We are providing a courtesy English translation of our audited financial statements which were originally written in Polish. We take no responsibility for the accuracy of our translation. For an accurate reading of our audited financial statements, please refer to the Polish language version of our financial statements attached hereto.

GENERAL INFORMATION

Management Board

Dariusz Krawczyk
Andrzej Kopeć
Artur Osuchowski

Supervisory Board

Ewa Sibrecht-Ośka
Przemysław Cieszyński
Arkadiusz Grabalski
Zygmunt Kwiatkowski
Maciej Lipiec
Waldemar Maj
Mariusz Obszyński
Sławomir Stelmasiak

Registered Office of the Company

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02-670 Warszawa
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Certified Auditor

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.
ul. Chłodna 51
00-867 Warszawa
Polska

Dear Sirs and Madams,

it is a pleasure to present to the public the financial results of Ciech Chemical Group for the year 2013. It was the time when, as a result of a common effort, we could see the first results of an intensive restructuring and reorganization process conducted in our Group. We are aware that this is just the beginning and there is still a lot to do in this matter.

Our strategy submitted by the Management Board and adopted by the Supervisory Board on 27 February 2013 assumed focusing on the soda and organic segments and has been consistently implemented. We have completed many projects aimed both at further costs optimization and at maximizing efficiency. These include the repurchase of heat and power station, working for our plants in Strassfurt, or signing a settlement, enabling, among others, restructuring of liabilities of Romanian Uzinele Sodice Govora.

Thanks to systematical improvement of financial result, we plan to spend more than PLN 1 billion for investment in the next five years. The most important project is the Programme of significant increase in EBITDA in soda segment, which is to enable us to significantly increase the production of soda. The amount of investment is about PLN 290 million.

The improvement of the results was possible due to increased sales volume together with stable prices. It is worth noticing, that at lower revenues, compared to 2012, EBITDA ratio increased, which is a clear sign of efficiency growth.

In the purchase area, we continued renegotiation of contracts for major raw materials and energy supplies such as steam for the plant in Romania, natural gas for Soda Deutschland Ciech or coal for Soda Polska Ciech (Inowrocław), so that we have achieved significant savings. We have centralized the purchase of major raw materials, standardizing the process for the whole Group by implementing the best practices available in this field (best practices).

The year ended with submitting file for bankruptcy by Infrastruktura Kapuściska (f. Zachem) as other ways of saving that plant were exhausted. However, it should be pointed out that the bankruptcy[1], paradoxically, may end an impasse and enable the development of business activities in the post Zachem areas in Bydgoszcz.

I am convinced that difficult and unpopular decisions made in 2012, concerning the rescue of CIECH S.A. were the only ones, at that time, that could have been made. Their legitimacy may be proved by the acceptance of financial markets in the form of a full embrace of our next bonds' issuance and consistently rising price of shares on the Warsaw Stock Exchange. The Company will continuously make efforts to improve efficiency, so that its value for shareholders systematically increases.

However, we emphasize, that the activities of the Ciech Chemical Group are still facing a number of risks. Constant high level of debt may significantly affect further investment plans and we hope that potential investor may be the helpful solution to this problem. Also, the uncertain situation in the eastern markets, which currently results in a significant reduction of rouble's value, effectively inhibits our sales plans associated with this direction. The third element is the growing level of competition between soda producers. The recession ongoing for several years has weakened the demand that means an increase in efforts to maintain sales level.

All of the above mentioned elements clearly indicate that in the short and medium-term perspective, the Ciech Chemical Group needs to continue a difficult restructuring and optimization processes. This relates to both, the organizational structure and operating costs, including employment and purchase policy. The aim is to strive for organizational and management excellence, especially during the current recession and tightening competition on the main Group's operating markets. In my opinion, it is the only way that will secure a continous growth of value for shareholders.

Yours faithfully,

Signed on the Polish original
Dariusz Krawczyk
President of the Ciech Management Board

[1] *Bankruptcy announced by the decision of the District Court in Bydgoszcz on 14 March 2014.*

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I. REPORT ON THE CIECH GROUP'S ACTIVITIES IN 2013

1 Characteristics of the Ciech Group

The Ciech Group is a leader among producers of chemicals on the Central European market, leader in chemical industry in Poland and holding encompassing the domestic and foreign production, trading and service companies operating in the chemical sector. The Group is an important domestic producer in the chemical sector, focusing its operations mainly on the European Union markets.

The Ciech Group is composed of direct subsidiaries and affiliates, i.e. those controlled directly by CIECH S.A., as well as indirect subsidiaries and affiliates, i.e. those controlled directly by the entities, for which parent entities are subsidiaries of CIECH S.A.

The Ciech Group conducts production business activity related to the sale of its own products and commercial activity related to trading goods. The Ciech Group sells chemicals on the domestic market and it is also an important market player in terms of Polish foreign trade in respect of export and import of chemical industry products. In 2013, the core products sold by the Group on the Polish market included: soda ash, evaporated salt, baking soda, resins, plant protection products, glass packaging and other chemicals. The Group's most significant exportation included: soda ash, sulphur, resins, and plastics. The biggest foreign sales markets for the Ciech Group were European Union countries.

The significant part of the Ciech Group's operations is the commercial business relating to trading in chemicals on the domestic and foreign markets. The Ciech Group is the sole or a dominant exporter of: soda ash produced in Poland (100%), baking soda produced in Poland (100%), calcium chloride produced in Poland (100%), epoxy resins (80%), sulphur (90%). Additionally, the Group is a significant exporter of: soda glaze, salt, polyvinyl chloride. The core sales market for the Ciech Group is the European Member States and the Central and Eastern European countries. The Group has five foreign commercial companies to cover trading operations of the Group. The raw materials are mainly imported from the Eastern Europe, North Africa and Asia. The Ciech Group is the only producer of soda ash and baking soda as well as of epoxy resins in Poland.

The Ciech Group's business activities are primarily divided by segments, including in 2013: soda segment, organic segment, agrochemical segment and silicates and glass. The production is located in eight plants. Four plants (two in Poland, one in Germany and one in Romania) produce soda ash and soda derived products. The two biggest plants of the Ciech Group are located in Inowrocław and Janikowo and they are responsible for the majority of soda production in the Group. The other four plants are located in Poland and they are dedicated to the production of organic segment as well as silicates and glass segment.

Currently, the Ciech Group is undergoing a restructuring process, which involves the sale of entities, production lines and other assets of the agrochemical, silicates and glass, and organic segments, and other, non-core business. Consequently, as the effect of the process, Group's business will focus the on the soda segment.

Strategic and operational goals of the Ciech Group are attained via organizational structure based on vertical functions, including the function of procurement, production, sales and support.

Since 2005, our shares have been traded on the Stock Exchange in Warsaw.

According to the situation as at 31 December 2013 Ciech Group comprised 43 business entities, including:

- the parent company CIECH S.A,
- 35 subsidiaries, of which:
  - 24 national subsidiaries,
  - 11 foreign subsidiaries,
- 5 national affiliates,
- 1 foreign affiliate,
- 1 jointly controlled foreign entity.

The parent company has a branch in Ramnicu Valcea, Romania and a branch in Inowrocław.

In preparing the consolidated financial statements for 2013, the following companies were consolidated:

Full consolidation method (abbreviated name used in the financial statements in brackets):

- **CIECH Spółka Akcyjna – parent company (CIECH S.A.)**
- S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. (US Govora S.A.),
- Janikowskie Zakłady Sodowe JANIKOSODA Spółka Akcyjna (JANIKOSODA S.A.),
- Inowrocławskie Zakłady Chemiczne „SODA MĄTWY" Spółka Akcyjna (SODA MĄTWY S.A.),
- „VITROSILICON" Spółka Akcyjna (VITROSILICON S.A.),
- Przedsiębiorstwo Transportowo – Usługowe TRANSCLEAN Spółka z ograniczoną odpowiedzialnością (Transclean Sp. z o.o.),
- Zakłady Chemiczne ALWERNIA S.A. (till the date of sale of the company, i.e 25 July 2013) (Alwernia S.A)
- Ciech – Polsin Private Limited,
- CIECH FINANCE Spółka z ograniczoną odpowiedzialnością (Ciech Finance Sp. z oo.),
- Ciech Trading S.A. (untill 26 February 2013 Przedsiębiorstwo Chemiczne CHEMAN Spółka Akcyjna) (Ciech Trading S.A.),
- Ciech Pianki Spółka z ograniczoną odpowiedzialnością (Ciech Pianki Sp. z o.o.),
- Ciech Group Financing AB,
- Verbis ETA Spółka z ograniczoną odpowiedzialnością (Verbis ETA Sp. z o.o.),
- Verbis ETA Spółka z ograniczoną odpowiedzialnością SKA (Verbis ETA Sp. z o.o. SKA),
- Ciech Trademarks Spółka z ograniczoną odpowiedzialnością (untill15 January 2014 Turia Spółka z ograniczoną odpowiedzialnością) (Ciech Trademarks Sp. z o.o.)

Consolidated financial statement includes also four capital groups of a lower level:

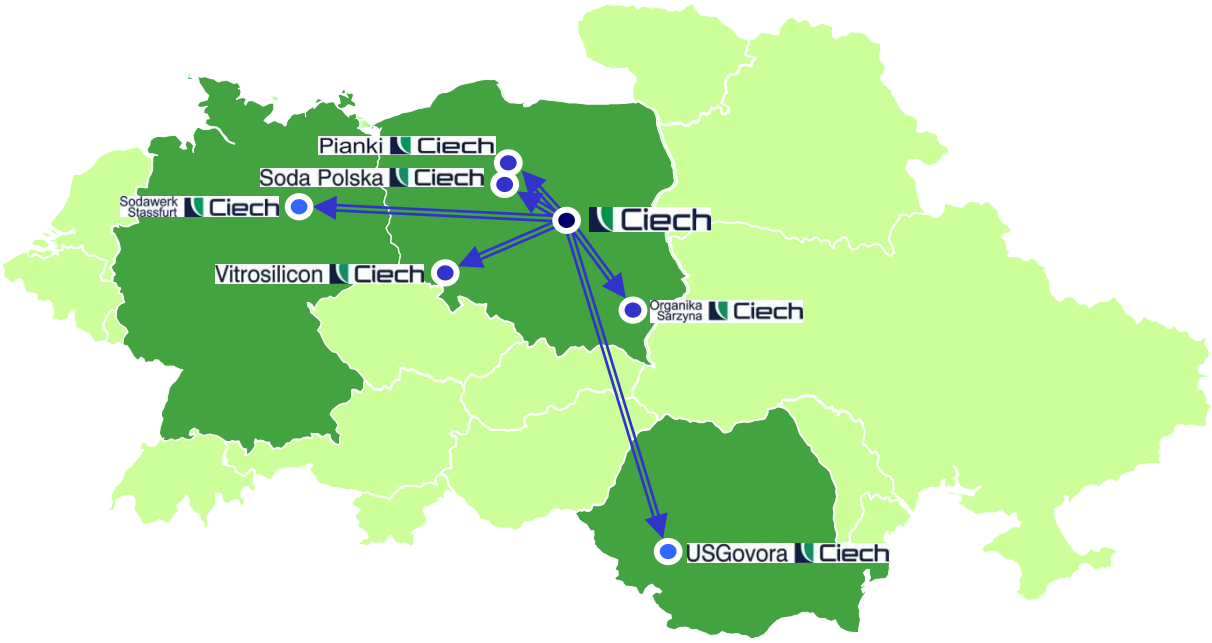
- **Soda Polska Ciech Group**
  - **Soda Polska Ciech Spółka Akcyjna – parent company (Soda Polska Ciech S.A.)**
  - TRANSODA Spółka z ograniczoną odpowiedzialnością (Transoda Sp. z o.o.)
  - Sagrera Spółka z ograniczoną odpowiedzialnością (Sagera Sp. z o.o.)

- **Infrastruktura Kapuściska Group**
  - **Infrastruktura Kapuściska Spółka Akcyjna –parent entity (untill 14 August 2013 ZACHEM Spółka Akcyjna) (Infrastruktura Kapuściska S.A.)**
  - BORUTA – Zachem KOLOR Spółka z ograniczoną odpowiedzialnością (untill the date of sell i.e. 8 March 2013) (BORUTA- Zachem KOLOR Sp. z o.o.)
  - UCR Technika Spółka z ograniczoną odpowiedzialnością – measured under the equity method in 2012 (untill 12 November 2013 Zachem UCR Spółka z ograniczoną odpowiedzialnością) (UCR Technika Sp. z o.o.)
  - ZACHEM Epichlorohydryna Spółka z ograniczoną odpowiedzialnością w likwidacji
  - ZACHEM Energetyka Spółka z ograniczoną odpowiedzialnością
  - ZACHEM Park Spółka z ograniczoną odpowiedzialnością w likwidacji

- **Soda Deutschland Ciech Group**
  - **Soda Deutschland Ciech GmbH – parent entity**
  - Sodawerk Holding Stassfurt GmbH,
  - Sodawerk Stassfurt Verwaltungs GmbH,
  - Sodawerk Stassfurt GmbH&Co. KG,
  - KWG - Kraftwerksgesellschaft Stassfurt mbH,
  - Kavernengesellschaft Stassfurt mbH (measured under the equity method).

- **Organika – Sarzyna Group**
  - **Zakłady Chemiczne „Organika – Sarzyna" Spółka Akcyjna – parent entity**
  - Verbis KAPPA Spółka z ograniczoną odpowiedzialnością
  - Verbis KAPPA Spółka z ograniczoną odpowiedzialnością SKA
  - Algete Spółka z ograniczoną odpowiedzialnością.

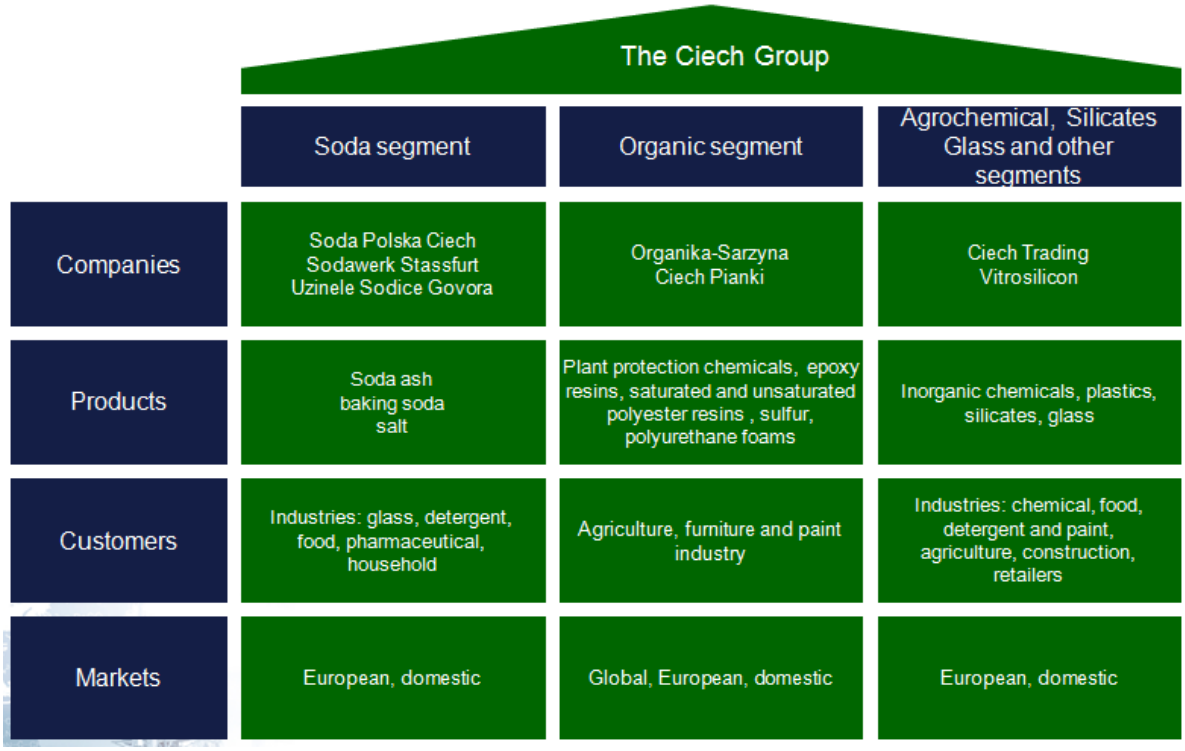
Key Companies of the Ciech Group with geographic breakdown



Source: CIECH S.A.

In 2013, the Group operated in four segments of production: soda, organic, silicates and glass and agrochemical. Our products meet the needs of other branches of the industry, including glass, furniture, chemical, agrochemical, trade/distribution, detergents, plastics, food, painting and varnishes, building, car and consumer goods – and are used in agriculture. Our main categories of products, their application and our business segments are the following:

Structure and scope of activity of the Ciech Group as at 31 December 2013



Source: CIECH S.A.

INFORMATION ON KEY MEMBERS OF THE CIECH GROUP

The Ciech Group intends to increasingly focus its business activity on the production of soda ash, soda derivatives and components. The Group has withdrawn its interests from the production and sale of TDI, sold its shares in Alwernia S.A. from agrochemical segment and intends to continue the sale of assets in the silicates and glass segment.

CORE BUSINESS ACTIVITY – SODA SEGMENT

The Ciech Group is a producer of light and heavy soda ash (The Ciech Group is the sole producer of soda in Poland), evaporated salt, bicarbonate and calcium chloride. The soda ash (both heavy and light) is used in the glass production (window glass and glass packaging), detergent production as well as metallurgy and chemistry industries.

The products of this segment are sold mainly by the dominant entity CIECH S.A. Production of the soda segment goods manufactured by the Ciech Group is implemented in Soda Polska Ciech S.A, Romanian company S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. and in German company Sodawerk Stassfurt GmbH&Co. KG.

In 2013, the soda segment generated sales revenues of PLN 2 043 570 thousand (which accounts for 58.4% of the overall income on sale), EBITDA of PLN 328 883 thousand and the normalized EBITDA of PLN 384 650 thousand whereas for the year 2012 the segment generated sales revenues of PLN 1 975 489 thousand, EBITDA of PLN 271 623 thousand and normalized EBITDA of PLN 348 671 thousand.

Characteristics of key production companies operating in the soda segment:

● **Soda Polska Ciech S.A.** – Soda Polska Ciech was established in 2007 after JANIKOSODA S.A. and SODA MĄTWY S.A. contributed their businesses in kind. JANIKOSODA S.A. obtained 46.49% of shares and SODA MĄTWY S.A. 53.51% of shares in the share capital of Soda Polska Ciech. On 12 June 2012, Soda Polska Ciech transformed to joint stock company Soda Polska Ciech S.A. It holds two production plants located in Inowrocław and Janikowo. It is the one of the producers of light and heavy soda ash in Ciech Group and the second one on the European market. It also produces wet and dry evaporated salt (including Kujawska Salt). It takes the position of the biggest manufacturer of evaporated salt in the country. Other products of the company include, among others, baking soda, calcium chloride, precipitated chalk, absorbing masses, salt mixtures, corned salt, salt tablets, carbon dioxide. All the above listed products are widely used for industial purposes. Their main recipients are the international glass concerns, domestic glass-works, detergent manufacturers, chemical, metallurgical, food, animal feed and pharmaceutical industries, water treatment sector and households. Production of soda ash

oscillates around the size of 1200 tt/year. The plant has the following certificates: ISO 9001: 2000, ISO 14001: 2004, GMP+ B2. The plant also applies the HACCP principles.

- **Sodawerk Stassfurt GmbH&Co. KG (Soda Deutschland Ciech Group)** – German manufacturer of soda ash and bicarbonate soda based in Stassfurt. For 130 years Sodawerk has been involved in production of soda ash under the use of sources of limestone and stone salt. Takeover of the plant by CIECH S.A. took place in 2007 and a year later a new system was started for the production of dense soda. The company has the following certificates: ISO 9001, ISO 14001, Kosher, GMP.

- **S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.** – acquired in 2006 this is the first Ciech Group foreign production plant, Romanian manufacturer of soda ash, water glass, soda glaze and soda derived goods.

ORGANIC SEGMENT

The Ciech Group is a producer of a variety of organic compounds. In 2013 it was producing, among others, polyurethane foams, epoxy resins and polyester resins. These products are used in the following industries: furniture, automotive, dyeing and electronic. The Group produces also plant protection products applied in agriculture.

The organic segment generated in 2013 the sales revenues of PLN 944 568 thousand (which accounts for 27.0% of the overall sales revenues), EBITDA of PLN 42 845 thousand and normalized EBITDA of PLN 66 545 thousand, whereas for 2012 the segment generated sales renenues of PLN 1 690 982 thousand, EBITDA of minus PLN 152 685 thousand and normalized EBITDA of PLN 75 996 thousand.

Characteristics of key production companies operating in the organic segment:

●**Z. Ch. "Organika-Sarzyna" S.A.** –produces plant pesticides (herbicides, fungicides, insectcides, seed treatment), epoxy resins and polyester resins. Full range of products includes over thousand items and their types, in different chemical, application, packaging forms appropriate for their target market and use.The most famous trademarks of the company include Epidian, Chwastox and Polimal. The basic production activity is supplemented by the actions involving service-conduct of formulation of goods, preparation or distribution, which may be carried out for the benefit of business partners on the basis of own production base, personnel potential and distribution network. The Plants have the following certificates of quality management ISO 9001, ISO 14001 and the OHS system compliant with standard PN -N-18001.

●**Ciech Pianki Sp. z o.o.** – the company's activities relate to production and sales of PUR foam, focusing its operating activities mainly on the Central-Eastern European markets, and its main recipient is the furniture market. Produced foams can be divided into 5 basic groups: light foams, standard foams, highly-flexible foams, non-flammable standard foams, highly-flexible non-flammable foams. Apart from the blocks, the company offers the following goods cut of blocks: boards, profiles, sets, cut blocks, bonellas, rolled slabs.

● **Infrastruktura Kapuściska S.A. –** company is engaged in purche and sele of real estate, real estate renatl and management. On 30 December 2013 the company's Management Board submitted a file for bankruptcy of Infrastruktura Kapuściska S.A. which will include liquidation of the Company's assets.

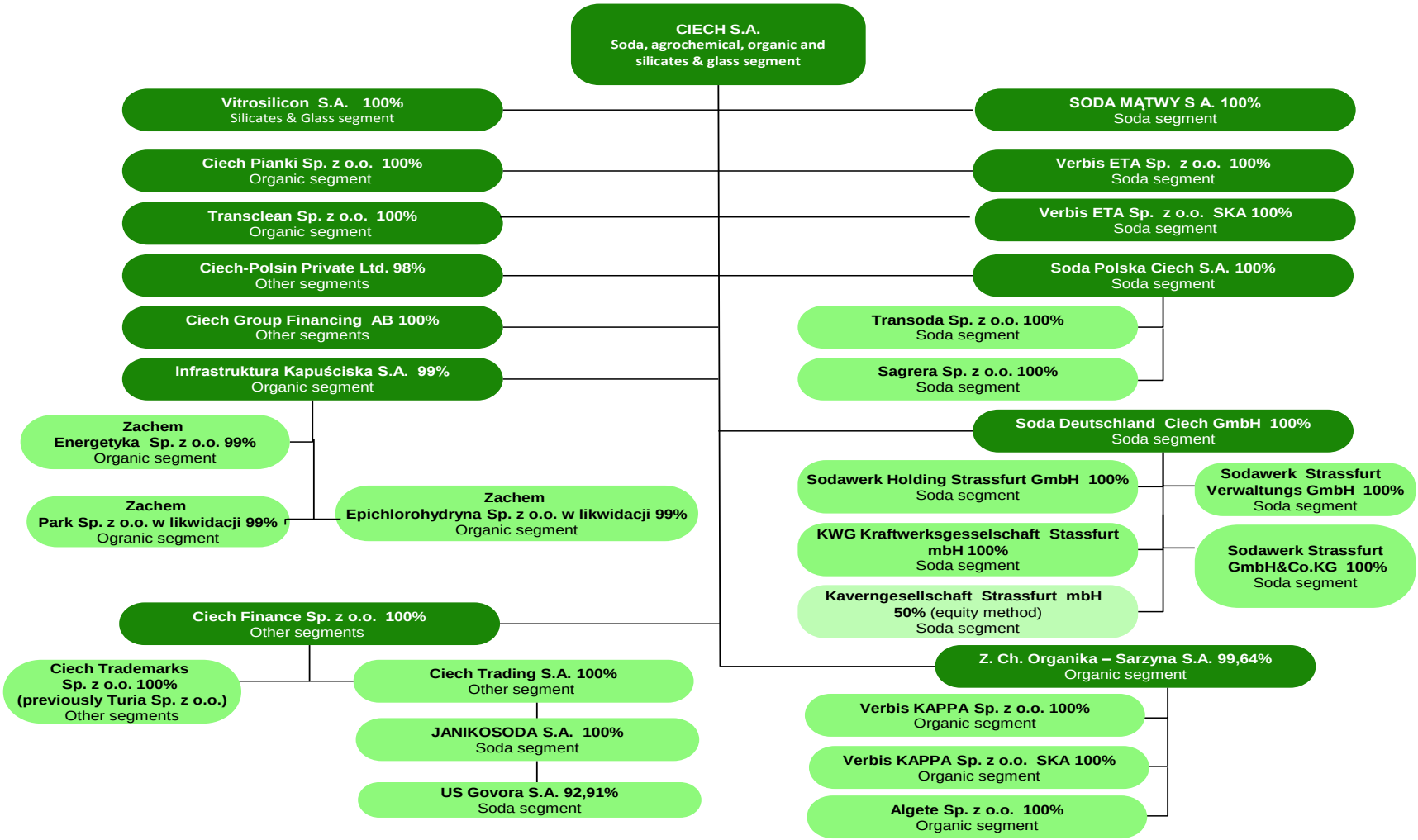
AGROCHEMICAL SEGMENT delivers a complete commodity offer of chemicals for agriculture**.** This segment contains the fertilizers manufactured by the company Alwernia S.A., it also includes raw materials for production of fertilizers, delivered to Alwernia. On 25 July 2013 CIECH S.A. sold its shares in only production plant in agrochemical segment, Alwernia S.A.
The Group directs their goods mainly to agricultural producers. The trade of fertilizers and raw materials for fertilizers (trading) is conducted within this segment in favor of the entities outside the Ciech.
The agrochemical segment generated the sales revenues of PLN 179 971 thousand in 2013 (which accounts for 5.1% of the total sales revenues), EBITDA of PLN 7 246 thousand and normalized EBITDA of PLN 17 550 thousand, whereas in 2012 the segment generated sale revenues of PLN 236 038 thousand, EBITDA of minus PLN 30 994 thousand and normalized EBITDA of PLN 14 316 thousand.

THE SILICATES AND GLASS SEGMENT covers mainly the products of VITROSILICON S.A., as well as other manufacturers, exported under the trading activity of CIECH S.A., such as glass and soda glaze. Due to organizational reasons, this segment also includes trade in other goods, mainly sulphur. Glass products, which include glass packaging (lanterns and jars), are produced within the Group.The goods made of glass are used in construction and food industries, and for the headstone lamps production.
The silicate and glass segment generated in 2013 sales revenues of PLN 335 789 thousand (which accounts for 9.6% of the total sales revenues), EBITDA of PLN 29 018 thousand and normalised EBITDA of PLN 28 314 thousand, whereas in 2012 the segment generated sales revenues of PLN 435 567 thousand, EBITDA of PLN 19 889 thousand and normalized EBITDA of PLN 29 489 thousand.

Characteristics of key production companies running operations under the silicates and glass segment:

VITROSILICON S.A.– the manufacturer of goods originating from glass melting and chemical products. The company produces glass packaging: jars, lanterns, headstone lamps, glassy silicates of sodium and potassium, sodium and potassium water glass. VITROSILICON S.A. has two production plants: in Iłowa, where the company of the Board of Directors is located and where glass water and glass packaging is produced; in Żary, where the production of glassy sodium and potassium silicates takes place.

The Ciech Group structure as at 31 December 2013



2 Important events in the Ciech Group in 2013

Soda Segment:

- On 21 January 2013, the District Court, XIII Commercial Department registered the reduction in the share capital of JANIKOSODA S.A. On 25 January 2013, the reduction in the share capital of SODA MĄTWY S.A. was registered and the spin-off by separation of JANIKOSODA S.A. and SODA MĄTWY S.A. together with, the separation of soda divisions and their incorporation into CIECH S.A. was registered before the National Court Register on the same date. The spin-off by separation was executed under Article 529 § 1 item 4) of the Commercial Companies Code by transferring part of net assets of the divided companies, i.e. SODA MĄTWY S.A. and JANIKOSODA S.A. to CIECH S.A. as the acquiring company. At the same date, the court registered the increase in the share capital of CIECH S.A. by two registered shares granted to minority shareholders of JANIKOSODA S.A. and SODA MĄTWY S.A. for 1 share of JANIKOSODA S.A. and 1 share of SODA MĄTWY S.A. that were redeemed as a result of the registration of spin-off by separation.

- On 22 May 2013, Soda Polska CIECH S.A. and Kompania Węglowa S.A. signed an annex to a three-year agreement dated 17 January 2011 that regulates the supplies and prices of steam coal. The annex extended the term of the agreement untill 31 December 2015, and defined new rules for the establishment of prices in particular years. The net value of the annex in the years 2014-2015 is estimated at PLN 435 million net. The other provisions of the agreement remained unchanged.

- On 17 December 2013, KWG-Kraftwerksgesellschaft Staßfurt mbH (KWG) and Sodawerk Staßfurt GmbH&Co. KG (VASA) – indirect subsidiaries of CIECH S.A. – concluded an agreement for the sale (agreement) of heat and power plant with VASA Kraftwerke-Pool GmbH & Co. KG. The subject of the agreement is the heat and power plant with all related rights on 1 January 2014 by VASA to KWG. Formerly KWG exploited the heat and power plant under the lease agreement (lease agreement) with VASA. The sell price of Heat and Power Plant was established at EUR 51,300 thousand, which is equivalent to PLN 214,372 thousand at the average NBP exchange rate from 17 December 2013 (4.1788). In accordance with the agreement, the price was paid untill 30 December 2013, 12 p.m. to a bank account specified in the agreement. Moreover, in accordance with the agreement KWG and VASA obligated each other to withdraw lawsuits against each other in cases before the Magdeburg District Court related to lease agreement settlements. Remaining terms and conditions are not different from standard terms and conditions for this kind of agreements. Agreement was not concluded with reservation of condition or period and does not include resolutions regarding contractual penalties Following the conclusion of the agreement, subject to prompt payment of the selling price, the lease agreement was terminated on 1 January 2014 and heat and power plant ownership passed to KWG.

- On 19 December 2013, CIECH S.A. – signed a loan agreement with its subsidiary KWG-Kraftwerksgesellschaft Staßfurt mbH in the amount of EUR 50,500 thousand. The loan was equivalent of PLN 210,585 thousand based on average NBP exchange rate from 19 December 2013 (4.1700). According to Agreement the loan:
  - ✓ provided for the period ended as at 31 August 2018 with the possibility of earlier repayment of a part or the whole amount of loan;
  - ✓ interest rate is fixed, established at the market level;
  - ✓ will be paid in monthly installments;
  - ✓ loan disbursement day is established as at 30 December 2013.

  The loan granted will be used by KWG for the acquisition of heat and power plant and associated rights, from VASA Kraftwerke-Pool GmbH & Co. CIECH S.A may demand immediate repayment of the outstanding amount of loan, among others, in case of:
  - ✓ delay in settlement of installments set under the Agreement
  - ✓ ownership changes in KWG

  The loan will be secure on assets, which are subject of the transaction in the form of collateral transfer of ownership on set of assets, which are the part of heat and power plant, according to separate agreement between CIECH S.A and KWG concluded together with the above agreement. Agreement was not concluded with reservation of condition or period and does not include res resolutions regarding contractual penalties or terms and conditions wich differ from standard terms and conditions in this kind of agreements.

Organic Segment:

- On 7 January 2013, CIECH S.A. obtained information that Air Products LLC and Air Products Chemical Europe B.V. (jointly: "Air Products") initiated arbitration proceedings against Infrastruktura Kapuściska S.A, a subsidiary of CIECH S.A., in the International Chamber of Commerce in Paris. The claim amounted to USD 98 609 thousand and additional compensation of undefined amount. Air Products based their claim on Infrastruktura Kapuściska S.A.'s termination of an amine supply contract.
  (detailed information concerning this conduct and the issuer CIECH S.A. position is presented in Current Report number 2/2013 form 7 January 2013). Arbitration proceeding was ended with agreement conditions presented below.

- On 25 January 2013, the lawsuit of Air Products LLC related to claim against CIECH S.A. before the Federal Regional Court for Eastern Region of Pennsylvania in the United States of America was delivered to CIECH S.A. via the Regional Court for Warsaw Śródmieście in Warsaw . The lawsuit was amended by Air Products LLC in the course of the proceedings twice. On 22 April 2013, CIECH S.A. submitted a motion to dismiss Air Products LLC's amended lawsuit. According to agreeement conditions, presented below, the proceeding before Federal District Court for Eastern District of Pennsylvania in United States of America was ended.

- On 28 February 2013, all conditions precedent of the Agreement for Sale and Transfer of TDI Assets were fulfilled. Therefore, on 11 March 2013, the parties conducted the activity of closing the transaction as agreed pursuant to the agreement by concluding a closure protocol – confirming an assignment of rights constituting an object of the agreement to BASF Polska Sp. z o.o. as at 11 March 2013. Furthermore, on 11 March 2013, price provided for pursuant to the agreement was paid to the benefit of CIECH S.A. and Infrastruktura Kapuściska S.A.

- On 15 March 2013, Infrastruktura Kapuściska S.A. sent to the International Chamber of Commerce in Paris a response to the lawsuit of Air Products and counterclaim of Infrastruktura Kapuściska S.A. against Air Products. In the response to the lawsuit and in the counterclaim Infrastruktura Kapuściska S.A. submited it own claims against Air Products for compensation.

- On 3 July 2013, Infrastruktura Kapuściska S.A. supplemented the counterclaim with the value of the compensation claims. Consequently, Infrastruktura Kapuściska S.A. claimed a payment of at least PLN 161,647 thousand from Air Products as a compensation for damages incurred due to the breach of the provisions of the agreement for the supply of amine by Air Products. The final amount of Infrastruktura Kapuściska S.A.'s compensation claims was to be determined in the course of arbitration proceedings.

- On 14 August 2013 ZACHEM S.A., a subsidiary of CIECH S.A. changed its name to Infrastruktura Kapuściska S.A. The change was registered in the National Court Register on the same day.

- CIECH S.A. with its subsidiary Infrastruktura Kapuściska S.A. as a result of negotiations conducted concluded an agreement with companies from Air Products Group (Air Products LLC, Air Products Chemicals Europe B.V., Air Products and Chemicals INC.), aiming to end all legal disputes between parties, arising from termination of the amine supply agreement with Air Products Chemicals Europe B.V. and Air Products LLC by Infrastruktura Kapuściska S.A. The parties agreed to waive all claims against each other and to end all running proceedings i.e. proceeding initiated by Air Products LLC against CIECH S.A. before the Federal District Court for the Eastern Pennsylvania and arbitration proceeding between Air Products Chemicals Europe B.V., Air Products LLC. and Infrastruktura Kapuściska S.A. before the Court of Arbitration of International Chamber of Commerce in Paris.

- On 30 December 2013 Infrastruktura Kapuściska S.A. received the correspondence from International Chamber of Commerce in Paris, confirming the notification served of both involved parties i.e Air Products Chemicals Europe B.V., Air Products LLC. and IK S.A. with agreement to withdraw all claims asserted in the arbitration proceeding. Arbitration proceeding was ended in accordance with the agreement conditions described above.

- On 30 December 2013, Management Board of CIECH S.A. subsidiary– Infrastruktura Kapuściska S.A. submitted a file for bankruptcy, which covers liquidation of debtor's net asset, to the District Court in Bydgoszcz XV Commercial Department for Bankruptcy and Reorganization. The Management Board indicated that obligation for submition of the file for bancruptcy arose from legal regulations and resulted from permanent loss of financial liquidity by Infrastruktura Kapuściska S.A., whose source of revenues are no longer sufficient to cover the current operating costs, including repayment of due liabilities. Bancruptcy file is aimed to ensure the best possible protection of Infrastruktura Kapuściska S.A. debtor's rights. The sentence of District Court in Bydgoszcz, which dismissed termination of the agreement with Spółka Wodna

"Kapuściska" by Infrastruktura Kapuściska S.A. on 20 December 2013 also influenced the decision to submit the bankruptcy file. The Court considered the obligation of Infrastruktura Kapuściska S.A. to pay to SWK the flat-rate fee for collection and treatment of sewage, estimated above PLN 16 million yearly, as legally binding, despite the fact that the production was discontinued in December 2012 and the quantity of sewage collected significantly decreased. Continuing the agreement with SWK on unchanged terms and conditions would generate yearly loss for Infrastruktura Kapuściska S.A. of about PLN 12 million.

Agrochemical Segment:

- On 31 January 2013, CIECH S.A. and Alwernia Invest Sp. z o.o. entered into a preliminary sale agreement of 2 277 431 shares representing 99.62% of the share capital of CIECH S.A.'s subsidiary, Alwernia S.A. The preliminary share sale agreement was conditional and depended, among others, on consent of the Office of Competition and Consumer Protection and repayment of borrowings granted by CIECH S.A. to Alwernia S.A. of approximately PLN 14.2 million. The conditional shares sale agreement was executed on 25 July 2013 and thereby 2,277,431 Alwernia S.A.'s shares were transferred to Alwernia Invest Sp. z o.o. The total purchase price amounted to USD 13,435 thousand.
  The effect of the final agreement was dependent on the payment of the first instalment of the share purchase price of approximately USD 6.7 million and repayment by Alwernia S.A. of the loan granted by CIECH S.A. of approximately PLN 14.2 million. The remaining part of the share purchase price was paid on 30 December 2013 settling the transaction.

Corporate Functions/ Others:

- On 13 February 2013, CIECH S.A.'s claim against GZNF "FOSFORY" Sp. z o.o. was filed in the District Court in Gdańsk, IX Commercial Department. CIECH S.A. claims payment of PLN 18,864 thousand as a compensation for breach of warranties made by GZNF "FOSFORY" Sp. z o.o. to CIECH S.A. The claim issued by CIECH S.A. in based on the provisions of Article 416 of the Civil Code. The warranties made by GZNF "FOSFORY" Sp. z o.o. towards CIECH S.A. were the basis for warranties made by CIECH S.A. towards Zakłady Azotowe Puławy S.A.

- On 26 February 2013, a subsidiary of CIECH S.A., Cheman S.A. changed its name to Ciech Trading S.A.

- On 22 May 2013, the following members of the Management Board of CIECH S.A. were approved for the next term of office:
  - ✓ Dariusz Krawczyk - President of the Management Board,
  - ✓ Andrzej Kopeć - Member of the Management Board,
  - ✓ Artur Osuchowski - Member of the Management Board.

- On 4 June 2013, the Supervisory Board of CIECH S.A. selected KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Warsaw as auditor to carry out the half-year review and to audit the annual separate financial statements of CIECH S.A. and the consolidated financial statements of the Ciech Group for the years 2013, 2014 and 2015.

- On 9 August 2013, a new super senior revolving credit facility agreement for up to PLN 100,000 thousand was concluded between CIECH S.A. as borrower, JANIKOSODA S.A., VITROSILICON S.A., SODA MĄTWY S.A., Soda Polska Ciech S.A., Transclean sp. z o.o., Z. Ch. "Organika-Sarzyna" S.A., CIECH Trading S.A., Ciech Pianki sp. z o.o., Soda Deutschland Ciech GmbH, Sodawerk Staßfurt Verwaltungs-GmbH, Sodawerk Holding Staßfurt GmbH, Sodawerk Staßfurt GmbH & Co. KG, Ciech Group Financing AB (publ) (Companies) as the guarantors, and Bank Zachodni WBK S.A. (the Facility Agent), Bank Polska Kasa Opieki S.A. and Bank Powszechna Kasa Oszczędności Bank Polski S.A. At the same time CIECH S.A. gave cancellation notice to the existing PLN 100,000 thousand super senior revolving credit facility agreement of 6 November 2012 concluded by and between, among others, CIECH S.A. as the borrower, the Companies as the guarantors, and Bank Handlowy w Warszawie S.A. as the facility agent.

3 Description of factors and events of significant influence on the Group's operations

Positive factors

- The prices of soda ash remaining at the level from 2012 on the European markets (for Western Europe a slight increase of approximately 1%) despite poor economic situation observed in the key segment recipients – specifically in the flat glass industry.
- Polish currency remaining at a quite low level in relation to EUR (compared to the previous few years), which increased profitability of export of the Ciech Group.
- The Declining trend in energy commodities prices
- The decrease of NBP interest rates , which resulted in deacrease of financing costs.

Negative factors

- General unfavorable economic condition of the domestic chemical industry in 2013 in comparison with the prior year (drop in sale by 2.9% in the case of chemicals and chemical products; based on fixed prices).
- A huge drop in sales of domestic construction and assembly production industry showing a decrease of 12.0% during 2013, in comparison to the prior year (chemical industry manufactures many raw materials and semi-finished goods for that industry).
- Stagnation on the European market of soda ash in comparison with the prior year (in Western Europe the demand maintained at the same level as in the prior year, in relation to few percent dynamics decrease in 2012).
- A decline in demand on the European market for epoxy resins related to the general economic slowdown (including paints and varnishes sector, the main recipient of resins produced by the Ciech Group).
- Low level of epoxy resins prices (lower prices in the Western Europe in comparison with the prior year).
- Negative effect of weather conditions on the demand for the plant protection products (long winter season in 2013 resulting in the shortened spraying season).
- A noticeable global drop of sulphur market prices (by several of dozens percent in comparison with the prior year).
- Significant fluctuations of crude oil prices during 2013 (by more than 20%; which contributed to the fluctuations of prices of raw materials for the organic industry), which do not support the sustainable business operations in the Ciech Group's organic sector.
- Recession in many European Union Member countries (particularily the EURO zone).

4 Risk Factors

Economic downturns, such as a continuing slowdown in the global and European economy and related credit and financial market problems, may negatively impact the activity of Ciech Group.
The Ciech Group business is largely based on the sales of chemical products used as raw materials and semi finished goods in a wide range of industries, including the glass, detergent, furniture, automotive, construction, food, pharmaceutical, chemical and consumer goods industries. Demand for Ciech Group customers' products is affected by general economic conditions and other factors, including conditions in the automobile, construction and packaging industries, costs of labor and energy costs, exchange rates fluctuations, interest rates fluctuations and other factors beyond control of the Group. As a result, the volume and profitability of the Ciech Group companies' sales depend on these fluctuations, as well as the economic situation in Poland, Europe and worldwide. The recent economic downturn in the target markets and geographic areas where Ciech Group sells its products, in particular the glass, construction and automotive industries in Europe, has substantially reduced demand for Ciech Group products which resulted in decreased sales volumes. As a result of this economic downturn, demand for Ciech Group products dropped from peak levels in 2007 and early 2008 and did not recover fully to date.
While demand in certain of the Ciech Group products began to recover in 2010 and 2011 (despite the Eurozone crisis), it remains uncertain whether further deterioration of economic conditions in the Eurozone will not have an negative impact on sales volumes. In 2012-2013 the stagnation on main products' markets was noticeable (reduction of growth pace or slight decrease of demand).
One of the significant problems of the Ciech Group' customers relate to credit accessibility for current operations, which some of their customers rely on to finance their operations. In case of prolonged weakening of the global economy or deterioration of global economic conditions, Ciech Group' customers may experience cash flow shortages and difficulty in obtaining financing their operations. As a result, existing or potential customers may postpone or cancel plans to purchase products and may not be able to fulfill their obligations (partially or fully) in a timely manner. Adverse changes in a customer's financial position increase credit risk of the Ciech Group and results in increased risk to limit or discontinue business cooperation with that customer.
It is uncertain whether events that have an adverse effect on the industries and markets in which the Ciech Group operates, such as a downturn in the Polish, European and global economies, increases in interest rates, unfavorable exchange rates fluctuations or other factors, will not occur. Any significant downturn in the Ciech Group customers' activities or in Polish, European and global economic conditions could result in reduction of demand for the Ciech Group products and could negatively affect operating activity, and financial situation of the Ciech Group.

The soda and organic industries are cyclical and changes of market demand and prices may negatively impact the Ciech Group's operating margins and its cash flows.
The Ciech Group turnover is primarily attributable to sales of Soda and Organic products, where the prices have historically been cyclical and sensitive to changes in supply and demand, the availability and price of raw materials, general economic conditions and other factors that are beyond control of the Ciech Group. These industries are characterized by periods of increased supply leading to high operating profits and margins, followed

by periods of oversupply resulting primarily from significant production capacity incrreases, leading, in turn, to reduced operating profits and lower margins.
Demand for soda ash dropped from peak levels in 2008 to much lower levels in next years. This demand downturn was primarily due to low demand from glass production industry (in particular, flat glass) resulting from general economic downturn. Falling demand on many local markets resulted in an oversupply of soda ash, which caused a temporary reduction of the average selling price of soda ash.
Resulting soda ash surplus in Europe caused many producers using soda ash to halt new purchases used stored soda ash inventories in 2009. Starting in 2010, demand for soda ash increased each year and soda ash production began its recovery. After a 16% decrease in consumption in 2009, the Western European soda ash market experienced in 2011-2012 an increase of approximately 3%-5% followed by a decrease of 5.6% in 2012. In 2013 the demand decreased by further 1,5% in Western Europe. (Source: IHS Chemical)
The markets for some other Ciech Group's products, including epoxy resins used mainly in the construction and paint industry, behave similarly, experiencing alternating periods of high supply, causing prices and margins to increase, followed by periods of low demand, resulting in oversupply and declining prices and margins. The demand for epoxy resins is closely linked to the demand in end-use products of paint, construction and electronic industries, which, in turn, depend on the overall economic situation. The cyclicality may affect prices of Ciech Group products and may negatively impact the Ciech Group operating activity and financial situation.

The Ciech Group operations may be negatively affected by changes of raw material, energy and fuel costs, inability to retain or replace key suppliers, unexpected supply shortages or supply chain disruptions.
The Ciech Group profit is largely dependant on attainable sales prices for products and costs of the raw materials and energy required for production. The raw materials and energy used in the production process in soda segment are coal, natural gas, electric energy and steam, limestone, salt brine, ammonia, coke and anthracite. Coal represented approximately 10% of the Ciech Group total raw materials and energy costs in 2013.
The prices of many raw materials which comprise a significant portion of operating costs can be cyclical and variable. The availability and prices of these raw materials are influenced by factors that are beyond control of the Ciech Group, such as market conditions, general global economic prospects, production capacity in the markets, production constraints by the suppliers, fluctuations of oil or other commodity prices, infrastructure failures, political conditions, weather conditions, legal regulations and other factors. In addition, raw materials used for production may be unavailable in required quantities at commercially reasonable terms in the future.
The cost of natural gas (which accounted for approximately 29% of raw materials and energy costs of the soda segment in 2013), used in the production of electricity and steam in the plant in Germany is variable. The price of coal (which accounted for approximately 20% of the Ciech Group total raw materials and energy costs in the soda segment in 2013), used in the production of electricity and steam for the Ciech Group production facilities in Inowroclaw and Janikowo, decreased.
Fluctuations in oil prices may also impact transport costs of delivering our products to customers. The Ciech Group do not currently use commodity derivatives to hedge the price risk of raw materials.
Increased costs of raw materials or increased transport costs related to their delivery that cannot be passed on to the customers through price increases, have a negative impact on operating costs and liquidity of the Ciech Group. In particular sale contracts for soda ash are typically concluded for one year period, which limits the ability to pass the increases in prices of raw materials due to time lag, if it is possible at all. It is uncertain whether the Ciech Group will be able to raise products prices immediately, or not at all, in the future to pass the entire or even partial cost increase on to the Ciech Group customers. Supply agreements for raw materials in the Ciech Group organic segment are typically based on market prices and are short-term contracts. The Ciech Group also maintains supply arrangements with certain suppliers without written contracts which therefore can be terminated by either party at any time. The termination of the supply agreement, lack of sufficient amount of agreements supporting required raw materials supply for production may have a negative impact on the Ciech Group operating activity and financial situation.
Business interruptions resulting from supply shortages of key materials can significantly affect the Ciech Group profitability. Production interruption of any of significant supplier resultiing in inability of the supplier to meet its obligations under the existing supply agreements, may force the Ciech Group to pay higher prices to obtain the necessary raw materials without possibliity to compensate the loss by increasing sale prices.
Any interruption in the operations of the Ciech Group suppliers and/or inability to obtain timely delivery of key raw materials of acceptable quality, or significant increases in the prices of such raw materials that are not able to be passed on to customers, could result in production delays, increased costs and reductions of quantity of the Ciech Group produced goods, any of which could harm the customer relationships or may have a negarive impact on the Ciech Group operating activity and financial situation.

The supply relies on a limited number of suppliers for certain raw materials, which may cause supply disruptions and delays or additional costs if suppliers fail to deliver their products in a timely manner or fail to meet quality requirements. In addition, the Ciech Group is exposed to risks related to long-term contracts.
Production process of the Ciech Group companies requires adequate and timely supplies of raw materials. Wherever possible, the Ciech Group attempt to diversify supplies of materials between multiple suppliers. However, for certain raw materials required, there is only a limited number of possible suppliers. For example,

most of the limestone and brine - two main raw materials used in the production of soda ash using the Solvay method are purchased by soda producers localy from single supplier. Soda ash production plants need to be located in proximity of limestone and brine suppliers due to the high transportation costs of these raw materials in comparison to their price. All major raw materials for production plant in Govora, Romania, is obtained from single supplier. Furthermore, certain of the production facilities, in particular the soda ash production plants, are located in areas where there are a limited number of suppliers in the profitable radius.
Any disruptions or delays in the supply of raw materials from a particular supplier, or loss of a supplier where there is no possibility for a suitable alternative, could result in limitation of production. The Ciech Group may also incur additional cost and/or delay in obtaining replacement materials. Any of these events could negatively impact the Ciech Group operating activity and financial situation.
In addition, certain key materials, such as limestone, brine and energy, are purchased under long-term contracts, some of which extend to a period of 25 years. Although the key terms of the supply contracts, such as price and quantity, are generally flexible, and can be modified under certain circumstances to better reflect current business conditions, there is no guarantee that this flexibility will be sufficient to adapt the contracts to current business conditions in a suitable way for the Ciech Group, which could have negative impact on the the Ciech Group operating activity and financial situation.

Growing competition may adversely affect the Ciech Group operating activities and financial situation.
Growing competition from existing and new domestic and foreign producers may occur in the main markets and industries in which the Group operates. Competition within the chemicals industry depends on local market dynamics and varies significantly depending on specific product and its use. In addition, competition in the chemical segment depends on many factors, including but not limited to: demand, product prices, reliability of supply, relevant production capacity, customer service quality, product quality and availability of substitutes. It's not uncertain that the Ciech Group will be able to compete effectively against current and future competitors. Increased competition or the entrance of new competitors to the market could have a negative effect on operating activities and financial situation.
In the past decade, in Europe, neighboring countries and all over the world as well, new capacities of soda ash production were created. Moreover investments in soda ash production plants to increase production cappacity, particularly in Turkey and China were announced. The implementation of these or similar investments increasing production capacities of suppliers of soda ash in Europe and in the world, involves the risk of periodical excessive supply of this product and decrease of price, which may reduce the Group market share and negatively affect the Group's operating activities and financial situation.
Certain, the Ciech Group international competitors may use more advanced technology and manage their processes better, as well as increase their production capacities, introducing higher volumes of competitive product into the market. Additionally, competitors of the Ciech Group on certain markets may use raw material supplies or production plants located closer to a given market, which gives them competitive advantage regarding products costs and distance from the customer. Also new entities may emerge, in particular on the polyurethane foams market that is characterized by lower technological and capital entry barriers than remaining products of organic segment

The Ciech Group is a subject to very strict regulations, which may generate significant costs regarding compliance with the obligations resulting from the environmental protection regulations and OHS applicable to the Ciech Group's activities.
Activities of the Group are subject to the relevant legal requirements concerning environmental protection and OHS. These requirements regulate activities related to: (i) storage, use and management of hazardous substances and waste; (ii) taking water and treatment of sewage; (iii) polution of the atmosphere; (iv) human health and safety; (v) reclamation of contaminated areas and (vi) sales and use of products of the Ciech Group. The Ciech Group companies operate under the current administrative decisions regarding the manner and extent of use of the environment. The most important of these are integrated permits, water-law permits and decisions concerning waste disposal. Such permits are subject to changes and updates by competent administrative authorities. Actual or alleged breach of the environmental protection and OHS legal requirements or permits can lead to restricted or suspended plants operations, substantial civil or legal sanctions. For example, throughout the last few years, the Ciech Group invested in the modernization of assets related to energy production in Janikowo plant, in order to reduce air pollutions to acceptable levels. These actions allowed only for partial reduction of the amount of potential fines for overpollution by Janikowo heat and power plant in the years 2011-2013. In addition, pollution of the heat and power plant in Inowrocław also exceeded and may remain exceeding acceptable levels, which may result in penalties. In 2013, technical and financial analysis of further complex modernizations of heat and power plants in Soda Polska Ciech are performed. As a different example, drainage of sewage in US Govora in Romania that exceeded acceptable limits and therefore relevant authorities imposed on S.C. Uzinele Sodice Govora S.A penalties (for 2012 to 2013) can be indicated. US Govora S.A. appealed in the court – against ABA OLT - District Manager of Olt River Water. Accepted waste parameters are subject to negotiations with ABA LOT – District Manager of Olt River Waters every year, however, parameters are stricted every year exposing Company to penalties. Company US Govora submited court filling against ABA OLT in the middle of 2013 in which it demanded taking into consideration the BAT requirements regarding waste sewer quality. According to

Directive 1999/31/EC on the landfill of waste introduced into the Romanian legislation by Government Decree 349/2005 implementing resolution of the Treaty of Accession to the EU, US Govora should have ceased its activities related to the disposal of liquid industrial waste in landfills by 31 December 2012. Integrated Permit No. 68/2012, valid for 10 years, allowed USG to solve the problem of soda waste after 2012. As a result, at the end of 2012, the process to close sodium landfills estimated for several years has started, however, in the middle of 2013, a new possibility of solving the landfill problem based on a change of qualification of sodium sludge ponds was identified. On 9 December 2013 US Govora received an integrated permit no 68 concerning soda production plant solving the sodium waste landfills problem of the company in relation to the requirements of the Government Regulation 349/2005.

Every year, the Ciech Group inurrs substantial capital and operating expenditure to achieve compliance with current and future environmental protection and OHS requirements. Strong tendency to tighten environmental protection and OHS requirements can be observed.

The Ciech Group operations are widely affected by new legal requirements under the directive establishing a trade scheme for greenhouse gas allowance within the European Union (EU ETS) as well as industrial emissions directive (IED).

The Ciech Group activities involve emission of greenhouse gases like carbon dioxide and are regulated by EU ETS. The EU ETS members cannot exceed emission allowances (EUA) at the end of each settlement period. One EUA unit corresponds to the right to emit 1 ton of CO2 equivalent. Plants which have insufficient quantity of rights to cover their emissions must purchase them on the carbon market: primary (auctions) or secondary market. Exceeding allowed limits of allowances is subject to penalties.

From 2013, significant changes in the community emissions trading scheme became effective, including, among others, (i) expanded scope of the scheme to cover new activities, (ii) gradual reduction in the limit of allowances untill 2020 (iii) replacing the current scheme of national plans of emission allowances allocation with one limit of allowances for the whole EU, (iv) pursuit to full auction system of selling allowances, (v) withrdawal of free allowances for electric energy manufacturers, (vi) allocation of free allowances on the basis of uniform ratios prepared by the European Commission.

In consequence of changes in legal regulations, the soda production process in the Ciech Group has been incorporated into the EU ETS starting from 2013. Changes in the ETS affect significantly activities of the companies operating under the scheme due to considerable costs of purchase of missing CO2 emission allowances. Based on forecasted prices of CO2 emission allowances on the open market in January 2014, Ciech Group estimated to spend approximately EUR 5.8 million yearly from 2013 to 2017 on purchases of emission rights. Apart from direct costs related to the purchase of CO2 emission allowances, energy price growth can be expected as a result of implementation of the energy and climate policy adopted by the EU, which applies also to electric energy manufacturers. It can have negative impact on operating results and financial situation of the Ciech Group.

Moreover, on 1 January 2016, IED (Industrial Emissions Directive) will introduce more strict emission standards for sulfur dioxide (SO2), nitrogen oxides (NOx) and dust from large combustion plants (LCP). The National Transitional Plan (PPK) sent to the European Commission (EC) for approval assumed extened deadline for adjustments of LCP systems in plants in Inowrocław and Janikowo, at the latest until 1January 2019. The European Commission has the time to approve PPK until the end of March 2014 (PPK was unformally approved). As a consequence of these new provisions, Ciech Group will be obliged to sustain investments in LCP systems in plants in Inowrocław and Janikowo. As mentioned above currently technical and financial analyses regarding complex modernization of heat and power plants in Soda Polska Ciech are being carried. In accordance with IED directive changes compared to currently effective regulations include increased importance of BREF reference documents for setting requirements of best available technology (BAT) for particular plants. European Commision will issue BAT conclusions, which will be kind of shortened BREF documents and shall be basis for issuing of permits. A risk that quality parameters of distillation waste regarding concentration of ammonia nitrogen as per BAT requirements for soda ash production technology by Solvay can be exceeded was identified in Sodawerk Strassfurt In relation to the above requirements. The company agreed action plan to reduce concentration of ammonia nitrogen in sewage with appropriate environment authorities. Some Ciech Group's plants have a long history of industrial activities and waste landfill. In connection with the nature of activities of the Ciech Group, on certain land plots of the Group there are active sources of ground and water contamination. The Group incurs current operating costs and recognizes provisions related to reclamation of contaminated land plots and treatment of underground waters. Some of plants became the object of proceedings related to historical contamination of land plots, where reclamation works on the land plots and water were completed as agreed with appropriate authorities. Identifying previously undiscovered pollution or imposing of new obligations to test and eliminate contamination in plants of the Ciech Group may result in the need to incur substantial additional costs. The Group can be obliged to create or steadily increase provisions for such liabilities. If the Group will not be able to accurately foresee the timing of incurring such costs, impact on the Ciech Group operating activity and financial situation in each period when such costs are incurred may be significant.

Under the Polish legal system relevant authorities can oblige the entity operating a plant to establish security of claims in connection with the risk of environmental damage. Securities may have form of deposit, bank guarantee, insurance guarantee or insurance policy.

In addition, in spite of the fact that the Ciech Group is monitoring the possibility of environmental exposure to risk related to production or sale of its products, future claims for compensation for alleged health or property damages caused by pollution of danger substances or exposure to this substances as a result of Group Ciech

plants activities filed by government, individualls or other third parties cannot be excluded. The Ciech Group's insurance may not be sufficient to cover such claims. The environmental protection legislation may also affect the demand for Ciech Group products. For example, there is a risk of decrease in demand for soda ash form glass packaging industry as a result of regulations in the EU, which prefers the usage of cullet as raw material in the glass production process. Implementation of such regulations by customers from the glass industry may decrease average selling prices of soda ash.

Compliance with more and more strict legal requirements related to research, evaluation, registration and safety analysis of manufacturing products may lead to incurring of substantial additional costs or reduce or eliminate availability and/or merchantability of some raw materials used in products manufacturing

The Ciech Group has to comply with a wide scope of regulations concerning research, production, designation and safety analysis of its products or products of its suppliers. In some countries, including countries of the European Union, such types of control and legal restrictions have become more strict. The Ciech Group is expecting this trend to continue.

Products manufactured and raw materials used in production by the Ciech Group are regulated by many environmental regulations, among others, in terms of registration and safety analysis of contained substances. The regulation of the European Union on registration, evaluation, authorization and restriction of chemicals Regulation (EC) no.1907/2006, "REACH" imposes on the whole chemical industry substantial obligations concerning research, evaluation and registration of chemical substances produced or imported from non-EU member countries.

In accordance with REACH regulation, the Group companies selling substances in quantities exceeding 1 ton p.a. have completed or plan to complete full registration of these substances by defined deadlines which will enable them to continue their operations in the current scope.

In the first stage of registration i.e. until 1 December 2010 18 substances of tonnage above 1000 Mg per year were registered by the Ciech Group. In the currently completed second stage i.e. until 31 May 2013 one substance with tonnage range of 100-1000 Mg per year was registered. In the third stage i.e. until 31 May 2018 – 38 marketed substances in the quantity of 1-100 Mg per year are planned to be registered.

Implementation of the REACH requirements is expensive and time-consuming and results in increased production costs and reduced operating margins on chemical products. The Ciech Group estimates the total expenses on achieving compliance with REACH will amount to approximately PLN 4.2 million in the years 2014-2018. Each delay of full registration of substances in accordance with legal requirements can lead to penalties or banning sale of products containing these substances in the EU.

In connection with the REACH regulation or the EU regulation concerning classification, labelling and packaging of substances and mixed chemical products, Regulation (EC) no. 1272/2008 "CLP Regulation", certain substances in raw materials or products may be classified as having adverse impact on the environment, product users or employees. Their production can be subject to authorization in the European Chemicals Agency (ECHA) or completely restricted.

Any such rights or regulations which may be adopted in the future can affect adversely availability and/or possibility to sell of raw materials used and products manufactured by the Ciech Group, lead to restriction or ban on purchasing or selling them or oblige the Group to incur increasing costs of fulfilling the requirements regarding registration, labelling and use of products. Furthermore, since some of products manufactured by the Ciech Group are sold on markets on which proper classification is very important for the legal regime applicable to such substances, it cannot be excluded that the Group's classification will be questioned or challenged. Any such factors may have negative impact on the Ciech Group operating activities and financial situation.

The Ciech Group can encounter difficulties, delays or unexpected costs in selling the Group's assets not associated with its basic activities.

The Ciech Group intends to focus its activities on the production of soda ash, soda derivates and side products. In order to optimise its structure and improve profitability, the Ciech Group assesses on a regular basis its activities and, depending on the finally adopted development scenario, expects (if attractive offers will be received) disposal of activities not associated with basic activities i.e. in the organic segment and in the segment of silicates and glass.

In case of some of such disposals, relevant permits or other consents may be required. It is not certain, whether the Ciech Group will be able to obtain the required permits or whether it will be able to obtain them on time. Moreover, fines can be imposed on the Group for the benefit of prospective buyers in the case of delays in obtaining such permits. Furthermore, the contingent liabilities may be arise as a result of any collateral the Group provides to the buyers in connection with such disposal of assets. Additionally, administrative and legal obstacles may be encountered connected with disposal of activities not associated with Group's core activity, consequently this process may be longer than expected and the Group may incur unexpected costs in connection with termination of such activities. However, it is not certain that disposal of activities not associated with core activity will have significant impact on the Ciech Group results in long-term perspective.

In the context of subsidiary company Infrastruktura Kapuściska S.A. bankruptcy, Ciech Group may not be fully protected from liabilities related to bankruptcy.

Production activities of Infrastruktura Kapuściska S.A. were terminated in December 2012. On 30 December 2013 the Infrastruktura Kapuściska S.A. Management Board submited to the District Court in Bydgoszcz a file for bankruptcy, mainly due to inability to resume production in Infrastruktura Kapuściska S.A. and failed attempts to find new investor. The obligation to submit file for bankruptcy by Infrastruktura Kapuściska arose from legislation and was the effect of permanent loss of financial liquidity by the company, which revenues were not sufficient to cover current operating costs. The final decision regarding submission of file for bankruptcy was made due to the decision of the District Court in Bydgoszcz dated 20 December 2013 in which the Court dismissed Infrastruktura Kapuściska S.A.'s claim for termination of the agreement with Spółka Wodna Kapuściska whose majority shareholder is city of Bydgoszcz. As a result the court refused to release Infrastruktura Kapuściska S.A. from its responsibility to pay over PLN 16.32 million per year, despite the production termination and significant limitation of sewages.
On 14 March 2014 the District Court in Bydgoszcz issued a decision in closed session which approved Infrastruktura Kapuściska S.A.'s file for bankruptcy and declared bankruptcy of Infrastruktura Kapuściska S.A. involving liquidation of assets. In terms of bankruptcy proceedings, CIECH S.A. as a parent company will not be liable for Infrastruktura Kapuściska S.A.'s liabilities, as Polish law do not provide basis for parent or related company to be liable for such bankrupt company liabilities. However, it cannot be totally excluded, that in the event of the actual bankruptcy of the company, CIECH S.A. as parent company might be obligated to fulfil specific obligations for which CIECH S.A. provided guarantees to Infrastruktura Kapuściska S.A. and within the scope of the provided guarantee. Potentially, it may be guarantee provided by CIECH S.A. in exchange for specific obligations, declaraions and representations of Infrastruktura Kapuściska S.A. provided in relation to Sell and Transfer of TDI Assets Agreement with BASF up to total value of EUR 10 million; this guarantee is valid for the period of two to four years form transaction settlement date (i.e. from 12 March 2013). Moreover, Polish Civil code regulations enable creditors (including trade creditors) to use legal means directed against third parties (therefore also the parent company), If the third party's actions toward debtor caused the bankruptcy (so-called Actio Pauliana). If in case of submission of such claims by creditors, court decision confirmed that actions were consciously performed by debtor and third party to cause damage to its creditors and, as a result the debtor became insolvent, or insolvent to a greater extent, and a third party had benefited from that action, under certain conditions of the Polish Civil Code such an activity may be recognised as ineffective in relation to the particular creditor, who may claim the fulfilment from third party' assets in relation to benefit obtained by that third party from debtor. In case that the court or other appropriate authority recognize claim as justified it may have significant impact on Ciech Group operating results or financial situation. Additionally, Ciech Trading S.A. provided Infrastruktura Kapuściska S.A. with intragroup loan in the amount of PLN 57.4 million (including accrued interest of PLN 3.9 million) as at 31 December 2013. Intra-group trade ant other liabilities of Infrastruktura Kapuściska S.A to the Group amounted to PLN 9.2 million.
On the other hand, due to agreement concluded on 6 December 2013 between CIECH S.A., Infrastruktura Kapuściska S.A and companies of the Air Products Group the risks indicated in 2012 report concerning termination of the TDA supply Agreement by Infrastruktura Kapuściska S.A. on 12 October 2012 no longer exist. In accordance to the concluded settlement the arbitration proceedings were terminated.

Force majeure and dangerous character of manufactured chemical products may have negative impact on Group activities. In addition, production plants of the Ciech Group are subject to significant operating risks and may be subject to downtime.
Production activities of the Ciech Group Companies can be interrupted in consequence of various threats and risk factors, which are beyond the Group control, such as environmental disasters, strikes and some disasters, including fires, weather events, serious breakdowns of equipment, natural disasters, terrorist attacks and other accidents or events that may result in cessation of the operations. Any damages to facilities, including IT systems, causing short-term interruptions in operations of facilities and distribution and logistics services, for the time of repair, or for other reasons may have considerable, unfavourable impact on the Ciech Group operating activities and financial situation. Suppliers are exposed to similar risk factors. Events caused by force majeure, based on the provisions of supply contracts, may disrupt production and/or increase incurred costs. Interruptions or increase in costs may have considerable, negative impact on the Group's results.
Considerable amounts of chemical, hazardous raw materials as well as liquid and solid waste are being used, processed, produced, stored, transported and disposed in chemical plants owned by the Ciech Group. Some of this waste it is highly dangerous and may have harmful effects as a result of improper handling or unsatisfactory removal. Accidents involving these substances which are often subject to high pressure and temperatures during the production process, storage and transport may cause major damages to facilities, the environment and human health as well as interruptions, restrictions or delays in production. Any damages or injuries to people, equipment or belongings, or any other production or distribution downtime can result in a significant reduction of operating revenues and a significant increase in costs related to replacement or repair and safeguarding of assets, which may have significant, negative impact on the Group Ciech operating activities and financial situation. It may also cause legal consequences, such as breach of regulatory requirements and/or lawsuits for bodily injuries, damage or depletion of property and similar claims.

If the Ciech Group does execute effective internal control system, it may be unable to monitor or manage its activities effectively.

Effective internal controls are required to provide reliable financial reports and for effective monitoring of the Ciech Group companies' activities. If the control structure has significant deficiencies, the Ciech Group can be unable to effectively monitor and manage its activities, which may cause harm to its interests and reputation. There is no confidence that internal control will manage to discover all shortages; while their presence may have significant negative impact on the Ciech Group operating activities and financial situation.

If patents owned by the Ciech Group and other intellectual property rights will not appropriately protect its products, loosing part of the market to competitors may occur and the Ciech Group may be unable to operate profitably.

For the purpose of obtaining and protecting intellectual property rights with regards to the Group's products and processes of development, production and sale, The Ciech Group has a combination of patents, trade secrets, copyrights and trademarks.

The Ciech Group uses unpatented, internally developed know-how, trade secrets, processes and other internal information and use various methods for the purpose of their protection, including confidentiality contract, contracts for assignment of rights to inventions and ownership information, contracts with employees, independent sales agents, distributors, consultants, universities and research units to whom is a dominant entity. However, these contracts may be violated. Government agencies or other national or provincial legislative authorities may require disclosure of such information so that the Ciech Group companies could obtain consent to sell given product. Agency or legislative authority may also disclose such information on its own initiative, if they decide that information is not confidential corporate or trade information. Trade secrets, know-how and other unpatented ownership technologies may also be disclosed otherwise or developed independently by competitors.

In addition, the Ciech Group also has patents and patent applications protecting many components and products. Applications (patent applications) are filed for new patents in the course of activity. However, these precautions provide only limited protection and would not protect, for example, against disclosure or independent development of information being property of the Ciech Group by competition.

It cannot be ensured that existing or future patents will let us obtain an appropriate protection or competitive advantage and those future patent applications will guarantee obtaining patents or circumvent , cancellation or lack of possibility for successful implementation of patents. In addition, the Ciech Group ownership rights concerning intellectual property may be challenged, which would have considerable, negative impact on operating results. In some cases, legal disputes concerning intellectual property may be used for obtaining competitive advantage. The Ciech Group companies were in the past and may be in the future parties in court cases concerning patents and other intellectual property rights. If third party initiates proceedings against any Ciech Group company it may incur significant costs related to defence, as there is no guarantee that such proceedings will be settled in favour of particular company. In the case of unfavourable settlement of such a dispute, it may be necessity to pay significant amount and simultaneously research, production or sale of technology or products may be forbidden.

Any proceedings before the national patent authority and/or government authority for trademarks or in court may end with unfavourable decisions with regards to the priority rights to the Ciech Group inventions and limiting the scope or cancellation with regards to already granted patents or examined patents. In the case of such proceedings substantial costs may also occur. In addition, some countries where the Ciech Group products are or can be sold may not protect Ciech Group products and intellectual property, or protect them to the lower extent as compared to Europe. In some countries Ciech Group may also not be able to protect rights concerning trade secrets, trademarks and our own unpatented technology.

Loss of important management, technical or other personnel, or the impossibility to recruit such personnel, may affect Ciech Group operations.

The nature of Ciech Group operations and its development plans requires hiring personnel with high qualifications in various domains. Ability to maintain a competitive position and implementation of business strategy depends significantly on the quality and the experience of personnel. The loss of competences important for the Ciech Group or impossibility to obtain them as a result of external recruitment may have a considerable, negative effect on operating activities and the financial situation. Competition for the personnel with appropriate experience is an element of permanently conducted policy, with regard to the unique character of operations of the Group and relatively high costs of acquiring new employees with comparable qualifications. Our abilities to recruit, retain and continuously improve management, technical, administrative and operational personnel are an element of risk management strategy, minimizing in this way the threat of loss of employees who are significant for the Ciech Group operations.

The Ciech Group Companies have not concluded life insurance policy for any members of the management, nor do intend to purchase such a policy in the nearest future.

The Ciech Group operations may be dependent upon work outages or other personnel disputes.

On 31 December 2013, the Ciech Group employed 3 888 (including companies' management boards and suspended employees) permanent and temporary employees. About one third of employees in Germany and Poland and most employees in Romania are members of trade unions. In all countries where the Ciech Group operates, employee's rights resulting from social contracts concluded and other legal regulations are respected and obeyed. Due to termination in 2012 collective arrangements delivered to employees of CIECH S.A, Soda Polska Ciech S.A., Infrastruktura Kapuściska S.A., Alwernia S.A. and Vitrosilicon S.A. negotiations were initiated

as to new corporate collective arrangements. This process was launched in all companies from the Gropu, however in Romania the agreement was not reached. In February 2013 the Trade Union in Romania requested for common increase in salaries. This lead to strikes which did not interfere the business of the Company. The negotiated systems were adjusted to the economic realities and business plans of the Group tying additional benefits (bonuses) with results of the Group and operational goals set for the Group. The new negotiating process related to benefit system was started in the Ciech Group. The need for resignation from the previous, quite extensive payroll components and continuation of restructuring processes may generate discrepancies between management boards of companies and union organisations, resulting in disputes or protests. The occurrence of such actions may affect the Ciech Group operating results and financial situation. Despite the fact that in the year ended at 31 December 2013, there was no important employee disputes or work outages, there is no guarantee that employee disputes or stoppages at work will not appear in the future.

In the Ciech Group the negotiating process on the bonus system was started. The talks were taken in CIECH S.A., Soda Polska Ciech S.A. and Z. Ch. "Organika-Sarzyna" S.A., Soda Deutschland Ciech and Ciech Pianki Sp. z o. o.. In the near future the process will include other companies. However, chosen direction is not in line with union's expectations, which are in a position that increases in base salaries are necessary. As a result, there is a risk of collective dispute, used by unions as influence tool on employer decisions.

Fluctuations in currency exchange rates may have negative impact on the Ciech Group operations, financial situation and cash flows.
Consolidated financial results of the Group are reported in PLN. International character of the operations makes the Ciech Group exposed to foreign exchange risk as a result of potential mismatch between currencies in which sales, purchases and costs are settled, as a result of transactions entered into by our subsidiaries (which may be conducted in a different currency than their functional currency) and as a result of the effect of translation of the reported results, cash flows and balance-sheet items.
As a consequence of running operations in jurisdictions with functional currency other than zloty, the Ciech Group is susceptible to exchange rate risk associated with translation of one currency to another. The items of revenues and expenses are translated based on average foreign exchange rates, and financial assets and liabilities are translated using foreign exchange rates from the reporting date. The Ciech Group is also exposed to transaction foreign exchange risk when a subsidiary performs transactions in different currency than its functional currency. As a result of foreign exchange exposure to purchases of raw materials, sales revenues, loans granted and received, as well as cash kept in foreign currencies, the Ciech Group was and will be exposed to fluctuations in currency exchange rates that may have a significant effect on our operating results, financial assets and liabilities, as well as cash flow in zlotys. Fluctuations in foreign exchange rates may also significantly affect comparability of Groups results between the periods.
The Ciech Group main source of exposure to foreign currency risk is related to EUR and USD. Estimated exposure to currency risk in Euro (excluding SDC Group) was EUR 5.1 million, EUR 171.3 million 31 December 2012 and 2013 respectively.
The group aims to natural hedge of its foreign currency exposure, including matching cash flows in given currencies resulting from sells and purchases and to denomination of the indebtedness in some currencies in order to adjust it to expected exposure for foreign currency risk in operating activities.

The Ciech Group is exposed to impairment of receivables in case of the lack of payment by contractors.
The Ciech Group is exposed to operational credit risk that is associated with a risk of the lack of repayment of receivables by trade parties and other debtors. Financial difficulties experienced by contractors, including bankruptcy, restructuring and liquidation, or potential deterioration of industries in which they operate, increase this risk. As at 31 December 2013, approximately 24.8 % of Group trade receivables were held by 10 largest customers (based on sales revenues). Because of concentration of the customer base, substantial amounts can remain due from individual customers at any time. Lack of repayment of due amounts by customers may have significant negative impact on the Group operations, operating results and financial situation. Payment terms granted to contracting parties range from 30 to 90 days. Despite the fact that the Ciech Group adopted procedures and policies designed to minimise the credit risk, such as receivables insurance, credit risk monitoring and credit limits for customers, the adpoted procedures and policies may not be adequate and may not protect the Group against a risk of the lack of payment by contractors.

Fluctuations in interest rates may have an negative impact on the Group financial results.
The Ciech Group is exposed to interest rate risk, resulting from PLN denominated financing costs being based on market interest rate level. Domestic Bonds (with face value of PLN 320 million) interest and revolving loan available under the Revolving Credit Facility (with maximum value of PLN 100 million) are based on the variable WIBOR rate. Indebtedness denominated in PLN with face value of PLN 80 million was hedged in 2013 by usingf variable interest rate hedging contract. Despite conclusion of the above contract the Group is exposed to changes in market interest rates levels. Increase in market interest rates level would inrease indebtedness costs and influence negatively the Group financial situation

The Ciech Group Companies are subjected to dispute proceedings, including antitrust proceedings that could be harmful to its business in the case an unfavourable ruling.

The Ciech Group is exposed to the inherent business risk concerning vulnerability to various types of claims and legal proceedings. The Ciech Group Companies were involved in various legal proceedings, claims and investigations that are currently lasting or were completed over the past three years. According to the accounting policy, provisions are recognised in connection with such proceedings when there is a significant probability that costs will be incurred, and their amount can be reasonably estimated. There is no certainty that the growth of current proceedings or that future legal suits, claims, proceedings and investigations will not be significant. Besides that, the Ciech Group Companies may be in the future a party in legal proceedings related to, among others, intellectual property, liability of the manufacturer, bodily injuries, products guarantee, environmental or antimonopoly claims and conclude agreement with regard to legal proceedings and claims, which can have a considerable, negative imapct on its operating results in any period.
The Office of Competition and Consumer Protection's decision that any of the Group activities had effect in the form of restriction of competition in the context of antitrust proceedings, may affect the possibility to conduct business and/or cash penalties, which effects may have a considerable, negative impact on the Group operation results or financial situation.

Business, reputation and products of the Ciech Group may be affected by claims concerning liability of the manufacturer, complaints or unfavourable publicity in relation to products.
The Ciech Group products are tied with inherent risk element of bodily injuries which may occur as a consequence of manipulations by unauthorized third parties or as a result of pollution or degeneration of a product, including the presence of external pollutants, chemicals, substances or other chemical substances or residue during various phases of preparation, production, transport and storage processes. There is no guarantee that the Ciech Group products will not cause in the future any diseases or injuries, nor that companies of the Group will not be subject to claims or legal proceedings related to such issues. Although companies have customary insurance against responsibilities towards third parties and guarantees of the manufacturer, in the case of claim related to the manufacturer's guarantees or responsibilities towards third parties, there is no guarantee that companies will be able to effectively issue insurance claim in accordance with the company's policies or that the compensation obtained from the claim will be sufficient to cover actual damages caused.
The Ciech Group can be forced to withdraw its products from some jurisdictions, in the case of non-compliance with relevant quality or safety standards by these products. There is no guarantee that, as a result, claims will not be issued against companies from the Group concerning the responsibility of the manufacturer. Unfavourable decisions, in cases related to responsibilities of the manufacturer may have a significant, negative impact on the Group operating results. Besides that, Ciech Group may be forced to increase its debt or redirect resources from other investments to satisfy such claims. In addition, unfavourable publicity with regards to the Group's products may have a significant impact on future sales, which may have a considerable, negative effect on the Group operating results.

Insurance policies of the Ciech Group may not protect, or not protect completely, from some disturbances related to the conduct of business, global conflicts or inherent threats related to operations and products.
The Ciech Group Companies have insurance policies, concluded with international and local insurers, providing protection (with some restrictions with regard to the subject and substantive scope), from selected operating risks, including damage to the property insurance, loss of profits insurance, third party liability insurance, product liability insurance, insurance of goods in transport, railway rolling stock and vehicles insurance, civil liability of company's officers and directors insurance and receivables insurance. Types of insurance and amounts insured currently by The Ciech Group are in compliance with standard practice in chemical business and adequate to current activities. Owned insurances do not cover all potential risks related to scope of activities and other threats, for which the Group might be responsible. For example, insurance policies may not protect against natural disasters, certain disturbances to business operations, global conflicts or inherent dangers related to operations and products of the Group. Moreover, policies are subject to standard restrictions, exclusions and limitations, which can affect possibility to issue claims. As a result, it is not certain that owned insurances appropriately protect against all possible risks or that the insurance amounts are sufficient to prevent all significant losses.

The Ciech Group may not have a valid legal title to some of the Group's real estate properties.
Some documents and/or necessary additional confirmations, proving the legal title for some of the Ciech Group properties, including part of the area of S.C. Uzinele Sodice Govora S.A. in Romania, plants, buildings and constructions may be lost. In addition, some of subsidiaries, including Soda Polska Ciech S.A., use certain real estate properties whose legal status may be unclear or questioned. Because, as a principle, purchasing real estate properties by the Ciech Group has not used the warranty of public faith in, land and mortgage registers and it cannot be excludes the lack of documents confirming or supporting legal title in relation to a part of owned real estate properties, Ciech Group companies may not be able to present assurance in connection with ownership and legal condition, potential defects of the legal title or restrictions concerning sales, which can affect rights with regards to all real estate properties. In this regard companies from the Ciech Group can be also the object of possible third party claims, which may have a considerable, negative effect on operating activities and financial situation of the Group.

Weather conditions may affect the Ciech Group sales revenue.

Unfavorable weather conditions can decrease sales of products intended for plant protection (organic segment). Sales of plant pesticides and agrochemical products depends on weather conditions, because harvests of crops and decisions with regard to planting vegetation vary depending on whether vegetation season is exceptionally wet or dry. Bad weather conditions can cause smaller harvest, and thereby smaller demand for the Ciech Group products. Weather conditions may have a delayed effect on operating results, as the Ciech Group sells products to distributors who may have excessive stock after bad vegetation period, resulting in a lower number of orders for the following period. For example, harsh weather conditions (low temperatures) in Poland and their effect on crops decreased the demand and ordered quantities of the plant pesticides in 2012 as compared to 2011. Similarly, in the soda segment, sale of calcium chloride and mixes of chlorine and salt that are used mostly in winter for roads maintenance depends on weather conditions. During mild winters, demand for deicing products decreases and revenues from calcium chloride and related products sales may be lower than expected, as witnessed during the winter period of 2011/2012.

The Ciech Group companies tax burdens may increase as a result of current and future tax inspections and potential changes in binding tax regulations and frequent changes in Polish regulations may have an negative impact on the results from the companies' operations and financial situation.
For the purpose of calculation of income tax liabilities and all other tax liabilities Ciech Group companies follow assessment of situation and make decisions on the basis of their best knowledge. Although their belief that tax estimates are reasonable, many factors may decrease their accuracy. Furthermore, the Polish tax system is known for its instability. Tax regulations are frequently corrected, often to the disadvantage of taxpayers. The instability of the Polish tax system results from reliance on the interpretations of tax regulations issued by treasury authorities and rulings announced by courts in addition to changes in the law. Issued interpretations and court rulings are not consistent and may be the subject to potential corrections or changes. Another element influencing the lack of stability of the tax law is the necessity to implement changes resulting from adjusting domestic legislation to the new European Union regulations.
Ciech Group companies may be subject to controls from tax authorities, during which these authorities may disagree with the approach regarding tax treatment of certain significant items, including past and future events, and therefore they may oblige companies to re-calculate and potentially increase their tax liability. Additionally, in case any inconsistency or different tax regulation interpretation are identidied, interest and fines may be imposed.
Frequent changes in tax regulations had and may have, in the future, negative impact on the Ciech Group companies activities, their financial situation, operating results and development possibilities. Besides that, lack of stability in Polish tax regulations may hinder the ability for effective planning of the future and implementation of te business plan according to the assumptions. In addition, changes in the existing law can also increase real tax rate, and increased tax burden may have a significant, negative impact on the further development of the Group.

Risks related to indebtedness
Obligations of the Ciech Group in relation to debt service may have a significant, unfavourable effect on business, operating results, financial situation or ability to repurchase debt securities.
Ciech Group has significant debt service obligations. As at 31 December 2013, debt amounted to approximately PLN 1 318 million, including financial lease contracts and debt service obligations will exist in the foreseeable future. Debt service obligations may have important consequences, including, but not limiting to:

- difficulties in meeting debt obligations;
- increase in vulnerability and reduction in flexibility in response to, the deterioration of the situation in the industry or generally unfavorable economic and industrial conditions;
- limitation of ability to obtain additional financing in order to finance working capital, capital expenditure, development of operations, acquisitions and other corporate goals, and increased costs of future borrowings;
- the necessity to spend a considerable part of generated cash flows from operations on repayment of debt and interest, which means limitation of availability of funds for the purposes of operating activitiy financing, products development, capital expenditure and other corporate goals;
- restriction in flexibility in response to, as well as planning in relation to changes in industry and environment in which Group operates, and
- being in competitive disadvantage compared to competitors who may be indebted to a lesser extent.

These factors may have a considerable, unfavorable effect on the possibility to meet the Ciech Group debt service obligations.
Moreover, the Group indebtedness in due to Revolving Credit Facility and Domestic Bonds is based on the variable rate - the Warsaw Interbank Offer Rate ("WIBOR") plus margin and some mandatory costs. Fluctuations of WIBOR or emergence of market disturbances can increase total interest cost and may have a considerable, negative effect on possibility to settle Group's debt.

The Ciech Group requires considerable quantity of cash for debt service and maintaining operational activities. Ability to generate sufficient quantity of cash depends on many factors, which are beyond control of the Group.

Ability of the Ciech Group to make scheduled payments to repay Group's debt, as well as to finance working capital and capital expenditures, depends on future operational activities and ability to generate sufficient quantity of cash. To some extent, it depends on the success of business strategy and general economic, financial, competitive, commercial, legal related to regulations and other factors, many of which is beyond the Group control.
There is no guarante that cash flows generated by the Group from operating activities will be sufficiently high, that forecasts concerning implementation of savings, increase in revenues and operating improvements will be completed, or that the amount of possibly attainable debt by the Group in the future will be sufficient to enable timely debt repayment or financing of other needs with regards to liquidity.
If the Ciech Group future cash flows from operating activities and other equity resources prove insufficient to repay liabilities timely or to satisfy liquidity related requirements,,the Group may have to:

- limit or postpone business actions and capital expenses;
- sell the assets;
- obtain additional debt or equity financing; or
- reorganize or refinance all or part of the debt on or before maturity.

There is no guarantee that Ciech Group will be able to use any of the above-mentioned possibilities on time or on satisfactory terms, or at all. Each case of default on the obligation to make timely payments related to the Bonds would probably result in lowering the Ciech Group credit rating, which may also negatively affect the ability for further indebtedness. Furthermore, the conditions of the debt, including the Bonds, the Domestic Bonds and the Revolving Credit Facility, as well as any future indebtedness can limit the Group's ability to use any of the aforementioned possibilities. Moreover, any possibilities of debt refinancing might be available on the basis of higher interest cost and involve the need to comply with more restrictive conditions, which in consequence could further restrict the activities and deteriorate the financial situation and financial results of the the Group. There is no guarantee that any assets which sale would be necessary may be sold or that in the event of their sales, the date of such sale and the amount of receipts would be acceptable.

Despite current indebtedness, CIECH S.A. and its subsidiaries may still be able to obtain significant amounts of additional debt. The above would additionally increase the risk related to a significant use of financial leverage by them.
CIECH S.A., as well as its subsidiaries have, and may have, the possibility to obtain in the future significant amounts of additional debt. Conditions of Indenture Agreement, the Domestic Bonds Agreement, the Revolving Credit Facility Agreement, as well as agreements regulating other existing debts do not prohibit this completely, nor will they prohibit this in the future. The Revolving Credit Facility allows access to the revolving credit loan, which allows to obtain debt periodically. Furthermore, Indenture, as well as Revolving Credit Facility Agreement and Domestic Bonds Agreement conditions do not prohibit Ciech Group companies to incur other liabilities which are not debt.
Any possible increase in the present level of indebtedness by the amount of a new debt would cause further increase of risk related to the indebtedness, which currently relates both to CIECH S.A. and its subsidiaries.

The Ciech Group is subject to restrictive debt agreement conditions, which can limit its ability to finance future operations and own cash requirements,to realize business opportunities and activities.
The Indenture agreement determining conditions of bonds issuance limits, among others, the Ciech Group Companies ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create certain pledges or incur liabilities secured by a pledge;
- make certain payments, including dividends or other profit distribution forms, regarding to the shares of such an entity;
- prepay or cancel subordinated debt or equity;
- undertaking certain investments;
- create encumbrances or restrictions on the payment of dividends or other forms of profit distribution, loans or advances and on the transfer of assets to such entity;
- sell, lease or transfer of certain assets, including shares of restricted subsidiaries;
- conclude certain transactions with affiliates;
- consolidation or mergers with other entities; and
- impairment of the collateral of the Bond holders.

All the above limitations are subject to important exceptions and qualifications. Despite the aforementioned exceptions and qualifications, the covenants could limit Ciech Group ability to finance future operations and cash needs to realize possible business opportunities and activities that may be in the best interest of the individual companies.
The terms of the Revolving Credit Facility obligate to maintain a specific level of the financial leverage ratio, and the terms of remaining indebtedness, which is permitted under the Indenture may require the Ciech Group to

maintain similar values of financial ratios, meeting of the requirements of specified financial parameters and compliance with other conditions applied customarily for comparable sources of financing. The ability of the Ciech Group to meet financial ratios covenants may be subject to unfavourable impact of events being beyond its control; thus, it cannot be guaranteed that the Group will be able to meet the above requirements with regard to the covenants. Breaching such covenants of financial contracts and the impossibility to remedy any effects of this breach or failure to obtain a waiver for the obligation to remedy the breach from creditors, would mean the Group defaults on the obligations resulting from such contract, which could cause breach of provisions of other contracts for financing , including the the Indenture and cause the creditors to terminate financing made available on the basis of such contracts and declare all amounts owed to them due and payable. There is no guarantee that the value of the Ciech Group assets will be sufficient for full repayment of the above indebtedness and other debts.

Ciech Group ability to continue its operations depends on future operating results and the ability to generate cash.
Ciech Group cash flows are expected to be sufficient to meet forecasted financial needs. However, there is no guarantee that the Group will generate sufficient cash flows from operations, or that the amount of available future indebtedness will be sufficient as to ensure the possibility of servicing and timely repayment of the debt and financing of other needs related to cash requirements or all operating losses or to continue operations. If the Ciech Group future cash flows from operating activities and other capital resources prove insufficient for timely repayment of liabilities or satisfying the needs related to liquidity, the Group may have to: limit or postpone business activities and capital expenditures; sell of assets; obtaining additional debt or equity financing; reorganize or refinancing all or part of the indebtedness, on or before maturity; or resign from opportunities such as e.g. acquisition of other companies.
The type, the date and the terms of each of the above possibilities depend on Ciech Group cash demand and conditions on financial markets. It cannot be guaranteed that any future sources of financing will be available to the Group in the specified timeframe, nor can be ensured the reasonable character of conditions binding with regard to any future sources of financing. There is no guarantee that present expectations of cash flows from operating activities, which will depend on many future factors and conditions, many of which is beyond the Group control, will be accurate. Such forecasts of cash flows are only estimates of future events, while the actual events will probably differ from present estimates (the difference may be significant). There is no guarantee that any additional sources of financing will be available to Ciech Group on reasonable commercial terms, if at all.

5 Overview of the basic economic-financial values of Ciech Group

Relevant items of the statement of financial position, statement of profit or loss and the cash flow statement, which are presented below are translated to EUR at the exchange rate of the National Bank of Poland for EUR as at the last day of December. The exchange rate was PLN 1.00 = EUR 0.2411 (EUR 1 = PLN 4.1472).

During 2013, the Ciech Group generated net result of PLN 39 560 thousand, with total assets of PLN 3 210 728 thousand, and net cash increase of PLN 13 015 thousand.

The following had a positive impact on the presented results comparing to the prior year:

- The drop in prices of energy raw materials.
- Positive trend in sales of baking soda (total growth of 1.9 thousand tons) including: increase of demand from the sector of gas purification (increase of 3.2 thousand tons) and the fodder sector (increase of 4.1 thousand tons).
- In comparison to the last year soda ash selling volume increased by about 11 thousand tons and salt selling volume increased by 7 thousand tons.
- The reorganization of the Ciech Group activities. The decrease in fixed costs by PLN 141 000 thousands with nearly half of the reduction relating to employee benefits.

The following had a negative impact on the presented results comparing to the previous year:
A decrease in domestic sales of construction and assembly products by 12% during 2013 compared to previous year (chemical industry generates many raw materials and semi products used for such production).
Lower demand for epoxy resins on the European market due to general economic slowdown (including paints and varnishes industry – the main recipient of the Ciech Group's resins).
Low prices of epoxy resins (decrease in quotation in Western Europe by a few percent in comparison with the previous quarters as well as higher import from Far East).
A significant decrease in the market prices of sulphur on a global scale (by several dozen percent compared to the prior year).
The negative impact of weather conditions on demand for plant protection chemicals (extension of the winter at the beginning of this year, resulting in a shortening of the spraying season).

Stagnation in the European market of soda ash as compared to the prior year (lack of any clear signs of increasing demand in Western Europe as compared to a few-percent decrease noted in 2012).

The presented results also include one-off items, including:

- Impairment allowances of non-current assets and other assets as well as reversal of provisions in the Group companies,
- Income on the settlement of the Agreement for Sale and Transfer of TDI Assets,
- Sale of Alwernia S.A. subsidiary

The following table presents selected financial data with key financial ratios for 2013 and 2012.

PLN '000	**01.01.-31.12.2013**	*including discontinued operations*	**01.01.-31.12.2012**	*including discontinued operations*	**Change % 2013/2012**	**01.01.-31.12.2013 EUR '000**
Sales revenues	**3 501 020**	***271 320***	**4 377 952**	***991 047***	**(20.0%)**	**844 189**
Cost of sales	(2 893 753)	*(235 700)*	(3 781 457)	*(907 284)*	(23.5%)	(697 761)
Gross profit/(loss) on sales	607 267	*35 620*	596 495	*83 763*	1.8%	146 428
Selling costs	(212 246)	*(9 628)*	(276 375)	*(54 229)*	(23.2%)	(51 178)
General and administrative expenses	(174 652)	*(27 506)*	(202 416)	*(48 037)*	(13.7%)	(42 113)
Other operating income/expense	(80 647)	*(40 045)*	(315 925)	*(230 987)*	(74.5%)	(19 446)
Operating profit/(loss)	**139 722**	***(41 559)***	**(198 221)**	***(249 490)***	-	**33 691**
Net financial income/expenses	(146 309)	*(11 525)*	(261 588)	*16 403*	**(44.1%)**	(35 279)
Share of profit of equity-accounted investees	354	-	744	*(57)*	(52.4%)	85
Income tax	45 793	*(49 861)*	21 354	*10 599*	114.4%	11 042
Net profit/(loss)	**39 560**	***(102 945)***	**(437 711)**	***(222 545)***	**-**	**9 539**
Net profit/(loss) attributed to non-controlling interest	(9 887)	*(1 267)*	(7 127)	*(2 538)*	38.7%	(2 384)
Net profit/(loss) attributable to shareholders of the parent company	**49 447**	***(101 678)***	**(430 584)**	***(220 007)***	**-**	**11 923**
EBITDA	356 347	*(41 559)*	38 456	*(218 509)*	826.6%	85 925
*EBITDA normalized **	*445 595*	-	*423 112*	-	*5.3%*	*105 462*

**Excluding one-off items the more important of which are described in point II.4.*

PLN '000	**31.12.2013**	**31.12.2012**	**Change % 2013/2012**	**Change 2013/2012**	**31.12.2013 EUR '000**
Total assets	**3 210 728**	**3 728 035**	**(13.9%)**	**(517 307)**	**774 192**
Total non-current assets	2 300 316	2 545 764	(9.6%)	(245 448)	554 667
Total current assets including:	910 412	1 182 271	(23.0%)	(271 859)	219 524
- inventory	*217 338*	*279 126*	*(22.1%)*	(61 788)	*52 406*
- current receivables	*584 152*	*709 222*	*(17. 6%)*	(125 070)	*140 855*
- cash and cash equivalents	*105 593*	*81 177*	*30.1%*	24 416	*25 461*
- short-term investments	*621*	*946*	*(34.4%)*	(325)	*150*
- non-current assets held for sale	*2 708*	*111 800*	*(97.6%)*	(109 092)	*653*
Total equity	**897 289**	**880 188**	**1.9%**	**17 101**	**216 360**
Equity attributable to shareholders of the parent	911 488	886 000	2.9%	25 488	219 784
Non-controlling interest	(14 199)	(5 812)	144.3%	(8 387)	(3 424)
Total non-current liabilities	1 616 828	1 786 491	(9.5%)	(169.663)	389 860
Total current liabilities	696 611	1 061 356	(34.4%)	(364 612)	167 971

PLN '000	**01.01.-31.12.2013**	**01.01.-31.12.2012**	**Change%**	**01.01.-31.12.2013 EUR '000**
Net cash flows from operating activities	291 021	97 956	197.1%	70 173
Net cash flows from investment activities	(25 472)	(287 054)	91.1%	(6 142)
Net cash flows from financial activities	(252 534)	131 920	-	(60 893)
Total net cash flows	**13 015**	**(57 178)**	-	**3 138**
including free cash flows	***265 549***	***(189 098)***	-	**64 031**

	01.01.-31.12.2013	**01.01.-31.12.2012**	**Change 2013/2012**
Earnings per share (in PLN):	**0.94**	**(8.17)**	**9.11 p.p.**
Net return on sales	1.1%	(10.0%)	11.1 p.p.
EBIT %	4.0%	(4.5%)	8.5 p.p.
EBITDA %	10.2%	0.9%	9.3 p.p.
Normalized EBITDA %*	12.7%	9.7%	3.0 p.p.

**Excluding one-off items the more important of which are described in point II.4*
Source: CIECH S.A.

Calculation principles:
Earnings per share *– net profit for period/weighted average number of ordinary shares in the period (in accordance with IAS 33 Earnings per share)*
Net return on sales *– net profit for a given period/net revenues from sales of products services goods and materials*
EBIT % *– operating profit for a given period/net revenues from sales of products services goods and materials*
EBITDA% - *(operating profit + amortization/depreciation for a given period)/ net revenues from sales of products services goods and materials in a given period*
Normalized EBITDA % *- (EBITDA excluding one-off tems of which the more-important are described in point II.4)/ net revenues from sales of products services goods and materials in a given period*

	01.01.-31.12.2013	01.01.-31.12.2012
EBITDA (1)	356 347	38 456
Normalized EBITDA (2)	445 395	423 112
Capital expenditures (3)	216 232	298 980
Interest paid (4)	129 536	103 628
Cash and cash equivalents	105 593	81 177
Total debt	1 318 713	1 560 440
Net debt	1 213 120	1 479 264
Net debt/ Normalized EBITDA	2.7	3.5
Normalized EBITDA / cash interest expense	3.4	4.1

PLN '000	01.01.-31.12.2013	01.01.-31.12.2012	01.01.-31.12.2013 EUR '000
Net profit/loss	39 560	(437 711)	9 539
Income tax	(45 793)	(21 354)	(11 042)
Share of profit of equity-accounted investees	(354)	(744)	(85)
Financial expenses	180 531	271 684	43 531
Financial income	(34 222)	(10 096)	(8 252)
Amortization	216 625	236 677	52 234
EBITDA	**356 347**	**38 456**	**85 925**

(1) *EBITDA is the net profit/loss for a financial year plus income tax plus a share of profit of equity accounted investees plus costs/financial revenues plus profits/loss on sale of a discontinued operation plus amortization. EBITDA is not a liquidity ratio or business performance ratio calculated in accordance with IFRS. EBITDA should be viewed as a supplement not as a substitute for our business performance presented in accordance with IFRS. EBITDA is a useful ratio of our ability to incur and serve debt. EBITDA and similar ratios are used by different companies for different purposes and are often calculated in a manner adapted to the conditions in which these companies exist. Care needs to be exercised when comparing the EBITDA with EBITDA of other companies.*
(2) *Normalized EBITDA is another additional ratio of business performance. Normalized EBITDA is EBITDA adjusted for costs/revenues that were classified by management as one-off due to their nature. We believe that normalized EBITDA is an important ratio when estimating and measuring the Group's recurring business performance. Other companies may calculate normalized EBITDA in a manner different to ours. Normalized EBITDA is not a measure of financial performance under IFRS and is therefore not audited. It should not be used as a ratio of liquidity or as an alternative to operating profit or net profit for a year or as another measure of results calculated in accordance with IFRS. The table below contains a reconciliation of EBITDA to normalised EBITDA for the indicated periods.*
(3) *Capital expenditures are expenditures for the acquisition of property, plant and equipment, intangible assets and investment properties as per the consolidated cash flow statement*
(4) *Interest paid are actual cash payments of interest as per the consolidated cash flow statement*

PLN '000	01.01.-31.12.2013	01.01.-31.12.2012	01.01.-31.12.2013 EUR '000
EBITDA (a)	**356 347**	**38 456**	**85 925**
One-offs including:	89 248	384 656	(19 538)
Impairment (b)	234 713	233 480	(54 613)
Cash items (c)	(192 756)	3 259	46 479
Non-cash items (without impairment) (d)	47 291	147 917	(11 403)
Normalized EBITDA	**445 595**	**423 112**	**105 462**

(a) EBITDA contains revenues from the sale of voids formed during the process of exploitation of brine used for storage of natural gas or other substances requiring isolation. These revenues are included in EBITDA and are not excluded as one-off event. The revenues from the voids were as follows: PLN 1 348 thousand for 2013 and PLN 6 419 thousand for 2012.

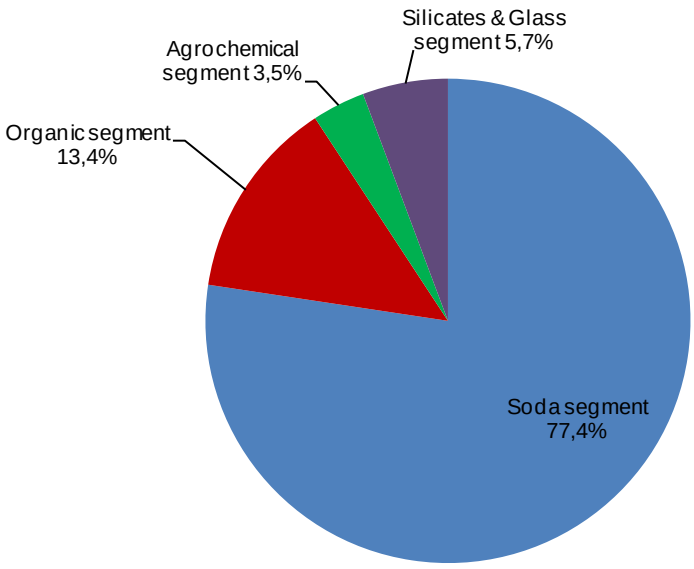
(b) Impairment losses are associated with the creation/release of the Ciech Group's impairment of assets. In 2013 the Group created impairment losses of property, plant and equipment and intangible assets mainly in Infrastruktura Kapuściska Group
(c) Cash items include inflows from settlement of the sale of TDI assets sale agreement, profit/loss of non-current assets and other items (including costs associated with discontinued operations).
(d) Non-cash items include: fair value measurement of investment properties, the costs of suspended investment, environmental provisions, provisions for liabilities and expected losses, costs of unused production capacity, costs of liquidation of inventories and other items (including extraordinary costs and other provisions).

Below is the EBITDA table and normalized EBITDA per segments:

EBITDA *PLN '000*	**01.01.-31.12.2013**	**01.01.-31.12.2012**	**01.01.-31.12.2013 EUR '000**
Soda segment	328 883	271 623	79 302
Organic segment	42 845	(152 685)	10 331
Agrochemical segment	7 246	(30 994)	1 747
Silicates & Glass segment	29 018	19 889	6 997
Other	(51 645)	(69 377)	(12 452)
TOTAL	**356 347**	**38 456**	**85 925**

Normalized EBITDA *PLN '000*	**01.01.-31.12.2013**	**01.01.-31.12.2012**	**01.01.-31.12.2013 EUR '000**
Soda segment	384 650	348 671	92 749
Organic segment	66 545	75 996	16 045
Agrochemical segment	17 550	14 316	4 232
Silicates & Glass segment	28 314	29 489	6 827
Other	(51 464)	(45 359)	(12 409)
TOTAL	**445 595**	**423 112**	**107 444**

Structure of normalised EBITDA per segments for 01.01-31.12-2013 (1)



(1) Excluding corporate functions "other activities" segment and consolidation corrections

Source: CIECH S.A.

Sales revenues

Sales revenues of the Ciech Group for 2013 amounted to PLN 3 501 020 thousand. In comparison with the prior year sales revenues decreased by PLN 876 932 thousand i.e. by 20 0%.
The changes were mainly due to:

- termination of production of TDI and ECH by Infrastruktura Kapuściska S.A. (TDI volume decreased by 70.2 thousand tons ECH volume decreased by 8.7 thousand tons),
- deteriorated situation in the major sectors of unsaturated polyester resins recipients (volume decreased by 6.8 thousand tons), long winter – suspension of projects and works in the construction sector, strong price competition in the market and increasing share of cheap resins from Asia in the market had negative impact on sales of epoxy resins,
- in the first half of 2013 increased phosphorus compounds sell - increased demand for food phosphoric acid resulted from among others declared bankruptcy of one of the Ciech Group competitors on this market,
- drop in sulphur prices and volumes (by 89,9 thousand tons),
- sale of Alwernia S.A. in July 2013.

The activity of the Ciech Group in 2013 concentrated on four main business segments: soda organic agrochemical and silicates and glass. These segments generated approximately 98% of the Group's sales revenues. The structure of sales revenues by business segment has not changed in comparison to 2012.The highest share in revenues for 2013 is attributed to sales of soda segment products i.e. 58.4%.

Sales revenues – business segments

PLN '000	2013	2012	Change	Change %	% of total revenues in 2013	% of total revenues in 2012
Soda segment, including:	**2 043 570**	**1 975 489**	**68 081**	**3.4%**	**58.4%**	**45.1%**
Dense soda ash	1 102 937	1 094 632	8 305	0.8%	31.5%	25.0%
Light soda ash	333 254	344 044	(10 790)	(3.1%)	9.5%	7.9%
Salt	162 338	151 582	10 756	7.1%	4.6%	3.5%
Baking soda	127 241	119 769	7 472	6.2%	3.6%	2.7%
Energy	121 472	145 963	(24 491)	(16.8%)	3.5%	3.3%
Gas*	44 034	-	44 034	100.0%	1.3%	0.0%
Calcium chloride	19 563	21 139	(1 576)	(7.5%)	0.6%	0.5%
Other products	68 045	48 423	19 622	40,5%	1,9%	1.1%
Revenues from inter-segment transactions	64 686	49 937	14 749	29.5%	1.8%	1.1%
Organic segment, including:	**944 568**	**1 690 982**	**(746 414)**	**(44.1%)**	**27.0%**	**38.6%**
TDI	49 520	553 868	(504 348)	(91.1%)	1.4%	12.7%
Resins	388 868	467 515	(78 647)	(16.8%)	11.1%	10.7%
Polyurethane foams	207 420	202 986	4 434	2.2%	5.9%	4.6%
Plant protection chemicals	163 179	176 225	(13 046)	(7.4%)	4.7%	4.0%
Plastics	42 751	42 154	597	1.4%	1.2%	1.0%
ECH	1 727	57 435	(55 708)	(97.0%)	0.0%	1.3%
Other products	76 055	157 879	(81 824)	(51.8%)	2.2%	3.6%
Revenues from inter-segment transactions	15 048	32 920	(17 872)	(54.3%)	0.4%	0.8%
Agrochemical segment, including:	**179 971**	**236 038**	**(56 067)**	**(23.8%)**	**5.1%**	**5.4%**
Fertilisers	38 032	71 095	(33 063)	(46.5%)	1.1%	1.6%
Phosphorus compounds	131 861	142 393	(10 532)	(7.4%)	3.8%	3.3%
Chromium compounds	5 412	11 706	(6 294)	(53.8%)	0.2%	0.3%
Other products	3 687	4 047	(360)	(8.9%)	0.1%	0.1%
Revenues from inter-segment transactions	979	6 797	(5 818)	(85.6%)	0.0%	0.2%
Silicates and Glass segment, including:	**335 789**	**435 567**	**(99 778)**	**(22.9%)**	**9.6%**	**9.9%**
Sulphur	162 961	263 202	(100 241)	(38.1%)	4.7%	6.0%
Glass blocks and packaging	84 706	89 556	(4 850)	(5.4%)	2.4%	2.0%
Sodium silicate in lumps	52 305	53 775	(1 470)	(2.7%)	1.5%	1.2%
Sodium water glass	22 282	21 522	760	3.5%	0.6%	0.5%
Other products	13 528	7 504	6 024	80.3%	0.4%	0.2%
Revenues from inter-segment transactions	7	8	(1)	(12.5%)	0.0%	0.0%
Other operations segment	**80 041**	**140 958**	**(60 917)**	**(43.2%)**	**2.3%**	**3.2%**
Revenues from third parties	77 842	129 538	(51 696)	(39.9%)	2.2%	3.0%
Revenues from inter-segment transactions	2 199	11 420	(9 221)	(80.7%)	0.1%	0.3%

PLN '000	2013	2012	Change	Change %	% of total revenues in 2013	% of total revenues in 2012
Consolidation adjustments	**(82 919)**	**(101 082)**	**18 163**	**(18.0%)**	**(2.4%)**	**(2.2%)**
TOTAL	**3 501 020**	**4 377 952**	**(876 932)**	**(20.0%)**	**100.0%**	**100.0%**
Discontinued operations	*271 320*	*991 047*	*(719 727)*	(72.6%)	*7.7%*	*22.6%*

**Resale of Gass excess*
Source: CIECH S.A.

Sales in the soda segment
Sales in the soda segment for the year ended 31 December 2013 amounted to PLN 2 043 570 thousand, which is an increase of PLN 68 081 thousand (3.4%) compared to PLN 1 975 489 thousand sales revenues for the year ended 31 December 2012. The prices of soda ash on the European market maintained at the similar level compared to 2012 (for the Western Europe a slight increase of approximately 1%) and the European market noted significant demand for soda ash from the packaging glass sector and a stable demand from the float glass producers despite the poor economic situation observed in the sectors of those key recipients.

Sales in the organic segment
Sales in the organic segment for the year ended 31 December 2013 amounted to PLN 944 568 thousand, which is a decrease of PLN 746 414 thousand (i.e. of 44.1%) compared to PLN 1 690 982 thousand sales revenues for the year ended 31 December 2012. A drop in sales by the organic segment is due to (i) discontinuation of TDI production (ii) worsened situation in the biggest sectors of recipients of non-saturated polyester resins.

Sales in the agrochemical segment
Sales in the agrochemical segment for the year ended 31 December 2013 amounted to PLN 179 971 thousand, which is a decrease of PLN 56 057 thousand (i.e. of 23.8%) compared to PLN 236 038 thousand sales revenues for the year ended 31 December 2012. The sales of the agrochemical sector dropped mainly due to sale of shares held in Alwernia S.A. (which produced and sold fertilizers) in July 2013

Sales in the silicates and glass segment
Sales in the silicates and glass segment for the year ended 31 December 2013 amounted to PLN 335 789 thousand, which is a decrease of PLN 99 778 thousand (i.e. of 22.9%) compared to PLN 435 567 thousand sales revenues for the year ended 31 December 2012. Sales in the silicates and glass segment increased primarily due to increased sulphur sales.

Cost of sales
Cost of sales for the year ended on 31 December 2013 amounted to PLN 2 893 753 thousand, which is a decrease of PLN 887 704 thousand (23.5%) in comparison with PLN 3 781 457 thousand of cost of sales for the year ended 31 December 2012. This drop is mainly due to the discontinued production of TDI and ECH by Infrastruktura Kapuściska S.A. and sale of Alwernia S.A.

The table below presents gross profit on sales per segments:

PLN '000	01.01.-31.12.2013	01.01.-31.12.2013	01.01.-31.12.2013 EUR '000
Soda segment	390 584	324 049	94 180
Organic segment	111 908	163 383	26 984
Agrochemical segment	30 052	25 338	7 246
Silicates & Glass segment	71 106	69 726	17 146
Other*	3 617	13 999	872
Gross profit/loss on sales	**607 267**	**596 495**	**146 428**

** Position 'Other' includes other operating segment, corporate functions and consolidation adjustments.*

Soda segment
The gross profit on sales in the soda segment for the year ended 31 December 2013 amounted to PLN 390 584 thousand compared to PLN 324 049 thousand for the year ended 31 December 2012. The increase was, among others, due to maintaining soda's price on the same level as in 2012 with lower costs of raw materials: coke, anthracite and coal.

Organic segment
The gross profit on sales in the organic segment for the year ended 31 December 2013 amounted to PLN 111 908 thousand compared to PLN 163 383 thousand for the year ended 31 December 2012. Main reason

for decrease was discontinuation of TDI and ECH production and unfavourable situation on resin market – in case of epoxies the price pressure from Asia competitors, excess of supply over demand.

Agrochemical segment
The gross profit on sales in the agrochemical segment for the year ended 31 December 2013 amounted to PLN 30 052 thousand compared to PLN 25 338 thousand for the year ended 31 December 2012.

Silicates and glass segment
The gross profit on sales in the silicates and glass segment for the year ended 31 December 2013 amounted to PLN 71 106 thousand compared to PLN 69 726 thousand for the year ended 31 December 2012. The improvement was among others due to: increase in average prices of soda silicates, sale of the unprofitable plant in Pobiedziska, reorganisation activities and investments.

Due to the above the consolidated gross profit on sales of the Ciech Group for the year ended 31 December 2013 amounted to PLN 607 267 thousand compared to PLN 596 495 thousand for the year ended 31 December 2012.

Other operating income
Other operating income for the year ended 31 December 2013 amounted to PLN 367 012 thousand, which is an increase by PLN 235 721 thousand in comparison to PLN 131 291 thousand for the year ended 31 December 2012. An increase of other operating income was mainly due to the income resulting from settlement of the TDI Assets Sale and Transfer Agreement, sale of non-financial tangible assets, reversal of the provisions for compensations.

Selling costs
Selling costs for the year ended 31 December 2013 amounted to PLN 212 246 thousand, which is a decrease of more than 23% compared to 2012 (PLN 276 375 thousand) following decreased by 20% sales revenues. Selling costs amount to 6.1% of the sales revenues for 2013 (as compared to 6.3% for the year 2012).

General and administrative expenses
General and administrative expenses for the year ended 31 December 2013 amounted to PLN 174 652 thousand, which is a decrease of PLN 27 764 thousand (i.e. by 13.7%) as compared to PLN 202 416 thousand for the year ended 31 December 2012. A decrease of general and administrative expenses is mainly due to sale of shares in Alwernia S.A. and the decrease of general expenses in the majority of Group companies.

Other operating expenses
Other operating expenses for the year ended 31 December 2013 amounted to PLN 447 659 thousand which is a decrease of PLN 443 thousand in comparison to the amount of PLN 447 216 thousand for the year ended 31 December 2012.
Other operating expenses include mainly impairment losses, provisions for employee's benefits and other provisions, costs of unused production capacities, costs of liquidation of tangible assets and extraordinary events. The high level of other operating expenses is mainly connected with the impairment of property, plant and equipment and intangible assets in the Ciech Group companies, mainly companies of Infrastruktura Kapuściska Group.

Financial results on different types of activities

PLN '000	**01.01.-31.12.2013**	**01.01.-31.12.2012**	**Change 2013/2012**
1. Operating profit/loss	139 722	(198 221)	-
2. Net financial income/expenses	(146 309)	(261 588)	44.1%
3. Share of profit of equity-accounted investees	354	744	(52.4%)
4. Income tax	45 793	21 354	114.4%
5. Net profit/loss (1+2+3+4)	**39 560**	**(437 711)**	**-**
6. Net profit/loss attributed to non-controlling interest	(9 887)	(7 127)	38.7%
7. Net profit/loss attributable to shareholders of the parent company (5-6)	**49 447**	**(430 584)**	**-**

Source: CIECH S.A.

Operating profit/loss
Operating profit for the year ended 31 December 2013 amounted to PLN 139 722 thousand, which is an increase of PLN 337 943 thousand compared to a loss of PLN 198 221 thousand for the year ended 31 December 2012. This increase resulted from improvement of consecutive levels of the statement of profit or loss and decline of cost of sales and general and administrative expenses.

EBITDA
EBITDA for the year ended 31 December 2013 amounted to PLN 356 347 thousand, which is an increase of PLN 317 891 thousand compared to PLN 38 456 thousand for the year ended 31 December 2012. The increase of EBITDA was primarily due to the significant increase of other operating income (reversal of provisions, sale of tangible asset, the effect of the finalised TDI market sale agreemet).
The EBIT margin ratio amounted to 4.0% at the end of 2013 (-4.5% in the prior year), the EBITDA margin ratio amounted to 10.2% (0.9% in the prior year). The EBIT margin ratio excluding one-off events amounted to 6.5% at the end of 2013 (4.3% in the prior year) and the EBITDA margin ratio excluding one-off events amounted to 12.7% (9.7% in the prior year).

Financial revenues
Financial revenues inlcude mainly interest from deposits, reversal of provision and positive foreign exchange differences. The financial revenues for the year ended 31 December 2013 amounted to PLN 34 222 thousand, which is an increase of PLN 24 126 thousand compared to PLN 10 096 thousand for the year ended 31 December 2012. The increase in financial revenues is mainly due to positive foreign exchange differences on continued activities.

Financial costs
The financial costs include mainly bonds and lease agreements (including lease agreement of SDC combined heat and power plant which has ended at the end of 2013) Financial costs for the year ended 31 December 2013 amounted to PLN 180 531 thousand, which is a decrease by PLN 91 153 thousand (i.e. of 33.6%) compared to PLN 271 684 thousand for the year ended 31 December 2012. Financial activities were negatively influenced by: continued significant external debt service costs, including bonds and financial lease interest, due to high level of external debt and negative balance of foreign exchange differences on discontinued activities.
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Net result
The consolidated net result for 2013 amounted to PLN 39 560 thousand of which PLN 49 477 thousand was attributable to the parent shareholder's. This result was influenced mainly by operating profit partly lowered by negative financial result (cost of external debt service, mainly interests on bonds had the most significant impact). Recognized deferred tax asset in the amount of PLN 70.2 million had a positive impact on Ciech Capital Group and was generated as a result the following actions:

- Division of Soda Mątwy S.A. and Janikosoda S.A. in January 2013 and incorporation of soda departments of these companies to CIECH S.A.. On this basis on the date of incorporation deferred tax asset of PLN 63 million was recognized in CIECH S.A's. accounting records. As a result of sales of shares of JANIKOSODA S.A., PLN 31,5 million of deferred tax asset was used. Unused part of deferred tax asset as at the balance sheet date amounts to PLN 31.5 million
- Actions which were taken as a part of asset reorganisation aimed for effective management. As a result of this actions, trademarks and real estate properties were transfered to specialised entities (assets in the amount of PLN 38.7 million)

Assets
As at the end of 2013 the Group's non-current assets amounted to PLN 2 300 316 thousand. Compared to the 31 December 2012 the value of non-current assets decreased by PLN 245 448 thousand, which is due to impairment of non-current assets of Infrastruktura Kapuściska group. In 2012 impairments were estimated based on valuation of assets adjusted by appropriate factors reflecting, among others, the possibility to sell them and other factors which might change impairment including the agreement with BASF. In 2013 as a result of recognition of this transaction in statement of profit or loss Infrastruktura Kapuściska group created additional impairments of non-current assets.
The Group's current assets amounted to PLN 910 412 thousand as at 31 December 2013. The following items were the most significant within current assets: trade and other receivables constituting 62.2%, inventory constituting 23.9% and cash and cash equivalents constituting 11.6% of total current assets. In comparison to the end of December 2012 current assets decreased by PLN 271 859 thousand. The decrease related to the sale of Alwernia S.A. in the third quarter of 2013, which was presented as assets held for sale.

Liabilities
The Ciech Group's liabilities (non-current and current) as at 31 December 2013 amounted to PLN 2 313 439 thousand, which is a decrease compared to the end of December 2012 of PLN 534 408 thousand (i.e. of 18.8%). The debt ratio (current and non-current liabilities/total assets) amounted to 72.1% as at 31 December 2013 (76.4% at the end of December 2012). 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 leasing + sale-and-leaseback liability of the SDC Group's CHP plant + liabilities due to derivatives) minus cash and cash equivalents amounted to PLN 1 213 120 thousand as at 31 December 2013 and decreased compared to the end of December 2012 by PLN 266 144 thousand.

Liquidity and capital resources

Cash resources
The sources of liquidity include cash flows generated from operating activities, cash from the sale of assets, cash from EU grants for capital expenditure, cash available due to the revolving credit agreement and cash in the balance sheet. The Group also uses factoring agreements
Debt instruments currently used
Our sources of debt financing include mainly issued foreign bonds, domestic bonds, revolving credit facility and leases.
.

Capitalisation
The table below presents some actual data regarding the Company's consolidated capitalisation as at 31 December 2013.

PLN '000	**31.12.2013**	**31.12.2012**	**31.12.2013 EUR '000**	**31.12.2012 EUR '000**
Cash and cash equivalents	**105 593**	**81 177**	**25 461**	**19 856**
Long-term debt including current portion:				
Credits and loans (1)	416	410	100	100
Domestic bonds (2)	317 190	316 836	76 483	77 500
Foreign bonds (3)	992 936	980 958	239 423	239 949
Financial leases	7 645	11 090	1 843	2 713
Power plant lease (4)	**-**	**251 146**	**-**	**61 432**
Financial instruments liabilities (5)	525	-	127	-
Total debt	**1 318 713**	**1 560 440**	**317 977**	**381 694**
Non-controlling interests	(14 199)	(5 812)	(3 424)	(1 422)
Equity attributable to the Parent Guarantor's shareholders	911 488	886 000	219 784	216 722
Total equity	**897 289**	**880 188**	**216 360**	**215 300**
Total capitalization	**2 216 002**	**2 440 628**	**534 377**	**596 994**

(1) Loan from unconsolidated subsidiary Polcommerce GmbH.
(2) Nominal value of New Domestic Bonds of PLN 320 million, less the arrangement fee of PLN 4 275 thousand plus interest of PLN 1 465 thousand.
(3) Nominal value of of EUR 245 million, less the arrangement fee of PLN 34 024 thousand plus interests of PLN 10 896 thousand.
(4) Amount of the repurchase obligation arising from the agreement for the lease of SDC's CHP plant as at the end of 2012.
(5) IRS in CIECH S.A

Cash flows
The amount of net cash flows in 2013 was positive and amounted to PLN 13 015 thousand. Compared to the previous year the Group cash flow generated were higher by PLN 70 193 thousand.

Net cash from operating activities
The net cash from operating activities for the year ended 31 December 2013 amounted to PLN 291 021 thousand and increased by PLN 193 065 thousand in comparison to 2012.

Net cash from investment activities
Net cash from investment activities was negative in the year ended 31 December 2013 and in the comparable period. The surplus of outflows over inflows amounted to minus PLN 25 472 thousand and decreased by PLN 261 582 thousand in comparison to 2012. Sales of property, plant and equipment by the Group companies had the main impact on net cash flows from investment activities.
.

Net cash from financial activities
The net cash from financial activities was negative and amounted to minus PLN 252 534 thousand. In comparison to 2012 it was lower by PLN 384 454 thousand. In 2012 Group obtained cash from Soda Deutschland group 'silent partners' agreement and inflows from loans taken. In 2013 Ciech Group repaid liabilities due to CHP plant lease agreement.

Ciech Group believes that cash flows from operating activities together with other cash resources will be sufficient to finance the requirements of the Group regarding working capital, anticipated capital expenditures and timely

settlement of debt. Ability to generate cash by Ciech Group depends on future operating results, which, in turn, depend to some extent on general economic and financial conditions, the market competition, legislation and other factors which are beyond control of the Group.

Profitability in 2013

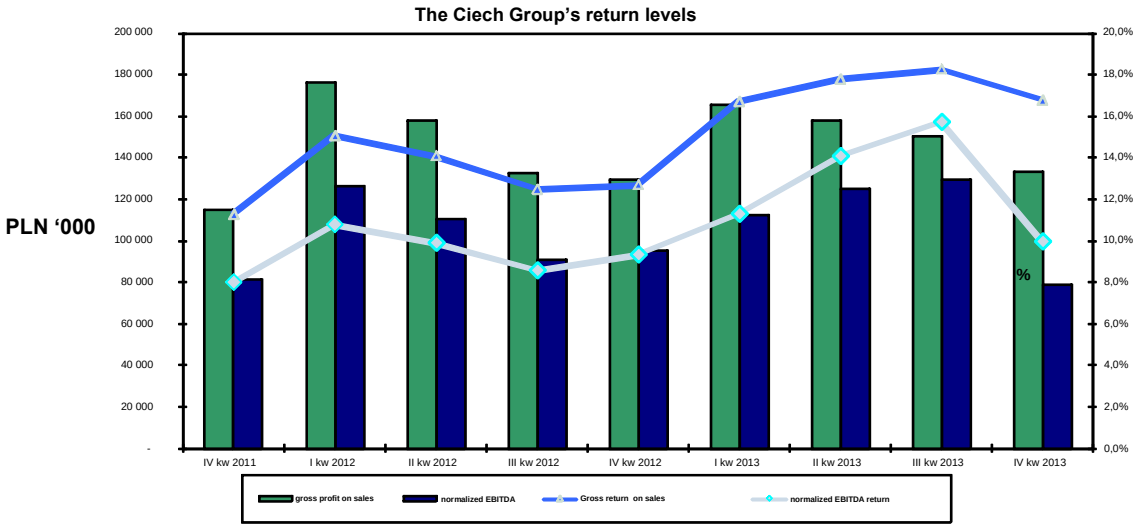
Sales return ratios in 2013 for the Ciech Group were at a higher level compared to the ratios in 2012.

The Ciech Group's return ratios

	01.01.-31.12.2013	01.01.-31.12.2012
Gross return on sales	17.3%	13.6%
Return on sales	6.3%	2.7%
EBIT margin	4.0%	(4.5%)
EBITDA margin	10.2%	0.9%
Operating profit margin (normalized*)	6.5%	4.3%
Normalized EBITDA margin*	12.7%	9.7%
Net return on sales (ROS)	1.1%	(10.0%)
Return on assets (ROA)	1.2%	(11.7%)
Return on equity (ROE)	4 4%	(49.7%)

**Excluding one-off events, the more-important of which are described in section II.4*

Principles of ratio calculation:
gross return on sales *– gross profit on sales for a given period/sales revenues*
return on sales *– operating profit for a given period/ sales revenues*
EBIT margin *– operating profit for a given period/sales revenues*
EBITDA margin *– (operating profit + depreciation/amortization for the period) / sales revenues*
normalized EBIT margin *– profit on operating activity for the period excluding non-recurring events, of which more significant were described in sectionII.4 / sales revenues*
normalized EBITDA margin *– EBITDA excluding non-recurring events, of which more significant were described in section II.4 / sales revenues*
net return on sales (ROS) *– net profit for a given period/sales revenues*
return on assets (ROA) – *net profit/total assets at the end of a given period*
return on equity (ROE) – *net profit/total equity at the end of a given period.*



Normalized EBITDA level – excluding one-off events reported in individual quarters
Source: CIECH S.A.

Liquidity of the Group and working capital

Liquidity ratios as at the end of 2013 improved slightly compared to the level as at the end of 2012. The current ratio calculated as total current assets to total current liabilities amounted to 1.31 as at 31 December 2013 while the quick ratio amounted to 0.99. Financing structure in 2013 and 2012 was similar – the Group incurred long-term debt from the issuance of bonds at the end of 2012.

The Ciech Group's liquidity ratios

	31.12.2013	31.12.2012

	31.12.2013	31.12.2012
Current ratio	1.31	1.11
Quick ratio	0.99	0.85

Principles of ratio calculation:
***current ratio** – the ratio of current assets to the current liabilities at the end of a given period; measures a company's ability to cover current liabilities using current assets.*
***quick ratio** – the ratio of current assets less inventory to current liabilities at the end of a given period; measures a company's ability to gather cash in short term to cover its current liabilities.*

Ability to generate cash flows

PLN '000	31.12.2013	31.12.2012
Financial surplus (net profit + depreciation)	256 185	(201 034)
Other adjustments to net profit	1 247	363 193
Adjusted financial surplus	**257 432**	**162 159**
Change in working capital	**33 589**	**(64 203)**
Net cash from operating activities	291 021	97 956
Net cash from investing activities	(25 472)	(287 054)
Free cash flow	**265 549**	**(189 098)**

In 2013 the Ciech Group generated positive free cash flows i.e. it was able to finance its capital expenditure with cash flows from operating activities. The adjusted financial surplus reached the required level to contribute to the development of positive free cash flows.

Working capital, defined as the difference between current assets and current liabilities, adjusted by relevant balance sheet items (cash and short-term loans) as at the end of December 2013 amounted to PLN 118 306 thousand, which is an increase of PLN 17 271 thousand compared to the end of 2012.

The Ciech Group's working capital

PLN '000	31.12.2013	31.12.2012
1. Current assets, including:	**910 412**	**1 182 271**
Inventory	*217 338*	*279 126*
Trade receivables	*423 566*	*499 616*
2. Cash and cash equivalents and short-term investments	106 214	82 123
3. Adjusted current assets (1-2)	**804 198**	**1 100 148**
4. Current liabilities, including:	696 611	1 061 356
Trade liabilities	*336 617*	*521 661*
5. Short-term credits and other current financial liabilities*	10 719	62 243
6. Adjusted current liabilities (4-5)	**685 892**	**999 113**
7. Working capital including short-term credits(1-4)	**213 801**	**120 915**
8. Working capital (3-6)	**118 306**	**101 035**

***Other current financial liabilities include current financial lease liabilities + current liabilities from derivatives + sale-and-leaseback liability of the SDC group CHP plant*

The Company defines working capital as the difference between current assets and current liabilities, adjusted by relevant balance sheet items (cash and short-term loans).

Trade working capital is the difference between current assets (trade receivables and inventory) and trade liabilities. Levels of working capital and trade working capital vary due to a number of factors such as the impact of raw material prices and sales prices, the volatility of working capital related to trade activities (high-value transactions) production downtime and repair works, changes in key suppliers' payment terms, foreign exchange rates, the company's decisions regarding inventory maintenance, the business operating level and the seasonal nature of operations.

In the past the Group financed demand for working capital from available cash, revenues and through active management of working capital. In order to ensure adequate financial liquidity, Group's companies have the access to revolving credit facility. The Group assumes that the cash flows from operations, together with cash provisions and revolving credit facility will be sufficient to fund working capital requirements, anticipated capital expenditures and timely service of debt.

Working capital and trade working capital requirements are characterised by moderate seasonality. To some extent seasonal requirements of working capital and trade working capital may apply to the organic segment, in particular regarding activities related to plant protection chemicals, with the peak of working capital and trade working capital requirements at the beginning of the year and decrease in the second half of the year. This situation is the result of the plant protection product sales cycle, where the majority of sales transactions occur in the first and second quarter of the year (i.e. before the growing season), while receivables are usually paid in the third and fourth quarter, after the end of the season. Plant protection chemicals accounted for approximately 4.7% of sales revenues of the Group in the last 12 months.

Indebtedness

Acquisitions in 2006 and 2007 which lead to increase of Ciech Group assets were financed mainly by investment loan and bond issuance. Additionally investments made in 2008 were financed by short-term loan. These actions resulted in increase of debt ratio in following years.

In the IV quarter of 2012 the issuance of domestic and foreign bonds was made which is described in section I.8 of this report.
The debt ratio slightly declined in comparison to December 2012 from 76.4% to 72.1%. At the same time, the relative level of net debt (net financial liabilities incurred in relation to the EBITDA result) changed significantly compared to the December 2012 (in 2012 impairment of non-current assets in the Ciech Group's companies was recorded). The ratio adjusted by one-off events is at lower level in comparison to the previous year (net financial liabilities referenced to normalised EBITDA).
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The Ciech Group's debt ratios

	31.12.2013	31.12.2012
Debt ratio	72.1%	76.4%
Long term debt ratio	50.4%	47.9%
Debt to equity ratio	257.8%	323. 5%
Equity to assets ratio	27.9%	23.6%
Net debt / EBITDA	3.4	38.5
Net debt / EBITDA normalized*	2.7	3.5

**Excluding one-off events, the more-important of which are described in section II.4.*

Principles of ratio calculation:
debt ratio *– the ratio of current and non-current liabilities to total assets; measures the share of external funds in financing of company's activity.*
Long-term debt ratio *– the ratio of non-current liabilities to total assets; measures the share of non-current liabilities in financing of company's activity.*
debt to equity ratio *– the ratio of total liabilities to equity.*
equity to assets ratio *– the ratio of equity to total assets; measures the share of equity in financing a company's activity.*
Net debt *– liabilities due to loans and borrowings (plus overdraft) and other debt instruments (financial lease (excluding leaseback)+ liabilities due to derivatives) less cash and cash equivalents.*

Contractual obligations

Following is a summary of the Company's long-term debt based on contractual obligations and the Companys trade and contractual obligations based on maturity dates (as at 31 December2013).

PLN '000	Total	less than 6 months	6-12 months	1-3 years	3-5 years	over 5 years
Foreign bonds(1)	1 016 064	-	-	-	-	1 016 064
Domestic bonds(2)	320 000	-	-	-	320 000	-
Credits and loans(3)	416	416	-	-	-	-
Other financial liabilities:(4)	**344 618**	**335 998**	-	**-**	**8 620**	-
Trade liabilities(4)	336 617	327 997	-	-	8 620	-
Factoring(5)	8 001	8 001	-	-	-	-
Financial lease and other liabilities	**7 645**	**1 487**	**1 318**	**3 766**	**1 074**	-
Total financial liabilities	**1 696 744**	**337 901**	**1 318**	**3 766**	**329 694**	**1 016 064**

(1) Nominal value of Foreign Bonds of EUR 245 million.
(2) Nominal value of Domestic Bonds of PLN 320 million.
(3) Loan from unconsolidated subsidiary Polcommerce GmbH.
(4) Amount of liabilities as at 31 December 2013.
(5) Amount of liabilities from receivables factoring transactions in PLN and EUR made by CIECH S.A.

INFORMATION ABOUT THE CIECH GROUP RESULTS FOR IV QUARTER OF 2013

In PLN thousand

CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE CIECH GROUP	01.10.-31.12.2013	01.10.-31.12.2012	Change 2013/2012
Sales revenues	795 120	1 020 366	(22.1%)
Cost of sales	(661 904)	(890 918)	(25.7%)
Gross profit/(loss) on sales	**133 216**	**129 448**	2.9%
Other operating income	73 263	67 060	9.2%
Selling costs	(54 969)	(69 819)	(21.3%)
General and administrative expenses	(39 353)	(59 073)	(33.4%)
Other operating expenses	(148 222)	(55 315)	168%
Operating profit/(loss)	**(36 065)**	**12 301**	-
Financial income	12 105	918	1 218.6%
Financial expenses	(42 704)	(111 723)	(61.8%)
Net financial income/expenses	**(30 599)**	**(110 805)**	(72.4%)
Share of profit of equity-accounted investees	101	109	(7.3%)
Profit/(loss) before tax	**(66 563)**	**(98 395)**	(32.4%)
Income tax	45 035	30 586	47.2%
Net profit/(loss)	**(21 528)**	**(67 809)**	(68.3%)
including:			
Net profit/(loss) attributable to shareholders of the parent company	(18 706)	(69 881)	(73.2%)
Net profit/(loss) attributed to non-controlling interest	(2 822)	2 072	-
Earnings per share (in PLN):			
Basic	(0.35)	(1.33)	(73.2%)
Diluted	(0.35)	(1.33)	(73.2%)

Consolidated Ciech Group sales revenues for the IV quarter of 2013 amounted to PLN 795 120 thousands. In comparison to prior year it decreased by over 22%. It is mainly the result of TDI production termination in Infrastruktura Kapuściska S.A. and sale of Alwernia S.A. in July 2013.

The result for the IV quarter of 2013, as well as for the whole 2013, was influenced by:

- increased impairment of non-current assets,
- costs related to unused assets and unused production capacity,
- negative valuation of Infrastruktura Kapuściska S.A .investment properties,
- high costs of external debt service (bonds),
- recognition of deferred tax asset.

6 The Ciech Group's trade and production activity

6.1 Explanations concerning the seasonal and cyclical nature of Ciech Group's activity

Seasonality associated with periodic demand and supply fluctuations has little impact on the Ciech Group general sales trends. Products clearly influenced by seasonality are plant protection chemicals. Most plant protection chemicals are used in the first half of the year, during the period of intensive plant growth, when approximately 90% of the total sales of these products takes place. Similarly, the concentration of fertiliser sales occurs at the turn of the first and second quarters, and in the third quarter of a year. This is due to increased field fertilisation in spring and autumn. Furthermore, in the soda segment, a seasonal relationship between the sales volume of some products and the course of winter is observable. For calcium chloride and other products (anti-ice salt and chloride mix, waste salt) a mild winter is a reason for decrease of sales, while the influence on the sales of salt is indirect. For other products, the Group's revenues and financial results are not influenced by any significant seasonal fluctuations over the year. Because of this, seasonality plays a relatively small role in the Group's overall sales..

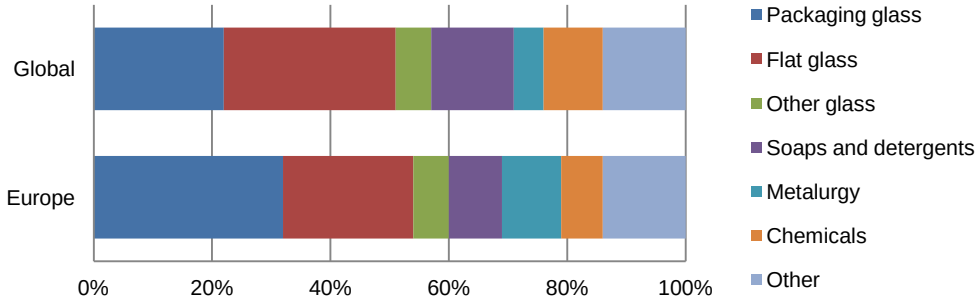
6.2 Information on main products, goods and services

Characteristics of the main industries and markets of Ciech Group

Soda Ash

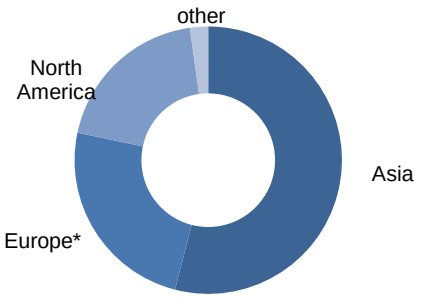
Soda ash is one of the basic raw materials for the glass manufacturing industry. It is also used for the production of washing and cleaning products, in metallurgy and chemical industry, among others, to produce certain types of mineral fertilizers as well as dyes and pigments. On a global scale more than one half of the currently produced soda ash is used for the production of glass. Further recipients of soda ash include the soap and detergent producers and the chemical industry. One fifth of soda is used by other branches of industry.

The structure of soda ash usage



In Europe much more soda ash is used for production of glass and metallurgy as compared to global use, but about 50% less is used for soaps, detergents and other branches of industry .

Production capacities of soda ash in the world by region

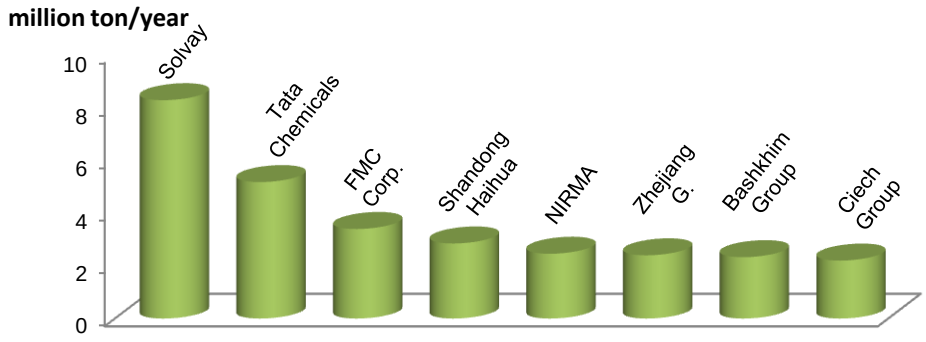


* Europe with Russia, Ukraine and Turkey

Source: own compilation based on data from IHS Chemical

The global production capacities of soda ash are estimated at about 66 million tons, of which over half is produced in Asia. The remaining potential is almost evenly spread between Europe and North America, which possess comparable production capacity. The biggest producers of soda ash in the world with production capacities of over 2.5 million tons per year are the following four companies: Solvay, Tata Chemicals, FMC and Shandong Haihua. These companies account for almost 30% of the global production capabilities.

Biggest producers of soda ash in the world by production capacities in 2013

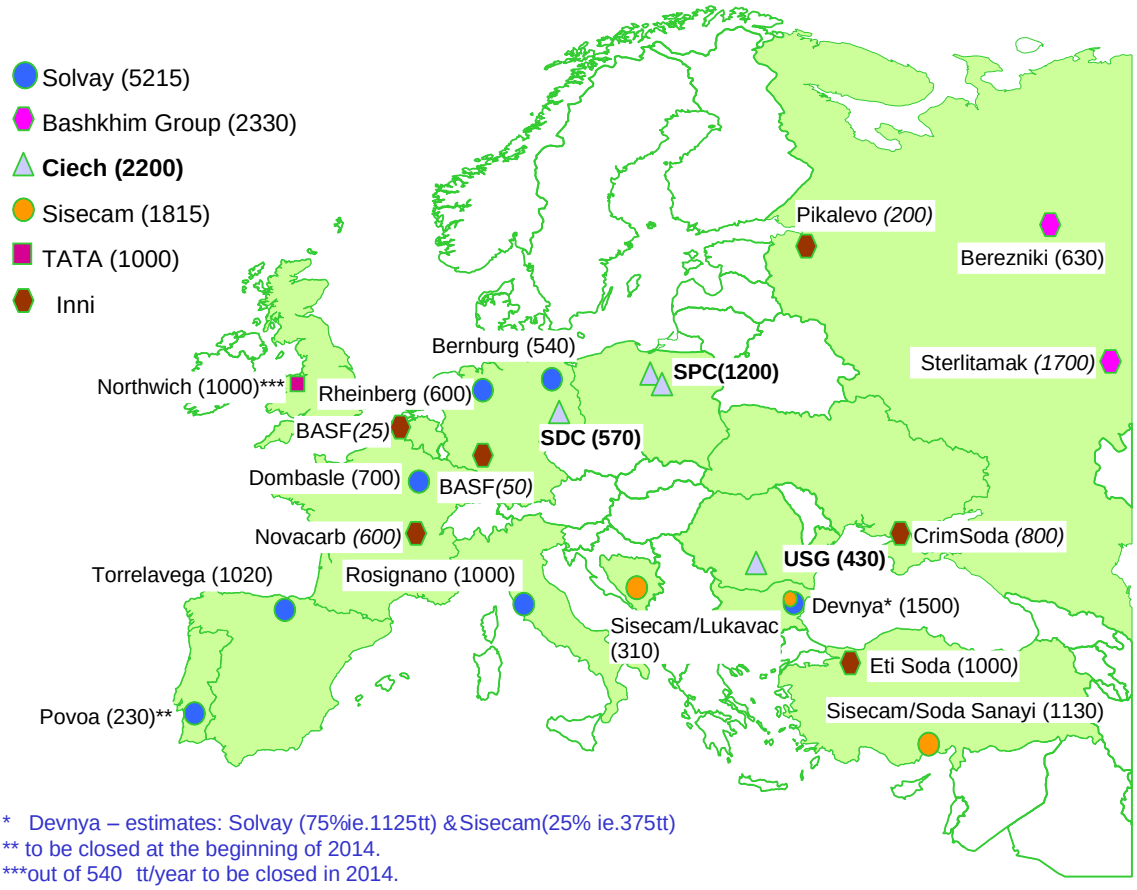


Source*: own compilation based on data from IHS Chemical*

It is expected that in the following years the biggest increase of production capacities will take place in China, from 5 to 9 million tons by 2017. The Chinese market has the fastest rate of development of soda industry, but also the biggest disintegration of soda ash producers. Turkey is also expected to increase its production potential based on its natural resource – trona. After the first trona-based production facility in this country started its operations in the years 2009-2011 an increase of production power by another 3 million tons per year is expected in the years 2017-18.

The main soda ash market for Ciech Group is Europe, especially Poland. The biggest producer in the region is Solvay company, which owned factories in 7 locations around Europe in 2013. After the announced shutdown of the plant in Portugal (with capacity of 230 thousand ton per year at the beginning of 2014) its total production capacities in Europe are estimated at about 5 million tons per year. Ciech Group is on the second position in the European market with production capacities of 2.2 million tons. We are the only producer of soda ash in Poland and combined production capacities of plants in Inowrocław and Janikowo amount to 1.2 million tons. The other two factories of the Group, located in Germany and Romania, have production capacity of 0.57 and 0.43 million tons per year respectively. The Group's share of the soda ash market in Poland reaches nearly 100%, around 15% in Europe and about 4% globally. Another group with production capacity comparable to that of the Ciech Group is Bashkhim Group (Russia) with Soda Sterlitamak and Berezniki Soda Plant factories.

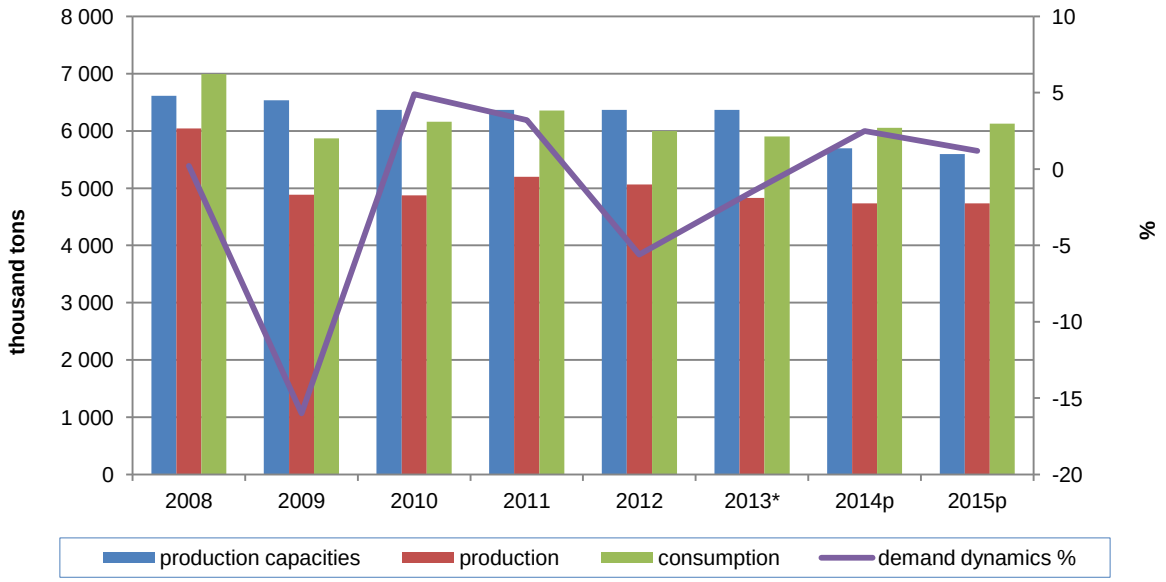
Competitors of Ciech Group in soda ash market In Europe and Turkey in 2013.
(production capacities in thousand tons / year)



Source: own compilation based on data from IHS Chemical and others

European soda ash market is estimated at about 11 million tons, of which around 5.9 million tons is located in Western Europe. European soda ash market as well as the Polish market are mature markets with no rapid changes, with yearly growth rates rarely exceeding several percent. One exception was in 2009, when the global economic crisis had a serious impact on the demand on soda ash markets due to high sensitivity of sectors which are end users. After a drop of dozen percent in consumption in 2009, years 2010 – 2011 brought a significant improvement thanks to a several percent increases in demand. Unfortunately, another slowdown of economic growth in Europe related to the public finance crisis resulted in stagnation on the European soda ash market in 2012 – 2013. In Western Europe decrease of demand amount to 5.6% in 2012 and 1.5% in 2013 (they related mainly to the crisis in the building industry and closing of several glassworks in the region)
A chart presented below illustrates the changes that have occurred in Western Europe soda ash market regarding production capacity production and consumption in the recent years as well as forecasts for the years 2014-2015.

Soda ash balance in Western Europe



*Source: own compilation based on data from IHS Chemical; * estimates*

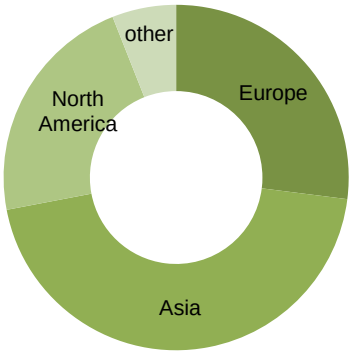
The structure of soda ash usage hasn't changed much for many years. The demand for soda ash depends mostly on the demand for flat and packaging glass.
About 30% of soda ash is used for production of glass containers: bottles, jars and other glass containers used in food, pharmaceutical and cosmetics-perfurme industries. In 2013 usage of soda ash by European glass packaging industry remained unchanged. In Western Europe a slight decrease (under 1%) was reported in this segment compared to general decline of about 1.5%. In the following years this segment should keep stable increase in demand. In case of Poland, a continued increase in glass containers usage, powered by the development of consumer markets is expected. The average usage of packaging glass per person (30 kg) in Poland is lower than in the Western Europe countries (between 45 and 60 kg) which shows big potential of this market.
However, in the long run, increase of demand for soda ash among packaging glass producers may be reduced due to increasing usage of recycled cullet.
Construction and automobile industries are among the buyers of flat glass. Since both are vulnerable to shifts in economy, the demand for soda ash fluctuates. The biggest end user of flat glass is the construction industry, which is currently facing stagnation due to economic crisis. While in the short term perspectives the building industry may seem threatened, in the long-term Poland and the Central and Eastern Europe are still the markets with large potential compared to Western Europe.
Another important customer for flat glass, whose production requires soda ash, is the automobile industry. European Union is among the biggest car producers in the world with about 23% market share according to the ACEA organization. After the decrease of the passenger cars sales in EU by 1.7% in 2013, the following there is forecasted to increase slightly (one digit growth). Despite the general uncertainty on the automobile market it is forecasted that the demand for cars will be increasing in Poland and in Central-Eastern Europe. In Poland there are only 470 cars per 1000 people, which is much less than in more developed countries (11% less than in Germany, 23% less than in Italy).

A slight improvement can be expected on the European soda ash market in 2014. In Western Europe, after a slight decrease in usage in 2013, the year 2014 should present growth of about 2.5%. Generally, a slightly better situation can be expected in Eastern and Central Europe. In the long term, the soda ash market should show a positive growth year to year; globally by 4% and in Europe by about 1.5%-3%.

Sodium bicarbonate
Sodium bicarbonate is used mainly in production of animal fodder (as an acidity regulator) food (among others as an ingredient of baking powder and sparkling drinks), pharmaceuticals, detergents and cosmetics, and for purifying exhaust fumes. In the chemical industry it is used for production of explosives and pigments as well as a basic component of fire extinguishers. The sodium bicarbonate market is divided into the segments of low, high and very high quality sodium bicarbonate. The high quality segment covers food and pharmaceutical industries. Very high quality is required for medical purposes – in hemodialysis.
In Europe sodium bicarbonate is used mostly in production of fodder (above 30% of total usage). Other important segments are production of cosmetics and pharmaceuticals, food and purification of exhaust fumes (each of these three segments represent at least over a dozen percent of total usage). In the following years, due to growing requirements of environment protection, a major increase in usage of sodium bicarbonate for fumes desulfurization is expected.

Global production capacities for sodium bicarbonate are estimated at about 4.6 million tons per year. Europe and Asia is responsible for about 45% of these capacities. Europe share is nearly 30% and Northern America is over 20%.

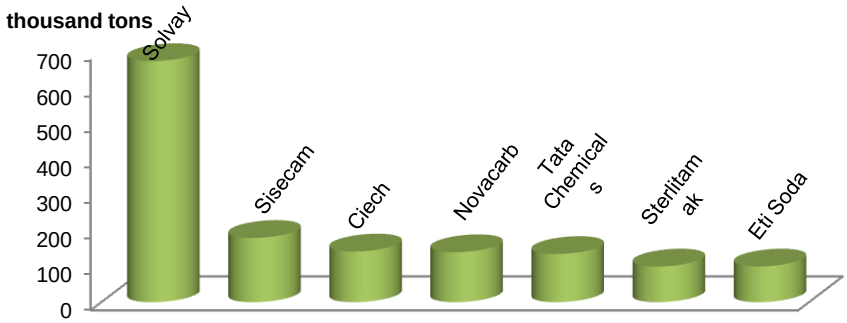
Production capacities of Sodium Bicarbonate by region



Source: own compilation based on data from Roskill and from companies

The target market for Ciech Group for sodium bicarbonate is the local market and the foreign markets especially Western Europe. The share in the sodium bicarbonate market of the Ciech Group is about 12% in Europe and 3% globally. Sodium bicarbonate is produced in two soda factories of the Group: in Inowrocław and in Stassfurt where production capacities are 90 and 52 thousand tons respectively (after the increase in production capacity of Polish plant by 20 thousand ton per year at the end of 2013). Soda Polska Ciech S.A. is the only producer of sodium bicarbonate in Poland with about 65% share in the market. The share in the German market is about 25%.

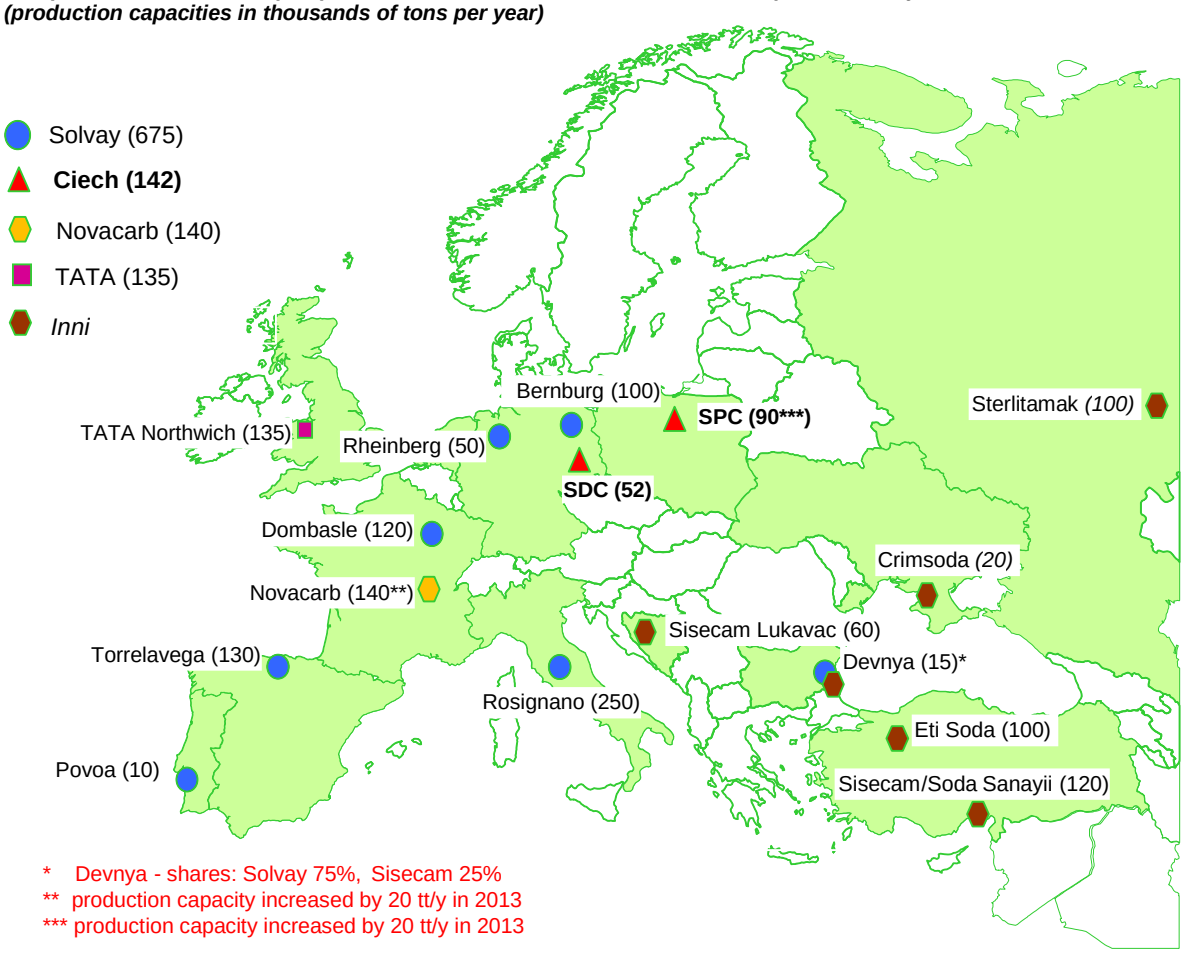
Biggest producers of sodium bicarbonate in Europe and Turkey by production capacities



Source: own compilation based on Roskill and data from companies

In Europe (also including Turkey) the production capacities of sodium bicarbonate are estimated at about 1.5 million tons per year. The biggest producer both in Europe and globally is the Solvay owning factories in several countries. Its combined production capabilities in Europe are about 0.67 million tons per year (globally 0.9 million tons per year). Currently Ciech Group with production capacity at 142 thousand tons per year is the second largest producer in Europe (and third after Solvay and Sisecam in the region including Turkey). Other European leaders are Novacarb (140 thousand tons per year) and Tata Chemicals (135 thousand ton per year).

Competitors of Ciech Group in production of sodium bicarbonate from Europe and Turkey in 2013. (production capacities in thousands of tons per year)



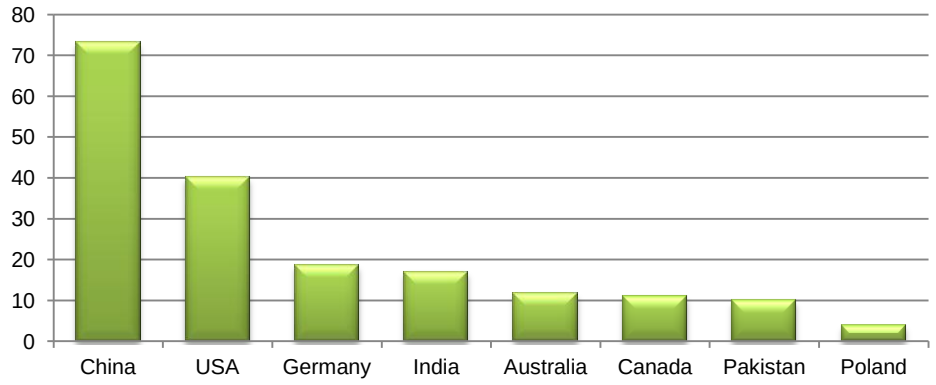
Source: own compilation based on Roskill and data from companies

Much like the soda ash markets, Polish and European markets for sodium bicarbonate are mature markets, not volatile to rapid changes, with yearly growth of few percent per year. The fodder industry is the most vulnerable to economic shifts among the target sectors for sodium bicarbonate. In Poland however, this sector is less vulnerable than in the rest of the Europe. Drops in Poland are less severe than elsewhere in Europe. Sales in technical soda segment are expected to increase in the future as a result of increased demand from flue gas sector.. European producers of sodium bicarbonate continue to work towards intensification of production of sodium bicarbonate at the expense of soda ash.
Avarage yearly usage of sodium in the following years is expected to grow at least by 3%. However there may be variations depending on the segment of the market and the region of Europe. The fodder, food and detergent segments should face an increase equal to the GDP, while the increase of the desulphurization segment should be much higher. Globally, the dynamics of sodium bicarbonate market development should not exceed 4%.

Evaporated salt

Salt is usually present in the European trade in two forms: rock salt and evaporated salt. Evaporated salt is one of key products of the Ciech Group and is produced for industrial and home use. World salt production amounts to approximately 290 million tons per year. Seven biggest producers (countries) are responsible for over 60% of global supply. These include Germany which accounts for 7% of supply producing almost 20 million ton per year. Polish contribution to the world salt production is relatively small and amounts to about 1.4%.

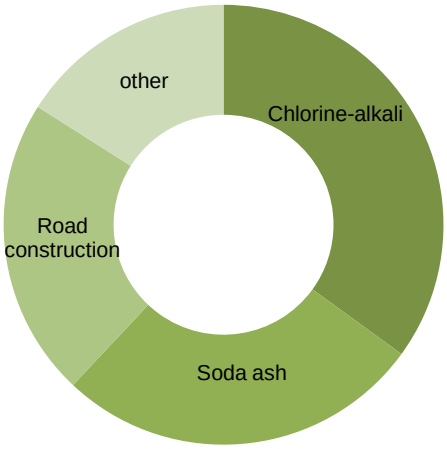
Main salt producers in the world



Source: our own study based on USGS

Due to advantages of evaporated salt with regards to quality parameters, chemical industry in Western Europe abondoned using of rock salt. A similar process occurred in food and households industries. Rock salt is presently used almost exclusively in highway maintenance for winter de-icing.
Evaporated salt, on the other hand, is widely used in chemical industry (electrolysis, detergent and dye production) as well as household chemistry (for water treatment and softening). It is also used in food industry (including: baking, fruit and vegetable processing and meat industry). Evaporated salt of pharmacological purity grade is also used in pharmaceutical industry.
In Europe most of salt is used in chlorine-alkali industry. Less salt is used for production of soda ash and in highway maintenance. Globally, use of salt in highway maintenance is significant only in North America (about 40%). In other regions of the world, chlorine-alkali industry is the main buyer of salt. Also, soda branch (production of calcimined soda) in China is an important salt consumer. In Asia (outside China), Latin America, Africa and the Middle East salt is used in significant quantities for direct consumption and food production

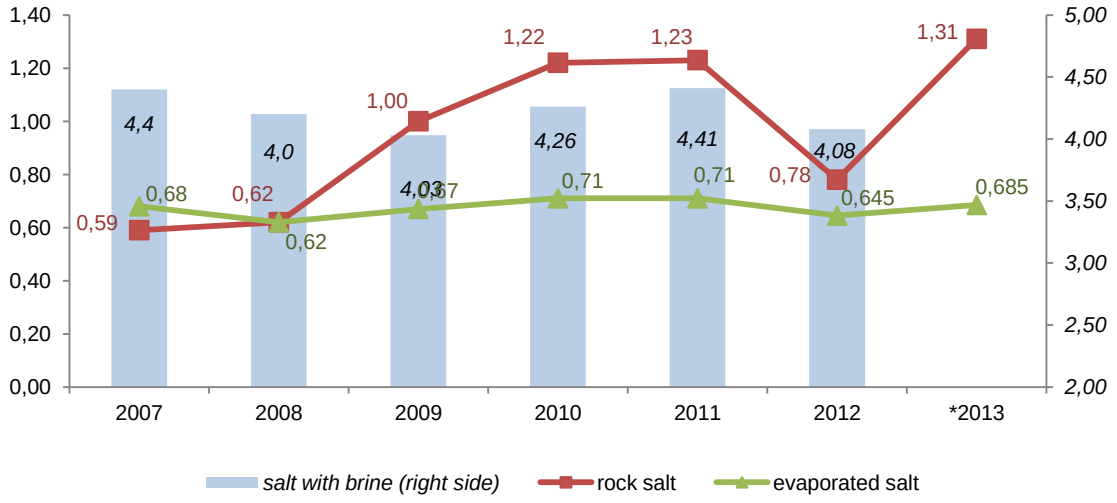
Salt consumption structure in Europe



Source: Ciech Group estimates

Polish salt market structure differs slightly from this in Europe. Salt is used mostly in highway maintenance and for direct consumption, while less in chemical industry.

Salt production in Poland with division into kinds in the years 2007-2013 (million tons)



*Source: our own study based on USGS; *estimates based on preliminary data*

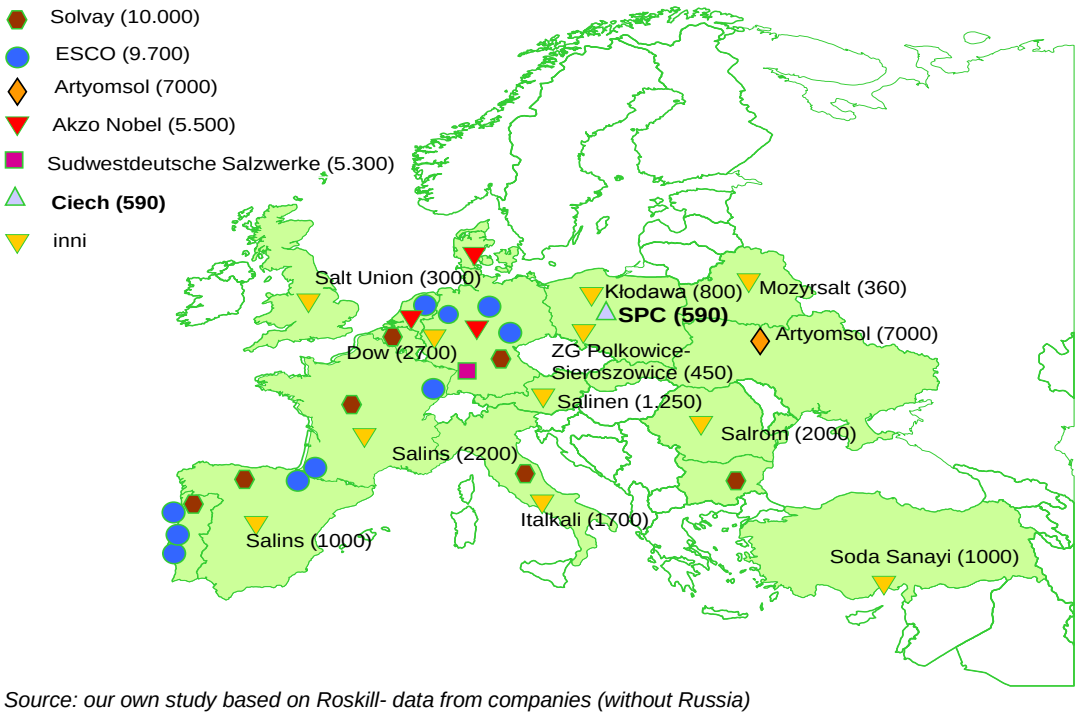
Poland belongs to leading salt producers in Europe. Total production of evaporated and rock salt in the recent years tended to increase from about 1.2 million tons in 2007 to almost 2 million tons in 2013. Production volume, including brine, oscillated between 4.0- 4.4 million tons.

Polish salt market, like Europe, is mature. The amount of evaporated salt consumption remains on the stable level demonstrating resistance to the effects of economic slowdown. The increase of sales volume is small and results mostly from the increase of sales of highly processed salt products. The market of rock salt used mainly for winter road maintenance, on the other hand, is variable. The demand for rock salt in case of atmospheric anomalies can change by several dozen percent. Ciech Group does not supply highway sector with salt and as a result atmospheric anomalies do not influence sales volumes.

Ciech Group plays an important role in the following segments: table salt (food industry and direct consumption use almost half of total salt produced by Soda Polska Ciech S.A.); chemical industry (about 40% of sales) and water treatment (about 7% of sales).

Ciech Group with its production capacity of 590 thousand tons per year is the biggest producer of evaporated salt on the national market where its share of the market is 70%.

The biggest salt producers in Europe in 2013.
(production capacities in thousand t/year)



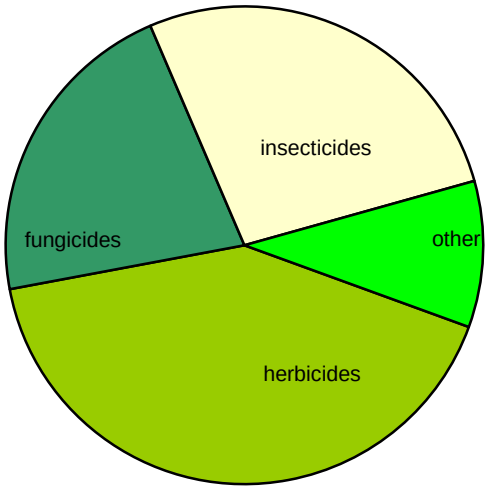
Source: our own study based on Roskill- data from companies (without Russia)

European salt capacities are estimated at over 40 million tons per year. Solvay is the biggest salt producer in Europe, having plants in several countries with total production capacity of around 10 million tons per year. Solvay also produces salt for the needs of its own soda sector. The leading European salt producers include Esco of the K+S Group with yearly production capacities of 9.7 million tons, Akzo Nobel (5.5 million tons per year) and SudwestDeutsche Salzwerke (5.3 million tons per year).

In the coming years the directions and further development of the global salt market, estimated for about 270 million tons in 2013, will be determined by general economic development (because of important role of chemical industry in salt consumption) as well as seasonal factors (due to important role of salt in road maintenance in the developed countries). Development of plants in Asia (with regard to chlorine-alkali and ash soda) will be especially important for the chemical sector. Certain optimistic forecasts assume increase of salt demand by even 3% per year.
The prospects for salt market development in Europe, including Poland, are stable. The possible quantitative increases will depend on sales dynamics in the sector of highly processed products, e.g. for water treatment systems. Because of the dominating position of rock salt (used mainly in road maintenance) in the total salt market, salt sales will still be dependent on atmospheric conditions and can be subject to significant periodic fluctuations. Such events do not infuence table salt segment and salt used for chemical industry. The growth rate of salt consumption in Europe and in Poland over the next couple of years is estimated at 1%-2%.

Plant Protection Chemicals (PPA)
Total value of the global market of plant protection chemicals probably reached 53-55 billion USD in 2013. Almost 40% of this amount concerned herbicides. One quarter of sales value included insecticides and 1/5 of sales value included fungicides.

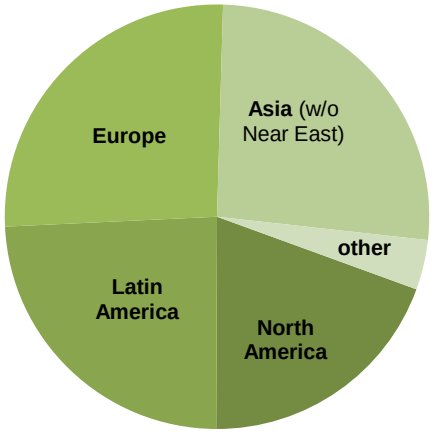
Structure of PPC consumption in the world



Source: Ciech S.A.study based on marketresearchreports.com

The world market is dominated by 6 main global producers: Bayer CropScience, Syngenta, BASF, Dow AgroScience, Monsanto and DuPont. These companies are also main contributors to the world markets because they significantly influence directions of the industry development, including: development of new technologies, introduction of innovative products to the market as well as shaping of the world legislation. Share of these 6 biggest producers is the world sales is estimated at about 80%.

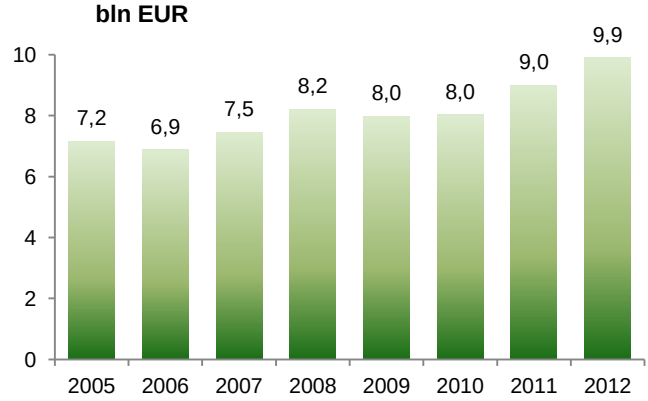
Plant protection chemicals consumption structure by regions (%)



Source: Ciech S.A. study based on CropLife data

European market was the biggest market of plant protection chemicals so far. Its value in 2013 can be estimated at around 14.5 billion USD which constitutes for over 1/4 of the world market (slightly less than the largest market - Asia). Share of North America, Latin America and Asia region is about 20% to 26% each. Consumption of plant protection chemicals in the other regions amounts to the remaining few percent of global consumption. The demand for plant protection chemicals in Europe was growing by about 4.7% yearly in the recent years (by value). The following graph presents changes in plant protection chemicals consumption volume in recent years in Europe.

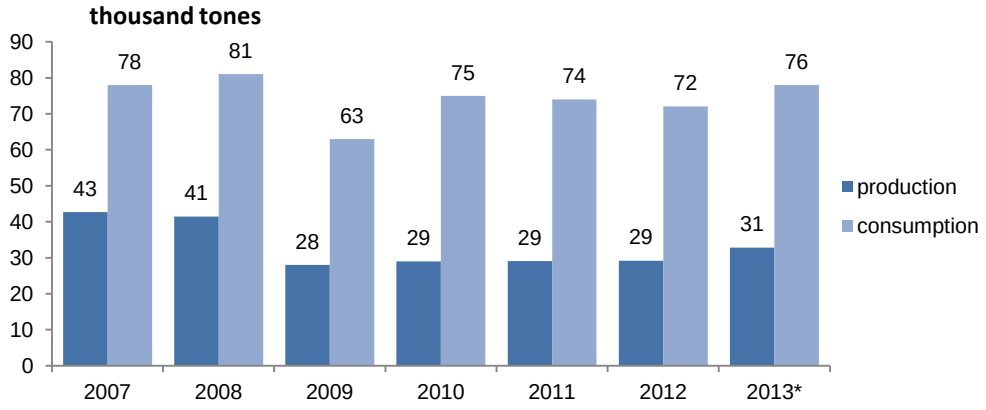
Plant protection chemicals consumption in Europe in the years 2005-2012 (bln €)



Source: Ciech S.A.estimation based on European Crop Protection Agrow data

In the Europe the biggest markets for plant protection products are France, Germany, Italy, Spain, Great Britain and Russia. In previous years the usage of pesticides in Poland fluctuated between 70-80 thousand tons per year. In case of active substances tonnage consumption amounts to around 20 thousand tons per year and increases by 4% on average annually.
Since 2009 domestic production is maintained at the level of 30 thousand tons per year while foreign suppliers importance is increasing.

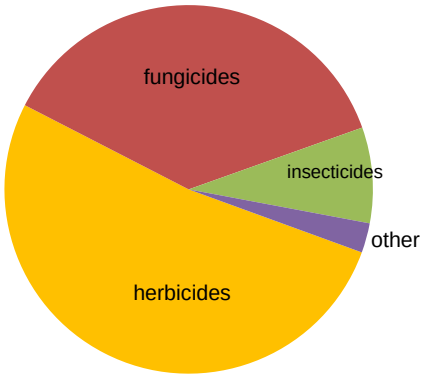
Production and consumption of plant protection chemicals in Poland in the years 2006-2013 in quantitative presentation (thousand tones)



*Source: Ciech S.A. estimates based on GUS and Eurostat (*estimates)*

Value of the Polish plant protection chemicals market is currently estimated at about EUR 0.4 billion. Estimated plant protection chemicals sales structure on the Polish market is presented below.

Structure of plant protection chemicals sales in Poland by value



Source: Ciech S.A.estimation based on European Crop Protection Association Agrow Information

Significantly more herbicides and fungicides are used in Poland compared to world consumption because of high percentage of grains in general cultivated area and considerable importance of gardening. Much less insecticides are used.

The Polish market of plant protection chemicals should systematically grow over the following several years. Unit consumption of products per 1ha is still much lower in Poland than in Western European countries. Moreover economic situation of Polish farmers should improve due to direct subsidies received from the European Union. Additionally controversies concerning genetically modified plants (GMO) will effectively influence the demand level for traditional pesticides. High level of import is specific to Polish market and amounts to 80% of the market offer. As a result Polish products constitute only $^{1}/_{5}$ of the whole market. The reason of such a high disproportion is lack of sufficient offer of Polish producers, who do not have enough financial means to conduct research on new products, their registration and marketing.
Famous global concerns and Polish producers are main participants in the Polish market Z. Ch. „Organika – Sarzyna" S.A. of the Ciech Group is the biggest Polish enterprise in this industry. The company activity regarding plant protection chemicals is focused on the Polish market, where the Group currently has a share of about 5%-6%. This share is much higher with regards to grain herbicides segment, which is the main product group, and amounts to 14%.
The following graph presents competitive position of the individual producers of plant protection chemicals by the number of products registered on the Polish market.
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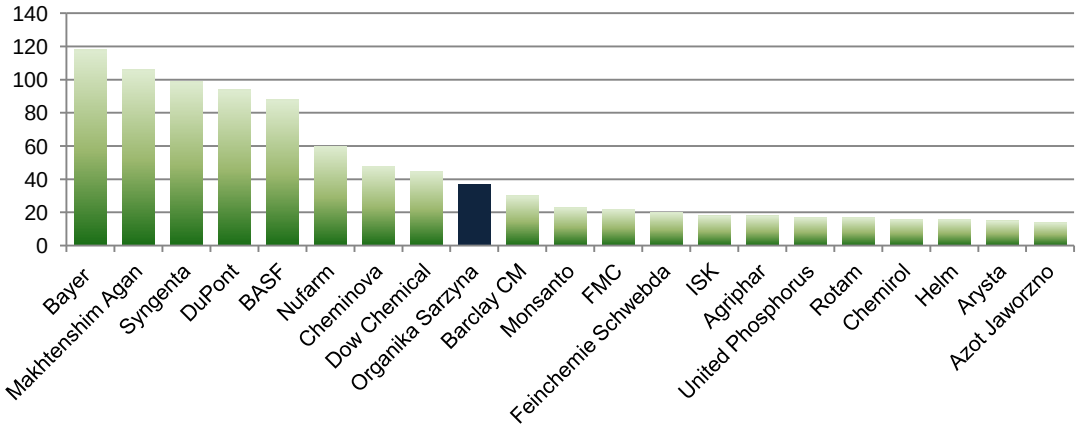
Number of plant protection chemicals registered in Poland among the biggest producers



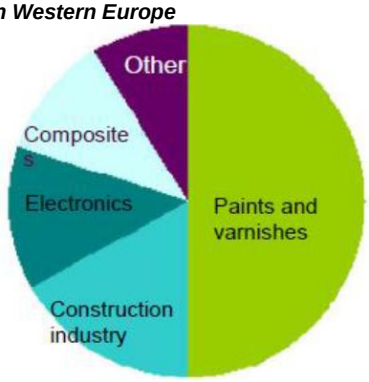
Source: MRiRW [Ministry of Agriculture and Rural Development] (as at 31.12.2013)

Plant protection chemicals market in a long-term perspective belongs to the growing markets. Mean yearly growth rate of the global agrochemical market in the recent years was over 10% (based on marketresearchreports.com). The prospects for the coming years assume further rapid demand increase by 9% yearly on average. The main growth factors will be Latin American and Asian markets.
Optimistic market forecasts concerning plant protection chemicals are based on the assumption of decreasing arable land area in the global scale and the resulting necessity of constant yield increase. On the other hand various national differences and international regulatory bodies, whose task is to limit plant protection chemicals use in order to lower their negative influence on natural environment as well as the growing consumer awareness regarding their application will stimulate the uncontrolled pesticide consumption.

Epoxy resins

In Europe, epoxy resins are used primarily - about 50% - for the production of powder paints and varnishes (chemically, resistant, insulation, electrical insulation). In the area of Western Europe, this segment is also responsible for half of the consumption of the product. Another dozen percent of resins is used in construction sector (screeds, sealants, fillers, binders, coatings, wall coverings). Over 10% of epoxy resins is consumed for the production of electrical insulators, about 10% - in the manufacture of composites.In Central and Eastern Europe epoxy resins are consumed primarily in the production of coatings - paints, etc. (over 50%) and in the construction - for example in the manufacture of floors (above 20%).

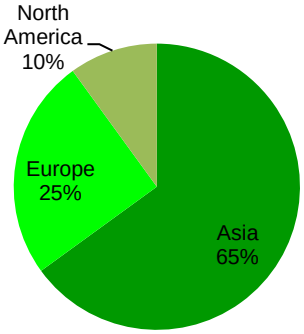
Application segments of epoxide resins in Western Europe



Source: Ciech S.A.estimations based on Nexant data

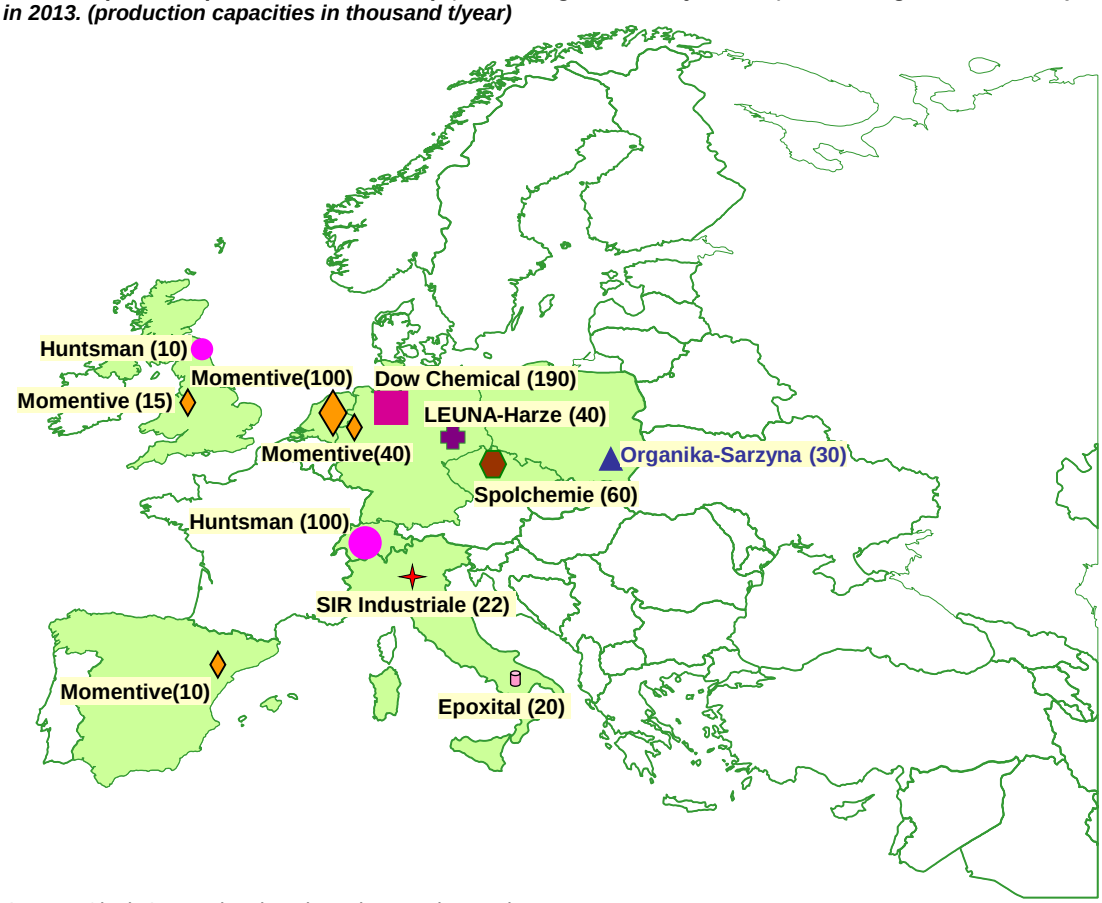
Global production capacity of the basic epoxide resins (non-modified) is estimated at 2.6 million tons per year: Asia (about 65%), Europe (about 25% – 650 thousand tons per year), America (about 10%). Investment projects with regard to new capacities are located mainly in Asia. The greatest world resin manufacturers include: Momentive (previously Hexion) Dow Chemical Nan Ya (Taiwan) KUKDO (South Korea) and Huntsman Advanced Materials. The above mentioned companies are collectively responsible for about 60% of the world production of these resins
Ciech Group through Z. Ch. „Organika – Sarzyna" S.A. is the only producer of epoxide resins in Poland. Productive capacity of the Group is estimated as 30 thousand tons per year and its share in the national market is almost 40%. The biggest competitors in Poland are suppliers from Germany, Czech Republic and Italy.

Geographic structure of non-modified epoxide resins' productive capacity



Source: Ciech S.A. estimations based on producers data

Main European competitors of Ciech Group (Z. Ch. „Organika- Sarzyna" S.A.) concerning non-modified epoxide resins in 2013. (production capacities in thousand t/year)



Source: Ciech S.A. estimations based on producers data

The Ciech Group estimates the global market size of epoxide resins in 2013 at the level of 1.9-2.0 million tons which is higher than the best results from before the economic crisis of 2008-2009. The demand in Europe has not yet recovered to its size from before the crisis and is estimated at over 350 thousand tons per year. Generally due to large drop in demand and increase of productive capacity in previous years, this market is still characterized by a strong oversupply (with the use of European production capacities at the maximal level of 60%).

The Ciech Group expects that the similar market situation will remain also in the coming several years. Long term demand increase prospects are, however, quite optimistic (globally by 3%-4% yearly on average). Asian countries will be the leaders of this growth (over 5% a year). The lowest increases of about 2%-3% are expected in Western Europe and North America. Quite good prospects are also assumed for a relatively small market of Middle and Eastern Europe (with average yearly increases of 4%-5%).

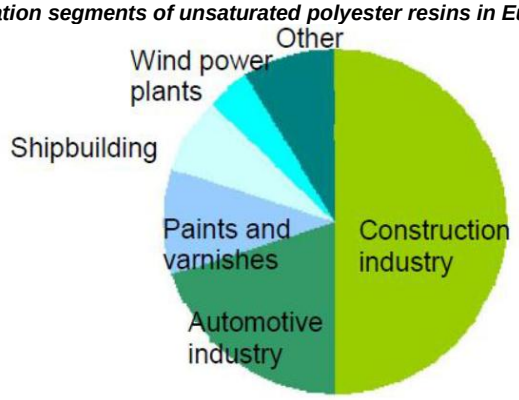
Europe and North America will still remain net exporters of epoxide resins (the main markets for the international trade will be China and India). The main consumption growth factor of epoxide resins in the following years will be

glues and composites for aviation and wind power plants (in North America and Europe) as well as electronics and paints (in the Far East and South-East Asia region).

Unsaturated polyester resins

The majority of unsaturated polyester resins in Europe are used in construction and transport industries. The demand of these two sectors amounts to about 70% market share

Application segments of unsaturated polyester resins in Europe

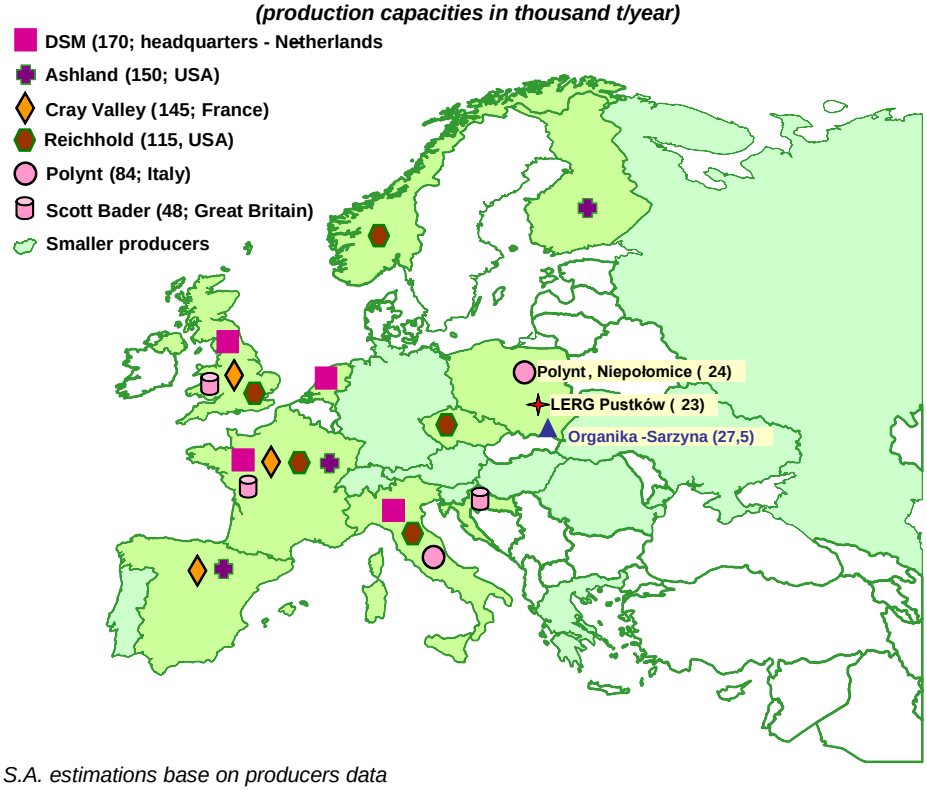


Source: Ciech S.A. estimations based on Nexant data

The global production capacity of unsaturated polyester resins amounts to approximately 5 million tons per year, 1/5 of which is attributable to Europe. Almost 50 producers of these resins are active in Europe. The biggest six international concerns own about 70% of the European production capacity. These concerns are DSM (regional leader in this field), Ashland, Cray Valley, Reichhold, Polynt and Scott Bader. Small producers usually focus on highly valuable market niches because of very strong competition.

The biggest producer of unsaturated polyester resins in Poland is Z. Ch. „Organika – Sarzyna" S.A. of the Ciech Group (with production capacity of 27.5 thousand tons per year). A significant portion of sales is directed to the local market where the Ciech Group holds a strong position with almost 20% share. Resins from Z. Ch. „Organika –Sarzyna" S.A. are also supplied to other European markets. Important competitors on the Polish market include: Ashland (with a share similar to that of Ciech Group), Polynt, ZTS LERG, Reichhold, Cray Valley, DSM, Scott Bader.

Main European competitors of Ciech Group (Organika Sarzyna) with regard to unsaturated polyester resins in 2013 (production capacities in thousand t/year)



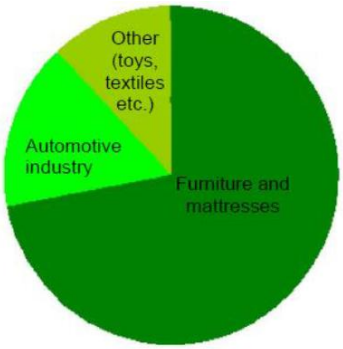
Source: Ciech S.A. estimations base on producers data

Apart from those shown on the map above, there are additionally two smaller resin producers of production capacities below 10 thousand t/ year: TBD Dębica and PPG Polifarb Cieszyn.

The Ciech Group estimates size of the European market of unsaturated polyester resins at over 700 thousand tons per year. Because of use of resins is highly dependent on the economic situation in construction and transport industries, a moderate growth rate is expected for this market in Western Europe in the upcoming years (at the level of 1%-2%). Increases in the Middle and East European regions should be significantly bigger (even at the level of 4%). The demand for unsaturated polyester resins will grow fastest in Asia and in the Middle East as well as South America (by 5% a year on the average).
Construction industry (pipelines, tanks for chemicals, structural elements, synthetic marble etc.) will have the most significant impact on resins sales on the European market in the coming years. Also automotive industry will be important (substitution of metal parts with the ones made of resins). However, these two sales directions will be characterized by a pretty slow increases. On the other hand, exceptionally fast demand increase is expected from currently not very important segment of wind power plants. This will depend mainly on support for development of renewable energy sources by the European governments.

Flexible polyurethane foams (PUR)
Flexible polyurethane foams are used mainly in production of furniture and sleeping mattresses, which amount to about 70% of consumption of this material. Another dozen percent is used in automotive industry for production of seats and interiors. As a result, demand for foams is very sensitive to economic cycles.

Application segments of flexible polyurethane foams in the world

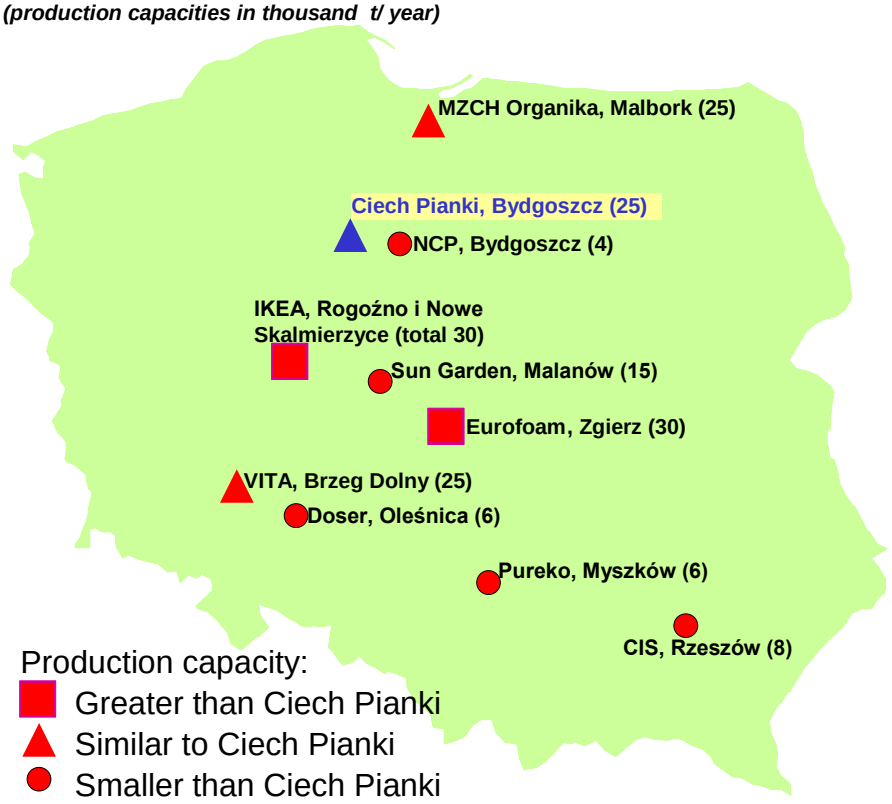


Source: Ciech S.A.study based on Nexan information

Because of physical properties (low specific gravity) PUR foams are sold only on local markets. Therefore production base develops close to potential buyers. Ciech Group is active mainly on the Polish market (where import is still insignificant). However, export sales are being developed as well. Furniture manufacturers and foam processing plants are clients of the Group.
Globally, production of polyurethane foams is very fragmented (over a thousand producers of total production capacity of 5 million tons per year). Production capacities of Polish producers are estimated at over 170 thousand tons per year. The biggest competitors of Ciech Group on the Polish market are: Eurofoam, MZCH Organika,and Vita Polymers. High production capacity of IKEA is used mainly for its own needs.

Competitors of Ciech Group (Ciech Pianki) with regard to polyurethane foams – PUR in 2013

(production capacities in thousand t/ year)



Source: CiechS.A. estimates based on producers data

Ciech Group through Ciech Pianki has over 18% share in the Polish market of this product.
European demand for polyurethane foams is estimated at approximately 1 million tons per year. Polish market demand is estimated at about 120 thousand tons per year. The demand for foams depends on the situation in the industries that are the biggest consumers of the product i.e. furniture and automotive industries. Very good improvement of economic situation was observed on the Polish furniture industry in the years 2010-2011 and again from the second half of 2013. The results of this industry (oriented mainly at export) depend greatly on the economic situation on foreign markets. Despite the crisis in Western European countries domestic production of furniture sold in 2012-2013 remained growing. This was mainly due to high price competitiveness of Polish furniture industry. The outcome and financial situation of this industry during economic crisis also greatly depend on the exchange rate of the Polish currency.
A moderate growth of the European market of polyurethane foams of 2%-3% is expected. The increase should be higher in Poland because furniture industry successfully expands its sales also to the markets outside Europe.

6.3 Information on markets sources of supply for production materials, products and services

The Ciech Group has a well-diversified portfolio of customers. In 2013, sales revenues to none of the partners of the Ciech Group exceeded 10% of the consolidated sales revenues of the Ciech Group. CIECH S.A. as the parent company and the company with biggest sales in the Ciech Group was not dependent in 2013 on one or more customers or suppliers and the sales revenues to none of its customers exceeded 10% of total sales revenues.

CIECH S.A. is an important customer and supplier for the majority of the companies in the Ciech Group. The Ciech Group had the biggest turnover with the following subsidiaries:

- Soda Polska Ciech S.A.
- Z.Ch. "Organika –Sarzyna" S.A.

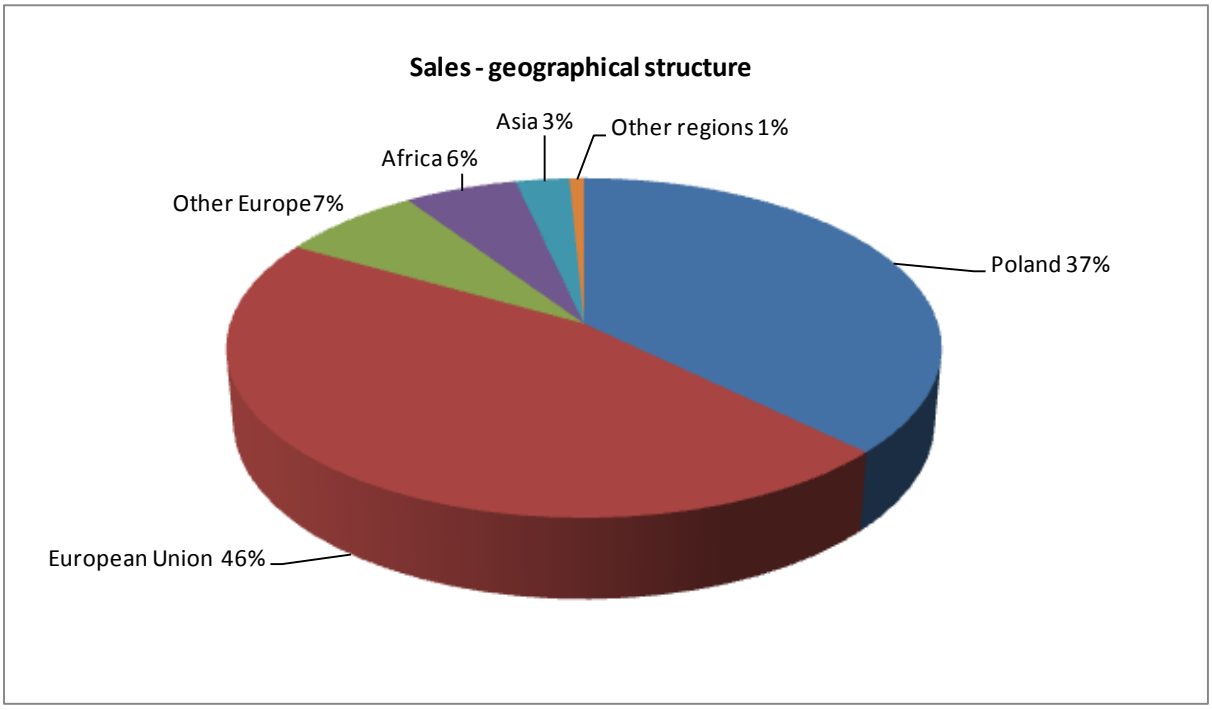
Important external suppliers and customers for ompanies of the Ciech Group in 2013 were, among others:

- Kompania Węglowa S.A. – coal supplier for Soda Polska Ciech S.A.
- EMS – gas supplier for Soda Deutschland Ciech.

Geographical structure of the markets

About 37% of revenues from sales of products, goods and services of the Ciech Group in 2013 came from the domectis market while the biggest foreign recipients of products, goods and services offered by the companies of the Group's companies were the European Union countries.

PLN '000	01.01 - 31.12.2013	01.01 - 31.12.2012	2013/2012 Dynamics
Poland	**1 304 763**	**1 527 342**	**(14.6%)**
European Union	**1 607 958**	**1 853 267**	**(13.2%)**
-Germany	749 307	813 874	(7.9%)
- Belgium	33 608	50 421	(33.3%)
- Czech Republic	138 027	135 229	2.1%
- The Netherlands	101 424	110 136	(7.9%)
- Sweden	37 381	53 929	(30.7%)
- Finland	56 763	75 491	(24.8%)
- Italy	121 840	137 841	(11.6%)
- United Kingdom	25 730	70 782	(63.6%)
- Romania	96 438	99 210	(2.8%)
- Other EU countries	247 440	306 354	(19.2%)
Other European Countries	**259 335**	**331 799**	**(21.8%)**
- Switzerland	123 510	204 096	(39.5%)
- Norway	29 896	32 627	(8.4%)
- Russia	63 301	40 825	55.1%
- other European countries	42 628	54 251	(21.4%)
Africa	**204 966**	**321 193**	**(36.2%)**
Asia	**97 692**	**201 758**	**(51.6%)**
- China	3 612	31 803	(88.6%)
- Other Asian countries	94 080	169 955	(44.6%)
Other regions	**26 306**	**142 593**	**(81.6%)**
TOTAL	**3 501 020**	**4 377 952**	**(20.0%)**



7 Investment activities
7.1 Investments
7.1.1 Investments implemented in 2013

The Ciech Group has and constantly updates its capital expenditure program for production facilities in order to develop or maintain the current levels of production in particular plants and to fulfil the obligation related to new legal regulations. The capital expenditure are also necessary in relation to the old equipment modernisation and energy efficiency improvement as well as to increase the production capacity by the bottlenecks elimination or in relation to improvement of the control process.

The capital expenditures incurred by the Ciech Group's companies in twelve month period ended 31 December 2013 amounted to approximately PLN 140 million. The investment expenditures for the years 2009, 2010, 2011 and 2012 were: PLN 252.1 million, PLN 217.8 million, PLN 295.5 million and PLN 300 million respectively. Noticeable decrease in the amount of capital expenditures is mainly related to closing of investment programs realized in Infrastruktura Kapuściska S.A. and Alwernia S.A. (the company was sold in July 2013).

In the recent years the capital expenditures of companies were used for the implementation of several large-scale projects, including the modernisation of plants in the soda segment such as intensification of baking soda production and automation of salt and nitrite salt packaging. As expected, these projects have been completed by the end of 2013.

Currently the capital expenditures are used mainly in relation to projects which aim to maintain and improve the soda production capacity, as well as to improve the effectiveness of the glass packaging manufacturing plants .

The Group divides its capital expenditures into modernisation,(and reconstruction) and development investments. The first category includes all expenditures required to maintain optimal technical condition of owned assets (e.g. compliance with environmental regulations, replacement of equipment etc.). The second category includes projects, which are designed to improve the Group's position. This category includes the decisions on the construction of new plants, development of existing plants or modification of plants in order to reduce the production costs. The decisions are made based on a business plan and such indicators of investment effectiveness as net present value, internal rate of return and payback period. The expected rate of return on investments implemented using capital expenditure is equal to the average weighted cost of Group capital.

Major investments implemented in 2013:

Soda Polska Ciech S.A.

- **Baking soda installation in Inowrocław** – realization of the project to intensify the production of baking soda aimed to increase the production capacity of the current baking soda facility by 20 ttpy to 90 ttpy. This project will create conditions for more active participation in the most demanding sectors of the baking soda markets (the pharmaceutical industry) and it will also help to obtain new customers by allowing for processing of additional amounts of soda ash to a more stable product, which is closer to the end-customer as well as increase the utilization of the production capacity of the soda ash facilities. The expected results of the investment are, among others, the ability to increase sales by about 20 ttpy and the improved of product quality. The budget for the project amounts to about PLN 22 million (in years 2011-2013), of which PLN 15.8 million (PLN 17.3 million with taking into consideration the expenditure reclassification from the previous year) were spend in 2013. The investment was completed in 2013.
- **Extension and modernization of the installation for salt packaging in one kilo packages**. The expenditures amounted to PLN 1.5 million. The aim was the optimization of production costs by automation and increase in the salt production capacity in one kilo packages. The investment was completed in 2013.
- **Extension and modernization of the installation for nitrite salt production**. The expenditures amounted to PLN 550 thousand. The aim was the optimization of production costs and extension of salt products range.
- **Project documentation** for task "Intensification of soda ash production process by 200 thousand tons per year to 800 thousand tons per year in Soda Polska Ciech S.A.". In the range of preparing documentation are all issues related to Soda +200 Project with consideration of gradual increase of production capacity. Total expenditures for project documentation are estimated at PLN 13.7 million of which PLN 2.0 million were spend in 2013.
- **Electrostatic precipitator of OP 140 boilers 4 and 5**. Expenditures of about PLN 10 million. The aim was the decrease in dust emission to levels required by environmental regulations, with particular regard for EU Directive, which will be applied from 2016 i.e. emission can not exceed 25mg/Nm3, fulfillment of environmental regulation requirements and avoidance from penalties as well as decrease of emission fees, electricity savings associated with usage of high efficiency generating set, improvement of the operating availability and the breakage removal costs restriction, improvement in work safety. The investment was completed in 2013.

Soda Deutschland Ciech Group

- **Replacement investments package (technological installations)**. Expenditures of EUR 7.9 million. The aim was to maintain production continuity including:
  - **Pond number 7 construction**. Expenditures of EUR 2.0 million. The goal was to maintain production continuity at constant level.

Uzinele Sodice Govora S.A.

- **Replacement investments package** (technological installations). Expenditure of EUR 2.4 million. The goal was to maintain production continuity including:
  - **Ponds number 5 and 6 extension**. Expenditures of EUR 77 thousand. The goal was to maintain production continuity at constant level.

Z.Ch. „Organika – Sarzyna" S.A.

- **Construction of a MCPA Plant** – this investment is based on the introduction of innovative technological solutions, which increase the production capacity of active substances of crop protection chemicals by 50% from the current 4 ttpy to 6 ttpy. Construction of the innovative MCPA and MCPP-P substances plant. Construction was completed in 2012, however parameters optimization process has been continued until August 2013 (including construction and assemble of hydrochloric acid pipeline) and final investment settlement. Total expenditures (years 2009-2013) amounted to about PLN 117 million

VITROSILICON S.A.

- **Modernization of furnace number 2 in Iłowa**. Expenditures of PLN 7.3 million. The goal was to maintain production continuity of glass packaging.
- **Intensification of glass packaging production in Iłowa Plant.** Total expenditures estimated at PLN 7.6 million (PLN 6 million in 2013 and PLN 1.6 million in 2014). The goal was to intensify production and change product range.

7.1.2 Capital expenditure planned for the next 12 months

The planned capital expenditures for 2014 amount to PLN 370 million.Capital investments planned for the year 2014 and the following year conform to the new Strategy of the Ciech Group and assume an organic development of the soda business by:

- Intensification of soda ash production process by 200 thousand tons per year to 800 thousand tons per year in Soda Polska Ciech. Project includes expansion of existing production plant. Total expenditures for project are estimated at PLN 265 million and the duration is forecasted for years 2013-2016.
- Alterations of filtration unit in Inowrocław – purchase, assemble and launch of new belt filters in soda plants. In 2013 agreement for supply of equipment was concluded and adaptation works were conducted in filters projected location. Total expenditures are estimated at PLN 16.2 million and the project duration is forecasted for years 2013-2014.
- Alterations of filtration unit in Janikowo – purchase, assemble and launch of new belt filters in soda plants. Total expenditures are estimated at PLN 15.7 million and project realisation is forecasted in 2014.
- Construction of warehouse and baking soda packaging line. Project is a continuation of production capacity improvement finished in 2013. Current stage range is construction of warehouse and baking soda packaging line for 25 kilo sacks. Total expenditures are estimated at PLN 8 million and project realisation is forecasted for 2014.
- Intensification of dry salt production (Janikowo) – the aim of the project is an increase in sales revenues of highly processed products by reaching the capacity to dry entire produced volume of wet salt (600 ttpy). Total expenditures are estimated at PLN 63 million and project duration is forecasted for years 2013-2015.
- Intensification of soda ash production process by 60 thousand tons per year to 490 thousand tons yearly in US Govora S.A. Project includes expansion of existing production plant. Total expenditures are estimated at EUR 5.4 million and project realisation is forecasted in 2014.

Apart from development capital expenditures the Ciech Group is planning to implement a package of modernisation and reconstruction investments to maintain the current production infrastructure. Additionally environmental investment projects will be implemented which are focused on adjusting the Group's industrial facilities to the changing of legal requirements, especially those considering industrial emissions (Industrial Emissions Directive).

The main capital expenditure planned for implementation in 2014- 2016 by other companies of the Ciech Group will relate to the **development of the saturated polyester resin plant** in Z.Ch. "Organika – Sarzyna" S.A. The project covers the construction of new saturated polyester resin production installation with 24 ttpy production capacity. The planned investment is the result of analysis of tendencies in the saturated polyester resin market which indicate the growth of demand in this market both in Poland and in the EU as well as of the positive economic indicators of the investment. The budget for the investment planned at PLN 63 million. The investment is scheduled for completion in the 1st quarter of 2016.

7.2 Description of major capital investments and the methods of their financing

7.2.1 Capital Investments and divestment implemented in the current reporting period and the method of their financing

Investments

Z.Ch "Organika-Sarzyna" S.A.
CIECH S.A. according to the obligations resulting from the Package of Social Guarantees Z.Ch "Organika-Sarzyna S.A. binding until the end of 2013 realised the last stage of the obligation to repurchase shares issued free of charge to authorized personnel (company's employees) according to Art. 36 of the Act of 30 August 1996 on commercialisation and privatisation of state-owned companies. Consequently CIECH S.A. purchased total 67 228 ordinary registered shares for PLN 2 353 thousand and on 14 July 2013 became the owner of the shares which increased its share in company from 98.85% to 99.64%.

Ciech Trading S.A.
CIECH S.A. in 2013 increased its participation in Ciech Trading S.A. share capital from 0.52% to 68.62% as a result of share capital increase by issuing series "K" and series "L" shares i.e.:

- On 26 March 2013, the Extraordinary General Meeting of Shareholders of Ciech Trading S.A. adopted a resolution to increase the share capital by PLN 536 thousand i.e. from PLN 17 017 thousand to PLN 17 553 thousand by issue of 59 570 series "K" ordinary registered shares of face value and issue price of PLN 9 each. All series "K" shares were offered to an indicated addressee i.e. CIECH S.A. in exchange for cash. Pursuant to an Agreement for the Acquisition of Shares dated 27 March 2013 CIECH S.A. obtained the title to series "K" shares on 28 March 2013 i.e. on the date of crediting Ciech Trading S.A.'s bank account with the share issue price.
- On 15 October 2013, the Extraordinary General Meeting of Shareholders of Ciech Trading S.A. adopted a resolution to increase the share capital from PLN 17 553 thousand PLN to PLN 53 950 thousand by issue of 4 044 050 "L" series ordinary registered shares of face value and issue price of PLN 9 each. All series "L" shares were offered to an indicated addressee i.e. CIECH S.A. in exchange for cash. Pursuant to an Agreement for the Acquisition of Shares dated 18 October 2013 CIECH S.A. obtained the title to series "L" shares on 18 October 2013 i.e. on the date of crediting Ciech Trading S.A.'s bank account with the share issue price.

Verbis ETA Sp. z o.o.
On 3 October 2013 CIECH S.A. became a 100% owner of Verbis ETA Sp. z o.o. via purchase of 100 shares of face value of PLN 50 each. The total sales price amounted to PLN 5 thousand. The ownership of Shares was passed to CIECH S.A. on the day on which the sales price was credited against the Seller's bank account i.e. on 3 October 2013.

Verbis ETA Sp. z o.o. Spółka Komandytowo-Akcyjna
CIECH S.A. is the only shareholder of Verbis ETA Sp. z o.o. Spółka Komandytowo-Akcyjna. as a result of following transactions:

- Purchasing shares in amount of 5 000 and face value of PLN 10 each for total purchase price of PLN 50 thousand - pursuant to an Agreement for the Acquisition of Shares concluded on 3 October 2013. The ownership of Shares was passed to CIECH S.A. on the day on which the sales price was credited against the Seller's bank account i.e. on 3 October 2013.
- Increase of share capital of Verbis ETA Sp. z o.o. S.K.A. from PLN 50 thousand to PLN 1 050 thousand i.e. by the amount of PLN 1 000 thousand by issue of 100 000 series "B" ordinary registered shares of a face value of PLN 10 each and issue price PLN 1 658.10 per share by the resolution of the Extraordinary General Meeting dated 4 November 2013. Shares of the new issue were acquired by CIECH S.A. through private subscription in exchange for non-cash contribution, valued by appraiser at PLN 165 810 thousand, comprising of rights for trademarks ("Trading Ciech"; "SÓL KUJAWSKA" and "Ciech") and right for perpetual usufruct of land situated in Warsaw at the intersection of Elbląska Krasińskiego and Powązkowska Streets of total area of 9,583 square meters.

Verbis KAPPA Sp. z o.o. S.K.A.

Z. Ch. "Organika-Sarzyna" S.A. is the owner of 100% Verbis KAPPA Sp. z o.o. S.K.A's shares as a result of:

- Purchasing of 5 000 shares with face value of PLN 10 each, which are 100% share capital pursuant to an Agreement for the Acquisition of Shares concluded on 30 October 2013.
- Increase of share capital of Verbis KAPPA Sp. z o.o. S.K.A. from PLN 50 thousand to PLN 1 050 thousand by issue of 100 000 „B" series shares with a face value PLN 10 each and issue price PLN 450.68 for each share by the resolution of Extraordinary General Meeting dated 30 October 2013. „B" series shares were acquired in exchange for non-cash contribution, i.e rights for Chwastox Group trademarks at total value of PLN 45 100 thousand

Verbis KAPPA Sp. z o.o.
Z. Ch. "Organika-Sarzyna" S.A. is the owner of 100% Verbis KAPPA Sp. z o.o. as a result of Purchasing shares in amount of 100 and value of PLN 50 each which are standing for 100% share capital pursuant to an Agreement for the Acquisition of Shares concluded at 30 October 2013.

Algete Sp. z o.o.
Z. Ch. "Organika-Sarzyna" S.A. is a 100% owner of Algete Sp. z o.o. as a result of purchasing shares in the amount of 100 and value of PLN 50 each which is 100% share capital pursuant to an Agreement for the Acquisition of Shares concluded at 30 October 2013.

Turia Sp. z o.o. (after the change from 15 January 2014 the company's name is Ciech Trademarks Sp. z o.o.)
Ciech Finance is 100% owner of 100% Turia Sp. z o.o. as a result of purchasing shares in the amount of 100 and value of PLN 50 each in accordance to the Agreement for Acquisition of Shares concluded at 21 October 2013

Sagrera Sp. z o.o.
Soda Polska Ciech S.A. became a1 00% owner of Sagrera Sp. z o.o. in accordance with the Agreement for Acquisition of Shares signed at 6 November 2013 for sell of 100 shares for PLN 50 each.

Divestments

Alwernia S.A.
From 25 July 2013 CIECH S.A. in not a shareholder of Alwernia S.A. as a result of signing promise contract for the sale of Alwernia S.A.'s share package owned by CIECH S.A. (99.62%) due to fulfillment of all suspending conditions from the preliminary agreement from 31 January 2013. Sell price was established at USD 13.4 million. The disposing effect of the promised contract was dependent on payment of the first part of sell price in an amount of USD 6.7 milion and repayment of the loan by Alwernia S.A. provided by CIECH S.A. in the amount of about PLN 14.2 million. Due to fulfillment of above conditions, on 25 July 2013 the ownership of shares was passed to Alwernia Invest Sp. z o.o. Remaining sell price part was paid at 30 December 2013 and the transaction was settled.

Boruta-Zachem Kolor Sp. z o.o.
ZACHEM S.A./Infrastruktura Kapuściska S.A. by the sell agreement from 1 February 2013 concluded between ZACHEM S.A (the Seller) and Coal Oil Sp. z o.o. (the Buyer) sold 19.303 Boruta-Zachem Kolor Sp. z o.o's. shares for the total share sale price of PLN 5 200 thousand. The ownership of shares was passed to Buyer on 4 April 2013, i.e. the day on which the sales price was credited against the Seller's bank account.

7.2.2 Capital investments and divestments planned for the next 12 months

In 2014 Ciech Group does not intend to make capital investments.

Basic information on major companies subjected to divestment conducted by CIECH S.A.

Company	Project status	Planned year of project completion
Z. Ch. „Organika-Sarzyna" S.A.	Ongoing negotiations with potential investors.	2014
Ciech Pianki Sp. z o.o.	Project suspended.	-
Vitrosilicon S.A.	Project suspended.	-
Transclean Sp. z o.o.	Ongoing negotiations with potential investors.	2014
Transoda Sp. z o.o.	Ongoing negotiations with potential investors.	2014

7.3 Evaluation of the ability to complete the investment plans in relation to owned assets, including the possible changes in the financing structure of these activities.

The Ciech Group's investment policy was adapted to the current ability to acquire capital so that it fully covers the planned material and capital investment.

The sources of financing of investment activities in CIECH S.A. and Ciech Group are:

- cashflow from operating activities
- cashflow from divestments
- external sources of funding in the form of European Union funds
- external sources of funding in the form of bank loans and issued bonds.

8 Managing the financial resources in the Ciech Group

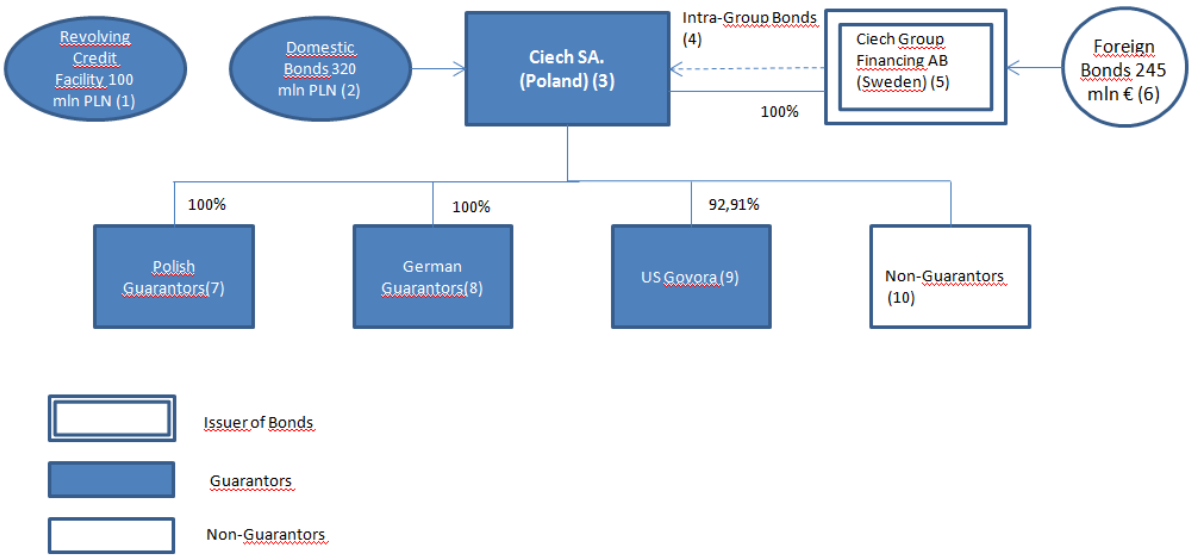
8.1 Information regarding important financial liabilities.

Group's debt financing

Group's debt financing in the form of bonds or credit is provided mostly by:

- Foreign Bonds issued by the Ciech Group Financing AB (publ) – as at 31 December 2013 the nominal debt amounted to EUR 245 million (i.e. PLN 1 016 064 thousand),
- Domestic Bonds issued by CIECH S.A. – as at 31 December 2013 the nominal debt amounted to PLN 320 million,
- The revolving credit made available to CIECH S.A. based on the Revolving Credit Agreement of 9 August 2013 up to PLN 100 million – as at 31 December 2013 the debt amounted to PLN 0.

The diagram below shows a simplified summary of the Group's financing structure. This diagram does not contain all subsidiaries or their debt liabilities. Unless otherwise specified, the subsidiaries included in the simplified structure below are directly or indirectly fully owned by the Company.



(1) Revolving Credit Facility providing CIECH S.A. with a revolving credit to the amount of PLN 100 000 thousand ("revolving credit") described further in this report.

(2) Domestic Bonds in the amount of PLN 320 000 thousand issued by CIECH S.A. on 5 December 2012 described further in this report.

(3) CIECH S.A. – is the parent company of the Foreign Bonds Issuer and Parent Guarantor. All conditions for the issue of Bonds (as well as those resulting from the revolving credit and domestic bonds) are related to the Parent Guarantor and its subsidiaries.

(4) Intra-group Bonds at the nominal value of EUR 245 000 thousand issued by CIECH S.A. to Ciech Group Financing (publ) on the 6 December 2012.

(5) Ciech Group Financing AB (publ), the issuer of the Foreign Bonds, fully owned by CIECH S.A., is a financial entity and has no important assets apart from the Intra-group Bonds of CIECH S.A.

(6) Foreign Bonds to the amount of EUR 245 000 thousand issued by the Ciech Group Financing AB (publ). The bonds are covered by guarantee of the Parent Guarantor (CIECH S.A.), Polish Guarantors, German Guarantors and US Govora S.A. The guarantors represent 83.6% of our total consolidated sales revenue (excluding Infrastruktura KapuściskaS.A.) and 129.4% of EBITDA (excluding Infrastruktura Kapuściska S.A.) from the period of 12 months ended 31 December 2012 and 81.2% of total assets (excluding the value of the Soda Deutschland) on 31 December 2012. Including Infrastruktura Kapuściska S.A., as at 31 December 2012, the Guarantors represented 82.4% of total consolidated sales revenue and

195.1% of EBITDA in the period of 12 month ended 31 December 2012 and 80.7% of all assets (excluding the value of the Soda Deutschland). As at 31 December 2012 the total debt of Subsidiaries which are not Guarantors amounted to PLN 404 682 thousand including the trade liabilities but excluding intercompany liabilities. Among this amount, the financial liabilities of subsidiaries who are not Guarantors amounted to PLN 245 140 thousand.

(7) Polish Guarantors: Parent Guarantor (CIECH S.A.), Transclean Sp. z o.o., Soda Matwy S.A., Vitrosilicon S.A., Janikosoda S.A. Ciech Trading S.A. (formerly Cheman S.A., Ciech Pianki Sp. z o.o., Soda Polska Ciech S.A. and Z. Ch. "Organika – Sarzyna" S.A. Except of Z. Ch. „Organika – Sarzyna" S.A. where CIECH S.A. holds 99.64% of shares respectively, all Polish Guarantors are fully owned by CIECH S.A.

(8) German Guarantors: Soda Deutschland Ciech GmbH, Sodawerk Holding Stassfurt GmbH, Sodawerk Stassfurt Verwaltungs-GmbH and Sodawerk Stassfurt GmbH & Co. KG. All German Guarantors are directly or indirectly fully owned by CIECH S.A.

(9) US Govora S.A.: 92.91% of shares in US Govora are indirectly owned by CIECH S.A.

(10) *Other Polish companies from the Ciech Group which are not guarantors.*

Foreign Bonds

On 28 November 2012 Ciech Group Financing AB (publ) issued secured bonds for the amount of EUR 245 000 thousand. The Bonds were offered and sold in conformity with *Rule 144A* and *Regulation S* of the *U.S. Securities Act*.

The issue was to acquire the intra-group bonds of CIECH S.A. and indirectly to repay the indebtedness of CIECH S.A. under the Credit Agreement of 10 February 2011 and to repay indebtedness of Sodawerk Stassfurt GmbH & KG and Sodawerk Holding Stassfurt GmbH.

Below is the information on the completed issue of Bonds:

Issuer

Ciech Group Financing AB (publ) is a public limited liability company organized under the laws of Sweden with its legal seat in Stockholm and registered in the Swedish Registry of Enterprises under no. 556905-9396.

Parent Company

CIECH S.A.

Issued Bonds

Total principal amount of EUR 245 million with interest of 9.50% p.a. Bonds are due in 2019.

Issue Date

28 November 2012

Issue Price

100% (plus the accrued and unpaid interest, if such occur, counting from the Issue Date).

Maturity Date

30 November 2019

Interest Rate

9.50% per annum.

Interest payment dates

The interest will be payable every half year in arrears on 15 November and 15 May each year starting from 15 May 2013. Interest are accrued starting from the date of issue.

Nominal

The Issuer issued the Bonds on the Issue Date in the form of global bonds at minimum nominal value of EUR 100 000 and multiples of EUR 1000 held in the form of entry into the registry. Bonds of nominal value lower than EUR 100 000 are not available.

Guarantees

The Bonds are guaranteed on senior basis by the Parent Guarantor (CIECH S.A.), Ciech Trading S.A (formerly Cheman S.A), Ciech Pianki Sp. z o.o., Janikosoda S.A., Soda Polska Ciech S.A., Soda Deutschland Ciech GmbH, Soda Mątwy S.A., Sodawerk Holding Stassfurt GmbH, Sodawerk Stassfurt GmbH & Co., KG Sodawerk Stassfurt Verwaltungs-GmbH, Transclean Sp. z o.o., US Govora S.A., Vitrosilicon S.A. and Z. Ch. "Organika – Sarzyna" S.A.

The guarantors represent 83.6% of total sales revenue (excluding Infrastruktura Kapuściska S.A.) and 129.4% of EBITDA (excluding Infrastruktura Kapuściska S.A.) for 12 month period ended 31 December 2012 and 81.2% of total assets (excluding the value of Soda Deutschland) as at 31 December 2012.

The Bond Indenture provides that as far as the Intercreditor Agreement (or any other intercreditor agreement) is in effect, on or after the enforcement action under the Intercreditor Agreement (or any other intercreditor agreement) all payments in respect of any Guarantee may only be made to the Security Agent (and the Trustee and subject to the terms of the Indenture the holders of the Bonds may make demands or claims under any Guarantee only to the effect that such payments be made to the Security Agent) for application pursuant to the Intercreditor Agreement or any additional intercreditor agreement as the case may be.

Bond ranking
The Bonds are Issuer's general obligation and:

- are senior secured obligations of the Issuer;
- have pari passu ranking in the payment order with existing and future liabilities of the Issuer which are not subordinated to the Bonds including the Revolving Credit Facility Agreement and New Domestic Bonds;
- rank senior in right of payment to any and all of the existing and future indebtedness of the Issuer that is subordinated to the Bonds
- are structurally subordinated to the existing and future liabilities of the Issuers subsidiaries who are not guarantors of the Bonds.

Collateral
Bonds and Guarantees are secured using collateral established over all assets of the Parent Guarantor and its Restricted Subsidiaries (subject to relevant effectivenes requirements), including, among others:

- security over the Issuer's shares, its rights to Intra-group Bonds and bank accounts;
- security over the shares of each Polish Guarantor (other than the Parent Guarantor);
- security over the shares of each German Guarantor and KWG - Kraftwerksgesellschaft GmbH;
- in case of Polish Guarantors and German Guarantors security over the (1) movables and property rights (2) bank accounts and (3) assignment of insurance agreements, intra group loans and trade receivables;
- in case of Polish Guarantors and German Guarantors mortgages over certain real properties.

The Bonds and Guarantees are secured using security interest over bank accounts of US Govora S.A. together with arrangements specifying the control over the account made with banks operating the accounts, in case of accounts in Romania.
The collateral is shared based on the super senior principle with the creditors of the Revolving Credit Facility and based on pari passu principle with creditors of New Domestic Bonds, creditors in some allowable future debts and specific parties of secured hedging obligations subject to conditions of Intercreditor Agreement.

Intercreditor Agreement
Each Bond holder will be considered to have accepted the terms of the agreement between the creditors ("Intercreditor Agreement"), between, among others, Parent Guarantor, Issuer, Security Agent and the Trustee by accepting the Bond. The Indenture is subject to the terms and conditions of the Intercreditor Agreement and the rights and benefits of the Bond holder are therefore limited to the terms and conditions of the Intercreditor Agreement.

Optional redemption
The Issuer is entitled to redeem the Bonds:

- in total or in part at any time after the 30 November 2015 at the buy-back price established in the Bond Indenture increased by the accrued and unpaid interest incurred before the date of redemption;
- at any time and periodically prior to 30 November 2015 in the total amount not exceeding 35% of the total principal amount of originally issued Bonds, from one or more share capital offers at the price of 109.5% of the redeemed principal amount increased by the accrued and unpaid interest before the redemption date and
- in total or in part at any moment before the 30 November 2015 at the buy-back price equal to 100% of the principal amount and an additional premium ("make whole-premium") increased by the accrued and unpaid interest, if such interest exists before the redemption date.

Additional amounts
All payments made by the Issuer or any Guarantor in relation to the Bonds are made without holding or discounting any taxes for any taxation authority unless it is required by law. If holding or discounting such taxes is required by law in relation to the holders of the Bonds, with exception of some cases, the Issuer will pay the required additional amounts so that the net amount received by the Bonds holders after such hold or discount is not smaller than the amount they would receive if such hold or discount is absent.

Tax payment
When the Issuer becomes obliged to issue additional sums within due to changes in taxation law, the Issuer is entitled to buy-back Bonds in total but not in parts at any moment, at the price of 100% of the principal amount

increased by the accrued and unpaid interest, if such exists, and additional amounts, if such exist, before the date of redemption.

Change of control
If change of control occurs, the issuer is obliged to offer the redemption of Bonds at the amount of 101% of the principal amount increased by accrued and unpaid interest.

Certain covenants
The Indenture contains covenants that restrict the ability of the Parent Guarantor and its Restricted Subsidiaries to:

- incur more debt;
- pay dividends, repurchase of shares and certain other payments and investments;
- create or incur liens;
- enter into transactions with affiliates;
- transfer or sell assets;
- engage in certain activities;
- impair security interests;
- provide guarantees of other debt;
- agree to restrictions on dividends by subsidiaries; and
- merge or consolidate.

These obligations are subject to numerous important qualifications and exceptions.

Trustee
Deutsche Trustee Company Limited.

Main Paying Agent and Transfer Agent
Deutsche Bank AG – London Branch

Registry Holder, Listing Agent, Paying Agent for Luxembourg and Transfer Agent
Deutsche Bank Luxembourg S.A.

Security Agent
Powszechna Kasa Oszczędności Bank Polski S.A.

Listing
The Bonds are listed at the Luxembourg Stock Exchange

Governing law
The Bonds, Indenture and Guarantees are governed by the law of the State of New York. The Governing law for Intra-group Bonds is the Polish law. Documents related to collateral are governed by the law of the country where the subject of such collateral is registered or is subject to. Agreement among Creditors is governed by the British law.

Domestic Bonds
On 5 December 2012 CIECH S.A. issued the Domestic Bonds for the total principal amount of PLN 320 million. The funds from the issue were used mainly for the early redemption on 5 December 2012 of Series A bonds issued by CIECH S.A. on 14 December 2007 (amount of PLN 285 000 thousand) and the redemption on the maturity date, i.e. 14 December 2012 of the remaining amount of Series A bonds (value of PLN 15 000 thousand). Below is the information on the completed issue of bonds:

General information
The Domestic Bonds have a 5 year maturity. Two series of bonds were issued:

(i) Series 01 with a total nominal value of PLN 160 000 thousand with the option allowing CIECH S.A. for early redemption of the bonds before their maturity date, i.e. after 18 and 42 months from the issue date, with maturity date on 5 December 2017;
(ii) Series 02 with a total nominal value of PLN 160 000 thousand without the option of early redemption of the bonds by CIECH S.A., with maturity date on 5 December 2017;

Domestic Bonds are senior obligations of CIECH S.A. secured by sureties issued by guarantor companies in the Group and are treated equally when it comes to order of payment with existing and future debts of CIECH S.A. which are not subordinated to the Domestic Bonds when considering the order of payment and are structurally subordinated to all existing and future liabilities of subsidiaries of CIECH S.A. which are not guarantors.

The collateral used to secure the Foreign Bonds is applied also to Domestic Bonds, as specified in the Intercreditor Agreement. Only those holders of the Domestic Bonds who participate in the Intercreditor Agreement will benefit from the collateral as well as rights and obligations under the Intercreditor Agreement. Any holder of the Domestic Bonds who does not enter into the Intercreditor Agreement will not benefit from the collateral.

Coupon
The interest rate of the Domestic Bonds is the sum of the margin (500 basis points in case of Series 01 and 490 basis points in case of Series 02) and the semi-annual WIBOR rate (as defined in the terms of Domestic Bonds). Interest for Domestic Bonds is payable in semi-annual periods.

Optional redemption
On the day in which the interest is payable for the third and seventh semi-annual period CIECH S.A. is entitled to redeem the total or part of Series 01 of Domestic Dond. The price of the bonds will, in such case, be increased by the premium for earlier redemption established in the terms and conditions of the Domestic Bonds.

Early mandatory redemption – Payment Default
CIECH S.A. is subject to mandatory redemption of the Domestic Bonds at their nominal value plus the accrued and unpaid interest before the maturity date in case of payment default on interest or principal of the Domestic Bonds.

Early mandatory redemption – Change of Control
CIECH S.A. is subject to mandatory redemption of the Domestic Bonds at 100.7% of their nominal value plus the accrued and unpaid interest before the maturity date in case a third party or third parties acting together obtain in one or more transaction directly or indirectly more than 50% of votes in CIECH S.A.

Other conditions for early redemption
CIECH S.A. is subject to mandatory redemption of the Domestic Bonds at their nominal value plus the accrued and unpaid interest before the maturity date in case one of the events listed below occur and, in some cases, when such redemption is supported in voting by two thirds of the holders of Domestic Bonds:

- non-payment of the due and payable indebtedness (excluding Bonds and the Revolving Credit Facility) in the amount exceeding 10% of consolidated share capital;
- cross acceleration on the indebtedness (excluding Bonds and the Revoliving Credit Facilities) in the amount exceeding 10% of its consolidated share capital;
- if Ciech S.A. or its subsidiaries incurs additional indebtedness and EBITDA-to-net interest ratio is lower than 2.5 on a pro forma consolidated basis;
- if Ciech S.A. or its subsidiaries sells any of the assets in the soda segment and does not receive at least 75% in cash or cash equivalents and does not use the proceeds in the manner set forth in the Domestic Bonds;
- if Ciech S.A. or its subsidiaries sells any other assets and does not receive at least 75% in cash or cash equivalents and does not use the proceeds in the manner set forth in the Domestic Bonds;
- if any licenses and permits necessary for Ciech S.A. to perform its obligations under the Domestic Bonds expire or are revoked;
- if Ciech S.A. or any of its subsidiaries acquires another company which is not engaged in the current core business activity of the group or the surviving entity does not assume the obligations under the Domestic Bonds;
- if Ciech S.A. or any of its subsidiaries acquires into another company which business or activity is fully or partially coherent with the current core business activity of the group and the EBITDA-to-net interest as a result of such acquisition ratio is lower than 2.5 on a pro forma basis;
- if Ciech S.A. merges with another entity unless Ciech S.A. is the surviving entity or the surviving entity assumes the obligations under the Domestic Bonds and in addition no event of default under the Domestic Bonds occurs and the EBITDA-to-net interest ratio on a pro forma consolidated basis is not lower than 2.5 on a pro forma consolidated basis;
- if Ciech S.A. does not pay any amount exceeding 10% of its consolidated share capital that was due and payable pursuant to a final and binding judgment or administrative decision;
- if the claims under the Domestic Bonds no longer enjoy at least pari passu ranking with all other unsecured and unsubordinated claims of other creditors subject to claims enjoying statutory priority;
- if the sureties granted by the subsidiaries of Ciech S.A. in respect of the Domestic Bonds cease to be legal, valid and enforceable;
- if Ciech S.A. or the Guarantors incurs additional indebtedness secured over the assets of Ciech S.A. or the Guarantors and the net secured debt to EBITDA ratio is higher than 3.5 (3.0 if the additional indebtedness is incurred after December 31 2014);
- if a non Guarantor subsidiary of Ciech S.A. incurs additional indebtedness and the net secured debt to EBITDA ratio (such debt being treated as secured debt for the purposes of calculating the ratio) is higher than 3.5 (3.0 if the additional indebtedness is incurred after 31 December 2014);

- if any representation or warranty made by Ciech S.A. in the proposal to subscribe of the Domestic Bonds or in the terms and conditions of the Domestic Bonds appears to be untrue entirely or in part as of the date on which it has been made;
- if the documentation pursuant to which the transaction collateral is to be established is not duly executed on or the motions for the registration of all the relevant transaction collateral are not filed with the relevant courts until proper terms;
- if the transaction security ceases to be legal valid and enforceable;
- if any execution is effected or injunction issued against any assets of Ciech S.A. for an amount exceeding 10% of its consolidated share capital;
- if Ciech S.A. or its subsidiary gives the benefit of the holders of the Foreign Bonds a security or guarantee to secure the Foreign Bonds and an equivalent instrument is not given by it simultaneously for the benefit of the holders of the Domestic Bonds; and
- if Ciech S.A. defaults in respect of its other obligations and such default is not cured within 45 days of its occurrence.

CIECH S.A. is subject to obligatory redemption of Domestic Bonds at their nominal value plus the accrued and unpaid interest before the date of redemption in case one of the events listed below occurs (without the need for voting by the holders of Domestic Bonds):

- cross acceleration (Foreign Bonds and/or Credit Facilities only);
- the Security Agent receives enforcement instructions from the relevant Instructing Group under the Intercreditor Agreement;
- insolvency proceedings;
- dissolution or liquidation of Ciech S.A.;
- cessation of business; and
- if all the shares of Ciech S.A. are fully de-listed from the regulated market in Poland.

Governing law
Domestic Bonds are subject to, are interpreted and enforceable in accordance with the regulations of the Polish law.

Intra-group bonds
On 6 December 2012 CIECH S.A. issued non-secured registered bonds series W governed by Polish law denominated in Euro with maturity on 29 November 2019 which were acquired by CIECH Group Financing AB (public). The funds from the issuance have been used, among others, for:

- repayment of granted credits among others to CIECH S.A on the basis of the credits facility agreement dated 10 February 2011
- repayment of credits granted to Sodawerk Stassfurt GmbH & Co. KG and Sodawerk Holding Stassfurt GmbH in accordance with the credit facility agreement dated 23 January 2008.

Intra-group bonds have been issued on the following conditions:

- Type of issued bonds: non-secured registered bonds issued in the form of a document;
- Quantity of issued bonds: 2;
- Issue value: EUR 245 000 thousand;
- Face value of the bond: EUR122 500 thousand;
- Issue price of 1 bond: EUR 118 100 thousand, being face value reduced by EUR 4 400 thousand;
- Interest (per annum): fixed interest of: 10.15% p.a. in the first interest period in which the interest will be payable on 14 May 2013; and 9.6% in subsequent interest periods;
- Days of payment of interest: 14 May and 14 November each year;
- Conditions of redemption: maturity of intra-group bonds has been fixed for 29 November 2019, the redemption will be conducted at nominal value increased by any accrued and unpaid interest; the Intra-group bonds contain the option allowing CIECH S.A. for, in the cases specified in the conditions of bonds, issuance early redemption of bonds.

Revolving Credit Facility Agreement
On 9 August 2013 a Revolving Credit Facility Agreement was signed by CIECH S.A. as the borrower, its subsidiaries as guarantors (CIECH Group Financing AB (publ), JANIKOSODA S.A., SODA MĄTWY S.A., Soda Polska Ciech S.A., Alwernia S.A., Ciech Trading S.A.(formerly Cheman S.A.), Z. Ch. "Organika – Sarzyna" S.A., VITROSILICON S.A., TRANSCLEAN Sp. z o.o., Ciech Pianki Sp. z o.o., Soda Deutschland Ciech GmbH, Sodawerk Holding Stassfurt GmbH, Sodawerk Stassfurt Verwaltuns-GmbH, Sodawerk Stassfurt GmbH & Co. KG) and BZ WBK S.A. ("the Facility") Bank Polska Kasa Opieki S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. (jointly as "the Lenders").

Financing available under the Revolving may be used for may be used to (i) finance short-term liquidity of CIECH S.A.; (ii) issuing guarantees in relation to the operating activities of the Ciech Group; and (iii) finance intercompany loans from CIECH S.A.

The main borrower under the Revolving Credit Facility is CIECH S.A. The liabilities under the contract are guaranteed by Ciech Group Financing AB (publ), JANIKOSODA S.A., Vitrosilicon S.A., SODA MĄTWY S.A., Soda Polska Ciech S.A., Transclean Sp. z o.o., Z Ch "Organika-Sarzyna" S.A., Ciech Trading S.A. (formerly Cheman S.A.), Ciech Pianki Sp. z o.o., Soda Deutschland Ciech GmbH, Sodawerk Holding Stassfurt GmbH, Sodawerk Stassfurt Verwaltungs-GmbH, Sodawerk Stassfurt GmbH & Co. KG, S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A.

Repayments and prepayments
Financing made available under the Revolving Credit Facility is subject to repayment within 36 months from the Effective Date (i.e. 13 September 2016). Any amounts outstanding over this period will be immediately due and payable, with some exceptions, pertaining to letters of credit and guarantees.

In accordance with the terms of the Agreement the borrower can make voluntary early repayment of the granted credits in the minimum amount of PLN 5 million while submitting notice within 10 working days from the date of repayment. The repaid amounts may be re-used.

The Revolving Credit Facility determines the cases of mandatory early repayment of loans either in full or in part, under certain circumstances, including among other:

(1) with regard to any creditors or the issuing bank, if performance of any obligations under the Revolving Credit Facility proves or will prove to be illegal for such creditors or the issuing bank;
(2) after occurrence of a change in control;
(3) after occurrence of specified mandatory or optional redemption on the basis of the Foreign Bonds or Domestic Bonds.

Interest and fees
The Revolving Credit Facility Agreement determines due interest from the paid credits, per annum, equal to the WIBOR rate increased by the defined mandatory costs and margin. The contract also contains provisions concerning the commitment fee payable quarterly in arrears in the period of availability of the credit and on the last business day of the period of availability and for the cancelled amount at the time of the effective date of cancellation.

Collateral for a loan
The instruments made available under the Revolving Credit Facility Agreement have been secured by means of the same collaterals as the Foreign Bonds and Domestic Bonds.
The instruments made available under the Revolving Credit Facility are guaranteed, subject to customary guarantee limitation provisions, by each member of the Group, which either was an initial guarantor or accessed as a guarantor according to the Revolving Credit Facility Agreemen and its conditions. Each guarantor provides also the defined indemnities to the financing parties. Conditions of such sureties and indemnities are consistent with the customary market conditions for the transaction of a similar nature.

Credit Agreement conditions
The Revolving Credit Facility Agreement contains the customary operational and financial convenants with certain exceptions agreed including the provisions limiting ability of each debtor to, among others:

- establishing new collaterals;
- sale, lease, transfer or disposal of assets;
- entering into certain derivative transactions;
- transact in other than at arm's length way;
- introducing significant changes in the nature of the business; and
- changes of centre of main interest.

The Revolving Credit Facility Agreement also requires from the specified debtors compliance with specified obligations with specified agreed exceptions including, among other

- maintenance of relevant authorisations;
- compliance with law and other regulations;
- payment of taxes;
- ensuring that the obligations under the Revolving Credit Facility Agreement are treated pari passu as the claims of other debtors;
- maintaining certain bank business relations with specific parties;
- redemption or changing the conditions of the Bonds.

The Revolving Credit Facility also requires fulfillment of the requirements set out in the conditions of Bonds issuance.
The Revolving Credit Facility requires complying with the following net leverage ratios:

Ended measurement period	30.06.2013	31.12.2013	30.06.2014	31.12.2014	30.06.2015	31.12.2015	30.06.2016
Maximum indicator level	4.5	4.3	3.6	3.6	3.0	3.0	3.0

Events of default
The Revolving Credit Facility Agreement contains events of default (subject, in certain cases, to agreed grace periods, thresholds and other qualifications) including a cross default with respect to certain financial indebtedness the occurrence of which would allow the lenders to, amongst others, accelerate all or part of the outstanding utilizations and/or terminate their commitments and/or declare all or part of their utilizations payable on demand and/or declare that cash cover in respect of the letter of credit facility is immediately due and payable.

Governing law
The Revolving Credit Facility Agreement, as well as any non-contractual obligations resulting from or in connection with the Contract are subject to the provisions of the Polish law.

Intercreditor Agreement
With regard to entering into the Revolving Credit Facilitiy Agreement (hereafter referred to as New Credit Facility Agreement) the Indenture Agreement regulating the Foreign Bonds and the terms and conditions of the Domestic Bonds the Issuer the Parent Guarantor (as a parent guarantor under the Indenture and as issuer of the Domestic Bonds) the Subsidiary Guarantors and certain other subsidiaries of the Parent Guarantor have entered on 28 November 2012 into an intercreditor agreement (the "Intercreditor Agreement") to govern the relationships and relative priorities among: (i) the lenders (the "Credit Facility Lenders") and the other super senior creditors under the New Credit Facility Agreement and any further credit facility (each is named a "Credit Facility Agreement"); (ii) any persons that accede to the intercreditor agreement as counterparties to certain permitted hedging agreements (collectively the "Hedging Agreements"; any persons that accede to the Intercreditor Agreement as counterparties to the Hedging Agreements are referred to in such capacity as the "Hedge Counterparties"); (iii) the Trustee on its behalf and on behalf of the holders of the Bonds; (iv) Espirito Santo Investment Bank as administrative agent for the Domestic Bonds (the "Domestic Bondholders' Representative") on behalf of the holders of the Domestic Bonds (the "Eligible Domestic Bondholders") who have acceded to the Intercreditor Agreement as described in the section headed "*Domestic Bondholders Accession*"; (v) the Creditor Representatives and the Pari Passu Creditors (each as defined in the Intercreditor Agreement) of any Pari Passu Debt (as defined below) that accede to the Intercreditor Agreement and (vi) intra group creditors and debtors.

The documents that contain the terms and conditions governing each of the relevant credit instruments (including the Intercreditor Agreement and any security documents and guarantees) are respectively referred to as the "Credit Facility Documents" "Bonds Documents", "Domestic Bonds Documents" "Hedging Documents" "Pari Passu Debt Documents" and collectively the "Debt Documents". The Parent Guarantor and each of its Subsidiaries (as defined in the Intercreditor Agreement) (the "Group") that incurs any liability or provides any guarantee under or in connection with the Debt Documents are each referred to in this description as a "Debtor" and are referred to collectively as the "Debtors". The Notes together with the Domestic Bonds are collectively referred to in this description as the "Senior Notes".

The Intercreditor Agreement sets out:

- the relative ranking of certain indebtedness of the Debtors;
- the relative ranking of certain security granted by the Debtors;
- when payments can be made in respect of certain indebtedness of the Debtors;
- when enforcement actions can be taken in respect of that indebtedness;
- the terms pursuant to which that indebtedness will be subordinated upon the occurrence of certain insolvency events;
- resolves concerning a repayment of received amounts; and
- when security and guarantees will be released to permit a sale of any assets subject to transaction security.

The Intercreditor Agreement contains provisions relating to super senior indebtedness (which may be ranking alongside the New Credit Facility Agreement with respect to priority over enforcement proceeds) and indebtedness *pari passu* with the Super Senior Liabilities the Hedging Liabilities and the Senior Bonds Liabilities (such indebtedness "Pari Passu Debt") that may be incurred under the terms of the Debt Documents and in each case that share the security interests in the Collateral on a *pari passu* basis with any other Super Senior Liabilities Hedging Liabilities Senior Notes Liabilities and any other Pari Passu Debt subject to the terms of the Intercreditor Agreement (as set out further under Additional Indebtedness below). The Intercreditor Agreement

subjects to certain conditions being met allows for a refinancing in full or in part of the Super Senior Liabilities the Senior Bonds Liabilities or the Pari Passu Debt.

Unless expressly stated otherwise in the Intercreditor Agreement, the provisions of the Intercreditor Agreement as between the parties to the Intercreditor Agreement override anything to the contrary in the Debt Documents.

By accepting a Note, holders of the Notes shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement.

It shall be deemed that each Bondholder by bond acquisition has agreed to and accepted the terms of the Intercreditor Agreement.

8.2 Bonds, credit, loan, sureties and guarantees

Bonds and Credits

Debt financing of the Group in the form of a bond and a credit is provided mostly through:

- bonds issued by Ciech Group Financing AB (publ.) (as at 31 December 2013 nominal debt was EUR 245 million)
- bonds issued by CIECH S.A. (as at 31 December 2013 the nominal debt was PLN 320 million)
- credit provided to CIECH S.A. under the revolving credit facility agreement of 9 August 2013 in the amount of PLN100 million (as at 31 December 2013 debt amounted to PLN 0).

Detailed information on bonds, credits and loans concluded in 2013 by the Ciech Group Companies has been presented in the section I.8 and II.27.

Below, there is a specification of loans granted by CIECH S.A to subsidiaries in 2013

Borrower	The maturity date	The amount of loans granted and paid in thousands PLN as at 31.12.2013	Conditions of granting	Value of loans granted in the currency in thousands
JANIKOSODA S.A.	31.03.2014	2 708	Interest WIBOR 6M + margin payable every six months	2 882 RON
JANIKOSODA S.A.	21.12.2014	1 800	Interest WIBOR 6M + margin payable every six months	1 800 PLN
Ciech Trading S.A.	30.12.2014	4 500	Interest WIBOR 6M + margin payable every six months	4 500 PLN
Ciech Trading S.A.	31.12.2014	650	Interest WIBOR 6M + margin payable every six months	650 PLN
Ciech Trading S.A.	31.12.2014	7 288	Interest WIBOR 6M + margin payable every six months	7 288 PLN
Ciech Trading S.A.	29.11.2019	9 000	Interest WIBOR 6M + margin payable every six months	9 000 PLN
Ciech Trading S.A.	29.11.2019	11 500	Interest WIBOR 6M + margin payable every six months	11 500 PLN
Ciech Trading S.A.	29.11.2019	33 000	Interest WIBOR 6M + margin payable every six months	33 000 PLN
Ciech Finance Sp. z o.o.	30.12.2013 (unpaid)	110	Interest WIBOR 6M + margin payable every six months	110 PLN
Ciech Finance Sp. z o.o.	29.11.2019	120	Interest WIBOR 6M + margin payable every six months	120 PLN
Ciech Pianki Sp. z o.o.	25.06.2014	3 000	Interest WIBOR 6M + margin payable every six months	3 000 PLN

Borrower	The maturity date	The amount of loans granted and paid in thousands PLN as at 31.12.2013	Conditions of granting	Value of loans granted in the currency in thousands
Ciech Pianki Sp. z o.o.	29.11.2019	5 000	Interest WIBOR 6M + margin payable every six months	5 000 PLN
Ciech Trademarks Sp. z o.o.	31.12.2014	2 476	Interest WIBOR 6M + margin payable every six months	2 476 PLN
Ciech Trademarks Sp. z o.o.	31.12.2014	541	Interest WIBOR 6M + margin payable every six months	541 PLN
Z. Ch. „Organika – Sarzyna" S.A.	31.03.2015	3 800	Interest WIBOR 6M + margin payable every six months	3 800 PLN
SODA MATWY S.A.	29.11.2019	24 250	Interest WIBOR 6M + margin payable every six months	24 250 PLN
Verbis Eta Sp. z o.o. SKA	04.03.2014	1 020	Interest WIBOR 6M + margin payable every six months	1 020 PLN
KWG Stassfurt mbH*	30.12.2013** (unpaid)	4 147	Fixed interest payable on the date of repayment of the loan	1 000 EUR
KWG Stassfurt mbH*	31.08.2018	209 434	Fixed interest payable every month	50 500 EUR
S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A.*	30.06.2014	6 636	Fixed Interest payable every six months	1 600 EUR

** Loans granted and paid in the currency reported according to the average exchange rate of the National Bank of Poland of 31/12/2013.*
*** The loan was repaid by the Company in accordance with the term, the tranfer to the bank account on 2 January 2014.*

The list of loans provided by the subsidiaries to CIECH S.A. in 2013 is presented below.

Borrower	The maturity date	The amount of loans granted and paid in thousands PLN as at 31.12.2013	Conditions of granting	Value of loans granted in the currency in thousands
Transoda Sp. z o.o.	30.06.2014	9 850	Interest WIBOR 6M + margin payable on the loan repayment day	9 850 PLN

The list of loans provided by the subsidiaries to CIECH S.A. before 2013 which amount was increased in 2013.

Borrower	The maturity date	The amount of loans granted and paid in thousands PLN as at 31.12.2013	Conditions of granting	Value of loans provided in the currency in thousands
Ciech – Polsin Private Limited	28.02.2014	6 024	Interest 1M LIBOR + margin payable at the end of each month	4 000 USD
Ciech – Polsin Private Limited	28.02.2014	930	Interest 1M LIBOR + margin payable at the end of each month	2 430 PLN

The list of loans concluded between the subsidiaries in the Ciech Group in 2013.

Lender	Borrower	The maturity date	The loan and capitalized interest in thousands. PLN as at 31.12.2013	Conditions of granting	Value of loans gratned in the currency in thousands
Ciech Trading S.A.	Infrastruktura Kapuściska S.A.	Termination 16.12.2013	9 000	Interest WIBOR 1M + margin payable monthly	9 000 PLN
Ciech Trading S.A.	Infrastruktura Kapuściska S.A.	Termination 16.12.2013	11 500	Interest WIBOR 1M + margin payable monthly	11 500 PLN
Ciech Trading S.A.	Infrastruktura Kapuściska S.A.	28.02.2014 (unpaid)	33 000	Interest WIBOR 1M + margin payable monthly	33 000 PLN
Soda Polska Ciech S.A.	S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A.	05.12.2018	13 350	Interest WIBOR 6M + margin payable every six months	13 350 PLN
Verbis Eta Sp. z o.o. SKA	SODA MATWY S.A.	20.12.2018	26 630	Interest WIBOR 6M + margin payable every six months	26 630 PLN
Verbis Eta Sp. z o.o. SKA	Verbis Eta Sp. z o.o.	12.12.2015	30	Interest WIBOR 1M + margin payable monthly	30 PLN
Verbis Eta Sp. z o.o. SKA	Ciech Trademarks Sp. z o.o.	05.11.2018	178 317	Interest WIBOR 1M + margin payable monthly	178 317 PLN
Verbis Eta Sp. z o.o. SKA	Ciech Trademarks Sp. z o.o.	17.06.2014	700	Interest WIBOR 1M + margin payable monthly	700 PLN

Sureties and guarantees as at 31 December 2013

Name of the entity which was given surety	Amount of guaranteed credits which was guaranteed entirely or in a certain part 000' PLN	Period for which the surety was granted	Financial conditions on which sureties were granted subject to remuneration for granted surety	Entity for whose liability surety was granted	Nature of existing linkages between CIECH S.A and the entity which contracted the credit
Infrastruktura Kapuściska S.A.*					
Bank PEKAO S.A.	18 160	till 31.12.2014	Missing	Spółka Wodna Kapuściska	None
Nordea Bank	18 160	till 31.12.2014	Missing	Spółka Wodna Kapuściska	None
TOTAL	**36 320**				

** On 31 August 1999, Spółka Wodna Kapuściska and Infrastruktura Kapuściska. concluded the agreement to receive and treatment of sewage provided by Infrastruktura Kapuściska S.A. to the sewage treatment plant "Kapuściska ". Par.3. of the Agreement sets for performed services minimum amount (independent to the amount of sewage provided to the sewage treatment)to be paid to Spółka Wodna Kapuściska in an amount necessary to repay the Spółka Wodna Kapuściska's borrowings. . As at 31 December 2013 the debt of Spółka Wodna Kapuściska.due to the loan granted by the NFOŚiGW amounts to PLN 4 764 thousand. Guarantees issued Spółka Wodna Kapuściska as a hedge of the loan limits participation rate Infrastruktura Kapuściska S.A. in Spółka Wodna Kapuściska (45.4%). In addition, given the fact that the other guarantors are the City of Bydgoszcz, the Municipality Solec Kujawski and Nitro-Chem SA the maximum potential claim against Infrastruktura Kapuściska S.A. should be close to PLN 2 163 thousand which is covered by provision.*

Name of the entity which was given guarantee	The total amount of granted own guarantees which were guaranteed in the whole or a certain part		Period for which guarantee was granted	Financial conditions on which own guarantees were granted subject to remuneration for granted guarantees	Entity for whose liability guarantee was granted	Nature of existing linkages between CIECH S.A and the entity to whom guarantee was granted
	currency in thousands	in thousand PLN				
CIECH S.A.						
Deutsche Trustee Company Limited; bondholders	245 000 EUR	1 016 064*	Until full redemption of bonds (max term 30.11.2019)	Security for liabilities from bonds issued	Ciech Group Financing AB (publ.)	Subsidiary
Anwil S.A.	15 000	15 000	30.06.2015	Commission of 1.5% p.a. of the guaranteed liability security of payment of receivable	Ciech Trading S.A.	Subsidiary
Alwernia S.A.	1 000	1 000	Liabilities incurred and outstanding to 31.03.2014	Commission of 1.5% p.a. of the guaranteed liability security of payment of receivable	Ciech Trading S.A.	Subsidiary
Deloitte Sp. z o.o. SK	17 EUR	72	28.02.2014	Commission of 1.5% p.a. of the guaranteed liability security of payment of receivable	Infrastruktura Kapuściska S.A.	Subsidiary
BASF Polska Sp. z o.o. BASF SE	10 000 EUR	41 472	Maxiumum till 12.03.2017	Guarantee for certain obligations and warranties made by Zachem SA (now Infrastruktura Kapuściska SA) as a part of the sales contract and the transfer of TDI assets on BASF	Infrastruktura Kapuściska S.A	Subsidiary
Total amount of granted guarantees		**1 073 608**				

**The guarantee was given to the amount of 155% of the liabilities related to the issuance of foreign bonds (principal amount of bonds, interest, any fees)*

In 2013 the companies of Ciech Group did not receive any guarantees or sureties from external units.

8.3 Information about issuance of securities in CIECH S.A.

On 21 January 2013 the District Court for the Capital City of Warsaw, XIII Commercial Department of the National Court Register issued the decision on the entry in the Register of Enterpreneurs in the range of share capital of CIECH S.A. due to the decision on the division of Inowrocławskie Zakłady Chemiczne SODA MĄTWY S.A. and Janikowskie Zakłady JANIKOSODA S.A. executed under § 529(1) point 4 Commercial Companies Code by transferring part of assets of the divided companies and related to increase in share capital of CIECH S.A. by the issue of 2 F-series registered common shares.

Therefore, the share capital of the Company is PLN 263 500 975 and is divided into 52 699 911 shares with a face value of PLN 5 each including:

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

On 22 May 2013 the Ordinary General Meeting of CIECH S.A. agreed to purchase by CIECH S.A. above mentioned own shares for the purpose of redemption.

In 2012 CIECH S.A conducted issuance of bonds which has been described in detail in the section I.8 and II .27.

8.4 Financial instruments

Financial results of the Ciech Group may be subject to fluctuations as a result of change of market factors in particular quotations of products, foreign exchange rates and interest rates. Sources of currency risk to which companies of Ciech Group were exposed in 2013 were: transactions of purchases of raw materials, sale of products, issued bonds as well as cash in foreign currencies.

The Ciech group applies hedge accounting in order to limit variability of revenue of the Group's companies resulting from exchange rate variability on the market. The analysis of the impact of using hedge accounting is presented in the section II.38.

Information concerning financial instruments has been presented in detail in the additional information and the explanations to the consolidated statement in the section II.36-II.38.

8.5 Goals and principles of financial risk management in the Ciech Group

The aim of financial risk management policy is to identify areas requiring risk analysis to determine methods to identify and measure it to determine activities undertaken in relation to identified risk areas and to define organisational solutions in the risk management process.

The Ciech Group is exposed to the following financial risks:
customers credit reliability risk ;
liquidity risk;
market risk including:

- currency risk
- interest rate risk
- products and raw material price risk.

In fulfilling its main goals, the Group aims to avoid excessive market risk. This aimmentioned above is realised by identifying monitoring and hedging cash flow fluctuation risk and monitoring the size and costs of Ciech Group debt. When assessing risk, the Group takes into account the portfolio effect resulting from the variety of conducted business activities. Risk effects are materialised in the cash flow statement, statement of financial position and the income statement.

Financial risk management covers processes of identifying, measuring and establishing the manner of responding to that risk, including processes related to currency exchange rates and interest rate fluctuations. The Group monitors risk areas which are the most important for its activities.

The above risks categories have been described in the section I.4 and II.35.

Methods of securing significant kinds of planned transactions for which hedge accounting is applied
Transactions secured in the form of hedge accounting are determined as highly credible. Their occurrence is assumed in long-term financial projection of the Group. Additionally, these are business transactions with regular customers of the Group which authenticates the probability of their occurrence.

9 Explanation of differences between financial results and the previously published forecasts of results

In 2013 the Ciech Goup did not publish forecasts for the year 2013.

10 Employment in Ciech Group

State of employment in the Ciech Group (the parent entity of CIECH S.A. and subsidiaries consolidated with full method) at the end of 2013 amounted to 3 873 people. At the end of the comparable period i.e. 2012 the state of employment amounted to 5 509 people.

	2013	2012
State of employment in people	**3 873**	**5 509**
White- collar employees	1 384	1 803
Blue- collar employees	2 489	3 706
Average employment in people	**4 763**	**5 682**
White- collar employees	1 561	1 860
Blue- collar employees	3 202	3 823

At 31 December 2013 the Ciech Group employed 3 873 employees, mainly performing work in Poland, Germany and Romania. About 70% employees work in Poland, the majority of which is employees of the production department.

11 Changes in organization, management and financial assets of Ciech Group

11.1Changes in basic principles of managing in Ciech Group

In 2013 management model of the Company and the Group was under further optymalisation. After changes in organization structure realised in June 2012 which consist of implementing – instead of model based on product portfolio (realize under Soda Division, Agro-Silicon Division and Organic Division) - functional business model in which heads of specific segments in CIECH S.A, as a holding company, are responsible for proper functioning in the Ciech Group. The new model enable concentration of management functions among others: strategy, HR, finance, public relations and financial controlling on CIECH S.A. level.

Changes in business model also consist of excluding the support functions from soda producing companies and transfer them to Inowrocław Office, in case of Soda Polska CIECH S.A. (The office operates as organizational unit in CIECH S.A. structure), to CIECH S.A.'s Romanian branch, in case of S.C. Uzinele Sodice Govora Ciech - Chemical Group S.A, to Soda Deutschland Ciech GmbH –in case of Sodawerk Stassfurt GmbH & Co KG. Inowrocław Office perform support functions from 1 August 2013 while CIECH S.A.'s Romanian branch and Soda Deutschland Ciech GmbH from 1 January 2014.

Main assumption of adopted model and realized changes in Group structure within its frames are among others:

- integration of business and support functions at CIECH S.A. level,
- concentration of companies of the Group on production activity,
- clear division of competences and responsibilities (operational management of production companies by the parent company),
- reduction of positions related to doubling business and support functions,
- centralization of finance management.

Implemented business model increased organizational effectiveness in the Ciech Group what was the fundamental reason to resign from division structure. Higher effectiveness was reached at all areas of the Group operations, higher flexibility and efficiency in response to occurring market changes including shorter decision-making process and transparent division of responsibility, overlapping competences between CIECH S.A.'s divisions and the Group companies was also eliminated. Moreover, functional model enable the cost optimization of conducted operations, separation corporate functions from operational functions, unification of management processes, decrease in business risks by increasing transparency of the Group companies operations.

11.2Changes in organizational linkages in Ciech Group

In 2013 the following changes occurred in relation to companies in which CIECH S.A. holds share directly and lead to changes in the structure of the Ciech Group:

SODA MĄTWY S.A. JANIKOSODA S.A. and Soda Polska Ciech S.A.
As a result of implementation of the SODA MĄTWY S.A. and JANIKOSODA S.A. Division Plan of 27 August 2012, the Extraordinary General Shareholders' Meetings of: SODA MĄTWY S.A. JANIKOSODA S.A. and CIECH S.A. approved on 19 November 2012 the spin-off of SODA MĄTWY S.A. and JANIKOSODA S.A. and the transfer of part of the assets of both companies to CIECH S.A. in the form of an organised part of the enterprise

including 100% of shares in Soda Polska Ciech S.A. and the decrease in the share capital of SODA MĄTWY S.A. and JANIKOSODA S.A. i.e.:

- the share capital of SODA MĄTWY S.A. was decreased pursuant to the EGM resolution of 19 November 2012 from PLN 74 161 thousand to PLN 148 thousand by cancelling 1 series A share held by the Minority shareholder and decreasing the face value of the remaining shares of SODA MĄTWY S.A. The decrease of SODA MĄTWY S.A.'s share capital was registered on 25 January 2013. The decreased share capital of SODA MĄTWY S.A. amounts to PLN 148 thousand and is divided into 7 416 074 shares with a face value of PLN 0.02 each;
- the share capital of JANIKOSODA S.A. was decreased pursuant to the EGM resolution of 19 November 2012 from PLN 44 676 thousand to PLN 134 thousand by cancelling 1 series A share held by the Minority shareholder and decreasing the face value of the remaining shares of JANIKOSODA S.A. The decrease of JANIKOSODA S.A.'s share capital was registered on 21 January 2013. The decreased share capital of JANIKOSODA S.A. amounts to PLN 134 thousand and is divided into 4 467 607 shares with a face value of PLN 0.03 each;
- on the date of the registration of the spin-off of SODA MĄTWY S.A. and JANIKOSODA S.A. and the decrease of their share capital on 25 January 2013 the ownership of 100% shares in Soda Polska Ciech S.A. was transferred to CIECH S.A.

JANIKOSODA S.A.
On 28 March 2013 CIECH S.A. sold to Ciech Trading S.A. 4 467 607 ordinary registered shares in JANIKOSODA S.A. with a face value of PLN 0.03 each as a result of which CIECH S.A. transferred the share ownership right to Ciech Trading S.A. Ciech Trading S.A. became the owner of 100% of shares in JANIKOSODA S.A. on the date of payment of the JANIKOSODA S.A.'s share price i.e. on 28 March 2013.

S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.
On 22 May 2013 JANIKOSODA S.A. became the owner of 92.91% of the share capital of U.S. Govora - Ciech Chemical Group S.A. as a result of the acquisition of shares on the Bucharest Stock Exchange. The shares were offered for sale by CIECH S.A. on 17 May 2013. CIECH S.A. ceased to be a shareholder of the Company on 17 May 2013 (the Company is currently under the indirect control of CIECH S.A.)

Ciech America Latina Ltd. in liqudation (seated in Brazylii)
The company terminated its activities on 13 June 2012. The liquidation process lasted until 17 June 2013 and since then the Company has been deregistered from the Register of Entrepreneurs.

Alwernia S.A.
On 25 July 2013 the ownership of 2 277 431 Alwernia S.A.'s shares was passed to Alwernia Invest Sp. z o.o. and therefore the Conditional Agreement for the sale of Alwernia S.A.'s shares entered into on 31 January 2013 (with further amendments) between CIECH S.A. (as the Seller) and Alwernia Invest Sp. z o.o. (as the Buyer) was performed. According to the agreement the total stock purchase price amounts to USD 13 435 thousands and is to be paid in following way:

- down payment of USD 300 thousands was paid within one month from the date of signing the Agreement
- the first part of USD 6 717.5 thousand was paid at the Closing Date (i.e. on 25 July 2013)
- the remaining part of USD 6 717.5 thousand was paid at 30 December 2013.

Consequently, Alwernia S.A. is no longer a member of the Ciech Group.

Ciech-Polsin Private Ltd.
Due to the gradual decrease of the chemical products import to Asia, on 7 June 2013 the Board of Directors of Ciech-Polsin Pte. Ltd. decided to terminate the Company's operating activities and preparaed the Company's liquidation and cancellation from the Register of Companies in Singapore.

Verbis ETA Sp. z o.o.
On 3 October 2013 CIECH S.A. became the 100% shareholder in accordance with the Verbis ETA Sp. z o.o. share sales agreement. The Agreement concerned 100 shares with a face value of PLN 50 each. The total sales price amounted to PLN 5 thousand. The ownership of Shares was passed to CIECH S.A. on the day on which the sales price was credited against the Seller's bank account i.e. on 3 October 2013.

Verbis ETA Sp. z o.o. Spółka Komandytowo-Akcyjna

- On 3 October 2013, in accordance with the Verbis ETA Sp. z o.o. S.K.A. share sales agreement CIECH S.A has become the sole shareholder of Verbis ETA Sp. z o. o. S.K.A.. The Agreement concerned 5 000 shares with a face value of PLN 10 each. The total sales price amounted to PLN 50 thousand. The ownership of Shares was passed to CIECH S.A. on the day on which the sales price was credited against the Seller's bank account, i.e. on 3 October 2013.
- The increase of share capital establish by Extraordinary General Meeting resolution from 4 November 2013 was registered by court decision from 27 November 2013. Share capital was increased from PLN 50 thousand to PLN 1 050 thousand i.e. by amount of PLN 1 000 thousand by issuing 100 000 ordinary

registered shares B series with a nominal value PLN 10 each and issue price PLN 1 658.10 for each share. Shares of new issue were subscribed for in private placement by CIECH S.A. in exchange for contribution in kind evaluated by expert at total value of PLN 165 810 thousand which subject are:

- ✓ rights for trademarks: "Trading Ciech"; "SÓL KUJAWSKA" and "Ciech".
- ✓ right for perpetual usufruct of real estate situated in Warsaw, at the intersection of Elbląska Kraśińskiego and Powązkowska streets total area of 9 583 square meters.

Ciech Trading S.A.

On 6 November 2013 CIECH S.A. became Company's majority shareholder which participation in share capital increase from 3.57% to 68.62%. The second Company's shareholder – Ciech Finance Sp. z o.o.'s share decreased to 31.38%. On 6 November 2013 the increase of share capital established by Ciech Trading S.A. Extraordinary General Meeting from 15 October 2013 in relation to increase share capital from PLN 17 554 thousand to PLN 53 950 thousand by issuing 4 044 050 ordinary registered share series L with a nominal value PLN 9 each and issuing price equal to nominal value was registered by court decision. L series shares were offered by private subscription to CIECH S.A. in exchange for cash contribution. In Share Acquisition Agreement from 18 October 2013 CIECH S.A. gain the ownership right to L series shares on 18 October 2013, i.e. on the day of issuing price per share payment on Ciech Trading S.A. Bank Account.

In 2013 the following changes occurred in the structure of the Ciech Group in relation to companies in which CIECH S.A. indirectly owns shares:

Infrastruktura Kapuściska Group

Boruta-Zachem Kolor Sp. z o.o. - on 1 February 2013 the agreement for the sale of 19 303 shares in Boruta-Zachem Kolor Sp. z o.o. was signed by and between Infrastruktura Kapuściska S.A. (as the Seller) and Coal Oil Sp. z o.o. (as the Buyer) for the total share sale price of PLN 5 200 thousand. On 29 March 2013 an Annex to the Sales Agreement was signed under which the date of payment of the sale price was extended until 5 April 2013. The payment of the sale price was executed on 4 April 2013 and thus the Buyer became the owner of the shares on 4 April 2013.

Metalko Sp. z o.o. – on 5 April 2013 Metalko Sp. z o.o. entered into an agreement with Infrastruktura Kapuściska S.A. under which Infrastruktura Kapuściska S.A. sold to Metalko Sp. z o.o. 6 100 shares for a total price of PLN 915 thousand for redemption purposes. According to the agreement the price of the shares was reduced by Infrastruktura Kapuściska S.A.'s liability towards Metalko Sp. z o.o. in the amount of PLN 563 thousand. On 8 April 2013 the difference between the sale price of the shares and the amount of Infrastruktura Kapuściska S.A.'s liability of PLN 352 thousand was transferred to the account of Infrastruktura Kapuściska S.A.

Upon payment of the above amount the ownership of 6 100 shares of Infrastruktura Kapuściska S.A. was transferred to Metalko Sp. z o.o.

Zachem Park Sp. z o.o. – On 6 March 2013 the Extraordinary General Meeting of Shareholders adopted a resolution to dissolve the Company and started its liquidation process.

Zachem Epichlorohydryna Sp. z o.o. – On 6 March 2013 the Extraordinary General Meeting of Shareholders adopted a resolution to dissolve the Company and started its liquidation process.

Soda Polska Ciech S.A. – on 25 January 2013, i.e. on the date of the registration of the spin-off of SODA MĄTWY S.A. and JANIKOSODA S.A. and the decrease of their share capital, the ownership of 100% shares in Soda Polska CIECH S.A. was transferred to CIECH S.A. as a result of which:

- 71 605 000 shares with a face value of PLN 5 each with a total nominal value of PLN 358 025 thousand that is 53.51% of the share capital of the Company – previously held by SODA MĄTWY S.A. – was acquired by CIECH S.A.
- 62 205 000 shares with a face value of PLN 5 each with a total nominal value of PLN 311 025 thousand that is 46.49% of the share capital of the Company – previously held by JANIKOSODA S.A. – was acquired by CIECH S.A.

On 25 January 2013, i.e. on the date of transfer of ownership of Soda Polska Ciech S.A.'s shares to CIECH S.A. the SODA MĄTWY Group ceased to exist.

Soda Polska Ciech Group

Sagrera Sp. z o.o. – Soda Polska Ciech S.A. become 100% owner of Sagrera Sp. z o.o. in accordance with buy and sell agreement from 6 November 2013 concluded between TMF Poland Sp. z o.o. (as a Seller) and Soda Polska Ciech S.A. (as a Buyer) for the sale of 100 shares of amount PLN 50 each total purchase value PLN 11 250.

Vitrosilicon S.A.

Huta Szkła Wymiarki S.A. – according to the information obtained on 13 May 2013 Huta Szkła Wymiarki S.A. declared bankrupcy with the option to enter into composition. The District Court in Zielona Góra established a temporary administrative receiver (Ms Iwona Borzym) for the purpose of securing the debtor' assets. Subsequently, on 3 September 2013 a change in the conduct of bankruptcy proceedings was registered by the District Court by transforming the same to bankruptcy involving liquidation of the debtor's assets.

Ciech-Polsin Private Ltd.
Polsin Overseas Shipping Ltd. Sp. z o.o. – on 1 October 2013 the ownership of 36 shares of the Company was passed to CIECH S.A. in accordance with the Conditional Sales Agreement concluded on 6 August 2013 between CIECH S.A., with its registered office in Warsaw (as the Buyer) and CIECH-POLSIN Private Limited with its registered office in Singapore (as the Seller). The Agreement concerns sales of 36 shares of Polsin Overseas Shipping Ltd. Sp. z o.o. for a total price of PLN 811 thousand. Sold shares are 30% of the Company's share capital. In the Group structure Polsin Overseas Shipping Ltd. Sp. z o.o. will become a direct affiliate company, while previously it was an indirect affiliate company.

Organika-Sarzyna Group increase its number by three new units:

- ***Verbis KAPPA Sp. z o.o. S.K.A.*** – Z. Ch. "Organika-Sarzyna" S.A. is the owner of 100% Verbis KAPPA Sp. z o.o. S.K.A. shares in accordance with:
  - Share Sales Agreement concluded at 30 October 2013. According to the agreement company acquired 5 000 shares with a value of PLN 10 each.
  - The increase of share capital established by Extraordinary General Meeting resolution from 30 October 2013 was registered by court decision from 2 December 2013. Share capital was increased from PLN 50 thousand to PLN 1 050 thousand by issuing 100 000 B series shares with a nominal value PLN 10 each and issue price PLN 450.68 for each. B series shares was acquired in exchange for contribiution in kind in a rights to the Chwastox Group trademarks evaluated at total value of PLN 45 068 thousand.
  - ***Verbis KAPPA Sp. z o.o.*** – Z. Ch. „Organika-Sarzyna" S.A. is the owner of 100% Verbis KAPPA Sp. z o.o. shares in accordance to Share Sales Agreement concluded on 30 October 2013. According to the agreement company acquired 100 shares with a value of PLN 50 each.
- ***Algete Sp. z o.o.*** – Z. Ch. „Organika-Sarzyna" S.A. is the owner of 100% Algete Sp. z o.o. shares in accordance with Sales Agreement concluded on 30 October 2013. Agreement concerned 100 shares with a face value of PLN 50 each.

Ciech Finance Group

- ***Ciech Trademarks Sp. z o.o.*** (until 15 January 2014 under the name Turia Sp. z o.o.) – Ciech Finance Sp. z o.o. is the owner of 100% of the Company shares as a result of Turia Shares Sell Agreement realization concluded on 21 October 2013. Company acquired 100 shares with a value of PLN 50 each which is 100% of the share capital. Then, the change of the company name from Turia Sp. z o.o.. to Ciech Trademarks Sp. z o.o. was registered under a court decision of 15 January 2014. The change of the company name was effected by virtue of the Extraordinary General Meeting resolution of 20 December 2013.

Moreover, there were changes in the Ciech Group that did not lead to changes in the Group's structure i.e.:

CHEMAN S.A. / Ciech Trading S.A.

- On 11 February 2013 the Extraordinary General Meeting of Shareholders of Cheman S.A. adopted a resolution on changes in the Company's Articles of Association concerning the change in the company's name from Przedsiębiorstwo Chemiczne Cheman S.A. to Ciech Trading S.A. The change of the Company's name was registered by the Court on 26 February 2013.
- On 26 March 2013 the Extraordinary General Meeting of Shareholders of Ciech Trading S.A. adopted a resolution on the increase of the Company's share capital by PLN 536 thousand, i.e. from PLN 17 018 thousand to PLN 17 554 thousand by way of issue of 59 570 series K ordinary registered shares with a face value of PLN 9 each. The issue price of the series K shares is equal to their face value and amounts to PLN 9 per share. All series K shares were offered to an indicated addressee, i.e. CIECH S.A. in exchange for cash. Pursuant to an Agreement for the Acquisition of Shares of 27 March 2013 CIECH S.A. obtained the title to series K shares on 28 March 2013, i.e. on the date of crediting Ciech Trading S.A.'s bank account with the share issue price. The increase in share capital was registered by the Court on 4 April 2013.

JANIKOSODA S.A.
The increase of share capital was registered under a District Court decision of 13 November 2013. The change of the company share capital was effected by virtue of Extraordinary General Meeting resolution of 18 October 2013. Share capital was increased from PLN 134 thousand to PLN 36 530 thousand by issuing 1 213 215 000 registered series D shares of a face value and issuing price of PLN 0.03 each. Share issue was subscribed by offering to designated addressee – Ciech Trading S.A. in exchange for monetary contribution (cash).

Ciech Group Financing AB (publ)
On 1 February 2013 CIECH S.A. as a sole shareholder of Ciech Group Financing AB (publ) adopted a decision to increase the share capital of the Company by EUR 600 thousand by an "Unconditional shareholder's contribution" payable on demand.

US Govora S.A.
By virtue of a letter of 13 February 2013 the Authority for State Assets Administration – AAAS (former AVAS) informed that:

1. CIECH S.A. fulfilled its investment obligations included on the Agreement for the sale of shares in Uzinele Sodice Govora S.A. with its registered office in Ramnicu Valcea Romania of a total value of USD 2 500 thousand;
2. AAAS gave its consent to release the pledge on 4 289 299 shares in the Company held by CIECH S.A. against which a registered pledge was established for the benefit of AAAS under a Registered Pledge Agreement in connection with the complete fulfilment of investment obligations provided for in the agreement;
3. AAAS gave its consent to terminate the Registered Pledge Agreement under which a registered pledge was established for the benefit of AAAS recorded in the Electronic Archive of Registered Pledges in connection with the complete fulfilment of investment obligations provided for in the agreement;
4. AAAS confirmed compliance with contractual obligations contained in the Agreement for the sale of shares;
5. AAAS terminated the post-privatisation monitoring of the Agreement for the sale of shares in UZINELE SODICE GOVORA S.A.

Infrastruktura Kapuściska S.A. (formerly ZACHEM S.A.)

- The change of the company name from Zakłady Chemiczne ZACHEM S.A. to Infrastruktura Kapuściska S.A. was registered under a court decision of 14 August 2013. The change of the company name was effected by virtue of the Extraordinary General Meeting resolution of 27 June 2013 on changing the Company's Statute.
- Infrastruktura Kapuściska S.A.'s Management Board on 30 December 2013 submitted application at District Court to declare bankruptcy.
- Zachem UCR/UCR Technika Sp. z o.o. – on 12 November 2013 the Court registered change in company name from Zachem UCR Sp. z o.o. to UCR Technika Sp. z o.o.

12 Information about purchase of own shares of the parent company

On 25 January 2013 the increase of share capital in CIECH S.A. was registered by two registered shares issued to minority JANIKOSODA S.A. and SODA MĄTWY S.A. shareholder in exchange for registered cancelation of 1 share of JANIKOSODA S.A. and 1 share of SODA MĄTWY S.A. resulted from division by spin-off.

On 21 June 2013 change (decrease) of share capital and cancelation of 2 ordinary registered series F shares was registered.

13 Description of using receipts from issuance by the Issuer

Shares of CIECH S.A. debuted on the Stock Exchange on 10 February 2005. The issuance prospectus of CIECH S.A. was made available to the public on 6 January 2005 and is available at http://www.ciech.com/PL/Inwestorzy/Strony/Prospekt_emisyjny_2004.aspx. In the Prospectus the Issuer defined the investment program including a number of projects with the total value of outlays of 500-600 million PLN implemented in the years 2005 -2006. In order to finance the investment plan CIECH S.A. used all funds from issuance, its own and external funds in the form of long-term investment credits. In 2011 the funds from issuance of 2005 were not used.

In February 2011 the company completed the process of shares issuance with the preemptive right as a result of which it issued 23 000 000 ordinary bearer shares. The issuance prospectus concerning issuance is available on the website of the company at www.ciech.com. Allocation of shares of a new issuance occurred on 25 February 2011. As a result of issuance the company gathered PLN 436 million net cash flows. According to issuance purpose specified in the Prospectus PLN 245 million was intended to the reduction of indebtedness towards banks financing the Group. The remaining amount of net funds, i.e. PLN 191 million is intended along with other receipts coming mostly from reorganization activities for co-financing the investment plan of the Group.

Investment outlays implemented in the period from the 2Q 2011 until the end of 2013 concerning projects specified in the issuance prospectus amounted to:

- Modernization of Heat and Power Station Janikowo – Soda Polska Ciech S.A. – PLN 97.9 million,
- Construction of the system for production of substance MCPA and MCPP-P – Z. Ch. "Organika-Sarzyna" S.A. – PLN 114.9 million,
- Construction of the system and implementation of an innovative epichlorhydrine production technology from glycerin –Infrastruktura Kapuścińska S.A. – PLN 69.9 million,

- Implementation of the investment project of intensification the production of bicarbonate soda intended to increase the production capacity of the present bicarbonate soda system to 90 tt/year – Soda Polska Ciech S.A. – PLN 22.7 million,
- Implementation of the investment project of modernisation and restoration in Soda Polska Ciech S.A. – PLN 106.3 million,
- Optimization of process of TDI production to achieve production capacity at the level of 90 tt/year. – Infrastruktura Kapuścińska S.A. – PLN 1.5 million.

The total value of investment outlays concerning projects specified in the Prospectus amounted to PLN 413.2 million (PLN 191 million of which was financed from issuance).

14 Information about the exchange rate of shares of CIECH S.A.

- 10 February 2005 – IPO of Shares of CIECH S.A. on the Stock Exchange
- 2 February 2011 – day of the subscription right for D Series Shares
- 30 March 2011 – first quotation of D Series Shares.

The shares of the company are quoted on the primary market of the Stock Exchange in the system of continuous quotations. Currently they are a part of the WIG, mWIG40 and WIG-Chemia indexes.

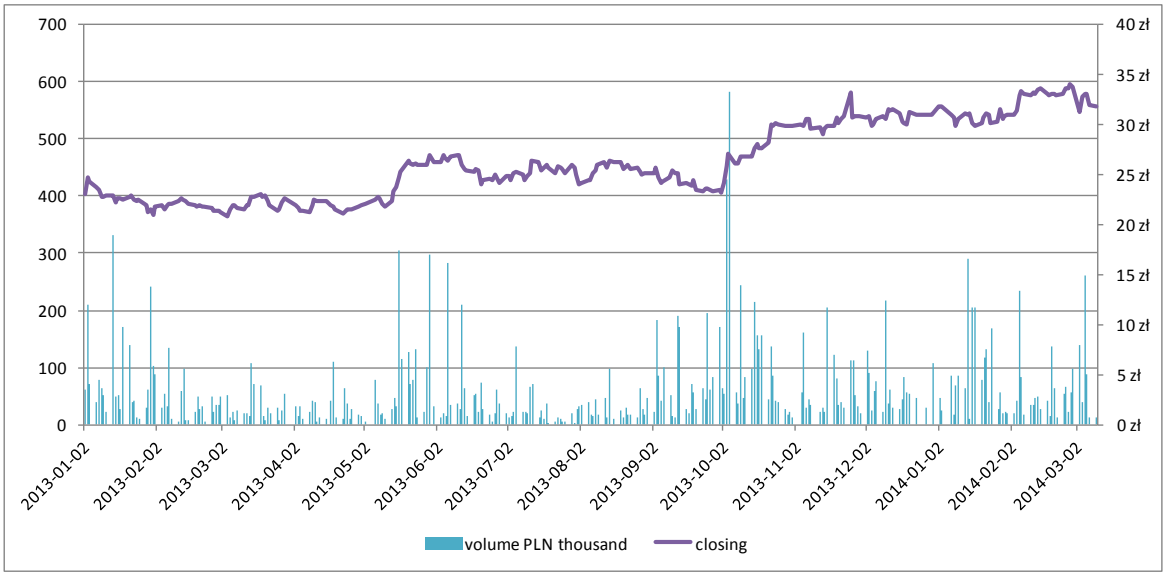


Figure 1. Exchange rate of CIECH S.A. shares

In 2013 the exchange rate of CIECH S.A. was moving in growing trend. Growth in capitalization of the company recorded during the year amounted to 39.9%.

	measurement unit	2012	2013
Number of shares	*pcs.*	52 699 909	52 699 909
Closing exchange rate from the last day of quotations in the year	*PLN*	22.20	31.05
Capitalization of the company at the end of the year	*million PLN*	1 170	1 636
Maximum price in the year	*PLN*	23.59	33.70
Minimum price in the year	*PLN*	14.76	20.40
Wolumen obrotu na sesję			
average	*pc. of shares*	104 717	59 505
median	*pc. of shares*	69 366	35 435

Figure 2. Key data about shares of CIECH S.A. quoted on the Warsaw Stock Exchange

Maximum value of the exchange rate of shares in 2013 amounted to 33.70 PLN and was recorded on 26 November 2013. The minimum value of the exchange rate of shares in 2013 amounted to 20.40 PLN and was recorded on 4 March 2013. Average share trade volume within a session in 2013 amounted to 59 505 shares, at the median equal to 35 435 shares.

Recommendations and reports of brokerage houses
Ciech S.A., as a representative entity from the chemical sector which shares are quoted among others in the index of companies with average capitalization mWIG-40 is regularly evaluated and valuated by reputable institutions of the capital market. Reports and recommendations are prepared, among others, by:

- Investment House of BRE
- IDM S.A. Brokerage House
- PKO BP Brokerage House
- ING Securities
- Raiffeisen Centrobank
- Millennium Brokerage House
- BDM SA. Brokerage House.

In 2013 the following recommendations were issued for shares of CIECH S.A:

Date	Institution	Kind of reccomendation	Target price
2013-12-05	Raiffeisen Centrobank	Buy	36.00 zł
2013-11-22	ING Securities	Buy	37.70 zł
2013-11-08	Dom Maklerski PKO BP	Sell	25.79zł
2013-11-05	Dom Inwestycyjny BRE Banku	Accumulate	33.90 zł
2013-10-23	Raiffeisen Centrobank	Hold	33.00 zł
2013-10-17	Dom Maklerski IDMSA	Buy	31.40 zł
2013-09-09	Dom Inwestycyjny BRE Banku	Buy	28.30 zł
2013-07-24	ING Securities	Hold	25.00 zł
2013-07-09	Dom Maklerski BDM SA	Sell	19.90 zł
2013-06-21	Raiffeisen Centrobank	Buy	28.00 zł
2013-06-12	Dom Maklerski PKO BP	Sell	23.06 zł
2013-06-05	Dom Inwestycyjny BRE Banku	Accumulate	b.d.
2013-04-10	Dom Maklerski IDMSA	Buy	27.40 zł
2013-01-28	ING Securities	Buy	26.40 zł
2013-01-18	Dom Maklerski Millennium	Accumulate	26.10 zł
2013-01-04	Dom Maklerski BDM SA	Reduce	20.40 zł

15 Perspectives for development of operations of Ciech Group

Perspectives for development of CIECH S.A. and the Ciech Group result both from their market position and position in chemical industry as well as the present and the forecasted conditions of environment of the Group in Poland and worldwide.

The Ciech Group has a strong position on many product markets and is:

- the second European manufacturer of soda ash;
- the third European manufacturer of baking soda (with a prospect for taking-up the position of vice-leader after the expansion of production capacity started at the end of 2013)
- the only Polish manufacturer and the main supplier to the domestic market with regard to calcined and bicarbonate soda calcium chloride epoxy resins;
- the largest manufacturer of vacuum salt, unsaturated polyester resins, plant pesticides and glass lanterns;
- an important supplier to the European markets of calcined and bicarbonate soda calcium chloride, epoxy resins sodium silicates, food phosphoric acid, glass lanterns.

In the short-term perspective the most important macroeconomic factors in the environment of the Group include:

- **Stabilization of situation on financial and goods markets** (lower variability of foreign exchange rates and quotations of oil and its derivatives; moderate credit activity of banks).
- **Slight increase of economic activities in developed countries** (slowly increasing of industrial production levels in EU – which is still low in comparison to years 2008-2009 before the crisis; high unemployment does not support significant growth in internal demand).
- **Moderate pace of development in the target markets of the Group** (return to the growth dynamics of construction production in the EU; slight grow of chemical production in the EU).

In the opinion of CIECH S.A. in the medium-and long-term perspective most emphasis will be put on macroeconomic factors encouraging further development and strengthening the position of Ciech Group on the present and related markets such as:

- **Positive**
  - **A relatively high GDP dynamics in Poland** (forecasted dynamics of economic development of Poland being among the highest in the EU – annually on average in the range of 3% of the GDP until 2030 creating good grounds for further sustainable development of the country).
  - **Good perception of Poland by foreign investors** (maintenance inflow of investments to our country at the level of several EUR billion each year).
  - **Significant potential for growth in demand for chemicals in Poland** where their consumption per capita at the level in the range of 400 EUR is still ca. 3-4-times lower than in Western Europe (including the presence of Ciech Group on a relatively rapidly growing markets of soda ash and baking soda in Central-Eastern Europe).

- **Negative**
  - Regulations of the European Union reducing the competitiveness of Polish entities (adverse effects of Directive EU ETS on greenhouse gas emission; significantly strict conditions of the use of the environment by economic entities from 2016 as a result of implementation of Industrial Emissions Directive.

16 Characteristics of external and internal factors essential for the development of Ciech Group

External general factors

The situation in industries of recipients of products of the Group in Poland
Poland is the largest sale market of the Group. The direct most important domestic recipients of the Group's products include: glass industry, industries of chemical and plastic products, furniture, agriculture, food industry. The development of these sectors of the economy depends on the economic situation in Poland. The sales in industry at fixed prices within 2013 increased by 2.2% as compared to the previous year (accordingly in 2012 increased by 1.0%). Respectively, the dynamics of the chemical industry demonstrated: in the field of production of chemicals and chemical products (without pharmacy) – increase by 2.9% as well as products from production of rubber and plastics – increase by 6.0%.
After an acceleration of economic growth of Poland in the period of 2010 -2011 (with annual dynamics of GDP of 4%), in 2012 a significant slowdown in GDP growth to 1.9% was observed. In 2013 the pace of GDP was even slower at the level of about 1.5%. Improvement in economic situation is forecasted for 2014 (GDP growth at 2.5%-3%) A similar tendency should be expected in chemical industry that develops usually like the whole economy.

Economic situation in Europe and in the world
Activity of the Group is based in a considerable part on sales of chemical products on foreign markets. The level and the profitability of sales are dependent on the global economic situation in Europe and in the world. Weakening of the world economic situation usually affects reduction in the demand for raw materials on world markets and hences the amount of export turnover performed by the Group.
In 2013, there was a relatively rapid development in the largest countries of Asia (China and India) and countries of ASEAN. According to the estimations of the International Monetary Fund, the global GDP increased in last year only by 3.0% (least since the crisis year 2009). Against a background of global economy still negatively stood out only the euro zone, where (after the GDP decrease in 2012 by 0.7%) negative growth pace maintained in 2013 (about -0.4%).
Forecasts for 2014 indicate significant improvement in global economic situation as compared to previous year. IMF envisages acceleration of growth rate of the global GDP (up to 3.6%), and in the case of the European Union a slight economic recovery (increase of GDP by 1.3% compared with 0.0% in 2013).
For the chemical sector American Chemical Chamber (ACC) forecasts significant acceleration of chemical production up to 3.8% in 2014 and 4.1% in 2015 after the moderate growth in years 2012-2013 (2.7% in 2012

and 2.4% in 2013). According to the European Council of Chemical Industry (CEFIC) after two years of decrease in chemical production (by 1.5% in 2012 and 0.5% in 2013) the following year will bring increase in chemical production by 1.5% in the European Union.

Financial condition of agriculture

Part of Group's revenues including plant pesticides and fertilizers (products made in the Group or goods) proceeds under sale to the agricultural sector. In the opinion Group's opinion, in the long-term perspective, the demand for chemicals for agriculture in Poland and in Central-Eastern Europe should still grow. Significant factors that are favourable for increase in consumption of agrochemicals in Poland and thus in the demand for products and goods of the Group include processes improving financial condition and profitability of agricultural production, including: quotation of production and direct subsidies. This should be reflected in the increase in revenues of the Group. On the other hand, the lack of significant improvement in purchasing power of the agricultural sector may result in stagnation of the demand for plant pesticides and at the same time in stagnation of the Group's revenue in the scope of agrochemical products.

According to the data of the Institute of Agricultural and Food Economics (IERiGŻ) in the period of January – December 2013 the market condition of domestic agricultural production was slightly better as compared to the previous year (slowest price growth pace of means of agricultural production than growth pace of purchase price of crops). The value of the synthetic rate of the economic situation in agriculture (SKWR) in 2013 year showed moderate fluctuations with the growth tendency (in December 2013 reached the level of 101.0 in comparison to 100.7 in the previous year). During the next months market conditions for agriculture should undergo a slight improvement.

Economic situation on raw material market

Within the Group's operations a significant part of commercial turnover is the import of raw chemicals to Poland. Raw material markets are characterized by great cyclicity connected with fluctuations of the world's economic situation. Rising prices of raw materials cause, on the one hand the reduction in margins of commercial intermediaries and weakening demand at the recipients. On the other hand, decreasing prices are most often the sign of a weakening demand and beginning of recession. Maintenance of a stable rate of economic growth and stable prices of chemical raw materials will have a positive impact on the commercial activity of the Group in the scope of import of raw materials. Significant demand and price fluctuations may be caused by economic changes owing to, for instance, the rapid economic growth or economic stagnation. Strong fluctuations can have adverse impact on operations related to trade in raw chemicals by Ciech Group.

EUR/PLN exchange rate relationships

Export sales of Ciech Group are implemented above all in EUR. Strong EUR increases profitability of export sale both of the Group as well as of other manufacturers from the chemical industry in Poland. It also increases the value of commercial turnover performed by the Group for the benefit of other manufacturers. As a result the foreign exchange rate of EUR/PLN affects profitability of the Group's sales revenues. On the other hand, in the case of consolidation of the national currency in relation to EUR we can observe the decrease in profitability of exports and a negative impact on the volume of export sales implemented by the Group.

Internal factors

Maintenance of cost and qualitative competitiveness

Competitiveness of Ciech Group results from basic market factors, i.e. costs, quality, its direct sources, marketing operations, market position. The most important of them are as follows:

- cost competitiveness based on the effects of a production scale, specialization, standardization and effects of experience,
- qualitative leadership and quality control systems,
- competition based on strength of the company (position of the market leader),
- cost leadership and diversification.

Competitiveness of companies is significantly connected with innovativeness. The basis for competing become, therefore, technological and product innovations. Under the adopted strategy the Ciech Group's companies implement a number of innovative process and product solutions

Obligations related to purchase of Z.Ch "Organika-Sarzyna" S.A.

According to the obligations resulting from the Package of Social Guarantees binding in Z.Ch "Organika-Sarzyna" S.A. until the end of 2013, the last stage of the obligation to repurchase shares issued free of charge to the authorized persons according to par. 36 of the Act of 30 August 1996 on commercialization and privatization of state-owned companies. On 14 July 2013 last repurchase of Z. Ch. "Organika Sarzyna" S.A. shares from employees was conducted. Z. Ch. "Organika Sarzyna" S.A. purchased total 67 228 ordinary registered shares for the total price of PLN 2 353 thousand, what increased CIECH S.A. participation in company share capital from 98.85% to 99.64%.

17 Expected financial situation of Ciech Group

The Board of Directors of CIECH S.A. according to the assumptions of the implemented strategy envisages that in 2014 financial results will be better than the ones achieved in 2013, both in terms of the operating profit (EBIT, EBITDA) and the net profit.

Improvement in results will be fostered by:

- maintaining a high degree of use of the production capacity in all Group's manufacture companies,
- higher volumes and sales prices of products in the sodium segment,
- further projects in the scope of saving costs of operations and improvement in business processes,
- early redemption of heat and power plant by KWG mbH (detailed information can be found in the section I.2),
- reducing of the negative impact of the Infrastruktura Kapuściska S.A. to the Ciech Group's results.

18 Strategic priorities of Ciech Group

Mission of Ciech Group
The mission of the Group its further development through creation of value in particular segments of the chemical market, where the Group has competencies and achieves a strong and sustainable competitive position. The Group intends to strengthen its market position, among others, by building the position of the leader in the chemical industry in the region with simultaneous claiming increasing profitability of the Group and its shareholder value.

Strategy
The basic strategic goals of Ciech Group are:

- Concentration and specialization of the Group in the soda segment (alternatively additionally in the organic segment).
- Increased effectiveness as a result of increased specialization.
- Rationalization of the management structure.
- Leaving agro as well as silicate and glass segments.
- Leaving the organic segment, depending on the ultimately adopted development scenario.

Divestments of selected companies and sales of some production and non-operating assets

Development strategy of the Group in particular segments has been defined on the basis of analysis of the competitive position of the Group's products in different markets and evaluation of attractiveness of particular markets. Its detailed implementation will depend on the ultimately adopted scenario.

Soda segment
The Group aims at development of the soda segment, being the basic segment of the Group operations, through further development of the product portfolio and optimization of costs in this segment. The soda segment is the most attractive area for the development of the Group, due to growth perspectives of this market, relatively high achieved margins and strong entry barriers. The Group has a strong competitive position on the sodium market, being the cost leader in Europe, having significant production capacities, good access to the raw material base, as well as target markets.

Strategic priorities for the soda segment include the following operations:

a) organic development through:

- strengthening the position of a cost leader (further improvement in operations and cost reduction in all factories),
- growth in production capacities (Soda Polska Ciech S.A., Soda Deutschland Ciech Group) and improvement of different types of baking soda (for application in pharmacy, for flue gas treatment in the heat and power station),
- development of production and sale of highly processed dry salt types (Soda Polska Ciech S.A.),
- intensification of soda ash production (increase in production capacity in Poland),
- optimization of energy costs (modernization of the second heat and power station in Soda Polska Ciech S.A., repurchasing of heat and power station in Soda Deutschland Ciech),

b) development by acquisitions and consolidation of the sodium market

- the goal of possible potential acquisitions will be further improvement in the competitive position and/or reduction in production costs,
- potential acquisition goals include target markets (on which the increase in demand is forecased) or geographically close ones (to gain synergy of sales).

Organic segment
The Group currently aims at limiting involvement in assets of the organic segment. Divestment is implemented with regard to unnecessary assets of Infrastruktura Kapuściska S.A. (former ZACHEM S.A.), in case of other Ciech Group's assets from organic segment (Z. CH. "Organika-Sarzyna" S.A.) it is consider to sell the company depending on the finally adopted development scenario and, additionally, in the event of obtaining attractive financials conditions.

Agrochemical segment
In practice, the Group ended the divestment process in companies from agrochemical segment. Withdrawal form this segment by Fosfory Group divestment was started in 2011 and finalized in 2013 by sell of the Alwernia S.A. company

Silicates and glass segment
The Group considers divestment of silicates and glass business (VITROSILICON S.A.), subject to receipt of attractive purchase offers.

Under restructuring, the Group consistently pursues the program of sale of assets not related to its basic activity. Thus, divestment processes are conducted, among others, as to transport companies of the Group, i.e. Transoda Sp. z o.o. and Transclean Sp. z o.o.

19 Information about concluded signed contracts, significant for Ciech Group's activity (including contracts concluded signed between shareholders and insurance and cooperation contracts

Information on agreements signed significant for Ciech Group has been included in the section I.2.

20 Information on contracts signed with the entity authorized to audit/review the consolidated financial statements of the Ciech Group

Information about signed contracts with the entity authorized to audit/review the consolidated financial statement has been presented in the section II.34.

21 Description of transactions with related entities

Ciech Group's companies did not conclude transactions on the terms other than market ones. Sales to and purchases from the related entities are made according to the market prices.

Description of transactions concluded between related entities can be found in the section II.39.

22 Information on the environmental protection issues

One of our basic principle is to understand that production in chemical segment is not indifferent to surrounding environment. Given the above and taking into consideration the necessity to meet constantly growing legal requirements, the Ciech Group is striving to minimize the Group's impact on environment by effective usage of raw materials and energy, reduction of pollution emission to air, water and soil, rational waste management and also application of solutions which make functioning of technological installations safer. Our environmental awareness and readiness for taking the responsibility for potential undesired action are going along with innovations, constant development and economic growth. The expression of our concern about environment is a wide range of environmental friendly investments which are realized every year and lead to notable effects in form of decrease in pollution emission and visible improvement of condition of the improvement which surrounds production plants.

Majority of production companies within the Ciech Group have extensive long-term experience in implementation and maintenance of environment management systems in conformity with ISO 14001 regulations. Frequently they are a part of integrated management systems, which embrace also quality, health and work safety and also food safety management. Moreover, Z. Ch. "Organika - Sarzyna" S.A. is a signatory of the Responsibility and Care Program. Companies use environment management systems as basic tool to aspiration for reducing the environment impact along with usage of current resources optimization and building a positive image in the eyes of all the Ciech Group stakeholders. It is extremely essential in terms of companies from chemical businesses, which are from many years identified as main sources of pollution.

Constant changes in legal obligation, the necessity to cope with fulfilling more and more stricte environmental regulations, arbitrarily impose keeping by the plants high environmental standards. The Ciech Group producing

companies have the responsibility to run business based on require permits or decisions for conducting industrial activities resulting in interference to natural environment relate to pollution infiltration to soil, air or water and also on waste and other dangerous substances. According to the Group the most important legislation changes, which have effect on activities related to environment protection, are the Directive on industrial emission (IED), Directive which established the trade scheme for greenhouse gases emission allowances (EU ETS), Directive on environmental liability (ELD) and the REACH regulation.

Under the Directive on industrial emissions as of 1 January 2016, strict standards will be introduced as to emission of SO2, NOx and dust from the LCP (Large Combusion Plants), including the heat and power stations belonging to the Group. As a result of introduction of new provisions, the Ciech Group will be obliged to perform significant investments in plants, in particular, the heat and power stations in sodium plants in Inowrocław and Janikowo. In 2012 the five year investment, aimed to modernize the heat and power plant in Janikowo was finished. Currently, to further complex modernization in heat and power plant in Soda Polska Ciech the technical and financial analyses are being carried out.

The IED Directive, aside from regulations related to large combustion plants, implements significant changes in environmental obligations concerning the exploitation of IPPC (Integrated Pollution Prevention and Control) installations. The essential are mainly the ones which relate to the conditions for issuing integrated permits in connection with the change of the role of reference documents BAT and obligation to preparation of a base report on the state of soil and groundwater. On the basis of BREF', the new kind of documents will arise – BAT conclusions, which will be issued by EC decision. Levels of emission established in BAT conclusions will constitute the legal standards, which aside from particular cases could not be exceeded. It is predicted that in second quarter of 2014, the IED Directive will be implemented to domestic legislation, then all previously issued integrate permits should be routinely subject to change by the competent authority

From 2013, substantial changes in the EU emissions trade system entered into force, which among others:

- broaden system range by new kinds of activities,
- gradual reduction of permit limits till 2020,
- replacement of domestic emission permits distribution systems by one limit for all EU,
- aspire to full auction system of selling permits,
- lack of free of charge permits for electricity producers,
- assignment of free of charge permits based on unified indicators worked out by European Commission.

Directive on industrial emissions and Directive, which established the trade scheme for greenhouse gases emission allowances, are the regulations, which will force reducing the pollution emission to air and will influence a direction in modernization of installations.

22.1 Legal status of the use of the environment

Ciech Group's companies operate under the current administrative decisions regarding the manner and extent of use of the environment. The most important of these are integrated permits, water permits and decisions concerning waste disposal. All Ciech Group's companies operating IPPC plants received integrated permits within the deadline valid for a 10-year period, which in most cases expires on 31 December 2016.

The following table provides a list of integrated permits held by Ciech Group Companies
Changes in integrated permits in 2013

Company	Permit for	Validity period
Soda Polska Ciech S.A. Plant in Inowrocław	Integrated permit for IPPC systems (manufacture of light soda ash and dense soda ash, baking soda, calcium chloride) and auxiliary systems – manufacture of agricultural lime.	31.12.2016
Soda Polska Ciech S.A. Plant in Janikowo	Integrated permit for IPPC systems (manufacture of light soda ash and dense soda ash, waste disposal) and other systems (manufacture of wet and dry vacuum salt, agricultural lime, transport by cableway).	31.12.2016
Soda Polska Ciech S.A. Heat and Power Station in Inowrocław	Integrated permit for the heat and power station's systems (4 boilers OP-110).	31.12.2014
Soda Polska Ciech S.A. Heat and Power Station in Janikowo	Integrated permit for the heat and power station's systems (3 boilers CKTI/2 boilers OP-140).	01.07.2016
	Integrated permit for IPPC systems: manufacture of light soda ash and	indefinite

Sodawerk Stassfurt GmbH	dense soda ash and manufacture of baking soda.	
Sodawerk Stassfurt KWG	Integrared permit for heat and power station's installation.	indefinite
US Govora S.A	Integrated permit for IPPC systems: manufacture of soda ash.	12.09.2022
Z. Ch. Organika – Sarzyna S.A.	Integrated permit for IPPC systems: manufacture of unsaturated and saturated polyester resins, epoxy resins, curing agents for epoxy resins, phenol-formaldehyde resins, Ukanol DOP, Flodur, Adufer, oorthophenylenediamine, o-FDA, phosphating concentrates and plant protection products (MCPA, MCPP, BCM carbendazim).	31.10.2016
Infrastruktura Kapuściska S.A.	Integrated permit for IPPC systems: brine electrolysis, manufacture of phosgene, DNT, TDA, TDI, ECH and waste disposal.	31.12.2016
Vitrosilicon Plant in Żary	Integrated permit for the manufacture of sodium silicate glass and potassium silicate glass.	14.09.2015
Vitrosilicon Plant in Iłowa	Integrated permit for the manufacture of sodium and potassium water, glass packaging and CLAROGLASS glass blocks.	28.12.2015
Ciech Pianki Sp. z o.o.	Integrated permit for the manufacture of PUR foams.	20.05.2023

Uzinele Sodice Govora – Ciech Chemical Group S.A.
Obligation to solve problematic issue related to the sodium waste management after 2012 was the condition subject to obtain new integrated permit number 68/2012. According to Directive 1999/31/EC on the landfill of waste, introduced into the Romanian legislation by Government Decree 349/2005, implementing resolution of the Treaty of Accession to the EU dated 31 December 2012, the USG should cease its activities related to the disposal of liquid industrial waste in landfills (terminate the usage of sodium waste landfill). In connection to the above, the company analysed several possible courses of action, which will enable further production activity along with fulfillment the recommendations established in above mentioned integrate permit. In the second part of 2013, US Govora S.A. introduced to the competent administrative authorities the conception, which allowed the fulfillment of aforementioned conditions. Changes of qualification of sodium sludge ponds from landfills to installations for technology sewage treatment were proposed – as the last part of soda production technological process in US Govora S.A. After the authorities acceptance, the integrated permit for soda production number 68/2012 was verified and changed – therefore the problem of necessity to close the sodium waste landfills in the Company in relation to the requirements of the Government Regulation 349/2005 was solved.

Soda Polska Ciech S.A. – Plant in Inowrocław
By the decision of the Kujawsko - Pomorskie Voivodeship Marshal sign ŚG-IV.7222.14.2013.MC from 9 October 2013, the integrated permit number WSRiRW.III.HF/6618/36/06/07 from 2 January 2008 with amendments was changed as a result of baking soda production installation enlargement.

Vitrosilicon S.A.
By the decision of the Mayor of the Żagański District no. ROŚiB.6222.2.2013 from 2 July 2013, the integrated permit for plant in Iłowa was changed, as a result of significant change in installation, which involved start of the device to application of nanocoating on glass packaging, which involves the creation of two new emitters and the generation of new other than hazardous waste. Moreover, the Company increased production capacity of tank furnance and increased the amount of generated and recycled waste.

Other companies in 2013 did not make changes in integrated permits demonstrated in above table.

22.2 Environmental protection costs

The fees for the use of the environment in 2013 by the Group's companies amounted to a total of PLN 38 945 thousand, 65% of which was charged to Soda Polska Ciech S.A. – mainly for discharging sewage into surface waters or soil and releasing gases and particulate matter into the air

The following table shows the amount of fees for the use of the environment in 2013.

Company	Value of fee (In thousands)	Currency
Soda Polska Ciech S.A.	25 184	PLN

Sodawerk Stassfurt GmbH	888*	EUR
US Govora S.A.	9 982	RON
Organika Sarzyna S.A.	283	PLN
Infrastruktura Kapuściska S.A.	155	PLN
Vitrosilicon S.A.	58	PLN

** Fee for surface water and groundwater consumption and sewage channel was not beared by Sodawerk Stassfurt. The amount of EUR 888 thousand are estimated provisions. Costs will be beared after obtaining the administrative decision in scope of water-sewage management.*

In 2013, the operations of manufacturing companies, except as described below, was conducted under the conditions of use of the environment and specified in the relevant administrative decisions.

In connection with exceeding existing dust standards, limits of SO_2 and NO_2 from OP-140 boilers and CKTI in heat and power station in Janikowo and OP-110 in heat and power station in Inowrocław – Soda Polska Ciech is facing a possible fine imposition. In December 2013, in Voivodship Environment Protection Inspectorate in Bydgoszcz, two administrative trials took place in connection with initiated proceeding in case to establish the amount of penalty for 2011 for established exceeding of dust standards SO_2 and NO2 limits from OP-140 boilers number 4 and 5 in heat and power station in Janikowo. Currently, the Group is waiting for the WIOŚ's decision about total penalty for 2011. Potential fines for 2011 and 2012-2013 also due to exceed of dust emission limits SO_2 and NO_2 in heat and power station's installations in Janikowo and Inowrocław, may be reduced by funds spent on realization of ventures aimed to pollution emission reduction – complex CHP modernization in 2013-2018

Court proceeding between US Govora S.A. and ABA OLT is pending in connection with the amount of fees obtained due to fulfillment of water permit conditions. Information on above mentioned penalties for US Govora S.A. has been included in section II.33.1.

22.3 Emission Trading

Information on emission rights trading have been included in section I.4.

22.4 REACH

Binding from 1 June 2007 so called Directive REACH concerns safe usage of chemical substances produced or imported (from countries outside EU) in quantities exceeding 1 ton annually. Producers and importers who put substances to turnover in the EU customs area were obligated to registration – initial, until 1 December 2008 and after, the appropriate – in three terms, depending on the introducing substance tonnage. Detail information on REACH has been included in section I.4.

22.5 Environmental liabilities

Due to the nature of the Ciech Group's business there are active sources of groundwater pollution on some of the Group's lands. The Group incurs ongoing operating costs and establishes provisions related to the recultivation of contaminated soil and groundwater purification. The amount of provisions for environmental liabilities in Ciech Group as at 31 December 2013 amounted to PLN 68 721 thousand.

23 Key achievements in research and development at the Ciech Group

Research, innovation and development
The activities of the Ciech Group in research, innovation and development are focused on the development and improvement of products for key end markets, improvement of existing processes and improvement of productivity and efficiency, as well as implementation of innovative technologies. Strategy for research, innovation and development aims in particular to:

- introduce innovative solutions for the main production processes;
- improve existing products;
- introduce new products;
- increase the efficiency of processes;
- implement eco-innovative modernisation projects;
- attract foreign investors in connection with the planned projects as well as implement initiatives aimed at optimisation and savings in the area of energy acquisition.

Activities in the field of research, innovation and development are driven by research and development departments located within the Group's companies, in collaboration with external entities, such as technical universities, as well as independent groups and research institutions, which the Group signed partnership agreements. We maintain close contact with selected universities departments and research institutes having a good standing, who have experience in developing products and technologies relevant to the Group's operations. Partner research institutes include the Institute of Heavy Organic Synthesis "Blachownia", Institute of Fertilizers including the "Inorganic Chemistry Insitiute's" department in Gliwice, Institute of Industrial Organic Chemistry and Industrial Chemistry Research Institute and the universities: Warsaw University of Technology, Poznan University of Technology, University of Technology and Life Sciences in Bydgoszcz, Wroclaw University of Technology, West Pomeranian University of Technology in Szczecin, Rzeszów University of Technology, University of Nicolaus Copernicus in Toruń and AGH University of Science and Technology in Kraków.
The Group constantly and actively seeks possibilities for cofounding projects in scope of research, innovations and development from European Union funds and also domestic and regional support funds.

Expenditure on research, innovation and development in the year ended 31 December 2013 amounted to PLN 2 193 thousand. Projects in research, innovation and development implemented during this period included:

- Research on baking soda crystallization process aim to obtain baking soda of quality required by pharmaceutical sector including dialysis sector. In 2013, the first stage of research in laboratory scale was finished. In 2014 the second stage will begin, including pilot-scale researches. Project is realized in cooperation with Institute of Fertilizers including the "IChN" – Organic Chemistry Department in Gliwice.
- Research on innovative solution implementation in distillation and carbonization node of ash soda production installation. Project is realized in cooperation with Polish and foreign design offices. The aim of the project is to improve economic efficiency of ash soda production process.
- In 2013 the research project "The development of low molecular weight epoxy resin modern manufacturing technology" was finished. Project was realized in cooperation with Institute of Heavy Organic Synthesis "Blachownia". Implementation works were begun

24 Information about significant contingent items

Information about significant contingent items has been presented in the section II.33.

25 Information concerning agreements that may influence the changes in the proportions of shares owned by current shareholders and bond holders

As of the date of the publishing of this report, no agreements were signed that could influence the changes in the proportions of shares owned by current shareholders.

26 Information concerning the control system of employee share programs

No employee share programs are applied in the CIECH S.A. or in any Ciech Group's company

27 Remuneration for the Management Board and the Supervisory Board

Information has been presented in the section II.39.5.

28 Determination of the total amount and nominal value of all Company shares and of shares and stocks in related parties in the possession of the management and supervisory board

Acording to declarations submitted by management and supervisory persons, as of the day of 31 December 2013 and as of the day of report approval:

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

Other management and supervisory persons did not posses shares in CIECH S.A. or shares or stock in related parties as of 31 December 2013

29 Declaration on the application of Corporate Governance

29.1 Corporate governance rules which the Company is subject to

The Company is subject to rules of corporate governance, contained in the dokument adopted by the Resolution of 17/1249/2010 of Supervisory Board of the Warsaw Stock Exchange in Warsaw dated 19 May 2010 (with further amendments).

This set of principles for corporate governance is available on the website (www.corp-gov.gpw.pl), Warsaw Stock Exchange official page, dedicated to issues of corporate governance of Companies Listed on the WSE Main Market and on New Connect.

The Management Board of CIECH S.A. („the Company") informs that in 2013 in the Company did not adhere the following rules of corporate governance, included in the document „Code of Best Practice for WSE Listed Companies" adopted by Resolution No 17/1249/2010 of the WSE Supervisory Board dated on 19 May 2010 (with further amendments).

29.2 Corporate governance rules not applied by the Company

29.2.1 Part I „Recommendations for Best Practice for Listed Companies"

In 2013, the Company reported a partial exemption from the recommendation 1 tiret 1. The Company did not maintain the company webside as the pattern indicated at http://naszmodel.gpw.pl/. At the same time, the Company informs that information posted on its webside contains most of the information required by the model service. Internet service is reliable and useful source of information about the Company for the capital market representatives. The content of the internet service is prepared transparently and solid, to enable investors and analysts making decisions based on information presented by the Company. The Company provides equal access to the information published on its corporate website for all persons concerned.

In 2013 the Company did not apply the rule established in point 5, due to the fact that regulations included in the applicable law confronted with the CIECH S.A. Statute and the Supervisory Board Regulations on the remuneration of the supervisory and managing bodies members are sufficient. Establishment of principles of remuneration and the amount of remuneration for Management Board members is a Supervisory Board competence the amount of remuneration for Supervisory Board Mambers is established by the General Meeting. The remuneration policy does not constitute a separate item on the agenda of the Ordinary General Meeting and is not subject to voting. The Company has not uploaded a "declaration concerning remuneration" on its website. Nonetheless, the Company gives access to a series of information that should be contained in the declaration in various documents.

With regard to point 9 about balanced proportion of women and men in management and supervisory functions, the Company announces that during selection of candidates for members of managing and supervisory authorities, the bodies entitled (The General Meeting) are guided by the interest of the Company and its shareholders, taking into account the candidates qualifications. The following summary presents the participation of women and men in the supervisory and managing authorities of the Company in the last three years, including 2013.

Participation of women and men in the Company's Supervisory Board in the last three years:

As at	Number of women	Number of men
1 January 2011	1	6
26 April 2012	1	8
28 May 2012	1	7
31 December 2012	1	7
31 December 2013	1	7

Participation of women and men in the Company's Management Board in the last three years:

As at	Number of women	Number of men
1 January 2011	0	4
31 December 2011	0	4
27 April 2012	0	3
31 December 2012	0	3
31 December 2013	0	3

In the reporting period the Company did not apply the rule established in point 12 regards enabling its shareholders to exercise the voting right during a General Meeting outside the venue of the General Meeting, using electronic communication means. The Company does not possess the infrastructure required to exercise the voting rights using electronic communication means. In accordance with the Company Statute and the provisions of law, the Company enables its shareholders exercise voting right either in a person or through a

plenipotentiary. The Company Statute does not allow participating in the General Meeting through electronic communication means, including the exercise of the right to vote.

29.2.2 Part II „ Best Practice for Management Boards of Companies Listed"

In 2013, the principle established in point 7, i.e regarding publishing on the corporate webside shareholder's questions on issues on the agenda, questions before and during a General Meeting recording process in form of audio or video, was not applied due to the fact that the Company does not record detailed process of the General Meeting which include all statements and questions. The chairman of the General Meeting decides to place certain issues in the minutes of the general meeting, guided by the law and the legitimate demands of the shareholders.

In the reporting period the Company did not apply the rule established in the point 9a), which means the Company did not record the general meetings in audio or video form, because does not have the infrastructure that allows recording. In the future the Company will analyse the possibilities of conforming to corporate governance recommendation in this area and will consider possibility of recording process of the general meetings.

29.2.3 Part IV „ Best Practice of Shareholders"

In 2013 the principle established in point 10 was not applied by the Company, the Company did not provide shareholders the possibility to participate in the General Meeting using electronic communication through:

- real-life broadcast of General Meetings,
- real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting,
- exercise their right to vote during a General Meeting either in person or through a plenipotentiary,

as the Company Statute does not provide possibility to participate in the General Meeting using electronic communication means, and in accordance with principles of the Commercial Companies Code the possibility to participate in the General Meeting using electronic communication is required to be allowed by the Company Statute.

29.3 Internal control and risk management system in the process of developing financial statements and consolidated financial statements

The Management Board of CIECH S.A. is responsible for the internal control system in the Company and its efficiency in the process of development of financial statements and periodical reports prepared and published in accordance with the principles of the Ordinance of the Minister of Finance of 19 February 2009 on current and periodical information submitted by issuers of securities and conditions for acknowledging as equivalent information required by the legal provisions of a country that is not a member country.
The Company's effective internal control and risk management system in the financial reporting process functions by means of:

- the preparation of procedures specifying the principles and division of responsibilities for developing financial statements including for ensuring of their quality,
- establishment of the scope of reporting related on applicable International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) accepted for implementation in the European Union and interpretations announced in the form of European Commission Regulations,
- development, implementation and supervision of the use of coherent accounting principles in Ciech Group's companies
- semi-annual reviews and annual inspections of published financial statements of CIECH S.A. and the Ciech Group by an independent auditor,
- authorization procedures for financial statements before publishing.

Supervision over the process of preparation of Company financial statements and periodical reports is effected by the Management Board Member responsible for financial matters. The Finance and Accounting Division is reponsible for the organization of work related to the preparation of financial statements and is directly subject to a CIECH S.A. the Management Board Member. The uniformity of applied standards in the Group makes it possible for all companies to apply the uniform accounting principles of the Ciech Group as well as uniform consolidation principles according to IAS/IFRS.

The scope of data disclosed in published periodical reports results from the Company's accounting records and additional information submitted by individual organizational units of CIECH S.A. Companies of the Capital Group submit the required data in the form of reporting packages for the purpose of the development of a consolidated financial statements for the Group. The scope of data disclosed within the framework of the Capital Group is defined and results from the informational obligations specified in IAS/IFRS. Monitoring of changes in the IAS/IFRS is conducted in an ongoing fashion in order to determine the necessity of updating the scope of reporting.

In accordance with applicable regulations, the Company subjects its financial statements to audit and reviews by the independent certified auditor.

The Supervisory Board selects the certified auditor from a group of reputable auditing companies, guaranteeing high service standards and the required independence. So far, agreements for audit of financial statements by the certified auditor were signed every year with the auditor selected by the Supervisory Board.

On 4 June 2013, the Supervisory Board of CIECH S.A. selected KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Warsaw, as a certified auditor to perform the half-year review and to audit the annual separate financial statements of CIECH S.A. and the consolidated financial statements of the Ciech Group for 2013, 2014 and 2015 with the possibility of termination of the contract after each year.

Financial report authorization procedures are defined in the Company. Reports for the I, III and IV quarter are not subject to verification by an auditor and are approved by the Management Board before being published. Semi-annual and annual periodical reports are submitted to the Supervisory Board and Company Shareholders after the conclusion of the appropriate review or inspection by an auditor. Annual reports accepted by the Company Board, after being opined by the Audit Committee and assessed by the Supervisory Board, are approved at the General Shareholders' Meeting.

Before publishing of the annual or semi-annual financial statements, conclusions from the audit of the financial statements are presented to the Audit Committee. Representatives of the Audit Committee analyze the results of audit and review at closed meetings with the Company auditor. The certified auditor also presents a Letter to the Management Board, which contains recommendations for the Management Boards of Group's Companies based on the results of audit or review of the financial statements for a given year. The recommendations received from the auditor are discussed by the Audit Commitee along with the Management of the Finance and Accounting Division for the purpose of their implementation.

Financial data constituting the basis of financial statements and periodical reports comes from the finance and accounting system, in which transactions are registered in accordance with the Company's accounting policy (approved by the Management Board) based on International Accounting Standards. The accounting ledgers of CIECH S.A. are kept in the ERP integrated IT system. The modular structure of the system provides a transparent division of competences, coherence of operation records in ledgers, and inspections of compliance between the general ledger and subsidiary ledgers. The capabilities of the system make it possible to adapt to changing accounting principles or other legal regulations in an ongoing fashion. The system possesses full technical and operational documentation, which is updated periodically pursuant to paragraph 10 of the Acounting Act dated 29 September 1994.

Access to the informational resources of the IT system is limited by the appropriate authorizations to authorized employees. Employees only have access to those areas of the system that they are concerned with. Access control is present at every stage, starting with the input of source data, through data processing and ending with the generation of output information.

The effects of the application of control and risk management procedures in the preparation of CIECH S.A. and Ciech Group's financial statements are reflected in the efficiency and high quality reports, as confirmed by the opinions issued by certified auditors after financial statements audit, high scores of report recipients, and high rankings of CIECH S.A. in The Best Annual Report contest, organized by the Institute of Accounting and Taxes under the patronage of the Warsaw Stock Exchange.

Selection of the entity authorized for audit of the financial statements of CIECH S.A. and of the Ciech Group is among the competences of the Company's Supervisory Board (after prior recommendation by the Audit Committee to the Supervisory Board), which has specified the following principles of Auditor selection for the purpose of ensuring the independence of the opinion:

- the entity authorized to financial statements audit may not conduct audits of the Company/Group for more than 5 subsequent years;
- the entity authorized to financial statements audit may resume the audit of the Company/Group after at least 2 years have passed;
- a key certified auditor may not perform financial auditing activities of the Company/Group for a period of more than 5 subsequent years;
- a key certified auditor may resume the performance of financial auditing activities of the Company/Group after at least 2 years have passed.

29.4 CIECH S.A. shareholders holding significant share packages

CIECH S.A.'s shares are listed on the Warsaw Stock Exchange. As at 1 January 2013 the share capital of the Company was PLN 263 500 965 and was divided into 52 699 909 shares with a face value of PLN 5 each including:

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

On 21 January 2013, the District Court for the Capital City of Warsaw, XIII Commercial Department of the National Court Register issued the decision on the entry in the Register of Enterpreneurs in the range of share capital of CIECH S.A. due to the decision on the division of SODA MĄTWY S.A. and JANIKOSODA S.A. executed under Art. 529 § 1 point 4 Commercial Companies Code by transferring part of assets of the divided companies and related to increase in share capital of CIECH S.A. by the issue of 2 F-series registered common shares.

Therefore, the share capital of the Company is PLN 263 500 975 and is divided into 52 699 911 shares with a face value of PLN 5 each, including:

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

On 22 May 2013, the Ordinary General Meeting of CIECH S.A. agreed to purchase by CIECH S.A. above mentioned own shares for the purpose of redemption.

On 21 June 2013, by District Court for the Capital City of Warsaw, XIII Commercial Department of the National Court Register issued the decision on the entry the changes of the Company's share capital and shares number into the Register of Enterpreneurs, due to the Company's decision of shares redemption.

After register of share capital decrease and share redemption, and as of the day of publishing of this report, the share capital of the Company is PLN 263 500 965 and is divided into 52 699 909 shares with a face value of PLN 5 each, including:

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

To the knowledge of the Company, as of the day of publishing of this report, there were three entities owning significant stakes of shares (at least 5%): State Treasury, Otwarty Fundusz Emerytalny PZU „Złota Jesień" S.A. and ING Otwarty Fundusz Emerytalny.
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Shareholder	Type of share	Number of shares	Percentage of share capital (%)	Number of votes at the General Meeting	Percentage in the general number of votes at the General Meeting
State Treasury*	Common bearer	20 407 437	38.72%	20 407 437	38.72%
Otwarty Fundusz Emerytalny PZU "Złota Jesień" S.A.**	Common bearer	4 850 000	9.20%	4 850 000	9.20%
ING Otwarty Fundusz Emerytalny**	Common bearer	4 500 000	8.54%	4 500 000	8.54%

** according to information dated 23 August 2011 provided by the shareholder on the basis of Art. 69 par.2 p.2 of Act on Public Offer and Conditions of Introducing Financial Instruments to the Organized Public Trading and Public Companies (cr 59/2011-correction)*

*** based on a list of shareholders possessing at least 5% of votes at the Ciech S.A. Ordinary General Meeting as of 22 May 2013 (Art. 70 p. 3 of the Act on Public Offer and Conditions of Introducing Financial Instruments to the Organized Public Trading and Public Companies – General Shareholders' Meeting list above 5%*

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29.5 Shareholders possessing special control authorization with a description of such authorization

As of the publication date of the financial statements, all CIECH S.A. shares are ordinary bearer shares. The issuer's Statute does not provide any special control rights for Company shareholders.

29.6 Restrictions concerning the performance of the right to vote

At the CIECH S.A., there are no restrictions concerning the performance of the right to vote, such as the right to vote by holders of a specific part or number of votes, time limits concerning the performance of the right to vote, or regulations, according to which, with the company's cooperation, the capital rights related to securities are separated from the possession of securities. Restrictions concerning the performance of the right to vote in Company may results only from generally applicable law regulations.

29.7 Restrictions concerning the transfer of ownership rights to the issuer's securities

The statute of CIECH S.A. does not impose any restrictions concerning the transfer of ownership rights to securities issued by the Company.

29.8 Description of authorization for making decisions on the issue or redemption of shares

The authorization of in the management is specified by the regulations of the Code of Commercial Companies and the Company Statute. Persons holding management positions do not have special authorization to make decisions on the issue or redemption of shares.

29.9 Principles of changing the Issuer's statute

Changes to the Company Statute are made under the principles specified in the regulations of the Code of Commercial Companies. The Statute does not introduce detailed regulations relating to the above regulations. Changes to the Statute require a resolution by the Company's General Meeting and an entry in the entrepreneur's register. A resolution of the General Meeting concerning changes to the Company Statute is made by a majority of three quarters of votes. After the changes to the Statute are entered into the entrepreneurs' register, CIECH S.A. issues a current report on this subject to public knowledge. The Company's General Meeting may authorize the Supervisory Board to establish the consolidated text of the Statute.

In 2013 changes were made to § 6 (1) of CIECH S.A. Statute, based on the expansion of the objective of the Company's activity by service activities supporting land transportation (PKD 52.21.Z) and service activities supporting sea transportation (PKD 52.22.Z).

Another changes to the Statute made in 2013, concerned § 7 (1). It resulted from the increase in Company's share capital from PLN 263 500 965 to PLN 263 500 975 by the issue of 2 F-series common registered shares in relation to the decision on division of SODA MATWY S.A. and JANIKOSODA S.A. (a decision of the District Court for the Capital City of Warsaw, XIII Commercial Division of the National Court Register on an entry in the Register of Enterpreneurs made on 21 January 2013, as the Company annonced in the Current report No 6/2013 dated 29 January 2013), and reduction of the share capital from PLN 263 500 975 to PLN 263 500 965 by above mentioned shares redemption on the basis of the Resolution of the Extraordinary General Meeting which took place on 22 May 2013 (a decision of the District Court for the Capital City of Warsaw, XIII Commercial Division of the National Court Register on an entry in the Register of Entrepreneurs made on 21 June 2013, as the Company announced in the Current report No 25/2013 dated 27 June 2013).

29.10 Method of activity of the general meeting and its primary authorization with a description of shareholder rights and the method of their performance

The method of functioning of the CIECH S.A. General Meeting and its authorization are regulated by the Company Statute and the Regulations of the CIECH S.A. General Meeting. These documents are available on the corporate website of CIECH S.A. www.ciechgroup.com in the sections: "CIECH S.A./Company Documents" and "Investor Relations/General Meeting Regulations".

The CIECH S.A. General Meeting is held as ordinary or extraordinary in accordance with the regulations of the Code of Commercial Companies and the Statute under the principles specified in the General Meeting Regulations. The General Meeting is convened in the method and under the principles indicated in generally applicable regulations. The General Meeting is convened by an announcement uploaded to the Company's website and through the submission of a current report. The announcement is to be made at least twenty six days before the date of the General Meeting. An Ordinary General Meeting is convened by the Company's

Management Board. The Supervisory Board may convene an Ordinary General Meeting if the Management Board does not convene it by the appointed date. The following are entitled to the right to convene an Extraordinary General Meeting:
1) the Management Board,
2) the Supervisory Board if it deems its convening as necessary,
3) shareholders representing at least half of the share capital or at least half of the general number of votes in the Company.

A shareholder or shareholders representing at least 1/20 of the share capital may demand the convening of an Extraordinary General Meeting and may put specific matters on the agenda of this Meeting. The demand should be reported to the Management Board in writing or in electronic form to the e-mail address indicated on the Company's website, along with substantiation. A shareholder or shareholders representing at least 1/20 of the share capital may:
1) demand the inclusion of specific matters in the agenda of the nearest General Meeting – such demand should be reported to the Management Board in writing or in electronic form to the e-mail address indicated on the Company's website, no later than twenty one days before the appointed date of the Meeting and is to contain substantiation or a draft of the resolution concerning the proposed item on the meeting agenda;
2) submit drafts of resolutions concerning the matters put on the agenda of the General Meeting or matters that are to be introduced to the meeting agenda to the Company in writing or by means of electronic communication to the e-mail address indicated on the Company website before the date of the General Meeting.

According to the Regulations of the General Meeting, the Meeting may be cancelled if its convening encounters extraordinary obstacles (forces majeures) or if it is apparently aimless. Cancellation of a Meeting, the agenda of which contains specific matters included upon the request of authorized entities, or which was convened upon such a request, is only possible with the consent of the requesting parties. Cancellation takes place in the same way as convening, in such a way that shareholders will be subject to the least negative effects. Changing of the date of the Meeting takes place in the same way as its cancellation, even if the proposed meeting agenda is not subject to change.

According to the Statute of CIECH S.A. the competences of the General Meeting include in particular:
1) consideration and approval of the Management Board's report on Company's activities, the financial statements for the previous year, the consolidated financial statements and the report on the capital group's activities, in which the dominant entity is the Company, as long as the Company prepares them, and the annual written statement of the Supervisory Board, as well as acknowledging the fulfillment of duties by Company's bodies;
2) making of resolutions on profits distribution or losses covering;
3) adoption of the General Meeting Regulations;
4) changing of the Company Statute;
5) changing of the Company's subject of activity;
6) sale or leasing of the company or of its organized part and establishment of a limited property law on it;
7) appointment and dismissal of Supervisory Board members and establishment of the amount of remuneration for Supervisory Board members;
8) appointment and dismissal of Management Board members, including the President of the Management Board;
9) increase or reduction of share capital;
10) making a resolutions concerning the bonds issue, including bonds exchangeable for shares;
11) merging of the Company with other companies, division and transformation of the Company;
12) dissolution of the Company;
13) expressing of consent for the purchase of shares by the Company for the purposes of redemption and resolving terms of share redemption;
14) passing of other resolutions provided for in legal provisions or in this Statute.

According to § 21 (2) point 3 of the CIECH S.A. Statute, matters raised at the General Meeting of CIECH S.A. are considered and opined on by the Supervisory Board of CIECH S.A

Shareholders may participate in the Meeting and perform their right to vote in person or through representatives. Proxy is to be granted in writing or in electronic form. A shareholder granting or revoking proxy for participation in the General Meeting in electronic form will inform the Company by e-mail to the address wza@ciechgroup.com.

According to the CIECH S.A. General Meeting Regulations, besides the participants of the Meeting, members of the Management Board and Supervisory Board also take part, in an attendance making it possible to give meritorious answers to the questions posed during the Meeting. In addition, the following persons may take part in the Meeting:
1) experts, advisors and Company's employees, the presence of which is recognized as purposeful by the Management Board, Supervisory Board or the Chairman,
2) persons servicing the Meeting,
3) representatives of mass media, as long as the Meeting does not object to their presence by resolution,

4) persons referred to Art. 370 § 3 and Art. 395 § 3 sentence 2 of the Code of Commercial Companies.

The Chairman of the Meeting is selected from the participants of the Meeting. The Chairman directs the course of the Meeting in accordance with the accepted meeting agenda, legal regulations, Statute and General Meeting Regulations, ensuring an efficient course of the Meeting with respect to the rights and interests of all Shareholders.

The competences of the Chairman of the General Meeting include in particular:
1) keeping watch over adherence to the regulations, including the General Meeting regulations by participants of the Meeting and if necessary, making of the appropriate ordinal decisions in this scope,
2) opening discussions on individual items on the meeting's agenda, giving the floor,
3) taking the floor in the case of statements:
   - ✓ exceeding the established time limit for statements or replicas, or
   - ✓ on matters not included in the meeting's agenda, or
   - ✓ containing insulting content,
4) closing of discussion on individual items of the meeting's agenda,
5) closing of the lists referred to in § 42 (44) of General Meeting Regulations of CIECH S.A. (list of candidates for members of the Management Board, including the President of the Management Board or Supervisory Board),
6) establishment – on the basis of accepted applications – of the content of drafted Meeting resolutions,
7) calling for votes, watching over the correct course of voting, signing of all documents containing voting results and announcement of voting results,
8) issuance of ordinal dispositions applicable in the meeting place,
9) settlement of procedural doubts and clarification – if necessary, based on obtained legal opinions – of legal and regulatory matters,
10) statement of the conclusion of the meeting's agenda,
11) adjourning the Meeting after the conclusion of the meeting agenda,
12) making of other decisions of an ordinal nature.

The Chairman may independently order breaks in the meeting other than the breaks ordered by the Meeting on the basis of Art. 408 § 2 of the Code of Commercial Companies. Breaks should be ordered by the Chairman in such a way, that the Meeting can be concluded on the day of its commencement.

The Chairman may introduce the consideration of an application and making of a resolution on appointing an extraordinary general meeting to the meeting agenda, as well as other ordinal matters, including in particular:
1) admission to the meeting place of the persons referred to in § 8 (2) p. 1-3 in General Meeting Regulations of CIECH S.A,
2) application for a change in the order of considering matters contained in the meeting agenda,
3) selection of commissions provided for in the Regulations.

Participants of the Meeting may place substantive applications concerning the matters included in the meeting's agenda, ordinal applications and an application for convening an extraordinary general meeting.

Drafts of resolutions proposed for acceptance by the Meeting are uploaded to the Company website. Resolutions of the CIECH S.A. General Meeting are passed by an absolute majority of votes unless the regulations of the Code of Commercial Companies states otherwise.
The General Meeting Regulations do not provide for the possibility of voting by correspondence as referred to in Art. 411^1 of the Code of Commercial Companies.
The Statute does not provide for the possibility of participating and making statements during the Meeting using means of electronic communication.

Voting is carried out as open voting. Secret voting is ordered:
1) during elections,
2) for applications for dismissal/appointment of members of Company's bodies,
3) for applications for dismissal of Company liquidators,
4) for applications for holding accountable the persons specified in points 2) and 3),
5) in personel matters,
6) upon the demand of even one of the participants of the Meeting.

The right to demand secret voting is not applicable when resolutions are made on ordinal matters. The Meeting may repeal the secret of voting in matters concerning the selection of the commissions appointed by it.

In 2013, 1 (one) General Meetings was held. On 22 May 2013, the Ordinary General Meeting adopted a resolution on the approval of the annual report on the Company's and Ciech Capital Group activities and the financial statements for 2012, on the acknowledgement of the fulfillment of duties by all members of the Supervisory Board and the Company's Management Board and also on the covering of losses for 2012 from the

Company's Reserve Capital. Furthermore, the Meeting agreed to purchase own shares for the purpose of redemption and decided to redeem by voluntary redemption 2 F-series ordinary registered shares with a face value of PLN 5 each. The decrease in capital resulting from the shares redemption occurred by amending the Company's Statute without maintaining a convocation procedure, due to the fact that the remuneration for redeemed shares was paid from the amount that could be distributed.

29.11 Composition of the management supervisory and administrative bodies of the Issuer and of their committees and changes made to it during the last year of turnover as well as a description of the activities of these bodies.

Management Board of CIECH S.A.

According to § 23 (1) of the Company Statute, the Management Board consists of three to five persons. The joint term of the Management Board members lasts three years. The seat of a Board Member expires at the latest with the day on which a General Meeting is held approving the financial report for the last full financial year of the Member's function as a Board Member. The expiration of a Member's seat also takes place as a result of death, resignation or dismissal from the Board.
The Board's competences include all matters and economic decisions and other decisions not reserved by the regulations of the Code of Commercial Companies or the stipulations of the Company Statute as belonging solely to the General Meeting or Supervisory Board. The President of the Board independently, two Board members jointly or one Board member together with an proxy are authorized to make statements of will and to sign them in the name of the Company.

The current joint term of the Company Board commenced with 22 May 2013. A detailed division of the competences of individual Board Members has been specified in a Management Board resolution.

The Management Board of CIECH S.A. operates on the basis of the regulations passed by the Management Board and approved by the Supervisory Board. Management Board resolutions are passed with an absolute majority of votes. In the case of a tie of votes, the vote of the President of the Management Board is decisive. In accordance with the principles of best practices, Management Board Regulations state, that in the event of a conflict of the Company's interest with the personal interests of a Board Member his spouse relatives or kinsman of the second degree or persons with whom he has a personal relationship, he should abstain from participation in the settlement of such matters, and request for this to be noted in the Board meeting protocol.

According to the wording of the Regulations Board resolutions are required by matters exceeding the scope of ordinary Company activities including in particular:
1) approval and changing of the Board Regulations;
2) approval and changing of the Company Organizational Regulations;
3) acceptance of applications directed to the Supervisory Board or General Meeting;
4) convening of General Meetings and acceptance of proposed agendas;
5) acceptance of annual and long-term financial plans and development strategies for the Company;
6) granting of procuration or general power of attorney;
7) contracting of credit and loans;
8) granting of loans and donations;
9) disposal of a right or contraction of a commitment of a value exceeding 500 thousand PLN;
10) application for bank guarantees contraction of commitments from bills of exchange granting of all types of guarantees and the establishment of other indemnities.

A Board resolution is also required in matters not exceeding the scope of ordinary Company activities if its passing is requested by any Board Member.

As of 1 January 2013 the CIECH S.A. Board fulfilled its function in the following composition:
1) Dariusz Krawczyk – President of the Board
2) Andrzej Kopeć – Board Member
3) Artur Osuchowski – Board Member.

As at 31 December 2013 and as at the date of approving of the financial statement the Board fulfilled and fulfills its function in unchanged composition.

The body responsible for establishing the principles and amounts of remunerations for Board members is the CIECH S.A. Supervisory Board.

Detailed information about CIECH S.A. Board Members is presented below.

Name and surname	**Dariusz Krawczyk**
Position	**President of the Board of CIECH S.A. as of 28 May 2012.**

Name and surname	**Dariusz Krawczyk**
Qualifications	A graduate of Warsaw University of Technology (1993) completed Tax Studies (1996) Manager Studies (1997) and Post-graduate Studies in management of company value (2002) at the Warsaw School of Economics. Since 1993 he is in possession of a license of a securities broker.
Experience	From 1993 – 1998 employed at the Brokers' Office of Bank Handlowy Center of Capital Operations at the position of Director of the Turnover and Sales Office. In the years 1998—1999 fulfilled the function of President of the Board at Expandia Polska S.A. In the years 1999-2000 he was a Director of the Investment Banking Department at PKO BP. In 2001 he became Board Member at Nafta Polska S.A. In 2000-2002 he fulfilled the function of Director of the Shareholder Supervision Office at PKN ORLEN S.A. In 2002-2003 – Director of the Department of Capital Investments at PSE S.A. In 2004-2005 – President of the Board of PSE Centrum S.A. In 2005-2011 he fulfilled the function of President of the Board of Synthos S.A. A member of many supervisory boards including Rafineria Trzebinia S.A. Rafineria Glimar S.A. II Narodowy Fundusz Inwestycyjny S.A. Huta Buczek S.A. Warszawska Giełda Towarowa S.A. Warta Vita S.A. Petrolot Sp. z o.o. Petrogaz Płock Kaučuk a.s. Active Zone Group S.A. Firekom S.A. He is currently the chairman of supervisory boards at Firekom S.A. and Active Zone Group S.A.

Scope of responsibilities in the Ciech Group	**Supervision over organizational units:**
	• Strategy Department
	• Human Resources Department
	• Shareholder Supervision Department
	• Legal and Organizational Department
	• Innovation and Development Department
	• Audit and Contorl Department
	• Communications Department
	• PROCUREMENT DIVISION including:
	  ○ Raw materials and materials purchasing department
	  ○ IT and Administrative Purchases Department
	• PRODUCTION DIVISION including:
	  ○ Production Department
	  ○ Purchasing Investment Department
	  ○ Energy Department
	  ○ Kaizen Department

Name and surname	**Andrzej Kopeć**
Position	**Board Member of CIECH S.A. as of 28 May 2012.**
Qualifications	Graduate of the Academy of Finance of the Government of the Russian Federation in Moscow Faculty of International Economic Relations majored in Economics (1993). Graduated with a master's degree for management staff in administration and management (Executive MBA at GFKM and RSM Erasmus University (2010) and numerous professional courses in the field of financial sector issues including finance management. He has a diploma from ACI – ACI U. K. The Financial Markets Association – in the scope of knowledge and skills concerning operations on financial markets in accordance with international standards.
Experience	During the years 1993-2001 he fulfilled the function of Director of the Treasury Department at Bank Śląski S.A. member of the ALCO Committee. During the years 2001-2003 he was employed at ING BSK S.A. at the position of Asst. Director of the Department of Accounting and Reporting Advisor to the President of the Board for Management of Assets and Liabilities and Secretary of the ALCO Committee. During the years 2003-2006 he fulfilled the function of Vice-President of Bank Gospodarki Żywnościowej and since 2005 also the Bank Financial Director. In the years 2006-2009 – Board Member of DZ BANK Polska. During the years 2009-2012 he was a Board Member of Zakłady Azotowe Puławy.

Scope of responsibilities in the Ciech Group	**Supervision over organizational units:**
	• FINANCE AND ACCOUNTING DIVISION including:
	  ○ Accounting Department
	  ○ Finance Management Department
	  ○ Controlling Department
	  ○ Inowroclaw Office
	• Property Management and Environmental Protection Department
	• IT Department
	• Project Management Department
	• European Funds Department

Name and surname	**Artur Osuchowski**
Position	**Board Member of CIECH S.A. as of 2 April 2008**
Qualifications	Graduate of the Private Higher School of Business and Administration in Warsaw Faculty of Economics majored in Finance and Banking. Completed professional courses in management of company value appraisal of companies on the capital market restructuring of company activity. Holder of a scholarship of the "Die Zeit" weekly magazine American Council on Germany Dreager Foundation.
Experience	During the years 1996-1997 analyst in the Management Accounting Department at Raiffeisen Bank Polska. From 1998 to 2001 senior consultant in the Corporate Finance department at Ernst & Young (responsible for merger and takeover projects on the capital market and strategic projects related to the restructuring and reorganization of company business. During the years 2001-2003 he was senior consultant at the Corporate Finance Department at Capgemini. Responsible for merger and takeover projects on the capital market and strategic projects related to restructuring and reorganization of company business. During the years 2003-2008 he fulfilled the function of manager at KPMG Advisory in the Economic Consulting Department. Responsible for the development of services in the scope of strategic projects reorganization of company business and projects related to the business financing as well as support of direct investments.
Scope of responsibilities in the Ciech Group	**Supervision over organizational units:** • SALES DIVISION including: ○ SODA Sales Department ○ SULFUR Sales Department ○ Logistics Department ○ Sales Marketing and Analysis Department • Independent positions: ○ Agent of the Board of CIECH S.A. for matters of the Integrated Quality Management System and Security of Information ○ Information Security Administrator at CIECH S.A. ○ Agent for matters of Security of Classified Information at CIECH S.A.

Supervisory Board of CIECH S.A.
According to § 20 par. 1 the Supervisory Board consists of five to nine members appointed by the General Meeting. The joint term of Supervisory Board members lasts three years. On 30 June 2011 the Ordinary General Meeting of CIECH S.A. appointed the Supervisory Board of CIECH S.A. for another joint term.

The Supervisory Board of CIECH S.A. operates on the basis of the regulations passed by the Supervisory Board and approved by the General Meeting. Appointment and dismissal of Supervisory Board members are among the competences of the General Meeting. The Supervisory Board appoints a Chairman of the Supervisory Board from among its members and if necessary his deputy and secretary. The Supervisory Board supervises the Company's activity.

The competences of the Supervisory Board include in particular:
1) assessment of the Board's report on Company activity and of the financial report for the previous year of turnover and the consolidated financial report and the report on the activity of the capital group, in which the dominant entity is the Company, as long as the Company develops them in the scope of their compliance with ledgers and documents, as well as with the factual state and Board's applications, concerning division of profits or covering of losses and submission to the General Meeting of an annual written report on the results of these assessments;
2) opining of Company activity programs developed by the Board;
3) consideration and opining of matters that are to be the object of resolutions at the General Meeting;
4) adoption of the Supervisory Board regulations;
5) approval of the Board regulations;
6) establishment of principles of remuneration and the amount of remunerations for Board Members, including the President of the Board;
7) selection of an expert auditor for performance of a review of the Company's financial report and of the consolidated financial report of the Company's capital group;
8) expression of consent for disposal of rights or contracting of a commitment, which on the basis of one or several related legal activities, exceeds the equivalence of the amount of 10 million PLN, with the exception of:
a) raw material, semi-product, and product sales agreements related to the object of the Company's activity;
b) activities requiring the consent of the General Meeting.

The Supervisory Board passes resolutions with an absolute majority of votes in the presence of at least half of the members of the Supervisory Board and in the event of a tied vote the Chairman's vote is decisive. According to

the Statute of CIECH S.A., the Supervisory Board may pass resolutions without convening a meeting, by way of written voting or voting by means of direct communication at a distance, however in order for the adoption of a resolution to be effective in such a case, it is necessary to inform all Supervisory Board members of the content of the draft of the resolution. Supervisory Board Members may participate in the adoption of resolutions by the Supervisory Board by casting their vote in writing, through another Supervisory Board Member. Casting of a vote in writing may not be concerned with matters introduced to the agenda during a meeting of the Supervisory Board.

Supervisory Board meetings are held as needed however no less frequently than once per quarter.

Every year the Supervisory Board of CIECH S.A. submits a Report on the Activity of the Supervisory Board for the given trading year to the Ordinary General Meeting of the Company. The report contains a detailed discussion of the activity of the Supervisory Board, discussion of the realization by the Company Board of programs of action, assessment of the Company Board's report on the activity of the Company and the Ciech Capital Group, a financial report of the Company and the Ciech Capital Group and the conclusions of the Company Board concerning division of profits or covering of losses.

With consideration of the highest standards and best practices and in order to provide the possibility for reliable assessment of the Company by shareholders, the Supervisory Board of CIECH S.A. makes a concise assessment of the situation of CIECH S.A. This assessment is presented annually during the Ordinary General Meeting of the Company, at a time allowing CIECH S.A. shareholders to become acquainted with the document.

As at 1 January 2013 the Supervisory Board fulfilled its function in the following composition:
1) Ewa Sibrecht-Ośka – President of the Supervisory Board
2) Przemysław Cieszyński – Deputy Chairman of the Supervisory Board
3) Mariusz Obszyński – Secretary of the Supervisory Board
4) Arkadiusz Grabalski – Supervisory Board Member
5) Zygmunt Kwiatkowski – Supervisory Board Member
6) Maciej Lipiec – Supervisory Board Member
7) Waldemar Maj – Supervisory Board Member
8) Sławomir Stelmasiak – Supervisory Board Member.

As at 31 December 2013 and as at the date of approving of the financial statement the Supervisory Board fulfilled and fulfills its function in unchanged composition.

The body responsible for establishing the principles and amounts of remunerations for Board members is the CIECH S.A. General Meeting.

The total value of remunerations given by the Company to all Supervisory Board Members fulfilling their functions in 2013 amounted to 803 thousand PLN

Detailed information on the amounts of remunerations paid to individual Supervisory Board Members can be found in the section II.39.5.

Detailed information about CIECH S.A. Supervisory Board Members is presented below.

Name and surname	**Ewa Sibrecht - Ośka**
Position	**President of the Supervisory Board of CIECH S.A. from 22 October 2009 a Supervisory Board Member since 14 September 2009.** **Does not conduct competitive activity relative to CIECH S.A.**
Qualifications	Graduate of the Faculty of Law of the University of Łódź. Legal advisor since 1994 completed her advisor application in Warsaw.
Experience	1991-2001 employed at the legal department of the Ministry of Finance. 1995-1996 Law Offices of Baker McKenzie 1998-2001 Cavere Law Offices 2000-2011 Office of the European Integration Committee 2001-2006 Nafta Polska S.A. 2006-2007 Legal advisor at Korporacja Polskie Stocznie S.A. 2007- Legal advisor at the City Hall of the Capital City of Warsaw Shareholder Supervision Department and at Progres Services Sp. z o.o. 2007 - Minister's Advisor at the Department of Shareholder Supervision and Privatization at the Ministry of Treasury; since May 2009 Director of the Analysis Department at the Ministry of Treasury. Currently she is

Name and surname	Ewa Sibrecht - Ośka
	the Director of the Department of Owernship Supervision at the Ministry of Treasury. Mrs. Ewa Sibrecht-Ośka took part in work on drafts of the act on tax consulting and the act on compensation proceedings in entities of particular significance to the Polish shipbuilding industry and was involved in preparing the LOTOS S.A. Group for their IPO on the stock exchange. In addition she was involved in the privatization process of the Wielka Synteza Chemiczna sector (Z. Ch. "Organika-Sarzyna" S.A. and ZACHEM S.A.) – project for preparation of the sale of company shares to investors including the acceptance of pre-privatization analyses, agreements with privatized companies and negotiations of agreements with investors, including matters of public aid.

Name and surname	Przemysław Cieszyński
Position	**Deputy Chairman of the Supervisory Board of CIECH S.A. since 12 July 2011, a Supervisory Board Member since 21 June 2010.** **Does not conduct competitive activity relative to CIECH S.A..**
Qualifications	Graduate of the Information Technology and Management Faculty of the Wrocław University of Technology; Master of Science Engineer specializing in informational systems. Fullbright scholarship holder – studied Management at Vanderbilt University in Nashville (USA) – MBA degree..
Experience	1990-1993 consultant at the IT Department of Cabinet Office. 1994-1998 project leader and systems(IT) manager at Tricon Restaurants International Warsaw (a division of PepsiCo). 1998-2003 Senior Manager at Accenture Warszawa – concerned with financial services and matters of strategy. 2003-2004 Executive Director at CII Group Warsaw (currently Alvarez & Marsal). 2004-2005 Board Member Financial Director of the Banking Services Division at Polcard S.A. March-November 2005 Director of the Restructuring Department at Telewizja Polska S.A. Since December 2005 a partner in Raitaro Consulting a company rendering complete management consulting services. Additionally Mr Przemysław Cieszyński fulfilled the function in bodies of other companies and organizations: 1991-1993: Member of the Rada Dolnośląskiej Izby Przemysłowo-Handlowej; since 2006: WSiP S.A. (Chairman and Deputy Chairman), Sygnity S.A. YAWAL S.A. (till now), Sokółka S.A. (President of the Board - temporary management), Bomi S.A. (Deputy Chairman), Rabat Service S.A., TC Debica S.A., Rafako S.A., Fornetti Sp. z o.o. (currently - Deputy Chairman).

Name and surname	Arkadiusz Grabalski
Position	**Supervisory Board Member of CIECH S.A. since 21 June 2010.** **Does not conduct competitive activity relative to CIECH S.A.**
Qualifications	A graduate of the Faculty of Law and Administration of the University of Warsaw. Since 1998 he is registered on the list of legal advisors at the Regional Chamber of Legal Advisors in Warsaw..
Experience	1995 - 1996 - employed at the legal department of the Ministry of Ownership Transformation. 1996 – 1998 - employed at Creditanstalt SCG Fund Management S.A. – the company managing NFI Hetman S.A. 1998 – 2005 - employed at White & Case, W. Daniłowicz, W. Jurcewicz Law Offices Sp.k. Since 2005 - partner at Stolarek & Grabalski Law Offices Sp.k. Mr. Arkadiusz Grabalski specializes in capital market law, M&A transactions and private equity transactions. A significant part of his practice is concerned with restructuring processes, bankruptcy law, public aid and legal disputes. He was involved in processes of preparing companies for privatization and selling of privatized company shares to investors. He actively participated in mergers of several banks and other companies, including public companies. He has advised many companies during public offering processes (IPO) as well as during successive issuances including issuances of bonds exchangeable for shares. He took part in the process of creating one of the first securitization funds. He represented entrepreneurs in restructuring processes of obtaining financing for investment as well as in important legal disputes.

Name and surname	Zygmunt Kwiatkowski

Name and surname	Zygmunt Kwiatkowski
Position	**Supervisory Board Member of CIECH S.A.; does not conduct competitive activity relative to CIECH S.A.**
Qualifications	A graduate of the Marie-Curie Skłodowska University – Faculty of Mathematics Physics and Chemistry (1979). Completed post-graduate studies for bank management staff at the faculty of Economic Sciences at the University of Warsaw (1997). Completed doctorate studies at the Faculty of Organization and Management of the University of Warsaw. Obtained the title of Doctorate Major in Business Administration at the Northwest Columbia University (2004). Completed courses and training in the scope of financial analysis management financial instruments and stock exchange matters.
Experience	2002-2006 - President of the Board at Z.A. Puławy. 2012-2011 - President of the Board of Wiko Company S.A. Currently Deputy President of the Board of Kruszywa Niemce S.A. and conducts his own economic activity in the company Cooperation and Global Consulting Zygmunt Kwiatkowski. He held seats in the supervisory boards of Z.A. Puławy (2001-2002) Z.Ch. Police S.A. (2010) F.S. Holding in Lublin (2002) Z.A.O. A.F.K. in Kiemierowo (Russian Federation) – construction of a wood processing industrial complex and holds a seat on the Supervisory Board of P.P.M.B. Niemce S.A.

Name and surname	Maciej Lipiec
Position	**Supervisory Board Member of CIECH S.A. since 26 April 2012** **Does not conduct competitive activity relative to CIECH S.A.**
Qualifications	Graduate of the Academy of Economics in Cracow (2000), graduated from the Małopolska School of Public Administration and from the University of Copenhagen with the degree of Master of Public Administration (MPA) and held a scholarship at the University of Stockholm (School of Business).
Experience	2000 – 2002 – employed at Commercial Union Financial Services and PTE Open Retirement Fund BPH CU WBK. 2002 – 2003 - employed at the Ministry of Economy, Labor and Social Policy in the EFS Department. 2003 – 2004 - Advisor to the Deputy Prime Minister and to the Minister of Economy and Labour. 2004—2005 - director of the Secretariat of the Deputy President of the Council of Ministers at the Office of the Prime Minister. 2005—2011 - employed at Agencja Rozwoju Przemysłu S. A. Currently - President of the Board at Operator ARP Sp. z o.o. Mr. Maciej Lipiec holds the certificates of Project Manager PRINCE2 and Risk Manager. He has held seats on supervisory boards in Krakowskie Zakłady Garbarskie S.A. (2005 – 2006), Operator ARP Sp. z o.o. (2007 – 2011) and in Z.E. Elsen S.A. (since 2011).

Name and surname	Waldemar Maj
Position	**Supervisory Board Member of CIECH S.A. since 21 June 2010.** **Does not conduct competitive activity relative to CIECH S.A.**
Qualifications	Graduated from the Faculty of Technical Physics and Applied Mathematics of the Warsaw University of Technology (1980). Obtained the degree of doctor at the Physics Institute of PAN (1989) and an MBA at Harvard Business School in the USA (1996).
Experience	Since 2012 Chairman of the Supervisory Board of PZU S.A. (member of the Supervisory Board since 2009). In previous years, he served on the supervisory boards, among others: Bank BGZ S.A. (Chairman of the Committee for the IPO), Stock Spirits Group in Luxembourg (Chairman of the Audit Committee), Unipetrol A.S in the Czech Republic (Chairman of the Audit Committee) and at the Bank Gdański S.A. (Chairman of the Supervisory Board). Partner-founder of Metropolitan Capital Solutions, a company providing strategic consulting and corporate finance services (since 2009). In previous years - Vice President, Chief Financial Officer at PKN Orlen S.A., responsible for financial and investor relations (2007/2008); Vice President of Bank BGZ S.A., responsible for corporate banking and treasury (2005-2007), member of the Management Board and CEO of DZ Bank Polska S.A. (2002-2005), senior associate at the American strategic consulting firm McKinsey & Company in Warsaw (2000-2002), senior investment officer at the International Finance Corporation / World Bank Group in Washington, DC (1996-2000), advisor to the

Name and surname	Waldemar Maj
	Minister of Finance and President of the Foundation for Development Financial System (1991-1994). In the years 1981-1991 an assistant and later an assistant professor at the Institute of Physics, Polish Academy of Sciences, a postdoctoral fellow in the Laboratory of Kamerlingh Onnes in Leiden in the Netherlands. He was also awarded the Officer's Cross of the Order of Polonia Restituta

Name and surname	Mariusz Obszyński
Position	**Supervisory Board Member of CIECH S.A. since 19 January 2012** **Does not conduct competitive activity relative to CIECH S.A.**
Qualifications	Graduate of the Marie-Curie Skłodowska University in Lublin Faculty of Economics.
Experience	Employed, among other places, at Przedsiębiorstwo Eksploatacji Rurociągów Naftowych Przyjaźń S.A. as Board Member, PGNiG S.A. as the management advisor, director of the mergers and acquisitions department at Agencja Rozwoju Przemysłu S.A. and director of the shareholder supervision department at the Nafta Polska S.A. Currently employed as the Director of the Strategy Analysis and Shareholder Supervision Office at OLPP Sp. z o.o. He held seats on the supervisory boards of the following entities: Rafineria Czechowice S.A., Zakłady Chemiczne Police S.A., Zakłady Azotowe in Tarnów-Mościce S.A, the LOTOS Group, PERN Przyjaźń S.A., OLPP Sp. z o.o. and Naftoserwis sp. z o.o

Name and surname	Sławomir Stelmasiak
Position	**Supervisory Board Member of CIECH S.A. since 14 September 2009.** **Does not conduct competitive activity relative to CIECH S.A.**
Qualifications	Graduate of the Faculty of Chemistry of the A. Mickiewicz University in Poznań. Completed postgraduate studies in mediation and negotiation (Poznań School of Social Sciences) internal audits (Higher School of Commerce and Accounting in Poznań) and doctorate studies at the Faculty of Management of the Poznań University of Economics. In 1997 he passed the exam for members of supervisory boards of State Treasury companies.
Experience	Since 2003 member of the Supervisory Board of MPK Poznań Sp. z o.o. Participated in numerous training, seminars and conferences on the subject of environmental protection, financing of investments in environmental protection, energy market and renewable energy sources. Since 1988 he has conducted individual economic activity as a shareholder and stockholder in commercial companies. He has taken part in investment projects as a member of management and supervisory boards in the branches of: commerce, real estate, mining and chemistry. In the years 1998-2010 a member of the governing body of the Wielkopolska Association of Commerce and Services. A member of the Financial Council and advisor to the rector of the Poznań Trade and Commerce University. In the years 2008-2010 at Enea Group – advisor to Board on matters of renewable energy sources and President of the Board of BHU S.A. (Enea Group). Currently President of the Stomil-Poznań S.A.

Committees of the Supervisory Board of CIECH S.A.

The following Committees function within the framework of the Supervisory Board of CIECH S.A.: Audit Committee of the Supervisory Board of CIECH S.A. and Remuneration Committee of the Supervisory Board of CIECH S.A.

Audit Committee

The Audit Committee of the Supervisory Board of CIECH S.A. was appointed by Resolution No. 57/IV/2005 of 16 February 2005.

According to the Audit Committee Regulations the tasks of the Audit Committee include in particular:

1) monitoring of the financial reporting process
2) monitoring of the effectiveness of the internal control system
3) monitoring of the effectiveness of the internal auditing system
4) monitoring of the effectiveness of the risk management system
5) monitoring of the performance of financial review activities
6) monitoring of the independence of the expert auditor and entity authorized for inspection of the Company's financial reports.

The Audit Committee of the Supervisory Board of CIECH S.A. submits an annual report on its activity which is part of the Report on the activity of the Supervisory Board of CIECH S.A. provided to Shareholders during the Ordinary General Meeting of CIECH S.A.

As at 1 January 2013 the Audit Comittee of the Supervisory Board of CIECH S.A. functioned in the following composition:
1) Waldemar Maj - Chairman
2) Przemysław Cieszyński – Committee Member
3) Mariusz Obszyński – Committee Member
4) Sławomir Stelmasiak – Committee Member.

As at 31 December 2013 and as at the date of approving of the financial statement the composition of Audit Committee remained unchanged

Remuneration Committee of the Supervisory Board of CIECH S.A.

The Remuneration Committee was appointed by Resolution No. 66/IV/2005 of the Supervisory Board of CIECH S.A. According to the Remuneration Committee Regulations the primary task of the Committee is to advise the Supervisory Board on matters related to the establishment of the principles and amounts of remuneration for the Company Board members of CIECH S.A.

In particular the Committee's tasks include:
1) presenting the the Supervisory Board with proposals in the scope of the principles of remuneration for Company Board members of CIECH S.A., which should account for all forms of remuneration, in particular as regards: base remuneration, remuneration system based on results, retirement system and severance payments;
2) presenting the Supervisory Board with proposals in the scope of amounts of remuneration for each member of the Company Board of CIECH S.A.;
3) presenting the Supervisory Board with drafts of agreements, regulating the performance of responsibilities by the members of the Company Board of CIECH S.A.;
4) discussion (with or without the involvement of the Company Board) of all problems or reservations that may arise in matters related to the remuneration of members of the Company Board of CIECH S.A.
5) consideration of all other matters to which the Committee or Supervisory Board has directed attention;
6) informing the Supervisory Board of all significant matters in the general context of the Committee's activity.

The Remuneration Committee of the Supervisory Board of CIECH S.A. submits an annual report on its activity, which is part of the Report on the activity of the Supervisory Board of CIECH S.A., provided to Shareholders during the Ordinary General Meeting of CIECH S.A.

As at 1 January 2013 the composition of the Remuneration Committee was as follows:
1) Arkadiusz Grabalski
2) Zygmunt Kwiatkowski.

As at 31 December 2013 and as at the date of approving of the financial statement, the Remuneration Committee fulfilled and fulfills its function in unchanged composition.

29.11.1 Information concerning agreements signed between the issuer and persons in management positions providing for compensation in the event of their resignation or dismissal from their position without just cause or when their dismissal takes place as a result of the issuer's merging through a takeover

In the case of dismissal of Board Members from their positions, they are entitled to a one-time cash severance package that does not exceed six months of remuneration. The non-competition agreement with Board Members after the termination of the employment relationship provides for payment of damages in the amount of 100% of monthly remuneration for a period that does not exceed 6 months.

30 Information required in connection with the issuance of foreign bonds according to the Offering Memorandum

The information required by the Offering Memorandum is presented in the following sections of this report:

1) Operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, liquidity and capital resources – section I.5 I.6 and a I.8.
2) Description of material commitments and contingent liabilities – section II.33
3) Description of critical accounting policies – section II.2.
4) Description of the market – section I.6.

5) Description of management of Ciech S.A. – section I.29.11
6) Information about the shareholders of the parent company CIECH S.A. – section I.29.4
7) Description of all material affiliate transactions - section II.39.
8) Indebtedness and material financing arrangements – section I.8 and II.27.
9) Description of all material contractual arrangements including material debt instruments – section I.8 and II.27.
10) Description of material risk factors – section I.4 and II.35.
11) Information about the recent developments in the business of Ciech S.A. and its subsidiaries – section I.3 and II.41.

II. **THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CIECH GROUP FOR 2013**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE CIECH GROUP

		01.01-31.12.2013			01.01-31.12.2012		
PLN '000	*Note*	**Continuing operations**	**Discontinued operations**	**TOTAL**	**Continuing operations**	**Discontinued operations***	**TOTAL***
Sales revenues	*5*	3 229 700	271 320	3 501 020	3 386 905	991 047	4 377 952
Cost of sales	*6*	(2 658 053)	(235 700)	(2 893 753)	(2 874 173)	(907 284)	(3 781 457)
Gross profit/(loss) on sales		**571 647**	**35 620**	**607 267**	**512 732**	**83 763**	**596 495**
Other operating income	*7*	87 528	279 484	367 012	85 181	46 110	131 291
Selling costs	*7*	(202 618)	(9 628)	(212 246)	(222 146)	(54 229)	(276 375)
General and administrative expenses	*7*	(147 146)	(27 506)	(174 652)	(154 379)	(48 037)	(202 416)
Other operating expenses	*7*	(128 130)	(319 529)	(447 659)	(170 119)	(277 097)	(447 216)
Operating profit/(loss)		**181 281**	**(41 559)**	**139 722**	**51 269**	**(249 490)**	**(198 221)**
Financial income	*7*	31 539	2 683	34 222	6 641	3 455	10 096
Financial expenses	*7*	(166 323)	(14 208)	(180 531)	(284 632)	12 948	(271 684)
Net financial income/expenses		**(134 784)**	**(11 525)**	**(146 309)**	**(277 991)**	**16 403**	**(261 588)**
Share of profit / (loss) of equity-accounted investees	*18*	354	-	354	801	(57)	744
Profit/(loss) before tax		**46 851**	**(53 084)**	**(6 233)**	**(225 921)**	**(233 144)**	**(459 065)**
Income tax	*8*	95 654	(49 861)	45 793	10 755	10 599	21 354
Net profit/(loss)		**142 505**	**(102 945)**	**39 560**	**(215 166)**	**(222 545)**	**(437 711)**
including:							
Net profit/(loss) attributable to shareholders of the parent company		151 125	(101 678)	49 447	(210 577)	(220 007)	(430 584)
Net profit/(loss) attributed to non-controlling interest		(8 620)	(1 267)	(9 887)	(4 589)	(2 538)	(7 127)
Earnings per share (in PLN):							
Basic	*10*	2,87	(1,93)	0,94	(4,00)	(4,17)	(8,17)
Diluted	*10*	2,87	(1,93)	0,94	(4,00)	(4,17)	(8,17)

** Restated.*

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME OF THE CIECH GROUP

PLN '000	01.01.-31.12.2013 Continuing operations	01.01.-31.12.2013 Discontinued operations	01.01.-31.12.2013 TOTAL	01.01.-31.12.2012 Continuing operations	01.01.-31.12.2012 Discontinued operations*	01.01.-31.12.2012 TOTAL*
Net profit/(loss) for the period	**142 505**	**(102 945)**	**39 560**	**(215 166)**	**(222 545)**	**(437 711)**
Other comprehensive income before tax *that may be reclassified to profit or loss*						
Currency translation differences (foreign companies)	(14 354)	-	(14 354)	(7 125)	-	(7 125)
Cash flow hedge	(11 256)	-	(11 256)	13 373	-	13 373
Other comprehensive income before tax that may not be reclassified to profit or loss						
Actuarial gains	74	-	74	-	-	-
Income tax attributable to other comprehensive income	**2 186**	-	**2 186**	**(3 139)**	-	**(3 139)**
Income tax attributable to other comprehensive income that may be reclassified to profit or loss	*2 186*	-	*2 186*	*(3 139)*	-	*(3 139)*
Income tax attributable to other comprehensive income that may not be reclassified to profit or loss	**-**	**-**	**-**	**-**	**-**	**-**
Other comprehensive income net of tax	**(23 350)**	**-**	**(23 350)**	**3 109**	**-**	**3 109**
TOTAL COMPREHENSIVE INCOME	**119 155**	**(102 945)**	**16 210**	**(212 057)**	**(222 545)**	**(434 602)**
Comprehensive income including attributable to:	**119 155**	**(102 945)**	**16 210**	**(212 057)**	**(222 545)**	**(434 602)**
Shareholders of the parent company	127 153	(101 678)	25 475	(207 828)	(222 545)	(430 373)
Non-controlling interest	(7 998)	(1 267)	(9 265)	(4 229)	-	(4 229)

** Restated.*

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE CIECH GROUP

PLN '000	*note*	**31.12.2013**	**31.12.2012***
ASSETS			
Non-current assets			
Property, plant and equipment	12	1 863 012	2 099 395
Right of perpetual usufruct	13	47 083	57 134
Intangible assets, including:	14	134 190	129 167
- goodwill	*15*	*61 110*	*60 455*
Investment property	16	91 497	113 018
Non-current receivables	17	69 728	65 534
Investments in associates and jointly-controlled entities measured under the equity method	18	4 769	4 971
Other long-term investments	19	12 415	44 661
Deferred income tax assets	8	77 622	31 884
Total non-current assets		**2 300 316**	**2 545 764**
Current assets			
Inventory	20	217 338	279 126
Short-term investments	22	621	946
Income tax receivables		17 590	4 086
Trade and other receivables	21	566 562	705 136
Cash and cash equivalents	23	105 593	81 177
Non-current assets held for sale	9	2 708	111 800
Total current assets		**910 412**	**1 182 271**
Total assets		**3 210 728**	**3 728 035**
EQUITY AND LIABILITIES			
Share capital		287 614	287 614
Share premium		470 844	507 835
Cash flow hedge	38	(6 395)	2 722
Actuarial gains		74	-
Other reserve capitals		78 521	78 521
Currency translation reserve		(76 951)	(62 022)
Retained earnings		157 781	71 330
Equity attributable to shareholders of the parent	**25**	**911 488**	**886 000**
Non-controlling interest		(14 199)	(5 812)
Total equity		**897 289**	**880 188**
Loans, borrowings and other debt instruments	26, 27	1 303 154	1 291 660
Fiinance sale-and-lease-back liabilities	26, 31	-	204 231
Finance lease liabilities	26, 31	4 840	3 235
Other non-current liabilities	26	160 728	122 213
Employee benefits	28	18 743	20 560
Provisions (other long-term)	29	44 785	40 422
Deferred income tax liability	8	84 578	104 170
Total non-current liabilities		**1 616 828**	**1 786 491**
Loans, borrowings and other debt instruments	30	7 388	6 543
Finance sale-and-lease-back liabilities	31	929	48 740
Finance lease liabilities	31	2 805	7 855
Trade and other liabilities	30	562 297	768 404
Income tax liabilities		24 605	23 749
Provisions (short-term provisions for employee benefits and other provisions)	28, 29	98 587	172 474
Liabilities related to non-current assets classified as held for sale	9	-	33 591
Total current liabilities		**696 611**	**1 061 356**
Total liabilities		**2 313 439**	**2 847 847**
Total equity and liabilities		**3 210 728**	**3 728 035**

** Restated.*

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

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY OF THE CIECH GROUP

PLN '000	Share capital	Share premium	Cash flow hedge	Other reserve capitals	Actuarial gains	Currency translation reserve	Retained earnings	**Equity attributable to parent's shareholders**	Non-controlling interest	**Total equity**
Equity as at 01/01/13*	**287 614**	**507 835**	**2 722**	**78 521**	**-**	**(62 022)**	**71 330**	**886 000**	**(5 812)**	**880 188**
Transactions with the parent recognized in equity	**-**	**(36 991)**	**-**	**-**	**-**	**-**	**37 004**	**13**	**878**	**891**
Change in the Group's structure	-	-	-	-	-	-	13	**13**	878	**891**
Share premium decrease	-	(36 991)	-	-	-	-	36 991	**-**	-	**-**
Total comprehensive income for the period	**-**	**-**	**(9 117)**	**-**	**74**	**(14 929)**	**49 447**	**25 475**	**(9 265)**	**16 210**
Net profit/(loss)	-	-	-	-	-	-	49 447	49 447	(9 887)	39 560
Other comprehensive income	-	-	(9 117)	-	74	(14 929)	-	(23 972)	622	(23 350)
Equity as at 31/12/2013	**287 614**	**470 844**	**(6 395)**	**78 521**	**74**	**(76 951)**	**157 781**	**911 488**	**(14 199)**	**897 289**

** Restated.*

The consolidated statement of changes in consolidated equity of the Ciech Group should be analysed together with the notes which constitute an integral part of the consolidated financial statements.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY OF THE CIECH GROUP

PLN '000	Share capital	Share premium	Cash flow hedge	Other reserve capitals	Actuarial gains	Currency translation reserve	Retained earnings	**Equity attributable to parent's shareholders**	Non-controlling interest	**Total equity**
Equity as at 01/01/12	**287 614**	**508 122**	**(8 111)**	**78 521**	**-**	**(51 400)**	**502 405**	**1 317 151**	**(2 020)**	**1 315 131**
Transactions with the parent recognized in equity	**-**	**(287)**	**-**	**-**	**-**	**-**	**(491)**	**(778)**	**437**	**(341)**
Share premium decrease	-	(287)	-	-	-	-	-	**(287)**	-	**(287)**
Dividends	-	-	-	-	-	-	-	**-**	(54)	**(54)**
Change in the Group's structure	-	-	-	-	-	-	(491)	**(491)**	491	**-**
Total comprehensive income for the period	**-**	**-**	**10 833**	**-**	**-**	**(10 622)**	**(430 584)**	**(430 373)**	**(4 229)**	**(434 602)**
Net profit/(loss)	-	-	-	-	-	-	(430 584)	**(430 584)**	(7 127)	**(437 711)**
Other comprehensive income	-	-	10 833	-	-	(10 622)	-	**211**	2 898	**3 109**
Equity as at 31/12/2012*	**287 614**	**507 835**	**2 722**	**78 521**	**-**	**(62 022)**	**71 330**	**886 000**	**(5 812)**	**880 188**

** Restated.*

The consolidated statement of changes in consolidated equity of the Ciech Group should be analysed together with the notes which constitute an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS OF THE CIECH GROUP

PLN '000	*note*	**01.01-31.12.2013**	**01.01-31.12.2012**
Cash flows from operating activities			
Net profit/(loss) for the period		**39 560**	**(437 711)**
Adjustments			
Amortisation/depreciation		216 625	236 677
Recognition of impairment allowances		200 439	210 678
Foreign exchange (profit) /loss		10 222	45 430
Investment property revaluation		9 602	(27 248)
(Profit) / loss on investment activities		(4 246)	4 629
(Profit) / loss on disposal of property, plant and equipment		(43 377)	938
Dividends and interest		137 299	142 568
Income tax		(45 793)	(21 354)
(Profit) / loss on the settlement of construction contracts (voids)		(1 348)	(6 845)
Share of (profit) / loss on equity accounted investees		(354)	(744)
Other adjustments		(27 784)	875
Cash from operating activities before changes in working capital and provisions		**490 845**	**147 893**
Change in receivables	*24*	122 044	69 587
Change in inventory	*24*	72 809	45 209
Change in current liabilities	*24*	(161 264)	(178 999)
Change in provisions and employee benefits	*24*	(71 000)	109 516
Cash generated from operating activities		**453 434**	**193 206**
Interest paid		(129 536)	(103 628)
Inflows from construction contracts (voids)		(1 432)	7 972
Change in liabilities due to loan arrangement fee		(3 360)	-
Income tax paid		(28 085)	406
Net cash from operating activities		**291 021**	**97 956**
Cash flows from investment activities			
Inflows		**194 137**	**31 202**
Disposal of a subsidiary		77 040	3 924
Disposal of intangible assets and property, plant and equipment		58 144	16 049
Disposal of financial assets		12 660	4 271
Disposal of investment property		9 099	-
Dividends received		682	1 461
Interest received		5 405	2 875
Repayment of loans		-	500
Hedging deposit		30 888	-
Other inflows		219	2 122
Outflows		**(219 609)**	**(318 256)**
Acquisition of a subsidiary (after deduction of acquiered cash)		(38 761)	(1 019)
Acquisition of intangible assets and property, plant and equipment		(177 471)	(297 961)
Research and development expenditures		(1 772)	(1 615)
Hedging deposit		-	(13 936)
Other outflows		(1 605)	(3 725)
Net cash from investment activities		**(25 472)**	**(287 054)**
Cash flows from financial activities			
Inflows		**66 144**	**1 513 514**
Proceeds from loans and borrowings		40 000	79 905
"Silent partners" contribution		-	50 083
Subsidies received		26 144	40 724
Issuance of debt securities		-	1 342 658
Other financial inflows		-	144
Outflows		**(318 678)**	**(1 381 594)**
Dividends paid to non-controlling interest		-	(45)
Repayment of loans and borrowings		(40 694)	(1 023 646)
Redumption of debt securities		-	(300 000)
Payments of financial lease liabilities		(277 984)	(57 840)
Other financial outflows		-	(63)

PLN '000	*note*	**01.01-31.12.2013**	**01.01-31.12.2012**
Net cash from financial activities		**(252 534)**	**131 920**
Total net cash flows		**13 015**	**(57 178)**
Cash and cash equivalents as at the beginning of the period		**90 917**	**149 044**
Impact of foreign exchange differences		1 661	(949)
Cash and cash equivalents as at the end of the period		**105 593**	**90 917**

The consolidated statement of cash flows should be analysed together with the notes which constitute an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CIECH GROUP

1 General Information

These consolidated financial statements of the Ciech Group for the period from 1 January 2013 to 31 December 2013, including comparative data, were approved by the Management Board of CIECH S.A. on 20 March 2014.

CIECH Spółka Akcyjna, with its company offices in Warsaw, ul. Puławska 182, registered under the number 0000011687 at the District Court for the Capital City of Warsaw, 13th Commercial Department of the National Court Register, is the parent entity in the Ciech Group.

As at 31 December 2013 the State Treasury had a significant shareholding in CIECH S.A. enabling it to control the company.

The Ciech Group is the leader of chemical industry in Poland, a group which comprises domestic and foreign production, trade and service companies conducting their operations within the chemical sector. The Group is a major domestic manufacturer in the chemical industry, mainly focused on the markets of Central and Eastern Europe however, also operating in Western Europe and other regions of the world. The Group also deals in trading and distribution of chemical goods produced by manufacturers from outside of the Ciech Group.

The Management Board of CIECH S.A. declares that to the best of its knowledge the consolidated financial statements for the year ended 31 December 2013, including comparative data, have been prepared in accordance with the generally acceptable accounting principles and that they represent a true, accurate and fair reflection of the Ciech Group's financial position and the results of operations. Furthermore, the Management Board of CIECH S.A. declares that the financial statements for 2013 contain a true image of the Group's developments, achievements, and condition, including the description of major risks and threats.

The Management Board of CIECH S.A. declares that the following entity was chosen in accordance with the binding legal regulations as the independent auditor of the Group's financial statements for the period from 1 January 2013 to 31 December 2013: KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Warsaw, entered into the list of entities authorised to audit financial statements under the registry no. 3546 kept by the National Chamber of Statutory Auditors. The above entity, including the certified auditors performing the audit, satisfy all the conditions required in order to issue an unbiased and independent opinion and audit report, pursuant to the applicable legal regulations.

2 Basis for preparation of the consolidated financial statements

The Management Board statement of compliance with International Financial Reporting Standards
The Management Board of CIECH S.A. declares that these consolidated financial statements for the current and comparative reporting period have been prepared in compliance with International Financial Reporting Standards approved by the European Union and related interpretations issued by the European Commision in the form of Regulations (IFRS).

These consolidated financial statements have been prepared based on individual financial statements of the Ciech Group's parent company and its subsidiaries, prepared from the accounting ledgers maintained in accordance with the applicable accounting principles of their respective coutries of operation. For the purpose of these consolidated financial statements, adjustments have been made to the accounting policies used in the preparation of the abovementioned individual financial statements for them to be aligned with International Financial Reporting Standards.

The consolidated statement of profit or loss of the Ciech Group is prepared in the cost by function format. The Group's consolidated statement of cash flows is prepared under the indirect method.

The Polish zloty (PLN) is the reporting currency of these consolidated financial statements. Unless stated otherwise, all financial data in these consolidated financial statements has been presented in thousands of Polish zlotys (PLN '000). The functional currency of the parent entity CIECH S.A. is Polish zloty.

The functional currencies for the signifcant foreign subsidiaries are as follows:

- Soda Deutschland Ciech Group and the Ciech Group Financing AB – functional currency - EUR; reporting currency in the consolidated financial statements of the Ciech Group – PLN
    - EUR rate as at reporting date 31 December 2013 – 4.1472 PLN (at 31 December 2012 - PLN 4.0882)
    - Average exchange rate (calculated as the arithmetic average of the average exchange rates as announced by the National Bank of Poland for EUR for the last day of each month, from January to December) for the period starting from 1 January to 31 December 2013 - PLN 4.2110 (for the comparable period - PLN 4.1736).
- S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. – functional currency RON; reporting currency in consolidated financial statements of the Ciech Group - PLN
    - RON rate as at reporting date 31 December 2013 – PLN 0.9262 (at 31 December 2012 -PLN 0.9197)
    - Average exchange rate (calculated as the arithmetic average of the average exchange rates as announced by the National Bank of Poland for RON for the last day of each month from January to December) for the period starting from 1 January to 31 December 2013 - PLN 0.9543 (for the comparable period – PLN 0.9397).

The preparation of financial statements in conformity with International Financial Reporting Standards requires the Management Board to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Detailed information on estimates made is provided in the section II.2.20 “Estimates adopted in the preparation of the financial statements” of these consolidated financial statements.

These consolidated financial statements have been prepared on a going concern basis.

New Standards, amendments to Standards and Interpretations

The following new Standards, amendments to Standards and Interpretation are not yet mandatorily effective for the annual periods ended on 31 December 2013, and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

Standards, Interpretations and amendments to published Standards as adopted by the EU that are not yet effective for annual periods ended on 31 December 2013

IFRS 10 Consolidated Financial Statements – effective for annual periods beginning as of 1 January 2014 or after.
The amendments introduced relate to new model of control analysis, control assessment, scope of disclosures and requirements relating to the preparation of consolidated financial statements.

IFRS 11 Joint Arrangements – effective for annual periods beginning as of 1 January 2014 or after.
IFRS 11 supersedes and replaces IAS 31 *Interests in Join Ventures*. The amendments introduced relate mainly to:
- carve out from the standard, those cases in which, although there is a separate vehicle for the joint arrangement, separation is ineffective in certain ways.
- carve out the possibility to apply proportionate consolidation.

IFRS 12 Disclosure of Interests in Other Entities – effective for annual periods beginning as of 1 January 2014 or after.
The amendments introduced relate to additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in other entities, joint arrangements, associates and unconsolidated structured entities.

Amendments to IFRS 10, IFRS 11 and IFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities – effective for annual periods beginning as of 1 January 2014 or after.
The amendments introduced relate to:
- the definition of the date of initial application of IFRS 10,
- limitation of the requirement to restate the comparatives to the period immediately preceding the date of initial application; this applies to the full suite of standards,
- requirement to disclosue the impact of the change in accounting policy only for the period immediately preceding the date of initial application.

IAS 27 Separate Financial Statements (2011) – effective for annual periods beginning as of 1 January 2014 or after.
The amendments relate mainly to carry over the requirements to prepare the consolidated financial statements to IFRS 10 Consolidated Financial Statements.

IAS 28 Investments in Associates and Joint Ventures (2011) - effective for annual periods beginning as of 1 January 2014 or after.

The amendment made applies to an investment, or a portion of investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. Additional change relates to measurement of interests held in associates and joint ventures.

Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial assets and Financial Liabilities – effective for annual periods beginning as of 1 January 2014 or after.
The amendments introduced clarify the offsetting criteria to address inconsistencies in their application.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) – effective for annual periods beginning as of 1 January 2014 or after.
The amendments provide an exception to the consolidation requirements in IFRS 10 and require qualifying investment entities to measue their investments in controlled entities – as well as investments in associated and joint venurues – at fair value through profit or loss, rather than consolidating them. The amendments also set out disclosure requirements for investment entities.

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39 Financial Instruments: Recognition and Measurement) – effective for annual periods beginning as of 1 January 2014 or after.
The amendments made relate to the application of hedge accounting.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36 Impairment of Assets) – effective for annual periods beginning as of 1 January 2014 or after.
The amendments clarify when the recoverable amount should be disclosed. The amendments also require the additional disclosures when impairment for individual assets (including goodwill) or cash-generated units has been recognized or reversed in the period and recoverable amount is based on fair value less cots of disposal.

The Group is currently evaluating the impact of the abovementioned standards, amendments to standards and interpretations, however, it is not expected to have a significant effect on its consolidated financial statements

Standards and interpretations approved by International Accounting Standards Board not yet endorsed by the EU.

IFRS as adopted by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board ("IASB"), with the exception of the following standards, amendments to standards and interpretations, which as at 20 March 2014 had not yet been approved for application:

IFRS 9 Financial Instruments (2009) – available for application (no mandatory effective date set). The changes relate to:
- the guidance about classification and measurement of financial assets,
- elimination of existing financial instruments' categories of held to maturity, available for sale and loans and receivable,
- the recognition of gains and losses on remeasurement of financial assets measured at fair value.

Additions to IFRS 9 Financial Instruments (2010) – available for application (no mandatory effective date set).
The amendments relate to the guidance in IAS 39 about classification and measurement of financial instruments and the scope of required disclosures.

Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures - available for application (no mandatory effective date set).
The amendments change the disclosure and restament requirements relating to the initial application of IFRS 9 Financial Instruments (2009) and IFRS 9 Financial Instruments (2010).

IFRIC Interpretation 21 Levies – effective for annual periods beginning as of 1 January 2014 or after.
The interpretation provides guidance as to the identification of the obligating event giving rise to a liability, and to the timing of recognizing a liability to pay a leavy imposed by government.

Amendment to IAS 19 Employee Benefits - Defined Benefit Plans: Employee Contributions – effective for annual periods beginning as of 1 July 2014 or after.
The amendment applies to contributions to defined benefit plans made by employees or third parties.

Improvements to International Financial Reporting Standards (2010-2012) – effective for annual periods beginning as of 1 July 2014 or after. Annual Improvements to IFRSs (2010-2012) contain 8 amendments to 7 standards, with consequential amendments to other standards and interpretations.

Improvements to International Financial Reporting Standards (2011-2013) – effective for annual periods beginning as of 1 July 2014 or after. Annual Improvements to IFRSs (2011-2013) contain 4 amendments to standards, with consequential amendments to other standards and interpretations.

IFRS 14 Regulatory Deferral Accounts – effective for annual periods beginning as of 1 January 2016 or after.

The Group is currently evaluating the impact of the abovementioned standards, amendments to standards and interpretations, however, it is not expected to have a significant effect on its consolidated financial statements

Standards and interprations that have been applied for the first time in 2013

New standards, amendments to standards and interpretations that have been applied for the first time in preparing these consolidated financial statements.
The application of the below mentioned new and amended IFRS that have become effective from 1 January 2013 until the date when these financial statements were authorized for issue, did not have material effect on the current year figures but may have an impact on the settlement of the future transactions and agreements:

- Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to IFRS 1 First-time adopters: Government Loans,
- Amendments to IFRS 7 Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
- New Standard IFRS 13 Fair Value Measurements
- Amendments to IAS 12 Income Taxes – Deferred Taxes: Recovery of Underlying Assets
- New IFRIC interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
- Improvements to International Financial Reporting Standards (2009-2011)

Amendments to IAS 1 – Presentation of Financial Statements: presentation of items of other comprehensive income – Ciech group applied the amendments to the titles of the statements in accordance with the revised requirements of IAS 1 Presentation of Financial Stements.
Amendment to IAS 19 – Employee Benefits changed the presentation of actuarial gains/losses in other comprehensive income. In 2013 the actuarial gains in the consolidated financial statements of the Ciech group were recognized in other comprehensive income in the amount of PLN 74 thusand. Due to the inmaterial value of actuarial gains in 2012, the comparatives were not restated.

Changes in accounting policies and comparative data

Apart from the changes in accounting policies resulting from new standards, amendments to standards and interpretations described above, the Group made following changes in accounting policies:

The Group changed the manner of presentation of its result on sale of discontinued operations. Until now the result on sale of discontinued operations was presented in the consolidated statement of profit or loss in the column "discontinued operations" separately from the net result generated by the discontinued operations. After the change the result on the sale of discontinued operations is presented in the column "discontinued operations" under respective item of profit or loss in accordance with the rules applicable for the presentation of identical events in continued operations. In case of sale of net assets of subsidiaries these are other operating income or expenses, respectively.
The separate presentation of the result of sale on discontinued operations and the result generated by the discontinued operations in accordance with the requirements of IFRS 5.33 was presented in section II.9 and section II.40

In 2013 the manner of presentation of equity was changed. "Net currenty translation differences (investments in foreign companies)" were recognized jointly with item "Currency translation differences (foreign companies)" for all periods presented in these financial statements. The effect of the above change of presentation on equity was presented in section II.40.

The remaining accounting policies presented below were consistently applied to all periods presented in these consolidated financial statements.

Accounting Policy
These consolidated financial statements have been prepared on the historical cost basis save for investment property and certain financial instruments recognised at fair value.

2.1 Basis of consolidation
(i) Subsidiaries
Subsidiaries are entities controlled by the Parent. Control occurs when the Group has the power to govern either directly or indirectly the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control influence of both existing and potential voting rights exercisable at the reporting date are considered. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Consolidation adjustments
Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions as well as the Group's revenues and costs, allowances on intragroup doubtful receivables, allowances on investments, intragroup dividends and intragroup sales of fixed assets are all eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly-controlled entities are eliminated from the consolidated financial statements propotionally to Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.
The subsidiaries' net equity in the amount as at the acquisition-date, in the part corresponding to Group's share in the share capital, is compensated with acquisition value of the shares included in statement of financial position of the parent at the date of acquisition. Consolidation adjustments depending on their nature are recorded against appropriate items of equity. Changes in the parent's ownership interest that do not result in a loss of control of the subsidiary are accounted for as equity transactions.

(iii) Foreign currency

Financial statements of foreign operations
The parent company's functional currency is the currency in which these consolidated financial statements are presented. Foreign operation subsidiaries producing their financial statements in currencies other than the presentation currency of these consolidated financial statements translate their results of operations as well as financial position into the presentation currency as follows:

- all items of income and expense are translated at exchange rates at the dates of the relevant transactions although appropriate average rates for the period may be used where such simplified approach would not have a significant effect of the consolidated financial statements
- all assets and liabilities are translated at the exchange rate at the reporting date
- components of shareholders' equity are translated at historical rates e.g. share capital is translated at the exchange rate at the date of a related business combination, items of income and expense recognized directly in equity are translated at respective transaction-date exchange rates or, for simplicity, at the average exchange rate for the period.

The difference arising from the translation of components of shareholders's equity at exchange rate different form the exchange rate at the reporting date applied to other balance sheet items is presented in equity as "currency translation reserve".
When a parent there is a non-controlling interest in a foreign operation subsidiary, the amount of accumulated echange differences attributable to the NCI is allocated to an recognized as part of the NCI. Goodwill related to a foreign operation should be considered to be expressed in the functional currency of the foreign operation and should be translated into the presentation currency of the consolidated financial statements at the exchange rate as at the reporting date. The resulting translation differences are rocognised in other comprehensive income and presented within "currency translation reserve".

A monetary item receivable from or payable to a foreign operation may for a part of the net investment in the foreign operation if the settlement is neither planned nor likely to occur in the foreseeable future. Foreign exchange gains and losses arising from monetary item that in substance forms part of the net investment in the foreign operation are recognised in the consolidated financial statements in other comprehensive income and are presented within equity as "Currency translation reserve"

Upon the loss of control over a foreign operation, the cumulative exchange differences related to that foreign operation, recognized in equity as "Currency translation reserve" are reclassified to profit or loss

2.2 Financial instruments

The principles of measuring and recognising of financial assets described below do not refer to the measurement of shares of subsidiaries financial lease agreements insurance agreements financial instruments under employee programs and financial instruments issued by the entity and constituting its equity instruments.

The most significant assets subject to the measurement principles for financial instruments include:
1. investments in other entities
2. bonds issued by other entities
3. other securities issued by other entities (e.g. participation units)
4. loan receivables
5. trade receivables
6. cash
7. derivatives (options forwards futures, swaps, embedded derivatives) with positive fair value
8. other financial assets.

The most significant liabilities subject to the measurement principles for financial instruments include:
1. borrowings
2. loans
3. obligations on bonds issued
4. trade payables
5. derivatives with negative fair value
6. other financial liabilities.

Classification of financial instruments

Financial assets are classified into:
1. financial assets at fair value through profit or loss
2. loans and receivables
3. held-to-maturity financial assets
4. available-for-sale financial assets.

Financial liabilities are classified into:
1. financial liabilities evaluated at fair value through the financial result
2. other financial liabilities.

Loans, receivables and deposits are initially recognized on the date when they originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes party to the contractual provisions of the instrument. The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial asset that is created or retained by the Group is recognised as a separate asset or liability.
Issued debt instruments and subordinated liabilities are initially recognized by the Group on the date when they originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade dateat which the Group becomes party to the contractual provisions of the instrument. The Group derecognises a financial liability when the obligation is repaid, redeemed or expires.

(i) Financial assets at fair value through profit or loss

Financial assets designated at fair value through profit or loss are presented within current assets and measured at fair value, and changes therein are recognised directly in profit or loss. Financial assets at fair value through profit or loss comprise the financial assets:

- held for trading,
- forming part of a portfolio of financial assets that are managed together to generate short-term profits,
- designated at the time of initial recognition as measured at fair value through profit or loss.

Upon initial recognition financial assets may be designated at fair value through profit or loss provided that the following criteria are met:

- such classification eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch),
- the assets are part of a group of financial assets that are managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management strategy,
- financial assets include embedded derivatives that should be separately recognized.

Financial assets at fair value through profit or loss also include derivatives, provided that the conditions for applying hedge accounting have not been satisfied.

(ii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets quoted in an active market, with fixed or determinable payments and fixed maturity, that the Group has the positive intent and ability to hold to maturity, other than loans and receivables and financial assets designated upon initial recognition at fair value through profit or loss and financial assets available for sale.

The Group does not classify any financial assets as held-to-maturity if in the current financial year or in the preceding two financial years it sold or reclassified more than a non-significant amount of held-to-maturity investments, save for the sale or reclassification performed:

- so close to maturity or financial asset's call date that changes in the market interest rates would not have a significant effect on the financial asset's fair value;
- after the Group has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
- as a result of an isolated event that is beyond the Group's control, is non-recurring and could not have been reasonably anticipated by the entity.

Financial assets held-to-maturity upon initial recognition are measured at amortised cost using the effective interest method.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than financial assets, which:

- the Group intends to sell immediately or in near term, which shall be classified as held for trading and those that the Group upon initial recognition designates at the fair value through profit or loss;
- upon initial recognition were designated by the Group as available for sale; or
- the Group may not recover substantially all of its initial investment, other than due to credit deterioration, which shall be classified as available for sale.

Loans and receivables upon initial recogintion are measured at amortised cost using the effective interest method less any impairment losses.

(iv) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.
Available-for-sale financial assets upon initial recongition are measured at fair value and changes therein are recognized in revaluation reserve. Interest on any debt instruments included in this category, calculated using the effective interest method, is presented directly in profit or loss.
In the absence of a quoted market prices in an active market and the inability to reliably determine the fair value of equity instruments using alternative methods, available-for-sale financial assets are measured at cost less any impairment losses.

(v) Financial liabilities

Financial liabilities held for trading, including, in particular, derivatives with negative fair value, not designated as hedging instruments, are recognised at fair value with changes therein recognised directly in profit or loss.
Other financial liabilities are measured at amortised cost using the effective interest method
.

Principles of measurement after initial recognition/at the end of reporting period and presentation of financial instruments in financial statements

Category of assets or liabilities	Measurement	Recognition
Assets at fair value through profit or loss	At fair value	Remeasurement changes recognized in the current period profit or loss under finance income or costs.
Liabilities at fair value through profit or loss	At fair value	Remeasurement changes recognized in the current period profit or loss under finance income or costs.
Other financial liabilities	At amortised cost using the effective interest (IRR)	Remeasurement changes adjust the carrying amount of the liability and are recognized in current period profit or loss
Loans and receivables	At amortised cost using the effective interest (IRR)	Remeasurement changes adjust the carrying amount of the liability and are recognized in current period profit or loss
Held-to-maturity financial assets	At amortised cost using the effective interest (IRR)	Remeasurement changes adjust the carrying amount of the liability and are recognized in current period profit or loss
Available-for-sale financial assets	At fair value	Changes from remeasurement at fair value are recognized under revaluation reserve. For debt instruments interest is recognized directly in profit or loss
Financial assets and financial liabilities held for trading	At fair value	After initial recognition, finance liabilities are measured at fair value. Gains and losses on valuation are recognized directly in profit or loss.

Hedge accounting and embedded derivatives

Hedge accounting

Hedge accounting recognizes the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item.

Derivatives such as options, forwards, swaps are held to hedge the fair value of assets, fair value of liabilities or expected future cash flows. For the aforesaid derivatives, the entity may apply hedge accounting if, and only if, all the following conditions are met:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. In this documentation the Group shall include identification of the hedging instrument the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness iin offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.
- the Group expects that the hedge will be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship.,
- for cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss,
- the effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured,
- the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

If the aforesaid conditions are not met, the derivative should be measured in accordance with the principles as for financial instruments held for trading..

The entity may apply the following hedging relationships:

Fair value hedges

A hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment or an identified portion of such an asset liability or firm commitment that is attributable to a particular risk and could affect profit or loss.

Fair value hedge shall be accounted for as follows:

- ✓ the gain or loss from remeasuring the hedging instrument at fair value (for a derivative hedging instrument) shall be recognized in profit or loss; and
- ✓ the gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognized in profit or loss. This applies if the hedged item is otherwise measured at cost. Recognition of the gain or loss attributable to the hedged risk in profit or loss applies if the hedged item is an available-for-sale financial asset.

Cash flow hedge

A hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and (ii) could affect profit or loss.

Cash flow hedge shall be accounted for as follows:

- ✓ the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized in other comprehensive income and presented in equity; the ineffective portion of the gain or loss on the hedging instrument shall be recognised in profit or loss.
- ✓ if a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability the associated gains or losses that were recognised in other comprehensive income (effective hedge) shall be reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss.
- ✓ if a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability; than the entity reclassifies the associated gains and losses that were recognized in other comprehensive income (effective hedge) to profit or loss as a reclassification adjustment in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as in the periods that depreciation expense) or the entity removes the associated gains and losses that were recognised in other comprehensive income and includes them in the initial cost or other carrying amount of the asset or liability.
- ✓ for cash flow hedges other than those covered above amounts that had been recognised in other comprehensive income shall be reclassified from equity (effective hedge) to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss.

Hedges of a net investment

Hedges of a net investments in a foreign operation shall be accounted for as follows:

- It is a hedge of a net investment in foreign operations with functional currency different than the one of the parent entity, by means of currency exchange instruments.
- revaluation of foreign currency liabilities designated for hedge accounting is recognized in equity and offset the opposite revaluation of net investments in foreign operation in consolidated financial statements.
- accumulated amount on equirt is transferred to the profit and loss statement in case of partial or overall sale of shares in a foreign entity.

Embedded derivatives

Enbedded derivatives' contracts are agreements with the effect that all or part of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party of the contract. A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument or has a different counterparty from that instrument, is not an embedded derivative but a separate financial instrument.
An embedded derivative shall be separated from the host contract and accounted for as a derivative if, and only. if:

- ✓ the economic characteristics and risk of the embedded derivartive are nor closely related to the economic characteristics and risk of the host contract,
- ✓ a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative,
- ✓ the hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in profit and loss.

If an embedded derivative is separated the host contract shall be accounted for under financial instruments' standards if it is a financial instrument or in accordance with other appropriate standards if it is not a financial instrument.
Notwithstanding the foregoing provisions, if a contract contains one or more embedded derivatives, the Group may designate the entire hybrid (combined) contract as a financial asset or financial liability at fair value through profit or loss unless:

a) the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract not containing the embedded derivative, or
b) it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortised cost,

If the Group is required by IAS 39 to separate an embedded derivative from its host contract but is unable to measure the embedded derivative separately either at acquisition or at the end of a subsequent financial reporting period it shall designate the entire hybrid (combined) contract as at fair value through profit or loss. Similarly, if an entity is unable to measure separately the embedded derivative that would have to be separated on reclassification of a hybrid (combined) contract out of the fair value through profit or loss category that reclassification is prohibited. In such circumstances the hybrid (combined) contract remains classified as at fair value through profit or loss in its entirety.
If an entity is unable to measure reliably the fair value of an embedded derivative on the basis of its terms and conditions (for example because the embedded derivative is based on an uequity instrument that does not have a quated price), the fair value of the embedded derivative is the difference between the fair value of the hybrid (combined) instrument and the fair value of the host contract if those can be reliably measured. If the Group is unable to measure the fair value of the embedded derivative using this method, above method applies and the hybrid (combined) instrument remaines as at fair value through profit or loss in its entirety.

2.3 Property, plant and equipment

(i) Owned property, plant and equipment
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulatedimpairment losses. The cost of an item of property, plant and equipment comprises of its purchase price and all other costs directly attributable to the acquisition of the asset and bringing it to a working condition for its intended use. The cost also includes the cost of replacing components of machinery and equipment when incurred if the recognition criteria are met.

(ii) Tangible fixed assets used under lease agreements
Leases in terms of which the Group assumes substantially all the risks and rewards of ownership of an item of property, plant and equipment are classified as finance leases. Upon initial recognition the leased item of property, plant and equipment is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset's carrying amount is decreased by accumulated depreciation and accumulated impairment losses. Payments under operating lease agreements are recognised as an expense over the lease term.

In case of an asset used under a finance lease, if it is not reasonably certain that the lessee will obtain ownership of the asset by the end of the lease term, then the tangible asset is depreciated over one of the following two periods, whichever shorter:

- the lease term ,
- the expected useful life of the asset

When an agreement is classified as a finance lease, the underlying asset is recognised within the Company's (lessee's) property, plant and equipment and is depreciated in accordance with principles specified in section (iv).

(iii) Susequent costs
The cost of replacing part of an item of property, plant and equipment are capitalised. Other costs are capitalised only to the extent that it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. Other subsequent costs are recognised in profit and loss statement as an incurred expenses.

Pursuant to IAS 16 A separate component of an item of property, plant and equipment, requiring replacement at regular intervals, is depreciated over its economic useful life. Repair costs are capitalized when the amount of outlays is related to parts recognised as a separate component of an item of property, plant and equipment. If those components are not separated at the time of recognising an item of property, plant and equipment, it may be done upon bearing subsequent costs.

Pursuant to IAS 16 the Group increases the value of property, plant and equipment by the value of outlays for regular overhauls, necessary for the functioning of a given item of property, plant and equipment. These expenditures are treated as a separate item of property, plant and equipment and depreciated through the anticipated period to the next planned overhaul. Upon capitalisation of new costs of overhauls, the non-depreciated value of previous repairs is allocated to operating expenses.

Upon the acquisition or creation of an item of property, plant and equipment, the Group separates from the cost a value equal to the expenditures that need to be made during the next overhaul of a given item of property, plant and equipment and depreciates it through the anticipated period left until the next planned overhaul.

(iv) Depreciation
Items of property, plant and equipment, and also their significant and separate components, are depreciated on a straight-line basis over their respective estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

Buildings	**20 - 50**	**years**
Machinery and equipment	**2 - 20**	**years**
Means of transport	**2-20**	**years**
Other	**1-15**	**years**

Depreciation periods and residual values are reviewed at each reporting date with any resulting adjustments made prospectively as a change in estimate

2.4 Right of perpetual usufruct of land

Purchased rights of perpetual usufruct of land are recognised as separate items in the statement of financial position Perpetual usufruct rights obtained based on an administrative decision are recorded off-balance sheet (recognised as operating lease).

Rights of perpetual usufruct of land are depreciated on a straight-line basis over the lease term.

2.5 Intangible assets

(i) Goodwill
Goodwill arises on a combination of two separate entities or businesses into one reporting entity. It specifically relates to the acquisitions of subsidiaries, associates, or jointly controlled entities. All business combinations of unrelated entities are recognised under the acquisition metod

The Group initially measures goodwill as the difference between the aggregate of:
:

- ✓ the acquisition-date fair value of the consideration transferred,
- ✓ the amount of any non-controlling interests in the acquiree measured either at fair value or at their proportionate share in the fair value of the acquiree's net assets, and
- ✓ in a business combination achieved in stages the acquisition-date fair value of the acquirer's previously held equity interest in the acquire and the net recognised amounts (fair value) of the identifiable assets acquired and liabilities assumed measured at the acquisition date

Occasionally, a bargain purchase may occur, i.e. a business combination in which the net recognised amounts of the identifiable assets acquired and liabilities assumed measured at the acquisition date exceed the aggregate of the acquisition-date fair value of the consideration transferred, the amount of any non-controlling interests measured at fair value or at their proportionate share in the acquiree's net assets, and in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquire. Before recognising a gain on a bargain purchase, the acquirer reassesses whether it has correctly identified and measured the amounts of assets acquired and liabilities assumed, non-controlling interests, consideration transferred, and in a business combination achieved in stages, the acquirer's previously held equity interest in the acquiree. The purpose of the reassesment is to ensure that the measurements accurately consider all information available at the acquisition date. Any remaining gain from a bargain purchase after completing the reassessment is recognised in profit or loss at the acquisition date (as other operating income).

For a PUT option to acquire any non-controlling interests acquired before 1 January 2010, whose purchase cost is subject to a periodic remeasurement, any changes in the amount of liability are recognized in goodwill. For a PUT option to acquire non-controlling interests acquired on or after 1 January 2010, whose purchase cost is subject to a periodic remeasurement, any changes in the amount of liability are recognized in profit or loss. At the date of an acquisition, any goodwill acquired in a business combination is allocated to the cash-generating units that are expected to benefit from the synergies of the combination. Each cash-generating unit or a group of units to which the goodwill was allocated:

- is the lowest level within the Group, at which goodwill is monitored for internal management purposes,
- is not larger than an operating segment defined pursuant to IFRS 8 “Operating Segments”.

Goodwill represents an asset with indefinite useful life and as such is subject to annual impairment tests. Goodwill is tested at a minimum at an operating segment level.

Goodwill referring to investments in associates is reflected in their carrying amounts in the Group's consolidated financial statements. Consequently, any investments in associates and the related goodwill are analysed for impairment on a combined basis.

(ii) Other intangible assets
Other intangible assets that are acquired by the Group are measured at cost less accumulated amortisation and accumulated impairment losses. Any expenditure on internally generated goodwill and brands, is recognised in the profit or loss as incurred.

The costs of registering a substance in the REACH system, such as participation in research, consulting services linked to a specific registration, costs of preparing the registration documents and Chemical Safety Reports, registration fees, authorization, are capitalised as intangible assets

(iii) Subsequent costs
Subsequent expenditure on existing intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure is expensed as incurred.

(iv) Amortisation
Intangible assets are amortised on a straight-line basis over their estimated useful lives. The estimated useful lives of intangible assets are as follows

Development costs	**2 – 5**	**years**
Patents and licences	**2 –10**	**years**
Other	**2 – 12**	**years**

Amortisation periods and residual values are reviewed at each reporting date with any resulting adjustments made prospectively as a change in estimate
Amortisation of intangible assets related to the costs incurred in respect of the registration in the REACH system, begins in the month following the month of proper registration of a given substance. The amortisation period is 12 years with amortisation charged to cost of sales.

(v) Costs of completed development
Research activities represent an innovative and scheduled search for solutions, undertaken with the prospect of gaining new scientific or technical knowledge. Development activities are understood as a practical application of discoveries or achievements of other knowledge in planning and designing the production of new or considerably improved materials, devices, products, technological processes, systems or services, taking place prior to starting mass production or prior to their application.
All expenditure on research activities is recognised in profit or loss as incurred. Whenever a clear distinction between research and development activities cannot be made, the Group treats the related expenditure as research only. Development expenditure is capitalised as part of intangible assets only if the Group is able to prove:

- ✓ that the product or process is technically and commercially feasible,)
- ✓ its intent to complete development and to use or sell the asset,
- ✓ the ability to use or sell the asset,
- ✓ the manner in which the asset will bring future economic benefits (inter alia, the entity should prove the existence of a market for new products created by the asset or a market for the asset itself, or – if the asset is to be used by the Group – the usefulness of the intangible asset to the Group),
- ✓ the availability of appropriate technical, financial and other resources required to complete development activities and then use or sell the asset, and,
- ✓ its ability to reliably measure development costs attributable to the asset.

Internally generated trademarks, magazine titles, editorial titles, customer lists and other items of similar nature are not recognised in the financial statements.
The amortization periods of capitalised development costs should reflect their estimiated useful lives.
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2.6 Associates and joint ventures

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies Joint venture is a contractual arrangement whereby two or more parties undertake an economic activity subject to joint control.
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The consolidated financial statements include the Group's share of the income and expenses of equity accounted associates and joint ventures from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. The Group also measures impairment of the share in the net assets of associates and joint ventures and creates appropriate allowance. When the Group's share of losses exceeds the carrying amount of its interest in an associate or a joint venture, such carrying amount is reduced to nil and the recognition of further losses is discontinued.

2.7 Borrowing costs

In case of a qualifying asset, the borrowing costs that are capitalised are those that otherwise would have been avoided if the expenditure on the qualifying asset has not been made. The amount of borrowing costs eligible for capitalisation is defined as the appropriate portion of loan interest, the cost of arranging financing and respectively foreign exchange differences on foreign currency loans.

2.8 Investment property

Investment property are held to earn rentals or for capital appreciation (or both). Investment property is remeasured at fair value. After initial recognition, investment property is accounted for in accordance with the cost model as set out in IAS 16 Property, Plant and Equipment – cost less accumulated depreciation and less accumulated impairment losses. In next reporting periods change in fair value of investment property is recognised in profit or loss in the period when change is recognised and is presented in other operational income or cost. Investment property held under operating leases are classified and accounted for as investment property if the definition of investment property is fullfilled.

2.9 Trade and other receivables

Upon initital recognittioin current trade and other receivables are measured at the amortized cost using the effective interest method less any impairment losses

2.10Inventory

Raw materials and merchandise goods are measured at at cost being the purchase price increased by other costs incurred in bringing the asset to its present location and condition or place on the market but not higher than the selling price possible to achieve Finished goods and work in progress are measured at cost including direct manufacturing costs and reasonable portion of costs indirectly connected with the manufacturing process but not higher than the selling price possible to achieve.
Finished goods and work in progress are measured at cost including direct manufacturing costs and reasonable portion of costs indirectly connected with the manufacturing process, but not higher than the selling price possible to achieve.

The cost of inventory is based on the first-in first-out principle (FIFO).

2.11Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank deposits repayable on demand. Current investments that are not subject to significant changes in value and may be easily exchanged for a determinable amount of cash and form an integral part of the Group cash management are recognised as cash and cash equivalents for the purposes of the statement of cash flows. At the reporting date, any foreign currencies in bank accounts and on hand are measured at the average exchange rate for a given currency, established by the President of the National Bank of Poland.

2.12Impairment losses

(i) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventory and deferred tax assets, are reviewed at reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the respective cash-generating unit is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date, irrespective of the existence of the aforesaid indications.

The recoverable amount of an asset or a cash-generating unit is the greater of its fair value less costs to sell or its value in use. The recoverable amount is determined for individual assets, unless the asset does not generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If the asset's carrying amount exceeds its recoverable amount, an impairment loss is recognised against the carrying amount of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset

Impairment losses are recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. Impairment losses are recognised in profit or loss in those expense categories that correspond to the function of the asset to which they relate.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses can be reversed, if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation or depreciation, if no impairment loss had been recognised.

(ii) Impairment of non-derivative financial assets

At each reporting date the Group assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets measured at amortised cost

If any objective evidence indicates that loans and receivables measured at amortised cost are impaired, the impairment loss is the amount of the difference between the carrying amount of the financial asset and the present value of estimated future cash flows (excluding future losses on unrecocerable receivables that have not yet been incurred) discounted at the original (i.e., determined at initial recognition) effective interest rate. The carrying amount of assets is reduced through the use of allowances. The amount of allowance is recognized in profit or loss.

The Group first assesses whether there is any objective evidence of impairment of individually significant financial assets, and also whether any indications of impairment exist in respect of financial assets that are not individually significant. If the analysis does not reveal any objective evidence of impairment of an individually assessed financial asset, regardless of whether it is significant or not, the Group includes such an asset in a group of financial assets with similar credit risk and evaluates them collectively in terms of impairment. Assets that are individually assessed for impairment and for which an impairment loss was recognised or it was considered that the existing allowance should not change, are not taken into account when assessing the group of assets for impairment. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss to the extent that the asset's carrying amount at the reversal date does not exceed itsamortised cost

In particular, in relation to trade receivables from entities in liquidation or bankruptcy, or not admitted to bankruptcy, or in relation to receivables that are contested by debtors (disputed receivables), or where payments due are delayed and either the debtor's financial standing makes the collection no longer probable or such delay exceeds 180 days, an impairment loss is recognised in the full amount due after taking into account the amounts of any existing security which the Board considers highly probable of execution.

Available-for-sale financial assets

If objective evidence indicates that available-for-sale financial assets are impaired, the amount of the difference between the asset's acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss, is removed from equity and reclassified into profit or loss. Reversals of impairment losses on equity instruments classified as available-for-sale cannot be recognised in profit or loss. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

Financial assets measured at cost

If objective evidence indicates that impairment may exist in respect of an unquoted equity instrument that is not recognised at fair value due to the fact that its fair value cannot be reliably measured, or a derivative, which is linked to or must be settled through delivery of such an unquoted equity instrument, the amount of impairment loss is determined as the difference between the carrying amount of the financial asset and the present value of its estimated future cash flows discounted at the current market rate of return for similar financial assets.

2.13Equity

The total consolidated shareholders' equity includes equity attributable to shareholders of the parent company and non-controling interest.

The Group's share capital is represented by the share capital of the parent company and is accounted for at its nominal value adjusted by the effects of hyperinflation in the years 1989-1996.

Post-acquisition changes in the equity of subsidiaries are recognised in the Group's equity to the extent of the parent company's interest in those subsidiaries. The remaining equity of the consolidated entities is recognised in concontroling interest, described below.

When a foreign operation is disposed of, the relevant amounts in the currency translation differences (foreign companies) and net currency translation differences (investments in foreign companies) are transferred to profit or loss.

When share capital recognised as equity is repurchased by the parent company or a consolidated subsidiary, the amount of the consideration paid, which includes directly attributable costs, is recognised as a change in equity. The repurchased shares are presented as a deduction from total equity.

A liability for a dividend payable is not recognised until such dividend has been properly authorized.

Dividends payable from pre-acquisition profits do not reduce the acquisition price of the shares, however, they may provide evidence of impairment.

The consolidated net profit (loss) is presented in shareholders' equity within retained earnings and represents the sum of the net profit (loss) of the parent company, its share in net profit (loss) of equity accounted investees, net profit (loss) of consolidated subsidiaries and profit (loss) of non-controlling interests.

Non-controlling interest
Non-controlling interest represents interest in a subsidiary's equity which is not directly or indirectly attributable to the parent company.
Non-controlling interest is measured:
- ✓ at the amount of proportionate interest in subsidiary's net assets or
- ✓ at fair value,

for each business combination separately at the time of initial recognition.
The carrying amount of non-controlling interest should correspond to the amount calculated by adding changes in the current period to the carrying amount of non-controlling interest at the end of the preceding period. These changes may result from:

- changes in the percentage share of interest held by non-controlling shareholders - e.g. purchase sale increase or decrease of base capital;
- changes in equity not related to the changes in the interest held – e.g. increase or decrease of equity with no effect on shareholding additional equity contributions made by non-controlling shareholders net result of the current year transactions 130ecognized directly in other comprehensive income dividends paid.

Profit or loss as well as any elements of other comprehensive income are attributable to the shareholders of the parent company and to non-controlling interest even where the attribution results in a negative carrying amount of non-controlling interests.

2.14Employee benefits

Jubilee awards, retirement benefits pays and disability pay:
Based on the Group's remuneration plan, the employees of its companies are entitled to long-term jubilee awards and to retirement benefits. The Group's obligations in respect of the above benefits is the amount of benefit entitlement that employees have earned as a result of their service in the current and prior years.
Net defined benefit liabilities are calculated separately for each plan by estimation of future payments required to settle the obligation resulting from employee service in the current and prior periods (discounted to its present value and reduced by the fair value of plan assets). The discount rate is the rate of return for low-risk debt securities with similar maturity date as the Group's liabilities as at the end of the reporting period.

The Company recognizes in the statement of profit or loss:
- ✓ Current service cost which is change in liability resulting from increase in value of the defined benefit obligation due to increase in period of service and age of employees
- ✓ Past service cost connected with plan amendment during the current period
- ✓ Interest – change in liability resulting from unwinding of discount.

The Company recognizes in other comprehensive income:
- ✓ Actuarial gains and losses – the effects of differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.
- ✓ Change in discount rate.

2.15Provisions
A provision is recognised if, as a result of a past event, the Group has a present obligation and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Restructuring
A provision for restructuring is recognised when the Management Board has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly and a reliable estimate can be made.

(ii) Reclamation
In accordance with the Group's published and currently enforced environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is

recognised.The provision is recognised in the amount of the expected future restoration costs discounted to present value.
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2.16Trade and other liabilities

Trade and other liabilities are classified as current or non-current based on the following principles:
- ✓ those due to be settled within 12 months of the end of the reporting period
- ✓ other payables, which do not meet the current liability conditions, are classified as non-current liabilities,

At the reporting date trade payables are measured at amortised cost (i.e. they are discounted using the effective interest method) and increased by any applicable late interest accrued.
Late interest is not accrued when a formal waiver is received from the counterparty. In all other cases such interest is accrued and recognised in accordance with the following principles:
- ✓ on an ongoing basis, based on interest notes received
- ✓ in estimated amounts, with such estimates based on comparison of interest charged in the past by a counterparty to the related amounts owed.

2.17Contingent liabilities

A contingent liability is a possible future obligation, whose existence will be confirmed by the occurrence or nonoccurence of uncertain future events not wholly within the Group's control. These are also liabilities that arose from past events , but were not recognized in the financial statements because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised in the statement of financial position; they are however disclosed in the financial statements.

2.18Revenue and costs

Revenue from the sale of products and goods is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the customer.

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. Revenue is not recognised when significant doubts exist as to the collectibility of the amounts due or the reimbursement of costs, or as to the amounts of potential returns of goods and products.

Expenses are probable decreases in economic benefits in the form of outflows or depletions of assets or increases in liabilities and provisions.
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Cost of sales comprises the production cost of products and services sold and the value of sold goods and materials.

Selling costs include, among others: sales commissions and the costs of advertising, promotion and distribution.

General and administrative expenses are expenses associated with activities of the entity's management or those of general functions.

The reporting period's results are also affected by **other operating income and expenses** indirectly related to the Group's core operations. The key items include:
- ✓ gains/ losses on disposal and liquidation of non-financial long-term assets,
- ✓ gains/ losses on sales of emission rights,
- ✓ recognition/ reversal of impairment losses (including allowances for doubtful receivables) and provisions (e.g.for retirement and disability benefits),
- ✓ revenue / expenses associated with construction contracts – when the outcome of the contract can be estimated reliably, contract revenue and expenses are recognised in accordance with the stage of completion of the contract. The stage of completion is determined by the comparing the work physically performed to the contracted work, or as a proportion between the costs incurred for work performed to date and the estimated total contract costs or completion of a physical proportion of the contract work. An expected loss on a construction contract should be recognised as an expense as soon as such loss is probable,
- ✓ income from rental of investment property is recognised in profit or loss on a straight-line basis over the lease term. Any lease incentives granted are an integral part of the net consideration agreed for the use of the asset,
- ✓ gains / losses on remeasurement of investment property at fair value.

Financial income/ expense relate to an entity's financing activities including the acquisition and disposal of equity, securities, drawing of loans and borrowings, issuance of debt securities. Accordingly, key items of financing activities include:

- ✓ interest on borrowings determined based on the effective interest method,
- ✓ interest earned by the Group on cash and cash equivalents (bank deposits and accounts loans granted and receivables) - accounted for in the profit and loss on accrual basis using the effective interest method,
- ✓ dividend income - recognised in profit or loss when the Group's right to receive payment is established,
- ✓ net foreign exchange gains or losses,
- ✓ gains/ losses on sales of financial assets,
- ✓ gains/ losses on derivatives.

2.19Taxes

Current tax
Current tax receivables and liabilities for the current and prior periods is valued in the amount of the expected tax amount to be paid to tax authorities (recoverable from tax authorities) using tax rates and tax laws that are legally or substantively enacted at the reporting date.

Deferred tax
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities used for taxation purposes and the amounts recognised in the financial statements.
Deferred tax liability is recognised for all taxable temporary differences, unless the deferred tax liability arises from:

- ✓ the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit or
- ✓ unless the investor is able to control the timing of the reversal of temporary differences in respect of investments in subsidiaries associates and joint ventures and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences and for unused tax credits and tax losses carried forward to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised:

- ✓ unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit and
- ✓ deductible temporary differences in respect of investments in subsidiaries associates and joint ventures are recognised in statement of financial position only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of a deferred tax asset is reviewed at the end of every reporting period and is reduced to the extent that it is no longer probable that sufficient taxable income will be available against which the asset can be utilised. Any previously unrecognized deferred tax asset is reassessed at each reporting date and is recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the tax rates and laws that have been enacted at the reporting date or whose application in the future is certain at the reporting date.

Income tax related to items recognised outside profit or loss is itself recognised outside profit or loss: either in other comprehensive income when it relates to items recognised in other comprehensive income or directly in equity when it relates to items recognised directly in equity.
Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity.

2.20Estimates adopted in the preparation of the financial statements

The preparation of the consolidated financial statements in conformity with IFRSs requires the Management Board to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses presented in the consolidated financial statements and the notes thereto.

All estimates and related assumptions are based on historical experience and various other factors considered reasonable under the circumstances, and provide the basis for professional assessment of the carrying amounts of assets and liabilities that would not be available from other sources. The management board's certain significant estimates are based on opinions of independent experts.

Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are accounted for in the period in which the change occurs 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 key estimates and judgements in applying accounting policies underlying these financial statements relate, inter alia, to the following:

Type of estimate	
Deferred tax	Recognition of a deferred tax asset based on the assumption that taxable profit will be available against which the deductible temporary differences and losses can be utilised. Detailed information is presented in the section II.8.
Employee benefits	Actuarial valuation. Assumptions about discount rates increase in wages inflation employee turnover ratio. Detailed information is presented in the section II.28.
Provisions	Assumptions about discount rates amounts and payment dates. Detailed information is presented in the section II.29.
Amortisation/depreciation rates:	Determined based on the expected useful lives of property plant and equipment and intangible assets - subject to annual review. Detailed information is presented in notes II.2.3.iv and II.2.5.iv.
Impairment of assets	Assumptions behind the recoverable amount – future cash flows discount rates cost of capital rate of growth. Detailed information is presented in the section II.12 II.14 i II.15.

2.21Foreign currency receivables, liabilities and revenue

Receivables denominated in foreign currencies are recognised at the average NBP exchange rate effective on the working day immediately preceding the date of the transaction, unless a different exchange rate was indicated in the customs declaration or another binding document,
At the reporting date, receivables denominated in foreign currencies are translated at the average exchange rate established for that date by the National Bank of Poland except for prepayments made for deliveries which are ranslated using sell exchange rate of a bank effective on the payment date.

Liabilities denominated in foreign currencies are recognised at the NBP's average exchange rate effective on the last working day before the date of transaction. At the reporting date foreign currency denominated liabilities are translated at the average exchange rate announced for that day by the National Bank of Poland except for received prepayments. Prepayments for deliveries received in foreign currencies are recognised at the buy exchange rate of a bank effective on the prepayment receipt date. Currency translation differences arising upon the repayment of a liability or its translation (unrealised) are presented within financial income or expense

Revenue from the sales of products and goods is recognised in profit or loss, at the NBP's average exchange rate from the date preceding the date of invoice, when the significant risks and rewards of ownership have been transferred to the customer

2.22Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and that the entity will comply with all relevant conditions of the grant. Grants are recognised as income in profit or loss on a systematic basis when the entity recognises, as expenses, the related costs that the grants are intended to compensate. Grants that relate to the acquisition of an asset are initially recognised at their fair value in deferred income and then reclassified into profit or loss as the asset is depreciated or amortised.

2.23Discontinued operations and non-current assets held for sale

Non-current assets are classified as held for sale when their carrying amounts are expected to be recovered primarily through a sale transaction and when they are available for sale in their current condition with such transaction being highly probable.
A discontinued operation is a component of the Group's business that has been disposed of or is held for sale, and that represents
a separate major line of business,
part of a co-ordinated plan to dispose of a separate major line of business or a geographical area of operations,
a subsidiary acquired exclusively with a view to resale.
A component of the Group comprises operations and cash flows that can be distinguished clearly, both operationally and for financial reporting purposes.
The above assets are measured at the lower of their carrying amount and net selling price.

2.24Determination of fair values

Fair values have been determined for measurement and for disclosure purposes based on the following methods.

(i) Property, plant and equipment
The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of other items of property, plant and equipment is based on market approach and cost approaches using quoted market prices for similar items when

available. Where appropriate, fair value is based on depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation and obsolescence.

(ii) Intangible assets
The fair value of the Group's intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(iii) Investment property
The portfolio of investment property is appraised by an external independent valuer with proper professional qualifications and experience for the location and category of property appraised. The fair values of the items of investment property are based on their market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.
The fair value of investment property under construction is determined by estimating the fair value of the completed investment property and then deducting from that amount the estimated costs to complete the construction financing costs and a reasonable profit margin.

(iv) Inventory
The fair value of inventory acquired in a business combination is determined on a basis of its estimated selling price in the ordinary course of business less the estimated costs of completion and sale and a reasonable profit margin based on the effort required to complete and sell the inventory.

(v) Equity instruments and debt instruments
The fair value of equity and debt securities is determined by reference to their quoted bid price as at the reporting date or, if unquoted, determined using an appropriate valuation technique. Valuation techniques used include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(vi) Trade and other receivables
The fair value of trade and other receivables, excluding construction work in progress but including receivables from concessioned service contracts are estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when acquired in a business combination.

(vii) Derivatives
The fair value of forward exchange contracts is based on their quoted market price, if available. If a quoted market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). The fair value of interest swap contracts is based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument, and include adjustments to take account of the Company's and, when appropriate, the counterparty's, credit risk.

(viii) Non- derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities with no conversion option. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

2.25Carbon dioxide emission rights

The following principles are applied in accounting for emission rights:

- ✓ The emissions rights received free of charge are recognised in the statement of financial position at the grant date and also in subsequent periods in their nominal amounts (nil). Any charges for granting the rights as well as applicable registration charges are recognised as deferred expenses or charged to income statement if immaterial.These charges neither reflect nor determine the value of the rights.
- ✓ The payments made are charged to cost of sales in proportion to their use in a given settlement period..
- ✓ At the reporting date the number of rights granted for the period is compared to their actual utilisation; if the utilisation exceeds the number of rights granted for the year, a provision is recognised for the shortfall at the current market value unless the entity is able to prove that it will not be required to buy additional rights to cover the shortfall. The provision is charged to cost of sales.
- ✓ When additional rights are purchased on the market such rights shall be measured at purchase cost and presented as intangible assets. If at the reporting date the entity is able to prove that specific rights purchased on the market are held for resale and it is highly probable that benefits of these rights will be

realised in a sale transaction, these specific rights are recognised at cost and presented in the financial statements as intangible assets.
  - ✓ The acquired emission rights are not subject to amortisation as their residual values correspond to their purchase cost. However, at each reporting date the rights are subject to impairment testing with impairment losses recognised where necessary. Impairment losses are charged to other operating expenses.
  - ✓ When rights are purchased to cover a shortfall upon the settlement of the annual limit, such rights at their book values are applied against the provision previously created for the shortfall.
- ✓ When the rights granted are sold, any proceeds of such sale are recognised according to general principles as other operating revenues. The related cost of sales is also recognised. Any profit on the sale of rights is presented within the profit on the sale of non-financial assets line in the income statement.
- ✓ FIFO method is applied to the utilisation of purchased rights and the cost of the rights sold.

3 Information about related entities

3.1 List of companies covered by the Group's consolidated financial statements

The consolidated financial statements include the financial statements of the following companies / sub groups.

List of consolidated entities and those measured under the equity method in 2013 and in the prior period

Company/Group name	Consolidation method as at 31.12.2013 and CIECH S.A.'s control.	Consolidation metod as at 31.12.2012 and CIECH S.A.'s control.	Share in equity as at 31.12.2013	Share in equity as at 31.12.2012	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 in particular foreign and domestic trade in chemicals and activity connected therewith. The Company may act as an agent for Polish and foreign companies.
CIECH FINANCE Group					
2) CIECH FINANCE Spółka z ograniczoną odpowiedzialnością	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	100%	100%	– implementing divestment projects concerning obsolete fixed assets (property) and financial assets (shares in companies),
2.1.) Ciech Trading S.A. (till 26 February 2013 under the name Cheman S.A.)	Indirect subsidiary of CIECH S.A. – fully consolidate on the level of the Ciech Group	Indirect subsidiary of CIECH S.A. – fully consolidate on the level of the Ciech Group	100%	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 fillers 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.
2.1.1.) JANIKOSODA S.A.	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier. The company was sold on 28 March 2013.	Fully consolidated subsidiary of CIECH S.A.	100%	100%	– 2013 - real property agency real property management public relations and communications service activity related to office support other 'out-of-school' forms of education not elsewhere classified. – 2012 - production of salt production of industrial gases production of other basic inorganic chemicals production of other chemical products not elsewhere classified.

Company/Group name	Consolidation method as at 31.12.2013 and CIECH S.A.'s control.	Consolidation metod as at 31.12.2012 and CIECH S.A.'s control.	Share in equity as at 31.12.2013	Share in equity as at 31.12.2012	Business
2.1.1.1) S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.	Indirect subsidiary of CIECH S.A. – full consolidation at Ciech Group level. The company was sold on 22 May 2013.	Fully consolidated subsidiary of CIECH S.A.	92.91%	92.91%	– manufacture of other inorganic basic chemicals, – wholesale of chemical products.
2.2.) Ciech Trademarks Sp. z o.o. (till 15 January 2014 under the name Turia Sp. z o.o.)	Indirect subsidiary of CIECH S.A. – fully consolidate on the level of the Ciech Group	-	100%	-	– granting licence to the Ciech Group member companies to use the trademarks: 'Ciech' 'Ciech Trading' and 'Sól Kujawska naturalna czysta' for business activity purposes.
3) SODA MĄTWY S.A.	Fully consolidated subsidiary of CIECH S.A.	Lower tier parent in SODA MATWY Group	100%	100%	– 2013 year- real property agency, real property management, public relations and communications, service activity related to office support other 'out-of-school' forms of education not elsewhere classified. – 2012 year- production of inorganic chemicals (basic and other), wholesale of chemical products, power generation and distribution freight transport services.
Soda Polska Ciech Group	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group	100%	100%	– production of inorganic chemicals (basic and other), – wholesale of chemical products, – power generation and distribution, – freight transport services.
4.) Soda Polska Ciech S.A.	Lower-tier parent	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	100%	100%	
4.1. TRANSODA Sp. z o.o.	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	100%	100%	
4.2.Sagrera Sp. z o.o.	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	-	100%	-	

Company/Group name	Consolidation method as at 31.12.2013 and CIECH S.A.'s control.	Consolidation metod as at 31.12.2012 and CIECH S.A.'s control.	Share in equity as at 31.12.2013	Share in equity as at 31.12.2012	Business
5) „Alwernia" S.A.	The company was sold on 25 July 2013.	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 fertilizers and nitrogen compounds, – manufacture of gypsum , – production of heat (steam and hot water).
6) CIECH-POLSIN PRIVATE LIMITED	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	98.00%	98.00%	– wholesale and retail sale of a variety of goods in the Far East markets.
7) VITROSILICON Spółka Akcyjna	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	100%	100%	– manufacture of other inorganic basic chemicals, – manufacture of household and technical glassware, – manufacture of plastic packing goods, – manufacture of other plastic products.
8) Przedsiębiorstwo Transportowo-Usługowe TRANSCLEAN Sp. z o.o.	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	100%	100%	– international transport of liquid chemicals , – tank truck and rail tank car wash.
9) Zakłady Chemiczne „Organika-Sarzyna" S.A.	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	99.64%	98.85%	– manufacture of plastics, – manufacture of pesticides and other chemical products,
9.1.) Verbis KAPPA Sp. z o.o.	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	-	99.64%		– other financial intermediation.
9.2.) Verbis KAPPA Sp. z o.o. SKA	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	-	99.64%		– other financial intermediatio.
9.3.) Algete Sp. z o.o.	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	-	99.64%		– property management services.
Infrastruktura Kapuściska Group	Fully consolidated Lower tier Group	Fully consolidated Lower tier Group	99.00%	97.44%	The former core business: – manufacture of organic and other non-organic chemicals, – manufacture and sales of plastics,
10) Infrastruktura Kapuściska S.A. (till 14 August 2013 under the name ZACHEM S.A.)	Lower-tier parent	Lower-tier parent	99.00%	97.44%	– manufacture of plastic plates sheets tubes and profiles, – manufacture of dyes and pigments, – services of installation repairs and maintenance of generalpurpose machinery n.e.c.
10.1) BORUTA - ZACHEM Kolor Spółka z ograniczoną odpowiedzialnością	The company was sold on 8 March 2013.	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	-	97.43%	– On March 18 a change of business was registered in connection with the cessation of the production of TDI and EPI in the Company

Company/Group name	Consolidation method as at 31.12.2013 and CIECH S.A.'s control.	Consolidation metod as at 31.12.2012 and CIECH S.A.'s control.	Share in equity as at 31.12.2013	Share in equity as at 31.12.2012	Business
10.2) UCR Technika Spółka z ograniczoną odpowiedzialnością (till 12 November 2013 roku under the name Zachem UCR Sp. z o.o.)	Indirect associate of CIECH S.A.	Indirect associate of CIECH S.A. measurement under the equity method at lower tier.	24.78%	24.39%	The core busines pursuant to the resolution of EGM of Infrastruktura Kapuściska S.A. of 7 December 2012 is as follows: – distribution and sale of electricity and heat; – steam and air conditioning supply; – buying and selling of own real estate; – lease and management of property; – performing the duties of a Trade and Technical Operator with relation to joint procurement of electricity for the Ciech Group Companies; – general construction works related to linear transmission structures: pipelines power lines traction lines and telecommunications lines; water collection treatment and supply; sewerage.
10.3) ZACHEM Epichlorohydryna Sp. z o.o. w likwidacji	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	99.00%	97.44%	
10.4) ZACHEM Energetyka Sp. z o.o.	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	99.00%	97.44%	
10.5) ZACHEM Park Sp. z o.o. w likwidacji	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	99.00%	97.44%	
Soda Deutschland Ciech Group	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group	100%	100%	– manufacture of other inorganic basic chemicals, – wholesale of chemical products , – production and distribution of electricity.
11.) Soda Deutschland Ciech GmbH	Lower-tier parent	Lower-tier parent	100%	100%	
11.1.) Sodawerk Holding Stassfurt GmbH	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	100%	100%	
11.1.1.) Sodawerk Stassfurt Verwaltungs GmbH	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	100%	100%	
11.1.2) Sodawerk Stassfurt GmbH&Co.KG	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	100%	100%	
11.1.3) KWG GmbH	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	100%	100%	

Company/Group name	Consolidation method as at 31.12.2013 and CIECH S.A.'s control.	Consolidation metod as at 31.12.2012 and CIECH S.A.'s control.	Share in equity as at 31.12.2013	Share in equity as at 31.12.2012	Business
11.1.4) Kaverngesellschaft Stassfurt GbmH	Indirect associate of CIECH S.A. measurement under the equity method at lower tier.	Indirect associate of CIECH S.A. measurement under the equity method at lower tier.	50%	50%	
12) Ciech Pianki Sp. z o.o.	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	100%	100%	– manufacture of organic and other non-organic chemicals.
13) Ciech Group Financing AB	Fully consolidated subsidiary of CIECH S.A.	-	100%	100%	– conducting financial activities particularly lending of funds by issuing bonds and other financial instruments with institutional and private investors as well as the direct lending of such funds to the companies of the Group and carrying out any other activities in support of such activities and the provision of related services.
14) Verbis ETA Sp. z o.o.	Fully consolidated subsidiary of CIECH S.A.	-	100%	-	– the company is the sole general partner of Verbis ETA Sp. z o.o. S.K.A.; its main objective is to manage the activities of Verbis ETA Sp. z o.o. SKA
15) Verbis ETA Sp. z o.o. SKA	Fully consolidated subsidiary of CIECH S.A.	-	100%	-	– conducting financial activity and in particular with regard to direct lending to the Ciech Group member companies.

4 Information related to operating segments

The Ciech Group's operating segments are designated on the basis of internal reports related to the components of the entity that management reviews regularly and monitors in making decisions about operating matters in allocating resources to segments and in assessing their performance.
Information for a given operating segment may include sales of products and goods also included in the core product range of other divisions. Such items, however, are not significant for those divisions' management accounting.

Based on the current organisational structure the Group has been divided into the following operating segments:

Soda Segment – the most important manufactured goods in the scope of the segment products are: soda ash light and dense (the Ciech Group is the sole manufacturer of soda ash in Poland), vacuum salt baking soda and calcium chloride. The products of this segment are sold mainly by the dominant entity CIECH S.A. Production of the soda segment goods manufactured by the Ciech Group is implemented in Soda Polska Ciech S.A, Romanian company U.S Govora S.A. and in German company Sodawerk Stassfurt GmbH&Co. KG.

Organic Segment – the Ciech Group is a variety of organic compounds manufactured by the companies: Z.Ch."Organika – Sarzyna" S.A. and Ciech Pianki Sp. z o.o. with Infrastruktura Kapuściska S.A. also operating within the organic segment. In 2013 it was producing among others polyurethane foams, epoxy resins and polyester resins. These products are used in the following industries: furniture, automotive, dyeing and electronics. The Group produces also plant protection products applied in agriculture.

Agrochemical Segment delivers a complete commodity offer of chemicals for agriculture**.** This segment contains the fertilizers manufactured by the company Alwernia S.A., it also includes raw materials for production of fertilizers, delivered to Alwernia. On 25 July 2013 CIECH S.A. sold its shares in only production plant in agrochemical segment, Alwernia S.A.
The Group directs their goods mainly to agricultural producers. Withing this segment the Ciech Group carries trading of fertilizers and raw materials for fertilizers to entities outside of the Ciech Group.

Silicates and Glass Segment covers mainly the products of VITROSILICON S.A. as well as of other manufacturers, exported under the trading activity of CIECH S.A., such as glass and soda glaze. Due to organizational reasons, this segment also includes trade in other goods, mainly sulphur. Glass products,which include glass packaging (lanterns and jars) as well as construction glass (glass hollow bricks) are produced within the Group.The goods made of glass are used in construction and food industries, and for production of headstone lamps.

Other activities segment covers mainly commodities and services rendered outside the Group mainly by CIECH S.A. and Ciech Trading S.A. and foreign companies outside the scope of base chemistry.

Accounting principles used in reporting segments are identical as applied the Ciech Group accounting policy in accordance to IFRS. The amount of transfers between segments is established on the base of actual data.
The Group financing (including finance expenses and incomes with the exception of interests on trade receivables and payables) and income tax are monitored on the Group level and are not allocated to particular segments.

Information on the Group geographical areas are established based on the Group's assets localisation.

Incomes and costs data as well as assets and liabilities data of particular Ciech Group operating segments for periods disclosed in statement are presented in the tables below

Operational segments results are assessed by the CIECH S.A's Management Board on the base of sales revenues, operational EBIT and EBIDTA.

OPERATING SEGMENTS OF THE CIECH GROUP

01.01-31.12.2013 *PLN '000*	**Soda Segment**	**Organic Segment**	*including: discontinued operations*	**Silicates and Glass Segment**	**Agrochemical Segment**	*including: discontinued operations*	**Other operations Segment**	**Corporate functions - reconciliation item**	**Eliminations (consolidation adjustments)**	**TOTAL**
Revenues from third parties	1 978 884	929 520	*114 938*	335 782	178 992	*156 382*	77 842	-	-	3 501 020
Revenues from inter-segment transactions	64 686	15 048	-	7	979	-	2 199	-	(82 919)	-
Total revenues	**2 043 570**	**944 568**	***114 938***	**335 789**	**179 971**	***156 382***	**80 041**	-	**(82 919)**	**3 501 020**
Cost of sales	(1 652 986)	(832 660)	*(109 071)*	(264 683)	(149 919)	*(126 629)*	(63 551)	-	70 046	(2 893 753)
Gross profit/(loss) on sales	**390 584**	**111 908**	***5 867***	**71 106**	**30 052**	***29 753***	**16 490**	-	**(12 873)**	**607 267**
Selling costs	(119 790)	(36 629)	*(3 306)*	(51 002)	(6 441)	*(6 322)*	(11 101)	-	12 717	(212 246)
General and administrative expenses	(59 593)	(46 344)	*(22 905)*	(5 219)	(4 601)	*(4 601)*	(5 066)	(54 458)	629	(174 652)
Result on management of receivables	(1 152)	(10 864)	*(10 379)*	102	(1 658)	*(1 661)*	(112)	-	-	(13 684)
Result on other operating activities	(41 521)	(15 642)	*(17 751)*	1 811	(10 213)	*(10 254)*	(1 038)	-	(360)	(66 963)
Operating profit/(loss)	**168 528**	**2 429**	***(48 474)***	**16 798**	**7 139**	***6 915***	**(827)**	**(54 458)**	**113**	**139 722**
Exchange differences and interest on trade settlements	(12 852)	(25 667)	*(9 177)*	(10 884)	(14 981)	*(9 083)*	(514)	1 069	-	(63 829)
Group borrowing costs	-	-	-	-	-	-	-	(147 526)	-	(147 526)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	-	-	65 046	-	65 046
Share in profit of equity-accounted investees	354	-	-	-	-	-	-	-	-	354
Profit/(loss) before tax	**156 030**	**(23 238)**	***(57 651)***	**5 914**	**(7 842)**	***(2 168)***	**(1 341)**	**(135 869)**	**113**	**(6 233)**
Income tax										45 793
Net profit/(loss)										**39 560**
Amortisation/depreciation	160 355	40 416	-	12 220	107	-	102	3 425	-	216 625
EBITDA	328 883	42 845	*(48 474)*	29 018	7 246	*6 915*	(725)	(51 033)	113	**356 347**
*Normalized EBITDA**	*384 650*	*66 545*	*X*	*28 314*	*17 550*	*X*	*(544)*	*(51 033)*	*113*	*445 595*

**Normalised EBITDA for the period ended 31 December 2013 is calculated as EBITDA adjusted by untypical one-off events: impairment of assets: PLN -211.5 million, TDI assets sell and transfer Agreement realisation: PLN 176.7 million, nonfinancial fixed assets sell: PLN 18.7 million, unused production capacity: PLN -62.3 million, reversal of compensation provision: PLN 48.7 million, reorganisation costs: PLN -18.4 million , recognition of environmental provision: PLN -9 million, materials and fixed assets liquidation: PLN -14.4 million, inventory deduction: PLN -4.5 million, investment real estate valuation to fair value: PLN –9.6 million, discontinued operation results: PLN -6.1 million others: PLN 2.7 million.*

01.01-31.12.2012 *PLN '000*	**Soda Segment**	**Organic Segment**	*including: discontinued operations*	**Silicates and Glass Segment**	**Agrochemical Segment**	*including: discontinued operations*	**Other operations Segment**	*including: discontinued operations*	**Corporate functions - reconciliation item**	**Eliminations (consolidation adjustments)**	**TOTAL**
Revenues from third parties	1 925 552	1 658 062	*767 830*	435 559	229 241	*180 795*	129 538	*42 422*	-	-	4 377 952
Revenues from inter-segment transactions	49 937	32 920	-	8	6 797	-	11 420	-	-	(101 082)	-
Total revenues	**1 975 489**	**1 690 982**	***767 830***	**435 567**	**236 038**	***180 795***	**140 958**	***42 422***	-	**(101 082)**	**4 377 952**
Cost of sales	(1 651 440)	(1 527 599)	*(712 914)*	(365 841)	(210 700)	*(159 334)*	(120 283)	*(35 036)*	-	94 406	(3 781 457)
Gross profit/(loss) on sales	**324 049**	**163 383**	***54 916***	**69 726**	**25 338**	***21 461***	**20 675**	***7 386***	-	**(6 676)**	**596 495**
Selling costs	(125 100)	(84 874)	*(49 238)*	(53 340)	(7 606)	*(3 676)*	(11 532)	*(1 315)*	-	6 077	(276 375)
General and administrative expenses	(67 069)	(65 102)	*(36 209)*	(7 830)	(6 698)	*(6 054)*	(10 078)	*(5 774)*	(46 309)	670	(202 416)
Result on management of receivables	(1 119)	(3 704)	*(2 097)*	(108)	(161)	*(161)*	243	*(60)*	-	-	(4 849)
Result on other operating activities	(20 092)	(217 222)	*(182 920)*	(4 186)	(43 856)	*(43 861)*	(25 587)	*(1 888)*	-	(133)	(311 076)
Operating profit/(loss)	**110 669**	**(207 519)**	***(215 548)***	**4 262**	**(32 983)**	***(32 291)***	**(26 279)**	***(1 651)***	**(46 309)**	**(62)**	**(198 221)**
Exchange differences and interest on trade settlements	(25 118)	(38 912)	*(6 030)*	(15 453)	(8 797)	*(6 625)*	(8 996)	*(526)*	45	-	(97 231)
Group borrowing costs	-	-	-	-	-	-	-	-	(172 924)	-	(172 924)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	-	-	-	8 567	-	8 567
Share in profit of equity-accounted investees	801	(57)	-	-	-	-	-	-	-	-	744
Profit/(loss) before tax	**86 352**	**(246 488)**	***(221 578)***	**(11 191)**	**(41 780)**	***(38 916)***	**(35 275)**	***(2 177)***	**(210 621)**	**(62)**	**(459 065)**
Income tax											21 354
Net profit/(loss)											**(437 711)**
Amortisation/depreciation	160 954	54 834	*29 190*	15 627	1 989	*1 791*	135	-	3 138	-	236 677
EBITDA	**271 623**	**(152 685)**	***(186 358)***	**19 889**	**(30 994)**	***(30 500)***	**(26 144)**	***(1 651)***	**(43 171)**	**(62)**	**38 456**
*Normalized EBITDA**	*348 671*	*75 996*	*x*	*29 489*	*14 316*	*x*	*(2 118)*	*x*	*(43 180)*	*(61)*	*423 112*

** Normalised EBITDA for the period ended 31 December 2012 is calculated as EBITDA adjusted by untypical one-off events: impairments of tangible fixed assets: PLN -179.9 million, impairments of intangible fixed assets: PLN -21.5 million, profit on sale of rights to the greenhouse gas emission: PLN 2.1 million, valuation of energy certificates: PLN -22.3 million, investment real estate valuation to fair value: PLN 26.5 million, abandonment costs: PLN -13.9 million, recognition of environmental provision: PLN -17.2 million , recognition of provision for liabilities and expected losses: PLN -42.5 million, recognition of compensation provision: PLN -54.9 million, unused production capacity: PLN -21.8 million, costs of random incidents removal: PLN -5.1 million, provision for employee gratuity in Infrastruktura Kapuściska S.A.: PLN -20.1 million, reorganisation costs: PLN -9.6 million, materials and fixed assets liquidation: PLN -4.3 million.*

ASSETS AND LIABILITIES BY OPERATING SEGMENTS

31.12.2013 *PLN '000*	**Soda Segment**	**Organic Segment**	**Silicates and Glass Segment**	**Agrochemical Segment**	**Other operations Segment**	**Corporate functions - reconciliation item**	**Eliminations (consolidation adjustments)**	**TOTAL**
Property, plant and equipment	1 432 714	352 238	66 644	-	10 578	838	-	1 863 012
Intangible assets	96 643	31 322	1 611	-	560	4 054	-	134 190
- goodwill	*46 001*	*15 070*	*39*	-	-	-	-	*61 110*
Investments in associates and jointly controlled entities measured under the equity method	4 769	-	-	-	-	-	-	4 769
Inventory	103 826	79 589	30 405	1 786	2 180	-	(448)	217 338
Trade receivables	280 311	118 691	33 264	5 157	18 744	-	(32 601)	423 566
Non-current assets classified as held for sale included in previous periods under segment assets.	-	-	368	-	-	-	-	368
Other assets held for sale	-	-	-	-	-	2 340	-	2 340
Other assets	-	-	-	-	-	565 145	-	565 145
Total assets	**1 918 263**	**581 840**	**132 292**	**6 943**	**32 062**	**572 377**	**(33 049)**	**3 210 728**
Trade liabilities	210 380	95 301	29 540	5 539	26 037	-	(30 180)	336 617
Liabilities related to assets classified as held for sale included in previous periods under segment liabilities	-	-	-	-	-	-	-	-
Other liabilities held for sale	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	1 976 822	-	1 976 822
Total liabilities	**210 380**	**95 301**	**29 540**	**5 539**	**26 037**	**1 976 822**	**(30 180)**	**2 313 439**

ASSETS AND LIABILITIES BY OPERATING SYSTEMS

31.12.2012 *PLN '000*	**Soda Segment**	**Organic Segment**	**Silicates and Glass Segment**	**Agrochemical Segment**	**Other operations Segment**	**Corporate functions - reconciliation item**	**Eliminations (consolidation adjustments)**	**TOTAL**
Property, plant and equipment	1 482 158	552 322	63 204	206	373	1 132	-	2 099 395
Intangible assets	86 815	36 855	2 063	229	556	2 649	-	129 167
- goodwill	*45 346*	*15 070*	*39*	-	-	-	-	*60 455*
Investments in associates and jointly controlled entities measured under the equity method	4 971	-	-	-	-	-	-	4 971
Inventory	128 909	110 900	37 396	375	2 107	-	(561)	279 126
Trade receivables	258 059	180 553	50 844	10 110	29 369	-	(29 319)	499 616
Non-current assets classified as held for sale included in previous periods under segment assets.	-	-	11 140	73 420	-	-	-	84 560
Other assets held for sale	-	-	-	-	-	27 240	-	27 240
Other assets	-	-	-	-	-	603 960	-	603 960
Total assets	**1 960 912**	**880 630**	**164 647**	**84 340**	**32 405**	**634 981**	**(29 880)**	**3 728 035**
Trade liabilities	288 622	166 791	58 084	30 130	8 111	-	(30 076)	521 662
Liabilities related to assets classified as held for sale included in previous periods under segment liabilities	-	-	-	5 507	-	-	-	5 507
Other liabilities held for sale	-	-	-	-	-	28 084	-	28 084
Other liabilities	-	-	-	-	-	2 292 594	-	2 292 594
Total liabilities	**288 622**	**166 791**	**58 084**	**35 637**	**8 111**	**2 320 678**	**(30 076)**	**2 847 847**

Other information related to operating segments

CIECH GROUP

01.01.-31.12.2013 *PLN '000*	**Soda Segment**	**Organic Segment**	including: discontinued operations	**Silicates and Glass Segment**	**Agrochemical Segment**	*including: discontinued operations*	**Other operations Segment**	**Corporate functions - reconciliation item**	**Eliminations (consolidation adjustments)**	**TOTAL**
Recognised impairment losses	43 687	225 126	218 719	4 803	6 068	*5 871*	171	-	-	279 855
Reversed impairment losses	2 707	51 246	27 939	1 603	584	*470*	152	-	-	56 292
Recognised impairment losses (non- attributable to segments) including:	-	-	-	-	-	-	-	33 414	-	33 414
- discontinued operations	-	-	-	-	-	-	-	*31 511*	-	*31 511*
Reversed impairment losses (non-attributable to segments) including:	-	-	-	-	-	-	-	778	-	778
- discontinued operations	-	-	-	-	-	-	-	*119*	-	*119*
Interest income attributable to segments	355	351	-	110	-	*38*	294	379	(360)	1 129
Interest income recognised under Corporate Functions	-	-	-	-	-	-	-	3 862	-	3 862
Interest cost attributable to segments	1 346	4 071	3 686	37	-	-	11	-	(360)	5 105
Interest cost recognised under Corporate Functions	-	-	-	-	-	-	-	144 102	-	144 102

CIECH GROUP

01.01.-31.12.2012 *PLN '000*	**Soda Segment**	**Organic Segment**	*including: discontinued operations*	**Silicates and Glass Segment**	**Agrochemical Segment**	*including: discontinued operations*	**Other operations Segment**	*including: discontinued operations*	**Corporate functions - reconciliation item**	**Eliminations (consolidation adjustments)**	**TOTAL**
Recognised impairment losses	48 080	145 682	*120 596*	1 713	44 104	*43 940*	4 541	*72*	-	-	244 120
Reversed impairment losses	2 756	5 314	*1 602*	243	332	*98*	419	*4*	-	-	9 064
Recognised impairment losses (non- attributable to segments) including:	-	-	-	-	-	-	-	-	65 751	-	65 751
- discontinued operations	-	-	-	-	-	-	-	-	*23 965*	-	*23 965*
Reversed impairment losses (non- attributable to segments) including:	-	-	-	-	-	-	-	-	40 191	-	40 191
- discontinued operations	-	-	-	-	-	-	-	-	*38 894*	-	*38 894*
Interest income attributable to segments	501	1 477	*331*	444	9	-	98	*25*	-	(454)	2 075
Interest income recognised under Corporate Functions		-	-	-	-	-	-	-	2 884	-	2 884
Interest cost attributable to segments	6 109	5 487	*5 312*	101	28	*14*	456	*173*	-	(454)	11 727
Interest cost recognised under Corporate Functions	-	-	-	-	-	-	-	-	113 495	-	113 495

Sales revenues by operating segment *PLN '000*	**2013**	**2012**	**Change**	**Change %**	**% of total revenues in 2013**	**% of total revenues in 2012**
Soda segment, including:	**2 043 570**	**1 975 489**	**68 081**	3.4%	**58.4%**	**45.1%**
Dense soda ash	1 102 937	1 094 632	8 305	0.8%	31.5%	25.0%
Light soda ash	333 254	344 044	(10 790)	(3.1%)	9.5%	7.9%
Salt	162 338	151 582	10 756	7.1%	4.6%	3.5%
Baking soda	127 241	119 769	7 472	6.2%	3.6%	2.7%
Electricity	121 472	145 963	(24 491)	(16.8%)	3.5%	3.3%
Gas*	44 034	-	44 034	100.0%	1.3%	0.0%
Calcium chloride	19 563	21 139	(1 576)	(7.5%)	0.6%	0.5%
Other products	68 045	48 423	19 622	40.5%	1.9%	1.1%
Revenues from inter-segment transactions	64 686	49 937	14 749	29.5%	1.8%	1.1%
Organic segment, including:	**944 568**	**1 690 982**	**(746 414)**	(44.1%)	**27.0%**	**38.6%**
TDI	49 520	553 868	(504 348)	(91.1%)	1.4%	12.7%
Resins	388 868	467 515	(78 647)	(16.8%)	11.1%	10.7%
Polyurethane foams	207 420	202 986	4 434	2.2%	5.9%	4.6%
Plant protection chemicals	163 179	176 225	(13 046)	(7.4%)	4.7%	4.0%
Plastics	42 751	42 154	597	1.4%	1.2%	1.0%
ECH	1 727	57 435	(55 708)	(97.0%)	0.0%	1.3%
Other products	76 055	157 879	(81 824)	(51.8%)	2.2%	3.6%
Revenues from inter-segment transactions	15 048	32 920	(17 872)	(54.3%)	0.4%	0.8%
Agrochemical segment, including:	**179 971**	**236 038**	**(56 067)**	(23.8%)	**5.1%**	**5.4%**
Fertilisers	38 032	71 095	(33 063)	(46.5%)	1.1%	1.6%
Phosphorus compounds	131 861	142 393	(10 532)	(7.4%)	3.8%	3.3%
Chromium compounds	5 412	11 706	(6 294)	(53.8%)	0.2%	0.3%
Other products	3 687	4 047	(360)	(8.9%)	0.1%	0.1%
Revenues from inter-segment transactions	979	6 797	(5 818)	(85.6%)	0.0%	0.2%
Silicates and Glass segment, including:	**335 789**	**435 567**	**(99 778)**	(22.9%)	**9.6%**	**9.9%**
Sulphur	162 961	263 202	(100 241)	(38.1%)	4.7%	6.0%
Glass blocks and packaging	84 706	89 556	(4 850)	(5.4%)	2.4%	2.0%
Sodium silicate in lumps	52 305	53 775	(1 470)	(2.7%)	1.5%	1.2%
Sodium water glass	22 282	21 522	760	3.5%	0.6%	0.5%
Other products	13 528	7 504	6 024	80.3%	0.4%	0.2%
Revenues from inter-segment transactions	7	8	(1)	(12.5%)	0.0%	0.0%
Other operations segment	**80 041**	**140 958**	**(60 917)**	(43.2%)	**2.3%**	**3.2%**
Revenues from third parties	77 842	129 538	(51 696)	(39.9%)	2.2%	3.0%
Revenues from inter-segment transactions	2 199	11 420	(9 221)	(80.7%)	0.1%	0.3%
Consolidation adjustments	**(82 919)**	**(101 082)**	18 163	(18.0%)	(2.4%)	(2.2%)
TOTAL	**3 501 020**	**4 377 952**	**(876 932)**	(20.0%)	**100.0%**	**100.0%**

INFORMATION ON GEOGRAPHICAL AREAS

01.01.-31.12.2013 *PLN '000*	**Poland**	**European Union (excluding Poland)**	**Other European countries**	**Africa**	**Asia**	**Other regions**	**TOTAL**
Sales revenue	1 304 763	1 607 958	259 335	204 966	97 692	26 306	**3 501 020**

01.01.-31.12.2012 *PLN '000*	**Poland**	**European Union (excluding Poland)**	**Other European countries**	**Africa**	**Asia**	**Other regions**	**TOTAL**
Sales revenue	1 527 342	1 853 267	331 799	321 193	201 758	142 593	**4 377 952**

31.12.2013 *PLN '000*	**Poland**	**European Union (excluding Poland)**	**Other European countries**	**Africa**	**Asia**	**Other regions**	**TOTAL**
Non-current assets other than financial instruments	1 240 444	771 251	-	-	-	-	2 011 695
Deferred income tax assets	71 337	6 285	-	-	-	-	77 622
Other assets	586 812	465 148	44 606	18 528	5 297	1 020	1 121 411
Total assets	**1 898 593**	**1 242 684**	**44 606**	**18 528**	**5 297**	**1 020**	**3 210 728**

31.12.2012 *PLN '000*	**Poland**	**European Union (excluding Poland)**	**Other European countries**	**Africa**	**Asia**	**Other regions**	**TOTAL**
Non-current assets other than financial instruments	1 724 334	794 233	-	-	198	-	2 518 765
Deferred income tax assets	21 792	10 092	-	-	-	-	31 884
Other assets	723 155	353 951	38 577	33 920	17 767	10 016	1 177 386
Total assets	**2 469 281**	**1 158 276**	**38 577**	**33 920**	**17 965**	**10 016**	**3 728 035**

5 Sales Revenues

PLN '000

SALES REVENUEs	01.01.-31.12.2013	01.01.-31.12.2012
Revenues from sales of products and services	3 098 623	3 868 453
- products	3 041 791	3 803 318
- services	56 832	65 135
Revenues from sales of goods and materials	402 397	509 499
- goods	384 594	489 608
- materials	17 803	19 891
Net sales of products, goods and materials	**3 501 020**	**4 377 952**
including discontinued operations	*271 320*	*991 047*

6 Cost of sales

PLN '000

COST OF SALES	01.01.-31.12.2013	01.01.-31.12.2012
Cost of manufacture of products and services sold	2 495 894	3 309 164
Cost of sold goods and materials sold	391 212	442 848
Reversal of impairment losses on inventory	(7 743)	(4 630)
Recognition of impairment losses on inventory	14 390	34 075
Cost of sales	**2 893 753**	**3 781 457**
including discontinued operations	*235 700*	*907 284*

7 Income and costs other than sales revenues and cost of sales

PLN '000	01.01.-31.12.2013	01.01.-31.12.2012
Selling costs	212 246	276 375
General and administrative expenses	174 652	202 416
TOTAL	**386 898**	**478 791**
including discontinued operations	*37 134*	*102 266*

PLN '000

COST BY KIND	01.01.-31.12.2013	01.01.-31.12.2012
Amortisation	215 654	235 759
Consumption of materials and energy	1 847 043	2 351 599
Employee benefits	345 053	414 552
External services	430 541	541 001
including discontinued operations	*146 921*	*861 048*

PLN '000

EMPLOYEE BENEFITS	01.01.-31.12.2013	01.01.-31.12.2012
Payroll	274 628	328 500
Social security and other benefits	66 269	81 185
Expenditure on retirement benefit and jubilee awards (including provisions)	3 466	4 003
Other	690	864
TOTAL	**345 053**	**414 552**
including discontinued operations	*30 498*	*74 114*

PLN '000

OTHER OPERATING INCOME	01.01.-31.12.2013	01.01.-31.12.2012
Grants	8 087	10 338
Rents/lease revenues	3 133	6 044
Gain on disposal of non-financial non-current assets	60 183	-

OTHER OPERATING INCOME	01.01.-31.12.2013	01.01.-31.12.2012
Reversal of impairment allowances on receivables	3 024	3 693
Reversal of impairment losses on property, plant and equipment and intangible assets	45 524	751
Reversal of provisions on employee benefits	5 143	41 958
Reversal of other provisions	73 458	7 763
Profit on sales of emission rights	4 965	2 098
Penalty fees and compensationse received	4 013	2 463
Income from liquidation of current and non-current assets	5 857	3 564
Valuation of investment property in fair value	2 426	27 248
Revenues from caverns	1 348	6 419
Other services	3 899	6 616
Sales of market rights	135 196	-
Other	10 756	12 336
TOTAL	**367 012**	**131 291**
including discontinued operations	*279 484*	*46 110*

Grants
Grants included in deferred income as at 31 December 2013 amounted to PLN 97 655 thousand (compared to PLN 88 812 thousand as at 31 December 2012).

Grants recognised in the income statement in the reporting period amounted to PLN 8 087 thousand (PLN 10 338 thousand in the comparable period). Grants are amortized over time in proportion to the amortisation of capitalised development costs to which they relate.

The Ciech Group companies receive grants for research and development activities purchase of property, plant and equipmentant and for adapting investment projects to environmental requirements. The grants are mainly received by the Ciech Group companies from the European Regional Development Fund.

The most significant grants are as follow:
- grant received by Z.Ch. „Organika – Sarzyna" S.A. in the amount of PLN 39 997 thousand relates to the project: "Creation of an innovative MCPA and MCPP-P manufacturing system" and includes:
  - ✓ 85% of the funding in the form of payments from the European Regional Development Fund
  - ✓ 15% of the funding in the form of a subsidy - an agreement concluded with the Polish Agency for Enterprise Development;
- grant for the project "Construction of an installation of gas desulfurisation at CHP Janikowo" at Soda Polska Ciech S.A. received in 2013 in the amount of PLN 15 904 thousand pursuant to a grant agreement executed with the National Fund for Environmental Protection and Water Management;
- grant received by Soda Polska Ciech S.A. in the amount of PLN 13 443 thousand from the European Regional Development Fund in connection with the implemented investment project "Development of CKTI boilers at CHP Janikowo in order to adjust it to environmental requirements – CKTI boiler No. 2";
- grant received by Soda Polska Ciech S.A. in the amount of PLN 9 591 thousand to co-finance the project "Development of CKTI boiler No. 3 in order to adjust CHP Janikowo to environmental requirements". In December 2012 PLN 1 419 thousand was received, the remaining part i.e. PLN 8 172 thousand was received at the beginning of the year 2013.

Construction contracts
Soda Deutschland Ciech Group, in accordance with IAS 11 "Construction Contracts", attributes revenues and costs connected with contracts concerning cavern desalination to particular periods in which the works were conducted.

The methods used to determine the stage of completion of contracts:
- **For Project 1** - The stage of completion is assessed by reference to surveys of work performed.
- **For Project 2** - The contract includes sale of mining rights, land and preparation of four gas cavern (S113 to S116). The contract's stage of completion is based on percentage of contract costs incurred to date in relation to total estimated cost of the contract.

Revenues recognised in income statement for 2013 represent the amount of the expected sales revenues multiplied by the percentage of completion of the contract in the period.

The results on construction contracts recognised in other operating income or expenses for the period amounted to:
- For Project 1 - 0

- For Project 2 – revenue PLN 1 348 thousand (EUR 320 thousand)

In the prior period these values amounted to:
- For Project 1 – cost PLN 422 thousand (EUR 101 thousand)
- For Project 2 – revenue PLN6 841 thousand (EUR1 639 thousand)

The receivables relating to the construction contract recognised in assets amounted to:
- For Project 1 - PLN 1 916 thousand (EUR 462 thousand)
- For Project 2 – PLN 69 727 thousand (EUR 16 813 thousand)

In the prior period these receivables amounted to:
- For Project 1 - PLN 3 311 thousand (EUR 810 thousand)
- For Project 2 - PLN 65 534 thousand (EUR 16 030 thousand)

The amount of prepayments received on account of construction contracts in progress was PLN 494 thousand (PLN 13 920 thousand in the prior period). The total amount of costs and recognised profits (reduced by related losses) in respect of these construction contracts amounted to PLN 125 142 thousand (PLN 122 695 thousand in the comparable period).

PLN '000

OTHER OPERATING EXPENSES	**01.01.-31.12.2013**	**01.01.-31.12.2012**
Costs related to investment property	2 980	4 652
Loss on disposal of fixed assets	-	176
Recognition of impairment losses on receivables	16 630	8 542
Recognition of impairment losses on property, plant and equipment and intangible assets	239 474	201 512
Recognition of impairment losses on rights of perpetual usufruct of lands	9 360	15
Recognition of provisions on employee benefits	6 823	36 819
Recongition of other provisions	34 341	122 043
Costs of liquidated property, plant and equipment	13 189	3 721
Cost of liquidated materials	1 192	544
Amortisation/depreciation	750	759
Costs of idle assets and production capacity	62 282	21 836
Costs of remediating the effects of fortuitous events	618	5 080
Fortuitous events	76	178
Penalties and compensations paid	3 214	1 994
Restructuring costs	18 486	9 636
Valuation of investment property in fair value	12 028	700
Costs related to past activities	7 387	1 773
Costs of abandoned investment	-	13 886
Receivables written-off	15	59
Loss on sales related to discontinued operations	6 130	1 878
Other	12 684	11 413
TOTAL	**447 659**	**447 216**
including discontinued operations	*319 529*	*277 097*

As at the 31 December 2013 the Ciech Group made the premise assessment originated both from external and internal sources of information indicated impairment of assets. As a result of this analysis the company S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. made, in accordance with IAS 36 "Impairment of Assets", estimation of recoverable value. The Company made evaluation to fair value reduced by selling costs. On this basis, the impairment allowances were made in amount of PLN 28 781 thousand.

In 2012 impairment allowances of Infrastruktura Kapuściska S.A.'s tangible fixed assets was estimated on the basis of the asset evaluation adjusted by appropriate factors illustrating, among others, the possibility of sell of the asset and other factors having influence on the level of the allowances, including the agreement signed with BASF. In 2013 as a result of agreement signed with BASF and recognition of this transaction in income statement Infrastruktura Kapuściska S.A. recognised additional impairment allowances of assets in the amount of PLN 173 470 thousand. Moreover, at the end of 2013 Infrastruktura Kapuściska made asset evaluation to fair value and recognised additional allowance in amount of PLN 10 115 thousand.

PLN '000

NET FINANCIAL INCOME/EXPENSES	01.01.-31.12.2013	01.01.-31.12.2012
Interest	4 991	4 959
Gain on valuation of derivatives	102	1 231
Dividends and shares in profit	50	1 328
Foreign exchange gains net	20 237	-
Profit on receivables sold	-	755
Reversal of impairment losses	778	1 365
Decrease in provisions due to change in discount rate	6 928	-
Other	1 136	458
FINANCIAL INCOME	**34 222**	**10 096**
Interest	149 207	125 222
Foreign exchange losses net	7 092	24 387
Loss on disposal of financial assets	320	1 551
Recognition of impairment losses on non-current investments and investments in equity accounted associates	1 319	3 575
Recognition of other impairment losses	977	1 874
Factoring commissions	2 958	3 980
Bank fees and commissions	7 288	62 312
Recognized provisions	-	510
Increase in provisions due to change in discount rates	8 276	17 178
Costs of discounting of liabilities	1 643	1 480
Loss on derivatives	-	5 317
Costs of sureties and guarantees	524	984
Other	927	23 314
FINANCIAL EXPENSES	**180 531**	**271 684**
NET FINANCIAL EXPENSES/INCOME	**(146 309)**	**(261 588)**
including discontinued operations	*(11 525)*	*16 403*

Research and development costs

The total amount of expenditures on research and development expensed in the period, as not meeting the capitalisation criteria, amounted to PLN 1 802 thousand (PLN 2 525 thousand in the prior period).

8 Income tax

The main components of tax expense include:

PLN '000

THE MAIN COMPONENTS OF TAX EXPENSE (TAX INCOME)	01.01.-31.12.2013	01.01.-31.12.2012
Current income tax	**17 980**	**8 047**
Income tax for the reporting period	18 636	7 927
Adjustment to tax for previous years	(656)	120
Deferred tax	(63 772)	(29 401)
Origination/reversal of temporary differences	(82 885)	(42 622)
Recognition of tax losses not recognized in previous years	(12 005)	(8 255)
Recognition/ reversal of impairment losses on deferred tax assets	31 118	21 476
INCOME TAX RECOGNISED IN INCOME STATEMENT	**(45 793)**	**(21 354)**

PLN '000

INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME	01.01.-31.12.2013	01.01.-31.12.2012
Cash flow hedging	2 139	(2 540)
Net currency at translation differences	47	(599)
TOTAL	**2 186**	**(3 139)**

The following represents a reconciliation of income tax calculated by applying the currently enacted statutory tax rate to the Group's pre-tax financial result to income tax calculated based on the effective tax rate:

EFFECTIVE TAX RATE	01.01-31.12.2013	01.01-31.12.2012
Profit (loss) before taxes	**(6 233)**	**(459 065)**
Income tax based on currently enacted tax rate	**(1 184)**	**(87 222)**
Difference due to the application of tax rates of other tax jurisdictions	1 320	(7 062)
Tax effect of revenues which are not revenues according to tax regulations (permanent difference)	(27 832)	(44 973)
Tax effect of costs which are not obtaining costs according to tax regulations (permanent difference)	51 428	32 489
Current income tax adjustment fo previous years	(656)	120
Deferred tax asset from tax losses from previous years	12 677	67 733
Tax losses from statment periods from which deferred tax asset was not included	3 660	20 448
Reorganisation activity tax effect	(69 829)	-
Other including consolidation adjustments	(15 377)	(2 887)
Income tax recognised In profit and loss statement	(45 793)	(21 354)
EFFECTIVE TAX RATE	**735%**	**5%**

Deferred income tax

Deferred income tax is attributable to the following items:

PLN '000

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITY	31.12.2013			31.12.2012		
	asset	liability	net value	asset	liability	net value
Property, plant and equipment	40 468	99 851	(59 383)	31 953	106 997	(75 044)
Intangible assets	42 810	1 648	41 162	3 874	2 199	1 675
Right of perpetual usufruct	1 778	5 359	(3 581)	-	5 468	(5 468)
Investment property	-	11 871	(11 871)	-	21 170	(21 170)
Financial assets	32 168	3 351	28 817	3 978	2 030	1 948
Inventory	2 946	84	2 862	3 230	95	3 135
Trade and other receivables	1 621	26 365	(24 744)	923	28 632	(27 709)
Provisions for employee benefits	3 361	6	3 355	10 273	-	10 273
Other provisions	13 850	-	13 850	12 096	-	12 096
Tax losses carried forward	64 599	-	64 599	76 625	-	76 625
Foreign exchange differences	1 200	(6 879)	8 079	(3 726)	(1 793)	(1 933)
Liabilities	10 552	2 589	7 963	9 689	9 455	234
Other	-	10	(10)	-	11	(11)
Deferred tax assets/liability	**215 353**	**144 255**	**71 098**	**148 915**	**174 264**	**(25 349)**
Set - off of deferred tax assets/ liability	(59 677)	(59 677)	-	(70 094)	(70 094)	-
Unrecognized deferred tax assets	78 054	-	78 054	46 937	-	46 936
Deferred tax assets/liability recognised in the statement of financial position	**77 622**	**84 578**	**(6 956)**	**31 884**	**104 170**	**(72 285)**

PLN '000

CHANGE IN TEMPORARY DIFFERENCES IN THE PERIOD	As at 01.01.2013	Change in temporary differences recognised in income statement	Change in temporary differences recognised in equity capital	Foreign exchange differences	As at 31.12.2013
Property, plant and equipment	(343 233)	89 876	-	(2 253)	(255 610)
Intangible assets	3 391	192 356	-	118	195 865
Right of perpetual usufruct	(28 779)	9 935	-	-	(18 844)
Investment property	(111 429)	58 488	-	-	(52 941)
Financial assets	10 318	145 783	-	(2)	156 099
Inventory	16 571	(1 434)	-	-	15 138
Trade and other receivables	(106 922)	20 228	-	(1 060)	(87 754)
Provisions for employee benefits	53 850	(36 565)	-	2	17 286

Other provisions	55 943	12 133	-	335	68 411
Tax losses carried forward	407 210	(86 490)	-	1 225	321 945
Foreign exchange differences	(10 172)	41 096	11 603	-	42 527
Liabilities	17 462	29 760	(96)	(864)	46 262
Other	(58)	-	-	-	(58)
TOTAL	**(35 847)**	**475 149**	**11 507**	**(2 499)**	**448 326**

PLN '000

CHANGE IN TEMPORARY DIFFERENCES IN THE PERIOD	**As at 01.01.2012**	Change in temporary differences recognised in income statement	Change in temporary differences recognised in equity capital	Foreign exchange differences	Transfer from/to assets held for sale	**As at 31.12.2012**
Property, plant and equipment	(707 164)	357 142	-	22 073	(15 284)	(343 233)
Intangible assets	(20 847)	24 162	-	87	(11)	3 391
Right of perpetual usufruct	(29 178)	399	-	-	-	(28 779)
Investment property	(8 276)	(103 153)	-	-	-	(111 429)
Financial assets	(11 582)	21 890	-	10	-	10 318
Inventory	9 859	7 317	-	-	(605)	16 571
Trade and other receivables	(110 876)	(1 870)	-	6 192	(368)	(106 922)
Provisions for employee benefits	66 195	(11 462)	-	(110)	(774)	53 850
Other provisions	67 948	5 263	-	(2 009)	(15 258)	55 943
Tax losses carried forward	423 371	(4 286)	-	(11 874)	-	407 210
Foreign exchange differences	(41 332)	47 823	(16 521)	-	(142)	(10 172)
Liabilities	119 372	(96 992)	-	(4 455)	(464)	17 462
Other	(10 653)	10 340	-	55	200	(58)
TOTAL	**(253 162)**	**256 574**	**(16 521)**	**9 969**	**(32 706)**	**(35 847)**

Dividend payment to the shareholders of the Ciech Group has no effect on deferred tax.

The Ciech Group companies which recognised deferred tax assets in respect of tax loss carried forward, on a basis of their tax budgets predict that sufficient taxable profits will be realised within 5 years against which the Group can fully utilise the benefits therefrom.

9 Discontinued operations and assets and liabilities connected with assets classified as held for sale

Discontinued operations
The accounting policies applied in the preparation of a discontinued operation's income statement are the same as the accounting policies of the Group. The results of discontinued operations include:

For the period from 1 January 2013 to 31 December 2013:

- results of Infrastruktura Kapuściska Group due to discontinued production of TDI and ECH in Infrastruktura Kapuściska S.A. – operations were presented in organic segment,
- results of Alwernia S.A. for the period of stay in the Group as well as the consolidated result of the sale of this entity,
- eliminations of effects of transactions between entities included in the Ciech Group and reported as discontinued operations,
- results of the Ciech Group (including CIECH S.A.) from transactions with companies reported in discontinued operations.

01.01.-31.12.2013 *PLN '000*	Result on discontiuned operations	Result on disposal of discontinued operations	**Total discontinued operations**
Sales revenues	**271 320**	-	**271 320**
Cost of sales	(235 700)	-	(235 700)
Gross profit/(loss) on sales	**35 620**	-	**35 620**
Other operating income	279 484	-	279 484
Selling costs	(9 628)	-	(9 628)
General and administrative expenses	(27 506)	-	(27 506)

Other operating expenses	(313 412)	(6 117)	(319 529)
Net financial income/expenses	(11 525)	-	(11 525)
Profit/(loss) before tax	**(46 967)**	**(6 117)**	**(53 084)**
Income tax	(49 861)	-	(49 861)
Net profit/(loss)	**(96 828)**	**(6 117)**	**(102 945)**
Earnings per share (in PLN)	(1.81)	(0.12)	(1.93)

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

01.01.-31.12.2013 *PLN '000*	**Alwernia S.A.**	**Boruta Zachem Kolor Sp. z o.o.**
Sales revenues	42 723	5 200
Consolidated cost	(48 853)	(5 187)
Gross profit	(6 130)	13
Income tax	-	-
Consolidated net result on disposal	**(6 130)**	**13**

Payment received:

01.01.-31.12.2013 *PLN '000*	**Alwernia S.A.**	**Boruta Zachem Kolor Sp. z o.o.**
Received cash and cash equivalents	42 723	5 200

Analysis of assets and liabilities over which control was lost:

31.12.2013 *PLN '000*	**Alwernia S.A.***	**Boruta Zachem Kolor Sp. z o.o.**
Total assets	**109 293**	**8 722**
Non-current assets	**22 808**	**809**
Property, plant and equipment	13 329	809
Intangible assets	9	-
Deferred income tax assets	9 470	-
Current assets	**86 485**	**7 913**
Inventory	25 903	1 839
Trade and other receivables	55 402	2 812
Cash and cash equivalents	5 180	3 262
Total liabilities	**60 253**	**3 535**
Non-current liabilities	**17 593**	-
Finance lease liabilities	65	-
Provision for employee benefits	434	-
Other provisions	13 340	-
Deferred income tax liability (gross)	3 754	-
Current liabilities	**42 660**	**3 535**
Loans and borrowings	8 138	-
Income tax liabilities	1 217	-
Provision for employee benefits	1 790	845
Other provisions	418	-
Trade and other liabilities	31 017	2 690
Finance lease liabilities	80	-
Disposed net assets	**49 040**	**5 187**
% share in net assets	99 62%	100%
Consolidated cost of net assets disposed off	**48 853**	**5 187**

**Before sale the assets and liabilities of the company were recognized in assets held for sale position*

Cash flows of discontinued operations:

01.01.-31.12.2013 *PLN '000*	**Alwernia S.A.**	**Boruta Zachem Kolor Sp. z o.o.**

Net cash flows from operating activities	12 363	413
Net cash flows from investment activities	(2 185)	14
Net cash flows from financial activities	(14 960)	427

For the period from 1 January 2011 to 31 December 2012:

- results of POLFA Sp. z o.o. for the period of stay in the Group as well as the consolidated result of the sale of this entity ,
- results of Infrastruktura Kapuściska Group,
- results of Alwernia S.A.,
- eliminations of effects of transactions between entities included in the Ciech Group and reported as discontinued operations,
- results of the Ciech Group (including CIECH S.A.) from transactions with companies reported in discontinued operations.

01.01.-31.12.2012 *PLN '000*	Result on discontiuned operations	Result on disposal of discontinued operations	**Total discontinued operations**
Sales revenues	991 047	-	991 047
Cost of sales	(907 284)	-	(907 284)
Gross profit/(loss) on sales	**83 763**	-	**83 763**
Other operating income	46 110	-	46 110
Selling costs	(54 229)	-	(54 229)
General and administrative expenses	(48 037)	-	(48 037)
Other operating expenses	(275 219)	(1 878)	(277 097)
Net financial income/expenses	16 403	-	16 403
Share of profit of equity-accounted investees	(57)	-	(57)
Profit/(loss) before tax	**(231 266)**	**(1 878)**	**(233 144)**
Income tax	11 384	(785)	10 599
Net profit/(loss)	**(219 882)**	**(2 663)**	**(225 545)**
Earnings per share (in PLN)	(4.12)	(0.05)	(4.17)

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

01.01.-31.12.2012 *PLN '000*	**POLFA Sp. z o.o.**
Sales revenues	6 500
Consolidated cost	(8 378)
Gross profit	(1 878)
Income tax	(785)
Consolidated net result on disposal	**(2 663)**

Payment received:

01.01.-31.12.2012 *PLN '000*	**POLFA Sp. z o.o.**
Received cash and cash equivalents	6 500

Analysis of assets and liabilities over which control was lost:

31.12.2012 *PLN '000*	**POLFA Sp. z o.o.***
Total assets	**25 111**
Non-current assets	**3 012**
Property, plant and equipment	1 552
Intangible assets	688
Other long-term investments	205
Right of perpetual usufruct	61

31.12.2012 *PLN '000*	**POLFA Sp. z o.o.***
Deferred income tax assets	506
Current assets	**22 099**
Inventory	4 110
Trade and other receivables	12 270
Cash and cash equivalents	5 719
Total liabilities	**16 733**
Non-current liabilities	**117**
Provision for employee benefits	117
Current liabilities	**16 616**
Provision for employee benefits	27
Trade and other liabilities	16 589
Disposed net assets	**8 378**
% share in net assets	100%
Consolidated cost of net assets disposed off	**8 378**

**Before sale the assets and liabilities of the company were recognized in assets held for sale position.*

Cash flows of discontinued operations
:

01.01.-31.12.2012 *PLN '000*	**POLFA Sp. z o.o.**
Net cash flows from operating activities	2 356
Net cash flows from investment activities	532
Net cash flows from financial activities	(5 729)

Assets and liabilities classified as held for sale

As at 31 December 2013 the Ciech Group showed the following assets under the item "Non-current assets held for sale":

- VITROSILICON S.A. showed property, plant and equipment in the amount of PLN 368 thousand (land located in the town of Iłowa) redundant from the point of view of the enterprise; a prospective purchaser of the land is now being sought. These assets are included in the segment of silicates and glass;
- Infrastruktura Kapuściska S.A. showed (assets included in the organic segment):
  - investment properties – plots of land classified as investment properties held for sale to Bydgoski Park Przemysłowo-Technologiczny Sp. z o.o. – PLN 1 406 thousand,
  - shares in the Bydgoski Park Przemysłowo-Technologiczny Sp. z o.o. – PLN 934 thousand.

As at 31 December 2012 the Ciech Group classified as "Assets classified as held for sale" the following assets:

- VITROSILICON Spółka Akcyjna disclosed tangible fixed assets amounting to PLN 11 866 thousand. One of the three VITROSILICON S.A.'s plants located in Pobiedziska as well as a glass airbricks production line located in Iłowa were classified as assets held for sale. The object of the planned disposal was the group of real estates as well as plant and machinery. On 23 May 2013 these assets were sold. These assets were categorised in the silicates and glass segment.
- Alwernia S.A. disclosed in the consolidated statements all its balance sheet items as assets or liabilities classified as held for sale. These assets are categorised in the agrochemical segment. On 25 July 2013 shares of Alwernia S.A. were sold.

The following list presents the main items of assets and liabilities held for sale:

PLN '000

ASSETS CLASSIFIED AS HELD FOR SALE	**31.12.2013**	**31.12.2012**
Property, plant and equipment	368	24 662
Intangible assets	-	1 989
Investment property	1 406	-
Right of perpetual usufruct	-	726
Long-term investments	-	1 320
Deferred tax assets	-	6 230
Inventory	-	36 411
Short-term investments	934	-
Trade and other receivables	-	30 722

ASSETS CLASSIFIED AS HELD FOR SALE	31.12.2013	31.12.2012
Cash and cash equivalents	-	9 740
TOTAL	**2 708**	**111 800**

PLN '000

LIABILITIES CLASSIFIED AS HELD FOR SALE	31.12.2013	31.12.2012
Long-term liabilities due to loans ,borrowings and other debt instruments	-	7 648
Other non-current liabilities	-	104
Long-term provisions for employee benefits	-	421
Other long-term provisions	-	14 733
Short-term liabilities due to loans, borrowings and other debt instruments	-	1 176
Trade and other liabilities	-	8 721
Short-term provisions for employee benefits	-	4
Other current provisions	-	696
Current income tax liablilities	-	88
TOTAL	**-**	**33 591**

Items in the cash flow statement related to discontinued operations are as follows:

PLN '000

CONSOLIDATED CASH FLOW STATEMENT - DISCONTINUED OPERATIONS	01.01. - 31.12.2013	01.01. - 31.12.2012
Net cash from operating activities	12 363	14 382
Net cash from investing activities	(2 185)	(6 403)
Net cash from financing activities	(14 960)	(11 254)
Total net cash flows	**(4 782)**	**(3 275)**
Opening balance of cash	9 740	13 211
Change in foreign exchange difference	222	(196)
Cash at the end of the period	**5 180**	**9 740**

10 Earnings per share

Basic earnings per share is the net profit for the year attributable to ordinary share holders of the parent divided by the weighted average number of ordinary shares outstanding during the year.
Diluted earnings per share is the net profit for the year attributable to ordinary share holders of the parent divided by the weighted average number of ordinary shares outstanding during the year adjusted for the effects of all dilutive potential ordinary shares.

The table below presents profit and shares data used in the calculation of the basic and diluted earnings per share:

PLN '000	01.01.-31.12.2013	01.01.-31.12.2012
Net profit (loss) from continuing operations attributable to the share holders of the parent	151 125	(210 577)
Net profit (loss) from discontinued operations attributable to the share holders of the parent	(101 678)	(220 007)
Net profit (loss) attributable to the share holders of the parent used in calculation of basic earnings per share	49 447	(430 584)
Net profit (loss) attributable to the share holders of the parent used in calculation of diluted earnings per share	49 447	(430 584)
Pcs.		
Weighted average number of issued ordinary shares used in calculation of basic and diluted earnings per share	52 699 610	52 699 609

11 Dividends paid and proposed

CIECH S.A.'s Management Board is not expecting to pay out dividend from 2013 profit. The Management Board proposes to transfer profits made in 2013 to the reserve capital.

On 22 May 2013 Annual General Shareholders' Meeting of CIECH S.A. adopted a resolution to cover the net loss of CIECH S.A. from 2012 in amount of PLN 484 776 in total from Company's supplementary capital. As a result of net loss for 2012 CIECH S.A. company will not pay out dividend in 2013.

On 25 June 2012 the Annual General Shareholders' Meeting of CIECH S.A. adopted a resolution to earmark the entire net profit for 2011 amounted to PLN 351 176 thousand for the Company's reserve capital.

12 Property, plant and equipment

PLN '000

MOVEMENTS IN PROPERTY PLANT AND EQUIPMENT 01.01.-31.12.2013	Land	Buildings offices and land and water engineering facilities	Machinery and equipment	Means of transport	Other tangible fixed assets	Tangible fixed assets under construction	TOTAL
Gross value of property, plant and equipment at the beginning of the period	**78 240**	**922 271**	**2 115 794**	**111 342**	**45 174**	**265 298**	**3 538 119**
Purchase	3 453	554	19 372	218	1 824	152 089	177 510
Reclassification	53	74 725	142 160	2 902	1 173	(250 564)	(29 551)
Capitalized finance costs	-	-	-	-	-	5 202	5 202
Exchange differences	1 005	2 269	9 094	52	71	(234)	12 257
Sales	-	(27 307)	(51 474)	(18 736)	(964)	-	(98 481)
Liquidation	-	(24 790)	(98 485)	(576)	(2 472)	-	(126 323)
Changing the Group's structure	-	(2 284)	(3 791)	(299)	(12)	-	(6 386)
Other increases/decreases	(34)	171	2 562	-	110	(716)	2 093
Gross value of property plant and equipment at the end of the period	**82 717**	**945 609**	**2 135 232**	**94 903**	**44 904**	**171 075**	**3 474 440**
Accumulated depreciation at the beginning of the period	**7 011**	**332 689**	**830 369**	**72 551**	**31 329**	**-**	**1 273 949**
Depreciation for the period (due to)	**101**	**23 772**	**77 670**	**(4 315)**	**3 411**	**-**	**100 639**
Depreciation charge	-	44 842	143 764	7 293	5 014	-	200 913
Reclassification	-	(58)	(434)	-	-	-	(492)
Exchange differences	101	168	1 448	37	29	-	1 783
Sales	-	(12 006)	(17 957)	(11 090)	(938)	-	(41 991)
Liquidation	-	(7 730)	(44 253)	(442)	(872)	-	(53 297)
Changing the Group's structure	-	(1 441)	(3 087)	(95)	(3)	-	(4 626)
Other increases/decreases	-	(3)	(1 811)	(18)	181	-	(1 651)
Accumulated depreciation at the end of the period	**7 112**	**356 461**	**908 039**	**68 236**	**34 740**	**-**	**1 374 588**
Impairment losses at the beginning of the period	**899**	**41 488**	**59 576**	**1 798**	**2 496**	**58 518**	**164 775**
Recognition	5 230	93 663	83 129	3 124	5 339	38 937	229 422
Reversal	-	(6 858)	(15 310)	(196)	(7 652)	(14 099)	(44 115)
Exchange differences	(148)	(720)	77	(10)	-	-	(801)
Sales	-	(13 233)	(33 267)	(4 026)	(7)	(4)	(50 537)
Liquidation	-	(16 251)	(40 179)	(9)	(15)	(2)	(56 456)
Reclassification	-	(1 714)	-	-	-	(1 895)	(3 609)
Changing the Group's structure	-	(900)	(49)	-	-	(2)	(951)
Other increases/decreases	-	659	(1 163)	482	(51)	(815)	(888)
Impairment losses at the end of the period	**5 981**	**96 134**	**52 814**	**1 163**	**110**	**80 638**	**236 840**
Carrying amount of property, plant and equipment at the beginning of period	**70 330**	**548 094**	**1 225 849**	**36 993**	**11 349**	**206 780**	**2 099 395**
Carrying amount of property, plant and equipment at the end of the period	**69 624**	**493 014**	**1 174 379**	**25 504**	**10 054**	**90 437**	**1 863 012**

PLN '000

MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT 01.01.-31.12.2012	Land	Buildings offices and land and water engineering facilities	Machinery and equipment	Means of transport	Other tangible fixed assets	Tangible fixed assets under construction	**TOTAL**
Gross value of property, plant and equipment at the beginning of the period	**85 660**	**926 341**	**2 016 062**	**126 452**	**47 328**	**243 719**	**3 445 562**
Purchase	-	50 742	244 430	784	2 048	543 791	**841 795**
Reclassification	-	47 828	171 383	1 519	897	(518 265)	**(296 638)**
Capitalized finance costs	-	8	140	-	-	14 617	**14 765**
Transfer from / to assets held for sale	(735)	(50 553)	(91 966)	(6 139)	(3 679)	(13 974)	**(167 046)**
Change of valuation of property plant and equipment due to finance lease agreement of thermal-electric power station	-	(29 328)	(143 079)	-	-	-	**(172 407)**
Exchange differences	(6 685)	(15 805)	(56 838)	(1 185)	(815)	(916)	**(82 244)**
Sales	-	(1 652)	(7 978)	(6 294)	(58)	(3 160)	**(19 142)**
Liquidation	-	(5 234)	(13 088)	(164)	(536)	-	**(19 022)**
Other increases / decreases	-	(76)	(3 271)	(3 631)	(11)	(514)	**(7 504)**
Gross value of property, plant and equipment at the end of the period	**78 240**	**922 271**	**2 115 794**	**111 342**	**45 174**	**265 298**	**3 538 119**
Accumulated depreciation at the beginning of the period	**7 575**	**304 566**	**762 564**	**76 092**	**30 104**	**-**	**1 180 901**
Depreciation for the period (due to)	**(564)**	**28 123**	**67 805**	**(3 541)**	**1 225**	**-**	**93 048**
Depreciation charge	-	49 293	157 328	8 374	5 438	-	**220 433**
Reclassification	-	1 056	(679)	-	(4)	-	**373**
Transfer from / to assets held for sale	-	(15 040)	(57 532)	(5 240)	(3 265)	-	**(81 077)**
Exchange differences	(564)	(2 225)	(15 590)	(713)	(484)	-	**(19 576)**
Sales	-	(1 089)	(3 406)	(5 843)	(41)	-	**(10 379)**
Liquidation	-	(3 100)	(9 918)	(121)	(424)	-	**(13 563)**
Other increases / decreases	-	(772)	(2 398)	2	5	-	**(3 163)**
Accumulated depreciation at the end of the period	**7 011**	**332 689**	**830 369**	**72 551**	**31 329**	**-**	**1 273 949**
Impairment losses at the beginning of the the period	**2 094**	**17 729**	**25 787**	**112**	**48**	**171**	**45 941**
Recognition	6	48 371	55 719	2 331	2 687	70 854	**179 968**
Transfer from / to assets held for sale	(6)	(25 076)	(23 889)	(617)	(292)	(12 369)	**(62 249)**
Exchange differences	(211)	(444)	(376)	-	-	-	**(1 031)**
Sales	-	(240)	(1 200)	(28)	-	-	**(1 468)**
Liquidation	-	(247)	(645)	-	(19)	-	**(911)**
Other increases / decreases	(984)	1 395	4 180	-	72	(138)	**4 525**
Impairment losses at the end of the period	**899**	**41 488**	**59 576**	**1 798**	**2 496**	**58 518**	**164 775**
Carrying amount of property, plant and equipment at the beginning of the period	**75 991**	**604 046**	**1 227 711**	**50 248**	**17 176**	**243 548**	**2 218 720**
Carrying amount of property, plant and equipment at the end of the period	**70 330**	**548 094**	**1 225 849**	**36 993**	**11 349**	**206 780**	**2 099 395**

In 2013 the capitalisation rate applied to determine the amount of borrowing costs to be capitalised amounted to about 13% whereas in 2012 amounted to 12%.

Description of significant impairment allowances of property, plant and equipment in 2013 is in section II.7.

In the current period changes in accounting estimates did not have a material impact and it is not expected that they will have a material impact in future periods.

Depreciation of property, plant and equipment was charged to the following line items in the consolidated profit and loss statement:

PLN '000

PROPERTY, PLANT AND EQUIPMENT DEPRECIATION CHARGES	**01.01.-31.12.2013**	**01.01.-31.12.2012**
Cost of sales	171 306	198 674
Selling costs and general and administrative expenses	29 230	21 383
Other operating expenses	377	376
TOTAL	**200 913**	**220 433**
including discontinued operations	*7 251*	*29 867*

PLN '000

RECOGNIZED NON-CURRENT ASSETS (OWNERSHIP STRUCTURE)	**31.12.2013**	**31.12.2012**
Owned	1 851 538	1 807 876
Finance lease agrements (including finance sale-lease-back agreement)	11 474	291 519
TOTAL	**1 863 012**	**2 099 395**

The carrying amounts of the categories of property, plant and equipment used pursuant to financial lease agreements is presented in the table below:

PLN '000

PROPERTY, PLANT AND EQUIPMENTUSED PURSUANT TO FINANCIAL LEASE AGREEMENTS *(including finance sale-lease-back agreements)*	**31.12.2013**	**31.12.2012**
Machinery and equipment	10 852	287 650
Means of transport	622	3 869
TOTAL	**11 474**	**291 519**

In the reporting period the Ciech Group received compensation from third parties for impaired items of tangible fixed assets in the amount of PLN 1 284 thousand (PLN 2 039 thousand in the prior year).

Expenditure on property, plant and equipment under construction incurred by the Ciech Group in 2013 mainly related to the following investments projects:

SODA POLSKA CIECH Group	*PLN '000*
Construction of the installation and dispatch of baking soda	17 264
Modernization of turbochargers TBS	8 906
Z.Ch. „Organika-Sarzyna" S.A.	
MCPA facility 6000 tons p.a.	1 594

All tangible fixed assets in Polish companies (CIECH S.A., Transclean Sp. z o.o., SODA MĄTWY S.A., VITROSILICON S.A.,JANIKOSODA S.A., Ciech Trading S.A. (formerly Cheman S.A.), Ciech Pianki Sp. z o.o., Soda Polska Ciech S.A. and Z. Ch. „Organika – Sarzyna" S.A. and German companies (Soda Deutschland Ciech GmbH, Sodawerk Holding Stassfurt GmbH, Sodawerk Stassfurt Verwaltungs-GmbH and Sodawerk Stassfurt GmbH & Co. KG.) which are the guarantors of the bonds are the collateral of financial liabilities.

Future commitments arising from agreements concerning acquisition of property, plant and equipment amounted to PLN 29 762 in 2013 thousand (PLN 28 289 thousand in the prior year).

PLN '000

OFF-BALANCE SHEET PROPERTY, PLANT AND EQUIPMENT	31.12.2013	31.12.2012
Used under lease, tenancy and other agreements including:	**56 213**	**56 485**
Land in perpetual usufruct	51 128	51 511
Operating lease agreement	4 638	4 451
Tenancy agreement	447	523

13 Right of perpetual usufruct of land

The carrying amount of the right of perpetual usufruct purchased by the Ciech Group is presented in the table below.

PLN '000

RIGHT OF PERPETUAL USUFRUCT OF LAND	31.12.2013	31.12.2012
Gross value at the beginning of the period	**64 093**	**62 447**
Purchase	1 216	-
Sale	(708)	(42)
Transfer from / to assets held for sale	-	(801)
Other	(206)	2 489
Gross value at the end of the period	**64 395**	**64 093**
Amortisation at the beginning of the period	**6 959**	**6 169**
Amortisation for the period	767	853
Sale	-	(3)
Transfer from / to assets held for sale	-	(60)
Other	226	-
Amortisation at the end of the period	**7 952**	**6 959**
Impairment losses at the end of the period	**9 360**	**-**
Carrying amount at the beginning of the period	**57 134**	**56 278**
Carrying amount at the end of the period	**47 083**	**57 134**

The right of perpetual usufruct of land received through administrative allocation satisfies the criteria for operating lease pursuant to IAS 17 "Leases" and as such is not recognised in the books but is instead recorded off-balance sheet.

14 Intangible assets

PLN '000

CHANGES IN INTANGIBLE ASSETS (GROUPED BY TYPE) **31.12.2013**	Development costs	Goodwill	Licences patents permits etc.obtained including:	*Computer software*	Intangible assets under development	Other intangible assets	**TOTAL**
Gross value of intangible assets at the beginning of the period	**14 914**	**399 764**	**96 762**	**45 591**	**8 042**	**90 838**	**610 320**
Purchase	-	-	1 784	1 780	5 725	18 484	25 993
Reclassification	2 619	-	1 103	317	(6 257)	1	(2 534)
Exchange differences	-	(13 187)	19	14	(4)	1 233	(11 939)
Sales	-	-	(100)	(100)	-	(908)	(1 008)
Liquidation	-	-	(1 903)	(38)	-	-	(1 903)
Change of the Group's structure	-	12	-	-	-	-	12
Other increases / decreases	-	-	(1)	-	34	(29)	4
Gross value of intangible assets at the end of the period	**17 533**	**386 589**	**97 664**	**47 564**	**7 540**	**109 619**	**618 945**
Accumulated amortisation at the beginning of the period	10 521	-	72 272	38 622	-	27 925	**110 718**
Amortisation for the period (due to)	**1 528**	**-**	**5 946**	**2 710**	**-**	**4 737**	**12 211**
Amortisation charge	1 528	-	7 919	2 850	-	5 392	14 839
Exchange differences	-	-	5	5	-	283	288
Sales	-	-	(73)	(73)	-	(908)	(981)
Liquidation	-	-	(1 870)	(38)	-	-	(1 870)
Other increases / decreases	-	-	(35)	(34)	-	(30)	(65)
Accumulated amortisation at the end of the period	**12 049**	**-**	**78 218**	**41 332**	**-**	**32 662**	**122 929**
Impairment losses at the beginning of the period	**1 663**	**339 309**	**904**	**49**	**-**	**28 559**	**370 435**
Recognition	-	12	112	112	3 628	2 497	6 249
Reversal	(517)	-	(855)	-	-	-	(1 372)
Exchange differences	-	(13 842)	-	-	-	356	(13 486)
Impairment losses at the end of the period	**1 146**	**325 479**	**161**	**161**	**3 628**	**31 412**	**361 826**
Carrying amount of intangible assets at the beginning of the period	**2 730**	**60 455**	**23 586**	**6 920**	**8 042**	**34 354**	**129 167**
Carrying amount of intangible assets at the end of the period	**4 338**	**61 110**	**19 285**	**6 071**	**3 912**	**45 545**	**134 190**

PLN '000

CHANGES IN INTANGIBLE ASSETS (GROUPED BY TYPE) **31.12.2012**	Development costs	Goodwill	Licences patents permits etc.obtained including:	*Computer software*	Intangible assets under development	Other intangible assets	**TOTAL**
Gross value of intangible assets at the beginning of the period	**16 256**	**439 717**	**88 237**	**37 578**	**19 943**	**96 747**	**660 900**
Purchase	-	-	1 610	1 531	7 576	123	9 309
Reclassification	37	-	2 713	331	(4 446)	-	(1 696)
Transfer from / to assets held for sale	(1 379)	-	4 577	6 455	(1 151)	838	2 885
Exchange differences	-	(39 904)	(174)	(107)	-	(6 866)	(46 944)
Sales	-	-	(12)	(12)	-	-	(12)
Liquidation	-	-	(190)	(185)	-	(9)	(199)
Intangible assets writtn-off	-	-	-	-	(13 886)	-	(13 886)
Other increases/decreases	-	(49)	1	-	6	5	(37)
Gross value of intangible assets at the end of the period	**14 914**	**399 764**	**96 762**	**45 591**	**8 042**	**90 838**	**610 320**
Accumulated amortisation at the beginning of the period	**10 830**	**-**	**58 186**	**29 156**	**-**	**23 243**	**92 259**
Amortisation for the period (due to)	**(309)**	**-**	**14 086**	**9 466**	**-**	**4 682**	**18 459**
Amortisation charge	1 026	-	8 753	3 422	-	5 558	15 337
Transfer from / to assets held for sale	(1 335)	-	5 610	6 297	-	838	5 113
Exchange differences	-	-	(95)	(75)	-	(1 714)	(1 809)
Liquidation	-	-	(181)	(176)	-	(1)	(182)
Sales	-	-	(1)	(1)	-	-	(1)
Other increases / decreases	-	-	-	(1)	-	1	1
Accumulated amortisation at the end of the period	**10 521**	**-**	**72 272**	**38 622**	**-**	**27 925**	**110 718**
Impairment losses at the beginning of the period	**-**	**375 568**	**-**	**-**	**-**	**11 952**	**387 520**
Recognition	1 937	-	1 381	49	397	17 836	21 551
Reversal	(274)	-	(477)	-	-	-	(751)
Exchange differences	-	(36 259)	-	-	-	(1 228)	(37 487)
Transfer from / to assets held for sale	-	-	-	-	(397)	-	(397)
Other increases / decreases	-	-	-	-	-	(1)	(1)
Impairment losses at the end of the period	**1 663**	**339 309**	**904**	**49**	**-**	**28 559**	**370 435**
Carrying amount of intangible assets at the beginning of the period	**5 426**	**64 149**	**30 051**	**8 422**	**19 943**	**61 552**	**181 121**
Carrying amount of intangible assets at the end of the period	**2 730**	**60 455**	**23 586**	**6 920**	**8 042**	**34 354**	**129 167**

An important component of "Other" intangible assets of the Soda Deutschland Group is the client base in the amount of PLN 14 822 thousand. The valuation was executed in relation to the most significant clients of the production of Sodawerk Stassfurt a member of the Soda Deutschland Ciech Group – identified on a basis of an analysis of data for 2005-2007. The basis for the valuation represents 25 customers who have a stable and long-term relationship with the company and will remain clients of Sodawerk Stassfurt also in the future. These are the relationships with the clients who are, to a large extent, dependant on Sodawerk Stassfurt as their main or second supplier of raw materials. The most significant clients of Sodawerk Stassfurt would not be able to satisfy their demand for soda in the open market because of insufficient supply. In addition, the dependence of many of the valued clients of Sodawerk Stassfurt is associated with the existence of a developed logistics system between them.

Other intangible assets of the Ciech Group include mainly IT systems, licences and patents, other software, development works and other intangible assets. All intangible assets belong to the Ciech Group.

Amortisation of intangible assets was included in the following line items of the consolidated income statement:

PLN '000

AMORTISATION CHARGES ON INTANGIBLE ASSETS	**01.01.-31.12.2013**	**01.01.-31.12.2012**
Cost of sales	7 808	7 609
Selling costs and general and administrative expenses	7 031	7 728
TOTAL	**14 839**	**15 337**
including discontinued operations	*62*	*689*

All intangible assets in Polish companies (CIECH S.A., Transclean Sp. z o.o., SODA MĄTWY S.A., VITROSILICON S.A., JANIKOSODA S.A., Ciech Trading S.A. (formerly Cheman SA.), Ciech Pianki Sp. z o.o., Soda Polska Ciech S.A. and Z. Ch. „Organika-Sarzyna" S.A.) and German companies (Soda Deutschland Ciech GmbH, Sodawerk Holding Stassfurt GmbH, Sodawerk Stassfurt Verwaltungs-GmbH, and Sodawerk Stassfurt GmbH & Co. KG.) which are the guarantors of the bonds are the collateral of financial liabilities.

PLN '000

INTANGIBLE ASSETS (OWNERSHIP STRUCTURE)	**31.12.2013**	**31.12.2012**
Owned	**134 080**	**128 962**
Used under lease, tenancy and other agreements including:	**110**	**205**
Finance lease agrements	110	205
TOTAL	**134 190**	**129 167**

Future commitments arising from concluded agreements concerning the acquisition of intangible assets amount to PLN 2 588 thousand in 2013 (in comparable period amounted to PLN 812 thousand).

In the current period changes in accounting estimates did not have a material impact and it is not expected that they will have a material impact in future periods.

Apart from goodwill, Ciech Group does not have other intangible assets with an indefinite useful lifes. Additional information about the goodwill is presented in Note II.15.

Research and development

Research and development works carried out by the Ciech Group are aimed at increasing economic potential; and are relate mainly to the modernisation of technological processes, reduction of manufacturing costs and optimalisation of technical and technological parameters.

Internally generated intangible assets

The tables below present information about internally generated intangible assets.

Internally generated intangible assets for the period 01.01-31.12.2013	*PLN '000*
Gross value as at 01.01.2013	43 446
Expenditure incurred	1 469
Changing the Group's structure	(1 379)
Gross value as at 31.12.2013	**43 536**
Amortisation - as at the beginning of the period	25 965
Amortisation for the period	3 338
Changing the Group's structure	(1 335)
Amortisation at the end of the period	**27 968**

Internally generated intangible assets for the period 01.01-31.12.2013	*PLN '000*
Impairment losses at the beginning of the period	-
Carrying amount at 31.12.2013	**15 568**

Internally generated intangible assets for the period 01.01-31.12.2012	*PLN '000*
Gross value as at 01.01.2012	41 831
Expenditure incurred	1 615
Cost as at 31.12.2012	**43 446**
Amortisation - as at the beginning of the period	22 811
Amortisation for the period	3 154
Amortisation at the end of the period	**25 965**
Impairment losses at the beginning of the period	1 372
Carrying amount at 31.12.2012	**16 109**

15 Goodwill impairment testing

In preparing the consolidated financial statements of the Ciech Group the goodwill recognised in the consolidated financial statements in relation to a subsidiary Z.Ch. "Organika-Sarzyna" S.A. and Soda Deutschland Ciech Group was tested for impairment in accordance with the policies of the Group applied on a consistent basis. The recoverable amount was calculated basing on the models in effect within the Group. It was calculated on a basis of Group's five-year plans
In 2013an impairment of goodwill as not identified for Soda Deutschland the Ciech Group and Z.Ch. "Organika-Sarzyna" S.A. The average weighted cost of capital applied in goodwill impairment testing was: 11.9% (test for 2013) for Z. Ch. "Organika-Sarzyna" S.A. and 9.5% (tests for 2013) for the Soda Deutschland Ciech Group. The assumed growth rate for the residual period was 2.4% for both Soda Deutschland Ciech Group and Z. Ch. "Organika-Sarzyna" S.A.

Goodwill is the most valuable position in intangible fixed assets and is presented at the level of the Ciech Group and on the lower tier group – Soda Deutschland Ciech – of total value amount to PLN 61 110 thousand. Goodwill presented in consolidate financial statements was recognised as a result of PPA evaluation in process of companies acquisition in 2006 and 2007.

Goodwill presented in the consolidated financial statements for 2013 amounted to PLN 61 110 thousand (soda segment PLN 46 001 thousand, silicates and glass segment PLN 39 thousand and organic segment PLN 15 070 thousand) and changed for the following reasons:

- In 2013 there was an increase in goodwill recognised in the statement of the lower tier group, Soda Deutschland Ciech Group by PLN 655 thousand which resulted from a change in the EUR exchange rate in 2013.

Goodwill presented in the consolidated financial statements for 2012 amounts to PLN 60 455 thousand (soda segment PLN 45 346 thousand, silicates and glass segment PLN 39 thousand and organic segment PLN 15 070 thousand) and changed for the following reasons:

- In 2012 there was an decrease in goodwill recognised in the statement of the lower tier group, Soda Deutschland Ciech Group by PLN 3 645 thousand which resulted from a change in the EUR exchange rate in 2012.
- Additionally, in 2012 there was partiall realization of put options issued for the shares in Z. Ch. "Organika-Sarzyna" S.A. the difference between amount of liabilities recognized in financial statement and the amount actually paid decreased goodwill by PLN 49 thousand.

16 Investment property

PLN '000

INVESTMENT PROPERTY	**31.12.2013**	**31.12.2012**
Carrying amount at the beginning of period	**113 018**	**87 487**
Sales	(10 918)	(1 984)
Goodwill valuation	(9 602)	28 531
Reclassifications	-	(274)
Transfer from / to assets held for sale	(1 406)	(757)
Exchange differences	-	(18)

INVESTMENT PROPERTY	31.12.2013	31.12.2012
Other increases / decreases	405	33
Carrying amount at the end of the period	**91 497**	**113 018**

On 1 January 2012 the Management Board of CIECH S.A. changed its accounting policy concerning investment property valuation from valuation according to the historic cost to valuation according to the fair value.
At the initial recognition the result of valuation of investment property to fair value is recognised in equity under "Retained earings" position. In subsequent reporting periods the profit or loss resulting from the change in fair value of an investment property is recognised in the net profit or loss in the period in which this change occurred and is recognised as other operating income / expenses. Investment property remeasuered at fair value amounted to PLN 91 497 thosuand as at 31 December 2013. Fair value of investment property was settled by independent expert by comparison method.

The position "Investment property" presented by the Ciech Group includes land, buildings and structures that have been acquired only in order to achieve economic benefits from rents or for the increase of their value.

As at 31 December 2013 the Ciech Group has the following investment property:

- **SODA MĄTWY S.A.** - As at 31 December 2013 the investment property line item for CIECH S.A. includes land and investment expenditure related to the construction of a residential and office complex located in Warsaw on Krasińskiego Street on the corner with Powązkowska Street. Company is also an owner of real estate located in Bydgoszcz. Property was acquired from Infrastruktura Kapuściska S.A.
- **Infrastruktura Kapuściska Group** – The investment property line item for Infrastruktura Kapuściska Group includes land located in direct neighborhood of Infrastruktura Kapuściska S.A. and national road number 10.
- **Soda Polska Ciech Group-** Buildings acquired by Soda Polska Ciech S.A as a result of a merger with Soda Med Sp. z o.o. These are buildings leased for medical outpatient, clinics, nursing and treatment rooms as well as private doctor's and dentist's consulting rooms.
- **Z. Ch. „Organika-Sarzyna" S.A. -** 35 buildings and structures located on the premises of Z.Ch. "Organika-Sarzyna" S.A. in the past used by the company for its own needs, currently leased to generate revenue.

In connection with the conclusion of the consortium loan agreement and establishment of collateral on the Ciech Group companies' assets, they have restricted right to dispose of their investment property, including a prohibition on sale.

PLN '000	01.01.-31.12.2013	01.01.-31.12.2012
Income from investment property rental	3 433	5 822
Operating costs related to investment property generating rental income in the period	2 440	4 323
Operating costs related to investment property not generating rental income in the period	2 960	1 948

17 Non-current receivables

PLN '000

NON-CURRENT RECEIVABLES	31.12.2013	31.12.2012
Receivables in relation to caverns	69 727	65 534
Other	1	-
Net non-current receivables	**69 728**	**65 534**
Write-down on receivables	-	-
Gross non-current receivables	**69 728**	**65 534**

18 Investments in associates and jointly-controlled entities measured under the equity method

The following table presents the carrying amounts of investments in associates and jointly-controlled entities measured under the equity method:

PLN '000

INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES	31.12.2013	31.12.2012
Investments in associates and jointly-controlled entities	4 769	4 971
Share in net profit of associated entities measured under the equity method	354	744

These companies are not listed on the stock market so the fair value of these investments is not published. Balance sheet days and reporting periods of associate companies are in accordance with accepted by the Group.

Kaverngesellschaft Stassfurt mbH
CIECH S.A. holds a 50% indirect share in Kaverngesellschaft Stassfurt mbH. It is a jointly-controlled company measured under the equity method at the lower-tier group level. Soda Deutschland Ciech Group (50% direct share in Kaverngesellschaft Stassfurt mbH).

UCR Technika Sp. z o.o.
(untill 12 November 2013 company operates under the name of Zachem UCR Sp. z o.o.)
CIECH S.A. indirectly own 24.78% shares in UCR Technika Sp. z o.o. It is associate and is measured using the equity method at the lower-tier group level – Infrastruktura Kapuściska Group (25.03% direct share in UCR Technika Sp. z o.o.). In 2013 company was not evaluated because there was no possibility of acquiring necessary information to evaluate company by equity method.

The table below presents condensed information related to investment in Kaverngesellschaft Stassfurt mbH and UCR Technika Sp. z o.o.:

	Kaverngesellschaft Stassfurt mbH		**UCR Technika Sp. z o.o.**	
PLN '000	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**
Share in the equity	**50%**	**50%**	**-**	**25 03%**
Non-current assets	816	1 210	-	6 608
Current assets	4 512	3 835	-	6 032
Equity	2 870	3 369	-	3 914
Non-current liabilities	174	343	-	1 145
Current liabilities	2 284	1 333	-	7 581
Sales revenue	7 272	8 831	-	27 682
Profit before tax	988	2 241	-	(226)
Income tax	(278)	(634)	-	-
Net result	710	1 607	-	(226)

19 Other long-term investment

PLN '000

NON-CURRENT FINANCIAL ASSETS	**31.12.2013**	**31.12.2012**
Shares	12 293	13 978
Bank deposits	34	30 594
Other	88	89
TOTAL	**12 415**	**44 661**

In 2012 as long-term bank deposits deposit amounting to EUR 7 475 thousand that constitutes security for a guarantee granted by Bank Pekao S.A. for the benefit of S.C. CET Govora S.A was presented a. The guarantee was established on demand of CIECH S.A. on 23 January 2007 pursuant to an agreement on the provision of guarantees to secure the performance of an obligation of US Govora S.A. and CIECH S.A. On the end of 2013 in relation to repayment of liability the deposit was closed and safety deposit guarantee has been released and credited on the CIECH S.A. bank account.

CHANGE IN IMPAIRMENT ALLOWANCES ON LONG-TERM ASSETS	**01.01.-31.12.2013**	**01.01.-31.12.2012**
Opening balance	**6 951**	**3 426**
Recognized	-	3 575
Used	(1 056)	-
Other	(2 275)	(50)
Closing balance	**3 620**	**6 951**

20 Inventory

PLN '000

INVENTORY	31.12.2013	31.12.2012
Materials	96 511	132 504
Semi-finished products and work in progress	26 921	20 378
Finished products	79 966	117 286
Goods	13 940	8 958
TOTAL	**217 338**	**279 126**

PLN '000

CHANGE OF INVENTORY IMPAIRMENT WRITE-DOWNS	01.01.-31.12.2013	01.01.-31.12.2012
Opening balance	**40 733**	**11 067**
Recognized	11 910	36 684
Reversed / released	(7 565)	(4 616)
Used	(2 912)	(1 690)
Exchange differences	(61)	(225)
Chenging the Group's stracture	(288)	-
Other	6	(487)
Closing balance	**41 823**	**40 733**

The Ciech Group recognises inventory impairment allowances for damaged and slow moving inventory. Inventory write - downs are also recognised for inventory with a carrying amount that exceeds net selling price. Reversal occurs as a result of the use or sales of inventory in the course of business activity while usege is the result of inventory being scrapped.

21 Short - term receivables

PLN '000

TRADE AND OTHER RECEIVABLES	31.12.2013	31.12.2012
Trade receivables	423 566	499 616
- up to 12 months	*421 395*	*497 068*
- over 12 months	523	-
- prepayments for inventory	*1 648*	*2 548*
Prepayments for non-current assets	8 367	5 965
Escrow receivables	373	127
Receivables in relation to caverns	1 916	3 311
Public and legal receivables (excluding income tax)	82 568	120 960
Receivables from sales of energy	16 435	9 419
Receivables from sales of tangible assets	1 084	461
Insurance receivables	3 187	851
External services	537	2 938
Factoring receivables	16 215	45 265
Other receivables	12 314	16 223
NET TRADE AND OTHER RECEIVABLES	**566 562**	**705 136**
Impairment allowances with respect to trade receivables including	30 865	50 502
- impairment allowance recognized in the current reporting period	*7 153*	*8 781*
Impairment allowances with respect to other current receivables including	12 052	12 873
- impairment allowance recognized in the current reporting period	*9 521*	*1 577*
GROSS TRADE AND OTHER RECEIVABLES	**609 479**	**768 511**

Fair value of trade receivables and other receivables does not differ significantly from their carrying value.

PLN '000

CHANGE IN IMPAIRMENT ALLOWANCESON SHORT-TERM RECEIVABLES	31.12.2013	31.12.2012
Opening balance	**63 375**	**67 385**
Recognized	16 674	10 358

Reversed	(3 641)	(5 569)
Used	(33 693)	(10 596)
Reclassification from / to assets for sale	-	4 897
Exchange differences	8	(936)
Other additions / disposals	194	(2 164)
Closing balance	**42 917**	**63 375**

Impairment allowance with respect to current receivables were recognised for those that are subject to compromise arrangements or in dispute, penalty interest, receivables, past due and doubtful receivables and for receivables from companies in bankruptcy. Reversal occurred as a result of settlement of the receivable while usage occurs when receivables are written-off due to ineffective enforcement and bankruptcy of companies on which receivables an impairment was recognised.

PLN '000

AGEING OF PAST DUE TRADE RECEIVABLES	**31.12.2013**	**31.12.2012**
Up to 1 month	49 311	69 272
Between 1 and 3 months	10 300	17 667
3 to 6 months	2 286	4 934
6 months to 1 year	4 214	4 986
Above 1 year	25 126	41 679
Total (gross) past due trade receivables	**91 237**	**138 538**
Impairment allowances on past due trade receivables	24 741	43 786
Total (net) past due trade receivables	**66 496**	**94 752**

The terms of transactions with related entities have been presented in section II.39.
The Commercial contracts concluded by the Ciech Group include various terms of payment of trade receivables depending on the type of transaction, market characteristics and trade conditions. The most common payment terms are: 14, 30, 60 and 90 days.

22 Short-term investment

PLN '000

SHORT-TERM INVESTMENTS	**31.12.2013**	**31.12.2012**
Financial instruments	621	-
Shares	-	946
Total (net) current financial assets	**621**	**946**
Impairment of current financial assets	1 705	1 767
Total (gross) current financial assets	**2 326**	**2 713**

PLN '000

CHANGE IN IMPAIRMENT ALLOWANCES ON SHORT-TERM INVESTMENTS	**01.01.-31.12.2013**	**01.01.-31.12.2012**
Opening balance	**1 767**	**1 767**
Transfer to assets held for sale	(62)	-
Closing balance	**1 705**	**1 767**

23 Cash and cash equivalents

PLN '000

CASH AND CASH EQUIVALENTS	**31.12.2013**	**31.12.2012**
Bank accounts	79 588	64 752
Short-term deposits	25 882	16 192
Cash in hand	85	193
Other cash	38	40
Cash and cash equivalents – presented in the statement of financial position	**105 593**	**81 177**
Cash reclassified to non-current assets held for sale *	-	9 740

Cash and cash equivalents – presented in the cash flow statement	**105 593**	**90 917**

**The difference between amount of cash presented in Consolidated Cash Flow of the Ciech Group for 2012 and the amount presented in Consolidated Financial Statement of the Ciech Group relates to classification of cash of Alwernia S.A. in assets held-for sale position.*

The value of restricted Cash

As at 31 December 2012 cash in amount of PLN 30 559 thousand (in 2011 - PLN 17 667 thousand) was restricted due to deposit in amount of EUR 7 475 thousand. The deposit in amount of EUR 7 475 thousand is to hedge a guarantee granted by Bank Pekao S.A. for S.C. CET Govora S.A. Guarantee was granted for CIECH S.A.requested at 23 January 2007 pursuant to an agreement on the provision of guarantees to secure the performance of an obligation of US Govora S.A. and CIECH S.A. This deposit is presented as a long-term. At the end of 2013, in relation to repayment of liability, the deposit was closed and safety deposit guarantee has been released and credited on the CIECH S.A. bank account.

The effective interest rates of short-term bank deposits are similar to the nominal interest rate and fair value of short-term bank deposits is not significantly different from carrying value. Interest rates are based on WIBOR, EURIBOR and LIBOR.

24 Notes to consolidated cash flow statement

The table below presents the reason for the differences between the changes of particular items of the consolidated statement of financial position and changes resulting from the consolidated cash flows statements:

PLN '000	**31.12.2013**	**31.12.2012**
Inventory change presented in consolidated statement of financial position	**(61 788)**	**(77 493)**
Reclassification of inventories from / to non-current assets for sale	-	32 462
Exchange differences	(513)	3 525
Changing the Group's structure	(10 508)	-
Reclassifications between assets' positions	-	(3 704)
Inventory change in consolidated statement of cash flows	**72 809**	**45 209**

PLN '000	**31.12.2013**	**31.12.2012**
Provision change presented in consolidated statement of financial position	**(71 341)**	**91 406**
Reclassification of provisions from / to liabilities related to non-current assets for sale	89	15 552
Exchange differences	(593)	2 558
Changing the Group's structure	845	-
Provisions change in consolidated statement of cash flows	**(71 000)**	**109 516**

PLN '000	**31.12.2013**	**31.12.2012**
Receivables change presented in consolidated statement of financial positiont	**(120 876)**	**(125 829)**
Change of investment receivables	(5 077)	14 145
Chanage of income tax receivables	(13 158)	4 322
Reclassification of receivables from / to non-current assets for sale	877	8 728
Exchange differences	(2 565)	24 208
Changing the Group's structure	24 390	-
Other	(5 635)	4 840
Receivables change presented in consolidated statement of cash flows	**122 044**	**69 587**

PLN '000	**31.12.2013**	**31.12.2012**
Liabilities change presented in consolidated statement of financial position	**(409 884)**	**12 352**
Change of investment liabilities	(3 107)	16 680
Change of financial liabilities	267 014	(349 594)
Change of income tax liabilities	(560)	(3 548)

Reclassification of liabilities from / to liabilities related to non-current assets for sale	11 420	15 459
Exchange differences	(35 582)	157 887
Changing the Group's structure	2 909	-
Other	6 526	(28 235)
Liabilities change presented in consolidated statement of cash flows	**(161 264)**	**(178 999)**

25 Equity

As at 31 December 2013 the carrying amount of the share capital of the parent company CIECH S.A. amounted to PLN 287 614 thousand and comprised of the share capital from the share issues and the adjustment due to hyperinflation. As at the date of adopting the IFRS, i.e. 1 January 2004, the share capital of the Company was adjusted for hyperinflation between 1989 and 1996. The hyperinflation adjustment of PLN 24 114 thousand was charged to retained profits.

On 25 January 2013 the increase in CIECH S.A share capital was registered. The share capital was increased by two shares issued to minority shareholder JANIKOSODA S.A. and SODA MĄTWY S.A. in exchange for cancelled, as a result of division by a spin-off 1 Janikosoda S.A's. share and 1 Soda Mątwy S.A.'s share.
On 21 June 2013 the registration of change (reduction) in share capital and withdrawal of 2 ordinary registered F series shares occured.

The total number of votes attributable to all issued shares of the Company, after registration of the share capital increase is 52 699 909 and the share capital is divided into 52 699 909 ordinary bearershares with a nominal value of PLN 5 each. All shares ware fully paid up.

The share capital as at 31 December 2013 and 31 December 2012 included the following series of shares:

SHARE CAPITAL	**31.12.2013**	**31.12.2012**
	pcs.	*pcs.*
Ordinary bearer A series shares with a nominal value of PLN 5 each	20 816	20 816
Ordinary bearer B series shares with a nominal value of PLN 5 each	19 775 200	19 775 200
Ordinary bearer C series shares with a nominal value of PLN 5 each	8 203 984	8 203 984
Ordinary bearer D series shares with a nominal value of PLN 5 each	23 000 000	23 000 000
Ordinary bearer E series shares with a nominal value of PLN 5 each	1 699 909	1 699 909
TOTAL	**52 699 909**	**52 699 909**

The shares of all series are ordinary shares and do not carry by any additional rights preferences or restrictions as to dividend distribution or return of capital.

ORDINARY SHARES – ISSUED AND FULLY PAID-UP	**pcs.**	**PLN '000.**
As at 31 December 2013	52 699 909	287 614
As at 31 December 2012	52 699 909	287 614

Share premium
The share premium arose from the surplus in excess of nominal value achieved upon the issue of C, D and E series shares.

Other reserve capital
The table below presents the balances of other reserve capital consisting of the following items:

PLN '000

OTHER RESERVE CAPITAL BY PURPOSE	**31.12.2013**	**31.12.2012**
Commercial risk fund	3 330	3 330
Fund for purchasing soda companies	15 200	15 200
Development funds	57 669	60 169
Other	2 322	(178)
TOTAL	**78 521**	**78 521**

Cash flow hedge

The cash flow hedge reserve reflects the valuation and settlement of hedging instruments to which the requirement of cash flow hedge accounting apply.

Currency translation differences (foreign companies)
The balance of this equity item is adjusted by exchange differences on the transaltion of the financial statements of foreign subsidiaries i.e. CIECH - POLSIN PRIVATE LIMITED, S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A., Soda Deutschland Ciech Group and Ciech Group Financing AB.

The balance of this item of equity also represents exchange differences on recognised as net investment in a foreign entity and effective part of profit and losses from valuation of instrument hedging shares in net assets of foreign companies.

Non-controlling interest
S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. has a negative equity as at 31 December 2013. The profit or loss as well as any components of other comprehensive income are attributed to the equity of the shareholders of the parent entity and to non-controlling interest even if this attribution results in negative non-controlling interest.

Capital structure management
The Group manages its capital in order to ensure that its businesses are able to continue their activity and at the same time maximise returns for stakeholders by optimising the debt to equity ratio.

The Group's capital structure covers its debts, including bank loans and bonds presented in sections II.26, II.27 and II.30, cash and cash equivalents and equity attributable to shareholders of the parent entity including shares issued reserve capital and retained earnings.

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

PLN '000	01.01.-31.12.2013			01.01.-31.12.2012		
	Before tax	**Tax**	**After tax**	**Before tax**	**Tax**	**After tax**
Currency translation differences (foreign companies)	(14 354)	47	(14 307)	(7 125)	(599)	(7 724)
Cash flow hedge	(11 256)	2 139	(9 117)	13 373	(2 540)	10 833
The share of the actuarial valuation	74	-	74	-	-	-
Other comprehensive income net of tax	**(25 536)**	**2 186**	**(23 350)**	**6 248**	**(3 139)**	**3 109**

Income tax and reclassification adjustments in total other comprehensive income

Other comprehensive income before tax *PLN '000*	change in the period	**01.01.-31.12.2013**	change in the period	**01.01.-31.12.2012**
Currency translation differences	-	**(14 354)**	-	**(7 125)**
- remeasurement for the current period	(14 354)	-	(7 125)	-
Cash flow hedge	-	**(11 256)**	-	**13 373**
- fair value remeasurement in the period	(12 641)	-	9 692	-
- - reclassification to profit or loss	1 385	-	3 681	-
The share of the actuarial valuation	-	**74**	-	**-**
- remeasurement for the current period	74	**-**	-	**-**
Income tax attributable to other components of other comprehensive income	-	**2 186**	-	**(3 139)**
- - accrued for the current period	2 449	-	(2 440)	-
- - reclassification to profit or loss	(263)	-	(699)	-
Other comprehensive income net of tax	-	**(23 350)**	-	**3 109**

26 Non-current liabilities

PLN '000

NON-CURRENT LIABILITIES	31.12.2013	31.12.2012
Loans, borrowings and other debt instruments	**1 303 154**	**1 291 660**
Debt securities issued	1 303 154	1 291 660
Financial lease liabilities	**4 840**	**3 235**
Financial leaseback liabilities	**-**	**204 231**
Other non-current liabilities	**160 728**	**122 213**
Assignment of receivables	-	20 212
Subsidies	54 206	44 032
Advances for construction contracts	8 294	8 176
Liabilities to silent partners	49 766	49 058
Other financial liabilities	329	257
Other	48 133	478
TOTAL	**1 468 722**	**1 621 339**

PLN '000

REMAINING REPAYMENT TERM FROM REPORTING DATE OF NON-CURRENT LIABILITIES	31.12.2013	31.12.2012
Between 1 and 3 years	114 325	287 903
Between 3 and 5 years	327 627	325 477
Over 5 years	1 026 770	1 007 959
TOTAL	**1 468 722**	**1 621 339**

27 Information about significant financial liabilities

Information about the financial covenants included in loan agreements
As at 31 December 2013 no loan agreement was called to maturity and there were no violations of payment terms for repayment of capital or interest due in relation to financial liabilities recognised in the consolidated statements of financial position in the period covered by these financial statements. Under the Revolving Loan Agreement and the New Revolving Loan Agreement CIECH S.A. and its selected subsidiaries were obliged to, among others, maintain a certain level of net leverage ratio (the ratio of the Ciech Group's consolidated net debt to consolidated EBITDA of the Ciech Group calculated according to the guidelines set out in the New Revolving Loan Agreement CIECH S.A.) set forth in the agreements as amounting to up to 4.3 measured for the period ending on 31 December 2013. The leverage ratio was maintained and amounted to 3.5.

Debt financing of the Group
Debt financing of the Group in the form of bonds and loans is composed of:

- bonds issued by Ciech Group Financing AB (publ) - as at 31 December 2013 outstanding debt of EUR 245 million (i.e. PLN 1 016 064 thousand)
- bonds issued by CIECH S.A. - as at 31 December 2013 outstanding debt of PLN 320 million loans provided to CIECH S.A. under a revolving credit facility agreement dated 9 September 2012 in amount up to PLN 100 million - as at 31 December 2013 outstanding debt of PLN 0.

As at 31 December 2013 the fair value of the above bonds amounts to PLN 1 489 109 thousand.

Issue on 28 November 2012 foreign bond by Ciech Group Financing AB (publ) – subsidiary of CIECH S.A.

On 28 November 2012 Ciech Group Financing AB (publ) issued secured bonds amounting to EUR 245 000 thousand. The bonds were offered and sold in accordance with Rule 144 A and Regulation S of the US Securities Act.
Below is the information about the issue:
issue value : EUR 245 000 000
face value of one bond: 100 000 EUR
type of bonds: global note
yield rate (annual): fixed as 950 basis points
yield payment: every six months
maturity period: 7 years (November 30th 2019).

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

The foreign bonds were also secured with guarantees granted by CIECH S.A and selected subsidiaries inPoland, Germany and Romania under the Indenture Agreement of 28 November 2012. Under the IndentureAgreement each guarantor fully unconditionally and irrevocably guarantees, as the main debtor to each bondholder of foreign bonds, on the rule of precedence total and immediate execution of all obligations of the issuer of bonds including payment of the principal premium, if there is any, as well as yield on account of bonds as well as other obligations of the issuer with respect to the bondholders of foreign bonds and the trustee.
The Foreign bonds were also secured with parallel debt ("Parallel Debt" created under the Agreement Between Creditors in accordance with the description below) and material collateral established by CIECH S.A. as well as selected CIECH S.A. subsidiaries in Poland, Germany, Romania and Sweden.The bonds were admitted to trading on the Luxembourg Stock Exchange.

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

On 5 December 2012 CIECH S.A. issued secured bearer bonds governed by the Polish law denominated in PLN:
01 Series of the total nominal value of PLN 160 000 thousand with an option of an early buy-out by CIECH S.A. prior to the maturity date thereof i.e. after 18 or 42 months after the issue date with maturity date at 5 December 2017;
02 Series of the total nominal value of PLN 160 000 thousand without an option of an early buy-out by CIECH S.A. with maturity date at 5 December 2017.

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

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

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

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

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

The bonds series 01 and 02 are secured by sureties granted by selected subsidiaries of CIECH S.A. from Poland, Germany, Sweden and Romania. The maximum amount of the surety (with certain reservations concerning Z. Ch. „Organika-Sarzyna" S.A, Alwernia S.A.; on 25 July 2013 as a result of company share sell by Ciech Group; the surety given by Alwernia S.A. was terminated) was set at the level of 155% of the total nominal value of all Polish Bonds. Sureties are unconditional and irrevocable and they cover obligations of original guarantors as well as future guarantors to make any payments on account of polish bonds to each and every bondholder of polish bonds including, in particular, an obligation to pay the redemption amount of polish bonds, yields, premiums payable, interest for delays in payments as well as an obligation to pay other costs incurred by the bondholders in connection with pursuing their rights under polish bonds (including enforcement costs).
Additionally, bonds were indirectly secured by parallel debt created on the basis of the Intercreditor Agreement of 28 November 2012 (as described below), however the bondholders of Polish Bonds series 01 and 02 are able to use such security via a Security Agent (Powszechna Kasa Oszczędności Bank Polski S.A.) on the rules determined in the Intercreditor Agreement provided that they accede to the agreement.
The bonds were introduced to the Catalyst Alternative Trading System.

Revolving Credit Facility Agreement

On 9 August 2013 a Revolving Credit Facility Agreement was signed by CIECH S.A. as the borrower and its subsidiaries
as guarantors (Ciech Group Financing AB (publ), JANIKOSODA S.A., SODA MĄTWY S.A., Soda Polska Ciech SA. Ciech Trading S.A. (formerly Cheman S.A.), Z. Ch. „Organika – Sarzyna" S.A., VITROSILICON S.A., TRANSCLEAN Sp. z o.o., Ciech Pianki Sp. z o.o., Soda Deutschland Ciech GmbH, Sodawerk Holding Stassfurt GmbH, Sodawerk Stassfurt Verwaltuns-GmbH, Sodawerk Stassfurt GmbH & Co. KG) and BZ WBK S.A. ("the Facility Agent") Bank Polska Kasa Opieki S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. (jointly "the Lenders").

The Revolving Credit Facility Agreement provides financing for the Group's working capital. The revolving facility may be used to (I) finance CIECH S.A.'s needs in terms of current liquidity; (II) issue guarantees related to Ciech Group operational activities and (III) grant inter-group borrowings to companies.

Loan Facilities Made Available
Under a loan facility agreement the banks undertook to make available to CIECH S.A. a revolving loan up to the amount of PLN 100 000 thousand ("**Loan**"). The agreement further provides for making available a guarantee facility reducing the limit of the revolving loan made available.
The agreement further provides for a possibility of the Borrowers extending the so-called ancillary facilities in the form of among others an overdraft facility or bank guarantee.
The interest rate on the Loan is floating and is determined on the basis of the level of WIBOR plus a fixed margin set forth in the agreement.

Effective Date
The loan agreement came into effect on 13 September 2013, i.e. upon acknowledgement of the cancellation of an unused loan facility made available under the loan agreement dated 6 November 2012 and its termination (Effective Date).

Conditions Precedent to Making Loan Facility Available
Under the loan agreement the funds may be rendered available upon condition that the Facility Agent has notified CIECH S.A. and the Lenders of having been presented with all documents and evidence referred to in the annex thereto (or of having eliminated the need for being provided with the same) where representations and warranties made by CIECH S.A. and the Companies set forth in the Loan Agreement are, at the time, true and no breach of the provisions of the loan agreement has occurred (and continued).

The conditions precedent to rendering available the funds under the Loan are among other things (i) obtaining any and all required corporate consents by CIECH S.A. and the Companies and (ii) filing by CIECH S.A. and the Companies statements of submission to enforcement proceedings under Article 97 of the Banking Law.

Fulfilment of the conditions precedent was acknowledged by the Facility Agent on 29 October 2013.

Loan Repayment Terms and Conditions
The principal Loan repayment terms and conditions among others are:
1. The final date of repayment of all liabilities under the loan agreement is set at the end of the 36th month counted from the effective date of the credit agreement, i.e. 13 September 2016.
2. Compulsory early repayment of the Loan shall, among others, be effected in the following events:
   - change in control over CIECH S.A. (as defined in the terms of reference of bonds issue governed by the Polish law in the amount of PLN 320 000 thousand and in the agreement dated 28 November 2012 stipulating the terms and conditions of the issue of bonds and guarantee (indenture);
   - illegal actions on the part of the Lenders or the Facility Agent.

Collateral for a loan
Security for the Loan extended under the Loan Agreement is provided in the form of guarantees given by the Companies and the existing securities established to secure the parallel debt incurred pursuant to an agreement between the creditors dated 28 November 2012. The instruments rendered available pursuant to the Revolving Credit Facility Agreement were secured with the use of the same security interest as the foreign bonds issued on 28 November 2012 and national bonds issued on 5 December 2012.

Other substantial Credit Agreement conditions

Under the Revolving Credit Facility Agreement CIECH S.A. and the Companies undertook to among others to:

1. maintain levels of net financial leverage specified in the agreement (consolidated debt of the Ciech Group to consolidated EBITDA of the Ciech Group) tested in 6-month periods:

Ended measurement period	**30.06.2013**	**31.12.2013**	**30.06.2014**	**31.12.2014**	**30.06.2015**	**31.12.2015**	**30.06.2016**
Maximum indicator level	4.5	4.3	3.6	3.6	3.0	3.0	3.0

2. do not establish new securities
3. do not dispose of the assets apart from cases permitted in credit agreement
4. do not incur financial debt and not provide loans credits guarantees apart from cases permitted in credit agreement.

Conclusion of a credit agreement was aimed to replace Revolving Credit Facility Agreement from 6 November 2012 and improvement in provided commercial condition of financing.

Security of claims on account of the Intercreditor Agreement

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

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

Each parallel debt is an independent and separate claim of the Security Agent with respect to the relevant debtor. On the basis of each parallel debt eachentity referred above is obliged to pay to Powszechna Kasa Oszczędności Bank Polski SA ("the Security Agent") an amount being the sum of all liabilities of this entity under basic legal relationships covered by the Intercreditor Agreement:

1. in the case of CIECH S.A.:

- secured bearer bonds up to PLN 320 000 thousand issued on 5 December 2012;
- guarantees of foreign bonds;
- the Revolving Credit FacilityAgreement under which the revolving loan of PLN 100 000 thousand was granted.

2. in the case of Ciech Group Financing AB (publ) – sureties for Polish bonds and sureties for the revolving loan agreement
3. in the case of guarantors – sureties for Polish bonds guarantees for foreign bonds and sureties for the Revolving Credit Facility Agreement.

The maturity of any of the basic claims of the debtor's debt will automatically result in maturity of parallel debt in identical amount.
Payment made by the entity to the Collateral Agent in respect of the parallel debt will automatically reduce the amount of the basic debt of the entity in the amount of parallel debt by that payment. Repayment of the entity's debt will automatically reduce the amount of parallel debt for the amount of such payment.

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

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

28 Employee benefits

PROVISIONS FOR EMPLOYEE BENEFITS	NON-CURRENT				CURRENT			
	31.12.2013		31.12.2012		31.12.2013		31.12.2012	
PLN '000	Provision for retirement benefits and service anniversary awards and disability	Other non-current provisions for employee benefits	Provision for retirement benefits and service anniversary awards and disability	Other non-current provisions for employee benefits	Provision for retirement benefits and service anniversary awards and disability	Other current provisions for employee benefits	Provision for retirement benefits and service anniversary awards and disability	Other current provisions for employee benefits
Opening balance	**20 237**	**323**	**62 059**	**1 104**	**14 199**	**24 360**	**7 569**	**733**
Recognition	740	-	1 408	-	1 651	846	11 903	20 965
Reclassification from / to long-term / short-term provisions	(530)	(333)	(5 858)	(221)	530	333	2 147	4 862
Change of discount rate	723	-	4 054	-	-	-	377	-
Reclassification to / from assets held for sale	-	-	(371)	-	-	-	(3)	-
Exchange differences	43	10	(351)	(68)	-	13	-	(50)
Change in Group's structure	(715)	-	-	-	(131)	-	-	-
Use (payment of benefits)	(369)	-	(368)	-	(14 566)	(21 756)	(7 527)	(1 288)
Reversal	(1 280)	-	(40 336)	(492)	(807)	(3 056)	(267)	(862)
Other changes	(106)	-	-	-	-	-	-	-
Closing balance	**18 743**	**-**	**20 237**	**323**	**876**	**740**	**14 199**	**24 360**

In 2013 change in provision in amount of PLN 74 thousand was related to equity.

Provisions for employee benefits include mainly provisions for service anniversary awards and retirement benefits. Employee benefits are measured on the basis of actuarial valuations. A discount rate of 4.25% p.a. was applied in order to determine the current value of future liabilities due to employee benefits. Applied discount rate is established in nominal value. At the same time, future inflation in the amount of 2.5% per annum was taken into account. The estimated nominal growth rate of remunerations is 2.5% in 2014, 5.0% in 2015, 2.5% in 2016 and 5.0% in the following years. Staff turnover ratio is established based on historic data, adjusted for employment restructuring plans. According to the Group estimations change in actuarial assumptions will not have significant impact on financial results.

Information about employee benefits for the key managerial personnel is presented in section II.39.5.

29 Provisions

PLN '000

CHANGE IN OTHER LONG-TERM PROVISIONS 01.01.-31.12.2013	Provision for environmental protection
Opening balance	**40 422**
Recognition	11 481
Reclassification from / to long-term / short-term provisions	(4 041)
Change of discount rate	(3 453)
Exchange differences	376
Closing balance	**44 785**

PLN '000

CHANGE IN OTHER LONG-TERM PROVISIONS 01.01.-31.12.2012	Provision for environmental protection
Opening balance	**52 666**
Recognition	16 330
Reclassification from / to long-term / short-term provisions	(21 729)
Change of discount rate	10 565
Reclassification to / from assets held for sale	(14 733)
Exchange differences	(1 767)
Reversal	(910)
Closing balance	**40 422**

PLN '000

CHANGE IN OTHER SHORT-TERM PROVISIONS **01.01.-31.12.2013**	Provision for restructuring	Provision for compensation	Provision for liabilities	Provision for environmental protection	Provision for bonuses	Provision for expected losses	Other provisions	**TOTAL**
Opening balance	**279**	**60 935**	**28 963**	**24 401**	**85**	**19 112**	**140**	**133 915**
Recognition	38	1 656	20 790	2	-	237	-	**22 723**
Reclassification from / to long-term / short-term provisions	-	-	-	4 041	-	-	-	**4 041**
Change of discount rate	-	-	5 379	80	-	-	36	**5 495**
Exchange differences	-	-	12	-	-	-	-	**12**
Use (payment of benefits)	(241)	(2 000)	(1 883)	(2 322)	-	-	(140)	**(6 586)**
Reclassification from liabilities	-	10 289	-	-	-	-	-	**10 289**
Reversal	(38)	(50 384)	(20 145)	(2 266)	(85)	-	-	**(72 918)**
Closing balance	**38**	**20 496**	**33 116**	**23 936**	**-**	**19 349**	**36**	**96 971**

PLN '000

CHANGE IN OTHER SHORT-TERM PROVISIONS **01.01.-31.12.2012**	Provision for restructuring	Provision for compensation	Provision for liabilities	Provision for environmental protection	Provision for bonuses	Provision for expected losses	Other provisions	**TOTAL**
Opening balance	**410**	**5 968**	**4 018**	**6 630**	**654**	**239**	**-**	**17 919**
Recognition	279	56 357	27 894	2 412	172	19 111	-	106 225
Reclassification from / to long-term / short-term provisions	-	-	-	21 729	-	-	-	21 729
Change of discount rate	-	-	2 042	-	-	-	140	2 182
Reclassification to / from assets held for sale	-	-	166	(524)	(87)	-	-	(445)
Exchange differences	-	-	(830)	-	-	(13)	-	(843)
Use (payment of benefits)	(348)	-	(359)	(5 174)	(202)	(225)	-	(6 308)
Reversal	(62)	(1 390)	(3 968)	(672)	(452)	-	-	(6 544)
Closing balance	**279**	**60 935**	**28 963**	**24 401**	**85**	**19 112**	**140**	**133 915**

The most significant provisions of the Ciech Group are:

Provision for compensations:
Infrastruktura Kapuściska Group – provision for inevitable expenditure resulting from long-term agreements – as at 31 December 2013, the provision amounted to PLN 12 793 thousand.
In connection with completion of production of chemicals in 2012 in Infrastruktura Kapuściska S.A (former Zachem S.A.), amount of damages that may occur due to long-term contracts concluded have been estimated. The amount of the provision for future expenses mainly consist of amounts calculated on the basis of the following agreement:

1. On 31 May 2010 the contract for heat supply number 1/2010 was sign between PGE Zespół Elektrociepłowni Bydgoszcz S.A. (currently PGE GiEK S.A. Oddział Zespół Elektrociepłowni Bydgoszcz) and ZACHEM S.A. (currently Infrastruktura Kapuściska SA). Agreement conditions stand for, among others, that after 31 December 2018 each party can terminate the contract before the expiration date with 8 year period of notice unless Infrastruktura Kapuściska S.A. discontinues its own manufacturing with usage of process steam. In that case Infrastruktura Kapuściska could have terminated the contract with 3 year period of notice which passage would occur at the end of the calendar year. On 29 January 2014 the agreement was concluded between PGE GiEK S.A. Oddział Zespół Elektrociepłowni Bydgoszcz and Infrastruktura Kapuściska S.A. in which the parties terminated the contract number 1/2010 for heat supply with effect from 31 December 2013. In 2013 the whole provision was revearsed and, in the same time, the Company reclassified disputed liabilities related to invoices issued in 2013 by PGE GiEK S.A. of PLN 9 650 thousand to provisions.
2. On 31 August 1999, Spółka Wodna Kapuściska and Infrastruktura Kapuściska S.A. concluded the agreement to receive and treatment of sewage provided by Infrastruktura Kapuściska S.A. to the sewage treatment plant "Kapuściska". Agreement sets so called the minimum amount to be paid to Spółka Wodna Kapuściska necessary to repay loans and borrowings of Spółka Wodna Kapuściska. As at 31 December 2012, the debt of Spółka Wodna Kapuściska due to the loan granted by NFOŚiGW amounted to PLN 4 764 thousand. Guarantees granted to Spółka Wodna Kapuściska as a hedge of the loan limits the participation rate of ZACHEM S.A. in SW (45.4%). In addition, given the fact that the other guarantors are the City of Bydgoszcz, the Municipality Solec Kujawski and Nitro-Chem SA, the maximum potential claim against Infrastruktura Kapuściska S.A. should be closed to EUR 2 163 thousand, which is covered by the provision.

Provision for liabilities:
In 2012 in connection with ongoing litigation between the US Govora S.A. and its employees a provision in the amount of PLN 23 359 thousand (including the principal amount of the claim and interest) was recognized. In 2013 due to withdrawal of a lawsuit submitted by labour union 'Sodistul', the amount of provision was decreased to the level of PLN 5 663 thousand (RON 6 114 thousand). The remaining part previously constituting the provision was transferred to contingent liabilities.

On July 2013 US GOVORA S.A. received lawsuits filed by CET for payment resulted from differences in steam purchase prices (US Govora S.A. did not fulfil the agreement conditions which entitled to lower price) and from delays in payments. Finally, the companies concluded new agreement which ended lasting dispute. CET withdrew lawsuits, which was confirmed by appropriate court sentences (last from December 2013). However, if the US Govora S.A. did not fulfil agreement conditions, CET will claim the amounts constituting the subject of the previous dispute. In accordance to that US Govora S.A. recognize the provision in the amount of PLN 21 727 thousand (RON 20 734 thousand).

Provision for expected losses:
As at 31 December 2013 the provision for expected losses was provision in CIECH S.A. which amounted to PLN 19 349 thousand, which is connected with the potential claim (the main receivable with interest liabilities and litigation costs) resulting from litigation described in section II.33.

Provisions for court proceedings of the entire Ciech Group have been described in section II.33. Provisions are estimates and therefore actual outcomes may differ.

Provision for environmental protection comprised of the following:
provision for costs of land reclamation – in Soda Polska Ciech Group the provision for costs of land recultivation was recognized and calculated on the basis of planned outlays until 2042 in accordance with anticipated inflation rate of 2.5% adjusted by a discount factor, calculated as the average of the discount factor at the beginning and end of every annual period. The expenditure arising there will amount to between PLN 700 thousand and PLN 1 100 thousand until 2042. The amount of the respective provision recognised in the statements amounts to PLN 9 557 thousand, whereof the short-term provision amounts to PLN 1 062 thousand and the long-term provision amounts to PLN 8 495 thousand.
provision for environmental reclamation in Infrastruktura Kapuściska S.A. calculated as the discounted value of the future expenditure connected with repairing damages caused to the natural environment amounts to PLN 20 232 thousand (whole is classified as a short-term provision). Recognised provisions include:
provision for waste disposal with ISO of PLN 7 242 thousand
provision for securing phenolic sulphite waste of PLN 10 100 thousand

provision for bioremediation the landfill along Zielona Street of PLN 480 thousand
provision for conducting environment monitoring of PLN 2 410 thousand
provision for reclamation of land. S.C Uzinele Sodice Govora – Ciech Chemical Group S.A. recognised a short-term provision in the amount of PLN 1 693 thousand (RON 1 828 thousand)
costs of landfill reclamation in Z.Ch. "Organika-Sarzyna" S.A. in the amount of PLN 997 thousand (whole is classified as short-term provision) were calculated based on the tender cost estimate of reclamation works. Tank reclamation is planned for 2014 discounted for a 2.5% inflation rate.
costs of water and soil reclamation in Z.Ch. "Organika Sarzyna" S.A. in the amount of PLN 9 234 thousand includes a current provision of PLN 1 645 thousand and long-term provision of PLN 7 589 thousand. The provisions were estimated based on a technical and financial project including a schedule of works for the years 2008-2015 of expenses to be incurred discounted for a 2.5% inflation rate.
Soda Deutschland Ciech Group at the end of 2013 recognised a long-term provision for environmental protection amounting to PLN 21 507 thousand (EUR 5 186 thousand) including:
mine reclamation activities in the limestone,
reclamation of rainwater ponds in Unseburg,
remains of the old limestone outcrops.

30 Current liabilities

PLN '000

CURRENT LIABILITIES DUE TO LOANS BORROWINGS AND OTHER DEBT INSTRUMENTS	31.12.2013	31.12.2012
Loans and borrowings	416	410
Debt securities issues (bonds)	6 972	6 133
TOTAL	**7 388**	**6 543**

PLN '000

CURRENT TRADE AND OTHER LIABILITIES	31.12.2013	31.12.2012
Trade liabilities	336 617	521 662
Up to 12 months	*324 383*	*481 028*
Above 12 months	*8 620*	*40 125*
Prepayments received for supplies	*3 614*	*509*
Public and legal liabilities (excluding income tax)	20 005	28 464
Liabilities for purchase of property plant and equipment	18 979	27 771
PUT options	-	3 386
Derivative financial instruments	525	-
Liabilities towards employees	11 404	12 200
Assignment of receivables	-	8 590
Payroll liabilities	11 982	15 180
Holiday leave pay accrual	5 349	5 011
Tax and charges	6 820	1 993
Materials and energy	15 279	966
Subsidies	43 449	44 780
External services	3 557	2 617
CO_2 emission rights	15 980	-
Environmental charges	25 184	11 743
Water and sewage	7 341	5 658
Environmental protection services - reclamation costs	-	10 969
Domestic deposits for security	101	200
Factoring	8 001	31 123
Other liabilities	31 724	36 091
TOTAL	**562 297**	**768 404**

The terms of transactions with related entities have been presented in section II.39. Trade liabilities are not interest bearing. Commercial contracts concluded by the Ciech Group include different terms of payment of trade liabilities, depending on the type of transaction, market characteristics and trade conditions. The most common payment terms are: 14, 30, 60 and 90 days.

31 Finance leases

The Ciech Group uses different property, plant and equipment (mainly means of transport and various types of machinery and equipment) pursuant to finance lease agreements. The agreements include the return option, extend the agreement or to buy all or a part of the equipment after the lease period. In 2013, the carrying amount of leased property, plant and equipment (including financial sale-and-leaseback described below) amounted to PLN 11 474 thousand (as at 31 December 2012 amounted to PLN 291 519 thousand). There were no contingent lease charges. Lease agreements do not contain any restrictions as to dividends, additional indebtedness or additional lease agreements.
The nominal value and the present value of minimum lease payments are as follows:

PLN '000

31.12.2013	**Nominal value of minimum lease payments**	**Future financial costs due to financial lease**	**Present value of minimum lease payments**
Up to 1 year	3 187	382	2 805
Between 1 and 5 years	5 168	328	4 840
TOTAL	**8 355**	**710**	**7 645**

PLN '000

31.12.2012	**Nominal value of minimum lease payments**	**Future financial costs due to financial lease**	**Present value of minimum lease payments**
Up to 1 year	8 180	325	7 855
Between 1 and 5 years	3 333	98	3 235
TOTAL	**11 513**	**423**	**11 090**

Sale and lease back
In financial statement of Soda Deutschland Ciech Group for 2012 CHP plant was recognised by the company as an asset subject to a finance sale-and-lease-back. The heat and power plant was sold by Soda Deutschland Ciech Group to VASA Kraftwerke Pool GmbH and then reacquired under a lease agreement. In the said relationship, the Soda Deutschland Ciech Group is the lessee of the heat and power plant and VASA Kraftwerke Pool GmbH is the lessor.
On 17 December 2013, companies from Soda Deutschland Ciech Group concluded with VASA Kraftwerke Pool GmbH & Co. KG sell agreement by VASA to KWG (subsidiary in Soda Deutschland Ciech Group) the combined heat and power plant and rights related to it (sales price from 30 December 2013).

CIECH S.A. uses property, plant and equipment - IT equipment, under a sale and lease back agreement. The agreement includes the option to return, extend the agreement or to buy all or part of the equipment after the lease period. As at 31 December 2013 the carrying amount of the leased property, plant and equipment amounted to PLN 929 thousand. There were no contingent lease charges. Lease agreements do not contain any restrictions as to dividends additional indebtedness or additional lease agreements.

PLN '000

SALE AND LEASE BACK LIABILITIES	**31.12.2013**	**31.12.2012**
- long-term	-	204 231
- short-term	929	48 740
TOTAL	**929**	**252 971**

32 Operating lease

The largest item subject to operating lease in the Ciech Group, in accordance with the adopted accounting principles, is the right to perpetual usufruct of land obtained by administrative decision. Furthermore, the Soda Deutschland Group recognises a long-term sewage system agreement effective until 2095 as an operating lease. Group companies also recognise lease agreements of property and low-value property, plant and equipment, e.g. cars. Operating lease is renewable lease, making it possible to acquire an asset at its estimated market value at the end of its use. The companies are not obliged to purchase the leased assets. No conditions for extending lease agreements or purchasing the subject of lease have been included in administrative decisions concerning the right of perpetual usufruct of land. Price indexation may occur in relation to land revaluation.

Total amounts of future minimum lease payments are presented in the table below:

PLN '000

TOTAL FUTURE MINIMUM OPERATING LEASE PAYMENTS	**31.12.2013**	**31.12.2012**

Up to 1 year	2 749	4 151
Between 1 and 5 years	7 396	4 526
Over 5 years	102 306	54 876
TOTAL	**112 451**	**63 553**

33 Information on changes in contingent assets and liabilities and other matters

33.1 Significant disputed liabilities of the Ciech Group

Total value of significant disputed liabilities of CIECH S.A. and its subsidiaries as at 31 December 2013 pursued in all types of proceedings in front of court, appropriate authorities for arbitrage or administrative authority amounted to PLN 43 738 thousand of which PLN 27 836 thousand is covered by provision.

The amount of claims asserted against any of the following companies is as follows:
CIECH S.A. – PLN 22 106 thousand;
Soda Polska Ciech S.A. – PLN 1 039 thousand;
Infrastruktura Kapuściska S.A.(former ZACHEM S.A.) – PLN 14 835 thousand;
S.C. Uzinele Sodice Govora- Ciech Chemical Group S.A. – PLN 5 749 thousand (RON 6 207 thosuand);
Z. CH. „Organika-Sarzyna" S.A.- PLN 9 thousand.

Description of significant proceedings concerning potential liabilities:

CIECH S.A.
On 16 December 2010, CIECH S.A. with its registered office in Warsaw and Zakłady Azotowe „Puławy" S.A. with its registered office in Puławy ("ZAP") entered into a "Conditional Agreement on the Sale of Shares". Under the Agreement CIECH S.A. undertook to sale to ZAP shares in Gdańskie Zakłady Nawozów Fosforowych „FOSFORY" Sp. z o.o. The agreement was in principle executed by both parties, as a result of which ZAP acquired 100% shares in GZNF „FOSFORY" Sp. z o.o. held by CIECH S.A. On 12 November 2012, the District Court in Warsaw XVI Commercial Division received a claim of ZAP against CIECH S.A. for the payment of PLN 18 864 thousand on account of CIECH S.A.'s alleged non-performance of the Agreement. The basis of the claim was the breach of warranties made in the said agrement by CIECH S.A. In this respect, ZAP demanded the amount of PLN 18 607 thousand and a reimbursement of expenses incurred by ZAP for breach of warranties in the amount of PLN 257 thousand. The legal basis for the claims asserted by ZAP is the provisions of article 9 of the aforementioned Agreement. ZAP's action against CIECH S.A. is derived from a number of actions of Agrochem Sp. z o.o. based in Człuchów, alleged by ZAP. On 5 January 2013 CIECH S.A. submitted a statement of defence whereby it contested the claim – with regard to both the principle and amount thereof. The above claim is covered by a provision. On 18 June 2013, CIECH S.A. filed a request for notifying Gdańskie Zakłady Nawozów Fosforowych "FOSFORY" Sp. z o.o. of proceedings pending and calling them to take part in the proceedings, the request having not been examined by the court yet. Upon the exchange of pleadings between the parties, the date of a court hearing was set at 9 May 2014.

US Govora S.A
Dispute with Wody Rumuńskie ("ABAO") concerning US Govora S.A. being charged with amounts due to discharge of cooling waters to Olt River. In accordance with the arrangements, invoicing is done according to the level of monthly amount acknowledged by parties in protocols signed by authorised individuals. Starting from 1 September 2011 ABAO representatives did not appear in US Govora to make daily measurements (the meters reading), on the contrary they did not accept protocols made by US Govora representatives. On the other hand, US Govora did not accept invoices issued by ABAO. Our company sent the partial refusal document to ABAO for amounts which were not consistent with factual state.
US Govora stated that it fulfiled all responsibilities and paid invoices consistent with the meters indications, which are functioning correctly, what was also confirmed by certificate documents required by the law. Additionally, the metrological expertise was conducted in that case which confirmed US Govora statement.
The subject of the dispute is PLN 4 474 thousand (RON 4 830 thousand).

On 11 February 2014 Valcea court announced a sentence to the benefit of applicant (US Govora) and obligated ABAO to:

- issue invoices for months July 2011 – May 2012 in accordance with the factual meters indications;
- taking part in the meters reading and to sign the receiving protocols and to issue fiscal invoices in accordance with the factual meters indications;
- to pay amount of PLN 37 thousand (RON 40 thousand) due to court costs to USG.

ABAO has the right to appeal to 24 March 2014.

33.2 Significant disputed receivables of the Ciech Group

Total value of significant disputed receivables of CIECH S.A. and its subsidiaries as at 31 December 2013 pursued in all types of proceedings in front of court, appropriate authorities for arbitrage or administrative authority amounted to PLN 14 346 thousand of which PLN 7 647 thousand is covered by the provision.

The amount of claims asserted against any of the following companies is as follows:
CIECH S.A.- PLN 112 thousand;
Soda Polska Ciech S.A. – PLN 205 thousand;
Ciech Trading S.A. (formerly Cheman S.A.) – PLN 518 thousand;
Infrastruktura Kapuściska S.A. (formerly ZACHEM S.A.) – PLN 5 581 thousand;
TRANSCLEAN Sp. z o.o. – PLN 37 thousand;
S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. – PLN 7 438 thousand (RON 8 031 thousand);
VITROSILICON S.A. – PLN 44 thousand;
Ciech Pianki – PLN 345 thousand
Organika Sarzyna S.A. – PLN 66 thousand;

The most significant position of dispute liabilities is liability claimed by US Govora S.A. from the former employee at the amount of RON 7 253 thousand

33.3 Other significant cases with the Group companies participation

JANIKOSODA S.A and SODA MĄTWY S.A.
On 14 December 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 SODA MĄTWY S.A. and JANIKOSODA S.A., delivered a notification of the violation of the Share Purchase Agreement. The main accusation towards the Sellers is alleged not providing full information to the Buyer, which would allow them for a proper evaluation of operations and financial, actuarial and legal position of PTU. In the sent notification, the Buyer did not submit any claims for payment, but merely pointed out that, as a result of underestimation of the technical and insurance provisions, it might have suffered damage for which the Sellers (JANIKOSODA S.A. and 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. According to Gothaer, the basis for the responsibility is item 5.1.1 of the Share Purchase Agreement – compensation for damage resulting from untrue assurances and guarantees. Under item 5.2 of the Share Purchase Agreement, Gothaer is entitled to demand compensation of its damage amounting to PLN 55 million in a part equal to 45.42%, i.e. of PLN 24 981 thousand. In response, the law firm handling the case (legal advisor to the Sellers in the sale of shares in PTU) acting on behalf of the Sellers, on 31 January 2012 sent the Buyer a letter containing detailed argumentation and completely rejecting the charges brought against the Sellers. On 23 January 2013 JANIKOSODA S.A. and SODA MĄTWY S.A. received a notice from the District Court for the Capital City of Warsaw, IX Commercial Department, about the date of hearing on the motion for a conciliation hearing filed by Gothear Finanzholding AG in which the Buyer indicated the value of the claim to be PLN 24 981 thousand. The hearing was scheduled for 4 April 2013. No settlement was reached during that hearing. In the opinion of legal advisors appointed in this case there is low probability of winning the case by the Buyer. The financial statements of JANIKOSODA S.A. and SODA MĄTWY S.A. do not contain any adjustments for that reason in the form of additional provisions.

Infrastruktura Kapuściska S.A. and CIECH S.A.
On 7 January 2013, CIECH S.A. obtained information that Air Products LLC and Air Products Chemical Europe B.V. (jointly: “Air Products”) had initiated arbitration proceedings against Infrastruktura Kapuściska S.A., a subsidiary of CIECH S.A., in front of the International Chamber of Commerce in Paris. The statement of claim seeks payment of USD 98 609 thousand and additional compensation in an amount not defined in the statement of claim. Air Products based their claim on Infrastruktura Kapuściska S.A.’s termination of an amine supply contract. Detailed information about these proceedings and the standpoint of CIECH S.A. was presented in the current report no. 2/2013 dated 7 January 2013. The arbitration proceedings were terminated based on settlement described below.

On 25 January 2013, the petition of Air Products LLC in the case brought against CIECH S.A. in front of the Federal Regional Court for Eastern Region of Pennsylvania in the United States of America was delivered to CIECH S.A. via the Regional Court for Warsaw Śródmieście in Warsaw. The petition was amended by Air Products LLC in the course of the proceedings twice. On 22 April 2013, CIECH S.A. submitted a motion to dismiss Air Products LLC’s amended petition. CIECH S.A. raised three reasons for dismissal of the amended petition. The proceedings in front of the Federal Regional Court for Eastern Region of Pennsylvania in the United States of America were terminated on settlement described below.

On 15 March 2013, Infrastruktura Kapuściska S.A. sent to the International Chamber of Commerce in Paris a reply to the lawsuit of Air Products along with a statement of counter-claim of Infrastruktura Kapuściska S.A. against Air Products. In reply to the lawsuit and in the statement of counter-claim Infrastruktura Kapuściska S.A. submitted own claims towards Air Products.

On 3 July 2013 Infrastruktura Kapuściska S.A. supplemented the counterclaim by indicating the value of the compensation claims. Consequently, Infrastruktura Kapuściska S.A. claimed a payment of at least PLN 161 647 thousand from Air Products as a compensation for damages incurred due to the breach of the agreement for amine (TDA) supplies by Air Products. The final amount of Infrastruktura Kapuściska S.A.'s compensation claims is to be determined in the course of arbitration proceedings.

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On 6 December 2013, as a result of negotiations, CIECH S.A. together with its subsidiary Infrastruktura Kapuściska S.A. (formerly ZACHEM S.A.) executed a settlement with the Air Products group entities (i.e. Air Products LLC, Air Products Chemicals Europe B.V. and Air Products and Chemicals INC). The purpose of the settlement was to end all disputes which had arisen between the parties in relation to Infrastruktura Kapuściska S.A. having terminated the agreement for the supply of amine (TDA) executed with Air Products Chemicals Europe B.V. and Air Products LLC. In the settlement all parties abandoned any and all mutually forwarded claims and decided to discontinue any proceedings pending whatsoever i.e. the proceedings in the action brought by Air Products LLC against CIECH S.A. in front of the Federal District Court for the Eastern Region of the State of Pennsylvania and the arbitration proceedings pending between Air Products Chemicals Europe B.V. and Air Products LLC and Infrastruktura Kapuściska S.A. in front of the Arbitration Court with the International Chamber of Commerce in Paris.

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On 30 December 2013 Infrastruktura Kapuściska S.A. received a correspondence from International Chamber of Commerce in Paris ("ICC') confirming receipt by ICC the pleadings of parties of proceedings i.e. Air Products Chemicals Europe B.V. and Air Products LLC and IK S.A. with withdrawal of all claims vindicated in arbitration proceedings. Arbitration proceedings were terminated in accordance with the terms of the settlement described above.

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33.4 Contingent assets and contingent liabilities including guarantees and sureties

OTHER CONTINGENT ITEMS *PLN '000*	**31.12.2013**	**31.12.2012**
1. Contingent assets	**18 864**	**18 864**
- other contingent receivables*	18 864	18 864
2. Other contingent liabilities	**135 775**	**245 721**
- guarantees and sureties granted**	36 320	36 320
- other***	99 455	209 401

**On 13 February 2013 CIECH S.A. brought an action to the District Court in Gdańsk IX Commercial Department against GZNF "FOSFORY" Sp. z o.o. to pay PLN 18 864 thousand as a compensation for making an alleged untrue declaration by GZNF to CIECH S.A. about the condition of Agrochem Człuchów Sp. z o.o. with its registered office in Człuchów. The legal basis for the claim asserted by CIECH S.A. are the provisions of Article 416 of the Civil Code. The aforementioned representations made by GZNF towards CIECH S.A. were the basis of warranties made by CIECH S.A. towards ZAP. The response to the above claim was issued on 16 May 2013 in which GZNF applied for a dismissal of a claim in whole and for award of reimbursement of litigation costs. In the mentioned case, the court proceedings are conducted and witnesses are questioned. End of conduct is expected at the end of the current year.*

*** Sureties on liabilities of Spółka Wodna "Kapuściska" in Bydgoszcz granted by the company Infrastruktura Kapuściska S.A.*
**** Including: contingent liabilities related to sodium waste management in S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. According to Directive 1999/31/EC on the landfill of waste introduced into the Romanian legislation by Government Decree 349/2005 implementing resolution of the Treaty of Accession to the EU USG should have ceased its activities related to the disposal of liquid industrial waste in landfills by 31 December 2012. Integrated Permit No. 68/2012 valid for 10 years provided, that USG will solve the problem of soda waste after 2012.*
Mistake (in other EU countries, sodium waste are stored in exactly the same manner in accordance with the requirements of BAT) related to qualification of ponds belonging to US Govora S.A. as a liquid landfill was indicated to the environmental authorities repeatedly. The effects of this error affect the performance of not only US Govora S.A., but also heat and power plants in which waste is made of ashes delivered to landfill with hydraulic transport.
Environmental authorities however ruled out reopening of the Accession Treaty.
The solution to this situation was to be beginning the process of closing the waste pools as at 1 January 2013. For this reason the Company ordered a technical project „Sludge ponds closing and post-closure monitoring of USG-CIECH"
The project involved the following steps:
1) Raise the pond (the technology used today) in order to raise all parts of the site to a level of +231 m. According to the cost estimate of the project realization of this stage should cost EUR 733 thousand (PLN 3 040 thousand).
2) Reclamation of reservoir B4 - an estimated cost of EUR 736 thousand (PLN 3 052 thousand).
3) Fill the cavities between the sludge ponds - sections I and II – and the construction of the substructure to the level of +234 m. An etimated cost of this stage is EUR 5 040 thousand (PLN 20 902 thousand).
Described steps 1 2 and 3 was to be conducted within capital investments.
Completion of step 1 would enable the Company to operate assuming current production capacity at the level of 1 200 t per day for a period of three years. However, the implementation of step 3 would enable to operate even in the next 14 years. Therefore, 17 years of further operations of the Company should be carried out without the necessity to incur expenses significantly influencing the financial situation of USG.
The Company was going to undertake activities aimed at changing negative erroneous record. Success would mean extending the life of joints for about 30 years and the ability to reduce expenses related to the restoration of the entire surface of the landfill which were estimated at EUR 38 093 thousand (PLN 157 979 thousand)

The Company submitted the project with the necessary opinions to the local Office for the Environment Protection. The Management believes that there was no reason why the project would be rejected. Firstly, the whole situation is the result of an erroneous decision. Secondly, the Company stored waste in the same way as other EU soda producers. Thirdly, a refusal would mean the closure of heat and power plants including those that heat the houses.

In the mid 2013 a new possibility of solving the landfill problem was identified based on a change of qualification of sodium sludge ponds and certain activities were undertaken in order to sanction this concept which were however abandoned later on because of the fact that in Decision 677 of 28 October 2013 S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. obtained a new environmental permission which sanctioned the status of ponds as flow reservoirs. It means that the Company does not have to implement any more pound closing project, which requires vast expenditures. Instead of that it will exploit ponds like the other Ciech Group soda companies (forecast period 45-50 years). The provision level for ponds reclamation was adjusted to these changes the provision level will be verified in 2014 in report, which will establish the scope of necessary works. Described changes cause that the pound issue stopped having the contingent liability character.

Other contingent liabilities as at 31 December 2013 amounted to PLN 135 775 thousand, which signifies an decrease by PLN 109 946 thousand compared to 31 December 2012.
Change in value of other contingent liabilities in comparison with their value as at 31 December 2012 results mainly from:

- reclassification in S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. the current provision connected with lawsuit submitted by US Govora S.A. employees to contingent liabilities – in amount of PLN 17 409 thousand (RON 18 796 thousand),
- a change in EUR exchange rate applied by Soda Deutschland Ciech Group to translate among others a potential liability due to the reclamation of ponds which will be recognized if the waste management regulations become applicable – amount of PLN 215 thousand.
- changes of EUR 38 093 thousand (PLN 157 979 thousand) in potential liability to sodium waste management in S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. described above,
- reclassification of contingent liability to CET Govora to provisions in S.C. Uzinele Sodice Govora – Ciech Group S.A. in amount of RON 8 629 thousand (PLN 7 936 thousand),
- a decrease of contingent liability due to a claim notified by CIECH S.A.'s former employee in relation to compensation for employment termination – decrease by PLN 1 441 thousand to PLN 778 thousand.
- an introduction of contingent liability in Soda Polska Ciech S.A., resulting from the grant received under the "Infrastructure and Environment" program the amount of grant received in the form of refund of outlays made is PLN 15 904 thousand.
- recognition of a contingent liability in respect of environmental fines in Soda Polska Ciech SA in the potential amount of PLN 26 249 thousand.

33.5 Letters of support

As at 31 December 2013 CIECH S.A. was an obliged party in the following letters of support:

- letter of support (Patronatserklärung) regarding Sodawerk Staßfurt GmbH&Co. KG seated in Staßfurt ("SWS") and KWG-Kraftwerksgesellschaft Staßfurt mbH seated in Staßfurt ("KWG") granted to Vasa Kraftwerke-Pool GmbH&Co. KG seated in Staßfurt ("VASA") relating to financial liabilities of SWS and KWG resulting from the agreement dated 16 December 2011 on lease of heat and power plant concluded by SWS KWG and VASA which include lease payments to VASA of EUR 13 million net annually. In the support letter CIECH S.A. has committed among others, to ensure that SWS and KWG will be able to fulfil their financial commitments resulting from the above-mentioned agreement. The letter expired on 31 December 2013 due to CHP's ownership transfer to KWG.
- letter of support (Patronatserklärung) regarding KWG-Kraftwerksgesellschaft Staßfurt mbH seated in Staßfurt ("KWG") granted to Erdgas Mittelsachsen GmbH ("EMS") and Stadtwerke Staßfurt GmbH ("STW") relating to liabilities of KWG resulting from the silent partners' agreement dated 2 December 2011 concluded by KWG, EMS and STW based on which, among others EMS and STW has provided equity contributions in the total amount of EUR 12 million. In the support letter, CIECH S.A. has committed to ensure, among others, that KWG will be able to fulfil its financial commitments resulting from the above-mentioned agreement,
- letter of support (Patronatserklärung) regarding Sodawerk Staßfurt GmbH&Co. KG seated in Staßfurt ("SWS") granted to RWE Gasspeicher GmbH ("RWE") relating to liabilities of SWS resulting from the agreement dated 5 May 2009 on salt caverns construction for the purpose of natural gas storage on the mining field Stassfurt according to which SWS has received payments of EUR 34.4 million from RWE until 30 September 2013. In the support letter CIECH S.A. has committed, among others to ensure that SWS will have sufficient financial funds in order to be able to fulfil its financial commitments resulting from the above-mentioned agreement,
- letter of support (Patronatserklärung) regarding KWG-Kraftwerksgesellschaft Staßfurt mbH seated in Staßfurt ("KWG") granted to Erdgas Mittelsachsen GmbH ("EMS") relating to liabilities of KWG to EMS resulting from the gas supplies agreement. In the support letter CIECH S.A. has committed, among others to ensure that KWG will be equipped with the essential financial means to be able to fulfill their financial commitments against EMS resulting from the above-mentioned agreement. The responsibility of CIECH S.A. as regards the letter is limited to EUR 6 million untill 31 December 2014.

33.6 Other issues with CIECH S.A.'s participation

On 24 May 2013 CIECH S.A. filled a claim to the District Court in Warsaw, XX Commercial Department against Bank Handlowy S.A. in Warsaw, requesting a payment of a principal of PLN 63 583 thousand due to liabilities resulting from option transactions concluded between CIECH S.A. and the Bank. After the exchange of procedural documentation first terms of hearings was established at 1 and 2 July 2014.

On 24 May 2013 CIECH S.A. filed a motion to the Regional Court Katowice-Wschód in Katowice for a summons to a conciliation hearing against ING Bank Śląski S.A. concerning liabilities resulting from option transactions concluded between CIECH S.A. and ING Bank Śląski S.A. The claim of CIECH S.A. against the Bank amounted to PLN 67 415 thousand, which constitutes a principal. At the hearing of 30 Ocober 2013 no settlement was reached as the bank challenges the validity and amount of the claim.

34 Information about agreements concluded with the entity authorised to audit the Ciech Group's consolidated financial statements

The entity authorised to audit financial statements for the period from 1 January 2013 to 31 December 2013 was KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Warsaw.

On 11 June 2013 an agreement on review of semi-annual and audit of annual financial statements for the years 2013, 2014, 2015 was signed with KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k. is also an auditor of the most significant consolidated subsidiaries of CIECH S.A. i.e.
Soda Polska Ciech Group,
Soda Deutschland Ciech Group,
S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.,
Z.Ch. "Organika – Sarzyna" S.A.,
Infrastruktura Kapuściska S.A.,
VITROSILICON Spółka Akcyjna,
Ciech Pianki Sp. z o.o.,
Ciech Group Financing AB.

The entity authorised to audit financial statements for the period from 1 January 2012 to 31 December 2012 was KPMG Audyt Sp. z o.o. with its registered office in Warsaw.

PLN '000	Parent entity CIECH S.A.		Subsidiaries of the Ciech Group subject to consolidation	
	2013**	**2012****	**2013****	**2012****
Audit of the annual financial statements	245	234*	1 153	956
Other assurance services	9	1 988	62	455
Tax advisory services	-	-	-	39
Other services	46	20	172	16

**In case of CIECH S.A. the amount includes both audit of the annual financial statement and semi-annual review of financial statement.*
*** The remuneration include additional costs*

35 Objectives and principles in financial risk management

Quantitative and qualitative information on financial risks
The aim of financial risk management policy is to identify areas requiring risk analysis to determine methods to identify and measure it to determine activities undertaken in relation to identified risk areas and to define organisational solutions in the risk management process.

The Ciech Group is exposed to the following financial risks:
customers credit reliability risk;
liquidity risk;
market risk, including:
- ✓ currency risk,
- ✓ interest rate risk and risk of raw materials,
- ✓ product price risk.

In fulfilling its main goals, the Group aims to avoid excessive market risk. This aim mentioned above is realised by identifying, monitoring and hedging cash flow fluctuation risk and monitoring the size and costs of Ciech Group

debt. When assessing risk, the Group takes into account the portfolio effect resulting from the variety of conducted business activities. Risk effects are materialised in the cash flow statement, statement of financial position and the statement of other comprehensive income.

Financial risk management covers processes of identifying, measuring and establishing the manner of responding to that risk, including processes related to currency exchange rates and interest rate fluctuations. The Group monitors risk areas which are the most important for its activities.

Interest rate risk
The Group finances its activity mainly through interest bearing debt, including loans and bonds. The part of the costs of interest-bearing debt are related to expenses borne by the Group being dependent on the reference rate which refers to bonds issued on 5 December 2012, with a total nominal value of PLN 320 million, a revolving loan that is made available under a credit agreement dated on 9 August 2013 in the amount of PLN 100 million and the leasing and factoring contracts. Therefore, the Group is exposed to risk of change in finance costs due to changing interest rates on existing debt. This may result in increased financial costs and consequently deterioration in the financial result. The risk is partialy reduced by owned by Ciech Group assets (bank deposits) intrest bearing in accordance to variable interest rate and concluding hedging transactions.

In 2013, the Ciech Group benefited from the interest rate swap transaction to hedge the variable interest rate levels applicable to the calculation of interest on the bonds issued on 5 December 2012. Hedged transaction securing indebtedness of nominal value at PLN 80 million and was concluded on March 2013.

The table below presents the consolidated statement of financial position items exposed to interest rate risk

PLN '000	**31.12.2013**	**31.12.2012**
	Total carrying amount	**Total carrying amount**
Fixed interest rate instruments	**(992 935)**	**(981 754)**
Financial liabilities	992 935	981 754
Floating interest rate instruments	**(219 627)**	**(215 770)**
Financial assets	105 626	111 770
Financial liabilities	325 253*	327 540

**including PLN 80 million secured by the IRS*

The table below shows the effects of a change in the interest rate by 100 basis points in relation to the floating interest rate instruments presented in the statement of financial position

PLN '000	**Statement of proit or loss**		**Equity***	
	increase by 100 bp	**decrease by 100 bp**	**increase by 100 bp**	**decrease by 100 bp**
31.12.2013				
Floating interest rate instruments	(1 396)	1 396	-	-
Interest rate swap transactions (IRS)	-	-	2 468	(2 597)
Cash flows sensivity (net)	**(1 396)**	**1 396**	2 468	(2 597)
31.12.2012				
Floating interest rate instruments	(2 158)	2 158	-	-
Cash flows sensivity (net)	**(2 158)**	**2 158**	-	-

**Do not include financial result on capital*

Currency risk
Currency risk is an integral component of commercial activity denominated in foreign currencies. Due to the nature of conducted import and export operations, the Ciech Group is subject to currency exposure related to the significant lead of export over import. Sources of currency risk which exposed companies within the Group in 2013 included: purchase of raw materials, product sales, bonds issued and cash in foreign currencies. Unfavourable changes in currency exchange rates may worsen the Ciech Group's financial results.

Foreign exchange risk analysis is focused on the level of operating cash flows. Soda Deutschland Ciech Group was excluded from the analysis since its functional currency is EUR and all reported operating cash flows of this company are performed in this currency.

In 2013, the Ciech Group used hedging contracts, such as forward and currency options, to partially cover currency risk. The Ciech Group tries to hedge naturally the foreign currency exposure, including adjustment of

currency flows arising from sales and purchases as well as strategic debt denominated in EUR, in order to fit it to the expected exposure to currency risk in operations.

The tables below present the maximum exposure of financial instruments to currency risk denominated in foreign currencies:

PLN '000	**31.12.2013**	
	EUR	**USD**
Trade receivables	109 589	60 755
Trade liabilities	101 843	27 225
Loans and borrowings	416	-
Bonds	992 935	-
Net value	**(985 605)**	**33 530**

PLN '000	**31.12.2012**	
	EUR	**USD**
Trade receivables	133 253	61 505
Trade liabilities	74 719	50 087
Loans and borrowings	325	-
Bonds	980 931	-
Net value	**(922 722)**	**11 418**

The table below presents the estimated currency exposure of the Ciech Group in euro as at 31 December 2013 due to financial instruments (excluding Soda Deutschland Ciech Group figures):

Exposure to currency risk in EUR	**('000 EUR)**	**Impact on the statement of profit or loss**	**Impact on statement of other comprehensive income**
Assets			
Loans granted to SDC Group	51 500		X
Trade and other receivables	26 489	X	
Cash including bank deposits	4 625	X	
Liabilities			
Trade and other liabilities	(8 900)	X	
Loans borrowings and bonds (hedge accounting)	(245 000)		X
Total exposure	**(171 286)**		

The table contains an analysis of the sensitivity of individual statement of financial position items to exchange rate changes as at 31 December 2013.

Analysis of sensitivity to foreign exchange rate changes	**(PLN '000)***	**Impact on the statement of profit or loss**	**Impact on statement of other comprehensive income**
Currency items of statement of financial position	(1 713)	222	(1 935)

** Increase of EUR/PLN exchange rate by one grosz.*

Raw material price risk

A significant portion of the Ciech Group's activity is the import and export of chemical raw materials. The raw materials markets are characterised by a cyclical nature related to fluctuations of the global economy. The growing prices of raw materials cause a decrease in margins of trade intermediaries and 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 Ciech Group. Considerable fluctuations of demand and prices caused either by fast economic growth or economic stagnation will have a negative influence on the activity related to trading in chemical raw materials by the Ciech Group.

The Ciech Group reduces price risk through regulating price policy concluding agreements with suppliers, hedging and insuraning supplies and containing an appropriate price formula.

Credit risk
Credit risk means an exposure that the borrower will not fulfil the obligations stipulated in the agreement exposing the lender to financial loss.

From the Ciech Group's point of view, credit risk is linked to:
trade receivables from customers,
cash and bank deposits.

The Ciech Group is exposed to credit risk connected with the credit rating of customers being parties to product and goods sales transactions. That risk is limited by using internal procedures to establish amounts of credit limits for purchasers and to manage trade receivables (the Group use securities in form of letter of credit, bank guarantees, mortgages, receivables insurance and factoring without regress). Customers' creditworthiness is assessed and appropriate collateral is obtained from the borrowers, allowing for a reduction of potential losses in the case of failure to repay the debt. Credit risk assessment for customers is performed prior to concluding an agreement and periodically at subsequent supplies of goods in accordance with the binding procedures. The risk of the receivables portfolio is assessed weekly. On selected markets, where more risky terms of payment are applied, the Group's companies make use of services provided by companies specialising in insuring receivables. Credit risk connected with cash in bank and bank deposits is low as the Ciech Group enters into transaction with high-rating banks with high credit rating and stable market position.

According to the Ciech Group's Companies, assets not overdue and not covered by the provision are of high credit quality. At the end of the reporting period, in the Group there were no loans granted to external entities.
The table below presents the maximum exposure of financial assets to credit risk as at the end of reporting period.

PLN '000	**31.12.2013**	**31.12.2012**
Cash and cash equivalents	105 593	81 177
Loans and receivables	423 566	499 616
TOTAL	**529 159**	**580 793**

The table below presents the maximum exposure of trade receivables and loans granted to credit risk as at the end of reporting period by operating and geographical segments.

PLN '000	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**
	Trade receivables	**Trade receivables**	**Loans granted**	**Loans granted**
Poland	176 560	209 033	-	-
European Union (excluding Poland)	205 631	195 102	-	-
Other European countries	15 357	44 058	-	-
Africa	18 462	34 048	-	-
Asia	5 183	9 031	-	-
Other regions	725	5 795	-	-
TOTAL	**421 918**	**497 068**	**-**	-

PLN '000	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**
	Trade receivables	**Trade receivables**	**Loans granted**	**Loans granted**
Soda segment	253 372	251 070	-	-
Organic segment	115 738	173 976	-	-
Agrochemical segment	5 157	9 662	-	-
Silicates and Glass segment	33 369	50 828	-	-

PLN '000	31.12.2013 Trade receivables	31.12.2012 Trade receivables	31.12.2013 Loans granted	31.12.2012 Loans granted
Other activity	14 282	11 532	-	-
TOTAL	**421 918**	**497 068**	**-**	**-**

The table below presents trade receivables by age from maturity date.

PLN '000	31.12.2013	
	Total gross value of receivables	Impairment loss
Not overdue	347 057	2 677
Up to 1 month	63 063	-
1 to 3 months	10 180	1 149
3 to 6 months	2 237	662
6 months to 1 year	3 718	1 397
Over 1 year	24 678	23 130
TOTAL	**450 933**	**29 015**

PLN '000	31.12.2012	
	Total gross value of receivables	Impairment loss
Not overdue	396 778	3 759
Up to 1 month	82 731	47
1 to 3 months	16 968	1 368
3 to 6 months	4 950	1 569
6 months to 1 year	4 973	3 011
Over 1 year	41 170	40 748
TOTAL	**547 570**	**50 502**

Liquidity risk

The Ciech Group is exposed to risk connected with maintaining liquidity due to the considerable share of external financing (due to bond issued, overdraft facilities, working capital, facilities and lease agreements) in relation to operating results, the limited ability to obtain a new financing due to the existing high level of indebtedness and the risk of losing the existing long-term financing as a result of violating covenants stipulated in the loan agreements.

The following measures are applied to reduce liquidity risk:
current monitoring of liquidity of the Ciech Group's companies,
monitoring and optimization of the level of working capital,
adjusting the level and schedule of capital expenditure,
intragroup borrowings and sureties for the liabilities of the Group's companies,
current monitoring of the fulfilment of the liabilities under the loans agreements conditions.

The Group debt financing is ensured by 5-year (in the case of Polish bonds) and 7-year maturity (in the case of bonds issued in foreign markets). In addition, the Group has available working capital of PLN 100 million, which is an additional source of current liquidity and working capital. Financing conditions are described in detail in section II.27.

Liquidity risk
The table below presents financial liabilities at face value grouped by maturity.

31.12.2013 *PLN '000*	**Carrying amount**	**Contractual cash flows**	**Less than 6 months**	**6-12 months**	**1-3 years**	**3-5 years**	**Over 5 years**
Other financial liabilities	**1 655 160**	**2 362 587**	**396 983**	**60 569**	**242 207**	**546 216**	**1 116 612**
Trade liabilities	336 617	336 617	327 997	-	-	8 620	-
Loans and borrowings	416	416	416	-	-	-	-
Bonds	1 310 126	2 017 553	60 569	60 569	242 207	537 569	1 116 612
Factoring	8 001	8 001	8001	-	-	-	-
Financial lease liabilities	**7 645**	**7 645**	**1 487**	**1 318**	**3 766**	**1 074**	**-**
Financial sale and lease back liabilities	**929**	**929**	**486**	**443**	**-**	**-**	**-**
Financial liabilities	**1 663 734**	**2 371 161**	**398 956**	**62 330**	**245 973**	**547 290**	**1 116 612**

** IRS valuation at balance sheet date (short-term and long term part) has a positive value*

31.12.2012 *PLN '000*	**Carrying amount**	**Contractual cash flows**	**Less than 6 months**	**6-12 months**	**1-3 years**	**3-5 years**	**Over 5 years**
Other financial liabilities:	**1 879 850**	**2 714 982**	**564 865**	**77 394**	**308 762**	**568 082**	**1 195 879**
Trade liabilities	521 662	521 662	466 117	15 314	40 231	-	-
Loans and borrowings	410	410	410	-	-	-	-
Bonds	1 297 794	2 132 926	58 565	62 080	248 320	568 082	1 195 879
Assignment of receivables	28 861	28 861	8 650	-	20 211	-	-
Factoring	31 123	31 123	31 123	-	-	-	-
Financial lease liabilities	**11 090**	**11 090**	**4 919**	**2 936**	**2 844**	**391**	**-**
Financial sale and lease back liabilities	**252 971**	**252 971**	**23 951**	**24 789**	**204 231**	**-**	**-**
Financial liabilities	**2 143 911**	**2 979 043**	**593 735**	**105 119**	**515 837**	**568 473**	**1 195 879**

Detailed information concerning revenues and costs pertaining to financial instruments, recognised in the income statement has been presented in section II.7 and II.36

Risk management principles
CIECH S.A. actively manages operational and financial risk, striving to reduce the fluctuation of cash flows and maximise the Company's market value.

CIECH S.A.'s policy assumes natural hedging of imports and exports and hedging of up to 70% of net exposure to currencies exchange rate change by using derivatives and 100% exposure to interest rate risk.

In 2013 there were concluded futures contracts to hedge currency risk (forward and acquired options) and interest rate risk (interest rate swap).

Cash management
CIECH S.A. cooperates with bank service providers of high credit rating and with substantial experience in the cash management area. Allocation of financial resources to the Group companies is performed through the use of intra-group loans, dividends payout and increase of share capital in subsidiaries.

36 Financial instruments

The main financial instruments disclosed in the statement of financial position of the Ciech Group as at 31 December 2013 include:

Financial assets:
- short-term deposits,
- cash,
- stock and shares in other entities,
- trade receivables.

Financial liabilities:
- bank loans,
- liabilities from debt securities – national and foreign bonds,
- trade liabilities,
- finance lease agreements
- sale-leaseback agreements.

Carrying amount

		Categories of financial instruments						
31.12.2013 *PLN '000*	*Note*	**Cash**	**Financial assets available for sale**	**Loans and receivables**	**Financial liabilities at amortised cost**	**Financial liabilities excluded from IAS 39**	**Hedging instruments**	**Total**
Class of financial instruments								
Cash and cash equivalents	*23*	105 593	-	34	-	-	-	**105 627**
Shares		-	934	-	-	-	-	**934**
Trade receivables	*21*	-	-	421 918	-	-	-	**421 918**
Receivables from factoring	*21*	-	-	16 215	-	-	-	**16 215**
Hedging derivatives with positive value		-	-	-	-	-	621	**621**
Trade liabilities	*30*	-	-	-	336 617	-	-	**336 617**
Loans and borrowings	*26, 30*	-	-	-	416	-	-	**416**
Debt securities issues -bonds	*26, 30*	-	-	-	1 310 126	-	-	**1 310 126**
Liabilities from factoring	*30*	-	-	-	8 001	-	-	**8 001**
Finance lease liabilities	*26, 30 31*	-	-	-	-	7 645	-	**7 645**
Liabilities from sale-leaseback agrements	*30*	-	-	-	-	929	-	**929**
Hedging derivatives with negative value		-	-	-	-	-	525	**525**

Selected trade receivables in Ciech Group are subject to factoring. This is factoring with the assumption of insolvency risk *del credere* whereby the factor takes full responsibility in relation to the Company for the debtor fulfilling all obligations.
For one of the factors there is the right to further assign the acquired claims but only after obtaining prior written approval of the Company (to be valid). As formulated in the context of the agreement the Company retains control of the asset. As a consequence it is not derecognised from the consolidated statement of financial position.

		Categories of financial instruments					
31.12.2012 *PLN '000*	*Note*	**Cash**	**Financial assets available for sale**	**Loans and receivables**	**Financial liabilities at amortised cost**	**Financial liabilities excluded from IAS 39**	**TOTAL**
Class of financial instruments							
Cash and cash equivalents	*23*	81 177	-	30 594	-	-	**117 771**
Shares		-	970	-	-	-	**970**
Trade receivables	*21*	-	-	497 068	-	-	**497 068**
Receivables from factoring	*21*	-	-	45 265	-	-	**45 265**
Trade liabilities	*30*	-	-	-	521 662	-	**521 662**
Loans and borrowings	*26,30*	-	-	-	410	-	**410**
Debt securities issues -bonds	*26,30*	-	-	-	1 297 794	-	**1 297 794**
Liabilities from factoring	*30*	-	-	-	31 123	-	**31 123**
Assignment of receivables	*30*	-	-	-	28 861	-	**28 861**
Finance lease liabilities	*26,30,31*	-	-	-	-	11 090	**11 090**
Liabilities from sale-leaseback agrements	*26,30,31*	-	-	-	-	252 971	**252 971**

Revenues, costs, profit and loss recognised in the income statement by the category of financial instruments.

01.01.-31.12.2013 *PLN '000*	*Note*	**Cash**	**Financial assets available for sale**	**Financial liabilities at the fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at amortised cost**	**Financial liabilities due to factoring and liabilities excluded from IAS 39**	**Total financial instruments**
Interest income /(costs) including income / costs calculated by using the effective interest rate method	7	3 673	-	-	1 296	(139 235)	(20 219)	(154 485)
Exchange profit / (loss)	7	-	-	-	-	12 966	179	13 145
Impairment losses recognised	7	-	-	-	(16 630)	-	-	(16 630)
Reversal of impairment losses	7	-	-	-	3 724	-	-	3 724
Income / costs on account of evaluation and use of derivatives	7	-	-	102	-	-	-	102
Profit / (loss) on the disposal of financial instruments	7	-	(15)	-	-	-	-	(15)
Total net profit / (loss)		**3 673**	**(15)**	**102**	**(11 610)**	**(126 269)**	**(20 040)**	**(154 159)**

01.01.-31.12.2012 *PLN '000*	*Note*	**Cash**	**Financial assets available for sale**	**Financial liabilities at the fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at amortised cost**	**Financial liabilities due to factoring and liabilities excluded from IAS 39**	**Total financial instruments**
Interest income / (costs) including income / costs calculated by using the effective interest rate method	7	2 259	-	-	2 700	(167 797)	(24 087)	(186 925)
Exchange profit / (loss)	7	-	-	-	-	(23 158)	(1 229)	(24 387)
Impairment losses recognised	7	-	-	-	(10 416)	-	-	(10 416)
Reversal of impairment losses	7	-	-	-	5 058	-	-	5 058
Income / costs on account of evaluation and use of derivatives	7	-	-	(4 086)	-	-	-	(4 086)
Profit / (loss) on the disposal of financial instruments	7	-	(1 551)	-	755	-	-	(796)
Total net profit / (loss)		**2 259**	**(1 551)**	**(4 086)**	**(1 903)**	**(190 955)**	**(25 316)**	**(221 552)**

Fair value

The table below presents the fair value of financial instruments.

	2013		2012	
PLN '000	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Cash and Cash equivalents	105 593	105 593	81 177	81 177
Shares	934	934	970	970
Trade receivables	421 918	421 918	497 068	497 068
Assets due to evaluation of derivatives	621	621	-	-
Long-term deposits	34	34	30 594	30 594
Factoring	16 215	16 215	45 265	45 265
Assets by category	**545 315**	**545 315**	**655 073**	**655 073**
Loans and borrowings	416	416	410	410
Debt securities issues	1 310 126	1 489 109	1 297 794	1 408 590
Trade liabilities	336 617	336 617	521 661	521 661
Liabilities due to evaluation of derivatives.	525	525	-	-
Finance lease liabilities	7 645	7 645	11 090	11 090
Assignment of receivables	-	-	28 861	28 861
Factoring	8 001	8 001	31 123	31 123
Financial liabilities	**1 663 330**	**1 842 313**	**1 890 939**	**2 001 735**

The fair value of financial assets and liabilities corresponds with the amounts for which these instruments may be exchanged in a market transaction between well informed parties. The following assumptions were made in establishing the fair value:

- Cash, trade receivables and liabilities are not measured at fair value - it is assumed that the carrying amount is the closest to fair value due to the short maturities of these instruments,
- stocks and shares fair value – due to lack of quotation of these assets on the market for the fair value the value is acknowledge by historical cost reduced by potential impairment allowances,
- fair value of financial assets and liabilities recognized in the statement of financial position at amortized cost for which no active market exists was established as the present value of future cash flows discounted at market interest rate.

Evaluation to fair value is grouped according to three-level hierarchy:

- **Level 1** - fair value based on market listing stock exchange prices (unadjusted) offered for identical assets or liabilities on active markets
- **Level 2 –** the Ciech Group measures derivatives at fair value by using measurement models for financial instruments and applying generally available interest rates currency exchange rates etc.
- **Level 3 -** fair value established on the basis of various evaluation techniques which are not based on observable market inputs

Assets and liabilities measured at fair value

PLN '000	31.12.2013			31.12.2012		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets		**621**	**91 947**	**-**	**-**	**113 018**
Investment property	-	-	91 947	-	-	113 018
Hedging instruments	-	621	-	-	-	-
Liabilities	**-**	**(525)**	**-**	**-**	**-**	**-**
Hedging instruments	-	(525)	**-**	-	-	-
TOTAL	**-**	**96**	**91 947**	**-**	**-**	**113 018**

As at 31 December 2013 the Ciech Group did not hold any material financial instruments measured at fair value except for an interest rate swap contract.

The fair value of the interest rate swap contract is determined as a difference in the discounted interest rate cash flow (cash flow based on a floating rate, the so-called floating leg and a fixed rate, the so-called fixed leg). The input data for the method is the market data concerning interest rates provided by Reuters. The fair value of the interest rate swap contract as at 31 December 2013 amounted to net PLN 96 thousand and was presented separately as current investment and other current liabilities. According to the fair value hierarchy it is Level 2.

The position evaluate to fair value in the financial statement are also investment real estate. According to the fair value hierarchy it is the level 3. Investment real estate portfolio is evaluated by external, independent property appraiser who takes into consideration prices in the area, where the valued investment are located, applying appropriate ratios which take into account the specificity of evaluated real estetes.

In 2013 no transfers of instruments valued at fair value in the fair value hierarchy were effected.

Financial Instruments not measured at fair value
The Ciech Group holds the issued foreign and national bonds, which book value as at 31 December 2013 amounted to PLN 992 935 thousand and their fair value amounts to PLN 1 169 109 thousand (this is Level 1 of fair value hierarchy).

The Ciech Group holds the issued domestic bonds, which book value as at 31 December 2013 amounted PLN 325 253 thousand and theif fair value amounted to nominal value, i.e PLN 320 000 thousand (this is Level 2 of fair value hierarchy).The Company recognized tthat tje fair value of the issued bonds do not differed from the fair value due to the variable interest rate.

In the case of the remaining financial instruments held by the Ciech Group (classified mainly as cash, loans and receivables, financial liabilities measured at amortised cost and financial liabilities excluded from the scope of IAS 39) the fair value is close to the accounting value.

37 Derivatives

The table below presents financial instruments held for trading.

	Fair value of instruments with maturity date:					Fair value	
PLN '000	**Up to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**	**Assets**	**Liabilities**
31.12.2013							
Total derivatives (IRS)	**-**	96	**-**	**-**	**96**	**621**	**(525)**
31.12.2012							
Total derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**

As at the reporting date the Ciech Group is party in an active derivatives which would hedge currency risk – interest rate swap concluded to decrease variability of interest costs resulted from bonds issued by CIECH S.A.

38 Financial instruments assigned for hedge accounting

The table below presents a summary of specific groups of relationships assigned for hedge accounting in 2013:

Hedged risk	Type of hedge	Hedged item	Hedging instrument
Currency risk EUR/PLN	Cash flow hedging	Future cash flows due to realisation of revenues from sales denominated or indexed to the EUR exchange rate	• Liabilities due to loans denominated in EUR, • Other financial instruments as liabilities denominated in EUR (financial leasing long- term liabilities) • Bonds issued in EUR
Currency risk EUR/PLN	Net investment hedge	The hedged position is net investment in the subsidiary.	• Bonds issued in EUR

Hedged risk	Type of hedge	Hedged item	Hedging instrument
Interest rate risk (change of WIBOR 6M)	Cash flow hedging	Interest payments from bonds issued by CIECH S.A. (Series 02) in nominal value of PLN 80 000 000	• Fixed interest rate SWAP WIBOR 6M

Detailed information concerning instruments assigned for hedge accounting is provided in the table below:

FINANCIAL INSTRUMENTS	TRANSACTION DETAILS		CASH FLOW HEDGING					
Borrowings / bonds issued/ Other financial liabilities	**Transactions assigned for hedge accounting**	**Fair value as at the reporting date**	**Nature of hedged risk**	**Cash flow occurrence**		**Amount recognised in equity (after income tax) as at 31.12.20123**	**Amount derecognised in equity and recognised in the income statement (after income tax) in the period 01.01-31.12.2013**	**Inefficiency recognised in the income statement**
				Forecast period of cash in the income statement flow occurrence	**Expected date of impact on the financial result**			
EUR '000		*PLN '000*				*PLN '000*		
-	CIECH S.A. Financial liabilities in EUR	-	Currency risk (PLN/EUR)	up to 09.01.2015	Up to 09.01.2015	(3 055)	(1 284)	-
-	S.C Uzinele Sodice Govora S.A. Finance lease	-	Currency risk (PLN/EUR)	up to 16.04.2013	Up to 16.04.2013	-	(70)	-
-	S.C Uzinele Sodice Govora S.A. Finance lease	-	Currency risk (PLN/EUR)	up to 16.02.2013	Up to 16.02.2013	-	(27)	-
-	S.C Uzinele Sodice Govora S.A. Finance lease	-	Currency risk (PLN/EUR)	up to 16.10.2013	up to 16.10.2013	-	(67)	-
	CIECH S.A. – Interest Rate Swap (IRS)	96	Interest rate risk	up to 5.12.2017	up to 5.12.2017	78	326	
205 000	CIECH S.A. - Bonds liabilities	(850 176)	Currency risk (PLN/EUR)	after 01.01.2019	after 01.01.2019	(3 418)	-	-
					RAZEM	**(6 395)**	**(1 122)**	

Hedge accounting recognised in Equity - "Exchange differences on net investment in a foreign operation"								
40 000	CIECH S.A. - Bond liabilities	(165 888)	Currency risk (PLN/EUR)	up to 01.01.2019	up to 01.01.2019	(1 912)	-	-
						(8 157)	**(1 122)**	

**In this case hedge accounting was ended in 2013 as a result of hedge instrument repayment before the maturity date.*

*** transferred to the sales revenues.*

The aim of the Group when taking the decision concerning the implementation of the principles of cash flow hedging was to reduce the influence of exchange rates differences due to incurred liabilities, (i.a. loans, bonds, finance lease) on the income statement through reflecting their hedging nature in the financial statements.

The result of the measurement of effective derivative transactions assigned for hedge accounting is reclassified from equity to the income statement upon the execution of the hedged item and recognition of its effect in the income statement.

In the reporting period there were no instances of a failure to implement a future transaction in respect of which applied cash flow hadge accounting.
Other relationships (not listed in the table above) were cancelled and settled in the previous reporting period in connection with a new hedged position.

The revenues from sales assigned for hedge accounting are considered as highly probable. Their occurrence is anticipated in the Group's Financial Plan. These are also transactions with regular customers of the Group's companies which add substance to the probability of occurrence.
The effect of the cash flow hedge accounting and the net investment hedges in foreign intities was presented in the consolidated statement of changes in equity of the Ciech Group.

39 Information on transactions with related parties

39.1 Transactions with related parties in total

Transactions between the parent, CIECH S.A., and its subsidiaries were eliminated during consolidation and have not been presented in this section.
Detailed information about transactions between the Ciech Group and other related entities have been presented below:

Transactions between consolidated entities and other related entities

PLN '000	Revenues from sales of products and services	Revenues from sales of goods and materials	Other operating income	Financial income	Purchase of products and materials	Purchase of services	Other operating expenses	Financial expenses	Receivables loans granted etc.	Write-downs on receivables and loans	Liabilities Lorans received etc.
Unconsolidated associates											
2013	789	35 427	-	50	-	1 811	-	-	2 180	-	143
2012	2 319	35 971	8	81	1	2 498	4	-	2 792	1 407	366
Unconsolidated subsidiaries											
2013	6	28 419	57	-	1 134	1 700	-	18	3 267	-	506
2012	328	26 750	2 006	563	1 168	10 269	-	45	2 605	-	2 057

Terms of transactions with related entities
Sales to and purchases from related entities are realised at market prices.Overdue liabilities and receivables are not secured and are settled in cash or by set-off. Receivables from related entities have not been secured by any guarantees granted or received besides described below.

In 2013 (and in the comparative period) there were only typical transactions between the companies of the Ciech Group related to current activity of the parent CIECH S.A. and its subsidiaries.

39.2 Significant transactions entered into by Companies or subsidiaries with related entities on other than market conditions

In 2013 there were no significant transactions with related entities in the Ciech Group on other than market conditions.

39.3 Transaction with State Treasury companies

As at 31 December 2013 the State Treasury held a significant share and was able to control CIECH S.A. Owing to the State Treasury control of CIECH S.A. State Treasury Companies (as listed by the Ministry of Treasury) fulfil the definition of related entities.

The CIECH S.A.'s Management Board has assumed that costs of collecting information of such transactions exceed the potential benefits to be gained by the users of these consolidated financial statements and the amounts involved in transactions with State Treasury Companies do not have a significant impact on these statements.

39.4 Description of significant relationships and transactions with related parties

- In February 2013 CIECH S.A. redeemed all outstanding loans extended to Infrastruktura Kapuściska S.A. (formerly ZACHEM S.A.) in the amount of PLN 85 109 thousand plus interest of PLN 1 218 thousand.

- On 25 February 2013 SODA MĄTWY S.A. under the Notarial Deed Notary's Roll of Deeds *Repertorium* A No. 1266/2013 acquired from Infrastruktura Kapuściska S.A. land together with buildings and structures located thereon for which the District Court in Bydgoszcz maintains Land and Mortgage Register No. BY1B/00199456/9. The net purchase price for the land was net PLN 17 324 thousand.

- On 28 March 2013 SODA MĄTWY S.A. under Notarial Deed Notary's Roll of Deeds *Repertorium* A No. 2209/2013 acquired from Infrastruktura Kapuściska S.A. land together with buildings and structures located thereon with respect to which the city of Bydgoszcz did not exercise its first refusal right and for which the District Court in Bydgoszcz maintains Land and Mortgage Register No. BY1B/00199456/9. The net purchase price for the said land was net PLN 5 447.
  The total value of the land purchased from Infrastruktura Kapuściska S.A. amounted to PLN 22 773 thousand. Its fair value as at 31 December 2013 was determined to amount to PLN 25 583 thousand

- On 20 December 2013 SODA MĄTWY S.A. under the Notarial Deed Notary's Roll of Deeds *Repertorium* A No.6847/2013 acquired from Verbis ETA Sp. z o.o. SKA land together with buildings and structures located thereon with respect to which the city of Warsaw did not exercise its first refusal right and for which the District Court for Warszawa Mokotów 6th Department of Land and Mortgage Registry maintains Land and Mortgage Registers No.WA1M/00193369/7 and WA1M/00287974/7. The net purchase price of the said land was net PLN 20 837 thousand.

- On 4 November 2013 Verbis ETA Sp. z o.o. S.K.A. Extraordinary General Shareholder Meeting adopted a resolution concerning increase in share capital from PLN 50 thousand to PLN 1 050 thousand, i.e. by PLN 1 000 thousand by issuing 100 000 ordinary registered series B shares with nominal value of PLN 10 each share and issuing price of PLN 1 658.10 each share. Newly issued shares were acquired pursuant private placement directed to CIECH S.A. in exchange for payment in kind evaluate by an expert at total value of PLN 165 810 thousand which subject are:
  - ✓ rights to trademarks: 'Trading Ciech' 'SÓL KUJAWSKA' and 'Ciech'
  - ✓ rights to perpetual usufruct of real estate placed in Warsaw at the intersection of Elbląska Krasińskiego and Powązkowska streets with total area of 9 583 square meters.

- On 4 November 2013 Verbis ETA Sp. z o.o. S.K.A. and Turia Sp. z o.o. concluded an agreement for the sale of assets under which Verbis ETA Sp. z o.o. S.K.A. sold to Turia Sp. z o.o. (now Ciech Trademarks Sp. z. o.o.) the following assets and property rights to trademarks: "Trading Ciech"; "SÓL Kujawska" and "Ciech". Sale price per Disposed Assets has been set at PLN 144 973 thousand. net.

The effects of all transactions mentioned above was eliminated in consolidated financial statements.

39.5 Transactions concluded with key managerial personnel

Key managerial personnel comprises persons who are authorised to and are responsible for direct planning, managing and controlling the activities of the parent.

Remuneration of the Management Board of CIECH S.A.

The following table presents the amount of remuneration and additional benefits paid to particular Members of the Management Board in 2013 and in the comparable period.

31.12.2013 *PLN '000*	**Base remuneration**	**project bonus profit bonus**	**Severance pay**	**Non compete**	**Remuneration due to membership in Supervisory Boards and due to other functions performed in the Ciech Group's companies**	**Total**
Dariusz Krawczyk	**777**	**135**	**88**	-	**-**	**1 000**
Andrzej Kopeć	**605**	**101**	**44**	-	**-**	**750**
Artur Osuchowski	**605**	**101**	**212**	-	**-**	**918**
Andrzej Bąbaś	-	-	-	204	-	**204**
Ryszard Kunicki	-	-	-	790	-	**790**
Rafał Rybkowski	-	-	-	204	-	**204**
TOTAL	**1 987**	**337**	**344**	**1 198**	**-**	**3 866**

31.12.2012 *PLN '000*	**Base remuneration**	**Semi-annual bonus project bonus profit bonus**	**Severance pay**	**Non compete**	**Remuneration due to membership in Supervisory Boards and due to other functions performed in the Ciech Group's companies**	**Total**
Dariusz Krawczyk	**576**	**-**	-	-	**-**	**576**
Andrzej Kopeć	**367**	**-**	-	-	**-**	**367**
Artur Osuchowski	**612**	**19**	-	-	**167**	**798**
Andrzej Bąbaś	505	19	306	102	**93**	**1 025**
Ryszard Kunicki	790	40	948	158	**107**	**2 043**
Rafał Rybkowski	505	19	306	102	**127**	**1 059**
TOTAL	**3 355**	**97**	**1 560**	**362**	**494**	**5 868**

Members of the Management Board are employed based on employment contracts. In accordance with the binding Resolution of the Supervisory Board of CIECH S.A. the Members of the Management Board are entitled to:
monthly remuneration determined in individual employment contracts;
a special bonus in the amount determined by the Supervisory Board;
annual bonus determined in individual employment contracts.

Wynagrodzenia Rady Nadzorczej CIECH S.A.
PLN'000

First name and surname	**Remuneration received from CIECH S.A. for 2013**	**Remuneration received from CIECH S.A. for 2012**
Ewa Sibrecht-Ośka	137	134
Przemysław Cieszyński	114	112
Arkadiusz Grabalski	92	89
Zygmunt Kwiatkowski	92	61
Maciej Lipiec	92	100
Waldemar Maj	92	89
Mariusz Obszyński	92	85
Sławomir Stelmasiak	92	89
Dariusz Krawczyk	-	99
Krzysztof Salwach	-	5
Jacek Goszczyński	-	5
TOTAL	**803**	**868**

Members of the Supervisory Board pursuant to a resolution of the Extraordinary General Meeting receive monthly remuneration amounting to:
Chairman of the Supervisory Board – 300%
Deputy Chairman of the Supervisory Board – 250%

Other Members of the Supervisory Board – 200% of the average monthly remuneration in enterprise sector including profit distribution in the month preceding the calculation

40 Reconciliation of data presented in the previously published report to the data presented currently

The Group has changed the presentation of the profit on sale of discontinued operations. So far, the result on sale of discontinued operations was presented in the consolidated income statement in the column "discontinued operations" separately from the net profit generated by discontinued operations. After the change, the result of the sale of discontinued operations is presented in the column "discontinued operations" in the appropriate position income statement, in accordance with the rules of presentation of identical events in continuing operations. In the case of the sale of the net assets of the subsidiaries this positions are other income or expenses respectively. Moreover, in 2013 the presentation of positions of equity was changed. “Exchange differences on net investments in a foreign entity " have been presented together with the position "Currency translation reserve" All changes have been presented in the table below:

Share Capital	**31.12.2012 previously published**	**Change in presentation**	**31.12.2012 currently published**
Share Capital	287 614	-	287 614
Share Premium	507 835	-	507 835
Cash flow hedge	2 722	-	2 722
Actuarial gains	78 521	-	78 521
Exchange differences on net investment in a foreign entity	(9 055)	9 055	-
Currency translation reserve	(52 967)	(9 055)	(62 022)
Retained earnings	71 330	-	71 330
Equity attributable to shareholders of the parent	**886 000**	-	**886 000**
Non-controlling interest	(5 812)	-	(5 812)
Total equity	**880 188**	-	**880 188**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS	**01.01-31.12.2012 previously published**			**change of presentation**			**01.01-31.12.2012 currently published**		
PLN '000	Continuing operations	Discontinued operations	TOTAL	Continuing operations	Discontinued operations	TOTAL	Continuing operations	Discontinued operations	TOTAL
Sales revenues	3 386 905	991 047	4 377 952	-	-	-	3 386 905	991 047	4 377 952
Cost of sales	(2 874 173)	(907 284)	(3 781 457)	-	-	-	(2 874 173)	(907 284)	(3 781 457)
Gross profit on sales	**512 732**	**83 763**	**596 495**	-	-	-	**512 732**	**83 763**	**596 495**
Other operating income	85 181	46 110	131 291	-	-	-	85 181	46 110	131 291
Selling costs	(222 146)	(54 229)	(276 375)	-	-	-	(222 146)	(54 229)	(276 375)
General and administrative expenses	(154 379)	(48 037)	(202 416)	-	-	-	(154 379)	(48 037)	(202 416)
Other operatin expenses	(170 119)	(275 219)	(445 338)	-	(1 878)	(1 878)	(170 119)	(277 097)	(447 216)
Operating profit	**51 269**	**(247 612)**	**(196 343)**	-	**(1 878)**	**(1 878)**	**51 269**	**(249 490)**	**(198 221)**
Financial income	6 641	3 455	10 096	-	-	-	6 641	3 455	10 096
Financial expenses	(284 632)	12 948	(271 684)	-	-	-	(284 632)	12 948	(271 684)
Net financing income/expenses	**(277 991)**	**16 403**	**(261 588)**	-	-	-	**(277 991)**	**16 403**	**(261 588)**
Share of profit of equity – accounted investees	801	(57)	744	-	-	-	801	(57)	744
Profit / (loss) before tax	**(225 921)**	**(231 266)**	**(457 187)**	-	**(1 878)**	**(1 878)**	**(225 921)**	**(233 144)**	**(459 065)**
Income tax expense	10 755	11 384	22 139	-	(785)	(785)	10 755	10 599	21 354
Profit/(loss) from discontinued operations	**(215 166)**	**(219 882)**	**(435 048)**	-	**(2 663)**	**(2 663)**	**(215 166)**	**(222 545)**	**(437 711)**
				-					
Profit/(loss) on sale of discontinued operations	-	(2 663)	(2 663)	-	2 663	2 663	-	-	-
Profit/(loss) from discontinued operations	**(215 166)**	**(222 545)**	**(437 711)**	-	-	-	**(215 166)**	**(222 545)**	**(437 711)**

41 Information on events occurring after the balance-sheet Day

On 14 March 2014 the District Court in Bydgoszcz, XV Commercial Department, issued a decision in closed session which approved Infrastruktura Kapuściska S.A's file for bankruptcy (submitted on 30 December 2013) and declared bankruptcy of Infrastruktura Kapuściska S.A. involving liquidation of assets ("Decision"). On 21 March 2014 in case of failure to submit a complaint by Infrastruktura Kapuściska S.A the Decision will become valid.

On 5 March 2014 KI Chemistry s.a.r.l., with its register office in Luxemburg, announced the call to subscribe for the sale of ordinary shares in share capital of the Company that entitle 66% of the total number of votes at the General Shareholders' Meeting of the Company.

On 20 March 2014 the Management Board acting on the basis of art. 80 of the Act on the Public Offer and Conditions of Introducing Financial Investments to the Organized Public Trading and Public Companies of 29 July 2005 delivered the public report no 3/2014. The report include the position of CIECH S.A.'s Management Board concerning call for subscription for the sale of shares of CIECH S.A. announced by KI Chemistry s.a r.l with it registered office in Luxembourg on 5 March 2014 together with the opinion prepared by the Banco Espirto Santo de Investimento S.A. Oddział w Polsce about the price of shares in the call.

42 Information about significant events from previous years recognised in the financial statements for the financial years

No other events concerning prior years and recognised in the financial statements for the financial year occurred.

43 Other information that may have a significant impact on the assessment of the Ciech Group's financial and asset situation or its financial result

No other events that may have a significant impact on the Ciech Group's financial and assets situation or its financial result occurred in the reporting period.

Statement of the Management Board

These consolidated financial statements of Ciech Group were approved by the Management Board of the Company at its registered office on 20 March 2013.

Warsaw, 20 March 2013
Signed on the Polish original

…….....
Dariusz Krawczyk - President of the Management Board of CIECH Spółka Akcyjna
Signed on the Polish original

…….
Andrzej Kopeć – Member of the Management Board of CIECH Spółka Akcyjna
Signed on the Polish original

…….…….
Artur Osuchowski – Member of the Management Board of CIECH Spółka Akcyjna
Signed on the Polish original

……..……..
Katarzyna Rybacka – Chief Accountant of CIECH Spółka Akcyjna
Signed on the Polish original