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

GENERAL INFORMATION

Management Board

Dariusz Krawczyk
Artur Osuchowski
Maciej Tybura

Supervisory Board

PhD Jan Kulczyk
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Dear Sirs and Madams,

I am pleased to publicly present the results of the CIECH Group for the year 2014. This was an important period in the recent history of our Company. Great importance had the formulated in spring of 2012 and consistently implemented by the Board deep restructuring program, through which the company regained its long-term profitability and built a stable foundation for further development.

In the past year, there have been significant changes in the shareholders structure of the Company - in June the majority shareholder became KI Chemistry - a subsidiary of Kulczyk Investments Group. This change has created new opportunities for the Company and gives broad perspectives for further development. In November last year, the CIECH Group's strategy for the years 2014 – 2019 was adopted. According to the assumptions, the Company will focus on organic growth in the sodium and organic segments (so called AGRO in this business), as well as a further improvement of the Group's efficiency in every aspect of its operations.

It is worth emphasizing that in 2014 all Group companies continued to implement restructuring programs. The results achieved by the Group companies are impressive and reflect in the consolidated results. The major development project in the sodium segment – project SODA +200 (expansion of production capacity in Soda Poland CIECH of an additional 200 thousand tonnes of product per year – up to the level of 800 thousand tonnes in 2016) has been continued and in the nearest future we will introduce significant changes in the organic segment in New Sarzyna. In the past year the production capacity of the Group increased significantly. The new calciner installed in Romania increased local production capacity by 460 thousand tonnes per year. On the other hand, the deployed in October extended installation for producing saturated polyester resins in New Sarzyna has allowed to increase the production of this range by 100 percent - to 12 thousand tonnes of product per year.

We stand before another ambitious challenges and development projects. Goodwill has been increasing and the Company successfully develops on a global scale. I am optimistic about the future and I am convinced that CIECH has already become completely different, more dynamic company and reliable business partner. Our goal always remains the same: we will systematically continue to increase the value of our Company for the shareholders.

Yours faithfully,

Dariusz Krawczyk
President of the CIECH S.A. Management Board

TABLE OF CONTENTS

I. REPORT ON THE CIECH GROUP'S ACTIVITIES IN 2014 ... 6

1 Characteristics of the CIECH Group ... 6
2 The most important events in the CIECH Group in 2014 ... 12
3 Description of factors and events of significant influence on the Group's operations ... 17
4 Risk Factors ... 18
5 Overview of the basic economic-financial values of the CIECH Group ... 28
6 The CIECH Group's trade and production activity ... 42
6.1 Explanations concerning the seasonal and cyclical nature of CIECH Group's activity ... 42
6.2 Information on main products, goods and services ... 42
6.3 Information on markets, sources of supply for production materials, products and services ... 57
7 Investment activities ... 59
7.1 Capital investments ... 59
7.1.1 Investments implemented in 2014 ... 59
7.1.2 Capital expenditures planned for the next 12 months ... 59
7.2 Description of major capital investments and the methods of their financing ... 59
7.2.1 Capital investments and divestments implemented in the current reporting period and the method of their financing ... 59
7.2.2 Capital investments and divestments planned for the next 12 months ... 60
7.3 Evaluation of the ability to complete the investment plans in relation to owned assets, including the possible changes in the financing structure of these activities. ... 60
8 Managing the financial resources in the CIECH Group ... 60
8.1 Information regarding important financial liabilities. ... 60
8.2 Bonds, credit, loan, sureties and guarantees ... 68
8.3 Information about issuance of securities in CIECH S.A. ... 70
8.4 Financial instruments ... 70
9 Explanation of differences between financial results and the previously published forecasts of results ... 71
10 Employment in the CIECH Group ... 71
11 Changes in organisation, management and financial assets of the CIECH Group ... 71
11.1 Changes in basic principles of managing in the CIECH Group ... 71
11.2 Changes in organizational linkages in CIECH Group ... 71
12 Information about purchase of own shares of the parent company ... 73
13 Description of using receipts from issuance by the Issuer ... 73
14 Information about the exchange rate of shares of CIECH S.A. ... 73
15 Perspectives for development of operations of the CIECH Group ... 75
16 Characteristics of external and internal factors essential for the development of the CIECH Group ... 76
17 Expected financial situation of CIECH Group ... 77
18 Strategic priorities of CIECH Group ... 77
19 Information about concluded contracts, significant for CIECH Group's activity (including contracts concluded between shareholders and insurance and cooperation contracts) ... 78
20 Information on contracts concluded with the entity authorized to audit/review the consolidated financial statements of the CIECH Group ... 78
21 Description of transactions with related entities ... 78
22 Information on the environmental protection issues ... 78
22.1 Legal status of the use of the environment ... 79
22.2 Environmental protection costs ... 81
22.3 Emission Trading ... 82
22.4 REACH ... 82
22.5 Environmental liabilities ... 82
23 Key achievements in research and development at the CIECH Group ... 82
24 Information about significant contingent items ... 83
25 Information concerning agreements that may influence the changes in the proportions of shares owned by current shareholders and bond holders ... 83
26 Information concerning the control system of employee share programs ... 83
27 Remuneration for the Management Board and the Supervisory Board ... 83
28 Determination of the total amount and nominal value of all Company shares and of shares and stocks in related parties in the possession of the management and supervisory board ... 83
29 Declaration on the application of Corporate Governance ... 83
29.1 Corporate governance rules which the Company is subject to ... 83
29.2 Identification of corporate governance rules, which were not applied by the Issuer, together with an indication of the circumstances and reasons for not applying to the specific rule and how the Company intends to remove possible consequences of not applying the rule or what

STEPS IT INTENDS TO TAKE IN ORDER TO REDUCE THE RISK OF NOT APPLYING TO THE SPECIFIC RULE IN THE FUTURE 84
29.3 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN THE PROCESS OF DEVELOPING FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS 85
29.4 CIECH S.A. SHAREHOLDERS HOLDING SIGNIFICANT SHARE PACKAGES 86
29.5 SHAREHOLDERS POSSESSING SPECIAL CONTROL AUTHORIZATION WITH A DESCRIPTION OF SUCH AUTHORIZATION 86
29.6 RESTRICTIONS CONCERNING THE PERFORMANCE OF THE RIGHT TO VOTE 87
29.7 RESTRICTIONS CONCERNING THE TRANSFER OF OWNERSHIP RIGHTS TO THE ISSUER'S SECURITIES 87
29.8 DESCRIPTION OF AUTHORIZATION FOR MAKING DECISIONS ON THE ISSUE OR REDEMPTION OF SHARES 87
29.9 PRINCIPLES OF CHANGING THE ISSUER'S STATUTE 87
29.10 METHOD OF ACTIVITY OF THE GENERAL MEETING AND ITS PRIMARY AUTHORIZATION WITH A DESCRIPTION OF SHAREHOLDER RIGHTS AND THE METHOD OF THEIR PERFORMANCE 87
29.11 COMPOSITION AND CODE OF CONDUCT OF THE MANAGEMENT AND SUPERVISORY BODIES OF THE ISSUER AND THEIR COMMITTEES 89
29.12 INFORMATION CONCERNING AGREEMENTS SIGNED BETWEEN THE ISSUER AND PERSONS IN MANAGEMENT POSITIONS PROVIDING FOR COMPENSATION IN THE EVENT OF THEIR RESIGNATION OR DISMISSAL FROM THEIR POSITION WITHOUT JUST CAUSE OR WHEN THEIR DISMISSAL TAKES PLACE AS A RESULT OF THE ISSUER'S MERGING THROUGH A TAKEOVER 96
30 INFORMATION REQUIRED IN CONNECTION WITH THE ISSUANCE OF FOREIGN BONDS ACCORDING TO THE OFFERING MEMORANDUM 96

II. THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CIECH GROUP FOR 2014 97

1 GENERAL INFORMATION 105
2 BASIS FOR PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS 105
2.1 THE MANAGEMENT BOARD STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS 105
2.2 BASIS OF VALUATION 105
2.3 REPORTING AND FUNCTIONAL CURRENCY 106
3 DESCRIPTION OF THE MOST IMPORTANT APPLIED ACCOUNTING POLICIES 106
3.1 BASIS OF CONSOLIDATION 106
3.1.1 SUBSIDIARIES 106
3.1.2 CONSOLIDATION ADJUSTMENTS 106
3.1.3 FOREIGN CURRENCY 106
3.2 IMPORTANT ACCOUNTING PRINCIPLES (POLICY) 107
3.2.1 FINANCIAL INSTRUMENTS 107
3.2.2 PROPERTY, PLANT AND EQUIPMENT 110
3.2.3 RIGHT OF PERPETUAL USUFRUCT OF LAND 111
3.2.4 INTANGIBLE ASSETS 111
3.2.5 ASSOCIATES AND JOINT VENTURES 112
3.2.6 BORROWING COSTS 113
3.2.7 INVESTMENT PROPERTY 113
3.2.8 TRADE AND OTHER RECEIVABLES 113
3.2.9 INVENTORIES 113
3.2.10 CASH AND CASH EQUIVALENTS 113
3.2.11 IMPAIRMENT LOSSES 113
3.2.12 EQUITY 114
3.2.13 EMPLOYEE BENEFITS 115
3.2.14 PROVISIONS 115
3.2.15 TRADE AND OTHER LIABILITIES 115
3.2.16 CONTINGENT LIABILITIES 116
3.2.17 REVENUE AND COSTS 116
3.2.18 TAXES 117
3.2.19 FOREIGN CURRENCY RECEIVABLES, LIABILITIES AND REVENUE 117
3.2.20 GOVERNMENT GRANTS 117
3.2.21 DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE 118
3.2.22 DETERMINATION OF FAIR VALUES 118
3.2.23 CARBON DIOXIDE EMISSION RIGHTS 119
3.3 CHANGES IN ACCOUNTING POLICIES AND THE SCOPE OF DISCLOSURES 119
4 JUDGEMENTS AND ESTIMATES 122
5 DETERMINATION OF FAIR VALUES 123
6 FINANCIAL RISK MANAGEMENT 124
7 CAPITAL MANAGEMENT 130
8 REPORTING SEGMENTS 130
9 DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES CONNECTED WITH ASSETS CLASSIFIED AS HELD FOR SALE 139

10 THE GROUP'S COMPOSITION ... 142
11 JOINT OPERATION AND ACQUISITION OF NON-CONTROLLING INTERESTS ... 147
12 SIGNIFICANT SUBSIDIARIES WITH NON-CONTROLLING INTERESTS ... 147
13 INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES MEASURED UNDER THE EQUITY METHOD 149
14 SALES REVENUES ... 150
15 COST OF SALES ... 150
16 OTHER INCOME AND EXPENSES ... 150
16.1 OTHER OPERATING ICOME ... 150
16.2 OTHER OPERATING EXPENSES ... 152
16.3 COST BY KIND ... 153
16.4 FINANCIAL INCOME ... 153
16.5 FINANCIAL EXPENSES ... 153
16.6 RESEARCH AND DEVELOPMENT COSTS ... 154
16.7 COMPONENTS OF OTHER COMPREHENSIVE REVENUE ... 155
17 INCOME TAX, DEFERRED TAX ASSETS AND LIABILITY ... 156
18 EARNINGS PER SHARE ... 158
19 PROPERTY, PLANT AND EQUIPMENT ... 159
20 RIGHT OF PERPETUAL USUFRUCT OF LAND ... 162
21 INTANGIBLE ASSETS ... 163
22 GOODWILL IMPAIRMENT TESTING ... 166
23 INVESTMENT PROPERTY ... 167
24 NON-CURRENT RECEIVABLES ... 167
25 OTHER LONG-TERM INVESTMENT ... 168
26 INVENTORY ... 168
27 SHORT-TERM RECEIVABLES ... 168
28 SHORT-TERM INVESTMENT ... 170
29 CASH AND CASH EQUIVALENTS ... 170
30 EQUITY ... 170
31 DIVIDENDS PAID OR DECLARED ... 171
32 NON-CURRENT LIABILITIES ... 172
33 INFORMATION ABOUT SIGNIFICANT FINANCIAL LIABILITIES ... 172
34 EMPLOYEE BENEFITS ... 173
35 PROVISIONS ... 174
36 CURRENT LIABILITIES ... 177
37 NOTES TO CONSOLIDATED CASH FLOW STATEMENT ... 177
38 FINANCE LEASES ... 178
39 OPERATING LEASE ... 179
40 FINANCIAL INSTRUMENTS ... 179
41 FINANCIAL INSTRUMENTS ASSIGNED FOR HEDGE ACCOUNTING ... 183
42 INFORMATION ON CHANGES IN CONTINGENT ASSETS AND LIABILITIES AND OTHER MATTERS ... 185
42.1 SIGNIFICANT DISPUTED LIABILITIES OF THE CIECH GROUP ... 185
42.2 SIGNIFICANT DISPUTED RECEIVABLES OF THE CIECH GROUP ... 186
42.3 CONTINGENT ASSETS AND CONTINGENT LIABILITIES INCLUDING GUARANTEES, SURETIES AND LETTERS OF SUPPORT ... 187
42.4 OTHER CASES WITH CIECH S.A.'S AND CIECH GROUP'S ENTITIES PARTICIPATION ... 188
43 INFORMATION ON TRANSACTIONS WITH RELATED PARTIES ... 188
43.1 TRANSACTIONS WITH RELATED PARTIES IN TOTAL ... 188
43.2 SIGNIFICANT TRANSACTIONS ENTERED INTO BY COMPANIES OR SUBSIDIARIES WITH RELATED ENTITIES ON OTHER THAN MARKET CONDITIONS ... 189
43.3 TRANSACTIONS WITH STATE TREASURY COMPANIES ... 189
43.4 DESCRIPTION OF SIGNIFICANT RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES ... 189
43.5 TRANSACTIONS CONCLUDED WITH KEY MANAGERIAL PERSONNEL ... 189
44 INFORMATION ABOUT AGREEMENTS CONCLUDED WITH THE ENTITY AUTHORISED TO AUDIT THE CIECH GROUP"S CONSOLIDATED FINANCIAL STATEMENTS ... 190
45 EVENTS AFTER THE REPORTING DATE ... 191
46 INFORMATION ABOUT SIGNIFICANT EVENTS FROM PREVIOUS YEARS RECOGNISED IN THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ... 191
47 OTHER INFORMATION THAT MAY HAVE A SIGNIFICANT IMPACT ON THE ASSESSMENT OF THE CIECH GROUP'S FINANCIAL AND ASSET SITUATION OR ITS FINANCIAL RESULT ... 191
STATEMENT OF THE MANAGEMENT BOARD ... 192

I. REPORT ON THE CIECH GROUP'S ACTIVITIES IN 2014

1 Characteristics of the CIECH Group

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

The actual core activity of the CIECH Group is production and sale of chemical products produced by the CIECH Group. In addition to the actual core activity the CIECH Group sells chemical products purchased from producers outside the Group.

Trade activity is carried out mostly by CIECH S.A. as well as domestic and foreign trading companies, subsidiaries of CIECH S.A., while a manufacturing activity is carried by production companies, subsidiaries of CIECH S.A.

In 2014, the core products sold by the Group on the Polish market included: soda ash, evaporated salt, baking soda, resins, plant protection products, glass packaging and other chemicals. The Group's most significant exportation products included: soda ash, baking soda, sulphur, resins, plant protection chemicals. The biggest foreign sales markets for the CIECH Group were European Union countries.

The CIECH Group is the sole or a dominant exporter of: soda ash produced in Poland (100%), baking soda produced in Poland (100%), calcium chloride produced in Poland (100%) and epoxy resins (80%). Additionally, the Group is a significant exporter of: soda glaze and salt. The core sales market for the CIECH Group is the European Union, including mainly Germany and Central Eastern European countries. The significant part of Romanian soda ash is exported to overseas markets and sold to India, North Africa and Near East. The Group's export activity is supported by its foreign trading companies. The main imported commodities were raw materials for resin and PUR foam production. The raw materials are mainly imported from the South and West Europe and Asia. The CIECH Group is the only producer of soda ash and baking soda as well as of epoxy resins in Poland.

The CIECH Group's business activities are primarily divided by business segments, including in 2014: soda segment, organic segment and silicates and glass. The production is located in eight plants. Four plants (two in Poland, one in Germany and one in Romania) produce soda ash and soda derived products. The two biggest plants of the CIECH Group are located in Inowrocław and Janikowo and they are responsible for the majority of soda production in the Group. The other four plants are located in Poland and they are dedicated to the production of organic segment as well as silicates and glass segment.

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

Since 2005 shares of CIECH S.A. have been traded on the Stock Exchange in Warsaw.

As of at 31 December 2014 the CIECH Group comprised of 37 business entities, including:

- the parent company CIECH S.A,
- 32 subsidiaries, of which:
    - 21 national subsidiaries,
    - 11 foreign subsidiaries,
- 2 national affiliates,
- 1 foreign affiliate,
- 1 jointly controlled foreign entity.

The parent company has a branch in Ramnicu Valcea, Romania and operates through its office in Inowrocław. CIECH Trading S.A. subsidiary has a branch in Bydgoszcz.

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

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

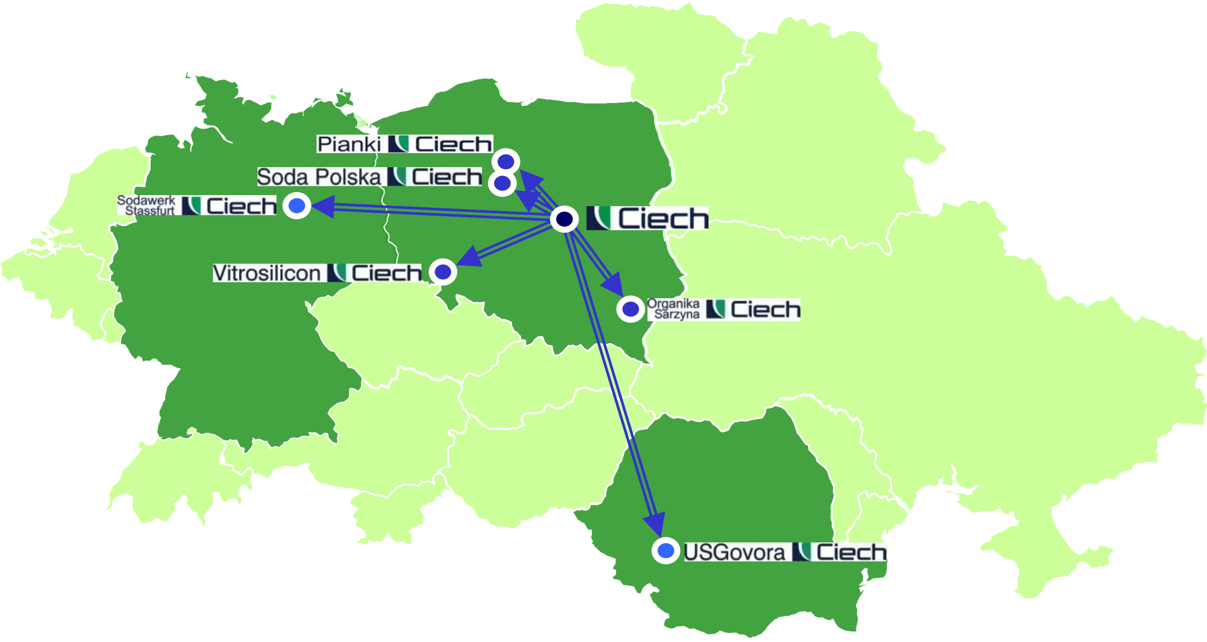
- **CIECH Spółka Akcyjna – parent company (CIECH S.A.)**
- Soda Polska Ciech Spółka Akcyjna (Soda Polska Ciech S.A.),
- TRANSODA Spółka z ograniczoną odpowiedzialnością (Transoda Sp. z o.o.),
- Ciech Trading Spółka Akcyjna (Ciech Trading S.A.),
- Janikowskie Zakłady Sodowe JANIKOSODA Spółka Akcyjna (JANIKOSODA S.A.),
- S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. (US Govora S.A.),
- Ciech Nieruchomości Spółka Akcyjna (until 18 June 2014 under the name Inowrocławskie Zakłady Chemiczne „SODA MĄTWY" Spółka Akcyjna (Ciech Nieruchomości S.A.),
- „VITROSILICON" Spółka Akcyjna (VITROSILICON S.A.),
- Przedsiębiorstwo Transportowo – Usługowe TRANSCLEAN Spółka z ograniczoną odpowiedzialnością (Transclean Sp. z o.o.),
- Ciech Pianki Spółka z ograniczoną odpowiedzialnością (Ciech Pianki Sp. z o.o.),
- Ciech – Polsin Private Limited,
- Ciech Group Financing AB,
- Verbis ETA Spółka z ograniczoną odpowiedzialnością (Verbis ETA Sp. z o.o.),
- Verbis ETA Spółka z ograniczoną odpowiedzialnością SKA (Verbis ETA Sp. z o.o. SKA),
- Ciech FINANCE Spółka z ograniczoną odpowiedzialnością (Ciech Finance Sp. z o.o.),
- Ciech Trademarks Spółka z ograniczoną odpowiedzialnością (until 15 January 2014 under the name Turia Spółka z ograniczoną odpowiedzialnością; since 25 February 2015 under the name Centrum Badawczo-Rozwojowe Ciech Spółka z ograniczoną odpowiedzialnością) (Ciech Trademarks Sp. z o.o.),
- Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej (for the period from 1 January to 14 March 2014 due to lack of financial data as at the date of loosing the control, the company was deconsolidated based on financial data as at 31 December 2013),
- Sagrera Sp. z o.o. (for the period from 1 January to 18 September 2014),
- Cerium Spółka z ograniczoną odpowiedzialnością SKA (Cerium Sp. z o.o SKA) (for the period from 19 December to 31 December 2014),
- Cerium Spółka z ograniczoną odpowiedzialnością (Cerium Sp. z o.o.) (for the period from 19 December to 31 December 2014).

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

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

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

Key Companies of the CIECH Group with geographic breakdown



Source: CIECH S.A.

In 2014, the Group operated in three production segments: soda, organic and silicates and glass and agrochemical. Our products meet the needs of other industry branches, including glass, furniture, chemical, agrochemical, trade/distribution, detergents, plastics, food, painting and varnishes, building, car and consumer goods – and used in agriculture. Our main categories of products, their application and our business segments are the following:

Structure and scope of activity of the CIECH Group as at 31 December 2014

	The Ciech Group		
	Soda Segment	Organic Segment	Silicates and Glass Other
Companies	Soda Polska Ciech Sodawerk Stassfurt Uzinele Sodice Govora	Organika-Sarzyna Ciech Pianki	Ciech Trading Vitrosilicon
Products	Soda ash baking soda salt	Epoxy resins, saturated and unsaturated polyester resins, plant protection chemicals, polyurethane foams	Organic chemicals, inorganic chemicals, plastics, fertilizers, silicates, glass blocks, lanterns and jars
Customers	Industries: glass, detergent, food, pharmaceutical, household	Agriculturre, furniture and paint indistry	Food, detergent and paint, agriculture, construction, retailers
Markets	Global, European, domestic	Global, European, domestic	European, domestic

Source: CIECH S.A.

SODA SEGMENT - CORE BUSINESS ACTIVITY

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

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

In 2014, the soda segment generated sales revenues of PLN 2,053,947 thousand (which accounts for 63.3% of the total sale revenues), EBITDA of PLN 477,037 thousand and the normalized EBITDA of PLN 450,500 thousand whereas for the year 2013 the segment generated sales revenues of PLN 2,043,570 thousand, EBITDA of PLN 328,883 thousand and normalized EBITDA of PLN 384,650 thousand.

Characteristics of key production companies operating in the soda segment:

● **Soda Polska CIECH S.A.** – Soda Polska CIECH was established in 2007 after JANIKOSODA S.A. and SODA MĄTWY S.A. contributed their businesses in kind. JANIKOSODA S.A. obtained 46.49% of shares and SODA MĄTWY S.A. 53.51% of shares in the share capital of Soda Polska CIECH. On 12 June 2012, Soda Polska CIECH transformed to joint stock company Soda Polska CIECH S.A., which holds two production plants located in Inowrocław and Janikowo. It is one of soda segment companies in the CIECH Group and the second producer of light and heavy soda ash on the European market. It also produces wet and dry evaporated salt (including Kujawska Salt). It holds the position of the biggest manufacturer of evaporated salt in the country. Other products of the company include, among others, baking soda, calcium chloride, precipitated chalk, absorbing masses, salt mixtures, corned salt, salt tablets, carbon dioxide. All the above listed products are widely used for industrial purposes. Their main recipients are the international glass concerns, domestic glass-works, detergent manufacturers, chemical, metallurgical, food, animal feed and pharmaceutical industries, water treatment sector and households. Production of soda ash oscillates around the size of 1200 tt/year. The plant has the following certificates: ISO 9001: 2000, ISO 14001: 2004, GMP+ B2. The plant also applies the HACCP principles.

● **Sodawerk Stassfurt GmbH&Co. KG (Soda Deutschland CIECH Group)** – German manufacturer of soda ash and bicarbonate soda with its registered office in Stassfurt. For 130 years Sodawerk has been involved in production of soda ash under the use of sources of limestone and stone salt. CIECH S.A. has taken over the plant the plant in 2007 and a year later a new plant for the production of dense soda was launched. The company has the following certificates: ISO 9001, ISO 14001, Kosher, GMP.

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

ORGANIC SEGMENT

The CIECH Group is a producer of a variety of organic compounds. In 2014 it was producing, among others, polyurethane foams, epoxy resins and polyester resins. These products are used in the following industries: furniture, automotive, dyeing and electronic. The Group produces also plant protection products for agriculture.

The organic segment generated in 2014 the sales revenues of PLN 805,328 thousand (which accounts for 25.2% of the total sales revenues), EBITDA of PLN 66,493 thousand and normalized EBITDA of PLN 80,046 thousand, whereas for 2013 the segment generated sales revenues of PLN 847,265 thousand, EBITDA of PLN 83,338 thousand and normalized EBITDA of PLN 81,906 thousand.

Characteristics of key production companies operating in the organic segment:

●**Z. Ch. "Organika-Sarzyna" S.A.** –produces plant pesticides (herbicides, fungicides, insectcides, seed treatment), epoxy resins and polyester resins. Full range of products includes over thousand items and their variations, of different chemical, application, packaging forms appropriate for their target market and use. The most famous trademarks of the company include Epidian, Chwastox and Polimal.

The core production activity is supplemented by the actions involving service-conduct of formulation of goods, preparation or distribution, which may be carried out for the benefit of business partners on the basis of own production base, personnel potential and distribution network. The plants have the following certificates of quality management ISO 9001, ISO 14001 and the OHS system compliant with standard PN -N-18001.

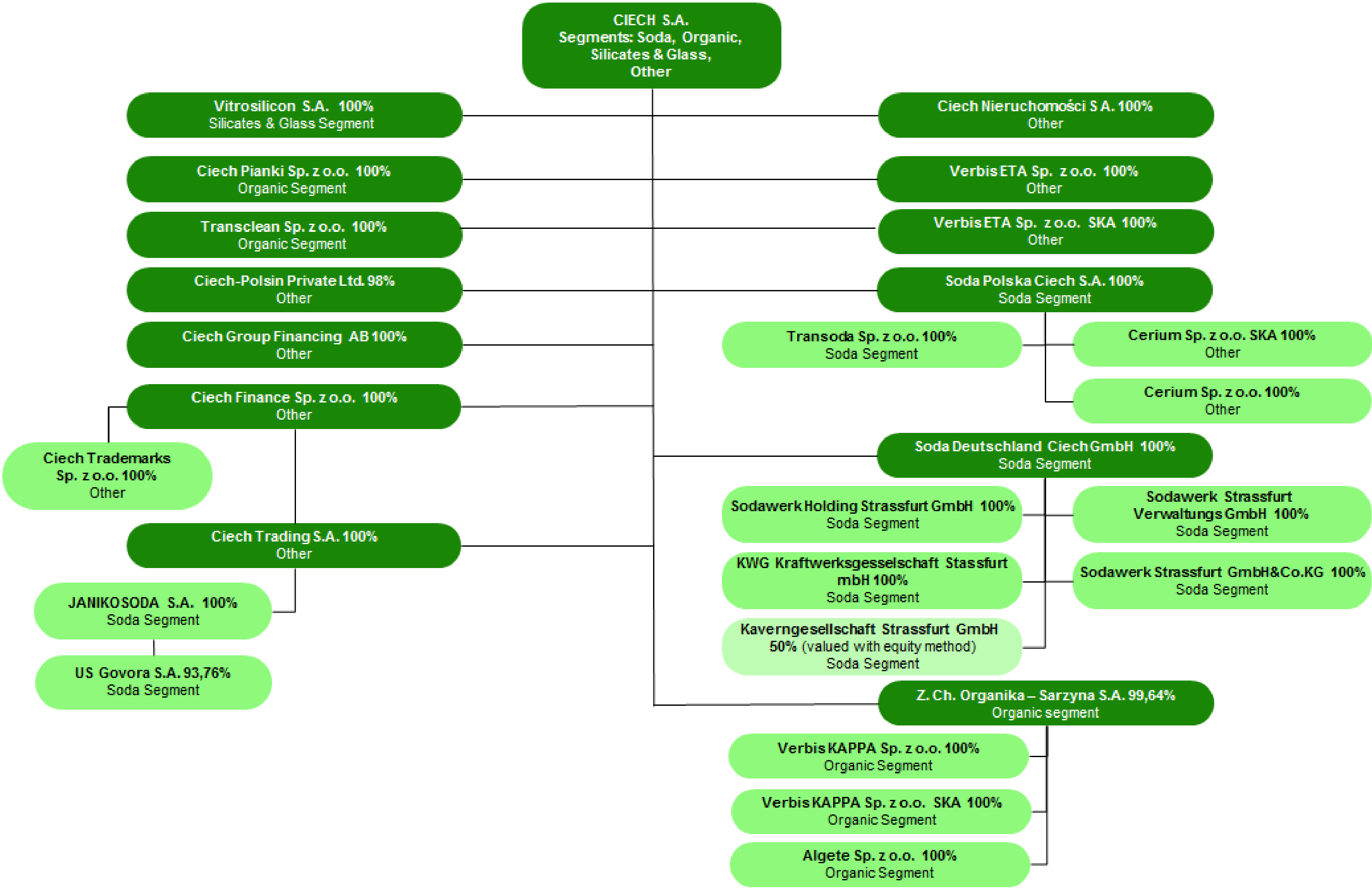
●**CIECH Pianki Sp. z o.o.** – the company's activities relate to production and sales of PUR foam, focusing its operating activities mainly on the Central-Eastern European markets, for the furniture market. Produced foams can be divided into 5 basic groups: light foams, standard foams, highly-flexible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

THE SILICATES AND GLASS SEGMENT covers mainly the products of VITROSILICON S.A., as well as other manufacturers, exported under the trading activity of CIECH S.A., such as glass and soda glaze. Due to organizational reasons, this segment also includes trade in other goods, mainly sulphur. Glass products, which include glass packaging (lanterns and jars), are produced within the Group. The goods made of glass are used in construction and food industries, and for the headstone lamps production.
The silicate and glass segment generated in 2014 sales revenues of PLN 350,562 thousand (which accounts for 11.0% of the total sales revenues), EBITDA of PLN 35,702 thousand and normalised EBITDA of PLN 35,788 thousand, whereas in 2013 the segment generated sales revenues of PLN 335,789 thousand, EBITDA of PLN 29,018 thousand and normalized EBITDA of PLN 28,314 thousand.

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

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

The CIECH Group structure as at 31 December 2014



Source: CIECH S.A.

2 The most important events in the CIECH Group in 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 CIECH S.A. 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. published 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 regarding 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 Espirto Santo de Investimento S.A. Oddział w Polsce on 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 that took place on 4 June 2014 as 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 sale of shares in the share capital of CIECH S.A. transaction was settled. The transaction 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 the 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.

- On 9 June 2014, as a result of the settlement of the call for subscription for the CIECH S.A.'s 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 of PLN 160,000 thousand to Soda Polska CIECH S.A. CIECH S.A. declared to grant a loan to Soda Polska CIECH S.A. to cover the costs of the project "Intensification of soda production by 200 thousand tonnes per year" project 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 was 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 was to receive a permit to conduct business activity by Soda Polska CIECH S.A. in the territory of the Pomerania Special Economic Zone, that was obtained by the company on 23 May 2014.
  Total expenditures on the project are 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 for the realisation of the project is that the current external supplier confirms to increase 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 regulating 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 of 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.

- On 25 July 2014, the Management Board of Soda Polska CIECH S.A. informed trade unions in the company about the necessity to make collective redundancies. The company intended to lay off 155 employees under the group redundancies scheme in the period from 1 September 2014 to 31 May 2015.
  On 24 September 2014, Soda Polska CIECH S.A. concluded with all trade unions operating in the company a agreement whereby, inter alia:
  - ✓ The trade unions undertook to withdraw the lodged claims concerning an increase of the remuneration fund and, for the duration of the agreement, not to bring any claims for an increase of the remuneration fund, pay rises, establishment of additional cash benefits for employees of the company or any other claims concerning remuneration of employees of the company, both according to the procedure specified in the Law on Settlement of Collective Disputes and outside this procedure.
  - ✓ The trade unions undertook, for the duration of the agreement, to, inter alia, strive to settle amicably any disputes with the company. In particular, the trade unions undertook to refrain from starting any collective disputes, organization of pickets or protest campaigns.
  - ✓ The parties to the agreement confirmed that, as of the date of entry into the agreement, there was no collective dispute among them, as defined by the provisions of the Law on Settlement of Collective Disputes.
  - ✓ The company undertook, temporarily, for the duration of the agreement, to take action aimed to maintain employment of workers designated for group redundancy, with the exception of workers to whom a notice of termination of their employment relationship was delivered or with whom agreements regarding termination of their employment relationship were concluded before the agreement. These actions will lead to providing a possibility for each employee designated for group redundancy to continue his/her employment in the company, and if no such possibility is open, in another entity belonging to the CIECH Group, at least until the end of the term of the agreement.
  - ✓ The company undertook to increase the base salary of 73 employees to the gross level of PLN 2 thousand effective from 1 September 2014.
  - ✓ The company granted its consent to the transfer, from the funds already deposited in the account of the corporate social benefits funds, of the amount of PLN 2,100 thousand for additional social benefits for employees of the company.
  - ✓ The agreement was concluded for a specified period of 36 months from the date of conclusion thereof, with a possibility of its termination by either party against one-month notice or with an immediate effect in the event of a breach by either party of the provisions of the agreement.

- 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.

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 trade union within the agreed 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 the company 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.

Silicates and glass segment:

- On 22 December 2014, the subsidiary Vitrosilicon S.A. concluded an agreement for supply of sodium silicate with SOLVAY ADVANCED SILICAS POLAND Sp. z o.o. The object of the Agreement is sodium silicate ("the Product") supply provided by the Subsidiary to the Solvay factory in Włocławek, subject to DAP terms, according to Incoterms 2010, starting no later than in the middle of January 2016. The Agreement was concluded for a specified period of time, until 31 December 2025, with a possibility of its subsequent extension. The estimate value of the Agreement, according to the applied price formula and prices of raw materials necessary for the manufacture of Products - throughout the term thereof - amounts to approx. PLN 550,000 thousands. The Agreement contains a precedent condition – the Agreement shall be terminated in the event when Solvay will not obtain the required administrative decision by 30 June 2015, connected with the operation of its plant in Włocławek. If Vitrosilicon S.A. does not obtain all the necessary administrative decisions for the extension of its own production line at the plant in Żary – Kunice by 30 June 2015, the Subsidiary shall be entitled to terminate the Agreement with an effect on 31 December 2016. The remuneration due to the

Subsidiary for delivery of the Product is specified by the price formula, based on the prices of raw materials necessary in the process of its production. The Agreement stipulates a formula of guarantee fines reserved for the Subsidiary in the event of collection by Solvay of the minimum quantity of the Product, as specified in the Agreement. Pursuant to the Agreement, liability of the Subsidiary for failure to perform or undue performance of the Agreement is limited to the amount constituting the equivalent of monthly supply of the Product. The other terms and conditions of the Agreement do not differ from the terms and conditions commonly applied in transactions covered by this type of agreements.

Corporate Functions/Other:

- On 14 March 2014, the District Court in Bydgoszcz, XV Commercial Department, issued a decision in a closed session that 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 to increase share capital 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 its 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 up to the end of 2016, within CIECH S.A. is about to ensure that S.C. Uzinele Sodice Govora - CIECH Chemical Group S.A. meets the specified requirements concerning its net assets.

- 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.

- The 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, PhD 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 PhD 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.

- 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, on 9 June 2014:
  - ✓ CIECH Group Financing AB (publ), based on point 4.15 of the Indenture Agreement (Offer to repurchase upon change of control), 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
  - ✓ 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 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 introduced through the Resolution No 17 of the Extraordinary General Meeting of CIECH S.A. dated 7 July 2014. The registration was made on 24 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 where 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 incur 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.

- On 5 September 2014, in order to optimize the structure of the CIECH Group, CIECH Finance Sp. z o.o sold to Sagrera Sp. z o.o the shares of the following companies: Pol-Plast S.A. w upadłości, Huta Gliwice S.A. w upadłości likwidacyjnej, Stocznia Gdynia S.A., ZTR ZATRA S.A. w likwidacji, TM Pressta S.A. w upadłości likwidacyjnej, RZPS Radoskór S.A. w upadłości, Wistom S.A. w upadłości, ZTS Pronit S.A. w upadłości, Len S.A. w likwidacji, Pro - Agro S.A w upadłości, Tradecom S.A. w likwidacji, ZG-H Mirex Sp. z o.o w likwidacji, Huta Ostrowiec S.A. w upadłości. The total value of the transaction amounted to PLN 0.4 thousand. Additionally, on 15 September 2014, CIECH S.A. sold to Sagrera Sp. z o.o. 37,421,250 shares (all shares owned by CIECH S.A.) of Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej, representing a total of 98.998% of the share capital of the company for the amount of PLN 100. Ownership of shares, together with all rights and obligations were passed to the buyer upon conclusion of the sale agreement on 15 September 2014. On 18 September 2014, 100% of shares in Sagrera Sp. z o.o. were sold outside the CIECH Group (to ALITA Sp. z o.o.). Price for the Sagrera Sp. z o.o. shares amounted to PLN 5 thousand. Ownership of the shares, together with all rights and obligations were passed to the buyer upon conclusion of the sale agreement.

- On 9 October 2014 the Supervisory Board of CIECH S.A. appointed Mr Maciej Tybura as the member of the Management Board effective from 13 October 2014. On the same day, Mr Maciej Tybura resigned from the position of the Supervisory Board member of CIECH S.A. effective from 10 October 2014.

- On 3 November 2014 the Supervisory Board of CIECH S.A. adopted a resolution approving the "Strategy of the CIECH Chemical Group for 2014-2019", presented by the Management Board of CIECH S.A. According to the adopted document, the strategic objective is the maximisation of the value of the CIECH Group, mainly through the development in soda segment. Moreover, the strategic objectives of the CIECH Group cover:
  - ✓ increase in revenues in the soda segment,
  - ✓ doubling its share in the Polish market of crop protection chemicals,
  - ✓ growth of normalized EBITDA,
  - ✓ growth of the value of the Company.

  The Strategy anticipates the achievement of the following financial objectives of the CIECH Group:

- ✓ average annual sales revenues (2014 – 2019): approx. PLN 3.8 billion,
- ✓ average annual normalized EBITDA (2014 – 2019): approx. PLN 660 million,
- ✓ average annual normalized EBITDA margin (2014 – 2019): approx. 17%,
- ✓ the achievement of the net indebtedness versus EBITDA indicator below 1.00 in 2019. For the purpose of calculation of the indicator, the average annual dividend rate was assumed at the level of 3%. The value of the dividend and its payment will depend on the market situation and the financial condition of the CIECH Group.

The objectives will be implemented through, among others:

- ✓ the strengthening of the leader's position in the soda segment in the key European markets through, among other things, effective acquiring of new clients and building of the position of a preferred supplier,
- ✓ determined strengthening of the market position in the organic segment through, among other things, an increase of production effectiveness and an increase in the use of the production capacity,
- ✓ development of highly-processed organic products, adapted to clients' requirements (in particular, the establishment of the research-development centre in Sarzyna),
- ✓ completion of reconstruction investments which, in the long run, will provide high quality and production cost effectiveness within the segment of silicates and glass,
- ✓ active steps taken for the purpose of identification and implementation of new development initiatives focusing on the building of the value of the CIECH Group.

The Management Board of the Company will carry out an on-going analysis of the market environment and identification of innovative solutions aimed at the building of the value of the CIECH Group. In the event of changes in the conditions of operation of the CIECH Chemical Group the possibility of updating the Strategy is open.

- On 17 November 2014, the Standard & Poor's Ratings Services rating agency announced publication of a report, where due to the quality of the results achieved by the Company and an increase in EBITDA, it raised the rating awarded at the request of the Company from "B" to "B+", with a stable prospect.

- On 28 November 2014, the Moody's Investors Service rating agency ("Moody's") announced publication of a report, where it raised the rating awarded at the request of the Company from "B2" to "B1", with a stable prospect. Moody's also raised from "B2" to "B1" (stable prospect) the rating awarded to the issue of bearer's secured debentures, denominated in Euro, with maturity date in 2019, which were issued by CIECH Group Financing AB. The increase of both ratings was justified by Moody's by an improvement of the quality of the Company's results in 2013 and 2014, which translated to an increase in EBITDA and the amount of the generated cash.

- On 5 December 2014, Zakłady Chemiczne "Organika-Sarzyna" S.A. ("the Factoring Agent"), concluded a factoring agreement ("the Agreement") with BZ WBK Faktor Sp. z o. o., with a registered office in Warsaw ("the Factor"). The object of the Agreement is the rendering of factoring services for the Factoring Agent, covering the acquisition of receivables due to the Factoring Agent from its contractors, and deriving from the concluded commercial agreements. The Agreement was concluded for an indefinite period. The Parties established that the limit of the maximum amount of engagement of the Factor in relation to the Factoring Agent under the Agreement would constitute an amount being an equivalent of a total of PLN 115,000 thousands (one hundred and fifteen million) or an equivalent of that amount in EUR or in USD. The securities anticipated by the Agreement constitute: a blank promissory note issued by the Factoring Agent, including a promissory note declaration, and a transfer of amounts receivable under insurance policies. According to the Agreement, the Factor bears liability for a risk of insolvency of the Factoring Agent's contractors up to the value of compensation which is due according to the terms and conditions of the Policies in the event of occurrence of damages. The remuneration due to the Factor under the Agreement shall not be different than the value of remuneration customarily payable in the market of factoring services and shall be calculated on the value of financed amounts receivable. The other terms and conditions of the Agreement do not differ from the terms and conditions commonly applied in transactions covered by this type of agreements. According to the terms and conditions of the issue of foreign debentures and the issue of domestic debentures, the funds obtained from the factoring transaction under the Agreement should be allocated to one or more of the following purposes:
  - partial, premature redemption of the Foreign Debentures and Domestic Debentures (provided that the redemption price offered to debenture holders may not exceed 100% of the value of, respectively, the foreign Debentures or the Domestic Debentures, increased by the value of calculated interest which remains unpaid until the date of redemption),
  - premature repayment of the credit granted to the CIECH S.A. under the credit agreement,
  - financing of re-investments in new assets,
  - financing of investment expenditures.

  At the present stage, the Factoring Agent is planning to allocate the funds obtained from the factoring transaction for the financing of the investment expenditure. The securities established by the Factoring Agent for the benefit of creditors under the Foreign Debentures, Domestic Debentures and Renewable Credit - within the scope in which they encumber the amounts receivable which are to serve as the object of transfer to the Factor under the Agreement - they will be released according to the procedure specified in the agreement between the creditors.

- On 23 December 2014, the Extraordinary General Meeting of Shareholders of CERIUM Sp. z o. o. SKA adopted a resolution to increase share capital from the amount of PLN 50 thousand up to the amount of PLN 1,419 thousand through the issue of 1,368,625 ordinary registered shares of the nominal value of PLN 1.00 each and of the total nominal value of PLN 1,369 thousand. The total issue price of shares was set out to amount to PLN 136,863 thousand. All the shares were taken up under private subscription addressed to the company Soda Polska CIECH S.A. The shares were acquired by Soda Polska CIECH S.A. in exchange for a non-cash contribution, which valuation amounted to PLN 136,863 thousand in total and which was in the form of a right of ownership of movables in form of machines and facilities of the production plants of Soda Polska CIECH S.A. On 23 December 2014, Soda Polska CIECH S.A. executed with CERIUM Sp. z o.o. SKA. the following agreements:
  - The agreement for the subscription for shares concerning the take-up by Soda Polska CIECH S.A. of shares at issue price, which will be paid by Soda Polska CIECH S.A. by means of the non-cash contribution to CERIUM Sp. z o.o. SKA.;
  - The agreement for the transfer of the right of ownership of movables concerning the non-cash contribution by Soda Polska CIECH S.A. to CERIUM Sp. z o.o. SKA to cover the issue price of the shares in the performance of the share subscription agreement

  The agreements do not provide a condition or deadline and do not contain any clauses on contractual penalties or terms other than standard arm's length terms of agreements of such type.
  After this transaction, Soda Polska CIECH S.A. holds 1,418,625 shares representing 100% of the share capital of CERIUM Sp. z o.o. SKA. and gives 1,418,625 votes at the General Meeting of the company. The shares subscribed by Soda Polska CIECH S.A. represent a long-term equity investment. The assets acquired by CERIUM Sp. z o.o. SKA are used by Soda Polska CIECH S.A. for the production of soda. CERIUM Sp. z o.o. SKA. intends to derive financial benefits from the acquired assets through making them available to the CIECH Group members under a leasing agreement. The assets may be subsequently rented, leased or held under beneficial leasehold by Soda Polska CIECH S.A. that will use them in its production process.

- On 23 December 2014, Soda Polska CIECH S.A. contributed in-kind selected movables to its subsidiary, CERIUM Sp. z o.o. SKA. Next, on 29 December 2014, the company CERIUM Sp. z o.o. SKA (the Lessor) executed with three companies from the CIECH Group, i.e. Soda Polska CIECH S.A., Zakłady Chemiczne "Organika-Sarzyna" S.A. and CIECH Pianki Sp. z o.o. (the Lessees) finance lease agreements whereunder the Lessor leased to the Lessees, for their use and benefits, certain movables specified in the finance lease agreements which represent assets of the Lessor. Subsequently, Zakłady Chemiczne "Organika-Sarzyna" S.A. and CIECH Pianki Sp. z o.o. leased this tangibles assets to Soda Polska CIECH S.A. for the period of 15 years, i.e. until 31 December 2029. The leasing agreements were executed for a fixed period by 31 December 2015, with the option of extension for a subsequent fixed term. Following the end of the leasing agreement term, the Lessor is obliged to transfer to the Lessees, under separate agreements, the right of ownership of the leased assets for a payment in the amount of the last lease instalment unless the parties to the leasing agreement decide otherwise. The Lessees have the right to appoint another acquirer authorised to buy the objects of lease. The value of the leasing agreement amounts to app. PLN 113,000 thousand net and represents the sum of lease instalments paid as the remuneration to the Lessor during the leasing agreement term. The leasing agreements do not provide for a condition or deadline or contain any clauses concerning contractual penalties or terms and conditions other than the standard arm's length terms and conditions commonly applicable in agreements of such type.

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

Positive factors

- Improved economic situation in domestic chemical industry in 2014 in comparison to the previous year (decrease in sale by 1.9% in case of chemicals and chemical products and significant increase by 6.2% in case of rubber products and plastics; in constant prices).
- A significant increase in domestic sales of construction and assembly production by 3.6% during the year 2014 in comparison to the previous year (chemical industry produces many raw materials and semi-finished products used in this production process).
- 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).
- A significant increase in demand on the European market of soda ash in comparison to previous year.
- Upturn on pesticides' market (especially compared to the situation from the prior year characterized by an unfavorable prolongation of the winter period).
- Continuation of high sulphur prices compared to the prior year (higher by tens of percent).
- A significant fall in oil prices in the second half of the year 2014 (influencing the decline in prices of raw materials for the organic industry) improving the efficiency of operations in the organic segment of the CIECH Group.

- Economic recovery in the European Union.
- Polish currency remaining at a quite low level in relation to EUR (compared to the previous few years), which increased profitability of export of the CIECH Group.

Negative factors

- Persistently low level of prices of epoxy resins (lower compared to the previous year) but showing some signs of improvement due to economic recovery on the European market of paints.

4 Risk Factors

Economic downturns and a continuing slowdown in the global and European economy and related credit and financial market problems, may negatively impact the activity of the CIECH Group.
The CIECH Group business is largely based on the sales of chemical products used as raw materials and semi-finished goods in a wide range of industries, including the glass, detergent, furniture, automotive, construction, food, pharmaceutical, chemical and consumer goods industries. Demand for CIECH Group customers' products is affected by general economic conditions and other factors, including conditions in the construction, automobile and packaging industries, costs of labour and energy costs, exchange rates fluctuations, interest rates fluctuations and other factors beyond control of the Group. As a result, the volume and profitability of the CIECH Group companies' sales depends on these fluctuations, as well as the economic situation in Poland, Europe and worldwide. The recent economic downturn in the target markets and geographic areas where CIECH Group sells its products, in particular the glass, construction and automotive industries in Europe, has substantially reduced demand for CIECH Group products which resulted in decreased sales volumes. As a result of this economic downturn, demand for CIECH Group products dropped from peak levels in 2007 and early 2008 and did not recover fully to date.
While demand in certain of the CIECH Group products began to recover in 2010 and 2011 (despite the Eurozone crisis), it remains uncertain whether continuing slow economic growth in the Eurozone will not have an negative impact on sales volumes. In 2012-2013 the stagnation on main products' markets was noticeable (slight decreases and increases of demand). The upturn took place from 2014.
In case of prolonged weakening of the global economy or deterioration of global economic conditions, CIECH Group' customers may experience cash flow shortages and difficulty in obtaining financing for their operations. As a result, existing or potential customers may postpone or cancel plans to purchase products and may not be able to fulfil their obligations (partially or fully) in a timely manner. Adverse changes in a customer's financial position increase credit risk of the CIECH Group and results in increased risk to limit or discontinue business cooperation with that customer.
It is uncertain whether events that have an adverse effect on the industries and markets in which the CIECH Group operates, such as a downturn in the Polish, European and global economies, increases in interest rates, unfavourable exchange rates fluctuations or other factors, will not occur. Any significant downturn in the CIECH Group customers' activities or in Polish, European and global economic conditions could result in reduction of demand for the CIECH Group products and could negatively affect operating activity, and financial situation of the CIECH Group. We assess the risk to be moderate.

The soda and organic industries are cyclical and changes of market demand and prices may negatively impact the CIECH Group's operating margins and its cash flows.
The CIECH Group turnover is primarily attributable to sales of Soda and Organic products, where the prices have historically been cyclical and sensitive to changes in supply and demand, the availability and price of raw materials, general economic conditions and other factors that are beyond control of the CIECH Group. These industries are characterized by periods of increased supply leading to high operating profits and margins, followed by periods of oversupply resulting primarily from significant production capacity increases, leading, in turn, to reduced operating profits and lower margins.
Demand for soda ash dropped from peak levels in 2008 to much lower levels in the following years. This demand downturn was primarily due to low demand from glass production industry (in particular, flat glass) resulting from general economic downturn. Falling demand on many local markets resulted in an oversupply of soda ash, which caused a temporary reduction of the average selling price of soda ash.
Soda ash surplus in Europe caused many producers using soda ash to halt new purchases and to use the soda ash inventories purchased at low priced in 2009. Starting from 2010, demand for soda ash increased each year and soda ash production began to recover. After a 16% decrease in consumption in 2009, the Western European soda ash market experienced in 2011-2012 an increase of approximately 3%-5% (source IHS Chemical) and stagnation in 2012-2013. A marked economic upturn was noted in 2014.
The markets for some other CIECH Group's products, including epoxy resins used mainly in the construction and paint industry, behave similarly, experiencing alternating periods of high supply, causing prices and margins to increase, followed by periods of low demand, resulting in oversupply and declining prices and margins. The demand for epoxy resins is closely linked to the demand in end-use products of paint, construction and electronic industries, which, in turn, depend on the overall economic situation. The cyclicality may affect prices of CIECH Group products and may negatively impact the CIECH Group operating activity and financial situation. We assess the risk to be moderate.

Growing competition may adversely affect the CIECH Group operating activities and financial situation.
Growing competition from existing and new domestic and foreign producers may occur on the main markets and industries in which the Group operates. Competition within the chemicals industry depends on local market dynamics and varies significantly depending on specific product and its use. In addition, competition in the chemical segment depends on many factors, including but not limited to: demand, product prices, reliability of supply, relevant production capacity, customer service quality, product quality and availability of substitutes. It's not certain that the CIECH Group will be able to compete effectively against current and future competitors. Increased competition or the entrance of new competitors to the market could have a negative effect on operating activities and financial situation.
This includes soda ash in connection with investments in growth of production capacity - mainly in Turkey and China. It is possible that new players will enter the market, in particular on the polyurethane foam market, which has lower capital and technological entry barriers than the rest of the organic products segment. For the next year we assess the risk of increased competition to be low, but in the long run – to be moderate.

The supply relies on a limited number of suppliers for certain raw materials, which may cause supply disruptions and delays or additional costs if suppliers fail to deliver their products in a timely manner or fail to meet quality requirements. In addition, the CIECH Group is exposed to risks related to long-term contracts.
Production process of the CIECH Group companies requires adequate and timely supplies of raw materials. Wherever possible, the CIECH Group attempts to diversify supplies of materials between multiple suppliers. However, for certain required raw materials, there is only a limited number of possible suppliers. For example, most of the limestone and brine - two main raw materials used in the production of soda ash using the Solvay method are purchased locally by soda producers from a single supplier. Soda ash production plants need to be located in proximity of limestone and brine suppliers due to the high transportation costs of these raw materials in comparison to their price. All major raw materials for production plant in Govora, Romania, is obtained from single supplier. Furthermore, some production plants, in particular the soda ash production plants, are located in areas with a limited number of suppliers in the profitable radius.
In addition, certain key materials, such as limestone, brine and energy, are purchased under long-term contracts, some of which extend to a period of 25 years. Although the key terms of the supply contracts, such as price and quantity, are generally flexible, and can be modified under certain circumstances to better reflect current business conditions, there is no guarantee that this flexibility will be sufficient to adapt the contracts to current business conditions in a suitable way for the CIECH Group, which could have negative impact on the CIECH Group's operating activity and financial situation.
Purchasing Division strives to minimize the risks described above by ongoing cooperation with current suppliers and looking for optional suppliers. Due to the fact that the CIECH Group is seen as a big and a good recipient of raw materials, the supplier withdrawal from cooperation is rare. We assess the risk to be moderate.

The CIECH Group's operations may be negatively affected by changes of raw material, energy and fuel costs, inability to retain or replace key suppliers, unexpected supply shortages or supply chain disruptions.
The CIECH Group's profit is largely dependant on attainable sales prices for products and costs of the raw materials and energy required for production. The raw materials and energy used in the production process in soda segment of the CIECH Group are: coal, natural gas, electric energy and steam, limestone, salt brine, ammonia, coke and anthracite. The price of coal, used in the production of electricity and steam in Soda Polska CIECH production facilities in Janikowo and Inowroclaw decreased.
The prices of many raw materials which comprise a significant portion of operating costs can be variable. The availability and prices of these raw materials are influenced by factors that are beyond control of the CIECH Group, such as market conditions, general global economic prospects, production capacity in the markets, production constraints by the suppliers, fluctuations of oil or other commodity prices, infrastructure failures, political conditions, weather conditions, legal regulations and other factors.
Purchasing Division strives to minimize the risks described above by ongoing cooperation with current suppliers and looking for optional suppliers. We assess the risk to be moderate.

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

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

The CIECH Group is a subject to very strict regulations, which may generate significant costs regarding compliance with the obligations resulting from the environmental protection regulations and OHS applicable to the CIECH Group's activities.
Activities of the Group are subject to the relevant legal requirements concerning environmental protection and OHS. These requirements regulate activities related to: (i) storage, use and management of hazardous substances and waste; (ii) water intake and treatment of sewage; (iii) pollution of the atmosphere; (iv) human health and safety; (v) reclamation of contaminated areas and (vi) sales and use of the CIECH Group products. The CIECH Group companies operate under the current administrative decisions regarding the manner and extent of use of the environment, subject to an integrated permit for the plant in Inowrocław, for which the procedure to obtain it is still ongoing. Information regarding administrative proceedings in this matter is described in section I.22.1. The most important of these are integrated permits, water-law permits and decisions concerning waste disposal. Such permits are subject to changes and updates by competent administrative authorities. Actual or alleged breach of the environmental protection and OHS legal requirements or permits can lead to restricted or suspended plants' operations, substantial civil or legal sanctions. For example, throughout the last few years, the CIECH Group invested in the modernization of assets related to energy production in Janikowo plant, in order to reduce air pollutions to acceptable levels. These actions allowed only for partial reduction of the amount of potential fines for overpollution by Janikowo heat and power plant in the years 2011-2014. In addition, pollution of the heat and power plant in Inowrocław also exceeded and may remain exceeding acceptable levels, which may result in penalties. In 2014 the works on the preparation of tender documentation and obtaining permits for the construction of desulphurisation and denitrification within the complex modernizations of heat and power plants in Soda Polska CIECH were performed. This project aims to adapt these installations to new emissions standards for existing combustion sources, taking into account the requirements of the Transitional National Plan (PPK). Another example is the matter of the parameters of sewage discharged by US Govora S.A. in Romania that exceeded the admissible limits and, subsequently, the competent authorities imposed penalties on the company. US Govora S.A. filed an appeal with the court against ABA OLT – the Regional Management Authority of the Olt River. US Govora S.A. has the right to negotiate with ABA OLT the admissible parameters of the sewage on a yearly basis. Each year, ABA OLT made the conditions concerning the sewage parameters more stringent, therefore, exposed the company to penal sanctions. On 18 March 2014, US Govora obtained a new water permit which admits higher concentration of pollution in the sewage discharged to the Olt river. Consequently, this will put an end to the contentious matters with ABA OLT in this respect. Additionally, in September 2014, the company obtained a permit issued by the National Water Management Authority to exploit the sludge ponds for the period of 5 years, which, apart from a change of the integrated permit of December 2013 is an additional document confirming the classification of the sludge ponds as a sewage treatment installation. In turn, Sodawerk Stassfurt, taking into account the requirements of the Water Frame Directive implements actions related to the alternative discharge of sewage to a sewage receiver other than the Bode river. Every year, the CIECH Group incurs substantial capital and operating expenditure to achieve compliance with current and future environmental protection and OHS requirements. Strong tendency to tighten environmental protection and OHS requirements can be observed.
The CIECH Group operations are widely affected by new legal requirements under the directive establishing a trade scheme for greenhouse gas allowance within the European Union (EU ETS) as well as industrial emissions directive (IED).

The CIECH Group activities involve emission of greenhouse gases such as carbon dioxide and are regulated by EU ETS. The EU ETS members cannot exceed emission allowances (EUA) at the end of each settlement period. One EUA unit corresponds to the right to emit 1 ton of CO2 equivalent. Plants which have insufficient quantity of rights to cover their emissions must purchase them on the carbon market: primary (auctions) or secondary market. Exceeding imposed limits may result in penalties. From 2013, significant changes in the community emissions trading scheme became effective, including, among others, (i) expanded scope of the scheme to cover new activities, (ii) gradual reduction in the limit of allowances until 2020 (iii) replacing the current scheme of national plans of emission allowances allocation with one limit of allowances for the whole EU, (iv) pursuit to full auction system of selling allowances, (v) withdrawal of free allowances for electric energy manufacturers, (vi) allocation of free allowances on the basis of uniform ratios prepared by the European Commission.
As a consequence of changes in legal regulations, the soda production process in the CIECH Group has been incorporated into the EU ETS starting from 2013. Changes in the ETS affect significantly activities of the companies subject the ETS due to high costs of purchase of lacking CO_2. Based on forecasted prices of CO_2 emission allowances on the open market, the CIECH Group estimated to spend approximately EUR 12.8 million yearly from 2015 to 2019 on purchases of emission rights. Apart from direct costs related to the purchase of CO_2 emission allowances, energy price growth can be expected as a result of implementation of the energy and climate policy adopted by the EU, which applies also to electric energy manufacturers. It can have negative impact on operating results and financial situation of the CIECH Group.
Moreover, on 1 January 2016, IED Directive will introduce more strict emission standards for sulphur dioxide (SO2), nitrogen oxides (NOx) and dust from large combustion plants (LCP). By the Act dated 23 April 2014 The Council of Ministers adopted the Transitional National Plan , comprising of 73 installations of energy combustion. The National Transitional Plan assumes extended deadline to adjust LCP systems including for plants in Inowrocław and Janikowo, at the latest until 30 June 2020. As a consequence of these new provisions, CIECH Group will be obliged to perform investments in LCP systems in plants in Inowrocław and Janikowo, as mentioned above. In accordance with IED directive changes compared to currently effective regulations include increased importance of BREF reference documents for setting requirements of best available technology (BAT) for particular plants. European Commission will issue BAT conclusions, which will be a sort of shortened BREF documents and shall be a basis for issuing of permits. On 5 September 2014, an act of 11 July 2014 on amending the environmental protection law and other acts entered into force. The goal of this act is to implement the provisions of the IED directive. The act broadly amends the act of 27 April 2001 – Environmental Protection Law (EPL). The amendments to EPL mainly involve the requirements arising from the best available techniques, change of the list of installations for which the integrated permit will be obligatory, specific requirements concerning the operations of industrial installations, including the admissible size of emissions, modification of the regulations on earth surface protection and introduction of an obligation of baseline reports to be prepared for the IPPC installations. Moreover, the introduced changes will affect the integrity of the earth surface protection system, rules of responsibility for historical soil pollution and putting in order the provisions concerning the prevention of environmental damage and its remediation. Some CIECH Group's plants have a long history of industrial activities and waste landfill. In connection with the nature of activities of the CIECH Group, on certain land plots of the Group there are active sources of ground and water contamination. The Group incurs current operating costs and recognizes provisions related to reclamation of contaminated land plots and treatment of underground waters. Some of plants became the object of proceedings related to historical contamination of land plots, where reclamation works on the land plots and water were completed as agreed with appropriate authorities. Identifying previously undiscovered pollution or imposing of new obligations to test and eliminate contamination in plants of the CIECH Group may result in the need to incur substantial additional costs. The Group can be obliged to create or steadily increase provisions for such liabilities. If the Group will not be able to accurately foresee the timing of incurring such costs, impact on the CIECH Group operating activity and financial situation in each period when such costs are incurred may be significant.
Under the Polish legal system relevant authorities can oblige the entity operating a plant to establish security of claims in connection with the risk of environmental damage. Securities may have a form of deposit, bank guarantee, insurance guarantee or insurance policy.
In addition, in spite of the fact that the CIECH Group is monitoring the possibility of environmental exposure to risk related to production or sale of its products, future claims for compensation for alleged health or property damages caused by pollution of danger substances or exposure to this substances as a result of Group CIECH plants activities filed by government, individuals or other third parties cannot be excluded. The CIECH Group's insurance may not be sufficient to cover such claims.
The environmental protection legislation may also affect the demand for CIECH Group products. For example, there is a risk of decrease in demand for soda ash form glass packaging industry as a result of regulations in the EU, which prefers the usage of cullet as raw material in the glass production process. Implementation of such regulations by customers from the glass industry may decrease average selling prices of soda ash. The risk is estimated as high.

Compliance with more and more strict legal requirements related to research, evaluation, registration and safety analysis of manufacturing products may lead to incurring of substantial additional costs or reduce or eliminate availability and/or merchantability of some raw materials used in products manufacturing.
The CIECH Group has to comply with a wide scope of regulations concerning research, production, designation and safety analysis of its products or products of its suppliers. In some countries, including countries of the European

Union, such types of control and legal restrictions have become more strict. The CIECH Group is expecting this trend to continue.
Products manufactured and raw materials used in production by the CIECH Group are regulated by many environmental regulations, among others, in terms of registration and safety analysis of contained substances. The regulation of the European Union on registration, evaluation, authorization and restriction of chemicals Regulation (EC) no.1907/2006, "REACH" imposes on the whole chemical industry substantial obligations concerning research, evaluation and registration of chemical substances produced or imported from non-EU member countries.
In accordance with REACH regulation, the Group companies selling substances in quantities exceeding 1 ton p.a. have completed or plan to complete full registration of these substances by defined deadlines which will enable them to continue their operations in the current scope.
In the first stage of registration i.e. until 1 December 2010 19 substances of tonnage above 1000 Mg/y were registered by the CIECH Group. In the second stage i.e. until 31 May 2013 one substance with tonnage range of 100-1000 Mg/y was registered. In the third stage i.e. until 31 May 2018 – 38 marketed substances in the quantity of 1-100 Mg/y are planned to be registered.
Implementation of the REACH requirements is expensive and time-consuming and results in increased production costs and reduced operating margins on chemical products. The CIECH Group estimates the total expenses on achieving compliance with REACH will amount to approximately PLN 7.2 million in the years 2015 – 2019. Each delay of full registration of substances in accordance with legal requirements can lead to penalties or banning sale of products containing these substances in the EU.
In connection with the REACH regulation or the EU regulation concerning classification, labelling and packaging of substances and mixed chemical products, Regulation (EC) no. 1272/2008 "CLP Regulation", certain substances in raw materials or products may be classified as having adverse impact on the environment, product users or employees. Their production can be subject to authorization in the European Chemicals Agency (ECHA) or completely restricted.
Any such laws or regulations which may be adopted in the future can affect adversely availability and/or possibility to sell the raw materials used and products manufactured by the CIECH Group, lead to restriction or ban on purchasing or selling them or oblige the Group to incur increasing costs of fulfilling the requirements regarding registration, labelling and use of products. Furthermore, since some of products manufactured by the CIECH Group are sold on markets on which proper classification is very important for the legal regime applicable to such substances, it cannot be excluded that the Group's classification will be questioned or challenged. Any such factors may have negative impact on the CIECH Group's operating activities and financial situation. We assess the risk to be moderate.

In the event the patents and other intellectual property rights held by the CIECH Group do not provide a relevant protection of products, certain share of the market may be lost in favour of the competitors and the CIECH Group may not be able to carry out its business activity in the way ensuring its profitability.
In order to protect intellectual property rights regarding its products and the ways in which they are created, developed, manufactured and sold, the CIECH Group holds and uses a number of patents, know-how developed by the Group, trade secrets, copyrights and trademarks as well as other internal information.
The CIECH Group uses various available methods for protecting the above rights, including confidential agreements/clauses, assignment agreements concerning inventions and proprietary data, agreements with employees, independent sales agents, distributors, consultants, universities and research units where it acts as a partner. Those agreements may, however, be violated. Government agencies or legislative authorities may require such information to be disclosed in order for the CIECH Group companies to obtain a permit to sell a product in question. The agency or a legislative authority may also disclose such information on its own initiative if they decide that the information is not a piece of company or trade confidential information. Trade secrets, know-how and other unpatented ownership technologies may also be disclosed otherwise or developed independently by competitors.
In addition, the CIECH Group also has patents and patent applications protecting many components and products. The CIECH Group companies file with patent offices applications for the grant of exclusive rights in the form of patent or registry notifications. The above listed security measures provide only limited protection and they do not, for example, ensure the possibility of eliminating the disclosure or independent elaboration, by a competitor, of the information being the property of the CIECH Group.
It cannot be ensured that existing or future patents will let us obtain an appropriate protection or competitive advantage and those future patent applications will guarantee obtaining patents or circumvent , cancellation or lack of possibility for successful implementation of patents. Moreover, the intellectual property rights held by the CIECH Group may be undermined, which fact could materially and adversely affect the Group's operational results. In certain cases, pending court disputes on intellectual property matters may be used to gain a competitive advantage. The CIECH Group companies used to be in the past and could be in the future a defendant in litigations concerning patents and other intellectual property rights. If any member of the CIECH Group is sued in court this may result in great costs of defence, as it is uncertain that such proceedings would be settled to the benefit of that company. The unfavourable settlement of a dispute may result in requirement to pay significant amounts and, concurrently, the research, production or sale of a technology and/or products may be forbidden.
Any proceedings pending before the patent office and/or the trademark office or in court may be concluded with unfavourable decisions concerning the inventions of the CIECH Group, e.g., making the scope of protection narrower or inapplicable. In the case of such proceedings, the costs of their conduct are material. Additionally, the legal systems in certain countries where the products of the CIECH Group are or may be sold, may provide

protection which is less stringent than in Europe or may fail at all to provide a protection of the intellectual property rights held by the CIECH Group. In some countries, the CIECH Group may also not be able to protect its trade secrets rights, trademarks rights or own non-patented technologies. We assess the risk to be low.

The CIECH Group companies are subject to adversarial proceedings, including anti-trust proceedings that could be detrimental to their interests if the final decision is unfavourable.
The Ciech Group is exposed to an inseparable business risk of eligibility to diverse types of claims and legal proceedings. The CIECH Group companies were and still are involved in various legal proceedings, claims and investigations that are pending currently or were concluded during the last three years. In accordance with the accounting policy, provisions are created for such proceedings if it is highly probable that costs will be incurred and their amount may be reasonably assessed. It cannot be excluded that the pending disputes will enhance or that any future legal actions, claims, proceedings or investigations will be material. Additionally, in the future, the CIECH Group members may become a party to legal proceedings regarding, among others, intellectual property rights, producer's liability, bodily injuries, product guarantee, environmental or antitrust claims, or enter into settlements regarding legal proceedings and claims that may exert material adverse effect on their operational results.
The Antimonopoly Office's (UOKiK) decisions that any of the Group's activities has had an effect in the form of limitation of competition in the context of the antimonopoly proceedings may affect the possibility of conducting operations and/or may result in a fine to be imposed the consequences whereof may materially and adversely affect the Group's operational results and its financial standing. The Group assesses the level of exposure to the above risk factors as medium.

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

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

In the context of subsidiary company Infrastruktura Kapuściska S.A. bankruptcy, CIECH Group may not be fully protected from liabilities related to bankruptcy.
Production activities of Infrastruktura Kapuściska S.A. were terminated in December 2012. On 14 March 2014 the District Court in Bydgoszcz issued a decision in closed session which approved Infrastruktura Kapuściska S.A.'s file for bankruptcy and declared bankruptcy of Infrastruktura Kapuściska S.A. involving liquidation of assets. In terms of bankruptcy proceedings, CIECH S.A. as a parent company will not be liable for Infrastruktura Kapuściska S.A.'s liabilities, as Polish law do not provide basis for parent or related company to be liable for such bankrupt company liabilities. However, in the event of the actual bankruptcy of the company, CIECH S.A. might be obligated to fulfil specific obligations for which CIECH S.A. provided guarantees to Infrastruktura Kapuściska S.A. and within the scope of the provided guarantee. Potentially, it may be guarantee provided by CIECH S.A. in exchange for specific obligations, declarations and representations of Infrastruktura Kapuściska S.A. provided in relation to Sell

and Transfer of TDI Assets Agreement to BASF up to total value of EUR 10 million; this guarantee is valid for the period of two to four years form transaction settlement date (i.e. from 12 March 2013). Moreover, Polish Civil code regulations enable creditors (including trade creditors) to use legal means directed against third parties (therefore also the parent company), if the third party's actions toward debtor caused the bankruptcy. If in case of submission of such claims by creditors (so-called Actio Pauliana) court decision confirmed that actions were consciously performed by debtor and third party to cause damage to its creditors and, as a result the debtor became insolvent, or insolvent to a greater extent, and a third party had benefited from that action, under certain conditions of the Polish Civil Code such an activity may be recognised as ineffective in relation to the particular creditor, who may claim the fulfilment from third party' assets in relation to benefit obtained by that third party from debtor. In case that the court or other appropriate authority recognize claim as justified it may have significant impact on CIECH Group operating results or financial situation. We assess the risk to be low.

Loss of important management, technical or other personnel, or the impossibility to recruit such personnel, may affect CIECH Group operations.
The nature of CIECH Group operations and its development plans requires hiring personnel with high qualifications in various domains. Ability to maintain a competitive position and implementation of business strategy depends significantly on the quality and the experience of personnel. The loss of competences important for the CIECH Group or impossibility to obtain them as a result of external recruitment may have a considerable, negative effect on operating activities and the financial situation. Competition for the personnel with appropriate experience is an element of permanently conducted policy, with regard to the unique character of operations of the Group and relatively high costs of acquiring new employees with comparable qualifications. Our abilities to recruit, retain and continuously improve management, technical, administrative and operational personnel are an element of risk management strategy, minimizing in this way the threat of loss of employees who are significant for the CIECH Group operations.
The CIECH Group Companies, excluding the German subsidiary, have not concluded life insurance policy for any members of the management, nor do intend to purchase such policies in the nearest future. We assess the risk of loss of personnel to be moderate.

The CIECH Group operations may be dependent upon work outages or other personnel disputes.
On 31 December 2014, the CIECH Group employed 3,475 (including companies' management boards and suspended employees) permanent and temporary employees. About 70% of employees in the Group are members of trade unions. In all countries where the CIECH Group operates, employee's rights resulting from social contracts concluded and other legal regulations are respected and obeyed. Collective agreements, terminated in the Group in the years 2012 – 2013, were replaced by new standardized benefit system rules for the Group aiming to adjust new unified rules to the economic realities and business plans of the Group, connecting additional benefits (bonuses) with results of the Group and operational goals set for the Group.
As a result of the bonus system negotiations process started in 2013 in the CIECH Group, in 2014 the Employee Bonus Rules were signed in CIECH S.A., CIECH Pianki Sp. z o.o., Z.Ch. Organika Sarzyna, while in Soda Deutschland CIECH also an agreement was signed with the work council on introduction of bonuses, including the temporary operation of the bonus system in 2014. In the companies Soda Polska CIECH S.A. and Transoda Sp. z o.o., due to the prolonged negotiations, the Management Boards have passed resolutions on the rules for payment of awards to the employees, based on the terms drafted in the respective rules.
Apart from the bonus systems implemented in 2014, the CIECH Group companies commenced negotiations of the Collective Bargaining Agreements or Remuneration Rules which resulted in the following:

- at US Govora, in July 2014, the Collective Bargaining Agreement was signed with two years' term.
- at Z.Ch. Organika-Sarzyna, in April 2014, the Collective Bargaining Agreement was agreed and filed with the State Labour Inspection for registration. As the document was not registered by the State Labour Inspection, the Employer started to negotiate with the Trade Unions the introduction of the Remuneration Rules. The Remuneration Rules, in the wording agreed with the Trade Unions, have been applying since October 2014. The content of the Remuneration Rules is based on the content of the previously agreed Collective Bargaining Agreement.
- In December 2014, at Vitrosilicon, the remuneration and bonus were signed to enter into force from 1 April 2015 (the collective labour agreement was terminated as at the end of 2014), while in January and February the employees of that company received agreements or amending termination notices aimed at implementing the individual remuneration rules compliant with the new rules to individual employment terms.
- In October 2014, at CIECH S.A., the Remuneration rules entered into force
- Soda Polska CIECH terminated a collective bargaining agreement executed with the company trade unions effective as of 30 September 2014. The trade unions called the employer to negotiate the new Collective Labour Agreement. At present the talks are being held in the Company.
- In November 2014 in Soda Deutschland Ciech an agreement on tariffs and wage was terminated, with effect from the date of signing the new agreement. Currently, final talks are being held, aiming at signing of new agreement on remuneration and bonus system.

In 2014, the trade unions of Z.Ch. Organika-Sarzyna and of Soda Polska CIECH undertook actions aimed at instituting collective disputes. As a result of negotiations held in both companies agreements were signed between the employer and all trade unions on dispute termination.
The agreement signed at Soda Polska CIECH contains, among others, a clause stating that for a period of 36 months the Employer will not be dismissing any employees, however the agreement will not be considered violated in the case of individual terminations of employment of no more than 20 persons for the reasons not attributable to the employees, and the Trade Unions agreed not to bring new claims concerning remuneration. At present, the negotiations are pending concerning the provisions of the new Collective Bargaining Agreement.
Since a Branch of CIECH S.A. was opened in Nowa Sarzyna on 1 January 2015 relevant information was sent to the trade unions of Z.Ch. Organika-Sarzyna and CIECH S.A. on the take-over of employees under article 23' of the Labour Code.
In January 2015, the trade unions of Z.Ch. "Organika-Sarzyna" and Branch of CIECH S.A. in Nowa Sarzyna submitted a letter requesting a payment of PLN 1,000.00 net to each employee as a compensation for the lack of valuation of work positions by the end of 2014 (the deadline was set in the remuneration rules, originally in the Collective Labour Agreement of April 2014). As a result of conducted meetings, the agreements have been signed with the trade unions ensuring social peace in terms of wage demands until the end of 2015.

Accordingly, there is a moderate risk that the trade unions will institute a collective dispute as a tool affecting the employer's decision.

If the CIECH Group does not execute effective internal control system, it may be unable to monitor or manage its activities effectively.
Effective internal controls are required to provide reliable financial reports and for effective monitoring of the CIECH Group companies' activities. If the control structure has significant deficiencies, the CIECH Group can be unable to effectively monitor and manage its activities, which may cause harm to its interests and reputation. There is no confidence that internal control will manage to discover all shortages; while their presence may have significant negative impact on the CIECH Group operating activities and financial situation. We assess the risk to be moderate.

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

Fluctuations in currency exchange rates may have negative impact on the CIECH Group operations, financial situation and cash flows.
Consolidated financial results of the Group are reported in PLN. International character of the operations makes the CIECH Group exposed to foreign exchange risk as a result of potential mismatch between currencies in which sales, purchases and costs are settled, as a result of transactions entered into by our subsidiaries (which may be conducted in a different currency than their functional currency) and as a result of the effect of translation of the reported results, cash flows and statement of financial position items.
As a consequence of running operations in jurisdictions with functional currency other than zloty, the CIECH Group is susceptible to exchange rate risk associated with translation of one currency to another. The items of revenues and expenses are translated based on average foreign exchange rates, and financial assets and liabilities are translated using foreign exchange rates from the reporting date. The CIECH Group is also exposed to transaction foreign exchange risk when a subsidiary performs transactions in different currency than its functional currency. As

a result of foreign exchange exposure to purchases of raw materials, sales revenues, loans granted and received, as well as cash kept in foreign currencies, the CIECH Group was and will be exposed to fluctuations in currency exchange rates that may have a significant effect on its operating results, financial assets and liabilities, as well as cash flow in zlotys. Fluctuations in foreign exchange rates may also significantly affect comparability of Groups results between the periods.
The CIECH Group main source of exposure to foreign currency risk is related to EUR and USD. Estimated exposure to currency risk in Euro (excluding SDC Group) was EUR 171.3 million and EUR 225.7 million, 31 December 2013 and 2014 respectively.
The group aims to natural hedge of its foreign currency exposure, including matching cash flows in given currencies resulting from sells and purchases and to denomination of the indebtedness in certain currencies in order to adjust it to expected exposure for foreign currency risk in operating activities. We assess the risk to be moderate.

The CIECH Group is exposed to impairment of receivables in case of the lack of payment by contractors.
The CIECH Group is exposed to operational credit risk that is associated with a risk of the lack of repayment of receivables by trade parties and other debtors. Financial difficulties experienced by contractors, including bankruptcy, restructuring and liquidation, or potential deterioration in industries in which they operate, increase this risk. As at 31 December 2014, approximately 34% of trade receivables CIECH Group was held 10 largest customers (by sales revenues).Credit rating of those customers are members of large international groups, is rated by the rating agencies and business intelligence companies at the highest and the risk at the lowest level. Debt portfolio risk is minimized through debt insurance. As far as 10 largest customers of goods are concerned, 85% of their debt was insured. A significant portion of sales to uninsured customers takes place by prepayments or letter of credit.
Because of concentration of the customer base, some amounts can remain due (overdue) from individual customers at any time, but the scale of debt insurance portfolio (85-90%) and the usage of factoring for the insured portion of the portfolio results in insignificant impact of potential payments delays or loss of receivables from customers on the operating results and liquidity. Payment terms granted to contracting parties range from 30 to 270 days, while the weighted average terms (due amount) ranges from 50-60 days.
Despite the fact that the CIECH Group adopted procedures and policies designed to minimise the credit risk, such as receivables insurance, credit risk monitoring and credit limits for customers, the adopted procedures and policies do not protect the Group completely against a risk of the lack of payment by contractors, because it is not possible to completely eliminate the customer credit risk. However, we assess the risk to be very low.

Fluctuations in interest rates may have an negative impact on the Group financial results.
The CIECH Group is exposed to interest rate risk, resulting from PLN denominated financing costs and costs of financing receivables with factoring being based on market interest rate level. Domestic Bonds (with face value of PLN 160 million at the end of 2014) interest and revolving loan available under the Revolving Credit Facility (with maximum value of PLN 100 million) and costs of financing receivables with factoring, are based on the variable WIBOR rate. The interest rate on the debt under the revolving credit available in euros and the cost of financing currency receivables with factoring are based on the EURIBOR rate. Indebtedness from bonds denominated in PLN with face value of PLN 80 million was hedged in 2013 by using variable interest rate hedging contract. Despite conclusion of the above contract the Group is exposed to changes in market interest rates levels. Increase in market interest rates level would increase indebtedness costs and influence negatively the Group financial situation. We assess the risk to be low.

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

Risks related to indebtedness
Obligations of the CIECH Group in relation to debt service may have a significant, unfavourable effect on business, operating results, financial situation or ability to repurchase debt securities.
CIECH Group has significant debt service obligations. As at 31 December 2014, debt amounted to approximately PLN 1,224 million, including finance lease contracts and debt service obligations will exist in the foreseeable future. Debt service obligations may have important consequences, including, but not limiting to:
- difficulties in meeting debt obligations;

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

These factors may have a considerable, unfavourable effect on the possibility to meet the CIECH Group debt service obligations.
Moreover, part of the Group indebtedness is based on the variable rate: WIBOR and EURIBOR. Fluctuations of WIBOR and EURIBOR or the emergence of market disturbances can increase total interest costs and may have a considerable, negative effect on the possibility to settle Group's debt. We assess the risk to be moderate.

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

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

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

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

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

- incur or guarantee additional indebtedness and issue preferred shares;
- make certain pledges or incur liabilities secured by a pledge;
- make certain payments, including dividends or other profit distribution forms, in relation to the shares of the entity;

- prepay or cancel subordinated debt or equity;
- undertaking certain investments;
- create encumbrances or restrictions on the payment of dividends or other forms of profit distribution, loans or advances and on the transfer of assets to such entity;
- sell, lease or transfer of certain assets, including shares of restricted subsidiaries;
- conclude certain transactions with affiliates;
- consolidation or mergers with other entities; and
- impairment of the collateral of the bond holders.

All the above limitations are subject to important exceptions and qualifications. Despite the aforementioned exceptions and qualifications, the covenants could limit the CIECH Group ability to finance future operations and cash needs to realize possible business opportunities and activities that may be in the best interest of the individual companies.
The terms of the Revolving Credit Facility obligate the Group to maintain a specific level of the financial leverage ratio, and the terms of remaining indebtedness, which is permitted under the Indenture may require the CIECH Group to maintain similar values of financial ratios, meeting of the requirements of specified financial parameters and compliance with other conditions applied customarily for comparable sources of financing. The ability of the CIECH Group to meet financial ratios covenants may be subject to unfavourable impact of events beyond its control; thus, it cannot be guaranteed that the Group will be able to meet the above requirements with regard to the covenants. Breaching such covenants of financial contracts and the impossibility to remedy any effects of this breach or failure to obtain a waiver for the obligation to remedy the breach from creditors, would mean the Group defaults on the obligations resulting from such contract, which could cause breach of provisions of other contracts for financing , including the Indenture and cause the creditors to terminate financing made available on the basis of such contracts and declare all amounts owed to them due and payable. There is no guarantee that the value of the CIECH Group assets will be sufficient to fully repay of the above indebtedness and other debts. We assess the risk to be moderate.

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

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

Relevant items of the statement of financial position, statement of profit or loss and the cash flow statement, which are presented below are translated to EUR at the exchange rate of the National Bank of Poland for EUR as at the last day of December 2014. The exchange rate was PLN 1.00 = EUR 0.2346 (EUR 1 = PLN 4.2623).

During 2014, the CIECH Group generated net result of PLN 166,353 thousand, with total assets of PLN 3,205,697 thousand, and net cash decrease of PLN 53,670 thousand.

The following had a positive impact on the presented results:

- Improvement of economic situation in domestic chemical industry in 2014 in comparison to the same period of the previous year (slight decrease in sale of 1.9% of chemicals and chemical products and significant increase of 6.2% of rubber products and plastics; in fixed prices).
- Increase in domestic sales of construction and assembly production of 3.6% during 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 weakening of the Polish and Romanian currencies against the US dollar improved the profitability of CIECH Group exports.
- Increase in demand on the European market of soda ash in comparison to previous year.
- 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 minimum 2%) accompanied by gradual price increase of the overseas shipments from Romania.
- Overproduction and inventory increase of manufacturers, importers and recipients of coal resulting in reduction of prices of this raw 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).
- Upturn on pesticides' market (especially as compared to the situation from the prior year characterized by an unfavourable prolongation of the winter period).
- The results achieved on sales of unsaturated polyester resins despite the increasing competition as a result of cheaper raw materials.
- The improvement of the results of the silicates and glass segment due to the sale of unprofitable plant in Pobiedziska.
- Continuing, rather high sulphur prices compared to the prior year.

The following had a negative impact on the presented results:

- Decrease in sales of soda used in production of detergents due to progressive changes in consumers' behaviors (replacing washing powders with washing liquids).
- A slight decrease in sales volume of salt.
- Persistently low level of prices of epoxy resins (lower as compared to the previous year but showing some signs of stabilization due to economic recovery on the European market of paints).
- Decrease in SPOT prices on the electricity market in Germany.

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

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

The following table presents selected financial data with key financial ratios for 2014 and 2013.

PLN '000	**01.01.-31.12.2014**	*including discontinued operations*	**01.01.-31.12.2013**	*including discontinued operations*	**Change %**	**01.01.-31.12.2014 EUR '000**
Sales revenues	**3,243,900**	**-**	**3,501,020**	**271,320**	***(7.3%)***	**761,068**
Cost of sales	(2,563,050)	-	(2,893,753)	(235,700)	*(11.4%)*	(601,330)
Gross profit/(loss) on sales	680,850	-	607,267	35,620	*12.1%*	159,738
Selling costs	(214,267)	-	(212,246)	(9,628)	*1.0%*	(50,270)
General and administrative expenses	(150,377)	-	(174,652)	(27,506)	*(13.9%)*	(35,281)
Other operating income/expense	4,077	(1,532)	(80,647)	(40,045)	*(105.1%)*	957
Operating profit/(loss)	**320,283**	**(1,532)**	**139,722**	**(41,559)**	***129.2%***	**75,143**
Net financial income/expenses	(167,558)	(24,565)	(146,309)	(11,525)	*14.5%*	(39,312)
Share of profit of equity-accounted investees	251	-	354	-	*(29.1%)*	59
Income tax	13,377	58,668	45,793	(49,861)	*(70.8%)*	3,138
Net profit/(loss)	**166,353**	**32,571**	**39,560**	**(102,945)**	***320.5%***	**39,029**
Net profit/(loss) attributed to non-controlling interest	(763)	-	(9,887)	(1,267)	*(92.3%)*	(179)
Net profit/(loss) attributable to shareholders of the parent company	**167,116**	**32,571**	**49,447**	**(101,678)**	***238.0%***	**39,208**
EBITDA	524,770	(1,532)	356,347	(41,559)	*47.3%*	123,119
*EBITDA normalized **	514,077	x	445,595	x	*15.4%*	120,610

**Excluding one-off items the more important of which are described in point II.8.*

PLN '000	**31.12.2014**	**31.12.2013**	**Change %**	**Change**	**31.12.2014 EUR '000**
Total assets	**3,205,697**	**3,210,728**	**(0.2%)**	**(5,031)**	**752,105**
Total non-current assets	2,486,072	2,300,316	8.1%	185,756	583,270
Total current assets including:	719,625	910,412	(21.0%)	(190,787)	168,835
- inventory	*257,770*	*217,338*	*18.6%*	40,432	*60,477*
- current receivables	*409,071*	*584,152*	*(30.0%)*	(175,081)	*95,974*
- cash and cash equivalents	*49,162*	*105,593*	*(53.4%)*	(56,431)	*11,534*
- short-term investments	*-*	*621*	*(100.0%)*	(621)	*-*
- non-current assets held for sale	*3,622*	*2,708*	*33.8%*	914	*850*
Total equity	**985,474**	**897,289**	**9.8%**	**88,185**	**231,207**
Equity attributable to shareholders of the parent	994,774	911,488	9.1%	83,286	233,389
Non-controlling interest	(9,300)	(14,199)	(34.5%)	4,899	(2,182)
Total non-current liabilities	1,471,544	1,616,828	(9.0%)	(145,284)	345,247
Total current liabilities	748,679	696,611	7.5%	52,068	175,651

	01.01.-31.12.2014 *PLN '000*	01.01.-31.12.2013 *PLN '000*	Change %	01.01.-31.12.2014 EUR '000
Net cash flows from operating activities	442,576	291,021	52.1%	103,835
Net cash flows from investment activities	(287,898)	(25,472)	1,030.3%	(67,545)
Net cash flows from financial activities	(208,348)	(252,534)	(17.5%)	(48,882)
Total net cash flows	**(53,670)**	**13,015**	**-**	**(12,592)**
including free cash flows	154,678	265,549	(41.8%)	36,290

	01.01.-31.12.2014	01.01.-31.12.2013	Change
Earnings per share (in PLN):	**3.17**	**0.94**	2.23
Net return on sales	5.1%	1.1%	4.0 p.p.
EBIT %	9.9%	4.0%	5.9 p.p.
EBITDA %	16.2%	10.2%	6.0 p.p.
Normalized EBITDA %*	15.8%	12.7%	3.1 p.p.

** Excluding one-off items the more important of which are described in point II.8.*
Source: CIECH S.A.

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

Selected other financial data

PLN '000	01.01.-31.12.2014	01.01.-31.12.2013	01.01-31.12.2014 EUR '000
EBITDA (1)	524,770	356,347	123,119
Normalized EBITDA (2)	514,077	445,595	120,610
Capital expenditures (3)	278,553	216,232	65,353
Interest paid (4)	114,339	129,536	26,826
Cash and cash equivalents	49,162	105,593	11,534
Total debt	1,231,245	1,318,713	288,869
Net debt	1,182,083	1,213,120	277,335
Net debt/ Normalized EBITDA	2.3	2.7	-
Normalized EBITDA / cash interest expense	4.5	3.4	-

PLN '000	01.01.-31.12.2014	01.01.-31.12.2013	31.12.2014 EUR '000
Net profit/loss	166,353	39,560	39,029
Income tax	(13,377)	(45,793)	(3,138)
Share of profit of equity-accounted investees	(251)	(354)	(59)
Financial expenses	175,966	180,531	41,284
Financial income	(8,408)	(34,222)	(1,973)
Amortization	204,487	216,625	47,976
EBITDA	**524,770**	**356,347**	**123,119**

(1) EBITDA is the net profit/loss for a financial year plus income tax plus a share of profit of equity accounted investees plus costs/financial revenues plus profits/loss on sale of a discontinued operation plus amortization. EBITDA is not a liquidity ratio or business performance ratio calculated in accordance with IFRS. EBITDA should be viewed as a supplement not as a substitute for our business performance presented in accordance with IFRS. EBITDA is a useful ratio of our ability to incur and serve debt. EBITDA and similar ratios are used by different companies for different purposes and are often calculated in a manner adapted to the conditions in which these companies exist. Care needs to be exercised when comparing the EBITDA with EBITDA of other companies.

(2) Normalized EBITDA is another additional ratio of business performance. Normalized EBITDA is EBITDA adjusted for costs/revenues that were classified by management as one-off due to their nature. We believe that normalized EBITDA is an important ratio when estimating and measuring the Group's recurring business performance. Other companies may calculate normalized EBITDA in a manner different to ours. Normalized EBITDA is not a measure of financial performance under IFRS and is therefore not audited. It should not be used as a ratio of liquidity or as an alternative to operating profit or net profit for a year or as another measure of results calculated in accordance with IFRS. The table below contains a reconciliation of EBITDA to normalised EBITDA for the indicated periods.

(3) Capital expenditures are expenditures for the acquisition of property, plant and equipment, intangible assets and investment properties as per the consolidated cash flow statement.

(4) Interest paid are actual cash payments of interest as per the consolidated cash flow statement.

PLN '000	**01.01.-31.12.2014**	**01.01.-31.12.2013**	**01.01.-31.12.2014 EUR '000**
EBITDA (a)	**524,770**	**356,347**	**123,119**
One-offs including:	(10,692)	89,248	(2,509)
Impairment (b)	(17,791)	234,713	(4,174)
Cash items (c)	(1,398)	(192,756)	(328)
Non-cash items (without impairment) (d)	8,497	47,291	1,994
Normalized EBITDA	**514,078**	**445,595**	**120,610**

(a) *EBITDA contains revenues from the sale of caverns formed during the process of exploitation of brine used for storage of natural gas or other substances requiring isolation. These revenues are included in EBITDA and are not excluded as one-off event. The revenues from the caverns were as follows: PLN 3 414 thousand for 2014 and PLN 1 348 thousand for 2013.*

(b) Impairment losses are associated with the creation/release of the CIECH Group's impairment of assets. In 2014 the Group released impairment losses of property, plant and equipment in S.C. Uzinele Sodice Govora – CIECH Chemical Group S.A. and created impairment losses of intangible assets in Group Soda Deutschland CIECH.

(c) Cash items include, among others, profit/loss of the sale of property, plant and equipment and other items (including costs associated with discontinued operations, fees and compensations).

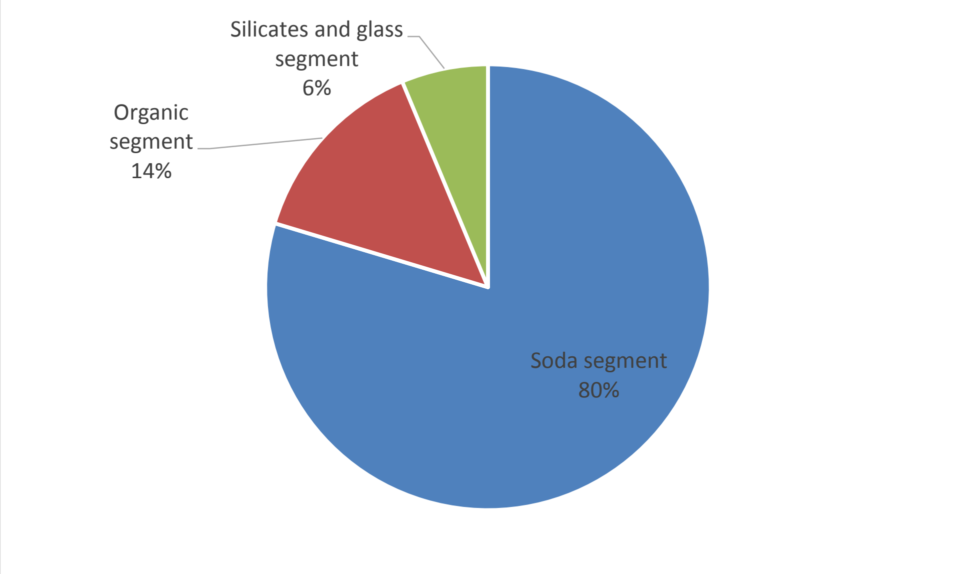
(d) Non-cash items include: fair value measurement of investment properties, profit/loss on discountinued operations (result of the loss of control on Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej), costs of liquidation of inventories and property, plant and equipment, the costs of suspended investment environmental provisions, provisions for liabilities and expected losses, costs of unused production capacity and other items (including extraordinary costs and other provisions).

Below is the EBITDA table and normalized EBITDA per segments:

EBITDA	**01.01.-31.12.2014**	**01.01.-31.12.2013**	**01.01.-31.12.2014 EUR '000**
Soda segment	477,037	328,883	111,920
Organic segment	66,493	83,338	15,600
Silicates & Glass segment	35,702	29,018	8,376
Other	(54,462)	(84,892)	(12,778)
TOTAL	**524,770**	**356,347**	**123,119**

Normalized EBITDA	**01.01.-31.12.2014**	**01.01.-31.12.2013**	**01.01.-31.12.2014 EUR '000**
Soda segment	450,500	384,650	105,694
Organic segment	80,047	81,906	18,780
Silicates & Glass segment	35,788	28,314	8,396
Other	(52,258)	(49,275)	(12,261)
TOTAL	**514,077**	**445,595**	**120,610**

Structure of normalised EBITDA per segments for 01.01-31.12.2014 (1)



(1) Excluding corporate functions "other activities" segment and consolidation adjustments.
Source: CIECH S.A..

Sales revenues

Consolidated sales revenues of the CIECH Group for 2014 amounted to PLN 3,243,900 thousand. In comparison with the prior year sales revenues decreased by PLN 257,120 thousand, i.e. by 7.3%. The changes were mainly due to market factors, as well as divestments performed in the CIECH Group.

Market factors

The positive contributors to the presented profits were as follows:

- insignificant increase in demand and moderate increase in the price of soda, optimisation of process of energy sales,
- satisfactory sale of plant protection chemicals due to favourable 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,
- favourable market conditions (increased demand for fertilizers in the Far East markets) that allow development of sulphur sales.

The negative contributors to the presented sales revenues were as follows:

- increasing competition on the baking soda market due to competitors' enhanced production capacity,
- 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 search for new markets.

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 likwidacyjnej (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 2014 concentrated on three business segments: soda, organic and silicates and glass. These segments generate in total 99% of the Group's sales revenues. The structure of sales revenues, by business segment, has not changed significantly in comparison with 2013. Invariably, the greatest share in the revenue was attributed to the sales of soda segment products, i.e. 63.3%.

Sales revenues – business segments

PLN '000	2014	2013	Change	Change %	% of total revenues in 2014	% of total revenues in 2013
Soda segment, including:	**2,053,947**	**2,043,570**	**10,377**	0.5%	**63.3%**	**58.4%**
Dense soda ash	1,103,225	1,102,937	288	0.0%	34.0%	31.5%
Light soda ash	378,206	333,254	44,952	13.5%	11.7%	9.5%
Salt	166,953	162,338	4,615	2.8%	5.1%	4.6%
Baking soda	150,367	127,241	23,126	18.2%	4.6%	3.6%
Energy	84,645	121,472	(36,827)	(30.3%)	2.6%	3.5%
Gas*	44,478	44,034	444	1.0%	1.4%	1.3%
Calcium chloride	23,868	19,563	4,305	22.0%	0.7%	0.6%
Other products	74,286	68,045	6,241	9.2%	2.3%	1.9%
Revenues from inter-segment transactions	27,919	64,686	(36,767)	(56.8%)	0.9%	1.8%
Organic segment, including:	**805,328**	**847,265**	**(41,937)**	(4.9%)	**24.8%**	**24.2%**
Resins	336,899	388,868	(51,969)	(13.4%)	10.4%	11.1%
Polyurethane foams	231,025	207,420	23,605	11.4%	7.1%	5.9%
Plant protection chemicals	204,825	163,179	41,646	25.5%	6.3%	4.7%
Plastics	75	42,751	(42,676)	(99.8%)	0.0%	1.2%
Other products	20,949	30,577	(9,628)	(31.5%)	0.6%	0.9%
Revenues from inter-segment transactions	11,555	14,470	(2,915)	(20.1%)	0.4%	0.4%
Silicates and Glass segment, including:	**350,562**	**335,789**	**14,773**	4.4%	**10.8%**	**9.6%**
Sulphur	165,721	162,961	2,760	1.7%	5.1%	4.7%
Glass blocks and packaging – lanterns and jars	82,307	84,706	(2,399)	(2.8%)	2.5%	2.4%
Sodium silicate in lumps	61,565	52,305	9,260	17.7%	1.9%	1.5%
Sodium water glass	21,904	22,282	(378)	(1.7%)	0.7%	0.6%
Other products	19,060	13,528	5,532	40.9%	0.6%	0.4%
Revenues from inter-segment transactions	5	7	(2)	(28.6%)	0.0%	0.0%
Other operations segment	**98,635**	**383,688**	**(285,053)**	(74.3%)	**2.8%**	**11.0%**
Revenues from third parties	73,542	353,559	(280,017)	(79.2%)	2.3%	10.1%
Revenues from inter-segment transactions	25,093	30,129	(5,036)	(16.7%)	0.8%	0.9%
Consolidation adjustments	**(64,572)**	**(109,292)**	44,720	(40.9%)	(2.0%)	(3.1%)
TOTAL	**3,243,900**	**3,501,020**	**(257,120)**	(7.3%)	**100.0%**	**100.0%**
Discontinued operations	-	*271,320*	*(271,320)*	(100.0%)	*0.0%*	*7.7%*

** Resale of gas supplies surplus.*
Source: CIECH S.A

Sales in the soda segment

Sales in the soda segment for the year ended 31 December 2014 amounted to PLN 2,053,947 thousand, which is an increase of PLN 10,377 thousand, compared to sales revenue for the year ended 31 December 2013 of PLN 2,043,570 thousand. The prices of soda ash on the European market increased slightly compared to 2013 (a slight increase of approximately 1%), and the European market noted higher demand for the soda ash from the float glass sector.

Sales in the organic segment

Sales in the organic segment for the year ended 31 December 2014 amounted to PLN 805,328 thousand, which is a decrease of PLN 41,937 thousand (i.e. by 4.9%), compared to PLN 847,265 thousand generated in the year ended 31 December 2013. A drop in sales by the organic segment is mainly due to lower demand on epoxy resins and a strong competition, especially from suppliers in the Far East.

Sales in the silicates and glass segment

Sales in the silicates and glass segment for the year ended 31 December 2014 amounted to PLN 350,562 thousand, which is an increase by PLN 14,773 thousand (i.e. by 4.4%), compared to sales revenue for the year ended 31 December 2013 of PLN 335,789 thousand. Sales in the silicates and glass segment increased primarily due to higher silicates sales and the increase of glass packages price. The increase of a sulphur quantity and price was an additional factor.

Cost of sales
Cost of sales for the year ended 31 December 2014 amounted to PLN 2,563,050 thousand, which is a decrease by PLN 330,703 thousand (11.4%) in comparison to PLN 2,893,753 thousand incurred in the year ended 31 December 2013. This drop is mainly due to the decrease of a price of raw materials used for the soda ash and resins production as well as due to lower TDI prices – raw material used for production of the PUR foam.

The table below presents gross profit on sales per segments:

PLN '000	**01.01.-31.12.2014**	**01.01.-31.12.2013**	**01.01.-31.12.2014 EUR '000**
Soda segment	483,549	390,584	113,448
Organic segment	109,164	101,708	25,612
Silicates & Glass segment	79,986	71,106	18,766
Other*	8,151	43,869	1,912
Gross profit/loss on sales	**680,850**	**607,267**	**159,738**

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

Soda segment
The gross profit on sales in the soda segment for the year ended 31 December 2014 amounted to PLN 483,549 thousand compared to PLN 390,584 thousand for the year ended 31 December 2013. The increase was, among others, due to the insignificantly higher soda price as compared to 2013 as well as lower costs of raw materials: coke, anthracite and coal.

Organic segment
The gross profit on sales in the organic segment for the year ended 31 December 2014 amounted to PLN 109,164 thousand compared to PLN 101,708 thousand for the year ended 31 December 2013. Main reasons for a decrease were: better results in plant protection chemicals (favourable weather conditions and introducing products which partly absorbed seasonality) with slightly better results concerning PUR foams (decrease of the TDI price – raw material used for the production, higher than the decrease of products prices).

Silicates and glass segment
The gross profit on sales in the silicates and glass segment for the year ended 31 December 2014 amounted to PLN 79,986 thousand compared to PLN 71,106 thousand for the year ended 31 December 2013. The improvement was among others due to higher silicates sales and glass packages prices as well as increasing sulphur prices.

Due to the above the consolidated gross profit on sales of the CIECH Group for the year ended 31 December 2014 amounted to PLN 680,850 thousand compared to PLN 607,267 thousand for the year ended 31 December 2013.

Other operating income
Other operating income for the year ended 31 December 2014 amounted to PLN 102,989 thousand, which is a decrease by PLN 264,023 thousand in comparison to PLN 367,012 thousand for the year ended 31 December 2013. A decrease of other operating income was mainly due to fact that in 2013 the substantial revenue from the execution of the Contract of Sale and Transfer of the TDI Assets and revenues from the sale of non-financial fixed assets were recognised, which did not occur in 2014.

Selling costs
Selling costs for the year ended 31 December 2014 amounted to PLN 214,267 thousand, which means that they remained on a similar level, compared to 2013 (PLN 212,246 thousand). Selling costs amount to 6.6% of the sales revenues for 2014 (as compared to 6.1% for the year 2013).

General and administrative expenses
General and administrative expenses for the year ended 31 December 2014 amounted to PLN 150,377 thousand, which is a decrease of PLN 24,275 thousand (i.e. by 13.9%), compared to PLN 174,652 thousand for the year ended 31 December 2013. A decrease of general and administrative expenses occured in a majority of the Group companies.

Other operating expenses
Other operating expenses for the year ended 31 December 2014 amounted to PLN 98,912 thousand, which is a decrease of PLN 348,747 thousand, in comparison to the amount of PLN 447,659 thousand for the year ended 31 December 2013.
Other operating expenses include mainly impairment losses, provisions for employee benefits and other provisions, costs of unused production capacities, costs of liquidation of property, plant and equipment and extraordinary items. Such a significant drop of other operating expenses is due to impairment of property, plant and equipment and

intangible assets recognised in the CIECH Group companies in 2013, in particular Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej. Such significant impairment loss did not occur in 2014.

Financial results on different types of activities

PLN '000	**01.01.-31.12.2014**	**01.01.-31.12.2013**	**Change**
1. Operating profit/loss	320,283	139,722	129.2%
2. Net financial income/expenses	(167,558)	(146,309)	14.5%
3. Share of profit of equity-accounted investees	251	354	(29.1%)
4. Income tax	13,377	45,793	(70.8%)
5. Net profit/loss (1+2+3+4)	**166,353**	**39,560**	**320.5%**
6. Net profit/loss attributed to non-controlling interest	(763)	(9,887)	(92.3%)
7. Net profit/loss attributable to shareholders of the parent company (5-6)	**167,116**	**49,447**	**238.0%**

Source: CIECH S.A.

Operating profit/loss

Operating profit for the year ended 31 December 2014 amounted to PLN 320,283 thousand, which is an increase of PLN 180,561 thousand compared to a profit of PLN 139,722 thousand for the year ended 31 December 2013. This increase resulted from the improvement of consecutive levels of the statement of profit or loss: better result on other operating activities, and lower general and administrative expenses.

EBITDA

EBITDA for the year ended 31 December 2014 amounted to PLN 524,770 thousand, which is an increase of PLN 168,423 thousand, compared to PLN 356,347 thousand for the year ended 31 December 2013. The increase of EBITDA was primarily due to the significant increase of the gross profit on sales, as well as the result on other operating activities.

The EBIT margin ratio amounted to 9.9% at the end of 2014 (4.0% in the prior year) and the EBITDA margin ratio amounted to 16.2% (10.2% in the prior year). The EBIT margin ratio excluding one-off events amounted to 9.5% at the end of 2014 (6.5% in the prior year), and the EBITDA margin ratio excluding one-off events amounted to 15.8% (12.7% in the prior year).

Financial income

Financial income include mainly interest on bank deposits, reversal of provision and positive foreign exchange differences. The financial income for the year ended 31 December 2014 amounted to PLN 8,408 thousand, which is a decrease of PLN 25,814 thousand, compared to PLN 34,222 thousand for the year ended 31 December 2013. The decrease in financial income is mainly due to lower positive foreign exchange differences.

Financial expenses

The financial expenses include mainly interest on bonds and lease agreements. Financial expense for the year ended 31 December 2014 amounted to PLN 175,966 thousand, which is a decrease of PLN 4,565 thousand (i.e. by 2.5%), compared to PLN 180,531 thousand for the year ended 31 December 2013. Financial activities were negatively influenced by: continued significant external debt service costs, including bonds and finance lease interest, due to high level of external debt. Debt services costs were lower than in 2013 due to redemption of a part of bonds which was offset by the necessity to recognise in the consolidated financial statements impairment loss on investment (a loan granted to Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej – until the loss of control over this entity the loans were eliminated on consolidation).

Net result

The consolidated net profit for 2014 amounted to PLN 166,353 thousand of which PLN 167,116 thousand was attributable to the shareholders of the parent. This result was influenced mainly by operating profit partially offset by negative result on the financial activities (the main negative factor was the external debt service cost, mainly interest on bonds).

Assets

As at the end of December 2014 the Group's non-current assets amounted to PLN 2,486,072 thousand. As compared to the balance as at 31 December 2013 the value of non-current assets increased by PLN 185,756 thousand which is due to higher capital expenditures, reversal of an impairment of non-current assets in S.C. Uzniele Sodice Govora – CIECH Chemical Group S.A. based on the estimate value in use and recognition of long term investment concerning the loan granted to Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej (data

previously eliminated in the consolidation process is now recognised in the statement of financial position since the loss of control over this entity).
The Group's current assets amounted to PLN 719,625 thousand as at 31 December 2014. The current assets' structure was predominated by: trade and other receivables constituting 53.4%, inventory constituting 35.8% and cash and cash equivalents constituting 6.8% of total current assets. Compared to the end of December 2013, the value of current assets decreased by PLN 190,787 thousand. The decrease is connected mainly with the bankruptcy of Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej and derecognition of its data from the statement of financial position of the CIECH Group. Additionally, there was a decrease in trade receivables at the end of 2014 in comparison to 2013 due to increased financing by factoring (an increase of PLN 96,636 thousand).

Liabilities

As at 31 December 2014 The CIECH Group's liabilities (non-current and current) amounted to PLN 2,220,223 thousand, which is a decrease compared to the end of December 2013 of PLN 93,216 thousand (i.e. of 4%). The debt ratio (current and non-current liabilities/total assets) amounted to 69.3% as at 31 December 2014 (at the end of December 2013 to 72.1%). 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 + finance sale and leaseback liabilities + liabilities resulting from valuation of derivatives) decreased by cash and cash equivalents amounted to PLN 1,182,083 thousand as at 31 December 2014 and decreased in comparison with the balance as at the end of December 2013 by PLN 31,037 thousand.

Liquidity and capital resources

Cash resources

The sources of liquidity include cash flows generated from operating activities, cash from the sale of assets, cash from EU grants for capital expenditure, cash available due to the revolving credit agreement and overdraft. The Group also uses factoring agreements.

Debt instruments currently used

The Group's sources of debt financing include mainly issued foreign bonds, issued domestic bonds, revolving credit, overdraft as well as lease liabilities.

Capitalisation

The table below presents particular, actual data regarding the Group's consolidated capitalisation as at 31 December 2014.

PLN '000	**31.12.2014**	**31.12.2013**	**31.12.2014 EUR '000**	**31.12.2013 EUR '000**
Cash and cash equivalents	**49,162**	**105,593**	**11,534**	**25,461**
Long-term debt including current portion:	**1,205,306**	**1,317,771**	**282,783**	**317,749**
Foreign bonds (1)	1,023,647	992,936	240,163	239,423
Domestic bonds (2)	159,132	317,190	37,335	76,483
Finance leases	20,015	7,645	4,696	1,843
Liabilities resulting from valuation of derivatives (3)	2,512	-	589	-
Short-term debt:	**25,939**	**941**	**6,086**	**227**
Loans and borrowings (4)	21,384	416	5,017	100
Liabilities resulting from valuation of derivatives (5)	4,555	525	1,069	127
Total debt	**1,231,246**	**1,318,712**	**288,869**	**317,976**
Non-controlling interests	(9,300)	(14,199)	(2,182)	(3,424)
Equity attributable to shareholders of the parent	994,774	911,488	233,389	219,784
Total capitalization	**2,216,720**	**2,216,001**	**520,076**	**534,336**

(1) Nominal value of foreign bonds of EUR 245 million, less the arrangement fee of PLN 30,415 thousand, waiver costs of PLN 1,536 thousand plus interest of PLN 11,334 thousand.
(2) Nominal value of domestic bonds of PLN 160 million, less the arrangement fee of PLN 1,658 thousand plus interest of PLN 790 thousand.
(3) IRS in CIECH S.A.
(4) Overdrafts – as at 31 December 2014 the indebtedness accounted for EUR 4,917 thousand (i.e. PLN 20,958 thousand) and the loan from unconsolidated subsidiary Polcommerce GmbH (of PLN 426 thousand).
(5) Currency forwards in CIECH S.A.

Cash flows

In 2014 total net cash flows were negative and amounted to minus PLN 53,670 thousand. Compared to the previous year the cash flows generated by the Group were lower by PLN 66,685 thousand.

Net cash from operating activities

The net cash from operating activities for the year ended 31 December 2014 amounted to PLN 442,576 thousand and increased by PLN 151,555 thousand as compared to 2013.

Net cash from investment activities

Net cash from investment activities was negative, both in 2014 and in the comparable period. The surplus of outflows over inflows amounted to minus PLN 287,898 thousand and increased by PLN 262,426 thousand in comparison to 2013. Acquisition of property, plant and equipment by the Group companies had the main impact on net cash flows from investment activities.

Net cash from financial activities

The net cash from financial activities was negative and amounted to minus PLN 208,348 thousand. In comparison to 2013 it was lower by PLN 44,186 thousand. In June 2014, CIECH S.A. redeemed bonds issued in 2012 with total nominal value of PLN 160,000 thousand and paid dividend from the profit of 2013 amounted to PLN 59,551 thousand whereas in the year 2013 there were payments under the contract for the lease of power plant by German company.

The CIECH Group believes that cash flows from operating activities together with other cash resources will be sufficient to finance the requirements of the Group regarding working capital, anticipated capital expenditures and timely settlement of debt. Ability to generate cash by CIECH Group depends on future operating results, which, in turn, depend to some extent on general economic and financial conditions, market conditions, competition, legislation and other factors which are beyond control of the Group.

Profitability in 2014

In 2014 sales return ratios of the CIECH Group were at a higher level compared to the ratios in 2013.

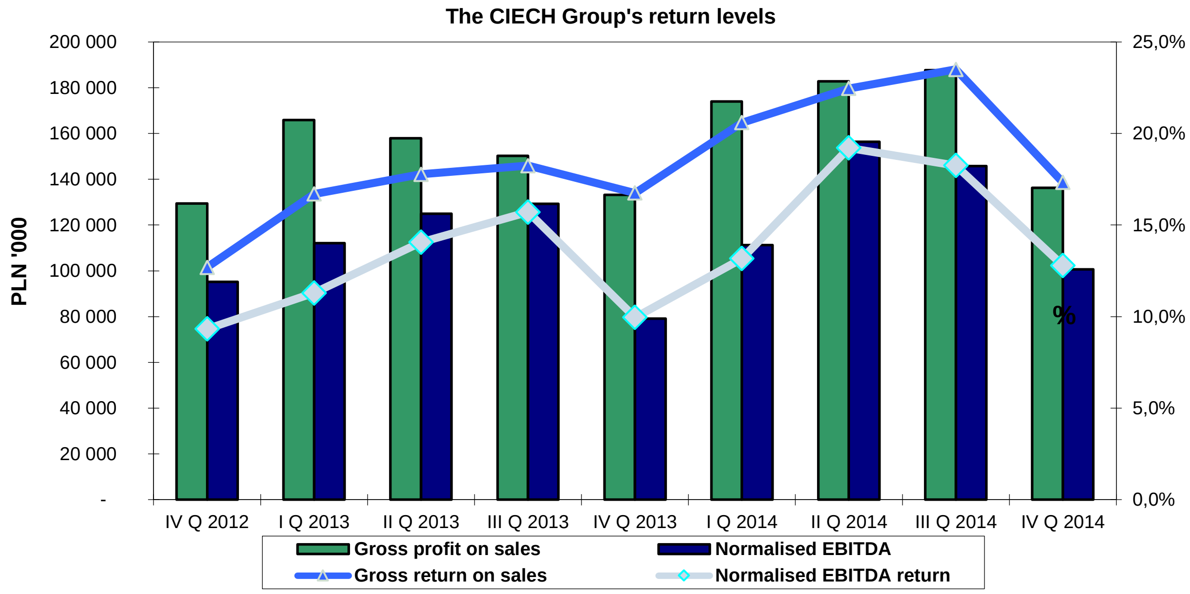
The CIECH Group's return ratios

	01.01.-31.12.2014	01.01.-31.12.2013
Gross return on sales	21.0%	17.3%
Return on sales	9.7%	6.3%
EBIT margin	9.9%	4.0%
EBITDA margin	16.2%	10.2%
Operating profit margin (normalized*)	9.5%	6.5%
Normalized EBITDA margin*	15.8%	12.7%
Net return on sales (ROS)	5.1%	1.1%
Return on assets (ROA)	5.2%	1.2%
Return on equity (ROE)	16.9%	4.4%

**Excluding one-off events, the more-important of which are described in section II.8.*

Principles of ratio calculation:

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 *– operating profit for a given period /* net revenues from sales of products, services, goods and materials for a given period
EBIT margin *– operating profit for a given period /* net revenues from sales of products, services, goods and materials for a given period
EBITDA margin *– (operating profit + depreciation/amortisation for a given period) /* net revenues from sales of products, services, goods and materials for a given period
normalized EBIT margin *– operating profit for a given period excluding one-off events, more important of which were described in sectionII.4 /* net revenues from sales of products, services, goods and materials for a given period
normalized EBITDA margin *– EBITDA excluding one-off events, more important of which were described in section II.4 /* 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.*



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

Liquidity of the Group and working capital

Liquidity ratios as at the end of December 2014 deteriorated slightly compared to their level as at the end of 2013. The current ratio calculated as total current assets to total current liabilities amounted to 0.96 as at 31 December 2014 while the quick ratio amounted to 0.62.

The CIECH Group's liquidity ratios

	31.12.2014	31.12.2013
Current ratio	0.96	1.31
Quick ratio	0.62	0.99

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

Ability to generate cash flows

PLN '000	01.01.-31.12.2014	01.01.-31.12.2013
Financial surplus (net profit + depreciation/amortisation)	370,840	256,185
Other adjustments to net profit	(32,596)	1,247
Adjusted financial surplus	**338,244**	**257,432**
Change in working capital	**104,332**	**33,589**
Net cash from operating activities	442,576	291,021
Net cash from investment activities	(287,898)	(25,472)
Free cash flows	**154,678**	**265,549**

In 2014 the CIECH Group generated positive free cash flows i.e. it was able to finance its capital expenditure with cash flows from operating activities. The adjusted financial surplus reached the required level to contribute to generating positive free cash flows.

Working capital, defined as the difference between current assets and current liabilities, adjusted by relevant balance sheet items (cash and cash equivalents and short-term loans) as at the end of December 2014 was negative and amounted to PLN 41,763 thousand, which is a decrease of PLN 160,068 thousand compared to the end of 2013.

The CIECH Group's working capital

PLN '000	31.12.2014	31.12.2013
1. Current assets, including:	**719,625**	**910,412**
Inventory	*257,770*	*217,338*
Trade receivables	*268,020*	*423,566*
2. Cash and cash equivalents and short-term investments	49,162	106,214
3. Adjusted current assets (1-2)	**670,463**	**804,198**
4. Current liabilities, including:	748,679	696,611
Trade liabilities	*322,179*	*336,617*
5. Short-term credits and other current financial liabilities*	36,453	10,719
6. Adjusted current liabilities (4-5)	**712,226**	**685,892**
7. Working capital including short-term credits (1-4)	**(29,054)**	**213,801**
8. Working capital (3-6)	**(41,763)**	**118,306**

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

The Company defines working capital as the difference between current assets and current liabilities, adjusted by relevant balance sheet items (cash and cash equivalents and short-term loans).
Trade working capital is the difference between current assets (trade receivables and inventory) and trade liabilities. Levels of working capital and trade working capital vary due to a number of factors such as the impact of raw material prices and sales prices, the volatility of working capital related to trade activities (high-value transactions) production downtime and repair works, changes in key suppliers' payment terms, foreign exchange rates, the Group subsidiaries decisions regarding inventory maintenance, the business operating level and the seasonal nature of operations.

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

Working capital and trade working capital requirements are characterised by moderate seasonality. To some extent seasonal requirements of working capital and trade working capital may apply to the organic segment, in particular regarding activities related to plant protection chemicals, with the peak of working capital and trade working capital requirements at the beginning of the year and decrease in the second half of the year. This situation is the result of the plant protection product sales cycle, where the majority of sales transactions occur in the first and second quarter of the year (i.e. before the growing season), while receivables are usually paid in the third and fourth quarter, after the end of the season. Plant protection chemicals accounted for approximately 6.3% of sales revenues of the Group in the last 12 months.

Indebtedness

Acquisitions in 2006 and 2007 which led to increase of CIECH Group assets were financed mainly by investment loan and bond issuance. Additionally, investments made in 2008 were financed by short-term loan. These actions resulted in increase of debt ratio in the following years. In the fourth quarter of 2012 the issuance of domestic and foreign bonds took place (refinancing of loan liabilities).

The debt ratio slightly changed in comparison to December 2013 and accounts for 69.5%.
At the same time, the relative level of net debt (net financial liabilities in relation to the EBITDA) improved significantly compared to 2013 (in 2013 significant impairment allowances of property, plant and equipment were recognised in the Group companies which negatively affected annualised EBITDA). The ratio adjusted by one-off events is at lower level in comparison to the previous year (net financial liabilities in relation to normalised EBITDA).

The CIECH Group's debt ratios

	31.12.2014	31.12.2013
Debt ratio	69.3%	72.1%
Long term debt ratio	45.9%	50.4%
Debt to equity ratio	225.3%	257.8%
Equity to assets ratio	30.7%	27.9%
Debt	1,231,245	1,318,713
Net debt	1,182,083	1,213,120
EBITDA	524,770	356,347
Normalised EBITDA	514,077	445,595

	31.12.2014	31.12.2013
Net debt / EBITDA	2.3	3.4
Net debt / normalised EBITDA*	2.3	2.7
Debt / EBITDA	2.3	3.7
Debt / normalised EBITDA*	2.4	3.0

**Excluding one-off events, the more important of which are described in section II.8.*

Principles of ratio calculation:
***debt ratio** – the ratio of current and non-current liabilities to total assets; measures the share of external funds in financing of 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 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 from loans and borrowings (plus overdraft) and other debt instruments (finance lease + heat and power plant finance sale-and-lease-back liabilities + liabilities resulting from valuation of derivatives) less cash and cash equivalents.*
***debt** – liabilities from loans and borrowings (plus overdraft) and other debt instruments (finance lease + heat and power plant finance sale-and-lease-back liabilities + liabilities resulting from valuation of derivatives).*

Contractual obligations

Following is a summary of the CIECH Group long-term debt based on contractual obligations and the CIECH Group trade and contractual obligations based on maturity dates (as at 31 December 2014).

PLN '000	Total	less than 6 months	6-12 months	1-3 years	3-5 years	over 5 years
Foreign bonds(1)	-	-	-	-	1,044,264	-
Domestic bonds(2)	160,000	-	-	-	160,000	-
Loans and borrowings(3)	21,384	21,384	-	-	-	-
Other financial liabilities:	**322,848**	**322,848**	-	-	-	-
Trade liabilities(4)	322,179	322,179	-	-	-	-
Factoring(5)	669	669	-	-	-	-
Finance lease	**20,015**	**2,254**	**1,909**	**6,666**	**3,667**	**5,519**
Hedging derivatives with negative value	**7,067**	**3,560**	**995**	**2,512**	-	-
Total financial liabilities	**524,247**	**346,486**	**1,909**	**6,666**	**1,207,930**	**5,519**

1) Nominal value of foreign bonds of EUR 245 million.
(2) Nominal value of domestic bonds of PLN 160 million.
(3) Overdraft and loan from unconsolidated subsidiary Polcommerce GmbH.
(4) Amount of liabilities as at 31 December 2014.
(5) Amount of liabilities from factoring transactions in PLN and EUR made by CIECH S.A.

INFORMATION ABOUT THE CIECH GROUP RESULTS FOR FOURTH QUARTER OF 2014

PLN '000

CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE CIECH GROUP	01.10.-31.12.2014	01.10.-31.12.2013	Change 2014/2013
Sales revenues	786,161	795,120	(1.1%)
Cost of sales	(649,881)	(661,904)	(1.8%)
Gross profit/(loss) on sales	**136,280**	**133,216**	2.3%
Other operating income	62,859	73,263	(14.2%)
Selling costs	(52,026)	(54,969)	(5.4%)
General and administrative expenses	(42,523)	(39,353)	8.1%
Other operating expenses	(13,396)	(148,222)	(91.0%)
Operating profit/(loss)	**91,194**	**(36,065)**	352.9%
Financial income	3,103	12,105	(74.4%)
Financial expenses	(31,498)	(42,704)	(26.2%)
Net financial income/expenses	**(28,395)**	**(30,599)**	(7.2%)
Share of profit of equity-accounted investees	(21)	101	-
Profit/(loss) before tax	**62,778**	**(66,563)**	-

CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE CIECH GROUP	01.10.-31.12.2014	01.10.-31.12.2013	Change 2014/2013
Income tax	48,931	45,036	8.6%
Net profit/(loss)	**111,709**	**(21,527)**	-
including:			
Net profit/(loss) attributable to shareholders of the parent company	111,004	(18,706)	-
Net profit/(loss) attributed to non-controlling interest	705	(2,821)	-
Earnings per share (in PLN):			
Basic	2.11	(0.35)	-
Diluted	2.11	(0.35)	-
EBITDA	145,327	22,011	560.3%
Normalised EBITDA	103,788	79,135	31.2%

Consolidated sales revenues of the CIECH Group for the fourth quarter of 2014 decreased slightly in comparison to prior year and amounted to PLN 786,161 thousand.

The result for the fourth quarter of 2014 was influenced by:
- reversed impairment of property, plant and equipment,
- positive fair value valuation of investment properties,
- changes in provisions for employee benefits arising from changes in discount factors,
- high costs of external debt service (bonds).

6 The CIECH Group's trade and production activity

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

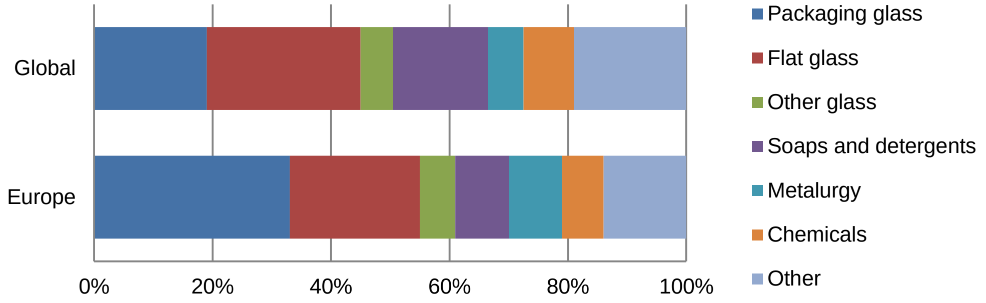
Seasonality associated with periodic demand and supply fluctuations has little impact on the CIECH Group general sales trends. Products clearly influenced by seasonality are plant protection chemicals. Most plant protection chemicals are used in the first half of the year, during the period of intensive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

6.2 Information on main products, goods and services

Characteristics of the main industries and markets of CIECH Group

Soda Ash
Soda ash is one of the basic raw materials for the glass manufacturing industry. It is also used for the production of washing and cleaning products, in metallurgy and chemical industry, among others, to produce certain types of mineral fertilizers as well as dyes and pigments. On a global scale about one half of the currently produced soda ash is used for the production of glass. Further recipients of soda ash include the soap and detergent producers and the chemical industry. 1/5 of soda is used by other branches of industry.

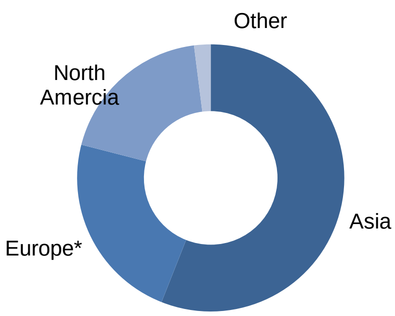
The structure of soda ash usage



Source: own compilation based on data from IHS Chemical

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

Production capacities of soda ash in the world by region

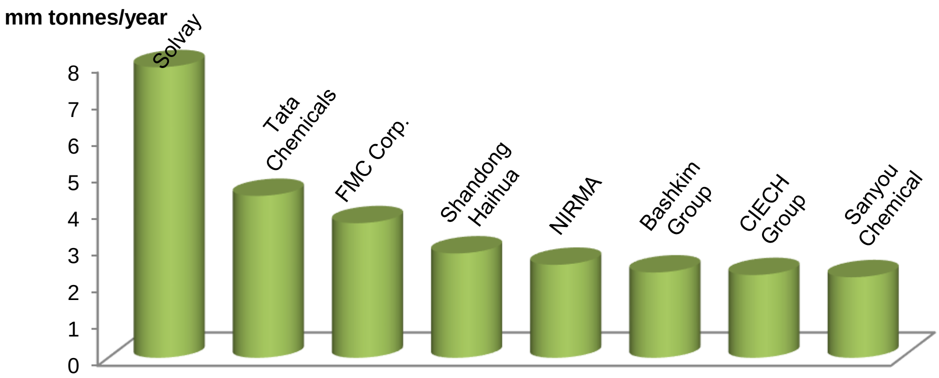


** Europe with Russia, Ukraine and Turkey*

Source: own compilation based on data from IHS Chemical

The global production capacities of soda ash are estimated at about 67-68 million tonnes, of which over half is produced in Asia. The remaining potential is almost evenly spread between Europe and North America, which possess comparable production capacity. The biggest producers of soda ash in the world with production capacities of over 2.8 million tonnes per year are the following four companies: Solvay, Tata Chemicals, FMC and Shandong Haihua. These companies account for almost 30% of the global production capabilities.

Biggest producers of soda ash in the world by production capacities in 2014

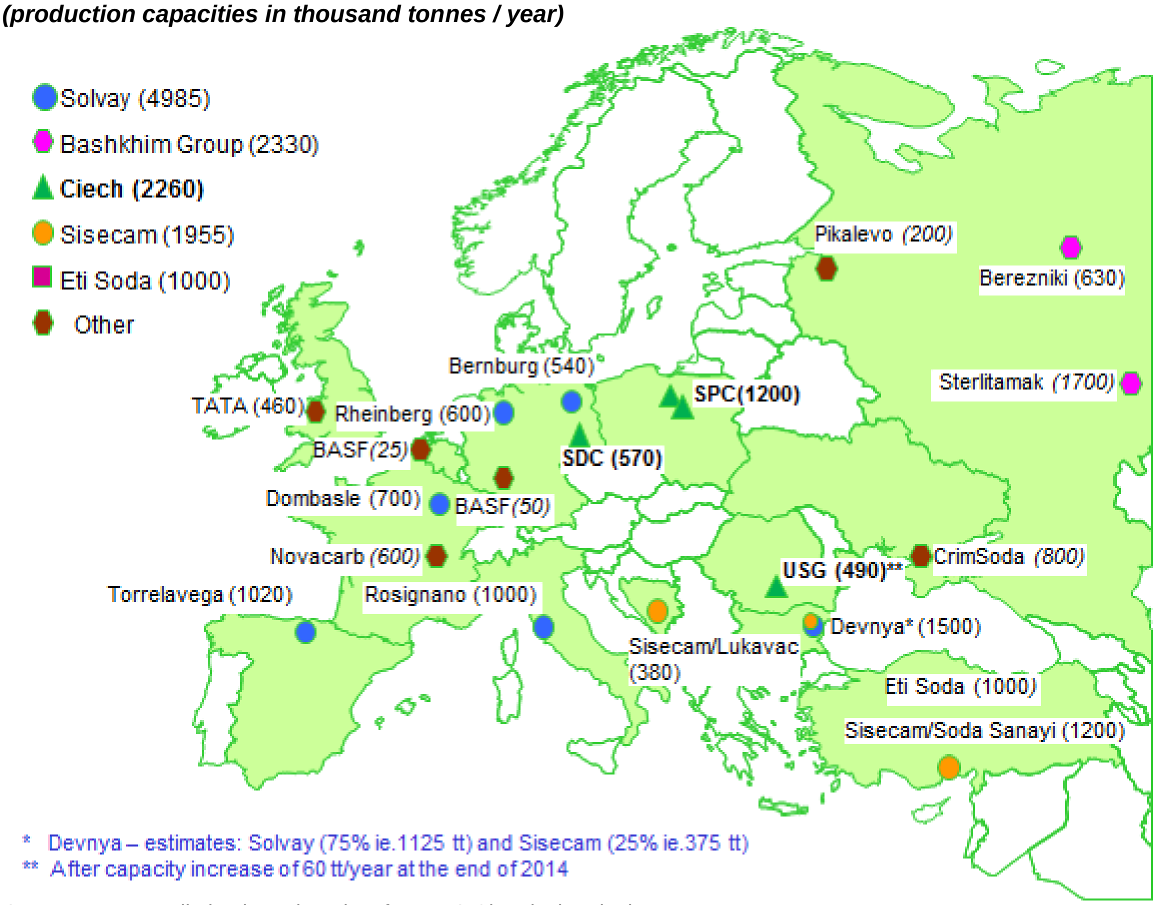


Source: own compilation based on data from IHS Chemical

It is expected that in the following years the biggest increase of production capacities will take place in China (about 7 million tonnes by 2019). The Chinese market has the fastest rate of development of soda industry, but also the biggest disintegration of soda ash producers. Turkey is also expected to increase its production potential based on its natural resource – trona. After the first trona-based production facility in this country started its operations in 2010 an increase of production power by another 3 million tonnes per year is expected in the years 2017-2019/2020.

The main soda ash market for CIECH Group is Europe, especially Poland. The biggest producer in the region is Solvay company, which owned factories in 6 locations around Europe in 2014. After the announced shutdown of the plant in Portugal (with capacity of 230 thousand tonnes per year at the beginning of 2014) its total production capacities in Europe are estimated at about 5 million tonnes per year. CIECH Group is on the second position in the European market with production capacities of 2.26 million tonnes. We are the only producer of soda ash in Poland and combined production capacities of plants in Inowrocław and Janikowo amount to 1.2 million tonnes. The other two factories of the Group, located in Germany and Romania, have production capacity of 0.57 and 0.49 million tonnes per year respectively. The Group's share of the soda ash market in Poland reaches nearly 100%, around 16% in Europe and about 4% globally. Another group with production capacity comparable to that of the CIECH Group is Bashkhim Group (Russia) with Soda Sterlitamak and Berezniki Soda Plant factories.

Competitors of the CIECH Group in soda ash market In Europe and Turkey in 2014
(production capacities in thousand tonnes / year)



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

European soda ash market (including Turkey) is estimated at about 11 million tonnes, of which around 6 million tonnes is located in Western Europe. European soda ash market as well as the Polish market are mature markets with no rapid changes, with yearly growth rates rarely exceeding several percent. One exception was in 2009, when the global economic crisis had a serious impact on the demand on soda ash markets due to high sensitivity of sectors which are end users. After a drop of a dozen percent in consumption in 2009, Western European soda market has experienced in 2010-2011 growth of 3% - 5% (according to IHS Chemical) and stagnation in the years 2012-2013 (related mainly to the crisis in the building industry and closing of several glassworks in the region). There was a marked upturn in 2014 (positive growth of 2%).

The structure of soda ash usage hasn't changed much for many years. The demand for soda ash depends mostly on the demand for flat and packaging glass.
About 30% of soda ash is used for production of glass containers: bottles, jars and other glass containers used in food, pharmaceutical and cosmetics-perfume industries. In 2014 usage of soda ash by European glass packaging industry slightly increased (by 2%). In the following years this segment should keep stable insignificant increase in demand. In case of Poland, a continued increase in glass containers usage, powered by the development of

consumer markets is expected. The average usage of packaging glass per person (30 kg) in Poland is lower than in the Western Europe countries (between 45 and 60 kg) which shows big potential of this market.
However, in the long run, increase of demand for soda ash among packaging glass producers may be reduced due to increasing usage of recycled cullet.
Construction and automobile industries are among the buyers of flat glass. Since both are vulnerable to shifts in economy, the demand for soda ash fluctuates.
The biggest end user of flat glass is the construction industry, which was facing stagnation due to the economic crisis in EU in the prior years. In the following years the construction industry should increase its production by 2% annually (according to Euroconstruct). Poland and the Central and Eastern Europe are still the markets with large potential compared to Western Europe.
Another important customer for flat glass, whose production requires soda ash, is the automobile industry. European Union is among the biggest car producers in the world with about 20% market share according to the ACEA organization. After the decrease of the passenger cars sales in EU by 1.7% in 2013, the year 2014 presented a slight improvement of the economic situation. Cars sales in Western Europe increased by about 5% in the prior year. For 2015 year, the region is also expected to show a growth (3% according to LMC Automotive). New cars market in Poland and Central - Eastern Europe is growing much faster than in Western Europe. This is due to the still relatively low level of market saturation measured by the number of cars per 1000 inhabitants.

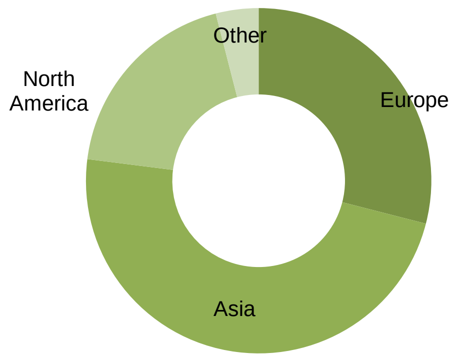
The positive growth dynamic (more than 1%) can be expected on the European soda ash market in 2015. In the long term, a demand for the soda ash should show a significantly positive growth year to year: globally by 4%, and in Europe by 1.5% - 2.5% (depending on region).

Baking soda

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

Global production capacities for baking soda are estimated at about 5 million tonnes per year. Asia is responsible for nearly 50% of these capacities. Europe share is nearly 30% and Northern America is 19%.

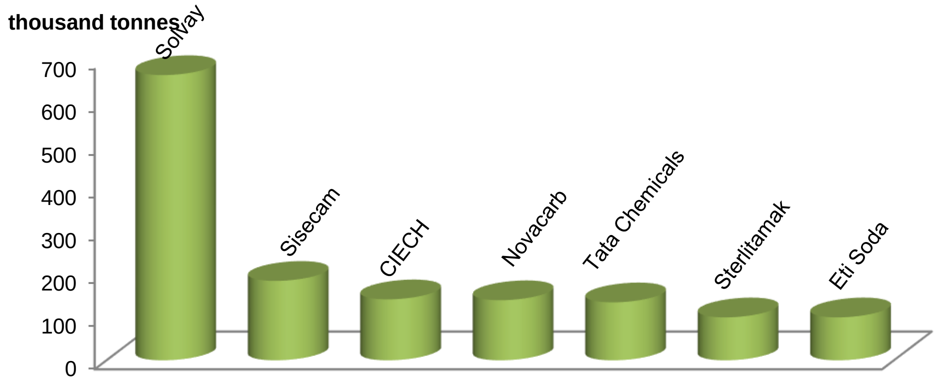
Production capacities of Baking soda by region



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

The target market for the CIECH Group for baking soda is the local market and the foreign markets, especially Western Europe. The share in the baking soda market of the CIECH Group is about 11% in Europe and 3.5% globally. Baking soda is produced in two soda factories of the Group: in Inowrocław and in Stassfurt where production capacities are 90 and 59 thousand tonnes per year. Soda Polska Ciech is the only producer of baking soda in Poland with about 60% share in the market. The share in the German market is about 30%.The CIECH Group estimates its share in the Europe market for 14%.

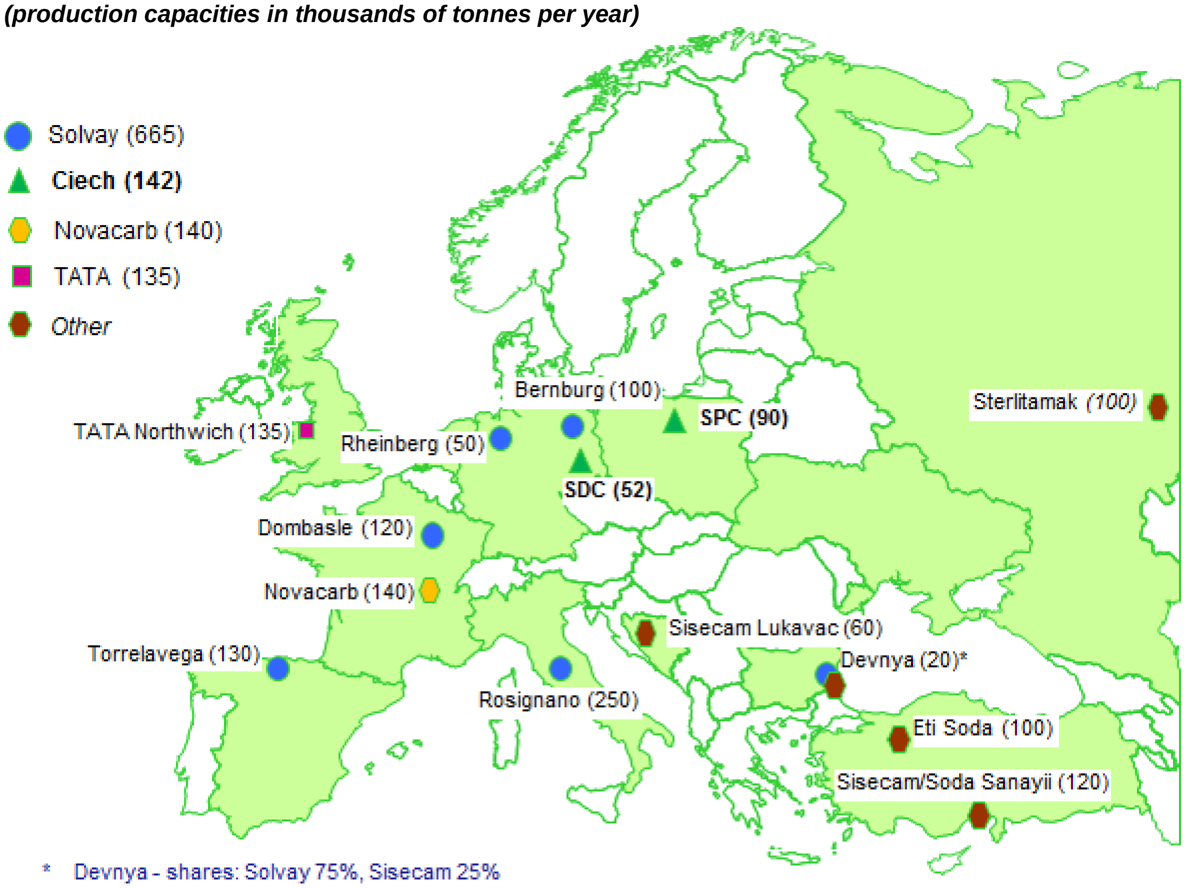
Biggest producers of baking soda in Europe and Turkey by production capacities in 2014



Source: own compilation based on IHS Chemical and others

In Europe (also including near Turkey) the production capacities of baking soda are estimated at about 1.5 million tonnes per year. The biggest producer both in Europe and globally is Solvay owning factories in several countries. Its combined production capacities in Europe are about 0.67 million tonnes per year (globally 0.9 million tonnes per year). Currently the CIECH Group with production capacity at 149 thousand tonnes per year is the second largest producer in Europe (and third after Solvay and Sisecam in the region including Turkey). Other European leaders are Novacarb (140 thousand tonnes per year) and Tata Chemicals (135 thousand tonnes per year).

Competitors of the CIECH Group in production of baking soda from Europe and Turkey in 2014 (production capacities in thousands of tonnes per year)



Source: own compilation based on IHS Chemical and others

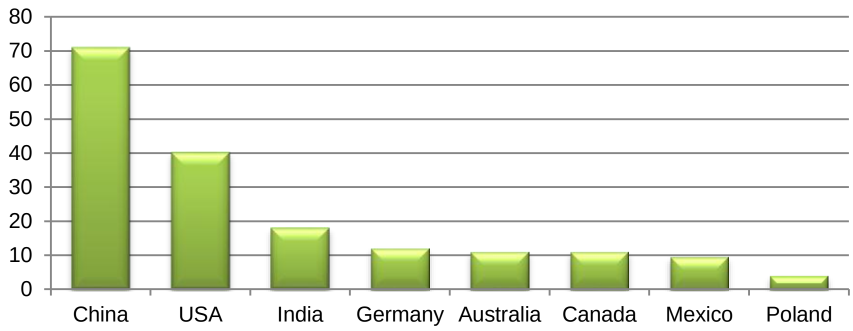
Much like the soda ash markets, Polish and European markets for baking soda are mature markets, not volatile to rapid changes, with yearly growth of few percent per year. The fodder industry is the most vulnerable to economic shifts among the target sectors for baking soda. In Poland however, this sector is less vulnerable than in the rest of Europe. Drops in Poland are less severe than elsewhere in Europe. Sales in technical soda segment are expected to increase in the future as a result of increased demand from flue gas desulphurisation sector. European producers of baking soda continue to work towards intensification of production of baking soda at the expense of soda ash.

Average yearly usage of baking soda in the following years is expected to grow at least by 3%. However there may be variations depending on the segment of the market and the region of Europe. The fodder, food and detergent segments should face an increase equal to the GDP, while the increase of the desulphurisation segment should be much higher. Globally, the dynamics of baking soda market development should not exceed 4%.

Evaporated salt

Salt is usually present in the European trade in two forms: rock salt and evaporated salt. Evaporated salt is one of key products of the CIECH Group and is produced for industrial and home use.
World salt production amounts to approximately 280 - 290 million tonnes per year Seven biggest producers (countries) are responsible for over 60% of global supply. These include Germany – only European producer, with about 6% share in the global production (producing 15-20 million tonnes per year). Polish contribution to the world salt production is relatively small and amounts to about 1.4%.

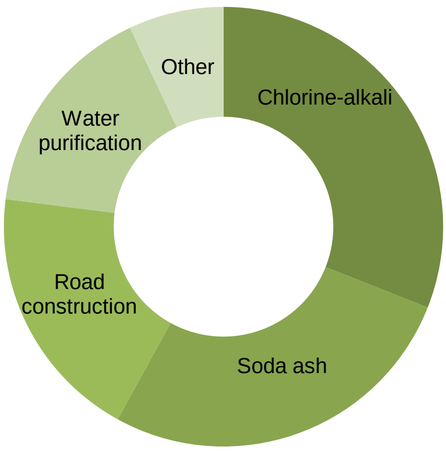
Main salt producers in the world



Source: own compilation based on USGS

Due to advantages of evaporated salt with regards to quality parameters, chemical industry in Western Europe abandoned using of rock salt. A similar process occurred in food and households industries. Rock salt is presently used almost exclusively in highway maintenance for winter de-icing. Evaporated salt, on the other hand, is widely used in chemical industry (electrolysis, detergent and dye production) as well as household chemistry (for water treatment and softening). It is also used in food industry (including: baking, fruit and vegetable processing and meat industry). Evaporated salt of pharmacological purity grade is also used in pharmaceutical industry.
In Europe most of salt is used in chlorine-alkali industry. Less salt is used for production of soda ash and in highway maintenance. Globally, use of salt in highway maintenance is significant only in North America (about 1/3). In other regions of the world, chlorine-alkali industry is the main buyer of salt. Also, soda branch (production of calcimined soda) in China is an important salt consumer. In Asia (outside China), Latin America, Africa and the Middle East salt is used in significant quantities for direct consumption and food production.

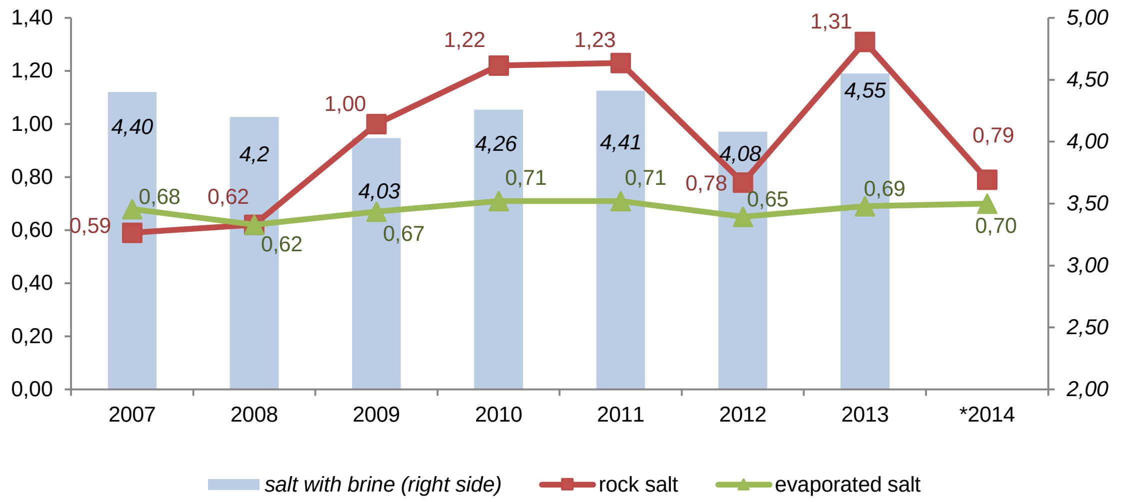
Salt consumption structure in Europe



Source: own compilation based on Roskill

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

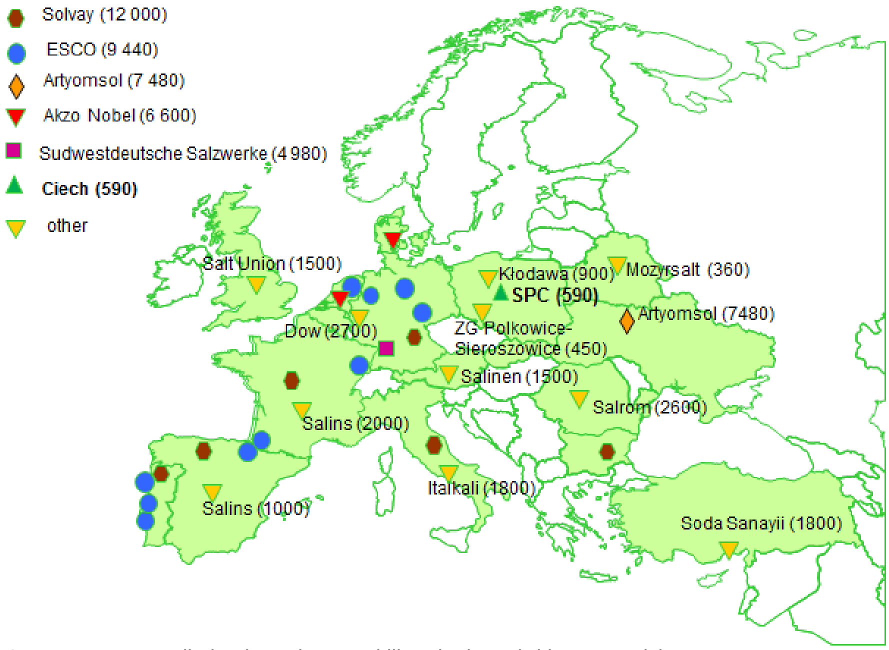
Salt production in Poland with division into kinds in the years 2007-2014 (million tonnes)



*Source: own compilation based on GUS; *estimates based on preliminary data.*

Poland belongs to leading salt producers in Europe. Total production of evaporated and rock salt in the recent years oscillated between 4 and 4.5 million tonnes.
Polish salt market, like Europe, is mature. The amount of evaporated salt consumption remains on the stable level demonstrating resistance to the effects of economic slowdown. The increase of sales volume is small and results mostly from the increase of sales of highly processed salt products. On the other hand, the market of rock salt used mainly for winter road maintenance is variable. The demand for rock salt in case of atmospheric anomalies can change by several dozen percent. The CIECH Group does not supply highway sector with salt and as a result atmospheric anomalies do not influence sales volumes.
The CIECH Group plays an important role in the following segments: table salt (food industry and direct consumption use majority of total salt produced by Soda Polska Ciech); chemical industry and water treatment.
The CIECH Group with its production capacity of 590 thousand tonnes per year is the biggest producer of evaporated salt on the Polish market, with a market share of approximately 2/3.

The biggest salt producers in Europe in 2014 (production capacities in thousand t/year)

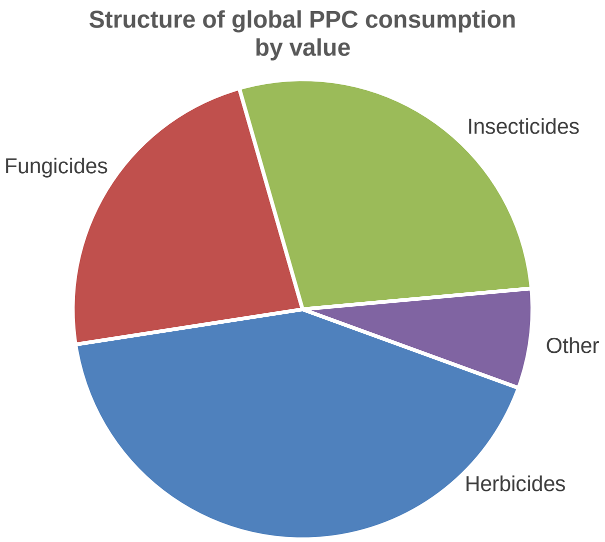


Source: own compilation based on Roskill and others (without Russia)

European salt capacities (including Russia) are estimated at over 70 million tonnes per year. Solvay is the biggest salt producer in Europe, having plants in several countries with total production capacity of around 12 million tonnes per year. Solvay also produces salt for the needs of its own soda sector. The leading European salt producers include ESCO of the K+S Group with yearly production capacities of 9.4 million tonnes, Akzo Nobel (6.6 million tonnes per year) and Sudwest Deutsche Salzwerke (5 million tonnes per year). Artyomsol, an Ukrainian producer, has significant production capacity (7.5 million tonnes per year), but in recent years it was used to a limited extent.

In the coming years the directions and further development of the global salt market, estimated for about 290 million tonnes, will be determined by general economic development (because of important role of chemical industry in salt consumption) as well as seasonal factors (due to important role of salt in road maintenance in the developed countries). Development of plants in Asia (with regard to chlorine-alkali and soda ash) will be especially important for the chemical sector. Certain optimistic forecasts assume increase of salt demand by even 3% per year.
The prospects for salt market development in Europe, including Poland, are stable. The possible quantitative increases will depend on sales dynamics in the sector of highly processed products, e.g. for water treatment systems. Because of the dominating position of rock salt (used mainly in road maintenance) in the total salt market, salt sales will still be dependent on atmospheric conditions and can be subject to significant periodic fluctuations. Such events do not influence table salt segment and salt used for chemical industry. The growth rate of salt consumption in Europe and in Poland over the next couple of years is estimated at 1%-2%.

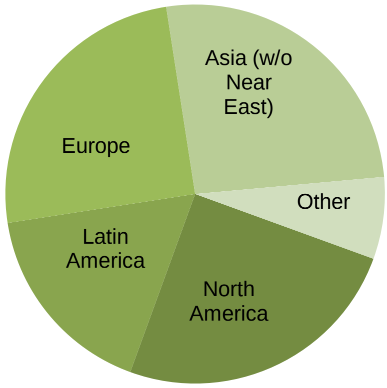
Plant Protection Chemicals (PPC)
Total value of the global market of plant protection chemicals probably reached USD 54 billion in 2014. Almost 40% of this amount concerned herbicides. ¼ of sales value included insecticides and 1/5 of sales value included fungicides.



Source: own compilation based on MarketsandMarkets

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

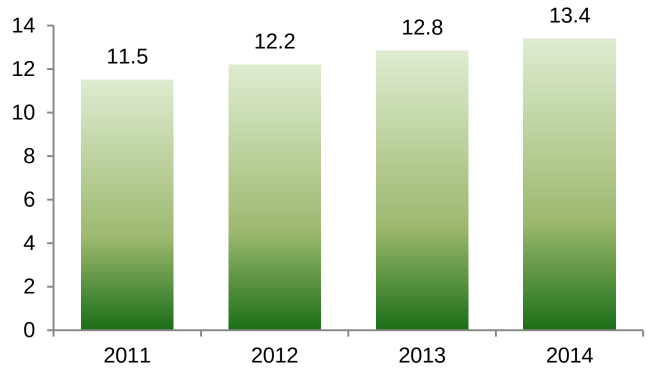
Plant protection chemicals consumption structure by regions (%)



Source: own compilation based on MarketsandMarkets

Asia excluding the Middle East is now the largest regional market of plant protection products with more than 25% shares of the global sales. Slightly smaller markets are Europe and North America (nearly 25% each). The value of the European market in 2014 can be estimated at approx. USD 13.4 billion. Relatively large recipient of plant protection products is also Latin America (approx. 17%). Consumption of pesticides in the other regions amounts to the remaining few percent of global consumption.
The demand for plant protection chemicals in Europe was growing by about 5% yearly in the recent 3 years (by value).The following graph presents changes in plant protection chemicals consumption volume in recent years in Europe.

Plant protection chemicals consumption in Europe in the years 2011-2014 (USD bln)

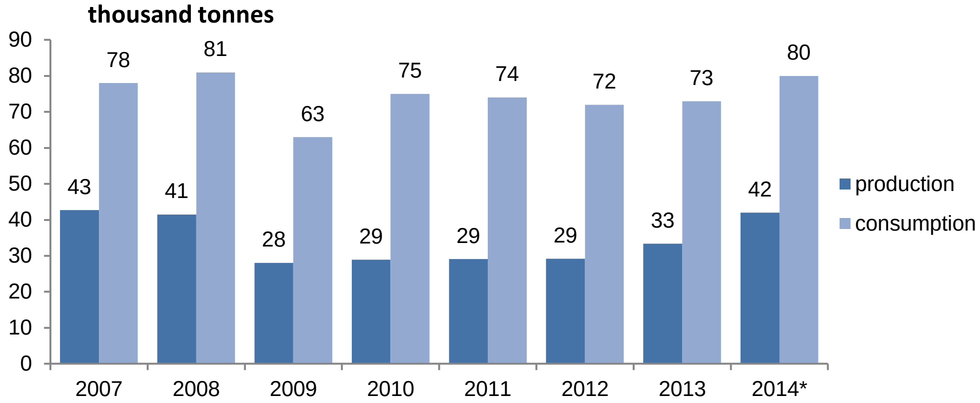


Source: own compilation based on MarketsandMarkets

In the Europe the biggest markets for plant protection products are France, Germany, Italy, Spain, Great Britain and Russia.

In previous years the usage of plant protection chemicals in Poland fluctuated between 70-80 thousand tonnes per year (in volume). In case of active substances tonnage, consumption amounts to around 20 thousand tonnes per year. Since 2009 domestic production presents an upward trend (significant increase was noted especially in 2014). Despite of this fact, Polish market is dominated by foreign suppliers with a very wide range of products.

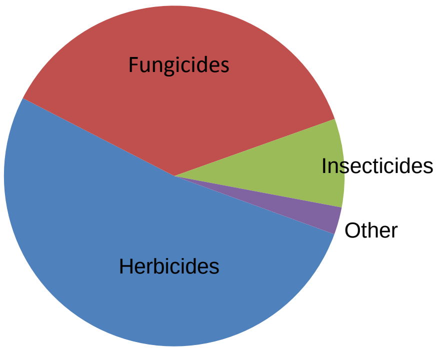
Production and consumption of plant protection chemicals in Poland in the years 2006-2014 (in thousand tonnes)



*Source: own compilation based on GUS and Eurostat (*estimates based on preliminary data)*

Value of the Polish plant protection chemicals market is currently estimated at about EUR 0.5 billion. Estimated plant protection chemicals sales structure on the Polish market is presented below

Structure of plant protection chemicals sales in Poland by value

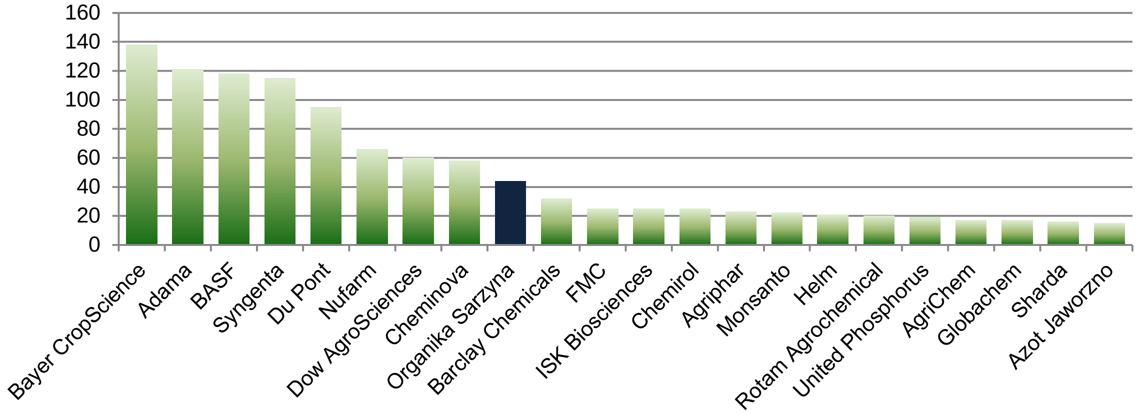


Source: own compilation based on European Crop Protection Association, Agrow

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

The Polish market of plant protection chemicals should systematically grow over the following several years. Unit consumption of products per 1ha is still much lower in Poland than in Western European countries. Moreover economic situation of Polish farmers should improve due to direct subsidies received from the European Union. Additionally controversies concerning genetically modified plants (GMO) will effectively influence the higher demand level for traditional plant protection chemicals.
High level of import is specific to Polish market and amounts to 80% of the market offer. As a result, Polish products constitute only 1/5 of the whole market. The reason of such a high disproportion is lack of sufficient offer of Polish producers, who do not have enough financial means to conduct research on new products, their registration and marketing.
Famous global concerns and Polish producers are main participants in the Polish market Organika Sarzyna of the CIECH Group is the biggest Polish enterprise in this industry. The company activity regarding plant protection chemicals is focused on the Polish market, where the Group currently has a share of 6% (by value). This share is much higher with regards to grain herbicides segment, which is the company's main product group, and amounts to 10%.
The following graph presents competitive position of the individual producers of plant protection chemicals by the number of products registered on the Polish market.

Number of plant protection chemicals registered in Poland among the biggest producers



Source: MRiRW [Ministry of Agriculture and Rural Development] (as at 9 January 2015)

Plant protection chemicals market in a long-term perspective belongs to the fast growing markets comparing to other chemical segments. The average yearly growth rate of the global market should reach above 5% in the next few years (by value according to MarketsandMarkets). The main growth factors will be Latin American and Asian markets (above 6%). The prospects for Europe assume dynamics of above 4%.

Optimistic market forecasts concerning plant protection chemicals are based on the assumption of decreasing arable land area in the global scale and the resulting necessity of constant yield increase. On the other hand, various national and international regulatory bodies, whose task is to monitor plant protection chemicals use in order to lower their negative influence on natural environment will increase the uncontrolled pesticide consumption.

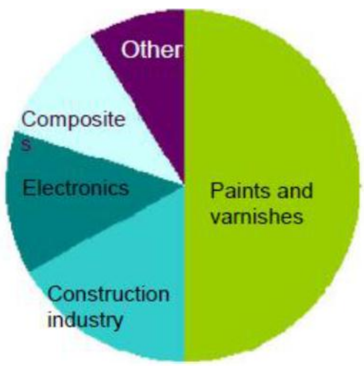
Epoxy resins

In Europe, epoxy resins are used primarily - about 50% - for the production of powder paints and varnishes (chemically resistant, insulation, electrical insulation).

In Western Europe, this product is used in 50% of paints and varnishes production. Another dozen percent of resins is used in construction sector (screeds, sealants, fillers, binders, coatings, wall coverings). Over 10% of epoxy resins is consumed for the production of electrical insulators, about 10% - in the manufacture of composites.

In Central and Eastern Europe epoxy resins are consumed primarily in the production of coatings - paints, etc. (over 50%) and in the construction - for example in the manufacture of floors (above 20%).

Application segments of epoxide resins in Western Europe

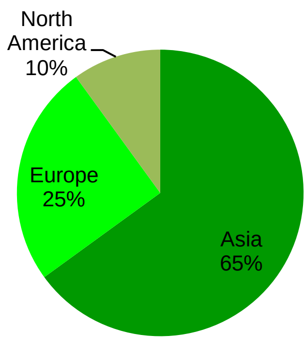


Source: CIECH S.A. estimations based on Nexant data

Global production capacity of the basic epoxy resins (non-modified) is estimated at 2.6 million tonnes per year: Asia (about 65%), Europe (about 25% – 640 thousand tonnes per year), America (about 10%). Investment projects with regard to new capacities are located mainly in Asia. The greatest world resin manufacturers include: Momentive (previously Hexion), Dow Chemical, Nan Ya (Taiwan), KUKDO (South Korea) and Huntsman Advanced Materials. The above mentioned companies are collectively responsible for about 60% of the world production of these resins.

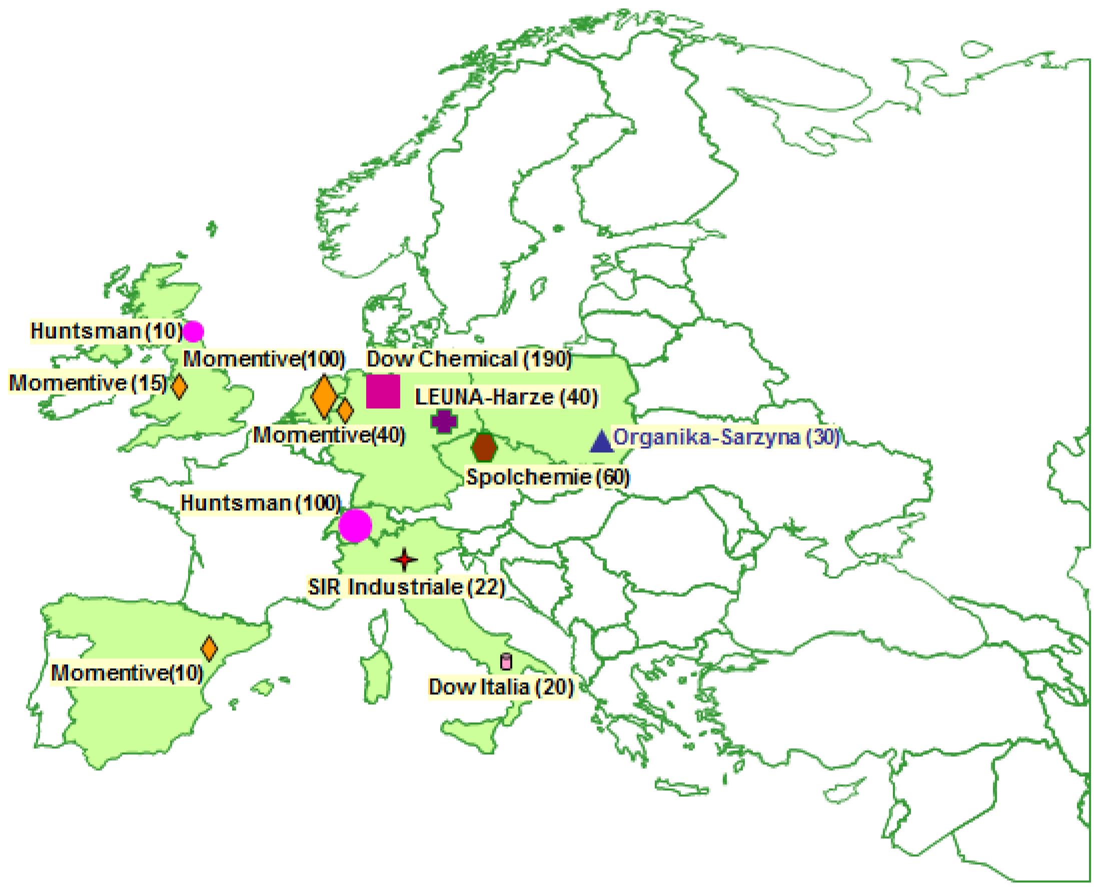
The CIECH Group through Zakłady Chemiczne Organika Sarzyna is the only producer of epoxy resins in Poland. Production capacity of the Group is estimated at 30 thousand tonnes per year and its share in the national market is almost 30%. The biggest competitors in Poland are suppliers from Germany, Czech Republic and Italy.

Geographic structure of non-modified epoxy resins' productive capacity



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

Main European competitors of the CIECH Group (Organika Sarzyna) concerning non-modified epoxide resins in 2014 (production capacities in thousand t/year)



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

The CIECH Group estimates the global market size of epoxy resins in 2014 at 1.6 million tonnes per year. The demand in Europe is estimated at about 350 thousand tonnes per year, which is lower by approx. 5% than 3-4 years earlier. Generally, due to large drop in demand and increase of production capacity in previous years, this market is still characterized by a strong oversupply (with the use of European production capacities at the maximum level of 60%).

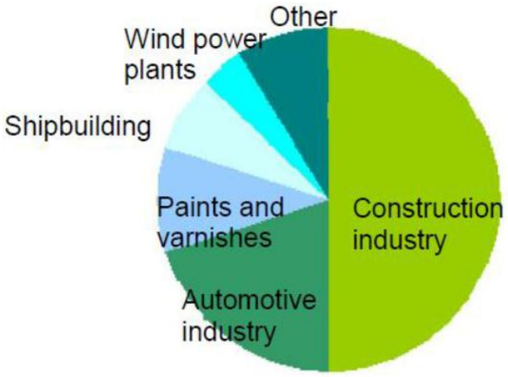
The CIECH Group expects that the similar market situation will remain also in the coming several years. In the long term, the prospects for increase of demand are, however, quite optimistic (globally by 3%-4% yearly on average). Asian countries will be the leaders of this growth (over 5% a year). The lowest increases of about 2%-3% are

expected in Western Europe and North America. Quite good prospects are also assumed for a relatively small market of Middle and Eastern Europe (with an average increases of 4%-5%).
Europe and North America will still remain net exporters of epoxy resins (the main markets for the international trade will be China and India). The main consumption growth factor of epoxy resins in the following years will be glues and composites for aviation and wind power plants (in North America and Europe) as well as electronics and paints (in the Far East and South-East Asia region).

Unsaturated polyester resins

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

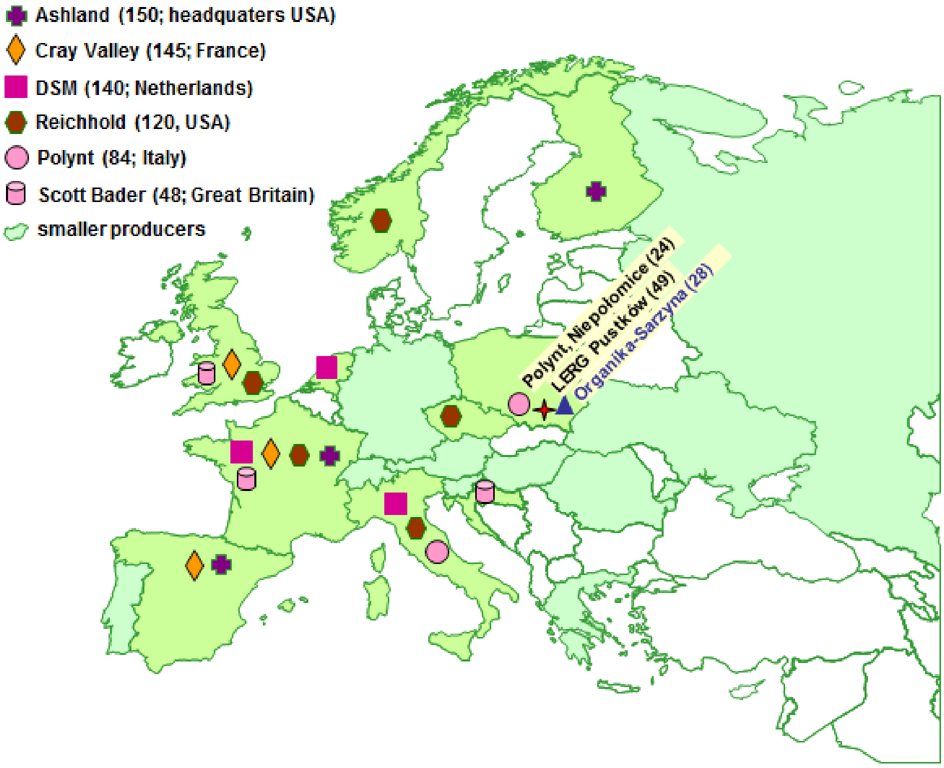
Application segments of unsaturated polyester resins in Europe



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

The global production capacity of unsaturated polyester resins amounts to approximately 5 million tonnes per year. Above one fifth of this value concerns Europe. Almost 50 producers of these resins are active in Europe. The biggest six international concerns own about 70% of the European production capacity. These concerns are: Ashland, Cray Valley, DSM, Reichhold, Polynt, Scott Bader. Small producers usually focus on high value market niches because of very strong competition.
The biggest producers of unsaturated polyester resins in Poland are Lerg S.A. and Zakłady Chemiczne Organika Sarzyna of the CIECH Group (with production capacity of 42 thousand tonnes per year and 28 thousand tonnes per year). A significant portion of sales is directed to the local market (of 50-60 thousand tonnes per year), where the CIECH Group holds a strong position with almost 20% share. Resins from Z. Ch. Organika Sarzyna are also supplied to other European markets.
Important competitors on the Polish market include: Ashland, Reichhold, LERG, DSM, Scott Bader, Cray Valley.

Main European competitors of the CIECH Group (Organika Sarzyna) with regard to unsaturated polyester resins in 2014
(production capacities in thousand t/year)



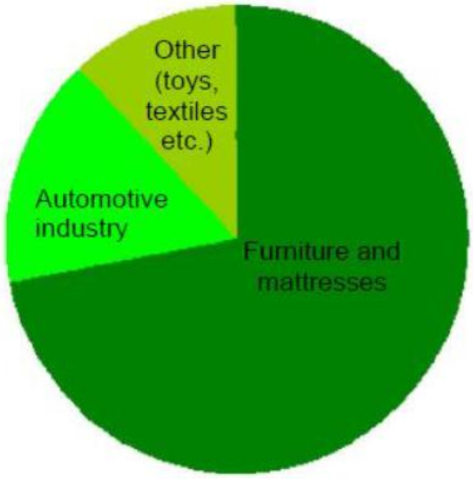
Source: CIECH S.A. estimations base on producers data

Apart from those shown on the map above, there are additionally two smaller resin producers of total production capacities of 5 thousand tonnes per year: TBD Dębica, PPG Polifarb Cieszyn.

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

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

Application segments of flexible polyurethane foams in the world

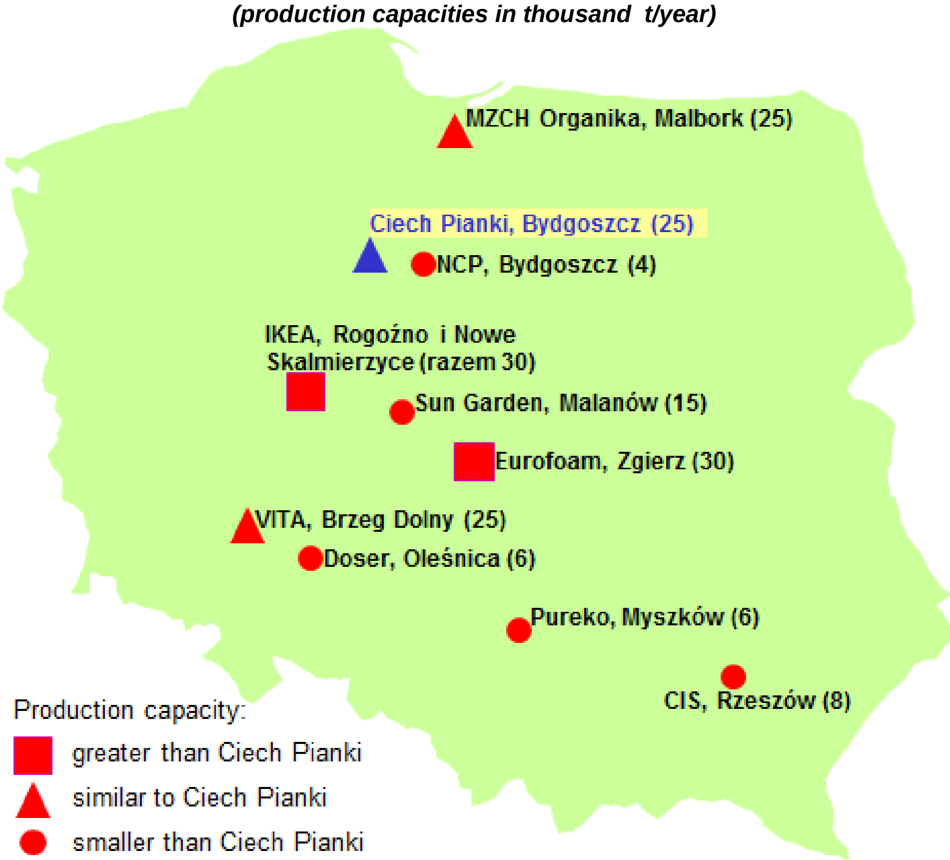


Source: CIECH S.A. study based on IAL Consultants information

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

Competitors of the CIECH Group (Ciech Pianki) with regard to polyurethane foams – PUR in 2014

(production capacities in thousand t/year)



Source: CIECH S.A. estimates based on producers data

The CIECH Group through Ciech Pianki has over 16% share in the Polish market of this product.

European demand for polyurethane foams (used in the furniture industry) is estimated at above 1.1 million tonnes per year. Polish market demand is estimated at 140-150 thousand tonnes per year. The demand for foams depends on the situation in the industries that are the biggest consumers of the product i.e. furniture and automotive industries. Very good improvement of economic situation was observed on the Polish furniture industry in the years 2010-2011 and 2013-2014. The results of this industry (oriented mainly at export) depend greatly on the economic situation on foreign markets. Despite the crisis in Western European countries domestic production of furniture sold in 2012-2013 remained growing. This was mainly due to high price competitiveness of Polish furniture industry. The outcome and financial situation of this industry during economic crisis also greatly depend on the exchange rate of the Polish currency.
A further growth of the polyurethane foams European market by 2% a year on the average in West Europe and 3% a year on the average in Central-East Europe is expected over the following several years. The latter applies particularly to Polish dynamics, where the consumption is associated largely with the national furniture industry and its high position in the international markets (fourth world exporter of furniture).

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

The CIECH Group has a well-diversified portfolio of customers. In 2014, sales revenues to none of the partners of the CIECH Group exceeded 10% of the consolidated sales revenues of the CIECH Group. CIECH S.A. as the parent company and the company with biggest sales in the CIECH Group was not dependent in 2014 on one or more customers or suppliers and the sales revenues to none of its customers exceeded 10% of total sales revenues.

CIECH S.A. is an important customer and supplier for the majority of the companies in the CIECH Group. The Company CIECH S.A. had the biggest turnover with the following subsidiaries:
- Soda Polska Ciech S.A.
- Z.Ch. "Organika –Sarzyna" S.A.

Important external suppliers and customers for other companies of the CIECH Group in 2014 were, among others:

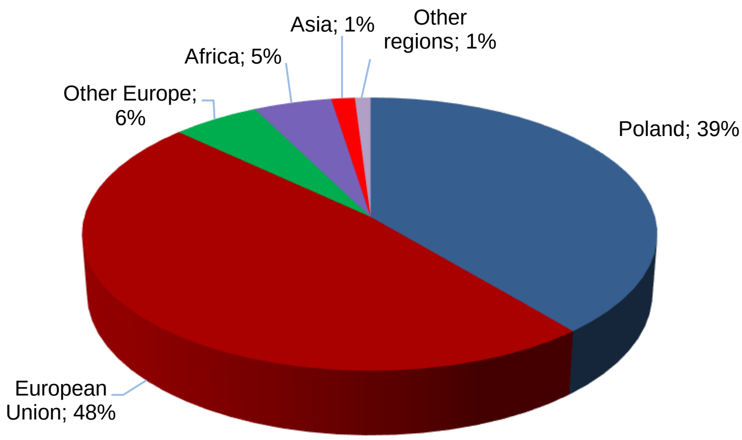
- Kompania Węglowa S.A. – coal supplier for Soda Polska Ciech S.A.
- Erdgas Mittlesachsen GmbH – industrial gas supplier for Soda Deutschland Ciech,

Geographical structure of the markets

About 40% of revenues from sales of products, goods and services of the CIECH Group in 2014 came from the domestic market while the biggest foreign recipients of products, goods and services offered by the Group companies were the European Union countries.

PLN '000	**01.01 - 31.12.2014**	**01.01 - 31.12.2013**	**2014/2013 Dynamics**
Poland	**1,263,147**	**1,304,763**	**(3.19%)**
European Union	**1,559,344**	**1,607,958**	**(3.02%)**
-Germany	691,059	749,307	(7.77%)
- Belgium	21,541	33,608	(35.91%)
- Czech Republic	128,727	138,027	(6.74%)
- The Netherlands	86,970	101,424	(14.25%)
- Sweden	39,519	37,381	5.72%
- Finland	40,726	56,763	(28.25%)
- Italy	111,267	121,840	(8.68%)
- United Kingdom	46,640	25,730	81.27%
- Romania	193,603	96,438	100.75%
- Other EU countries	199,292	247,440	(19.46%)
Other European Countries	**180,200**	**259,335**	**(30.51%)**
- Switzerland	104,765	123,510	(15.18%)
- Norway	28,927	29,896	(3.24%)
- Russia	14,924	63,301	(76.42%)
- other European countries	31,584	42,628	(25.91%)
Africa	**160,621**	**204,966**	**(21.64%)**
Asia	**48,472**	**97,692**	**(50.38%)**
- China	156	3,612	(95.68%)
- Other Asian countries	48,316	94,080	(48.64%)
Other regions	**32,116**	**26,306**	**22.09%**
TOTAL	**3,243,900**	**3,501,020**	**(7.34%)**

Sales revenues - geographical structure



Source: CIECH S.A. study

7 Investment activities
7.1 Capital investments
7.1.1 Investments implemented in 2014

The CIECH Group has and constantly updates its capital expenditure program for production facilities in order to develop or maintain the current levels of production in particular plants and to fulfil the obligation related to new legal regulations. The capital expenditure are also necessary in relation to the old equipment modernisation and energy efficiency improvement as well as to increase the production capacity by the bottlenecks elimination or in relation to improvement of the control process. The capital expenditures incurred by the CIECH Group companies in twelve month period ended 31 December 2014 amounted to approximately PLN 305 million. The investment expenditures for the years 2009, 2010, 2011, 2012 and 2013 were PLN 252.1 million; PLN 217.8 million; PLN 295.5 million; PLN 300 million; and PLN 140 million, respectively. Noticeable decrease in the amount of capital expenditures in 2013 year was mainly related to closing of investment programs realized in Infrastruktura Kapuściska S.A. and Alwernia S.A. (the company was sold in July 2013). However, in 2014 the capital expenditures of companies were used for the implementation of several large-scale projects, including the extension and modernisation of plants in the soda segment such as intensification of soda ash production and intensification of dry salt production. Other capital expenditures are used mainly in relation to projects which aim to maintain and improve the production capacity, as well as to improve the effectiveness of manufacturing plants. The Group divides its capital expenditures into modernisation,(and reconstruction) and development investments. The first category includes all expenditures required to maintain optimal technical condition of owned assets (e.g. compliance with environmental regulations, replacement of equipment etc.). The second category includes projects, which are designed to improve the Group's position. This category includes the decisions on the construction of new plants, development of existing plants or modification of plants in order to reduce the production costs. The decisions are made based on a business plan and such indicators of investment effectiveness as net present value, internal rate of return and payback period. The expected rate of return on investments implemented using capital expenditure is almost twice as the average weighted cost of capital of the Group.

Investments implemented in 2014 in the CIECH Group concentrated mainly on the soda business and included, among others:

- intensification of soda ash production by 200 thousand tonnes per year to the level of 800 thousand tonnes per year in Soda Polska Ciech S.A.
- intensification of dry salt production (Janikowo)
- reconstruction of the filtration node in Inowrocław and Janikowo – the goal of the project is to improve the energy efficiency of filtration and the product quality.

7.1.2 Capital expenditures planned for the next 12 months

The planned capital expenditures for 2015 amount to PLN 530 million. Capital investments planned for the year 2015 and the following years conform to the new Strategy of the CIECH Group and assume an organic development of the soda business, including continuation of the investment projects started in 2014 or in the previous years.

Apart from development capital expenditures the CIECH Group is going to implement in all of the CIECH Group subsidiaries a package of modernisation and reconstruction investments to maintain the current production infrastructure. Additionally environmental investment projects will be implemented which are focused on adjusting the Group's industrial facilities to changing legal requirements, especially those considering industrial emissions (Industrial Emissions Directive). Still ongoing are the pre-project works of the construction of desulphurisation and denitrification installations in the CIECH Group power plants are in progress.

The Group intends to finance the planned investments from cash flows from operating activities, factoring, leasing and other sources of debt financing.

7.2 Description of major capital investments and the methods of their financing
7.2.1 Capital investments and divestments implemented in the current reporting period and the method of their financing

<u>Investments</u>

Cerium Sp. z o.o.
Soda Polska CIECH S.A. based in Inowrocław, acquired from Galt Accounting Sp. z o.o with its registered office in Warsaw, 100 shares of Cerium Sp. z o.o with its registered office in Warsaw (the Sale agreement of Cerium Sp. z o.o. shares dated 19 December 2014), for a total price of PLN 10 thousand. On the date of a signature of the Sale agreement Soda Polska Ciech S.A. became the owner of the shares, which represent 100% of the share capital of Cerium Sp. z o.o., which is PLN 5 thousand and is divided into 100 shares with a nominal value of PLN 50 per share.

Cerium Sp. z o.o. SKA
Soda Polska CIECH S.A. based in Inowrocław acquired from Galt Accounting Sp. z o.o with its registered office in Warsaw, 50,000 shares of the company (the Sale agreement of Cerium Sp. z o.o. SKA shares dated 19 December 2014), for a total price of PLN 180 thousand. On the date of a signature of the Sale agreement Soda Polska Ciech S.A. became the owner of shares, which represent 100% of the share capital of Cerium Sp. z o.o. SKA, which is PLN 50 thousand and is divided into 50,000 shares with a nominal value of PLN 1 per share

Divestments

Divestments performed in 2014 resulted from the conducted optimisation of the Group assets that consisted in the sale of stocks/shares of dormant entities to the entity designated for sale outside the Group and the derecognition of this entity from the Group. In a view of the above stocks / shares of the following companies were sold.

In order to optimize the structure of the CIECH Group, on 5 September 2014, CIECH Finance Sp. z o.o sold to Sagrera Sp. z o.o the shares of the following companies: Pol-Plast S.A. w upadłości, Huta Gliwice S.A. w upadłości likwidacyjnej, Stocznia Gdynia S.A., ZTR ZATRA S.A. w likwidacji, TM Pressta S.A. w upadłości likwidacyjnej, RZPS Radoskór S.A. w upadłości, Wistom S.A. w upadłości, ZTS Pronit S.A. w upadłości, Len S.A. w likwidacji, Pro - Agro S.A w upadłości, Tradecom S.A. w likwidacji, ZG-H Mirex Sp. z o.o w likwidacji, Huta Ostrowiec S.A. w upadłości. The total value of the transaction amounted to PLN 0.4 thousand. Additionally, on 15 September 2014, CIECH S.A. sold to Sagrera Sp. z o.o. 37,421,250 shares of Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej (all shares owned by CIECH S.A.), representing a total of 98.998% of the share capital of the company for the amount of PLN 100. Ownership of shares, together with all rights and obligations were passed to the buyer upon conclusion of the sale agreement on 15 September 2014. On 18 September 2014, 100% of shares in Sagrera Sp. z o.o. were sold outside the CIECH Group (to ALITA Sp. z o.o.). Price for the Sagrera Sp. z o.o.'s shares amounted to PLN 5 thousand. Ownership of the shares, together with all rights and obligations were passed to the buyer upon conclusion of the sale agreement.

7.2.2 Capital investments and divestments planned for the next 12 months

According to the approved "Strategy of the CIECH Chemical Group for 2014-2019", the strategic objective is maximisation of the value of the CIECH Group, mainly through the development in the area of soda. Hence, CIECH S.A. conducts on-going analysis of the market environment in order to identify and implement new initiatives, including capital investments aimed at the building of the CIECH Group's value. In the event of changes in the conditions of operation of the CIECH Chemical Group the change of the Strategy is allowed.

In 2015, there will be additional payment to the capital of CIECH Trademarks Sp. z o.o, which was nominated as a special purpose company dedicated to the research and development activities in respect of the CIECH Group's products from the organic segment (ultimately the company's name will be CIECH R&D Sp. z o.o). An intragroup sale of this company's shares from CIECH Finance Sp. z o.o to CIECH S.A is planned.

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

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

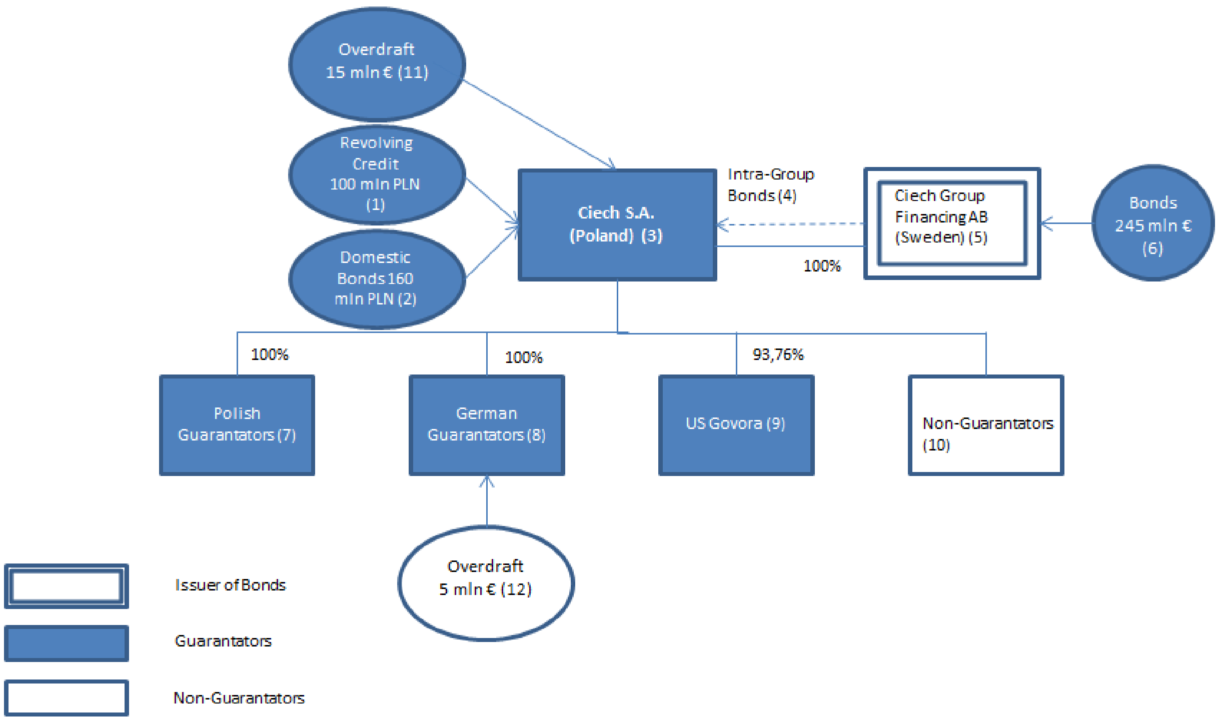
The sources of financing of investment activities in CIECH S.A. and CIECH Group are:
- cash flows from operating activities,
- cash flows from divestments,
- external sources of funding in the form of European Union funds,
- external sources of funding in the form of bank loans and issued bonds.

8 Managing the financial resources in the CIECH Group
8.1 Information regarding important financial liabilities.

Group's debt financing
Group's debt financing in the form of bonds or credit is provided mostly by:
- Foreign bonds issued by the CIECH Group Financing AB (publ) – as at 31 December 2014 the nominal debt amounted to EUR 245 million (i.e. PLN 1,044,264 thousand),
- Domestic bonds issued by CIECH S.A. – as at 31 December 2014 the nominal debt amounted to PLN 160 million,
- The revolving credit made available to CIECH S.A. based on the Revolving Credit Agreement of 9 August 2014 up to PLN 100 million – as at 31 December 2014 the debt amounted to PLN 0.

- Overdraft facilities amounted totally to EUR 20 million (including loans granted to CIECH S.A. of EUR 15 million and a loan granted to Sodawerk Stassfurt GmbH & Co. KG of EUR 5 million) – as at 31 December 2014 debt amounted to EUR 4,917 thousand (i.e. PLN 20,953 thousand).

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



(1) *Revolving credit facility providing CIECH S.A. with a revolving credit to the amount of PLN 100,000 thousand ("revolving credit") described further in this report.*
(2) *Domestic bonds in the amount of PLN 160,000 thousand issued by CIECH S.A. on 5 December 2012 described further in this report.*
(3) *CIECH S.A. – is the parent company of the Foreign Bonds Issuer and Parent Guarantor. All conditions for the issue of bonds (as well as those resulting from the revolving credit and domestic bonds) are related to the Parent Guarantor and its subsidiaries.*
(4) *Intra-group Bonds at the nominal value of EUR 245,000 thousand issued by CIECH S.A. to CIECH Group Financing (publ) on 6 December 2012.*
(5) *CIECH Group Financing AB (publ), the issuer of the Foreign Bonds, fully owned by CIECH S.A., is a financial entity and has no important assets apart from the Intra-group Bonds of CIECH S.A.*
(6) *Foreign Bonds to the amount of EUR 245,000 thousand issued by CIECH Group Financing AB (publ). The bonds are covered by guarantee of the Parent Guarantor (CIECH S.A.), Polish Guarantors, German Guarantors and US Govora S.A. The guarantors represent 95.9% of the CIECH Group's total consolidated sales revenues, 130.26% of the CIECH Group's EBITDA for the period of 12 months ended 31 December 2014 and 90.1% of the CIECH Group's total assets (excluding goodwill of the Soda Deutschland Ciech Group) as at 31 December 2014. The total debt of Subsidiaries which are not Guarantors amounted to PLN 283,296 thousand as at 31 December 2014, including the trade liabilities, but excluding intercompany liabilities. Among this amount, the financial liabilities of subsidiaries which are not Guarantors amounted to PLN 235,652 thousand.*
(7) *Polish Guarantors: Parent Guarantor (CIECH S.A.), Transclean Sp. z o.o., Ciech Nieruchomości S.A., Vitrosilicon S.A., Janikosoda S.A., CiechTrading S.A., Ciech Pianki Sp. z o.o., Soda Polska Ciech S.A, and Z. Ch. „Organika – Sarzyna" S.A, Cerium Sp. z o.o. SKA (guarantor since February 2015). Except for Z. Ch. „Organika – Sarzyna" S.A. where CIECH S.A. holds 99.64% of shares, all Polish Guarantors are fully owned by CIECH S.A.*
(8) *German Guarantors: Soda Deutschland Ciech GmbH, Sodawerk Holding Stassfurt GmbH, Sodawerk Stassfurt Verwaltungs-GmbH and Sodawerk Stassfurt GmbH & Co. KG. All German Guarantors are directly or indirectly fully owned by CIECH S.A*
(9) *US Govora S.A.: 93.76% of shares in US Govora are indirectly owned by CIECH S.A.*
(10) *Other Polish companies from the CIECH Group which are not Guarantors.*
(11) *Overdrafts with a limit to EUR 15,000 thousand*

- credit in a foreign currency account granted to CIECH S.A. by BZ WBK S.A. in the amount of EUR 10,000 thousand, intended for the payment of liabilities incurred under the contract to conduct cash management system in EUR (cash pooling)

- credit in a foreign currency account granted to CIECH S.A. by Bank Pekao S.A. in the amount of EUR 5,000 thousand intended for revolving financing of debtor's current activity, included in an available cash-pool structure,

(12) Credit in a foreign currency account granted to Sodawerk Stassfurt GmbH & Co. KG by Bank Pekao S.A. in the amount of EUR 5,000 thousand intended for revolving financing of debtor's current activity, with a possibility to include in an available cash-pool structure.

Foreign Bonds

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

Below is the information on the issue of Foreign Bonds:

Issuer

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

Parent Company

CIECH S.A.

Issued Bonds

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

Issue Date

28 November 2012

Maturity Date

30 November 2019

Interest Rate

9.50% per annum.

Guarantees

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

The guarantors represent 95.9% of the CIECH Group's total consolidated sales revenue, 130.26% of the CIECH Group's EBITDA for the period of 12 months ended 31 December 2014 and 90.1% of the CIECH Group's total assets (excluding goodwill of the Soda Deutschland Ciech Group) as at 31 December 2014.Total debt of the Subsidiaries, which are not Guarantors, amounted to PLN 283,296 thousand as at 31 December 2014, including trade liabilities but excluding intercompany liabilities. Among this amount the financial liabilities of the subsidiaries which are not Guarantors amounted to PLN 235,652 thousand.

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

Bond ranking

The Bonds are Issuer's general obligation and:

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

Collateral
Bonds and Guarantees are secured using collateral established over all assets of the Parent Guarantor and its Restricted Subsidiaries (subject to relevant effectiveness requirements), including, among others:
- security over the Issuer's shares, its rights to intra-group bonds and bank accounts;
- security over the shares of each Polish Guarantor (other than the Parent Guarantor);
- security over the shares of each German Guarantor and KWG - Kraftwerksgesellschaft GmbH;
- in case of Polish Guarantors and German Guarantors security over the (1) movables and property rights (2) bank accounts and (3) assignment of insurance agreements, intra group loans and trade receivables;
- in case of Polish Guarantors and German Guarantors mortgages over certain real properties.

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

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

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

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

Certain covenants
The Indenture contains covenants that restrict the ability of the Parent Guarantor and its
Restricted Subsidiaries to:
- incur more debt;
- pay dividends, repurchase of shares and certain other payments and investments;
- create or incur liens;
- enter into transactions with affiliates;
- transfer or sell assets;
- engage in certain activities;
- impair security interests;
- provide guarantees of other debt;
- agree to restrictions on dividends by subsidiaries; and
- merge or consolidate.

These obligations are subject to numerous important qualifications and exceptions.

Listing
The Bonds are listed at the Luxembourg Stock Exchange

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

Domestic Bonds
On 5 December 2012 CIECH S.A. issued the Domestic Bonds for the total principal amount of PLN 320 million.

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

Series 01 Bonds were redeemed before the maturity date on 5 June 2014.

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

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

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

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

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

Other conditions for early redemption
CIECH S.A. is subject to mandatory redemption of the Domestic Bonds at their nominal value plus the accrued and unpaid interest before the maturity date in case one of the events listed below occur and, in some cases, when such redemption is supported in voting by two thirds of the holders of Domestic Bonds:
- non-payment of the due and payable indebtedness (excluding Bonds and the Revolving Credit Facility) in the amount exceeding 10% of consolidated share capital;
- cross acceleration on the indebtedness (excluding Bonds and the Revoliving Credit Facilities) in the amount exceeding 10% of its consolidated equity;
- if CIECH S.A. or its subsidiaries incurs additional indebtedness and EBITDA-to-net interest ratio is lower than 2.5 on a pro forma consolidated basis;
- if CIECH S.A. or its subsidiaries sells any of the assets in the soda segment and does not receive at least 75% in cash or cash equivalents and does not use the proceeds in the manner set forth in the Domestic Bonds;
- if CIECH S.A. or its subsidiaries sells any other assets and does not receive at least 75% in cash or cash equivalents and does not use the proceeds in the manner set forth in the Domestic Bonds;
- if any licenses and permits necessary for CIECH S.A. to perform its obligations under the Domestic Bonds expire or are revoked;
- if CIECH S.A. or any of its subsidiaries acquires another company which is not engaged in the current core business activity of the group or the surviving entity does not assume the obligations under the Domestic Bonds;
- if CIECH S.A. or any of its subsidiaries acquires into another company which business or activity is fully or partially coherent with the current core business activity of the group and the EBITDA-to-net interest as a result of such acquisition ratio is lower than 2.5 on a pro forma basis;
- if CIECH S.A. merges with another entity unless CIECH S.A. is the surviving entity or the surviving entity assumes the obligations under the Domestic Bonds and in addition no event of default under the Domestic Bonds occurs and the EBITDA-to-net interest ratio on a pro forma consolidated basis is not lower than 2.5 on a pro forma consolidated basis;
- if CIECH S.A. does not pay any amount exceeding 10% of its consolidated equity that was due and payable pursuant to a final and binding judgment or administrative decision;
- if the claims under the Domestic Bonds no longer enjoy at least pari passu ranking with all other unsecured and unsubordinated claims of other creditors subject to claims enjoying statutory priority;

- if the sureties granted by the subsidiaries of CIECH S.A. in respect of the Domestic Bonds cease to be legal, valid and enforceable;
- if CIECH S.A. or the Guarantors incurs additional indebtedness secured over the assets of CIECH S.A. or the Guarantors and the net secured debt to EBITDA ratio is higher than 3.5 (3.0 if the additional indebtedness is incurred after 31 December 2014);
- if a non Guarantor subsidiary of CIECH S.A. incurs additional indebtedness and the net secured debt to EBITDA ratio (such debt being treated as secured debt for the purposes of calculating the ratio) is higher than 3.5 (3.0 if the additional indebtedness is incurred after 31 December 2014);
- if any representation or warranty made by CIECH S.A. in the proposal to subscribe of the Domestic Bonds or in the terms and conditions of the Domestic Bonds appears to be untrue entirely or in part as of the date on which it has been made;
- if the documentation pursuant to which the transaction collateral is to be established is not duly executed on or the motions for the registration of all the relevant transaction collateral are not filed with the relevant courts until proper terms;
- if the transaction security ceases to be legal, valid and enforceable;
- if any execution is effected or injunction issued against any assets of CIECH S.A. for an amount exceeding 10% of its consolidated equity;
- if CIECH S.A. or its subsidiary gives the benefit of the holders of the Foreign Bonds a security or guarantee to secure the Foreign Bonds and an equivalent instrument is not given by it simultaneously for the benefit of the holders of the Domestic Bonds; and
- if CIECH S.A. defaults in respect of its other obligations and such default is not cured within 45 days of its occurrence.

CIECH S.A. is subject to obligatory redemption of Domestic Bonds at their nominal value plus the accrued and unpaid interest before the date of redemption in case one of the events listed below occurs (without the need for voting by the holders of Domestic Bonds):
- cross acceleration (Foreign Bonds and/or Credit Facilities only);
- the Security Agent receives enforcement instructions from the relevant Instructing Group under the Intercreditor Agreement;
- insolvency proceedings;
- dissolution or liquidation of CIECH S.A.;
- cessation of business; and
- if all the shares of CIECH S.A. are fully de-listed from the regulated market in Poland.

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

Intra-group bonds
On 6 December 2012 CIECH S.A. issued non-secured registered bonds series W governed by the Polish law denominated in Euro with maturity on 29 November 2019 which were acquired by Ciech Group Financing AB (public).

Intra-group bonds have been issued on the following conditions:
- Type of issued bonds: non-secured registered bonds issued in the form of a document;
- Quantity of issued bonds: 2;
- Issue value: EUR 245,000,000;
- Face value of the bond: EUR 122,500,000;
- Issue price of 1 bond: EUR 118,100,000, being face value reduced by EUR 4,400,000;
- Interest (per annum): fixed interest of: 10.15% p.a. in the first interest period in which the interest will be payable on 14 May 2013; and 9.6% in subsequent interest periods;
- Days of payment of interest: 14 May and 14 November each year;
- Conditions of redemption: maturity of intra-group bonds has been fixed for 29 November 2019, the redemption will be conducted at nominal value increased by any accrued and unpaid interest; the Intra-group bonds contain the option allowing CIECH S.A. for, in the cases specified in the conditions of bonds, issuance early redemption of bonds.

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

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

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

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

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

The Revolving Credit Facility determines the cases of mandatory early repayment of loans either in full or in part, under certain circumstances, including among other:
(1) with regard to any creditors or the issuing bank, if performance of any obligations under the Revolving Credit Facility proves or will prove to be illegal for such creditors or the issuing bank;
(2) after occurrence of a change in control;
(3) after occurrence of specified mandatory or optional redemption on the basis of the Foreign Bonds or Domestic Bonds.

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

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

Credit Agreement conditions
The Revolving Credit Facility Agreement contains the customary operational and financial covenants with certain exceptions agreed including the provisions limiting ability of each debtor to, among others:
- establishing new collaterals;
- sale, lease, transfer or disposal of assets;
- entering into certain derivative transactions;
- concluding transaction on other than at arm's length basis;
- introducing significant changes in the nature of the business; and
- changes of centre of main interest.

The Revolving Credit Facility Agreement also requires from the specified debtors compliance with specified obligations with specified agreed exceptions including, among other
- maintenance of relevant permits;
- compliance with law and other regulations;
- payment of taxes;
- ensuring that the obligations under the Revolving Credit Facility Agreement are treated pari passu as the claims of other debtors;
- maintaining certain bank business relations with specific parties;
- redemption or changing the conditions of the Bonds.

The Revolving Credit Facility also requires fulfilment of the requirements set out in the conditions of Bonds issuance.

The Revolving Credit Facility requires complying with the following net leverage ratios:

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

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

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

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

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

The Intercreditor Agreement sets out:

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

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

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

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

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

8.2 Bonds, credit, loan, sureties and guarantees

Bonds and Credits

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

- bonds issued by Ciech Group Financing AB (publ.) (as at 31 December 2014 nominal debt was EUR 245 million),
- bonds issued by CIECH S.A. (as at 31 December 2014 the nominal debt was PLN 160 million),
- credit provided to CIECH S.A. under the revolving credit facility agreement of 9 August 2013 of PLN 100 million (as at 31 December 2014 debt amounted to PLN 0),
- overdrafts of EUR 4,917 thousand (i.e. PLN 20,953 thousand).

Detailed information on bonds, credits and loans concluded in 2014 by the CIECH Group Companies has been presented in the section I.8 and II.33.

Below, there is a specification of loans granted by CIECH S.A to subsidiaries in 2014.

Borrower	The maturity date	The amount of loans granted and paid in PLN thousand as at 31.12.2014	Conditions of granting	Value of loans granted in the currency in thousands
CIECH NIERUCHOMOŚCI S.A.	31.12.2015	2,600	Interest WIBOR 6M + margin payable on the date of repayment of the loan	PLN 2,600
Ciech Finance Sp. z o.o.	31.12.2015	80	Interest WIBOR 6M + margin payable every six months	PLN 80
Soda Polska Ciech S.A.	29.11.2019	44,000	Interest WIBOR 6M + margin payable every six months	PLN 44,000
JANIKOSODA S.A.	31.12.2015	2,600	Interest WIBOR 6M + margin payable on the date of repayment of the loan	PLN 2,600
JANIKOSODA S.A.	31.12.2015	28,600	Interest WIBOR 3M + margin payable on the date of repayment of the loan	PLN 28,600

The list of loans concluded between the subsidiaries in the CIECH Group in 2014.

Lender	Borrower	The maturity date	The amount of loans granted and paid in PLN thousand as at 31.12.2014	Conditions of granting	Value of loans granted in the currency in thousands
Verbis KAPPA SKA	Organika Sarzyna S.A.	31.12.2016	10,000	Interest WIBOR 6M + margin payable on 31 December each year	PLN 10,000
Verbis KAPPA SKA	Organika Sarzyna S.A.	31.12.2016	43,500	Interest WIBOR 6M + margin payable on 31 December each year	PLN 43,500
Verbis ETA Sp. z o.o. SKA	CIECH TradeMarks Sp. z o.o..	01.07.2016	5,700	Interest WIBOR 1M + margin payable every month	PLN 5,700

Sureties and guarantees as at 31 December 2014

Name of the entity which was given guarantee	The total amount of granted own guarantees which were guaranteed in the whole or a certain part		Period for which guarantee was granted	Financial conditions on which own guarantees were granted subject to remuneration for granted guarantees	Entity for whose liability guarantee was granted	Nature of existing linkages between CIECH S.A and the entity to whom guarantee was granted
	currency in thousands	in PLN thousand				
CIECH S.A.						
Deutsche Trustee Company Limited; bondholders*	EUR 245,000	1,044,263**	Until full redemption of bonds (max term 30.11.2019)	Commission of 0.55% of the difference between the limit of a guarantee secured by assets and the surplus of the guarantee limit; collateral of liabilities due to issued bonds.	Ciech Group Financing AB	Subsidiary
Anwil S.A.	PLN 15,000	15,000	30.06.2016	Commission of 1.5% p.a. of the guaranteed liability security of payment of receivable	Ciech Trading S.A.	Subsidiary
Alwernia S.A.	PLN 1,000	1,000,	Liabilities incurred and outstanding to 31.12.2015	Commission of 1.5% p.a. of the guaranteed liability security of payment of receivable	CiechTrading S.A.	Subsidiary
Spolana a.s.	EUR 1,500	6,393	Liabilities incurred and outstanding to 31.12.2015	Commission of 1.5% p.a. of the guaranteed liability security of payment of receivable	Ciech Trading S.A.	Subsidiary
BASF Polska Sp. z o.o., BASF SE	EUR 10,000	42,623	Maxiumum till 12.03.2017	Guarantee for certain obligations and warranties made by Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej as a part of the agreement for sale and transfer of TDI assets on BASF	Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej	-
FLSmidth Wiesbaden GmbH	EUR 317	1,350	30.04.2015	Commission of 1.5% p.a. of the guaranteed liability security of payment of receivable	Uzinele Sodice Govora S.A.	Subsidiary
BZ WBK Faktor Sp. z o.o.	PLN 18,000	18,000	Indefinite period	Commission of 1.5% p.a. of the guaranteed liability security of payment of receivable	CIECH Trading S.A.	Subsidiary
Bank Pekao S.A.	EUR 5,000	21,312	23.12.2015	Commission of 1.5% p.a. of the guaranteed liability security of payment of receivable	Sodawerk Stassfurt GmbH&Co.KG	Subsidiary
Bioagra-Oil S.A.mbH	PLN 250	250	30.09.2015	Commission of 1.5% p.a. of the guaranteed liability security of payment of receivable	CIECH Trading S.A.	Subsidiary
Total amount of guarantees and sureties granted		**1,150,191**				

** 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)*

In 2014 the companies of CIECH Group did not receive any guarantees or sureties from external units.

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

In 2014 CIECH S.A. did not issue any securities.

Shares of CIECH S.A. are listed on Giełda Papierów Wartościowych w Warszawie S.A. The share capital of the Company is PLN 263,500,975 and is divided into 52,699,909 shares with a face value of PLN 5 each including:
- 20,816 A-series bearer common shares,
- 19,775,200 B-series bearer common shares,
- 8,203,984 C-series bearer common shares,
- 23,000,000 D-series bearer common shares,
- 1,699,909 E-series bearer common shares,

On 21 January 2013 the District Court for the Capital City of Warsaw, XIII Commercial Department of the National Court Register issued the decision on the entry in the Register of Enterpreneurs in the range of share capital of CIECH S.A. due to the decision on the division of Inowrocławskie Zakłady Chemiczne SODA MĄTWY S.A. and Janikowskie Zakłady JANIKOSODA S.A. executed under § 529(1) point 4 Commercial Companies Code by transferring part of assets of the divided companies and related to increase in share capital of CIECH S.A. by the issue of 2 F-series registered common shares. On 22 May 2013 the Annual General Meeting of CIECH S.A. agreed for a purchase by CIECH S.A. of its own shares for redemption purposes. On 21 June 2013 the change in the share capital was registered (a decrease) and 2 F-series common shares were redeemed.

8.4 Financial instruments

Financial results of the CIECH Group may be subject to fluctuations as a result of change of market factors in particular quotations of products, foreign exchange rates and interest rates. Sources of currency risk to which companies of CIECH Group were exposed in 2014 were: transactions of purchases of raw materials, sale of products, issued bonds as well as cash in foreign currencies.

The CIECH group applies hedge accounting in order to limit variability of revenue of the Group's companies resulting from exchange rate variability on the market. The analysis of the impact of using hedge accounting is presented in the section II.41.

Information concerning financial instruments has been presented in detail in the sections II.40-II.41.

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

The CIECH Group operations are exposed to the following financial risks:
- customers credit reliability risk,
- liquidity risk,
- market risk, including:
  - currency risk,
  - interest rate risk,
  - products and raw material price risk.

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

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

The above risks categories have been described in detail in the additional information and the explanations to the consolidated financial statements in the section I.4 and II.6.

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

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

The CIECH Goup did not publish forecasts for the year 2014.

10 Employment in the CIECH Group

State of employment in the CIECH Group (the parent entity of CIECH S.A. and subsidiaries consolidated with full method) at the end of 2014 amounted to 3,475 people. At the end of the comparable period i.e. 2013 the state of employment amounted to 3,859 people.

	2014	2013
State of employment in people	**3,475**	**3,859**
White- collar employees	1,156	1,227
Blue- collar employees	2,319	2,632
Average employment in people	**3,550**	**4,786**
White- collar employees	1,165	1,423
Blue- collar employees	2,385	3,363

As at 31 December 2014 the CIECH Group employed 3,475 employees, mainly performing work in Poland, Germany and Romania. About 70% employees work in Poland, the majority of which is employees of the production department.

11 Changes in organisation, management and financial assets of the CIECH Group

11.1 Changes in basic principles of managing in the CIECH Group

In 2014 management model of the Company and the Group was under further optimisation. After changes in organization structure realised in the period 2012-2012 which consisted of implementing functional business model in which heads of specific segments in CIECH S.A, as a holding company, are responsible for proper functioning in the CIECH Group as well as further changes in the business model enabling exclusion of the support functions from producing companies and transferring them to Inowrocław Office, as in case of Soda Polska Ciech S.A. (acting as an organizational unit within the structure of CIECH S.A.). In 2014 the model relying on exclusion of support functions from the production companies and transferring them, as in case of S.C. Uzinele Sodice Govora Ciech - Chemical Group S.A - Ciech S.A. branch in Romania and in the case of Sodawerk Stassfurt GmbH & Co. KG - Soda Deutschland Ciech GmbH and in case of Z. Ch. Organika Sarzyna S.A. to CIECH S.A. in Nowa Sarzyna, was continued. CIECH S.A.'s Romanian branch and Soda Deutschland Ciech GmbH perform support functions from 1 January 2014 and CIECH S.A. office in Nowa Sarzyna will perform these functions from 1 January 2015.

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

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

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

11.2 Changes in organizational linkages in CIECH Group

In 2014 the following changes occurred in relation to the companies in which CIECH S.A. holds share directly and lead to changes in the structure of the CIECH Group:

Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej
On 14 March 2014 the District Court in Bydgoszcz, XV Commercial Department, issued a decision in closed session which approved Infrastruktura Kapuściska S.A's file for bankruptcy (submitted on 30 December 2013) and declared bankruptcy of Infrastruktura Kapuściska S.A. involving liquidation of assets ("Decision""). As Infrastruktura Kapuściska S.A. had not filed a complaint by 21 March 2014, the decision became final and non-appealable.

As part of optimization of the CIECH Group structure, on 5 September 2014, CIECH Finance Sp. z o.o. sold to Sagrera Sp. z o.o. shares and stock in the following companies: Pol-Plast S.A. w upadłości, Huta Gliwice S.A. w upadłości likwidacyjnej, Stocznia Gdynia S.A., ZTR Zatra S.A. w likwidacji, TM Pressta S.A. w upadłości likwidacyjnej, RZPS Radoskór S.A. w upadłości, Wistom S.A. w upadłości, ZTS Pronit S.A. w upadłości, Len S.A. w likwidacji, Pro – Agro S.A. w upadłości, Tradecom S.A. w likwidacji, ZG-H Mirex Sp. z o.o. w likwidacji, Huta Ostrowiec S.A. w upadłości. The total transaction value amounted to PLN 0.4 thousand. Additionally, on 15 September 2014, CIECH S.A. sold to Sagrera Sp. z o.o. 37,421,250 shares (all held by CIECH S.A.) in Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej, representing in total 98.998% of this company's share capital, for PLN 100. The ownership of the shares, together with all rights and obligations attached to them passed to the buyer at the moment of executing the share sale agreement on 15 September 2014. On 18 September 2014, 100% of shares in Sagrera Sp. z o.o. was sold outside the CIECH Group (to ALITA Sp. z o.o.). The price for the shares in Sagrera Sp. z o.o. was equal to PLN 5 thousand. The ownership of shares, together with all the rights and obligations, passed to the buyer at the moment of executing the share sale agreement.

Soda Polska CIECH Group

Cerium Sp. z o.o.
Soda Polska CIECH S.A., with its registered office in Inowrocław, acquired from Galt Accounting Sp. z o.o., with its registered office in Warsaw, 100 shares in Cerium Sp. z o.o., with its registered office in Warsaw (under an agreement for the sale of shares in Cerium Sp. z o.o. of 19 December 2014), for the total price of PLN 10 thousand. As of the day of signing the Agreement, Soda Polska CIECH S.A. has become an owner of the shares representing 100% of the share capital of Cerium Sp. z o.o., which amounts to PLN 5 thousand and is divided into 100 shares of the nominal value of PLN 50 per share.

Cerium Sp. z o.o. SKA
Soda Polska CIECH S.A., with its registered office in Inowrocław, acquired from Galt Accounting Sp. z o.o., with its registered office in Warsaw, 50,000 shares in the Company (under an agreement for the sale of shares in Cerium Sp. z o.o. SKA of 19 December 2014), for the total price of PLN 180 thousand. As of the day of signing the sale Agreement, Soda Polska CIECH S.A. has become an owner of the shares representing 100% of the share capital of Cerium Sp. z o.o. S.K.A., which amounts to PLN 50 thousand and is divided into 50.000 shares of the nominal value of PLN 1 per share.

The Extraordinary General Meeting of Cerium Sp. z o.o. S.K.A., on 23 December 2014, increased the share capital by PLN 1,368,625 through the issue of 1,368,625 series B registered shares of the nominal value of PLN 1 each and the total nominal value of PLN 1,368,625. The new issue shares were taken up by Soda Polska CIECH S.A., under private subscription, in exchange for an in-kind contribution in the form of the ownership right of movables. The market value of the ownership of those movables equals PLN 136,862,592. The surplus of the issue price of series B shares over the nominal value of the shares amounting to PLN 135,493,967 was contributed to the statutory reserve capital. The share capital increase was registered by the Court on 23 January 2015.

Moreover, in 2014 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. The target name of the company will be CIECH R&D Sp. z o.o.

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 the 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 was transferred to the supplementary capital of the company. Due to the increase, the share capital increased to the amount of PLN 1,005 thousand and is divided into 20,100 shares. Z. Ch. „Organika-Sarzyna" S.A. still remains the 100 % shareholder of the company. On 13 October 2014 share capital increase was registered 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 with the total value of PLN 105 thousand (RON 111 thousand) constituting 0.2735 % of the share capital. Thus, the stake of JANIKOSODA S.A. in the share capital of Uzinele Sodice Govora – CIECH Chemical Group S.A. increased from 92.91% to 93.19%.

12 Information about purchase of own shares of the parent company

In 2014 the CIECH Group subsidiaries did not acquire shares of CIECH S.A.

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

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

13 Description of using receipts from issuance by the Issuer

Shares of CIECH S.A. debuted on the Stock Exchange on 10 February 2005. The issuance prospectus of CIECH S.A. was made available to the public on 6 January 2005 and is available at http://www.CIECH.com/PL/Inwestorzy/Strony/Prospekt_emisyjny_2004.aspx. In the Prospectus the Issuer defined the investment program including a number of projects with the total value of outlays of PLN 500-600 million implemented in the years 2005-2006. In order to finance the investment plan CIECH S.A. used all funds from issuance, its own and external funds in the form of long-term investment credits.

In February 2011 the company completed the process of shares issuance with the pre-emptive right as a result of which it issued 23,000,000 ordinary bearer shares. The issuance prospectus concerning issuance is available on the website of the company at www.CIECH.com. Allocation of shares of a new issuance occurred on 25 February 2011. As a result of issuance the company gathered PLN 436 million net cash flows. According to issuance purpose specified in the Prospectus PLN 245 million was intended to the reduction of indebtedness towards banks financing CIECH S.A. and its subsidiaries. The remaining amount of net funds, i.e. PLN 191 million was intended along with other receipts coming mostly from reorganisation activities for co-financing the investment plan of the Group managed by CIECH S.A. In 2014 in the CIECH Group managed by CIECH S.A. there were no funds used from the shares issuance.

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

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

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

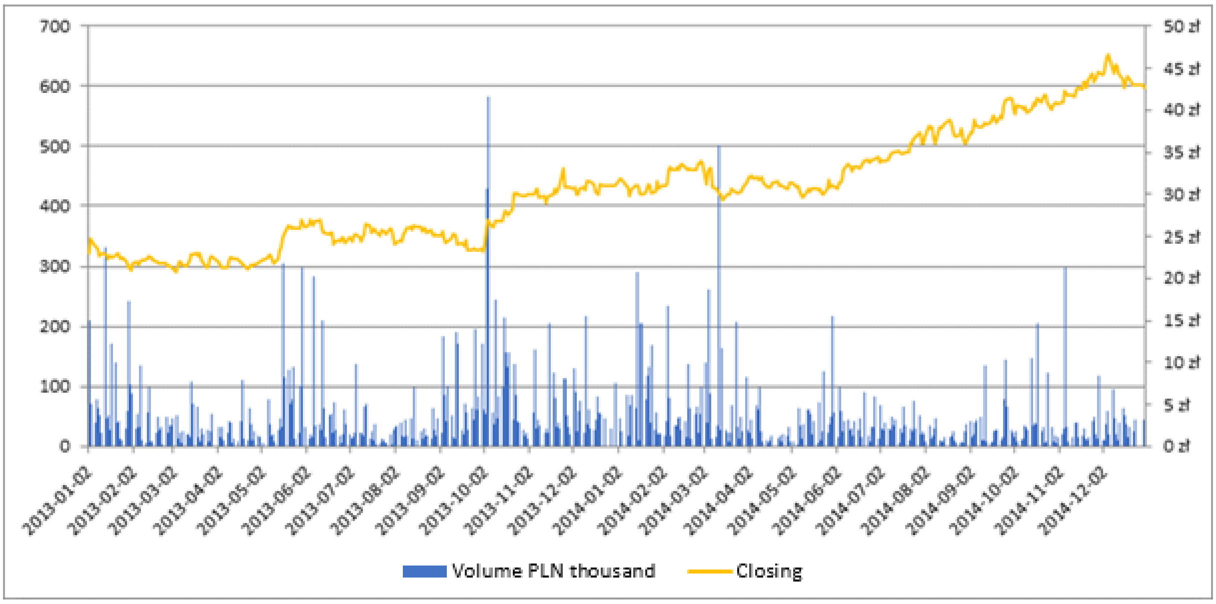


Figure 1. Exchange rate of CIECH S.A. shares

In 2014 the exchange rate of CIECH S.A. was moving in growing trend. Growth in capitalization of the company recorded during the year amounted to 39.9%.

	measurement unit	2013	2014
Number of shares	*pcs.*	52,699,909	52,699,909
Closing exchange rate from the last day of quotations in the year	*PLN*	31.05	42.61
Capitalization of the company at the end of the year	*million PLN*	1,636	2,246
Maximum price in the year	*PLN*	33.70	46.70
Minimum price in the year	*PLN*	20.40	29.86
Turnover volume per session			
average	*pcs. of shares*	59,505	45,897
median	*pcs. of shares*	35,435	28,747

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

Maximum value of the exchange rate of shares in 2014 amounted to PLN 46.70 and was recorded on 5 December 2014. The minimum value of the exchange rate of shares in 2014 amounted to PLN 29.86 and was recorded on 9 January 2014. Average share trade volume within a session in 2014 amounted to 45,897 shares, at the median equal to 28,747 shares.

Recommendations and reports of brokerage houses

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

- Dom Maklerski PKO BP,
- ING Securities,
- Raiffeisen Centrobank,
- m Dom Maklerski S.A.,
- Dom Maklerski BDM S.A.

In 2014 the following recommendations were issued for shares of CIECH S.A:

Date	Institution	Type of Recommendation	Target price
2014-12-22	ING Securities	Buy	PLN 55.70
2014-10-08	BOŚ DM	Buy	PLN 46.00
2014-09-29	m Dom Maklerski S.A.	Hold	PLN 41.60
2014-09-08	Raiffeisen Centrobank	Hold	PLN 42.00
2014-08-06	m Dom Maklerski S.A.	Hold	PLN 35.87
2014-07-21	ING Securities	Buy	PLN 40.80
2014-07-15	BOŚ DM	Buy	PLN 37.50
2014-07-01	Raiffeisen Centrobank	Hold	PLN 37.60
2014-06-24	Dom Maklerski PKO BP	Sale	PLN 30.51
2014-04-07	UniCredit	Hold	PLN 36.50
2014-03-31	m Dom Maklerski S.A.	Buy	PLN 37.00
2014-03-21	Raiffeisen Centrobank	Buy	PLN 36.00
2014-03-06	m Dom Maklerski S.A.	Hold	PLN 33.90
2014-02-12	Dom Maklerski BDM S.A.	Sale	PLN 25.40
2014-01-17	ING Securities	Buy	PLN 38.90

15 Perspectives for development of operations of the CIECH Group

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

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

- the second European manufacturer of ash and baking soda;
- the only Polish manufacturer and the main supplier to the domestic market with regard to calcined and bicarbonate soda, calcium chloride, epoxy resins;
- the largest Polish manufacturer of vacuum salt, unsaturated polyester resins, plant pesticides and glass lanterns;
- an important supplier to the European markets of calcined and bicarbonate soda, calcium chloride, epoxy resins, sodium silicates, glass lanterns.

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

➢ **Stabilization of situation on financial markets** (lower variability of foreign exchange rates; higher credit activity of banks).
➢ **Slight increase of economic activities in Europe** (deflation in the euro zone, slowly increasing of industrial production levels in EU – which is still low in comparison to years 2008-2009 before the crisis; high unemployment does not support significant growth in domestic demand).
➢ **Moderate pace of development in the target markets of the Group** (return to the growth dynamics of construction production in the EU; slight increase of chemical production in the EU).

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

Positive

➢ **A relatively high GDP dynamics in Poland** (forecasted dynamics of economic development of Poland being among the highest in the EU – annually on average significantly above 3% of the GDP until the end of this decade creating good grounds for further sustainable development of the country).
➢ **Good perception of Poland by foreign investors** (maintenance inflow of investments to our country at the minimum level of EUR 1 billion each year).
➢ **Significant potential for growth in demand for chemicals in Poland,** where their consumption per capita at the level in the range of 400 EUR is still ca. 3-4-times lower than in Western Europe (including the presence of CIECH Group on a relatively rapidly growing markets of soda ash and baking soda in Central-Eastern Europe).

Negative

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

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

External factors impacting the Group results

The situation in industries of recipients of products of the Group in Poland
Poland is the largest sale market of the Group. The direct most important domestic recipients of the Group's products include: glass industry, chemical industries and plastic products industries, furniture, agriculture, food industry. The development of these sectors of the economy depends on the economic situation in Poland. The sales in industry at fixed prices within 2014 increased by 3.3% as compared to the previous year (accordingly in 2013 increase of 2.2%). Respectively, the dynamics of the chemical industry demonstrated: in the field of production of chemicals and chemical products (without pharmacy) – decrease of 1.9% and a significant increase in the field of rubber and plastics production of 6.2%.
After an acceleration of economic growth of Poland in the period of 2010 -2011 (with annual dynamics of GDP of 4%), in years 2012 - 2013 a significant slowdown in GDP growth (to 2.0% and 1.6%, respectively) was observed. The improvement in economic situation observed in 2014 should continue also in 2015 (GDP growth in these years at 3% or above). Similar trends should be expected in the chemical industry, which usually develops at the similar pace as the whole economy.

Economic situation in Europe and in the world
Activity of the Group is based in a considerable part on sales of chemical products on foreign markets. The level and the profitability of sales are dependent on the global economic situation in Europe and in the world. Weakening of the world economic situation usually results in reduction of the demand for raw materials on world markets and hences the amount of export turnover performed by the Group.
In 2014 relatively rapid development in the largest countries of Asia (China and India; the GDP growth of 7.4% and 5.6%, respectively) and ASEAN countries was observed. According to the data of the International Monetary Fund, the global GDP increased in 2014 by 3.3% (comparable level to prior year). Among the largest economies the lowest growth rates in 2014 were recorded in Russia, Brazil and the EURO zone (less than 1%). Forecasts for 2015 indicate significant improvement in global economic situation as compared to previous year. IMF forecasts the acceleration of the global GDP growth rate up to 3.8% and in case of the European Union a GDP increase to the level of 1.8% (from 1.4% in 2014).
For the chemical sector American Chemical Chamber (ACC) assumes that after a moderate increase of chemical production in years 2013-2014 (by 2.7% and 2.8%, respectively) the following years will indicate a rapid growth of productivity: by 3.6% in 2015 and by 3.9% in 2016. According to the European Council of Chemical Industry (CEFIC) forecasts that the year 2015 will bring increase in chemical production by 1% in the European Union (in comparison to the increase of 1.5% in 2014 and to slight decrease in 2013 by 0.2%).

Financial condition of agriculture
Part of Group‘s revenues including plant pesticides and fertilizers (products made in the Group or goods) are generated from sale to the agricultural sector. In the opinion of the Group, in the long-term perspective, the demand for chemicals for agriculture used in Poland and in Central-Eastern Europe should still grow. Significant factors that are favourable for increase in consumption of agrochemicals in Poland and thus in the demand for products and merchandise of the Group include processes improving financial condition and profitability of agricultural production, including: quotation of production and direct subsidies. This should be reflected in the increase in revenues of the Group. On the other hand, the lack of significant improvement in purchasing power of the agricultural sector may result in stagnation of the demand for plant pesticides and at the same time in stagnation of the Group‘s revenue in the agrochemical industry.
According to the data of the Institute of Agricultural and Food Economics (IERiGŻ) in the period of January-December 2014 the market condition of domestic agricultural production were worse as compared to the previous year (much deeper price cuts of purchase price of crops than price decreases of means of agricultural production). The value of the synthetic ratio of the economic situation in agriculture (SKWR) showed fluctuations with the decreasing tendency (in December 2014 it reached the level of 99.9 which is lower in comparison to 100.7 in the previous year). In the nearest future market conditions for agriculture should undergo a slight improvement in comparison to the end of 2014. However, they will still remain worse than at the beginning of the last year (low agricultural products prices, problems with export).

Economic situation on raw material market
Part of commercial turnover within the Group‘s operations a part of commercial turnover is the import of raw chemicals to Poland. Raw material markets are characterized by great cyclicity due to 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 related to import of raw materials. Significant demand and price fluctuations may be caused by economic changes due to, for instance, the rapid economic growth or economic stagnation. Strong fluctuations can have adverse impact on operations related to trade in raw chemicals by the CIECH Group.

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

Internal factors impacting the Group results

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

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

The quality and stability of the management and staff
The market position of the CIECH Group is to a large extent a result of high quality management and its mid-level employees. The Group HR policy guarantees its employees an opportunity for professional development and continuous skills upgrade.

17 Expected financial situation of CIECH Group

The Management Board of CIECH S.A. according to the assumptions of the implemented Group Strategy in 4Q 2014 forecast that in 2015 the financial results will be better than the ones achieved in 2014, both in terms of the operating profit (EBIT, EBITDA) as well as the net income.

Improvement in results will be fostered by:

- usage of additional production capacity of soda ash in Soda Polska CIECH in Inowrocław and US Govora S.A. in Romania as well as in Q1 2015 scheduled completion of the dry salt production intensification investment in Soda Polska CIECH, a production facility in Janików
- maximizing capacity utilization in all production companies of the Group,
- an increase in demand and prices for sodium,
- continuous process of improving the business processes in CIECH Group subsidiaries

18 Strategic priorities of CIECH Group

On 3 November 2014, the Supervisory Board of CIECH S.A. adopted a resolution approving the "Strategy of the CIECH Chemical Group for 2014-2019" ("the Strategy"), presented by the Management Board of the Company. According to the adopted document, the strategic objective is maximisation of the value of the CIECH Group, mainly through the development in the area of soda.

In addition, the strategic objectives of CIECH Group include:

1. Increase of revenues in the soda segment,
2. Doubling the share in the Polish market of plant protection products,
3. Increase in normalised EBITDA,
4. Increase of the value of the Company.

The strategy is to achieve the following financial objectives of CIECH Group:

1. Average annual sales revenue (2014 – 2019): app. PLN 3.8 billion,

2. Average normalised EBITDA (2014 – 2019): app. PLN 660 million,
3. Average normalised EBITDA margin (2014 – 2019): app. 17 %,
4. Net debt to EBITDA ratio of less than 1.00 in 2019.

For the purpose of calculating the ratio, the estimated average annual dividend yield was determined at 3 %. The value of the dividend and its distribution will depend on the market situation and the financial position of CIECH Group.

The objectives will be implemented through, among others:

1. The strengthening of the leader's position in the soda segment in the key European markets through, among other things, effective acquiring of new clients and building of the position of a preferred supplier.
2. Determined strengthening of the market position in the organic segment through, among other things, an increase of production effectiveness and an increase in the use of the production capacity.
3. Development of highly-processed organic products, adapted to clients' requirements (in particular, the establishment of the research-development centre in Sarzyna).
4. Completion of reconstruction investments which, in the long run, will provide high quality and production cost effectiveness within the segment of silicates and glass.
5. Active steps taken for the purpose of identification and implementation of new development initiatives focusing on the building of the goodwill of the CIECH Group.

The Management Board of the Company will carry out an on-going analysis of the market environment and identification of innovative solutions aimed at the building of the goodwill of the CIECH Group. It is possible to update the Strategy in the event of changes in the conditions of operation of the CIECH Chemical Group.

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

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

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

Information about concluded contracts with the entity authorized to audit/review the consolidated financial statement has been presented in the section II.44.

21 Description of transactions with related entities

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

Description of transactions concluded between related entities can be found in the section II.43.

22 Information on the environmental protection issues

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

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

Constant changes in legal obligation, the necessity to cope with fulfilling more and more strict environmental regulations, arbitrarily impose keeping by the plants high environmental standards.
The CIECH Group producing companies have the responsibility to run business based on require permits or decisions for conducting industrial activities resulting in interference to natural environment relate to pollution infiltration to soil, air or water and also on waste and other dangerous substances. According to the Group the most important legislation changes, which have effect on activities related to environment protection, are the Directive on industrial emission (IED), Directive which established the trade scheme for greenhouse gases emission allowances (EU ETS), Directive on environmental liability (ELD) and the REACH regulation.
Under the Directive on industrial emissions as of 1 January 2016, strict standards will be introduced as to emission of SO2, NOx and dust from the LCP (Large Combustion Plants), including the heat and power stations belonging to the Group. As a result of introduction of new provisions, the CIECH Group will be obliged to perform significant investments in plants, in particular, the heat and power stations in sodium plants in Inowrocław and Janikowo. In 2014 there were ongoing works regarding preparation of tender documentation as well as aimed to obtain construction permits for construction of desulphurisation and denitrification installations for the above mentioned plants.

The IED Directive, aside from regulations related to large combustion plants, implements significant changes in environmental obligations concerning the exploitation of IPPC (Integrated Pollution Prevention and Control) installations. The essential are mainly the ones which relate to the conditions for issuing integrated permits in connection with the change of the role of reference documents BAT and obligation to preparation of a base report on the state of soil and groundwater. On the basis of BREF', the new kind of documents will arise – BAT conclusions, which will be issued by EC decision. Levels of emission established in BAT conclusions will constitute the legal standards, which aside from particular cases could not be exceeded. On 5 September 2014, an act of 11 July 2014 on amending the environmental protection law and other acts entered into force. The goal of this act is to implement the provisions of the IED directive. The act broadly amends the act of 27 April 2001 – Environmental Protection Law (EPL). The amendments to EPL mainly involve the requirements arising out of the best available techniques, change of a list of installations for which the integrated permit will be obligatory, specific requirements concerning the operations of industrial installations, including the admissible size of emissions, modification of the regulations on earth surface protection and introduction of an obligation of baseline reports to be prepared for the IPPC installations. Moreover, the introduced changes will affect the integrity of the earth surface protection system, rules of responsibility for historical soil pollution and putting in order the provisions concerning the prevention of environmental damage and its remediation.

From 2013, substantial changes in the EU emissions trade system entered into force, which among others: (i) broaden system range by new kinds of activities, (ii) gradual reduction of permit limits till 2020, (iii) replacement of domestic emission permits distribution systems by one limit for all EU, (iv) aspire to full auction system of selling permits, (v) lack of free of charge permits for electricity producers, (vi) assignment of free of charge permits based on unified indicators worked out by European Commission.

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

22.1 Legal status of the use of the environment

CIECH Group's companies operate under the current administrative decisions regarding the manner and extent of use of the environment. The most important of these are integrated permits, water permits and decisions concerning waste disposal. All CIECH Group's companies operating IPPC plants received integrated permits.

The following table provides a list of integrated permits held by CIECH Group Companies

Company	Permit for	Validity period
Soda Polska CIECH S.A. Production Plant in Inowrocław	Integrated permit for installation to manufacture light soda ash and dense soda ash, baking soda, calcium chloride and manufacture of agricultural lime.	31.12.2016[1)]
Soda Polska CIECH S.A. Production Plant in Janikowo	Integrated permit for installation to manufacture light soda ash and dense soda ash, waste disposal and other installations to manufacture wet and dry vacuum salt, agricultural lime, transport by cableway.	31.12.2016[1)]
Soda Polska CIECH S.A. Heat and Power Plant in Inowrocław	Integrated permit for the heat and power station's systems (4 boilers OP-110).	31.12.2014[1)2)]

Soda Polska CIECH S.A. Heat and Power Plant in Janikowo	Integrated permit for the heat and power station's systems (3 boilers CKTI/2 boilers OP-140).	01.07.2016[1)]
Sodawerk Stassfurt GmbH	Integrated permit for installations to manufacture of light soda ash and dense soda ash and manufacture of baking soda.	Indefinite
Sodawerk Stassfurt KWG	Integrated permit for heat and power station's installation.	Indefinite
US Govora S.A.	Integrated permit for installation to manufacture soda ash.	12.09.2022
Z. Ch. Organika – Sarzyna S.A.	Integrated permit for installations to manufacture unsaturated and saturated polyester resins, epoxy resins, curing agents for epoxy resins, phenol-formaldehyde resins, Ukanol DOP, Flodur, Adufer, orthophenylenediamine, o-FDA, phosphating concentrates and plant protection products (MCPA, MCPP, BCM carbendazim).	Indefinite
Vitrosilicon S.A. Plant in Żary	Integrated permit for installations to manufacture sodium silicate glass and potassium silicate glass.	Indefinite
Vitrosilicon S.A. Plant in Iłowa	Integrated permit for the installation to manufacture sodium and potassium water, glass packaging and CLAROGLASS glass blocks.	Indefinite
CIECH Pianki Sp. z o.o.	Integrated permit for the installation to manufacture PUR foams.	20.05.2023[1)]

[1)] An official proceeding was initiated on the subject of issuing a decision to change the integrated permit
[2)] On 16 June 2014, Soda Polska CIECH applied to the Municipal Council in Torun for a new integrated permit for PP Inowrocław in connection with the impending expiry date of the current license. In accordance with the Art. 209 of the EPL, the license should be issued within 6 months. On 5 September 2014 an amendment to the Environment Protection Act significantly changing issues related to integrated permits came into force. Until 5 December 2014 the Municipal Council in Torun should examine existing integrated permits and prolong their duration without time limit in accordance with Art. 28 of the Act to amend the Environment Protection Act. On 24 November 2014, the Municipal Council has brought proceedings to issue the decision on the change of the integrated permit for PP Inowrocław to indefinite. Despite the statutory duty, the Office did not succeed to issue a new license within 6 months, it could not also change the existing perpetual license within three months. SPC has not received any questions from the Office or information to extend the deadline for implementation of the above mentioned obligation.
In its decision of 17 February 2015, the Office discontinued the proceedings on the amendment to the integrated permit for PP Inowrocław to indefinite. The authority justified its decision by the expiry of the validity of the permit (31 December 2014). On 2 March 2015, within the statutory period, Soda Polska CIECH S.A. filed an appeal to the Minister of the Environment of the above Municipal Council's decisions, accusing the decision of a flagrant violation of the substantive law (art. 28 of the Act to amend the EPL) and procedural rules. Under the Article 28 of the Act to amend the Law on Environmental Protection, the Authority, should have changed the term of the license and conditions of the permit until 5 December 2014 and should have adapted the terms of the permit to existing legislation.

Changes in integrated permits in 2014.

Soda Polska CIECH S.A. – Production Plant in Janikowo
By virtue of a decision of the Marshall of the Kujawsko-Pomorskie Voivodeship dated 30 October 2014, an integrated permit was changed in relation to the implemented technological changes (increase in the capacity of the salt drying plant from 360 000 Mg/y to 600 000 Mg/y, extension of the salt compression node, installation of an additional fluid bed dryer, modernization of a pickling salt production node and salt packaging plant).
By virtue of a decision of the Marshall of the Kujawsko-Pomorskie Voivodeship dated 24 November 2014, an ex officio administrative proceeding was instituted for issuing a decision on changing the integrated permit.

Soda Polska CIECH S.A. - Heat and Power Plant in Janikowo
By virtue of a decision of the Marshall of the Kujawsko-Pomorskie Voivodeship dated 30 May 2014, an integrated permit was changed due to the need of making it compliant with the new waste act (waste production, management as well as ways and places of waste storage).
By virtue of a decision of the Marshall of the Kujawsko-Pomorskie Voivodeship dated 24 November 2014, an ex officio administrative proceeding was instituted for issuing a decision on changing the integrated permit.

Soda Polska CIECH S.A. - Production Plant in Inowrocław
By virtue of a decision of the Marshall of the Kujawsko-Pomorskie Voivodeship dated 25 November 2014, an ex officio administrative proceeding was instituted for issuing a decision on changing the integrated permit.

Soda Polska CIECH S.A. - Heat and Power Plant in Inowrocław
On 16 June 2014 an application was filed with the Marshall of the Kujawsko-Pomorskie Voivodeship for an integrated permit for the heat and power plant in Inowrocław.
By virtue of a decision of the Marshall of the Kujawsko-Pomorskie Voivodeship dated 24 November 2014, an ex officio administrative proceeding was instituted for issuing a decision on changing the integrated permit for the heat and power installation in Inowrocław.

By virtue of a decision of the Marshall of the Kujawsko-Pomorskie Voivodeship dated 30 December 2014, an ex officio administrative proceeding was instituted for withdrawal of the decision – integrated permit for the heat and power installation in Inowrocław.

S.C. Uzinele Sodice Govora - CIECH Chemical Group S.A.
By virtue of a decision of the Regional Agency for Environmental Protection Valcea dated 07 January 2015, integrated permit was changed in connection with the implemented technological changes (installation of calcinator no 4 and belt filter).

Sodawerk Stassfurt
In February 2014, the Company applied for a new water permit for the discharge of sewage do the Bode river. On 10 December 2014, the competent environmental authorities issued a preliminary decision – a water permit to discharge post-production sewage to the Bode river. The proceeding on the issue of a final decision in this respect is pending.

Z. Ch. Organika – Sarzyna S.A.
By virtue of a decision of the Marshall of the Podkarpackie Voivodeship dated 01 December 2014, an integrated permit was changed ex officio in respect of its validity term, requirements concerning the protection of soil, land and ground waters as well as reporting obligations.

Vitrosilicon Plant in Żary
By virtue of a decision of the Head of Żarski Poviat (Starosta) dated 05 December 2014, an integrated permit was changed ex officio in respect of its validity term, requirements concerning the protection of soil, land and ground waters as well as reporting obligations and in connection with the modernisation of the installation in the plant and the increase in the daily production of sodium silicate from 180 Mg to 400 Mg.

Vitrosilicon Plant in Iłowa
By virtue of a decision of the Head of Żagański Poviat (Starosta) dated 03 December 2014, an integrated permit was changed ex officio in respect of its validity term, requirements concerning the protection of soil, land and ground waters as well as reporting obligations.

CIECH Pianki Sp. z o.o.
By virtue of a decision of the Marshall of the Kujawsko-Pomorskie Voivodeship dated 25 July 2014, an ex officio administrative proceeding was instituted for issuing a decision on changing the integrated permit.

22.2 Environmental protection costs

The fees for the use of the environment in 2014 by the Polish subsidiaries of the CIECH Group amounted to a total of PLN 25,932 thousand, 99% of which was charged to Soda Polska CIECH S.A. – mainly for discharging sewage into surface waters or soil and releasing gases and particulate matter into the air.

The following table shows the amount of fees for the use of the environment in 2014.

Company	Soda Polska CIECH	Sodawerk Stassfurt	US Govora	Organika Sarzyna	CIECH Pianki	Vitrosilicon
Value of fee	25,612	1,575[1)]	12,239	260	2	58
Currency [in thousands]	PLN	EUR	RO	PLN	PLN	PLN

1) the estimated fee. In 2014 Sodawerk Strassfurt paid a fee in the amount of EUR 427.5 thousand for the water consumption in 2012 - on the basis of the decision of the administrative authority in September 2014 the Company established a provision for environmental fees in 2013 in the amount of EUR 1,130.5 thousand and in 2014 in the amount of EUR 1,575 thousand.

In 2014, the operations of manufacturing companies, except as described below, was conducted under the conditions of use of the environment and specified in the relevant administrative decisions.

Soda Polska CIECH EC Janikowo
The permanent measurements held in the years 2011-2014 of the size of emission from boilers OP-140 no 4 and no 5 exploited in the heat and power plant at the Production Plant in Janikowo, showed that the admissible standards for the emission of dust, sulphur dioxide and nitrogen dioxide had been exceeded.
By virtue of two decisions of the Kujawsko-Pomorskie Voivodeship Inspector of Environmental Protection (K-P WIOŚ) in Bydgoszcz dated 23 January 2014 Soda Polska CIECH S.A. was penalised with a fine for the year 2011, for the violation of the terms and conditions of introducing dust, sulphur dioxide and nitrogen dioxide to the air from boilers OP-140 no 4 and no 5 in the total amount of PLN 6,367 thousand.
In accordance with the regulations of article 317 of the Act dated 27 April 2001 the Environmental Protection Law, on 20 February 2014, Soda Polska CIECH S.A. filed with the K-P WIOŚ in Bydgoszcz two requests for the

postponement of deadlines for administrative fees imposed in the aforementioned decisions of K-P WIOŚ until 31 December 2018, i.e. until the end of the construction of an exhaust desulphurisation and denitrogenation installation on both boilers. The integral part of the requests was formed by the timetables of the Janikowo Power and Heat Plant in the years 2014-2018.
By virtue of two decisions of K-P WIOŚ in Bydgoszcz issued on 28 May 2014, the deadline for payment of the above fines was postponed until 31 December 2018.
The tasks related to the modernisation of the Janikowo power and heat plant are implemented in accordance with the timetable agreed with K-P WIOŚ in Bydgoszcz. Soda Polska CIECH S.A. will apply for the ultimate reduction of the aforementioned fines by the amount of its own funds spent on the performance of tasks stipulated in the timetable of the Janikowo Power and Heat Plant modernisation for the years 2011-2018 – in accordance with article 316-321 of the Act of 27 April 2001 Environmental Protection Law.

Soda Polska CIECH EC Inowrocław
The permanent measurements held in the years 2011-2014 of the size of emission from 4 boilers OP-140 exploited in the heat and power plant at the Production Plant in Inowrocław, showed that the admissible standards for the emission of dust, sulphur dioxide and nitrogen dioxide had been exceeded.
By virtue of four decisions of the Kujawsko-Pomorskie Voivodeship Inspector of Environmental Protection (K-P WIOŚ) in Bydgoszcz dated 11 December 2014, Soda Polska CIECH SA was penalised with a fine for the year 2011, for the violation of the terms and conditions of introducing dust, sulphur dioxide and nitrogen dioxide to the air from four boilers OP-110 in the Production Plant in Inowrocław, in the total amount of PLN 204 thousand.

In accordance with the regulations of article 317 of the Act dated 27 April 2001 the Environmental Protection Law, on 9 January 2015, Soda Polska CIECH SA filed with the K-P WIOŚ in Bydgoszcz 4 requests for the postponement of deadlines for payment of administrative fines imposed in the aforementioned decisions of K-P WIOŚ until 31 December 2017 (for boilers OP-110 no 3 and no 4) and until 31 December 2018 (for boilers OP-110 no 1 and no 2), i.e. until the end of the construction of an exhaust desulphurisation and denitrogenation installation on boilers OP-110. On 27 February 2015 VEPI ((Voivodeship Environmental Protection Inspector) in Bydgoszcz issued 4 decisions deferring the payment terms of financial penalty fees until 31.12.2017 for the boilers OP-110 no. 3 and no. 4 and until 31 December 2018 for the boilers OP-110 no. 1 and no. 2.

S.C. Uzinele Sodice Govora – CIECH Chemical Group S.A.
A penalty of RON 6.4 thousand was imposed on the Company for exceeding the admissible values of ammonia nitrogen in the sewage discharged to the Olt river.
Court proceeding between US Govora S.A. and ABA OLT is pending in connection with the amount of fees obtained due to fulfilment of water permit conditions.

22.3 Emission Trading

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

22.4 REACH

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

22.5 Environmental liabilities

Due to the nature of the CIECH Group's business there are active sources of groundwater pollution on some of the Group's lands. The Group incurs ongoing operating costs and establishes provisions related to the recultivation of contaminated soil and groundwater purification. The amount of provisions for environmental liabilities in CIECH Group as at 31 December 2014 amounted to PLN 70,660 thousand and as at 31 December 2013 amounted to PLN 68,421 thousand.

23 Key achievements in research and development at the CIECH Group

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

- introduce innovative solutions for the main production processes;
- improve existing products;
- introduce new products;

- increase the efficiency of processes;

In 2014 the research and development focused on the further optimization of baking soda and soda ash production processes, as well as improvement of energy and cost efficiency. Furthermore, new polyester resins, epoxy and hardeners complementing the company's portfolio for to key applications were lunched into the market. Registered and introduced to the market were new plant protection products.

24 Information about significant contingent items

Information has been presented in the section II.42.

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

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

26 Information concerning the control system of employee share programs

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

27 Remuneration for the Management Board and the Supervisory Board

Information has been presented in the section II.43.5.

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

Acording to declarations submitted by management and supervisory persons, as of the day of 31 December 2014 and as of the day of report approval:

- Mr. Dariusz Krawczyk – The President of the Management Board held 163,500 of shares of CIECH S.A.
- Mr. Artur Osuchowski – Member of the Management Board held 65,195 of shares of CIECH S.A.

Management did not own shares in the related parties.

The President of the Management Board Mr PhD Jan Kulczyk owns vicariously via KI Chemistry s. à r. l with the registered office in Luxemburg 26,952,052 shares in CIECH S.A.
Other supervisory persons did not own shares in CIECH S.A. or shares or stocks in the related parties.

29 Declaration on the application of Corporate Governance

29.1 Corporate governance rules which the Company is subject to

This statement is a separate part of the report on the CIECH S.A. activities which is part of the annual report of CIECH S.A. for the financial year 2014.

According to § 2 of the Resolution No. 718/2009 of the Management Board of the Warsaw Stock Exchange S.A. from 16 December 2009 regarding the submission by the listed entities the reports on corporate governance rules, the transfer of this report is equivalent to the transfer of the report in accordance with § 29 paragraph 5 of the Stock Exchange Rules.

CIECH S.A. with its office in Warsaw (the "Company" or the "Issuer") is subject to rules of corporate governance, contained in the document adopted by the Resolution of 17/1249/2010 of Supervisory Board of the Warsaw Stock Exchange in Warsaw dated 19 May 2010 (with further amendments).The consolidated text of the binding CIECH S.A. in the year 2014 "Code of Best Practice for WSE Listed Companies" is attached to the Resolution No. 19/1307/2012 from 21 November 2012 issued by the WSE Supervisory Board. This set of documents is available on the Warsaw Stock Exchange website at http://www.corp-gov.gpw.pl.

The Management Board of CIECH S.A. states that in the financial year ending as at 31 December 2014 CIECH S.A. and its authorities complied with the corporate governance rules contained in the "Code of Best Practice for WSE Listed Companies" document as enacted by the resolution of the WSE Supervisory Board No. 19/1307/2012 of 21 November 2012 with exceptions described in point 29.2 below.

29.2 Identification of corporate governance rules, which were not applied by the Issuer, together with an indication of the circumstances and reasons for not applying to the specific rule and how the Company intends to remove possible consequences of not applying the rule or what steps it intends to take in order to reduce the risk of not applying to the specific rule in the future

In 2014, the Company reported a partial exemption from applying the rules and recommendations, regarding:

1) Hosting a website about the scope and presentation methods based on the model investor relations web service available at http://naszmodel.gpw.pl/. At the same time, the Company informs that information posted on its webside contains most of the information required by the model service. Internet service is reliable and useful source of information about the Company for the capital market representatives. The content of the internet service is prepared transparently and solid, to enable investors and analysts making decisions based on information presented by the Company. The Company provides equal access to the information published on its corporate website for all persons concerned.

2) provide shareholders the possibility to participate in the General Meeting using electronic communication through:
   - a real-time broadcast of the General Meeting;
   - providing shareholders the possibility of a bilateral communication, by using the means of electronic communication, in real-time, in which shareholders may speak during the General Meeting being in a different place than the place of the meeting and
   - execution by means of electronic communication in person or by proxy the right to vote during the General Meeting.

Company will analyse the possibility of adapting to the recommendations in this area, provided that the IT systems available on the market will guarantee safe and efficient conduct of General Meeting.

3) presenting shareholders' questions regarding issues on the agenda, asked before and during the General Meeting, together with answers to those questions on the corporate website. The Company does not maintain a detailed record of the proceedings of general meetings, including all statements and questions. The chairman of the General Meeting decides to place certain issues in the minutes of the general meeting, guided by the law and the legitimate demands of the shareholders.

4) recording of the proceedings of the ordinary general meetings in audio or video form. In the future the Company will analyse the possibilities of conforming to corporate governance recommendation in this area and will consider possibility of recording process of the general meetings.

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

6) balanced proportion of women and men in management and supervisory functions, the Company announces that during selection of candidates for members of managing and supervisory authorities, the bodies entitled are guided by the interest of the Company and its shareholders, taking into account the candidates qualifications, their knowledge and experience. The following summary presents the participation of women and men in the supervisory and managing authorities of the Company in the last three years, including 2014.

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

As at	Number of women	Number of men
31 December 2012	1	7
31 December 2013	1	7
31 December 2014	-	6

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

As at	Number of women	Number of men
31 December 2012	-	3
31 December 2013	-	3
31 December 2014	-	3

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

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

The Company's effective internal control and risk management system in the financial reporting process functions by means of:

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

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

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

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

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

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

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

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

Financial data constituting the basis of financial statements and periodical reports comes from the finance and accounting system, in which transactions are registered in accordance with the Company's accounting policy (approved by the Management Board) based on International Accounting Standards. The accounting ledgers of

CIECH S.A. are kept in the ERP integrated IT system. The modular structure of the system provides a transparent division of competences, coherence of operation records in ledgers, and inspections of compliance between the general ledger and subsidiary ledgers. The capabilities of the system make it possible to adapt to changing accounting principles or other legal regulations in an ongoing fashion. The system possesses full technical and operational documentation, which is updated periodically pursuant to paragraph 10 of the Accounting Act dated 29 September 1994.

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

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

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

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

29.4 CIECH S.A. shareholders holding significant share packages

Shares of CIECH S.A. are listed on Giełda Papierów Wartościowych w Warszawie S.A. As at 31 December 2014 the share capital of the Company was PLN 263,500,965 and was divided into 52,699,909 shares with a face value of PLN 5 each including:

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

To the knowledge of the Company, as at the day of the approval of this report, entities owning significant stakes of shares (at least 5%) are the entities listed below:

Shareholder	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. z siedzibą w Luksemburgu*	**26,952,052**	**26,952,052**	**51.14%**	**51.14%**
ING Otwarty Fundusz Emerytalny**	5,000,000	5,000,000	9.49%	9.49%
Others	20 747 857	20,747,857	39.37%	39.37%
Total	**52,699,909**	**52,699,909**	**100%**	**100%**

** 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 (…)*

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

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

29.6 Restrictions concerning the performance of the right to vote

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

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

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

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

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

29.9 Principles of changing the Issuer's statute

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

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

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

The CIECH S.A. General Meeting is held as ordinary or extraordinary in accordance with the regulations of the Code of Commercial Companies and the Statute under the principles specified in the General Meeting Regulations. The General Meeting is convened in the method and under the principles indicated in generally applicable regulations. The General Meeting is convened by an announcement uploaded to the Company's website and through the submission of a current report. The announcement is to be made at least twenty six days before the date of the General Meeting. An Ordinary General Meeting is convened by the Company's Management Board. The Supervisory Board may convene an Ordinary General Meeting if the Management Board does not convene it by the appointed date. The following are entitled to the right to convene an Extraordinary General Meeting:
1) the Management Board,
2) the Supervisory Board if it deems its convening as necessary,
3) shareholders representing at least half of the share capital or at least half of the general number of votes in the Company.

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

According to the Regulations of the General Meeting, the Meeting may be cancelled if its convening encounters extraordinary obstacles (forces majeures) or if it is apparently aimless. Cancellation of a Meeting, the agenda of which contains specific matters included upon the request of authorized entities, or which was convened upon such a request, is only possible with the consent of the requesting parties. Cancellation takes place in the same way as convening, in such a way that shareholders will be subject to the least negative effects. Changing of the date of the

Meeting takes place in the same way as its cancellation, even if the proposed meeting agenda is not subject to change.

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

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

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

According to the CIECH S.A. General Meeting Regulations, besides the participants of the Meeting, members of the Management Board and Supervisory Board also take part, in an attendance making it possible to give meritorious answers to the questions posed during the Meeting. In addition, the following persons may take part in the Meeting:
1) experts, advisors and Company's employees, the presence of which is recognised as purposeful by the Management Board, Supervisory Board or the Chairman,
2) persons servicing the Meeting,
3) representatives of mass media, as long as the Meeting does not object to their presence by resolution,
4) persons referred to Art. 370 § 3 and Art. 395 § 3 sentence 2 of the Code of Commercial Companies.

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

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

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

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

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

Drafts of resolutions proposed for acceptance by the Meeting are uploaded to the Company website. Resolutions of the CIECH S.A. General Meeting are passed by an absolute majority of votes unless the regulations of the Code of Commercial Companies states otherwise.
The General Meeting Regulations do not provide for the possibility of voting by correspondence as referred to in Art. 411_1 of the Code of Commercial Companies.
The Statute does not provide for the possibility of participating and making statements during the Meeting using means of electronic communication.

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

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

29.11 Composition and code of conduct of the management and supervisory bodies of the Issuer and their committees

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

The current joint term of the Company's Management Board commenced on 22 May 2013. A detailed description of segregation od duties of individual Board Members has been specified in the Management Board's resolution.

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

According to the Management's Regulations, Management Board's resolutions are required in respect of matters exceeding the scope of ordinary Company's activities including in particular:
1) approval and changing of the Management Board's Regulations;
2) approval and changing of the Company's Organizational Regulations;
3) acceptance of applications directed to the Supervisory Board or General Meeting;
4) convening of General Meetings and acceptance of proposed agendas;

5) acceptance of annual and long-term financial plans and development strategies for the Company;
6) granting of procuration or general power of attorney;
7) contracting of credit and loans;
8) granting of loans and donations;
9) disposal of a right or contraction of a commitment of a value exceeding PLN 500 thousand;
10) application for bank guarantees, contraction of commitments from bills of exchange granting of all types of guarantees and the establishment of other indemnities.

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

As of 1 January 2014 the CIECH S.A.'s Board performed its function in the following composition:
1) Dariusz Krawczyk – President of the Board,
2) Andrzej Kopeć – Board Member,
3) Artur Osuchowski – Board Member.

On 7 July 2014 Mr. Andrzej Kopeć - Member of the Management Board of CIECH S.A. filed the resignation from the position of the Board Member of the Company, which announced by the Company in the current report No. 48/2014 from 7 July 2014

On 9 October 2014 the Supervisory Board of the Issuer appointed Mr Maciej Tybura as a Member of the Management Board starting from 13 October 2014 (current report No. 66/2014 of 9 October 2014).

As at 31 December 2014 the CIECH S.A.'s Board performed its function in the following composition:
1) Dariusz Krawczyk – President of the Board,
2) Artur Osuchowski – Board Member.
3) Maciej Tybura – Board Member.

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

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

Name and surname	**Dariusz Krawczyk**
Position	**President of the Board of CIECH S.A. since 28 May 2012.**
Qualifications	A graduate of Warsaw University of Technology (1993), completed Tax Studies (1996), Manager Studies (1997) and Post-graduate Studies in management of company value (2002) at the Warsaw School of Economics. Since 1993 he is in possession of a license of a securities broker.
Experience	In 1993-1998 employed at the Brokers' Office of Bank Handlowy Center of Capital Operations at the position of Director of the Turnover and Sales Office. In the years 1998-1999 acted as the President of the Board at Expandia Polska S.A. In 1999-2000 he was a Director of the Investment Banking Department at PKO BP. In 2001 he became Board Member at Nafta Polska S.A. In 2000-2002 he acted as Director of the Shareholder Supervision Office at PKN ORLEN S.A. In 2002-2003 – Director of the Department of Capital Investments at PSE S.A. In 2004-2005 – President of the Board of PSE Centrum S.A. In 2005-2011 acted as the President of the Board of Synthos S.A. A member of many supervisory boards including Rafineria Trzebinia S.A., Rafineria Glimar S.A., II Narodowy Fundusz Inwestycyjny S.A., Huta Buczek S.A., Warszawska Giełda Towarowa S.A., Warta Vita S.A., Petrolot Sp. z o.o., Petrogaz Płock Kaučuk a.s., Active Zone Group S.A., Firekom S.A. He is currently the chairman of supervisory boards at Firekom S.A. and Active Zone Group S.A.
Scope of responsibilities in the CIECH Group	**Supervision over organisational units:** • Strategy Department • Human Resources Department • Innovation and Development Department • Audit and Control Department • Communications Department • Project Management and Entities Supervision • Legal Counsel team • PRODUCTION DIVISION, including: o Production Department o Investment and Maintenance Department o Energy Department o Kaizen Department

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

Name and surname	**Maciej Tybura**
Position	**Board Member of CIECH S.A. since 13 October 2014.**
Qualifications	Graduated from Poznan University of Economics with a specialization in Corporate Finance and Accounting. In addition, he is a graduate of postgraduate MBA (University of Economics in Wroclaw) and Cost Management (Wroclaw School of Economics).
Experience	At the beginning of his career, he was associated with the Hoghtief Group and the company Wrozamet (1997 - 2002), where he worked on strategic planning, investments and controlling. He held several management functions in companies of KGHM Group, including the position of the Vice President of the Board of KGHM Polska Miedź S.A. (2008-2012). Member of numerous Supervisory Boards: CIECH S.A., PCC Exol, KGHM International, Telefonia Dialog, Pol-Miedz Trans, Walcowania Metali Nieżelaznych, PIGO. Still remains Chairman of the Supervisory Board of KGHM TFI and PHP Mercus as well sits on the Supervisory Board of Tauron Polska Energia.
Scope of responsibilities in the CIECH Group	**Supervision over organisational units:** • FINANCE AND ACCOUNTING DIVISION including: ○ Accounting Department ○ Finance Management Department ○ Controlling Department ○ Inowroclaw Branch ○ Nowa Sarzyna Branch • Property Management and Environmental Protection Department • IT Department • European Funds Department • PURCHASE DIVISION, including: ○ Raw Materials Purchase Department ○ Administration and IT Purchase Department • Independent seat of office – Administrator of Information Security in CIECH S.A.

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

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

The competences of the Supervisory Board include in particular:
1) assessment of the Management Board's report on the Company's activity and financial statements for the previous financial year and the consolidated financial statements and the Board's report on the activity of the Group, in which the Company is a parent entity as long as the Company develops them in respect of their compliance with ledgers and documents and the factual state and Management Board's motions, concerning division of profits or covering of losses and submission to the General Meeting of an annual written report on the results of these assessments;
2) opining of Company's activity programs developed by the Management Board;
3) consideration and opining of matters that are to be the object of resolutions at the General Meeting;
4) adoption of the Supervisory Board's regulations;
5) approval of the Management Board's regulations;
6) appointment and dismissal of the Management Board Members, including the President of the Board;
7) establishment of principles of remuneration and the amount of remunerations for the Management Board Members, including the President of the Board;
8) selection of an auditor for performance of an audit of the Company's financial statements and of the consolidated financial statements of the Company's group;
9) expression of consent to purchase or sale of real estates, perpetual usufruct or share in real estate;
10) expression of consent for disposal of rights or contracting liabilities, which exceeds the equivalence of 5% of the Company's equity, with the exception of:
    a) raw material, semi-product, and product purchase and sales agreements related to the operating activity of the Company;
    b) contracting liabilities related to the current, operating activity of the Company in the amount not exceeding 10 % of the Company's equity;
    c) activities requiring the consent of the General Meeting.

The Supervisory Board passes resolutions with an absolute majority of votes in the presence of at least half of the members of the Supervisory Board and in the event of a tied vote the Supervisory Board Chairman's vote is decisive. According to the Statute of CIECH S.A., the Supervisory Board may pass resolutions without convening a meeting, by way of written voting or voting by means of direct communication at a distance, however in order for the adoption of a resolution to be effective in such a case, it is necessary to inform all Supervisory Board members of the content of the draft of the resolution. Supervisory Board Members may participate in the adoption of resolutions by the Supervisory Board by casting their vote in writing, through another Supervisory Board Member. Casting of a vote in writing may not be concerned with matters introduced to the agenda during a meeting of the Supervisory Board.

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

Every year the Supervisory Board of CIECH S.A. submits a report on the Activity of the Supervisory Board for the given financial year to the Ordinary General Meeting of the Company. The report contains a detailed discussion of the activity of the Supervisory Board, discussion of the realization by the Company's Management Board of programs of action, assessment of the Company's Management Board report on the activity of the Company and the CIECH Group, financial statements of the Company and the CIECH Group and the motion of the Company's Management Board concerning division of profits or covering of losses.
With consideration of the highest standards and best practices and in order to provide the possibility for reliable assessment of the Company by shareholders, the Supervisory Board of CIECH S.A. makes a concise assessment of the situation of CIECH S.A. This assessment is presented annually during the Ordinary General Meeting of the Company, at a time allowing CIECH S.A.'s shareholders to become acquainted with the document.

As at 1 January 2014 the Supervisory Board performed its function in the following composition:
1) Ewa Sibrecht-Ośka – President of the Supervisory Board,
2) Przemysław Cieszyński – Deputy Chairman of the Supervisory Board,
3) Mariusz Obszyński – Secretary of the Supervisory Board,
4) Arkadiusz Grabalski – Supervisory Board Member,
5) Zygmunt Kwiatkowski – Supervisory Board Member,
6) Maciej Lipiec – Supervisory Board Member,
7) Waldemar Maj – Supervisory Board Member,
8) Sławomir Stelmasiak – Supervisory Board Member.

On 7 July 2014 the Extraordinary Shareholders' Meeting dismissed all the current members of the Supervisory Board, mentioned above, and appointed in their place new Supervisory Board consisting of the following persons: Piotr Augustyniak, PhD Jan Kulczyk, Tomasz Mikołajczak, Mariusz Nowak, Artur Olech, Wojciech Stramski and Maciej Tybura. The Company informed about the appointment of new members of the Supervisory Board in the current report 50/2014 of 8 July 2014.
On 10 July 2014, the Supervisory Board of the Issuer elected Mr PhD Jan Kulczyk as the Chairman, Mr Tomasz Mikołajczak as Vice Chairman and Mr Wojciech Stramski as Secretary of the Supervisory Board (current report no. 53/2014 of 10 July 2014).
On 9 October 2014 Mr Maciej Tybura submitted his resignation from the function in the Supervisory Board as of 10 October 2014 (current report no : 65/2014 of 9 October 2014).

As at 31 December 2014 the Supervisory Board performed and performs its functions consisting of the following members:
1) PhD Jan Kulczyk – Chairman
2) Tomasz Mikołajczak – Vice Chairman
3) WojCIECH Stramski – Secretary
4) Piotr Augustyniak
5) Mariusz Nowak
6) Artur Olech

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

Detailed information on the amounts of remunerations paid to individual Supervisory Board Members can be found in the section II.43.5.

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

Name and surname	**PhD Jan Kulczyk**
Position	**President of the Supervisory Board of CIECH S.A. since 10 July 2014, a Supervisory Board Member since 7 July 2014.** **Does not conduct competitive activity relative to CIECH S.A.**
Qualifications	A PhD of international law. A graduate from the Faculty of Law at the Adam Mickiewicz University in Poznań and from the Department of Foreign Trade at the Post-Graduate School of Foreign Trade at the University of Economics in Poznań.
Experience	A member of the distinguished Advisory Board at the Atlantic Council's think tank. In 2010, he established CEED Institute, a platform promoting the achievements of the youngest EU member states. From June 2006, a member of the Council of Directors of Green Cross International – an organization dealing with ecological safety, and since 6 October 2007, he has served the function of the Chairman of the Board. He is a member of the Climate Change Task Force, a team of leaders of worldwide opinion makers, established by Green Cross International in October 2009, which is actively involved in activities supporting a fight with the consequences of climactic changes. A co-founder and for many years the President of the Polish Business Roundtable – a prestigious organization associating economic leaders in Poland. He presided the Polish-German Chamber of Industry and Commerce, at present he is its honorary president. In 2005 – 2007, the President of the Polish-Ukrainian Chamber of Commerce. He is a founding member of the EU-Ukraine Business Council with a registered office in Brussels. The winner of the prestigious Kisiel's Award (1992), a holder of the Order of Polonia Restituta for his service for the Jasna Góra Monastery.

Name and surname	**Tomasz Mikołajczak**
Position	**Deputy Chairman of the Supervisory Board of CIECH S.A. since 10 July 2014, a Supervisory Board Member since 7 July 2014.** **Does not conduct competitive activity relative to CIECH S.A.**
Qualifications	A graduate of the Faculty of Law and Administration of the University of Warsaw. Since 1998 he is registered on the list of legal advisors at the Regional Chamber of Legal Advisors in Warsaw.
Experience	Since 1980, a private investor, who has conducted his business activity mainly through a holding company called Towarzystwo Inwestycji Kapitałowych S.A., through which short- and medium term investments of the private equity type are made. He mainly invests in real estate, telephony and IT, construction and industrial automatics, as well as in companies dealing with infrastructure design and construction. Since the beginning of his activity, Tomasz Mikołajczak has implemented several privatization processes as a strategic investor, he also participated in acquisitions of many companies and in restructuring processes. He privately also invests in the capital market and in financial instruments. He is a tutor and promoter of many young entrepreneurs, who effectively operate in many areas of the Polish market. A member of Supervisory Boards of Kulczyk Investments S.A., Kulczyk Holding S.A., Polish Energy Partners S.A. and Polenergia Holding S.à.r.l., as well as the Chairman of the Audit Committee of the Polish Business Roundtable.

Name and surname	**Wojciech Stramski**
Position	**Secretary to the Supervisory Board of CIECH S.A. since 10 July 2014, a Supervisory Board Member since 7 July 2014.**
Qualifications	He is a graduate from the Marshall School of Business at the University of Southern California. He is a member of the Association of Chartered Certified Accountants (ACCA Member) and the Association of International Internal Auditors (IIA). He also holds accreditation which allows him to conduct effectiveness verification of the internal audit function according to IIA standards.
Experience	He started his professional career at KPMG within the structure of the team responsible for the conduct of financial audits of companies from various sectors. For two years, as a Manager of the Risk Advisory Services Department at KPMG in Poland, he rendered advisory services in the area of, among other things, logistic processes. For more than 8 years he has focused his activity on issues connected with identification and implementation of solutions, both of an operational and strategic nature, supporting the growth in companies' goodwill. He has worked for large companies, such as Altria Corporate Services in Switzerland (a holding of the Philip Morris Group) and for the Honeywell Group. The scope of his duties has included, but has not been limited to: the conduct of operational effectiveness studies of departments of Philip Morris and Honeywell in the EMEA region for the Audit Committee of the Supervisory Board in the USA, for the purpose of ensuring the building of goodwill by both those entities. Before joining the Kulczyk Holding in 2012, he was a Member of the Management Board of Magro International (companies belonging to Kulczyk Holding and Pon Holding) and a manager of the Internal Audit Department at KPI Polska Group. In Kulczyk Holding he serves the function of a Director of the Portfolio Management Department, where he supervises investment undertakings of the KI/KH Group.

Name and surname	**Piotr Augustyniak**
Position	**Supervisory Board Member of CIECH S.A. since 7 July 2014.** **Does not conduct competitive activity relative to CIECH S.A.**
Qualifications	A graduate from the University of Warsaw, the Faculty of English Philology and the Faculty of Business Administration.
Experience	Currently he conducts his own business activity (financial advisory services). In 1994-2011, he was employed by Enterprise Investors (EI), first as an analyst, then investment director, vice president, and in 2006-2011, as a partner. In the period between June and December 2001, he served the role of the President of the Management Board of Energoaparatura S.A. In 1993-1994, he was employed by the Ministry of Ownership Transformation, first as a project manager and then as a manager of the privatization team. In 1992-1993, he was employed as an assistant of the financial officer in the Ownership Transformation Foundation at the Ministry of Ownership Transformation. In 1991-1992, he worked at New York Times (Warsaw) as a translator. As a partner in EI, he was responsible for monitoring, entry of companies in the Warsaw Stock Exchange, transactions of sale of significant packages of shares in the EI portfolio in the public and private markets. He participated in more than 40 transactions connected with EI companies, in particular sale in the private market of controlling packages of shares (Bauma, Agros Nova, Opoczno), introduction of companies to the Warsaw Stock Exchange (Comp Rzeszów (currently Asseco Poland), PEP, Opoczno, Teta, Sfinks, AB, Magellan], financial restructuring of Slovak logistic company of STD Donivo (development and supervision of the restructuring plan encompassing negotiations with a group of banks financing the company). Member of supervisory boards of several Polish and foreign companies (such as: Polfa Kutno, Energoaparatura, Elektrobudowa, Wizów, Sfinks, Bauma, Opoczno).

Name and surname	**Mariusz Nowak**
Position	**Supervisory Board Member of CIECH S.A. since 7 July 2014.** **Does not conduct competitive activity relative to CIECH S.A.**
Qualifications	A graduate from the University of Szczecin, the Faculty of Economy and the Faculty of Cybernetics and Computer Science. He also holds the title of MBA of Ecole Nationale des Ponts et Chaussees in Paris.
Experience	A specialist in the field of finance, accountancy and business administration. In Kulczyk Investments and Kulczyk Holding since 2012. Earlier, starting in March 2010, the Financial Director of Kulczyk Pon Investments and the President of the Management Board of Magro International. In 1991-2010, he worked in various positions for the Wavin group, and in 2007, he assumed the function of the Managing Director of Wavin Ekoplastik. A member of Supervisory Board of: PEKAES S.A., PEP S.A., Autostrada Wielkopolska S.A., Autostrada Wielkopolska II S.A., Autostrada Eksploatacja S.A. and AWSA Holland II BV.

Name and surname	**Artur Olech**
Position	**Supervisory Board Member of CIECH S.A. since 7 July 2014.** **Does not conduct competitive activity relative to CIECH S.A.**
Qualifications	A graduate from the Faculty of Law at the University of Warsaw and from the Faculty of Finance and Banking at the Warsaw School of Economics.

Name and surname	**Artur Olech**
Experience	From October 1998 to February 2014, a member of the Management Board of the Generali Group. In 2010-2014, the President of the Management Board, in 2008-2010, the Vice President of the Management Board, responsible for life and pension insurance. In 2003-2008, a Member of the Management Board. In 1997-1998, Director of Volkswagen Bank Polska/Volkswagen Leasing Polska-Warszawa. In 1996 – 1997, employed as an analyst by the Polish Institute of Managemenet (PIM Sp. z o.o.). In 1994-1997, employed in the position of a Foundation Project Manager by CASE Consulting (Fundacja Centrum Analiz Społeczno-Ekonomicznych) in Warsaw. He underwent numerous training sessions for top management, including training at the Harvard Business School, Kellogg School of Management and Chicago GSB. In 2012, he was granted the Personal Award for Top Manager in Insurance Industry (by Wprost magazine). Responsible for the project entitled: "Exit Processes in Transitional Economy" on behalf of the World Bank, implemented within CASE Consulting (Fundacja Centrum Analiz Społeczno-Ekonomicznych) under the supervision of Prof. Leszek Balcerowicz.

Committees of the Supervisory Board of CIECH S.A.

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

<u>Audit Committee</u>

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

According to the Audit Committee Regulations the tasks of the Audit Committee include in particular:
1) monitoring of the financial reporting process
2) monitoring of the effectiveness of the internal control system
3) monitoring of the effectiveness of the internal audit system
4) monitoring of the effectiveness of the risk management system
5) monitoring of the performance of financial review activities
6) monitoring of the independence of the auditor and the entity authorised to audit the Company's financial statements.

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

As at 1 January 2014 the Audit Comittee of the Supervisory Board of CIECH S.A. performed its function in the following composition:
1) Waldemar Maj - Chairman
2) Przemysław Cieszyński – Committee Member
3) Mariusz Obszyński – Committee Member
4) Sławomir Stelmasiak – Committee Member.

On 10 July 2014 the Supervisory Board of the Company unanimously appointed new members of the Audit Committee in the persons of:

1) Piotr Augustyniak
2) Maciej Tybura
3) Wojciech Stramski

Following the resignation of Mr. Maciej Tybura from his function in the Supervisory Board and the appointment of Mr. Maciej Tybura to the Management Board of the Company, as mentioned above, on 30 October 2014 the Supervisory Board has decided to appoint Mr. Artur Olech to the Audit Committee.

As at 31 December 2014 the Audit Committee was as follows :
1) Piotr Augustyniak
2) Wojciech Stramski
3) Artur Olech .

<u>Remuneration Committee of the Supervisory Board of CIECH S.A.</u>

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

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

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

As at 1 January 2014 the composition of the Remuneration Committee was as follows:
1) Arkadiusz Grabalski,
2) Zygmunt Kwiatkowski.

On 10 July 2014 the Supervisory Board of the Company unanimously appointed new members of Remuneration Committee in the persons of:
1) Tomasz Mikołajczak
2) Mariusz Nowak.

As at 31 December 2014, the Remuneration Committee performer its functions in an unchanged composition.

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

In the case of dismissal of Board Members from their positions, they are entitled to a one-time cash severance package in the amount of six months remuneration. The non-competition agreement with Board Members after the termination of the employment provides a compensation in the amount of 50% of monthly remuneration for a period that does not exceed 24 months.

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

The information required by the Offering Memorandum is presented in the following sections of this report:
1) Description of financial results of the Group, its operating and financial activities, liquidity and its sources of financing – section I.5, I.6 and I.8.
2) Description of material commitments and contingent liabilities – section II.42
3) Description of adopted and applied accounting policies – section II.2. and II.3
4) Description of the market – section I.6.
5) Description of management of CIECH S.A. – section I.29.11
6) Information about the shareholders of the parent company CIECH S.A. – section I.29.4
7) Description of all material transactions with affiliated companies – section II.43.4.
8) Information in indebtedness and material financing arrangements – section I.8 and II.33.
9) Description of all contractual arrangements including debt instruments – section I.8 and II.33.
10) Description of material risk factors – section I.4 and II.6.
11) Information about the significant developments that have significant impact on the operating activities of the Group – section I.3, II.45 and II.47.

II. THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CIECH GROUP FOR 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE CIECH GROUP

PLN '000	*Note*	01.01-31.12.2014 Continuing operations	Discontinued operations	TOTAL	01.01-31.12.2013 Continuing operations	Discontinued operations	TOTAL
Sales revenues	*14*	3,243,900	-	3,243,900	3,229,700	271,320	3,501,020
Cost of sales	*15*	(2,563,050)	-	(2,563,050)	(2,658,053)	(235,700)	(2,893,753)
Gross profit/(loss) on sales		**680,850**	**-**	**680,850**	**571,647**	**35,620**	**607,267**
Other operating income	*16*	95,161	7,828	102,989	87,528	279,484	367,012
Selling costs	*16*	(214,267)	-	(214,267)	(202,618)	(9,628)	(212,246)
General and administrative expenses	*16*	(150,377)	-	(150,377)	(147,146)	(27,506)	(174,652)
Other operating expenses	*16*	(89,552)	(9,360)	(98,912)	(128,130)	(319,529)	(447,659)
Operating profit/(loss)		**321,815**	**(1,532)**	**320,283**	**181,281**	**(41,559)**	**139,722**
Financial income	*16*	8,371	37	8,408	31,539	2,683	34,222
Financial expenses	*16*	(151,364)	(24,602)	(175,966)	(166,323)	(14,208)	(180,531)
Net financial income/expenses		**(142,993)**	**(24,565)**	**(167,558)**	**(134,784)**	**(11,525)**	**(146,309)**
Share of profit / (loss) of equity-accounted investees	*13*	251	-	251	354	-	354
Profit/(loss) before tax		**179,073**	**(26,097)**	**152,976**	**46,851**	**(53,084)**	**(6,233)**
Income tax	*17*	(45,291)	58,668	13,377	95,654	(49,861)	45,793
Net profit/(loss)		**133,782**	**32,571**	**166,353**	**142,505**	**(102,945)**	**39,560**
including:							
Net profit/(loss) attributable to shareholders of the parent company		134,545	32,571	167,116	151,125	(101,678)	49,447
Net profit/(loss) attributed to non-controlling interest		(763)	-	(763)	(8,620)	(1,267)	(9,887)
Earnings per share (in PLN):							
Basic	*18*	2.55	0.62	3.17	2.87	(1.93)	0.94
Diluted	*18*	2.55	0.62	3.17	2.87	(1.93)	0.94

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME OF THE CIECH GROUP

PLN '000	01.01-31.12.2014 Continuing operations	01.01-31.12.2014 Discontinued operations	01.01-31.12.2014 TOTAL	01.01-31.12.2013 Continuing operations	01.01-31.12.2013 Discontinued operations	01.01-31.12.2013 TOTAL
Net profit/(loss) for the period	**133,782**	**32,571**	**166,353**	**142,505**	**(102,945)**	**39,560**
Other comprehensive income before tax *that may be reclassified to profit or loss*						
Currency translation differences (foreign companies)	29,973		29,973	(14,354)	-	(14,354)
Cash flow hedge	(26,986)	-	(26,986)	(11,256)	-	(11,256)
Other components	100	-	100	-	-	-
Other comprehensive income before tax that may not be reclassified to profit or loss						
Actuarial gains	(256)	-	(256)	74	-	74
Income tax attributable to other comprehensive income	**6,071**	**-**	**6,071**	**2,186**	**-**	**2,186**
Income tax attributable to other comprehensive income that may be reclassified to profit or loss	6,002	-	6,002	2,186	-	2,186
Income tax attributable to other comprehensive income that may not be reclassified to profit or loss	69	-	69	-	-	-
Other comprehensive income net of tax	**8,902**	**-**	**8,902**	**(23,350)**	**-**	**(23,350)**
TOTAL COMPREHENSIVE INCOME	**142,684**	**32,571**	**175,255**	**119,155**	**(102,945)**	**16,210**
Comprehensive income including attributable to:	**142,684**	**32,571**	**175,255**	**119,155**	**(102,945)**	**16,210**
Shareholders of the parent company	141,833	32,571	174,404	127,153	(101,678)	25,475
Non-controlling interest	851	-	851	(7,998)	(1,267)	(9,265)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE CIECH GROUP

PLN '000	*note*	**31.12.2014**	**31.12.2013**
ASSETS			
Non-current assets			
Property, plant and equipment	19	2,036,738	1,863,012
Right of perpetual usufruct	20	32,357	47,083
Intangible assets, including:	21	116,516	134,190
- goodwill	*22*	62,387	61,110
Investment property	23	42,567	91,497
Non-current receivables	24	78,264	69,728
Investments in associates and jointly-controlled entities measured under the equity method	13	4,944	4,769
Other long-term investments	25	46,404	12,415
Deferred income tax assets	17	128,282	77,622
Total non-current assets		**2,486,072**	**2,300,316**
Current assets			
Inventory	26	257,770	217,338
Short-term investments	28	-	621
Income tax receivables		25,109	17,590
Trade and other receivables	27	383,962	566,562
Cash and cash equivalents	29	49,162	105,593
Non-current assets held for sale	9	3,622	2,708
Total current assets		**719,625**	**910,412**
Total assets		**3,205,697**	**3,210,728**
EQUITY AND LIABILITIES			
Share capital		287,614	287,614
Share premium		470,844	470,844
Cash flow hedge	41	(28,254)	(6,395)
Actuarial gains		(114)	74
Other reserve capital		78,521	78,521
Currency translation reserve		(47,716)	(76,951)
Retained earnings		233,879	157,781
Equity attributable to shareholders of the parent	30	**994,774**	**911,488**
Non-controlling interest	12	(9,300)	(14,199)
Total equity		**985,474**	**897,289**
Loans, borrowings and other debt instruments	32	1,176,455	1,303,154
Finance lease liabilities	32, 38	15,825	4,840
Other non-current liabilities	32	92,819	160,728
Employee benefits	34	12,720	18,743
Provisions (other long-term)	35	75,244	44,785
Deferred income tax liability	17	98,481	84,578
Total non-current liabilities		**1,471,544**	**1,616,828**
Loans, borrowings and other debt instruments	36	27,707	7,388
Finance sale-and-lease-back liabilities		-	929
Finance lease liabilities	38	4,190	2,805
Trade and other liabilities	36	619,639	562,297
Income tax liabilities		34,813	24,605
Provisions (short-term provisions for employee benefits and other provisions)	34, 35	62,330	98,587
Total current liabilities		**748,679**	**696,611**
Total liabilities		**2,220,223**	**2,313,439**
Total equity and liabilities		**3,205,697**	**3,210,728**

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

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY OF THE CIECH GROUP

PLN '000	Share capital	Share premium	Cash flow hedge	Other reserve capitals	Actuarial gains	Currency translation reserve	Retained earnings	**Equity attributable to parent's shareholders**	Non-controlling interest	**Total equity**
Equity as at 01/01/2014	**287,614**	**470,844**	**(6,395)**	**78,521**	**74**	**(76,951)**	**157,781**	**911,488**	**(14,199)**	**897,289**
Transactions with the parent recognised in equity	**-**	**-**	**-**	**-**	**-**	-	**(91,118)**	**(91,118)**	**4,048**	**(87,070)**
Dividend payment	-	**-**	-	-	-	-	(59,551)	**(59,551)**	-	**(59,551)**
Change in the Group's structure	-	**-**	-	-	-	-	(31,567)	**(31,567)**	4,048	**(27,519)**
Total comprehensive income for the period	**-**	**-**	**(21,859)**	**-**	**(188)**	**29,235**	**167,216**	**174,404**	**851**	**175,255**
Net profit/(loss)	-	-					167,116	167,116	(763)	166,353
Other comprehensive income	-	-	(21,859)		(188)	29,235	100	7,288	1,614	8,902
Equity as at 31/12/2014	**287,614**	**470,844**	**(28,254)**	**78,521**	**(114)**	**(47,716)**	**233,879**	**994,774**	**(9,300)**	**987,474**

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

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY OF THE CIECH GROUP

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS OF THE CIECH GROUP

PLN '000	**Note**	**01.01-31.12.2014**	**01.01-31.12.2013**
Cash flows from operating activities			
Net profit/(loss) for the period		**168,353**	**39,560**
Adjustments			
Amortisation/depreciation		204,487	216,625
Recognition of impairment allowances		4,079	200,439
Foreign exchange (profit) /loss		5,998	10,222
Investment property revaluation		6,454	9,602
(Profit) / loss on investment activities		(7,864)	(4,246)
(Profit) / loss on disposal of property, plant and equipment		547	(43,377)
Dividends and interest		125,511	137,299
Income tax		(13,377)	(45,793)
(Profit) / loss on the settlement of construction contracts (caverns)		(2,752)	(1,348)
Share of (profit) / loss on equity accounted investees		(251)	(,354)
Change in liabilities due to loan arrangement fee		5,401	(3,360)
Other adjustments		(11,232)	(27,784)
Cash from operating activities before changes in working capital and provisions		**483,354**	**487,485**
Change in receivables	*37*	177,053	122,044
Change in inventory	*37*	(40,562)	72,809
Change in current liabilities	*37*	(32,159)	(161,264)
Change in provisions and employee benefits	*37*	(8,320)	(71,000)
Cash generated from operating activities		**579,366**	**450,074**
Interest paid		(114,339)	(129,536)
Inflows from construction contracts (caverns)		(3,523)	(1,432)
Income tax paid		(18,928)	(28,085)
Net cash from operating activities		**442,576**	**291,021**
Cash flows from investment activities			
Inflows		**702**	**194,137**
Disposal of a subsidiary*		(11,387)	77,040
Disposal of intangible assets and property, plant and equipment		7,093	58,144
Disposal of financial assets		1	12,660
Disposal of investment property		902	9,099
Dividends received		1,304	682
Interest received		2,789	5,405
Hedging deposit		-	30,888
Other inflows		-	219
Outflows		**(288,600)**	**(219,609)**
Acquisition of a subsidiary (after deduction of acquired cash)		(507)	(38,761)
Acquisition of intangible assets and property, plant and equipment		(278,046)	(177,471)
Acquisition of investment property		(7,709)	-
Research and development expenditures		(1,915)	(1,772)
Other outflows		(423)	(1,605)
Net cash from investment activities		**(287,898)**	**(25,472)**
Cash flows from financial activities			
Inflows		**56,364**	**66,144**
Net proceeds from shares and other capital instruments issue and capital premium		1,570	-
Proceeds from loans and borrowings		50,554	40,000
Subsidies received		4,232	26,144
Other financial inflows		8	-
Outflows		**(264,712)**	**(318,678)**
Dividends paid to non-controlling interest		(59,551)	-
Repayment of loans and borrowings		(30,259)	(40,694)

PLN '000	**Note**	**01.01-31.12.2014**	**01.01-31.12.2013**
Redumption of debt securities		(160,000)	-
Payments of finance lease liabilities		(10,908)	(277,984)
Other financial outflows		(3,994)	-
Net cash from financial activities		**(208,348)**	**(252,534)**
Total net cash flows		**(53,670)**	**13,015**
Cash and cash equivalents as at the beginning of the period		**105,593**	**90,917**
Impact of foreign exchange differences		*(2,761)*	*1,661*
Cash and cash equivalents as at the end of the period		**49,162**	**105,593**

** Includes cash and cash equivalents eliminated from the financial statement due to the loss of a control over Infastruktura Kapuściska S.A. w upadłości likwidacyjnej (resulted from the company's bakruptcy) and the sale of Sagrera sp. z o.o.*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CIECH GROUP

1 General information

These consolidated financial statements of the CIECH Group for the period from 1 January 2014 to 31 December 2014, including comparative data, were approved by the Management Board of CIECH S.A. on 23 March 2015.

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

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

The Management Board of CIECH S.A. declares that to the best of its knowledge the consolidated financial statements for the year ended 31 December 2014, including corresponding figures, have been prepared in accordance with the generally acceptable accounting principles and that they represent a true, accurate and fair reflection of the CIECH Group's financial position and the results of operations. Furthermore, the Management Board of CIECH S.A. declares that the financial statements for 2014 contain a true image of the Group's developments, achievements, and condition, including the description of major risks and threats.

The Management Board of CIECH S.A. declares that KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Warsaw, entered into the list of entities authorised to audit financial statements under the registry no. 3546 kept by the National Chamber of Statutory Auditors was chosen in accordance with the binding legal regulations for the auditor of the Group's financial statements for the period from 1 January 2014 to 31 December 2014. The above entity, including the certified auditors performing the audit, satisfy all the conditions required in order to issue an unbiased and independent opinion and audit report, pursuant to the applicable legal regulations.

2 Basis for preparation of the consolidated financial statements

2.1 The Management Board statement of compliance with International Financial Reporting Standards

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

2.2 Basis of valuation

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

The preparation of financial statements in conformity with International Financial Reporting Standards requires the Management Board to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Detailed information on estimates made is provided in the section II.4

These consolidated financial statements of CIECH Group was prepared on a going concern basis.

2.3 Reporting and functional currency

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

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

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

- Soda Deutschland CIECH Group and the CIECH Group Financing AB – functional currency - EUR; reporting currency in the consolidated financial statements of the CIECH Group – PLN
  - EUR spot rate as at reporting date 31 December 2014 – 4.2623 PLN (at 31 December 2013 - PLN 4.1472)
  - Average exchange rate (calculated as the arithmetic average of the average exchange rates as announced by the National Bank of Poland for EUR for the last day of each month, from January to December) for the period starting from 1 January to 31 December 2014 - PLN 4.1893 (for the comparable period - PLN 4.2110).
- S.C. Uzinele Sodice Govora – CIECH Chemical Group S.A. – functional currency RON; reporting currency in consolidated financial statements of the CIECH Group - PLN
  - RON rate as at reporting date 31 December 2014 – PLN 0.9510 (at 31 December 2013 -PLN 0.9262)
  - Average exchange rate (calculated as the arithmetic average of the average exchange rates as announced by the National Bank of Poland for RON for the last day of each month from January to December) for the period starting from 1 January to 31 December 2014 - PLN 0.9440 (for the comparable period – PLN 0.9543).

3 Description of the most important applied accounting policies

Accounting Policy

These consolidated financial statements have been prepared on the historical cost basis except for investment property and certain financial instruments measured at fair value.

3.1 Basis of consolidation

3.1.1 Subsidiaries

Subsidiaries are entities controlled by the Parent. Control occurs when the Group has the power to govern either directly or indirectly the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control influence of both existing and potential voting rights exercisable at the reporting date are considered. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

3.1.2 Consolidation adjustments

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions as well as the Group's revenues and costs, impairment of intragroup doubtful receivables, impairment of investments, intragroup dividends and intragroup sales of fixed assets are all eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly-controlled entities are eliminated from the consolidated financial statements proportionally to Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that they are not evidence of impairment.
The subsidiaries' net equity in the amount as at the acquisition-date, in the part corresponding to Group's share in the share capital, is compensated with acquisition value of the shares included in statement of financial position of the parent at the date of acquisition. Consolidation adjustments depending on their nature are recorded against appropriate items of equity. Changes in the parent's ownership interest that do not result in a loss of control of the subsidiary are accounted for as equity transactions.

3.1.3 Foreign currency

Financial statements of foreign operations

The parent company's functional currency is the presentation currency of these consolidated financial statements. Foreign operation subsidiaries producing their financial statements in currencies other than the presentation currency of these consolidated financial statements translate their results of operations as well as financial position into the presentation currency as follows:

- all items of income and expense are translated at exchange rates at the dates of the relevant transactions although appropriate average rates for the period may be used where such simplified approach would not have a significant effect of the consolidated financial statements,
- all assets and liabilities are translated at the exchange rate at the reporting date ,
- components of shareholders' equity are translated at historical rates e.g. share capital is translated at the exchange rate at the date of a related business combination, items of other comprehensive income and

expense transactions recognised directly in equity are translated at respective transaction-date exchange rates or, for simplicity, at the average exchange rate for the period.

The difference arising on the translation of components of the equity at exchange rate different form the exchange rate at the reporting date applied to other statement of financial positions items is presented in equity as "currency translation reserve". Currency translation reserve attributable to non-controlling interest in a foreign operation subsidiary is allocated to and recognised as part of the NCI.
Goodwill related to a foreign operation should be considered to be expressed in the functional currency of the foreign operation and should be translated into the presentation currency of the consolidated financial statements at the exchange rate as at the reporting date. The resulting translation differences are recognised in other comprehensive income and presented within "currency translation reserve".
A monetary item receivable from or payable to a foreign operation may form a part of the net investment in the foreign operation if the settlement is neither planned nor likely to occur in the foreseeable future. Foreign exchange gains and losses arising from monetary item that in substance forms part of the net investment in the foreign operation are recognised in the consolidated financial statements in other comprehensive income and are presented within equity as "Currency translation reserve".
Upon the loss of control over a foreign operation, the cumulative exchange differences related to that foreign operation, recognised in equity as "Currency translation reserve" are reclassified to profit or loss).

3.2 Important accounting principles (policy)
3.2.1 Financial instruments
The principles of measuring and recognising of financial assets described below do not refer to the measurement of shares of subsidiaries finance lease agreements insurance agreements financial instruments under employee programs and financial instruments issued by the entity and constituting its equity instruments.

The most significant assets subject to the measurement principles for financial instruments include:
1. investments in other entities
2. bonds issued by other entities
3. other securities issued by other entities (e.g. participation units)
4. loan receivables
5. trade receivables
6. cash
7. derivatives (options forwards futures, swaps, embedded derivatives) with positive fair value
8. other financial assets.

The most significant liabilities subject to the measurement principles for financial instruments include:
1. borrowings
2. loans
3. bonds issued by the Group
4. trade payables
5. derivatives with negative fair value
6. other financial liabilities.

Classification of financial instruments

Financial assets are classified into:
1. financial assets at fair value through profit or loss
2. loans and receivables
3. held-to-maturity financial assets
4. available-for-sale financial assets.

Financial liabilities are classified into:
1. financial liabilities measured at fair value through profit or loss
2. other financial liabilities.

Loans, receivables and deposits are initially recognised on the date when they originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes party to the contractual provisions of the instrument. The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial asset that is created or retained by the Group is recognised as a separate asset or liability.
Issued debt instruments and subordinated liabilities are initially recognised by the Group on the date when they originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the date of the transaction, i.e. the date on which the Group becomes party to the contractual provisions of the instrument. The Group derecognises a financial liability when the obligation is repaid, redeemed or expires.

(i) Financial assets at fair value through profit or loss

Financial assets designated at fair value through profit or loss are presented within current assets and measured at fair value, and changes therein are recognised directly in profit or loss. Financial assets at fair value through profit or loss comprise of the financial assets:

- held for trading,
- forming part of a portfolio of financial assets that are managed together to generate short-term profits,
- designated at the time of initial recognition as measured at fair value through profit or loss.

Upon initial recognition financial assets may be designated at fair value through profit or loss provided that the following criteria are met:

- such classification eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch),
- the assets are part of a group of financial assets that are managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management strategy,
- financial assets include embedded derivatives that should be separately recognised.

Financial assets at fair value through profit or loss also include derivatives, provided that the conditions for applying hedge accounting have not been satisfied.

(ii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets quoted on an active market, with fixed or determinable payments and fixed maturity, that the Group has the positive intent and ability to hold to maturity, other than loans and receivables and financial assets designated upon initial recognition at fair value through profit or loss and financial assets available for sale.

The Group does not classify any financial assets as held-to-maturity if in the current financial year or in the preceding two financial years it sold or reclassified more than a non-significant amount of held-to-maturity investments, save for the sale or reclassification performed:

- so close to maturity or financial asset's call date that changes in the market interest rates would not have a significant effect on the financial asset's fair value;
- after the Group has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
- as a result of an isolated event that is beyond the Group's control, is non-recurring and could not have been reasonably anticipated by the entity.

Financial assets held-to-maturity after initial recognition are measured at amortised cost using the effective interest method.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, other than financial assets, which:

- the Group intends to sell immediately or in near term, which shall be classified as held for trading and those that the Group upon initial recognition designates at the fair value through profit or loss;
- upon initial recognition were designated by the Group as available for sale; or
- the Group may not recover substantially all of its initial investment, other than due to credit deterioration, which shall be classified as available for sale.

Loans and receivables after initial recognition are measured at amortised cost using the effective interest method less any impairment losses.

(iv) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets after initial recognition are measured at fair value and changes therein are recognised in other comprehensive income. Interest on any debt instruments included in this category, calculated using the effective interest method, is presented directly in profit or loss.

In the absence of a quoted market prices in an active market and the inability to reliably determine the fair value of equity instruments using alternative methods, available-for-sale financial assets are measured at cost less any impairment losses.

(v) Financial liabilities

Financial liabilities held for trading, including, in particular, derivatives with negative fair value, not designated as hedging instruments, are recognised at fair value with changes therein recognised directly in profit or loss.

Other financial liabilities are measured at amortised cost using the effective interest method.

Principles of measurement after initial recognition/at the end of reporting period and presentation of financial instruments in financial statements

Category of assets or liabilities	Measurement	Recognition
Assets at fair value through profit or loss	At fair value	Remeasurement changes recognised in the current period profit or loss under finance income or costs.
Liabilities at fair value through profit or loss	At fair value	Remeasurement changes recognised in the current period profit or loss under finance income or costs.
Other financial liabilities	At amortised cost using the effective interest (IRR)	Remeasurement changes adjust the carrying amount of the liability and are recognised in current period profit or loss
Loans and receivables	At amortised cost using the effective interest (IRR)	Remeasurement changes adjust the carrying amount of the liability and are recognised in current period profit or loss
Held-to-maturity financial assets	At amortised cost using the effective interest (IRR)	Remeasurement changes adjust the carrying amount of the liability and are recognised in current period profit or loss
Available-for-sale financial assets	At fair value	Changes from remeasurement at fair value are recognised on other comprehensive income. For debt instruments interest is recognised directly in profit or loss

Hedge accounting and embedded derivatives

Hedge accounting
Hedge accounting recognizes the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item.

Derivatives such as options, forwards, swaps are held to hedge the fair value of assets or liabilities or expected future cash flows. For the aforesaid derivatives, the entity may apply hedge accounting if, and only if, all the following conditions are met:

- ✓ at the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. In this documentation the Group shall include identification of the hedging instrument the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.
- ✓ the Group expects that the hedge will be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship.,
- ✓ for cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss,
- ✓ the effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured,
- ✓ the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

If the aforesaid conditions are not met, the derivative should be measured in accordance with the principles as for financial instruments held for trading.

The entity may apply the following hedging relationships:

Fair value hedges:
A hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment or an identified portion of such an asset liability or firm commitment that is attributable to a particular risk and could affect profit or loss.

Fair value hedge shall be accounted for as follows:

- ✓ the gain or loss from remeasuring the hedging instrument at fair value (for a derivative hedging instrument) shall be recognised in profit or loss; and
- ✓ the gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognised in profit or loss. This applies if the hedged item is otherwise measured at

cost. The gain or loss attributable to the hedged risk is recognised in profit or loss applies if the hedged item is an available-for-sale financial asset.

Cash flow hedge:
A hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and (ii) could affect profit or loss.

Cash flow hedge shall be accounted for as follows:

- ✓ the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognised in other comprehensive income and presented in equity; the ineffective portion of the gain or loss on the hedging instrument shall be recognised in profit or loss.
- ✓ if a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability the associated gains or losses that were recognised in other comprehensive income (effective hedge) shall be reclassified from other comprehensive income to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss.
- ✓ if a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability; than the entity reclassifies the associated gains and losses that were recognised in other comprehensive income (effective hedge) to profit or loss as a reclassification adjustment in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as in the periods that depreciation expense) or the entity removes the associated gains and losses that were recognised in other comprehensive income and includes them in the initial cost or carrying amount of the asset or liability.
- ✓ for cash flow hedges other than those covered above amounts that had been recognised in other comprehensive income shall be reclassified from equity (effective hedge) to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss.

Hedges of a net investment
Hedges of a net investments in a foreign operation shall be accounted for as follows:
- ✓ It is a hedge of a net investment in foreign operations with functional currency different than the one of the parent entity, by foreign currency liabilities.
- ✓ revaluation of foreign currency liabilities designated for hedge accounting is recognised in other comprehensive income and offset the opposite revaluation of net investments in foreign operation in consolidated financial statements.
- ✓ accumulated amount in other comprehensive income is transferred to the profit and loss statement in case of partial or overall sale of shares in a foreign entity.

3.2.2 Property, plant and equipment
(i) Owned property, plant and equipment
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises of its purchase price and all other costs directly attributable to the acquisition of the asset and bringing it to a working condition for its intended use. The cost also includes the cost of replacing components of machinery and equipment when incurred if the recognition criteria are met.

(ii) Tangible fixed assets used under lease agreements
Leases in terms of which the Group assumes substantially all the risks and rewards of ownership of an item of property, plant and equipment are classified as finance leases. Upon initial recognition the leased item of property, plant and equipment is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset's carrying amount is decreased by accumulated depreciation and accumulated impairment losses.
In case of an asset used under a finance lease, if it is not reasonably certain that the lessee will obtain ownership of the asset by the end of the lease term, then the tangible asset is depreciated over one of the following two periods, whichever shorter:
- the lease term,
- the expected useful life of the asset.

When an agreement is classified as a finance lease, the underlying asset is recognised within the Company's (lessee's) property, plant and equipment and is depreciated in accordance with principles specified in section (iv). Payments under operating lease agreements are recognised as an expense over the lease term.

(iii) Subsequent costs
The cost of replacing part of an item of property, plant and equipment are capitalised. Other costs are capitalised only to the extent that it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. Other subsequent costs are recognised in profit and loss statement as an incurred expenses.

A separate component of an item of property, plant and equipment, requiring replacement at regular intervals, is depreciated over its economic useful life. Repair costs are capitalized when the amount of outlays is related to parts recognised as a separate component of an item of property, plant and equipment. If those components are not separated at the time of recognising an item of property, plant and equipment, it may be done upon bearing subsequent expenditures.

The Group increases the value of property, plant and equipment by the value of outlays for periodic major overhauls, necessary for the functioning of a given item of property, plant and equipment. These expenditures are treated as a separate item of property, plant and equipment and depreciated through the anticipated period to the next planned overhaul. Upon capitalisation of new costs of overhauls, the non-depreciated value of previous repairs is allocated to operating expenses.

Upon the acquisition or creation of an item of property, plant and equipment, the Group separates from the cost a value equal to the expenditures that need to be made during the next overhaul of a given item of property, plant and equipment and depreciates it through the anticipated period left until the next planned overhaul.

(iv) Depreciation
Items of property, plant and equipment, and also their significant and separate components, are depreciated on a straight-line basis over their respective estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

Buildings	**20 - 50**	**years**
Machinery and equipment	**2-20**	**years**
Means of transport	**2-20**	**years**
Other	**1-15**	**years**

Depreciation periods and residual values are reviewed at each reporting date with any resulting adjustments made prospectively as a change in estimate.

3.2.3 Right of perpetual usufruct of land
Purchased rights of perpetual usufruct of land are recognised as separate items in the statement of financial position Perpetual usufruct rights obtained based on an administrative decision are recorded off-balance sheet (recognised as operating lease).
Rights of perpetual usufruct of land are depreciated on a straight-line basis over the lease term.

3.2.4 Intangible assets
(i) Goodwill
Goodwill arises on a combination of two separate entities or businesses into one reporting entity. It specifically relates to the acquisitions of subsidiaries, associates, or jointly controlled entities. All business combinations of unrelated entities are recognised using the acquisition method.
The Group initially measures goodwill as the difference between the aggregate of:
- ✓ the acquisition-date fair value of the consideration transferred,
- ✓ the amount of any non-controlling interests in the acquiree measured either at fair value or at their proportionate share in the fair value of the acquiree's net assets, and
- ✓ in a business combination achieved in stages the acquisition-date fair value of the acquirer’s previously held equity interest in the acquire and the net recognised amounts (fair value) of the identifiable assets acquired and liabilities assumed measured at the acquisition date

Occasionally, a bargain purchase may occur, i.e. a business combination in which the net recognised amounts of the identifiable assets acquired and liabilities assumed measured at the acquisition date exceed the aggregate of the acquisition-date fair value of the consideration transferred, the amount of any non-controlling interests measured at fair value or at their proportionate share in the acquiree's net assets, and in a business combination achieved in stages, the acquisition-date fair value of the acquirer’s previously held equity interest in the acquire. Before recognising a gain on a bargain purchase, the acquirer reassesses whether it has correctly identified and measured the amounts of assets acquired and liabilities assumed, non-controlling interests, consideration transferred, and in a business combination achieved in stages, the acquirer’s previously held equity interest in the acquiree. The purpose of the reassesment is to ensure that the measurements accurately consider all information available at the acquisition date. Any remaining gain from a bargain purchase after completing the reassessment is recognised in profit or loss at the acquisition date (as other operating income).
For a PUT option to acquire any non-controlling interests acquired before 1 January 2010, whose purchase cost is subject to a periodic remeasurement, any changes in the amount of liability are recognised in goodwill. For a PUT option to acquire non-controlling interests acquired on or after 1 January 2010, whose purchase cost is subject to a periodic remeasurement, any changes in the amount of liability are recognised in profit or loss. At the date of an acquisition, any goodwill acquired in a business combination is allocated to the cash-generating units that are expected to benefit from the synergies of the combination. Each cash-generating unit or a group of units to which the goodwill was allocated:

- is the lowest level within the Group, at which goodwill is monitored for internal management purposes,
- is not larger than an operating segment as defined in IFRS 8 “Operating Segments”.

Goodwill represents an asset with indefinite useful life and as such is subject to annual impairment tests. Goodwill is tested at a minimum at the operating segment level.
Goodwill related to investments in associates is reflected in their carrying amounts in the Group’s consolidated financial statements. Consequently, any investments in associates and the related goodwill are analysed for impairment on a combined basis.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortisation and accumulated impairment losses. Any expenditure on internally generated goodwill and brands, is recognised in the profit or loss as incurred.

The costs of registering a substance in the REACH system, such as participation in research, consulting services linked to a specific registration, costs of preparing the registration documents and Chemical Safety Reports, registration fees, authorization, are capitalised as intangible assets

(iii) Subsequent costs

Subsequent expenditure on existing intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure is expensed as incurred.

(iv) Amortisation

Intangible assets are amortised on a straight-line basis over their estimated useful lives. The estimated useful lives of intangible assets are as follows:

Development costs	**2 – 5**	**years**
Patents and licences	**2 –10**	**years**
Other	**2 – 12**	**years**

Amortisation periods and residual values are reviewed at each reporting date with any resulting adjustments made prospectively as a change in estimate.
Amortisation of intangible assets related to the costs incurred in respect of the registration in the REACH system, begins in the month following the month of proper registration of a given substance. The amortisation period is 12 years with amortisation charged to cost of sales.

(v) Costs of completed development

Research activities represent an innovative and scheduled search for solutions, undertaken with the prospect of gaining new scientific or technical knowledge. Development activities are understood as a practical application of discoveries or achievements of other knowledge in planning and designing the production of new or considerably improved materials, devices, products, technological processes, systems or services, taking place prior to starting mass production or prior to their application.
All expenditure on research activities is recognised in profit or loss as incurred. Whenever a clear distinction between research and development activities cannot be made, the Group treats the related expenditure as research only.
Development expenditure is capitalised as part of intangible assets only if the Group is able to prove:

- ✓ that the product or process is technically and commercially feasible (assessed from technical perspective),
- ✓ its intent to complete development and to use or sell the asset,
- ✓ the ability to use or sell the asset,
- ✓ the manner in which the asset will bring future economic benefits (inter alia, the entity should prove the existence of a market for new products created by the asset or a market for the asset itself, or – if the asset is to be used by the Group – the usefulness of the intangible asset to the Group),
- ✓ the availability of appropriate technical, financial and other resources required to complete development activities and then use or sell the asset, and,
- ✓ its ability to reliably measure development costs attributable to the asset.

Internally generated trademarks, magazine titles, editorial titles, customer lists and other items of similar nature are not recognised in the financial statements.
The amortization periods of capitalised development costs should reflect their estimated useful lives.

3.2.5 Associates and joint ventures

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.
Joint venture is a contractual arrangement whereby two or more parties undertake an economic activity subject to joint control and have rights to the net assets of the arrangement.

The consolidated financial statements include the Group's share of the income and expenses of equity accounted associates and joint ventures from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. The Group also measures impairment of the share in the net assets of associates and joint ventures and creates appropriate allowance. When the Group's share of losses exceeds the carrying amount of its interest in an associate or a joint venture, such carrying amount is reduced to nil and the recognition of further losses is discontinued if the Group is not obliged to cover them.

3.2.6 Borrowing costs
For qualifying assets, the borrowing costs that otherwise would have been avoided if the expenditure on the qualifying asset has not been made are included in purchase price of these assets. The amount of borrowing costs eligible for capitalisation is defined as the appropriate portion of loan interest, the cost of arranging financing and respectively foreign exchange differences on foreign currency loans.

3.2.7 Investment property
Investment property is held to earn rentals or for capital appreciation (or both). Investment property is remeasured at fair value.
At initial recognition, investment property is accounted for in accordance with policies applicable for property, plant and equipment i.e. purchase price or cost. In subsequent reporting periods change in fair value of investment property is recognised in profit or loss in the period when change occurred and is presented in other operating expenses. For Investment properties held under operating lease may be classified and accounted for as investment property if they meet the definition of investment property and the Group elects to do so.

3.2.8 Trade and other receivables
After initial recognition current trade and other receivables are measured at the amortised cost using the effective interest method less any impairment losses.

3.2.9 Inventories
Raw materials and merchandise goods are measured at cost being the purchase price increased by other costs incurred in bringing the asset to its present location and condition or place on the market but not higher than the selling price possible to achieve Finished goods and work in progress are measured at cost including direct manufacturing costs and reasonable portion of costs indirectly connected with the manufacturing process but not higher than the selling price possible to achieve.
Finished goods and work in progress are measured at cost including direct manufacturing costs and reasonable portion of costs indirectly connected with the manufacturing process, but not higher than the selling price possible to achieve.
The cost of inventory is based on the first-in first-out principle (FIFO).

3.2.10 Cash and cash equivalents
Cash and cash equivalents include cash in hand and bank deposits repayable on demand. Current investments that are not subject to significant changes in value and may be easily exchanged for a determinable amount of cash and form an integral part of the Group cash management are recognised as cash and cash equivalents for the purposes of the statement of cash flows.
At the reporting date, any foreign currencies in bank accounts and on hand are measured at the average exchange rate for a given currency, established by the President of the National Bank of Poland.

3.2.11 Impairment losses
(i) Impairment of non-financial assets
The carrying amounts of the Group's non-financial assets, other than inventory and deferred tax assets, are reviewed at reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the respective cash-generating unit is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date, irrespective of the existence of the aforesaid indications.

The recoverable amount of an asset or a cash-generating unit is the greater of its fair value less costs to sell or its value in use. The recoverable amount is determined for individual assets, unless the asset does not generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If the asset's carrying amount exceeds its recoverable amount, an impairment loss is recognised against the carrying amount of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset

Impairment losses are recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. Impairment losses are recognised in profit or loss in those expense categories that correspond to the function of the asset to which they relate.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses can be reversed, if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation or depreciation, if no impairment loss had been recognised.

(ii) Impairment of non-derivative financial assets

At each reporting date the Group assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets measured at amortised cost

If any objective evidence indicates that loans and receivables measured at amortised cost are impaired, the impairment loss is the amount of the difference between the carrying amount of the financial asset and the present value of estimated future cash flows (excluding future losses on unrecoverable receivables that have not yet been incurred) discounted at the original (i.e., determined at initial recognition) effective interest rate. The carrying amount of assets is reduced through the use of allowances. The amount of allowance is recognised in profit or loss.

The Group first assesses whether there is any objective evidence of impairment of individually significant financial assets, and also whether any indications of impairment exist in respect of financial assets that are not individually significant. If the analysis does not reveal any objective evidence of impairment of an individually assessed financial asset, regardless of whether it is significant or not, the Group includes such an asset in a group of financial assets with similar credit risk and evaluates them collectively in terms of impairment. Assets that are individually assessed for impairment and for which an impairment loss was recognised or it was considered that the existing allowance should not change, are not taken into account when assessing the group of assets for impairment.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss to the extent that the asset's carrying amount at the reversal date does not exceed its amortised cost

In particular, in relation to trade receivables from entities in liquidation or bankruptcy, or not admitted to bankruptcy, or in relation to receivables that are contested by debtors (disputed receivables), or where payments due are delayed and either the debtor's financial standing makes the collection no longer probable or such delay exceeds 180 days, an impairment loss is recognised in the full amount due after taking into account the amounts of any existing security which the Board considers highly probable of execution.

Available-for-sale financial assets

If objective evidence indicates that available-for-sale financial assets are impaired, the amount of the difference between the asset's acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and reclassified into profit or loss. Reversals of impairment losses on equity instruments classified as available-for-sale cannot be recognised in profit or loss. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

Financial assets measured at cost

If objective evidence indicates that impairment may exist in respect of an unquoted equity instrument that is not recognised at fair value due to the fact that its fair value cannot be reliably measured, or a derivative, which is linked to or must be settled through delivery of such an unquoted equity instrument, the amount of impairment loss is determined as the difference between the carrying amount of the financial asset and the present value of its estimated future cash flows discounted at the current market rate of return for similar financial assets.

3.2.12 Equity

The total consolidated shareholders' equity includes equity attributable to shareholders of the parent company and non-controlling interest.

The Group's share capital is represented by the share capital of the parent company and is accounted for at its nominal value adjusted by the effects of hyperinflation in the years 1989-1996.

Post-acquisition changes in the equity of subsidiaries are recognised in the Group's equity to the extent of the parent company's interest in those subsidiaries. The remaining equity of the consolidated entities is recognised in non-controlling interest, described below.

When a foreign operation is disposed of, the relevant amounts in the currency translation differences are transferred to profit or loss.

When shares are repurchased by the parent company or a consolidated subsidiary, the amount of the consideration paid, which includes directly attributable costs, is recognised as a change in equity. The purchased shares are presented as a deduction from total equity.

A liability for a dividend payable is recognised when authorized.

Dividends payable from pre-acquisition profits do not reduce the acquisition price of the shares, however, they may provide evidence of impairment.

The consolidated net profit (loss) is presented in shareholders' equity within retained earnings and represents the sum of the net profit (loss) of the parent company, its share in net profit (loss) of equity accounted investees, net profit (loss) of consolidated subsidiaries and profit (loss) of non-controlling interests.

Non-controlling interest
Non-controlling interest represents interest in a subsidiary's equity which is not directly or indirectly attributable to the parent company.
Non-controlling interest is measured:
- ✓ at the amount of proportionate interest in subsidiary's net assets or
- ✓ at fair value,

for each business combination separately at the time of initial recognition.
The carrying amount of non-controlling interest should correspond to the amount calculated by adding changes in the current period to the carrying amount of non-controlling interest at the end of the preceding period. These changes may result from:
- ✓ changes in the percentage share of interest held by non-controlling shareholders - e.g. purchase sale increase or decrease of base capital;
- ✓ changes in equity not related to the changes in the interest held – e.g. increase or decrease of equity with no effect on shareholding additional equity contributions made by non-controlling shareholders net result of the current year transactions recognised in other comprehensive income dividends paid.

Profit or loss as well as any elements of other comprehensive income are attributable to the shareholders of the parent company and to non-controlling interest even where the attribution results in a negative carrying amount of non-controlling interests.

3.2.13 Employee benefits

Jubilee awards, retirement benefits pays and disability pay:
Based on the Group's remuneration plan, the employees of its companies are entitled to long-term jubilee awards and to retirement benefits. The Group's obligations in respect of the above benefits is the amount of benefit entitlement that employees have earned as a result of their service in the current and prior years.
Net defined benefit liabilities are calculated separately for each plan by estimation of future payments required to settle the obligation resulting from employee service in the current and prior periods (discounted to its present value and reduced by the fair value of plan assets). The discount rate is the rate of return for low-risk debt securities with similar maturity date as the Group's liabilities as at the end of the reporting period.
The Company recognizes in the statement of profit or loss:
- ✓ Current service cost which is change in liability resulting from increase in value of the defined benefit obligation due to increase in period of service and age of employees
- ✓ Past service cost connected with plan amendment during the current period
- ✓ Interest – change in liability resulting from unwinding of discount.

The Company recognises in other comprehensive income actuarial gains and losses – the effects of differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions and change in discount rate.

3.2.14 Provisions
A provision is recognised if, as a result of a past event, the Group has a present obligation and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Restructuring
A provision for restructuring is recognised when the Management Board has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly and a reliable estimate can be made.

(ii) Reclamation
In accordance with the Group's published and currently enforced environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognised. The provision is recognised in the amount of the expected future restoration costs discounted to present value.

3.2.15 Trade and other liabilities
Trade and other liabilities are classified as current or non-current based on the following principles:
- ✓ those due to be settled within 12 months of the end of the reporting period

- ✓ other payables, which do not meet the current liability conditions, are classified as non-current liabilities.

At the reporting date trade payables are measured at amortised cost (i.e. they are discounted using the effective interest method) and increased by any applicable late interest accrued.
Late interest is not accrued when a formal waiver is received from the counterparty. In all other cases such interest is accrued and recognised in accordance with the following principles:

- ✓ on an ongoing basis, based on interest notes received
- ✓ in estimated amounts, with such estimates based on comparison of interest charged in the past by a counterparty to the related amounts owed.

3.2.16 Contingent liabilities

A contingent liability is a possible future obligation, whose existence will be confirmed by the occurrence or nonoccurence of uncertain future events not wholly within the Group's control. These are also liabilities that arose from past events , but were not recognised in the financial statements because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised in the statement of financial position; they are however disclosed in the financial statements.

3.2.17 Revenue and costs

Revenue from the sale of products and goods is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the customer.
Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. Revenue is not recognised when significant doubts exist as to the collectibility of the amounts due or the reimbursement of costs, or as to the amounts of potential returns of goods and products.

Expenses are probable decreases in economic benefits in the form of outflows or depletions of assets or increases in liabilities and provisions.

Cost of sales comprises the production cost of products and services sold and the value of sold goods and materials.

Selling costs include, among others: sales commissions and the costs of advertising, promotion and distribution.

General and administrative expenses are expenses associated with activities of the entity's management or those of general functions.

The reporting period's results are also affected by **other operating income and expenses** indirectly related to the Group's core operations. The key items include:

- ✓ gains/ losses on disposal and liquidation of non-financial long-term assets,
- ✓ gains/ losses on sales of emission rights,
- ✓ recognition/ reversal of impairment losses (including allowances for doubtful receivables) and provisions (e.g. for retirement and disability benefits),
- ✓ revenue / expenses associated with construction contracts – when the outcome of the contract can be estimated reliably, contract revenue and expenses are recognised in accordance with the stage of completion of the contract. The stage of completion is determined by the comparing the work physically performed to the contracted work, or as a proportion between the costs incurred for work performed to date and the estimated total contract costs or completion of a physical proportion of the contract work. An expected loss on a construction contract should be recognised as an expense as soon as such loss is probable,
- ✓ income from rental of investment property is recognised in profit or loss on a straight-line basis over the lease term. Any lease incentives granted are an integral part of the net consideration agreed for the use of the asset,
- ✓ gains / losses on remeasurement of fair value of investment property.

Financial income/ expense relate to an entity's financing activities including the acquisition and disposal of equity, securities, drawing of loans and borrowings, issuance of debt securities. Accordingly, key items of financing activities include:

- ✓ interest on borrowings determined based on the effective interest method,
- ✓ interest earned by the Group on cash and cash equivalents (bank deposits and accounts loans granted and receivables) - accounted for in the profit and loss on accrual basis using the effective interest method,
- ✓ dividend income - recognised in profit or loss when the Group's right to receive payment is established,
- ✓ net foreign exchange gains or losses,
- ✓ gains/ losses on sales of financial assets,
- ✓ gains/ losses on derivatives.

3.2.18 Taxes

Current tax

Current tax receivables and liabilities for the current and prior periods is measured in the amount of the expected tax amount to be paid to tax authorities (recoverable from tax authorities) using tax rates and tax laws that are legally or substantively enacted at the reporting date.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the tax values of assets and liabilities and the carrying amounts recognised in the financial statements.
Deferred tax liability is recognised for all taxable temporary differences, unless the deferred tax liability arises from:

- ✓ the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit or
- ✓ unless the investor is able to control the timing of the reversal of temporary differences in respect of investments in subsidiaries associates and joint ventures and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences and for unused tax credits and tax losses carried forward to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised:

- ✓ unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit and
- ✓ deductible temporary differences in respect of investments in subsidiaries associates and joint ventures are recognised in statement of financial position only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of a deferred tax asset is reviewed at the end of every reporting period and is reduced to the extent that it is no longer probable that sufficient taxable income will be available against which the asset can be utilised. Any previously unrecognised deferred tax asset is reassessed at each reporting date and is recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.
Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the tax rates and laws that have been enacted at the reporting date or whose application in the future is certain at the reporting date.

Income tax related to items recognised outside profit or loss is itself recognised outside profit or loss: either in other comprehensive income when it relates to items recognised in other comprehensive income or directly in equity when it relates to items recognised directly in equity.
Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity.

3.2.19 Foreign currency receivables, liabilities and revenue

Receivables denominated in foreign currencies are recognised at the average NBP exchange rate effective on the working day immediately preceding the date of the transaction, unless a different exchange rate was indicated in the customs declaration or another binding document,
At the reporting date, receivables denominated in foreign currencies are translated at the average exchange rate established for that date by the National Bank of Poland except for prepayments made for deliveries which are ranslated using sell exchange rate of a bank effective on the payment date.

Liabilities denominated in foreign currencies are recognised at the NBP's average exchange rate effective on the last working day before the date of transaction.
At the reporting date foreign currency denominated liabilities are translated at the average exchange rate announced for that day by the National Bank of Poland except for received prepayments. Prepayments for deliveries received in foreign currencies are recognised at the buy exchange rate of a bank effective on the prepayment receipt date.
Currency translation differences arising upon the repayment of a liability or its translation (unrealised) are presented within financial income or expense

Revenue from the sales of products and goods is recognised in profit or loss, at the NBP's average exchange rate from the date preceding the date of invoice, when the significant risks and rewards of ownership have been transferred to the customer.

3.2.20 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and that the entity will comply with all relevant conditions of the grant. Grants are recognised as income in profit or loss on a systematic basis when the entity recognises, as expenses, the related costs that the grants are intended to compensate. Grants that relate to the acquisition of an asset are initially recognised at their fair value in deferred income and then reclassified into profit or loss as the asset is depreciated or amortised.

3.2.21 Discontinued operations and non-current assets held for sale

Non-current assets are classified as held for sale when their carrying amounts are expected to be recovered primarily through a sale transaction and when they are available for sale in their current condition with such transaction being highly probable.
A discontinued operation is a component of the Group's business that has been disposed of or is held for sale, and that represents:

- ✓ a separate major line of business,
- ✓ part of a co-ordinated plan to dispose of a separate major line of business or a geographical area of operations,
- ✓ a subsidiary acquired exclusively with a view to resale.

A component of the Group comprises operations and cash flows that can be distinguished clearly, both operationally and for financial reporting purposes. The above assets are measured at the lower of their carrying amount and net selling price.

3.2.22 Determination of fair values

Fair values have been determined for measurement and for disclosure purposes based on the following methods.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of other items of property, plant and equipment is based on market approach and cost approaches using quoted market prices for similar items when available. Where appropriate, fair value is based on depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation and obsolescence.

(ii) Intangible assets

The fair value of the Group's intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(iii) Investment property

The portfolio of investment property is appraised by an external independent valuator with proper professional qualifications and experience for the location and category of property appraised. The fair values of the items of investment property are based on their market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.
The fair value of investment property under construction is determined by estimating the fair value of the completed investment property and then deducting from that amount the estimated costs to complete the construction financing costs and a reasonable profit margin.

(iv) Inventory

The fair value of inventory acquired in a business combination is determined on a basis of its estimated selling price in the ordinary course of business less the estimated costs of preparation for sale, selling costs and a reasonable profit margin based on the effort required to complete and sell the inventory.

(v) Equity instruments and debt instruments

The fair value of equity and debt securities is determined by reference to their quoted bid price as at the reporting date or, if unquoted, determined using an appropriate valuation technique. Valuation techniques used include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(vi) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress but including receivables from service concession arrangements are estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when acquired in a business combination.

(vii) Derivatives

The fair value of forward exchange contracts is based on their quoted market price, if available. If a quoted market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). The fair value of interest swap contracts is based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument, and include adjustments to take account of the Company's and, when appropriate, the counterparty's, credit risk.

(viii) Non- derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities with no conversion option. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

3.2.23 Carbon dioxide emission rights
The following principles are applied in accounting for emission rights:

- ✓ The emissions rights received free of charge are recognised in the statement of financial position at the grant date and also in subsequent periods in their nominal amounts (nil). Any charges for granting the rights as well as applicable registration charges are recognised as deferred expenses or charged to income statement if not significant. These charges neither reflect nor determine the value of the rights.
- ✓ The payments made are charged to cost of sales in proportion to their use in a given settlement period.
- ✓ At the reporting date the number of rights granted for the period is compared to their actual utilisation; if the utilisation exceeds the number of rights granted for the year, a provision is recognised for the shortfall at the current market value unless the entity is able to prove that it will not be required to buy additional rights to cover the shortfall. The provision is charged to cost of sales.
- ✓ When additional rights are purchased on the market such rights are measured at purchase cost and presented as intangible assets. If at the reporting date the entity is able to prove that specific rights purchased on the market are held for resale and it is highly probable that benefits of these rights will be realised in a sale transaction, these specific rights are recognised at cost and presented in the financial statements as inventories.
- ✓ The acquired emission rights are not subject to amortisation as their residual values correspond to their purchase cost. However, at each reporting date the rights are subject to impairment testing with impairment losses recognised where necessary. Impairment losses are charged to other operating expenses.
- ✓ When rights are purchased to cover a shortfall upon the settlement of the annual limit, such rights at their book values are applied against the provision previously recognised for the shortfall.
- ✓ When the rights granted are sold, any proceeds of such sale are recognised according to general principles as other operating income. The related cost of sales is also recognised. Any profit on the sale of rights is presented within the profit on the sale of non-financial assets line in the income statement.
- ✓ FIFO method is applied to the utilisation of purchased rights and the cost of the rights sold.

3.3 Changes in accounting policies and the scope of disclosures
Apart from the changes in accounting policies resulting from new standards, amendments to standards and interpretations described above, the Group made following changes in accounting policies:

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 likwidacyjnej (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. Corresponding figures 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 remaining accounting policies presented above were consistently applied to all periods presented in these consolidated financial statements.

New Standards, amendments to Standards and Interpretations
The following new Standards, amendments to Standards and Interpretation are not yet mandatorily effective for the annual periods ended on 31 December 2014, and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective. The Group is currently evaluating the impact of the abovementioned standards, amendments to standards and interpretations, however, it is not expected to have a significant effect on its consolidated financial statements.

Standards, Interpretations and amendments to published Standards as adopted by the EU that are not yet effective for annual periods ended on 31 December 2014

IFRIC Interpretation 21 Levies – effective for annual periods beginning as of 1 January 2014 or after.
The interpretation provides guidance as to the identification of the obligating event giving rise to a liability, and to the timing of recognising a liability to pay a levy imposed by government.

Amendment to IAS 19 Employee Benefits - Defined Benefit Plans: Employee Contributions – effective for annual periods beginning as of 1 July 2014 or after.
The amendment applies to contributions to defined benefit plans made by employees or third parties.

Improvements to International Financial Reporting Standards (2010-2012) – effective for annual periods beginning as of 1 July 2014 or after. Annual Improvements to IFRSs (2010-2012) contain 8 amendments to 7 standards, with consequential amendments to other standards and interpretations.

Improvements to International Financial Reporting Standards (2011-2013) – effective for annual periods beginning as of 1 July 2014 or after. Annual Improvements to IFRSs (2011-2013) contain 4 amendments to standards, with consequential amendments to other standards and interpretations.

Standards and interpretations approved by International Accounting Standards Board not yet endorsed by the EU.

IFRS as adopted by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board ("IASB"), with the exception of the following standards, amendments to standards and interpretations, which as at 23 March 2015 had not yet been approved for application:

IFRS 9 Financial Instruments (2014) - effective for annual periods beginning as of 1 January 2018 or after.
The new standard replaces the guidance included in IAS 39 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets, including a model for calculating impairment. IFRS 9 eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables used to classify financial assets.

IFRS 14 Regulatory Deferral Accounts – effective for annual periods beginning as of 1 January 2016 or after.
Permits first time adopts of IFRS.
IFRS permits first time adopting entities to use its previous generally applied accounting policy to account for regulatory deferral accounts with certain changes.

Amendments to IFRS 11 Joint Arrangements – effective for annual periods beginning as of 1 January 2016 or after. The Amendments provide guidance on the accounting for the acquisition of an interest in a joint operation that constitutes a business. The acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in IFRS 11.

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - effective for annual periods beginning as of 1 January 2016 or after.
The amendments clarify that the use of revenue-based methods to calculate the depreciation/amortisation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

IFRS 15 Revenue from Contracts with Customers - effective for annual periods beginning as of 1 January 2017 or after. The Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Specifically, it replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture - effective for annual periods beginning as of 1 January 2016 or after. The Amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms.

Amendments to IAS 27 Separate Financial Statements - effective for annual periods beginning as of 1 January 2016 or after. The Amendments introduce an option for the entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements, in addition to the existing cost and fair value options.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates - effective for annual periods beginning as of 1 January 2016 or after. The Amendments address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture.

Improvements to IFRS 2012-2014 - effective for annual periods beginning as of 1 January 2016 or after. The Improvements to IFRSs (2012-2014) contains 4 amendments to standards, with consequential amendments to other standards and interpretations.

Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures - effective for annual periods beginning as of 1 January 2016 or after. The Amendments, related to financial reporting of investment entities, address the following matters:

- consolidation of intermediate investment entities,
- consolidated financial statements exemption for intermediate parents owned by investment entities
- policy choice to equity account for interests in investment entities.

Amendments to IAS 1 Presentation of Financial Statements - effective for annual periods beginning as of 1 January 2016 or after.
The amendment is part of disclosure initiative.

<u>Standards and interpretations that have been applied for the first time in 2014</u>
New standards, amendments to standards and interpretations that have been applied for the first time in preparing these consolidated financial statements.
The application of the below mentioned new and amended IFRS that have become effective from 1 January 2014 until the date when these financial statements were authorized for issue, did not have material effect on the current year figures but may have an impact on the settlement of the future transactions and agreements:

IFRS 10 Consolidated Financial Statements - The amendments introduced relate to new model of control analysis, of control assessment in relation do all entities, where the investments where incurred, including special purpose vehicles in the scope of SIC-12. The new standard includes also scope of disclosures and requirements relating to the preparation of consolidated financial statements.

IFRS 11 Joint Arrangements – IFRS 11 replaces IAS 31 Interests in Joint Ventures. The amendments introduced relate mainly to:
- carve out from the standard, those cases in which, although there is a separate vehicle for the joint arrangement, separation is ineffective in certain ways.
- carve out the possibility to apply proportionate consolidation.

IFRS 12 Disclosure of Interests in Other Entities - The amendments introduced relate to additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in other entities, joint arrangements, associates and unconsolidated structured entities.

Amendments to IFRS 10, IFRS 11 and IFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities - The amendments introduced relate to:
- the definition of the date of initial application of IFRS 10,
- limitation of the requirement to restate the comparatives to the period immediately preceding the date of initial application; this applies to the full suite of standards,
- requirement to disclose the impact of the change in accounting policy only for the period immediately preceding the date of initial application.

IAS 27 Separate Financial Statements (2011) - The amendments relate mainly to carry over the requirements to prepare the consolidated financial statements to IFRS 10 Consolidated Financial Statements.

IAS 28 Investments in Associates and Joint Ventures (2011) - The amendment made applies to an investment, or a portion of investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. Additional change relates to measurement of interests held in associates and joint ventures when significant influence or joint control ceases.

Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial assets and Financial Liabilities – The amendments introduced clarify the offsetting criteria to address inconsistencies in their application.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) – The amendments provide an exception to the consolidation requirements in IFRS 10 and require qualifying investment entities to measure their investments in controlled entities – as well as investments in associated and joint ventures – at fair value through profit or loss, rather than consolidating them. The amendments also set out disclosure requirements for investment entities.

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39 Financial Instruments: Recognition and Measurement) – The amendments made relate to the application of hedge accounting.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36 Impairment of Assets) - The amendments clarify when the recoverable amount should be disclosed. The amendments also require the additional disclosures when impairment for individual assets (including goodwill) or cash-generated units has been recognised or reversed in the period and recoverable amount is based on fair value less costs of disposal.

4 Judgements and estimates

The preparation of the financial statement in accordance with IFRS requires form the Management Board adoption of certain professional judgments, assumptions and estimates that affect the valuation of reported in the financial statements and notes to the financial statements assets, liabilities, revenues and expenses.

The estimates and associated with them assumptions are based on historical accuracy and various other factors that are considered to be reasonable under the specific circumstances, and their results provide a basis for professional judgment about the value of assets and liabilities that are not directly apparent from other sources. In other matters the Management Board bases its estimates on opinions of independent experts.

Actual value may differ from the estimated value. The estimates and associated with them assumptions are subject to the verification. Revisions of accounting estimates is recognised in the period in which the changes were made, only if it affects that period or the present and future in case they concern both the current and future periods.

The main estimates and judgments presented in this report relate to, inter alia, the following matters.

Investment property valuation. The CIECH Group presents investment property at fair value, recognising the fair value measurement in the statement of profit and loss. The CIECH Group has hired independent experts for the purpose of measuring the fair value of investment properties as at 31 December 2014. The property valuation has been made with:

- comparative method based on observable market data, including the price of comparable investment properties and adjusted with the specific factors such as the capability of the property, its location and condition, or
- income method (based on a discounted cash flow model) in the absence of comparable market data.

Key assumptions used in determining the fair value of investment property are presented in section II.5.

Impairment of property, plant and equipment. Impairment of assets occurs when the carrying amount of asset or cash-generating unit exceeds its recoverable value, defined as the fair value less costs to sell or value in use, depending on which is higher. The calculation of fair value less costs to sell is based on available data from transactions involving sales of similar assets on market conditions or by using observable market prices less costs necessary to be incurred by the sale of the asset. Value in use is determined using discounted cash flow model. The cash flows are based on financial plans covering a period of the next five years, excluding the effects of restructuring, or significant future investments that can improve the operating results of assets being part of the tested cash-generating unit.
The recoverable amount is sensitive to the discount rate used in the discounted cash flow model, as well as the expected future cash flows and growth rate adopted for the residual period. Key assumptions used in determining the recoverable amount are presented in sections II.19, II.21 and II.22.

Provisions. For measurement of the provisions the Group is required to make estimates, assumptions regarding discount rates, expected costs and payment terms. The amount of the provision for employee benefits is determined based on actuarial valuations performed by independent professional firms. By actuarial valuation estimates are made regarding the rotation in employment, wage growth, discount rates and inflation. Detailed information on the assumptions for the valuation of provisions are presented in sections II.34 and II.35.

Taxes. Deferred income tax is based on the assumption that future taxable profit will allow for its usage. In determining the amount of deferred tax assets, the CIECH Group subsidiaries base their calculations on estimates related to the term and the amount of future taxable income. Detailed information on these estimates related to the deferred tax assets are presented in section II.17.

Depreciation rates. These are determined on the basis of the expected useful lives of property, plant and equipment and intangible assets and are subject to annual verification. Detailed information on the used depreciation rates are presented in sections II.3.2.2 and II.3.2.4.

5 Determination of fair values

The following list presents the fair value of financial instruments.

	31.12.2014		31.12.2013	
PLN '000	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Cash and Cash equivalents	49,162	49,162	105,593	105,593
Shares	413	413	934	934
Loans granted	34,000	34,000	-	-
Trade receivables	267,902	267,902	421,918	421,918
Assets due to evaluation of derivatives	-	-	621	621
Long-term deposits	34	34	34	34
Factoring	13,440	13,440	16,215	16,215
Assets by category	**364,951**	**364,951**	**545,315**	**545,315**
Loans and borrowings	21,384	21,384	416	416
Debt securities issues	1,182,778	1,303,469	1,310,126	1,489,109
Trade liabilities	322,179	322,179	336,617	336,617
Liabilities due to evaluation of derivatives.	7,067	7,067	525	525
Finance lease liabilities	20,015	20,015	7,645	7,645
Sale and lease back liabilities	-	-	929	929
Factoring	669	669	8,001	8,001
Financial liabilities	**1,554,092**	**1,674,783**	**1,664,259**	**1,843,242**

The fair value of financial assets and liabilities corresponds with the amounts for which these instruments may be exchanged in a market transaction between well informed parties. The following assumptions were made in establishing the fair value:

- cash, trade receivables and liabilities are not measured at fair value - it is assumed that the carrying amount is the closest to fair value due to the short maturities of these instruments,
- shares fair value – due to lack of quotation of these assets on the market the fair value is approximated by historical cost reduced by potential impairment allowances,
- fair value of financial assets and liabilities recognised in the statement of financial position at amortised cost for which no active market exists was established as the present value of future cash flows discounted at market interest rate.

Evaluation to fair value is grouped according to three-level hierarchy:

- **Level 1** - fair value based on market listing stock exchange prices (unadjusted) offered for identical assets or liabilities on active markets
- **Level 2** – the CIECH Group measures derivatives at fair value by using measurement models for financial instruments and applying generally available interest rates currency exchange rates etc.
- **Level 3** - fair value estimated on the basis of various evaluation techniques which are not based on observable market inputs

Assets and liabilities measured at fair value

PLN '000	31.12.2014			31.12.2013		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets	**-**	**-**	**42,567**		**621**	**91,947**
Investment property	-	-	42,567	-	-	91,947
Hedging instruments	-	-	-	-	621	-
Liabilities	**-**	**(7,067)**	**-**	**-**	**(525)**	**-**
Hedging instruments	-	(7,067)	**-**	-	(525)	-
TOTAL	**-**	**(7,067)**	**42,567**	**-**	**96**	**91,947**

As at 31 December 2014 the CIECH Group held following material financial instruments measured at fair value: an interest rate swap contract, currency forward USD/PLN, currency forward EUR/USD.

The fair value of the interest rate swap contract is determined as a difference in the discounted interest rate cash flow (cash flow based on a floating rate, the so-called floating leg and a fixed rate, the so-called fixed leg). The input data for the method is the market data for interest rates provided by 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 contract as at 31 December 2013 amounted to net PLN -3,736 thousand (PLN 2,512 thousand - other non-current liabilities; PLN 1,224 thousand – other current liabilities). The fair value of the USD/PLN forward as at 31 December 2014 amounted to PLN -2,136 thousand, the fair value of the EUR/PLN forward as at 31 December 2014 amounted to PLN -1,195 thousand – total fair value of these financial instruments was presented in current liabilities. According to the fair value hierarchy, it is Level 2.

Investment properties are also measured at the fair value in the financial statement are also investment properties. According to the fair value hierarchy it is the level 3. Investment real estate portfolio is evaluated by external, independent property appraiser. In measuring the fair value of land under the perpetual usufruct located in Warsaw and Bydgoszcz a comparative method was applied. This approach means measuring the value through an analysis of recent sales or listings of comparable assets. These transactions or offers are adjusted in order to take into account differences of the valuated assets and the assets compare on the day of their sale, for example date of sale, location, area, technical status and other. According to the method of average price adjustments, estimating the property vale that is the subject of valuation is based on the average price adjustment of similar properties, that form the base for the comparison creating adjustment coefficients corresponding with different characteristics of these properties. The calculations are based on comparative properties, described by attributes influencing the level of properties prices and transaction prices of these properties.
For the valuation of buildings in Bydgoszcz an income method was used (investment approach) as the best method reflecting the nature of the property. The fair value was estimated as the market capitalization of net income using the market yield between 12% - 18%.

Valuation of tangible assets identified as technical infrastructure (including assets that are necessary for the keep properties operational which are not traded on the secondary market and - not being able to be separately leased - do not generate income) is synthetically included in the total value of investment property valuated under the income approach method.

The valuation of the fair value of investment property does not include transaction costs, which the entity might additionally bear, future capital expenditures regarding development or improvement of the investment property, as well as future benefits regarding those investments.
The verification of the fair value of investment properties is conducted at least once a year at the balance sheet date ending the financial year.

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

Financial Instruments not measured at fair value
The CIECH Group holds the issued foreign bonds, which book value as at 31 December 2014 amounted to PLN 1,023,647 thousand and their fair value amounts to PLN 1,143,469 thousand (this is Level 1 of fair value hierarchy).

The CIECH Group holds the issued domestic bonds, which book value as at 31 December 2014 amounted to PLN 159,132 thousand and their fair value amounts to PLN 160,000 thousand (this is Level 2 of fair value hierarchy).The Company recognised that the fair value of the issued bonds do not differed from the fair value due to the variable interest rate.

In the case of the remaining financial instruments held by the CIECH Group (classified mainly as cash, loans and receivables, financial liabilities measured at amortised cost and financial liabilities excluded from the scope of IAS 39) the fair value is close to the accounting value.

6 Financial risk management

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

The CIECH Group is exposed to the following financial risks:
- customers credit reliability risk ;
- liquidity risk;
- market risk including:
    - currency risk
    - interest rate risk
    - products and raw material price risk.

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

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

Interest rate risk
The Group finances its activity mainly through loans and bonds. The part of the costs of interest-bearing debt is dependent on the reference rate. This refers to bonds issued on 5 December 2012, with a total nominal value of PLN 320 million (actual debt amounts to PLN 160 million), a revolving loan that is made available under a credit agreement dated on 9 August 2013 in the amount of PLN 100 million and the leasing and factoring contracts. Therefore, the Group is exposed to risk of change in finance costs due to changing interest rates on existing debt. This may result in increased financial costs and consequently deterioration in the financial result. The risk is partially reduced by owned by CIECH Group assets (bank deposits) interest bearing in accordance to variable interest rate and concluding hedging transactions.

In 2014, the CIECH Group benefited from the interest rate swap transaction to hedge the variable interest rate levels applicable to the calculation of interest on the bonds issued on 5 December 2012. Hedged transaction securing indebtedness of nominal value at PLN 80 million and was concluded on March 2013.

The table below presents the consolidated statement of financial position items exposed to interest rate risk:

PLN '000	**31.12.2014** **Total carrying amount**	**31.12.2013** **Total carrying amount**
Fixed interest rate instruments	**(1,023,647)**	**(992,935)**
Financial liabilities	(1,023,647)	992,935
Floating interest rate instruments	**(117,335)**	**(219,627)**
Financial assets	83,196	105,626
Financial liabilities	(200,531)*	(325,253)*

**including PLN 80 million secured by the IRS*

The table below shows the effects of a change in the interest rate by 100 basis points in relation to the floating interest rate instruments presented in the statement of financial position.

PLN '000	**Statement of profit or loss**		**Equity***	
	increase by 100 bp	**decrease by 100 bp**	**increase by 100 bp**	**decrease by 100 bp**
31.12.2014				
Floating interest rate instruments	**(59)**	**59**	-	-
Interest rate swap transactions (IRS)	**-**	**-**	1,938	(2,022)
Cash flows sensivity (net)	**(59)**	**59**	1,938	(2,022)
31.12.2013				
Floating interest rate instruments	(1,396)	1,396	-	-
Interest rate swap transactions (IRS)	-	-	2,468	(2,597)
Cash flows sensivity (net)	**(1,396)**	**1,396**	2,468	(2,597)

** Do not include financial result on capital*

Currency risk
Currency risk is an integral component of commercial activity denominated in foreign currencies. Due to the nature of conducted import and export operations, the CIECH Group is subject to currency exposure related to the significant lead of export over import. Sources of currency risk which exposed companies within the Group in 2014 included: purchase of raw materials, product sales, bonds issued and cash in foreign currencies. Unfavourable changes in currency exchange rates may worsen the CIECH Group's financial results.

Foreign exchange risk analysis is focused on the level of operating cash flows. Soda Deutschland CIECH Group was excluded from the analysis since its functional currency is EUR and all reported operating cash flows of this company are performed in this currency.

In 2014, the CIECH Group used hedging contracts, such as forward options, to partially cover currency risk. The CIECH Group tries to hedge naturally the foreign currency exposure, including matching of currency flows arising from sales and purchases as well as strategic debt denominated in EUR, in order to fit it to the expected exposure to currency risk in operations.

The tables below present the maximum exposure of financial instruments to currency risk denominated in foreign currencies:

PLN '000	**31.12.2014**	
	EUR	**USD**
Trade receivables	83,751	39,471
Trade liabilities	(64,222)	(27,649)
Loans and borrowings	(21,384)	-
Bonds	(1,055,598)	-
Net value	**(1,057,453)**	**11,822**

PLN '000	**31.12.2013**	
	EUR	**USD**
Trade receivables	109,589	60,755
Trade liabilities	(101,843)	(27,225)
Loans and borrowings	(416)	-
Bonds	(1,026,958)	-
Net value	**(1,019,628)**	**33,530**

The table below presents the estimated currency exposure of the CIECH Group in euro as at 31 December 2014 due to financial instruments (excluding Soda Deutschland CIECH Group figures):

Exposure to currency risk in EUR	**('000 EUR)**	**Impact on the statement of profit or loss**	**Impact on statement of other comprehensive income**
Assets			
Loans granted to SDC Group	40,973	x	
Trade and other receivables	19,649	x	
Cash including bank deposits	1,926	x	
Liabilities		x	
Trade and other liabilities	(15,067)	x	
Loans borrowings and bonds (hedge accounting)	(249,917)		x
Hedging instruments: Forward	(23,250)		x
Total exposure	**(225,686)**		

The table contains an analysis of the sensitivity of individual statement of financial position items to exchange rate changes as at 31 December 2014.

Analysis of sensitivity to foreign exchange rate changes	**(PLN '000)***	**Impact on the statement of profit or loss**	**Impact on statement of other comprehensive income**
Currency items of statement of financial position	(2,024)	(65)	(2,089)
Hedging instruments: Forward	(233)	-	(233)

** Increase of EUR/PLN exchange rate by one grosz.*

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

The CIECH Group reduces price risk through regulating price policy concluding agreements with suppliers, hedging and insuring supplies and containing an appropriate price formula.

Credit risk
Credit risk means an exposure that the borrower will not fulfil the obligations stipulated in the agreement exposing the lender to financial loss.

From the CIECH Group's point of view, credit risk is linked to:
- trade receivables from customers,
- cash and bank deposits.

The CIECH Group is exposed to credit risk connected with the credit rating of customers being parties to products and goods sales transactions. That risk is limited by using internal procedures to establish amounts of credit limits for customers and to manage trade receivables (the Group use securities in form of letter of credit, bank guarantees, mortgages, receivables insurance and non-recourse factoring). Customers' creditworthiness is assessed and appropriate collateral is obtained from the borrowers, allowing for a reduction of potential losses in the case of failure to repay the debt. Credit risk assessment for customers is performed prior to concluding an agreement and periodically at subsequent supplies of goods in accordance with the binding procedures. The risk of the receivables portfolio is assessed weekly. On selected markets, where more risky terms of payment are applied, the Group's companies make use of services provided by companies specialising in insuring receivables. Credit risk connected with cash in bank and bank deposits is low as the CIECH Group enters into transaction with high-rating banks with high credit rating and stable market position.

According to the CIECH Group's Companies, assets not overdue and not covered by the provision are of high credit quality.

At the end of the reporting period, in the Group there was an external loan granted by CIECH Trading S.A. to Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej amounted to PLN 34,000 thousand.

The table below presents the maximum exposure of financial assets to credit risk as at the end of reporting period.

PLN '000	**31.12.2014**	**31.12.2013**
Cash and cash equivalents	49 162	105 593
Loans and receivables	315 376	438 788
TOTAL	**364 539**	**544 381**

The table below presents the maximum exposure of trade receivables and loans granted to credit risk as at the end of reporting period by operating and geographical segments.

PLN '000	**31.12.2014** **Trade receivables**	**31.12.2013** **Trade receivables**	**31.12.2014** **Loans granted**	**31.12.2013** **Loans granted**
Poland	76,391	176,560	34,000	-
European Union (excluding Poland)	158,616	205,631	-	-
Other European countries	5,455	15,357	-	-
Africa	3,560	18,462	-	-
Asia	15,953	5,183	-	-
Other regions	7,927	725	-	-
TOTAL	**267,902**	**421,918**	**34,000**	**-**

PLN '000	**31.12.2014 Trade receivables**	**31.12.2013 Trade receivables**	**31.12.2014 Loans granted**	**31.12.2013 Loans granted**
Soda segment	160,683	253,785	-	-
Organic segment	78,872	110,269	-	-
Silicates and Glass segment	16,309	33,369	-	-
Other activity	12,038	24,495	34,000	-
TOTAL	**267,902**	**421,918**	**34,000**	-

The table below presents trade receivables by age from maturity date.

PLN '000	**31.12.2014**	
	Total gross value of receivables	**Impairment loss**
Not overdue	244,796	2,585
Up to 1 month	21,339	284
1 to 3 months	2,060	23
3 to 6 months	1,298	310
6 months to 1 year	4,164	3,507
Over 1 year	30,222	29,269
TOTAL	**303,880**	**35,978**

PLN '000	**31.12.2013**	
	Total gross value of receivables	**Impairment loss**
Not overdue	347,057	2,677
Up to 1 month	63,063	-
1 to 3 months	10,180	1,149
3 to 6 months	2,237	662
6 months to 1 year	3,718	1,397
Over 1 year	24,678	23,130
TOTAL	**450,933**	**29,015**

Liquidity risk

The CIECH Group is exposed to risk connected with maintaining liquidity due to the considerable share of external financing (due to bond issued, overdraft facilities, working capital, facilities and lease agreements) in relation to operating results, the limited ability to obtain a new financing due to the existing high level of indebtedness and the risk of losing the existing long-term financing as a result of violating covenants stipulated in the bonds and loan agreements.

The following measures are applied to reduce liquidity risk:
- current monitoring of liquidity of the CIECH Group's companies,
- monitoring and optimization of the level of working capital,
- adjusting the level and schedule of capital expenditure,
- intragroup borrowings and sureties for the liabilities of the Group's companies,
- current monitoring of the fulfilment of the liabilities under the loans agreements conditions.

The Group debt financing is ensured by 5-year (in the case of Polish bonds) and 7-year maturity (in the case of bonds issued in foreign markets). In addition, the Group has available working capital of PLN 100 million, which is an additional source of current liquidity and working capital. Financing conditions are described in detail in section II.33.

Liquidity risk

The table below presents financial liabilities at face value grouped by maturity.

31.12.2014 *PLN '000*	Carrying amount	Contractual cash flows	Less than 6 months	6-12 months	1-3 years	3-5 years	Over 5 years
Other financial liabilities:	**1,527,010**	**2,082,044**	**399,380**	**55,178**	**380,680**	**1,246,806**	**-**
Trade liabilities	322,179	322,179	322,179	-	-	-	-
Loans and borrowings	21,384	21,384	21,384	-	-	-	-
Bonds	1,182,778	1,737,812	55,148	55,178	380,680	1,246,806	-
Factoring	669	669	669	-	-	-	-
Finance lease liabilities	**20,015**	**20,015**	2,254	1,909	6,666	3,667	5,519
Derivatives recognised in financial liabilities designated as hedging instruments	**7,067**	**7,197**	**3,576**	**1,010**	**2,611**	**-**	**-**
Financial liabilities	**1,554,092**	**2,109,256**	**405,210**	**58,097**	**389,957**	**1,250,473**	**5,519**

31.12.2013 *PLN '000*	Carrying amount	Contractual cash flows	Less than 6 months	6-12 months	1-3 years	3-5 years	Over 5 years
Other financial liabilities:	**1,655,160**	**2,362,587**	**396,983**	**60,569**	**242,207**	**546,216**	**1,116,612**
Trade liabilities	336,617	336,617	327,997	-	-	8,620	-
Loans and borrowings	416	416	416	-	-	-	-
Bonds	1,310,126	2,017,553	60,569	60,569	242,207	537,596	1,116,612
Factoring	8,001	8,001	8,001	-	-	-	-
Finance lease liabilities	**7,645**	**7,645**	**1,487**	**1,318**	**3,766**	**1,074**	**-**
Financial sale and lease back liabilities	**929**	**929**	**486**	**443**	**-**	**-**	**-**
Derivatives recognised in financial liabilities designated as hedging instruments	**525**	**525**	**285**	**240**	**-**	**-**	**-**
Financial liabilities	**1,664,259**	**2,371,686**	**399,241**	**62,570**	**245,973**	**547,290**	**1,116,612**

Detailed information concerning revenues and costs pertaining to financial instruments, recognised in the income statement has been presented in section II.16 i II.40

Risk management principles
CIECH S.A. actively manages operational and financial risk, striving to reduce the fluctuation of cash flows and maximise the Company's market value.

CIECH S.A.'s policy assumes natural hedging of imports and exports and hedging of up to 70% of net exposure to currencies exchange rate change by using derivatives and 100% exposure to interest rate risk.

In 2014 the Group concluded futures contracts to hedge currency risk (forward options).

Cash management
The CIECH Group cooperates with bank service providers of high credit rating and with substantial experience in the cash management area. Allocation of financial resources to the Group companies is performed through the use of intra-group loans, dividends payout by subsidiaries, participation in a cash management system (cashpooling) and increase of share capital in the subsidiaries.

7 Capital management

Capital structure management
The Group's capital structure consist of its debts, including bank loans and bonds presented in sections II.32, II.33 and II.36, cash and cash equivalents and equity attributable to shareholders of the parent entity including shares issued reserve capital and retained earnings.
The Group manages its capital in order to ensure that subsidiaries are able to continue their activity and at the same time maximise returns for stakeholders by optimising the debt to equity ratio. In 2013-2014 there were no changes in aims, principles and processes of the capital management.

8 Reporting segments

The CIECH Group's operating segments are designated on the basis of internal reports related to the components of the Group and are regularly reviewed by the Management Board, which is responsible for operating decisions which are aimed at allocating resources to segments and assessing the subsidiaries performance.
Information for a given operating segment may include sales of products and goods also included in the core product range of other divisions. Such items, however, are not significant for those divisions' management accounting.

The CIECH Group has been divided into the following operating segments:

Soda Segment – the most important manufactured goods in the scope of the segment products are: soda ash light and dense (the CIECH Group is the sole manufacturer of soda ash in Poland), vacuum salt baking soda and calcium chloride. The products of this segment are sold mainly by the dominant entity CIECH S.A. Production of the soda segment goods manufactured by the CIECH Group is implemented in Soda Polska CIECH S.A, Romanian company U.S Govora S.A. and in German company Sodawerk Stassfurt GmbH&Co. KG.

Organic Segment – the CIECH Group is a producer of variety of organic compounds manufactured by the companies: Z.Ch."Organika – Sarzyna" S.A. and CIECH Pianki Sp. z o.o. In 2014 it was producing among others polyurethane foams, epoxy resins and polyester resins. These products are used in the following industries: furniture, automotive, dyeing and electronics. The Group produces also plant protection products used in agriculture.

Silicates and Glass Segment includes mainly the products of VITROSILICON S.A. as well as of other manufacturers, exported under the trading activity of CIECH S.A., such as glass and soda glaze. Due to organizational reasons, this segment also includes trade in other goods, mainly sulphur. Glass products, which include glass packaging (lanterns and jars) as well as construction glass (glass hollow bricks) are produced within the Group. The goods made of glass are used in construction and food industries, and for production of headstone lamps.

Other activities segment covers mainly commodities and services rendered outside the Group mainly by CIECH S.A. and CIECH Trading S.A. and foreign companies outside the scope of base chemistry.

Accounting principles used in reporting segments are identical as applied the CIECH Group accounting policy in accordance to IFRS. The amount of transfers between segments is established on the base of actual data.
The Group financing (including finance expenses and incomes with the exception of interests on trade receivables and payables) and income tax are monitored on the Group level and are not allocated to particular segments.

Information on the Group geographical areas are established based on the Group's assets localisation.

Incomes and costs data as well as assets and liabilities data of particular CIECH Group operating segments for periods disclosed in statement are presented in the tables below.

Operational segments results are assessed by the CIECH S.A's Management Board on the base of sales revenues, EBIT operating result and EBIDTA.

OPERATING SEGMENTS OF THE CIECH GROUP

OPERATING SEGMENTS 01.01-31.12.2014 *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	2,026,028	793,773	350,557	73,542	-	-	-	3,243,900
Revenues from inter-segment transactions	27,919	11,555	5	25,093	-	-	(64,572)	-
Total revenues	**2,053,947**	**805,328**	**350,562**	**98,635**	-	**-**	**(64,572)**	**3,243,900**
Cost of sales	(1,570,398)	(696,164)	(270,576)	(72,709)	-	-	46,797	(2,563,050)
Gross profit/(loss) on sales	**483,549**	**109,164**	**79,986**	**25,926**	-	**-**	**(17,775)**	**680,850**
Selling costs	(131,833)	(35,198)	(50,809)	(8,214)	-	-	11,787	(214,267)
General and administrative expenses	(65,286)	(23,904)	(5,520)	(4,530)	-	(57,399)	6,262	(150,377)
Result on management of receivables	980	(8,657)	(144)	(10,434)	-	-	-	(18,255)
Result on other operating activities	33,955	(7,961)	325	(3,488)	*(1,532)*	-	(499)	22,332
Operating profit/(loss)	**321,365**	**33,444**	**23,838**	**(740)**	***(1,532)***	**(57,399)**	**(225)**	**320,283**
Exchange differences and interest on trade settlements	(4,272)	(4,028)	(11,342)	531	-	-	-	(19,111)
Group borrowing costs	-	-	-	-	-	(128,219)	-	(128,219)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	(20,228)	-	(20,228)
Share in profit of equity-accounted investees	251	-	-	-	-	-	-	251
Profit/(loss) before tax	**317,344**	**29,416**	**12,496**	**(209)**	***(1,532)***	**(205,846)**	**(225)**	**152,976**
Income tax								13,377
Net profit/(loss)								**166,353**
Amortisation/depreciation	155,672	33,049	11,864	112	-	3,790	-	204,487
EBITDA	477,037	66,493	35,702	(628)	*(1,532)*	(53,609)	(225)	524,770
*Normalized EBITDA**	*450,500*	*80,046*	*35,788*	*1,576*	*X*	*(53,609)*	*(225)*	*514,077*

**Normalised EBITDA for the period ended 31 December 2014 is calculated as EBITDA adjusted by untypical one-off events: impairment of assets: PLN 20.5 million, unused production capacity: PLN -12.8 million, discontinued operation results: PLN 7.8 million, investment real estate valuation to fair value: PLN -6.5 million, reorganisation costs PLN: -2.7 million, reversal of environmental provision: PLN 2.1 million, others: PLN 2.3 million.*

OPERATING SEGMENTS* 01.01-31.12.2013 *PLN '000*	**Soda Segment**	**Organic Segment**	**Silicates and Glass Segment**	**Other operations Segment**	*including: discontinued operations*	**Corporate functions - reconciliation item**	**Eliminations (consolidation adjustments)**	**TOTAL**
Revenues from third parties	1,978,884	832,795	335,782	353,559	*271,320*	-	-	3,501,020
Revenues from inter-segment transactions	64,686	14,470	7	30,129	-	-	(109,292)	-
Total revenues	**2,043,570**	**847,265**	**335,789**	**383,688**	***271,320***	**-**	**(109,292)**	**3,501,020**
Cost of sales	(1,652,986)	(745,557)	(264,683)	(324,608)	*(235,700)*	-	94,081	(2,893,753)
Gross profit/(loss) on sales	**390,584**	**101,708**	**71,106**	**59,080**	***35,620***	**-**	**(15,211)**	**607,267**
Selling costs	(119,790)	(30,306)	(51,002)	(25,844)	*(9,628)*	-	14,696	(212,246)
General and administrative expenses	(59,593)	(22,429)	(5,219)	(33,941)	*(27,506)*	(54,458)	988	(174,652)
Result on management of receivables	(1,152)	(1,018)	102	(11,616)	*(12,040)*	-	-	(13,684)
Result on other operating activities	(41,521)	2,511	1,811	(29,404)	*(28,005)*	-	(360)	(66,963)
Operating profit/(loss)	**168,528**	**50,466**	**16,798**	**(41,725)**	***(41,559)***	**(54,458)**	**113**	**139,722**
Exchange differences and interest on trade settlements	(12,852)	(12,132)	(10,884)	(27,960)	*(18,260)*	-	-	(63,828)
Group borrowing costs	-	-	-	-	-	(147,529)	-	(147,529)
Result on financial activity (non-attributable to segments)	-	-	-	-	-	65,048	-	65,048
Share in profit of equity-accounted investees	354	-	-	-	-	-	-	354
Profit/(loss) before tax	**156,030**	**38,334**	**5,914**	**(69,685)**	***(59,819)***	**(136,939)**	**113**	**(6,233)**
Income tax								45,793
Net profit/(loss)								**39,560**
Amortisation/depreciation	160,355	32,872	12,220	7,753	-	3,425	-	216,625
EBITDA	328,883	83,338	29,018	(33,972)	*(41,559)*	(51,033)	113	356,347
*Normalized EBITDA**	*384,650*	*81,906*	*28,314*	*1,645*	*X*	*(51,033)*	*113*	*445,595*

** Restated data, the change described in section II.3.3.*

*** Normalised EBITDA for the period ended 31 December 2013 is calculated as EBITDA adjusted by untypical one-off events: impairment of assets: PLN -211.5 million, TDI assets sell and transfer Agreement realisation: PLN 176.7 million, nonfinancial fixed assets sell: PLN 18.7 million, unused production capacity: PLN -62.3 million, reversal of compensation provision: PLN 48.7 million, reorganisation costs: PLN -18.4 million , recognition of environmental provision: PLN -9 million, materials and fixed assets liquidation: PLN -14.4 million, inventory deduction: PLN -4.5 million, investment real estate valuation to fair value: PLN –9.6 million, discontinued operation results: PLN -6.1 million others: PLN 2.7 million.*

ASSETS AND LIABILITIES BY OPERATING SEGMENTS

31.12.2014 *PLN '000*	**Soda Segment**	**Organic Segment**	**Silicates and Glass Segment**	**Other operations Segment**	**Corporate functions - reconciliation item**	**Eliminations (consolidation adjustments)**	**TOTAL**
Property, plant and equipment	1,607,011	348,524	77,907	200	3,096	-	2,036,738
Intangible assets	79,440	29,454	1,544	634	5,444	-	116,516
- goodwill	47,278	15,070	39	-	-	-	62,387
Investments in associates and jointly controlled entities measured under the equity method	4,944	-	-	-	-	-	4,944
Inventory	109,100	118,888	28,136	2,319	-	(673)	257,770
Trade receivables	173,716	80,832	16,172	16,495	-	(19,195)	268,020
Non-current assets classified as held for sale included in previous periods under segment assets.	-	-	368	3,015	-	-	3,383
Other assets held for sale	-	-	-	-	239	-	239
Other assets	-	-	-	-	518,087	-	518,087
Total assets	**1,974,211**	**577,698**	**124,127**	**22,663**	**526,866**	**(19,868)**	**3,205,697**
Trade liabilities	209,657	100,082	17,039	14,784	-	(19,383)	322,179
Other liabilities	-	-	-	-	1,898,044	-	1,898,044
Total liabilities	**209,657**	**100,082**	**17,039**	**14,784**	**1,898,044**	**(19,383)**	**2,220,223**

31.12.2013* *PLN '000*	**Soda Segment**	**Organic Segment**	**Silicates and Glass Segment**	**Other operations Segment**	**Corporate functions - reconciliation item**	**Eliminations (consolidation adjustments)**	**TOTAL**
Property, plant and equipment	1,432,714	310,080	66,644	52,736	838	-	1,863,012
Intangible assets	96,643	31,273	1,611	609	4,054	-	134,190
- *goodwill*	46,001	15,070	39	-	-	-	61,110
Investments in associates and jointly controlled entities measured under the equity method	4,769	-	-	-	-	-	4,769
Inventory	103,826	78,410	30,405	5,145	-	(448)	217,338
Trade receivables	280,311	113,189	33,264	29,423	-	(32,621)	423,566
Non-current assets classified as held for sale included in previous periods under segment assets.	-	-	368	-	-	-	368
Other assets held for sale	-	-	-	-	2,340	-	2,340
Other assets	-	-	-	-	565,145	-	565,145
Total assets	**1,918,263**	**532,952**	**132,292**	**87,913**	**572,377**	**(33,069)**	**3,210,728**
Trade liabilities	210,380	70,323	29,540	56,574	-	(30,200)	336,617
Other liabilities	-	-	-	-	1,976,822	-	1,976,822
Total liabilities	**210,380**	**70,323**	**29,540**	**56,574**	**1,976,822**	**(30,200)**	**2,313,439**

** Restated data, the change described in section II.3.3.*

Other information related to operating segments

01.01.-31.12.2014 *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	14,152	11,473	870	17,592	*9,033*	-	(133)	43,954
Reversed impairment losses	35,493	1,913	2,239	211	-	-	(133)	39,723
Recognised impairment losses (non-attributable to segments) including:	-	-	-	-	-	30,469	-	30,469
- discontinued operations	-	-	-	-	-	*24,602*	-	*24,602*
Reversed impairment losses (non-attributable to segments)	-	-	-	-	-	1,107	-	1,107
Interest income attributable to segments	297	1,961	104	594	-	-	(123)	2,833
Interest income recognised under Corporate Functions	-	-	-	-	-	3,179	-	3,179
Interest cost attributable to segments	1,539	16	3	72	-	-	(123)	1,507
Interest cost recognised under Corporate Functions	-	-	-	-	-	123,738	-	123,738

01.01.-31.12.2013* *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	43,687	6,165	4,803	225,200	*224,590*	-	-	279,855
Reversed impairment losses	2,707	22,502	1,603	29,480	*28,409*	-	-	56,292
Recognised impairment losses (non-attributable to segments) including:	-	-	-	-	-	33,414	-	33,414
- discontinued operations	-	-	-	-	-	*31,511*	-	*31,511*
Reversed impairment losses (non-attributable to segments) including:	-	-	-	-	-	778	-	778
- discontinued operations	-	-	-	-	-	*119*	-	*119*
Interest income attributable to segments	406	1,058	423	1,230	*38*	-	(251)	2,866
Interest income recognised under Corporate Functions	-	-	-	-	-	3,863	-	3,863
Interest cost attributable to segments	1,346	4	37	3,966	*3,686*	-	(251)	5,102
Interest cost recognised under Corporate Functions	-	-	-	-	-	144,106	-	144,106

** Restated data, the change described in section II.3.3.*

Sales - segments

PLN'000	01.01.-31.12.2014	01.01.-31.12.2013*	Change	Change %	% of total revenues in 2014	% of total revenues in 2013
Soda segment, including:	**2,053,947**	**2,043,570**	**10,377**	0.5%	**63.3%**	**58.4%**
Dense soda ash	1,103,225	1,102,937	288	0.0%	34.0%	31.5%
Light soda ash	378,206	333,254	44,952	13.5%	11.7%	9.5%
Salt	166,953	162,338	4,615	2.8%	5.1%	4.6%
Baking soda	150,367	127,241	23,126	18.2%	4.6%	3.6%
Electricity	84,645	121,472	(36,827)	(30.3%)	2.6%	3.5%
Gas*	44,478	44,034	444	1.0%	1.4%	1.3%
Calcium chloride	23,868	19,563	4,305	22.0%	0.7%	0.6%
Other products	74,286	68,045	6,241	9.2%	2.3%	1.9%
Revenues from inter-segment transactions	27,919	64,686	(36,767)	(56.8%)	0.9%	1.8%
Organic segment, including:	**805,328**	**847,265**	**(41,937)**	(4.9%)	**24.8%**	**24.2%**
Resins	336,899	388,868	(51,969)	(13.4%)	10.4%	11.1%
Polyurethane foams	231,025	207,420	23,605	11.4%	7.1%	5.9%
Plant protection chemicals	204,825	163,179	41,646	25.5%	6.3%	4.7%
Plastics	75	42,751	(42,676)	(99.8%)	0.0%	1.2%
Other products	20,949	30,577	(9,628)	(31.5%)	0.6%	0.9%
Revenues from inter-segment transactions	11,555	14,470	(2,915)	(20.1%)	0.4%	0.4%
Silicates and Glass segment, including:	**350,562**	**335,789**	**14,773**	4.4%	**10.8%**	**9.6%**
Sulphur	165,721	162,961	2,760	1.7%	5.1%	4.7%
Glass blocks and packaging – lanterns and jars	82,307	84,706	(2,399)	(2.8%)	2.5%	2.4%
Sodium silicate in lamps	61,565	52,305	9,260	17.7%	1.9%	1.5%
Sodium water glass	21,904	22,282	(378)	(1.7%)	0.7%	0.6%
Other products	19,060	13,528	5,532	40.9%	0.6%	0.4%
Revenues from inter-segment transactions	5	7	(2)	(28.6%)	0.0%	0.0%
Other operations segment	**98,636**	**383,688**	**(285,052)**	(74.3%)	**2.8%**	**11.0%**
Revenues from third parties	73,543	353,559	(280,016)	(79.2%)	2.3%	10.1%
Revenues from inter-segment transactions	25,093	30,129	(5,036)	(16.7%)	0.8%	0.9%
Consolidation adjustments	**(64,572)**	**(109,292)**	44,720	(40.9%)	(2.0%)	(3.1%)
TOTAL	**3,243,900**	**3,501,020**	**(257,119)**	(7.3%)	**100.0%**	**100.0%**
Discounted operations	-	*271,320*	*(271,320)*	(100.0%)	*0.0%*	*7.7%*

** Restated data, the change described in section II.3.3.*

INFORMATION ON GEOGRAPHICAL AREAS

01.01.-31.12.2014 *PLN '000*	**Poland**	**European Union (excluding Poland)**	**Other European countries**	**Africa**	**Asia**	**Other regions**	**TOTAL**
Sales revenue	1,263,147	1,559,344	180,200	160,621	48,472	32,116	**3,243,900**

01.01.-31.12.2013* *PLN '000*	**Poland**	**European Union (excluding Poland)**	**Other European countries**	**Africa**	**Asia**	**Other regions**	**TOTAL**
Sales revenue	1,304,763	1,607,958	259,335	204,966	97,692	26,306	**3,501,020**

**Restated data*

31.12.2014 *PLN '000*	**Poland**	**European Union (excluding Poland)**	**Other European countries**	**Africa**	**Asia**	**Other regions**	**TOTAL**
Non-current assets other than financial instruments	1,255,034	795,957	-	-	-	-	2,050,991
Deferred income tax assets	124,315	3,967	-	-	-	-	128,282
Other assets	565 172	397,107	39,688	3,357	19,671	1,429	1 026 424
Total assets	**1 944 521**	**1,197,031**	**39,688**	**3,357**	**19,671**	**1,429**	**3 205 697**

31.12.2013* *PLN '000*	**Poland**	**European Union (excluding Poland)**	**Other European countries**	**Africa**	**Asia**	**Other regions**	**TOTAL**
Non-current assets other than financial instruments	1,240,444	771,251	-	-	-	-	2,011,695
Deferred income tax assets	71,337	6,285	-	-	-	-	77,622
Other assets	586,812	465,148	44,606	18,528	5,297	1,020	1,121,411
Total assets	**1,898,593**	**1,242,684**	**44,606**	**18,528**	**5,297**	**1,020**	**3,210,728**

** Restated data, the change described in section II.3.3.*

9 Discontinued operations and assets and liabilities connected with assets classified as held for sale

Discontinued operations

The accounting policies applied in the preparation of a discontinued operation's income statement are the same as the accounting policies of the Group. The results of discontinued operations include:

For the period from 1 January 2014 to 31 December 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 the other operations segment. Due to the lack of the company's data as at the date of declaration of its bankruptcy, its deconsolidation from consolidated statement of the CIECH Group was based on the figures recognised in the current year's opening balance.
- Allowances on receivables and loans granted to Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej in the amount of PLN 33,962 thousand,
- Deferred tax asset from temporary differences between the carrying value and tax value of shares in Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej in the amount of PLN 58,668 thousand.
- Result on sales of Sagrera Sp. z o.o. of PLN 37 thousand.

All above transactions were presented in other operations segment.

01.01.-31.12.2014 *PLN '000*	Result on discontinued operations	Result on disposal of discontinued operations	**Total discontinued operations**
Other operating income	-	7,828	7,828
Other operating expenses	(9,360)	-	(9,360)
Financial income	37	-	37
Financial expenses	(24,602)	-	(24,602)
Profit/(loss) before tax	**(33,925)**	**7,828**	**(26,097)**
Income tax	58,668	-	58,668
Net profit/(loss)	**24,743**	**7,828**	**32,571**
Earnings per share (in PLN)	0,47	0,15	0,62

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

01.01.-31.12.2014 *PLN '000*	**Infrastruktura Kapuściska Group**
Sales revenues	-
Consolidated cost	(7,828)
Gross profit	7,828
Income tax	-
Consolidated net result on disposal	**7,828**

Analysis of assets and liabilities over which control was lost:

31.12.2014 *PLN '000*	**Infrastruktura Kapuściska Group**
Total assets	**136,282**
Non-current assets	**109,231**
Property, plant and equipment	42,164
Investment property	53,010
Intangible assets	49
Right of perpetual usufruct	14,008
Current assets	**27,051**
Inventory	1,179
Trade and other receivables	12,145
Cash and cash equivalents	11,387
Non-current assets held for sale	2,340
Total liabilities	**144,189**
Non-current liabilities	**144,189**
Loans and borrowings	57,400
Provision for employee benefits	604
Other provisions	39,414
Trade and other liabilities	46,771

31.12.2014 *PLN '000*	**Infrastruktura Kapuściska Group**
Disposed net assets	**(7,907)**
% share in net assets	99.00%
Consolidated cost of net assets disposed off	**(7,828)**

For the period between 1 January and 31 December 2013:

- results of the Infrastruktura Kapuściska Group in relation with the discontinuation of TDI and ECH production in Infrastruktura Kapuściska S.A. – operations presented in the other operations segment,
- results of Alwernia S.A. for the period of participation in the Group, as well as the consolidated result on the disposal of this entity,
- 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.

01.01.-31.12.2013 *PLN '000*	Result on discontinued operations	Result on disposal of discontinued operations	**Total discontinued operations**
Sales revenues	**271,320**	-	**271,320**
Cost of sales	(235,700)	-	(235,700)
Gross profit/(loss) on sales	**35,620**	-	**35,620**
Other operating income	279,484	-	279,484
Selling costs	(9,628)	-	(9,628)
General and administrative expenses	(27,506)	-	(27,506)
Other operating expenses	(313,412)	(6,117)	(319,529)
Net financial income/expenses	(11,525)	-	(11,525)
Profit/(loss) before tax	**(46,967)**	**(6,117)**	**(53,084)**
Income tax	(49,861)	-	(49,861)
Net profit/(loss)	**(96,828)**	**(6,117)**	**(102,945)**
Earnings per share (in PLN)	(1.81)	(0.12)	(1.93)

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

01.01.-31.12.2013 *PLN '000*	**Alwernia S.A.**	**Boruta Zachem Kolor Sp. z o.o.**
Sales revenues	42,723	5,200
Consolidated cost	(48,853)	(5,187)
Gross profit	(6,130)	13
Income tax	-	-
Consolidated net result on disposal	**(6,130)**	**13**

Payment received:

01.01.-31.12.2013 *PLN '000*	**Alwernia S.A.**	**Boruta Zachem Kolor Sp. z o.o.**
Received cash and cash equivalents	42,723	5,200

Analysis of assets and liabilities over which control was lost:

31.12.2013 *PLN '000*	**Alwernia S.A.***	**Boruta Zachem Kolor Sp. z o.o.**
Total assets	**109,293**	**8,722**
Non-current assets	**22,808**	**809**
Property, plant and equipment	13,329	809
Intangible assets	9	-
Deferred income tax assets	9,470	-
Current assets	**86,485**	**7,913**
Inventory	25,903	1,839
Trade and other receivables	55,402	2,812
Cash and cash equivalents	5,180	3,262

31.12.2013 *PLN '000*	**Alwernia S.A.***	**Boruta Zachem Kolor Sp. z o.o.**
Total liabilities	**60,253**	**3,535**
Non-current liabilities	**17,593**	-
Finance lease liabilities	65	-
Provision for employee benefits	434	-
Other provisions	13,340	-
Deferred income tax liability (gross)	3,754	-
Current liabilities	**42,660**	**3,535**
Loans and borrowings	8,138	-
Income tax liabilities	1,217	-
Provision for employee benefits	1,790	845
Other provisions	418	-
Trade and other liabilities	31,017	2,690
Finance lease liabilities	80	-
Disposed net assets	**49,040**	**5,187**
% share in net assets	99.62%	100%
Consolidated cost of net assets disposed off	**48,853**	**5,187**

**Before the sale assets and liabilities of the company were recognised in assets held for sale position*

Cash flows of discontinued operations:

01.01.-31.12.2013 *PLN '000*	**Alwernia S.A.**	**Boruta Zachem Kolor Sp. z o.o.**
Net cash flows from operating activities	12,363	413
Net cash flows from investment activities	(2,185)	14
Net cash flows from financial activities	(14,960)	427

Assets and liabilities classified as held for sale

As at 31 December 2014 the CIECH Group presented the following assets under the item "Non-current assets classified as held for sale":

- VITROSILICON Spółka Akcyjna presented property, plant and equipment in the amount of PLN 368 thousand (land located in Iłowa) redundant from the point of view of the enterprise; a prospective purchaser of the land is now being sought. These assets are included in the segment of silicates and glass;
- CIECH Trading S.A. presented the installation acquired from Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej (total carrying value of PLN 3,015 thousand). These assets are presented in the other operations segment.
- CIECH Nieruchomości S.A. presented an investment property amounted to PLN 239 thousand. These assets are presented in the other operations segment.

As at 31 December 2013 the CIECH Group showed the following assets under the item "Non-current assets classified as held for sale":

- VITROSILICON S.A. showed property, plant and equipment in the amount of PLN 368 thousand (land located in the town of Iłowa) redundant from the point of view of the enterprise; a prospective purchaser of the land is now being sought. These assets were included in the segment of silicates and glass;
- Infrastruktura Kapuściska S.A. w upadłości presented:
    - shares in the 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 assets were included in the other operations segment.

The following list presents the main items of assets and liabilities held for sale:

PLN '000

ASSETS CLASSIFIED AS HELD FOR SALE	**31.12.2014**	**31.12.2013**
Property, plant and equipment	3,383	368
Investment property	239	1,406
Short-term investments	-	934
TOTAL	**3,622**	**2,708**

10 The Group's composition
List of companies covered by the Group's consolidated financial statements

The consolidated financial statements include the financial statements of the following companies / sub groups.

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

Company/Group name	Consolidation method as at 31.12.2014 and CIECH S.A.'s control.	Consolidation method as at 31.12.2013 and CIECH S.A.'s control.	Share in equity as at 31.12.2014	Share in equity as at 31.12.2013	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 sulphur. - 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					
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.; since 25 February 2015 Centrum Badawczo-Rozwojowe Ciech 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. – fully consolidated on the level of the CIECH Group	100%	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					
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 31.12.2014 and CIECH S.A.'s control.	Consolidation method as at 31.12.2013 and CIECH S.A.'s control.	Share in equity as at 31.12.2014	Share in equity as at 31.12.2013	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.	93.76%	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			- production of other basic inorganic chemicals, - wholesale of chemical products, - power generation and distribution, - freight transport services,
5) Soda Polska Ciech S.A.	Fully consolidated subsidiary of CIECH S.A.	Lower – tier parent	100%	100%	
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%	
5.2) Sagrera Sp. z o.o.	Indirect subsidiary of CIECH S.A. – fully consolidated on the level of the CIECH Group. The company was sold on 18 September 2014.	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	-	100%	
5.3) Cerium Sp. z o.o.	Indirect subsidiary of CIECH S.A. – fully consolidated on the level of the CIECH Group	-	100%	-	- the company is the sole general partner of Cerium Sp. z o.o. S.K.A.; its main objective is to manage the activities of Cerium Sp. z o.o. SKA

Company/Group name	Consolidation method as at 31.12.2014 and CIECH S.A.'s control.	Consolidation method as at 31.12.2013 and CIECH S.A.'s control.	Share in equity as at 31.12.2014	Share in equity as at 31.12.2013	Business
5.4) Cerium Sp. z o.o. S.K.A.	Indirect subsidiary of CIECH S.A. – fully consolidated on the level of the CIECH Group	-	100%	-	- conducting financial activity in particular with regard to direct lending and leasing of property, plant and equipment to the CIECH Group member companies.
6) CIECH-POLSIN PRIVATE LIMITED	Fully consolidated subsidiary of CIECH S.A. The Company in liquidation.	Fully consolidated subsidiary of CIECH S.A.	98.00%	98.00%	- wholesale and retail sale of a variety of goods in the Far East markets.
7) VITROSILICON Spółka Akcyjna	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	100%	100%	- manufacture of other basic inorganic chemicals, - manufacture of household and technical glassware, - manufacture of plastic packaging goods, - manufacture of other plastic products.
8) Przedsiębiorstwo Transportowo-Usługowe TRANSCLEAN Sp. z o.o.	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	100%	100%	- international transport of liquid chemicals, - tank truck and rail cisterns wash
Organika-Sarzyna Group	Fully consolidated lower- tier Group	-			
9) Zakłady Chemiczne „Organika-Sarzyna” S.A.	Lower-tier parent	Fully consolidated subsidiary of CIECH S.A.	99.64%	99.64%	- manufacture of plastics, - manufacture of pesticides and other chemical products,
9.1) Verbis KAPPA Sp. z o.o.	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier.	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier.	99.64%	99.64%	- the company is the sole general partner of Verbis KAPPA Sp. z o.o. SKA - other financial intermediation.
9.2) Verbis KAPPA Sp. z o.o. SKA	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier.	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier.	99.64%	99.64%	- other financial intermediation,
9.3) Algete Sp. z o.o.	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier.	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier.	99.64%	99.64%	- property management services.
10) 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.
11) 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.

Company/Group name	Consolidation method as at 31.12.2014 and CIECH S.A.'s control.	Consolidation method as at 31.12.2013 and CIECH S.A.'s control.	Share in equity as at 31.12.2014	Share in equity as at 31.12.2013	Business
12) Verbis ETA Sp. z o.o.	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	100%	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
13) Verbis ETA Sp. z o.o SKA	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	100%	100%	- conducting financial activities, particularly direct lending to CIECH Group subsidiaries
Infrastruktura Kapuściska Group		Fully consolidated lower - tier Group			The former core business: - manufacture of organic and other inorganic chemicals, - manufacture and sales of plastics, - manufacture of plastic plates, sheets, tubes and profiles, - manufacture of dyes and pigments, - services of installation, repairs and maintenance of general purpose machinery, not elsewhere classified 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.
14) Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej (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. On 15 September the company's shares were sold to Sagrera Sp. z o.o.	Lower-tier parent	-	99.00%	
14.1) 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%	The core business pursuant to the resolution of the EGM of Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej of 7 December 2012 is as follows: - 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; - 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, - water collection, treatment and supply, - collection and purifying of sewage.
14.2) ZACHEM Epichlorohydryna Sp. z o.o. w likwidacji	-	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	-	99.00%	
14.3) ZACHEM Energetyka Sp. z o.o.	-	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	-	99.00%	
14.4) ZACHEM Park Sp. z o.o. w likwidacji	-	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	-	99.00%	
Soda Deutschland CIECH Group	Fully consolidated lower- tier Group	Fully consolidated lower- tier Group			- manufacture of other basic inorganic chemicals, - wholesale of chemical products, - production and distribution of electricity.
15) Soda Deutschland CIECH GmbH	Lower-tier parent	Lower-tier parent	100%	100%	
15.1) Sodawerk Holding Stassfurt GmbH	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	100%	100%	
15.1.1) Sodawerk Stassfurt Verwaltungs GmbH	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	100%	100%	

Company/Group name	Consolidation method as at 31.12.2014 and CIECH S.A.'s control.	Consolidation method as at 31.12.2013 and CIECH S.A.'s control.	Share in equity as at 31.12.2014	Share in equity as at 31.12.2013	Business
15.1.2) Sodawerk Stassfurt GmbH&Co.KG	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	100%	100%	
15.1.3) KWG GmbH	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	Indirect subsidiary of CIECH S.A. – full consolidation at lower tier	100%	100%	
15.1.4) Kaverngesellschaft Stassfurt GbmH	Indirect associate of CIECH S.A. -measurement under the equity method at lower tier.	Indirect associate of CIECH S.A. – measurement under the equity method at lower tier.	50%	50%	

11 Joint operation and acquisition of non-controlling interests

On 24 June 2014, the Extraordinary General Meeting of US Govora S.A. adopted a resolution to increase the share capital through the subscription of 120,000,000 pcs. of new shares of 0.25 RON/share. Offering was addressed to the shareholders of US Govora S.A. A total of 21,682 pcs. of shares was cancelled because they were not covered by the minority shareholders. As a result of the disproportionate increase in the share capital of US Govora S.A. the minority interest in the company fell from 7.09% to 6.81% after the share capital increase. At the same time as a result of this transaction the equity of the parent shareholders decreased by PLN 31,567 thousand.

12 Significant subsidiaries with non-controlling interests

The following table presents financial information on subsidiaries with non-controlling interests:

The percentage share of interest held by non-controlling shareholders:	**31.12.2014**	**31.12.2013**
S.C. Uzinele Sodice Govora - CIECH Chemical Group S.A.	6.24%	7.09%
Organika Sarzyna S.A.	0.36%	0.36%
Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej	-	1.00%

Non-controlling interests at the end of the period	**31.12.2014**	**31.12.2013**
S.C. Uzinele Sodice Govora - CIECH Chemical Group S.A.	(10,962)	(15,584)
Organika Sarzyna S.A.	1,271	1,199
Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej	-	(208)
Other non-controlling interests	391	394
Total	**(9,300)**	**(14,199)**

Net profit/(loss) attributable to non-controlling shareholders	**01.01.-31.12.2014**	**01.01.-31.12.2013**
S.C. Uzinele Sodice Govora - CIECH Chemical Group S.A.	(903)	(8,636)
Organika Sarzyna S.A.	72	17
Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej	-	(1,296)
Other	68	28
Total	**(763)**	**(9,887)**

Condensed financial information related to the significant subsidiaries with non-controlling interests are presented below. The information represent amounts before intercompany eliminations.

Condensed statement of profit or loss for 01.01.-31.12.2014	**S.C. Uzinele Sodice Govora - CIECH Chemical Group S.A.**	**Organika Sarzyna S.A.**	**Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej**
Sales revenues	268,417	549,021	-
Cost of sales	(253,174)	(457,439)	-
Other operating income	51,732	14,185	-
Selling costs	(5,516)	(30,639)	-
General and administrative expenses	(9,953)	(19,423)	-
Other operating expenses	(8,905)	(28,115)	-
Operating profit/(loss)	**42,601**	**27,590**	**-**
Net financial income/(expenses)	(48,357)	(3,382)	-
Profit/(loss) before tax	**(5,756)**	**24,208**	**-**
Income tax	4,741	4,286	-
Net profit/(loss)	**(10,496)**	**19,922**	**-**

Condensed statement of profit or loss for 01.01.-31.12.2013	**S.C. Uzinele Sodice Govora - CIECH Chemical Group S.A.**	**Organika Sarzyna S.A.**	**Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej**
Sales revenues	294,737	539,981	59,984
Cost of sales	(261,562)	(467,559)	(55,271)
Other operating income	21,537	27,123	144,113
Selling costs	(35,928)	(21,051)	(2,762)
General and administrative expenses	(12,940)	(18,583)	(23,723)
Other operating expenses	(64,080)	(25,676)	(305,269)

Condensed statement of profit or loss for 01.01.-31.12.2013	S.C. Uzinele Sodice Govora - CIECH Chemical Group S.A.	Organika Sarzyna S.A.	Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej
Operating profit/(loss)	**(58,236)**	**34,235**	**(182,928)**
Net financial income/(expenses)	(60,147)	(2,986)	78,261
Profit/(loss) before tax	**(118,384)**	**31,249**	**(104,667)**
Income tax	3,717	(2,520)	18,662
Net profit/(loss)	**(122,101)**	**33,769**	**(123,329)**

Condensed statement of financial situation as at 31.12.2014	S.C. Uzinele Sodice Govora - CIECH Chemical Group S.A.	Organika Sarzyna S.A.	Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej
Property, plant and equipment	157,229	291,314	-
Right of perpetual usufruct	-	27,831	-
Intangible assets	234	13,935	-
Investment property	-	6,145	-
Other long-term investments	-	8,447	-
Total non-current assets	**157,463**	**347,672**	**-**
Inventory	14,435	91,672	-
Trade and other receivables	38,577	84,776	-
Cash and cash equivalents	8,173	6,079	-
Other current assets	-	2,538	-
Total current assets	**61,185**	**185,065**	**-**
Total assets	**218,649**	**532,737**	**-**
Total equity	**(466,980)**	**349,867**	**-**
Loans, borrowings and other debt instruments	388,868	-	-
Other non-current liabilities	33,113	16,658	-
Total non-current liabilities	**421,981**	**16,658**	**-**
Loans, borrowings and other debt instruments	100,852	16,607	-
Lease liabilities	-	43,163	-
Trade and other liabilities	130,718	104,519	-
Provisions (short-term provisions for employee benefits and other provisions)	32,078	1,923	-
Total current liabilities	**263,648**	**166,212**	**-**
Total liabilities	**685,629**	**182,870**	**-**
Total equity and liabilities	**218,649**	**532,737**	**-**

Condensed statement of financial situation as at 31.12.2013	S.C. Uzinele Sodice Govora - CIECH Chemical Group S.A.	Organika Sarzyna S.A.	Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej
Property, plant and equipment	105,545	262,160	42,164
Right of perpetual usufruct	-	28,220	14,008
Intangible assets	327	15,746	49
Investment property	-	6,145	53,010
Other long-term investments	-	8,447	-
Other non-current assets	1,585	1,182	-
Total non-current assets	**107,456**	**321,900**	**109,231**
Inventory	13,770	68,401	1,179
Trade and other receivables	76,085	76,877	12,145
Cash and cash equivalents	1,325	4,469	11,387
Other current assets	-	-	2,340
Total current assets	**91,180**	**149,747**	**27,051**
Total assets	**198,636**	**471,647**	**136,282**
Total equity	**(472,285)**	**329,869**	**(7,907)**
Loans, borrowings and other debt instruments	379,993	25,800	-
Other non-current liabilities	51,464	21,393	-
Total non-current liabilities	**431,457**	**47,193**	**-**
Loans, borrowings and other debt instruments	69,686	192	57,400
Trade and other liabilities	136,801	87,664	46,771

Condensed statement of financial situation as at 31.12.2013	S.C. Uzinele Sodice Govora - CIECH Chemical Group S.A.	Organika Sarzyna S.A.	Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej
Provisions (short-term provisions for employee benefits and other provisions)	32,977	3,285	40,018
Other current liabilities	-	3,444	-
Total current liabilities	**239,464**	**94,585**	**144,189**
Total liabilities	**670,921**	**141,778**	**144,189**
Total equity and liabilities	**198,636**	**471,647**	**136,282**

Condensed statement of cash flows for 01.01.-31.12.2014	S.C. Uzinele Sodice Govora - CIECH Chemical Group S.A.	Organika Sarzyna S.A.	Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej
Operating activities	9,885	20,776	-
Investment activities	(21,991)	(9,813)	-
Financial activities	18,954	(9,353)	-
Change in cash and cash equivalents	**6,847**	**1,610**	**-**

Condensed statement of cash flows for 01.01.-31.12.2013	S.C. Uzinele Sodice Govora - CIECH Chemical Group S.A.	Organika Sarzyna S.A.	Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej
Operating activities	(9,698)	34,482	(150,519)
Investment activities	(7,895)	(12,470)	103,805
Financial activities	12,912	(26,543)	53,500
Change in cash and cash equivalents	**(4,681)**	**(4,531)**	**6,786**

13 Investments in associates and jointly-controlled entities measured under the equity method

CIECH S.A. holds a 50% indirect share in Kaverngesellschaft Stassfurt mbH. It is a jointly-controlled company measured under the equity method at the lower-tier group level. Soda Deutschland CIECH Group (50% direct share in Kaverngesellschaft Stassfurt mbH). This company is not listed on the stock market so the fair value of these investments is not published. Balance sheet days and reporting periods of associate companies are in accordance with accepted by the Group.

The following table presents the carrying amounts of investments in associates and jointly-controlled entities measured under the equity method:

PLN '000

INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES	31.12.2014	31.12.2013
Investments in associates and jointly-controlled entities	4,944	4,769
Share in net profit of associated entities measured under the equity method	251	354

The table below presents condensed information related to investment in Kaverngesellschaft Stassfurt mbH:

	Kaverngesellschaft Stassfurt mbH	
PLN '000	**31.12.2014**	**31.12.2013**
Share in the equity	**50%**	**50%**
Non-current assets	669	816
Current assets	4,687	4,512
Equity	3,060	2,870
Non-current liabilities	-	174
Current liabilities	2,296	2,284
Sales revenue	11,807	7,272
Profit before tax	504	988
Income tax	-	(278)
Net result	504	710

14 Sales Revenues

PLN '000

SALES REVENUES	01.01.-31.12.2014	01.01.-31.12.2013
Revenues from sales of products and services	2,817,567	3,098,623
- products	2,790,530	3,041,791
- services	27,037	56,832
Revenues from sales of goods and materials	426,333	402,397
- goods	423,704	384,594
- materials	2,629	17,803
Net sales of products, goods and materials	**3,243,900**	**3,501,020**
including discontinued operations	-	*271,320*

15 Cost of sales

PLN '000

COST OF SALES	01.01.-31.12.2014	01.01.-31.12.2013
Cost of manufacture of products and services sold	2,171,250	2,495,894
Cost of sold goods and materials sold	387,543	391,212
Reversal of impairment losses on inventory	(5 746)	(7,743)
Recognition of impairment losses on inventory	10 003	14,390
Cost of sales	**2 563 050**	**2,893,753**
including discontinued operations	-	*235,700*

16 Other income and expenses

16.1 Other operating icome

PLN '000

OTHER OPERATING INCOME	01.01.-31.12.2014	01.01.-31.12.2013
Grants	7,954	8,087
Rents/lease revenues	1,663	3,133
Gain on disposal of non-financial non-current assets	216	60,183
Reversal of impairment allowances on receivables	1,772	3,024
Reversal of impairment losses on property, plant and equipment and intangible assets	35,212	45,524
Reversal of provisions on employee benefits	8,327	5,143
Reversal of other provisions	11,071	73,458
Profit on sales of emission rights	-	4,965
Penalty fees and compensations received	2,971	4,013
Income from liquidation of current and non-current assets	774	5,857
Valuation of investment property in fair value	2,288	2,426
Revenues from caverns	3,414	1,348
Other services	4,915	3,899
Profit from sales of discontinued operations	7,828	13
Sales of market rights	-	135,196
Other	14,584	10,743
TOTAL	**102,989**	**367,012**
including discontinued operations	*7,828*	*279,484*

As at 31 December 2014 the CIECH Group made the premise assessment originated both from external and internal sources of information of indicators of impairment. As a result of this analysis the company S.C. Uzinele Sodice Govora – CIECH Chemical Group S.A. made estimation of recoverable value. The Company made evaluation to fair value reduced by selling costs. On this basis, the impairment allowances were made in amount of PLN 35,052 thousand.

Grants
Grants included in liabilities as at 31 December 2014 amounted to PLN 94,682 thousand (compared to PLN 97,655 thousand as at 31 December 2013).

Grants recognised in the income statement in the reporting period amounted to PLN 7,945 thousand (PLN 8,087 thousand in the comparable period) amortised over time in proportion to the amortisation of capitalised development costs to which they relate.

The CIECH Group companies receive grants for research and development activities, purchase of property, plant and equipment and for adapting investment projects to environmental requirements. The grants are mainly received by the CIECH Group companies from the European Regional Development Fund.

The most significant grants are as follow:
- grant for the project “Construction of an installation of gas desulphurisation at CHP Janikowo” at Soda Polska CIECH S.A. received in 2013 in the amount of PLN 15,904 thousand pursuant to a grant agreement executed with the National Fund for Environmental Protection and Water Management in 2009;
- grant received in 2010 by Soda Polska CIECH S.A. in the amount of PLN 13,443 thousand in connection with the implemented investment project “Development of CKTI boilers at CHP Janikowo in order to adjust it to environmental requirements – CKTI boiler No. 2” based on an agreement with National Fund for Environmental Protection and Water Management signed in 2009.
- grant received by Soda Polska CIECH S.A. to co-finance the project “Development of CKTI boiler No. 3 in order to adjust CHP Janikowo to environmental requirements” in the amount of PLN 9,591 thousand (PLN 1,419 thousand in 2012 and PLN 8,172 thousand in 2013) based on an agreement with National Fund for Environmental Protection and Water Management signed in 2012.
- grant received in 2014 by Soda Polska CIECH S.A. in the amount of PLN 2,971 thousand to co-finance the project “Reduction of dust emission in EC Janikowo through boiler electrofilters modernisation of OP-140 no. 4 and 5”, based on the agreement with National Fund for Environmental Protection and Water Management signed in 2012.
- grant for the project „The performance of an energy audit in Soda Polska CIECH Spółka Akcyjna” in Soda Polska CIECH S.A. received in 2014 in the amount of PLN 270 thousand, based on the agreement with National Fund for Environmental Protection and Water Management signed in 2013.
- grant for the project „Reduction of dust emission in EC Inowrocław through boiler electrofilters modernisation of OP-110 no. 1 and 3” in Soda Polska CIECH S.A. received in 2014 in the amount of PLN 992 thousand ”, based on the agreement with National Fund for Environmental Protection and Water Management signed in 2014. The total amount of the grant resulting from the signed agreement account for PLN 3,120 thousand.
- grant for the project „Reduction of dust emission in EC Inowrocław through boiler electrofilters modernisation of OP-110 no. 2 and 4” in Soda Polska CIECH S.A. received in 2014 in the amount of PLN 992 thousand ”, based on the agreement with National Fund for Environmental Protection and Water Management signed in 2014. The total amount of the grant resulting from the signed agreement accounts for PLN 3,120 thousand.
- grant for the project „Expansion of decantation and filtration node of a distillation sludge in Plant Inowrocław” in Soda Polska CIECH S.A., based on the agreement with National Fund for Environmental Protection and Water Management signed in 2014. The total amount of the grant resulting from the signed agreement account for PLN 10,929 thousand.
- grant for the project „Construction of innovative installation of production material MCPA and MCPP-P” in Z.Ch. Organika-Sarzyna S.A., received in the amount of PLN 39,997 thousand (PLN 9,294 thousand in 2011, PLN 28,662 thousand in 2012, PLN 2,041 thousand in 2013), based on the agreement with Polish Agency for Enterprise Development signed in 2010.
- grant for the project „Packaging glass BarvaGlass – Vitrosilicon transforms visions into reality” in Vitrosilicon S.A., received in the amount of PLN 7,537 thousand (PLN 6,973 thousand in 2011, PLN 564 thousand in 2012), based on the agreement with Polish Agency for Enterprise Development signed in 2012.

Other forms of grants
In 2014 two companies of the CIECH Group were granted a permit to run a business in the Special Economic Zone. In May 2014, the area of Soda Polska Ciech S.A.’s Plant in Inowrocław was covered by the status of the Pomeranian Special Economic Zone. Due to the inclusion of the Plant into the SEZ and obtaining two permits to conduct a tax exempt economic activity, the company acquired the right to corporate income tax relief until 2026 up to PLN 180 million. In June 2014 the area of Z.Ch. Organika-Sarzyna S.A. was covered by the status of the Krakow Special Economic Zone - Kraków Technology Park. Due to the inclusion of the company’s area into the SEZ and obtaining a permit to conduct a tax exempt economic activity, the company acquired the right to corporate income tax relief until 2026 up to PLN 63 million. The Group entities will be entitled to corporate income tax reliefs if the conditions set in the permits to run a business in the SEZ are met.

Construction contracts
Soda Deutschland Ciech Group, in accordance with IAS 11 “Construction Contracts”, attributes revenues and costs connected with contracts concerning cavern desalination to particular periods in which the works were conducted.

The methods used to determine the stage of completion of contracts:

- **For Project 1** - The stage of completion is assessed by reference to surveys of work performed.
- **For Project 2** - The contract includes sale of mining rights, land and preparation of four gas cavern (S113 to S116). The contract's stage of completion is based on percentage of contract costs incurred to date in relation to total estimated cost of the contract.

Revenues recognised in income statement for 2014 represent the amount of the expected sales revenues multiplied by the percentage of completion of the contract in the period.

The results on construction contracts recognised in other operating income or expenses for the period amounted to:

- For Project 1 - 0
- For Project 2 – revenue PLN 2,792 thousand (EUR 657 thousand)

In the prior period these values amounted to:

- For Project 1 – 0
- For Project 2 – revenue PLN 1,348 thousand (EUR 320 thousand)

The receivables relating to the construction contract recognised in assets amounted to:

- For Project 1 - PLN 1,969 thousand (EUR 462 thousand)
- For Project 2 – PLN 78,264 thousand (EUR 18,362 thousand)

In the prior period these receivables amounted to:

- For Project 1 - PLN 1,916 thousand (EUR 462 thousand)
- For Project 2 - PLN 69,727 thousand (EUR 16,813 thousand)

The amount of prepayments received due to the ongoing contracts amounted to PLN 46 thousand (in the comparable period of PLN 494 thousand). The total amount of costs incurred and recognised profits (less recognised losses) due to ongoing contracts for the period of duration of these contracts amounted to PLN 130,597 thousand (in the comparable period of PLN 125,142 thousand).

16.2 Other operating expenses

PLN '000

OTHER OPERATING EXPENSES	01.01.-31.12.2014	01.01.-31.12.2013
Costs related to investment property	1,064	2,980
Recognition of impairment losses on receivables	20,027	16,630
Recognition of impairment losses on property, plant and equipment and intangible assets	14,698	239,474
Recognition of impairment losses on rights of perpetual usufruct of lands	-	9,360
Recognition of provisions on employee benefits	2,536	3,255
Recognition of other provisions	8,719	34,341
Liquidation costs of property, plant and equipment	793	13,189
Liquidation costs of materials	293	1,192
Amortisation/depreciation	692	750
Costs of idle assets and production capacity	12,793	62,282
Costs of remediating the effects of fortuitous events	1,904	618
Fortuitous events	47	76
Penalties and compensations paid	2,790	3,214
Restructuring costs	2,728	18,486
Valuation of investment property in fair value	8,742	12,028
Costs related to past activities	35	7,387
Costs of abandoned investment	21	-
Receivables written-off	7,343	15
Loss on sales related to discontinued operations	-	6,130
Costs in relations to caverns	622	-
Other dismissals	1,348	3,568
Other	11,717	12,684
TOTAL	**98,912**	**447,659**
including discontinued operations	*9,360*	*319,529*

As at the 31 December 2014 the CIECH Group made assessment originated both from external and internal sources of information of impairment indicators of assets. As a result of this analysis the company S.C. Uzinele Sodice

Govora – CIECH Chemical Group S.A. made estimation of recoverable value. The Company made the reversal of impairment allowances in amount of PLN 28,781 thousand.
Moreover, in the year 2013 as a result of a conducted agreement with BASF as well as the recognition of this transaction in the profit or loss, the company Infrastruktura Kapuściska S.A. recognised additional allowances of assets in the amount of PLN 173,470 thousand. As at 31 December 2014, taking the additional allowances resulting from the valuation of assets to their fair value in Infrastructure Kapuściska w upadłości likwidacyjnej into consideration, additional changes in impairment allowances were recognised which per balance amounted to PLN 10,115 thousand.

16.3 Cost by kind

PLN '000

COST BY KIND	01.01.-31.12.2014	01.01.-31.12.2013
Amortisation	203,795	215,654
Consumption of materials and energy	1 543,737	1,847,043
Employee benefits	300,572	345,053
External services	382,456	430,541
including discontinued operations	-	*146,921*

PLN '000

EMPLOYEE BENEFITS	01.01.-31.12.2014	01.01.-31.12.2013
Payroll	242,671	274,628
Social security and other benefits	54,624	66,269
Expenditure on retirement benefit and jubilee awards (including provisions)	759	3,466
Expenditure on defined retirement benefits	1,755	-
Other	763	690
TOTAL	**300,572**	**345,053**
including discontinued operations	-	*74,114*

16.4 Financial income

PLN '000

FINANCIAL INCOME	01.01.-31.12.2014	01.01.-31.12.2013
Interest	3,772	4,991
Gain on valuation of derivatives	-	102
Dividends and shares in profit	1,095	50
Foreign exchange gains net	805	20,237
Reversal of impairment losses	898	778
Decrease in provisions due to change in discount rate	122	6,928
Other	1,716	1,136
TOTAL	**8,408**	**34,222**

16.5 Financial expenses

PLN '000

NET FINANCIAL EXPENSES/INCOME	01.01.-31.12.2014	01.01.-31.12.2013
Interest	125,246	149,207
Foreign exchange losses net	-	7,092
Loss on disposal of financial assets	-	320
Recognition of impairment losses on non-current investments and investments in equity accounted associates	22,430	1,319
Recognition of impairment losses on current investments	2,173	915
Recognition of other impairment losses	-	62
Factoring commissions	2,978	2,958
Bank fees and commissions	7,712	7,288
Recognised provisions	2,180	-
Increase in provisions due to change in discount rates	3,506	8,276
Costs of discounting of liabilities	4,166	1,643
Costs of sureties and guarantees	-	524
Other	5,575	927
TOTAL	**175,966**	**180,531**

**Recognition of impairment of loan granted to Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej*

16.6 Research and development costs

The total amount of expenditures on research and development expensed in the period, as not meeting the capitalisation criteria, amounted to PLN 1,997 thousand (PLN 1,802 thousand the prior period).

16.7 Components of other comprehensive revenue

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

PLN '000	01.01.-31.12.2014			01.01.-31.12.2013		
	Before tax	**Tax**	**After tax**	**Before tax**	**Tax**	**After tax**
Currency translation differences (foreign companies)	29,973	875	30,848	(14,354)	47	(14,307)
Cash flow hedge	(26,986)	5,127	(21,859)	(11,256)	2,139	(9,117)
Valuation of actuarial provisions	(256)	69	(187)	74		74
Other	100	-	100	-	-	-
Other comprehensive income net of tax	2,831	6,071	8,902	(25,536)	2,186	(23,350)

Income tax and reclassification adjustments in other comprehensive income

Other comprehensive income before tax PLN '000	change in the period	**01.01.-31.12.2014**	change in the period	**01.01.-31.12.2013**
Currency translation differences (foreign companies)	-	**29,973**	-	**(14,354)**
- remeasurement for the current period	29,973	**-**	(14,354)	**-**
Cash flow hedge	-	**(26,986)**	-	**(11,256)**
- fair value remeasurement in the period	(42,091)	**-**	(12,641)	**-**
- reclassification to profit or loss	15,105	**-**	1,385	**-**
Valuation of actuarial provisions	-	**(256)**	-	**74**
- remeasurement for the current period	(256)		74	
Other	-	**100**	-	**-**
- remeasurement for the current period	100	**-**	-	**-**
Income tax attributable to other components of other comprehensive income	-	**6,071**	-	**2,186**
- accrued for the current period	8,941	**-**	2,449	**-**
- reclassification to profit or loss	(2,870)	**-**	(263)	**-**
Other comprehensive income net of tax	-	**8,902**	-	**(23,350)**

17 Income tax, deferred tax assets and liability

The main components of tax expense include:

PLN '000

THE MAIN COMPONENTS OF TAX EXPENSE (TAX INCOME)	01.01.-31.12.2014	01.01.-31.12.2013
Current income tax	**18,493**	**17,980**
Income tax for the reporting period	10,419	18,636
Adjustment to tax for previous years	8,075	(656)
Deferred tax	**(31,870)**	**(63,772)**
Origination/reversal of temporary differences	(37,527)	(82,885)
Recognition of tax losses not recognised in previous years	-	(12,005)
Deferred tax assets, not recognised	5,657	31,118
INCOME TAX RECOGNISED IN INCOME STATEMENT	**(13,377)**	**(45,793)**

PLN '000

INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME	01.01.-31.12.2014	01.01.-31.12.2013
Cash flow hedging	5,127	2,139
Net currency at translation differences	875	47
Remeasurement of actuarial provisions	69	
TOTAL	**6,071**	**2,186**

The following represents a reconciliation of income tax calculated by applying the currently enacted statutory tax rate to the Group's pre-tax financial result to income tax calculated based on the effective tax rate:

EFFECTIVE TAX RATE	01.01-31.12.2014	01.01-31.12.2013
Profit (loss) before taxes	**152,976**	**(6,233)**
Income tax based on currently enacted tax rate	**29,066**	**(1,184)**
Difference due to the application of tax rates of other tax jurisdictions	(701)	1,320
Withholding tax unrealized	418	-
Tax effect of revenues which are not revenues according to tax regulations (permanent difference)	(31,575)	(27,832)
Tax effect of costs which are not obtaining costs according to tax regulations (permanent difference)	33,715	51,428
Recognition of assets arising from temporary differences from previous years	(56,668)	-
Current income tax adjustment of previous years	8,075	(656)
Deferred tax asset from tax losses from previous years	12,417	12,677
Tax losses from statement periods from which deferred tax asset was not included	1,778	3,660
Reorganisation activity tax effect	(8,515)	(69,829)
Other	614	(15,377)
Income tax recognised In profit and loss statement	(13,377)	(45,793)
EFFECTIVE TAX RATE	**(8.7%)**	**735%**

Deferred income tax

Deferred income tax is attributable to the following items:

PLN '000

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITY	31.12.2014			31.12.2013		
	asset	liability	net value	asset	liability	net value
Property, plant and equipment	2,827	111,183	(108,356)	40,468	99,851	(59,383)
Intangible assets	41,670	3,717	37,953	42,810	1,648	41,162
Right of perpetual usufruct	-	5,289	(5,289)	1,778	5,359	(3,581)
Investment property	1,162	1,532	(370)	-	11,871	(11,871)

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITY	31.12.2014			31.12.2013		
	asset	liability	net value	asset	liability	net value
Financial assets	33,335	2,827	30,508	32,168	3,351	28,817
Inventory	2,799	-	2,799	2,946	84	2,862
Trade and other receivables	2,563	30,080	(27,517)	1,621	26,365	(24,744)
Provisions for employee benefits	1,705	1,083	622	3,361	6	3,355
Other provisions	16,276	-	16,276	13,850	-	13,850
Tax losses carried forward	60,640	-	60,640	64,599	-	64,599
Foreign exchange differences	5,928	(5,796)	11,724	1,200	(6,879)	8,079
Liabilities	22,190	13	22,177	10,552	2,589	7,963
Other	1,168	4,716	(3,548)	-	10	(10)
Deferred tax assets/liability	**192,263**	**154,644**	**37,619**	**215,353**	**144,255**	**71 098**
Set - off of deferred tax assets/ liability	(56,163)	(56,163)	-	(59,677)	(59,677)	-
Unrecognised deferred tax assets	(7,818)	-	(7,818)	(78,054)	-	(78,054)
Deferred tax assets/liability recognised in the statement of financial position	**128,282**	**98,481**	**29,801**	**77,622**	**84,578**	**(6,956)**

PLN '000

CHANGE IN TEMPORARY DIFFERENCES IN THE PERIOD	As at 01.01.2014	Change in temporary differences recognised in income statement	Change in temporary differences recognised in equity capital	Foreign exchange differences	As at 31.12.2014
Property, plant and equipment	(255,610)	(238,286)	-	(4,356)	(498,252)
Intangible assets	195,865	(21,932)	-	543	174,476
Right of perpetual usufruct	(18,844)	(8,987)	-	-	(27,831)
Investment property	(52,941)	60 537	-	-	7,596
Financial assets	156,099	(674)	7,163	(4)	162,584
Inventory	15,138	(326)	-	-	14,811
Trade and other receivables	(87,754)	(9,840)	-	(2,530)	(100,124)
Provisions for employee benefits	17,286	(12,442)	362	(58)	5,149
Other provisions	68,411	(6,049)	-	882	63,244
Tax losses carried forward	321,945	(3,755)	-	983	319,173
Foreign exchange differences	42,527	(772)	24,425	-	66,180
Liabilities	46,262	58,452	-	318	105,032
Other	(58)	(18,619)	-	-	(18,677)
TOTAL	**448,326**	**(202,693)**	**31,950**	**(4,222)**	**273,361**

PLN '000

CHANGE IN TEMPORARY DIFFERENCES IN THE PERIOD	As at 01.01.2013	Change in temporary differences recognised in income statement	Change in temporary differences recognised in equity capital	Foreign exchange differences	As at 31.12.2013
Property, plant and equipment	(343,233)	89,876	-	(2,253)	(255,610)
Intangible assets	3,391	192,356	-	118	195,865
Right of perpetual usufruct	(28,779)	9,935	-	-	(18,844)
Investment property	(111,429)	58,488	-	-	(52,941)
Financial assets	10,318	145,783	-	(2)	156 099
Inventory	16,571	(1,434)	-	-	15,138
Trade and other receivables	(106,922)	20,228	-	(1,060)	(87,754)
Provisions for employee benefits	53,850	(36,565)	-	2	17,286
Other provisions	55,943	12,133	-	335	68,411
Tax losses carried forward	407,210	(86,490)	-	1,225	321,945
Foreign exchange differences	(10,172)	41,096	11,603	-	42,527
Liabilities	17,462	29,760	(96)	(864)	46,262
Other	(58)	-	-	-	(58)
RAZEM	**(35,847)**	**475,164**	**11,507**	**(2,499)**	**448,326**

Dividend payment to the shareholders of the CIECH Group has no effect on deferred tax.
The CIECH Group companies which recognised deferred tax assets in respect of tax loss carried forward, on a basis of their tax budgets predict that sufficient taxable profits will be realised within 5 years against which the Group can fully utilise the benefits therefrom.

18 Earnings per share

Basic earnings per share is the net profit for the year attributable to ordinary shareholders of the parent divided by the weighted average number of ordinary shares outstanding during the year.
Diluted earnings per share is the net profit for the year attributable to ordinary shareholders of the parent divided by the weighted average number of ordinary shares outstanding during the year adjusted for the effects of all dilutive potential ordinary shares.

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

PLN '000	**01.01.-31.12.2014**	**01.01.-31.12.2013**
Net profit (loss) from continuing operations attributable to the shareholders of the parent	134,545	151,125
Net profit (loss) from discontinued operations attributable to the shareholders of the parent	32,571	(101,678)
Net profit (loss) attributable to the shareholders of the parent used in calculation of basic earnings per share	167,116	49,447
Net profit (loss) attributable to the shareholders of the parent used in calculation of diluted earnings per share	167,116	49,447
Pcs.		
Weighted average number of issued ordinary shares used in calculation of basic and diluted earnings per share	52,699,909	52,699,910

19 Property, plant and equipment

PLN '000

MOVEMENTS IN PROPERTY PLANT AND EQUIPMENT 01.01.-31.12.2014	Land	Buildings offices and land and water engineering facilities	Machinery and equipment	Means of transport	Other tangible fixed assets	Tangible fixed assets under construction	**TOTAL**
Gross value of property, plant and equipment at the beginning of the period	**82,717**	**945,609**	**2,135,232**	**94,903**	**44,904**	**171,075**	**3,474,440**
Purchase	-	9,778	25,211	20,244	472	359,171	**414,876**
Reclassification	(2,890)	35,312	101,945	2,071	2,788	(205,834)	**(66,608)**
Capitalized finance costs	-	-	-	-	-	8,101	**8,101**
Exchange differences	2,159	5,788	21,918	360	328	928	**31,481**
Sales	(262)	(3,468)	(4,266)	(795)	(2,042)	(101)	**(10,934)**
Liquidation	-	(1,281)	(11,142)	(12)	(237)	-	**(12,672)**
Changing the Group's structure	-	(144,129)	(94,864)	(3,531)	(4,540)	(85,881)	**(332,945)**
Other increases/decreases	-	-	(6,596)	-	-	-	**(6,596)**
Purchase	-	(27,528)	(15,810)	(17,906)	(2,755)	(1)	**(64,000)**
Gross value of property plant and equipment at the end of the period	**81,724**	**820 081**	**2,151,628**	**95,334**	**38,918**	**247,458**	**3,435,143**
Accumulated depreciation at the beginning of the period	**7,112**	**356,461**	**908,039**	**68,236**	**34,740**	**-**	**1,374,588**
Depreciation for the period (due to)	**197**	**(23,342)**	**57,824**	**(12,689)**	**(4,435)**	**-**	**17,555**
Depreciation charge	-	57,873	120,140	6,307	3,048	-	**187,368**
Reclassification	197	1,542	8,258	243	267	-	**10,507**
Exchange differences	-	(982)	(1,508)	(718)	(1,104)	-	**(4,312)**
Sales	-	(685)	(10,362)	(12)	(317)	-	**(11,376)**
Liquidation	-	(53,513)	(37,447)	(1,496)	(3,047)	-	**(95,503)**
Changing the Group's structure	-	(27,577)	(21,257)	(17,013)	(3,282)	-	**(69,129)**
Accumulated depreciation at the end of the period	**7,309**	**333,119**	**965,863**	**55,547**	**30,305**	**-**	**1,392,143**
Impairment losses at the beginning of the period	**5,981**	**96,134**	**52,814**	**1,163**	**110**	**80,638**	**236,840**
Recognition	-	-	-	-	-	115	**115**
Reversal	(6,096)	(27,202)	(1,388)	(345)	(16)	(165)	**(35,212)**
Exchange differences	115	513	26	7	-	-	**661**
Sales	-	-	-	(5)	-	-	**(5)**
Liquidation	-	(538)	(321)	-	-	-	**(859)**
Changing the Group's structure	-	(68,907)	(50,966)	(820)	(94)	(74,491)	**(195,278)**
Impairment losses at the end of the period	**-**	**-**	**165**	**-**	**-**	**6,097**	**6,262**
Carrying amount of property, plant and equipment at the beginning of period	**69,624**	**493,014**	**1,174,379**	**25,504**	**10,054**	**90,437**	**1,863,012**
Carrying amount of property, plant and equipment at the end of the period	**74,415**	**486,962**	**1,185,600**	**39,787**	**8,613**	**241,361**	**2,036,738**

MOVEMENTS IN PROPERTY PLANT AND EQUIPMENT 01.01.-31.12.2013	Land	Buildings offices and land and water engineering facilities	Machinery and equipment	Means of transport	Other tangible fixed assets	Tangible fixed assets under construction	**TOTAL**
Gross value of property, plant and equipment at the beginning of the period	**78,240**	**922,271**	**2,115,794**	**111,342**	**45,174**	**265,298**	**3,538,119**
Purchase	3,453	554	19,372	218	1,824	152,089	177,510
Reclassification	53	74,725	142,160	2,902	1,173	(250,564)	(29,551)
Capitalized finance costs	-	-	-	-	-	5,202	5,202
Exchange differences	1,005	2,269	9,094	52	71	(234)	12,257
Sales	-	(27,307)	(51,474)	(18,736)	(964)	-	(98,481)
Liquidation	-	(24,790)	(98,485)	(576)	(2,472)	-	(126,323)
Changing the Group's structure	-	(2,284)	(3,791)	(299)	(12)	-	(6,386)
Other increases/decreases	(34)	171	2,562	-	110	(716)	2,093
Gross value of property plant and equipment at the end of the period	**82,717**	**945,609**	**2,135,232**	**94,903**	**44,904**	**171,075**	**3,474,440**
Accumulated depreciation at the beginning of the period	**7,011**	**332,689**	**830,369**	**72,551**	**31,329**	**-**	**1,273,949**
Depreciation for the period (due to)	**101**	**23,772**	**77,670**	**(4,315)**	**3,411**	**-**	**100,639**
Depreciation charge	-	44,842	143,764	7,293	5,014	-	200,913
Reclassification	-	(58)	(434)	-	-	-	(492)
Changing the Group's structure	-	(1,441)	(3,087)	(95)	(3)	-	(4,626)
Exchange differences	101	168	1 448	37	29	-	1,783
Sales	-	(12,006)	(17,957)	(11,090)	(938)	-	(41,991)
Liquidation	-	(7,730)	(44,253)	(442)	(872)	-	(53,297)
Other increases/decreases		(3)	(1,811)	(18)	181	-	(1,651)
Accumulated depreciation at the end of the period	**7,112**	**356,461**	**908,039**	**68,236**	**34,740**	**-**	**1,374,588**
Impairment losses at the beginning of the period	**899**	**41,488**	**59,576**	**1,798**	**2,496**	**58,518**	**164,775**
Recognition	5,230	93,663	83,129	3,124	5,339	38,937	229,422
Reversal	-	(6,858)	(15,310)	(196)	(7,652)	(14,099)	(44,115)
Exchange differences	(148)	(720)	77	(10)	-	-	(801)
Sales	-	(13,233)	(33,267)	(4,026)	(7)	(4)	(50,537)
Liquidation	-	(16,251)	(40,179)	(9)	(15)	(2)	(56,456)
Reclassification	-	(1,714)	-	-	-	(1,895)	(3,609)
Changing the Group's structure	-	(900)	(49)	-	-	(2)	(951)
Other increases/decreases	-	659	(1,163)	482	(51)	(815)	(888)
Impairment losses at the end of the period	**5,981**	**96,134**	**52,814**	**1,163**	**110**	**80,638**	**236,840**
Carrying amount of property, plant and equipment at the beginning of period	**70,330**	**548,094**	**1,225,849**	**36,993**	**11,349**	**206,780**	**2,099,395**
Carrying amount of property, plant and equipment at the end of the period	**69,624**	**493,014**	**1,174,379**	**25,504**	**10,054**	**90,437**	**1,863,012**

In 2014 the capitalisation rate applied to determine the amount of borrowing costs to be capitalised amounted to about 19% whereas in 2013 amounted to 13%.

Description of significant impairment allowances of property, plant and equipment in 2014 is in section II.16.2

Depreciation of property, plant and equipment was charged to the following line items in the consolidated profit and loss statement:

PLN '000

PROPERTY, PLANT AND EQUIPMENT DEPRECIATION CHARGES	01.01.-31.12.2014	01.01.-31.12.2013
Cost of sales	180,554	171,306
Selling costs and general and administrative expenses	6,494	29,230
Other operating expenses	320	377
TOTAL	**187,368**	**200,913**
including discontinued operations		*7,251*

PLN '000

RECOGNISED NON-CURRENT ASSETS (OWNERSHIP STRUCTURE)	31.12.2014	31.12.2013
Owned	2,004,849	1,851,538
Finance lease agreements (including finance sale-lease-back agreement)	31,889	11,474
TOTAL	**2,036,738**	**1,863,012**

The carrying amounts of the categories of property, plant and equipment used pursuant to finance lease agreements is presented in the table below:

PLN '000

PROPERTY, PLANT AND EQUIPMENTUSED PURSUANT TO FINANCE LEASE AGREEMENTS (including finance sale-lease-back agreements)	31.12.2014	31.12.2013
Machinery and equipment	11,295	10,852
Means of transport	20,594	622
TOTAL	**31,889**	**11,474**

In the reporting period the CIECH Group received compensation from third parties for impaired items of tangible fixed assets in the amount of PLN 2,825 thousand (PLN 1,284 thousand in the prior year).

Expenditure on property, plant and equipment under construction incurred by the CIECH Group in 2014 mainly related to the following investments projects:

SODA POLSKA CIECH Group	*PLN '000*
Intensification of soda production	59,561
Intensification of dry salt production	51,388
Installation of belt filters	38,820
Z.Ch. „Organika-Sarzyna" S.A.	
Installation extension of saturated polyester resins	11,460
Carbendazim plant adaptation for glyphosate amination process	2,545
Vitrosilicon S.A.	
Modernisation of the kiln	13,673
Intensification of glass packaging production	1,845

As at 31 December 2014 all tangible fixed assets in Polish companies (CIECH S.A., Transclean Sp. z o.o., CIECH NIERUCHOMOSCI S.A., VITROSILICON S.A., JANIKOSODA S.A., CIECH Trading S.A., CIECH Pianki Sp. z o.o., Soda Polska CIECH S.A., Z. Ch. „Organika – Sarzyna" S.A.), Romanian company (S.C. Uzibele Sodice Govora – CIECH Chemical Group S.A.) and German companies (Soda Deutschland CIECH GmbH, Sodawerk Holding

Stassfurt GmbH, Sodawerk Stassfurt Verwaltungs-GmbH i Sodawerk Stassfurt GmbH & Co. KG.) which are the guarantors of the bonds are the collateral of financial liabilities.

Future commitments arising from agreements concerning acquisition of property, plant and equipment amounted to PLN 70,276 thousand in 2014 thousand (PLN 29,762 thousand in the prior year).

PLN '000

OFF-BALANCE SHEET PROPERTY, PLANT AND EQUIPMENT	31.12.2014	31.12.2013
Used under lease, tenancy and other agreements including:	**94,237**	**64,237**
Land in perpetual usufruct	52,606	51,128
Operating lease agreement	4,773	4,638
Tenancy agreement	36,857	8,471

20 Right of perpetual usufruct of land

The carrying amount of the right of perpetual usufruct purchased by the CIECH Group is presented in the table below.

PLN '000

RIGHT OF PERPETUAL USUFRUCT OF LAND	01.01.-31.12.2014	01.01.-31.12.2013
Gross value at the beginning of the period	**64,395**	**64,093**
Purchase	49	1,216
Sale	(378)	(708)
Change of the Group's structure	(25,586)	-
Other	339	(206)
Gross value at the end of the period	**38,819**	**64,395**
Amortisation at the beginning of the period	**7,952**	**6,959**
Amortisation for the period	421	767
Sale	(33)	-
Change of the Group's structure	(2,218)	-
Other	340	226
Amortisation at the end of the period	**6,462**	**7,952**
Impairment losses at the beginning of the period	**9,360**	**-**
Change of the Group's structure	(9,360)	**-**
Impairment losses at the end of the period	**-**	**9,360**
Carrying amount at the beginning of the period	**47,083**	**57,134**
Carrying amount at the end of the period	**32,357**	**47,083**

The right of perpetual usufruct of land received through administrative allocation satisfies the criteria for operating lease pursuant to IAS 17 "Leases" and as such is not recognised in the books but is instead recorded off-balance sheet.

21 Intangible assets

PLN '000

CHANGES IN INTANGIBLE ASSETS (GROUPED BY TYPE) 01.01.-31.12.2014	Development costs	Goodwill	Licences patents permits etc.obtained including:	*Computer software*	Intangible assets under development	Other intangible assets	**TOTAL**
Gross value of intangible assets at the beginning of the period	**17,533**	**386,589**	**97,664**	**47,564**	**7,540**	**109,619**	**618,945**
Purchase	-	-	4,117	1,722	21,557	12,118	37,792
Reclassification	405	-	979	956	(16,754)	356	(15,014)
Exchange differences	-	(7,441)	74	57	-	2,404	(4,963)
Liquidation	-	-	(2,941)	(99)	-	-	(2,941)
Change of the Group's structure	(2,827)	152	(163)	(163)	-	(1,656)	(4,494)
Other increases / decreases	-	(158)	67	67	(3,752)	(14,287)	(18,130)
Gross value of intangible assets at the end of the period	**15,111**	**379,142**	**99,797**	**50,104**	**8,591**	**108,554**	**611,195**
Accumulated amortisation at the beginning of the period	12,049	-	78,218	41,332	-	32,662	**122,929**
Amortisation for the period (due to)	**(453)**	**-**	**6,572**	**4,034**	**-**	**5,420**	**11,539**
Amortisation charge	1,228	-	9,374	4,096	-	4,912	15,514
Exchange differences	-	-	47	38	-	908	955
Change of the Group's structure	(1,681)	-	(67)	(67)	-	(400)	(2,148)
Liquidation	-	-	(2,848)	(99)	-	-	(2,848)
Other increases / decreases	-	-	66	66	-	-	66
Accumulated amortisation at the end of the period	**11,596**	**-**	**84,790**	**45,366**	**-**	**38,082**	**134,468**
Impairment losses at the beginning of the period	**1,146**	**325,479**	**161**	**161**	**3,628**	**31,412**	**361,826**
Recognition	-	-	2,347	-	-	9,836	12,183
Reversal	-	-	(5)	-	-	-	(5)
Exchange differences	-	(8,718)	-	-	-	1,008	(7,710)
Other increases / decreases	(1,146)	(6)	(49)	(49)	(3,628)	(1,254)	(6,083)
Impairment losses at the end of the period	**-**	**316,755**	**2,454**	**112**	**-**	**41,002**	**360,211**
Carrying amount of intangible assets at the beginning of the period	**4,338**	**61,110**	**19,285**	**6,071**	**3,912**	**45,545**	**134,190**
Carrying amount of intangible assets at the end of the period	**3,515**	**62,387**	**12,553**	**4,626**	**8,591**	**29,470**	**116,516**

PLN '000

CHANGES IN INTANGIBLE ASSETS (GROUPED BY TYPE) 01.01.-31.12.2013	Development costs	Goodwill	Licences patents permits etc.obtained including:	*Computer software*	Intangible assets under development	Other intangible assets	**TOTAL**
Gross value of intangible assets at the beginning of the period	**14,914**	**399,764**	**96,762**	***45,591***	**8,042**	**90,838**	**610,320**
Purchase	-	-	1,784	*1,780*	5,725	18,484	25,993
Reclassification	2,619	-	1,103	*317*	(6,257)	1	(2,534)
Exchange differences	-	(13,187)	19	*14*	(4)	1,233	(11,939)
Sales	-	-	(100)	*(100)*	-	(908)	(1,008)
Liquidation	-	-	(1,903)	*(38)*	-	-	(1,903)
Change of the Group's structure	-	12	-	-	-	-	12
Other increases / decreases	-	-	(1)	-	34	(29)	4
Gross value of intangible assets at the end of the period	**17,533**	**386,589**	**97,664**	**47,564**	**7,540**	**109,619**	**618,945**
Accumulated amortisation at the beginning of the period	**10,521**	**-**	**72,272**	***38,622***	**-**	**27,925**	**110,718**
Amortisation for the period (due to)	**1,528**	**-**	**5,946**	***2,710***	**-**	**4,737**	**12,211**
Amortisation charge	1,528	-	7,919	*2,850*	-	5,392	14,839
Exchange differences	-	-	5	*5*	-	283	288
Liquidation	-	-	(1,870)	*(38)*	-	-	(1,870)
Sales	-	-	(73)	*(73)*	-	(908)	(981)
Other increases / decreases	-	-	(35)	*(34)*	-	(30)	(65)
Accumulated amortisation at the end of the period	**12,049**	**-**	**78,218**	***41,332***	**-**	**32,662**	**122,929**
Impairment losses at the beginning of the period	**1,663**	**339,309**	**904**	***49***	**-**	**28,559**	**370,435**
Recognition	-	12	112	*112*	3,628	2,497	6,249
Reversal	(517)	-	(855)	-	-	-	(1,372)
Exchange differences	-	(13,842)	-	-	-	356	(13,486)
Impairment losses at the end of the period	**1,146**	**325,479**	**161**	***161***	**3,628**	**31,412**	**361,826**
Carrying amount of intangible assets at the beginning of the period	**2,730**	**60,455**	**23,586**	***6,920***	**8,042**	**34354**	**129,167**
Carrying amount of intangible assets at the end of the period	**4,338**	**61,110**	**19,285**	***6,071***	**3,912**	**45,545**	**134,190**

An important component of "Other" intangible assets of the Soda Deutschland Group is the client database in the amount of PLN 13,060 thousand. The valuation was executed in relation to the most significant clients of the production of Sodawerk Stassfurt a member of the Soda Deutschland CIECH Group – identified on a basis of an analysis of data for 2005-2007. The basis for the valuation represents 25 customers who have a stable and long-term relationship with the company and will remain clients of Sodawerk Stassfurt also in the future. These are the relationships with the clients who are, to a large extent, dependant on Sodawerk Stassfurt as their main or second supplier of raw materials. The most significant clients of Sodawerk Stassfurt would not be able to satisfy their demand for soda in the open market because of insufficient supply. In addition, the dependence of many of the valued clients of Sodawerk Stassfurt is associated with the existence of a developed logistics system between them.

Other intangible assets of the CIECH Group include mainly IT systems, licences and patents, other software, development works and other intangible assets. All intangible assets belong to the CIECH Group.

Amortisation of intangible assets was included in the following line items of the consolidated income statement:

PLN '000

AMORTISATION CHARGES ON INTANGIBLE ASSETS	**01.01.-31.12.2014**	**01.01.-31.12.2013**
Cost of sales	6,171	7,808
Selling costs and general and administrative expenses	7,158	7,031
Other operating expenses	2,185	-
TOTAL	**15,514**	**14,839**
including discontinued operations	-	*7,313*

As at 31 December 2014 all intangible assets in Polish companies (CIECH S.A., Transclean Sp. z o.o., CIECH NIERUCHOMOSCI S.A., VITROSILICON S.A., JANIKOSODA S.A., CIECH Trading S.A., CIECH Pianki Sp. z o.o., Soda Polska CIECH S.A., Z. Ch. „Organika – Sarzyna" S.A.), Romianian company (S.C. Uzibele Sodice Govora – CIECH Chemical Group S.A.) and German companies (Soda Deutschland CIECH GmbH, Sodawerk Holding Stassfurt GmbH, Sodawerk Stassfurt Verwaltungs-GmbH and Sodawerk Stassfurt GmbH & Co. KG.) which are the guarantors of the bonds are the collateral of financial liabilities.

PLN '000

INTANGIBLE ASSETS (OWNERSHIP STRUCTURE)	**31.12.2014**	**31.12.2013**
Owned	**116,494**	**134,080**
Used under lease, tenancy and other agreements including:	**22**	**110**
Finance lease agreements	22	110
TOTAL	**116,516**	**134,190**

As at 31 December 2014 no future commitments arising from concluded agreements concerning the acquisition of intangible assets were not recognised (in comparable period amounted to PLN 2,588 thousand).

In the current period changes in accounting estimates did not have a material impact and it is not expected that they will have a material impact in future periods.

Apart from goodwill, CIECH Group does not have other intangible assets with an indefinite useful lifes. Additional information about the goodwill is presented in section II.22.

Research and development

Research and development works carried out by the CIECH Group are aimed at increasing economic potential; and are relate mainly to the modernisation of technological processes, reduction of manufacturing costs and optimalisation of technical and technological parameters.

Internally generated intangible assets
The tables below present information about internally generated intangible assets.

Internally generated intangible assets	**01.01-31.12.2014**	**01.01-31.12.2013**
Gross value as at the beginning of the period	16,171	16,081
Expenditure incurred	1,343	1,469
Changing the Group's structure	-	(1,379)
Wartość brutto na koniec okresu	**17,514**	**16,171**
Amortisation - as at the beginning of the period	10,616	9,694
Amortisation for the period	971	922
Changing the Group's structure		(1,335)
Amortisation at the end of the period	**11,587**	**10,616**
Impairment losses at the beginning of the period	-	-
Carrying amount at the end of the period	**5,927**	**5,555**

22 Goodwill impairment testing

In preparing the consolidated financial statements of the CIECH Group the goodwill recognised in the consolidated financial statements in relation to a subsidiary Z.Ch. "Organika-Sarzyna" S.A. and Soda Deutschland CIECH Group was tested for impairment in accordance with the policies of the Group applied on a consistent basis. The recoverable amount was calculated based on the use value. It was calculated on a basis of Group's five-year plans In 2014 an impairment of goodwill was not identified for Soda Deutschland the CIECH Group and Z.Ch. "Organika-Sarzyna" S.A. The average weighted cost of capital applied in goodwill impairment testing was: 10.0% (test for 2014) for Z. Ch. "Organika-Sarzyna" S.A), and 8.0% (tests for 2014) for the Soda Deutschland CIECH Group). The assumed growth rate for the residual period was 2.0% for both Soda Deutschland CIECH Group and Z. Ch. "Organika-Sarzyna" S.A.

Goodwill is the most valuable position in intangible fixed assets and is presented at the level of the CIECH Group and on the lower tier group – Soda Deutschland CIECH. Goodwill presented in consolidated financial statements was recognised as a result of PPA evaluation in process of companies acquisition in 2006 and 2007. Goodwill presented in the consolidated financial statements for 2014 amounted to PLN 62,387 thousand (soda segment 47,278 thousand, silicates and glass segment PLN 39 thousand and organic segment PLN 15,070 thousand) and changed by PLN 1,277 thousand compared to the prior year. It is a result of an increase in goodwill recognised in the statement of the lower tier group, Soda Deutschland CIECH Group which resulted from a change in the EUR exchange rate in 2014.

23 Investment property

PLN '000

INVESTMENT PROPERTY	01.01.-31.12.2014	01.01.-31.12.2013
Carrying amount at the beginning of period	**91,497**	**113,018**
Purchase	7,676	-
Sale	(721)	(10,918)
Change in Group's structure	(53,010)	-
Goodwill valuation	(6,454)	(9,602)
Reclassifications	3,818	-
Transfer from / to assets held for sale	(239)	(1,406)
Other increases/decreases	-	405
Gross value at the end of the period	**42,567**	**91,497**

The position "Investment property" presented by the CIECH Group includes land, buildings and structures that have been acquired only in order to achieve economic benefits from rents or for the increase of their value. The fair value of an investment property is determined with comparative and income method by an independent appraiser.

As at 31 December 2014 the CIECH Group has the following investment property:

- **CIECH NIERUCHOMOŚCI S.A**. - As at 31 December 2014 the investment property line item for CIECH NIERUCHOMOŚCI S.A. includes land and investment expenditure related to the construction of a residential and office complex located in Warsaw on Krasińskiego Street on the corner with Powązkowska Street. Company is also an owner of real estate located in Bydgoszcz. Property was acquired from Infrastruktura Kapuściska S.A upadłości likwidacyjnej.
- **Soda Polska CIECH Group -** Buildings acquired by Soda Polska CIECH S.A as a result of a merger with Soda Med Sp. z o.o. These are buildings leased for medical outpatient, clinics, nursing and treatment rooms as well as private doctor's and dentist's consulting rooms.
- **Z. Ch. „Organika-Sarzyna" S.A.** - buildings and structures located on the premises of Z.Ch. "Organika-Sarzyna" S.A. in the past used by the company for its own needs, currently leased to generate revenue.
- **CIECH Trading Sp. z o.o.** – the company recognizes lands located in Bydgoszcz as an investment property (acquired from Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej).

PLN '000	01.01.-31.12.2014	01.01.-31.12.2013
Income from investment property rental	1,978	3,433
Operating costs related to investment property generating rental income in the period	2,131	2,440
Operating costs related to investment property not generating rental income in the period	831	2,960

24 Non-current receivables

PLN '000

NON-CURRENT RECEIVABLES	31.12.2013	31.12.2012
Receivables in relation to caverns	78,264	69,727
Other	-	1
Net non-current receivables	**78,264**	**69,728**
Gross non-current receivables	**78,264**	**69,728**

25 Other long-term investment

PLN '000

NON-CURRENT FINANCIAL ASSETS	31.12.2014	31.12.2013
Stocks and shares	12,282	12,293
Loans granted*	34,000	-
Bank deposits	34	34
Other	88	88
RAZEM	**46,404**	**12,415**

PLN '000

CHANGE IN IMPAIRMENT ALLOWANCES ON LONG-TERM ASSETS	01.01.-31.12.2014	01.01.-31.12.2013
Opening balance	**3,620**	**6,951**
Recognised*	19,500	-
Used	-	(1,056)
Transferred from/to assets accounted as held for sale	-	(2,275)
Other	11	-
Closing balance	**23,131**	**3,620**

**In 2014 in the consolidated financial statements the value of the loan granted to Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej with allowance for its unsecured portion was recognised (data eliminated in the consolidation process until there will be loss of control of the company).*

26 Inventory

PLN '000

INVENTORY	31.12.2014	31.12.2013
Materials	126,894	96,511
Semi-finished products and work in progress	27,137	26,921
Finished products	76,783	79,966
Goods	26,956	13,940
TOTAL	**257,770**	**217,338**

PLN '000

CHANGE OF INVENTORY IMPAIRMENT ALLOWANCES	01.01.-31.12.2013	01.01.-31.12.2012
Opening balance	**41,823**	**40,733**
Recognised	10,003	11,910
Reversed / released	(5,779)	(7,565)
Used	(3,623)	(2,912)
Exchange differences	153	(61)
Changing the Group's structure	(1,137)	(288)
Other	2,953	6
Closing balance	**44,393**	**41,823**

The CIECH Group recognises inventory impairment allowances for damaged and slow moving inventory. Inventory write - downs are also recognised for inventory with a carrying amount that exceeds net selling price. Reversal occurs as a result of the use or sales of inventory in the course of business activity while usage is the result of inventory being scrapped.

27 Short-term receivables

PLN '000

TRADE AND OTHER RECEIVABLES	31.12.2014	31.12.2013
Trade receivables	268,020	423,566
- up to 12 months	264,709	421,395
- over 12 months	3,193	523
- prepayments for inventory	118	1,648
Prepayments for non-current assets	7,494	8,367

TRADE AND OTHER RECEIVABLES	31.12.2014	31.12.2013
Escrow receivables	384	373
Receivables in relation to caverns	1,969	1,916
Public and legal receivables (excluding income tax)	64,574	82,568
Receivables from sales of energy	13,243	16,435
Receivables from sales of tangible assets	1,845	1,084
Insurance receivables	3,051	3,187
External services	1,933	537
Factoring receivables	13,440	16,215
Other receivables	8,009	12,314
NET TRADE AND OTHER RECEIVABLES	**383,962**	**566,562**
Impairment allowances with respect to trade receivables including	35,977	30,865
- impairment allowance recognised in the current reporting period	*14,794*	*7,153*
Impairment allowances with respect to other current receivables including	15,642	12,052
- impairment allowance recognised in the current reporting period	*7,472*	*9,521*
GROSS TRADE AND OTHER RECEIVABLES	**435,581**	**609,479**

Fair value of trade receivables and other receivables does not differ significantly from their carrying value.

PLN '000

CHANGE IN IMPAIRMENT ALLOWANCESON SHORT-TERM RECEIVABLES	01.01. -31.12.2014	01.01. -31.12.2013
Opening balance	**42,917**	**63,375**
Recognised	22,266	16,674
Reversed	(2,670)	(3,641)
Used	(1,920)	(33,693)
Exchange differences	502	8
Change in the Group's structure	(9,412)	-
Other additions / disposals	(64)	194
Closing balance	**51,619**	**42,917**

Impairment allowance with respect to current receivables were recognised for those that are subject to compromise arrangements or in dispute, penalty interest, receivables, past due and doubtful receivables and for receivables from companies in bankruptcy. Reversal occurred as a result of settlement of the receivable while usage occurs when receivables are written-off due to ineffective enforcement and bankruptcy of companies on which receivables an impairment was recognised.

PLN '000

AGEING OF PAST DUE TRADE RECEIVABLES	31.12.2014	31.12.2013
Up to 1 month	7,171	49,311
Between 1 and 3 months	767	10,300
3 to 6 months	424	2,286
6 months to 1 year	1,536	4,214
Above 1 year	16,129	25,126
Total (gross) past due trade receivables	**26,027**	**91,237**
Impairment allowances on past due trade receivables	17,502	24,741
Total (net) past due trade receivables	**8,525**	**66,496**

The terms of transactions with related entities have been presented in section II.43.
The Commercial contracts concluded by the CIECH Group include various terms of payment of trade receivables depending on the type of transaction, market characteristics and trade conditions. The most common payment terms are: 14, 30, 60 and 90 days.

28 Short-term investment

PLN '000

SHORT-TERM INVESTMENTS	31.12.2014	31.12.2013
Financial instruments		621
Shares		-
Total (net) current financial assets		**621**
Impairment of current financial assets	6,807	1,705
Total (gross) current financial assets	**6,807**	**2,326**

PLN '000

CHANGE IN IMPAIRMENT ALLOWANCES ON SHORT-TERM INVESTMENTS	01.01.-31.12.2014	01.01.-31.12.2013
Opening balance	**1,705**	**1,767**
Recognised	5,102	-
Transfer to assets held for sale	-	(62)
Closing balance	**6,807**	**1,705**

In 2014 impairment allowance of short-term investment of PLN 5,102 thousand was recognised on the loan granted to Infrastruktura Kapuściska w upadłości likwidacyjnej.

29 Cash and cash equivalents

PLN '000

CASH AND CASH EQUIVALENTS	31.12.2014	31.12.2013
Bank accounts	40,573	79,588
Short-term deposits	8,319	25,882
Cash in hand	102	85
Other cash	168	38
Cash and cash equivalents – presented in the statement of financial position	**49,162**	**105,593**
Cash and cash equivalents – presented in the cash flow statement	**49,162**	**105,593**

The value of restricted Cash
As at 31 December 2014 and as at 31 December 2013 no cash amount was restricted in the CIECH Group.

The effective interest rates of short-term bank deposits are similar to the nominal interest rate and fair value of short-term bank deposits is not significantly different from carrying value. Interest rates are based on WIBOR, EURIBOR and LIBOR.

30 Equity

As at 31 December 2014 the carrying amount of the share capital of the parent company CIECH S.A. amounted to PLN 287,614 thousand and comprised of the share capital from the share issues and the adjustment due to hyperinflation. As at the date of adopting the IFRS, i.e. 1 January 2004, the share capital of the Company was adjusted for hyperinflation between 1989 and 1996. The hyperinflation adjustment of PLN 24,114 thousand was charged to retained profits.

The total number of votes attributable to all issued shares of the CIECH Group, after registration of the share capital increase is 52,699,909 and the share capital is divided into 52,699,909 ordinary bearershares with a nominal value of PLN 5 each. All shares were fully paid up.

The share capital as at 31 December 2014 and 31 December 2013 included the following series of shares:

SHARE CAPITAL	31.12.2014	31.12.2013
	in pcs.	*in pcs.*
Ordinary bearer A series shares with a nominal value of PLN 5 each	20,816	20,816
Ordinary bearer B series shares with a nominal value of PLN 5 each	19,775,200	19,775,200
Ordinary bearer C series shares with a nominal value of PLN 5 each	8,203,984	8,203,984
Ordinary bearer D series shares with a nominal value of PLN 5 each	23,000,000	23,000,000
Ordinary bearer E series shares with a nominal value of PLN 5 each	1,699,909	1,699,909
TOTAL	**52,699,909**	**52,699,909**

The shares of all series are ordinary shares and do not carry by any additional rights preferences or restrictions as to dividend distribution or return of capital.

ORDINARY SHARES – ISSUED AND FULLY PAID-UP	pcs.	PLN ‘000.
As at 31 December 2014	52,699,909	287,614
As at 31 December 2013	52,699,909	287,614

Share premium

The share premium arose from the surplus in excess of nominal value achieved upon the issue of C, D and E series shares.

Other reserve capital

The table below presents the balances of other reserve capital consisting of the following items:

PLN ‘000

OTHER RESERVE CAPITAL BY PURPOSE	31.12.2014	31.12.2013
Commercial risk fund	3,330	3,330
Fund for purchasing soda companies	15,200	15,200
Development funds	57,669	57,669
Other	2,322	2,322
TOTAL	**78,521**	**78,521**

Cash flow hedge

The cash flow hedge reserve reflects the valuation and settlement of hedging instruments to which the requirement of cash flow hedge accounting apply.

Currency translation differences (foreign companies)

The balance of this equity item is adjusted by exchange differences on the translation of the financial statements of foreign subsidiaries i.e. S.C. Uzinele Sodice Govora – CIECH Chemical Group S.A., Grupa Soda Deutschland CIECH, CIECH Group Financing AB and CIECH - POLSIN PRIVATE LIMITED.

The balance of this item of equity also represents exchange differences on recognised as net investment in a foreign entity and effective part of profit and losses from valuation of hedging instruments of shares in net assets of foreign companies.

Non-controlling interest

The profit or loss as well as any components of other comprehensive income are attributed to the equity of the shareholders of the parent entity and to non-controlling interest even if this attribution results in negative non-controlling interest.

31 Dividends paid or declared

The Management Board of CIECH S.A. is not expecting the dividend payment from profits earned during the period of 2014. The Management Board proposes to transfer the generated in 2014 profits to supplementary capital.

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 2014. 52,699,909 shares are entitled to dividend payment.

32 Non-current liabilities

PLN '000

NON-CURRENT LIABILITIES	31.12.2014	31.12.2013
Loans, borrowings and other debt instruments Loans, borrowings and other debt instruments	**1,176,455**	**1,303,154**
Debt securities issued	1,176,455	1,303,154
Finance lease liabilities	**15,825**	**4,840**
Other non-current liabilities	**92,819**	**160,728**
Subsidies	53,471	54,206
PUT options	8,525	8,294
Financial instruments	2,512	-
Liabilities to "silent partners"*	-	49,766
Other financial liabilities	547	329
Other	27,764	48,133
TOTAL	**1,285,099**	**1,468,722**

** In 2014 liabilities to "silent partners" have been accounted for as current liabilities.*

PLN '000

REMAINING REPAYMENT TERM FROM REPORTING DATE OF NON-CURRENT LIABILITIES	31.12.2014	31.12.2013
Between 1 and 3 years	216,850	114,325
Between 3 and 5 years	1,028,729	327,627
Over 5 years	39,520	1,026,770
TOTAL	**1,285,099**	**1,468,722**

33 Information about significant financial liabilities

Information about the financial covenants included in loan agreements
During the period covered by this financial statement no loan agreement was called to maturity and there were no violations of payment terms for repayment of capital or interest due in relation to financial liabilities recognised in the consolidated statements of financial position in the period covered by these financial statements. Under the Revolving Loan Agreement CIECH S.A. and its selected subsidiaries were obliged to, among others, maintain a certain level of net leverage ratio (the ratio of the CIECH Group's consolidated net debt to consolidated EBITDA of the CIECH Group calculated according to the guidelines amounted to less than 3.6, measured for the period ending on 31 December 2014. The leverage ratio was maintained and amounted to 2.4.

Debt financing of the Group
Debt financing of the Group in the form of bonds and loans is composed of:
- Bonds issued by CIECH Group Financing AB (publ) - as at 31 December 2014 outstanding debt of EUR 245 million (i.e. PLN 1,044,264 thousand).
- Bonds issued by CIECH S.A. – as at 31 December 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 (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 31 December 2014 the debt amounted to PLN 0;
- Overdraft with total amount of EUR 20 million (including granted to CIECH S.A. of EUR 15 million and granted to Sodawerk Stassfurt GmbH & Co. KG of EUR 5 million) – as at 31 December 2014 indebtedness including these credits amounted to EUR 4,917 thousand (i.e. PLN 20,953 thousand).

As at 31 December 2014 the fair value of Polish and foreign bonds presented in the consolidated financial statements was PLN 1,303,469 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.

On 30 June 2014, 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 22 January 2015.

34 Employee benefits

PROVISIONS FOR EMPLOYEE BENEFITS	NON-CURRENT				CURRENT			
	01.01.-31.12.2014		01.01.-31.12.2013		01.01.-31.12.2014		01.01.-31.12.2013	
PLN '000	Provision for retirement benefits and service anniversary awards and disability	Other non-current provisions for employee benefits	Provision for retirement benefits and service anniversary awards and disability	Other non-current provisions for employee benefits	Provision for retirement benefits and service anniversary awards and disability	Other non-current provisions for employee benefits	Provision for retirement benefits and service anniversary awards and disability	Other non-current provisions for employee benefits
Opening balance	**18,743**		**20,237**	**323**	**876**	**740**	**14,199**	**24,360**
Recognition	1,851	-	740	-	683	6	1,651	846
Reclassification from / to long-term / short-term provisions	(497)	-	(530)	(333)	497	-	530	333
Change of discount rate	459	-	797	-	-	-	-	-
Change recognised in equity	256	-	(74)	-	-	-	-	-
Exchange differences	131	-	43	10	-	1	-	13
Change in Group's structure		-	(715)	-	-	(604)	(131)	-
Use (payment of benefits)	(61)	-	(369)	-	(1,007)	-	(14,566)	(21,756)
Reversal	(8,164)	-	(1,280)	-	(163)	(67)	(807)	(3,056)
Other changes	2	-	(106)	-	-	-	-	-
Closing balance	**12,720**	**-**	**18,743**	**-**	**886**	**76**	**876**	**740**

In 2014 change in provision in amount of PLN -256 thousand was related to equity (compared to PLN 74 thousand in 2013).

Provisions for employee benefits include mainly provisions for service anniversary awards and retirement benefits. Employee benefits are measured on the basis of actuarial valuations. A discount rate of 2.5% p.a. was applied in order to determine the current value of future liabilities due to employee benefits. Applied discount rate is established in nominal value. At the same time, future inflation in the amount of 2.5% per annum was taken into account. The estimated nominal growth rate of remunerations is different for selected companies and years (a scope of 0% - 5.1%). The growth rate of remunerations of 2.5% was applied for a residual period. Staff turnover ratio is established based on historic data, adjusted for employment restructuring plans. According to the Group estimations change in actuarial assumptions will not have significant impact on financial results.

Information about employee benefits for the key managerial personnel is presented in section II.43.5.

35 Provisions

PLN '000

CHANGE IN OTHER LONG-TERM PROVISIONS 01.01.-31.12.2014	Provision for liabilities	Provision for environmental protection	**TOTAL**
Opening balance	**-**	**44,785**	**44,785**
Recognition	1,289	28,266	29,555
Reclassification from / to long-term / short-term provisions	-	(1,407)	(1,407)
Change of discount rate	-	2,869	2,869
Exchange differences	-	1,168	1,168
Reversal	-	(1,726)	(1,726)
Other reclassifications	5,500	(5,500)	-
Closing balance	**6,789**	**68,455**	**75,244**

PLN '000

CHANGE IN OTHER LONG-TERM PROVISIONS 01.01.-31.12.2013	Provision for environmental protection
Opening balance	**40,422**
Recognition	11,481
Reclassification from / to long-term / short-term provisions	(4,041)
Change of discount rate	(3,453)
Exchange differences	376
Closing balance	**44,785**

PLN '000

CHANGE IN OTHER SHORT-TERM PROVISIONS 01.01.-31.12.2014	Provision for restructuring	Provision for compensation	Provision for liabilities	Provision for environmental protection	Provision for expected losses	Other provisions	**TOTAL**
Opening balance	**38**	**20,496**	**33,116**	**23,936**	**19,349**	**36**	**96 971**
Recognition	-	225	7,154	-	14	1,714	9 107
Reclassification from / to long-term / short-term provisions	-	-	-	1,407	-	-	1 407
Change of discount rate	-	-	-	-	-	56	56
Exchange differences	-	-	868	-	-	3	871
Change in Group's structure	-	(12,793)	-	(20,231)	-	-	(33 024)
Use (payment of benefits)	-	(1,939)	-	(2,028)	-	(67)	(4 034)
Reversal	(38)	(240)	(7,526)	(879)	-	(1,303)	(9 986)
Closing balance	**-**	**5,749**	**33,612**	**2,205**	**19,363**	**439**	**61 368**

PLN '000

CHANGE IN OTHER SHORT-TERM PROVISIONS 01.01.-31.12.2013	Provision for restructuring	Provision for compensation	Provision for liabilities	Provision for environmental protection	Provision for bonuses	Provision for expected losses	Other provisions	**TOTAL**
Opening balance	**279**	**60,935**	**28,963**	**24,401**	**85**	**19,112**	**140**	**133,915**
Recognition	38	1,656	20,790	2	-	237	-	**22,723**
Reclassification from / to long-term / short-term provisions	-	-	-	4,041	-	-	-	**4,041**
Change of discount rate	-	-	5,379	80	-	-	36	**5,495**
Exchange differences	-	-	12	-	-	-	-	**12**
Use (payment of benefits)	(241)	(2,000)	(1,883)	(2,322)	-	-	(140)	**(6,586)**
Reclassification from liabilities	-	10,289	-	-	-	-	-	**10,289**
Reversal	(38)	(50,384)	(20,145)	(2,266)	(85)	-	-	**(72,918)**
Closing balance	**38**	**20,496**	**33,116**	**23,936**	**-**	**19,349**	**36**	**96,971**

The most significant provisions of the CIECH Group are:

Provision for compensations:
The provision amounted to PLN 4,262 thousand (a claim value accounts for EUR 1 million) was recognised in Soda Polska CIECH S.A., resulted from the claim of the one of recipients due to the failure product part delivery and incurred losses on this account.

Provision for liabilities
In US Govora S.A. a provision for employees claims I the amount of PLN 4,548 thousand (RON 4,782 thousand) was recognised. The other part of the claim was recognised in contingent liabilities. Additionally, in 2014 a provision was recognised for litigation with employees in the amount of PLN 694 thousand (RON 730 thousand).

On July 2013 US Ggovora S.A. received lawsuits filed by CET for payment resulted from differences in steam purchase prices (US Govora S.A. did not fulfil the agreement conditions which entitled to lower price) and from delays in payments. Finally, the companies concluded new agreement which ended the dispute. CET withdrew lawsuits, which was confirmed by appropriate court sentences (last from December 2013). However, if the US Govora S.A. did not fulfil agreement conditions, CET will claim the amounts constituting the subject of the previous dispute. In accordance to that US Govora S.A. recognised as at 31 December 2014 the provision in the amount of PLN 19,718 thousand (RON 20,734 thousand).

In 2014 US Govora S.A. recognised a provision for potential liability regarding VAT in the amount of PLN 3,772 thousand (RON 3,966 thousand).

The provision amounted to PLN 6,789 thousand due to the potential environmental fees resulting from exceeded emission limits was recognised in Soda Polska CIECH S.A.

Provision for expected losses:
As at 31 December 2014 the provision for expected losses was provision in CIECH S.A. which amounted to PLN 19,363 thousand, which is connected with the potential claim (the main receivable with interest liabilities and litigation costs) resulting from litigation described in section II.42.

Provisions for court proceedings of the entire CIECH Group have been described in section II.42. Provisions are estimates and therefore actual outcomes may differ.

Provision for environmental protection comprised of the following:

- **provision for costs of land recultivation** – in Soda Polska CIECH Group the provision for costs of land recultivation was recognised and calculated on the basis of planned outlays until 2042 in accordance with anticipated inflation rate of: 1.5% adjusted by a discount factor, calculated as the average of the discount factor at the beginning and end of every annual period. The expenditure arising there will amount to between PLN 700 thousand and PLN 1,100 thousand until 2042. The amount of the respective provision recognised in the statements amounts to PLN 9,178 thousand, whereof the short-term provision amounts to PLN 703 thousand and the long-term provision amounts to PLN 8,474 thousand;
- **costs of water and soil reclamation** in Z.Ch. "Organika Sarzyna" S.A. in the amount of PLN 7,923 thousand includes a current provision of PLN 1,502 thousand and long-term provision of PLN 6,421 thousand. The provisions were estimated based on a technical and financial project including a schedule of works for the years 2008-2020 of expenses to be incurred and the Marshal of Podkarpackie Province decision, discounted for a 1.5% inflation rate.
- **Soda Deutschland CIECH Group** as at 31 December 2014 recognised a long-term provision for environmental protection amounting to PLN 53,560 thousand (EUR 12,566 thousand) including.
  - ✓ reclamation of rainwater ponds in Unseburg,
  - ✓ mine reclamation activities in the limestone,
  - ✓ remains of the old limestone outcrops,
  - ✓ closing of caverns.

36 Current liabilities

PLN '000

CURRENT LIABILITIES DUE TO LOANS BORROWINGS AND OTHER DEBT INSTRUMENTS	31.12.2014	31.12.2013
Loans and borrowings	21,384	416
Debt securities issues (bonds)	6,323	6,972
TOTAL	**27,707**	**7,388**

PLN '000

CURRENT TRADE AND OTHER LIABILITIES	31.12.2014	31.12.2013
Trade liabilities	322,179	336,617
Up to 12 months	320,052	324,383
Above 12 months	-	8,620
Prepayments received for supplies	2,127	3,614
Public and legal liabilities (excluding income tax)	14,546	20,005
Liabilities for purchase of property plant and equipment	65,922	18,979
Financial instruments	4,555	525
Liabilities towards employees	10,599	11,404
Payroll liabilities	17,659	11,982
Holiday leave accrual	5,743	5,349
Tax and charges	7,506	6,820
Materials and energy	18,559	15,279
Subsidies	41,211	43,449
External services	2,880	3,557
CO_2 emission rights	13,667	15,980
Environmental charges	27,395	25,184
Water and sewage	-	7,341
Domestic deposits for security	-	101
Factoring	669	8,001
Liabilities towards "silent partners"	51,148	-
Other liabilities	15,401	31,724
RAZEM	**619,639**	**562,297**

The terms of transactions with related entities have been presented in section II.43. Trade liabilities are not interest bearing. Commercial contracts concluded by the CIECH Group include different terms of payment of trade liabilities, depending on the type of transaction, market characteristics and trade conditions. The most common payment terms are: 14, 30, 60 and 90 days.

37 Notes to consolidated cash flow statement

The tables below present the reasons for the differences between the changes of particular items of the consolidated statement of financial position and changes resulting from the consolidated cash flows statements:

PLN '000	31.12.2014	31.12.2013
Inventory change presented in consolidated statement of financial position	**40,432**	**(61,788)**
Exchange differences	(1,049)	(513)
Changing the Group's structure	1,179	(10,508)
Inventory change in consolidated statement of cash flows	**(40,562)**	**72,809**

PLN '000	**31.12.2014**	**31.12.2013**
Provision change presented in consolidated statement of financial position	**(11,821)**	**(71,341)**
Reclassification of provisions from / to liabilities related to non-current assets for sale	107	89
Recognised provision costs	(27,758)	-
Exchange differences	(2,135)	(593)
Changing the Group's structure	33,628	845
Other (including transfer to actuarial gains)	(341)	-
Provisions change in consolidated statement of cash flows	**(8,320)**	**(71,000)**

PLN '000	**31.12.2014**	**31.12.2013**
Receivables change presented in consolidated statement of financial position	**(166,545)**	**(120,876)**
Change of investment receivables	(7,754)	(5,077)
Change of income tax receivables	(7,518)	(13,158)
Reclassification of receivables from / to non-current assets for sale	-	877
Exchange differences	(7,425)	(2,565)
Changing the Group's structure	15,145	24,390
Other	44	(5,635)
Receivables change presented in consolidated statement of cash flows	**177,053**	**122,044**

PLN '000	**31.12.2014**	**31.12.2013**
Liabilities change presented in consolidated statement of financial position	**(95,294)**	**(409,884)**
Change of investment liabilities	(48,479)	(3,107)
Change of financial liabilities	79,641	267,014
Change of income tax liabilities	(9,440)	(560)
Reclassification of liabilities from / to liabilities related to non-current assets for sale	-	11,420
Exchange differences	(57,442)	(35,582)
Changing the Group's structure	104,171	2,909
Other	(5,314)	6,526
Liabilities change presented in consolidated statement of cash flows	**(32,159)**	**(161,264)**

38 Finance leases

The CIECH Group uses different property, plant and equipment (mainly means of transport and various types of machinery and equipment) pursuant to finance lease agreements. The agreements include the return option, extension of the agreement or the option to buy all or a part of the equipment after the lease period. In 2014, the carrying amount of leased property, plant and equipment (including financial sale-and-leaseback described below) amounted to PLN 31,889 thousand (as at 31 December 2013 amounted to PLN 11,474 thousand). There were no contingent lease charges. Lease agreements do not contain any restrictions as to dividends, additional indebtedness or additional lease agreements.
The nominal value and the present value of minimum lease payments are as follows:

PLN '000

31.12.2014	**Nominal value of minimum lease payments**	**Future financial costs due to finance lease**	**Present value of minimum lease payments**
Up to 1 year	4,683	493	4,190
Between 1 and 5 years	11,483	1,177	10,306
Over 5 years	6,004	485	5,519
TOTAL	**22,170**	**2,155**	**20,015**

PLN '000

31.12.2013	**Nominal value of minimum lease payments**	**Future financial costs due to finance lease**	**Present value of minimum lease payments**
Up to 1 year	3,187	382	2,805
Between 1 and 5 years	5,168	328	4,840
TOTAL	**8,355**	**710**	**7,645**

In 2014 Transoda Sp. z o.o. signed finance lease agreements, under which the Company uses wagons to carry fines. The agreements include an option to buy the equipment after the lease period. As at 31 December 2014, the carrying amount of leased property, plant and equipment amounted to PLN 16,440 thousand.

On the basis of finance lease agreement TRANSCLEAN uses property, plant and equipment - means of transport. At the beginning of 2014, TRANSCLEAN entered into a finance lease, under which the Company uses 5 sets to transport bulk materials. The carrying amount of the leased assets as at 31 December 2014 increased by PLN 2,956 thousand.

PLN '000

SALE AND LEASE BACK LIABILITIES	**31.12.2014**	**31.12.2013**
- long-term	-	-
- short-term	-	929
TOTAL	-	**929**

39 Operating lease

The largest item subject to operating lease in the CIECH Group, in accordance with the adopted accounting principles, is the right to perpetual usufruct of land obtained by administrative decision. Furthermore, the Soda Deutschland Group recognises a long-term sewage system agreement effective until 2095 as an operating lease. Group companies also recognise lease agreements of property and low-value property, plant and equipment, e.g. cars. Operating lease is a renewable lease, making it possible to acquire an asset at its estimated market value at the end of its use. The companies are not obliged to purchase the leased assets. No conditions for extending lease agreements or purchasing the subject of lease have been included in administrative decisions concerning the right of perpetual usufruct of land. Price indexation may occur in relation to land revaluation.

Total amounts of future minimum lease payments are presented in the table below:

PLN '000

TOTAL FUTURE MINIMUM OPERATING LEASE PAYMENTS	**31.12.2014**	**31.12.2013**
Up to 1 year	2,383	2,749
Between 1 and 5 years	3,686	7,396
Over 5 years	59,497	102,306
TOTAL	**65,566**	**112,451**

40 Financial instruments

The main financial instruments disclosed in the statement of financial position of the CIECH Group as at 31 December 2014 include:

- **Financial assets:**
  - short-term deposits,
  - cash,
  - stock and shares in other entities,
  - trade receivables.

- **Financial liabilities:**
  - liabilities from debt securities – national and foreign bonds,
  - trade liabilities,
  - finance lease agreements
  - sale-leaseback agreements

Carrying amount

31.12.2014 *PLN '000*	*Nota*	**Cash**	**Financial assets available for sale**	**Loans and receivables**	**Financial liabilities at amortised cost**	**Financial liabilities excluded from IAS 39**	**Hedging instruments**	**Total**
				Categories of financial instruments				
Class of financial instruments								
Cash and cash equivalents	*29*	49,162	-	34	-	-	-	**49,196**
Shares		-	413	-	-	-	-	**413**
Trade receivables	*27*	-	-	267,902	-	-	-	**267,902**
Factoring receivables	*27*	-	-	13,440	-	-	-	**13,440**
Hedging derivatives with positive value	*25*	-	-	34,000	-	-	-	**34,000**
Trade liabilities	*36*	-	-	-	322,179	-	-	**322,179**
Loans granted	*32,36*	-	-	-	21,384	-	-	**21,384**
Debt securities issues -bonds	*32,36*	-	-	-	1,182,778	-	-	**1,182,778**
Factoring liabilities	*36*	-	-	-	669	-	-	**669**
Finance lease liabilities	*32, 38*	-	-	-	-	20,015	-	**20,015**
Hedging derivatives with negative value	*36*	-	-	-	-	-	7,067	**7,067**

In the CIECH Group selected trade receivables are subject to factoring. This is factoring with the assumption of insolvency risk del credere whereby the factor takes the risk in the amount specified in the insurance policy

Categories of financial instruments

31.12.2013 *PLN '000*	*Note*	**Cash**	**Financial assets available for sale**	**Loans and receivables**	**Financial liabilities at amortised cost**	**Financial liabilities excluded from IAS 39**	**Hedging instruments**	**Total**
Class of financial instruments								
Cash and cash equivalents	*29*	105,593	-	34	-	-	-	**105,627**
Shares		-	934	-	-	-	-	**934**
Trade receivables	*27*	-	-	421,918	-	-	-	**421,918**
Factoring receivables	*27*	-	-	16,215	-	-	-	**16,215**
Hedging derivatives with positive value	*27*	-	-	-	-	-	621	**621**
Trade liabilities	*36*	-	-	-	336,617	-	-	**336,617**
Loans and borrowings	*32, 36*	-	-	-	416	-	-	**416**
Debt securities issues -bonds	*32, 36*	-	-	-	1,310,126	-	-	**1,310,126**
Factoring liabilities	*36*	-	-	-	8,001	-	-	**8,001**
Finance lease liabilities	*32, 38*	-	-	-	-	7,645	-	**7,645**
Liabilities from sale-leaseback agreements	*32, 38*	-	-	-	-	929	-	**929**
Hedging derivatives with negative value	*36*	-	-	-	-	-	525	**525**

Revenues, costs, profit and loss recognised in the income statement by the category of financial instruments.

01.01.-31.12.2014 *PLN '000*	*Note*	**Cash**	**Financial assets available for sale**	**Financial liabilities at the fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at amortised cost**	**Financial liabilities due to factoring and liabilities excluded from IAS 39**	**Total financial instruments**
Interest income /(costs) including income / costs calculated by using the effective interest rate method	*16*	731	-	-	1,934	(135,987)	(3,455)	(136,778)
Exchange profit / (loss)	*16*	-	-	-	-	805	-	805
Impairment losses recognised	*16*	-	-	-	(20,028)	-	-	(20,028)
Reversal of impairment losses	*16*	-	-	-	2,671	-	-	2,671
Income / costs on account of evaluation and use of derivatives	*16*	-	-	(665)	-	-	-	(665)
Profit / (loss) on the disposal of financial instruments	*16*	-	36	-	-	-	-	36
TOTAL		**731**	**36**	**(665)**	**(15,423)**	**(135,182)**	**(3,455)**	**(153,959)**

01.01.-31.12.2013 *PLN '000*	*Note*	**Cash**	**Financial assets available for sale**	**Financial liabilities at the fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at amortised cost**	**Financial liabilities due to factoring and liabilities excluded from IAS 39**	**Total financial instruments**
Interest income /(costs) including income / costs calculated by using the effective interest rate method	*16*	3,673	-	-	1,296	(139,235)	(20,219)	(154,485)
Exchange profit / (loss)	*16*	-	-	-	-	12,966	179	13,145
Impairment losses recognised	*16*	-	-	-	(16,630)	-	-	(16,630)
Reversal of impairment losses	*16*	-	-	-	3,724	-	-	3,724
Income / costs on account of evaluation and use of derivatives	*16*	-	-	102	-	-	-	102
Profit / (loss) on the disposal of financial instruments	*16*	-	(15)	-	-	-	-	(15)
TOTAL		**3,673**	**(15)**	**102**	**(11,610)**	**(126,269)**	**(20,040)**	**(154,159)**

41 Financial instruments assigned for hedge accounting

The table below presents a summary of specific groups of relationships assigned for hedge accounting in 2014:

Hedged risk	Type of hedge	Hedged item	Hedging instrument
Currency risk EUR/PLN	Cash flow hedging	Future cash flows due to realisation of revenues from sales denominated or indexed to the EUR exchange rate	• Liabilities due to loans denominated in EUR, • Other financial instruments as liabilities denominated in EUR (financial leasing long- term liabilities) • Currency forwards EUR/PLN
Currency risk EUR/PLN	Net investment hedge	The hedged position is net investment in the subsidiary.	• Bonds issued in EUR
Interest rate risk (change of WIBOR 6M)	Cash flow hedging	Interest payments from bonds issued by CIECH S.A. (Series 02) in nominal value of PLN 80 000 000	• Fixed interest rate SWAP WIBOR 6M
Currency risk USD/PLN	Cash flow hedging	Future cash flows due to realisation of revenues from sales denominated or indexed to the USD exchange rate	• Currency forwards USD/PLN

Detailed information concerning instruments assigned for hedge accounting is provided in the table below:

FINANCIAL INSTRUMENTS	TRANSACTION DETAILS		CASH FLOW HEDGING					
				Cash flow occurrence				
Borrowings / bonds issued/ Other financial liabilities	**Transactions assigned for hedge accounting**	**Fair value as at the reporting date**	**Nature of hedged risk**	**Forecast period of cash in the income statement flow occurrence**	**Expected date of impact on the financial result**	**Amount recognised in equity (after income tax) as at 31.12.2014**	**Amount derecognised in equity and recognised in the income statement (after income tax) in the period 01.01-31.12.2014****	**Inefficiency recognised in the income statement**
EUR '000		*PLN '000*				*PLN '000*		
-	CIECH S.A. Financial liabilities in EUR*	-	Currency risk (PLN/EUR)	up to 09.01.2015	up to 09.01.2015	-	(3,675)**	-
-	CIECH S.A. – Interest Rate Swap (IRS)	(3,736)	Interest rate risk	up to 5.12.2017	up to 5.12.2017	(3,026)	(455)	-
	CIECH S.A. – Currency Forwards	(3,331)	Currency risk (PLN/EUR) (PLN/USD)	from 01.01.2014 up to 31.08.2015	from 01.01.2014 up to 31.08.2015	(2,698)	(8,804)**	-
205,000	CIECH S.A. - Bonds liabilities	(956,780)	Currency risk (PLN/EUR)	after 01.01.2019	after 01.01.2019	(22,530)	-	-
					TOTAL	**(28,254)**	**(12,934)**	**-**

Hedge accounting recognised in Equity - "Exchange differences on net investment in a foreign operation"								
40,000	CIECH S.A. - Bond liabilities	(186,689)	Currency risk (PLN/EUR)	after 01.01.2019	after 01.01.2019	(5,641)	-	-
						(33,895)	**(12,934)**	**-**

** in this case hedge accounting was ended in 2013 as a result of hedge instrument repayment before the maturity date.*
*** transferred to the sales revenues.*

The aim of the Group when taking the decision concerning the implementation of the principles of cash flow hedging was to reduce the influence of exchange rates differences due to incurred liabilities, (i.a. loans, bonds, finance lease) on the income statement through reflecting their hedging nature in the financial statements.

The result of the measurement of effective derivative transactions assigned for hedge accounting is reclassified from equity to the income statement upon the execution of the hedged item and recognition of its effect in the income statement.

In the reporting period there were no instances of a failure to implement a future transaction in respect of which applied cash flow hedge accounting.

Other relationships (not listed in the table above) were cancelled and settled in the previous reporting period in connection with a new hedged position.

The revenues from sales assigned for hedge accounting are considered as highly probable. Their occurrence is anticipated in the Group's Financial Plan. These are also transactions with regular customers of the Group's companies which add substance to the probability of occurrence. The effect of the cash flow hedge accounting and the net investment hedges in foreign entities was presented in the consolidated statement of changes in equity of the CIECH Group.

42 Information on changes in contingent assets and liabilities and other matters

42.1 Significant disputed liabilities of the CIECH Group

Significant disputed liabilities of the CIECH Group
As at 31 December 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 37,797 thousand, of which PLN 23,610 thousand is covered by provisions.

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

- CIECH S.A. – PLN 23,097 thousand;
- Soda Polska CIECH S.A. – PLN 1,125 thousand;
- Vitrosilicon S.A. – PLN 110 thousand;
- S.C. Uzinele Sodice Govora – CIECH Chemical Group S.A. – PLN 5,741 thousand (RON 6,037 thousand);
- Z. Ch. „Organika-Sarzyna" S.A. – PLN 93 thousand;
- Sodawerk Stassfurt GmbH&Co.KG - PLN 628 thousand. (EUR 150 thousand);

Opis największych postępowań dotyczących potencjalnych zobowiązań

CIECH S.A.
On 16 December 2010, CIECH S.A. with its registered office in Warsaw, and Zakłady Azotowe "Puławy" S.A. with its registered office in Puławy ("ZAP"), entered into a "Conditional Agreement on the Sale of Shares". Under the Agreement, CIECH S.A. undertook to sell to ZAP shares in Gdańskie Zakłady Nawozów Fosforowych „FOSFORY" Sp. z o.o. The Agreement was in principle executed by both parties, as a result of which ZAP acquired 100% shares in GZNF „FOSFORY" Sp. z o.o., held by CIECH S.A. On 12 November 2012, the District Court in Warsaw, XVI Commercial 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. The above claim is covered by a provision. On 18 June 2013, CIECH S.A. filed a request for notifying Gdańskie Zakłady Nawozów Fosforowych —"FOSFORY" Sp. z o.o. of proceedings pending and calling them to take part in the proceedings, the request having not been examined by the court yet. 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 District Court in Warsaw established the date of the court proceeding on 15 May of 2015.

US Govora S.A.
Dispute with Romanian Waters ("ABAO") concerns US Govora S.A. being charged with amounts due to discharge of cooling waters to Olt River. In accordance with the arrangements, invoicing is done according to the level of monthly amount acknowledged by parties in protocols signed by authorized individuals. Starting from 1

September 2011, ABAO representatives did not appear in US Govora S.A. to make daily measurements (the meters reading), however they did not accept protocols made by US Govora S.A's representatives. On the other hand, US Govora S.A. did not accept invoices issued by ABAO. The company sent the partial refusal document to ABAO for amounts which were not consistent with factual state.
US Govora S.A. stated that it fulfilled all responsibilities and paid invoices consistent with the meters indications, that are functioning correctly, which was also confirmed by certificate documents required by the law. Additionally, the metrological expertise was conducted in that case which confirmed US Govora S.A's statement. The subject of the dispute is PLN 4,593 thousand (RON 4,830 thousand).

On 11 February 2014 Valcea court announced a sentence to the benefit of applicant (US 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 US Govora.

ABAO appealed on 21 March 2014. The date of the next hearing was scheduled for 8 May 2014. The lawyer of US Govora S.A. submitted a request to set a new date of the hearing because ABAO has just filed the reasons for the appeal to which Uzinele Sodice Govora S.A. had to respond. On 4 September 2014 the proceedings took place during which the court postponed the hearing of the case until 2 October 2014. On 2 October 2014, the court closed the proceedings, the sentence was announced on 9 October 2014. The Court dismissed the appeal of ABAP and ABAP appealed against this judgment.
On 12 January 2015 the court proceeding against ABAO ended. The court ruled, as requested by the US Govora S.A., that ABAO should issue an invoice for the months of July and August 2011 in accordance with the usage, correct the invoice for the period September 2011 - May 2012 and issue a new invoices according to usage as recorded by the registers and pay US Govora S.A. the court costs. The judgement is in force.

42.2 Significant disputed receivables of the CIECH Group

As at 31 December 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 89,126 thousand, of which PLN 7,627 thousand is covered by impairment allowances.

The amount of disputed receivables of each the following companies is as follows:
- CIECH S.A. – PLN 18,978 thousand;
- Soda Polska CIECH S.A. – PLN 453 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 – PLN 124 thousand;
- Z. Ch. "Organika-Sarzyna" S.A. – PLN 8,204 thousand;
- Transclean Sp. z o.o. – PLN 11 thousand;
- Transoda Sp. z o.o. – PLN 61,279 thousand.

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. Transoda Sp. z o.o responded to the defendant's answers. We look forward to the appointment of the first hearing.

On 13 February 2013 CIECH S.A. brought an action to the District Court in Gdańsk IX Commercial Department against GZNF "FOSFORY" Sp. z o.o. to pay PLN 18,864 thousand as a compensation for making an alleged untrue declaration by GZNF to CIECH S.A. about the condition of Agrochem Człuchów Sp. z o.o. with its registered office in Człuchów. The legal basis for the claim asserted by CIECH S.A. are the provisions of Article 416 of the Civil Code. The aforementioned representations made by GZNF towards CIECH S.A. were the basis of warranties made by CIECH S.A. towards ZAP. The response to the above claim was issued on 16 May 2013 in which GZNF applied for a dismissal of a claim in whole and for award of reimbursement of litigation costs. In the mentioned case, the court proceedings are conducted and witnesses are questioned. On 22 May 2014 at the District Court in Gdansk a hearing took place and the listened to witnesses were questioned. On 15 September 2015 next hearing was held and the called witnesses did not appear. On 20 November 2014 another hearing was held and only one witness appeared. On 29 January 2015 next hearing was held, during which one witness was questioned. The Court did not set a date for the next hearing.

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

42.3 Contingent assets and contingent liabilities including guarantees, sureties and letters of support

OTHER CONTINGENT ITEMS PLN '000	**31.12.2014**	**31.12.2013**
1. Contingent assets	**18,864**	**18,864**
- other contingent receivables*	18,864	18,864
2. Other contingent liabilities	**162,573**	**135,775**
- guarantees and sureties granted**	42,623	36,320
- other **	119,950	99,455

** Description in section II. 42.2*
*** including mainly:*
- contingent liability in US Govora S.A. resulting from a claim filed by the employees of US Govora S.A.. – the amount of PLN 19,132 thousand (RON 20,118 thousand),
- contigent liability in US Govora S.A. for potential liability regarding VAT in the amount of PLN 10,037 thousand (RON 10,554 thousand),
- contingent liability in Soda Deutschland Ciech Group regarding environmental protection I the amount of PLN 15,523 thousand (EUR 3,642 thousand)
- contingent liability in Soda Polska Ciech S.A. regarding environmental penalty fees in the amount of PLN 30,856 thousand.
- contingent liability in Soda Polska Ciech S.A. resulting from in blanco promissory note to the National Fund for Environmental Protection and Water Management for the received financing in case of a possible financial correction in the amount of PLN 43,171 thousand.

Other contingent liabilities as at 31 December 2014 amounted to PLN 162,573 thousand, which signifies an decrease by PLN 26,798 thousand compared to 31 December 2013.

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

- recognition of guarantees in the consolidated statements granted by Ciech S.A. for certain obligations and warranties made by Zachem S.A. (currently Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej) under the sales contract and transfer of TDI assets to BASF. Guarantee for the amount of EUR 10,000 thousand was granted on 24 September 2012, valid up to 12 March 2017 – change of PLN 42,623 thousand (the guarantee until the loss of control over Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej was eliminated in the consolidation process);
- removal of the guarantee issued by Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej for the liabilities of Spółka Wodna "Kapuściska" in Bydgoszcz due to loss of control over Infrastruktura Kapuściska S.A. w upadłości likwidacyjnej 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 4,233 thousand due to the subsidy received under the program „Infrastructure and environment",
- changes in estimated values of potential environmental penalties in Soda Polska Ciech S.A. that will be settled with future capital expenditures due to potential penalties for exceeding emission limits in 2014 of PLN 4,607 thousand,
- recognition in the US Govora S.A company, contingent liability for the potential liability for VAT in the amount of PLN 10,037 thousand.
- reclassification of provisions for liabilities to contingent liabilities related to the lawsuit filed by the employees in the company US Govora S.A. – the change amount of PLN 1,257 thousand.
- change in RON exchange rate applied by US Govora S.A. to translate the contingent liability related to the lawsuit filed by the employees of US Govora S.A. – the change in the amount of PLN 466 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 recognised if the waste management regulations become applicable – the change in the amount of PLN 419 thousand,
- reclassification of CIECH S.A.'s contingent liabilities to provisions for liabilities (claim filed by a former employee in relation to compensation for termination of employment) – the change in the amount of PLN 778 thousand.
- other changes in contingent liabilities of PLN 254 thousand.

Letters of support

As at 31 December 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 34.8 million until 31 December 2014. 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 4 million and until 31 December 2015.

42.4 Other cases with CIECH S.A.’s and CIECH Group’s entities participation

On 24 May 2013 CIECH S.A. filled a claim to the District Court in Warsaw, XX Commercial Department, against Bank Handlowy S.A. in Warsaw, requesting a payment of a principal of PLN 63,583 thousand due to liabilities resulting from option transactions concluded between CIECH S.A. and the 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. On 22 December 2014 the District Court dismissed the claim. During the process, the position of jurisprudence regarding the recognition of the option premium for the issue objectively important element of such an agreement has been radically changed (including the Supreme Court's judgment of 27 September 2013 I CSK 761/12). Attorney of CIECH S.A. concluded that in the face of a new position of jurisprudence, the positive outcome of the second instance is highly uncertain. Given the above, CIECH S.A. did not appeal against the judgment of the District Court. The judgment of the District Court is final.

43 Information on transactions with related parties

43.1 Transactions with related parties in total

Transactions between the parent, CIECH S.A., and its subsidiaries were eliminated during consolidation and have not been presented in this section.
Detailed information about transactions between the CIECH Group and other related entities have been presented below.

TRANSACTIONS BETWEEN CONSOLIDATED ENTITIES AND OTHER RELATED ENTITIES *w tysiącach złotych*	**2014**	**2013**
Revenues from sales of products and services	3,437	795
Revenues from sales of goods and materials	55,187	63,846
Other operating income	9	57
Financial income	1,095	50
Purchase of products, goods and materials	304	1,134
Purchase of services	41,516	3,511
Financial expenses	18	18
Receivables, loans granted etc..	6,230	5,447
Liabilities, loans received etc.	1,724	649

Terms of transactions with related entities
Sales to and purchases from related entities are realised at market prices. Overdue liabilities and receivables are not secured and are settled in cash or by set-off. Receivables from related entities have not been secured by any guarantees granted or received besides described below.

In 2014 (and in the comparative period) there were only typical transactions between the companies of the CIECH Group related to current activity of the parent CIECH S.A. and its subsidiary

43.2 Significant transactions entered into by Companies or subsidiaries with related entities on other than market conditions

In 2014 there were no significant transactions with related entities in the CIECH Group on other than market conditions.

43.3 Transactions with State Treasury companies

As a result of change in control, which took place on 9 June 2014 the CIECH SA, the Treasury as at 31 December 2014 did not hold shares in CIECH S.A.

In the period from 1 January 2014 to 9 June 2014 the State Treasury held a significant share and was able to control CIECH S.A. Owing to the State Treasury control of CIECH S.A. State Treasury Companies (as listed by the Ministry of Treasury) fulfil the definition of related entities. The CIECH S.A.'s Management Board has assumed that costs of collecting information of such transactions for the above mentioned period exceed the potential benefits to be gained by the users of these consolidated financial statements and the amounts involved in transactions with State Treasury Companies do not have a significant impact on these statements.

43.4 Description of significant relationships and transactions with related parties

On 23 December 2014 Soda Poland Ciech S.A. brought to its subsidiary CERIUM Sp. z o.o SKA contribution in the form of movable assets. Subsequently on 29 December 2014 Cerium Sp. z o.o SKA (Lessor) concluded with three subsidiaries of the CIECH Group, ie. Soda Poland Ciech S.A. Zakłady Chemiczne "Organika-Sarzyna" S.A. Ciech Pianki Sp. z o.o. (Lessee) finance lease agreement under which the Lessor provided the Lessees with the defined in the agreements movables, which are leased assets owned by the Lessor for usage and profit gain by the Lessees. Zakłady Chemiczne "Organika-Sarzyna" S.A. and Ciech Pianki Sp. z o.o. gave leased assets under lease to Soda Polska Ciech S.A. for a period of 15 years, ie. until 31 December 2029. The lease agreements have been concluded for a limited period of time until 31 December 2015, with the possibility of their renewal for a further period. At the end of the lease, the Lessor has committed himself to move to the Lessee on, on the basis of a separate agreement, ownership of leased assets for a fee corresponding to the last instalment, unless the both parties to the lease agreement does not provide otherwise. The Lessee is entitled to designate another purchaser entitled to purchase of leased assets. The net value of the lease agreement amounted to approximately PLN 113,000 thousand and is the sum of the lease instalments paid as remuneration of the Lessor for the duration period of the lease agreement. The lease agreement does not stipulate a condition or term and do not include penalty fees or conditions different from those commonly used in this type of contracts.

The effects of the transaction mentioned above was eliminated in consolidated financial statements.

43.5 Transactions concluded with key managerial personnel

Key managerial personnel comprises persons who are authorised to and are responsible for direct planning, managing and controlling the activities of the parent.

Remuneration of the Management Board of CIECH S.A.
The following table presents the amount of remuneration and additional benefits paid to particular Members of the Management Board in 2013 and in the comparable period. In the years 2014-2013 the members of the Management Board of CIECH S.A. did not receive any remuneration for holding a position in the Supervisory Boards or any other functions performed in the subsidiaries of the CIECH Group.

PLN '000	**Remuneration received from CIECH S.A. for 2014**	**Remuneration received from CIECH S.A. for 2013**
Dariusz Krawczyk	**1,604**	**1,000**
Artur Osuchowski	**1,203**	**918**
Maciej Tybura	**318**	**-**
Andrzej Kopeć	885	750
Andrzej Bąbaś	**-**	**204**
Ryszard Kunicki	**-**	**790**
Rafał Rybkowski	**-**	**204**
RAZEM	**4,010**	**3,866**

Members of the Management Board are employed based on employment contracts. In accordance with the binding Resolution of the Supervisory Board of CIECH S.A. the Members of the Management Board are entitled to:

- monthly remuneration determined in individual employment contracts;
- a special bonus in the amount determined by the Supervisory Board;
- annual bonus determined in individual employment contracts.

Remuneration of the Supervisory Board of CIECH S.A.
PLN '000

First name and surname	Remuneration received from CIECH S.A. for 2014	Remuneration received from CIECH S.A. for 2013
Ewa Sibrecht-Ośka	74	137
Przemysław Cieszyński	47	114
Arkadiusz Grabalski	49	92
Zygmunt Kwiatkowski	52	92
Maciej Lipiec	49	92
Waldemar Maj	49	92
Mariusz Obszyński	49	92
Sławomir Stelmasiak	49	92
PhD Jan Kulczyk	-	-
Piotr Augustyniak	46	-
Tomasz Mikołajczak	57	-
Mariusz Nowak	46	-
Artur Olech	46	-
WojCIECH Stramski	46	-
Maciej Tybura	25	-
TOTAL	**684**	**803**

Members of the Supervisory Board pursuant to a resolution of the Extraordinary General Meeting receive monthly remuneration amounting to:

- Chairman of the Supervisory Board – 300%,
- Deputy Chairman of the Supervisory Board – 250%,

Other Members of the Supervisory Board – 200% of the average monthly remuneration in enterprise sector including profit distribution in the month preceding the calculation.

44 Information about agreements concluded with the entity authorised to audit the CIECH Group"s consolidated financial statements

The entity authorised to audit financial statements for the period from 1 January 2014 to 31 December 2014 was KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Warsaw.

On 11 June 2013 an agreement on review of semi-annual and audit of annual financial statements for the years 2013, 2014, 2015 was signed with KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k. and abroad companies of the KPMG network are also the auditor of the most significant consolidated subsidiaries of CIECH S.A. i.e.

- Soda Polska CIECH S.A.,
- Grupa Soda Deutschland CIECH,
- S.C. Uzinele Sodice Govora – CIECH Chemical Group S.A.,
- Grupa Organika – Sarzyna;
- VITROSILICON Spółka Akcyjna,
- CIECH Pianki Sp. z o.o.,
- CIECH Group Financing AB.

In PLN thousands	Parent entity CIECH S.A.*		Subsidiaries of the CIECH Group subject to consolidation	
	2014*	**2013***	**2014***	**2013***
Audit of the annual financial statements	185	147	853	841
Review of the half year report	121	98	283	311
Other assurance services	-	-	128	62
Other services	61	55	-	-

** The remuneration includes additional costs*

45 Events after the reporting date

After the reporting date to the day of the publication of this report, there have been no significant events affecting the CIECH Group's operations.

46 Information about significant events from previous years recognised in the financial statements for the financial years

No other events concerning prior years and recognised in the financial statements for the financial year occurred.

47 Other information that may have a significant impact on the assessment of the CIECH Group's financial and asset situation or its financial result

No other events that may have a significant impact on the CIECH Group's financial and assets situation or its financial result occurred in the reporting period.

Statement of the Management Board

These consolidated financial statements of CIECH Group were approved by the Management Board of the Company at its registered office on 23 March 2014.

Warsaw, 23 March 2014
Signed on the Polish original

……………………………..
Dariusz Krawczyk – President of the Management Board of CIECH Spółka Akcyjna
Signed on the Polish original

……………………………………………………………………………..………
Maciej Tybura – Member of the Management Board of CIECH Spółka Akcyjna
Signed on the Polish original

…………………………………………………………………………….
Artur Osuchowski – Member of the Management Board of CIECH Spółka Akcyjna
Signed on the Polish original

………………………………………………………………………..…………..
Katarzyna Rybacka – Chief Accountant of CIECH Spółka Akcyjna
Signed on the Polish original