

**Current report no.** 62/2012

**Report date:** December 5th, 2012

**Abbreviated name:** Ciech SA

**Subject:** Issue of series 01 and 02 bonds governed by the law of Poland in the amount of PLN 320,000,000 and (ii) granting by Ciech SA subsidiaries of a surety for liabilities on account of bonds governed by the law of Poland

**Legal basis:** Article 56 section 1 item 2 of the Act on Offering – current and periodic information as well as § 5 section 1 item 7 and item 11 of the Ordinance of the Minister of Finance of February 19th, 2009 on Current and Periodic Information Provided by Issuers of Securities and the Conditions of Recognising as Equivalent Information Required by the Law Provisions of a Country which is not a Member State.

**Report:**

1. Issue on December 5th, 2012 of series 01 and 02 bonds governed by the law of Poland in the amount of PLN 320,000,000

The Management Board of Ciech SA, acting pursuant to Article 56 section 1 item 2 of the Act of July 29th, 2005 on Public Offering and the Conditions for Introducing Financial Instruments to Organised Trading and on Public Companies ("**Act on Offering**") and § 5 section 1 item 11 of the Ordinance of the Minister of Finance of February 19th, 2009 on Current and Periodic Information Provided by Issuers of Securities and the Conditions of Recognising as Equivalent Information Required by the Law Provisions of a Country which is not a Member State ("**Ordinance**") reports that on December 5th, 2012 Ciech SA issued secured bearer bonds governed by the law of Poland denominated in the zloty: (i) series 01 with the total nominal value of PLN 160,000,000 with an option of an early buyout of the bonds of this series prior to the maturity date thereof by Ciech SA after 18 or 42 months from the issue date, with the maturity date on December 5th, 2017, and (ii) 02 series bonds with a total nominal value of PLN 160,000,000 without an option of an early buyout by Ciech SA, with the maturity date on December 5th, 2017 (jointly referred to as "**Polish Bonds**").

Polish Bonds **series 01** were issued on the following terms and conditions:

Purpose of the issue: the purpose of the issue, as defined in the Act on Bonds of June 29th, 1995 ("**Act on Bonds**") was not specified, however, Ciech SA intends to earmark funds raised from the issue of Polish Bonds series 01 for early buyout or timely redemption of A series bonds issued by Ciech SA on December 14th, 2007 (see current report no. 76/2007).

Type of bonds issued: secured bearer bonds without the form of a document registered in the National Depository for Securities ("**KDPW**") in accordance with Article 5a section 6 of the Act on Bonds.

Value of the issue: PLN 160,000,000.

<u>Nominal value of one bond:</u>	PLN 10,000.
<u>Issue price of one bond:</u>	PLN 10,000.
<u>Yield rate (annual):</u>	Floating rate calculated on the basis of the WIBOR 6M rate augmented by a margin of 500 basis points.
<u>Yield payment dates:</u>	June 5th, 2013, December 5th, 2013, June 5th 2014, December 5th,2014, June 5th 2015, December 7th, 2015, June 6th, 2016, December 5th, 2016, June 5th, 2017, December 5th, 2017
<u>Yield payment terms and conditions</u>	Yield payments are made via the KDPW and the entity maintaining the relevant securities account or the holder of a collective account without deductions for mutual claims (unless such deductions are required by the law).
<u>Redemption terms and conditions:</u>	The redemption date for Polish Bonds series 01 has been set on 60 months from the issue date of Polish Bonds, i.e. December 5th, 2017, and Polish Bonds will be redeemed at the nominal value thereof, however, Polish Bonds series 01 have an option of an early buyout by Ciech SA prior to the maturity date thereof, after 18 or 42 months after the issue date.
<u>Security:</u>	<p>Polish Bonds series 01 are secured by sureties granted by selected subsidiaries of Ciech SA from Poland, Germany, Sweden and Romania.</p> <p>Additionally, Polish Bonds series 01 will be indirectly secured by parallel debt created on the basis of the intercreditor agreement of November 28th, 2012 (for information about concluding the intercreditor agreement and hedging by parallel debt, see current report no. 60/2012) ("<b>Intercreditor Agreement</b>"), however, the bondholder of Polish Bonds series 01 will be able to use such security via Powszechna Kasa Oszczędności Banku Polskiego SA acting as Security Agent on the rules determined in the Intercreditor Agreement provided that they accede to the Intercreditor Agreement in accordance with the procedure described in the terms and conditions of the issue of Polish Bonds series 01.</p>
<u>The value of liabilities incurred by Ciech SA as of the last day of the quarter preceding the offer to acquire bonds:</u>	<p>To the best knowledge of Ciech SA, as of the end of Q3, 2012, liabilities incurred by Ciech SA amounted to PLN 1,571,124,000, of which long-term liabilities of PLN 36,769,000 and short-term liabilities of PLN 1,534,355,000 (data from the separate statements of Ciech SA).</p> <p>To the best knowledge of Ciech SA, as of the end of Q3,</p>

2012, liabilities incurred by the Ciech Capital Group amounted to PLN 2,787,607,000, of which long-term liabilities of PLN 720,041,000 and short-term liabilities of PLN 2,067,566,000 (data from the consolidated statements of the Ciech Capital Group).

Prospects for the liabilities of Ciech SA until total redemption of bonds: Until total redemption of Polish Bonds series 01, Ciech SA intends to reduce the amount of liabilities.

Polish Bonds **series 02** were issued on the following terms and conditions:

Purpose of the issue: the purpose of the issue, as defined in the Act on Bonds, was not specified, however, Ciech SA intends to earmark funds raised from the issue of Polish Bonds series 02 for early buyout or timely redemption of A series bonds issued by Ciech SA on December 14th, 2007 (see current report no. 76/2007).

Type of bonds issued: secured bearer bonds without the form of a document registered in the KDPW in accordance with Article 5a section 6 of the Act on Bonds.

Value of the issue: PLN 160,000,000.

Nominal value of one bond: PLN 10,000.

Issue price of one bond: PLN 10,000.

Yield rate (annual): Floating rate calculated on the basis of the WIBOR 6M rate augmented by a margin of 490 basis points.

Yield payment dates: June 5th, 2013, December 5th, 2013, June 5th 2014, December 5th, 2014, June 5th 2015, December 7th, 2015, June 6th, 2016, December 5th, 2016, June 5th, 2017, December 5th, 2017

Yield payment terms and conditions: Yield payments are made via the KDPW and the entity maintaining the relevant securities account or the holder of a collective account without deductions for mutual claims (unless such deductions are required by the law).

Redemption terms and conditions: The redemption date for Polish Bonds series 02 has been set on 60 months from the issue date of Polish Bonds, i.e. December 5th, 2017, and Polish Bonds will be redeemed at the nominal value thereof.

Security: Polish Bonds series 02 are secured by sureties granted by selected subsidiaries of Ciech SA from Poland, Germany, Sweden and Romania.

Additionally, Polish Bonds series 02 will be indirectly

secured by parallel debt created on the basis of the Intercreditor Agreement, however, the bondholder of Polish Bonds series 02 will be able to use such security via Powszechna Kasa Oszczędności Banku Polskiego SA acting as Security Agent on the rules determined in the Intercreditor Agreement provided that they accede to the Intercreditor Agreement in accordance with the procedure described in the terms and conditions of the issue of Polish Bonds series 02.

The value of liabilities incurred by Ciech SA as of the last day of the quarter preceding the offer to acquire bonds: To the best knowledge of Ciech SA, as of the end of Q3, 2012, liabilities incurred by Ciech SA amounted to PLN 1,571,124,000, of which long-term liabilities of PLN 36,769,000 and short-term liabilities of PLN 1,534,355,000 (data from the separate statements of Ciech SA).

To the best knowledge of Ciech SA, as of the end of Q3, 2012, liabilities incurred by the Ciech Capital Group amounted to PLN 2,787,607,000, of which long-term liabilities of PLN 720,041,000 and short-term liabilities of PLN 2,067,566,000 (data from the consolidated statements of the Ciech Capital Group).

Prospects for the liabilities of Ciech SA until total redemption of bonds: Until total redemption of Polish Bonds series 02, Ciech SA intends to reduce the amount of liabilities.

## 2. Granting by Ciech SA subsidiaries of sureties for liabilities on account of bonds governed by the law of Poland

The Management Board of Ciech SA, acting pursuant to Article 56 section 1 item 2 of the Act on Offering and § 5 section 1 item 7 of the Ordinance, reports that in accordance with the terms and conditions of the issue of Polish Bonds series 01 and 02 the following Ciech SA subsidiaries: Janikowskie Zakłady Sodowe Janikosoda S.A., Vitrosilicon S.A., Inowrocławskie Zakłady Chemiczne Soda Mątwy S.A., Soda Polska Ciech S.A. Transclean sp. z o.o., Zakłady Chemiczne Alwernia S.A., Zakłady Chemiczne Organika-Sarzyna S.A., Przedsiębiorstwo Chemiczne Cheman S.A., Ciech Pianki sp. z o.o., Ciech Group Financing AB (publ) and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. ("**Original Guarantors**"), pursuant to Articles 876-887 of the Civil Code, granted sureties for an obligation of Ciech SA to make any payments on account of each series of Polish Bonds ("**Sureties**"). Additionally, after the conditions precedent set out in the terms and conditions of the issue of Polish Bonds have been fulfilled, Sureties will be granted by the following Ciech SA subsidiaries: Soda Deutschland Ciech GmbH, Sodawerk Staßfurt Verwaltungs-GmbH, Sodawerk Holding Staßfurt GmbH and Sodawerk Staßfurt GmbH & Co. KG ("**Future Guarantors**").

The maximum amount of Sureties (with certain reservations concerning Zakłady Chemiczne Organika-Sarzyna S.A., Zakłady Chemiczne Alwernia S.A., S.C. Uzinele Sodice Govora –

Ciech Chemical Group S.A. and Future Guarantors) has been determined in the amount of 155% of the total nominal value of all Polish Bonds, however, each Surety is also subject to restrictions usual for such transactions.

Sureties are unconditional and (subject to exceptions specified in the terms and conditions of the issue of Polish Bonds) irrevocable and they cover obligations of Original Guarantors as well as Future Guarantors to make any payments on account of Polish Bonds to each and every bondholder of Polish Bonds, including in particular an obligation to pay the redemption amount of Polish Bonds, yields, premiums payable, interest for delays in payments as well as an obligation to pay other costs incurred by the bondholders in connection with pursuing their rights under Polish Bonds (including enforcement costs).

Sureties granted by Original Guarantors and each Surety to be granted by Future Guarantors will have been granted by the day falling 18 months after the redemption date of Polish Bonds.

Funds raised from the issue of Polish Bonds will be earmarked, among others, for early buyout or timely redemption of A series bonds issued by Ciech SA on December 14th, 2007 (see current report no. 76/2007). This will have a positive effect on the financial condition of the entire Ciech Capital Group and, as a result, of individual Guarantors and Future Guarantors, which makes granting Sureties commercially reasonable.

**Signatures of the Company's representatives:**

Andrzej Kopeć – Member of the  
Management Board

Artur Osuchowski – Member of the  
Management Board