CIECH CHEMICAL GROUP
COMPLETE CONSOLIDATED
QUARTERLY REPORT
for the first quarter of 2011

CONTENTS

I. Ciech Group consolidated financial statements

1. Ciech Group consolidated profit and loss statement

in PLN thousands	01.01-31.03.2011 Continuing operations	01.01-31.03.2011 Discontinued operations	01.01-31.03.2011 TOTAL	01.01-31.03.2010 Continuing operations	01.01-31.03.2010 Discontinued operations	01.01-31.03.2010 TOTAL
Net revenue from sales	1 041 185	80 841	1 122 026	887 013	74 991	962 004
Own cost of sales	(887 928)	(61 155)	(949 083)	(759 664)	(64 427)	(824 091)
Gross profit / loss	**153 257**	**19 686**	**172 943**	**127 349**	**10 564**	**137 913**
Other operating revenues	12 645	235	12 880	32 122	1 649	33 771
Distribution costs	(64 497)	(6 053)	(70 550)	(53 741)	(5 003)	(58 744)
Administrative expenses	(49 862)	(4 305)	(54 167)	(56 523)	(4 505)	(61 028)
Other operating costs	(16 725)	(2 150)	(18 875)	(10 127)	(127)	(10 254)
Profit / loss on operating activities	**34 818**	**7 413**	**42 231**	**39 080**	**2 578**	**41 658**
Finance income	11 936	1 139	13 075	29 615	81	29 696
Finance costs	(36 376)	(3 361)	(39 737)	(63 611)	(2 016)	(65 627)
Net finance income / costs	**(24 440)**	**(2 222)**	**(26 662)**	**(33 996)**	**(1 935)**	**(35 931)**
Share of the net profit of associates and subsidiaries accounted for using the equity method	95	-	95	516	-	516
Profit / loss before tax	**10 473**	**5 191**	**15 664**	**5 600**	**643**	**6 243**
Income tax	(9 472)	(2 170)	(11 642)	(9 716)	325	(9 391)
Net profit / loss	**1 001**	**3 021**	**4 022**	**(4 116)**	**968**	**(3 148)**
including:						
Net profit / loss attributable to owners of the parent	(826)	2 703	1 877	(3 649)	866	(2 783)
Net profit / loss attributable to non-controlling interests	1 827	318	2 145	(467)	102	(365)
Earnings per share (in PLN):						
Basic	(0.02)	0.08	0.06	(0.13)	0.03	(0.10)
Diluted	(0.02)	0.08	0.06	(0.13)	0.03	(0.10)

2. Ciech Group consolidated statement of comprehensive income

in PLN thousands	01.01-31.03.2011			01.01-31.03.2010		
	Continuing operations	Discontinued operations	TOTAL	Continuing operations	Discontinued operations	TOTAL
Net profit for the financial year	**1 001**	**3 021**	**4 022**	**(4 116)**	**968**	**(3 148)**
Other gross comprehensive income						
Exchange differences on translation of foreign companies	(931)	-	(931)	9 566	-	9 566
Revaluation of available-for-sale financial assets	-		-	7 440	-	7 440
Cash flow hedges	(3 487)	-	(3 487)	20 105	-	20 105
Exchange differences on net investment in foreign entities	3 612	-	3 612	(17 220)	-	(17 220)
Other components of comprehensive income	56	-	56	(3)	-	(3)
Income tax on other components of comprehensive income	663	-	663	(3 673)	-	(3 673)
Other net comprehensive income	(87)	-	(87)	**16 215**	-	**16 215**
TOTAL INCOME	**914**	**3 021**	**3 935**	**12 099**	**968**	**13 067**
Comprehensive income, of which attributable to:	**914**	**3 021**	**3 935**	**12 099**	**968**	**13 067**
Owners of the parent	(255)	2 703	2 448	11 915	866	12 781
Non-controlling interests	1 169	318	1 487	184	102	286

3. Ciech Group consolidated statement of financial position

ASSETS (*in PLN thousands*)	**31.03.2011**	**31.12.2010**	**31.03.2010**
Property, plant and equipment	2 069 551	2 063 540	2 195 749
Perpetual usufruct rights	133 830	134 181	136 466
Intangible assets, including:	155 094	156 499	155 602
- goodwill	51 995	51 273	50 061
Investment property	7 476	5 920	8 532
Non-current receivables	35 050	32 521	39 015
Investment in associates and jointly controlled entities accounted for using the equity method	4 497	4 344	34 615
Other long-term investments	49 782	49 593	102 660
Deferred income tax assets	8 168	9 722	14 566
Total non-current assets	**2 463 448**	**2 456 320**	**2 687 205**
Inventory	297 051	297 233	330 083
Short-term investments	483	533	2 125
Deferred tax receivables	4 194	8 542	17 660
Trade and other receivables	854 185	731 412	846 776
Cash and cash equivalents	280 239	177 077	111 535
Available-for-sale assets	278 945	257 820	500
Total current assets	**1 715 097**	**1 472 617**	**1 308 679**
Total assets	**4 178 545**	**3 928 937**	**3 995 884**
EQUITY AND LIABILITIES (*in PLN thousands*)			
Share capital	279 115	164 115	164 115
Share premium	472 633	151 328	151 328
Hedge accounting provision	(3 263)	(439)	33 525
Financial asset revaluation provision	(425)	(425)	2 577
Other provisions	78 521	78 521	78 521
Exchange differences on net investment in foreign entities	(16 947)	(20 559)	(27 426)
Exchange differences on translation of associates and subsidiaries	(50 385)	(50 111)	(48 620)
Retained earnings	502 726	500 792	475 336
Equity attributable to owners of the parent	**1 261 975**	**823 222**	**829 356**
Non-controlling interests	33 963	32 476	37 518
Total equity	**1 295 938**	**855 698**	**866 874**
Borrowings including credit, loans and other debt instruments	1 233 138	495 343	661 901
Other non-current liabilities	223 070	231 196	235 811
Employee benefits	67 223	66 391	64 577
Provisions (other long-term)	62 571	62 002	71 591
Deferred income tax provision	104 714	101 095	109 462
Total non-current liabilities	**1 690 716**	**956 027**	**1 143 342**
Borrowings including credit, loans and other debt instruments	142 898	1 119 222	78 593
Trade and other payables	973 982	908 774	921 647
Income tax liabilities	17 321	36 147	934 747
Provisions (short-term provisions for employee benefits and other)	28 174	31 515	23 291
Liabilities directly related to available-for-sale assets	29 516	21 554	-
Total current liabilities	**1 191 891**	**2 117 212**	**1 985 668**
Total liabilities	**2 882 607**	**3 073 239**	**3 129 010**
Total equity and liabilities	**4 178 545**	**3 928 937**	**3 995 884**

4. Ciech Group consolidated statement of cash flows

in PLN thousands	**01.01-31.03.2011**	**01.01-31.03.2010**
Cash flows from operating activities		
Net profit (loss) for the period	**4 022**	**(3 148)**
Depreciation / amortisation	54 550	58 931
Creation / reversal of revaluations	(175)	43
Currency exchange gains / losses	634	13 193
Gain / loss on investing activities	(3 012)	437
Gain / loss on disposal of non-current assets	(92)	(3 052)
Dividend and interest	20 537	34 006
Income tax accrued	11 642	9 391
Gain / loss on settlement of construction contracts (caverns)	564	-
Gain / loss on interests in companies accounted for using the equity method	(95)	(516)
Operating profit / loss before changes in working capital and provisions	**88 575**	**109 285**
Change in receivables	(120 465)	(60 874)
Change in inventories	(33 942)	(17 626)
Change in current liabilities	48 823	65 683
Change in employee benefit provisions and liabilities	(2 880)	(5 945)
Net cash flow from operating activities	**(19 889)**	**90 523**
Interest paid	(27 906)	(27 153)
Cash flows from construction contracts (caverns)	(1 129)	-
Income tax paid	(10 184)	(11 418)
Valuation of derivative financial instruments	(4 971)	(25 401)
Other adjustments	(5 060)	(379)
Net cash from operating activities	**(69 139)**	**26 172**
Cash flows from investing activities		
Inflows	**7 402**	**5 173**
Disposal of subsidiary	-	226
Disposal of intangible assets and property, plant and equipment	755	4 763
Disposal of financial assets	1 154	-
Dividends received	10	-
Interest received	155	184
Other proceeds	5 328	-
Outflows	**(68 379)**	**(58 308)**
Purchase of intangible assets and property, plant and equipment	(57 859)	(57 951)
Purchase of financial assets	-	(189)
R&D expenditures	(1 073)	(166)
Loans granted	(6 037)	-
Other	(3 410)	(2)
Net cash from investing activities	**(60 977)**	**(53 135)**
Cash flows from financing activities		
Inflows	**462 227**	**35 038**
Net proceeds from issue of ordinary shares and other equity instruments and capital contributions	436 305	-
Proceeds from loans	16 874	35 038
Grants received	9 048	-
Outflows	**(251 272)**	**(24 645)**
Repayment of loans	(248 790)	(22 136)
Payment of finance lease liabilities	(2 482)	(2 509)

in PLN thousands	**01.01-31.03.2011**	**01.01-31.03.2010**
Net cash from financing activities	**210 955**	**10 393**
Total net cash flows	**80 839**	**(16 570)**
Cash at the beginning of period	**208 392**	**52 998**
Effect of foreign exchange differences	(339)	(3 486)
Cash at the end of period*	**288 892**	**32 942**

** The difference in the level of cash and cash equivalents indicated in the Ciech Group consolidated statement of cash flows for the first quarter of 2011 and the level indicated in the Ciech Group consolidated statement of financial position results from classifying FOSFORY Group cash and cash equivalents as available-for-sale assets.*

5. Ciech Group consolidated statement of changes in equity

in PLN thousands	Share capital	Share premium	Hedge accounting provision	Financial asset revaluation provision	Other provisions	Exchange differences on net investment in foreign entities	Exchange differences on translation of associates and subsidiaries	Retained earnings	**Equity attributable to owners of the parent**	Non-controlling interests	**Total equity**
Equity as at 1 January 2011											
Previously	**164 115**	**151 328**	**(439)**	**(425)**	**78 521**	**(20 559)**	**(50 111)**	**500 792**	**823 222**	**32 476**	**855 698**
Issue of shares	115 000	-	-	-	-	-	-	-	115 000	-	**115 000**
Issue premium over nominal value (agio)	-	321 305	-	-	-	-	-	-	321 305	-	**321 305**
Comprehensive income for 2011	-	-	(2 824)	-	-	3 612	(274)	1 934	**2 448**	1 487	**3 935**
Equity as at 31 March 2011	**279 115**	**472 633**	**(3 263)**	**(425)**	**78 521**	**(16 947)**	**(50 385)**	**502 726**	**1 261 975**	**33 963**	**1 295 938**

in PLN thousands	Share capital	Share premium	Hedge accounting provision	Financial asset revaluation provision	Other provisions	Exchange differences on net investment in foreign entities	Exchange differences on translation of associates and subsidiaries	Retained earnings	**Equity attributable to owners of the parent**	Non-controlling interests	**Total equity**
Equity as at 1 January 2010											
Previously	**164 115**	**151 328**	**15 688**	**(3 458)**	**78 521**	**(10 206)**	**(57 536)**	**478 123**	**816 575**	**37 232**	**853 807**
Dividend payout	-	-	-	-	-	-	-	-	-	(3 742)	**(3 742)**
Change in Group structure	-	-	-	(1 570)	-	-	-	-	(1 570)	-	**(1 570)**
Comprehensive income for 2010	-	-	(16 127)	4 603	-	(10 353)	7 425	22 669	**8 217**	(1 014)	**7 203**
Equity as at 31 December 2010	**164 115**	**151 328**	**(439)**	**(425)**	**78 521**	**(20 559)**	**(50 111)**	**500 792**	**823 222**	**32 476**	**855 698**

in PLN thousands	Share capital	Share premium	Hedge accounting provision	Financial asset revaluation provision	Other provisions	Exchange differences on net investment in foreign entities	Exchange differences on translation of associates and subsidiaries	Retained earnings	**Equity attributable to owners of the parent**	Non-controlling interests	**Total equity**
Equity as at 1 January 2010											
Previously	**164 115**	**151 328**	**15 688**	**(3 458)**	**78 521**	**(10 206)**	**(57 536)**	**478 123**	**816 575**	**37 232**	**853 807**
Comprehensive income for 2010	-	-	17 837	6 035	-	(17 220)	8 916	(2 787)	**12 781**	286	**13 067**
Equity as at 31 March 2010	**164 115**	**151 328**	**33 525**	**2 577**	**78 521**	**(27 426)**	**(48 620)**	**475 336**	**829 356**	**37 518**	**866 874**

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 2011 to 31 March 2011, including comparative data, were approved by the Management Board of CIECH S.A. on 12 May 2011 for publication on 13 May 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,
- Ordinance of the Minister of Finance of 19 February 2009 concerning current and interim reports filed by issuers of securities.

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

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

Section III, Points 10, 14 and 22 of this Report include such cases of professional judgement as exercised by the Management Board that will materially impact the consolidated financial statements, as well as estimates subject to significant changes in future periods.

2. Statement of compliance

These Ciech Group consolidated financial statements and the financial statements of all CIECH S.A. subsidiaries and associates for the reporting period as well as the comparative data have been prepared in compliance with all International Financial Reporting Standards (IFRS) in effect within the European Union as at 31 March 2011.

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 March 2011, including comparative data. Due diligence was exercised in preparing the tables and notes below. The financial data presented has not been audited.

3. Accounting policies adopted

Ciech Group's accounting policies are described in the 2010 Ciech Group consolidated report, published on 22 April 2011. The above report includes a detailed overview of the policies and methods used for measuring assets, liabilities and financial result, as well as preparing the financial statements, including comparative data. Since Ciech Group adopted IFRS on 1 January 2004, these policies have been used continuously in preparing all consolidated financial statements, except for specific changes detailed in stock market reports.

4. Functional currency, presentation currency and currency translation

The functional and presentation currency of these consolidated financial statements is the Polish zloty. Unless indicated otherwise, the data in the consolidated financial statements is expressed in PLN thousands.
In selected financial data, individual assets and liabilities disclosed in the balance sheet were translated into EUR using the average exchange rate announced by the National Bank of Poland for the reporting date (31 March 2011), i.e. 4.0119. Income statement items were translated into EUR based on the arithmetic mean of average EUR exchange rates announced by the National Bank of Poland for the last day of each month – January to March 2011 respectively: The exchange rate applicable in the reporting period is 3.9742.

III. Notes to the complete consolidated financial statements

1. Key events taking place in Ciech Group between 1 January 2011 and the date for the preparation of these statements

Soda division:

- On 17 January 2011 a three-year agreement governing the supply and price of coal was executed between Soda Polska CIECH Sp. z o.o. and Kompania Węglowa S.A. The agreement's term is from 1 January 2011 to 31 December 2013. The value of the agreement is estimated at approx. PLN 600.6 million. The agreement provides for contractual penalties: non-fulfilment of annual quantities for non-supplied or non-collected coal by the parties will result in payment of 10% of the net value of the non-supplied or non-collected coal. The above was disclosed in Current Report no. 3 of 18 January 2011.

Organika division:

- On 2 February ZACHEM S.A. signed an annex to the agreement of 29 July 2010, entered into with PROCHEM S.A. ZACHEM S.A. incurred a liability corresponding to the amount of the adopted budget for implementation of "Construction of the Installation and Implementation of Innovative Technology for Manufacture of Epichlorohydrin from Glycerol", amounting to PLN 57 229 640. Development and submission of the project budget by PROCHEM S.A. was one of the elements under phase I of the Agreement. The PLN 57 229 640 liability was conditional on approval of the budget for implementation of the above project by ZACHEM S.A. As at the date of signing the annex the budget became an integral part of the Agreement. The move forward to phase II of the Agreement was possible after approval of the project budget. Execution of the annex to the Agreement required that PROCHEM S.A. commence activities aimed at creating a complete installation for the manufacture of epichlorohydrin and transferring this to ZACHEM S.A. for use, constituting phase II of the Agreement. Completion of the investment is planned for 2012. This project received financing from EU funds, Measure 4.4 under the Innovative Economy Operational Programme (with the level of subsidy at approx. PLN 28 000 000). Estimation of the agreement's value was possible only after execution of the annex to the Agreement approving the project budget. The above was disclosed in Current Report no. 8 of 4 February 2011.
- On 5 April 2011 the Management Board of CIECH S.A. adopted a decision on completion of the divestment process with respect to Transclean Sp. z o.o. in connection with a lack of bids fulfilling the requirements adopted.

Financing:

- On 20 January 2011 CIECH S.A. signed a Commitment Letter with the Commercial Banks. The Commitment Letter confirms the Commercial Banks' intent to grant New Financing on the terms and conditions specified therein. The content of the Commitment Letter anticipates that the New Financing will be granted jointly by the Commercial Banks and the EBRD. On 20 January 2011 the EBRD informed CIECH S.A. of its intent to participate in the New Financing. The EBRD's participation required a final decision of the EBRD Board of Directors, which was expected on 15 February 2011.
  The key terms and conditions of the New Financing described in the Commitment Letter were presented in detail in Current Report no. 4 of 21 January 2011.
- On 20 January 2011 the banks which are parties to the Existing Loan Agreement expressed consent for funds from the Rights Issue, together with funds from the disposal of GZNF Fosfory Sp. z o.o. – in as far as these are not used for repayment on 31 March 2011 of PLN 400 million, reduced by a sum of close to PLN 155 million (i.e. funds previously allocated by CIECH S.A. for repayment or early repayment under the Existing Loan Agreement) – not to be allocated by CIECH S.A. for required early repayment of loans under the Existing Loan Agreement. At the same time CIECH S.A. undertook that funds from the Issue with Subscription Right and funds from the disposal of GZNF Fosfory Sp. z o.o. will be paid into a restricted account held with a collateral agent for CIECH S.A. The surplus held in the restricted account may be used by CIECH S.A. for capital expenditures of certain Ciech Group companies in accordance with the established schedule, on condition that CIECH S.A. fulfils the requirements contained in the Existing Loan Agreement and the loan agreement forming the basis for grant of the New Financing. After payout of funds under the New Loan Agreement and achievement by CIECH S.A. of the required financial ratios in relation to the reporting period ending 30 September 2011, funds held in the restricted account will be fully released.
- In relation to Current Report no. 29/2010 of 21 June 2010 concerning establishment of collateral connected with the refinancing agreement and in relation to the agreement between creditors, referred to in Current Report no. 21/2010 of 18 May 2010, on 9 February 2011 Soda Polska CIECH Sp. z o.o. received the final notification on establishment of collateral mortgages on assets of which Soda Polska CIECH Sp. z o.o. is the owner or usufructary. The value of the real property on which the above mortgage was established (Plots 0 - 2) calculated in accordance with IAS was PLN 150 323 000 as at 31 December 2010 and the value of rights to perpetual usufruct in accordance with Polish Accounting Standards was PLN 52 648 000.
- On 10 February 2011 annexes were signed to the agreement on loans granted to S.C. Uzinele Govora - Ciech Chemical Group S.A. by CIECH S.A., extending the repayment period for the loans granted to US Govora S.A. to 26 December 2011. The annexes concern loans executed between the Company and US Govora S.A. over the period 2006-2009, of a total value as at the debt extension date of approx. EUR 56.9 million.
- On 10 February 2011 a loan agreement was executed 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., together with Bank DnB Nord Polska S.A., Bank Handlowy w Warszawie S.A. (the "Credit 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"), concerning refinancing of Ciech Group's current financial debt under the Loan Agreement executed on 26 April 2010. The agreement provides for the accession thereto of S.C. Uzinele Sodice Govora - Ciech Ciech Chemical Group S.A. as guarantor and borrower and the European Bank for Reconstruction and Development as lender. The conditions for the EBRD's accession to the agreement include the acquisition of a positive decision from the Board of Directors of the EBRD and acceptance of the content of the Loan Agreement.

- In accordance with the decision of the Board of Directors, on 15 February 2011 the European Bank for Reconstruction and Development acceded to the Loan Agreements, at the same time accepting its terms and conditions. Conditions for payout of funds by the EBRD include reconciliation of collateral documentation and fulfilment of the terms and conditions for activation of the Investment Loan as indicated in the Loan Agreement. The EBRD's accession to the Loan Agreement was one of the conditions precedent for activation of the loans provided for under the Loan Agreement.
- During the first quarter of 2011 CIECH S.A. issued ordinary series D bearer shares with subscription right. Detailed information on the issue can be found in point 18 of this report.
- On 18 March 2011 an agreement was executed between CIECH S.A. and US Govora S.A. concerning novation of CIECH S.A.'s EUR 1 467 000 claim against US Govora S.A. 000. The claim arose on 18 March 2011 in connection with partial repayment by Ciech S.A. of a loan granted to US Govora S.A. by Bank Handlowy w Warszawie S.A. (pursuant to the loan agreement of 26 April 2010) amounting to EUR 1 467 000. Pursuant to the novation agreement, the debt under the above claim was converted into an intra-group loan for which the repayment deadline was established as 26 December 2011.
- On 24 March 2011 the Supervisory Board established a consolidated text of the CIECH S.A. Articles of Association, taking into consideration the changes made to the CIECH S.A. Articles of Association through Resolution no. 3 of the Extraordinary General Meeting of CIECH S.A. of 28 October, registered on 14 March 2011 by the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register. The altered articles were published on 25 March 2011.
- On 25 March 2011 the Management Board of Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) adopted the following:
  - resolution no. 380/2011 concerning designation of the last day for listing 23 000 000 rights to CIECH S.A. ordinary series D bearer shares with nominal value of PLN 5 each ("Rights to Series D Shares"), in which the Management Board of the Warsaw Stock Exchange (WSE) established the last date for the listing of Rights to Series D Shares, designated by Krajowy Depozyt Papierów Wartościowych S.A. (National Depository for Securities) under code no. PLCIECH00067, as 29 March 2011.
  - resolution no. 381/2011 concerning the admission to primary market trading on the WSE of CIECH S.A. ordinary series D bearer shares, in which the Management Board of the WSE resolved to admit 23 000 000 CIECH S.A. ordinary series D bearer shares with nominal value of PLN 5 each, as of 30 March 2011, on condition that registration of such shares and their designation under code no. PLCIECH00018 be performed on 30 March 2011 by the National Depository for Securities.
- On 14 April 2011 a loan agreement was executed between CIECH S.A. and Organika-Sarzyna S.A. to provide financing for the construction of an MCPA active substance manufacturing plant together with infrastructure. The agreement provides for payout of the loan in tranches over the period from April 2011 to September 2012, and the anticipated loan payout will total PLN 63 million. The loan repayment schedule assumes its total repayment by 31 December 2018.
- Fulfilment of the conditions precedent set forth in the conditional sales agreement of 16 December 2010 occurred on 27 April 2011. This agreement concerns the sale of 51 855 shares in GZNF "Fosfory" Sp. z o.o., executed between CIECH S.A. and Zakłady Azotowe "Puławy". The effect of fulfilling the conditions precedent set forth in the Agreement was the sale on 27 April 2011 of assets in the form of 51 855 shares in the Company with nominal value of PLN 500 each, constituting 89.46% of the Company's share capital and carrying 89.46% votes at the Company's General Meeting. Share value in the Issuer's accounts as at 31 December 2010 amounted to PLN 20 888 000. The price for Company Shares amounted to PLN 107 239 810.90 and was calculated pursuant to the established fixed Enterprise Value of the Company and the Company's Forecast Net Financial Debt Level specified in the Agreement. The price for the Shares was adjusted by the variance between the Net Financial Debt Level established on 27 April 2011 and the Forecast Net Financial Debt Level. Furthermore the Purchaser also paid the Seller the value of loans (together with interest due up to 27 April 2011) granted by the Seller to the Company and its subsidiaries, amounting to PLN 121 361 636.82, which the Purchaser accepted pursuant to the Agreement. No links of any kind exist between CIECH S.A. and the persons managing and supervising CIECH S.A. on the one hand and the Purchaser on the other.
- On 27 April 2011 a loan agreement was executed between CIECH S.A. as lender and ZACHEM S.A. as borrower, amounting to the equivalent of up to PLN 120 000 000. The loan will be used to finance capital expenditures and as working capital of the borrower. The Agreement provides for payout of the loan in tranches, in PLN or USD, at the borrower's request accepted by the lender. The loan repayment date was established as 31 December 2012.

2. Description of achievements at Ciech Group during the period 1 January to 31 March 2011, together with a description of factors and events having a significant impact on the financial result achieved

2.1 Basic financial data

During the first quarter of 2011 Ciech Group achieved a net profit of PLN 4 022 000, the carrying amount was PLN 4 178 545 000 and net cash and cash equivalents increased by PLN 80 839 000.

Selected financial information is presented below together with basic financial ratios for the first quarter of 2011 and 2010.

Selected financial information

in PLN thousands	**01.01-31.03.2011**	**01.01-31.03.2010**	**Change 2011/2010**
Net revenue from sales	**1 122 026**	**962 004**	**16.6%**
Own cost of sales	949 083	824 091	15.2%
Gross profit	172 943	137 913	25.4%
Distribution costs	70 550	58 744	20.1%
Administrative expenses	54 167	61 028	(11.2%)
Other operating revenue / costs	(5 995)	23 517	-
Profit on operating activities	**42 231**	**41 658**	1.4%
Finance income / costs	(26 662)	(35 931)	(25.8%)
Share of the net profit of associates and subsidiaries accounted for using the equity method	95	516	(81.6%)
Income tax	(11 642)	(9 391)	24.0%
Net profit	**4 022**	**(3 148)**	**-**
Net profit attributable to non-controlling interests	2 145	(365)	-
Net profit attributable to owners of the parent	**1 877**	**(2 783)**	**-**
EBITDA	96 781	100 589	(3.8%)

in PLN thousands	**31.03.2011**	**31.12.2010**	**31.03.2010**	**change 31.03.2011-31.12.2010**
Value of assets	**4 178 545**	**3 928 937**	**3 995 884**	**6.4%**
Non-current assets	2 463 448	2 456 320	2 687 205	0.3%
Current assets, including:	1 715 097	1 472 617	1 308 679	16.5%
- inventory	297 051	297 233	330 083	(0.1%)
- current receivables	858 379	739 954	864 436	16.0%
- cash and cash equivalents	280 239	177 077	111 535	58.3%
- short-term investments	483	533	2 125	(9.4%)
- available-for-sale assets	278 945	257 820	500	8.2%
Total equity	**1 295 938**	**855 698**	**866 874**	**51.4%**
Equity attributable to owners of the parent	1 261 975	823 222	829 356	53.3%
Non-controlling interests	33 963	32 476	37 518	4.6%
Non-current liabilities	1 690 716	956 027	1 143 342	76.8%
Current liabilities	1 191 891	2 117 212	1 985 668	(43.7%)

in PLN thousands	**01.01-31.03.2011**	**01.01-31.03.2010**	**Change 2011/2010**
Net cash flows from operating activities	(69 139)	26 172	-
Net cash flows from investing activities	(60 977)	(53 135)	14.8%
Net cash flows from financing activities	210 955	10 393	1 929.8%
Total net cash flows	**80 839**	**(16 570)**	-
including free cash flows	**(130 116)**	**(26 963)**	382.6%

	31.03.2011	**31.12.2010**	**31.03.2010**	**change 31.03.2011-31.03.2010**
Net earnings per share*	**0,06**	**0,81**	**(0,09)**	**0.15**
Net margin	0,2%	0,5%	(0,3%)	-
EBIT %	3,8%	3,7%	4,3%	(11.6%)
EBITDA %	8,6%	9,7%	10,5%	(18.1%)
Current ratio	1,44	0,70	0,66	118.2%
Quick ratio	1,19	0,56	0,49	142.9%
Debt ratio	69,0%	78,2%	78,3%	(9.3%)
Equity to total assets ratio	31,0%	21,8%	21,7%	9.3%

Source: CIECH S.A.

**In the first quarter of 2011, CIECH S.A. issued 23 000 000 shares – in connection with this profit per share during this period is calculated on the basis of the weighted average number of shares presented in point IV.6.2 of this Report.*

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

2.2 Revenue from sales

Ciech Group's net consolidated revenue from sales for the first quarter of 2011 amounted to PLN 1 122 026 000. Compared to the same period last year, revenue increased by PLN 160 022 000, or 16.6%. The increase was driven mainly by growth of revenue from resins in the Organics segment and ash soda in the Soda segment. Furthermore, the agrochemicals segment from the Agro-silicon division generated higher revenues than in the first quarter of 2010, which results mainly from increased sales of phosphorus compounds.
Ciech Group's operations focus on four operating segments: Soda, Organics, Agrochemicals, and Silicates and glass. The four segments account for over 95% of Ciech Group's revenue from sales. The revenue structure has not changed in relation to the same period last year. Organics were the largest item in Group sales revenue in the first quarter of 2011 – the 2010 level was maintained. In comparison with the first quarter of 2010, the level of sales rose in each segment, while the shares of specific segments within Ciech Group consolidated revenues did not change significantly.

Revenue from sales – operating segments

in PLN thousands	**Q1 2011**	**Q1 2010**	**change**	**% change**	**% share in total revenue Q1 2011**	**% share in total revenue Q1 2010**
Soda segment – Soda division, including:	**398 861**	**339 916**	**58 945**	**17.3%**	**35.5%**	**35.3%**
Dense soda ash	221 233	195 647	25 586	13.1%	19.7%	20.3%
Light soda ash	77 839	63 854	13 985	21.9%	6.9%	6.6%
Salt	36 066	36 798	(732)	(2.0%)	3.2%	3.8%
Baking soda	25 310	22 916	2 394	10.4%	2.3%	2.4%
Calcium chloride	8 804	8 440	364	4.3%	0.8%	0.9%
Organics segment – Organika division, including:	**441 841**	**380 461**	**61 380**	**16.1%**	**39.4%**	**39.5%**
TDI	119 597	142 568	(22 971)	(16.1%)	10.7%	14.8%
Resins	121 637	66 712	54 925	82.3%	10.8%	6.9%
PUR foams	54 126	47 342	6 784	14.3%	4.8%	4.9%
Plant protection chemicals	57 096	51 162	5 934	11.6%	5.1%	5.3%
Plastics	20 041	22 003	(1 962)	(8.9%)	1.8%	2.3%
EPI	28 429	13 134	15 295	116.5%	2.5%	1.4%
Agrochemicals segment – Agro-silicon division, including:	**144 563**	**108 738**	**35 825**	**32.9%**	**12.9%**	**11.3%**
Fertilisers	62 148	69 678	(7 530)	(10.8%)	5.5%	7.2%
Phosphoric acid	41 834	16 934	24 900	147.0%	3.7%	1.8%
Zboża	1 213	1 756	(543)	(30.9%)	0.1%	0.2%
Silicates and glass segment – Agro-silicon division, including:	**79 551**	**77 881**	**1 670**	**2.1%**	**7.1%**	**8.1%**
Sulfur	38 049	34 498	3 551	10.3%	3.4%	3.6%
Glass blocks and packaging	21 509	23 177	(1 668)	(7.2%)	1.9%	2.4%
Sodium glass	12 882	13 213	(331)	(2.5%)	1.1%	1.4%
Sodium water glass	4 354	4 775	(421)	(8.8%)	0.4%	0.5%
Other activity	**57 210**	**55 008**	**2 202**	**4.0%**	**5.1%**	**5.7%**
TOTAL, including:	**1 122 026**	**962 004**	**160 022**	**16.6%**	**100.0%**	**100.0%**
Discontinued operations	***80 841***	***74 991***	**5 850**	**7.8%**	**7.2%**	**7.8%**

2.3 Gross profit and operating profit

After the first quarter of 2011, gross profit amounted to PLN 172 943 000, compared to PLN 137 913 000 in the same period last year. Operating profit amounted to PLN 42 231 000 versus PLN 41 658 000 in the comparative period.

The presented data was positively affected by:

- improvement in volumes and margins within the epoxy resin industry, compared to the first three quarters of 2010,
- dynamic sales growth observed in the domestic chemical industry between January and March 2011, compared to the same period in 2010 (based on constant prices – 9.3% for chemicals and chemical products, 21.2% for rubber and plastics),
- the continuation of last year's growth tendency in prices on global and European mineral fertiliser markets,
- maintenance of the growth tendency in total domestic production of mineral fertilisers (increase of 2% by quantity within the first three months of 2011 in relation to the previous year),
- acceleration in the rate of increase in domestic sales of construction and installation manufacturing to 18.8% within the first three months of 2011 in relation to the previous year (the chemical industry produces many raw materials and semi-finished products for this manufacturing),
- an increase in the price of sodium carbonate on European markets (by between several and several dozen percent in relation to the 2010 level), mainly caused by an increase in manufacturing costs.

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

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

The presented data was negatively affected by:

- 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),
- an increase in sodium carbonate manufacturing costs in Europe (energy, coke, anthracite),
- maintenance of the high rate of oil price growth, particularly from the middle of 2010, causing an increase in or supplier pressure on the price of raw materials for the organics industry,
- further growth in the price of raw materials for the manufacture of phosphoric fertilisers.

The EBIT margin amounted to 3.8% as of the end of March 2011 (vs 4.3% a year earlier), while the EBITDA margin was 8.6% (vs. 10.5% a year earlier).

2.4 Net result

The consolidated net result for the first quarter of 2011 amounted to PLN 4 022 000, of which PLN 1 877 000 constituted the net result for shareholders in the parent. Net margin achieved a level of 0.2%. Profit on operating activities was significantly levelled by the result on finance activity. The costs of debt servicing, including mainly interest on loans, had a significant negative impact on the net result for the first quarter of 2011.

Financial result by type of activity

in PLN thousand	**01.01-31.03.2011**	**01.01-31.03.2010**	**Zmiana 2011/2010**
1. Profit on operating activities	42 231	41 658	1.4%
2. Net finance income / costs	(26 662)	(35 931)	(25.8%)
3. Share of the net profit of associates and subsidiaries accounted for using the equity method	95	516	(81.6%)
4. Income tax	(11 642)	(9 391)	24.0%
5. Profit on sales from discontinued operations	-	-	-
6. Net result (1+2+3-4+5)	**4 022**	**(3 148)**	**-**
7. Net profit / loss attributable to non-controlling interests	2 145	(365)	-
8. Net profit / loss attributable to owners of the parent (6-7)	**1 877**	**(2 783)**	**-**

Source: CIECH S.A.

2.5 Assets

As at the end of March 2011, Ciech Group’s non-current assets were valued at PLN 2 463 448 000. Compared to 31 December 2010, this represents a PLN 7 128 000 increase. The largest drop occurred in property, plant and equipment, amounting to PLN 6 011 000 compared to the end of 2010.

Ciech Group’s current assets amounted to PLN 1 715 097 000 as at 31 March 2011. Current assets mainly consisted of trade and other receivables (49.8%) and inventory (17.3%). Compared to the end of December 2010, the value of current assets rose by PLN 242 480 000, the largest contributor being trade and other receivables, notably in Organika - Sarzyna S.A. due to the seasonal nature of plant protection chemical sales. Moreover, the Group's cash position has increased significantly due to proceeds from a share issue by CIECH S.A. which took place in Q1 2011.

2.6 Liabilities

Total current and non-current liabilities of Ciech Group amounted to PLN 2 882 607 000 as at 31 March 2011 – a decrease of PLN 190 632 000 or 6.2% since December 2010.

Compared to 31 December 2010, liabilities decreased by PLN 238 582 000 as a result of repayment by Group companies of debt related to a consortium loan.

The debt ratio (current and non-current liabilities divided by total assets) was 69.0% as at 31 March 2011 (78.2% at the end of December 2010). Ciech Group's consolidated net debt (total current and non-current liabilities from borrowings, current account overdraft and other debt instruments (bonds, finance leases, liabilities on derivative instruments) – less cash and cash equivalents was PLN 1 127 306 000 as at 31 March 2011, or PLN 348 598 000 less than at the end of December 2010.

The liquidity ratios showed a marked improvement in relation to their level as at the end of 2010 as a result of the share issue, a detailed description of which can be found under point 18 of this report, and as a result of recognising liabilities under consortium loan as current and non-current, a description of which can be found under point 22 of this report. The current ratio, calculated as total current assets divided by total current liabilities, amounted to 1.44 as at 31 March 2011 (0.70 as at the end of 2010), whereas the quick ratio was equal to 1.19 (0.56 as at the end of 2010).

2.7 Cash flows

Total net cash flows were positive in the first quarter of 2011, amounting to PLN 80 839 000. Ciech Group generated PLN 97 409 000 more cash than in the same period last year. Operating cash flows, which added up to PLN -69 139 000, were PLN 95 311 000 lower than those generated between January and March 2010.

Investment outflows exceeded inflows by PLN 60 977 000, which is higher than the negative balance during the corresponding period in 2010, i.e. PLN -53 135 000. Net cash flows from investing activities were most affected by purchases of intangible assets and property, plant and equipment in SODA MĄTWY Group, ZACHEM Group and Z. Ch. "Organika-Sarzyna" S.A. in connection with ongoing development investments.

Net cash flows from financing activities were positive and amounted to PLN 210 955 000. This was PLN 200 562 000 higher in relation to the same period in 2010. The two main reasons for this increase are:

- proceeds from issue of shares by CIECH S.A., which took place during the first quarter of 2011,
- repayment by Ciech Group of approx. PLN 245 million in debt resulting from the consortium loan agreement executed in 2010.

2.8 Information on Ciech Group's financial position

Profitability in the first quarter of 2011

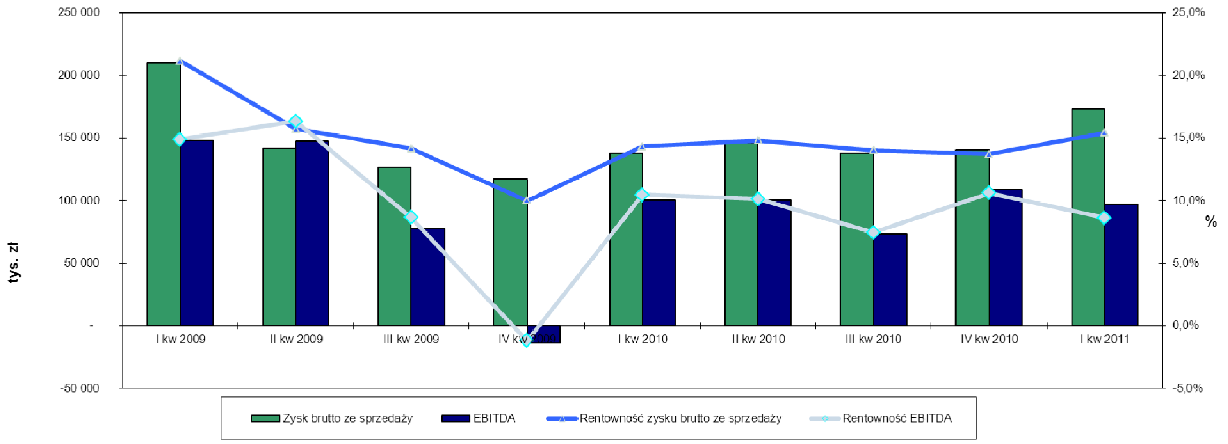
In the first quarter of 2011 Ciech Group's operating margin was maintained at a level close to that achieved in the first quarter of 2010. Gross margin increased in relation to the previous year, which mainly resulted from an increase in margins in the epoxy industry. Furthermore, the positive effects of sodium carbonate price growth within the soda segment are levelled by an increase in production costs (coke, anthracite).

Group profitability ratios

Details	01.01-31.03.2011	01.01-31.03.2010
Gross margin	15.4%	14.3%
Profit margin	4.3%	1.9%
Operating profit margin	3.8%	4.3%
EBITDA margin	8.6%	10.5%
Return on sales	0.4%	(0.3%)
Return on assets	0.1%	(0.1%)
Return on equity	0.3%	(0.4%)

Ratios calculated as follows:
gross margin *– gross profit on sales for the period / net revenue from sales of products, materials, other goods and services,*
profit margin *– profit on sales for the period / net revenue from sales of products, materials, other goods and services,*
operating profit margin *– operating profit for the period / net revenue from sales of products, materials, goods for resale and services,*
return on sales *– net profit for the period / net revenue from sales of products, materials, goods for resale and services,*
return on assets *– net profit / assets at the end of period,*
return on equity *– net profit / equity at the end of period.*

Ciech Group margins



Source: CIECH S.A.

Group liquidity and working capital

The liquidity ratios as at the end of March 2011 showed a marked improvement in relation to the level as at the end of 2010, exceeding the level of 1. This is a result of the execution of a new long-term loan agreement on 10 February 2011, which significantly improved financial stability and the liquidity situation. Furthermore, debt under the loan agreement executed in April 2010 was partially repaid during the first quarter of 2011.

Ciech Group liquidity ratios

Details	31.03.2011	31.12.2010	31.03.2010
Current ratio	1.44	0.70	0.66
Quick ratio	1.19	0.56	0.49

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

Capacity to generate cash flow

Details	31.03.2011	31.03.2010
Cash flow (net profit + depreciation)	58 572	55 783
Other adjustments to net profit	(22 127)	(16 794)
Adjusted cash flow	**36 445**	**38 989**
Change in working capital	**(105 584)**	**(12 817)**
Cash flows from operating activities	(69 139)	26 172
Cash flows from investing activities	(60 977)	(53 135)
Free cash flows	**(130 116)**	**(26 963)**

Ciech Group generated a negative cash flow in the first quarter of 2011, similar to 2010. During the first quarter of 2011, an increase in the level of working capital resulted in an increase in use of cash of PLN 105 584 000, compared to PLN 12 817 000 in the corresponding period of 2010. Moreover, adjusted cash flows were not sufficient to generate positive free cash flow.

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 401 785 000, marking an increase of PLN 83 892 000 compared to the end of 2010. An on-going restructuring process and a new credit agreement will help increase net cash flows significantly.

Ciech Group working capital

Details	31.03.2011	31.12.2010
1. Current assets, including:	1 715 097	1 472 617
Inventory	*297 051*	*297 233*
Trade and other receivables	*614 426*	*509 153*
2. Cash instruments and other short-term investments	280 722	177 610
3. Current assets adjusted (1-2)	1 434 375	1 295 007
4. Current liabilities, including:	1 191 891	2 117 212
Trade and other payables	*626 916*	*582 893*
5. Short-term borrowings and other financial liabilities*	159 301	1 140 098
6. Current liabilities adjusted (4-5)	1 032 590	977 114
7. Working capital including short-term loans (1-4)	523 206	(644 595)
8. Working capital (3-6)	401 785	317 893

***** *Other current financial liabilities include current liabilities from finance leases and current liabilities from derivative instruments*

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.

Group debt has decreased in relation to 2010 due to repayment of PLN 245m in accordance with the Loan Agreement of 26 April 2010. The debt ratio, previously at 78.2%, fell to 69.0%. The term structure of financing (non-current liabilities equalling 40.5% of total assets as at the end of March 2011) has significantly improved in relation to December 2010. The relative net debt (net finance liabilities in relation to EBITDA) has also improved.

As a result of the new loan agreement executed in February 2011, Ciech Group's debt structure improved in favour of long-term loans. Liabilities under consortium loans were presented after division into short- and long-term pursuant to the results of the 10% test and in accordance with IAS 1, point 73, which has been described in point 22 of this report.

Ciech Group debt ratios

Details	31.03.2011	31.12.2010	31.03.2010
Debt ratio	69.0%	78.2%	78.3%
Long-term debt ratio	40.5%	24.3%	28.6%
Financial leverage	222.4%	359.1%	361.0%
Equity-to-assets ratio	31.0%	21.8%	21.7%
Net debt / EBITDA	2.96	3.84	5.43

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

- **Information on ratios contained in 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.

According to the Company's calculations, as at 31 March 2011 the required interest coverage ratio level would not have been achieved (consolidated EBITDA over consolidated net finance costs), since the level of the ratio calculated by the Company was 2.42, versus the 2.75 initially required by the Loan Agreement.

However, on 14 December 2010 the Company requested that the banks change the required interest coverage ratio as at 31 March 2011. This request was accepted by the lenders on 10 May 2011. Pursuant to calculations made by the Company, the new ratio level specified by the lenders as at 31 March 2011 was achieved – in connection with the above, in the Company's opinion, it is unnecessary to recognise the total consortium loan as a current liability.

Group debt financing

The Group's debt financing is ensured through:

- loans extended to CIECH S.A. and S.C. Govora - Ciech Chemical Group S.A. pursuant to the consortium loan agreement of 26 April 2010 (as at 31 March 2011 a debt level of approx. PLN 842m); existing loans will be refinanced with loan proceeds which will be made available pursuant to the new consortium loan agreement executed on 10 February 2011.
- loans extended to CIECH S.A. pursuant to bilateral loan agreements with BNP Paribas S.A., CA-CIB S.A. and Fortis Bank S.A. (as at 31 March 2011 a debt level of approx. PLN 41m)
- bonds issued by CIECH S.A. (as at 31 March 2011 a debt level of approx. PLN 300m)
- loans extended to Soda Deutschland Ciech GmbH pursuant to a loan agreement with Commerzbank AG (as at 31 March 2011 a debt level of approx. EUR 51.5m)

Consortium loan agreement of 26 April 2010

On 26 April 2010, a loan agreement was concluded by and between, i.e., CIECH S.A. as the borrower and its subsidiaries as guarantors (Agrochem Sp. z o.o. seated in Człuchów, Agrochem Sp. z o.o. seated in Dobre Miasto, JZS Janikosoda S.A., IZCh Soda Mątwy S.A., Soda Polska Ciech Sp. z o.o., ZCh Alwernia S.A., Przedsiębiorstwo Chemiczne Cheman S.A., GZNF Fosfory Sp. z o.o., ZCh Organika Sarzyna S.A., Polfa Sp. z o.o., Ciech Service Sp. z o.o., Vitrosilicon S.A., Transclean Sp. z o.o. and ZCh Zachem S.A. – hereinafter referred to as the "Companies"), and a syndicate of banks (Bank Polska Kasa Opieki S.A., Bank Handlowy w Warszawie S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A. and DNB Nord Polska S.A. – hereinafter referred to as the "Arranging Banks"). On 15 June 2010, S.C. US Govora – CIECH Chemical Group S.A., hereinafter also referred to as the "Company", joined as a guarantor and borrower.
The consolidation of debt has positively impacted on Ciech Group's overall liquidity and ensures financial stability until long-term financing is acquired based on a new loan agreement signed on 10 February 2011.

Loan amount and tranches:

The total loan amount granted and used was equivalent to PLN 1 285m (exchange rate as at 25 August 2010).
The loan was granted as a term tranche of PLN 1 210m, a set of revolving loans of approx. PLN 30m as well as guarantees amounting to approx. EUR 11.7m.
Until the date of the publication of this report, a loan repayment equivalent to PLN 21.5m had been made and the guarantee amount lowered to approx. EUR 9.6m.

Loan interest:

Variable interest based on WIBOR / EURIBOR plus variable margin, dependent on the individual tranche and the net debt ratio.

The key terms of repayment include:

- reduction of loans by a total of PLN 400 000 000 (including quarterly amortisation and early repayments) until 31 March 2011 (repaid on 18 March 2011),
- compulsory early repayment of loans in the following cases:
  - change in control, in particular if (i) the State Treasury ceases to own at least 10 270 800 shares in CIECH S.A., or (ii) any person other than the State Treasury becomes the largest shareholder of CIECH S.A. and owns at least 50% of the issued share capital of CIECH S.A., or (iii) any person other than the State Treasury, or a group of persons acting in concert, acquires control over CIECH S.A., subject to the exception that no early repayment will be required should the change in control be permitted by a contractually agreed majority of Arranging Banks or should additional conditions be met, such as those related to the level of debt,
  - share capital increase: early repayment of loans in an amount equal to the proceeds from the increase in the share capital of CIECH S.A. or other Significant Members of Ciech Group – whether by public offering or otherwise – Significant Members of Ciech Group being defined as guarantors, selected companies from Ciech Group and fully consolidated Ciech Group companies with net assets of at least PLN 25 000 000; this is restricted by the provision that once PLN 400 000 000 has been repaid, the above requirement will be subject to the level of the net debt ratio and could concern 100%, 50% or 0% of such proceeds, On 20 January 2011 members of the consortium of banks expressed their consent to the fact that proceeds from the rights issue – in so far as such funds are not required for repayment on 31 March 2011 of PLN 400 000 000, decreased by close to PLN 155.2m (i.e. the amount of funds previously designated by CIECH S.A. for the repayment or early repayment of loans) – were not allocated for obligatory early repayment of loans
  - excess cash flows: should any Ciech Group quarterly financial report, starting from the report for the period ending 31 March 2011, display free cash flows (i.e. excess consolidated cash flows over cash flows related to debt servicing) – an early repayment of loans amounting to no less than 75% of such excess cash flows; the first early repayment to be made on 30 June 2011,
  - disposal of assets, sale of shares held by CIECH S.A. or Significant Members of Ciech Group – 100% of total net proceeds from disposals made during the given quarter to credit the early repayment of loans (subject to exceptions provided for in the agreement); on 20 January 2011 bank consortium members have agreed for proceeds from sale of shares in GZNF Fosfory Sp. z o.o. – in as far as such funds will not be necessary to repay on 31 March 2011 PLN 400 000 000, less approx. PLN 155.2m (i.e. the amount of funds previously designated by CIECH S.A. for the repayment or early repayment of loans) – were not allocated for obligatory early repayment of loans
  - receipt of substantial proceeds from any insurance policy against loss or damage to its assets or property,
  - conclusion of asset sale and lease back by CIECH S.A. or Significant Members of Ciech Group, concerning either 100% or 75% of such proceeds depending on the given case,
  - non-compliance with the law on the side of lenders,
- one-off repayment of all outstanding loans no later than 20 months after the execution of the agreement (i.e. 26 December 2011).

Loan collateral comprises:

- mortgages on real estate owned by CIECH S.A. and Companies,
- pledge on the property 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 selected locked-in accounts of Significant Members of 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 required to – in particular:
- maintain levels of certain financial ratios as stipulated in the agreement, calculated at Group level excluding Soda Deutschland Ciech Group and tested on a quarterly basis:
  - debt to operating results (total consolidated net debt to consolidated EBITDA),
  - balance sheet debt ratio (total consolidated net debt to consolidated net value of property, plant and equipment),
  - interest coverage ratio (consolidated EBITDA to consolidated net finance costs),
  - guarantor coverage ratio (gross turnover and assets of loan guarantors to gross turnover and assets of the Ciech Group, excluding Soda Deutschland Ciech Group),
- refrain from establishing new collateral, other than contractually permitted,
- 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 Alwernia S.A.,
- refrain from incurring debt beyond the permitted levels,
- limit capital expenditure to the level and scope specified in the agreement,
- subject to criteria and deadlines specified in the agreement, establish registered pledges on individual real properties owned by CIECH S.A. and Companies, where the value of such property exceeds PLN 5 000 000,
- refrain from entering into derivative transactions, other than contractually permitted hedging transactions, and
- appoint a restructuring advisor and submit a restructuring plan for Ciech Group within 10 weeks from execution of the loan agreement.

Ability to meet the terms and conditions of the loan agreement
In accordance with the consortium loan agreement in force, CIECH S.A. was required to reduce debt to PLN 400m by the end of March 2011. The required debt repayment was completed on 18 March 2011. The Management Board of CIECH S.A. expects to refinance PLN 842m remaining to be repaid under the consortium loan using loan proceeds which will be made available pursuant to the new loan agreement executed on 10 February 2011.

Consortium loan agreement of 10 February 2011
On 10 February 2011 a loan agreement (the "**Loan Agreement**") was executed 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. (the "**Companies**"), together with Bank DnB Nord Polska S.A., Bank Handlowy w Warszawie S.A. (the **"Credit 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"**).
The agreement provides for the accession of S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. ("**Govora**") as a guarantor and borrower (also a "Company"). On 15 February 2011 the European Bank for Reconstruction and Development ("EBRD") acceded to the Loan Agreement

Loans made available:
Pursuant to the Loan Agreement, the following loans were made available:
1. dual-currency, fixed-term refinancing loan in PLN and EUR of a total value of approx. PLN 739m granted by the Commercial Banks (the "**Fixed-Term Loan**") in order to refinance debt under the loan agreement described in Current Report no. 16/2010 of 26 April 2010. Approx. 25% of the Fixed-Term Loan will be used in EUR;
2. multi-currency revolving loan (also available in the form of guarantees and letters of credit) valued at PLN 100m granted by the Commercial Banks (the "**Revolving Loan**") in order to refinance debt under the loan agreement described in Current Report no. 16/2010 of 26 April 2010, finance liquidity requirements (including grant of intra-group loans) and the acquisition of guarantees and letters of credit by Ciech Group;
3. an additional guarantee line amounting to EUR 9.6m, granted to S.C. CET Govora S.A. by Bank Polska Kasa Opieki S.A. (the "**Pekao Additional Guarantee Line**");
4. fixed-term investment loan in EUR, amounting to the equivalent of PLN 300m granted by the EBRD (the "**Investment Loan**") to finance and refinance Ciech Group capex under the investment programme. The required contribution to be made by the Group is at least 40% of the amount of finance or refinance of capex

from the date of executing the Loan Agreement. The Investment Loan may be activated during the period from 1 September 2012 to 30 November 2012.

Variable interest established on the basis of WIBOR / EURIBOR plus a margin (lower than that in force in the loan agreement of 26 April 2010), the level of which is varied for loans in PLN and EUR, variable during the period and dependent on the level of the net debt ratio to operating result increased by amortisation / depreciation (EBITDA).

Conditions precedent:

The loans will be granted by the Commercial Banks and the EBRD on condition that the Loan Agent (operating pursuant to the Commercial Banks' and the EBRD's request) informs CIECH S.A. that it has received (or waived) all the documents and evidence listed in the appendix to the agreement, the declarations of CIECH S.A. and Companies stipulated in the agreement being true at the time and no infringement of the agreement (as defined therein) having taken place or be taking place.

The conditions precedent for making funds under the loans available include (I) the acquisition of all required corporate consent by CIECH S.A. and the Companies, (ii) Govora entering into the loan agreement, (iii) the EBRD entering into the loan agreement after obtaining the consent of the Board of Directors of the EBRD and acceptance of the content of the Loan Agreement (condition fulfilled); (iv) enactment of the rights issue by CIECH S.A. in accordance with the resolution of the general meeting of shareholders of 28 October 2010 (condition fulfilled), (v) reduction of debt in accordance with the loan agreement of 26 April 2010 (condition fulfilled), and (vi) the establishment of collateral.

The loans will be made available by the Commercial Banks at the earliest 2 months after the collateral documents have been signed and applications to register the collateral have been filed with the relevant registers as well as land and mortgage registers, as well as after handover of a Compliance Declaration confirming achievement of the financial ratios after the second quarter of 2011.

The Investment Loan will be made available after acquisition of a technical advisor's positive opinion concerning the investment conducted during this period, in particular confirming progress of works on modernising the Janikowo CHP in accordance with the adopted schedule for completion of the project and after fulfilment of other terms and conditions provided for in the Loan Agreement.

Terms and conditions of loan repayment:

The key terms of repayment include:

- quarterly loan amortisation in the amount specified in the appendix to the Loan Agreement for the period from 30 December 2011 to 31 March 2016,
- compulsory early repayment of loans in the following cases:
  - change in control, in particular if (i) the State Treasury ceases to own at least 10 270 800 shares in CIECH S.A., or (ii) any person other than the State Treasury becomes the largest shareholder of CIECH S.A. and owns at least 50% of the issued share capital of CIECH S.A., or (iii) any person other than the State Treasury, or a group of persons acting in concert, acquires control over CIECH S.A., subject to the exception that no early repayment will be required should the change in control be permitted by a contractually agreed majority of Arranging Banks or should additional conditions be met, such as those related to the level of net debt to operating results plus depreciation / amortisation (EBITDA);
  - share capital increase: early repayment of loans in an amount equal to the proceeds from the increase in the share capital of CIECH S.A. or other Significant Members of the Ciech Group – whether by public offering or otherwise – Significant Members of Ciech Group being defined as guarantors, selected companies from Ciech Group and fully consolidated Ciech Group companies with net assets of at least PLN 25 000 000; this is subject to the exception that no early repayment will be required should the change in control be permitted by a contractually agreed majority of Arranging Banks or should additional conditions be met, such as those related to the level of net debt to operating results plus depreciation / amortisation (EBITDA);
  - excess cash flows: should any Ciech Group quarterly financial report, starting from the report for the period ending 31 March 2013, display free cash flows at the end of each quarter in a calendar year by an amount defined in the agreement – an early repayment equal to the amount of such excess cash flow;
  - disposal of all assets of Zakłady Chemiczne Alwernia S.A. and Vitrosilicon S.A. or sale of shares in these companies – use of all net proceeds received in a given quarter for early repayment of loans (subject to the exceptions specified in the Loan Agreement);
  - receipt of substantial proceeds from any insurance policy against loss or damage to its assets or business, in as far as such proceeds are not used to rebuild property (subject to the exceptions specified in the Loan Agreement);
  - non-compliance with the law on the side of the Commercial Banks or EBRD;
  - proceeds from future financing replacing the existing financing of PLN 300m in bonds issued by CIECH S.A. in December 2007, in an amount not exceeding the value of the bonds as at the date of executing the Loan Agreement – the terms and conditions of financing under the Loan Agreement enable (a) redemption of the bonds without the need to incur additional financing and (b) in the event of acquiring additional refinancing of bonds, these provide for early repayment of loans in an amount equal to the level of debt refinancing under the bonds;
  - proceeds from financing replacing the loans acquired pursuant to bilateral loan agreements executed between CIECH S.A. and the following banks: Credit Agricole Corporate and Investment Bank S.A. Oddział w Polsce, BNP Paribas S.A. Oddział w Polsce and Fortis Bank S.A. – the terms and conditions of Ciech Group financing under the Loan Agreement enables (a) repayment of loans granted pursuant to bilateral loan agreements, (b) the accession of the above banks to the Loan Agreement or (c) acquisition of replacement financing from other banks and early repayment of loans granted pursuant to the Loan Agreement in an amount equal to the total sum of replacement finance;
- the final payment deadline for the Fixed-Term Loan, Revolving Loan and Investment Loan is 31 March 2016; the final repayment date for the Pekao Additional Guarantee Line is 31 December 2014.

- The EBRD is authorised to suspend or withhold payment of the Investment Loan in the event of adoption by the Board of Directors of the EBRD of a decision to suspend or alter the principles for Poland's access to EBRD resources in accordance with the provisions of the international treaty which forms the basis for the EBRD's operations.

Loan collateral:
Collateral for loans under the Loan Agreement comprises:
- mortgages on real estate owned by CIECH S.A. and Companies,
- 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,
- financial pledges on bank accounts of CIECH S.A. and Companies,
- assignment of rights under insurance policies issued in relation to assets being the subject of collateral and conditional assignment of rights under intra-group loans or other types of credit instrument which will be used for distribution of funds under the loans to Companies, together with the Companies' and CIECH S.A.'s existing commercial contracts,
- guarantees issued by CIECH S.A. and Companies,
- statement on submission to execution by CIECH S.A. and Companies,
- proxies to bank accounts of CIECH S.A. and Companies.
- after the accession of US Govory to the Loan Agreement, selected collateral from that referred to above, established on the terms and conditions specified in the Loan Agreement.

Other significant provisions of the Loan Agreement:
Pursuant to the Loan Agreement, CIECH S.A. and the Companies furthermore undertook to:

- 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: (i) debt level to operating results plus depreciation / amortisation (total consolidated net debt to consolidated EBITDA); (ii) debt to share capital ratio (total net debt on selected loans and bonds up to CIECH S.A.'s share capital); (iii) interest coverage ratio; (iv) guarantor coverage ratio (gross turnover and assets of loan guarantors to gross turnover and assets of the Ciech Group, excluding Soda Deutschland Ciech Group); (v) minimum level of cash;
- refrain from establishing new collateral, other than collateral specified in the Loan Agreement,
- refrain from disposing of assets, other than contractually permitted instances of disposal (including the sale of certain assets held for sale and dispositions as indicated in the Ciech Group's business 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 Alwernia S.A.,
- refrain from incurring financial debt and granting borrowings or guarantees other than those specified in the Loan Agreement;
- implement capital expenditures as specified in the Loan Agreement and Group investment plan;
- refrain from entering into derivative transactions, other than transactions permitted in the financial risk hedging policy as approved by consortium banks;
- in the event of the circumstances specified in the Loan Agreement materialising – establishment of registered pledges on individual items of moveable property belonging to the Companies and CIECH S.A. of value exceeding PLN 5m.

Furthermore, the financial structure adopted in the Loan Agreement ensures that CIECH S.A. has funds necessary for the redemption of issued bonds in December 2012, on condition that CIECH S.A. fulfils the terms and conditions for release of funds under the loans.

2.9 Financial information by operating segment

The tables below present data concerning the revenues, profits, assets and liability and equity of specific Ciech Group industry segments for the reporting period:

OPERATING SEGMENTS

01.01-31.03.2011 *in PLN thousands*	**Soda segment – Soda division**	**Organics segment – Organika division**	**Silicates and glass segment** (Agro-silicon division)	**Agrochemicals segment** (Agro-silicon division)	*including: discontinued operations*	**Other activity**	**Corporate actions – residual item**	**Exclusions (consolidation adjustments)**	**TOTAL**
External revenue	398 861	441 841	79 551	144 563	*72 744*	57 210	-	-	1 122 026
Inter-segment revenue	10 504	34 193	1 159	3 880	*1 683*	248	-	(49 984)	-
Total revenue	**409 365**	**476 034**	**80 710**	**148 443**	***74 427***	**57 458**	-	**(49 984)**	**1 122 026**
Own cost of sales	(335 343)	(431 108)	(65 669)	(114 841)	*(54 778)*	(49 887)	-	47 765	(949 083)
Gross profit / loss	**74 022**	**44 926**	**15 041**	**33 602**	***19 649***	**7 571**	-	**(2 219)**	**172 943**
Distribution costs	(25 846)	(19 046)	(12 852)	(8 527)	*(6 016)*	(7 200)	-	2 921	(70 550)
Administrative expenses	(16 706)	(15 208)	(2 210)	(6 118)	*(4 305)*	(4 110)	(9 847)	32	(54 167)
Profit / loss on receivables management	(1 595)	(1 585)	13	(4 196)	*(2 079)*	34	354	(143)	(7 118)
Profit / loss on other operating activities	4 048	(2 269)	140	(744)	*164*	414	(445)	(21)	1 123
Profit / loss on operating activities	**33 923**	**6 818**	**132**	**14 017**	***7 413***	**(3 291)**	**(9 938)**	**570**	**42 231**
Net exchange differences and trade account interest	(6 734)	(6 996)	(1 403)	(4 694)	*171*	(1 872)	-	-	(21 699)
Group finance costs	-	-	-	-	-	-	(31 899)	-	(31 899)
Profit / loss on financing activities (not allocated to segments)	-	-	-	-	-	-	26 936	-	26 936
Share of the profits of associates	95	-	-	-	-	-	-	-	95
Profit / loss before tax	**27 284**	**(178)**	**(1 271)**	**9 323**		**(5 163)**	**(14 901)**	**570**	**15 664**
Tax	-	-	-	-	-	-	-	-	(11 642)
Net profit / loss	-	-	-	-	-	-	-	-	**4 022**
Profit on discontinued operations	-	-	-	-	-	-	-	-	-
Net profit / loss for the financial year	-	-	-	-	-	-	-	-	**4 022**
Depreciation / amortisation	31 944	16 331	4 528	800	-	201	746	-	54 550
EBITDA	**65 867**	**23 149**	**4 660**	**14 817**	***7 413***	**(3 090)**	**(9 192)**	**570**	**96 781**

01.01-31.03.2010 *in PLN thousands*	**Soda segment – Soda division**	**Organics segment – Organika division**	**Silicates and glass segment** (Agro-silicon division)	**Agrochemicals segment** (Agro-silicon division)	*including: discontinued operations*	**Other activity**	**Corporate actions – residual item**	**Exclusions (consolidation adjustments)**	**TOTAL**
External revenue	339 916	380 461	77 881	108 738	*63 758*	55 008	-		962 004
Inter-segment revenue	11 508	42 988	613	20 047	*11 130*	258	-	(75 414)	-
Total revenue	**351 424**	**423 449**	**78 494**	**128 785**	***74 888***	**55 266**	-	**(75 414)**	**962 004**
Own cost of sales	(315 916)	(360 596)	(61 306)	(109 952)	*(64 343)*	(47 108)	-	70 787	(824 091)
Gross profit / loss	**35 508**	**62 853**	**17 188**	**18 833**	***10 545***	**8 158**	-	**(4 627)**	**137 913**
Distribution costs	(22 585)	(17 049)	(10 255)	(6 818)	*(4 984)*	(4 489)	-	2 452	(58 744)
Administrative expenses	(16 503)	(16 462)	(3 489)	(6 755)	*(4 505)*	(4 569)	(13 503)	253	(61 028)
Profit / loss on receivables management	345	1 540	33	390	*321*	891	-	(1 035)	2 164
Profit / loss on other operating activities	20 722	(2 044)	1 150	1 254	*1 201*	(41)	(596)	908	21 353
Profit / loss on operating activities	**17 487**	**28 838**	**4 627**	**6 904**	***2 578***	**(50)**	**(14 099)**	**(2 049)**	**41 658**
Net exchange differences and trade account interest	(4 938)	(22 493)	(3 776)	(3 731)	*(115)*	(1 247)	-	-	(36 185)
Group finance costs	-	-	-	-		-	(29 875)	-	(29 875)
Profit / loss on financing activities (not allocated to segments)	-	-	-	-		-	30 129	-	30 129
Share of the profits of associates	516	-	-	-		-	-	-	516
Profit / loss before tax	**13 065**	**6 345**	**851**	**3 173**	***2 463***	**(1 297)**	**(13 845)**	**(2 049)**	**6 243**
Tax	-	-	-	-	-	-	-	-	(9 391)
Net profit / loss	-	-	-	-	-	-	-	-	**(3 148)**
Profit on discontinued operations	-	-	-	-	-	-	-	-	-
Net profit / loss for the financial year	-	-	-	-	-	-	-	-	**(3 148)**
Depreciation / amortisation	31 350	17 605	4 534	3 951	*2 978*	504	987	-	58 931
EBITDA	**48 837**	**46 443**	**9 161**	**10 855**	***5 556***	**454**	**(13 112)**	**(2 049)**	**100 589**

31.03.2011 *in PLN thousands*	**Soda segment – Soda division**	**Organics segment – Organika division**	**Silicates and glass segment**	**Agrochemicals segment**	**Other activity**	**Corporate actions – residual item**	**Exclusions (consolidation adjustments)**	**TOTAL**
			Agro-silicon division					
Property, plant and equipment	1 376 170	561 577	77 432	46 360	2 697	5 315	-	2 069 551
Intangible assets	98 335	46 664	1 593	2 232	1 295	4 975	-	155 094
- goodwill	37 218	14 738	39	-	-	-	-	51 995
Interests in associates	4 497	-	-	-	-	-	-	4 497
Inventory	102 826	135 420	23 897	32 463	3 050	-	(605)	297 051
Trade and other receivables	254 794	256 125	41 766	54 245	57 819	-	(50 323)	614 426
Assets classified as available-for-sale, previously recorded in segment assets	-	-	-	251 579	1 382	-	-	252 961
Other assets	-	-	-	-	-	784 965	-	784 965
Total assets	**1 836 622**	**999 786**	**144 688**	**386 879**	**66 243**	**795 255**	**(50 928)**	**4 178 545**

31.03.2011 *in PLN thousands*	**Soda segment – Soda division**	**Organics segment – Organika division**	**Silicates and glass segment**	**Agrochemicals segment**	**Other activity**	**Corporate actions – residual item**	**Exclusions (consolidation adjustments)**	**TOTAL**
			Agro-silicon division					
Trade and other payables	274 149	272 853	39 005	30 780	47 314	-	(37 185)	626 916
Liabilities classified as available-for-sale, previously recorded in segment assets	-	-	-	24 121	-	-	-	24 121
Other payables	-	-	-	-	-	2 231 570	-	2 231 570
Total liabilities	**274 149**	**272 853**	**39 005**	**30 780**	**47 314**	**2 231 570**	**(37 185)**	**2 882 607**

31.03.2010 *in PLN thousands*	**Soda segment – Soda division**	**Organics segment – Organika division**	**Silicates and glass segment** (Agro-silicon division)	**Agrochemicals segment** (Agro-silicon division)	**Other activity**	**Corporate actions – residual item**	**Exclusions (consolidation adjustments)**	**TOTAL**
Property, plant and equipment	1 337 198	584 172	91 710	168 497	6 510	7 662	-	2 195 749
Intangible assets, including:	103 049	41 381	1 644	1 445	1 981	6 102	-	155 602
- goodwill	35 830	14 192	39	-	-	-	-	50 061
Interests in associates	34 615			-		-	-	34 615
Inventory	91 948	114 231	28 508	91 549	8 310	-	(4 463)	330 083
Trade and other receivables	233 284	253 178	45 207	98 126	51 674	-	(31 006)	650 463
Assets classified as available-for-sale, previously recorded in segment assets	-	-	500	-	-	-	-	500
Other assets	-	-	-	-	-	628 872	-	628 872
Total assets	**1 800 094**	**992 962**	**167 569**	**359 617**	**68 475**	**642 636**	**(35 469)**	**3 995 884**

31.03.2010 *in PLN thousands*	**Soda segment – Soda division**	**Organics segment – Organika division**	**Silicates and glass segment** (Agro-silicon division)	**Agrochemicals segment** (Agro-silicon division)	**Other activity**	**Corporate actions – residual item**	**Exclusions (consolidation adjustments)**	**TOTAL**
Trade and other payables	205 379	220 897	12 788	76 522	38 233	-	(32 489)	521 330
Other payables	-	-	-	-	-	2 607 680	-	2 607 680
Total liabilities	**205 379**	**220 897**	**12 788**	**76 522**	**38 233**	**2 607 680**	**(32 489)**	**3 129 010**

01.01-31.03.2011 *in PLN thousands*	**Soda segment – Soda division**	**Organics segment – Organika division**	**Silicates and glass segment** (Agro-silicon division)	**Agrochemicals segment** (Agro-silicon division)	*including: discontinued operations*	**Other activity**	**Corporate actions – residual item**	**Exclusions (consolidation adjustments)**	**TOTAL**
Creation of impairment charges	1 965	2 044	153	4 546	*2 159*	62	-	(253)	8 517
Reversal of impairment charges	1 159	1 494	13	387	*5*	813	-	(396)	3 470
Creation of impairment charge (unallocated to segments), including:	-	-	-	-	-	-	714	-	714
- discontinued operations	-	-	-	-	-	-	*36*	-	*36*
Reversal of impairment charges (unallocated to segments), including:	-	-	-	-	-	-	270	-	270
- discontinued operations	-	-	-	-	-	-	*1*	-	*1*

01.01-31.03.2010 *in PLN thousands*	**Soda segment – Soda division**	**Organics segment – Organika division**	**Silicates and glass segment** (Agro-silicon division)	**Agrochemicals segment** (Agro-silicon division)	*including: discontinued operations*	**Other activity**	**Corporate actions – residual item**	**Exclusions (consolidation adjustments)**	**TOTAL**
Creation of impairment charges	71	1 310	356	456	46	8	-	-	2 201
Reversal of impairment charges	3 580	2 764	105	186	6	880	-	(71)	7 444
Creation of impairment charge (unallocated to segments), including:	-	-	-	-	-	-	892	-	892
- discontinued operations	-	-	-	-	-	-	-	-	-
Reversal of impairment charges (unallocated to segments), including:	-	-	-	-	-	-	135	-	135
- discontinued operations	-	-	-	-	-	-	-	-	-

GEOGRAPHICAL SEGMENTS

31.03.2011 *in PLN thousands*	Poland	European Union	Other European countries	Africa	Asia	Other regions	TOTAL
Net revenue from sales	448 487	464 785	68 582	53 504	68 794	17 874	**1 122 026**

31.03.2010 *in PLN thousands*	Poland	European Union	Other European countries	Africa	Asia	Other regions	TOTAL
Net revenue from sales	416 960	360 473	23 820	35 507	104 004	21 240	**962 004**

31.03.2011 *in PLN thousands*	Poland	European Union	Other European countries	Africa	Asia	Other regions	TOTAL
Non-current assets other than financial instruments	1 547 711	841 012	-	-	694	-	2 389 417
Deferred income tax assets	7 756	-	-	-	412	-	8 168
Other assets	1 253 612	409 294	50 301	15 847	46 155	5 751	1 780 960
Total assets	**2 809 079**	**1 250 306**	**50 301**	**15 847**	**47 261**	**5 751**	**4 178 545**

31.03.2010 *in PLN thousands*	Poland	European Union	Other European countries	Africa	Asia	Other regions	TOTAL
Non-current assets other than financial instruments	1 660 883	862 884	-	-	778	-	2 524 545
Deferred income tax assets	14 393	-	-	-	173	-	14 566
Other assets	1 032 766	316 591	33 776	11 774	56 716	5 150	1 456 773
Total assets	**2 708 042**	**1 179 475**	**33 776**	**11 774**	**57 667**	**5 150**	**3 995 884**

2.10 Derivative transactions

Outstanding transactions as at 31 March 2011 are valued at PLN -5 950 000, with interest rate hedging instruments accounting for the entire amount.
As at the end of the reporting period, CIECH S.A. is not a party to any outstanding derivative instruments hedging currency risk.
Presented in the table below is the estimated Group currency exposure as at 31 March 2011, in both financial instruments and future net operating revenues (excluding SDC data):

Currency risk exposure in EUR	**(EUR thousands)**	**Impact on P&L**	**Impact between 1.04.2011 and 31.03.2012**
Assets			
Exchange-sensitive loans granted	81 800	x	
Trade and other receivables	45 179	x	
Bank deposits	4 000		
Equity and liabilities			
Trade and other payables	-16 247	x	
Loan liabilities	-16 055	x	
Estimated future net sales			
Net future projected P&L position* in EUR (12 months)	**212 414**		**X**
Net future projected P&L position* in EUR – other Group companies (12 months)	**15 502**		**X**
Total position	**326 593**		

* 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 March 2011

Analysis of sensitivity to foreign exchange risk	**(PLN thousands)***	**Impact on P&L**	**Impact between 1.04.2011 and 31.03.2012**
Foreign-denominated balance sheet items (excluding loans)	169	169	
Exchange-sensitive loans granted	818	818	
Net future projected P&L position in EUR	2 297		2 297
Total effect	**N/A**	**987**	**2 297**

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

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

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

- inorganic fertilisers,
- raw materials used in fertiliser manufacture,
- plant protection chemical.

Typically, fertiliser sales intensify between the first and second quarter as well as in the third quarter. This is due to increased fertilisation of fields during the spring and autumn seasons. Similarly, the majority of plant protection chemicals is utilised in the first half of the year, while plant growth is robust; this part of the year brings around 90% of total sales.
Moreover, there is a seasonal relationship in the Soda segment between sales of certain products and the severity of the winter period. A warm winter tends to directly lower calcium chloride sales as well as other products (anti-ice, salt and chloride mix, waste salt) and indirectly reduce salt sales.

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

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

Ciech Group did not publish any 2011 forecasts in 2011.

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

5.1 External factors

Situation in client industries in Poland

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

Sector growth largely depends on the overall economic climate in Poland. In constant prices, industrial production increased 9.2% during the first 3 months of 2011 compared to last year (whereas it had increased 9.4% in the corresponding period of 2010). Within the chemical industry, production of chemicals and chemical products excluding pharmaceuticals increased 9.3%, while rubber products and plastics grew by 21.2%. Pharmaceutical product manufacture, on the other hand, decreased 5.6%.

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%). In 2010, however, Poland's economic growth has accelerated (GDP growth of 3.8%). GDP growth is forecast to reach around 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 of chemicals in foreign markets. Foreign sales volume and margin depend on the European and global economic cycle. If the global economy slows, demand for raw materials typically diminishes, affecting export activities carried out by Ciech Group.

The pace of recovery following the 2008-2009 crisis is varied across the globe. Aside from emerging markets, Germany, Japan and the United States have also been among the top performers in 2010. According to an IMF report published of April 2011, global GDP is bound to increase 5.0% this year (“Emerging Asia” by 9.5%; Latin America by 6.0%; Central and Eastern Europe by 4.2%). It is also expected that 2011 will bring a slight slowdown in GDP growth, bringing it to 4.4%.

At the same time, for the European Union the European Commission assumes that in 2011 GDP will increase by 1.8% (i.e. similar to the previous year).

According to the American Chemistry Council (ACC), global manufacture of chemicals in 2010 increased by 8.8%. For 2011 the ACC already assumed a certain decrease in the speed of this growth to 5.4%. Subsequently, data from the European Chemical Industry Council (CEFIC) shows that the European Union's chemicals industry also grew dynamically in 2010, achieving a 10.1% growth level (increase in manufacturing volumes). At the same time CEFIC forecasts a significantly lower growth indicator of 2.5% for 2011. In general a return to the manufacturing levels before the financial crisis cannot be expected before 2013. According to CEFIC, consolidation activities in manufacturing will have significant meaning for the future success of the European chemicals industry with regard to the increase in competition from Asian suppliers, including petrochemical products from the Middle East.

Financial condition of agriculture

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

According to data supplied by Poland's Institute for Agricultural Economics and Food Economy (IERiGŻ), the market conditions affecting domestic agriculture have been improving in 2010 compared to last year (particularly as regards plant production requiring direct fertilising and plant protection). In reality, starting in Q4 of last year the recovery has significantly slowed down. The economic survey of agriculture (SWKR) increased in March 2011 in relation to last year (advance from 99.7 to 99.9). In the coming months market conditions for agriculture may be subject to further worsening with regard to growth in the price of manufacturing resources.

Situation on commodity markets

Imports of chemical raw materials to Poland constitute a significant portion of Ciech Group's trade. Commodity markets are highly cyclical, driven by the global economic cycle. Surging commodity prices tend to trigger a squeeze of intermediary margins, on the one hand, and a faltering customer demand, on the other hand. Nevertheless, declining prices typically signal weaker demand, marking the beginning of the contractionary cycle. A continued stable pace of economic growth, combined with the stability of raw material prices, will have a positive impact on the raw material import activity carried out by CIECH S.A. Conversely, large fluctuations in demand and prices may be caused by economic growth or a stagnant economy. Such volatility is 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 1000 tonnes/year intend to ensure the full registration of such substances by December 2010, which should allow the Companies to continue operating in the present framework. To date the Group has registered 33 high-volume substances (over 1000t/year).

Emission trading scheme
The 2008-2012 National Allowance Allocation Plan has provided Ciech Group Companies that participate in the emission trading scheme (Soda Polska Ciech, Vitrosilicon and Alwernia) CO_2 emission allowances for a total of 1 720 661 Mg/year. In addition a company from Soda Deutschland Group, KWG Kraftwerksgesselschaft GmbH received a free of charge consideration in the form of CO_2 emission allowances in the amount 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.

The Industrial Emissions Directive (IED)
In connection with the update of EU legislation concerning industrial emissions, it is anticipated that over the next few years there will be a significant tightening of environmental terms and conditions for businesses. In accordance with the new industrial emissions directive (IEF), changes in relation to current regulations concern three main areas: (i) a strengthening of the role of BREF reference documents, (ii) a tightening of requirements for large incineration facilities and (iii) the introduction of new regulations concerning soil protection.
As a consequence of the EU adopting the proposed legal amendments, industry will be forced to incur significant expenditures on modernisation of technical infrastructure in a very short period of time. The Group's manufacturing companies will feel the effect of proposed EU legislative changes to varying degrees. The most severe consequences of these changes will be visible at Soda Polska, which will be subject to tighter emissions standards for SO_2, NO_x and liquids from CHP plants. The new requirements will be in force from 2016.

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

5.2 Internal factors

Continued cost and quality competitiveness
The competitiveness of Ciech Group is an outcome of certain basic market factors, i.e.: costs, quality and their basic sources, marketing activities and market position. The key factors include:
- cost competitiveness based on economies of scale, specialisation, standardisation and experience,
- quality leadership and quality control systems,
- market force-based competition (market leadership),
- cost leadership and diversification.

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

Liabilities related to purchase of the following companies: ZACHEM S.A., Z.Ch. “Organika-Sarzyna” S.A., S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. and Soda Deutschland Ciech.
Pursuant to the Privatisation Agreements relating to ZACHEM S.A. and Z.Ch. “Organika-Sarzyna” S.A., certain obligations rest on CIECH S.A. – mainly in connection with investment plans, employee guarantees and minority interest repurchase options.

- **Liabilities related to ZACHEM S.A. privatisation agreement**

In accordance with the provisions of the agreement, the Company is required to implement an investment totalling PLN 176.1 million by 20 December 2011. The deadline for completion of the investment has been extended by three years, i.e. until 2014 for specific investment tasks (conversion of electrolysis, implementation of new EPI technology, increase of TDI production capacity to 90 000 tons/year).
A "limiting condition" was introduced in the agreement. A limiting condition is calculated from the Company's separate financial statements prepared in accordance with the Polish Accounting Standards as equity and non-current liabilities over and non-current assets. In accordance with the provisions of the agreement, this ratio is to increase in the following manner: in 2007 by 20% in relation to that calculated as at the share sale date, i.e. 20 December 2006, and in each subsequent year by a further 10% up to 2010 (total increase over the period 2007-2010 of 50%). CIECH S.A. is required to pay a PLN 150 000 penalty to Nafta Polska S.A. for each full percentage point below the ratio required in a given year. Each full percentage point above 10% variance from the required ratio means a PLN 500 000 penalty. Addendum no. 1 of 23 December 2009 stipulates that the limiting condition level scheduled in the previous Agreement for 31 December 2009 (+40%) is postponed to 31 December 2010; however, should CIECH S.A. fail to meet the new date, Nafta Polska S.A. will be entitled to both the contractual penalty for the non-performance of the limiting condition at the end of 2010 and the hypothetical contractual penalty for non-performance at the end of 2009. Moreover, it was established that the limiting condition level previously scheduled for 31 December 2010 would be deferred to 31 December 2011. If the originally agreed limiting condition is met by 31 December 2010 (i.e. +50%), it will no longer be tested as at 31 December 2011 and no contractual penalty for non-performance in 2009 will be imposed. If necessary, CIECH S.A. will support ZACHEM S.A. financially in order to ensure that the limiting condition is fulfilled.
On 11 January 2011 CIECH S.A. and Nafta Polska signed annex no. 3 to the agreement on sale of shares in ZACHEM S.A., in which the obligation for ZACHEM S.A. to maintain a specific level of equity and non-current

liabilities over non-current assets, initially required as at 31 December 2010 was extended to 30 June 2011, together with a deferment until this time of the deadline for potential payment of a penalty for non-achievement of the ratio level as at 31 December 2009 and as at 31 December 2010 (in the event of not fulfilling this condition as at 30 June 2011).
If the required ratio level is not achieved as at 30 June 2011, irrespective of the obligation to pay a contractual penalty for non-maintenance of the ratio as at 31 December 2010, the level of which as at 31 December 2010 the Company was required to achieve in accordance with the agreement in the version binding until 11 January 2011 (in the event that the required ratio level is not achieved as at 31 December 2010), the Company will be required to pay a PLN 150 000 contractual penalty for non-maintenance of the appropriate ratio level at ZACHEM S.A. for each full percentage point difference between the initial value increased by 40 percentage points and the actual level of the ratio as at 31 December 2009. In the event that this difference exceeds 10 percentage points, the contractual penalty for each full percentage point difference above 10 percentage points will be increased to PLN 500 000. Furthermore, if on 30 June 2011 the required ratio level is not maintained, the Company will be required to pay an additional contractual penalty to Nafta Polska amounting to 6.5% of the total contractual penalties referred to above.
If on 30 June 2011 the level of the ratio is at the initial value increased by 50 percentage points, then the ratio level as at 31 December 2011 will not be tested and the Company's requirement to retain the level of the ratio will not be applicable.
A separate requirement for CIECH S.A. resulting from the Agreement is the buyback of ZACHEM S.A. employee shares, which is implemented over the period 2008 to 2011.
The agreement contains the Company's requirement to submit an offer to the State Treasury to acquire the remaining stake in ZACHEM S.A.

- **Liabilities resulting from the Organika Sarzyna privatisation agreement**

In accordance with the provisions of the agreement, the Company is required to invest a total of PLN 130m by 20 December 2011. The deadline for implementing the investments guaranteed in the agreement was extended by two years, i.e. to 2013 for one of the investment projects (construction of an MCPA active substance manufacturing plant together with infrastructure).
At the same time, the Company is required to fulfil the condition to retain such equity and liabilities structure at Organika Sarzyna until the end of 2011 that the value of equity, non-current provisions and liabilities with maturity longer than one year constitute at least 110% of non-current assets in the meaning of the Accounting Act (with the exception of rights to perpetual usufruct of land acquired pursuant to the act or through an administrative decision).
A separate requirement for CIECH S.A. resulting from the Agreement is the acquisition of Organika Sarzyna employee shares, which is implemented over the period 2008 to 2013.
The agreement contains the Company's requirement to submit an offer to the State Treasury to acquire the remaining stake in Organika Sarzyna.

<u>Tender offers for remaining shares in ZACHEM and Organika Sarzyna</u>
In performing the agreement for acquisition of shares in Zachem and the agreement for acquisition of shares in Organika Sarzyna, on 20 December 2006 the Company submitted an irrevocable offer to the State Treasury to acquire remaining shares in Zachem and an irrevocable offer to acquire remaining shares in Organika Sarzyna; these were subsequently amended through agreements between the Company and the State Treasury of 5 January 2010 and of 28 December 2010. The State Treasury is entitled to accept the offers for up to ten years from submission, i.e. until 20 December 2016. The per share price at which the Company undertook to acquire stakes in Zachem and Organika Sarzyna is equal to the acquisition price of such shares from Nafta Polska, indexed on the principles specified in the agreement between the State Treasury and the Company of 28 December 2010 based on the WIBOR 12M rate for the period up to 20 December 2011. After the end of this period the share price will not be subject to indexation.
The Company approached the State Treasury with a proposal to make a contribution in kind to the Company of 762 224 shares in ZACHEM S.A. and 429 388 shares in Z. Ch. "Organika Sarzyna" S.A. held by the State Treasury.

- **Soda Deutschland Ciech Group**

Furthermore, the Soda Deutschland Ciech Group recognises the obligation to repurchase the CHP plant in its balance sheet. The CHP plant was sold on 1 September 1999 by KWG GmbH (a subsidiary of Soda Deutschland Ciech) to VASA Kratwerke – Pool for EUR 115.8m. KWG is contractually required to repurchase the power plant by 31 December 2014. KWG also retains the option to purchase the power plant, which can be implemented on 1 January each year during the term of the option, i.e. until 31 December 2014. As at 31 March 2011 this liability amounted to PLN 133 295 000.

Investment and optimisation projects, together with activities connected with acquiring subsidies
In the first quarter of 2011 optimal assets investment plans for specific Group companies were finally agreed. Ciech Group Companies are allocating close to PLN 322m to investment projects in 2011, including close to PLN 120m on innovation ventures aimed at improving production efficiency and product quality. The plan is compliant with the Ciech Group financial model adopted for 2011 - 2015.
In the first quarter of 2011 under activities consisting of the restructuring of Ciech Group finances by banks, schedules for the implementation of key investment projects were optimised and agreed, together with the level of expenditures in specific years of implementation. During this period the Companies implemented the following key investment projects amongst others:

- Soda Polska Ciech – Major Energy Modernisation at the Janikowo CHP plant, Intensification of Baking Soda Production from 70 000t/year to 90 000t/year
- Zachem Chemical Works – Construction of an Installation and Implementation of Innovative Technology for Manufacture of Epichlorohydrin from Bio-Glycerol,
- Zachem Chemical Works – Construction of an Innovative Installation for the Manufacture of MCPA and MCPP-P,
- Alwernia S.A. – Facility for Manufacture of Melanin Polyphosphate,
- VITROSILICON S.A. – Modernisation of Division 2 at the Iłowa Facility, entitled "BravaGlass Packaging Glass – Vitrosilicon Shapes a Vision of the Future".

A chlorine liquefaction facility was commissioned at ZACHEM S.A., eliminating the use of chlorodifluoromethane.

In the first quarter of 2011 projects implemented in collaboration with specialist advisory firms were continued. These were aimed at optimising operating costs in operations maintenance at Ciech Group manufacturing companies. In accordance with the decision of the European Bank for Reconstruction and Development to finance investment projects within Ciech Group, a report concerning energy efficiency and efficiency improvement projects was drawn up, this being a condition for the EBRD to provide financing.

During the first quarter of 2011 Ciech Group companies implemented 9 projects with partial external funding and the total sum of subsidies exceeded PLN 140m, while total proceeds from subsidies by the end of the first quarter of 2011 amounted to PLN 26.8m (refunds and advance payments).

6. Consolidated entities

Ciech Group composition

CIECH Spółka Akcyjna is Ciech Group's parent, having its registered office 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 31 March 2011, Ciech Group consisted of 48 entities, including:

- CIECH S.A., parent,
- 35 subsidiaries, including:
  - 21 domestic subsidiaries,
  - 14 foreign subsidiaries,
- 9 domestic associates,
- 2 foreign associates,
- 1 foreign jointly controlled entity.

Ciech Group includes both direct subsidiaries and associates (controlled by CIECH S.A.) and indirect subsidiaries and associates (directly controlled by subsidiaries of CIECH S.A.).
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 first quarter of 2011 are listed below.

List of consolidated companies and companies accounted for using the equity method in the first quarter of 2011 and in the same period last year.

Company/Group name	Consolidation method as at 31.03.2011 and degree of control by CIECH S.A.	Consolidation method as at 31.3.2010 and degree of control by CIECH S.A.	Scope of activity
1) CIECH S.A.	Parent	Parent	Under the Articles of Association, core activities of the parent include: economic activities including trade, investment, manufacture, provision of services and financial operations with particular emphasis on foreign and domestic chemicals trade and related operations. The company may also act as agency for domestic and foreign companies.
2) "POLFA" Sp. z o.o.	CIECH S.A. subsidiary – fully consolidated	CIECH S.A. subsidiary – fully consolidated	– wholesale of pharmaceuticals, – wholesale of chemical products, – wholesale of perfumes and cosmetics, – retail sale of medical and orthopaedic products
CIECH FINANCE Group			
3) CIECH FINANCE Spółka z ograniczoną odpowiedzialnością	CIECH S.A. subsidiary – fully consolidated	CIECH S.A. subsidiary – fully consolidated	– projects relating to divestment of non-essential property (real estate) – and financial assets (shares in companies)
3.1.) Cheman S.A.	CIECH S.A. indirect subsidiary – fully consolidated at Group level	CIECH S.A. indirect subsidiary – fully consolidated at Group level	– wholesale and distribution of solid inorganic and organic chemicals, – wholesale and distribution of raw materials for household chemical products, – wholesale and distribution of raw materials for cosmetics and pharmaceuticals, – wholesale and distribution of builders, pigments, raw materials for paints and refinishes, – wholesale and distribution of food and feed additives, – wholesale and distribution of acids, bases and other liquid chemicals.
SODA MĄTWY Group	Fully consolidated lower tier Group	Fully consolidated lower tier Group	– manufacture of other inorganic base chemicals, – wholesale of chemical products, – production and distribution of electricity, – shipment of goods
4) SODA MĄTWY S.A.	Lower tier parent (subsidiary of CIECH S.A.)	Lower tier parent (subsidiary of CIECH S.A.)	
4.1.) Soda Polska CIECH Sp. z o.o.	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	
4.1.1) TRANSODA Sp. z o.o.	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	
4.2) Polskie Towarzystwo Ubezpieczeń Spółka Akcyjna	-	Indirect associate of CIECH S.A. – lower-tier equity method valuation Company sold on 29 December 2010.	
5) JANIKOSODA S.A.	Lower tier parent (subsidiary of CIECH S.A.)	Lower tier parent (subsidiary of CIECH S.A.)	– manufacture of salt, – manufacture of technical gases, – manufacture of other inorganic base chemicals, – manufacture of other chemical products nowhere else classified.
FOSFORY Group	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group	– manufacture of inorganic fertilisers and nitrogen compounds,

Company/Group name	Consolidation method as at 31.03.2011 and degree of control by CIECH S.A.	Consolidation method as at 31.3.2010 and degree of control by CIECH S.A.	Scope of activity
6.) GZNF “FOSFORY” Sp. z o.o.	Lower tier parent (subsidiary of CIECH S.A.)	Lower tier parent (subsidiary of CIECH S.A.)	– manufacture of other inorganic chemicals, – manufacture of other organic chemicals, – manufacture of refined petroleum products, – manufacture of plastics, – wholesale of grain, seeds and animal feed, – transshipment services in own transshipment and storage facility.
6.1) “AGROCHEM” Spółka z ograniczoną odpowiedzialnością – w Dobrym Mieście	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	
6.2) “AGROCHEM” Spółka z ograniczoną odpowiedzialnością – w Człuchowie	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	
7) “Alwernia” S.A.	CIECH S.A. subsidiary – fully consolidated	CIECH S.A. subsidiary – fully consolidated	– manufacture of other inorganic base chemicals, – manufacture of dyes and pigments, – manufacture of other organic base chemicals, – manufacture of inorganic fertilisers and nitrogen compounds, – manufacture of gypsum, – manufacture of heat (steam and hot water)
8) POLSIN PRIVATE LIMITED	CIECH S.A. subsidiary – fully consolidated	CIECH S.A. subsidiary – fully consolidated	– wholesale and retail sale of various goods in Far Eastern markets.
9) DALTRADE Ltd. (formerly DALTRADE PLC.)	CIECH S.A. subsidiary – fully consolidated	CIECH S.A. subsidiary – fully consolidated	– distribution and wholesale of chemicals in the UK
10) VITROSILICON Spółka Akcyjna	CIECH S.A. subsidiary – fully consolidated	CIECH S.A. subsidiary – fully consolidated	– manufacture of other inorganic base chemicals, – manufacture of household and technical glassware, – manufacture of plastic packaging, – manufacture of other plastic products
11) Przedsiębiorstwo Transportowo-Usługowe TRANSCLEAN Sp. z o.o.	CIECH S.A. subsidiary – fully consolidated	CIECH S.A. subsidiary – fully consolidated	– international shipping of liquid chemicals, – washing facility for tank cars (including rail),
12) Zakłady Chemiczne “Organika-Sarzyna” S.A.	CIECH S.A. subsidiary – fully consolidated	CIECH S.A. subsidiary – fully consolidated	– manufacture of plastics, – manufacture of pesticides and other chemical products,
ZACHEM Group	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group	– manufacture of other organic and inorganic chemicals, – manufacture and sale of plastics, – manufacture of plates, sheets, tubing and profiles, – manufacture of dyes and pigments, – services comprising installation, repairs and maintenance of general-purpose machinery, not classified elsewhere.
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	
14) S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.	CIECH S.A. subsidiary – fully consolidated	CIECH S.A. subsidiary – fully consolidated	– manufacture of other inorganic base chemicals, – wholesale of chemical products.
Soda Deutschland Ciech Group	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group	– manufacture of other inorganic base chemicals,

Company/Group name	Consolidation method as at 31.03.2011 and degree of control by CIECH S.A.	Consolidation method as at 31.3.2010 and degree of control by CIECH S.A.	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) Kaverngesellschaft Stassfurt GbmH	Indirect associate of CIECH S.A. – lower-tier equity method valuation	Indirect associate of CIECH S.A. – lower-tier equity method valuation	

7. The impact of changes in Ciech Group's organisational structure in the first quarter of 2011, including mergers, acquisitions or divestitures of Group entities, long-term investments, de-mergers, restructuring and discontinuation

Within the structure of Ciech Group concerning companies in which CIECH S.A. directly holds shares, the following changes occurred during the first quarter of 2011:

- **Zakłady Tworzyw Sztucznych PRONIT S.A. (w upadłości)**

Through the agreement of 3 February 2011, CIECH S.A. sold 13 141 shares in PRONIT S.A. to CIECH FINANCE Sp. z o.o. The right of ownership to the shares was transferred to CIECH FINANCE Sp. z o.o. as at 7 February 2011 and CIECH S.A. is no longer a shareholder in the Company.

Within the structure of the Group concerning companies in which CIECH S.A. indirectly holds shares, the following changes occurred during the first quarter of 2011:

- **ZACHEM S.A.**

Bydgoski Park Przemysłowo - Technologiczny Sp. z o.o. – through its ruling of 25 January 2011, the District Court registered the resolution of the Extraordinary General Meeting of 25 November 2010 on increase of share capital to PLN 37 673 000 through the creation of 538 shares which were subscribed for by the Mayor of Bydgoszcz in exchange for a non-cash contribution in the form of real property. ZACHEM S.A.'s share in the Company's share capital decreased from 9.46% to 9.32%. Furthermore, the Extraordinary General Meeting changed the company's trading name from Bydgoski Park Przemysłowy Sp. z o.o. to Bydgoski Park Przemysłowo-Technologiczny Sp. z o.o.

- **ORGANIKA-SARZYNA S.A.**

Zakład Chemiczny Silikony Polskie Sp. z o.o. – on 24 February 2011 the District Court registered redemption of shares in accordance with the resolution of the Extraordinary General Meeting of 29 December 2010. Share capital after redemption amounts to PLN 17 363 000 and is divided into 16 148 shares. Z.Ch. Organika-Sarzyna S.A. sold 1 215 shares to Zakłady Chemiczne Silikony Polskie Sp. z o.o. for redemption. Z.Ch. "Organika-Sarzyna" S.A. currently holds 3 994 shares, which constitutes 24.73% of share capital.
Przedsiębiorstwo Handlowo-Usługowe NS Automatyka Sp. z o.o. – on 10 February 2011 Z. Ch. "Organika-Sarzyna" S.A. executed an agreement on sale of all shares held in Przedsiębiorstwo Handlowo-Usługowe NS Automatyka Sp. z o.o., i.e. 1 147 shares, constituting 22.44% of share capital. The Company is no longer indicated within the Group's structure.
Organika International Transport Sp. z o.o. (w upadłości) – on 24 November 2010 the ruling of the District Court on completion of bankruptcy proceedings covering liquidation of assets came into force. The Company was removed from the Register of Companies as of 9 February 2011. The Company is no longer indicated within the Group's structure.

8. Changes in CIECH S.A. shares held by Members of the Management Board and Supervisory Board

As at 31 December 2010 Mr Artur Osuchowski – Member of the Management Board – held 2 100 shares in CIECH S.A.

On 7 March 2011 Member of the Management Board of CIECH S.A. Mr Artur Osuchowski made notification concerning the acquisition of 1 725 series D shares in the Issuer as a result of exercising the subscription right to series D shares in the Issuer (as at the date of the notification series D shares in the Issuer were in public trading on the regulated marked managed by Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) as rights to series D shares in the Issuer). The purchase price for 1 series D share in the Issuer, equal to the issue price, was PLN 19.20. The transaction was cleared on 3 March 2011. The shares were purchased and registered on the regulated market. In connection with the above, as at 31 March 2011 Mr Artur Osuchowski – Member of the Company's Management Board – held 3 825 shares in CIECH S.A.

Remaining management and supervisory personnel did not hold either shares in CIECH S.A. or shares in associates.

9. CIECH S.A. shareholders holding at least 5% of shares / votes at the General Meeting

Shares in the Company are listed on the Warsaw Stock Exchange. As at the publication date, share capital amounted to PLN 255 001 420 and was divided into 51 000 000 shares of a nominal value of PLN 5 each, including:

- 20 816 ordinary bearer shares series A,
- 19 775 200 ordinary bearer shares series B,
- 8 203 984 ordinary bearer shares series C,
- 23 000 000 ordinary bearer shares series D.

Notifications received under art. 69 *of the Act of 29 July 2005 on public offerings and the terms and conditions for admission of financial instruments to an organised trading system and on public companies – Polish Journal of Laws* *no. 184, item 1539* show that the following shareholders hold at least 5% of total votes at the company's general meeting:

List of 5% shareholders before the increase in share capital through issue of series D shares:

1. The State Treasury of Poland, represented by the Minister of the Treasury – 36.68% of share capital,
2. Customers of Pioneer Pekao Investment Management S.A., including Pioneer FIO and SFIO Telekomunikacji Polskiej – 12.85% of share capital,
3. Otwarty Fundusz Emerytalny PZU "Złota Jesień" – 6.12% of share capital,
4. ING Otwarty Fundusz Emerytalny – 5.33% of share capital.

Estimate: shareholding structure after the increase of share capital through issue of series D shares

1. The State Treasury of Poland, represented by the Minister of the Treasury – between approx. 35.68% and 37.68% of share capital,
2. Customers of Pioneer Pekao Investment Management S.A., including Pioneer FIO and SFIO Telekomunikacji Polskiej – between approx. 10.85% and 14.85% of share capital,
3. Otwarty Fundusz Emerytalny PZU "Złota Jesień" – between approx. 5% and 10% of share capital,
4. ING Otwarty Fundusz Emerytalny – between approx. 5% and 10% of share capital.

10. Provisions and asset impairment charges between 1 January and 31 March 2011

The following changes to provisions and asset impairment charges (created, used and reversed) were included in the consolidated financial reports for the first quarter of 2011.

Provision increases 01.01-31.03.2011	*PLN thousands*
Income tax provision	5 419
Provision for retirement pay, annual leaves, bonuses, recompenses and similar	1 444
Provision for environmental protection	119
Restructuring provision	170
Provision for liabilities (costs)	73
Total	**7 225**

Decreases (use or reversal) of provisions 01.01-31.03.2011	*PLN thousands*
Income tax provision	420
Provision for retirement pay, annual leaves, bonuses, recompenses and similar	1 903
Provision for environmental protection	1 157
Provision for anticipated losses	86
Restructuring provision	475
Provision for liabilities (costs)	926
Total	**4 967**

Increases in asset impairment charges 01.01-31.03.2011	*PLN thousands*
Current receivables impairment losses	6 741
Inventory write-downs	469
Total	**7 210**

Decrease (use and release) in asset impairment charges 01.01-31.03.2011	*PLN thousands*
PP&E impairment losses	139
Current receivables impairment losses	2 280
Inventory write-downs	2 995
Long-term financial asset impairment losses	1 461
Total	**6 876**

Changes in deferred tax assets 01.01-31.03.2011	*PLN thousands*
Increase	2 989
Decrease	2 321

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

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

	01.01-31.03.2011			01.01-31.03.2010		
in PLN thousands	**Pre-tax**	**Tax**	**Net of tax**	**Pre-tax**	**Tax**	**Net of tax**
Exchange differences on translation of foreign companies	(931)	-	(931)	9 566	-	9 566
Revaluation of available-for-sale financial assets	-	-	-	7 440	(1 405)	6 035
Cash flow hedges	(3 487)	663	(2 824)	20 105	(2 268)	17 837
Exchange differences on net investment in foreign entities	3 612	-	3 612	(17 220)	-	(17 220)
Other components of other comprehensive income	56	-	56	(3)	-	(3)
Other net comprehensive income	**(750)**	**663**	**(87)**	**19 888**	**(3 673)**	**16 215**

Income tax correction and correction due to changes in other comprehensive income

Other gross comprehensive income *in PLN thousands*	change in period	**01.01-31.03.2011**	change in period	**01.01-31.03.2010**
Exchange differences on translation of foreign companies	-	**(931)**	-	**9 566**
- measurement in current period	(931)	-	9 566	-
Revaluation of available-for-sale financial assets	-	**-**	-	**7 440**
- fair value measurement in period	-	-	7 440	
Exchange differences on net investment in foreign entities	-	**3 612**	-	**(17 220)**
- fair value measurement in period	3 612	-	(17 220)	-
Cash flow hedges	-	**(3 487)**	-	**20 105**
- fair value measurement in period	(496)	-	26 556	-
- reclassification adjustment of gains / losses recognised in P&L	(2 991)	-	(6 451)	-
Other	**(56)**	**(56)**	**(3)**	**(3)**
Income tax on other components of comprehensive income		**663**		**(3 673)**
- accrued in the reporting period	94	-	(6 451)	-
- reclassification adjustment to P&L	569	-	2 778	-
Other net comprehensive income		**(87)**		**16 215**

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

Between 1 January 2011 and 31 March 2011, the following acquisition and disposal transactions took place in Ciech Group with regard to property, plant and equipment:

	a) property, plant and equipment, including:	*land, buildings, premises and civil and marine engineering structures*	*technical equipment and machinery*	*means of transport*	*other plant, property and equipment*	b) PP&E under construction	**Total property, plant and equipment**
Purchase and completion of investments	**16 564**	**3 426**	**11 798**	**707**	**633**	**17 268**	**33 832**
CIECH S.A.	29	-	*29*	-	-	29	58
Soda Mątwy Group	7 405	*764*	*6 412*	*178*	*51*	-	7 405
Fosfory Group	3 335	*565*	*2 651*	-	*119*	-	3 335
Alwernia S.A.	2 623	*977*	*1 499*	*107*	*40*	2 286	4 909
Cheman S.A.	75	*10*	*7*	*58*		75	150
Vitrosilicon S.A.	1 271	*184*	*789*	*39*	*259*	528	1 799
Polfa Sp. z o.o.	250	-	*22*	*223*	*5*	250	500
Organika Sarzyna S.A.	228	*48*	*110*	*52*	*18*	1 068	1 296
Zachem Group	195	-	*76*	*50*	*69*	9 405	9 600
USG	-	-	-	-	-	1 655	1 655
Transclean Sp. z o.o.	2	-	2	-	-	33	35
Ciech Finance Sp. z o.o.	2	-	*2*	-	-	-	2
Soda Deutschland Ciech Group	1 149	*878*	*199*	-	*72*	1 939	3 088
Sale	**5 135**	**3 728**	**1 180**	**225**	**2**	-	**5 135**
CIECH S.A.	13	-	*13*	-	-	-	13
Fosfory Group	4 593	*3 712*	*812*	*69*	-	-	4 593
Alwernia S.A.	2	-	-	-	*2*	-	2
Cheman S.A.	43	-	*37*	*6*	-	-	43
Polfa Sp. z o.o.	62	-	*22*	*40*	-	-	62
Organika Sarzyna S.A.	12	-		*12*	-	-	12
Zachem Group	410	*16*	*296*	*98*	-	-	410

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

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

in PLN thousands	31.03.2011	31.12.2010
1. Contingent receivables	**-**	**-**
2. Contingent liabilities	**76 293**	**75 998**
- guarantees issued	39 952	39 952
- other off-balance sheet liabilities	36 341	36 046
3. Other	**23 081**	**23 073**
- other	23 081	23 073
Total off-balance sheet items	**99 374**	**99 071**

No contingent receivables were present at Ciech Group as at 31 March 2011.

Contingent liabilities as at 31 March 2011 amounted to PLN 76 293 000, a decline of PLN 295 000 compared to 31 December 2010.
The adjustment to other off-balance-sheet liabilities in comparison with the amount as at 31 December 2010 results from changes in the EUR exchange rate used at Soda Deutschland Ciech Group for translation of items including the indicated potential provision for reclamation of ponds, which is established in the event of it being necessary to apply waste management regulations, together with change in the RON exchange rate at S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. for off-balance-sheet liabilities towards CET Govora.

Other changes to off-balance sheet items are 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 31 March 2011

14.1 CIECH S.A.

Significant domestic and foreign liabilities of CIECH S.A., pending court litigation or arbitration proceedings as at 31 March 2011

Enapharm claim
In June 2004, the Liquidator for Enapharm in Algeria filed a claim, which as of now amounts to USD 222 000 (equivalent of PLN 649 600), for damages concerning deliveries of medications by CIECH S.A. between 1985 and 1991 that went past expiry dates.
According to the claimant, CIECH S.A. violated the contract between the parties by failing to replace unsold medications past expiry date with usable ones. According to the expert opinion delivered to CIECH S.A. in June 2007, the value of medications subject to the complaint had gone up to USD 372 000 (equivalent of PLN 1 050 100).
In November 2007, the Algerian court ruled in favour of CIECH S.A. by rejecting the existing expert's report, stating infringement of civil proceeding laws. At the same time, the court ordered that a new expert opinion be prepared and appointed a new expert, recommending that a representative of the respondent attend the re-examination. In September 2009, Enapharm filed for resumption of the proceedings and rejection of the last expert opinion. On 31 January 2010, the Court appointed another expert, however without revealing their identity. The case is taking place before an Algerian court. CIECH S.A. is represented by a local attorney, supervised by a reputable legal firm in Paris. Case pending.
A provision of PLN 627 000 was created at CIECH S.A. for the above liability.

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

Monetary claims pending court litigation or arbitration proceedings
CIECH S.A. is currently litigating five civil cases in Poland against its trade and other debtors for a total of PLN 10 330. A full impairment charge was made for the amount.

Claim by Polska Żegluga Morska
On 31 December 2010, 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 1 630 000 as per the table of average NBP exchange rates no. 240/A/NBP/2009 published on 9 December).
The lawsuit, based on art. 160 § 3 of the Maritime Code, contained a claim for damages for non-performance by CIECH S.A. of the Charter Agreement dated 15 October 2007 for phosphorite shipping to Morocco.
The case is pending before the Court of Arbitration of the National Chamber of Commerce in Warsaw. A contingent liability was created to cover the above claim, amounting to PLN 1 646 000.

AVAS claim

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

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

At the beginning of October 2010, CIECH S.A. received a first instance court verdict dated 1 October 2010, dismissing all claims filed by AVAS on the basis of lack of grounds.
As expected, AVAS submitted an appeal against the ruling of the court of first instance to the appeals court (second instance). This was done within the deadline, i.e. within 15 days from the date of receiving written justification of the ruling issued by the court of first instance (2 March 2011).
As a party to the dispute, to date CIECH S.A. has not received a copy of the AVAS appeal. The case is being monitored in Romania by the law firm Salans, CIECH S.A.'s legal representative.
The ruling of the appeals court (second instance) may be referred to the supreme court (third instance).

A provision of PLN 1 090 000 was created at CIECH S.A. for the above liability, as well as a contingent liability of PLN 3 261 000.

Receivables from bankruptcy proceedings
Receivables totalling PLN 7 077 000 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 unfavourable.
The Company has created an impairment charge for all the pending proceedings.

Receivables from enforcement and composition proceedings
CIECH S.A. is pursuing PLN 9 518 000 in domestic enforcement proceedings (sixteen proceedings). Prospects in the proceedings are varied, depending on the debtor's assets. The Company has created an impairment charge corresponding to 100% of the value of the claims.

Foreign bankruptcy and enforcement proceedings
CIECH S.A. has claimed USD 315 000 (equivalent of PLN 889 000 and EUR 799 500 (equivalent of PLN 3 207 000 as well as PLN 181 000, the largest items being as follows:

- Chemapol – Praga – (PLN 1 010 000),
- Euroftal N.V. Belgia – (PLN 838 000).

A claim of EUR 27 000 (equivalent of PLN 108 000) is pending a foreign enforcement proceedings, while a criminal claim was file for a receivable in the amount of EUR 14 660 (equivalent of PLN 59 000).
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.

USDPLN exchange rate	2.8229
EURPLN exchange rate	4.0119

Other cases involving CIECH S.A.
On 15 October 2010 CIECH S.A. received a summons to attend the trial before the President of the Commercial Court in Rennes (France). 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, supplier responsibility, compliance with French and European procedures in manufacture of food stuffs by French manufacturers. A letter delivered to CIECH S.A. attorney in April 2011 states that French manufacturers demand total damages of EUR 542 399.62.
CIECH S.A. sold in 2009 oil sulphur powder to Citis. The powder was manufactured by Zakłady Chemiczne Siarkopol w Tarnobrzegu.
Under art. 331 of the French code of civil procedure, CIECH S.A. is qualified as a third-party respondent to Citis and a third party to the original claimants (French producers of animal food products). CIECH S.A. has established a litigation attorney in France. The Company's insurer has also been notified.

Case concerning a summons by Polska Żegluga Morska Przedsiębiorstwo Państwowe, having its registered office in Szczecin ("PŻM"), for CIECH S.A. to a conciliation hearing
On 7 March PŻM summoned CIECH S.A. to execute an arrangement concerning claims under a sulphur transport agreement amounting to approx. PLN 35 500 000. In its response, CIECH S.A. cited a lack of factual and legal justification for these claims and the fact that they fall under the statute of limitations. The meeting took place on 21 April 2011. An arrangement was not concluded.

Case concerning a summons by CIECH S.A. for Kopalnie i Zakłady Chemiczne Siarki "SIARKOPOL" S.A., having its registered office in Grzybowo ("SIARKOPOL") to a conciliation hearing
In March 2011 Ciech S.A. summoned SIARKOPOL to execute an arrangement concerning the commission sale of sulphur and the redress of damages amounting to approx. PLN 35 500 000. The date of the meeting was arranged for May 2011.

Cases related to the property situated in Warsaw at ul. Powązkowska 46/50
1. Case pending before the Local Appeals Court in Warsaw, case no. KOX/1596/Po/09
In a letter dated 22 December 2008 (case no. ZM.ZNO.722240-IV.3212/08/GL), the President of the City of Warsaw terminated the former annual fee due from CIECH S.A. for the perpetual usufruct of the land located in Warsaw at ul. Powązkowska 46/50 (owned by the State Treasury), marked as plot no. 41, precinct 7-02-09, and established a new fee in the amount of PLN 589 553.37 with effect from 1 January 2009. In response, CIECH S.A. lodged a motion with the Local Appeals Court ("LAC") in Warsaw dated 28 January 2009 to state that the adjustment of the annual fee for the perpetual usufruct of land is unjustified.
According to the information at hand,. the Local Appeals Court is not engaged in any activities that could resolve the case. During the above procedure, CIECH S.A. commissioned an analysis of the appraisal study that had become the foundation for the fee increase. In March 2010, CIECH S.A. proxy sustained its motion filed in October 2009 to suspend the proceedings until the procedure before the District Court in Warsaw (25th Civil Division) has been resolved (case no. XXV C 1388/09).
On 4 May 2010, 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 was given a negative evaluation.
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 a hearing on 3 December 2010 the court accepted CIECH S.A.'s motion to perform assessment by the Arbitration Commission of the Polish Federation of Valuers.
A provision was created in relation to the above proceedings (concerning the perpetual usufruct of the plot at ul. Powązkowska CIECH S.A. amounting to PLN 1 890 000.

14.2 Subsidiaries – significant positions

Soda Polska CIECH Sp. z o.o.
No claims that could significantly impact the operations of Soda Polska Ciech Sp. z o.o. have been made. The total liabilities reported by the company's creditors sum up to PLN 500 000.
In addition, no claims (liabilities) have been filed towards the Companies in the Soda Polska Ciech Sp. z o.o. Group that could materially affect their business.
Receivables (trade and other) pursued in a number of various proceedings amount to PLN 27 000 000, out of which Soda Polska has claimed a total PLN 854 000 from its debtors in several dozen bankruptcies. In enforcement proceedings, total receivables claimed are currently at PLN 25 853 000, the main item being PLN 25 514 000 owed by PHU "STARTER" B. Lepiarz.
A claim was made against the company for ineffective termination of employment.
TRANSODA Sp. z o.o. is litigating for a total PLN 41 000 in receivables, PLN 8 000 of which is sought in a bankruptcy proceeding, and PLN 3 000 in enforcement proceedings.
Soda Polska has acquired the receivables from JANIKOSODY S.A. and SODA MĄTWY S.A. However, no assets were revealed in the procedure before the Regional Court in Częstochowa. The Enforcement Officer announced that the enforcement proceedings had been unsuccessful due to a high level of debt which could not be repaid.
Soda Polska CIECH Sp. z o. o. Group has created a PLN 500 000 provision for all ongoing proceedings and created impairment charges on the respective receivables.

“VITROSILICON” Spółka Akcyjna

The Company has received no information of external claims (liabilities) that could affect its business. The Company is seeking repayment of PLN 630 000 in receivables, mostly in enforcement proceedings (PLN 436 000) and bankruptcy proceedings (PLN 151 000). “VITROSILICON” Spółka Akcyjna has created an impairment charge for all the proceedings underway.

“ALWERNIA” S.A.

No claims (liabilities) are sought from “Alwernia” S.A. that could materially affect its business. “Alwernia” S.A. is pursuing litigation and enforcement of a total PLN 456 000 for goods supplied to its debtors. Total receivables sought in bankruptcy proceedings amount to PLN 2 085 000. Three employee lawsuits are pending against the Company, seeking reinstatement of employment. “Alwernia” S.A. has created impairment charges against problematic receivables under litigation.

CHEMAN S.A.

No claims (liabilities) are sought from Cheman S.A. that could materially affect its business. Cheman S.A. is litigating for payment of trade receivables from several dozen debtors. The receivables sum up to PLN 5 540 000, including PLN 2 136 000 pending court or enforcement proceedings. Receivables totalling PLN 1 207 000 have been claimed in bankruptcies. Cheman S.A. has created an impairment charge for all the pending proceedings.

FOSFORY Group

No claims (liabilities) are sought from FOSFORY Group companies that could materially affect the results of their business. FOSFORY Group is seeking a total PLN 10 007 000 from several dozen debtors in court cases as well as enforcement and bankruptcy proceedings; the largest amount, PLN 3 283 000, contributed by receivables in settlement proceedings. FOSFORY Group has created an impairment charge in the amount of PLN 10 007 000 against all of the above receivables.

POLFA Sp. z o.o.

No proceedings (claims) are pursued against POLFA Sp. z o.o. that could affect its business. The Company is seeking payment of trade receivables amounting to USD 683 000 (equivalent to PLN 1 998 000) and EUR 842 000 (equivalent to PLN 3 378 000) in goods receivables. Bankruptcy proceedings include receivables amounting to EUR 529 000 (equivalent to PLN 2 122 000).

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 1 131 000 in receivables in court, bankruptcy, enforcement as well as settlement proceedings. The largest amount, PLN 869 000, is claimed in enforcement proceedings. PLN 258 000 is claimed in settlement and bankruptcy proceedings.
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 amount litigated is PLN 1 094 000.
Moreover, private persons have lodged a lawsuit against the Company to pay PLN 13 000 for use of land without legal title (prescriptive easement).
Employee lawsuits amounting to a total of PLN 71 000 are pending.
The amount of receivables pursued by ZACHEM Group in commercial, bankruptcy, enforcement and other cases amount to PLN 14 269 000, the largest item being bankruptcy (PLN 10 592 000) and settlement (PLN 1 029 000) proceedings. The total amount under enforcement proceedings is PLN 1 544 000. The group has created an impairment provision for all pending proceedings, amounting to PLN 14 269 000.

TRANSCLEAN Sp. z o.o.

No material claims (liabilities) are sought from TRANSCLEAN Sp. z o.o. that could affect its business results. The Company is litigating for payment of trade receivables from several dozen debtors in the amount of PLN 17 000, PLN 16 000 of which is sought through court and enforcement proceedings. The remaining PLN 1 000 is sought through a bankruptcy proceeding.
TRANSCLEAN Sp. z o.o. has made an impairment charge against the above receivables.

Soda Deutschland Ciech Group

No claims (liabilities) are sought from the Soda Deutschland Ciech Group that could impact the results of its business activities. A lawsuit has been lodged against the Company by VASA Kraftwerke-Pool GmbH&Co. for the payment of EUR 4 165 000 (equivalent to PLN 16 709 000) in overdue electricity bills from 2008. On 24 March 2011 the Regional Court in Magdenburg decided that SWS KG is to pay overdue interest for 2008. SWS intends to appeal the decision. VASA also seeks a total payment of EUR 6 400 000 (equivalent to PLN 25 676 000) for the period 2009-2010. Both companies are negotiating the terms of repayment. All amounts are recognised in the Group’s balance sheet as liabilities.

Furthermore, an employee lawsuit is pending against the Company, lodged by a former Management Board Member of Sodachem, alleging unlawful termination of the employment contract. The claimant is demanding EUR 1 400 000 (equivalent to PLN 5 582 000) in damages, plus interest.
A provision of EUR 600 000 (equivalent to PLN 2 407 000) has been created for this liability.

S.C. UZINELE SODICE GOVORA - Ciech Chemical Group S.A.
No claims are sought from S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. that could impact its business results.
14 proceedings are pending against the Company:

- A claim for payment of overdue invoices – principal payment of RON 1 832 000 (equivalent to PLN 1 789 000) as well as RON 113 000 (equivalent to PLN 110 000) in penalty interest.
- 13 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 28 court cases, where:

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

All 28 cases had been provisioned as at 31 March 2011. Nevertheless, the provisions are immaterial to the financial statements due to their low values.
Furthermore, the Company is in over a dozen court cases with Florin Balan, seeking in total RON 4 072 000 (equivalent to PLN 3 977 000). Under the court ruling, F. Balan must pay RON 3 625 000 to USG, (equivalent to PLN 3 540 000), whereas during the proceedings in which USG appeared as defendant, USG must repay RON 5 000 (equivalent to PLN 4 883) to F. Balan as refund of court fees.
S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. has filed a motion with the Court of Appeal in Bucharest to revoke Decision no. 75/26.02.2010, issued by ANAF (Tax Administration Agency) following a tax audit of USG. The total amount is RON 7 969 000 (equivalent to PLN 7 783 000) in VAT paid following audit by ANAF as well as accrued interest.
S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. has created a provision of RON 2 900 000 for the above liabilities (excluding tax paid), an equivalent to PLN 2 832 000.

1 RON = 0.9767

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

During the first quarter of 2011 there were no transactions executed within the Ciech Group between Group companies on terms and conditions other than market terms and conditions.

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

Sureties and guarantees granted

Name of beneficiary	Amount of loans guaranteed in whole or in part		Term of guarantee	Financial terms of guarantees, including the guarantor's fee	Borrower	Description of ties between CIECH S.A. and the borrower
	in [currency] thousands	in PLN thousands				
CIECH S.A.						
PKN ORLEN SA		1 200	indefinite	Payment of fee to CIECH S.A.; 1% of the guaranteed amount	Cheman S.A.	Subsidiary
Commerzbank	25 000 EUR	100 298	30.09.2014	To the loan agreement dated 23 January 2008, amount: EUR 75m	Soda Deutschland GmbH	Subsidiary
Total CIECH S.A.		**101 498**				
ZACHEM S.A.						
Bank PEKAO S.A.		18 160	until 31 August 2014	None	Spółka Wodna Kapuściska	None
Nordea Bank		18 160	until 31 August 2014	None	Spółka Wodna Kapuściska	None
Total ZACHEM S.A.		**36 320**				
Total loans guaranteed		**137 818**				

Name of beneficiary	Amount of general purpose loans guaranteed in whole or in part		Term of guarantee	Guarantee financial terms, including the guarantor's fee	Borrower	Description of ties between CIECH S.A. and the borrower
	in [currency] thousands	in PLN thousands				
ZACHEM S.A.						
The Provincial Fund For Environmental Protection and Water Management in Toruń		3 632	until 31 December 2011		Spółka Wodna Kapuściska	None
Total ZACHEM S.A.		**3 632**				
Total general purpose loans guaranteed		**3 632**				

Name of beneficiary	Total amount of own guarantees issued guaranteed in whole or in specific part		Term of guarantee	Financial terms of own guarantees, including the guarantor's fee	Borrower	Description of ties between CIECH S.A. and the borrower
	in [currency] thousands	in PLN thousands				
CIECH S.A.						
SG Equipment Leasing Polska Sp. z o.o. - Warsaw	EUR 1 666	6 684	30.09.2011	To the lease agreement between S.C Uzinele Sodice Govora – Ciech Chemical Group S.A. and ECS International Polska Sp. z o.o. dated 10 July 2007	S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. – Romania	Subsidiary
Air Products, LLC and Air Products Chemicals Europe B.V.	USD 38 500	108 681	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 77m.	ZACHEM S.A.	Subsidiary
GATX Rail Poland Sp. z o.o.	EUR 64	256	30 October 2011	Guarantee of lease payments for tank cars	ZACHEM S.A.	Subsidiary
ING Lease Romania IFN S.A.	EUR 2 237	8 974	30 April 2013	Lease payments guarantee	S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. – Romania	Subsidiary
Total guarantees issued		**124 595**				

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

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

As at 31 March 2011, funds arising from the loan agreement and bilateral agreements have been paid out. The payout took place on 24 and 25 August 2010.

The following table illustrates the total limit of guarantees issued to the Arranging Banks and Medium Exposure Banks as at 31 March 2011:

Name of beneficiary	Amount of loans guaranteed	Guarantee cap	Term of guarantee	Financial terms of guarantees, including the guarantor's fee	Borrower	Description of ties between CIECH S.A. and the guarantor
CIECH S.A.						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 31 March 2011: EUR 11.5m	Guarantee cap based on the loan agreement: PLN 2 010m	Earlier of: 31 December 2013 or full repayment of liabilities under guarantee	pre-determined % of excess guarantee amount issued over the amount required to secure the actual financing	S.C.Uzinele Sodice Govora S.A.	-
Agrochem Sp. z o.o. Człuchów						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 31 March 2011: PLN 788m, EUR 22.7m and USD 0.5m	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 March 2011 amounting to: PLN 91 500 000.	Earlier of: 31 December 2013 or full repayment of liabilities under guarantee	pre-determined % of excess guarantee amount issued over the amount required to secure the actual financing	Ciech S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary
Medium Exposure Banks: BNP Paribas S.A. Oddział w Polsce, Credit Agricole Corporate and Investment Bank S.A. Oddział w Polsce, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 31 March 2011: PLN 29.3m and EUR 3m				CIECH S.A.	Subsidiary
Agrochem Sp. z o.o. Dobre Miasto						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 31 March 2011: PLN 788m, EUR 22.7m and USD 0.5m	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 March 2011 amounting to: PLN 9 675 000	Earlier of: 31 December 2013 or full repayment of liabilities under guarantee	pre-determined % of excess guarantee amount issued over the amount required to secure the actual financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary
Medium Exposure Banks: BNP Paribas S.A. Oddział w Polsce, Credit Agricole Corporate and Investment Bank S.A. Oddział w Polsce, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 31 March 2011: PLN 29.3m and EUR 3m				CIECH S.A.	Subsidiary
Polfa Sp. z o.o.						

Name of beneficiary	Amount of loans guaranteed	Guarantee cap	Term of guarantee	Financial terms of guarantees, including the guarantor's fee	Borrower	Description of ties between CIECH S.A. and the guarantor
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 31 March 2011: PLN 788m, EUR 22.7m and USD 0.5m	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 March 2011 amounting to: PLN 16 500 000	Earlier of: 31 December 2013 or full repayment of liabilities under guarantee	pre-determined % of excess guarantee amount issued over the amount required to secure the actual financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary
Medium Exposure Banks: BNP Paribas S.A. Oddział w Polsce, Credit Agricole Corporate and Investment Bank S.A. Oddział w Polsce, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 31 March 2011: PLN 29.3m and EUR 3m				CIECH S.A.	Subsidiary
GZNF Fosfory Sp. z o.o.						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 31 March 2011: PLN 788m, EUR 22.7m and USD 0.5m	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 March 2011 amounting to: PLN 212 855 000	Earlier of: 31 December 2013 or full repayment of liabilities under guarantee	pre-determined % of excess guarantee amount issued over the amount required to secure the actual financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary
Medium Exposure Banks: BNP Paribas S.A. Oddział w Polsce, Credit Agricole Corporate and Investment Bank S.A. Oddział w Polsce, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 31 March 2011: PLN 29.3m and EUR 3m				CIECH S.A.	Subsidiary
Janikosoda S.A.						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 31 March 2011: PLN 788m, EUR 22.7m and USD 0.5m	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 March 2011 amounting to: PLN 277 136 000	Earlier of: 31 December 2013 or full repayment of liabilities under guarantee	-	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary
Medium Exposure Banks: BNP Paribas S.A. Oddział w Polsce, Credit Agricole Corporate and Investment Bank S.A. Oddział w Polsce, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 31 March 2011: PLN 29.3m and EUR 3m				CIECH S.A.	Subsidiary
Soda Mątwy S.A.						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 31 March 2011: PLN 788m, EUR 22.7m and USD 0.5m	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 December 2013 or full repayment of liabilities under guarantee	-	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary

Name of beneficiary	Amount of loans guaranteed	Guarantee cap	Term of guarantee	Financial terms of guarantees, including the guarantor's fee	Borrower	Description of ties between CIECH S.A. and the guarantor
Medium Exposure Banks: BNP Paribas S.A. Oddział w Polsce, Credit Agricole Corporate and Investment Bank S.A. Oddział w Polsce, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 31 March 2011: PLN 29.3m and EUR 3m	March 2011 amounting to: PLN 334 861 000			CIECH S.A.	Subsidiary
Soda Polska Ciech Sp. z o.o.						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 31 March 2011: PLN 788m, EUR 22.7m and USD 0.5m	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 March 2011 amounting to: PLN 795 629 000	Earlier of: 31 December 2013 or full repayment of liabilities under guarantee	pre-determined % of excess guarantee amount issued over the amount required to secure the actual financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary
Medium Exposure Banks: BNP Paribas S.A. Oddział w Polsce, Credit Agricole Corporate and Investment Bank S.A. Oddział w Polsce, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 31 March 2011: PLN 29.3m and EUR 3m				CIECH S.A.	Subsidiary
Transclean Sp. z o.o.						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 31 March 2011: PLN 788m, EUR 22.7m and USD 0.5m	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 March 2011 amounting to: PLN 7 149 000	Earlier of: 31 December 2013 or full repayment of liabilities under guarantee	pre-determined % of excess guarantee amount issued over the amount required to secure the actual financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary
Medium Exposure Banks: BNP Paribas S.A. Oddział w Polsce, Credit Agricole Corporate and Investment Bank S.A. Oddział w Polsce, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 31 March 2011: PLN 29.3m and EUR 3m				CIECH S.A.	Subsidiary
Alwernia S.A.						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 31 March 2011: PLN 788m, EUR 22.7m and USD 0.5m	Total cap of the guarantee issued to the Arranging Banks and Medium Exposure Banks is defined as 150% of the Allocated Guarantee Amount, i.e.: PLN 31 500 000	Earlier of: 31 December 2013 or full repayment of liabilities under guarantee	pre-determined % of excess guarantee amount issued over the amount required to secure the actual financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary
Medium Exposure Banks: BNP Paribas S.A. Oddział w Polsce, Credit Agricole Corporate and Investment Bank S.A. Oddział w Polsce, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 31 March 2011: PLN 29.3m and EUR 3m				CIECH S.A.	Subsidiary
Organika-Sarzyna S.A.						

Name of beneficiary	Amount of loans guaranteed	Guarantee cap	Term of guarantee	Financial terms of guarantees, including the guarantor's fee	Borrower	Description of ties between CIECH S.A. and the guarantor
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 31 March 2011: PLN 788m, EUR 22.7m and USD 0.5m	Total cap of the guarantee issued to the Arranging Banks and Medium Exposure Banks is defined as 150% of the Allocated Guarantee Amount, i.e.: PLN 226 500 000	Earlier of: 31 December 2013 or full repayment of liabilities under guarantee	pre-determined % of excess guarantee amount issued over the amount required to secure the actual financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary
Medium Exposure Banks: BNP Paribas S.A. Oddział w Polsce, Credit Agricole Corporate and Investment Bank S.A. Oddział w Polsce, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 31 March 2011: PLN 29.3m and EUR 3m				CIECH S.A.	Subsidiary
Vitrosilicon S.A.						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 31 March 2011: PLN 788m, EUR 22.7m and USD 0.5m	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 March 2011 amounting to: PLN 108 000 000	Earlier of: 31 December 2013 or full repayment of liabilities under guarantee	pre-determined % of excess guarantee amount issued over the amount required to secure the actual financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary
Medium Exposure Banks: BNP Paribas S.A. Oddział w Polsce, Credit Agricole Corporate and Investment Bank S.A. Oddział w Polsce, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 31 March 2011: PLN 29.3m and EUR 3m				CIECH S.A.	Subsidiary
Zachem S.A.						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 31 March 2011: PLN 788m, EUR 22.7m and USD 0.5m	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 March 2011 amounting to: PLN 232 500 000	Earlier of: 31 December 2013 or full repayment of liabilities under guarantee	pre-determined % of excess guarantee amount issued over the amount required to secure the actual financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary
Medium Exposure Banks: BNP Paribas S.A. Oddział w Polsce, Credit Agricole Corporate and Investment Bank S.A. Oddział w Polsce, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 31 March 2011: PLN 29.3m and EUR 3m				CIECH S.A.	Subsidiary
Cheman S.A.						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 31 March 2011: PLN 788m, EUR 22.7m and USD 0.5m	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 December 2013 or full repayment of liabilities under guarantee	pre-determined % of excess guarantee amount issued over the amount required to secure the actual	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary

Name of beneficiary	Amount of loans guaranteed	Guarantee cap	Term of guarantee	Financial terms of guarantees, including the guarantor's fee	Borrower	Description of ties between CIECH S.A. and the guarantor
Medium Exposure Banks: BNP Paribas S.A. Oddział w Polsce, Credit Agricole Corporate and Investment Bank S.A. Oddział w Polsce, Fortis Bank Polska S.A.	Amount of loans guaranteed as at 31 March 2011: PLN 29.3m and EUR 3m	Amount/ Net Asset Value, as at 31 March 2011 amounting to: PLN 12 015 000		financing	CIECH S.A.	Subsidiary

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

During the first quarter of 2011 CIECH S.A. issued ordinary series D bearer shares with subscription right. Basic information concerning the offering is presented below.

1. Issue Price
On 25 January 2011, acting pursuant to § 2 of the Resolution on Increase, in agreement with the Co-Managers (through signing an Agreement concerning the Issue Price to the Share Placement Agreement) and with the consent of the Supervisory Board, the Management Board established the Share Issue Price at PLN 19.20 (nineteen Polish zloty and twenty grosz) per Share of a nominal value of PLN 5 each.

2. Final Number of Shares Included in the Offering
The Management Board did not take advantage of the authorisation to specify the final number of Shares in the Offering which resulted from the Resolution on Increase. In connection with the above and in accordance with the Resolution on Increase and the provisions of the Prospectus (see in particular the section "Terms and Conditions of the Offering – "Final Number of Shares Included in the Offering"), the final number of Shares Offered amounts to 23 000 000 ordinary series D bearer shares of a nominal value of PLN 5 each.

3. Final Number of Shares Offered for which acquisition is carried by a Unit Subscription Right
Pursuant to the above, one Subscription Right carried subscription for 23/28 of Offered Shares, which when rounded amounts to 0.82142857143 per Offered Share. In connection with the above, in order to subscribe for one Offered Share, two Subscription Rights would have to have been held.

4. Division of Shares
On 2 March 2011 the Management Board of CIECH S.A. made notification that 23 000 000 (twenty-three million) ordinary series D bearer shares of a nominal value of PLN 5 (five Polish zloty) each ("Series D Shares") had been allocated to subscribers, and that the issue of Series D Shares with subscription right had been successfully conducted through a public offering pursuant to resolution no. 3 of the Company's Extraordinary General Meeting of 28 October 2010 concerning increase in the Company's share capital and amendment to the Company's Articles of Association.
The commencement date for accepting subscriptions for exercise of the subscription right and additional subscriptions was 3 February 2011, whereas the final date for acceptance of subscriptions in exercise of the subscription right and additional subscriptions was 16 February 2011. The share allocation date was 25 February 2011.
Number of shares covered by subscription: 23 000 000 Series D Shares. Reduction under additional subscriptions: 94.2%. Number of shares subscribed for:

- under exercise of the subscription right: 21 825 287 Series D Shares,
- under additional subscriptions: 20 322 318 Series D Shares.

Number of shares which were allocated under the subscription: 20 000 000 Series D Shares.
Issue price at which shares were subscribed for: PLN 19.20.
Number of persons who submitted subscriptions for shares under the subscription and the number of persons to whom shares were allocated under the subscription:

- under exercise of the subscription right a total of 3 451 subscriptions were made for Series D Shares,
- under additional subscriptions a total of 533 subscriptions were made for Series D Shares.

Series D Shares were not subscribed for by underwriters – the Company did not execute underwriting agreements.

5. Value of the subscription
Value of the subscription (being the product of the number of shares being subject to subscription and the issue price per share): PLN 441 600 000.

6. Estimated issue costs
The estimated costs of issuing Series D Shares were specified in the issue prospectus under the section "Proceeds from the Issue" (p. 32). As at 12 May 2011 the costs of issue calculated on the basis of invoices received and accepted by the Company amounted to PLN 5 564 000, including:

- preparation and performance of the issue: PLN 4 616 000,
- preparation of the issue prospectus: PLN 697 000,
- promotion of the issue: PLN 251 000.

The Company will draw up and publish a current report containing information on the final costs of issuing Series D Shares after the receipt and acceptance of all invoices from entities involved in the preparation and performance of the Series D Share issue.
Method for recognising in the accounts and means of inclusion in the financial statements: the costs of issuing Series D Shares, adjusted by income tax on the costs of issue recognised as tax expenses decreasing the capital from the issue of shares over nominal value, created from the issue premium over nominal value.
As at 12 May 2011 the average cost of issuing Series D Shares per share included in the subscription was PLN 0.24.

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

With regard to the net loss for 2010, CIECH S.A. did not pay out a dividend for this financial year.
With regard to the net loss for 2009, CIECH S.A. did not pay out a dividend in the 2010 financial year. On 21 June 2010 the Annual General Meeting of CIECH S.A. had passed a resolution on loss coverage using the Company's supplementary capital.

20. Discontinued operations and assets classified as held for trading

Discontinued operations
On 16 December 2010 an agreement was executed between CIECH S.A. (the seller) and Zakłady Azotowe "Puławy" concerning the sale of shares in subsidiary GZNF "FOSFORY" Sp. z o.o. In connection with this, discontinued operations are indicated in the report, which constitutes the result achieved by the FOSFORY Group.

Available-for-sale assets and liabilities
As at 31 March 2011, the following items were indicated in the item "Available-for-sale non-current assets":

- CIECH S.A. indicated shares in GZNF "FOSFORY" Sp. z o.o. in connection with the execution on 16 December 2010 of an agreement on sale of shares to Zakłady Azotowe "Puławy". The subject of sale is 51 855 shares, which constitutes 89.46% of the share capital of GZNF "FOSFORY" Sp. z o.o. In the separate financial report, the value of loans granted by CIECH S.A. to the FOSFORY Group was also indicated under available-for-sale assets. In connection with the above transaction, the Fosfory Group recognised all of its balance sheet items as available-for-sale assets or liabilities in the consolidated report. These assets are classified in the Agrochemicals segment.

- Vitrosilicon Spółka Akcyjna reported property, plant and equipment valued at PLN 821 000, including:
  - land – PLN 368 000,
  - buildings and structures – PLN 132 000,
  - technical equipment and machinery – PLN 321 000.
- The Company is currently seeking a buyer through announcements in the media and meetings with potential clients and purchasers. These assets are classified in the Silicates and glass segment.
- At Z.Ch. "Organika - Sarzyna" S.A., the value of investment property together with rights to perpetual usufruct of land is PLN 585 000. The Company classified non-current assets which are currently leased to companies located within its site for sale, together with plots of land which it does not plan to develop. The sale of non-current assets is anticipated during 2011. These assets are classified in the organics segment.
- Cheman S.A. – in connection with limited capabilities to finance the modernisation and expansion of the machine park in Błaszki, the company plans to dispose of non-current assets located in Błaszki. The company anticipates execution of the transaction during the first half of 2011. These assets are recorded in the Other activity segment.

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.

According to the Company's calculations, as at 31 March 2011 the required interest coverage ratio level would not have been achieved (consolidated EBITDA over consolidated net finance costs), since the level of the ratio calculated by the Company was 2.42, versus the 2.75 initially required by the Loan Agreement.

However, on 14 December 2010 the Company requested that the banks change the required interest coverage ratio as at 31 March 2011. This request was accepted by the lenders on 10 May 2011. Pursuant to calculations made by the Company, the new ratio level specified by the lenders as at 31 March 2011 was achieved – in connection with the above, in the Company's opinion, it is unnecessary to recognise the total consortium loan as a current liability.

22. The consortium loan is included in accordance with IAS 39.

Information concerning the Loan Agreement of 26 April 2010 and the Loan Agreement of 10 February 2011 have been presented in point III.2.8 of this Report under "**Group Debt Financing".**

The consortium loan is included in accordance with IAS 39.
In accordance with IAS 39, point 40, the Company analysed the terms and conditions of the loan agreement of 10 February 2011 (the section concerning refinancing of the loan) in relation to the provisions of the loan agreement of 26 April 2010. Since all key terms and conditions for acquisition of refinancing had already been agreed between the parties in February 2011, the Company recognised that all analysis constituting the basis for a decision on treating this loan as renegotiation of a financial liability or as the expiry of the previous financial liability and inclusion of a new financial liability had been conducted as at 10 February 2011. Pursuant to the results of this analysis referred to above, the Company recognised that, in accordance with IAS 39, the loan agreement executed in February constitutes a modification of the previous loan agreement and does not replace the previous loan agreement with a new agreement.

In accordance with the Company's accounting policy applied in similar transactions, the key criterion for inclusion of a new loan as renegotiation of a previous loan is quantitative analysis.
Quantitative analysis, namely the "10% test", was carried out on 10 February 2011 on the basis of point 62 of IAS 39. The results of the analysis confirmed inclusion of the new loan agreement as renegotiation of the previous loan agreement.

Details of the quantitative test
The "10% test" quantitative analysis was performed on the basis of the loan agreement provisions, the Company's adopted budget and current Management Board estimates relating to:

- anticipated cash flows connected with potential early repayment of part of the loan,
- the margin applied in calculating the costs of loan servicing,
- the share of foreign currency loans in the total debt.

In accordance with the Management Board's current estimates:

- the loan will not be repaid in periods earlier than specified in the agreement,
- the applied bank margin has a downward tendency in accordance with the Loan Agreement and with the Company's anticipated results confirmed by the adopted budget,
- 25% will be used as a foreign currency loan,
- the base rate and currency exchange rates were adopted as spot values as at the date on which the test was carried out.

The following assumptions were using in the 10% test while forecasting cash flows:

- during the period 10 February 2011 to 30 September 2011 cash flows will result from the loan agreement as before entry of the provisions of the modified loan agreement and have been adjusted by loan agreement arrangement costs borne as at 10 February 2011
- the company will refinance the liability under the loan agreement of 26 April 2010 as at 30 September 2011,
- during the period from 1 October 2011 to 31 March 2016 cash flows will result from the modified loan agreement.

The result of the 10% test enabled inclusion of the new loan as renegotiation of the previous agreement which, in accordance with the accounting policy adopted by the Company, provides the possibility to include all costs of acquiring the new loan (both external costs, e.g. advisers and lawyers, and the costs of commission paid to banks) in the new calculation of amortised cost and for these to be settled in accordance with the term of the extended loan agreement. Furthermore, non-settled costs concerning the previous loan agreement will also be settled in accordance with the term of the modified loan agreement. In accordance with the above, the consortium loan was presented with division into long- and short-term parts in accordance with IAS 1, point 73.

23. Information on non-consolidated subsidiaries and associates

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

Total amount	Non-consolidated entities	Ciech Group (without exclusions)	% share
Carrying amounts	24 975	7 622 340	0.33%
Net revenue from sale of products and goods for resale and financial operations	19 731	1 790 338	1.10%

The following table presents joint data of associates not accounted for using the equity method.

Total amount	Associates not measured using the equity method	Ciech Group (without exclusions)	% share
Carrying amounts	111 073	7 622 340	1.45%
Net revenue from sale of products and goods for resale and financial operations	29 794	1 790 338	1.66%

IV. CIECH S.A. condensed separate financial statements for the first quarter of 2011, prepared in accordance with International Financial Reporting Standards

1. CIECH S.A. separate profit and loss statement

in PLN thousands	**01.01-31.03.2011*** Continuing operations	**01.01-31.03.2010*** Continuing operations
Net revenue from sales	**603 916**	**566 462**
Own cost of sales	(532 696)	(484 823)
Gross profit / loss	**71 220**	**81 639**
Other operating revenues	1 411	565
Distribution costs	(36 955)	(29 128)
Administrative expenses	(10 049)	(16 620)
Other operating costs	(1 051)	(1 649)
Profit / loss on operating activities	**24 576**	**34 807**
Finance income	29 135	34 786
Finance costs	(38 856)	(80 297)
Net finance income / costs	**(9 721)**	**(45 511)**
Profit / loss before tax	**14 855**	**(10 704)**
Income tax	(3 512)	(43)
Net profit / loss	**11 343**	**(10 747)**

Earnings per share (in PLN):		
Basic	0.35	(0.38)
Diluted	0.35	(0.38)

** There were no discontinued operations within the company during both the reporting period and the comparative period*

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

in PLN thousands	**01.01-31.03.2011*** **Continuing operations**	**01.01-31.03.2010*** **Continuing operations**
Net profit (loss) for the financial year	**11 343**	**(10 747)**
Other gross comprehensive income	**(4 970)**	**14 958**
Available-for-sale financial assets (included in the revaluation provision)	-	7 398
Hedge accounting (included in the hedge accounting provision)	(4 970)	7 560
Income tax on other components of comprehensive income	**944**	**(2 842)**
Other net comprehensive income	**(4 026)**	**-**
TOTAL COMPREHENSIVE INCOME	**7 317**	**1 369**

** There were no discontinued operations within the company during both the reporting period and the comparative period*

3. CIECH S.A. statement of financial position

in PLN thousands	31.03.2011	31.12.2010	31.03.2010
ASSETS			
Non-current assets			
Property, plant and equipment	8 214	8 778	10 398
Intangible assets	7 703	8 070	8 341
Investment property	3 630	3 630	3 699
Non-current receivables	24 964	32 363	29 901
Short-term borrowings granted	530 771	525 702	382 131
Other long-term investments	936 430	936 224	980 839
Deferred income tax assets	5 676	8 244	13 641
Total non-current assets	**1 517 388**	**1 523 011**	**1 428 950**
Current assets			
Inventory	18 010	28 704	30 511
Short-term investments – borrowings granted	345 659	334 308	70 543
Deferred tax receivables	2 027	2 027	6 427
Trade and other receivables	413 490	359 898	388 883
Cash and cash equivalents	198 293	35 131	44 947
Available-for-sale assets	142 117	141 499	-
Total current assets	**1 119 596**	**901 567**	**541 311**
Total assets	**2 636 984**	**2 424 578**	**1 970 261**
EQUITY AND LIABILITIES			
Equity			
Share capital	279 115	164 115	164 115
Share premium	472 633	151 328	151 328
Financial asset revaluation provision	-	-	(3 567)
Other provisions	76 199	76 199	76 199
Hedge accounting provision	2 168	6 194	43 037
Retained earnings	104 405	93 062	87 353
Total equity	**934 520**	**490 898**	**518 465**
Liabilities			
Borrowings including credit, loans and other debt instruments	1 056 075	299 936	420 669
Employee benefits	1 772	1 712	1 841
Other non-current liabilities	25 672	33 170	35 368
Total non-current liabilities	**1 083 519**	**334 818**	**457 878**
Borrowings including credit, loans and other debt instruments	160 208	1 167 117	482 512
Trade and other payables	451 403	423 568	507 460
Provisions (short-term provisions for employee benefits and other)	7 334	8 177	3 946
Total current liabilities	**618 945**	**1 598 862**	**993 918**
Total liabilities	**1 702 464**	**1 933 680**	**1 451 796**
Total equity and liabilities	**2 636 984**	**2 424 578**	**1 970 261**

4. CIECH S.A. statement of cash flows

in PLN thousands	**01.01-31.03.2011**	**01.01-31.03.2010**
Cash flows from operating activities		
Net profit (loss) for the period	**11 343**	**(10 747)**
Depreciation / amortisation	1 155	1 338
Creation / reversal of revaluations	3 625	3 711
Currency exchange gains / losses	(5 983)	39 569
Gain / loss on investing activities	131	(226)
Gain / loss on disposal of non-current assets	(1)	(1)
Dividend and interest	9 872	6 750
Income tax accrued	3 512	43
Operating profit / loss before changes in working capital and provisions	**23 654**	**40 437**
Change in receivables	(47 699)	(24 023)
Change in inventories	10 694	(4 198)
Change in current liabilities	29 485	26 490
Change in employee benefit provisions and liabilities	(783)	4
Net cash flow from operating activities	**15 351**	**38 710**
Interest paid	(23 263)	(12 859)
Income tax paid	-	(1 200)
Valuation of derivative financial instruments	(4 971)	(25 401)
Other adjustments	(4 600)	887
Net cash from operating activities	**(17 483)**	**137**
Cash flows from investing activities		
Inflows		
Disposal of intangible assets and property, plant and equipment	1	1
Disposal of subsidiary	-	226
Dividends received	1 405	-
Interest received	2 520	601
Outflows		
Purchase of intangible assets and property, plant and equipment	(885)	(873)
Loans granted	(8 537)	-
Net cash from investing activities	**(5 496)**	**(45)**
Cash flows from financing activities		
Inflows		
Net proceeds from issue of ordinary shares and other equity instruments and capital contributions	436 305	-
Proceeds from loans	6 833	7 541
Outflows		
Repayment of loans	(256 717)	(5 647)
Net cash from financing activities	**186 421**	**1 894**
Total net cash flows	**163 442**	**1 986**
Cash at the beginning of period	35 131	46 446
Effect of foreign exchange differences	(280)	(3 485)
Cash at the end of period	**198 293**	**44 947**

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

in PLN thousands	Share capital	Share premium	Revaluation capital	Hedge accounting provision	Other provisions	Retained earnings	**Total equity**
Equity as at 01.01.2011 (beginning of the reporting period)							
Previously	**164 115**	**151 328**	**-**	**6 194**	**76 199**	**93 062**	**490 898**
Equity (after transition) as at: 01.01.2011	**164 115**	**151 328**	**-**	**6 194**	**76 199**	**93 062**	**490 898**
Issue of shares	115 000	321 305	-	-	-	-	436 305
Comprehensive income for 2011	-	-	-	(4 026)	-	11 343	7 317
Equity as at 31.03.2011 (end of the reporting period)	**279 115**	**472 633**	**-**	**2 168**	**76 199**	**104 405**	**934 520**

in PLN thousands	Share capital	Share premium	Revaluation capital	Hedge accounting provision	Other provisions	Retained earnings	**Total equity**
Equity as at 01.01.2010 (beginning of the reporting period)							
Previously	**164 115**	**151 328**	**(9 559)**	**36 913**	**76 199**	**98 100**	**517 096**
Equity (after transition) as at: 01.01.2010	**164 115**	**151 328**	**(9 559)**	**36 913**	**76 199**	**98 100**	**517 096**
Comprehensive income for 2010	-	-	9 559	(30 719)	-	(5 038)	(26 198)
Equity as at 31.12.2010 (end of the reporting period)	**164 115**	**151 328**	**-**	**6 194**	**76 199**	**93 062**	**490 898**

in PLN thousands	Share capital	Share premium	Revaluation capital	Hedge accounting provision	Other provisions	Retained earnings	**Total equity**
Equity as at 01.01.2010 (beginning of the reporting period)							
Previously	**164 115**	**151 328**	**(9 559)**	**36 913**	**76 199**	**98 100**	**517 096**
Equity (after transition) as at: 01.01.2010	**164 115**	**151 328**	**(9 559)**	**36 913**	**76 199**	**98 100**	**517 096**
Comprehensive income for 2010	-	-	5 992	6 124	-	(10 747)	1 369
Equity as at 31.03.2010 (end of the reporting period)	**164 115**	**151 328**	**(3 567)**	**43 037**	**76 199**	**87 353**	**518 465**

6. Notes to the financial statements for the first quarter of 2011 ending 31 March 2011

6.1. The basis for the preparation and the accounting policies

On 31 January 2007 the Extraordinary General Meeting of CIECH S.A. passed resolution no. 4 on the preparation of separate financial statements according to IFRS/IAS. Based on the resolution, the reports of CIECH S.A. have been prepared in accordance with IFRS/IAS since 2007. Assets, equity and liabilities as well as the financial results are measured as per the Company's accounting policies.
The 2010 report of CIECH S.A. contains detailed information on the valuation principles and methods applied to assets, equity and liabilities as well as the preparation of the financial result and prior-period data. The report was made public on 22 April 2011.

6.2. Earnings per share

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

in PLN thousands	**31.03.2011**	**31.03.2010**
Net profit (loss) from continuing operations attributable to owners of the parent	11 343	(10 747)
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	11 343	(10 747)
Net profit (loss) attributable to owners of the parent used for diluted earnings per share	11 343	(10 747)

.	**31.03.2011**	**31.03.2010**
Weighted average number of ordinary shares issued, used for basic earnings per share	32 344 444	28 000 000
Weighted average number of ordinary shares issued, used for diluted earnings per share	32 344 444	28 000 000

6.3. Seasonal and cyclical factors

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

6.4. Changes in estimates

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

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

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

6.6. Information on dividends paid

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

6.7. Financial information by operating segment

01.01-31.03.2011

in PLN thousands	**Soda segment – Soda division**	**Organics segment – Organika division**	**Agrochemicals segment**	**Silicates and glass segment**	**Other activity**	**Corporate actions – residual item**	**TOTAL**
			Agro-silicon division				
External revenue	206 543	218 750	23 217	55 060	38	-	503 608
Inter-segment revenue	14 262	13 962	70 643	1 401	40	-	100 308
Total revenue	**220 805**	**232 712**	**93 860**	**56 461**	**78**	**-**	**603 916**
Own cost of sales	(180 818)	(216 068)	(90 051)	(45 727)	(32)	-	(532 696)
Gross profit / loss	**39 987**	**16 644**	**3 809**	**10 734**	**46**	**-**	**71 220**
Distribution costs	(16 841)	(7 878)	(386)	(8 752)	(3 098)	-	(36 955)
Administrative expenses	(85)	(59)	(57)	-	-	(9 848)	(10 049)
Profit / loss on receivables management	(214)	5	-	-	-	355	146
Profit / loss on other operating activities	76	29	-	195	359	(445)	214
Profit / loss on operating activities	**22 923**	**8 741**	**3 366**	**2 177**	**(2 693)**	**(9 938)**	**24 576**
Net exchange differences and trade account interest	(5 152)	(8 403)	(2 831)	(1 378)	(96)	(1 662)	(19 522)
Group finance costs	-	-	-	-	-	(8 922)	(8 922)
Profit / loss on financing activities (unallocated to segments)	-	-	-	-	-	18 723	18 723
Profit / loss before tax	**17 771**	**338**	**535**	**799**	**(2 789)**	**(1 799)**	**14 855**
Tax	-	-	-	-	-	-	(3 512)
Net profit / loss	-	-	-	-	-	-	**11 343**
Profit on discontinued operations	-	-	-	-	-	-	-
Net profit / loss for the financial year	-	-	-	-	-	-	**11 343**
Depreciation / amortisation	204	142	38	26	-	745	1 155
EBITDA	**23 127**	**8 883**	**3 404**	**2 203**	**(2 693)**	**(9 193)**	**25 731**

01.01-31.03.2010

in PLN thousands	**Soda segment – Soda division**	**Organics segment – Organika division**	**Agrochemicals segment**	**Silicates and glass segment**	**Other activity**	**Corporate actions – residual item**	**TOTAL**
			Agro-silicon division				
External revenue	201 971	201 388	21 782	51 887	79	-	477 107
Inter-segment revenue	14 613	17 952	55 820	866	104	-	89 355
Total revenue	**216 584**	**219 340**	**77 602**	**52 753**	**183**	**-**	**566 462**
Own cost of sales	(175 736)	(193 536)	(72 146)	(43 357)	(48)	-	(484 823)
Gross profit / loss	**40 848**	**25 804**	**5 456**	**9 396**	**135**	**-**	**81 639**
Distribution costs	(15 915)	(6 365)	(678)	(6 134)	(36)	-	(29 128)
Administrative expenses	(1 014)	(348)	(759)	(996)	-	(13 503)	(16 620)
Profit / loss on receivables management	(20)	19	-	-	-	(497)	(498)
Profit / loss on other operating activities	1	-	-	-	(488)	(99)	(586)
Profit / loss on operating activities	**23 900**	**19 110**	**4 019**	**2 266**	**(389)**	**(14 099)**	**34 807**
Net exchange differences and trade account interest	(8 954)	(19 300)	(2 473)	(3 633)	(91)	(579)	(35 030)
Group finance costs	-	-	-	-	-	(8 792)	(8 792)
Profit / loss on financing activities (unallocated to segments)	-	-	-	-	-	(1 689)	(1 689)
Profit / loss before tax	**14 946**	**(190)**	**1 546**	**(1 367)**	**(480)**	**(25 159)**	**(10 704)**
Tax	-	-	-	-	-	-	(43)
Net profit / loss	-	-	-	-	-	-	**(10 747)**
Profit on discontinued operations	-	-	-	-	-	-	-
Net profit / loss for the financial year	-	-	-	-	-	-	**(10 747)**
Depreciation / amortisation	3	4	1	1	-	1 329	1 338
EBITDA	**23 903**	**19 114**	**4 020**	**2 267**	**(389)**	**(12 770)**	**36 145**

31.03.2011

in PLN thousands	**Soda segment – Soda division**	**Organics segment – Organika division**	**Agro-silicon division**		**Other activity**	**Corporate actions – residual item**	**TOTAL**
			Agrochemicals segment	**Silicates and glass segment**			
Property, plant and equipment	1 450	1 009	270	185	-	5 300	8 214
Intangible assets	1 360	947	253	173	-	4 970	7 703
Inventory	10 979	6 944	87	-	-	-	18 010
Trade and other receivables	154 361	107 779	34 191	15 334	3 219	-	314 884
Other assets	-	-	-	-	-	2 288 173	2 288 173
Total assets	**168 150**	**116 679**	**34 801**	**15 692**	**3 219**	**2 298 443**	**2 636 984**

in PLN thousands	**Soda segment – Soda division**	**Organics segment – Organika division**	**Agro-silicon division**		**Other activity**	**Corporate actions – residual item**	**TOTAL**
			Agrochemicals segment	**Silicates and glass segment**			
Trade and other payables	220 976	142 913	27 675	38 522	23	-	430 109
Other payables	-	-	-	-	-	1 272 355	1 272 355
Total liabilities	**220 976**	**142 913**	**27 675**	**38 522**	**23**	**1 272 355**	**1 702 464**

31.03.2010

in PLN thousands	**Soda segment – Soda division**	**Organics segment – Organika division**	**Agro-silicon division**		**Other activity**	**Corporate actions – residual item**	**TOTAL**
			Agrochemicals segment	**Silicates and glass segment**			
Property, plant and equipment	1 329	855	318	233	-	7 663	10 398
Intangible assets	1 066	686	255	187	-	6 147	8 341
Inventory	10 024	11 855	8 632	-	-	-	30 511
Trade and other receivables	146 484	115 924	24 576	16 534	-	-	303 518
Other assets	-	-	-	-	-	1 617 493	1 617 493
Total assets	**158 903**	**129 320**	**351 463**	**16 594**		**1 631 273**	**1 970 261**

in PLN thousands	**Soda segment – Soda division**	**Organics segment – Organika division**	**Agro-silicon division**		**Other activity**	**Corporate actions – residual item**	**TOTAL**
			Agrochemicals segment	**Silicates and glass segment**			
Trade and other payables	190 106	128 117	55 871	12 336	1 245	-	387 675
Other payables	-	-	-	-	-	1 064 121	1 064 121
Total liabilities	**190 106**	**128 117**	**55 871**	**12 336**	**1 245**	**1 064 121**	**1 451 796**

01.01-31.03.2011

in PLN thousands	Soda segment – Soda division	Organics segment – Organika division	Agrochemicals segment (Agro-silicon division)	Silicates and glass segment (Agro-silicon division)	Other activity	Corporate actions – residual item	TOTAL
Creation of impairment charges	214	84	-	-	49	-	347
Reversal of impairment charges	-	119	33	-	740	-	892
Creation of impairment charges (not allocated to segments)	-	-	-	-	-	4 045	4 045
Reversal of impairment charges (not allocated to segments)	-	-	-	-	-	148	148
	214	203	33	-	789	4 193	5 432

01.01-31.03.2010

in PLN thousands	Soda segment – Soda division	Organics segment – Organika division	Agrochemicals segment (Agro-silicon division)	Silicates and glass segment (Agro-silicon division)	Other activity	Corporate actions – residual item	TOTAL
Creation of impairment charges	23	81	342	-	500	-	946
Reversal of impairment charges	3	100	4	-	3	-	110
Creation of impairment charges (not allocated to segments)	-	-	-	-	-	3 861	3 861
Reversal of impairment charges (not allocated to segments)	-	-	-	-	-	32	32
	26	181	346	-	503	3 893	4 949

Geographical regions

31.03.2011

in PLN thousands	Poland	European Union	Other European countries	Africa	Asia	Other regions	TOTAL
Total segment assets	1 827 965	740 485	34 926	15 592	14 664	3 352	**2 636 984**
Net revenue from sales	243 964	211 867	49 813	42 413	42 886	12 973	**603 916**

31.03.2010

in PLN thousands	Poland	European Union	Other European countries	Africa	Asia	Other regions	TOTAL
Total segment assets	1 203 414	691 705	27 324	10 459	33 023	4 336	**1 970 261**
Net revenue from sales	225 730	184 972	16 313	33 313	86 886	19 246	**566 462**

6.8. Information on significant events taking place after the end of the first quarter of 2011, other than those included in this interim report

No significant events took place after 31 March 2011 which were not depicted in the financial statements for the period from 1 January to 31 March 2011.

6.9. Information on changes in the entity's structure

Changes in the portfolio of shares held was recorded in the first quarter of 2011, described in point III.7 of this Report.

6.10. Information on changes in contingent liabilities or contingent assets

OFF-BALANCE SHEET ITEMS

in PLN thousands	**31.03.2011**	**31.12.2010**
1. Contingent receivables	**-**	**-**
2. Contingent liabilities	**272 363**	**281 519**
2.1. To other entities	272 363	281 519
- guarantees granted	272 363	281 519
3. Other	**22 160**	**22 066**
- other	22 160	22 066
Total off-balance sheet items	**294 523**	**303 585**

No contingent receivables were present at CIECH S.A. as at 31 March 2011.

Contingent liabilities and other off-balance sheet liabilities as at 31 March 2011 amounted to PLN 294 523 000, or PLN 9 062 000 below the December 2010 level.
The difference is mainly due to decrease of a guarantee for the subsidiary GOVORA's liabilities to EUR 11 553 000. The remaining difference was caused by currency fluctuations that influenced the valuation of liabilities.
Other contingent liabilities, amounting to PLN 22 160 000, include:

- contingent liability of PLN 1 646 000 related to the claims of Polska Żegluga Morska,
- contingent liability of PLN 17 253 000 for non-achievement of a target ratio defined in the share purchase agreement for ZACHEM S.A.,
- contingent liability of PLN 3 261 000 non-fulfilment of obligatory disclosures stipulated in the agreement with AVAS for the acquisition of S.C. Uzinele Sodice Govora-Ciech Chemical Group.

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

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

6.12. Information on provisions and asset impairment charges in the reporting period, i.e. between 1 January and 31 March 2011

01.01-31.03.2011

in PLN thousands	beginning of period balance	increase	decrease	end of period balance
Investment property	336	-	336	-
Long-term investments	78 106	-	1 461	76 645
Inventory	511	84	147	448
Receivables	31 738	502	1 243	30 997
Short-term investments	221 791	3 806	-	225 597

01.01-31.03.2011

in PLN thousands	beginning of period balance	increase	decrease	end of period balance
Income tax provision	10 129	875	-	11 004
Provision for retirement pay, annual leaves, bonuses, recompenses and similar	7 430	1 379	2 490	6 319
Provision for anticipated losses	7 068	-	86	6 982
Provision for liabilities (costs)	1 455	4030	648	4 837

01.01-31.03.2011

in PLN thousands	beginning of period balance	increase	decrease	end of period balance
Deferred income tax assets	18 373	-	1 693	16 680

01.01-31.03.2010

in PLN thousands	beginning of period balance	increase	decrease	end of period balance
Property, plant and equipment	238	-	-	238
Investment property	14 687	-	-	14 687
Long-term investments	86 296	43	-	86 339
Inventory	168	342	4	506
Receivables	25 100	754	1 005	24 849
Short-term investments	196 673	4 055	43	200 685

01.01-31.03.2010

in PLN thousands	beginning of period balance	increase	decrease	end of period balance
Income tax provision	21 397	-	5491	15 906
Provision for retirement pay, annual leaves, bonuses, recompenses and similar	5 181	3 531	2 319	6 393
Provision for anticipated losses	3 880	5	65	3 820
Provision for liabilities (costs)	3 699	652	1 584	2 767

01.01-31.03.2010

in PLN thousands	beginning of period balance	increase	decrease	end of period balance
Deferred income tax assets	37 922	-	8 375	29 547

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

Tax effect of each component of other comprehensive income of Ciech Group *in PLN thousands*	**01.01-31.03.2011** Pre-tax	Tax	Net of tax	**01.01-31.03.2010** Pre-tax	Tax	Net of tax
Available-for-sale financial assets (included in the revaluation provision)	-	-	-	7 398	(1 406)	5 992
Hedge accounting (included in the hedge accounting provision)	(4 970)	944	(4 026)	7 560	(1 436)	6 124
Other net comprehensive income	(4 970)	944	(4 026)	**14 958**	(2 842)	**12 116**

Other gross comprehensive income *in PLN thousands*	change in period	**01.01-31.03.2011**	change in period	**01.01-31.03.2010**
Available-for-sale financial assets (included in the revaluation provision)	-	-	-	7 398
- fair value measurement in period	-	-	7 398	-
Hedge accounting provision	-	(4 970)	-	7 560
- fair value measurement in period	-	-	24 584	-
- reclassification adjustment of gains / losses recognised in P&L	(4 970)	-	(17 024)	-
Income tax on other components of comprehensive income	-	944	-	(2 842)
- accrued in the reporting period	-	-	(6 077)	-
- reclassification adjustment to P&L	944	-	3 235	-
Other net comprehensive income	-	(4 026)	-	12 116

6.14. Information on liquidation of all provisions for restructuring costs

CIECH S.A. did not create provisions for restructuring costs.

6.15. Information on the acquisition and disposal of property, plant and equipment and on liabilities incurred for the purchase of property, plant and equipment

01.01-31.03.2011

in PLN thousands	land, buildings, premises and civil and marine engineering structures	technical equipment and machinery	means of transport	other plant, property and equipment	plant, property and equipment under construction	Total
Acquisition	-	29	-	-	96	125
Disposal	-	24	-	-	-	24

CIECH S.A. purchased PLN 125 000 of plant, property and equipment.

01.01-31.03.2010

in PLN thousands	land, buildings, premises and civil and marine engineering structures	technical equipment and machinery	means of transport	other plant, property and equipment	plant, property and equipment under construction	Total
Acquisition	-	94	-	4	84	182
Disposal	-	9	-	3	-	12

CIECH S.A. purchased PLN 182 000 of plant, property and equipment.

6.16. Court litigation

Domestic and foreign liabilities of CIECH S.A. pending court litigation or arbitration proceedings as at 31 March 2011

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

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

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

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

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

6.19. Information on correction of prior-period errors

There were no adjustments for errors in previous periods.

6.20. Information on delinquent loans or infringement of loan agreements

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

According to the Company's calculations, as at 31 March 2011 the required interest coverage ratio level would not have been achieved (consolidated EBITDA over consolidated net finance costs), since the level of the ratio calculated by the Company was 2.42, versus the 2.75 initially required by the Loan Agreement.

However, on 14 December 2010 the Company requested that the banks change the required interest coverage ratio as at 31 March 2011. This request was accepted by the lenders on 10 May 2011. Pursuant to calculations made by the Company, the new ratio level specified by the lenders as at 31 March 2011 was achieved – in connection with the above, in the Company's opinion, it is unnecessary to recognise the total consortium loan as a current liability.

6.21. The consortium loan is included in accordance with IAS 39.

Information concerning inclusion of the consortium loan in accordance with IAS 39 has been presented in point III.22 of this Report.

6.22. Transactions with associates

Transactions with associates are executed on typical market terms and conditions

in PLN thousands	Revenue from sales 01.01-31.03.2011	Purchase of goods and services 01.01-31.3.2011	Finance income 01.01-31.3.2011	Receivables as at 31 March 2011	Payables as at 31 March 2011
Consolidated entities	100 308	404 377	19 392	75 114	375 500
Non-consolidated entities	20 777	1 667	15	10 356	1 187

in PLN thousands	Revenue from sales 01.01-31.03.2010	Purchase of goods and services 01.01-31.3.2010	Finance income 01.01-31.3.2010	Receivables as at 31 March 2010	Liabilities as at 31 March 2010
Consolidated entities	89 355	460 004	7 241	82 043	326 651
Non-consolidated entities	15 671	2 293	17	5 446	1 258

6.23. Events occurring after the end of the reporting period

- On 14 April 2011 a loan agreement was executed between CIECH S.A. and Organika-Sarzyna S.A. to provide financing for the construction of an MCPA active substance manufacturing plant together with infrastructure. The agreement provides for payout of the loan in tranches over the period from April 2011 to September 2012, and the anticipated loan payout will total PLN 63m. The loan repayment schedule assumes its total repayment by 31 December 2018.
- Fulfilment of the conditions precedent set forth in the conditional sales agreement of 16 December 2010 occurred on 27 April 2011. This agreement concerns the sale of 51 855 shares in GZNF "Fosfory" Sp. z o.o., executed between CIECH S.A. and Zakłady Azotowe "Puławy". The effect of fulfilling the conditions precedent set forth in the Agreement was the sale on 27 April 2011 of assets in the form of 51 855 shares in the Company with nominal value of PLN 500 each, constituting 89.46% of the Company's share capital and carrying 89.46% votes at the Company's General Meeting. Share value in the Issuer's accounts as at 31 December 2010 amounted to PLN 20 888 000. The price for Company Shares amounted to PLN 107 239 810.90 and was calculated pursuant to the established fixed Enterprise Value of the Company and the Company's Forecast Net Financial Debt Level specified in the Agreement. The price for the Shares was adjusted by the variance between the Net Financial Debt Level established on 27 April 2011 and the Forecast Net Financial Debt Level. Furthermore the Purchaser also paid the Seller the value of loans (together with interest due up to 27 April 2011) granted by the Seller to the Company and its subsidiaries, amounting to PLN 121 361 636.82, which the Purchaser accepted pursuant to the Agreement. No links of any kind exist between CIECH S.A. and the persons managing and supervising CIECH S.A. on the one hand and the Purchaser on the other.
- On 27 April 2011 a loan agreement was executed between CIECH S.A. as lender and ZACHEM S.A. as borrower, amounting to the equivalent of up to PLN 120 000 000. The loan will be used to finance capital expenditures and as working capital of the borrower. The Agreement provides for payout of the loan in tranches, in PLN or USD, at the borrower's request accepted by the lender. The loan repayment date was established as 31 December 2012.

V. Management Board Declaration

This complete consolidated quarterly report of Ciech Group for the first quarter of 2011 was approved by the Management Board of CIECH S.A. at its registered office on 12 May 2011 for publication on 13 May 2011.

Warsaw, 12 May 2011.

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Ryszard Kunicki – President of the Management Board CIECH Spółka Akcyjna

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Andrzej Bąbaś – Member of the Management Board CIECH Spółka Akcyjna

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Artur Osuchowski – Member of the Management Board CIECH Spółka Akcyjna

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Rafał Rybkowski – Member of the Management Board CIECH Spółka Akcyjna

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