



**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
OF THE CIECH GROUP  
FOR 3Q 2012**

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

### 1. Unaudited Condensed Consolidated Income Statement of the Ciech Group

PLN '000	01.01-30.09.2012			01.01-30.09.2011*		
	Continuing operations	Discontinued operations	TOTAL	Continuing operations	Discontinued operations	TOTAL
<b>Sales revenue</b>	3,314,826	42,760	3,357,586	3,038,620	116,695	3,155,315
Cost of sales	(2,855,070)	(35,469)	(2,890,539)	(2,633,366)	(76,001)	(2,709,367)
<b>Gross profit/loss on sales</b>	<b>459,756</b>	<b>7,291</b>	<b>467,047</b>	<b>405,254</b>	<b>40,694</b>	<b>445,948</b>
Other operating income	64,136	95	64,231	67,841	560	68,401
Selling costs	(205,233)	(1,323)	(206,556)	(190,095)	(11,139)	(201,234)
General and administrative expenses	(137,569)	(5,774)	(143,343)	(142,439)	(16,109)	(158,548)
Other operating expenses	(389,858)	(165)	(390,023)	(48,909)	(3,381)	(52,290)
<b>Operating profit/loss</b>	<b>(208,768)</b>	<b>124</b>	<b>(208,644)</b>	<b>91,652</b>	<b>10,625</b>	<b>102,277</b>
Financial income	5,265	3,913	9,178	30,998	(7,208)	23,790
Financial expenses	(156,041)	(3,920)	(159,961)	(108,644)	(531)	(109,175)
<b>Net financial income/expenses</b>	<b>(150,776)</b>	<b>(7)</b>	<b>(150,783)</b>	<b>(77,646)</b>	<b>(7,739)</b>	<b>(85,385)</b>
Share in profit of equity-accounted investees	635	-	635	89	-	89
<b>Profit/loss before tax</b>	<b>(358,909)</b>	<b>117</b>	<b>(358,792)</b>	<b>14,095</b>	<b>2,886</b>	<b>16,981</b>
Income tax	(8,189)	(258)	(8,447)	(7,591)	13,534	5,943
<b>Net profit/loss</b>	<b>(367,098)</b>	<b>(141)</b>	<b>(367,239)</b>	<b>6,504</b>	<b>16,420</b>	<b>22,924</b>
Profit/loss on disposal of discontinued operations	-	(2,663)	(2,663)	-	(11,715)	(11,715)
<b>Net profit/loss for the period</b>	<b>(367,098)</b>	<b>(2,804)</b>	<b>(369,902)</b>	<b>6,504</b>	<b>4,705</b>	<b>11,209</b>
including:						
Net profit/loss attributable to shareholders of the parent company	(357,899)	(2,804)	(360,703)	5,626	4,321	9,947
Net profit/loss attributable to non-controlling interest	(9,199)	-	(9,199)	878	384	1,262
<b>Earnings per share (in PLN):</b>						
Basic	(6.79)	(0.05)	(6.84)	0.12	0.10	0.22
Diluted	(6.79)	(0.05)	(6.84)	0.12	0.10	0.22

\* restated.

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

Unaudited Condensed Consolidated Income Statement of the Ciech Group	01.07-30.09.2012			01.07-30.09.2011*			
	PLN '000	Continuing operations	Discontinued operations	TOTAL	Continuing operations	Discontinued operations	TOTAL
<b>Sales revenues</b>		1,053,719	11,317	1,065,036	997,351	20,851	1,018,202
Cost of sales		(922,751)	(9,357)	(932,108)	(862,332)	(18,088)	(880,420)
<b>Gross profit/loss on sales</b>		<b>130,968</b>	<b>1,960</b>	<b>132,928</b>	<b>135,019</b>	<b>2,763</b>	<b>137,782</b>
Other operating income		13,933	5	13,938	23,547	72	23,619
Selling costs		(62,713)	(372)	(63,085)	(62,079)	1,571	(60,508)
General and administrative expenses		(40,470)	(1,493)	(41,963)	(45,544)	(3,572)	(49,116)
Other operating expenses		(18,986)	(62)	(19,048)	(18,267)	(516)	(18,783)
<b>Operating profit/loss</b>		<b>22,732</b>	<b>38</b>	<b>22,770</b>	<b>32,676</b>	<b>318</b>	<b>32,994</b>
Financial income		2,271	1,232	3,503	10,884	(5,369)	5,515
Financial expenses		(48,377)	(801)	(49,178)	(32,654)	1,849	(30,805)
<b>Net financial income/expenses</b>		<b>(46,106)</b>	<b>431</b>	<b>(45,675)</b>	<b>(21,770)</b>	<b>(3,520)</b>	<b>(25,290)</b>
Share in profit of equity-accounted investees		196	0	196	(34)	-	(34)
<b>Profit/loss before tax</b>		<b>(23,178)</b>	<b>469</b>	<b>(22,709)</b>	<b>10,872</b>	<b>(3,202)</b>	<b>7,670</b>
Income tax		717	(97)	620	(16,864)	15,515	(1,349)
<b>Net profit/loss</b>		<b>(22,461)</b>	<b>372</b>	<b>(22,089)</b>	<b>(5,992)</b>	<b>12,313</b>	<b>6,321</b>
Profit/loss on disposal of discontinued operations		-	(2,663)	(2,663)	-	-	-
<b>Net profit/loss for the period</b>		<b>(22,461)</b>	<b>(2,291)</b>	<b>(24,752)</b>	<b>(5,992)</b>	<b>12,313</b>	<b>6,321</b>
including:							
Net profit/loss attributable to shareholders of the parent company		(21,034)	(2,291)	(23,325)	(4,191)	12,303	8,112
Net profit/loss attributable to non-controlling interest		(1,427)	-	(1,427)	(1,801)	10	(1,791)
<b>Earnings per share (in PLN):</b>							
Basic		(0.40)	(0.04)	(0.44)	(0.08)	0.24	0.16
Diluted		(0.40)	(0.04)	(0.44)	(0.08)	0.24	0.16

\* restated

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

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

PLN '000	01.01.-30.09.2012			01.01.-30.09.2011*		
	Continuing operations	Discontinued operations	TOTAL	Continuing operations	Discontinued operations	TOTAL
<b>Net profit/loss for the financial year</b>	<b>(367,098)</b>	<b>(2,804)</b>	<b>(369,902)</b>	<b>6,504</b>	<b>4,705</b>	<b>11,209</b>
<b>Other comprehensive income before tax</b>						
Currency translation differences (foreign companies)	6,089	-	6,089	(16,698)	-	(16,698)
Cash flow hedging	4,851	-	4,851	(9,646)	-	(9,646)
Net currency translation differences (investments in foreign companies)	(21,210)	-	(21,210)	31,563	-	31,563
Other components of other comprehensive income	(5)	-	(5)	1,830	-	1,830
Income tax attributable to other comprehensive income	(922)	-	(922)	1,833	-	1,833
<b>Other comprehensive income net of tax</b>	<b>(11,197)</b>	<b>-</b>	<b>(11,197)</b>	<b>8,882</b>	<b>-</b>	<b>8,882</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(378,295)</b>	<b>(2,804)</b>	<b>(381,099)</b>	<b>15,386</b>	<b>4,705</b>	<b>20,091</b>
<b>Comprehensive income, including attributable to:</b>	<b>(378,295)</b>	<b>(2,804)</b>	<b>(381,099)</b>	<b>15,386</b>	<b>4,705</b>	<b>20,091</b>
Shareholders of the parent company	(372,190)	(2,804)	(374,994)	16,450	4,705	21,155
Non-controlling interest	(6,105)	-	(6,105)	(1,064)	-	(1,064)

\* restated

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

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

<b>ASSETS (PLN '000)</b>	<b>30.09.2012</b>	<b>31.12.2011*</b>	<b>30.09.2011*</b>
Property, plant and equipment	2,049,116	2,218,720	2,146,282
Right of perpetual usufruct	58,067	56,278	58,550
Intangible assets, including:	150,546	181,121	172,269
- <i>goodwill</i>	60,739	64,149	64,087
Investment property	95,026	87,487	87,503
Non-current receivables	67,943	72,227	49,703
Investments in associates and jointly-controlled entities measured under the equity method	4,879	4,655	4,694
Other long-term investments	32,922	40,915	44,833
Deferred income tax assets	23,012	24,489	23,270
<b>Total non-current assets</b>	<b>2,481,511</b>	<b>2,685,892</b>	<b>2,587,104</b>
Inventory	302,892	356,619	334,820
Short-term investments	954	1,505	536
Income tax receivables	3,896	8,800	3,991
Trade and other receivables	770,548	819,558	882,578
Cash and cash equivalents	160,555	145,805	350,053
Non-current assets held for sale	942	57,017	47,851
<b>Total current assets</b>	<b>1,239,787</b>	<b>1,389,304</b>	<b>1,619,829</b>
<b>Total assets</b>	<b>3,721,298</b>	<b>4,075,196</b>	<b>4,206,933</b>
<b>EQUITY AND LIABILITIES (PLN '000)</b>			
Share capital	287,614	287,614	287,614
Share premium	507,835	508,122	508,122
Cash flow hedge	(4,182)	(8,111)	(8,252)
Other reserve capital	78,521	78,521	78,521
Net currency translation differences (investments in foreign companies)	(9,814)	11,396	11,004
Currency translation differences (foreign companies)	(59,801)	(62,796)	(63,574)
Retained earnings	141,697	502,405	513,020
<b>Equity attributable to shareholders of the parent</b>	<b>941,870</b>	<b>1,317,151</b>	<b>1,326,455</b>
Non-controlling interest	(8,179)	(2,020)	(955)
<b>Total equity</b>	<b>933,691</b>	<b>1,315,131</b>	<b>1,325,500</b>
Liabilities due to loans, borrowings and other debt instruments	140,892	190,916	1,114,264
Other non-current liabilities	337,453	257,803	249,042
Employee benefits	59,670	63,163	62,025
Provisions (other long-term)	65,063	52,666	61,363
Deferred tax liability	116,963	120,666	118,435
<b>Total non-current liabilities</b>	<b>720,041</b>	<b>685,214</b>	<b>1,605,129</b>
Overdraft facility	13,872	6,744	14,888
Liabilities due to loans, borrowings and other debt instruments	1,048,694	1,017,663	176,449
Trade and other liabilities	931,915	969,222	999,871
Income tax liabilities	26,667	21,930	23,974
Provisions (short-term current provisions for employee benefits and other provisions)	46,418	26,221	23,697
Liabilities related to assets classified as held for sale	-	33,071	37,425
<b>Total current liabilities</b>	<b>2,067,566</b>	<b>2,074,851</b>	<b>1,276,304</b>
<b>Total liabilities</b>	<b>2,787,607</b>	<b>2,760,065</b>	<b>2,881,433</b>
<b>Total equity and liabilities</b>	<b>3,721,298</b>	<b>4,075,196</b>	<b>4,206,933</b>

\* restated

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

**4. Unaudited Condensed Consolidated Cash Flow Statement of the Ciech Group**

<i>PLN '000</i>	<b>01.01-30.09.2012</b>	<b>01.01-30.09.2011*</b>
<b>Cash flows from operating activities</b>		
<b>Net profit (loss) for the period</b>	<b>(369,902)</b>	<b>11,209</b>
<b>Adjustments</b>		
Amortisation/depreciation	179,402	164,934
Recognition/(reversal) of impairment allowances	276,087	1,452
Foreign exchange (gain)/loss	9,581	(7,201)
Investment property revaluation	(1,320)	-
(Profit)/loss on investment activities	(5,627)	(12,155)
(Profit)/loss on disposal of property, plant and equipment	6,310	(1,182)
Dividends and interest	100,257	60,811
Input income tax	9,232	9,593
(Profit)/loss on the settlement of construction contracts (caverns)	(12,064)	(18,263)
Share in profit of equity-accounted investees (net of tax)	(635)	(89)
<b>Cash from operating activities before changes in working capital and provisions</b>	<b>191,321</b>	<b>209,109</b>
Change in receivables	47,714	(155,357)
Change in inventory	57,480	(66,048)
Change in current liabilities	(97,936)	115,532
Change in provisions and employee benefits	31,358	(14,509)
<b>Cash flows from operations before income taxes</b>	<b>229,937</b>	<b>88,727</b>
Interest paid	(75,591)	(74,390)
Inflows from construction contracts (caverns)	11,339	11,607
Change in liabilities for loan arrangement commission	1,598	(7,492)
Income tax paid	2,280	(18,059)
Other adjustments	(722)	4,840
<b>Net cash from operating activities</b>	<b>168,841</b>	<b>5,233</b>
<b>Cash flows from investment activities</b>		
<b>Inflows (positive)</b>	<b>18,528</b>	<b>235,522</b>
Disposal of a subsidiary	781	91,109
Disposal of intangible assets and property, plant and equipment	6,525	9,064
Disposal of financial assets	2,943	2,172
Dividends received	921	1,165
Interest received	1,579	354
Loans collected	500	120,611
Other inflows	5,279	11,047
<b>Outflows (negative)</b>	<b>(231, 043)</b>	<b>(204,454)</b>
Acquisition of a subsidiary (after deduction of acquired cash)	(1,017)	(5,157)
Acquisition of intangible assets and property, plant and equipment	(227,128)	(178,242)
Development expenditures	( 723)	373
Other	(2,175)	(21,428)
<b>Net cash from investment activities</b>	<b>(212,515)</b>	<b>31,068</b>
<b>Cash flows from financial activities</b>		
<b>Inflows (positive)</b>	<b>159,935</b>	<b>470,096</b>
Net inflows from issue of shares and other equity instruments, and equity contributions	-	435,994
Proceeds from loans and borrowings	79,994	17,774
Contributions of "sleeping partners"	50,338	-
Subsidies received	29,466	13,903
Other financial inflows	137	2,425
<b>Outflows (negative)</b>	<b>(118,837)</b>	<b>(372,171)</b>
Dividends paid to non-controlling interest	(39)	(1,499)
Repayment of loans and borrowings	(74,485)	(362,390)
Payments of finance lease liabilities***	(44,243)	(8,282)
Other financial outflows	( 70)	-
<b>Net cash from financial activities</b>	<b>41,098</b>	<b>97,925</b>

PLN '000	01.01-30.09.2012	01.01-30.09.2011*
<b>Total net cash flows</b>	<b>(2,576)</b>	<b>134,226</b>
<b>Cash as at the beginning of period</b>	<b>149,046</b>	<b>208,394</b>
Effect of foreign exchange differences	213	2,108
<b>Cash as at the end of period**</b>	<b>146,683</b>	<b>344,728</b>

\* restated

\*\* The difference between the balance of cash recognised in the Consolidated Cash Flow Statement of the Ciech Group for three quarters 2011 and the balance presented in the Consolidated Statement of Financial Position of the Ciech Group results from the classification of the POLFA Sp. z o.o., cash as assets held for sale.

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

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



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

<i>PLN '000</i>	Share capital	Share premium	Cash flow hedge	Other reserve capitals	Net currency translation differences (investment in a foreign company)	Currency translation differences (foreign companies)	Retained earnings	Equity attributable to shareholders of the parent	Non-controlling interest	Total equity
<b>Equity as at 01/01/2012*</b>	<b>287,614</b>	<b>508,122</b>	<b>(8,111)</b>	<b>78,521</b>	<b>11,396</b>	<b>(62,796)</b>	<b>502,405</b>	<b>1,317,151</b>	<b>(2,020)</b>	<b>1,315,131</b>
Reduction of equity with respect to share premium	-	(287)	-	-	-	-	-	(287)	-	(287)
Dividends	-	-	-	-	-	-	-	-	(54)	(54)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>3,929</b>	<b>-</b>	<b>(21,210)</b>	<b>2,995</b>	<b>(360,708)</b>	<b>(374,994)</b>	<b>(6,105)</b>	<b>(381,099)</b>
Net profit/loss	-	-	-	-	-	-	(360,703)	(360,703)	(9,199)	(369,902)
Other comprehensive income	-	-	3,929	-	(21,210)	2,995	(5)	(14,291)	3,094	(11,197)
<b>Equity as at 30/09/2012</b>	<b>287,614</b>	<b>507,835</b>	<b>(4,182)</b>	<b>78,521</b>	<b>(9,814)</b>	<b>(59,801)</b>	<b>141,697</b>	<b>941,870</b>	<b>(8,179)</b>	<b>933,691</b>

\* restated

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

## Unaudited Condensed Consolidated Statement of Changes in Equity of the Ciech Group (continued)

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

\* restated

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

## Unaudited Condensed Consolidated Statement of Changes in Equity of the Ciech Group (continued)

<i>PLN '000</i>	Share capital	Share premium	Cash flow hedge	Other reserve capitals	Net currency translation differences (investments in foreign companies)	Currency translation differences (foreign companies)	Retained earnings	Equity attributable to shareholders of the parent	Non-controlling interest	Total equity
<b>Equity as at 01/01/2011</b>										
<b>Previously reported</b>	<b>164,115</b>	<b>151,328</b>	<b>(439)</b>	<b>78,521</b>	<b>(20,559)</b>	<b>(49,419)</b>	<b>494,304</b>	<b>817,851</b>	<b>32,619</b>	<b>850,470</b>
Change in accounting principle	-	-	-	-	-	-	7,040	<b>7,040</b>	-	<b>7,040</b>
<b>Restated</b>	<b>164,115</b>	<b>151,328</b>	<b>(439)</b>	<b>78,521</b>	<b>(20,559)</b>	<b>(49,419)</b>	<b>501,344</b>	<b>824,891</b>	<b>32,619</b>	<b>857,510</b>
Issue of shares	123,499	-	-	-	-	-	-	<b>123,499</b>	-	<b>123,499</b>
Share premium	-	356,794	-	-	-	-	-	<b>356,794</b>	-	<b>356,794</b>
Payment of dividend	-	-	-	-	-	-	-	-	(591)	<b>(591)</b>
Change in the Group's structure	-	-	-	-	-	1,038	(922)	<b>116</b>	(31,919)	<b>(31,803)</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(7,813)</b>	<b>-</b>	<b>31,563</b>	<b>(15,193)</b>	<b>12,598</b>	<b>21,155</b>	<b>(1,064)</b>	<b>20,091</b>
Net profit/loss	-	-	-	-	-	-	9,947	<b>9,947</b>	1,262,	<b>11,209</b>
Other comprehensive income	-	-	(7,813)	-	31,563	(15,193)	2,651	<b>11,208</b>	(2,326)	<b>8,882</b>
<b>Equity as at 30/09/2011*</b>	<b>287,614</b>	<b>508,122</b>	<b>(8,252)</b>	<b>78,521</b>	<b>11,004</b>	<b>(63,574)</b>	<b>513,020</b>	<b>1,326,455</b>	<b>(955)</b>	<b>1,325,500</b>

\* restated

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

## **II. Information on the principles adopted for the preparation of the Interim Condensed Consolidated Financial Statements of the Ciech Group for the first three quarters of 2012 and 2011**

### **1. Basis for preparation of the Interim Condensed Consolidated Financial Statements of the Ciech Group**

These interim condensed consolidated financial statements for the period from January 1st to September 30th, 2012 and 2011, were approved by the Management Board of CIECH S.A. on November 5th, 2012 to be published on November 6th, 2012.

These interim condensed consolidated financial statements have been prepared on a going concern of Ciech Group in foreseeable future. Information about the position of the Management Board in connection with high level of short term debt is presented in section IV.15 of this report.

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

These interim condensed consolidated financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting" and the Regulation of the Minister of Finance dated February 19th, 2009 on current and periodic information published by issuers of securities and the conditions of recognising as equivalent the information required by the laws of a non-member state (Journal of Laws No. 33, item 259).

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

The estimates and related assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if such revisions relate entirely to that period, or in the current period and future periods, if such revisions relate to both current and future periods.

The Management Board's professional judgements, which have a significant impact on the consolidated financial statements, and the estimates bearing a high risk of significant changes in future periods, have been presented in part III, points 5 and 8 of this report. During the current nine-month period there were no significant revisions to the estimates presented in previous reporting periods.

The Management Board of the parent company used its best judgement in selecting and interpreting the applicable standards, and also in selecting measurement methods and principles for components of the Ciech Group's consolidated financial statements as at September 30th, 2012 and 2011. Due diligence was exercised in preparing the tables and notes below. The financial statements for the first nine months of 2012 and 2011, reliably and clearly reflect the financial position and results of operations of the Ciech Group. The management report contains a true depiction of the development, achievements and situation of the Ciech Group, including a description of primary threats and risks.

The Management Board of CIECH S.A. declares that the entity authorised to audit financial statements, reviewing the financial statements for the period from January 1st to September 30th, 2012 and 2011, was selected in accordance with the binding legal regulations and it is: KPMG Audyty Sp. z o.o., having its registered office in Warsaw, entered into the list of entities authorised to audit financial statements under register no. 458, kept by the National Chamber of Statutory Auditors. The aforesaid entity and the certified auditors performing the review satisfy all conditions necessary to issue an unbiased and independent opinion and report, pursuant to the applicable legal regulations.

### **2. The accounting principles applied**

The Ciech Group's accounting principles are described in the 2011 Ciech Group Consolidated Report, published on March 20th, 2012. The report in question includes detailed information on recognition and measurement principles and methods for assets and liabilities and measurement of the financial result, as well as the methods of preparing the financial statements and comparative information. These principles are applied consistently with respect to the currently published data, the latest annual report and comparable data, except for the changes described below.

On January 1st, 2012, the Management Board of CIECH S.A. changed the accounting principles applied to the measurement of investment property from historic cost to fair value. At initial recognition, the effects of fair valuing the investment property are recognised in equity, under "Retained earnings". In subsequent reporting periods, any gains or losses resulting from changes in fair value of investment property are recognised in profit or loss of the period in which

such changes take place and are recognised as other operating income/costs. In addition, there was a change in the presentation of the certificates of origin of energy received in relation to production of electric energy in cogeneration, which previously were presented as receivables, and after the change are recognised as inventories. The amended policy applies to the preparation of financial statements with effect from January 1st, 2012 (including comparative information).

### **3. Functional currency and presentation currency and translation principles**

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

As on 30 September 2012, the average EUR rate at the balance sheet date published by the Polish National Bank was 4.1138 zł.

The functional currencies of significant foreign subsidiaries are:

- Soda Deutschland Ciech Group – functional currency - EUR; presentation currency in the Ciech Group consolidated financial statements – PLN (EUR 1 = PLN 4.1138 as at the reporting date, September 30th, 2012).
- S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. – functional currency RON; presentation currency in the Ciech Group consolidated financial statements – PLN (RON 1 = PLN 0.9076 as at the reporting date, September 30th, 2012).

### III. Notes to the Interim Condensed Consolidated Financial Statements of the Ciech Group

#### 1. Consolidated entities

##### Description of the organisational structure of the Ciech Group

The parent company of the Ciech Group is CIECH Spółka Akcyjna, with its registered office in Warsaw, ul. Puławska 182, registered in the District Court for Warsaw, 13th Commercial Division of the National Court Register, under the number 0000011687.

The Ciech Group is a group of domestic and foreign manufacturing, distribution and trading companies operating in the chemical industry. As at September 30th, 2012, it was composed of 42 business entities, including:

- the parent company CIECH S.A.,
- 33 subsidiaries, including:
  - 22 domestic subsidiaries,
  - 11 foreign subsidiaries,
- 6 domestic associates,
- 1 foreign associate,
- 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 associated with sales of own products as well as commercial activity in respect of trading goods. Commercial activities are primarily conducted by CIECH S.A. and domestic and foreign commercial companies, being CIECH S.A. subsidiaries. Manufacturing activities are carried out by CIECH S.A.'s manufacturing subsidiaries.

The consolidated financial statements for Q3 2012 include the following consolidated companies:

## List of consolidated and equity-accounted entities and those measured under the equity method in Q3 2012 and Q3 2011

Company/Group	Consolidation method as at 30.09.2012 and CIECH S.A.'s control	Consolidation method as at 30.09.2011 and CIECH S.A.'s control	Share in equity as at 30.09.2012	Share in equity as at 30.09.2012	Business
1) CIECH S.A.	Parent	Parent	-	-	According to the Statute, the core business of the parent entity includes: commercial activity including trading activity, investment activity, manufacturing activity, service activity and financial operations, in particular foreign and domestic trade in chemicals and activity connected therewith. The Company may act as an agent for Polish and foreign companies.
2) "POLFA" Sp. z o.o.	Polfa was sold on September 17 <sup>th</sup> , 2012	Fully consolidated subsidiary of CIECH S.A.	-	100%	<ul style="list-style-type: none"> <li>- wholesale of pharmaceutical goods,</li> <li>- wholesale of chemical products,</li> <li>- wholesale of perfumes and cosmetics,</li> <li>- retail sale of medical and orthopaedic goods.</li> </ul>
<b>CIECH FINANCE Group</b>					
3) CIECH FINANCE Spółka z ograniczoną odpowiedzialnością	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	100%	100%	<ul style="list-style-type: none"> <li>- implementing divestment projects concerning obsolete fixed assets (property) and financial assets (shares in companies),</li> </ul>
3.1.) Cheman S.A.	Indirect subsidiary of CIECH S.A. – full consolidation at the level of the Ciech Group	Indirect subsidiary of CIECH S.A. – full consolidation at the level of the Ciech Group	100%	100%	<ul style="list-style-type: none"> <li>- wholesale and distribution of solid non-organic and organic chemicals,</li> <li>- wholesale and distribution of raw materials for household chemicals,</li> <li>- wholesale and distribution of raw materials for cosmetic and pharmaceutical products,</li> <li>- wholesale and distribution of fillers, pigments, raw materials for paints and varnishes,</li> <li>- wholesale and distribution of food and feed additives,</li> <li>- wholesale and distribution of acids, bases and other liquid chemicals</li> </ul>
<b>SODA MAŁTY Group</b>					
4) SODA MAŁTY S.A.	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group	100%	100%	<ul style="list-style-type: none"> <li>- manufacture of other non-organic basic chemicals,</li> <li>- wholesale of chemical products,</li> <li>- production and distribution of electricity,</li> <li>- goods shipment</li> </ul>
	Lower-tier parent	Lower-tier parent	100%	100%	

4.1.) Soda Polska Ciech S.A.	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation	100%	100%	
4.1.1) TRANSODA Sp. z o.o.	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation	100%	100%	
<b>5) JANIKOSODA S.A.</b>	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	100%	100%	<ul style="list-style-type: none"> <li>– production of salt,</li> <li>– manufacture of industrial gases,</li> <li>– manufacture of other non-organic basic chemicals,</li> <li>– manufacture of other chemical products n.e.c.</li> </ul>
<b>6) “Alwernia” S.A.</b>	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	99.62%	99.62%	<ul style="list-style-type: none"> <li>– manufacture of other non-organic basic chemicals,</li> <li>– manufacture of dyes and pigments,</li> <li>– manufacture of other organic basic chemicals,</li> <li>– manufacture of chemical fertilisers and nitrogen compounds,</li> <li>– manufacture of gypsum,</li> <li>– production of heat (steam and hot water)</li> </ul>
<b>7) CIECH-POLSIN PRIVATE LIMITED</b>	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	98.00%	98.00%	<ul style="list-style-type: none"> <li>– wholesale and retail sale of a variety of goods in the Far East markets</li> </ul>
<b>8) VITROSILICON Spółka Akcyjna</b>	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	100%	100%	<ul style="list-style-type: none"> <li>– manufacture of other non-organic basic chemicals,</li> <li>– manufacture of household and technical glassware,</li> <li>– manufacture of plastic packing goods,</li> <li>– manufacture of other plastic products</li> </ul>
<b>9) Przedsiębiorstwo Transportowo-Usługowe TRASCLEAN Sp. z o.o.</b>	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	100%	100%	<ul style="list-style-type: none"> <li>– international transport of liquid chemicals,</li> <li>– tank truck and rail tank car wash</li> </ul>
<b>10) Zakłady Chemiczne “Organika-Sarzyna” S.A.</b>	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	98.85%	98.54%	<ul style="list-style-type: none"> <li>– manufacture of plastics,</li> <li>– manufacture of pesticides and other chemical products</li> </ul>
<b>ZACHEM Group</b>	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group	97.44%	97.44%	<ul style="list-style-type: none"> <li>– manufacture of organic and other non-organic chemicals,</li> <li>– manufacture and sales of plastics,</li> <li>– manufacture of plastic plates, sheets, tubes and profiles,</li> <li>– manufacture of dyes and pigments,</li> </ul>
11) ZACHEM S.A.	Lower-tier parent	Lower-tier parent	97.44%	97.44%	<ul style="list-style-type: none"> <li>– servicing of installation, repairs and maintenance of general-purpose machinery n.e.c.</li> </ul>



11.1) BORUTA - ZACHEM Kolor Spółka z ograniczoną odpowiedzialnością	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation	97.43%	97.43%	
11.2) ZACHEM UCR Spółka z ograniczoną odpowiedzialnością	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.	24.39%	24.39%	
11.3) ZACHEM Epichlorohydryna Sp. z o.o.	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation	-	97.44%	-	
11.4) ZACHEM Energetyka Sp. z o.o.	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation	-	97.44%	-	
11.5) ZACHEM Park Sp. z o.o.	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation	-	97.44%	-	
<b>12) S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.</b>	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	92.91%	92.91%	– manufacture of other non-organic basic chemicals, – wholesale of chemical products
<b>Soda Deutschland Ciech Group</b>	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group	100%	100%	– manufacture of other non-organic basic chemicals, – wholesale of chemical products, – production and distribution of electricity,
13.) Soda Deutschland Ciech GmbH	Lower-tier parent	Lower-tier parent	100%	100%	
13.1.) Sodawerk Holding Stassfurt GmbH	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation	100%	100%	

13.1.1.) Sodawerk Stassfurt Verwaltungs GmbH	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation	100%	100%	
13.1.2) Sodawerk Stassfurt GmbH&Co.KG	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation	100%	100%	
13.1.3) KWG GmbH	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation	100%	100%	
13.1.4) 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%	50%	
<b>14) Ciech Pianki Sp. z o.o.</b>	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	100%	100%	– manufacture of organic and other non-organic chemicals,

**2. Significant effects of changes to the organisational structure of the Ciech Group's business units in the first three quarters of 2012 and 2011, including legal mergers, acquisitions or disposals of the group's entities, long-term investments, de-mergers, restructuring and discontinued operations**

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

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

On June 29th, 2012, a conditional agreement on the sale of shares of POLFA Sp. z o.o. was signed between CIECH S.A. and BM Medical S.A. On September 17th, 2012, upon the fulfilment of the conditions precedent of this Agreement, the ownership of 3,820 shares of POLFA Sp. z o.o. constituting 100% of the share capital was transferred to BM Medical S.A. The total sales price for 100% of the shares amounted to PLN 6,500 thousand. With effect from September 17th, 2012 POLFA Sp. z o.o. is no longer an entity of the CIECH S.A. Group.

During the first three quarters of 2011 the following significant changes occurred in the structure of the Group in relation to companies in which CIECH S.A. owns a direct share.

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

As a result of fulfilling the conditions precedent contained in the sales agreement of December 16th, 2011, on April 27th, 2011 ownership of 51,855 shares in GZNF "FOSFOR" Sp. z o.o. was transferred to Zakłady Azotowe Puławy S.A.,

and CIECH S.A. ceased to be a shareholder in GZNF "FOSFOR" Sp. z o.o. and indirectly in its subsidiaries (Agrochem Sp. z o.o. in Człuchów and Agrochem Sp. z o.o. in Dobrze Miasto). From May 2011 these companies have not been indicated within the Group's structure.

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

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

### 3. Financial information by operating segments

The tables below present information concerning revenues and costs as well as assets and liabilities of the Ciech Group's operating segments for the periods covered by these financial statements:

#### OPERATING SEGMENTS

01.01-30.09.2012 <i>PLN '000</i>	Soda Segment – Soda Division	Organic Segment – Organic Division	Silicates and Glass Segment  Agro-Silicon Division	Agrochemical Segment	Other operations	including: discontinued operations	Corporate Functions – reconciling item	Eliminations (consolidation adjustments)	TOTAL
Revenues from third parties	1,436,620	1,300,155	343,655	166,596	110,560	42,760	-	-	3,357,586
Revenues from inter-segment transactions	34,985	16,700	6	5,359	335	-	-	(57,385)	-
<b>Total revenues</b>	<b>1,471,605</b>	<b>1,316,855</b>	<b>343,661</b>	<b>171,955</b>	<b>110,895</b>	<b>42,760</b>	-	<b>(57,385)</b>	<b>3,357,586</b>
Cost of sales	(1,232,198)	(1,171,959)	(289,156)	(154,171)	(95,538)	(35,469)	-	52,483	(2,890,539)
<b>Gross profit/loss on sales</b>	<b>239,407</b>	<b>144,896</b>	<b>54,505</b>	<b>17,784</b>	<b>15,357</b>	<b>7,291</b>	-	<b>(4,902)</b>	<b>467,047</b>
Selling costs	(93,472)	(64,639)	(39,969)	(5,565)	(7,037)	(1,323)	-	4,126	(206,556)
General and administrative expenses	(49,614)	(44,719)	(5,897)	(5,436)	(7,904)	(5,774)	(29,935)	162	(143,343)
Result on management of receivables	(1,492)	(2,006)	(120)	(155)	1,764	(60)	-	-	(2,009)
Result on other operating activities	6,907	(252,457)	(8,741)	(43,922)	(24,130)	(10)	(1,373)	(67)	(323,783)
<b>Operating profit/loss</b>	<b>101,736</b>	<b>(218,925)</b>	<b>(222)</b>	<b>(37,294)</b>	<b>(21,950)</b>	<b>124</b>	<b>(31,308)</b>	<b>(681)</b>	<b>(208,644)</b>
Exchange differences and interest on trade settlements	(15,087)	(28,973)	(12,025)	(4,928)	(7,102)	(370)	-	-	(68,115)
Group financing costs	-	-	-	-	-	-	(75,765)	-	(75,765)
Result on financial activities (not attributable to segments)	-	-	-	-	-	-	(6,903)	-	(6,903)
Share in profit of equity-accounted investees	684	(49)	-	-	-	-	-	-	635
<b>Profit/loss before tax</b>	<b>87,333</b>	<b>(247,947)</b>	<b>(12,247)</b>	<b>(42,222)</b>	<b>(29,052)</b>	<b>(246)</b>	<b>(113,976)</b>	<b>(681)</b>	<b>(358,792)</b>
Income tax									(8,447)
<b>Net profit/loss</b>									<b>(367,239)</b>
Profit/loss on disposal of discontinued operations									(2,663)
<b>Net profit/loss for the period</b>									<b>(369,902)</b>
Amortisation/depreciation	120,624	41,740	12,814	1,919	112	-	2,193	-	179,402
<b>EBITDA</b>	<b>222,360</b>	<b>(177,185)</b>	<b>12,592</b>	<b>(35,375)</b>	<b>(21,838)</b>	<b>124</b>	<b>(29,115)</b>	<b>(681)</b>	<b>(29,242)</b>
<i>Normalised EBITDA(1)</i>	<i>249,846</i>	<i>75,771</i>	<i>22,453</i>	<i>7,037</i>	<i>1,272</i>	<i>124</i>	<i>(27,742)</i>	<i>(681)</i>	<i>327,956</i>

01.01-30.09.2011 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 operations	<i>including: discontinued operations</i>	Corporate Functions – reconciling item	Eliminations (consolidation adjustments)	TOTAL
	Agro-Silicon Division										
Revenues from third parties	1,217,763	1,202,785	2,452	229,893	326,015	50,598	178,859	63,645	-	-	3,155,315
Revenues from inter-segment transactions	32,815	42,946	-	11,904	9,210	-	1,404	-	-	(98,279)	-
<b>Total revenues</b>	<b>1,250,578</b>	<b>1,245,731</b>	<b>2,452</b>	<b>241,797</b>	<b>335,225</b>	<b>50,598</b>	<b>180,263</b>	<b>63,645</b>	-	<b>(98,279)</b>	<b>3,155,315</b>
Cost of sales	(1,016,789)	(1,166,323)	-	(190,532)	(268,238)	(24,075)	(158,470)	(51,926)	-	90,985	(2,709,367)
<b>Gross profit/loss on sales</b>	<b>233,789</b>	<b>79,408</b>	<b>2,452</b>	<b>51,265</b>	<b>66,987</b>	<b>26,523</b>	<b>21,793</b>	<b>11,719</b>	-	<b>(7,294)</b>	<b>445,948</b>
Selling costs	(84,003)	(61,590)	-	(36,342)	(15,198)	(8,451)	(10,967)	(2,698)	-	6,866	(201,234)
General and administrative expenses	(51,625)	(49,121)	(2,234)	(6,002)	(10,598)	(5,718)	(12,537)	(8,157)	(29,700)	1,035	(158,548)
Result on management of receivables	(1,114)	(3,855)	-	(151)	(2,049)	(2,082)	(164)	(506)	(500)	-	(7,833)
Result on other operating activities	33,409	(5,333)	211	(109)	(5,328)	(479)	2,312	35	(1,007)	-	23,944
<b>Operating profit/loss</b>	<b>130,456</b>	<b>(40,491)</b>	<b>429</b>	<b>8,661</b>	<b>33,814</b>	<b>9,793</b>	<b>437</b>	<b>393</b>	<b>(31,207)</b>	<b>607</b>	<b>102,277</b>
Exchange differences and interest on trade settlements	(5,813)	(20,074)	(37)	(5,029)	(15,994)	90	(7,175)	376	(6,880)	3	(60,962)
Group financing costs	-	-	-	-	-	-	-	-	(81,091)	-	(81,091)
Result on financial activity (not attributable to segments)	-	-	-	-	-	-	-	-	56,668	-	56,668
Share in profit of equity-accounted investees	89	-	-	-	-	-	-	-	-	-	89
<b>Profit/loss before tax</b>	<b>124,732</b>	<b>(60,565)</b>	<b>392</b>	<b>3,632</b>	<b>17,820</b>	<b>9,883</b>	<b>(6,738)</b>	<b>769</b>	<b>(62,510)</b>	<b>610</b>	<b>16,981</b>
Income tax											5,943
<b>Net profit/loss</b>											<b>22,924</b>
Profit/loss on disposal of discontinued operations											(11,715)
<b>Net profit/loss for the financial year</b>											<b>11,209</b>
Amortisation/depreciation	97,803	47,985	163	12,998	2,414	-	577	387	3,157	-	164,934
<b>EBITDA</b>	<b>228,259</b>	<b>7,494</b>	<b>592</b>	<b>21,659</b>	<b>36,228</b>	<b>9,793</b>	<b>1,014</b>	<b>780</b>	<b>(28,050)</b>	<b>607</b>	<b>267,211</b>
<i>Normalised EBITDA(2)</i>	<i>197,946</i>	<i>11,935</i>	<i>592</i>	<i>22,054</i>	<i>41,745</i>	<i>9,793</i>	<i>169</i>	<i>780</i>	<i>(28,283)</i>	<i>607</i>	<i>246,173</i>

(1) Normalized EBITDA with caverns for the period ended September 30th, 2012 represents EBITDA adjusted for unusual, one-off items: impairment of non-current assets and the reversal thereof of PLN 284.6 million (negative), profit on sale of greenhouse gases emission rights of PLN 2.1 million, costs of idle production capacity PLN 13.2 million (negative), revaluation of investment property to fair value of PLN 10.6 million, valuation of energy certificates PLN 14.4 million (negative), costs of suspended investments PLN 13.9 million (negative), environmental provisions PLN 15.2 million (negative), provisions for liabilities, expected losses of PLN 25.2 million (negative) and other items of PLN 3.4 million (negative).

(2) Normalized EBITDA with caverns for the period ended September 30th, 2011 represents EBITDA adjusted for unusual, one-off items: impairment of non-current assets and the reversal thereof of PLN 1.8 million (negative), profit on the sale of non-current assets of PLN 3.1 million, profit on sale of greenhouse gases emission rights of PLN 8.6 million, credit note from VASA for energy costs of PLN 28.3 million, results of liquidation of inventory and property, plant and equipment of PLN 3.7 million (negative), reversal of environmental provisions PLN 1.9 million, costs of idle production capacity PLN 9.7 million (negative) and other items of PLN 5.7 million (negative).

30.09.2012 PLN '000	Soda Segment – Soda Division	Organic Segment – Organic Division	Silicates and Glass Segment	Agrochemical Segment  Agro-Silicon Division	Other operations	Corporate Functions – reconciling item	Eliminations (consolidation adjustments)	TOTAL
Property, plant and equipment	1,495,534	460,294	74,450	16,709	511	1,618	-	2,049,116
Intangible assets	105,215	37,362	2,378	2,206	558	2,827	-	150,546
- goodwill	45,630	15,070	39	-	-	-	-	60,739
Investments in associates and jointly- controlled entities measured under the equity method	4,879	-	-	-	-	-	-	4,879
Inventory	109,804	124,256	32,830	33,488	3,487	-	(973)	302,892
Trade receivables	244,078	237,608	56,706	34,019	18,234	-	(22,717)	567,928
Assets classified as held for sale included in previous periods under segment assets	-	-	500	-	442	-	-	942
Other assets held for sale	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	644,995	-	644,995
<b>Total assets</b>	<b>1,959,510</b>	<b>859,520</b>	<b>166,864</b>	<b>86,422</b>	<b>23,232</b>	<b>649,440</b>	<b>(23,690)</b>	<b>3,721,298</b>
Trade liabilities	266,683	218,197	88,163	35,160	2,941	-	(23,186)	587,958
Liabilities related to assets classified as held for sale included in previous periods under segment assets	-	-	-	-	-	-	-	-
Other liabilities related to assets classified as held for sale	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	2,199,649	-	2,199,649
<b>Total liabilities</b>	<b>266,683</b>	<b>218,197</b>	<b>88,163</b>	<b>35,160</b>	<b>2,941</b>	<b>2,199,649</b>	<b>(23,186)</b>	<b>2,787,607</b>

30.09.2011 PLN '000	Soda Segment – Soda Division	Organic Segment – Organic Division	Silicates and Glass Segment	Agrochemical Segment  Agro-Silicon Division	Other operations	Corporate Functions – reconciling item	Eliminations (consolidation adjustments)	TOTAL
Property, plant and equipment	1,445,115	565,201	77,152	48,029	895	9,890	-	2,146,282
Intangible assets	110,244	50,012	2,524	2,278	570	6,641	-	172,269
- goodwill	48,929	15,119	39	-	-	-	-	64,087
Investments in associates and jointly- controlled entities measured under the equity method	4,694	-	-	-	-	-	-	4,694
Inventory	109,824	153,358	30,132	37,995	4,409	-	(898)	334,820
Trade receivables	247,541	234,556	61,212	38,099	50,732	-	(33,122)	599,018
Assets classified as held for sale included in previous periods under segment assets	-	5,970	821	-	27,459	-	-	34,250
Other assets held for sale	-	-	-	-	-	13,601	-	13,601
Other assets	-	-	-	-	-	901,999	-	901,999
<b>Total assets</b>	<b>1,917,418</b>	<b>1,009,097</b>	<b>171,841</b>	<b>126,401</b>	<b>84,065</b>	<b>932,131</b>	<b>(34,020)</b>	<b>4,206,933</b>
Trade liabilities	296,232	295,894	45,834	29,175	39,634	-	(39,245)	667,524
Liabilities related to assets classified as held for sale included in previous periods under segment assets	-	-	-	-	-	-	-	-
Other liabilities related to assets classified as held for sale	-	-	-	-	-	37,425	-	37,425
Other liabilities	-	-	-	-	-	2,176,484	-	2,176,484
<b>Total liabilities</b>	<b>296,232</b>	<b>295,894</b>	<b>45,834</b>	<b>29,175</b>	<b>39,634</b>	<b>2,213,909</b>	<b>(39,245)</b>	<b>2,881,433</b>

01.01-30.09.2012 PLN '000	Soda Segment – Soda Division	Organic Segment – Organic Division	Silicates and Glass Segment  Agro-Silicon Division	Agrochemical Segment	Other operations	<i>including: discontinued operations</i>	Corporate Functions – reconciling item	Eliminations (consolidation adjustments)	TOTAL
Recognised impairment losses	25,300	230,224	806	40,366	2,860	72	-	-	299,556
Reversed impairment losses	2,777	4,586	233	678	405	4	-	-	8,679
Recognised impairment losses (not attributable to segments), including:	-	-	-	-	-	-	55,181	-	55,181
- <i>discontinued operations</i>	-	-	-	-	-	-	-	-	-
Reversed impairment losses (not attributable to segments)	-	-	-	-	-	-	3,429	-	3,429
Interest income attributable to segments	419	1,205	3	51	48	25	-	(317)	1,409
Interest income recognised under Corporate Functions	-	-	-	-	-	-	2,438	-	2,438
Interest expense attributable to segments	3,535	3,762	33	18	399	-	-	(317)	7,430
Interest expense recognised under Corporate Functions	-	-	-	-	-	-	74,845	-	74,845



01.01-30.09.2011 PLN '000	Soda Segment – Soda Division	Organic Segment – Organic Division	Silicates and Glass Segment  Agro-Silicon Division	Agrochemical Segment	including: discontinued operations	Other operations	including: discontinued operations	Corporate Functions – reconciling item	Eliminations (consolidation adjustments)	TOTAL
Recognised impairment losses	3,510	6,018	526	4,948	2,162	764	540	-	(208)	15,558
Reversed impairment losses	4,938	2,665	374	345	5	147	32	-	(3)	8,466
Recognised impairment losses (not attributable to segments), including:	-	-	-	-	-	-	-	1,570	-	1,570
- discontinued operations	-	-	-	-	-	-	-	41	-	41
Reversed recognised impairment losses (not attributable to segments), including:	-	-	-	-	-	-	-	7,751	-	7,751
- discontinued operations	-	-	-	-	-	-	-	10	-	10
Interest income attributable to segments	4,039	4,789	456	309	196	163	19	-	(7,617)	2,139
Interest income recognised under Corporate Functions	-	-	-	-	-	-	-	7,053	-	7,053
Interest expense attributable to segments	3,468	2,612	13	27	16	7,764	-	-	(7,615)	6,269
Interest expense recognised under Corporate Functions	-	-	-	-	-	-	-	77,747	-	77,747

## INFORMATION ON GEOGRAPHICAL AREAS

<b>01.01-30.09.2012</b> <i>PLN '000</i>	<b>Poland</b>	<b>European Union</b>	<b>Other European countries</b>	<b>Africa</b>	<b>Asia</b>	<b>Other regions</b>	<b>TOTAL</b>
Sales revenues, net	1,163,835	1,423,263	254,216	237,278	167,695	111,299	<b>3,357,586</b>
<b>01.01-30.09.2011</b> <i>PLN '000</i>	<b>Poland</b>	<b>European Union</b>	<b>Other European countries</b>	<b>Africa</b>	<b>Asia</b>	<b>Other regions</b>	<b>TOTAL</b>
Sales revenues, net	1,208,287	1,355,887	210,563	131,080	192,737	56,761	<b>3,155,315</b>
<b>30.09.2012</b> <i>PLN '000</i>	<b>Poland</b>	<b>European Union</b>	<b>Other European countries</b>	<b>Africa</b>	<b>Asia</b>	<b>Other regions</b>	<b>TOTAL</b>
Non-current assets other than financial instruments	1,573,077	798,710	-	-	254	-	2,372,041
Deferred tax assets	13,875	8,673	-	-	464	-	23,012
Other assets	928,265	284,790	45,143	25,048	22,958	20,041	1,326,245
<b>Total assets</b>	<b>2,515,217</b>	<b>1,092,173</b>	<b>45,143</b>	<b>25,048</b>	<b>23,676</b>	<b>20,041</b>	<b>3,721,298</b>
<b>30.09.2011</b> <i>PLN '000</i>	<b>Poland</b>	<b>European Union</b>	<b>Other European countries</b>	<b>Africa</b>	<b>Asia</b>	<b>Other regions</b>	<b>TOTAL</b>
Non-current assets other than financial instruments	1,624,477	867,141	-	-	759	-	2,492,377
Deferred tax assets	7,666	15,128	-	-	476	-	23,270
Other assets	1,094,478	450,929	46,946	16,184	69,705	13,044	1,691,286
<b>Total assets</b>	<b>2,726,621</b>	<b>1,333,198</b>	<b>46,946</b>	<b>16,184</b>	<b>70,940</b>	<b>13,044</b>	<b>4,206,933</b>

#### 4. Exposure to currency risk

The total value of unsettled derivative transactions as at September 30th, 2012 is PLN -9 544 thousand. This amount comprises the value of instruments which hedge the interest rate risk of the Soda Deutschland Ciech Group.

The table below presents the estimated currency exposure of the Ciech Group in Euro as at September 30th, 2012 due to financial instruments and future net operating revenues (excluding SDC figures):

Exposure to currency risk in EURO	(EUR '000)
<b>Assets</b>	
Loans granted to the SDC Group sensitive to exchange rate changes	85,800
Trade and other receivables	29,434
Bank deposits	4,000
<b>Equity and liabilities</b>	
Trade and other liabilities	(13,479)
Liabilities due to loans and borrowings	(36,329)
<b>Forecasted future net result of CIECH* in EUR (12 months)</b>	<b>146,579</b>
<b>Forecasted future net result* in EUR – other companies of the CIECH Group (12 months)</b>	<b>4,006</b>
<b>Total position</b>	<b>220,011</b>

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

The table contains an analysis of the sensitivity of individual balance-sheet items to exchange rate changes as at 30.09.2012.

Analysis of sensitivity to exchange rate changes	(PLN '000)*	Impact on Income Statement	Impact from 1.10.2012 to 30.09.2013
Foreign currency balances (excluding borrowings)	(164)	(164)	
Loans granted sensitive to exchange rate changes	858	858	
Forecasted future net result in EUR	1,506		1,506
<b>Total effects</b>	<b>N/A</b>	<b>694</b>	<b>1,506</b>

\* for exchange rate increase of EUR/PLN rate per 1 grosz (1/100 PLN)

#### 5. Proceedings brought to court, arbitration body or public administration authorities as at September 30th, 2012

##### 5.1 CIECH S.A.

**Significant liabilities of CIECH S.A. (domestic and foreign) claimed in court or arbitration proceedings as at September 30th, 2012.**

##### Action by Enapharm

In June 2004, the Liquidator for Enapharm in Algeria filed a claim, which currently amounts to USD 222 thousand. (equivalent of PLN 706 thousand), as damages concerning deliveries of expired medications by CIECH S.A. between 1985 and 1991. In the plaintiff's opinion, CIECH S.A. failed to replace the medications unsold by the customer. In June 2007, an opinion of an expert witness was delivered to CIECH S.A., notifying about an increase in value of the medications subject to the complaint to USD 372 thousand (equivalent of PLN 1,182 thousand). In November 2007, the Algerian court announced the judgement in favour of CIECH S.A., in which it rejected the existing expert witness'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 witness, recommending that a representative of the defendant attend the next examination. In September 2009, Enapharm filed an application for revision of proceedings and rejection of the latest expert witness's opinion. On November 2nd, 2010 a new expert witness was appointed; he did not take any actions. On February 10th, 2012, the representative informed CIECH S.A. that the new expert witness could not be appointed due to the death of the previous expert witness (i.e. the one appointed on November 2nd, 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.

A provision in the amount of PLN 706 thousand was established in CIECH S.A. for the above liabilities.

##### Employee claims

One industrial case is pending against CIECH S.A., filed by a former employee. The subject matter of litigation is a claim for compensation in the amount of PLN 2,219 thousand. A contingent liability in the full amount was recognized on account of this claim.

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

### Claims submitted to court or arbitration proceedings

CIECH S.A. is currently conducting cases against its trade and other debtors for a total of PLN 10 thousand. The Company recognised impairment losses for the full amounts of the above receivables.

### Claims for bankruptcy proceedings

A total amount of PLN 1,101 thousand is being claimed in domestic bankruptcy proceedings. The predictions are unfavorable in respect of these bankruptcy proceedings due to the fact that the claims by CIECH S.A. are subordinated in nature. The Company recognised impairment losses in respect of all pending proceedings.

### Claims due to enforcement and conciliatory proceedings

CIECH S.A. is claiming PLN 8,889 thousand from domestic debtors. The predictions in respect of these proceedings vary depending on the amount of assets held by a debtor. The Company has recognised a 100% write-down for the aforesaid receivables.

### Foreign bankruptcy, enforcement and court proceedings

CIECH S.A.'s claims in respect of foreign bankruptcy proceedings amount to USD 315 thousand (equivalent of PLN 1,001 thousand) and EUR 613 thousand (equivalent of PLN 2,522 thousand), as well as the amount of PLN 181 thousand, including the following most significant bankruptcy proceedings:

- Chemapol – Prague (PLN 1,104 thousand);
- Euroftal N.V. Belgium (PLN 859 thousand).

A claim of EUR 27 thousand (equivalent of PLN 111 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 1,881 thousand), whose most significant portion includes the settlement proceedings for the amount of EUR 443 thousand (equivalent to PLN 1,822 thousand).

The Company filed claims of EUR 32 thousand (equivalent of PLN 132 thousand) in respect of foreign court proceedings.

Following agreements entered into by CIECH S.A. with Euler Hermes and Coface regarding debt recovery services, files of foreign cases were transferred to the aforesaid companies. Both companies, however, refused to accept the order despite the fact that all the debts from foreign cases were submitted by CIECH S.A. on time. Consequently, the Company is conducting those cases on its own account.

### Other cases with CIECH S.A. as a party

On October 15th, 2010, CIECH S.A. received a subpoena to appear in a hearing conducted by the President of the Commercial Court in Rennes (France). The subpoena was also sent to Zakłady Chemiczne Siarkopol in Tarnobrzeg. The subpoena is linked to a claim filed by Citis (a company with registered office in Colombes - France) and its insurer which were sued by two French manufacturers of animal food products. An expert witness appointed in the course of proceedings performed a number of evaluations in order to make the ultimate estimation of the amount of damages borne by the French manufacturers, the supplier's liability and the compliance of the French manufacturers with European and French food production procedures. According to the expert's opinion dated November 14th, 2011, the amount of the claim was estimated at approximately EUR 584 thousand (equivalent to PLN 2,402 thousand). CIECH S.A. sold oiled ground sulphur to Citis in 2009, manufactured by Zakłady Chemiczne Siarkopol in Tarnobrzeg. Pursuant to Article 331 of the French code of civil proceedings, CIECH S.A. has the status of defendant sued by Citis, and with regards to the French food products manufacturers CIECH S.A. has third party status. CIECH S.A. appointed a legal representative in France for the purpose of litigation. The insurer of CIECH S.A. also joined the case.

On June 8th, 2012, CIECH S.A. received a claim from CITIS SAS and AXA France Iard SA (the insurer of CITIS) against CIECH S.A., PZU S.A. (the insurer of CIECH S.A.), Z. Ch. Siarkopol S.A. in Tarnobrzeg, Łucja Strzelecka Modex Oil from Kwidzyn, filed by the claimant in order to interrupt the limitation period in case P&N takes legal action against Citis/Axa. During the session on September 4th, 2012, pursuant to the decision of Commercial Court in Rennes, both cases were combined and January 15th, 2013 was established as a new hearing date. A provision in the amount of PLN 300 thousand was raised for the above liability.

On December 15th, 2011 CIECH S.A. received a letter from Zakłady Azotowe "Puławy" S.A. with its registered office in Puławy ("ZAP") entitled: "Notice of breach of assurances (Notice of damage)", referring to the assurances that had been submitted by CIECH S.A. as part of the Conditional Agreement concerning the sale of shares in Gdańskie Zakłady Nawozów Fosforowych „Fosfory” Sp. z o.o. ("GZNF") concluded on December 16th, 2010 between CIECH S.A. and ZAP. The letter concerns an alleged breach of assurances by CIECH S.A., resulting from irregularities in the

books of accounts and financial statements of Agrochem Sp. z o.o. based in Człuchów ("Agrochem"), a subsidiary of GZNF (all shares in GZNF were sold by CIECH S.A. to ZAP on April 27th, 2011). No source documents were attached to the letter with only general claim titles and total amounts presented therein, with a combined claim amount, as updated by ZAP in February 2012, of PLN 18,864 thousand (originally, PLN 20,297 thousand). Following an exchange of letters between CIECH SA and ZAP, in its letter dated February 15th, 2012 ZAP informed that the verification of the financial, accounting and tax records of Agrochem was still in progress and the letter of December 15th, 2011 had been provided in order for ZAP to meet the damage reporting deadlines as specified in the Conditional Agreement regarding the sale of shares of December 16th, 2010. 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 claim, and in particular, to assess its legitimacy. Therefore, it is impossible to analyse the alleged claims in order to respond to the allegations and address the validity of the claims made by ZAP. It must also be stressed that the 2010 financial statements of Agrochem were audited by auditor who did not report any observations of irregularities in the books of accounts or the financial statements.

On April 12th, 2012, a meeting was held by the representatives of CIECH S.A. and ZAP. During the meeting, ZAP presented the information included in the document "An analysis of irregularities in Agrochem Człuchów Sp. z o.o. in Człuchów", resulting from the examination performed by advisor for ZAP. Due to the analysis not including source documents, and also due to a number of doubts as to the methodology of the examination, CIECH S.A. in the letter of April 26th, 2012 requested that ZAP presented source materials and documents, as presenting formally correct accounting and financial documents is not in itself sufficient to declare a breach of assurances resulting in damage as defined in the Conditional Agreement regarding the sale of shares of December 16th, 2010.

In its letter dated May 11th, 2012, ZAP informed the Company that the information and materials which it deemed appropriate are sufficient. In the response dated May 25th, 2012, CIECH S.A. upheld its stance on the ambiguity, incompleteness and the lack of credibility of the presented analysis.

In a letter of August 22nd, 2012 (received by CIECH S.A. on August 24th, 2012), ZAP put forward a "Final pre-litigation request for payment" towards CIECH S.A. Under the "Final pre-litigation request for payment", ZAP, relying on the "Notice of breach of assurances" of December 16th, 2011 and the resultant correspondence, requests CIECH S.A. to pay the amount of PLN 18,864 thousand within 7 days following the receipt of the "Final pre-litigation request for payment". The above mentioned amount includes PLN 18,607 thousand for the breach of assurances made by the Company in the Conditional Agreement for the sale of shares of December 16th, 2010, which concerned the sale of shares in the company Gdańskie Zakłady Nawozów Fosforowych „Fosfory” Sp. z o.o. with its registered office in Gdańsk, and the amount of PLN 256,744.05 as reimbursement of costs and expenditures incurred by ZAP due to the breach of assurances made by CIECH S.A. in the Conditional Agreement for the sale of shares dated December 16th, 2010. At the same time, in the Final pre-litigation request for payment, ZAP informs that in the case of an ineffective expiry of the payment deadline, legal proceedings shall be instituted without any additional notice.

In its reply letter dated September 20th, 2012 CIECH S.A. upheld its position of not recognising the claim, and simultaneously suggested collaboration with a view to discuss the claim raised, explain all aspects of the case, and, as a result, to resolve a potential dispute.

Having received the Final pre-litigation request for payment, the Management Board of CIECH S.A. decided to raise a provision for the said claim in the amount of PLN 18,800 thousand.

### **Anti-dumping proceedings**

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

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

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

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

In relation to the aforesaid new charge, on January 28th, 2009, CIECH S.A. lodged an application 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, 25<sup>th</sup> Civil Division under case file no. XXV C 1388/09 are completed.

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

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

On December 28<sup>th</sup>, 2011 the President of the Capital City of Warsaw, as a body representing the State Treasury, lodged an appeal against this decision, which was referred by the Local Government Appeals Court in Warsaw to the Regional Court in Warsaw, 25<sup>th</sup> Civil Division, where the case received the Case File no. XXV C 325/12. After CIECH S.A. paid court fees and after the law firm managing the case filed the first pleadings explaining the issue of the value of the subject matter in dispute, the Regional Court undertook preparatory actions in order to proceed in the merits of the case, and scheduled the first hearing of the case for November 6<sup>th</sup>, 2012.

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

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

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

The first hearing in the described legal case is still set for November 6<sup>th</sup>, 2012.

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

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

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

An opinion of June 20<sup>th</sup>, 2011 issued by the Arbitration Commission of the Polish Federation of Valuers was included in the case files, in which it was stated that the assessment drawn up during the proceedings correctly specifies the value of the property as at January 1<sup>st</sup>, 2005. A hearing in the above case was held on September 23<sup>rd</sup>, 2011 during which the Court accepted the motion of the law firm running the case to include the current user of the plot No. 41 in the proceedings - MARVIPOL S.A. The hearing was adjourned without scheduling another hearing and the new term was to be routinely scheduled after the completion of tasks related to summoning the above company and presenting by the law firm managing the case specific questions to the authors of the above opinion dated June 20<sup>th</sup>, 2011.

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

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

Ultimately, the subsequent hearing took place on May 16th, 2012, however it primarily concerned the objection of the State Treasury represented by the President of the Capital City of Warsaw against the admission of the company MARVIPOL S.A. to the case as an intervening party. During the said hearing, the Regional Court in Warsaw decided to dismiss the opposition of the State Treasury, obliging the company MARVIPOL S.A. to submit evidence motions in a given term after the decision becomes final. Afterwards, the next hearing is to be routinely scheduled.

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

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

On October 26th, 2012, the Regional Court in Warsaw pronounced its verdict, in which it: **(1)** specified that the annual charge for the perpetual usufruct of Plot no. 41, as of January 1st, 2005, should amount to PLN 340,847.67, **(2)** ordered the defendant, the State Treasury, to pay to the claimant, CIECH, PLN 39 thousand as a reimbursement of the costs of the case and PLN 7 thousand as a reimbursement of the costs of legal representation, **(3)** ordered the defendant, the State Treasury, to pay to MARVIPOL S.A., the intervening party on the claimant's side, PLN 12 thousand as a reimbursement of the costs of the case and PLN 7 thousand as a reimbursement of the costs of legal representation, **(4)** ordered that the amount PLN 192.98 be collected from the defendant, the State Treasury, to supplement the costs of the case. The verdict is not legally binding and a request will be filed in the case to produce a written substantiation of the verdict.

CIECH S.A. raised a provision in the amount of PLN 1,890 thousand in respect of the above-mentioned proceedings (in connection with perpetual usufruct charges on the plot in Powązkowska Street),

## 5.2 Subsidiaries – material items

### Soda Polska CIECH S.A. (SODA MAŃWY group)

No claims were made against Soda Polska CIECH S.A. that might significantly affect its activity, and the total amount of liabilities claimed by creditors is PLN 1,188 thousand. No significant claims (liabilities) were made against any of the SODA MAŃWY Group companies which might affect their activity. In December 2011, administrative proceedings were initiated by Kujawsko-Pomorski Wojewódzki Inspektorat Ochrony Środowiska w Bydgoszczy (Environmental Protection Inspectorate of the Kujawsko-Pomorskie Voivodeship) concerning the stoppage of operation of OP-140 steam power boilers no. 4 and 5 at Soda Polska CIECH S.A., ("SPC") a heat and power plant of the JANIKOSODA production facility in Janikowo. The company has taken appropriate steps to remedy the breach.

The Voivodeship Environmental Protection Inspectorate in Bydgoszcz specified a date for SPC to remedy the breach of the integrated permit regarding the exceeded standards for the emission of fluids to be July 31st, 2013. The schedule for remedying the breach is being implemented.

According to the audit findings of the Tax Control Office in Bydgoszcz, a routine administrative procedure was initiated against the company regarding the commissioning of a lime kiln in Janikowo and a silo in Inowrocław in violation of Article 55 of the Building Law Act.

The amount receivable (including amounts due for goods) disputed in various proceedings is PLN 26,146 thousand, of which the amount due claimed in enforcement proceedings is PLN 25,853 thousand, and the main item, amounting to PLN 25,514 thousand, is the amount due from PHU STARTER B. Lepiarz.

The total amount claimed in court and in bankruptcy proceedings by TRANSODA Sp. z o.o. is PLN 13.5 thousand.

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

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

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

In response, the law firm handling the case (legal advisor to the Sellers in the sale of shares in PTU) acting on behalf of the Sellers, on January 31st, 2012 sent the Buyer a letter containing detailed argumentation and completely rejecting the charges brought against the Sellers.

On August 24th, 2012 SODA MAŃWY S.A. received a decision of the District Court for Warsaw Mokotów, 1st Civil Division of August 6th, 2012, whereby the Court stated its lack of territorial and material jurisdiction to accept the attempt at settlement submitted by the Buyer, and decided to forward the case to the District Court for the Capital City of Warsaw, the Commercial Division, as having territorial and material jurisdiction.

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 MAŃWY S.A. recognise the claim as unfounded. The financial

statements as at September 30th, 2012 do not include any adjustments for the effects of the above matter 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 business activity. The company is claiming a total of PLN 624 thousand from debtors, including the largest claim pursued through enforcement proceedings for PLN 392 thousand and through bankruptcy proceedings for PLN 164 thousand. VITROSILICON Spółka Akcyjna recognized an allowance for all pending proceedings.

#### **“ALWERNIA” S.A.**

No claims (liabilities) have been lodged against Alwernia S.A. which might significantly affect its business activity. There is one case pending regarding negotiating a certificate of work under special conditions. “Alwernia” S.A. reported its participation in the anti-dumping proceedings initiated by the European Commission on yellow phosphorus imported from Kazakhstan.

“Alwernia” S.A. claims receivables by means of court or enforcement proceedings from many small customers for a total amount of PLN 565 thousand. A write-down was recognized on receivables in the amount of PLN 315 thousand in the financial statements. 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, liquidation bankruptcy proceedings are under way. Within bankruptcy, all the said receivables to the amount of PLN 1,750 thousand will be enforced from the mortgage.

Other bankruptcy cases, to which the Company is a party, concern receivables from many small customers of a total amount of PLN 593 thousand. The Company does not have a deciding impact on the proceedings. The receivables were subject to a write-down.

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

No claims (liabilities) have been lodged against Cheman S.A. which might significantly affect its business activity. Cheman S.A. filed court cases against several dozens of its trade debtors for a total amount of PLN 3,876 thousand, including PLN 1,571 thousand claimed in court and enforcement proceedings. Receivables amounting to PLN 1,058 thousand were lodged as the bankruptcy proceedings. Cheman S.A. has recognized a write-down for all pending proceedings.

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

No claims (liabilities) have been lodged against Cheman S.A. which might significantly affect its business activity. There is a case pending against the Company for the amount of PLN 100 thousand for the return of a deposit of two times the payment made for the acquisition of the property. A hearing in the said case will be held on November 29th, 2012. A provision in the amount of PLN 140 thousand was created in CIECH S.A. for the above liabilities.

#### **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. There are four employee cases pending against the company regarding resumption of employment and considering the termination of employment void.

Z.Ch. “Organika-Sarzyna” S.A. is claiming an amount of PLN 3,618 thousand from a number of domestic companies in bankruptcy, settlement and enforcement proceedings of which the most significant portion are claims for trade and other receivables in the total amount of PLN 539 thousand. The amount claimed in enforcement proceedings is PLN 2,821 thousand and in bankruptcy and settlement proceedings PLN 258 thousand. 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 significantly affect its business activity. There is a case pending against ZACHEM S.A. in the amount of PLN 1,896 thousand for the payment of the outstanding remuneration for the execution of an agreement and several cases filed by the company’s employees for the total amount of PLN 183 thousand. Furthermore, private persons filed a claim against the company for payment of PLN 34 thousand on account of non-contractual usage of property (prescriptive easement of land).

The ZACHEM group’s claims pending in business lawsuits, bankruptcy, enforcement, administrative and other proceedings total PLN 5,509 thousand, the largest claim being PLN 3,922 thousand in bankruptcy and agreement proceedings.

The amount of PLN 1,067 thousand is being vindicated in enforcement proceedings. The group recognized a write-down for all pending proceedings in the amount of PLN 5,509 thousand.

On January 20th, 2012, ZACHEM S.A. appealed the decision of the Regional Court in Bydgoszcz regarding the claim filed by Bydgoszcz City Office on the release of property located in Bydgoszcz at ul. Toruńska 157 with the total value of PLN 1,094 thousand. In the justification, the company filed for the dismissal of the claim, and filed a counterclaim in which it requests the plaintiff to represent that it concluded an agreement on perpetual usufruct of property constituting the plot under dispute.

On September 5th, 2012, a claim for compensation in the amount of PLN 12 thousand was filed with the official receiver of NCP Spółka z o.o. in Bydgoszcz. Moreover, in the first half of 2012 a claim from WARTA SA in Warsaw for EUR 24 thousand zł representing regression insurer for the energy of prejudice was received.



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

There were no significant claims (liabilities) filed against TRANSCLEAN Sp. z o.o. which might affect its business activity. The company claims a total of PLN 23 thousand against several dozen of its trade debtors in court and enforcement proceedings. TRANSCLEAN Sp. z o.o. created a write-down for the aforementioned receivables.

**Soda Deutschland Ciech group**

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

One claim was filed against the Company by VASA Kraftwerke-Pool GmbH&Co. for the payment of EUR 4,162 thousand (equivalent of PLN 17,122 thousand) due to the unpaid electricity bills from 2008. On March 24th, 2011 the District Court of first instance in Magdeburg ordered Sodawerk Stassfurt GmbH & Co. KG („SWS“) to pay outstanding principal and interest for 2008, from which SWS has appealed to the court of second instance.

As a result of a settlement, a lease agreement entered into force, under which Soda SWS paid EUR 3,000 thousand (equivalent of PLN 12,341 thousand) to VASA, and VASA withdrew all claims for payment against SWS. As a result of the above, court proceedings have ended.

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

No claims against S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A., which might affect its business activity result, have been filed. There are 6 proceedings pending against the company, including 4 employee claims.

On the other hand USG prosecuted against The River Basin Water Administration 20 actions regarding the unjustified – in USG opinion - penalties of taking the water without valid permission and exceeding the maximum allowable concentrations of pollutants in wastewater to the Olt River. The company refused to pay part of the payments of total amount RON 4,794 thousand (equivalent of PLN 4,351 thousand). USG did not create any provisions for this amount. Potential losses in above proceedings will impact USG financial results. To date, issued sentences were, however, in USG favor.

S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. is seeking the payment of its receivables in 29 court proceedings, with 21 enforcement proceedings against companies in bankruptcy in the amount of RON 884 thousand (equivalent of PLN 802 thousand).

Other claims concern receivables from many debtors - mainly from Oltchim (RON 3,365 thousand, i.e. equivalent of PLN 3,053 thousand) and from Dacochim International SRL (USD 182 thousand, i.e. PLN 578 thousand).

Furthermore, there is a number of pending proceedings started by the Company against former director of USG with the total value of RON 2,037 thousand (PLN 1,849 thousand).

USG raised an objection in the Court of Appeal in Bucharest against the Decision No 75/26.02.2010 issued by National Agency for Tax Administration (ANAF) after the fiscal control. USG had to pay the amount of RON 7,969 thousand (PLN 7,233 thousand) representing the value added tax plus interest.. At present, the company recognizes the obligation of the amount of RON 7,115 thousand (PLN 6,458 thousand). The case in proceeding. USG created a provision for the above obligation (excluding the tax paid) of RON 5,632 thousand (PLN 5,112 thousand).

The exchange rates applied in the calculations (as at September 30th, 2012) were presented in note II.3 of these financial statements.

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

In the first nine months of 2012 and 2011 no transactions between the Ciech Group companies were concluded on terms other arm's-length conditions.

**7. Information about sureties provided for loans and borrowings or guarantees granted by CIECH S.A. or its subsidiaries**
**Sureties and guarantees granted as at September 30<sup>th</sup>, 2012**

Beneficiary's name	Amount of loans covered by surety in whole or in specified part		Surety period	Surety terms, including related fees due to the company	Entity against whose liability surety has been provided	Nature of relations between CIECH S.A. and the borrower
	currency in '000	PLN '000.				
<b>CIECH S.A.</b>						
Commerzbank	25,000 EUR	102,845	30.09.2014	To the loan agreement dated January 23rd, 2008 for EUR 75 million	Soda Deutschland GmbH	Subsidiary
Bank Consortium	9,990 EUR	41,099	31.03.2016	Fixed % of the excess of the granted surety over the surety required to secure the actual amount of financing	S.C.Uzinele Sodice Govora – Ciech Chemical Group S.A.	Subsidiary
<b>Total CIECH S.A.</b>		<b>143,944</b>				
<b>ZACHEM S.A.</b>						
Bank PEKAO S.A.		18,160	until 31.08.2014	None	Spółka Wodna Kapuściska	None
Nordea Bank		18,160	until 31.08.2014	None	Spółka Wodna Kapuściska	None
<b>Total ZACHEM S.A.</b>		<b>36,320</b>				
<b>Total amount of loans covered by surety</b>		<b>182,764</b>				

Beneficiary's name	Total amount of guarantees granted, secured in whole or in specified part by guarantee		Guarantee period	Guarantee terms, including related fee due to the company	Entity against whose liability the guarantee has been provided	Nature of relations between CIECH S.A. and the entity against whose liability the guarantee has been provided
	currency in '000	PLN '000.				
<b>CIECH S.A.</b>						
SG Equipment Leasing Polska Sp. z o.o. – Warsaw	EUR 478	1,965	01.09.2013	To the lease agreement concluded between S.C Uzinele Sodice Govora and ECS International Polska Sp. z o.o. dated July 10th, 2007	S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. – Romania	Subsidiary
GATX Rail Poland Sp. z o.o.	EUR 68	280	30.11.2012	Guarantee of payment of rent for tanks	ZACHEM S.A.	Subsidiary
ING Lease Romania IFN S.A.	EUR 586	2,410	31.10.2013	Payment collateral for lease agreements	S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. – Romania	Subsidiary
Wytwórnia Opakowań Błazanych BECZKOPOL	-	2,000	31.12.2012	Collateral for payments for steel drums	ZACHEM S.A.	Subsidiary

Beneficiary's name	Total amount of guarantees granted, secured in whole or in specified part by guarantee		Guarantee period	Guarantee terms, including related fee due to the company	Entity against whose liability the guarantee has been provided	Nature of relations between CIECH S.A. and the entity against whose liability the guarantee has been provided
	currency in '000	PLN '000.				
Sp. z o.o.						
VA Intertrading Aktiengesellschaft Austria	EUR 900	3,703	Until complete settlement of liabilities resulting from deliveries executed in 2012	Collateral for settlement of delivery of liquid chloride	ZACHEM S.A.	Subsidiary
PCC Rokita Spółka Akcyjna		2,500	31.12.2012	Collateral for settlement of delivery of liquid chloride	ZACHEM S.A.	Subsidiary
<b>Total amount of guarantees granted</b>		<b>12,858</b>				

**Sureties and guarantees granted as at September 30<sup>th</sup>, 2011**

Beneficiary's name	Amount of loans covered by surety in whole or in specified part		Surety period	Surety terms, including related fees due to the company	Entity against whose liability surety has been provided	Nature of relations between CIECH S.A. and the borrower
	currency in '000	PLN '000.				
<b>CIECH S.A.</b>						
Commerzbank	25,000 EUR	110,280	30.09.2014	To the loan agreement dated January 23rd, 2008 for EUR 75 million	Soda Deutschland GmbH	Subsidiary
Bank Consortium	10,856 EUR	47,886	31.03.2016	Fixed % of the excess of the granted surety over the surety required to secure the actual amount of financing	S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. - Rumunia	Subsidiary
<b>Total CIECH S.A.</b>		<b>158,166</b>				
<b>ZACHEM S.A.</b>						
Bank PEKAO S.A.		18,160	until 31.08.2014	None	Spółka Wodna Kapuściska	None
Nordea Bank		18,160	until 31.08.2014	None	Spółka Wodna Kapuściska	None
<b>Total ZACHEM S.A.</b>		<b>36,320</b>				
<b>Total amount of loans covered by surety</b>		<b>194,486</b>				

Beneficiary's name	Total amount of loans covered by surety in whole or in specific part		Surety period	Surety terms, including related fees due to the company	Entity against whose liability surety has been provided	Nature of relations between CIECH S.A. and the borrower
	currency in '000	PLN '000.				
<b>ZACHEM S.A.</b>						

Beneficiary's name	Total amount of loans covered by surety in whole or in specific part	Surety period	Surety terms, including related fees due to the company	Entity against whose liability surety has been provided	Nature of relations between CIECH S.A. and the
Voivodship Fund of Healthcare and Water Management in Toruń	3,632	until 31.12.2011		Spółka Wodna Kapuściska	None
<b>Total ZACHEM S.A.</b>	<b>3,632</b>				
<b>Total amount of loans covered by surety</b>	<b>3,632</b>				

Beneficiary's name	Total amount of guarantees granted, secured in whole or in specified part by guarantee		Guarantee period	Guarantee terms, including related fee due to the company	Entity against whose liability the guarantee has been provided	Nature of relations between CIECH S.A. and the entity against whose liability the guarantee has been provided
	currency in '000	PLN '000.				
<b>CIECH S.A.</b>						
PKN ORLEN SA	-	1,200	for unspecified period of time	Payment to CIECH S.A. equal to 1% of the surety value	Chemana S.A.	Subsidiary
SG Equipment Leasing Polska Sp. z o.o. - Warszawa	EUR 478	2,107	1.09.2012	To the lease agreement concluded between S.C Uzinele Sodice Govora and ECS International Polska Sp. z o.o. of July 10th, 2007	S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. - Rumunia	Subsidiary
Air Products, LLC oraz Air Products Chemicals Europe B.V.	USD 46,966	153,085	by the payment of all liabilities under the delivery contract expiring on 31.12.2011	The surety was estimated on the basis of half-yearly deliveries under the contract concluded by ZACHEM S.A. in 2004, and annexed in October 2007. The value of annual supplies amounts to USD 77 million	ZACHEM S.A.	Subsidiary
GATX Rail Poland Sp. z o.o.	64 EUR	282	30.11.2012	Guarantee of payment of lease fee for tanks	ZACHEM S.A.	Subsidiary
ING Lease Romania IFN S.A.	1,644 EUR	7,254	30.04.2013	Payment collateral to lease agreements	S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. - Rumunia	Subsidiary
<b>Total amount of guarantees granted</b>		<b>163,928</b>				

## 8. Provisions and impairment allowances on assets

The Ciech Group's consolidated financial statements for Q3 2012 disclosed the following changes (recognition, utilisation and reversal) of provisions and impairment allowances on assets.

<b>Provision increase from 01.07. to 30.09.2012</b>	<i>PLN '000</i>
Income tax provision	29,249
Provision for retirement benefits, annual leaves, bonuses, compensation payments, etc.	2,164
Provision for environmental protection	442
Provision for liabilities (costs)	3,322
<b>Total</b>	<b>35,177</b>

<b>Provision decrease (utilisation and reversal) from 01.07. to 30.09.2012</b>	<i>PLN '000</i>
Income tax provision	29,462
Provision for retirement benefits, annual leaves, bonuses, compensation payments, etc.	8,431
Provision for environmental protection	1,022
Restructuring provision	51
Provision for liabilities (costs)	130
<b>Total</b>	<b>39,096</b>

<b>Impairment allowances on assets (increase) from 01.07 to 30.09.2012</b>	<i>PLN '000</i>
Impairment allowances on intangible assets	1
Impairment allowances on property, plant and equipment	2,254
Impairment allowances on current receivables	5,804
<b>Total</b>	<b>8,059</b>

<b>Impairment allowances on assets (decrease) (utilisation and reversal) from 01.07 to 30.09.2012</b>	<i>PLN '000</i>
Impairment allowances on intangible assets	99
Impairment allowances on property, plant and equipment	1,885
Impairment allowances on current receivables	3,458
Inventory write-down	903
<b>Total</b>	<b>6,345</b>

<b>Deferred tax assets from 01.07 to 30.09.2012</b>	<i>PLN '000</i>
Increase	38,132
Decrease	3,637

The Ciech Group's consolidated financial statements for Q3 2011 disclosed the following changes (recognition, utilisation and reversal) of provisions and impairment allowances on assets.

<b>Provision increase from 01.07. to 30.09.2011</b>	<i>PLN '000</i>
Income tax provision	19,198
Provision for retirement benefits, annual leaves, bonuses, compensation payments, etc.	2,765
Provision for environmental protection	1,196
Provision for liabilities (costs)	578
<b>Total</b>	<b>23,737</b>

<b>Provision decrease (utilisation and reversal) from 01.07. to 30.09.2011</b>	<i>PLN '000</i>
Income tax provision	10
Provision for retirement benefits, annual leaves, bonuses, compensation payments, etc.	6,666
Provision for environmental protection	4,373
Provision for liabilities (costs)	873

<b>Provision decrease (utilisation and reversal) from 01.07. to 30.09.2011</b>	<i>PLN '000</i>
<b>Total</b>	<b>11,922</b>
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<b>Impairment allowances on assets (increase) from 01.07 to 30.09.2011</b>	<i>PLN '000</i>
Impairment allowances on property, plant and equipment	2,485
Impairment allowances on current receivables	5,236
Inventory write-down	660
<b>Total</b>	<b>8,381</b>
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<b>Impairment allowances on assets (decrease) (utilisation and reversal) from 01.07 to 30.09.2011</b>	<i>PLN '000</i>
Impairment allowances on property, plant and equipment	572
Impairment allowances on current receivables	7,299
Inventory write-down	2,016
Impairment allowances on long-term financial assets	35
Impairment allowances on short-term financial assets	45
<b>Total</b>	<b>9,967</b>
<hr/>	
<b>Deferred tax assets</b>	<i>PLN '000</i>
<b>From 01.07 to 30.09.2011</b>	
Increase	20,026
Decrease	1,842
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The Ciech Group's consolidated financial statements for three quarters of 2012 disclosed the following changes (recognition, utilisation and reversal) of provisions and impairment allowances on assets.	
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<b>Provision increase from 01.01. to 30.09.2012</b>	<i>PLN '000</i>
Income tax provision	60,589
Provision for retirement benefits, annual leaves, bonuses, compensation payments, etc.	7,747
Provision for environmental protection	16,207
Provision for liabilities (costs)	8,407
Provision for expected losses	19,100
<b>Total</b>	<b>112,050</b>
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<b>Provision decrease (utilisation and reversal) from 01.01. to 30.09.2012</b>	<i>PLN '000</i>
Income tax provision	74,767
Provision for retirement benefits, annual leaves, bonuses, compensation payments, etc.	11,443
Provision for environmental protection	5,754
Provision for expected losses	227
Restructuring provision	335
Provision for liabilities (costs)	2,068
<b>Total</b>	<b>94,593</b>
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<b>Impairment allowances on assets (increase) from 01.01 to 30.09.2012</b>	<i>PLN '000</i>
Impairment allowances on intangible assets	3,667
Impairment allowances on property, plant and equipment	279,218
Impairment allowances on current receivables	10,930
Inventory write-down	20,406
Impairment allowances on long-term financial assets	2,528
<b>Total</b>	<b>316,749</b>

<b>Impairment allowances on assets (decrease) (utilisation and reversal) from 01.01 to 30.09.2012</b>	<i>PLN '000</i>
Impairment allowances on intangible assets	99
Impairment allowances on property, plant and equipment	2,037
Impairment allowances on current receivables	13,720
Inventory write-down	4,967
<b>Total</b>	<b>20,843</b>
<b>Deferred tax assets</b>	
<b>From 01.01 to 30.09.2012</b>	<i>PLN '000</i>
Increase	62,690
Decrease	25,849
The Ciech Group's consolidated financial statements for three quarters of 2011 disclosed the following changes (recognition, utilisation and reversal) of provisions and impairment allowances on assets.	
<b>Provision increase from 01.01. to 30.09.2011</b>	<i>PLN '000</i>
Income tax provision	27,076
Provision for retirement benefits, annual leaves, bonuses, compensation payments, etc.	5,698
Provision for environmental protection	1,434
Provision for liabilities (costs)	1,457
<b>Total</b>	<b>35,664</b>
<b>Provision decrease (utilisation and reversal) from 01.01. to 30.09.2011</b>	<i>PLN '000</i>
Income tax provision	582
Provision for retirement benefits, annual leaves, bonuses, compensation payments, etc.	13,118
Provision for environmental protection	8,757
Restructuring provision	904
Provision for liabilities (costs)	1,208
Provision for expected losses	873
<b>Total</b>	<b>25,443</b>
<b>Impairment allowances on assets (increase) from 01.01 to 30.09.2011</b>	<i>PLN '000</i>
Inventory write-down	2,762
Impairment allowances on property, plant and equipment	2,719
Impairment allowances on current receivables	12,850
<b>Total</b>	<b>18,331</b>
<b>Impairment allowances on assets (decrease) (utilisation and reversal) from 01.01 to 30.09.2011</b>	<i>PLN '000</i>
Impairment allowances on long-term financial assets	1,495
Impairment allowances on property, plant and equipment	2,749
Impairment allowances on current receivables	16,826
Inventory write-down	6,682
Impairment allowances on short-term financial assets	45
<b>Total</b>	<b>27,797</b>
<b>Deferred tax assets</b>	
<b>From 01.01 to 30.09.2011</b>	<i>PLN '000</i>
Increase	29,702
Decrease	634

## 9. Obligations resulting from privatisation agreements of subsidiaries acquired from the state

- ZACHEM S.A.

No.	Item	ZACHEM S.A.
1	Capital expenditure obligations	The Company's implementation of Guaranteed Investments totalling PLN 176,120 thousand within 8* years from the date of purchase, i.e. until 20.12.2014
2	Contractual penalties due to failure to realise Guaranteed Investments	Payment for the benefit of the Seller of a penalty amounting to 50% of the difference between the required and realised amount of additions made by the Company within 8 years from the date of purchase, i.e. until 20.12.2014.
3	Contractual penalties due to non-fulfilment of the obligation to maintain the Company's Core Activity	Payment for the benefit of the Seller of a penalty amounting to 50% of the Company's sales revenues for 2005 but not more than 100% of the purchase price. (i.e. PLN 80,038 thousand).
4	Contractual penalties for a prohibited decrease of the Company's share capital and redemption of shares	Payment for the benefit of the Seller of a penalty amounting to 100% of the decrease or, in the case of share redemption, of the consideration paid to shareholders in conjunction with the redemption.
5	Contractual penalties for prohibited disposal or encumbrance of shares	Payment for the benefit of the Seller of a penalty amounting to 100% of the product of the number of sold or encumbered shares and the share price.
6	Contractual penalties for prohibited spin-off or merger of the Company	Payment for the benefit of the Seller of a penalty equal to the purchase price (i.e. PLN 80,038 thousand).
7	Contractual penalties for non-fulfilment of the obligation to retain profit in the Company	Payment for the benefit of the Seller of a penalty equal to the dividend paid by the Company to shareholders other than the Seller.
8	Liability for violating the State Treasury's right to appoint one person to the Company's Supervisory Board	Payment for the benefit of the Seller of a penalty being the product of PLN 30 thousand and the number of days for which the Company's Articles of Association do not include this specific right of the State Treasury.
9	Liability for non-compliance with the obligation to provide the Purchaser's Report	Payment of a penalty of PLN 30 thousand for every day of non performance

\* On October 11th, 2010, CIECH S.A. and Nafta Polska S.A. in liquidation signed annexes to the agreement on the sale of ZACHEM S.A. shares dated March 29th, 2006. The key provisions of the annex to the agreement regarding the sales of ZACHEM S.A. shares extend the period established for guaranteed investments by three years for three investment projects, i.e. electrolysis conversion, implementation of new EPI technology and increase of TDI production capacity to 90 thousand tonnes p.a.

In case of a simultaneous breach of more than one of the above mentioned obligations, including the obligation to maintain the Company's Core Activity, CIECH S.A. will be obliged to pay a contractual penalty of 50% of the revenues from the sale of products and services achieved by ZACHEM S.A. according to the audited financial statements of the Company for 2005, but no more than three times the Purchase Price, i.e. PLN 240,114 thousand.

The submission on November 2nd, 2012 of the Buyer's Final Report, based on Amendment No 5 signed on October 30th, 2012 to the Purchase Agreement of ZCh ZACHEM S.A. shares dated March 29th, 2006 (The Privatization Agreement) is equivalent to the completion of the Agreement, freeing the Buyer (ie CIECH S.A.) from its obligations under the Agreement described above.

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

With respect to Z. Ch. „Organika-Sarzyna” S.A., all obligations resulting from the privatisation agreement were definitively fulfilled in 2011, apart from the last component of the obligation to repurchase shares distributed free of charge to entitled individuals in accordance with Art. 36 of the Act dated August 30th, 1996 on Commercialisation and Privatisation of State-owned Enterprises. The offer for share repurchase may be lodged after the expiry of statutory restrictions between April 1st and April 30th, 2013, at the guaranteed repurchase price of PLN 35 per share.



## 10. Supplemental information to the Consolidated Statement of Comprehensive Income of the Ciech Group

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

PLN '000	01.01.-30.09.2012			01.01.-30.09.2011		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Currency translation differences (foreign companies)	6,089	-	6,089	(16,698)	-	(16,698)
Cash flow hedging	4,851	(922)	3,929	(9,646)	1,833	(7,813)
Net currency translation differences (investments in foreign companies)	(21,210)	-	(21,210)	31,563	-	31,563
Other components of other comprehensive income	(5)	-	(5)	1,830	-	830
<b>Other net comprehensive income</b>	<b>(10,275)</b>	<b>(922)</b>	<b>(11,197)</b>	<b>7,049</b>	<b>1,833</b>	<b>8,882</b>

### Income tax adjustments and reclassifications in Total Other Comprehensive Income

Other Comprehensive Income before tax PLN '000	change in the period	01.01.-30.09.2012	change in the period	01.01.-30.09.2011
<b>Currency translation differences (foreign companies)</b>	-	<b>6,089</b>	-	<b>(16,698)</b>
- remeasurement for the current period	6,089	-	<b>(16,698)</b>	-
<b>Net currency translation differences (investments in foreign companies)</b>	-	<b>(21,210)</b>	-	<b>31,563</b>
- change resulting from the change in exchange rate for the period	(21,210)	-	31,563	-
<b>Cash flow hedging</b>	-	<b>4,851</b>	-	<b>(9,646)</b>
- remeasurement to fair value in the period	2,014	-	(5,001)	-
- reclassification to profit or loss	2,837	-	(4,645)	-
<b>Other</b>	<b>(5)</b>	<b>(5)</b>	<b>1,830</b>	<b>1,830</b>
<b>Income tax attributable to other components of Other Comprehensive Income</b>	-	<b>922</b>	-	<b>1,833</b>
- for the current period	(383)	-	950	-
- reclassification to profit or loss	(539)	-	883	-
<b>Other Comprehensive Income after tax</b>	-	<b>(11,197)</b>	-	<b>8,882</b>

## 11. Purchase and disposal of property, plant and equipment

Between January 1st, and September 30th, 2012 and 2011, the Ciech Group completed the following transactions increasing and decreasing the cost of property, plant and equipment:

01.01.2012 - 30.09.2012							
PLN '000	Land	Buildings, offices and land and water engineering facilities	Machinery and equipment	Means of transport	Other property, plant and equipment	Property, plant and equipment under construction	Property, plant and equipment
<b>Cost of property, plant and equipment at the beginning of period</b>	<b>85,660</b>	<b>926,341</b>	<b>2,016,062</b>	<b>126,452</b>	<b>47,328</b>	<b>243,719</b>	<b>3,445,562</b>
Purchase	-	229	2,486	701	1,848	-	5,264
Reclassified from assets under construction	-	37,038	137,402	392	656	(175,488)	-
Modernisation	-	593	5,413	266	69	-	6,341
Investment expenditure on property, plant and equipment under construction	-	-	-	-	-	198,501	198,501
Change of property, plant and equipment due to the heat and power plant finance lease agreement	-	21,679	99,525	-	-	-	121,204
External financing costs	-	8	-	-	-	10,615	10,623
Sales	(147)	(415)	(346)	(2,781)	(58)	(3,160)	(6,907)
Liquidation	-	(1,914)	(8,650)	(159)	(431)	-	(11,154)
Currency translation differences related to foreign operations	(6,488)	(15,763)	(55,198)	(1,300)	(820)	(1,197)	(80,766)
Other	-	4,771	(225)	(3,644)	24	(151)	775
<b>Cost of property, plant and equipment at the end of period</b>	<b>79,025</b>	<b>972,567</b>	<b>2,196,469</b>	<b>119,927</b>	<b>48,616</b>	<b>272,839</b>	<b>3,689,445</b>

01.01.2011 - 30.09.2011

PLN '000

	Land	Buildings, offices and land and water engineering facilities	Machinery and equipment	Means of transport	Other property, plant and equipment	Property, plant and equipment under construction	Property, plant and equipment
<b>Wartość brutto środków trwałych na początek okresu</b>	<b>77,343</b>	<b>881,303</b>	<b>1, 832,467</b>	<b>126,570</b>	<b>44,490</b>	<b>139,708</b>	<b>3,101,881</b>
Purchase	-	933	1,335	610	1,558	-	4,436
Reclassified from assets under construction	-	18,122	90,858	5,324	267	( 114,571)	-
Modernisation	-	856	5,116	68	160	-	6,200
Investment expenditure on property, plant and equipment under construction	-	-	-	-	-	148,596	148,596
Reclassification to / from fixed assets held for sale	68	(2,743)	(1,564)	(2,276)	(861)	(960)	(8,336)
Adopted under finance lease agreement	-	-	5,632	354	-	-	5,986
External financing costs	-	-	-	-	-	6,707	6,707
Provided in kind	-	(28,236)	(26,172)	(575)	(192)	-	(55,175)
Change in capital group	-	26,537	26,172	457	193	-	53,359
Sales	(161)	(714)	(10,365)	(1,389)	(156)	-	(12,785)
Liquidation	-	(1,625)	(7,595)	(226)	(214)	(331)	(9,991)
Currency translation differences related to foreign operations	8,365	17,891	65,239	1,132	876	1,786	95,289
Other	-	(169)	(363)	-	1	(781)	(1,312)
<b>Cost of property, plant and equipment at the end of period</b>	<b>85,615</b>	<b>912,155</b>	<b>1,980,760</b>	<b>130,049</b>	<b>46,122</b>	<b>180,154</b>	<b>3, 334,855</b>

## 12. 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	30.09.2012	31.12.2011	30.09.2011
<b>1. Contingent assets</b>	-	663	8,286
- guarantees and sureties received			7,665
- other off-balance sheet receivables	-	663	621
<b>2. Contingent liabilities</b>	<b>80,130</b>	<b>105,122</b>	<b>85,045</b>
- guarantees and sureties granted	36,320	36,320	39,952
- other off-balance sheet liabilities	40,514	42,493	38,570
- other	3,296	26,309	6,523

As at September 30th, 2012, there were no contingent assets in the Ciech Group – in Z. Ch. “Organika-Sarzyna” S.A. the incomplete promissory note received from an entity providing its services to the company as performance bond has expired.

The amount of contingent liabilities as at September 30th, 2012 was PLN 80,130 thousand, which represents a decrease by PLN 24,992 thousand in relation to the balance as at December 31st, 2011.

Changes in contingent liabilities in comparison with December 31st, 2011 result mainly from:

- changes in the EUR exchange rate applied by Soda Deutschland Ciech to calculate, among others, a potential liability due to the reclamation of ponds, which will be recognised if the waste management regulations become applicable,
- changes in the RON exchange rate applied by S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. to the contingent liability towards CET Govora,
- decrease in Alwernia S.A.’s obligation to purchase property, plant and equipment and intangible assets
- decrease in liabilities in the SODA MAŹWY Group relating to one of the liabilities (deferred penalty for sulphur dioxide emission) recorded as a provision, due to the fact that the capital expenditure project associated with the liability will not take place by December 31st, 2012, according to the last decision of WIOŚ (the Provincial Inspectorate of Environmental Protection). This penalty and the related interest were paid at the end of July 2012;
- expiration of RON 3,339 thousand contingent liability due to a final court decision, favourable to CIECH S.A., on the dismissal of charges of non-compliance by CIECH S.A. with information obligations under the agreement with AVAS for the purchase of S.C. Uzinele Sodice Govora – Ciech Chemical Group,
- new contingent liability of PLN 2,219 thousand relating to a claim filed by a former employee of the Company for compensation for termination of employment,
- recognition as provision of the contingent liability of PLN 18,800 thousand related to the claim filed by ZA Puławy resulting from an alleged breach of the provisions of the agreement on the sale of shares in GZNF FOSFORNY Sp. z o.o.

## 13. Sureties granted by Ciech Group companies to Organising Banks

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 February 10th, 2011. The funds under the loan agreement were made available on September 29th, 2011.

The total limit of sureties granted to Organising Banks as at September 30th, 2012 is presented in the table below:

Beneficiary company's name	Amount of loans covered by surety	Granted surety limit	Surety period	Financial terms, including surety fee due to the company	Entity against whose liability surety has been provided	Nature of relations between CIECH S.A. and the company which granted the surety
<b>CIECH S.A.</b>						
<b>Bank Consortium:</b> Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A. European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 30.09.2012: EUR 10 million	Surety limit under the loan agreement: PLN 1,207 million	Until total repayment of liabilities covered by sureties	Fixed % of the surplus of granted surety over the surety required to secure the actual amount of financing	S.C.Uzinele Sodice Govora S.A.	-
<b>JANIKOSODA S.A.</b>						
Loan <b>Bank Consortium:</b> Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A. European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 30.09.2012: PLN 597.3 million and EUR 36.3 million	Surety limit under the loan agreement: PLN 1,207 million	Until total repayment of liabilities covered by sureties	-	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary
<b>SODA MAŁY S.A.</b>						
Loan <b>Bank Consortium:</b> Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A. European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 30.09.2012: PLN 597.3 million and EUR 36.3 million	Surety limit under the loan agreement: PLN 1,207 million	Until total repayment of liabilities covered by sureties	-	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary
<b>Soda Polska Ciech S.A.</b>						
Loan <b>Bank Consortium:</b> Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A. European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 30.09.2012: PLN 597.3 million and EUR 36.3 million	Surety limit under the loan agreement: PLN 1,207 million	Until total repayment of liabilities covered by sureties	Fixed % of the surplus of granted surety over the surety required to secure the actual amount of financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary
<b>TRANSCLEAN Sp. z o.o.</b>						
Loan <b>Bank Consortium:</b> Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A. European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 30.09.2012: PLN 597.3 million and EUR 36.3 million	Surety limit under the loan agreement: PLN 1,207 million	Until total repayment of liabilities covered by sureties	Fixed % of the surplus of granted surety over the surety required to secure the actual amount of financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary

Beneficiary company's name	Amount of loans covered by surety	Granted surety limit	Surety period	Financial terms, including surety fee due to the company	Entity against whose liability surety has been provided	Nature of relations between CIECH S.A. and the company which granted the surety
<b>Alwernia S.A.</b>						
Loan <b>Bank Consortium:</b> Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A. European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 30.09.2012: PLN 597.3 million and EUR 36.3 million	PLN 31.5 million.	Until total repayment of liabilities covered by sureties	Fixed % of the surplus of granted surety over the surety required to secure the actual amount of financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary
<b>Z.Ch. "Organika-Sarzyna" S.A.</b>						
Loan <b>Bank Consortium:</b> Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A. European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 30.09.2012: PLN 597.3 million and EUR 36.3 million	PLN 285 million.	Until total repayment of liabilities covered by sureties	Fixed % of the surplus of granted surety over the surety required to secure the actual amount of financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary
<b>VITROSILICON S.A.</b>						
Loan <b>Bank Consortium:</b> Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A. European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 30.09.2012: PLN 597.3 million and EUR 36.3 million	Surety limit under the loan agreement: PLN 1,207 million	Until total repayment of liabilities covered by sureties	Fixed % of the surplus of granted surety over the surety required to secure the actual amount of financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary
<b>ZACHEM S.A.</b>						
Loan <b>Bank Consortium:</b> Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A. European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 30.09.2012: PLN 597.3 million and EUR 36.3 million	Surety limit under the loan agreement: PLN 1,207 million	Until total repayment of liabilities covered by sureties	Fixed % of the surplus of granted surety over the surety required to secure the actual amount of financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary
<b>Chemana S.A.</b>						
Loan <b>Bank Consortium:</b> Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A. European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 30.09.2012: PLN 597.3 million and EUR 36.3 million	Surety limit under the loan agreement: PLN 1,207 million	Until total repayment of liabilities covered by sureties	Fixed % of the surplus of granted surety over the surety required to secure the actual amount of financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary
<b>Ciech Pianki Sp. z o.o.</b>						

Beneficiary company's name	Amount of loans covered by surety	Granted surety limit	Surety period	Financial terms, including surety fee due to the company	Entity against whose liability surety has been provided	Nature of relations between CIECH S.A. and the company which granted the surety
Loan <b>Bank Consortium</b> : Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A. European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 30.09.2012: PLN 597.3 million and EUR 36.3 million	Surety limit under the loan agreement: PLN 1,207 million	Until total repayment of liabilities covered by sureties	Fixed % of the surplus of granted surety over the surety required to secure the actual amount of financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary

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

##### Discontinued operations

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

For the period from January 1st and September 30th, 2012:

- results of POLFA Sp. z o.o. for the period of participation in the Group, as well as the consolidated result on disposal of this entity,
- elimination of the results of transactions between the Ciech Group's consolidated entities and entities reported as discontinued operations.

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

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

For the period from January 1st to September 30th, 2011:

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

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

PLN '000	FOSFORNY Group	Daltrade Ltd.	TOTAL
Proceeds from sale	106,740	89	106,829
Consolidated cost	102,195	671	102,866
Profit before tax	4,545	(582)	3,963
Income tax	(16,312)	633	(15,679)
<b>Net consolidated result</b>	<b>(11,767)</b>	<b>51</b>	<b>(11,716)</b>

A presentation adjustment was also recognised in the financial statements for the third quarter of 2011

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

As at September 30th, 2012, the following assets were recognised by the Ciech Group as "Assets classified as held for sale":

- VITROSILICON Spółka Akcyjna disclosed property, plant and equipment amounting to PLN 500 thousand, including:
  - land – PLN 368 thousand,
  - buildings and structures – PLN 132 thousand.

These assets are attributable to the silicates and glass segment.

- CIECH – POLSIN Pte. Ltd. reported land with a building situated thereon amounting to PLN 442 thousand. The company is in preliminary negotiations with a potential buyer. These assets are attributable to the "other operations" segment.

- As at September 30th, 2011, the following assets were recognised by the Ciech Group as "Assets classified as held for sale":

CIECH S.A. recognised shares in POLFA Sp z o.o. in relation to the execution of the share sale agreement on July 15th 2011. 3,820 shares were sold, constituting 100% of the share capital of POLFA Sp. z o.o.. In the consolidated financial statements, pursuant to the above transaction, POLFA Sp. z o.o. recognised all its balance sheet items as assets or liabilities held for sale. These assets are categorised in the "other" segment.

- Pursuant to the execution by ZACHEM S.A. on September 27th, 2011 of the agreement for sale of shares in ZACHEM UCR Sp. z o.o., the consolidated financial statements of ZACHEM Group includes all balance sheet items related to ZACHEM UCR Sp. z o.o. recognised as assets or liabilities held for sale. These assets are
  - categorised in the organic segment.



- VITROSILICON Spółka Akcyjna disclosed property, plant and equipment 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 attributable to the silicates and glass segment.

- Z.Ch. "Organika-Sarzynna" Spółka Akcyjna disclosed property, plant and equipment amounting to PLN 844 thousand. These assets are attributable to the organic segment.

#### **15. Information about loan agreements including overdue debts or other violations of debt-related agreements**

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

As at August 31st, 2012, according to the Company's calculations, the minimum level of cash required under the Loan Agreement was not achieved. The cash level in the Group (excluding German subsidiaries) amounted to PLN 81,647 thousand in relation to a minimum required level of PLN 120,000,000. Pursuant to a letter dated October 24th, 2012, the lenders unconditionally waived the right to claim a breach of agreement resulting from the aforementioned violation.

In relation to the breach of the above mentioned conditions, the debt of PLN 465,841 thousand resulting from the Loan Agreement was presented in the financial statements as a current liability.

The indebtedness related to the outstanding bond issue (A series) in the amount of PLN 300,000 thousand has been presented as a short term liability, given the maturity of the bond on December 14th, 2012 (i.e. period shorter than 12 months from balance sheet date).

Taking into account the maturity of the outstanding bonds mentioned above, the Company has initiated preparations to issue new bonds in the domestic and international bond markets planned in 4th quarter of 2012, with maturity of up to 5 years ("New PLN Bonds"). The maximum anticipated amount of the issue is 500,000,000 PLN. Additionally, the Company is preparing an issue of new secured bonds denominated in EUR, with maturity of up to 7 years, which will be distributed to the international bond market ("New EUR Bonds"). The maximum anticipated amount of the issue is 300,000,000 EUR. The net proceeds from both issues will be used to redeem the existing bonds and to refinance the credit facilities provided to the Group.

The main objective of the New EUR Bonds and New PLN Bonds issuances is refinancing of the existing indebtedness by issuing secured bonds and obtaining a stable, long-term financing structure facilitating the Group's financing requirements and debt service capacity.

At the Extraordinary General Shareholders Meeting on August 29th, 2012, i.a. the following resolutions have been passed:

- a) The resolution on the issuance of bearer secured bonds up to maximum amount of 500,000,000 PLN,
- b) The resolution on the issuance of bearer secured international bonds up to maximum amount of 300,000,000 EUR

In connection with an ongoing process of issuing bonds, which has been described above, the Board believes that the current situation, in which current liabilities exceed about PLN 827,779 thousand short-term assets, is a temporary situation and will not harm the continuation of the Company's or the Ciech Group's activity.

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

When selecting entities for consolidation, the Management Board of the parent company applied the materiality principle (in accordance with the conceptual framework of IFRS) to its financial information in order to fulfil the requirement of presenting a true and fair view of the financial position and the results of operations of the Group.

The table below presents combined financial information of subsidiaries excluded from consolidation due to their financial information being immaterial compared to total reported amounts of the Ciech Group for the period from January 1st, 2012 to September 30th, 2012:

<b>Total value in PLN '000</b>	<b>Unconsolidated entities</b>	<b>Ciech Group</b>	<b>% share</b>
Total assets	14,141	7,261,602	0.19%
Net revenue from sales and financial income	41,988	5,258,216	0.80%

The following table presents information on associates not accounted for under the equity method for the period from January 1st, 2012 to September 30th, 2012:

<b>Total value</b>	<b>Associates not accounted for under the equity method</b>	<b>Equity of Ciech Group</b>	<b>% share</b>
Share in net assets	12,591	933,691	1.35%

### 17. Reconciliation of financial information presented in the most recent published financial statements to the currently presented financial information

**Investment property measurement at fair value** – with effect from January 1st, 2012, the Management Board of CIECH S.A. changed its accounting principles applied to investment property from measurement based on historic cost to fair value measurement. At the initial recognition, the result of re-measurement of investment property to fair value is recognised in equity, as “Retained earnings”. In subsequent reporting periods, any profit or loss resulting from changes in fair value of an item of investment property affects the net profit or loss in the period in which such change occurs and is recognised as other operating income/costs.

**Deferred tax liability adjustment at S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A.** – the company recognised a deferred tax liability in relation to a temporary difference resulting from the revaluation of property, plant and equipment. The need to recognise the deferred tax resulted from changes in the Romanian tax regulations in 2009; accordingly, the liability was recognised as an adjustment to the opening balance of 2010.

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

**Presentation of factoring** – CIECH SA has changed presentation of factoring settlements with related receivables and liabilities presented separately.

The effects of changes in accounting principles applied in the preparation of the financial statements on the financial information as at December 31st, 2011 is presented below.

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

The effects of changes in accounting principles applied in the preparation of the financial statements on the financial information as at September 30th, 2011 is presented below.

<i>PLN '000</i>	<b>30.09.2011 previously reported</b>	<i>presentation of energy certificates</i>	<i>investment property</i>	<i>deferred tax liability</i>	<i>balance of deferred tax – consolidation adjustments</i>	<i>Reclassification of factoring (change in presentation)</i>	<b>30.09.2011 currently reported</b>
Property, plant and equipment	2,144,715	-	1,567	-	-	-	2,146,282
Right of perpetual usufruct	131,763	-	(73,213)	-	-	-	58,550
Investment property	5,783	-	81,720	-	-	-	87,503
Deferred tax assets	27,950	-	(143)	(144)	(4,393)	-	23,270
<b>Total non-current assets</b>	<b>2,581,710</b>	-	<b>9,931</b>	<b>(144)</b>	<b>(4,393)</b>	-	<b>2,587,104</b>
Inventory	318,651	16,169	-	-	-	-	334,820
Trade and other receivables	867,349	(16,169)	-	-	-	31,398	882,578
Non-current assets held for sale	49,234	-	(1,383)	-	-	-	47,851
<b>Total current assets</b>	<b>1,589,814</b>	-	<b>(1,383)</b>	-	-	<b>31,398</b>	<b>1,619,829</b>
<b>Total assets</b>	<b>4,171,524</b>	-	<b>8,548</b>	<b>(144)</b>	<b>(4,393)</b>	<b>31,398</b>	<b>4,206,933</b>
Currency translation differences (subsidiaries)	(63,823)	-	-	249	-	-	(63,574)
Retained earnings	511,438	-	6,897	(5,315)	-	-	513,020
<i>including net profit (loss)</i>	<i>10,559</i>			<i>650</i>			<i>11,209</i>
<b>Equity attributable to shareholders of the parent</b>	<b>1,324,624</b>	-	<b>6,897</b>	<b>(5,066)</b>	-	-	<b>1,326,455</b>
Non-controlling interest	(1,110)	-	-	155	-	-	(955)
<b>Total equity</b>	<b>1,323,514</b>	-	<b>6,897</b>	<b>(4,911)</b>	-	-	<b>1,325,500</b>
Deferred tax liability	116,410	-	1,651	4,767	(4,393)	-	118,435
<b>Total non-current liabilities</b>	<b>1,603,104</b>	-	<b>1,651</b>	<b>4,767</b>	<b>(4,393)</b>	-	<b>1,605,129</b>
Current liabilities	968,473	-	-	-	-	31,398	999,871
<b>Total current liabilities</b>	<b>1,244,906</b>	-	-	-	-	<b>31,398</b>	<b>1,276,304</b>
<b>Total liabilities</b>	<b>2,848,010</b>	-	<b>1,651</b>	<b>4,767</b>	<b>(4,393)</b>	<b>31,398</b>	<b>2,881,433</b>
<b>Total equity and liabilities</b>	<b>4,171,524</b>	-	<b>8,548</b>	<b>(144)</b>	<b>(4,393)</b>	-	<b>4,206,933</b>

## 18. Information on events after the reporting date

- On October 1st, 2012, the agreements for loans granted by CIECH S.A. to its subsidiary, ZACHEM S.A., referred to in current reports no. 62/2010 dated October 28th, 2010 and 30/2011 dated April 28th, 2011, were terminated. At the same time CIECH S.A. accepted an offer to acquire 23,000,000 B series shares issued under private placement by ZACHEM S.A. at the nominal price of PLN 10 per share and to pay up the increased capital by offsetting the CIECH S.A.'s liabilities due to the increase against its receivables from the loans granted to ZACHEM S.A. Recapitalisation of ZACHEM S.A. is a part of this company's restructuring programme. The event described above had not impact on consolidated financial statement of Ciech Group.
- An annex, a restatement and a standardisation agreement were signed by CIECH S.A. in respect of the loan agreement that it concluded on February 10th, 2012 with Bank DnB NORD Polska S.A., Bank Handlowy w Warszawie S.A., Bank Millennium S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., ING Bank Śląski S.A. and Powszechna Kasa Oszczędności Bank Polski S.A., as described in the current report no. 12/2011. The annex and restatement agreement will enter into force subject to CIECH S.A. and other Ciech Group companies being the parties to the loan agreement adopting relevant corporate resolutions which are required pursuant to the provisions of law or the companies' articles of association (or statute in the case of joint stock companies). The above mentioned annex and restatement with standardisation agreement amend the loan agreement as follows:
  - ✓ prolongation of the final loan repayment date until January 31st, 2017;
  - ✓ changed repayment schedule in respect of principal on fixed-term loans;
  - ✓ changed mechanism of calculation of margins on the loans granted;
  - ✓ changed provisions regarding the level of financial ratios that CIECH S.A. is obliged to maintain: (i) replacement of the previous debt service coverage ratio (DSCR) with a standardised ratio, and (ii) change in the level of the financial leverage ratio;
  - ✓ introduction of an obligation with regard to annual limits for capital expenditure by CIECH S.A. and significant companies of the Ciech Group; and
  - ✓ annulment of exposure due to the investment loan granted by the European Bank for Reconstruction and Development connected with expiration of all the rights and obligations of the European Bank for Reconstruction and Development under the above mentioned loan agreement.

In accordance with the Company's accounting policies applied in similar transactions, a key criterion for determining the terms of the new loan as renegotiation of an old loan is quantitative analysis. Quantitative analysis, referred to as the "10% test" was performed on the day of signing the the annex based on p 62 OS IAS 39 The results of the analysis confirmed that an annex is a renegotiation of the previous credit agreement and cannot be treated as a new loan agreement. As a result, still to settle the costs of obtaining financing can be settled on the effective interest by the end of the funding period, despite the extension of the loan term.

- On November 19th, 2012, an Extraordinary General Meeting from CIECH S.A. will be held. The main points on its agenda will include:
  - ✓ presentation of main elements of the spin-off plans for the Companies: SODA MAŃWY S.A. and JANI-KOSODA S.A., the Company's management reports justifying the spin-off of SODA MAŃWY S.A. and JANI-KOSODA S.A., the expert opinion and any significant changes in assets and liabilities which have occurred between the date of preparing the spin-off plans for SODA MAŃWY S.A. and JANI-KOSODA S.A. and the date of adopting a resolution on the spin-off of SODA MAŃWY S.A. and JANI-KOSODA S.A.
  - ✓ adoption of a resolution on the spin-off of SODA MAŃWY S.A. and JANI-KOSODA S.A., changing the Articles of Association of CIECH S.A., increasing the share capital of CIECH S.A. and authorizing the CIECH S.A.'s Supervisory Board to compile a unified text of the changed Statute of CIECH S.A.
  - ✓ submission of a motion concerning establishment of a registered pledge or pledges on a set of movable assets and property rights of CIECH S.A.
  - ✓ adoption of a resolution to consent to the establishment of a registered pledge or pledges on a set of movable assets and property rights of CIECH S.A.In case the Extraordinary Shareholders' Meeting adopts the resolution to divide SODA MAŃWY S.A. and JANI-KOSODA S.A., organised parts of these enterprises will be attached to Ciech S.A.
- On October 30th, 2012 CIECH S.A. and the State Treasury signed an Annex to the Agreement of Sale of Shares of ZACHEM S.A. of March 29th, 2006 [Privatization Contract], whose conclusion was disclosed by the Issuer in the current report no. 27/2006.

On the ground of the Privatization Contract, CIECH S.A. agreed to carry out guaranteed capital expenditure in ZACHEM S.A. in the amount of PLN 176,120 thousand. The guaranteed capital investment was completed on June 30, 2012, with the amount of the guaranteed capital expenditure as at that date of PLN 176,130 thousand. The signature of the Annex will enable the final settlement of all obligations by CIECH S.A. under the Privatization Contract, including the completion of the guaranteed investments in ZACHEM S.A.

According to the Annex and the agreement between CIECH S.A. and ZACHEM S.A. being an integral part of the Annex, CIECH S.A. agreed, among others, to:

- ✓ increase the share capital of ZACHEM S.A. by the amount of PLN 230,000 thousand by the subscription of shares of the new issue in the increased share capital of ZACHEM S.A. (CIECH S.A. informed about the increase of the share capital of ZACHEM S.A. in the current report no. 38/2012), and
- ✓ to fund employee benefits for the employees of ZACHEM S.A. in the maximum amount of PLN 33,600 and finance the environmental damage restoration in respect of real estate owned or in possession of ZACHEM S.A. to the maximum amount of PLN 29,300 thousand, and in case of (i) declaration of bankruptcy, liquidation or dissolution of ZACHEM S.A. within the period of 12 months from the day of the submission of the final report of the Buyer, and in case (ii) there is no possibility to implement the aforementioned obligations completely or partly by ZACHEM S.A. or from the assets of ZACHEM S.A., during the bankruptcy or liquidation proceedings. Monetary claims can be asserted by means of a written notice, clearly justified and recorded, served by an entitled person within the period of 60 months from the date of the bankruptcy, liquidation or dissolution of ZACHEM S.A.

According to the Annex, the final fulfilment of obligations under the Privatization Contract will take place on the date the increase in the share capital of ZACHEM S.A. is registered, and the final report of the Buyer on the implementation of the guaranteed investments is submitted based on the status as at June 30th, 2012, for financial obligations, and as at the last day of the month in which the last non-financial obligation under the Privatization Contract is fulfilled.

- On November 2nd, 2012 „The Buyer’s Final Statement for the period between December 20th, 2006 and 31 October 2012 on fulfilling obligations resulting from the Contract of Sale of Zakłady Chemiczne ZACHEM S.A.’s shares” of March 29th, 2006 [Privatisation Contract] was submitted, about concluding of which the Issuer informed in the current report no. 27/2006.

The Buyer’s Final Statement on meeting financial obligations was drawn up for the period between December 20th, 2006 and June 30th, 2012, whereas the one concerning remaining obligations resulting from the Privatisation Contract, for the period between December 20th, 2006 and October 31st, 2012, i.e. as of the last day of the month in which last obligation resulting from the Privatisation Contract was met.

The submission of the Buyer’s Final Statement was accompanied by a Report drawn by a Chartered Accountant who had verified the compliance of ascertainment - included in the Buyer’s Final Statement and referring to the criteria resulting from the Privatisation Contract - with factual findings.

The submission of the Buyer’s Final Statement is tantamount with the termination of the Privatisation Contract. The Seller is entitled to control the Buyer’s Final Statement within the three-month period following the date of its service. In case the control results in ascertaining the Buyer’s infringement of obligations resulting from the Privatisation Contract, the Seller is entitled to claim contractual penalties included in the Contract.

At the same time, the termination of the Privatisation Contract means that it is no longer required to obtain an agreement of the Treasury represented by the Minister of Treasury to close the transaction carried out pursuant to the Contract of Sales and Transfer of TDI’s Assets, about concluding of which the Issuer informed in the current report no. 41 of 12.10.2012. The Treasury’s agreement was provided for under the Contract of Sales and Transfer of TDI’s Assets as one of the transaction’s suspensory conditions due to the requirement defined under the provisions of the Privatisation Contract.

Closing of the Agreement of Sale of Shares of ZACHEM S.A, as one of the condition precedent, results in decrease of impairment allowances recognised in consolidated financial statement at about PLN 100 million.

This is due to taking into account when assessing impairment, received from BASF offer and take into account in the calculation of the potential penalties associated with the privatization agreement.

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

These interim condensed consolidated financial statements of the Ciech Group for the first three quarters of 2012 were approved by the Management Board of CIECH S.A. in its registered office on November 5th, 2012 for publication on November 6th, 2012.

Warsaw, November 5th, 2012

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

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

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

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