



**EXTENDED CONSOLIDATED
REPORT
OF THE CIECH GROUP
FOR THE FIRST HALF OF 2014**

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

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I. Condensed Interim Consolidated Financial Statements of the Ciech Group**1. Condensed Consolidated Statement of Profit or Loss of the Ciech Group**

| PLN '000 | 01.01-30.06.2014* | | | 01.01-30.06.2013* | | |
|---|-----------------------|-------------------------|------------------|-----------------------|-------------------------|-----------------|
| | Continuing operations | Discontinued operations | TOTAL | Continuing operations | Discontinued operations | TOTAL |
| Sales revenues | 1,659,030 | - | 1,659,030 | 1,667,019 | 215,508 | 1,882,527 |
| Cost of sales | (1,302,169) | - | (1,302,169) | (1,371,851) | (186,842) | (1,558,693) |
| Gross profit/(loss) on sales | 356,861 | - | 356,861 | 295,168 | 28,666 | 323,834 |
| Other operating income | 26,124 | 7,828 | 33,952 | 24,536 | 247,533 | 272,069 |
| Selling costs | (108,732) | - | (108,732) | (98,468) | (8,320) | (106,788) |
| General and administrative expenses | (71,856) | - | (71,856) | (75,955) | (17,494) | (93,449) |
| Other operating expenses | (50,292) | (9,360) | (59,652) | (51,500) | (223,451) | (274,951) |
| Operating profit/(loss) | 152,105 | (1,532) | 150,573 | 93,781 | 26,934 | 120,715 |
| Financial income | 4,182 | - | 4,182 | 27,922 | 628 | 28,550 |
| Financial expenses | (83,622) | (21,810) | (105,432) | (86,260) | (10,764) | (97,024) |
| Net financial income/expenses | (79,440) | (21,810) | (101,250) | (58,338) | (10,136) | (68,474) |
| Share of profit of equity-accounted investees | 401 | - | 401 | 185 | - | 185 |
| Profit/(loss) before tax | 73,066 | (23,342) | 49,724 | 35,628 | 16,798 | 52,426 |
| Income tax | (38,278) | 15,100 | (23,178) | 49,912 | (46,176) | 3,736 |
| Net profit/(loss) | 34,788 | (8,242) | 26,546 | 85,540 | (29,378) | 56,162 |
| including: | | | | | | |
| Net profit/(loss) attributable to owners of the Company | 35,267 | (8,242) | 27,025 | 90,729 | (28,860) | 61,869 |
| Net profit/(loss) attributable to non-controlling interests | (479) | - | (479) | (5,189) | (518) | (5,707) |
| Earnings per share (in PLN): | | | | | | |
| Basic | 0.67 | (0.16) | 0.51 | 1.72 | (0.55) | 1.17 |
| Diluted | 0.67 | (0.16) | 0.51 | 1.72 | (0.55) | 1.17 |

* Unaudited.

The condensed consolidated statements of profit or loss of the Ciech Group should be analyzed together with the notes which constitute an integral part of the condensed interim consolidated financial statements.

Condensed Consolidated Statement of Profit or Loss of the Ciech Group

| PLN '000 | 01.04-30.06.2014* | | | 01.04-30.06.2013* | | |
|---|-----------------------|-------------------------|-----------------|-----------------------|-------------------------|-----------------|
| | Continuing operations | Discontinued operations | TOTAL | Continuing operations | Discontinued operations | TOTAL |
| Sales revenues | 814,075 | - | 814,075 | 815,660 | 73,392 | 889,052 |
| Cost of sales | (631,228) | - | (631,228) | (672,218) | (58,847) | (731,065) |
| Gross profit/(loss) on sales | 182,847 | - | 182,847 | 143,442 | 14,545 | 157,987 |
| Other operating income | 13,981 | - | 13,981 | 13,426 | 24,415 | 37,841 |
| Selling costs | (54,458) | - | (54,458) | (46,662) | (3,050) | (49,712) |
| General and administrative expenses | (37,163) | - | (37,163) | (34,600) | (8,367) | (42,967) |
| Other operating expenses | (22,041) | (327) | (22,368) | (43,144) | (19,152) | (62,296) |
| Operating profit/(loss) | 83,166 | (327) | 82,839 | 32,462 | 8,391 | 40,853 |
| Financial income | (1,145) | - | (1,145) | 22,953 | 473 | 23,426 |
| Financial expenses | (43,191) | (15,587) | (58,778) | (43,844) | (3,654) | (47,498) |
| Net financial income/expenses | (44,336) | (15,587) | (59,923) | (20,891) | (3,181) | (24,072) |
| Share of profit of equity-accounted investees | 208 | - | 208 | 131 | - | 131 |
| Profit/(loss) before tax | 39,038 | (15,914) | 23,124 | 11,702 | 5,210 | 16,912 |
| Income tax | (17,264) | 15,100 | (2,164) | (4,576) | (1,171) | (5,747) |
| Net profit/(loss) | 21,774 | (814) | 20,960 | 7,126 | 4,039 | 11,165 |
| including: | | | | | | |
| Net profit/(loss) attributable to owners of the Company | 21,402 | (814) | 20,588 | 11,171 | 3,995 | 15,166 |
| Net profit/(loss) attributable to non-controlling interests | 372 | - | 372 | (4,045) | 44 | (4,001) |
| Earnings per share (in PLN): | | | | | | |
| Basic | 0.41 | (0.02) | 0.39 | 0.21 | 0.08 | 0.29 |
| Diluted | 0.41 | (0.02) | 0.39 | 0.21 | 0.08 | 0.29 |

* Unaudited.

The condensed consolidated statements of profit or loss of the Ciech Group should be analyzed together with the notes which constitute an integral part of the condensed interim consolidated financial statements.

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

| PLN '000 | 01.01.-30.06.2014* | | | 01.01.-30.06.2013* | | |
|--|-----------------------|-------------------------|----------------|-----------------------|-------------------------|-----------------|
| | Continuing operations | Discontinued operations | TOTAL | Continuing operations | Discontinued operations | TOTAL |
| Net profit/(loss) for the period | 34,788 | (8,242) | 26,546 | 85,540 | (29,378) | 56,162 |
| Other comprehensive income before tax that may be reclassified to profit or loss | (3,350) | - | (3,350) | (42,797) | - | (42,797) |
| Currency translation differences (foreign companies) | (1,556) | - | (1,556) | 6,492 | - | 6,492 |
| Cash flow hedge | (1,890) | - | (1,890) | (49,294) | - | (49,294) |
| Other | 96 | - | 96 | 5 | - | 5 |
| Income tax attributable to other comprehensive income | 463 | - | 463 | 10,797 | - | 10,797 |
| Income tax attributable to other comprehensive income that may be reclassified to profit or loss | 463 | - | 463 | 10,797 | - | 10,797 |
| Other comprehensive income net of tax | (2,887) | - | (2,887) | (32,000) | - | (32,000) |
| TOTAL COMPREHENSIVE INCOME | 31,901 | (8,242) | 23,659 | 53,540 | (29,378) | 24,162 |
| Comprehensive income including attributable to: | 37,901 | (8,242) | 23,659 | 53,540 | (29,378) | 24,162 |
| Owners of the Company | 32,746 | (8,242) | 24,504 | 59,573 | (28,860) | 30,713 |
| Non-controlling interests | (845) | - | (845) | (6,033) | (518) | (6,551) |

* Unaudited.

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

| PLN '000 | 01.04.-30.06.2014* | | | 01.04.-30.06.2013* | | |
|--|-----------------------|-------------------------|----------------|-----------------------|-------------------------|-----------------|
| | Continuing operations | Discontinued operations | TOTAL | Continuing operations | Discontinued operations | TOTAL |
| Net profit/(loss) for the period | 21,774 | (814) | 20,960 | 7,126 | 4,039 | 11,165 |
| Other comprehensive income before tax that may be reclassified to profit or loss | (1,992) | - | (1,992) | (38,792) | - | (38,792) |
| Currency translation differences (foreign companies) | (2,921) | - | (2,921) | (6,989) | - | (6,986) |
| Cash flow hedge | 833 | - | 833 | (31,808) | - | (31,808) |
| Other | 96 | - | 96 | 5 | - | 5 |
| Income tax attributable to other comprehensive income | (238) | - | (238) | 6,791 | - | 6,791 |
| Income tax attributable to other comprehensive income that may be reclassified to profit or loss | (238) | - | (238) | 6,791 | - | 6,791 |
| Other comprehensive income net of tax | (2,230) | - | (2,230) | (32,001) | - | (32,001) |
| TOTAL COMPREHENSIVE INCOME | 19,544 | (814) | 18,730 | (24,875) | 4,039 | (20,836) |
| Comprehensive income including attributable to: | 19,544 | (814) | 18,730 | (24,875) | 4,039 | (20,836) |
| Owners of the Company | 19,504 | (814) | 18,690 | (20,217) | 3,995 | (16,222) |
| Non-controlling interests | 40 | - | 40 | (4,658) | 44 | (4,614) |

* Unaudited.

Detailed information on the components of other comprehensive income has been presented in point IV.9 of this Report.

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

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

| <i>PLN '000</i> | 30.06.2014* | 31.12.2013 | 30.06.2013* |
|--|--------------------|-------------------|--------------------|
| ASSETS | | | |
| Property, plant and equipment | 1,823,687 | 1,863,012 | 1,958,040 |
| Right of perpetual usufruct | 32,548 | 47,083 | 57,130 |
| Intangible assets, including: | 113,671 | 134,190 | 137,417 |
| - goodwill | 61,261 | 61,110 | 63,129 |
| Investment property | 41,748 | 91,497 | 110,793 |
| Non-current receivables | 76,319 | 69,728 | 73,169 |
| Investments in associates and jointly-controlled entities measured under the equity method | 4,976 | 4,769 | 4,805 |
| Other long-term investments | 12,404 | 12,415 | 35,604 |
| Deferred income tax assets | 90,224 | 77,622 | 51,968 |
| Total non-current assets | 2,195,577 | 2,300,316 | 2,428,926 |
| Inventory | 213,461 | 217,338 | 243,176 |
| Short-term investments | 38,259 | 621 | 1,428 |
| Income tax receivables | 13,166 | 17,590 | 9,076 |
| Trade and other receivables | 478,519 | 566,562 | 605,735 |
| Cash and cash equivalents | 69,057 | 105,593 | 254,625 |
| Non-current assets classified as held for sale | 2,609 | 2,708 | 92,292 |
| Total current assets | 815,071 | 910,412 | 1,206,332 |
| Total assets | 3,010,648 | 3,210,728 | 3,635,258 |
| EQUITY AND LIABILITIES | | | |
| Share capital | 287,614 | 287,614 | 287,614 |
| Share premium | 470,844 | 470,844 | 470,844 |
| Cash flow hedge | (7,926) | (6,395) | (37,206) |
| Actuarial gains | 74 | 74 | - |
| Other reserve capitals | 78,521 | 78,521 | 78,521 |
| Currency translation reserve | (78,037) | (76,951) | (53,255) |
| Retained earnings | 125,351 | 157,781 | 170,195 |
| Equity attributable to owners of the Company | 876,441 | 911,488 | 916,713 |
| Non-controlling interests | (14,965) | (14,199) | (11,287) |
| Total equity | 861,476 | 897,289 | 905,426 |
| Loans, borrowings and other debt instruments | - | 1,303,154 | 1,343,068 |
| Finance sale-and-lease-back liabilities | - | - | 194,664 |
| Finance lease liabilities | 3,895 | 4,840 | 4,526 |
| Other non-current liabilities | 98,398 | 160,728 | 117,056 |
| Employee benefits | 19,342 | 18,743 | 19,482 |
| Provisions (other long-term) | 45,147 | 44,785 | 42,141 |
| Deferred income tax liability | 93,354 | 84,578 | 98,083 |
| Total non-current liabilities | 260,136 | 1,616,828 | 1,819,020 |
| Loans, borrowings and other debt instruments | 1,157,175 | 7,388 | 8,709 |
| Finance sale-and-lease-back liabilities | 443 | 929 | 53,373 |
| Finance lease liabilities | 2,680 | 2,805 | 3,614 |
| Trade and other liabilities | 625,491 | 562,297 | 657,685 |
| Income tax liabilities | 40,873 | 24,605 | 30,357 |
| Provisions (short-term provisions for employee benefits and other provisions) | 62,374 | 98,587 | 122,250 |
| Liabilities related to non-current assets classified as held for sale | - | - | 34,824 |
| Total current liabilities | 1,889,036 | 696,611 | 910,812 |
| Total liabilities | 2,149,172 | 2,313,439 | 2,729,832 |
| Total equity and liabilities | 3,010,648 | 3,210,728 | 3,635,258 |

* Unaudited.

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

4. Condensed Consolidated Statement of Cash Flows of the Ciech Group

| PLN '000 | 01.01-30.06.2014* | 01.01-30.06.2013* |
|--|-------------------|-------------------|
| Cash flows from operating activities | | |
| Net profit/(loss) for the period | 26,546 | 56,162 |
| Adjustments | | |
| Amortisation / depreciation | 100,718 | 104,872 |
| Recognition / (reversal) of impairment allowances | 41,159 | 159,952 |
| Foreign exchange (gain) /loss | 5,377 | (15,006) |
| Investment property revaluation | - | (1,878) |
| (Profit) / loss on investment activities | (7,827) | (11,897) |
| (Profit) / loss on disposal of property, plant and equipment | (249) | (44,874) |
| Dividends and interest | 67,820 | 74,218 |
| Income Tax | 23,178 | (3,736) |
| (Profit) / loss on the settlement of construction contracts (voids) | (4,717) | (1,879) |
| Share of (profit) / loss on equity accounted investees | (401) | (185) |
| Change in liabilities due to loan arrangement fee | 2,856 | (6,345) |
| Other adjustments | (2,469) | 1,077 |
| Cash from operating activities before changes in working capital and provisions | 251,991 | 310,481 |
| Change in receivables | 81,745 | 100,878 |
| Change in inventory | 3,114 | 50,147 |
| Change in current liabilities | (24,982) | (132,313) |
| Change in provisions and employee benefits | (2,889) | (50,446) |
| Net cash generated from operating activities | 308,979 | 278,747 |
| Interest paid | (58,611) | (64,565) |
| Cash flows from construction contracts (voids) | (1,947) | (1,610) |
| Income tax paid | (7,417) | (11,622) |
| Net cash from operating activities | 241,004 | 200,950 |
| Cash flows from investment activities | | |
| Inflows | (9,152) | 123,681 |
| Disposal of a subsidiary (after deduction of excluded cash and cash equivalents)** | (11,387) | 37,250 |
| Disposal of intangible assets and property, plant and equipment | 402 | 55,248 |
| Disposal of financial assets | - | 17,860 |
| Disposal of investment property | 538 | 4,113 |
| Dividends received | 1,164 | 682 |
| Interest received | 131 | - |
| Hedging deposit | - | 8,499 |
| Other investment inflows | - | 29 |
| Outflows | (107,131) | (130,344) |
| Acquisition of subsidiary (net of cash acquired) | - | (38,749) |
| Acquisition of intangible assets and property, plant and equipment | (106,026) | (89,740) |
| Acquisition of investment property | (33) | (375) |
| Research and development expenditures | (509) | (1,243) |
| Other investment outflows | (563) | (237) |
| Net cash from investment activities | (116,283) | (6,663) |
| Cash flows from financial activities | | |
| Inflows | 2,971 | 48,380 |
| Proceeds from loans and borrowings | - | 40,000 |
| Subsidies received | 2,971 | 8,374 |
| Other financial inflows | - | 6 |
| Outflows | (161,586) | (73,262) |
| Repayment of loans and borrowings | - | (40,588) |
| Redemption of debt securities | (160,000) | - |
| Payments of finance lease liabilities | (1,586) | (32,666) |
| Other financial outflows | - | (8) |
| Net cash from financial activities | (158,615) | (24,882) |
| Total net cash flows | (33,894) | 169,405 |

| <i>PLN '000</i> | 01.01-30.06.2014* | 01.01-30.06.2013* |
|--|--------------------------|--------------------------|
| Cash and cash equivalents as at the beginning of the period | 105,593 | 90,918 |
| Impact of foreign exchange differences | (2,642) | 2,168 |
| Cash and cash equivalents as at the end of the period*** | 69,057 | 262,491 |

* *Unaudited.*

** *This item includes also cash and cash equivalents deconsolidated as a result of loss of control over Infrastruktura Kapuściska S.A.w upadłości (the consequence of the bankruptcy of the company).*

*** *The difference in a value of cash and cash equivalents in Consolidated Statement of Cash Flows of the Ciech Group for the first half-year of 2013 and a value presented in Consolidated Statement of Financial Position of the Ciech Group is a result of classification of cash and cash equivalents of Alwernia S.A. as non-current assets classified as held for sale.*

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

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

| <i>PLN '000</i> | Share capital | Share premium | Cash flow hedge | Other reserve capitals | Actuarial gains | Currency translation reserve | Retained earnings | Equity attributable to owners of the Company | Non-controlling interests | Total equity |
|---|----------------|----------------|-----------------|------------------------|-----------------|------------------------------|-------------------|--|---------------------------|-----------------|
| Equity as at 01/01/2014 | 287,614 | 470,844 | (6,395) | 78,521 | 74 | (76,951) | 157,781 | 911,488 | (14,199) | 897,289 |
| Transactions with owners of the Company recognized in equity | - | - | - | - | - | - | (59,551) | (59,551) | 79 | (59,472) |
| Change in the Group's structure | - | - | - | - | - | - | - | - | 79 | 79 |
| Dividends | - | - | - | - | - | - | (59,551) | (59,551) | - | (59,551) |
| Total comprehensive income for the period | - | - | (1,531) | - | - | (1,086) | 27,121 | 24,504 | (845) | 23,659 |
| Net profit/(loss) | - | - | - | - | - | - | 27,025 | 27,025 | (479) | 26,546 |
| Other comprehensive income | - | - | (1,531) | - | - | (1,086) | 96 | (2,521) | (366) | (2,887) |
| Equity as at 30/06/2014* | 287,614 | 470,844 | (7,926) | 78,521 | 74 | (78,037) | 125,351 | 876,441 | (14,965) | 861,476 |

* Unaudited.

Condensed Consolidated Statement of Changes in Equity of the Ciech Group

| <i>PLN '000</i> | Share capital | Share premium | Cash flow hedge | Other reserve capitals | Currency translation reserve | Retained earnings | Equity attributable to owners of the Company | Non-controlling interests | Total equity |
|---|----------------|-----------------|-----------------|------------------------|------------------------------|-------------------|---|---------------------------|---------------------|
| Equity as at 01/01/2013 | 287,614 | 507,835 | 2,722 | 78,521 | (62,022) | 71,330 | 886,000 | (5,812) | 880,188 |
| Transactions with owners of the Company recognized in equity | - | (36,991) | - | - | - | 36,991 | - | - | - |
| Change in the Group's structure | - | - | - | - | - | - | - | 1,076 | 1,076 |
| Share premium decrease | - | (36,991) | - | - | - | 36,991 | - | - | - |
| Total comprehensive income for the period | - | - | (39,928) | - | 8,767 | 61,874 | 30,713 | (6,551) | 24,162 |
| Net profit/(loss) | - | - | - | - | - | 61,869 | 61,869 | (5,707) | 56,162 |
| Other comprehensive income | - | - | (39,928) | - | 8,767 | 5 | (31,156) | (844) | (32,000) |
| Equity as at 30/06/2013* | 287,614 | 470,844 | (37,206) | 78,521 | (53,255) | 170,195 | 916,713 | (11,287) | 905,426 |

* Unaudited.

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

II. Management Report

1. The most important events in the Ciech Group in the first half of 2014

Change of control

- On 5 March 2014 KI Chemistry s.a.r.l., with its registered office in Luxembourg, announced the call to subscribe for the sale of ordinary shares in the share capital of the Company that entitle to 66% of the total number of votes at the General Shareholders' Meeting of CIECH S.A.
- On 20 March 2014 the Management Board of CIECH S.A. delivered the current report no. 3/2014 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. The report includes 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 its registered office in Luxembourg, on 5 March 2014 together with the opinion prepared by the Banco Espirito Santo de Investimento S.A. Oddział w Polsce about the price of shares in the call.
- On 11 June 2014 CIECH S.A. received a notification from Powszechne Towarzystwo Emerytalne S.A. (General Pension Society), acting on behalf of Otwarty Fundusz Emerytalny (Open Pension Fund) PZU "Złota Jesień" ("OFE PZU") stating that OFE PZU does not hold any shares of CIECH S.A. as a result of sales. The sales that took place on 4 June 2014 was a response to the call announced by KI Chemistry s. à r. l. Before the change, OFE PZU held 4,230,067 shares which constituted 8.03% of the share capital of CIECH S.A. The shares gave a right to 4,230,067 votes at the General Shareholders' Meeting of CIECH S.A., which constituted 8.03% of all the votes.
- On 12 June 2014 CIECH S.A. received a notification from the Minister of the State Treasury, acting on behalf of the State Treasury of the Republic of Poland, stating that on 9 June 2014 the transaction of sale of its shares in the share capital of CIECH S.A. was settled, which was concluded as a result of the call for subscription for the CIECH S.A. shares, announced on 5 March 2014 by KI Chemistry s. à r. l. Consequently, the State Treasury transferred to KI Chemistry s. à r. l. 19,972,900 shares of CIECH S.A., constituting 37.9% of the share capital of CIECH S.A. and authorizing the holder to exercise 19,972,900 votes at the General Shareholders' Meeting of CIECH S.A., constituting 37.9% of votes at the General Shareholders' Meeting of CIECH S.A. After the transaction, the State Treasury does not hold any shares of CIECH S.A. The subsidiaries of the State Treasury do not hold any shares of CIECH S.A.
- On 9 June 2014, as a result of settlement of the call for subscription for the CIECH S.A. shares announced on 5 March 2014 by KI Chemistry s.à r.l., with its registered office in Luxembourg (a subsidiary of Kulczyk Investments S.A., with its registered office in Luxembourg), KI Chemistry acquired a total of 26,952,052 shares in the share capital of CIECH S.A., constituting 51.14 % of the share capital of CIECH S.A.; those shares authorize the holder to exercise 26,952,052 votes at the General Shareholders' Meeting of CIECH S.A., constituting 51.14 % of all the votes at the General Shareholders' Meeting of CIECH S.A.

Soda Segment:

- On 5 May 2014, CIECH S.A. granted a standby loan to Soda Polska CIECH S.A. of PLN 160,000 thousand. CIECH S.A. declared to grant a loan to Soda Polska CIECH S.A. to cover the costs of a project "Intensification of soda production by 200 thousand tonnes per year" carried out by the subsidiary located in Inowrocław. The standby loan is the basis for Soda Polska CIECH S.A. to apply for a permit to conduct its business activity in the territory of the Pomerania Special Economic Zone. The standby loan is valid in the period from 5 May 2014 to 31 December 2014. The standby loan does not specify the loan interest rate. The condition precedent to the loan agreement is a permit to conduct business activity by Soda Polska CIECH S.A. in the territory of the Pomerania Special Economic Zone, which the company obtained on 23 May 2014. Total expenditure on the project is anticipated at the level of PLN 265,000 thousand. The completion of the project is scheduled by the end of 2016. The project assumes increase in the production capacity of soda ash by 200 thousand tonnes. The main condition of the project is current external provider's assurance of increasing the supply of brine to Soda Polska CIECH S.A. The Management Board of CIECH S.A. has obtained the consent of the Supervisory Board of CIECH S.A. to grant the standby loan.
- On 23 June 2014 Inowrocławskie Kopalnie Soli „Solino” S.A. signed an appendix to a long-term framework agreement with CIECH S.A. The appendix changes the terms and conditions of the agreement concerning the supply of the brine by IKS Solino, among others, in respect of the quantity of the supplied brine, incoterms, the contract period and the definition of the force majeure. The appendix did not change the pricing conditions of the agreement. The prices are set by the parties to the contract, among others, on the basis of the nominal increase of the production costs resulting from the inflation, the change of the quantity of received brine. In the appendix the parties decreased the quantity of brine delivered to CIECH S.A. by the amounts decreasing the annual average value of brine and salt delivered under the contract from approximately PLN 42,000 thousand to PLN 40,000 thousand. The detailed information on the appendix has been presented in the current report no. 41/2014 on 23 August 2014.

Organic Segment:

- A collective dispute has been initiated by one of the trade unions operating in Z. Ch. "Organika-Sarzyna" S.A., as a result of a failure to accept the demands submitted by the said trade union within the set time limit (by 13 June 2014). The demands of the trade union concerned a pay rise for employees of Z. Ch. Organika-Sarzyna S.A. Taking into account the protection of the interests of Z. Ch. "Organika-Sarzyna" S.A., the Management Board of Z. Ch. "Organika-Sarzyna" S.A. took measures according to the provisions of the Act of 23 May 1991 on Settlement of Collective Disputes. On 24 June 2014 the company concluded an agreement with all trade unions operating in Z. Ch. "Organika-Sarzyna" S.A.

Corporate Functions/Other:

- On 14 March 2014 the District Court in Bydgoszcz, XV Commercial Department, issued a decision in a closed session which approved Infrastruktura Kapuściska S.A.'s file for bankruptcy (submitted on 30 December 2013) and declared the bankruptcy of Infrastruktura Kapuściska S.A. involving liquidation of assets ("Decision"). The decision became valid on 21 March 2014, due to failure to submit a complaint by Infrastruktura Kapuściska S.A.
- On 1 April 2014 the Extraordinary General Meeting of Shareholders of Ciech Trading S.A. adopted a resolution on share capital increase by PLN 9,000 thousand, i.e. from PLN 53,950 thousand to PLN 62,950 thousand through the issue of 1,000,000 series "Ł" ordinary registered shares with a face value of PLN 9 each. The issue price of series "Ł" shares equals to their face value and amounts to PLN 9 per share. Series „Ł” shares were offered by private subscription to CIECH S.A. in exchange for cash. In accordance with the Share Purchase Agreement dated 3 April 2014 CIECH S.A. gained an ownership right to series "Ł" shares on 3 April 2014, i.e., on the day of crediting the bank account of Ciech Trading S.A. with the issue price of shares.
- On 6 May 2014, CIECH S.A. demanded the facility agent of series 01 bonds - Banco Espirito Santo de Investimento S.A., Oddział w Polsce ("Issue Agent") to carry out an earlier redemption of all 16,000 series 01 bonds, each with a nominal value of PLN 10 thousand. The bonds were issued by CIECH S.A. on 5 December 2012. The request for early redemption of the bonds, in accordance with the terms and conditions of Issue of the Bonds, was irrevocable and obliged CIECH S.A. to an unconditional redemption of the bonds on 5 June 2014. The legal basis for the redemption is the Terms and Conditions of Issue of the Bonds. The purpose of the redemption of bonds was the extinguishment of the bonds and consequently reduction of the Ciech Group's indebtedness and decrease in the interest expense. The Management Board of CIECH S.A. received the consent of the Supervisory Board of CIECH S.A. to reduce indebtedness, including the redemption of the bonds. On 5 June 2014 CIECH S.A. redeemed all 16,000 bonds. The average purchase price of each bond amounted to PLN 10,287.96. The redemption value (the average unit price increased by interest) of each bond amounted PLN 10,671.91 and the total value of the transaction amounted to PLN 170,751 thousand.
- On 16 May 2014 CIECH S.A. signed a factoring agreement with Pekao Faktoring Sp. z o. o., with its registered office in Lublin (the factor). The subject of the agreement is the service provided by the factor to the factorer including the purchase of factorer's receivables from his customers which result from signed trade agreements. The agreement was concluded for an indefinite period, provided that the agreement can be terminated both by the factorer and the factor after the first 12 months. The parties set the maximum limit of the factor's involvement under the contract to the amount of PLN 120,000 thousand or its equivalent in EUR or USD, for the purpose of financing:
 - in PLN up to PLN 120,000 thousand,
 - in USD up to USD 2,500 thousand,
 - in EUR up to EUR 11,500 thousand.The detailed information on the factoring agreement has been presented in the current report no 15/2014 on 19 May 2014.
- On 22 May 2014 CIECH S.A. obtained the consent of the foreign bond holders for an amendment to the particular terms and conditions of the Indenture Agreement in order to extend the deadline within which CIECH S.A. is to ensure that S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. meets the specified requirements concerning its net assets up to the end of 2016.

2. Description of achievements of the Ciech Group in the period between 1 January and 30 June 2014 and description of factors and events that have a significant impact on the financial result**2.1 Basic financial data**

In the first half of 2014 the Ciech Group generated net profit of PLN 26,546 thousand, total assets amounted to PLN 3,010,648 thousand and cash and cash equivalents decreased by PLN 33,894 thousand.

The table below presents selected financial data and basic financial ratios for the first half of 2014 and 2013.

Selected financial data

| <i>PLN '000</i> | 01.01.-30.06.2014 | <i>including discontinued operations</i> | 01.01.-30.06.2013 | <i>including discontinued operations</i> | Change % 2014/2013 | Change 2014/2013 |
|--|--------------------------|--|--------------------------|--|---------------------------|-------------------------|
| Sales revenues | 1,659,030 | - | 1,882,527 | 215,508 | (11.9%) | (223,497) |
| Cost of sales | (1,302,169) | - | (1,558,693) | (186,842) | (16.5%) | (256,524) |
| Gross profit/(loss) on sales | 356,861 | - | 323,834 | 28,666 | 10.2% | 33,027 |
| Selling costs | (108,732) | - | (106,788) | (8,320) | 1.8% | 1,944 |
| General and administrative expenses | (71,856) | - | (93,449) | (17,494) | (23.1%) | 21,593 |
| Other operating income/expenses | (25,700) | (1,532) | (2,882) | 24,082 | 791.7% | (22,818) |
| Operating profit/(loss) | 150,573 | (1,532) | 120,715 | 26,934 | 24.7% | 29,858 |
| Net financial income/expenses | (101,250) | (21,810) | (68,474) | (10,136) | 47.9% | 32,776 |
| Share of profit of equity-accounted investees | 401 | - | 185 | - | 116.8% | 216 |
| Income tax | (23,178) | 15,100 | 3,736 | (46,176) | - | (26,914) |
| Net profit/(loss) | 26,546 | (8,242) | 56,162 | (29,378) | (52.7%) | (29,616) |
| Net profit/(loss) attributable to non-controlling interests | (479) | - | (5,707) | (518) | (91.6%) | 5,228 |
| Net profit/(loss) attributable to owners of the Company | 27,025 | (8,242) | 61,869 | (28,860) | (56.3%) | (34,844) |
| EBITDA | 251,291 | (1,532) | 225,587 | 31,081 | 11.4% | 25,704 |
| <i>Normalized EBITDA *</i> | 267,659 | x | 237,132 | x | 12.9% | 30,527 |

*Excluding one-off events, the more important of which are described in point II.2.3.

| <i>PLN '000</i> | 30.06.2014 | 31.12.2013 | 30.06.2013 | Change % 2014/2013 | Change 30.06.2014/31.12.2013 |
|---|-------------------|-------------------|-------------------|---------------------------|-------------------------------------|
| Total assets | 3,010,648 | 3,210,728 | 3,635,258 | (6.2%) | (200,080) |
| Non-current assets | 2,195,577 | 2,300,316 | 2,428,926 | (4.6%) | (104,739) |
| Current assets including: | 815,071 | 910,412 | 1,206,332 | (10.5%) | (95,341) |
| - <i>inventory</i> | 213,461 | 217,338 | 243,176 | (1.8%) | (3,877) |
| - <i>current receivables</i> | 491,685 | 584,152 | 614,811 | (15.8%) | (92,467) |
| - <i>cash and cash equivalents</i> | 69,057 | 105,593 | 254,625 | (34.6%) | (36,536) |
| - <i>short-term investments</i> | 38,259 | 621 | 1,428 | 6,060.9% | 37,638 |
| - <i>non-current assets classified as held for sale</i> | 2,609 | 2,708 | 92,292 | (3.7%) | (99) |
| Total equity | 861,476 | 897,289 | 905,426 | (4.0%) | (35,813) |
| Equity attributable to owners of the Company | 876,441 | 911,488 | 916,713 | (3.8%) | (35,047) |
| Non-controlling interests | (14,965) | (14,199) | (11,287) | 5.4% | (766) |
| Non-current liabilities | 260,136 | 1,616,828 | 1,819,020 | (83.9%) | (1,356,692) |
| Current liabilities | 1,889,036 | 696,611 | 910,812 | 171.2% | 1,192,425 |

| PLN '000 | 01.01.-30.06.2014 | 01.01.-30.06.2013 | Change % 2014/2013 | Change 2014/2013 |
|---|-------------------|-------------------|--------------------|------------------|
| Net cash flows from operating activities | 241,004 | 200,950 | 19.9% | 40,054 |
| Net cash flows from investment activities | (116,283) | (6,663) | 1,645.2% | (109,620) |
| Net cash flows from financial activities | (158,615) | (24,882) | 537.5% | (133,733) |
| Total net cash flows | (33,894) | 169,405 | - | (203,299) |
| including free cash flows | 124,721 | 194,287 | (35.8%) | (69,566) |

| | 01.01.-30.06.2014 | 01.01.-30.06.2013 | Change 2014/2013 |
|-------------------------------------|-------------------|-------------------|------------------|
| Earnings per share (in PLN): | 0.51 | 1.17 | (0.66) |
| Net return on sales | 1.6% | 3.0% | (1.4 p.p.) |
| EBIT % | 9.1% | 6.4% | 2.7 p.p. |
| EBITDA % | 15.1% | 12.0% | 3.1 p.p. |
| Normalized EBITDA %* | 16.1% | 12.6% | 3.5 p.p. |

*Excluding one-off events, the more important of which are described in point II.2.3

Source: CIECH S.A.

Calculation principles:

earnings per share – net profit / weighted average number of ordinary shares outstanding for a given period (in accordance with definition of IAS 33 'Earnings per share')

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

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

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

Normalized EBITDA % – EBITDA excluding one-off events the more important of which are described in point II.2.3 / net revenues from sales of products, services, goods and materials for a given period

2.2 Sales revenues

Consolidated sales revenues of the Ciech Group for the first half of 2014 amounted to PLN 1,659,030 thousand. In comparison to the same period of the previous year, sales revenues decreased by PLN 223,497 thousand, i.e. by 11.9%. The decrease was mainly due to market factors as well as ongoing restructuring of the Ciech Group.

Market factors:

- insignificant increase in demand and moderate increase in the price of soda, optimization of process of energy sales,
- increasing competition on the baking soda market due to competitors' enhanced production capacity,
- strong competition on the salt market,
- decrease in electricity prices in Germany,
- difficult situation in the field of epoxy resins (price competition and high import of Asian products), decrease in sales of unsaturated polyester resins to the eastern markets and necessity to seek new markets,
- satisfactory sale of plant protection chemicals due to favorable weather conditions in the first quarter, launching new products partially levelling the seasonality of sales,
- gradual improvement in the field of sale of polyurethane foams (increase in orders from furniture exporters),
- better sale of silicates and glass products (new customers, development of sales of new products), despite increasing competition on the European market,
- favorable market conditions (increased demand for fertilizers in the Far East markets) that allow development of sulfur sales.

Effects of restructuring of the Ciech Group with a negative influence on the level of revenues:

- sale of Alwernia S.A. in July 2013,
- termination of sales of TDI (sale of business to BASF in the first quarter of 2013) and other products of Infrastruktura Kapuściska S.A. w upadłości (termination of production in 2013).

Due to the change in the presentation of operating segments in the Ciech Group, the activity of the Ciech Group in the I half of 2014 concentrates on three business segments: soda, organic and silicates and glass. These segments generate in total more than 90% of the Group's sales revenues. The structure of sales revenues, by business segment, has not changed significantly in comparison with the same period of year 2013. Invariably, the greatest share in the revenue was attributed to the sales of soda segment products, i.e. 60.5%.

| Sales revenues – business segments PLN '000 | 1H 2014 | 1H 2013** | Change | Change % | % of total revenues in 2014 | % of total revenues in 2013 |
|--|------------------|------------------|------------------|----------------|-----------------------------|-----------------------------|
| Soda segment, including: | 1,004,040 | 993,556 | 10,484 | 1.1% | 60.5% | 52.8% |
| Dense soda ash | 558,171 | 537,660 | 20,511 | 3.8% | 33.6% | 28.6% |
| Light soda ash | 189,173 | 162,799 | 26,374 | 16.2% | 11.4% | 8.6% |
| Salt | 84,759 | 78,834 | 5,925 | 7.5% | 5.1% | 4.2% |
| Baking soda | 75,523 | 64,463 | 11,060 | 17.2% | 4.6% | 3.4% |
| Energy | 42,732 | 64,023 | (21,291) | (33.3%) | 2.6% | 3.4% |
| Calcium chloride | 10,915 | 9,780 | 1,135 | 11.6% | 0.7% | 0.5% |
| Other | 30,993 | 46,308 | (15,314) | (33.1%) | 1.9% | 2.5% |
| Revenues from inter-segment transactions | 11,773 | 29,689 | (17,916) | (60.3%) | 0.7% | 1.6% |
| Organic segment, including: | 452,948 | 509,908 | (56,960) | (11.2%) | 27.3% | 27.1% |
| Resins | 173,910 | 213,686 | (39,776) | (18.6%) | 10.5% | 11.4% |
| Polyurethane foams | 113,792 | 102,696 | 11,096 | 10.8% | 6.9% | 5.5% |
| Plant protection chemicals | 148,135 | 134,073 | 14,062 | 10.5% | 8.9% | 7.1% |
| Plastics | 75 | 26,009 | (25,934) | (99.7%) | 0.0% | 1.4% |
| Other | 10,497 | 15,774 | (5,277) | (33.5%) | 0.6% | 0.8% |
| Revenues from inter-segment transactions | 6,539 | 17,670 | (11,131) | (63.0%) | 0.4% | 0.9% |
| Silicates and Glass segment, including: | 184,134 | 178,559 | 5,575 | 3.1% | 11.1% | 9.5% |
| Sulphur | 97,762 | 98,681 | (919) | (0.9%) | 5.9% | 5.2% |
| Glass blocks and packaging – lanterns and jars | 36,051 | 38,563 | (2,512) | (6.5%) | 2.2% | 2.0% |
| Sodium silicate in lumps | 31,098 | 25,160 | 5,938 | 23.6% | 1.9% | 1.3% |
| Sodium water glass | 11,120 | 10,501 | 619 | 5.9% | 0.7% | 0.6% |
| Other | 8,103 | 5,653 | 2,450 | 43.3% | 0.5% | 0.3% |
| Revenues from inter-segment transactions | - | 1 | (1) | (100.0%) | 0.0% | 0.0% |
| Other operations segment* | 46,739 | 280,491 | (233,752) | (83.3%) | 2.8% | 14.9% |
| Revenues from third parties | 36,220 | 247,864 | (211,644) | (85.4%) | 2.2% | 13.2% |
| Revenues from inter-segment transactions | 10,519 | 32,627 | (22,108) | (67.8%) | 0.6% | 1.7% |
| Consolidation adjustments | (28,831) | (79,987) | 51,156 | (64.0%) | (1.7%) | (4.2%) |
| TOTAL | 1,659,030 | 1,882,527 | (223,497) | (11.9%) | 100.0% | 100.0% |

*Including: revenues from sale of TDI assets for the first half of 2013 of PLN 49,520 thousand, revenues from sale of ECH for the first half of 2013 of PLN 1,709 thousand (in the first half of 2014 the Ciech Group did not sell TDI or ECH).

** Restated.

Source: CIECH S.A.

In 2014 CIECH S.A. stopped trading in plastics. The situation was used by Ciech Trading S.A. which started to the respective trading (in 2013 the sale was conducted within the organic segment, currently it is reported within other operations segment).

2.3 Profit/(Loss) on sale and Operating Profit/(Loss)

In the first half of 2014, gross profit on sales amounted to PLN 356,861 thousand, whereas in the same period of the previous year it amounted to PLN 323,834 thousand. Operating profit amounted to PLN 150,573 thousand (in the comparable period it amounted to PLN 120,715 thousand).

The positive contributors to the presented profit were as follows:

- Improved economic situation in domestic chemical industry in the period from January - June 2014 in comparison to the same period of the previous year (slight decrease in sale by 1.9% in case of chemicals and chemical products and significant increase by 9.5% in case of rubber products and plastics; in constant prices).
- A significant increase in domestic sales of construction and assembly production by 9.8% during 6 months of 2014 in comparison to the same period of the previous year (chemical industry produces many raw materials and semi-finished products used in this production).
- The continuing inflated prices of soda ash on the European markets since the beginning of 2014 compared to the prior year (for the Western Europe increase of 2% minimum) accompanied by gradual price increase of the overseas shipments from Romania.
- Continuing, rather high sulfur prices compared to the prior year.
- Slight recovery in the European Union.
- A slight increase in demand on the European market of soda ash in comparison to previous year resulting in sales volume increase.
- Increase of salt volume sales.

- Overproduction and inventory increase of manufacturers, importers and recipients of coal resulting in reduction of prices of this material as well as the prices of anthracite and coke.
- Decreasing prices of gas used for the production of electricity and steam in the plant in Germany (additionally gas bonuses received by the company).
- The results achieved on sales of unsaturated polyester resins despite the increasing competition as a result of cheaper raw materials.
- Upturn on pesticides' market (especially compared to the situation from the prior year characterized by an unfavorable prolongation of the winter period).
- The improvement of the results of the silicates and glass segment due to the sale of unprofitable plant in Pobiedziska.

The negative contributors to the presented profit were as follows:

- Persistently low level of prices of epoxy resins (lower compared to the previous year but showing some signs of stabilization due to economic recovery on the European market of paints).
- Appreciation of the Polish currency against EUR (compared to the second quarter of the prior year and the first quarter of the current year) deteriorating the profitability of exports of the Ciech Group.
- The decrease of sale of soda used in production of detergents due to changes in consumer behavior (replacing washing powders with washing liquids).
- The increase of petroleum prices (influencing the increase of prices of materials for the organic industry) aggravating the efficiency of activities in the organic segment.

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

- the bankruptcy of Infrastruktura Kapuściska S.A. in March 2014,
- impairment allowances on non-current assets as well as reversal of provisions in the Group companies.

The EBIT margin for the first half of 2014 was 9.1% (6.4% in the prior year), while the EBITDA margin was 15.1% (12.0% in the prior year). The EBIT margin excluding one-off events for the first half of 2014 was 10.1% (7.0% in the prior year) while EBITDA margin excluding one-off events was 16.1% (12.6% in the prior year).

2.4 Financing activities and net result

Financial income for the first half of 2014 amounted to PLN 4,182 thousand and decreased as compared to the corresponding period of the previous year when it amounted to PLN 28,550 thousand.

Financial expenses for the first half of 2014 amounted to PLN 105,432 thousand and recorded an increase of almost 9% as compared to the corresponding period of the previous year when they amounted to PLN 97,024 thousand.

The positive contributors in the area of financing activities included interest on loans and borrowings granted and on deposits and bank accounts.

The negative contributors in the area of financing activities were as follows:

- continuous substantial costs of servicing external debt - interest on bonds - which is associated with high external debt,
- allowance on the loan and interest on a loan granted to Infrastruktura Kapuściska S.A. w upadłości – the company declared bankruptcy on 14 March 2014.

Consolidated net result for the first half of 2014 amounted to PLN 26,546 thousand, including net result attributable to owners of the Company in the amount of PLN 27,025 thousand. This profit was mainly influenced by profit on sales, partly leveled by the negative result on financing activities (the most negative influence resulted from the costs of servicing external debt, mainly interest on bonds). Net profit of the Group was also significantly affected by recognition of part of deferred income tax asset arising from temporary differences between the carrying value and tax value of shares in Infrastruktura Kapuściska S.A. w upadłości held by CIECH S.A. Additionally, in the Soda Deutschland Ciech Group, the deferred income tax asset of PLN -12,832 thousand was reversed (as a consequence of change of control over the parent company CIECH S.A) and the adjustment of trade income tax on sales of Sodawerk Stassfurt GmbH (transaction concluded in 2007) in the amount of PLN -8,048 thousand was recorded.

Financial result achieved in different types of activities

| PLN '000 | 01.01.-30.06.2014 | 01.01.-30.06.2013 | Change% 2014/2013 | Change 2014/2013 |
|---|-------------------|-------------------|----------------------|---------------------|
| 1. Operating profit/(loss) | 150,573 | 120,715 | 24.7% | 29,858 |
| 2. Net financial income/expenses | (101,250) | (68,474) | 47.9% | (32,776) |
| 3. Share of profit of equity-accounted investees | 401 | 185 | 116.8% | 216 |
| 4. Income tax | (23,178) | 3,736 | - | (26,914) |
| 5. Net profit/(loss) (1+2+3+4) | 26,546 | 56,162 | (52.7%) | (29,616) |
| 6. Net profit/(loss) attributable to non-controlling interests | (479) | (5,707) | (91.6%) | 5,228 |
| 7. Net profit/(loss) attributable to owners of the Company (5-6) | 27,025 | 61,869 | (56.3%) | (34,844) |

Source: CIECH S.A.

2.5 Assets

At the end of June 2014 the non-current assets of the Group amounted to PLN 2,195,577 thousand. As compared to the balance as at 31 December 2013 the value of non-current assets decreased by PLN 104,739 thousand. The change is mainly related to bankruptcy of Infrastruktura Kapuściska S.A. w upadłości and its deconsolidation.

The Groups' current assets as at 30 June 2014 amounted to PLN 815,071 thousand. The current assets' structure was predominated by: trade and other receivables constituting 58.7%, inventory constituting 26.2% and cash and cash equivalents constituting 8.5% of total current assets. Compared to the end of December 2013, the value of current assets decreased by PLN 95,341 thousand. The decrease is connected mainly with the use of cash and cash equivalents for the early redemption of a part of bonds issued by CIECH S.A. in 2012. On the other hand, short term investments increased significantly – the increase is related to the bankruptcy of Infrastruktura Kapuściska S.A. w upadłości – data previously eliminated in the consolidation process is now recognized in the statement of financial position, the loan granted by the company from the Ciech Group is currently recognized as a short-term investment.

2.6 Liabilities

As at 30 June 2014, the Ciech Group's liabilities (non-current and current) amounted to PLN 2,149,172 thousand, which accounts for an increase in comparison with the end of December 2013 by PLN 164,267 thousand (i.e. 7.1%). The total debt ratio (current and non-current liabilities / total assets) was 71.4% as at 30 June 2014 (72.1% at the end of December 2013). The consolidated net debt of the Group calculated as the sum of non-current and current liabilities due to loans, borrowings and other debt instruments (bonds + finance lease + derivatives liabilities) decreased by cash and cash equivalents amounted to PLN 1,096,597 thousand as at 30 June 2014 and decreased in comparison with the balance as at the end of December 2013 by PLN 116,523 thousand.

Information on liquidity ratios was included in point II.2.8 of this Report, "Information about the Ciech Group's financial standing".

2.7 Cash flows

Total net cash flows in the first half of 2014 were negative and amounted to PLN -33,894 thousand. As compared to the same period of the previous year the Group generated cash flows lower by PLN 203,299 thousand. Cash flows from operating activities amounted to PLN 241,004 thousand and were higher than the ones generated in the comparable period of 2013 by PLN 40,054 thousand. In the first half of 2013 cash flows from operating activities included cash inflows due to realization of the Agreement for Sale and Transfer of TDI assets in an amount of PLN 135,200 thousand.

In the first half of 2014 the net cash from investment activities was negative. The surplus of investment outflows over inflows amounted to PLN -116,283 thousand. The balance of cash flows from investment activities was mainly influenced by the purchases of property, plant and equipment in the Group companies.

Net cash from financial activities was negative and amounted to PLN -158,615 thousand. In relation to the corresponding period of 2013, it was lower by PLN 133,733 thousand. In June 2014, CIECH S.A. redeemed bonds issued in 2012 of total nominal value of PLN 160,000 thousand. In the first half of 2013 the Group incurred higher expenses related to payments under the contract for the lease of power plant by Soda Deutschland Ciech.

2.8 Information on the Ciech Group's financial standing

Profitability in the first half of 2014

In the first half of 2014 sales profitability ratios for the Ciech Group were at a higher level than the ones achieved in the first half of 2013.

The Ciech Group's return ratios

| | 01.01.-30.06.2014 | 01.01.-30.06.2013 |
|---------------------------------------|-------------------|-------------------|
| Gross return on sales | 21.5% | 17.2% |
| Return on sales | 10.6% | 6.6% |
| EBIT margin | 9.1% | 6.4% |
| EBITDA margin | 15.1% | 12.0% |
| Operating profit margin (normalized*) | 10.1% | 7.0% |
| Normalized EBITDA margin* | 16.1% | 12.6% |
| Net return on sales (ROS) | 1.6% | 3.0% |
| Return on assets (ROA) | 0.9% | 1.5% |
| Return on equity (ROE) | 3.1% | 6.2% |

* Excluding one-off events, the more important of which are described in point II.2.3.

Calculation principles:

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

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

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 for a given period,

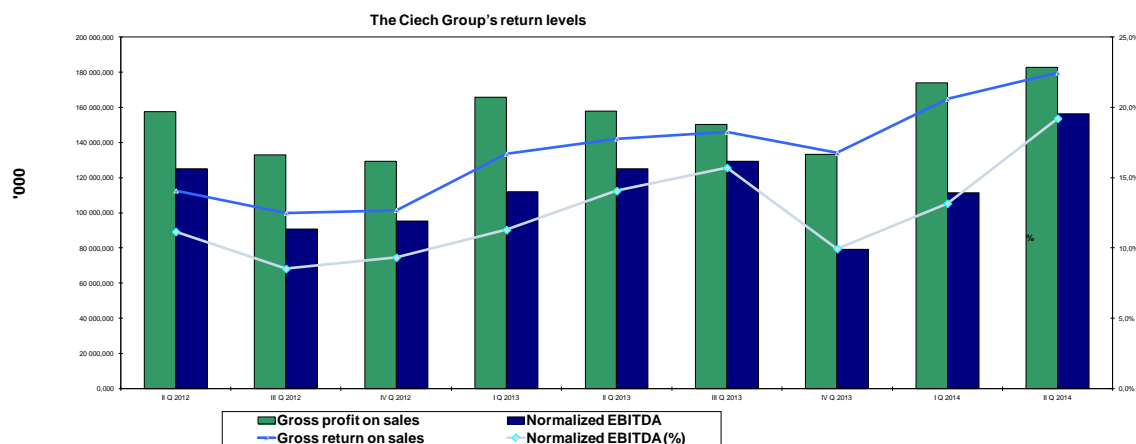
normalized EBIT % – EBIT for a given period excluding one-off items the more important of which are described in point II.2.3 / net revenues from sales of products, services, goods and materials for a given period,

normalized EBITDA % – EBITDA excluding one-off items the more important of which are described in point II.2.3 / net revenues from sales of products, services, goods and materials for a given period,

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

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

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



Normalized EBITDA excluding one-off events described in particular quarters

Source: CIECH S.A.

Liquidity of the Group and working capital

Liquidity ratios as of the end of June 2014 changed in comparison with both, 30 June 2013 and the end of 2013. The current ratio, calculated as the ratio of total current assets to total current liabilities, amounted to 0.43 as at 30 June 2014, while the quick ratio amounted to 0.32.

The significant decrease of liquidity ratios compared to the end of the prior year results from the necessity to reclassify all liabilities arising from the bonds issued to current liabilities. Due to the change of control over CIECH

S.A., in accordance with the terms and conditions of the issue of Polish bonds, the bond holders had the right to demand an early redemption of bonds, which resulted in the necessity to recognize them as short-term debt. None of the bond holders exercised the right within the time limit set in the terms and conditions, i.e. 8 July 2014. Moreover, in accordance with the terms and conditions of the issue of foreign bonds, a bid for foreign bonds redemption has been carried out, which also resulted in the necessity to recognize them as short-term debt. After the balance sheet date the foreign bond holders did not respond to the offer.

The Ciech Group's liquidity ratios

| | 30.06.2014 | 31.12.2013 | 30.06.2013 |
|---------------|------------|------------|------------|
| Current ratio | 0.43 | 1.31 | 1.32 |
| Quick ratio | 0.32 | 0.99 | 1.06 |

Calculation principles:

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 use its near cash assets to retire its current liabilities immediately.

Ability to generate Cash flows

| PLN '000 | 30.06.2014 | 31.12.2013 | 30.06.2013 |
|--|----------------|----------------|----------------|
| Financial surplus (net profit + amortisation/depreciation) | 127,264 | 256,185 | 161,034 |
| Other adjustments to net profit | 53,863 | 1,247 | 21,204 |
| Adjusted financial surplus | 181,127 | 257,432 | 182,238 |
| Change in working capital | 59,877 | 33,589 | 18,712 |
| Cash flows from operating activities | 241,004 | 291,021 | 200,950 |
| Cash flows from investment activities | (116,283) | (25,472) | (6,663) |
| Free cash flows | 124,721 | 265,549 | 194,287 |

In the first half of 2014, the Ciech Group generated positive free cash flows, i.e. it was able to finance its investment expenditure with cash flows generated within its operating activities. The adjusted financial surplus reached the required level so as to allow for generating positive free cash flows.

As at the end of June 2014 working capital, defined as the difference between current assets and current liabilities adjusted by appropriate balance sheet items (cash and cash equivalents and short-term loans), was negative and amounted to PLN -20,753 thousand, which is a decrease of PLN 139,059 thousand as compared to the end of 2013.

The Ciech Group's working capital

| PLN '000 | 30.06.2014 | 31.12.2013 | 30.06.2013 |
|---|--------------------|----------------|------------------|
| 1. Current assets , including: | 815,071 | 910,412 | 1,206,332 |
| Inventory | 213,461 | 217,338 | 243,176 |
| Trade receivables | 361,785 | 423,566 | 450,880 |
| 2. Cash and cash equivalents and other short-term investments | 107,316 | 106,214 | 256,053 |
| 3. Adjusted current assets (1-2) | 707,755 | 804,198 | 950,279 |
| 4. Current liabilities, including: | 1,889,036 | 696,611 | 910,812 |
| Trade liabilities | 317,609 | 336,617 | 423,539 |
| 5. Short-term loans and other current financial liabilities* | 1,160,528 | 10,719 | 66,478 |
| 6. Adjusted current liabilities (4-5) | 728,508 | 685,892 | 844,334 |
| 7. Working capital including short-term loans (1-4) | (1,073,965) | 213,801 | 295,520 |
| 8. Working capital (3-6) | (20,753) | 118,306 | 105,945 |

* Other current financial liabilities include current finance lease liabilities + short-term derivatives liabilities + heat and power plant finance sale-and-lease-back liabilities

Indebtedness

Acquisitions performed in 2006 and 2007, which led to increase in the Ciech Group's assets, were financed mainly by investment loan and bond issue. Additionally, investments carried out in 2008 were financed by short-term loan. As a result, debt ratio increased in subsequent years. In the fourth quarter of 2012 the Group issued domestic and foreign bonds.

The debt ratio has changed insignificantly as compared to December 2013 and amounts to 71.4%. At the same time, the relative net debt level (net financial liabilities divided by EBITDA) improved as compared to the level achieved in June 2013 (in 2012 and 2013 the Group recognized significant impairment allowances of property, plant and equipment in the companies comprising the Ciech Group which negatively affected annualized EBITDA). The rate

adjusted by one-off events remains on the lower level in comparison to previous year (net financial liabilities divided by normalized EBITDA).

The Ciech Group's debt ratios

| | 30.06.2014 | 31.12.2013 | 30.06.2013 |
|---|------------|------------|------------|
| Debt ratio | 71.4% | 72.1% | 75.1% |
| Long-term debt ratio | 8.6% | 50.4% | 50.0% |
| Debt to equity ratio | 249.5% | 257.8% | 301.5% |
| Equity to assets ratio | 28.6% | 27.9% | 24.9% |
| Net debt / EBITDA (annualized) | 2.9 | 3.4 | 3.6 |
| Net debt / Normalized EBITDA (annualized)* | 2.3 | 2.7 | 3.2 |
| Financial liabilities gross / EBITDA (annualized) | 3.1 | 3.7 | 4.3 |
| Financial liabilities gross / Normalized EBITDA (annualized)* | 2.4 | 3.0 | 3.8 |

*Excluding one-off events, the more important of which are described in point II.2.3.

Calculation principles:

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

net debt – liabilities on incurred loans and borrowings (plus overdraft) and other debt instruments (finance lease + heat and power plant finance sale-and-lease-back liabilities + derivatives liabilities) less cash and cash equivalents.

Financial liabilities gross – liabilities on incurred loans and borrowings (plus overdraft) and other debt instruments (finance lease + heat and power plant finance sale-and-lease-back liabilities + derivatives liabilities).

Information on the ratios included in loan agreements

In the period covered by these financial statements none of the loan agreements was called to maturity nor there were violations of payment terms for repayment of principal or interest due in relation to financial liabilities recognized in the statement of financial position.

Under the Revolving Loan Agreement and the New Revolving Loan Agreement CIECH S.A. and its selected subsidiaries were obliged, among others, to maintain the net financial leverage ratio specified in the agreements (consolidated net debt of the Ciech Group in relation to consolidated EBITDA of the Ciech Group) on the level not higher than 3.6, measured for the period of 12 months ended 30 June 2014. The level of the ratio was met and amounted to 2.6.

On 22 May 2014 CIECH S.A. obtained the consent of the holders of foreign bonds for an amendment to the particular terms and conditions of the Indenture Agreement in order to extend the deadline within which CIECH S.A. is to ensure that S.C. Uzinele Sodice Govora - Ciech Chemical Group SA meets the specified requirements concerning its net assets up to the end of 2016.

Debt financing of the Group

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

- Bonds issued by Ciech Group Financing AB (publ) – as at 30 June 2014 the nominal debt amounted to EUR 245 million (i.e. PLN 1,019,421 thousand).
- Bonds issued by CIECH S.A. – as at 30 June 2014 the nominal net debt amounted to PLN 160 million (as at 31 December 2013 it amounted to PLN 320 million). On 5 June 2014 CIECH S.A. conducted an early redemption of all 16,000 Series 01 bonds in order to extinguish them. The redemption of bonds was financed by own resources. The average purchase price of each bond amounted to PLN 10,287.96. The redemption value of (the average unit price increased by interest) of each bond amounted to PLN 10,671.91 and the total value of the transaction amounted to PLN 170,751 thousand (including nominal value of PLN 160,000 thousand, interest of PLN 6,143 thousand, premium of PLN 4,607 thousand). The purpose of the redemption was the extinguishment of the bonds and consequently reduction of the Ciech Group's indebtedness and decrease in the interest expense.
- Loan provided to CIECH S.A. under the revolving loan agreement of 9 August 2013 in the amount of PLN 100 million – as at 30 June 2014 the debt amounted to PLN 0.

As at 30 June 2014 the fair value of bonds presented in the consolidated financial statements was PLN 1,319,591 thousand. The fair value of foreign bonds is calculated on the basis of quotations on the Luxembourg Stock Exchange, where these bonds were listed. The fair value of Polish bonds corresponds to their nominal value.

Detailed information concerning the conditions of the issue of bonds, the revolving loan agreement and the established collaterals were disclosed in the Consolidated Annual Report of the Ciech Group for 2013 in point I.8, published on 21 March 2014.

Due to the change of control over CIECH S.A., which took place on 9 June 2014 as a result of the purchase of 51.14% shares of CIECH S.A. by KI Chemistry s.à r.l., with its registered office in Luxembourg and in accordance

with terms and conditions of the issue of bonds, the bond holders had a right to demand an early redemption of bonds, which resulted in the necessity to present them as a short-term debt. After the balance sheet date, none of the bond holders exercised the right to demand an early redemption:

- in the case of Polish bonds, the bond holders did not exercise their right to demand the early redemption of Polish bonds until 8 July 2014, i.e. the deadline provided in terms and conditions of the issue,
- in the case of foreign bonds, in accordance with terms and conditions of the issue, mandatory redemption offer has been made on 9 July 2014 at a price constituting 101% of the nominal value of bonds. None of the foreign bond holders exercised the right to an early redemption until 5 August 2014, i.e. deadline provided in terms and conditions of the issue.

In the case of the revolving loan in the amount of PLN 100 million, the lenders renounced their right to demand an early redemption of the loan in connection with the change of control over CIECH S.A. on 22 May 2014

On 30 June, the subsidiary KWG GmbH received from STW (Stadtwerke Stassfurt GmbH) and EMS (Erdgas Mittelsachsen GmbH) a termination notice concerning silent partners' agreement dated 2 December 2011 effective from 31 December 2014. Due to termination of the agreement, KWG is obliged to, inter alia, repay capital contributions amounting to EUR 12 million, together with remuneration due on the basis of the silent partners' agreement by 19 January 2015.

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

Information on seasonality and cyclicity of the operations of CIECH S.A. and the Ciech Group was included in point IV.16 of this Report.

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

The Ciech Group did not publish any forecasts for 2014.

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

Situation in industries being recipients of the Ciech Group's products in Poland

Poland is the biggest selling market for the Ciech Group. The largest domestic recipients of the Group's products include: glass industry, chemical industry, plastics industry, furniture industry, agriculture and food industry. Development in these economic sectors depends on the economic situation in Poland. Sold industrial production in fixed prices during the period of 6 months of 2014 increased by 4.3% as compared to the corresponding period of the previous year (it decreased by 0.4% in 2013, respectively). At the same time, the dynamics of the chemical industry indicated: slight decrease of 1.9% in the production of chemicals and chemical products (excluding pharmacy) and an increase of 9.5% in the production of rubber products and plastics.

After an acceleration of the Polish economic growth in 2010 - 2011 (with an annual GDP growth of 4%), in the years 2012 - 2013 a clear slowdown of GDP growth was noted (2.0% and 1.6% respectively). Improvement of the economic situation is expected for the year 2014 (GDP growth up to 3% or more). A similar tendency should be expected in the chemical industry which usually develops in line with the whole economy.

Economic situation in Europe and around the world

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

In 2013, the largest countries in Asia (China and India) as well as the countries of the ASEAN have been developing relatively fast. According to the estimates of the International Monetary Fund, the global GDP grew in the prior year by 3.0% (which is the lowest rate noted since the crisis in 2009). Still it is only the Eurozone, which negatively stood out over the global economy, where in 2013, the negative dynamic of growth (-0.5%) was maintained.

The forecasts for 2014 indicate a clear improvement in the economic situation in comparison to the previous year. The International Monetary Fund expects global GDP dynamic growth (up to 3.6%) and in case of the European Union insignificant upturn (increase in the GDP growth rate by 1.6%, compared to 0.2% in 2013).

As far as chemical sector is concerned, the American Chemistry Council (ACC) estimates that after a slight increase in the global production of chemicals in the years 2012 - 2013 (by 2.7% and 2.4% respectively), next years will bring a significant increase in this sector: by 3.8% in 2014 and by 4.1% in 2015. On the other hand, the European Chemical Industry Council (CEFIC) assumes that in the European Union, after two years of decline in chemical output (by 1.5% in 2012 and by 0.2% in 2013) the next year will bring a growth in the output by 2% in this sector.

Financial situation of agriculture

A portion of the Ciech Group's revenues covering plant protection chemicals (products manufactured by the Group and merchandise) is generated by sales to the agricultural sector. In the Group's opinion, in the long-term, the demand for agrochemicals in Poland and Central and Eastern Europe should continue to grow. The material factors favoring an increase in the consumption of agrochemicals in Poland and thus the demand for the Group's products and merchandise are processes improving the financial situation and profitability of agricultural production, including: production quoting and direct subsidies. The above should result in a growth of Group's revenue. On the other hand, the lack of significant improvement in the purchasing capacity of the agricultural sector may be the reason for stagnation in the demand for plant protection chemicals and as a result for a decrease in the Group's revenues related to agrochemical products.

According to data supplied by Poland's Institute of Agricultural and Food Economics (IERiGZ), the market conditions affecting domestic agriculture production in the period from January to June 2014 were slightly worse than a year ago (decrease of potential demand for food products, reduction of purchase prices of pork and poultry). The synthetic index of the economic situation in agriculture (SWKR) fluctuated slightly (eventually, it reached a level of 99.7 in June 2014 – the same as in the previous year). In the near term, market conditions for agriculture may deteriorate due to decrease of prices of agricultural outputs (expected good harvest, seasonal reductions of purchase prices).

Economic situation on raw material market

Import of raw chemicals to Poland constitutes a significant part of commercial turnover within the Group's operations. 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 respect of import of raw materials. Significant demand and price fluctuations may be caused by economic changes resulting from rapid economic growth or economic stagnation. Strong fluctuations can have adverse impact on trade in raw chemicals by the Ciech Group.

Price of natural gas (constituting about 27% of expenditures on raw materials and energy in the soda segment in the first half of 2014) consumed in the production of electricity and steam in the plant in Germany is variable. There has been a decline in the price of coal (representing around 20% of expenditure on raw materials and energy in the soda segment in the first half of 2014) consumed in the production of electricity and steam in the plants in Janikowo and Inowrocław.

REACH implementation

In accordance with REACH regulation, the Group companies selling substances in quantities exceeding 1 tonne p.a. have completed or will complete full registration of these substances by defined deadlines which will let them continue their operations in the current scope. In the 2nd stage of the registration that finished on 31 May 2013 one substance in the tonnage range of 100-1000 Mg/y has been registered by the Ciech Group. In the 3rd stage, i.e. by 31 May 2018, the plan is to register 38 substances being introduced to the market in a volume of 1 - 100 Mg/y.

Emission trading system

Within the European Union Emission Trading Scheme phase III (EU ETS III) covering the period 2013-2020, in order to improve and extend the EU greenhouse gas emission rights trading system, significant changes were implemented starting from 2013. In addition to already participating companies such as: Soda Polska Ciech S.A., Sodawerk Stassfurt GmbH and VITROSILICON S.A., the system was extended to cover also S.C. Uzinele Sodice Govora S.A.; the range of CO₂ emissions has been significantly expanded to include process emissions associated, among others, with the production of soda; the companies producing electricity used by all the Ciech Group companies has been obliged, totally or in part, to purchase the rights, also the degree of usage of CERs (Certified Emission Reduction units) and ERUs (Emission Reduction Units) has changed.

The internal analyses carried out by the Ciech Group companies show that the quantity of free allowances for CO₂ emissions in the EU ETS III will not be sufficient to cover the actual need for this type of units of account. The resulting deficit of allowances to emit carbon dioxide will be possible to balance by using one or more of the following actions:

- the use of emission allowances received free of charge;
- purchase of missing allowances in the auction, on the stock exchange or OTC transactions;
- capital investments aimed at reducing the emission of generated heat, emissivity of the processes, increase of energy efficiency;
- using raw materials and fuels that result in lower emission.

In addition to the direct costs associated with the purchase of rights to emit carbon dioxide, all Ciech Group companies will incur higher costs of purchasing power due to the fact that the costs of purchase of emission rights will be transferred on them by manufacturers.

EUR/PLN exchange rates

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

6. Significant changes in risk factors

The most significant risk factors, which the Ciech Group is exposed to, have been presented in details in the Consolidated Annual Report of the Ciech Group for the year 2013 in point I.4, published on 21 March 2014.

During the first half-year of 2014, no new risks occurred, and the previously identified factors have not changed, except for:

- a) the reduction of risk of changes in foreign exchange rates due to the fact that part (maximum 70%) of planned currency exposition resulting from the Ciech Group's cash flows in EUR and USD is currently hedged with forward contracts with maturity period up to 1 year, and
- b) the reduction of risk associated with environmental protection due to the fact that Uzinele Sodice Govora S.A. received a water permit no. 16/18.03.2014 valid until 18 March 2015. Due to favorable terms of the permit the risk of penalties for exceeding the limits of contamination in waste waters drained into the river Olt was reduced for the period of validity of the permit.

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

Risk of positive trends reversal with respect to the economic growth and market change trends

The activity of the Group is connected with many segments of widely understood chemical industry, which development is directly correlated with the economic situation both in the country and worldwide. The forecasts for the following years anticipate a moderate growth rate on the key markets of the Group, resulting from a slowdown in economic growth mainly in Europe due to the public finance crisis (slowdown in domestic demand and investments). Trends on the markets essential for the Group are linked with general economic situation. The targeted output markets for Ciech Group are: construction industry, automotive industry, furniture industry, paints and varnishes industry, household chemistry industry, agriculture and food processing industry. A deterioration in overall economic situation and slowdown in demand on targeted markets, may have a negative impact on the activity and financial results of the Ciech Group.

Risk of a long-term economic stagnation/recession in Europe and around the world

The Group's business relies heavily on the export of chemical products, whose level and profitability depends on the global economic situation in Europe and around the world. The long-term economic downturn (especially in Europe) may lead to considerably lower foreign turnover in export and as a consequence it may result in lower revenues from particular business segments of the Ciech Group, which will have negative impact on the financial results of the Group.

Currency risk

Currency risk is an inevitable component of trading activity denominated in foreign currencies. Due to the nature of conducted import and export operations, the Group is subject to currency exposure resulting from considerable surplus of exports over imports. Sources of currency risk which threatens companies within the Group include: sales of products, purchases of raw materials, loans and borrowings raised and cash in foreign currencies. Unfavourable changes in currency exchange rates may worsen financial results of the Group. The Group uses hedge accounting to partly eliminate the impact of changes of foreign exchange rates on financial results.

Risk of a drop in domestic construction and assembly production

The chemical industry manufactures many raw materials and semi-finished products intended for construction and assembly production. Economic downturn in this area may have negative influence on the demand for the Group's products and, consequently, on its financial results.

Risk connected with economic situation in furniture industry

Furniture industry is the main recipient of polyurethane foams. Worsening situation on the furniture market may result in decrease of demand for these products and consequently, lower financial results of the Group.

Risk of oversupply of soda ash in Europe

At the turn of the first and second decades of this century, new significant soda ash production capacities were created from trona deposits in Turkey, which are partially used as a source of supply on the European markets (additional investments in trona are still planned in this country). In the event of realisation of all projected investments (and major growth of supplies to the market within a relatively short period of time), significant periodic product oversupply and price decrease could occur in the region which may have negative impact on the Group's financial results. Due to closure of two European soda ash plants (in Portugal and United Kingdom) at the beginning of 2014 and delay in increase of the production capacity in Turkey (not earlier than in 2017) the risk of oversupply has been postponed by a few years.

Risk of a drop in demand for soda ash in Europe

In 2009, Europe experienced a drop in demand for soda ash of approximately a dozen or so per cent as compared to 2008. The demand drop resulted from a decreased demand from the glass industry (in particular with respect to flat glass), which is the recipient of more than half of soda supplies in Europe. A drop in demand by a few percent for soda ash in Western Europe was also noted in years 2012-2013. In a longer perspective, especially in the CEE region, there is a risk of a decrease in consumption of soda in the packaging glass industry resulting from

implementation of environmentally-friendly regulations, which promote reuse of glass packaging and use of cullet in a glass production process. Possible drop in the demand for soda ash may lead to decreasing prices of the product and consequently it may have negative impact on financial results of the Group.

Risk of competition on the main markets

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

- **Soda products market**

The Ciech Group is the only manufacturer of soda products (soda ash, baking soda) in Poland and additionally in the case of soda ash practically the only supplier on the market, excluding a negligible import. A certain risk relating to increase of import from south-eastern manufacturers may be expected. On the European market there is a risk of increased supply of cheaper soda ash from natural deposits (so-called trona) delivered by suppliers from the United States of America and Turkey. The size of this threat is also dependent on the exchange rates between USD and EUR. In case of weaker USD, the competitiveness of American soda grows. A particular threat for the Ciech Group's position may result from additional supplies of Turkish soda ash to the European market originating from a planned increase in extraction of soda from natural deposits.

- **Epoxy resins market**

European epoxy resins market is characterized by a significant oversupply. International chemical companies, whose production facilities are integrated in the supply chain of raw materials, have the largest production capacity. This predominance of large competitors of Ciech Group, which additionally have diversified their assortment of resins, may lead to a deterioration of the market position of the Ciech Group.

- **Polyurethane foams market**

Low technical and capital barriers in entering the market may favour the emergence of new competitors in the future. In addition, recipients tend to launch their own production of polyurethane foams which may result in both lower demand on the market and increased product supply (sale of surplus production).

- **Market of unsaturated polyester resins**

Italian resins manufacturers turn to foreign expansion due to lower demand on the domestic market. Possibly, they will try to gain a substantial part of the Polish market, which will result in fiercer domestic competition and worse operating conditions for the Group. Increased competition on this market may result in worsening of Ciech Group's market position.

- **Market of plant protection chemicals**

The European and worldwide market of plant protection chemicals is dominated by a few global manufacturers. The position on the market is determined mainly by modern products that require significant investment in research and development as well as time-consuming and increasingly expensive product registration in different countries. In this situation, smaller companies that want to remain competitive in the market must focus on specialization in selected segments. This strategy was adopted by the Ciech Group, and it was evidenced by the increase of the capacity of the active substance MCPA installation. The expansion of the global players in these segments may, however, weaken the competitive position of smaller entities.

Risk of changes in prices of raw materials

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

Basic raw materials used by the Group include: energetic resources – coal, blast-furnace coke and anthracite, used in soda ash production; organic chemicals from crude oil processing (TDI, polyols, BPA, epichlorohydrin, styrene, anhydrides – phthalic and maleic, glycol). Prices of energetic resources are characterised by large sensitivity to current economic trends and increase during dynamic economic growth. There is a risk of a large fluctuation in the prices of these raw materials, which may result in a significant drop in the profitability of soda ash and organic chemicals (epoxy resins, polyester resins, polyurethane foams) - produced by the Ciech Group. Fluctuations of raw materials prices, and most importantly an increase in prices, may lead to a deterioration of financial results of the Group.

The Group may also suffer due to fluctuations of oil prices. A significant increase in oil prices may lead to higher prices of raw materials for the organic industry, and may negatively affect the financial results of the Group.

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

Risk of changes in Polish and European law regarding environmental requirements

Environmental protection regulations in Poland undergo constant changes resulting mainly from the EU ecological policy and become increasingly rigorous. Legislative changes in this scope may have a significant negative impact on

the operations or financial situation of the Group. Moreover, if, due to frequent changes in environmental protection regulations, the Group does not adjust to new environmental regulations within a set scope or within a fixed timeframe, the Group, its Management Board Members or employees may be subject to administrative and civil liability and criminal liability. Non-compliance with regulatory requirements regarding environmental protection and resulting disturbance of activity or fines may have a significant negative impact on the Group's financial situation or its activity.

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

A broad and important amendment of environmental law connected with the implementation of the IED directive entering into force shortly, which concerns the protection of soil and ground waters will bring law changes unfavorable for the industry. The changes assume a necessity to develop and present to the competent authorities an initial report about the condition of soil and ground water on the areas of industrial plants. Such a report will be required at the moment of applying for a new integrated permit or introducing changes to the current permit. Disclosing the condition of soil and ground waters in the industrial plants to the authorities will create a necessity to present a recovery plan and to carry out their remediation which is associated with high costs of such actions.

Risk relating to environmental protection

An identification and assessment of environmental risk relating to legal regulations and operating activity of subsidiaries was conducted in accordance with the business risk management system employed in the Ciech Group. The group of risks with a major degree of significance, which were identified by the Group consists of:

- the risk of exceeding the permissible emissions of ashes and SO₂ in two plants belonging to Soda Polska Ciech S.A.
- the risk of strengthening the requirements for the quality of waste discharged into the Bode river in Sodawerk Stassfurt. The Company is considering the possibility of alternative waste discharges (other than into the Bode river).

These risks may have negative influence on the business activity, financial position or financial results of the Group.

Risk of reduction of free CO₂ emissions allowances granted to soda companies (EU ETS III)

The Group's primary operations, inter alia the ones connected with the production of heat energy and electricity, cause emissions of CO₂ into the atmosphere. Consequently, all regulations relating to the reduction of greenhouse gas emissions have an impact on the Ciech Group's operations in this scope.

In accordance with Directive 2009/29/EC, co-creating the legal basis for an energy and climate package within the EU, from the start of the third emissions trading period (2013-2020) there will be an alteration of the current principles of the allocation of CO₂ emissions allowances (EUA) issued within EU ETS pursuant to National Allocation Plans. As a rule, EUAs will not be allocated to facility operators for free, but rather for an amount established through an auction (with certain exceptions during the transitional period 2013-2020). During this period the soda production sector will fall under the EU ETS, including the soda ash facilities used by companies Soda Polska Ciech S.A., Sodawerk Strassfurt GmbH and S.C. Uzinele Govora S.A. The soda industry will have the right to make use of free allocations up to the level of the emissions ratio of 10% of soda facilities which are most effective with regard to CO₂ emissions (the so-called soda benchmark). Due to higher CO₂ emissivity of solid fuels (black coal and lignite) used to create steam and electricity for Soda Polska Ciech S.A. and Uzinele Sodice Govora S.A. in relation to the emissivity levels of gas used by energy suppliers for soda production used as a product benchmark, the production of soda in Poland and Romania may be subject to particularly acute effects. The principles for the allocation of free CO₂ emission allowances are governed in detail by European Commission decision no. 2011/278/EC of 27 April 2011. Due to the levels of free EUA allocation set by the European Commission, the Ciech Group incurs higher CO₂ allowance acquisition costs since 2013. Furthermore, the Ciech Group recognizes the need to incur higher expenses to limit the emissions of its manufacturing entities.

Preliminary estimates indicate that the number of free allowances for the emission of CO₂ in EU ETS III will cover around 66% of the needs for such units in the Ciech Group. The resulting deficit of allowances to emit carbon dioxide will be possible to balance by using one or more of the following actions:

- the use of emission allowances received free of charge, purchase missing allowances in the auction, on stock exchange or OTC transactions,
- capital investments aimed at reducing the emission of generated heat and/or emissivity of the processes;
- using raw materials and fuels causing lower emission.

In addition to the direct costs associated with the purchase of rights to emit carbon dioxide, all Ciech Group companies will incur higher costs of purchasing power due to the fact that the cost of purchase of emission rights will be transferred on them by manufacturers. These circumstances may have a significant negative impact on the Group's operations, its financial situation and the results of its operating activity.

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

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

The Ciech Group companies completed the preliminary registration for a total of 705 substances subject to the REACH provisions.

19 heavy tonnage substances have already been registered in the 1st stage of registration (proper registration). In the second stage, i.e. up to 31 May 2013 one substance of the tonnage 100-1000 Mg/y was registered. In the 3rd stage, i.e. up to 31 May 2018, 38 substances in quantities 1-100 Mg/y are planned to be registered.

The Ciech Group cannot exclude the risk of conducting future registration – meeting registration deadlines, organizational problems in co-operation within SIEF (Substances Information Exchange Forum) and REACH consortia or incurring significant additional costs associated with the proper registration of substances, which may negatively affect the business activity, financial situation or financial results of the Group.

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

According to the declarations submitted by the management and supervisory persons, it appears that:

- as at 30 June 2014:
 - ✓ Mr Dariusz Krawczyk – President of the Management Board, held 116,980 shares in CIECH S.A.
 - ✓ Mr Artur Osuchowski – Member of the Management Board, held 3,825 shares in CIECH S.A.
- as at the date of publishing of the foregoing report:
 - ✓ Mr Dariusz Krawczyk – President of the Management Board, held 140,000 shares in CIECH S.A.
 - ✓ Mr Artur Osuchowski – Member of the Management Board, held 59,640 shares in CIECH S.A.

Managerial persons did not hold any shares or holdings in related entities.

As at 30 June 2014 the members of the Supervisory Board, then in force, did not hold any shares or holdings in related entities.

According to the declarations submitted by the supervisory persons, it appears that as at the date of preparation of the foregoing financial statements they did not hold any shares in CIECH S.A. or shares or holdings in related entities.

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

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

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

SHAREHOLDERS

To the knowledge of the Company, as at 30 June 2014 there were 2 shareholders holding significant stake (at least 5%) of CIECH S.A. shares: KI Chemistry s. à r. l. with its registered office in Luxembourg and ING Open Pension Fund.

| Shareholder | Type of shares | Number of shares | Number of votes at GSM | Share in total number of votes at GSM | Share in share capital (%) |
|--|-------------------------------|-------------------|------------------------|---------------------------------------|----------------------------|
| KI Chemistry s. à r. l. with its registered office in Luxembourg* | Ordinary bearer shares | 26,952,052 | 26,952,052 | 51.14% | 51.14% |
| ING Open Pension Fund** | Ordinary bearer shares | 5,000,000 | 5,000,000 | 9.49% | 9.49% |
| Others | Ordinary bearer shares | 20,747,857 | 20,747,857 | 39.37% | 39.37% |

* according to the information from 9 June 2014 given by Shareholder under art. 77 item 7 and art. 69 item 1 p. 1 of the public offering act from 29 July 2005 (...) (cr 26/2014)

** based on the list of shareholders holding at least 5% of votes at the Extraordinary General Meeting of Shareholders of CIECH S.A. on 7 July 2014, Cr 51/2014 prepared and published based on art. 70 item 3 of the Public Offering act (...)

10. Information on the issue, redemption and repayment of debt securities and equity securities in the Ciech Group

The information has been presented in point IV.17 of this Report.

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

By virtue of a resolution of 23 May 2014, the Ordinary General Meeting of Shareholders of CIECH S.A. decided to pay the dividend of PLN 59,551 thousand (PLN 1.13 per share). Dividend date was set on 29 May 2014. Dividend payment date was set on 28 November of 2014. 52,699,909 shares are entitled to dividend payment.

By virtue of a resolution of 22 May 2013, the Ordinary General Meeting of Shareholders of CIECH S.A. decided to cover the loss of CIECH S.A. for 2012 amounting to PLN 484,776 thousand from the supplementary capital of the Company. Due to net loss incurred in 2012, CIECH S.A. did not pay dividend in the year 2013.

12. Description of organization and identification of the effects of changes in the structure of the Ciech Group

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

13. Procedures pending in courts, in arbitration proceedings or public administration bodies

The information has been presented in point IV.11 of this Report.

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

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

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

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

III. Information on the presentation principles for the Condensed Interim Consolidated Financial Statements of the Ciech Group for the first half of 2014

1. Basis for preparation of the condensed interim consolidated financial statements of the Ciech Group for the first half of 2014

The presented condensed interim consolidated financial statements for the period from 1 January 2014 to 30 June 2014, including comparative data, were approved by the Management Board of CIECH S.A. on 28 August 2014 to be published on 29 August 2014.

The presented consolidated financial statements have been prepared on a going concern basis.

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

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

Preparation of financial statements in compliance with International Financial Reporting Standards ("IFRS") requires the Management Board to exercise professional judgment, estimates and assumptions that impact the adopted accounting principles and the value of assets, liabilities, income and expenses presented. All estimates and related assumptions are based on historical experience and various other factors considered reasonable under the given circumstances, and the results of such estimates are the basis for professional judgment of the carrying value of assets and liabilities, which does not result directly from other sources. Actual results may differ from these estimates.

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

The Management Board's professional judgments, which have a significant impact on the consolidated financial statements, and the estimates bearing a risk of significant changes in future periods, have been presented in points IV.8 and IV.11 of this Report. During the current interim period there were no significant revisions to the estimated values presented in the previous reporting periods.

The Management Board of the parent company used its best judgment in selecting and interpreting the applicable standards, as well as in the selection of measurement methods and principles for particular items of the Ciech Group's consolidated financial statements as at 30 June 2014. Due diligence was exercised in preparing the tables and notes presented below. The financial statements as at 30 June 2014 present truly and fairly the financial position and the financial performance of the Ciech Group. The management report contains a true depiction of the development, achievements and situation of the Ciech Group, including a description of primary threats and risks.

The Management Board of CIECH S.A. declares that the entity authorised to audit financial statements, reviewing the financial statements for the period from 1 January 2014 to 30 June 2014, was chosen in accordance with the binding legal regulations and it is: KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., having its registered office in Warsaw, entered into the list of entities authorised to audit financial statements under register no. 3546, kept by the National Chamber of Statutory Auditors. The aforesaid entity and the certified auditors performing the review satisfy all conditions necessary to issue an unbiased and independent review report, pursuant to the applicable regulations of domestic law.

2. Adopted accounting principles

The Ciech Group's accounting principles are described in the Consolidated Report of the Ciech Group for the year 2013, published on 21 March 2014. The aforementioned Report includes detailed information regarding the principles and methods of valuation of assets and liabilities and measurement of the financial result, as well as the method of preparing the financial statements and comparative information. These principles have been applied on a continuous basis with relation to currently published data, the last annual financial statements and comparative data.

In connection with a sale of a key company from the agrochemical segment (Alwernia S.A.) and the loss of control over the subsidiary – Infrastruktura Kapuściska S.A. w upadłości (other operations segment in 2014, whereas in 2013 the company's operations were presented in the organic segment) the Ciech Group has reorganized its assets in line with their operating activities. Starting from 1 January 2014 a new segmentation of the Ciech Group companies was introduced. Comparative data were restated, respectively. The accounting principles applied in segment reporting are in line with the Group's accounting policy based on the IFRS.

Amendments to IFRS that came into force from 1 January 2014, has had no significant impact on the consolidated financial statements of the Ciech Group.

The Group intends to adopt amendments to IFRS that are published but not effective as at the date of publication of these consolidated financial statements in accordance with their effective date. The estimated impact of amendments to IFRS on the Ciech Group's future consolidated financial statements was presented in the note 2 of the consolidated financial statements of the Ciech Group for the year 2013 published on 21 March 2014. In the assessment of the Group, amendments to IFRS that came into force between the date of publication of the consolidated financial statements for the year 2013 and the date of publication of this Report will not have significant impact on the financial statements.

3. Functional and presentation currency and conversion principles

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

The functional currencies for significant foreign subsidiaries are:

- Soda Deutschland Ciech Group and Ciech Group Financing AB – functional currency - EUR; presentation currency in the Ciech Group consolidated financial statements – PLN:
 - EUR exchange rate as at the balance sheet date 30 June 2014: 4.1609 PLN (30 June 2013: 4.3292 PLN),
 - EUR average exchange rate (calculated as the arithmetic average of the average EUR exchange rates determined by the National Bank of Poland as at the last day of every month, i.e. from January to June) for the period from 1 January to 30 June 2014: 4.1784 PLN (comparable period: 4.2140 PLN).
- S.C Uzinele Sodice Govora – Ciech Chemical Group S.A – functional currency - RON; presentation currency in the Ciech Group consolidated financial statements – PLN:
 - RON exchange rate as at the balance sheet date 30 June 2014: 0.9488 PLN (30 June 2013: 0.9722 PLN),
 - RON average exchange rate (calculated as the arithmetic average of the average RON exchange rates determined by the National Bank of Poland as at the last day of every month, i.e. from January to June) for the period from 1 January to 30 June 2014: 0.9392 PLN (comparable period: 0.9610 PLN).

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

1. Consolidated entities

Description of organization of the Ciech Group

The parent of the Ciech Group is CIECH Spółka Akcyjna, with its registered office in Warsaw, ul. Puławska 182, registered under number 0000011687 at the Regional Court for the capital city of Warsaw in Warsaw, XIII Commercial Department of the National Court Register.

The Ciech Group is a group of domestic and foreign manufacturing, distribution and trade companies operating in the chemical industry. As at 30 June 2014, it was composed of 37 business entities, including:

- the parent company CIECH S.A.,
- 31 subsidiaries, including:
 - 20 domestic subsidiaries,
 - 11 foreign subsidiaries,
- 3 domestic associates,
- 1 foreign associate,
- 1 foreign jointly-controlled entity.

The parent company has a branch in Ramnicu Valcea, Romania and a branch in Inowrocław. Ciech Trading S.A. subsidiary has a branch in Bydgoszcz.

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

The actual core business of the Ciech Group comprises production of chemical products and sales of chemical products manufactured by the Ciech Group. Apart from that, the Ciech Group sells chemical products acquired outside the Group, mainly from sulfur producers.

Commercial activities are primarily conducted by CIECH S.A. and domestic and foreign commercial companies, being CIECH S.A. subsidiaries while manufacturing activities are carried out by manufacturing plants being CIECH S.A. subsidiaries.

In preparing the consolidated financial statements for the first half of 2014, the following companies were consolidated:

List of consolidated companies and companies measured under the equity method in the first half of 2014 and in the comparable period

| Company/Group name | Consolidation method as at 30.06.2014 and CIECH S.A.'s control | Consolidation method as at 30.06.2013 and CIECH S.A.'s control | Share in equity as at 30.06.2014 | Share in equity as at 30.06.2013 | Business |
|---|--|--|----------------------------------|----------------------------------|---|
| 1) CIECH S.A. | Parent | Parent | - | - | The actual core business of the parent entity is sales of chemical products manufactured within the Ciech Group. Apart from that CIECH S.A. sells chemical products acquired outside the Group, mainly from sulfur producers. Additionally, the CIECH S.A. as a parent company conducts holding activity, manages a portfolio of subsidiaries, provides support services (in the area of sales, purchases, finance, IT) for selected companies in the Group, as well as operates financial activity in the form of direct lending to the companies in the Group. |
| CIECH FINANCE Group | - | - | 100% | 100% | |
| 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 Trademarks Sp. z o.o. (till 15 January 2014 under the name Turia Sp. z o.o.) | Indirect subsidiary of CIECH S.A. – fully consolidated on the level of the Ciech Group | - | 100% | - | - granting licence to the Ciech Group companies to use the trademarks: 'Ciech' 'Ciech Trading' and 'Sól Kujawska naturalna czysta' for business activity purposes. |
| Ciech Trading Group | - | - | 100% | 100% | |
| 3) Ciech Trading S.A. (till 26 February 2013 under the name Cheman S.A.) | Fully consolidated subsidiary of CIECH S.A. | Indirect subsidiary of CIECH S.A. – fully consolidated 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. |

| Company/Group name | Consolidation method as at 30.06.2014 and CIECH S.A.'s control | Consolidation method as at 30.06.2013 and CIECH S.A.'s control | Share in equity as at 30.06.2014 | Share in equity as at 30.06.2013 | Business |
|---|---|---|----------------------------------|----------------------------------|--|
| 3.1) Janikowskie Zakłady Sodowe JANIKOSODA S.A. | Indirect subsidiary of CIECH S.A. – fully consolidated on the level of the Ciech Group | Indirect subsidiary of CIECH S.A. – fully consolidated on the level of the Ciech Group | 100% | 100% | - 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. |
| 3.1.1) S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. | Indirect subsidiary of CIECH S.A. – fully consolidated on the level of the Ciech Group. | Indirect subsidiary of CIECH S.A. – fully consolidated on the level of the Ciech Group. | 93.19% | 92.91% | - manufacture of other basic inorganic chemicals, - wholesale of chemical products. |
| 4) CIECH NIERUCHOMOŚCI S.A. (till 18 June 2014 under the name Inowrocławskie Zakłady Chemiczne SODA MĄTWY S.A.) | Fully consolidated subsidiary of CIECH S.A. | Fully consolidated subsidiary of CIECH S.A. | 100% | 100% | - 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. |
| Soda Polska Ciech Group | | Fully consolidated lower- tier Group | 100% | 100% | |
| 5) Soda Polska Ciech S.A. | Fully consolidated subsidiary of CIECH S.A. | lower – tier parent | 100% | 100% | - production of other basic inorganic chemicals, - wholesale of chemical products, - power generation and distribution, |
| 5.1) TRANSODA Sp. z o.o. | Indirect subsidiary of CIECH S.A. – fully consolidated on the level of the Ciech Group | Indirect subsidiary of CIECH S.A. – full consolidation at lower tier | 100% | 100% | - freight transport services, |
| 5.2) Sagrera Sp. z o.o. | Indirect subsidiary of CIECH S.A. – fully consolidated on the level of the Ciech Group | - | 100% | - | |

| Company/Group name | Consolidation method as at 30.06.2014 and CIECH S.A.'s control | Consolidation method as at 30.06.2013 and CIECH S.A.'s control | Share in equity as at 30.06.2014 | Share in equity as at 30.06.2013 | Business |
|--|---|--|----------------------------------|----------------------------------|---|
| 6) „Alwernia” S.A. | The company was sold on 25 July 2013. | Fully consolidated subsidiary of CIECH S.A. | - | 99.62% | <ul style="list-style-type: none"> - manufacture of other basic inorganic chemicals, - manufacture of dyes and pigments, - manufacture of organic chemicals (basic and other), - manufacture of chemical fertilizers and nitrogen compounds, - manufacture of gypsum, - production of heat (steam and hot water). |
| 7) CIECH-POLSIN PRIVATE LIMITED | Fully consolidated subsidiary of CIECH S.A. | Fully consolidated subsidiary of CIECH S.A. | 98.00% | 98.00% | <ul style="list-style-type: none"> - wholesale and retail sale of a variety of goods in the Far East markets. |
| 8) VITROSILICON Spółka Akcyjna | Fully consolidated subsidiary of CIECH S.A. | Fully consolidated subsidiary of CIECH S.A. | 100% | 100% | <ul style="list-style-type: none"> - manufacture of other basic inorganic chemicals, - manufacture of household and technical glassware, - manufacture of plastic packaging goods, - manufacture of other plastic products. |
| 9) Przedsiębiorstwo Transportowo-Usługowe TRASCLEAN Sp. z o.o. | Fully consolidated subsidiary of CIECH S.A. | Fully consolidated subsidiary of CIECH S.A. | 100% | 100% | <ul style="list-style-type: none"> - international transport of liquid chemicals, - tank truck and rail cisterns wash |
| Organika Sarzyna Group | Fully consolidated lower- tier Group | - | 99.64% | 99.64% | |
| 10) Zakłady Chemiczne „Organika-Sarzyna” S.A. | Lower-tier parent | Fully consolidated subsidiary of CIECH S.A. | 99.64% | 99.64% | <ul style="list-style-type: none"> - manufacture of plastics, - manufacture of pesticides and other chemical products, |
| 10.1) Verbis KAPPA Sp. z o.o. | Indirect subsidiary of CIECH S.A. – full consolidation at lower tier. | - | 99.64% | | <ul style="list-style-type: none"> - other financial intermediation. |
| 10.2) Verbis KAPPA Sp. z o.o. SKA | Indirect subsidiary of CIECH S.A. – full consolidation at lower tier. | - | 99.64% | | <ul style="list-style-type: none"> - other financial intermediation, |
| 10.3) Algete Sp. z o.o. | Indirect subsidiary of CIECH S.A. – full consolidation at lower tier. | - | 99.64% | | <ul style="list-style-type: none"> - property management services. |
| Infrastruktura Kapuściska Group | | Fully consolidated lower - tier Group | - | 99.00% | The former core business: <ul style="list-style-type: none"> - manufacture of organic and other inorganic chemicals, |

| Company/Group name | Consolidation method as at 30.06.2014 and CIECH S.A.'s control | Consolidation method as at 30.06.2013 and CIECH S.A.'s control | Share in equity as at 30.06.2014 | Share in equity as at 30.06.2013 | Business |
|---|--|---|----------------------------------|----------------------------------|---|
| 11) Infrastruktura Kapuściska S.A. w upadłości (till 14 August 2013 under the name ZACHEM S.A.) | The company is not consolidated due to loss of control - bankruptcy declared on 14 March 2014. | Lower tier parent | - | 99.00% | - manufacture and sales of plastics, - manufacture of plastic plates, sheets, tubes and profiles, - manufacture of dyes and pigments, - services of installation - repairs and maintenance of general purpose machinery, not elsewhere classified |
| 11.1) UCR Technika Spółka z ograniczoną odpowiedzialnością (till 12 November 2013 under the name Zachem UCR Sp. z o.o.) | - | Indirect associate of CIECH S.A. - measurement under the equity method at lower tier. | - | 24.78% | In connection with the cessation of TDI and ECH production in the company, the core business of the Company was changed which was registered on 18 March 2013. The core business pursuant to the resolution of the EGM of Infrastruktura Kapuściska S.A. w upadłości of 7 December 2012 is as follows: |
| 11.2) ZACHEM Epichlorohydryna Sp. z o.o. w likwidacji | - | Indirect associate of CIECH S.A. - measurement under the equity method at lower tier. | - | 99.00% | - distribution and sale of electricity and heat; - steam, hot water and air conditioning production and supply - buying and selling of own real estate; - lease and management of property; |
| 11.3) ZACHEM Energetyka Sp. z o.o. | - | Indirect subsidiary of CIECH S.A. – full consolidation at lower tier | - | 99.00% | - performing the duties of a Trade and Technical Operator in respect of 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, |
| 11.4) ZACHEM Park Sp. z o.o. w likwidacji | - | Indirect subsidiary of CIECH S.A. – full consolidation at lower tier | - | 99.00% | - water collection, treatment and supply, - collection and purifying of sewage. |
| Soda Deutschland Ciech Group | Fully consolidated lower- tier Group | Fully consolidated lower- tier Group | 100% | 100% | - manufacture of other basic inorganic chemicals, - wholesale of chemical products, |
| 12) Soda Deutschland Ciech GmbH | Lower-tier parent | Lower-tier parent | 100% | 100% | - production and distribution of electricity. |
| 12.1) 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% | |
| 12.1.1) 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% | |

| Company/Group name | Consolidation method as at 30.06.2014 and CIECH S.A.'s control | Consolidation method as at 30.06.2013 and CIECH S.A.'s control | Share in equity as at 30.06.2014 | Share in equity as at 30.06.2013 | Business |
|---|---|---|----------------------------------|----------------------------------|---|
| 12.1.2) 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% | |
| 12.1.3) 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% | |
| 12.1.4) 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% | |
| 13) 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 inorganic chemicals. |
| 14) Ciech Group Financing AB | Fully consolidated subsidiary of CIECH S.A. | 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. |
| 15) 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. SKA, - its main objective is to manage the activities of Verbis ETA Sp. z o.o. SKA |
| 16) Verbis ETA Sp. z o.o. SKA | Fully consolidated subsidiary of CIECH S.A. | - | 100% | - | - conducting financial activity, particularly direct lending to the Ciech Group companies. |

2. Effects of changes to the organizational structure of the Ciech Group in the first half of 2014, including legal mergers, acquisitions or disposals of the group's entities, long-term investments, demergers, restructuring and discontinued operations

In the first half of 2014 the following significant changes occurred in relation to companies in which CIECH S.A. owns a direct share, leading to changes in the structure of the Ciech Group:

Infrastruktura Kapuściska S.A. w upadłości

On 14 March 2014 the District Court in Bydgoszcz, XV Commercial Department, issued a decision in a closed session which approved Infrastruktura Kapuściska S.A.'s file for bankruptcy (submitted on 30 December 2013) and declared the bankruptcy of Infrastruktura Kapuściska S.A. involving liquidation of assets ("Decision"). The decision became valid on 21 March 2014, due to failure to submit a complaint by Infrastruktura Kapuściska S.A.

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

Ciech Trademarks Sp. z o.o.

Based on the Court's decision dated 15 January 2014 Turia Sp. z o.o. changed its business name to Ciech Trademarks Sp. z o.o. The change was made on the Extraordinary General Meeting of Shareholders of Turia Sp. z o.o. on 20 December 2013.

Ciech Trading S.A.

On 15 April 2014 the District Court in Warsaw issued a decision concerning the registration of share capital increase of Ciech Trading S.A. made by the Extraordinary General Meeting of the company on 1 April 2014. The share capital was increased by PLN 9,000 thousand, i.e. from PLN 53,950 thousand to PLN 62,950 thousand by issuing 1,000,000 series "Ł" ordinary registered shares with a face value of PLN 9 each and the issue price equal to face value. "Ł" series shares were offered by private subscription to CIECH S.A. in exchange for cash. In accordance with the Share Purchase Agreement dated 3 April 2014 CIECH S.A. gained an ownership right to series "Ł" shares on 3 April 2014. The share of CIECH S.A. in the share capital of the company after the share capital increase amounts to 73.11%.

Ciech Nieruchomości S.A.

On 30 May 2014 the Ordinary General Shareholders' Meeting of Inowrocławskie Zakłady Chemiczne SODA MĄTWY S.A. changed the company's Articles of Association by changing the company's name from Inowrocławskie Zakłady Chemiczne SODA MĄTWY S.A. to Ciech Nieruchomości S.A. The new wording of the company's name is effective from 18 June 2014, i.e. from the date of the District Courts' in Warsaw decision on the registration of the change in the company's Articles of Association.

Algete Sp. z o.o. – On 9 April 2014 the Extraordinary General Shareholders' Meeting of Algete Sp. z o.o. increased the share capital by PLN 1,000 thousand through the creation of 20,000 shares with a face value of PLN 50 each. New shares were acquired by Z.Ch. „Organika-Sarzyna” S.A. in exchange for cash contribution in the amount of PLN 43,500 thousand. The surplus of the cash contribution over the nominal value of shares will be transferred to the reserve capital of the company. Due to the increase, the share capital will rise to the amount of PLN 1,005 thousand and will be divided into 20,100 shares. Z. Ch. „Organika-Sarzyna” S.A. still remains the 100 % shareholder of the company. As at the date of approving of the consolidated financial statements, the above mentioned share capital increase has not been registered yet by the District Court in Rzeszów.

Uzinele Sodice Govora – Ciech Chemical Group S.A. – JANIKOSODA S.A., the majority shareholder of Uzinele Sodice Govora – Ciech Chemical Group S.A., made a public offer to minority shareholders wishing to sell their shares in Uzinele Sodice Govora – Ciech Chemical Group S.A.

As a result of the transaction made through the Stock Exchange in Bucharest on 15 April 2014, JANIKOSODA S.A. became the owner of 397,214 shares of the company of the total value of PLN 105 thousand (RON 111 thousand) constituting 0.2735 % of the share capital. Thus, the stake of JANIKOSODA in the share capital of Uzinele Sodice Govora – Ciech Chemical Group S.A. increased from 92.91% to 93.19%.

3. Financial data by business segments

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

| The Ciech Group OPERATING SEGMENTS 01.01-30.06.2014 PLN '000 | Soda Segment | Organic Segment | Silicates and Glass Segment | Other operations Segment | including: discontinued operations: | Corporate functions - reconciliation item | Eliminations (consolidation adjustments) | TOTAL |
|---|-------------------------|----------------------------|--|---|--|--|---|------------------|
| Revenues from third parties | 992,267 | 446,409 | 184,134 | 36,220 | - | - | - | 1,659,030 |
| Revenues from inter-segment transactions | 11,773 | 6,539 | - | 10,519 | - | - | (28,831) | - |
| Total revenues | 1,004,040 | 452,948 | 184,134 | 46,739 | - | - | (28,831) | 1,659,030 |
| Cost of sales | (764,856) | (380,918) | (142,716) | (32,540) | - | - | 18,861 | (1,302,169) |
| Gross profit/(loss) on sales | 239,184 | 72,030 | 41,418 | 14,199 | - | - | (9,970) | 356,861 |
| Selling costs | (66,488) | (17,366) | (27,308) | 493 | - | (5,128) | 7,065 | (108,732) |
| General and administrative expenses | (32,123) | (12,077) | (2,824) | (2,279) | - | (25,546) | 2,993 | (71,856) |
| Result on management of receivables | (3,092) | (7,254) | (248) | (9,608) | (9,360) | - | - | (20,202) |
| Result on other operating activities | (1,372) | (4,766) | (176) | 1,039 | 7,828 | - | (223) | (5,498) |
| Operating profit/(loss) | 136,109 | 30,567 | 10,862 | 3,844 | (1,532) | (30,674) | (135) | 150,573 |
| Exchange differences and interest on trade settlements | (4,433) | (1,796) | (7,235) | 786 | - | - | 2,036 | (10,642) |
| Group borrowing costs | - | - | - | - | - | (71,578) | - | (71,578) |
| Result on financial activity (non-attributable to segments) | - | - | - | - | - | (19,030) | - | (19,030) |
| Share of profit of equity-accounted investees | 401 | - | - | - | - | - | - | 401 |
| Profit/(loss) before tax | 132,077 | 28,771 | 3,627 | 4,630 | (1,532) | (121,282) | 1,901 | 49,724 |
| Income tax | | | | | | | | (23,178) |
| Net profit/(loss) | | | | | | | | 26,546 |
| Amortisation/depreciation | 76,424 | 16,387 | 5,762 | 58 | - | 2,087 | - | 100,718 |
| EBITDA | 212,533 | 46,954 | 16,624 | 3,902 | (1,532) | (28,587) | (135) | 251,291 |
| <i>Normalized EBITDA*</i> | <i>225,120</i> | <i>52,041</i> | <i>16,601</i> | <i>2,619</i> | <i>X</i> | <i>(28,587)</i> | <i>(135)</i> | <i>267,659</i> |

*Normalized EBITDA for the 6 months ended 30 June 2014 is calculated as EBITDA adjusted by one-off events: impairment allowances of assets: PLN -18.8 million, unused production capacity: PLN -3.8 million, restructuring costs: PLN -1.4 million, the result on loss of control over Infrastruktura Kapuściska S.A. w upadłości excluding the allowances on receivables from Infrastruktura Kapuściska S.A. w upadłości: PLN 7.8 million; other: PLN -0.1 million.

| The Ciech Group OPERATING SEGMENTS 01.01.-30.06.2013* PLN '000 | Soda Segment | Organic Segment | Silicates and Glass Segment | Other operations Segment | <i>including: discontinued operations</i> | Corporate functions - reconciliation item | Eliminations (consolidation adjustments) | TOTAL |
|---|-------------------------|----------------------------|--|-------------------------------------|---|--|---|------------------|
| Revenues from third parties | 963,867 | 492,238 | 178,558 | 247,864 | 215,508 | - | - | 1,882,527 |
| Revenues from inter-segment transactions | 29,689 | 17,670 | 1 | 32,627 | - | - | (79,987) | - |
| Total revenues | 993,556 | 509,908 | 178,559 | 280,491 | 215,508 | - | (79,987) | 1,882,527 |
| Cost of sales | (816,486) | (431,014) | (142,097) | (235,396) | (186,842) | - | 66,300 | (1,558,693) |
| Gross profit/(loss) on sales | 177,070 | 78,894 | 36,462 | 45,095 | 28,666 | - | (13,687) | 323,834 |
| Selling costs | (55,602) | (18,961) | (26,723) | (15,868) | (8,320) | - | 10,366 | (106,788) |
| General and administrative expenses | (34,760) | (11,910) | (3,567) | (19,911) | (17,494) | (26,361) | 3,060 | (93,449) |
| Result on management of receivables | (1,298) | (468) | 32 | (934) | (1,707) | - | - | (2,668) |
| Result on other operating activities | (22,676) | (3,211) | 1,626 | 24,214 | 25,789 | - | (167) | (214) |
| Operating profit/(loss) | 62,734 | 44,344 | 7,830 | 32,596 | 26,934 | (26,361) | (428) | 120,715 |
| Exchange differences and interest on trade settlements | (2,399) | (7,470) | (7,644) | (20,808) | (12,886) | 1,775 | 2 | (36,544) |
| Group borrowing costs | - | - | - | - | - | (74,156) | - | (74,156) |
| Result on financial activity (non-attributable to segments) | - | - | - | - | - | 42,226 | - | 42,226 |
| Share of profit of equity-accounted investees | 185 | - | - | - | - | - | - | 185 |
| Profit/(loss) before tax | 60,520 | 36,874 | 186 | 11,788 | 14,048 | (56,516) | (426) | 52,426 |
| Income tax | | | | | | | | 3,736 |
| Net profit/(loss) | | | | | | | | 56,162 |
| Amortisation/depreciation | 79,728 | 13,472 | 5,646 | 4,218 | 4,147 | 1,808 | - | 104,872 |
| EBITDA | 142,462 | 57,816 | 13,476 | 36,814 | 31,081 | (24,553) | (428) | 225,587 |
| <i>Normalized EBITDA**</i> | <i>173,067</i> | <i>61,900</i> | <i>13,580</i> | <i>13,566</i> | <i>x</i> | <i>(24,553)</i> | <i>(428)</i> | <i>237,132</i> |

* Restated.

** EBITDA normalized for the 6 months ended 30 June 2013 is calculated as EBITDA adjusted by one-off events: impairment allowances of assets: PLN -158.4 million, execution of the Agreement for Sale and Transfer of TDI Assets: PLN 176.7 million, result on sale of other non-financial fixed assets: PLN 7.4 million, unused production capacity: PLN -39.1 million, reversal of provision for compensation: PLN 34.1 million, restructuring costs: PLN -16.5 million, recognition of provision for liabilities: PLN -12.5 million, liquidation of materials and property, plant and equipment: PLN -4.9 million, other: PLN 1.6 million.

The Ciech Group
ASSETS AND LIABILITIES BY OPERATING SEGMENTS

| 30.06.2014 <i>PLN '000</i> | Soda Segment | Organic Segment | Silicates and Glass Segment | Other operations Segment | Corporate functions - reconciliation item | Eliminations (consolidation adjustments) | TOTAL |
|--|-------------------------------|----------------------------------|--|---|--|---|------------------|
| Property, plant and equipment | 1,445,961 | 301,389 | 76,065 | 194 | 78 | - | 1,823,687 |
| Intangible assets | 74,410 | 30,134 | 1,594 | 612 | 6,921 | - | 113,671 |
| - goodwill | 46,152 | 15,070 | 39 | - | - | - | 61,261 |
| Investments in associates and jointly controlled entities measured under the equity method | 4,976 | - | - | - | - | - | 4,976 |
| Inventory | 92,676 | 88,096 | 30,399 | 2,905 | - | (615) | 213,461 |
| Trade receivables | 169,404 | 174,851 | 16,955 | 13,115 | - | (12,540) | 361,785 |
| Non-current assets classified as held for sale that were included in the previous periods under segment assets | - | - | 368 | 2,241 | - | - | 2,609 |
| Other assets | - | - | - | - | 490,459 | - | 490,459 |
| Total assets | 1,787,427 | 594,470 | 125,381 | 19,067 | 497,458 | (13,155) | 3,010,648 |
| Trade liabilities | 199,813 | 106,810 | 16,935 | 6,558 | - | (12,507) | 317,609 |
| Other liabilities | - | - | - | - | 1,831,563 | - | 1,831,563 |
| Total liabilities | 199,813 | 106,810 | 16,935 | 6,558 | 1,831,563 | (12,507) | 2,149,172 |

The Ciech Group
ASSETS AND LIABILITIES BY OPERATING SEGMENTS

| 30.06.2013* <i>PLN '000</i> | Soda Segment | Organic Segment | Silicates and Glass Segment | Other operations Segment | Corporate functions - reconciliation item | Eliminations (consolidation adjustments) | TOTAL |
|---|-------------------------|----------------------------|--|-------------------------------------|--|---|------------------|
| Property, plant and equipment | 1,504,383 | 304,373 | 66,641 | 81,173 | 1,470 | - | 1,958,040 |
| Intangible assets | 95,731 | 35,243 | 1,516 | 643 | 4,284 | - | 137,417 |
| - goodwill | 48,020 | 15,070 | 39 | - | - | - | 63,129 |
| Investments in associates and jointly controlled entities measured under the equity method | 4,805 | - | - | - | - | - | 4,805 |
| Inventory | 123,092 | 77,251 | 40,623 | 3,198 | - | (988) | 243,176 |
| Trade receivables* | 249,357 | 164,563 | 29,015 | 31,112 | - | (23,167) | 450,880 |
| Non-current assets classified as held for sale that were included in the previous periods under segment assets | - | - | 368 | 66,983 | - | - | 67,351 |
| Other assets classified as held for sale | - | - | - | - | 24,941 | - | 24,941 |
| Other assets | - | - | - | - | 748,648 | - | 748,648 |
| Total assets | 1,977,368 | 581,430 | 138,163 | 183,109 | 779,343 | (24,155) | 3,635,258 |
| Trade liabilities | 268,279 | 97,261 | 36,413 | 45,037 | - | (23,451) | 423,539 |
| Liabilities related to non-current assets classified as held for sale that were included in the previous periods under segment liabilities | - | - | - | 4,336 | - | - | 4,336 |
| Other liabilities held for sale | - | - | - | - | 30,488 | - | 30,488 |
| Other liabilities | - | - | - | - | 2,271,469 | - | 2,271,469 |
| Total liabilities | 268,279 | 97,261 | 36,413 | 49,373 | 2,301,957 | (23,451) | 2,729,832 |

*Restated.

The Ciech Group
OTHER FINANCIAL DATA BY OPERATING SEGMENTS

| 01.01.-30.06.2014 PLN '000 | Soda Segment | Organic Segment | Silicates and Glass Segment | Other operations Segment | including: discontinued operations | Corporate functions - reconciliation item | Eliminations (consolidation adjustments) | TOTAL |
|--|-----------------|--------------------|--------------------------------|--------------------------------|--|---|--|--------|
| Recognised impairment losses | 17,036 | 10,729 | 520 | 16,347 | 9,360 | - | - | 44,632 |
| Reversed impairment losses | 3,852 | 901 | 2,606 | 158 | - | - | - | 7,517 |
| Recognised impairment losses (non-attributable to segments), including: | - | - | - | - | - | 21,810 | - | 21,810 |
| - <i>discontinued operations</i> | - | - | - | - | - | 8,533 | - | 8,533 |
| Reversed impairment losses (non-attributable to segments) | - | - | - | - | - | 371 | - | 371 |
| Interest income attributable to segments | 74 | 1,502 | - | 464 | - | - | - | 2,040 |
| Interest income recognised under Corporate Functions | - | - | - | - | - | 7 | - | 7 |
| Interest expense attributable to segments | 1,303 | 2 | 2 | 2 | - | - | - | 1,309 |
| Interest expense recognised under Corporate Functions | - | - | - | - | - | 66,551 | - | 66,551 |

The Ciech Group
OTHER FINANCIAL DATA BY OPERATING SEGMENTS

| 01.01.-30.06.2013* PLN '000 | Soda Segment | Organic Segment | Silicates and Glass Segment | Other operations Segment | including: discontinued operations | Corporate functions - reconciliation item | Eliminations (consolidation adjustments) | TOTAL |
|---|--------------|-----------------|-----------------------------|--------------------------|------------------------------------|---|--|---------|
| Recognised impairment losses | 7,303 | 819 | 1,344 | 180,325 | 180,087 | - | - | 189,791 |
| Reversed impairment losses | 1,084 | 911 | 421 | 28,908 | 27,814 | - | - | 31,324 |
| Recognised impairment losses (non-attributable to segments), including: | - | - | - | - | - | 28,633 | - | 28,633 |
| - discontinued operations | - | - | - | - | - | 28,011 | - | 28,011 |
| Reversed impairment losses (non-attributable to segments), including: | - | - | - | - | - | 521 | - | 521 |
| - discontinued operations | - | - | - | - | - | 80 | - | 80 |
| Interest income attributable to segments | 1,075 | 443 | - | 264 | 158 | - | (688) | 1,094 |
| Interest income recognised under Corporate Functions | - | - | - | - | - | 1,640 | - | 1,640 |
| Interest expense attributable to segments | 1,442 | 2 | 21 | 841 | 625 | - | (688) | 1,618 |
| Interest expense recognised under Corporate Functions | - | - | - | - | - | 71,982 | - | 71,982 |

*Restated.

The Ciech Group
INFORMATION ON GEOGRAPHICAL AREAS

| 01.01.-30.06.2014 <i>PLN '000</i> | Poland | European Union (excluding Poland) | Other European countries | Africa | Asia | Other regions | TOTAL |
|---|------------------|--|---------------------------------|---------------|--------------|----------------------|------------------|
| Sales revenues | 661,557 | 786,234 | 89,072 | 87,819 | 19,008 | 15,340 | 1,659,030 |
| 01.01.-30.06.2013 <i>PLN '000</i> | Poland | European Union (excluding Poland) | Other European countries | Africa | Asia | Other regions | TOTAL |
| Sales revenues | 692,552 | 857,062 | 144,201 | 116,367 | 54,499 | 17,846 | 1,882,527 |
| 30.06.2014 <i>PLN '000</i> | Poland | European Union (excluding Poland) | Other European countries | Africa | Asia | Other regions | TOTAL |
| Non-current assets other than financial instruments | 1,391,880 | 709,618 | - | - | - | - | 2,101,498 |
| Deferred income tax assets | 85,473 | 4,751 | - | - | - | - | 90,224 |
| Other assets | 364,505 | 418,092 | 25,746 | 782 | 7,453 | 2,348 | 818,926 |
| Total assets | 1,841,858 | 1,132,461 | 25,746 | 782 | 7,453 | 2,348 | 3,010,648 |
| 30.06.2013 <i>PLN '000</i> | Poland | European Union (excluding Poland) | Other European countries | Africa | Asia | Other regions | TOTAL |
| Non-current assets other than financial instruments | 1,392,849 | 866,505 | - | - | 179 | - | 2,259,533 |
| Deferred income tax assets | 47,446 | 4,522 | - | - | - | - | 51,968 |
| Other assets | 833,680 | 417,183 | 55,273 | 10,398 | 6,421 | 802 | 1,323,757 |
| Total assets | 2,273,975 | 1,288,210 | 55,273 | 10,398 | 6,600 | 802 | 3,635,258 |

4. Balance-sheet exposure to currency risk

The table below presents the estimated balance sheet currency exposure of the Ciech Group in euro as at 30 June 2014 due to financial instruments (excluding figures of the Soda Deutschland Ciech Group):

| Exposure to currency risk in EUR | (EUR '000) | Impact on statement of profit or loss | Impact on statement of other comprehensive income |
|--|------------------|---------------------------------------|---|
| Assets | | | |
| Loans granted to Soda Deutschland Ciech Group | 46,088 | X | |
| Trade and other receivables | 22,057 | X | |
| Cash including bank deposits | 2,020 | X | |
| Liabilities | | | |
| Trade and other liabilities | (24,177) | X | |
| Loans, borrowings and bonds (hedge accounting) | (245,000) | | X |
| Hedging Instruments: Forward | (25,250) | | X |
| Total exposure | (224,262) | | |

The table contains an analysis of the sensitivity of individual items of statement of financial position to foreign exchange rate changes as at 30 June 2014:

| Analysis of sensitivity to foreign exchange rate changes | (PLN '000)* | Impact on statement of profit or loss | Impact on statement of other comprehensive income |
|--|-------------|---------------------------------------|---|
| Currency items of statement of financial position | (1,990) | 460 | (2,450) |
| Hedging Instruments: Forward | (253) | | (253) |

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

5. Information on fair value of financial instruments

a) Financial instruments measured at fair value

As at 30 June 2014 the Ciech Group had the following financial instruments measured at fair value: interest rate swap, USD/PLN forward and EUR/PLN forward.

The fair value of interest rate swap is measured as the difference between discounted interest cash flows (cash flows based on variable interest rate, so-called floating leg, and cash flows based on fixed interest rate, so-called fixed leg). The input data is the market interest rate from Reuters. The fair value of the currency forward is determined as a difference between the transaction rate and the forward rate at the valuation date multiplied by the nominal value of the contract in the foreign currency. Input data to the valuation is the market interest rate and spot exchange rate from Reuters, based on which the forward rate is calculated.

The fair value of the interest rate swap as at 30 June 2014 amounted to PLN -1,904 thousand (PLN -1,232 thousand – other non-current liabilities; PLN -672 thousand – other current liabilities). The fair value of the USD/PLN forward as at 30 June 2014 amounted to PLN -11 thousand, the fair value of the EUR/PLN forward as at 30 June 2014 amounted to PLN 1,478 thousand – total fair value of these financial instruments was presented in line “short-term investments”. According to the fair value hierarchy, it is Level 2.

In the first half of 2014 there were no transfers within the fair value hierarchy of instruments measured at fair value.

b) Financial instruments not measured at fair value

The Ciech Group issued foreign and domestic bonds, whose carrying amount as of 30 June 2014 amounts to PLN 1,156,755 thousand and fair value to PLN 1,319,591 thousand.

For the remaining financial instruments of the Ciech Group (classified mainly as cash, loans and receivables, financial liabilities measured at amortized cost and financial liabilities excluded from the scope of IAS 39) their fair value was close to their carrying amount.

c) Presentation of bond liabilities

Due to the change of control over CIECH S.A., in accordance with the terms and conditions of the issue of Polish bonds, the bond holders had the right to demand an early redemption of bonds, which resulted in the necessity to recognize them as short-term debt. None of the bond holders exercised the right within the time limit set in the terms and conditions, i.e. 8 July 2014. Moreover, in accordance with the terms and conditions of the issue of foreign bonds, a bid for foreign bonds redemption has been carried out, which also resulted in the necessity to recognize them as short-term debt. After the balance sheet date the foreign bond holders did not respond to the offer.

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

No non-standard or non-routine transactions were concluded within the Ciech Group in the first half of 2014.

7. Information on loan and borrowings sureties or guarantees granted by CIECH S.A. or its subsidiaries

Sureties and guarantees granted as at 30 June 2014

| Beneficiary's name | Total amount of liabilities covered by guarantee in whole or in specific part | | Guarantee period | Financial terms, including guarantee fee due to the company | Principal | Nature of relations between CIECH S.A. and the principal |
|---|---|-------------|---|---|--|--|
| | currency '000 | PLN '000 | | | | |
| CIECH S.A. | | | | | | |
| Deutsche Trustee Company Limited; bond holders* | EUR 245,000 | 1,019,421** | Until full redemption of bonds (max term 30.11.2019) | Commission of 0.55% p.a of the difference between the limit of the guarantee collateralised by assets and a surplus of the guarantee limit, collateral of liabilities due to bonds issued | Ciech Group Financing AB | Subsidiary |
| Anwil S.A. | PLN 15,000 | 15,000 | 30.06.2015 | Commission of 1.5% p.a. of the guaranteed liability; collateral of liability | Ciech Trading S.A. | Subsidiary |
| Alwernia S.A. | PLN 1,000 | 1,000 | Liabilities incurred and outstanding up to 31.12.2014 | Commission of 1.5% p.a. of the guaranteed liability; collateral of liability | Ciech Trading S.A. | Subsidiary |
| Spolana a.s. | EUR 1,500 | 6,241 | Liabilities incurred and outstanding up to 31.12.2014 | Commission of 1.5% p.a. of the guaranteed liability collateral of liability | Ciech Trading S.A. | Subsidiary |
| Butting GmbH & Co. KG | EUR 400 | 1,664 | 31.12.2014 | Commission of 1.5% p.a. of the guaranteed liability | Uzinele Sodice Govora S.A. | Subsidiary |
| BASF Polska Sp. z o.o., BASF SE | EUR 10,000 | 41,609 | Maximum till 12.03.2017 | Guarantee for certain liabilities and warranties made by Infrastruktura Kapuściska S.A. w upadłości within the Agreement for Sale and Transfer of TDI assets to BASF | Infrastruktura Kapuściska S.A. w upadłości | - |
| FLSmidth Wiesbaden GmbH | EUR 317 | 1,318 | 30.04.2015 | Commission of 1.5% p.a. of the guaranteed liability | Uzinele Sodice Govora S.A. | Subsidiary |
| ICL Fertilizers Europe C.V. | USD 2,000 | 6,095 | 15.12.2014 | Commission of 1.5% p.a. of the guaranteed liability | Ciech Trading S.A. | Subsidiary |
| KPMG Sp. z o.o. sp.k. | PLN 29 | 29 | Expired on 28.07.2014 | Collateral of liability | Infrastruktura Kapuściska S.A. w upadłości | - |
| EMDE Industrie-Technik Gesellschaft fuer Rationalisierung und Verfahrenstechnik | EUR 557 | 2,316 | Expired on 6.08.2014 | Commission of 1.5% p.a. of the guaranteed liability | Uzinele Sodice Govora S.A. | Subsidiary |

| Beneficiary's name | Total amount of liabilities covered by guarantee in whole or in specific part | | Guarantee period | Financial terms, including guarantee fee due to the company | Principal | Nature of relations between CIECH S.A. and the principal |
|--|---|------------------|----------------------|---|----------------------------|--|
| | currency '000 | PLN '000 | | | | |
| mbH | | | | | | |
| S.C. Popeci Utilaj Greu SA | EUR 299 | 1,246 | Expired on 6.08.2014 | Commission of 1.5% p.a. of the guaranteed liability | Uzinele Sodice Govora S.A. | Subsidiary |
| Total amount of guarantees and sureties granted | | 1,095,939 | | | | |

* Guarantees granted by CIECH S.A. and selected subsidiaries in Poland, Germany and Romania.

** 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).

8. Provision and impairment allowances on assets

The Ciech Group's consolidated financial statements for the first half of 2014 disclosed the following changes (recognition, use and reversal) of provisions and impairment allowances on assets.*

| Provision increase (PLN'000) | 01.01.-30.06.2014 | 01.01.-30.06.2013 |
|---|--------------------------|--------------------------|
| Deferred income tax liability | 27,247 | 21,035 |
| Provision for employee benefits and bonuses | 1,701 | 1,103 |
| Provision for environmental protection | 251 | 253 |
| Provision for liabilities (costs) | 837 | 21,199 |
| Provision for expected losses | 11 | 18 |
| Total | 30,047 | 43,608 |
| Provision decrease (including use and reversal) (PLN'000) | 01.01.-30.06.2014 | 01.01.-30.06.2013 |
| Deferred income tax liability | 17,976 | 27,123 |
| Provision for employee benefits and bonuses | 1,813 | 37,231 |
| Provision for environmental protection | 21,348 | 1,176 |
| Provision for restructuring | - | 191 |
| Provision for liabilities (costs) | 13,960 | 37,047 |
| Provision for expected losses | 1,890 | - |
| Total | 56,987 | 102,768 |
| Impairment of assets (increase) (PLN'000) | 01.01.-30.06.2014 | 01.01.-30.06.2013 |
| Impairment of property, plant and equipment | 2,348 | 178,736 |
| Impairment of intangible assets | 12,145 | - |
| Impairment of current receivables | 35,414 | 3,856 |
| Impairment of inventory | 3,850 | 3,247 |
| Impairment of long-term investments | 11 | - |
| Impairment of short-term investments | 21,810 | - |
| Total | 75,578 | 185,839 |
| Impairment of assets decrease (including use and reversal) (PLN'000) | 01.01.-30.06.2014 | 01.01.-30.06.2013 |
| Impairment of property, plant and equipment** | 195,816 | 36,400 |
| Impairment of current receivables | 23,742 | 3,339 |
| Impairment of intangible assets | 21,474 | 13,554 |
| Impairment of inventory | 4,642 | 9,873 |
| Impairment of long-term investments | - | 3,331 |

| Impairment of assets decrease (including use and reversal) (PLN'000) | 01.01.-30.06.2014 | 01.01.-30.06.2013 |
|---|--------------------------|--------------------------|
| Impairment of short-term investments | - | 62 |
| Total | 245,674 | 66,559 |
| Change in deferred income tax assets (PLN'000) | 01.01.-30.06.2014 | 01.01.-30.06.2013 |
| Increase | 36,710 | 83,422 |
| Decrease | 24,108 | 36,809 |

* Information does not include provisions and impairment allowances on assets classified as assets held for sale.

** including mainly impairment of assets decrease concerning change of the Group structure (loss of control over Infrastruktura Kapuściska S.A. w upadłości as a consequence of the bankruptcy of the company).

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

Tax effect of each component of other comprehensive income of the Ciech Group

| PLN '000 | 01.01.-30.06.2014 | | | 01.01.-30.06.2013 | | |
|--|-------------------|------------|----------------|-------------------|---------------|-----------------|
| | Before tax | Tax | After tax | Before tax | Tax | After tax |
| Currency translation differences (foreign companies) | (1,556) | 104 | (1,452) | 6,492 | 1,431 | 7,923 |
| Cash flow hedge | (1,890) | 359 | (1,531) | (49,294) | 9,366 | (39,928) |
| Other | 96 | - | 96 | 5 | - | 5 |
| Other comprehensive income net of tax | (3,350) | 463 | (2,887) | (42,797) | 10,797 | (32,000) |

Income tax and reclassification adjustments in other comprehensive income

| Other comprehensive income before tax PLN '000 | change in the period | 01.01.-30.06.2014 | change in the period | 01.01.-30.06.2013 |
|--|----------------------|-------------------|----------------------|-------------------|
| Currency translation differences | - | (1,556) | - | 6,492 |
| - remeasurement for the current period | (1,556) | - | 6,492 | - |
| Cash flow hedge | - | (1,890) | - | (49,294) |
| - fair value remeasurement in the period | 3,333 | - | (50,643) | - |
| - reclassification to profit or loss | (5,223) | - | 1,349 | - |
| Other | - | 96 | - | 5 |
| - remeasurement for the current period | 96 | - | 5 | - |
| Income tax attributable to other components of other comprehensive income | - | 463 | - | 10,797 |
| - accrued for the current period | (529) | - | 11,053 | - |
| - reclassification to profit or loss | 992 | - | (256) | - |
| Other comprehensive income net of tax | - | (2,887) | - | (32,000) |

10. Information on purchase and disposal of property, plant and equipment

In the period from 1 January to 30 June 2014 the Ciech Group carried out the following transactions increasing and decreasing the gross value of property, plant and equipment:

| 01.01-30.06.2014 | Land | Buildings, offices and land and water engineering facilities | Machinery and equipment | Means of transport | Other property, plant and equipment | Property, plant and equipment under construction | Property, plant and equipment |
|--|---------------|--|----------------------------|-----------------------|--|--|-------------------------------------|
| <i>PLN '000</i> | | | | | | | |
| Gross value of property, plant and equipment at the beginning of the period | 82,717 | 945,609 | 2,135,232 | 94,903 | 44,904 | 171,075 | 3,474,440 |
| Purchase | - | 2,703 | 209 | 401 | 984 | - | 4,297 |
| Transfers from property, plant and equipment under construction | - | 14,375 | 36,179 | 25 | 597 | (51,176) | - |
| Modernisation | - | 152 | 3,013 | 591 | 28 | - | 3,784 |
| Capitalisation of borrowing costs | - | - | - | - | - | 3,390 | 3,390 |
| Investment expenditure on property, plant and equipment under construction | - | - | - | - | - | 93,480 | 93,480 |
| Sales | (4) | (1,747) | (84) | (269) | (100) | - | (2,204) |
| Liquidation | - | (1,217) | (1,608) | (60) | (22) | - | (2,907) |
| Reclassification to investment property | (3,453) | (332) | - | - | - | - | (3,785) |
| Reclassification to inventories | - | - | - | - | (6,178) | - | (6,178) |
| Reclassification to/from group of assets held for sale | - | - | (6,596) | - | - | - | (6,596) |
| Changes in the capital group structure | - | (168,399) | (117,666) | (21,437) | (5,729) | (85,881) | (399,112) |
| Currency translation differences (foreign entities) | 577 | 1,891 | 5,834 | 265 | 117 | 108 | 8,792 |
| Other | - | (3,453) | 356 | 110 | (1,564) | (68) | (4,619) |
| Gross value of property, plant and equipment at the end of the period | 79,837 | 789,582 | 2,054,869 | 74,529 | 33,037 | 130,928 | 3,162,782 |

Purchases were made with own financial resources or in form of a financial lease. The liabilities assumed for the acquisition of property, plant and equipment amounted to PLN 128,331 thousand.

11. Information on changes in contingent liabilities or contingent assets and other matters

11.1 Significant disputed liabilities of the Ciech Group

As at 30 June 2014, the total value of significant disputed liabilities of CIECH S.A. and subsidiaries of CIECH S.A., pursued in all types of proceedings in front of court, body appropriate for arbitration proceedings or public administration bodies amounted to PLN 27,258 thousand, of which PLN 26,067 thousand is covered by provisions.

The amount of claims asserted against each of the following companies is as follows:

- CIECH S.A. – PLN 21,302 thousand,
- Soda Polska Ciech S.A. – PLN 1,039 thousand,
- S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. – PLN 4,838 thousand (RON 5,099 thousand),
- Z. Ch. „Organika-Sarzyna” S.A. – PLN 79 thousand.

Description of significant disputed liabilities

CIECH S.A.

On 16 December 2010, CIECH S.A. with its registered seat 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 sell to ZAP shares in Gdańskie Zakłady Nawozów Fosforowych „FOSFOR” Sp. z o.o. The Agreement was in principle executed by both parties, as a result of which ZAP acquired 100% shares in GZNF „FOSFOR” Sp. z o.o., held by CIECH S.A. On 12 November 2012, the District Court in Warsaw, XVI Commercial Department, 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 Agreement by CIECH S.A. In this respect, ZAP demanded the amount of PLN 18,607 thousand and a reimbursement of expenses incurred by ZAP for breach of warranties, in the amount of PLN 257 thousand. The legal basis for the claim 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. with its registered office in Człuchów alleged by ZAP. On 5 January 2013, CIECH S.A. issued a response to the claim in which it questioned both its basis and its value. On 18 June 2013, CIECH S.A. filed a request for notifying Gdańskie Zakłady Nawozów Fosforowych —“FOSFOR” 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. On 9 May 2014 the first proceedings in the above case took place. The parties maintained their previous positions and the court began the evidence proceedings by hearing witnesses proposed by ZAP. After hearing of the first witness the court postponed the proceedings without setting a date of the next hearing. The above claim is covered by a provision.

US Govora S.A.

Dispute with Wody Rumuńskie (“ABAO”) concerns Uzinele Sodice 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 authorized individuals. Starting from 1 September 2011 ABAO representatives did not appear in Uzinele Sodice Govora S.A. to make daily measurements (the meters reading), however they did not accept protocols made by Uzinele Sodice Govora S.A.’s representatives. On the other hand, Uzinele Sodice Govora S.A. did not accept invoices issued by ABAO. Company sent the partial refusal document to ABAO for amounts which were not consistent with factual state. Uzinele Sodice Govora S.A. stated that it fulfilled 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 Uzinele Sodice Govora S.A.’s 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 (Uzinele Sodice Govora S.A.) and obligated ABAO to:

- issue invoices for months July 2011 – May 2012 in accordance with the factual meters indications,
- take part in the meters reading and to sign the receipt protocols and to issue fiscal invoices in accordance with the factual meters indications,
- to pay amount of PLN 37 thousand (RON 38 thousand) due to court costs incurred by Uzinele Sodice Govora S.A.

ABAO appealed on 21 March 2014. The date of the hearing was scheduled for 8 May 2014. The lawyer of Uzinele Sodice Govora S.A. submitted a request for setting a new date of the hearing because ABAO has just filed the reasons for the appeal to which Uzinele Sodice Govora S.A. has to respond. The new date of hearing was scheduled for 4 September 2014.

11.2 Significant disputed receivables of the Ciech Group

As at 30 June 2014, the total value of significant disputed receivables of CIECH S.A. and subsidiaries of CIECH S.A., pursued in all types of proceedings in front of court, body appropriate for arbitration proceedings or public administration bodies amounted to PLN 1,590 thousand, of which PLN 1,124 thousand is covered by impairment allowances.

The amount of disputed receivables of each the following companies is as follows:

- CIECH S.A. – PLN 112 thousand,
- Soda Polska Ciech S.A. – PLN 466 thousand,
- Ciech Trading S.A. – PLN 514 thousand,
- S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. – PLN 33 thousand (RON 35 thousand),
- VITROSILICON S.A. – PLN 44 thousand,
- Ciech Pianki Sp. z o.o. – PLN 345 thousand,
- Z. Ch. "Organika-Sarzyna" S.A. – PLN 66 thousand,
- Transoda Sp. z o.o. – PLN 10 thousand.

11.3 Contingent assets and other contingent liabilities including guarantees and sureties

| OTHER CONTINGENT ITEMS PLN '000 | 30.06.2014 | 31.12.2013 |
|------------------------------------|----------------|----------------|
| 1. Contingent assets | 18,864 | 18,864 |
| - other contingent receivables* | 18,864 | 18,864 |
| 2. Contingent liabilities | 144,348 | 177,247 |
| - guarantees and sureties granted | 41,609 | 77,792 |
| - other** | 102,739 | 99,455 |

*On 13 February 2013 CIECH S.A. brought an action to the District Court in Gdańsk, IX Commercial Department, against GZNF "FOSFOR" Sp. z o.o. claiming payment of PLN 18,864 thousand as a compensation for making an alleged untrue representations by GZNF "FOSFOR" Sp. z o.o. to CIECH S.A. about the condition of Agrochem Człuchów Sp. z o.o. with its registered office in Człuchów. The legal basis of the claim asserted by CIECH S.A. is the provision of Article 416 of the Civil Code. The aforementioned representations made by GZNF "FOSFOR" Sp. z o.o. 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 "FOSFOR" Sp. z o.o. applied for a dismissal of a claim in whole and for award of reimbursement of litigation costs. At present, in the mentioned case, the evidence proceedings are conducted, in particular witnesses are being questioned. On 22 May 2014 the proceedings in front of the District Court in Gdańsk took place on which witnesses were questioned. The next court hearing is scheduled for 15 September 2014.

** Including:

- in S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. contingent liabilities resulting from a claim filed by the employees of US Govora S.A. – the amount of PLN 17,834 thousand. (RON 18,796 thousand),
- contingent liability in Soda Polska Ciech S.A., resulting from a subsidy received under the program „Infrastructure and environment”, the amount of the subsidy received in the form of refund of expenditure incurred equals PLN 18,875 thousand,
- contingent liability resulting from environmental penalties in Soda Polska Ciech S.A. in the amount of PLN 26,249 thousand,
- in blanco promissory note working as a collateral of fund reimbursement made on the basis of the Agreement concluded with the National Fund for Environmental Protection and Water Management for the financing of the realization of investment projects in Soda Polska Ciech S.A. in the amount of PLN 23,034 thousand.

Other contingent liabilities as at 30 June 2014 amounted to PLN 144,348 thousand, which is a decrease of PLN 32,899 thousand as compared to 31 December 2013.

Change in value of contingent liabilities in comparison with their value as at 31 December 2013 results from:

- removal of the guarantee issued by Infrastruktura Kapuściska S.A. w upadłości for the liabilities of Spółka Wodna "Kapuściska" in Bydgoszcz in relation to the loss of control over Infrastruktura Kapuściska S.A. w upadłości as a result of the announcement of its bankruptcy – the amount of the change PLN 36,320 thousand,
- increase of contingent liabilities (in blanco promissory note) in Soda Polska Ciech S.A. by the amount of PLN 2,971 thousand in relation to the subsidy received under the program „Infrastructure and environment” based on the agreement concerning funding of the project „Reduction of dust emission in CHP Janikowo through the modernization of electrostatic cauldron OP-140 nr 4 i 5”,
- change in RON exchange rate applied by S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. to translate contingent liability connected with the lawsuit filed by the employees of Uzinele Sodice Govora S.A. – the amount of change: PLN 425 thousand,
- 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 – the amount of change: PLN 50 thousand,

- change in EUR exchange rate applied by CIECH S.A. to translate guarantee for certain liabilities and warranties made by Infrastruktura Kapuściska S.A. w upadłości within the Agreement for Sale and Transfer of TDI assets to BASF – the amount of change: PLN 137 thousand,
- other changes in contingent liabilities of PLN - 191 thousand.

11.4 Letters of support

As at 30 June 2014, CIECH S.A. was an obliged party in the following letters of support:

- 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 from RWE payments of EUR 34.4 million until 31 December 2013. In the support letter CIECH S.A. has committed, among others, to ensure that SWS will have sufficient funds to fulfill 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 have sufficient funds to fulfill its 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 until 31 December 2014.

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

On 24 May 2013, CIECH S.A. filed 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 mentioned Bank. After the exchange of pleadings between both parties, first hearings were scheduled for 1 and 2 July 2014. The court questioned witnesses on the scheduled hearings. The next court hearing is scheduled for 10 December 2014.

Until the date of publication of this Report the status of the above case has not changed.

12. Discontinued operations and non-current assets classified as held for sale

Discontinued operations

The accounting principles applied in preparing the statement of profit or loss for discontinued operations are in line with the Group's accounting policy. The results of discontinued operations include:

For the period between 1 January and 30 June 2014:

- The result on the loss of control over the Infrastruktura Kapuściska Group in connection with the declaration of its bankruptcy made by the Court on 14 March 2014 – the result in the amount of PLN - 7,828 thousand was presented in other operations segment. Due to the lack of the company's data as at the date of declaration of bankruptcy, its deconsolidation was based on the figures recognized in the current year's opening balance,
- Allowances on receivables and loans granted to Infrastruktura Kapuściska S.A. w upadłości in the amount of PLN 31,170 thousand,
- Deferred income tax asset arising from temporary differences between the carrying value and tax value of shares in Infrastruktura Kapuściska S.A. w upadłości in the amount of PLN 15,100 thousand.

For the period between 1 January and 30 June 2013:

- Results of the Infrastruktura Kapuściska Group in relation with the discontinuation of TDI and ECH production in Infrastruktura Kapuściska S.A. w upadłości – operations presented in other operations segment,
- Results of Alwernia S.A. – presentation as discontinued operations in connection with the agreement signed between CIECH S.A. and Alwernia Invest Sp. z o.o. – operations presented in other operations segment,
- Eliminations of results of transactions between consolidated entities in the Ciech Group and entities reported as discontinued operations,
- Results of the Ciech Group companies (including CIECH S.A.) on transactions with entities reported as discontinued operations.

Assets and liabilities classified as held for sale

As at 30 June 2014 the following assets were classified by the Ciech Group as non-current assets held for sale:

- VITROSILICON Spółka Akcyjna 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 potential buyer of the land is now being sought. These assets are presented in the silicates and glass segment.
- Ciech Trading S.A. disclosed two installations acquired from Infrastruktura Kapuściska S.A. w upadłości – for ECH and catholyte production (total carrying value of PLN 2,241 thousand). These assets are presented in the other operations segment.

As at 31 December 2013 the following assets were classified by the Ciech Group as non-current assets held for sale:

- VITROSILICON Spółka Akcyjna 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 potential buyer of the land is now being sought. These assets were presented in the silicates and glass segment).
- Infrastruktura Kapuściska S.A. w upadłości showed:
 - shares in the BPP - Bydgoski Park Przemysłowo-Technologiczny Sp. z o.o. – PLN 934 thousand,
 - 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.These above mentioned assets are presented in the other operations segment.
- Due to the sale agreement, Alwernia S.A. disclosed in the consolidated financial statements all its balance sheet items as assets or liabilities classified as held for sale. These assets were presented in the other operations segment.

13. Information on overdue debts or other violations of debt – related agreements

In the period covered by these financial statements none of the loan agreements was called to maturity nor there were violations of payment terms for repayment of capital or interest due in relation to financial liabilities recognized in the statement of financial position. Under the Revolving Loan Agreement and the New Revolving Loan Agreement CIECH S.A. and its selected subsidiaries were obliged, inter alia, to maintain the net financial leverage ratio specified in the agreements (consolidated total net borrowings of the Ciech Group in relation to consolidated EBITDA of the Ciech Group) on the level not higher than 3.6, measured for the period of 12 months ended 30 June 2014. The level of the ratio was met and amounted to 2.6.

On 22 May 2014 CIECH S.A. obtained the consent of the holders of foreign bonds for an amendment to the particular terms and conditions of the Indenture Agreement in order to extend the deadline within which CIECH S.A. is to ensure that S.C.Uzinele Sodice Govora - Ciech Chemical Group S.A. meets the specified requirements concerning its net assets up to the end of 2016.

14. Information on non-consolidated subsidiaries and associates

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

The total share of data of subsidiaries not covered by consolidation under the full method due to their irrelevance in relation to the total values of the Ciech Group for the period from 1 January 2014 to 30 June 2014 does not exceed 1% of total consolidated assets of the Group and consolidated net revenues from sales of goods and products and financial operations.

Aggregated data of associates which were not measured under the equity method for the period from 1 January 2014 to 30 June 2014 does not exceed 1% of the total consolidated equity of the Group.

15. Information on related party transactions

Transactions with related parties are concluded on market terms. In the current and comparative period there were no material transactions with related parties other than those which are eliminated during consolidation process.

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

Seasonality resulting from periodic demand and supply fluctuations has little impact on the general sales trends in the Ciech Group. Products clearly influenced by seasonality include plant protection chemicals. Most plant protection chemicals are used in the first half of the year, i.e. the period of intensive plant growth, when approx. 90% of the total sale of these products is realized. Furthermore, in the soda segment, a seasonal relationship

between the volume of some products sold and the progress of winter can be observed. A mild winter is reflected in a decrease in the sale of calcium chloride and other products (anti-ice, salt and chloride mix, waste salt), while the influence on the sale of salt is indirect. In the case of other products, Group's revenues and results are not influenced by any significant seasonal fluctuations during the business year. As a result, seasonality plays a relatively small role in the Group's overall sales.

17. Information on the issue, redemption and repayment of debt securities and equity securities in the Ciech Group

On 5 June 2014 CIECH S.A. redeemed all 16,000 Series 01 bonds. The bonds were issued by CIECH S.A. on 5 December 2012. The average purchase price of each bond amounted to PLN 10,287.96. The redemption value (the average unit price increased interest) of each bond amounted to PLN 10,671.91 and the total value of the transaction amounted to PLN 170,751 thousand.

On 25 January 2013 as a result of the separation of soda divisions from SODA MAŁY S.A. and JANIKOSODA S.A. and their incorporation into CIECH S.A., two ordinary registered Series F shares had been issued to the minority shareholder of JANIKOSODA S.A. and SODA MAŁY S.A. in exchange for 1 share of JANIKOSODA S.A. and 1 share of SODA MAŁY S.A. that were redeemed as a result of spin-off by separation. On 22 May 2013 Ordinary General Shareholders Meeting of CIECH S.A. gave consent to purchase two own ordinary registered Series F shares in order to extinguish them. This day the shares had been acquired by CIECH S.A. The change of the share capital (decrease) and the extinguishment of shares were registered on 21 June 2013.

18. Earnings per share

The table below presents profit and shares data used in the calculation of the basic and diluted earnings per share:

| PLN '000 | 01.01-30.06.2014 | 01.01-30.06.2013 |
|--|-------------------------|-------------------------|
| Net profit /(loss) on continuing operations attributable to the owners of the Company | 35,267 | 90,729 |
| Net profit /(loss) on discontinued operations attributable to the owners of the Company | (8,242) | (28,860) |
| <i>pcs.</i> | 30.06.2014 | 30.06.2013 |
| Weighted average number of issued ordinary shares, applied to calculate basic earnings per share | 52,699,909 | 52,699,911 |
| Weighted average number of issued ordinary shares, applied to calculate diluted earnings per share | 52,699,909 | 52,699,911 |
| <i>PLN</i> | 01.01-30.06.2014 | 01.01-30.06.2013 |
| Basic earnings per share on continuing operations | 0.67 | 1.72 |
| Basic earnings per share on discontinued operations | (0.16) | (0.55) |
| Diluted earnings per share on continuing operations | 0.67 | 1.72 |
| Diluted earnings per share on discontinued operations | (0.16) | (0.55) |

19. Information on events after the balance-sheet date

- On 7 July 2014 Mr Andrzej Kopeć – the member of the Management Board of CIECH S.A. resigned from the position of the Management Board member effective from 7 June 2014. Mr Andrzej Kopeć did not present a reason for the resignation.
- Extraordinary General Meeting of CIECH S.A. dated 7 July 2014 recalled all members of the Supervisory Board of CIECH S.A.: Ewa Sibrecht-Ośka, Zygmunt Kwiatkowski, Mariusz Obszyński, Arkadiusz Grabalski, Maciej Lipiec, Waldemar Maj, Sławomir Stelmasiak, and appointed the following members: Piotr Augustyniak, dr Jan Kulczyk, Tomasz Mikołajczak, Mariusz Nowak, Artur Olech, Wojciech Stramski and Maciej Tybura.
- Due to the change of control over CIECH S.A., which took place on 9 June 2014, in accordance with the terms and conditions of the issue of Polish bonds, the bond holders had a right to demand an early redemption of bonds. None of the bond holders exercised the right until 8 July 2014, i.e. deadline provided in terms and conditions of the issue.
- On 10 July 2014 the Supervisory Board of CIECH S.A. appointed dr Jan Kulczyk as the Chairman of the Supervisory Board, Mr Tomasz Mikołajczak as the Vice Chairman of the Supervisory Board and Mr Wojciech Stramski as the Secretary of the Supervisory Board.

- On 25 July 2014 the Management Board of Soda Polska Ciech S.A. informed trade unions acting in the company about the necessity to make collective redundancies. The company is going to lay off 155 employees under the group redundancies scheme in the period from 1 September 2014 to 31 May 2015.
- In accordance with the agreement dated 28 November 2012 defining the terms and conditions of the issue of secured bonds denominated in euro with the maturity date in 2019, which were issued by Ciech Group Financing AB (publ) on 28 November 2012 and in connection with the acquisition of 26,952,052 shares in the share capital of CIECH S.A., constituting 51.14% of the share capital of CIECH S.A. made by KI Chemistry s.à r.l., with its registered office in Luxembourg, that took place on 9 June 2014:
 - ✓ Ciech Group Financing AB (publ) made an offer to redeem all foreign bonds for the price of one foreign bond amounting to 101% of the nominal value of the foreign bond (i.e. EUR 101 thousand) increased by accrued but unpaid interest based on point 4.15 of the Indenture Agreement (Offer to repurchase upon change of control)
 - ✓ The Foreign Bond Redemption Offer was binding until 5 August 2014 and could be extended by the Ciech Group Financing AB (publ), whereas the foreign bond holders could resign from participating in the redemption of foreign bonds until 6 August 2014.
 - ✓ Ciech Group Financing AB (publ) set in the Foreign Bond Redemption Offer a final date of the foreign bond redemption on 8 August 2014.The foreign bond holders did not respond to the redemption offer.
- On 8 August 2014 in the District Court in Warsaw a claim has been filed on behalf of Transoda Sp. z o.o. against the State Treasury in persons of the Minister of State Treasury and the Minister of Infrastructure and Development, in which Transoda Sp. z o.o. demands a payment of PLN 61,279 thousand – as a compensation for losses of Transoda Sp. z o.o. caused by the tortious acts comprising of improper implementation to the Polish Law of the directive 2001/14/EC of the European Parliament and the Council dated 26 February 2001 concerning the allocation of railway infrastructure capacity and charging fees for the use of the railway infrastructure and granting security certification, as a result of which Transoda Sp. z o.o. had to incur inflated charges for the access to the railway infrastructure to PKP Polskie Linie Kolejowe S.A. with its registered office in Warsaw in the period from 1 May 2004 to 31 December 2013.
- On 11 August 2014 the Management Board of CIECH S.A. received the decision of the District Court for the capital city of Warsaw, XIII Commercial Department of the National Court Register about the registration of the changes in the Company's Articles of Association on 24 July 2014 introduced through the Resolution No 17 of the Extraordinary General Meeting of CIECH S.A. dated 7 July 2014. The following changes to the Company's Articles of Association have been introduced:
 - ✓ Change in the competence of the bodies of CIECH S.A. to appoint and recall members of the Management Board. Previously those competences were vested in the General Meeting. After the changes the competence to appoint and recall members of the Management Board lays in the hands of the Supervisory Board.
 - ✓ Change in the range of giving consent to exercise the rights or incurring of liabilities.
 - ✓ Change in the number of management board members.Detailed information concerning the changes in the Company's Articles of Association was presented in the current report no. 62/2014 on 11 August 2014.

V. Condensed Interim Separate Financial Statements of CIECH S.A.**1. Condensed Separate Statement of Profit or Loss of CIECH S.A.**

| PLN '000 | 01.01.-30.06.2014* | | | 01.01.-30.06.2013* | | |
|--------------------------------------|-----------------------|-------------------------|-----------------|-----------------------|-------------------------|-----------------|
| | Continuing operations | Discontinued operations | TOTAL | Continuing operations | Discontinued operations | TOTAL |
| Sales revenues | 825,906 | - | 825,906 | 843,333 | 133,083 | 976,416 |
| Cost of sales | (647,323) | - | (647,323) | (717,836) | (128,617) | (846,453) |
| Gross profit/(loss) on sales | 178,583 | - | 178,583 | 125,497 | 4,466 | 129,963 |
| Other operating income | 7,677 | - | 7,677 | 5,004 | 135,197 | 140,201 |
| Selling costs | (83,947) | - | (83,947) | (63,864) | (1,719) | (65,583) |
| General and administrative expenses | (28,944) | - | (28,944) | (29,250) | (8) | (29,258) |
| Other operating expenses | (20,473) | - | (20,473) | (11,231) | (1,552) | (12,783) |
| Operating profit/(loss) | 52,896 | - | 52,896 | 26,156 | 136,384 | 162,540 |
| Financial income | 58,432 | - | 58,432 | 304,855 | 3,697 | 308,552 |
| Financial expenses | (85,857) | - | (85,857) | (255,028) | (145,989) | (401,017) |
| Net financial income/expenses | (27,425) | - | (27,425) | 49,827 | (142,292) | (92,465) |
| Profit/(loss) before tax | 25,471 | - | 25,471 | 75,983 | (5,908) | 70,075 |
| Income tax | 702 | 15,100 | 15,802 | 72,213 | (25,040) | 47,173 |
| Net profit/(loss) | 26,173 | 15,100 | 41,273 | 148,196 | (30,948) | 117,248 |
| Earnings per share (in PLN) | | | | | | |
| Basic | 0.50 | 0.28 | 0.78 | 2.81 | (0.59) | 2.22 |
| Diluted | 0.50 | 0.28 | 0.78 | 2.81 | (0.59) | 2.22 |

*Unaudited.

The condensed separate statement of profit or loss of CIECH S.A. should be analyzed together with the notes which constitute an integral part of the condensed interim separate financial statements.

Condensed Separate Statement of Profit or Loss of CIECH S.A.

| PLN '000 | 01.04.-30.06.2014* | | | 01.04.-30.06.2013* | | |
|--------------------------------------|-----------------------|-------------------------|----------------|-----------------------|-------------------------|------------------|
| | Continuing operations | Discontinued operations | TOTAL | Continuing operations | Discontinued operations | TOTAL |
| Sales revenues | 404,083 | - | 404,083 | 389,653 | 37,003 | 426,656 |
| Cost of sales | (312,501) | - | (312,501) | (332,619) | (36,505) | (369,124) |
| Gross profit/(loss) on sales | 91,582 | - | 91,582 | 57,034 | 498 | 57,532 |
| Other operating income | 3,151 | - | 3,151 | 844 | (3) | 841 |
| Selling costs | (44,475) | - | (44,475) | (27,919) | (32) | (27,951) |
| General and administrative expenses | (12,954) | - | (12,954) | (13,085) | (8) | (13,093) |
| Other operating expenses | (8,426) | - | (8,426) | (5,538) | (1,552) | (7,090) |
| Operating profit/(loss) | 28,878 | - | 28,878 | 11,336 | (1,097) | 10,239 |
| Financial income | 49,555 | - | 49,555 | 65,815 | 3,111 | 68,926 |
| Financial expenses | (47,796) | - | (47,796) | (135,144) | (53,769) | (188,913) |
| Net financial income/expenses | 1,759 | - | 1,759 | (69,329) | (50,658) | (119,987) |
| Profit/(loss) before tax | 30,637 | - | 30,637 | (57,993) | (51,755) | (109,748) |
| Income tax | 3,637 | 15,100 | 18,737 | 9,371 | 332 | 9,703 |
| Net profit/(loss) | 34,274 | 15,100 | 49,374 | (48,622) | (51,423) | (100,045) |
| Earnings per share (in PLN) | | | | | | |
| Basic | 0.66 | 0.28 | 0.94 | (0.92) | (0.98) | (1.90) |
| Diluted | 0.66 | 0.28 | 0.94 | (0.92) | (0.98) | (1.90) |

*Unaudited.

The condensed separate statement of profit or loss of CIECH S.A. should be analyzed together with the notes which constitute an integral part of the condensed interim separate financial statements.

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

| PLN '000 | 01.01-30.06.2014* | | | 01.01-30.06.2013* | | |
|---|-----------------------|-------------------------|---------------|-----------------------|-------------------------|----------------|
| | Continuing operations | Discontinued operations | TOTAL | Continuing operations | Discontinued operations | TOTAL |
| Net profit/(loss) for the period | 26,173 | 15,100 | 41,273 | 148,196 | (30,948) | 117,248 |
| Other comprehensive income before tax <i>that may be reclassified to profit or loss</i> | (532) | - | (532) | 6 | - | 6 |
| Cash flow hedge | (532) | - | (532) | 6 | - | 6 |
| Income tax attributable to other comprehensive income | 101 | - | 101 | (1) | - | (1) |
| Income tax attributable to other comprehensive income <i>that may be reclassified to profit or loss</i> | 101 | - | 101 | (1) | - | (1) |
| Other comprehensive income net of tax | (431) | - | (431) | 5 | - | 5 |
| TOTAL COMPREHENSIVE INCOME | 25,742 | 15,100 | 40,842 | 148,201 | (30,948) | 117,253 |

*Unaudited.

The condensed separate statement of other comprehensive income of CIECH S.A. should be analyzed together with the notes which constitute an integral part of the condensed interim separate financial statements.

Condensed Separate Statement of Other Comprehensive Income of CIECH S.A.

| PLN '000 | 01.04-30.06.2014* | | | 01.04-30.06.2013* | | |
|---|-----------------------|-------------------------|----------------|-----------------------|-------------------------|------------------|
| | Continuing Operations | Discontinued operations | TOTAL | Continuing operations | Discontinued operations | TOTAL |
| Net profit/(loss) for the period | 34,274 | 15,100 | 49,374 | (48,622) | (51,423) | (100,045) |
| Other comprehensive income before tax <i>that may be reclassified to profit or loss</i> | (1,299) | - | (1,299) | 85 | - | 85 |
| Cash flow hedge | (1,299) | - | (1,299) | 85 | - | 85 |
| Income tax attributable to other comprehensive income | 247 | - | 247 | (16) | - | (16) |
| Income tax attributable to other comprehensive income <i>that may be reclassified to profit or loss</i> | 247 | - | 247 | (16) | - | (16) |
| Other comprehensive income net of tax | (1,052) | - | (1,052) | 69 | - | 69 |
| TOTAL COMPREHENSIVE INCOME | 33,222 | 15,100 | 48,322 | (48,553) | (51,423) | (99,976) |

*Unaudited.

The condensed separate statement of other comprehensive income of CIECH S.A. should be analyzed together with the notes which constitutes an integral part of the condensed interim separate financial statements.

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

| PLN '000 | 30.06.2014* | 31.12.2013 | 30.06.2013* |
|---|------------------|------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 2,470 | 3,209 | 4,076 |
| Right of perpetual usufruct | - | - | 843 |
| Intangible assets | 10,951 | 6,208 | 6,402 |
| Investment property | - | - | 6,073 |
| Non-current receivables | - | - | 12,573 |
| Long-term borrowings granted | 335,851 | 375,318 | 646,129 |
| Shares in related entities | 1,756,848 | 1,747,848 | 1,272,045 |
| Other long-term investments | - | - | 23,202 |
| Deferred income tax assets | 55,200 | 39,047 | 40,977 |
| Total non-current assets | 2,161,320 | 2,171,630 | 2,012,320 |
| Current assets | | | |
| Inventory | 6,716 | 7,865 | 19,095 |
| Short-term investments | 28,993 | 26,122 | 71,912 |
| Income tax receivables | 9,165 | 3,498 | 3,759 |
| Trade and other receivables | 299,685 | 303,825 | 367,677 |
| Cash and cash equivalents | 25,303 | 50,499 | 178,799 |
| Non-current assets classified as held for sale | - | - | 55,529 |
| Total current assets | 369,862 | 391,809 | 696,771 |
| Total assets | 2,531,182 | 2,563,439 | 2,709,091 |
| EQUITY AND LIABILITIES | | | |
| Share capital | 287,614 | 287,614 | 287,614 |
| Share premium | 470,846 | 470,846 | 470,846 |
| Other reserve capitals | 76,199 | 76,199 | 76,199 |
| Cash flow hedge | (353) | 78 | 5 |
| Retained earnings | 82,417 | 100,695 | 117,248 |
| Total equity | 916,723 | 935,432 | 951,912 |
| Liabilities | | | |
| Loans, borrowings and other financial liabilities | - | 1,305,439 | 1,347,481 |
| Finance lease liabilities | - | - | 795 |
| Finance sale – and – lease – back liabilities | - | - | 443 |
| Other non-current liabilities | 1,232 | 360 | 12,796 |
| Employee benefits | 508 | 495 | 749 |
| Total non-current liabilities | 1,740 | 1,306,294 | 1,362,264 |
| Loans, borrowings and other financial liabilities | 1,220,045 | 31,443 | 21,909 |
| Finance lease liabilities | 795 | 846 | 800 |
| Finance sale – and – lease – back liabilities | 443 | 929 | 946 |
| Trade and other liabilities | 371,273 | 266,512 | 346,675 |
| Income tax liabilities | 18 | 14 | 264 |
| Provisions (short-term provisions for employee benefits and other provisions) | 20,145 | 21,969 | 24,103 |
| Liabilities related to non-current assets classified as held for sale | - | - | 218 |
| Total current liabilities | 1,612,719 | 321,713 | 394,915 |
| Total liabilities | 1,614,459 | 1,628,007 | 1,757,179 |
| Total equity and liabilities | 2,531,182 | 2,563,439 | 2,709,091 |

*Unaudited.

The Condensed Separate Statement of Financial Position of CIECH S.A. should be analyzed together with the notes which constitute an integral part of the condensed interim separate financial statements.

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

| <i>PLN '000</i> | 01.01-30.06.2014* | 01.01-30.06.2013* |
|---|--------------------------|--------------------------|
| Net profit/(loss) for the period | 41,273 | 117,248 |
| Amortisation / depreciation | 3,302 | 2,595 |
| Recognition / (reversal) of impairment allowances | 17,812 | 500,880 |
| Foreign exchange (gain)/ loss | 5,750 | 12,293 |
| (Profit) / loss on investment activities | - | 36,093 |
| (Profit) / loss on disposal of property, plant and equipment | (16) | (24) |
| Dividends and interest | (11,319) | (548,955) |
| Income tax | (15,802) | (47,173) |
| Change in liabilities from loan arrangement commission | 2,752 | 2,201 |
| Other adjustments - merger | - | 2,567 |
| Other adjustment - redemption of loans and interest on loans | - | 86,327 |
| Cash flow from operating activities before changes in working capital and provisions | 43,752 | 164,052 |
| Change in receivables | 60,958 | 222,826 |
| Change in inventory | 1,150 | 168 |
| Change in current liabilities | 44,552 | (126,308) |
| Change in provisions and employee benefits | (1,810) | (998) |
| Net cash generated from operating activities | 148,602 | 259,740 |
| Interest paid | (63,578) | (62,192) |
| Income tax paid | (5,666) | (3,551) |
| Valuation of derivatives | - | (6) |
| Net cash from operating activities | 79,358 | 193,991 |
| Cash flows from investment activities | | |
| Inflows | | |
| Disposal of intangible assets and property, plant and equipment | 16 | 38 |
| Disposal of a subsidiary | - | 37,786 |
| Hedging deposits | - | 8,499 |
| Dividends received | 2,022 | 5,050 |
| Interest received | 11,187 | 2,661 |
| Repayment of borrowings | 61,406 | 35,245 |
| Outflows | | |
| Acquisition of intangible assets and property, plant and equipment | (6,693) | (2,648) |
| Acquisition of a subsidiary (net of cash acquired) | - | (2,353) |
| Expenditures connected with increase of capital and capital contributions | (9,000) | (536) |
| Outflows from cash pool facility | (19,651) | - |
| Borrowings granted | (18,274) | (137,807) |
| Net cash from investment activities | 21,013 | (54,065) |
| Cash flows from financial activities | | |
| Inflows | | |
| Proceeds from loans and borrowings | - | 46,439 |
| Proceeds from cash pool facility | 47,825 | - |
| Outflows | | |
| Repayment of loans and borrowings | (9,850) | (40,000) |
| Redemption of debt securities | (160,000) | - |
| Payment of finance lease liabilities | (897) | (803) |
| Net cash from financial activities | (122,922) | 5,636 |
| Total net cash flows | (22,551) | 145,562 |
| Cash and cash equivalents at the beginning of the period | 50,499 | 31,322 |
| Impact of foreign exchange differences | (2,645) | 1,915 |
| Cash and cash equivalents at the end of the period | 25,303 | 178,799 |

*Unaudited.

The Condensed Separate Statement of Cash Flows of CIECH S.A should be analyzed together with the notes which constitute an integral part of the condensed interim separate financial statements.

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

| <i>PLN '000</i> | Share capital | Share premium | Cash flow hedge | Other reserve capitals | Retained earnings | Total equity |
|---|----------------|----------------|-----------------|------------------------|-------------------|---------------------|
| Equity as at 01/01/2014 | 287,614 | 470,846 | 78 | 76,199 | 100,695 | 935,432 |
| Transactions with owners of the Company recognized in equity | - | - | - | - | (59,551) | (59,551) |
| Dividends paid | | | | | (59,551) | (59,551) |
| Total comprehensive income for the period | - | - | (431) | - | 41,273 | 40,842 |
| Net profit/(loss) | - | - | - | - | 41,273 | 41,273 |
| Other comprehensive income | - | - | (431) | - | - | (431) |
| Equity as at 30/06/2014 * | 287,614 | 470,846 | (353) | 76,199 | 82,417 | 916,723 |

**Unaudited.*

| <i>PLN '000</i> | Share capital | Share premium | Cash flow hedge | Other reserve capitals | Retained earnings | Total equity |
|---|----------------|----------------|-----------------|------------------------|-------------------|---------------------|
| Equity as at 01/01/2013 | 287,614 | 507,835 | - | 76,199 | (36,989) | 834,659 |
| Transactions with owners of the Company recognized in equity | - | (36,989) | - | - | 36,989 | - |
| Coverage of losses for the year 2012 | | (36,989) | | | 36,989 | - |
| Total comprehensive income for the period | - | - | 5 | - | 117,248 | 117,253 |
| Net profit/(loss) | - | - | - | - | 117,248 | 117,248 |
| Other comprehensive income | - | - | 5 | - | - | 5 |
| Equity as at 30/06/2013* | 287,614 | 470,846 | 5 | 76,199 | 117,248 | 951,912 |

**Unaudited.*

The Condensed Separate Statement of Changes in Equity of CIECH S.A should be analyzed together with the notes which constitute an integral part of the condensed interim separate financial statements.

6. Notes to the Condensed Interim Separate Financial Statements of CIECH S.A.

6.1. Basis of preparation and accounting principles (policy)

On 31 January 2007 the Extraordinary General Meeting of Shareholders of CIECH S.A. adopted a resolution no. 4, concerning preparation of separate financial statements in accordance with International Financial Reporting Standards as approved by the European Union ("IFRS"). Due to the adopted resolution, since 2007 the reports of CIECH S.A. are prepared in accordance with IFRS using the valuation of assets and liabilities and the measurement of net result as defined in the accounting policy.

The presented separate financial statements have been prepared on a going concern basis.

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

Preparation of financial statements in compliance with International Financial Reporting Standards requires the Management Board to exercise professional judgment, estimates and assumptions that impact the adopted accounting principles and the value of assets, liabilities, income and expenses presented. All estimates and related assumptions are based on historical experience and various other factors considered reasonable under the given circumstances, and the results of such estimates are the basis for professional judgment of the carrying value of assets and liabilities, which does not result directly from other sources. Actual results may differ from these estimates.

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

The Management Board's professional judgments, which have a significant impact on the separate financial statements, and the estimates bearing a risk of significant changes in future periods, have been presented in points V.6.11 and V.6.12 of this Report. During the current interim period there were no significant revisions to the estimated values presented in the previous reporting periods.

The Management Board used its best judgment in selecting and interpreting the applicable standards, as well as in the selection of measurement methods and principles for particular items of the CIECH S.A.'s separate financial statements as at 30 June 2014. Due diligence was exercised in preparing the tables and notes presented below. The financial statements as at 30 June 2014 present truly and fairly the financial position and the financial performance of CIECH S.A.

The Management Board of CIECH S.A. declares that the entity authorised to audit financial statements, reviewing the financial statements for the period from 1 January 2014 to 30 June 2014, was chosen in accordance with the binding legal regulations and it is: KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., having its registered office in Warsaw, entered into the list of entities authorised to audit financial statements under register no. 3546, kept by the National Chamber of Statutory Auditors. The aforesaid entity and the certified auditors performing the review satisfy all conditions necessary to issue an unbiased and independent review report, pursuant to the applicable regulations of domestic law.

Detailed information on the methods of valuation of assets and liabilities and the measurement of net result and the method of preparing the financial statements and comparative data were included in the report of CIECH S.A. for the year 2013 published on 21 March 2014.

In connection with a sale of a key company from the agrochemical segment (Alwernia S.A.) and the loss of control over a subsidiary Infrastruktura Kapuściska S.A. w upadłości (other operations segment in 2014, whereas in 2013 the company's operations were presented in the organic segment) CIECH S.A. reorganized its assets in line with their operating activities. Starting from 1 January 2014 a new segmentation of the Ciech Group companies into reporting segments has been introduced. Comparative data were restated respectively. The accounting principles applied in segment reporting are in line with the accounting policy of CIECH S.A. based on the IFRS. Amendments to IFRS that came into force from 1 January 2014, has had no significant impact on the presented separate financial statements of CIECH S.A.

CIECH S.A. intends to adopt amendments to IFRS that are published but not effective as at the date of publication of these separate financial statements in accordance with their effective date. The possible impact of new amendments to IFRS on the future separate financial statements of CIECH S.A. was presented in the note 2 of the separate financial statements for the year 2013 published on 21 March 2014. In the assessment of CIECH S.A., amendments to IFRS that came into force between the date of publication of the separate financial

statements for the year 2013 and the date of publication of this Report will not have significant impact on the financial statements.

6.2. Earnings per share

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

| PLN '000 | 01.01.-30.06.2014 | 01.01.-30.06.2013 |
|--|-------------------|-------------------|
| Net profit /(loss) on continuing operations | 26,173 | 148,196 |
| Net profit /(loss) on discontinued operations | 15,100 | (30,948) |
| Net profit /(loss) applied to calculate basic earnings per share | 41,273 | 117,248 |
| Net profit /(loss) applied to calculate diluted earnings per share | 41,273 | 117,248 |
| <i>pcs.</i> | 30.06.2014 | 30.06.2013 |
| Weighted average number of issued ordinary shares, applied to calculate basic earnings per share | 52,699,909 | 52,699,911 |
| Weighted average number of issued ordinary shares, applied to calculate diluted earnings per share | 52,699,909 | 52,699,911 |

6.3. Seasonality and cyclicity of the operations

Information on seasonality and cyclicity of the operations was included in point IV.16 of this Report.

6.4. Changes in accounting estimates

There were no material changes in the accounting estimates disclosed in the previous financial years.

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

On 5 June 2014 CIECH S.A. redeemed all 16,000 series 01 bonds. The bonds were issued by CIECH S.A. on 5 December 2012. The average purchase price of each bond amounted to PLN 10,287.96. The redemption value (the average unit price increased by interest) of each bond amounted to PLN 10,671.91 and the total value of the transaction amounted to PLN 170,751 thousand.

As at 30 June 2014 CIECH S.A. held debt securities in the form of issued domestic and intra-group bonds. Their book value amounts to PLN 1,157,181 thousand and their fair value amounts to PLN 1,331,797 thousand. Accrued interest amounts to PLN 10,652 thousand.

6.6. Information on dividends paid

By virtue of a resolution of 23 May 2014, the Ordinary General Meeting of Shareholders of CIECH S.A. decided to pay the dividend of PLN 59,551 thousand (PLN 1.13 per share). Dividend date was set on 29 May 2014. Dividend payment date was set on 28 November of 2014. 52,699,909 shares are entitled to dividend payment.

By virtue of a resolution of 22 May 2013, the Ordinary General Meeting of Shareholders of CIECH S.A. decided to cover the loss of CIECH S.A. for 2012 amounting to PLN 484,776 thousand from the supplementary capital of the Company. Due to net loss incurred in 2012, CIECH S.A. did not pay dividend in the year 2013.

6.7. Financial data by operating segments

| CIECH S.A. 01.01.-30.06.2014 | Soda Segment | Organic Segment | Silicates and Glass Segment | Other operations Segment | Corporate functions - reconciliation item | TOTAL |
|--|-------------------------|----------------------------|--|---|--|----------------|
| <i>PLN '000</i> | | | | | | |
| Sales revenues | 699,854 | 15,366 | 104,820 | 5,866 | - | 825,906 |
| Cost of sales | (548,505) | (14,666) | (84,072) | (80) | - | (647,323) |
| Gross profit/(loss) on sales | 151,349 | 700 | 20,748 | 5,786 | - | 178,583 |
| Selling costs | (60,811) | (461) | (16,105) | (1,442) | (5,128) | (83,947) |
| General and administrative expenses | (3,244) | (149) | (2) | (3) | (25,546) | (28,944) |
| Result on management of receivables | (12,474) | 14 | - | (254) | - | (12,714) |
| Result on other operating activities | (77) | - | - | (5) | - | (82) |
| Operating profit/(loss) | 74,743 | 104 | 4,641 | 4,082 | (30,674) | 52,896 |
| Exchange differences and interest on trade settlements | (6,613) | (1,874) | (7,343) | 835 | - | (14,995) |
| Borrowing costs | - | - | - | - | (31,002) | (31,002) |
| Result on financial activity (non-attributable to segments) | - | - | - | - | 18,572 | 18,572 |
| Profit/(loss) before tax | 68,130 | (1,770) | (2,702) | 4,917 | (43,104) | 25,471 |
| Income tax | | | | | | 15,802 |
| Net profit/(loss) | | | | | | 41,273 |
| Amortisation/depreciation | 1,165 | 16 | 34 | - | 2,087 | 3,302 |
| EBITDA | 75,908 | 120 | 4,675 | 4,082 | (28,587) | 56,198 |
| <i>Normalized EBITDA*</i> | <i>75,983</i> | <i>120</i> | <i>4,675</i> | <i>4,095</i> | <i>(28,587)</i> | <i>56,286</i> |

*Normalized EBITDA for the 6 months ended 30 June 2014 is calculated as EBITDA adjusted by one-off events: result on sale of other non-financial fixed assets: PLN 17 thousand, creation of provisions for liabilities and compensation: PLN -75 thousand, transferred donation: PLN -30 thousand.

| CIECH S.A. 01.01.-30.06.2013* | Soda Segment | Organic Segment | Silicates and Glass Segment | Other operations Segment | <i>including discontinued operations</i> | Corporate functions - reconciliation item | TOTAL |
|--|-------------------------|----------------------------|--|---|--|--|----------------|
| <i>PLN '000</i> | | | | | | | |
| Sales revenues | 517,770 | 192,380 | 119,243 | 147,023 | 133,083 | - | 976,416 |
| Cost of sales | (435,254) | (180,419) | (98,172) | (132,608) | (128,617) | - | (846,453) |
| Gross profit/(loss) on sales | 82,516 | 11,961 | 21,071 | 14,415 | 4,466 | - | 129,963 |
| Selling costs | (36,942) | (6,031) | (17,999) | (4,611) | (1,719) | - | (65,583) |
| General and administrative expenses | (2,717) | - | (23) | (300) | (8) | (26,218) | (29,258) |
| Result on management of receivables | (1,297) | - | - | (5,148) | (1,552) | - | (6,445) |
| Result on other operating activities | 155 | - | (12) | 133,720 | 135,197 | - | 133,863 |
| Operating profit/(loss) | 41,715 | 5,930 | 3,037 | 138,076 | 136,384 | (26,218) | 162,540 |
| Exchange differences and interest on trade settlements | (418) | (6,920) | (7,815) | (14,396) | (6,754) | - | (29,549) |
| Borrowing costs | - | - | - | - | - | (16,827) | (16,827) |
| Result on financial activity (non-attributable to segments) | - | - | - | - | - | (46,089) | (46,089) |
| Profit/(loss) before tax | 41,297 | (990) | (4,778) | 123,680 | 129,630 | (89,134) | 70,075 |
| Income tax | | | | | | | 47,173 |
| Net profit/(loss) | | | | | | | 117,248 |
| Amortisation/depreciation | 573 | 167 | 47 | | X | 1,808 | 2,595 |
| EBITDA | 42,288 | 6,097 | 3,084 | 138,076 | X | (24,410) | 165,135 |
| <i>Normalized EBITDA**</i> | <i>42,279</i> | <i>6,097</i> | <i>3,081</i> | <i>2,912</i> | X | <i>(24,410)</i> | <i>29,959</i> |

*Restated.

**Normalized EBITDA for the 6 months ended 30 June 2013 is calculated as EBITDA adjusted by one-off events: realization of the Agreement for Sale and Transfer of TDI Assets: PLN 135,197 thousand, sale of other non-financial fixed assets: PLN 25 thousand, creation of provisions for liabilities: PLN -48 thousand, penalties and compensation received: PLN 2 thousand.

**CIECH S.A.
 ASSETS AND LIABILITIES BY OPERATING SEGMENTS**
30.06.2014

| <i>PLN '000</i> | Soda Segment | Organic Segment | Silicates and Glass Segment | Other operations Segment | Corporate functions - reconciliation item | TOTAL |
|-------------------------------|---------------------|------------------------|------------------------------------|---------------------------------|--|------------------|
| Property, plant and equipment | 871 | 12 | 25 | - | 1,562 | 2,470 |
| Intangible assets | 3,864 | 53 | 113 | - | 6,921 | 10,951 |
| Inventory | 5,576 | 438 | - | 702 | - | 6,716 |
| Trade receivables | 182,941 | 2,630 | 788 | 2,136 | - | 188,495 |
| Other assets | - | - | - | - | 2,322,550 | 2,322,550 |
| Total assets | 193,252 | 3,133 | 926 | 2,838 | 2,331,033 | 2,531,182 |

| <i>PLN '000</i> | Soda Segment | Organic Segment | Silicates and Glass Segment | Other operations Segment | Corporate functions - reconciliation item | TOTAL |
|--------------------------|---------------------|------------------------|------------------------------------|---------------------------------|--|------------------|
| Trade liabilities | 281,709 | 1,357 | 843 | 3,999 | - | 287,908 |
| Other liabilities | - | - | - | - | 1,326,551 | 1,326,551 |
| Total liabilities | 281,709 | 1,357 | 843 | 3,999 | 1,326,551 | 1,614,459 |

30.06.2013*

| <i>PLN '000</i> | Soda Segment | Organic Segment | Silicates and Glass Segment | Other operations Segment | Corporate functions - reconciliation item | TOTAL |
|-------------------------------|---------------------|------------------------|------------------------------------|---------------------------------|--|------------------|
| Property, plant and equipment | 981 | 286 | 82 | - | 2,727 | 4,076 |
| Intangible assets | 1,541 | 449 | 128 | - | 4,284 | 6,402 |
| Inventory | 10,997 | 7,723 | - | 375 | - | 19,095 |
| Trade receivables | 168,967 | 54,775 | 11,478 | 15,443 | - | 250,663 |
| Other assets | - | - | - | - | 2,428,855 | 2,428,855 |
| Total assets | 182,486 | 63,233 | 11,688 | 15,818 | 2,435,866 | 2,709,091 |

| <i>PLN '000</i> | Soda Segment | Organic Segment | Silicates and Glass Segment | Other operations Segment | Corporate functions - reconciliation item | TOTAL |
|--------------------------|---------------------|------------------------|------------------------------------|---------------------------------|--|------------------|
| Trade liabilities | 190,581 | 68,192 | 18,619 | 15,934 | - | 293,326 |
| Other liabilities | - | - | - | - | 1,463,853 | 1,463,853 |
| Total liabilities | 190,581 | 68,192 | 18,619 | 15,934 | 1,463,853 | 1,757,179 |

*Restated.

CIECH S.A.
OTHER FINANCIAL DATA BY OPERATING SEGMENTS
01.01.-30.06.2014

| <i>PLN '000</i> | Soda Segment | Organic Segment | Silicates and Glass Segment | Other operations Segment | Corporate functions -reconciliation item | TOTAL |
|---|---------------------|------------------------|------------------------------------|---------------------------------|---|---------------|
| Recognised impairment losses | 19,035 | - | - | 256 | - | 19,291 |
| Reversed impairment losses | 6,561 | 14 | - | 108 | - | 6,683 |
| Recognised impairment losses (non-attributable to segments) | - | - | - | - | 22,088 | 22,088 |
| Reversed impairment losses (non-attributable to segments) | - | - | - | - | 3,228 | 3,228 |

01.01.-30.06.2013*

| <i>PLN '000</i> | Soda Segment | Organic Segment | Silicates and Glass Segment | Other operations Segment | Corporate functions -reconciliation item | TOTAL |
|---|---------------------|------------------------|------------------------------------|---------------------------------|---|----------------|
| Recognised impairment losses | 4,705 | - | - | 6,134 | - | 10,839 |
| Reversed impairment losses | 3,744 | - | - | - | 1,008 | 4,752 |
| Recognised impairment losses (non-attributable to segments) | - | - | - | - | 580,214 | 580,214 |
| Reversed impairment losses (non-attributable to segments) | - | - | - | - | 81,521 | 81,521 |

*Restated.

CIECH S.A.
INFORMATION ON GEOGRAPHICAL AREAS
30.06.2014

| <i>PLN '000</i> | Poland | European Union (excluding Poland) | Other European countries | Africa | Asia | Other regions | TOTAL |
|-----------------|---------------|--|---------------------------------|---------------|-------------|----------------------|------------------|
| Assets | 1,376,831 | 1,132,427 | 10,692 | 777 | 9,778 | 677 | 2,531,182 |
| Sales revenues | 305,051 | 330,627 | 74,174 | 87,819 | 16,747 | 11,488 | 825,906 |

30.06.2013

| <i>PLN '000</i> | Poland | European Union (excluding Poland) | Other European countries | Africa | Asia | Other regions | TOTAL |
|-----------------|---------------|--|---------------------------------|---------------|-------------|----------------------|------------------|
| Assets | 1,754,244 | 908,428 | 28,786 | 10,397 | 6,635 | 601 | 2,709,091 |
| Sales revenues | 426,777 | 346,469 | 89,949 | 89,795 | 9,526 | 13,900 | 976,416 |

6.8. Information on fair value of financial instruments

a) Financial instruments measured at fair value

As at 30 June 2014 the Ciech Group had the following financial instruments measured at fair value: interest rate swap, USD/PLN forward and EUR/PLN forward.

The fair value of interest rate swap is measured as the difference between discounted interest cash flows (cash flows based on variable interest rate, so-called floating leg, and cash flows based on fixed interest rate, so-called fixed leg). The input data is the market interest rate from Reuters. The fair value of the currency forward is determined as a difference between the transaction rate and the forward rate at the valuation date multiplied by the nominal value of the contract in the foreign currency. Input data to the valuation is the market interest rate and spot exchange rate from Reuters, based on which the forward rate is calculated.

The fair value of the interest rate swap as at 30 June 2014 amounted to PLN -1,904 thousand (PLN -1,232 thousand – other non-current liabilities; PLN -672 thousand – other current liabilities). The fair value of the USD/PLN forward as at 30 June 2014 amounted to PLN -11 thousand, the fair value of the EUR/PLN forward as at 30 June 2014 amounted to PLN 1,478 thousand – total fair value of these financial instruments was presented in line “short-term investments”. According to the fair value hierarchy, it is Level 2.

In the first half of 2014 there were no transfers within the fair value hierarchy of instruments measured at fair value.

b) Financial instruments not measured at fair value

CIECH S.A. issued foreign and domestic bonds, with carrying amount as of 30 June 2014 of PLN 1,157,181 thousand and fair value of PLN 1,331,797 thousand.

For the remaining financial instruments of CIECH S.A. (classified mainly as cash, loans and receivables, financial liabilities measured at amortized cost and financial liabilities excluded from the scope of IAS 39) their fair value was close to their carrying amount.

a) Presentation of bond liabilities

Due to the change of control over CIECH S.A., in accordance with the terms and conditions of the issue of Polish bonds, the bond holders had the right to demand an early redemption of bonds, which resulted in the necessity to recognize them as short-term debt. None of the bond holders exercised the right within the time limit set in the terms and conditions, i.e. 8 July 2014. Moreover, in accordance with the terms and conditions of the issue of foreign bonds, a bid for foreign bonds redemption has been carried out by Ciech Group Financing AB, which resulted in the necessity to recognize intra-group bonds as short-term debt. Due to the fact that none of the foreign bond holders responded to the offer, the right of Ciech Group Financing AB to demand the redemption of intra-group series “W” bonds issued by CIECH S.A. expired as well.

6.9. Information on material events that occurred after 30 June 2014 and have not been reflected in the presented interim report

There were no material events that occurred after 30 June 2014 and have not been reflected in the financial statements for the period from 1 January to 30 June 2014.

6.10. Information on changes in shareholding structure

Changes that occurred in the first half of 2014 are described in point IV.2 of this Report.

6.11. Information on changes in contingent liabilities or contingent assets and other matters

6.11.1. Significant disputed liabilities of CIECH S.A.

As at 30 June 2014, the total value of significant disputed liabilities of CIECH S.A. and its subsidiaries pursued in all types of proceedings in front of court, body appropriate for arbitration proceedings or public administration body amounts to PLN 27,258 thousand, of which PLN 26,067 thousand is covered by provisions.

The amount of claims brought against CIECH S.A. is PLN 21,302 thousand. The provision for claims amounts to PLN 20,027 thousand.

Description of significant disputed liabilities

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 sell to ZAP shares in Gdańskie Zakłady Nawozów Fosforowych „FOSFOR” Sp. z o.o. The Agreement was in principle executed by both parties, as a result of which ZAP

acquired 100% shares in GZNF „FOSFOR” Sp. z o.o., held by CIECH S.A. On 12 November 2012, the District Court in Warsaw, XVI Commercial Department, 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 Agreement by CIECH S.A. In this respect, ZAP demanded the amount of PLN 18,607 thousand and a reimbursement of expenses incurred by ZAP for breach of warranties, in the amount of PLN 257 thousand. The legal basis for the claim 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. with its registered office in Człuchów alleged by ZAP. On 5 January 2013, CIECH S.A. issued a response to the claim in which it questioned both its basis and its value. On 18 June 2013, CIECH S.A. filed a request for notifying Gdańskie Zakłady Nawozów Fosforowych - „FOSFOR” 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. On 9 May 2014 the first proceedings in the above case took place. The parties maintained their previous positions and the court began the evidence proceedings by hearing witnesses proposed by ZAP. After hearing of the first witness the court postponed the proceedings without setting a date of the next hearing. The above claim is covered by a provision.

6.11.2. Significant disputed receivables of CIECH S.A.

As at 30 June 2014, the total value of significant disputed receivables of CIECH S.A. and its subsidiaries pursued in all types of proceedings in front of the court, body appropriate for arbitration proceedings or public administration bodies amounts to PLN 1,590 thousand, of which PLN 1,124 thousand is covered by impairment allowances.

The value of disputed receivables of CIECH S.A is PLN 112 thousand, total value is covered by impairment allowance.

6.11.3. Other significant cases with CIECH S.A.'s participation

On 24 May 2013, CIECH S.A. filed 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 mentioned Bank. After the exchange of pleadings between both parties, first hearings were scheduled for 1 and 2 July 2014. The court questioned witnesses on the scheduled hearings. The next court hearing is scheduled for 10 December 2014.

Until the date of publication of this Report the status of the above case has not changed.

6.11.4. Contingent assets and other contingent liabilities including guarantees and sureties

PLN '000

| OTHER CONTINGENT ITEMS | 30.06.2014 | 31.12.2013 |
|--|------------------|------------------|
| 1. Contingent receivables | 18,864 | 18,864 |
| 2. Other contingent liabilities | 1,096,717 | 1,074,386 |
| - guarantees and sureties granted | 1,095,939 | 1,073,608 |
| - other | 778 | 778 |

Contingent receivables of CIECH S.A. as at 30 June 2014 amounted to PLN 18,864 thousand, and did not change as compared to 31 December 2013. On 13 February 2013 CIECH S.A. brought an action to the District Court in Gdańsk, IX Commercial Department against GZNF „FOSFOR” Sp. z o.o. claiming payment of PLN 18,864 thousand as a compensation for making an alleged untrue representation by GZNF „FOSFOR” Sp. z o.o. to CIECH S.A. about the condition of Agrochem Człuchów Sp. z o.o. with its registered office in Człuchów. The legal basis of the claim asserted by CIECH S.A. is the provisions of Article 416 of the Civil Code. The aforementioned representations made by GZNF „FOSFOR” Sp. z o.o. 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. At present, in the mentioned case, the evidence proceedings are conducted, in particular witnesses are being questioned. On 22 May 2014 the proceedings in front of the District Court in Gdańsk took place on which witnesses were questioned. The next court hearing is scheduled for 15 September 2014.

Other contingent liabilities as at 30 June 2014 amounted to PLN 1,096,717 thousand, which is an increase of PLN 22,331 thousand as compared to December 2013.

The main cause of this difference concerns sureties granted for liabilities of a subsidiary Ciech Trading S.A. in the amount of USD 2,000 thousand and EUR 750 thousand; guarantee granted for liabilities of a subsidiary Uzinele Sodice Govora S.A in the amount of EUR 1,573 thousand; new guarantee granted in the amount of PLN 29 thousand, a decrease in the value of guarantees granted for liabilities of Infrastruktura Kapuściska S.A. w

upadłości by EUR 17 thousand. The remaining difference results from the changes in the exchange rates applied to translate liabilities.

The line "Other" of PLN 778 thousand results from a claim filed by a former employee of the Company in relation to compensation for termination of employment.

Information on sureties and guarantees granted has been presented in point IV.7 of this Report.

6.11.5. Letters of support

Information on letters of support has been presented in point IV.11.4 of this Report.

6.12. Provisions and impairment allowances on assets

CIECH S.A.'s financial statements for the first half of 2014 disclosed the following changes (recognition, use and reversal) of provisions and impairment allowances on assets.

01.01.-30.06.2014

| PLN '000 | Opening balance | Increase | Decrease | Closing balance |
|------------------------|-----------------|----------|----------|-----------------|
| Long-term investments | 889,907 | 1,626 | 448 | 891,085 |
| Inventory | 251 | - | 106 | 145 |
| Receivables | 103,917 | 20,400 | 7,302 | 117,015 |
| Short-term investments | 85,042 | 19,350 | 2,551 | 101,841 |

01.01.-30.06.2014

| PLN '000 | Opening balance | Increase | Decrease | Closing balance |
|--|-----------------|----------|----------|-----------------|
| Deferred income tax liability | 4,375 | 886 | - | 5,261 |
| Provision for employee benefits and other provisions | 22,464 | - | 1,811 | 20,653 |

01.01.-30.06.2014

| PLN '000 | Opening balance | Increase | Decrease | Closing balance |
|----------------------------|-----------------|----------|----------|-----------------|
| Deferred income tax assets | 43,422 | 17,039 | - | 60,461 |

01.01.-30.06.2013

| PLN '000 | Opening balance | Increase | Decrease | Closing balance |
|-------------------------------|-----------------|----------|----------|-----------------|
| Property, plant and equipment | 3,610 | - | - | 3,610 |
| Investment property | 701 | - | - | 701 |
| Long-term investments | 576,945 | 521,165 | 243,937 | 854,173 |
| Inventory | 530 | 100 | 458 | 172 |
| Receivables | 61,587 | 10,805 | 4,580 | 67,812 |
| Short-term investments | 31,355 | 58,984 | (2,520) | 92,859 |

01.01.-30.06.2013

| PLN '000 | Opening balance | Increase | Decrease | Closing balance |
|--|-----------------|----------|----------|-----------------|
| Deferred income tax liability | 14,671 | 225 | - | 14,896 |
| Provision for employee benefits and other provisions | 25,850 | - | 998 | 24,852 |

01.01.-30.06.2013

| PLN '000 | Opening balance | Increase | Decrease | Closing balance |
|----------------------------|-----------------|----------|----------|-----------------|
| Deferred income tax assets | 8,478 | 47,395 | - | 55,873 |

Deferred income tax liability and deferred income tax assets are netted off in the statement of financial position.

6.13. Notes to the Condensed Separate Statement of Other Comprehensive Income of CIECH S.A.
Tax effect of each component of other comprehensive income of CIECH S.A.

| PLN '000 | 01.01.-30.06.2014 | | | 01.01.-30.06.2013 | | |
|--|-------------------|------------|--------------|-------------------|------------|-----------|
| | Before tax | Tax | After tax | Before tax | Tax | After tax |
| Cash flow hedge | (532) | 101 | (431) | 6 | (1) | 5 |
| Other comprehensive income net of tax | (532) | 101 | (431) | 6 | (1) | 5 |

Income tax and reclassification adjustments in other comprehensive income

| Other comprehensive income before tax (PLN '000) | Change in the period | 01.01-30.06.2014 | Change in the period | 01.01-30.06.2013 |
|--|----------------------|------------------|----------------------|------------------|
| Cash flow hedge | - | (532) | - | 6 |
| - fair value remeasurement in the period | 6,142 | - | 409 | - |
| - reclassification to profit or loss | (6,674) | - | (403) | - |
| Income tax attributable to other components of other comprehensive income: | - | 101 | - | (1) |
| - accrued for the current period | (1,167) | - | (78) | - |
| - reclassification to profit or loss | 1,268 | - | 77 | - |
| Other comprehensive income net of tax | | (431) | | 5 |

6.14. Information on purchase and disposal of property, plant and equipment and commitments for the acquisition of property, plant and equipment**01.01.-30.06.2014**

| PLN '000 | Land, buildings, offices and land and water engineering facilities | Machinery and equipment | Means of transport | Other property, plant and equipment | Property, plant and equipment under construction | Total |
|----------|--|-------------------------|--------------------|-------------------------------------|--|-------|
| Purchase | - | 127 | - | 1 | 107 | 235 |
| Disposal | 130 | 405 | - | 102 | - | 637 |

In the first half of 2014 purchases were made with own financial resources of the Company. The liabilities assumed for the acquisition of property plant and equipment amounted to PLN 29 thousand.

01.01.-30.06.2013

| PLN '000 | Land, buildings, offices and land and water engineering facilities | Machinery and equipment | Means of transport | Other property, plant and equipment | Property, plant and equipment under construction | Total |
|----------|--|-------------------------|--------------------|-------------------------------------|--|-------|
| Purchase | - | 89 | 3 | 4 | 600 | 696 |
| Disposal | - | 117 | - | 96 | - | 213 |

6.15. CIECH S.A.'s shareholders holding at least 5.0% of shares/votes at the General Meeting of Shareholders

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

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

SHAREHOLDERS

To the knowledge of the Company, as at 30 June 2014 there were 2 shareholders holding significant stake (at least 5%) of CIECH S.A. shares: KI Chemistry s. à r. l. with its registered office in Luxembourg and ING Open Pension Fund.

| Shareholder | Type of shares | Number of shares | Number of votes at GSM | Share in total number of votes at GSM | Share in share capital (%) |
|--|-------------------------------|-------------------|------------------------|---------------------------------------|----------------------------|
| KI Chemistry s. à r. l. with its registered office in Luxembourg* | Ordinary bearer shares | 26,952,052 | 26,952,052 | 51.14% | 51.14% |
| ING Open Pension Fund** | Ordinary bearer shares | 5,000,000 | 5,000,000 | 9.49% | 9.49% |
| Others | Ordinary bearer shares | 20,747,857 | 20,747,857 | 39.37% | 39.37% |

* according to the information from 9 June 2014 given by Shareholder under art. 77 item 7 and art. 69 item 1 p. 1 of the public offering act from 29 July 2005 (...) (cr 26/2014)

** based on the list of shareholders holding at least 5% of votes at the Extraordinary General Meeting of Shareholders of CIECH S.A. on 7 July 2014, cr 51/2014 prepared and published based on Article 70 item 3 of the public offering act (...).

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

According to the declarations submitted by the management and supervisory persons, it appears that:

- as at 30 June 2014:
 - ✓ Mr Dariusz Krawczyk – President of the Management Board, held 116,980 shares in CIECH S.A.
 - ✓ Mr Artur Osuchowski – Member of the Management Board, held 3,825 shares in CIECH S.A.
- as at the date of publishing the foregoing report:
 - ✓ Mr Dariusz Krawczyk – President of the Management Board, held 140,000 shares in CIECH S.A.
 - ✓ Mr Artur Osuchowski – Member of the Management Board, held 59,640 shares in CIECH S.A.

Managerial persons did not hold any shares or holdings in related entities.

As at 30 June 2014 the members of Supervisory Board did not hold any shares or holdings in related entities.

According to the declarations submitted by the supervisory persons, it appears that as at the date of approving of the foregoing report they did not hold any shares in CIECH S.A. or shares or holdings in related entities.

6.17. Corrections of prior period errors

There were no corrections of prior period errors.

6.18. Discontinued operations and non-current assets classified as held for sale

The accounting policies applied in the preparing the statement of profit or loss for discontinued operations are in line with the CIECH S.A.'s accounting policy. The results of discontinued operations include:

Discontinued operations

In the period from 1 January to 30 June 2014 the Company presented as discontinued operations deferred income tax asset arising from temporary differences between the carrying value and tax value of shares in Infrastruktura Kapuściska S.A. w upadłości.

In the period from 1 January to 30 June 2013 the Company presented as discontinued operations the results of transactions with the following entities:

- Infrastruktura Kapuściska S.A. w upadłości (formerly ZACHEM S.A.) - in relation with discontinuation of TDI and ECH production in Infrastruktura Kapuściska S.A. w upadłości – operations presented in other operations segment,
- Alwernia S.A. - in connection with the agreement signed between CIECH S.A. and Alwernia Invest Sp. z o.o. – operations presented in the other operations segment.

Sales revenues and cost of sales of CIECH S.A. resulting from the sales of goods acquired from the aforementioned entities to external entities were also presented as discontinued operations.

Assets and liabilities classified as held for sale

As at 30 June 2014 and as at 31 December 2013, there were no assets and liabilities classified as held for sale.

6.19. Information on overdue debts or other violations of debt-related agreements

In the period covered by these financial statements none of the loan agreements was called to maturity nor there were violations of payment terms for repayment of capital or interest due in relation to financial liabilities recognized in the statement of financial position. Under the Revolving Loan Agreement and the New Revolving Loan Agreement CIECH S.A. and its selected subsidiaries were obliged, inter alia, to maintain the net financial leverage ratio specified in the agreements (consolidated total net borrowings of the Ciech Group in relation to consolidated EBITDA of the Ciech Group) on the level not higher than 3.6, measured for the period of 12 months ended 30 June 2014. The level of the ratio was met and amounted to 2.6.

On 22 May 2014 CIECH S.A. obtained the consent of the foreign bond holders for an amendment to the particular terms and conditions of the Indenture Agreement in order to extend the deadline within which CIECH S.A. is to ensure that S.C. Uzinele Sodice Govora - Ciech Chemical Group SA meets the specified requirements concerning its net assets up to the end of 2016.

6.20. Transactions with related parties

Transactions with related parties are concluded on the arm's length basis.

| PLN '000 | Sales revenues 01.01.-30.06.2014 | Purchases of goods and services 01.01.-30.06.2014 | Financial income 01.01.-30.06.2014 | Receivables as at 30.06.2014 | Liabilities as at 30.06.2014 |
|------------------------------|-------------------------------------|---|---------------------------------------|------------------------------------|---------------------------------|
| Consolidated entities | 63,680 | 582,068 | 76,272 | 186,759 | 271,586 |
| Non-consolidated entities | 29,252 | 7,120 | 1,074 | 7,202 | 2,293 |

| PLN '000 | Sales revenues 01.01.-30.06.2013 | Purchased of goods and services 01.01.-30.06.2013 | Financial income 01.01.-30.06.2013 | Receivables as at 30.06.2013 | Liabilities as at 30.06.2013 |
|------------------------------|-------------------------------------|---|---------------------------------------|------------------------------------|---------------------------------|
| Consolidated entities | 141,898 | 617,393 | 407,380 | 142,213 | 246,398 |
| Non-consolidated entities | 34,121 | 869 | 50 | 9,708 | 649 |

6.21. Information on events after the balance-sheet date

- On 7 July 2014 Mr Andrzej Kopeć – the member of the Management Board of CIECH S.A. resigned from the position of the Management Board member effective from 7 July 2014. Mr Andrzej Kopeć did not present a reason for the resignation.
- Extraordinary General Meeting of CIECH S.A. dated 7 July 2014 recalled all members of the Supervisory Board of CIECH S.A: Ewa Sibrecht-Ośka, Zygmunt Kwiatkowski, Mariusz Obszyński, Arkadiusz Grabalski, Maciej Lipiec, Waldemar Maj, Sławomir Stelmasiak, and appointed the following members: Piotr Augustyniak, dr Jan Kulczyk, Tomasz Mikołajczak, Mariusz Nowak, Artur Olech, Wojciech Stramski and Maciej Tybura.
- Due to the change of control over CIECH S.A., which took place on 9 June 2014, in accordance with the terms and conditions of the issue of Polish bonds, the bond holders had a right to demand an early redemption of bonds. None of the bond holders exercised the right until 8 July 2014, i.e, deadline provided in terms and conditions of the issue. Moreover, as a result of the change of control over CIECH S.A., in accordance with the terms and conditions of the issue of foreign secured bonds, Ciech Group Financing AB made a Redemption Offer in respect of all foreign bonds at a price of one foreign bond amounting to 101% of the bond's face value (i.e. EUR 101 thousand) increased by accrued but unpaid interest. None of the foreign bond holders responded to the foreign bond redemption offer until 5 August 2014 (the time limit set in the terms and conditions). Due to that fact, the right of Ciech Group Financing AB to demand the redemption of intra-group series "W" bonds issued by CIECH S.A. expired.
- On 10 July 2014 the Supervisory Board of CIECH S.A. appointed dr Jan Kulczyk as the Chairman of the Supervisory Board, Mr Tomasz Mikołajczak as the Vice Chairman of the Supervisory Board and Mr Wojciech Stramski as the Secretary of the Supervisory Board.
- On 11 August 2014 the Management Board of CIECH S.A. received the decision of the District Court for the capital city of Warsaw, XIII Commercial Department of the National Court Register about the registration of the changes in the Company's Articles of Association on 24 July 2014 introduced through the Resolution No 17 of the Extraordinary General Meeting of CIECH S.A. dated 7 July 2014. The following changes to the Company's Articles of Association have been introduced:
 - ✓ change in the competence of the bodies of CIECH S.A. to appoint and recall members of the Management Board. Previously, those competences were vested in the General Meeting. After the changes the competence to appoint and recall members of the Management Board lays in the hands of the Supervisory Board,
 - ✓ change in the range of giving consent to exercise the rights or incurring of liabilities,
 - ✓ change in the number of management board members.
 Detailed information concerning the changes in the Company's Articles of Association was presented in the current report no. 62/2014 on 11 August 2014.

VI. Statement of the Management Board.

This extended consolidated report of the Ciech Group for the first half of 2014 was approved by the Management Board of CIECH S.A. in its registered office on 28 August 2014.

Warsaw, 28 August 2014.

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

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

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Katarzyna Rybacka – Chief Accountant of CIECH Spółka Akcyjna