COMPLETE CONSOLIDATED INTERIM REPORT OF CIECH CHEMICAL GROUP FOR THE FIRST HALF OF 2011

CONTENTS

I. Ciech Group condensed consolidated interim financial statements

1. Ciech Group consolidated profit and loss statement

	01.01-30.06.2011*			01.01-30.06.2010*		
in PLN thousands	Continuing operations	Discontinued operations	TOTAL	Continuing operations	Discontinued operations	TOTAL
Net revenue from sales	1 983 076	154 037	2 137 113	1 771 935	178 140	1 950 075
Cost of sales	(1 711 719)	(117 228)	(1 828 947)	(1 515 604)	(150 247)	(1 665 851)
Gross profit / loss on sales	**271 357**	**36 809**	**308 166**	**256 331**	**27 893**	**284 224**
Other operating revenue	44 527	255	44 782	72 686	5 803	78 489
Distribution costs	(127 935)	(12 791)	(140 726)	(118 877)	(13 896)	(132 773)
Administrative expenses	(98 252)	(11 037)	(109 289)	(101 441)	(14 774)	(116 215)
Other operating costs	(30 809)	(2 841)	(33 650)	(30 191)	(1 660)	(31 851)
Profit / loss on operating activities	**58 888**	**10 395**	**69 283**	**78 508**	**3 366**	**81 874**
Finance income	15 774	2 501	18 275	35 865	5 350	41 215
Finance costs	(71 700)	(6 670)	(78 370)	(132 323)	(9 256)	(141 579)
Net finance income / costs	**(55 926)**	**(4 169)**	**(60 095)**	**(96 458)**	**(3 906)**	**(100 364)**
Share of net profits of associates measured using the equity method	123	-	123	902	-	902
Profit / loss before tax	**3 085**	**6 226**	**9 311**	**(17 048)**	**(540)**	**(17 588)**
Income tax	9 361	(1 990)	7 371	(18 271)	(1 972)	(20 243)
Net profit / loss	**12 446**	**4 236**	**16 682**	**(35 319)**	**(2 512)**	**(37 831)**
Sales profit / loss on discontinued operations	-	(11 715)	(11 715)	-	-	-
Net profit / loss for the financial year	**12 446**	**(7 479)**	**4 967**	**(35 319)**	**(2 512)**	**(37 831)**
of which:						
net profit / loss attributable to owners of the parent	9 746	(7 853)	1 893	(31 971)	(1 815)	(33 786)
Net profit / loss attributable to non-controlling interests	2 700	374	3 074	(3 348)	(697)	(4 045)
Earnings per share (in PLN):						
Basic	0.23	(0.19)	0.05	(1.14)	(0.07)	(1.21)
Diluted	0.23	(0.19)	0.05	(1.14)	(0.07)	(1.21)

**Data not audited by a statutory auditor.*

Ciech Group consolidated profit and loss statement	**01.04-30.06.2011***			**01.04-30.06.2010***		
in PLN thousands	Continuing operations	Discontinued operations	TOTAL	Continuing operations	Discontinued operations	TOTAL
Net revenue from sales	963 284	51 803	1 015 087	902 093	85 978	988 071
Cost of sales	(840 441)	(39 423)	(879 864)	(768 272)	(73 488)	(841 760)
Gross profit / loss on sales	**122 843**	**12 380**	**135 223**	**133 821**	**12 490**	**146 311**
Other operating revenue	31 956	(54)	31 902	41 548	3 170	44 718
Distribution costs	(65 422)	(4 754)	(70 176)	(66 964)	(7 065)	(74 029)
Administrative expenses	(50 967)	(4 155)	(55 122)	(47 831)	(7 356)	(55 187)
Other operating costs	(14 121)	(654)	(14 775)	(20 104)	(1 493)	(21 597)
Profit / loss on operating activities	**24 289**	**2 763**	**27 052**	**40 470**	**(254)**	**40 216**
Finance income	5 001	199	5 200	6 255	5 264	11 519
Finance costs	(36 525)	(2 108)	(38 633)	(69 402)	(6 550)	(75 952)
Net finance income / costs	**(31 524)**	**(1 909)**	**(33 433)**	**(63 147)**	**(1 286)**	**(64 433)**
Share of net profits of associates measured using the equity method	28	-	28	386	-	386
Profit / loss before tax	**(7 207)**	**854**	**(6 353)**	**(22 291)**	**(1 540)**	**(23 831)**
Income tax	18 785	228	19 013	(8 746)	(2 107)	(10 853)
Net profit / loss	**11 578**	**1 082**	**12 660**	**(31 037)**	**(3 647)**	**(34 684)**
Sales profit / loss on discontinued operations	-	(11 715)	(11 715)	-	-	-
Net profit / loss for the financial year	**11 578**	**(10 633)**	**945**	**(31 037)**	**(3 647)**	**(34 684)**
of which:						
net profit / loss attributable to owners of the parent	10 650	(10 634)	16	(28 085)	(2 919)	(31 004)
Net profit / loss attributable to non-controlling interests	929	-	929	(2 952)	(728)	(3 680)
Earnings per share (in PLN):						
Basic	0.26	(0.27)	(0.01)	(1.00)	(0.11)	(1.11)
Diluted	0.26	(0.27)	(0.01)	(1.00)	(0.11)	(1.11)

**Data not subject to review by a statutory auditor.*

2. Ciech Group consolidated statement of comprehensive income

in PLN thousands	**01.01-30.06.2011***			**01.01-30.06.2010***		
	Continuing operations	Discontinued operations	TOTAL	Continuing operations	Discontinued operations	TOTAL
Net profit for the financial year	**12 446**	**(7 479)**	**4 967**	**(35 319)**	**(2 512)**	**(37 831)**
Other gross comprehensive income						
Exchange differences on translation of foreign companies	(4 067)	-	(4 067)	2 075	-	2 075
Revaluation of available-for-sale financial assets	-	-	-	10 681	-	10 681
Cash flow hedges	(5 186)	-	(5 186)	(15 406)	-	(15 406)
Exchange differences on net investment in foreign entities	1 841	-	1 841	2 632	-	2 632
Other components of comprehensive income	(1)	-	(1)	(75)	-	(75)
Income tax on other components of comprehensive income	986		986	2 238		2 238
Other net comprehensive income	**(6 427)**	**-**	**(6 427)**	**2 145**	**-**	**2 145**
TOTAL INCOME	**6 019**	**(7 479)**	**(1 460)**	**(33 174)**	**(2 512)**	**(35 686)**
Comprehensive income, of which attributable to:	**6 019**	**(7 479)**	**(1 460)**	**(33 174)**	**(2 512)**	**(35 686)**
Owners of the parent	4 154	(7 853)	(3 699)	(31 017)	(1 815)	(32 832)
Non-controlling interests	1 865	374	2 239	(2 157)	(697)	(2 854)

**Data not audited by a statutory auditor.*

Detailed information on elements of other comprehensive income found in point IV.10 of this report.

3. Ciech Group consolidated statement of financial position

ASSETS *(in PLN thousands)*	**30.06.2011***	**31.12.2010**	**30.06.2010***
Property, plant and equipment	2 045 096	2 063 540	2 219 455
Perpetual usufruct rights	132 138	134 181	134 995
Intangible assets, including:	159 992	156 499	159 069
- goodwill	59 122	*51 273*	*52 632*
Investment property	5 796	5 920	6 840
Non-current receivables	50 265	32 521	60 622
Investment in associates and jointly controlled entities accounted for using the equity method	4 497	4 344	5 145
Other long-term investments	34 664	49 593	52 586
Deferred income tax assets	15 198	9 722	11 196
Total non-current assets	**2 447 646**	**2 456 320**	**2 649 908**
Inventory	317 122	297 233	298 867
Short-term investments	463	533	1 308
Deferred tax receivables	5 486	8 542	10 414
Trade and other receivables	788 344	731 412	908 685
Cash and cash equivalents	379 359	177 077	157 568
Available-for-sale assets	40 679	257 820	37 057
Total current assets	**1 531 453**	**1 472 617**	**1 413 899**
Total assets	**3 979 099**	**3 928 937**	**4 063 807**
EQUITY AND LIABILITIES *(in PLN thousands)*			
Share capital	279 115	164 115	164 115
Share premium	472 634	151 328	151 328
Hedge accounting provision	(4 639)	(439)	4 762
Financial asset revaluation provision	-	(425)	4 984
Other provisions	78 521	78 521	78 521
Exchange differences on net investment in foreign entities	(18 718)	(20 559)	(7 574)
Exchange differences on translation of associates and subsidiaries	(53 177)	(50 111)	(56 673)
Retained earnings	490 508	500 792	444 280
Equity attributable to owners of the parent	**1 244 244**	**823 222**	**783 743**
Non-controlling interests	25 525	32 476	32 504
Total equity	**1 269 769**	**855 698**	**816 247**
Borrowings including credit, loans and other debt instruments	1 180 256	495 343	658 539
Other non-current liabilities	223 555	231 196	264 989
Employee benefits	64 709	66 391	66 246
Other long-term provisions	59 819	62 002	68 425
Deferred income tax provision	100 670	101 095	108 201
Total non-current liabilities	**1 629 009**	**956 027**	**1 166 400**
Credit in current account	-	-	93 185
Borrowings including credit, loans and other debt instruments	146 877	1 119 222	965 654
Trade and other payables	860 842	908 774	975 493
Income tax liabilities	22 057	36 147	21 299
Provisions (short-term provisions for employee benefits and other)	26 611	31 515	25 154
Liabilities related to available-for-sale assets	23 934	21 554	375
Total current liabilities	**1 080 321**	**2 117 212**	**2 081 160**
Total liabilities	**2 709 330**	**3 073 239**	**3 247 560**
Total equity and liabilities	**3 979 099**	**3 928 937**	**4 063 807**

**Data not audited by a statutory auditor.*

4. Ciech Group consolidated statement of cash flows

in PLN thousands	01.01-30.06.2011*	01.01-30.06.2010*
Cash flows from operating activities		
Net profit (loss) for the period	**4 967**	**(37 831)**
Corrections		
Depreciation / amortisation	109 088	118 819
Creation / reversal of revaluations	190	(269)
Currency exchange gain / loss	465	19 592
Gain / loss on investing activities	(6 285)	(5 089)
Gain / loss on disposal of non-current assets	(2 102)	(1 191)
Dividend and interest	44 513	70 426
Income tax accrued	8 307	20 243
Gain / loss on settlement of construction contracts (caverns)	(15 381)	(27 973)
Gain / loss on interests in companies accounted for using the equity method	(123)	(902)
Operating profit / loss before changes in working capital and provisions	**143 639**	**155 825**
Change in receivables	(47 020)	(96 593)
Change in inventories	(46 958)	15 405
Change in current liabilities	(15 805)	92 936
Change in employee benefit provisions and liabilities	(10 278)	(5 194)
Net cash flow from operating activities	**23 578**	**162 379**
Interest paid	(50 002)	(56 816)
Cash flows from construction contracts (caverns)	(2 257)	-
Change in liabilities from loan arrangement commission	(5 375)	24 668
Income tax paid	(16 076)	(14 740)
Valuation of derivative financial instruments	-	(34 645)
Other adjustments (including presentational adjustment of inflows from execution of options)	(13 884)	892
Net cash from operating activities	**(64 016)**	**81 738**
Cash flows from investing activities		
Inflows	**227 513**	**64 319**
Disposal of subsidiary (less cash disposed)	91 109	226
Disposal of intangible assets and property, plant and equipment	13 410	20 054
Disposal of financial assets	1 173	41 749
Dividends received	720	1 749
Interest received	261	425
Proceeds from repayment of borrowings	120 611	-
Other proceeds	229	116
Outflows	**(142 464)**	**(124 518)**
Purchase of subsidiary (less cash acquired)	(4 440)	(7 419)
Purchase of intangible assets and property, plant and equipment	(137 359)	(116 462)
Purchase of financial assets	-	(190)
R&D expenditures	(508)	(404)
Other	(157)	(43)
Net cash from investing activities	**85 049**	**(60 199)**
Cash flows from financing activities		
Inflows	**467 972**	**87 543**
Net proceeds from issue of ordinary shares and other equity instruments and capital contributions	436 305	-
Proceeds from borrowings incurred	26 821	86 242
Grants received	4 808	-

in PLN thousands	**01.01-30.06.2011***	**01.01-30.06.2010***
Other financial proceeds	38	1 301
Outflows	**(314 569)**	**(95 348)**
Dividends paid to non-controlling interests	(1 499)	(1 874)
Repayment of borrowings	(307 159)	(87 385)
Payment of finance lease liabilities	(5 900)	(6 089)
Other financial outflows	(11)	-
Net cash from financing activities	**153 403**	**(7 805)**
Total net cash flows	**174 436**	**13 734**
Cash at the beginning of period	**208 392**	**52 997**
Effect of foreign exchange differences	255	(2 348)
Cash at the end of period**	**383 083**	**64 383**

**Data not audited by a statutory auditor.*

***The difference in the level of cash and cash equivalents indicated in the Ciech Group consolidated statement of cash flows for the first half of 2011 and the level indicated in the Ciech Group consolidated statement of financial position results from classifying POLFA Sp. z o.o. 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 Jan 2011											
Previously	**164 115**	**151 328**	**(439)**	**(425)**	**78 521**	**(20 559)**	**(50 111)**	**500 792**	**823 222**	**32 476**	**855 698**
Share issue	115 000	-	-	-	-	-	-	-	**115 000**	-	**115 000**
Issue premium over nominal value (agio)	-	321 306	-	-	-	-	-	-	**321 306**	-	**321 306**
Dividend payout	-	-	-	-	-	-	-	-	**-**	(591)	**(591)**
Change in Group structure	-	-	-	425	-	-	1 038	(13 048)	**(11 585)**	(8 599)	**(20 184)**
Comprehensive income for the first six months of 2011	-	-	(4 200)	-	-	1 841	(4 104)	2 764	**(3 699)**	2 239	**(1 460)**
Equity as at 30 Jun 2011	**279 115**	**472 634**	**(4 639)**	**-**	**78 521**	**(18 718)**	**(53 177)**	**490 508**	**1 244 244**	**25 525**	**1 269 769**

**Data not audited by a statutory auditor.*

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 Jan 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 Dec 2010	**164 115**	**151 328**	**(439)**	**(425)**	**78 521**	**(20 559)**	**(50 111)**	**500 792**	**823 222**	**32 476**	**855 698**

**Data not audited by a statutory auditor.*

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 Jan 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	-	-	-	-	-	-	-	-	**-**	(1 874)	**(1 874)**
Comprehensive income for the first six months of 2010	-	-	(10 926)	8 442	-	2 632	863	(33 843)	**(32 832)**	(2 854)	**(35 686)**
Equity as at 30 Jun 2010	**164 115**	**151 328**	**4 762**	**4 984**	**78 521**	**(7 574)**	**(56 673)**	**444 280**	**783 743**	**32 504**	**816 247**

II. Management report

1. Key events taking place in Ciech Group between 1 January 2011 and the date for the preparation of these financial 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 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 57 230 000. Development and submission of the project budget by PROCHEM S.A. was one of the elements under phase I of the Agreement. The PLN 57 230 000 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. The 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.

Agro-silicon division:

- On 27 April 2011 the conditions precedent stipulated in the conditional sales agreement of 16 December 2010 concerning sale of 51 855 shares in GZNF "FOSFORY" Sp. z o.o., executed between CIECH S.A. and Zakłady Azotowe "Puławy", were fulfilled. The effect of removing the conditions precedent stipulated in the agreement was the sale on 27 April of assets in the form of 51 885 shares in the company of a nominal value of PLN 500 each, constituting 89.46% of the company's share capital and carrying 89.46% of votes at the company's general meeting. The book value of these shares in CIECH S.A.'s accounts as at 31 December 2010 was PLN 20 888 000. The sales price was PLN 107 240 000, calculated pursuant to the established fixed Enterprise Value and the company's Forecast Net Financial Debt Level specified in the agreement. The sales price was adjusted by the difference between the Net Financial Debt Level established as at 27 April 2011 and the Forecast Net Financial Debt Level. The final price was PLN 106 740 000. Furthermore, the Purchaser also paid back a PLN 121 362 000 loan granted by the Seller to the company and its subsidiaries (together with interest due up to 27 April 2011), which the Purchaser acquired pursuant to the agreement. There is no connection between CIECH S.A. and management and supervisory personnel at CIECH S.A. on the one hand and the Purchaser of assets on the other. This information was provided in current report no. 29 of 27 April 2011.

Corporate centre:

- On 16 May 2011 the Supervisory Board of CIECH S.A. adopted a resolution on selection of KPMG Audyt Sp. z o.o., headquartered in Warsaw, as statutory auditor to audit the financial statements of CIECH S.A. for 2011 and the consolidated financial statements of the Ciech Group for 2011. This information was provided in current report no. 33 of 17 May 2011.
- On 19 May 2011 an agreement was executed concerning sale by CIECH S.A. of 615 000 shares of a nominal value of GBP 0.01 each in Daltrade Ltd., having its registered office in the United Kingdom, for a total price of GBP 20 000. The shares were purchased by DAL Towarzystwo Handlu Międzynarodowego S.A. Before the transaction, CIECH S.A.'s stake in the share capital of Daltrade Ltd. was 61.2%. As a result of the transaction, CIECH S.A. is no longer in possession of shares in Daltrade Ltd.
- On 30 June 2011, in connection with the end of the Supervisory Board's term of office, the Ordinary General Meeting of CIECH S.A. appointed the Supervisory Board for its next term of office, with unaltered composition:
    - Przemysław Cieszyński
    - Arkadiusz Grabalski
    - Jacek Goszczyński
    - Waldemar Maj
    - Krzysztof Salwach
    - Ewa Sibrecht-Ośka
    - Sławomir Stelmasiak

  This information was provided in current report no. 46 of 30 June 2011.

- On 15 July 2011 CIECH S.A. and Invest Pharma Sp. z o.o. executed an agreement for sale of 3 820 shares, constituting a 100% stake in the share capital of Polfa Sp. z o.o. The share sales agreement is conditional and is dependent on consent from the Office of Competition and Consumer Protection, consent from banks being members of the consortium financing the Ciech Group and repayment of an approx. PLN 5.5 million (EUR 1 million, USD 0.5 million) loan to CIECH S.A. The share sales price was established at PLN 8.1 million. In connection with the fact that the company's operations are not related to the business profile of Ciech Group, sale of Polfa Sp. z o.o. was not provided for in the Group's strategy adopted for 2011. This information was provided in current report no. 51 of 15 July 2011.

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 proceeds 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. declared that proceeds from the Rights Issue and from the disposal of GZNF Fosfory Sp. z o.o. will be deposited into Ciech S.A.'s restricted account held with a collateral agent. 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 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 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 real property on which the above mortgage was established 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 (Janikosoda S.A., Soda Mątwy S.A., Soda Polska Ciech Sp. z o.o., Alwernia S.A., Cheman S.A., Z.Ch. Organika Sarzyna S.A., Polfa Sp. z o.o., Vitrosilicon S.A., Transclean Sp. z o.o. and 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 Slaski S.A. and Powszechna Kasa Oszczednosci 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 provided for the accession thereto of S.C. Uzinele Sodice Govora - 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 half of 2011 CIECH S.A. issued rights to ordinary series D bearer shares. Detailed information on the issue can be found in point II.9 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. 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 25 March 2011 the Management Board of Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange, WSE) adopted the following:
  - resolution no. 380/2011 concerning designation of the last day for the listing of 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 WSE established the last date for the listing of Rights to Series D Shares, designated by Krajowy Depozyt Papierów Wartosciowych 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. This condition was fulfilled.
- On 14 April 2011 a loan agreement was executed between CIECH S.A. (as lender) and Organika-Sarzyna S.A. (as borrower) 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.
- 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.
- On 20 May 2011 CIECH S.A. and its following subsidiaries: Janikosoda S.A., Soda Mątwy S.A., Soda Polska Ciech sp. z o.o., Alwernia S.A., Cheman S.A., Z.Ch. Organist Sarzyna S.A., Polfa Sp. z o.o., Vitrosilicon S.A., Transclean Sp. z o.o. and ZACHEM S.A., together with several other subsidiaries, signed collateral documents, constituting one of the conditions precedent in the loan agreement of 10 February 2011. Further information on the above collateral was presented in current reports no. 34, 38, 39, 40, 41, 43, 47, 49, 50, 52, 53 and 58 of 2011.
- On 26 May 2011 CIECH S.A. entered into an agreement with the State Treasury of Poland, pursuant to which the parties agreed to take steps consisting of the issue by CIECH S.A. and acquisition by the State Treasury of Poland of ordinary series E bearer shares in the share capital of CIECH S.A., with a nominal value of PLN 5 each. The pre-emptive right to new issue shares was completely excluded. Further information about the above agreement was presented in current report no. 35 of 26 May 2011.
- On 3 June 2011 CIECH S.A. received information concerning issue by the Council of Ministers on 27 May 2011 of consent, pursuant to art. 33, sec. 3 of the Act on Commercialisation and Privatisation, for transfer to CIECH S.A. of 571 826 ordinary bearer shares held by the State Treasury of Poland, of a nominal value of PLN 2.30 each, constituting a 25.01% stake in the share capital of Alwernia S.A., having its registered office in Alwernia, as a non-cash contribution to cover shares acquired by the State Treasury of Poland in the increased share capital of CIECH S.A.
- On 27 July 2011 CIECH S.A. executed an Agreement on Acquisition of Shares and Transfer of an In-Kind Contribution with the State Treasury of Poland, pursuant to which:

1) the State Treasury of Poland acquired 1 699 909 ordinary series E bearer shares in the increased share capital of CIECH S.A., of a nominal value of PLN 5 each and a total nominal value of PLN 8 499 545. The issue price was PLN 26.06 per share;

2) As a non-cash contribution for acquisition of series E shares, the State Treasury of Poland transferred and CIECH S.A. acquired the following:

a. 571 826 ordinary series A bearer shares, of a nominal value of PLN 2.30 each and a total nominal value of PLN 1 315 000, constituting a 25.01% stake in the share capital of Zakłady Chemiczne Alwernia S.A.

b. 762 224 ordinary series A registered shares, of a nominal value of PLN 10.00 each and a total nominal value of PLN 7 622 000, constituting a 5.15% stake in the share capital of ZACHEM S.A.

c. 429 388 ordinary series A registered shares, of a nominal value of PLN 10.00 each and a total nominal value of PLN 4 294 000, constituting a 5.06% stake in the share capital of Z.Ch. Organika-Sarzyna S.A.

The total value of the above shares was established as PLN 44 300 000. As a result of the above acquisition, CIECH S.A. holds:

1) 2 257 873 shares in Alwernia S.A., constituting a 98.76% stake in the company's share capital and total number of votes at its general meeting;

2) 14 421 250 shares in ZACHEM S.A., constituting a 97.44% stake in the company's share capital and total number of votes at its general meeting;

3) 8 365 970 shares in Z.Ch. "Organika-Sarzyna" S.A., constituting a 98.54% stake in the company's share capital and total number of votes at its general meeting.

- On 10 August 2011 the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division, registered an alteration in the company's articles of association, performed pursuant to Resolution no. 32 of the Ordinary General Meeting of CIECH S.A. of 30 June 2011 concerning an increase in the company's share capital, and registered an increase in the company's share capital from PLN 255 001 420 to PLN 263 500 965 through the issue of 1 699 909 ordinary series E bearer shares of a nominal value of PLN 5 each. The company's increased share capital amounts to PLN 263 500 965 and is divided into 52 699 909 shares of a nominal value of PLN 5 each, of which:

- 20 816 ordinary series A bearer shares,
- 19 775 200 ordinary series B bearer shares,
- 8 203 984 ordinary series C bearer shares,
- 23 000 000 ordinary series D bearer shares,
- 1 699 909 ordinary series E bearer shares.

Furthermore, the appropriate alterations concerning the level of CIECH S.A.'s share capital were entered into the company's articles of association.

- Pursuant to resolution no. 790/11 of 24 August 2011, the Management of Krajowy Depozyt Papierów Wartościowych S.A. (the National Depository for Securities – KDPW) decided to register 1 699 909 series E bearer shares in the company (with a nominal value of PLN 5 each) in the securities depository and to assign these code PLCIECH00018 on condition that a decision is taken by the company managing the regulated market on admission of series E shares to the regulated market on which the company's other shares are traded under code PLCIECH00018.
  Registration of series E shares in the securities depository will occur within three days from the date on which the KDPW receives a document confirming the decision on admission of series E shares to trading on the regulated market by the entity managing this market, however no earlier than the date on which the series E shares are admitted to trading on the regulated market as indicated in the above decision.

2. Description of achievements at Ciech Group during the period 1 January to 30 June 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 half of 2011 the Ciech Group generated PLN 4 967 000 in net profit, the carrying amount was PLN 3 979 099 000 and the level of net cash and cash equivalents increased by PLN 174 436 000.

Selected financial information together with principal financial indicators for the first half of 2011 and for 2010 is presented below.

Selected financial information

in PLN thousands	**01.01-30.06.2011**	**01.01-30.06.2010**	**Change 2011/2010**
Net revenue from sales	**2 137 113**	**1 950 075**	**9.6%**
Cost of sales	1 828 947	1 665 851	9.8%
Gross profit on sales	308 166	284 224	8.4%
Distribution costs	140 726	132 773	6.0%
Administrative expenses	109 289	116 215	(6.0%)
Other operating revenue / costs	11 132	46 638	(76.1%)
Profit on operating activities	**69 283**	**81 874**	**(15.4%)**
Finance income / costs	(60 095)	(100 364)	40.1%
Share of the net profit of associates and subsidiaries accounted for using the equity method	123	902	(86.4%)
Income tax	7 371	(20 243)	-
Sales profit from discontinued operations	(11 715)	-	-
Net profit	**4 967**	**(37 831)**	**-**
Net profit attributable to non-controlling interests	3 074	(4 045)	-
Net profit attributable to owners of the parent	**1 893**	**(33 786)**	**-**
EBITDA	178 371	200 693	(11.1%)

in PLN thousands	**30.06.2011**	**31.12.2010**	**30.06.2010**	**Change 30.06.2011/ 31.12.2010**
Value of assets	**3 979 099**	**3 928 937**	**4 063 807**	**1.3%**
Non-current assets	2 447 646	2 456 320	2 649 908	(0.4%)
Current assets, including:	1 531 453	1 472 617	1 413 899	4.0%
- inventory	317 122	297 233	298 867	6.7%
- current receivables	793 830	739 954	919 099	7.3%
- cash and cash equivalents	379 359	177 077	157 568	114.2%
- short-term investments	463	533	1 308	(13.1%)
- available-for-sale assets	40 679	257 820	37 057	(84.2%)
Total equity	**1 269 769**	**855 698**	**816 247**	**48.4%**

in PLN thousands	30.06.2011	31.12.2010	30.06.2010	Change 30.06.2011/ 31.12.2010
Equity attributable to owners of the parent	1 244 244	823 222	783 743	51,1%
Non-controlling interests	25 525	32 476	32 504	(21.4%)
Non-current liabilities	1 629 009	956 027	1 166 400	70.4%
Current liabilities	1 080 321	2 117 212	2 081 160	(49.0%)

in PLN thousands	01.01-30.06.2011	01.01-30.06.2010	Change 2011/2010
Net cash flows from operating activities	(64 016)	81 738	-
Net cash flows from investing activities	85 049	(60 199)	-
Net cash flows from financing activities	153 403	(7 805)	-
Total net cash flows	**174 436**	**13 734**	1 170.1%
including free cash flows	***21 033***	***21 539***	*(2.4%)*

	30.06.2011	31.12.2010	30.06.2010	Change 30.06.2011/ 30.06.2010
Net earnings per share*	**0.05**	**0.81**	**(1.21)**	**(1.26)**
Net margin	0.2%	0.5%	(1.9%)	-
EBIT %	3.2%	3.7%	4.2%	(23.8%)
EBITDA %	8.3%	9.7%	10.3%	(19.4%)
Current ratio	1.42	0.70	0.68	108.8%
Quick ratio	1.12	0.56	0.54	107.4%
Debt ratio	68.1%	78.2%	79.9%	(11.8%)
Equity to total assets ratio	31.9%	21.8%	20.1%	11.8%

Source: Ciech S.A.
***In the first half 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 V.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 half of 2011 amounted to PLN 2 137 113 000. Compared to the same period last year, revenue increased by PLN 187 038 000, or 9.6%. 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 half 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 half of 2011 – the 2010 level was maintained. In comparison with the first half of 2010, the level of sales rose in each segment except the Silicates and glass segment, while the shares of specific segments within Ciech Group consolidated revenues did not change significantly.

Revenue from sales – operating segments

in PLN thousands	1H 2011	1H 2010	change	% change	% share in total revenue 1H 2011	% share in total revenue 1H 2010
Soda segment, including:	**797 315**	**703 386**	**93 928**	**13.4%**	**37.3%**	**36.1%**
Dense soda ash	452 459	414 096	38 363	9.3%	21.2%	21.2%
Light soda ash	153 405	122 843	30 562	24.9%	7.2%	6.3%
Salt	69 784	71 490	(1 706)	(2.4%)	3.3%	3.7%

in PLN thousands	1H 2011	1H 2010	change	% change	% share in total revenue 1H 2011	% share in total revenue 1H 2010
Baking soda	51 710	47 433	4 277	9.0%	2.4%	2.4%
Calcium chloride	14 004	14 508	(504)	(3.5%)	0.7%	0.7%
Organics segment, including:	**856 050**	**786 125**	**69 925**	**8.9%**	**40.1%**	**40.3%**
TDI	236 817	299 670	(62 853)	(21.0%)	11.1%	15.4%
Resins	250 522	174 225	76 297	43.8%	11.7%	8.9%
PUR foams	97 266	91 811	5 455	5.9%	4.6%	4.7%
Plant protection chemicals	89 726	84 292	5 434	6.4%	4.2%	4.3%
Plastics	36 753	47 068	(10 315)	(21.9%)	1.7%	2.4%
EPI	55 085	23 235	31 850	137.1%	2.6%	1.2%
Agrochemicals segment, including:	**232 970**	**213 529**	**19 441**	**9.1%**	**10.9%**	**10.9%**
Fertilisers	96 801	99 171	(2 370)	(2.4%)	4.5%	5.1%
Phosphoric acid	79 859	39 347	40 512	103.0%	3.7%	2.0%
Wheat	3 128	3 566	(438)	(12.3%)	0.1%	0.2%
Silicates and glass segment, including:	**143 890**	**151 526**	**(7 636)**	**(5.0%)**	**6.7%**	**7.8%**
Sulphur	65 740	65 285	455	0.7%	3.1%	3.3%
Glass blocks and packaging	37 934	45 573	(7 639)	(16.8%)	1.8%	2.3%
Sodium glass	25 078	25 792	(714)	(2.8%)	1.2%	1.3%
Sodium water glass	8 708	9 369	(661)	(7.1%)	0.4%	0.5%
Other activity	**106 889**	**95 509**	**11 380**	**11.9%**	**5.0%**	**4.9%**
TOTAL, including:	**2 137 113**	**1 950 075**	**187 038**	**9.6%**	**100.0%**	**100.0%**
Discontinued operations	***154 037***	***178 140***	***(24 103)***	***(13.5%)***	***7.2%***	***9.1%***

2.3 Gross profit and operating profit

After the first half of 2011, gross profit amounted to PLN 308 166 000, compared to PLN 284 224 000 in the same period last year. Operating profit amounted to PLN 69 283 000 versus PLN 81 874 000 in the comparative period.

The presented data was positively affected by:

- sales growth observed in the domestic chemical industry between January and June 2011, compared to the same period in 2010 (based on constant prices - 1.0% for chemicals and chemical products, 15.2% for rubber and plastics),
- the continuation of last year's growth tendency in prices on global and European mineral fertiliser markets,
- continued growth trend in total domestic production of mineral fertilisers (increase of 11.9% by volume within the first six months of 2011 in relation to the previous year),
- the high global market price level for sulphur (approx. twice the level recorded in 2010),
- continued high European prices for epoxy resins and epichlorohydrin noted from halfway through 2010,
- acceleration in the rate of increase in domestic sales of construction and installation manufacturing to 20.8% within the first six 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 demand and price of sodium carbonate on European markets (by up to 20% in relation to the 2010 levels).

The presented data was negatively affected by:

- a significant increase in sodium carbonate manufacturing costs in Europe (energy, coke, anthracite) in relation to the prior year,
- a drop in market prices for TDI in the first half of 2011 in comparison to the same period in the preceding year (10% in Europe),
- continued high price of oil and a rising trend (in relation to 2010), resulting in supplier pressures and rising costs of raw materials for the organics industry.

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.,
- sale of shares in GZNF "FOSFORY" Sp. z o.o. and Daltrade Ltd.

The EBIT margin amounted to 3.2% as of the end of June 2011 (vs. 4.2% a year earlier), while the EBITDA margin was 8.3% (vs. 10.3% a year earlier).

2.4 Net result

Consolidated net result for the first half of 2011 amounted to PLN 4 967 000, of which PLN 1 893 000 constituted the net result for owners of the parent. Net margin reached 0.2%. Profit on operating activities was significantly levelled by the result on financing activities. The costs of debt servicing, including mainly interest on loans, had a significant negative impact on the net result for the first half of 2011.

Financial result by type of activity

in PLN thousands	**01.01-30.06.2011**	**01.01-30.06.2010**	**Change 2011/2010**
1. Profit on operating activities	69 283	81 874	(15.4%)
2. Net finance income / costs	(60 095)	(100 364)	(40.1%)
3. Share of the net profit of associates and subsidiaries accounted for using the equity method	123	902	(86.4%)
4. Income tax	7 371	(20 243)	-
5. Profit on sales from discontinued operations	(11 715)	-	-
6. Net result (1+2+3-4+5)	**4 967**	**(37 831)**	**-**
7. Net profit / loss attributable to non-controlling interests	3 074	(4 045)	-
8. Net profit / loss attributable to owners of the parent (6-7)	**1 893**	**(33 786)**	**-**

Source: Ciech S.A.

2.5 Assets

As at the end of June 2011, Ciech Group's non-current assets were valued at PLN 2 447 646 000. Compared to 31 December 2010, this represents a PLN 8 674 000 decrease. The largest drop compared to the end of 2010 occurred in property, plant and equipment.

Ciech Group's current assets amounted to PLN 1 531 453 000 as at 30 June 2011. Current assets mainly consisted of trade and other receivables (51.5%) and inventory (20.7%). Compared to the end of 2010, the value of current assets increased by PLN 58 836 000, the largest contributor being cash and cash equivalents due to proceeds from Ciech S.A.'s share issue, which took place in the first quarter of 2011, as well as from disposal of companies by the parent. Furthermore the level of trade receivables increased, including at Organika-Sarzyna S.A., which is mainly associated with seasonal sale of plant protection products.

2.6 Liabilities

As at 30 June 2011 the Ciech Group's liabilities (both current and non-current) amounted to PLN 2 709 330 000, denoting a decrease of PLN 363 909 000 (11.8%) in relation to the figure recorded as at the end of December 2010.

Compared to 31 December 2010, liabilities from borrowings decreased by PLN 287 523 000 as a result of repayment of debt under a consortium loan by Group companies.

The debt ratio (current and non-current liabilities divided by total assets) was 68.1% as at 30 June 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, derivative instrument liabilities – less cash and cash equivalents) was PLN 977 589 000 as at 30 June 2011, i.e. PLN 498 316 000 less than at the end of December 2010.

The liquidity ratio showed a stark improvement to the level recorded at the end of 2010 as a result of the share issue, a detailed description of which can be found in point II.9 of this report, and as a result of the removal of liabilities under the consortium loan with division into a non-current and current part, a description of which can be found under point IV.16 of this report. The current ratio, calculated as the product of total current assets and total current liabilities, amounted to 1.42 as at 30 June 2011 (0.70 as at the end of 2010), whereas the quick ratio was 1.12 (0.56 as at the end of 2010).

2.7 Cash Flows

Total net cash flows were positive in the first half of 2011, amounting to PLN 174 436 000. Ciech Group generated PLN 160 702 000 more cash than in the same period last year. Operating cash flows, which totalled PLN -64 016 000, were PLN 145 754 000 lower than those generated between January and June 2010.
The surplus of inflows over capital expenditures was PLN 85 049 000. A PLN 145 248 000 improvement was noted in relation to the same period in 2010, when the balance of cash flows from investing activities amounted to PLN -60 199 000. The largest impact on the balance of investment cash flows came from inflows connected with sale of

subsidiaries by CIECH S.A. As a result of selling GZNF "FOSFORY" Sp. z o.o., PLN 121 362 000 in debt under a loan granted to this company by CIECH S.A. was also repaid. Where expenses are concerned the most significant item was a transaction for purchase of intangible assets and property, plant and equipment in the SODA MĄTWY Group and ZACHEM Group connected with growth investments.

Net cash and cash equivalents from financing activities were positive and amounted to PLN 153 403 000. In relation to the same period in 2010 these were PLN 161 208 000 higher. The two main reasons for this increase are:

- cash inflows from CIECH S.A.'s share issue, which took place in the first quarter of 2011,
- repayment of PLN 288 212 000 Ciech Group debt under the consortium loan agreement executed in 2010.

3. Seasonality and cyclical nature of CIECH S.A.'s and the Ciech Group's operations

Seasonality connected with periodic fluctuations in supply and demand has a certain significance for the development of Ciech Group sales tendencies. The product group most exposed to seasonality is agrochemical sector products:

- artificial fertilisers,
- raw materials for the manufacture of fertilisers,
- plant protection chemicals.

Fertiliser sales are concentrated at the end of the first quarter and in the third quarter of the year. This is due to increase use to fertilise fields in the spring and autumn. Similarly, the majority of plant protection chemicals are used in the first half of the year when plants are growing rapidly; this period counts for approx. 90% of these products' total sales.
Furthermore, within the soda segment there is a seasonal connection between the level of sales for some products and the development of winter weather conditions. In the case of calcium chloride and other products (de-icer, chloride-salt mixtures, road salt), a warm winter directly causes a decrease in sales, where in the case of salt this has an indirect impact.

In the case of other products the level of revenues and the Group's financial results during the financial year is not subject to significant seasonal fluctuations. In this regard the impact of seasonality on the level of total Group sales is relatively small.

4. Achievement of previously published earnings forecasts for a given financial year in light of results presented in the quarterly report in relation to forecast results.

The Ciech Group did not publish earnings forecasts for 2011.

5. Factors impacting on the Ciech Group's results, with particular consideration to the upcoming half year

5.1 External factors

Situation in client industries in Poland
Poland is the largest sales market for Ciech Group. The largest direct domestic recipients of Ciech Group products include the following industries: chemicals, plastics, glass, agriculture and furniture manufacture. Sector growth largely depends on the overall economic climate in Poland. In constant prices, industrial production increased 7.4% during the first six months of 2011 compared to the corresponding period in 2010, when it grew by 10.6%. Within the chemical industry, production of chemicals and chemical products excluding pharmaceuticals increased 1.0%, while rubber products and plastics grew by 15.2%. Pharmaceutical product manufacture, on the other hand, decreased 4.0%. After a short deceleration in the pace of economic growth in Poland in 2009, from the beginning of this year a clear acceleration in the country's economic growth is visible (3.8% increase in GDP in 2010). It is assumed that this rate will be maintained at a level of approx. 4% in 2011. The anticipated GDP growth in the coming year provides good perspectives for the chemicals industry, which usually develops at a similar level to the economy as a whole.

Economic climate in Europe and globally
Ciech Group largely relies on sales of chemicals in foreign markets. Foreign sales volumes and margins depend on the European and global economic cycle. If the global economy slows, global demand for raw materials typically diminishes, affecting export volumes generated by Ciech Group.
The pace of recovery following the 2008-2009 crisis is varied across the globe. In 2011 the largest countries in Asia, Central and Eastern Europe and Latin America are developing relatively quickly. According to an IMF report published in June 2011, global GDP is to increase 4.3% this year (China by 9.6%, India by 8.2%, Central and Eastern Europe by 5.3%, Latin America by 4.6%, EU by 2%). In 2012, a small increase in the GDP growth rate to 4.5% is anticipated worldwide. At the same time, for the European Union the European Commission assumes that in 2011 GDP will increase by 1.8% (and 1.9% in the following year).
After significant growth in chemical manufacture in 2010 (globally by 8.8% according to the American Chemistry Council - ACC; in the EU by 10.1% according to the European Chemical Industry Council - CEFIC), a clear decrease in this growth level is forecast in 2010 (by 5.4% and 4.5% respectively). A further reduction in the level of chemical

manufacture is anticipated globally and in the EU in 2010 (to 5.1% and 2.5% respectively). In general, a return to the manufacturing levels before the financial crisis should not be expected before mid-2012.

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 products, is affected by factors such as processes designed to improve financial standing and the profitability of agricultural production – including production quotas and direct subsidies. These should translate into 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 (IERiGZ), the market conditions affecting domestic agriculture have been improving in the second quarter of 2011 after a temporary drop at the start of the year. Improvement in this situation is connected with a rapid increase in the purchase price of agricultural products in comparison with the rate of change in prices for manufacturing resources. The economic survey of agriculture (SWKR) in June 2011 reached a similar level to that of last year (minimal decrease from 100.3 to 100.2). In the coming months favourable market conditions for agriculture should remain, despite the rising prices of manufacturing resources.

Situation on commodity markets

Imports of chemical commodities 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 commodity prices, will have a positive impact on the raw material import activity carried out by Ciech Group. 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 1 tonne/year intend to ensure the full registration of such substances by specified deadlines, which should allow the companies to continue operating in the present framework. As at 30 June 2011 the Group has registered 34 high-volume substances (over 1000 tonnes/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 conditions for businesses. In accordance with the new industrial emissions directive (IED), changes in relation to current regulations concern three main areas: (i) 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.

The most severe consequences of these changes will be visible at Soda Polska, which will be subject to tighter emissions standards for SO2, NOx and liquids from CHP plants. The new requirements will enter into force as of 2016. Nevertheless, the company is preparing in advance for the change in legal regulations.

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 for 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 PLN strengthen in relation to the euro, exports are likely to become less profitable and the value of Ciech Group's export sales is likely to decline.

5.2 Internal factors

Continued cost and quality competitiveness

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

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

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

Liabilities related to purchase of the following companies: ZACHEM S.A., Z.Ch. "Organika-Sarzyna" S.A. 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 tonnes/year).
A "limiting condition" was introduced in the agreement. This 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 non-current assets. In accordance with the provisions of the agreement, this ratio is to increase in the following manner: in 2007 by 20pps in relation to that calculated as at the share sale date, i.e. 20 December 2006, and in each subsequent year by a further 10pps until 2010 (total increase over the period 2007-2010 of 50pps). 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 10pp 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 (+40pps) 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. +50pps), it will no longer be tested as at 31 December 2011 and no contractual penalty for non-performance in 2009 will be imposed.
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).

On 30 June 2011 the ratio was achieved at the initial value plus 50 percentage points. In accordance with the agreement, as of 31 December 2011 the ratio will cease to be verified and the company's obligation to maintain the level of the ratio will not be applicable. A report on implementation of the ratio will be submitted to Delegatura MSP Toruń (legal successor to Nafta Polska S.A.) by 31 August 2011.

A separate requirement for CIECH S.A. resulting from the Agreement is the buyback of ZACHEM S.A. employee shares, which was implemented over the period 2008-2011. In the case of ZACHEM S.A., the final obligation to buy back employee shares was completed in 2011. In accordance with the agreement, CIECH S.A. is no longer required to repurchase remaining employee shares in this company. Until recently, with regard to the issued options, Zachem Group was consolidated on the assumption that CIECH S.A. holds 100% of shares in the company. In connection with expiry of the option, a non-controlling block of shares was identified in the consolidated financial statements.

The agreement also contained 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 Z.Ch. Organika Sarzyna S.A. privatisation agreement**

In accordance with the provisions of the agreement, the Company is required to invest a total of PLN 130 million by 20 December 2011. The deadline for completing 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 2008-2013.

The agreement also contains the Company's requirement to submit an offer to the State Treasury to acquire the remaining stake in Z.Ch. „Organika Sarzyna" S.A.

Tender offers for the remaining shares in ZACHEM and Z.Ch. „Organika Sarzyna" S.A.

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, 28 December 2010 and 26 May 2011 (the "Agreement").

In the agreement of 26 May 2011, the parties established that the State Treasury would acquire ordinary series E bearer shares issued by CIECH S.A. in its increased share capital of a nominal value of PLN 5 (five Polish zloty) each (the "New Issue Shares") through a private placement pursuant to art. 431, § 2, point 1) of the Polish Commercial Companies Code and pay for the New Issue Shares with the following non-cash contribution:

- 762 224 ordinary registered shares of a nominal value of PLN 10 each and a total nominal value of PLN 7 622 240.00, constituting a 5.15% stake in the share capital of Zakłady Chemiczne Zachem S.A., headquartered in Bydgoszcz ("Zachem Shares");
- 429 388 ordinary registered shares of a nominal value of PLN 10 each and a total nominal value of 4 293 880.00, constituting a 5.06% stake in the share capital of Zakłady Chemiczne Organika-Sarzyna w Nowej Sarzynie ("Organika-Sarzyna Shares");

and an additional

- 571 826 ordinary bearer shares, of a nominal value of PLN 2.30 each and a total nominal value of PLN 1 315 199.80, constituting a 25.01% stake in the share capital of Zakłady Chemiczne Alwernia S.A., headquartered in Alwernia ("Alwernia Shares");

At the same time, pursuant to the agreement, the State Treasury undertook that:

- up to the date of registration by the registration court of the increase in Ciech S.A. share capital through issue of the New Issue Shares or
- up to 31 December 2011, dependent on which of these events occurs first,

the State Treasury would not accept, either unconditionally, conditionally or with stipulation of a deadline, an irrevocable proposal for purchase of the Zachem Shares or an irrevocable proposal for purchase of the Organika-Sarzyna Shares, pursuant to which in 2006 Ciech S.A. submitted a proposal to the State Treasury for purchase from the latter of these shares on the terms and conditions specified in such proposals. The increase in share capital was registered in the National Court Register on 10 August 2011.

In order to perform the obligations resulting from the agreement, on 27 July 2011 the company concluded an agreement with the State Treasury of the Republic of Poland (the "State Treasury") on acquisition of shares and provision of an in-kind contribution (the "Agreement"). Pursuant to the Agreement:

- the State Treasury acquired 1 699 909 ordinary series E bearer shares in the increased share capital of CIECH S.A., of a nominal value of PLN 5 each and a total nominal value of PLN 8 499 545. The issue price was PLN 26.06 per share;
- As a non-cash contribution for acquisition of series E shares, the State Treasury transferred and CIECH S.A. acquired the following:
    - 762 224 ordinary series A registered shares of a nominal value of PLN 10 each and a total nominal value of PLN 7 622 240, constituting a 5.15% stake in the share capital of Zakłady Chemiczne "ZACHEM" Spółka Akcyjna, headquartered in Bydgoszcz ("Zachem Shares");
    - 429 388 ordinary series A registered shares of a nominal value of PLN 10 each and a total nominal value of 4 293 880, constituting a 5.06% stake in the share capital of Zakłady Chemiczne "Organika-Sarzyna" Spółka Akcyjna, headquartered in Nowa Sarzyna ("Organika-Sarzyna Shares");

and an additional

- 571 826 ordinary series A bearer shares, of a nominal value of PLN 2.30 each and a total nominal value of PLN 1 315 199.80, constituting a 25.01% stake in the share capital of Zakłady Chemiczne "Alwernia" Spółka Akcyjna, headquartered in Alwernia ("Alwernia Shares");

The total value of shares in Alwernia S.A., shares in ZACHEM S.A. and shares in Z.Ch. "Organika-Sarzyna" S.A. was established at PLN 44 299 635.84.

- **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 115.8 million. 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 30 June 2011 this liability amounted to PLN 135 321 000.

Investment and optimisation projects, together with activities connected with acquiring subsidies

In the first half of 2011 optimal plans for asset investments were agreed. Ciech Group companies are allocating close to PLN 322 million to investment projects in 2011, including close to PLN 120 million on innovative 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 half 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.
In the first half of 2011 the "Modernisation of Boiler Plant CKTI 75 - Boiler no. 1" was completed, the second of 3 boilers modernised under the Large-Scale Modernisation of Energy Infrastructure at Soda Polska Ciech.
A new chlorine liquefaction installation with elimination of freon R-22 was a cooling agent was activated at ZACHEM S.A.

In accordance with the work schedule, progress on implementation of the following key projects was also noted:

- Construction of an Innovative Installation for the Manufacture of MCPA and MCPP-P at Z.Ch. Organika-Sarzyna S.A.,
- Construction of an Installation and Implementation of Innovative Technology for Manufacture of Epichlorohydrin from Bio-Glycerol at ZACHEM S.A.
- BravaGlass Packaging Glass project implementation at VITROSILICON S.A.

In the first half of 2011 projects implemented in collaboration with specialist advisory firms were continued. These were aimed at optimising operating costs in operational maintenance at Ciech Group manufacturing companies. Implementation of a project connected with implementation of an energy efficient management system was also commenced at the Ciech Group.

In the first half of 2011 the Ciech Group generated inflows exceeding PLN 14 million under implementation of 9 projects co-financed from EU and central government funds. These funds are allocated for the timely and efficient completion of key projects at the Ciech Group and at the same time confirm their innovativeness and compliance with national and EU development priorities.

6. Description of principal risks and hazards in the remainder of the financial year

Risk of the reversal of positive tendencies in economic growth levels and changes in market tendencies
The Group's operations are connected with numerous segments of the chemicals industry, the development of which is directly linked to the economic situation both within Poland and globally. After accession to the European Union, Poland noted a relatively high level of economic growth – several per cent of GDP per annum. Forecasts for the coming years indicate a certain decrease in the high growth dynamics observed to date, which is connected with the slow recovery from the global financial crisis (decrease in the speed at which domestic demand, export and investments are growing). The market tendencies significant for the Group are also connected with the economic situation and the rate at which Polish society is gaining in affluence. This results from the fact that the Group's target sales markets are broad: the construction, automotive and furniture industries, paints and dyes, household chemicals, agriculture and food manufacturing. The risk of changes in market tendencies for the Ciech Group is governed by the risk of fluctuations in growth dynamics, both within Europe and throughout the world. A worsening of the general economic situation may have a negative impact on the Group's operations and financial results.

Risk of long-term economic stagnation / recession in Europe and globally
The Group's operations are to a large extent based on export of chemical products, the level and profitability of which is dependent on the global economic situation in Europe and the world. Long-term weakening in the global economic situation may cause a significant decrease in trading on foreign export markets and at the same time lower revenues in specific segments of the Group's operations and have a negative impact on the Group's financial results.

Currency risk
Currency risk is an inevitable element of conducting trade operations denominated in foreign currencies. With regard to the nature of its import and export operations, the Group has a currency exposure connected with the significantly higher level of export operations over import. The sources of currency risk to which Group companies are exposed include: sale of products, raw material purchase transactions, incurrence of loans, borrowings and cash and cash equivalents in foreign currencies. Unfavourable changes in foreign exchange rates may lead to a worsening of the Group's financial results.

Risk of a drop in the level of domestic construction and installation manufacturing
The chemicals industry manufactures many raw materials and semi-finished products for this type of manufacturing. Potential worsening in economic conditions in construction and installation manufacturing may have a negative impact on demand for the Group's products, and thus also on its financial results.

Risk connected with the economic situation in the furniture industry
The furniture industry is the main consumer of polyurethane (PUR) foams and (indirectly) a semi-finished product for their manufacture – toluene diisocyanate (TDI). A worsening of the situation in the furniture market may result in a drop in demand for the above products and thus a worsening in the Group's financial results.

Risk of over-supply of sodium carbonate in Europe

At the end of the 2000s, new sodium carbonate production facilities were opened in Europe and neighbouring countries (subsequent investments are planned). In the event that all planned investments are completed (together with a large increase of market supply in a relatively short time period), this may lead to a temporary but significant over-supply of products and drop in prices through the region, which may have a negative impact on the Group's financials.

Risk of a drop in demand for sodium carbonate in Europe
In 2009 Europe saw a nearly 20% drop in demand for sodium carbonate in comparison with 2008. The cause of this drop in demand was decreased requirements from the glass industry (particularly in the field of plate glass), which accounts for half of the sodium carbonate supplied in Europe. A return to the record level of sodium carbonate use in Europe (as seen 2008) can only be expected in several years' time.
In the long-term, particularly in Central and Eastern Europe, there is the risk that sodium carbonate use in the glass packaging industry will decrease as a result of pro-environmental legislation, resulting in the promotion of multiple use of glass packaging and use of cullet in the glass manufacturing process. A potential drop in demand for sodium carbonate may lead to a decrease in product prices and have a negative impact on the Group's financial results.

Risk of a significant drop in demand in the toluene diisocyanate (TDI) segment
The Ciech Group includes the only domestic manufacturer of TDI – a semi-finished product used for the manufacture of polyurethane foams used mainly in the furniture and automotive industries. The TDI market is a global market, although in practice the majority of European trade is carried out within Europe itself. Bearing in mind the target consumer segments, the situation in the TDI manufacturing sector is heavily dependent on the general economic situation. A potential drop in demand from TDI consumers may have a negative impact on the Group's financial results.

Risk of significant TDI over-supply in global markets
A large increase in TDI production capacity is anticipated globally over the next few years (growth of approx. 1/3 or more). If all planned investments are completed on-time, then bearing in mind current forecasts for market development at several per cent annually, global over-supply of TDI can be expected in the first half of this decade. This may lead to a significant drop in TDI prices and as a result worsening of the Group's financial results.

Competition risk in principal markets
A wide range of companies are active in supply of chemicals, both in the Polish and international markets. There is a risk that the commercial terms proposed by the Ciech Group emerge as relatively uncompetitive, causing a drop in supply of chemicals in the domestic market and as a consequence may lead to a decrease in this part of the Group's revenues, together with a negative impact on the Group's financial results.
The threats from competition in specific product markets are as follows:

- **Soda segment product market**
  Within the soda product segment (sodium carbonate, sodium bicarbonate), the Ciech Group is the only manufacturer in Poland and, discounting insignificant import, practically the only supplier in the market. Certain risk of growth in import from Eastern manufacturers may appear. In the European market there is a risk of growth in the supply of cheaper sodium carbonate from natural sources from suppliers in the United States and Turkey. This threat is mainly dependent on the USD/EUR exchange rate. In the event of a weak dollar, the competitiveness of US soda will increase. A particular threat to the Ciech Group comes from additional supplies of Turkish sodium carbonate to the European market due to a planned increase in soda extraction from natural reserves.
- **TDI market**
  Competitors' expanded production capacities in CIECH S.A.'s target markets (e.g. the Bayer facility in China) may lead to a weakening of the Group's position as an exporter. Subsequent threats come from the fact that the principal global manufacturers (Bayer) are introducing modern gas technology to produce TDI.
- **Epichlorohydrin (ECH) market**
  While partially withdrawing from the European market, over the last two years Russian manufacturers have begun operations in the Asian market, directing a significant part of their export (including bisphenol A and ECH) to China. This may denote an improvement in Ciech Group operations in Europe, but also difficulties in the acquisition of some raw materials.
- **PUR foams market**
  Low technical and capital barriers of entry into the market may lead to the appearance of new competitors in the future. In addition, consumers are beginning to start their own production of PUR foams, which aside from the drop in demand in the market may bring about additional supply of the product (sale of surpluses).
- **Unsaturated polyester resin market**
  Due to decreased demand in their domestic market, Italian resin manufacturers are expanding internationally. It is possible that they will attempt to acquire part of the Polish market, which will mean an increase in domestic competition and thus more difficult conditions for the Group's operations. An increase in competition in this market may lead to a worsening of the Ciech Group's market position.

Risk of changing commodities and goods prices
Within the Group's operations, a significant number of transactions concern import and export of chemical commodities. Commodity markets are highly cyclical, driven by the global economic cycle. On the one hand, the increasing price of commodities leads to a decrease in commercial agents' margins and weakening demand from

consumers. Nevertheless, declining prices typically signal weaker demand, marking the beginning of the contractionary cycle. Commodities are subject to similar trends in the domestic market. A continuing stable rate of growth and stable chemical commodity prices will have a positive impact in the field of the Group's commercial operations. Significant fluctuations in demand and prices caused either by rapid economic growth or economic stagnation may have a negative impact on the Group's trade in chemical commodities.
The principal commodities used by the Group include raw materials for energy – coal, blast-furnace coke and anthracyte; for manufacture of sodium carbonate; and organic chemicals sourced from refining of crude oil (TDA, toluene, propene, bisphenol A – BPA and styrene). The price of energy commodities shows a high level of sensitivity to current events connected with the economic situation and demonstrates price growth in periods of dynamic economic development. There is a risk that the price level of these commodities will increase, which translates into a significant decrease in the profitability of sodium carbonate and organic chemicals manufactured by the Ciech Group (TDI, epichlorohydrin and resins). Fluctuations in commodities prices, including first and foremost growth in their prices, may contribute to a decrease in the Group's financial results.
The Group is also exposed to oil prices volatility. Continuation of the growth tendency which began at the beginning of 2009 may lead to further increases in commodity prices for the organic industry and have a negative impact on the Group's financial results.
No major fluctuations occur in the prices of the Group's non-organic products and goods. Price risk does however occur in the organic segment. This is connected to the condition of the global economy, the current supply and demand balance amongst end consumers and price levels for basic commodities and energy.

Risk of change in Polish and European legislation concerning environmental requirements
Environmental protection legislation in Poland is subject to change and is becoming ever stricter. Since there is no certainty over future regulations and increasing expenditures connected with requirements resulting from legislation, the Group may be required to incur significant additional costs in connection with new environmental requirements. Furthermore, in connection with frequent changes in environmental protection legislation, the Group's non-observance of new environmental regulations within a defined scope or in specific time frames may make it necessary for the Group, members of the Management Board or employees to bear administrative, civil and criminal liability. Non-fulfilment of legislative requirements concerning environmental protection and the resulting disruption to operations or penalties may have a significant negative impact on the Group's financial situation or operations.

Risk connected with environmental protection
In accordance with the business risk management system in effect within the Group, identification and assessment of ecological risk connected with legal regulations and the operations of subsidiaries has been carried out.
The most significant risks were identified at US Govora. These risks concern: (i) the necessity to adapt calcinating equipment in the soda production process to current Romanian legal regulations concerning permitted emission of dust and ammonia into the atmosphere and the quality of waste channelled into the River Olt, and (ii) the necessity to cease operation of soda by-product sludge clarifiers by 31 December 2012 with regard to the lack of sufficient protection against pollutant contamination of groundwater, which is linked to the necessity to seek new technical solutions concerning further management of waste created by the soda production process.
Remaining ecological risks of principal and medium importance which have been identified by the Group include: (i) the risk of exceeding permitted SO_2 and fluid emission levels from 3 CKTI boilers at the Janikowo CHP.
The Group has also identified probable risks of principal importance, including: (i) the risk of exceeding permitted SO_2 emission levels from 2 OP-140 boilers at the Janikowo CHP, (ii) the risk of exceeding permitted SO_2 levels from the CHP in Inowrocław, (iii) the necessity to intensify management of lime created by the soda production process at Soda Polska through increasing sales levels or installing fertiliser lime slurry filters (installation of hydraulic presses), (iv) the risk of not maintaining the parameters of post-distillation waste at Sodawerk concerning the compression of ammonium nitrate in accordance with BAT requirements for sodium carbonate production using the Solvay method; (v) the risk of identification by the Group of new areas which may be subject to reclamation, which is connected with the incurrence of additional costs; and (vi) the risk of paying environmental fines.
The occurrence of the above risk may have a significant negative impact on the operations, financial situation or operational results of the Group.

Risk concerning reduction of the share of free CO_2 emissions allowances for soda companies (EU ETS III)
Mainly connected with the production of heat energy and electricity, the Group's primary operations are linked to emissions of CO_2. In connection with this, all regulations relating to reduction in greenhouse gas emissions have an impact on the Group's operations. In accordance with Directive 2009/29/EC, co-creating the legal basis for an energy and climate package within the EU, at the start of the third emissions trading period (2013-2010) there will be alteration of the current principles for allocation of CO_2 emissions allowances (EUA) issued within EU ETS pursuant to National Allocation Plans. In principle, EUAs will not be allocated to facility operators for free, but rather for an amount established through an auction (with certain exceptions during the transitional period 2013 - 2010). During this period the soda production sector will be included in the EU ETS, including the companies Soda Polska, Sodawerk and US Govora. The soda industry will have the right to make use of free allocations up to the level of the emissions ratio for 10% of soda facilities which are most effective with regard to CO_2 emissions, the so-called soda benchmark. With regard to the higher CO_2 emissions of black coal used to create steam and electricity for Soda Polska in relation to the emissions levels of gas used by energy suppliers for the production of soda and used to specify the product benchmark, the manufacture of soda in Poland may be subject to particularly more acute effects. The principles for allocation of free CO_2 emissions allowances are governed in detail by European Commission decision no. 2011/278/EC of 27 April 2011. The Group took an active part in consultations with the Ministry of the Economy during work on preparing Polish Government appeals against the above European Commission decision.

With regard to the levels of free EUA allocation from 2013 as proposed by the European Commission, there is a risk that the Group will be forced to incur higher CO_2 allowance acquisition costs or increased expenses to limit the emissions of the Group's manufacturing entities.
These circumstances may exert a significant negative impact on the Group's operations, its financial situation and the results of its operating activity.

Risk connected with timely implementation of registration requirements resulting from the REACH Regulation
The REACH Regulation was adopted on 18 December 2006 and entered into force on 1 June 2007. The REACH Regulation introduced numerous amendments aimed at regulating the management and control of trade in chemicals within the EU. Manufacturers producing substances within the EU and importers of substances to the EU customs area were required to perform registration (pre-registration by 1 December 2008 and subsequently full registration) of chemical substances manufactured or imported by them.
11 subsidiaries submitted pre-registration to the European Chemicals Agency (ECHA) of a total of 705 substances subject to registration in accordance with the REACH Regulation. It is anticipated that a total of approx. 230 substances will be subject to full registration, the first phase of which ended on 30 November 2010, including 34 substances (approx. 15%) during the first phase, 25 substances (approx. 11%) during the second phase (by 31 May 2013) and approx. 174 substances (approx. 75%) during the third phase (by 31 May 2018). As at 29 August 2011 subsidiaries had registered 34 substances.
The company cannot rule out the fact that full registration of substances covered by pre-registration will not be completed, which as a consequence may prevent the Group from manufacturing or importing chemical substances during its operations, violate requirements connected with such registration, including deadlines, and cause organisational problems in cooperation under the SIEFs (Substance Information Exchange Forums) and REACH consortia or incur additional significant costs connected with full registration of substances, which may have a negative impact on the Group's operations, its financial situation or the results of its operations.

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

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

On 7 March 2010, Member of the Management Board of CIECH S.A. Mr Artur Osuchowski made notification of the acquisition of 1 725 series D shares in the issuer as a result of exercise of pre-emptive rights for series D shares in the issuer (as at the date on which the notification was submitted, series D shares in the issuer were traded on the regulated market managed by Giełda Papierów Wartościowych w Warszawie S.A. (the Warsaw Stock Exchange) through rights to series D shares in the issuer). The acquisition price for 1 series D share in the issuer, equal to the issue price, was PLN 19.20. The transaction was settled on 3 March 2011. The acquisition and registration transaction took place on the regulated market. In connection with the above, as at 30 June 2011 Mr Artur Osuchowski – Member of the Management Board, held 3 825 shares in CIECH S.A.

Other management and supervisory personnel held neither shares in CIECH S.A. nor shares in associates and subsidiaries.

8. CIECH S.A. shareholders with at least 5% of votes at the General Meeting

The company's shares are listed on the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.). As at the publication date, share capital amounted to PLN 263 500 965 and was divided into 52 699 909 shares of a nominal value of PLN 5 each, including:

- 20 816 ordinary series A bearer shares,
- 19 775 200 ordinary series B bearer shares,
- 8 203 984 ordinary series C bearer shares,
- 23 000 000 ordinary series D bearer shares,
- 1 699 909 ordinary series E bearer shares.

Notifications received pursuant to art. 69 of the *Act of 29 July 2005 on public offerings and the terms and conditions for the 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 shareholders with at least 5% of votes at the General Meeting:
1. The State Treasury of Poland, represented by the Minister of the Treasury – 38.72% 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.

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

During the first half of 2011 CIECH S.A. issued rights to ordinary series D bearer shares. 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 the signing of 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 with a Pre-Emptive Right
Pursuant to the above, one Pre-Emptive Right entitled to acquire 23/28 of an Offered Share, which when rounded amounts to 0.82142857143 per Offered Share. In connection with the above, in order to acquire one Offered Share, two Pre-Emptive Rights would have to have been held.

4. Allocation 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 purchasers, and that the issue of rights to Series D Shares 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 pre-emptive rights and additional subscriptions was 3 February 2011, whereas the final date for acceptance of subscriptions in exercise of pre-emptive rights and additional subscriptions was 16 February 2011. The share allocation date was 25 February 2011.
Number of shares covered by pre-emptive rights: 23 000 000 Series D Shares. Reduction under additional subscriptions: 94.2%. Number of shares subscribed for:

- under exercise of pre-emptive rights: 21 825 287 Series D Shares,
- under additional subscriptions: 20 322 318 Series D Shares.

Number of shares allocated under pre-emptive rights: 23 000 000 Series D Shares.
Issue price at which shares were acquired: PLN 19.20.
Number of persons who submitted subscriptions for shares under subscriptions and the number of persons to whom shares were allocated:

- under exercise of pre-emptive rights 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 issue
Value of the issue (i.e. the product of the number of shares being subject to subscription and the issue price per share): PLN 441 600 000.

6. Total issue costs
The total cost of issuing Series D Shares is specified in the prospectus under the section "Proceeds from the Issue" and amounts to PLN 5 893 000, including:

- preparation and execution of the issue: PLN 3 327 000,
- preparation of the issue prospectus: PLN 2 300 000,
- promotion of the issue: PLN 266 000.

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. The average per-share cost of issuing Series D Shares under the subscription: PLN 0.26.

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

Due to the net loss generated in 2010, CIECH S.A. did not pay out a dividend in 2011. On 30 June 2011 the Ordinary General Meeting of CIECH S.A. passed a resolution on coverage of loss using the Company's supplementary capital.

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

11. Description of organisation or indication of the effects of changes in the structure of Ciech Group entities

A description of Ciech Group organisation and information on the effects of changes in organisational structure can be found in points IV.1, IV.2 and IV.17 of this report.

12. Pending proceedings before a public court, arbitration body or public administration authority

This information can be found in point IV.6 of this report.

13. Information on the execution by CIECH S.A. or a subsidiary of one or more transactions with associates which are not typical or routine transactions

This information can be found in point IV.7 of this report.

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

This information can be found in point IV.8 of this report.

III. Information on the principles adopted in preparation of the Complete Consolidated Interim Report of the Ciech Group for the First Half of 2011

1. Basis for preparation of the consolidated interim report of Ciech Group for the first half of 2011

The presented financial statements for the period from 1 January to 30 June 2011, together with comparative data, were approved by the Management Board of CIECH S.A. on 29 August 2011 for publication on 30 August 2011.

This consolidated report covers the financial statements of parent CIECH S.A. and its subsidiaries (the "Ciech Group", "Group") and also the Group's share in associates.

The scope of information presented in this complete consolidated interim 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 estimates.

Both the assessments and the underlying assumptions are verified on an on-going 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.

Professional judgements taken by the Management Board which have a significant impact on the consolidated financial statements, together with estimates causing the risk of significant changes in future periods, can be found in part IV, points 6 and 9 of this report. During the current half-year period there were no significant alterations to the estimated values presented in previous reporting periods.

2. Statement of compliance

These Ciech Group consolidated financial statements and the financial statements of all CIECH S.A. subsidiaries and associates for the reporting period as well as the comparative data have been prepared in compliance with all International Financial Reporting Standards (IFRS) in effect within the European Union as at 30 June 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 30 June 2011, including comparative data. Due diligence was exercised in preparing the tables and notes below. The financial statements for the first half of 2011 and comparative data correctly, reliably and clearly reflect the property situation and financial standing of the Ciech Group. The management report contains a correct depiction of the development, achievements and situation of the Ciech Group, including a description of primary hazards and risks.

The Management Board of CIECH S.A. declares that the entity authorised to audit the financial statements, carrying out a review of the financial statements for the period from 1 January to 30 June 2011, was selected in accordance with legal regulations and is: KPMG Audyt Sp. z o.o., having its registered office in Warsaw, entered into the list of entities authorised to audit financial statements, held by the National Council of Statutory Auditors, entry no. 458 in the register. This entity and the statutory auditors carrying out the review fulfil the conditions for issue of an impartial and independent opinion and report on the audit in accordance with the appropriate national legal regulations.

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-mentioned report also 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 statement of financial position were translated into EUR using the average exchange rate announced by the National Bank of Poland for the reporting date (30 June 2011), i.e. 3.9866. 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 June 2011 respectively: 3.9345; 3.9763; 4.0119; 3.9376; 3.9569; 3.9866. The exchange rate applicable in the reporting period is 3.9673.

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 December 2010), i.e. 3.9603. 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 December 2010 respectively: 4.0616; 3.9768; 3.8622; 3.9020; 4.0770; 4.4158; 4.0080; 4.0038; 3.9870; 3.9944; 4.0734; 3.9603. The exchange rate applicable in the reporting period is 4.0044.

In selected financial data, individual assets and liabilities disclosed in the statement of financial position were translated into EUR using the average exchange rate announced by the National Bank of Poland for the reporting date (30 June 2010), i.e. 4.1458. 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 June 2010 respectively: 4.0616; 3.9768; 3.8622; 3.9020; 4.0770; 4.1458. The exchange rate applicable in the reporting period is 4.0042.

For significant foreign subsidiaries the functional currencies are:

- Grupa Soda Deutschland Ciech – functional currency EUR; presentation currency PLN
- S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. – functional currency RON; presentation currency PLN.

IV. Notes to Ciech Group's condensed consolidated interim financial statements

1. 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 30 June 2011, Ciech Group consisted of 48 entities, including:

- CIECH S.A., parent,
- 33 subsidiaries, including:
  - 22 domestic subsidiaries,
  - 11 foreign subsidiaries,
- 11 domestic associates,
- 1 foreign associates,
- 1 foreign jointly controlled entity.

Ciech Group includes both direct subsidiaries and associates (whose parent is CIECH S.A.) and indirect subsidiaries and associates (direct subsidiaries of CIECH S.A. being their parents).
Ciech Group operates in the manufacture and sale of own products as well as in the trade in other goods. Trade operations are concentrated in CIECH S.A. and its domestic and foreign trade subsidiaries, whereas production companies – direct subsidiaries of CIECH S.A. – are active in manufacturing. The parent does not have any branches.

The companies included in the consolidated financial statements for the first half of 2011 are listed below.

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

Company/Group name	Consolidation method as at 30.06.2011 and degree of control by Ciech S.A.	Consolidation method as at 30.06.2010 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	– divestment projects relating to disposal of non-essential non-current assets (real estate) – and financial assets (shares in companies)
3.1.) Cheman S.A.	CIECH S.A. indirect subsidiary – fully consolidated at Group level	CIECH S.A. indirect subsidiary – fully consolidated at Group level	– wholesale and distribution of solid inorganic and organic chemicals, – wholesale and distribution of raw materials for household chemical products, – wholesale and distribution of raw materials for cosmetics and pharmaceuticals, – wholesale and distribution of builders, pigments, raw materials for paints and refinishes, – wholesale and distribution of food and feed additives, – wholesale and distribution of acids, bases and other liquid chemicals.
SODA MĄTWY Group	Fully consolidated lower tier Group	Fully consolidated lower tier Group	– manufacture of other inorganic base chemicals, – wholesale of chemical products, – production and distribution of electricity, – shipment of goods.
4) SODA MĄTWY S.A.	Lower tier parent (subsidiary of CIECH S.A.)	Lower tier parent (subsidiary of CIECH S.A.)	
4.1.) Soda Polska CIECH Sp. z o.o.	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	
4.1.1) TRANSODA Sp. z o.o.	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	
4.2) Polskie Towarzystwo Ubezpieczeń Spółka Akcyjna	-	Indirect associate of CIECH S.A. – lower-tier equity method valuation 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, not classified elsewhere.

Company/Group name	Consolidation method as at 30.06.2011 and degree of control by Ciech S.A.	Consolidation method as at 30.06.2010 and degree of control by Ciech S.A.	Scope of activity
FOSFORY Group	The FOSFORY Group was sold on 27 April 2011.	Fully consolidated lower-tier Group	– manufacture of inorganic fertilisers and nitrogen compounds, – manufacture of other inorganic chemicals, – manufacture of other organic chemicals, – manufacture of refined petroleum products, – manufacture of plastics, – wholesale of grain, seeds and animal feed, – transshipment services in own transshipment and storage facility.
6.) GZNF "FOSFORY" Sp. z o.o.		Lower tier parent (subsidiary of CIECH S.A.)	
6.1) „AGROCHEM" Spółka z ograniczoną odpowiedzialnością - w Dobrym Mieście		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	
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) CIECH-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.	Daltrade Ltd. was sold on 19 May 2011.	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.

Company/Group name	Consolidation method as at 30.06.2011 and degree of control by Ciech S.A.	Consolidation method as at 30.06.2010 and degree of control by Ciech S.A.	Scope of activity
Soda Deutschland Ciech Group	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group	– manufacture of other inorganic base chemicals, – wholesale of chemical products, – production and distribution of electricity.
15.) Soda Deutschland Ciech GmbH	Subsidiary of CIECH S.A. – lower-tier full consolidation	Subsidiary of CIECH S.A. – lower-tier full consolidation	
15.1.) Sodawerk Holding Stassfurt GmbH	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	
15.1.1.) Sodawerk Stassfurt Verwaltungs GmbH	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	
15.1.2) Sodawerk Stassfurt GmbH&Co.KG	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	
15.1.3) KWG GmbH	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	Indirect subsidiary of CIECH S.A. – lower-tier full consolidation	
15.1.4) Kaverngesellschaft Stassfurt GmbH	Indirect associate of CIECH S.A. – lower-tier equity method valuation	Indirect associate of CIECH S.A. – lower-tier equity method valuation	
16) Ciech Pianki Sp. z o.o.	CIECH S.A. subsidiary – fully consolidated	-	– manufacture of other organic and inorganic chemicals.

** Formerly known as Polsin Private Limited., on 20 June 2011 the Extraordinary General Meeting adopted a decision on change of the company's name.*

2. The impact of changes in Ciech Group's organisational structure in the first half 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 half of 2011:

- ***Gdańskie Zakłady Nawozów Fosforowych FOSFORY Sp. z o.o.***

As a result of fulfilling the conditions precedent contained in the sales agreement of 16 December 2011, on 27 April 2011 ownership of 51 855 shares in GZNF "FOSFORY" Sp. z o.o. was transferred to Zakłady Azotowe Puławy S.A., and CIECH S.A. ceased to be a shareholder in GZNF "FOSFORY" Sp. z o.o. and indirectly in its subsidiaries (Agrochem Sp. z o.o. in Człuchów and Agrochem Sp. z o.o. in Dobre Miasto). From May 2011 these companies have not been indicated within the Group's structure.

- ***ZACHEM S.A. and Z.Ch. "Organika-Sarzyna" S.A.***

In implementing the provisions of the "Social Package" constituting an element of the agreement on sale of shares in ZACHEM S.A. of 29 March 2006 by Nafta Polska S.A. to CIECH S.A., CIECH S.A. is successively buying back shares in ZACHEM S.A. held by company employees who purchased shares in ZACHEM S.A. for free on the basis of the Act on Commercialisation and Privatisation of Corporations. On 25 April 2011, after finalising a subsequent phase in purchase of employee shares, CIECH S.A. became the owner of 239 316 shares in ZACHEM S.A., which were acquired for a total of PLN 1 213 332.12. As at 30 June 2011 CIECH S.A. is the owner of 13 659 026 registered shares in ZACHEM S.A., which constitutes a 92.29% stake in the company's share capital. In the case of ZACHEM S.A., repurchase of "employee" shares in 2011 was the last obligatory buyback. In accordance with the agreement, CIECH S.A. is no longer required to repurchase remaining employee shares in this company.

In implementing the provisions of the "Social Package", constituting an element of the agreement for sale by Nafta Polska S.A. of shares in Z.Ch. "Organika-Sarzyna" S.A. to CIECH S.A. of 29 March 2006, CIECH S.A. is successively repurchasing shares in Z.Ch. "Organika-Sarzyna" S.A. held by company employees, who acquired shares in Z.Ch. "Organika-Sarzyna" S.A. for free pursuant to the Act on Commercialisation and Privatisation of Corporations. After finalising subsequent stages of the repurchasing of "employee" shares conducted in 2010, CIECH S.A. became the owner of the following shares:

- 35 880 shares, constituting a 0.42% stake in the company's share capital, as at 15 June 2011,
- 555 shares, constituting a 0.0065% stake in the company's share capital, as at 22 June 2011,

and as at 30 June 2011 holds 7 936 582 shares, constituting a 93.48% stake in the company's share capital.

On 26 May 2011 CIECH S.A. and the State Treasury of Poland executed an agreement concerning issue by CIECH S.A. of new shares and their acquisition by the State Treasury in exchange for a non-cash contribution, constituting items including shares in ZACHEM S.A. and shares in Z.Ch. "Organika-Sarzyna" S.A. On 27 July 2011 the State Treasury acquired newly issued series E shares in CIECH S.A. in return for:

- 762 224 bearer shares in Zakłady Chemiczne ZACHEM S.A. of a nominal value of PLN 10 each and a total nominal value of PLN 7 622 240, constituting a 5.15% stake in the share capital of ZACHEM S.A. CIECH S.A. increased its stake in the share capital of ZACHEM S.A. to 97.44%.
- 429 388 bearer shares in Zakłady Chemiczne Z.Ch. of a nominal value of PLN 10 each and a total nominal value of PLN 4 293 880, constituting a 5.06% stake in the share capital of Z.Ch. "Organika-Sarzyna" S.A. CIECH S.A. increased its stake in the share capital of Z.Ch. "Organika-Sarzyna" S.A. to 98.54%.

- ***SODA MĄTWY S.A. and JANIKOSODA S.A.***

Initiatives adopted in 2007 aimed at streamlining management of the soda segment within domestic Ciech Group companies and acquiring synergy through better coordination of business processes ended with the establishment of Soda Polska CIECH Sp. z o.o., to which SODA MĄTWY S.A. and JANIKOSODA S.A. transferred their property, with the exception of shares in PTU S.A. as a contribution-in-kind in exchange for shares. It is planned that the further operations of SODA MĄTWY S.A. and JANIKOSODA S.A. will be continued until such time as shares in Polskie Towarzystwo Ubezpieczeń S.A. are sold by the above companies. Since on 29 December 2010 an agreement on sale of shares in PTU S.A. was finalised, initiatives were adopted to streamline the restructuring of both companies, aimed at consolidating the businesses within one capital group. For this reason, the aim of streamlining the operations of SODA MĄTWY S.A. and JANIKOSODA S.A. and accelerating decision-making processes within the companies, together with limiting expenses. On 28 February 2011 the Extraordinary General Meetings of SODA MĄTWY S.A. and JANIKOSODA S.A. adopted resolutions concerning forced buyback of shares held by minority shareholders in SODA MĄTWY S.A. and JANIKOSODA S.A. by majority shareholder CIECH S.A. As a result of the forced buyback of 10 820 shares held by minority shareholders in SODA MĄTWY S.A. and 17 000 shares from minority shareholders in JANIKOSODA S.A., carried out with the intermediation of TRIGON Dom Maklerski S.A., on 23 May 2011 CIECH S.A. became a 100% shareholder in SODA MĄTWY S.A. and JANIKOSODA S.A.

- ***ALWERNIA S.A.***

On 21 June 2011 the Ordinary General Meeting of ALWERNIA S.A. adopted resolution no. 9 on forced buyback of shares in ALWERNIA S.A. held by MAGNUS S.A. pursuant to art. 418^1 of the Polish Commercial Companies Code, in

accordance with which CIECH S.A. was required to buy back 19 558 bearer shares in ALWERNIA S.A. held by MAGNUS S.A., constituting a 0.86% stake in the share capital, for a price of PLN 33.75 per share. Implementation of the resolutions of the general meeting was competed in August 2011 and CIECH S.A. increased its stake in the share capital of ALWERNIA S.A. to 74.61%.
On 26 May 2011, CIECH S.A. and the State Treasury of Poland signed an agreement on issue by CIECH S.A. of new series E shares and their acquisition by the State Treasury in return for a non-cash contribution, constituting assets including shares in ALWERNIA S.A. On 27 July 2011 the State Treasury acquired new series E shares in CIECH S.A. in exchange for assets including 571 826 bearer shares in "Alwernia" S.A. of a nominal value of PLN 2.30 each and total nominal value of PLN 1 315 199.80, constituting a 25.01% stake in the company's share capital. CIECH S.A. increased its stake in the company's share capital to 99.62%.

- ***TRANSCLEAN Sp. z o.o.***

Under a share sales agreement, on 10 June 2011 CIECH S.A. acquired 4 322 shares in TRANSCLEAN Sp. z o.o. from ZACHEM S.A., constituting a 50% stake in the company's share capital, for a total sales price of PLN 7 450 000. Ownership of the shares was transferred to CIECH S.A. on 22 June 2011 after fulfilment of the conditions precedent found in the above sales agreement. As at 30 June 2011 CIECH S.A. is the direct owner of 100% of shares in TRANSCLEAN Sp. z o.o.

- ***Ciech Pianki Sp. z o.o.***

Under a share sales agreement, on 27 June 2011 CIECH S.A. acquired 55 005 shares in Ciech Pianki Sp. z o.o. from ZACHEM S.A., constituting a 100% stake in the company's share capital, for a total sales price of PLN 57 451 000. Ownership of the shares was transferred to CIECH S.A. on the agreement execution date, i.e. 27 June 2011. As at 30 June 2011 CIECH S.A. is the direct owner of 100% of shares in Ciech Pianki Sp. z o.o.

- ***Daltrade Ltd. (UK)***

On 19 May 2011 an agreement was executed concerning sale by CIECH S.A. of 615 000 shares of a nominal value of GBP 0.01 each in Daltrade Ltd., having its registered office in the United Kingdom, for a total price of GBP 20 000. The shares were purchased by DAL Towarzystwo Handlu Międzynarodowego S.A. Before the transaction, CIECH S.A.'s stake in the share capital of Daltrade Ltd. was 61.2%. As a result of the transaction, CIECH S.A. is no longer in possession of shares in Daltrade Ltd.

- ***Ciech America Latina Ltda. (Brazil)*** - ***no operating activity has been carried out from halfway through 2009***

On 20 June 2011 a conditional agreement on sale by CIECH S.A. of 599 999 shares of a nominal value of BRL 1 each in Ciech America Latina Ltda., having its registered office in Brazil, was executed for a total amount of PLN 10. The shares were purchased by Ciech Finance Sp. z o.o. Before the transaction, CIECH S.A.'s stake in the share capital of Ciech America Latina Ltda. was 99.9998%. After fulfilment of the conditions precedent, as a result of the transaction CIECH S.A. will not hold any shares in Ciech America Latina Ltda.

The following changes took place during the first half of 2011 concerning companies in which CIECH S.A. holds shares:

- **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 an in-kind contribution in the form of real property. ZACHEM S.A.'s stake 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.
BORUTA-KOLOR Sp. z o.o. – BORUTA-KOLOR Sp. z o.o. was removed from the Register of Companies on 9 June 2011 as a result of the adoption by the Extraordinary General Meeting of shareholders in BORUTA-KOLOR SP. z o.o. and the Extraordinary General Meeting of Shareholders of ZACHEM Barwniki Sp. z o.o. on 20 November 2009 of a resolution concerning the merger of these companies, where ZACHEM Barwniki Sp. z o.o. was the acquirer and BORUTA-KOLOR
Sp. z o.o. the company being merged. Registration of the merger in the National Court Register (as a result of an increase in the share capital of ZACHEM - Barwniki Sp. z o.o.) occurred on 1 December 2009.

- **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 Przedsiebiorstwo Handlowo-Usługowe NS Automatyka Sp. z o.o., i.e. 1 147 shares, constituting 22.44% of share capital. The Company is no longer included in the Group's structure.

Organika International Transport Sp. z o.o. (w upadłosci) – 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 included in the Group's structure.

- **ALWERNIA S.A.**

SOC-AL Sp. z o.o. - SOC-Al Sp. z o.o. acquired 1 000 shares in AL-BAU Sp. z o.o., constituting a 100% stake in the company's share capital of PLN 50 000, divided into 1 000 shares.

- **CIECH FINANCE Sp. z o.o.**

Zakłady Tworzyw Sztucznych PRONIT S.A. (w upadłości) – through the agreement of 3 February 2011 CIECH S.A. sold CIECH FINANCE Sp. z o.o. a block of 13 141 shares in PRONIT S.A. The right to ownership of the shares was transferred to CIECH FINANCE Sp. z o.o. on 7 February 2011 and CIECH S.A. is no longer a shareholder in the company.

Stocznia Gdynia S.A. – CIECH FINANCE SP. z o.o., through a sales agreement of 1 April 2011, purchased 447 shares in Stocznia Gdynia S.A. from ZACHEM S.A., constituting a 0.0005% of the company's share capital, increasing its stake in the share capital of Stocznia Gdynia S.A. to 0.005%.

3. Financial information by operating segment

OPERATING SEGMENTS

01.01-30.06.2011 *in PLN thousands*	**Soda segment – Soda division**	**Organics segment – Organika division**	**Silicates and glass segment**	**Agrochemicals segment**	*including: discontinued operations*	**Other activity**	*including: discontinued operations*	**Corporate actions – residual item**	**Exclusions (consolidation adjustments)**	**TOTAL**
			Agro-silicon division							
External revenue	797 310	856 050	143 890	232 970	*100 042*	106 893	*44 080*	-		2 137 113
Inter-segment revenue	22 257	20 397	7 528	6 710	*2 285*	497	*81*	-	(57 389)	-
Total revenue	**819 567**	**876 447**	**151 418**	**239 680**	***102 327***	**107 390**	***44 161***	-	**(57 389)**	**2 137 113**
Cost of sales	(683 230)	(800 839)	(119 640)	(185 621)	*(75 797)*	(91 468)	*(33 920)*	-	51 851	(1 828 947)
Gross profit / loss on sales	**136 337**	**75 608**	**31 778**	**54 059**	***26 530***	**15 922**	***10 241***	-	**(5 538)**	**308 166**
Distribution costs	(55 821)	(43 176)	(24 754)	(13 562)	*(8 413)*	(8 633)	*(4 340)*	-	5 220	(140 726)
Administrative expenses	(36 015)	(32 339)	(4 644)	(9 325)	*(5 718)*	(8 257)	*(5 319)*	(20 119)	1 410	(109 289)
Profit / loss on receivables management	(1 091)	(2 665)	(67)	(2 516)	*(2 082)*	40	-	-	-	(6 299)
Profit / loss on other operating activities	19 574	(1 081)	128	(2 220)	*(479)*	1 609	*(26)*	(579)	-	17 431
Profit / loss on operating activities	**62 984**	**(3 653)**	**2 441**	**26 436**	***9 838***	**681**	***556***	**(20 698)**	**1 092**	**69 283**
Net exchange differences and trade account interest	(10 923)	(12 325)	(2 770)	(8 297)	*141*	(3 998)	*(122)*	-	-	(38 313)
Group finance costs	-	-	-	-	-	-	-	(56 884)	-	(56 884)
Profit / loss on financing activities (not allocated to segments)	-	-	-	-	-	-	-	39 065	-	39 065
Share of profit of associates	123	-	-	-	-	-	-	-	-	123
Profit / loss before tax	**52 184**	**(15 978)**	**(329)**	**18 139**	***9 979***	**(3 317)**	***434***	**(42 480)**	**1 092**	**9 311**
Tax	-	-			-	-		-	-	7 371
Net profit / loss	-	-	-	-	-	-		-	-	**16 682**
Profit / loss on discontinued operations	-	-	-	-	-	-		-	-	(11 715)
Net profit / loss for the financial year	-	-	-	-	-	-		-	-	**4 967**
Depreciation / amortisation	64 247	32 066	8 876	1 604	-	408	269	1 887	-	109 088
EBITDA	**127 231**	**28 413**	**11 317**	**28 040**	**9 838**	**1 089**	**825**	**(18 811)**	**1 092**	**178 371**

01.01-30.06.2010 *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**	*including: discontinued operations*	**Corporate actions – residual item**	**Exclusions (consolidation adjustments)**	**TOTAL**
External revenue	703 385	786 125	151 526	213 529	126 551	95 510	32 002	-		1 950 075
Inter-segment revenue	21 524	46 840	2 019	31 837	14 978	580	73	-	(102 800)	-
Total revenue	**724 909**	**832 965**	**153 545**	**245 366**	**141 529**	**96 090**	**32 075**	-	**(102 800)**	**1 950 075**
Cost of sales	(649 692)	(708 019)	(115 903)	(209 933)	(122 996)	(80 334)	(22 745)	-	98 030	(1 665 851)
Gross profit / loss on sales	**75 217**	**124 946**	**37 642**	**35 433**	**18 533**	**15 756**	**9 330**	-	**(4 770)**	**284 224**
Distribution costs	(50 835)	(40 672)	(23 462)	(14 110)	(10 125)	(9 037)	(3 747)	-	5 343	(132 773)
Administrative expenses	(33 218)	(34 316)	(5 145)	(11 916)	(8 555)	(9 607)	(6 213)	(22 463)	450	(116 215)
Profit / loss on receivables management	257	420	(942)	(59)	(105)	75	327	-	-	(249)
Profit / loss on other operating activities	52 384	(5 765)	1 450	3 031	3 924	(683)	(3)	(3 530)	-	46 887
Profit / loss on operating activities	**43 805**	**44 613**	**9 543**	**12 379**	**3 672**	**(3 496)**	**(306)**	**(25 993)**	**1 023**	**81 874**
Net exchange differences and trade account interest	(20 785)	(44 665)	(6 310)	(8 748)	11	(1 707)	(290)	-	-	(82 215)
Group finance costs	-	-	-	-		-		(64 233)	-	(64 233)
Profit / loss on financing activities (not allocated to segments)	-	-	-	-		-		46 084	-	46 084
Share of profit of associates	902	-	-	-	-	-	-	-	-	902
Profit / loss before tax	**23 922**	**(52)**	**3 233**	**3 631**	**3 683**	**(5 203)**	**(596)**	**(44 142)**	**1 023**	**(17 588)**
Tax	-	-	-	-	-	-	-	-	-	(20 243)
Net profit / loss	-	-	-	-	-	-	-	-	-	**(37 831)**
Profit / loss on discontinued operations	-	-	-	-	-	-	-	-	-	-
Net profit / loss for the financial year	-	-	-	-	-	-	-	-	-	**(37 831)**
Depreciation / amortisation	62 983	35 145	9 095	8 884	6 925	2 712	339	-	-	118 819
EBITDA	**106 788**	**79 758**	**18 638**	**21 263**	**10 597**	**(784)**	**33**	**(25 993)**	**1 023**	**200 693**

30.06.2011 *in PLN thousands*	**Soda segment – Soda division**	**Organics segment – Organika division**	**Silicates and glass segment**	**Agrochemicals segment Agro-silicon division**	**Other activity**	**Corporate actions – residual item**	**Exclusions (consolidation adjustments)**	**TOTAL**
Property, plant and equipment	1 361 051	556 949	73 729	46 775	815	5 777	-	2 045 096
Intangible assets	102 476	45 993	2 610	2 180	578	6 155	-	159 992
- goodwill	44 220	14 863	39	-	-	-	-	59 122
Interests in associates	4 497	-	-	-	-	-	-	4 497
Inventory	93 917	154 474	28 359	37 490	3 218	-	(336)	317 122
Trade and other receivables	237 615	222 631	49 705	40 819	20 727	-	(24 754)	546 743
Assets classified as available-for-sale, previously recorded in segment assets	-	83	742	-	30 418	-	-	31 243
Other assets	-	-	-	-	-	874 406	-	874 406
Total assets	**1 799 556**	**980 130**	**155 145**	**127 264**	**55 756**	**886 338**	**(25 090)**	**3 979 099**

30.06.2011 *in PLN thousands*	**Soda segment – Soda division**	**Organics segment – Organika division**	**Silicates and glass segment**	**Agrochemicals segment Agro-silicon division**	**Other activity**	**Corporate actions – residual item**	**Exclusions (consolidation adjustments)**	**TOTAL**
Trade and other payables	266 548	243 185	40 655	32 226	17 807	-	(29 191)	571 230
Liabilities classified as available-for-sale, previously recorded in segment assets	-	-	-	-	23 305	-	-	23 305
Other liabilities	-	-	-	-	-	2 114 795	-	2 114 795
Total liabilities	**266 548**	**243 185**	**40 655**	**32 226**	**41 112**	**2 114 795**	**(29 191)**	**2 709 330**

30.06.2010 *in PLN thousands*	**Soda segment – Soda division**	**Organics segment – Organika division**	**Silicates and glass segment**	**Agrochemicals segment Agro-silicon division**	**Other activity**	**Corporate actions – residual item**	**Exclusions (consolidation adjustments)**	**TOTAL**
Property, plant and equipment	1 378 248	573 925	88 627	164 544	6 872	7 239	-	2 219 455
Intangible assets, including:	107 907	40 418	1 672	1 515	1 725	5 832	-	159 069
- goodwill	38 460	14 133	39	-	-	-	-	52 632
Interests in associates	5 145	-	-	-	-	-	-	5 145
Inventory	78 969	119 696	29 556	65 717	6 641	-	(1 712)	298 867
Trade and other receivables	255 315	286 276	46 667	102 469	46 649	-	(37 022)	700 354
Assets classified as available-for-sale, previously recorded in segment assets	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	680 917	-	680 917
Total assets	**1 825 584**	**1 020 315**	**166 522**	**334 245**	**61 887**	**693 988**	**(38 734)**	**4 063 807**

30.06.2010 *in PLN thousands*	**Soda segment – Soda division**	**Organics segment – Organika division**	**Silicates and glass segment**	**Agrochemicals segment Agro-silicon division**	**Other activity**	**Corporate actions – residual item**	**Exclusions (consolidation adjustments)**	**TOTAL**
Trade and other payables	214 987	256 873	14 432	60 314	34 854	-	(40 999)	540 461
Liabilities classified as available-for-sale, previously recorded in segment assets	-	-	500	-	-	-	-	500
Other liabilities	-	-	-	-	-	2 706 599	-	2 706 599
Total liabilities	**214 987**	**256 873**	**14 932**	**60 314**	**34 854**	**2 706 599**	**(40 999)**	**3 247 560**

01.01-30.06.2011 *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**	*including: discontinued operations*	**Corporate actions – residual item**	**Exclusions (consolidation adjustments)**	**TOTAL**
Creation of impairment charges	2 904	4 702	482	2 868	*2 162*	59	33	-	(410)	10 638
Reversal of impairment charges	3 375	1 980	236	287	*5*	98	-	-	(1)	5 975
Creation of impairment charge (unallocated to segments), including:	-	-	-	-	-	-	-	1 088	-	1 088
- discontinued operations	-	-	-	-	-	-	-	41	-	41
Reversal of impairment charge (unallocated to segments), including:	-	-	-	-	-	-	-	3 197	-	3 197
- discontinued operations	-	-	-	-	-	-	-	10	-	10

01.01-30.06.2010 *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**	*including: discontinued operations*	**Corporate actions – residual item**	**Exclusions (consolidation adjustments)**	**TOTAL**
Creation of impairment charges	3 099	2 137	1 055	1 075	*619*	633	336	-	-	8 335
Reversal of impairment charges	4 336	3 319	446	5 115	*4 894*	698	652	-	-	13 914
Creation of impairment charge (unallocated to segments), including:	-	-	-	-	-	-	-	1 493	-	1 493
- discontinued operations	-	-	-	-	-	-	-	-	-	-
Reversal of impairment charge (unallocated to segments), including:	-	-	-	-	-	-	-	684	-	684
- discontinued operations	-	-	-	-	-	-	-	-	-	-

GEOGRAPHICAL SEGMENTS

30.06.2011 *in PLN thousands*	**Poland**	**European Union**	**Other European countries**	**Africa**	**Asia**	**Other regions**	**TOTAL**
Net revenue from sales	822 705	911 921	146 696	93 912	117 601	44 278	**2 137 113**

30.06.2010 *in PLN thousands*	**Poland**	**European Union**	**Other European countries**	**Africa**	**Asia**	**Other regions**	**TOTAL**
Net revenue from sales	807 064	770 165	50 169	96 060	161 965	64 652	**1 950 075**

30.06.2011 *in PLN thousands*	**Poland**	**European Union**	**Other European countries**	**Africa**	**Asia**	**Other regions**	**TOTAL**
Non-current assets other than financial instruments	1 556 596	837 394	-	-	685	-	2 394 675
Deferred income tax assets	1 797	12 999	-	-	402	-	15 198
Other assets	1 056 364	385 597	58 731	18 189	37 755	12 590	1 569 226
Total assets	**2 614 757**	**1 235 990**	**58 731**	**18 189**	**38 842**	**12 590**	**3 979 099**

30.06.2010 *in PLN thousands*	**Poland**	**European Union**	**Other European countries**	**Africa**	**Asia**	**Other regions**	**TOTAL**
Non-current assets other than financial instruments	1 363 185	852 003	-	-	-	-	2 215 188
Deferred income tax assets	11 196	-	-	-	-	-	11 196
Other assets	1 318 230	418 901	43 606	19 826	23 019	13 841	1 837 423
Total assets	**2 692 611**	**1 270 904**	**43 606**	**19 826**	**23 019**	**13 841**	**4 063 807**

4. Information concerning the financial situation of the Ciech Group

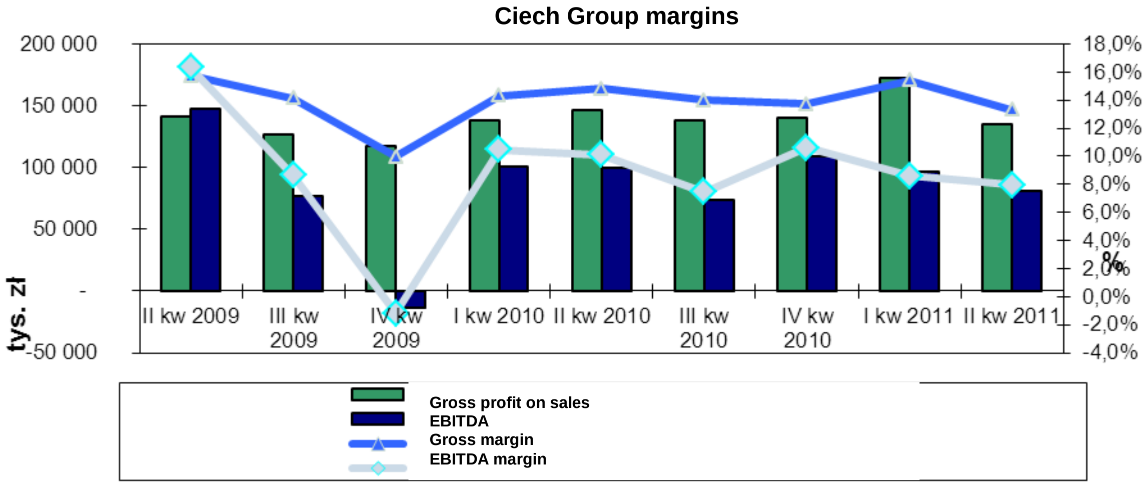
Profitability during the first half of 2011

During the first half of 2011 the operating profit margin for Ciech Group was lower than the results achieved during the first half of 2010. Within the soda segment the positive effects of growth in sodium carbonate prices were eliminated by increases in the costs of its production (anthracite and heating energy), and the organic segment had to deal with the low price of the main segment product, TDI.

Group profitability ratios

Details	01.01-30.06.2011	01.01-30.06.2010
Gross margin	14.4%	14.6%
Profit margin	2.7%	1.8%
Operating profit margin	3.2%	4.2%
EBITDA margin	8.3%	10.3%
Return on sales	0.2%	(1.9%)
Return on assets	0.1%	(0.9%)
Return on equity	0.4%	(4.6%)

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

At the end of June 2011 the liquidity ratio showed a clear improvement in comparison with the level at the end of 2010, exceeding 1. This is a result of executing a new long-term loan agreement on 10 February 2011, which significantly improved financial stability and the liquidity situation. Furthermore, during the first half of 2011 PLN 288 212 000 of the debt under the loan agreement executed in April 2010 was repaid.

Details	30.06.2011	31.12.2010	30.06.2010
Current ratio	1.42	0.70	0.68
Quick ratio	1.12	0.56	0.54

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	30.06.2011	30.06.2010

Details	30.06.2011	30.06.2010
Cash flow (net profit + amortisation / depreciation)	114 055	80 988
Other adjustments to net profit	(68 288)	(10 998)
Adjusted cash flow	**45 767**	**69 990**
Change in working capital	**(109 783)**	**11 748**
Cash flows from operating activities	(64 016)	81 738
Cash flows from investing activities	85 049	(60 199)
Free cash flows	**21 033**	**21 539**

As in the 2010, in the first half of 2011 the Ciech Group generated positive free cash flows. During the first half of 2011, an increase in the level of working capital resulted in a PLN 109 783 000 increase in use of cash. Moreover, the adjusted financial surplus was 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), totalled PLN 235 606 000 at the end of June 2011, marking a decrease of PLN 82 287 000 compared to the end of 2010. An on-going restructuring process and a new loan agreement mean that net cash flows are subject to a clear improvement.

Ciech Group working capital

Details	30.06.2011	31.12.2010
1. Current assets, including:	1 531 453	1 472 617
Inventory	*317 122*	297 233
Trade and other receivables	*546 743*	509 153
2. Cash instruments and other short-term investments	379 822	177 610
3. Current assets adjusted (1-2)	1 151 631	1 295 007
4. Current liabilities, including:	1 080 321	2 117 212
Trade and other payables	*571 230*	582 893
5. Short-term borrowings and other financial liabilities*	164 296	1 140 098
6. Current liabilities adjusted (4-5)	916 025	977 114
7. Working capital including short-term loans (1-4)	451 132	(644 595)
8. Working capital (3-6)	235 606	317 893

***** *Other short-term financial liabilities cover short-term liabilities for financial leasing + short-term liabilities for 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 nearly PLN 300 million in accordance with the Loan Agreement of 26 April 2010. The debt ratio, previously at 78.2%, fell to 68.1%. Both the financing term structure (non-current liabilities as at the end of June 2011 constituted 40.9% of total equity and liabilities) and the comparative level of net debt (net financing liabilities in relation to EBITDA) were subject to significant improvement in relation to the situation at the end of December 2010.

As a result of the execution in February 2011 of a new loan agreement, the structure of Ciech Group debt was subject to improvement in long-term loans. Liabilities under a consortium loan have been presented with division into a short- and long-term part pursuant to the results of a 10% test and in accordance with IAS 1, point 73, which has been described in point IV.16 of this report.

Ciech Group debt ratios

Details	30.06.2011	31.12.2010	30.06.2010
Debt ratio	68.1%	78.2%	79.9%
Long-term debt ratio	40,9%	24,3%	28,7%
Financial leverage	213,4%	359,1%	397,9%
Equity-to-assets ratio	31.9%	21.8%	20.1%
Net debt / EBITDA	2,57	3,84	6,59

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. As at 30 June 2011 there had been no significant violation of financial ratios required in accordance with loan agreements.

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 30 June 2011 a debt level of approx. PLN 790 million); existing loans are expected to 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 30 June 2011 a debt level of approx. PLN 41 million)
- bonds issued by Ciech S.A. (as at 30 June 2011 a debt level of approx. PLN 300 million)
- loans extended to Soda Deutschland Ciech GmbH pursuant to a loan agreement with Commerzbank AG (as at 30 June 2011 a debt level of approx. EUR 52.5 million).

<u>Consortium loan agreement of 26 April 2010</u>

On 26 April 2010, a loan agreement was concluded by and between, inter alia, 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, Janikosoda S.A., Soda Matwy S.A., Soda Polska Ciech Sp. z o.o., Alwernia S.A., Cheman S.A., GZNF Fosfory Sp. z o.o., Z.Ch. Organika Sarzyna S.A., Polfa Sp. z o.o., Ciech Service Sp. z o.o., Vitrosilicon S.A., Transclean Sp. z o.o. and 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 Oszczednosci Bank Polski S.A., ING Bank Slaski 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. With regard to the planned sale (which was effected on 27 April 2011), on 7 April 2011 GZNF FOSFORY Sp. z o.o., Agrochem Sp. z o.o., headquartered in Człuchów, Agrochem Sp. z o.o., headquartered in Dobre Miasto, were excluded from the agreement and at the same time ceased to be loan guarantors.

Loan amount and tranches:

The total loan amount made available and drawn was the equivalent of PLN 1 285m (exchange rate as at 25 August 2010). The loan was granted as a term tranche of approx. PLN 1 210 million, a set of revolving loans of approx. PLN 30 million as well as guarantees amounting to approx. EUR 11.7 million. Until the date of the publication of this report, a loan repayment equivalent to approx. PLN 452 million had been made and the guarantee amount was lowered to approx. EUR 9.6 million.

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 bank consortium 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 155.2 million (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, As at 30 June 2011 there were no surplus cash flows, in connection with which the requirement for their early repayment did not arise.
  - 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 banking 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 155.2 million (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 business,
  - 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 loan amounts 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 the Companies and CIECH S.A.,
- 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 the Ciech Group (excluding Soda Deutschland Ciech Group),
- financial pledge and registered pledge on the Companies' shares as well as the shares in Soda Deutschland Ciech GmbH,
- guarantees issued by CIECH S.A. and Companies,
- statement on submission to execution by the Companies and CIECH S.A.,
- contingent assignments of rights stemming from significant commercial contracts of CIECH S.A. and Companies,
- contingent transfer of title to all movable assets of CIECH S.A. and Companies,
- contingent assignments of rights stemming from such intra-group loans as will be used to distribute loan proceeds to the Companies,
- proxies to bank accounts of CIECH S.A. and Companies.

Significant provisions:
CIECH S.A. and Companies are 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 contractual security,
- refrain from disposing of assets, other than contractually permitted instances of disposal (including the sale of certain disposable assets held for sale and dispositions as indicated in the Ciech Group's business plan and restructuring plan),
- refrain from declaring and paying out dividends, except in companies with at least 75% of direct or indirect control by CIECH S.A., and in Z. Ch. Alwernia S.A.,
- refrain from incurring debt beyond the permitted levels,
- limit capital expenditure to the level and scope specified in the contract,
- subject to criteria and deadlines specified in the agreement, establish registered pledges on individual real properties owned by CIECH S.A. and Companies, where the value of such property exceeds PLN 5 000 000
- refrain from entering into derivative transactions, other than contractually permitted hedging transactions, and
- appoint a restructuring advisor and submit a restructuring plan for the Ciech Group within 10 weeks from execution of the loan agreement.

Repayment of debt under loan agreements
In the third quarter of this year the company anticipates the refinancing of PLN 790 million in debt remaining to be repaid under the consortium loan from borrowings 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 Matwy S.A., Soda Polska Ciech Sp. z o.o., Zakłady Chemiczne Alwernia S.A., Przedsiebiorstwo 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 Slaski S.A. and Powszechna Kasa Oszczednosci 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 690 million granted by the Commercial Banks (the "Fixed-Term Loan") in order to refinance debt under the loan agreement 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 100 million 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 9.6 million, 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 300 million 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:

- 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 Ciech Group – whether by public offering (except for the current 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 the Companies and CIECH S.A.,
- 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 the Companies and CIECH S.A.,
- proxies to bank accounts of CIECH S.A. and Companies.
- after the accession of US Govora 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 disposable assets held for sale and dispositions as indicated in the Ciech Group's business plan 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 Z. Ch. 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 5 million.

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.

5. Currency risk exposure

Presented in the table below is the estimated Group currency exposure as at 30 June 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 1.07.2011 and 30.06.2012
Assets			
Exchange-sensitive loans granted	85 800	x	
Trade and other receivables	40 863	x	
Bank deposits	4 000		
Equity and liabilities			
Trade and other payables	-13 398	x	
Loan liabilities	-15 338	x	
Estimated future net sales			
Net future projected P&L position* in EUR (12 months) – Ciech S.A.	**197 880**		**x**
Net future projected P&L position* in EUR – other Ciech Group companies (12 months)	**- 6 411**		**x**
Total position	**293 396**		

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

The following table presents a sensitivity analysis of individual balance sheet items to exchange rate changes as at 30 June 2011

Analysis of sensitivity to currency risk	(PLN thousands)*	Impact on P&L	Impact between 1.07.2011 and 30.06.2012
Foreign-denominated balance sheet items (excluding loans)	161	161	
Exchange-sensitive loans granted	858	858	
Net future projected P&L position in EUR	1 915		1 915
Total effect	**N/A**	**1 019**	**1 915**

** increase in EURPLN exchange rate by PLN 0.01*

6. Pending proceedings in a public court, body of arbitration or public administration institution as at 30 June 2011

6.1 CIECH S.A.

Significant domestic and foreign liabilities of CIECH S.A., pending court litigation or arbitration proceedings as at 30 June 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 1 024 000). 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 2 November 2010 the Court appointed a new expert. 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 611 000 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 seeking in court a total of PLN 10 000 from its Polish trade and other debtors. A full impairment charge was made for the amount.

Claim by Polska Żegluga Morska
On 31 December 2009, CIECH S.A. received a lawsuit on behalf of Polska Zegluga Morska and Polsteam Shipping Company Limited against CIECH S.A. for payment of USD 583 000 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 2009).
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 1 604 000.

Case concerning a summons by Polska Zegluga Morska Przedsiebiorstwo Panstwowe, having its registered office in Szczecin ("PZM"), for CIECH S.A. to a conciliation hearing
On March 7 2011 PZM 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 hearing 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 hearing took place on 17 May 2011. An arrangement was not concluded.

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 1 669 000 – 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 1 669 000 – following a change in the charge, 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).

On 2 June 2011, CIECH S.A. received information stating that the date of the first hearing at the appeals court had been established at 8 September 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 1 062 000 was created at CIECH S.A. for the above liability, as well as a contingent liability of 3 147 000.

Receivables from bankruptcy proceedings
Receivables totalling PLN 7 180 000 are being claimed in domestic bankruptcy proceedings. 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 8 902 000 in domestic enforcement 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 to PLN 867 000) and EUR 800 000 (equivalent to PLN 3 189 000) as well as PLN 181 000, the largest items being as follows:

- Chemapol – Prague – (PLN 991 000),
- Euroftal N.V. Belgium – (PLN 832 000),
- EQUUS SPOL S.R.O. – (PLN 1 050 000).

A claim of EUR 27 000 (equivalent of PLN 108 000) is pending a foreign enforcement proceeding, while a settlement proceeding was requested with regard to a receivable in the amount of EUR 457 000 (equivalent to PLN 1 822 000). Due to 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 = 2.7517
EURPLN exchange rate = 3.9866

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 was 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, and compliance with French and European procedures in manufacture of food stuffs by French manufacturers. As results from the initial expert opinion drawn up on 20 July 2011, the claim was estimated at a level of approx. EUR 619 000 (equivalent to PLN 2 466 000). In 2009, CIECH S.A. sold oil sulphur powder to Citis. The powder was manufactured by Zakłady Chemiczne Siarkopol w Tarnobrzegu. Under art. 331 of the French code of civil procedure, CIECH S.A. is qualified as a third-party respondent to Citis and a third party to the original claimants (French producers of animal food products). CIECH S.A. has established a litigation attorney in France. The Company's insurer has also been notified.

Cases related to the property situated in Warsaw at ul. Powązkowska 46/50
1. Case pending before the Local Appeals Court in Warsaw, case no. KOX/1596/Po/09
In a letter dated 22 December 2008 (case no. ZM.ZNO.722240-IV.3212/08/GL), the President of the City of Warsaw terminated the former annual fee due from CIECH S.A. for the perpetual usufruct of the land located in Warsaw at ul. Powazkowska 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 590 000 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. The Local Appeals Court has not ruled in this case.
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 500 000 (the previous fee, before termination, having been PLN 26 000). 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 409 000 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.
An opinion of 20 June 2011 issued by the Arbitration Commission of the Polish Federation of Valuers was included in the case files, in which it was stated that the assessment drawn up during the proceedings correctly specifies the

value of the property as at 1 January 2005. The next hearing in the above case was scheduled for 23 September 2011.
A provision was created in relation to the above proceedings (concerning the perpetual usufruct of the plot at ul. Powazkowska CIECH S.A. amounting to PLN 1 890 000.

6.2 Subsidiaries – significant provisions

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.
TRANSODA Sp. z o.o. is litigating for a total PLN 11 000 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 MATWY S.A. However, no assets were revealed in the procedure before the Regional Court in Czestochowa. The Enforcement Officer announced that the enforcement proceedings had been unsuccessful due to a high level of debt which could not be repaid.
Soda Polska CIECH Sp. z o.o. Group has created a PLN 100 000 provision for all on-going 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 629 000 in receivables, mostly in enforcement proceedings (PLN 435 000) 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 453 000 for goods supplied to its debtors. Total receivables sought in bankruptcy proceedings amount to PLN 2 071 000. One employee lawsuit is pending against the Company, seeking reinstatement of employment. There are also proceedings in progress brought by the Starostwa of the Chrzanów District concerning agreement of the status of a land and mortgage register. "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 4 875 000, including PLN 1 880 000 pending court or enforcement proceedings. Receivables totalling PLN 980 000 are being claimed in bankruptcies. Cheman S.A. has created an impairment charge for all the pending proceedings.

CIECH FINANCE Sp. z o.o.
No claims (liabilities) are sought from Ciech Finance Sp. z o.o. that could materially affect its business. Proceedings are in progress against the company for PLN 100 000 concerning a dispute relating to refund of a deposit being twice the payment made for purchase of the property.
A provision of PLN 120 000 was created at Ciech Finance Sp. z o.o. for the above liability.

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 1 880 000) and EUR 842 000 (equivalent to PLN 3 357 000) in trade receivables. Bankruptcy proceedings include receivables amounting to EUR 529 000 (equivalent to PLN 2 109 000).

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 2 777 000 in receivables in court, bankruptcy, enforcement as well as settlement proceedings. The largest amount, PLN 1 650 000, is being claimed as trade and other receivables in court. PLN 869 000 is being claimed as receivables in in enforcement proceedings, while PLN 258 000 is sought 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 123 000 are pending.
The amount of receivables pursued by ZACHEM Group in commercial, bankruptcy, enforcement and other cases amount to PLN 14 573 000, the largest item being bankruptcy (PLN 9 806 000) and settlement (PLN 972 000) proceedings. The total amount under enforcement proceedings is PLN 1 567 000. The Group has created an impairment provision for all pending proceedings, amounting to PLN 14 573 000.

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 15 000, PLN 14 000 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 16 604 000) in overdue electricity bills from 2008. On 24 March 2011 the Regional Court in Magdenburg decided that SWS KG is to pay overdue principal and interest for 2008. SWS appealed the decision at the 2nd instance court.
Irrespective of the court dispute in progress, the parties are in the process of negotiating the terms and conditions for repayment of the EUR 14 000 000 in disputed liabilities (equivalent to PLN 55 812 000) net for 2008-2010 and for the first half of 2011. 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 5 581 000) in damages, plus interest.
After the company won its case in the labour appeals court, it decided to decrease the provision for the above liability from EUR 600 000 to EUR 365 000 (equivalent to PLN 1 455 000).

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. 7 proceedings are pending against the Company:
- 5 employee-related cases with no substantial impact on the Company's business results,
- 2 proceedings – with National Environmental Guard and Antonescu SRL.

S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. is seeking the payment of its receivables in 24 court cases, where:
- 17 cases are enforcement proceedings targeted at bankrupt companies,
- 7 other proceedings - the company is seeking claims from various debtors, of which the highest value proceedings - at RON 723 000 (equivalent to PLN 681 000) concern a penalty for management of the river basin and proceedings against the National Environmental Guard concerning a RON 100 000 fine (equivalent to PLN 94 000).

All 24 cases had been provisioned as at 30 June 2011. Nevertheless, the provisions are immaterial to the financial statements due to their low values.
Furthermore there are proceedings in progress initiated by the company against one of the company's previous directors, valued at a total of RON 2 037 000 (equivalent to PLN 1 681 000).
.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 (the 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 an audit by ANAF as well as accrued interest. At the present time the amount of RON 7 115 000 (equivalent to PLN 6 706 000) has been recovered. RON 424 000 (equivalent to PLN 400 000) has been recovered from the remaining RON 854 000 (equivalent to PLN 805 000). Case pending.

S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. has created a provision of RON 3 594 000 for the above liabilities (excluding tax paid), an equivalent to PLN 3 387 000.
RON 1 = PLN 0.9425

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

8. 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
Bank Consortium	EUR 10 856	43 277	31 December 2013	Pre-determined % of excess guarantee amount issued over the amount required to secure the actual financing	S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.	Subsidiary
Commerzbank	EUR 25 000	99 665	30.09.2014	To the loan agreement dated 23 January 2008, amount: EUR 75m	Soda Deutschland GmbH	Subsidiary
Total CIECH S.A.		**144 142**				
ZACHEM S.A.						
Bank PEKAO S.A.		18 160	until 31 August 2014	None	Woda Kapuściska	None
Nordea Bank		18 160	until 31 August 2014	None	Woda Kapuściska	None
Total ZACHEM S.A.		**36 320**				
Total loans guaranteed		**180 462**				

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 Woda 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 in [currency] thousands	in PLN thousands	Term of guarantee	Financial terms of own guarantees, including the guarantor's fee	Borrower	Description of ties between CIECH S.A. and the borrower
CIECH S.A.						
SG Equipment Leasing Polska Sp. z o.o. - Warsaw	EUR 1 666	6 642	30.09.2011	To the lease agreement between S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. and ECS International Polska Sp. z o.o. dated 10 July 2007	S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. – Romania	Subsidiary
Air Products, LLC and Air Products Chemicals Europe B.V.	USD 38 500	105 940	2013	The amount was estimated based on semi-annual supplies in accordance with a contract concluded by ZACHEM S.A. in 2004 and amended in October 2007. The value of annual supplies is USD 77 million.	ZACHEM S.A.	Subsidiary
GATX Rail Poland Sp. z o.o.	EUR 64	255	30 October 2011	Guarantee of lease payments for tank cars	ZACHEM S.A.	Subsidiary
ING Lease Romania IFN S.A.	EUR 2 237	8 917	30 April 2013	Lease payments guarantee	S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. – Romania	Subsidiary
Total guarantees issued		**121 754**				

9. Information on provisions and asset impairment charges in the period 1 January – 30 June 2011

The following alterations (creation, use and termination) in provisions and impairment losses were included in the Ciech Group consolidated financial statements during the first half of 2011.

Increases in provisions in the period 1 January - 30 June 2011	*PLN thousand*
Income tax provision	8 174
Provision for retirement pay, annual leaves, bonuses, recompenses and similar	2 933
Provision for environmental protection	238
Provision for liabilities (costs)	879
Total	**12 224**

Decreases (use and reversal) of provisions in the period 1 January - 30 June 2011	*PLN thousand*
Income tax provision	970
Provision for retirement pay, annual leaves, bonuses, recompenses and similar	6 453
Provision for environmental protection	4 384
Restructuring provision	981
Provision for liabilities (costs)	1 315
Total	**14 103**

Increases in asset impairment charges in the period 1 January - 30 June 2011	*PLN thousand*
PP&E impairment losses	234
Current receivables impairment losses	7 614
Inventory write-downs	2 102
Total	**9 950**

Decrease (use and release) in asset impairment charges in the period 1 January - 30 June 2011	*PLN thousand*
PP&E impairment losses	2 177
Current receivables impairment losses	9 527
Inventory write-downs	4 666
Long-term financial asset impairment losses	1 460
Total	**17 830**

Changes in deferred tax assets in the period 1 January - 30 June 2011	*PLN thousand*
Increase	21 178
Decrease	10 293

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

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

	01.01-30.06.2011			01.01-31.12.2010			01.01-30.06.2010		
in PLN thousands	**Pre-tax**	**Tax**	**Net of tax**	**Pre-tax**	**Tax**	**Net of tax**	**Pre-tax**	**Tax**	**Net of tax**
Exchange differences on translation of foreign companies	(4 067)	-	(4 067)	9 380	-	9 380	2 075	-	2 075
Revaluation of available-for-sale financial assets	-	-	-	6 111	(2 242)	3 869	10 681	(2 242)	8 439
Cash flow hedges	(5 186)	986	(4 200)	(21 826)	5 698	(16 128)	(15 406)	4 480	(10 926)
Exchange differences on net investment in foreign entities	1 841	-	1 841	(10 353)	-	(10 353)	2 632	-	2 632
Other components of comprehensive income	(1)	-	(1)	(168)	-	(168)	(75)	-	(75)
Other net comprehensive income	**(7 413)**	**986**	**(6 427)**	**(16 856)**	**3 456**	**(13 400)**	**93**	**2 238**	**2 145**

Income tax corrections and reclassification adjustments in total other comprehensive income

Other gross comprehensive income *(in PLN thousands)*	change in period	**01.01-30.06.2011**	change in period	**01.01-31.12.2010**	change in period	**01.01-30.06.2010**
Exchange differences on translation of foreign companies		**(4 067)**		**9 380**		**2 075**
- measurement in current period	(4 067)		9 380		2 075	
Revaluation of available-for-sale financial assets		**-**		**6 111**		**10 681**
- fair value measurement in period	-		6 111		10 681	
Exchange differences on net investment in foreign entities		**1 841**		**(10 353)**		**2 632**
- fair value measurement in period	1 841		(10 353)		2 632	
Cash flow hedges		**(5 186)**		**(21 826)**		**(15 406)**
- fair value measurement in period	(189)		17 823		9 069	
- reclassification adjustment of gains / losses recognised in P&L	(4 997)		(39 649)		(24 475)	
Other	**(1)**	**(1)**	**(168)**	**(168)**	**(75)**	**(75)**
Income tax on other components of comprehensive income		**986**		**3 456**		**2 238**
- accrued in the reporting period	36		(5 629)		(3 965)	
- reclassification adjustment to P&L	950		9 085		6 203	
Other net comprehensive income		**(6 427)**		**(13 400)**		**2 145**

11. Information on the acquisition and disposal of property, plant and equipment

During the period from 1 January to 30 June 2011 the following PP&E purchase and sale transactions were executed at the Ciech Group.

	a) Property, plant and equipment, including:					b) PP&E under construction	c) Net advances for PP&E under construction	**Total property, plant and equipment**
		land, buildings, premises and civil and marine engineering structures	*technical equipment and machinery*	*means of transport*	*other plant, property and equipment*			
INCREASES	**73 144**	**12 181**	**58 217**	**1 421**	**1 325**	**82 556**	**27 634**	**183 334**
CIECH S.A.	3 182	-	*3 129*	*44*	*9*	3 285	-	6 467
Soda Mątwy Group	59 679	*8 991*	*50 087*	*545*	*56*	43 750	2 321	105 750
Alwernia SA	2 784	*1 035*	*1 593*	*107*	*49*	3 764	-	6 548
Cheman S.A.	75	*10*	*7*	*58*	-	75	-	150
Vitrosilicon S.A.	1 690	*178*	*914*	*38*	*560*	1 003	-	2 693
Polfa Sp. z o.o.	331	-	*31*	*295*	*5*	-	-	331
Organika Sarzyna S.A.	1 665	*384*	*956*	*240*	*85*	4 277	18 876	24 818
Zachem Group	810	*187*	*492*	*51*	*80*	17 100	6 437	24 347
Uzinele Sodice Govora S.A.	791	*496*	*121*	*22*	*152*	5 080	-	5 871
Transclean Sp. z o.o.	48	15	16	9	8	96	-	144
Ciech Finance Sp. z o.o.	2	-	*2*	-	-	-	-	2
Soda Deutschland Ciech Group	2 087	*885*	*869*	*12*	*321*	4 126	-	6 213
DECREASES	**16 435**	**1 690**	**13 418**	**1 051**	**276**	**72 323**	-	**88 758**
CIECH S.A.	9 065	-	*9 065*	-	-	3 182	-	12 247
Soda Mątwy Group	261	*83*	*156*	-	*22*	59 743	-	60 004
Alwernia S.A.	611	*139*	*441*	*17*	*14*	2 835	-	3 446
Cheman S.A.	690	-	*254*	*298*	*138*	406	-	1 096
Vitrosilicon S.A.	94	*17*	*37*	*40*	-	1 690	-	1 784
Polfa Sp. z o.o.	330	-	*53*	*273*	*4*	-	-	330
Ciech-Polsin Pte. Ltd.	14	-	-	-	*14*	-	-	14
Organika Sarzyna S.A.	1 031	*281*	*611*	*137*	*2*	756	-	1 787
Zachem Group	3 548	*1 170*	*2 172*	*151*	*55*	757	-	4 305
Uzinele Sodice Govora S.A.	767	-	*629*	*135*	*3*	791	-	1 558
Transclean Sp. z o.o.	-	-	-	-	-	48	-	48
Soda Deutschland Ciech Group	24	-	-	-	24	2 115	-	2 139

PP&E purchased was financed mainly from the company's own funds, lease credit and to a lesser degree from finance leases.

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

in PLN thousands	**30.06.2011**	**31.12.2010**
1. Contingent receivables	**-**	**-**
2. Contingent liabilities	**81 739**	**99 071**
- guarantees issued	39 952	39 952
other off-balance sheet liabilities	36 195	36 046
- other	5 592	23 073
Total off-balance sheet items	**81 739**	**99 071**

As at 30 June 2011 no contingent receivables occurred at the Ciech Group.

Contingent liabilities as at 30 June 2011 amounted to PLN 81 739 000, an increase of PLN 17 332 00 in relation to the figure recorded as at 31 December 2010.
The change in contingent liabilities in relation to the figure recorded as at 31 December 2010 results from:

- expiry of a contingent liability of PLN 17 253 000 for non-achievement of a target ratio defined in the share purchase agreement for ZACHEM S.A.,
- change in the EUR exchange rate at the Soda Deutschland Ciech Group for translation of items including the potential provision for reclamation of bodies of water, which will be set up in the event of it being necessary to apply water management regulations,
- 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.

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

The Companies have guaranteed:

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

As at 30 June 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 30 June 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 30 June 2011: EUR 10.9 million	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.	-
Polfa Sp. z o.o.						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 30 June 2011: PLN 739 million, EUR 21.9 million, USD 0.5 million	Total cap of the guarantee issued to the Arranging Banks and Medium Exposure Banks is defined as the greater of:150% of Allocated Guarantee Amount / Net Asset Value, as at 30 June 2011 amounting to: PLN 16 500 million.	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, BNP Paribas Bank Polska S.A.	Amount of loans guaranteed as at 30 June 2011: PLN 29.3 million and EUR 3 million				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 30 June 2011: PLN 739 million, EUR 21.9 million, USD 0.5 million	Total cap of the guarantee issued to the Arranging Banks and Medium Exposure Banks is defined as the greater of: 150% of Allocated Guarantee Amount / Net Asset Value, as at 30 June 2011 amounting to: PLN 241 292 000.	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, BNP Paribas Bank Polska S.A.	Amount of loans guaranteed as at 30 June 2011: PLN 29.3 million and EUR 3 million				CIECH S.A.	Subsidiary
Soda Mątwy S.A.						

Name of beneficiary	Amount of loans guaranteed	Guarantee cap	Term of guarantee	Financial terms of guarantees, including the guarantor's fee	Borrower	Description of ties between CIECH S.A. and the guarantor
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 30 June 2011: PLN 739 million, EUR 21.9 million, USD 0.5 million	Total cap of the guarantee issued to the Arranging Banks and Medium Exposure Banks is defined as the greater of:150% of Allocated Guarantee Amount / Net Asset Value, as at 30 June 2011 amounting to: PLN 297 482 000.	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, BNP Paribas Bank Polska S.A.	Amount of loans guaranteed as at 30 June 2011: PLN 29.3 million and EUR 3 million				CIECH S.A.	Subsidiary
Soda Polska Ciech Sp. z o.o.						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 30 June 2011: PLN 739 million, EUR 21.9 million, USD 0.5 million	Total cap of the guarantee issued to the Arranging Banks and Medium Exposure Banks is defined as the greater of: 150% of Allocated Guarantee Amount / Net Asset Value, as at 30 June 2011 amounting to: PLN 804 143 000.	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, BNP Paribas Bank Polska S.A.	Amount of loans guaranteed as at 30 June 2011: PLN 29.3 million and EUR 3 million				CIECH S.A.	Subsidiary
Transclean Sp. z o.o.						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 30 June 2011: PLN 739 million, EUR 21.9 million, USD 0.5 million	Total cap of the guarantee issued to the Arranging Banks and Medium Exposure Banks is defined as the greater of: 150% of Allocated Guarantee Amount / Net Asset Value, as at 30 June 2011 amounting to: PLN 7 050 000.	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, BNP Paribas Bank Polska S.A.	Amount of loans guaranteed as at 30 June 2011: PLN 29.3 million and EUR 3 million				CIECH S.A.	Subsidiary
Alwernia S.A.						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 30 June 2011: PLN 739 million, EUR 21.9 million, USD 0.5 million	Total cap of the guarantee issued by the Arranging Banks and Medium Exposure Banks defined as 150% of Allocated Guarantee Amount is:	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, BNP Paribas Bank Polska S.A.	Amount of loans guaranteed as at 30 June 2011: PLN 29.3m and EUR 3m	PLN 31 500 000.		financing	CIECH S.A.	Subsidiary
Organika-Sarzyna S.A.						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 30 June 2011: PLN 739 million, EUR 21.9 million, USD 0.5 million	Total cap of the guarantee issued by the Arranging Banks and Medium Exposure Banks defined as 150% of Allocated Guarantee Amount is: 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, BNP Paribas Bank Polska S.A.	Amount of loans guaranteed as at 30 June 2011: PLN 29.3 million and EUR 3 million				CIECH S.A.	Subsidiary
Vitrosilicon S.A.						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 30 June 2011: PLN 739 million, EUR 21.9 million, USD 0.5 million	Total cap of the guarantee issued to the Arranging Banks and Medium Exposure Banks is defined as the greater of: 150% of Allocated Guarantee Amount / Net Asset Value, as at 30 June 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, BNP Paribas Bank Polska S.A.	Amount of loans guaranteed as at 30 June 2011: PLN 29.3 million and EUR 3 million				CIECH S.A.	Subsidiary
Zachem S.A.						
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 30 June 2011: PLN 739 million, EUR 21.9 million, USD 0.5 million	Total cap of the guarantee issued to the Arranging Banks and Medium Exposure Banks is defined as the greater of: 150% of Allocated Guarantee Amount / Net Asset Value, as at 30 June 2011 amounting to: PLN 232 650 000.	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, BNP Paribas Bank Polska S.A.	Amount of loans guaranteed as at 30 June 2011: PLN 29.3 million and EUR 3 million				CIECH S.A.	Subsidiary
Cheman S.A.						

Name of beneficiary	Amount of loans guaranteed	Guarantee cap	Term of guarantee	Financial terms of guarantees, including the guarantor's fee	Borrower	Description of ties between CIECH S.A. and the guarantor
Arranging Banks: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A.	Amount of loans guaranteed as at 30 June 2011: PLN 739 million, EUR 21.9 million, USD 0.5 million	Total cap of the guarantee issued to the Arranging Banks and Medium Exposure Banks is defined as the greater of: 150% of Allocated Guarantee Amount / Net Asset Value, as at 30 June 2011 amounting to: PLN 12 015 000.	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, BNP Paribas Bank Polska S.A.	Amount of loans guaranteed as at 30 June 2011: PLN 29.3 million and EUR 3 million				CIECH S.A.	Subsidiary

14. Discontinued operations and available-for-sale assets

As at 30 June 2011, the following were indicated in the item "Available-for-sale non-current assets":

- CIECH S.A. recognised shares in POLFA Sp. z o.o. in connection with the execution on 15 July 2011 of an agreement on sale of shares. The subject of sale is 3 820 shares, which constitutes 100% of POLFA Sp. z o.o. share capital. In the separate financial report, the value of loans granted by Ciech S.A. to POLFA Sp. z o.o. was also recognised as available-for-sale assets. In connection with the above transaction, POLFA Sp. z o.o. recognised all of its balance sheet items as available-for-sale assets or liabilities in the consolidated report. These assets are classified in the Other activity segment.

- Vitrosilicon Spółka Akcyjna reported property, plant and equipment valued at PLN 724 000, including:
  - land – PLN 368 000,
  - buildings and structures – PLN 132 000,
  - technical equipment and machinery – PLN 242 000.

  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 2 510 000. 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. Subsequent asset sales are planned for 2011. These assets are classified in the organics segment.

Companies which were sold in 2011 (GZNF "FOSFORY Sp. z o.o. and Daltrade Ltd.) were included in the discontinued operations item within the consolidated profit and loss statement, along with those allocated for sale (POLFA Sp. z o.o.). A correctional adjustment was also performed in the report for the first half of 2010 (comparative data).

15. 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. As at 30 June 2011 there were no violations of financial ratios required in accordance with loan agreements.

16. Recognition of the consortium loan in accordance with IAS 39

Information concerning the Loan Agreement of 26 April 2010 and the Loan Agreement of 10 February 2011 has been presented in point IV.4 of this Report under "Group Debt Financing".

Recognition of the consortium loan 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.

17. 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 (no exclusions)	% share
Carrying amounts	19 214	7 464 316	0.26%
Net revenue from sale of products and goods for resale and financial operations	42 219	3 453 635	1.22%

The following table presents joint data of associates not measured under the equity method.

Total amount	Associates not measured under the equity method	Equity Ciech Group	% share
Share of net assets	20 163	1 269 769	1.59%

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

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

in PLN thousands	01.01-30.06.2011* Continuing operations	01.01-30.06.2010* Continuing operations	01.04-30.06.2011** Continuing operations	01.04-30.06.2010** Continuing operations
Net revenue from sales	**1 147 152**	**1 119 149**	**543 236**	**552 687**
Cost of sales	(1 012 485)	(951 221)	(479 789)	(466 398)
Gross profit on sales	**134 667**	**167 928**	**63 447**	**86 289**
Other operating revenue	2 203	1 285	792	720
Distribution costs	(72 485)	(70 861)	(35 530)	(41 733)
Administrative expenses	(20 427)	(25 079)	(10 378)	(8 459)
Other operating costs	(5 561)	(5 761)	(4 510)	(4 112)
Profit on operating activities	**38 397**	**67 512**	**13 821**	**32 705**
Finance income	211 826	57 101	182 691	22 315
Finance costs	(77 703)	(101 746)	(38 847)	(21 449)
Net finance income / costs	**134 123**	**(44 645)**	**143 844**	**866**
Profit before tax	**172 520**	**22 867**	**157 665**	**33 571**
Income tax	(19 887)	(12 668)	(16 375)	(12 625)
Net profit	**152 633**	**10 199**	**141 290**	**20 946**

Earnings per share (in PLN)				
Basic	3.66	0.36	2.77	0.75
Diluted	3.66	0.36	2.77	0.75

**Data not audited by a statutory auditor.*
***Data not subject to review by a statutory auditor.*

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	**01.01-30.06.2011*** Continuing operations	**01.01-30.06.2010*** Continuing operations
Net profit / loss for the financial year	**152 633**	**10 199**
Other gross comprehensive income	**(7 647)**	**(14 790)**
Available-for-sale financial assets (included in the revaluation provision)	-	11 801
Hedge accounting (included in the hedge accounting provision)	**(7 647)**	**(26 591)**
Income tax on other components of comprehensive income	**1 453**	**2 810**
Other net comprehensive income	**(6 194)**	**(11 980)**
TOTAL INCOME	**146 439**	**(1 781)**

**Data not audited by a statutory auditor.*

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	30.06.2011*	31.12.2010	30.06.2010*
ASSETS			
Non-current assets			
Property, plant and equipment	8 316	8 778	9 908
Intangible assets	7 527	8 070	7 982
Investment property	3 630	3 630	3 853
Non-current receivables	25 187	32 363	39 947
Long-term borrowings granted	677 207	525 702	401 851
Other long-term investments	1 000 331	936 224	949 101
Deferred income tax assets	-	8 244	6 669
Total non-current assets	**1 722 198**	**1 523 011**	**1 419 311**
Current assets			
Inventory	29 690	28 704	18 094
Short-term investments – borrowings granted	337 616	334 308	74 268
Deferred tax receivables	3 315	2 027	6 427
Trade and other receivables	412 982	359 899	444 322
Cash and cash equivalents	279 660	35 130	90 741
Available-for-sale assets	7 351	141 499	740
Total current assets	**1 070 614**	**901 567**	**634 592**
Total assets	**2 792 812**	**2 424 578**	**2 053 903**
EQUITY AND LIABILITIES			
Equity			
Share capital	279 115	164 115	164 115
Share premium	472 633	151 328	151 328
Other provisions	76 199	76 199	76 199
Hedge accounting provision	-	6 194	15 374
Retained earnings	245 695	93 062	108 299
Total equity	**1 073 642**	**490 898**	**515 315**
Liabilities			
Borrowings including credit, loans and other debt instruments	1 001 959	299 936	422 483
Employee benefits	1 835	1 712	1 837
Other non-current liabilities	28 162	33 170	33 620
Deferred income tax provision	3 408	-	-
Total non-current liabilities	**1 035 364**	**334 818**	**457 940**
Borrowings including credit, loans and other debt instruments	88 896	1 167 117	504 592
Trade and other payables	587 880	423 568	569 077
Provisions (short-term provisions for employee benefits and other)	6 967	8 177	6 740
Liabilities related to available-for-sale assets	63	-	239
Total current liabilities	**683 806**	**1 598 862**	**1 080 648**
Total liabilities	**1 719 170**	**1 933 680**	**1 538 588**
Total equity and liabilities	**2 792 812**	**2 424 578**	**2 053 903**

**Data not audited by a statutory auditor.*

4. CIECH S.A. statement of cash flows

in PLN thousands	01.01-30.06.2011*	01.01-30.06.2010*
Cash flows from operating activities		
Net profit (loss) for the period	**152 633**	**10 199**
Depreciation / amortisation	2 309	2 373
Creation / reversal of revaluations	5 250	23 431
Currency exchange gain / loss	(136)	2 101
Gain / loss on investing activities	(82 383)	8 094
Gain / loss on disposal of non-current assets	(454)	(64)
Interest and share of profits	(62 737)	11 098
Income tax accrued	19 887	12 668
Operating profit / loss before changes in working capital and provisions	**34 369**	**69 900**
Change in receivables	(44 294)	(89 729)
Change in inventories	(986)	8 219
Change in current liabilities	109 873	62 749
Change in employee benefit provisions and liabilities	(1 086)	2 794
Net cash flow from operating activities	**97 876**	**53 933**
Interest paid	(45 157)	(28 298)
Income tax paid	(8 069)	(1 200)
Change in liabilities from loan arrangement commission	(5 288)	24 668
Valuation of derivative financial instruments	(7 647)	(34 645)
Net cash from operating activities	**31 715**	**14 458**
Cash flows from investing activities		
Inflows		
Disposal of intangible assets and property, plant and equipment	1	64
Disposal of subsidiary	106 829	226
Disposal of financial assets	-	41 600
Dividends received	3 850	4 986
Interest received	4 641	2 915
Proceeds from repayment of borrowings	126 270	4 245
Outflows		
Purchase of intangible assets and property, plant and equipment	(1 341)	(1 169)
Purchase of subsidiary (less cash acquired)	(4 440)	(7 309)
Expenditures on capital increase and capital contributions	-	(6 293)
Borrowings granted	(159 888)	-
Net cash from investing activities	**75 922**	**39 265**
Cash flows from financing activities		
Inflows		
Net proceeds from issue of ordinary shares and other equity instruments and capital contributions	436 305	-
Proceeds from borrowings incurred	6 833	61 103
Outflows		
Repayment of borrowings	(306 211)	(68 035)
Net cash from financing activities	**136 927**	**(6 932)**
Total net cash flows	**244 564**	**46 791**
Cash at the beginning of period	35 130	46 445
Effect of foreign exchange differences	(34)	(2 495)
Cash at the end of period	**279 660**	**90 741**

**Data not audited by a statutory auditor.*

5. CIECH S.A. 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: 01.01.2010	**164 115**	**151 328**	**-**	**6 194**	**76 199**	**93 062**	**490 898**
Share issue	115 000	321 305	-	-	-	-	436 305
Comprehensive income for the first six months of 2011	-	-	-	(6 194)	-	152 633	146 439
Equity as at 30.06.2011 (end of the reporting period)	**279 115**	**472 633**	**-**	**-**	**76 199**	**245 695**	**1 073 642**

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 the first six months of 2010	-	-	9 559	(21 539)	-	10 199	(1 781)
Equity as at 30.06.2010 (end of the reporting period)	**164 115**	**151 328**	**-**	**15 374**	**76 199**	**108 299**	**515 315**

**Data not audited by a statutory auditor.*

6. Notes to the financial statements for the six months ended 30 June 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. The report was made public on 22 April 2011. The above-mentioned report also 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. These principles are constantly applied in preparation of all CIECH S.A. financial statements from the transfer to IFRS, i.e. from 1 January 2004, aside from amendments published in specific periodic reports.

6.2. Earnings per share

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

in PLN thousands	**30.06.2011**	**30.06.2010**
Net profit (loss) from continuing operations attributable to owners of the parent	152 633	10 199
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	152 633	10 199
Net profit (loss) attributable to owners of the parent used for diluted earnings per share	152 633	10 199

Items	**30.06.2011**	**30.06.2010**
Weighted average number of ordinary shares issued, used for basic earnings per share	41 723 757	28 000 000
Weighted average number of ordinary shares issued, used for diluted earnings per share	41 723 757	28 000 000

6.3. Seasonal and cyclical factors

Information on seasonal and cyclical effects was presented under section II.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 II.9 of this Report.

6.6. Information on dividends paid

The information on dividends was presented in section II.10 of this Report.

6.7. Financial information by operating segment

OPERATING SEGMENTS

01.01-30.06.2011

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**
External revenue	417 020	435 704	38 525	99 032	220	5	990 506
Inter-segment revenue	28 701	22 282	97 582	8 006	75	-	156 646
Total revenue	**445 721**	**457 986**	**136 107**	**107 038**	**295**	**5**	**1 147 152**
Cost of sales	(368 244)	(426 640)	(129 725)	(87 817)	(58)	(1)	(1 012 485)
Gross profit / loss on sales	**77 477**	**31 346**	**6 382**	**19 221**	**237**	**4**	**134 667**
Distribution costs	(37 364)	(17 797)	(1 241)	(16 098)	15	-	(72 485)
Administrative expenses	(131)	(97)	(77)	(1)	(2)	(20 119)	(20 427)
Profit / loss on receivables management	(2 018)	(1 742)	-	-	-	(448)	(4 208)
Profit / loss on other operating activities	225	50	-	331	703	(459)	850
Profit / loss on operating activities	**38 189**	**11 760**	**5 064**	**3 453**	**953**	**(21 022)**	**38 397**
Net exchange differences and trade account interest	(9 044)	(16 608)	(4 234)	(2 822)	(65)	(3 553)	(36 326)
Group finance costs	-	-	-	-	-	(12 009)	(12 009)
Profit / loss on financing activities (not allocated to segments)	-	-	-	-	-	182 458	182 458
Profit / loss before tax	**29 145**	**(4 848)**	**830**	**631**	**888**	**145 874**	**172 520**
Tax	-	-	-	-	-	-	(19 887)
Net profit / loss	-	-	-	-	-	-	**152 633**
Profit on discontinued operations	-	-	-	-	-	-	-
Net profit / loss for the financial year	-	-	-	-	-	-	**152 633**
Depreciation / amortisation	207	148	42	24	-	1 888	2 309
EBITDA	**38 396**	**11 908**	**5 106**	**3 477**	**953**	**(19 134)**	**40 706**

01.01-30.06.2010

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	404 671	445 556	33 697	99 768	115	-	983 807
Inter-segment revenue	27 619	20 991	84 076	2 475	181	-	135 342
Total revenue	**432 290**	**466 547**	**117 773**	**102 243**	**296**	**-**	**1 119 149**
Cost of sales	(352 497)	(408 524)	(108 474)	(81 642)	(84)	-	(951 221)
Gross profit / loss on sales	**79 793**	**58 023**	**9 299**	**20 601**	**212**	**-**	**167 928**
Distribution costs	(35 584)	(18 689)	(1 628)	(14 912)	(48)	-	(70 861)
Administrative expenses	(755)	(974)	(310)	(577)	-	(22 463)	(25 079)
Profit / loss on receivables management	(939)	162	-	-	-	-	(777)
Profit / loss on other operating activities	(3)	31	1	305	(502)	(3 531)	(3 699)
Profit / loss on operating activities	**42 512**	**38 553**	**7 362**	**5 417**	**(338)**	**(25 994)**	**67 512**
Net exchange differences and trade account interest	(14 681)	(37 830)	(7 314)	(6 198)	11	(1 330)	(67 342)
Group finance costs	-	-	-	-	-	(21 490)	(21 490)
Profit / loss on financing activities (not allocated to segments)	-	-	-	-	-	44 187	44 187
Profit / loss before tax	**27 831**	**723**	**48**	**(781)**	**(327)**	**(4 627)**	**22 867**
Tax	-	-	-	-	-	-	(12 668)
Net profit / loss	-	-	-	-	-	-	**10 199**
Profit on discontinued operations	-	-	-	-	-	-	-
Net profit / loss for the financial year	-	-	-	-	-	-	**10 199**
Depreciation / amortisation	251	224	70	94	-	1 734	2 373
EBITDA	**42 763**	**38 777**	**7 432**	**5 511**	**(338)**	**(24 260)**	**69 885**

30.06.2011

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
Property, plant and equipment	745	533	151	86	-	6 801	8 316
Intangible assets	674	482	137	78	-	6 156	7 527
Inventory	11 463	10 302	7 910	15	-	-	29 690
Trade and other receivables	156 327	104 340	24 667	17 436	28	-	302 798
Other assets	-	-	-	-	-	2 444 481	2 444 481
Total assets	**169 209**	**115 657**	**32 865**	**17 615**	**28**	**2 457 438**	**2 792 812**

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
Trade and other payables	210 539	221 573	29 843	40 044	-	-	501 999
Other liabilities	-	-	-	-	-	1 217 171	1 217 171
Total liabilities	**210 539**	**221 573**	**29 843**	**40 044**	**-**	**1 217 171**	**1 719 170**

30.06.2010

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
Property, plant and equipment	1 049	935	292	393	-	7 239	9 908
Intangible assets	844	754	235	317	-	5 832	7 982
Inventory	4 649	8 655	4 790		-	-	18 094
Trade and other receivables	156 837	152 634	5 674	17 090	22	-	332 257
Other assets	-	-	-	-	-	1 685 662	1 685 662
Total assets	**163 379**	**162 978**	**10 991**	**17 800**	**22**	**1 698 733**	**2 053 903**

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
Trade and other payables	213 386	145 737	38 755	17 513	35	-	415 426
Other liabilities	-	-	-	-	-	1 123 162	1 123 162
Total liabilities	**213 386**	**145 737**	**38 755**	**17 513**	**35**	**1 123 162**	**1 538 588**

01.01-30.06.2011

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	2 412	1 829	(35)	-	458	-	4 664
Reversal of impairment charges	394	217	78	-	10		699
Creation of impairment charges (not allocated to segments)	-	-	-	-	-	7 951	7 951
Reversal of impairment charges (not allocated to segments)	-	-	-	-	-	2 361	2 361

01.01-30.06.2010

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	946	-	285	-	-	-	1 231
Reversal of impairment charges	7	162	14	-	-	-	183
Creation of impairment charges (not allocated to segments)	-	-	-	-	-	23 732	23 732
Reversal of impairment charges (not allocated to segments)	-	-	-	-	-	32	32

GEOGRAPHICAL SEGMENTS

30.06.2011

in PLN thousands	Poland	European Union	Other European countries	Africa	Asia	Other regions	TOTAL
Total segment assets	1 962 440	759 648	38 241	15 984	12 520	3 979	**2 792 812**
Net revenue from sales	453 900	417 759	99 652	76 713	71 489	27 639	**1 147 152**

30.06.2010

in PLN thousands	Poland	European Union	Other European countries	Africa	Asia	Other regions	TOTAL
Total segment assets	1 204 684	766 181	33 840	19 614	17 008	12 576	**2 053 903**
Net revenue from sales	411 175	399 870	33 959	88 538	127 124	58 483	**1 119 149**

6.8. Information on significant events taking place after 30 June 2011, other than those included in this interim report

No significant events took place after 30 June 2011 which were not depicted in the financial statements for the period from 1 January to 30 June 2011.

6.9. Information on changes in the entity's ownership structure

Changes in the portfolio of shares held were recorded in the first half of 2011 and are described in point IV.2 of this Report.

6.10. Information on changes in contingent liabilities or contingent assets

in PLN thousands

OFF-BALANCE SHEET ITEMS	30.06.2011	31.12.2010
1. Contingent receivables	**-**	**-**
2. Contingent liabilities	**270 647**	**303 585**
- guarantees granted	265 896	281 519
- other	4 751	22 066
Total off-balance sheet items	**270 647**	**303 585**

No contingent receivables were present at CIECH S.A. as at 30 June 2011.

Contingent liabilities as at 30 June 2011 amounted to PLN 270 647 000, or PLN 32 928 000 less than in December 2010.
The difference is mainly due to a decrease in a guarantee for subsidiary GOVORA's liabilities to EUR 11 553 000 and the expiry of a PLN 17 253 000 conditional liability in connection with the achievement of the specific ratio contained in the agreement on acquisition of shares in ZACHEM S.A. The remaining variance results from amendments in exchange rates adopted for valuation of liabilities.
Other contingent liabilities, amounting to PLN 4 751 000, include:

- contingent liability of PLN 1 604 000 related to the claims of Polska Zegluga Morska,
- contingent liability of PLN 3 147 000 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 the Arranging Banks and the Medium Exposure Banks

Information on the guarantees issued by Ciech Group Companies to Arranging Banks and Medium Exposure Banks is presented under section IV.13 of this Report.

6.12. 6.12. Information on provisions and asset impairment charges in the reporting period, i.e. between 1 January – 30.06.2011

01.01-30.06.2011

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	327	268
Receivables	31 738	4 988	1 863	34 863
Short-term investments	221 791	7 621	2 200	227 212

01.01-30.06.2011

in PLN thousands	beginning of period balance	increase	decrease	end of period balance
Income tax provision	10 129	875	185	10 819
Provision for retirement pay, annual leaves, bonuses, recompenses and similar	7 430	1 489	3 249	5 670
Provision for anticipated losses	7 068	-	130	6 938
Provision for liabilities (costs)	1 455	4 030	1 538	3 947

01.01-30.06.2011

in PLN thousands	beginning of period balance	increase	decrease	end of period balance
Deferred income tax assets	18 373	-	10 962	7 411

01.01-30.06.2010

in PLN thousands	beginning of period balance	increase	decrease	end of period balance
Property, plant and equipment	238	-	-	238
Investment property	14 687	-	1 903	12 784
Long-term investments	86 296	296	388	86 204
Inventory	168	342	72	438
Receivables	25 100	1 393	1 005	25 488
Short-term investments	196 673	24 156	1 243	219 586

01.01-30.06.2010

in PLN thousands	beginning of period balance	increase	decrease	end of period balance
Income tax provision	21 397	1 323	5 491	17 229
Provision for retirement pay, annual leaves, bonuses, recompenses and similar	5 181	5 410	2 319	8 272
Provision for anticipated losses	3 880	3 237	537	6 580
Provision for liabilities (costs)	3 699	1 042	2 192	2 549

01.01-30.06.2010

in PLN thousands	beginning of period balance	increase	decrease	end of period balance
Deferred income tax assets	37 922	-	14 024	23 898

Deferred tax provisions and assets in the statement of financial position are presented in their net values.

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	01.01-30.06.2011			01.01-30.06.2010		
in PLN thousands	**Pre-tax**	**Tax**	**Net of tax**	**Pre-tax**	**Tax**	**Net of tax**
Available-for-sale financial assets (included in the revaluation provision)	-	-	-	11 801	(2 242)	9 559
Hedge accounting (included in the hedge accounting provision)	(7 647)	1 453	(6 194)	(26 591)	5 052	(21 539)
Other net comprehensive income	**(7 647)**	1 453	**(6 194)**	**(14 790)**	2 810	**(11 980)**

in PLN thousands **Other gross comprehensive income**	change in period	**01.01-30.06.2011**	change in period	**01.01-30.06.2010**
Available-for-sale financial assets (included in the revaluation provision)	-		-	11 801
- fair value measurement in period		-	11 801	-
- reclassification adjustment of gains / losses recognised in P&L	-	-	-	-
Hedge accounting provision	-	(7 647)		(26 591)
- fair value measurement in period			9 565	
- reclassification adjustment of gains / losses recognised in P&L	(7 647)		(36 156)	
Income tax on other components of comprehensive income, including:	-	1 453	-	2 810
- accrued in the reporting period		-	(4 060)	-
- reclassification adjustment to P&L	1 453	-	6 870	-
Other net comprehensive income		(6 194)		(11 980)

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

01.01-30.06.2011

in PLN thousands	land, buildings, premises and civil and marine engineering structures	technical equipment and machinery	means of transport	other plant, property and equipment	PP&E under construction	Total
Acquisition	-	3 129	44	9	113	3 295
Disposal	-	9 065	-	-	-	9 065

CIECH S.A. purchased a total of PLN 3 295 000 of PP&E. This was financed from the company's own funds and from finance leases.

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	PP&E under construction	Total
Acquisition	-	108	-	15	308	431
Disposal	-	9	-	3	-	12

Ciech S.A. purchased PLN 431 000 of property, plant and equipment. These assets were financed using the Company's own funds.

6.16. Court litigation

The information is presented under section IV.6.1 of this Report.

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

Information regarding CIECH S.A. shareholders holding at least 5% shares or GM votes was presented under section II.8 of this report.

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

Changes in shareholding among the CIECH S.A. Management Board and Supervisory Board members are disclosed under section III.8 of this report.

6.19. Information on corrections of prior-period errors

There were no corrections of 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. As at 30 June 2011 there was no violation of the financial ratios required in accordance with loan agreements.

6.21. Recognition of the consortium loan in accordance with IAS 39

Information concerning recognition of the consortium loan in accordance with IAS 39 has been presented in point IV.16 of this Report.

6.22. Transactions with associates and subsidiaries

Transactions with associates and subsidiaries are executed on typical market terms and conditions

in PLN thousands	Revenue from sales 01.01-30.06.2011	Purchase of goods and services 01.01-30.06.2011	Finance income 01.01-30.06.2011	Receivables as at 30.06.2011	Liabilities as at 30.06.2011
Consolidated entities	156 646	817 665	117 104	73 628	503 387
Non-consolidated entities	36 694	3 460	577	8 816	1 417

in PLN thousands	Revenue from sales 01.01-30.06.2010	Purchase of goods and services 01.01-30.06.2010	Finance income 01.01-30.06.2010	Receivables as at 30.06.2010	Liabilities as at 30.06.2010
Consolidated entities	135 339	779 123	86 843	35 540	372 672
Non-consolidated entities	30 793	4 715	406	10 348	1 633

6.23. Events occurring after the end of the reporting period

- On 15 July 2011 CIECH S.A. and Invest Pharma Sp. z o.o. executed an agreement on sale of 3 820 shares, constituting a 100% stake in the share capital of Polfa Sp. z o.o. The share sales agreement is conditional and is dependent on consent from the Office of Competition and Consumer Protection, consent from banks being members of the consortium financing the Ciech Group and repayment of an approx. PLN 5.5 million (EUR 1 million, USD 0.5 million) loan to CIECH S.A. The share sales price was established at PLN 8.1 million. In connection with the fact that the company's operations are not related to the business profile of Ciech Group, sale of Polfa Sp. z o.o. was not provided for in the Group's strategy adopted for 2011.
- On 27 July 2011 CIECH S.A. executed an Agreement on Acquisition of Shares and Transfer of an In-Kind Contribution with the State Treasury of Poland, pursuant to which:
  - the State Treasury of Poland acquired 1 699 909 ordinary series E bearer shares in the increased share capital of CIECH S.A., of a nominal value of PLN 5 each and a total nominal value of PLN 8 499 545. The issue price was PLN 26.06 per share (registration of the increase in share capital through issue of series E shares was made by the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register on 10 August 1011);
  - as a non-cash contribution for acquisition of series E shares, the State Treasury of Poland transferred and CIECH S.A. acquired the following:
    - 571 826 ordinary series A bearer shares, of a nominal value of PLN 2.30 each and a total nominal value of PLN 1 315 000, constituting a 25.01% stake in the share capital of Zakłady Chemiczne Alwernia S.A.
    - 762 224 ordinary series A registered shares, of a nominal value of PLN 10.00 each and a total nominal value of PLN 7 622 000, constituting a 5.15% stake in the share capital of ZACHEM S.A.
    - 429 388 ordinary series A registered shares, of a nominal value of PLN 10.00 each and a total nominal value of PLN 4 294 000, constituting a 5.06% stake in the share capital of Z.Ch. Organika-Sarzyna S.A.
- Pursuant to resolution no. 790/11 of 24 August 2011, the Management of Krajowy Depozyt Papierów Wartościowych S.A. (the National Depository for Securities - KDPW) decided to register 1 699 909 series E bearer shares in the company (with a nominal value of PLN 5 each) in the securities depository and to assign these code PLCIECH00018 on condition that a decision is taken by the company managing the regulated market on admission of series E shares to the regulated market on which the company's other shares are traded under code PLCIECH00018.

  Registration of series E shares in the securities depository will occur within three days from the date on which the KDPW receives a document confirming the decision on admission of series E shares to trading on the regulated market by the entity managing this market, however no earlier than the date on which the series E shares are admitted to trading on the regulated market as indicated in the above decision.

VI. Management Board Declaration

This complete consolidated interim report of Ciech Group for the first half of 2011 was approved by the Management Board of CIECH S.A. at its registered office on 29 August 2011.

Warsaw, 29 August 2011.

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

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

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

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

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