

Consolidated financial statements of Ciech Capital Group for the 4th Q 2004**NOTES ON THE CONSOLIDATED QUARTERLY STATEMENTS OF CIECH CAPITAL GROUP FOR THE FOURTH QUARTER 2004****1. Accounting and consolidation principles used to prepare the interim statements for the fourth quarter 2004**

Consolidated quarterly statements for the fourth quarter 2004 were prepared in compliance with applicable accounting principles; asset, equity and liability valuation principles and net financial result calculation principles defined as of the balance sheet date, taking into account adjustments resulting from provisions, including deferred income provisions and asset revaluation write-downs.

Detailed information on accounting and consolidation principles of Ciech Capital Group were presented in the introduction to the consolidated statements of the Capital Group as at 30.06.2004 in Section VIII of Ciech Capital Group Prospectus.

As of 01.01.2004 there were the following changes in the accounting principles at Ciech Capital Group:

Real Estate and Intangible Asset Investments:

The following principle was used: Investment real estate and intangible assets were not depreciated and as at the balance sheet date they were valued at purchase price decreased by permanent impairment write-downs.

Since 01.01.2004 the following principle has been used: Real estate and intangible assets classified as investments are valued in compliance with principles applied to tangible and intangible assets or at market value or otherwise determined fair value. Real estate and intangible assets classified as investments are depreciated in compliance with principles applied to tangible and intangible assets.

Trade receivables

The following principle was used: Foreign currency receivables were valued at purchase exchange rate of a given currency used by the bank, whose services the entity used, as at the balance sheet date, although not higher than mid exchange rate published by NBP for that currency on the balance sheet date. If the entity is served by several banks the exchange rate of the leading bank managing the entity's primary account should be used. If on balance sheet date different exchange rates were published, the last published exchange rate was used in the valuation.

Since 01.01.2004 the following principle has been used: Foreign currency receivables are valued as of the balance sheet date according to mid exchange rate of a given currency published by the National Bank of Poland on that day."

Trade liabilities:

The following principle was used: Foreign currency liabilities were valued at sale exchange rate of a given currency used by the bank, whose services the entity used, as at the balance sheet date, although not lower than mid exchange rate published by NBP for that currency on the balance sheet date. If the entity is served by several banks the exchange rate of the leading bank managing the entity's primary account should be used. If on balance sheet date different exchange rates were published, the last published exchange rate was used in valuation.

Since 01.01.2004 the following principle has been used: Foreign currency liabilities are valued as of the balance sheet date according to mid exchange rate of a given currency published by the National Bank of Poland on that day."

Revenues from leased premises:

The following principle was used: Revenues from leased premises were disclosed as net products and service sale revenues, and expenses commensurable to the revenues were disclosed as costs of products and services sold.

Since 01.01.2004 the following principle has been used: Revenues from leased premises are disclosed as other operating revenues – other – and expenses commensurable to the revenues are disclosed as other operating expenses – other.

Consolidated equity of Ciech Capital Group is also affected by changes in regulations concerning disclosure of investments and recourses applicable to insurance companies. Ciech Capital Group, at a lower consolidation level, insurance company PTU Sp. z o.o. is valued using the ownership method.

Value adjustment related to the change in accounting principles was presented below.

PLN thousand	31.12.2003
Equity before conversion (data as at the end of the previous year):	482,156
foreign currency asset, equity and liability valuation adjustment acc. to mid exchange rate of NBP	4,147
adjustment related to the change in regulations concerning disclosure of investments and recourses (ownership method valuation of insurance company)	-1,710
Equity after conversion acc. to new accounting principles (comparable data)	484,593

PLN thousand	31.12.2003
Net profit before conversion (data as at the end of the previous year):	75,922
foreign currency asset, equity and liability valuation adjustment acc. to mid exchange rate of NBP	1,992
adjustment related to the change in regulations concerning disclosure of investments and recourses (ownership method valuation of insurance company)	-1,710
Net profit after conversion acc. to new accounting principles (comparable data)	76,204

Ciech Capital Group did not prepare and did not publish consolidated statements for the 4th Q 2003. Consolidated data for the 4th Q 2003 were prepared as comparable data to the 4th Q 2004 on the basis of uniform accounting and consolidation principles used by Ciech Capital Group at the end of 2004.

2. List of Ciech Capital Group entities subject to consolidation or ownership method valuation in the fourth quarter 2004.

Ciech Capital Group is a group of domestic and foreign production-trading companies operating in the chemical industry. Dominant entity Ciech S.A. is responsible for strategy development and Capital Group management.

Fully consolidated entities comprised:

- Ciech S.A. – dominant entity
- Ciech Petrol Sp. z o.o., Błaszki (fully consolidated until the merger with Cheman S.A. i.e. 8 July 2004)
- JZS Janikosoda S.A., Janikowo
- Przedsiębiorstwo Chemiczne Cheman S.A., Warsaw (since 9 July 2004 merged with Ciech Petrol Sp. z o.o.)
- Alwernia Capital Group, Alwernia
- Vitrosilicon SA, Iłowa
- Ciech-Polfa Sp. z o.o., Warsaw
- Petrochemia-Błachownia Capital Group, Kędzierzyn-Koźle
- GZNF Fosfory Capital Group, Gdańsk
- IZCh Soda Mątwy Capital Group, Inowrocław
- Polsin Pte. Ltd., Singapore
- Daltrade Plc, United Kingdom

Ownership method valuated entities:

- Przedsiębiorstwo Transportowo-Usługowe TRANSCLEAN Sp. z o.o., Bydgoszcz
- Zach-Ciech Sp. z o.o., Chorzów
- Zakłady Tworzyw i Farb Sp. z o.o., Złoty Stok – company valued up to sale - 13.06.2004

Since 2004 Alwernia Chrom Sp. z o.o. - subsidiary consolidated by Alwernia Capital Group, has been subject to full consolidation. The company launched activities in the first quarter of 2004.

As of 01.01.2004 Ciech S.A. transferred all pharmaceuticals trade to its subsidiary Ciech Polfa Sp. z o.o. Due to the above, in order to ensure data comparability, Ciech Polfa Sp. z o.o. subsidiary (100%) has been fully consolidated in Ciech Capital Group as of 01.01.2004.

In order to prepare selected financial data, individual balance sheet asset, and equity and liability items were converted to EUR according to mid exchange rate published by the National Bank of Poland as at the balance sheet date (31 December 2004) i.e. 4.0790. Individual profit and loss account items were converted into EUR according to exchange rate being arithmetical mean of mid EUR exchange rates published by the National Bank of Poland at the end of every month



from January to December 2004: 4.7614 ; 4.8746; 4.7455; 4.8122; 4.6509; 4.5422; 4.3759; 4.4465; 4.3832; 4.3316; 4.2150; 4.0790 respectively. For the four quarters of 2004 this exchange rate amounted to 4.5182.

3. Major accomplishments of Ciech S.A. and Capital Group members in the fourth quarter 2004.

1. Release of Ciech S.A. stocks on the public market by KPWiG (Polish Securities and Exchange Commission).

On 30 November 2004 the Polish Securities and Exchange Commission decided to admit Ciech S.A. stocks into public circulation. A total of 28,000,000 Ciech S.A. stocks were admitted into public circulation, including:

- 20,816 standard bearer stocks series A – PLN 5.00 of par value.
- 19,775,200 standard bearer stocks series B – PLN 5.00 of par value.
- new issue of 8,203,984 standard bearer stocks series C – PLN 5.00 of par value.

Public offer comprised 11,996,688 standard bearer stocks, PLN 5.00 of par value; PLN 59,983,440 of total value, including:

- 3,220 standard bearer stocks series A – PLN 5.00 of par value.
- 3,789,484 standard bearer stocks series B – PLN 5.00 of par value.
- new issue of 8,203,984 standard bearer stocks series C – PLN 5.00 of par value.

Ciech S.A. stocks were launched at the Warsaw Stock Exchange on 10 February 2005.

New issue of 8,203,984 standard bearer stocks series C was registered on 16 February 2005.

2. Creation of Soda Division, which initiated activities of the new organisational structure of Ciech S.A.

The Ciech S.A. Management Board decided to adjust the company's organisational structure to the development strategy passed in 2004. Conceptual and preparatory works were conducted in the 2nd half of 2004. Key changes comprised concentration of all business related to a particular product group in one organisational structure. Current there are 2 divisions in the Group: Soda Division focusing on soda products and FosChem Division focusing on organic and non-organic phosphor business other than soda.

3. Conducted/completed investments increasing efficiency of Ciech Capital Group members

Major investments were conducted by the following companies in the 4th quarter:

- Alwernia S.A. – further modification of phosphoric salt production technology on the basis of extracted phosphoric acid; completed construction of fodder phosphate installation,
- Petrochemia Blachownia SA – completed modernisation of Continuous Benzene Distillery
- GZNF Fosfory Sp. z o.o. – in the scope of investments in fodder phosphate delivery of processing plant to the installation were commenced and construction works have been continued; as a part of "phosphoric acid" project – reactor related works have been completed, construction of container V-3500 m³ steel structure was completed, construction of acid loading "tray" for railway cistern has been continued; Chemical Pier – works on obtaining Pier use permit were completed, processing pipeline designs have been completed,
- IZCh Soda Mątwy S.A. – limestone breaking project implementation, commissioning of state-of-the-art soda packing machine,
- PTU Transclean Sp. z o.o. – purchase of new road transport vehicles.

Conducted projects have improved or will improve efficiency of the aforementioned entities in the nearest future, which should result in increased sales and improved financial results.

4. Benefiting from demand for selected products in the 4th Q 2004 mostly by Petrochemia Blachownia S.A. and soda companies: IZCh Soda Mątwy S.A. and JZS Janikosoda S.A.
5. After recertification process Ciech S.A. once again received ISO 9001:2000 quality management system compliance certificate from KEMA Quality BV.
6. Positive results of a customer audit conducted by Soda Mątwy have confirmed effectiveness of the company's quality systems.



4. Consolidated financial results of Ciech Capital Group

PLN thousands

Selected financial information (PLN thousands)	4 th Q 2004	4 quarters 2004 (accrued)	4 th Q 2003 – comparable data	4 quarters 2003 – comparable data (accrued)	Quarterly dynamics
Net sales revenues	585,151	2,326,150	483,817	1,909,329	20.94%
Gross profit from sales	124,044	550,083	132,641	530,574	-6.48%
Operating profit	22,001	144,830	26,234	144,769	-16.14%
Net profit (loss)	9,904	81,634	2,214	76,204	347.34%
Equity	567,270	567,270	484,593	484,593	17.06%
Net profit per 1 stock (PLN)	0.50	4.12	0.11	3.85	347.34%

Source: Ciech S.A.

Sales revenues

Ciech Capital Group conducts production activities related to sale of chemical products and raw materials as well as trading activities related to chemicals trade.

Net sale revenues of Ciech Capital Group in the fourth quarter 2004 amounted to PLN 585,151 thousand. As compared to the fourth quarter 2003 revenues increased by 20.94%. Sales revenue increase primarily resulted from good chemicals market conditions and restructuring of sales of selected goods/products and from the shift from commission sale to sale at own account.

Ciech Capital Group product and goods portfolio is highly mature and sales are based on long-term relations with customers. Domestic market is the primary sale market and Europe still remains the primary export market. Close location and lack of trade barriers makes European Union economies natural markets for Ciech Capital Group products. It means that export profitability depends on European market conditions and EUR/PLN exchange rate.

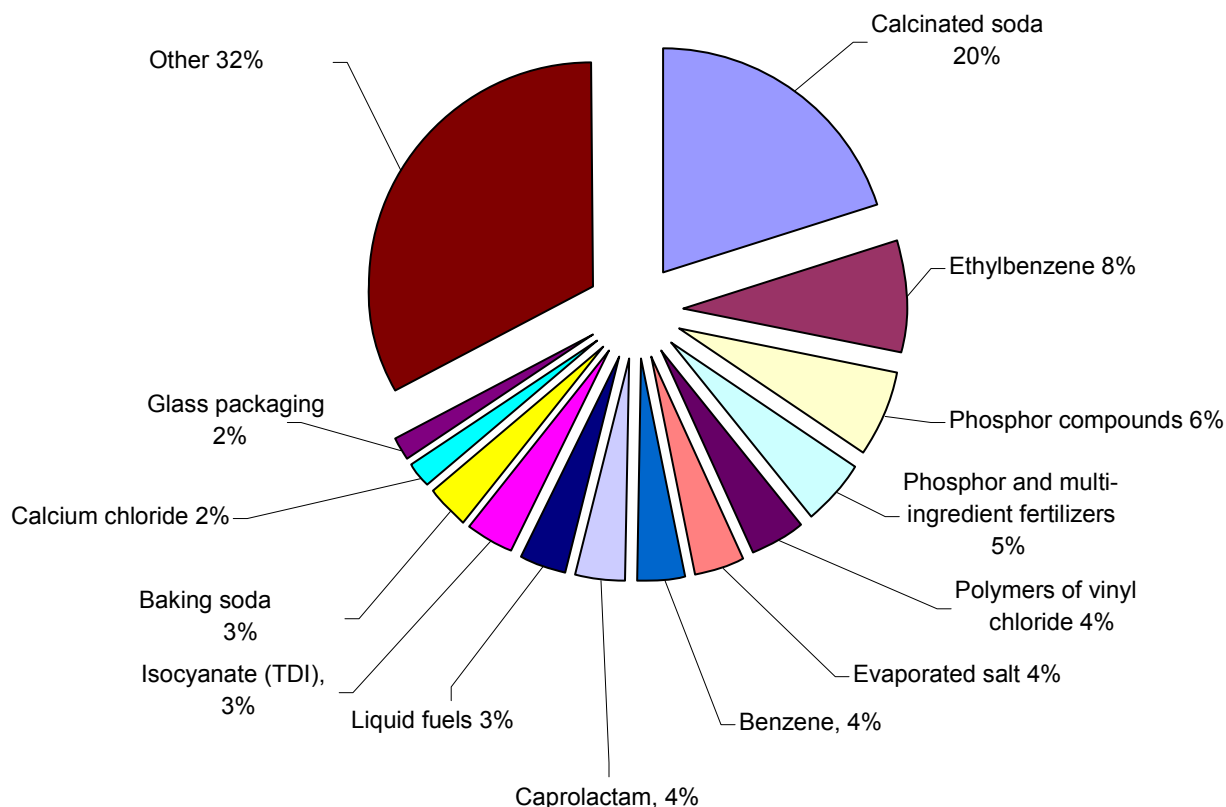
Sales revenues structure in the fourth quarter 2004.

Among Ciech Capital Group production activities production of non-organic chemicals such as: calcinated soda, phosphor compounds and evaporated salt are of key importance. In addition to non-organic chemical products production of petrochemical products, mostly of ethyl benzene and benzene, is important for the Ciech Capital Group. Third major source of revenues for the Ciech Capital Group comprises agricultural chemical products, particularly production of phosphoric and multi-ingredient fertilisers. Business activities of the Ciech Capital Group comprise chemical product trade on the domestic market and international trade in chemicals such as: liquid fuels, plastics and pharmaceuticals, mostly ready to use medicines. Trade activities are conducted in the form of sale at own account and commission sale. Share of commission sale in the Ciech Capital Group revenues is gradually declining, which is a result of the Group's policy of increasing sale at own account enabling the Group to obtain higher sale margin.

The chart below presents the Ciech Capital Group's sales structure, divided into primary products and goods, for the fourth quarter 2004.



IV Q 2004



Gross profit from sales

In the fourth quarter of 2004 gross profit from sales of the Ciech S.A. Capital Group reached PLN 124,044 thousand. It is 6.48% decrease as compared to the fourth quarter 2003.

In the fourth quarter 2004 the decrease in profit from sales as compared to the fourth quarter 2003 resulted from the decrease in EUR/PLN exchange rate – average exchange rate equalled 4.21 in the fourth quarter 2004 and 4.70 in the fourth quarter 2003. Additionally, the decrease in gross profit from sales resulted from growing prices of basic raw materials used in production.

Operating profit

Operating profit of the Ciech Capital Group amounted to PLN 22,001 thousand in the fourth quarter 2004. It is 16.1% decrease as compared to the profit generated in the fourth quarter 2003. Operating profit level was primarily affected by the profit from sales.

Net result



In the fourth quarter 2004 net profit amounted to PLN 9,904 thousand. As compared to the fourth quarter 2003 the profit increased by PLN 7,690 thousand. Main reasons behind such low net results in the fourth quarter 2003 was the loss on resulting from the loss of control of K. Foster & Son Ltd (Daltrade Plc subsidiary) amounting to PLN 5,497 thousand. The result for the fourth quarter 2004 (PLN 1,136 thousand) was additionally improved by decreased goodwill amortisation of subsidiaries.

Equity structure

At the end of 2004 equity of the Ciech Capital Group increased by PLN 82,677 thousand as compared to 31 December 2003. Net profit amount to PLN 81,634 thousand generated in the year 2004 had a decisive impact on equity of the Ciech Capital Group.

Indebtedness

As at 31.12.2004 the level of liabilities (long-term and short-term in total) of the Ciech Capital Group amounted to PLN 660,186 thousand which constitutes an increase by PLN 3,286 thousand as compared to the year 2003. The increase in liabilities resulted from the increase in short-term trade liabilities.

As at 31.12.2004 indebtedness ratio (calculated as indebtedness to balance sheet ratio) amounted to 45% which is 3 percentage points less than in the year 2003.

As at 31 December 2004 financial leverage (indebtedness to indebtedness plus equity acc. to net book value) equalled 54%. This ratio equalled 58% in the previous year.

Current liquidity ratio (calculated as quotient of total current assets divided by total short-term liabilities) equalled 1.14 and has improved as compared to 1.0 in the year 2003.

Provisions and asset revaluation write-downs – 01.10.2004 – 31.12.2004

The following adjustments resulting from creation and reversal of provisions and asset revaluation write-downs were included in the consolidated statements of the Ciech Capital Group for the fourth quarter 2004.

Provisions created in the 4th Q 2004	PLN thousand
Income tax provision	2,357
Provision for retirement pays, holiday leaves, bonuses, compensations and similar	6,834
Provision for expected losses	8,705
Restructuring provision	1,390
Provision for expected liabilities (costs)	5,576
Total	24,862

Provisions reversed in the 4th Q 2004	PLN thousand
Income tax provision	432
Provision for retirement pays, holiday leaves, bonuses, compensations and similar	1,831
Provision for expected losses	6,820
Provision for liabilities (costs)	959
Total	10,042

Asset revaluation write-downs (increase) in the 4th Q 2004	PLN thousand
Receivables revaluation write-downs	4,534
Inventory revaluation write-downs	1,639
Tangible and intangible assets revaluation write-downs	450
Total	6,623



Asset revaluation write-downs (decrease) in the 4th Q 2004	PLN thousand
Receivables revaluation write-downs	24,543
Inventory revaluation write-downs	2,178
Tangible and intangible assets revaluation write-downs	3,284
Total	30,005

Deferred income tax assets in the 4th Q 2004	PLN thousand
Increase	2,333
Decrease	1,233

5. Ciech S.A. stockholders having at least 5% stocks/votes at the General Assembly – as at 01.03.2005

- State Treasury represented by the Minister of State Treasury – 10,270,800 stocks, which constitutes 36.68% of CIECH S.A. initial capital; 10,270,800 votes which constitutes 36.68% share in the total number of votes at the General Assembly.
- Franklin Resources, Inc. and its affiliates, comprising Franklin Mutual Advisers, LLC, Templeton Worldwide, Inc and their affiliates – 2,000,000 stocks which constitute 7.15% of CIECH S.A. initial capital; 2,000,000 votes which constitute 7.15% of total number of votes at the General Assembly.
- Commercial Union Open Pension Fund BPH CU WBK – 1,450,000 stocks, which constitutes 5.18 % of CIECH S.A. initial capital; 1,450,000 votes which constitutes 5.18% of total number of votes at the General Assembly.

Changes in the ownership structure of sizable Ciech S.A. stock/vote packets (at least 5%).

	Balance as at 15.11.04	Purchased stocks	Sold stocks	Balance as at 01.03.05
State Treasury	10,270,800			10,270,800
Franklin Resources, Inc and its affiliates, comprising Franklin Mutual Advisers, LLC, Templeton Worldwide, Inc and their affiliates	-	2,000,000	-	2,000,000
Commercial Union Open Pension Fund BPH CU WBK	-	1,450,000	-	1,450,000
Polskie Towarzystwo Ubezpieczeń S.A.	2,290,080	-	1,300,500	989,580

Changes in the ownership structure of Ciech S.A. stock/vote packets held by Ciech S.A. affiliates

	Balance as at 15.11.04	Purchased stocks	Sold stocks	Balance as at 01.03.05
Polskie Towarzystwo Ubezpieczeń S.A.	2,290,080	-	1,300,500	989,580
Inowrocławskie Zakłady Chemiczne Soda Mątwy SA	335,924	-	335,924	0
Janikowskie Zakłady Sodowe „Janikosoda” SA	440,260	-	440,260	0
Gdańskie Zakłady Nawozów Fosforowych Fosfory Sp. z o.o.	190,200	-	190,200	0
Zakłady Chemiczne Alwernia S.A.	95,100	-	95,100	0
Pertochemia Blachownia S.A.	236,878	-	236,878	0
InChem Sp. z o.o.*	752,030	-	752,030	0

*- Ciech Inwestycje Sp. z o.o. changed its name to InChem Sp. z o.o.

Changes in Ciech S.A. stocks held by Management Board and Supervisory Board members

	Balance as at 15.11.04	Purchased stocks	Sold stocks	Balance as at 01.03.05



Management Board	190,200	193,053	-	383,253
Supervisory Board	-	-	-	-

6. Major events occurring after the balance sheet date

On 10 February 2005 Ciech S.A. stocks debuted at the Warsaw Stock Exchange. In February 2004 Ciech S.A. affiliates sold Ciech S.A. stocks at the Warsaw Stock Exchange. Detailed information on the sale of these stocks is presented in section 5 of these notes.

7. Realisation of previously published forecasted results for the year

Financial forecasts for the Ciech Capital Group for the year 2004 (current report no. 5/2005) were published on 17 January 2005:

- revenues PLN 2,150 million
- net profit PLN 82 million

Consolidated net results for the year 2004 (PLN 82 million) was accomplished in compliance with the forecasts published for the year 2004. Generated consolidated net sales revenues were amounted to PLN 2,326 million. It is 8% more than the forecasted amount. Increase in revenues mostly resulted from the change in the form of account settlements i.e. the shift from commission sale to sale at own account. The revenue growth is also related to higher sales volume outside the Group than expected.

8. Pending proceedings in court of law, before arbitration panel or public administration body as at 31.12.2004

I. CIECH S.A.:

CIECH S.A. liabilities (domestic and foreign) subject of court lawsuit or arbitration

Claims of Petro Carbo Chem Aktiengesellschaft (PCC)

The lawsuit initiated by PCC AG in 2000 concerns payment of compensation amount to PLN 21,364 thousand and EUR 13,861.45 (equivalent of PLN 57 thousand) for defaulting Petrochemia Blachownia Sp. z o.o. share transfer agreement promised in initial agreement dated 09.07.1999. On 27.05.2003 District Court in Warsaw issued a verdict recognising claims of PCC AG to be founded by principle while not setting the amount of the compensation. Ciech S.A. appealed against the aforementioned verdict on 19.09.2003 accusing the initial verdict to contain incorrect legal assessment of actual circumstances and violation of material rights by assuming that the parties intended to conclude the agreement. At the hearing on 12.08.2004 the Court of Appeal upheld the contested verdict of the District Court i.e. confirmed claims of PCC while not setting the amount of compensation which will be subject to further proceedings. In November 2004 Ciech S.A. filed for invalidation of the verdict on the grounds of material rights violation resulting from incorrect interpretation and incorrect application and abuse of the principles of freedom of assessment of evidence by the Court of Appeal in breach of EU Directives.

If the verdict is invalidated PCC AG will be forced to prove the amount of claimed compensation – since according to Ciech S.A. – PCC AG claims are not documented.

Comexport Claims

The subject of the lawsuit filed in September 2003 by Comexport (Brazil) to the Court of Arbitration by the International Chamber of Commerce in Paris comprises compensation for incomplete delivery of Polish sulphur to Brazil in the years 1993-1999. The lawsuit was filed against Ciech S.A. and Sulphur Mines in Tarnobrzeg and Grzybów. Value of the lawsuit is USD 3,961,238 (PLN 11,846 thousand) comprising: lost profits of Comexport from undelivered quantities foreseen in the agreement to Brazilian customers, losses from overcharged freight costs etc. In November 2003 Ciech S.A. responded to the lawsuit by requesting dismissal of Comexport claims claiming possession of force majeure certificate confirming liquidation of the mines and restructuring of sulphur sector, lapse of the claims, failure to document the claims. Court of Arbitration appointed one arbiter to examine the dispute. Having examined the case the arbiter has set timetable of further proceedings and set the date of hearing on 21 February 2005. The date of the hearing will be postponed since the parties have not yet exchanged case files defined by the Court of Arbitration in the proceedings timetable. Original case document filing deadlines were postponed due to extensive mail regarding this case and large number of documents presented by the



parties. Ciech S.A. is represented by a renowned legal office in this lawsuit, which has determined Comexport claims to be unfounded in its earlier legal opinion.

Enepharm Claims

The subject of the lawsuit filed in June 2004 by the liquidator of Enepharm in Algeria is the amount of USD 172,879.84 (PLN 817 thousand) of compensation for Ciech S.A. delivery of medicines in the years 1985-1991.

According to the plaintiff Ciech S.A. did not exchange expired medicines not sold by the customer with usable medicines pursuant to the contract. Ciech S.A. claims that it was relieved from this obligation since the plaintiff did not transfer receivables for the medicines sold on the Algerian market.

The lawsuit was brought to Algerian court. Ciech S.A. is represented by a local attorney, who is supervised by a renowned attorney office in Paris. The hearing held on 3 October 2004 was adjourned indefinitely and Ciech S.A. is waiting for the Court to set a new date of hearings.

"Mirada" Janina Wyciszczok (Cresco) Claims

The subject of the dispute comprises interests amounting to PLN 4,050 thousand for defaulted – according to the plaintiff – reimbursement of PLN 246,420 thousand transferred by Cresco Financial Advisers Spółka z o.o. to Ciech S.A. account in 2001. Aforementioned amount was the price of series C stocks to be taken by Cresco company. Since the initial capital was not increased and stocks were not taken, Ciech S.A. returned the amount, although after deadline according to Cresco. CIECH S.A. claims that it concluded a settlement with Cresco in March 2003, which according to CIECH S.A. settled mutual claims of the parties. The receivables were acquired by the plaintiff as a result of transfer from Jarosław Witkowski, who acquired the rights from Cresco. The dispute was brought to Court of Arbitration by the National Chamber of Commerce in Warsaw. At the hearing on 8 February 2005 the parties upheld their current standing. The Court decided that the evidence material is insufficient and closed the hearing. Meanwhile the Court has ordered the parties to conclude a potential settlement within one month. On 22 February 2005 the parties negotiated terms of settlements, according to which Ciech shall pay to "Mirada" (Janina Wyciszczok) the amount of PLN 1,855 thousand covering all claims of the plaintiff. The parties informed the Court of Arbitration about the terms of settlement and are currently waiting for a verdict sanctioning the settlement.

As at 31.12.2004 in Company ledgers there was a provision for potential claims resulting from the aforementioned court cases in total amount of PLN 10,000 thousand.

Employee claims

Currently five lawsuits against the Ciech S.A. initiated by the former employees dismissed by the company for reasons attributable to the company are pending. The subject of the dispute is the employees' intention to regain employment. There expected outcome of the aforementioned lawsuits should be favourable to the Company.

Ciech S.A. receivables (domestic and foreign)

Receivables being subject of court or arbitration proceedings

Ciech S.A. has initiated fourteen active civil lawsuits for the total payment of PLN 902 thousand of trade and other receivables. Additionally a lawsuit writ was filed with the Court of Arbitration in Moscow for the payment of USD 354,927.58 (PLN 1,061 thousand)

Receivables enforced in administrative proceedings

Ciech S.A. has three pending lawsuits before the Supreme Administrative Court for the return of wrongly collected excise tax and for the return of customs duties amounting to PLN 427 thousand. Expected outcome should be favourable.

Receivables resulting from bankruptcy proceedings

Receivables amounting to PLN 19,494 thousand were submitted for domestic bankruptcy proceedings (sixty six cases). Ciech S.A. submitted receivables amounting to USD 539,854 and EUR 478,403 (totalling PLN 3,566 thousand) to foreign bankruptcy proceedings, while the largest item is related to bankruptcy proceedings of Chemapol – Praga (PLN 1,056 thousand) and Petromex – Bratislava (PLN 673 thousand). Expected outcome of these bankruptcy proceedings is unfavourable since Ciech S.A. receivables are not privileged.

Receivables in enforcement and composition proceedings

In domestic enforcement proceedings (twenty seven cases) Ciech S.A. is claiming a total amount of PLN 26,878 thousand from the debtors. The largest item covers enforcement proceedings against Sur5Net for the amount of PLN 17,619 thousand and enforcement proceedings against PHU Starter – Bogusław Lepiarz Częstochowa for the amount of PLN 6,275 thousand.

The expected outcome depends on the current assets of the debtors. Five composition proceedings are related to the amount of PLN 43 thousand. Expected outcome of composition proceedings is favourable.

Foreign exchange liabilities were converted into PLN at the following exchange rates:

USD rate	2.9904
EUR rate	4.0790

II. Subsidiaries

Soda Mątwy SA Capital Group

No claims (liabilities) were issued Against Soda Mątwy S.A. and its subsidiaries that might have significant impact on their activities. Passive lawsuits (liabilities) amount to PLN 62 thousand. In turn receivables claimed from debtors by Soda Mątwy S.A. and its subsidiaries in enforcement proceedings amount to PLN 27,477 thousand and the largest item amounting to PLN 21,814 thousand comprises trade receivables from B. Lepiarz. According to Soda Mątwy S.A. – the expected outcome is unfavourable.

Verdict in favour of Soda Mątwy S.A. against Sur5Net broker's office for the amount of PLN 5,663 thousand with statutory interest is also subject to enforcement. Enforcement proceedings are suspended due to Soda Mątwy S.A. lawsuit for disclosure of Sur5 Net assets. Remaining GK Soda Mątwy lawsuits comprise bankruptcy proceedings for the total amount of PLN 1,116 thousand and composition proceedings for the total amount of PLN 271 thousand.

Soda Mątwy S.A. Capital Group created revaluation write-downs for the pending lawsuits amounting to PLN 32,435 thousand.

Janikosoda SA Capital Group

No material claims (liabilities) were issued against Janikosoda S.A. and its subsidiaries, which might affect their activities. Three lawsuits based on complaints by Janikosoda S.A. against decisions of the Chief Inspector of Environmental Protection issued in the years 1999-2000 imposing fines amounting to PLN 2,330 thousand on Janikosoda S.A. for exceeding the permissible emission of air pollutants are being examined by the Supreme Administrative Court. Aforementioned proceedings have been suspended on joint request of the parties since 2002.

Total amount of remaining liabilities of Janikosoda Capital Group resulting from passive lawsuits amounts to PLN 531 thousand. Trade receivables of Janikosoda Capital Group from several debtors amount to PLN 470 thousand. Receivables amounting to PLN 2,119 thousand are subject to enforcement, of which the largest item amounting to PLN 2,104 thousand is enforced from B. Lepiarz. The amount of PLN 376 thousand is claimed in bankruptcy proceedings, and the amount of PLN 464 thousand is the subject of composition proceedings.

Janikosoda S.A. Capital Group created a revaluation write-down in the amount of PLN 3,268 thousand.

Vitrosilicon SA

The company did not report any claims (liabilities) issued against it that might affect its trade activities. The company is claiming trade receivables totalling PLN 1,317 thousand, of which the largest item comprises enforcement proceedings amounting to PLN 611 thousand and receivables claimed in bankruptcy proceedings amounting to PLN 470 thousand.

Vitrosilicon S.A. created a revaluation write-down for all pending proceedings.

Zakłady Chemiczne „Alwernia” SA Capital Group

No claims (liabilities) were issued against Alwernia Capital Group that might materially affect its financial results. Alwernia S.A. Capital Group claims trade receivables and compensations in court and in enforcement proceedings totalling PLN 584 thousand from the debtors. Amount of PLN 687 thousand was submitted to bankruptcy proceedings.

Zakłady Chemiczne Alwernia S.A. Capital Group has created revaluation write-down for all pending proceedings.

Chemian SA



No claims (liabilities) were issued against Cheman S.A. that might materially affect its financial results. Cheman S.A. is pursuing trade receivables amounting to PLN 4,017 thousand from several debtors in court, of which PLN 1,906 thousand in enforcement proceedings and receivables amounting to PLN 766 thousand are enforced in bankruptcy proceedings. In active lawsuits Cheman S.A. is pursuing trade receivables amounting to PLN 1,266 thousand. Cheman S.A. created a revaluation write-down for all pending proceedings.

GZNF „Fosfory” Sp. z o.o. Capital Group

No claims (liabilities) were issued against Fosfory Capital Group that might materially affect its business activities. Fosfory Capital Group is claiming receivables in the amount of PLN 2,769 thousand, for which a revaluation write-down was created, from several debtors in court and enforcement proceedings.

Petrochemia – Blachownia SA Capital Group

GK Petrochemia Blachownia did not receive any material claims (liabilities). Petrochemia-Blachownia S.A. is pursuing receivables related to conducted business activities amounting to PLN 543 thousand from several debtors in enforcement proceedings. Petrochemia-Blachownia S.A. reported receivables amounting to PLN 170 thousand enforced in bankruptcy proceedings.

A revaluation write-down was created for all aforementioned receivables.

Ciech Service Sp. z o.o.

The Company is a defendant in one employee dispute for the payment of PLN 100 thousand + statutory interests initiated by a former employee.

The company created a revaluation write-down for the entire claim.

9. Information concerning untypical or not routine transactions concluded by Ciech S.A. or its subsidiary with affiliated entities (according to information provided by the companies)

Name of entity, with which the transaction was concluded	Company's relation to the transaction party	Subject of transaction	Material terms of transaction (PLN thousand)		Additional information
			Financial Terms	Specific terms of the agreement, notably terms deviating from commonly accepted terms for this type of agreement	
Ciech SA					
Cheman Sp. z o.o.	subsidiary	taking of shares in increased subscribed capital	4,900		in 2004 advance was transferred to increase subscribed capital of the company, which will be registered in 2005
Soda Mątwy S.A.					
Ciech S.A.	dominant entity	redemption of 50 commercial notes PLN 100 thousand of par value	5,000	interest of 7.5% p.a. calculated on the basis of WIBOR 3M rate with 1% margin	Call Option date 24 November 2004, purchase price PLN 4,907 thousand, discount of PLN 93 thousand
Janikosoda SA					
Ciech SA	dominant entity	redemption of 50 commercial notes PLN 100 thousand of par value	5,000	interest of 7.5% p.a. calculated on the basis of WIBOR 3M rate with 1% margin	Call Option date 24 November 2004, purchase price PLN 4,907 thousand, discount of PLN 93 thousand
Cheman SA					



Name of entity, with which the transaction was concluded	Company's relation to the transaction party	Subject of transaction	Material terms of transaction (PLN thousand)		Additional information
			Financial Terms	Specific terms of the agreement, notably terms deviating from commonly accepted terms for this type of agreement	
Ciech SA	dominant entity	Ciech S.A. transferred PLN 4,900 thousand to Cheman S.A. to increase initial capital	4,900		

10. Information concerning loan or credit collateral or guarantees granted by Ciech S.A. or its subsidiaries (according to information provided by the companies)

Granted collateral and guarantees

Name of entity receiving collateral	Amount of secured credit which were secured entirely or partially		Period of collateral	Financial terms of collateral, taking into account company's remuneration for granting collateral	Entity whose liability was secured with collateral	Nature of affiliation between Ciech S.A. and the borrower
	currency	PLN thousands				
Ciech SA						
NFOŚiGW in Warsaw		4,185	until 31.03.06		Z.CH. Soda Małtywy S.A.	subsidiary
KREDYT BANK S.A. Branch in Sieradz		4,500	until 31.08.2005	payment towards Ciech S.A. amounting to 1% of collateral value	Cheman SA - Warszawa	subsidiary
KREDYT BANK S.A. Branch in Sieradz		2,150	until 31.08.05	payment towards Ciech S.A. amounting to 1% of collateral value	Cheman SA - Warszawa	subsidiary
BANK HANDLOWY S.A.		1,200	until 01.05.05	payment towards Ciech S.A. amounting to 1% of collateral value	Ciech-Polfa Sp. z o. o.	subsidiary
BANK HANDLOWY S.A.		4,800	until 01.05.05	payment towards Ciech S.A. amounting to 1% of collateral value	Ciech-Polfa Sp. z o. o.	subsidiary
PKN ORLKEN S.A.		1,200	indefinitely	payment towards Ciech S.A. amounting to 1% of collateral value	Cheman SA - Warszawa	subsidiary
BRE BANK S.A.	USD 500	1,495	until 14.10.05	payment towards Ciech S.A. amounting to 1% of collateral value	Cheman SA - Warszawa	subsidiary
BANK PKO S.A. I Branch in Warsaw		4,000	until 31.07.05	payment towards Ciech S.A. amounting to 1% of collateral value (on PLN 2 million) + PLN 10,000 on the increase	Cheman SA	subsidiary



Name of entity receiving collateral	Amount of secured credit which were secured entirely or partially		Period of collateral	Financial terms of collateral, taking into account company's remuneration for granting collateral	Entity whose liability was secured with collateral	Nature of affiliation between Ciech S.A. and the borrower
	currency	PLN thousands				
Total Ciech SA		23,530				
Petrochemia Blachownia SA						
Bank Ochrony Środowiska S.A.		2,000	until December 2005	none	ZK Zdieszowice Sp. z o.o.	no affiliation
Bank PKO BP S.A.		300	until July 2010	none	BI-Trans Sp. z o.o.	indirect subsidiary
Total Petrochemia Blachownia SA		2,300				
Soda Mątwy S.A.						
ING BSK Leasing S.A.		2,370	until 31.03.07	none	Transoda Sp. z o. o.	indirect subsidiary
Total Soda Mątwy SA		2,370				
Janikosoda S.A.						
BOŚ Poznań	EUR 2 846	11,611	until 16.11.09	no remuneration	Vitrosilicon S.A.	subsidiary
Total Janikosoda SA		11,611				
Alwernia SA						
BOŚ Kraków		1,000	until January 2005	Deposit of USD 400 thousand with interest on market terms at BOŚ constitutes collateral	Alwernia Chrom Sp. z o. o.	indirect subsidiary
Total Alwernia SA		1,000				
Total secured credits		40,811				

Name of entity receiving collateral	Total amount of secured loans which were secured entirely or partially		Period of collateral	Financial terms of collateral, taking into account company's remuneration for granting collateral	Entity whose liability was secured with collateral	Nature of affiliation between Ciech S.A. and the borrower
	currency	PLN thousands				
Soda Mątwy SA						



Narodowy Fundusz Ochrony Środowiska		1,800	until 31.12.06	real estate tax obligation to Inowrocław Municipality	Inowrocław Municipality	no affiliation
Total Soda Mątwy SA		1,800				

11. Additional information

Pursuant to art. 58 par. 1 pt. 1 and par. 2 of the Accounting Act other members of the Ciech Capital Group were not consolidated. The Management Board's choice of consolidated entities was based on the materiality of their financial data required to reliably and clearly present the assets and financial condition as well as the financial result of the Capital Group. It was assumed that entities which balance sheet total and net goods and supplies sales revenues as well as financial income is insignificant as compared to analogous amounts disclosed by the dominant entity and which cumulative data is lower than 5% of respective cumulative amounts (of all Ciech Capital Group subsidiaries) are immaterial and therefore insignificant to the fulfilment of obligation resulting from art. 4 par. 1 of the Accounting Act.

Not consolidated entities	Ciech S.A. share in the company (direct + indirect)	Net goods and product sale revenues and financial income**	Balance sheet total of the entity/Group**	Net Profit / Loss	Share in Ciech S.A. revenues	Share in Ciech S.A. balance sheet total	Affiliation to Ciech S.A.
1) Chemia.com SA	100.00%	958	948	63	0.06%	0.12%	subsidiary
2) Polcommerce GmbH, Austria	100.00%	22,573	4,050	197	1.51%	0.49%	subsidiary
3) Ciech-Service Sp. z o.o.	100.00%	4,316	2,056	14	0.29%	0.25%	subsidiary
4) Boruta-Kolor Sp. z o.o.	100.00%	21,920	21,428	504	1.47%	2.60%	subsidiary
5) Polcommerc Ltd., Węgry	100.00%	3,134	1,334	387	0.21%	0.16%	subsidiary
6) Soda Mątwy Capital Group							
6.1.) Soda-Med. Sp. z o.o.	90.96%	1,010	5,632	39	0.07%	0.68%	indirect subsidiary
7) Janikosoda Capital Group							
7.1.) Jantrans - Janikowo Sp. z o.o.	90.31%	13,516	11,086	124	0.86%	1.30%	indirect subsidiary
8) Nordiska Unipol AB	97.78%	1,877	797	-79	0.90%	1.35%	subsidiary
9) Alwernia Capital Group							
9.1.) Alwernia Fosforany Sp. z o.o.*	73.75%	0	50	0	0.00%	0.01%	indirect subsidiary
9.2.) Oczyszczalnia Alwernia Sp. z o.o.	71.46%	282	681	6	0.02%	0.08%	indirect subsidiary



Not consolidated entities	Ciech S.A. share in the company (direct + indirect)	Net goods and product sale revenues and financial income**	Balance sheet total of the entity/Group**	Net Profit / Loss	Share in Ciech S.A. revenues	Share in Ciech S.A. balance sheet total	Affiliation to Ciech S.A.
9.3.) Soc-Al. Sp. z o.o.	69.88%	1,999	1,725	4	0.13%	0.21%	indirect subsidiary
10) Chemiepetrol GmbH	60.00%	37,189	6,775	691	2.49%	0.82%	subsidiary
11) Danske UmipolA/S	55.00%	19,967	2,909	484	1.34%	0.35%	subsidiary

* entity does not conduct any activities

** accrued revenues from 1 January 2004 to 31 December 2004, balance sheet total as at 31 December 2004.

Total value	Not consolidated entities	Ciech Group (without exclusions)	% Share
Balance sheet total	59,471	2,235,914	2.66%
Net goods and product sale revenues and financial income	128,741	3,876,276	3.32%

Additionally indirect affiliate Suomen Unipol Oy and joint subsidiary InChem Sp. z o.o. of the Ciech Capital Group were not valued using the ownership method. Valuation of these entities in the consolidated statements is insignificant.

Entities not valued using the ownership method	Indirect Ciech S.A. share in the company	Ciech S.A. share in the company (direct + indirect)	Ciech Capital Group share in equity as at 31.12.2004 (PLN thousand)	Purchase value (PLN thousand)	Purchase revaluation write-down (PLN thousand)
1) Suomen Unipol Oy	15.00%	24.78%	744	132	0
2) InChem Sp. z o. o.	50.00%	50.00%	243	2,702	2,702

Entities not valued using the ownership method	Entity's net goods and product sale revenues and financial income (PLN thousand)	Entity's balance sheet total (PLN thousand)	Net profit (loss) (PLN thousand)
1) Suomen Unipol Oy	45,347	8,043	589
2) InChem Sp. z o. o.	3,258	12,464	441

Ciech S.A. has additional stocks/shares of entities which control was limited or lost:

- Calanda Polska Sp. z o.o.- in liquidation 9570% shares/votes directly owned by Ciech S.A.
- ZAO-Polfa Ciech, Russia – in bankruptcy 65.00 % shares/votes directly owned by Ciech S.A.
- Polsin-Karbid Sp. z o. o – in bankruptcy 22.76% of total shares/votes owned by Ciech S.A., shares/votes (direct + indirect) through Ciech S.A. and Polsin Pte.Ltd.
- K. Foster & Son Ltd – loss of control, receivership established at the end of 2003, 46.51% indirect shares/votes of Ciech S.A. through Daltrade Plc.
- Polfa Nigeria – loss of control, lack of contact with the company, 20% direct share of Ciech S.A.



12. Other information

In the fourth quarter 2004 there were no other material events in the Ciech Capital Group.

13. Factors which might affect the next quarter's results:

The most important factors related to the Ciech Capital Group environment which will affect the results in the near future comprise European and global market conditions, notably in Poland:

- GDP growth rate
- interest rate fluctuations
- chemical sector and glazing industry market conditions
- direct subsidies and structural funds in the agriculture
- raw material prices
- PLN/EUR and PLN/USD exchange rates

Admission of Ciech S.A. stocks into public circulation and securing of funds from the public equity market will also have a significant impact.

Among internal factors the following will have a material impact on the result of the Ciech Capital Group:

- implementation of Ciech strategy focusing on primary products in individual product divisions and gradual shift away from secondary products, which are less profitable than primary product portfolio.
- implementation of technological investments, including: construction of monohydrate installation, increasing silicate and silicon dioxide production output, construction of second glass hollow brick production line, development of national distribution system for evaporated salt; the purpose of technological investments is to improve quality and properties of manufactured products (monohydrate investment), increasing production output of highly profitable products (silicates, glass hollow bricks) and launch of new products which might gain the leading position (fodder phosphates); evaporate salt project should enable the company to enter the evaporated salt distribution market and development of its own brand.
- implementation of operating efficiency programmes in the Ciech Capital Group companies.
- After 1st Q 2005 the Ciech Capital Group will draft interim consolidated statements in compliance with International Accounting Standards.

