



**EXTENDED CONSOLIDATED  
QUARTERLY REPORT  
OF THE CIECH CHEMICAL GROUP  
for Q4 2012**

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## I. Condensed Consolidated Interim Financial Statements of the Ciech Group

### 1. Condensed Consolidated Profit and Loss Account of the Ciech Group

PLN '000	01.01-31.12.2012			01.01-31.12.2011*		
	Continuing operations	Discontinued operations	TOTAL	Continuing operations	Discontinued operations	TOTAL
<b>Net revenue from sales</b>	3,386,905	991,047	4,377,952	2,952,752	1,221,734	4,174,486
Cost of sales	(2,874,173)	(907,284)	(3,781,457)	(2,480,285)	(1,133,522)	(3,613,807)
<b>Gross profit/loss on sales</b>	<b>512,732</b>	<b>83,763</b>	<b>596,495</b>	<b>472,467</b>	<b>88,212</b>	<b>560,679</b>
Other operating revenue	100,193	123,399	223,592	104,700	12,322	117,022
Selling costs	(222,146)	(54,229)	(276,375)	(216,863)	(59,156)	(276,019)
General and administrative expenses	(154,379)	(48,022)	(202,401)	(151,499)	(62,097)	(213,596)
Other operating costs	(163,814)	(361,729)	(525,543)	(44,549)	(24,822)	(69,371)
<b>Operating profit/loss</b>	<b>72,586</b>	<b>(256,818)</b>	<b>(184,232)</b>	<b>164,256</b>	<b>(45,541)</b>	<b>118,715</b>
Financial income	6,641	3,455	10,096	38,089	(4,599)	33,490
Financial expenses	(241,597)	(27,747)	(269,344)	(116,111)	(27,510)	(143,621)
<b>Net financial income/expenses</b>	<b>(234,956)</b>	<b>(24,292)</b>	<b>(259,248)</b>	<b>(78,022)</b>	<b>(32,109)</b>	<b>(110,131)</b>
Share in net profit of subsidiaries valued under the equity method	801	( 57)	744	132	( 86)	46
<b>Profit/loss before tax</b>	<b>(161,569)</b>	<b>(281,167)</b>	<b>(442,736)</b>	<b>86,366</b>	<b>(77,736)</b>	<b>8,630</b>
Income tax	10,755	(20,701)	(9,946)	(7,487)	12,073	4,586
<b>Net profit/loss</b>	<b>(150,814)</b>	<b>(301,868)</b>	<b>(452,682)</b>	<b>78,879</b>	<b>(65,663)</b>	<b>13,216</b>
Profit/loss on sales related to discontinued operations	-	(2,663)	(2,663)	-	(11,715)	(11,715)
<b>Net profit / loss for the period</b>	<b>(150,814)</b>	<b>(304,531)</b>	<b>(455,345)</b>	<b>78,879</b>	<b>(77,378)</b>	<b>1,501</b>
including:						
Net profit/loss attributable to shareholders of the parent	(147,881)	(301,582)	(449,463)	75,898	(74,739)	1,159
Net profit/loss attributed to non-controlling interest	(2,933)	(2,949)	(5,882)	2,981	(2,639)	342
<b>Profit/loss per share (in PLN)</b>						
Basic	(2.81)	(5.72)	(8.53)	1.61	(1.59)	0.02
Diluted	(2.81)	(5.72)	(8.53)	1.61	(1.59)	0.02

\* Restated data.

The condensed consolidated profit and loss account of the Ciech Group should be analysed together with additional notes and explanations, which constitute an integral part of the condensed interim consolidated financial statements.

Condensed Consolidated Profit and Loss Account of the Ciech Group <i>PLN '000</i>	01.10-31.12.2012			01.10-31.12.2011*		
	Continuing operations	Discontinued operations	TOTAL	Continuing operations	Discontinued operations	TOTAL
<b>Net revenue from sales</b>	803,578	216,788	1,020,366	754,236	264,935	1,019,171
Cost of sales	(690,239)	(200,679)	(890,918)	(658,006)	(246,434)	(904,440)
<b>Gross profit/loss on sales</b>	<b>113,339</b>	<b>16,109</b>	<b>129,448</b>	<b>96,230</b>	<b>18,501</b>	<b>114,731</b>
Other operating revenue	58,139	101,222	159,361	43,934	4,687	48,621
Selling costs	(75,144)	5,325	(69,819)	(75,272)	487	(74,785)
General and administrative expenses	(45,006)	(14,052)	(59,058)	(40,899)	(14,149)	(55,048)
Other operating costs	(48,503)	(87,017)	(135,520)	(7,748)	(9,333)	(17,081)
<b>Operating profit/loss</b>	<b>2,825</b>	<b>21,587</b>	<b>24,412</b>	<b>16,245</b>	<b>193</b>	<b>16,438</b>
Financial income	( 124)	1,042	918	8,616	(11,526)	(2,910)
Financial expenses	(92,666)	(16,717)	(109,383)	(11,414)	(10,422)	(21,836)
<b>Net financial income/expenses</b>	<b>(92,790)</b>	<b>(15,675)</b>	<b>(108,465)</b>	<b>(2,798)</b>	<b>(21,948)</b>	<b>(24,746)</b>
Share in net profit of subsidiaries valued under the equity method	117	( 8)	109	43	( 86)	( 43)
<b>Profit/loss before tax</b>	<b>(89,848)</b>	<b>5,904</b>	<b>(83,944)</b>	<b>13,490</b>	<b>(21,841)</b>	<b>(8,351)</b>
Income tax	10,716	(12,215)	(1,499)	2,986	(4,343)	(1,357)
<b>Net profit/loss</b>	<b>(79,132)</b>	<b>(6,311)</b>	<b>(85,443)</b>	<b>16,476</b>	<b>(26,184)</b>	<b>(9,708)</b>
Profit/loss on sales related to discontinued operations	-	-	-	-	-	-
<b>Net profit / loss for the period</b>	<b>(79,132)</b>	<b>(6,311)</b>	<b>(85,443)</b>	<b>16,476</b>	<b>(26,184)</b>	<b>(9,708)</b>
including:						
Net profit/loss attributable to shareholders of the parent	(3,060,806)	(10,215)	(88,760)	16,333	(25,121)	(8,788)
Net profit/loss attributed to non-controlling interest	( 587)	3,904	3,317	143	(1,063)	(920)
<b>Earnings per share (in PLN):</b>						
Basic	(1.49)	(0.19)	(1.68)	0.29	(0.49)	(0.20)
Diluted	(1.49)	(0.19)	(1.68)	0.29	(0.49)	(0.20)

\* Restated data.

The condensed consolidated profit and loss account of the Ciech Group should be analysed together with additional notes and explanations, which constitute an integral part of the condensed interim consolidated financial statements.

## 2. Condensed Consolidated Statement of Comprehensive Income of the Ciech Group

PLN '000	01.01.-31.12.2012			01.01.-31.12.2011*		
	Continuing operations	Discontinued operations	TOTAL	Continuing operations	Discontinued operations	TOTAL
<b>Net profit for the financial year</b>	<b>(150,814)</b>	<b>(304,531)</b>	<b>(455,345)</b>	<b>78,879</b>	<b>(77,378)</b>	<b>1,501</b>
<b>Other gross comprehensive income</b>		-				
Currency translation differences (foreign companies)	12,278	-	12,278	(16,056)	-	(16,056)
Cash flow hedging	16,523	-	16,523	(9,471)	-	(9,471)
Net currency translation differences (investments in foreign companies)	(23,002)	-	(23,002)	31,955	-	31,955
Income tax attributable to other components of comprehensive income	(3,139)	-	(3,139)	1,799		1,799
<b>Other net comprehensive income</b>	<b>2,660</b>	-	<b>2,660</b>	<b>8,227</b>	-	<b>8,227</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(148,154)</b>	<b>(304,531)</b>	<b>(452,685)</b>	<b>87,106</b>	<b>(77,378)</b>	<b>9,728</b>
<b>Comprehensive income, including attributable to:</b>	<b>(148,154)</b>	<b>(304,531)</b>	<b>(452,685)</b>	<b>87,106</b>	<b>(77,378)</b>	<b>9,728</b>
Controlling shareholders	(148,087)	(301,582)	(449,669)	86,942	(74,739)	12,203
Non-controlling interest	(67)	(2,949)	(3,016)	164	(2,639)	(2,475)

\* Restated data.

The condensed consolidated statement of comprehensive income of the Ciech Group should be analysed together with additional notes and explanations, which constitute an integral part of the condensed interim consolidated financial statements.

### 3. Condensed Consolidated Statement of Financial Position of the Ciech Group

<b>ASSETS (PLN '000)</b>	<b>31.12.2012</b>	<b>31.12.2011*</b>	<b>31.12.2010*</b>
Tangible fixed assets	2,113,316	2,218,720	2,065,529
Right of perpetual usufruct	57,134	56,278	60,968
Intangible assets, including:	129,167	181,121	156,499
- goodwill	60,455	64,149	51,273
Investment property	94,405	87,487	87,667
Long-term receivables	65,534	72,227	32,521
Investments in affiliates and jointly-controlled entities measured under the equity method	4,971	4,655	4,344
Other long-term investments	48,854	40,915	49,593
Deferred income tax assets	13,025	24,489	9,801
<b>Total fixed assets</b>	<b>2,526,406</b>	<b>2,685,892</b>	<b>2,466,922</b>
Inventory	279,126	356,619	305,653
Short-term investments	946	1,505	533
Income tax receivables	4,086	8,800	8,542
Trade and other receivables	705,095	819,558	722,992
Cash and cash equivalents	81,177	145,805	177,077
Assets classified as held for sale	107,607	57,017	255,988
<b>Total current assets</b>	<b>1,178,037</b>	<b>1,389,304</b>	<b>1,470,785</b>
<b>Total assets</b>	<b>3,704,443</b>	<b>4,075,196</b>	<b>3,937,707</b>
<b>EQUITY AND LIABILITIES (PLN '000)</b>			
Share capital	287,614	287,614	164,115
Share premium	507,835	508,122	151,328
Cash flow hedge	5,273	(8,111)	(439)
Other reserve capitals	78,521	78,521	78,521
Net currency translation differences (investments in foreign companies)	(11,606)	11,396	(20,559)
Currency translation differences (foreign companies)	(53,384)	(62,796)	(49,419)
Retained earnings	52,451	502,405	501,344
<b>Equity attributable to shareholders of the parent company</b>	<b>866,704</b>	<b>1,317,151</b>	<b>824,891</b>
Non-controlling interest	(4,599)	(2,020)	32,619
<b>Total equity</b>	<b>862,105</b>	<b>1,315,131</b>	<b>857,510</b>
Loans, borrowings and other debt instruments	1,291,660	190,916	495,343
Other non-current liabilities	329,679	257,803	231,196
Employee benefits	20,560	63,163	66,391
Provisions (other long-term)	40,422	52,666	62,002
Deferred tax provision	117,396	120,666	108,052
<b>Total non-current liabilities</b>	<b>1,799,717</b>	<b>685,214</b>	<b>962,984</b>
Overdraft facility	-	6,744	-
Loans, borrowings and other debt instruments	6,458	1,017,663	1,119,222
Trade and other liabilities	830,249	969,222	908,775
Income tax liabilities	23,749	21,930	36,147
Provisions (short-term provisions for employee benefits and other provisions)	148,574	26,221	31,515
Liabilities directly related to assets classified as held for sale	33,591	33,071	21,554
<b>Total current liabilities</b>	<b>1,042,621</b>	<b>2,074,851</b>	<b>2,117,213</b>
<b>Total liabilities</b>	<b>2,842,338</b>	<b>2,760,065</b>	<b>3,080,197</b>
<b>Total Equity and Liabilities</b>	<b>3,704,443</b>	<b>4,075,196</b>	<b>3,937,707</b>

\* Restated data.

The condensed consolidated statement of financial position of the Ciech Group should be analysed together with additional notes and explanations, which constitute an integral part of the condensed interim consolidated financial statements.

#### 4. Condensed Consolidated Cash Flow Statement of the Ciech Group

<i>PLN '000</i>	01.01-31.12.2012	01.01-31.12.2011*
<b>Operating cash flows</b>		
<b>Net profit (loss) for the period</b>	<b>(455,345)</b>	<b>1,501</b>
<b>Adjustments</b>		
Amortisation/depreciation	236,668	222,109
Recognition/(reversal) of write-downs	196,619	(2,161)
Foreign exchange (profit)/loss	46,721	(12,300)
Investment property revaluation	(10,619)	-
(Profit)/loss on investment activities	4,629	11,543
(Profit)/loss on disposal of tangible fixed assets	3,126	1,318
Dividends and interest	142,639	100,202
Input income tax	10,731	11,092
(Profit) / loss after the settlement of construction contracts (voids)	(6,845)	(38,967)
(Profit) / loss on shares in entities accounted for using the equity method	( 744)	( 46)
<b>Operating profit/loss before changes in working capital and provisions</b>	<b>167,580</b>	<b>294,291</b>
Change in receivables	106,284	(147,969)
Change in inventory	45,209	(96,537)
Change in current liabilities	(181,049)	71,465
Change in provisions and employee benefits	85,616	(23,039)
<b>Net cash generated from operating activities</b>	<b>223,640</b>	<b>98,211</b>
Interest paid	(103,628)	(93,667)
Inflows from construction contracts (voids)	7,972	11,166
Change in liabilities from loan arrangement commission	(16,741)	-
Income tax paid	406	(33,434)
Other adjustments	(4,570)	(1,610)
<b>Net cash from operating activities</b>	<b>107,079</b>	<b>(19,334)</b>
<b>Cash flows from investing activities</b>		
<b>Inflows (in "+")</b>	<b>24,533</b>	<b>248,085</b>
Disposal of a subsidiary (net of disposed cash)	3,924	94,275
Disposal of intangible and tangible fixed assets	9,380	28,658
Disposal of financial assets	4,271	2,143
Dividends received	1,461	1,598
Interest received	2,875	567
Repayment of borrowings	500	120,611
Other inflows	2,122	233
<b>Outflows (in "-")</b>	<b>(328,071)</b>	<b>(311,745)</b>
Acquisition of a subsidiary (net of cash acquired)	(1,019)	(5,115)
Acquisition of intangible and tangible fixed assets	(300,417)	(295,553)
Development expenditure	(1,615)	(10,554)
Hedging deposits	(13,936)	-
Other	(3,725)	( 523)
<b>Net cash from investing activities</b>	<b>(296,179)</b>	<b>(63,660)</b>
<b>Cash flows from financing activities</b>		
<b>Inflows (in "+")</b>	<b>1,513,514</b>	<b>477,483</b>
Net inflows from issue of shares and other equity instruments, and equity contributions	-	435,994
Proceeds from loans and borrowings	79,905	18,210
Contributions of "sleeping partners"	50,083	-
Subsidies received	40,724	20,628
Issue of debt securities	1,342,658	-
Other financial proceeds	144	2,651
<b>Outflows (in "-")</b>	<b>(1,381,594)</b>	<b>(458,182)</b>
Dividends paid to non-controlling interest	(45)	(1,499)
Repayment of loans and borrowings	(1,023,646)	(443,407)
Redemption of debt securities	(300,000)	-
Payments of liabilities under finance lease agreements***	(57,840)	(13,160)



PLN '000	01.01-31.12.2012	01.01-31.12.2011*
Other financial expenses	( 63)	( 116)
<b>Net cash from financing activities</b>	<b>131,920</b>	<b>19,301</b>
<b>Total net cash flows</b>	<b>(57,180)</b>	<b>(63,693)</b>
<b>Opening balance of cash</b>	<b>149,046</b>	<b>208,394</b>
Effect of foreign exchange differences	( 949)	4,345
<b>Closing balance of cash**</b>	<b>90,917</b>	<b>149,046</b>

\* Restated data.

\*\*The difference between the value of cash recognised in the Consolidated Cash Flow Statement of Ciech Group for four quarters of 2012 and the value recognised in the consolidated Statement of Financial Position of Ciech Group results from the classification of Alwernia S.A.'s funds as assets held for sale.

The difference between the value of cash recognised in the Consolidated Cash Flow Statement of the Ciech Group for four quarters of 2011 and the value recognised in the consolidated Statement of Financial Position of Ciech Group results from the classification of POLFA Sp. z o.o., Ciech Finance Sp. z o.o. and Cheman S.A. funds as assets held for sale.

\*\*\* Also includes fees related to the tenancy of the heat and power plant in the Soda Deutschland Ciech Group.

The condensed consolidated cash flow statement should be analysed together with additional notes and explanations, which constitute an integral part of the condensed interim consolidated financial statements.

## 5. Condensed Consolidated Statement of Changes in Equity of the Ciech Group

<i>PLN '000</i>	Share capital	Share premium	Cash flow hedge	Other reserve capitals	Net currency translation differences (investments in foreign companies)	Currency translation differences (foreign companies)	Retained earnings	Equity attributable to shareholders of the parent company	Non-controlling interest	Total equity
<b>Equity as at 01/01/2012 *</b>	<b>287,614</b>	<b>508,122</b>	<b>(8,111)</b>	<b>78,521</b>	<b>11,396</b>	<b>(62,796)</b>	<b>502,405</b>	<b>1,317,151</b>	<b>(2,020)</b>	<b>1,315,131</b>
Reduction of equity referring to agio	-	(287)	-	-	-	-	-	(287)	-	(287)
Dividends	-	-	-	-	-	-	-	-	(54)	(54)
Change in the Group's composition	-	-	-	-	-	-	(491)	(491)	491	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>13,384</b>	<b>-</b>	<b>(23,002)</b>	<b>9,412</b>	<b>(449,463)</b>	<b>(449,669)</b>	<b>(3,016)</b>	<b>(452,685)</b>
Net profit/loss	-	-	-	-	-	-	(449,463)	(449,463)	(5,882)	(455,345)
Other comprehensive income	-	-	13,384	-	(23,002)	9,412	-	(206)	2,866	2,660
<b>Equity as at 31/12/2012</b>	<b>287,614</b>	<b>507,835</b>	<b>5,273</b>	<b>78,521</b>	<b>(11,606)</b>	<b>(53,384)</b>	<b>52,451</b>	<b>866,704</b>	<b>(4,599)</b>	<b>862,105</b>

\* Restated data.

The condensed consolidated statement of changes in equity should be analysed together with additional notes and explanations, which constitute an integral part of the condensed interim consolidated financial statements.

<i>PLN '000</i>	Share capital	Share premium	Cash flow hedge	Other reserve capitals	Net currency translation differences (investments in foreign companies)	Currency translation differences (foreign companies)	Retained earnings	Equity attributable to shareholders of the parent company	Non-controlling interest	Total equity
<b>Equity as at 01/01/2011</b>										
<b>Previously reported</b>	<b>164,115</b>	<b>151,328</b>	<b>(439)</b>	<b>78,521</b>	<b>(20,559)</b>	<b>(49,419)</b>	<b>494,304</b>	<b>817,851</b>	<b>32,619</b>	<b>850,470</b>
Changes in accounting principles	-	-	-	-	-	-	7,040	<b>7,040</b>	-	<b>7,040</b>
<b>Restated*</b>	<b>164,115</b>	<b>151,328</b>	<b>(439)</b>	<b>78,521</b>	<b>(20,559)</b>	<b>(49,419)</b>	<b>501,344</b>	<b>824,891</b>	<b>32,619</b>	<b>857,510</b>
Issue of shares	123,499	-	-	-	-	-	-	<b>123,499</b>	-	<b>123,499</b>
Issue premium over nominal value (agio)	-	356,794	-	-	-	-	-	<b>356,794</b>	-	<b>356,794</b>
Change in the Group's composition	-	-	-	-	-	1,038	(1,274)	<b>(236)</b>	(32,164)	<b>(32,400)</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(7,672)</b>	<b>-</b>	<b>31,955</b>	<b>(14,415)</b>	<b>2,335</b>	<b>12,203</b>	<b>(2,475)</b>	<b>9,728</b>
Net profit/loss	-	-	-	-	-	-	1,506	<b>1,506</b>	(5)	<b>1,501</b>
Other comprehensive income	-	-	(7,672)	-	31,955	(14,415)	829	<b>10,697</b>	(2,470)	<b>8,227</b>
<b>Equity as at 31/12/2011*</b>	<b>287,614</b>	<b>508,122</b>	<b>(8,111)</b>	<b>78,521</b>	<b>11,396</b>	<b>(62,796)</b>	<b>502,405</b>	<b>1,317,151</b>	<b>(2,020)</b>	<b>1,315,131</b>

\* Restated data.

The condensed consolidated statement of changes in equity should be analysed together with additional notes and explanations, which constitute an integral part of the condensed interim consolidated financial statements.

## II. Management Report

### 1. The most important events in the Ciech Group from January 1st, 2012 up to the preparation of this statement (including events after the balance sheet date)

#### The most important events in the Ciech Group

- On September 24th, 2012, CIECH S.A. and its subsidiary, ZACHEM S.A. concluded with BASF Polska Sp. z o.o. and BASF SE a conditional Agreement for Sale and Transfer of TDI Assets to BASF Polska sp. z o.o. comprising customer lists, business contracts concerning TDI sale, intellectual property rights to TDI products and technologies as well as know-how related to TDI production. The transaction value amounted to EUR 43 million (approx. PLN 178.6 million according to the average exchange rate of the National Bank of Poland published on September 24th, 2012). The closure of the sale transaction depended on the fulfilment of the conditions precedent of obtaining necessary approvals and consents. The conditions precedent related to activities of CIECH S.A. and ZACHEM S.A. were to be fulfilled by December 31st, 2012 and a condition precedent in the form of consents of relevant anti-monopoly bodies (competition protection) was to be fulfilled by February 28th, 2013. Due to a prolonged waiting for the decision of relevant anti-monopoly bodies, the parties of the aforementioned agreement concluded an annex on February 27th, 2013, extending the deadline for the fulfilment of the conditions precedent until March 31st, 2013. However, CIECH SA was notified about granting the aforementioned consent on the next day, i.e. on February 28th, 2013. In this way, all the conditions precedent of the agreement were fulfilled. The parties plan to perform activities related with the closing of the transaction specified in the agreement within 7 business days from the fulfilment of the last condition or on other date, as agreed by the parties. The Agreement for Sale and Transfer of TDI Assets comprises a non-competition clause in which CIECH S.A. undertook not to engage, indirectly or directly, in developing, marketing, selling or processing TDI for third parties worldwide during three years after the transaction closure date. The non-competition clause also applies to the Ciech Group companies. As a result of performing the provisions of the Agreement for Sale and Transfer of TDI Assets, the Ciech Group will discontinue its activities in the segment of TDI production and sale. This will result in a decrease of revenues and an improvement of the Group's operating results.
- Analyses performed pursuant to the decision of the Management Board of CIECH S.A. of February 21st, 2012 concerning the methods of merging the companies: JANIKOSODA S.A. and SODA MAŁTWY S.A. with CIECH S.A. pointed to the possibility of applying a merger method better from the point of view of the involved companies than the one stipulated in the previously adopted Merger Plan. Acting in accordance to the above, the Management Board of CIECH S.A. adopted a resolution on August 27th, 2012 on the approval of the Division Plan and the reports justifying the divisions of companies SODA MAŁTWY S.A. and JANIKOSODA S.A. The division was performed within the terms of Article 529 § 1 item 4 of the Code of Commercial Companies through transferring part of the assets of JANIKOSODA S.A. and part of the assets of SODA MAŁTWY S.A. (divided companies) to CIECH S.A. (acquiring company) in the form of an organised part of the enterprise – the Soda Department (division by separation). Due to the start of the division of JANIKOSODA S.A. and of SODA MAŁTWY S.A. in accordance to the rules set out in the Division plan of SODA MAŁTWY S.A., and the Division plan of JANIKOSODA S.A., the Management Board of CIECH S.A. withdrew from performing the merger of CIECH S.A. with SODA MAŁTWY S.A. and JANIKOSODA S.A. on the basis of:
  - the merger plan of CIECH S.A., SODA MAŁTWY S.A. and JANIKOSODA S.A. agreed by the Management Boards of: CIECH S.A., SODA MAŁTWY S.A. and JANIKOSODA S.A. on August 29th, 2011
  - the resolution of the Extraordinary General Meetings of CIECH S.A., SODA MAŁTWY S.A. and JANIKOSODA S.A. on the merger of CIECH S.A., SODA MAŁTWY S.A. and JANIKOSODA S.A.These plans were published in "Monitor Sądowy i Gospodarczy" No 172/2012 (4037) of September 5th, 2012 under item 11803 for SODA MAŁTWY S.A. and under item 11805 for JANIKOSODA S.A. The information was announced in Current Reports no. 31 of August 28th, 2012 and no. 36 and 37 of September 21st, 2012. These plans were approved by the Extraordinary Meeting of Shareholders of CIECH S.A. on November 27th, 2012. The next step was recording by the court of the reduction in share capital of JANIKOSODA S.A. and SODA MAŁTWY S.A. and registration of spin-off by separation. On January 21st, 2013, the District Court, 13th Economic Division, registered the reduction in share capital of JANIKOSODA S.A. On January 25th, 2013, the reduction in share capital of SODA MAŁTWY S.A. was registered and that was the date, on which the spin-off by separation of JANIKOSODA S.A. and SODA MAŁTWY S.A. was registered in the National Court Register (KRS) and, consequently, the date of the spin-off of soda divisions and their incorporation with CIECH S.A. The spin-off by separation was executed under Article 529 § 1 item 4) of the Commercial Companies Code by transferring part of assets of the divided companies, i.e. SODA MAŁTWY S.A. and JANIKOSODA S.A. to CIECH S.A. as the acquiring company. At the same date, the court registered the increase in share capital of CIECH S.A. by two registered shares granted to minority shareholders JANIKOSODA S.A. and SODA MAŁTWY S.A. for 1 share of JANIKOSODA S.A. and 1 share of SODA MAŁTWY S.A. that were cancelled as a result of the registration of spin-off by separation. The settlement of the merger made in 2013 generated a deferred tax asset amounting to approx. PLN 63 million. The asset will be recognised in the financial statements for 2013.
- On November 28th, 2012, Ciech Group Financing AB (publ) issued secured bonds amounting to EUR 245,000 thousand. The bonds were offered and sold in accordance with Rule 144 A and Regulation S of the US Securities Act.

On December 5th, 2012, CIECH S.A. issued secured bearer bonds governed by the Polish law, denominated in PLN:

- Series 01 of the total nominal value of PLN 160,000 thousand with an option of an early buy-out by CIECH S.A. prior to the maturity date thereof, i.e. after 18 or 42 months after the issue date, with maturity date at December 5th, 2017;
- Series 02 of the total nominal value of PLN 160,000 thousand without an option of an early buy-out by CIECH S.A., with maturity date at December 5th, 2017.

On December 6th, 2012, CIECH S.A. issued unsecured registered bonds series W, governed by the law of Poland, denominated in EUR, maturing on November 29th, 2019, acquired by Ciech Group Financing AB (publ). Proceeds from the issue were allotted for the following among others:

- repayment of loans granted among others to Ciech SA under the loan agreement of February 10th, 2011,
- repayment of loans granted to Sodawerk Stassfurt GmbH & Co. KG and Sodawerk Holding Stassfurt GmbH in accordance with the loan agreement of January 23rd, 2008.

Detailed information on the bond issue was presented in item II 2.8. hereof.

- Bonds denominated in EUR with the maturity date in 2019 issued by Ciech Group Financing AB (publ), a subsidiary of CIECH S.A., have been admitted to trading on the Luxembourg Stock Exchange. The date of first listing of the Bonds was December 19th, 2012.
- Pursuant to the Resolution of the Management Board of BondSpot SA of December 21st, 2012, 01 and 02 Bonds of CIECH S.A., on the issue of which CIECH S.A. reported in current report no. 62/2012 of December 5th, 2012, have been introduced to the Catalyst Alternative Trading System.

#### Soda Segment:

- By February 1st, 2012, Sodawerk Staßfurt complied with all the conditions precedent of the agreement of December 16th, 2011 regarding tenancy of heat and power plant concluded between Sodawerk Staßfurt GmbH&Co. KG and KWG-Kraftwerksgesellschaft Staßfurt GmbH and Vasa Kraftwerke-Pool GmbH&Co. KG, referred to in Current Report No 74/2011. Conditions precedent of the agreement were as follows:
  - ✓ Obtaining permission from the federal antitrust office to conclude agreement covered by notarial deed.
  - ✓ Obtaining corporate consent of the VASA partners.
  - ✓ Issuance of letters of awareness by CIECH S.A. concerning the lease rental payments since January 2012 and the VASA claims arising from the current electricity supply contract for the November and December of 2011, as well as the agreed payment of EUR 3 million at March 31st, 2012 (the date of payment was prolonged until May 2nd, 2012, i.e. 3 months from the date of compliance with conditions precedent. The company paid EUR 500 thousand on May 2nd, 2012 and achieved a further prolongation of the payment of EUR 2.5 million until August 20th, 2012. The liability was paid on that date).
  - ✓ Release of collaterals by Unicredit Bank AG held on contracts acquired from VASA by KWG and SWS.

On January 1st, 2012, on the basis of the Tenancy Agreement KWG (an indirect subsidiary of CIECH S.A.) started managing the heat and power plant on its own account which specifically regards gas purchase, electric energy sale and conducting repair policy. The expected effect of signing of the agreement is an improvement in the profitability of the Soda Deutschland Ciech Group. Annual improvement of EBITDA by approx. EUR 15 million and cash savings of approx. EUR 3 million for 2012. Depreciation amounts to approx. EUR 5 million p.a. Tenancy fee amounts to net EUR 13 million p.a. and is paid in 12 equal monthly instalments on the last day of each month, of which approx. 5 million p.a. is charged to financial costs. Through the agreement a single impact (in the amount of EUR 5.4 million) on the profit has been recognised, connected with the updating of the book value of the heat and power plant. In connection with the lease of the heat and power plant, renegotiation of the credit agreement had to be conducted between Soda Deutschland Ciech and Commerzbank referred to in the current report of the Issuer No 75/2011. As a result of it financial costs of German companies increased by approx. EUR 1 million p.a. The information was announced in Current Report no. 6/2012 of February 2nd, 2012.

#### Organic segment:

- On October 1st, 2012, the agreements for loans granted by CIECH S.A. to the subsidiary ZACHEM S.A., referred to in current reports no. 62/2010 dated October 28th, 2010 and 30/2011 dated April 28th, 2011, were terminated. At the same time CIECH S.A. accepted an offer to acquire 23,000,000 B series shares issued under a private placement by ZACHEM S.A. at the nominal price of PLN 10 per share and to pay up the increased capital by way of offsetting CIECH S.A.'s liabilities due to the borrowings granted to ZACHEM S.A. in the amount of PLN 23,000 thousand. Recapitalisation of ZACHEM S.A. is a part of the restructuring program of this company.
- On October 12th, 2012, the CIECH S.A. subsidiary, ZACHEM S.A., submitted a termination notice for the agreement on supply of amine (TDA) concluded with Air Products Chemical Europe B.V. and Air Products, LLC (both companies hereinafter jointly referred to as "Air Products"), information on which was provided by CIECH S.A. in current reports no. 63/2007 and 4/2010, and called Air Products to remedy the breach of the agreement within 60 calendar days following the date of receipt of the termination notice. The reason for terminating the agreement was the breach of relevant provisions of the agreement by Air Products, among others, by way of cessation of supplies of amine (TDA) from the factory in Pasadena, actual transfer of TDA supply obligations to Bayer and the failure to assure ZACHEM S.A. about the possibility of subsequent performance of amine (TDA) supplies from the factory in Pasadena. Amine is used in the production of TDI.

The agreement was terminated on December 12th, 2012, i.e. after 60 calendar days following the date of Air Products receiving the termination notice from ZACHEM S.A. due to the fact that Air Products failed to remedy the breach of the agreement.

- On December 14th, 2012, CIECH S.A. was notified by ZACHEM S.A. that the amine (TDA) supply agreement with Air Products had expired.
- Air Products filed a motion to secure pecuniary claims against ZACHEM S.A. in the amount of US \$ 98,609 thousand (PLN 306,033 thousand according to the average exchange rate of the National Bank of Poland of December 17th, 2012). This claim supposedly results from unjustified termination of the agreement for the supply of amine (TDA) of which CIECH S.A. reported in current reports no. 40/2012 and no. 68/2012. The Air Products' motion to secure pecuniary claims was dismissed in its entirety by a decision of the Regional Court in Bydgoszcz, 8th Economic Division, of November 27th, 2012, file no. VIII GCo 79/12 due to the fact that Air Product failed to support the claims that were to be secured. Subsequently, the Court of Appeal in Gdańsk, 5th Civil Division, by its decision of February 13th, 2013, file reference no. V ACz 21/13, found the position of the Court of first instance, which dismissed the motion of Air Products for granting of an injunction securing the claim, to be correct. Thereby, the procedure was finally completed with a refusal to grant an injunction securing the claim.
- On January 7th, 2013, ZACHEM S.A., a subsidiary of CIECH S.A., was notified by the International Chamber of Commerce in Paris of the initiation of arbitration proceedings against ZACHEM S.A. The statement of claim seeks payment of US \$ 98,609 thousand and additional compensation in an amount not defined in the statement of claim Air Products based their claim on ZACHEM S.A.'s allegedly unjustified and unlawful termination of an amine (TDA) supply contract. CIECH S.A. considers the claim to be unfounded. In CIECH S.A.'s opinion, Air Products is not entitled to pursue a claim for payment against ZACHEM S.A., because ZACHEM S.A. effectively served a notice of termination of the Contract and the Contract was terminated in accordance with the terms thereof. The reason for its termination was the cessation of supplies of amine (TDA) from the factory in Pasadena, actual transfer of TDA supply obligations to Bayer and Air Products' failure to assure ZACHEM S.A. about the possibility of subsequent performance of amine (TDA) supplies in accordance with the contract.
- On October 30th, 2012 CIECH S.A. and the State Treasury signed an annexe no. 5 to the Agreement for sale of shares of ZACHEM S.A. of March 29th, 2006 ("Privatisation Agreement"), on the conclusion of which the Issuer reported in current report no. 27/2006. Pursuant to the Privatisation Agreement, the CIECH S.A. was obliged to perform so-called guaranteed investments in ZACHEM S.A. in the amount of PLN 176,120 thousand. Guaranteed investments were completed on June 30th, 2012 and the guaranteed investments performed as of that day amounted to PLN 176,130 thousand. Signing the annexe no. 5 enabled the final settlement of the performance by CIECH S.A. of all the obligations under the Privatisation Agreement, including the performance of guaranteed investments in ZACHEM S.A. Pursuant to the annexe no. 5 to the Privatisation Agreement, CIECH S.A. undertook, among others, to: increase the share capital of ZACHEM S.A. by PLN 230,000 thousand through an acquisition of a new issue in the increased share capital of ZACHEM S.A. (CIECH S.A. reported on increasing the share capital of ZACHEM S.A. in current report no. 38/2012). An agreement concluded by the CIECH S.A. and ZACHEM S.A. on October 11th, 2012 constitutes an integral part of the annexe no. 5 to the ZACHEM Privatisation Agreement. In this agreement, CIECH S.A. undertook to finance employee obligations with respect to the employees of ZACHEM S.A. to the maximum amount of PLN 33,600 thousand and finance remedying damage in the natural environment with respect to properties owned or held by ZACHEM S.A. to the maximum amount of PLN 29,300 thousand provided that conditions specified in that agreement are met.
- On November 2nd, 2012, CIECH S.A. submitted the "Final Report of the Buyer for the period between December 20th, 2012 and October 31st, 2012 on the performance of obligations under the Agreement for the sale of shares of ZACHEM S.A. of March 29th, 2006, i.e. the Privatisation Agreement, on the conclusion of which CIECH S.A. reported in current report no. 27/2006. The Final Report of the Buyer in the scope of the performance of financial obligations was drawn up for the period between December 20th, 2006 and June 30th, 2012, while in the scope of other obligations arising from the Privatisation Agreement for the period between December 20th, 2006 and October 31st, 2012, i.e. as of the last day of the month during which the last obligation under the Privatisation Agreement was performed. Together with the Final Report of the Buyer, a report of the certified auditor was submitted in which the auditor verified the compliance of the statements made in the Final Report of the Buyer with facts in terms of the criteria resulting from the Privatisation Agreement. Submission of the Final Report of the Buyer is equivalent to finalising the Privatisation Agreement. The State Treasury did not exercise its right to audit the Final Report of the Buyer, to which it was authorised during 3 months from its delivery. Finalisation of the Privatisation Agreement meant, at the same time, that it is no longer necessary to obtain a consent of the State Treasury, represented by the Minister of Treasury, to close the transaction carried out under the Agreement for Sale and Transfer of TDI Assets, on the conclusion of which CIECH S.A. reported in current report no. 41/2012. A consent of the State Treasury was specified in the Agreement for Sale and Transfer of TDI Assets as one of conditions precedent of the transaction due to the requirement formulated by the provisions of the Privatisation Agreement.
- On 25 January 2013 CIECH S.A received via the District Court for Warszawa-Śródmieście a document sent from a Federal District Court for the Eastern District of Pennsylvania containing a motion for service the CIECH S.A with a statement of claim of Air Products LLC in a case initiated by Air Products against the Issuer before the USA Court. The prayer for relief of the Statement of Claim encompasses primarily:
  - holding CIECH S.A. liable to Air Products on the claims asserted in the statement of claim,
  - awarding Air Products damages in an amount to be proven at trial and in excess of US \$ 75 thousand,
  - awarding Air Products exemplary damages on account of willful and otherwise culpably wrong conduct of the Issuer.

According to a copy of the Statement of Claim serviced to the Issuer, Air Products bases its claims on the assertions as to the alleged fraudulent actions of CIECH S.A. aimed at leading Air Products to price concessions concerning the amine supply contract between Air Products LLC and Air Products Chemical Europe B.V. with a subsidiary of CIECH S.A., ZACHEM S.A., and as to alleged tortious interference of CIECH S.A. in the contractual relationship between Air Products LLC and ZACHEM S.A. Air Products LLC supposedly incurred damage in the amount of US \$ 16 million (equivalent of PLN 49.9 million according to the average exchange rate of the National Bank of Poland of January 25th, 2013) in form of price concessions and damage for lost profit in the amount of not less than US \$ 98 million (equivalent of PLN 305.6 million according to the average exchange rate of the National Bank of Poland of January 25th, 2013).

CIECH S.A. considers the claim to be entirely unfounded. In the opinion of CIECH S.A., Air Products LLC seeks to obtain unjustified benefits relating to the termination of an amine (TDA) supply contract concluded between Air Products LLC and Air Products Chemical Europe B.V. and ZACHEM S.A. The Contract was effectively terminated by ZACHEM S.A. due to the fault of Air Products and the reason for its termination was, i.a., discontinuation of the delivery of amine (TDA) from a plant in Pasadena, actual transfer of TDA supply obligations to Bayer and failure to assure on the possibility of continuation of the delivery of amine (TDA) in accordance with the provisions of the Contract CIECH S.A. did not commit any actions alleged by the Air Products LLC in the Statement of Claim, in particular it did not conduct any illegal actions in terms of facts and business relations, covered by the Statement of Claim. Moreover, CIECH S.A. believes that the USA Court has no jurisdiction as to CIECH S.A. due to the lack of sufficient relationship between CIECH S.A. and the territory of the United States of America.

#### **Agricultural chemicals segment:**

- On January 31, 2013 CIECH S.A. and Alwernia Invest Sp. z o.o. entered into a preliminary agreement for the sale of 2,277,431 shares representing 99.62% of the share capital of CIECH S.A.'s subsidiary, Alwernia S.A. The preliminary share sale agreement is conditional and depends on consent of UOKiK (Office of Competition and Consumer Protection) and repayment of borrowings granted by CIECH S.A. to Alwernia S.A. accounting for approximately PLN 14.2 million. The Company's share sale price accounts for US \$ 13.4 million. The part of the price will be split into instalments including the interests for deferred payments.

#### **Corporate Centre:**

- On January 19th, 2012, the Extraordinary General Meeting of CIECH S.A. dismissed the following Members of the CIECH S.A. Supervisory Board:
  - ✓ Jacek Goszczyński,
  - ✓ Krzysztof Salwach.Moreover, on January 19th, 2012, the Extraordinary General Meeting of CIECH S.A. appointed the following Members of the CIECH S.A. Supervisory Board:
  - ✓ Dariusz Krawczyk,
  - ✓ Mariusz Obszyński.
- On April 26th, 2012, the Extraordinary General Meeting of CIECH S.A. appointed the following Members of the CIECH S.A. Supervisory Board:
  - ✓ Zygmunt Kwiatkowski,
  - ✓ Maciej Lipiec.Moreover, on April 26th, 2012, the Extraordinary General Meeting of Shareholders of CIECH S.A. dismissed from the Management Board of CIECH S.A.:
  - ✓ Ryszard Kunicki – President of the Management Board,
  - ✓ Andrzej Bąbaś – Member of the Management Board,
  - ✓ Rafał Rybkowski – Member of the Management Board.On April 27th, 2012, the Supervisory Board of CIECH S.A. adopted a resolution to delegate the Members of the Supervisory Board: Dariusz Krawczyk – to act temporarily as President of the CIECH S.A. Management Board until the General Meeting supplements the composition of the Management Board to the minimum number specified in Articles of Association of CIECH S.A., but no longer than for three months, and Maciej Lipiec to act temporarily as Member of the CIECH S.A. Management Board until the General Meeting supplements the composition of the Management Board to the minimum number specified in Articles of Association of CIECH S.A., but no longer than for three months.
- On May 28th, 2012, the Extraordinary General Meeting of CIECH S.A. appointed the following Members of the CIECH S.A. Management Board:
  - ✓ Dariusz Krawczyk – as President of the Management Board of CIECH S.A.
  - ✓ Andrzej Kopec – as Member of the Management Board of CIECH S.A.
- On May 28th, 2012, Dariusz Krawczyk resigned from the post of Member of the Management Board of CIECH S.A. due to his appointment as President of the Management Board of CIECH S.A.
- On May 24th, 2012, the CIECH S.A. Supervisory Board adopted the resolution on the appointing the KPMG Audyty Sp. z o.o., with its seat in Warsaw, ul. Chłodna 57, registered in the register of entities authorized to audit financial statements kept by the National Council of Statutory Auditors under no. 458, as a statutory auditor to audit the Financial Statement of CIECH S.A. for 2012 and the Consolidated Financial Statements of Ciech Capital Group for 2012. The Supervisory Board authorized the CIECH S.A. Management Board to conclude an agreement with KPMG Audyty Sp. z o.o. KPMG Audyty Sp. z o.o. provided audit services to CIECH S.A. and the Ciech Capital Group for the year 2011. Earlier cooperation between CIECH S.A. and the KPMG Audit Sp. o.o.

took place in 2008. The scope of services included counselling for the consolidation and accounting for business transactions in accordance with the International Financial Reporting Standards.

- On May 30th, 2012, CIECH S.A. withdrew from the conditional agreement on the sale of shares of POLFA Sp. z o.o. concluded with Invest Pharma Sp. z o.o. with its seat in Warsaw on July 15th, 2011. The withdrawal was caused by the failure to fulfil the condition of securing funds for the payment of the Sale Price by Invest Pharma and the failure to prove that such amount was secured.
- On June 29th, 2012, CIECH S.A. concluded a conditional agreement on the sale of shares of POLFA Sp. z o.o. with BM Medical S.A. The conclusion of the transaction required that:
  - ✓ CIECH S.A. receives from the Bank Consortium a document proving the withdrawal of POLFA Sp. z o.o. from the Loan Agreement.
  - ✓ BM Medical S.A. secures funds to pay the Sale Price and proves that such amount was secured.
  - ✓ CIECH S.A. receives a document from the bank proving that a bank deposit was opened in that bank in the amount of the borrowings and makes an instruction to irrevocably block funds in the amount of the borrowings.
  - ✓ BM Medical S.A. presents up-to-date statements on no arrears in payments of taxes, social security contributions and other statutory benefits by POLFA Sp. z o.o.

On September 17th, 2012, the transaction was completed.

- On August 29th, 2012, an Extraordinary General Meeting of CIECH S.A. took place, and its agenda covered, among other points:
  - ✓ Submission of the CIECH S.A. Management Board's motion concerning the issue of collateralised domestic bearer bonds up to the value of PLN 500,000 thousand.
  - ✓ Submission of the CIECH S.A. Management Board's motion concerning the issue of collateralised foreign bearer bonds up to the value of EUR 300,000 thousand.
  - ✓ Submission of the Management Board's motion concerning a change in the Articles of Association of CIECH S.A.
  - ✓ Adoption of resolutions concerning the issue of collateralised bearer bonds:
    - to a maximum value of PLN 500,000 thousand (domestic bonds),
    - to a maximum value of EUR 300,000 thousand (foreign bonds).
  - ✓ Adoption of resolutions concerning a change in the Articles of Association of CIECH S.A. and the authorisation of the CIECH S.A. Supervisory Board to compile the consolidated text of the changed Articles of Association of CIECH S.A.

All resolutions on the agenda were adopted. Detailed information was announced in Current Report no. 32 of August 29th, 2012.

- On October 15th, 2012, CIECH S.A. concluded an annex and a restatement and standardisation agreement to the loan agreement concluded by CIECH S.A. on February 10th, 2011 with Bank DnB NORD Polska S.A., Bank Handlowy w Warszawie S.A., Bank Millennium S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., ING Bank Śląski S.A. and Powszechna Kasa Oszczędności Bank Polski S.A., described in the current report no. 12/2011. The above mentioned annex and restatement and standardisation agreement amended the loan agreement in the following way:
  - ✓ extension of the final loan repayment period until January 31st, 2017;
  - ✓ changed schedule of principal instalment repayment with regard to fixed-term loans;
  - ✓ changed mechanism of calculation of margins on the loans granted;
  - ✓ changed provisions regarding the level of financial ratios which CIECH S.A. is obliged to keep: (i) replacement of the previous debt service coverage ratio (DSCR) with a standardised ratio, and (ii) change in the level of the net financial leverage ratio;
  - ✓ introduction of an obligation with regard to annual limits for capital expenditure of CIECH S.A. and significant companies of the Ciech Group; and
  - ✓ annulment of exposure due to the investment loan granted by the European Bank for Reconstruction and Development connected with expiration of all the rights and obligations of the European Bank for Reconstruction and Development under the above mentioned loan agreement.

Loans released under loan agreement of February 10th, 2011 were repaid in full on December 6th, 2012 from the proceeds from the issue of bonds executed by the Company.

- On December 6th, 2012 unsecured A series bearer bonds issued by CIECH S. A. in December 2007 were bought out early for redemption by CIECH S. A. On November 23rd, 2012 CIECH S.A. submitted a proposal of early buyout of the Existing Bonds of the total nominal value of PLN 300,000 thousand to all A series bond holders. The Existing Bonds were bought out by CIECH S.A. on December 6th, 2012 upon the payment by CIECH S.A. of the price for the purchase of the Existing Bonds, which according to the proposal to purchase Existing Bonds was to take place within 2 working days from the settlement in the National Depository for Securities of 01 and 02 series secured bearer bonds issued by CIECH S.A. in the amount of PLN 320,000 thousand on December 5th, 2012, but in any case not later than on December 7th, 2012. CIECH S.A., within early buy-out of A series bonds, purchased 2,850 Existing Bonds having the total nominal value of PLN 285,000 thousand at a price equivalent to the nominal value thereof, i.e. PLN 100 thousand per each Existing Bond plus interest accrued though not paid until the day preceding the buyout of the Existing Bonds (i.e. until December 5th, 2012 inclusive). With the early buy-out CIECH S.A. commenced the procedure of redeeming A series bonds. CIECH S.A. purchased the Existing Bonds before the maturity date thereof set on December 14th, 2012 in accordance with the terms and conditions of the issue of Existing Bonds in order to optimise the financial expenses of the Ciech Group. Other A series bonds which bond holders did not agree to



sell prior to the maturity date of the total nominal value of PLN 15,000 thousand were bought out and redeemed on the maturity date of the A series bonds, i.e. on December 14th, 2012.

## 2. A description of achievements of the Ciech Group in the period between January 1st and December 31st, 2012 and a description of factors and events that have a significant impact on the financial result

### 2.1 Basic financial figures

During four quarters of 2012, the Ciech Group generated net profit amounting to PLN -455,345 thousand, the balance sheet total amounted to PLN 3,704,443 thousand and net cash decreased by PLN 57,180 thousand.

The table below presents selected financial figures and basic financial ratios for the four quarters of 2012 and 2011.

#### Selected figures

PLN '000	01.01.- 31.12.2012	including discontinued operations	01.01.- 31.12.2011	including discontinued operations	Change 2012/2011
<b>Net revenue from sales</b>	<b>4,377,952</b>	<b>991,047</b>	<b>4,174,486</b>	<b>1,221,734</b>	<b>4.9%</b>
Cost of sales	(3,781,457)	(907,284)	(3,613,807)	(1,133,522)	4.6%
Gross profit on sales	596,495	83,763	560,679	88,212	6.4%
Selling costs	(276,375)	(54,229)	(276,019)	(59,156)	0.1%
General and administrative expenses	(202,401)	(48,022)	(213,596)	(62,097)	(5.2%)
Other operating revenue / expenses	(301,951)	(238,330)	47,651	(12,500)	-
<b>Operating profit</b>	<b>(184,232)</b>	<b>(256,818)</b>	<b>118,715</b>	<b>(45,541)</b>	-
Financial income/expenses	(259,248)	(24,292)	(110,131)	(32,109)	<b>(135.4%)</b>
Share of net results of subsidiaries evaluated using the equity method	744	(57)	46	(86)	1,517.4%
Income tax	(9,946)	(20,701)	4,586	12,073	-
Result on sales attributable to discontinued operations	(2,663)	(2,663)	(11,715)	(11,715)	77.3%
<b>Net profit/loss</b>	<b>(455,345)</b>	<b>(304,531)</b>	<b>1,501</b>	<b>(77,378)</b>	-
Net result attributed to non-controlling interest	(5,882)	(2,949)	342	(2,639)	-
<b>Net profit/loss attributable to shareholders of the parent</b>	<b>(449,463)</b>	<b>(301,582)</b>	<b>1,159</b>	<b>(74,739)</b>	-
EBITDA	52,436	(225,837)	340,824	(3,450)	(84.6%)
<i>EBITDA normalised with voids*</i>	<i>414,240</i>	<i>x</i>	<i>327,442</i>	<i>x</i>	<i>26.5%</i>

\*Excluding one-off events, the most important of which were described under II.2.3.

PLN '000	31.12.2012	31.12.2011	Change 2012/2011
<b>Assets</b>	<b>3,704,443</b>	<b>4,075,196</b>	<b>(9.1%)</b>
Fixed assets	2,526,406	2,685,892	(5.9%)
Current assets, including:	1,178,037	1,389,304	(15.2%)
- inventory	279,126	356,619	(21.7%)
- current receivables	709,181	828,358	(14.4%)
- cash and cash equivalents	81,177	145,805	(44.3%)
- short-term investments	946	1,505	(37.1%)
- assets held for sale	107,607	57,017	88.7%
<b>Total equity</b>	<b>862,105</b>	<b>1,315,131</b>	<b>(34.4%)</b>
Equity attributable to shareholders of the parent	866,704	1,317,151	(34.2%)
Non-controlling interest	(4,599)	(2,020)	127.7%
Non-current liabilities	1,799,717	685,214	162.7%
<b>CURRENT LIABILITIES</b>	<b>1,042,621</b>	<b>2,074,851</b>	<b>(49.7%)</b>

PLN '000	01.01.-31.12.2012	01.01.-31.12.2011	Change 2012/2011
Net cash flows from operating activity	107,079	(19,334)	-
Net investment cash flow	(296,179)	(63,660)	365.2%

PLN '000	01.01.-31.12.2012	01.01.-31.12.2011	Change 2012/2011
Net cash flows from financial activity	131,920	19,301	583.5%
<b>Total net cash flows</b>	<b>(57,180)</b>	<b>(63,693)</b>	<b>(10.2%)</b>
<b>including free cash flows</b>	<b>(189,100)</b>	<b>(82,994)</b>	<b>127.8%</b>
	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>Change 2012/2011</b>
<b>Net profit/loss per share</b>	<b>(8.53)</b>	<b>0.02</b>	<b>(8.55) p.p.</b>
Net return	(10.4%)	0.04%	(10.44) p.p.
EBIT %	(4.2%)	2.8%	(7.0) p.p.
EBITDA %	1.2%	8.2%	(7.0) p.p.
Normalised EBITDA %*	9.5%	7.8%	1.7 p.p.

\*Excluding one-off events, the most important of which were described under II.2.3.

Source: CIECH S.A.

#### Calculation principles:

**net earnings per share** – net earnings / weighted average number of ordinary shares in the given period (pursuant to the definition of IAS 33 "Earnings per share")

**net return** – net profit for a given period / net revenues from sales of products, services, goods and materials in a given period,

**EBIT %** – operating profit for a given period / net revenues from sales of products, services, goods and materials in a given period,

**EBITDA %** – (operating profit + depreciation for a given period) / net revenues from sales of products, services, goods and materials in a given period,

## 2.2 Sales revenue

Consolidated net sales of Ciech Group in 2012 amounted to PLN 4,377,952 thousand. In comparison with the same period in the previous year, net sales increased by PLN 203,466 thousand, i.e. 4.9%. The increase was mainly due to:

- increased revenues from sale of soda ash in the soda segment – increased prices on European markets,
- persistence of high prices of sulphur.

The agrochemical segment generated lower revenues compared to 2012, which is related to the sale of shares in FOSFOR Group (involved in the production and sale of fertilisers) completed in 2011.

The activity of the Ciech Group concentrates on four main segments: soda, organic, agrochemical, silicates and glass. These segments generated in total 97% of the Group's sales revenues. The structure of revenue, by business segment, has not changed in comparison with the same period of the previous year. The greatest share in the revenues for the four quarters of 2012 is attributed to the sales of soda segment products. It is the effect of higher volumes and higher prices of soda ash reached in this year.

In comparison with 2011, the level of sales rose in each segment except the agrochemical segment (the comparable period includes the data of the FOSFOR Group sold in April 2011).

#### Sales revenue by business segment

PLN '000	Four quarters of 2012	Four quarters of 2011	Change	Change %	% share in total revenue for four quarters of 2012	% share in total revenue for four quarters of 2011
<b>Soda segment, including:</b>	<b>1,925,552</b>	<b>1,681,430</b>	<b>244,122</b>	<b>14.5%</b>	<b>44.0%</b>	<b>40.3%</b>
Dense soda ash	1,094,632	968,764	125,868	13.0%	16.3%	23.2%
Light soda ash	344,044	313,147	30,897	9.9%	5.1%	7.5%
Salt	151,582	147,016	4,566	3.1%	2.3%	3.5%
Baking soda	119,769	108,245	11,524	10.6%	1.8%	2.6%
Calcium chloride	21,139	34,124	(12,985)	(38.1%)	0.3%	0.8%
<b>Organic segment, including:</b>	<b>1,658,062</b>	<b>1,548,487</b>	<b>109,575</b>	<b>7.1%</b>	<b>37.9%</b>	<b>37.1%</b>
TDI	553,868	426,975	126,893	29.7%	8.3%	10.2%
Resins	467,515	469,007	(1,492)	(0.3%)	7.0%	11.2%
Polyetherane foams	202,986	208,159	(5,173)	(2.5%)	3.0%	5.0%
Plant protection chemicals	176,225	129,123	47,102	36.5%	2.6%	3.1%
Plastics	42,154	64,975	(22,821)	(35.1%)	0.6%	1.6%
EPI	57,435	89,722	(32,287)	(36.0%)	0.9%	2.1%
<b>Agricultural chemicals segment, including:</b>	<b>229,241</b>	<b>378,753</b>	<b>(149,512)</b>	<b>(39.5%)</b>	<b>5.2%</b>	<b>9.1%</b>
Fertilisers	71,095	158,939	(87,844)	(55.3%)	1.1%	3.8%
Phosphorus compounds	142,393	148,538	(6,145)	(4.1%)	2.1%	3.6%

PLN '000	Four quarters of 2012	Four quarters of 2011	Change	Change %	% share in total revenue for four quarters of 2012	% share in total revenue for four quarters of 2011
Chromium compounds	11,706	16,402	(4,696)	(28.6%)	0.2%	0.4%
<b>Silicates and glass segment, including:</b>	<b>435,559</b>	<b>315,452</b>	<b>120,107</b>	<b>38.1%</b>	<b>9.9%</b>	<b>7.6%</b>
Sulphur	263,202	150,561	112,641	74.8%	3.9%	3.6%
Glass blocks and packaging	89,556	87,900	1,656	1.9%	1.3%	2.1%
Sodium glass	53,775	52,007	1,768	3.4%	0.8%	1.2%
Sodium water glass	21,522	17,157	4,365	25.4%	0.3%	0.4%
<b>Other activities</b>	<b>129,538</b>	<b>250,364</b>	<b>(120,826)</b>	<b>(48.3%)</b>	<b>3.0%</b>	<b>6.0%</b>
<b>TOTAL, including:</b>	<b>4,377,952</b>	<b>4,174,486</b>	<b>203,466</b>	<b>4.9%</b>	<b>100%</b>	<b>100.0%</b>
<b>Discontinued operations</b>	<b>991,047</b>	<b>1,221,734</b>	<b>(230,687)</b>	<b>(18.9%)</b>	<b>22.6%</b>	<b>29.3%</b>

Source: CIECH S.A.

### 2.3 Profit/Loss on Sales and Operating Profit/Loss

After the fourth quarter of 2012, gross profit from sales amounted to PLN 596,495 thousand, compared to PLN 560,679 thousand in the corresponding period of last year. Operating result amounted to PLN -184,232 thousand and PLN 118,715 thousand in the comparable period.

#### The positive contributors to the presented profit were as follows:

- Maintained growth of sales in the domestic chemical industry in 2012, compared to the corresponding period of the previous year (as per fixed prices: ca. 7.0% in case of chemicals and chemical products and 0.2% for rubber products and plastics).
- Maintenance of soda ash prices in European markets at levels higher than in 2011 (between 7% and 8% for Western Europe).
- Stabilisation of European TDI prices at level higher than in the previous year (from several to over ten per cent in Western Europe).
- Continued high global market price level for sulphur.
- Signing of an agreement concerning the tenancy of a power heating plant by Soda Deutschland Ciech Group companies with Vasa Kraftwerke-Pool GmbH&Co. KG.

#### The negative contributors to the presented profit were as follows:

- Decrease in domestic sales of construction and assembly products: over 12 months of 2012 by -1% compared to a comparable period in the previous year (chemical industry generates many raw materials and intermediate products used for this production).
- A fall in electric energy prices and a rise of gas prices in Germany, which influence the production cost of soda ash in the Soda Deutschland Group.
- Weaker demand for soda ash on the European market as compared with the previous year (a slight decline in Western Europe, especially from manufacturers of flat glass, closing of several glassworks).
- Continued high level of oil prices resulting in high prices of raw materials for the organic industry and not favourable to improving the profitability of the organic segment of the Ciech Group.
- Low level of market prices of epoxy resins and epichlorohydrine in relation to the previous year (in Western Europe by more than ten percent).
- A downturn in the domestic furniture industry (compared to the previous year), which is the main recipient of polyurethane foams and (indirectly) TDI.

#### The presented results also take into account one-off events, including:

- Write-downs for impairment of fixed assets and other assets and provisions created in the companies of the Group.
- Soda Polska Ciech S.A. revenues from the transaction of exchanging EUA rights for CER certificates.
- Soda Polska Ciech S.A. revenues from the transaction of exchanging EUA rights for ERU certificates.

Moreover, the results include the valuation of investment property to fair value as a result of changes in the accounting policy.

The EBIT margin at the end of 2012 was -4.2 % (2.8% the year before), while the EBITDA margin was 1.2% (8.2% the year before). The EBIT margin excluding one-off events at the end of 2012 was 4.1% (2.5% the prior year), while the EBITDA margin excluding one-off events was 9.5% (7.8% the year before).

## 2.4 Financing activities and net result

Financial revenues for four quarters of 2012 amounted to PLN 10,096 thousand and recorded 70-per cent decrease compared to the corresponding period of the previous year, when they amounted to PLN 33,490 thousand.

**The area of financing activities was positively affected** by the balance of interest on cash in bank deposits and bank accounts.

Financial costs for four quarters of 2012 amounted to PLN 269,344 thousand and recorded more than 87-per cent rise compared to the corresponding period of the previous year, when they amounted to PLN 143,621 thousand.

### Negative contributors to the area of financing activities were as follows:

- Continuous substantial costs of servicing external debt, including interest for loans and bonds and financial leasing, which is associated with high external debt,
- negative balance of FX differences,
- As a result of an agreement between Soda Deutschland Ciech Group companies and VASA Kraftwerke – Pool GmbH&Co. concerning the tenancy of the power heating plant, a one-off impact on the SDC Group's result was recognised, connected with the revaluation of the book value of the heat and power plant in the amount of PLN 22,713 thousand (after taking into account the deferred tax, the impact on the net result was PLN -16,285 thousand).

Consolidated net profit for 4 quarters of 2012 amounted to PLN -455,345 thousand, whereby PLN -449,463 thousand is the controlling shareholders' net result. This result was influenced by an operating loss related mainly to the recorded write-downs on assets and provisions created in the companies of the Ciech Group. Moreover, the result on financial activities is also negative, and it was mostly influenced by debt servicing costs: interest and commissions on loans, borrowings and bonds.

The presented net loss includes also the impact of changes in accounting policy concerning the valuation of investment property, which was presented in other operating revenues, in the amount of PLN 10,619 thousand.

### Financial performance by type of business

PLN '000	01.01.-31.12.2012	01.01.-31.12.2011	Change 2012/2011
1. Operating profit/loss	(184,232)	118,715	-
2. Net financial revenues/costs	(259,248)	(110,131)	(135.2%)
3. Share in net profit of subsidiaries valued under the equity method	744	46	1,517.4%
4. Income tax	(9,946)	4,586	-
5. Profit/loss on sales attributable to discontinued operations	(2,663)	(11,715)	77.3%
<b>6. Net profit/loss (1+2+3+4+5)</b>	<b>(455,345)</b>	<b>1,501</b>	-
7. Result attributed to non-controlling shareholders	(5,882)	342	-
<b>8. Profit/loss attributable to controlling shareholders (6-7)</b>	<b>(449,463)</b>	<b>1,159</b>	-

Source: CIECH S.A.

## 2.5 Assets

At the end of 2012 the fixed assets of the Group amounted to PLN 2,526,406 thousand. As compared to the status as at December 31st, 2011, the value of non-current assets decreased by PLN 159,486 thousand which is related to write-downs for impairment of tangible fixed assets in the Ciech Group. On the other hand, the companies of the Group continue to implement the planned investment processes, which is reflected at the level of capital expenditures for tangible fixed assets, which amounted to ca. PLN 300 million.

The Group's current assets amounted to PLN 1,178,037 thousand as at December 31st, 2012. The following items dominated among the current assets: trade and other receivables – 59.9% of current assets, and inventory – 23.7%.

In comparison to the end of December 2011 the value of current assets decreased by PLN 211,267 thousand. The decrease is related to the sale in Q3 2012 of POLFA Sp. z o.o. whose assets were presented as assets held for sale, the negative balance of cash flows in 2012 and a decrease in inventory and trade receivables.

## 2.6 Liabilities

The Ciech Group's liabilities (non-current and current) as at December 31st, 2012 amounted to PLN 2,842,338 thousand, which is an increase in comparison with the end of December 2011 by PLN 82,273 thousand (i.e. 3.0%).

The total debt ratio (current and non-current liabilities / total assets) was 76.7% as at December 31st, 2012 (67.7% at the end of December 2011). The consolidated net debt of the Group calculated as the sum non-current and current liabilities due to loans, borrowings and other debt instruments (bonds + financial leasing + liabilities due to derivatives) decreased by cash and cash equivalents amounted to PLN 1,229,049 thousand as at December 31st, 2012 and increased in comparison with the balance as at the end of December 2011 by PLN 123,981 thousand.

The debt structure has substantially changed – due to the issue of long-term domestic and foreign bonds with maturity dates in 2017 and 2019, respectively, and repayment of short-term debt due to loans and bonds, the liquidity ratio increased from 0.67, as at the end of 2011 to 1.13 as at the end of 2012.

Information on liquidity ratios was included in item II.2.8 of this report, “Information about the Ciech Group’s financial standing”.

## 2.7 Cash flows

Net cash flows in 2012 were negative and amounted to PLN 57,180 thousand. As compared with the same period in the previous year, the Group generated cash flows higher by PLN 91,231 thousand. Cash flows from operating activities amounted to PLN 107,079 thousand and were higher than the ones generated in 2011 by PLN 126,413 thousand.

The surplus of investment expenditure over inflows amounted to PLN 296,179 thousand and was higher in relation to the same period in 2011 by PLN 232,519 thousand. The balance of cash flows from investment activities was influenced mainly by transactions of purchase and disposal of intangible assets and tangible fixed assets in SODA MAŹTWY Group, Z. Ch. „Organika – Sarzyna” S.A. in relation with the implemented development projects.

Net cash from financial activities was positive and amounted to PLN 131,920 thousand. However, in relation to the corresponding period of 2011, these were higher by PLN 112,619 thousand, which was a result of cash inflows generated in from the issue of domestic and foreign bonds and the repayment of debt due to loans.

## 2.8 Information about the Ciech Group’s financial standing

### Profitability in 2012

Sales profitability ratios for the Ciech Group in 2012 were at a higher level than the results achieved in 2011. The positive impact of the increase in soda ash prices is still visible in the soda segment and the organic segment also shows an upward trend in the prices of its main products. On the other hand, operating profit margin is negative due to write-downs for impairment of tangible fixed assets at the level of other operating activities.

### Return ratios of the Ciech Group

Details	01.01.-31.12.2012	01.01.-31.12.2011
Gross return on sales	13.6%	13.4%
Return on sales	2.7%	1.7%
Operating profit margin	(4.2%)	2.8%
EBITDA Profitability	1.2%	8.2%
Operating profit margin (normalised*)	4.1%	2.5%
Normalised EBITDA profitability*	9.5%	7.8%
Net return on sales (ROS)	(10.4%)	0.04%
Return on assets (ROA)	(12.3%)	0.04%
Return on equity (ROE)	(52.8%)	0.1%

\*Excluding one-off events, the most important of which were described under II.2.3.

#### Calculation principles:

**gross return on sales** – gross sales profit for a given period / net sales of products, services, goods and materials,

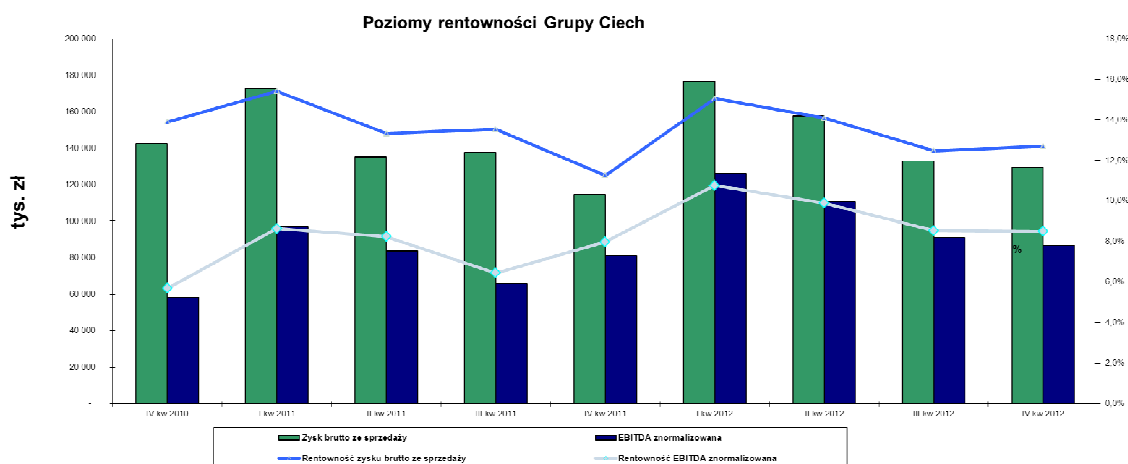
**return on sales** – sales profit for a given period / net sales of products, services, goods and materials,

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

**return on sales (ROS)** – net profit for a given period / net sales of products, services, goods and materials,

**return on assets (ROA)** – net profit / total assets at the end of a given period,

**return on equity (ROE)** – net profit for / total equity at the end of a given period.



Normalised EBITDA – excluding one-off events described in separate quarters

Source: CIECH S.A.

Term	Translation
Poziomy rentowności Grupy Ciech	Return ratios of the Ciech Group
tys. zł	PLN '000
Zysk brutto ze sprzedaży	Gross profit from sales
Rentowność zysku brutto ze sprzedaży	Gross return on sales
EBITDA znormalizowana	Normalised EBITDA
Rentowność EBITDA znormalizowana	Normalised EBITDA profitability
kw	quarter

### Liquidity of the Group and working capital

Liquidity ratios as of the end of 2012 strongly improved in comparison with 2011. The current ratio, calculated as the ratio of total current assets to total current liabilities, amounted to 1.13 as at December 31st, 2012 (0.67 at the end of 2011), while the quick ratio amounted to 0.86 (0.51 at the end of 2011). This was caused by the change in financing structure (repayment of short-term loan debt, incurring long-term debt from the issuance of bonds).

### Liquidity ratios of Ciech Group

Details	31.12.2012	31.12.2011
Current ratio	1.13	0.67
Quick ratio	0.86	0.51

#### Calculation principles:

**current ratio** – current assets / current liabilities at the end of a given period; measure of company's capability to cover its current liabilities with current assets.

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

### Ability to generate cash flows

Details	31.12.2012	31.12.2011
Financial surplus (net profit + amortisation)	(218,677)	223,610
Other net profit adjustments	355,312	(69,903)
<b>Adjusted financial surplus</b>	<b>136,635</b>	<b>153,707</b>
<b>Change in working capital</b>	<b>(29,556)</b>	<b>(173,041)</b>
Cash flows from operating activities	107,079	(19,334)
Cash flows from investment activities	(296,179)	(63,660)
<b>Free cash flows</b>	<b>(189,100)</b>	<b>(82,994)</b>

In 2012, the Ciech Group generated negative free cash flows, i.e. it was unable to finance its investment expenditure with cash flows created within its operating and divestment activities. The adjusted financial surplus did not reach the required level so as to allow for generating positive free cash flows.

Working capital, defined as the difference between current assets and current liabilities adjusted by appropriate balance sheet items (cash and short-term loans), as at the end of December 2012 amounted to PLN 68,145 thousand, which is a decrease by PLN 142,484 thousand compared to the end of 2011.

**Working capital of the Ciech Group**

Details	31.12.2012	31.12.2011
<b>1. Current assets, including:</b>	<b>1,178,037</b>	<b>1,389,304</b>
Inventory	279,126	356,619
Trade receivables	499,616	543,839
2. Cash and other short-term investments	82,123	147,310
<b>3. Adjusted current assets (1-2)</b>	<b>1,095,914</b>	<b>1,241,994</b>
4. Current liabilities, including:	1,042,621	2,074,851
Trade liabilities	521,120	588,780
5. Short-term loans and other current financial liabilities*	14,852	1,043,486
<b>6. Adjusted current liabilities (4-5)</b>	<b>1,027,769</b>	<b>1,031,365</b>
<b>7. Working capital including short-term loans (1-4)</b>	<b>135,416</b>	<b>(685,547)</b>
<b>8. Working capital (3-6)</b>	<b>68,145</b>	<b>210,629</b>

\*Other current financial liabilities include current financial lease liabilities + current liabilities on derivatives.

**Debt**

The current high level of debt results from the issue of domestic and foreign bonds in Q4 2012, described in details in item "Debt financing of the Group".

The debt rate increased from 67.7% to 76.7%. At the same time, the relative net debt level (net financial liabilities recognised under EBITDA) changed substantially as compared to the level of December 2011, due to, among others, write-downs for impairment of tangible fixed assets in the companies comprising the Ciech Group.

**Debt ratios of Ciech Group**

Details	31.12.2012	31.12.2011
Debt ratio	76.7%	67.7%
Long-term debt ratio	48.6%	16.8%
Debt to equity ratio	329.7%	209.9%
Equity to assets ratio	23.3%	32.3%
Net debt / EBITDA	23.4	3.2
Net debt / normalised EBITDA*	2.97	3.37

\*Excluding one-off events, the most important of which were described under II.2.3.

**Calculation principles:**

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

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

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

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

**Net debt** - liabilities on loans and borrowings raised plus current account debit and other debt instruments (financial lease (excluding sale and lease back) + liabilities on derivatives) less cash and cash equivalents.

**Debt financing of the Group**

Debt financing of the Group in the form of bonds and loan is secured mainly through:

- bonds issued by Ciech Group Financing AB (publ) – as at December 31st, 2012 the nominal debt amounted to EUR 245 million,
- bonds issued by CIECH S.A. – as at December 31st, 2012 the nominal debt amounted to EUR 320 million,
- loan provided to CIECH S.A. under the revolving loan agreement of November 6th, 2012 in the amount of PLN 100 million – as at December 31st, 2012, the debt amounted to PLN 0.

**Issue of foreign bonds on November 28th, 2012 by Ciech Group Financing AB (publ) – a subsidiary of CIECH S.A.**

On November 28th, 2012, Ciech Group Financing AB (publ) issued secured bonds amounting to EUR 245,000 thousand. The bonds were offered and sold in accordance with Rule 144 A and Regulation S of the US Securities Act.

Below is the information about the issue:

- issue value: EUR 245,000,000
- nominal value of one bond: EUR 100,000
- form of bonds: global note
- yield: fixed of 950 basis points a year
- yield payment: every six months
- maturity period: 7 years (November 30th, 2019)

Funds from the issue were earmarked for the acquisition of intragroup bonds of CIECH S.A. and, indirectly, for the repayment of loans granted to CIECH S.A. in accordance with the Loan Agreement of February 10th, 2011 and repayment of loans granted to Sodawerk Stassfurt GmbH & Co. KG and Sodawerk Holding Stassfurt GmbH.

The foreign bonds are secured with guarantees granted by CIECH S.A. and selected CIECH S.A.'s subsidiaries in Poland and Germany under the Indenture agreement of November 28th, 2012. Under the Indenture Agreement, each guarantor fully, unconditionally and irrevocably guarantees, as the main debtor, to each bondholder of foreign bonds on the rule of precedence total and immediate execution of all obligations of the issuer of bonds, including payment of the principal, premium, if there is any, as well as yield on account of bonds, as well as other obligations of the issuer with respect to the bondholders of foreign bonds and the trustee.

The Foreign bonds were also be secured with parallel debt ("Parallel Debt", created under the Agreement Between Creditors, in accordance with the description below) and material collateral established by CIECH S.A. as well as selected CIECH S.A. subsidiaries in Poland, Germany, Romania and Sweden.

**The bonds were admitted to trading on the Luxembourg Stock Exchange.**

**Issue on December 5th, 2012 of series 01 and 02 bonds governed by the law of Poland to the amount of PLN 320,000,000**

On December 5th, 2012, CIECH S.A. issued secured bearer bonds governed by the Polish law, denominated in PLN:

- Series 01 of the total nominal value of PLN 160,000 thousand with an option of an early buy-out by CIECH S.A. prior to the maturity date thereof, i.e. after 18 or 42 months after the issue date, with maturity date at December 5th, 2017;
- Series 02 of the total nominal value of PLN 160,000 thousand without an option of an early buy-out by CIECH S.A., with maturity date at December 5th, 2017.

Funds from the issue of series 01 and 02 bonds were earmarked mainly for early buyout, i.e. on December 5th, 2012, of A series bonds issued by CIECH S.A. on December 14th, 2007 (amount of PLN 285,000 thousand) and timely redemption, i.e. on December 14th, 2012, of the remaining amount of A series bonds (amount of PLN 15,000 thousand).

**Series 01 bonds were issued on the following terms and conditions:**

- issue value: PLN 160,000,000,
- nominal value of one bond: PLN 10,000,
- type of bonds: secured bearer bonds without the form of a document registered in the National Depository for Securities S.A.,
- yield rate (annual): WIBOR 6M plus a margin of 500 basis points,
- yield payment: every six months,
- the redemption date for Polish Bonds series 01 has been set on 60 months from the issue date of Polish Bonds, i.e. December 5th, 2017, however, Polish Bonds series 01 have an option of an early buyout by CIECH S.A. prior to the maturity date thereof, after 18 or 42 months after the issue date. They will be redeemed at nominal prices.

**Series 02 bonds were issued on the following terms and conditions:**

- issue value: PLN 160,000,000,
- nominal value of one bond: PLN 10,000,
- type of bonds: secured bearer bonds without the form of a document registered in the National Depository for Securities S.A.,
- yield rate (annual): WIBOR 6M plus a margin of 490 basis points,
- yield payment: every six months,
- the redemption date for Polish Bonds series 02 has been set on 60 months from the issue date of Polish Bonds, i.e. December 5th, 2017. The bonds will be redeemed at nominal prices.

The bonds series 02 are secured by sureties granted by selected subsidiaries of CIECH S.A. from Poland, Germany, Sweden and Romania. The maximum amount of the surety (with certain reservations concerning Z. Ch. „Organika-Sarzyna” SA, Alwernia S.A.) was set at the level of 155% of the total nominal value of all Polish Bonds. Sureties are unconditional and irrevocable and they cover obligations of original guarantors as well as future guarantors to make any payments on account of polish bonds to each and every bondholder of polish bonds, including in particular an obligation to pay the redemption amount of polish bonds, yields, premiums payable, interest for delays in payments as well as an obligation to pay other costs incurred by the bondholders in connection with pursuing their rights under polish bonds (including enforcement costs).

Additionally, Polish Bonds series 02 were indirectly secured by parallel debt created on the basis of the Intercreditor Agreement of November 28th, 2012 (as described below), however, the bondholders of Polish Bonds series 01 and 02 are able to use such security via a Security Agent on the rules determined in the Intercreditor Agreement provided that they accede to the agreement.

The bonds were introduced to the Catalyst Alternative Trading System

**Issue on December 6th, 2012 of intragroup bonds governed by the law of Poland up to EUR 245,000,000**



On December 6th, 2012, CIECH S.A. issued unsecured registered bonds series W, governed by the law of Poland, denominated in EUR, maturing on November 29th, 2019, acquired by Ciech Group Financing AB (publ).

Proceeds from the issue were allotted for the following among others:

- repayment of loans granted among others to Ciech SA under the loan agreement of February 10th, 2011,
- repayment of loans granted to Sodawerk Stassfurt GmbH & Co. KG and Sodawerk Holding Stassfurt GmbH in accordance with the loan agreement of January 23rd, 2008.

**Intragroup bonds were issued on the following terms and conditions:**

- Type of bonds issued: unsecured registered bonds issued in the form of a document,
- Quantity of bonds issued: 2,
- Value of the issue: EUR 245,000,000,
- Nominal value of the bonds: EUR 122,500,000,
- Issue price of the bonds: EUR 118,100,000 which is the nominal value of the bonds reduced by EUR 4,400,000,
- Yield rate (annual): fixed yield rate: 10.15% during the first yield period, during which yield will be paid on May 14th, 2013; and 9.6% in subsequent yield periods.
- Yield payment dates: May 14th and November 14th each year,
- Redemption terms and conditions: the redemption date for intragroup bonds has been set on November 29th, 2019 and intragroup bonds will be redeemed at the nominal value thereof augmented by unpaid yield, if any, however, intragroup bonds have an option of an early buyout by CIECH S.A. of intragroup bonds in cases specified in the bond term and conditions.

**Super Senior Revolving Credit Facility for the amount of PLN 100,000,000 of November 6th, 2012**

On November 6th, 2012, a Revolving Loan Agreement was signed by CIECH S.A. as the borrower, its subsidiaries as guarantors (Ciech Group Financing AB (publ), JANIKOSODA S.A., SODA MATWY S.A., Soda Polska Ciech SA., Alwernia S.A., Cheman S.A., Z. Ch. „Organika – Sarzyna” S.A., VITROSILICON S.A., TRASCLEAN Sp. z o.o. Ciech Pianki Sp. z o.o., Soda Deutschland Ciech GmbH, Sodawerk Holding Stassfurt GmbH, Sodawerk Stassfurt Verwaltungs-GmbH, Sodawerk Stassfurt GmbH & Co. KG) and Bank Handlowy w Warszawie S.A. (“the Loan Agent”), Bank Millennium S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., ING Bank Śląski S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. (jointly “the Lenders”).

The Revolving Loan Agreement provides financing for the Group’s working capital. The revolving facility may be used to:

- finance CIECH S.A.’s needs in terms of current liquidity,
- grant inter-group borrowings to companies,
- issue guarantees and letters of credit in connection with the operations of companies,
- finance recourse claims arising in connection with these guarantees and letters of credit.

The revolving loan may be used by:

- drawing tranches (in PLN),
- issuance of guarantees and letters of credit (in PLN, EUR, USD or other currency approved by the Lenders).

The maturity date of the loan was set to December 11th, 2015.

The loan interest rate is variable, determined based on WIBOR plus margin plus any mandatory costs.

The revolving loan is covered by guarantee and security package that is common with the foreign and domestic bonds, i.e.

- with parallel debt established for the Collateral Agent under an agreement between the creditors,
- sureties granted by selected subsidiaries of CIECH S.A. from Poland, Germany, Sweden and Romania. The maximum amount of the surety (with certain reservations concerning Z. Ch. „Organika-Sarzyna” SA, Alwernia S.A.) was set at the level of 155% of the revolving facility’s amount.

Under the Revolving Loan Agreement, CIECH S.A. and the Companies undertook to, among others, maintain levels of net financial leverage specified in the agreement (consolidated debt of the Ciech Group to consolidated EBITDA of the Ciech Group) tested in 6-month periods, starting from the period ending on June 30th, 2013.

**Security of claims on account of the Intercreditor Agreement**

Pursuant to the Intercreditor Agreement of November 28th, 2012, the following parallel debt was created:

- parallel debt of CIECH S.A.,
- parallel debt of the issuer of foreign bonds – Ciech Group Financing AB (publ),
- parallel debts of selected CIECH S.A.’s subsidiaries in Poland and Germany that granted sureties and guarantees.

Each parallel debt is an independent and separate claim of the Security Agent with respect to the relevant debtor. On the basis of each parallel debt, each of the entities referred to above is obliged to pay to Powszechna Kasa

Oszczędności Bank Polski SA ("the Security Agent") an amount being the sum of all liabilities of this entity under basic legal relationships covered by the intercreditor agreement:

1. in the case of CIECH S.A.:
  - secured bearer bonds up to PLN 320,000 thousand issued on December 5th, 2012;
  - guarantees of foreign bonds; and
  - the revolving loan agreement of November 5th, 2012 between Bank Handlowy w Warszawie S.A., Bank Polska Kasa Opieki SA, BRE Bank SA, ING Bank Śląski SA, Powszechna Kasa Oszczędności Bank Polski S.A., Bank Millennium S.A. and CIECH S.A. and some of the Ciech Group companies, under which the revolving loan of PLN 100,000 thousand was granted.
2. in the case of Ciech Group Financing AB (publ) – sureties for Polish bonds and sureties for the revolving loan agreement;
3. in the case of guarantors – sureties for Polish bonds, guarantees for foreign bonds and sureties for the Revolving Loan Agreement.

Liabilities of each debtor under the parallel debt (including Ciech SA) were secured by establishing a package of securities comprising:

1. Mortgages established on real properties of certain CIECH S.A.'s subsidiaries and CIECH S.A.,
2. Registered and financial pledges over shares in certain CIECH S.A.'s subsidiaries and Ciech Group Financing AB (publ),
3. Registered pledges over real properties and other assets of certain CIECH S.A.'s subsidiaries and CIECH S.A.,
4. Financial pledges over bank accounts of the subsidiaries and Ciech Group Financing AB (publ);
5. Registered pledges over intragroup bonds issued by CIECH S.A.,
6. Assignments of rights under insurance policies issued in relation to the assets that are subject of the security and conditional assignments of rights under intragroup borrowings and material commercial contracts of certain companies and CIECH S.A.,
7. Statements on the submission to execution by certain CIECH S.A.'s subsidiaries and CIECH S.A.,
8. Powers of attorney to access bank accounts of certain CIECH S.A.'s subsidiaries and CIECH S.A.

### 3. Seasonality and cyclicity of the operations of CIECH S.A. and the Ciech Group

Seasonality resulting from periodic demand and supply fluctuations has little impact on the general sales trends in Ciech Group. Products clearly influenced by seasonality include plant protection chemicals, fertilisers, and raw materials for fertiliser manufacture. Most plant protection chemicals are used in the first half of the year, i.e. the period of intensive plant growth, when approx. 90% of the total sale of these products is realised. Similarly, fertilisers are sold mainly at the turn of Q1 and Q2 and in Q3 of a year. This is due to intensive field fertilisation in spring and autumn. Furthermore, in the soda segment, a seasonal relationship between the volume of some products sold and the progress of winter can be observed. A mild winter is reflected in a decrease in the sale of calcium chloride and other products (anti-ice, salt and chloride mix, waste salt), while the influence on the sale of salt is indirect. In the case of other products, the Group's revenues and results are not influenced by any significant seasonal fluctuations during the business year.

On that account, seasonality plays a relatively small role in the Group's overall sales.

### 4. Fulfilment of profit forecasts previously published for a given year in light of the results disclosed in the quarterly report against the forecast results

The Ciech Group did not publish any forecasts for 2012.

### 5. Factors that influence the Ciech Group's results, with particular focus on the next quarter

#### 5.1 External factors

##### Situation in industries being the Ciech Group's recipients in Poland

Poland is the biggest selling market for the Ciech Group. The largest domestic recipients of the Group's products include: the chemical industry, plastics industry, glass industry and agriculture.

Development in these economic sectors depends on the economic situation in Poland. Sold industrial production in fixed price terms over 12 months of 2012 increased by 1.0% compared to the corresponding period of the previous year (analogous to a 7.7% increase in 2011). Similarly, the dynamics of the chemical industry indicated: in the production of chemicals and chemical products (excluding pharmacy) - an increase of 7.0% and in the production of rubber products and plastics - an increase of 0.2%.

After a significant acceleration of Polish economic growth in 2010-2011 (with an annual GDP growth of 4%) in the coming years a slowdown to 2–2.5% is expected. In 2012, the GDP growth is estimated at the level of 2.1-2.5%, whereas in 2013, at the level of 1.5-2.2%. A similar tendency should be expected in the chemical industry which usually develops in line with the whole economy.

### Economic situation in Europe and around the world

Group's business is largely based on the sales of chemical products on foreign markets. The volume and profitability of sales depend on the global economic situation in Europe and around the world. A global economic slump usually affects the demand for raw materials on international markets, thus reducing the export turnover of the Group.

In 2012, the largest countries in Asia (China and India) as well as countries of the ASEAN, Middle East and North Africa developed relatively fast. According to estimates by the International Monetary Fund, global GDP grew only by 3.2% in 2012, compared to 3.9% in 2011 and 5.1% in 2010. Compared with the global economy, only the euro area was characterised by a negative GDP growth of approximately -0.4% in 2012.

Forecasts for 2013 indicate a slight improvement in the economic situation in comparison with the previous year. The International Monetary Fund expects an acceleration of global GDP growth to 3.5%, and in the case of the European Union a positive GDP growth of 0.2% (0.4% according to the European Commission).

After significant increases in chemical production in 2010 (globally by about 10% according to the American Chamber of Chemical - ACC, the EU also by about 10% according to the European Chemical Industry Council - CEFIC) in 2011 there was a marked reduction in the rate of growth (3.5% and 1.3% accordingly). The ACC estimates that after a slight increase in global production of chemicals by 1.2% in 2012, in 2013 the growth will accelerate to 3.6%. On the other hand, in the EU, the CEFIC estimated the decrease in chemical production by 2%, as compared with the previous year. In 2013, a slight increase of 0.5% is expected.

### Financial situation of agriculture

A portion of the Group's revenues covering fertilisers and plant protection chemicals is generated by sales to the agricultural sector. In the Group's opinion, in the long-term, the volume of demand for chemical products for agriculture in Poland and Central and Eastern Europe should continue to grow. The material factors favouring an increase in the consumption of agrochemicals in Poland and thus the demand for products manufactured by the Group are processes improving the financial situation and profitability of agricultural production, including: production quoting and direct subsidies. It should translate into a growth of Group's revenues. On the other hand, the lack of significant improvement in the purchasing capacity of the agricultural sector may equal a stagnation in the demand for fertilizers and plant protection chemicals and as a result stagnation in the Group's revenues related to agrochemical products.

According to data supplied by Poland's Institute of Agricultural and Food Economics (IERiGZ), the market conditions affecting domestic agriculture in 2012 were less favourable than in the previous year. This resulted mainly from the growth of agricultural inputs prices in comparison with the lack of real increase in purchase prices of agricultural products. The synthetic index of economic situation in agriculture (SWKR) in December 2012 was only slightly higher than the year before (an increase from 100.6 to 100.7). In the coming months these market conditions for agriculture should improve due to the expected increase in purchase prices of agricultural raw materials.

### Economic situation in the raw materials market

Import of chemical raw materials to Poland constitutes a significant portion of Group's turnover. The raw materials markets are characterised by a cyclical nature connected with fluctuations of the global economy. The growing prices of raw materials cause a decrease in margins of sales intermediaries and a decrease in demand from customers. On the other hand, falling prices are usually a symptom of decreasing demand and the beginning of an economic downturn. The maintenance of a stable pace of economic growth and stable prices of chemical raw materials will have a positive effect on Group's import of raw materials. Significant fluctuations of demand and prices may be caused by changes in the economic situation resulting, for instance, from quick economic growth or economic stagnation. Strong fluctuations of demand and prices may have negative influence on the activity related to trading in chemical raw materials by the Ciech Group.

### REACH implementation

In accordance with REACH regulation, the Group Companies which trade in substances in quantities exceeding 1 ton p.a. have completed or will complete full registration of these substances by defined deadlines, which will allow them to continue to introduce their activities within current scope. 33 heavy tonnage substances have already been registered (including 9 substances in ZACHEM S.A.). In the 2nd stage, i.e. by May 31st, 2013, it is planned that 8 substances in the tonnage range of 100-1000 Mg/y will be registered. In the 3rd stage, i.e. by May 31st, 2018, 46 substances introduced to the market in the volume between 1 and 100 Mg/y.

### Emission trading system

The European Union, fulfilling the obligations resulting from the Kyoto Protocol, introduced at the beginning of 2005 by means of Directive 2003/87/EC the common European emissions trading system (EU ETS), being the first international cap-and-trade system in the world realised at the enterprise level and based on trading with emission allowances regarding carbon dioxide and other greenhouses gasses.

In December 2012, the second 5-year settlement period, EU ETS II, in which 4 Ciech Group companies participated, has ended:

- **Soda Polska Ciech S.A.** – with 2 installations - in-house power heating plants in Inowrocław and Janikowo,
- **VITROSILICON S.A.** – with 3 installations - glass production lines in Żary, Iłowa and Pobiedziska,
- **Alwernia S.A.** – with an in-house power heating plant,
- **KWG** – subsidiary of Soda Deutschland Ciech GmbH, managing an in-house power heating plant in Stassfurt.

Starting in 2013 major changes in EU Emissions Trading Scheme (EU ETS) entered into force:

- extending the scope of the EU ETS on new activities, among others production of soda,

- extend the system with greenhouse gases other than CO<sub>2</sub>: N<sub>2</sub>O and PFC,
- gradual reduction of the limit of allowances by 2020 (straight line ratio, LF=1.74% p.a.),
- replacing the current system of national allocation plans for emission allowances one limit for the all EU - allocations will be determined by the National Implementing Measures, NIMs
- aiming for full auction system in place of the current system of free allocation of allowances,
- no free allocation to electricity producers - the possibility to withdraw from this principle by some EU Member States, including Poland,
- free allocations will be distributed on the basis of standardized indicators (benchmarks, BM) developed by the European Commission.

As a result:

- in addition to participating companies like: Soda Polska Ciech S.A., Sodawerk Stassfurt GmbH, Alwernia S.A. and VITROSILICON S.A., the system will directly include S.C. Uzinele Sodice Govora S.A.,
- range of CO<sub>2</sub> emissions will be significantly expanded to include process emissions associated with the production of soda,
- electricity generators used by all Ciech Group companies will be partially or completely covered by the obligation to purchase allowances, which will increase the price of electricity,
- changes in the degree of use of CERs and ERUs.

The Ciech Group companies are preparing to execute the obligations resulting from the updated regulations.

### IED Directive

On January 6th, 2011 a EU directive no. 2010/75/UE, the Industrial Emission Directive, (IED) entered into force,

- New rules of issuing integrated permits, connected, among others, with:
  - Change of the role of reference documents (so-called BREF), the requirements of which (adopted by way of a decision of the EC - as so-called BAT conclusions) will be now legally binding, which will increase the requirements related with the environmental protection.
  - The obligation to prepare a basic report on the condition of soil and underground water and the requirement to conduct monitoring in this scope.

By **January 7th, 2014**, integrated permits issued for existing installations (except for LCP, i.e. Large Combustion Plants) will have to be adopted to the requirements of the IED directive, and to the BAT conclusions within 4 years from the date of their official publishing. Operators of IPPC installations will be obliged to submit annual reports documenting their compliance (or the lack of it) with the conditions of the integrated permit and BAT requirements.

- New requirements for LCP installations due to the change of the definition of a source and much stricter levels of emissions of SO<sub>2</sub>, NO<sub>x</sub> and dust, especially for facilities which are powered with coal.

LCP installations with integrated permits will have to comply with new, strict emission standards from **January 1st, 2016**.

Due to the importance of the energy industry, four flexible mechanisms were established, including the possibility to develop and implement a transitional national plan (TNP) by the Member States. On February 10th, 2012, the EC issued a decision establishing regulations on the NTP, referred to in Article 32 of the IED directive. **From January 1st, 2016 to June 30th, 2020**, an installation participating in the NTP may use the exemptions from the obligation to comply with the requirements concerning emission standards specified in the IED directive, upon compliance with certain conditions. Soda Polska Ciech S.A. submitted 3 LCP installations to the NTP. Information on whether these installations have been qualified to the National Transitional Plan will be available in H2 2013, upon the approval of the Plan by the European Commission. In connection with an amendment to EU law regarding industrial emissions, the coming years may bring more severe conditions of using environment by business entities.

### PLN/EUR exchange rates

The Ciech Group's export sale is settled mostly in EUR. A strong EUR means higher profitability of exports, both for the Group and for other manufacturers from the chemical industry in Poland. Furthermore, it increases volumes of turnover carried out by the Group for other manufacturers. As a result, the PLN/EUR exchange rate influences profitability of sales revenues in the Group. If the Polish zloty becomes stronger against the EUR, the profitability of exports will decline, and the Group's export volumes will decrease.

## 5.2 Internal factors

### Maintaining cost and quality competitiveness

The competitiveness of the Ciech Group concentrates on basic market factors, i.e. costs, quality, marketing, market position. The most important factors are:

- cost competitiveness based on the effects of the large scale of manufacturing, specialisation, standardisation and effects of experience,
- quality leadership and quality control systems,
- competition based on the enterprise's market force (market leader),
- cost leadership and differentiation.

Competitiveness of companies is to a great extent connected with innovations. Therefore, the basis for competition is innovative product and process technologies. Within the framework of the adopted investment strategy, Ciech Group's companies implement a number of innovative process and product solutions.

**Obligations related to the purchase of Z.Ch. „Organika-Sarzyna” S.A.**

In accordance with obligations following from Privatisation Agreement regarding Z.Ch. "Organika-Sarzyna", CIECH S.A. is charged with obligations connected mainly with the employee guarantees and employee shares buyout options.

**Obligations related to the purchase of companies of the Soda Deutschland Ciech Group**

Soda Deutschland Ciech Group has shown in its balance sheet the obligation to repurchase Elektrociepłownia. The plant was sold on September 1st, 1999 by KWG GmbH (a subsidiary of Sodawerk Stassfurt GmbH&Co. KG) for the benefit of VASA Kraftwerke – Pool for EUR 115.8 million. Following the signing of a new tenancy agreement concerning the tenancy of the heat and power plant with VASA Kraftwerke – Pool, the strict obligation to repurchase the heat and power plant on December 31st, 2014 was prolonged by at least one year (depending on VASA's intention to execute the option), while retaining the right to repurchase the heat and power plant on December 31st, 2014 at the current price.

**Quality and stability of the managerial staff and employees**

To a great extent the Ciech Group owes its market position to highly qualified management and middle-level employees. The HR policy applied by the Group is a guarantee of stability, professional development opportunities and constant raising of qualifications.

**Investment and optimisation projects, together with actions connected with obtaining funding from available aid funds**

During 2012, the Ciech Group companies executed plans of physical investments agreed with the banks. These plans are compliant with the adopted financial model of the Ciech Group for the years 2012–2016.

In 2012, the Companies realised the following key investments:

- **Soda Polska Ciech S.A.**
  - Major Power Engineering Modernisation in EC Janikowo.
  - Intensification of baking soda production capacities from 70tt/y to 90tt/y.
- **Z.Ch. „Organika-Sarzyna” S.A.**
  - Creation of an innovative MCPA and MCPP-P manufacturing system.

The total amount of subsidies granted exceeds PLN 155 million. In 2012, proceeds from subsidies amounted to PLN 40.6 million, and in total, from the beginning of the current EU budget to the end of 2012 – PLN 78.5 million (refunds and advances).

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

From the declarations submitted by the management and supervisory staff, it appears that as at December 31st, 2012 and as at the date of approving the statement:

- Mr Dariusz Krawczyk – President of the Management Board, held 40,000 shares in CIECH S.A.
- Mr Artur Osuchowski – Member of the Management Board, held 3,825 shares in CIECH S.A.

Other persons holding managerial and supervisory positions did not hold any shares in CIECH S.A. or shares or holdings in related entities as at December 31st, 2012.

**7. CIECH S.A.'s shareholders holding at least 5% of shares/votes at the General Meeting of Shareholders**

CIECH S.A.'s shares are listed on the Warsaw Stock Exchange. As at December 31st, 2012, the share capital was PLN 263,500,965 and it was divided into 52,699,909 shares of face value PLN 5 each. As at the date of publication of these statements, the share capital was PLN 263,500,975 and was increased by PLN 10 due to the issue of 2 F series ordinary registered shares.

**Share capital of CIECH S.A.:**

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

**List of shareholders holding at least 5% of votes at the General Meeting of Shareholders of CIECH S.A. as at the date of submission of the statements**

The information presented below on the shareholding structure of the Company is based on data submitted by significant shareholders of the Company under art. 69 of the Public Offering Act or made available in other manner stipulated by the law. In accordance with the above, the significant shareholders who possess at least 2013% of the total votes at the General Shareholders Meeting as at February 22nd, 2013 are:

Shareholder	Type of shares	Number of shares	Share in the share capital (%)	Number of votes at GSM	Total number of votes at the General Meeting
State Treasury*	Ordinary bearer shares	20,407,437	38.72%	20,407,437	38.72%
Otwarty Fundusz Emerytalny (Open Pension Fund) PZU "Złota Jesień" SA**	Ordinary bearer shares	3,140,000	5.96%	3,140,000	5.96%
ING Otwarty Fundusz Emerytalny (Open Pension Fund)**	Ordinary bearer shares	4,000,000	7.59%	4,000,000	7.59%

\* According to information provided by the State Treasury on August 24th, 2011 (cr 59/2011).

\*\* Based on the list of shareholders holding at least 5% of votes at the Extraordinary General Meeting of Shareholders of CIECH S.A. on August 29th, 2012 (Article 70 item 3 of the Act on the Offering – GSM list above 5%).

#### **8. Information about the issue, redemption and repayment of debt securities and equity securities in the Ciech Group**

In 2012, the Ciech Group did not issue equity securities.

In Q4 2012, the Ciech Group issued secured bonds on the domestic and foreign markets, described in details in item II 2.8 of these statements.

#### **9. Information about dividends paid (or declared), in total and per share, broken down into ordinary shares and preference shares**

By virtue of a resolution of June 25th, 2012, the Ordinary General Meeting of Shareholders of CIECH S.A. decided to allocate the net profit of CIECH S.A. for 2011 amounting to PLN 351,176 thousand wholly to the supplementary capital of the Company, and not to pay dividend.

Considering the net loss incurred in 2010, CIECH S.A. did not pay any dividend in 2011. By the resolution of June 30th, 2011 the Ordinary General Meeting of CIECH S.A. decided to cover the loss from the Company's supplementary capital.

#### **10. Organisation description and identification of the effects of changes in the structure of the Ciech Group's business entities**

The description of the Ciech Group's organisation as well as information on the effects of changes in the organisational structure have been presented in items IV.1, IV.2 and IV.14 of this Report.

#### **11. Procedures pending before courts, in arbitration proceedings or public administration bodies**

The information has been presented in item IV.5 of this report.

#### **12. Information concerning non-standard and non-routine transaction or transactions with affiliated entities concluded by CIECH S.A. or its subsidiaries**

The information has been presented in item IV.6 of this report.

#### **13. Information on loan and borrowing sureties or guarantees granted by CIECH S.A. or its subsidiaries**

The information has been presented in point IV.7 of this report.

### **III. Information on the presentation principles for the Extended Consolidated Report of the Ciech Group for Q4 2012**

#### **1. Basis for preparation of the Extended Consolidated Quarterly Report of the Ciech Group**

The presented condensed interim consolidated financial statement for the period from January 1st to December 31st, 2012 was approved by the Management Board of CIECH S.A. on February 28th, 2013 to be published on March 1st, 2013.

The presented consolidated financial statement has been prepared on a going concern basis.

These consolidated statements include the financial statements of CIECH S.A., the parent company, and its subsidiaries (jointly referred to as the "Ciech Group"; the "Group"), as well as the Group's interests in associates.

These interim consolidated financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting" and the Regulation of the Minister of Finance dated February 19th, 2009 on current and periodic information published by issuers of securities and the conditions of recognising as equivalent the information required by the law provisions of a country which is not a member state (Journal of Laws No. 33, item 259).

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

The estimates and related assumptions are subject to regular verification. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if such revisions apply solely to that period, or in the current period and future periods, if such revisions apply both to the current and future periods.

The Management Board's professional judgements, which have a significant impact on the consolidated financial statements, and the estimates bearing a risk of significant changes in future periods, have been presented in part IV, items 5 and 8 of this Report. During the current interim period there were no significant revisions to the estimated values presented in previous reporting periods.

The Management Board of the parent company used its best judgement in selecting and interpreting the applicable standards, as well as in the selection of measurement methods and principles for components of the Ciech Group's consolidated financial statements as at December 31st, 2012. Due diligence was exercised in preparing the tables and notes below. The financial statements as at December 31st, 2012 correctly, reliably and clearly reflect the assets and financial position of the Ciech Group. The management report contains a true depiction of the development, achievements and situation of the Ciech Group, including a description of primary threats and risks.

#### **2. Adopted accounting principles**

The Ciech Group's accounting policies are described in the 2011 Ciech Group Consolidated Report, published on March 20th, 2012. The report in question includes detailed information regarding the principles and methods of valuation of assets and liabilities and measurement of the financial result, as well as the method of preparing the financial statements and comparative information. These principles have been applied on a continuous basis with relation to currently published data, the last annual financial statements and comparative data, except for changes described above.

On January 1st, 2012, the Management Board of CIECH S.A. changed its accounting principles concerning investment property valuation from valuation according to the historic cost to valuation according to the fair value. At the initial recognition, the result of valuation of investment property to fair value is recognised in equity, under "Retained earnings". In subsequent reporting periods, the profit or loss resulting from the change in fair value of an investment property is recognised in the net profit or loss in the period in which this change occurred and is recognised as other operating income/costs. Moreover, there was a change in presenting the certificates of origin of energy obtained in relation to producing electric energy in cogeneration, which previously were presented under receivables, and after the change are recognised as inventories. The amended policy applies to the preparation of financial statements with effect from January 1st, 2012 (including comparative information).

### 3. Functional and presentation currency and conversion principles

The Polish zloty (PLN) shall be the reporting currency of these consolidated financial statements. Unless indicated otherwise, the information in the consolidated financial statements has been presented in thousands of PLN (PLN '000). The functional currency of the parent company CIECH S.A. is the Polish zloty.

As of December 31st, 2012, the average EUR exchange rate published as at the balance sheet date by the National Bank of Poland was PLN 4.0882.

Individual items of the income statement were translated into EUR according to the exchange rate calculated as the arithmetic average of the average EUR exchange rates determined by the National Bank of Poland as at the last day of every month, i.e. from January to December. The exchange rate for the presented reporting period is 4.1736 and for the comparative data – 4.1401.

The functional currencies for significant foreign subsidiaries are:

- Soda Deutschland Ciech Group – functional currency EUR; presentation currency in the Ciech Group consolidated financial statements - PLN (EUR 1 = PLN 4.0882 as at the balance sheet day of December 31st, 2012).
- S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. – functional currency RON; presentation currency in the Ciech Group consolidated financial statements – PLN (RON 1 = PLN 0.9197 as at the balance sheet day of December 31st, 2012).

## IV. Notes to the Extended Consolidated Financial Statement of the Ciech Group

### 1. Consolidated entities

#### Organisational description of the Ciech Group

The parent of the Ciech Capital Group is CIECH Spółka Akcyjna, with its registered office in Warsaw, ul. Pulawska 182, registered under number 0000011687 at the District Court for the capital city of Warsaw, 13th Economic Division of the National Court Register.

The Ciech Group is a group of domestic and foreign manufacturing, distribution and trade companies operating in the chemical industry. As at December 31st, 2012, it comprised of 42 business entities, including:

- the parent company CIECH S.A.,
- 34 subsidiaries, including:
  - 22 domestic subsidiaries,
  - 12 foreign subsidiaries,
- 5 domestic affiliates,
- 1 foreign associate,
- 1 foreign jointly-controlled entity.

The Ciech Group is composed of direct subsidiaries and affiliates, for which CIECH S.A. is the parent entity, as well as indirect subsidiaries and affiliates, whose parent entities are direct subsidiaries of CIECH S.A.

The Ciech Group conducts manufacturing activity with the sale of own products as well as commercial activity connected with the trade in goods. Commercial activities are primarily conducted by CIECH S.A. and domestic and foreign commercial companies, being CIECH S.A. subsidiaries. Manufacturing activities are carried out by CIECH S.A.'s manufacturing subsidiaries.

In preparing the consolidated financial statements for Q4 2012, the following companies were consolidated:



**List of consolidated entities evaluated under the equity method as at December 31st, 2012.**

Company/Group	Consolidation method as at 31.12.2012 and CIECH S.A.'s control.	Consolidation method as at 31.12.2011 and CIECH S.A.'s control.	Share in the capital as at 31.12.2012	Share in the capital as at 31.12.2011	Company's objects:
<b>1) CIECH S.A.</b>	Controlling entity	Controlling entity	-	-	According to the Statute, the core business of the parent entity includes: commercial activity including trade activity, investment activity, manufacturing activity, service activity and financial operations with particular focus on foreign and domestic trade in chemicals and activity connected therewith. The Company is also licensed to act as an agent for Polish and foreign companies.
<b>2) „POLFA” Sp. z o.o.</b>	Company sold on September 17th, 2012	Fully consolidated subsidiary of CIECH S.A.	-	100%	<ul style="list-style-type: none"> <li>- wholesale of pharmaceutical goods,</li> <li>- wholesale of chemical products,</li> <li>- wholesale of perfumes and cosmetics,</li> <li>- retail sale of medical and orthopaedic goods.</li> </ul>
<b>CIECH FINANCE Group</b>					
3) CIECH FINANCE Spółka z ograniczoną odpowiedzialnością	Subsidiary of CIECH S.A. - fully consolidated	Fully consolidated subsidiary of CIECH S.A.	100%	100%	<ul style="list-style-type: none"> <li>- implementing divestment projects concerning unnecessary fixed assets (property) and financial assets (shares in companies),</li> <li>- wholesale and distribution of solid inorganic and organic chemicals,</li> <li>- wholesale and distribution of raw materials for household chemicals,</li> <li>- wholesale and distribution of raw materials for cosmetic and pharmaceutical products,</li> <li>- wholesale and distribution of builders, pigments, raw materials for paints and varnishes,</li> <li>- wholesale and distribution of food and feed additives,</li> <li>- wholesale and distribution of acids, bases and other liquid chemicals</li> </ul>
3.1.) Cheman S.A.	Indirect subsidiary of CIECH S.A. – full consolidation at the level of the Ciech Group.	Indirect subsidiary of CIECH S.A. – full consolidation at the level of the Ciech Group.	100%	100%	
<b>SODA MAŁY Group</b>					
4) SODA MAŁY S.A.	Lower-tier parent	Lower-tier parent	100%	100%	<ul style="list-style-type: none"> <li>- manufacture of other inorganic basic chemicals,</li> <li>- wholesale of chemical products,</li> <li>- production and distribution of electricity,</li> <li>- goods shipment</li> </ul>
4.1.) Soda Polska Ciech S.A.	Indirect subsidiary of CIECH S.A. - full consolidation at lower tier	Indirect subsidiary of CIECH S.A. - full consolidation at lower tier	100%	100%	

Company/Group	Consolidation method as at 31.12.2012 and CIECH S.A.'s control.	Consolidation method as at 31.12.2011 and CIECH S.A.'s control.	Share in the capital as at 31.12.2012	Share in the capital as at 31.12.2011	Company's objects:
4.1.1) TRANSODA Sp. z o.o.	Indirect subsidiary of CIECH S.A. - full consolidation at lower tier	Indirect subsidiary of CIECH S.A. - full consolidation at lower tier	100%	100%	
<b>5) JANIKOSODA S.A.</b>	Subsidiary of CIECH S.A. - fully consolidated	Subsidiary of CIECH S.A. - fully consolidated	100%	100%	<ul style="list-style-type: none"> <li>- production of salt,</li> <li>- manufacture of industrial gases,</li> <li>- manufacture of other inorganic basic chemicals,</li> <li>- manufacture of other chemical products n.e.c.</li> </ul>
<b>6) „Alwernia” S.A.</b>	Subsidiary of CIECH S.A. - fully consolidated	Fully consolidated subsidiary of CIECH S.A.	99.62%	99.62%	<ul style="list-style-type: none"> <li>- manufacture of other inorganic basic chemicals,</li> <li>- manufacture of dyes and pigments,</li> <li>- manufacture of other organic basic chemicals,</li> <li>- manufacture of chemical fertilisers and nitrogen compounds,</li> <li>- manufacture of gypsum,</li> <li>- production of heat (steam and hot water)</li> </ul>
<b>7) CIECH-POLSIN PRIVATE LIMITED</b>	Subsidiary of CIECH S.A. - fully consolidated	Fully consolidated subsidiary of CIECH S.A.	98.00%	98.00%	<ul style="list-style-type: none"> <li>- wholesale and retail sale of a variety of goods in the Far East markets</li> </ul>
<b>8) VITROSILICON Spółka Akcyjna</b>	Subsidiary of CIECH S.A. - fully consolidated	Fully consolidated subsidiary of CIECH S.A.	100%	100%	<ul style="list-style-type: none"> <li>- manufacture of other inorganic basic chemicals,</li> <li>- manufacture of household and technical glassware,</li> <li>- manufacture of plastic packing goods,</li> <li>- manufacture of other plastic products</li> </ul>
<b>9) Przedsiębiorstwo Transportowo-Uługowe TRASCLEAN Sp. z o.o.</b>	Subsidiary of CIECH S.A. - fully consolidated	Fully consolidated subsidiary of CIECH S.A.	100%	100%	<ul style="list-style-type: none"> <li>- international transport of liquid chemicals,</li> <li>- tank truck and rail tank car wash</li> </ul>
<b>10) Zakłady Chemiczne „Organika-Sarzyna” S.A.</b>	Subsidiary of CIECH S.A. - fully consolidated	Fully consolidated subsidiary of CIECH S.A.	98.85%	98.54%	<ul style="list-style-type: none"> <li>- manufacture of plastics,</li> <li>- manufacture of pesticides and other chemical products</li> </ul>
<b>ZACHEM Group</b>	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group	99.00%	97.44%	<b>Company's current objects:</b>
11) ZACHEM S.A.	Lower-tier parent	Lower-tier parent	99.00%	97.44%	<ul style="list-style-type: none"> <li>- manufacture of organic and other non-organic chemicals,</li> <li>- manufacture and sales of plastics,</li> <li>- manufacture of plastic plates, sheets, tubes and profiles,</li> <li>- manufacture of dyes and pigments,</li> <li>- services of installation, repairs and maintenance of general-purpose machinery n.e.c.</li> </ul>
11.1) BORUTA - ZACHEM Kolor Spółka z ograniczoną odpowiedzialnością	Indirect subsidiary of CIECH S.A. - full consolidation at lower tier	Indirect subsidiary of CIECH S.A. - full consolidation at lower tier	98.99%	97.43%	
11.2) ZACHEM UCR Spółka z ograniczoną odpowiedzialnością	Indirect affiliate of CIECH S.A. measurement under the equity method at lower tier.	Indirect affiliate of CIECH S.A. measurement under the equity method at lower tier.	24.78%	24.39%	<b>In connection with the sale and transfer of part of assets connected with activities associated with TDI, as well as research and development of TDI, the scope of activities has changed and should be registered in the National Court Register (KRS) by the end of Q1, 2013.</b>
11.3) ZACHEM Epichlorohydryna Sp. z o.o.	Indirect subsidiary of CIECH S.A. - full consolidation at lower tier	-	99.00%	-	

Company/Group	Consolidation method as at 31.12.2012 and CIECH S.A.'s control.	Consolidation method as at 31.12.2011 and CIECH S.A.'s control.	Share in the capital as at 31.12.2012	Share in the capital as at 31.12.2011	Company's objects:
11.4) ZACHEM Energetyka Sp. z o.o.	Indirect subsidiary of CIECH S.A. - full consolidation at lower tier	-	99.00%	-	The object of the company, pursuant to the resolution of EGM of ZACHEM S.A. of December 7th, 2012: – distribution and sale of electricity and heat; – steam and air conditioning supply; – buying and selling of own real estate; – lease and management of property; – performing the duties of a Trade and Technical Operator with relation to joint procurement of electricity for the Ciech Group Companies;
11.5) ZACHEM Park Sp. z o.o.	Indirect subsidiary of CIECH S.A. - full consolidation at lower tier	-	99.00%	-	– general construction works related to linear transmission structures: pipelines, power lines, traction lines and telecommunications lines; water collection, treatment and supply; sewerage.
<b>12) S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.</b>	Subsidiary of CIECH S.A. - fully consolidated	Fully consolidated subsidiary of CIECH S.A.	92.91%	92.91%	– manufacture of other inorganic basic chemicals, – wholesale of chemical products
<b>Soda Deutschland Ciech Group</b>	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group	100%	100%	– manufacture of other inorganic basic chemicals, – wholesale of chemical products, – production and distribution of electricity,
13.) Soda Deutschland Ciech GmbH	Lower-tier parent	Lower-tier parent	100%	100%	
13.1.) Sodawerk Holding Stassfurt GmbH	Indirect subsidiary of CIECH S.A. - full consolidation at lower tier	Indirect subsidiary of CIECH S.A. - full consolidation at lower tier	100%	100%	
13.1.1.) Sodawerk Stassfurt Verwaltungs GmbH	Indirect subsidiary of CIECH S.A. - full consolidation at lower tier	Indirect subsidiary of CIECH S.A. - full consolidation at lower tier	100%	100%	
13.1.2) Sodawerk Stassfurt GmbH&Co.KG	Indirect subsidiary of CIECH S.A. - full consolidation at lower tier	Indirect subsidiary of CIECH S.A. - full consolidation at lower tier	100%	100%	
13.1.3) KWG GmbH	Indirect subsidiary of CIECH S.A. - full consolidation at lower tier	Indirect subsidiary of CIECH S.A. - full consolidation at lower tier	100%	100%	
13.1.4) Kaverngesellschaft Stassfurt GbmH	Indirect affiliate of CIECH S.A. measurement under the equity method at lower tier.	Indirect affiliate of CIECH S.A. measurement under the equity method at lower tier.	50%	50%	
<b>14) Ciech Pianki Sp. z o.o.</b>	Subsidiary of CIECH S.A. - fully consolidated.	Subsidiary of CIECH S.A. - fully consolidated.	100%	100%	– manufacture of organic and other non-organic chemicals,

Company/Group	Consolidation method as at 31.12.2012 and CIECH S.A.'s control.	Consolidation method as at 31.12.2011 and CIECH S.A.'s control.	Share in the capital as at 31.12.2012	Share in the capital as at 31.12.2011	Company's objects:
<b>15) Ciech Group Financing AB</b>	Subsidiary of CIECH S.A. - fully consolidated.	-	100%	-	– conducting financial activities, particularly in the lending of funds by issuing bonds and other financial instruments with institutional and private investors as well as the direct lending of such funds to the companies of the Group and carrying out any other activities in support of such activities and the provision of related services.

## 2. Effects of changes to the organisational structure of the Ciech Group's business units in four quarters of 2012, including legal mergers, acquisitions or disposals of the group's entities, long-term investments, demergers, restructuring and discontinued operations

During the four quarters of 2012 the following changes occurred in relation to companies in which CIECH S.A. owns a direct share, leading to changes in the structure of the Capital Group:

- **Ciech Group Financing AB**

On October 5th, 2012, CIECH S.A. and Bolagsratt Sundsvall AB signed an agreement for the sale of 6,500 shares in Goldcup 8001 AB to CIECH S.A. for the price of EUR 6,500. CIECH S.A. became the owner of the Company on October 17th, 2012, i.e. on the date of payment of the sale price. Subsequently, on October 17th, 2012 the Extraordinary General Meeting of Shareholders adopted a decision to increase the share capital by EUR 58,500 through an issue of 58,500 shares of EUR 1 each and to change the name from Goldcup 8001 AB to Ciech Group Financing AB (publ). The raise of share capital and change of the company's name was registered on October 25th, 2012.

- **ZACHEM S.A.**

On September 28th, 2009, the Extraordinary General Meeting of Shareholders of ZACHEM S.A. adopted a resolution to increase the share capital by PLN 230,000 thousand through an issue of 23,000,000 series B ordinary registered shares of PLN 10 each. The issue price of series B shares was PLN 10 per share. Series B shares were offered to CIECH S.A., the only designated addressee. CIECH S.A. acquired 23,000,000 series B ordinary registered shares in exchange for cash. All newly issued shares were paid up by way of contractual offsetting CIECH S.A.'s receivables due to the borrowings granted to ZACHEM S.A. in the amount of PLN 23,000 thousand. By acquiring the newly issued shares, CIECH S.A. increased its share in the share capital of ZACHEM S.A. from 97.44% to 99.00%. The Registry Court registered an increase in the share capital on October 31st, 2012 and this increased CIECH S.A.'s share in the share capital.

- **POLFA Sp. z o.o.**

On June 29th, 2012, a conditional agreement on the sale of shares of POLFA Sp. z o.o. was signed between the following parties: CIECH S.A. and BM Medical S.A. On September 17th, 2012, upon the fulfilment of the conditions precedent of this Agreement, the ownership of 3,820 shares of POLFA Sp. z o.o. constituting 100% of the share capital was transferred to BM Medical S.A. The total sales price of shares amounted to PLN 6,500. Since September 17th, 2012 POLFA Sp. Z o.o. has no longer been a subsidiary of CIECH S.A.

- **Chemia.com S.A. in liquidation**

On November 14th, 2012, the Extraordinary General Meeting of Shareholders of Chemia.com S.A. decided to wind up the company Chemia.com S.A. with its registered seat in Warsaw and start the proceedings of its liquidation.

- **Ciech America Latina in liquidation**

Pursuant to the resolution of shareholders of CIECH America Latina Ltda (Brazil) of February 20th, 2012, the share capital of the Company was increased by the amount of BRL 100 thousand (PLN 184 thousand) and the new issue of 100,000 shares of nominal value BRL 1.00 each were acquired by CIECH S.A.

The share capital of CIECH America Latina, after the increase, amounts to BRL 700 thousand (PLN 1,288 thousand) and is divided into 700,000 shares with nominal value of BRL 1 each. CIECH S.A. holds 699,999 shares and the minority shareholder holds one share. On June 30th, 2009, CIECH America Latina suspended its operations and has no activities. The only liabilities that remained unsettled and needed to be fulfilled were the statutory liabilities. Since Ciech America Latina did not have any resources, it required recapitalisation. The increase of the share capital of CIECH America Latina was registered on March 21st, 2012. After settling all statutory liabilities, a resolution on winding up the Company was registered on June 13th, 2012. From that date, the Company is formally in liquidation.

- **Z. Ch. „Organika-Sarzyna” S.A.**

On June 14th, 2012, CIECH S.A. concluded another purchase of shares of Z. Ch. „Organika-Sarzyna” S.A. from its employees who became owners of these shares pursuant to the Act on Commercialisation and Privatisation of State-owned Enterprises. In total, CIECH S.A. purchased 25,953 registered ordinary shares for a total price of PLN 830 thousand, which increased CIECH S.A.'s share in the share capital of the Company from 98.53% to 98.85%.

- **SODA MAŁTWY S.A.**

On April 12th, 2012, the Extraordinary General Meeting of Shareholders of SODA MAŁTWY S.A. adopted a resolution on changes in the Company's Articles of Association regarding the change of the Company's registered office from Inowrocław to Warsaw. By virtue of a court order of April 24th, 2012, a new registered office of the Company, Warsaw, was registered.

- **JANIKOSODA S.A.**

On April 12th, 2012, the Extraordinary General Meeting of Shareholders of JANIKOSODA S.A. adopted a resolution on changes in the Company's Articles of Association regarding the change of the Company's registered office from Janikowo to Warsaw. By virtue of a court order of April 24th, 2012, a new registered office of the Company, Warsaw, was registered.

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

On August 27th, 2012, the Management Boards of CIECH S.A. and SODA MAŁTWY S.A. and of CIECH S.A. and JANIKOSODA S.A. agreed on the spin-off plan regarding SODA MAŁTWY S.A. and the spin-off plan regarding JANIKOSODA S.A. which have been published in the Polish Official Gazette (Monitor Sądowy i Gospodarczy) No. 172/2012 (4037) as of September 5th, 2012 under:

- **11803 Inowrocławskie Zakłady Chemiczne SODA MAŁTWY S.A., which assumes the following:**
  - ✓ CIECH S.A. – the acquiring company,
  - ✓ SODA MAŁTWY S.A. – the divided company,
  - ✓ Spin-off method: the spin-off will be performed within the terms of Article 529 § 1 item 4 of the Code of Commercial Companies through transferring part of the assets of SODA MAŁTWY S.A. to CIECH S.A. in the form of an organised part of the enterprise – the Soda Division (spin-off by separation). From the date of agreeing on the spin-off plan until the spin-off date, SODA MAŁTWY S.A. shall conduct its activities in a way which shall ensure that there are no significant changes in the economic value of the Soda Division other than those resulting from the normal course of SODA MAŁTWY S.A. activities.
  - ✓ With the aim of conducting the spin-off, the share capital of CIECH S.A. shall be increased by the amount of PLN 5 by way of creating 1 share of spin-off issue which shall be granted to the minority shareholder in exchange for 1 A series share of SODA MAŁTWY S.A. (par of exchange adopted for the purposes of spin-off: 1 share of CIECH S.A. in exchange for 1 share of SODA MAŁTWY S.A.).
  - ✓ As a result of the spin-off, the share capital of SODA MAŁTWY S.A. shall be decreased by the amount of PLN 74,012,428.52 from PLN 74,160,750 to PLN 148,321.48.
- **11805 Janikowskie Zakłady Sodowe JANIKOSODA S.A., which assumes the following:**
  - ✓ CIECH S.A. – the acquiring company,
  - ✓ JANIKOSODA S.A. – the divided company,
  - ✓ Spin-off method: the spin-off will be performed within the terms of Article 529 § 1 item 4 of the Code of Commercial Companies through transferring part of the assets of JANIKOSODA S.A. to CIECH S.A. in the form of an organised part of the enterprise – the Soda Division (spin-off by separation). From the date of agreeing on the spin-off plan until the spin-off date, JANIKOSODA S.A. shall conduct its activities in a way which shall ensure that there are no significant changes in the economic value of the Soda Division other than those resulting from the normal course of JANIKOSODA S.A. activities.
  - ✓ With the aim of conducting the spin-off, the share capital of CIECH S.A. shall be increased by the amount of PLN 5 by way of creating 1 share of spin-off issue which shall be granted to the minority shareholder in exchange for 1 A series share of JANIKOSODA S.A. (par of exchange adopted for the purposes of spin-off: 1 share of CIECH S.A. in exchange for 1 share of JANIKOSODA S.A.).
  - ✓ As a result of the spin-off, the share capital of JANIKOSODA S.A. shall be decreased by the amount of PLN 44,542,051.79 from PLN 44,676,080 to PLN 134,028.21.

During the four quarters of 2012 the following changes occurred in the structure of the Capital Group in relation to companies in which CIECH S.A. indirectly owns shares:

#### ZACHEM Group

- **BIPROCHEM Sp. z o.o. in liquidation** – the Extraordinary General Meeting of Shareholders of BIPROCHEM Sp. z o.o. in liquidation completed the process of liquidation of the company on October 24th, 2011. BIPROCHEM Sp. z o.o. in liquidation was removed from the Register of Companies on February 21st, 2012.
- **NCP Sp. z o.o. in liquidation** – the District Court in Bydgoszcz, 15th Economic Division, by its decision of February 6th, 2012 declared bankruptcy of Natural Chemical Products Sp. z o.o. and ordered the liquidation of the Company's assets. Case ref. no. XV GU 81/11.
- **Bydgoski Park Przemysłowo-Technologiczny Sp. z o.o.** – on April 30th, 2012, the Registry Court passed a decision to register resolutions of the Extraordinary Meeting of Shareholders regarding the increase of the share capital from PLN 43,405 thousand to PLN 49,689 thousand by way of creation of 6,284 shares that were entirely acquired by the City of Bydgoszcz in exchange for a contribution in kind in the form of real property. Due to the above, ZACHEM S.A.'s share in share capital of the Company decreased from 8.09% to 7.07%.
- **BUDPUR Sp. z o.o. in liquidation** – on May 17th, 2012, the Company was placed in liquidation by way of a resolution of the Extraordinary Meeting of Shareholders of March 28th, 2012.
- **Boruta-Zachem KOLOR Sp. z o.o.** – on October 24th, 2012, the registry court decided to register the reduction of the share capital of the company by decreasing the value of one share from PLN 826 to PLN 723 and, consequently, the share capital was reduced from PLN 15,945,930 to PLN 13,957,515. Following the share capital decrease, the number of shares in the share capital remained unchanged. The share capital is divided into 19,305 shares. Funds from the share capital decrease in the amount of PLN 1,988,415 were paid the shareholders in proportion to their share in the share capital. The payment was made within 30 days from the date of registration of the share capital decrease by the registry court.

#### SODA MAŁTWY Group

- **Soda Polska Ciech S.A.** – on June 12th, 2012, the District Court registered the transformation of Soda Polska CIECH Sp. z o.o., a limited liability Company, into a joint stock company. The share capital remained unchanged, i.e. PLN 669,050 thousand and will be divided into 133,810,000 registered A series shares of PLN 5 each. The shareholders of the Company submitted declarations on participation in the Company, as a result of which:

- ✓ **SODA MĄTWY S.A.** acquired 71,605,000 shares with a nominal value of PLN 5 each, with a total nominal value of PLN 358,025 thousand, that is 53.51% of the share capital.
- ✓ **JANIKOSODA S.A.** acquired 62,205,000 shares with a nominal value of PLN 5 each, with a total nominal value of PLN 311,025 thousand, that is 46.49% of the share capital.

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

- **Zakład Remontowo – Budowlany Organika Sp. z o.o.** – on April 24th, 2012, an agreement was concluded on the sale of shares in Zakład Remontowo – Budowlany "Organika" Sp. z o.o. The Buyer acquired ownership of the shares on April 30th, 2012.
- **Zakład Chemiczny Silikony Polskie Sp. z o.o.** – on April 27th, 2012, an agreement was concluded on the sale of shares in Z.Ch. "Silikony Polskie" Sp. z o.o. The Buyer became the owner of the shares on July 2nd, 2012, i.e. on the date of payment of the sale price.
- **Rzeszowska Agencja Rozwoju Regionalnego S.A.** – on July 13th, 2012 Organika-Sarzyna S.A. was removed from the Share Register of the Rzeszowska Agencja Rozwoju Regionalnego S.A. (Rzeszów Regional Development Agency), which was the consequence of completion of the compulsory redemption of RARR S.A. shares held by minority shareholders. All the shares subject to compulsory redemption shall be purchased by the Podkarpackie Voivodeship with its seat in Rzeszów.

### 3. Financial figures by business segment

The tables below present data concerning revenues and costs as well as assets and liabilities of particular operating segments of the Ciech Group in the periods covered by the financial statements:

<b>OPERATING SEGMENTS 01.01-31.12.2012</b>	<b>Soda Segment</b>	<b>Organic segment</b>	<i>including: discontinued operations</i>	<b>Silicates and Glass Segment</b>	<b>Agricultural chemicals segment</b>	<i>including: discontinued operations</i>	<b>Other activities</b>	<i>including: discontinued operations</i>	<b>Corporate functions - reconciliatory item</b>	<b>Eliminations (consolidation adjustments)</b>	<b>TOTAL</b>
<i>PLN '000</i>											
Revenues from third parties	1,925,552	1,658,062	767,830	435,559	229,241	180,795	129,538	42,422	-	-	4,377,952
Revenues from inter-segment transactions	49,937	150,240	-	8	6,797	-	11,420	-	-	(218,402)	-
<b>Total revenue</b>	<b>1,975,489</b>	<b>1,808,302</b>	<b>767,830</b>	<b>435,567</b>	<b>236,038</b>	<b>180,795</b>	<b>140,958</b>	<b>42,422</b>	<b>-</b>	<b>(218,402)</b>	<b>4,377,952</b>
Cost of sales	(1,651,440)	(1,644,919)	(712,914)	(365,841)	(210,700)	(159,334)	(120,283)	(35,036)	-	211,726	(3,781,457)
<b>Gross profit/loss on sales</b>	<b>324,049</b>	<b>163,383</b>	<b>54,916</b>	<b>69,726</b>	<b>25,338</b>	<b>21,461</b>	<b>20,675</b>	<b>7,386</b>	<b>-</b>	<b>(6,676)</b>	<b>596,495</b>
Selling costs	(125,100)	(84,874)	(49,238)	(53,340)	(7,606)	(3,676)	(11,532)	(1,315)	-	6,077	(276,375)
General and administrative expenses	(67,069)	(65,087)	(36,194)	(7,830)	(6,698)	(6,054)	(10,078)	(5,774)	(46,309)	670	(202,401)
Receivables management result	(2,462)	(3,704)	(2,097)	(108)	(161)	(161)	243	(60)	-	-	(6,192)
Result on other operating activities	2,568	(226,443)	(192,141)	(4,186)	(43,856)	(43,861)	(23,709)	(10)	-	(133)	(295,759)
<b>Operating profit/loss</b>	<b>131,986</b>	<b>(216,725)</b>	<b>(224,754)</b>	<b>4,262</b>	<b>(32,983)</b>	<b>(32,291)</b>	<b>(24,401)</b>	<b>227</b>	<b>(46,309)</b>	<b>(62)</b>	<b>(184,232)</b>
The balance of f/x differences and interest on trade settlements	(25,118)	(38,614)	(5,732)	(15,453)	(8,797)	(6,625)	(8,996)	(526)	45	-	(96,933)
Group financing costs	-	-	-	-	-	-	-	-	(172,924)	-	(172,924)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	-	-	-	10,609	-	10,609
Share in profit of affiliates	801	(57)	-	-	-	-	-	-	-	-	744
<b>Profit/loss before tax</b>	<b>107,669</b>	<b>(255,396)</b>	<b>(230,486)</b>	<b>(11,191)</b>	<b>(41,780)</b>	<b>(38,916)</b>	<b>(33,397)</b>	<b>(299)</b>	<b>(208,579)</b>	<b>(62)</b>	<b>(442,736)</b>
Tax											(9,946)
<b>Net profit/loss</b>											<b>(452,682)</b>
Profit/loss on sales attributable to discontinued operations											(2,663)
<b>Net profit/loss for the period</b>											<b>(455,345)</b>
Amortisation/depreciation	160,954	54,834	29,190	15,627	1,989	1,791	135	-	3,129	-	236,668
<b>EBITDA</b>	<b>292,940</b>	<b>(161,891)</b>	<b>(195,564)</b>	<b>19,889</b>	<b>(30,994)</b>	<b>(30,500)</b>	<b>(24,266)</b>	<b>277</b>	<b>(43,180)</b>	<b>(62)</b>	<b>52,436</b>
<i>EBITDA normalised with voids*</i>	<i>344,426</i>	<i>71,378</i>	<i>x</i>	<i>29,489</i>	<i>14,316</i>	<i>x</i>	<i>(2,589)</i>	<i>x</i>	<i>(43,060)</i>	<i>280</i>	<i>414,240</i>

\*EBITDA normalised with voids for the period ending on December 31st, 2012 is calculated as EBITDA adjusted by atypical one-off events: impairment losses on assets: PLN -167.5 million, impairment losses on intangible assets: PLN -21.5 million, profit on sale of rights to the greenhouse gas emissions: PLN 2.1 million, valuation of energy certificates: PLN -22.3, valuation of investment property to fair value: PLN 10.6 million, cost of the investment suspension: PLN -13.9 million, creation of provisions for environmental protection: PLN -17.2 million, creation of provisions for liabilities and anticipated losses: PLN -21.2 million, provision for compensations: PLN -53.9 million, unused production capacity: PLN -21.8 million, costs of removing random events: PLN -5.1 million, provision for severance packages in the ZACHEM Group: PLN -20.1 million.



01.01.-31.12.2011 PLN '000	Soda Segment	Organic segment	<i>including: discontinued operations</i>	Silicates and Glass Segment	Agricultural chemicals segment	<i>including: discontinued operations</i>	Other activities	<i>including: discontinued operations</i>	Corporate functions reconciliatory item	Eliminations (consolidation adjustments)	TOTAL
Revenues from third parties	1,681,429	1,548,487	808,232	315,452	378,753	325,255	250,365	88,247	-		4,174,486
Revenues from inter-segment transactions	47,382	56,583	-	74	11,455	-	1,665	-	-	(117,159)	-
<b>Total revenue</b>	<b>1,728,811</b>	<b>1,605,070</b>	<b>808,232</b>	<b>315,526</b>	<b>390,208</b>	<b>325,255</b>	<b>252,030</b>	<b>88,247</b>	-	<b>(117,159)</b>	<b>4,174,486</b>
Cost of sales	(1,425,644)	(1,518,646)	(805,691)	(248,091)	(312,160)	(255,376)	(220,815)	(72,455)	-	111,549	(3,613,807)
<b>Gross profit/loss on sales</b>	<b>303,167</b>	<b>86,424</b>	<b>2,541</b>	<b>67,435</b>	<b>78,048</b>	<b>69,879</b>	<b>31,215</b>	<b>15,792</b>	-	<b>(5,610)</b>	<b>560,679</b>
Selling costs	(117,544)	(81,512)	(40,644)	(49,061)	(17,086)	(14,970)	(16,998)	(3,542)	-	6,182	(276,019)
General and administrative expenses	(72,634)	(66,369)	(39,253)	(8,309)	(12,526)	(12,296)	(16,293)	(10,548)	(37,676)	211	(213,596)
Receivables management result	(1,246)	(2,681)	( 775)	( 380)	(2,021)	(2,020)	288	424	11	70	(5,959)
Result on other operating activities	68,687	(8,949)	(1,387)	270	(8,812)	(8,820)	2,822	78	( 408)	0	53,610
<b>Operating profit/loss</b>	<b>180,430</b>	<b>(73,087)</b>	<b>(79,518)</b>	<b>9,955</b>	<b>37,603</b>	<b>31,773</b>	<b>1,034</b>	<b>2,204</b>	<b>(38,073)</b>	<b>853</b>	<b>118,715</b>
The balance of f/x differences and interest on trade settlements	(8,463)	(35,138)	(20,237)	(10,507)	(19,508)	(9,144)	( 877)	( 230)	(8,545)	657	(82,381)
Group financing costs	-	-	-	-	-	-	-	-	(101,657)	-	(101,657)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	-	-	-	73,907	-	73,907
Share in profit of affiliates	132	( 86)	-	-	-	-	0	-	-	-	46
<b>Profit/loss before tax</b>	<b>172,099</b>	<b>(108,311)</b>	<b>(99,755)</b>	<b>( 552)</b>	<b>18,095</b>	<b>22,629</b>	<b>157</b>	<b>1,974</b>	<b>(74,368)</b>	<b>1,510</b>	<b>8,630</b>
Tax											4,586
<b>Net profit/loss</b>											<b>13,216</b>
Profit/loss on discontinued operations											(11,715)
<b>Net profit/loss for the period</b>											<b>1,501</b>
Amortisation/depreciation	134,087	62,693	38,646	17,087	3,211	3,183	496	262	4,535	-	222,109
<b>EBITDA</b>	<b>314,517</b>	<b>(10,394)</b>	<b>(40,872)</b>	<b>27,042</b>	<b>40,814</b>	<b>34,956</b>	<b>1,530</b>	<b>2,466</b>	<b>(33,538)</b>	<b>853</b>	<b>340,824</b>
<i>EBITDA normalised with voids*</i>	<i>286,137</i>	<i>(3,133)</i>	<i>X</i>	<i>27,524</i>	<i>49,940</i>	<i>x</i>	<i>785</i>	<i>x</i>	<i>(34,668)</i>	<i>857</i>	<i>327,442</i>

\*EBITDA normalised with voids for the period ending on December 31st, 2011 is calculated as EBITDA adjusted by atypical one-off events: impairment losses on assets: PLN -2.3 million, profit on sale of rights to the greenhouse gas emissions: PLN 8.6 million, reduction of part of liabilities related with the supply of heat to the Soda Deutschland Ciech Group: PLN 28.3 million, release of provisions for environmental protection: PLN 2.4 million, unused production capacity: PLN -13.1 million, liquidation of inventory and fixed assets: PLN -4.5 million.

31.12.2012 PLN '000	Soda Segment	Organic segment	Silicates and Glass Segment	Agricultural chemicals segment	Other activities	Corporate functions - reconciliatory item	Eliminations (consolidation adjustments)	TOTAL
Tangible fixed assets	1,482,158	566,243	63,204	206	373	1,132	-	2,113,316
Intangible assets	86,815	36,855	2,063	229	556	2,649	-	129,167
- goodwill	45,346	15,070	39	-	-	-	-	60,455
Investments in affiliates and jointly- controlled entities measured under the equity method	4,971						-	4,971
Inventory	128,909	110,900	37,396	375	2,107	-	( 561)	279,126
Trade receivables	258,059	180,553	50,844	10,110	29,369	-	(29,319)	499,616
Assets classified as held for sale included in previous periods under segment assets.	-	-	11,140	73,420	-	-	-	84,560
Other assets held for sale	-	-	-	-	-	23,047	-	23,047
Other assets	-	-	-	-	-	570,640	-	570,640
<b>Total assets</b>	<b>1,960,912</b>	<b>894,551</b>	<b>164,647</b>	<b>84,340</b>	<b>32,405</b>	<b>597,468</b>	<b>(29,880)</b>	<b>3,704,443</b>
Trade liabilities	288,622	166,250	58,084	30,130	8,111	-	(30,077)	521,120
Liabilities classified as held for sale included in previous periods under segment assets.	-	-	-	5,507	-	-	-	5,507
Other liabilities held for sale	-	-	-	-	-	28,084	-	28,084
Other liabilities	-	-	-	-	-	2,287,627	-	2,287,627
<b>Total liabilities</b>	<b>288,622</b>	<b>166,250</b>	<b>58,084</b>	<b>35,637</b>	<b>8,111</b>	<b>2,315,711</b>	<b>(30,077)</b>	<b>2,842,338</b>

31.12.2011 PLN '000	Soda Segment	Organic segment	Silicates and Glass Segment	Agricultural chemicals segment	Other activities	Corporate functions - reconciliatory item	Eliminations (consolidation adjustments)	TOTAL
Tangible fixed assets	1,467,188	605,476	83,494	52,587	328	9,647	-	2,218,720
Intangible assets	115,589	53,908	2,446	2,274	546	6,358	-	181,121
- goodwill	48,991	15,119	39	-	-	-	-	64,149
Investments in affiliates and jointly- controlled entities measured under the equity method	4,655	-	-	-	-	-	-	4,655
Inventory	126,533	152,607	34,551	43,426	-	-	( 498)	356,619
Trade receivables	276,571	182,970	49,496	32,958	24,773	-	(22,929)	543,839
Assets classified as held for sale included in previous periods under segment assets.	-	-	821	-	44,210	-	-	45,031
Other assets held for sale	-	-	-	-	-	11,986	-	11,986
Other assets	-	-	-	-	-	713,225	-	713,225
<b>Total assets</b>	<b>1,990,536</b>	<b>994,961</b>	<b>170,808</b>	<b>131,245</b>	<b>69,857</b>	<b>741,216</b>	<b>(23,427)</b>	<b>4,075,196</b>
Trade liabilities	295,723	241,364	39,537	28,439	8,919	-	(25,202)	588,780
Liabilities classified as held for sale included in previous periods under segment assets.	-	-	-	-	31,879	-	-	31,879
Other liabilities held for sale	-	-	-	-	-	1,192	-	1,192
Other liabilities	-	-	-	-	-	2,138,214	-	2,138,214
<b>Total liabilities</b>	<b>295,723</b>	<b>241,364</b>	<b>39,537</b>	<b>28,439</b>	<b>40,798</b>	<b>2,139,406</b>	<b>(25,202)</b>	<b>2,760,065</b>

01.01.-31.12.2012 PLN '000	Soda Segment	Organic segment	including: discontinued operations	Silicates and Glass Segment	Agricultural chemicals segment	including: discontinued operations	Other activities	including: discontinued operations	Corporate functions reconciliatory item	- Eliminations (consolidation adjustments)	TOTAL
Recognised impairment losses	50,921	245,159	205,858	1,713	44,414	44,250	4,541	72	-	-	552,606
Reversed impairment losses	3,553	117,216	99,289	243	642	408	419	4	-	-	221,362
Recognised impairment losses (not attributable to segments), including:	-	-	-	-	-	-	-	-	73,597	-	73,597
- discontinued operations	-	-	-	-	-	-	-	-	-	-	-
Reversed impairment losses (non- attributable to segments)	-	-	-	-	-	-	-	-	3,871	-	3,871
Revenue on interest attributable to segments	501	1,477	538	444	9	9	53	26	-	(454)	2,568
Interest recognised under Corporate Functions	-	-	-	-	-	-	-	-	2,390	-	2,390
- discontinued operations	-	-	-	-	-	-	-	-	579	-	579
Cost of interest attributable to segments	6,109	5,189	5,188	101	28	28	456	105	-	(454)	16,617
Cost of interest recognised under Corporate Functions	-	-	-	-	-	-	-	-	108,307	-	108,307
- discontinued operations	-	-	-	-	-	-	-	-	100	-	100

01.01.-31.12.2011 PLN '000	Soda Segment	Organic segment	including: discontinued operations	Silicates and Glass Segment	Agricultural chemicals segment	including: discontinued operations	Other activities	including: discontinued operations	Corporate functions reconciliatory item	Eliminations (consolidation adjustments)	TOTAL
Recognised impairment losses	4,364	9,686	4,552	1,121	5,058	5,058	502	165	-	( 163)	20,568
Reversed impairment losses	11,815	4,161	1,325	47	459	364	732	582	-	2	17,216
Recognised impairment losses (not attributable to segments), including:	-	-	-	-	-	-	-	-	22,914	-	22,914
- discontinued operations	-	-	-	-	-	-	-	-	41	-	41
Reversed recognised impairment losses (not attributable to segments), including:	-	-	-	-	-	-	-	-	9,830	-	9,830
- discontinued operations	-	-	-	-	-	-	-	-	10	-	10
Revenue on interest attributable to segments	941	1,602	932	226	303	289	162	-	-	( 781)	2,453
Interest recognised under Corporate Functions	-	-	-	-	-	-	-	-	8,906	-	8,906
Cost of interest attributable to segments	4,564	4,174	4,165	21	27	10	963	-	-	( 779)	8,970
Cost of interest recognised under Corporate Functions	-	-	-	-	-	-	-	-	98,075	-	98,075

## INFORMATION ON GEOGRAPHICAL AREAS

<b>01.01.-31.12.2012</b> <i>PLN '000</i>	<b>Poland</b>	<b>European Union</b>	<b>Other countries</b>	<b>European countries</b>	<b>Africa</b>	<b>Asia</b>	<b>Other Regions</b>	<b>TOTAL</b>
Net revenue from sales	1,527,342	1,853,267	331,799		321,193	201,758	142,593	<b>4,377,952</b>

<b>01.01.-31.12.2011</b> <i>PLN '000</i>	<b>Poland</b>	<b>European Union</b>	<b>Other countries</b>	<b>European countries</b>	<b>Africa</b>	<b>Asia</b>	<b>Other Regions</b>	<b>TOTAL</b>
Net revenue from sales	1,547,299	1,824,268	286,731		184,064	258,320	73,804	<b>4,174,486</b>

<b>31.12.2012</b> <i>PLN '000</i>	<b>Poland</b>	<b>European Union</b>	<b>Other countries</b>	<b>European countries</b>	<b>Africa</b>	<b>Asia</b>	<b>Other Regions</b>	<b>TOTAL</b>
Non-current assets other than financial instruments	1,589,631	772,562	-		-	198	-	2,362,391
Deferred tax assets	2,933	10,092	-		-	-	-	13,025
Other assets	724,657	504,090	38,577		33,920	17,767	10,016	1,329,027
<b>Total assets</b>	<b>2,317,221</b>	<b>1,286,744</b>	<b>38,577</b>		<b>33,920</b>	<b>17,965</b>	<b>10,016</b>	<b>3,704,443</b>

<b>31.12.2011</b> <i>PLN '000</i>	<b>Poland</b>	<b>European Union</b>	<b>Other countries</b>	<b>European countries</b>	<b>Africa</b>	<b>Asia</b>	<b>Other Regions</b>	<b>TOTAL</b>
Non-current assets other than financial instruments	1,866,293	741,102	-		-	328	-	2,607,723
Deferred tax assets	13,490	10,500	-		-	499	-	24,489
Other assets	718,779	575,363	50,172		34,931	52,813	10,926	1,442,984
<b>Total assets</b>	<b>2,598,562</b>	<b>1,326,965</b>	<b>50,172</b>		<b>34,931</b>	<b>53,640</b>	<b>10,926</b>	<b>4,075,196</b>

#### 4. Exposure to currency risk

The table below presents the estimated currency exposure of the Ciech Group in Euro as at December 31st, 2012 due to financial instruments and future net operating revenues (excluding SDC figures):

Exposure to currency risk in EURO	('000 EUR)
Assets	
Borrowings granted to the SDC Group sensitive to FX rate changes	85,800
Trade and other receivables	31,449
Bank deposits	7,475
Liabilities	
Trade and other liabilities	(15,357)
Liabilities due to loans, borrowings and bonds	(245,000)
<b>Forecasted future net result* in EUR (12 months)</b>	<b>147,049</b>
<b>Forecast future net result* in EUR – other companies of the CIECH Group (12 months)</b>	<b>(6,323)</b>
<b>Total result</b>	<b>5,093</b>

\* net result = operating revenues in EUR – operating costs in EUR

The table contains an analysis of the sensitivity of individual balance-sheet items to FX rate changes as at 31.12.2012.

Analysis of sensitivity to FX rate changes	('000 PLN)*	Impact on P&L account	Impact from 1.01.2013 to 31.12.2013
F/x balance-sheet items (excluding borrowings)	(2,214)	(2,214)	
Borrowings granted sensitive to FX rate changes	858	858	
Forecasted future net result in EUR	1,407		1,407
<b>Total impact</b>	<b>N/A</b>	<b>(1,256)</b>	<b>1,407</b>

\* for FX rate increase of EUR/PLN rate by 1 grosz (1/100 PLN)

#### 5. Pending proceedings before a public court, arbitration body or public administration authority as at December 31st, 2012

##### 5.1 CIECH S.A.

##### Significant liabilities of CIECH S.A. (domestic and foreign) claimed in court or arbitration proceedings as on 31 December 2012

##### Action by Enapharm

In June 2004, the Liquidator for Enapharm in Algeria filed a claim, which now amounts to US \$ 222 thousand. (equivalent of PLN 688 thousand), as damages concerning deliveries of expired medications by CIECH S.A. between 1985 and 1991. In the plaintiff's opinion, CIECH S.A. failed to replace the medications unsold by the customer. In June 2007, an opinion of an expert witness was delivered to CIECH S.A., notifying about an increase in value of the medications subject to the complaint to USD 372 thousand (equivalent of PLN 1,153 thousand). In November 2007, the Algerian court announced the judgement in favour of CIECH S.A., in which it rejected the existing expert's report, declaring infringement of laws applicable to civil proceedings. At the same time, the court ordered a new expert opinion to be prepared and appointed a new expert, recommending that a representative of the defendant attends the next examination. In September 2009, Enapharm filed a motion for resumption of proceedings and rejection of the latest expert witness's opinion. On November 2nd, 2010 a new expert was appointed who did not undertake any actions. On 10 February 2012, the representative informed CIECH S.A. that the new expert witness could not be appointed. Despite a filed motion for rejecting the expert's opinion and appointing a new expert, the Court did not issue an order to appoint a new expert. The next hearing is scheduled for September 18th, 2013. The case is pending before the Algerian Court. CIECH S.A. is represented by a local attorney, supervised by a reputable Paris law office. The case is pending. A reserve in the amount of PLN 688 thousand was established in CIECH S.A. for the above liabilities.

##### Employee claims

Currently three employee litigations are held against CIECH S.A. filed by a former employees for the total amount of PLN 2,280 thousand, of which two cases relate to claims for damages, and in one case the claimant demands to recognize the termination of employment to be void. A contingent liability in the full amount was created on account of these claims.

##### Significant CIECH S.A. claims (domestic and foreign)

**Claims submitted to court or arbitration proceedings**

CIECH S.A. is currently conducting cases against its trade and other debtors for a total of PLN 10 thousand. The Company created a write-down in the full amount.

**Claims for bankruptcy proceedings**

A total amount of PLN 1,049 thousand is being claimed in domestic bankruptcy proceedings. The forecasts as for the bankruptcy proceedings are unfavourable due to the fact that the claims of CIECH S.A. are not preferential. The Company has created a write-down for all pending proceedings.

**Claims due to enforcement and conciliatory proceedings**

CIECH S.A. is claiming PLN 8,371 thousand from domestic debtors. The forecasts as for these proceedings vary depending on the debtor's assets. The Company has created a 100% write-down for the aforesaid receivables.

**Foreign bankruptcy, enforcement and court proceedings**

For foreign bankruptcy proceedings, CIECH S.A. allocated claims in the amount of US \$ 315 thousand (equivalent of PLN 976 thousand) and EUR 613 thousand (equivalent of PLN 2,506 thousand), and the amount of PLN 181 thousand, whereof the largest portion includes the following bankruptcy proceedings:

- Chemapol – Prague (PLN 1,104 thousand);
- Euroftal N.V. Belgium (PLN 854 thousand).

A claim of EUR 27 thousand (equivalent of PLN 110 thousand) is pending in a foreign enforcement proceeding, while a settlement proceeding was requested with regard to a receivable in the aggregate amount of EUR 457 thousand (equivalent to PLN 1,868 thousand), whereof the largest portion includes the settlement proceedings for the amount of EUR 443 thousand (equivalent to PLN 1,811 thousand).

For foreign proceedings the Company raised claims of EUR 32 thousand (equivalent of PLN 131 thousand).

In connection with CIECH S.A. entering into agreements with Euler Hermes and Coface regarding debt recovery services, files of foreign cases were handed to the aforesaid companies. However, both companies refused to accept the order although all debts from foreign cases were submitted by CIECH S.A. on time. Consequently, the Company is conducting those cases on their own account.

**Other cases with CIECH S.A.'s participation**

On October 15th, 2010, CIECH S.A. received a subpoena to appear in a hearing conducted by the President of the Commercial Court in Rennes (France). The subpoena was also sent to Zakłady Chemiczne Siarkopol in Tarnobrzeg. The subpoena is linked to a claim filed by Citis (a company with registered office in Colombes - France) and its insurer which were sued by two French manufacturers of animal food products. An expert witness appointed in the course of proceedings performed a number of evaluations in order to finally estimate the amount of damage borne by French manufacturers, the supplier's liability and the compliance of French manufacturers with European and French food production procedures. According to the expert's opinion dated 14 November 2011, the amount of claim was evaluated to be of approximately EUR 584 thousand (equivalent to PLN 2,387 thousand). CIECH S.A. sold oiled ground sulphur to Citis in 2009, the product was manufactured by Zakłady Chemiczne Siarkopol in Tarnobrzeg. Pursuant to Article 331 of the French code of civil proceedings, CIECH S.A. has the status of defendant sued by Citis, and with regards to the French food products manufacturers CIECH S.A. has the third party status. CIECH S.A. appointed a legal representative in France for the purpose of litigation. The insurer of CIECH S.A. also acceded to the case.

On 8 June 2012, CIECH S.A. was served a claim from CITIS SAS and AXA France Iard SA (the insurer of CITIS) against CIECH S.A., PZU S.A. (the insurer of CIECH S.A.), Z. Ch. Siarkopol S.A. in Tarnobrzeg, Łucja Strzelecka Modex Oil from Kwidzyn, filed by the claimant in order to interrupt the limitation period in case P&N takes legal action against Citis/Axa. During the session on 4 September 2012, pursuant to the decision of Commercial Court in Rennes, both cases were joined and 15 January 2013 was set as a new date of the hearing. The hearing was adjourned to March 12th, 2013. A reserve in the amount of EUR 311 thousand was established for the above liability.

On 25 January 2013 CIECH S.A. received via the District Court for Warszawa-Śródmieście a document sent from a Federal District Court for the Eastern District of Pennsylvania containing a motion for service the CIECH S.A. with a statement of claim of Air Products LLC in a case initiated by Air Products against the Issuer before the USA Court. The prayer for relief of the Statement of Claim encompasses primarily:

- holding CIECH S.A. liable to Air Products on the claims asserted in the statement of claim,
- awarding Air Products damages in an amount to be proven at trial and in excess of US \$ 75 thousand,
- awarding Air Products exemplary damages on account of willful and otherwise culpably wrong conduct of the CIECH S.A.

Air Products bases its claims on the assertions as to the alleged fraudulent actions of CIECH S.A. aimed at leading Air Products to price concessions concerning the amine supply contract between Air Products LLC and Air Products Chemical Europe B.V. with a subsidiary of CIECH S.A., ZACHEM S.A., and as to alleged tortious interference of CIECH S.A. in the contractual relationship between Air Products LLC and ZACHEM S.A. Air Products LLC supposedly incurred damage in the amount of US \$ 16 million (equivalent of PLN 49.9 million according to the average exchange rate of the National Bank of Poland of January 25th, 2013) in form of price concessions and damage for lost profit in the amount of not less than US \$ 98 million (equivalent of PLN 305.6 million according to the average exchange rate of the National Bank of Poland of January 25th, 2013).



CIECH S.A. considers the claim to be entirely unfounded. In the opinion of CIECH S.A., Air Products LLC seeks to obtain unjustified benefits relating to the termination of an amine (TDA) supply contract concluded between Air Products LLC and Air Products Chemical Europe B.V. and ZACHEM S.A. The Contract was effectively terminated by ZACHEM S.A. due to the fault of Air Products and the reason for its termination was, i.a., discontinuation of the delivery of amine (TDA) from a plant in Pasadena, actual transfer of TDA supply obligations to Bayer and failure to assure on the possibility of continuation of the delivery of amine (TDA) in accordance with the provisions of the Contract CIECH S.A. did not commit any actions alleged by the Air Products LLC in the Statement of Claim, in particular it did not conduct any illegal actions in terms of facts and business relations, covered by the Statement of Claim. Moreover, CIECH S.A. believes that the USA Court has no jurisdiction as to CIECH S.A. due to the lack of sufficient relationship between CIECH S.A. and the territory of the United States of America.

On December 16th, 2010, CIECH S.A. with its registered seat in Warsaw and Zakłady Azotowe „Puławy” S.A. with its registered seat in Puławy entered into a “Conditional Agreement on the Sale of Shares”. Under the Agreement, CIECH S.A. undertook to sale to ZAP shares in Gdańskie Zakłady Nawozów Fosforowych „FOSFOR” Sp. z o.o. The agreement was in principle executed by both parties, as a result of which ZAP acquired 100% shares in GZNF „FOSFOR” Sp. z o.o., held by CIECH S.A. On November 12th, 2012, the District Court in Warsaw, 16th Commercial Division, received a claim of ZAP against CIECH S.A. for the payment of PLN 18,864 on account of CIECH S.A.'s non performance of the Agreement. The basis of the claim was the breach of warranties made in the said agreement by CIECH S.A.

In this respect, ZAP demanded the amount of PLN 18,607 thousand and a reimbursement of expenses incurred by ZAP for breach of warranties, in the amount of PLN 256,744.05. The legal basis for the claims asserted by ZAP are the provisions of Article 9 of the aforementioned Agreement. ZAP's action against CIECH SA is derived from a number of actions of Agrochem Sp. of o.o. based in Człuchów alleged by ZAP. Explanation of the facts of the case requires further inquiry, in particular questioning several witnesses and taking evidence from expert opinions in the field of accounting. For this reason, at this stage of the case it is difficult to determine the results. A reserve in the amount of EUR 18,800 thousand was established for the above claim.

On February 12th, 2013, in the District Court in Gdynia, 9th Economic Division, CIECH S.A.'s claim against GZNF „FOSFOR” Sp. z o.o. was filed for the payment of PLN 18,864 thousand as a compensation for false representations made by GZNF to CIECH S.A. The legal basis for the claim asserted by CIECH S.A. are the provisions of Article 416 of the Civil Code. The aforementioned representations made by GZNF towards CIECH S.A. were the basis of warranties made by CIECH S.A. towards ZAP.

#### **Anti-dumping proceedings**

Ciech S.A. reported its participation in accordance with the procedures of the EU, in the anti-dumping proceedings initiated by the European Commission on yellow phosphorus, imported from Kazakhstan to the EU. Case no. AD 583 (OJC 369/07 17.12.2011). As a result of actions taken by the Company, the European Commission did not introduce a provisional anti-dumping duty for the period of 6 months. Further works conducted in this case by the Commission in accordance with the European Union procedures are in progress.

On February 13th, 2013, pursuant to a decision of the European Commission no. 2013/81/EU published in the Official Journal of the EC no. L 43/38, the anti-dumping proceedings on yellow phosphorus were closed.

#### **Claims regarding the property located in Warsaw at ul. Powązkowska 46/50**

1. The case is currently pending in the Regional Court in Warsaw, 25th Civil Division under Case File no. XXV C 325/12, in relation to the appeal of the State Treasury against a decision of the Local Government Appeals Court in Warsaw of 15 November 2011, favourable to CIECH S.A., issued under Case File no. KOX/1596/Po/09.

By virtue of a letter of December 22nd, 2008 (Case File No. ZM.ZNO.722240-IV.3212/08/GL) the Mayor of the Capital City Of Warsaw cancelled the former annual charge paid by CIECH S.A. for the perpetual usufruct of land located in Warsaw in Powązkowska 46/50, being the property of the State Treasury, marked as plot no. 41, precinct 7-02-09, and determined a new charge as of January 1st, 2009 amounting to PLN 590 thousand.

In conjunction with the aforesaid new charge, on January 28th, 2009, CIECH S.A. lodged a motion to the Local Government Appeals Court in Warsaw for declaring invalid the updated annual charge for the perpetual usufruct of land.

In the course of the above proceedings, CIECH S.A. requested an analysis of the appraisal study, being the basis for the increase of the charge for the perpetual usufruct of the plot. In March 2010, the representative of CIECH S.A. upheld the motion of October 2009 for proceedings suspension until the proceedings held in the Regional Court in Warsaw, 25th Civil Division under case file no. XXV C 1388/09 is completed.

On 4 May 2010 the application for proceedings suspension was filed again and, additionally, an Opinion of the Arbitration Commission at the Polish Federation of Valuers' Associations was added to the case file, the subject matter of the opinion was the appraisal study being the base for amendment of the perpetual usufruct charge. The aforementioned appraisal study was given a negative evaluation.

On 22 December 2011, the Legal Firm managing the case was served a decision of the Local Government Appeals Court in Warsaw dated 15 November 2011, in which the above mentioned termination of the current annual fee (currently having no definite amount in view of the matters described in paragraph. 2) was considered ineffective, stating that the errors disclosed in the opinion of the Arbitration Commission deprive this action of legal effects. This decision is favourable to CIECH S.A.

On 28 December 2011 the President of the Capital City of Warsaw, as a body representing the State Treasury, lodged an appeal against this decision, which was referred by the Local Government Appeals Court in Warsaw to the

Regional Court in Warsaw, 25th Civil Division, where the case received the Case File no. XXV C 325/12. After CIECH S.A. paid court fees and after the law firm running the case filed the first pleadings explaining the issue of the value of the subject matter in dispute, the Regional Court undertook preparatory actions in order to proceed in the merits of the case, and scheduled the first hearing of the case for November 6th, 2012.

On 5 September 2012, the Law Firm managing the case on behalf of CIECH S.A. filed in the Regional Court in Warsaw a letter, which included an application for a joinder (request for participation in the case) of a current perpetual usufructee of the above mentioned plot no. 41, i.e. MARVIPOL S.A.

On 20 September 2012, the Law Firm managing the case on behalf of CIECH S.A. was served a reply to the summons (i.e. application to deem the change as illegitimate, which, after an appeal against the decision issued by Local Government Appeals Court in Warsaw on 15 November 2011 is being examined by way of legal proceedings) prepared on 14 September 2012 by the State Treasury Solicitor's Office acting as a representative in the proceedings.

On 9 October 2012, the Law Firm managing the case on behalf of CIECH S.A. was served a ruling of the Regional Court with regard to notification about proceedings, case file no. XXV C 325/12, of a current perpetual usufructee of the above mentioned plot no. 41 – MARVIPOL S.A., with a view to provide the opportunity to join the case as a side intervener.

On November 6th, 2012, the first hearing was held in this case. At that hearing, the claimant, CIECH S.A. and intervening party on the side of the claimant, MARVIPOL S.A., filed a motion to deem the termination of the annual charge disputed in the proceedings to be unfounded, whereas the representative of the defendant, the State Treasury, filed a motion to admit an expert evidence to the case of property valuation in order to determine the value of plot no. 41 as at January 1st, 2009. The court scheduled the next hearing in the proceedings with ref. no. XXV C 325/12 to February 26th, 2013.

After the aforementioned hearing: the intervening party on the side of the claimant, MARVIPOL S.A. filed with the case file a letter of November 4th, 2012, informing the Court and other parties about paying the court fee on intervening, the representative of the defendant, the State Treasury – the State Treasury Solicitors' Office in its letter of December 7th, 2012, upheld the motion to the Court to admit an expert evidence to the case of property valuation in order to determine the value of plot no. 41 as at January 1st, 2009. At the same time, the Office representing CIECH S.A., in its letter of December 7th, 2012, filed a motion to consider the purposefulness of suspending the proceedings in the case no. XXV C 325/12 until the case no. XXV C 1388/09 with similar nature of proceeding is validly resolved. On January 28th, 2013 the District Court in Warsaw issued a decision to suspend the proceedings until the case no. XXV C 1388/09 is resolved.

## **2. The case is currently being heard by the Regional Court in Warsaw, 25th Civil Division under Case File No. XXV C 1388/09 (file number for the case heard by the Local Government Appeals Court: KOX/584/Po/04).**

The case is currently being heard by the Regional Court in Warsaw, 25th Civil Division under Case File No. XXV C 1388/09 (file number for the case heard by the Local Government Appeals Court: KOX/584/Po/04). By virtue of a letter of December 17th, 2003, delivered to CIECH S.A. on January 6th, 2004, the Mayor of the Capital City of Warsaw cancelled, as of December 31st, 2003 the previous charge for the perpetual usufruct of land property located in Warsaw in ul. Powązkowska 46/50, owned by the State Treasury, marked as plot no. 41, precinct 7-02-09. The new charge as of January 1st, 2004 amounted to PLN 500 thousand (before the termination it amounted to PLN 26 thousand). As a result of an appeal lodged by CIECH S.A., the Local Government Appeals Court in Warsaw, pursuant to the decision of January 9th, 2009 (file no. KOX/584/Po/04), declared that CIECH S.A., being a perpetual lessee of the plot no. 41, is obliged to pay an annual charge amounting to PLN 409 thousand starting from January 1st, 2005. On January 29th, 2009, CIECH S.A. appealed against the aforesaid decision via the Local Government Appeals Court in Warsaw to the District Court in Warsaw, 25th Civil Division.

A court decision of March 10th, 2010 allowed evidence from expert witness's opinion regarding property evaluation. At the beginning of May 2010, the Regional Court delivered an appraisal study of the aforementioned plot prepared in the course of court proceedings, CIECH S.A. accepted the study without reservations. During a hearing on December 3rd, 2010, the court accepted a motion of Ciech S.A. that the appraisal study be evaluated by the Arbitration Committee at the Polish Federation of Valuers' Associations.

An opinion of June 20th, 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 January 1st, 2005. A hearing in the above case was held on September 23rd, 2011 during which the Court accepted the motion of the law firm running the case to include the current user of the plot No. 41 in the proceedings - MARVIPOL S.A. The hearing was adjourned without scheduling another hearing and the new term was to be routinely scheduled after the completion of tasks related to summoning the above company and presenting by the law firm running the case specific questions to the authors of the above opinion dated June 20th, 2011.

On December 5th, 2011 the Legal Office running the case submitted a list of precise questions to the authors of the above mentioned opinion of the Arbitration Commission, which should be included in the further proceedings. Additionally, on January 5th, 2012, the Legal Office running the case was delivered a letter from MARVIPOL S.A., the current usufructuary of plot no. 41, dated October 5th, 2011, requesting to be admitted to the case as an intervening party.

By virtue of a routine court decision of January 30th, 2012, the Arbitration Commission at the Polish Federation of Valuers was requested to prepare a supplementary opinion to the opinion of the above mentioned Commission dated June 20th, 2011 in order to give answers to questions disclosed in the letter from CIECH S.A.'s representative dated December 5th, 2011. The opinion was prepared and submitted to the Court on March 14th, 2012, and then delivered to the law firm running the case.

In the end, the next hearing took place on May 16th, 2012, but it concerned above all the opposition of the State Treasury represented by the President of the Capital City of Warsaw against the admission of the company

MARVIPOL S.A. to the case as an intervening party. During the said hearing, the Regional Court in Warsaw decided to dismiss the opposition of the State Treasury, obliging the company MARVIPOL S.A. to submit evidence motions in a given term after the decision becomes final. Afterwards, the next hearing is to be routinely scheduled.

On September 26th, 2012, the law firm running the case received a notification specifying the next date of the hearing to be October 12th, 2012 and summoning the representatives from CIECH S.A., as the claimant, MARVIPOL S.A., as the intervening party on the claimant's side, and the State Treasury, represented by the Mayor of the Capital City of Warsaw, as the defendant.

On October 12th, 2012, the hearing took place and, after allowing the parties to present their final positions, the Regional Court closed the case and adjourned its verdict until October 26th, 2012.

On October 26th, 2012, the Regional Court in Warsaw pronounced its verdict, in which it: (1) specified that the annual charge for the perpetual usufruct of Plot no. 41, as of January 1st, 2005, should amount to PLN 341 thousand, (2) ordered the defendant, the State Treasury, to pay to the claimant, Ciech, PLN 39 thousand as a reimbursement of the costs of the case and PLN 7 thousand as a reimbursement of the costs of legal representation, (3) ordered the defendant, the State Treasury, to pay to MARVIPOL S.A., the intervening party on the claimant's side, PLN 12 thousand as a reimbursement of the costs of the case and PLN 7 thousand as a reimbursement of the costs of legal representation, (4) ordered that the amount PLN 192.98 be collected from the defendant, the State Treasury, to supplement the costs of the case.

On October 31st, 2012, the Office representing CIECH S.A. filed a written motion to prepare the statement of reasons to the aforementioned decision of the District Court of October 26th, 2012. Subsequently, after receiving the said decision together with the statement of reasons, the Office representing CIECH S.A. lodged an appeal, challenging part of that decision, i.e. with regards to item 1, in which the first instance Court considered the annual charge of PLN 341 thousand reasonable. On December 21st, 2012, the Office received a request from the District Court in Warsaw of December 14th, 2012 to formally supplement the aforementioned appeal by submitting a full extract from the National Court Register related to CIECH S.A. This request was fulfilled by the Office on the date of its delivery, i.e. on December 21st, 2012 by sending the document in a registered letter.

Due to the aforementioned proceedings (in connection with perpetual usufruct charges on the plot in Powązkowska Street), CIECH S.A. created a provision amounting to PLN 1,890 thousand.

## 5.2 Subsidiaries – important items

### Soda Polska Ciech S.A. (SODA MAŃWY Group)

No claims were advanced against Soda Polska CIECH S.A. which might significantly affect its activity, and the total amount of liabilities claimed by creditors is PLN 1,188 thousand. No significant claims (liabilities) were advanced against any of the SODA MAŃWY Group companies which might affect their activity. In December 2011, administrative proceedings were initiated by Kujawsko-Pomorski Wojewódzki Inspektorat Ochrony Środowiska w Bydgoszczy (Environmental Protection Inspectorate of the Kujawsko-Pomorskie Voivodeship) concerning the stoppage of operation of OP-140 steam power boilers no. 4 and 5 at Soda Polska Ciech S.A., a heat and power plant of the JANIKOSODA production facility in Janikowo. The Voivodeship Environmental Protection Inspectorate specified a date to remedy the breach to be July 31st, 2013. The schedule for remedying the breach is being implemented. The Voivodeship Environmental Protection Inspectorate in Bydgoszcz, as a result of breach of terms and conditions specified in an integrated permit held by SPC regarding the exceeded standards for the emission of fluids will charge SPC with administrative penalties, however their amount is not known yet.

According to the audit findings of the Tax Auditing Office in Bydgoszcz, a routine administrative procedure was initiated against the Company regarding the commissioning of a lime kiln in Janikowo and a silo in Inowrocław in violation of Article 55 of the Building Law Act. One employee case against the company concerning entering into employee relationship is pending.

The amount due (including amounts due for goods) disputed in various proceedings is PLN 26,038 thousand, of which the amount due claimed in enforcement proceedings is PLN 25,899 thousand, and the main item, amounting to PLN 25,514 thousand, is the amount due to PHU STARTER B. Lepiarz. The total amount claimed in court and in bankruptcy proceedings by TRANSODA Sp. z o.o. is PLN 13.5 thousand.

Soda Polska Ciech S.A. acquired the amounts due to PHU STARTER B. Lepiarz from JANIKOSODA S.A. and SODA MAŃWY S.A. However, the disclosure proceedings before the District Court in Częstochowa did not disclose any assets. The court enforcement officer announced the ineffectiveness of enforcement due to considerable debt and inability to satisfy the creditors' claims. Soda Polska Ciech S.A. has created a write-down for all pending proceedings.

### SODA MAŃWY S.A. and JANIKOSODA S.A.

On December 14th, 2011 a law firm Beiten Burkhardt, representing Gotheer Finanzholding AG (Buyer), which in 2010 acquired shares in Polskie Towarzystwo Ubezpieczeniowe S.A. (PTU) belonging to SODA MAŃWY S.A. and JANIKOSODA S.A. (Sellers), delivered a notification of the violation of the Share Purchase Agreement. The main accusation towards the Sellers is not providing full information to the Buyer, which would allow him for a proper evaluation of operations and financial, actuarial and legal position of PTU. In the sent notification, the Buyer did not submit any claims for payment, but merely pointed out that, as a result of underestimation of the technical and insurance provisions, it might have suffered damage for which the Sellers (JANIKOSODA S.A. and MAŃWY SODA S.A.) are liable to the total amount of PLN 24,981 thousand. The Buyer declared the will to settle the case amicably.

According to Gothaer, the basis for the responsibility is item 5.1.1 of the Share Purchase Agreement – compensation for damage resulting from untrue assurances and guarantees. Under item 5.2 of the share purchase agreement, Gothaer is entitled to demand compensation of its damage amounting to PLN 55 million in a part equal to 45.42%, i.e. in the amount of PLN 24,981 thousand. In response, the law firm handling the case (legal advisor to the Sellers in the sale of shares in PTU) acting on behalf of the Sellers, on January 31st, 2012 sent the Buyer a letter containing detailed argumentation and completely rejecting the charges brought against the Sellers.

On January 23rd, 2013, JANIKOSODA S.A. and SODA MATWY S.A. received a notice from the District Court for the Capital City of Warsaw, 9th Economic Division, about the date of hearing on the motion for a conciliation hearing filed by Gothaer Finanzholding AG in which the Buyer indicated the value of the subject of the action to be PLN 24,981 thousand. The hearing was scheduled for April 4th, 2013.

In the opinion of legal advisers appointed in this case there is low probability of winning the case by the Buyer, JANIKOSODA SA and SODA MATWY S.A. The statements as at December 31st, 2012 do not contain any adjustments for that reason in the form of additional provisions or additional off-balance sheet liabilities.

#### **“VITROSILICON” Spółka Akcyjna**

No claims (liabilities) have been filed against the company, which might affect its commercial activity. The company is claiming a total of PLN 612 thousand from debtors, including the largest claim pursued through enforcement proceedings for PLN 392 thousand and through bankruptcy proceedings for PLN 164 thousand. VITROSILICON Spółka Akcyjna created a write-down for all pending proceedings.

#### **“ALWERNIA” S.A.**

No claims (liabilities) have been lodged against Alwernia S.A. which might significantly affect its business activity. There is one case pending regarding negotiating a certificate of work under special conditions.

Alwernia S.A. reported its participation in the anti-dumping proceedings initiated by the European Commission on yellow phosphorus, imported from Kazakhstan. On February 13th, 2013, pursuant to a decision of the European Commission no. 2013/81/EU published in the Official Journal of the EC no. L 43/38, the anti-dumping proceedings on yellow phosphorus were closed.

Alwernia S.A. claims receivables by means of court or enforcement proceedings from many small recipients for a total amount of PLN 331 thousand. A write-down was created on these receivables in the financial statements. Other bankruptcy cases, to which the Company is a party, concern receivables from many recipients of a total amount of PLN 2,640 thousand. The Company does not have a deciding impact on the proceedings. The receivables were subject to a write-down.

#### **CHEMAN S.A.**

No claims (liabilities) have been lodged against Cheman S.A. which might significantly affect its business activity. Cheman S.A. filed court cases against several dozens of trade debtors for a total of PLN 3,617 thousand, including PLN 1,557 thousand claimed in court and enforcement proceedings. Receivables amounting to PLN 863 thousand were lodged to the bankruptcy proceedings. Cheman S.A. has created a write-down for all pending proceedings.

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

No claims (liabilities) have been lodged against Cheman S.A. which might significantly affect its business activity. There is a case pending against the Company for the amount of PLN 100 thousand for the return of a deposit of two times the payment made for the acquisition of the property. A provision in the amount of PLN 140 thousand was created in CIECH S.A. for the above liabilities.

On a hearing held on January 16th, 2013, a court settlement was concluded, under which the Company must pay to the claimant the amount of PLN 100 thousand as a supplement of the deposit in its double amount and as a reimbursement of court costs and costs of legal representation. The amount was paid in February 2013.

#### **ZAKŁADY CHEMICZNE “ORGANIKA-SARZYNA” Spółka Akcyjna**

No material claims (liabilities) have been lodged against Z.Ch. Organika – Sarzyna S.A. which might affect its business activity. One case is pending against the company in which the claimant demands to recognize the termination of employment to be void. Z.Ch. “Organika-Sarzyna” S.A. is claiming an amount of PLN 4,222 thousand from a number of domestic companies in bankruptcy, settlement and enforcement proceedings.

Claims for trade and other receivables asserted in court in the total amount of PLN 951 thousand. The amount claimed in enforcement proceedings is PLN 3,078 thousand and in bankruptcy and settlement proceedings PLN 193 thousand. The company has created a write-down for all pending bankruptcy and court proceedings, while for receivables that are in enforced collection, the write-down was reduced by the securities held, i.e. insurance with KUKI and mortgages.

#### **ZACHEM Group**

No claims (liabilities) have been lodged against the ZACHEM Group which might significantly affect its business activity.

There is a case pending against ZACHEM S.A. initiated by Mostostal S.A. Puławy in the amount of PLN 1,896 thousand for the payment of the outstanding remuneration for the execution of an agreement and several cases filed by employees of the company for the total amount of PLN 258 thousand. Furthermore, private persons filed against the company a claim for payment of PLN 34 thousand on account of non-contractual usage of property (prescriptive easement of land).

The ZACHEM Group's claims pending in business lawsuits, bankruptcy, enforcement, administrative and other proceedings total PLN 5,039 thousand, the largest claim being PLN 3,409 thousand in bankruptcy and agreement proceedings.

The amount of PLN 1,040 thousand is being vindicated in enforcement proceedings. The Group created a write-down for all pending proceedings in the amount of PLN 5,039 thousand.

On January 20th, 2012, ZACHEM S.A. filed a reply to the District Court in Bydgoszcz to the claim filed by Bydgoszcz City Office regarding the release of property located in Bydgoszcz at ul. Toruńska 157, the total value of which is PLN 1,094 thousand. In the justification, ZACHEM S.A. filed for the dismissal of the claim, and filed a counterclaim in which it requests that the plaintiff makes a representation on the conclusion of an agreement on perpetual usufruct of property under dispute.

On September 5th, 2012, ZACHEM S.A. received a claim for compensation in the amount of PLN 12 thousand from the official receiver of NCP Spółka z o.o. in Bydgoszcz. Moreover, in H1, 2012, ZACHEM S.A. received a claim from TUIR WARTA with its registered seat in Warsaw for the payment of PLN 24 thousand as a recourse for the insurer for the reparation of energy damages.

On November 6th, 2012, Royal Europa Sp. z o.o. filed a claim for payment of PLN 1,386 thousand as a compensation related with the quality of purchased goods. At the same time, ZACHEM S.A. filed a claim against Royal Europa Sp. z o.o. for the payment of PLN 490 thousand as a payment for sold products. The District Court in Bydgoszcz issued an order for payment, to which Royal Europa Sp. z o.o. filed an objection. Both cases are pending. A claim was filed against ZACHEM S.A. by TRANSAND Firma Transportowo-Budowlana Jerzy Gotowski, Nekla, Commune Dobrcz, Kujawsko-Pomorskie Voivodeship, for the payment of PLN 172 thousand as a remuneration/compensation due to an agreement on comprehensive sewage management services. On December 19th, 2012, an order for payment was issued to which ZACHEM S.A. filed an objection. The case is pending.

On January 7th, 2013, ZACHEM S.A. was notified by the International Chamber of Commerce in Paris of the initiation of arbitration proceedings against ZACHEM S.A. by Air Products LLC and Air Products Chemicals Europe BV (Air Products). The statement of claim seeks payment of US \$ 98,609 thousand and additional compensation in an amount not defined in the statement of claim Air Products based their claim on ZACHEM S.A.'s allegedly unjustified and unlawful termination of an amine (TDA) supply contract. CIECH S.A. considers the Statement of Claim to be unfounded. In CIECH S.A.'s opinion, Air Products is not entitled to pursue a claim for payment against ZACHEM S.A., because ZACHEM S.A. effectively served a notice of termination of the Contract and the Contract was terminated in accordance with the terms thereof. The reason for its termination was the cessation of supplies of amine (TDA) from the factory in Pasadena, actual transfer of TDA supply obligations to Bayer and Air Products' failure to assure ZACHEM S.A. about the possibility of subsequent performance of amine (TDA) supplies in accordance with the contract.

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

There were no significant claims (liabilities) filed against TRANSCLEAN Sp. z o.o. which might affect its business activity. The company claims a total of PLN 55 thousand against several dozen of its trade debtors in court and enforcement proceedings. TRANSCLEAN Sp. z o.o. created a write-down for the aforementioned receivables.

#### **Soda Deutschland Ciech Group**

No claims (liabilities) have been lodged against the Soda Deutschland Ciech Group which might affect its business activity.

One claim was filed against the Company by VASA Kraftwerke-Pool GmbH&Co. for the payment of EUR 4,165 thousand (equivalent of PLN 17,015 thousand) due to overdue electricity bills in 2008. On March 24th, 2011 the District Court of first instance in Magdeburg ordered Sodawerk Stassfurt GmbH & Co. KG to pay outstanding principal and interest for 2008, from which SWS has appealed to the court of second instance.

As a result of a settlement, a lease agreement entered into force, under which Soda SWS paid EUR 3,000 thousand (equivalent of PLN 12,264 thousand) to VASA, and VASA withdrew all claims for payment against SWS. With relation to the above, the court proceedings ended.

#### **S.C. UZINELE SODICE GOVORA - Ciech Chemical Group S.A.**

No claims have been lodged against S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. which might affect its business activity. There are 5 proceedings pending against the company including 4 employee claims.

On the other hand, USG lodged 23 claims against "Wody Rumuńskie" in connection unfair – in the opinion of the Company – penalties for collecting water without valid permit and penalties for exceeding the allowed concentration of pollutants in waste water channelled to the Olt river. The Company refused to pay part of invoices received for the total amount of RON 5,093 thousand (PLN 4,684 thousand). These amounts were not included in a provision. If the results of these disputes are unfavourable for the company, they will have negative impact on the results of USG. Previous verdicts were made, however, in favour of the Company.

S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. is seeking the payment of its receivables amounting to RON 4,352 thousand (PLN 4,003 thousand) in 31 court cases, including, first of all, from Olchim (RON 3,365 thousand, i.e. PLN 3,095 thousand) and Dacochim International SRL for the total amount of US \$ 182 thousand (PLN 564 thousand).

Additionally there are cases initiated by the Company against one of the former directors of the Company for the total amount of RON 2,037 thousand (PLN 1,873 thousand).

S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. filed a motion to the Court of Appeals in Bucharest for annulment of the Decision no. 75/26.02.2010 issued by ANAF (Tax Administration Authority) after an audit performed in S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. The disputed amount is RON 7,115 thousand (PLN 6,544 thousand) and included the exceeded VAT, exceeded costs and other liabilities. From the entire amount, ANAF gave positive decision only to the amount of RON 853 thousand (PLN 785 thousand) but paid only the amount of RON 424 thousand (PLN 390) due to penalties. The remaining amount, i.e. RON 429 thousand (PLN 395 thousand) was not returned. USG appealed from that decision which resulted in an audit ordered by ANAF. As a result of the audit, ANAF agreed only to the amount of RON 620 thousand (PLN 570 thousand) that included the following amounts: RON 312 thousand – VAT and RON 308 thousand – penalties. The case is pending. Ciech Chemical Group S.A. created a provision for the aforementioned liabilities amounting to RON 1,653 thousand (PLN 1,520 thousand).

On January 10th, 2013, the Trade Unions "Sodistul" filed a claim against US Govora S.A. concerning the following:

- Payment of remuneration for the years 2010–2012 calculated based on a Social Agreement concluded in 2006 between CIECH S.A. and the Trade Union "Sodistul" in which CIECH S.A. declared assigning 16% of operating revenue for the payment of remuneration. This provision was subsequently transferred to the Collective Labour Agreement.
- Budgeting the remuneration fund in the subsequent year at the level of at least 16% of the company's revenue.
- Increasing the number of employees to the level specified pursuant to Resolution no. 1/09.10.2009.

The first hearing took place on February 12th, 2013. The Court appointed an expert in order to estimate the value of the claim. The next hearing will take place on March 26th, 2013. In relation to the first part of the claim, the Management Board assesses the risk of losing the case as small, due to the fact that both parties negotiated the level of remuneration every year and approved it by signing a relevant document. In the opinion of the Management Board, the remaining claims are unfounded.

The exchange rates applied in the calculations (as at December 31st, 2012) were presented in item III.3 of this report.

#### **6. Information about non-standard and non-routine transaction or transactions with affiliated entities concluded by CIECH S.A. or its subsidiaries**

During four quarters of 2012, no transactions with affiliated entities were concluded in the Ciech Group on conditions other than market conditions.

## 7. Information about loan and borrowing sureties or guarantees granted by CIECH S.A. or its subsidiaries

## Sureties and guarantees granted as at December 31st, 2012

Beneficiary's name	Amount of loans covered by surety in whole or in specific part		Surety period	Financial terms, including surety fee due to the company	Principal	Nature of relations between CIECH S.A. and the borrower
	currency in '000	PLN '000				
<b>ZACHEM S.A.</b>						
Bank PEKAO S.A.		18,160	until 31.12.2014	None	Spółka Wodna Kapuściska	None
Nordea Bank		18,160	until 31.12.2014	None	Spółka Wodna Kapuściska	None
<b>Total ZACHEM S.A.</b>		<b>36,320</b>				
Beneficiary's name	Total amount of guarantees granted, backed in whole or in specific part		Guarantee period	Financial terms, including guarantee fee due to the company	Principal	Nature of relations between CIECH S.A. and the beneficiary
	currency in '000	PLN '000				
<b>CIECH S.A.</b>						
SG Equipment Leasing Polska Sp. z o.o. - Warsaw	358 EUR	1,465	01.09.2013	To the lease agreement concluded between S.C Uzinele Sodice Govora and ECS International Polska Sp. z o.o. of July 10th, 2007	S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. - Romania	Subsidiary
Jastrzębska Spółka Węglowa S.A.	-	4,000	Unlimited term	Payment collateral to a long-term agreement no. KK/04/2008 concerning the purchase of coke	ZACHEM S.A.	Subsidiary
ING Lease Romania IFN S.A.	310 EUR	1,269	31.10.2013	Payment collateral to lease agreements	S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. - Romania	Subsidiary
GZNF FOSFORY Sp.z o.o.	-	750	Unlimited term	Payment collateral to a cooperation agreement no. KK/04/2008 concerning the purchase of sulphuric acid	ZACHEM S.A.	Subsidiary
AECTRA S.A. Switzerland	2,300 EUR	9,403	31.03.2013	Guarantee securing the payment for products sold to ZACHEM S.A.	ZACHEM S.A.	Subsidiary
PGE Górnictwo i Energetyka Konwencjonalna S.A.	-	40,000	31.03.2013	Guarantee of payment for heat supply	ZACHEM S.A.	Subsidiary
ENEA S.A. Poznań	-	10,000	28.02.2013	Guarantee of payment for energy supply	ZACHEM S.A.	Subsidiary
VA Intertrading Aktiengesellschaft Austria	900 EUR	3,679	By the payment of all liabilities for deliveries executed in 2012	Guarantee of payment for liquid chlorine delivery	ZACHEM S.A.	Subsidiary
PCC Rokita		2,500	28.02.2013	Guarantee of payment	ZACHEM S.A.	Subsidiary

Beneficiary's name	Total amount of guarantees granted, backed in whole or in specific part		Guarantee period	Financial terms, including guarantee fee due to the company	Principal	Nature of relations between CIECH S.A. and the beneficiary
	currency in '000	PLN '000				
Spółka Akcyjna				for liquid chlorine delivery		
<b>Total amount of guarantees granted</b>		<b>73,066</b>				

## 8. Provisions and write-downs on assets

The Ciech Group's consolidated financial statement for Q4 2012 disclosed the following changes (creation, use and release) of provisions and write-downs on assets.

<b>Provision increase from 01.10.2012 to 31.12.2012</b>	<i>PLN '000</i>
Income tax provision	31,340
Provision for retirement gratuities, annual leaves, bonuses, compensation payments, etc.	31,268
Provision for environmental protection	13,099
Provision for expected losses	11
Restructuring provision	279
Provision for liabilities (costs)	53,844
<b>Total</b>	<b>129,841</b>

<b>Provision decrease (use and release) from 01.01. to 31.12.2012</b>	<i>PLN '000</i>
Income tax provision	45,305
Provision for retirement gratuities, annual leaves, bonuses, compensation payments, etc.	40,018
Provision for environmental protection	16,259
Restructuring provision	75
Provision for liabilities (costs)	3,650
<b>Total</b>	<b>105,307</b>

<b>Write-downs on assets (increase) from 01.10.2012 to 31.12.2012</b>	<i>PLN '000</i>
Write-downs on intangible assets	195
Write-downs on tangible assets	8,697
Write-downs on current receivables	4,537
Write-downs on inventory	16,397
<b>Total</b>	<b>29,826</b>



<b>Write-downs on assets (decrease) (use and release)</b>	<i>PLN '000</i>
<b>from 01.10.2012 to 31.12.2012</b>	
Write-downs on tangible assets	118,885
Write-downs on current receivables	4,466
Write-downs on inventory	1,925
Write-downs on fixed financial assets	3,575
<b>Total</b>	<b>128,851</b>
<b>Change in deferred income tax assets</b>	<i>PLN '000</i>
<b>from 01.10.2012 to 31.12.2012</b>	
Increase	24,558
Decrease	22,212

## 9. Notes to the Consolidated Statement of Comprehensive Income of the Ciech Group

### Tax effect of every component of Other Comprehensive Income of the Ciech Group

PLN '000	01.01.-31.12.2012			01.01.-31.12.2011		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Currency translation differences (foreign companies)	12,278	-	12,278	(16,056)	-	(16,056)
Cash flow hedging	16,523	(3,139)	13,384	(9,471)	1,799	(7,672)
Net currency translation differences (investments in foreign companies)	(23,002)	-	(23,002)	31,955	-	31,955
<b>Other net comprehensive income</b>	<b>5,799</b>	<b>(3,139)</b>	<b>2,660</b>	<b>6,428</b>	<b>1,799</b>	<b>8,227</b>

### Income tax and reclassification adjustments in other comprehensive income

Other gross comprehensive income PLN '000	change in the period	01.01.-31.12.2012	change in the period	01.01.-31.12.2011
<b>Currency translation differences (foreign companies)</b>	-	<b>12,278</b>	-	<b>(16,056)</b>
- measurement for the current period	12,278	-	<b>(16,056)</b>	-
<b>Net currency translation differences (investments in foreign companies)</b>	-	<b>(23,002)</b>	-	<b>31,955</b>
- change resulting from the change in exchange rate in the period	(23,002)	-	31,955	-
<b>Cash flow hedging</b>	-	<b>16,523</b>	-	<b>(9,741)</b>
- evaluation at fair value in the period	12,842	-	(5,065)	-
- reclassification adjustment to the profit and loss account	3,681	-	(4,406)	-
<b>Income tax attributable to other components of other comprehensive income</b>	-	<b>(3,139)</b>	-	<b>1,799</b>
- for the current period	(2,440)	-	962	-
- reclassification adjustment to the profit and loss account	(699)	-	837	-
<b>Other net comprehensive income</b>	-	<b>2,660</b>	-	<b>8,227</b>

**10. Purchase and disposal of tangible fixed assets**

Between January 1st and December 31st, 2012, the Ciech Group carried out the following transactions increasing and decreasing the gross value of tangible fixed assets:

01.01.-31.12.2012							
<i>PLN '000</i>	Land	Buildings, structures as well as land and water engineering facilities	Technical equipment and machines	Means of transport	Other tangible assets	Fixed assets under construction	Tangible fixed assets
<b>Gross value of tangible fixed assets at the beginning of period</b>	<b>85,660</b>	<b>926,341</b>	<b>2,016,062</b>	<b>126,452</b>	<b>47,328</b>	<b>243,719</b>	<b>3,445,562</b>
purchase	-	292	829	784	2,048	-	3,953
Acquisition from investment	-	42,512	157,026	1,256	786	(201,580)	-
Modernisation	-	1,295	13,160	263	118	-	14,836
Investment expenditure on tangible fixed assets under construction	-	-	-	-	-	227,143	227,143
Change of tangible fixed assets due to the conclusion of heat and power plant finance lease agreement	-	21,122	100,522	-	-	-	121,644
Transfer of held-for-sale assets	(735)	(50,553)	(91,966)	(6,139)	(3,679)	(13,974)	(167,046)
Capitalisation of external financing costs	-	8	140	-	-	14,617	14,765
Sales	-	(1,652)	(7,956)	(6,294)	(58)	(3,160)	(19,120)
Disposal	-	(5,234)	(14,246)	(164)	(536)	-	(20,180)
Currency translation differences (foreign entities)	(6,685)	(15,805)	(56,838)	(1,185)	(815)	(916)	(82,244)
Other	-	5,645	(938)	(3,631)	(18)	(551)	507
<b>Gross value of tangible fixed assets at the end of period</b>	<b>78,240</b>	<b>923,971</b>	<b>2,115,795</b>	<b>111,342</b>	<b>45,174</b>	<b>265,298</b>	<b>3,539,820</b>

## 11. Information about changes in contingent liabilities or contingent assets that have occurred since the end of the last financial year

OFF-BALANCE SHEET ITEMS <i>PLN '000</i>	31.12.2012	31.12.2011
<b>1. Contingent assets</b>	-	<b>663</b>
- guarantees and sureties received	-	-
- other off-balance sheet receivables	-	663
<b>2. Contingent liabilities</b>	<b>89,989</b>	<b>105,122</b>
- guarantees and sureties granted	36,320	36,320
- other off-balance sheet liabilities	49,931	42,493
- other	3,738	26,309

As at December 31st, 2012, there were no contingent assets in the Ciech Group – in Z. Ch. “Organika-Sarzyna” S.A. the incomplete promissory note received from the company providing its services to the Company as performance bond has expired.

The amount of contingent liabilities as at December 31st, 2012 was PLN 89,989 thousand, which signifies a decrease by PLN 15,133 thousand in relation to the balance as at December 31st, 2011.

Changes of contingent liabilities in comparison with the position as at December 31st, 2011 result mainly from:

- a change in EUR exchange rate applied by Soda Deutschland Ciech to calculate, among others, a potential liability due to the reclamation of ponds, which will be recognised if the waste management regulations become applicable,
- a change in RON exchange rate in S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. for the contingent liability towards CET Govora,
- a decrease in Alwernia S.A.’s contingent liability due to agreements for the purchase of property, plant and equipment and intangible assets,
- a decrease in liabilities in the SODA MAŹWY Group resulting from the recognition of one of the liabilities (deferred penalty for sulphur dioxide emission) as provision, because the investment task related to that liability will not be performed until December 31st, 2012, according to the last decision of WIOŚ (the Provincial Inspectorate of Environmental Protection). This penalty was paid together with interest at the end of July 2012;
- a generation of a contingent liability in relation to the project “Development of CKTI3 boiler in order to adjust EC Janikowo to environmental requirements” – the amount of PLN 9,591 thousand,
- an expiration of a contingent liability of PLN 3,339 thousand due to a final court decision, favourable to CIECH S.A., on the dismissal of charges of non-compliance by CIECH S.A. with information obligations under the agreement with AVAS regarding the purchase of S.C. Uzinele Sodice Govora – Ciech Chemical Group,
- a disclosure of a contingent liability of PLN 2,219 thousand due to a claim filed by a former employee of the Company for compensation for termination of employment,
- a reclassification as provision of the contingent liability of PLN 18,800 thousand related to the claim filed by ZA Puławy resulting from an alleged breach of provisions of the agreement on the sale of shares in GZNF FOSFOR Sp. z o.o.

Moreover, due to the fact that ZACHEM S.A. has stopped manufacturing TDI, there is a need to recultivate the land located under the installations and the land surrounding the installations. Due to the fact that the forecast size of land that may be polluted and the nature of remedial actions are not known yet, the amount of expenditure for the recultivation of the aforementioned land cannot be reliably estimated as at the balance sheet date.

## 12. Discontinued operations and assets held for sale

### Discontinued operations

The accounting principles applied in preparing the income statement for discontinued operations are the same as the Group’s accounting policy. The results of discontinued operations include:

For the period between January 1st and December 31st, 2012:

- results of POLFA Sp. z o.o. for the period of participation in the Group, as well as the consolidated results for the sale of this entity,

- results of the ZACHEM Group for the period of its presence in the Group (disclosure of operations discontinued due to entering into an agreement by and between ZACHEM S.A., CIECH S.A., BASF Polska Sp. z o.o. and BASF SE, described in details in item II.1 hereof),
- results of Alwernia S.A. for the period of its presence in the Group (disclosure of operations discontinued due to entering into an agreement by and between CIECH S.A. and Alwernia Invest Sp. z o.o., described in details in item II.1 hereof),
- eliminations of results of transactions between consolidated entities in the Ciech Group, and entities reported as discontinued operations.
- results of the Ciech Group companies (including CIECH S.A.) on transactions with entities disclosed in discontinued operations.

The table below presents the result on disposal of discontinued operations:

<i>PLN '000</i>	<b>POLFA Sp. z o.o.</b>
Sales revenue	6,500
Consolidated cost	(8,378)
Profit before tax	(1,878)
Income tax	(785)
<b>Net consolidated result</b>	<b>(2,663)</b>

For the period between January 1st and December 31st, 2011:

- results of companies to be sold – POLFA Sp. z o.o.,
- results of ZACHEM UCR Sp. z o.o. over which the Group lost control due to the sale of shares,
- results of the FOSFORNY Group, and Daltrade Ltd. for the period of participation in the Group, as well as the consolidated results for the sale of these entities,
- results of the ZACHEM Group for the period of its presence in the Group,
- results of Alwernia S.A. for the period of its presence in the Group,
- eliminations of results of transactions between consolidated entities in the Ciech Group, and entities reported as discontinued operations.

The table below presents the result on disposal of discontinued operations:

<i>PLN '000</i>	<b>FOSFORNY Group</b>	<b>Daltrade Ltd.</b>	<b>TOTAL</b>
Sales revenue	106,740	89	106,829
Consolidated cost	(102,195)	(671)	(102,866)
Gross profit	4,545	(582)	3,963
Income tax	(16,311)	633	(15,678)
<b>Net consolidated result</b>	<b>(11,766)</b>	<b>51</b>	<b>(11,715)</b>

A presentation adjustment was also made in the report for 2011.

#### **Assets and liabilities classified as held for sale**

**As at December 31st, 2012**, the following assets were recognised by the Ciech Group as "Assets classified as held for sale":

- VITROSILICON Spółka Akcyjna disclosed tangible fixed assets amounting to PLN 11,992 thousand – in the current period, one of the three VITROSILICON S.A.'s plants, located in Pobiedziska, as well as a glass block production line located in Łowa were classified as assets held for sale. The object of the planned disposal is the complex of real property, as well as plant and machinery. The preliminary sales agreement was entered into on February 15th, 2013. These assets are categorised in the silicates and glass segment.
- CIECH S.A. disclosed the shares in Alwernia S.A. in connection with entering on January 31st, 2013 into a preliminary share sale agreement. The subject of sale were 2,277,431 shares, which constitutes 99.62% of the share capital of the company.  
Consequently, Alwernia S.A. disclosed in the consolidated statements all its balance sheet items as assets or liabilities classified as held for sale. These assets are categorised in the agro-chemical segment.

**As at December 31st, 2011**, the Ciech Group recognised the following items under "Fixed assets held for sale":

- CIECH S.A. disclosed the shares in POLFA Sp. z o.o. in connection with entering on July 15th, 2011 into a share sale agreement. The subject of sale were 3,820 shares, which constitutes 100% of the share capital of POLFA Sp. z o.o. The amount of borrowings granted to POLFA Sp. z o.o. by CIECH S.A. was also disclosed in the separate statements as an asset held for sale. Consequently, POLFA Sp. z o.o. disclosed in the consolidated statements all its balance sheet items as assets or liabilities classified as held for sale. These assets are categorised in the "other activities" segment.

- Due to the process of sale of shares in Cheman S.A. and Ciech Finance Sp. z o.o. executed by CIECH S.A. in 2011, Cheman S.A. and Ciech Finance Sp. z o.o. disclosed in the consolidated statements all their balance sheet items as assets or liabilities classified as held for sale. The companies were assigned to the "other activities" segment.
- In connection with the conclusion by ZACHEM S.A. of the agreement concerning the sale of shares in ZACHEM UCR Sp. z o.o. on September 27th, 2011, the ZACHEM Group disclosed in its consolidated statements all balance sheet items related to ZACHEM UCR Sp. z o.o. as assets or liabilities classified as held for sale. These assets are categorised in the organic segment.
- VITROSILICON Spółka Akcyjna disclosed tangible fixed assets amounting to PLN 821 thousand, including:
  - land – PLN 368 thousand,
  - buildings and structures – PLN 132 thousand,
  - machinery and equipment - PLN 321 thousand.
 These assets are categorised in the silicates and glass segment.
- Spółka Z.Ch. „Organika – Sarzyna” S.A. disclosed tangible fixed assets amounting to PLN 844 thousand. These assets are categorised in the organic segment.

### 13. Information about loan agreements, including information about overdue debts or other violations of debt-related agreements

No loan agreement was called to maturity and there were no violations of payment terms for repayment of capital or interest due in relation to financial liabilities recognised in the balance sheet in the period covered by these financial statements.

### 14. Information about non-consolidated subsidiaries and associates

When selecting entities for consolidation, the Management Board of the parent company applied the materiality principle (in line with the IFRS objectives) to their financials in order to comply with the requirement of true and fair view of the economic and financial standing and financial result of the Group.

The table below presents the total data from subsidiaries not covered by consolidation under the full method due to the irrelevance of the data, compared to total values for the Ciech Group for the period from January 1st, 2012 to December 31st, 2012:

Total value in PLN '000	Non-consolidated entities	Ciech Group	% share
Balance sheet totals	11,816	8,783,640	0.13%
Net sales and financial operations	50,914	7,299,560	0.70%

The following table presents information on affiliates which were not measured under the equity method for the period from January 1st, 2012 to December 31st, 2012:

Total value	Affiliates not measured under the equity method	Equity Ciech Group	% share
Share in net assets	12,738	846,772	1.50%

### 15. Reconciliation of figures presented in the last statements with the currently presented financials as comparable data

**Investment property valuation at fair value** – on January 1st, 2012, the Management Board of CIECH S.A. changed its accounting principles concerning investment property valuation from valuation according to the historic cost to valuation according to the fair value. At the initial recognition, the result of valuation of investment property to fair value is recognised in the equity, under "Retained profits". In subsequent reporting periods, the profit or loss resulting from the change in fair value of an investment property affects the net profit or loss in the period in which this change occurred and is recognised under other operating revenues/costs.

**Presentation of energy certificates** – the change concerns the recognition of certificates of origin of energy obtained in connection with the production of energy in cogeneration as inventories.

The impact of changes in principles applied while preparing the financial statements on the data as at December 31st, 2011 is presented below.

<i>PLN '000</i>	<b>31.12.2011 previously reported in the annual statements</b>	<i>investment property</i>	<i>presentation of energy certificates</i>	<b>31.12.2011 currently reported</b>
Tangible fixed assets	2,217,219	1,501	-	2,218,720
Right of perpetual usufruct	129,491	(73,213)	-	56,278
Investment property	7,084	80,403	-	87,487
<b>Total fixed assets</b>	<b>2,677,201</b>	<b>8,691</b>	-	<b>2,685,892</b>
Inventory	335,591	-	21,028	356,619
Trade and other receivables	840,586	-	(21,028)	819,558
<b>Total current assets</b>	<b>1,389,304</b>	-	-	<b>1,389,304</b>
<b>Total assets</b>	<b>4,066,505</b>	<b>8,691</b>	-	<b>4,075,196</b>
Retained earnings	495,365	7,040	-	502,405
<i>including net profit (loss)</i>	<i>1,501</i>	-	-	<i>1,501</i>
<b>Equity attributable to shareholders of the parent company</b>	<b>1,310,111</b>	<b>7,040</b>	-	<b>1,317,151</b>
Non-controlling interest	(2,020)	-	-	(2,020)
<b>Total equity</b>	<b>1,308,091</b>	<b>7,040</b>	-	<b>1,315,131</b>
Deferred tax provision	119,015	1,651	-	120,666
<b>Total non-current liabilities</b>	<b>683,563</b>	<b>1,651</b>	-	<b>685,214</b>
Current liabilities	2,074,851	-	-	2,074,851
<b>Total liabilities</b>	<b>2,758,414</b>	<b>1,651</b>	-	<b>2,760,065</b>
<b>Total equity and liabilities</b>	<b>4,066,505</b>	<b>8,691</b>	-	<b>4,075,196</b>

<i>PLN '000</i>	<b>31.12.2010 data published as comparative data in the annual statements for 2011</b>	<i>investment property</i>	<i>presentation of energy certificates</i>	<b>31.12.2010 currently reported</b>
<b>Fixed assets</b>				
Tangible fixed assets	2,063,540	1,989	-	2,065,529
Right of perpetual usufruct	134,181	(73,213)	-	60,968
Investment property	5,920	81,747	-	87,667
<b>Total fixed assets</b>	<b>2,456,399</b>	<b>10,523</b>	-	<b>2,466,922</b>
<b>Current assets</b>				
Inventory	297,233	-	8,420	305,653
Trade and other receivables	731,412	-	(8,420)	722,992
Fixed assets held for sale	257,820	(1,832)	-	255,988
<b>Total current assets</b>	<b>1,472,617</b>	<b>(1,832)</b>	-	<b>1,470,785</b>
<b>Total assets</b>	<b>3,929,016</b>	<b>8,691</b>	-	<b>3,937,707</b>
Retained earnings	494,304	7,040	-	501,344
<b>Equity attributable to shareholders of the parent company</b>	<b>817,851</b>	<b>7,040</b>	-	<b>824,891</b>

<i>PLN '000</i>	<b>31.12.2010 data published as comparative data in the annual statements for 2011</b>	<i>investment property</i>	<i>presentation of energy certificates</i>	<b>31.12.2010 currently reported</b>
Non-controlling interest	32,619	-	-	32,619
<b>Total equity</b>	<b>850,470</b>	<b>7,040</b>	-	<b>857,510</b>
Deferred tax provision	106,401	1,651	-	108,052
<b>Total non-current liabilities</b>	<b>961,333</b>	<b>1,651</b>	-	<b>962,984</b>
Total current liabilities	2,117,213	-	-	2,117,213
<b>Total liabilities</b>	<b>3,078,546</b>	<b>1,651</b>	-	<b>3,080,197</b>
<b>Total equity and liabilities</b>	<b>3,929,016</b>	<b>8,691</b>	-	<b>3,937,707</b>



## V. Condensed Individual Financial Statements of CIECH S.A. for Q4 2012 prepared in accordance with the International Financial Reporting Standards

### 1. Condensed Individual Profit and Loss Account of CIECH S.A.

PLN '000	01.01.-31.12.2012			01.01.-31.12.2011		
	Continued operations	Discontinued operations	TOTAL	Continued operations	Discontinued operations	TOTAL
<b>Net revenue from sales</b>	<b>1,794,630</b>	<b>762,101</b>	<b>2,556,731</b>	<b>1,690,664</b>	<b>630,643</b>	<b>2,321,307</b>
Cost of sales	(1,532,467)	(724,090)	(2 256,557)	(1,448,525)	(593,400)	(2 041,925)
<b>Gross profit/loss on sales</b>	<b>262,163</b>	<b>38,011</b>	<b>300,174</b>	<b>242,139</b>	<b>37,243</b>	<b>279,382</b>
Other operating revenue	7,469	4	7,473	4,739	15	4,754
Selling costs	(141,726)	(19,355)	(161,081)	(134,995)	(16,136)	(151,131)
General and administrative expenses	(50,008)	-	(50,008)	(40,479)	-	(40,479)
Other operating costs	(50,884)	-	(50,884)	(17,353)	-	(17,353)
<b>Operating profit / loss</b>	<b>27,014</b>	<b>18,660</b>	<b>45,674</b>	<b>54,051</b>	<b>21,122</b>	<b>75,173</b>
Financial income	57,255	37,946	95,201	407,344	24,478	431,822
Financial expenses	(316,288)	(283,032)	(599,320)	(118,391)	(4,070)	(122,461)
<b>Net financial income/expenses</b>	<b>(259,033)</b>	<b>(245,086)</b>	<b>(504,119)</b>	<b>288,953</b>	<b>20,408</b>	<b>309,361</b>
<b>Profit / loss before taxes</b>	<b>(232,019)</b>	<b>(226,426)</b>	<b>(458,445)</b>	<b>343,004</b>	<b>41,530</b>	<b>384,534</b>
Income tax	21,581	(11,234)	10,347	(24,573)	(8,785)	(33,358)
<b>Net profit/loss</b>	<b>(210,438)</b>	<b>(237,660)</b>	<b>(448,098)</b>	<b>318,431</b>	<b>32,745</b>	<b>351,176</b>

#### Profit/loss per share (in PLN)

Basic	(3.99)	(4.51)	(8.50)	6.76	0.70	7.46
Diluted	(3.99)	(4.51)	(8.50)	6.76	0.70	7.46

PLN '000	01.10.-31.12.2012			01.10.-31.12.2011		
	Continued operations	Discontinued operations	TOTAL	Continued operations	Discontinued operations	TOTAL
<b>Net revenue from sales</b>	<b>459,533</b>	<b>180,633</b>	<b>640,166</b>	<b>424,827</b>	<b>157,661</b>	<b>582,488</b>
Cost of sales	(394,450)	(171,410)	(565,860)	(360,257)	(148,875)	(509,132)
<b>Gross profit/loss on sales</b>	<b>65,083</b>	<b>9,223</b>	<b>74,306</b>	<b>64,570</b>	<b>8,786</b>	<b>73,356</b>
Other operating revenue	1,906	-	1,906	2,013	1	2,014
Selling costs	(35,879)	(4,658)	(40,537)	(36,703)	(4,341)	(41,044)
General and administrative expenses	(18,827)	-	(18,827)	(10,283)	-	(10,283)
Other operating costs	(477)	-	(477)	(1,688)	-	(1,688)
<b>Operating profit / loss</b>	<b>11,806</b>	<b>4,565</b>	<b>16,371</b>	<b>17,909</b>	<b>4,446</b>	<b>22,355</b>
Financial income	25,355	4,479	29,834	127,402	7,176	134,578
Financial expenses	(184,003)	(53,345)	(237,348)	(23,225)	(103)	(23,328)
<b>Net financial income/expenses</b>	<b>(158,648)</b>	<b>(48,866)</b>	<b>(207,514)</b>	<b>104,177</b>	<b>7,073</b>	<b>111,250</b>
<b>Profit / loss before taxes</b>	<b>(146,842)</b>	<b>(44,301)</b>	<b>(191,143)</b>	<b>122,086</b>	<b>11,519</b>	<b>133,605</b>
Income tax	17,052	(11,234)	5,818	(372)	(1,638)	(2,010)
<b>Net profit/loss</b>	<b>(129,790)</b>	<b>(55,535)</b>	<b>(185,325)</b>	<b>121,714</b>	<b>9,881</b>	<b>131,595</b>

#### Profit/loss per share (in PLN)

Basic	(2.46)	(1.06)	(3.52)	2.59	0.21	2.80
Diluted	(2.46)	(1.06)	(3.52)	2.59	0.21	2.80

**2. Condensed Separate Statement of Comprehensive Income of CIECH S.A.**

STATEMENT OF COMPREHENSIVE INCOME OF CIECH S.A.	01.01-31.12.2012			01.01-31.12.2011		
	Continuing operations	Discontinued operations	TOTAL	Continuing operations	Discontinued operations	TOTAL
Net profit/loss for the financial year	(210,438)	(237,660)	(448,098)	318,431	32,745	351,176
Other gross comprehensive income	-	-	-	(7,647)	-	(7,647)
Cash flow hedging	-	-	-	(7,647)	-	(7,647)
Income tax attributable to other components of comprehensive income	-	-	-	1,453	-	1,453
Other net comprehensive income	-	-	-	(6,194)	-	(6,194)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(210,438)</b>	<b>(237,660)</b>	<b>(448,098)</b>	<b>312,237</b>	<b>32,745</b>	<b>344,982</b>

### 3. Condensed Separate Statement of Financial Position of CIECH S.A.

PLN '000	31.12.2012	31.12.2011*	31.12.2010*
<b>ASSETS</b>			
<b>Fixed assets</b>			
Tangible fixed assets	5,104	11,517	10,492
Right of perpetual usufruct	843	843	843
Intangible assets	5,664	6,960	8,070
Investment property	6,073	5,454	5,454
Long-term receivables	224,318	29,061	32,363
Long-term borrowings granted	820,376	1,185,509	525,702
Long-term investments and investments in related entities	861,581	1,029,345	920,383
Other long-term investments	30,561	17,667	15,841
Deferred income tax assets	-	-	7,412
<b>Total fixed assets</b>	<b>1,954,520</b>	<b>2,286,356</b>	<b>1,526,560</b>
<b>Current assets</b>			
Inventory	19,263	28,505	28,704
Current investments - borrowings granted	90,787	500	334,308
Income tax receivables	262	2,449	2,027
Trade and other receivables	539,582	431,654	359,898
Cash and cash equivalents	31,322	15,099	35,131
Fixed assets held for sale	66,930	19,718	141,499
<b>Total current assets</b>	<b>748,146</b>	<b>497,925</b>	<b>901,567</b>
<b>Total assets</b>	<b>2,702,666</b>	<b>2,784,281</b>	<b>2,428,127</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	287,614	287,614	164,115
Share premium	507,835	508,122	151,328
Other reserve capitals	76,199	76,199	76,199
Cash flow hedge	-	-	6,194
Retained earnings	(311)	447,787	96,611
<b>Total equity</b>	<b>871,337</b>	<b>1,319,722</b>	<b>494,447</b>
<b>Liabilities</b>			
Loans, borrowings and other debt instruments	1,286,264	-	299,936
Employee benefits	717	2,029	1,712
Other non-current liabilities	22,346	33,434	33,170
Deferred tax provision	6,193	16,645	-
<b>Total non-current liabilities</b>	<b>1,315,520</b>	<b>52,108</b>	<b>334,818</b>
Loans, borrowings and other debt instruments	33,303	967,200	1,167,117
Trade and other liabilities	456,901	438,801	423,568
Income tax liabilities	321	-	-
Provisions (short-term provisions for employee benefits and other provisions)	25,133	6,368	8,177
Liabilities related to fixed assets held for sale	151	82	-
<b>Total current liabilities</b>	<b>515,809</b>	<b>1,412,451</b>	<b>1,598,862</b>
<b>Total liabilities</b>	<b>1,831,329</b>	<b>1,464,559</b>	<b>1,933,680</b>
<b>Total equity and liabilities</b>	<b>2,702,666</b>	<b>2,784,281</b>	<b>2,428,127</b>

\* Restated data.

#### 4. Condensed Separate Cash Flow Statement of CIECH S.A.

PLN '000	01.01-31.12.2012	01.01-31.12.2011
<b>Operating cash flows</b>		
<b>Net profit (loss) for the period</b>	<b>(448,098)</b>	<b>351,176</b>
Amortisation/depreciation	5,733	4,965
Recognition / reversal of write-downs	419,378	(96,522)
Foreign exchange profit / loss	66,101	(85,425)
Investment property revaluation	(1,320)	-
Profit / loss on investment activities	(4,588)	(82,349)
Profit / loss on disposal of tangible assets	(50)	(287)
Interest and profit sharing	3,780	(65,964)
Input income tax	(10,347)	33,358
<b>Operating profit/loss before changes in working capital and provisions</b>	<b>30,589</b>	<b>58,952</b>
Change in receivables	(42,040)	(8,298)
Change in inventory	9,242	199
Change in current liabilities	27,722	(25,002)
Change in provisions and employee benefits	17,452	(1,491)
<b>Net cash generated from operating activities</b>	<b>42,965</b>	<b>24,360</b>
Interest paid	(72,456)	(83,153)
Income tax paid	2,395	(8,355)
Change in liabilities from loan arrangement commission	(16,762)	-
Evaluation of derivatives	-	(7,647)
<b>Net cash from operating activities</b>	<b>(43,858)</b>	<b>(74,795)</b>
<b>Cash flows from investing activities</b>		
<b>Inflows (in "+")</b>		
Disposal of intangible and tangible fixed assets	148	3,151
Disposal of a subsidiary	6,500	106,829
Dividends received	620	4,278
Interest received	2,225	7,655
Repayment of borrowings	21,141	127,170
<b>Outflows (in "-")</b>		
Acquisition of intangible and tangible fixed assets	(1,417)	(2,019)
Acquisition of a subsidiary (net of cash acquired)	(21,010)	(41,275)
Equity increase and contributions	(239)	-
Borrowings granted	(42,379)	(168,513)
Hedging deposits	(13,936)	-
<b>Net cash from investing activities</b>	<b>(48,347)</b>	<b>37,276</b>
<b>Cash flows from financing activities</b>		
<b>Inflows (in "+")</b>		
Net inflows from issue of shares and other equity instruments, and equity contributions	-	435,994
Proceeds from loans and borrowings	87,931	7,270
Issue of debt securities	356,460	-
<b>Outflows (in "-")</b>		
Repayment of loans and borrowings	(33,882)	(429,348)
Redemption of debt securities	(300,000)	-
Payment of financial lease liabilities	(1,477)	(699)
<b>Net cash from financing activities</b>	<b>109,032</b>	<b>13,217</b>
<b>Total net cash flows</b>	<b>16,827</b>	<b>(24,302)</b>
<b>Opening balance of cash</b>	<b>15,099</b>	<b>35,131</b>
Effect of foreign exchange differences	(604)	4,270
<b>Cash at the end of the period</b>	<b>31,322</b>	<b>15,099</b>

On December 6th, 2012, CIECH S.A. issued registered bonds denominated in EUR, acquired by Ciech Group Financing AB (publ).

Funds from the issue, without involving CIECH S.A.'s bank accounts, were earmarked primarily for the repayment of loans granted to CIECH S.A. in accordance with the Loan Agreement of February 10th, 2011 and repayment of loans granted to Sodawerk Stassfurt GmbH & Co. KG and Sodawerk Holding Stassfurt GmbH. KG and Sodawerk Holding Stassfurt GmbH in accordance with the loan agreement of January 23rd, 2008. Therefore, the amount obtained by CIECH S.A. from the issue of registered bonds denominated in euro and earmarked for the aforementioned repayments was not presented in the Cash Flow Statement.

**5. Condensed Separate Statement of Changes in Equity of CIECH S.A.**

<i>PLN '000</i>	Share capital	Share premium	Cash flow hedge	Other reserve capitals	Retained earnings	<b>Total equity</b>
<b>Equity as at (beginning of period) 01/01/2012</b>	<b>287,614</b>	<b>508,122</b>	-	<b>76,199</b>	<b>447,787</b>	<b>1,319,722</b>
Reduction of equity referring to agio		(287)				(287)
<b>Total comprehensive income for the period</b>	-	-	-	-	(448,098)	(448,098)
Net profit/loss					(448,098)	(448,098)
<b>Equity as at (end of period) 31/12/2012</b>	<b>287,614</b>	<b>507,835</b>	-	<b>76,199</b>	<b>(311)</b>	<b>871,337</b>

<i>PLN '000</i>	Share capital	Share premium	Cash flow hedge	Other reserve capitals	Retained earnings	<b>Total equity</b>
<b>Equity as at (beginning of period) 01/01/2011</b>						
<b>Previously reported</b>	<b>164,115</b>	<b>151,328</b>	<b>6,194</b>	<b>76,199</b>	<b>93,062</b>	<b>490,898</b>
Changes in accounting principles	-	-	-	-	3,549	3,549
<b>Restated*</b>	<b>164,115</b>	<b>151,328</b>	<b>6,194</b>	<b>76,199</b>	<b>96,611</b>	<b>494,447</b>
Issue of shares	123,499	-	-	-	-	123,499
Issue premium over nominal value (agio)	-	356,794	-	-	-	356,794
<b>Total comprehensive income for the period</b>	-	-	(6,194)	-	351,176	344,982
Net profit/loss	-	-	-	-	351,176	351,176
Other comprehensive income	-	-	(6,194)	-	-	(6,194)
<b>Equity as at (end of period) 31/12/2011*</b>	<b>287,614</b>	<b>508,122</b>	-	<b>76,199</b>	<b>447,787</b>	<b>1,319,722</b>

\* Restated data.

## 6. Notes to the financial statements prepared for the 12-month period ended on December 31st, 2012.

### 6.1. Basis for preparation and accounting principles (policy)

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

Detailed information regarding the principles and methods of the valuation of assets and liabilities and measurement of the financial result, as well as the method of preparation of financial statements and comparable data, were included in the report of CIECH S.A. for 2011, publicly disclosed on March 20th, 2012.

On January 1st, 2012, the Management Board of CIECH S.A. changed its accounting principles concerning investment property valuation from valuation according to the historic cost to valuation according to the fair value. At the initial recognition, the result of valuation of investment property to fair value is recognised in the equity, under "Retained profits". In subsequent reporting periods, the profit or loss resulting from the change in fair value of an investment property affects the net profit or loss in the period in which this change occurred and is recognised under other operating revenues/costs.

The amended policy applies to financial statements since January 1st, 2012 (including comparable data). There was also a reporting change concerning interest on trade receivables and interest on borrowings granted.

From January 1st, 2012 (and in comparable periods), interest stated in the profit and loss account is presented per account balance – less revaluation write-downs created.

### 6.2. Earnings per share

Data concerning profit and shares, which is the basis for calculating basic and diluted earnings per share, have been presented below.

<i>PLN '000.</i>	31.12.2012	31.12.2011
Net profit (loss) on continued operations attributed to the controlling shareholders	(210,438)	318,431
Net profit (loss) on discontinued operations attributed to the shareholders of the parent	(237,660)	32,745
Net profit (loss) attributed to the controlling shareholders, applied to calculate basic earnings per share	(448,098)	351,176
Net profit (loss) attributed to the controlling shareholders, applied to calculate diluted earnings per share	(448,098)	351,176
<i>pcs.</i>	<b>31.12.2012</b>	<b>31.12.2011</b>
Weighted average number of issued ordinary shares, applied to calculate basic earnings per share	52,699,909	47,070,649
Weighted average number of issued ordinary shares, applied to calculate diluted earnings per share	52,699,909	47,070,649

### 6.3. Seasonality and cyclicity of operations

Information on seasonality and cyclicity has been presented in point II.3 of this report.

### 6.4. Changes in accounting estimates

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

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

Information on the issue, redemption and repayment of debt securities and equity securities has been presented in point II.8 of this report.

### 6.6. Information about dividends paid

Information on dividends paid has been presented in item II.9 of this report.

## 6.7. Financial figures by business segment

01.01.-31.12.2012

<i>PLN '000</i>	<b>Soda Segment</b>	<b>Organic segment</b>	<i>including discontinued operations</i>	<b>Agricultural chemicals segment</b>	<i>including discontinued operations</i>	<b>Silicates and Glass Segment</b>	<b>Other activities</b>	<i>including discontinued operations</i>	<b>Corporate functions - reconciliatory item</b>	<b>TOTAL</b>
Revenues from third parties	968,634	908,522	554,273	48,859	5,692	333,223	887	-	-	2,260,125
Revenues from inter-segment transactions	68,860	112,771	85,854	111,356	116,245	1,006	2,613	37	-	296,606
<b>Total revenue</b>	<b>1,037,494</b>	<b>1,021,293</b>	<b>640,127</b>	<b>160,215</b>	<b>121,937</b>	<b>334,229</b>	<b>3,500</b>	<b>37</b>	<b>-</b>	<b>2,556,731</b>
Cost of sales	(848,608)	(961,171)	(604,779)	(156,181)	(119,311)	(290,317)	(280)	-	-	(2,256,557)
<b>Gross profit/loss on sales</b>	<b>188,886</b>	<b>60,122</b>	<b>35,348</b>	<b>4,034</b>	<b>2,626</b>	<b>43,912</b>	<b>3,220</b>	<b>37</b>	<b>-</b>	<b>300,174</b>
Selling costs	(83,021)	(38,561)	(19,248)	(1,206)	(107)	(36,006)	(2,287)	-	-	(161,081)
General and administrative expenses	(2,111)	(1,019)	-	(560)	-	(8)	(1)	-	(46,309)	(50,008)
Receivables management result	(16,383)	(858)	-	-	-	-	(2,979)	-	-	(20,220)
Result on other operating activities	1,377	(220)	-	(35)	-	71	(24,384)	4	-	(23,191)
<b>Operating profit/loss</b>	<b>88,748</b>	<b>19,464</b>	<b>16,100</b>	<b>2,233</b>	<b>2,519</b>	<b>7,969</b>	<b>(26,431)</b>	<b>41</b>	<b>(46,309)</b>	<b>45,674</b>
The balance of f/x differences and interest on trade settlements	(14,239)	(31,879)	(2,542)	(4,941)	(2,859)	(15,180)	(8,475)	(173)	-	(74,714)
Financing costs	-	-	-	-	-	-	-	-	(56,571)	(56,571)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	-	-	-	(372,834)	(372,834)
<b>Profit/loss before tax</b>	<b>74,509</b>	<b>(12,415)</b>	<b>13,558</b>	<b>(2,708)</b>	<b>(340)</b>	<b>(7,211)</b>	<b>(34,906)</b>	<b>(132)</b>	<b>(475,714)</b>	<b>(458,445)</b>
Tax										10,347
<b>Net profit/loss</b>										<b>(448,098)</b>
Amortisation/depreciation	1,013	1,131		198		262			3,129	5,733
<b>EBITDA</b>	<b>89,761</b>	<b>20,595</b>		<b>2,431</b>		<b>8,231</b>	<b>(26,431)</b>		<b>(43,180)</b>	<b>51,407</b>



**01.01.-31.12.2011**

<i>PLN '000</i>	<b>Soda Segment</b>	<b>Organic segment</b>	<i>including discontinued operations</i>	<b>Agricultural chemicals segment</b>	<i>including discontinued operations</i>	<b>Silicates and Glass Segment</b>	<b>Other activities</b>	<i>including discontinued operations</i>	<b>Corporate functions - reconciliatory item</b>	<b>TOTAL</b>
Revenues from third parties	885,868	803,579	440,262	98,528	7,316	216,042	1,326	-	-	2,005,343
Revenues from inter-segment transactions	66,118	106,489	80,219	141,495	102,774	1,016	846	72	-	315,964
<b>Total revenue</b>	<b>951,986</b>	<b>910,068</b>	<b>520,481</b>	<b>240,023</b>	<b>110,090</b>	<b>217,058</b>	<b>2,172</b>	<b>72</b>	<b>-</b>	<b>2,321,307</b>
Cost of sales	(782,688)	(852,771)	(488,097)	(228,103)	(105,296)	(178,193)	(170)	(7)	-	(2,041,925)
<b>Gross profit/loss on sales</b>	<b>169,298</b>	<b>57,297</b>	<b>32,384</b>	<b>11,920</b>	<b>4,794</b>	<b>38,865</b>	<b>2,002</b>	<b>65</b>	<b>-</b>	<b>279,382</b>
Selling costs	(78,084)	(34,875)	(15,974)	(1,815)	(162)	(31,833)	(4,524)	-	-	(151,131)
General and administrative expenses	(942)	(1,284)	-	(230)	-	(345)	(2)	-	(37,676)	(40,479)
Receivables management result	(12,185)	(1,879)	-	-	-	-	(513)	-	11	(14,566)
Result on other operating activities	45	146	-	8	-	648	1,531	15	(411)	1,967
<b>Operating profit/loss</b>	<b>78,132</b>	<b>19,405</b>	<b>16,410</b>	<b>9,883</b>	<b>4,632</b>	<b>7,335</b>	<b>(1506)</b>	<b>80</b>	<b>(38,076)</b>	<b>75,173</b>
The balance of f/x differences and interest on trade settlements	(14,480)	(39,358)	13,415	(12,069)	1,697	(11,044)	378	(3)	(166)	(76,739)
Financing costs	-	-	-	-	-	-	-	-	(10,919)	(10,919)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	-	-	-	397,019	397,019
<b>Profit/loss before tax</b>	<b>63,652</b>	<b>(19,953)</b>	<b>29,825</b>	<b>(2,186)</b>	<b>6,329</b>	<b>(3,709)</b>	<b>(1,128)</b>	<b>77</b>	<b>347,858</b>	<b>384,534</b>
Tax										(33,358)
<b>Net profit/loss</b>										<b>351,176</b>
Amortisation/depreciation	221	151		28		30			4,535	4,965
<b>EBITDA</b>	<b>78,353</b>	<b>19,556</b>		<b>9,911</b>		<b>7,365</b>	<b>(1,506)</b>		<b>(33,541)</b>	<b>80,138</b>

**31.12.2012**

<i>PLN '000</i>	<b>Soda Segment</b>	<b>Organic segment</b>	<b>Agricultural chemicals segment</b>	<b>Silicates and Glass Segment</b>	<b>Other activities</b>	<b>Corporate functions - reconciliatory item</b>	<b>TOTAL</b>
Tangible fixed assets	1,057	1,180	206	273	-	2,388	5,104
Intangible assets	1,173	1,310	229	303	-	2,649	5,664
Inventory	9,435	9,453	375	-	-	-	19,263
Trade receivables	197,760	127,151	10,191	31,194	6,940	-	373,236
Other assets	-	-	-	-	-	2,299,399	2,299,399
<b>Total assets</b>	<b>209,425</b>	<b>139,094</b>	<b>11,001</b>	<b>31,770</b>	<b>6,940</b>	<b>2,304,436</b>	<b>2,702,666</b>

<i>PLN '000</i>	<b>Soda Segment</b>	<b>Organic segment</b>	<b>Agricultural chemicals segment</b>	<b>Silicates and Glass Segment</b>	<b>Other activities</b>	<b>Corporate functions - reconciliatory item</b>	<b>TOTAL</b>
Trade liabilities	221,265	94,758	30,148	52,609	4,943	-	403,723
Other liabilities	-	-	-	-	-	1,427,606	1,427,606
<b>Total liabilities</b>	<b>221,265</b>	<b>94,758</b>	<b>30,148</b>	<b>52,609</b>	<b>4,943</b>	<b>1,427,606</b>	<b>1,831,329</b>

**31.12.2011**

<i>PLN '000</i>	<b>Soda Segment</b>	<b>Organic segment</b>	<b>Agricultural chemicals segment</b>	<b>Silicates and Glass Segment</b>	<b>Other activities</b>	<b>Corporate functions - reconciliatory item</b>	<b>TOTAL</b>
Tangible fixed assets	436	298	55	59	-	10,669	11,517
Intangible assets	310	211	39	42	-	6,358	6,960
Inventory	10,156	10,219	8,106	24	-	-	28,505
Trade receivables	156,156	107,059	9,387	30,039	24	-	302,665
Other assets	-	-	-	-	-	2,434,634	2,434,634
<b>Total assets</b>	<b>167,058</b>	<b>117,787</b>	<b>17,587</b>	<b>30,164</b>	<b>24</b>	<b>2,451,661</b>	<b>2,784,281</b>

<i>PLN '000</i>	Soda Segment	Organic segment	Agricultural chemicals segment	Silicates and Glass Segment	Other activities	Corporate functions - reconciliatory item	TOTAL
Trade liabilities	191,994	114,061	22,770	33,440	-	-	362,265
Other liabilities	-	-	-	-	-	1,102,294	1,102,294
<b>Total liabilities</b>	<b>191,994</b>	<b>114,061</b>	<b>22,770</b>	<b>33,440</b>	<b>-</b>	<b>1,102,294</b>	<b>1,464,559</b>

**01.01.-31.12.2012**

<i>PLN '000</i>	Soda Segment	Organic segment	Agricultural chemicals segment	Silicates and Glass Segment	Other activities	Corporate functions - reconciliatory item	TOTAL
Recognised impairment losses	16,729	1,025	164	-	7,539	-	25,457
Reversed impairment losses	18	140	234	-	251	-	643
Recognised impairment losses (non-attributable to segments)	-	-	-	-	-	416,546	416,546
Reversed impairment losses (non-attributable to segments)	-	-	-	-	-	145	145
	<b>16,747</b>	<b>1,165</b>	<b>398</b>	<b>-</b>	<b>7,790</b>	<b>416,691</b>	<b>442,791</b>

**01.01.-31.12.2011**

<i>PLN '000</i>	Soda Segment	Organic segment	Agricultural chemicals segment	Silicates and Glass Segment	Other activities	Corporate functions - reconciliatory item	TOTAL
Recognised impairment losses	12,587	1,968	(51)	-	513	-	15,017
Reversed impairment losses	394	217	95	-	11	-	717
Recognised impairment losses (non-attributable to segments)	-	-	-	-	-	16,850	16,850
Reversed impairment losses (non-attributable to segments)	-	-	-	-	-	116,837	116,837
	<b>12,981</b>	<b>2,185</b>	<b>44</b>	<b>-</b>	<b>524</b>	<b>133,687</b>	<b>149,421</b>

**INFORMATION ON GEOGRAPHICAL AREAS**
**31.12.2012**

<i>PLN '000</i>	<b>Poland</b>	<b>European Union</b>	<b>Other European countries</b>	<b>Africa</b>	<b>Asia</b>	<b>Other regions</b>	<b>TOTAL</b>
Total assets	1,570,242	1,041,853	36,164	33,416	11,231	9,760	2,702,666
Net revenue from sales	985,942	878,976	248,509	240,461	87,386	115,457	2,556,731

**31.12.2011**

<i>PLN '000</i>	<b>Poland</b>	<b>European Union</b>	<b>Other European countries</b>	<b>Africa</b>	<b>Asia</b>	<b>Other regions</b>	<b>TOTAL</b>
Total assets	1,770,906	930,232	32,549	31,206	13,476	5,912	2,784,281
Net revenue from sales	919,567	850,401	193,102	152,091	152,180	53,966	2,321,307

### 6.8. Information on material events that occurred after December 31st, 2012 and have not been reflected in the presented interim report

No material events which have not been reflected in the financial statements for the period from January 1st to December 31st, 2012 occurred after December 31st, 2012.

### 6.9. Changes in the shareholding structure of the entity

Changes in the portfolio of shares held were recorded during four quarters of 2012 and are described in item IV.2 of this report.

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

PLN '000

OFF-BALANCE SHEET ITEMS	31.12.2012	31.12.2011
<b>1. Contingent receivables</b>	-	-
<b>2. Contingent liabilities</b>	<b>75,285</b>	<b>425,787</b>
Guarantees and sureties granted	73,066	400,820
Other	2,219	24,967
<b>Total off-balance sheet items</b>	<b>75,285</b>	<b>425,787</b>

As at December 31st, 2012, contingent receivables did not occur in CIECH S.A.

The value of contingent liabilities as at December 31st, 2012 amounted to PLN 75,285 thousand, which signifies a decrease in comparison with December 2011 by PLN 350,502 thousand.

The main reasons of this difference are: the decrease in the guarantees and sureties granted for the liabilities of the subsidiary GOVORA by EUR 1,076 thousand, for the liabilities of the subsidiary Soda Deutschland Ciech GmbH by EUR 25,000 thousand and for the liabilities of the subsidiary ZACHEM S.A. by US \$ 53,086 thousand, and the expiration of a contingent liability of RON 3,339 thousand due to a final court decision, favourable to CIECH S.A., on the dismissal of charges of non-compliance by CIECH S.A. with information obligations under the agreement with AVAS regarding the purchase of S.C. Uzinele Sodice Govora-Ciech Chemical Group. The difference is also influenced by the reduction of the liability related to the claim filed by Zakłady Azotowe PUŁAWY S.A. resulting from an alleged breach of provisions of the agreement on the sale of shares in GZNF FOSFORNY Sp. z o.o. to PLN 18,800 thousand and its reclassification from contingent liability to provision, as well as granting of new guarantees for the liabilities of ZACHEM S.A. in the amount of PLN 59,500 thousand and EUR 900 thousand.

The remaining difference results from the changes in exchange rates applied in the measurement of liabilities. Other contingent liability of PLN 2,219 results from a claim filed by a former employee of the Company for compensation for termination of employment,

### 6.11. Information on write-downs on assets and provisions in the reporting period, i.e. 01.10.-31.12.2012

01.10.-31.12.2012

PLN '000	Opening balance	increase	decrease	closing balance
Tangible fixed assets	3,525	84	-	3,609
Investment property	700	-	-	700
Long-term investments	391,708	180,924	85,109	487,523
Inventory	716	-	185	531
Receivables	62,249	372	1,033	61,588
Short-term investments	29,049	87,606	191	116,464

Owing to circumstances described in IAS 36, CIECH S.A. conducted tests to evaluate involvement in subsidiaries.

In the case of US Govora S.A., value in use calculated based on the models in effect in the Ciech Capital Group was applied as recoverable value. Value in use was calculated based on five-year plans compiled by US Govora. Financial projections included investments connected with the company's going concern status.

Based on the result of the test conducted for, CIECH S.A.'s Management Board decided to create the write-downs on long-term borrowings granted to US Govora S.A. The write-down was created in the amount of PLN 128,468 thousand.

In the calculation for US Govora S.A. the applied average weighted capital cost was 11.8% and the growth rate for the residual period was 3%.

The recoverable value of involvement in ZACHEM S.A. was established based on the net assets if the ZACHEM Capital Group (according to IAS). Based on an analysis, CIECH S.A.'s Management Board decided to create the write-downs on shares in ZACHEM S.A. in the amount of PLN 48,263 thousand.

**01.10.-31.12.2012**

<i>PLN '000</i>	Opening balance	increase	decrease	closing balance
Income tax provision	22,275	-	7,605	14,670
Provision for retirement gratuities, annual leaves, bonuses, compensation payments, etc.	6,183	1,689	-	7,872
Provision for expected losses	23,696	-	7	23,689
Provision for liabilities (costs)	2,233	-	564	1,669

**01.10.-31.12.2012**

<i>PLN '000</i>	Opening balance	increase	decrease	closing balance
Deferred tax assets	10,213	-	1,736	8,477

**01.10.-31.12.2011**

<i>PLN '000</i>	Opening balance	increase	decrease	closing balance
Long-term investments	294,452	-	124,673	169,779
Inventory	252	-	7	245
Receivables	47,307	-	276	47,031
Short-term investments	14,658	4,116	-	18,774

**01.10.-31.12.2011**

<i>PLN '000</i>	Opening balance	increase	decrease	closing balance
Income tax provision	27,109	1,483	-	28,592
Provision for retirement gratuities, annual leaves, bonuses, compensation payments, etc.	3,989	456	-	4,445
Provision for expected losses	7,246	-	1,278	5,968
Provision for liabilities (costs)	3,543	-	3,199	344

**01.10.-31.12.2011**

<i>PLN '000</i>	Opening balance	increase	decrease	closing balance
Deferred tax assets	12,225	-	278	11,947

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

**6.12. Notes to the Statement of Comprehensive Income of CIECH S.A.**

Tax effect of every component of Other Comprehensive Income of CIECH S.A. <i>PLN '000</i>	01.01.-31.12.2012			01.01.-31.12.2011		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Cash flow hedging	-	-	-	(7,647)	1,453	(6,194)
<b>Other net comprehensive income</b>	-	-	-	<b>(7,647)</b>	1,453	<b>(6,194)</b>

<i>PLN '000</i>	change in the period	01.01-31.12.2012	change in the period	01.01-31.12.2011
<b>Other gross comprehensive income</b>				
Cash flow hedging	-	-	-	(7,647)
- evaluation at fair value in the period	-	-	-	-
- reclassification adjustment of profit/loss presented in the profit and loss account	-	-	(7,647)	-
Income tax attributable to other components of other comprehensive income, including:				1,453
- input tax for the current period	-	-	-	-
- reclassification adjustment to the profit and loss account	-	-	1,453	-
<b>Other net comprehensive income</b>	-	-	-	<b>(6,194)</b>

### 6.13. Information about the reversal of all provisions for restructuring costs

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

### 6.14. Information about the purchase and disposal of tangible fixed assets and commitments to purchase tangible fixed assets

#### 01.01.-31.12.2012

<i>PLN '000</i>	Land, buildings, premises and civil engineering structures	machinery and equipment	means of transport	Other fixed assets	fixed assets under construction	Total
purchase	-	274	98	7	21	400
disposal	-	147	671	31	-	849

CIECH S.A. purchased PLN 400 thousand of tangible fixed assets. This was financed from the Company's own funds.

#### 01.01.-31.12.2011

<i>PLN '000</i>	Land, buildings, premises and civil engineering structures	machinery and equipment	means of transport	Other fixed assets	fixed assets under construction	Total
purchase	34	6,123	44	14	148	6,363
disposal	-	9,292	276	50	-	9,618

CIECH S.A. purchased tangible fixed assets for a total of PLN 6,363 thousand. The purchase was financed from the Company's own funds and through financial lease.

### 6.15. Litigation

Information has been presented in item IV.5.1 of this report.

### 6.16. CIECH S.A.'s shareholders holding at least 5% of shares/votes at the General Meeting of Shareholders

Information on the shareholders of CIECH S.A. holding at least 5% of shares/votes at the General Meeting of Shareholders has been presented in item II.7 of this report.

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

Information on the changes in the shares of CIECH S.A. held by the Members of the Management Board and Supervisory Board has been presented in point II.6 of this report.

### 6.18. Corrections of errors from previous periods

There were no corrections of errors from previous periods

### 6.19. Discontinued operations and assets held for sale

#### Discontinued operations

During the period from January 1st to December 31st, 2012, the profit/loss on transaction with the following Companies was disclosed as discontinued operations:

- POLFA Sp. z o.o. – due to the sale of shares in this Company – activities disclosed in “other activities” segment,
- ZACHEM S.A. – due to entering into an agreement by and between ZACHEM S.A., CIECH S.A., BASF Polska Sp. z o.o. and BASF SE, described in details in item II.1 hereof – activities disclosed in the organic segment,
- ALWERNIA S.A. – due to entering into an agreement by and between CIECH S.A. and Alwernia Invest Sp. z o.o., described in details in item II.1 hereof – activities disclosed in the agricultural chemicals segment.

Revenue from sales and costs of sales generated by CIECH S.A. from the sale of goods purchased from the aforementioned entities to external entities were also disclosed as discontinued operations.

Data for the comparative period was appropriately restated and presented.

#### Assets held for sale

As at December 31st, 2012, the shares, borrowings and liabilities of Alwernia S.A. were disclosed as assets held for sale in connection with entering on January 31st, 2013 into a preliminary share sale agreement. The subject of sale



were 2,277,431 shares, which constitutes 99.62% of the share capital of the company. The company is categorised in the agricultural chemicals segment.

As at December 31st, 2011 under "Assets classified as held for sale" and "Liabilities directly associated with assets classified as held for sale" the assets and liabilities of POLFA Sp. z o.o., Ciech Finance Sp. z o.o. and Cheman SA. were presented. Such presentation resulted from the fact that CIECH S.A. concluded an agreement on the sale of 3,820 shares in POLFA Sp. z o.o., which comprise 100% of the share capital of POLFA Sp. z o.o., and that it held through sale the shares of Cheman S.A. and Ciech Finance Sp. z o.o. The companies were assigned to the "other activities" segment.

## 6.20. Information about overdue debts or other violations of debt-related agreements

No loan agreement was called to maturity and there were no violations of payment terms for repayment of capital or interest due in relation to financial liabilities recognised in the balance sheet in the period covered by these financial statements.

## 6.21. Transactions with affiliates

Transactions with affiliates are concluded in line with market conditions

<i>PLN '000</i>	Revenue from sales 01.01.-31.12.2012	Purchase of goods and services 01.01.- 31.12.2012	Financial income 01.01.-31.12.2012	Receivables as at 31.12.2012	Liabilities as at 31.12.2012
Consolidated entities	296,606	1,796,201	89,716	167,686	292,621
Non-consolidated entities	62,743	6,443	626	5,278	1,453

<i>PLN '000</i>	Sales revenue 01.01.- 31.12.2011	Purchase of goods and services 01.01.- 31.12.2011	Financial income 01.01.-31.12.2011	Receivables as at 31.12.2011	Liabilities as at 31.12.2011
Consolidated entities	315,964	1,643,979	271,726	78,039	319,528
Non-consolidated entities	69,885	7,455	997	7,707	2,031

## 6.22. Reconciliation of figures presented in the last statements with the currently presented financials as comparable data

On January 1st, 2012, the Management Board of CIECH S.A. changed its accounting principles concerning investment property valuation from valuation according to the historic cost to valuation according to the fair value. At the initial recognition, the result of valuation of investment property to fair value was recognised in the equity, under "Retained profits". In subsequent reporting periods, the profit or loss resulting from the change in fair value of an investment property affects the net profit or loss in the period in which this change occurred and is recognised under other operating revenues/costs.

The impact of changes in principles applied while preparing the financial statements to the data as at December 31st, 2011 is presented below.

<i>PLN '000</i>	<b>31.12.2011 previously reported in the annual statements</b>	<i>Change in accounting principles – valuation of investment property to fair value</i>	<b>31.12.2011 currently reported</b>
<b>ASSETS</b>			
<b>Fixed assets</b>			
Tangible fixed assets	9,803	1,714	11,517
Right of perpetual usufruct	-	843	843
Intangible assets	6,960	-	6,960
Investment property	3,630	1,824	5,454
Long-term receivables	29,061	-	29,061
Long-term borrowings granted	1,185,509	-	1,185,509
Long-term investments and investments in related entities	1,029,345	-	1,029,345
Other long-term investments	17,667	-	17,667
<b>Total fixed assets</b>	<b>2,281,975</b>	<b>4,381</b>	<b>2,286,356</b>

<i>PLN '000</i>	<b>31.12.2011 previously reported in the annual statements</b>	<i>Change in accounting principles – valuation of investment property to fair value</i>	<b>31.12.2011 currently reported</b>
<b>Total current assets</b>	<b>497,925</b>	-	<b>497,925</b>
<b>Total assets</b>	<b>2,779,900</b>	<b>4,381</b>	<b>2,784,281</b>
<b>EQUITY AND LIABILITIES</b>			
Equity			
Share capital	287,614	-	287,614
Share premium	508,122	-	508,122
Other reserve capitals	76,199	-	76,199
Retained earnings	444,238	3,549	447,787
<i>including net financial result</i>	<i>351,176</i>	<i>-</i>	<i>351,176</i>
<b>Total equity</b>	<b>1,316,173</b>	<b>3,549</b>	<b>1,319,722</b>
Employee benefits	2,029	-	2,029
Other non-current liabilities	33,434	-	33,434
Deferred tax provision	15,813	832	16,645
<b>Total non-current liabilities</b>	<b>51,276</b>	<b>832</b>	<b>52,108</b>
<b>Total current liabilities</b>	<b>1,412,451</b>	-	<b>1,412,451</b>
<b>Total liabilities</b>	<b>1,463,727</b>	<b>832</b>	<b>1,464,559</b>
<b>Total equity and liabilities</b>	<b>2,779,900</b>	<b>4,381</b>	<b>2,784,281</b>

The impact of changes in principles applied while preparing the financial statements to the data as at December 31st, 2010 is presented below.

<i>PLN '000</i>	<b>31.12.2010 previously reported in the annual statements</b>	<i>Change in accounting principles – valuation of investment property to fair value</i>	<b>31.12.2010 currently reported</b>
<b>ASSETS</b>			
<b>Fixed assets</b>			
Tangible fixed assets	8,778	1,714	10,492
Right of perpetual usufruct	-	843	843
Intangible assets	8,070	-	8,070
Investment property	3,630	1,824	5,454
Long-term receivables	32,363	-	32,363
Long-term borrowings granted	525,702	-	525,702
Long-term investments and investments in related entities	920,383	-	920,383
Other long-term investments	15,841	-	15,841
Deferred income tax assets	8,244	(832)	7,412
<b>Total fixed assets</b>	<b>1,523,011</b>	<b>3,549</b>	<b>1,526,560</b>
<b>Total current assets</b>	<b>901,567</b>	-	<b>901,567</b>
<b>Total assets</b>	<b>2,424,578</b>	<b>3,549</b>	<b>2,428,127</b>
<b>EQUITY AND LIABILITIES</b>			
Equity			
Share capital	164,115	-	164,115
Share premium	151,328	-	151,328
Cash flow hedge	6,194	-	6,194
Other reserve capitals	76,199	-	76,199
Retained earnings	93,062	3,549	96,611
<i>including net financial result</i>	<i>(5,038)</i>	<i>-</i>	<i>(5,038)</i>
<b>Total equity</b>	<b>490,898</b>	<b>3,549</b>	<b>494,447</b>
Loans, borrowings and other debt instruments	299,936	-	299,936

PLN '000	31.12.2010 previously reported in the annual statements	<i>Change in accounting principles – valuation of investment property to fair value</i>	31.12.2010 currently reported
Employee benefits	1,712	-	1,712
Other non-current liabilities	33,170	-	33,170
<b>Total non-current liabilities</b>	<b>334,818</b>	-	<b>334,818</b>
<b>Total current liabilities</b>	<b>1,598,862</b>	-	<b>1,598,862</b>
<b>Total liabilities</b>	<b>1,933,680</b>	-	<b>1,933,680</b>
<b>Total equity and liabilities</b>	<b>2,424,578</b>	<b>3,549</b>	<b>2,428,127</b>

### 6.23. Information on events occurring after the balance-sheet day

- On January 21st, 2013, the District Court, 13th Economic Division, registered the reduction in share capital of JANIKSODA S.A. On January 25th, 2013, the reduction in share capital of SODA MAŁY S.A. was registered and that was the date, on which the spin-off by separation of JANIKOSODA S.A. and SODA MAŁY S.A. was registered in the National Court Register (KRS) and, consequently, the date of the spin-off of soda divisions and their incorporation with CIECH S.A. The spin-off by separation was executed under Article 529 § 1 item 4) of the Commercial Companies Code by transferring part of assets of the divided companies, i.e. SODA MAŁY S.A. and JANIKOSODA S.A. to CIECH S.A. as the acquiring company. At the same date, the court registered the increase in share capital of CIECH S.A. by two registered shares granted to minority shareholders JANIKOSODA S.A. and SODA MAŁY S.A. for 1 share of JANIKSODA S.A. and 1 share of SODA MAŁY S.A. that were cancelled as a result of the registration of spin-off by separation. The settlement of the merger made in 2013 had a positive impact on the financial result of CIECH S.A. in the amount of over PLN 200 million. The settlement of the merger generated also a deferred tax asset amounting to approx. PLN 63 million. The profit/loss on the merger will be recognised in the financial statements for 2013.

- On 25 January 2013 CIECH S.A. received via the District Court for Warszawa-Śródmieście a document sent from a Federal District Court for the Eastern District of Pennsylvania containing a motion for service the CIECH S.A. with a statement of claim of Air Products LLC in a case initiated by Air Products against the Issuer before the USA Court. The prayer for relief of the Statement of Claim encompasses primarily:
  - holding CIECH S.A. liable to Air Products on the claims asserted in the statement of claim,
  - awarding Air Products damages in an amount to be proven at trial and in excess of US \$ 75 thousand,
  - awarding Air Products exemplary damages on account of willful and otherwise culpably wrong conduct of the Issuer.

According to a copy of the Statement of Claim serviced to the Issuer, Air Products bases its claims on the assertions as to the alleged fraudulent actions of CIECH S.A. aimed at leading Air Products to price concessions concerning the amine supply contract between Air Products LLC and Air Products Chemical Europe B.V. with a subsidiary of CIECH S.A., ZACHEM S.A., and as to alleged tortious interference of CIECH S.A. in the contractual relationship between Air Products LLC and ZACHEM S.A. Air Products LLC supposedly incurred damage in the amount of US \$ 16 million (equivalent of PLN 49.9 million according to the average exchange rate of the National Bank of Poland of January 25th, 2013) in form of price concessions and damage for lost profit in the amount of not less than US \$ 98 million (equivalent of PLN 305.6 million according to the average exchange rate of the National Bank of Poland of January 25th, 2013).

CIECH S.A. considers the claim to be entirely unfounded. In the opinion of CIECH S.A., Air Products LLC seeks to obtain unjustified benefits relating to the termination of an amine (TDA) supply contract concluded between Air Products LLC and Air Products Chemical Europe B.V. and ZACHEM S.A. The Contract was effectively terminated by ZACHEM S.A. due to the fault of Air Products and the reason for its termination was, i.e., discontinuation of the delivery of amine (TDA) from a plant in Pasadena, actual transfer of TDA supply obligations to Bayer and failure to assure on the possibility of continuation of the delivery of amine (TDA) in accordance with the provisions of the Contract CIECH S.A. did not commit any actions alleged by the Air Products LLC in the Statement of Claim, in particular it did not conduct any illegal actions in terms of facts and business relations, covered by the Statement of Claim. Moreover, CIECH S.A. believes that the USA Court has no jurisdiction as to CIECH S.A. due to the lack of sufficient relationship between CIECH S.A. and the territory of the United States of America.

- On January 31, 2013 CIECH S.A. and Alwernia Invest Sp. z o.o. entered into a preliminary agreement for the sale of 2,277,431 shares representing 99.62% of the share capital of CIECH S.A.'s subsidiary, Alwernia S.A. The preliminary share sale agreement is conditional and depends on consent of UOKiK (Office of Competition and Consumer Protection) and repayment of borrowings granted by CIECH S.A. to Alwernia S.A. accounting for approximately PLN 14.2 million. The Company's share sale price accounts for US \$ 13.4 million. The part of the price will be split into instalments including the interests for deferred payments.

- On February 12th, 2013, in the District Court in Gdynia, 9th Economic Division, CIECH S.A.'s claim against GZNF „FOSFOR” Sp. z o.o. was filed for the payment of PLN 18,864 thousand as a compensation for false representations made by GZNF to CIECH S.A. The legal basis for the claim asserted by CIECH S.A. are the provisions of Article 416 of the Civil Code. The aforementioned representations made by GZNF towards CIECH S.A. were the basis of warranties made by CIECH S.A. towards ZAP.

## **VI. Statement of the Management Board**

This extended consolidated quarterly report of the Ciech Group for Q4 2012 was approved by the Management Board of CIECH S.A. in its registered office on February 28th, 2013 for publishing on March 1st, 2013.

Warsaw, February 28th 2013.

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**Dariusz Krawczyk – President of the Management Board of CIECH Spółka Akcyjna**

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**Andrzej Kopeć – Member of the Management Board of CIECH Spółka Akcyjna**

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

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