreover, the balance sheet of Soda Deutschland CIECH Group displays a liability related to the repurchase of Elektrociepłownia. On 1 September 1999, Elektrociepłownia was sold by KWG GmbH (a subsidiary of Soda Deutschland Ciech) to VASA Kraftwerke – Pool for EUR 115.8 million. KWG has a contractual obligation to repurchase the power plant on 31 December 2014. KWG also retains an option to purchase the plant, executable on 1 January of each year until expiry on 31 December 2014. As at 30 September 2010, the corresponding liability is PLN 149,608,000.

Investment projects and activities related to raising finance from the available aid sources
In the first quarter of 2010, plans were agreed on for PP&E investments in Ciech Group Companies. In 2010, Ciech Group Companies will spend more than PLN 238 million on investment projects, including more than PLN 110 million

on innovative and environmental projects designed to raise productivity and product quality, as well as on improvement in environmental indicators.

In the first half of 2010, restructuring processes were continued with the intention to reduce Ciech Group's debt. This resulted in the final optimisation and scheduling of key investment projects within Ciech Group, along with an agreement on the level of outlays in each year.

The third quarter of 2010 was marked by the continued execution of key investments and PP&E investment plans, as well as projects carried out with the assistance of specialist advisory firms to optimise Ciech Group's production operating costs and energy procurement.

By the end of Q3 2010, Ciech Group has obtained external funding for nine projects. Ciech Group Companies implement the projects based on funding agreements. These projects include environmental investments, implementation of new, innovative manufacturing technologies for key Ciech Group products, as well as research and development. A training and consulting project for Ciech Group's personnel is also underway. The total funding obtained is in excess of PLN 140 million.

6. Consolidated entities

Ciech Group composition

CIECH Spółka Akcyjna is Ciech Group's parent, currently seated in Warsaw, ul. Puławska 182, registered by the Regional Court for Warsaw, XIII Commercial Division of the National Court Register, under number 0000011687.

Ciech Group is a conglomerate of domestic and foreign manufacturing, distribution and trade companies operating within the chemical industry. As at 30 September 2010, Ciech Group consisted of 56 entities, including:

- CIECH S.A., parent,
- 37 subsidiaries, including:
    - 23 domestic subsidiaries,
    - 14 foreign subsidiaries,
- 15 domestic associates,
- 2 foreign associates,
- 1 foreign jointly controlled entity.

Ciech Group includes both direct subsidiaries and associates (whose parent is CIECH S.A.) and indirect subsidiaries and associates (direct subsidiaries of CIECH S.A. being their parents).

Ciech Group operates in the manufacture and sale of own products as well as in the trade in other goods. Trade operations are concentrated in CIECH S.A. and its domestic and foreign trade subsidiaries, whereas production companies – direct subsidiaries of CIECH S.A. – are active in manufacturing. The parent does not have any branches.

The companies included in the consolidated financial statements for the third quarter of 2010 are listed below.

List of consolidated companies and companies accounted for using the equity method in the third quarter of 2010 and in the same period last year.

Company/Group name	Consolidation method as at 30.09.2010 and degree of control by CIECH S.A.	Consolidation method as at 30.09.2009 and degree of control by CIECH S.A.	Scope of activity
1) CIECH S.A.	Parent	Parent	Under the Articles of Association, core activities of the parent include: economic activities including trade, investment, manufacture, provision of services and financial operations with particular emphasis on foreign and domestic chemicals trade and related operations. The company may also act as agency for domestic and foreign companies.
2) 'POLFA" Sp. z o.o.	CIECH S.A. subsidiary – fully consolidated	CIECH S.A. subsidiary – fully consolidated	– wholesale of pharmaceuticals, – wholesale of chemical products, – wholesale of perfumes and cosmetics, – retail sale of medical and orthopaedic products.
CIECH FINANCE Group			
3) CIECH FINANCE Spółka z ograniczoną odpowiedzialnością	CIECH S.A. subsidiary – fully consolidated	CIECH S.A. subsidiary – fully consolidated	– divestment projects relating to disposal of non-essential non-current assets (real estate) – and financial assets (shares in companies)
3.1.) Cheman S.A.	CIECH S.A. indirect subsidiary – fully consolidated at Group level	CIECH S.A. indirect subsidiary – fully consolidated at Group level	– wholesale and distribution of solid inorganic and organic chemicals, – wholesale and distribution of raw materials for household chemical products, – wholesale and distribution of raw materials for cosmetics and pharmaceuticals, – wholesale and distribution of builders, pigments, raw materials for paints and refinishes, – wholesale and distribution of food and feed additives, – wholesale and distribution of acids, bases and other liquid chemicals.
SODA MĄTWY Group	Fully consolidated lower tier Group	Fully consolidated lower tier Group	– manufacture of other inorganic base chemicals, – wholesale of chemical products, – production and distribution of electricity, – shipment of goods.
4) SODA MĄTWY S.A.	Lower tier parent (subsidiary of CIECH S.A.)	Lower tier parent (subsidiary of CIECH S.A.)	
4.1.) Soda Polska CIECH Sp. z o.o.	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	
4.1.1) TRANSODA Sp. z o.o.	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	
4.2) Polskie Towarzystwo Ubezpieczeń Spółka Akcyjna	Indirect associate of CIECH S.A. – lower-tier equity method valuation.	Indirect associate of CIECH S.A. – lower-tier equity method valuation	
JANIKOSODA Group	Fully consolidated lower tier Group	Fully consolidated lower tier Group	– manufacture of salt, – manufacture of technical gases, – manufacture of other inorganic base chemicals, – manufacture of other chemical products nowhere else classified.
5) JANIKOSODA S.A.	Lower tier parent (subsidiary of CIECH S.A.)	Lower tier parent (subsidiary of CIECH S.A.)	
5.1) Polskie Towarzystwo Ubezpieczeń Spółka Akcyjna	Indirect associate of CIECH S.A. – lower-tier equity method valuation	Indirect associate of CIECH S.A. – lower-tier equity method valuation	

Company/Group name	Consolidation method as at 30.09.2010 and degree of control by CIECH S.A.	Consolidation method as at 30.09.2009 and degree of control by CIECH S.A.	Scope of activity
FOSFORY Group	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group	– manufacture of inorganic fertilisers and nitrogen compounds, – manufacture of other inorganic chemicals, – manufacture of other organic chemicals, – manufacture of refined petroleum products, – manufacture of plastics, – wholesale of grain, seeds and animal feed, – transshipment services in own transshipment and storage facility.
6.) GZNF "FOSFORY" Sp. z o.o.	Lower tier parent (subsidiary of CIECH S.A.)	Lower tier parent (subsidiary of CIECH S.A.)	
6.1) „AGROCHEM” Spółka z ograniczoną odpowiedzialnością - w Dobrym Mieście	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	
6.2) „AGROCHEM” Spółka z ograniczoną odpowiedzialnością – w Człuchowie	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	
7) „Alwernia” S.A.	CIECH S.A. subsidiary – fully consolidated	CIECH S.A. subsidiary – fully consolidated	– manufacture of other inorganic base chemicals, – manufacture of dyes and pigments, – manufacture of other organic base chemicals, – manufacture of inorganic fertilisers and nitrogen compounds, – manufacture of gypsum, – manufacture of heat (steam and hot water)
8) POLSIN PRIVATE LIMITED	CIECH S.A. subsidiary – fully consolidated	CIECH S.A. subsidiary – fully consolidated	– wholesale and retail sale of various goods in Far Eastern markets.
9) DALTRADE Ltd. (formerly DALTRADE PLC.)	CIECH S.A. subsidiary – fully consolidated	CIECH S.A. subsidiary – fully consolidated	– distribution and wholesale of chemicals in the UK
10) VITROSILICON Spółka Akcyjna	CIECH S.A. subsidiary – fully consolidated	CIECH S.A. subsidiary – fully consolidated	– manufacture of other inorganic base chemicals, – manufacture of household and technical glassware, – production of plastic packaging, – production of other plastic products.
11) Przedsiębiorstwo Transportowo-Usługowe TRANSCLEAN Sp. z o.o.	CIECH S.A. subsidiary – fully consolidated	CIECH S.A. subsidiary – fully consolidated	– international shipping of liquid chemicals, – washing facility for tank cars (including rail),
12) Zakłady Chemiczne „Organika-Sarzyna” S.A.	CIECH S.A. subsidiary – fully consolidated	CIECH S.A. subsidiary – fully consolidated	– manufacture of plastics, – manufacture of pesticides and other chemical products,
ZACHEM Group	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group	– manufacture of other organic and inorganic chemicals, – manufacture and sale of plastics, – manufacture of plates, sheets, tubes and profiles, – manufacture of dyes and pigments, – services comprising installation, repairs and maintenance of general-purpose
13) ZACHEM S.A.	CIECH S.A. subsidiary – fully consolidated	CIECH S.A. subsidiary – fully consolidated	
13.1) ZACHEM UCR Spółka z ograniczoną odpowiedzialnością	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	

Company/Group name	Consolidation method as at 30.09.2010 and degree of control by CIECH S.A.	Consolidation method as at 30.09.2009 and degree of control by CIECH S.A.	Scope of activity
13.2) BORUTA - ZACHEM Kolor Spółka z ograniczoną odpowiedzialnością (Incorporated as a result of the merger of: BORUTA-KOLOR Sp. z o.o. – the target company – and ZACHEM Barwniki Sp. z o.o. – the overtaking company, consolidated since December 2006)	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	machinery, nowhere else classified.
14) S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.	CIECH S.A. subsidiary – fully consolidated	CIECH S.A. subsidiary – fully consolidated	– manufacture of other inorganic base chemicals, – wholesale of chemical products.
Soda Deutschland Ciech Group	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group	– manufacture of other inorganic base chemicals, – wholesale of chemical products, – production and distribution of electricity.
15.) Soda Deutschland Ciech GmbH	Subsidiary of CIECH S.A. – lower-tier full consolidation	Subsidiary of CIECH S.A. – lower-tier full consolidation	
15.1.) Sodawerk Holding Stassfurt GmbH	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	
15.1.1.) Sodawerk Stassfurt Verwaltungs GmbH	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	
15.1.2) Sodawerk Stassfurt GmbH&Co.KG	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	
15.1.3) KWG GmbH	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	
15.1.4) Kaverngesellschaft Stassfurt GbmH	Indirect associate of CIECH S.A. – lower-tier equity method valuation.	Indirect associate of CIECH S.A. – lower-tier equity method valuation	

7. The impact of changes in Ciech Group's organisational structure in the three quarters of 2010, including mergers, acquisitions or divestitures of Group entities, long-term investments, de-mergers, restructuring and discontinuation

The following changes took place in the three quarters of 2010 in relation to companies with interest held directly by CIECH S.A:

CIECH FINANCE Sp. z o.o.

- On 8 January 2010, the Regional Court registered a share capital increase of PLN 250,000 by creating 500 new shares, each valued at PLN 500. The shares were acquired for cash by the existing sole shareholder, CIECH S.A. The stake held by CIECH S.A. is thus unchanged. The above share capital increase had occurred at the Extraordinary General Meeting held on 19 October 2009.

Chemiepetrtol GmbH (in liquidation)

- On 15 March 2010, the company Chemiepetrol GmbH (in liquidation) seated in Hamburg, entered in Commercial Register B under number HRB 33084, was removed from the Commercial Register based on a decision made by the District Court in Hamburg. Chemiepetrol GmbH had been put into liquidation by resolution of the General Meeting of 26 November 2007. CIECH S.A. had been the majority shareholder of the Company (60% interest).

Daltrade Plc

- On 1 June 2010, the General Meeting passed resolutions to:
    - change the company's legal form from Plc (public company – equivalent to Polish S.A.) to Ltd (limited company – equivalent to Polish Sp. z o.o.),
    - decrease Company share capital from GBP 1,004,937 to GBP 10,049.37 by reducing the nominal value of one share from GBP 1 to GBP 0.1.

Soda Deutschland Ciech GmbH

- On 8 June 2010, the Regional Court in Stendal registered an increase in the share capital of Soda Deutschland Ciech GmbH of EUR 1,500,000 (Commercial Register B) . CIECH S.A. remained the sole shareholder of Soda Deutschland Ciech GmbH by subscribing for the entire issue. The Company's share capital post-increase is EUR 16,525,000 .

ZACHEM S.A.

- On 14 April 2010, CIECH S.A. purchased 493,815 shares accounting for 3.33% of the share capital in ZACHEM S.A. As a result, CIECH S.A increased its stake in ZACHEM S.A. from 87.34% to 90.67%.

Zakłady Azotowe w Tarnowie-Mościcach S.A.

- On 22 April 2010, CIECH S.A. performed a number of block trades disposing of all shares in Zakłady Azotowe w Tarnowie-Mościcach S.A.: 2,560,000 series B shares accounting for 6.5% of the Company's share capital. Following the transaction, CIECH S.A. no longer holds any shares in the Company.

Z.Ch. „Organika-Sarzyna" S.A.

- On 15 June 2010, CIECH S.A. purchased 184,816 shares accounting for 2.18% of the share capital in Z.Ch. "Organika – Sarzyna" S.A. As a result, CIECH S.A increased its stake in the Company from 90.87% to 93.05%.

Polskie Konsorcjum Chemiczne Sp. z o.o.

- On 19 July 2010, the "Contingent agreement for the sale of shares in Polskie Konsorcjum Chemiczne Sp. z o.o." was signed, CIECH S.A. – a shareholder of Polskie Konsorcjum Chemiczne Sp. z o.o. – being the seller. CIECH S.A. has decided to sell 1000 shares with a total nominal value of PLN 50,000. Zakłady Azotowe w Tarnowie – Mościcach S.A., an existing shareholder of Polskie Konsorcjum Chemiczne Sp. z o.o., was the buyer. Under the sale agreement, the transfer of shares from Seller to Buyer was contingent upon a number of conditions precedent being met. Once the conditions had been fulfilled and the Seller's account had been credited with proceeds from the sales of shares on 31 August 2010, share ownership was transferred on the next business day, i.e. 1 September 2010. Following the transaction, CIECH S.A. is no longer a shareholder in Polskie Konsorcjum Chemiczne Sp. z o.o.

The following changes in Group structure took place in the three quarters of 2010 in relation to companies with indirect ownership by CIECH S.A.:

VITROSILICON Spółka Akcyjna

- In 2010, Huta Szkła Wymiarki S.A. – a VITROSILICON S.A. associate – was affected as VITROSILICON S.A. increased its shareholding in HS Wymiarki S.A. to 36.19% by acquiring 12,841 shares, or 1.05% of share capital, from small shareholders.

SODA MĄTWY S.A. and JANIKOSODA S.A.

- **Polskie Towarzystwo Ubezpieczeń S.A.** – SODA MĄTWY S.A. and JANIKOSODA S.A. signed an agreement for the sale of PTU S.A. shares on 28 July 2010. The agreement provides for a sale of 15,003,180 shares, accounting for 45.42% of the share capital. The share sale agreement was concluded under conditions precedent; if the conditions are met, the Buyer will acquire ownership of the shares on the Closing Date. On the Closing Date, the shares will be transferred to the Buyer and the Buyer will pay for them. Maximum term of the Agreement: until 30 June 2011. Until ownership of the shares is transferred, the Company will remain part of Ciech Group.

SODA MĄTWY S.A.

- **Zakład Gospodarki Popiołami Sp. z o.o.**
  - In March 2010, Soda Polska Ciech Sp. z o.o. subscribed for 500 new shares in the share capital of Zakład Gospodarki Popiołami Sp. z o.o., thus raising its stake from 29.28% to 29.56%.
  - Based on the Extraordinary General Meeting resolution of 21 May 2010, the Company's share capital was increased from PLN 13,530,000 to PLN 13,770,000 by creating 240 shares. The new shares were taken up by an existing shareholder, LAFARGE CEMENT S.A. The increase was registered with the National Court Register on 29 September 2010. The stake held by Soda Polska CIECH sp. z o.o. thus dropped from 29.52% to 28.66% – without impact on the Company's position within the Group structure.
- **Centrozap S.A.** – due to a number of share capital increases that Soda Polska CIECH sp. z o.o. chose not to participate in, its stake fell from 0.00031% to 0.00014%, without impact on the Company's position in the Group structure.

ZACHEM S.A.

- **Boruta – Zachem Kolor Sp. z o.o.** – on 6 May 2010, ZACHEM S.A. became the owner of 98 shares in Boruta – Zachem Kolor Sp. z o.o. acquired on 26-27 April 2010 from minority shareholders, thus increasing its stake in the share capital from 95.52% to 96.01%.
- **ZACHEM UCR Sp. z o.o.** (subsidiary of ZACHEM S.A.) **–** based on the agreement dated 26 May 2010, the Company disposed of 255 shares in METALPUR Sp. z o.o., accounting for 24.52% of the share capital. As a result, the Company is no longer a shareholder of **METALPUR Sp. z o.o.**
- **Bydgoski Park Przemysłowy Sp. z o.o. –** on 24 June 2010, the Company's Annual General Meeting increased its share capital to PLN 37,135,000 by creating 1,684 shares taken up by the City of Bydgoszcz. The share capital increase was registered with the National Court Register on 26 August 2010. Because ZACHEM S.A. did not take up new shares, its stake in the share capital declined from 9.91% to 9.46%. No shift in the Group structure occurred as a result.
- **Zakład Gastronomiczno-Hotelowy MIREX Sp. z o.o. in liquidation –** on 10 September 2010, a preliminary agreement was signed to sell 27 shares accounting for 33.75% of the Company's share capital. ZACHEM S.A. is the Seller. The share sale agreement was concluded under conditions precedent; if the conditions are met, the Buyer will acquire ownership of the shares. The change in the Company's position in the Group structure will be reflected once the shares have been transferred.
- **Pro-Agro Sp. z o.o. –** a preliminary agreement was signed on 10 September 2010 to sell 3,450 shares accounting for 21.56% of the Company's share capital. ZACHEM S.A. is the Seller and CIECH FINANCE Sp. z o.o. is the Buyer. The share sale agreement was concluded under conditions precedent; if the conditions are met, the Buyer will acquire ownership of the shares. The change in the Company's position in the Group structure will be reflected once the shares have been transferred.

"Alwernia" S.A.

- **SOC-AL. Sp. z o.o.** – on 6 May 2010, Alwernia S.A. purchased 62 shares in SOC-AL. Sp. z o.o. from the company Alwezz, becoming the sole Shareholder of SOC-AL Sp. z o.o. Prior to the transaction, ALWERNIA S.A. had held a 95.12% stake in the share capital.
- **Centrozap S.A.** – Due to a number of share capital increases that Alwernia S.A. chose not to participate in, its share fell from 0.026% to 0.011%, without impact on the Company's position in the Group structure.

Polsin Private Limited, Singapore:

- On 13 July 2010, Polsin Pte. Ltd. signed an agreement to sell all its shares in ELZAB SA (2,036,570 shares, 12.62% stake in the share capital, 19.54% of votes at the GM) for a total PLN 6,068,978.60 gross (PLN 5,969,133.68 net). Once buyer had paid the price for the second block of shares, the transaction was closed on 20 September 2010. As of the date, ELZAB S.A. shares will no longer be presented in the Ciech Group structure.

8. Changes in CIECH S.A. shares held by Management Board and Supervisory Board members

Statements submitted by management and supervising management reveal that:

- Mr. Artur Osuchowski – Member of the Management Board of the Company holds 2,100 shares in CIECH S.A.

Other management and supervisory personnel do not hold any shares in CIECH S.A. or its related entities.

9. CIECH S.A. shareholders with at least 5% shares or General Meeting votes

It is concluded from disclosures received based on art. 69 of the Act of 29 July 2005 on Public Offering and the Terms and Conditions of Introducing Financial Instruments into the Organised Trading System and on Public Companies (Polish Journal of Laws no. 184, item 1539, with later amendments) that the following Shareholders own at least 5% of votes at the Company's General Meetings:

- State Treasury – 10,270,800 shares, accounting for 36.68% of the share capital of CIECH S.A.; carrying 10,270,800 votes, accounting for 36.68% of votes at the GM;
- Otwarty Fundusz Emerytalny PZU "Złota Jesień" pension fund – 1,712,732 shares, accounting for 6.12% of the share capital of CIECH S.A.; carrying 1,712,732 votes, accounting for 6.12% of votes at the GM;
- Pioneer Pekao Investment Management S.A. (PPIM) – 4,663,136 shares, accounting for 16.65% of the share capital of CIECH S.A.; carrying 4,663,136 votes, accounting for 16.65% of votes at the GM:
  - including the investment funds Pioneer FIO and SFIO Telekomunikacji Polskiej (managed by PPIM) – 4,623,628 shares, accounting for 16.51% of the share capital of CIECH S.A.; carrying 4,623,628 votes, accounting for 16.51% of votes at the GM.

10. Provisions and asset impairment charges between 1 July 2010 and 30 September 2010

The following changes to provisions and asset impairment charges (created, used and reversed) were included in the consolidated financial reports for the third quarter of 2010.

Provision increases 01.07-30.09.2010	*PLN thousands*
Income tax provision	6,962
Provision for retirement packages, annual leaves, bonuses, recompenses and similar	2,310
Provision for anticipated losses	-
Provision for environmental protection	3,290
Restructuring provision	150
Provision for liabilities (costs)	153
Total	**12,865**

Decreases (use or reversal) of provisions 01.07-30.09.2010	*PLN thousands*
Income tax provision	8,688
Provision for retirement packages, annual leaves, bonuses, recompenses and similar	4,018
Provision for anticipated losses	-
Provision for environmental protection	7,439
Restructuring provision	171
Provision for liabilities (costs)	217
Total	**20,533**

Increases in asset impairment charges 01.07-30.09.2010	*PLN thousands*
Current receivables impairment losses	1,058
Inventory write-downs	317
Total	**1,375**

Decrease (use and release) in asset impairment charges 01.07-30.09.2010	*PLN thousands*
Current receivables impairment losses	2,534
Inventory write-downs	2,742
Total	**5,276**

Changes in deferred tax asset 01.07-30.09.2010	*PLN thousands*
Increase	396
Decrease	2,412

11. Note to Ciech Group's consolidated statement of comprehensive income

Tax effect of each component of other comprehensive income of Ciech Group

	01.01-30.09.2010			01.01-31.12.2009			01.01-30.09.2009		
in PLN thousands	**Pre-tax**	**Tax**	**Net of tax**	**Pre-tax**	**Tax**	**Net of tax**	**Pre-tax**	**Tax**	**Net of tax**
Exchange differences on translation of foreign companies	8 112	-	8 112	(4 826)	-	(4 826)	(9 490)	-	(9 490)
Revaluation of available-for-sale financial assets	7 015	(2 242)	4 773	23 341	(3 894)	19 447	28 782	(5 110)	23 672
Cash flow hedges	(18 343)	5 038	(13 305)	69 232	(12 778)	56 454	51 022	(9 317)	41 705
Exchange differences on net investment in foreign entity	(8 484)	-	(8 484)	(10 206)	-	(10 206)	-	-	-
Other components of other comprehensive income	(74)	-	(74)	(327)	-	(327)	(326)	-	(326)
Other net comprehensive income	**(11 774)**	**2 796**	**(8 978)**	**77 214**	**(16 672)**	**60 542**	**69 988**	**(14 427)**	**55 561**

Income tax correction and correction of movement in total other income

Other gross comprehensive income *(in PLN thousands)*	change in	**01.01-30.09.2010**	change in	**01.01-31.12.2009**	change in	**01.01-30.09.2009**
Exchange differences on translation of foreign companies	-	**8 112**	-	**(4 826)**	-	**(9 490)**
- measurement in current period	8 112	-	(4 826)	-	(9 490)	-
Revaluation of available-for-sale financial assets	-	**7 015**	-	**23 341**	-	**28 782**
- fair value measurement in	7 015	-	23 341		28 782	-
Exchange differences on net investment in foreign entity	-	**(8 484)**	-	**(10 206)**	-	-
- fair value measurement in	(8 484)	-	(10 206)	-	-	-
Cash flow hedges	-	**(18 343)**	-	**69 232**	-	**51 022**
- fair value measurement in	17 437	-	68 513	-	52 662	-
- reclassification adjustment of gains / losses recognised in P&L	(35 780)	-	719	-	(1 640)	-
Other	**(74)**	**(74)**	**(327)**	**(327)**	**(326)**	**(326)**
Income tax on other components of comprehensive income		**2 796**		**(16 672)**		**(14 427)**
- accrued for the reporting period	(5 554)	-	(17 307)	-	(15 512)	-
- reclassification adjustment to P&L	8 350	-	635	-	1 085	-
Other net comprehensive income		**(8 978)**		**60 542**		**55 561**

12. Information on acquisition and disposal of property, plant and equipment

Between 1 January 2010 and 30 September 2010, the following acquisition and disposal transactions took place in Ciech Group with regard to property, plant and equipment:

(in PLN thousands)	**a) property, plant and equipment, including:**	*land, buildings, facilities and civil engineering structures*	*machinery and equipment*	*means of transport*	*other PP&E*	**b) PP&E under construction**	**c) Advances for PP&E under construction (net)**	**Total property, plant and equipment**
PURCHASE AND ASSUMPTION FROM INVESTMENTS	**132 834**	**17 997**	**108 057**	**4 473**	**2 307**	**90 123**	**-**	**222 957**
Ciech S.A.	149	-	*133*	-	*16*	428	-	577
Soda Mątwy Group	92 352	*11 800*	*78 687*	*1 509*	*356*	55 452	-	147 804
Fosfory Group	3 879	*1 822*	*1 655*	*92*	*310*	*5 007*	-	8 886
Alwernia SA	743	*210*	*283*	*200*	*50*	1 669	-	2,412
Cheman S.A.	49	-	*27*	*22*	-	-	-	49
Vitrosilicon S.A.	3 167	*496*	*1 723*	-	*948*	2 238	-	5 405
Polfa Sp. z o.o.	396	-	*168*	*208*	*20*	-	-	396
Organika Sarzyna	2 981	*696*	*2 085*	*46*	*154*	*7 198*	-	10 179
Zachem SA	20 196	*2 702*	*15 618*	*1 695*	*181*	8 443	-	28 639
USG	5 774	-	*5 165*	*534*	*75*	2 339	-	8 113
Transclean	318	163	55	75	25	460	-	778
Soda Deutschland Ciech Group	2 830	*108*	*2 458*	*92*	*172*	*6 889*	-	9 719
SALE	**7 981**	***462***	***2 208***	***4 836***	***475***	-	-	**7 981**
Ciech S.A.	386	-	*382*	-	*4*	-	-	386
Soda Mątwy Group	427	-	-	*427*	-	-	-	427
Fosfory Group	194	-	*78*	*116*	-	-	-	194
Alwernia SA	111	-	*29*	*82*	-	-	-	111
Cheman S.A.	218	-	*32*	*167*	*19*	-	-	218
Vitrosilicon S.A.	107	*23*	*29*	*53*	*2*	-	-	107
Polfa Sp. z o.o.	90	-	*7*	*83*	-	-	-	90
Daltrade Plc.	1 544	-	*845*	*413*	*286*	-	-	1 544
Organika Sarzyna	548	*395*	*114*	*31*	*8*	-	-	548
Zachem SA	3 105	-	*135*	*2 970*	-	-	-	3 105
USG	161	-	*161*	-	-	-	-	161
Transclean	486	-	-	*486*	-	-	-	486
Soda Deutschland Ciech Group	604	44	396	8	156	-	-	604

The property, plant and equipment purchased was mainly financed from the Group's own funds, investment loans and, to a small extent, through minor finance leases.

13. Information on changes in contingent liabilities or contingent assets since the end of the last financial year

in PLN thousands	**30.09.2010**	**31.12.2009**
1. Contingent receivables	**-**	**-**
- guarantees received	-	-
- other off-balance sheet receivables	-	-
2. Contingent liabilities	**54 937**	**55 546**
- guarantees issued	39 959	40 127
- other off-balance sheet liabilities	14 978	15 419
3. Other	**210 069**	**208 490**
- other	210 069	208 490
Total off-balance sheet items	**265 006**	**264 036**

No contingent receivables were present at Ciech Group as at 30 September 2010.

Contingent liabilities as at 30 September 2010 amounted to PLN 54,937,000, a decline of PLN 609,000 compared to 31 December 2009.
The causes for the change in guarantees issued compared to 31 December 2009 include an expiry of bank guarantees of timely office rental payments by POLFA Sp. z o.o.
Other off-balance sheet liabilities changed compared to 31 December 2009 were affected by the shift of the EURPLN exchange rate, which Soda Deutschland CIECH Group used to recalculate items such as the potential provision for pond recultivation, which will be created if the need arises to apply waste management regulations.
The “other” item rose by PLN 1,579,000, mostly due to the increase in liabilities related to non-fulfilment of obligatory disclosures which had been stipulated in the agreement with AVAS for the acquisition of S.C. Uzinele Sodice Govora-Ciech Chemical Group.
A penalty of PLN 190,074,000 imposed on Spółka Wodna KAPUŚCISKA for nonconformity with restrictions on effluent discharges to surface waters in the period 01.01-31.12.2006 is a material item.

Other off-balance sheet liabilities were unchanged, save for the changes described under point IV.6.10 of this Report.

14. Pending proceedings in a public court, body of arbitration or public administration institution as at 30 September 2010

14.1 CIECH S.A.

Domestic and foreign liabilities of CIECH S.A., pending court litigation or arbitration proceedings as at 30 September 2010

Enapharm claim
In June 2004, the Liquidator for Enapharm in Algeria filed a claim, which as of now amounts to USD 222,000 (equivalent of PLN 649,600), for damages concerning deliveries of medications by CIECH S.A. between 1985 and 1991 that went past expiry dates.
According to the claimant, CIECH S.A. violated the contract between the parties by failing to replace unsold medications past expiry date with usable ones. CIECH S.A. maintains that it the duty to replace was waived due to the claimant failing to pay for the medications sold in the Algerian market; moreover, CIECH S.A. challenged Enapharm’s claims on the grounds of statute of limitations.
According to the expert opinion delivered to CIECH S.A. in June 2007, the value of medications subject to the complaint had gone up to USD 372,000 (equivalent of PLN 1,068,100).
The opinion was reviewed by CIECH S.A. for credibility and consistency with the purchase-sales contract. CIECH S.A. challenged the findings of the court expert’s report on formal and material grounds, including the argument that the value of those medications that Enapharm had reported on time and in line with the contractual provisions accounted for about 10% of the amount claimed only. In November 2007, the Algerian court ruled in favour of CIECH S.A. by rejecting the existing expert’s report, stating infringement of civil proceeding laws. At the same time, the court ordered that a new expert opinion be prepared and appointed a new expert, recommending that a representative of the respondent attend the re-examination. In September 2009, Enapharm filed for resumption of the proceedings and rejection of the last expert opinion. On 31 January 2010, the Court appointed another expert, however without revealing their identity. Another session of the Court took place on 2 November 2010. The Company does not have information on the day’s developments yet. Another session of the Court took place on 2 November 2010. The Company does not have information on the day’s developments yet.
The case is taking place before an Algerian court. CIECH S.A. is represented by a local attorney, supervised by a reputable legal firm in Paris. Case pending.

A provision of PLN 638,000 was created at CIECH S.A. for the above liability.

Monetary claims of CIECH S.A. (domestic and foreign)

Monetary claims pending court litigation or arbitration proceedings
CIECH S.A. is currently litigating six civil cases in Poland against its trade and other debtors for a total of PLN 495,000. A full impairment charge was made for the amount.

Claim by Polska Żegluga Morska
On 31 December 2009, CIECH S.A. received a lawsuit on behalf of Polska Żegluga Morska and Polsteam Shipping Company Limited against CIECH S.A. for payment of USD 583,943 in damages (equivalent of PLN 1,630,258.39 as per the table of average NBP exchange rates no. 240/A/NBP/2009 published on 9 December).
The lawsuit, based on art. 160 § 3 of the Maritime Code, contained a claim for damages for non-performance by CIECH S.A. of the Charter Agreement dated 15 October 2007 for phosphorite shipping to Morocco.
The case is pending before the Court of Arbitration of the National Chamber of Commerce in Warsaw. The response to the lawsuit was lodged within the deadline determined by the Court. Three arbitrators have been appointed and four sessions have taken place: 15 April, 24 May, 2 July and 22 September. The Court has heard three witnesses called by CIECH S.A. and one witness called by the claimant (another witness failed to attend any of the two sessions). A decision to appoint an expert has been made.
The case is managed by the Szczecin law firm Wybranowski, Nowicki, Łuczak Biuro Prawne with shipping market practice. A contingent liability was created to cover the above claim, amounting to PLN 1,705,000.

AVAS claim
In 2009, AVAS (the national privatisation agency in Romania) accused CIECH S.A. of non-performance of its disclosure obligations provided under the Agreement for the purchase of S.C. Uzinele Sodice Govora – Ciech Chemical Group SA shares (Privatisation Agreement) and claimed contractual penalties from CIECH S.A. AVAS also filed a lawsuit in the case against CIECH S.A. In the opinion of Salans, CIECH S.A.'s legal representative, the probability of the first instance court accepting AVAS's claims (at this stage ignoring the two instances of appeal) was as follows:

- Non-performance of disclosure obligations by CIECH S.A., ref. paragraph 13.2.1 of the Privatisation Agreement, subject to penalties in USD (USD 376,000 + USD 10,000 = USD 386,000) – the probability was assessed as medium to high;
- Non-performance of disclosure obligations by CIECH S.A., ref. paragraph 13.11 of the Privatisation Agreement, subject a penalty of RON 1,669,334.23 – the probability was assessed as low to medium;
- Non-performance of disclosure obligations by CIECH S.A., ref. paragraph 15.4 of the Privatisation Agreement, subject a penalty of RON 1,669,334.23 – the probability was assessed as medium.

At the beginning of October 2010, CIECH S.A. received a first instance court verdict dated 1 October 2010, dismissing all claims filed by AVAS on the basis of lack of grounds.
Within 15 days from receipt of the written justification of the first instance court verdict, AVAS may appeal this verdict to the second instance court.
Any appeal lodged by AVAS will not be considered by the court of appeals (second instance) earlier than in mid-2011. The first session, however, could take place at the beginning of 2011.
The second instance verdict may then be subject to a complaint to the Supreme Court (third instance).

A provision of PLN 1,129,000 was created at CIECH S.A. for the above liability, as well as a contingent liability of PLN 3,119,000.

Receivables from bankruptcy proceedings
Receivables totalling PLN 8,057,000 have been claimed in domestic bankruptcy proceedings (twenty three cases).
Because the receivables held by CIECH S.A. are not senior, prospects for collection seem unfavourable.
The Company has created an impairment charge for all the pending proceedings.

Receivables from enforcement and composition proceedings
CIECH S.A. is pursuing PLN 9,460,000 in domestic enforcement proceedings (seventeen proceedings).
Prospects in the proceedings are varied, depending on the debtor's assets.
The Company has created an impairment charge corresponding to 100% of the value of the claims.
Foreign bankruptcy and enforcement proceedings
CIECH S.A. has claimed USD 315,000 (equivalent of PLN 921,000) and EUR 452,000 (equivalent of PLN 1,802,000 in total) in foreign bankruptcy proceedings, the largest items being as follows:

- Chemapol – Prague – USD 240,000 (PLN 702,000),
- Euroftal N.V. – Belgium – EUR 209,000 (PLN 833,000).

One claim of EUR 27,000 (equivalent of PLN 108,000) is pending a foreign enforcement proceedings.

Because of a debt collection agreement concluded by CIECH S.A. with Euler Hermes and Coface, the files of the foreign cases were submitted to those providers. However, even though CIECH S.A. had claimed all the receivables in foreign enforcement proceedings on time, both companies declined to accept the commission. Thus, the Company is collecting the receivables on its own accord.

Foreign currency-denominated liabilities have been translated based on exchange rates announced by the NBP on 30 September 2010.

USDPLN exchange rate	2.9250
EURPLN exchange rate	3.9870

Administrative proceedings

The proceedings were initiated by the Polish Financial Supervision Authority in a decision issued on 31 July 2009. They were to examine the allegations of the Company having violated art. 56 of the Act of 29 July 2005 on Public Offering and the Terms and Conditions of Introducing Financial Instruments into the Organised Trading System and on Public Companies in connection with currency option transactions. In its decision dated 7 April 2010, the Polish Financial Supervision Authority imposed a fine of PLN 250,000 (in words: two hundred fifty thousand PLN) on the Company based on the finding that the Company had violated art. 56 sec. 1 point 1) in conjunction with art. 56 sec. 2 point 1 of the Act. The alleged violation concerns the failure by the Company to submit to the Authority and to the company maintaining the regulated market – and to publicly disclose – the writing of call options to cooperating banks on 20 March 2008, 23 May 2008, 5 June 2008 and 6 August 2008 respectively, to the extent that such options increased the risk of unlimited financial loss, exceeded the planned EUR-denominated inflows in the reporting periods in question, could have a material impact on the issuer's financial results. The disclosure should have occurred within the legally specified deadline, that is, without undue delay after the contracts had been concluded.

On 12 July 2010, the Company filed for re-consideration of the case as regards the amount of the penalty (the Company requested that the penalty be reduced), complaining that the Decision had violated art. 96 sec. 1 point 2) of the Act (as it was before the changes introduced through Act of 5 September 2008 Amending the Act on Public Offering and the Terms and Conditions of Introducing Financial Instruments into the Organised Trading System and on Public Companies and other Acts) in conjunction with art. 5 sec. 2 of the amending act – by violating the limits of the Authority's decisive discretion (administrative discretion) granted based on art. 96 sec. 1 point 2) of the Act, and infringement of procedural laws, in particular: art. 7, art. 8, art. 11, art. 77 § 1 and art. 107 of the Administrative Proceedings Code (APC), by non-application thereof, as well as the infringement of art. 32 of the Constitution of the Republic of Poland.

Case pending resolution.

The Company has created a provision for the above liability in the amount of PLN 250,000.

Other cases involving CIECH S.A.

On 15 October 2010, CIECH S.A. received a summons to attend the trial before the President of the Commercial Court in Rennes (France), who will preside over an ad hoc session to be held on 7 December 2010. A similar summons was sent to the company Zakłady Chemiczne Siarkopol w Tarnobrzegu.

The summons is the result of a motion filed by Citis (seated in Colombes, France) and its insurance company, the two entities having been sued by two French producers of animal food products. An expert witness will be appointed during the proceedings in order to provide a number of opinions, including an evaluation of the amount of losses suffered by the French manufacturers. The letters received by CIECH S.A. do not specify the amount of damages sought by the French producers from Citis.

CIECH S.A. sold in 2009 oil sulphur powder to Citis. The powder was manufactured by Zakłady Chemiczne Siarkopol w Tarnobrzegu.

Under art. 331 of the French code of civil procedure, CIECH S.A. is qualified as a third-party respondent to Citis and a third party to the original claimants (French producers of animal food products).

CIECH S.A. has established a litigation attorney in France. The Company's insurer has also been notified.

Cases related to the property situated in Warsaw at ul. Powązkowska 46/50

1. Case pending before the Local Appeals Court in Warsaw, case no. KOX/1596/Po/09.

In a letter dated 22 December 2008 (case no. ZM.ZNO.722240-IV.3212/08/GL), the President of the City of Warsaw terminated the former annual fee due from CIECH S.A. for the perpetual usufruct of the land located in Warsaw at ul. Powązkowska 46/50 (owned by the State Treasury), marked as plot no. 41, precinct 7-02-09, and established a new fee in the amount of PLN 589,553.37 with effect from 1 January 2009. In response, CIECH S.A. lodged a motion with the Local Appeals Court ("LAC") in Warsaw dated 28 January 2009 to state that the adjustment of the annual fee for the perpetual usufruct of land is unjustified.

According to the information at hand, the Local Appeals Court is not engaged in any activities that could resolve the case. During the above procedure, CIECH S.A. commissioned an analysis of the appraisal study that had become the foundation for the fee increase. In March 2010, CIECH S.A. proxy sustained its motion filed in October 2009 to suspend the proceedings until the procedure before the District Court in Warsaw (25th Civil Division) has been resolved (case no. XXV C 1388/09).

On 4 May, the motion for suspension was lodged again. In addition, an opinion of the Arbitration Commission of the Polish Federation of Valuers was filed with the case, examining the appraisal study based on which the perpetual usufruct fee had been updated.

2. Case pending in the District Court in Warsaw, 25th Civil Division, case no. XXV C 1388/09 (LAC case no. Kox/584/Po/04).
In his letter dated 17 December 2003, delivered to CIECH S.A. on 6 January 2004, with effect from 31 December 2003 the President of City of Warsaw terminated the former annual fee due from CIECH S.A. for the perpetual usufruct of the land property located in Warsaw at ul. Powązkowska 46/50 (owned by the State Treasury), marked as plot no. 41, precinct 7-02-09. The new fee amount as of 1 January 2004 was PLN 500,013.36 (the previous fee, before termination, having been PLN 25,834.35). As a result of the appeal filed by CIECH S.A., the Local Appeals Court determined in its verdict dated 9 January 2009 (case no. KOX/584/Po/04) that, as of 1 January 2005, CIECH S.A. was obliged to pay an annual fee of PLN 408,878.14 for the perpetual usufruct of plot no. 41. On 29 January 2009, CIECH S.A. appealed this ruling of the Local Appeals Court at the District Court in Warsaw, 25th Civil Division, via the Local Appeals Court.
Through the decision of the Court dated 10 March 2010, an expert opinion on real estate valuation was admitted as evidence. In early May 2010, the respective appraisal study of the above described plot was delivered by the District Court in Warsaw. CIECH S.A. did not challenge the study in any way.
A provision was created in relation to the above proceedings (concerning the perpetual usufruct of the plot at ul. Powązkowska) at CIECH S.A. amounting to PLN 2,631,000.

3. In a letter dated 13 January 2009, CIECH S.A. requested the President of City of Warsaw to establish a planning fee based on art. 37 sec. 7 of Act of 17 March 2003 on Spatial Planning and Development (Polish Journal of Laws no. 80 item 717 with amendments) for the property located in Warsaw at ul. Powązkowska 46/50, consisting of plots located in precinct 7-02-09 and marked (as at the date of the motion) with numbers: 19/6 (part), 45/1 (part), 38, 42, 43, 44 and 41. Through Decision no. 5/R/2010 issued on 8 January 2010 (ref. WAB-D-XVIII-ZFR-7324-1-1-10), the fee was set to PLN 1,687,000.00.
The above decision was appealed to the LAC in Warsaw on 1 February 2010 (via the President of the City of Warsaw). On 12 April 2010, the LAC revoked the questioned decision in entirety and returned it for reconsideration (case number KOC/541/Ar/10).
While reconsidering the case (case no. UD-XVIII-WAB-ZFR-7324-2-1-10), the President of the City of Warsaw ordered that a new appraisal of the property be prepared. An appraisal study performed by an expert valuer indicated that the value of the properties had not changed after the adoption of the new “Rudawka Głogowska” Spatial Development Plan. With respect to ownership of individual properties, CIECH S.A. requested that certain minor formal errors be corrected. The Company made no reservations in regard to the merit of the study and applied for a decision waiving the planning fee.
On 6 October 2010, the President of the City of Warsaw issued the Decision no. 221/2010 (ref. UD-XVIII-WAB-ZFR-7324-3-1-10), discontinuing the administrative proceedings as the value of the property in question had not increased despite the adoption of the “Rudawka Głogowska” spatial plan, thus rendering the proceedings meritless.

14.2 Subsidiaries

Soda Polska CIECH Sp. z o.o.
No claims that could significantly impact the operations of Soda Polska Ciech Sp. z o.o. have been made. The total liabilities reported by the company’s creditors sum up to PLN 500,000.
In addition, no claims (liabilities) have been filed towards the Companies in the Soda Polska Ciech Sp. z o.o. Group that could materially affect their business.
Receivables (trade and other) pursued in a number of various proceedings amount to PLN 27,051,000, out of which Soda Polska has claimed a total PLN 855,000 from its debtors in several dozen bankruptcies. In enforcement proceedings, total receivables claimed are currently at PLN 25,904,000, the main item being PLN 25,514,000 owed by PHU “STARTER” B. Lepiarz.
TRANSODA Sp. z o.o. is litigating for a total PLN 41,000 in receivables.
Soda Polska has acquired the receivables from JANIKOSODY S.A. and SODA MĄTWY S.A. However, no assets were revealed in the procedure before the Regional Court in Częstochowa. The Enforcement Officer announced that the enforcement proceedings had been unsuccessful due to a high level of debt which could not be repaid.
Soda Polska CIECH Sp. z o. o. Group has created a PLN 500,000 provision for all ongoing proceedings and created impairment charges on the respective receivables.

“VITROSILICON” Spółka Akcyjna
The Company has received no information of external claims (liabilities) that could affect its business. The Company is seeking repayment of PLN 788,000 in receivables, mostly in enforcement proceedings (PLN 418,000) and bankruptcy proceedings (PLN 327,000).
“VITROSILICON” Spółka Akcyjna has created an impairment charge for all the proceedings underway.

“ALWERNIA” S.A.
No claims (liabilities) are sought from “Alwernia” S.A. that could materially affect its business. “Alwernia” S.A. is pursuing litigation and enforcement of a total PLN 401,000 for goods supplied its debtors. Total receivables sought in bankruptcy proceedings amount to PLN 1,009,000. One case is in progress against the Company, related to occupational illness – the claim amounts to PLN 43,000.
The Company is also due a PLN 306,000 (gross) trade advance from Z.Ch. WIZÓW.
“Alwernia S.A.” has created impairment charges against problematic receivables under litigation.

CHEMAN S.A.

No claims (liabilities) are sought from Cheman S.A. that could materially affect its business. Cheman S.A. is litigating for payment of trade receivables from several dozen debtors. The receivables sum up to PLN 5,769,000, including PLN 2,270,000 pending court or enforcement proceedings. Receivables totalling PLN 1,224,000 have been claimed in bankruptcies, and PLN 29,000 in settlement proceedings.
Cheman S.A. has created an impairment charge for all the pending proceedings.

FOSFORY Group
No claims (liabilities) are sought from FOSFORY Group companies that could materially affect the results of their business. FOSFORY Group is seeking a total PLN 5,493,000 from several dozen debtors in court cases as well as enforcement and bankruptcy proceedings; the largest amount, PLN 3,282,000, contributed by receivables in settlement proceedings.
FOSFORY Group has created an impairment charge against all of the above receivables.

POLFA Sp. z o.o.
No proceedings (claims) are pursued against POLFA Sp. z o.o. that could affect its business.
The Company is seeking payment of trade receivables amounting to USD 683,000 (equivalent to PLN 1,998,000) and EUR 794,000 (equivalent to PLN 3,166,000). Bankruptcy proceedings include receivables amounting to EUR 246,000 (equivalent to PLN 981,000), while settlement proceedings – EUR 293,000 (equivalent to PLN 1,168).

POLFA Sp. z o.o. – other proceedings
On 2 August 2010, the Company was notified by the Chief Pharmaceutical Inspector (CPI) that administrative proceedings had been launched against POLFA sp. z o.o. based on art. 61 § 4 of the APC and art. 37 ap sec. 1 point 2 in conjunction with z art. 78 sec. 1 point 2 and 3 and art. 81 sec. 1 of the Act of 6 September 2001 – Pharmaceutical Law (Polish Journal of Laws of 2008 no. 45, item 271 as amended). The subject of the proceedings is potential cancellation of the permit for wholesale trade in medicinal products. Within the deadline specified, the Company provided exhaustive explanations with regard to all the claims specified and filed for discontinuation. On 23 September 2010, the Company received a decision to extend the proceedings due to the complex and complicated nature of the case. If the CPI's decision is negative, meaning the permit to carry out wholesale trade in medicinal products would be cancelled, the Company might be compelled to cease to trade medicinal products wholesale – the Company's core business. This might occur once all the means of appeal have been exhausted.
Underlying the financial statements is the assumption of continuing as a going concern; no such adjustments have been made as would be necessary if this assumption was not to materialise.

ZAKŁADY CHEMICZNE "ORGANIKA-SARZYNA" Spółka Akcyjna
No material claims (liabilities) are sought from Z.Ch. "Organika – Sarzyna" S.A. that could affect its business. Z.Ch. "Organika – Sarzyna" S.A. is seeking PLN 2,343,000 in receivables in court, bankruptcy, enforcement as well as settlement proceedings. The largest amount, PLN 1,474,000, has been claimed in bankruptcy and settlement proceedings. Enforcement proceedings account for PLN 869,000.
All the proceedings are subject to an impairment provision.

ZACHEM Group
No claims (liabilities) are sought from ZACHEM Group companies that could impact the results of their business activities.
The largest claim against ZACHEM SA pending at present is the lawsuit of the City Administration of Bydgoszcz to hand over the property located at ul. Toruńska. The value of the object of litigation is PLN 1,094,000.
Moreover, private persons have lodged a lawsuit against the Company to pay PLN 13,000 for use of land without legal title (prescriptive easement).
The amount of receivables pursued by ZACHEM Group in commercial, bankruptcy, enforcement and other cases amount to PLN 14,138,000, the largest item being bankruptcy (PLN 10,736,000) and settlement (PLN 1,152,000) proceedings. The total amount under enforcement proceedings is PLN 1,275,000.
The group has created an impairment provision for all pending proceedings, amounting to PLN 14,138,000.

TRANSCLEAN Sp. z o.o.
No material claims (liabilities) are sought from TRANSCLEAN Sp. z o.o. that could affect its business results. The Company is litigating for payment of trade receivables from several dozen debtors. The receivables sum up to PLN 3,000.
TRANSCLEAN Sp. z o.o. has made an impairment charge against the above liabilities.

Soda Deutschland Ciech Group
No claims (liabilities) are sought from the Soda Deutschland Ciech Group that could impact the results of its business activities. One lawsuit has been lodged against the Company by VASA Kraftwerke-Pool GmbH&Co. for the payment of EUR 4,165,000 (equivalent to PLN 16,606,000) in overdue electricity bills from 2008. VASA has also claimed a total EUR 4,000,000 (equivalent to PLN 15,948,000) for the periods January-December 2009 and January-September 2010. Both companies are negotiating the terms of repayment.
Furthermore, an employee lawsuit is pending against the Company, lodged by a former Management Board Member of Sodachem, alleging unlawful termination of the employment contract. The claimant is demanding EUR 1,400,000 (equivalent to PLN 5,582,000) in damages, plus interest.
A provision of EUR 600,000 has been created for this liability.

S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.
No claims are sought from S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. that could impact its business results.
8 proceedings are pending against the Company:

- 1 claim for payment of overdue invoices – principal payment of RON 1,832,000 (equivalent to PLN 1,711,000) as well as RON 113,000 (equivalent to PLN 105,000) in penalty interest.
- 7 employee-related cases with no substantial impact on the Company's business results.

S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. is seeking the payment of its receivables in 24 court cases, where:

- 17 cases relate to overdue receivables,
- the remaining 7 cases are enforcement proceedings targeted at bankrupt companies.

All 24 cases had been provisioned as at 30 September 2010. Nevertheless, the provisions are immaterial to the financial statements due to their low values.

Furthermore, the Company is in multiple (10-20) court cases against Florin Balan, demanding payment of RON 4,072,000 (equivalent to PLN 3,804,000) from Mr. Balan.
S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. has filed a motion with the Court of Appeal in Bucharest to revoke Decision no. 75/26.02.2010, issued by ANAF (Tax Administration Agency) following a tax audit of USG. The total amount is RON 7,969,000 (equivalent to PLN 7,445,000) in VAT as well as accrued interest paid successive to the ANAF audit.
The company S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. has created a provision of RON 3,205,000 for the above liabilities (excluding tax paid), an equivalent of PLN 2,994,000.

1 RON = 0.9342 PLN

15. Information on related entity transaction(s) concluded by CIECH S.A. or its subsidiaries, if significant on a separate or joint basis and concluded on terms other than arm's length

No transactions were concluded between Ciech Group companies in the third quarter of 2010 on terms other than arm's length.

16. Disclosure of loan or other guarantees issued by CIECH S.A. and its subsidiaries

Guarantees issued

Name of beneficiary	Amount of specific purpose loans guaranteed in whole or in part		Term of guarantee	Financial terms of guarantees, including the guarantor's fee	Borrower	Description of ties between CIECH S.A. and the borrower
	in [currency] thousands	in PLN thousands				
CIECH S.A.						
PKN ORLEN SA		1,200	indefinite	Payment of fee to CIECH S.A.; 1% of the guaranteed amount	Cheman S.A.	Subsidiary
Commerzbank	25,000 EUR	99,675	30.09.2014	To the loan agreement dated 23 January 2008, amount: EUR 75 million	Soda Deutschland GmbH	Subsidiary
Total CIECH S.A.		**100,875**				
ZACHEM S.A.						
Bank PEKAO S.A.		18,160	until 31.08.2014	None	Spółka Wodna Kapuściska	None
Nordea Bank		18,160	until 31.08.2014	None	Spółka Wodna Kapuściska	None
Total ZACHEM S.A.		**36,320**				
Total loans guaranteed		**137,195**				

Name of beneficiary	Amount of general purpose loans surety-guaranteed in whole or in part		Term of guarantee	Financial terms of guarantees, including the guarantor's fee	Borrower	Description of ties between CIECH S.A. and the borrower
	in [currency] thousands	in PLN thousands				
ZACHEM S.A.						
The Provincial Fund For Environmental Protection and Water Management in Toruń		3,632	until 31.12.2011		Spółka Wodna Kapuściska	None
Total ZACHEM S.A.		**3,632**				
Total general purpose loans guaranteed		**3,632**				

Name of beneficiary	Total amount of own guarantees issued guaranteed in whole or in specific part		Term of guarantee	Financial terms of own guarantees, including the guarantor's fee	Borrower	Description of ties between CIECH S.A. and the borrower
	in [currency] thousands	in PLN thousands				
CIECH S.A.						
SG Equipment Leasing Polska Sp. z o.o. - Warsaw	EUR 1,666	6 642	30.09.2011	To the lease agreement between S.C Uzinele Sodice Govora – Ciech Chemical Group S.A. and ECS International Polska Sp. z o.o. dated 10 July 2007	S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. – Romania	Subsidiary
Air Products, LLC and Air Products Chemicals Europe B.V.	USD 38,500	112,613	2013	The amount was estimated based on semi-annual supplies in accordance with a contract concluded by ZACHEM S.A. in 2004 and amended in October 2007. The value of annual supplies is USD 77 million	ZACHEM S.A.	Subsidiary
GATX Rail Poland Sp. z o.o.	EUR 61	242	30.10.2010	Guarantee of lease payments for tank cars	ZACHEM S.A.	Subsidiary
ING Lease Romania IFN S.A.	EUR 2,237	8,918	30.04.2013	30.04.2013	S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. – Romania	Subsidiary
Total guarantees issued		**128,415**				

17. Guarantees issued by Ciech Group Companies to the Arranging Banks and the Medium Exposure Banks

The Companies have guaranteed:
- loans granted by the Arranging Banks to CIECH S.A. and Uzinele Sodice Govora based on the loan agreement signed on 26 April 2010,
- loans granted by the Medium Exposure Banks to CIECH S.A. based on bilateral loan agreements signed on 14 June 2010.

As at 30 September 2010, funds arising from the loan agreement and bilateral agreements have been paid out. The payout took place on 24 and 25 August 2010.

The following table illustrates the total limit of guarantees issued to the Arranging Banks and Medium Exposure Banks as at 30 September 2010:

Name of beneficiary	Amount of loans guaranteed	Guarantee cap	Term of guarantee	Financial terms of guarantees, including the guarantor's fee	Borrower	Description of ties between CIECH S.A. and the guarantor
CIECH S.A.						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 30 September 2010: EUR 13 million	Guarantee cap based on the loan agreement: PLN 2,010 million	Earlier of: 31.12.2013 or total repayment of the guaranteed liabilities	pre-determined % of excess guarantee amount issued over the amount required to secure the actual financing	S.C.Uzinele Sodice Govora S.A.	-
Agrochem Sp. z o.o. Człuchów						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 30 September 2010: PLN 1,159 million, EUR 26.5 million and USD 0.5 million	Total cap of the guarantee issued to the Arranging Banks and Medium Exposure Banks is defined as the greater of: 150% of Allocated Guarantee Amount / Net Asset Value, as at 30 September 2010 amounting to: PLN 91,500,000	Earlier of: 31.12.2013 or total repayment of the guaranteed liabilities	pre-determined % of excess guarantee amount issued over the amount required to secure the actual financing	Ciech S.A., S.C.Uzinele Sodice Govora S.A.	subsidiary
Medium Exposure Banks: BNP Paribas S.A. Oddział w Polsce, Credit Agricole Corporate and Investment Bank S.A. Oddział w Polsce, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 30 September 2010: PLN 29.4 million and EUR 3 million				CIECH S.A.	subsidiary
Agrochem Sp. z o.o. Dobre Miasto						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 30 September 2010: PLN 1,159 million, EUR 26.5 million and USD 0.5 million	Total cap of the guarantee issued to the Arranging Banks and Medium Exposure Banks is defined as the greater of: 150% of Allocated Guarantee	Earlier of: 31.12.2013 or total repayment of the guaranteed liabilities	pre-determined % of excess guarantee amount issued over the amount required to	Ciech S.A., S.C.Uzinele Sodice Govora S.A.	subsidiary

Name of beneficiary	Amount of loans guaranteed	Guarantee cap	Term of guarantee	Financial terms of guarantees, including the guarantor's fee	Borrower	Description of ties between CIECH S.A. and the guarantor
Medium Exposure Banks: BNP Paribas S.A. Oddział w Polsce, Credit Agricole Corporate and Investment Bank S.A. Oddział w Polsce, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 30 September 2010: PLN 29.4 million and EUR 3 million	Amount / Net Asset Value, as at 30 September 2010 amounting to: PLN 9,675,000		secure the actual financing	CIECH S.A.	subsidiary
Polfa Sp. z o.o.						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 30 September 2010: PLN 1,159 million, EUR 26.5 million and USD 0.5 million	Total cap of the guarantee issued to the Arranging Banks and Medium Exposure Banks is defined as the greater of:150% of Allocated Guarantee Amount / Net Asset Value, as at 30 September 2010 amounting to: PLN 16,500,000	Earlier of: 31.12.2013 or total repayment of the guaranteed liabilities	pre-determined % of excess guarantee amount issued over the amount required to secure the actual financing	Ciech S.A., S.C.Uzinele Sodice Govora S.A.	subsidiary
Medium Exposure Banks: BNP Paribas S.A. Oddział w Polsce, Credit Agricole Corporate and Investment Bank S.A. Oddział w Polsce, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 30 September 2010: PLN 29.4 million and EUR 3 million				CIECH S.A.	subsidiary
GZNF Fosfory Sp. z o.o.						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 30 September 2010: PLN 1,159 million, EUR 26.5 million and USD 0.5 million	Total cap of the guarantee issued to the Arranging Banks and Medium Exposure Banks is defined as the greater of: 150% of Allocated Guarantee Amount / Net Asset Value, as at 30 September 2010 amounting to: PLN 212,855,000	Earlier of: 31.12.2013 or total repayment of the guaranteed liabilities	pre-determined % of excess guarantee amount issued over the amount required to secure the actual financing	Ciech S.A., S.C.Uzinele Sodice Govora S.A.	subsidiary
Medium Exposure Banks: BNP Paribas S.A. Oddział w Polsce, Credit Agricole Corporate and Investment Bank S.A. Oddział w Polsce, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 30 September 2010: PLN 29.4 million and EUR 3 million				CIECH S.A.	subsidiary
Janikosoda S.A.						

Name of beneficiary	Amount of loans guaranteed	Guarantee cap	Term of guarantee	Financial terms of guarantees, including the guarantor's fee	Borrower	Description of ties between CIECH S.A. and the guarantor
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 30 September 2010: PLN 1,159 million, EUR 26.5 million and USD 0.5 million	Total cap of the guarantee issued to the Arranging Banks and Medium Exposure Banks is defined as the greater of: 150% of Allocated Guarantee Amount / Net Asset Value, as at 30 September 2010 amounting to: PLN 247,327,000	Earlier of: 31.12.2013 or total repayment of the guaranteed liabilities	pre-determined % of excess guarantee amount issued over the amount required to secure the actual financing	Ciech S.A., S.C.Uzinele Sodice Govora S.A.	subsidiary
Medium Exposure Banks: BNP Paribas S.A. Oddział w Polsce, Credit Agricole Corporate and Investment Bank S.A. Oddział w Polsce, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 30 September 2010: PLN 29.4 million and EUR 3 million				CIECH S.A.	subsidiary
Soda Mątwy S.A.						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 30 September 2010: PLN 1,159 million, EUR 26.5 million and USD 0.5 million	Total cap of the guarantee issued to the Arranging Banks and Medium Exposure Banks is defined as the greater of:150% of Allocated Guarantee Amount / Net Asset Value, as at 30 September 2010 amounting to: PLN 291,270,000	Earlier of: 31.12.2013 or total repayment of the guaranteed liabilities	pre-determined % of excess guarantee amount issued over the amount required to secure the actual financing	Ciech S.A., S.C.Uzinele Sodice Govora S.A.	subsidiary
Medium Exposure Banks: BNP Paribas S.A. Oddział w Polsce, Credit Agricole Corporate and Investment Bank S.A. Oddział w Polsce, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 30 September 2010: PLN 29.4 million and EUR 3 million				CIECH S.A.	subsidiary
Soda Polska Ciech Sp. z o.o.						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 30 September 2010: PLN 1,159 million, EUR 26.5 million and USD 0.5 million	Total cap of the guarantee issued to the Arranging Banks and Medium Exposure Banks is defined as the greater of: 150% of Allocated Guarantee Amount / Net Asset Value, as at	Earlier of: 31.12.2013 or total repayment of the guaranteed liabilities	pre-determined % of excess guarantee amount issued over the amount required to secure the actual financing	Ciech S.A., S.C.Uzinele Sodice Govora S.A.	subsidiary

Name of beneficiary	Amount of loans guaranteed	Guarantee cap	Term of guarantee	Financial terms of guarantees, including the guarantor's fee	Borrower	Description of ties between CIECH S.A. and the guarantor
Medium Exposure Banks: BNP Paribas S.A. Oddział w Polsce, Credit Agricole Corporate and Investment Bank S.A. Oddział w Polsce, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 30 September 2010: PLN 29.4 million and EUR 3 million	30 September 2010 amounting to: PLN 772,085,000			CIECH S.A.	subsidiary
Transclean Sp. z o.o.						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 30 September 2010: PLN 1,159 million, EUR 26.5 million and USD 0.5 million	Total cap of the guarantee issued to the Arranging Banks and Medium Exposure Banks is defined as the greater of: 150% of Allocated Guarantee Amount / Net Asset Value, as at 30 September 2010 amounting to: PLN 7,138,000	Earlier of: 31.12.2013 or total repayment of the guaranteed liabilities	pre-determined % of excess guarantee amount issued over the amount required to secure the actual financing	Ciech S.A., S.C.Uzinele Sodice Govora S.A.	subsidiary
Medium Exposure Banks: BNP Paribas S.A. Oddział w Polsce, Credit Agricole Corporate and Investment Bank S.A. Oddział w Polsce, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 30 September 2010: PLN 29.4 million and EUR 3 million				CIECH S.A.	subsidiary
Alwernia S.A.						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 30 September 2010: PLN 1,159 million, EUR 26.5 million and USD 0.5 million	Total cap of the guarantee issued to the Arranging Banks and Medium Exposure Banks is defined as 150% of the Allocated Guarantee Amount, i.e.: PLN 31,500,000	Earlier of: 31.12.2013 or total repayment of the guaranteed liabilities	pre-determined % of excess guarantee amount issued over the amount required to secure the actual financing	Ciech S.A., S.C.Uzinele Sodice Govora S.A.	subsidiary
Medium Exposure Banks: BNP Paribas S.A. Oddział w Polsce, Credit Agricole Corporate and Investment Bank S.A. Oddział w Polsce, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 30 September 2010: PLN 29.4 million and EUR 3 million				CIECH S.A.	subsidiary
Organika-Sarzyna S.A.						

Name of beneficiary	Amount of loans guaranteed	Guarantee cap	Term of guarantee	Financial terms of guarantees, including the guarantor's fee	Borrower	Description of ties between CIECH S.A. and the guarantor
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 30 September 2010: PLN 1,159 million, EUR 26.5 million and USD 0.5 million	Total cap of the guarantee issued to the Arranging Banks and Medium Exposure Banks is defined as 150% of the Allocated Guarantee Amount, i.e.: PLN 226,500,000	Earlier of: 31.12.2013 or total repayment of the guaranteed liabilities	pre-determined % of excess guarantee amount issued over the amount required to secure the actual financing	Ciech S.A., S.C.Uzinele Sodice Govora S.A.	subsidiary
Medium Exposure Banks: BNP Paribas S.A. Oddział w Polsce, Credit Agricole Corporate and Investment Bank S.A. Oddział w Polsce, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 30 September 2010: PLN 29.4 million and EUR 3 million				CIECH S.A.	subsidiary
Vitrosilicon S.A.						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 30 September 2010: PLN 1,159 million, EUR 26.5 million and USD 0.5 million	Total cap of the guarantee issued to the Arranging Banks and Medium Exposure Banks is defined as the greater of: 150% of Allocated Guarantee Amount/ Net Asset Value, as at 30 September 2010 amounting to: PLN 108,000,000	Earlier of: 31.12.2013 or total repayment of the guaranteed liabilities	pre-determined % of excess guarantee amount issued over the amount required to secure the actual financing	Ciech S.A., S.C.Uzinele Sodice Govora S.A.	subsidiary
Medium Exposure Banks: BNP Paribas S.A. Oddział w Polsce, Credit Agricole Corporate and Investment Bank S.A. Oddział w Polsce, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 30 September 2010: PLN 29.4 million and EUR 3 million				CIECH S.A.	subsidiary
Zachem S.A.						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 30 September 2010: PLN 1,159 million, EUR 26.5 million and USD 0.5 million	Total cap of the guarantee issued to the Arranging Banks and Medium Exposure Banks is defined as the greater of: 150% of Allocated Guarantee Amount/ Net Asset Value, as at	Earlier of: 31.12.2013 or total repayment of the guaranteed liabilities	pre-determined % of excess guarantee amount issued over the amount required to secure the actual	Ciech S.A., S.C.Uzinele Sodice Govora S.A.	subsidiary

Name of beneficiary	Amount of loans guaranteed	Guarantee cap	Term of guarantee	Financial terms of guarantees, including the guarantor's fee	Borrower	Description of ties between CIECH S.A. and the guarantor
Medium Exposure Banks: BNP Paribas S.A. Oddział w Polsce, Credit Agricole Corporate and Investment Bank S.A. Oddział w Polsce, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 30 September 2010: PLN 29.4 million and EUR 3 million	30 September 2010 amounting to: PLN 255,668,000		financing	CIECH S.A.	subsidiary
Cheman S.A.						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 30 September 2010: PLN 1,159 million, EUR 26.5 million and USD 0.5 million	Total cap of the guarantee issued to the Arranging Banks and Medium Exposure Banks is defined as the greater of: 150% of Allocated Guarantee Amount/ Net Asset Value, as at 30 September 2010 amounting to: PLN 12,015,000	Earlier of: 31.12.2013 or total repayment of the guaranteed liabilities	pre-determined % of excess guarantee amount issued over the amount required to secure the actual financing	Ciech S.A., S.C.Uzinele Sodice Govora S.A.	subsidiary
Medium Exposure Banks: BNP Paribas S.A. Oddział w Polsce, Credit Agricole Corporate and Investment Bank S.A. Oddział w Polsce, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 30 September 2010: PLN 29.4 million and EUR 3 million				CIECH S.A.	subsidiary

The guarantees issued are secured by:

- mortgages on real estate owned by the Companies and CIECH S.A.,
- pledge on the business of the Companies and CIECH S.A.,
- assignment of rights from insurance policies related to the secured assets,
- financial pledges on bank accounts of CIECH S.A. and Companies,
- financial pledges on the selected locked-in accounts of Significant Members of the Ciech Group (excluding Soda Deutschland Ciech Group),
- financial pledge and registered pledge on the Companies' shares as well as the shares in Soda Deutschland Ciech GmbH,
- statement on submission to execution by the Companies and CIECH S.A.,
- contingent assignments of rights stemming from significant trade contracts of the Companies and CIECH S.A.,
- contingent transfer of title to all movable assets of the Companies and CIECH S.A.,
- contingent assignments of rights stemming from such intra-group loans that will be used to distribute loan proceeds to the Companies,
- proxies to the bank accounts of the Companies and CIECH S.A.

18. Issue, redemption and repayment of debt and equity securities in Ciech Group

Ciech Group did not issue any securities in the third quarter of 2010.

19. Information on dividends paid (or declared) – overall and per share – split between ordinary and preference

Having incurred a loss in 2009, CIECH S.A. did not pay dividends in 2010. Through a resolution passed on 21 June 2010, the Annual General Meeting decided to cover the loss from the Company's supplementary capital.

On 18 June 2009, the Annual General Meeting of CIECH S.A. had passed a resolution to refrain from declaring dividend from the 2008 profit of CIECH S.A., transferring the entire amount to the Company's supplementary capital.

20. Discontinued operations and assets held for trading

No discontinued operations were present in Ciech Group between January and September 2010.

Ciech Group's "Non-current assets held for trading" contained the following as at 30 September 2010:

- Shares owned by CIECH S.A. in CIECH SERVICE Sp. z o.o., valued at PLN 714,000,
- Perpetual usufruct right of CIECH S.A. to the property at ul. Powązkowska, valued at PLN 224,000,
- Vitrosilicon Spółka Akcyjna reported property, plant and equipment valued at PLN 500,000, including:
  - land – PLN 368,000,
  - buildings and structures – PLN 132,000,
- The value of investment properties at "Organika – Sarzyna" S.A., including perpetual usufruct, amounting to PLN 3,037,000.

Moreover, having signed preliminary agreements to sell the shares in PTU S.A., the companies JANIKOSODA S.A. and SODA MĄTWY S.A. reported shares in an associate, measured using the equity method for a total valuation of PLN 27,796,000.

21. Disclosure of debt delinquencies or any infringement of debt-related agreements

No loan agreement was called due in the reporting period, nor were there any cases of delinquency in the payments of principal or interest on the debt disclosed in the balance sheet.

Depending on the interpretation, Ciech Group's financial results (excluding the SDC Group) in the third quarter of 2010 may miss one of the financial ratio targets provided in the loan agreement concluded by CIECH S.A. on 26 April 2010. The above interpretative doubts are whether or not to include certain items in the definitions relevant to financial ratios. As at the report publication date, CIECH S.A. was in discussions with lenders, with the aim to determine a uniform manner of assessment of the above-mentioned ratio before the date of review of financial ratio targets after the third quarter of 2010 (i.e. 4 December 2010). If the resulting interpretation be unfavourable to CIECH S.A., there is a risk of infringement of the loan agreement, which in turn may constitute basis for the creditors to call the loan due. Consequently, a non-current liability of PLN 826,434,000 was recognised as current.

After the reporting date, S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. and S.C. CET Govora S.A. were discussing a possible extension of the maturity of amounts payable to S.C. CET Govora S.A. in connection with the technological steam supply contract between the two companies. On 28 October 2010, S.C. CET Govora S.A. filed a lawsuit against S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. in a Romanian court, demanding payment for said liabilities. The claim submitted by S.C. CET Govora S.A. is RON 48.7 million (PLN 45.6 million based on the average NBP rate announced on 28 October 2010).
The above circumstances qualify as infringement of the loan agreement, parties to which include CIECH S.A. and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.
Thus, CIECH S.A. and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. have undertaken turnaround measures, which include mainly steps agreed with S.C. CET Govora S.A. during the meeting held on 4 November 2010.
In particular, it was agreed that S.C. CET Govora S.A. would withdraw its lawsuit and that S.C. CET Govora S.A. and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. would conclude an amendment to the said contract, under which the liabilities would be repaid gradually over 5 years.
Further to this agreement, CIECH S.A. was informed on 8 November 2010 that the lawsuit lodged by S.C. CET Govora S.A. had been withdrawn. The amendment itself will likely be agreed on and signed in November 2010.

Under the requirements of IAS 1, in the case of infringement of loan agreements that might potentially limit the unconditional availability of the respective loans within the next year, such loans must be qualified as current liabilities.

22. Information on non-consolidated subsidiaries and associates

While choosing entities for consolidation, the Management Board of the parent was guided by materiality of their financial data in the context of the duty to disclose a true and fair view of Ciech Group's financial situation and financial result (as per the IFRS conceptual assumptions). It was assumed that entities with immaterial balance sheet totals or net revenue from sales and financial operations would be immaterial to the corresponding items of the parent, provided that the aggregated data falls short of 5% of the respective totals (adding up all subsidiaries in Ciech Group). In such case, these entities would not be material to the duty imposed by these standards.

Non-consolidated entities	CIECH S.A. interest in the company (direct + indirect)	Net revenue from sale of products and goods for resale and financial operations	Net profit / loss	Balance sheet total of the entity/ Group	Percent of CIECH S.A. revenues	Percent of CIECH S.A. balance sheet total	Degree of dependence on CIECH S.A.
1) Chemia.com S.A.	100,00%	9 800	34	2 715	0.48%	0.11%	Subsidiary
2) Polcommerce Handel und Vertretungsgesellschaft mbH	100,00%	9 029	(141)	2 593	0.44%	0.11%	Subsidiary
3) CIECH SERVICE Sp. z o.o.	100,00%	7 491	367	2 375	0.37%	0.10%	Subsidiary
4) Nordiska Unipol Aktienbolag	97,78%	18 783	(53)	6 187	0.92%	0.25%	Subsidiary
5) POLFA Group							
5.1.) POLFA Hungaria Ltd, Hungary	100,00%	3 221	493	1 080	0.16%	0.04%	Indirect subsidiary
6) ALWERNIA Group							
6.1.) "ALWERNIA-FOSFORANY" Spółka z ograniczoną odpowiedzialnością	73,75%	-	-	50	0.00%	0.00%	Indirect subsidiary
6.2.) SOC-AL. Spółka z ograniczoną odpowiedzialnością	69,88%	1 667	301	3 039	0.08%	0.12%	Indirect subsidiary
7) ORGANIKA – SARZYNA Group							
7.1.) Z.D. "ORGANIKA" Sp. z o.o.	51,00%	3 377	227	2 823	0.17%	0.12%	Indirect subsidiary
8) Soda Deutschland Ciech Group							
8.1.Sodachem GmbH	100,00%	5 232	-	6 439	0.26%	0.26%	Indirect subsidiary

Total amount	Non-consolidated entities	Ciech Group (no eliminations)	% share
Carrying amounts	27 301	7 245 271	0,38%
Net revenue from sale of products and goods for resale and financial operations	58 600	5,060,967	1.16%

Based on the materiality criteria (as prescribed by IFRS), the Management Board of CIECH S.A. has decided to eliminate the following associates from the consolidated statements.

Entities other than valued under the equity method	CIECH S.A. direct interest in the company	CIECH S.A. interest in the company (direct + indirect)	Share in the number of votes at the GM	Acquisition value (PLN thousands)	Impairment of acquisition value (PLN thousands)	Equity as at 30/09/2010 attributable to Ciech Group (PLN thousands)	Entity's net revenue from sale of products and goods for resale and financial operations (PLN thousands)	Entity balance sheet total (PLN thousands)	Net profit (loss) for the period (PLN thousands)
CIECH S.A.									
Suomen Unipol Oy	15.00%	24.78%	24.78%	132	-	1 241	39 931	17 312	1 141
ORGANIKA – SARZYNA Group									
Zakłady Chemiczne "Silikony Polskie" Sp. z o.o.	-	30.00%	27.92%	5 209	-	5 984	12 483	21 852	580
"Komunalna Biologiczna Oczyszczalnia Ścieków – Spółka z ograniczoną odpowiedzialnością"	-	56.62%	52.68%	8 358	-	7 870	2 121	14 274	83
"Bud-Org" Sp. z o.o.	-	24.85%	23.13%	43	-	304	1 737	1 670	9
"Gumokor-Organika" Sp. z o.o.	-	24.81%	23.08%	16	-	63	502	358	(48)
"ORGANIKA – PROJEKT" Sp. z o.o.	-	24.49%	22.79%	18	18	4	344	136	(47)
"EL-CHEM" Sp. z o.o.	-	24.73%	23.01%	92	-	292	3 455	2 929	(226)
"WOD-REM" Sp. z o.o.	-	24.94%	23.20%	146	-	317	3 769	2 396	(187)
"NS Automatyka" Sp. z o.o.	-	22.44%	20.88%	115	-	407	2 882	3 347	(340)
ZACHEM Group									
"BUDPUR" Spółka z ograniczoną odpowiedzialnością	-	23.86%	21.64%	63	-	180	2 251	1 181	49
Natural Chemical Products Sp. z o.o.	-	44.03%	39.93%	214	-	1 882	22 542	11 662	(682)
Soda Deutschland Ciech Group									
Kaverngesellschaft Stassfurt GmbH	-	50.00%	50.00%	644	-	985	2 882	5 933	1161
Soda Mątwy Group									
Zakład Gospodarki Popiołami Sp. z o.o.	-	29.13%	29.13%	3 597	-	4 035	2 152	48 147	530
Total amount	**-**	**-**	**-**	**18 647**	**18**	**23 564**	**97 051**	**131 197**	**2 023**

In addition, CIECH S.A. owns shares in entities, over whom control has been restricted or lost:

- *Calanda Polska Sp. z o.o. – company in liquidation; CIECH S.A. holds 95.70% of the shares and votes directly; the company was not presented in the above table on account of the lack of data.*
- *ZAO-Polfa Ciech, Rosja – company in bankruptcy; CIECH S.A. holds 65.00% of the shares and votes directly.*
- *Polsin-Karbid Sp. z o.o. – company in bankruptcy; CIECH S.A. holds 22.76% of the total shares/votes; controlled directly by CIECH S.A. and indirectly through POLSIN PRIVATE LIMITED.*
- *K.Foster&Son Ltd. – loss of control; CIECH S.A. holds 46.51% of the shares/votes indirectly through DALTRADE PLC.*
- *Polfa Nigeria – loss of control; no contact with the company; 20% direct share of CIECH S.A.*
- *Zach-Ciech Sp. z o.o. – CIECH S.A. directly holds 35.65% of the shares/votes; the Regional Court in Katowice declared the Company bankrupt on 24 January 2006.*
- *Zakład Gastronomiczno-Hotelowy "MIREX" Sp. z o.o. – company in liquidation; 27% of the shares/votes held by CIECH S.A. indirectly through ZACHEM S.A.*
- *Polsin Overseas Shipping Ltd. is another associate of CIECH S.A. The company failed to submit its financial data for the first quarter of 2010.*
- *Huta Szkła Wymiarki S.A., an associate of CIECH S.A., failed to submit its financial data for the first six months of 2010.*
- *Ciech America Latina LTDA – business suspended on 30 June 2009.*
- *KPG Kavernen-Projekt-Beteiligungsgesellschaft mbH – in liquidation,*
- *"DREWREM-ORGANIKA" Sp. z o.o. – in liquidation.*

23. Reconciliation of equity at the end of the third quarter of 2009 with the present levels

Correction no. 1 – Hedge accounting correction
In 2008, CIECH S.A. concluded derivative transactions by setting up option structures, which consisted of put options purchased and call options written, in order to hedge future sales revenues denominated in or indexed to EUR.

Given the hedging nature of these instruments in an economic sense, the Management Board of CIECH S.A. decided to additionally designate some of the derivative transactions as a revenue hedge within the meaning of hedge accounting. To that end, the derivative transactions were decomposed into their respective elements and the option structure (a set of purchased put options and written call options with identical underlying quantities and strike prices on the respective dates) was separated from each transaction. As a synthetic forward, this option structure was designated for hedge accounting. The remaining portion of the option transactions – the ones outside the hedging option structure – were classified as instruments held for trading.

Despite the economic goal of the transactions, which was to hedge, in order for IAS 39 to permit such synthetic forwards from decomposition to be designated for hedge accounting, they would have to be identical as to the parameters but separate in legal terms. In the financial statements for the third quarter of 2009, the Management Board presented the valuation of such transactions of PLN (57,714,000) in "Hedge accounting reserve" instead of "net loss for 2009" of PLN (13,220,000) and "Retained earnings" of PLN (70,934,000). The Auditor's opinion on the 2008 statements was qualified as to this issue.

For the 2009 statements, the Management Board of CIECH S.A. re-examined the transactions for compliance with the IFRS and decided to correct their presentation in the financial statements. The error, mostly caused by improper implementation of the principles of IAS 39, had distorted the 2008 financial result and value of equity by the above amounts. The Management Board's decision on the new interpretation of IAS 39 was intended to eliminate the irregularities and correct the financial statements for 2008 as per IAS 8.

CIECH S.A. had the option structures initiated in 2008 restructured in 2009, allowing their designation for hedge accounting under IAS 39.

Correction no. 2 – Hedge accounting correction – change in loan valuation
The loan liabilities designated for hedge accounting at the Ciech Group level were to be repaid until the end of June 2010. Because a standstill agreement was being negotiated, the liabilities were not repaid and the designations for hedge accounting were not closed.
Having re-examined the situation, the Management Board decided to close the designations for loan liabilities by maturity and reconcile hedge accounting reserves accordingly.

Correction no. 3 – Goodwill impairment correction
For the purposes of IFRS 8, Z.Ch. "Organika-Sarzyna" S.A. recognised two business segments: Agrochemicals and Organics (shifting from the three previous business segments: Agrochemicals, Organics and Other). Goodwill at CIECH S.A. had previously been tested for impairment at the enterprise level only, without a split into segments.
The change in business segments resulting from IFRS 8 implementation is treated as a change in accounting policies. Since all IFRS 8-related changes are presented in retrospect, corresponding data of the prior periods also relies on the new segmentation and the resulting new CGUs.

As a result of testing for goodwill impairment at the segment level, a charge on Organics goodwill was taken to the 2008 financial result. The goodwill, related to the purchase of Z.Ch. "Organika-Sarzyna" S.A., amounted to PLN 15,496,000.

The impact of prior periods' errors being corrected in the above described manner on the consolidated financial statements as at 30 September 2009 is presented below.

in PLN thousands	**30.09.2009 presented in the Complete condensed report of Ciech Group for the third quarter of 2009**	***Correction no. 1*** Hedge accounting correction	***Correction no. 2*** Impairment of goodwill on Z.Ch. Organika Sarzyna S.A.	***Correction no. 3*** Hedge accounting correction – change in loan valuation	**30.09.2009 presented currently (as comparative data)**
Equity					
Share capital	164 115	-	-		164 115
Treasury shares	-	-	-		-
Share premium	151 328	-	-		151 328
Equity components relating to assets held for trading	-	-	-		-
Hedge accounting reserve	(55 956)	57 714	-	(819)	939
Financial asset revaluation reserve	790	-	-		790
Property, plant and equipment revaluation reserve	-	-	-		-
Other reserves	78 521	-	-		78 521
Exchange differences on net investment in foreign entity	-	-	-		-
Exchange differences on translation of subsidiaries	(61 371)	-	-		(61 371)
Retained earnings	631 340	(57 714)	(15 496)	819	558 946
Equity attributable to owners of the parent	**908 767**	**-**	**(15 496)**	**-**	**893 268**
Non-controlling interests	41 176	(3)	-	-	41 173
Total equity	**949 943**	**(3)**	**(15 496)**	**-**	**934 441**
Net profit, including:	**(28 272)**	**13 217**	**-**	**819**	**(14 236)**
Net profit attributable to owners of the parent	*(24 825)*	13 217	-	819	(10 789)
Net profit attributable to non-controlling interests	*(3 447)*				*(3 447)*

IV. CIECH S.A. condensed separate financial statements for the third quarter of 2010, prepared in accordance with the International Financial Reporting Standards

1. Separate profit and loss statement

in PLN thousands	**01.01-30.09.2010*** Continuing operations	**01.01-30.09.2009*** Continuing operations	**01.07-30.09.2010*** Continuing operations	**01.07-30.09.2009*** Continuing operations
Net revenue from sales	**1 663 736**	**1 404 940**	**544 587**	**517 324**
Own costs of sales	(1 420 457)	(1 145 017)	(469 236)	(438 637)
Gross profit / loss on sales	**243 279**	**259 923**	**75 351**	**78 687**
Other operating income	1 791	5 446	506	401
Distribution costs	(106 138)	(92 873)	(35 277)	(30 950)
Administrative expenses	(35 718)	(39 886)	(10 639)	(13 248)
Other operating costs	(12 552)	(6 787)	(6 791)	(1 405)
Operating profit / loss	**90 662**	**125 823**	**23 150**	**33 485**
Finance income	83 004	48 369	25 903	3 328
Finance costs	(177 963)	(224 165)	(76 217)	(33 032)
Net finance income / costs	**(94 959)**	**(175 796)**	**(50 314)**	**(29 704)**
Profit / loss before tax	**(4 297)**	**(49 973)**	**(27 164)**	**3 781**
Income tax	(3 936)	(6 372)	8 732	(4 333)
Net profit / loss	**(8 233)**	**(56 345)**	**(18 432)**	**(552)**
Net profit / loss for the financial year	**(8 233)**	**(56 345)**	**(18 432)**	**(552)**
Earnings per share (in PLN):				
Basic	(0.29)	(2.01)	(0.66)	(0.02)
Diluted	(0.29)	(2.01)	(0.66)	(0.02)

** No discontinued operations at the company in reporting period or prior period.*

2. CIECH S.A. separate statement of comprehensive income

in PLN thousands	**01.01-30.09.2010***	**01.01-31.12.2009**	**01.01-30.09.2009***
	Continuing operations	**Continuing operations**	**Continuing operations**
Net profit (loss) for the financial year	**(8 233)**	**(125 767)**	**(56 345)**
Other gross comprehensive income	**(21 153)**	**66 066**	**71 256**
Financial assets available for sale (accounted for in the revaluation reserve)	11 801	20 494	26 893
Hedge accounting (accounted for in the revaluation reserve)	(32 954)	45 572	44 363
Income tax on other components of comprehensive income	4 019	**(12 553)**	**(13 539)**
Other net comprehensive income	**(17 134)**	**53 513**	**57 717**
COMPREHENSIVE INCOME	**(25 367)**	**(72 254)**	**1 372**

** No discontinued operations at the company in reporting period or prior period.*

3. CIECH S.A. statement of financial position

in PLN thousands	30.09.2010	31.12.2009	30.09.2009
ASSETS			
Non-current assets			
Property, plant and equipment	9 323	10 957	11 296
Perpetual usufruct rights	-	-	-
Wartości niematerialne	7 648	8 750	8 173
Investment property	3 629	3 844	15 484
Non-current receivables	32 091	39 741	40 238
Investment in associates and jointly controlled entities accounted for using the equity method	-	-	-
Other long-term investments	1 806 139	1 376 023	1 457 098
Deferred income tax assets	17 028	16 525	20 728
Total non-current assets	**1 875 858**	**1 455 840**	**1 553 017**
Current assets			
Inventory	31 710	26 313	20 702
Short-term investments	73 826	87 883	47 182
Income tax receivables	2 111	5 228	8 407
Trade and other receivables	422 638	355 300	403 998
Cash and cash equivalents	32 926	46 445	38 705
Non-current assets held for sale	938	-	-
Total current assets	**564 149**	**521 169**	**518 994**
Total assets	**2 440 007**	**1 977 009**	**2 072 011**

EQUITY AND LIABILITIES			
Equity			
Share capital	164 115	164 115	164 115
Share premium	151 328	151 328	151 328
Equity components relating to assets held for trading	-	-	-
Revaluation reserve	-	(9 559)	(4 376)
Other reserves	76 199	76 199	76 199
Hedge accounting reserve	10 220	36 913	35 934
Retained earnings	89 867	98 100	167 522
Total equity	**491 729**	**517 096**	**590 722**
Liabilities			
Borrowings	299 919	426 196	431 723
Employee benefits	1 910	1 776	1 802
Provisions (other long-term)	-	-	-
Other non-current liabilities	32 985	57 406	70 740
Deferred income tax provision	-	-	-
Total non-current liabilities	**334 814**	**485 378**	**504 265**
Bank overdraft	-	-	-
Borrowings	1 187 838	477 957	474 589
Trade and other payables	418 545	492 572	498 780
Income tax liabilities	-	-	-
Provisions (short-term provisions for employee benefits and other)	6 917	4 006	3 655
Liabilities related to held-for-trading non-current assets	164	-	-
Total current liabilities	**1 613 464**	**974 535**	**977 024**
Total liabilities	**1 948 278**	**1 459 913**	**1 481 289**
Total equity and liabilities	**2 440 007**	**1 977 009**	**2 072 011**

4. CIECH S.A. statement of cash flows

in PLN thousands	01.01-30.09.2010	01.01-30.09.2009
Cash flows from operating activities		
Net profit (loss) for the period	**(8 233)**	**(56 345)**
Depreciation / amortisation	3 559	4 726
Creation / reversal of revaluations	27 299	90 961
Currency exchange gains / losses	21 680	(1 794)
Gain / loss on investing activities	8 096	-
Gain / loss on disposal of fixed assets	(78)	(140)
Interest and share of profits	29 645	(19 236)
Income tax accrued	3 936	6 372
Operating profit / loss before changes in working capital and provisions	**85 904**	**24 544**
Change in receivables	(60 198)	15 843
Change in inventories	(5 394)	(3 337)
Change in current liabilities	45 815	81 860
Change in employee benefit provisions and liabilities	3 043	(3 956)
Net cash flow from operating activities	**69 170**	**114 954**
Interest paid	(56 714)	(25 107)
Income tax paid	2 697	(4 635)
Cash flows from execution of options	-	(98 730)
Valuation of derivative financial instruments	(48 888)	(30 568)
Other adjustments (including pro forma correction of cash flows from execution of options)	-	98 730
Net cash from operating activities	**(33 735)**	**54 644**
Cash flows from investing activities		
Inflows		
Disposal of intangible assets and property, plant and equipment	78	259
Disposal of subsidiary	276	-
Disposal of investment	41 600	-
Dividends received	5 020	7 380
Interest received	4 570	2 366
Proceeds from repayment of loans*	31 245	8 031
Outflows		
Purchase of intangible assets and property, plant and equipment	(1 493)	(3 047)
Acquisition of subsidiary (less cash acquired)	(7 309)	(75 376)
Capital increases and additional contributions	(6 293)	-
Loans granted*	(19 345)	(51 656)
Net cash from investing activities	**48 349**	**(112 043)**
Cash flows from financing activities		
Inflows		
Proceeds from loans*	442 346	231 922
Outflows		
Repayment of loans*	(471 700)	(169 900)
Net cash from financing activities	**(29 354)**	**62 022**
Total net cash flows	**(14 740)**	**4 623**
Cash at the beginning of period	46 448	32 085
Effect of foreign exchange differences	1 218	1 997
Cash at the end of period	**32 926**	**38 705**

** Only those loan-related inflows and outflows were presented which passed through CIECH S.A.'s bank accounts. Out of the syndicated loan drawn, PLN 857,396,000 was settled by means of compensation with the loan liabilities of CIECH S.A. and its obligation to grant loans to Ciech Group companies (PLN 504,952,000). Because the settlements would bypass the CIECH S.A. bank accounts, they were not included in the cash flow statement.*

5. CIECH S.A. statement of changes in equity

in PLN thousands	Share capital	Treasury shares	Share premium	Equity components relating to assets held for trading	Revaluation reserve	Hedge accounting reserve	Other reserves	Retained earnings	**Total equity**
Equity as at 01/01/2010 (beginning of period)									
Previously	**164 115**	**-**	**151 328**	**-**	**(9 559)**	**36 913**	**76 199**	**98 100**	**517 096**
Changes in accounting policies	-	-	-	-	-	-	-	-	-
Corrections of errors in previous periods	-	-	-	-	-	-	-	-	-
Equity (after transition) as at: 01/01/2010	**164 115**	**-**	**151 328**	**-**	**(9 559)**	**36 913**	**76 199**	**98 100**	**517 096**
Share issue	-	-	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	-	-	-	-
Comprehensive income for 2010	-	-	-	-	9 559	(26 693)	-	(8 233)	(25 367)
Equity as at 30/09/2010 (end of period)	**164 115**	**-**	**151 328**	**-**	**-**	**10 220**	**76 199**	**89 867**	**491 729**

in PLN thousands	Share capital	Treasury shares	Share premium	Equity components relating to assets held for trading	Revaluation reserve	Hedge accounting reserve	Other reserves	Retained earnings	**Total equity**
Equity as at 01/01/2009 (beginning of period)									
Previously	**164 115**	**-**	**151 328**	**-**	**(26 159)**	**(70 934)**	**76 199**	**294 801**	**589 350**
Changes in accounting policies	-	-	-	-	-	-	-	-	-
Corrections of errors in previous periods	-	-	-	-	-	70 934	-	(70 934)	-
Equity as at 01/01/2009 (after transition)	**164 115**	**-**	**151 328**	**-**	**(26 159)**	**-**	**76 199**	**223 867**	**589 350**
Share issue	-	-	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	-	-	-	-
Comprehensive income for 2009	-	-	-	-	16 600	36 913	-	(125 767)	(72 254)
Equity as at 31/12/2009 (end of period)	**164 115**	**-**	**151 328**	**-**	**(9 559)**	**36 913**	**76 199**	**98 100**	**517 096**

CIECH S.A. STATEMENT OF CHANGES IN EQUITY

in PLN thousands	Share capital	Treasury shares	Share premium	Equity components relating to assets held for trading	Revaluation reserve	Hedge accounting reserve	Other reserves	Retained earnings	**Total equity**
Equity as at 01/01/2009 (beginning of period)									
Previously	**164 115**		**151 328**	**-**	**(26 159)**	**(70 934)**	**76 199**	**294 801**	**589 350**
Changes in accounting policies	-	-	-	-	-	-	-	-	-
Corrections of errors in previous periods	-	-	-	-	-	70 934	-	(70 934)	-
Equity as at 01/01/2009 (after transition)	**164 115**	**-**	**151 328**	**-**	**(26 159)**	**-**	**76 199**	**223 867**	**589 350**
Share issue	-	-	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	-	-	-	-
Comprehensive income for 2009	-	-	-	-	21 783	35 934	-	(56 345)	1 372
Equity as at 30/09/2009 (end of period)	**164 115**	**-**	**151 328**	**-**	**(4 376)**	**35 934**	**76 199**	**167 522**	**590 722**

6. Notes to the financial statements for the third quarter of 2010, ended 30 September 2010

6.1. The basis for the preparation and the accounting policies

On 31 January 2007, the Extraordinary General Meeting of CIECH S.A. passed resolution no. 4 on the preparation of separate financial statements according to IFRS/IAS. Based on the resolution, the reports of CIECH S.A. have been prepared in accordance with IFRS/IAS since 2007. Assets, equity and liabilities as well as the financial results are measured as per the Company's accounting policies.
The 2009 report of CIECH S.A. contains detailed information on the valuation principles and methods applied to assets, equity and liabilities as well as the preparation of the financial result and prior periods' data. The report was made public on 30 April 2010.
Certain changes have been made as of 2010 in the presentation of business segments, also applied to the corresponding data. A detailed overview of these changes is included in section II.3 of this Report.

6.2. Earnings per share (in PLN):

The table below shows profit and share data used as a foundation for calculating both basic and diluted earnings per share.

in PLN thousands	**30.09.2010**	**30.09.2009**
Net profit (loss) from continuing operations attributable to owners of the parent	(8 233)	(56 345)
Net profit (loss) from discontinued operations attributable to owners of the parent	-	-
Net profit (loss) attributable to owners of the parent used for basic earnings per share	(8 233)	(56 345)
Net profit (loss) attributable to owners of the parent used for diluted earnings per share	(8 233)	(56 345)
in pcs.	**30.09.2010**	**30.09.2009**
Weighted average number of ordinary shares issued, used for basic earnings per share	28 000 000	28 000 000
Weighted average number of ordinary shares issued, used for diluted earnings per share	28 000 000	28 000 000

6.3. Seasonal and cyclical factors

Information on seasonal and cyclical effects was presented under section III.3 of this Report.

6.4. Changes in estimates

No material changes occurred with respect to estimated amounts reported in the previous financial years.

6.5. Information on the issue, redemption and repayment of debt and equity securities

The information on the issue, redemption and repayment of debt and equity securities was presented in section III.18 of this Report.

6.6. Information on dividends paid

The information on dividends was presented in section III.19 of this Report.

6.7. Financial data per business segment

01.01-30.09.2010

in PLN thousands	Soda segment – Soda Division	Organics segment – Organika Division	Agrochemicals segment (Agro-Silicon Division)	Silicates and Glass segment (Agro-Silicon Division)	Other operations	Corporate Functions – residual item	TOTAL
External revenue	612 964	630 965	47 659	142 444	292	-	1 434 324
Inter-segment revenue	42 336	29 658	154 097	3 217	104	-	229 412
Total revenue	**655 300**	**660 623**	**201 756**	**145 661**	**396**	**-**	**1 663 736**
Cost of sales	(535 405)	(581 755)	(188 112)	(115 071)	(114)	-	(1 420 457)
Gross profit / loss on sales	**119 895**	**78 868**	**13 644**	**30 590**	**282**	**-**	**243 279**
Distribution costs	(54 090)	(27 019)	(2 189)	(22 811)	(6)	(23)	(106 138)
Administrative expenses	(1 074)	(1 297)	(422)	(784)	-	(32 141)	(35 718)
Gain / loss on receivables management	(5 751)	169	1	-	(824)	-	(6 405)
Profit / loss on other operating activities	200	68	1	526	(159)	(4 992)	(4 356)
Operating profit / loss	**59 180**	**50 789**	**11 035**	**7 521**	**(707)**	**(37 156)**	**90 662**
Net exchange differences and trade account interest	(22 651)	(55 561)	(8 363)	(7 846)	(3 276)	-	(97 697)
Group finance costs	-	-	-	-	-	(37 640)	(37 640)
Profit / loss on financing activities (non-segment)	-	-	-	-	-	40 378	40 378
Profit / loss before tax	**36 529**	**(4 772)**	**2 672**	**(325)**	**(3 983)**	**(34 418)**	**(4 297)**
Tax	-	-	-	-	-	-	(3 936)
Net profit / loss	-	-	-	-	-	-	**(8 233)**
Profit on discontinued operations	-	-	-	-	-	-	-
Net profit / loss for the financial year	-	-	-	-	-	-	**(8 233)**
Depreciation / amortisation	277	253	81	114		2 834	3 559
EBITDA	**59 457**	**51 042**	**11 116**	**7 635**	**(707)**	**(34 322)**	**94 221**

01.01-30.09.2009

in PLN thousands	**Soda segment – Soda Division**	**Organics segment – Organika Division**	**Agrochemicals segment** Agro-Silicon Division	**Silicates and Glass segment** Agro-Silicon Division	**Other operations**	**Corporate Functions – residual item**	**TOTAL**
External revenue	665 804	441 152	43 113	81 888	392	-	1 232 349
Inter-segment revenue	49 128	20 502	99 898	1 965	1 098	-	172 591
Total revenue	**714 932**	**461 654**	**143 011**	**83 853**	**1 490**	**-**	**1 404 940**
Cost of sales	(525 522)	(418 642)	(133 854)	(66 182)	(817)	-	(1 145 017)
Gross profit / loss on sales	**189 410**	**43 012**	**9 157**	**17 671**	**673**	**-**	**259 923**
Distribution costs	(53 566)	(24 176)	(2 341)	(12 685)	-	(105)	(92 873)
Administrative expenses	(1 032)	(1 206)	(475)	(776)	-	(36 397)	(39 886)
Gain / loss on receivables management	(537)	(443)	1	-	(460)	-	(1 439)
Profit / loss on other operating activities	(9)	(205)	-	(1)	837	(524)	98
Operating profit / loss	**134 266**	**16 982**	**6 342**	**4 209**	**1 050**	**(37 026)**	**125 823**
Net exchange differences and trade account interest	(37 027)	(46 288)	(4 134)	(2 999)	(205)	-	(90 653)
Group finance costs	-	-	-	-	-	(26 859)	(26 859)
Profit / loss on financing activities (non-segment)	-	-	-	-	-	(58 284)	(58 284)
Profit / loss before tax	**97 239**	**(29 306)**	**2 208**	**1 210**	**845**	**(122 169)**	**(49 973)**
Tax	-	-	-	-	-	-	(6 372)
Net profit / loss	-	-	-	-	-	-	**(56 345)**
Profit on discontinued operations	-	-	-	-	-	-	-
Net profit / loss for the financial year	-	-	-	-	-	-	**(56 345)**
Depreciation / amortisation	827	654	202	179	-	2 864	4 726
EBITDA	**135 093**	**17 636**	**6 544**	**4 388**	**1 050**	**(34 162)**	**130 549**

30.09.2010

in PLN thousands	Soda segment – Soda Division	Organics segment – Organika Division	Agrochemicals segment (Agro-Silicon Division)	Silicates and Glass segment (Agro-Silicon Division)	Other operations	Corporate Functions – residual item	TOTAL
Property, plant and equipment	725	663	212	298	-	7 425	9 323
Intangible assets	595	544	174	245	-	6 090	7 648
Inventory	8 337	22 167	1 206	-	-	-	31 710
Trade receivables	168 099	122 329	34 657	16 648	213	-	341 946
Other assets	-	-	-	-	-	2 049 380	2 049 380
Total assets	-	-	-	-	-	-	**2 440 007**

in PLN thousands	Soda segment – Soda Division	Organics segment – Organika Division	Agrochemicals segment (Agro-Silicon Division)	Silicates and Glass segment (Agro-Silicon Division)	Other operations	Corporate Functions – residual item	TOTAL
Trade payables	220 293	112 769	44 289	14 431	531	-	392 313
Other liabilities	-	-	-	-	-	1 555 965	1 555 965
Total liabilities	-	-	-	-	-	-	**1 948 278**

30.09.2009

in PLN thousands	Soda segment – Soda Division	Organics segment – Organika Division	Agrochemicals segment (Agro-Silicon Division)	Silicates and Glass segment (Agro-Silicon Division)	Other operations	Corporate Functions – residual item	TOTAL
Property, plant and equipment	1 978	1 563	482	428	-	6 845	11 296
Intangible assets	1 431	1 131	349	310	-	4 952	8 173
Inventory	10 991	7 155	2 556		-	-	20 702
Trade receivables	199 448	118 750	9 247	17 553	38	-	345 036
Other assets	-	-	-	-	-	1 686 804	1 686 804
Total assets	-	-	-	-	-	-	**2 072 011**

in PLN thousands	Soda segment – Soda Division	Organics segment – Organika Division	Agrochemicals segment (Agro-Silicon Division)	Silicates and Glass segment (Agro-Silicon Division)	Other operations	Corporate Functions – residual item	TOTAL
Trade payables	200 597	118 298	19 961	12 887	127	-	351 870
Other liabilities	-	-	-	-	-	1 129 419	1 129 419
Total liabilities	-	-	-	-	-	-	**1 481 289**

01.01-30.09.2010

in PLN thousands	Soda segment – Soda Division	Organics segment – Organika Division	Agrochemicals segment (Agro-Silicon Division)	Silicates and Glass segment (Agro-Silicon Division)	Other operations	Corporate Functions – residual item	TOTAL
Creation of impairment charges	5 755	-	139	-	828	27 577	34 299
Reversal of impairment charges	4	169	15	-	1 907	33	2 128

01.01-30.09.2009

in PLN thousands	Soda segment – Soda Division	Organics segment – Organika Division	Agrochemicals segment (Agro-Silicon Division)	Silicates and Glass segment (Agro-Silicon Division)	Other operations	Corporate Functions – residual item	TOTAL
Creation of impairment charges	538	443	174	-	465	91 186	92 806
Reversal of impairment charges	1	4	98	-	5	177	285

Geographical segments

30.09.2010

in PLN thousands	Poland	European Union	Europe – other	Africa	Asia	Other regions	TOTAL
Total segment assets	1 660 664	709 552	26 233	11 710	25 813	6 035	2 440 007
Net revenue from sales	661 988	590 419	46 807	125 767	162 805	75 950	1 663 736

30.09.2009

in PLN thousands	Poland	European Union	Europe – other	Africa	Asia	Other regions	TOTAL
Total segment assets	1 194 928	812 020	29 560	10 269	20 602	4 632	2 072 011
Net revenue from sales	728 365	466 588	32 544	27 691	120 266	29 486	1 404 940

6.8. Information on significant events taking place after the end of the third quarter of 2010, other than those included in this interim report

No significant events took place after 30 September 2010 that were not reflected in the financial statements for the period starting 1 January and ending 30 September 2010.

6.9. Information on changes in entity structure

The following changes occurred in the portfolio of shares during the third quarter of 2010:

Polskie Konsorcjum Chemiczne Sp. z o.o.

- On 19 July 2010, the "Contingent agreement for the sale of shares in Polskie Konsorcjum Chemiczne Sp. z o.o." was signed, CIECH S.A. – a shareholder of Polskie Konsorcjum Chemiczne Sp. z o.o. – being the seller. CIECH S.A. has decided to sell 1000 shares with a total nominal value of PLN 50,000. Zakłady Azotowe w Tarnowie – Mościcach S.A., an existing shareholder of Polskie Konsorcjum Chemiczne Sp. z o.o., was the buyer. Under the sale agreement, the transfer of shares from Seller to Buyer was contingent upon a number of conditions precedent being met. Once the conditions had been fulfilled and the Seller's account had been credited with proceeds from the sales of shares on 31 August 2010, share ownership was transferred on the next business day, i.e. 1 September 2010. Following the transaction, CIECH S.A. is no longer a shareholder in Polskie Konsorcjum Chemiczne Sp. z o.o.

6.10. Information on changes in contingent liabilities or contingent assets

OFF-BALANCE SHEET ITEMS *in PLN thousands*	**30.09.2010**	**31.12.2009**
1. Contingent receivables	**-**	**-**
2. Contingent liabilities	**229 289**	**344 799**
To other entities	229 289	344 799
- guarantees issued	229 289	344 799
3. Other	**29 224**	**27 619**
- other trade guarantees	9 400	9 400
- other	19 824	18 219
Total off-balance sheet items	**258 513**	**372 418**

No contingent receivables were present at CIECH S.A. as at 30 September 2010.

Contingent liabilities and other off-balance sheet liabilities amounted to PLN 258,513,000, or PLN 113,905,000 below the December 2009 level.
The difference is mainly due to expiry of various guarantees of the subsidiary GOVORA, amounting to EUR 15,000,000, the subsidiary ZACHEM S.A., amounting to PLN 4,500,000, as well as the company CHEMAN S.A., amounting to PLN 9,000,000. The guarantee of a ZACHEM S.A. liability was also withdrawn, releasing PLN 40,000,000. The remaining difference was caused by currency fluctuations that influenced the valuation of liabilities.
Other contingent liabilities, which sum up to PLN 19,824,000, include:

- contingent liability of PLN 1,705,000 related to the claims of Polska Żegluga Morska,
- contingent liability of PLN 15,000,000 for non-performance of a target ratio defined in the share purchase agreement for ZACHEM S.A.,
- contingent liability of PLN 3,119,000 non-fulfilment of obligatory disclosures stipulated in the agreement with AVAS for the acquisition of S.C. Uzinele Sodice Govora-Ciech Chemical Group.

6.11. Guarantees issued by Ciech Group Companies to Arranging Banks and Medium Exposure Banks

The information on the guarantees issued by Ciech Group Companies to Arranging Banks and Medium Exposure Banks was presented under section III.17 of this Report.

6.12. Information on provisions and asset impairment charges in the reporting period, i.e. between 1 July 2010 and 30 September 2010

01.07-30.09.2010

in PLN thousands	beginning of period balance	increase	decrease	end of period balance
Property, plant and equipment	238	-	-	238
Investment property	12 784	-	-	12 784
Long-term investments	85 816	-	387	85 429
Inventory	438	-	145	293
Receivables	25 488	5 613	267	30 834
Short-term investments	219 586	4 010	39	223 557

01.07-30.09.2010

in PLN thousands	beginning of period balance	increase	decrease	end of period balance
Income tax provision	17 229	-	5 349	11 880
Provision for retirement pay, annual leave, bonuses, recompenses and similar	8 272	1 381	1 392	8 261
Provision for anticipated losses	6 580	176	-	6 756
Provision for liabilities (costs)	2 549	-	1 239	1 310

01.07-30.09.2010

in PLN thousands	beginning of period balance	increase	decrease	end of period balance
Deferred income tax asset	23 898	5 010	-	28 908

01.07-30.09.2009

in PLN thousands	beginning of period balance	increase	decrease	end of period balance
Property, plant and equipment	238	-	-	238
Investment property	3 195	-	-	3 195
Long-term investments	102 942	2 341	400	104 883
Inventory	235	(2)	18	215
Receivables	44 406	145	700	43 851
Short-term investments	126 459	2 517	1 140	127 836

01.07-30.09.2009

in PLN thousands	beginning of period balance	increase	decrease	end of period balance
Income tax provision	30 693	-	7 523	23 170
Provision for retirement pay, annual leave, bonuses, recompenses and similar	11 116	999	3 341	8 774
Provision for anticipated losses	3 590	-	64	3 526
Provision for liabilities (costs)	2 399	-	1036	1 363

01.07-30.09.2009

in PLN thousands	beginning of period balance	increase	decrease	end of period balance
Deferred income tax asset	57 175	-	13 277	43 898

6.13. Note to the statement of comprehensive income of CIECH S.A.

Tax effect of each component of other comprehensive income of Ciech Group

	01.01-30.09.2010			01.01.-31.12.2009			01.01-30.09.2009		
in PLN thousands	**Pre-tax**	**Tax**	**Net of tax**	**Pre-tax**	**Tax**	**Net of tax**	**Pre-tax**	**Tax**	**Net of tax**
Revaluation of available-for-sale financial assets	11 801	(2 242)	9 559	20 494	(3 894)	16 600	26 893	(5 110)	21 783
Cash flow hedges	(32 954)	6 261	(26 693)	45 572	(8 659)	36 913	44 363	(8 429)	35 934
Other net comprehensive income	(21 153)	4 019	(17 134)	66 066	(12 553)	53 513	71 256	(13 539)	57 717

Other gross comprehensive income	change in	**01.01-30.09.2010**	change in	**01.01-31.12.2009**	change in	**01.01-30.09.2009**
Revaluation of available-for-sale financial assets	-	11 801	-	20 494	-	26 893
- fair value measurement in	11 801	-	20 494	-	26 893	-
Cash flow hedges	-	(32 954)	-	45 572	-	44 363
- fair value measurement in	15 622	-	83 311	v	69 748	-
- reclassification adjustment of gains / losses recognised in P&L	(48 576)	-	(37 739)		(25 385)	-
Income tax on other components of comprehensive income	-	4 019	-	(12 553)	-	(13 539)
- accrued for the reporting period	(5 210)	-	(19 723)	-	(18 362)	-
- reclassification adjustment to P&L	9 229	-	7 170	-	4 823	-
Other net comprehensive income		**(17 134)**		**53 513**		**57 717**

6.14. Information on reversal of restructuring provisions

CIECH S.A. has not created any provisions for restructuring costs.

6.15. Disclosure of acquisition or disposal of property, plant and equipment as well as such debt incurred in relation thereto

01.01-30.09.2010 *in PLN thousands*	**land, buildings, facilities and civil engineering structures**	**plant and equipment**	**means of transport**	**other PP&E**	**PP&E under construction**	**Total**
Purchase	-	133	-	16	428	577
Disposal	-	382	-	4	-	386

CIECH S.A. acquired property, plant and equipment for a total PLN 577,000. The purchases were financed from the Company's own funds entirely.

01.01-30.09.2009 *in PLN thousands*	**land, buildings, facilities and civil engineering structures**	**plant and equipment**	**means of transport**	**other PP&E**	**PP&E under construction**	**Total**
Purchase	11	904	5	21	-	941
Disposal	-	1 326	1 045	43	44	2 458

CIECH S.A. acquired property, plant and equipment for PLN 941,000. The purchases were financed from the Company's own funds entirely.

6.16. Court litigation

Domestic and foreign liabilities of CIECH S.A. pending court litigation or arbitration proceedings as at 30 September 2010

The above was presented under section III.14.1 of this Report.

6.17. CIECH S.A. shareholders with at least 5% votes at the GM

A list of CIECH S.A. shareholders holding at least 5% shares or GM votes was presented under section III.9 of this Report.

6.18. Changes CIECH S.A. shares held by Management Board and Supervisory Board members

The changes in shareholding among the CIECH S.A. Management Board and Supervisory Board members were disclosed under section III.8 of this Report.

6.19. Information on corrections of errors in previous periods

Hedge accounting correction

In 2008, CIECH S.A. concluded derivative transactions by creating option structures, which consisted of put options purchased and call options written, in order to hedge future sales revenues denominated in or indexed to EUR.

Given the hedging nature of these instruments in an economic sense, the Management Board of CIECH S.A. decided to additionally designate some of the derivative transactions as a revenue hedge within the meaning of hedge accounting. To that end, the derivative transactions were decomposed into their respective elements and the option structure (a set of purchased put options and written call options with identical underlying quantities and strike prices on the respective dates) was separated from each transaction. As a synthetic forward, this option structure was designated for hedge accounting. The remaining portion of the option transactions – the ones outside the hedging option structure – were classified as instruments held for trading.

Despite the economic goal of the transactions, which was to hedge, in order for IAS 39 to permit such synthetic forwards from decomposition to be designated for hedge accounting, they would have to be identical as to the parameters but separate in legal terms. In the financial statements for the third quarter of 2009, the Management Board presented the valuation of such transactions of PLN (57,714,000) in "Hedge accounting reserve" instead of "net loss for 2009" of PLN (13,220,000) and "Retained earnings" of PLN (70,934,000). The Auditor's opinion on the 2008 statements was qualified as to this issue.

For the 2009 statements, the Management Board of CIECH S.A. re-examined the transactions for compliance with the IFRS and decided to correct their presentation in the financial statements. The error, mostly caused by improper implementation of the principles of IAS 39, had distorted the 2008 financial result and value of equity by the above amounts. The Management Board's decision on the new interpretation of IAS 39 was intended to eliminate the irregularities and correct the financial statements for 2008 as per IAS 8.

CIECH S.A. had the option structures initiated in 2008 restructured in 2009, allowing their designation for hedge accounting under IAS 39.

in PLN thousands	**30.09.2009 previously reported**	**Hedge accounting – correction of error**	**30.09.2009 currently reported**
Share capital	164 115	-	164 115
Treasury shares	-	-	-
Share premium	151 328	-	151 328
Equity components relating to assets held for trading	-	-	-
Hedge accounting reserve	(21 780)	57 714	35 934
Financial asset revaluation reserve	(4 376)	-	(4 376)
Property, plant and equipment revaluation reserve	-	-	-
Other reserves	76 199	-	76 199
Retained earnings	225 236	(57 714)	167 522
Equity attributable to owners of the parent	**590 722**	**-**	**590 722**
Total equity	**590 722**	**-**	**590 722**
Net profit / loss for the financial year	**(69 565)**	**13 220**	**(56 345)**

6.20. Information on delinquent loans or infringement of loan agreements

No loan agreement was called due in the reporting period, nor were there any cases of delinquency in the payments of principal or interest on the debt disclosed in the balance sheet.

Depending on the interpretation, Ciech Group's financial results (excluding the SDC Group) in the third quarter of 2010 may miss one of the financial ratio targets provided in the loan agreement concluded by CIECH S.A. on 26 April 2010. The above interpretative doubts are whether or not to include certain items in the definitions relevant to financial ratios. As at the report publication date, CIECH S.A. was in discussions with lenders, with the aim to determine a uniform manner of assessment of the above-mentioned ratio before the date of review of financial ratio targets after the third quarter of 2010 (i.e. 4 December 2010). If the resulting interpretation be unfavourable to CIECH S.A., there is a risk of infringement of the loan agreement, which in turn may constitute basis for the creditors to call the loan due. Consequently, a non-current liability of PLN 826,434,000 was recognised as current.

After the reporting date, S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. and S.C. CET Govora S.A. were discussing a possible extension of the maturity of amounts payable to S.C. CET Govora S.A. in connection with the technological steam supply contract between the two companies. On 28 October 2010, S.C. CET Govora S.A. filed a lawsuit against S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. in a Romanian court, demanding payment for said liabilities. The claim submitted by S.C. CET Govora S.A. is RON 48.7 million (PLN 45.6 million based on the average NBP rate announced on 28 October 2010).
The above circumstances qualify as infringement of the loan agreement, parties to which include CIECH S.A. and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.
Thus, CIECH S.A. and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. have undertaken turnaround measures, which include mainly steps agreed with S.C. CET Govora S.A. during the meeting held on 4 November 2010.
In particular, it was agreed that S.C. CET Govora S.A. would withdraw its lawsuit and that S.C. CET Govora S.A. and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. would conclude an amendment to the said contract, under which the liabilities would be repaid gradually over 5 years.
Further to this agreement, CIECH S.A. was informed on 8 November 2010 that the lawsuit lodged by S.C. CET Govora S.A. had been withdrawn. The amendment itself will likely be agreed on and signed in November 2010.

Under the requirements of IAS 1, in the case of infringement of loan agreements that might potentially limit the unconditional availability of the respective loans within the next year, such loans must be qualified as current liabilities.

6.21. Transactions with related entities

Transactions with related entities are concluded on typical arm's length terms.

in PLN thousands	**Revenue from sales 01.01-30.09.2010**	**Purchase of goods for resale and services 01.01-30.09.2010**	**Finance income 01.01-30.09.2010**	**Receivables as at 30.09.2010**	**Liabilities as at 30.09.2010**
Consolidated entities	229 412	1 171 319	30 803	85 111	338 560
Non-consolidated entities	47 483	6 820	227	8 809	1 448

in PLN thousands	**Revenue from sales 01.01-30.09.2009**	**Purchase of goods for resale and services 01.01-30.09.2009**	**Finance income 01.01-30.09.2009**	**Receivables as at 30.09.2009**	**Liabilities as at 30.09.2009**
Consolidated entities	172 591	992 207	41 812	97 806	286 862
Non-consolidated entities	73 956	6 786	1 920	9 158	1 335

6.22. Events taking place after the end of the reporting period

- On 11 October 2010, CIECH S.A. and Nafta Polska S.A. in liquidation signed respective addenda to the agreements for the sale of shares in ZACHEM S.A. and Z.Ch. "Organika-Sarzyna" S.A., entered into 29 March 2006. Under the key provisions of the addendum to the ZACHEM S.A. share sale agreement, the timing of the thee following guaranteed investments was extended by 3 years: conversion of electrolysis, implementation of the new EPI technology and increase in productive capacity for TDI to 90 thousand tonnes/year. The addendum to the Z.Ch. "Organika-Sarzyna" S.A. "Organika-Sarzyna" S.A. share sale agreement of 29 March 2006 provides for an extension of the timing of one guaranteed investment – construction of a production installation for active MCPA, including infrastructure – by two years. The above was disclosed in Current Report no. 52 of 12 October 2010.
- On 19 October, CIECH S.A. received a binding purchase offer from Zakłady Azotowe "Puławy" S.A. for 51,855 shares in Gdańskie Zakłady Nawozów Fosforowych "Fosfory" Sp. z o.o., accounting for 89.46% of the GZNF "FOSFORY" Sp. z o.o. share capital. The fact that Z.A. "Puławy" S.A. has submitted a binding offer implies that negotiations will be launched regarding the form and content of the share sale agreement. Since other entities have expressed interest in the purchase of GZNF "FOSFORY" Sp. z o.o., the Management Board of CIECH S.A. is expecting to receive more offers. The above was disclosed in Current Report no. 56 of 19 October 2010.
- On 28 October 2010, the Extraordinary General Meeting of CIECH S.A. passed resolutions on:
  - an increase of the Company's share capital by an amount not smaller than PLN 5 and not greater than PLN 115,000,000 to reach a total maximum share capital of PLN 255,001,420 through issuance of 1 to 23,000,000 series D ordinary bearer's shares with a nominal value of PLN 5 each. The above was disclosed in Current Report no. 61 dated 28 October 2010.
  - the deadline for the execution of share purchase rights for Series D Shares, which will be determined in the CIECH S.A. prospectus, prepared based on the relevant laws and regulations in connection with the public offering and application for admission and listing of share purchase rights for Series D Shares, allotment certificates for Series D Shares and Series D Shares themselves to the regulated market maintained by Giełda Papierów Wartościowych w Warszawie S.A.
- On 27 October 2010 CIECH S.A. (lender) and ZACHEM S.A. (borrower) concluded a loan agreement for PLN 43,000,000 and USD 9,000,000. The loan, which will finance the borrower's working capital, will be paid out in full within 7 weeks from the conclusion of the agreement. The loan matures on 31 December 2012.

V. Management statement

This complete consolidated quarterly report of Ciech Group for the third quarter of 2010 was approved by the Management Board of CIECH S.A. in its registered office on 9 November 2010, for publication on 10 November 2010.

Warsaw, 9 November 2010.

……………………………………………………………………..
Ryszard Kunicki – President of the Management Board of CIECH Spółka Akcyjna

……………………………………………………………………..
Andrzej Bąbaś – Member of the Management Board of CIECH Spółka Akcyjna

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Artur Osuchowski – Member of the Management Board of CIECH Spółka Akcyjna

…………………………………………. ………………………….
Rafał Rybkowski – Member of the Management Board of CIECH Spółka Akcyjna

…………………………………………. ………………………….
Katarzyna Rybacka – Chief Accountant of CIECH Spółka Akcyjna