EXTENDED CONSOLIDATED REPORT OF THE CIECH CHEMICAL GROUP FOR H1 2012

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I. Condensed Semi-annual Consolidated Financial Statements of the Ciech Group

1. Consolidated Income Statement of the Ciech Group

	01.01-30.06.2012*			01.01-30.06.2011*		
PLN '000	Continued operations	Discontinued operations	TOTAL	Continued operations	Discontinued operations	TOTAL
Net revenues from sales	2,240,954	51,596	2,292,550	2,022,227	114,886	2,137,113
Cost of sales	(1,917,068)	(41,363)	(1,958,431)	(1,756,954)	(71,993)	(1,828,947)
Gross profit/loss on sales	**323,886**	**10,233**	**334,119**	**265,273**	**42,893**	**308,166**
Other operating revenues	49,990	303	50,293	43,234	1,548	44,782
Selling costs	(138,639)	(4,832)	(143,471)	(123,708)	(17,018)	(140,726)
General and administrative expenses	(95,905)	(5,475)	(101,380)	(95,516)	(13,916)	(109,432)
Other operating costs	(370,816)	(159)	(370,975)	(30,428)	(3,079)	(33,507)
Operating profit/loss	**(231,484)**	**70**	**(231,414)**	**58,855**	**10,428**	**69,283**
Financial revenues	3,008	2,667	5,675	20,677	(2,402)	18,275
Financial costs	(107,520)	(3,263)	(110,783)	(75,945)	(2,425)	(78,370)
Net financial revenues/costs	**(104,512)**	**(596)**	**(105,108)**	**(55,268)**	**(4,827)**	**(60,095)**
Share in net profit of subsidiaries valued under the equity method	439	-	439	123	-	123
Profit/loss before tax	**(335,557)**	**(526)**	**(336,083)**	**3,710**	**5,601**	**9,311**
Income tax	(8,906)	(161)	(9,067)	9,282	(1,990)	7,292
Net profit/loss	**(344,463)**	**(687)**	**(345,150)**	**12,992**	**3,611**	**16,603**
Profit/loss on sales related to discontinued operations	-	-	-	-	(11,715)	(11,715)
Net profit/loss for the financial year	**(344,463)**	**(687)**	**(345,150)**	**12,992**	**(8,104)**	**4,888**
including:						
Net profit/loss of shareholders of the parent company	(336,691)	(687)	(337,378)	10,313	(8,478)	1,835
Net profit/loss attributed to non-controlling interest	(7,772)	-	(7,772)	2,679	374	3,053
Earnings per share (in PLN):						
Basic	(6.39)	(0.01)	(6.40)	0.25	(0.20)	0.04
Diluted	(6.39)	(0.01)	(6.40)	0.25	(0.20)	0.04

**Data not audited by a certified auditor.*

Consolidated Income Statement of the Ciech Group	01.04-30.06.2012*			01.04-30.06.2011*		
PLN '000	Continued operations	Discontinued operations	TOTAL	Continued operations	Discontinued operations	TOTAL
Net revenues from sales	1,093,123	26,776	1,119,899	961,425	53,662	1,015,087
Cost of sales	(940,907)	(21,314)	(962,221)	(841,530)	(38,334)	(879,864)
Gross profit/loss on sales	**152,216**	**5,462**	**157,678**	**119,895**	**15,328**	**135,223**
Other operating revenues	24,055	243	24,298	30,973	929	31,902
Selling costs	(70,330)	(2,515)	(72,845)	(63,313)	(6,863)	(70,176)
General and administrative expenses	(50,463)	(2,787)	(53,250)	(49,596)	(5,595)	(55,191)
Other operating costs	(358,952)	(188)	(359,140)	(13,890)	(816)	(14,706)
Operating profit/loss	**(303,474)**	**215**	**(303,259)**	**24,069**	**2,983**	**27,052**
Financial revenues	1,350	1,980	3,330	6,598	(1,398)	5,200
Financial costs	(41,037)	(2,431)	(43,468)	(37,753)	(880)	(38,633)
Net financial revenues/costs	**(39,687)**	**(451)**	**(40,138)**	**(31,155)**	**(2,278)**	**(33,433)**
Share in net profit of subsidiaries valued under the equity method	127	-	127	28	-	28
Profit/loss before tax	**(343,034)**	**(236)**	**(343,270)**	**(7,058)**	**705**	**(6,353)**
Income tax	(12,008)	45	(11,963)	18,612	228	18,840
Net profit/loss	**(355,042)**	**(191)**	**(355,233)**	**11,554**	**933**	**12,487**
Profit/loss on sales related to discontinued operations	-	-	-	-	(11,715)	(11,715)
Net profit/loss for the financial year	**(355,042)**	**(191)**	**(355,233)**	**11,554**	**(10,782)**	**772**
including:						
Net profit/loss of shareholders of the parent company	(347,905)	(191)	(348,096)	10,713	(10,842)	(129)
Net profit/loss attributed to non-controlling interest	(7,137)	-	(7,137)	841	60	901
Earnings per share (in PLN):						
Basic	(6.60)	(0.01)	(6.61)	0.26	(0.28)	(0.02)
Diluted	(6.60)	(0.01)	(6.61)	0.26	(0.28)	(0.02)

** Data not reviewed by a certified auditor.*

2. Consolidated Statement of Comprehensive Income of the Ciech Group

PLN '000	**01.01.-30.06.2012***			**01.01.-30.06.2011***		
	Continued operations	Discontinued operations	TOTAL	Continued operations	Discontinued operations	TOTAL
Net profit for the financial year	**(344,463)**	**(687)**	**(345,150)**	**12,992**	**(8,104)**	**4,888**
Other gross comprehensive income						
Currency translation differences (foreign companies)	3,814	-	3,814	(4,175)	-	(4,175)
Cash flow hedging	(2,139)	-	(2,139)	(5,186)	-	(5,186)
Net currency translation differences (investments in foreign companies)	(10,885)	-	(10,885)	1,841	-	1,841
Other components of other comprehensive income	(4)	-	(4)	5	-	5
Income tax attributable to other components of comprehensive income	406	-	406	986	-	986
Other net comprehensive income	**(8,808)**	**-**	**(8,808)**	**(6,529)**	**-**	**(6,529)**
TOTAL COMPREHENSIVE INCOME	**(353,271)**	**(687)**	**(353,958)**	**6,463**	**(8,104)**	**(1,641)**
Comprehensive income, including attributable to:	**(353,271)**	**(687)**	**(353,958)**	**6,463**	**(8,104)**	**(1,641)**
Controlling shareholders	(347,437)	(687)	(348,124)	4,251	(8,104)	(3,853)
Non-controlling interest	(5,834)	-	(5,834)	2,212	-	2,212

**Data not audited by a certified auditor.*

Detailed information on the components of other comprehensive income has been presented in point IV.11 of this report.

3. Consolidated Statement of Financial Position of the Ciech Group

ASSETS (PLN '000)	**30.06.2012***	**31.12.2011****	**30.06.2011*;****
Tangible fixed assets	2,077,235	2,218,720	2,046,740
Right of perpetual usufruct	58,264	56,278	58,925
Intangible assets, including:	157,279	181,121	159,992
- goodwill	62,375	64,149	59,122
Investment property	95,036	87,487	87,501
Long-term receivables	73,974	72,227	50,265
Investments in associates and jointly-controlled entities measured under the equity method	4,896	4,655	4,497
Other long-term investments	36,217	40,915	34,664
Deferred income tax assets	25,660	24,489	13,954
Total fixed assets	**2,528,561**	**2,685,892**	2,456,538
Inventory	291,795	356,619	330,673
Short-term investments	1,038	1,505	463
Income tax receivables	4,891	8,800	5,486
Trade and other receivables	789,796	819,558	774,793
Cash and cash equivalents	207,539	145,805	379,359
Assets classified as held for sale	39,250	57,017	39,234
Total current assets	**1,334,309**	**1,389,304**	**1,530,008**
Total assets	**3,862,870**	**4,075,196**	**3,986,546**
EQUITY AND LIABILITIES (*PLN '000*)			
Share capital	287,614	287,614	279,115
Share premium	507,835	508,122	472,634
Cash flow hedge	(9,844)	(8,111)	(4,639)
Other reserve capitals	78,521	78,521	78,521
Net currency translation differences (investments in foreign companies)	511	11,396	(18,718)
Currency translation differences (foreign companies)	(60,920)	(62,796)	(52,582)
Retained earnings	165,023	502,405	491,427
Equity attributable to shareholders of the parent	**968,740**	**1,317,151**	**1,245,758**
Non-controlling shares	(7,908)	(2,020)	25,641
Total equity	**960,832**	**1,315,131**	**1,271,399**
Liabilities due to loans, borrowings and other debt instruments	162,713	190,916	1,180,256
Other non-current liabilities	409,180	257,803	223,555
Employee benefits	64,111	63,163	64,709
Provisions (other long-term)	65,434	52,666	59,819
Deferred tax provision	119,666	120,666	106,488
Total non-current liabilities	**821,104**	**685,214**	**1,634,827**
Overdraft facility	11,348	6,744	-
Liabilities due to loans, borrowings and other debt instruments	1,062,756	1,017,663	146,877
Trade and other liabilities	910,641	969,222	860,841
Income tax liabilities	28,670	21,930	22,057
Provisions (short-term provisions for employee benefits and other provisions)	46,568	26,221	26,611
Liabilities directly related to assets classified as held for sale	20,951	33,071	23,934
Total current liabilities	**2,080,934**	**2,074,851**	**1,080,320**
Total liabilities	**2,902,038**	**2,760,065**	**2,715,147**
Total equity and liabilities	**3,862,870**	**4,075,196**	**3,986,546**

** Data not audited by a certified auditor.*
*** Restated data.*

4. Consolidated Cash Flow Statement of the Ciech Group

PLN '000	**01.01-30.06.2012***	**01.01-30.06.2011***
Cash flows from operating activities		
Net profit (loss) for the period	**(345,150)**	**4,888**
Adjustments		
Amortisation/depreciation	123,638	109,088
Recognition/(reversal) of write-downs	275,597	190
Foreign exchange (profit)/loss	(2,087)	465
Investment property revaluation	(9,065)	-
(Profit)/loss on investment activities	243	(6,285)
(Profit)/loss on disposal of tangible fixed assets	7,501	(2,102)
Dividends and interest	77,018	44,513
Input income tax	9,067	8,386
(Profit)/loss after the settlement of construction contracts (voids)	(11,292)	(15,381)
(Profit)/loss on shares in companies valued under the equity method	(439)	(123)
Operating profit/loss before changes in working capital and provisions	**125,031**	**143,639**
Change in receivables	27,399	(41,889)
Change in inventory	67,412	(52,089)
Change in current liabilities	(95,698)	(15,805)
Change in provisions and employee benefits	35,334	(10,278)
Net cash generated from operating activities	**159,478**	**23,578**
Interest paid	(49,434)	(50,002)
Inflows from construction contracts (voids)	7,004	(2,257)
Change in liabilities from loan arrangement commission	1,217	(5,375)
Income tax paid	3,263	(16,076)
Other adjustments	180	(13,886)
Net cash on operating activities	**121,708**	**(64,018)**
Cash flows from investment activities		
Inflows (in "+")	**10,902**	**227,513**
Disposal of a subsidiary	-	91,109
Disposal of intangible and tangible fixed assets	6,805	13,410
Disposal of financial assets	234	1,173
Dividends received	220	720
Interest received	1,026	261
Repayment of borrowings	500	120,611
Other inflows	2,117	229
Outflows (in "-")	**(151,401)**	**(142,464)**
Acquisition of a subsidiary (after deduction of acquired cash)	(830)	(4,440)
Acquisition of intangible and tangible fixed assets	(147,878)	(137,359)
R&D expenditures	(555)	(508)
Equity increase and contributions	(187)	-
Other	(1,951)	(157)
Net cash on investment activities	**(140,499)**	**85,049**
Cash flows from financial activities		
Inflows (in "+")	**153,056**	**467,972**
Net inflows from issue of shares and other equity instruments, and equity contributions	-	436,305
Proceeds from loans and borrowings	80,057	26,821
Contributions of "sleeping partners"	50,695	-
Subsidies received	22,212	4,808
Other financial inflows	92	38
Outflows (in "-")	**(77,821)**	**(314,569)**
Dividends paid to non-controlling interest	-	(1,499)
Repayment of loans and borrowings	(48,013)	(307,159)
Payments of liabilities under finance lease agreements***	(29,739)	(5,900)

PLN '000	**01.01-30.06.2012***	**01.01-30.06.2011***
Other financial expenditures	(69)	(11)
Net cash on financial activities	**75,235**	**153,403**
Total net cash flows	**56,444**	**174,434**
Cash as at the beginning of period	**149,046**	**208,394**
Effect of foreign exchange differences	(2,059)	255
Cash as at the end of period**	**203,431**	**383,083**

**Data not audited by a certified auditor.*
*** The difference between the value of cash recognised in the Consolidated Cash Flow Statement of Ciech Group for H1 2012 and the value recognised in the consolidated Statement of Financial Position of Ciech Group results from the classification of the POLFA Sp. z o.o., Ciech Finance Sp. z o.o. and Cheman S.A. cash as assets held for sale. The difference between the value of cash recognised in the Consolidated Cash Flow Statement of Ciech Group for H1 2011 and the value recognised in the consolidated Statement of Financial Position of 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 tenancy of the heat and power plant in the Soda Deutschland Ciech Group.

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

PLN '000	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**
Equity as at 01/01/2012	**287,614**	**508,122**	**(8,111)**	**78,521**	**11,396**	**(62,796)**	**502,405**	**1,317,151**	**(2,020)**	**1,315,131**
Reduction of equity referring to agio	-	(287)	-	-	-	-	-	**(287)**	-	**(287)**
Dividends	-	-	-	-	-	-	-	**-**	(54)	**(54)**
Total comprehensive income for the period	**-**	**-**	**(1,733)**	**-**	**(10,885)**	**1,876**	**(337,382)**	**(348,124)**	**(5,834)**	**(353,958)**
Net profit/loss	-	-	-	-	-	-	(337,378)	**(337,378)**	(7,772)	**(345,150)**
Other comprehensive income	-	-	(1,733)	-	(10,885)	1,876	(4)	**(10,746)**	1,938	**(8,808)**
Equity as at 30/06/2012*	**287,614**	**507,835**	**(9,844)**	**78,521**	**511**	**(60,920)**	**165,023**	**968,740**	**(7,908)**	**960,832**

**Data not audited by a certified auditor.*

PLN '000	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**
Equity as at 01/01/2011										
Previously reported	**164,115**	**151,328**	**(439)**	**78,521**	**(20,559)**	**(49,419)**	**494,304**	**817,851**	**32,619**	**850,470**
Changes in accounting principles	-	-	-	-	-	-	7,040	**7,040**	-	**7,040**
Restated	**164,115**	**151,328**	**(439)**	**78,521**	**(20,559)**	**(49,419)**	**501,344**	**824,891**	**32,619**	**857,510**
Issue of shares	123,499	-	-	-	-	-	-	**123,499**	-	**123,499**
Issue premium over nominal value (agio)	-	356,794	-	-	-	-	-	**356,794**	-	**356,794**
Change in the Group's composition	-	-	-	-	-	1,038	(1,274)	**(236)**	(32,164)	**(32,400)**
Total comprehensive income for the period	**-**	**-**	**(7,672)**	**-**	**31,955**	**(14,415)**	**2,335**	**12,203**	**(2,475)**	**9,728**
Net profit/loss	-	-	-	-	-	-	1,506	**1,506**	(5)	**1,501**
Other comprehensive income	-	-	(7,672)	-	31,955	(14,415)	829	**10,697**	(2,470)	**8,227**
Equity as at 31/12/2011**	**287,614**	**508,122**	**(8,111)**	**78,521**	**11,396**	**(62,796)**	**502,405**	**1,317,151**	**(2,020)**	**1,315,131**

*** Restated data.*

PLN '000	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**
Equity as at 01/01/2011										
Previously reported	**164,115**	**151,328**	**(439)**	**78,521**	**(20,559)**	**(49,419)**	**494,304**	**817,851**	**32,619**	**850,470**
Changes in accounting principles	-	-	-	-	-	-	7,040	**7,040**	-	**7,040**
Restated	**164,115**	**151,328**	**(439)**	**78,521**	**(20,559)**	**(49,419)**	**501,344**	**824,891**	**32,619**	**857,510**
Issue of shares	115,000	-	-	-	-	-	-	**115,000**	-	**115,000**
Issue premium over nominal value (agio)	-	321,305	-	-	-	-	-	**321,305**	-	**321,305**
Change in the Group's composition	-	-	-	-	-	1,038	(12,623)	**(11,585)**	(9,190)	**(20,775)**
Total comprehensive income for the period	**-**	**-**	**(4,200)**	**-**	**1,841**	**(4,201)**	**2,707**	**(3,853)**	**2,212**	**(1,641)**
Net profit/loss	-	-	-	-	-	-	1,835	**1,835**	3,053	**4,888**
Other comprehensive income	-	-	(4,200)	-	1,841	(4,201)	872	**(5,688)**	(841)	**(6,529)**
Equity as at 30/06/2011*;**	**279,115**	**472,633**	**(4,639)**	**78,521**	**(18,718)**	**(52,582)**	**491,428**	**1,245,758**	**25,641**	**1,271,399**

**Data not audited by a certified auditor.*
*** Restated data.*

II. Management Report

1. The most important events in the Ciech Group from January 1st, 2012 up to the preparation of this statement

Soda Segment

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

  On January 1st, 2012, on the basis of the Tenancy Agreement, the indirect subsidiary of CIECH S.A., KWG – started managing the heat and power plant on its own account which specifically regards gas purchase, electric energy sale and conducting repair policy. The expected effect of signing of the agreement will be an improvement in the profitability of the Soda Deutschland Ciech Group. Total savings resulting from the tenancy, in accordance with estimates, will improve results on the EBITDA level by approx. EUR 15 million p.a. Depreciation will amount to approx. EUR 5 million p.a.
  Tenancy fee amounts to net EUR 13 million p.a. and is paid in 12 equal monthly instalments on the last day of each month, of which approx. EUR 5 million p.a. will be charged to financial costs. Through the agreement a single impact (in the amount of EUR 5.4 million) on the result of the German subsidiary of CIECH S.A. has been recognised, connected with the updating of the book value of the heat and power plant. In connection with the tenancy of the heat and power plant, renegotiation of the credit agreement had to be conducted between Soda Deutschland Ciech and Commerzbank referred to in the Current Report of the Issuer No. 75/2011. As a result of it financial costs of German companies will increase by approx. EUR 1 million p.a. The information was announced in Current Report no. 6/2012 of February 2nd, 2012.
- Analyses performed pursuant to the decision of the Management Board of CIECH S.A. of February 21st, 2012 concerning the methods of merging the companies JANIKOSODA S.A. and SODA MĄTWY S.A. with CIECH S.A. pointed to the possibility of applying a merger method better from the point of view of the involved companies than the one stipulated in the previously adopted Merger Plan. Acting in accordance to the above, the Management Board of CIECH S.A. adopted a resolution on August 27th, 2012 on the approval of the Division Plans and the reports justifying the divisions of companies SODA MĄTWY S.A. and JANIKOSODA S.A.
  The division will be performed within the terms of Article 529 § 1 item 4 of the Code of Commercial Companies through transferring part of the assets of JANIKOSODA S.A. and part of the assets of SODA MĄTWY S.A. (divided companies) to CIECH S.A. (acquiring company) in the form of an organised part of the enterprise – the Soda Department (division by separation).
  Due to the start of the division of JANIKOSODA S.A. and of SODA MĄTWY S.A. in accordance to the rules set out in the Division Plan of SODA MĄTWY S.A., and the Division Plan of JANIKOSODA S.A., the Management Board of CIECH S.A. withdrew from performing the merger of CIECH S.A. with SODA MĄTWY S.A. and JANIKOSODA S.A. on the basis of:
  - the merger plan of CIECH S.A., SODA MĄTWY S.A. and JANIKOSODA S.A. agreed by the Management Boards of CIECH S.A., SODA MĄTWY S.A. and JANIKOSODA S.A. on August 29th, 2011
  - the resolution of the Extraordinary General Meetings of CIECH S.A., SODA MĄTWY S.A. and JANIKOSODA S.A. on the merger of CIECH S.A., SODA MĄTWY S.A. and JANIKOSODA S.A.

  The information was announced in Current Report no. 31 of August 28th, 2012.

Corporate Centre:

- On January 19th, 2012, the Extraordinary General Meeting of CIECH S.A. dismissed the following Members of the CIECH S.A. Supervisory Board:
  - ✓ Jacek Goszczyński,
  - ✓ Krzysztof Salwach.

  Moreover, on January 19th, 2012, the Extraordinary General Meeting of CIECH S.A. appointed the following Members of the CIECH S.A. Supervisory Board:
  - ✓ Dariusz Krawczyk,
  - ✓ Mariusz Obszyński.

- On April 26th, 2012, the Extraordinary General Meeting of CIECH S.A. appointed the following Members of the CIECH S.A. Supervisory Board:
  - ✓ Zygmunt Kwiatkowski,
  - ✓ Maciej Lipiec.

  Moreover, on April 26th, 2012, the Extraordinary General Meeting of Shareholders of CIECH S.A. dismissed from the Management Board of CIECH S.A.:
  - ✓ Ryszard Kunicki – President of the Management Board,
  - ✓ Andrzej Bąbaś – Member of the Management Board,
  - ✓ Rafał Rybkowski – Member of the Management Board.

  On April 27th, 2012, the Supervisory Board of CIECH S.A. adopted a resolution to delegate the Members of the Supervisory Board: Dariusz Krawczyk – to act temporarily as President of the CIECH S.A. Management Board until the General Meeting supplements the composition of the Management Board to the minimum number specified in Articles of Association of CIECH S.A., but no longer than for three months, and Maciej Lipiec to act temporarily as Member of the CIECH S.A. Management Board until the General Meeting supplements the composition of the Management Board to the minimum number specified in Articles of Association of CIECH S.A., but no longer than for three months.
- On May 24th, 2012, the CIECH S.A. Supervisory Board adopted the resolution on the appointing the KPMG Audyt Sp. z o.o., with its seat in Warsaw, ul. Chłodna 57, registered in the register of entities authorized to audit financial statements kept by the National Council of Statutory Auditors under no. 458, as a certified auditor to audit the Financial Statements of CIECH S.A. for 2012 and the Consolidated Financial Statements of Ciech Capital Group for 2012. The Supervisory Board authorized the CIECH S.A. Management Board to conclude an agreement with KPMG Audyt Sp. z o.o. KPMG Audyt Sp. z o.o. provided audit services to CIECH S.A. and the Ciech Capital Group for the year 2011. Earlier cooperation between CIECH S.A. and the KPMG Audit Sp. o.o. took place in 2008. The scope of services included counselling for the consolidation and accounting for business transactions in accordance with the International Financial Reporting Standards.
- On May 28th, 2012, the Extraordinary General Meeting of CIECH S.A. appointed the following Members of the CIECH S.A. Management Board:
  - ✓ Dariusz Krawczyk – as President of the Management Board of CIECH S.A.
  - ✓ Andrzej Kopeć – as Member of the Management Board of CIECH S.A.
- On May 28th, 2012, Dariusz Krawczyk resigned from the post of Member of the Supervisory Board of CIECH S.A. due to his appointment as President of the Management Board of CIECH S.A.
- On May 30th, 2012, CIECH S.A. withdrew from the conditional agreement on the sale of shares of POLFA Sp. z o.o. concluded with Invest Pharma Sp. z o.o. with its seat in Warsaw on July 15th, 2011. The withdrawal was caused by the failure to fulfil the condition of securing funds for the payment of the Sale Price by Invest Pharma and the failure to prove that such amount was secured.
- On June 29th, 2012, CIECH S.A. concluded a conditional agreement on the sale of shares of POLFA Sp. z o.o. with BM Medical S.A. The conclusion of the transaction requires that:
  - ✓ CIECH S.A. receives from the Bank Consortium a document proving the withdrawal of POLFA Sp. z o.o. from the Loan Agreement.
  - ✓ BM Medical S.A. secures funds to pay the Sale Price and proves that such amount was secured.
  - ✓ CIECH S.A. receives a document from the bank proving that a bank deposit was opened in that bank in the amount of the borrowings and makes an instruction to irrevocably block funds in the amount of the borrowings.
  - ✓ Presentation to BM Medical S.A. of up-to-date statements on no arrears in payments of taxes, social security contributions and other statutory benefits by POLFA Sp. z o.o.
- On August 29th, 2012, an Extraordinary General Meeting of CIECH S.A. took place, and its agenda covered, among other points:
  - ✓ Submission of the CIECH S.A. Management Board's motion concerning the issue of collateralised domestic bearer bonds up to the value of PLN 500,000,000.
  - ✓ Submission of the CIECH S.A. Management Board's motion concerning the issue of collateralised foreign bearer bonds up to the value of EUR 300,000,000.
  - ✓ Submission of the CIECH S.A. Management Board's motion concerning a change in the Articles of Association of CIECH S.A.
  - ✓ Adoption of resolutions concerning the issue of collateralised bearer bonds:
    - o to a maximum value of PLN 500,000,000 (domestic bonds),
    - o to a maximum value of EUR 300,000,000 (foreign bonds).
  - ✓ Adoption of resolutions concerning a change in the Articles of Association of CIECH S.A. and the authorisation of the CIECH S.A. Supervisory Board to compile the consolidated text of the changed Articles of Association of CIECH S.A.

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

2. Description of achievements of the Ciech Group in the period between January 1st and June 30th, 2012 and description of factors and events that have a significant impact on the financial result

2.1 Basic financial figures

In H1 2012 the Ciech Group generated net profit amounting to PLN -345,150 thousand, the balance sheet total amounted to PLN 3,862,870 thousand and net cash increased by PLN 56,444 thousand.

The table below presents selected financial figures and basic financial ratios for H1 2012 and H1 2011.

Selected figures

PLN '000	**01.01.-30.06.2012**	*including discontinued operations*	**01.01.-30.06.2011**	*including discontinued operations*	**Change 2012/2011**
Net revenues from sales	**2,292,550**	***51,596***	**2,137,113**	***114,886***	**7.3%**
Cost of sales	1,958,431	*41,363*	1,828,947	*71,993*	7.1%
Gross profit on sales	334,119	*10,233*	308,166	*42,893*	8.4%
Selling costs	143,471	*4,832*	140,726	*17,018*	2.0%
General and administrative expenses	101,380	*5,475*	109,432	*13,916*	(7.4%)
Other operating revenues/costs	(320,682)	*144*	11,275	*(1,531)*	-
Operating profit	**(231,414)**	***70***	**69,283**	***10,428***	-
Financial revenues/costs	(105,108)	*(596)*	(60,095)	*(4,827)*	**74.9%**
Share of net results of subsidiaries evaluated using the equity method	439	-	123	-	256.9%
Income tax	(9,067)	*(161)*	7,292	*(1,990)*	-
Result on sales attributable to discontinued operations	-	-	(11,715)	*(11,715)*	-
Net result	**(345,150)**	***(687)***	**4,888**	***(8,104)***	**-**
Net result attributed to non-controlling interest	(7,772)	-	3,053	*374*	-
Net result attributable to shareholders of the parent	**(337,378)**	***(687)***	**1,835**	***(8,478)***	**-**
EBITDA	(107,776)	*70*	178,371	*537*	-
Normalised EBITDA*	225,746	*70*	163,861	*537*	37.8%

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

PLN '000	**30.06.2012**	**31.12.2011**	**30.06.2011**	**Change 30.06.2012/ 31.12.2011**
Assets	**3,862,870**	**4,075,196**	**3,986,546**	**(5.2%)**
Fixed assets	2,528,561	2,685,892	2,456,538	(5.9%)
Current assets, including:	1,334,309	1,389,304	1,530,008	(4.0%)
- inventory	291,795	356,619	330,673	(18.2%)
- current receivables	794,687	828,358	780,279	(4.1%)
- cash and cash equivalents	207,539	145,805	379,359	42.3%
- short-term investments	1,038	1,505	463	(31.0%)
- assets held for sale	39,250	57,017	39,234	(31.2%)
Total equity	**960,832**	**1,315,131**	**1,271,399**	**(26.9%)**
Equity attributable to shareholders of the parent	968,740	1,317,151	1,245,758	(26.5%)
Non-controlling interest	(7,908)	(2,020)	25,641	291.5%
Non-current liabilities	821,104	685,214	1,634,827	19.8%
Current liabilities	2,080,934	2,074,851	1,080,320	0.3%

PLN '000	**01.01.-30.06.2012**	**01.01.-30.06.2011**	**Change 2012/2011**
Net cash flows from operating activities	121,708	(64,018)	-
Net cash flows from investment activities	(140,499)	85,049	-
Net cash flows from financial activities	75,235	153,403	(51.0%)
Total net cash flows	**56,444**	**174,434**	(67.6%)
including free cash flows	***(18,791)***	***21,031***	-

	30.06.2012	31.12.2011	30.06.2011	Change 30.06.2012/ 30.06.2011
Net earnings per share	**(6.40)**	**0.03**	**0.04**	**-**
Net return	(15.1%)	0.04%	0.2%	(15.3 p.p.)
EBIT %	(10.1%)	2.8%	3.2%	(12,5 p.p.)
EBITDA %	(4.7%)	8.2%	8.3%	(12.2 p.p.)
Normalised EBITDA %*	9.8%	7.6%	7.7%	21 p.p.

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

Source: CIECH S.A.

Calculation principles:
***net earnings per share** – net earnings / weighted average number of ordinary shares in the given period (pursuant to the definition of IAS 33 "Earnings per share")*
***net return** – net profit for a given period / net revenues from sales of products, services, goods and materials in a given period*
***EBIT %** – operating profit for a given period / net revenues from sales of products, services, goods and materials in a given period*
***EBITDA %** – (operating profit + depreciation for a given period) / net revenues from sales of products, services, goods and materials in a given period*

2.2 Sales revenue

The Group's net consolidated revenues from sales for the first half-year of 2012 amounted to PLN 2,292,550 thousand. In comparison with the same period in the previous year, net sales revenue increased by PLN 155,437 thousand, i.e. 7.3%. The increase was mainly due to:

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

The agrochemical segment from the Agro-Silicon division generated lower revenues compared to H1 2011, which is related to the sale of shares in FOSFORY Group (involved in the production and sale of fertilisers) completed in 2011.
The activity of the Ciech Group concentrates on four main segments: soda, organic, agrochemical, silicates and glass. These segments generated in total more than 96% of the Group's sales revenue. The structure of revenue, by business segment, has changed in comparison with the same period of the previous year. The greatest share in the revenues for H1 2012 is attributed to the sales of soda segment products. This is the effect of the achievement of both higher volumes and higher selling prices of soda ash.
In comparison with H1 2011, the levels of sales rose in each segment except the agrochemical segment (the comparable period included the data of the FOSFORY Group sold in April 2011), which had an impact on the share of individual segments in consolidated revenues of the Ciech Group.

Sales revenue by business segment

PLN '000	H1 2012	H1 2011	change	change %	% share in total revenues of H1 2012	% share in total revenues of H1 2011
Soda segment, including:	**967,252**	**797,310**	**169,943**	**21.3%**	**42.2%**	**37.3%**
Dense soda ash	553,954	452,459	101,496	22.4%	24.2%	21.2%
Light soda ash	170,986	153,405	17,581	11.5%	7.5%	7.2%
Salt	74,831	69,784	5,047	7.2%	3.3%	3.3%
Baking soda	59,667	51,710	7,956	15.4%	2.6%	2.4%
Calcium chloride	7,929	14,004	(6,075)	(43.4%)	0.3%	0.7%
Organic segment, including:	**914,135**	**856,050**	**58,085**	**6.8%**	**39.9%**	**40.1%**
TDI	281,458	236,817	44,641	18.9%	12.3%	11.1%
Resins	243,044	250,522	(7,695)	(3.2%)	10.6%	11.7%
Polyurethane foams	101,222	97,266	3,956	4.1%	4.4%	4.6%
Plant protection chemicals	142,226	89,726	52,500	58.5%	6.2%	4.2%
Plastics	25,018	36,753	(11,735)	(31.9%)	1.1%	1.7%
EPI	40,334	55,085	(14,751)	(26.8%)	1.8%	2.6%
Agrochemical segment, including:	**110,153**	**232,970**	**(122,817)**	**(52.7%)**	**4.8%**	**10.9%**
Fertilisers	34,302	96,801	(62,499)	(64.6%)	1.5%	4.5%
Phosphorus compounds	66,573	79,859	(13,286)	(16.6%)	2.9%	3.7%
Chromium compounds	6,811	7,202	(391)	(5.4%)	0.3%	0.3%
Silicates and glass segment, including:	**219,568**	**143,890**	**75,678**	**52.6%**	**9.6%**	**6.7%**
Sulphur	135,407	65,740	69,667	106.0%	5.9%	3.1%

PLN '000	**H1 2012**	**H1 2011**	**change**	**change %**	**% share in total revenues of H1 2012**	**% share in total revenues of H1 2011**
Glass blocks and packaging	43,206	37,934	5,272	13.9%	1.9%	1.8%
Sodium glass	26,443	25,078	1,365	5.4%	1.2%	1.2%
Sodium water glass	10,622	8,708	1,914	22.0%	0.5%	0.4%
Other operations segment	**81,442**	**106,893**	**(25,452)**	**(23.8%)**	**3.5%**	**5.0%**
TOTAL, including:	**2,292,550**	**2,137,113**	**155,437**	**7.3%**	**100.0%**	**100.0%**
Discontinued operations	***51,596***	***114,886***	***(63,290)***	***(55.1%)***	***2.3%***	***5.4%***

Source: CIECH S.A.

2.3 Sales result and operating result

After the first half of 2012, gross profit from sales amounted to PLN 334,119 thousand, compared to PLN 308,166 thousand in the corresponding period of last year. Operating result amounted to PLN -231,414 thousand and PLN 69,283 thousand in the comparable period.

The positive contributors to the presented results were as follows:

- A growth of sales in the domestic chemical industry in H1 2012, compared to the corresponding period of the previous year (as per fixed prices: by ca. 12.0% in case of chemicals and chemical products and by 2.7% for rubber products and plastics).
- A dynamic growth of domestic sales of construction and assembly products, for which the chemical industry produces many raw materials and semi-finished goods (by around 8% in the 6 months of 2012 compared to the corresponding period of the previous year).
- Increase in soda ash prices on the European markets by several per cent as compared to the level in 2011 (between 7% and 8% for Western Europe).
- A downward or flat trend of the prices of power resources necessary for the production of soda ash on the European market.
- A rise of market prices in terms of the main products of the Organic Division (TDI, resins, epichlorohydrin), in particular in relation to Q4 2011. This trend is temporary and it is caused by stoppages among the competition.
- Continued high global market price level for sulphur.
- Signing of an agreement concerning the tenancy of a heat and power plant by Soda Deutschland Ciech Group companies with Vasa Kraftwerke-Pool GmbH&Co. KG.

The negative contributors to the presented results were as follows:

- A fall in electric energy prices and a rise of gas prices in Germany, which influence the production cost of soda ash in the Soda Deutschland Group.
- Significant variability of crude oil prices during the first half-year of 2012 (resulting in fluctuations or rises in prices of raw materials for organic industry), unfavourable for stable operations in the Organic Division.
- A downturn in the domestic furniture industry (compared to the previous year), which is the main recipient of polyurethane foams and (indirectly) TDI produced in the Ciech Group.

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

- Write-downs for impairment of fixed assets and other assets and provisions created in the companies of the Group, which were described in detail in point IV.9 of this report.
- Soda Polska Ciech S.A. revenues from the transaction of exchanging EUA rights for CER certificates.
- Soda Polska Ciech S.A. revenues from the transaction of exchanging EUA rights for ERU certificates.
- Revenues from the sale of voids in the Soda Deutschland Ciech Group.

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

The EBIT margin at the end of June 2012 was -10.1% (3.2% the prior year), while the EBITDA margin was -4.7% (8.3% the prior year). The EBIT margin excluding one-off events at the end of June 2012 was 4.5% (2.6% the prior year), while the EBITDA margin excluding one-off events was 9.8% (7.7% the year before).

2.4 Financing activities and net result

Financial revenues for H1 2012 amounted to PLN 5,675 thousand and recorded more than 70-per cent decrease compared to the corresponding period of the previous year, when they amounted to PLN 18,275 thousand.

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

Financial costs for H1 2012 amounted to PLN 110,783 thousand and recorded more than 40-per cent rise compared to the corresponding period of the previous year, when they amounted to PLN 78,370 thousand.

Negative contributors to the area of financial activities were as follows:

- As a result of an agreement between Soda Deutschland Ciech Group companies and VASA Kraftwerke – Pool GmbH&Co. concerning the tenancy of the heat and power plant, a one-off impact on the SDC Group's result was recognised, connected with the revaluation of the book value of the heat and power plant in the amount of PLN 22,944 thousand (after taking into account the deferred tax, the impact on the net result was PLN -16,438 thousand).
- Continuous substantial costs of servicing external debt, including interest for loans and bonds and financial lease, which is associated with high external debt.

Consolidated net result for H1 2012 amounted to PLN -345,150 thousand, including the net result of the shareholders of the parent in the amount of PLN -337,378 thousand. This result was influenced by an operating loss related mainly to the recorded write-downs on assets and provisions created in the companies of the Ciech Group for the amount of PLN 345,527 thousand. The total impact of the write-downs mentioned in point IV.9, after taking into account the deferred tax, charge to the result of the cost of arranging an investment loan in the EBRD and the write-down on assets on deferred tax amounted to PLN 359,370 thousand. Moreover, the result on financial activities is also negative, and it was mostly influenced by debt servicing costs, in particular by interest on loans.

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

Financial performance by type of business

PLN '000	**01.01.-30.06.2012**	**01.01.-30.06.2011**	**Change 2012/2011**
1. Operating profit	(231,414)	69,283	-
2. Net financial revenues/costs	(105,108)	(60,095)	74.9%
3. Share in net profit of subsidiaries valued under the equity method	439	123	256.9%
4. Income tax	(9,067)	7,292	-
5. Profit on sales from discontinued operations	-	(11,715)	-
6. Net result (1+2+3+4+5)	**(345,150)**	**4,888**	**-**
7. Result attributed to non-controlling shareholders	(7,772)	3,053	-
8. Profit attributable to shareholders of the parent (6-7)	**(337,378)**	**1,835**	**-**

Source: CIECH S.A.

2.5 Assets

At the end of June 2012 the fixed assets of the Group amounted to PLN 2,528,561 thousand. As compared to the balance as at December 31st, 2011, the value of fixed assets decreased by PLN 157,331 thousand, which is related to write-downs for impairment of tangible fixed assets in the Ciech Group described in detail in point IV.9 of this report. On the other hand, the companies of the Group continue to implement the planned investment processes, which is reflected at the level of capital expenditures for tangible fixed assets, which amounted to ca. PLN 150 million.

The Group's current assets amounted to PLN 1,334,309 thousand as at June 30th, 2012. The following items dominated among the current assets: trade and other receivables – 59.2% of current assets, and inventory – 21.9%. In comparison to the end of December 2011 the value of current assets decreased by PLN 54,995 thousand.

2.6 Liabilities

The Ciech Group's liabilities (non-current and current) as at June 30th, 2012 amounted to PLN 2,902,038 thousand, which is an increase in comparison with the end of December 2011 by PLN 141,973 thousand (i.e. 6.9%). Compared to December 31st, 2011, the value of liabilities due to loans and borrowings increased by PLN 12,290 thousand. The total debt ratio (current and non-current liabilities / total assets) was 75.1% as at June 30th, 2012 (67.7% at the end of December 2011). The consolidated net debt of the Group calculated as the sum of non-current and current liabilities due to loans, borrowings and other debt instruments (bonds + financial lease + liabilities due to derivatives) decreased by cash and cash equivalents amounted to PLN 1,057,853 thousand as at June 30th, 2012 and decreased in comparison with the balance as at the end of December 2011 by PLN 47,215 thousand.

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

2.7 Cash flows

Total net cash flows were positive in the first half of 2012, amounting to PLN 56,444 thousand. As compared to the same period of the previous year the Group generated cash flows lower by PLN 117,990 thousand. Cash flows from operating activities amounted to PLN 121,708 thousand and were higher than the ones generated in the period between January and June 2011 by PLN 185,726 thousand.
The surplus of investment expenditure over inflows amounted to PLN 140,499 thousand and was higher in relation to the same period in 2011 when the balance of cash flows from investment activities was positive and amounted to PLN 85,049 thousand. The balance of cash flows from investment activities was influenced mainly by transactions of purchase and disposal of intangible assets and tangible fixed assets in SODA MĄTWY Group, ZACHEM Group, Z. Ch. “Organika-Sarzyna” S.A. in relation with the implemented development projects.
Net cash from financial activities was positive and amounted to PLN 75,235 thousand. However, in relation to the corresponding period of 2011, these were lower by PLN 78,168 thousand, which was a result of cash inflows generated in Q1 2011 from share issue.

2.8 Information about the Ciech Group’s financial standing

Profitability in H1 2012
Sales profitability ratios for the Ciech Group in the first half-year of 2012 were at a higher level than the results achieved in 2011. The positive impact of the increase in soda ash prices is still visible in the soda segment and the organic segment also shows an upward trend in the prices of its main products. On the other hand, operating profit margin is negative due to write-downs for impairment of tangible fixed assets at the level of other operating activities.

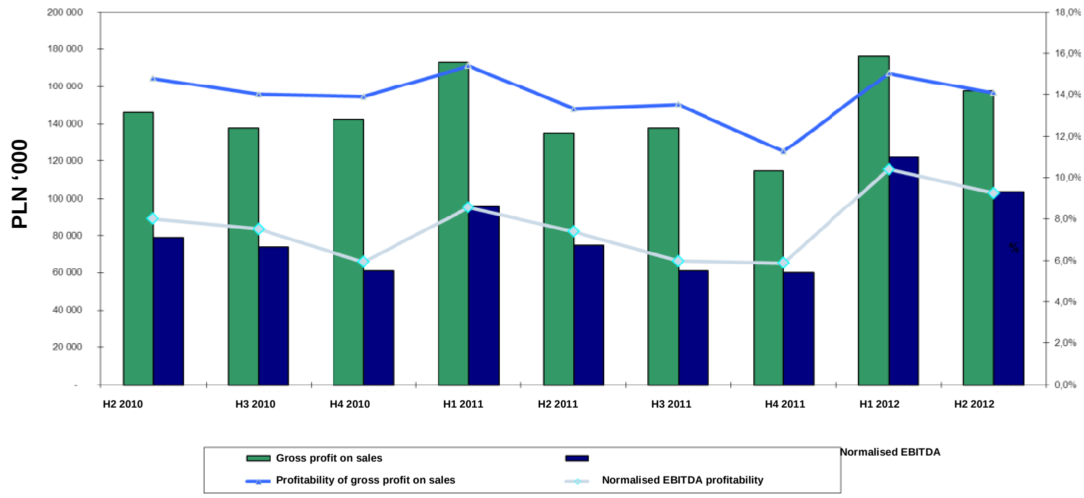
Return ratios of the Ciech Group

Item	01.01.-30.06.2012	01.01.-30.06.2011
Gross return on sales	14.6%	(14.4%)
Return on sales	3.9%	2.7%
Operating profit margin	(10.1%)	3.2%
EBITDA profitability	(4.7%)	8.3%
Operating profit margin (normalised*)	4.5%	2.6%
EBITDA profitability normalised*	9.8%	7.7%
Net return on sales (ROS)	(15.1%)	0.2%
Return on assets (ROA)	(8.9%)	0.1%
Return on equity (ROE)	(35.9%)	0.4%

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

Calculation principles:
gross return on sales *– gross sales profit for a given period / net sales of products, services, goods and materials,*
return on sales *– sales profit for a given period / net sales of products, services, goods and materials,*
operating profit margin *– operating profit for a given period / net sales of products, services, goods and materials,*
return on sales (ROS) *– net profit for a given period / net sales of products, services, goods and materials,*
return on assets (ROA) *– net profit / total assets at the end of a given period,*
return on equity (ROE) *– net profit for / total equity at the end of a given period.*

Profitability levels of the Ciech Group



Normalised EBITDA – excluding one-off events described in separate quarters
Source: CIECH S.A.

Liquidity of the Group and working capital

Liquidity ratios as at the end of H1 2012 stayed at the level from the end of 2011 and are still below 1. The current ratio, calculated as the ratio of total current assets to total current liabilities, amounted to 0.64 as at June 30th, 2012 (0.67 at the end of 2011), while the quick ratio amounted to 0.50 (0.51 at the end of 2011). This is caused by the financing structure (large share of short-term loans). Due to the violation as at June 30th, 2012 of the level of the ratios under the consortium loan agreement, the long-term liabilities resulting from this agreement have been presented as short-term.

Liquidity ratios of Ciech Group

Item	30.06.2012	31.12.2011	30.06.2011
Current ratio	0.64	0.67	1.42
Quick ratio	0.50	0.51	1.11

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

Ability to generate cash flows

Item	30.06.2012	30.06.2011
Financial surplus (net profit + amortisation)	(221,512)	113,976
Other net profit adjustments	344,107	(68,211)
Adjusted financial surplus	**122,595**	**45,765**
Change in working capital	**(887)**	**(109,783)**
Cash flows from operating activities	121,708	(64,018)
Cash flows from investment activities	(140,499)	85,049
Free cash flows	**(18,791)**	**21,031**

In H1 2012, the Ciech Group generated negative free cash flows, i.e. it was unable to finance its investment expenditure with cash flows created within its operating and divestment activities. The adjusted financial surplus did not reach the required level so as to allow for generating positive free cash flows.

Working capital, defined as the difference between current assets and current liabilities adjusted by appropriate balance sheet items (cash and short-term loans), as at the end of June 2012 amounted to PLN 156,897 thousand, which is a decrease by PLN 53,732 thousand compared to the end of 2011.

Working capital of the Ciech Group

Item	30.06.2012	31.12.2011
1. Current assets, including:	**1,334,309**	**1,389,304**
Inventory	*291,795*	*356,619*
Trade receivables	*567,367*	*543,839*
2. Cash and other short-term investments	208,577	147,310
3. Adjusted current assets (1-2)	**1,125,732**	**1,241,994**
4. Current liabilities, including:	2,080,934	2,074,851
Trade liabilities	*609,531*	*588,780*
5. Short-term loans and other current financial liabilities*	1,112,099	1,043,486
6. Adjusted current liabilities (4-5)	**968,835**	**1,031,365**
7. Working capital including short-term loans (1-4)	**(746,625)**	**(685,547)**
8. Working capital (3-6)	**156,897**	**210,629**

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

Indebtedness

The acquisitions conducted in 2006 and 2007 that led to an increase in the assets of the Ciech Group were mainly financed through an investment loan and bond issue. Additionally, the investments made in 2008 were financed with a short-term loan. These actions contributed to an increase in the debt ratio in the following years.
During the first half-year of 2012, the Ciech Group debt increased as compared with the end of 2011 as a result of receiving another tranche of the consortium loan funds. The debt rate increased from 67.8% to 75.1%. At the same time, the relative net debt level (net financial liabilities recognised under EBITDA) changed substantially as compared to the level of December 2011 due to write-downs for impairment of tangible fixed assets in the companies comprising the Ciech Group.

Debt ratios of Ciech Group

Item	30.06.2012	31.12.2011	30.06.2011
Debt ratio	75.1%	67.7%	68.1%
Long-term debt ratio	21.3%	16.8%	41.0%
Debt to equity ratio	302.0%	209.9%	213.6%
Equity to assets ratio	24.9%	32.3%	31.9%
Net debt / EBITDA	19.3	3.24	2.57
Net debt / normalised EBITDA*	2.80	3.50	2.81
Net debt/EBITDA – measured according to the calculation in the loan agreement	4.10	4.00	3.45

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

Calculation principles:
debt ratio *– current and non-current liabilities / total assets; measure of the share of external funds in financing company's activities.*
long-term debt ratio *– non-current liabilities / total assets; measure of the share of non-current liabilities in financing company's activities.*
debt to equity ratio *– total liabilities / equity.*
equity to assets ratio *– equity / total assets; measure of the share of equity in financing company's activities.*
Net debt *– liabilities on loans and borrowings raised plus current account debit and other debt instruments (financial lease (excluding sale and lease back) + liabilities on derivatives) less cash and cash equivalents.*

- **Information about the ratios included in loan agreements**

No loan agreement was called to maturity and no deadlines of repaying capital or interest due to financial liabilities recognised in the balance sheet were violated in the period covered by these statements.

As at June 30th, 2012, according to the Company's calculations, the levels of ratios required by the Loan Agreement dated February 10th, 2011 were not achieved:

- the debt level to operating results plus depreciation / amortisation ratio (total consolidated net debt to consolidated EBITDA* as measured for the Ciech Group, excluding German subsidiaries) amounted to 4.1 in relation to a maximum level of 3.1 required by the Loan Agreement in a one-year ratio testing period ended on June 30th, 2012,

- the debt service coverage ratio (cash available for servicing debt to total consolidated debt service as measured for the Ciech Group, excluding German subsidiaries) amounted to 0.1 in relation to a minimum level of 0.7 required by the Loan Agreement in a one-year ratio testing period ended on June 30th, 2012.

On May 21st, 2012, CIECH S.A. applied to the lenders within the terms specified in the Loan Agreement for the annulment of the requirement to achieve the level of the ratios as at June 30th, 2012.

Pursuant to a letter dated August 30th, 2012, the lenders waived the right to claim a breach of agreement resulting from the violation of the financial ratio on certain conditions, i.e. that:

- the financial leverage ratio in the calculation period ending on June 30th, 2012 will not be higher than 4.50,
- the debt service coverage ratio will not be lower than 0.00,
- CIECH S.A. will pay a waiver fee to the lenders.

As a result of the assessment of assets for impairment, the Management Board of ZACHEM S.A. found that there was a significant loss of book value of tangible fixed assets of ZACHEM S.A., which may reflect the fact that the liabilities of ZACHEM S.A. (including ZACHEM S.A.'s liabilities to CIECH S.A. due to borrowings made to ZACHEM S.A.) exceed the real value of its assets and it fulfils the preconditions stipulated in Article 11 section 2 of the Corporate Bankruptcy and Reorganisation Act, which would constitute a breach of the loan agreement. In a letter of August 30th, 2012, the lenders waived at the request of the Company the right to claim a breach of the Loan Agreement due to the aforementioned circumstances until September 30th, 2012 and on condition that the Company pays a waiver fee. The Company looks to eliminate the said precondition until September 30th, 2012. Therefore it took preventive measures in the form of starting the process whereby it converts the debts of ZACHEM S.A. to CIECH S.A. related to the borrowings granted to the Company by CIECH S.A. into shares in the increased share capital of ZACHEM S.A. In order to achieve it, it convened an Extraordinary General Meeting of Shareholders for September 20th, 2012 with an increase of the share capital of ZACHEM S.A. on the agenda. In relation thereto the Company foresees that after September 30th, 2012, i.e. after the waiver period stipulated by the lenders, the precondition leading to a breach of the Loan Agreement will have ceased to exist.

In relation to the breach of the above mentioned conditions, the debt of PLN 514,941 thousand resulting from the Loan Agreement was recorded in the financial statements as short-term liability.

Debt financing of the Group

Debt financing of the Group is secured mainly through:

- loans provided to CIECH S.A. and S.C. US Govora – Ciech Chemical Group S.A. pursuant to consortium loan agreement dated February 10th, 2011 (as at June 30th, 2012 — the outstanding debt of ca. PLN 759 million),
- bonds issued by CIECH S.A. (as at June 30th, 2012 — the outstanding debt of PLN 300 million),
- loans provided to Soda Deutschland Ciech GmbH under a loan agreement with Commerzbank AG (as at June 30th, 2012 – the outstanding debt of ca. EUR 48 million).

In relation to the redemption date of bonds in the amount of PLN 300 million (PLN Bonds) scheduled for December 14th, 2012 and in order to optimise the structure of the Group's debt financing, the Company began preparations for the issue of new bonds on the domestic and foreign markets. Both issues are scheduled for the fourth quarter of 2012.

CIECH S.A. plans to issue new collateralised (generally equally to the consortium loan agreement) bonds denominated in PLN with a planned 5-year maturity ("New PLN Bonds"). The maximum planned issue value is PLN 500 million. The proceeds from this issue will be allotted for the redemption of unsecured PLN Bonds and, in the case of a surplus over PLN 300 million, for refinancing loans granted in accordance with the consortium loan agreement.

Moreover, the Company prepares an issue of new collateralised (equally to the Loan Agreement) bonds denominated in EUR with a planned 7-year maturity, which will be distributed on the international market ("New EUR Bonds"). The maximum planned issue value is EUR 300 million.

The main effect of the issues of New EUR Bonds and New PLN Bonds will be to refinance a part of the current Ciech Group debt through the issue of collateralised debt securities, and to achieve a stable long-term financing structure adjusted to the needs and capacities of the Ciech Group. An important goal of the issues of New EUR Bonds is to increase the sum of debt financing denominated in EUR, which would allow a reduction of currency risk exposure resulting from a long position in the EUR of operating cash flows generated by the Group.

Consortium loan agreement dated February 10th, 2011

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

Loans granted

The following loans were released pursuant to the Loan Agreement:

1. A dual currency refinance fixed-term loan in PLN and EUR on a total amount of PLN 696 million, granted by the Commercial Banks ("Fixed-term Loan") in order to refinance debt following from the loan agreement of April 26th, 2010, whereby 25% of the amount of the Fixed-term Loan was used in EUR; the loan was disbursed on September 29th, 2011.

2. A multi-currency revolving (renewable) loan (also available in the form of guarantees and letters of credit) of a total amount of PLN 100 million granted by Commercial Banks (“Renewable Loan”); the loan was disbursed on September 29th, 2011.
3. An additional guarantee line amounting to EUR 9.6 million granted to the benefit of S.C. CET Govora S.A. by Bank Polska Kasa Opieki S.A. (“Pekao Additional Guarantee Line”).
4. A fixed-term investment loan in EUR on an equivalent of PLN 300 million granted by the EBRD (“Investment Loan”) in order to finance and refinance capital expenditure of the Ciech Group within an investment programme, subject to a required own contribution of at least 40% of financed or refinanced capital expenditure borne since the day of signing the Loan Agreement. Due to a failure to fulfil the required conditions precedent to the payment of the Investment Loan (including conditions precedent assessed for the period ending on June 30th, 2012), the Investment Loan cannot be released and the Company is negotiating an annex to the Loan Agreement under which different conditions for the payment of the EBRD loan will be indicated or the EBRD will cease to be a party of the Loan Agreement.

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

**For the purposes of calculating the ratios measured in accordance to the Loan Agreement, the EBITDA is measured excluding the profits or losses related to the increase (or decrease) of the value of assets due to revaluation after December 31st, 2010.*

Loan repayment conditions

Main terms of loan repayment:

- amortisation of the loans in the amount specified in a schedule to the Loan Agreement for the period from December 30th, 2011 until March 31st, 2016,
- obligatory early repayment of loans is required under the following circumstances:
  - change of control – in the total amount of the loans granted if (a) the State Treasury ceases to be the shareholder of at least 10,270,800 shares in CIECH S.A. and shares subscribed for as part of the rights issue, (b) any third party other than the State Treasury becomes the majority shareholder of CIECH S.A. and holds at least 50% of the issued share capital of CIECH S.A., or (c) any third party other than the State Treasury or a group of persons acting in concert gains control over CIECH S.A., provided that the change of control at the consent of the majority of the consortium banks specified in the agreement or upon the fulfilment of additional conditions, including the level of net debt ratio to the operational results increased by the amortisation (EBITDA) does not result in the obligation of the mandatory prepayment of the loans;
  - increase of the share capital – the prepayment of the loans in the amount of proceeds obtained from the public offering or another increase of the share capital of CIECH S.A. or of the Ciech Group Material Members specified in the agreement (i.e. guarantors, selected Ciech Group companies and Ciech Group companies with the value of net assets exceeding PLN 25 million), provided that after the fulfilment of the additional conditions, including the level of net debt ratio to the operational results increased by the amortisation (EBITDA), the increase of the share capital and proceeds obtained thereunder do not result in the obligation of the mandatory prepayment of the loans;
  - excess cash flow – if any quarterly financial statements of CIECH S.A. (starting with the quarterly financial statements for the period ending on December 31st, 2013) demonstrate that the average of cash balances at the end of each quarter in the calendar year exceeds the thresholds provided for in the Loan Agreement for each period – the prepayment of the loans in the amount of such excess cash flow;
  - sale of assets of Alwernia S.A. and VITROSILICON S.A. or sale of shares in these companies – allocation of the aggregate amount of net proceeds from the sales in a given quarter to the prepayment of the loans (subject to specific exceptions indicated in the Loan Agreement);
  - material proceeds under any insurance policy for any loss or damage to its assets or business, to the extent such amounts are not used to replace or repair the assets (subject to specific exceptions indicated in the Loan Agreement);
  - illegality on the part of the Commercial Banks or EBRD;
  - proceeds from future financing replacing the existing financing with bonds issued by CIECH S.A. in December 2007 with the value of PLN 300 million, in the amount not exceeding the value of the bonds as at the date of signing of the Loan Agreement – the Loan Agreement allows (a) for the bonds to be redeemed without obtaining additional financing; and (b) if additional refinancing of bonds is obtained the Loan Agreement stipulates prepayment of the loans in the amount equal to the amount of the refinanced indebtedness under the bonds;
  - proceeds from the financing replacing the loans obtained under bilateral loan agreements entered into between CIECH S.A. and the following banks: Credit Agricole Corporate and Investment Bank S.A. Branch in Poland, BNP Paribas S.A., Branch in Poland and Fortis Bank S.A. (currently, BNP Paribas Bank Polska S.A.) – the Loan Agreement allows (a) repayment of the financing under the bilateral loan agreements, (b) accession of the above banks to the Loan Agreement or (c) obtaining refinancing from other banks and prepayment of the loans made available under the Loan Agreement in the aggregate amount equal to the total amount of the refinancing;
- final repayment date for Fixed-term Loan and Renewable Loan and Investment Loan – March 31st, 2016; final repayment date for the Pekao Additional Guarantee Line – December 31st, 2014

Security of the repayment of the loans:
The loans granted under the Loan Agreement will be secured by:
- mortgages established on the Companies' and CIECH S.A.'s real property,
- registered and financial pledges over shares in the Companies and over shares in Soda Deutschland Ciech GmbH held by CIECH S.A.,
- registered pledges over movables and other assets of the Companies and CIECH S.A.
- financial pledges over bank accounts of the Companies and CIECH S.A.,
- assignments of rights under insurance policies issued in relation to the assets that are the subject of collaterals and conditional assignments of rights under intragroup loans or another type of credit instruments which will be used to distribute funds under the loans to the Companies and material commercial contracts of the Companies and CIECH S.A.
- sureties granted by the Companies and CIECH S.A.,
- statements on the submission to execution by the Companies and CIECH S.A.,
- power of attorney to access the Companies' and CIECH S.A.'s bank accounts,

Other material terms of the Loan Agreement:
On the basis of the Loan Agreement, CIECH S.A. and the Companies undertook furthermore, in particular that they:
- will keep the levels of the financial ratios specified in the Loan Agreement, measured for the Ciech Group without the Soda Deutschland Ciech Group, tested quarterly: (i) debt level to operating results plus depreciation / amortisation ratio (consolidated total net debt to consolidated EBITDA); (ii) debt to share capital ratio (consolidated total debt under chosen facilities and bonds to the amount of the share capital of CIECH S.A.); (iii) debt service coverage ratio (iv) guarantor coverage ratio (value of the turnover and gross assets of the loan guarantors in relation to the turnover and gross assets of the Ciech Group without the Soda Deutschland Ciech Group) and (v) the minimum level of cash;
- will not establish new collaterals except for the permitted collaterals specified in the Loan Agreement,
- will not dispose of their assets, except for the disposals specified in the agreement (including the sale of a specified catalogue of assets designated for sale and disposals provided for in the investment programme of the Group),
- will not announce or perform any dividend payout, except for the companies in which CIECH S.A. holds at least 75% direct or indirect control and Alwernia S.A.;
- will not assume financial indebtedness and grant borrowings or guarantees and sureties except for the permitted financial indebtedness,
- will make capital expenditures to the extent permitted by the Loan Agreement and investment programme of the Group;
- will not enter into a derivative transaction, except for the transactions permitted as part of the policy to secure financial risks accepted by the consortium banks;
- if circumstances specified in the Loan Agreement occur – will establish registered pledges.

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

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

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

The Ciech Group did not publish any forecasts for 2012.

5. Factors that influence the Ciech Group's results, with particular focus on the next half-year

5.1 External factors

Situation in industries being the Ciech Group's recipients in Poland
Poland is a significant selling market for the Ciech Group. The largest domestic recipients of the Group include: the glass industry, the chemical industry, plastics industry, furniture industry, agriculture, and food industry. Development

in these economic sectors depends on the economic situation in Poland. Sold industrial production in fixed price terms over 6 months of 2012 increased by 3.8% compared to the corresponding period of the previous year (analogous to a 7.4% increase in 2011). Similarly, the dynamics of the chemical industry indicated: in the production of chemicals and chemical products (excluding pharmacy) – an increase of 12.0% and in the production of rubber products and plastics – an increase of 2.7%. In the same period, pharmaceutical production decreased by 8.0%. After a significant acceleration of Polish economic growth in 2010-2011 (with an annual GDP growth of 4%) in the coming years slowdown to 2.5%-3% in 2012 and above 3% in 2013 is expected. A similar tendency should be expected in the chemical industry which usually develops in line with the whole economy.

Economic situation in Europe and around the world
Group's business is largely based on the sales of chemical products on foreign markets. The volume and profitability of sales depend on the global economic situation in Europe and around the world. A global economic slump usually affects the demand for raw materials on international markets, thus reducing the export turnover of the Group.
In 2011, the largest countries in Asia, Central and Eastern Europe and Latin America developed relatively fast. According to estimates by the International Monetary Fund, global GDP grew by 3.9% in 2011. In 2012, a decline of the GDP growth rate to the level of 3.5% is anticipated worldwide, as well as stagnation in the EU.
After significant increases in chemical production in 2010 (globally by about 10% according to the American Chamber of Chemical – ACC, the EU also by about 10% according to the European Chemical Industry Council – CEFIC) in 2011 there was a marked reduction in the rate of growth (3.5% and 1.3% accordingly). The CEFIC predicts that chemical production in the European Union in 2012 will merely reach last year's levels. Some growth, in the area of 2%, is foreseen for 2013.

Financial situation of agriculture
A portion of the Group's revenues covering fertilisers and plant protection chemicals is generated by sales to the agricultural sector. In the Group's opinion, in the long-term, the volume of demand for chemical products for agriculture in Poland and Central and Eastern Europe should continue to grow. The material factors favouring an increase in the consumption of agrochemicals in Poland and thus the demand for products manufactured by the Group are processes improving the financial situation and profitability of agricultural production, including: production quoting and direct subsidies. It should translate into a growth of Group's revenues. On the other hand, the lack of significant improvement in the purchasing capacity of the agricultural sector may equal a stagnation in the demand for fertilisers and plant protection chemicals and as a result stagnation in the Group's revenues related to agrochemical products.
According to data supplied by Polish Institute of Agricultural and Food Economics (IERiGZ), the market conditions affecting domestic agriculture in the first half-year of 2012 were less favourable than in the corresponding period of the previous year. This resulted mainly from: a higher growth of agricultural inputs prices in comparison with the dynamics of purchase prices of agricultural produce, and a drop in potential demand. The synthetic index of economic situation in agriculture (SWKR) in June 2012 was lower than the year before (a decrease from 100.8 to 99.5). In the coming months these market conditions for agriculture should not change noticeably.

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

REACH implementation
In accordance with REACH regulation, the Group Companies which trade in substances in quantities exceeding 1 ton p.a. have completed or will complete full registration of these substances by defined deadlines, which will allow them to continue their activities within current scope. 33 heavy tonnage substances have already been registered. In the 2nd stage, i.e. by May 31st, 2013, it is planned that 23 substances in the tonnage range of 100-1000 Mg/y will be registered and in the 3rd stage, i.e. by May 31st, 2018, 95 substances introduced to the market in the volume between 1 and 100 Mg/y.

Emission trading system
The European Union, fulfilling the obligations resulting from the Kyoto Protocol, introduced at the beginning of 2005 by means of Directive 2003/87/EC the common European emissions trading system (EU ETS), being the first international cap-and-trade system in the world realised at the enterprise level and based on trading with emission allowances regarding carbon dioxide and other greenhouses gasses.
In 2008 the second five-year settlement period begun, the EU ETS II – emission allowances were allocated free of charge to individual installations based on historical emissions in the national allocation plans. Currently, 4 of the Ciech Group's companies participate in the emission trading system:

- Soda Polska Ciech S.A. – with 2 installations – in-house heat and power plants in Inowrocław and Janikowo,
- VITROSILICON S.A. – with 3 installations – glass production lines in Żary, Iłowa and Pobiedziska,

- Alwernia S.A. – with an in-house heat and power plant,
- KWG – subsidiary of Soda Deutschland Ciech GmbH, managing an in-house heat and power plant in Stassfurt.

The Group holds sufficient number of allowances to cover actual emission of carbon dioxide. A part of those allowances was sold, the rest is kept to be used within the upcoming years of the functioning of the system.
In conjunction with the amendments to the EU ETS to become effective in 2013, including the inclusion of new sectors to the system and the new principles of granting allowances based on the auction system, the companies of the CIECH Group have been preparing in advance for the implementation of the revised regulations.

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

- New rules of issuing integrated permits, connected, among others, with:
    - Change of the role of BAT reference documents (so-called BREF), the requirements of which (adopted by way of a decision of the EC – as so-called BAT conclusions) will be now legally binding, which will increase the requirements related with the environmental protection.
    - The obligation to prepare a basic report on the condition of soil and underground water and the requirement to conduct monitoring in this scope.
- New requirements for LCP installations due to the change of the definition of a source and much stricter levels of emissions of SO_2, NOx and dust, especially for facilities which are powered with coal.

In connection with an amendment to EU law regarding industrial emissions, the coming years may bring more severe conditions of using environment by business entities. The most severe consequences of these changes will be visible at Soda Polska, which will be subject to tighter emissions standards for SO_2, NOx and dust from CHP plants. The new requirements will be applicable since 2016. However, the company has already been preparing in advance for the implementation of the revised regulations.

PLN/EUR exchange rates
The Ciech Group's export sale is settled mostly in EUR. A strong EUR means higher profitability of exports, both for the Group and for other manufacturers from the chemical industry in Poland. Furthermore, it increases volumes of turnover carried out by the Group for other manufacturers. As a result, the PLN/EUR exchange rate influences profitability of sales revenues in the Group. If the Polish zloty becomes stronger against the EUR, the profitability of exports will decline, and the Group's export volumes will decrease. Currently, EUR currency exposure is partly limited through a loan in EUR. Moreover, a planned issue of bonds in EUR is to guarantee natural hedging to the Ciech Group.

5.2 Internal factors

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

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

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

Obligations related to the purchase of ZACHEM S.A., Z.Ch. "Organika-Sarzyna" S.A.:
In accordance with obligations following from Privatisation Agreements regarding ZACHEM S.A. and Z.Ch. "Organika-Sarzyna", CIECH S.A. is charged with obligations connected mainly with the implementation of investment blocks, employee guarantees and minority interest buyout options. Currently, the following obligations have not yet been realised:

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

In accordance with agreement provisions, by December 20th, 2011, the Company had to realise a total investment of PLN 176.1 million in ZACHEM S.A. The investment deadline was prolonged by three years, i.e. until 2014 for specified investment tasks (electrolysis conversion, implementation of new EPI technology, increase of TDI production capacity up to 90 thousand tonnes p.a.). Detailed information on the obligations related to the Privatisation Agreement is presented in point IV.10 of this report.

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

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

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

In accordance with agreement provisions, by December 20th, 2011, the Company had to realise a total investment of PLN 130 million in Z. Ch. “Organika-Sarzyna”. The deadline for realising the investment guaranteed in the agreement was prolonged by two years, i.e. until 2013, for one investment task (the construction of an active substance MCPA manufacturing system with accompanying infrastructure). In accordance with the Purchaser’s Final Statement as at December 31st, 2011, the investments in the required amounts have been realised.

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

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

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

In H1 2012, the Companies realised the following key investments:

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

In H1 2012, following the agreement with the European Bank for Reconstruction and Development concerning financing of investment projects in the Ciech Group, an agreement with Pöyry Finland was executed concerning advisory work during the implementation of the Energy Efficiency Management System (EEMS) and energy audits were conducted in selected Group production companies.
In H1 2012, the companies in the Ciech Group concluded two more co-financing agreements for the total amount of PLN 15 million. The total amount of subsidies granted exceeds PLN 155 million. In H1 2012, proceeds from subsides amounted to PLN 19.1 million, and in total, from the beginning of the current EU budget to the end of H1 2012 – PLN 56.4 million (refunds and advances).

6. Description of basic risks and threats connected with the remaining months of the financial year

Risk of positive trends reversal with respect to the economic growth and market change trends
The activity of the Group is connected with many segments of widely understood chemical industry, whose development is directly correlated to the economic situation country- and worldwide. After joining the European Union, Poland's economic growth was relatively high, at the level of several per cent GDP annually. The forecasts for the following years anticipate a certain decrease in the previous high growth rate resulting from a slowdown in economic growth in Europe and around the world due to the public finance crisis.
Market trends essential for the Group are linked with economic conjuncture and the pace of society's enrichment. This results from the fact that the scope of Group's target markets is very wide: construction, motorisation, furniture, paints and varnishes, household chemistry and agriculture and food processing. The risk of changing market trends for the Ciech Group is practically defined through the risk of fluctuations in the economic growth dynamics in Europe and worldwide. A deterioration in overall conjuncture may have a negative impact on the activity and financial results of the Group.

Risk of a long-term economic stagnation/recession in Europe and around the world
Group's business relies heavily on the export of chemical products, whose level and profitability depends on the global economic situation in Europe and around the world. The long-term economic downturn may lead to considerably lower foreign turnover in export and at the same time lower revenues from particular segments of the Ciech Group's activity and have negative impact on the financial results of the Group.

Currency risk
Currency risk is an intrinsic component of running commercial activity denominated in foreign currencies. Due to the nature of conducted import and export operations, the Group is subject to currency exposure connected with considerable surplus of exports over imports. Sources of currency risk which threatens companies within the Group include: product sale, purchase of raw materials, loans and borrowings raised and cash in foreign currencies. Unfavourable changes in currency exchange rates may worsen Group's financial results.

Risk of a drop in the value of domestic construction and assembly production

The chemical industry manufactures many raw materials and intermediate products intended for this type of production. Possible aggravation of economic conditions in the area of construction and assembly production may have negative influence on the demand for Group's products and, consequently, on its financial results.

Conjuncture risk in the furniture industry
The furniture industry is the main recipient of PUR foams and (indirectly) the semi-finished product used in its production – toluene diisocyanate – TDI – manufactured by the Group. Aggravated situation on the furniture market may result in falling demand for these products and lead to worsening of CIECH S.A.'s financial results.

Risk of oversupply of soda ash in Europe
At the turn of the first and second decades of this century, new soda ash production capacities were created in Europe and the neighbouring countries (more investments are still to be realised – mainly in Turkey). In the event of scheduled realisation of all investments (and major growth of supplies to the market within a relatively short period of time), significant periodic product oversupply and price decrease could occur in the region which may have negative impact on the Group's financial results.

Risk of drop in the demand for soda ash in Europe
In 2009, Europe experienced a drop in the demand for soda ash by around a dozen per cent compared to 2008. The demand drop resulted from a decreased demand from the glass industry (in particular with respect to flat glass), which is the recipient of more than half of soda supplies in Europe. The record level consumption of soda in Europe (achieved in 2008) may be expected to be recorded again not sooner than in a couple of years.
In a longer perspective, especially in the CEE region, there is a risk of decreasing consumption of soda in the packaging glass industry resulting from implementing environmentally-friendly regulations, which promote multiple use of glass packaging and using cullet in glass production process. Possible drop in the demand for soda ash may lead to decreasing prices of the product and have negative impact on Group's financial results.

Risk of a significant drop in demand in the toluene diisocyanate (TDI) segment
The Ciech Group owns the sole domestic producer of TDI – an intermediate product for the production of polyurethane flexible foam applied mainly in the furniture and automotive industry. The TDI market is a global market but in the European practice the turnover is realised mostly within the continent. Taking into account the target recipients, the situation in the sector of TDI producers is strongly dependent on the overall economic situation. A drop in the demand from TDI recipients may have negative impact on Group's financial results.

Risk of significant oversupply of TDI on the global markets
In the coming years, it is planned to considerably increase TDI production capacities in the whole world (by more than 50%). In the event of scheduled realisation of the planned investments and taking into account the forecast pace of demand growth at the level of several per cent per annum, global TDI oversupply may be expected in the first half of the second decade of this century. This could lead to a significant decrease in TDI prices and, as a result, may worsen the Group's financial results.

Main markets' competition risk
There are many domestic and foreign entities dealing with the supply of chemicals to the Polish market. There is a risk that trade conditions offered by the Ciech Group will not be competitive enough, which will lead to a decrease in chemicals' supply to the domestic market and, consequently, may result in a drop in this area of Group's revenues and have a negative impact on Group's financial results.
There are the following threats from the competition on particular product markets:

- **Soda products market**
  The Ciech Group is the only manufacturer in the area of soda products (soda ash, baking soda) in Poland and additionally in the case of soda ash practically the only supplier on the market, excluding a negligible import. A certain risk of growing eastern manufacturers may be expected. On the European market there is a risk of increased supply of cheaper soda ash from natural deposits (so-called trona) delivered by suppliers from the United States of America and Turkey. The size of this threat is dependent on the exchange rates between USD and EUR. In case of weaker USD, the competitiveness of American soda grows. A particular threat for the Ciech Group's position may be additional supplies of Turkish soda ash to the European market originating from a planned increase in exploitation of soda from natural deposits.
- **TDI market**
  Increase of competitors' production capacity on target markets of the Ciech Group (mainly in Europe and China) may worsen the Group's position as an exporter. Another hazard stems from the implementation on an industrial scale of the modern gas-related TDI production technology.
- **Epichlorohydrin market – EPI**
  In the coming years, the factor deciding on the competitiveness on the epichlorohydrin market will be the possession of the innovative production technology based on renewable and relatively cheap raw material – glycerine. Worldwide, only several companies have already implemented this technology on an industrial scale, which significantly strengthened their competitive position. The Ciech Group plans to start a pilot installation of epichlorohydrin production from glycerine in 2012. The potential delays in further implementation of such production on a larger scale may weaken the competitive position of the Ciech Group.
- **PUR foam market**

Low technical and capital barriers in entering the market may favour the emergence of new competitors in the future. In addition, recipients tend to launch their own production of PUR foam, which may not only lead to lower demand on the market but may also result in increased product supply (selling surplus production).

- **Market for unsaturated polyester resins**
  Due to lower demand on the domestic market, Italian resins manufacturers turn to foreign expansion. Possibly they will need to gain part of Polish market, which will entail fiercer domestic competition and aggravate the operating conditions for the Group. Increased competition on this market may result in worsening of Ciech Group's market position.

Raw material and product price risk

A significant portion of the Group's activity is the import and export of chemical raw materials. The raw materials markets are characterised by a cyclical nature connected with fluctuations of the global economy. The growing prices of raw materials cause a decrease in margins of trade intermediaries as well as a decrease of demand generated by recipients. On the other hand, falling prices are usually a symptom of decreasing demand and the beginning of an economic downturn. On the domestic market, raw materials are subject to similar tendencies. The maintenance of a stable pace of economic growth and stable prices of chemical raw materials will have a positive impact on the commercial activity of the Group. Considerable fluctuations of demand and prices caused either by fast economic growth or economic stagnation may have negative influence on the activity related to trading in chemical raw materials by the Group.

Basic raw materials used by the Group include: energetic resources – coal, blast-furnace coke and anthracite, used in soda ash production; organic chemicals originating from crude oil processing (TDA, toluene, propylene, Bisphenol A - BPA, styrene). Prices of energetic resources are characterised by large sensitivity to current economic conjuncture trends and grow during dynamic economic growth. There is a risk of an increase in prices of these raw materials, which will result in a significant drop in profitability of soda ash and organic chemicals produced by the Ciech Group (TDI, epichlorohydrin, resins). Fluctuations of raw materials prices, and most importantly an increase in prices, may lead to a deterioration of Group's financial results.

The Group may also suffer due to fluctuations of crude oil prices. If the uptrend continues in the future, there may be an increase in prices of raw materials for the organic industry, which may have a negative impact on the Group's financial results.

In general, there are no significant fluctuations regarding the prices for inorganic goods and products. Nevertheless, the organic segment is exposed to price risk. This is correlated with the condition of global economy, current demand and supply situation of final customers, the level of prices of basic raw materials and energy.

Risk of changes in Polish and European law regarding environmental requirements

Environmental protection regulations in Poland undergo constant changes resulting mainly from the EU ecological policy and become increasingly rigorous. Legislative changes in this scope may have a significant negative impact on the operations or financial situation of the Group. Moreover, if, due to frequent changes in environmental protection regulations, the Group does not adjust to new environmental regulations before a set deadline or within a fixed time frame, the Group, its Management Board Members or employees may be subject to administrative and civil liability and criminal liability. Non-compliance with regulatory requirements regarding environmental protection and resulting disturbance to activity and fines may have a significant negative impact on the Group's financial situation or its activity.

The development of the Ciech Group will be affected, over the next few years, by new legal requirements related to environmental protection, resulting mainly from the directive on industrial emissions (IED) and the directive establishing the EU emission trading system (EU ETS). These regulations will force the reduction of the emission of pollutants into the air and will affect the modernisation of installations, mainly in the heat and power plant in Soda Polska Ciech S.A., or replacing the currently used carbon-based fuel with a different one, of lower emission.

Risk relating to environmental protection

An identification and assessment of environmental risk relating to legal regulations and operating activity of Subsidiaries was conducted in accordance with the business risk management system employed in the Ciech Group. US Govora identified the most significant risk. Those risks result from very strict requirements of the Romanian environmental protection regulations concerning:

(i) permissible parameters in liquid waste discharged to surface water and (ii) production waste management. US Govora has taken intensive measures to mitigate national regulation, supporting its own business with the compliance of own manufacturing activity with the requirements of the BAT. The Company has sent multiple memoranda to the Ministry of Environmental Protection calling for changes in the rigorous requirements concerning the permissible parameters in the discharged liquid waste. As a result of intensive actions, the Company received an assurance that in 2012 the domestic regulations in this scope would be changed taking into account the requirements described in the BAT.

Pursuant to the regulation of the Government no. 349/2005 the Company is obliged to withdraw from exploitation of soda sludge sump until December 31st, 2012. In relation thereto, project works were performed on new technical solutions in the scope of soda waste management. In effect, the Company presented the appropriate environment protection bodies with a solution allowing for further soda sludge disposal and received initial acceptance from the authorities.

The risks of major importance identified in the Group include: (i) the risk of exceeding the admissible level of SO_2 emission from two heat and power plants operated by Soda Polska Ciech Sp. z o.o. (ii) the risk of suspension of the exploitation of brine electrolysis facility in ZACHEM S.A. in the case of a prohibition of using the asbestos for the production of asbestos-based diaphragms in electrolysers or untimely completion of construction of modern brine electrolysis facility (iii) the risk of imposing an obligation on ZACHEM S.A. to reclaim the land and clean the underground water in the area of the facility (iv) the risk of not meeting parameters regarding post-distillation waste in Sodawerk Stassfurt GmbH in terms of ammonia nitrogen concentration in compliance with BAT requirements for soda ash production technology using Solvay method. The aforementioned risks, if they materialise, may have a significant negative influence on the Group's activity, financial situation or on the results of its activity.

Risk concerning the reduction of the share of free CO_2 emissions allowances for soda companies (EU ETS III)

Mainly connected with the production of heat energy and electricity, the Group's primary operations are linked to emissions of CO_2. In connection with this, all regulations relating to the reduction of greenhouse gas emissions have an impact on the Group's operations in this scope.

In accordance with Directive 2009/29/EC, co-creating the legal basis for an energy and climate package within the EU, at the start of the third emissions trading period (2013-2020) there will be an alteration of the current principles for the allocation of CO_2 emissions allowances (EUA) issued within EU ETS pursuant to National Allocation Plans. In principle, EUAs will not be allocated to facility operators for free, but rather for an amount established through an auction (with certain exceptions during the transitional period 2013-2020). During this period the soda production sector will be included in the EU ETS, including the companies Soda Polska, Sodawerk and US Govora. The soda industry will have the right to make use of free allocations up to the level of the emissions ratio for 10% of soda facilities which are most effective with regard to CO_2 emissions, the so-called soda benchmark. With regard to the higher CO_2 emissions of black coal used to create steam and electricity for Soda Polska in relation to the emissions levels of gas used by energy suppliers for the production of soda and used to specify the product benchmark, the production of soda in Poland may be subject to particularly acute effects. The principles for the allocation of free CO_2 emissions allowances are governed in detail by European Commission decision no. 2011/278/EC of April 27th, 2011. The Group took an active part in consultations with the Ministry of Economy during the work on preparing a Polish Government complaint against the above mentioned European Commission decision.

With regard to the levels of free EUA allocation from 2013 as proposed by the European Commission, there is a risk that the Group will be forced to incur higher CO_2 allowance acquisition costs or increased expenses to limit the emissions of the Group's manufacturing entities.

Preliminary estimates indicate that the number of free allowances for the emission of CO_2 in EU ETS III will cover around 60% of the needs for such settlement units in the Ciech Group. The resulting deficit of allowances to emit carbon dioxide will be possible to balance by using one or more of the following actions:

- the use of emission allowances received free of charge and unredeemed during the second period of the EU ETS (2008-2012);
- purchase missing allowances in the auction, exchange-traded or OTC transactions;
- capital investments aimed at reducing the emission of heat generated and/or emissivity of the processes;
- using raw materials and fuels causing lower emission.

In addition to the direct costs associated with the purchase of rights to emit carbon dioxide, all Ciech Company will incur higher costs of purchasing power due to the transfer of the costs of purchase of emission allowances by manufacturers. These circumstances may exert a significant negative impact on the Group's operations, its financial situation and the results of its operating activity.

Risk related to the timely implementation of registration requirements resulting from the REACH Regulation

The REACH Ordinance in force since June 1st, 2007 refers to safe application of chemical substances produced or imported (from outside EU) in amounts exceeding 1 tonne p.a. Manufacturers and importers who trade with such substances within the EU customs area have been forced to register – preliminary registration until December 1st, 2008, the proper registration in three terms, depending on the amount of substances being traded.

Ciech Group companies completed the preliminary registration for a total of 705 substances subject to the REACH provisions. It is estimated that approximately 152 substances will require proper registration. 33 heavy tonnage substances have already been registered (produced or imported in the quantity exceeding 1,000 tonnes p.a.). The remaining substances will be registered in further terms defined in the REACH Ordinance: until June 1st, 2013, for tonnage between 100-1,000 tonnes p.a. and until June 1st, 2018, for tonnage between 1-100 tonnes p.a.

The company cannot rule out the fact that full registration of substances covered by pre-registration will not be completed, which as a consequence may prevent the Group from manufacturing or importing chemical substances during its operations, violate requirements connected with such registration, including deadlines, and cause organisational problems in cooperation under the SIEFs (Substance Information Exchange Forums) and REACH consortia or incur additional significant costs connected with full registration of substances, which may have a negative impact on the Group's operations, its financial situation or the results of its operations.

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

From the declarations submitted by the management and supervisory staff, it appears that as at June 30th, 2012:

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

Other persons holding managerial and supervisory positions did not hold any shares in CIECH S.A. or shares in related entities as at June 30th, 2012.

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

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

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

CIECH S.A. shares are listed on the Warsaw Stock Exchange. The share capital is PLN 263,500,965 and it is divided into 52,699,909 shares of face value PLN 5 each, including:

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

Shareholders

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

Shareholder	Type of shares	Number of shares	Share in the share capital (%)	Number of votes at the General Meeting	Total number of votes at the General Meeting
State Treasury*	Ordinary bearer shares	20,407,437	38.72%	20,407,437	38.72%
Otwarty Fundusz Emerytalny (Open Pension Fund) PZU "Złota Jesień" S.A.***	Ordinary bearer shares	3,140,000	5.96%	3,140,000	5.96%
Pioneer Pekao Investment Management S.A.** (within the scope of portfolios managed by PPIM), of which:	Ordinary bearer shares	5,267,246	9.99%	5,267,246	9.99%
Pioneer FIO	Ordinary bearer shares	5,209,354	9.88%	5,209,354	9.88%
SFIO of Telekomunikacja Polska	Ordinary bearer shares	44,857	0.09%	44,857	0.09%
ING Otwarty Fundusz Emerytalny (Open Pension Fund)***	Ordinary bearer shares	4,000,000	7.59%	4,000,000	7.59%

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

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

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

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

In H1 2012, the Ciech Group did not issue any securities.

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

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

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

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

The description of the Ciech Group's organisation as well as information on the effects of changes in the organisational structure have been presented in points IV.1, IV.2 and IV.17 of this report.

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

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

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

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

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

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

III. Information on the presentation principles for the Extended Consolidated Report of the Ciech Group for H1 2012

1. Basis for preparing the Extended Consolidated Report of the Ciech Group for H1 2012

The presented consolidated financial statements for the period from January 1st, 2012 to June 30th, 2012, including comparative information, was approved by the Management Board of CIECH S.A. on August 30th, 2012 to be published on August 31st, 2012.

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

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

Preparation of financial statements in compliance with IFRS requires the Management Board to exercise professional judgements, estimates and assumptions that impact the adopted accounting principles and the value 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 of the carrying value of assets and liabilities, which cannot be calculated using other sources. The actual value may differ from the estimated value.

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

The Management Board's professional judgements, which have a significant impact on the consolidated financial statements, and the estimates bearing a high risk of significant changes in future periods, have been presented in part IV, points 5, 8 and 9 of this report. During the current half-year period there were no significant alterations to the estimated values presented in previous reporting periods.

The Management Board of the parent used their best judgement in selecting and interpreting the applicable standards, as well as in the selection of measurement methods and principles for the different items of the Ciech Group's consolidated financial statements as at June 30th, 2012, including comparable data. Due diligence was exercised when preparing the tables and notes below. The financial statements for the first half of 2012 and comparable data correctly, reliably and clearly reflect the property situation and financial standing of the Ciech Group. The management report contains a correct depiction of the development, achievements and situation of the Ciech Group, including a description of primary hazards and risks.

The Management Board of CIECH S.A. declares that the entity authorised to audit financial statements, reviewing the financial statements for the period between January 1st, 2012 and June 30th, 2012, was chosen in accordance with the binding legal regulations and it is: KPMG Audyt 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 audit report, pursuant to the applicable legal regulations.

2. Adopted accounting principles

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 regarding the principles and methods of the valuation of assets and liabilities and measurement of the financial result, as well as the method of preparing the financial statements and comparable data.

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

3. Functional and presentation currency and conversion principles

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

For the purposes of presenting selected financial data, particular assets and liabilities disclosed in the statement of financial position were translated into EUR according to the average exchange rate of the National Bank of Poland as at the balance sheet day, i.e.

- 4.2613 as at June 30th, 2012,
- 4.4168 as at December 31st, 2011
- 3.9866 as at June 30th, 2011.

Individual items of the income statement were translated into EUR according to the exchange rate calculated as the arithmetic mean of average EURO exchange rates determined by the National Bank of Poland as at the last day of every month, i.e. from January to June 2012. The exchange rate for the presented reporting period is 4.2246 and for the comparable data – 3.9673.

The functional currencies for significant foreign subsidiaries are:

- Soda Deutschland Ciech Group – functional currency EUR; presentation currency in the Ciech Group consolidated financial statements – PLN (EUR 1 = PLN 4.2613 as at the balance sheet day of June 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 0.9585 as at the balance sheet day of June 30th, 2012).

IV. Notes to the Condensed Semi-annual Consolidated Financial Statements of the Ciech Group

1. Consolidated entities

Organisational description of the Ciech Group

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

The Ciech Group is a group of domestic and foreign manufacturing, distribution and trade companies operating in the chemical industry. As at June 30th, 2012, it was composed of 44 business entities, including:

- the parent company CIECH S.A.,
- 35 subsidiaries, including:
    - 23 domestic subsidiaries,
    - 12 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 connected with the sale of own products as well as commercial activity connected with the trade of goods. Commercial activities are carried out mostly by CIECH S.A. and by its domestic and foreign commercial companies, being CIECH S.A.'s subsidiaries. Manufacturing activities are carried out by CIECH S.A.'s subsidiaries, being manufacturers. The parent has no branches.

When preparing the consolidated financial statements for H1 2012, the following companies underwent consolidation:

List of consolidated entities measured under the equity method in H1 2012 and in the comparable period

Company/Group	Consolidation method as at 30.06.2012 and CIECH S.A.'s control.	Consolidation method as at 30.06.2011 and CIECH S.A.'s control.	Share in the capital as at 30.06.2012	Business
1) CIECH S.A.	Parent	Parent	–	According to the Statute, the core business of the parent entity includes: commercial activity including trade activity, investment activity, manufacturing activity, service activity and financial operations with particular focus on foreign and domestic trade in chemicals and activity connected therewith. The Company is also licensed to act as an agent for Polish and foreign companies.
2) "POLFA" Sp. z o.o.	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	100%	– wholesale of pharmaceutical goods, – wholesale of chemical products, – wholesale of perfumes and cosmetics, – retail sale of medical and orthopaedic goods.
CIECH FINANCE Group				
3) CIECH FINANCE Spółka z ograniczoną odpowiedzialnością	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	100%	– implementing divestment projects concerning unnecessary fixed assets (property) and financial assets (shares in companies),
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%	– wholesale and distribution of solid inorganic and organic chemicals, – wholesale and distribution of raw materials for household chemicals, – wholesale and distribution of raw materials for cosmetic and pharmaceutical products, – wholesale and distribution of builders, pigments, raw materials for paints and varnishes, – wholesale and distribution of food and feed additives, – wholesale and distribution of acids, bases and other liquid chemicals
SODA MĄTWY Group	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group	100%	– manufacture of other inorganic basic chemicals, – wholesale of chemical products, – production and distribution of electricity, – goods shipment
4) SODA MĄTWY S.A.	Lower-tier parent	Lower-tier parent	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%	
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%	
5) JANIKOSODA S.A.	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	100%	– production of salt, – manufacture of industrial gases, – manufacture of other inorganic basic chemicals, – manufacture of other chemical products n.e.c.

Company/Group	Consolidation method as at 30.06.2012 and CIECH S.A.'s control.	Consolidation method as at 30.06.2011 and CIECH S.A.'s control.	Share in the capital as at 30.06.2012	Business
6) "Alwernia" S.A.	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	99.62%	– manufacture of other inorganic basic chemicals, – manufacture of dyes and pigments, – manufacture of other organic basic chemicals, – manufacture of chemical fertilisers and nitrogen compounds, – manufacture of gypsum, – production of heat (steam and hot water)
7) CIECH-POLSIN PRIVATE LIMITED	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	98.00%	– wholesale and retail sale of a variety of goods in the Far East markets
8) VITROSILICON Spółka Akcyjna	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	100%	– manufacture of other inorganic basic chemicals, – manufacture of household and technical glassware, – manufacture of plastic packing goods, – manufacture of other plastic products
9) Przedsiębiorstwo Transportowo-Usługowe TRANSCLEAN Sp. z o.o.	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	100%	– international transport of liquid chemicals, – tank truck and rail tank car wash
10) Zakłady Chemiczne "Organika-Sarzyna" S.A.	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	98.85%	– manufacture of plastics, – manufacture of pesticides and other chemical products
ZACHEM Group	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group	97.44%	– manufacture of organic and other non-organic chemicals, – manufacture and sales of plastics, – manufacture of plastic plates, sheets, tubes and profiles, – manufacture of dyes and pigments, – services of installation, repairs and maintenance of general-purpose machinery n.e.c.
11) ZACHEM S.A.	Lower-tier parent	Lower-tier parent	97.44%	
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%	
11.2) ZACHEM UCR Spółka z ograniczoną odpowiedzialnością	Indirect associate of CIECH S.A. measurement under the equity method at lower tier.	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation	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%	
12) S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	92.91%	– manufacture of other inorganic basic chemicals, – wholesale of chemical products

Company/Group	Consolidation method as at 30.06.2012 and CIECH S.A.'s control.	Consolidation method as at 30.06.2011 and CIECH S.A.'s control.	Share in the capital as at 30.06.2012	Business
Soda Deutschland Ciech Group	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group	100%	– manufacture of other inorganic basic chemicals, – wholesale of chemical products, – production and distribution of electricity,
13.) Soda Deutschland Ciech GmbH	Lower-tier parent	Lower-tier parent	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%	
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%	
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%	
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%	
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%	
14) Ciech Pianki Sp. z o.o.	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	100%	– manufacture of organic and other non-organic chemicals,

2. Effects of changes to the organisational structure of the Ciech Group's business units in H1 2012, including business mergers, acquisitions or disposals of the group's entities, long-term investments, de-mergers, restructuring and discontinuation of activity

During the first half-year of 2012 the following changes occurred in the companies in which CIECH S.A. directly owns shares, leading to changes in the structure of the Capital Group:

- ***Ciech America Latina***

Pursuant to the resolution of shareholders of CIECH America Latina Ltda (Brazil) of February 20th, 2012, the share capital of the Company was increased by the amount of BRL 100 thousand (one hundred thousand Brazilian reals) and the new issue of 100,000 shares of nominal value BRL 1.00 each were acquired by CIECH S.A.
The share capital of CIECH America Latina, after the increase, amounts to BRL 700 thousand and is divided into 700,000 shares with nominal value of BRL 1 each. CIECH S.A. holds 699,999 shares with nominal value BRL 1.00 each, and the minority shareholder, Wojciech Kordecki holds one share with nominal value BRL 1.00.
The increase of the share capital of CIECH America Latina was registered on March 21st, 2012. CIECH America Latina suspended its business and conducts no operations. The only liabilities that remain unsettled and need to be fulfilled are the statutory liabilities. Since Ciech America Latina had no own resources, it required recapitalisation.
After paying all statutory liabilities, a resolution on winding up the Company was registered on June 13th, 2012. From that date, the Company is formally in liquidation.

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

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

- ***SODA MĄTWY S.A.***

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

- ***JANIKOSODA S.A.***

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

During the first half-year of 2012 the following changes occurred in the structure of the Capital Group in companies in which CIECH S.A. indirectly owns shares:

ZACHEM Group

- ***BIPROCHEM Sp. z o.o. in liquidation*** – the Extraordinary General Meeting of Shareholders completed the process of liquidation of BIPROCHEM Sp. z o.o. on October 24th, 2011. The company was removed from the Register of Companies on February 21st, 2012 and will no longer be recognised in the structure of the ZACHEM Group.
- ***NCP Sp. z o.o.*** – the District Court in Bydgoszcz, by its decision of February 6th, 2012 declared bankruptcy of Natural Chemical Products Sp. z o.o. and ordered the liquidation of the Company's assets.
- ***Bydgoski Park Przemysłowo-Technologiczny Sp. z o.o.*** – on April 30th, 2012, the District Court passed a decision to register resolutions of the Extraordinary Meeting of Shareholders regarding the increase of the share capital from PLN 43,405 thousand to PLN 49,689 thousand by way of creation of 6,284 shares that were entirely acquired by the City of Bydgoszcz in exchange for a contribution in kind in the form of real property. Due to the above, ZACHEM S.A.'s share in the share capital of the Company decreased from 8.09% to 7.07%.
- ***BUDPUR Sp. z o.o.*** – on May 17th, 2012, the Company was placed in liquidation.

SODA MĄTWY Group

- ***Soda Polska Ciech S.A.*** – on June 12th, 2012, the District Court registered the transformation of the Company Soda Polska CIECH Sp. z o.o. into Soda Polska Ciech S.A. The share capital in the Transformed Company remained unchanged, i.e. PLN 669,050 thousand and will be divided into 133,810,000 registered A series shares of PLN 5 each. The partners of the Transformed Company submitted declarations on participation in the Transformed Company, as result of which:
  - ✓ **SODA MĄTWY S.A.** acquired 71,605,000 shares of a nominal value of PLN 5 each, with total nominal value of PLN 358,025 thousand, that is 53.51% of the share capital.
  - ✓ **JANIKOSODA S.A.** acquired 62,205,000 shares of a nominal value of PLN 5 each, with total nominal value of PLN 311,025 thousand, that is 46.49% of the share capital.

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

- ***Zakład Remontowo - Budowlany Organika Sp. z o.o.*** – on April 24th, 2012, an agreement was concluded on the sale of shares in Zakład Remontowo - budowlany "Organika" Sp. z o.o. The Buyer became the owner of the shares on April 30th, 2012.

- ***Zakład Chemiczny Silikony Polskie Sp. z o.o.*** – on April 27th, 2012, an agreement was concluded on the sale of shares in Z.Ch. "Silikony Polskie" Sp. z o.o. The Buyer became the owner of the shares on July 2nd, 2012, i.e. on the date of payment of the sale price.

3. Financial figures by business segment

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

OPERATING SEGMENTS

01.01-30.06.2012 *PLN '000*	**Soda Segment – Soda Division**	**Organic Segment – Organic Division**	**Silicates and Glass Segment** (Agro-Silicon Division)	**Agrochemical Segment** (Agro-Silicon Division)	**Other operations**	including: discontinued operations	**Corporate Functions – reconciliatory item**	**Eliminations (consolidation adjustments)**	**TOTAL**
Revenues from third parties	967,252	914,135	219,568	110,153	81,442	*51,596*	-	-	2,292,550
Revenues from inter-segment transactions	23,196	11,081	5	3,163	222	-	-	(37,667)	-
Total revenues	**990,448**	**925,216**	**219,573**	**113,316**	**81,664**	***51,596***	-	**(37,667)**	**2,292,550**
Cost of sales	(834,799)	(806,166)	(181,649)	(99,887)	(70,794)	*(41,363)*	-	34,864	(1,958,431)
Gross profit/loss on sales	**155,649**	**119,050**	**37,924**	**13,429**	**10,870**	***10,233***	-	**(2,803)**	**334,119**
Selling costs	(64,717)	(44,989)	(27,150)	(3,742)	(5,430)	*(4,832)*	-	2,557	(143,471)
General and administrative expenses	(34,552)	(32,082)	(4,432)	(3,790)	(6,425)	*(5,475)*	(20,102)	3	(101,380)
Receivables management result	213	(2,415)	(83)	(153)	377	*127*	-	-	(2,061)
Result on other operating activities	10,027	(249,913)	(11,206)	(42,559)	(6,130)	*17*	(18,800)	(40)	(318,621)
Operating profit/loss	**66,620**	**(210,349)**	**(4,947)**	**(36,815)**	**(6,738)**	***70***	**(38,902)**	**(283)**	**(231,414)**
The balance of f/x differences and interest on trade settlements	(3,939)	(4,215)	(165)	182	(638)	*(441)*	-	-	(8,775)
Group financing costs	-	-	-	-	-	-	(47,555)	-	(47,555)
Result on financial activities (non-attributable to segments)	-	-	-	-	-	-	(48,778)	-	(48,778)
Share in profit of associates	406	33	-	-	-	-	-	-	439
Profit/loss before tax	**63,087**	**(214,531)**	**(5,112)**	**(36,633)**	**(7,376)**	***(371)***	**(135,235)**	**(283)**	**(336,083)**
Tax	-	-	-	-	-	-	-	-	(9,067)
Net profit/loss	-	-	-	-	-	-	-	-	**(345,150)**
Profit/loss on sales attributable to discontinued operations	-	-	-	-	-	-	-	-	-
Net profit/loss for the financial year	-	-	-	-	-	-	-	-	**(345,150)**
Amortisation/depreciation	80,270	31,626	8,485	1,683	78	-	1,496	-	123,638
EBITDA	**146,890**	**(178,723)**	**3,538**	**(35,132)**	**(7,121)**	**70**	**(37,406)**	**(283)**	**(107,776)**
Normalised EBITDA	*153,105*	*70,106*	*14,661*	*7,354*	*(591)*	*70*	*(18,606)*	*(283)*	*225,746*

01.01-30.06.2011 *PLN '000*	**Soda Segment – Soda Division**	**Organic Segment – Organic Division**	*including: discontinued operations*	**Silicates and Glass Segment**	**Agrochemical Segment**	*including: discontinued operations*	**Other operations**	*including: discontinued operations*	**Corporate Functions – reconciliatory item**	**Eliminations (consolidation adjustments)**	**TOTAL**
				Agro-Silicon Division							
Revenues from third parties	797,310	856,050	*1,248*	143,890	232,970	*50,598*	106,893	*63,040*	-	-	2,137,113
Revenues from inter-segment transactions	22,257	20,397	-	7,528	6,710	-	497	-	-	(57,389)	-
Total revenues	**819,567**	**876,447**	***1,248***	**151,418**	**239,680**	***50,598***	**107,390**	***63,040***	**-**	**(57,389)**	**2,137,113**
Cost of sales	(683,230)	(800,839)	-	(119,640)	(185,621)	*(24,075)*	(91,468)	*(47,918)*	-	51,851	(1,828,947)
Gross profit/loss on sales	**136,337**	**75,608**	***1,248***	**31,778**	**54,059**	***26,523***	**15,922**	***15,122***	**-**	**(5,538)**	**308,166**
Selling costs	(55,821)	(43,176)	-	(24,754)	(13,562)	*(8,451)*	(8,633)	*(8,567)*	-	5,220	(140,726)
General and administrative expenses	(36,015)	(32,482)	*(1,503)*	(4,644)	(9,325)	*(5,718)*	(8,257)	*(6,695)*	(20,119)	1,410	(109,432)
Receivables management result	(1,091)	(2,665)	-	(67)	(2,516)	*(2,082)*	40	*32*	-	-	(6,299)
Result on other operating activities	19,574	(938)	*212*	128	(2,220)	*(479)*	1,030	*786*	-	-	17,574
Operating profit/loss	**62,984**	**(3,653)**	***(43)***	**2,441**	**26,436**	***9,793***	**102**	***678***	**(20,119)**	**1,092**	**69,283**
The balance of f/x differences and interest on trade settlements	(11,041)	(13,104)	*(37)*	(2,791)	(8,422)	*105*	(4,043)	*(142)*	-	-	(39,401)
Group financing costs	-	-	-	-	-	-	-	-	(56,886)	-	(56,886)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	-	-	-	36,192	-	36,192
Share in profit of associates	123	-	-	-	-	-	-	-	-	-	123
Profit/loss before tax	**52,066**	**(16,757)**	***(80)***	**(350)**	**18,014**	***9,898***	**(3,941)**	***536***	**(40,813)**	**1,092**	**9,311**
Tax	-	-	-	-	-	-	-	-	-	-	7,292
Net profit/loss	-	-	-	-	-	-	-	-	-	-	**16,603**
Profit/loss on sales attributable to discontinued operations	-	-	-	-	-	-	-	-	-	-	(11,715)
Net profit/loss for the financial year	-	-	-	-	-	-	-	-	-	-	**4,888**
Amortisation/depreciation	64,247	32,066	*163*	8,876	1,604	-	408	*374*	1,887	-	109,088
EBITDA	**127,231**	**28,413**	***120***	**11,317**	**28,040**	***9,793***	**510**	***1,052***	**(18,232)**	**1,092**	**178,371**
Normalised EBITDA	*111,217*	*28,882*	*120*	*11,358*	*30,391*	*9,793*	*(847)*	*1,052*	*(18,232)*	*1,092*	*163,861*

30.06.2012 *PLN '000*	**Soda Segment – Soda Division**	**Organic Segment – Organic Division**	**Silicates and Glass Segment**	**Agrochemical Segment** **Agro-Silicon Division**	**Other operations**	**Corporate Functions – reconciliatory item**	**Eliminations (consolidation adjustments)**	**TOTAL**
Tangible fixed assets	1,547,122	437,910	74,466	15,613	146	1,978	-	2,077,235
Intangible assets	110,829	37,977	2,590	2,265	546	3,072	-	157,279
- goodwill	*47,266*	*15,070*	*39*	-	-	-	-	*62,375*
Shares in associates	4,896						-	4,896
Inventory	105,523	125,193	36,337	25,279	-	-	(537)	291,795
Trade receivables	249,182	243,958	50,428	28,766	11,293	-	(16,260)	567,367
Assets classified as held for sale included in previous periods under segment assets	-	-	500	-	30,672	-	-	31,172
Other assets held for sale	-	-	-	-	-	8,078	-	8,078
Other assets	-	-	-	-	-	725,048	-	725,048
Total assets	**2,017,552**	**845,038**	**164,321**	**71,923**	**42,657**	**738,176**	**(16,797)**	**3,862,870**
Trade liabilities	286,740	251,111	67,550	22,311	4,381	-	(22,562)	609,531
Liabilities classified as held for sale included in previous periods under segment assets	-	-	-	-	20,293	-	-	20,293
Other liabilities held for sale	-	-	-	-		658	-	658
Other liabilities	-	-	-	-		2,271,556	-	2,271,556
Total liabilities	**286,740**	**251,111**	**67,550**	**22,311**	**24,674**	**2,272,214**	**(22,562)**	**2,902,038**

30.06.2011 *PLN '000*	**Soda Segment – Soda Division**	**Organic Segment – Organic Division**	**Silicates and Glass Segment**	**Agrochemical Segment** **Agro-Silicon Division**	**Other operations**	**Corporate Functions – reconciliatory item**	**Eliminations (consolidation adjustments)**	**TOTAL**
Tangible fixed assets	1,361,051	556,879	73,729	46,775	815	7,491	-	2,046,740
Intangible assets	102,476	45,993	2,610	2,180	578	6,155	-	159,992
- goodwill	*44,220*	*14,863*	*39*	-	-	-	-	*59,122*
Shares in associates	4,497	-	-	-	-	-	-	4,497
Inventory	107,468	154,474	28,359	37,490	3,218	-	(336)	330,673
Trade receivables	237,055	220,699	49,705	40,819	20,727	-	(22,262)	546,743
Assets classified as held for sale included in previous periods under segment assets	-	83	742	-	-	-	-	825
Other assets held for sale	-	-	-	-	-	38,409	-	38,409
Other assets	-	-	-	-	-	858,667	-	858,667
Total assets	**1,812,547**	**978,128**	**155,145**	**127,264**	**25,338**	**910,722**	**(22,598)**	**3,986,546**
Trade liabilities	265,988	241,253	40,655	32,226	17,807	-	(26,699)	571,230
Liabilities classified as held for sale included in previous periods under segment assets	-	-	-	-	-	-	-	-
Other liabilities held for sale	-	-	-	-	-	23,934	-	23,934
Other liabilities	-	-	-	-	-	2,119,983	-	2,119,983
Total liabilities	**265,988**	**241,253**	**40,655**	**32,226**	**17,807**	**2,143,917**	**(26,699)**	**2,715,147**

30.06.2012 *PLN '000*	**Soda Segment – Soda Division**	**Organic Segment – Organic Division**	**Silicates and Glass Segment**	**Agrochemical Segment**	**Other operations**	*including: discontinued operations*	**Corporate Functions – reconciliatory item**	**Eliminations (consolidation adjustments)**	**TOTAL**
			Agro-Silicon Division						
Recognised impairment losses	24,610	228,312	326	40,392	1,585	*19*	-	(226)	294,999
Reversed impairment losses	1,311	2,312	316	266	385	*134*	-	-	4,590
Recognised impairment losses (not attributable to segments), including:	-	-	-	-	-	-	21,667	-	21,667
- discontinued operations	-	-	-	-	-	-	*10*	-	*10*
Reversed impairment losses (non-attributable to segments)	-	-	-	-	-	-	3,207	-	3,207
Revenues on interest attributable to segments	122	809	3	31	39	*36*	-	(231)	773
Interest recognised under Corporate Functions	-	-	-	-	-	-	1,837	-	1,837
Cost of interest attributable to segments	2,912	1,571	21	14	271	*40*	-	(231)	4,558
Cost of interest recognised under Corporate Functions	-	-	-	-	-	-	48,995	-	48,995

30.06.2011 *PLN '000*	**Soda Segment – Soda Division**	**Organic Segment – Organic Division**	**Silicates and Glass Segment** (Agro-Silicon Division)	**Agrochemical Segment** (Agro-Silicon Division)	*including: discontinued operations*	**Other operations**	*including: discontinued operations*	**Corporate Functions – reconciliatory item**	**Eliminations (consolidation adjustments)**	**TOTAL**
Recognised impairment losses	2,904	4,702	482	2,868	*2,162*	59	*59*	-	(410)	10,605
Reversed impairment losses	3,375	1,980	236	287	*5*	98	*88*	-	(1)	5,975
Recognised impairment losses (not attributable to segments), including:	-	-	-	-	-	-	-	1,088	-	1,088
- discontinued operations	-	-	-	-	-	-	-	*41*	-	*41*
Reversed recognised impairment losses (not attributable to segments), including:	-	-	-	-	-	-	-	3,197	-	3,197
- discontinued operations	-	-	-	-	-	-	-	*10*	-	*10*
Revenues on interest attributable to segments	2,599	2,305	193	295	-	110	*57*	-	(3,881)	1,621
Interest recognised under Corporate Functions	-	-	-	-	-	-	-	4,170	-	4,170
Cost of interest attributable to segments	2,289	1,841	9	26	*16*	3,896	*192*	-	(3,879)	4,182
Cost of interest recognised under Corporate Functions	-	-	-	-	-	-	-	55,324	-	55,324

INFORMATION ON GEOGRAPHICAL AREAS

30.06.2012 *PLN '000*	**Poland**	**European Union**	**Other European countries**	**Africa**	**Asia**	**Other regions**	**TOTAL**
Net revenues from sales	806,188	942,897	176,338	168,310	130,019	68,798	**2,292,550**

30.06.2011 *PLN '000*	**Poland**	**European Union**	**Other European countries**	**Africa**	**Asia**	**Other regions**	**TOTAL**
Net revenues from sales	822,703	911,921	146,696	93,912	117,601	44,280	**2,137,113**

30.06.2012 *PLN '000*	**Poland**	**European Union**	**Other European countries**	**Africa**	**Asia**	**Other regions**	**TOTAL**
Fixed assets other than financial instruments	1,440,988	1,013,582	-	-	285	-	2,454,855
Deferred tax assets	16,510	8,655	-	-	495	-	25,660
Other assets	883,480	370,936	41,506	28,993	38,796	18,644	1,382,355
Total assets	**2,340,978**	**1,393,173**	**41,506**	**28,993**	**39,576**	**18,644**	**3,862,870**

30.06.2011 *PLN '000*	**Poland**	**European Union**	**Other European countries**	**Africa**	**Asia**	**Other regions**	**TOTAL**
Fixed assets other than financial instruments	1,561,915	837,394	-	-	685	-	2,399,994
Deferred tax assets	5,964	7,588	-	-	402	-	13,954
Other assets	1,059,736	385,597	58,731	18,189	37,755	12,590	1,572,598
Total assets	**2,627,615**	**1,230,579**	**58,731**	**18,189**	**38,842**	**12,590**	**3,986,546**

4. Exposure to currency risk

The total value of unsettled derivative transactions as at June 30th, 2012 is PLN -10,304 thousand. This amount includes: the entire evaluation of instruments which hedge the interest rate risk in the Soda Deutschland Ciech Group.

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

Exposure to currency risk in EURO	(EUR '000)
Assets	
Borrowings granted to the SDC Group sensitive to FX rate changes	85,800
Trade and other receivables	39,918
Bank deposits	4,000
Equity and liabilities	
Trade and other liabilities	(13,511)
Liabilities due to loans and borrowings	(37,848)
Forecast future net result of CIECH* in EUR (12 months)	**186,835**
Forecast future net result* in EUR – other companies of the CIECH Group (12 months)	**6,802**
Total result	**271,996**

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

The table contains an analysis of the sensitivity of individual balance-sheet items to FX rate changes as at 30.06.2012.

Analysis of sensitivity to FX rate changes	(PLN '000)*	Impact on Income Statement	Impact from 1.07.2012 to 30.06.2013
F/x balance-sheet items (excluding borrowings)	(74)	(74)	
Borrowings granted sensitive to FX rate changes	858	858	
Forecast future net result in EUR	1,936		1,936
Total impact	**N/A**	**784**	**1,936**

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

5. Pending proceedings before a public court, arbitration body or public administration authority as at June 30th, 2012

5.1 CIECH S.A.

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

Action by Enapharm
In June 2004, the Liquidator for Enapharm in Algeria filed a claim, which now amounts to USD 222 thousand. (equivalent of PLN 752 thousand), as damages concerning deliveries of expired medications by CIECH S.A. between 1985 and 1991. In the plaintiff's opinion, CIECH S.A. failed to replace the medications unsold by the customer. In June 2007, an opinion of the court expert was delivered to CIECH S.A., notifying an increase in value of the medications subject to the complaint to USD 372 thousand (equivalent of PLN 1,261 thousand). In November 2007, the Algerian court announced the judgement in favour of CIECH S.A., in which it rejected the existing expert's report, declaring infringement of laws applicable to civil proceedings. At the same time, the court ordered a new expert opinion to be prepared and appointed a new expert, recommending that a representative of the defendant attends the next examination. In September 2009, Enapharm filed a motion for resumption of proceedings and rejection of the latest expert witness's opinion. On November 2nd, 2010 a new expert was appointed who did not undertook any actions. The representative informed CIECH S.A. on February 10th, 2012 that the new expert cannot be appointed due to the death of the previous expert (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. The case is pending.
Provision in the amount of PLN 752 thousand was created in CIECH S.A. for the above liabilities.

Claim of Polska Żegluga Morska
On December 31st, 2009, CIECH S.A. received a claim of Polska Żegluga Morska p.p. and Polstream Shipping Company Limited against CIECH S.A. for compensation amounting to USD 583 thousand, i.e. in accordance with the average currency exchange rate table of the Polish National Bank no. 240/A/NBP/2009 of December 9th 2009 – PLN

1,630 thousand. The claim was based on art. 160 § 3 of the naval code and refers to a compensation allegedly due to the plaintiff on account of CIECH S.A.'s non-performance of the entirety of the charter agreement of October 15th, 2007 regarding transport of phosphates to Morocco. The case is pending before the Court of Arbitration at the International Chamber of Commerce in Warsaw. A contingent liability amounting to PLN 1,975 thousand was created on account of this claim.
By way of the judgement of May 7th, 2012, the Administrative Court at the Polish Chamber of Commerce dismissed the claim in full and charged the costs of court proceedings to CIECH S.A. The parties may file a complaint to a common court for the reversal of the judgement within 3 months from the service of the judgement.

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 1,580 thousand. A contingent liability in the full amount was created on account of this claim.

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

- for CIECH S.A.'s failure to fulfil its information obligations under paragraph 13.2.1 of the Privatisation Agreement with regard to claims incurring potential penalties (USD 376 thousand + USD 10 thousand = USD 386 thousand);
- for CIECH S.A.'s failure to fulfil its information obligations under paragraph 13.11 of the Privatisation Agreement with regard to claims incurring potential penalty of RON 1,669 thousand;
- for CIECH S.A.'s failure to fulfil its information obligations under paragraph 15.4 of the Privatisation Agreement with regard to claims incurring potential penalty of RON 1,669 thousand.

AVAS filed a petition against CIECH S.A. in the said case.
At the beginning of October 2010, CIECH S.A. received a decision of the first instance court of October 1st, 2010 on the dismissal of all aforementioned claims of AVAS on the basis of lack of grounds. As expected, AVAS appealed against this verdict of the first instance court to a court of appeals, second instance. This was done within the deadline, i.e. within 15 days from the date of receiving a statement of reasons issued by the court of first instance (March 2nd, 2011).
On September 8th, 2011 the first trial was held before the Court of Appeal and in the first week of October 2011, the second instance Court dismissed the AVAS' appeal entirely, upholding the decision of the first instance.
AVAS referred the case to the supreme court (third instance) in November 2011. The first and only trial before the Supreme Court took place on April 26th, 2012.
The Supreme Court upheld the decisions of the lower instances courts on dismissal of all AVAS claims. The judgement/decision of the Supreme Court was received in writing by CIECH S.A. in the second half of May 2012. The judgement is final (third instance) and is not subject to appeal.

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

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

Claims for bankruptcy proceedings
A total of PLN 6,431 thousand is being claimed in domestic bankruptcy proceedings. The forecasts as for the bankruptcy proceedings are unfavourable due to the fact that the claims of CIECH S.A. are not preferential. The Company has created a write-down for all pending proceedings.

Claims due to enforcement and settlement proceedings
CIECH S.A. is claiming PLN 8,901 thousand from domestic debtors in enforcement proceedings. The forecasts as for these proceedings vary depending on the debtor's assets. The Company has created a 100% write-down for the aforesaid receivables.

Foreign bankruptcy and enforcement proceedings
For foreign bankruptcy proceedings, CIECH S.A. allocated claims in the amount of USD 315 thousand (equivalent of PLN 982 thousand) and EUR 800 thousand (equivalent of PLN 3,326 thousand), and the amount of PLN 181 thousand, whereof the largest portion includes the following bankruptcy proceedings:

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

A claim of EUR 27 thousand (equivalent of PLN 112 thousand) is pending in a foreign enforcement proceeding, while a settlement proceeding was requested with regard to a receivable in the aggregate amount of EUR 457 thousand (equivalent to PLN 1,901 thousand), whereof the largest portion includes the settlement proceedings for the amount of EUR 443 thousand (equivalent to PLN 1,843 thousand).
In connection with CIECH S.A. entering into agreements with Euler Hermes and Coface regarding debt recovery services, files of foreign cases were handed to the aforesaid companies. However, both companies refused to accept the order although all debts from foreign cases were submitted by CIECH S.A. on time. Consequently, the Company is conducting those cases on their own account.

Other cases with CIECH S.A.'s participation

On October 15th, 2010, CIECH S.A. received a subpoena to appear in a hearing conducted by the President of the Commercial Court in Rennes (France). The subpoena was also sent to Zakłady Chemiczne Siarkopol in Tarnobrzeg. The subpoena is linked to a claim filed by Citis (a company with registered office in Colombes – France) and its insurer which were sued by two French manufacturers of animal food products. An expert witness appointed in the course of proceedings performed a number of evaluations in order to finally estimate the amount of damage borne by the French manufacturers, the supplier's liability and the compliance of French manufacturers with European and French food production procedures. According to the expert's opinion dated November 14th, 2011, the claim was estimated to the amount of about EUR 584 thousand (equivalent to PLN 2,488 thousand). CIECH S.A. sold oiled ground sulphur to Citis in 2009, the product was manufactured by Zakłady Chemiczne Siarkopol in Tarnobrzeg. Pursuant to Article 331 of the French code of civil proceedings, CIECH S.A. has the status of defendant sued by Citis, and with regards to the French food products manufacturers CIECH S.A. has the third party status. CIECH S.A. appointed a legal representative in France for the purpose of litigation. The insurer of CIECH S.A. also acceded to the case.

On 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. The Commercial Court in Rennes set the date of the hearing for September 4th, 2012. A provision in the amount of EUR 323 thousand was created for the above liability.

On December 15th, 2011, CIECH S.A. received a letter from Zakłady Azotowe "Puławy" S.A. ("ZAP") entitled: "Notice of Breach of Assurances (Notice of Damage)," referring to the assurances that have been submitted by CIECH S.A. in the Conditional Agreement concerning the sale of shares in Gdańskie Zakłady Nawozów Fosforowych "Fosfory" Sp. z o.o. ("GZNF") concluded in December 16th, 2010 by CIECH S.A. and ZAP. The letter concerns an alleged breach of assurances by CIECH S.A., which would result from irregularities in the conduct of the accounts and financial statements of Agrochem Sp. z o.o. based in Człuchów ("Agrochem"), subsidiary of GZNF (all shares in GZNF were sold by CIECH S.A. to ZAP on April 27th, 2011). The letter does not include source material and it indicates only the general titles and amounts that in total, allowing for the updates sent by ZAP in February 2012, are to give the amount of the claim for the alleged breach of assurances in the amount of PLN 19,560 thousand (originally PLN 20,297 thousand).

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

On April 12th, 2012, a meeting of the representatives of the Company and the law firm with the representatives of ZAP took place. During the meeting, ZAP presented and discussed the data included in the document "An analysis of irregularities in Agrochem Człuchów Sp. z o.o. in Człuchów", which is a result of the examination conducted by E&Y for ZAP. Due to a lack of source documents in the analysis as well as a number of doubts related to the methodology of the examination, the Company in the letter of April 26th, 2012 requested that ZAP presents source materials and documents, because presenting only the formally correct accounting and financial documents is not sufficient to declare a breach of assurances resulting in damage as defined in the Agreement.

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

In a letter of August 22nd, 2012 (receipt by CIECH S.A. on 24.08.2012), ZAP included a Final Demand for Payment. In accordance to the Final Demand for Payment, ZAP, invoking the "Notice of Breach of Assurances" of December 16th, 2011 and the following correspondence, issues a demand for payment of PLN 18,864 thousand within 7 days from the receipt of the final demand letter. The above mentioned amount includes PLN 18,607 thousand for the breach of assurances made in the Conditional Share Sale Agreement, which concerned the sale of shares in the company Gdańskie Zakłady Nawozów Fosforowych "Fosfory" Sp. z o.o. with its registered seat in Gdańsk, and the amount of PLN 257 thousand as reimbursement of costs and expenditures incurred by ZAP due to the breach of assurances, in accordance to Article 9.1 of the Conditional Agreement.

At the same time ZAP informs that in the case of ineffective expiry of the payment date, legal proceedings shall be instituted without additional notice.

On receiving the demand letter, the Management Board of CIECH S.A. decided to create a provision for this claim in the amount of PLN 18,800 thousand.

Anti-dumping proceedings

1. CIECH S.A. reported its participation in accordance with the procedures of the EU, in the anti-dumping proceedings initiated by the European Commission on yellow phosphorus, imported from Kazakhstan to the EU. Case no. AD 583 (OJC 369/07 17.12.2011).

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

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

1. The case is currently being heard by the Regional Court in Warsaw, 25th Civil Division under Case File no. XXV C 325/12, in relation to the appeal of the State Treasury against a decision of the Local Government Appeals Court in Warsaw of November 15th, 2011, favourable to CIECH S.A., made 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 cancelled the former annual charge paid by CIECH S.A. for the perpetual usufruct of land located in Warsaw at ul. Powązkowska 46/50, being the property of the State Treasury, marked as plot no. 41, precinct 7-02-09, and determined a new charge as of January 1st, 2009 amounting to PLN 590 thousand.
In conjunction with the aforesaid new charge, on January 28th, 2009, CIECH S.A. lodged a motion to the Local Government Appeals Court in Warsaw for declaring invalid the updated annual charge for the perpetual usufruct of land.
In the course of the above proceedings, CIECH S.A. requested an analysis of the appraisal study, being the basis for the increase of the charge for the perpetual usufruct of the plot. In March 2010, the representative of CIECH S.A. upheld the motion of October 2009 for proceedings suspension until the proceedings held in the Regional Court in Warsaw, 25th Civil Division under case file no. XXV C 1388/09 is completed.
On May 4th, 2010. the motion for proceedings suspension was refiled 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 22nd, 2011, the Legal Office representing the case was delivered a decision of the Local Government Appeals Court in Warsaw dated November 15th, 2011, in which the above mentioned termination of the current annual charge (currently having no definite amount in view of the matters described in paragraph 2) has been considered ineffective, making the position that the errors disclosed in the opinion of the Arbitration Commission deprive the legal consequences of this action. This decision is favourable to CIECH S.A.
On December 28th, 2011 the President of the Capital City of Warsaw lodged an appeal from this decision, which was forwarded by the Local Government Appeals Court in Warsaw to the Regional Court in Warsaw, 25th Civil Division under Case File no. XXV C 325/12. After CIECH S.A. paid court fees and after the law firm running the case filed the first pleadings explaining the issue of the value of the subject matter in dispute, the Regional Court undertook preparatory actions in order to proceed in the merits of the case, and scheduled the first hearing of the case for November 6th, 2012.

2. The case is currently being heard by the Regional Court in Warsaw, 25th Civil Division under Case File No. XXV C 1388/09 (file number for the case heard by the Local Government Appeals Court: Kox/584/Po/04).
By virtue of a letter of December 17th, 2003, delivered to CIECH S.A. on January 6th, 2004, the President of the Capital City of Warsaw cancelled as of December 31st, 2003 the previous charge for the perpetual usufruct of land located in Warsaw at ul. Powązkowska 46/50, being the property of the State Treasury, marked as plot no. 41, precinct 7-02-09. The new charge as of January 1st, 2004 amounted to PLN 500 thousand (previously PLN 26 thousand). As a result of an appeal lodged by CIECH S.A., the Local Government Appeals Court in Warsaw, pursuant to the decision of January 9th, 2009 (file no. KOX/584/Po/04), declared that CIECH S.A., being a perpetual lessee of the plot no. 41, is obliged to pay an annual charge amounting to PLN 409 thousand starting from January 1st, 2005. On January 29th, 2009, CIECH S.A. appealed against the aforesaid decision via the Local Government Appeals Court in Warsaw to the Regional Court in Warsaw, 25th Civil Division.
A court decision of March 10th, 2010 allowed evidence from expert witness's opinion regarding property evaluation. At the beginning of May 2010, the Regional Court delivered an appraisal study of the aforementioned plot prepared in the course of court proceedings, CIECH S.A. accepted the study without reservations. During a hearing on December 3rd, 2010, the court accepted a motion of CIECH S.A. that the appraisal study be evaluated by the Arbitration Committee at the Polish Federation of Valuers' Associations.
An opinion of June 20th, 2011 issued by the Arbitration Commission of the Polish Federation of Valuers' Associations was included in the case files, in which it was stated that the assessment drawn up during the proceedings correctly specifies the value of the property as at January 1st, 2005. A hearing in the above case was held on September 23rd, 2011 during which the Court accepted the motion of the law firm running the case to include the current user of the plot No. 41 in the proceedings – MARVIPOL S.A. The hearing was adjourned without scheduling another hearing and the new term was to be scheduled automatically after the completion of tasks related to summoning the above company and presenting by the law firm running the case specific questions to the authors of the above opinion dated June 20th, 2011.
On December 5th, 2011 the Legal Office running the case submitted a list of precise questions to the authors of the above mentioned opinion of the Arbitration Commission, which should be included in the further proceedings. Additionally, on January 5th, 2012, the Legal Office running the case was delivered a letter from the current user of the plot No. 41 in the proceedings – MARVIPOL S.A. dated October 5th, 2011, requesting to be admitted to the case as an intervening party.
By virtue of an automatic court decision of January 30th, 2012, the Arbitration Commission at the Polish Federation of Valuers' Associations was requested to prepare a supplementary opinion to the opinion of the above mentioned

Commission dated June 20th, 2011 in order to give answers to questions disclosed in the letter from CIECH S.A.'s representative dated December 5th, 2011. The opinion was prepared and submitted to the Court on March 14th, 2012, and then served upon the law firm running the case. In the end, the next hearing took place on May 16th, 2012, but it concerned above all the opposition of the State Treasury represented by the President of the Capital City of Warsaw against the admission of the company MARVIPOL S.A. to the case as an intervening party. During the said hearing, the Regional Court in Warsaw decided to dismiss the opposition of the State Treasury, obliging the company MARVIPOL S.A. to submit evidence motions in a given term after the decision becomes final. Afterwards, the next hearing is to be scheduled automatically. Currently, no information from the Court is available about the date of the next hearing in the case.
Due to the aforementioned proceedings (in connection with perpetual usufruct charges on the plot in Powązkowska Street), CIECH S.A. created a provision amounting to PLN 1,890 thousand.

5.2 Subsidiaries – important items

Soda Polska CIECH S.A. (SODA MĄTWY Group)
No claims were advanced against Soda Polska CIECH S.A. which might significantly affect its activity and the total amount of liabilities claimed by creditors amounts to PLN 500 thousand. No significant claims (liabilities) were advanced against the SODA MĄTWY Group's companies, which might affect their activity. In December 2011 an administrative proceedings were initiated by Kujawsko-Pomorski Wojewódzki Inspektorat Ochrony Środowiska w Bydgoszczy (Provincial Environmental Protection Inspectorate) concerning the stoppage of operation of OP-140 steam power boiler no. 4 and 5 at Soda Polska CIECH S.A., the combined heat and power plant of the JANIKOSODA production facility in Janikowo. The Company has taken appropriate steps for removal of the breach.
Proceedings are also pending against the company brought by the employee to recognize the termination of employment to be void or damages in the amount of PLN 15 thousand.
The amount of debts (including payment for goods) claimed in different proceedings is PLN 26,146 thousand, of which the amount of receivables claimed in enforcement proceedings is PLN 25,861 thousand, including the largest item – PLN 25,514 thousand – the claimed receivable of PHU "STARTER" B. Lepiarz.
The total amount of receivables claimed in court proceedings by TRANSODA Sp. z o.o. is PLN 15 thousand of which the company seeks receivables from its debtors in a court and enforcement proceedings amounting to PLN 6 thousand and in a bankruptcy proceeding the amount of PLN 8 thousand.
Soda Polska Ciech S.A. acquired the liabilities to PHU „STARTER" B. Lepiarz from JANIKOSODA S.A. and SODA MĄTWY S.A. However, the disclosure proceedings before the District Court in Częstochowa did not disclose any assets. The enforcement officer informed about the ineffectiveness of enforcement due to considerable debt and inability to satisfy the creditor's demands. Soda Polska Ciech S.A. has created a write-down for all pending proceedings.

SODA MĄTWY S.A. and JANIKOSODA S.A.
On December 14th, 2011 a law firm Beiten Burkhardt, representing Gothear Finanzholding AG (Buyer), which in 2010 acquired shares in Polskie Towarzystwo Ubezpieczeniowe S.A. (PTU) belonging to the Inowrocławskie Zakłady Chemiczne SODA MĄTWY 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 him for a proper evaluation of operations and financial, actuarial and legal position of PTU. In the notification sent the Buyer did not submit claims for payment, but merely pointed out that as a result of underestimation of the technical provisions it might have suffered damage for which the Sellers (JANIKOSODA S.A. and SODA MĄTWY 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 MĄTWY 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 Regional 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 S.A. and SODA MĄTWY S.A. recognise the claim as unfounded. The statements as at June 30th, 2012 do not contain any adjustments for that reason in the form of additional provisions or additional off-balance sheet liabilities.

"VITROSILICON" Spółka Akcyjna
No claims (liabilities) have been filed against the company, which might affect its commercial activity. The company is claiming a total of PLN 736 thousand from trade debtors, including the largest claim pursued through enforcement proceedings for PLN 393 thousand and through bankruptcy proceedings for PLN 163 thousand. "VITROSILICON" Spółka Akcyjna created a write-down for all pending proceedings.

"ALWERNIA" S.A.
No claims (liabilities) have been lodged against Alwernia S.A. which might significantly affect its business activity. A case initiated by the Starostwo Chrzanów (Chrzanów County Office) is pending against the company concerning the settlement of a land and mortgage register. CIECH S.A. reported its participation in accordance with the procedures

of the EU, in the anti-dumping proceedings initiated by the European Commission on yellow phosphorus, imported from Kazakhstan. 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 writ of execution for part of the claim in the amount of PLN 250 thousand has been obtained. Currently, the execution of the property will be initiated under writ of execution. No write-down has been created for the abovementioned claim. Alwernia S.A. is claiming a total of PLN 565 thousand due to trade receivables in court actions and enforcement proceedings. A total of PLN 584 thousand is claimed in bankruptcy proceedings. Alwernia S.A. has created a write-down for all legal claims taking into account the collaterals held.

CHEMAN S.A.
No claims (liabilities) have been lodged against Cheman S.A. which might significantly affect its business activity. Cheman S.A. filed court cases against several dozens of trade debtors for a total of PLN 3,902 thousand, including PLN 1,574 thousand claimed in enforcement proceedings. Receivables amounting to PLN 1,089 thousand were lodged to the bankruptcy proceedings. Cheman S.A. has created a write-down for all pending proceedings.

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

POLFA Sp. z o.o.
No claims (liabilities) have been lodged against the company POLFA Sp. z o.o. which might affect its business activity. The company is claiming in court proceedings from its debtors receivables amounting to EUR 48 thousand (equivalent of PLN 204 thousand) due to receivables for goods. The claims asserted in bankruptcy proceedings amount to EUR 283 thousand (equivalent to PLN 1,205 thousand).

ZAKŁADY CHEMICZNE "ORGANIKA-SARZYNA" Spółka Akcyjna
No material claims (liabilities) have been lodged against Z.Ch. "Organika-Sarzyna" S.A. which might affect its business activity. There is one employee case pending against the company for the total amount of PLN 17 thousand. Z.Ch. "Organika-Sarzyna" S.A. is claiming an amount of PLN 3,755 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 2,958 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 employees of the company for the total amount of PLN 124 thousand. Furthermore, private persons filed against the Company a claim for payment of PLN 34 thousand on account of non-contractual usage of property (easement by prescription). The ZACHEM Group's claims pending in business lawsuits, bankruptcy, enforcement, administrative and other proceedings total PLN 4,112 thousand, the largest claim being PLN 1,924 thousand in bankruptcy and settlement proceedings.
The amount of PLN 1,678 thousand is being vindicated in enforcement proceedings. The Group created a write-down for all pending proceedings in the amount of PLN 4,112 thousand.
However, on January 20th, 2012, ZACHEM S.A. appealed from the decision of the Regional Court in Bydgoszcz regarding the claim filed by the Mayor of Bydgoszcz regarding the release of property located in Bydgoszcz at ul. Toruńska 157, the total value of which is PLN 1,094 thousand.

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 17,896 thousand) due to the unpaid electricity bills from 2008. On March 24th, 2011 the District Court of first instance in Magdeburg ordered SWS KG to pay outstanding principal and interest for 2008, from which SWS has appealed to the court of second instance. Regardless of the pending litigation the parties have negotiated the terms of repayment of liabilities, which amounted to a net total of about EUR 14,000 thousand (equivalent to PLN 58,254 thousand) for the years 2008-2010 and for the first half of 2011. As a result of these negotiations SWS paid VASA EUR 4,000 thousand (equivalent to PLN 16,644 thousand). Another EUR 3,000 thousand (equivalent to PLN 12,483 thousand) were paid until August 20th, 2012. In exchange for the approval of the above mentioned amounts and terms VASA approved the reduction of energy liabilities of SWS by EUR 7,000

thousand.Due to the tenancy agreement coming into force, VASA withdrew all claims for payment against SWS. As at June 30th, 2012, there are no pending court proceedings.
Moreover, an employee claim is pending, lodged by a former Member of the Management Board of Sodachem GmbH, a distribution subsidiary, for unlawful termination of work agreement. The claimant demanded a compensation in the amount of EUR 1,400 thousand (equivalent of PLN 5,825 thousand) plus interest. As a result of the judgement of the second instance of the Labour Court, SWS paid EUR 624 thousand plus interest. The judgement is not final. According to the best knowledge of SWS, the probability of an increase in this amount is minimal.

S.C. UZINELE SODICE GOVORA – Ciech Chemical Group S.A.
No claims have been lodged against S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. which might affect its business activity. There are 5 proceedings pending against the company including 4 employee claims.
S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. is seeking the payment of its receivables in 42 court cases, with 19 enforcement proceedings against companies in bankruptcy. The total amount of the claims is RON 849 thousand (equivalent to PLN 814 thousand).
The remaining claims refer to amounts litigated from multiple debtors for the total amount of RON 4,634 thousand (equivalent to PLN 4,442 thousand) of which the largest proceeding amounts to RON 4,506 thousand (equivalent to PLN 4,319 thousand) and refers to penalty charged by “Wody Rumuńskie” for using water without extending the subscription and two proceedings for the total amount of USD 182 thousand (equivalent to PLN 617 thousand) for the refund of trade receivables, as well as one proceeding for the amount of RON 116 thousand (equivalent to PLN 111 thousand).
Additionally there are cases initiated by the Company against one of the former directors of the Company for the total amount of RON 2,037 thousand (PLN 1,952 thousand).
S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. filed a motion to the Court of Appeals in Bucharest for annulment of the Decision no. 75/26.02.2010 issued by ANAF (Tax Administration Authority) after an inspection performed in USG. The total amount is RON 7,969 thousand (equivalent of PLN 7,638 thousand) which constitutes the VAT paid after the ANAF inspection + accrued interest. Currently the amount is RON 7,115 thousand (equivalent of PLN 6,820 thousand). The case is pending. S.C. Uzinele Sodica Govora – Ciech Chemical Group S.A. created a provision for the aforementioned liabilities (excluding the tax paid) amounting to RON 3,206 thousand (PLN 3,073 thousand).

The exchange rates applied in the calculations (as at June 30th, 2012) were presented in point III.3 of this report.

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

In H1 2012 no transactions between the Group companies were concluded in the Ciech Group on conditions other than market conditions.

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

Sureties and guarantees granted

Beneficiary's name	Amount of loans covered by surety in whole or in specific part		Surety period	Financial terms, including surety fee due to the company	Principal	Nature of relations between CIECH S.A. and the borrower
	currency in '000	PLN '000.				
CIECH S.A.						
Commerzbank	25,000 EUR	106,532	30.09.2014	To the loan agreement of January 23rd, 2008 for EUR 75 million	Soda Deutschland GmbH	Subsidiary
Bank Consortium	10,373 EUR	44,202	31.03.2016	Fixed % of the surplus of granted surety over the surety required to hedge the actual amount of financing	S.C.Uzinele Sodice Govora – Ciech Chemical Group S.A.	Subsidiary
Total CIECH S.A.		**150,734**				
ZACHEM S.A.						
Bank PEKAO S.A.		18,160	until August 31st, 2014	None	Spółka Wodna Kapuściska	None
Nordea Bank		18,160	until August 31st, 2014	None	Spółka Wodna Kapuściska	None
Total ZACHEM S.A.		**36,320**				
Total amount of loans covered by surety		**187,054**				

Beneficiary's name	Total amount of guarantees granted, backed in whole or in specific part		Guarantee period	Financial terms, including guarantee fee due to the company	Principal	Nature of relations between CIECH S.A. and the beneficiary
	currency in '000	PLN '000.				
CIECH S.A.						
SG Equipment Leasing Polska Sp. z o.o. – Warsaw	EUR 119	507	01.09.2012	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. – Romania	Subsidiary
Air Products, LLC and Air Products Chemicals Europe B.V.	USD 12,827	43,466	Until the complete repayment of liabilities resulting from the deliveries executed between 01.01.2012 and 30.06.2012	-	ZACHEM S.A.	Subsidiary
GATX Rail Poland Sp. z o.o.	EUR 68	290	30.11.2012	Guarantee of payment of tenancy fee for tanks	ZACHEM S.A.	Subsidiary
ING Lease Romania IFN S.A.	EUR 857	3,651	31.10.2013	Payment collateral to lease agreements	S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. – Romania	Subsidiary
Wytwórnia Opakowań Blaszanych BECZKOPOL Sp. z o.o.	-	2,400	31.12.2012	Collateral for payments for steel drums	ZACHEM S.A.	Subsidiary
VA Intertrading Aktiengesellschaft Austria	EUR 900	3,835	By the payment of all liabilities for deliveries executed in 2012	Collateral for payments for delivery of liquid chloride	ZACHEM S.A.	Subsidiary
Total amount of guarantees granted		**54,149**				

8. Provisions and write-downs on assets from 01.01.2012 to 30.06.2012

The Ciech Group's consolidated financial statements for H1 2012 disclosed the following changes (creation, use and release) of provisions and write-downs on assets.

Provision increase from 01.01. to 30.06.2012	*PLN '000*
Income tax provision	31,340
Provision for retirement gratuities, annual leaves, bonuses, compensation payments, etc.	5,583
Provision for environmental protection	15,765
Provision for liabilities (costs)	5,085
Provision for expected losses	19,123
Total	**76,896**

Provision decrease (use and release) from 01.01. to 30.06.2012	*PLN '000*
Income tax provision	45,305
Provision for retirement gratuities, annual leaves, bonuses, compensation payments, etc.	3,012
Provision for expected losses	228
Provision for environmental protection	4,732
Restructuring provision	284
Provision for liabilities (costs)	1,938
Total	**55,499**

Write-downs on assets (increase) from 01.01 to 30.06.2012	*PLN '000*
Write-downs on intangible assets	3,666
Write-downs on tangible assets	276,964
Write-downs on current receivables	5,126
Write-downs on inventory	20,453
Write-downs on fixed financial assets	4,220
Total	**310,429**

Write-downs on assets (decrease) (use and release) from 01.01 to 30.06.2012	*PLN '000*
Write-downs on tangible assets	152
Write-downs on current receivables	10,262
Write-downs on inventory	4,084
Total	**14,498**

Deferred tax assets from 01.01 to 30.06.2012	*PLN '000*
Increase	24,558
Decrease	22,212

9. Detailed information about revaluation write-downs and provisions

As at June 30th, 2012, the Ciech Group assessed the premises from both external and internal information sources, pointing to the impairment of assets. As a result of these analyses, the separate companies made estimates of recoverable value in accordance with IAS 36 "Impairment of assets", and then recognised write-downs described in detail below in the financial statements. Moreover, the Group analysed its assets excluded from IAS 36 for impairment and the amount of provisions, especially in the scope of environmental provisions. In effect, appropriate amounts were entered in the consolidated statements.

The table below indicates the influence of one-off write-downs and provisions on the profit/loss on operating activities as at June 30th, 2012:

Company	Title of write-down/provision	Amount in PLN '000	Item in the income statement
Vitrosilicon S.A.	Impairment of tangible fixed assets	7,047	Other operating costs
Vitrosilicon S.A.	Write-downs for inventories – glass blocks	3,925	Other operating costs
Soda Mątwy Group	Write-down for energy certificates	14,432	Cost of sales
Soda Mątwy Group	Write-down for suspended investments	5,861	Other operating costs
CIECH S.A.	Write-down for the value of capital expenditures related to the real property (Powązkowska)	4,225	Other operating costs
CIECH S.A.	Provision for the claim from ZAP	18,800	Other operating costs
ZACHEM S.A.	Write-down for tangible fixed assets and intangible assets	188,697	Other operating costs
ZACHEM S.A.	Environmental provisions	13,214	Other operating costs
ZACHEM S.A.	Writing down development work	13,886	Other operating costs
Organika-Sarzyna S.A.	Write-down for tangible fixed assets	35,635	Other operating costs
Alwernia S.A.	Write-down for tangible fixed assets and intangible assets	39,805	Other operating costs
	Total	**345,527**	

The total impact of the above mentioned write-downs and provisions on the net result (after taking into account deferred tax) amounted to PLN -329,607 thousand.

ZACHEM S.A.

The unfavourable market situation on the TDI and EPI markets, technological aspects, worsening financial situation and lack of perspectives for an improvement in profitability in the nearest future were the premises which led to conducting an impairment test. Due to technological relations between installations in the Company, it was treated as one cash flow-generating unit. The results of the tests indicated a significant impairment write-down. Thus, the recoverable value was established in the amount of the fair value of tangible fixed assets estimated by the company and the value of intangible assets less sale costs. The valuations held by the Company were treated as a basis, and the value of tangible fixed assets was established depending on the group of assets analysed. In the case of land, the value from the valuation was accepted, in the case of other groups of tangible fixed assets in use adequate ratios were used, i.a. reflecting the possibility of selling them, along with other factors influencing the amount of write-downs. The total revaluation write-down on assets amounted to PLN 188,697 thousand. Moreover, development work was written down to the amount of PLN 13,886 thousand due to lack of funds for further financing and an environmental provision was created in the amount of PLN 13,214 thousand.

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

For the purposes of the analysis of profitability in the company Organika-Sarzyna four spheres of activity were distinguished: epoxy resins division, plant protection chemicals division, polyester division (which according to IAS 36 are separate cash generating means) and the sphere of joint assets. A change of approach to one where different cash generating units are identified (in comparison to 2011, when the Company was treated as a whole) results from the fact that currently the Management Board of the Company has come to the conclusion that the previously prepared analyses of the company's functioning were not detailed enough to allow a reliable and credible assessment of the profitability of different spheres of the Company's activity. Impairment tests were conducted only for the epoxy resins division because the Company expects only this cash generating unit to reach low profitability levels in the foreseeable future. In other spheres of activity there were no premises pointing to impairment. In the case of the epoxy resins division the recoverable value was established at the level of value in use (using the discounted cash flows method). The total revaluation write-down on assets in the epoxy resins division amounted to PLN 35,635 thousand.

Alwernia S.A.

The premises to conduct impairment test in the company Alwernia S.A. included the worsening market situation and potential unfavourable legal changes (the introduction of customs duty on yellow phosphorus, which is the key raw material used for production in Alwernia) which may occur in the nearest future. In the case of this entity, the cash generating unit is the whole Company. The test results showed a significant impairment write-down due to which the recoverable value was established in the amount of fair value of the Company's net assets as estimated by the Group. The Company's environmental problems were taken into account when estimating fair value. The total revaluation write-down on assets amounted to PLN 39,805 thousand.

Vitrosilicon S.A.
Due to unfavourable market changes (in particular the fall in demand for glass blocks and significant drop of sale prices of these products) and economic changes, the Company intends to shut down the technological line for the production of glass blocks. Thus, an impairment of fixed assets in the amount of PLN 3,668 thousand was recognised. Moreover, in connection with the planned termination of production of these goods a revaluation write-down on inventories was made to the amount of PLN 3,925 thousand. Due to the lack of profitability and planned sales, the assets of Zakład Pobiedziska were also subject to revaluation write-downs (the amount of PLN 3,379 thousand). The recoverable value in the amount of the fair value of tangible fixed assets less selling costs estimated by the Company was the basis for the write-downs.

SODA MĄTWY Group
In the company Soda Polska Ciech, a revaluation of the certificates of origin of energy obtained in connection with the production of energy in cogeneration was performed. An impairment write-down in the amount of PLN 14,432 thousand was recognised on the basis of current sale prices of such certificates. Moreover, in connection with the suspension until 2016 of several investment projects and the lack of certainty as to their continuation in the future a write-down for the amount of the expenditures made was recorded in the amount of PLN 5,861 thousand.

CIECH S.A.
After an analysis of the investment possessed by CIECH connected to the land at ul. Powązkowska, a revaluation write-down was made to the amount of PLN 4,225 thousand. Moreover, the amount of PLN 18,800 thousand was reclassified as provisions. Previously it was recorded as contingent liability related to the claim filed by ZA Puławy resulting from an alleged breach of provisions of the agreement on the sale of shares in GZNF FOSFORY Sp. z o.o.

10. Obligations resulting from privatisation agreements

- ZACHEM S.A.

No.	Item	ZACHEM S.A.
1	Investment obligations	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. **Due to revaluation write-downs created on the assets of the company ZACHEM S.A., Guaranteed Investments as at June 30th, 2012 (the publication date of these statements) were not realised.**
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 increases made in 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 due to performing 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 remuneration paid to shareholders in conjunction with the redemption.
5	Contractual penalties due to performing 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 due to performing prohibited division 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 due to 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 out by the Company to shareholders other than the Seller.
8	Liability for violating the State Treasury's right to appoint one person as a member of 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 did not include a specific rights 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 delay

** 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 of March 29th, 2006. The key provisions of the annex to the agreement regarding the sales of ZACHEM S.A. shares extend the realisation period for guaranteed investments by three years for three investment tasks, i.e. electrolysis conversion, implementation of new EPI technology, increase of TDI production capacity to 90 thousand tonnes p.a.*

In the 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.

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

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

11. Notes to the Consolidated Statement of Comprehensive Income of the Ciech Group

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

	01.01.-30.06.2012			01.01.-30.06.2011		
PLN '000	**Before tax**	**Tax**	**Net after tax**	**Before tax**	**Tax**	**Net after tax**
Currency translation differences (foreign companies)	3,814	-	3,814	(4,175)	-	(4,175)
Cash flow hedging	(2,139)	406	(1,733)	(5,186)	986	(4,200)
Net currency translation differences (investments in foreign companies)	(10,885)	-	(10,885)	1,841	-	1,841
Other components of other comprehensive income	(4)	-	(4)	5		5
Other net comprehensive income	**(9,214)**	**406**	**(8,808)**	**(7,515)**	**986**	**(6,529)**

Income tax and reclassification adjustments in total Other Comprehensive Income

Other Gross Comprehensive Income *PLN '000*	change in the period	**01.01.-30.06.2012**	change in the period	**01.01.-30.06.2011**
Currency translation differences (foreign companies)	-	**3,814**	-	**(4,175)**
- measurement for the current period	3,814	-	**(4,175)**	-
Net currency translation differences (investments in foreign companies)	-	**(10,885)**	-	**1,841**
- change resulting from the change in exchange rate in the period	(10,885)	-	1,841	-
Cash flow hedging	-	**(2,139)**	-	**(5,186)**
- measurement to fair value in the period	(4,794)	-	(189)	-
- reclassification adjustment to the income statement	2,655	-	(4,997)	-
Other	**(4)**	**(4)**	**5**	**5**
Income tax attributable to other components of other Comprehensive Income	-	**406**	-	**986**
- for the current period	911	-	36	-
- reclassification adjustment to the income statement	(505)	-	950	-
Other net comprehensive income	-	**(8,808)**	-	**(6,529)**

12. Purchase and disposal of tangible fixed assets

Between January 1st, 2012 and June 30th, 2012, the Ciech Group carried out the following transactions increasing and decreasing the gross value of tangible fixed assets:

30.06.2012 *PLN '000*	**Land**	**Buildings, offices and land and water engineering facilities**	**Machinery and equipment**	**Means of transport**	**Other tangible fixed assets in use**	**Tangible fixed assets under construction**	**Tangible fixed assets**
Gross value of tangible fixed assets at the beginning of period	**85,660**	**926,341**	**2,016,062**	**126,452**	**47,328**	**243,719**	**3,445,562**
Purchase	-	27	1,291	18	1,444	-	2,780
Acquisition from investment	-	10,690	48,790	837	555	(60,872)	-
Modernisation	-	454	2,354	50	35	-	2,893
Investment expenditure on tangible fixed assets under construction	-	-	-	-	-	150,668	150,668
Change of tangible fixed assets due to the conclusion of heat and power plant tenancy agreement	-	21,833	100,207	-	-	-	122,040
Activation of external financing costs	-	-	-	-	175	8,138	8,313
Sales	-	(415)	(208)	(2,674)	(955)	(3,160)	(6,512)
Liquidation	-	(1,866)	(3,860)	(337)	(68)	-	(6,131)
Currency translation differences (foreign entities)	(3,414)	(7,966)	(27,055)	(709)	(422)	(503)	(40,069)
Other	-	4,766	(1,178)	(3,698)	(3)	(151)	(264)
Gross value of tangible fixed assets at the end of period	**82,246**	**953,864**	**2,136,403**	**119,939**	**48,989**	**337,839**	**3,679,280**

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

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

OFF-BALANCE SHEET ITEMS *PLN '000*	**30.06.2012**	**31.12.2011**
1. Conditional assets	**639**	**663**
- other off-balance sheet receivables	639	663
2. Contingent liabilities	**82,918**	**105,122**
- guarantees and sureties granted	36,320	36,320
- other off-balance sheet liabilities	41,340	42,493
- other	5,257	26,309

As at June 30th, 2012, the contingent assets in the Ciech Group amounted to PLN 639 thousand. This amount represent a limit up to which Z. Ch. "Organika-Sarzyna" S.A. may fill out a blank promissory note received from the company providing services for the Company as a performance bond.

The amount of contingent liabilities as at June 30th, 2012 was PLN 82,918 thousand, which signifies a decrease by PLN 22,204 thousand in relation to the balance as at December 31st, 2011.
Change of contingent liabilities in comparison with the state as at December 31st, 2011 results mainly from:

- changing EUR exchange rate applied by Soda Deutschland Ciech to calculate, among others, a potential liability due to the recultivation of ponds, which will be recognised in case the waste management regulations become applicable,
- a change in the RON exchange rate in S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. for the contingent liability towards CET Govora,
- a decrease in Alwernia S.A.'s obligations for the purchase of tangible fixed assets and intangible assets to the amount of PLN 253 thousand,
- a decrease in liabilities in the SODA MĄTWY Group resulting from a reclassification of one of the liabilities (deferred penalty for sulphur dioxide emission) as provision, because the investment task related to that liability will not be performed until December 31st, 2012, according to the last decision of WIOŚ (the Provincial Inspectorate of Environmental Protection). This penalty was paid along with interest at the end of July 2012,
- the expiration of a contingent liability of RON 3,339 thousand due to a final court decision, favourable to CIECH S.A., on the dismissal of charges of non-compliance by CIECH S.A. with information obligations under the agreement with AVAS regarding the purchase of S.C. Uzinele Sodice Govora - Ciech Chemical Group,
- the creation of contingent liability of PLN 1,580 thousand due to a claim filed by a former employee of the Company for compensation for termination of employment,
- the reclassification as provision of the contingent liability of PLN 18,800 thousand related to the claim filed by ZA Puławy resulting from an alleged breach of provisions of the agreement on the sale of shares in GZNF FOSFORY Sp. z o.o.

14. 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 and Medium-Exposure Banks, as at June 30th, 2012 is presented in the table below:

Beneficiary's (company's) name	Amount of loans covered by surety	Granted surety limit	Surety period	Financial terms, including surety fee due to the company	Principal	Nature of relations between CIECH S.A. and the company which granted the surety
CIECH S.A.						
Bank Consortium: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A. European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 30.06.2012: EUR 10.4 million	Surety limit under the loan agreement: PLN 1,218 million	Until total repayment of liabilities covered by sureties	Fixed % of the surplus of granted surety over the surety required to hedge the actual amount of financing	S.C.Uzinele Sodice Govora S.A.	-
POLFA Sp. z o.o.						
Loan **Bank Consortium**: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A. European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 30.06.2012: PLN 598 million and EUR 37.8 million	Surety limit under the loan agreement: PLN 1,218 million	Until total repayment of liabilities covered by sureties	Fixed % of the surplus of granted surety over the surety required to hedge the actual amount of financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary
JANIKOSODA S.A.						
Loan **Bank Consortium**: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A. European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 30.06.2012: PLN 598 million and EUR 37.8 million	Surety limit under the loan agreement: PLN 1,218 million	Until total repayment of liabilities covered by sureties	-	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary
SODA MĄTWY S.A.						
Loan **Bank Consortium**: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A. European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 30.06.2012: PLN 598 million and EUR 37.8 million	Surety limit under the loan agreement: PLN 1,218 million	Until total repayment of liabilities covered by sureties	-	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary
Soda Polska Ciech S.A.						

Beneficiary's (company's) name	Amount of loans covered by surety	Granted surety limit	Surety period	Financial terms, including surety fee due to the company	Principal	Nature of relations between CIECH S.A. and the company which granted the surety
Loan **Bank Consortium**: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A. European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 30.06.2012: PLN 598 million and EUR 37.8 million	Surety limit under the loan agreement: PLN 1,218 million	Until total repayment of liabilities covered by sureties	Fixed % of the surplus of granted surety over the surety required to hedge the actual amount of financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary
TRANSCLEAN Sp. z o.o.						
Loan **Bank Consortium**: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A. European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 30.06.2012: PLN 598 million and EUR 37.8 million	Surety limit under the loan agreement: PLN 1,218 million	Until total repayment of liabilities covered by sureties	Fixed % of the surplus of granted surety over the surety required to hedge the actual amount of financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary
Alwernia S.A.						
Loan **Bank Consortium**: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A. European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 30.06.2012: PLN 598 million and EUR 37.8 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 hedge the actual amount of financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary
Z.Ch. "Organika-Sarzyna" S.A.						
Loan **Bank Consortium**: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A. European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 30.06.2012: PLN 598 million and EUR 37.8 million	PLN 300 million.	Until total repayment of liabilities covered by sureties	Fixed % of the surplus of granted surety over the surety required to hedge the actual amount of financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary
VITROSILICON S.A.						
Loan **Bank Consortium**: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A. European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 30.06.2012: PLN 598 million and EUR 37.8 million	Surety limit under the loan agreement: PLN 1,218 million	Until total repayment of liabilities covered by sureties	Fixed % of the surplus of granted surety over the surety required to hedge the actual amount of financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary
ZACHEM S.A.						

Beneficiary's (company's) name	Amount of loans covered by surety	Granted surety limit	Surety period	Financial terms, including surety fee due to the company	Principal	Nature of relations between CIECH S.A. and the company which granted the surety
Loan **Bank Consortium**: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A. European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 30.06.2012: PLN 598 million and EUR 37.8 million	Surety limit under the loan agreement: PLN 1,218 million	Until total repayment of liabilities covered by sureties	Fixed % of the surplus of granted surety over the surety required to hedge the actual amount of financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary
Cheman S.A.						
Loan **Bank Consortium**: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A. European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 30.06.2012: PLN 598 million and EUR 37.8 million	Surety limit under the loan agreement: PLN 1,218 million	Until total repayment of liabilities covered by sureties	Fixed % of the surplus of granted surety over the surety required to hedge the actual amount of financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary
Ciech Pianki Sp. z o.o.						
Loan **Bank Consortium**: Bank Handlowy S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A., Bank Millennium S.A., Bank DNB NORD POLSKA S.A. European Bank for Reconstruction and Development.	Amount of loans covered by sureties as at 30.06.2012: PLN 598 million and EUR 37.8 million	Surety limit under the loan agreement: PLN 1,218 million	Until total repayment of liabilities covered by sureties	Fixed % of the surplus of granted surety over the surety required to hedge the actual amount of financing	CIECH S.A., S.C.Uzinele Sodice Govora S.A.	Subsidiary

15. Discontinued operations and assets held for sale

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

For the period between January 1st and June 30th, 2012:
- results of companies to be sold – POLFA Sp. z o.o., Cheman S.A., Ciech Finance Sp. z o.o.
- eliminations of results on transactions between consolidated entities in the Ciech Group, and entities reported in discontinued operations.

For the period between January 1st and June 30th, 2011:
- results of companies to be sold – POLFA Sp. z o.o., Cheman S.A., Ciech Finance Sp. z o.o.,
- results of Zachem UCR Sp. z o.o. over which the Group lost its control due to the sale of shares,
- results of the FOSFORY Group, and Daltrade Ltd. for the period of participation in the Group, as well as the consolidated results for the sale of these entities,
- eliminations of results on transactions between consolidated entities in the Ciech Group, and entities reported in discontinued operations.

The table below presents the result on sales related to discontinued operations:

PLN '000	**FOSFORY Group**	**Daltrade Ltd.**	**TOTAL**
Sales revenues	106,740	89	106,829
Consolidated cost	102,195	671	102,866
Gross profit	4,545	(582)	3,963
Income tax	(16,312)	633	(15,679)
Net consolidated result	**(11,766)**	**(51)**	**(11,715)**

A reporting adjustment was also performed in the report for the first half of 2011 (comparable data).

Assets and liabilities classified as held for sale
As at June 30th, 2012 the Ciech Group under "Assets classified as held for sale" and "Liabilities directly associated with assets classified as held for sale" the assets and liabilities of POLFA Sp. z o.o., Ciech Finance Sp. z o.o. and Cheman S.A. were presented. Such presentation results from the fact that CIECH S.A. concluded an agreement on the sale of 3,820 shares in POLFA Sp. z o.o., which comprise 100% of the share capital of POLFA Sp. z o.o., and that it held through sale the shares of Cheman S.A. and Ciech Finance Sp. z o.o.

Additionally, in the item "Assets classified as held for sale" the following assets were recognised:
- VITROSILICON Spółka Akcyjna disclosed tangible fixed assets amounting to PLN 500 thousand, including:
  - land – PLN 368 thousand,
  - buildings and structures – PLN 132 thousand.

These assets are classified in the silicates and glass segment.

- CIECH - POLSIN Pte. Ltd. disclosed land with a building situated on it amounting to PLN 471 thousand.

The company is at the stage of preliminary negotiations with the buyer. These assets are categorised in the "other" segment.

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

- **Information about the ratios included in loan agreements**

No loan agreement was called to maturity and there were no deadlines of repaying capital or interest due to financial liabilities recognised in the balance sheet violated in the period covered by these statements.

As at June 30th, 2012, according to the Company's calculations, the levels of ratios required by the Loan Agreement dated February 10th, 2011 were not achieved:

- debt level to operating results plus depreciation / amortisation (total consolidated net debt to consolidated EBITDA* as measured for the Ciech Group, excluding German subsidiaries) amounted to 4.1% in relation to a maximum level of 3.1% required by the Loan Agreement in a one-year ratio testing period ended on June 30th, 2012,

- the debt service coverage ratio (cash available for servicing debt to total consolidated debt service as measured for the Ciech Group, excluding German subsidiaries) amounted to 0.1 in relation to a minimum level of 0.7 required by the Loan Agreement in a one-year ratio testing period ended on June 30th, 2012.

On May 21st, 2012, CIECH S.A. applied to the lenders, within the terms specified in the Loan Agreement, for the annulment of the requirement to achieve the level of the ratios as at June 30th, 2012.

Pursuant to a letter dated August 30th, 2012, the lenders waived the right to claim a breach of agreement resulting from the violation of the financial ratio on certain conditions, i.e. that:
- the financial leverage ratio in the calculation period ending on June 30th, 2012 will be lower than 4.50,
- the debt service coverage ratio will not be lower than 0.00,
- CIECH S.A. will pay a waiver fee to the lenders.

As a result of the assessment of assets for impairment, the Management Board of ZACHEM S.A. found that there was a significant loss of book value of tangible fixed assets of ZACHEM S.A., which may reflect the fact that the liabilities of ZACHEM S.A. (including ZACHEM S.A.'s liabilities to CIECH S.A. due to borrowings made to ZACHEM S.A.) exceed the real value of its assets and it fulfils the preconditions stipulated in Article 11 section 2 of the Corporate Bankruptcy and Reorganisation Act, which would constitute a breach of the loan agreement. In a letter of August 30th, 2012, the lenders waived at the request of the Company the right to claim a breach of the Loan Agreement due to the aforementioned circumstances until September 30th, 2012 and on condition that the Company pays a waiver fee. The Company looks to eliminate the said precondition until September 30th, 2012. Therefore it took preventive measures in the form of starting the process whereby it converts the debts of ZACHEM S.A. to CIECH S.A. related to the borrowings granted to the Company by CIECH S.A. into shares in the increased share capital of ZACHEM S.A. In order to achieve it, it convened an Extraordinary General Meeting of Shareholders for September 20th, 2012 with an increase of the share capital of ZACHEM S.A. on the agenda. In relation thereto the Company foresees that after September 30th, 2012, i.e. after the waiver period stipulated by the lenders, the precondition leading to a breach of the Loan Agreement will have ceased to exist.

In relation to the breach of the above mentioned conditions, the debt of PLN 514,941 thousand resulting from the Loan Agreement was recorded in the financial statements as short-term liability.

17. Information about non-consolidated subsidiaries and associates

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

The table below presents the total data from subsidiaries not covered by consolidation under the full method due to the irrelevance of the data, compared to total values for the Ciech Group for the period from January 1st, 2012 to June 30th, 2012:

Total value in PLN '000	Non-consolidated entities	Ciech Group	% share
Balance sheet totals	18,172	7,391,363	0.25%
Net sales and financial operations	(27,934)	3,661,107	0.76%

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

Total value	Associates not measured under the equity method	Equity of Ciech Group	% share
Share in net assets	(17,152)	960,832	1.79%

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

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

Deferred income tax provision adjustment in S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. – the company created a deferred income tax provision due to a temporary difference resulting from the revaluation of tangible fixed assets. The need to recognise deferred tax results from the changes in the Romanian tax regulations in 2009, which is why this provision has been introduced as an adjustment to 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.

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

PLN '000	**31.12.2011 previously reported in the annual statements**	*investment property*	*presentation of energy certificates*	**31.12.2011 currently reported**
Tangible fixed assets	2,217,219	1,501		2,218,720
Right of perpetual usufruct	129,491	(73,213)		56,278
Investment property	7,084	80,403		87,487
Deferred income tax assets	24,489			24,489
Other fixed assets	298,918			298,918
Total fixed assets	**2,677,201**	**8,691**	**-**	**2,685,892**
Inventory	335,591		21,028	356,619
Trade and other receivables	840,586		(21,028)	819,558
Fixed assets held for sale	57,017			57,017
Other current assets	156,110			156,110
Total current assets	**1,389,304**	**-**	**-**	**1,389,304**
Total assets	**4,066,505**	**8,691**	**-**	**4,075,196**
Share capital	287,614			287,614
Share premium	508,122			508,122
Cash flow hedge	(8,111)			(8,111)
Other reserve capitals	78,521			78,521
Net currency translation differences (investments in foreign companies)	11,396			11,396
Currency translation differences (subsidiaries)	(62,796)			(62,796)
Retained earnings	495,365	7,040		502,405
including net profit (loss)	*1,501*	-		*1,501*
Equity attributable to shareholders of the parent	**1,310,111**	**7,040**	**-**	**1,317,151**
Non-controlling interest	(2,020)			(2,020)
Total equity	**1,308,091**	**7,040**	**-**	**1,315,131**
Deferred tax provision	119,015	1,651	-	120,666
Other non-current liabilities	564,548			564,548
Total non-current liabilities	**683,563**	**1,651**	**-**	**685,214**
Current liabilities	2,074,851			2,074,851
Total liabilities	**2,758,414**	**1,651**	**-**	**2,760,065**
Total equity and liabilities	**4,066,505**	**8,691**	**-**	**4,075,196**

The impact of changes in principles applied while preparing the financial statements on the data as at June 30th, 2011 is presented below.

PLN '000	**30.06.2011 previously reported**	*investment property*	*deferred tax provision*	*presentation of energy certificates*	*balance of deferred tax – consolidation adjustments*	**30.06.2011 currently reported**
Tangible fixed assets	2,045,096	1,644				2,046,740

PLN '000	**30.06.2011 previously reported**	*investment property*	*deferred tax provision*	*presentation of energy certificates*	*balance of deferred tax – consolidation adjustments*	**30.06.2011 currently reported**
Right of perpetual usufruct	132,138	(73,213)				58,925
Investment property	5,796	81,705				87,501
Deferred income tax assets	15,198				(1,244)	13,954
Other fixed assets	249,418					249,418
Total fixed assets	**2,447,646**	**10,136**	**-**	**-**	**(1,244)**	**2,456,538**
Inventory	317,122			13,551		330,673
Trade and other receivables	788,344			(13,551)		774,793
Fixed assets held for sale	40,679	(1,445)				39,234
Other current assets	385,308					385,308
Total current assets	**1,531,453**	**(1,445)**	**-**	**-**	**-**	**1,530,008**
Total assets	**3,979,099**	**8,691**	**-**	**-**	**(1,244)**	**3,986,546**
Share capital	279,115					279,115
Share premium	472,633					472,633
Cash flow hedge	(4,639)					(4,639)
Other reserve capitals	78,521					78,521
Net currency translation differences (investments in foreign companies)	(18,718)					(18,718)
Currency translation differences (subsidiaries)	(53,177)		595			(52,582)
Retained earnings	490,509	7,040	(6,121)			491,428
including net profit (loss)	*4,967*		*(79)*			*4,888*
Equity attributable to shareholders of the parent	**1,244,244**	**7,040**	**(5,526)**	**-**	**-**	**1,245,758**
Non-controlling interest	25,525		116			25,641
Total equity	**1,269,769**	**7,040**	**(5,410)**	**-**	**-**	**1,271,399**
Deferred tax provision	100,670	1,651	5,410		(1,244)	106,487
Other non-current liabilities	1,528,339					1,528,339
Total non-current liabilities	**1,629,009**	**1,651**	**5,410**	**-**	**(1,244)**	**1,634,826**
Current liabilities	1,080,321					1,080,321
Total liabilities	**2,709,330**	**1,651**	**5,410**	**-**	**(1,244)**	**2,715,147**
Total equity and liabilities	**3,979,099**	**8,691**	**-**	**-**	**(1,244)**	**3,986,546**

19. Information on events occurring after the balance-sheet day

- The Management Board of CIECH S.A. adopted a resolution on the approval of the division plans and the reports justifying the divisions and on withdrawal from the merger of CIECH S.A. with Soda Mątwy S.A. and Janikosoda S.A. in accordance with merger plans adopted on August 29th, 2011. The division will be performed within the terms of Article 529 § 1 item 4 of the Code of Commercial Companies through transferring part of the assets of Janikosoda S.A. and part of the assets of Soda Mątwy S.A. (divided companies) to CIECH S.A. (acquiring company) in the form of an organised part of the enterprise – the Soda Department (division by separation). The merger model adopted by the Management Board of CIECH S.A. will be realised after the approval by the Supervisory Board and adoption by the General Meeting of Shareholders.
  The information was announced in Current Report no. 31 of August 28th, 2012.

- On August 29th, 2012, an Extraordinary General Meeting of CIECH S.A. took place, and its agenda covered, among other points:
  - ✓ Submission of the CIECH S.A. Management Board's motion concerning the issue of collateralised domestic bearer bonds up to the value of PLN 500,000,000.

- ✓ Submission of the CIECH S.A. Management Board's motion concerning the issue of collateralised foreign bearer bonds up to the value of EUR 300,000,000.
- ✓ Submission of the CIECH S.A. Management Board's motion concerning a change in the Articles of Association of CIECH S.A.
- ✓ Adoption of resolutions concerning the issue of collateralised bearer bonds:
  - o to a maximum value of PLN 500,000,000 (domestic bonds),
  - o to a maximum value of EUR 300,000,000 (foreign bonds).
- ✓ Adoption of resolutions concerning a change in the Articles of Association of CIECH S.A. and the authorisation of the CIECH S.A. Supervisory Board to compile the consolidated text of the changed Articles of Association of CIECH S.A.

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

V. Condensed Separate Financial Statements of CIECH S.A. for H1 2012 prepared in accordance with the International Financial Reporting Standards

1. Separate Income Statement of CIECH S.A.

PLN '000	**01.01.-30.06.2012*** Continued operations	**01.01.-30.06.2011*** Continued operations	**01.04.-30.06.2012**** Continued operations	**01.04.-30.06.2011**** Continued operations
Net revenues from sales	**1,261,443**	**1,147,152**	**629,993**	**543,236**
Cost of sales	(1,106,967)	(1,012,485)	(552,681)	(479,789)
Gross profit/loss on sales	**154,476**	**134,667**	**77,312**	**63,447**
Other operating revenues	4,658	2,203	2,933	792
Selling costs	(82,972)	(72,485)	(41,521)	(35,530)
General and administrative expenses	(21,723)	(20,427)	(12,152)	(10,378)
Other operating costs	(34,423)	(5,561)	(32,971)	(4,510)
Operating profit/loss	**20,016**	**38,397**	**(6,399)**	**13,821**
Financial revenues	45,355	203,874	29,259	178,736
Financial costs	(307,502)	(69,751)	(236,937)	(34,892)
Net financial revenues/costs	**(262,147)**	**134,123**	**(207,678)**	**143,844**
Profit/loss before taxes	**(242,131)**	**172,520**	**(214,077)**	**157,665**
Income tax	1,853	(19,887)	(3,100)	(16,375)
Net profit/loss	**(240,278)**	**152,633**	**(217,177)**	**141,290**
Profit/loss per share (in PLN)				
Basic	(4.56)	3.66	(4.12)	3.39
Diluted	(4.56)	3.66	(4.12)	3.39

**Data not audited by a certified auditor.*
*** Data not reviewed by a certified auditor.*

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

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

PLN '000	**01.01.-30.06.2012*** **Continued operations**	**01.01.-30.06.2011*** **Continued operations**
Net profit/loss for the financial year	**(240,278)**	**152,633**
Other Gross Comprehensive Income	**-**	**(7,647)**
Cash flow hedging	-	(7,647)
Income tax attributable to other components of Comprehensive Income	-	1,453
Other net comprehensive income	-	(6,194)
TOTAL COMPREHENSIVE INCOME	**(240,278)**	**146,439**

**Data not audited by a certified auditor.*

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

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

PLN '000	**30.06.2012***	**31.12.2011****	**30.06.2011*;****
ASSETS			
Fixed assets			
Tangible fixed assets	6,419	11,517	10,030
Right of perpetual usufruct	843	843	843
Intangible assets	6,571	6,960	7,527
Investment property	6,073	5,454	5,454
Long-term receivables	19,886	29,061	25,187
Long-term borrowings granted	1,074,073	1,185,509	677,207
Long-term investments and investments in related entities	917,739	1,029,345	984,385
Other long-term investments	17,045	17,667	15,946
Total fixed assets	**2,048,649**	**2,286,356**	**1,726,579**
Current assets			
Inventory	16,396	28,505	29,690
Current investments – borrowings granted	-	500	337,616
Income tax receivables	-	2,449	3,315
Trade and other receivables	475,562	431,654	412,982
Cash and cash equivalents	68,815	15,099	279,660
Fixed assets held for sale	10,490	19,718	7,351
Total current assets	**571,263**	**497,925**	**1,070,614**
Total assets	**2,619,912**	**2,784,281**	**2,797,193**
EQUITY AND LIABILITIES			
Equity			
Share capital	287,614	287,614	279,115
Share premium	507,835	508,122	472,633
Other reserve capitals	76,199	76,199	76,199
Retained earnings	207,509	447,787	249,244
Total equity	**1,079,157**	**1,319,722**	**1,077,191**
Liabilities			
Liabilities due to loans, borrowings and other debt instruments	-	-	1,001,959
Employee benefits	2,009	2,029	1,835
Other non-current liabilities	23,311	33,434	28,162
Deferred tax provision	14,738	16,645	4,240
Total non-current liabilities	**40,058**	**52,108**	**1,036,196**
Liabilities due to loans, borrowings and other debt instruments	1,015,633	967,200	88,896
Trade and other liabilities	457,523	438,801	587,880
Provisions (short-term provisions for employee benefits and other provisions)	27,483	6,368	6,967
Liabilities related to fixed assets held for sale	58	82	63
Total current liabilities	**1,500,697**	**1,412,451**	**683,806**
Total liabilities	**1,540,755**	**1,464,559**	**1,720,002**
Total equity and liabilities	**2,619,912**	**2,784,281**	**2,797,193**

**Data not audited by a certified auditor.*
*** Restated data.*

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

PLN '000	**01.01-30.06.2012***	**01.01-30.06.2011***
Cash flows from operating activities		
Net profit (loss) for the period	**(240,278)**	**152,633**
Amortisation/depreciation	2,943	2,309
Recognition/(reversal) of write-downs	232,136	5,250
Foreign exchange (profit)/loss	22,576	(136)
Investment property revaluation	(1,320)	-
(Profit)/loss on investment activities	-	(82,383)
(Profit)/loss on disposal of tangible fixed assets	(48)	(454)
Interest and profit sharing	(12,616)	(62,737)
Input income tax	(1,853)	19,887
Operating profit/loss before changes in working capital and provisions	**1,540**	**34,369**
Change in receivables	6,933	(44,294)
Change in inventory	12,109	(986)
Change in current liabilities	29,203	109,873
Change in provisions and employee benefits	21,094	(1,086)
Net cash generated from operating activities	**70,879**	**97,876**
Interest paid	(36,617)	(45,157)
Income tax paid	2,395	(8,069)
Change in liabilities from loan arrangement commission	1,217	(5,288)
Evaluation of derivatives	-	(7,647)
Net cash on operating activities	**37,874**	**31,715**
Cash flows from investment activities		
Inflows (in "+")		
Disposal of intangible and tangible fixed assets	146	1
Disposal of a subsidiary	-	106,829
Dividends received	81	3,850
Interest received	1,878	4,641
Repayment of borrowings	17,694	126,270
Outflows (in "-")		
Acquisition of intangible and tangible fixed assets	(1,423)	(1,341)
Acquisition of a subsidiary (after deduction of acquired cash)	(20,796)	(4,440)
Equity increase and contributions	(187)	-
Borrowings granted	(31,190)	(159,888)
Net cash on investment activities	**(33,797)**	**75,922**
Cash flows from financial activities		
Inflows (in "+")		
Net inflows from issue of shares and other equity instruments, and equity contributions	-	436,305
Proceeds from loans and borrowings	80,000	6,833
Outflows (in "-")		
Repayment of loans and borrowings	(28,239)	(306,211)
Payment of financial lease liabilities	(718)	-
Net cash on financial activities	**51,043**	**136,927**
Total net cash flows	**55,120**	**244,564**
Cash as at the beginning of period	15,099	35,130
Effect of foreign exchange differences	(1,404)	(34)
Cash at the end of the period	**68,815**	**279,660**

**Data not audited by a certified auditor.*

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

PLN '000	Share capital	Share premium	Cash flow hedge	Other reserve capitals	Retained earnings	**Total equity**
Equity as at (beginning of period) 01/01/2012	**287,614**	**508,122**	**-**	**76,199**	**447,787**	**1,319,722**
Reduction of equity referring to agio	-	(287)	-	-		(287)
Total comprehensive income for the period	-	-	-	-	**(240,278)**	**(240,278)**
Net profit/loss	-	-	-	-	(240,278)	(240,278)
Equity as at (end of period) 30/06/2012 *	**287,614**	**507,835**	**-**	**76,199**	**207,509**	**1,079,157**

**Data not audited by a certified auditor.*

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

*** Restated data.*

PLN '000	Share capital	Share premium	Cash flow hedge	Other reserve capitals	Retained earnings	**Total equity**
Equity as at (beginning of period) 01/01/2011						
Previously reported	**164,115**	**151,328**	**6,194**	**76,199**	**93,062**	**490,898**
Changes in accounting principles	-	-	-	-	3,549	3,549
Restated	**164,115**	**151,328**	**6,194**	**76,199**	**96,611**	**494,447**
Issue of shares	115,000	-	-	-	-	115,000
Issue premium over nominal value (agio)	-	321,305	-	-	-	321,305
Total comprehensive income for the period	-	-	(6,194)	-	152,633	146,439
Net profit	-	-	-	-	152,633	152,633
Other comprehensive income	-	-	(6,194)	-	-	(6,194)
Equity as at (end of period) 30/06/2011 *;**	**279,115**	**472,633**	**-**	**76,199**	**249,244**	**1,077,191**

**Data not audited by a certified auditor.*
*** Restated data.*

6. Notes to the financial statements prepared for the 6-month period ending on June 30th, 2012

6.1. Basis for preparation and accounting principles (policy)

On January 31st, 2007, the Extraordinary General Meeting of Shareholders of CIECH S.A. adopted resolution no. 4 on the preparation of separate financial statements according to IFRS/IAS. In connection with the above resolution, since 2007, the reports of CIECH S.A. have been prepared in accordance with IFRS/IAS using the principles of valuation of assets and liabilities and measurement of the net financial result, as set out in the accounting policy.
Detailed information regarding the principles and methods of the valuation of assets and liabilities and measurement of the financial result, as well as the method of preparation of financial statements and comparable data, were included in the report of CIECH S.A. for 2011, publicly disclosed on March 20th, 2012.
On January 1st, 2012, the Management Board of CIECH S.A. changed its accounting principles concerning investment property valuation from valuation according to the historic cost to valuation according to the fair value. At the initial recognition, the result of valuation of investment property to fair value is recognised in the equity, under "Retained earnings". In subsequent reporting periods, the profit or loss resulting from the change in fair value of an investment property affects the net profit or loss in the period in which this change occurred and is recognised under other operating revenues/costs.
The amended policy applies to financial statements since January 1st, 2012 (including comparable data).
There was also a reporting change concerning interest on trade receivables and interest on borrowings granted. From January 1st, 2012 (and in comparable periods), interest stated in the income statement is presented per account balance – less revaluation write-downs created.

6.2. Earnings per share

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

PLN '000	**30.06.2012**	**30.06.2011**
Net profit (loss) on continued operations attributed to the shareholders of the parent	(240,278)	152,633
Net profit (loss) on discontinued operations attributed to the shareholders of the parent	-	-
Net profit (loss) attributed to the shareholders of the parent, applied to calculate basic earnings per share	(240,278)	152,633
Net profit (loss) attributed to the shareholders of the parent, applied to calculate diluted earnings per share	(240,278)	152,633

pcs.	**30.06.2012**	**30.06.2011**
Weighted average number of issued ordinary shares, applied to calculate basic earnings per share	52,699,909	41,723,757
Weighted average number of issued ordinary shares, applied to calculate diluted earnings per share	52,699,909	41,723,757

6.3. Seasonality and cyclicality of operations

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

6.4. Changes in accounting estimates

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

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

Information on the issue, redemption and repayment of debt securities and equity securities has been presented in point II.9 of this report.

6.6. Information about dividends paid

Information on dividends paid has been presented in point II.10 of this report.

6.7. Financial figures by business segment

OPERATING SEGMENTS

01.01.-30.06.2012

PLN '000	**Soda Segment – Soda Division**	**Organic Segment – Organic Division**	**Agrochemical Segment** (Agro-Silicon Division)	**Silicates and Glass Segment** (Agro-Silicon Division)	**Other operations**	**Corporate Functions – reconciliatory item**	**TOTAL**
Revenues from third parties	477,813	461,662	22,718	169,832	454	-	1,132,479
Revenues from inter-segment transactions	35,743	52,396	40,307	518	-	-	128,964
Total revenues	**513,556**	**514,058**	**63,025**	**170,350**	**454**	-	**1,261,443**
Cost of sales	(417,619)	(481,568)	(60,610)	(147,016)	(154)	-	(1,106,967)
Gross profit/loss on sales	**95,937**	**32,490**	**2,415**	**23,334**	**300**	-	**154,476**
Selling costs	(42,847)	(20,145)	(643)	(18,758)	(579)		(82,972)
General and administrative expenses	(496)	(706)	(419)	-		(20,102)	(21,723)
Receivables management result	(4,293)	34	-	-	(1,451)	-	(5,710)
Result on other operating activities	1,333	(90)	1	(323)	(6,176)	(18,800)	(24,055)
Operating profit/loss	**49,634**	**11,583**	**1,354**	**4,253**	**(7,906)**	**(38,902)**	**20,016**
The balance of f/x differences and interest on trade settlements	(2,176)	214	664	74	(187)	-	(1,411)
Financing costs	-	-	-	-	-	(12,046)	(12,046)
Result on financial activities (non-attributable to segments)	-	-	-	-	-	(248,690)	(248,690)
Profit/loss before tax	**47,458**	**11,797**	**2,018**	**4,327**	**(8,093)**	**(299,638)**	**(242,131)**
Tax							1,853
Net profit/loss							**(240,278)**
Profit on discontinued operations							-
Net profit/loss for the financial year							**(240,278)**
Amortisation/depreciation	566	627	109	145	-	1,496	2,943
EBITDA	**50,200**	**12,210**	**1,463**	**4,398**	**(7,906)**	**(37,406)**	**22,959**

01.01.-30.06.2011

PLN '000	Soda Segment – Soda Division	Organic Segment – Organic Division	Agrochemical Segment	Silicates and Glass Segment	Other operations	Corporate Functions – reconciliatory item	TOTAL
			Agro-Silicon Division				
Revenues from third parties	417,020	435,704	38,525	99,032	225	-	990,506
Revenues from inter-segment transactions	28,701	22,282	97,582	8,006	75	-	156,646
Total revenues	**445,721**	**457,986**	**136,107**	**107,038**	**300**	**-**	**1,147,152**
Cost of sales	(368,244)	(426,640)	(129,725)	(87,817)	(59)	-	(1,012,485)
Gross profit/loss on sales	**77,477**	**31,346**	**6,382**	**19,221**	**241**	**-**	**134,667**
Selling costs	(37,364)	(17,797)	(1,241)	(16,098)	15	-	(72,485)
General and administrative expenses	(131)	(97)	(77)	(1)	(2)	(20,119)	(20,427)
Receivables management result	(2,018)	(1,742)	-	-	(448)	-	(4,208)
Result on other operating activities	225	50	-	331	244	-	850
Operating profit/loss	**38,189**	**11,760**	**5,064**	**3,453**	**50**	**(20,119)**	**38,397**
The balance of f/x differences and interest on trade settlements	(9,328)	(16,643)	(4,234)	(2,822)	(3,668)	-	(36,695)
Financing costs	-	-	-	-	-	(19,591)	(19,591)
Result on financial activities (non-attributable to segments)	-	-	-	-	-	190,409	190,409
Profit/loss before tax	**28,861**	**(4,883)**	**830**	**631**	**(3,618)**	**150,699**	**172,520**
Tax							(19,887)
Net profit/loss							**152,633**
Profit on discontinued operations							-
Net profit/loss for the financial year							**152,633**
Amortisation/depreciation	207	148	42	24	-	1,888	2,309
EBITDA	**38,396**	**11,908**	**5,106**	**3,477**	**50**	**(18,231)**	**40,706**

30.06.2012

PLN '000	**Soda Segment – Soda Division**	**Organic Segment – Organic Division**	**Agrochemical Segment** (Agro-Silicon Division)	**Silicates and Glass Segment** (Agro-Silicon Division)	**Other operations**	**Corporate Functions – reconciliatory item**	**TOTAL**
Tangible fixed assets	1,335	1,481	259	343	-	3,001	6,419
Intangible assets	1,367	1,516	265	351	-	3,072	6,571
Inventory	6,723	9,298	375	-	-	-	16,396
Trade receivables	173,797	115,157	7,636	21,350	6,777	-	324,717
Other assets	-	-	-	-	-	2,265,809	2,265,809
Total assets	**183,222**	**127,452**	**8,535**	**22,044**	**6,777**	**2,271,882**	**2,619,912**

PLN '000	**Soda Segment – Soda Division**	**Organic Segment – Organic Division**	**Agrochemical Segment** (Agro-Silicon Division)	**Silicates and Glass Segment** (Agro-Silicon Division)	**Other operations segment**	**Corporate functions – reconciliatory item**	**TOTAL**
Trade liabilities	207,327	130,391	16,881	56,650	-	-	411,249
Other liabilities	-	-	-	-	-	1,129,506	1,129,506
Total liabilities	**207,327**	**130,391**	**16,881**	**56,650**	**-**	**1,129,506**	**1,540,755**

30.06.2011

PLN '000	**Soda Segment – Soda Division**	**Organic Segment – Organic Division**	**Agrochemical Segment** (Agro-Silicon Division)	**Silicates and Glass Segment** (Agro-Silicon Division)	**Other operations**	**Corporate Functions – reconciliatory item**	**TOTAL**
Tangible fixed assets	745	533	151	86	-	8,515	10,030
Intangible assets	674	482	137	78	-	6,156	7,527
Inventory	11,463	10,302	7,910	15	-	-	29,690
Trade receivables	156,327	104,340	24,667	17,436	28	-	302,798
Other assets	-	-	-	-	-	2,447,148	2,447,148
Total assets	**169,209**	**115,657**	**32,865**	**17,615**	**28**	**2,461,819**	**2,797,193**

PLN '000	**Soda Segment – Soda Division**	**Organic Segment – Organic Division**	**Agrochemical Segment** (Agro-Silicon Division)	**Silicates and Glass Segment** (Agro-Silicon Division)	**Other operations segment**	**Corporate functions – reconciliatory item**	**TOTAL**
Trade liabilities	210,539	221,573	29,843	40,044	-	-	501,999
Other liabilities	-	-	-	-	-	1,218,003	1,218,003
Total liabilities	**210,539**	**221,573**	**29,843**	**40,044**	**-**	**1,218,003**	**1,720,002**

01.01.-30.06.2012

PLN '000	Soda Segment – Soda Division	Organic Segment – Organic Division	Agrochemical Segment (Agro-Silicon Division)	Silicates and Glass Segment (Agro-Silicon Division)	Other operations	Corporate Functions – reconciliatory item	TOTAL
Recognised impairment losses	4,572	12	411	-	5,927	-	10,922
Reversed impairment losses	14	49	234	-	251	-	548
Recognised impairment losses (non-attributable to segments)	-	-	-	-	-	228,482	228,482
Reversed impairment losses (non-attributable to segments)	-	-	-	-	-	49	49
	4,586	**61**	**645**	**-**	**6,178**	**228,531**	**240,001**

01.01.-30.06.2011

PLN '000	Soda Segment – Soda Division	Organic Segment – Organic Division	Agrochemical Segment (Agro-Silicon Division)	Silicates and Glass Segment (Agro-Silicon Division)	Other operations	Corporate Functions – reconciliatory item	TOTAL
Recognised impairment losses	2,412	1,829	(35)	-	458	-	4,664
Reversed impairment losses	394	217	78	-	10	-	699
Recognised impairment losses (non-attributable to segments)	-	-	-	-	-	7,951	7,951
Reversed impairment losses (non-attributable to segments)	-	-	-	-	-	2,361	2,361
	2,806	**2,046**	**43**	**-**	**468**	**10,312**	**15,675**

INFORMATION ON GEOGRAPHICAL AREAS

30.06.2012

PLN '000	Poland	European Union	Other European countries	Africa	Asia	Other regions	TOTAL
Total assets	1,584,274	960,262	28,623	26,325	12,711	7,717	2,619,912
Net revenues from sales	462,848	444,215	127,321	129,321	49,139	48,599	1,261,443

30.06.2011

PLN '000	Poland	European Union	Other European countries	Africa	Asia	Other regions	TOTAL
Total assets	1,966,821	759,648	38,241	15,984	12,520	3,979	2,797,193
Net revenues from sales	453,900	417,759	99,652	76,713	71,489	27,639	1,147,152

6.8. Information on material events that occurred after June 30th, 2012 and have not been reflected in the presented interim report

No material events which have not been reflected in the financial statements for the period from January 1st to June 30th, 2012 occurred after June 30th, 2012.

6.9. Changes in the shareholding structure of the entity

Changes in the portfolio of shares held were recorded in the first half of 2012 and are described in point IV.2 of this report.

6.10. Information about changes in contingent liabilities or contingent assets

PLN '000

OFF-BALANCE SHEET ITEMS	30.06.2012	31.12.2011
1. Contingent receivables	**-**	**-**
2. Contingent liabilities	**208,442**	**425,787**
Guarantees and sureties granted	204,887	400,820
Other	3,555	24,967
Total off-balance sheet items	**208,442**	**425,787**

As at June 30th, 2012, contingent receivables did not occur in CIECH S.A.

The value of contingent liabilities as at June 30th, 2012 amounted to PLN 208,442 thousand, which signifies a decrease in comparison with December 2011 by PLN 217,345 thousand.
The main reasons of this difference are: the decrease in the guarantees granted for the liabilities of the subsidiary GOVORA by EUR 1,345 thousand, and for the liabilities of the subsidiary ZACHEM S.A. by USD 40,259 thousand, and the expiration of a contingent liability of PLN 3,339 thousand due to a final court decision, favourable to CIECH S.A., on the dismissal of charges of non-compliance by CIECH S.A. with information obligations under the agreement with AVAS regarding the purchase of S.C. Uzinele Sodice Govora - Ciech Chemical Group. The difference is also influenced by the reduction of the liability related to the claim filed by ZA Puławy resulting from an alleged breach of provisions of the agreement on the sale of shares in GZNF FOSFORY Sp. z o.o. to PLN 18,800 thousand and its reclassification from contingent liability to provision. The remaining difference results from the changes in exchange rates applied in the measurement of liabilities.
Other contingent liabilities in the amount of PLN 3,555 thousand include:

- contingent liability of PLN 1,975 thousand in connection with claims filed by Polska Żegluga Morska (Polish naval authority),
- contingent liability of PLN 1,580 thousand resulting from a claim filed by a former employee of the Company for compensation for termination of employment.

6.11. Sureties granted by Ciech Group companies to Organising Banks

Information on sureties granted by Ciech Group companies to Organising Banks is presented in point IV.14 of this report.

6.12. Information on write-downs on assets and provisions in the reporting period, i.e. 01.01. – 30.06.2012.

01.01.-30.06.2012

PLN '000	opening balance of write-down	increase	decrease	closing balance of write-down
Tangible fixed assets	-	3,525	-	3,525
Investment property	-	700	-	700
Long-term investments	169,779	219,929	-	389,708
Inventory	245	684	245	684
Receivables	48,216	6,586	6,570	48,232
Short-term investments	18,774	7,429	-	26,203

As at June 30th, 2012, the CIECH S.A. assessed the premises from both external and internal information sources, pointing to the impairment of part of the assets. As a result of these analyses, the company made estimates of recoverable value in accordance with IAS 36 “Impairment of assets”, and then recognised write-downs in the financial statements.

ZACHEM S.A.

Due to the occurrence of premises suggesting the impairment of shares owned and engagement, described in point IV.9, impairment tests were conducted, showing significant impairment of assets. The write-down was established on the basis of the test conducted using the income method, less the valuation of the loan to fair value made by an independent expert. The write-down in the amount of PLN 192,535 thousand was recorded in the financial statements (including the value of shares – PLN 85,229 thousand, and the value of the loan granted – PLN 107,306 thousand).

Alwernia S.A.

Impairment premises described in IV.9 occurred in Alwernia, which led to conducting impairment tests. On the basis of those tests, a write-down for impairment of shares in the amount of PLN 27,207 thousand was introduced in the statements.

Revaluation write-downs on shares owned and engagement were charged to financial costs.

After the analysis of the investment possessed by CIECH S.A. connected to the land at ul. Powązkowska, a revaluation write-down was charged in the amount of PLN 4,225 thousand to other operating costs.

01.01.-30.06.2012

PLN '000	**opening balance**	**increase**	**decrease**	**closing balance**
Income tax provision	28,592	-	3,234	25,358
Provision for retirement gratuities, annual leaves, bonuses, compensation payments, etc.	4,445	5,050	1,556	7,939
Provision for expected losses	5,968	19,123	1,326	23,765
Provision for liabilities (costs)	794	1,411	597	1,608

01.01.-30.06.2012

PLN '000	**opening balance**	**increase**	**decrease**	**closing balance**
Deferred tax asset	11,947	-	1,327	10,620

01.01.-30.06.2011

PLN '000	**opening balance of write-down**	**increase**	**decrease**	**closing balance of write-down**
Investment property	336	-	336	-
Long-term investments	78,106	-	1,461	76,645
Inventory	511	84	327	268
Receivables	31,738	4,988	1,863	34,863
Short-term investments	221,791	7,621	2,200	227,212

01.01.-30.06.2011

PLN '000	**opening balance of write-down**	**increase**	**decrease**	**closing balance of write-down**
Income tax provision	10,129	1,707	185	11,651
Provision for retirement gratuities, annual leaves, bonuses, compensation payments, etc.	7,430	1,489	3,249	5,670
Provision for expected losses	7,068	-	130	6,938
Provision for liabilities (costs)	1,455	4,030	1,538	3,947

01.01.-30.06.2011

PLN '000	**opening balance of write-down**	**increase**	**decrease**	**closing balance of write-down**
Deferred tax asset	18,373	-	10,962	7,411

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

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

Tax effect of every component of Other Comprehensive Income of CIECH S.A.	01.01.-30.06.2012			01.01.-30.06.2011		
PLN '000	**Before tax**	**Tax**	**Net after tax**	**Before tax**	**Tax**	**Net after tax**
Cash flow hedging	-	-	-	(7,647)	1,453	(6,194)
Other net comprehensive income	**-**	-	**-**	**(7,647)**	1,453	**(6,194)**

PLN '000 **Other Gross Comprehensive Income**	change in the period	**01.01-30.06.2012**	change in the period	**01.01-30.06.2011**
Cash flow hedging	-	-	-	(7,647)
- measurement to fair value in the period	-	-	-	-
- reclassification adjustment of profit/loss presented in the income statement	-	-	(7,647)	-
Income tax attributable to other components of Other Comprehensive Income, including:	-	-	-	1,453
- input tax for the current period	-	-	-	-
- reclassification adjustment to the income statement	-	-	1,453	-
Other net comprehensive income	-	-	-	**(6,194)**

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

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

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

01.01.-30.06.2012

PLN '000	Land, buildings, premises and civil engineering structures	Machinery and equipment	Means of transport	Other tangible fixed assets in use	Tangible fixed assets under construction	Total
Purchase	-	86	-	7	93	186
Disposal	-	44	671	16	-	731

CIECH S.A. purchased tangible fixed assets for a total of PLN 186 thousand. This was financed from the Company's own funds.

01.01.-30.06.2011

PLN '000	Land, buildings, premises and civil engineering structures	Machinery and equipment	Means of transport	Other tangible fixed assets in use	Tangible fixed assets under construction	Total
Purchase	-	3,129	44	9	113	3,295
Disposal	-	9,065	-	-	-	9,065

CIECH S.A. purchased tangible fixed assets for a total of PLN 3,295 thousand. The purchase was financed from the Company's own funds and through financial lease.

6.16. Court cases

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

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

Information on the shareholders of CIECH S.A. holding at least 5% of shares/votes at the General Meeting has been presented in point II.8 of this report.

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

Information on the changes in the shares of CIECH S.A. held by the Members of the Management Board and Supervisory Board has been presented in point II.7 of this report.

6.19. Corrections of errors from previous periods

There were no corrections of errors from previous periods

6.20. Unpaid financial liabilities or breaches of loan agreement provisions

Information about the ratios included in loan agreements
No loan agreement was called to maturity and there were no deadlines of repaying capital or interest due to financial liabilities recognised in the balance sheet violated in the period covered by these statements.

As at June 30th, 2012, according to the Company's calculations, the levels of ratios required by the Loan Agreement dated February 10th, 2011 were not achieved:

- the debt level to operating results plus depreciation / amortisation ratio (total consolidated net debt to consolidated EBITDA* as measured for the Ciech Group, excluding German subsidiaries) amounted to 4.1 in relation to a maximum level of 3.1 required by the Loan Agreement in a one-year ratio testing period ended on June 30th, 2012,

- the debt service coverage ratio (cash available for servicing debt to total consolidated debt service as measured for the Ciech Group, excluding German subsidiaries) amounted to 0.1 in relation to a minimum level of 0.7 required by the Loan Agreement in a one-year ratio testing period ended on June 30th, 2012.

On May 21st, 2012, CIECH S.A. applied to the lenders within the terms specified in the Loan Agreement for the annulment of the requirement to achieve the level of the ratios as at June 30th, 2012.

Pursuant to a letter dated August 30th, 2012, the lenders waived the right to claim a breach of agreement resulting from the violation of the financial ratio on certain conditions, i.e. that:
- the financial leverage ratio in the calculation period ending on June 30th, 2012 will not be higher than 4.50,
- the debt service coverage ratio will not be lower than 0.00,
- CIECH S.A. will pay a waiver fee to the lenders.

As a result of the assessment of assets for impairment, the Management Board of ZACHEM S.A. found that there was a significant loss of book value of tangible fixed assets of ZACHEM S.A., which may reflect the fact that the liabilities of ZACHEM S.A. (including ZACHEM S.A.'s liabilities to CIECH S.A. due to borrowings made to ZACHEM S.A.) exceed the real value of its assets and it fulfils the preconditions stipulated in Article 11 section 2 of the Corporate Bankruptcy and Reorganisation Act, which would constitute a breach of the loan agreement. In a letter of August 30th, 2012, the lenders waived at the request of the Company the right to claim a breach of the Loan Agreement due to the aforementioned circumstances until September 30th, 2012 and on condition that the Company pays a waiver fee. The Company looks to eliminate the said precondition until September 30th, 2012. Therefore it took preventive measures in the form of starting the process whereby it converts the debts of ZACHEM S.A. to CIECH S.A. related to the borrowings granted to the Company by CIECH S.A. into shares in the increased share capital of ZACHEM S.A. In order to achieve it, it convened an Extraordinary General Meeting of Shareholders for September 20th, 2012 with an increase of the share capital of ZACHEM S.A. on the agenda. In relation thereto the Company foresees that after September 30th, 2012, i.e. after the waiver period stipulated by the lenders, the precondition leading to a breach of the Loan Agreement will have ceased to exist.

In relation to the breach of the above mentioned conditions, the debt of PLN 479,650 thousand resulting from the Loan Agreement was recorded in the financial statements as short-term liability.

6.21. Transactions with related entities

Transactions with related entities are concluded in line with market conditions

PLN '000	Sales revenues 01.01.-30.06.2012	Purchase of goods and services 01.01.-30.06.2012	Financial revenues 01.01.-30.06.2012	Receivables as at 30.06.2012	Liabilities as at 30.06.2012
Consolidated entities	128,964	895,582	52,814	129,257	325,710
Non-consolidated entities	32,675	3,629	87	10,093	942

PLN '000	Sales revenues 01.01.-30.06.2011	Purchase of goods and services 01.01.-30.06.2011	Financial revenues 01.01.-30.06.2011	Receivables as at 30.06.2011	Liabilities as at 30.06.2011
Consolidated entities	156,646	817,665	117,104	73,628	503,387
Non-consolidated entities	36,694	3,460	577	8,816	1,417

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

On January 1st, 2012, the Management Board of CIECH S.A. changed its accounting principles concerning investment property valuation from valuation according to the historic cost to valuation according to the fair value. At the initial recognition, the result of valuation of investment property to fair value was recognised in the equity, under "Retained earnings". In subsequent reporting periods, the profit or loss resulting from the change in fair value of an investment property affects the net profit or loss in the period in which this change occurred and is recognised under other operating revenues/costs.
The impact of changes in principles applied while preparing the financial statements on the data as at December 31st, 2011 is presented below.

PLN '000	**31.12.2011 previously reported in the annual statements**	**Change in accounting principles – valuation of investment property to fair value**	**31.12.2011 currently reported**
ASSETS			
Fixed assets			
Tangible fixed assets	9,803	1,714	11,517
Right of perpetual usufruct	-	843	843
Intangible assets	6,960	-	6,960
Investment property	3,630	1,824	5,454
Long-term receivables	29,061	-	29,061
Long-term borrowings granted	1,185,509	-	1,185,509
Long-term investments and investments in related entities	1,029,345	-	1,029,345
Other long-term investments	17,667	-	17,667
Total fixed assets	**2,281,975**	**4,381**	**2,286,356**
Total current assets	**497,925**	**-**	**497,925**
Total assets	**2,779,900**	**4,381**	**2,784,281**
EQUITY AND LIABILITIES			
Equity			
Share capital	287,614	-	287,614
Share premium	508,122	-	508,122
Other reserve capitals	76,199	-	76,199
Retained earnings	444,238	3,549	447,787
including net financial result	*351,176*	-	*351,176*
Total equity	**1,316,173**	**3,549**	**1,319,722**
Employee benefits	2,029	-	2,029
Other non-current liabilities	33,434	-	33,434
Deferred tax provision	15,813	832	16,645
Total non-current liabilities	**51,276**	**832**	**52,108**
Total current liabilities	**1,412,451**	**-**	**1,412,451**
Total liabilities	**1,463,727**	**832**	**1,464,559**
Total equity and liabilities	**2,779,900**	**4,381**	**2,784,281**

The impact of changes in principles applied while preparing the financial statements on the data as at June 30th, 2011 is presented below.

PLN '000	**30.06.2011 previously reported**	**Change in accounting principles – valuation of investment property to fair value**	**30.06.2011 currently reported**
ASSETS			
Fixed assets			
Tangible fixed assets	8,316	1,714	10,030
Right of perpetual usufruct	-	843	843
Intangible assets	7,527	-	7,527
Investment property	3,630	1,824	5,454
Long-term receivables	25,187	-	25,187
Long-term borrowings granted	677,207	-	677,207
Long-term investments and investments in related entities	1,000,331	-	1,000,331
Total fixed assets	**1,722,198**	**4,381**	**1,726,579**
Total current assets	**1,070,614**	**-**	**1,070,614**
Total assets	**2,792,812**	**4,381**	**2,797,193**
EQUITY AND LIABILITIES			

PLN '000	**30.06.2011 previously reported**	**Change in accounting principles – valuation of investment property to fair value**	**30.06.2011 currently reported**
Equity			
Share capital	279,115	-	279,115
Share premium	472,633	-	472,633
Other reserve capitals	76,199	-	76,199
Retained earnings	245,695	3,549	249,244
including net financial result	*152,633*	-	*152,633*
Total equity	**1,073,642**	**3,549**	**1,077,191**
Liabilities due to loans, borrowings and other debt instruments	1,001,959	-	1,001,959
Employee benefits	1,835	-	1,835
Other non-current liabilities	28,162	-	28,162
Deferred tax provision	3,408	832	4,240
Total non-current liabilities	**1,035,364**	**832**	**1,036,196**
Total current liabilities	**683,806**	**-**	**683,806**
Total liabilities	**1,719,170**	**832**	**1,720,002**
Total equity and liabilities	**2,792,812**	**4,381**	**2,797,193**

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

- The Management Board of CIECH S.A. adopted a resolution on the approval of the division plans and the reports justifying the divisions and on withdrawal from the merger of CIECH S.A. with SODA MĄTWY S.A. and JANIKOSODA S.A. in accordance with merger plans adopted on August 29th, 2011. The division will be performed within the terms of Article 529 § 1 item 4 of the Code of Commercial Companies through transferring part of the assets of JANIKOSODA S.A. and part of the assets of SODA MĄTWY S.A. (divided companies) to CIECH S.A. (acquiring company) in the form of an organised part of the enterprise – the Soda Department (division by separation). The merger model adopted by the Management Board of CIECH S.A. will be realised after the approval by the Supervisory Board and adoption by the General Meeting of Shareholders.
  The information was announced in Current Report no. 31 of August 28th, 2012.

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

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

VI. Statement of the Management Board

This extended consolidated report of the Ciech Capital Group for H1 2012 was approved by the Management Board of CIECH S.A. in its registered office on August 30th, 2012 for publication on August 31st, 2012.

Warsaw, August 30th, 2012

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

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

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

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