



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

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## I. Ciech Group Consolidated Financial Statements

### 1. Ciech Group consolidated income statement

PLN '000	01.01-31.12.2010			01.01-31.12.2009		
	Continuing operations	Discontinued operations	TOTAL	Continuing operations	Discontinued operations	TOTAL
<b>Net revenue from sales</b>	3,595,895	364,421	3,960,316	3,401,923	282,302	3,684,225
Cost of sales	(3,088,777)	(308,839)	(3,397,616)	(2,794,538)	(294,576)	(3,089,114)
<b>Gross profit/loss on sales</b>	<b>507,118</b>	<b>55,582</b>	<b>562,700</b>	<b>607,385</b>	<b>(12,274)</b>	<b>595,111</b>
Other operating income	167,490	6,369	173,859	177,045	2,237	179,282
Distribution costs	(248,354)	(29,274)	(277,628)	(233,691)	(22,457)	(256,148)
Administrative expenses	(211,667)	(18,427)	(230,094)	(227,466)	(20,431)	(247,897)
Other operating costs	(82,324)	(2,340)	(84,664)	(139,093)	(3,013)	(142,106)
<b>Operating profit/loss</b>	<b>132,263</b>	<b>11,910</b>	<b>144,173</b>	<b>184,180</b>	<b>(55,938)</b>	<b>128,242</b>
Finance income	172,556	90	172,646	64,291	394	64,685
Finance costs	(254,804)	(8,421)	(263,225)	(276,368)	(7,537)	(283,905)
<b>Net finance income / costs</b>	<b>(82,248)</b>	<b>(8,331)</b>	<b>(90,579)</b>	<b>(212,077)</b>	<b>(7,143)</b>	<b>(219,220)</b>
Share of the net profit of associates and subsidiaries accounted for using the equity method	(847)	-	(847)	(3,807)	-	(3,807)
<b>Profit / loss before tax</b>	<b>49,168</b>	<b>3,579</b>	<b>52,747</b>	<b>(31,704)</b>	<b>(63,081)</b>	<b>(94,785)</b>
Income tax	(30,382)	(1,636)	(32,018)	(5,404)	1,023	(4,381)
<b>Net profit/loss</b>	<b>18,786</b>	<b>1,943</b>	<b>20,729</b>	<b>(37,108)</b>	<b>(62,058)</b>	<b>(99,166)</b>
including:						
Net profit/loss attributable to owners of the parent	18,712	1,757	20,469	(36,737)	(55,518)	(92,255)
Net profit/loss attributable to non-controlling interests	74	186	260	(371)	(6,540)	(6,911)
<b>Earnings per share (in PLN):</b>						
Basic	0.67	0.06	0.73	(1.31)	(1.98)	(3.29)
Diluted	0.67	0.06	0.73	(1.31)	(1.98)	(3.29)

Ciech Group consolidated income statement  PLN '000	01.10-31.12.2010			01.10-31.12.2009		
	Continuing operations	Discontinued operations	TOTAL	Continuing operations	Discontinued operations	TOTAL
<b>Net revenue from sales</b>	936,827	89,208	1,026,035	853,728	43,195	896,923
Cost of sales	(815,038)	(70,453)	(885,491)	(731,585)	(48,150)	(779,735)
<b>Gross profit/loss on sales</b>	<b>121,789</b>	<b>18,755</b>	<b>140,544</b>	<b>122,143</b>	<b>(4,955)</b>	<b>117,188</b>
Other operating income	80,054	552	80,606	17,934	896	18,830
Distribution costs	(65,520)	(8,769)	(74,289)	(60,907)	(4,593)	(65,500)
Administrative expenses	(52,678)	(5,479)	(58,157)	(63,630)	(5,243)	(68,873)
Other operating costs	(38,817)	(880)	(39,697)	(75,178)	(761)	(75,939)
<b>Operating profit/loss</b>	<b>44,828</b>	<b>4,179</b>	<b>49,007</b>	<b>(59,638)</b>	<b>(14,656)</b>	<b>(74,294)</b>
Finance income	121,025	(120)	120,905	38,027	197	38,224
Finance costs	(61,205)	(2,575)	(63,780)	(72,928)	(1,936)	(74,864)
<b>Net finance income / costs</b>	<b>59,820</b>	<b>(2,695)</b>	<b>57,125</b>	<b>(34,901)</b>	<b>(1,739)</b>	<b>(36,640)</b>
Share of the net profit of associates and subsidiaries accounted for using the equity method	(1,210)	-	(1,210)	(5,079)	-	(5,079)
<b>Profit / loss before tax</b>	<b>103,438</b>	<b>1,484</b>	<b>104,922</b>	<b>(99,618)</b>	<b>(16,395)</b>	<b>(116,013)</b>
Income tax	(17,533)	167	(17,366)	30,724	359	31,083
<b>Net profit/loss</b>	<b>85,905</b>	<b>1,651</b>	<b>87,556</b>	<b>(68,894)</b>	<b>(16,036)</b>	<b>(84,930)</b>
including:						
Net profit/loss attributable to owners of the parent	81,626	1,487	83,113	(67,120)	(14,346)	(81,466)
Net profit/loss attributable to non-controlling interests	4,279	164	4,443	(1,774)	(1,690)	(3,464)
<b>Earnings per share (in PLN):</b>						
Basic	2.92	0.05	2.97	(2.40)	(0.51)	(2.91)
Diluted	2.92	0.05	2.97	(2.40)	(0.51)	(2.91)

## 2. Ciech Group consolidated statement of comprehensive income

PLN '000	01.01.-31.12.2010			01.01.-31.12.2009		
	Continuing operations	Discontinued operations	TOTAL	Continuing operations	Discontinued operations	TOTAL
<b>Net profit for the financial year</b>	<b>18,786</b>	<b>1,943</b>	<b>20,729</b>	<b>(37,108)</b>	<b>(62,058)</b>	<b>(99,166)</b>
<b>Other gross comprehensive income</b>						
Exchange differences on translation of foreign companies	9,219	-	9,219	(4,826)	-	(4,826)
Revaluation of available-for-sale financial assets	6,111	-	6,111	23,341	-	23,341
Cash flow hedges	(21,826)	-	(21,826)	69,232	-	69,232
Exchange differences on net investment in foreign companies	(10,353)	-	(10,353)	(10,206)	-	(10,206)
Other components of other comprehensive income	(84)	-	(84)	(327)	-	(327)
Income tax on other components of Comprehensive Income	3,456	-	3,456	(16,672)	-	(16,672)
<b>Other net comprehensive income</b>	<b>(13,477)</b>	<b>-</b>	<b>(13,477)</b>	<b>60,542</b>	<b>-</b>	<b>60,542</b>
<b>COMPREHENSIVE INCOME</b>	<b>5,309</b>	<b>1,943</b>	<b>7,252</b>	<b>23,434</b>	<b>(62,058)</b>	<b>(38,624)</b>
<b>Comprehensive income, including attributable to:</b>	<b>5,309</b>	<b>1,943</b>	<b>7,252</b>	<b>23,434</b>	<b>(62,058)</b>	<b>(38,624)</b>
Owners of the parents	4,032	1,757	5,789	28,686	(62,058)	(33,372)
Non-controlling interests	1,277	186	1,463	(5,252)	-	(5,252)

### 3. Ciech Group consolidated statement of financial position

<b>ASSETS</b> (in PLN thousands)	<b>31.12.2010</b>	<b>31.12.2009</b>
Property, plant and equipment	2,065,939	2,265,676
Right of perpetual usufruct	134,181	137,302
Intangible assets, including:	148,159	164,862
- goodwill	51,273	52,343
Investment property	5,920	8,935
Non-current receivables	41,226	23,586
Investments in associates and jointly-controlled entities accounted for using the equity method	5,101	34,436
Other long-term investments	49,592	96,159
Deferred income tax assets	9,722	20,723
<b>Total non-current assets</b>	<b>2,459,840</b>	<b>2,751,679</b>
Inventory	299,159	314,228
Short-term investments	533	2,529
Income tax receivables	9,033	16,175
Trade and other receivables	724,189	801,000
Cash and cash equivalents	177,077	131,638
Assets held for sale	259,757	500
<b>Total current assets</b>	<b>1,469,748</b>	<b>1,266,070</b>
<b>Total assets</b>	<b>3,929,588</b>	<b>4,017,749</b>
<b>EQUITY AND LIABILITIES</b> (in PLN thousand)		
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	(439)	15,688
Financial asset revaluation reserve	(425)	(3,458)
Property, plant and equipment revaluation reserve	-	-
Other reserve capitals	78,521	78,521
Exchange differences on net investment in foreign companies	(20,559)	(10,206)
Exchange differences on translation of subsidiaries	(50,089)	(57,536)
Retained earnings	498,342	478,123
<b>Equity attributable to owners of the parent</b>	<b>820,794</b>	<b>816,575</b>
Non-controlling interests	34,868	37,232
<b>Total equity</b>	<b>855,662</b>	<b>853,807</b>
Borrowings including credits, loans and other debt instruments	497,323	665,876
Other non-current liabilities	229,905	269,153
Employee benefits	67,242	64,254
Provisions (other long-term)	62,002	72,617
Deferred income tax provision	100,374	107,761
<b>Total non-current liabilities</b>	<b>956,846</b>	<b>1,179,661</b>
Overdraft facility	-	78,640
Borrowings including credits, loans and other debt instruments	1,119,270	921,242
Trade and other payables	910,927	919,196
Income tax liabilities	35,521	33,656
Provisions (short-term provisions for employee benefits and other)	29,808	31,547
Liabilities related to assets held for sale	21,554	-
<b>Total current liabilities</b>	<b>2,117,080</b>	<b>1,984,281</b>
<b>Total liabilities</b>	<b>3,073,926</b>	<b>3,163,942</b>
<b>Total equity and liabilities</b>	<b>3,929,588</b>	<b>4,017,749</b>

## 4. Ciech Group consolidated statement of cash flows

PLN '000	01.01-31.12.2010	01.01-31.12.2009
<b>Cash flows from operating activities</b>		
<b>Net profit (loss) for the period</b>	<b>20,729</b>	<b>(99,166)</b>
Depreciation / amortization	237,849	230,081
Creation / reversal of revaluations	(3,674)	43,781
Currency exchange gains / losses	20,211	37,922
Change in valuation of investment properties	145	-
Gain / loss on investing activities	(121,208)	(1,804)
Gain / loss on disposal of fixed assets	(5,995)	(2,596)
Dividend and interest	135,688	102,626
Income tax accrued	32,018	4,381
Gain / loss on settlement of construction contracts (caverns)	(31,907)	(23,886)
Gain / loss on interests in companies accounted for using the equity method	847	3,807
<b>Operating profit / loss before changes in working capital and provisions</b>	<b>284,703</b>	<b>295,146</b>
Change in receivables	3,986	110,018
Change in inventories	(16,102)	118,807
Change in current liabilities	164,870	43,317
Change in provisions and employee benefits	(3,075)	(89,577)
<b>Net cash flow from operating activities</b>	<b>434,382</b>	<b>477,711</b>
Interest paid	(122,871)	(95,541)
Cash flows from construction contracts (caverns)	11,063	58,186
Income tax paid	(13,949)	342
Cash flows from execution of options	-	(98,730)
Valuation of derivative financial instruments	(53,859)	(43,775)
Other adjustments (including pro forma correction of cash flows from execution of options)	50,390	95,423
<b>Net cash from operating activities</b>	<b>305,156</b>	<b>393,616</b>
<b>Cash flows from investment activities</b>		
<b>Inflows (in "+")</b>	<b>244,025</b>	<b>15,923</b>
Disposal of a subsidiary	3,380	-
Disposal of intangible assets and property, plant and equipment	24,498	8,069
Disposal of financial assets	179,130	248
Disposal of investment property	24,614	-
Dividends received	1,936	6,236
Interest received	865	1,320
Proceeds from repayment of loans	(5)	50
Other proceeds	9,607	-
<b>Outflows (in "-")</b>	<b>(227,897)</b>	<b>(334,301)</b>
Acquisition of subsidiary (less cash acquired)	(7,420)	(71,252)
Purchase of intangible assets and property, plant and equipment	(216,867)	(252,154)
Purchase of financial assets	(190)	(3,641)
R&D expenditures	(3,129)	(1,395)
Capital increases and additional contributions	-	(1,000)
Loans granted	-	(707)
Other	(291)	(4,152)
<b>Net cash from investing activities</b>	<b>16,128</b>	<b>(318,378)</b>
<b>Cash flows from financing activities</b>		
<b>Inflows (in "+")</b>	<b>639,228</b>	<b>357,387</b>



PLN '000	01.01-31.12.2010	01.01-31.12.2009
Proceeds from loans*	623,410	355,319
Grants received	13,518	-
Other financial inflows	2,300	2,068
<b>Outflows (in "-")</b>	<b>(806,934)</b>	<b>(421,544)</b>
Dividend and other payments to owners	-	(6,270)
Dividend paid to non-controlling interests	(2,806)	-
Repayment of loans*	(792,564)	(402,248)
Payment of finance lease liabilities	(11,564)	(12,996)
Other finance costs	-	(30)
<b>Net cash from financing activities</b>	<b>(167,706)</b>	<b>(64,157)</b>
<b>Total net cash flows</b>	<b>153,578</b>	<b>11,081</b>
<b>Cash at the beginning of period</b>	<b>52,998</b>	<b>45,797</b>
Effect of foreign exchange differences	1,818	(3,880)
<b>Cash at the end of period**</b>	<b>208,394</b>	<b>52,998</b>

\* Only those loan-related inflows and outflows were presented which passed through Ciech Group's bank accounts. PLN 857,396 thousand 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.

\*\* The difference between the amount of cash reported in the Ciech Group consolidated financial statement for 2010 and in the Ciech Group consolidated statement of financial position results from the recognition of the cash of FOSFOR Group as assets held for sale.

## 5. Ciech Group consolidated statement of changes in equity

PLN '000	Attributable to owners of the parent												Total equity
	Share capital	Treasury shares	Share premium	Equity components relating assets held for sale	Hedge accounting reserve	Financial asset revaluation reserve	Other reserve capitals	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	
<b>Equity as at 01/01/2010</b>													
<b>Previously reported</b>	<b>164,115</b>		<b>151,328</b>	-	<b>15,688</b>	<b>(3,458)</b>	<b>78,521</b>	<b>(10,206)</b>	<b>(57,876)</b>	<b>484,840</b>	<b>822,952</b>	<b>37,232</b>	<b>860,184</b>
Changes in accounting principles	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of errors in previous periods	-	-	-	-	-	-	-	-	340	(6,717)	(6,377)	-	(6,377)
<b>Equity (after transition) as at: 01/01/2010</b>	<b>164,115</b>	-	<b>151,328</b>	-	<b>15,688</b>	<b>(3,458)</b>	<b>78,521</b>	<b>(10,206)</b>	<b>(57,536)</b>	<b>478,123</b>	<b>816,575</b>	<b>37,232</b>	<b>853,807</b>
Gains/losses settled with the Group's equity												(82)	(82)
Dividend payout	-	-	-	-	-	-	-	-	-	-	-	(3,742)	(3,742)
Change in Group structure						(1,570)					(1,570)	(3)	(1,573)
Total comprehensive revenue for 2010	-	-	-	-	(16,127)	4,603	-	(10,353)	7,447	20,219	<b>5,789</b>	1,463	<b>7,252</b>
<b>Equity as at 31/12/2010</b>	<b>164,115</b>	-	<b>151,328</b>	-	<b>(439)</b>	<b>(425)</b>	<b>78,521</b>	<b>(20,559)</b>	<b>(50,089)</b>	<b>498,342</b>	<b>820,794</b>	<b>34,868</b>	<b>855,662</b>

Attributable to owners of the parent													
PLN '000	Share capital	Treasury shares	Share premium	Equity components relating assets held for sale	Hedge accounting reserve	Financial asset revaluation reserve	Other reserve capitals	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
<b>Equity as at 01/01/2009</b>													
<b>Previously reported</b>	<b>164,115</b>		<b>151,328</b>	-	<b>(111,700)</b>	<b>(22,887)</b>	<b>78,521</b>	-	<b>(50,961)</b>	<b>656,460</b>	<b>864,876</b>	<b>49,412</b>	<b>914,288</b>
Changes in accounting principles	-	-	-	-	-	-	-	-	-	(15,496)	(15,496)	-	(15,496)
Corrections of errors in previous periods	-	-	-	-	70,934	-	-	-	-	(70,934)	-	-	-
<b>Equity (after transition) as at: 01/01/2009</b>	<b>164,115</b>	-	<b>151,328</b>	-	<b>(40,766)</b>	<b>(22,887)</b>	<b>78,521</b>	-	<b>(50,961)</b>	<b>570,030</b>	<b>849,380</b>	<b>49,412</b>	<b>898,792</b>
Dividend payout	-	-	-	-	-	-	-	-	-	-	-	(6,466)	(6,466)
Adjustments related to negative non-controlling interests	-	-	-	-	-	-	-	-	-	567	567	(567)	-
Change in Group structure	-	-	-	-	-	-	-	-	-	-	-	105	105
Total comprehensive revenue for 2009	-	-	-	-	56,454	19,429	-	(10,206)	(6,575)	(92,474)	<b>(33,372)</b>	(5,252)	<b>(38,624)</b>
<b>Equity as at 31/12/2009</b>	<b>164,115</b>	-	<b>151,328</b>	-	<b>15,688</b>	<b>(3,458)</b>	<b>78,521</b>	<b>(10,206)</b>	<b>(57,536)</b>	<b>478,123</b>	<b>816,575</b>	<b>37,232</b>	<b>853,807</b>

## 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 31 December 2010, including comparative data, were approved by the Management Board of CIECH S.A. on February 28th, 2011 for publication on March 1st, 2011.

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,
- Regulation of the Minister of Finance of February 19th, 2009 on Current and Interim Information Provided by the Issuers of Securities.

Preparation of financial statements in compliance with IFRS requires the Management Board to exercise professional judgment, estimates and assumptions that impact the adopted accounting principles and the value of assets, liabilities, income and expenses presented. All estimates and related assumptions are based on historical experience and various other factors considered reasonable under the given circumstances, and the results of such estimates are the basis for professional judgment of the carrying value of assets and liabilities, which cannot be calculated using 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 recognized 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 recognized appropriately.

Section III, Points 10 and 14 of this Report include such cases of professional judgment exercised by the Management Board that 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 31 December 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 31 December 2010, including comparative data. Due diligence was exercised in preparing the tables and notes below. The financial information presented here was not 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 report in question includes detailed information regarding the principles and methods of the valuation of assets and liabilities and measurement of the financial result, as well as the method of preparing the financial statements and comparative data. Since Ciech Group adopted IFRS on January 1st, 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 the minority exceeding the minority interest in a given subsidiary's equity 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 the costs of financing the Group.

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. Management Board 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 controlling reporting structure. Key changes include:

- the entire Z.Ch. "Organika Sarzyna" S.A. becoming part of the Organic Segment and the CIECH S.A. business of plant protection chemicals being transferred from Agrochemical Segment to Organic Segment;
- organisational merger of Agrochemicals with Silicates and Glass into the 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. As far as this segment is concerned, Ciech Group is the only manufacturer of soda ash in Poland.

**Organic Segment – Organika Division** – mainly refers to products manufactured by ZACHEM Group: TDI, PUR foams, EPI, hydrochloric acid, caustic soda liquid and plastics – as well as by Z.Ch. "Organika-Sarzyna" S.A.: epoxy and polyester resins and plant protection chemicals. The Organic Segment also includes goods purchased and re-sold by the CIECH S.A. Organika Division. Most Organic Segment sales, including TDI, hydrochloric acid, caustic soda liquid 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:

**Agrochemical Segment** carries a broad portfolio of agricultural fertilisers. The segment features mainly fertilisers produced by GZNF "FOSFOR" Sp. z o.o. and "Alwernia" S.A. In terms of exports, CIECH S.A. sells fertilisers manufactured by GZNF "FOSFOR" Sp. z o.o. and other domestic fertiliser producers. Raw materials for fertilizer production supplied to GZNF FOSFOR Sp. z o.o. and Alwernia S.A. are also present in this segment.

**Silicates and Glass Segment** 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 principles

The functional and presentation currency of these consolidated financial statements is the Polish zloty. Unless provided otherwise, the data in the consolidated financial statements has been presented in thousands of PLN (PLN '000).

For the purposes of presenting selected financial data, individual assets and liabilities disclosed in the statement of financial position were translated into EUR using the average exchange rate of 3.9603 announced by the National Bank of Poland for the balance sheet date (December 31st, 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 December 2010. The exchange rate applicable in the reporting period is 4.0044.

### III. Notes to the Ciech Group complete consolidated financial statements

#### 1. Key events taking place in Ciech Group between 1 January 2010 and the date of 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 annex to the long-term contract of 15 April 2008 regulating the terms and prices of power 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 March 25th, 2010.
- On December 7th, 2010 an annex to the contract for supply of thermal energy to S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A., a subsidiary of CIECH SA, was signed. The annex governs the terms and conditions of supplies of thermal energy and technological steam necessary in the production process from 2010 and introduces a schedule of payment of liabilities to S.C. CET Govora S.A. regarding heat supplies in 2010, which stipulates that the payments will be made in the period 2011-2015. The estimated value of liabilities covered by the said schedule accounts for approximately EUR 15.7 million (approximately PLN 62.5 million). The information was announced in the Current Report no. 66 of December 8th, 2010.
- On January 17th, 2011 Soda Polska CIECH Sp. z o.o., and Kompania Węglowa S.A. entered into a three-year contract governing the supplies and prices of power coal. The contract validity period is from January 1st, 2011 to December 31st, 2013. The contract value is estimated at approximately PLN 600.6 million. The contract provides for contractual penalties: for the failure to supply or receive annual quantities of coal, the parties are obliged to pay 10% of the net value of the undelivered or uncollected coal. The information was announced in Current Report no. 3 of January 18th, 2011.

##### Organic 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 TDI manufacturer in Poland. The total value of TDA supplies from Air Products is estimated at USD 80,000 thousand per year, with the total contract value to reach USD 500,000 thousand. 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 January 1st, 2012 and December 31st, 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 February 9th, 2010.
- On February 2nd, 2011 ZACHEM S.A. signed an annex to the Contract entered into on July 29th, 2010 between ZACHEM S.A. and PROCHEM S.A. ZACHEM S.A. assumed a liability equal to the budget for the task entitled "Construction of the installation and implementation of an innovative technology of epichlorohydrin production from glycerol" accounting for PLN 57,229.64 thousand. The preparation and presentation of the Task budget by PROCHEM S.A. was one of the components of stage I of the Contract. The liability accounting for PLN 57,229.64 thousand was conditioned on the approval by ZACHEM S.A. of the budget for performance of the aforementioned Task. On the effective date of the annex to the Contract the budget became an integral part of the Contract. Stage II of the Contract could commence only upon approval of the Task budget. The annex to the Contract obligates PROCHEM S.A. to commence activities aimed at construction of a complete installation for epichlorohydrin production and to commission the same to the ZACHEM S.A., which constitutes stage II of the Contract. The investment is to be completed in 2012. The project is subsidised by EU funds, within Measure 4.4. of the Operational Programme Innovative Economy (the subsidy accounts for approximately PLN 28 million). The value of the Contract could be assessed only upon the execution of the annex to the Contract approving the Task budget. The information was announced in Current Report no. 8 of February 4th, 2011.

##### Agro-Silicon Division:

- On March 30th, 2010, an annex to the long-term contract for 2002-2010 concluded on September 6th 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 thousand (approx. PLN 100,000 thousand). KiZChS Siarkopol S.A. is the domestic supplier. This information was disclosed in Current Report no. 11 of April 2nd, 2010.

##### Corporate Centre:

- On January 5th, 2010, an Agreement was signed between Ciech S.A. and the State Treasury regarding the amendment of terms of purchase of the Remaining Shares held in ZCh "Organika Sarzyna" S.A. and ZACHEM S.A. by the State Treasury, as specified in the Offering. Under the Agreement, the revaluation period was extended by another 12 months and it ends on December 20th, 2010, whereby the revaluation rate in the extended period was increased by additional 2 percentage points.
- On April 1st, 2010, CIECH S.A. received a letter from the District Court in Hamburg, dated March 15th, 2010, stating that its subsidiary, Chemiepetrol GmbH (in liquidation), with its registered office in Hamburg, registered under the number HRB 33084 in Commercial Register "B", was cancelled from the Commercial Register by way of decision of the District Court in Hamburg of March 15th, 2010. This information was announced in Current Report no. 9 of April 1st, 2010.

- On April 22nd, 2010, CIECH S.A. sold in block transactions 2,560,000 series B shares in Zakłady Azotowe w Tarnowie-Mościcach S.A. The inflow from the sale of the shares amounted to PLN 41,600 thousand. Following the above transactions, CIECH S.A. no longer holds any shares in Zakłady Azotowe w Tarnowie-Mościcach S.A. This information was announced in Current Report no. 14 of April 22nd, 2010.
- On June 8th, 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 thousand had been registered. As a result, the German holding company's share capital is EUR 16,525 thousand, with CIECH S.A. holding a 100% interest. The information was announced in Current Report no. 23 of June 8th, 2010.
- On June 11th, 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 June 11th, 2010.
- On June 21st, 2010, in connection with the expiry of term of the CIECH S.A. Management Board, the CIECH S.A. Annual 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 June 21st, 2010 the CIECH S.A. Annual General Meeting dismissed the following members of the CIECH S.A. Supervisory Board:

- Grzegorz Kłoczko,
- Marzena Okła-Anuszczyńska,

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

- Przemysław Cieszyński,
- Arkadiusz Grabalski,
- Waldemar Tadeusz Maj.
- On July 13th, 2010, Polsin Private Limited, a Singapore-based subsidiary of CIECH S.A., entered into an agreement with NOVITUS S.A. seated in Nowy Sacz, 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 thousand, 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 July 13th, 2010.
- On September 23th, 2010, a Member of the CIECH S.A. Management Board, Marcin Dobrzański submitted resignation from his post, effective as of September 27th, 2010.
- On October 11th, 2010 Ciech S.A. signed with Nafta Polska S.A. w likwidacji [in liquidation] annexes to the sales contract for shares of ZACHEM S.A. and to the sales contract for shares of Z.Ch. "Organika-Sarzyna" S.A. dated March 29th, 2006. The essential provisions of the annex to the sales contract for shares of ZACHEM S.A. extend the period of implementation of guaranteed investments by three years for three investment tasks, including electrolysis conversion, implementation of new EPI technology, and increase in TDI production capacity to 90 thousand tons/year. The annex to the sales contract for shares of ZCh "Organika-Sarzyna" S.A. dated March 29th, 2006 extends the period of implementation of guaranteed investments by two years for one investment task, i.e. construction of MCPA active substance production installation along with infrastructure. The information was announced in Current Report no. 52 of October 12th, 2010.
- In connection with the satisfaction of the conditions precedent and payments made to CIECH S.A., on November 9th, 2010 the ownership of 100% of shares in Ciech-Service Sp. z o.o. was transferred from CIECH S.A. to SOTRONIC Sp. z o.o. The total sale price of shares was PLN 3,102 thousand. The information was announced in Current Report no. 64 of November 10th, 2010.
- On the December 9th, 2010 a sales contract was entered into, pursuant to which the CIECH S.A. sold to MARVIPOL S.A. the right of perpetual usufruct of land with the total area of 1.1876 ha situated at Powązkowska street in Warsaw, and the ownership of an office building located thereon. The sale price accounted for PLN 23.794 thousand. The information was announced in the Current Report no. 68 of December 9th, 2010.
- On December 14th, 2010 CIECH S.A. finished the negotiations and executed contracts for a consolidated acquisition of the electric energy in the TPA system by companies of the Ciech Group for 2011. During the tendering process, PGE Obrót S.A. was chosen as the supplier of the electric energy in the free energy market, with which the companies of the Ciech Group: Soda Polska Ciech Sp. z o.o., ZCh Zachem S.A., ZCh Organika-Sarzyna S.A., GZNF Fosfory Sp. z o.o., ZCh Alwernia S.A., Vitrosilicon S.A. concluded contracts for 2011. The total volume of the electric energy purchased will account for more than 450 k MWh, and the total value of contracts for the Group's companies will account for approximately PLN 140 million net (excluding distribution fees accounting for PLN 28 million and VAT). The maximum total contractual penalties specified in the contract account for approximately PLN 22.9 million, and they do not preclude the right to pursue claims for damages. The volume of the electric energy purchased will be supplemented with 450 k MWh of energy produced by heat and power plants owned by one of the Group's companies - Soda Polska Ciech. The terms of purchase of the energy in the TPA system agreed for 2011 and the implementation of the optimisation of the energy area of the Ciech Group by creation of a Balancing Group will generate savings in comparison to the forecasted increase in electric energy prices in 2011. The estimated savings exceed PLN 5 million. The information was announced in the Current Report no. 69 of December 15th, 2010.

- On December 16th, 2010 a contract for sale of shares in a subsidiary GZNF "FOSFORY" was signed. The parties to the contract include Zakłady Azotowe "Puławy" ("Purchaser") and Ciech SA. The subject matter of the contract involves the sale to the Purchaser of 51,855 shares, which represent 89.46% of the share capital of Gdańskie Zakłady Nawozów Fosforowych "Fosfory" Sp. z o.o., with the dispositive effect as at the Closing Date, i.e. the second business day following the day on which the last party to the contract is informed about the satisfaction of the last condition precedent or another day agreed by the parties in writing under the pain of nullity. As at September 30th, 2010 the value of the shares in GZNF Fosfory registered in the records accounted for PLN 20,888 thousand. The parties agreed on a forecasted acquisition price of the shares of PLN 107.2 million. A significant component of the transaction involves the repayment by the Purchaser of the loans given by CIECH SA to companies of the Fosfory Group. The loans as at today and anticipated as at the closing date account for PLN 120.6 million. The information was announced in the Current Report no. 71 of December 16th, 2010.
- On December 29th, 2010 the significant contract for sale of shares of PTU S.A. was implemented. The parties to the contract include the CIECH S.A. subsidiaries: Janikowskie Zakłady Sodowe JANIKOSODA S.A. with its registered office in Janikowo and Inowrocławskie Zakłady Chemiczne SODA MAŁTY S.A. with its registered office in Inowrocław and Gothaer Finanzholding AG, with its registered office in Cologne. The subject matter of the contract involves 15,003,180 shares in the initial capital of PTU S.A., representing a total of 45.42% of its share capital, and 46.12% of the total number of votes at the general meeting. As at December 31st, 2009 the balance sheet value of the long-term financial investment in PTU S.A. accounted for PLN 34.4 million. The nominal value of one PTU share accounts for PLN 2. Detailed information concerning blocks of shares in PTU held by the Subsidiaries:
  - Janikowskie Zakłady Sodowe JANIKOSODA S.A.**  
number of shares: 7,500,012  
Percentage of the capital: 22.707%  
Percentage of the number of votes at the General Meeting: 23.056%  
Nominal value of shares: PLN 15,000,024
  - Inowrocławskie Zakłady Chemiczne SODA MAŁTY S.A.**  
Number of shares: 7,503,168  
Percentage of the capital: 22.716%  
Percentage of the number of votes at the General Meeting: 23.061%  
Nominal value of shares: 15,006,336

The contract was implemented on December 29th, 2010. The final sale price accounted for PLN 131,400 thousand.

Furthermore, on December 29th, 2010 in connection with the implementation of the contract for sale of the shares in PTU S.A., loan agreements between the CIECH S.A. (as the borrower) and the following companies were executed:

- Janikowskie Zakłady Sodowe Janikosoda S.A. (as the lender), for PLN 56,691,553
- Inowrocławskie Zakłady Chemiczne Soda Małty S.A. (as the lender), for PLN 57,188,447.

The loans were disbursed on December 30th, 2010. The funds from the loans will be allocated to the reduction in the debt under the Loan Agreement dated April 26th, 2010, and to the financing of the borrower's working capital. The loan repayment date is set at December 26th, 2011. The involvement in PTU S.A. was considered a financial investment intended for sale. The information was announced in the Current Report no. 73 of December 29th, 2010.

#### Financing:

- On January 22nd, 2010, 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 February 28th, 2010. Prior to that date, separate declarations (disclosed in Current Report no. 31/2009) had been submitted by the following banks: Calyon S.A. Branch in Poland, BNP Paribas S.A. Branch in Poland 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 January 20th, 2010 CIECH S.A. submitted a declaration to 15 banks, analogous to the statement disclosed in Current Report no. 31/2009 of August 14th, 2009. This Declaration had been valid until the earlier of the two dates: (i) March 1st, 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 January 22nd, 2010.
- On February 25th, 2010, it was established that all the conditions precedent of the agreement amending the loan agreement of the January 23rd, 2008, 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 December 10th, 2009 with effect from February 26th, 2010. The value of the loan agreement currently in force amounts to 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 December 31st, 2012 to September 30th, 2014. SWS KG is CIECH S.A.'s subsidiary, controlled by a special-purpose company, Soda Deutschland Ciech GmbH, in which CIECH S.A. holds 100% of the capital. SWS KG manufactures light and dense soda ash and baking soda. The information was announced in Current Report no. 5 of February 25th, 2010.

- Further to Current Reports no. 31/2009 of August 14th, 2009, no. 42/2009 of November 2nd, 2009 and no. 44/2009 of December 16th 2009 and no. 3/2010 of January 22nd, 2010, the Management Board of CIECH S.A. announces that, as it was notified on March 5th, 2010, 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 March 15th, 2010. Prior to that date, the following banks had submitted individual declarations (disclosed in Current Report no. 31/2009): Calyon S.A. Branch in Poland, BNP Paribas S.A. Branch in Poland 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 March 15th, 2010. On March 4th, 2010, CIECH S.A. submitted a Declaration to 15 banks, analogous to the declaration disclosed in Current Report no. 31/2009 of August 14th, 2009. This Declaration had been valid until the earlier of the two dates: (i) March 16th, 2010 or (ii) date of expiry of the Status Quo Agreement. The submission 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 March 16th, 2010 the Status Quo Agreement was extended until March 31st, 2010; on April 1st, 2010, the Agreement was reextended until April 16th, 2010 and on April 20th, 2010 it was extended again until April 26th, 2010. This was disclosed in Current Reports no. 6 of March 5th, 2010, no. 7 of March 16th, 2010, no. 10 of April 1st, 2010 and no. 13 dated April 20th, 2010.
- On April 26th, 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 Maławy 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. will join it as a guarantor and borrower. The total maximum amount of loans is the equivalent of PLN 1,340,000 thousand. Other detailed information on the agreement is set forth in section 2.8 of this Report.
- On April 29th, 2010, all outstanding option transactions between CIECH S.A. and Bank Handlowy w Warszawie S.A. expiring between April 29th, 2010 and August 5th, 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 August 14th, 2009 and April 20th, 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. CIECH S.A. has not been a party to any outstanding option transactions with Bank Handlowy since April 29th, 2010. Liabilities arising from those transactions will be refinanced based on the Ciech Group Debt Refinancing Agreement as referenced in Report no. 16/2010 of April 26th, 2010.
- On May 6th, 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 August 14th, 2009 until May 17th, 2010. The extension would allow the formalities related to the Debt Refinancing Agreement referred to in Report no. 16/2010 to be completed. Prior to that date, separate statements (disclosed in Current Report no. 31/2009 dated August 14th, 2009) had been submitted by the following banks: Calyon S.A., Branch in Poland, BNP Paribas S.A., Branch in Poland and Fortis Bank Polska S.A. Maturity date of the financing obtained by CIECH S.A. and Ciech Group companies from Bank Ochrony Środowiska S.A., HSBC Bank Polska S.A., Kredyt Bank S.A. and Bank BPH S.A. has been kept to May 17th, 2010 at the earliest. The above actions will enable the formalities relating to the CIECH S.A. Debt Refinancing Agreement referred to in Report no. 16/2010 of April 26th, 2010 to be fulfilled.
- On May 17th, 2010, one of the conditions precedent of the Loan Agreement as referred to in Report no. 16/2010 dated April 26th, 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 Maławy 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., Branch in Poland, Crédit Agricole Corporate and Investment Bank S.A., Branch in Poland as well as Fortis Bank Polska S.A. Under the Agreement, S.C. US Govora – CIECH Chemical Group S.A., is to join it. The creditor agreement was concluded to meet one of the conditions precedent of the loan agreement concluded by the Companies and Arranging Banks on April 26th, 2010 and referred to in Report no. 16/2010. Terms of the creditor agreement include the following:
  - The Arranging Banks, BNP Paribas S.A. Branch in Poland, Crédit Agricole Corporate and Investment Bank S.A. Branch in Poland 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) August 24th, 2010 or (ii) the date 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, if 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 August 24th, 2010.
- The creditor agreement also sets out priority rules for allocating repayments to lenders.
- Ciech S.A. as well as BNP Paribas S.A., Branch in Poland, Crédit Agricole Corporate and Investment Bank S.A., Branch in Poland 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 favor of BNP Paribas S.A., Branch in Poland, Crédit Agricole Corporate and Investment Bank S.A., Branch in Poland 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 be satisfied from the pledge). The information was announced in Current Report no. 21 of May 18th, 2010.
- On June 15th-17th, 2010, CIECH S.A. and 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 certain other subsidiaries signed the following security documents in order to meet one of the conditions precedent of the loan agreement dated April 26th, 2010 (referred to in Report no. 16/2010) and of the creditor agreement of May 17th, 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 favor 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., Branch in Poland, Crédit Agricole Corporate and Investment Bank S.A., Branch in Poland, 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 June 15th, 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 – are 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 of 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 June 15th, 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 – are 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 June 15th, 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.'s equity – are 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 June 15th, 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.'s equity – are 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 June 15th, 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.'s equity – are qualified as assets of substantial value; these assets secure a maximum of PLN 1,340,000,000 in liabilities;
  - agreements for assignment of 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;
  - registered 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;
  - 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 August 4th, 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 fulfill CIECH S.A.'s obligations set out in the loan agreement of April 26th, 2010 and the agreement with the creditors of May 17th, 2010. The Restructuring Plan was backed by the Company's Supervisory Board in a resolution passed on August 4th, 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 "FOSFOR" 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 for investors (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 "Fosfor" 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 "Fosfor" 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 settlement 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 spread out capital expenditures on non-productive part of the installation (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 continuity (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 for investors (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 for investors 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 August 9th and 10th, 2010, CIECH S.A. was notified of the establishment of joint capped 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 capped mortgages is PLN 76,003 thousand (as at July 31st, 2010). A detailed overview of the mortgaged assets, along with a list of banks in favor of whom the mortgages were established, was disclosed in the revised Current Reports: no. 38/2010 of November 9th, 2010 and no. 39/2010 of November 9th, 2010. The joint capped mortgages were established based on Ciech Group's Debt Refinancing Agreement executed on April 26th, 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 June 21st, 2010. The above was disclosed in Current Reports no. 38 and 39 of August 10th and 11th, 2010.
- On August 12th, 2010, all outstanding option transactions between CIECH S.A. and ING Bank Śląski S.A. (expiring between January 27th, 2011 and May 19th, 2011) were terminated. Moreover, between July 16th, 2009 and August 5th, 2010, all options expiring between July 16th, 2010 and January 20th, 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 August 12th, 2010.
- On August 12th, 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 CIECH S.A. 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 August 13th, 2010.
- On August 17th, 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 April 26th, 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 June 15th, 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 August 17th, 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 August 24th, 2010 and for a revolving loan to be paid out by August 24th and 25th, 2010. The above was disclosed in Current Report no. 42 of August 18th, 2010

- On and August 24th and 25th, 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 October 12th, 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 thousand. The above was disclosed in Current Report no. 53 of October 14th, 2010.

- On October 14th, 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 favor 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 thousand, based on Pledger estimates. The above was disclosed in Current Report no. 54 of October 14th, 2010.
- In October 2010, joint capped 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 capped mortgages is estimated at PLN 259,273 thousand. The above was disclosed in the revised Current Reports no. 57 and 58 of November 9th, 2010.
- On October 21st, 2010, joint capped 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 capped mortgages is PLN 68,456 thousand (as at September 30th, 2010). The above was disclosed in the revised Current Report no. 59 of November 9th, 2010.
- On October 28th, 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 October 28th, 2010.
  - the deadline for the execution of share purchase rights for Series D Shares 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 October 27th, 2010, CIECH S.A. (lender) and ZACHEM S.A. (borrower) concluded a loan agreement for PLN 43,000 thousand and USD 9,000 thousand. 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 December 31st, 2012.
- On December 3rd, 2010 Ciech S.A. has been notified by the Management Board of Soda Polska Ciech Sp. z o.o. of termination by agreement of the loan agreement between Soda Polska Ciech Sp. z o.o. and Bank Pekao S.A., which is referred to in Current Report no 5/2009 dated January 27th, 2009. At the same time, it is being announced that all collaterals of the loan, including mortgages, have expired. The termination of the agreement results from the giving of loans inside the group to finance the debt which; the said loans are referred to in Current Report no 46/2010 dated August 27th, 2010.
- On 20 January 2011 Ciech S.A. and the Commercial Banks executed a commitment letter. The Commitment Letter confirms the Commercial Banks' intention to grant the New Financing on the terms and conditions specified therein. The Commitment Letter stipulates that the New Financing will be granted by the Commercial Banks and EBRD jointly. On January 20th, 2011 EBRD notified Ciech S.A. of its intention to participate in the New Financing, and the EBRD's participation requires a final approval by the EBRD's Board of Directors which is expected to be granted on February 15th, 2011.

The key terms of the New Financing described in the Commitment Letter are set forth in Current Report no. 4 of January 21st, 2011.
- On January 20th, 2011, the banks – parties to the Existing Facilities Agreement, gave their consent not to apply the funds from the Rights Issue and the funds from the sale of GZNF Fosfory sp. z o.o. towards mandatory prepayment of facilities under the Existing Facilities Agreement, to the extent those funds will not be applied on March 30th, 2011 towards repayment of an amount of PLN 400 million less an amount of approximately PLN 155 million (i.e. an amount applied by Ciech S.A. for prepayments or repayment of the facilities under the Existing Facilities Agreement made to date). At the same time CIECH S.A. undertook that the funds from the Rights Issue and the funds from the sale of GZNF Fosfory sp. z o.o. shall be paid to an escrow account maintained in PLN for Ciech S.A. with the security agent. The Surplus in the Escrow Account may be used by CIECH S.A. for the capital expenditures of specific companies from the Ciech Group in accordance with the agreed timetable, subject to the fulfillment by CIECH S.A. of the requirements contained in the Existing Facility Agreement and in the facility agreement on the basis of which the New Financing is to be granted. After the disbursement of the funds under the New Facility Agreement and fulfillment by CIECH S.A. of the required financial ratios with respect to the measurement period ending on September 30th, 2011, the funds in the Escrow Account shall be released therefrom in whole.
- With reference to Current Report No 29/2010 dated June 21st, 2010 on establishment of collaterals in connection with the Refinancing Agreement and the agreement between the creditors referred to in Current Report No 21/2010 dated May 18th, 2010, on February 9th, 2011 Soda Polska CIECH Sp. z o.o., received the last notification of establishment of joint capped mortgages on the assets owned or perpetually used by Soda Polska CIECH Sp. z o.o. As at December 31st, 2010 the value of the real properties on which the aforementioned mortgage was established (Gr. 0 – 2), according to IAS, accounted for PLN 150 322 thousand, and the value of the right of perpetual usufruct, in accordance with PAP, accounted for PLN 52 648 thousand.
- On February 10th, 2011 annexes to agreements for loans given to S.C. Uzinele Govora – Ciech Chemical Group S.A. by Ciech S.A., prolonging the repayment period of loans given to US Govora S.A. to December 26th, 2011 were executed. The annexes concern loan agreements concluded between the Company and US Govora S.A. in the period 2006-2009, with the total value as at the debt prolongation date accounting for approximately EUR 56.9 million.
- On February 10th, 2011 a facility agreement was entered into between CIECH S.A. as borrower, its subsidiaries as guarantors (Janikowskie Zakłady Sodowe Janikosoda S.A., Inowrocławskie Zakłady Chemiczne Soda Mątwy S.A., Soda Polska Ciech sp. z o.o., Zakłady Chemiczne Alwernia S.A., Przedsiębiorstwo Chemiczne Cheman S.A., Zakłady Chemiczne Organika Sarzyzna S.A., Polfa sp. z o.o., Vitrosilicon S.A., Transclean sp. z o.o. and

Zakłady Chemiczne Zachem S.A.) and Bank DnB Nord Polska S.A., Bank Handlowy w Warszawie S.A. (the "Agent"), Bank Millennium S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., ING Bank Śląski S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. (jointly the "Commercial Banks"), regarding the refinancing of the existing financial indebtedness of the Ciech Group under the Loan Agreement dated 26 April 2010. The agreement provides for the accession of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. to it as a guarantor and borrower and the accession of the European Bank for Reconstruction and Development as lender. Positive decision of the Board of Directors of EBRD and acceptance of the content of Facility Agreement, are the conditions of accession of EBRD to the Facility Agreement.

- On February 15th, 2011, pursuant to the decision of the Board of Directors, the European Bank for Reconstruction and Development acceded to the Facility Agreement, thus accepting the terms and conditions thereof. In order to obtain financing from EBRD it will be necessary to, among other things, agree upon the contents of the security documentation and fulfill the conditions for the launching of the Capex Term Facility stipulated in the Facility Agreement. Accession by EBRD to the Facility Agreement was one of the conditions precedent for the drawdown of the facilities stipulated therein.
- On February 22nd, 2011 the CIECH S.A. was notified by Krajowy Depozyt Papierów Wartościowych w Warszawie S.A. of the results of subscriptions to 23,000,000 D series ordinary bearer shares offered by the Company with the nominal value of PLN 5 each ("D Series Shares"). During the subscription between February 3rd and 16th, 2011 a total of 3,451 basic subscriptions to 21,825,287 D Series Shares were made within the pre-emptive rights. At the same time, 533 additional subscriptions to 20,322,318 D Series Shares were made. According to the Offering schedule incorporated in the Prospectus, D Series Shares will be allocated on February 25th, 2011. The information was announced in Current Report no. 15 of February 22nd, 2011.
- 23,000,000 D Series Shares were allotted on the February 25th, 2011. During the subscription a total of 3,451 basic subscriptions to 21,825,287 D Series Shares and 533 additional subscriptions to 20,322,318 D Series Shares were made. Reduction rate for the purposes of additional subscriptions was 94.2%. The issuance is a result of resolution No. 3 of the Extraordinary General Meeting of Shareholders of the Company dated October 28th, 2010 regarding the Company's share capital increase through the issuance of D series ordinary bearer shares with the nominal value of PLN 5 each.

## 2. Description of Ciech Group's achievements during the period from January 1st to December 31st, 2010, together with factors and events significantly affecting the financial result

### 2.1 Key financial data

During 2010, Ciech Group generated a net result of PLN 20,729 thousand with the balance sheet total equal to PLN 3,929,588 thousand and an increase in net cash of PLN 153,578 thousand.

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

#### Selected financial data

<i>in PLN thousands</i>	01.01.-31.12.2010	01.01.-31.12.2009	change 2010/2009
<b>Net revenue from sales</b>	<b>3,960,316</b>	<b>3,684,225</b>	<b>7.5%</b>
Cost of sales	3,397,616	3,089,114	10.0%
Gross profit on sales	562,700	595,111	(5.4%)
Distribution costs	277,628	256,148	8.4%
Administrative expenses	230,094	247,897	(7.2%)
Other operating revenues / costs	89,195	37,176	139.9%
<b>Profit on operating activities</b>	<b>144,173</b>	<b>128,242</b>	<b>12.4%</b>
Finance income / costs	(90,579)	(219,220)	(58.7%)
Share of the net profit of associates and subsidiaries accounted for using the equity method	(847)	(3,807)	(77.8%)
Income tax	(32,018)	(4,381)	532.6%
Gain on sale of discontinued operations	-	-	-
<b>Net profit</b>	<b>20,729</b>	<b>(99,166)</b>	<b>-</b>
Net profit attributable to non-controlling interests	260	(6,911)	-
<b>Net profit attributable to owners of the parent</b>	<b>20,469</b>	<b>(92,255)</b>	<b>-</b>
EBITDA	382,022	358,323	6.6%

<i>in PLN thousands</i>	31.12.2010	31.12.2009	change 2010/2009
<b>Value of assets</b>	<b>3,929,588</b>	<b>4,017,749</b>	<b>(2.2%)</b>
Non-current assets	2,459,840	2,751,679	(10.6%)

<i>in PLN thousands</i>	<b>31.12.2010</b>	<b>31.12.2009</b>	<b>change 2010/2009</b>
Current assets, including:	1,469,748	1,266,070	16.1%
- <i>inventory</i>	299,159	314,228	(4.8%)
- <i>current receivables</i>	733,222	817,175	(10.3%)
- <i>cash and cash equivalents</i>	177,077	131,638	34.5%
- <i>short-term investments</i>	533	2,529	(78.9%)
- <i>assets held for sale</i>	259,757	500	51,851%
<b>Total equity</b>	<b>855,662</b>	<b>853,807</b>	<b>0.2%</b>
Equity attributable to owners of the parent	820,794	816,575	0.5%
Non-controlling interests	34,868	37,232	(6.3%)
Non-current liabilities	956,846	1,179,661	(18.9%)
Current liabilities	2,117,080	1,984,281	6.7%

<i>in PLN thousands</i>	<b>01.01.-31.12.2010</b>	<b>01.01.-31.12.2009</b>	<b>change 2010/2009</b>
Net cash flows from operating activities	305,156	393,616	(22.47%)
Net cash flows from investment activities	16,128	(318,378)	-
Net cash flows from financial activities	(167,706)	(64,157)	161.40%
<b>Total net cash flows</b>	<b>153,578</b>	<b>11,081</b>	<b>1,285.96%</b>
<b>including free cash flows</b>	<b>321,284</b>	<b>75,238</b>	<b>327.02%</b>

	<b>31.12.2010</b>	<b>31.12.2009</b>	<b>change 2010/2009</b>
<b>Net earnings per share</b>	<b>0.67</b>	<b>(3.29)</b>	<b>-</b>
Net profit margin	0.5%	(2.7%)	-
EBIT %	3.6%	3.5%	0.1p.p.
EBITDA %	9.6%	9.7%	(0.1p.p.)
Current ratio	0.69	0.64	8.8%
Quick ratio	0.55	0.48	15.3%
Debt ratio	78.2%	78.7%	(0.5 p.p)
Equity to assets ratio	21.8%	21.3%	0.5 p.p.

Source: CIECH S.A.

#### Calculation principles:

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 return – net profit for a given period / net revenues from sales of products, services, goods and materials in a given 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 a given period / current liabilities at the end of a given period,

quick ratio – current assets less inventory at the end of a given period / current liabilities at the end of a given period,

total debt ratio – current and non-current liabilities at the end of a given period / total assets at the end of a given period,

equity to assets ratio – total equity at the end of a given period / total assets at the end of a given period.

## 2.2 Revenue from sales

Ciech Group's net consolidated revenue from sales for the four quarters of 2010 amounted to PLN 3,960,316 thousand. Compared to the same period last year, revenue increased by PLN 276,091 thousand (or 7.5%). The increase was driven mainly by growing revenue from sale of TDI and resins (total increase of PLN 150,019 thousand), which contributed substantially to Organic Segment 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 changed in relation to the same period last year. Organics were the largest item in Group sales revenue in the four quarters of 2010, their share increasing from 34.6% to 37.8% – a notable improvement for the segment. Soda, in turn, suffered a more than 4% 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

<i>PLN '000</i>	<b>four quarters of 2010</b>	<b>four quarters of 2009</b>	<b>change</b>	<b>% change</b>	<b>% of total revenue after four quarters of 2010</b>	<b>% of total revenue after four quarters of 2009</b>
<b>Soda Segment–</b>	<b>1,458,186</b>	<b>1,514,705</b>	<b>(56,520)</b>	<b>(3.7%)</b>	<b>36.8%</b>	<b>41.1%</b>

PLN '000	four quarters of 2010	four quarters of 2009	change	% change	% of total revenue after four quarters of 2010	% of total revenue after four quarters of 2009
<b>Soda Division, including:</b>						
Dense soda ash	840,244	915,212	(74,968)	(8.2%)	21.2%	24.8%
Light soda ash	259,189	275,623	(16,435)	(6.0%)	6.5%	7.5%
Salt	142,361	131,109	11,252	8.6%	3.6%	3.6%
Baking soda	96,259	103,101	(6,842)	(6.6%)	2.4%	2.8%
Calcium chloride	34,837	31,164	3,673	11.8%	0.9%	0.8%
<b>Organic Segment – Organika Division, including</b>	<b>1,496,946</b>	<b>1,275,154</b>	<b>221,792</b>	<b>17.4%</b>	<b>37.8%</b>	<b>34.6%</b>
TDI	528,186	501,724	26,462	5.3%	13.3%	13.6%
Resins	372,475	248,918	123,557	49.6%	9.4%	6.8%
PUR foams	192,401	166,602	25,799	15.5%	4.9%	4.5%
Plant protection chemicals	108,888	105,401	3,487	3.3%	2.7%	2.9%
Plastics	88,600	70,832	17,768	25.1%	2.2%	1.9%
EPI	68,081	45,787	22,294	48.7%	1.7%	1.2%
<b>Agrochemical segment – Agro-Silicon Division, including</b>	<b>500,375</b>	<b>443,903</b>	<b>56,472</b>	<b>12.7%</b>	<b>12.6%</b>	<b>12.0%</b>
Fertilisers	265,420	235,184	30,236	12.9%	6.7%	6.4%
Phosphorus compounds	88,325	90,767	(2,442)	(2.7%)	2.2%	2.5%
Grain	15,387	14,868	519	3.5%	0.4%	0.4%
<b>Silicates and Glass Segment – Agro-Silicon Division, including</b>	<b>290,610</b>	<b>222,297</b>	<b>68,313</b>	<b>30.7%</b>	<b>7.3%</b>	<b>6.0%</b>
Sulphur	116,277	14,550	101,727	699.2%	2.9%	0.4%
Glass blocks and packaging	94,296	95,463	(1,167)	(1.2%)	2.4%	2.6%
Sodium glass	50,515	56,041	(5,526)	(9.9%)	1.3%	1.5%
Sodium water glass	18,509	17,897	612	3.4%	0.5%	0.5%
<b>Other operations</b>	<b>214,199</b>	<b>228,166</b>	<b>(13,966)</b>	<b>(6.1%)</b>	<b>5.4%</b>	<b>6.2%</b>
<b>Total, including:</b>	<b>3,960,316</b>	<b>3,684,225</b>	<b>276,091</b>	<b>7.5%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Discontinued operations</b>	<b>364,421</b>	<b>282,302</b>	<b>82,119</b>	<b>29.1%</b>	<b>9.2%</b>	<b>7.7%</b>

### 2.3 Profit on sales and operating profit

After four quarters of 2010, gross profit on sales amounted to PLN 562,700 thousand, compared to PLN 595,111 thousand in the same period last year. Operating profit amounted to PLN 144,173 thousand versus PLN 128,242 thousand in the comparative period.

#### The presented data was positively affected by:

- improvement in TDI sales volumes, compared to a low level during the same period last year,
- improvement in sales volumes and margins within the epoxy resin industry, compared to 2009,
- dynamic sales growth observed in the domestic chemical industry in 2010, compared to the same period in 2009 (based on constant prices – 12% for chemicals and chemical products, 15.7% for rubber and plastics),
- robust growth in domestic production of phosphorus-based fertilisers (a 26% volume increase during January-December 2010 from the low base of the first four 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) improvement in sales margins,
- recovery of domestic sales of construction and assembly products during 12 months of 2010 by 3.5% in total in comparison with the previous year (chemical industry generates many raw materials and semi-finished products used for this production),
- higher sales volumes of soda ash, compared to 2009.

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

- sale of shares in associated company PTU S.A. by JANIKSODA S.A. and SODA MAŃTAMY S.A.
- 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 shares in Ciech Service Sp. z o.o. by CIECH S.A.,



- sale of part of real property at ul. Powązkowska in Warsaw by CIECH S.A.,
- sale of non-current assets in 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 4-5 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),
- upward trend in crude oil prices throughout the fourth quarter of 2010 and the entire 2010, causing suppliers to increase (or press to increase) raw material prices in the organic industry.

The EBIT margin amounted to 3.6% as of the end of 2010 (vs 3.5% a year earlier), while the EBITDA margin was 9.6% (vs 9.7% a year earlier).

## 2.4 Net result

The consolidated net result for the four quarters of 2010 was PLN 20,729 thousand, including a net result of PLN 20,469 thousand attributable to owners of the parent. Net profit margin was 0.5%. The sale of shares in associated company PTU S.A. by JANIKSODA S.A. and SODA MAŃWY S.A. had a substantial impact on the net result. Additionally the net result for 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

<i>in PLN thousands</i>	<b>01.01.-31.12.2010</b>	<b>01.01.-31.12.2009</b>	<b>Change 2010/2009</b>
1. Profit on operating activities	144,173	128,242	12.4%
2. Net finance income / costs	(90,579)	(219,220)	(58.7%)
3. Share of the net profit of associates and subsidiaries accounted for using the equity method	(847)	(3,807)	(77.8%)
4. Income tax	(32,018)	(4,381)	630.8%
5. Gain on sale of discontinued operations	-	-	-
<b>6. Net result (1+2+3-4+5)</b>	<b>20,729</b>	<b>(99,166)</b>	-
7. Net profit / loss attributable to non-controlling interests	260	(6,911)	-
<b>8. Net profit / loss attributable to owners of the parent (6-7)</b>	<b>20,469</b>	<b>(92,255)</b>	-

Source: CIECH S.A.

## 2.5 Assets

As at the end of December 2010, the Group's non-current assets were valued at PLN 2,459,840 thousand. Compared to 31 December 2009, this represents a PLN 291,839 thousand decline. The largest drop occurred in property, plant and equipment, amounting to PLN 199,737 thousand 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.

The Group's current assets amounted to PLN 1,469,748 thousand as at December 31st, 2010. The following items dominated among the current assets: trade and other receivables – 49.3% of current assets, and inventory – 20.4%. Compared to the end of December 2009, the value of current assets rose by PLN 203,678 thousand, the largest contributor being assets held for trading, which was connected with the execution by CIECH S.A. of the agreement for sale of shares in GZNF "FOSFOR" Sp. z o.o. As a result, all balance sheet items of FOSFOR Group was presented as assets or liabilities held for trading.

## 2.6 Liabilities

Total long- and short-term liabilities of Ciech Group amounted to PLN 3,073,926 thousand as at December 31st, 2010 – a drop of PLN 90,016 thousand (or 2.8%) since the end of December 2009.

Compared to December 31st, 2009, borrowings received (plus bank overdraft) decreased by PLN 49,190 thousand as a result of a repayment of debt by Ciech Group's Companies.

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 78.2% as at December 31st, 2010 (78.7% 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, derivative instrument liabilities, less cash and cash equivalents was PLN 1,477,932 thousand as at December 31st, 2010, or PLN 243,299 thousand less than at the end of December 2009 (in 2009 the consolidated net debt included also option liabilities present at that time).

Liquidity ratios improved compared to the levels observed at the end of 2009. The current ratio (total current assets / total current liabilities) was 0.69 as at December 31st, 2010 (0.64 at the end of 2009), while the quick ratio was 0.55 (0.48 at the end of 2009).

## 2.7 Cash flows

Total net cash flows were positive in the four quarters of 2010, amounting to PLN 153,578 thousand. The Group generated PLN 142,497 thousand more cash than in the same period last year.

Operating cash flows, which added up to PLN 305,156 thousand, were PLN 88,460 thousand lower than those generated between January and December 2009.

The surplus of investment inflows over expenditure amounted to PLN 16,128 thousand and was higher in relation to the same period of 2009, when net flow from investing activities was negative and amounted to PLN -318,378 thousand. Net cash flows from investing activities were most affected by:

- outflows: purchases of intangible assets and property, plant and equipment in SODA MAŃWY Group, ZACHEM Group and Z. Ch. "Organika-Sarzyna" S.A. in connection with ongoing development investments;
- inflows: sale of shares in the associated company PTU S.A. by JANIKOSODA S.A. and SODA MAŃWY S.A.

Net cash flows from financing activities were negative at PLN 167,706 thousand, PLN 103,549 thousand less than in 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 four quarters of 2010

During the four quarters of 2010, profitability ratios relating to Ciech Group's operations remained at similar level as during same period of 2009. Return on sales declined, as compared to the previous year, which was most influenced by the decline in 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. On the other hand, a positive impact of Agrochemical Segment performance was noticed - 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 2010, global as well as European markets saw growing prices of phosphorus-based inorganic fertilisers (in comparison with 2009).

Additionally, net profitability ratios have improved, being a result of sale of shares in the associated company PTU S.A. by JANIKOSODA S.A. and SODA MAŃWY S.A. On the other hand, the net result in 2010 was negatively affected by the costs of external debt servicing, higher than in the corresponding period, and the negative balance of foreign exchange differences. The sale of shares in Zakłady Azotowe Tarnów by CIECH S.A. was also a negative contribution.

Presented in the table below are the profitability ratios:

#### Ciech Group profitability ratios

Item	01.01.-31.12.2010	01.01.-31.12.2009
Gross margin on sales	14.2%	16.2%
Return on sales	1.4%	2.5%
Operating profit margin	3.6%	3.5%
EBITDA profitability	9.6%	9.7%
Return on sales (ROS)	0.5%	(2.7%)
Return on assets (ROA)	0.5%	(2.5%)
Return on equity (ROE)	2.4%	(11.6%)

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,

**return on sales** – profit on sales for the period / net revenue from sales of products, materials, other goods and services,

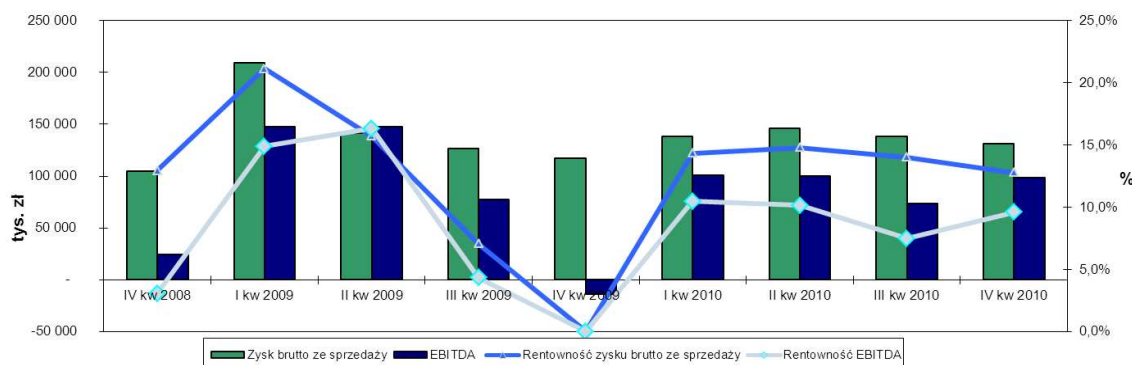
**operating profit margin** – operating profit for a given period / net revenue from sales of products, services, goods and materials,

**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 / total equity at the end of a given period.

## Poziomy rentowności Grupy Ciech



Source: CIECH S.A.

## Poziomy rentowności Grupy Ciech – Return ratios of the Ciech Group

Tys. zł – PLN'000

Zysk brutto ze sprzedaży – Gross margin on sales

Rentowność zysku brutto ze sprzedaży – Gross return on sales

Rentowność EBITDA - EBITDA profitability

## Group liquidity and working capital

At the end of fourth quarter of 2010, liquidity ratios improved in comparison with the end-of-2009 level, current liquidity ratios remain, however, still below 1. The levels of current liquidity ratios are caused by the financing structure (substantial share of short-term loans). This, however, does not threaten liquidity and thanks to the execution of a long term loan agreement by the Company on the February 10th, 2011, the financial stability and liquidity of the Company were materially improved.

## Ciech Group liquidity ratios

Item	31.12.2010	31.12.2009
Current ratio	0.69	0.64
Quick ratio	0.55	0.48

## Calculation principles:

**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 / current liabilities at the end of a given period; measure of a company's capability to collect in a short period of time cash for the coverage of materially due liabilities.

Ciech Group generated positive free cash flow in the four quarters of both 2010 and 2009. Thus, Ciech Group has managed to finance its investing activities from operating cash flows and disinvestments. During the four quarters of 2010, a change in the level of working capital resulted in an increase in cash of PLN 152,754 thousand, compared to PLN 272,142 thousand in the corresponding period of 2009. The year 2009 had seen a significant 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	31.12.2010	31.12.2009
Cash flow (net profit + amortisation + depreciation)	258,578	130,915
Other adjustments to net profit	(106,176)	(9,441)
<b>Adjusted cash flow</b>	<b>152,402</b>	<b>121,474</b>
<b>Change in working capital</b>	<b>152,754</b>	<b>272,142</b>
Cash flows from operating activities	305,156	393,616
Cash flows from investing activities	16,128	(318,378)
<b>Free cash flows</b>	<b>321,284</b>	<b>75,238</b>

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 315,203 thousand at the end of 2010, marking an increase by PLN 24,160 thousand compared to the end of 2009. Ciech Group is expecting to see a rapid improvement in the net balance of cash as a result of restructuring and signing of a new loan agreement.

**Ciech Group working capital**

Item	31.12.2010	31.12.2009
1. Current assets, including:	1,469,748	1,266,070
Inventory	299,159	314,228
Trade receivables	507,370	597,169
2. Cash and other short-term investments	177,610	134,167
3. Adjusted current assets (1-2)	1,292,138	1,131,903
4. Current liabilities, including:	2,117,080	1,984,281
Trade liabilities	582,893	452,948
5. Short-term loans and other financial liabilities	1,140,145	1,143,421
6. Adjusted current liabilities (4-5)	976,935	840,860
7. Working capital less short-term loans (1-4)	(647,332)	(718,211)
8. Working capital (3-6)	315,203	291,043

**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.

The Ciech Group's debt decreased in comparison with the end of 2009. The debt ratio dropped from 78.7% to 78.2%. The term structure of financing (non-current liabilities accounting for 24.3% of total assets as at the end of December 2010) worsened compared to end-of-2009 level. The relative net debt level (net financial liabilities against EBITDA) has materially improved.

**Ciech Group debt ratios**

Item	31.12.2010	31.12.2009
Debt ratio	78.2%	78.7%
Long-term debt ratio	24.3%	29.4%
Debt to equity ratio	359.2%	370.6%
Equity to assets ratio	21.8%	21.3%
Net debt / EBITDA	3.87	4.80

**Calculation principles:**

**debt ratio** – current and non-current liabilities / total assets; measure of the share of external funds in financing a company's activity.

**long-term debt to equity ratio** – non-current liabilities / total assets; measure of the share of non-current liabilities in financing a company's activity.

**debt to equity ratio** – total liabilities / equity.

**equity to assets ratio** – equity / total assets; measure of the share of equity in financing a company's activity.

**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. Financial ratios, consulted with creditors, were not violated.

**Debt refinancing**

On April 26th, 2010, a loan agreement was concluded by and between, i.a., 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 June 15th, 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 fulfillment of the conditions precedent of the agreement and payout of the loan, as described below.

- On May 17th, 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 June 14th, 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 June 15th-17th 2010, the items described below were established as security, as necessary based on the loan agreement and the creditor agreement,
- Arranging Banks accepted Ciech Group's restructuring plan adopted by the CIECH S.A. Management Board on August 4th, 2010.

On August 17th, 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 Ciech Group's overall liquidity and provides a stable financing by the time of the implementation of the target long term financing, which shall be made available pursuant to the new loan agreement signed on the February 10th, 2011, mentioned in Current Report no. 12/2011.

**Loan amount and tranches:**

The total loan amount made available and drawn was the equivalent of PLN 1,288 million (according to the exchange rate as at August 25th, 2010).

The loan was split into a term tranche of PLN 1,210 million, revolving loans of PLN 30 million as well as a guarantee amounting to EUR 11.7 million.

Until the date of the publication of this Report, a term loan repayment equivalent to PLN 155.2 million had been made, the revolving loan balance was reduced by approx. PLN 6.1 million (in January 2011) and the amount of guarantee decreased to the level of about EUR 9.6 million.

**Loan interest:**

Variable interest rate based on WIBOR / EURIBOR plus margin; the margin is different for each tranche, it is variable and depends on the ratio of net debt.

**Key terms of repayment include:**

- reduction of the loans by PLN 400,000 thousand in total (taking into account the quarterly amortization and earlier repayments) until March 31st, 2011,
- obligatory early repayment of loans is required under the following circumstances:
  - o change of control, occurring in the following circumstances: (i) State Treasury no longer holds at least 10,270,800 of CIECH S.A.'s shares, (ii) party other than State Treasury becomes CIECH S.A.'s largest shareholder and holds at least 50% of the issued share capital of CIECH S.A., or (iii) party other than State Treasury or a group of parties acting jointly gain control over CIECH S.A., subject that a change in control approved by a majority of Arranging Banks laid down in the agreement or the fulfillment of additional conditions, such as the required level of debt, do not incur the obligation to repay the loans earlier,
  - o 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 thousand; this is restricted by the provision that once PLN 400,000 thousand 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; on January 20th, 2011, the banks – members of the consortium – gave their consent not to apply the funds from the Rights Issue towards mandatory prepayment of facilities, to the extent those funds will not be applied on March 31st, 2011 towards repayment of an amount of PLN 400 million less an amount of approximately PLN 155.2 million (i.e. an amount applied by Ciech S.A. for prepayments or repayment of the facilities).
  - o excess cash flows: should any Ciech Group quarterly financial report, starting from the report for the period ending March 31st, 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 June 30, 2011,
  - o disposal of assets, sale of holdings or shares by CIECH S.A. and Significant Members of the CIECH Group – allocation of 100% of the total net inflows from sales in a given quarter to earlier repayment of loans (except for specific circumstances laid down in the agreement); on January 20th, 2011, the banks – members of the consortium – gave their consent not to apply the funds from the sale of GZNF Fosfory Sp. z o.o. towards mandatory prepayment of facilities, to the extent those funds will not be applied on March 31st, 2011 towards repayment of an amount of PLN 400 million less an amount of approximately PLN 155.2 million (i.e. an amount applied by Ciech S.A. for prepayments or repayment of the facilities).
  - o receipt of substantial proceeds from any insurance policy against loss or damage to its assets or business,
  - o 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;
  - o non-compliance with the law on the side of lenders.
- one-off repayment of all outstanding loan amounts no later than 20 months after the execution of the agreement (i.e. December 26th, 2011).

**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:
  - o debt level to operating results (total consolidated net debt to consolidated EBITDA),
  - o balance sheet debt ratio (total consolidated net debt to consolidated net value of property, plant and equipment),
  - o interest coverage ratio (consolidated EBITDA to consolidated net finance costs),
  - o 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 thousand,
- 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.

### Fulfillment of the conditions of the loan agreement

The financial forecasts show that loan service and repayments according to the schedule provided in the agreement are feasible. The required reduction of debt by PLN 400 million until the deadline stipulated in the loan agreement (end of March 2011):

- was completed in the amount of PLN 155.2 by December 31st, 2010, as a result of the following transactions:
  - sale of 6.54% of shares in ZAT S.A. (amount for repayment: approx. PLN 21.5 million)
  - sale of 100% of shares in Ciech Service S.A. (amount for repayment: PLN 3.1 million),
  - sale of 45.42% of shares in PTU S.A. (amount for repayment: PLN 106.8 million),
  - sale of the perpetual usufruct right to the developed property located at ul. Powązkowska 46/50 (amount for repayment: PLN 23.8 million).
- the outstanding amount of PLN 244.8 million is expected to be paid by March 31st, 2011 from the funds from the Right Issue or sale of shares in GZNF Fosfory Sp. z o.o.

The Management Board of Ciech S.A. expects to refinance the outstanding consortium loan amount with the funds made available pursuant to the new loan agreement signed on the February 10th, 2011, mentioned in Current Report no. 12/2011.

On the basis of the new facility agreement the following facilities will be made available:

1. a dual-currency refinancing term facility in PLN and EUR with a total value of approximately PLN 739 million for refinancing of the debt under the loan agreement described in Current Report no. 16/2010 of April 26th 2010,
2. a multicurrency revolving facility (available for utilisation also in the form of guarantees and letters of credit) with the value of PLN 100 million, granted by the Commercial Banks, for refinancing of the debt under the loan agreement of April 26th, 2010, financing of liquidity requirements (including the granting of intra-group loans) and obtaining guarantees and letters of credit by the Ciech Group;
3. ancillary guarantee facility of EUR 9.6 million granted to S.C. CET Govora S.A. by Bank Polska Kasa Opieki S.A.;
4. the EUR equivalent of PLN 300 million capex term loan facility granted by European Bank for Reconstruction and Development (the "EBRD") for financing and refinancing of the capital expenditures of the Ciech Group as part of

the investment programme, where the required equity contribution amounts to at least 40% of the financed or refinanced capital expenditures incurred from the date of signing of the Facility Agreement. The capex term facility shall be available in a period between September 1st, 2012 and November 30th, 2012.

The conditions precedent to making the funds under of the facilities available to Ciech S.A. include, in particular, the following events: (i) all corporate consents have been obtained by Ciech S.A. and the Companies, (ii) Govora has acceded to the facility agreement, (iii) EBRD has acceded to the facility agreement, after positive decision of the Board of Directors of EBRD and acceptance of the content of Facility Agreement (which took place on February 15th, 2011), (iv) the rights issue by Ciech S.A. has come into effect in accordance with the resolution of the general shareholders' meeting of 28 October 2010, (v) indebtedness is reduced in accordance with the loan agreement dated 26 April 2010 and (vi) security interests have been established.

The facilities of the Commercial Banks will be made available no earlier than after two months from the execution of security documents and filing relevant applications for registration of security interests with relevant registers and land and mortgage registers and after the delivery of the Compliance Certificate confirming satisfaction of the financial covenants after the 2Q 2011.

The capex term facility will be made available after a positive opinion of the Technical Advisor is obtained in respect of the investments carried out at that time, in particular confirming the advanced stage of modernisation of CHP Plant Janikowo in accordance with the development schedule and after other conditions set out in the Facility Agreement are satisfied.

## 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 long term loan agreement (of February 10th, 2011), adoption of the Restructuring Plan as well as preparations to a D series share issue to be conducted in the first quarter of 2011. These, along with the initiatives listed above, should ensure the significant improvement of the Capital Group financial standing and 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 four quarters of 2010, Ciech Group spent PLN 216,867 thousand 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 MAŃWY 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

01.01-31.12.2010	Soda Segment - Soda Division	Organic Segment - Organic Division	Silicates and Glass Segment  Agro-Silicon Division	Agrochemical Segment	including: discontinued operations	Other operations	Corporate Functions – residual item	Removed (consolidation adjustments)	TOTAL
PLN '000									
External revenue	1,458,186	1,496,946	290,610	500,375	308,268	214,199	-	-	3,960,316
Inter-segment revenue	44,139	54,653	3004	13,947	7,374	992	-	(116,735)	-
<b>Total revenues</b>	<b>1,502,325</b>	<b>1,551,599</b>	<b>293,614</b>	<b>514,322</b>	<b>315,642</b>	<b>215,191</b>	-	<b>(116,735)</b>	<b>3,960,316</b>
Cost of sales	(1,293,098)	(1,378,742)	(224,574)	(425,513)	(260,265)	(182,535)	-	106,846	(3,397,616)
<b>Gross profit/loss on sales</b>	<b>209,227</b>	<b>172,857</b>	<b>69,040</b>	<b>88,809</b>	<b>55,377</b>	<b>32,656</b>	-	<b>(9,889)</b>	<b>562,700</b>
Distribution costs	(103,762)	(82,322)	(46,560)	(37,237)	(29,240)	(17,712)	-	9,965	(277,628)
Administrative expenses	(69,887)	(66,381)	(9,218)	(24,767)	(18,417)	(20,282)	(40,816)	1,257	(230,094)
Gain / loss on receivables management	966	(461)	62	500	(1,714)	403	-	41	1,511
Profit / loss on other operating activities	78,156	(14,781)	1,253	2,778	3,967	4,803	15,753	(278)	87,684
<b>Operating profit/loss</b>	<b>114,700</b>	<b>8,912</b>	<b>14,577</b>	<b>30,083</b>	<b>9,973</b>	<b>(132)</b>	<b>(25,063)</b>	<b>1,096</b>	<b>144,173</b>
Net exchange differences and trade account interest	(31,867)	(64,736)	(9,745)	(15,220)	(143)	(7,329)	-	-	(128,897)
Group finance costs	-	-	-	-	-	-	(253,972)	-	(253,972)
Profit / loss on the sale of entity measured under the equity method	107,456	-	-	-	-	-	-	-	107,456
Profit / loss on financing activities (non-segment)	-	-	-	-	-	-	184,834	-	184,834
Share of the profit of associates	(847)	-	-	-	-	-	-	-	(847)
<b>Profit / loss before tax</b>	<b>189,442</b>	<b>(55,824)</b>	<b>4,832</b>	<b>14,863</b>	<b>9,830</b>	<b>(7,461)</b>	<b>(94,201)</b>	<b>1,096</b>	<b>52,747</b>
Tax	-	-	-	-	-	-	-	-	(32,018)
<b>Net profit/loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,729</b>
Profit on discontinued operations	-	-	-	-	-	-	-	-	-
<b>Net profit/loss for the financial year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,729</b>
Depreciation / amortisation	129,806	67,984	18,099	16,284	-	1,744	3,932	-	237,849
<b>EBITDA</b>	<b>244,506</b>	<b>76,896</b>	<b>32,676</b>	<b>46,367</b>	<b>-</b>	<b>1,612</b>	<b>(21,131)</b>	<b>1,096</b>	<b>382,022</b>



<b>01.01-31.12.2009</b>									
<i>PLN '000</i>	<b>Soda Segment - Soda Division</b>	<b>Organic Segment - Organic Division</b>	<b>Silicates and Glass Segment  Agro-Silicon Division</b>	<b>Agrochemical Segment  including: discontinued operations</b>	<b>Other operations</b>	<b>Corporate Functions – residual item</b>	<b>Removed (consolidation adjustments)</b>	<b>TOTAL</b>	
External revenue	1,515,214	1,275,154	221,788	443,903	277,247	228,166	-	3,684,225	
Inter-segment revenue	57,206	34,704	2,179	11,171	5,747	1,943	(107,203)	-	
<b>Total revenues</b>	<b>1,572,420</b>	<b>1,309,858</b>	<b>223,967</b>	<b>455,074</b>	<b>282,994</b>	<b>230,109</b>	<b>(107,203)</b>	<b>3,684,225</b>	
Cost of sales	(1,232,013)	(1,169,010)	(163,023)	(437,324)	(295,513)	(187,706)	99,962	(3,089,114)	
<b>Gross profit/loss on sales</b>	<b>340,407</b>	<b>140,848</b>	<b>60,944</b>	<b>17,750</b>	<b>(12,519)</b>	<b>42,403</b>	<b>(7,241)</b>	<b>595,111</b>	
Distribution costs	(110,262)	(72,607)	(32,390)	(30,014)	(22,221)	(18,688)	7,921	(256,148)	
Administrative expenses	(81,041)	(61,870)	(14,381)	(27,103)	(20,422)	(20,104)	1,178	(247,897)	
Gain / loss on receivables management	(1,643)	6,204	284	(201)	(1,270)	(4,974)	4	(326)	
Profit / loss on other operating activities	67,126	(9,576)	1,109	(8,931)	494	(10,301)	(98)	37,502	
<b>Operating profit/loss</b>	<b>214,587</b>	<b>2,999</b>	<b>15,566</b>	<b>(48,499)</b>	<b>(55,938)</b>	<b>(11,664)</b>	<b>1,764</b>	<b>128,242</b>	
Net exchange differences and trade account interest	(93,487)	(72,013)	(6,228)	(7,567)	(168)	(15,644)	-	(194,939)	
Group finance costs	-	-	-	-	-	(118,900)	-	(118,900)	
Profit / loss on financing activities (non-segment)	-	-	-	-	-	94,619	-	94,619	
Share of the profit of associates	(3,807)	-	-	-	-	-	-	(3,807)	
<b>Profit / loss before tax</b>	<b>117,293</b>	<b>(69,014)</b>	<b>9,338</b>	<b>(56,066)</b>	<b>(56,106)</b>	<b>(27,308)</b>	<b>1,764</b>	<b>(94,785)</b>	
Tax	-	-	-	-	-	-	-	(4,381)	
<b>Net profit/loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(99,166)</b>	
Profit on discontinued operations	-	-	-	-	-	-	-	-	
<b>Net profit/loss for the financial year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(99,166)</b>	
Depreciation / amortisation	126,017	60,374	17,644	19,995	-	2,242	3,809	230,081	
<b>EBITDA</b>	<b>340,604</b>	<b>63,373</b>	<b>33,210</b>	<b>(28,504)</b>	<b>-</b>	<b>(9,422)</b>	<b>1,764</b>	<b>358,323</b>	

31.12.2010 PLN '000	Soda Segment - Soda Division	Organic Segment - Organic Division	Silicates and Glass Segment	Agrochemical Segment	Other operations	Corporate Functions – residual item	Removed (consolidation adjustments)	TOTAL
Property, plant and equipment	1,361,629	567,308	81,355	44,717	1,626	7,265	2,039	2,065,939
Intangible assets	92,143	44,242	1,723	2,040	1,351	6,660	-	148,159
- goodwill	36,740	14,494	39	-	-	-	-	51,273
Interests in associates	5,101	-	-	-	-	-	-	5,101
Inventory	90,489	145,326	26,198	31,701	6,874	-	(1,429)	299,159
Trade receivables	235,568	195,077	33,997	33,572	50,880	-	(41,724)	507,370
Other assets	-	-	-	-	-	903,860	-	903,860
<b>Total assets</b>	<b>1,784,930</b>	<b>951,953</b>	<b>143,273</b>	<b>112,030</b>	<b>60,731</b>	<b>917,785</b>	<b>(41,114)</b>	<b>3,929,588</b>
Trade liabilities	292,297	237,373	14,028	36,168	43,663	-	(40,563)	582,893
Other liabilities	-	-	-	-	-	2,491,033	-	2,491,033
<b>Total liabilities</b>	<b>292,297</b>	<b>237,373</b>	<b>14,028</b>	<b>36,168</b>	<b>43,663</b>	<b>2,491,033</b>	<b>(40,563)</b>	<b>3,073,926</b>
<b>31.12.2009</b> PLN '000	<b>Soda Segment -</b> <b>Soda Division</b>	<b>Organic Segment</b> <b>- Organic</b> <b>Division</b>	<b>Silicates and</b> <b>Glass Segment</b>	<b>Agrochemical</b> <b>Segment</b>	<b>Other operations</b>	<b>Corporate</b> <b>Functions –</b> <b>residual item</b>	<b>Removed</b> <b>(consolidation</b> <b>adjustments)</b>	<b>TOTAL</b>
			Agro-Silicon Division					
Property, plant and equipment	1,385,868	600,097	95,278	171,100	6,635	6,698	-	2,265,676
Intangible assets	111,235	42,998	1,910	1,558	3,083	4,078	-	164,862
- goodwill	38,112	14,192	39	-	-	-	-	52,343
Interests in associates	34,436	-	-	-	-	-	-	34,436
Inventory	103,143	122,267	30,668	49,787	12,903	-	(4,540)	314,228
Trade receivables	297,632	222,530	30,350	74,289	71,880	-	(99,512)	597,169
Other assets	-	-	-	-	-	641,378	-	641,378
<b>Total assets</b>	<b>1,932,314</b>	<b>987,892</b>	<b>158,206</b>	<b>296,734</b>	<b>94,501</b>	<b>652,154</b>	<b>(104,052)</b>	<b>4,017,749</b>
Trade liabilities	193,324	207,082	13,564	16,892	60,803	-	(38,717)	452,948
Other liabilities	-	-	-	-	-	2,710,994	-	2,710,994
<b>Total liabilities</b>	<b>193,324</b>	<b>207,082</b>	<b>13,564</b>	<b>16,892</b>	<b>60,803</b>	<b>2,710,994</b>	<b>(38,717)</b>	<b>3,163,942</b>

<b>01.01.-31.12.2010</b> <i>PLN '000</i>	<b>Soda Segment - Soda Division</b>	<b>Organic Segment - Organic Division</b>	<b>Silicates and Glass Segment</b>	<b>Agrochemical Segment</b>	<b>Other operations</b>	<b>Corporate Functions – residual item</b>	<b>Removed (consolidation adjustments)</b>	<b>TOTAL</b>
			<b>Agro-Silicon Division</b>					
Creation of impairment charges	14,840	6,613	139	3,857	536	-	(38)	25,947
Reversal of impairment charges	9,014	4,847	1,187	11,111	15,320	-	3	41,482
Creation of impairment charges (non-segment)	-	-	-	-	-	6,388	-	6,388
Reversal of impairment charges (nonsegment)	-	-	-	-	-	1,206	-	1,206

<b>01.01.-31.12.2009</b> <i>PLN '000</i>	<b>Soda Segment - Soda Division</b>	<b>Organic Segment - Organic Division</b>	<b>Silicates and Glass Segment</b>	<b>Agrochemical Segment</b>	<b>Other operations</b>	<b>Corporate Functions – residual item</b>	<b>Removed (consolidation adjustments)</b>	<b>TOTAL</b>
			<b>Agro-Silicon Division</b>					
Creation of impairment charges	41,849	8,409	1,851	10,926	16,018	-	(4)	79,049
Reversal of impairment charges	2,060	9,025	199	2,183	623	-	-	14,090
Creation of impairment charges (non-segment)	-	-	-	-	-	2,025	-	2,025
Reversal of impairment charges (non-segment)	-	-	-	-	-	790	-	790

**GEOGRAPHICAL SEGMENTS**

<b>31.12.2010</b> <i>PLN '000</i>	<b>Poland</b>	<b>European Union</b>	<b>Other European countries</b>	<b>Africa</b>	<b>Asia</b>	<b>Other regions</b>	<b>TOTAL</b>
Non-current assets other than financial instruments	1,148,737	834,333	-	-	747	1,983,817	1,983,817
Deferred tax assets	9,289	-	-	-	433	9,722	9,722
Other assets	1,472,114	355,221	44,892	3,757	53,060	1,936,049	1,936,049
<b>Total assets</b>	<b>2,630,140</b>	<b>1,189,554</b>	<b>44,892</b>	<b>3,757</b>	<b>54,240</b>	<b>3,929,588</b>	<b>3,929,588</b>

<b>31.12.2009</b> <i>PLN '000</i>	<b>Poland</b>	<b>European Union</b>	<b>Other European countries</b>	<b>Africa</b>	<b>Asia</b>	<b>Other regions</b>	<b>TOTAL</b>
Non-current assets other than financial instruments	1,360,740	907,509	-	-	818	-	2,269,067
Deferred tax assets	20,552	-	-	-	171	-	20,723
Other assets	1,258,062	351,986	47,284	7,329	62,569	729	1,727,959
<b>Total assets</b>	<b>2,639,354</b>	<b>1,259,495</b>	<b>47,284</b>	<b>7,329</b>	<b>63,558</b>	<b>729</b>	<b>4,017,749</b>

## 2.11 Derivative transactions

Outstanding transactions as at December 31st, 2010 are valued at PLN -10,559 thousand, with interest rate hedging instruments accounting for the entire amount.

As at today, CIECH S.A. is not a party to any currency exchange rate risk hedging derivatives.

Presented in the table below is the estimated Group currency exposure as at December 31st, 2010, in both financial instruments and future net operating revenues (excluding SDC data):

Currency risk exposure in EUR	('000 EUR)	Impact on P&L	Impact between 1.01.2011 and 31.12.2011
<b>Assets</b>			
Exchange-sensitive loans granted	81,800	x	
Trade and other receivables	37,287	x	
Bank deposits	4,000		
<b>Equity and liabilities</b>			
Trade and other liabilities	-13,716	x	
Loan liabilities	-17,688	x	
Estimated future net sales			
<b>Net future projected P&amp;L position * in EUR (12 months)</b>	<b>192,209</b>		<b>X</b>
<b>Net future projected P&amp;L position * in EUR – other Group companies (12 months)</b>	<b>37,480</b>		<b>X</b>
<b>Total position</b>	<b>321,372</b>		

\* 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 31.12.2010.

Analysis of sensitivity to foreign exchange risk	('000 PLN)*	Impact on P&L	Impact between 1.01.2011 and 31.12.2011
Foreign-denominated balance sheet items (excluding loans)	99	99	
Exchange-sensitive loans granted	818	818	
Net future projected P&L position in EUR	2,297		2,297
<b>Total impact</b>	<b>N/A</b>	<b>917</b>	<b>2,297</b>

3 \* 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 Agrochemical Segment are subject to seasonality:

- chemical fertilizers,
- raw materials for the production of fertilisers,
- plant protection chemicals.

Typically, fertiliser sales intensify between the first and second quarter as well as in the third quarter. This is due to intensive field fertilisation in spring and autumn. Similarly, most plant protection chemicals are used in the first half of a year, i.e. the period of intensive plant growth, when approx. 90% of the total sale of these products is realized.

Furthermore, in the Soda Segment, a seasonal relationship between the volume of some products sold and the progress of winter can be observed. 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.

In the glass and silicates segment the seasonality is connected with the demand for memory lights which grows rapidly around the All Saints Day remaining at relatively low level throughout the rest of the year.

In the case of other products, the Group's revenues and results are not influenced by any significant seasonal fluctuations during the business year. On that account, seasonality plays a relatively small role in the Group's overall 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 Ciech Group's 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, sold industrial production increased by 9.8% in 2010 compared to last year (whereas it had dropped 3.2% in the corresponding period of 2009). The chemical industry grew by: 12% (production of chemicals and chemical products, excluding pharmaceuticals) and 15.7% (rubber products and plastics) respectively. In the same period, pharmaceutical production grew by 6.0%. 2009 saw a rapid decline in Poland's economic growth, down to 1.7% 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 3.5% in 2010 and approx. 3.5%-4.0% 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. A global economic slump usually affects the demand for raw materials on international markets, thus reducing the export turnover of the 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 last year, global GDP is bound to increase by 4.8% in 2010 ("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 report by the American Chemical Council (ACC) reveals that global chemical production has been growing in 2010 at a rate of 8.8%. However, output in the global chemicals is expected to decline to 5.4% in 2011.

In December 2010, the European Chemical Industry Council (CEFIC) confirmed its previous projections on high growth rates of the EU's chemical industry in 2010, at the level of 10% (increase in production volume). CEFIC are expecting to see a lower growth rate in 2011 of 2.5%. A return to pre-crisis production levels is generally not expected before the year 2013. 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 material factors favoring an increase in the consumption of agrochemicals in Poland and thus the demand for products manufactured by the Group are processes improving the financial situation and profitability of agricultural production, including: production quoting and direct subsidies. It should translate into the growth of the Group's revenues. On the other hand, the lack of significant improvement in the purchasing capacity of the agricultural sector may equal a stagnation in the demand for fertilisers and plant protection chemicals and, as a result, stagnation in the Group's revenues related to agrochemical products.

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 previous year (particularly as regards plant production requiring direct fertilising and plant protection). However, the last quarter of 2010 saw a deterioration in these conditions. The synthetic index of economic situation in agriculture (SWKR) in December 2010 was slightly higher than a year earlier (an increase from 100.5 to 101.3). Poland's agricultural economy is expected to stabilise in the coming months.

#### Situation on commodity markets

The import of chemical raw materials to Poland constitutes a significant part of turnover within the framework of the Ciech Group's activity. 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. On the other hand, falling prices are usually a symptom of decreasing demand and the beginnings of an economic downturn. 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 the Group. Material fluctuations of the demand and prices may be caused by changes in market situation due to, for example, a fast economic growth or a stagnant economy. Large fluctuations are bound to have a negative effect on Ciech Group's chemical raw materials trade.

#### REACH implementation

Under the requirements of the REACH regulation, those Ciech Group Companies that distribute substances of more than 1 tonne/year intend to ensure the full registration of such substances by set deadlines, which should allow the Companies to continue operating in the present framework. Until November 30th, 2010 the Group's companies focused on registering high-volume substances (over 1000 tons/year). So far, the Ciech Group Companies registered 33 of such substances.

### 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<sub>2</sub> emission allowances for a total of 1,720,661 Mg/year. Additionally, a German company, member of the Group obtained a gratuitous CO<sub>2</sub> emission allowances for a total of 511,447 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.

### Industrial Emission Directive (IED)

Due to the alteration of UE regulations on industrial emissions, the conditions of using the environment by commercial entities are expected to tighten. Pursuant to the new industrial emission directive (IED) the tree areas that will face the most significant changes are as follows: (i) strengthening of the role of BREF documents, (ii) more stringent conditions for large combustion plants, and (iii) new regulations on soil protection.

As a consequence of the proposed amendments, the industry will be forced to incur substantial investment outlays for the modernisation of technical infrastructure. The Group's production companies will be affected by the above changes to different extents. The most severe consequences will be experienced by Soda Polska, which will have to comply with more stringent emission standards regarding SO<sub>2</sub>, NO<sub>x</sub> and dust. The new regulations will come in force in 2016.

### PLN/EUR 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 EUR/PLN exchange rate affects Ciech Group's sales 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 is 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.

- **Liabilities related to the agreement concerning the privatization of ZACHEM S.A.**

Pursuant to the agreement, the Company is obliged to complete investments in ZACHEM S.A. amounting to PLN 176.1 million by December 20th, 2011. The timing of certain investments was extended by 3 years, i.e. to 2014 (conversion of electrolysis, implementation of new EPI technology and increase in the production capacity for TDI to 90 thousand tons/year).

The agreement contains a "restricting condition". The restricting condition is calculated as the ratio of long-term capital to fixed assets on the basis of the Separate Financial Statements, prepared according to PAS. Pursuant to the agreement, this ratio is to grow as follows: in 2007 by 20 pp in relation to the ratio calculated as at the date of sale of shares, i.e. December 20th, 2006r; in every subsequent year by another 10 pp until 2010 (total growth by 50 pp between 2007 and 2010). CIECH S.A. shall pay NAFTA POLSKA S.A. a penalty amounting to PLN 150 thousand for every full percentage point below the required ratio. Every full percentage point in excess of 10 pp deviation from the required ratio shall be followed by a penalty of PLN 500 thousand.

Annex No 1, concluded on December 23rd, 2009, stipulates that fulfillment date of the "restricting condition" which was set in the previous Agreement at December 31st, 2009 (+40 p.p.), shall be December 31st, 2010, save that if CIECH S.A. fails to meet the new date, Nafta Polska S.A. shall be entitled to receive a contractual penalty due to non-compliance by CIECH S.A. with the "restricting condition" at the end of 2010, as well as a contractual penalty to which it would be entitled due to non-compliance by CIECH S.A. with the condition at the end of 2009. Additionally, it was established that the fulfillment date of the "restricting condition" which was set in the previous Agreement at December 31st, 2010, shall be December 31st, 2011. If the "restricting condition" is fulfilled by the December 31st, 2010, as stipulated by the provisions of the original Agreement (i.e. +50 pp), the "restricting condition" will not be examined anymore and no contractual penalty for nonfulfillment of the restricting condition in 2009 will be charged. When necessary, CIECH S.A. will provide ZACHEM S.A. with financial support to ensure that the restricting condition is fulfilled.

On the January 11th, 2011, CIECH S.A. and Nafta Polska signed annex no 3 to the agreement for the sale of shares in ZACHEM S.A. Under the provisions of the annex the timing of the fulfillment by ZACHEM S.A. of the equity to non-current assets ratio condition, originally to be achieved by December 31st, 2010 is postponed to June 30th, 2011, and the deferment of presumptive payment of penalty for non-compliance with this condition (originally December 31st, 2009 and December 31st, 2010) also to this time (if not complied with by June 30th, 2011).

If, by June 30th, 2011, the required level of the ratio is not achieved, regardless of the requirement of paying a contractual penalty for non-performance of the target Ratio by December 31st, 2010, which should be complied with by that date pursuant to the agreement binding before January 11th, 2011 (when the required Ratio level is not achieved before December 31st, 2010), the Company will be obliged to pay the contractual penalty for non-performance of the ZACHEM S.A. target Ratio in the amount of PLN 150,000 for each percentage point between the Initial Value plus 40 percentage points and the actual level of the Ratio as at December 31st, 2009. When this difference exceeds 10 percentage points, the contractual penalty for each percentage point of the difference greater than 10 points will be increased to the level of PLN 500,000. Additionally, if on the June 30th, 2011, the required Ratio level is not achieved, the Company shall pay to Nafta Polska an additional amount of 6.5% of total contractual penalties described above.

If, on the June 30th, 2011, the Ratio is at the Initial Level plus 50 percentage points, the Ratio shall not be assessed on December 31st, 2011 and the Company's obligation to perform the required Ratio shall not be in force.

Additional requirement of CIECH S.A., pursuant to the signed Agreement, is the purchase of employees' shares of ZACHEM S.A., which is being completed between 2008 and 2011.

Pursuant to the agreement the Company shall present an offer of purchase the remaining shares of ZACHEM S.A. to the State Treasury.

- **Liabilities related to the agreement concerning the privatization of Organika Sarzyna**

Pursuant to the agreement, the Company is obliged to complete investments in Organika Sarzyna amounting to PLN 130 million by December 20th, 2011. The period of implementation of investments guaranteed in the agreement was extended by two years (2013) for one investment task, i.e. construction of MCPA active substance production installation along with the infrastructure.

By the end of 2011, the Company is obliged to comply with the equity and liabilities structure condition, so the long term capital (equity, long term provisions and long term liabilities) equal at least 110% of non-current assets, pursuant to the Accounting Act (except for the right of perpetual usufruct of land acquired by virtue of an Act or administrative decision).

Additional requirement of CIECH S.A., pursuant to the signed Agreement is the purchase of employees' shares of Organika Sarzyna, which is being completed between 2008 and 2013.

Pursuant to the agreement the Company shall present a purchase offer regarding the remaining shares of Organika Sarzyna to the State Treasury.

Offer to purchase the remaining shares of Organika Sarzyna and Zachem

In the course of the agreement for the purchase of shares of Zachem and the agreement for the purchase of shares of Organika Sarzyna, on December 20th, 2006, the Company made an irrevocable offer to the State Treasury to purchase the remaining shares of both companies subsequently amended through the memoranda of understanding between the Company and the State Treasury of January 5th, 2010 and December 28th, 2010, pursuant to which the State Treasury is entitled to accept these offers within 10 years since they have been submitted, i.e. by December 20th, 2016. The price of one share, the Company obliged to pay for the shares of Zachem and Organika Sarzyna, is equal to the price paid for the purchase of these shares from Nafta Polska, revaluated according to the principles agreed by the Company and State Treasury in the memorandum of understanding of December 28th, 2010, on the basis of WIBOR 12M, by December 20th, 2011. After that period the share price shall not be revaluated.

The Company made an alternative offer to the State Treasury of covering the existing liabilities into an equity by making an in-kind contribution of 762,224 shares of Zachem and 429,388 shares of Organika Sarzyna held by State Treasury.

- **Soda Deutschland Ciech Group**

Moreover, Soda Deutschland Ciech Group has shown in its balance sheet the obligation to repurchase Elektrociepłownia. Elektrociepłownia was sold on September 1st, 1999 by KWG GmbH (a subsidiary of Soda Deutschland Ciech) for the benefit of VASA Kraftwerke – Pool for EUR 115.8 million. KWG's contractual obligation is to repurchase the power plant until December 31st, 2014. KWG also retains the possibility to acquire the power plant. This possibility may be realised on January 1st of every year of the term, i.e. until December 31st, 2014. As at December 31st, 2010, the respective obligation amounts to PLN 128,734 thousand.

**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 intended to 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.

The fourth quarter of 2010 was marked by the continued execution of key investments and PP&E investment plans, as well as projects carried out to optimise Ciech Group's operating costs, under which annexes with PGE Obrót S.A. were executed for the purchase of electric energy according to the negotiated terms and conditions (the savings are estimated at the level of PLN 5-7 million per year as compared to the forecasted rise in electricity prices in 2011).

## 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 December 31st, 2010, Ciech Group consisted of 49 entities, including:

- CIECH S.A., parent,
- 35 subsidiaries, including:
  - 21 domestic subsidiaries,
  - 14 foreign subsidiaries,
- 10 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 fourth quarter of 2010 are listed below.



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

Company/Group name	Consolidation method as at 31.12.2010 and degree of control by CIECH S.A.	Consolidation method as at 31.12.2009 and CIECH S.A.'s control.	Scope of activity
<b>1) CIECH S.A.</b>	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.
<b>2) „POLFA” Sp. z o.o.</b>	CIECH S.A. subsidiary – fully consolidated	CIECH S.A. subsidiary – fully consolidated	<ul style="list-style-type: none"> <li>– wholesale of pharmaceuticals,</li> <li>– wholesale of chemical products,</li> <li>– wholesale of perfumes and cosmetics,</li> <li>– retail sale of medical and orthopaedic goods.</li> </ul>
<b>CIECH FINANCE Group</b>			
<b>3) CIECH FINANCE Spółka z ograniczoną odpowiedzialnością</b>	CIECH S.A. subsidiary – fully consolidated	CIECH S.A. subsidiary – fully consolidated	<ul style="list-style-type: none"> <li>– divestment projects relating to disposal of non-essential non-current assets (real estate)</li> <li>– and financial assets (shares in companies)</li> </ul>
3.1.) Cheman S.A.	CIECH S.A. indirect subsidiary – fully consolidated at Ciech Group level	CIECH S.A. indirect subsidiary – fully consolidated at Ciech Group level	<ul style="list-style-type: none"> <li>– wholesale and distribution of solid inorganic and organic chemicals,</li> <li>– wholesale and distribution of raw materials for household chemical products,</li> <li>– wholesale and distribution of raw materials for cosmetic and pharmaceuticals,</li> <li>– wholesale and distribution of builders, pigments, raw materials for paints and refinishes,</li> <li>– wholesale and distribution of food and feed additives,</li> <li>– wholesale and distribution of acids, bases and other liquid chemicals</li> </ul>
<b>SODA MAŁY Group</b>			
<b>4) SODA MAŁY S.A.</b>	Fully consolidated lower-tier Group Lower tier parent (subsidiary of CIECH S.A.)	Fully consolidated lower-tier Group Lower tier parent (subsidiary of CIECH S.A.)	<ul style="list-style-type: none"> <li>– manufacture of other inorganic base chemicals,</li> <li>– wholesale of chemical products,</li> <li>– production and distribution of electricity,</li> <li>– shipment of goods.</li> </ul>
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	The Company was sold on December 29th, 2010.	Indirect associate of CIECH S.A. – lower-tier equity method valuation	
<b>5) JANIKOSODA S.A.</b>	Lower tier parent (subsidiary of CIECH S.A.)	Lower tier parent (subsidiary of CIECH S.A.)	<ul style="list-style-type: none"> <li>– manufacture of salt,</li> <li>– manufacture of technical gases,</li> <li>– manufacture of other inorganic base chemicals,</li> <li>– manufacture of other chemical products nowhere else classified.</li> </ul>
<b>FOSFORY Group</b>	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group	<ul style="list-style-type: none"> <li>– manufacture of inorganic fertilisers and nitrogen compounds,</li> </ul>

Company/Group name	Consolidation method as at 31.12.2010 and degree of control by CIECH S.A.	Consolidation method as at 31.12.2009 and CIECH S.A.'s control.	Scope of activity
6.) GZNF "FOSFOR" Sp. z o.o.	Lower tier parent (subsidiary of CIECH S.A.)	Lower tier parent (subsidiary of CIECH S.A.)	<ul style="list-style-type: none"> <li>- manufacture of other inorganic chemicals,</li> <li>- manufacture of other organic chemicals,</li> <li>- manufacture of refined petroleum products,</li> <li>- manufacture of plastics,</li> <li>- wholesale of grain, seeds and animal feed,</li> <li>- transshipment services in own transshipment and storage facility</li> </ul>
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	<ul style="list-style-type: none"> <li>- manufacture of other inorganic base chemicals,</li> <li>- manufacture of dyes and pigments,</li> <li>- manufacture of other organic base chemicals,</li> <li>- manufacture of inorganic fertilisers and nitrogen compounds,</li> <li>- manufacture of gypsum,</li> <li>- manufacture of heat (steam and hot water)</li> </ul>
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.	<ul style="list-style-type: none"> <li>- manufacture of other inorganic base chemicals,</li> <li>- manufacture of household and technical glassware,</li> <li>- manufacture of plastic packing goods,</li> <li>- manufacture of other plastic products</li> </ul>
11) Przedsiębiorstwo Transportowo-Uslugowe TRANSCLEAN Sp. z o.o.	CIECH S.A. subsidiary – fully consolidated.	CIECH S.A. subsidiary – fully consolidated.	<ul style="list-style-type: none"> <li>- international shipping of liquid chemicals,</li> <li>- washing facility for tank cars (including rail),</li> </ul>
12) Zakłady Chemiczne „Organika-Sarzyna” S.A.	CIECH S.A. subsidiary – fully consolidated.	CIECH S.A. subsidiary – fully consolidated.	<ul style="list-style-type: none"> <li>- manufacture of plastics,</li> <li>- manufacture of pesticides and other chemical products,</li> </ul>
<b>ZACHEM Group</b>	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group	
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.	
13.2) BORUTA - ZACHEM Kolor Spółka z ograniczoną odpowiedzialnością	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation.	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation.	<ul style="list-style-type: none"> <li>- services comprising installation, repairs and maintenance of general-purpose machinery, nowhere else classified.</li> </ul>
14) S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.	CIECH S.A. subsidiary – fully consolidated.	CIECH S.A. subsidiary – fully consolidated.	<ul style="list-style-type: none"> <li>- manufacture of other inorganic base chemicals,</li> <li>- wholesale of chemical products</li> </ul>
<b>Soda Deutschland Ciech Group</b>	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group	- manufacture of other inorganic base chemicals,

Company/Group name	Consolidation method as at 31.12.2010 and degree of control by CIECH S.A.	Consolidation method as at 31.12.2009 and CIECH S.A.'s control.	Scope of activity
15.) Soda Deutschland Ciech GmbH	Subsidiary of CIECH S.A.; lower-tier full consolidation	Subsidiary of CIECH S.A.; lower-tier full consolidation	– wholesale of chemical products, – production and distribution of electricity
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.) Kaverengesellschaft 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 four 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 four quarters of 2010 in relation to companies with interest held directly by CIECH S.A.:

### **CIECH FINANCE Sp. z o.o.**

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

### **Chemiepetrol GmbH (in liquidation)**

- On March 15th, 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 June 1st, 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 June 3rd, 2010, the Regional Court in Stendal registered an increase in the share capital of Soda Deutschland Ciech GmbH of EUR 1,500 thousand (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 thousand.
- On November 17th, 2010, the Regional Court in Stendal registered an increase in the share capital of Soda Deutschland Ciech GmbH of EUR 2,400 thousand (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 18,925 thousand.

### **ZACHEM S.A.**

- On April 14th, 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 July 19th, 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 thousand. 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 August 31st, 2010, share ownership was transferred on the next business day, i.e. September 1st, 2010. Following the transaction, CIECH S.A. is no longer a shareholder in Polskie Konsorcjum Chemiczne Sp. z o.o.

### **Ciech Service Sp. z o.o.**

- On November 10th, 2010, in connection with the satisfaction of the conditions precedent set forth in the sale agreement of June 24th, 2010, the ownership of 100% of shares in Ciech Service Sp. z o.o. was transferred to SOTRONIC Sp z o.o. The conditional sales contract for all shares in Ciech Service Sp. z o.o. for the total price of PLN 3,102,000 has been concluded under the following conditions:
  - Ciech-Service is released from any and all securities in connection with the loan agreement within 120 days as of the execution of the sales contract for shares in Ciech-Service.
  - Ciech-Service and companies of the Ciech Group conclude annexes to service contracts pursuant to which the said contracts may be terminated with the period of notice specified in the relevant contract; however, the said period of notice may not expire prior to the 5th anniversary of the transfer of ownership of the shares in the Company onto the Purchaser.

### **VITROSILICON Spółka Akcyjna**

- On November 10th, 2010, the Extraordinary General Meeting of Shareholders of Vitrosilicon S.A. passed a resolution to increase the share capital of Vitrosilicon S.A. from PLN 8,395,545 to PLN 33,395,545, i.e. by PLN 25 million, by the issue of 5,000 series F scripts with nominal value of PLN 5 each, numbers 1.679.110 to 6.679.109. The F shares do not need to be acquired and were allocated to the present Shareholders proportionally to their share in the share capital of the Company. The increase in the share capital was registered by the decision of the District Court in Zielona Góra, 8th Economic Division of KRS of November 25th, 2010. By the virtue of the memorandum of the Management Board of Vitrosilicon S.A. of December 1st, 2010, F series shares were allocated (proportionally to Shareholders' share in the share capital of the Company). 4,151,650 shares (83.03% of the series F issue) were allocated to CIECH S.A. CIECH S.A. share in the share capital of Vitrosilicon S.A. was 83.03% – before and after the increase. The second Shareholder of Vitrosilicon S.A. is Soda Polska CIECH Sp. z o.o. The increase in the share capital of Vitrosilicon S.A. did not change the Company's position within the structure of the Group.

#### **FOSFORY Group**

- On December 16th, 2010 a contract for sale of shares in a subsidiary GZNF "FOSFORY" Sp. z o.o. was signed. The parties to the contract include Zakłady Azotowe "Puławy" ("Purchaser") and Ciech SA. The subject matter of the contract involves the sale to the Purchaser of 51,855 shares, which represent 89.46% of the share capital of Gdańskie Zakłady Nawozów Fosforowych "Fosfory" Sp. z o.o., with the dispositive effect as at the Closing Date, i.e. the second business day following the day on which the last party to the contract is informed about the satisfaction of the last condition precedent or another day agreed by the parties in writing under the pain of nullity. As at December 31st, 2010 the value of the shares in GZNF Fosfory registered in the records accounted for PLN 20,888 thousand. The parties agreed on a forecasted acquisition price of the shares of PLN 107.2 million.

The following changes in Group structure took place in the four 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.

#### **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 September 20th, 2010. As of the date, ELZAB S.A. shares will no longer be presented in the Ciech Group structure.

#### **SODA MAŁTWY S.A. and JANIKOSODA S.A.**

- On December 29th, 2010 the significant contract for sale of shares of PTU S.A. to Gothaer Finanzholding AG was implemented. The subject matter of the contract involves 15,003,180 shares in the share capital of PTU S.A., representing a total of 45.42% of its share capital, and 46.12% of the total number of votes at the general meeting. As at December 31st, 2009 the balance sheet value of the long-term financial investment in PTU S.A. accounted for PLN 34.4 million. The nominal value of one PTU share accounts for PLN 2. The contract was implemented on December 29th, 2010. The final sale price accounted for PLN 131,400 thousand.

#### **SODA MAŁTWY 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 May 21th, 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%.
- Boruta – Zachem Kolor Sp. z o.o.** – By virtue of the decision of November 25th, 2010, the District Court registered resolutions of the General Meeting of Shareholders of Boruta Zachem – Kolor Sp. z o.o. of June 29th, 2010 on the redemption of "own" shares of the Company through the decrease of share capital from PLN 20,105,000 to PLN 19,305,000. 800 shares of PLN 1,000 each were cancelled and the share capital of the Company was decreased through the decrease of a share value from PLN 1,000 to PLN 826, therefore

the share capital decreased from PLN 19,305,000 do PLN 15,945,930. The share capital is divided into 19.305 shares of a nominal value of PLN 826 each.

- **ZACHEM UCR Sp. z o.o.** (subsidiary of ZACHEM S.A.) – based on the agreement dated May 26th, 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.**
- On June 23rd, 2010 ZACHEM S.A. signed an agreement for sale of 890 shares of **TRANSCHEM Sp. z o.o.**, which forms 27,81% of the share capital. The payment for the shares was received on June 28th, 2010.
- **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 August 26th, 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.
- **ZACHEM UCR Sp. z o.o.** – by virtue of the agreement dated December 17th, 2010, the Company disposed of a block of 50 shares in MD-proeco Sp. z o.o. (0.61% of share capital). Shares were transferred to the buyer (PETRO Remont Sp. z o.o. with its registered office in Płock) at the day of payment, i.e. December 20th, 2010. ZACHEM UCR Sp. z o.o. is no longer a shareholder of MD-proeco Sp. z o.o.

#### ORGANIKA-SARZYNA S.A.

- **Zakład Usługowo-Produkcyjny Drewrem-Organika Sp. z o.o.** – Zakład Usługowo-Produkcyjny Drewrem-Organika Sp. z o.o was removed from the Commercial Register based on a Court's decision of October 28th, 2010. The decision is valid.
- **Zakład Mechaniczno-Remontowy Chemrem-Organika Sp. z o.o.** – Organika-Sarzyna S.A. disposed, on November 26th, 2010, of all 2,093 shares of the Company (11.89% of the share capital) and is no longer a Shareholder of ZMR Chemrem-Organika Sp. z o.o.
- **Stocznia Ustka S.A. in liquidation** – was removed from the Commercial Register based on a Court's decision of October 7th, 2010. The decision is valid.
- **Zakład Chemiczny Silikony Polskie Sp. z o.o.** – on December 29th, 2010 the GM passed a resolution on the redemption of 1,215 shares out of net profits, without decreasing the share capital. The redemption refers to shares held by Organika-Sarzyna S.A. On December 30th, 2010 Organika-Sarzyna S.A. signed an agreement regarding the sale of a block of 1,215 shares to Zakłady Chemiczne Silikony Polskie Sp. z o.o. for redemption. Organika Sarzyna currently holds 3,994 shares of the Company. After the redemption Organika-Sarzyna S.A. will hold 24.73% of the share capital.
- **Zakład Usług Energetycznych Wod-Rem Sp. z o.o.** – on December 16th, 2010 Organika-Sarzyna S.A. sold a block of 291 shares of the Company (24.94% of the share capital) and is no longer a Shareholder of Wod-Rem Sp. z o.o.
- **Zakład Usług Elektro-Energetycznych El-Chem Sp. z o.o.** – on December 16th, 2010 Organika-Sarzyna S.A. sold a block of 184 shares of the Company (24.73% of the share capital) and is no longer a Shareholder of El-Chem Sp. z o.o.
- **Organika International Transport Sp z o.o. in bankruptcy** – on November 24th, 2010 a decision of the District Court on the conclusion of bankruptcy proceedings concerning the liquidation of Company's assets became valid. A motion for the removal of the Company from the Commercial Register was filed.
- **Tarpan Sp. z o.o. in liquidation** – by the agreement of December 9th, 2010 Organika-Sarzyna S.A. sold 1 share of the Company (0.14% of the share capital) and is no longer a Shareholder of Tarpan Sp. z o.o.

#### “Alwernia” S.A.

- **SOC-AL. Sp. z o.o.** – on May 6th, 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.
- **Uniontex S.A. in bankruptcy** – on October 15th, 2010, Alwernia S.A. sold a block of 36 shares of Uniontex S.A. (0,002% of the share capital) and is no longer a Shareholder of the Company.
- **Wizów S.A.** – on October 15th, 2010, Alwernia S.A. sold 2 shares of Wizów S.A. (0.00025% of the share capital) and is no longer a Shareholder of the Company.
- **Centrozap S.A.** – by an agreement of November 12th, 2010, Alwernia S.A. sold the block of 34,304 shares of Centrozap S.A. (0.011% of the share capital) and is no longer a Shareholder of the Company.

**CIECH FINANCE Sp. z o.o.** – a SPV operating within the Ciech Group aimed to improve the efficiency of divestment operations carried out by the Ciech Group. The primary goal of this SPV is to concentrate “in one place” all the assets that are considered immaterial or are outside the scope of the Group's primary operations. It should also carry out and complete all required restructuring processes and, as a result, to release the engaged resources (divestments). CIECH FINANCE Sp. z o.o. in the fourth quarter of 2010 purchased shares of the following entities from the Group companies:

- **Uniontex S.A. in bankruptcy** – Ciech Finance Sp. z o.o. purchased, in total, 215 shares in Uniontex S.A., including: a block of 200 shares from ZACHEM S.A. (agreement of November 15th, 2010) and a block of 15 shares from Soda Polska CIECH Sp. z o.o. (agreement of November 30th, 2010)
- **Fabryka Obuwia Butbędzin S.A. in bankruptcy** – Ciech Finance Sp. z o.o. purchased a block of 2,208 shares of the Company from ZACHEM S.A. (agreement of November 15th, 2010)
- **Radoskór S.A. in bankruptcy** – Ciech Finance Sp. z o.o. purchased a block of 1,539 shares of the Company from ZACHEM S.A. (agreement of November 15th, 2010)

- **Wistom S.A. in bankruptcy** – Ciech Finance Sp. z o.o. purchased, in total, 3,245 shares in Wistom S.A. , including: a block of 2,174 shares from Zachem S.A. (agreement of November 15th, 2010) and a block of 1,071 shares from Soda Polska CIECH Sp. z o.o. (agreement of November 30th, 2010)
- **Fabryka Papieru Szczecin – Skolwin S.A. in bankruptcy** – Ciech Finance Sp. z o.o. purchased a block of 68,973 shares from ZACHEM S.A. (agreement of November 15th, 2010)
- **Zakłady Tworzyw Sztucznych Pronit S.A. in bankruptcy** – Ciech Finance Sp. z o.o. purchased, in total, 1,817 shares in ZTS Pronit S.A., including: a block of 1,114 shares from Zachem S.A. (agreement of November 15th, 2010) and a block of 703 shares from Soda Polska CIECH Sp. z o.o. (agreement of November 30th, 2010)
- **Len S.A. in liquidation** – Ciech Finance Sp. z o.o. purchased, in total, 3,774 shares of Len S.A., including: a block of 2,355 shares from Zachem S.A. (agreement of November 15th, 2010) and a block of 1,419 shares from Soda Polska CIECH Sp. z o.o. (agreement of November 30th, 2010).
- **Pro-Agro S.A.** – Ciech Finance Sp. z o.o. purchased a block of 3,450 shares of Pro-Agro S.A. from ZACHEM S.A. (agreement of November 15th, 2010)
- **Chemomontaż S.A. in bankruptcy** – Ciech Finance Sp. z o.o. purchased a block of 1,420 shares of the Company from ZACHEM S.A. (agreement of November 15th, 2010)
- **Południowe Zakłady Przemysłu Skórzanego Chełmek S.A. in bankruptcy** – Ciech Finance Sp. z o.o. purchased a block of 3,940 shares of Chełmek S.A. from ZACHEM S.A. (agreement of November 15th, 2010)
- **Huta Szczecin S.A.** – Ciech Finance Sp. z o.o. purchased a block of 882 shares of Huta Szczecin S.A. from Soda Polska CIECH Sp. z o.o. (agreement of November 30th, 2010)
- **Zakład Gastronomiczno-Hotelowy MIREX Sp. z o.o. in liquidation**– Ciech Finance Sp. z o.o. purchased a block of 27 shares of MIREX S.A. from ZACHEM S.A. (agreement of November 15th, 2010).

## 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 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;
- Clients of Pioneer Pekao Investment Management S.A.(PPIM), including Pioneer FIO and SFIO Telekomunikacji Polskiej – 4,168,958 shares, accounting for 14.89% of the share capital of CIECH S.A.; carrying 4,168,958 votes, accounting for 14.89% of votes at the GM:
  - including the investment funds Pioneer FIO – 3,599,503 shares, accounting for 12.86% of the share capital of CIECH S.A.; carrying 3,599,503 votes, accounting for 12.86% of votes at the GM.
- Otwarty Fundusz Emerytalny PZU “Złota Jesien” 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;
- ING Otwarty Fundusz Emerytalny pension fund – 1,491,708 shares, accounting for 5.33% of the share capital of CIECH S.A.; carrying 1,491,708 votes, accounting for 5.33% of votes at the GM.

Pursuant to the Resolution of the Management Board of February 25th, 2011, 23,000,000 series D shares were allocated. In early March, upon the reception from the National Deposit of Securities of all the information on entities to which the series D shares were allocated a Resolution approving the list of buyers will be passed and a motion to the KRS will be submitted.

## 10. Provisions and asset impairment charges between October 1st and December 31st, 2010.

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

<b>Provision increases from 01.10. to 31.12.2010</b>	<i>(PLN '000)</i>
Income tax provision	3,117
Provision for retirement packages, annual leaves, bonuses, recompenses and similar	8,848
Provision for anticipated losses	-
Provision for environmental protection	5,478
Restructuring provision	1,904
Provision for liabilities (costs)	2,242
<b>Total</b>	<b>21,589</b>

<b>Decreases (use or reversal) of provisions from 01.10. to 31.12.2010</b>	<i>(PLN '000)</i>
Income tax provision	7,489
Provision for retirement packages, annual leaves, bonuses, recompenses and similar	4,674
Provision for anticipated losses	-
Provision for environmental protection	3,040
Restructuring provision	342
Provision for liabilities (costs)	3,875
<b>Total</b>	<b>36,686</b>

<b>Asset impairment charges (increase) 01.10. - 31.12.2010</b>	<i>(PLN '000)</i>
Intangible assets impairment losses	10,011
Property, plant and equipment impairment losses	2,247
Write-down on deferred income tax	4,304
Current receivables impairment losses	2,407
Inventory write-downs	4,048
<b>Total</b>	<b>23,017</b>

<b>Decrease (use and release) in asset impairment charges 01.10. - 31.12.2010</b>	<i>(PLN '000)</i>
Intangible assets impairment losses	1,887
Property, plant and equipment impairment losses	1,733
Current receivables impairment losses	9,674
Inventory write-downs	3,569
Non-current financial assets impairment losses	609
<b>Total</b>	<b>17,472</b>

<b>Changes in deferred tax asset 01.10. - 31.12.2010</b>	<i>(PLN '000)</i>
Increase	6,899
Decrease	10,560



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

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

PLN '000	01.01.-31.12.2010			01.01.-31.12.2009		
	Before tax	Tax	Net after tax	Before tax	Tax	Net after tax
Exchange differences on translation of foreign companies	9,219	-	9,219	(4,826)	-	(4,826)
Revaluation of available-for-sale financial assets	6,111	(2,242)	3,869	23,341	(3,894)	19,447
Cash flow hedges	(21,826)	5,698	(16,128)	69,232	(12,778)	56,454
Exchange differences on net investment in foreign entity	(10,353)	-	(10,353)	(10,206)	-	(10,206)
Other components of other comprehensive income	(84)	(1)	(84)	(327)	-	(327)
<b>Other net comprehensive income</b>	<b>(16,933)</b>	<b>3,456</b>	<b>(13,477)</b>	<b>77,214</b>	<b>(16,672)</b>	<b>60,542</b>

### Income tax correction and reclassification adjustment in total other income

Other gross comprehensive income PLN '000	change in the period	01.01-31.12.2010	change in the period	01.01-31.12.2009
<b>Exchange differences on translation of foreign companies</b>	-	<b>9,219</b>	-	<b>(4,826)</b>
- measurement for the current period	9,219	-	(4,826)	-
<b>Revaluation of available-for-sale financial assets</b>	-	<b>6,111</b>	-	<b>23,341</b>
- fair value measurement in the period	6,111	-	23,341	-
<b>Exchange differences on net investment in foreign entity</b>	-	<b>(10,353)</b>	-	<b>(10,206)</b>
- fair value measurement in the period	(10,353)	-	(10,206)	-
<b>Cash flow hedges</b>	-	<b>(21,826)</b>	-	<b>69,232</b>
- fair value measurement in the period	17,823	-	68,513	-
- reclassification adjustment of gains / losses recognised in P&L	(39,649)	-	719	-
<b>Other</b>	<b>(84)</b>	<b>(84)</b>	<b>(327)</b>	<b>(327)</b>
<b>Income tax on other components of comprehensive income</b>		<b>3,456</b>		<b>(16,672)</b>
- accrued for the current period	(5,629)	-	(17,307)	-
- reclassification adjustment to P&L	9,085	-	635	-
<b>Other net comprehensive income</b>		<b>(13,477)</b>		<b>60,542</b>

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

From January 1st, 2010 to December 31st, 2010 the following acquisition and disposal transactions took place in Ciech Group with regard to property, plant and equipment:

	a) property, plant and equipment, including:				b) PP&E under construction	c) Advances for PP&E under construction (net)	Total property, plant and equipment	
	<i>land, buildings, facilities and civil engineering structures</i>	<i>machinery and equipment</i>	<i>means of transport</i>	<i>other PP&amp;E</i>				
<b>Purchase and assumption from investments</b>	<b>81,773</b>	<b>33,353</b>	<b>40,879</b>	<b>4,697</b>	<b>2,844</b>	<b>164,154</b>	<b>2,804</b>	<b>248,731</b>
Ciech S.A.	232	-	197	35	739	-	971	
Soda Mątwy Group	32,253	18,826	11,364	1,662	401	105,950	-	138,203
Fosfory Group	5,103	2,865	1,672	91	475	11,333	-	16,436
Alwernia SA	461	150	104	200	7	2,552	-	3,013
Cheman S.A.	50	-	27	22	1	-	-	50
Vitrosilicon S.A.	3,854	737	1,857	142	1,118	4,051	-	7,905
Polfa Sp. z o.o	415	-	182	207	26	-	-	415
Organika Sarzyna	6,861	1,962	4,532	196	171	11,707	-	18,568
Zachem SA	28,264	7,816	18,277	1,818	353	15,117	-	43,381
USG	-	-	-	-	-	-	2,804	2,804
Transclean	1,509	889	524	71	25	1,417	-	2,926
Soda Deutschland Ciech Group	2,771	108	2,143	288	232	11,288	-	14,059
<b>SALES</b>	<b>13,565</b>	<b>2,517</b>	<b>2014</b>	<b>8,554</b>	<b>480</b>	-	-	<b>13,565</b>
Ciech S.A.	580	-	469	102	9	-	-	580
Soda Mątwy Group	840	-	-	840	-	-	-	840
Fosfory Group	613	-	102	511	-	-	-	613
Alwernia SA	157	-	75	82	-	-	-	157
Cheman S.A.	432	-	43	370	19	-	-	432
Vitrosilicon S.A.	115	23	37	53	2	-	-	115
Polfa Sp. z o.o	116	-	33	83	-	-	-	116
Daltrade Plc.	3,597	2,055	844	412	286	-	-	3,597
Organika Sarzyna	613	395	114	97	7	-	-	613
Zachem SA	3,109	-	136	2,972	1	-	-	3,109
USG	1,662	-	161	1,501	-	-	-	1,662
Transclean	1,523	-	-	1,523	-	-	-	1,523
Soda Deutschland Ciech Group	208	44	-	8	156	-	-	208

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

PLN '000	31.12.2010	31.12.2009
<b>1. Contingent receivables</b>		-
- guarantees and sureties received		-
- other off-balance sheet receivables		-
<b>2. Contingent liabilities</b>	<b>75,998</b>	<b>55,546</b>
- guarantees and sureties issued	39,952	40,127
- other off-balance sheet liabilities	36,046	15,419
<b>3. Other</b>	<b>23,073</b>	<b>208,490</b>
- other	23,073	208,490
<b>Total off-balance sheet items</b>	<b>99,071</b>	<b>264,036</b>

No contingent receivables were present at Ciech Group as at December 31st, 2010.

Contingent liabilities as at December 31st, 2010 amounted to PLN 75,998 thousand, an increase by PLN 20,452 thousand compared to December 31st, 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 EUR/PLN 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.

Moreover, within the Soda Mątwy Group, Soda Polska Ciech S.A. signed a blank promissory note with a "no protest" clause as a security for the repayment of funds received on the basis of a Subsidy Agreement entered into with the National Fund of Environmental Protection and Water Management for the completion of the project "Development of CKTI boilers in EC Janikowo in order to adjust them to environmental requirements - CKTI 2 boiler" up to the amount of PLN 13,443 thousand plus interest calculated as overdue tax liabilities, in case such requirement appears due to the non-performance or underperformance of the agreement by the Issuer of the promissory note.

A material item in the position of "Other" was a penalty of PLN 190,074 thousand 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. At the end of 2010, a decision of the President of the National Board for Water Management of November 8th, 2010, confirming the nullity of the decision of the Kujawsko-Pomorskie Province Governor of December 29th, 2005 and its amendment by the decision of the Kujawsko-Pomorskie Province Governor of November 15th, 2007, was received. Therefore, the Ciech Group does not include the above penalty in its off-balance sheet items.

Other changes of off-balance sheet items were 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 December 31st, 2010

#### 14.1 CIECH S.A.

#### Domestic and foreign liabilities of CIECH S.A. claimed in court or arbitration proceedings as at December 31st, 2010.

##### Enapharm claim

In June 2004, the Liquidator for Enapharm in Algeria filed a claim, which as of now amounts to USD 222.1 thousand (equivalent of PLN 658.3 thousand), 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 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 thousand (equivalent of PLN 1,102.6 thousand).

The opinion was reviewed by CIECH S.A. for credibility and compliance with the purchase-sales contract. CIECH S.A. questioned the findings of the expert's report on formal and material grounds, claiming that the value of medications as promptly reported by Enapharm in line with the contractual provisions, accounts only for approx. 10% of the amount claimed by Enapharm. In November 2007, the Algerian court announced the judgment in favor of CIECH S.A., in which it rejected the existing expert's report, declaring infringement of laws applicable to civil

proceedings. 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, during which the expert was appointed, took place on 2 November 2010. The case is pending before the Algerian Court. CIECH S.A. is represented by a local attorney, supervised by a reputable legal firm in Paris. The case is pending.

A provision of PLN 638 thousand 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 conducting five cases against its trade and other debtors under the Polish civil law for a total of PLN 347 thousand. A full impairment charge was made for the amount.

#### **Claim by Polska Żegluga Morska**

On December 31st, 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 article 160 § 3 of the Maritime Code, contained a claim for damages for non-performance by CIECH S.A. of the Charter Agreement dated October 15th, 2007 for phosphorite shipping to Morocco.

The case is pending before the Court of Arbitration at 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: April 15th, May 24th, July 2nd and September 22nd. 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 1,728 thousand.

#### **AVAS claim**

In 2009, AVAS (a state-owned Romanian privatisation agency) claimed that Ciech S.A. failed to fulfill its information obligations under the Agreement for the purchase of shares in S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. (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 thousand+ USD 10 thousand = USD 386 thousand) – 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. By the end of February 2011, the written justification of the first instance court verdict has not been announced.

Taking the above into account, a possible decision by the court of appeals (second instance) may not be expected earlier than in the second half of 2011. The first session, however, could take place in the first half of 2011.

The second instance verdict may then be subject to a complaint to the Supreme Court (third instance).

A provision of PLN 1,144 thousand was created at CIECH S.A. for the above liability, as well as a contingent liability of PLN 3,085 thousand.

#### **Receivables from bankruptcy proceedings**

Receivables totaling PLN 7,736 thousand have been claimed in domestic bankruptcy proceedings (twenty two cases).

Because the receivables held by CIECH S.A. are not senior, prospects for collection seem unfavorable.

The Company has created an impairment provision for all the pending proceedings.

#### **Receivables from enforcement and composition proceedings**

CIECH S.A. is pursuing PLN 9,343 thousand in domestic enforcement proceedings (sixteen proceedings).

Prospects in the proceedings are varied, depending on the debtor's assets.

The Company has created an impairment provision corresponding to 100% of the value of the claims.

#### **Foreign bankruptcy and enforcement proceedings**

CIECH S.A. has claimed USD 315 thousand (equivalent of PLN 933 thousand) and EUR 753 thousand (equivalent of PLN 2,982 thousand in total) as well as PLN 181 thousand in foreign bankruptcy proceedings, the largest items being as follows:

- Chemapol – Prague (PLN 1.040 thousand),
- Euroftal N.V. Belgium (PLN 828 thousand).

In foreign executory proceedings there is one case worth EUR 27 thousand (equivalent of PLN 107 thousand) and in a composition proceeding there is a case worth EUR 14,660 (equivalent of PLN 58 thousand).

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 December 31st, 2010.

USD/PLN exchange rate 2.9641

EUR/PLN exchange rate 3.9603

#### **Other cases involving CIECH S.A.**

On October 15th, 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 December 7th, 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 article 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). On December 7th, 2010 a session of Court in Rennes took place, during which Ciech filed a motion for evidence regarding obtaining an expert's opinion. On December 14th, 2010 the Court issued a decision pursuant to which all motions for evidence filed by Ciech were admitted and all claims made by Ciech were taken into account.

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 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. The above study was negatively assessed by the Commission.

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. During the session on December 3rd, 2010,

the Court granted a motion by Ciech S.A. to examine the appraisal study by the Arbitration Board of the Polish Federation of Valuers' Association.

Provision in the amount of PLN 1,890 thousand was created in CIECH S.A. for the above proceedings (connected with the fee for the perpetual usufruct of the plot at ul. Powązkowska).

## 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 thousand.

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 thousand, out of which Soda Polska has claimed a total PLN 855 thousand from its debtors in several dozen bankruptcies. In enforcement proceedings, total receivables claimed are currently at PLN 25,904 thousand, the main item being PLN 25,514 thousand owed by PHU "STARTER" B. Lepiarz.

TRANSODA Sp. z o.o. is litigating for a total PLN 14 thousand in receivables.

Soda Polska has acquired the receivables from JANIKOSODY S.A. and SODA MAŃWY S.A. However, no assets were revealed in the procedure before the Regional Court in Czestochowa. 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 150 thousand provision for all ongoing proceedings and created impairment provisions on the respective receivables.

### **"VITROSILICON" Spółka Akcyjna**

No claims (liabilities) have been filed against the company, which might affect its commercial activity. The company is claiming a total of PLN 631 thousand from trade debtors, including the largest claim pursued through enforcement proceedings for PLN 437 thousand and through bankruptcy proceedings for PLN 151 thousand. "VITROSILICON" Spółka Akcyjna has created an impairment provision 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 440 thousand for goods supplied its debtors. Total receivables sought in bankruptcy proceedings amount to PLN 2,085 thousand. Four claims for reinstatement in employment have been filed against the Company. "Alwernia S.A." has created impairment provisions 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 5,711 thousand, including PLN 2,150 thousand claimed in court or enforcement proceedings. Receivables totaling PLN 1,220 thousand have been claimed in bankruptcies, and PLN 12 thousand in settlement proceedings. Cheman S.A. has created an impairment provision for all the pending proceedings.

### **FOSFORO Group**

No claims (liabilities) are sought from FOSFORO Group companies that could materially affect the results of their business. FOSFORO Group is seeking a total PLN 5,785 thousand from several dozen debtors in court cases as well as enforcement and bankruptcy proceedings; the largest amount, PLN 3,282 thousand, contributed by receivables in settlement proceedings. FOSFORO Group has created an impairment provision of PLN 5,493 thousand 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 thousand (equivalent to PLN 2,024 thousand) and EUR 697 thousand (equivalent to PLN 2,760 thousand). Bankruptcy proceedings include receivables amounting to EUR 529 thousand (equivalent to PLN 2,095 thousand).

### **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 1,127 thousand in receivables from over a dozen domestic companies in court, bankruptcy, enforcement as well as settlement proceedings. The largest amount, PLN 869 thousand, has been claimed in enforcement proceedings. Bankruptcy and settlement proceedings account for PLN 258 thousand.

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 thousand.

Moreover, private persons have lodged a lawsuit against the Company to pay PLN 13 thousand 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 14,170 thousand, the largest item being bankruptcy (PLN 9,738 thousand) and settlement (PLN 1,086 thousand) proceedings. The total amount under enforcement proceedings is PLN 1,372 thousand. The group has created an impairment provision for all pending proceedings, amounting to PLN 14,170 thousand.

#### **TRANSCLEAN Sp. z o.o.**

No material claims (liabilities) are sought from TRANSCLEAN Sp. z o.o. that could affect its business results. Cheman S.A. is litigating for payment of trade receivables from several dozen debtors. The receivables sum up to PLN 22 thousand, including PLN 21 thousand claimed in court or enforcement proceedings. Receivables totaling PLN 1 thousand have been claimed in bankruptcies.

TRANSCLEAN Sp. z o.o. has made an impairment provision 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 thousand (equivalent to PLN 16,500 thousand) in overdue electricity bills from 2008. VASA has also claimed a total EUR 6,100 thousand (equivalent to PLN 24,158 thousand): EUR 1,400 thousand (PLN 5,544 thousand) for 2009 and EUR 4,700 thousand (PLN 18,614 thousand) for 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 demands a compensation in the amount of EUR 1,400 thousand (equivalent to PLN 5,544 thousand) plus interest.

Provision in the amount of EUR 600 thousand (equivalent to PLN 2,376 thousand) was created for the above liabilities.

#### **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.

11 proceedings are pending against the Company:

- 1 claim for payment of overdue invoices – principal payment of RON 1,832 thousand (equivalent to PLN 1,692 thousand) as well as RON 113 thousand (equivalent to PLN 104 thousand) in penalty interest.
- 10 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 25 court cases, where:

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

All 25 cases had been provisioned as at December 31st, 2010. Nevertheless, the provisions are immaterial to the financial statements due to their low values.

Furthermore, the Company is in multiple court cases against Florin Balan, demanding payment of RON 4,072 thousand (equivalent to PLN 3,762 thousand) 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 thousand (equivalent to PLN 7,362 thousand) 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 2,900 thousand for the above liabilities (excluding tax paid), an equivalent of PLN 2,679 thousand.

RON 1 = PLN 0.9238

#### **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 fourth 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 surety-guaranteed in whole or in specific part	Term of guarantee	Financial terms of guarantees, including the guarantor's fee	Borrower	Description of ties between CIECH S.A. and the borrower
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	currency in '000	PLN '000				
<b>CIECH S.A.</b>						
PKN ORLEN SA		1,200	indefinite	Payment of fee to CIECH S.A.; 1% of the guaranteed amount	Chemana S.A.	Subsidiary
Commerzbank	25,000 EUR	99,008	30.09.2014	To the loan agreement of January 23rd, 2008. Amount: EUR 75 million	Soda Deutschland Ciech	Subsidiary
<b>Total CIECH S.A.</b>		<b>100,208</b>				
<b>ZACHEM S.A.</b>						
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
<b>Total ZACHEM S.A.</b>		<b>36,320</b>				
<b>Total loans guaranteed</b>		<b>136,528</b>				

Name of beneficiary	Amount of general purpose loans surety-guaranteed in whole or in part currency in '000	PLN '000	Term of guarantee	Financial terms of guarantees, including the guarantor's fee	Borrower	Description of ties between CIECH S.A. and the borrower
<b>ZACHEM S.A.</b>						
Wojewódzki Fundusz Ochrony Zdrowia i Gospodarki Wodnej Toruń	3,632		until 31.12.2011		Spółka Wodna Kapuściska	None
<b>Total ZACHEM S.A.</b>	<b>3,632</b>					
<b>Total general purpose loans guaranteed</b>	<b>3,632</b>					

Name of beneficiary	Total amount of own guarantees issued, guaranteed in whole or in specific part currency in '000	PLN '000	Term of guarantee	Financial terms of own guarantees, including the guarantor's fee	Borrower	Description of ties between CIECH S.A. and the borrower
<b>CIECH S.A.</b>						
SG Equipment Leasing Polska Sp. z o.o. - Warsaw	EUR 1,666	6,598	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. 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	114,118	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 64	253	30.10.2011	Guarantee of lease payments for tank cars	ZACHEM S.A.	Subsidiary
ING Lease	EUR	8,858	30.04.2013	Payment collateral to	S.C. S.C. Uzinele	Subsidiary



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
	currency in '000	PLN '000				
Romania IFN S.A.	2,237			lease agreements	Sodice Govora – Ciech Chemical Group S.A. - Romania	
<b>Total guarantees issued</b>		<b>129,827</b>				

#### 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 S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. based on the loan agreement signed on April 26th, 2010,
- loans granted by the Medium Exposure Banks to CIECH S.A. based on bilateral loan agreements signed on June 14th, 2010.

As at December 31st, 2010, funds arising from the loan agreement and bilateral agreements have been paid out. The payout took place on August 24th and 25th, 2010.

The following table illustrates the total limit of guarantees issued to the Arranging Banks and Medium Exposure Banks as at December 31st, 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
<b>CIECH SA</b>						
<b>Arranging Banks:</b> 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 December 31st, 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.	-
<b>Agrochem Sp. z o.o. Człuchów</b>						
<b>Arranging Banks:</b> 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 31 December 2010: PLN 1,020 million, EUR 26.4 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:	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
<b>Medium Exposure Banks:</b> BNP Paribas S.A. Branch in Poland, Credit Agricole Corporate and Investment Bank S.A. Branch in Poland, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 31 December 2010: PLN 29.3 million and EUR 3 million	150% of Allocated Guarantee Amount / Net Asset Value, as at 31 December 2010 amounting to: PLN 91,500 thousand			CIECH S.A.	subsidiary
<b>Agrochem Sp. z o.o. Dobrze Miasto</b>						
<b>Arranging Banks:</b> 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 31 December 2010: PLN 1,020 million, EUR 26.4 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:	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
<b>Medium Exposure Banks:</b> BNP Paribas S.A. Branch in Poland, Credit Agricole Corporate and Investment Bank S.A. Branch in Poland, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 31 December 2010: PLN 29.3 million and EUR 3 million	150% of Allocated Guarantee Amount / Net Asset Value, as at 31 December 2010 amounting to: PLN 9,675 thousand			CIECH S.A.	subsidiary
<b>Polfa Sp. z o.o.</b>						

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
<b>Arranging Banks:</b> 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 31 December 2010: PLN 1,020 million, EUR 26.4 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 31 December 2010 amounting to: PLN 16,500 thousand	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
<b>Medium Exposure Banks:</b> BNP Paribas S.A. Branch in Poland, Credit Agricole Corporate and Investment Bank S.A. Branch in Poland, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 31 December 2010: PLN 29.3 million and EUR 3 million				CIECH S.A.	subsidiary
<b>GZNF Fosfory Sp. z o.o.</b>						
<b>Arranging Banks:</b> 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 31 December 2010: PLN 1,020 million, EUR 26.4 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 31 December 2010 amounting to: PLN 212,855 thousand	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
<b>Medium Exposure Banks:</b> BNP Paribas S.A. Branch in Poland, Credit Agricole Corporate and Investment Bank S.A. Branch in Poland, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 31 December 2010: PLN 29.3 million and EUR 3 million				CIECH S.A.	subsidiary
<b>Janikosoda S.A.</b>						
<b>Arranging Banks:</b> 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 31 December 2010: PLN 1,020 million, EUR 26.4 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 31 December 2010 amounting to: PLN 276,359 thousand	Earlier of: 31.12.2013 or total repayment of the guaranteed liabilities	-	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	subsidiary
<b>Medium Exposure Banks:</b> BNP Paribas S.A. Branch in Poland, Credit Agricole Corporate and Investment Bank S.A. Branch in Poland, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 31 December 2010: PLN 29.3 million and EUR 3 million				CIECH S.A.	subsidiary
<b>Soda Mątwy S.A.</b>						
<b>Arranging Banks:</b> 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 31 December 2010: PLN 1,020 million, EUR 26.4 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 31	Earlier of: 31.12.2013 or total repayment of the guaranteed liabilities	-	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
<b>Medium Exposure Banks:</b> BNP Paribas S.A. Branch in Poland, Credit Agricole Corporate and Investment Bank S.A. Branch in Poland, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 31 December 2010: PLN 29.3 million and EUR 3 million	December 2010 amounting to: PLN 333,898 thousand			CIECH S.A.	subsidiary
<b>Soda Polska Ciech Sp. z o.o.</b>						
<b>Arranging Banks:</b> 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 31 December 2010: PLN 1,020 million, EUR 26.4 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 31 December 2010 amounting to: PLN 782,306 thousand	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
<b>Medium Exposure Banks:</b> BNP Paribas S.A. Branch in Poland, Credit Agricole Corporate and Investment Bank S.A. Branch in Poland, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 31 December 2010: PLN 29.3 million and EUR 3 million				CIECH S.A.	subsidiary
<b>Transclean Sp. z o.o.</b>						
<b>Arranging Banks:</b> 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 31 December 2010: PLN 1,020 million, EUR 26.4 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 31 December 2010 amounting to: PLN 7,288 thousand	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
<b>Medium Exposure Banks:</b> BNP Paribas S.A. Branch in Poland, Credit Agricole Corporate and Investment Bank S.A. Branch in Poland, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 31 December 2010: PLN 29.3 million and EUR 3 million				CIECH S.A.	subsidiary
<b>Alwernia S.A.</b>						
<b>Arranging Banks:</b> 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 31 December 2010: PLN 1,020 million, EUR 26.4 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 thousand	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
<b>Medium Exposure Banks:</b> BNP Paribas S.A. Branch in Poland, Credit Agricole Corporate and Investment Bank S.A. Branch in Poland, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 31 December 2010: PLN 29.3 million and EUR 3 million				CIECH S.A.	subsidiary
<b>Organika-Sarzynia S.A.</b>						

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
<b>Arranging Banks:</b> 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 31 December 2010: PLN 1,020 million, EUR 26.4 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 thousand	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
<b>Medium Exposure Banks:</b> BNP Paribas S.A. Branch in Poland, Credit Agricole Corporate and Investment Bank S.A. Branch in Poland, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 31 December 2010: PLN 29.3 million and EUR 3 million				CIECH S.A.	subsidiary
<b>Vitrosilicon S.A.</b>						
<b>Arranging Banks:</b> 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 31 December 2010: PLN 1,020 million, EUR 26.4 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 December 31st, 2010 amounting to: PLN 108,000 thousand	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
<b>Medium Exposure Banks:</b> BNP Paribas S.A. Branch in Poland, Credit Agricole Corporate and Investment Bank S.A. Branch in Poland, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 31 December 2010: PLN 29.3 million and EUR 3 million				CIECH S.A.	subsidiary
<b>Zachem S.A.</b>						
<b>Arranging Banks:</b> 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 31 December 2010: PLN 1,020 million, EUR 26.4 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 December 31st, 2010 amounting to: PLN 241,775 thousand	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
<b>Medium Exposure Banks:</b> BNP Paribas S.A. Branch in Poland, Credit Agricole Corporate and Investment Bank S.A. Branch in Poland, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 31 December 2010: PLN 29.3 million and EUR 3 million				CIECH S.A.	subsidiary
<b>Chemian S.A.</b>						
<b>Arranging Banks:</b> 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 31 December 2010: PLN 1,020 million, EUR 26.4 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 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
<b>Medium Exposure Banks:</b> BNP Paribas S.A. Branch in Poland, Credit Agricole Corporate and Investment Bank S.A. Branch in Poland, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 31 December 2010: PLN 29.3 million and EUR 3 million	Amount/ Net Asset Value, as at December 31st, 2010 amounting to: PLN 12,015 thousand		financing	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 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 that will be used to distribute loan proceeds to the Companies,
- proxies to bank accounts of CIECH S.A. and Companies.

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

Ciech Group did not issue any securities in the fourth 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 June 21st, 2010, the Annual General Meeting decided to cover the loss from the Company's supplementary capital.

On June 18th, 2009, the Annual General Meeting of CIECH S.A. had passed a resolution to refrain from paying 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**

##### ***Discontinued operations***

On December 16th, 2010, CIECH S.A. (the seller) and Zakłady Azotowe "Puławy" signed an agreement regarding the disposal of shares of subsidiary GZNF „FOSFOR” Sp. z o.o. Therefore these financial statements include discontinued operations, i.e. financial results of FOSFOR Group.

##### ***Assets held for trading***

Ciech Group's "Non-current assets held for trading" contained the following as at December 31st, 2010:

- CIECH S.A. reported shares of GZNF „FOSFOR” Sp. z o.o. in relation to the agreement regarding the sale of shares to Zakłady Azotowe "Puławy" signed on December 16th, 2010. Subject of the agreement is the disposal of 51,855 shares, i.e. 89.46% of share capital of GZNF „FOSFOR” Sp. z o.o. Also loans granted to FOSFOR Group by CIECH S.A. were reported as assets held for trading. In relation to the above transaction, all assets and liabilities of Fosfory Group were reported in the consolidated financial statements as assets and liabilities held for trading.
- Vitrosilicon Spółka Akcyjna reported property, plant and equipment valued at PLN 821 thousand, including:
  - land – PLN 368 thousand,
  - buildings and structures – PLN 132 thousand,
  - technical equipment and machines - PLN 321 thousand
- The value of investment properties at Z. Ch. "Organika – Sarzyna" S.A., including perpetual usufruct, amounting to PLN 2,821 thousand.
- Cheman S.A. - due to the limited capacity to finance the modernisation and development of a storage facility in Błaszki, the company decided to sell the property, plant and equipment situated in Błaszki.

#### **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. Also no provisions of loan agreements were violated as at the balance sheet date.

#### **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 whose 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), were irrelevant for compliance with the requirements of the 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%	14,787	178	5,114	0.64%	0.21%	Subsidiary
2) Polcommerce Handel und Vertretungsgesellschaft mbH	100.00%	13,050	(197)	2,954	0.56%	0.12%	Subsidiary
3) Nordiska Unipol Aktienbolag	97.78%	22,242	8	5,551	0.97%	0.23%	Subsidiary
<b>4) POLFA Group</b>							
4.1.) POLFA Hungaria Ltd, Hungary	100.00%	3,798	390	973	0.16%	0.04%	Indirect subsidiary
<b>5) ALWERNIA Group</b>							
5.1.) „ALWERNIA-FOSFORANY” Spółka z ograniczoną odpowiedzialnością	73.75%	-	-	50	0.00%	0.00%	Indirect subsidiary
5.2.) SOC-AL. Spółka z ograniczoną odpowiedzialnością	69.88%	3,167	242	2,959	0.14%	0.12%	Indirect subsidiary
<b>6) ORGANIKA - SARZYNA Group</b>							
6.1.) Z.D. „ORGANIKA” Sp. z o.o.	51.00%	3,940	49	2,568	0.17%	0.11%	Indirect subsidiary
<b>7) Soda Deutschland Ciech Group</b>							
7.1.Sodachem GmbH	100.00%	6,976	-	6,495	0.30%	0.27%	Indirect subsidiary
<hr/>							
<b>Total value</b>		<b>Non-consolidated entities</b>		<b>Ciech Group (without eliminations)</b>		<b>% share</b>	
Balance sheet totals			26,664		7,362,828		0.36%
Net revenue from sale of products and goods for resale and financial operations			68,168		6,505,603		1.05%

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 '000)	Impairment of acquisition value (PLN '000)	Equity as at 31.12.2010 attributable to the Ciech Group (PLN '000)	Entity's net revenue from sale of products and goods for resale and financial operations (PLN '000)	Balance sheet total of the entity (PLN '000)	Net profit/loss (PLN '000)
<b>CIECH S.A.</b>									
Suomen Unipol Oy	15.00%	24.78%	24.78%	132	-	1,377	53,263	16,937	1,710
<b>ORGANIKA –SARZYNA Group</b>									
Zakłady Chemiczne "Silikony Polskie" Sp. z o.o.	-	23.00%	21.40%	5,209	-	4,353	16,025	21,546	471
"Komunalna Biologiczna Oczyszczalnia Ścieków – Spółka z ograniczoną odpowiedzialnością"	-	56.62%	52.68%	8,358	-	7,835	2,841	14,406	18
"Bud-Org" Sp. z o.o.	-	24.85%	23.13%	43	-	313	3,306	1,728	46
"Gumokor-Organika" Sp. z o.o.	-	24.81%	23.08%	16	-	60	698	305	(58)
"ORGANIKA-PROJEKT" Sp. z o.o.	-	24.49%	22.79%	18	18	5	455	115	(45)
"NS Automatyka" Sp. z o.o.	-	22.44%	20.88%	115	-	450	4,786	3,311	(147)
<b>ZACHEM Group</b>									
"BUDPUR" Spółka z ograniczoną odpowiedzialnością	-	23.86%	21.64%	63	-	184	3,014	1,229	67
Natural Chemical Products Sp. z o.o.	-	44.03%	39.93%	214	-	2,193	28,513	12,782	(592)
<b>Soda Deutschland Ciech Group</b>									
Kaverngesellschaft Stassfurt GmbH	-	50.00%	50.00%	644	-	1,099	5,254	4,317	1,069
<b>Soda Mątwy Group</b>									
Zakład Gospodarki Popiołami Sp. z o.o.	-	29.13%	29.13%	3,597	-	3,905	4,225	40,659	86
<b>Total value</b>	-	-	-	<b>18,409</b>	<b>18</b>	<b>21,774</b>	<b>122,380</b>	<b>117,335</b>	<b>2,625</b>

*In addition, CIECH S.A. owns shares in entities, over which 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, Russia - in bankruptcy, 65.00 % shares/votes held directly by Ciech S.A.*
- *Polsin-Karbid Sp. z o.o. - in bankruptcy, 22.76% shares/votes held by CIECH S.A., shares/votes (direct and indirect) through CIECH S.A. and POLSIN PRIVATE LIMITED.*
- *K.Foster&Son Ltd. - loss of control, 46.51%, indirect shares/votes of CIECH S.A. through DALTRADE PLC.*
- *Polfa Nigeria – loss of control, no contact with the company, 20% shares held directly by CIECH S.A.*
- *Zach-Ciech Sp. z o.o.- 35.65% shares/votes held directly by CIECH S.A., on January 24th, 2006 the District Court in Katowice declared the Company's bankruptcy.*
- *Zakład Gastronomiczno-Hotelowy "MIREX" Sp. z o.o. – in liquidation, 27%, indirect shares/votes of CIECH S.A. through ZACHEM S.A.*
- *Also Polsin Overseas Shipping Ltd. is an affiliate of CIECH S.A. The company submitted no financial data for Q4 2010.*
- *Also Huta Szkła Wymiarki S.A. is an affiliate of CIECH S.A. The company submitted no financial data for H1 2010.*
- *Ciech America Latina LTDA – entity suspended its activity as of June 30th, 2009.*
- *KPG Kavern-Projekt-Beteiligungsgesellschaft mbH.– in liquidation*
- *"DREWREM- ORGANIKA" Sp. z o.o.- in liquidation.*

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

##### 1. Separate income statement

PLN '000	01.01.-31.12.2010*	01.01.-31.12.2009*	01.10.-31.12.2010*	01.10.-31.12.2009*
	Continuing operations	Continuing operations	Continuing operations	Continuing operations
<b>Net revenue from sales</b>	<b>2,222,233</b>	<b>1,901,077</b>	<b>558,497</b>	<b>496,137</b>
Cost of sales	(1,911,813)	(1,565,962)	(491,356)	(420,945)
<b>Gross profit/loss on sales</b>	<b>310,420</b>	<b>335,115</b>	<b>67,141</b>	<b>75,192</b>
Other operating income	26,845	5,979	25,054	533
Distribution costs	(140,861)	(123,246)	(34,723)	(30,373)
Administrative expenses	(45,437)	(49,298)	(9,719)	(9,412)
Other operating costs	(17,372)	(21,411)	(4,820)	(14,624)
<b>Operating profit/loss</b>	<b>133,595</b>	<b>147,139</b>	<b>42,933</b>	<b>21,316</b>
Finance income	94,970	96,412	11,966	48,043
Finance costs	(219,857)	(357,106)	(41,894)	(132,941)
<b>Net finance income / costs</b>	<b>(124,887)</b>	<b>(260,694)</b>	<b>(29,928)</b>	<b>(84,898)</b>
<b>Profit / loss before tax</b>	<b>8,708</b>	<b>(113,555)</b>	<b>13,005</b>	<b>(63,582)</b>
Income tax	(13,746)	(12,212)	(9,810)	(5,840)
<b>Net profit/loss</b>	<b>(5,038)</b>	<b>(125,767)</b>	<b>3,195</b>	<b>(69,422)</b>
<b>Net profit/loss for the financial year</b>	<b>(5,038)</b>	<b>(125,767)</b>	<b>3,195</b>	<b>(69,422)</b>
<b>Earnings per share (in PLN):</b>				
Basic	(0.18)	(4.49)	0.11	(2.48)
Diluted	(0.18)	(4.49)	0.11	(2.48)

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

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

<i>PLN '000</i>	01.01.-31.12.2010*	01.01.-31.12.2009*
	Continuing operations	Continuing operations
<b>Net profit (loss) for the financial year</b>	<b>(5,038)</b>	<b>(125,767)</b>
<b>Other gross comprehensive income</b>	<b>(26,123)</b>	<b>66,066</b>
Financial assets available for sale (accounted for in the revaluation reserve)	11,802	20,494
Hedge accounting (accounted for in the hedge accounting reserve)	(37,925)	45,572
Income tax on other components of comprehensive income	4,963	(12,553)
<b>Other net comprehensive income</b>	<b>(21,160)</b>	<b>53,513</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(26,198)</b>	<b>(72,254)</b>

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

## 3. CIECH S.A. statement of financial position

<i>PLN '000</i>	31.12.2010	31.12.2009
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	8,778	10,957
Intangible assets	8,070	8,750
Investment property	3,630	3,844
Non-current receivables	32,363	39,741
Other long-term investments	1,461,926	1,376,023
Deferred income tax assets	8,244	16,525
<b>Total non-current assets</b>	<b>1,523,011</b>	<b>1,455,840</b>
<b>Current assets</b>		
Inventory	28,704	26,313
Short-term investments	334,308	87,883
Income tax receivables	2,027	5,228
Trade and other receivables	359,898	355,300
Cash and cash equivalents	35,131	46,445
Non-current assets held for sale	141,499	-
<b>Total current assets</b>	<b>901,567</b>	<b>521,169</b>
<b>Total Assets</b>	<b>2,424,578</b>	<b>1,977,009</b>
<b>EQUITY AND LIABILITIES</b>		
Equity		
Share capital	164,115	164,115
Share premium	151,328	151,328
Revaluation reserve	-	(9,559)
Other reserve capitals	76,199	76,199
Hedge accounting reserve	6,194	36,913
Retained earnings	93,062	98,100
<b>Total equity</b>	<b>490,898</b>	<b>517,096</b>
Liabilities		
Borrowings including credits, loans and other debt instruments	299,936	426,196
Employee benefits	1,712	1,776
Other non-current liabilities	33,170	57,406
<b>Total non-current liabilities</b>	<b>334,818</b>	<b>485,378</b>
Borrowings including credits, loans and other debt instruments	1,167,117	477,957
Trade and other payables	423,568	492,572
Provisions (short-term provisions for employee benefits and other)	8,177	4,006
<b>Total current liabilities</b>	<b>1,598,862</b>	<b>974,535</b>
<b>Total liabilities</b>	<b>1,933,680</b>	<b>1,459,913</b>
<b>Total Equity and Liabilities</b>	<b>2,424,578</b>	<b>1,977,009</b>

**4. CIECH S.A. statement of cash flows**

<i>PLN '000</i>	<b>01.01-31.12.2010</b>	<b>01.01-31.12.2009</b>
<b>Cash flows from operating activities</b>		
<b>Net profit (loss) for the period</b>	<b>(5,038)</b>	<b>(125,767)</b>
Depreciation / amortisation	4,763	6,226
Creation / reversal of revaluations	5,733	153,568
Currency exchange gains / losses	26,467	20,521
Gain / loss on investing activities	5,697	255
Gain / loss on disposal of fixed assets	(9,127)	(148)
Interest and share of profits	53,703	(10,631)
Income tax accrued	13,746	12,212
<b>Operating profit / loss before changes in working capital and provisions</b>	<b>95,944</b>	<b>56,236</b>
Change in receivables	3,786	16,711
Change in inventories	(2,391)	(8,948)
Change in current liabilities	58,008	75,076
Change in provisions and employee benefits	4,107	(3,631)
<b>Net cash flow from operating activities</b>	<b>159,454</b>	<b>135,444</b>
Interest paid	(85,406)	(32,537)
Income tax paid	2,699	6,901
Cash flows from execution of options	-	(98,730)
Valuation of derivative financial instruments	(53,859)	(43,775)
Other adjustments (including pro forma adjustment of cash flows from execution of options)	-	98,730
<b>Net cash from operating activities</b>	<b>22,888</b>	<b>66,033</b>
<b>Cash flows from investment activities</b>		
<b>Inflows (in "+")</b>		
Disposal of intangible assets and property, plant and equipment	95	266
Disposal of investment property	23,794	-
Disposal of a subsidiary	3,380	-
Disposal of investments	41,600	246
Dividends received	6,454	9,210
Interest received	9,442	36,691
Proceeds from repayment of loans	44,858	44,053
<b>Outflows (in "-")</b>		
Purchase of intangible assets and property, plant and equipment	(2,108)	(4,192)
Acquisition of subsidiary (less cash acquired)	(23,372)	(138,869)
Loans granted	(89,892)	(54,181)
<b>Net cash from investing activities</b>	<b>14,251</b>	<b>(106,776)</b>
<b>Cash flows from financing activities</b>		
<b>Inflows (in "+")</b>		
Proceeds from loans	556,226	233,768
<b>Outflows (in "-")</b>		
Repayment of loans	(606,170)	(176,528)
<b>Net cash from financing activities</b>	<b>(49,944)</b>	<b>57,240</b>
<b>Total net cash flows</b>	<b>(12,805)</b>	<b>16,497</b>
<b>Cash at the beginning of period</b>	<b>46,445</b>	<b>32,085</b>
Effect of foreign exchange differences	1,491	(2,137)
<b>Cash at the end of period</b>	<b>35,131</b>	<b>46,445</b>

\* 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 thousand 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 thousand). 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**

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Hedge accounting reserve	Other reserve capitals	Retained earnings	<b>Total equity</b>
<b>Equity as at 01/01/2010 (beginning of period)</b>							
<b>Previously reported</b>	<b>164,115</b>	<b>151,328</b>	<b>(9,559)</b>	<b>36,913</b>	<b>76,199</b>	<b>98,100</b>	<b>517,096</b>
Changes in accounting principles							-
Corrections of errors in previous periods							-
<b>Equity (after transition) as at: 01/01/2010</b>	<b>164,115</b>	<b>151,328</b>	<b>(9,559)</b>	<b>36,913</b>	<b>76,199</b>	<b>98,100</b>	<b>517,096</b>
Share issue							-
Dividend							-
Comprehensive income for 2010			9,559	(30,719)		(5,038)	(26,198)
<b>Equity as at 31/12/2010 (end of period)</b>	<b>164,115</b>	<b>151,328</b>	<b>-</b>	<b>6,194</b>	<b>76,199</b>	<b>93,062</b>	<b>490,898</b>

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Hedge accounting reserve	Other reserve capitals	Retained earnings	<b>Total equity</b>
<b>Equity as at 01/01/2009 (beginning of period)</b>							
<b>Previously reported</b>	<b>164,115</b>	<b>151,328</b>	<b>(26,159)</b>	<b>(70,934)</b>	<b>76,199</b>	<b>294,801</b>	<b>589,350</b>
Changes in accounting principles							-
Corrections of errors in previous periods				70,934		(70,934)	-
<b>Equity (after transition) as at: 01/01/2009</b>	<b>164,115</b>	<b>151,328</b>	<b>(26,159)</b>	<b>-</b>	<b>76,199</b>	<b>223,867</b>	<b>589,350</b>
Share issue							-
Dividend							-
Comprehensive income for 2009			16,600	36,913		(125,767)	(72,254)
<b>Equity as at 31/12/2009 (end of period)</b>	<b>164,115</b>	<b>151,328</b>	<b>(9,559)</b>	<b>36,913</b>	<b>76,199</b>	<b>98,100</b>	<b>517,096</b>



## 6. Notes to the financial statements for the fourth quarter of 2010, ended December 31st, 2010.

### 6.1. The basis for the preparation and the accounting policies

On January 31st, 2007, the Extraordinary General Meeting of Shareholders of CIECH SA adopted resolution no. 4 on the preparation of individual financial statements according to IFRS/IAS. In connection with the above resolution, since 2007, the reports of CIECH S.A. have been prepared in accordance with IFRS/IAS using the principles of valuation of assets and liabilities and measurement of the net financial result, as set out in the accounting policy.

Detailed information regarding the principles and methods of the valuation of assets and liabilities and measurement of the financial result, as well as the method of preparation of financial statements and comparative data, were included in the report of CIECH S.A. for 2009, publicly disclosed on April 30th, 2010.

Certain changes have been made as of 2010 in the presentation of business segments, also applied to the comparative data. Introduced changes have been presented in detail in point II.3 of this Report.

### 6.2. Earnings per share

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

<i>in PLN thousands</i>	<b>31.12.2010</b>	<b>31.12.2009</b>
Net profit (loss) from continuing operations attributable to owners of the parent	(5,038)	(125,767)
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	(5,038)	(125,767)
Weighted average number of ordinary shares issued, used for basic earnings per share	(5,038)	(125,767)
<i>in pcs.</i>	<b>31.12.2010</b>	<b>31.12.2009</b>
Weighted average number of ordinary shares issued, used for diluted 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 seasonality and cyclicity has been presented in point III.3 of this Report.

### 6.4. Changes in accounting estimates

No material changes occurred in accounting estimates disclosed in the previous financial years.

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

Information on the issue, redemption and repayment of debt securities and equity securities has been presented in point III.18 of this Report.

### 6.6. Information on dividends paid

Information on dividends paid has been presented in point III.19 of this Report.

**6.7. Financial data per business segment**

01.01.-31.12.2010

<i>PLN '000</i>	Soda Segment - Soda Division	Organic Segment - Organic Division	Agrochemical Segment	Silicates and Glass Segment	Other operations	Corporate Functions – residual item	TOTAL
			Agro-Silicon Division				
External revenue	826,577	832,750	77,239	183,094	443	-	1,920,103
Inter-segment revenue	56,190	50,484	191,361	3,958	137	-	302,130
<b>Total revenues</b>	<b>882,767</b>	<b>883,234</b>	<b>268,600</b>	<b>187,052</b>	<b>580</b>	-	<b>2,222,233</b>
Cost of sales	(721,873)	(787,890)	(252,216)	(149,662)	(172)	-	(1,911,813)
<b>Gross profit/loss on sales</b>	<b>160,894</b>	<b>95,344</b>	<b>16,384</b>	<b>37,390</b>	<b>408</b>	-	<b>310,420</b>
Distribution costs	(72,887)	(36,595)	(2,861)	(28,508)	-	(10)	(140,861)
Administrative expenses	(1,619)	(1,587)	(463)	(952)	-	(40,816)	(45,437)
Gain / loss on receivables management	(6,762)	187	1	-	-	(1,045)	(7,619)
Profit / loss on other operating activities	1	(9)	-	(23)	1,370	15,753	17,092
<b>Operating profit/loss</b>	<b>79,627</b>	<b>57,340</b>	<b>13,061</b>	<b>7,907</b>	<b>1,778</b>	<b>(26,118)</b>	<b>133,595</b>
Net exchange differences and trade account interest	(27,172)	(64,351)	(10,318)	(9,849)	57	(6,400)	(118,033)
Group finance costs						(70,732)	(70,732)
Profit / loss on financing activities (non-segment)						63,878	63,878
<b>Profit / loss before tax</b>	<b>52,455</b>	<b>(7,011)</b>	<b>2,743</b>	<b>(1,942)</b>	<b>1,835</b>	<b>(39,372)</b>	<b>8,708</b>
Tax							(13,746)
<b>Net profit/loss</b>							<b>(5,038)</b>
Profit on discontinued operations							-
<b>Net profit/loss for the financial year</b>							<b>(5,038)</b>
Depreciation / amortisation	310	292	93	137	-	3,931	4,763
<b>EBITDA</b>	<b>79,937</b>	<b>57,632</b>	<b>13,154</b>	<b>8,044</b>	<b>1,778</b>	<b>(22,187)</b>	<b>138,358</b>

01.01.-31.12.2009

<i>PLN '000</i>	Soda Segment - Soda Division	Organic Segment - Organic Division	Agrochemical Segment	Silicates and Glass Segment	Other operations	Corporate Functions – residual item	TOTAL
			Agro-Silicon Division				
External revenue	874,011	650,830	49,878	114,773	675		1,690,167
Inter-segment revenue	68,466	26,936	111,263	3,089	1,156		210,910
<b>Total revenues</b>	<b>942,477</b>	<b>677,766</b>	<b>161,141</b>	<b>117,862</b>	<b>1,831</b>	-	<b>1,901,077</b>
Cost of sales	(707,968)	(613,658)	(150,182)	(93,314)	(840)		(1,565,962)
<b>Gross profit/loss on sales</b>	<b>234,509</b>	<b>64,108</b>	<b>10,959</b>	<b>24,548</b>	<b>991</b>	-	<b>335,115</b>
Distribution costs	(71,357)	(32,577)	(2,847)	(16,355)		(110)	(123,246)
Administrative expenses	(1,406)	(1,676)	(627)	(1,013)		(44,576)	(49,298)
Gain / loss on receivables management	(540)	(434)	1			(662)	(1,635)
Profit / loss on other operating activities	(1,110)	(205)			(10,778)	(1,704)	(13,797)
<b>Operating profit/loss</b>	<b>160,096</b>	<b>29,216</b>	<b>7,486</b>	<b>7,180</b>	<b>(9,787)</b>	<b>(47,052)</b>	<b>147,139</b>
Net exchange differences and trade account interest	(84,533)	(73,681)	(5,327)	(5,893)	(180)	(14,181)	(183,795)
Group finance costs						(40,102)	(40,102)
Profit / loss on financing activities (non-segment)						(36,797)	(36,797)
<b>Profit / loss before tax</b>	<b>75,563</b>	<b>(44,465)</b>	<b>2,159</b>	<b>1,287</b>	<b>(9,967)</b>	<b>(138,132)</b>	<b>(113,555)</b>
Tax							(12,212)
<b>Net profit/loss</b>							<b>(125,767)</b>
Profit on discontinued operations							-
<b>Net profit/loss for the financial year</b>							<b>(125,767)</b>
Depreciation / amortisation	1,057	858	263	239	-	3,809	6,226
<b>EBITDA</b>	<b>161,153</b>	<b>30,074</b>	<b>7,749</b>	<b>7,419</b>	<b>(9,787)</b>	<b>(43,243)</b>	<b>153,365</b>

**31.12.2010**

PLN '000	Soda Segment - Soda Division	Organic Segment - Organic Division	Agrochemical Segment	Silicates and Glass Segment	Other operations	Corporate Functions – residual item	TOTAL
			Agro-Silicon Division				
Property, plant and equipment	564	531	169	249		7,265	8,778
Intangible assets	525	495	157	232		6,661	8,070
Inventory	10,063	18,134	507				28,704
Trade receivables	152,561	89,196	20,917	6,383	117		269,174
Other assets						2,109,852	2,109,852
<b>Total assets</b>							<b>2,424,578</b>

PLN '000	Soda Segment - Soda Division	Organic Segment - Organic Division	Agrochemical Segment	Silicates and Glass Segment	Other operations	Corporate Functions – residual item	TOTAL
			Agro-Silicon Division				
Trade liabilities	209,884	151,767	31,370	12,287	249	-	405,557
Other liabilities						1,528,123	1,528,123
<b>Total liabilities</b>							<b>1,933,680</b>

**31.12.2009**

PLN '000	Soda Segment - Soda Division	Organic Segment - Organic Division	Agrochemical Segment	Silicates and Glass Segment	Other operations	Corporate Functions – residual item	TOTAL
			Agro-Silicon Division				
Property, plant and equipment	1,861	1,510	462	421		6,703	10,957
Intangible assets	1,486	1,206	369	336		5,353	8,750
Inventory	10,163	13,725	2,425				26,313
Trade receivables	141,580	122,688	2,097	10,276	9		276,650
Other assets						1,654,339	1,654,339
<b>Total assets</b>							<b>1,977,009</b>

PLN '000	Soda Segment - Soda Division	Organic Segment - Organic Division	Agrochemical Segment	Silicates and Glass Segment	Other operations	Corporate Functions – residual item	TOTAL
			Agro-Silicon Division				
Trade liabilities	201,000	129,569	10,474	8,509	1,594	-	351,146
Other liabilities						1,108,767	1,108,767

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**Total liabilities****1,459,913**

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**01.01.-31.12.2010**

<i>PLN '000</i>	<b>Soda Segment - Soda Division</b>	<b>Organic Segment - Organic Division</b>	<b>Agrochemical Segment</b>	<b>Silicates and Glass Segment</b>	<b>Other operations</b>	<b>Corporate Functions – residual item</b>	<b>TOTAL</b>
			<b>Agro-Silicon Division</b>				
Creation of impairment charges	6,789	212	1,110	-	1,049	24,190	33,350
Reversal of impairment charges	27	15	187	-	14,355	233	14,817

**01.01.-31.12.2009**

<i>PLN '000</i>	<b>Soda Segment - Soda Division</b>	<b>Organic Segment - Organic Division</b>	<b>Agrochemical Segment</b>	<b>Silicates and Glass Segment</b>	<b>Other operations</b>	<b>Corporate Functions – residual item</b>	<b>TOTAL</b>
			<b>Agro-Silicon Division</b>				
Creation of impairment charges	543	435	127	-	12,213	142,309	155,627
Reversal of impairment charges	3	4	98	-	58	348	511

**GEOGRAPHICAL SEGMENTS**
**31.12.2010**

<i>PLN '000</i>	<b>Poland</b>	<b>European Union</b>	<b>Other European countries</b>	<b>Africa</b>	<b>Asia</b>	<b>Other regions</b>	<b>TOTAL</b>
Total segment assets	1,666,030	695,843	33,403	2,051	20,956	6,295	<b>2,424,578</b>
Net revenue from sales	890,332	791,333	65,589	147,099	224,356	103,524	<b>2,222,233</b>

**31.12.2009**

<i>PLN '000</i>	<b>Poland</b>	<b>European Union</b>	<b>Other European countries</b>	<b>Africa</b>	<b>Asia</b>	<b>Other regions</b>	<b>TOTAL</b>
Total segment assets	1,186,588	728,606	22,284	7,304	31,662	565	<b>1,977,009</b>
Net revenue from sales	869,967	679,188	49,218	60,121	184,439	58,144	<b>1,901,077</b>

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

No significant events took place after December 31st, 2010 that were not reflected in the financial statements for the period starting 1 January and ending December 31st, 2010.

### 6.9. Information on changes in entity structure

Changes which occurred in the portfolio of shares in 2010 are described in section III.7 of this Report.

### 6.10. Information on changes in contingent liabilities or contingent assets

Off-balance sheet items PLN '000	31.12.2010	31.12.2009
<b>1. Contingent receivables</b>	-	-
<b>2. Contingent liabilities</b>	<b>230,035</b>	<b>337,953</b>
2.1. To other entities	230,035	337,953
- guarantees issued	230,035	337,953
<b>3. Other</b>	<b>22,066</b>	<b>27,619</b>
- other trade guarantees	-	9,400
- other	22,066	18,219
<b>Total off-balance sheet items</b>	<b>252,101</b>	<b>365,572</b>

No contingent receivables were present at CIECH S.A. as at December 31st, 2010.

The value of contingent liabilities and other off-balance sheet liabilities as at December 31st, 2010 amounted to PLN 252,101 thousand, which is a decrease in comparison to December 2009 by PLN 113,471 thousand.

The difference is mainly due to expiry of various guarantees of the subsidiary GOVORA, amounting to EUR 15,000 thousand, the subsidiary ZACHEM S.A., amounting to PLN 4,500 thousand, as well as the company CHEMAN S.A., amounting to PLN 9,000 thousand. The guarantee of a ZACHEM S.A. liability was also withdrawn, releasing PLN 40,000 thousand. The remaining difference was caused by currency fluctuations that influenced the valuation of liabilities.

Other contingent liabilities, which sum up to PLN 22,066 thousand, include:

- contingent liability of PLN 1,728 thousand related to the claims of Polska Żegluga Morska,
- contingent liability of PLN 17,253 thousand for non-performance of a target ratio defined in the share purchase agreement of ZACHEM S.A.,
- contingent liability of PLN 3,085 thousand for 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 January 1st, 2010 and December 31st, 2010

01.10.-31.12.2010

PLN '000	beginning of period balance	increase	decrease	end of period balance
Property, plant and equipment	238	-	238	-
Investment property	12,784	-	12,448	336
Long-term investments	85,429	965	8,288	78,106
Deferred tax asset	-	4,304	-	4,304
Inventory	293	218	-	511
Receivables	30,834	1,543	639	31,738
Short-term investments	223,557	108	1,874	221,791

01.10.-31.12.2010

<i>PLN '000</i>	beginning of period balance	increase	decrease	end of period balance
Income tax provision	11,880		1,751	10,129
Provision for retirement packages, annual leaves, bonuses, recompenses and similar	8,261		1,694	6,567
Provision for anticipated losses	6,756	1,174	-	7,930
Provision for liabilities (costs)	1,310	287	142	1,455

**01.10.-31.12.2010**

<i>PLN '000</i>	beginning of period balance	increase	decrease	end of period balance
Deferred income tax asset	28,908		6,231	22,677

**01.10.-31.12.2009**

<i>PLN '000</i>	beginning of period balance	increase	decrease	end of period balance
Property, plant and equipment	238			238
Investment property	3,195	11,492		14,687
Long-term investments	104,883		18,587	86,296
Inventory	215		47	168
Receivables	43,851		18,751	25,100
Short-term investments	127,836	68,837		196,673

**01.10.-31.12.2009**

<i>PLN '000</i>	beginning of period balance	increase	decrease	end of period balance
Income tax provision	23,170		1,773	21,397
Provision for retirement packages, annual leaves, bonuses, recompenses and similar	8,774		1,753	7,021
Provision for anticipated losses	3,526	354		3,880
Provision for liabilities (costs)	1,363	497		1,860

**01.10.-31.12.2009**

<i>PLN '000</i>	beginning of period balance	increase	decrease	end of period balance
Deferred income tax asset	43,898		5,976	37,922



## 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

PLN '000	01.01.-31.12.2010			01.01.-31.12.2009		
	Before tax	Tax	Net after tax	Before tax	Tax	Net after tax
Revaluation of available-for-sale financial assets	11,802	(2,243)	9,559	20,494	(3,894)	16,600
Cash flow hedges	(37,925)	7,206	(30,719)	45,572	(8,659)	36,913
<b>Other net comprehensive income</b>	<b>(26,123)</b>	<b>4,963</b>	<b>(21,160)</b>	<b>66,066</b>	<b>(12,553)</b>	<b>53,513</b>

Other gross comprehensive income	change in the period	01.01-31.12.2010	change in the period	01.01-31.12.2009
Revaluation of available-for-sale financial assets	-	11,802	-	20,494
- fair value measurement in the period	11,802	-	20,494	-
- reclassification adjustment of gains recognised in P&L	-	-	-	-
Cash flow hedges	-	(37,925)	-	45,572
- fair value measurement in the period	15,622	-	83,311	-
- reclassification adjustment of gains / losses recognised in P&L	(53,547)	-	(37,739)	-
Income tax on other components of comprehensive income	-	4,963	-	(12,553)
- accrued for the reporting period	(5,211)	-	(19,723)	-
- reclassification adjustment to P&L	10,174	-	7,170	-
<b>Other net comprehensive income</b>		<b>(21,160)</b>		<b>53,513</b>

#### 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.-31.12.2010		land, buildings, facilities and civil engineering structures	plant and equipment	means of transport	other PP&E	PP&E under construction	Total
PLN '000							
Purchase		-	197	-	35	739	971
Disposal		-	469	102	9	-	580

CIECH S.A. acquired property, plant and equipment for a total PLN 971 thousand.

01.01.-31.12.2009		land, buildings, facilities and civil engineering structures	plant and equipment	means of transport	other PP&E	PP&E under construction	Total
PLN '000							
Purchase		11	1,193	5	30	1,241	2,480
Disposal		-	1,345	1,162	67	-	2,574

CIECH S.A. acquired property, plant and equipment for a total PLN 971 thousand.

#### 6.16. Court litigation

##### Domestic and foreign liabilities of CIECH S.A. claimed in court or arbitration proceedings as at December 31st, 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 in 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 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. Also no provisions of loan agreements were violated as at the balance sheet date.

#### 6.20. Transactions with related entities

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

PLN '000	Revenue from sales 01.01.-31.12.2010	Purchase of goods for resale and services 01.01.-31.12.2010	Finance income 01.01.- 31.12.2010	Receivables as at 31.12.2010	Liabilities as at 31.12.2010
Consolidated entities	302,130	1,589,040	81,429	56,621	365,882
Non-consolidated entities	62,421	8,891	450	7,044	2,399

PLN '000	Revenue from sales 01.01.-31.12.2009	Purchase of goods and services 01.01.- 31.12.2009	Finance income 01.01.- 31.12.2009	Receivables as at 31.12.2009	Liabilities as at 31.12.2009

Consolidated entities	210,910	1,399,225	50,975	37,005	335,714
Non-consolidated entities	91,858	8,825	1,929	9,559	1,979

### 6.21. Events taking place after the balance-sheet date

- On 20 January 2011 Ciech S.A. and the Commercial Banks executed a commitment letter. The Commitment Letter confirms the Commercial Banks' intention to grant the New Financing on the terms and conditions specified therein. The Commitment Letter stipulates that the New Financing will be granted by the Commercial Banks and EBRD jointly. On January 20th, 2011 EBRD notified Ciech S.A. of its intention to participate in the New Financing, and the EBRD's participation requires a final approval by the EBRD's Board of Directors which is expected to be granted on February 15th, 2011.  
The key terms of the New Financing described in the Commitment Letter are set forth in Current Report no. 4 of January 21st, 2011.
- On January 20th, 2011, the banks – parties to the Existing Facilities Agreement, gave their consent not to apply the funds from the Rights Issue and the funds from the sale of GZNF Fosfory sp. z o.o. towards mandatory prepayment of facilities under the Existing Facilities Agreement, to the extent those funds will not be applied on March 31st, 2011 towards repayment of an amount of PLN 400 million less an amount of approximately PLN 155 million (i.e. an amount applied by Ciech S.A. for prepayments or repayment of the facilities under the Existing Facilities Agreement made to date). At the same time CIECH S.A. undertook that the funds from the Rights Issue and the funds from the sale of GZNF Fosfory sp. z o.o. shall be paid to an escrow account maintained in PLN for Ciech S.A. with the security agent. The Surplus in the Escrow Account may be used by CIECH S.A. for the capital expenditures of specific companies from the Ciech Group in accordance with the agreed timetable, subject to the fulfillment by CIECH S.A. of the requirements contained in the Existing Facility Agreement and in the facility agreement on the basis of which the New Financing is to be granted. After the disbursement of the funds under the New Facility Agreement and fulfillment by CIECH S.A. of the required financial ratios with respect to the measurement period ending on September 30th, 2011, the funds in the Escrow Account shall be released therefrom in whole.
- On February 10th, 2011 annexes to agreements for loans given to US Govora S.A. by Ciech S.A., prolonging the repayment period of loans given to US Govora S.A. to December 26th, 2011 were executed. The annexes concern loan agreements concluded between the Company and US Govora S.A. in the period 2006-2009, with the total value as at the debt prolongation date accounting for approximately EUR 56.9 million.
- On February 10th, 2011 a facility agreement was entered into between CIECH S.A. as borrower, its subsidiaries as guarantors (Janikowskie Zakłady Sodowe Janikosoda S.A., Inowrocławskie Zakłady Chemiczne Soda Mątwy S.A., Soda Polska Ciech sp. z o.o., Zakłady Chemiczne Alwernia S.A., Przedsiębiorstwo Chemiczne Cheman S.A., Zakłady Chemiczne Organika Sarzyna S.A., Polfa sp. z o.o., Vitrosilicon S.A., Transclean sp. z o.o. and Zakłady Chemiczne Zachem S.A.) and Bank DnB Nord Polska S.A., Bank Handlowy w Warszawie S.A. (the "Agent"), Bank Millennium S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., ING Bank Śląski S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. (jointly the "Commercial Banks"), regarding the refinancing of the existing financial indebtedness of the Ciech Group under the Loan Agreement dated 26 April 2010. The agreement provides for the accession of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. to it as a guarantor and borrower and the European Bank for Reconstruction and Development as lender. Positive decision of the Board of Directors of EBRD and acceptance of the content of Facility Agreement, are the conditions of accession of EBRD to the Facility Agreement.
- On February 15th, 2011, pursuant to the decision of the Board of Directors, the European Bank for Reconstruction and Development acceded to the Facility Agreement, thus accepting the terms and conditions thereof. In order to obtain financing from EBRD it will be necessary to, among other things, agree upon the contents of the security documentation and fulfil the conditions for the launching of the Capex Term Facility stipulated in the Facility Agreement. Accession by EBRD to the Facility Agreement was one of the conditions precedent for the drawdown of the facilities stipulated therein.
- On February 22nd, 2011 the CIECH S.A. was notified by Krajowy Depozyt Papierów Wartościowych w Warszawie S.A. of the results of subscriptions to 23,000,000 D series ordinary bearer shares offered by the Company with the nominal value of PLN 5 each ("D Series Shares"). During the subscription between February 3rd and 16th, 2011 a total of 3,451 basic subscriptions to 21,825,287 D Series Shares were made within the pre-emptive rights. At the same time, 533 additional subscriptions to 20,322,318 D Series Shares were made. According to the Offering schedule incorporated in the Prospectus, D Series Shares will be allocated on February 25th, 2011. The information was announced in Current Report no. 15 of February 22nd, 2011.
- 23,000,000 D Series Shares were allotted on the February 25th, 2011. During the subscription a total of 3,451 basic subscriptions to 21,825,287 D Series Shares and 533 additional subscriptions to 20,322,318 D Series Shares were made. Reduction rate for the purposes of additional subscriptions was 94.2%. The issuance is a result of resolution No. 3 of the Extraordinary General Meeting of Shareholders of the Company dated October 28th, 2010 regarding the Company's share capital increase through the issuance of D series ordinary bearer shares with the nominal value of PLN 5 each.

## V. Statement of the Management Board

This complete consolidated quarterly report of Ciech Group for the fourth quarter of 2010 was approved by the Management Board of CIECH S.A. in its registered office on February 28th, 2010, for publication on March 1st, 2011.

Warsaw, February 28th, 2011.

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

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

.....  
**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**