



**CIECH CHEMICAL GROUP
COMPLETE CONSOLIDATED
QUARTERLY REPORT
for the first quarter of 2012**

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I. Ciech Group Consolidated Financial Statements

1. Ciech Group Consolidated Income Statement

PLN '000	01.01-31.03.2012			01.01-31.03.2011		
	Continued operations	Discontinued operations	TOTAL	Continued operations	Discontinued operations	TOTAL
Net sales revenue	1,142,909	29,742	1,172,651	1,060,802	61,224	1,122,026
Cost of sales	(971,238)	(24,972)	(996,210)	(915,424)	(33,659)	(949,083)
Gross profit/loss on sales	171,671	4,770	176,441	145,378	27,565	172,943
Other operating revenue	25,933	62	25,995	12,261	619	12,880
Selling costs	(68,301)	(2,325)	(70,626)	(60,395)	(10,155)	(70,550)
General and administrative expenses	(45,456)	(2,609)	(48,065)	(45,846)	(8,321)	(54,167)
Other operating costs	(11, 929)	29	(11, 900)	(16,612)	(2,263)	(18,875)
Operating profit/loss	71,918	(73)	71,845	34,786	7,445	42,231
Finance income	1,580	765	2,345	14,079	(1,004)	13,075
Finance costs	(66,405)	(910)	(67,315)	(38,192)	(1,545)	(39,737)
Net finance income / costs	(64,825)	(145)	(64,970)	(24,113)	(2,549)	(26,662)
Share of net profits of associates, jointly-controlled entities and subsidiaries measured using the equity method	312	-	312	95	-	95
Profit/loss before tax	7,405	(218)	7,187	10,768	4,896	15,664
Income tax	3,101	(205)	2,896	(9, 330)	(2, 218)	(11, 548)
Net profit/loss	10,506	(423)	10,083	1,438	2,678	4,116
Sales profit / loss on discontinued operations	-	-	-	-	-	-
Net profit / loss for the financial year	10,506	(423)	10,083	1,438	2,678	4,116
of which:						
Net profit / loss attributable to owners of the parent	11,141	(423)	10,718	(400)	2,364	1,964
Net profit / loss attributable to non-controlling interests	(635)	-	(635)	1,838	314	2,152
Earnings per share (in PLN):						
Basic	0.21	(0.01)	0.20	(0.01)	0.07	0.06
Diluted	0.21	(0.01)	0.20	(0.01)	0.07	0.06

2. Ciech Group Consolidated Statement of Comprehensive Income

PLN '000	01.01.-31.03.2012			01.01.-31.03.2011		
	Continued operations	Discontinued operations	TOTAL	Continued operations	Discontinued operations	TOTAL
Net profit for the financial year	10,506	(423)	10,083	1,438	2,678	4,116
Other gross comprehensive income						
Exchange differences on translation of foreign companies	12,188	-	12,188	(1,228)	-	(1,228)
Cash flow hedges	2,240	-	2,240	(3,487)	-	(3,487)
Exchange differences on net investment in foreign entities	(17,864)	-	(17,864)	3,612	-	3,612
Other components of other comprehensive income	(2)	-	(2)	57	-	57
Income tax on other components of comprehensive income	(426)	-	(426)	663	-	663
Other net comprehensive income	(3,864)	-	(3,864)	(383)	-	(383)
TOTAL COMPREHENSIVE INCOME	6,642	(423)	6,219	1,055	2,678	3,733
Comprehensive income, of which attributable to:	6,642	(423)	6,219	1,055	2,678	3,733
Owners of the parent	5,250	(423)	4,827	(418)	2,678	2,260
Non-controlling interests	1,392	-	1,392	1,473	-	1,473

3. Ciech Group Consolidated Statement of Financial Position

ASSETS (in PLN thousands)	31.03.2012	31.12.2011	31.03.2011
Tangible fixed assets	2,288,331	2,218,933	2,071,265
Right of perpetual usufruct	55,051	56,278	60,617
Intangible assets, including:	174,517	181,121	155,094
- goodwill	61,318	64,149	51,995
Investment real property	92,798	82,961	83,353
Non-current receivables	74,949	72,227	35,050
Investment in associates and jointly-controlled entities accounted for using the equity method	4,836	4,655	4,497
Other long-term investments	39,894	40,915	49,782
Deferred income tax assets	25,455	24,489	6,450
Total non-current assets	2,755,831	2,681,579	2,466,108
Inventories	300,381	335,591	297,051
Short-term investments	864	1,505	483
Income tax receivables	5,846	8,800	4,194
Trade and other receivables	878,285	840,586	854,185
Cash and cash equivalents	208,756	145,805	280,239
Assets classified as held for sale	42,782	57,017	278,945
Total current assets	1,436,914	1,389,304	1,715,097
Total assets	4,192,745	4,070,883	4,181,205
EQUITY AND LIABILITIES (in PLN thousands)			
Share capital	287,614	287,614	279,115
Share premium	507,835	508,122	472,633
Cash flow hedge	(6,297)	(8,111)	(3,263)
Other reserve capitals	78,521	78,521	78,521
Exchange differences on net investment in foreign entities	(6,468)	11,396	(16,947)
Exchange differences on translation of foreign entities	(52,633)	(62,796)	(49,968)
Retained profits	509,625	498,911	499,871
Equity attributable to owners of the parent	1,318,197	1,313,657	1,259,962
Non-controlling interests	(628)	(2,020)	34,092
Total equity	1,317,569	1,311,637	1,294,054
Liabilities on credits, loans and other debt instruments	161,799	190,916	1,233,138
Other non-current liabilities	413,166	257,803	223,070
Employee benefits	63,226	63,163	67,223
Other long-term provisions	51,492	52,666	62,571
Deferred income tax provision	110,199	119,847	109,258
Total non-current liabilities	799,882	684,395	1,695,260
Overdraft facility	18,124	6,744	-
Liabilities on credits, loans and other debt instruments	1,071,465	1,017,663	142,898
Trade and other liabilities	915,605	969,222	973,982
Income tax liabilities	22,689	21,930	17,321
Provisions (short-term provisions for employee benefits and other)	25,251	26,221	28,174
Liabilities related to held-for-sale assets	22,160	33,071	29,516
Total current liabilities	2,075,294	2,074,851	1,191,891
Total liabilities	2,875,176	2,759,246	2,887,151
Total equity and liabilities	4,192,745	4,070,883	4,181,205

4. Ciech Group Consolidated Statement of Cash Flows

PLN '000	01.01-31.03.2012	01.01-31.03.2011
Cash flows from operating activities		
Net profit (loss) for the period	10,083	4,116
Adjustments		
Amortisation/depreciation	62,572	54,550
Creation / reversal of revaluation write-downs	-	(175)
Currency exchange profit / loss	6,173	634
Investment real property revaluation	(9,936)	-
Profit / loss on investing activities	(2,098)	(3,012)
Profit / loss on disposal of fixed assets	(435)	(92)
Dividends and interest	35,753	20,537
Income tax accrued	(2,896)	11,548
Profit/ loss after the settlement of construction contracts (voids)	(5,306)	564
Profit / loss on shares in companies evaluated under the equity method	(312)	(95)
Operating profit / loss before changes in working capital and provisions	93,598	88,575
Change in receivables	(10,065)	(120,465)
Change in inventory	35,905	(33,942)
Change in current liabilities	(59,935)	48,823
Change in employee benefit provisions and liabilities	(200)	(2,880)
Net cash generated from operating activities	59,303	(19,889)
Interest paid	(25,661)	(27,906)
Proceeds from construction contracts (voids)	(1,595)	(1,129)
Income tax paid	(91)	(10,184)
Valuation of derivative financial instruments	-	(4,971)
Other adjustments	(682)	(4,166)
Net cash from operating activities	31,274	(68,245)
Cash flows from investing activities		
Inflows (in "+")	5,949	7,402
Disposal of a subsidiary	6	-
Disposal of intangible assets and tangible fixed assets	3,561	755
Disposal of financial assets	-	1,154
Interest received	400	155
Proceeds from repayment of borrowings	500	-
Other proceeds	1,482	5,338
Outflows (in "-")	(91,838)	(68,379)
Purchase of intangible assets and tangible fixed assets	(88,272)	(57,859)
R&D expenditures	(355)	(1,073)
Equity increase and contributions	(185)	-
Loans granted	(2,177)	(6,037)
Other	(849)	(3,410)
Net cash from investing activities	(85,889)	(60,977)
Cash flows from financing activities		
Inflows (in "+")	148,309	462,227
Net inflows from issue of shares and other equity instruments, and equity contributions	-	436,305
Proceeds from loans and borrowings incurred	80,000	16,874
Contributions of "sleeping partners"	50,100	-
Grants received	18,209	9,048
Outflows (in "-")	(39,444)	(252,168)
Dividends paid to non-controlling interests	-	(896)
Repayment of loans and borrowings	(35,903)	(248,790)
Payment of finance lease liabilities	(3,541)	(2,482)
Net cash from financing activities	108,865	210,059

<i>PLN '000</i>	01.01-31.03.2012	01.01-31.03.2011
Total net cash flows	54,250	80,837
Cash as at the beginning of period	149,044	208,394
Effect of foreign exchange differences	(1,800)	(339)
Cash as at the end of period*	201,494	288,892

**The difference in the level of cash indicated in the Ciech Group Consolidated Statement of Cash Flows for Q1 2012 and the level indicated in the Ciech Group Consolidated Statement of Financial Position results from classifying POLFA Sp. z o.o., Ciech Finance Sp. z o.o. and Cheman S.A. cash as held-for-sale assets.*

The difference between the value of cash recognised in the Ciech Group Consolidated Statement of Cash Flows for Q1 2011 and the value recognised in the Consolidated Statement of Financial Position of Ciech Group results from the classification of the FOSFOR Y Group cash as held-for-sale assets.

5. Ciech Group Consolidated Statement of Changes in Equity

<i>PLN '000</i>	Share capital	Share premium	Cash flow hedge	Other reserve capitals	Exchange differences on net investment in foreign entities	Exchange differences on translation of foreign entities	Retained profits	Equity attributable to owners of the parent	Non-controlling interest	Total equity
Equity as at 01/01/2012										
Restated	287,614	508,122	(8,111)	78,521	11,396	(62,796)	498,911	1,313,657	(2,020)	1,311,637
Reduction of equity referring to agio	-	(287)	-	-	-	-	-	(287)	-	(287)
Total comprehensive income for the period	-	-	1,814	-	11,396	(62,796)	10,714	4,827	1,392	6,219
Net profit / loss	-	-	-	-	-	-	10,718	10,718	(635)	10,083
Other comprehensive income	-	-	1,814	-	(17,864)	10,163	(4)	(5,891)	2,027	(3,864)
Equity as at 31/03/2012	287,614	507,835	(6,297)	78,521	(6,468)	(52,633)	509,625	1,318,197	(628)	1,317,569

<i>PLN '000</i>	Share capital	Share premium	Cash flow hedge	Other reserve capitals	Exchange differences on net investment in foreign entities	Exchange differences on translation of foreign entities	Retained profits	Equity attributable to owners of the parent	Non-controlling interest	Total equity
Equity as at 01/01/2011										
Previously reported	164,115	151,328	(439)	78,521	(20,559)	(49,419)	494,304	817,851	32,619	850,470
Changes in accounting principles	-	-	-	-	-	-	3,546	3,546	-	3,546
Restated	164,115	151,328	(439)	78,521	(20,559)	(49,419)	497,850	821,397	32,619	854,016
Issue of shares	123,499	-	-	-	-	-	-	123,499	-	123,499
Issue premium over nominal value (agio)	-	356,794	-	-	-	-	-	356,794	-	356,794
Change in the Group's composition	-	-	-	-	-	1,038	(1,274)	(236)	(32,164)	(32,400)
Total comprehensive income for the period	-	-	(7,672)	-	31,955	(14,415)	2,335	12,203	(2,475)	9,728
Net profit / loss	-	-	-	-	-	-	1,506	1,506	(5)	1,501
Other comprehensive income	-	-	(7,672)	-	31,955	(14,415)	829	10,697	(2,470)	8,227
Equity as at 31/12/2011	287,614	508,122	(8,111)	78,521	11,396	(62,796)	498,911	1,313,657	(2,020)	1,311,637

<i>PLN '000</i>	Share capital	Share premium	Cash flow hedge	Other reserve capitals	Exchange differences on net investment in foreign entities	Exchange differences on translation of foreign entities	Retained profits	Equity attributable to owners of the parent	Non-controlling interest	Total equity
Equity as at 01/01/2011										
Previously reported	164,115	151,328	(439)	78,521	(20,559)	(49,419)	494,304	817,851	32,619	850,470
Changes in accounting principles	-	-	-	-	-	-	3,546	3,546	-	3,546
Restated	164,115	151,328	(439)	78,521	(20,559)	(49,419)	497,850	821,397	32,619	854,016
Issue of shares	115,000	-	-	-	-	-	-	115,000	-	115,000
Issue premium over nominal value (agio)	-	321,305	-	-	-	-	-	321,305	-	321,305
Total comprehensive income for the period	-	-	(2,824)	-	3,612	(549)	2,021	2,260	1,473	3,733
Net profit / loss	-	-	-	-	-	-	1,964	1,964	2,152	4,116
Other comprehensive income	-	-	(2,824)	-	3,612	(549)	57	296	(679)	(383)
Equity as at 31/03/2011	279,115	472,633	(3,263)	78,521	(16,947)	(49,968)	499,871	1,259,962	34,092	1,294,054

II. Information on the accounting principles adopted in preparing Ciech Group Complete Consolidated Quarterly Report

1. Basis for preparation of the Ciech Group Complete Consolidated Quarterly Report

These consolidated financial statements for the period from 1 January 2012 to 31 March 2012, including comparative data, were approved by the Management Board of CIECH S.A. on 20 April 2012 for publication on 23 April 2012.

This consolidated statements cover 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.

The scope of information presented in this Complete Consolidated Quarterly Report is compliant with the requirements of:

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

In preparing the financial statements in compliance with IFRS, the Management Board must exercise professional judgement as well as make estimates and assumptions that affect the policies applied and the value of assets, equity and liabilities, revenues, and costs. 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. The actual value may differ from the estimated value.

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

The Management Board's professional judgements, which have a significant impact on the consolidated financial statement, and the estimates bearing a high risk of significant changes in future periods, have been presented in part III, points 10 and 14 of this Report.

2. Statement of compliance

The consolidated financial statements of the Ciech Group, as well as the financial statements of all subsidiaries and associates of CIECH S.A. for the presented period and corresponding periods have been prepared according to all the International Financial Reporting Standards (IFRS), adopted for usage in the European Union as at 31 March 2012.

The Management Board of the parent has used its best knowledge as regards selecting the standards and interpretations and choosing the methods and principles for IFRS-compliant measurement of the items presented in Ciech Group's consolidated financial statements as at 31 March 2012, including comparative data. Due diligence was exercised in preparing the tables and notes below. The financial statements for Q1 2012 and comparable data truly, reliably and clearly reflect the financial standing and asset situation of the Ciech Group. The financial data presented has not been audited.

3. Accounting policies adopted

Ciech Group's accounting policies are described in the 2011 Ciech Group Consolidated Report, published on 20 March 2012. The above Report includes a detailed overview of the policies and methods used for measuring assets, equity and liabilities and financial result, as well as preparing the financial statements, including comparative data.

On 1 January 2012, the Management Board of CIECH S.A. changed its accounting principles concerning investment real 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 real property according to the 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 real estate affects the net profit or loss in the period in which this change occurred and is recognised under other operating income/expenses. The amended policy applies to financial statements since 1 January 2012 (including comparable data).

4. Functional currency, presentation currency and currency translation

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

For the purposes of presenting selected financial data, particular assets and equity and liabilities disclosed in the statement of financial position were translated into EUR according to the average exchange rate of the National Bank of Poland as at the balance sheet date (31 March 2012), i.e. 4.1616. Income statement items were translated into EUR based on the arithmetic mean of average EUR exchange rates announced by the National Bank of Poland for the last day of each month – January to March 2012. The exchange rate applicable in the reporting period is 4.1750.

For the purposes of presenting selected financial data, particular assets and equity and liabilities disclosed in the balance sheet were converted into EUR according to the average exchange rate of the National Bank of Poland as at the balance sheet date (31 December 2011), i.e. 4.4168.

For the purposes of presenting selected financial data, particular income statement items were translated into EUR based on the arithmetic mean of average EUR exchange rates announced by the National Bank of Poland for the last day of each month – January to March 2011. The exchange rate applicable in the reporting period is 3.9742.

Additionally, individual assets and equity and liabilities disclosed in the statement of financial position were translated into EUR using the average exchange rate announced by the National Bank of Poland for the balance sheet date (31 March 2011), i.e. 4.0119.

For significant foreign subsidiaries the functional currencies are:

- Soda Deutschland Ciech Group – functional currency EUR; presentation currency in the Ciech Group consolidated financial statements - PLN
- S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. – functional currency RON; presentation currency in the Ciech Group consolidated financial statements - PLN.

III. Notes to the Ciech Group Complete Consolidated Financial Statements

1. Key events taking place in Ciech Group between 1 January 2012 and the date of the preparation of these statements

Soda Division

- By 1 February 2012, Sodawerk Staßfurt complied with all the conditions precedent of the agreement of 16 December 2011 regarding tenancy of heat and power plant concluded between Sodawerk Staßfurt GmbH&Co. KG with its registered office in Staßfurt ("SWS") and KWG-Kraftwerksgesellschaft Staßfurt GmbH with its registered office in Staßfurt ("KWG") and Vasa Kraftwerke-Pool GmbH&Co. KG with its registered office in Staßfurt ("VASA"), referred to in Current Report No. 74/2011.

Conditions precedent of the agreement were as follows:

- ✓ Obtaining permission from the federal antitrust office (Bundeskartellamt) to conclude agreement covered by notarial deed (Kartellrechtsbedingung).
- ✓ Obtaining corporate permission of VASA partners.
- ✓ Production of letters of awareness (Patronatserklärung) by CIECH S.A. regarding payments of tenancy instalments since January 2012 and VASA receivables on account of binding agreement to supply energy for the months of November and December 2011 and agreed payment of EUR 3 million on 31 March 2012 (due date extended to 2 May 2012, i.e. 3 months after the fulfilment of the conditions precedent).
- ✓ Release by Unicredit Bank AG of securities on contracts taken over from VASA by KWG and SWS

On the basis of Tenancy Agreement the indirect subsidiary of the Issuer – KWG – shall start managing the heat and power plant on its own account which specifically regards gas purchase, electric energy sale and conducting repair policy. Improved profitability of Soda Deutschland Ciech Group will be an expected effect of concluding the agreement. Total savings resulting from the tenancy, in accordance with estimates, will improve profits on the EBITDA level by approx. EUR 15 million p.a. Depreciation will amount 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. will be charged to finance costs. Through the agreement a single impact on the profit of German subsidiary of the Issuer has been recognised, connected with the updating of the book value of the heat and power plant, estimated at the level of approx. EUR 5 million. In connection with the tenancy 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 finance costs of German companies shall increase by approx. EUR 1 million p.a. The information was announced in Current Report No. 6/2012 of 2 February 2012.

- Based on the preliminary results of the analysis, on 21 February 2012, the Management Board of CIECH S.A. decided to undertake further work to develop the optimal method of merger of the companies: JANIKOSODA S.A. with its registered office in Janikowo and SODA MĄTWY S.A. with its registered office in Inowrocław with CIECH S.A. Until the completion of the analytical operations the merger process, conducted in accordance with the previously approved plan, has been temporarily suspended.

Corporate Centre:

- On 19 January 2012, the Extraordinary General Meeting of Shareholders of CIECH S.A. dismissed the following Members of the CIECH S.A. Supervisory Board:
 - ✓ Jacek Goszczyński,
 - ✓ Krzysztof Salwach.
 Moreover, on 19 January 2012, the Extraordinary General Meeting of Shareholders of CIECH S.A. appointed the following Members of the CIECH S.A. Supervisory Board:
 - ✓ Dariusz Krawczyk,
 - ✓ Mariusz Obszyński.
- An Extraordinary General Meeting of Shareholders of CIECH S.A. has been convened on 26 April 2012, during which, in accordance with the agenda, decisions will be made regarding the new composition of the Supervisory Board of CIECH S.A. and changes in the composition of the Management Board of CIECH S.A.

2. Description of achievements at Ciech Group during the period from 1 January to 31 March 2012, together with a description of factors and events having a significant impact on the financial result achieved

2.1 Basic financial data

During the first quarter of 2012 the Ciech Group generated PLN 10,083 thousand in net profit, the balance sheet total was PLN 4,192,745 thousand and the level of net cash increased by PLN 54,250 thousand.

Selected financial information together with principal financial indicators for Q1 2012 and for Q1 2011 is presented below.

Selected financial information

<i>in PLN thousands</i>	01.01.- 31.03.2012	<i>including discontinued operations</i>	01.01.- 31.03.2011	<i>including discontinued operations</i>	Change 2012/2011
Net sales revenue	1,172,651	29,742	1,122,026	61,224	4.5%
Cost of sales	996,210	24,972	949,083	33,659	5.0%
Gross profit on sales	176,441	4,770	172,943	27,565	2.0%
Selling costs	70,626	2,325	70,550	10,155	0.1%
General and administrative expenses	48,065	2,609	54,167	8,321	(11.3%)
Other operating revenue / costs	14,095	91	(5,995)	(1,644)	-
Profit on operating activities	71,845	(73)	42,231	7,445	70.1%
Finance income / costs	(64,970)	(145)	(26,662)	(2,549)	143.7%
Share of the net profit of associates, jointly-controlled entities and subsidiaries accounted for using the equity method	312	-	95	-	228.4%
Income tax	2,896	(205)	(11,548)	(2,218)	-
Result on sales attributable to discontinued operations	-	-	-	-	-
Net result	10,083	(423)	4,116	2,678	145.0%
Net profit / loss attributable to non-controlling interests	(635)	-	2,152	314	-
Net profit / loss attributable to owners of the parent	10,718	(423)	1,964	2,364	445.7%
EBITDA	134,417	(73)	96,781	7,445	38.9%

<i>in PLN thousands</i>	31.03.2012	31.12.2011	31.03.2011	change 31.03.2012/ 31.12.2011
Value of assets	4,192,745	4,070,883	4,181,205	3.0%
Non-current assets	2,755,831	2,681,579	2,466,108	2.8%
Current assets, including:	1,436,914	1,389,304	1,715,097	3.4%
- inventory	300,381	335,591	297,051	(10.5%)
- current receivables	884,131	849,386	858,379	4.1%
- cash and cash equivalents	208,756	145,805	280,239	43.2%
- short-term investments	864	1,505	483	(42.6%)
- assets held for sale	42,782	57,017	278,945	(25.0%)
Total equity	1,317,569	1,311,637	1,294,054	0.5%
Equity attributable to owners of the parent	1,318,197	1,313,657	1,259,962	0.3%
Non-controlling interest	(628)	(2,020)	34,092	(68.9%)
Non-current liabilities	799,882	684,395	1,695,260	16.9%
Current liabilities	2,075,294	2,074,851	1,191,891	0.01%

<i>in PLN thousands</i>	01.01.-31.03.2012	01.01.-31.03.2011	Change 2012/2011
Net cash flows from operating activities	31,274	(68,245)	-
Net cash flows from investing activities	(85,889)	(60,977)	(40.9%)
Net cash flows from financing activities	108,865	210,059	(48.2%)
Total net cash flows	54,250	80,837	(32.9%)
including free cash flows	(54,615)	(129,222)	(57.7%)

	31.03.2012	31.12.2011	31.03.2011	change 31.03.2012/ 31.03.2011
Net earnings per share	0.20	0.03	0.06	233.3%
Net return	0.9%	0.04%	0.4%	0.5 p.p.
EBIT %	6.1%	2.8%	3.8%	2.3 p.p.
EBITDA %	11.5%	8.2%	8.6%	2.9 p.p.

Source: CIECH S.A.

Calculation principles:**net earnings per share** – net profit / weighted average number of ordinary shares in the given period (as defined in IAS 33 “Earnings per share”)**net return** – net profit for a given period / net revenues from sales of products, services, goods and materials in a given period,**EBIT %** – operating profit for 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 Revenue from sales

The Group's net consolidated revenue from sales for the first quarter of 2012 amounted to PLN 1,172,651 thousand. Compared to the same period last year, revenue increased by PLN 50,625 thousand, or 4.5%. The increase was driven mainly by:

- higher revenues from the sales of soda ash in the soda segment – increase in prices on European markets,
- persistence of high prices of sulphur.

The agrochemical segment in the Agro-Silicon division generated lower revenue than in Q1 2011, which is a result of sale, in the first half of 2011, of shares in the FOSFOR Y Group, engaged in production and sale of fertilisers.

The activity of the Ciech Group concentrates on four main segments: soda, organic, agrochemical, silicates and glass. These segments generated in total more than 96% of the Group's sales revenues. The structure of revenue, by business segment, has changed in comparison with the same period of the previous year. The greatest share in the revenues for the first quarter of 2012 is attributed to the sales of soda segment products. This is a result of high sales volumes and prices of soda ash.

In comparison with the first quarter of 2011, the level of sales rose in each segment except the agrochemical segment (the comparable period included data of the FOSFOR Y Group sold in April 2011), which had an impact on the share of individual segments in consolidated revenue of the Ciech Group.

Revenue from sales – operating segments

PLN '000	Q1 2012	Q1 2011	change	change %	% share in total revenue for Q1 2012	% share in total revenue for Q1 2011
Soda Segment – Soda Division, including:	500,175	398,861	101,314	25.4%	42.6%	35.5%
Dense soda ash	278,038	221,233	56,805	25.7%	23.7%	19.7%
Light soda ash	88,845	77,839	11,006	14.1%	7.6%	6.9%
Salt	38,320	36,066	2,254	6.2%	3.3%	3.2%
Baking soda	30,671	25,310	5,361	21.2%	2.6%	2.3%
Calcium chloride	4,864	8,804	(3,940)	(44.8%)	0.4%	0.8%
Organic Segment – Organic Division, including:	456,503	441,841	14,662	3.3%	38.9%	39.4%
TDI	127,078	119,597	7,481	6.3%	10.8%	10.7%
Resins	126,298	121,637	4,661	3.8%	10.8%	10.8%
Polyurethane foams	55,161	54,126	1,035	1.9%	4.7%	4.8%
Plant protection chemicals	74,082	57,096	16,986	29.7%	6.3%	5.1%
Plastics	14,919	20,041	(5,122)	(25.6%)	1.3%	1.8%
EPI	18,524	28,429	(9,905)	(34.8%)	1.6%	2.5%
Agrochemical Segment – Agro-Silicon Division, including:	57,090	144,563	(87,473)	(60.5%)	4.9%	12.9%
Fertilisers	22,292	62,148	(39,856)	(64.1%)	1.9%	5.5%
Phosphorus compounds	30,603	41,834	(11,231)	(26.8%)	2.6%	3.7%
Chromium compounds	2,945	3,506	(561)	(16.0%)	0.3%	0.3%
Silicates and Glass Segment – Agro-Silicon Division, including:	117,680	79,551	38,129	47.9%	10.0%	7.1%
Sulphur	72,868	38,049	34,819	91.5%	6.2%	3.4%
Glass blocks and packaging	23,492	21,509	1,983	9.2%	2.0%	1.9%
Sodium glass	14,767	12,882	1,885	14.6%	1.3%	1.1%
Sodium water glass	5,353	4,354	999	22.9%	0.5%	0.4%
Other activity	41,203	57,210	(16,006)	(28.0%)	3.6%	5.1%
TOTAL, including:	1,172,651	1,122,026	50,625	4.5%	100.0%	100.0%
Discontinued operations	29,742	61,224	(31,482)	(51.4%)	2.5%	5.5%

Source: CIECH S.A.

2.3 Gross profit on sales and operating profit

After the first quarter of 2012, gross profit on sales amounted to PLN 176,441 thousand, compared to PLN 172,943 thousand in the same period last year. Operating profit amounted to PLN 71,845 thousand and PLN 42,231 thousand in the comparative period.

The presented data was positively affected by:

- Strong growth of sales in the domestic chemical industry in Q1 2012, compared to a comparable period in the previous year (as per fixed prices: by approx. 14.9% in case of chemicals and chemical products and by 7.6% for rubber products and plastics).
- Substantial acceleration of growth in domestic sales of construction and assembly products: over 3 months of 2012 by approx. 14.9% compared to a comparable period in the previous year (chemical industry generates many raw materials and intermediate products used for this production).
- Increase in soda ash prices on European markets as compared to the level of 2011, by at least few percent (between 6% and 9%).
- An upward trend in market prices in terms of main products of the Organika Division (TDI, resins), in particular in relation to Q4 2011.
- 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 presented data was negatively affected by:

- Continued high soda ash manufacturing costs in Europe (including, in particular, energy prices), compared to previous years.
- Downturn in the dynamics of demand growth on European soda ash market as compared to the previous year.
- A strong uptrend in oil prices (in particular in relation to the second half of 2011) resulting in supplier pressures and rising costs of raw materials for the organic industry.

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

- Soda Polska Ciech Sp. z o.o.'s revenues from exchange of EUAs to CER certificates.
- Soda Polska Ciech Sp. z o.o.'s revenues from exchange of EUAs to ERU certificates.
- Revenues from sales of voids in Soda Deutschland Ciech Group.
- Valuation of investment real property to the fair value.

The EBIT margin at the end of March 2012 was 6.1% (3.8% the year before), while the EBITDA margin was 11.5% (8.6% the year before).

2.4 Financing activities and net result

Finance income for Q1 2012 amounted to PLN 2,345 thousand and was by almost 80% lower than in the same period of the previous year, when it amounted to PLN 13,075 thousand.

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

Finance costs for Q1 2012 amounted to PLN 67,315 thousand and were by almost 70% higher than in the same period of the previous year, when they amounted to PLN 39,737 thousand.

The area of financing activities was negatively affected by:

- negative balance of FX differences amounting to PLN 12,870 thousand (in Q1 2011 the balance of FX differences was positive and amounted to PLN 195 thousand),
- substantial external debt servicing costs, including interest on loans and bonds and finance lease, resulting from high level of external debt,
- 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 power heating plant in the amount of PLN 22,720 thousand (after taking into account the deferred tax, the impact on the net result was PLN 16,290 thousand).

Consolidated net result for Q1 2012 amounted to PLN 10,083 thousand, of which PLN 10,718 thousand constituted the net result for owners of the parent. Net return reached 0.9%. Profit on operating activities was significantly levelled by the result on financing activities. The results for Q1 2012 were negatively affected by debt servicing costs, mainly by interest on loans.

The net profit includes also the impact of changes in accounting policy concerning the valuation of investment real property, which was presented in other operating cost, in the amount of PLN 10,172 thousand (including the ZACHEM

Group PLN 9,535 thousand) and properly adjusted by the amount of the income tax in the amount of PLN 1,933 thousand (including PLN 1,812 thousand in the ZACHEM Group).

Financial result by type of activity

<i>in PLN thousands</i>	01.01.-31.03.2012	01.01.-31.03.2011	Change 2012/2011
1. Profit on operating activities	71,845	42,231	70.1%
2. Net finance income / costs	(64,970)	(26,662)	143.7%
3. Share of net profits of associates, jointly-controlled entities and subsidiaries measured using the equity method	312	95	228.4%
4. Income tax	2,896	(11,548)	-
5. Profit on sales from discontinued operations	-	-	-
6. Net result (1+2+3-4+5)	10,083	4,116	145.0%
7. Net profit / loss attributable to non-controlling interests	(635)	2,152	-
8. Net profit / loss attributable to owners of the parent (6-7)	10,718	1,964	445.7%

Source: CIECH S.A.

2.5 Assets

As at the end of March 2012, the value of the Group's non-current assets amounted to PLN 2,755,831 thousand. Compared to 31 December 2011, this represents a PLN 74,252 thousand increase, resulting from the investment programme carried out in the major manufacturing companies of the Ciech Group.

The Group's current assets amounted to PLN 1,436,914 thousand as at 31 March 2012. Current assets mainly consisted of trade and other receivables (61.1%) and inventory (20.9%). In comparison to the end of December 2011 the value of current assets increased by PLN 47,610 thousand. The level of trade receivables increased, including at Organika-Sarzyna S.A., which is mainly associated with seasonal sale of plant protection chemicals.

2.6 Liabilities

As at 31 March 2012 the Ciech Group's liabilities (both current and non-current) amounted to PLN 2,875,176 thousand, denoting an increase of PLN 115,930 thousand (4%) in relation to the figure recorded as at the end of December 2011.

Compared to 31 December 2011, liabilities from loans and borrowings increased by PLN 36,054 thousand. The total debt ratio (current and non-current liabilities / total assets) was 68.6% as at 31 March 2012 (67.8% at the end of December 2011). The consolidated net debt of the Group calculated as the sum of non-current and current liabilities due to loans, borrowings and other debt instruments (bonds + finance lease + liabilities due to derivatives) less cash and cash equivalents amounted to PLN 1,073,518 thousand as at 31 March 2012 and decreased in comparison with the balance as at the end of December 2011 by PLN 31,549 thousand.

A detailed description of liquidity ratios can be found in section III.2.8. of this Report "Group liquidity and working capital".

2.7 Cash flows

Net cash flows in Q1 2012 were positive and amounted to PLN 54,250 thousand. As compared to the same period of the previous year the Group generated cash flows lower by PLN 26,587 thousand. Cash flows from operating activities amounted to PLN 31,274 thousand and were higher than the ones generated in the period between January and March 2011 by PLN 99,519 thousand.

The surplus of investment expenditure over inflows amounted to PLN 85,889 thousand and was higher in relation to the same period in 2011 when the balance of cash flows from investing activities was also negative and amounted to PLN -60,977 thousand. The largest impact on the balance of investment cash flows came from expenditures relating to purchase of intangible assets and tangible fixed assets in the SODA MAŁY Group, ZACHEM Group, Z. Ch. "Organika-Sarzyna" S.A. connected with growth investments.

Net cash from financing activities was positive and amounted to PLN 108,865 thousand. In relation to the same period in 2011 these were however by PLN 101,194 thousand lower, which was a result of cash inflows generated in Q1 2011 from share issue.

2.8 Information on Ciech Group's financial standing

Profitability in the first quarter of 2012

During the first quarter of 2012, profitability ratios relating to Ciech Group's operations improved in comparison with the same period of 2011. The positive impact of increase in soda ash prices is still visible in the soda segment and the organic segment also shows an upward trend in prices of main products.

Ciech Group profitability ratios

Item	01.01.-31.03.2012	01.01.-31.03.2011
Gross return on sales	15.0%	15.4%
Return on sales	4.9%	4.3%
Operating profit margin	6.1%	3.8%
EBITDA profitability	11.5%	8.6%
Net return on sales (ROS)	0.9%	0.4%
Return on assets (ROA)	0.2%	0.1%
Return on equity (ROE)	0.8%	0.3%

Calculation principles:

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

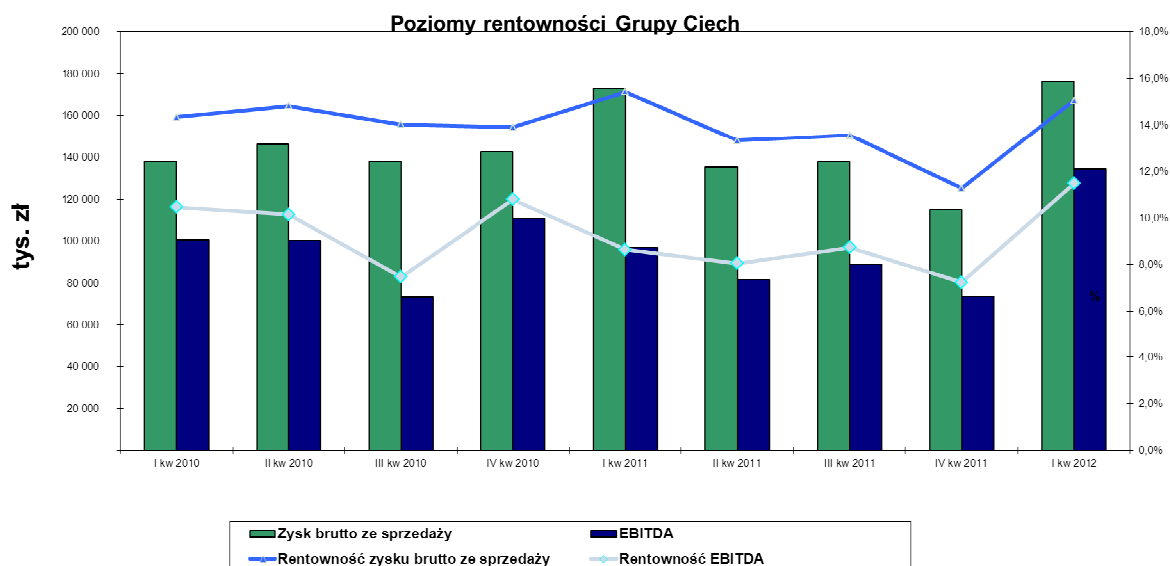
return on sales – sales profit for a given period / net sales of products, services, goods and materials,

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 / total equity at the end of a given period.



Source: CIECH S.A.

Poziomy rentowności Grupy Ciech – Ciech Group profitability ratios

Tys. zł – PLN '000

Zysk brutto ze sprzedaży – Gross profit on sales

Rentowność zysku brutto ze sprzedaży – Gross return on sales

Rentowność EBITDA – EBITDA profitability

Kw – Q

Group liquidity and working capital

Liquidity ratios as at the end of Q1 2012 improved slightly as compared with the level at the end of 2011, however they still remain below 1. The current ratio, calculated as the ratio of total current assets to total current liabilities, amounted to 0.69 as at 31 March 2012 (0.67 at the end of 2011), while the quick ratio amounted to 0.55 (0.51 at the end of 2011). This is caused by the financing structure (large share of short-term loans). Due to the violation as at 31 March 2012 the level of ratios included in the consortium loan agreement, the long-term liability resulting from this agreement was recognised as a short-term one.

Ciech Group liquidity ratios

Item	31.03.2012	31.12.2011	31.03.2011
Current ratio	0.69	0.67	1.44
Quick ratio	0.55	0.51	1.19

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

Item	31.03.2012	31.03.2011
Financial surplus (net profit + depreciation)	72,655	58,666
Other net profit adjustments	(13,029)	(21,327)

Item	31.03.2012	31.03.2011
Adjusted financial surplus	59,626	37,339
Change in working capital	(28,352)	(105,584)
Cash flows from operating activities	31,274	(68,245)
Cash flows from investing activities	(85,889)	(60,977)
Free cash flows	(54,615)	(129,222)

In Q1 2012, CIECH S.A. 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. In the period January – March 2012, an increase in the working capital led to the use of cash amounting to PLN 28,352 thousand. Furthermore, the adjusted financial surplus failed to reach the required level so as to allow for generating positive free cash flows.

The 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 March 2012 amounted to PLN 264,099 thousand, which is an increase by PLN 53,470 thousand compared to the end of 2011.

Ciech Group working capital

Item	31.03.2012	31.12.2011
1. Current assets, including:	1,436,914	1,389,304
Inventories	300,381	335,591
Trade receivables	599,960	543,839
2. Cash and other short-term investments	209,620	147,310
3. Adjusted current assets (1-2)	1,227,294	1,241,994
4. Current liabilities, including:	2,075,294	2,074,851
Trade liabilities	595,970	588,780
5. Short-term loans and other current financial liabilities*	1,112,099	1,043,486
6. Adjusted current liabilities (4-5)	963,195	1,031,365
7. Working capital including short-term loans (1-4)	(638,380)	(685,547)
8. Working capital (3-6)	264,099	210,629

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

Indebtedness

The acquisitions conducted in 2006 and 2007 that led to an increase in the assets of the Ciech Group were mainly financed through an investment loan and bond issue. Additionally, the investments made in 2008 were financed with a short-term loan. These actions contributed to an increase in the debt ratio in the following years.

During the first quarter of 2012, the Ciech Group debt increased as compared with the end of 2011 as a result of receiving another tranche of the consortium loan funds. The debt rate increase from 67.8% to 68.6%. At the same time, the relative net debt level (net financial liabilities recognised under EBITDA) has substantially improved as compared with December 2011, due to a higher profit generated on operating activities.

Ciech Group debt ratios

Item	31.03.2012	31.12.2011	31.03.2011
Debt ratio	68.6%	67.8%	69.1%
Long-term debt ratio	19.1%	16.8%	40.5%
Debt to equity ratio	218.2%	210.9%	223.1%
Equity to assets ratio	31.4%	32.2%	30.9%
Net debt / EBITDA	2.84	3.24	2.96

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.

• Information about the ratios included in loan agreements

No loan agreement was called to maturity and there were no deadlines of repaying capital or interest due to financial liabilities recognised in the balance sheet were violated in the period covered by this statement. As at 31 March 2012, according to the Company's calculations, the levels of ratios required by the Loan Agreement dated 10 February 2011 were not achieved:

- debt level to operating results plus depreciation / amortisation (consolidated total net debt to consolidated EBITDA, according to values calculated for the Ciech Group except for the German subsidiaries) was 3.9, against the maximum level of 3.1 required by the Loan Agreement in an annual period of ratio testing ended 31 March 2012,

- debt service coverage ratio (cash available for debt service to consolidated total debt service calculated for the Ciech Group except the German subsidiaries), was 0.4 against the minimum level of 0.8 required by the Loan Agreement in an annual period of ratio testing ended 31 March 2012.

On 3 April 2012, CIECH S.A. applied to lenders, in the manner provided for in the Loan Agreement, to waive the requirement to meet the levels of the above ratios as at 31 March 2012.

Based on the letter dated 20 April 2012, the Lenders waived their right to claim agreement violation resulting from the violation of the financial ratio upon specified conditions, in particular:

- the financial leverage ratio in the calculation period ending 31 March 2012 will not exceed 4.2,
- the debt service coverage ratio will not be lower than 0.3.
- CIECH S.A. will pay a waiver fee to the Lenders.

Group debt financing

The Group's debt financing is ensured through:

- loans extended to CIECH S.A. and S.C. Govora - Ciech Chemical Group S.A. pursuant to the consortium loan agreement of 10 February 2011 (as at 31 March 2012 a debt level of approx. PLN 770 million),
- bonds issued by Ciech S.A. (as at 31 March 2012 a debt level of approx. PLN 300 million),
- loans extended to Soda Deutschland Ciech GmbH pursuant to a loan agreement with Commerzbank AG (as at 31 March 2012 a debt level of approx. EUR 47 million).

Consortium loan agreement of 10 February 2011

On 10 February 2011 a loan agreement (the "Loan Agreement") was executed between CIECH S.A. as borrower, its subsidiaries as guarantors (JANIKOSODA S.A., SODA MAŁY S.A., Soda Polska Ciech Sp. z o.o., Alwernia S.A., Cheman S.A., Z. Ch. "Organika – Sarzyna" S.A., POLFA Sp. z o.o., VITROSILICON S.A., TRASCLEAN Sp. z o.o. and ZACHEM S.A. (the "Companies")), and Bank DnB Nord Polska S.A., Bank Handlowy w Warszawie S.A. (the "Credit Agent"), Bank Millennium S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., ING Bank Śląski S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. (jointly the "Commercial Banks"). On 15 February 2011 the European Bank for Reconstruction and Development ("EBRD") acceded to the Loan Agreement. In August 2011, S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. ("Govora") has also acceded to the agreement as a guarantor and borrower. On 10 February 2012, Ciech Pianki Sp. z o. o. has also acceded the agreement as a guarantor.

Loans made available

The following loans were released pursuant to the Loan Agreement:

1. a dual currency refinance fixed-term loan in PLN and EUR on a total amount of PLN 696 million, granted by the Commercial Banks ("Fixed-term Loan") in order to refinance debt following from the loan agreement of 26 April 2010, whereby 25% of the amount of the Fixed-term Loan was used in EUR; the loan was disbursed on 29 September 2011,
2. a multi currency revolving (renewable) loan (also available in the form of guarantees and letters of credit) of a total amount of PLN 100 million granted by Commercial Banks ("Renewable Loan"); the loan was disbursed on 29 September 2011,
3. an additional guarantee line amounting to EUR 9.6 million granted to the benefit of S.C. CET Govora S.A. by Bank Polska Kasa Opieki S.A. ("Pekao Additional Guarantee Line"),
4. a fixed-term investment loan in EUR on an equivalent of PLN 300 million granted by the EBRD (the "Investment Loan") in order to finance and refinance capital expenditure of the Ciech Group within an investment programme, subject to a required own contribution of at least 40% of financed or refinanced capital expenditure borne since the day of signing the Loan Agreement. The Investment Loan will be available for release between 1 September 2012 and 30 November 2012.

The interest rate applicable for the loans is variable, based on WIBOR / EURIBOR plus margin; the margin is different for loans in PLN and EUR, it is variable over time and depends on the ratio of net debt to operating result plus depreciation (EBITDA).

Conditions precedent

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

Terms and conditions of loan repayment

Main terms of loan repayment:

- quarterly amortisation of the loans in the amount specified in a schedule to the Loan Agreement for the period from 30 December 2011 until 31 March 2016,
- obligatory early repayment of loans is required under the following circumstances:
 - change of control – in the total amount of the loans granted if (a) the State Treasury ceases to be the shareholder of at least 10,270,800 shares in Ciech S.A. and shares subscribed for as part of the rights issue, (b) any third party other than the State Treasury becomes the majority shareholder of Ciech S.A. and holds at least 50% of the issued share capital of Ciech S.A., or (c) any third party other than the State Treasury or a group of persons acting in concert gains control over Ciech S.A., provided that the change of control at the consent of the majority of the consortium banks specified in the agreement or upon the fulfilment of additional

- conditions, including the level of net debt ratio to the operational results increased by the amortisation (EBITDA) does not result in the obligation of the mandatory prepayment of the loans;
- increase of the share capital – the prepayment of the loans in the amount of proceeds obtained from the public offering or another increase of the share capital of Ciech S.A. or specified in the agreement of the Ciech Group Material Members (i.e. guarantors, selected Ciech Group companies and Ciech Group companies with the value of net assets exceeding PLN 25 million), provided that after the fulfilment of the additional conditions, including the level of net debt ratio to the operational results increased by the amortisation (EBITDA), the increase of the share capital and proceeds obtained thereunder do not result in the obligation of the mandatory prepayment of the loans;
 - excess cash flows: should any CIECH S.A. quarterly financial report, starting from the report for the period ending 31 December 2013, display free cash flows at the end of each quarter in a calendar year by an amount exceeding the limits defined in the Loan Agreement for particular periods – an early repayment equal to the amount of such excess cash flow;
 - disposal of all assets of Alwernia S.A. and VITROSILICON S.A. or sale of shares in these companies – use of all net proceeds received in a given quarter for early repayment of loans (subject to the exceptions specified in the Loan Agreement);
 - receipt of substantial proceeds from any insurance policy against loss or damage to its assets or business, in as far as such proceeds are not used to rebuild property (subject to the exceptions specified in the Loan Agreement);
 - non-compliance with the law on the side of the Commercial Banks or EBRD;
 - proceeds from future financing replacing the existing financing of PLN 300 million in bonds issued by CIECH S.A. in December 2007, in an amount not exceeding the value of the bonds as at the date of executing the Loan Agreement – the terms and conditions of financing under the Loan Agreement enable (a) redemption of the bonds without the need to incur additional financing and (b) in the event of acquiring additional refinancing of bonds, these provide for early repayment of loans in an amount equal to the level of debt refinancing under the bonds;
 - proceeds from financing replacing the loans acquired pursuant to bilateral loan agreements executed between CIECH S.A. and the following banks: Credit Agricole Corporate and Investment Bank S.A. Oddział w Polsce, BNP Paribas S.A. Oddział w Polsce and Fortis Bank S.A. (currently BNP Paribas Bank Polska S.A.) – the terms and conditions of Ciech Group financing under the Loan Agreement enable (a) repayment of loans granted pursuant to bilateral loan agreements, (b) the accession of the above banks to the Loan Agreement, or (c) acquisition of replacement financing from other banks and early repayment of loans granted pursuant to the Loan Agreement in an amount equal to the total sum of replacement finance;
- the final payment deadline for the Fixed-term Loan, Revolving Loan and Investment Loan is 31 March 2016; the final repayment date for the Pekao Additional Guarantee Line is 31 December 2014.
 - The EBRD is authorised to suspend or withhold payment of the Investment Loan in the event of adoption by the Board of Directors of the EBRD of a decision to suspend or alter the principles for Poland's access to EBRD resources in accordance with the provisions of the international treaty which forms the basis for the EBRD's operations.

Loan collateral

Collateral for loans under the Loan Agreement comprises:

- mortgages established on the Companies' and CIECH S.A.'s real property,
- financial pledge and registered pledge on the Companies' shares as well as CIECH S.A.'s shares in Soda Deutschland Ciech GmbH,
- registered pledges on the Companies' and CIECH S.A.'s moveable property and other assets,
- financial pledges on bank accounts of the Companies and CIECH S.A.,
- assignment of rights under insurance policies issued in relation to assets being the subject of collateral and conditional assignment of rights under intra-group loans or other types of credit instruments which will be used for distribution of funds under the loans to Companies, together with the Companies' and CIECH S.A.'s significant commercial contracts,
- sureties granted by the Companies and CIECH S.A.,
- companies' and CIECH S.A.'s declarations on submission to enforcement,
- power of attorney to access the Companies' and CIECH S.A.'s bank accounts.

Other significant provisions of the Loan Agreement

Pursuant to the Loan Agreement, CIECH S.A. and the Companies furthermore undertook to:

- maintain levels of certain financial ratios as stipulated in the Loan Agreement, calculated at Ciech Group level excluding Soda Deutschland Ciech Group and tested on a quarterly basis: (i) debt level to operating results plus depreciation / amortisation (total consolidated net debt to consolidated EBITDA); (ii) debt to share capital ratio (consolidated total debt on selected loans and bonds up to CIECH S.A.'s share capital); (iii) debt service coverage ratio; (iv) guarantor coverage ratio (gross turnover and assets of loan guarantors to gross turnover and assets of the Ciech Group, excluding Soda Deutschland Ciech Group); (v) minimum level of cash;
- refrain from establishing new collateral, other than collateral specified in the Loan Agreement;
- refrain from disposing of assets, other than contractually permitted instances of disposal (including the sale of certain disposable assets held for sale and dispositions as indicated in the Ciech Group's investment plan);
- refrain from declaring and paying out dividends, except in companies with at least 75% of direct or indirect control by CIECH S.A., and in Alwernia S.A.;
- refrain from incurring financial debt and granting borrowings or guarantees and sureties other than those specified in the Loan Agreement;

- implement capital expenditures as specified in the Loan Agreement and Group investment plan;
- refrain from entering into derivative transactions, other than transactions permitted in the financial risk hedging policy as approved by consortium banks;
- in the event of the circumstances specified in the Loan Agreement materialising – establishment of registered pledges.

2.9 Financial figures by business segment

The tables below present data concerning gains and losses as well as assets and equity and liabilities of particular business segments of the Ciech Group in the period covered by the financial statements:

OPERATING SEGMENTS

01.01-31.03.2012	Soda Segment - Soda Division	Organic Segment - Organic Division	Silicates and Glass Segment Agro-Silicon Division	Agrochemical Segment	Other activity	including: discontinued operations	Corporate Functions - reconciliatory item	Eliminations (consolidation adjustments)	TOTAL
PLN '000									
Revenues from third parties	500,175	456,503	117,680	57,090	41,203	29,742	-	-	1,172,651
Revenues from inter-segment transactions	11,340	5,930	-	1,630	(348)	-	-	(18,552)	-
Total revenues	511,515	462,433	117,680	58,720	40,855	29,742	-	(18,552)	1,172,651
Cost of sales	(418,397)	(409,334)	(99,641)	(51,479)	(35,649)	(24,972)	-	18,290	(996,210)
Gross profit/loss on sales	93,118	53,099	18,039	7,241	5,206	4,770	-	(262)	176,441
Selling costs	(33,053)	(20,968)	(13,076)	(1,907)	(2,838)	(2,325)	-	1,216	(70,626)
General and administrative expenses	(17,031)	(14,871)	(2,248)	(1,833)	(3,220)	(2,609)	(8,876)	14	(48,065)
Receivables management result	162	42	(140)	-	2	73	72	-	138
Result on other operating activities	7,949	5,604	467	(844)	820	18	(28)	(11)	13,957
Operating profit/loss	51,145	22,906	3,042	2,657	(30)	(73)	(8,832)	957	71,845
The balance of f/x differences and interest on trade settlements	(7,978)	108	559	33	(142)	(91)	-	-	(7,420)
Group financing costs	-	-	-	-	-	-	(25,155)	-	(25,155)
Result on financing activities (non-attributable to segments)	-	-	-	-	-	-	(32,395)	-	(32,395)
Share in profit of associates	451	(139)	-	-	-	-	-	-	312
Profit/loss before tax	43,618	22,875	3,601	2,690	(172)	(164)	(66,382)	957	7,187
Tax	-	-	-	-	-	-	-	-	2,896
Net profit/loss	-	-	-	-	-	-	-	-	10,083
Profit on discontinued operations	-	-	-	-	-	-	-	-	-
Net profit/loss for the financial year	-	-	-	-	-	-	-	-	10,083
Amortisation/depreciation	40,493	16,310	4,111	827	41	-	790	-	62,572
EBITDA	91,638	39,216	7,153	3,484	11	(73)	(8,042)	957	134,417

01.01-31.03.2011 PLN '000	Soda Segment - Soda Division	Organic Segment - Organic Division	<i>including: discontinued operations</i>	Silicates and Glass Segment	Agrochemical Segment	<i>including: discontinued operations</i>	Other activity	<i>including: discontinued operations</i>	Corporate Functions - reconciliatory item	Eliminations (consolidation adjustments)	TOTAL
	Agro-Silicon Division										
Revenues from third parties	398,861	441,841	665	79,551	144,563	29,453	57,210	31,106	-	-	1,122,026
Revenues from inter-segment transactions	10,504	34,193	-	1,159	3,880	-	248	-	-	(49,984)	-
Total revenues	409,365	476,034	665	80,710	148,443	29,453	57,458	31,106	-	(49,984)	1,122,026
Cost of sales	(335,343)	(431,108)	-	(65,669)	(114,841)	(9,776)	(49,887)	(23,883)	-	47,765	(949,083)
Gross profit/loss on sales	74,022	44,926	665	15,041	33,602	19,677	7,571	7,223	-	(2,219)	172,943
Selling costs	(25,846)	(19,046)	-	(12,852)	(8,527)	(6,053)	(7,200)	(4,102)	-	2,921	(70,550)
General and administrative expenses	(16,706)	(15,208)	(777)	(2,210)	(6,118)	(4,305)	(4,110)	(3,239)	(9,847)	32	(54,167)
Receivables management result	(1,595)	(1,585)	-	13	(4,196)	(2,088)	34	33	354	(143)	(7,118)
Result on other operating activities	4,048	(2,269)	192	140	(744)	164	414	55	(445)	(21)	1,123
Operating profit/loss	33,923	6,818	80	132	14,017	7,395	(3,291)	(30)	(9,938)	570	42,231
The balance of f/x differences and interest on trade settlements	(6,734)	(6,996)	(37)	(1,403)	(4,694)	152	(1,872)	(29)	-	-	(21,699)
Group financing costs	-	-	-	-	-	-	-	-	(31,899)	-	(31,899)
Result on financing activities (non-attributable to segments)	-	-	-	-	-	-	-	-	26,936	-	26,936
Share in profit of associates	95	-	-	-	-	-	-	-	-	-	95
Profit/loss before tax	27,284	(178)	43	(1,271)	9,323	7,547	(5,163)	(59)	(14,901)	570	15,664
Tax	-	-	-	-	-	-	-	-	-	-	(11, 548)
Net profit/loss	-	-	-	-	-	-	-	-	-	-	4,116
Profit on discontinued operations	-	-	-	-	-	-	-	-	-	-	-
Net profit/loss for the financial year	-	-	-	-	-	-	-	-	-	-	4,116
Amortisation/depreciation	31,944	16,331	-	4,528	800	-	201	-	746	-	54,550
EBITDA	65,867	23,149	80	4,660	14,817	7,395	(3,090)	(30)	(9,192)	570	96,781

31.03.2012 PLN '000	Soda Segment - Soda Division	Organic Segment - Organic Division	Silicates and Glass Segment Agro-Silicon Division	Agrochemical Segment	Other activity	Corporate Functions - reconciliatory item	Eliminations (consolidation adjustments)	TOTAL
Tangible fixed assets	1,531,805	614,122	84,019	53,642	281	4,462	-	2,288,331
Intangible assets	108,990	53,219	2,403	2,438	546	6,921	-	174,517
- goodwill	46,160	15,119	39	-	-	-	-	61,318
Shares in associates	4,836	-	-	-	-	-	-	4,836
Inventories	96,462	141,728	34,229	27,758	-	-	204	300,381
Trade receivables	276,023	238,723	66,541	25,141	15,551	-	(22,019)	599,960
Assets classified as held for sale included in previous periods under segment assets	-	-	821	-	29,795	-	-	30,616
Other assets held for sale	-	-	-	-	-	12,166	-	12,166
Other assets	-	-	-	-	-	781,938	-	781,938
Total assets	2,019,451	1,049,245	188,350	109,235	46,173	802,106	(21,815)	4,192,745
Trade liabilities	258,605	255,763	78,258	26,546	22	-	(23,224)	595,970
Liabilities classified as held for sale included in previous periods under segment assets	-	-	-	-	20,820	-	-	20,820
Other liabilities held for sale	-	-	-	-	-	1,340	-	1,340
Other liabilities	-	-	-	-	-	2,257,046	-	2,257,046
Total liabilities	258,605	255,763	78,258	26,546	20,842	2,258,386	(23,224)	2,875,176

31.03.2011 PLN '000	Soda Segment - Soda Division	Organic Segment - Organic Division	Silicates and Glass Segment	Agrochemical Segment Agro-Silicon Division	Other activity	Corporate Functions - reconciliatory item	Eliminations (consolidation adjustments)	TOTAL
Tangible fixed assets	1,376,170	561,577	77,432	46,360	2,697	7,029	-	2,071,265
Intangible assets	98,335	46,664	1,593	2,232	1,295	4,975	-	155,094
- goodwill	37,218	14,738	39	-	-	-	-	51,995
Shares in associates	4,497	-	-	-	-	-	-	4,497
Inventories	102,826	135,420	23,897	32,463	3,050	-	(605)	297,051
Trade receivables	254,794	256,125	41,766	54,245	57,819	-	(50,323)	614,426
Assets classified as held for sale included in previous periods under segment assets	-	433	821	251,579	1,382	-	-	254,215
Other assets held for sale	-	-	-	-	-	24,730	-	24,730
Other assets	-	-	-	-	-	759,927	-	759,927
Total assets	1,836,622	1,000,219	145,509	386,879	66,243	796,661	(50,928)	4,181,205
Trade liabilities	274,149	272,853	39,005	30,780	47,314	-	(37,185)	626,916
Liabilities classified as held for sale included in previous periods under segment assets.	-	-	-	24,121	-	-	-	24,121
Other liabilities held for sale	-	-	-	-	-	5,395	-	5,395
Other liabilities	-	-	-	-	-	2,230,719	-	2,230,719
Total liabilities	274,149	272,853	39,005	54,901	47,314	2,236,114	(37,185)	2,887,151

31.03.2012 PLN '000	Soda Segment - Soda Division	Organic Segment - Organic Division	Silicates and Glass Segment Agro-Silicon Division	Agrochemical Segment	Other activity	including: discontinued operations	Corporate Functions - reconciliatory item	Eliminations (consolidation adjustments)	TOTAL
Recognised impairment losses	1,019	318	311	433	(66)	(66)	-	(418)	1,597
Reversed impairment losses	234	1,410	45	234	61	60	-	-	1,984
Recognised impairment losses (not attributable to segments), including:	-	-	-	-	-	-	359	-	359
- discontinued operations	-	-	-	-	-	-	1	-	1
Reversed recognised impairment losses (not attributable to segments), including:	-	-	-	-	-	-	2,944	-	2,944
- discontinued operations	-	-	-	-	-	-	-	-	-
Revenue on interest attributable to segments	53	425	-	13	6	4	-	(121)	376
Interest recognised under Corporate Functions, including:	-	-	-	-	-	-	1,178	-	1,178
- discontinued operations	-	-	-	-	-	-	-	-	-
Cost of interest attributable to segments	945	471	18	14	113	2	-	(121)	1,440
Cost of interest recognised under Corporate Functions, including:	-	-	-	-	-	-	24,100	-	24,100
- discontinued operations	-	-	-	-	-	-	-	-	-

31.03.2011 PLN '000	Soda Segment - Soda Division	Organic Segment - Organic Division	Silicates and Glass Segment Agro-Silicon Division	Agrochemical Segment	<i>including: discontinued operations</i>	Other activity	<i>including: discontinued operations</i>	Corporate Functions - reconciliatory item	Eliminations consolidation adjustments)	TOTAL
Recognised impairment losses	1,965	2,044	153	4,546	2,168	62	13	-	(253)	8,517
Reversed impairment losses	1,159	1,494	13	387	5	813	73	-	(396)	3,470
Recognised impairment losses (not attributable to segments), including:	-	-	-	-	-	-	-	714	-	714
- <i>discontinued operations</i>	-	-	-	-	-	-	-	27	-	27
Reversed recognised impairment losses (not attributable to segments), including:	-	-	-	-	-	-	-	270	-	270
- <i>discontinued operations</i>	-	-	-	-	-	-	-	1	-	1
Revenue on interest attributable to segments	1,460	1,312	16	190	176	84	30	-	(1,902)	1,160
Interest recognised under Corporate Functions, including:	-	-	-	-	-	-	-	971	-	971
- <i>discontinued operations</i>	-	-	-	-	-	-	-	-	-	-
Cost of interest attributable to segments	1,681	748	1	8	3	1,868	67	-	(1,900)	2,406
Cost of interest recognised under Corporate Functions, including:	-	-	-	-	-	-	-	28,381	-	28,381
- <i>discontinued operations</i>	-	-	-	-	-	-	-	-	-	-

INFORMATION ON GEOGRAPHICAL AREAS

31.03.2012 <i>PLN '000</i>	Poland	European Union	Other European countries	Africa	Asia	Other regions	TOTAL
Net sales revenue	427,396	484,018	94,657	75,182	66,248	25,150	1,172,651

31.03.2011 <i>PLN '000</i>	Poland	European Union	Other European countries	Africa	Asia	Other regions	TOTAL
Net sales revenue	448,508	464,785	68,582	53,504	68,794	17,853	1,122,026

31.03.2012 <i>PLN '000</i>	Poland	European Union	Other European countries	Africa	Asia	Other regions	TOTAL
Non-current assets other than financial instruments	1,544,344	1,003,570	-	-	281	-	2,548,195
Deferred tax assets	4,600	20,400	-	-	455	-	25,455
Other assets	1,110,108	367,016	59,483	34,605	34,675	13,208	1,619,095
Total assets	2,659,052	1,390,986	59,483	34,605	35,411	13,208	4,192,745

31.03.2011 <i>PLN '000</i>	Poland	European Union	Other European countries	Africa	Asia	Other regions	TOTAL
Non-current assets other than financial instruments	1,552,089	841,012	-	-	694	-	2,393,795
Deferred tax assets	6,038	-	-	-	412	-	6,450
Other assets	1,253,612	409,294	50,301	15,847	46,155	5,751	1,780,960
Total assets	2,811,739	1,250,306	50,301	15,847	47,261	5,751	4,181,205

2.10 Derivative transactions

The total value of unsettled derivative transactions as at 31 March 2012 is PLN 246 thousand. This includes solely the valuation of derivatives transactions as hedge of interest rate risk in the Soda Deutschland Ciech Group.

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

Exposure to currency risk in EUR	(EUR '000)
Assets	-
Borrowings granted sensitive to FX rate changes	85,800
Trade and other receivables	38,125
Bank deposits	4,000
Equity and liabilities	-
Trade and other liabilities	(18,375)
Liabilities due to loans and borrowings	(38,718)
Future net sales planned	-
Forecasted future net result* in EUR (12 months)	201,301
Forecasted future net result* in EUR – other companies of the CIECH Group (12 months)	17,685
Total result	289,818

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

The next table contains an analysis of the sensitivity of individual balance-sheet items to FX rate changes as at 31 March 2012.

Analysis of sensitivity to FX rate changes	(PLN '000)*	Impact on Income Statement	Impact from 1.04.2012 to 31.03.2013
F/x balance-sheet items (excluding borrowings)	(150)	(150)	-
Borrowings granted sensitive to FX rate changes	858	858	-
Forecasted future net result in EUR	2,190	-	2,190
Total impact	N/A	708	2,190

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

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

Seasonality resulting from periodic demand and supply fluctuations has a certain impact on the general sales trends in the Ciech Group. Products clearly influenced by seasonality include fertilisers, raw materials for fertiliser manufacture and plant protection chemicals.

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. Similarly, 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.

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 forecasted results.

In 2012, the Ciech Group has not published 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 direct domestic recipients of Ciech Group products include the following industries: chemicals, plastics, glass, and furniture manufacture and agriculture.

Development in these economic sectors depends on the economic situation in Poland. In constant prices, sold industrial production increased by 4.9% during the first 3 months of 2012 compared to the corresponding period of the previous year, when it grew by 9.2%. Similarly, the dynamics of the chemical industry indicated: in the production of chemicals and chemical products (excluding pharmacy) - an increase of approx. 14.9% and in the production of rubber products and plastics - an increase of 7.6%. In the same period, pharmaceutical production declined by 4.9%. After a noticeable acceleration in the pace of economic growth in Poland in the period 2010-2011 (4% increase in GDP p.a.), the development is expected to slow down in 2012 to the level of 2.5-3% GDP. This should be reflected in the chemical industry which usually develops in line with the whole economy.

Economic climate in Europe and globally

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 downturn usually affects the demand for raw materials on international markets, thus reducing the Group's export turnover.

The pace of recovery following the 2008-2009 crisis was varied across the globe. In 2011 the largest countries in Asia, Central and Eastern Europe and Latin America were developing relatively quickly. According to the estimates of the IMF, global GDP increased in 2011 by 3.8% (China by 9.2%, India by 7.4%, Central and Eastern Europe by 5.1%, Latin America by 4.6%, EU by 1.6%).

In 2012, a decline the GDP growth rate to the level of 3.3% is anticipated worldwide, while for the EU the dynamics is expected to be negative, at the level of 0.1%.

After significant growth in chemical manufacture in 2010 (globally by 10% according to the American Chemistry Council – ACC; in the EU by 10% according to the European Chemical Industry Council – CEFIC), a clear decrease in this growth level was recorded in 2011 (to 3.5% and 1.1% respectively). The CEFIC assumes that the low dynamics of chemical production will be maintained in 2012 at the level of 3.6% globally and 1.5% in the EU.

Financial condition of agriculture

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

According to data supplied by Poland's Institute of Agricultural and Food Economics (IERiGZ), the market conditions affecting domestic agriculture in the first quarter of 2012 were less favourable than in the last quarter of the previous year. This was mainly a result of a decline in a potential demand. The synthetic index of economic situation in agriculture (SWKR) in March 2012 was lower than the year before (a decrease from 100.1 to 98.9). In the coming months these market conditions for agriculture should not change noticeably.

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 System

In order with the REACH ordinance, in force since 1 June 2006, manufacturers and importers introducing to the EU market more than 1 ton of substances p.a. are required to register such substances. This procedure is intended to reduce to a minimum the risks associated with the marketing of certain substances on their own form or as components of products. By 30 November 2008, the Ciech Group submitted to the European Chemicals Agency (ECHA) 705 substances subject to registration under the REACH provisions. It is estimated that approximately 152 substances will require proper registration, the first stage of which was completed on 30 November 2010. To date, 33 large-tonnage substances have been registered. In the 2nd stage, i.e. by 31 May 2013, it is planned that 29 substances in the tonnage range of 100-1000 Mg/y will be registered and in the 3rd stage, i.e. by 31 May 2018, 90 substances introduced to the market in the volume between 1 and 100 Mg/y.

Emission trading system

Implementing the obligations under the Kyoto Protocol, the UE by way of directive 2003/87/EC introduced at the beginning of 2005 the European System of Trading Emissions (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 2008 the second five-year settlement period begun, the EU ETS II - emission allowances were allocated free of charge to individual installations based on historical emissions in the national allocation plans. Currently, 4 of the Ciech Group's companies participate in the emission trading system:

- **Soda Polska Ciech Sp. z o.o** - with 2 installations - in-house power heating plants in Inowrocław and Janikowo,
- **VITROSILICON S.A.** – with 3 installations - glass production lines in Żary, Łowia 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.

The Group holds a sufficient number of allowances to cover actual emission of carbon dioxide. A part of those allowances was sold, the rest was kept to be used within the upcoming years.

In conjunction with the amendments to the EU ETS to become effective in 2013, including the inclusion of new sectors to the system and the new principles of granting allowances based on the auction system, the companies of the Ciech Group have been preparing in advance for the implementation of the revised regulations.

The Industrial Emissions Directive (IED)

On 6 January 2011 an EU directive no. 2010/75/UE, the Industrial Emission Directive, (IED) entered into force, replacing, among others, the current IPPC directive. The most important amendments in the IED directive in relation to current regulations include:

- New rules of issuing integrated permits, connected, among others, with:
 - Change of the role of BAT 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 contamination of soil and underground water and the requirement to conduct monitoring in this period.
- New requirements for LCP installations due to the change of the definition of a source and definitely stricter levels of emissions of SO₂, NO_x and dust, especially for facilities which are powered with coal.

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

EUR/PLN exchange rate

Ciech Group's export sales are primarily denominated in euro (currency exposure calculation is presented in section III.2.10). 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 power (market leader),
- cost leadership and diversification.

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.

Liabilities connected with the purchase of ZACHEM S.A., Z.Ch. "Organika-Sarzyna" S.A.,

In accordance with obligations following from Privatisation Agreements regarding ZACHEM S.A. and Z.Ch. "Organika-Sarzyna", CIECH S.A. is charged with obligations connected mainly with the implementation of investment blocks, employee guarantees and minority interest buyout options. The following obligations remain to be realised:

- **Obligations following from the Privatisation Agreement of ZACHEM S.A.**

In accordance with agreement provisions, by 20 December 2011, the Company had to realise a total investment of PLN 176.1 million in ZACHEM S.A. The investment deadline was prolonged by three years, i.e. until 2014 for specified investment tasks (electrolysis conversion, implementation of new EPI technology, increase of TDI production capacity up to 90 thousand tons p.a.).

- **Liabilities connected with 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 employee guarantees and minority interest buyout options.

- **Obligations following from the Privatisation Agreement of Z. Ch. "Organika Sarzyna" S.A.**

In accordance with agreement provisions, by 20 December 2011, the Company had to realise a total investment of PLN 130 million in Z. Ch. "Organika – Sarzyna" S.A. The deadline for realising the investment guaranteed in the

agreement was prolonged by two years, i.e. until 2013, for one investment task (the construction of a production installation of the active substance MCPA with accompanying infrastructure). In accordance with the Purchaser's Final Statement as at 31 December 2011, the investments in the required amounts have been realised.

Liabilities connected with the purchase of Soda Deutschland Ciech Group companies

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

Quality and stability of the management 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 activities connected with acquiring subsidies

In the first quarter of 2012, optimal plans of physical investments for particular Group Companies were finally agreed. Ciech Group Companies are allocating close to PLN 244 million to investment projects in 2012, including close to PLN 116 million on innovation ventures aimed at improving production efficiency and product quality. The plan is compliant with the Ciech Group financial model adopted for 2012 – 2016.

In the first quarter of 2012, within the financing of the Ciech Group by the financing banks, the Companies implemented the following key investment projects:

- **Soda Polska Ciech Sp. z o.o.** – Major Power Engineering Modernisation in EC Janikowo, Intensification of baking soda production capacities from 70tt/y to 90tt/y,
- **ZACHEM S.A.** – Construction of a system and implementation of an innovative technology of producing epichlorohydrin out of bio-glycerine,
- **Z.Ch. "Organika-Sarzyna" S.A.** – Construction of an innovative MCPA and MCPP-P manufacturing system.

In Q1 2012, following the agreement with the European Bank for Reconstruction and Development concerning financing of investment projects in the Ciech Group, an agreement with Pöyry Finland was executed concerning advisory work during the implementation of the Energy Efficiency Management System (EEMS) in selected Group companies.

In Q1 2012, the Ciech Group companies implemented 8 projects co-financed with external funds, while total amount of subsidies exceeded PLN 140 million. In Q1 2012, proceeds from subsidies amounted to PLN 18.3 million, and in total, from the time the subsidies were granted to the end of the first quarter – PLN 55.6 million (refunds and advances).

6. Consolidated entities

Organisational description of the Ciech Group

CIECH Spółka Akcyjna is Ciech Group's parent, having its registered office in Warsaw, ul. Puławska 182, registered under number 0000011687 at the District Court for the capital city of Warsaw in 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 31 March 2012, it comprised of 46 business entities, including:

- the parent company CIECH S.A.,
- 34 subsidiaries, including:
 - 22 domestic subsidiaries,
 - 12 foreign subsidiaries,
- 9 domestic associates,
- 1 foreign associated entity,
- 1 foreign jointly-controlled entity.

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

The Ciech Group conducts manufacturing activity connected with the sale of own products as well as commercial activity connected with the trade of goods. Commercial activities are carried out mostly by CIECH S.A. and by its domestic and foreign commercial companies, being CIECH S.A.'s subsidiaries. Manufacturing activities are carried out by CIECH S.A.'s subsidiaries, being manufacturers. The parent entity has no branches.

When preparing the consolidated financial statements for Q1 2012, the following companies underwent consolidation:

List of consolidated entities measured under the equity method in Q1 2012 and in the comparable period

Company/Group	Consolidation method as at 31.03.2012 and CIECH S.A.'s control	Consolidation method as at 31.03.2011 and CIECH S.A.'s control	Share in the capital as at 31.03.2012	Business
1) CIECH S.A.	Parent	Parent	–	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.
2) "POLFA" Sp. z o.o.	Subsidiary of CIECH S.A. – fully consolidated	Fully consolidated subsidiary of CIECH S.A.	100%	<ul style="list-style-type: none"> – wholesale of pharmaceutical goods, – wholesale of chemical products, – wholesale of perfumes and cosmetics, – retail sale of medical and orthopaedic goods.
CIECH FINANCE Group				
3) CIECH FINANCE Spółka z ograniczoną odpowiedzialnością	Subsidiary of CIECH S.A. – fully consolidated	Fully consolidated subsidiary of CIECH S.A.	100%	<ul style="list-style-type: none"> – implementing divestment projects concerning unnecessary fixed assets (property) and financial assets (shares in companies),
3.1.) Cheman S.A.	Indirect subsidiary CIECH S.A. – full consolidation at the level of the Ciech Group.	Indirect subsidiary CIECH S.A. – full consolidation at the level of the Ciech Group.	100%	<ul style="list-style-type: none"> – wholesale and distribution of solid inorganic and organic chemicals, – wholesale and distribution of raw materials for household chemicals, – wholesale and distribution of raw materials for cosmetic and pharmaceutical products, – wholesale and distribution of builders, pigments, raw materials for paints and varnishes, – wholesale and distribution of food and feed additives, – wholesale and distribution of acids, bases and other liquid chemicals
SODA MĄTWEY Group				
4) SODA MĄTWEY S.A.	Fully consolidated lower-tier Group Lower-tier parent	Fully consolidated lower-tier Group Lower-tier parent	100%	<ul style="list-style-type: none"> – manufacture of other inorganic basic chemicals, – wholesale of chemical products, – production and distribution of electricity, – goods shipment
4.1.) Soda Polska CIECH 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%	
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%	

Company/Group	Consolidation method as at 31.03.2012 and CIECH S.A.'s control	Consolidation method as at 31.03.2011 and CIECH S.A.'s control	Share in the capital as at 31.03.2012	Business
4.2) Polskie Towarzystwo Ubezpieczeń Spółka Akcyjna	-	Indirect associate of CIECH S.A. measurement under the equity method at lower tier. Company sold on 29 December 2010	-	
5) JANIKOSODA S.A.	Subsidiary of CIECH S.A. – fully consolidated	Subsidiary of CIECH S.A. – fully consolidated	100%	<ul style="list-style-type: none"> – production of salt, – manufacture of industrial gases, – manufacture of other inorganic basic chemicals, – manufacture of other chemical products n.e.c.
FOSFORY Group		Fully consolidated lower-tier Group	-	<ul style="list-style-type: none"> – manufacture of chemical fertilisers and nitrogen compounds, – manufacture of other inorganic chemicals, – manufacture of other organic chemicals, – manufacture of refined petroleum products, – manufacture of plastics, – wholesale of grain, seeds and animal feed, – transshipment services based on own transshipment and storage base
6.) GZNF "FOSFORY" Sp. z o.o.	FOSFORY Group was sold on 27 April 2011	Lower-tier parent	-	
6.1) "AGROCHEM" Spółka z ograniczoną odpowiedzialnością – in Dobre Miasto		Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	-	
6.2) "AGROCHEM" Spółka z ograniczoną odpowiedzialnością – in Człuchów		Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	-	
7) "Alwernia" S.A.	Subsidiary of CIECH S.A. – fully consolidated	Fully consolidated subsidiary of CIECH S.A.	99.62%	<ul style="list-style-type: none"> – manufacture of other inorganic basic chemicals, – manufacture of dyes and pigments, – manufacture of other organic basic chemicals, – manufacture of chemical fertilisers and nitrogen compounds, – manufacture of gypsum, – production of heat (steam and hot water)
8) CIECH-POLSIN PRIVATE LIMITED	Subsidiary of CIECH S.A. – fully consolidated	Fully consolidated subsidiary of CIECH S.A.	98.00%	<ul style="list-style-type: none"> – wholesale and retail sale of a variety of goods in the Far East markets
9) DALTRADE Ltd.	Daltrade Ltd. was sold on 19 May 2011	Fully consolidated subsidiary of CIECH S.A.	-	<ul style="list-style-type: none"> – distribution and wholesale of chemicals in the UK market.
10) VITROSILICON Spółka Akcyjna	Subsidiary of CIECH S.A. – fully consolidated	Fully consolidated subsidiary of CIECH S.A.	100%	<ul style="list-style-type: none"> – manufacture of other inorganic basic chemicals, – manufacture of household and technical glassware, – manufacture of plastic packing goods, – manufacture of other plastic products
11) Przedsiębiorstwo Transportowo-Usługowe TRASCLEAN Sp. z o.o.	Subsidiary of CIECH S.A. – fully consolidated	Fully consolidated subsidiary of CIECH S.A.	100%	<ul style="list-style-type: none"> – international transport of liquid chemicals, – tank truck and rail tank car wash
12) Zakłady Chemiczne "Organika-Sarzyn" S.A.	Subsidiary of CIECH S.A. – fully consolidated	Fully consolidated subsidiary of CIECH S.A.	98.54%	<ul style="list-style-type: none"> – manufacture of plastics, – manufacture of pesticides and other chemical products

Company/Group	Consolidation method as at 31.03.2012 and CIECH S.A.'s control	Consolidation method as at 31.03.2011 and CIECH S.A.'s control	Share in the capital as at 31.03.2012	Business
ZACHEM Group	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group	97.44%	– manufacture of organic and other non-organic chemicals, – manufacture and sales of plastics, – manufacture of plastic plates, sheets, tubes and profiles, – manufacture of dyes and pigments, – services of installation, repairs and maintenance of general-purpose machinery n.e.c.
13) ZACHEM S.A.	Lower-tier parent	Lower-tier parent	97.44%	
13.1) 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	97.43%	
13.2) ZACHEM UCR Spółka z ograniczoną odpowiedzialnością	Indirect associate of CIECH S.A. measurement under the equity method at lower tier.	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	24.39%	
13.3) Zachem Epichlorohydryna Sp. z o.o.	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	-	97.44%	
13.4) Zachem Energetyka Sp. z o.o.	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	-	97.44%	
13.5) Zachem Park Sp. z o.o.	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	-	97.44%	
14) S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.	Subsidiary of CIECH S.A. – fully consolidated	Fully consolidated subsidiary of CIECH S.A.	92.91%	– manufacture of other inorganic basic chemicals, – wholesale of chemical products
Soda Deutschland Ciech Group	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group	100%	– manufacture of other inorganic basic chemicals, – wholesale of chemical products, – production and distribution of electricity,
15.) Soda Deutschland Ciech GmbH	Lower-tier parent	Lower-tier parent	100%	
15.1.) 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%	
15.1.1.) 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%	
15.1.2) 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%	
15.1.3) 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%	
15.1.4) Kaverngesellschaft Stassfurt GbmH	Indirect associate of CIECH S.A. measurement under the equity method at lower tier.	Indirect associate of CIECH S.A. measurement under the equity method at lower tier.	50%	

Company/Group	Consolidation method as at 31.03.2012 and CIECH S.A.'s control	Consolidation method as at 31.03.2011 and CIECH S.A.'s control	Share in the capital as at 31.03.2012	Business
16) Ciech Pianki Sp. z o.o.	Subsidiary of CIECH S.A. - fully consolidated.	-	100%	– manufacture of organic and other non-organic chemicals,

7. The impact of changes in Ciech Group's organisational structure in the first quarter of 2012, including mergers, acquisitions or divestitures of Group entities, long-term investments, de-mergers, restructuring and discontinuation.

In Q1 2012, no changes occurred within the companies in which CIECH S.A. holds direct shares that would translate to changes in the structure of the Capital Group.

In Q1 2012, CIECH S.A. did not buy any new shares, did not execute mergers or divisions of entities, did not realise any divestments related to the sale of shares, except for the acquisition of new issue shares of America Latina, as described below:

• **Ciech America Latina**

Based on the resolution of shareholders of CIECH America Latina Ltda (Brazil) of 20 February 2012, the share capital of the Company was increased by the amount of BRL 100 thousand (one hundred thousand Brazilian reais) 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 and is divided into 700,000 shares with nominal value of BRL 1 each. CIECH S.A. holds 699,999 shares with nominal value BRL 1.00 each, and the minority shareholder, Mr Wojciech Kordecki holds one share with nominal value BRL 1.00 each.

The increase of the share capital of CIECH America Latina was registered on 21 March 2012. CIECH America Latina suspended its business and conducts no operations. The only obligations that remain unsettled and need to be fulfilled are the public and legal obligations. Since Ciech America Latina had no own resources, it required recapitalisation.

The following changes took place during the first quarter of 2012 concerning companies in which CIECH S.A. holds shares indirectly:

ZACHEM Group

- **BIPROCHEM Sp. z o.o. in liquidation** – the Extraordinary General Meeting of Shareholders completed the process of liquidation of BIPROCHEM Sp. z o.o. on 24 October 2011. The company was removed from the Register of Companies of 21 February 2012 and will no longer be recognised in the structure of the ZACHEM Group.
- **NCP Sp. z o.o.** – the District Court in Bydgoszcz, by its decision of 6 February 2012 declared bankruptcy of Natural Chemical Products Sp. z o.o. and ordered the liquidation of the company's assets.

SODA MAŁY Group

- **Soda Polska Ciech Sp. z o.o.** – the Management Board of Soda Polska Ciech Sp. z o.o. by resolution No. 11/2012 dated 31 January 2012 approved the Plan for transformation of Soda Polska Ciech Sp. z o.o. into a joint stock company, filed in the District Court in Bydgoszcz, 13th Economic Division of the National Court Register on 31 January 2012. On 27 March 2012, the Extraordinary General Meeting of Shareholders adopted a resolution on transforming Soda Polska Ciech Sp. z o.o. into a Joint Stock Company. The share capital in the Transformed Company will remain unchanged, i.e. PLN 669,050,000 and will be divided into 133,810,000 registered A series shares of PLN 5 each. The partners of the Transformed Company will submit declarations on participation in the Transformed Company, as result of which:
 - **SODA MAŁY S.A.** will acquire 71,605,000 shares of the Transformed Company (SPC S.A.) of PLN 5 each, with total nominal value of PLN 358,025,000, that is 53.51% of the share capital,
 - **JANIKOSODA S.A.** will acquire 62,205,000 shares of the Transformed Company (SPC S.A.) of PLN 5 each, with total nominal value of PLN 311,025,000, that is 46.49% of the share capital,

8. 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 31 March 2012:

- 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 of related entities as at 31 March 2012.

Declarations submitted by persons holding managerial and supervisory positions state that as at the date of these statements:

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

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

CIECH S.A. shares are listed on Giełda Papierów Wartościowych w Warszawie S.A. As at the day of publication, the share capital is PLN 263,500,965 and it is divided into 52,699,909 shares of face value PLN 5 each, including:

- 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.

Shareholders

List of shareholders holding at least 5% votes at the General Meeting of CIECH S.A.

Shareholder	Type of shares	Number of shares	Share in the share capital (%)	Number of votes at GM	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	2,688,000	5.10%	2,688,000	5.10%
Pioneer Pekao Investment Management S.A.** (within the scope of portfolios managed by PPIM), of which:	Ordinary bearer shares	5,267,246	9.99%	5,267,246	9.99%
Pioneer FIO	Ordinary bearer shares	5,209,354	9.88%	5,209,354	9.88%
SFIO of Telekomunikacja Polska	Ordinary bearer shares	44,857	0.09%	44,857	0.09%
ING Otwarty Fundusz Emerytalny (Open Pension Fund)***	Ordinary bearer shares	2,800,000	5.30%	2,800,000	5.30%

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

** According to the notification sent on 14 October 2011 (cr 68/2011).

*** Based on the list of shareholders holding at least 5% of votes at the General Meeting of Shareholders of CIECH S.A. on 30 June 2011 (Art. 70, item 3 of the Act on the Offering - GM list above 5%)

10. Provisions and write-downs on assets between 1 January and 31 March 2012

The Ciech Group's consolidated financial statements for Q1 2012 disclosed the following changes (creation, use and release) of provisions and write-downs on assets.

Provision increase from 01.01. to 31.03.2012	<i>PLN thousand</i>
Income tax provision	12,362
Provision for retirement gratuities, annual leaves, bonuses, compensation payments, etc.	1,469
Provision for environmental protection	525
Provision for liabilities (costs)	1,673
Total	14,529

Provision decrease (use and release) from 01.10. to 31.03.2012	<i>PLN thousand</i>
Income tax provision	23,582
Provision for retirement gratuities, annual leaves, bonuses, compensation payments, etc.	1,559
Provision for environmental protection	1,166
Restructuring provision	169
Provision for expected losses	225
Provision for liabilities (costs)	699
Total	27,400

Write-downs on assets (increase) from 01.01. to 31.03.2012	<i>PLN thousand</i>
Write-downs on current receivables	977
Write-downs on inventory	1,114
Total	2,091

Write-downs on assets (decrease) (use and release) from 01.01. to 31.03.2012	<i>PLN thousand</i>
Write-downs on tangible assets	97
Write-downs on current receivables	3,331
Write-downs on inventory	3,011
Total	6,438

Deferred income tax assets from 01.01. to 31.03.2012	<i>PLN thousand</i>
Increase	8,966
Decrease	9,572

11. Notes to Ciech Group's Consolidated Statement of Comprehensive Income

Tax effect of each component of Other Comprehensive Income of Ciech Group

PLN '000	01.01.-31.03.2012			01.01.-31.03.2011		
	Before tax	Tax	Net after tax	Before tax	Tax	Net after tax
Exchange differences on translation of foreign entities	12,188	-	12,188	(1,228)	-	(1,228)
Cash flow hedges	2,240	(426)	1,814	(3,487)	663	(2,824)
Exchange differences on net investment in foreign entities	(17,864)	-	(17,864)	3,612	-	3,612
Other components of other comprehensive income	(2)	-	(2)	57	-	57
Other net comprehensive income	(3,438)	(426)	(3,864)	(1,046)	663	(383)

Income tax corrections and reclassification adjustments in Total Other Comprehensive Income

Other Gross Comprehensive Income PLN '000	change in the period	01.01.-31.03.2012	change in the period	01.01.-31.03.2011
Exchange differences on translation of foreign entities	-	12,188	-	(1,228)
- measurement for the current period	12,188	-	(1,228)	-
Exchange differences on net investment in foreign entities	-	(17,864)	-	3,612
- change resulting from the change of exchange rate in the period	(17,864)	-	3,612	-
Cash flow hedges	-	2,240	-	(3,487)
- measurement at fair value in the period	(81)	-	(496)	-
- reclassification adjustment of profit/loss presented in the income statement	2,321	-	(2,991)	-
Other	(2)	(2)	57	57
Income tax attributable to other components of Other Comprehensive Income	-	(426)	-	663
- for the current period	15	-	94	-
- reclassification adjustment to the income statement	(441)	-	569	-
Other net comprehensive income	-	(3,864)	-	(383)

12. Purchase and disposal of tangible fixed assets

During the period from 1 January to 31 March 2012 the following tangible fixed assets purchase and sale transactions were executed at the Ciech Group:

01.01.-31.03.2012 PLN '000	Land	Buildings, offices and land and water engineering facilities	Machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Tangible fixed assets
Gross value of fixed assets at the beginning of period	85,660	924,623	2,016,062	126,452	47,328	243,719	3,443,844
Acquisition	-	-	6	17	697	-	720
Investment expenditure on fixed assets under construction	-	-	-	-	-	72,095	72,095
Change of fixed assets due to the conclusion of heat and power plant tenancy agreement	-	21,133	97,527	-	-	-	118,660
Activation of external financing expenses	-	-	-	-	-	3,208	3,208
Reclassification to another type group	-	2,020	(2,014)	-	(7)	(16,103)	(16,104)
Disposal	-	(392)	(174)	(2,079)	(40)	(648)	(3,333)
Liquidation	-	(978)	(78)	(29)	(36)	-	(1,121)
FX differences	(5,058)	(11,501)	(41,422)	(839)	(601)	(654)	(60,075)
Other	-	-	(7)	(3,703)	-	-	(3,710)
Gross value of fixed assets at the end of period	80,602	934,905	2,069,900	119,819	47,341	301,617	3,554,184

The tangible fixed assets purchased were financed mainly with own resources, investment loans and to a small extent with finance lease.

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

OFF-BALANCE SHEET ITEMS PLN '000	31.03.2012	31.12.2011
1. Contingent assets	1,519	663
- other off-balance sheet receivables	1,519	663
2. Contingent liabilities	103,755	105,122
- guarantees and sureties granted	36,320	36,320
- other off-balance sheet liabilities	41,070	42,493
- other	26,365	26,309

As at 31 March 2012 the Ciech Group's contingent assets amounted to PLN 1,519 thousand. This amount represent a limit up to which Z. Ch. "Organika-Sarzyna" S.A. may fill out a blank promissory note received from the company providing services for the Company as a performance bond.

At 31 March 2012, the value of contingent liabilities was PLN 103,755 thousand, which translates into a decrease by PLN 1,366 thousand in relation to the figure recorded as at 31 December 2011.

The change in contingent liabilities in relation to the figure recorded as at 31 December 2011 results mainly from:

- changing EUR exchange rate applied by Soda Deutschland Ciech to calculate, among others, a potential liability due to the recultivation of ponds, which will be recognised in case the waste management regulations become applicable,
- change in the RON exchange rate at S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. for off-balance-sheet liabilities towards CET Govora,
- decrease in Alwernia S.A.'s liability to purchase tangible fixed assets and intangible assets to the amount of PLN 565 thousand.

14. Procedures pending before courts, in arbitration proceedings or public administration bodies as at 31 March 2012

14.1 CIECH S.A.

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

Action by Enapharm

In June 2004, the Liquidator for Enapharm in Algeria filed a claim, which now amounts to USD 222 thousand (equivalent of PLN 693 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 the court expert was delivered to CIECH S.A., notifying an increase in value of the medications subject to the complaint to USD 372 thousand (equivalent of PLN 1,060 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 2 November 2010 a new expert was appointed, who did not undertake any actions. The representative informed CIECH S.A. on 10 February 2012 that the new expert cannot be appointed due to the death of the previous expert (i.e. the one appointed on 2 November 2010). The case is pending before the Algerian Court. CIECH S.A. is represented by a local attorney, supervised by a reputable Paris law office. The case is pending. Provision in the amount of PLN 692 thousand was created in CIECH S.A. for the above liabilities.

Claim of Polska Żegluga Morska

On 31 December 2009, CIECH S.A. received a claim of Polska Żegluga Morska p.p. and Polstream Shipping Company Limited against CIECH S.A. for compensation amounting to USD 583 thousand, i.e. in accordance with the average currency exchange rate table of the Polish National Bank no. 240/A/NBP/2009 of 9 December 2009 – PLN 1,630 thousand. The claim was based on art. 160 § 3 of the naval code and refers to a compensation allegedly due to the plaintiff on account of CIECH S.A.'s non performance of the entirety of the charter agreement of 15 October 2007 regarding transport of phosphates to Morocco. The case is pending before the Court of Arbitration at the International Chamber of Commerce in Warsaw. A contingent liability amounting to PLN 1,818 thousand was created on account of this claim.

Claim of AVAS

In 2009, AVAS (National Privatisation Agency in Romania) accused CIECH S.A. of non-performance of its information obligations under the Agreement for the Purchase of Shares in S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. (the Privatisation Agreement) and charged CIECH S.A. with contractual penalties. AVAS filed a

petition against Ciech S.A. in the said case. Salans – the legal representative of CIECH S.A. – estimated the probability of accepting AVAS' s charges by a court of first instance (two appeal instances are not taken into account at this stage):

- For CIECH S.A.'s failure to fulfil its information obligations under paragraph 13.2.1 of the Privatisation Agreement with regard to claims incurring potential penalties in USD (USD 376 thousand + USD 10 thousand = USD 386 thousand) – medium to high probability;
- For non-performance of information obligations arising from section 13.11 of the Privatisation Agreement by CIECH S.A. with regard to charges threatened with a penalty of RON 1,669,334.23 – low or medium probability;
- For non-performance of information obligations arising from section 15.4 of the Privatisation Agreement by CIECH S.A. with regard to charges threatened with a penalty of RON 1,669,334.23 – after the wording of the claim was changed, medium probability;

At the beginning of October 2010, CIECH S.A. received a decision of the first instance court of 1 October 2010 on the dismissal of all aforementioned claims of AVAS, declaring them as null and void.

As expected, AVAS appealed against this verdict of the first instance court to a court of appeals, second instance. It did so within 15 days after the written substantiation of the first instance court verdict had been issued (2 March 2011).

On 8 September 2011 the first trial was held before the Court of Appeal and in the first week of October 2011, the second instance Court dismissed the AVAS' appeal entirely, upholding the decision of the first instance.

AVAS appealed against this to the supreme court (third instance) in November 2011. The first trial before the supreme court will be held on 26 April 2012.

Provision in the amount of PLN 1,204 thousand was created in CIECH S.A. for the above liabilities and contingent liabilities amounting to PLN 3,175 thousand were disclosed.

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

Claims submitted to court or arbitration proceedings

CIECH S.A. is currently seeking in court a total of PLN 10 thousand from its Polish trade and other debtors. The Company created a write-down in the full amount.

Claims for bankruptcy proceedings

Receivables totalling PLN 6,431 thousand are 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 8,901 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 and enforcement proceedings

For foreign recovery proceedings, CIECH S.A. allocated claims in the amount of USD 315 thousand (equivalent of PLN 982 thousand) and EUR 799.5 thousand (equivalent of PLN 3,326 thousand), as well as PLN 181 thousand, whereof the largest portion includes the following bankruptcy proceedings:

- Chemapol – Prague (PLN 1,094 thousand);
- Euroftal N.V. Belgium (PLN 869 thousand).

A claim of EUR 27,000 (equivalent of PLN 112 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 1,901 thousand), whereof the largest portion includes the settlement proceedings for the amount of EUR 443 thousand (equivalent to PLN 1,843 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 15 October 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 the French manufacturers, the supplier's liability and the compliance of French manufacturers with European and French food production procedures. As results from the expert opinion drawn up on 14 November 2011, the claim was estimated at a level of approx. EUR 584 thousand (equivalent to PLN 2,430 thousand). CIECH S.A. sold oiled ground sulphur to Citis in 2009, the product was manufactured by Zakłady Chemiczne Siarkopol in Tarnobrzeg. Pursuant to section 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 15 December 2011, CIECH S.A. received a letter from Zakłady Azotowe "Puławy" S.A. ("ZAP") entitled: "Notice of breach of assurances (Notice of damage)," referring to the assurances that have been submitted by CIECH S.A. in the Conditional Agreement concerning the sale of shares in Gdańskie Zakłady Nawozów Fosforowych "Fosfory" Sp. z o.o. ("GZNF") concluded on 16 December 2010 by CIECH S.A. and ZAP. The letter concerns an alleged breach of assurances by CIECH SA, which would result from irregularities in the conduct of the accounts and financial statements of Agrochem Sp. z o.o. based in Człuchów ("Agrochem") subsidiary of GZNF (all shares in GZNF were sold by CIECH S.A. to ZAP on 27 April 2011). The letter does not include source material indicating only the general titles and amounts that in total, after the updates sent by ZAP in February 2012, give the amount of the alleged claim of PLN 19,560 thousand (originally PLN 20,297 thousand).

After an exchange of letters between CIECH S.A. and ZAP, in a letter dated 15 February 2012, ZAP informed that the verification of financial and accounting and tax records in Agrochem was still in progress and the letter of 15 December 2011 Was intended to meet the deadline specified in the Conditional Agreement regarding the sale of shares for the notification of the damage. After the exchange of correspondence, ZAP produced materials, which in the Company's opinion cannot be treated as a complete and reliable set of data and documents that could be used to analyse the alleged claim of ZAP, and in particular to assess its legitimacy. Therefore it is impossible to analyse the alleged claims, and thus respond to the factual allegations and, consequently, the validity of the claims raised by ZAP. It must be also stressed that the financial statements of Agrochem for 2010 was audited by the approved auditor who did not report any observations of irregularities in the conduct of the accounts and in the financial statements.

Given the above, as well as the fact that the Legal Office running the case has estimated the probability of resolving the case in favour of ZAP as low, this claim has been presented in the financial statements for Q1 2012 by CIECH S.A. as a contingent liability in part III, point 13 of this Report.

Anti-dumping proceedings

1. 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).

2. On 23 March 2012 the Ministry of Commerce of the Republic of China announced the initiation of anti-dumping proceeding concerning imports of toluene diisocyanate (TDI) from the European Union. This procedure is intended to verify information on the application by European producers of predatory pricing of TDI on the Chinese market. On 12 April 2012, ZCh ZACHEM S.A. informed the Chinese Ministry of Commerce on its participation in the above proceedings and CIECH S.A. and Ciech Polsin Private Ltd., being the exporters of TDI produced by Zch ZACHEM S.A., also participate in these proceedings.

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

1. Case is currently pending before the Local Government Appeals Court in Warsaw, Case File No. KOX/1596/Po/09.

By virtue of the letter of 22 December 2008 (file no. ZM.ZNO.722240-IV.3212/08/GL), the President 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 at ul. 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 1 January 2009 amounting to PLN 590 thousand.

In conjunction with the aforesaid new charge, on 28 January 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 motion for proceedings suspension was refilled 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 Office representing the case was delivered a decision of the Local Government Appeals Court in Warsaw dated 15 November 2011, in which the abovementioned termination of the current annual fee (currently having no definite amount in view the matters described in paragraph 2) has been considered ineffective, making the position that the errors disclosed in the opinion of the Arbitration Commission deprive the legal consequences of this action. This decision is favourable to CIECH S.A.

On 28 December 2011 the President of the Capital City of Warsaw lodged an appeal from this decision, which was forwarded by the Local Government Appeals Court in Warsaw to the Regional Court in Warsaw, 25th Civil Division under Case File No. XXV C 325/12. The Regional Court undertook preparatory actions in order to proceed in the merits of the case.

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).

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). By virtue of a letter of 17 December 2003, delivered to CIECH S.A. on 6 January 2004, the President of the Capital City of Warsaw cancelled as of 31 December 2003 the previous charge for the perpetual usufruct of land located in Warsaw at ul. Powązkowska 46/50, being the property of the State Treasury, marked as plot no. 41, precinct 7-02-09. The new charge as of 1 January 2004 amounted to PLN 500 thousand (previously 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 9 January 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 1 January 2005. On 29 January 2009, CIECH S.A. appealed against the aforesaid decision via the Local Government Appeals Court in Warsaw to the Regional Court in Warsaw, 25th Civil Division.

A court decision of 10 March 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 3 December 3rd, 2010, the court accepted a motion of Ciech S.A. that the appraisal study be evaluated by the Arbitration Commission of the Polish Federation of Valuers.

An opinion of 20 June 2011 issued by the Arbitration Commission of the Polish Federation of Valuers was included in the case files, in which it was stated that the assessment drawn up during the proceedings correctly specifies the value of the property as at 1 January 2005. A hearing in the above case was held on 23 September 2011 during which the Court accepted the motion of 20 September 2011 of the Lawyer's Office 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 will be scheduled automatically after the completion of tasks related to summoning the above company and presenting by the Lawyer's Office running the case specific questions to the authors of the above opinion dated 20 June 2011.

On 5 December 2011 the Lawyer's Office running the case submitted a list of precise questions to the authors of the abovementioned opinion of the Arbitration Commission, which should be included in the further proceedings. Additionally, on 5 January 2012, the Lawyer's Office running the case was delivered a letter from the current user of the plot No. 41 in the proceedings - MARVIPOL S.A. dated 5 October 2011, requesting to be admitted to the case as an intervene party. So far, the Lawyer's Office running the case has not been notified of the appointment of the next hearing date in the pending court proceedings.

By virtue of an automatic court decision of 30 January 2012 the Arbitration Commission at the Polish Federation of Valuers was requested to prepare a supplementary opinion to the opinion of the abovementioned Commission dated 20 June 2011 in order to give answers to questions disclosed in the Ciech S.A.'s representative dated 5 December 2011. Information obtained by the Office indicates that on 14 March 2012, the supplementary opinion together with a number of source documents was added to the case files, they have not yet been delivered however to the parties. At the same time, no information is available about the date of the next hearing in the case.

Due to the aforesaid 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.

14.2 Subsidiaries – significant positions

Soda Polska CIECH Sp. z o.o.

No claims were advanced against Soda Polska Ciech Sp. z o.o which might significantly affect its activity and the total amount of liabilities claimed by creditors amounts to PLN 500 thousand. No material claims (liabilities) have been filed against any company belonging to the Soda Polska Ciech Sp. z o.o. that could affect its business. In December 2011, an administrative proceedings was initiated by Kujawsko-Pomorski Wojewódzki Inspektorat Ochrony Środowiska w Bydgoszczy (Provincial Environmental Protection Inspectorate) concerning the stoppage of operation of OP-140 steam power boiler no. 4 and 5 at Soda Polska CIECH sp. z o.o., the combined heat and power plant of the JANIKOSODA production facility in Janikowo. The Company has taken appropriate steps for removal of the breach.

Proceedings are also pending against the company brought by the employee to recognize the termination of employment to be void or damages in the amount of PLN 15 thousand.

The amount of debts (including payment for goods) claimed in different proceedings is PLN 26,725 thousand, of which the amount of receivables claimed in enforcement proceedings is PLN 25,893 thousand, including the largest item - PLN 25,514 thousand - the claimed receivable of PHU "STARTER" B.Lepiarz.

The total amount of receivables claimed in court proceedings by TRANSODA Sp. z o.o. is PLN 15 thousand of which the company seeks receivables from its debtors in a court and enforcement proceedings amounting to PLN 6.7 thousand and in a bankruptcy proceeding the amount of PLN 8 thousand.

Soda Polska Ciech Sp. z o.o. acquired the liabilities from 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 enforcement officer informed about the ineffectiveness of enforcement due to considerable debt and inability to satisfy the creditor's demands.

Soda Polska Ciech Sp. z o.o has created a write-down for all pending proceedings.

SODA MAŃWY S.A. and JANIKOSODA S.A.

On 14 December 2011 a law firm Beiten Burkhardt, representing Gotheer Finanzholding AG (Buyer) which acquired in 2010 shares in Polskie Towarzystwo Ubezpieczeniowe S.A. (PTU) belonging to the Inowrocławskie Zakłady

Chemiczne SODA MAŹY SA and Janikowskie Zakłady Sodowe JANIKOSODA SA (seller) 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 notification sent to the buyer did not submit claims for payment, but merely pointed out that as a result of underestimation of the technical provisions it might have suffered damage for which the Seller (JANIKOSODA SA and MAŹY SODA) are liable to the total amount of PLN 24,981 thousand. The buyer has declared the will to settle the case amicably.

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 31 January 2012 sent to the Buyer a letter, completely rejecting the charges.

Given the above and the opinion of legal advisers appointed in this case who pointed out low probability of winning the case by the Buyer, JANIKOSODA SA and SODA MAŹY S.A. recognize the claim as unfounded. In the statements as at 31 March 2012 no adjustments were made on this account 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 627 thousand from trade debtors, including the largest claim pursued through enforcement proceedings for PLN 433 thousand and through bankruptcy proceedings for PLN 151 thousand. “VITROSILICON” Spółka Akcyjna has 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. One employee lawsuit is pending against the Company, seeking reinstatement of employment. There are also proceedings in progress brought by the Head of the Chrzanów County concerning agreement of the status of a land and mortgage register. Alwernia 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. Joint claims against E.M.D. Polska sp. z o.o. as a guarantor and EMD PL sp. z o.o. as the original debtor for the total amount of PLN 1,750 thousand are secured with a mortgage and a registered pledge to the amount of PLN 1,500 thousand. A title for part of the claim in the amount of PLN 250 thousand has been obtained. Currently, the execution of the property will be initiated under writ of execution. No write-down has been created for the abovementioned claim.

“Alwernia” S.A. is claiming a total of PLN 673 thousand due to trade receivables in court actions and enforcement proceedings. A total of PLN 1,646 thousand is claimed in bankruptcy proceedings. Alwernia S.A. has created write-downs for all legal claims taking into account the collaterals held.

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 4,438 thousand, including PLN 1,574 thousand claimed in enforcement proceedings. Receivables amounting to PLN 1,092 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) are sought from Ciech Finance Sp. z o.o. that could materially affect its business. Proceedings are in progress against the company for PLN 100 thousand concerning a dispute relating to refund of a deposit being twice the payment made for purchase of the property. A provision of PLN 140 thousand was created at Ciech Finance Sp. z o.o. for the above liability.

POLFA Sp. z o.o.

No claims (liabilities) have been lodged against the company POLFA Sp. z o. o. which might affect its business activity. The company is claiming in court proceedings from its debtors receivables amounting to EUR 48 thousand (equivalent of PLN 199 thousand) due to receivables for goods. The claims asserted in bankruptcy proceedings amount to EUR 283 thousand (equivalent of PLN 1,177 thousand).

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. Two employee proceedings are pending against the company, for the total amount of PLN 54 thousand. Z.Ch. “Organika – Sarzyna” S.A. is seeking PLN 1,591 thousand in receivables in court, bankruptcy, enforcement as well as settlement proceedings from more than a dozen domestic companies. The largest amount, PLN 601 thousand, is being claimed as trade and other receivables in court. PLN 732 thousand is being claimed as receivables in enforcement proceedings, while PLN 258 thousand is sought in settlement and bankruptcy proceedings. The company has created a write-down for all pending proceedings.

ZACHEM Group

No claims (liabilities) have been lodged against the ZACHEM Group which might affect its business activity. A claim for payment of PLN 1,896 thousand for the payment of remuneration for performance of contract and several employee claims in the total amount of PLN 108 thousand are pending. 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 6,220 thousand, the largest claim being PLN 3,222 thousand in bankruptcy and settlement proceedings.

The amount of PLN 1,512 thousand is being vindicated in enforcement proceedings. The Group created a write-down for all pending proceedings in the amount of PLN 6,220 thousand.

However, on 20 January 2012, ZACHEM S.A. appealed from the decision of the Regional Court in Bydgoszcz regarding 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.

On 23 March 2012 the Ministry of Commerce of the Republic of China announced the initiation of anti-dumping proceeding concerning imports of toluene diisocyanate (TDI) from the European Union. This procedure is intended to verify information on the application by European producers (including ZACHEM S.A.) of predatory pricing of TDI on the Chinese market. In accordance with the procedure, ZACHEM S.A. was notified about these proceedings and invited to participate in them. On 12 April 2012, ZACHEM S.A. submitted a proper declaration on accession to the anti-dumping proceedings to the Chinese Ministry of Commerce.

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 filed court claims against several dozen of trade debtors for a total of PLN 23.5 thousand. TRANSCLEAN Sp. z o.o. created a write-down for the aforementioned liabilities.

Soda Deutschland Ciech Group

No claims (liabilities) have been lodged against the Soda Deutschland 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 17,331 thousand) due to the unpaid electricity bills from 2008. On 24 March 2011 the District Court of first instance in Magdeburg ordered SWS KG to pay outstanding principal and interest for 2008, from which SWS has appealed to the court of second instance.

Regardless of the pending litigation the parties have negotiated the terms of repayment of liabilities, which amount to a total of about EUR 14,000 thousand (equivalent to PLN 58,254 thousand) net for the years 2008-2010 and for the first half of 2011. As a result of these negotiations SWS paid to VASA EUR 4,000 thousand (equivalent to PLN 16,644 thousand). Another EUR 3,000 thousand (equivalent to PLN 12,483 thousand) will be paid by 2 May 2012. In exchange for the approval of the abovementioned amounts and terms VASA approved the reduction of energy liabilities of SWS by EUR 7,000 thousand.

Moreover, an employee claim is pending, lodged by a former Member of the Management Board of Sodachem GmbH for unlawful termination of work agreement. The claimant demands a compensation in the amount of EUR 1,400 thousand (equivalent of PLN 5,825 thousand) plus interest.

As a result of a case won by SWS in the labour court, the maximum amount being the subject of the dispute was reduced by half and now amounts to EUR 708 thousand (PLN 2,946 thousand).

Provision in the amount of EUR 365 thousand was created for the above liabilities (equivalent of PLN 1,519 thousand).

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. 10 proceedings are pending against the Company, 7 of which were initiated by former employees, however with no substantial impact on the Company's business results

S.C. S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. is seeking the payment of its receivables in 34 court cases, where 20 enforcement proceedings against companies in liquidation amount to RON 245 thousand (equivalent to PLN 233 thousand).

The remaining claims refer to amounts litigated from multiple debtors for the total amount of RON 4,658 thousand (PLN 4,429 thousand) of which the largest proceeding amounts to RON 4,621 thousand (equivalent of PLN 4,394 thousand) and refers to penalty charged by Wody Rumuńskie for using water without extending the subscription and two proceeding for the total amount of USD 182 thousand (PLN 568 thousand) for the refund of trade receivables and proceedings amounting to EUR 1,400 (PLN 5.8 thousand) and RON 37 thousand (PLN 35.2 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 1,937 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 USG. The total amount is RON 7,969 thousand (equivalent of PLN 7,578 thousand) which constitutes the VAT paid after the ANAF audit + accrued interest. Currently the amount is RON 7,115 thousand (equivalent of PLN 6,766 thousand). The case is pending.

S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. created a provision for the aforementioned liabilities (excluding the tax paid) amounting to RON 3,142 thousand (PLN 2,988 thousand).

Applied exchange rates:

USD 1 = PLN 3.1191

EUR 1 = PLN 4.1616

RON 1 = PLN 0.9509

15. Information about transaction or transactions with related entities concluded by CIECH S.A. or its subsidiaries that separately or jointly are significant and were concluded on conditions other than market conditions.

In Q1 2012, no transactions between the Group companies were concluded in the Ciech Group on conditions other than market conditions.

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

Sureties and guarantees granted as at 31 March 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.				
CIECH S.A.						
Commerzbank	EUR 25,000	104,040	30.09.2014	To the loan agreement of 23 January 2008 for EUR 75 million	Soda Deutschland GmbH	Subsidiary
Bank Consortium	EUR 10,611	44,160	31.03.2016	Fixed % of the surplus of granted surety over the surety required to hedge the actual amount of financing	S.C.Uzinele Sodice Govora – Ciech Chemical Group S.A.	Subsidiary
Total CIECH S.A.		148,200				
ZACHEM S.A.						
Bank PEKAO S.A.		18,160	until 31.08.2014	None	Spółka Wodna Kapuściska	None
Nordea Bank		18,160	until 31.08.2014	None	Spółka Wodna Kapuściska	None
Total ZACHEM S.A.		36,320				
Total amount of loans covered by surety		184,520				

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.				
CIECH S.A.						
SG Equipment Leasing Polska Sp. z o.o. - Warsaw	EUR 239	994	01.09.2012	To the lease agreement concluded between S.C Uzinele Sodice Govora and ECS International Polska Sp. z o.o. of 10 July 2007	S.C. S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. - Romania	Subsidiary
Air Products, LLC and Air Products Chemicals Europe B.V.	USD 31,252	97,477	By the payment of all liabilities for deliveries executed between 01.01.2012 and 30.06.2012	-	ZACHEM S.A.	Subsidiary
GATX Rail Poland Sp. z o.o.	68 EUR	284	30.11.2012	Guarantee of payment of tenancy fee for tanks	ZACHEM S.A.	Subsidiary
ING Lease Romania IFN S.A.	EUR 1,124	4,676	31.10.2013	Payment collateral to lease agreements	S.C. S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. - Romania	Subsidiary
Wytwórnia Opakowań Błazanych BECZKÓPOL Sp. z o.o.	-	2,400	30.06.2012	Collateral for payments for steel drums	ZACHEM S.A.	Subsidiary
VA Intertrading Aktiengesellschaft Austria	EUR 900	3,745	By the payment of all liabilities for deliveries executed in 2012	Collateral for payments for delivery of liquid chloride	ZACHEM S.A.	Subsidiary
Total amount of guarantees granted		109,576				

17. Sureties granted by Ciech Group Companies to Banks Organisers

The Companies granted sureties for the loans issued by the Bank Consortium to CIECH S.A. and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. under the loan agreement signed on 10 February 2011. The funds under the loan agreement were made available on 29 September 2011.

The total limit of sureties granted to Banks Organisers as at 31 March 2012 is presented in the table below:

Beneficiary's (company's) name	Amount of loans covered by surety	Granted surety limit	Surety period	Financial terms, including surety fee due to the company	Principal	Nature of relation between CIECH S.A. and the company which granted the surety
CIECH S.A.						
Bank Consortium: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A., European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 31 March 2012: EUR 10.6 million	Surety limit under the loan agreement: PLN 1,232 million	Full repayment of liabilities under surety	Fixed % of the surplus of granted surety over the surety required to hedge the actual amount of financing	S.C.Uzinele Sodice Govora S.A.	-
POLFA Sp. z o.o.						
Loan Bank Consortium: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A., European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 31 March 2012: PLN 510 million and EUR 38.7 million	Surety limit under the loan agreement: PLN 1,232 million	Full repayment of liabilities under surety	Fixed % of the surplus of granted surety over the surety required to hedge the actual amount of financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	subsidiary
JANIKOSODA S.A.						
Loan Bank Consortium: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A., European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 31 March 2012: PLN 510 million and EUR 38.7 million	Surety limit under the loan agreement: PLN 1,232 million	Full repayment of liabilities under surety	-	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	subsidiary
SODA MĄTWY S.A.						
Loan Bank Consortium: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A., European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 31 March 2012: PLN 510 million and EUR 38.7 million	Surety limit under the loan agreement: PLN 1,232 million	Full repayment of liabilities under surety	-	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	subsidiary
Soda Polska CIECH Sp. z o.o.						

Beneficiary's (company's) name	Amount of loans covered by surety	Granted surety limit	Surety period	Financial terms, including surety fee due to the company	Principal	Nature of relation between CIECH S.A. and the company which granted the surety
Loan Bank Consortium: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A., European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 31 March 2012: PLN 510 million and EUR 38.7 million	Surety limit under the loan agreement: PLN 1,232 million	Full repayment of liabilities under surety	Fixed % of the surplus of granted surety over the surety required to hedge the actual amount of financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	subsidiary
TRANSCLEAN Sp. z o.o.						
Loan Bank Consortium: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A., European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 31 March 2012: PLN 510 million and EUR 38.7 million	Surety limit under the loan agreement: PLN 1,232 million	Full repayment of liabilities under surety	Fixed % of the surplus of granted surety over the surety required to hedge the actual amount of financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	subsidiary
Alwernia S.A.						
Loan Bank Consortium: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A., European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 31 March 2012: PLN 510 million and EUR 38.7 million	PLN 31.5 million	Full repayment of liabilities under surety	Fixed % of the surplus of granted surety over the surety required to hedge the actual amount of financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	subsidiary
Z.Ch. "Organika-Sarzyna" S.A.						
Loan Bank Consortium: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A., European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 31 March 2012: PLN 510 million and EUR 38.7 million	PLN 300 million	Full repayment of liabilities under surety	Fixed % of the surplus of granted surety over the surety required to hedge the actual amount of financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	subsidiary
VITROSILICON S.A.						
Loan Bank Consortium: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A., European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 31 March 2012: PLN 510 million and EUR 38.7 million	Surety limit under the loan agreement: PLN 1,232 million	Full repayment of liabilities under surety	Fixed % of the surplus of granted surety over the surety required to hedge the actual amount of financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	subsidiary
ZACHEM S.A.						

Beneficiary's (company's) name	Amount of loans covered by surety	Granted surety limit	Surety period	Financial terms, including surety fee due to the company	Principal	Nature of relation between CIECH S.A. and the company which granted the surety
Loan Bank Consortium: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A., European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 31 March 2012: PLN 510 million and EUR 38.7 million	Surety limit under the loan agreement: PLN 1,232 million	Full repayment of liabilities under surety	Fixed % of the surplus of granted surety over the surety required to hedge the actual amount of financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	subsidiary
Chemana S.A.						
Loan Bank Consortium: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A., European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 31 March 2012: PLN 510 million and EUR 38.7 million	Surety limit under the loan agreement: PLN 1,232 million	Full repayment of liabilities under surety	Fixed % of the surplus of granted surety over the surety required to hedge the actual amount of financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	subsidiary
Ciech Pianki Sp. z o.o.						
Loan Bank Consortium: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A., European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 31 March 2012: PLN 510 million and EUR 38.7 million	Surety limit under the loan agreement: PLN 1,232 million	Full repayment of liabilities under surety	Fixed % of the surplus of granted surety over the surety required to hedge the actual amount of financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	subsidiary

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

In Q1 2012, the Ciech Group did not issue any securities.

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

The Management Board of CIECH S.A. is not planning any dividend payout from profit generated in 2011. In the Loan Agreement dated 10 February 2011, CIECH S.A. undertook to refrain from declaring and paying out dividends until the net debt ratio (total consolidated net debt to consolidated EBITDA, measured for the Ciech Group, excluding Soda Deutschland Ciech Group) specified in the Loan Agreement is achieved. The payout of the dividend with the current level of the net debt ratio would be a violation of the provisions of the Loan Agreement.

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

20. Discontinued activities and assets and liabilities classified as held for sale.

Discontinued operations

The accounting principles applied to preparation of income statement for discontinued operations are the same as the Group's accounting policy. The results of discontinued operations include:

- Results of companies to be sold – POLFA Sp. z o.o., Cheman S.A., Ciech Finance Sp. z o.o. (current and comparable data) and GZNF "FOSFOR" Sp. z o.o. and Daltrade Plc. Ltd. (comparable data).
- Results of the company over which the Group lost its control – Zachem UCR Sp. z o.o. (comparable data).
- Eliminations of results on transactions between consolidated entities in the Ciech Group, and reported in discontinued operations.

Reporting adjustment was made also in the statements for Q1 2011 (comparable data).

Assets and liabilities classified as held for sale

As at 31 March 2012 in the Ciech Group 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. This presentation results from the conclusion by CIECH SA of the following contracts:

- On 15 July 2011 CIECH S.A. signed a contract for sale of 3,820 shares in POLFA Sp. z o.o. representing 100% of the share capital of POLFA Sp. z o.o.
- On 19 December 2011 CIECH S.A. signed a Conditional Agreement on Sale of Shares in Ciech Finance Sp. z o.o. and a Conditional Preliminary Agreement on sale of shares in Cheman S.A. The subject of the agreement is the sale of 4,000 shares in Ciech Finance Sp. z o.o., which constitutes 100% of the share capital, and the sale of 10,000 shares in Cheman S.A., which constitutes 0.53% of share capital of this company.

Additionally, in the item "Assets classified as held for sale" the following assets were recognised:

- VITROSILICON Spółka Akcyjna disclosed 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.

- CIECH - POLSIN Pte. Ltd. disclosed land with a building situated on it amounting to PLN 434 thousand. The company is at the stage of preliminary negotiations with the buyer. These assets are categorised in the "other" segment.

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

No loan agreement was called to maturity and there were no deadlines of repaying capital or interest due to financial liabilities recognised in the balance sheet violated in the period covered by these statements. As at 31 March 2012, according to the Company's calculations, the levels of ratios required by the Loan Agreement dated 10 February 2011 were not achieved:

- debt level to operating results plus depreciation / amortisation (consolidated total net debt to consolidated EBITDA, according to values calculated for the Ciech Group except for the German subsidiaries) was 3.9, against the maximum level of 3.1 required by the Loan Agreement in an annual period of ratio testing ended 31 March 2012,

- debt service coverage ratio (cash available for debt service to consolidated total debt service calculated for the Ciech Group except the German subsidiaries), was 0.4 against the minimum level of 0.8 required by the Loan Agreement in an annual period of ratio testing ended 31 March 2012.

On 3 April 2012, CIECH S.A. applied to lenders, in the manner provided for in the Loan Agreement, to waive the requirement to meet the levels of the above ratios as at 31 March 2012.

Based on the letter dated 20 April 2012, the Lenders waived their right to claim agreement violation resulting from the violation of the financial ratio upon specified conditions, in particular:

- the financial leverage ratio in the calculation period ending 31 March 2012 will not exceed 4.2,
- the debt service coverage ratio will not be lower than 0.3.
- CIECH S.A. will pay a waiver fee to the Lenders.

22. 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. It was assumed that entities whose balance-sheet totals and net sales revenue and revenue from financial operations are irrelevant compared to the same items recorded by the parent entity, and whose combined figures are lower than 5% of the corresponding combined figures (of all subsidiaries of the Ciech Group), were irrelevant for compliance with the requirements of the standards.

The table below presents total data of subsidiaries not covered by consolidation under the full method compared to total values for the Ciech Group for the period 01.01-31.03.2012:

Total value in PLN thousands	Non-consolidated entities	Ciech Group (without eliminations)	% share
Balance sheet totals	14,311	7,857,715	0.18%
Net sales and financial operations	13,671	1,835,252	0.74%

The following table present information on associates which were not evaluated under the equity method.

Total value	Associates not evaluated under the equity method	Equity of Ciech Group	% share
Share in net assets	18,397	1,317,569	1.40%

23. Reconciliation of equity presented in the previously published statements with the currently presented financials as comparable data.

On 1 January 2012, the Management Board of CIECH S.A. changed its accounting principles concerning investment real 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 real property according to the 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 real estate affects the net profit or loss in the period in which this change occurred and is recognised under other operating income/expenses.

The impact of changes in principles applied while preparing the financial statements to the data of 2011 is presented below.

<i>PLN '000</i>	31.12.2011 Previously presented	Change in accounting principles – valuation of investment real property to the fair value	31.12.2011 Currently presented version
Tangible fixed assets	2,217,219	1,714	2,218,933
Right of perpetual usufruct	129,491	(73,213)	56,278
Investment real property	7,084	75,877	82,961
Other non-current assets	323,407	-	323,407
Total non-current assets	2,677,201	4,378	2,681,579
Total current assets	1,389,304		1,389,304
Total assets	4,066,505	4,378	4,070,883
EQUITY AND LIABILITIES			
Share capital	287,614	-	287,614
Share premium	508,122	-	508,122
Cash flow hedge	(8,111)	-	(8,111)
Other reserve capitals	78,521	-	78,521
Net currency translation differences (investments in foreign companies)	11,396	-	11,396
Currency translation differences (subsidiaries)	(62,796)	-	(62,796)
Retained profits	495,365	3,546	498,911
<i>including: net financial result</i>	<i>1,501</i>	<i>-</i>	<i>1,501</i>
Equity attributable to shareholders of the parent	1,310,111	3,546	1,313,657
Non-controlling interest	(2,021)	-	(2,021)
Total equity	1,308,090	3,546	1,311,636
Deferred tax provision	119,015	832	119,847
Other non-current liabilities	564,548	-	564,548
Total non-current liabilities	683,563	832	684,395
Total current liabilities	2,074,852	-	2,074,852
Total liabilities	2,758,415	832	2,759,247
Total equity and liabilities	4,066,505	4,378	4,070,883

IV. Condensed Separate Financial Statements of CIECH S.A. for Q1 2012 prepared in accordance with the International Financial Reporting Standards

1. CIECH S.A. Separate Income Statement

PLN '000	01.01.-31.03.2012*	01.01.-31.03.2011*
	Continued operations	Continued operations
Net sales revenue	631,450	603,916
Cost of sales	(554,286)	(532,696)
Gross profit/loss on sales	77,164	71,220
Other operating revenue	1,725	1,411
Selling costs	(41,451)	(36,955)
General and administrative expenses	(9,571)	(10,049)
Other operating costs	(1,452)	(1,051)
Operating profit/loss	26,415	24,576
Finance income	20,683	29,135
Finance costs	(75,152)	(38,856)
Net finance income / costs	(54,469)	(9,721)
Profit/loss before tax	(28,054)	14,855
Income tax	4,953	(3,512)
Net profit/loss	(23,101)	11,343
Earnings per share (in PLN):		
Basic	(0.44)	0.35
Diluted	(0.44)	0.35

* No discontinued operations occurred in the company in the presented and comparable period

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

	01.01.-31.03.2012*	01.01.-31.03.2011*
<i>PLN '000</i>	Continued operations	Continued operations
Net profit/loss for the financial year	(23,101)	11,343
Other gross comprehensive income	-	(4,970)
Hedge accounting (measurement recognised under cash flow hedge)	-	(4,970)
Income tax attributable to other components of comprehensive income	-	944
Other net comprehensive income	-	(4,026)
COMPREHENSIVE INCOME	(23,101)	7,317

* No discontinued operations occurred in the company in the presented and comparable period

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

in PLN thousands

ASSETS	31.03.2012	31.12.2011	31.03.2011
Non-current assets			
Tangible fixed assets	10,732	11,517	9,928
Right of perpetual usufruct	843	843	843
Intangible assets	6,926	6,960	7,703
Investment real property	6,091	5,454	5,454
Non-current receivables	19,126	29,061	24,964
Long-term borrowings granted	1,149,133	1,185,509	530,771
Long-term investments in subsidiaries	1,029,345	1,029,345	920,382
Other long-term investments	16,646	17,667	16,048
Deferred income tax assets	-	-	4,844
Total non-current assets	2,238,842	2,286,356	1,520,937
Current assets			
Inventories	16,573	28,505	18,010
Current investments - borrowings granted	-	500	345,659
Income tax receivables	1,341	2,449	2,027
Trade and other receivables	488,345	431,654	413,490
Cash and cash equivalents	61,475	15,099	198,293
Assets classified as held for sale	17,044	19,718	142,117
Total current assets	584,778	497,925	1,119,596
T o t a l A s s e t s	2,823,620	2,784,281	2,640,533
EQUITY AND LIABILITIES			
Equity			
Share capital	287,614	287,614	279,115
Share premium	507,835	508,122	472,633
Other reserve capitals	76,199	76,199	76,199
Cash flow hedge	-	-	2,168
Retained profits	424,686	447,787	107,954
Total equity	1,296,334	1,319,722	938,069
Liabilities			
Liabilities on credits, loans and other debt instruments	-	-	1,056,075
Employee benefits	2,005	2,029	1,772
Other non-current liabilities	22,989	33,434	25,672
Deferred income tax provision	11,692	16,645	-
Total non-current liabilities	36,686	52,108	1,083,519
Liabilities on credits, loans and other debt instruments	1,026,465	967,200	160,208
Trade and other liabilities	457,863	438,801	451,403
Provisions (short-term provisions for employee benefits and other)	6,190	6,368	7,334
Liabilities related to non-current assets held for sale	82	82	-
Total current liabilities	1,490,600	1,412,451	618,945
Total liabilities	1,527,286	1,464,559	1,702,464
T o t a l E q u i t y a n d L i a b i l i t i e s	2,823,620	2,784,281	2,640,533

4. CIECH S.A. Separate Statement of Cash Flows

PLN '000

	01.01-31.03.2012	01.01-31.03.2011
Cash flows from operating activities		
Net profit (loss) for the period	(23,101)	11,343
Amortisation/depreciation	1,545	1,155
Creation / reversal of revaluation write-downs	4,064	3,625
Currency exchange profit / loss	42,103	(5,983)
Investment real property revaluation	(637)	-
Profit / loss on investing activities	-	131
Profit / loss on disposal of fixed assets	(31)	(1)
Interest and profit sharing	(423)	9,872
Income tax accrued	(4,953)	3,512
Operating profit / loss before changes in working capital and provisions	18,567	23,654
Change in receivables	(34,163)	(47,699)
Change in inventory	11,931	10,694
Change in current liabilities	15,536	29,485
Change in employee benefit provisions and liabilities	(203)	(783)
Net cash generated from operating activities	11,668	15,351
Interest paid	(17,616)	(23,263)
Income tax paid	1,109	-
Valuation of derivative financial instruments	-	(4,971)
Other adjustments	-	(4,600)
Net cash from operating activities	(4,839)	(17,483)
Cash flows from investing activities		
Inflows (in "+")		
Disposal of intangible assets and tangible fixed assets	35	1
Dividends received	-	1,405
Interest received	1,155	2,520
Proceeds from borrowings granted	10,500	-
Outflows (in "-")		
Purchase of intangible assets and tangible fixed assets	(1,158)	(885)
Acquisition of a subsidiary (net of cash acquired)	(5,603)	-
Capital increase	(185)	-
Borrowings granted	(17,722)	(8,537)
Net cash from investing activities	(12,978)	(5,496)
Cash flows from financing activities		
Inflows (in "+")		
Net inflows from issue of shares and other equity instruments, and equity contributions	-	436,305
Proceeds from borrowings incurred	80,000	6,833
Outflows (in "-")		
Repayment of loans and borrowings	(14,083)	(256,717)
Payment of finance lease liabilities	(354)	-
Net cash from financing activities	65,563	186,421
Total net cash flows	47,746	163,442
Cash as at the beginning of period	15,099	35,131
Effect of foreign exchange differences	(1,370)	(280)
Cash at the end of the period	61,475	198,293

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

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Cash flow hedge	Other reserve capitals	Retained profits	Total equity
Equity as at (beginning of period) 01/01/2012							
Restated	287,614	508,122	-	-	76,199	447,787	1,319,722
Reduction of equity referring to agio		(287)					(287)
Total comprehensive income for the period	-	-	-	-	-	(23,101)	(23,101)
Net profit / loss						(23,101)	(23,101)
Equity as at (end of period) 31/03/2012	287,614	507,835	-	-	76,199	424,686	1,296,334

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

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Cash flow hedge	Other reserve capitals	Retained profits	Total equity
Equity as at (beginning of period) 01/01/2011							
Previously reported	164,115	151,328	-	6,194	76,199	93,062	490,898
Changes in accounting principles						3,549	3,549
Restated	164,115	151,328	-	6,194	76,199	96,611	494,447
Issue of shares	115,000						115,000
Issue premium over nominal value (agio)		321,305					321,305
Total comprehensive income for the period	-	-	-	(4,026)	-	11,343	7,317
Net profit / loss						11,343	11,343
Other comprehensive income				(4,026)			(4,026)
Equity as at (end of period) 31/03/2011	279,115	472,633	-	2,168	76,199	107,954	938,069

6. Notes to the separate financial statements for the first quarter of 2012 ending 31 March 2012.

6.1. Basis and accounting principles (policy)

On 31 January 2007, the Extraordinary General Meeting of Shareholders of CIECH S.A. adopted resolution no. 4 on the preparation of separate 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 equity 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 equity 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 20 March 2012.

On 1 January 2012, the Management Board of CIECH S.A. changed its accounting principles concerning investment real 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 real property according to the 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 real estate affects the net profit or loss in the period in which this change occurred and is recognised under other operating income/expenses. The amended policy applies to financial statements since 1 January 2012 (including comparable data).

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>in PLN thousands</i>	31.03.2012	31.03.2011
Net profit (loss) on continued operations attributed to the controlling shareholders	(23,101)	11,343
Net profit (loss) on discontinued operations attributed to the controlling shareholders	-	-
Net profit (loss) attributed to the controlling shareholders, applied to calculate basic earnings per share	(23,101)	11,343
Net profit (loss) attributed to the controlling shareholders, applied to calculate diluted earnings per share	(23,101)	11,343
<i>pcs.</i>	31.03.2012	31.03.2011
Weighted average number of issued ordinary shares, applied to calculate basic earnings per share	52,699,909	32,344,444
Weighted average number of issued ordinary shares, applied to calculate diluted earnings per share	52,699,909	32,344,444

6.3. Seasonality and cyclicity of operations

Information on seasonality and cyclicity has been presented in section III.3 of this Report.

6.4. Changes in accounting estimates

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

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

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

6.6. Information about dividends paid

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

6.7. Financial figures by business segment
01.01.-31.03.2012

<i>in PLN thousands</i>	Soda Segment - Soda Division	Organic Segment - Organic Division	Agrochemical Segment Agro-Silicon Division	Silicates and Glass Segment	Other operations segment	Corporate functions - reconciliatory item	TOTAL
Revenues from third parties	241,755	220,752	15,171	91,445	375	-	569,498
Revenues from inter-segment transactions	17,309	28,044	16,783	260	(444)	-	61,952
Total revenues	259,064	248,796	31,954	91,705	(69)	-	631,450
Cost of sales	(211,061)	(232,468)	(30,502)	(80,179)	(76)	-	(554,286)
Gross profit/loss on sales	48,003	16,328	1,452	11,526	(145)	-	77,164
Selling costs	(21,497)	(10,249)	(315)	(8,877)	(513)	-	(41,451)
General and administrative expenses	(228)	(376)	(186)	-	-	(8,781)	(9,571)
Receivables management result	(570)	17	-	-	(45)	1	(597)
Result on other operating activities	129	(33)	-	-	774	-	870
Operating profit/loss	25,837	5,687	951	2,649	71	(8,780)	26,415
The balance of f/x differences and interest on trade settlements	(1,720)	(1,977)	631	839	(51)	-	(2,278)
Group financing costs	-	-	-	-	-	(32)	(32)
Result on financing activities (non-attributable to segments)	-	-	-	-	-	(52,159)	(52,159)
Profit/loss before tax	24,117	3,710	1,582	3,488	20	(60,971)	(28,054)
Tax							4,953
Net profit/loss							(23,101)
Profit on discontinued operations							-
Net profit/loss for the financial year							(23,101)
Amortisation/depreciation	298	325	57	75	-	790	1,545
EBITDA	26,135	6,012	1,008	2,724	71	(7,990)	27,960

01.01.-31.03.2011

<i>PLN '000</i>	Soda Segment - Soda Division	Organic Segment - Organic Division	Agrochemical Segment Agro-Silicon Division	Silicates and Glass Segment	Other operations segment	Corporate functions - reconciliatory item	TOTAL
Revenues from third parties	206,543	218,750	23,217	55,060	38	-	503,608
Revenues from inter-segment transactions	14,262	13,962	70,643	1,401	40	-	100,308
Total revenues	220,805	232,712	93,860	56,461	78	-	603,916
Cost of sales	(180,818)	(216,068)	(90,051)	(45,727)	(32)	-	(532,696)
Gross profit/loss on sales	39,987	16,644	3,809	10,734	46	-	71,220
Selling costs	(16,841)	(7,878)	(386)	(8,752)	(3,098)	-	(36,955)
General and administrative expenses	(85)	(59)	(57)	-	-	(9,848)	(10,049)
Receivables management result	(214)	5	-	-	-	355	146
Result on other operating activities	76	29	-	195	359	(445)	214
Operating profit/loss	22,923	8,741	3,366	2,177	(2,693)	(9,938)	24,576
The balance of f/x differences and interest on trade settlements	(5,152)	(8,403)	(2,831)	(1,378)	(96)	(1,662)	(19,522)
Group financing costs	-	-	-	-	-	(8,922)	(8,922)
Result on financing activities (non-attributable to segments)	-	-	-	-	-	18,723	18,723
Profit/loss before tax	17,771	338	535	799	(2,789)	(1,799)	14,855
Tax	-	-	-	-	-	-	(3,512)
Net profit/loss	-	-	-	-	-	-	11,343
Profit on discontinued operations	-	-	-	-	-	-	-
Net profit/loss for the financial year	-	-	-	-	-	-	11,343
Amortisation/depreciation	204	142	38	26	-	745	1,155
EBITDA	23,127	8,883	3,404	2,203	(2,693)	(9,193)	25,731

31.03.2012

<i>in PLN thousands</i>	Soda Segment - Soda Division	Organic Segment - Organic Division	Agrochemical Segment Agro-Silicon Division	Silicates and Glass Segment	Other operations segment	Corporate functions - reconciliatory item	TOTAL
Tangible fixed assets	2,070	2,258	396	522	-	5,486	10,732
Intangible assets	1,336	1,457	256	337	-	3,540	6,926
Inventories	6,792	9,337	377	67	-	-	16,573
Trade receivables	157,997	117,373	12,388	40,208	5,506	-	333,472
Other assets	-	-	-	-	-	2,455,917	2,455,917
Total assets	168,195	130,425	13,417	41,134	5,506	2,464,943	2,823,620

<i>in PLN thousands</i>	Soda Segment - Soda Division	Organic Segment - Organic Division	Agrochemical Segment Agro-Silicon Division	Silicates and Glass Segment	Other operations segment	Corporate functions - reconciliatory item	TOTAL
Trade liabilities	198,922	101,466	20,775	71,186	-	-	392,349
Other liabilities	-	-	-	-	-	1,134,937	1,134,937
Total liabilities	198,922	101,466	20,775	71,186	-	1,134,937	1,527,286

31.03.2011

<i>in PLN thousands</i>	Soda Segment - Soda Division	Organic Segment - Organic Division	Agrochemical Segment Agro-Silicon Division	Silicates and Glass Segment	Other operations segment	Corporate functions - reconciliatory item	TOTAL
Tangible fixed assets	1,752	1,219	327	224	-	6,406	9,928
Intangible assets	1,360	947	253	173	-	4,970	7,703
Inventories	10,979	6,944	87	-	-	-	18,010
Trade receivables	154,361	107,779	34,191	15,334	3,219	-	314,884
Other assets	-	-	-	-	-	2,290,008	2,290,008
Total assets	168,452	116,889	34,858	15,731	3,219	2,301,384	2,640,533

<i>in PLN thousands</i>	Soda Segment - Soda Division	Organic Segment - Organic Division	Agrochemical Segment Agro-Silicon Division	Silicates and Glass Segment	Other operations segment	Corporate functions - reconciliatory item	TOTAL
Trade liabilities	220,976	142,913	27,675	38,522	23	-	430,109
Other liabilities	-	-	-	-	-	1,272,355	1,272,355
Total liabilities	220,976	142,913	27,675	38,522	23	1,272,355	1,702,464

01.01.-31.03.2012

<i>in PLN thousands</i>	Soda Segment - Soda Division	Organic Segment - Organic Division	Agrochemical Segment Agro-Silicon Division	Silicates and Glass Segment	Other operations segment	Corporate functions - reconciliatory item	TOTAL
Recognised impairment losses	580	12	418	-	45	-	1,055
Reversed impairment losses	9	32	234	-	1	-	276
Recognised impairment losses (non-attributable to segments)	-	-	-	-	-	4,586	4,586
Reversed impairment losses (non-attributable to segments)	-	-	-	-	-	49	49
	589	44	652	-	46	4,635	5,966

01.01.-31.03.2011

<i>in PLN thousands</i>	Soda Segment - Soda Division	Organic Segment - Organic Division	Agrochemical Segment Agro-Silicon Division	Silicates and Glass Segment	Other operations segment	Corporate functions - reconciliatory item	TOTAL
Recognised impairment losses	214	84	-	-	49	-	347
Reversed impairment losses	-	119	33	-	740	-	892
Recognised impairment losses (non-attributable to segments)	-	-	-	-	-	4,045	4,045
Reversed impairment losses (non-attributable to segments)	-	-	-	-	-	148	148
	214	203	33	-	789	4,193	5,432

INFORMATION ON GEOGRAPHICAL AREAS
31.03.2012

<i>in PLN thousands</i>	Poland	European Union	Other European countries	Africa	Asia	Other regions	TOTAL
Total segment assets	1,820,713	906,717	47,358	27,791	9,725	11,316	2,823,620
Net sales revenue	231,645	221,934	75,414	53,811	26,625	22,021	631,450

31.03.2011

<i>in PLN thousands</i>	Poland	European Union	Other European countries	Africa	Asia	Other regions	TOTAL
Total segment assets	1,831,514	740,485	34,926	15,592	14,664	3,352	2,640,533
Net sales revenue	243,964	211,867	49,813	42,413	42,886	12,973	603,916

6.8. Information about material events that occurred after the end of Q1 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 1 January to 31 March 2012 occurred after 31 March 2012.

6.9. Changes in the structure of the entity

In Q1 2012 changes in the portfolio of shares held have occurred, as described in section III.7 hereof.

6.10. Information about changes in contingent liabilities or contingent assets

OFF-BALANCE SHEET ITEMS		
PLN '000	31.03.2012	31.12.2011
1. Contingent receivables	-	-
2. Contingent liabilities	282,329	425,787
2.1. Towards other entities	257,776	400,820
- guarantees and sureties granted	257,776	400,820
- other	24,553	24,967
Total off-balance sheet items	282,329	425,787

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

The value of contingent liabilities and other off-balance sheet liabilities as at 31 March 2012 amounted to PLN 282,329 thousand, which is a decrease in comparison to December 2011 by PLN 143,458 thousand.

The main cause of this difference is termination of guarantees on liabilities of a subsidiary ZACHEM S.A. amounting to USD 11,824 thousand, reduction of guarantees by USD 10,011 thousand and granting of new guaranteed for this Company in the amount of EUR 900 thousand and PLN 2,400 thousand. The remaining difference results from the changes in exchange rates applied in the measurement of liabilities.

Other contingent liabilities in the amount of PLN 24,553 thousand include:

- contingent liability of PLN 1,818 thousand in connection with claims filed by Polska Żegluga Morska (Polish naval authority),
- contingent liability of PLN 3,175 thousand due to 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,
- contingent liability of PLN 19,560 thousand in connection with a claim filed by ZA Puławy resulting from an alleged violation of provisions of the agreement regarding the sale of shares in GZNF FOSFOR Sp z o.o.

6.11. Sureties granted by Ciech Group Companies to Banks Organisers and Medium-Exposure Banks

Information about sureties granted by Ciech Group Companies to Banks Organisers and Medium-Exposure Banks has been presented in section III.17 of this Report.

6.12. Information on write-downs on assets and provisions in the reporting period, i.e. from 01.01. to 31.03.2012

01.01.-31.03.2012

<i>PLN '000</i>	as at the beginning of period	increase	decrease	as at the end of period
Long-term investments	169,779	-	-	169,779
Inventories	245	427	245	427
Receivables	48,216	1,151	1,775	47,592
Short-term investments	18,774	3,052	6	21,820

01.01.-31.03.2012

<i>PLN '000</i>	as at the beginning of period	increase	decrease	as at the end of period
Income tax provision	27,760	-	6,471	21,289
Provision for retirement gratuities, annual leaves, bonuses, compensation payments, etc.	4,445	1,201	1,206	4,440
Provision for expected losses	5,968	-	181	5,787
Provision for liabilities (costs)	794	1,411	253	1,952

01.01.-31.03.2012

<i>PLN '000</i>	as at the beginning of period	increase	decrease	as at the end of period
Deferred income tax assets	11,947	-	2,350	9,597

01.01.-31.03.2011

<i>PLN '000</i>	as at the beginning of period	increase	decrease	as at the end of period
Investment real property	336	-	336	-
Long-term investments	78,106	-	1,461	76,645
Inventories	511	84	147	448
Receivables	31,738	502	1,243	30,997
Short-term investments	221,791	3,806	-	225,597

01.01.-31.03.2011

<i>PLN '000</i>	as at the beginning of period	increase	decrease	as at the end of period
Income tax provision	10,129	1,707	-	11,836
Provision for retirement gratuities, annual leaves, bonuses, compensation payments, etc.	7,430	1,379	2,490	6,319
Provision for expected losses	7,068	-	86	6,982
Provision for liabilities (costs)	1,455	4,030	648	4,837

01.01.-31.03.2011

<i>PLN '000</i>	as at the beginning of period	increase	decrease	as at the end of period
Deferred income tax assets	18,373	-	1,693	16,680

6.13. Notes to the Statement of Comprehensive Income of CIECH S.A.

Tax effect of each component of Other Comprehensive Income of CIECH S.A. PLN '000	01.01.-31.03.2012			01.01.-31.03.2011		
	Before tax	Tax	Net after tax	Before tax	Tax	Net after tax
Hedge accounting (measurement recognised under cash flow hedge)	-	-	-	(4,970)	944	(4,026)
Other net comprehensive income	-	-	-	(4,970)	944	(4,026)

Other Gross Comprehensive Income PLN '000	change in the period	01.01-31.03.2012	change in the period	01.01-31.03.2011
Available-for-sale financial assets (measurement recognised under revaluation reserve)	-	-	-	-
- measurement at fair value in the period	-	-	-	-
Cash flow hedge	-	-	-	(4,970)
- measurement at fair value in the period	-	-	-	-
- reclassification adjustment of profit/loss presented in the income statement	-	-	(4,970)	-
Income tax attributable to other components of Comprehensive Income, including	-	-	-	944
- accrued for the current period	-	-	-	-
- reclassification adjustment to the income statement	-	-	944	-
Other net comprehensive income	-	-	-	(4,026)

6.14. Information about the release of all provisions for restructuring costs

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

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

01.01.-31.03.2012	land, buildings, premises and civil engineering structures	machinery and equipment	means of transport	other fixed assets	fixed assets under construction	Total
<i>PLN '000</i>						
Acquisition	-	30	-	2	32	64
Disposal	-	40	228	3	-	271

CIECH S.A. acquired tangible fixed assets for a total of PLN 64 thousand. This was financed from the Company's own funds.

01.01.-31.03.2011	land, buildings, premises and civil engineering structures	machinery and equipment	means of transport	other fixed assets	fixed assets under construction	Total
<i>PLN '000</i>						
Acquisition	-	29	-	-	96	125
Disposal	-	24	-	-	-	24

CIECH S.A. acquired tangible fixed assets for a total of PLN 125 thousand. This was financed from the Company's own funds.

6.16. Court cases

Liabilities of CIECH S.A. (domestic and foreign) claimed in court or arbitration proceedings as at 31 March 2012

Information has been presented in section III.14.1 of this Report.

6.17. 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 Shareholders' Meeting has been presented in section III.9 of this Report.

6.18. 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 section III.8 of this Report.

6.19. Corrections of errors from previous periods

No adjustments of errors from previous periods occurred.

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

No loan agreement was called to maturity and there were no deadlines of repaying capital or interest due to financial liabilities recognised in the balance sheet violated in the period covered by these statements. As at 31 March 2012, according to the Company's calculations, the levels of ratios required by the Loan Agreement dated 10 February 2011 were not achieved:

- debt level to operating results plus depreciation / amortisation (consolidated total net debt to consolidated EBITDA, according to values calculated for the Ciech Group except for the German subsidiaries) was 3.9, against the maximum level of 3.1 required by the Loan Agreement in an annual period of ratio testing ended 31 March 2012,

- debt service coverage ratio (cash available for debt service to consolidated total debt service calculated for the Ciech Group except the German subsidiaries), was 0.4 against the minimum level of 0.8 required by the Loan Agreement in an annual period of ratio testing ended 31 March 2012.

On 3 April 2012, CIECH S.A. applied to lenders, in the manner provided for in the Loan Agreement, to waive the requirement to meet the levels of the above ratios as at 31 March 2012.

Based on the letter dated 20 April 2012, the Lenders waived their right to claim agreement violation resulting from the violation of the financial ratio upon specified conditions, in particular:

- the financial leverage ratio in the calculation period ending 31 March 2012 will not exceed 4.2,
- the debt service coverage ratio will not be lower than 0.3.
- CIECH S.A. will pay a waiver fee to the Lenders.

6.21. Transactions with related entities

Transactions with related entities are concluded in line with typical market conditions.

<i>PLN '000</i>	Sales revenues 01.01.-31.03.2012	Purchase of goods and services 01.01.- 31.03.2012	Finance income 01.01.-31.03.2012	Receivables as at 31.03.2012	Liabilities as at 31.03.2012
Consolidated entities	61,952	441,462	19,871	95,119	313,615
Non-consolidated entities	14,942	1,709	12	5,378	938

<i>PLN '000</i>	Sales revenues 01.01.-31.03.2011	Purchase of goods and services 01.01.- 31.03.2011	Finance income 01.01.-31.03.2011	Receivables as at 31.03.2011	Liabilities as at 31.03.2011
Consolidated entities	100,308	404,377	19,392	75,114	375,500
Non-consolidated entities	20,777	1,667	15	10,356	1,187

6.22. Reconciliation of data presented in the previously published statements with the currently presented financials as comparable data

On 1 January 2012, the Management Board of CIECH S.A. changed its accounting principles concerning investment real 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 real property according to the 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 real estate affects the net profit or loss in the period in which this change occurred and is recognised under other operating income/expenses.

The impact of changes in principles applied while preparing the financial statements to the data of 2011 is presented below.

<i>PLN '000</i>	31.12.2011 previously presented	Change in accounting principles – valuation of investment real property to the fair value.	31.12.2011 Currently presented version
ASSETS			
Non-current assets			
Tangible fixed assets	9,803	1,714	11,517
Right of perpetual usufruct	-	843	843
Investment real property	3,630	1,824	5,454
Total non-current assets	2,281,975	4,381	2,286,356
Total current assets	497,925		497,925
Total Assets	2,779,900	4,381	2,784,281
EQUITY AND LIABILITIES			
Equity			
Share capital	287,614	-	287,614
Share premium	508,122	-	508,122
Other reserve capitals	76,199	-	76,199
Cash flow hedge	-	-	-
Retained profits	444,238	3,549	447,787
<i>including: net financial result</i>	<i>351,176</i>	<i>-</i>	<i>351,176</i>
Total equity	1,316,173	3,549	1,319,722
Employee benefits			
Other non-current liabilities	2,029	-	2,029
Deferred tax provision	33,434	-	33,434
Deferred tax provision	15,813	832	16,645
Total non-current liabilities	51,276	832	52,108
Total current liabilities	1,412,451	-	1,412,451
Total liabilities	1,463,727	832	1,464,559
Total Equity and Liabilities	2,779,900	4,381	2,784,281

6.23. Events occurring after the balance-sheet date

An Extraordinary General Meeting of Shareholders of CIECH S.A. has been convened on 26 April 2012, during which, in accordance with the agenda, decisions will be made regarding the new composition of the Supervisory Board of CIECH S.A. and changes in the composition of the Management Board of CIECH S.A.

V. Statement of the Management Board.

This complete consolidated quarterly report of the Ciech Capital Group for Q1 2012 was approved by the Management Board of CIECH S.A. in its registered office on 20 April 2012 for publishing on 23 April 2012.

Warsaw, 20 April 2012

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

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Andrzej Bąbaś - Member of the Management Board of CIECH Spółka Akcyjna

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

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

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Katarzyna Rybacka – Chief Accountant of CIECH Spółka Akcyjna